



DIAMOND VENTURES NL

annual report 2004



DIAMOND VENTURES NL

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ANNUAL REPORT 2004

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Diamond Ventures has experienced a successful year from a number of different perspectives which include the strength of the gold price, continued encouragement and success at the Touquoy Gold Project and support for a fund raising to further advance the bankable feasibility study for the Project and undertake exploration drilling on newly acquired exploration licenses.

In last year's Chairman's Review I stated that 'the past year has seen a further strengthening of the gold price and while there have been ups and downs, this positive atmosphere appears determined to continue'. Certainly the positive atmosphere did continue and there are expectations that the next year will again be positive for gold. This is an excellent environment to be planning development of a gold mine. Providing funds are available and the gold price remains strong, we look forward to a very successful 2005/2006.

The Touquoy property covers approximately 1300 hectares located in the vicinity of several former producing mines. Since its involvement in the Project, Diamond Ventures has increased resources by 40% over the 405,000 ounces defined at the outset which were largely delineated by WMC'S work in the late 1980s when they held the project. The total Project resource now stands at 571,000 ounces of gold contained in 8.43 million tonnes of ore at an average grade of 2.1 grams per tonne.

The mine development strategy will be able to capitalise on the deposit's low waste to ore ratio, its excellent metallurgical recoveries and soft ore. Current resources anticipate a mine life of 5 years and we are optimistic that the mine life can be extended by at least another 2 years.

Potential production sources include extensions to the existing deposits and repetitions of the Touquoy deposit along strike. In addition, Diamond Ventures has acquired a large holding of exploration leases on ground that has potential for additional Touquoy style deposits. As the company has completed various activities this year our view of the significance of this potential has been enhanced and therefore I commend this view to you for serious consideration.

The general area is covered by a 5 to 20 metres layer of glacial till and previous explorers have been hampered by their inability to 'see' through the cover. By using the same drilling techniques as commonly used in Western Australia we are able to penetrate this till and directly test the bedrock.

The region of Nova Scotia containing Touquoy has a long history of mining that continues today. Within 50 km of Touquoy is the world's largest gypsum mine, several coal mines and a former zinc mine and plant. Rio Algom previously operated a large open pit tin mine in the south-west part of the province.

The presence of a local mining culture is important for Touquoy as the region will be able to provide a skilled workforce and local councils and communities have an understanding of the mining industry and its needs and benefits. Infrastructure is of a high standard and Canada has low political risk which is very positive for investors and financiers. The Provincial Government is a very strong advocate of the mining industry in Nova Scotia.

Diamond Ventures recently raised funds from its long term faithful shareholders and from new investors. The funds will be used to further advance the bankable feasibility study on the Touquoy Project and to undertake regional exploration with the objective of discovering similar Touquoy style gold deposits. We are thankful to those shareholders who participated in this funding.

I wish to thank the staff, consultants, advisers and other board members for their contribution to the Company's achievements during the year. I also wish to thank the board of Moose River Resources Inc. for their counsel, co-operation and assistance at Touquoy. In particular I wish to thank Wally Bucknell for his outstanding dedication and the application of his exploration talents to Diamond Ventures' properties.

Together with other shareholders I anticipate a very successful year.

R J Hawkes
Chairman

Monsieur Damas Touquoy (seated at right front, in the bowler hat) was a French prospector who sought his fortune in Nova Scotia after success in the Australian goldfields. Like Diamond Ventures, M. Touquoy, with his friend M. Kaulbach (shown far right with his hand on M. Touquoy's shoulder) turned the skills he had developed in Australia into success in Nova Scotia. This photo was kindly provided to Diamond Ventures by Ethel Miller, who has lived in Moose River for most of her 92 years.

Rear: Unknown miner, Smith Higgins, Lyza Redden (Ethel's grandmother), Billy Redden, Angus Redden (grandfather), Tom Tinny, Rebecca Higgins, 2 unknown miners, M. Kaulbach. Front: Unknown miner, Wallace Redden (uncle), unknown little girl, Neil Redden (uncle) and Damas Touquoy.



Touquoy Gold Project

Summary

The Touquoy Gold Project has been advanced to the Feasibility Study stage. The key drivers in underpinning this achievement have been:

- A 40% increase in the resource inventory to 571,000 ounces gold
- Establishment of an in-pit resource of 6.8 million tonnes @ 2.0 g/t for 425,000 recovered ounces gold in the Touquoy deposit
- Confirmation of:
 - low waste:ore ratio at 3.5:1
 - excellent metallurgical characteristics of the ore with >95% recovery
 - soft ore with Bond ball mill work index of ≤ 10
- Confirmation of the anticipated capital and operating costs as a result of site visits by consultant mining and process engineers.
- Advancement of the permitting process with no major issues of concern in relation to environmental, archaeological and social matters.

Furthermore the potential for DDV to discover and/or develop additional resources within trucking distance of the proposed plant are excellent given that:

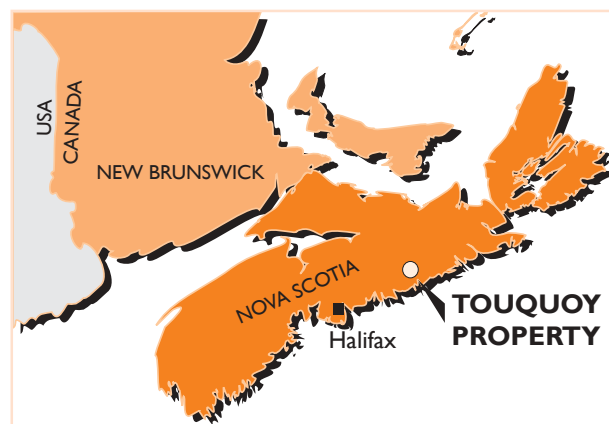
- Reconnaissance geochemical drilling within the property highlights a 4km long corridor of anomalous gold and arsenic encompassing the existing resources
- Some 420 km² of wholly-owned, effectively unexplored ground, much of which is along strike from known gold occurrences and deposits, has been pegged by DDV within a radius of 25 km of the proposed plant, with testing of this ground planned for 2005.

Location

The Project is located in central Nova Scotia approximately 1.5 hours by sealed road from Halifax (*see figure 1*). Halifax is a major port with substantial heavy industry facilities. The region around Touquoy is mostly forested and supports a commercial forestry industry.

Skilled labour services and housing are available in the nearby Musquodoboit Valley, where the world's largest gypsum mine, an open-pit operation having produced over 100 million tonnes of gypsum since the mid-1950s, is in production. Limestone and coal production facilities are also located in the region. Three-phase power is available approximately 20 kilometres from Touquoy.

Figure 1: Touquoy is located about 1½ hours drive along sealed roads northeast of Halifax



History

Gold was first discovered in Nova Scotia in 1861 at Mooseland, located about 15 km southeast from Moose River Gold Mines, site of the Touquoy deposit (see figure 3). Mining began at Moose River Gold Mines in 1877, an eminent proponent being M. Damas Touquoy, and continued intermittently until 1936, with numerous small underground operations and open pits developed around the central part of the project area. About 26,000 ounces of gold are reported to have been recovered from 150,000 tonnes of slate, quartz and overburden material.

The deposit has undergone several exploration campaigns since 1986. These include:

- **Seabright Exploration Inc.** 1986-87: 143 diamond drill holes for 19,523 metres drilled around the Higgins and Lawlor prospect and

eastwards towards Touquoy (see figure 2).

Seabright was taken over by Western Mining Corporation in late 1987.

- **Westminer Canada Limited** (a subsidiary of Western Mining Corporation) 1988-89: 129 diamond drill holes for 12,722 metres drilled on the Touquoy zone and surrounds. Mining and processing of a 57,000-tonne bulk sample taken from near-surface mineralisation at the western end of the deposit.
- **Moose River Resources Inc.** 1996: 38 diamond drill holes for 2,669 metres and 37 percussion holes for 1,110 metres.
- **Aurogin Resources Ltd** 2002: five percussion and one diamond drill holes for 381 metres, completed under agreement with Moose River Resources Inc.

Figure 2: This 4 km-long corridor of gold-enriched rocks encompassing the Touquoy and Touquoy West gold deposits is yet to be comprehensively explored.

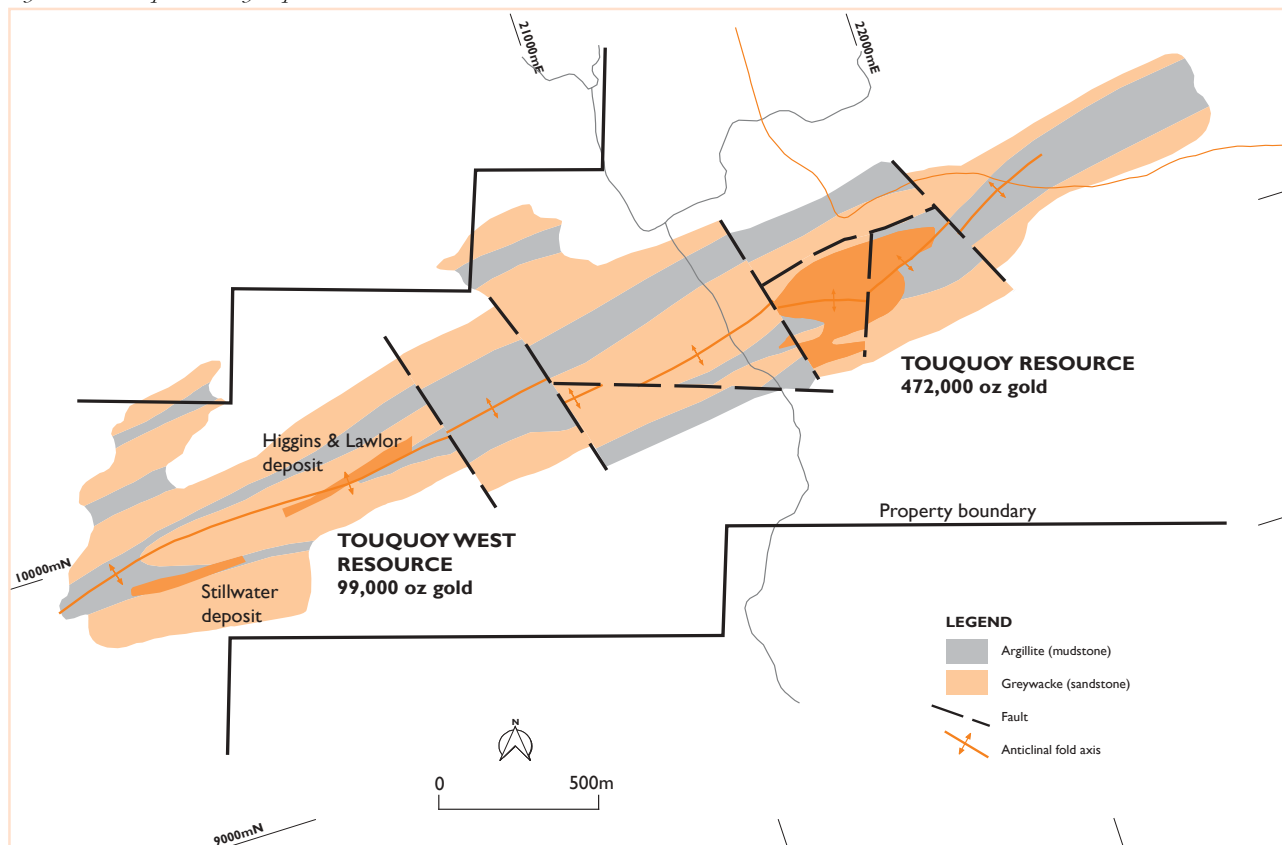
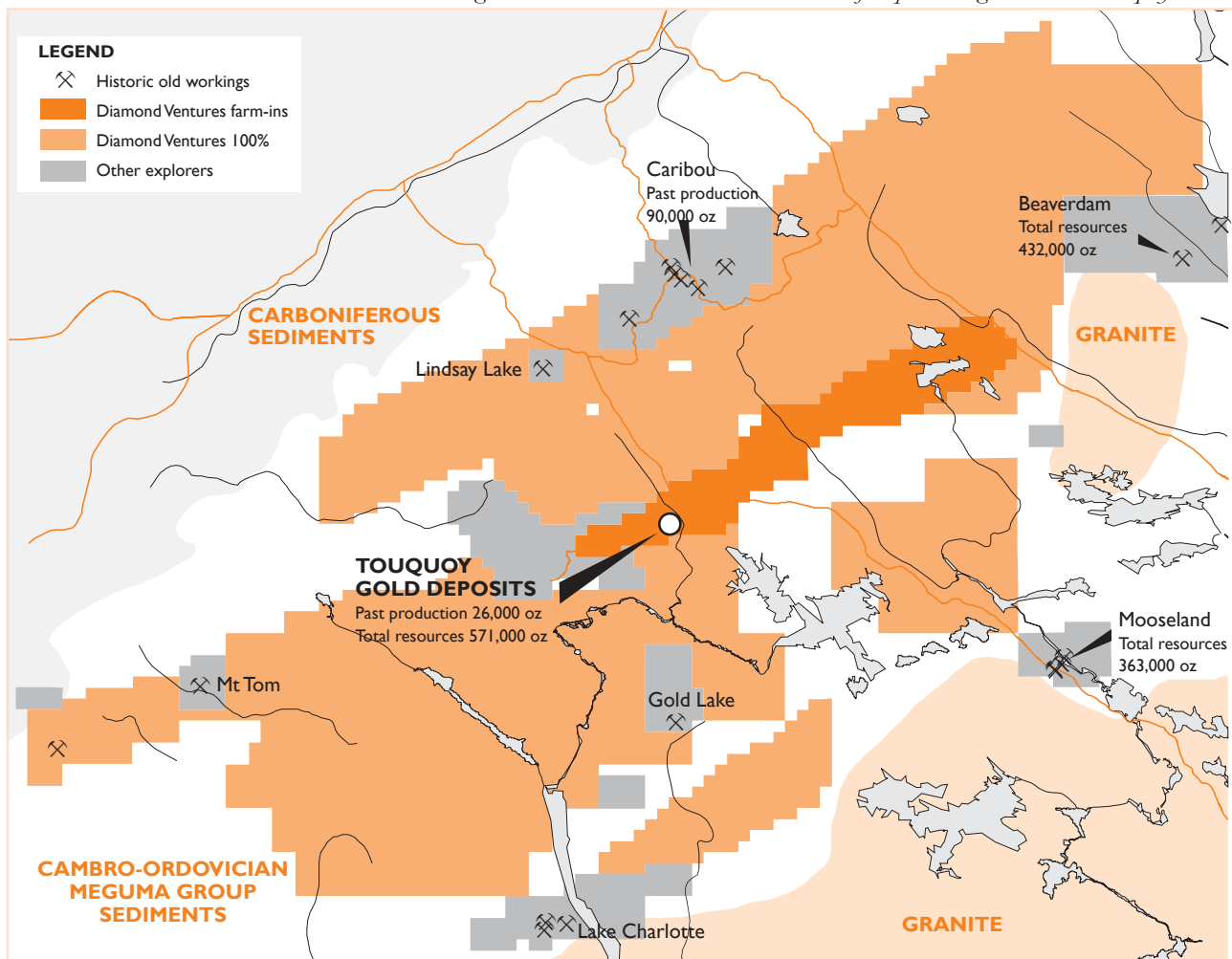


Figure 3: Diamond Ventures holds 450 km² of exploration ground in the Touquoy district



Ownership

Diamond Ventures entered into a farm-in agreement with the property owners, Moose River Resources Inc (MRRI) in May 2003. Under this agreement Diamond Ventures:

- may earn a 60% interest in the property by spending C\$2.2 million before 31 December 2005 on exploration, evaluation and development of the Property, and by making additional cash payments totalling C\$200,000, as monthly payments of C\$10,000, to MRRI. (At the end of 2004 approximately C\$1.0 million remains to be spent of the earn-in requirement and C\$80,000 cash remains to be paid.)
- 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.

- will be the operator and manager of the Project and will arrange project financing in respect of MRRI's minority interest.
- may withdraw from the Project at any time.

A significant proportion of surface property rights are held by about eighteen permanent and part-time residents of the settlement of Moose River Gold Mines. Access arrangements with these residents have been obtained and property sale and purchase option agreements have been negotiated.

Geology

The Touquoy gold deposit is located in the Meguma Group, a belt of sedimentary rocks (Cambro-Ordovician turbidites) extending about 400 km long by 80 km wide through southwestern Nova Scotia (see figure 4). Since the first gold discovery in 1861 about sixty underground gold deposits within the Meguma Group have been mined, for a recorded aggregate production of about 1.2 million ounces. The bulk of this production was made prior to World War 1. The common geological setting of these many gold deposits is their occurrence along the crests of anticlinal axes which were ably mapped over a century ago as extending throughout the length of the Meguma Terrane. (In this respect they are similar to the many gold camps of the Ballarat–Bendigo district of Victoria). These gold deposits

are contained entirely within quartz veins and saddle reefs developed along the fold axes and present high grade, underground, narrow-vein mining situations.

The Touquoy deposit however stands apart from these orebodies in that the gold is disseminated throughout the host sediments and is essentially unrelated to quartz veining. The very wide drill intersections of gold mineralisation at Touquoy, some in excess of 100m, therefore set this deposit apart from the typical Meguma Group gold deposits as a substantial, open-pit, bulk mining proposition.

This style of mineralisation is well portrayed on Section 21625E (see figures 5 and 6) where the spatial relationship of the mineralisation to the folded host argillites (shales) can be appreciated.

Figure 4: The Meguma Terrane of Nova Scotia is substantially gold-enriched and presents prime exploration ground.

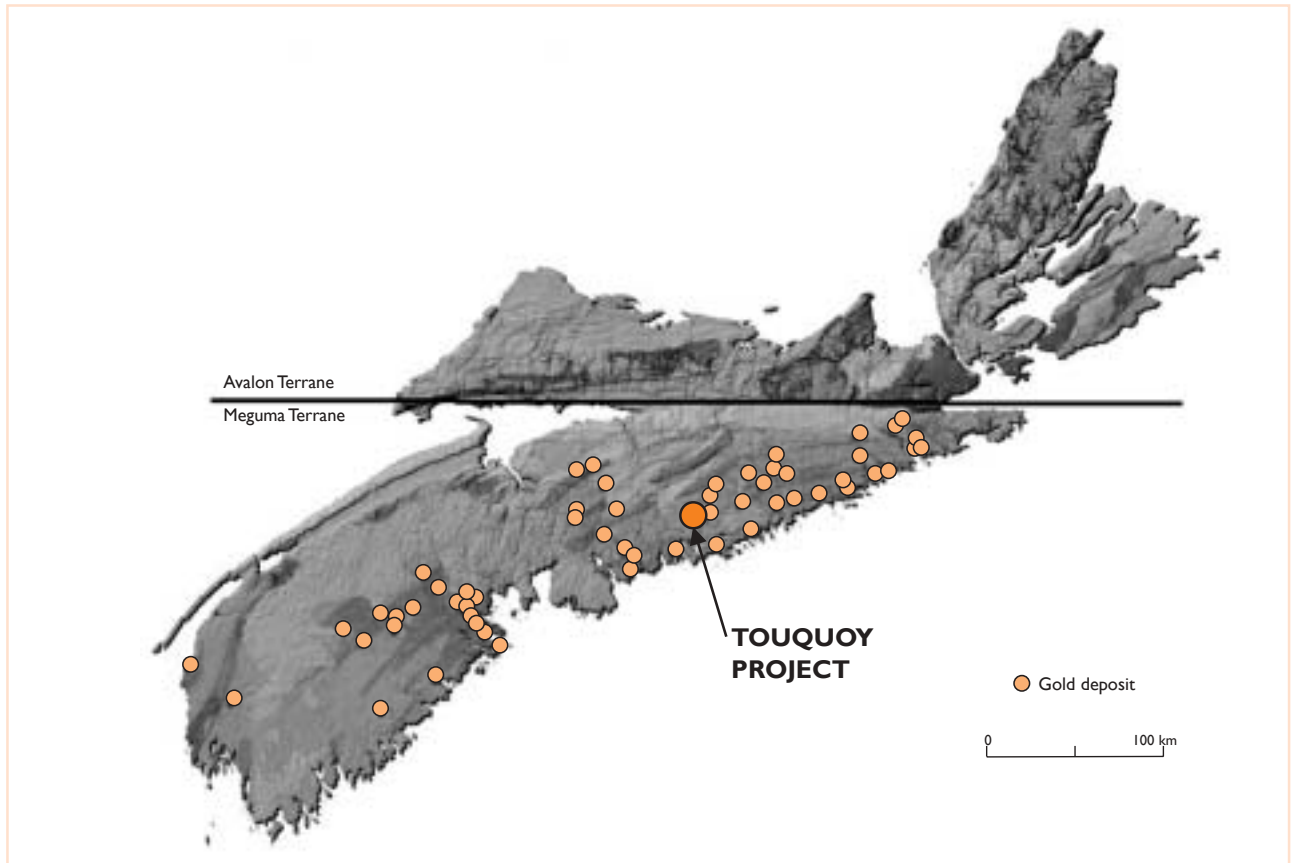


Figure 5: Drill holes in the Touquoy gold deposit are variably spaced and further delineation drilling is required

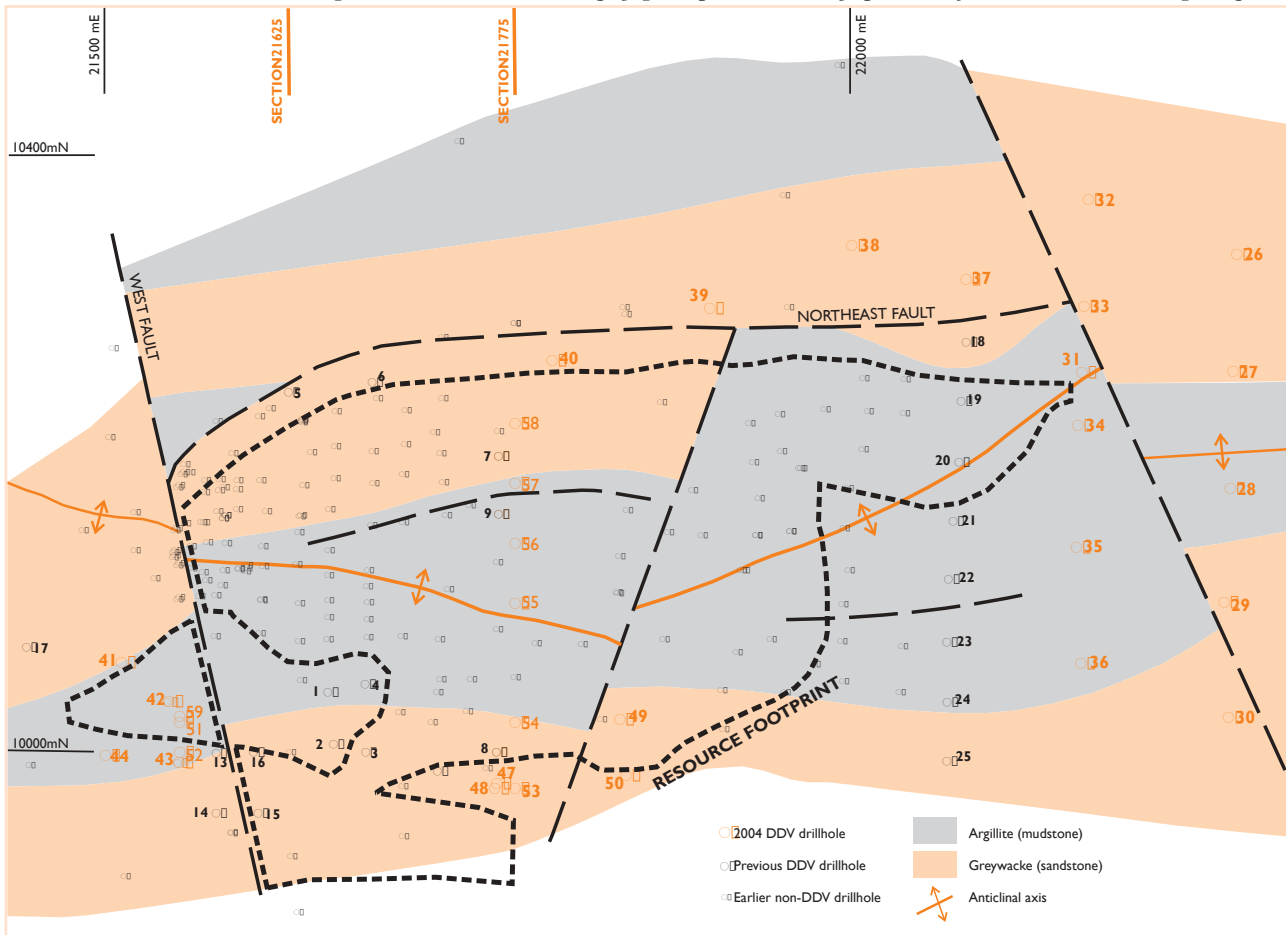
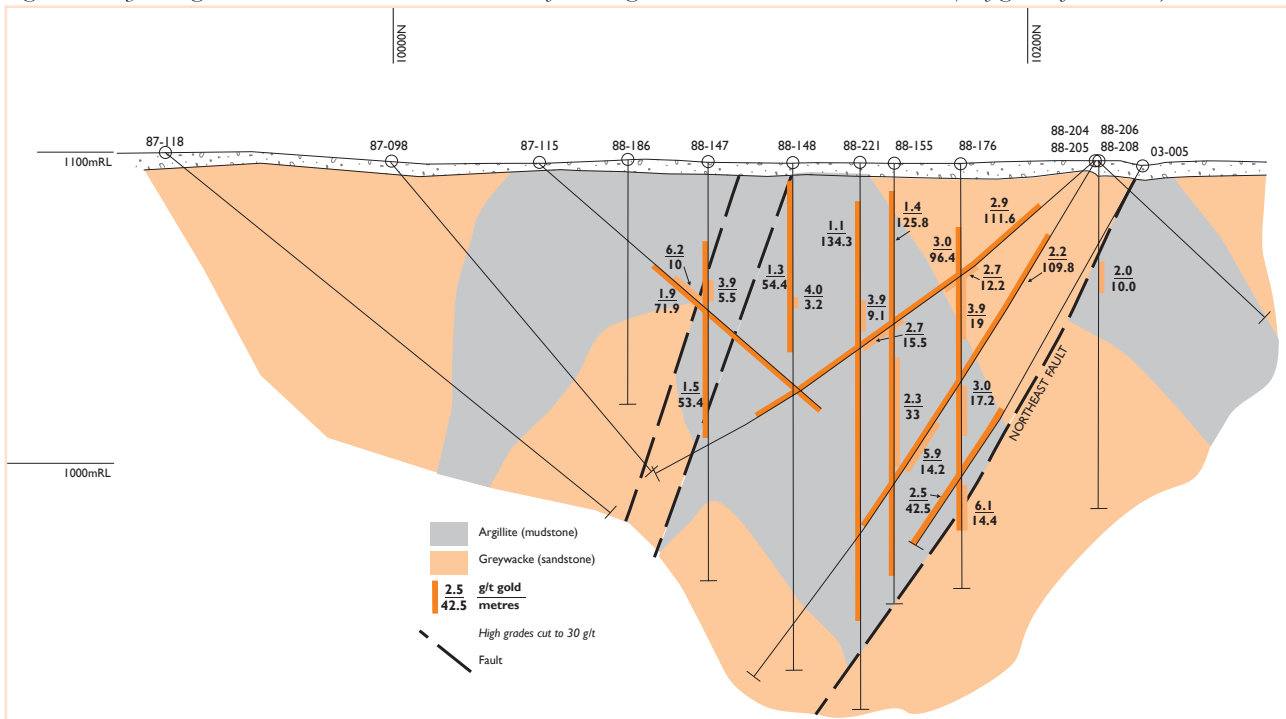


Figure 6: Very wide gold intersections are associated with the folded argillites on this drill section 21625E (see figure 5 for location)



Resources

During 2004 a total of 34 NQ diamond core holes was drilled for 2920 metres bringing the total number of holes drilled to date by Diamond Ventures at Touquoy to 59 holes for 5005 metres. Almost all of these holes were drilled around the periphery of the Touquoy deposit to test for extensions to the resource as delineated prior to the Company's entry to the project. This initial resource, estimated by consultants Watts Griffis McOuatt in 2003, based on 169 diamond drill holes outlined Indicated Resources of

3.8 million tonnes at 2.22 g/t Au and Inferred Resources of 1.9 million tonnes at 2.15 g/t Au, containing 405,000 ounces of gold using a 1.0 g/t Au cut-off grade. (These estimates conform to Canadian National Instrument 43-101 and follow guidelines adopted by the Council of the Canadian Institute of Mining Metallurgy and Petroleum.)

As a result of Diamond Ventures' drilling to date, the best results from which are given in the table opposite, the resources of the Touquoy deposit have been increased as follows:

As part of this drilling seven holes were drilled during 2004 to infill a single section (21775E) located in the sparsely drilled geographical central part of the deposit where mineralisation had been extrapolated and estimated resources were necessarily categorised as Inferred Resources. Assay results from these holes were in fact slightly higher than those anticipated and demonstrate that the mineralisation is continuous and predictable (*see figures 5 and 7*).

Significantly this outcome provides additional confidence that the Inferred Resource of 172,000 ounces, and potentially more, are very likely to be upgraded to the Measured and Indicated Resource categories on completion of the delineation drilling of the deposit as planned as part of the Feasibility Study.

TOUQUOY RESOURCE

	RESOURCE	GRADE g/t	CONTAINED GOLD oz
Indicated Resource	4.44 million tonnes	2.1	300,000
Inferred Resource	2.47 million tonnes	2.2	172,000
Total Mineral Resource ¹	6.91 million tonnes	2.1	472,000

Note 1: This resource estimate is based on the following input parameters:

Fire assays of 1/2 NQ core from 187 diamond drillholes

Drillhole spacing variable but nominally 20m x 25m

Specific gravity: 2.80

Lower cut-off grade: 1.0 g/t

Estimation technique: Multiple Indicator Kriging with block variance adjustment applied. Ore selectivity is assumed to be 5 metres (east) by 4 metres (north) by 2.5 metres (elevation) via an open pit mining scenario.

Figure 7: Gold mineralisation is continuous, predictable, shallow and developed within the folded argillites on this drill section 21775E (see figure 5 for location)

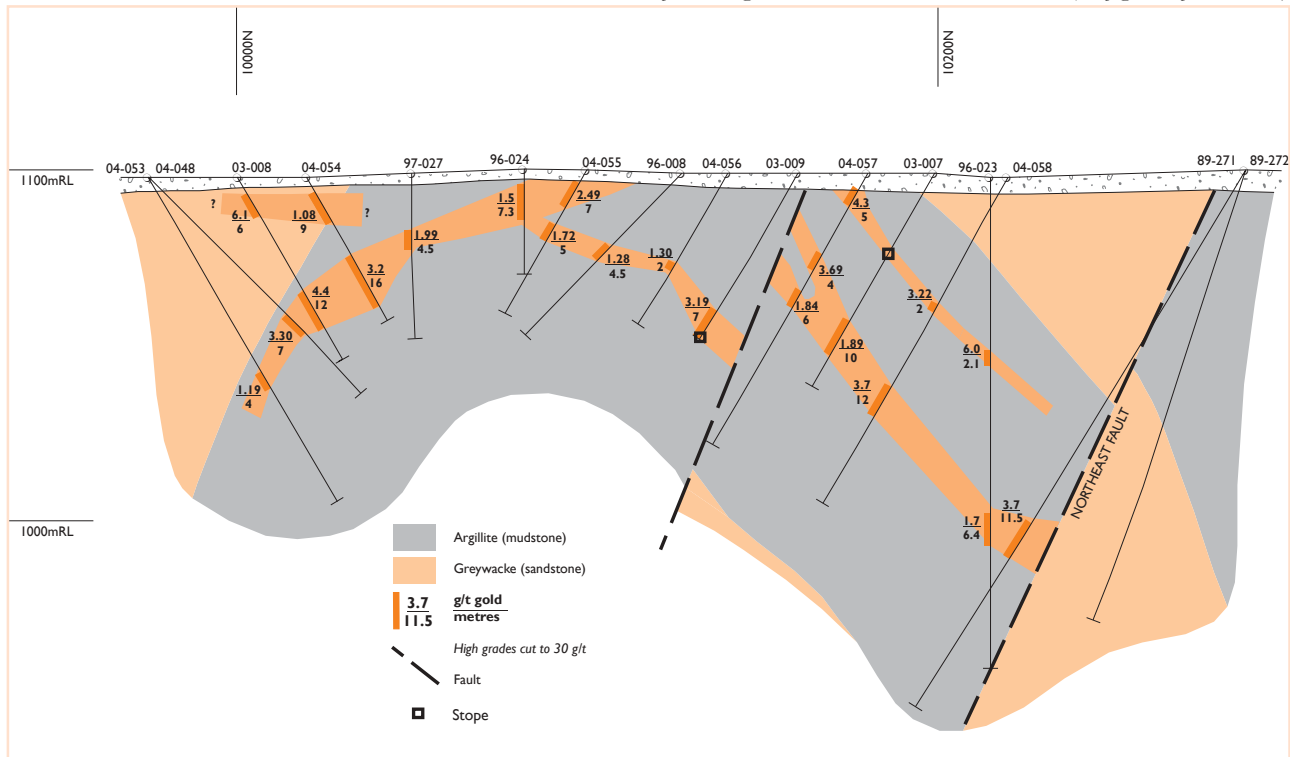


Table: the best DDV drill results recorded to date

HOLE	EASTING	NORTHING	DIP	BEST ASSAYS			
				FROM	TO	WIDTH	GRADE
MR-03-004	21675	10040	45°	57	66	9	3.4
MR-03-005	21624	10240	60°	97	139.5!	42.5	2.49
MR-03-006	21680	10250	60°	64	118	54	3.1
				incl 64	75	11	5.2
				incl 96	103	7	9.8
MR-03-008	21775	10000	60°	5	11	6	6.1
				37	49	12	4.4
MR-03-009	21775	10160	60°	48	55!	7	3.19
MR-03-019	22075	10240	45°	26	53	27	1.88
				incl 26	39	13	2.57
MR-03-021	22075	10160	45°	33	42	9	4.3
MR-03-022	22075	10120	45°	56	64	8	2.9
				incl 63	64	1	23.3
MR-04-030	22250	10040	45°	54.5	59	4.5	4.49
MR-04-040	21800	10275	45°	33	34	1	59.8
MR-04-048	21775	9975	45°	56.5	63.5	7	3.30
MR-04-049	21845	10020	60°	26	42.5	16.5	2.27
MR-04-051*	21550	10020	60°	19	35!	16	1.55
MR-04-052	21550	10000	60°	35	39	5	5.5
MR-04-054	21775	10020	60°	26	42	16	3.2
MR-04-055	21775	10100	60°	5	12	7	2.49
MR-04-057	21775	10180	60°	5	10	5	4.3
MR-04-058	21775	10220	60°	68	80	12	3.7

Individual samples comprise 1/2 NQ core of nominal 1m length, and all assays are fire assays

Intersections quoted are based on 1.0 g/t grade cut-off with maximum 2 m internal dilution.

High assays cut to 30 g/t, except for that quoted from MR-04-040 at 33-34.

! Mineralisation to end of hole

* Abandoned in old workings

** Includes 2.4m stope assigned zero grade

Holes MR-03-001 to 025 drilled in late 2003; holes MR-04-026 to 059 drilled in 2004.

In addition to the Touquoy deposit itself, historic drill data from the Touquoy West deposits, the Higgins & Lawlor and Stillwater deposits located about 2 km west along strike from Touquoy, were reviewed and validated and the following resource was estimated.

TOUQUOY WEST RESOURCE			CONTAINED
	RESOURCE	GRADE	GOLD
		g/t	oz
Indicated Resource	870,000 tonnes	1.9	54,000
Inferred Resource	650,000 tonnes	2.2	45,000
Total Mineral Resource²	1.52 million tonnes	2.9	99,000

The resource estimate is based on validated assays from 116 diamond holes drilled over a 1 km strike length during 1986–1988. Approximately 80% of the resource is contained within the Higgins & Lawlor zone, a 500 m-long zone which is open along strike and at depth. Identified resources extend from surface to a maximum depth of about 200 m. Mineralisation is constrained within a 20 m wide corridor along an anticlinal fold axis and is hosted by quartz veins in greywackes, a contrasting style of mineralisation to the argillite-hosted gold mineralisation at Touquoy. No drilling has yet been undertaken in this area by Diamond Ventures. The requisite resource delineation and extension drilling is planned to follow delineation drilling of the Touquoy deposit.

Combined with the resources at Touquoy the **total project resource inventory** now stands at 571,000 ounces gold as tabulated below:

TOUQUOY PROJECT RESOURCE			
	RESOURCE	GRADE	CONTAINED
		g/t	GOLD
			oz
TOUQUOY			
Indicated Resource	4.44 million tonnes	2.1	300,000
Inferred Resource	2.47 million tonnes	2.2	172,000
Total Touquoy	6.91 million tonnes	2.1	472,000
TOUQUOY WEST			
Indicated Resource	870,000 tonnes	1.9	54,000
Inferred Resource	650,000 tonnes	2.2	45,000
Total Touquoy West	1.52 million tonnes	2.9	99,000
Total Mineral Resource³	8.43 million tonnes	2.1	571,000

Note 2 This resource estimate is based on the following input parameters:

Five assays of 1/2 NQ core from 116 diamond drillholes

Drillhole spacing variable but averages 30m x 25m

Bulk density: 2.80

Lower cut-off grade: 1.0g/t

Estimation technique: Multiple Indicator Kriging with block variance adjustment applied. Ore selectivity is assumed to be 5 metres (north) by 2 metres (east) by 2.5 metres (elevation) via an open pit mining scenario.

Note 3 This resource estimate is based on the following input parameters:

Five assays of 1/2 NQ core from 116 diamond drillholes

Drillhole spacing variable but averages 30m x 25m

Bulk density: 2.80

Lower cut-off grade: 1.0g/t

Estimation technique: Multiple Indicator Kriging with block variance adjustment applied. Ore selectivity is assumed to be 5 metres (north) by 2 metres (east) by 2.5 metres (elevation) via an open pit mining scenario.

Scoping study

Input parameters to the Scoping Study undertaken as part of DDV's initial due diligence have been progressively updated, refined and essentially confirmed.

In undertaking these studies DDV, in addition to its in-house expertise, has drawn on the assistance of various specialist consultants: Sydney-based Gemell Mining Engineers and metallurgical consultants Peter J Lewis and Associates Pty Ltd; Perth-based resource/reserve estimation specialists, Hellman &

Schofield Pty Ltd, Resource Evaluations Pty Ltd and Mining Solutions Consultancy Pty Ltd; Perth-based engineering and process consultant and contractors Roche (JR) Pty Ltd; Toronto-based Wardrop Engineering Inc; Halifax-based environmental consultants MGI Limited and Halifax-based mining engineer John Amirault.

As a result of these studies the development and mining parameters presently envisaged for 100% of the project are as follows⁴:

Total Mineral Resource:	8.43 million tonnes @ 2.1g/t for 571,000 ounces gold
In-pit resources (Touquoy only):	6.79 million tonnes @ 2.0g/t for 425,000 recovered ounces gold
Mine Life (base case):	5 years
Plant throughput:	1.5 million tonnes per year
Recovered grade:	2.0g/t
Production:	88,000 ounces gold per year
Total production:	440,000 ounces gold
Operating costs:	C\$320 per ounce
Gold price:	C\$530 per ounce
Initial capital cost:	C\$50 million

The results of this scoping study are highly encouraging and are strongly anticipated to be exceeded in view of the existing resources at Touquoy West, the under-explored status of the property and the surrounding district, and the known gold mineralisation and resources within trucking distance of Touquoy.

DDV has therefore commenced a full Feasibility Study on the Touquoy deposit to be completed in 2005.

Note 4: This result is a preliminary assessment necessarily undertaken to ascertain the likelihood of the project's becoming commercial. The resources within the optimised pit are not intended to be classified as Reserves because they include Inferred Resources which at this time are not sufficiently well defined to bear rigorous economic consideration. There is no certainty that this preliminary assessment will be realised.

Metallurgy

The initial review by specialist consultant Peter Lewis & Associates (PLA) of the considerable metallurgical data generated by Westminer Canada Limited in the late 1980's indicated that the ore is uncomplicated and ore processing would likely be straightforward. Results of test work currently in progress under the supervision of PLA, confirm these expectations such that a combination of gravity separation and conventional processing will recover more than 95% of the gold with over 70% of the gold recoverable by gravity separation.

Preliminary comminution test work confirms that the ore is very soft with a Bond ball mill work index of ≤ 10 kWh/t. A single-stage crusher and SAG mill would likely form the comminution circuit.

The ore is a low consumer of reagents and the host and waste rock are not acid generating.

Definitive metallurgical testwork is ongoing.

Permitting

The permitting process leading to the granting of a Mining Lease, environmental approvals and land use permits as required by Municipal, Provincial and Federal regulators is considerably streamlined under the Provincial Government's *One Window* process. This process was formally initiated by Diamond Ventures in mid-2004 in consultation with local permitting specialists MGI Limited.

At that time the time-critical task of seasonal collection of baseline environmental data – including surface water quality and flow characteristics, flora and fauna surveys and archaeological assessment – was commenced and it is anticipated that this work will largely be completed by mid-2005. In this respect the project is advantaged by the extensive baseline environmental data recorded by previous explorers, Seabright Explorations and Westminer Limited in the late 1980s. Compilation of this baseline information together with the technical aspects of the proposed operation will comprise a formal submission to the regulators under the *One Window* process towards the end of 2005.

Exploration upside

It is considered that the potential for Diamond Ventures to discover and/or develop multiples of the present Touquoy resource inventory within trucking distance of Touquoy, as a central processing plant, is excellent. Potential mill feed may be sourced from the following locales:

- 1 the existing resources at Touquoy West and probable extensions of these resources along strike,
- 2 new discoveries within the under-explored 4km-long corridor of geochemically anomalous gold and arsenic extending from east of Touquoy to west of Touquoy West, and which was identified by the property-wide reconnaissance percussion drilling program conducted during 2004,
- 3 existing resources and mineralised positions held by others in the Touquoy district (*see figure 2*), and most importantly
- 4 new Diamond Ventures discoveries on wholly-owned exploration ground in the Touquoy district.

In respect of the latter, Diamond Ventures currently holds some 420km² of 100% owned exploration ground adjacent to the Touquoy property. These holdings are shown on figure 3, a map about 30 km square representing about 5% of the area of Meguma Group rocks but which encompasses more than a reported 1 million resource ounces of gold. Each of these mineralised sites was discovered in outcrop more than a century

ago. Typically over 90% of this terrain is masked by a blanket of glacial till (sand and gravel) averaging about 10 m deep and beneath which further mineralisation almost certainly remains hidden.

Diamond Ventures has now successfully employed a reconnaissance drilling technique which effectively penetrates this till to map the underlying bedrock and will use this technique to explore this property.

Looking forward

The immediate way ahead is twofold – complete the Feasibility Study on the Touquoy deposit and seek additional resources/reserves within trucking distance of the proposed processing plant.

The major component of the Feasibility Study will be completion of the planned delineation drilling on 25m x 20m centres – approximately 140 drillholes for 10,000m – within the Touquoy deposit to upgrade the existing resources to the Measured and Indicated Resource categories. This work will be undertaken concurrently with continuing investigations relating to technical, environmental, social, financial, and other issues to bring the Feasibility Study to completion by the end of 2005. With procurement of appropriate financing and site construction of an estimated 9-12 months duration it is anticipated that the first gold production will take place by the end of 2006.

Concurrently, exploration of the mineralised corridor encompassing the Touquoy and Touquoy West deposits and the extensive acreage of prospective, wholly-owned ground in the immediate district will be undertaken.



Drill rig operating on the Touquoy reconnaissance percussion drilling program in August 2004

Gold

BEACONSFIELD GOLD PROJECT

(Diamond Ventures 100%)

Having developed, prioritised and tested a series of targets without advancing the project beyond the exploration stage, and having turned its focus to the Touquoy Gold Project, Diamond Ventures withdrew from the exploration agreement it held with the Beaconsfield Mine Joint Venture. Under this agreement the Company had been required to incur annual exploration expenditures of \$350,000 to maintain access to the ground surrounding the Beaconsfield Gold Mine.

Nevertheless Diamond Ventures retains 100% interest in an Exploration Licence taken out to cover the northerly strike projection of the Cabbage Tree thrust slice, the package of sediments which hosts the Beaconsfield Gold Mine, from north of Beaconsfield to the coast, a strike length of about 10 km. In this previously unexplored area the Cabbage Tree thrust slice is buried beneath younger cover rocks of as yet undetermined thickness.

The Beaconsfield Mine was reported by Allstate Explorations NL (manager of the Beaconsfield Mine Joint Venture) to have produced 138,181 ounces of gold during 2004 at a mined grade of 19.4 g/t and cash operating cost of \$299/oz. As such it represents one of the highest grade gold mines currently operating in Australia. Past production and current reserves at Beaconsfield amount to more than 1.6 million ounces of gold.

Gold was first discovered at Beaconsfield in 1877 and approximately 854,000 ounces of gold at a grade of around three quarters of an ounce per tonne were recovered from 1.1 million tonnes of ore between 1877 and 1914 when operations were shut down due to poor profitability. The Beaconsfield Mine was reopened in September 1999 and up to 31 December had produced over 500,000 ounces. As at 31 December 2004 Ore Reserves of 783,000 tonnes at 15.0 g/t Au for 377,000 contained ounces had been reported by the Beaconsfield Mine Joint Venture.

KOOKYNIE GOLD PROJECT

(Diamond Ventures 50%,
Barmenco Pty Ltd and Kookynie Resource NL 50%)

The Kookynie Gold Project is located in the Western Australian Goldfields 200 km north of Kalgoorlie and 35 km south of Leonora. The Company has earned 50% interest in the five tenements which comprise this project through its exploration and development of the following previously reported Indicated Resources:

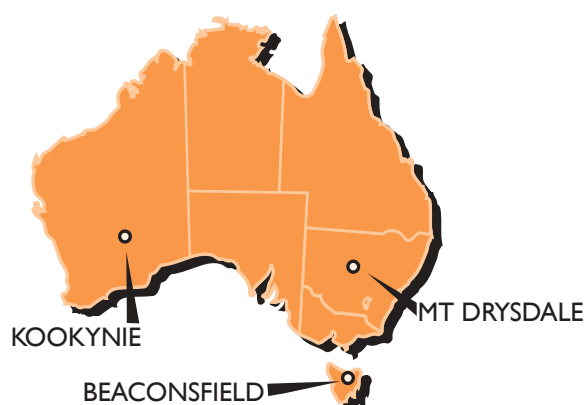
	RESOURCE	GRADE	CONTAINED GOLD
	tonnes	g/t	oz
Clark	170,000	2.8	15,700
Butterfly Pit	72,000	1.7	4,000
Admiral Underground	160,000	5.2	26,500
Diamantina Underground	79,000	6.2	15,800

Plaints have been lodged over four of the Kookynie Joint Venture tenements as part of a blanket plaint over 55 tenements held at Kookynie by Barmenco Pty Ltd, Diamond Ventures' co-venturer. All administrative requirements relating to the security of the four Licences have been complied with and the plaint is regarded as opportunistic and will be vigorously defended by Barmenco and Diamond Ventures. The plaintiff is a private company the principals of which were former principals of Altona Resources Limited which company formerly held an option to purchase Diamond Ventures' and Barmenco's interests at Kookynie.

MT DRYSDALE (near Cobar, NSW)

(Diamond Ventures 100%)

Diamond Ventures holds a single Exploration Licence at Mt Drysdale located 30 km north of the Peak Gold Mine at Cobar, NSW, operated by Wheaton River Minerals Ltd with annual production of approximately 110,000 ounces gold. The Licence covers historic gold workings in similar stratigraphy and mineralised host rocks as at the Peak Mine. Limited RAB drilling was undertaken with modest geochemical indications returned.



Diamonds

Although the Company’s strategy is directed towards gold exploration, development and production, participatory interest is nevertheless maintained in the Ellendale Joint Venture. It remains the intention of the Company to farm this property out on favourable terms.

ELLENDALE JOINT VENTURE

(Diamond Ventures 53%,
Blina Diamonds NL 47%)

The Ellendale Joint Venture project, situated 120 km east of Derby in the Kimberley Region of Western Australia, is a strategic holding within the Ellendale Diamond Field where Kimberley Diamond Company NL (“KDC”) commenced production from Australia’s third hardrock mine in May 2002.

The project tenement (Exploration Licence 04/813) is located 10 km north of KDC’s diamond mining operations.

Past exploration has identified an ancient diamond bearing alluvial system that extends for up to 5 km through the tenement. Exploration previously undertaken by Diamond Ventures to assess the distribution of diamonds within a selected section of the alluvial system recovered 48 diamonds weighing 16.43 carats within a relatively high average stone size of 0.34 carat.

The diamondiferous gravels were shown to be over 300 m wide about a metre thick and covered by only 2.5 metres of dune sand.

The property also covers at least twenty partially tested lamproite pipes including three of very significant size.

A plaint has been lodged by a third party over the project tenement with a Warden’s Court hearing scheduled in May. All administrative requirements relating to the security of the Licence have been complied with. The plaint is regarded as opportunistic and will be vigorously defended.

BINGARA, New South Wales

(Diamond Ventures 10%
Net Profits Interest reducing to

5% after receipt of first \$2 million)

The project operator Cluff Resources Pacific NL continued to explore the property during the year.

This report was compiled by W R Bucknell who is a Corporate Member of the Australasian Institute of Mining and Metallurgy and who has the relevant experience as a competent person as defined in the Australasian Code for reporting Identified Mineral Resources and Ore Reserves in relation to the mineralisation discussed. Mr Bucknell is a Fellow of the Geological Association of Canada and the Australasian Institute of Mining and Metallurgy.



CORPORATE GOVERNANCE

The Company's Corporate Governance policies have been formulated to ensure that it is a responsible corporate citizen. This statement outlines the main Corporate Governance practices that were in place throughout the financial year which comply with the Australian Stock Exchange Corporate Governance Council recommendations, unless stated otherwise. These practices are dealt with under the following headings : Board of Directors and its Committees, Internal control framework, Ethical standards, Environment and the role of Shareholders.

BOARD OF DIRECTORS AND ITS COMMITTEES

The Board is responsible to shareholders for the overall corporate governance of the Diamond Ventures Group including its strategic direction, establishing goals for management and monitoring of achievement of these goals. To assist in the execution of its responsibilities, the Board has established a Remuneration Committee and an Audit Committee. The Board has also established a framework for the management of the Consolidated Entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

Composition of the Board

The Board comprises two non-executive directors and one executive director. Full details of the Directors of the Company in office at the date of this statement are set out in the Directors' Report on pages 20 to 23 of this financial report.

i. Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the senior executives. The committee meets as and when required and is able to obtain independent advice, at the Consolidated Entity's expense, as to the appropriateness of remuneration packages.

The members of the Remuneration Committee during the year were R J Hawkes, W R Bucknell and D L Cooper.

ii. Audit Committee

The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Consolidated Entity. It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial reports. Among its specific responsibilities, the committee reviews and advises the Board on the nomination and remuneration of external auditors and the annual audit plan. The committee also reviews the status of the Consolidated Entity's exploration tenements.

The members of the Audit Committee during the year were R J Hawkes, W R Bucknell and D L Cooper.

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility the Board has instigated an internal control framework including:

- Monthly reporting of income and expenses which is reviewed by the Board
- The Consolidated Entity reports to shareholders half yearly
- Procedures to ensure that price sensitive information is reported to the ASX in accordance with continuous disclosure requirements.

ETHICAL STANDARDS

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Consolidated Entity.

ENVIRONMENT

The Consolidated Entity aims to ensure that the highest standard of environmental care is achieved. The Board ensures that the Consolidated Entity's environmental policies are adhered to and ensure that the Consolidated Entity is aware of and in compliance with all relevant environmental legislation.

THE ROLE OF SHAREHOLDERS

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Consolidated Entity's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the Consolidated Entity during the year, changes in the state of affairs of the Consolidated Entity and details of future developments, in addition to other disclosures required by the Corporations Act 2001.
- The half yearly report contains summarised financial information and a review of the operations of the Consolidated Entity during the period. The report is prepared in accordance with the requirements of Australian Accounting Standards and the Corporations Act 2001. The report is sent to any shareholder upon request.
- Proposed major changes in the Consolidated Entity which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Consolidated Entity's strategy and goals. Important issues are presented to shareholders as single resolutions.

The shareholders are responsible for voting on the appointment of directors.

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2004

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DIRECTORS' REPORT

The Directors present their report together with the financial report of Diamond Ventures NL ("the Company") and the Consolidated Entity, being the Company and its Controlled Entities, for the year ended 31 December 2004, and the Auditors' Report thereon.

DIRECTORS

The names of Directors in office at any time during or since the end of the financial year are:



MR RONALD J HAWKES *BSc, FAusIMM, FGAC*

NON EXECUTIVE CHAIRMAN

Qualifications and Experience

Board member since 18 January 1999

Mr Hawkes has 40 years' experience in the mining industry and was formerly the Managing Director of Plutonic Resources Limited.

He is a member of the Audit Committee and the Remuneration Committee.



MR WALLY R BUCKNELL *BSc (Hons), FAusIMM, FGAC, MSEG*

EXECUTIVE DIRECTOR

Qualifications and Experience

Board member since 18 January 1999

Mr Bucknell has 36 years' experience in the mining industry and was formerly the General Manager – Exploration of Plutonic Resources Limited.

He is a member of the Audit Committee and the Remuneration Committee.



MR DON L COOPER *LLB*

NON EXECUTIVE DIRECTOR

Qualifications and Experience

Board member since 18 January 1999

Mr Cooper was formerly the senior partner in the law firm Deacons Graham and James in Melbourne and was a director of Plutonic Resources Limited for 12 years. Mr Cooper is a director of various proprietary companies and is now a solicitor in private practice.

He is a member of the Audit Committee and the Remuneration Committee.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Directors meetings held		4
Directors meetings attended:	R J Hawkes	4
	W R Bucknell	4
	D L Cooper	4

All matters relating to Audit and Remuneration Committees were discussed at main board meetings and as a result no separate Audit and Remuneration Committee meetings were held.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were precious minerals exploration, primarily for gold and diamonds. There were no changes in the nature of the Consolidated Entity's principal activities during the financial year.

OPERATING RESULTS

The consolidated loss of the Consolidated Entity after income tax amounted to \$821,513 (2003 loss \$1,655,641).

A comprehensive review of operations which forms part of this report is set out on pages 3 to 16.

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid or declared during the year. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2004.

STATE OF AFFAIRS

The Company made the following issue of shares and call on partly paid shares during the year to provide additional working capital:

- Issue of 1,301,115 ordinary shares at 12 cents per share on exercise of options raising \$156,134.
- Call of 2 cents per share in respect of 30,296,342 ordinary shares at 20 cents per share partly paid previously to 3 cents per share and now paid to 5 cents per share raising \$605,927.

EVENTS SUBSEQUENT TO BALANCE DATE

The Company announced that following receipt of offers from interested parties it plans to raise \$2.5 million by means of placements of fully paid ordinary shares at a price of 9 cents per share. The Company intends to seek shareholder approval for the raising. Shareholders will have an opportunity to participate in this raising by means of a Share Purchase Plan and all shares issued will be at the same price as the placement of 9 cents per share.

Funds raised will be used to further advance the bankable feasibility study for the Touquoy Gold Project Nova Scotia Canada and to undertake regional exploration.

For reporting periods starting on or after 1 January 2005, the Consolidated Entity must comply with International Financial Standards (IFRS) as issued by the Australian Accounting Standards Board. At balance date, the effect of the convergence to IFRS has not been quantified. Refer to note 27 for further details.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS

The Consolidated Entity will continue to focus on the further advancement of the Touquoy Gold Project and gold exploration.

ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are subject to significant environmental regulation under the law of the Commonwealth and State. The Directors are not aware of any breaches of the legislation during the financial year which are material in nature.

SHARE OPTIONS

No options were granted during or since the end of the financial year.

UNISSUED SHARES UNDER OPTION

At the date of this report, unissued ordinary shares of the Company under option are:

EXPIRY DATE	EXERCISE PRICE	NUMBER OF SHARES
Listed		
30 June 2006	\$0.10	23,615,931
2,058,122 listed options issued to Directors expired during the year ended 31 December 2004.		
Unlisted		
31 December 2008	\$0.20	2,200,000

SHARES ISSUED ON EXERCISE OF OPTIONS

During or since the end of the financial year, the company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

	NUMBER OF SHARES	AMOUNT PAID ON EACH SHARE
Shares issued on exercise of options	1,301,115	\$0.12

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting and retaining appropriately qualified and experienced directors and executives.

No part of the remuneration of Directors or senior executives is performance related.

The emoluments of each Director and executive officer are as follows:

DIRECTORS	SALARY	DIRECTORS' FEES	SUPERANNUATION	CONSULTING		TOTAL
				FEES		
R J Hawkes	–	60,000	11,880	72,000 ¹		143,880
W R Bucknell	96,000	–	8,640	–		104,640
D L Cooper	–	30,000	2,700	–		32,700
	96,000	90,000	23,220	72,000		281,220
EXECUTIVE OFFICER						
B H Bolton	83,250	–	7,493	–		90,743
	83,250	–	7,493	–		90,743

Note 1: Fees attributable to consulting services for the Touquoy project during 2002 and 2003 as approved by resolution of directors on 22 March 2004.

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the companies within the Consolidated Entity as notified by the Directors to the Australian Stock Exchange in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	FULLY PAID SHARES	PARTLY PAID SHARES	OPTIONS
R J Hawkes	20,000,000	5,750,000	7,061,540
W R Bucknell	4,147,436	1,036,860	2,824,360
D L Cooper	1,238,974	400,000	509,744
	25,386,410	7,186,860	10,395,644

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has entered into an agreement to indemnify the following current Directors of the Company, Mr Ronald J Hawkes, Mr Walter R Bucknell and Mr Donald L Cooper and the Company Secretaries, Mr Grahame Clegg and Ms Julie Fidler against any liability, including costs and expenses incurred in defending such actions, incurred by that person that may arise from their position as Directors or officers of the Company and its Controlled Entities, except where the liability arises out of conduct involving a lack of good faith.

During the year to 31 December 2004 the Company has paid insurance premiums in respect of the Directors and officers liability and legal expenses insurance contracts for current Directors and officers of the Company and its Controlled Entities. The insurance policy prohibits disclosure of the amount of the premium and of the nature of the liabilities covered.

Signed in accordance with a resolution of the Board of Directors.



W R Bucknell
Director
18 March 2005

STATEMENTS OF FINANCIAL PERFORMANCE

For the year ended 31 December 2004

	NOTES	CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		\$	\$	\$	\$
Revenues from ordinary activities	2	53,269	135,164	384,248	220,511
Borrowing costs		(72)	(23)	(65)	(1)
Exploration expenditure written off		(488,695)	(1,298,275)	–	–
Write-down of loan to Controlled Entity		–	–	(544,577)	(1,284,909)
General and administrative expenses		(386,015)	(492,507)	(661,119)	(591,242)
Loss from ordinary activities	3	(821,513)	(1,655,641)	(821,513)	(1,655,641)
Income tax expense relating to ordinary activities	4	–	–	–	–
NET LOSS		(821,513)	(1,655,641)	(821,513)	(1,655,641)
Basic earnings per share (cents per share)	7	(0.62)	(1.83)		
Diluted earnings per share (cents per share)	7	(0.62)	(1.83)		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 27 to 41.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2004

	NOTES	CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		\$	\$	\$	\$
Current assets					
Cash assets	8	478,287	1,787,128	471,758	1,645,205
Receivables	9	85,154	86,730	2,149	4,759
Other	10	14,807	10,845	13,581	9,727
Total current assets		578,248	1,884,703	487,488	1,659,691
Non-current assets					
Receivables	9	–	–	2,838,164	1,726,342
Other financial assets	11	–	–	103	144
Plant and equipment	12	13,106	13,575	–	–
Exploration and evaluation expenditure	13	2,770,798	1,625,644	–	–
Total non-current assets		2,783,904	1,639,219	2,838,267	1,726,486
TOTAL ASSETS		3,362,152	3,523,922	3,325,755	3,386,177
Current liabilities					
Payables	14	71,341	174,532	34,944	36,746
Provisions	15	15,100	10,500	15,100	10,500
Total current liabilities		86,441	185,032	50,044	47,246
Non-current liabilities					
Payables	14	–	–	–	41
Total non-current liabilities		–	–	–	41
TOTAL LIABILITIES		86,441	185,032	50,044	47,287
NET ASSETS		3,275,711	3,338,890	3,275,711	3,338,890
Equity					
Contributed equity	16	18,496,253	17,737,919	18,496,253	17,737,919
Accumulated losses	18	(15,220,542)	(14,399,029)	(15,220,542)	(14,399,029)
TOTAL EQUITY		3,275,711	3,338,890	3,275,711	3,338,890

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 27 to 41.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2004

	NOTES	CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		5,455	100,000	–	–
Payments to suppliers and employees		(482,553)	(442,081)	(322,666)	(330,364)
Interest received		47,814	35,164	47,349	34,190
Borrowing costs		(72)	(23)	(65)	(1)
Net cash (used in) operating activities	24B	(429,356)	(306,940)	(275,382)	(296,175)
Cash flows from investing activities					
Purchase of plant and equipment		(3,970)	(2,144)	–	–
Payments for exploration expenditure		(1,633,849)	(1,077,719)	–	–
Loan to Controlled Entity		–	–	(1,656,399)	(1,215,809)
Net cash (used in) investing activities		(1,637,819)	(1,079,863)	(1,656,399)	(1,215,809)
Cash flows from financing activities					
Proceeds from issue of shares		762,061	2,149,667	762,061	2,149,667
Share issue costs		(3,727)	(49,753)	(3,727)	(49,753)
Net cash provided by financing activities		758,334	2,099,914	758,334	2,099,914
Net increase (decrease) in cash held		(1,308,841)	713,111	(1,173,447)	587,930
Cash at 1 January 2004		1,787,128	1,074,017	1,645,205	1,057,275
CASH AT 31 DECEMBER 2004	24A	478,287	1,787,128	471,758	1,645,205

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 27 to 41.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

A BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

These accounting policies have been consistently applied by each entity in the Consolidated Entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

The 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 raisings and the joint venturing or sale of interests held in mineral tenements and projects.

B PRINCIPLES OF CONSOLIDATION

Controlled Entities

The financial statements of Controlled Entities are included from the date control commences until the date control ceases. Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Joint ventures

A joint venture is either an entity or operation that is jointly controlled by the Consolidated Entity.

Joint venture entities

In the consolidated financial statements, investments in joint venture entities, including partnerships, are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The Consolidated Entity's share of the joint venture entity's net profit or loss is recognised in the consolidated statement of financial performance from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly on consolidated reserves.

Joint venture operation

The Consolidated Entity's interest in unincorporated joint ventures is brought to account by including its proportionate share of the joint venture's assets, liabilities and expenses and the Consolidated Entity's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between Controlled Entities are eliminated in full on consolidation. Unrealised gains resulting from transactions with joint ventures are eliminated to the extent of the Consolidated Entity's interest. Unrealised gains relating to joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

C REVENUE RECOGNITION

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

The gross proceeds from asset sales are included as revenue of the Consolidated Entity. The profit or loss on disposal is brought to account at the date an unconditional contract of sale is signed.

D TAXATION

The Consolidated Entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

E ACQUISITION OF ASSETS

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

F RECOVERABLE AMOUNT OF NON-CURRENT ASSETS VALUED ON COST BASIS

The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward (refer Note 1J), are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value, except where specifically stated.

G DEPRECIATION

All assets have limited useful lives and are depreciated using the straight line method over their estimated useful lives. Assets are depreciated from the date of acquisition.

The depreciation rates used for each class of depreciable assets for the current and prior year are:

CLASS OF FIXED ASSET	DEPRECIATION RATE
Plant and equipment	20–40%
Leasehold improvements	10%

H LEASED ASSETS

Lease payments made under operating leases, where substantially all the risks and benefits remain with the lessor, are expensed on a straight line basis over the term of the lease.

I INVESTMENTS

Controlled Entities

Investments in Controlled Entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

J EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the sale or successful development and exploitation of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided at the time such disturbance occurs and amortised over the life of the resource.

K EMPLOYEE BENEFITS

Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave expected to be settled within 12 months of the year end, represent present obligations resulting from employees' services provided up to reporting date, calculated at undiscounted amounts based on current remuneration and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

Superannuation

Contributions are made by the Consolidated Entity to employee superannuation funds and are charged as expenses when incurred.

L DERIVATIVES

The Consolidated Entity is exposed to changes in interest rates from its activities. The Consolidated Entity does not use derivative financial instruments to hedge this risk.

M GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

N PAYABLES

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or Consolidated Entity.

O EARNINGS PER SHARE

Basic Earnings per share

Basic earnings per share is calculated by dividing net profit/(loss) after income tax attributable to members of the company, excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares outstanding during the financial year.

The partly paid shares are classified as 'ordinary shares' for the purpose of calculating earnings per share.

Diluted Earnings per share

Diluted EPS earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

P FOREIGN CURRENCY TRANSLATION

Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At reporting date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current on that date. Resulting exchange differences are recognised in determining the profit and loss for the year.

Hedging

The Consolidated Entity has not entered into any specific, general or speculative hedging arrangements.

Foreign controlled entities

As the foreign controlled entities are integrated, their assets and liabilities are translated into Australian currency at rates of exchange current at reporting date, while its revenues and expenses are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are brought to account in the statement of financial performance.

Q RECEIVABLES

The collectability of debts is assessed at reporting date and a specific provision is made for any doubtful amounts.

	CONSOLIDATED		THE COMPANY	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 2: REVENUE				
From other operating activities				
Mining revenue	–	100,000	–	–
Interest received from non-related entities	47,814	35,164	47,349	34,190
Consulting fees	–	–	336,899	186,321
Option receipts	5,455	–	–	–
Total revenue from ordinary activities	53,269	135,164	384,248	220,511

NOTE 3: LOSS FROM ORDINARY ACTIVITIES

Individually significant items included in loss from ordinary activities before income tax expense

Write-down of loan to Controlled Entity	–	–	544,577	1,284,909
Exploration expenditure written off	488,695	1,298,275	–	–

Loss from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:

Interest paid to non-related entities	72	23	65	1
Depreciation of plant and equipment	2,691	4,276	–	–
Amortisation of leasehold improvements	679	678	–	–
Rental expense on operating leases	35,334	39,958	–	–
Amounts set aside to provision for employee benefits	4,600	2,000	4,600	2,000
Foreign exchange (gain)/loss	(32,417)	5,675	(14,348)	–

Net loss on disposal of non-current assets:

Plant and equipment	1,069	–	–	–
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NOTE 4: TAXATION

Income tax benefit

Prima facie income tax benefit calculated at 30%

(2003: 30%) on the loss from ordinary activities	(246,454)	(496,692)	(246,454)	(496,692)
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Increase in income tax expense due to:

Write-down of loan to Controlled Entity	–	–	163,373	385,473
Other non-allowable items	1,631	314	110	86

Future income tax benefit not brought to account	244,823	496,378	82,971	111,133
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Income tax expense attributable to loss

from ordinary activities	–	–	–	–
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CONSOLIDATED		THE COMPANY	
2004	2003	2004	2003
\$	\$	\$	\$

Note 4: Taxation continued

Future income tax benefit not taken to account

The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:

Tax losses carried forward:

Revenue losses	5,260,148	4,693,743	1,040,025	958,434
Timing differences	(810,412)	(488,830)	5,430	3,150
	4,449,736	4,204,913	1,044,555	961,584

The potential future income tax benefit will only be obtained if:

- i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the Consolidated Entity in accordance with Division 170 of the Income Tax Assessment Act 1997
- ii) the relevant company and/or the Consolidated Entity continues to comply with the conditions for deductibility imposed by the law, and
- iii) no changes in tax legislation adversely affect the relevant company and/or the Consolidated Entity in realising the benefit.

NOTE 5: DIRECTORS' AND EXECUTIVES' REMUNERATION

Remuneration of specified directors and specified executives by the consolidated entity

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting and retaining appropriately qualified and experienced executives.

No part of the remuneration package is performance related.

The emolument of each Director and Executive Officer are as follows:

DIRECTORS	SALARY	DIRECTORS' FEES	SUPERANNUATION	CONSULTING	TOTAL
				FEES	
R J Hawkes	–	60,000	11,880	72,000 ¹	143,880
W R Bucknell	96,000	–	8,640	–	104,640
D L Cooper	–	30,000	2,700	–	32,700
	96,000	90,000	23,220	72,000	281,220
EXECUTIVE OFFICER					
B H Bolton	83,250	–	7,493	–	90,743
	83,250	–	7,493	–	90,743

Note 1: Fees attributable to consulting services for the Touquoy project during 2002 and 2003 as approved by resolution of directors on 22 March 2004.

There have been no issues of options to directors and the executive officer during the reporting period.

	CONSOLIDATED		THE COMPANY	
	2004	2003	2004	2003
NOTE 6: AUDITORS' REMUNERATION	\$	\$	\$	\$
Audit services – KPMG	23,000	21,000	23,000	21,000

NOTE 7: EARNINGS/(LOSS) PER SHARE

Classification of securities as ordinary shares

Ordinary shares and partly paid shares have been included in basic earnings per share.

Earnings reconciliation

Net loss, basic and diluted earnings (821,513) (1,655,641)

Weighted average number of shares

used as the denominator

Number for basic and diluted earnings per share 132,141,742 90,310,332

Basic and dilutive ordinary earnings per share (0.62 cents) (1.83 cents)

	\$	\$	\$	\$
NOTE 8: CASH ASSETS				
Cash at bank	24,497	150,618	17,968	8,695
Bank short term deposits	453,790	1,636,510	453,790	1,636,510
	478,287	1,787,128	471,758	1,645,205

NOTE 9: RECEIVABLES

Current

Other debtors 32,789 64,462 2,149 4,759

Security deposits 52,365 22,268 – –

85,154 86,730 2,149 4,759

Non-current

Loans to Controlled Entity – – 3,382,741 3,011,251

Provision for diminution – – (544,577) (1,284,909)

– – 2,838,164 1,726,342

NOTE 10: OTHER CURRENT ASSETS

Prepayments 14,807 10,845 13,581 9,727

NOTE 11: OTHER FINANCIAL ASSETS

Investments in Controlled Entities

Unlisted shares at cost – – 1,577,105 1,577,146

Provision for diminution – – (1,577,002) (1,577,002)

– – 103 144

	CONSOLIDATED		THE COMPANY	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 12: PLANT AND EQUIPMENT				
Plant and equipment				
At cost	62,868	61,415	–	–
Accumulated depreciation	(52,718)	(51,475)	–	–
	10,150	9,940	–	–
Leasehold improvements				
At cost	6,784	6,784	–	–
Accumulated amortisation	(3,828)	(3,149)	–	–
	2,956	3,635	–	–
Total property, plant and equipment	13,106	13,575	–	–

Reconciliations

Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:

Plant and equipment				
Carrying amount at beginning of year	9,940	12,072	–	–
Additions	3,970	2,144	–	–
Disposals	(1,069)	–	–	–
Depreciation	(2,691)	(4,276)	–	–
Carrying amount at end of year	10,150	9,940	–	–
Leasehold improvements				
Carrying amount at beginning of year	3,635	4,313	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation	(679)	(678)	–	–
Carrying amount at end of year	2,956	3,635	–	–

NOTE 13: EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in:

Exploration and evaluation phases	2,770,798	1,625,644	–	–
Reconciliations				
Carrying amount at the beginning of year	1,625,644	1,846,200	–	–
Additions	1,633,849	1,077,719	–	–
Less write offs	(488,695)	(1,298,275)	–	–
Carrying amount at the end of year	2,770,798	1,625,644	–	–

	CONSOLIDATED		THE COMPANY	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 14: PAYABLES				
Current				
Trade creditors and accruals	53,877	159,090	17,479	21,304
Other creditors	17,464	15,442	17,465	15,442
	71,341	174,532	34,944	36,746
Non-current				
Amount due to Controlled Entity	–	–	–	41

NOTE 15: PROVISIONS

Employee benefits	15,100	10,500	15,100	10,500
	No.	No.	No.	No.
Number of employees at year end	3	3	3	3

NOTE 16: CONTRIBUTED EQUITY

	\$	\$	\$	\$
102,969,418 (2003: 101,668,303) fully paid ordinary shares	16,981,426	16,829,019	16,981,426	16,829,019
30,296,342 (2003: 30,296,342) partly paid ordinary shares	1,514,827	908,900	1,514,827	908,900
	18,496,253	17,737,919	18,496,253	17,737,919

Movements in ordinary share capital

Balance at beginning of year	17,737,919	15,566,405	17,737,919	15,566,405
Shares issued:				
1,301,115 shares at 12 cents per share on exercise of options	156,134	–	156,134	–
Call of 2 cents per share in respect of 30,296,342 shares at 20 cents per share now partly paid to 5 cents per share	605,927	–	605,927	–
30,296,342 shares at 20 cents per share partly paid to 3 cents per share	–	908,900	–	908,900
11,300,000 shares at 5 cents per share	–	565,000	–	565,000
5,515,000 shares at 12 cents per share	–	661,800	–	661,800
139,669 shares at 10 cents per share on exercise of options	–	13,967	–	13,967
1,350,000 shares issued in lieu of services	–	71,600	–	71,600
Less cost of issue	(3,727)	(49,753)	(3,727)	(49,753)
	18,496,253	17,737,919	18,496,253	17,737,919

Holders of ordinary shares are entitled to receive dividends as declared from time to time irrespective of the amounts paid or credited as paid on the shares. Holders of fully paid ordinary shares are entitled on a show of hands to one vote for each fully paid share held. Holders of partly paid ordinary shares are entitled on a show of hands to one vote, and on a poll to such number of votes as results from applying the ratio of the amount of the issue price of shares paid to the total issue price, to the number of those partly paid shares held.

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.

Note 16: Contributed equity continued

Uncalled capital

As of the reporting date there were 30,296,342 partly paid shares paid to 5 cents and uncalled capital of \$4,544,451.

NOTE 17: OPTIONS

EXPIRY DATE	EXERCISE PRICE	OUTSTANDING AT 31 DEC 2003	ISSUED DURING YEAR	EXERCISED DURING YEAR	LAPSED DURING YEAR	OUTSTANDING AT 31 DEC 2004
Listed						
31 Oct 2004	\$0.12	10,098,851	–	(1,301,115)	(8,797,736)	–
30 June 2006	\$0.10	23,615,931	–	–	–	23,615,931
Unlisted						
31 Dec 2008	\$0.20	2,200,000	–	–	–	2,200,000
		35,914,782	–	(1,301,115)	(8,797,736)	25,815,931

CONSOLIDATED		THE COMPANY	
2004	2003	2004	2003
\$	\$	\$	\$

NOTE 18: ACCUMULATED LOSSES

Accumulated losses at beginning of the year	14,399,029	12,743,388	14,399,029	12,743,388
Net loss	821,513	1,655,641	821,513	1,665,641
Accumulated losses at end of the year	15,220,542	14,399,029	15,220,542	14,399,029

NOTE 19: COMMITMENTS

Operating Lease Commitments

Future operating leases not provided for in the financial statements and payable:

Within 1 year	26,213	28,985	–	–
Later than 1 year but not later than 5 years	–	24,154	–	–
	26,213	53,139	–	–

The Consolidated Entity leases property and equipment. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are re-negotiated.

Exploration tenement commitments

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to outlay in the year ending 31 December 2005 an amount of approximately \$1,171,500 (2003 \$546,033) in respect of exploration expenditure.

NOTE 20: CONTINGENT LIABILITIES

Native title

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.

Tenement litigation

Plaints have been lodged against tenements in respect of Ellendale and Kookynie Projects. All administrative requirements relating to the security of the tenement licences have been complied with and the complaints are regarded as opportunistic, without substance, and will be vigorously defended.

NOTE 21: SEGMENT INFORMATION

During the year the Consolidated Entity operated predominantly in one business segment being precious mineral exploration in two geographical segments being Australia and Canada.

	AUSTRALIA		CANADA		ELIMINATIONS		CONSOLIDATED	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$
Segment revenue	53,172	135,164	97	–	–	–	53,269	135,164
Segment result								
Loss before tax	(811,732)	(1,652,533)	(9,781)	(3,108)	–	–	(821,513)	(1,655,641)
Income tax	–	–	–	–	–	–	–	–
Net Loss	(811,732)	(1,652,533)	(9,781)	(3,108)	–	–	(821,513)	(1,655,641)
Depreciation	3,052	4,954	318	–	–	–	3,370	4,954
Exploration expenditure								
written off	488,695	1,298,275	–	–	–	–	488,695	1,298,275
Segment assets	5,209,686	3,436,634	990,774	362,012	(2,838,308)	(274,724)	3,362,152	3,523,922
Segment liabilities	1,921,195	94,739	1,003,554	365,017	(2,838,308)	(274,724)	86,441	185,032

NOTE 22: CONTROLLED ENTITIES

Particulars in relation to Controlled Entities	COUNTRY OF INCORPORATION	PERCENTAGE OWNED	
		2004	2003
		%	%
Parent Entity	Diamond Ventures NL	Australia	
Controlled Entities	Diamond Ventures Exploration Pty Ltd	Australia	100
	Diamond Ventures (Botswana) (Pty) Ltd	Botswana	–
	DDV Gold Limited	Canada	100

Diamond Ventures (Botswana) (Pty) Ltd was wound up and struck off the register on 26 November 2004.

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	%	%	%	%

NOTE 23: INTEREST IN JOINT VENTURE OPERATIONS

As at 31 December 2004 the Company and Consolidated Entity had interests in the following exploration joint ventures:

Ellendale	53	53	–	–
Kookynie Development Area	50	50	–	–
Touquoy – Moose River	Earning up to 75	75	–	–
Touquoy – Banks	Earning 75	–	–	–

Included in the assets and liabilities of the Consolidated Entity are the following items which represent the Consolidated Entity's interest in the assets and liabilities employed in the joint venture:

	\$	\$	\$	\$
Non-Current Assets				
Exploration expenditure	1,759,913	806,164	–	–

NOTE 24: NOTES TO THE STATEMENTS OF CASH FLOWS

A RECONCILIATION OF CASH

For the purpose of the statements of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts, and
- investments in short term money market instruments.

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to items in the statements of financial position as follows:

Cash at bank	24,497	150,618	17,968	8,695
Bank short term deposits	453,790	1,636,510	453,790	1,636,510
	478,287	1,787,128	471,758	1,645,205

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	\$	\$	\$	\$
B RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES				
Loss from ordinary activities after income tax	(821,513)	(1,655,641)	(821,513)	(1,655,641)
Add/(less) non-cash items:				
Amortisation	679	678	–	–
Depreciation	2,691	4,276	–	–
Amounts set aside to provisions	4,600	2,000	4,600	2,000
Write-off of exploration expenditure	488,695	1,298,275	–	–
Write-down of loan to Controlled Entity	–	–	544,577	1,284,909
Loss on sale of non-current assets	1,069	–	–	–
Shares issued in lieu of salaries	–	71,600	–	71,600
Changes in assets and liabilities:				
(Increase)/decrease in receivables	1,576	(65,255)	2,610	(712)
(Increase)/decrease in prepayments	(3,962)	(3,942)	(3,854)	(3,887)
Increase/(decrease) in payables	(103,191)	41,069	(1,802)	5,556
Net cash used in operating activities	(429,356)	(306,940)	(275,382)	(296,175)

NOTE 25: RELATED PARTIES

Directors

The names of each person holding the position of Director of Diamond Ventures NL during the financial year are Ronald J Hawkes, Walter R Bucknell and Donald L Cooper. Details of Directors' remuneration are set out in Note 5.

Apart from the details disclosed in this Note, no Director has entered into a material contract with the Company or the Consolidated Entity since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

Directors' and Executive Officer's holdings of shares and share options

The aggregate interests of Directors and the Executive Officer of the reporting entity in shares and share options of the Company at the end of the reporting period are set out below.

	ORDINARY SHARES		OPTIONS	
	FULLY PAID	PARTLY PAID	OPTIONS	LAPSED
R J Hawkes	20,000,000	5,750,000	7,061,540	1,666,668
W R Bucknell	4,147,436	1,036,860	2,824,360	258,120
D L Cooper	1,238,974	400,000	509,744	134,334
B H Bolton	1,890,000	755,600	830,000	218,534
Total	27,276,410	7,942,460	11,225,644	2,277,656

During the reporting period 2,277,656 share options lapsed without exercise. There were no other movements except for purchases by Mr Hawkes and Mr Bolton of 750,000 and 100,000 partly paid shares respectively.

Non-Director related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

CONSOLIDATED		COMPANY	
2004	2003	2004	2003
\$	\$	\$	\$

Note 25: Related parties continued

Controlled Entities

The Parent Company provided management and

related services to Controlled Entities

336,899 186,231

Balance of loans to Controlled Entities outstanding at year end

2,838,164 1,726,342

Amount of loans written down during the period

544,577 1,284,909

All loans to Controlled Entities are unsecured, interest free and repayable on demand.

NOTE 26: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

A INTEREST RATE RISK

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	NOTE	WEIGHTED	FLOATING	FIXED INTEREST	NON INTEREST BEARING	TOTAL
		AVERAGE EFFECTIVE INTEREST RATE	INTEREST RATE	MATURING WITHIN YEAR		
		%	\$	\$	\$	\$
2004						
Financial assets:						
Cash	8	0.7	24,497	—	—	24,497
Term deposits	8	5.23	—	453,790	—	453,790
Security deposits	9	n/a	—	—	52,365	52,365
Other debtors	9	n/a	—	—	32,789	32,789
Total financial assets			24,497	453,790	85,154	563,441
Financial liabilities						
Payables	14	n/a	—	—	71,341	71,341
Provisions	15	n/a	—	—	15,100	15,100
Total financial liabilities			—	—	86,441	86,441
2003						
Financial assets:						
Cash	8	0.7	150,618	—	—	150,618
Term Deposits	8	5.23	908,900	727,610	—	1,636,510
Security deposits	9	n/a	—	—	22,268	22,268
Other debtors	9	n/a	—	—	64,462	64,462
Total Financial Assets			1,059,518	727,610	86,730	1,873,858
Financial Liabilities						
Payables	14	n/a	—	—	174,532	174,532
Provisions	15	n/a	—	—	10,500	10,500
Total Financial Liabilities			—	—	185,032	185,032

B NET FAIR VALUES

For all assets and liabilities the net fair value approximates their carrying value.

NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE**Fund Raising**

The Company announced that following receipt of offers from interested parties it plans to raise \$2.5 million by means of placements of fully paid ordinary shares at a price of 9 cents per share. The Company intends to seek shareholder approval for the raising. Shareholders will have an opportunity to participate in this raising by means of a Share Purchase Plan and all shares issued will be at the same price as the placement of 9 cents per share. Funds raised will be used to further advance the bankable feasibility study for the Touquoy Gold Project Nova Scotia Canada and to undertake regional exploration.

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Consolidated Entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for period ending on 31 December 2004. The differences between Australian GAAP and AIFRS identified to date as potentially having a significant impact on the consolidated entity's financial performance are summarised below. The summary should not be taken as an exhaustive list of all the differences between current Australian GAAP and AIFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions are presented.

The Consolidated Entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with AIFRS.

Regulatory bodies that promulgate Australian GAAP and AIFRS have significant ongoing projects that could affect the differences between Australian GAAP and AIFRS described below and the impact of these differences relative to the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of AIFRS, including system upgrades and other implementation costs which may be incurred have not been quantified as at the transition date of 1 January 2004 due to the short timeframe between finalisation of AIFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to AIFRS on the consolidated entity include:

- Each entity must select and maintain its accounting records in the currency of its primary economic environment, being the functional currency of the entity. This may differ to the presentation currency, being the currency in which it presents its financial statements. Exchange differences arising from functional currency translation to presentation currency will be taken to the foreign currency translation reserve.
- Accounting for exploration and evaluation expenditure on mineral resources is generally consistent with current AGAAP, however provision for restoration and rehabilitation obligations will need to be recognised based on discounted estimated future costs at the time of initial recognition of the asset for which remediation is required.
- Equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services.

DECLARATION BY DIRECTORS

In the opinion of the Directors of Diamond Ventures NL:

- 1 the financial statements and notes set out on pages 24 to 41 are in accordance with the Corporations Act 2001, including:
 - a) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 31 December 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - b) comply with Accounting Standards in Australia 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.

Dated at Sydney this 18th day of March 2005.

Signed in accordance with a resolution of the Directors.



Walter R Bucknell
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIAMOND VENTURES NL

SCOPE

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Diamond Ventures NL (the "Company"), and Diamond Ventures NL and its controlled entities ("the Consolidated Entity"), for the year ended 31 December 2004. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Diamond Ventures NL is in accordance with:

- 1 the Corporations Act 2001, including:
 - a) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 31 December 2004 and of their performance for the year ended on that date; and
 - b) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- 2 other mandatory financial reporting requirements in Australia.

Dated at Sydney this 18th day of March 2005.



KPMG



Trent van Veen, Partner

SHAREHOLDER INFORMATION

As at 18 March 2005

SUBSTANTIAL SHAREHOLDERS

	ORDINARY SHARES	PARTLY PAID SHARES
Wapimala Pty Limited	9,366,641	5,278,458
Regency Hallmarks Holdings Pty Ltd	10,000,000	2,500,000
Mr Ronald Joseph Hawkes	6,969,230	3,250,000
Cairnglen Investments Pty Ltd	6,529,746	3,672,035

DISTRIBUTION OF SHAREHOLDING

RANGE OF HOLDING	ORDINARY SHARES	PARTLY PAID SHARES	NO. OF SHAREHOLDERS
			OPTIONS EXP 30 JUN 06
1 – 1,000	16	7	1
1,001 – 5,000	97	37	42
5,001 – 10,000	183	17	31
10,001 – 100,000	320	64	60
100,001 and over	102	38	30
	718	163	164
Shareholders with less than a marketable parcel	118	44	98

VOTING RIGHTS

Holders of fully paid ordinary shares are entitled on a show of hands to one vote and on a poll to one vote for each fully paid share held. Holders of partly paid shares are entitled on a show of hands to one vote, and on a poll to such number of votes as results from applying the ratio of the amount of the issue price of shares paid to the total issue price, to the number of those partly paid shares held. There are no voting rights attached to options for ordinary shares until the options have been exercised.

GENERAL

Diamond Ventures NL, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

The Company's securities are listed on the Australian Stock Exchange Limited.

ASX code: DDV.

The Company Secretaries are Grahame Clegg and Julie Fidler.

As at 18 March 2005

TWENTY LARGEST SHAREHOLDERS

Ordinary fully paid shares

RANK	NAME	NUMBER	PERCENTAGE
1	Regency Hallmarks Holdings Pty Ltd	10,000,000	9.71
2	Wapimala Pty Limited	9,366,641	9.10
3	Mr Ronald Joseph Hawkes	6,969,230	6.77
4	Cairnglen Investments Pty Ltd	6,529,746	6.34
5	Australian Pioneer Pty Ltd	5,610,418	5.45
6	ANZ Nominees Limited	3,333,607	3.24
7	Regency Goldmark Pty Ltd	3,030,770	2.94
8	Dr Dean Andary	2,865,045	2.79
9	Irrewarra Investments Pty Ltd	2,453,115	2.38
10	R & B Investments Pty Ltd	2,061,000	2.00
11	Andamax Investments Pty Ltd	1,876,878	1.82
12	Mr Leslie Guy Julian Paynter	1,737,500	1.69
13	Marketglobe (IOM) Limited	1,551,660	1.51
14	Baytoni Pty Ltd	1,548,718	1.50
15	Callisten Pty Ltd	1,548,718	1.50
16	Nouvata Pty Ltd	1,238,974	1.20
17	Surpion Pty Ltd	1,230,000	1.19
18	Mr Walter Ralph Bucknell	1,050,000	1.02
19	Brianna Holdings Pty Limited	1,040,000	1.01
20	Berne No 132 Nominees Pty Ltd	1,003,261	0.97
	TOTAL	66,045,281	64.14

Percentage holding of twenty largest shareholders is 64.14%.

Total ordinary fully paid shares on issue: 102,969,418 shares.

As at 18 March 2005

TWENTY LARGEST SHAREHOLDERS**Ordinary partly paid shares**

RANK	NAME	NUMBER	PERCENTAGE
1	Wapimala Pty Limited	5,278,458	17.42
2	Cairnglen Investments Pty Ltd	4,382,849	14.47
3	Mr Ronald Joseph Hawkes	3,250,000	10.73
4	Regency Hallmarks Holdings Pty Ltd	2,500,000	8.25
5	Australian Pioneer Pty Ltd	1,987,020	6.55
6	ANZ Nominees Limited	806,818	2.66
7	Brianna Holdings Pty Limited	755,600	2.49
8	Andamax Investments Pty Ltd	563,334	1.86
9	R & B Investments Pty Ltd	522,750	1.73
10	Dr Dean Andary	520,734	1.72
11	Mr William Johnson Smoult	500,000	1.65
12	Winpar Holdings Limited	497,020	1.64
13	Batoka Pty Ltd	467,759	1.54
14	Marketglobe (IOM) Limited	466,667	1.54
15	Mrs Susan Holt	400,000	1.32
16	Nouvata Pty Ltd	400,000	1.32
17	Baytoni Pty Ltd	387,180	1.28
18	Callisten Pty Ltd	387,180	1.28
19	Mr Rodney John Hanson	330,732	1.09
20	Mary Graham Neild	300,000	0.99
	TOTAL	24,704,101	81.54

Percentage holding of twenty largest shareholders is 81.54%.

Total ordinary partly paid shares on issue: 30,296,342 shares.

As at 18 March 2005

OPTION HOLDERS

Options expiring 30 June 2006

TWENTY LARGEST OPTION HOLDERS

RANK	NAME	NUMBER	PERCENTAGE
1	Regency Goldmark Pty Ltd	3,030,770	12.83
2	Regency Hallmarks Holdings Pty Ltd	3,030,770	12.83
3	Wapimala Pty Limited	1,485,206	6.29
4	Mr Brent David Connolly	1,460,000	6.18
5	Surpion Pty Ltd	1,411,027	5.97
6	Mr Walter Ralph Bucknell	1,050,000	4.45
7	Australian Pioneer Pty Ltd	1,000,000	4.23
8	G J Alt Pty Limited	894,000	3.79
9	Mr Graham Charles Powell	870,000	3.68
10	R & B Investments Pty Limited	600,000	2.54
11	Mr William Johnson Smoult	600,000	2.54
12	Dr Dean Andary	553,404	2.34
13	Brianna Holdings Pty Ltd	550,000	2.33
14	Mr Malcolm Thom	400,000	1.69
15	Baytoni Pty Limited	387,180	1.64
16	Callisten Pty Limited	387,180	1.64
17	Irrewarra Investments Pty Ltd	385,272	1.63
18	Mr Ianaki Semerdziew	382,000	1.62
19	Cairnglen Investments Pty Ltd	320,000	1.36
20	Nouvata Pty Limited	309,744	1.32
	TOTAL	19,106,553	80.90

Percentage holding of twenty largest option holders is 80.90%.

Total options expiring 30 June 2006 on issue: 23,615,931 options.

Options expiring 31 December 2008

RANK	NAME	NO. OF OPTIONS
1	Mr Ronald Joseph Hawkes	1,000,000
2	Mr Walter Ralph Bucknell	1,000,000
3	Nouvata Pty Ltd	200,000
	TOTAL	2,200,000

LIST OF MINING TENEMENTS

held at 18 March 2005

PROJECT	TENEMENT NUMBER	INTEREST
Nova Scotia, Canada		
Touquoy	39 Exploration Licences (420 km ²)	100%
New South Wales		
Mt Drysdale	Exploration Licence 6113	100%
Bingara	Exploration Licence 3325	10% NPI *
Monte Christo	Mineral Claim 194	10% NPI *
Tasmania		
Beaconsfield	Exploration Licence 46/2002	100%
Western Australia		
Ellendale	Exploration Licence 04/813	53%
Kookynie	Mining Lease 40/3	50%
	Mining Lease 40/8	50%
	Mining Lease 40/101	50%
	Mining Lease 40/110	50%
	Prospecting Licence 40/989	50%

* 10% net profit interest reduces to 5% after \$2 million has been received.

DIRECTORS

Ronald J Hawkes

Non-Executive Chairman

Walter R Bucknell

Executive Director

Donald L Cooper

Non-Executive Director

COMPANY SECRETARIES

Grahame Clegg

Julie Fidler

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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