

DIAMOND VENTURES NL
ABN 82 062 091 909
and controlled entities

FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2003

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2002 and any public announcement made by Diamond Ventures NL during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

DIRECTORS' REPORT

DIRECTORS

The names of directors who held office during or since the end of the half year are Mr Ronald J Hawkes, Mr Walter R Bucknell and Mr Donald L Cooper.

REVIEW OF OPERATIONS

Gold

TOUQUOY GOLD PROJECT, NOVA SCOTIA, CANADA

(Diamond Ventures may earn up to 75%)

DDV has entered into an Agreement with Moose River Resources Inc (MRRI), a private Canadian company, to earn up to a 75% interest in the Touquoy Gold Project which is located in the Province of Nova Scotia.

The Touquoy Gold Project covers approximately 1300 hectares and is located in the vicinity of several former producing gold mines. Indicated resources for the Property of 3.8 million tonnes @ 2.22 g/t Au (274,000 contained ounces of gold) and inferred resources of 1.9 million tonnes @ 2.15 g/t Au (131,000 contained ounces of gold) have been estimated by Watts, Griffis and McQuat – Consulting Geologists and Engineers. The 405,000 ounce gold resource is defined by 169 diamond drill holes many of which intersect gold mineralisation from surface, over widths exceeding 100 metres vertically.

Results of preliminary pit design and engineering testwork reported by Watts, Griffis and McQuat indicate a low stripping ratio, metallurgical recoveries in excess of 90% and favourable grindability characteristics.

There is considerable potential to extend the existing resources and to discover additional gold resources elsewhere along the 9 km prospective strike length of the Property.

Under the Agreement DDV

- is committed to make a cash payment of CAD\$40,000 to MRRI in 2003
- may earn a 60% interest in the entire Property by spending CAD\$500,000 prior to 31 December 2004 and a total of CAD\$2.2 million before 31 December 2005 on exploration, evaluation and development of the Property, and by making additional cash payments totalling CAD\$200,000 to MRRI. The additional cash payments are monthly payments of CAD\$10,000 commencing January 2004
- may earn an additional 15% interest in the Exploration Block, which comprises the major part of the Property outside the currently defined resource area, upon securing project financing for the Project.

DDV will be the operator and manager of the Project and will arrange project financing in respect of MRRI's minority interest.

DDV personnel are currently inspecting drill core and evaluating previous exploration data from past technical reports that include gold recovery data from a 57,000 tonne bulk sample, preparatory to finalising a drilling program.

The early results of the evaluation confirm the potential for additional proximal resources provided that drilling funds are available, and encourage optimism about a potentially commercial operation.

BEACONSFIELD, TASMANIA

(DVNL may earn 8% royalty interest)

Exploration of the Beaconsfield Mine property is being advanced by DDV pursuant to an Agreement that provides DDV the right to earn an 8% gross production royalty in any discoveries it makes within the 85 km² property, excluding the Beaconsfield Gold Mine. Past production and reserves at Beaconsfield amount to more than 1.5 million ounces of gold and the operation is currently estimated to be producing at an annualised rate of about 100,000 ounces of gold.

Since commencing exploration activity in November 2002, DDV has undertaken an extensive soil geochemical survey covering 9 km over the central Cabbage Tree thrust slice as well a stream sediment survey over the western part of the property. As result of these activities 12 very attractive anomalous zones have been identified and these are being drilled and evaluated in a systematic manner.

MT DRYSDALE, near COBAR, NEW SOUTH WALES

DDV has been granted an Exploration Licence at Mt Drysdale, located 30 km north of the Peak Gold Mine at Cobar, now operated by Wheaton River Minerals Ltd with annual production of about 110,000 ounces gold. This Exploration Licence covers historic gold workings in similar stratigraphy and mineralised host rocks as at the Peak Mine. A 1980s drill intersection of 46 m @ 0.46 g/t from 6 m depth is reported from a single isolated drill hole at the Billagoe workings. Further north an undrilled IP anomaly over 1 km in length is associated with the Mt Drysdale workings.

KOOKYNIE GOLD PROJECT, WESTERN AUSTRALIA

(Diamond Ventures may earn 50%)

DDV has previously announced that it will be restricting its activities at Kookynie to the Butterfly Development Area in which it holds a 50% interest. This Development Area includes the Clark, Butterfly, Admiral and Redlake gold deposits, and where mining undertaken by Sons of Gwalia at Butterfly during late 2002/2003 returned revenues of \$300,000 to DDV. Underground development of the Admiral deposit (Probable Reserves of 18,000 ounces) is being evaluated jointly by DDV and its joint venturer Barmenco Pty Ltd.

Diamonds

ELLENDALE, WESTERN AUSTRALIA

(Diamond Ventures 53%, may earn up to 60%)

No fieldwork was undertaken during the period.

BINGARA PROJECT, NEW SOUTH WALES

(DVNL 10% NPI, reducing to 5% NPI after receipts of \$2.0 million)

The project operator Cluff Resources Pacific NL, continues exploration activity centred around the Monte Christo mine at Bingara, NSW.

CORPORATE

In June 2003 DDV completed a private placement of 11.3 million fully paid ordinary shares at a price of 5 cents per share to raise approximately \$565,000. The funds raised are being directed towards ongoing exploration and in undertaking further resource definition and technical work required to develop the Touquoy Gold Project as a commercial stand-alone gold mining operation.

Signed at Sydney this 10th day of September 2003 in accordance with a resolution of the directors

A handwritten signature in black ink, appearing to read 'W R Bucknell', written in a cursive style.

W R Bucknell
Director

STATEMENT OF FINANCIAL PERFORMANCE

For the 6 months ended 30 June 2003

	CONSOLIDATED 30 JUNE 2003 \$	CONSOLIDATED 30 JUNE 2002 \$
Revenue from ordinary activities	116,405	15,513
Depreciation and amortisation expense	(2,698)	(3,876)
Employee and Director benefits expense	(135,069)	(97,573)
Consultants expenses	(28,259)	(61,170)
Occupancy expenses	(20,862)	(16,741)
Other expenses from ordinary activities	(15,553)	(15,494)
Loss from ordinary activities before income tax expense	(86,036)	(179,341)
Income tax expense relating to ordinary activities	—	—
Net loss	(86,036)	(179,341)
Basic (loss) per share (cents per share)	(0.1)	(0.3)
Diluted (loss) per share (cents per share)	(0.1)	(0.3)

The consolidated statement of financial performance should be read in conjunction with the accompanying Notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2003

	CONSOLIDATED 30 JUNE 2003 \$	CONSOLIDATED 31 DECEMBER 2002 \$	CONSOLIDATED 30 JUNE 2002 \$
Current assets			
Cash assets	878,998	1,074,017	1,554,162
Receivables	66,778	21,475	23,676
Other current assets	28,148	6,903	14,856
Total current assets	973,924	1,102,395	1,592,694
Non-current assets			
Property, plant and equipment	14,087	16,385	19,054
Exploration expenditure	2,400,108	1,846,200	1,747,435
Total non-current assets	2,414,195	1,862,585	1,766,489
TOTAL ASSETS	3,388,119	2,964,980	3,359,183
Current liabilities			
Payables	83,338	133,463	146,651
Provisions	8,800	8,500	8,000
Total current liabilities	92,138	141,963	154,651
TOTAL LIABILITIES	92,138	141,963	154,651
NET ASSETS	3,295,981	2,823,017	3,204,532
Equity			
Contributed equity	16,125,405	15,566,405	15,520,686
Accumulated Losses	(12,829,424)	(12,743,388)	(12,316,154)
TOTAL EQUITY	3,295,981	2,823,017	3,204,532

The consolidated statement of financial position should be read in conjunction with the accompanying Notes.

STATEMENT OF CASH FLOWS

For the half year ended 30 June 2003

	CONSOLIDATED 30 JUNE 2003 \$	CONSOLIDATED 30 JUNE 2002 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	100,000	–
Payments to suppliers and employees (inclusive of GST)	(316,117)	(47,305)
Interest received	16,405	15,513
Net cash used in operating activities	(199,712)	(31,792)
Cash flows from investing activities		
Payments for property, plant and equipment	(399)	(3,267)
Payments for exploration expenditure	(553,908)	(297,130)
Net cash used in investing activities	(554,307)	(300,397)
Cash flows from financing activities		
Proceeds from share issues	565,000	1,119,351
Share issue costs	(6,000)	(24,000)
Net cash provided by (used in) financing activities	559,000	1,095,351
Net increase/(decrease) in cash held	(195,019)	763,162
Cash at 1 January 2003	1,074,017	791,000
CASH AT 30 JUNE 2003	878,998	1,554,162

The consolidated statement of cash flows should be read in conjunction with the accompanying Notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF HALF YEARLY FINANCIAL REPORT

Financial Reporting Framework

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 Interim Financial Reporting, the recognition and measurement requirements of applicable AASB Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Diamond Ventures NL and its controlled entities. Diamond Ventures NL is a listed public company, incorporated and domiciled in Australia.

The interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2002 and any public announcement made by Diamond Ventures NL during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Company has adopted the revised AASB 1021 Foreign Currency Translation, AASB 1028 Employee Benefits, AASB 1044 Provisions, Contingent Liabilities and Contingent Assets and relevant new pronouncements with no material impact.

The half year consolidated financial report has been prepared on the basis of a going concern. This basis assumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Company will be able to fund future operations through equity raising and the joint venturing or sale of interest held in mineral tenements and projects.

NOTE 2: LOSS PER SHARE

	2003	2002
Basic and diluted earnings/(loss) per share (cents per share)	(0.1)	(0.3)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings (loss) per share	83,981,120	60,282,171

NOTE 3: REVENUE

	CONSOLIDATED 30 JUNE 2003 \$	CONSOLIDATED 30 JUNE 2002 \$
Operating revenue		
Interest – Other entities	16,405	15,513
Mining income	100,000	–
Total revenue from ordinary activities	116,405	15,513

NOTE 4: INCOME TAX

	CONSOLIDATED 30 JUNE 2003 \$	CONSOLIDATED 30 JUNE 2002 \$
The prima facie income tax on pre-tax accounting loss reconciles to the income tax expense/benefit in the financial statements as follows:		
Loss from ordinary activities	(86,036)	(179,341)
Prima facie income tax benefit calculated at 30% (2002 30%) of operating profit	(25,811)	(53,802)
Future income tax benefits not recognised	25,811	53,802
Income tax expense attributable to operating profit	–	–

NOTE 5: EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Costs carried forward in respect of areas of interest in:

Exploration and evaluation phases	2,400,108	1,747,435
Reconciliations		
Opening balance	1,846,200	1,449,761
Expenditure incurred during current period	553,908	297,674
Closing balance as shown in the consolidated statement of financial position	2,400,108	1,747,435

NOTE 6: ACCUMULATED LOSSES

Accumulated losses at beginning of half-year	(12,743,388)	(12,136,813)
Net loss for half-year	(86,036)	(179,341)
Accumulated losses at end of half-year	(12,829,424)	(12,316,154)

NOTE 7: CONTRIBUTED EQUITY

	30 JUNE 2003	31 DECEMBER 2002	30 JUNE 2002
	No.	No.	No.
Fully paid ordinary shares	94,663,634	83,363,634	82,156,707
	\$	\$	\$
Contributed equity	16,125,405	15,566,405	15,520,686

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Movements in ordinary share capital

Balance at beginning of half-year	15,566,405	15,520,686	14,425,118
Shares issued during the half-year	565,000	–	1,107,780
Transaction costs relating to share issue	(6,000)	–	(23,783)
Shares issued in lieu of services	–	45,719	11,571
Balance at end of half-year	16,125,405	15,566,405	15,520,686

On 24 June 2003 Diamond Ventures NL completed a private placement of 11.3 million fully paid ordinary shares at a price of 5 cents per share to raise \$565,000. Transaction costs of \$6000 were recognised as a reduction of the proceeds of issue.

NOTE 8: CONTINGENT LIABILITIES

The value of the mining tenements is dependent on the discovery of commercially viable reserves and the successful development or alternatively sale, of the respective tenements. The Consolidated Entity's exploration properties may at some future time be subject to claims under native title or contain sacred sites or sites of significance to Aboriginal people. In the event of any such claim being made and the National Native Title Tribunal ratifying such claim, the Consolidated Entity's exploration properties or areas within the tenements may be subject to exploration and/or mining restrictions or compensation.

NOTE 9: SEGMENT INFORMATION

During the year the Consolidated Entity operated predominantly in one business segment being precious mineral exploration in Australia.

NOTE 10: EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since 30 June 2003 that have significantly affected or may significantly affect the consolidated entity's operations in future financial years, or the results of those operations in future financial years, or the consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the opinion of the directors of Diamond Ventures NL ('the Company'):

1. the financial statements and notes set out on pages 6 to 11 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2003 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 1029 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



W R Bucknell
Director

Sydney, 10 September 2003

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF DIAMOND VENTURES NL

Scope

We have reviewed the financial report of Diamond Ventures NL for the half year ended 30 June 2003, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying Notes 1 to 10 and the directors' declaration set out on pages 6 to 12. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on basis of procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Australian Accounting Standard AASB 1029 Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investment Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Diamond Ventures NL is not in accordance with:

- a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2003 and of its performance for the half year ended on that date; and
 - ii) complying with Accounting Standard AASB 1029 Interim Financial Reporting and the Corporations Regulations 2001, and
- b) other mandatory professional reporting requirements in Australia.

Going concern concept

Without qualification to the statement expressed above, attention is drawn to the following significant matter.

The financial report has been prepared on a going concern basis as discussed in Note 1, which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated Entity's ability to fund future operations is dependent upon the achievement of future profits, equity raisings and the joint venturing or sale of interest held in mineral tenements and projects to provide sufficient funds to meet liabilities.

KPMG

Trent van Veen
Partner

Sydney, 10 September 2003