DIAMOND VENTURES NL
ABN 82 062 091 909
and controlled entities

FINANCIAL REPORT
FOR THE HALF YEAR ENDED
30 JUNE 2004

CONTENTS

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2003 and any public announcement made by Diamond Ventures NL during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the half year ended 30 June 2004 and the auditor's review opinion thereon.

DIRECTORS

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

REVIEW OF OPERATIONS

Gold

TOUQUOY GOLD PROJECT, NOVA SCOTIA, CANADA

(Diamond Ventures NL ("DDV") may earn up to 75%)

In May 2003 DDV entered into an Agreement with Moose River Resources Inc (MRRI), a private Canadian company, to earn up to a 75% interest in the Touquoy Gold Project which is located in the Province of Nova Scotia. DDV is the operator and manager of the Project.

The Touquoy Gold Project covers approximately 1300 hectares and is located in the vicinity of several former producing gold mines. Current JORC compliant resources now stand at 8.43 million tonnes @ 2.1 g/t for 571,000 gold ounces. This represents an increase of 40% in the size of the resource that had been outlined prior to DDV's involvement in the project.

Completion of delineation drilling of the identified resources on 20m x 25m centres, particularly over the main Touquoy deposit, is now required to define all Measured and Indicated Resources to underpin a bankable feasibility study. In parallel with the current fieldwork, investigations relating to environmental permitting, community and government liaison, refinement of expected capital and operating costs and financial modelling are ongoing to advance the development of the project. At this stage no significant impediments to project development are foreseen, provided funds are available and the gold price stays at or above current levels.

The target is a production scenario incorporating an on-site gold treatment plant with a 1.5 million tonne per annum throughput and a 7 year minimum mine life to produce approximately 90,000 ounces of gold per year. This target implies a further increase in the existing resource inventory, to which the ongoing drilling is being applied. The low stripping ratio (3.5:1), excellent ore metallurgy (free milling with 95% recovery) and favourable ore grindability characteristics (Bond work index <10) are conducive to a relatively low cost and profitable mining operation.

Diamond Ventures is earning a 60% interest in the Touquoy Gold Project by spending C$2.2 million by 31 December 2005, with further staged cash payments of C$130,000. An additional 15 % interest can be acquired in the property outside the general area of the known resource by securing project financing.

BEACONSFIELD, TASMANIA

(DDV may earn 8% royalty interest)

Exploration of the Beaconsfield Mine property is being advanced by DDV pursuant to an Agreement that provides DDV the right to earn an 8% gross production royalty in any discoveries it makes within the 85 km^2 property, excluding the Beaconsfield Gold Mine. Past production and reserves at Beaconsfield amount to more than 1.5 million ounces of gold and the operation is currently estimated to be producing at an annualised rate of about 140,000 ounces of gold.

Follow up drilling to an extensive soil geochemical survey over the 9km length of the property, and a stream sediment survey further west, continued during the period. A single 140m diamond hole was drilled to test the eastward projection of gold mineralisation previously intersected at Salisbury, located

5km south of the Beaconsfield Gold Mine. Host rocks equivalent to those at Salisbury (and the Beaconsfield Mine) were intersected but only background levels of gold were intersected.

Assay results from 13 RAB holes drilled at the Lyons prospect, 1.5km north of the Beaconsfield Gold Mine, were negative suggesting the strong gold-in-soil anomalies at this prospect result from residual gold from historical workings.

Completion of the planned drilling at the Moonlight and Little Wonder prospects, immediately west of Beaconsfield, has been deferred for the present time.

MT DRYSDALE, NEAR COBAR, NEW SOUTH WALES

(DDV 100%)

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

KOOKYNIE GOLD PROJECT, WESTERN AUSTRALIA

(DDV 50%)

Diamond Ventures holds a 50% interest in two Development Areas which includes the Clark, Butterfly, Admiral and Redlake gold deposits in the north and the Diamantina gold deposit in the south. Currently DDV is in negotiations in relation to the sale of its interest in the Development Areas.

Diamonds

ELLENDALE, WESTERN AUSTRALIA

(DDV 53%)

No fieldwork was undertaken during the period. A high resolution aeromagnetic survey is planned to be flown over the property.

BINGARA PROJECT, NEW SOUTH WALES

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

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

CORPORATE

In August 2004 DDV completed a call of 2 cents per share in respect of its partly paid ordinary shares raising $555,111. The funds raised are being directed towards ongoing exploration and in undertaking further resource definition and technical work required to develop the Touquoy Gold Project as a commercial stand-alone gold mining operation.

Signed at Sydney this 13th day of September 2004 in accordance with a resolution of the directors

W R Bucknell
Director

STATEMENT OF FINANCIAL PERFORMANCE

For the half year ended 30 June 2004

	NOTE	CONSOLIDATED 30 JUNE 2004 $	CONSOLIDATED 30 JUNE 2003 $
Revenue from ordinary activities	3	37,241	116,405
Administration costs		(77,546)	(83,152)
Borrowing costs		(47)	–
Depreciation and amortisation expense		(1,939)	(2,698)
Employee and Director benefits expense		(87,448)	(51,917)
Consultants expense		–	(28,259)
Occupancy expense		(17,588)	(20,862)
Foreign exchange gain		20,895	–
Other expenses from ordinary activities		(19,167)	(15,553)
Loss from ordinary activities before income tax expense		(145,599)	(86,036)
Income tax expense relating to ordinary activities	4	–	–
Net loss		(145,599)	(86,036)
Basic (loss) per share (cents per share)	2	(0.1)	(0.1)
Diluted (loss) per share (cents per share)	2	(0.1)	(0.1)

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

	NOTE	CONSOLIDATED 30 JUNE 2004 $	CONSOLIDATED 31 DECEMBER 2003 $
Current assets			
Cash assets		638,341	1,787,128
Receivables		112,237	86,730
Other current assets		34,159	10,845
Total current assets		784,737	1,884,703
Non-current assets			
Property, plant and equipment		14,510	13,575
Exploration expenditure	5	2,523,286	1,625,644
Total non-current assets		2,537,796	1,639,219
TOTAL ASSETS		3,322,533	3,523,922
Current liabilities			
Payables		117,373	174,532
Provisions		9,400	10,500
Total current liabilities		126,773	185,032
TOTAL LIABILITIES		126,773	185,032
NET ASSETS		3,195,760	3,338,890
Equity			
Contributed equity	7	17,740,388	17,737,919
Accumulated Losses	6	(14,544,628)	(14,399,029)
TOTAL EQUITY		3,195,760	3,338,890

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

STATEMENT OF CASH FLOWS

For the half year ended 30 June 2004

	CONSOLIDATED 30 JUNE 2004 $	CONSOLIDATED 30 JUNE 2003 $
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	6,000	100,000
Payments to suppliers and employees (inclusive of GST)	(262,640)	(316,117)
Interest received	31,787	16,405
Interest paid	(47)	–
Net cash used in operating activities	(224,900)	(199,712)
Cash flows from investing activities		
Payments for property, plant and equipment	(3,938)	(399)
Payments for exploration expenditure	(897,642)	(553,908)
Payments for security deposits	(24,776)	–
Net cash used in investing activities	(926,356)	(554,307)
Cash flows from financing activities		
Proceeds from share issues	2,469	565,000
Share issue costs	–	(6,000)
Net cash provided by financing activities	2,469	559,000
Net decrease in cash held	(1,148,787)	(195,019)
Cash at 1 January 2004	1,787,128	1,074,017
CASH AT 30 JUNE 2004	638,341	878,998

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF HALF YEARLY FINANCIAL REPORT

Financial Reporting Framework

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

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

The half year financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2003 and any public announcement made by Diamond Ventures NL during the half year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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

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

NOTE 2: LOSS PER SHARE

	2004	2003
Basic and diluted earnings/(loss) per share (cents per share)	(0.1)	(0.1)
	NUMBER OF SHARES	NUMBER OF SHARES
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings (loss) per share	101,682,476	83,981,120

NOTE 3: REVENUE

	CONSOLIDATED 30 JUNE 2004 $	CONSOLIDATED 30 JUNE 2003 $
Operating revenue		
Interest – Other entities	31,787	16,405
Mining income	–	100,000
Other income	5,454	–
Total revenue from ordinary activities	37,241	116,405

NOTE 4: INCOME TAX

	CONSOLIDATED 30 JUNE 2004 $	CONSOLIDATED 30 JUNE 2003 $
The prima facie income tax on pre-tax accounting loss reconciles to the income tax benefit in the financial statements as follows:		
Loss from ordinary activities	(145,598)	(86,036)
Prima facie income tax benefit calculated at 30% (2003 30%) of operating profit	(43,679)	(25,811)
Future income tax benefits not recognised	43,679	25,811
Income tax benefit attributable to operating profit	–	–

NOTE 5: EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	CONSOLIDATED 30 JUNE 2004 $	CONSOLIDATED 31 DECEMBER 2003 $
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases	2,523,286	1,625,644
Reconciliations		
Opening balance	1,625,644	1,846,200
Expenditure incurred during current period	897,642	1,077,719
Less: write-offs	-	(1,298,275)
Closing balance as shown in the consolidated statement of financial position	2,523,286	1,625,644

The ultimate recoverability of the capitalised exploration, evaluation and development expenditure is dependent upon either the successful development and production of economically recoverable reserves from, or sale of, the various areas of interest.

NOTE 6: ACCUMULATED LOSSES

	CONSOLIDATED 30 JUNE 2004 $	CONSOLIDATED 30 JUNE 2003 $
Accumulated losses at beginning of half-year	(14,399,029)	(12,743,388)
Net loss attributable to members of parent entity for half-year	(145,599)	(86,036)
Accumulated losses at end of half-year	(14,544,628)	(12,829,424)

NOTE 7: CONTRIBUTED EQUITY

	30 JUNE 2004	31 DECEMBER 2003
	No.	No.
Fully paid ordinary shares	101,688,875	101,668,303
Partly paid ordinary shares (20 cents per share, partly paid to 3 cents per share)	30,296,342	30,296,342
	$	$
Contributed equity	17,740,388	17,737,919

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. Holders of partly paid shares are entitled to receive dividends as declared from time to time and are entitled on a show of hands to one vote per share, 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 registered in the shareholder's name.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Movements in ordinary share capital

Balance at beginning of half-year	17,737,919	16,125,405
Ordinary Shares issued during the half-year	–	661,800
Partly paid ordinary Shares issued during the half-year	–	908,900
Transaction costs relating to share issue	–	(43,753)
Shares issued in lieu of services	–	71,600
Shares issued on exercise of options	2,469	13,967
Balance at end of half-year	17,740,388	17,737,919

In August 2004 DDV completed a call of 2 cents per share in respect of its partly paid ordinary shares raising $555,111.

NOTE 8: CONTINGENT LIABILITIES

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

NOTE 9: SEGMENT INFORMATION

For the half year ended 30 June 2004, the Consolidated Entity operated predominantly in two geographic segments and one business segment, namely Australia and Canada and in precious mineral exploration. A corporate head office in Australia supports these operations. The consolidated entity's assets comprise cash held in Australia and exploration tenements, which includes an exploration project in Canada.

	AUSTRALIA		CANADA		ELIMINATIONS		CONSOLIDATED	
	2004	2003	2004	2003	2004	2003	2004	2003
	$	$	$	$	$	$	$	$
Segment revenue	37,241	116,405	–	–	–	–	37,241	116,405
Segment result								
Net Loss before tax	(138,354)	(86,036)	(7,245)	–	–	–	(145,599)	(86,036)
Income tax	–	–	–	–	–	–	–	–
Net Loss	(138,354)	(86,036)	(7,245)	–	–	–	(145,599)	(86,036)
Depreciation	1,822	2,698	117	–	–	–	1,939	2,698
Segment Assets	3,233,996	3,388,118	695,388	–	(606,851)	–	3,322,533	3,388,118
Segment Liabilities	27,886	92,137	705,738	–	(606,851)	–	126,773	92,137

NOTE 10: EVENTS SUBSEQUENT TO BALANCE DATE

In August 2004 DDV completed a call of 2 cents per share in respect of its partly paid ordinary shares raising $555,111. No other matters or circumstances have arisen since 30 June 2004 that have significantly affected or may significantly affect the consolidated entity's operations in future financial years, or the results of those operations in future financial years, or the consolidated entity's state of affairs in future financial years.

NOTE 11: INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) 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). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect 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 Australian GAAP and IFRS. 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 IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS 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 IFRS, 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 IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The board is in the process of establishing a formal project to achieve transition to IFRS reporting, beginning with the half-year ending 30 June 2005. The Company expects this project to be substantially completed by 31 December 2004.

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

- Financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value.
- Impairment of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired.
- The functional currency of each operating entity will need to be determined based on the currency of the primary economic environment in which that entity operates.

The impact of ED 6 *Exploration for and Evaluation of Mineral Resources* on the consolidated entity's accounting policy for the treatment of exploration and evaluation expenditure cannot be determined until the final standard is issued by the International Accounting Standards Board in September 2004, and the equivalent Australian accounting standard is subsequently issued by the Australian Accounting Standards Board.

Recent announcements from the AASB indicate that the IASB will amend ED6 and will grandfather Australia's existing areas of interest method for accounting for exploration and evaluation expenditure. Until these proposed changes are enacted it is not possible to determine the potential impact in respect to extractive industries.

DIRECTORS' DECLARATION

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

1. the financial statements and notes set out on pages 5 to 12 are in accordance with the Corporations Act 2001, including:
   (a) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2004 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
   (b) complying with Australian Accounting Standard AASB 1029 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

W R Bucknell
Director

Sydney, 13 September 2004

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF DIAMOND VENTURES NL

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Diamond Ventures NL Consolidated Entity ("the Consolidated Entity"), for the half-year ended 30 June 2004. The Consolidated Entity comprises Diamond Ventures NL ("the Company") and the entities it controlled during that half-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.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

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

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

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

Statement

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

a) the Corporations Act 2001, including:
   i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2004 and of its performance for the half-year ended on that date; and
   ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

Trent van Veen
Partner

Sydney, 13 September 2004