DiamonEx Limited

Annual Report 2003

Corporate Directory

DIRECTORS

Peter J Gilchrist	*(Chairman)*
Gregory M King	*(Executive Director)*
Dennis (Dan) C O'Neill	*(Executive Director)*
Paul A Crawford	

COMPANY SECRETARY

Paul A Crawford

REGISTERED OFFICE

Level 2, Primary Producers House
183 North Quay
Brisbane Qld 4000

AUDITORS

Robertsons Chartered Accountants
Level 4,
127 Creek Street
Brisbane Qld 4000

CONTACT DETAILS

Telephone:	(07) 3220 2266
Facsimile:	(07) 3220 2099
Email:	diamonex@diamonex.com.au
Website:	www.diamonex.com.au

Postal Address

GPO Box 794
Brisbane Qld 4001

Chairman's Letter

Dear Shareholder.

It is with pleasure that I submit the Company's fourth Annual Report.

The past year has been one of exploration success frustrated by difficulties in completing longer term funding strategies and the stock exchange listing that we have indicated as priorities in last year's Annual Report. During this period DiamonEx has continued to make progress toward our goal of becoming a diamond producer.

Exploration over the year focused on the Martin's Drift tenements in Botswana. During the year, directors decided that the company should focus its activities entirely on Botswana. A decision was made to relinquish the Australian exploration tenements and to apply for additional tenements at Martin's Drift. In May 2003 the Botswana Government granted the company an additional two Exploration Licences, bringing the total area held in the Martin's Drift area to 760 km^2.

A sampling programme, involving the collection of 700 samples in the expanded Martin's Drift area resulted in the delineation of six anomalous target areas in close proximity to the known pipes. These anomalous areas were defined on the basis of the presence of kimberlitic garnets. Processing of all samples is not yet complete, so potential remains for the identification of further targets.

The Company considered and pursued a number of fundraising options during the year. These included funding options from both Australian and Southern African sources. An interim funding package was completed in January 2003 to provide short term funding for exploration commitments and preparation of a prospectus for a public offering to raise between A$2 million and A$4 million. Deteriorating stock market conditions in the first half of 2003 caused the postponement of the planned major capital raising. Following this setback, fundraising options in Southern Africa were pursued, with a view to seeking listing on the Botswana Stock Exchange. Both Australian and Botswana listing options are still under negotiation.

Despite these funding setbacks, your directors are confident of the future and a public offering and stock exchange listing remains a priority in our corporate development plans.

We will advise shareholders of the outcome of current funding and listing negotiations in due course.

Yours sincerely
Diamonex Limited

Peter Gilchrist
Chairman

Review of Operations

Introduction

Diamonex seeks to create shareholder wealth by becoming a successful diamond producer, through acquiring and developing advanced exploration projects. In pursuit of this objective an exploration strategy has been formulated focusing on areas of known diamond occurrences with the potential to host commercial deposits of diamonds.

In August2002 the Company was awarded 2 prospecting licences over and adjacent to the Martin's Drift kimberlite diamond deposit in Botswana, Africa, following a competitive tender conducted by the Geological Survey and Mines Department of Botswana. As outlined below the Martin's Drift deposit has an indicated resource of some 3 Million carats of diamonds.

The Company considered and pursued a number of fundraising and stock exchange listing options over the 2002/2003 year. These included listing in both Australia and Botswana. In January 2003 a placement of shares to raise $500,000 was made to fund ongoing exploration activity; the preparation of a prospectus; and application for listing to the Australian Stock Exchange. Deteriorating stock market sentiment in the first half of 2003 resulted in the postponement of the planned initial public offer and subsequent listing. The Company is again currently holding discussions with a number of parties with a view to securing future funding and listing options.

During the year preliminary financial models were completed on the Martin's Drift deposit. These studies pointed to the potential commercial viability of mining at Martin's Drift. In light of these studies the Company has decided to focus its resources on completing a feasibility study and on outlining additional diamond resources in the Martin's Drift area.

As the company's focus has now shirted entirely to Botswana it was decided to relinquish the Australian exploration tenements and to apply for additional tenements at Martin's Drift. In May 2003 the Botswana Government granted the company an additional two Exploration Licences, bringing the total area held in the Martin's Drift area to 760 km^2.

Exploration work commenced at Martin's Drift with the collection of 700 samples in the immediate area. The results of this work are highly encouraging with the delineation of six anomalous target areas which will be drill tested in 2004.

A summary of the Company's projects follows:

Martin's Drift Diamond Deposit

The Martin's Drift diamond bearing kimberlites are located in eastern Botswana, the world's premier diamond producing nation, and represent a potential opportunity for early feasibility and development. Botswana is the world's largest diamond producer by value through three diamond mines, Orapa, Jwaneng and Letlhakane, which have combined annual earnings of approximately US$2 billion. Botswana accounts for 27% of world production by value.

The Martin's Drift project area was formerly held by De Beers who, in 1993, defined a resource of some 13.3 million tones at a production resource grade of 22.82 carats per hundred tonnes (cpht) for a total of approximately 3 million carats of contained diamonds within 5 pipes. The pipes are only covered by a thin overburden of sand and calcrete.

Subsequent trial mining of the 5 pipes to a maximum depth of 8 metres by De Beers, during the period 1997 to 2001, concluded that the pipes could not be mined economically on the basis of the information gained during the trial mining phase. However, close scrutiny of the trial mining report indicates that the project failed to achieve the expected diamond recovery through a combination of sustained plant inefficiencies, unquantified theft and inaccurate assumptions as to the nature of the kimberlites being mined.

It is believed that additional work planned over the next twelve months will provide information that may indicate that this project can be mined profitably. The company intends to complete a large diameter drilling and bulk sampling program preparatory to a feasibility study during 2004.

During the year the company undertook a 250 metre grid based spaced sampling programme within the tenements containing the Martin's Drift kimberlite pipes.

The results of this work were highly encouraging with six anomalous areas being defined in close proximity to the known pipes. These anomalous areas were defined on the basis of the presence of kimberlitic garnets.

Follow up work including drilling is planned for early 2004.

Tswapong Project

The Tswapong Prospecting Licence area adjoins the Martin's Drift project and was granted to the company at the same time as Martin's Drift.

A detailed study of the airborne magnetic data covering this Licence and the Martin's Drift area has identified a further 11 anomalies interpreted as kimberlite pipes. The discovery of further diamondiferous pipes in the immediate area will add to the commercial viability of the Martin's Drift project. Drilling of selected targets will be undertaken.

Exploration sampling on 1 km grid spacing was undertaken within the Tswapong project area. Results of this work are not yet to hand.

Molopo Diamond Project

The Molopo Field of kimberlite intrusives, some 65 bodies in total, lies in the southwest of Botswana. Exploration, by a number of companies over the past thirty years has located bodies up to 180 hectares in surface area but has not, as yet, resulted in a mine or a deposit of economic significance although, 9 are known to be diamondiferous. Diamond-bearing sediments of an unknown age are found in the Molopo River at Middlepits, to the south and west of the area.

Publicly available interpretations of seismic data from the Kaapvaal Seismic Project have pointed out probable flaws in previous exploration programs. Diamonex will concentrate on evaluating a small number of the known 65 kimberlites, which are highlighted as being of increased interest through these recent interpretations and in locating others with similar characteristics.

Whereas previous exploration emphasis has been on the size of the kimberlites in the Molopo Field, Diamonex is concentrating on their diamond-carrying and preserving abilities.

Previous sample sizes are deemed to have been inappropriate to answer questions as to kimberlitic type, possible grade and diamond value. Future sampling will include the drilling of six kimberlites with the best mineral chemistry and microdiamond results. Geophysical surveying (CSAMT, gravity, EM) of the larger kimberlites (M1, 94-73, T45-North, etc) will also be undertaken to delineate the component intrusions.

Review of Operations

Introduction

Diamonex seeks to create shareholder wealth by becoming a successful diamond producer, through acquiring and developing advanced exploration projects. In pursuit of this objective an exploration strategy has been formulated focusing on areas of known diamond occurrences with the potential to host commercial deposits of diamonds.

In August2002 the Company was awarded 2 prospecting licences over and adjacent to the Martin's Drift kimberlite diamond deposit in Botswana, Africa, following a competitive tender conducted by the Geological Survey and Mines Department of Botswana. As outlined below the Martin's Drift deposit has an indicated resource of some 3 Million carats of diamonds.

The Company considered and pursued a number of fundraising and stock exchange listing options over the 2002/2003 year. These included listing in both Australia and Botswana. In January 2003 a placement of shares to raise $500,000 was made to fund ongoing exploration activity; the preparation of a prospectus; and application for listing to the Australian Stock Exchange. Deteriorating stock market sentiment in the first half of 2003 resulted in the postponement of the planned initial public offer and subsequent listing. The Company is again currently holding discussions with a number of parties with a view to securing future funding and listing options.

During the year preliminary financial models were completed on the Martin's Drift deposit. These studies pointed to the potential commercial viability of mining at Martin's Drift. In light of these studies the Company has decided to focus its resources on completing a feasibility study and on outlining additional diamond resources in the Martin's Drift area.

As the company's focus has now shirted entirely to Botswana it was decided to relinquish the Australian exploration tenements and to apply for additional tenements at Martin's Drift. In May 2003 the Botswana Government granted the company an additional two Exploration Licences, bringing the total area held in the Martin's Drift area to 760 km^2.

Exploration work commenced at Martin's Drift with the collection of 700 samples in the immediate area. The results of this work are highly encouraging with the delineation of six anomalous target areas which will be drill tested in 2004.

A summary of the Company's projects follows:

Martin's Drift Diamond Deposit

The Martin's Drift diamond bearing kimberlites are located in eastern Botswana, the world's premier diamond producing nation, and represent a potential opportunity for early feasibility and development. Botswana is the world's largest diamond producer by value through three diamond mines, Orapa, Jwaneng and Letlhakane, which have combined annual earnings of approximately US$2 billion. Botswana accounts for 27% of world production by value.

The Martin's Drift project area was formerly held by De Beers who, in 1993, defined a resource of some 13.3 million tones at a production resource grade of 22.82 carats per hundred tonnes (cpht) for a total of approximately 3 million carats of contained diamonds within 5 pipes. The pipes are only covered by a thin overburden of sand and calcrete.

Subsequent trial mining of the 5 pipes to a maximum depth of 8 metres by De Beers, during the period 1997 to 2001, concluded that the pipes could not be mined economically on the basis of the information gained during the trial mining phase. However, close scrutiny of the trial mining report indicates that the project failed to achieve the expected diamond recovery through a combination of sustained plant inefficiencies, unquantified theft and inaccurate assumptions as to the nature of the kimberlites being mined.

It is believed that additional work planned over the next twelve months will provide information that may indicate that this project can be mined profitably. The company intends to complete a large diameter drilling and bulk sampling program preparatory to a feasibility study during 2004.

During the year the company undertook a 250 metre grid based spaced sampling programme within the tenements containing the Martin's Drift kimberlite pipes.

The results of this work were highly encouraging with six anomalous areas being defined in close proximity to the known pipes. These anomalous areas were defined on the basis of the presence of kimberlitic garnets.

Follow up work including drilling is planned for early 2004.

Tswapong Project

The Tswapong Prospecting Licence area adjoins the Martin's Drift project and was granted to the company at the same time as Martin's Drift.

A detailed study of the airborne magnetic data covering this Licence and the Martin's Drift area has identified a further 11 anomalies interpreted as kimberlite pipes. The discovery of further diamondiferous pipes in the immediate area will add to the commercial viability of the Martin's Drift project. Drilling of selected targets will be undertaken.

Exploration sampling on 1 km grid spacing was undertaken within the Tswapong project area. Results of this work are not yet to hand.

Molopo Diamond Project

The Molopo Field of kimberlite intrusives, some 65 bodies in total, lies in the southwest of Botswana. Exploration, by a number of companies over the past thirty years has located bodies up to 180 hectares in surface area but has not, as yet, resulted in a mine or a deposit of economic significance although, 9 are known to be diamondiferous. Diamond-bearing sediments of an unknown age are found in the Molopo River at Middlepits, to the south and west of the area.

Publicly available interpretations of seismic data from the Kaapvaal Seismic Project have pointed out probable flaws in previous exploration programs. Diamonex will concentrate on evaluating a small number of the known 65 kimberlites, which are highlighted as being of increased interest through these recent interpretations and in locating others with similar characteristics.

Whereas previous exploration emphasis has been on the size of the kimberlites in the Molopo Field, Diamonex is concentrating on their diamond-carrying and preserving abilities.

Previous sample sizes are deemed to have been inappropriate to answer questions as to kimberlitic type, possible grade and diamond value. Future sampling will include the drilling of six kimberlites with the best mineral chemistry and microdiamond results. Geophysical surveying (CSAMT, gravity, EM) of the larger kimberlites (M1, 94-73, 745-North, etc) will also be undertaken to delineate the component intrusions.

DIAMONEX LIMITED
AND CONTROLLED ENTITIES

ABN 26 091 951 978

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2003

DIAMONEX LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

DIRECTORS' REPORT

Your directors present their report of the company and its controlled entities for the financial year ended 30 June, 2003.

1. Directors

The directors of the company at any time during or since the end of the year are listed below. During the year there were 8 meetings of the full board of directors. The meetings attended by each director were:

DIRECTORS	MEETINGS ATTENDED
P.J. Gilchrist – Chairman	8
G.M. King	8
D.C. O'Neill	8
P.A. Crawford	8

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

2. Principal Activities

The principal activity of the economic entity in the course of the year was mineral exploration. The company and its controlled entity hold mineral exploration tenements in Australia and Botswana. The entities' exploration focus is on diamonds. There was no change in the principal activity during the year.

3. Review of Operations

The entity's consolidated operating loss for the financial year, after applicable income tax was $281,920 (2002: $20,310). Exploration expenditure during the year totalled $342,344.

4. Dividends

No dividend has been proposed or paid since the start of the year.

5. Significant Changes In State of Affairs

The company issued 9,605,000 shares during the year for $ 761,000. The company issued 5,297,500 options during the year at no cost, convertible to ordinary shares of the company up to 30 June 2006, at an exercise price of $0.20 per share.

Following a review of corporate development options and an assessment of the exploration risk associated with alluvial diamond projects, the company withdrew from its joint venture over the Willows project in South Africa following completion of the first phase drilling programme.

No other significant changes in the state of affairs of the parent entity occurred during the year.

6. Likely Developments

During the year the company committed considerable resources to the preparation of documentation and marketing to undertake an initial public offering and listing on the Australian Stock Exchange. A draft prospectus was prepared for lodgement in February 2003. Deteriorating stock market and investment sentiment at that time resulted in a decision to defer the IPO until market conditions were more suitable.

Other development options are also under consideration. It is likely that the company will undertake a restructuring during the second half of calender 2003 with a view to accessing financial capital markets of Southern Africa. If the restructure is successful the company will initially apply for listing on the Botswana Stock Exchange. This proposal is consistant with the company's exploration and development focus on the Martin's Drift Diamond Project in Botswana.

Other likely developments in the operation of the company and the economic entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice.

7. Directors' Emoluments

No remuneration has been provided to Directors during or since the end of the financial year.

8. Information on Directors

The Company's Directors have a strong background in mineral exploration, mining engineering, mine management, finance and accounting, with considerable international experience including Australia, USA, Argentina, South East Asia, Northern Africa, Botswana and Indonesia.

The names and qualifications of current directors are summarised in the following table:

Name	Qualifications
Peter J. Gilchrist	B.Eng.(Civil), M.Eng.Sc, MBA
Gregory M. King	B. App. Sc.-Applied Geology.
Dennis C. O'Neill	B.Sc.(Geology).
Paul A. Crawford	B Bus (Acc), MFM, CPA, Grad Dip Bus Law

Relevant interests of the Directors in the shares of the Company at 30 June 2003 are:

Name	Ordinary Shares	Options
Peter J. Gilchrist	700,000	700,000
Greg M. King	5,000,000	4,500,000
Dennis C. O'Neill	4,550,000	4,550,000
Paul A Crawford	1,900,000	1,890,000

9. Subsequent Events

No matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

10. Environmental Regulations

The Directors monitor the economic entity's compliance with environmental regulation under the law of the Commonwealth and a State or Territory in relation to its exploration activities. The Directors are not aware of any compliance breach arising during the year.

11. Directors' and Auditors' Indemnification

The economic entity has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in successfully defending legal proceedings, or

- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer or auditor, for the costs or expenses to defend legal proceedings.

12. Options

At the date of this report, the unissued ordinary shares of the company under option are as follows:

Grant Date	Expiry Date	Exercise Price	No. Under Option
10/03/00	30/6/06	$0.20	2
28/04/00	30/6/06	$0.20	9,999,998
18/05/00	30/6/06	$0.20	500,000
01/09/00	30/6/06	$0.20	2,400,000
19/04/02	30/6/06	$0.20	1,120,000
10/08/02	30/6/06	$0.20	2,490,000
01/12/02	30/6/06	$0.20	307,500
24/01/03	30/6/06	$0.20	2,500,000
			19,317,500

13. Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

This report has been made in accordance with a resolution of Directors.

G. King
....
Greg M King
Director

D. O'Neill
....
Dennis C O'Neill
Director

Signed: 1 September 2003
Brisbane, Queensland

DIAMONEX LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

DIRECTORS' DECLARATION

The directors of the company declare that:

1 The attached financial statements and notes are in accordance with the *Corporations Act 2001* and:

(a) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the financial position as at 30 June 2003 and of the performance for the year ended on that date of the company and economic entity.

2 In the directors' opinion 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.

G. King

Greg M King
Director

D. O'Neill

Dennis C O'Neill
Director

Dated this: 1st day of September 2003

DIAMONEX LIMITED
AND CONTROLLED ENTITIES

ABN 26 091 951 978

STATEMENT OF FINANCIAL PERFORMANCE
for the financial year ending 30 June 2003

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Revenues from ordinary activities	2	6,880	234	6,880	234
Classification of Expenses by Function:	3				
Exploration expenses		(127,687)	-	(127,687)	-
Administrative expenses		(148,342)	(13,298)	(148,342)	(13,298)
Occupancy expenses		(12,000)	(6,902)	(12,000)	(6,902)
Borrowing costs expense		(771)	(344)	(771)	(344)
Loss from ordinary activities before income tax expense		(281,920)	(20,310)	(281,920)	(20,310)
Income tax expense relating to ordinary activities	4	-	-	-	-
Loss from ordinary activities after related income tax expense		(281,920)	(20,310)	(281,920)	(20,310)
Total changes in equity other than those resulting from transactions with owners as owners		(281,920)	(20,310)	(281,920)	(20,310)
Basic earnings per share (cents per share)	7	(0.0134)	(0.0014)		
Diluted earnings per share (cents per share)	7	(0.0073)	(0.0007)		

The accompanying notes form part of these financial statements.

DIAMONEX LIMITED
AND CONTROLLED ENTITIES

ABN 26 091 951 978

STATEMENT OF FINANCIAL POSITION

As at 30 June 2003

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
CURRENT ASSETS					
Cash assets	8	126,975	26,512	126,972	26,509
Receivables	9	69,567	50,567	89,498	70,498
Other	10	13,229	-	13,229	-
Total Current Assets		209,771	77,079	229,699	97,007
NON-CURRENT ASSETS					
Property, plant and equipment	11	6,794	3,499	6,794	3,499
Other financial assets	12	-	-	200,000	200,000
Exploration and evaluation expenditure	13	536,088	321,431	316,160	101,503
Total Non-Current Assets		542,882	324,930	522,954	305,002
TOTAL ASSETS		752,653	402,009	752,653	402,009
CURRENT LIABILITIES					
Payables	14	16,135	5,723	16,135	5,723
Interest Bearing Liabilities	15	-	50,344	-	50,344
Total Current Liabilities		16,135	56,067	16,135	56,067
TOTAL LIABILITIES		16,135	56,067	16,135	56,067
NET ASSETS		736,518	345,942	736,518	345,942
EQUITY					
Contributed equity	16	1,055,125	382,629	1,055,125	382,629
Accumulated losses	17	(318,607)	(36,687)	(318,607)	(36,687)
TOTAL EQUITY		736,518	345,942	736,518	345,942

The accompanying notes form part of these financial statements.

DIAMONEX LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2003

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers		(180,095)	(102,829)	(180,095)	(102,829)
Interest received		6,880	234	6,880	234
Borrowing costs		(771)	(344)	(771)	(344)
Other receipts		-	-	-	-
Net cash provided by (used in) operating activities	18	(173,986)	(102,939)	(173,986)	(102,939)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(5,359)	(473)	(5,359)	(473)
Cash assets of controlled entity at acquisition		-	-	-	-
Exploration expenditure		(342,344)	-	(342,344)	-
Net cash provided by (used in) investing activities		(347,703)	(473)	(347,703)	(473)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		761,000	56,000	761,000	56,000
Costs associated with share issue		(88,504)	(1,136)	(88,504)	(1,136)
Proceeds/(repayment) of loan from director		(50,344)	50,344	(50,344)	50,344
Net cash provided by (used in) financing activities		622,152	105,208	622,152	105,208
Net increase in cash held		100,463	1,796	100,463	1,796
Cash at 1 July 2002		26,512	24,716	26,509	24,713
Cash at 30 June 2003	8	126,975	26,512	126,972	26,509

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of Diamonex Limited and controlled entities, together with Diamonex Limited, as an individual parent entity. Diamonex Limited is an unlisted public company, incorporated and domiciled in Australia.

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

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Principles of Consolidation

A controlled entity is any entity controlled by Diamonex Limited. Control exists where the parent entity has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the parent entity to achieve the parent entity's objectives. A list of controlled entities is contained in Note 12 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are written off as incurred, except that they may be carried forward, provided that rights to tenure of an area of interest are current and the costs are expected to be recouped through the successful development of the area, or sale, or 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense shown is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The parent entity and its Australian subsidiary have not elected to form an income tax consolidated group under the Tax Consolidation Regime.

Plant and Equipment

Each class of plant and equipment is brought to account at cost or fair value, less where applicable, any accumulated depreciation or amortisation.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets is depreciated on a straight line basis, over their useful lives commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

Plant and Equipment	20% - 30%

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

For the purpose of the statement of cashflows, cash includes:

(i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and

(ii) investments in money market instruments with less than 14 days to maturity.

Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rate of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currency at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$

NOTE 2: REVENUE

Ordinary activities:				
Interest received from other persons	6,880	234	6,880	234

NOTE 3: LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities before income tax has been determined after:

Expenses				
Write-off of capitalised exploration expenditure	127,687	-	127,687	-
Depreciation of non-current assets:				
- plant and equipment	2,064	1,557	2,064	1,557
Borrowing costs from other related parties (note 15)	771	344	771	344

NOTE 4: INCOME TAX EXPENSE

The prima facie tax on loss from ordinary activities is reconciled to the income tax as follows:

Prima facie tax payable/(benefit) on loss from ordinary activities before income tax at 30% (2002: 30%).	(84,576)	(6,093)	(84,576)	(6,093)
Adjust for tax effect of:				
Future income tax benefit of tax losses not brought to account	131,406	29,149	131,406	29,149
Non-allowable items	102	60	102	60
Timing differences not brought to account	(46,932)	(23,116)	(46,932)	(23,116)
Income tax expense/(benefit) attributable to loss from ordinary activities before income tax	-	-	-	-

The entity has unrecouped, unconfirmed carry forward tax losses of approximately $ 599,000 (2002: $162,000).

The future income tax benefit of these carry forward losses has not been brought to account as realisation is not virtually certain. The benefit will only be realised if:

(a) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;

(b) the economic entity continues to comply with the conditions for deductibility imposed by the law; and

(c) no changes in tax legislation adversely affect the economic entity in realising the benefit from the losses.

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$

NOTE 5: REMUNERATION AND RETIREMENT BENEFITS

The names of directors of the parent entity who have held office during the financial year are:

Peter J. Gilchrist
Gregory M. King
Dennis C. O'Neill
Paul A. Crawford

a. Directors' Remuneration

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Income paid or payable to all directors of any entity in the economic entity by any such entity and any related parties.	-	-	-	-
Number of parent entity directors whose income from the parent entity and any related parties was within the following bands:			No.	No.
$ 0 - $ 9,999			4	4

b. Retirement Benefits and Superannuation Payments

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Amounts of a prescribed benefit given during year by any entity in the economic entity or a related party to a director.	-	-	-	-

c. Executive Remuneration

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Remuneration received or due and receivable by executive officers of any entity in the economic entity, from any such entity, or any related party, whose remuneration is $100,000 or above.	-	-	-	-

NOTE 6: AUDITORS' REMUNERATION

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Remuneration of the auditor of the parent entity for:				
- auditing or reviewing the financial report	2,500	3,250	2,500	3,250
- other services	3,000	-	3,000	-

No other renumeration was received by the auditor or a related practice of the auditor.

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$

NOTE 7: EARNINGS PER SHARE

The earnings figure used in the calculation of both the basic EPS and the dilutive EPS are the same.

	No.	No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	21,068,014	14,120,932
Weighted average number of options outstanding	17,483,404	13,120,932
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	38,551,418	27,241,864

Classification of Securities

Options to acquire ordinary shares in the parent entity are the only securities classified as potential ordinary shares and included in determination of diluted EPS.

A loan facility held by the entity provides the lender with an option to convert the debt to an equivalent value of ordinary shares in the parent entity. These are not potential ordinary shares and are not included in the determination of diluted EPS as the loan may be repaid at the option of the entity.

NOTE 8: CASH

	Economic Entity 2003	Economic Entity 2002	Parent Entity 2003	Parent Entity 2002
Cash at bank	126,975	26,512	126,972	26,509

NOTE 9: RECEIVABLES

	Economic Entity 2003	Economic Entity 2002	Parent Entity 2003	Parent Entity 2002
Current:				
Other Debtors	69,567	50,567	69,567	50,567
Amount receivable from wholly owned controlled entity				
- Unsecured and interest free	-	-	19,931	19,931
Total Receivables	69,567	50,567	89,498	70,498

NOTE 10: OTHER ASSETS

	Economic Entity 2003	Economic Entity 2002	Parent Entity 2003	Parent Entity 2002
Current:				
Prepayments	13,229	-	13,229	-

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
NOTE 11: PROPERTY, PLANT AND EQUIPMENT				
Plant and equipment				
At cost	11,015	5,656	11,015	5,656
Accumulated depreciation	(4,221)	(2,157)	(4,221)	(2,157)
Total Property, Plant and Equipment	6,794	3,499	6,794	3,499
Reconciliation				
Reconciliation of the carrying amounts for property, plant and equipment is set out below:				
Balance at the beginning of year	3,499	4,583	3,499	4,583
Additions	5,359	473	5,359	473
Depreciation expense	(2,064)	(1,557)	(2,064)	(1,557)
Carrying amount at the end of year	6,794	3,499	6,794	3,499
NOTE 12: OTHER FINANCIAL ASSETS				
Shares in Unlisted Controlled Entities:				
Lake Exploration Pty Ltd, incorporated in Australia. The parent entity holds 100% (2002: 100%) of the ordinary shares of the entity, carried at cost.	-	-	200,000	200,000
NOTE 13: EXPLORATION AND EVALUATION EXPENDITURE				
Exploration and evaluation costs (including tenements) carried forward in respect of areas of interest are:				
Exploration and evaluation phase - at cost	536,088	321,431	316,160	101,503
Movement in exploration and development expenditure:				
Opening balance - at cost	321,431	228,111	101,503	23,955
Capitalised exploration expenditure	342,344	93,320	342,344	77,548
Expenditure written off - discontinued exploration	(127,687)	-	(127,687)	-
Carrying amount at the end of year	536,088	321,431	316,160	101,503
NOTE 14: PAYABLES				
Current:				
Trade creditors	13,635	-	13,635	-
Sundry creditors and accrued expenses	2,500	5,723	2,500	5,723
Total payables (unsecured)	16,135	5,723	16,135	5,723

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$

NOTE 15: INTEREST BEARING LIABILITIES

Current:				
Unsecured loan from Directors	-	50,344	-	50,344

During the 2002 year the parent entity entered into a loan agreement with Mr G. King, a director of the company. Under this agreement Mr King provided a $50,000 unsecured loan facility to the economic entity. These funds were to provide working capital for the entity. An interest rate of 5% per annum was charged on amounts drawn. Under the agreement, Mr King could elect to convert up to $25,000 of the amount owing to ordinary shares in the parent entity. If exercised, fully paid shares would be issued at 5 cents each. The company also had the option to repay amounts owing at its discretion.

During the current financial year, Mr King elected to convert $25,000 of the amount owing under the facility to shares. The entity allotted Mr King 500,000 fully paid ordinary shares on 10 August 2002. The company repaid $25,771 on 31 December 2002, representing the balance of the facility and accrued interest.

NOTE 16: CONTRIBUTED EQUITY

24,625,000 (2002: 15,020,000) fully paid ordinary shares	1,055,125	382,629	1,055,125	382,629
Ordinary shares				
Balance at the beginning of the reporting period	382,629	327,765	382,629	327,765
Shares issued during the year for cash:				
1,120,000 on 19 April 2002	-	56,000	-	56,000
3,990,000 on 10 August 2002	199,500	-	199,500	-
615,000 on 1 December 2002	61,500	-	61,500	-
5,000,000 on 24 January 2003	500,000	-	500,000	-
Transaction costs relating to share issues	(88,504)	(1,136)	(88,504)	(1,136)
Balance at reporting date	1,055,125	382,629	1,055,125	382,629
	No.	**No.**	**No.**	**No.**
Balance at the beginning of the reporting period	15,020,000	13,900,000	15,020,000	13,900,000
Shares issued during the year:				
19 April 2002		1,120,000		1,120,000
10 August 2002	3,990,000		3,990,000	
1 December 2002	615,000		615,000	
24 January 2003	5,000,000		5,000,000	
Balance at reporting date	24,625,000	15,020,000	24,625,000	15,020,000

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options

During the year 5,297,500 options were granted to shareholders applying for shares in the parent entity. At 30 June 2003 there were 19,317,500 (2002: 14,020,000) unissued shares of the parent entity, for which options were outstanding. These options are exercisable at $0.20 per share prior to 30 June 2006.

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
NOTE 17: ACCUMULATED LOSSES				
Accumulated loss at the beginning of the financial year	36,687	16,377	36,687	16,377
Net loss for current financial year	281,920	20,310	281,920	20,310
Accumulated loss at the end of the financial year	318,607	36,687	318,607	36,687
NOTE 18: CASH FLOW INFORMATION				
Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax:				
Loss from ordinary activities after income tax	(281,920)	(20,310)	(281,920)	(20,310)
Non-cash flows in profit from ordinary activities:				
Depreciation	2,064	1,557	2,064	1,557
Write-off of capitalised exploration expenditure	127,687	-	127,687	-
Deferral of exploration and evaluation expenditure	-	(93,320)	-	(77,548)
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	(19,000)	3,837	(19,000)	(11,935)
(Increase)/Decrease in prepayments	(13,229)	324	(13,229)	324
(Decrease)/Increase in creditors and accruals	10,412	4,973	10,412	4,973
Cash flows from operations	(173,986)	(102,939)	(173,986)	(102,939)
Loan Facilities				
Loan facility	-	50,000	-	50,000
Amount utilised	-	(50,000)	-	(50,000)
Unused loan facility	-	-	-	-

The major points of this facility are summarised in note 15. The loan facility in place at the end of 2002 was fully repaid during the current year.

NOTE 19: RELATED PARTY TRANSACTIONS

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

Controlled Entity

The parent entity's shareholding in the controlled entity is detailed in note 12.
Finance provided to the controlled entity is detailed in note 9.

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$

NOTE 19: RELATED PARTY TRANSACTIONS (continued)

Directors' transactions with the economic entity

Directors' remuneration is detailed in Note 5.

During the year, the parent entity repaid the loan facility provided by Mr. Greg King, a director of the company. In the 2002 financial year, Mr King agreed to provide the entity with a $50,000 loan facility, to provide working capital for the entity. The details of this loan are outlined in note 15. During the current reporting period, the parent entity issued Mr King 500,000 fully paid ordinary shares at $0.05 and paid $25,771 cash in full settlement of the loan facility. The cash payment included accrued interest of $771.

In addition, an amount of $75,000 is potentially payable to Mr King for professional fees in relation to geological and management services provided to the entity since incorporation in March 2000. This sum has been recognised as a contingent liability of the entity and is detailed in note 21.

During the year, the parent entity paid Mr Dan O'Neill, a director of the company, professional fees of $25,000 (2002: nil) for geological and project management services. In addition, an amount of $50,000 is potentially payable to Mr O'Neill for professional fees in relation to geological and management services provided to the entity from incorporation in March 2000. This sum has been recognised as a contingent liability of the entity and is detailed in note 21.

During the year, the parent entity paid Cambridge Business & Corporate Services, an entity controlled by Mr Paul Crawford, a director of the company, professional fees of $7,650 (2002: nil) for accounting and company sectretarial services provided. In addition, an amount of $65,000 is potentially payable to Cambridge Business and Corporate Services for professional fees in relation to a proportion of accounting, company secretarial and business advisory services provided to the entity since incorporation in March 2000. This sum has been recognised as a contingent liability of the entity and is detailed in note 21.

The parent entity is party to a tenancy agreement with Lake Resources NL, a company of which Mr Peter Gilchrist, a director ~~of the company~~, is ~~also~~ a director. Total payments of $12,000 (2002: $5,000)were made under this agreement during the year. The tenancy has no fixed term and is on a month to month basis. In addition, the parent entity paid $50,000 (2002: nil) for consulting services provided by Lake Resources NL during the year.

Directors' holding of shares and options

Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date, the following equity interests in the parent entity:

	No.	No.
Ordinary shares	12,150,000	10,700,000
Options over ordinary shares	11,640,000	10,700,000

During the year, directors and their related entities acquired 1,450,000 ordinary shares and 940,000 options to acquire ordinary shares in the parent entity. These issues were on the same terms and conditions available to other shareholders.

		Economic Entity		Parent Entity	
		2003	2002	2003	2002
		$	$	$	$

NOTE 20: COMMITMENTS

The economic entity must meet minimum expenditure commitments in relation to granted exploration tenements in both Australia and Botswana to maintain those tenements in good standing.

The following commitments exist at balance date but have not been brought to account. If the relevant mineral tenement is relinquished the expenditure commitment also ceases.

	2003	2002	2003	2002
Not later than 1 year	2,000,000	965,000	1,800,000	815,000
Later than 1 year but not later than 5 years	2,000,000	1,590,000	2,000,000	1,515,000
Total commitment	4,000,000	2,555,000	3,800,000	2,330,000

NOTE 21: CONTINGENT LIABILITIES

Estimate of the maximum amount of contingent liability that may become payable:

		2003	2002	2003	2002
Benefit to Executive Directors payable in certain circumstances	(a)	125,000	-	125,000	-
Benefit to consultant payable in certain circumstances	(b)	65,000	-	65,000	-

(a) By an agreement dated 31 December 2002 the entity agreed to employee Mr Greg King as its Executive Director - Technical for a period of three years, commencing on the day of the controlled entity's admission to the Official List of a recognised Stock Exchange. In addition to Mr King's remuneration package under the agreement, he will be paid $75,000 in recognition of prior unpaid services provided to the economic entity from its incorporation in March 2000 to the commencement of the service agreement.

By an agreement dated 31 December 2002 the entity agreed to employee Mr Dan O'Neill as its Executive Director - Corporate, for a period of three years, commencing on the day of the controlled entity's admission to the Official List of a recognised Stock Exchange. In addition to Mr O'Neill's remuneration package under the agreement, he will be paid $50,000 in recognition of prior unpaid services provided to the economic entity from its incorporation in March 2000 to the commencement of the service agreement.

(b) The economic entity has agreed to pay Cambridge Business and Corporate Services a proportion of accrued professional fees in relation to accounting, company secretarial and corporate services provided to the entity since incorporation in March 2000. This sum is estimated to be $65,000 and is payable on admission of the controlled entity to the Official List of a recognised Stock Exchange.

NOTE 22: COMPANY DETAILS

The registered office and principal place of business is:

Diamonex Limited
Level 2
183 North Quay
Brisbane Qld 4000

DIAMONEX LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

Notes to the Financial Statements
for the financial year ended 30 June 2003

NOTE 23: SEGMENT REPORTING

The economic entity operates both domestically and internationally, in the mineral exploration industry. The exploration focus is exclusively on diamonds. At balance date the economic entity undertakes exploration activity in Australia and South Africa, through the parent entity, and in Botswana, through the controlled entity.

Primary Reporting: Geographical Segments

	Australia		Botswana		South Africa		Economic Entity	
	2003	2002	2003	2002	2003	2002	2003	2002
	$	$	$	$	$	$	$	$
REVENUE								
Interest	6,880	234	-	-	-	-	6,880	234
Total revenue from ordinary activities	6,880	234	-	-	-	-	6,880	234
RESULT								
Loss from ordinary activities before income tax expense	(225,597)	(20,310)		-	(56,323)	-	(281,920)	(20,310)
Income tax expense	-	-	-	-	-	-	-	-
Loss from ordinary activities after income tax expense	(225,597)	(20,310)	-	-	(56,323)	-	(281,920)	(20,310)
ASSETS								
Segment assets	216,565	120,639	536,088	219,928	-	61,442	752,653	402,009
LIABILITIES								
Segment liabilities	16,135	56,067	-	-	-	-	16,135	56,067
OTHER							-	-
Acquisitions of non-current Segment assets	5,359	473	290,235	-	-	-	295,594	473
Depreciation of Segment assets	2,064	1,557	-	-	-	-	2,064	1,557

There were no transfers between segments reflected in the revenues, expenses or result above. The pricing of any intersegment transactions is based on market values.

Secondary Reporting: Business Segments

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisition of Non-Current Segment Assets	
	2003	2002	2003	2002	2003	2002
Business Segments	$	$	$	$	$	$
Mineral Exploration	6,880	234	752,653	402,009	295,594	473

NOTE 24: FINANCIAL INSTRUMENTS

a. Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements. The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

b. Net Fair Values

No financial assets or liabilities are readily traded on organised markets in a standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down, as the economic entity intends to hold these assets to maturity. The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the statement of financial position and notes to the financial statements.

c. Interest Rate Risk

The economic 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:

	Weighted Average Effective Interest Rate		Fixed Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2003 %	2002 %	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $
Financial Assets:										
Cash	2.25%	4.22%	-	-	99,352	-	27,623	26,512	126,975	26,512
Receivables	-	-	-	-	-	-	69,567	50,567	69,567	50,567
Total Financial Assets			-	-	99,352	-	97,190	77,079	196,542	77,079
Financial Liabilities:										
Creditors	-	-	-	-	-	-	16,135	5,723	16,135	5,723
Loan from Director	-	5.00%	-	50,344	-	-	-	-	-	50,344
Total Financial Liabilities			-	50,344	-	-	16,135	5,723	16,135	56,067

ROBERTSONS
CHARTERED ACCOUNTANTS

INDEPENDENT AUDIT REPORT
TO MEMBERS OF DIAMONEX LIMITED

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 both Diamonex Limited (the company) and the company and its controlled entities (the economic entity), for the year ended 30 June 2003. The economic 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*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the economic 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*.

Level 4, 127 Creek Street, Brisbane, Qld. 4000, GPO Box 1189, Brisbane, Qld. 4001.
Telephone: (07) 3229 2022 Facsimile: (07) 3229 3277 Email: email@robertsons.net.au

INDEPENDENT AUDIT REPORT
TO MEMBERS OF DIAMONEX LIMITED (continued)

Audit opinion

In our opinion, the financial report of Diamonex Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's and the economic entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Capitalised Mineral Exploration Costs

Without qualification to the opinion expressed above, attention is drawn to the following matter. As set out in Note 13 to the financial statements, \$536,088 (2002: \$321,431) has been included in the consolidated financial statements and \$316,160 (2002: \$101,503) in the company's financial statements, as non-current assets. These amounts represent exploration and evaluation expenditure, and are significant in terms of the net assets of the economic entity and the company. The ultimate recovery of these assets is primarily dependent upon the successful development and commercial exploitation or, alternatively, sale of the areas of interest.

Robertsons
Chartered Accountants

A W Thomas
Partner

Brisbane
Date: 1 September 2003

NOTICE OF ANNUAL GENERAL MEETING

DIAMONEX LIMITED

ABN 26 091 951 978

Notice is given that the second Annual General Meeting of the members of Diamonex Limited will be held at the Company's registered office, at Level 2, 183 North Quay, Brisbane, Queensland, on Friday 28 November 2003, at 2:00 p.m.

Agenda:

1. To receive, consider and adopt the financial report of the company and of the economic entity for the year ended 30 June 2003 and the reports of the directors and auditor thereon.

2. To elect a director:

   Mr. P A Crawford retires by rotation in accordance with provisions of the Constitution and being eligible, offers himself for re-election.

3. General:

To transact any other business which may be brought forward in conformity with the Constitution of the company.

By Order of the Board

Paul Crawford
Company Secretary
30 October 2003

Appointment of proxies

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in their stead. A proxy need not be a member of the company, but should be a natural person over the age of 18 years. Forms of proxy must be lodged at the registered office of the company not less than 48 hours prior to the meeting. A form of proxy is attached.

FORM OF PROXY

DIAMONEX LIMITED

ABN 26 091 951 978

Registered Office: Level 2, 183 North Quay, Brisbane, QLD 4000.

I/We ....

of ....

being a member/members of **DIAMONEX LIMITED** hereby appoint ....

....

of ....

or in his/her absence, ...

of ....

or in his/her absence, the Chairman of the Meeting as my/our general/special proxy to vote on my/our behalf at the Annual General Meeting of the company to be held on Friday the 28th day of November 2003 or at any adjournment of that meeting.

Signed this day of 2003

Signature of Shareholder ....

Unless otherwise instructed the proxy will vote as he or she thinks fit, or abstain from voting. Should the member wish to direct the proxy how to vote, the following should be completed.

Agenda Item No.:	FOR	AGAINST	ABSTAIN
1. Adoption of Financial Report	☐	☐	☐
2. Election and appointment of Directors -			
Re-election of **Mr. P A Crawford**	☐	☐	☐

Proxies should be returned to The Secretary, Diamonex Limited, GPO Box 794, Brisbane Qld 4001 or faxed to (07) 3220 2099. Proxies must be received not less than 48 hours prior to the appointed meeting time.