CLUFF RESOURCES PACIFIC NL

ABN 72 002 261 565

AND CONTROLLED ENTITIES

FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER, 2003

TOGETHER WITH

DIRECTORS' DECLARATION
DIRECTORS' REPORT
AND
AUDIT REPORT

Note – Pages 1 to 9 have been intentionally left blank and will be used for the review of operations and other material to be included in the Annual Report to shareholders.

SCHEDULE OF TENEMENTS (as at 15 March, 2004)

Permit/Licence Area	Name & Location	Cluff Resources Pacific NL Economic Entity Interest
DIAMOND EXPLORATION AND DEVELOPMENT		
EL3325	Bingara Central, NSW	100% (see Note 1)
MC194	Monte Christo, NSW	100%
EL6073	Copeton Central, NSW	100%
ML1058	Mount Ross, Copeton, NSW	100%
ML1059	Mount Ross, Copeton, NSW	100%
ML1083	Mount Ross, Copeton, NSW	100%
ML5904	Mount Ross, Copeton, NSW	100%
ML6153	Malacca, Copeton, NSW	100%
ML1232	Collas Hill, Copeton, NSW	100%
RUBY EXPLORATION		
EL5336	Barrington Tops, Gummi, NSW	100%
EL5703	Barrington Tops, Gummi, NSW	100%
SAPPHIRE MINING		
ML 70022	Sapphire, Queensland	50% (see Note 2)
ML 7232	Sapphire, Queensland	50% (see Note 2)
ML 1806	Sapphire, Queensland	50% (see Note 2)
MLA 70066, 70094-96, 70133	Sapphire, Queensland	50% (see Note 2)
RESIDUAL INTERESTS		
EL4774	Moolort, Victoria	100%
PEL27	Otway Basin, South Australia	0.75% (overriding royalty)

Note 1 – Diamond Ventures NL is entitled to a royalty of 10% of the first $20 million of any net profits, and 5% thereafter, arising from future production from the licence.

Note 2 – The Company holds an option to transfer title of the Company's 50% interest in the mining leases and mining lease applications to the Company.

DIRECTORS' REPORT

The directors of Cluff Resources Pacific NL present their report on the financial statements of the Company and its controlled entities for the year ended 31 December 2003.

Directors
The names of the directors in office at any time during or since the start of the financial year to the date of this report are Peter Kennewell, Scott Enderby, Peter Barrow (appointed 31 March 2003), and Stephen Gemell (appointed 23 April 2003).

Principal activities
The principal activities of the consolidated entity during the course of the financial year were the participation in the prospecting for, and mining and marketing of, diamonds, rubies and sapphires. The major geographic emphasis was the evaluation of diamond, ruby and sapphire prospects in northern New South Wales. There were no other significant changes in the nature of those activities during the financial year.

Operating results
The consolidated loss of the consolidated entity for the financial year was $ 2,233,804 (2002: $2,497,601).

Dividends
No dividend has been paid by the consolidated entities since the end of the previous financial year, and the directors recommend that no dividend be paid for the year ended 31 December 2003.

Review of operations
A review of the operations of the consolidated entity during the financial year and the result of those operations precedes this report. During the year the consolidated entity has continued the development of its ruby project assets and exploration for diamonds. These activities have been funded by existing cash reserves, the sale of gemstones and share issues.

Significant changes in the state of affairs
During the year the consolidated entity raised $804,000 from share issues (2002: $1,028,980), and subsequent to year end raised $2,000,000 from the exercising of its listed options which expired on 31 December 2003. This has enabled the continuation of exploration and trial mining on the consolidated entity's mining and exploration leases. The consolidated entity's cash position has been strengthened as a result of these capital raisings.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
Apart from those matters mentioned above, there is at the date of this report no matter or circumstance which has arisen since 31 December 2003 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the financial years subsequent to 31 December 2003.

Likely developments and expected results of operations
In 2004 the consolidated entity intends to concentrate its activities on developing a variety of gemstone projects in New South Wales, particularly its Gloucester project and the Bingara and Copeton diamond mining leases, and mining and bulk sampling of a variety of gem deposits in NSW. Information as to likely developments in consolidated entity operations, including expected financial results in subsequent financial years would, in the opinion of the Directors, prejudice the interests of the parent entity and the consolidated entity and has therefore not been included in this report.

Environmental regulation performance
The consolidated entity's environmental obligations are regulated under both State and Federal law. All environment performance obligations are monitored by the Directors and subjected from time to time to Government site inspections. The consolidated entity has a policy of at least complying with, but in most cases exceeding its environmental performance obligations. No environmental breaches have been notified by any Government agency during the year ended 31 December 2003.

Options

At the date of this report the 31 December 2003 options have expired and are no longer quoted.

Information on Directors
Particulars of directors' qualifications and past experience, current responsibilities and shares and options held:

Qualifications and experience	Special responsibility	Particulars of equity held in Cluff Resource Pacific NL
Stephen G Gemell MMICA, MAIME	Chairman	500,000 shares **BE(Mining)(Hons), FAusIMM(CP),**

Mr Gemell has had more than 25 years experience in the mining industry, both in Australia and overseas. He has previously held executive and non-executive directorships in six ASX-listed mining companies and three unlisted mine operators or joint venturers, and is also currently Chairman of Central West Gold NL.

Peter J Kennewell B.Sc	Managing Director	7,651,684 shares

Mr Kennewell has had over thirty year's professional experience in the Australian mineral and oil industry, and has been with the parent entity for the past nineteen years as the Group's Exploration Manager and Managing Director. He has had responsibility for much of the exploration programme of the consolidated entity.

Scott M Enderby B.Com MAICD	Director Company Secretary	760,000 shares

Mr Enderby joined the Board in 1996, and has brought his expertise in marketing to the various project developments the consolidated entity has undertaken over this period. Now as Company Secretary, he applies his corporate experience to the opportunities at hand.

Peter F Barrow FCA FAID	Director	300,000 shares

Mr Barrow is a senior partner of MBT Chartered Accountants, and within this capacity he has provided financial, taxation and audit advice to large public and private companies. He presently sits on the board at Flight Centre Limited, Australia's leading travel agency, a position which he has now occupied for 9 years.

Directors' Meetings
The number and attendances of the directors at meetings of the Board of Directors were:

	Attended	Maximum possible Attended
Stephen G Gemell	8	8
Peter J Kennewell	10	10
Scott M Enderby	10	10
Peter F Barrow	10	10

Directors' and officers' remuneration

Remuneration of directors and senior executives of the consolidated entity is established by the Board having regard to market factors. Directors provide management services to the company through entities in which they have an interest. Consulting fees for these services are determined on an arms length basis at commercial rates. The company engaged two senior executives during the year ended 31 December 2003. Peter Barrow joined the Board in March 2003 and Stephen Gemell joined the Board in April 2003.

Details of remuneration paid or payable in respect of directors are as follows:

	Consulting and/or Professional Fees	Directors' Fees	Compensation of expenses incurred	Total
	$	$	$	$
Stephen G Gemell	17,152	21,291	642	39,085
Peter J Kennewell	127,905	nil	-	127,905
Scott M Enderby	69,727	nil	-	69,727
Peter F Barrow	-	20,830	-	20,830
				257,547

Indemnification of officers and auditors

The Directors and Company Secretary are indemnified in the Articles of Association of the Company. There are no insurance or indemnity arrangements for the auditors of the consolidated entity.

Proceedings on Behalf of Company

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

The consolidated entity was not party to any such proceedings during the year.

This report is made and signed in accordance with a resolution of the Board of Directors.

SCOTT ENDERBY
Director

PETER KENNEWELL
Director

Hornsby, NSW
15 March, 2004

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003

	Note	Consolidated 2003	Entity 2002	Parent 2003	Entity 2002
		$	$	$	$
CURRENT ASSETS					
Cash assets		1,120,027	460,465	1,049,973	392,836
Receivables	5	249,495	33,442	157,999	31,416
Inventories	6	775,382	2,544,120	335,249	1,604,374
TOTAL CURRENT ASSETS		2,144,904	3,038,027	1,543,221	2,028,626
NON-CURRENT ASSETS					
Receivables	7	-	-	3,237,999	2,883,761
Other financial assets	8	-	-	-	-
Property, plant & equipment	9	295,515	442,991	295,515	442,991
Exploration, evaluation and pre-development expenditure	10	6,092,893	7,803,802	4,337,259	4,098,748
Development properties	11	2,185,832	-	-	-
TOTAL NON-CURRENT ASSETS		8,574,240	8,246,793	7,870,773	7,425,500
TOTAL ASSETS		10,719,144	11,284,820	9,413,994	9,454,126
CURRENT LIABILITIES					
Payables	12	1,009,056	152,931	993,922	145,749
Provisions	13	58,428	58,428	25,000	25,000
TOTAL CURRENT LIABILITIES		1,067,484	211,359	1,018,922	170,749
TOTAL LIABILITIES		1,067,484	211,359	1,018,922	170,749
NET ASSETS		**9,651,660**	**11,073,461**	**8,395,072**	**9,283,377**
EQUITY					
Contributed capital	14	39,583,869	38,771,866	39,583,869	38,771,866
Reserves	15	108,516	108,516	108,516	108,516
Accumulated losses	2	(30,040,725)	(27,806,921)	(31,297,313)	(29,597,005)
TOTAL EQUITY		**9,651,660**	**11,073,461**	**8,395,072**	**9,283,377**

The accompanying notes form an integral part of this Statement of Financial Position.

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2003

		Consolidated Entity		Parent Entity	
		2003	2002	2003	2002
	Note	$	$	$	$
Sales revenue	3	502,371	175,577	221,853	175,577
Cost of sales		(740,113)	(168,035)	(359,575)	(168,035)
Gross profit		(237,742)	7,542	(137,722)	7,542
Other revenues	3	109,883	13,349	109,855	12,989
Distribution expenses		(18,594)	(19,910)	(17,999)	(19,910)
Marketing expenses		(64,572)	(101,783)	(98,942)	(101,783)
Occupancy expenses		(44,056)	(8,365)	(44,056)	(8,365)
Administrative expenses		(497,412)	(506,865)	(414,765)	(499,865)
Borrowing costs		-	(150)	-	(150)
Other expenses		(182,208)	(347,689)	(141,501)	(309,131)
Exploration and pre-development		(1,299,103)	(1,533,730)	(955,178)	(290,964)
Loss from ordinary activities Before income tax expense	2	(2,233,804)	(2,497,601)	(1,700,308)	(1,209,637)
Income tax expense relating to ordinary activities		-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		**(2,233,804)**	**(2,497,601)**	**(1,700,308)**	**(1,209,637)**
Basic earnings per share	16	(0.27)	(0.33)		

The accompanying notes form an integral part of this Statement of Financial Performance

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	Consolidated Entity 2003 $	Consolidated Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		520,119	178,197	239,601	177,919
Payments to suppliers and employees		(1,119,576)	(1,264,110)	(752,803)	(1,106,735)
Interest received		10,597	10,729	10,569	10,647
Borrowing costs		-	(150)	-	(150)
Goods and services tax paid		(88,372)	(88,618)	(85,857)	(87,597)
Net operating cash flows	22(b)	(677,232)	(1,163,952)	(588,490)	(1,005,916)
CASH FLOWS FROM INVESTING ACTIVITIES					
Exploration and development expenditure		(361,928)	(389,747)	(168,682)	(142,132)
Payments for property, plant & equipment		(38,888)	(53,431)	(38,888)	(53,431)
Proceeds from sale of property, plant & equipment		90,570	318,182	90,565	318,182
Loans to controlled entities		-	-	(284,408)	(369,706)
Net investing cash flows		(310,246)	(124,996)	(401,413)	(247,087)
CASH FLOWS FROM FINANCING ACTIVITIES					
Allotted share proceeds		812,003	1,028,980	812,003	1,028,980
Unallotted share proceeds		835,037	-	835,037	-
Repayments of bank loan		-	(5,540)	-	(5,540)
Net financing cash flows		1,647,040	1,023,440	1,647,040	1,023,440
Net (decrease) / increase in cash		659,562	(265,508)	657,137	(229,563)
Cash at the beginning of the year		460,465	725,973	392,836	622,399
Cash at the end of the year	22(a)	1,120,027	460,465	1,049,973	392,836

The accompanying notes form an integral part of this Statement of Cash Flows.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, the Corporations Act 2001, Urgent Issues Group Consensus views and other authoritative pronouncements of the Australian Accounting Standards Board. The accounting policies used are consistent with those adopted in the previous year.

The financial report covers the economic entity of Cluff Resources Pacific NL and controlled entities, and Cluff Resources Pacific NL as an individual entity. Cluff Resources Pacific NL is a listed 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.

Principals of Consolidation
A controlled entity is any entity controlled by Cluff Resources Pacific NL. Control exists where Cluff Resources Pacific NL 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 Cluff Resources Pacific NL to achieve the objectives of Cluff Resources Pacific NL. A list of controlled entities is contained in Note 8 to the financial statements.

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

Going Concern
The financial report has been prepared on the basis that the consolidated entity is a going concern.

It is the Directors' intentions to expand the consolidated entity's operations to exploit and develop its mining tenements. The directors have been conducting assessments of the alternative paths to take with respect to developing appropriate markets. The directors are containing cost levels and presently believe that there are sufficient funds to carry out these ongoing operations. If as a result of this assessment a project is to be developed economically, then at that point in time the Company will consider its funding options which would include raising further capital from share placements or rights issues.

Exploration, Evaluation and Pre-development Expenditure
Exploration, evaluation and pre-development expenditures incurred are charged against earnings as incurred except in the case of areas of interest where:

A. it is expected that the expenditure will be recouped by future exploitation or sale; or
B. at balance date, exploration and evaluation activities have not reached a stage which permits a reasonable estimate of the existence of economically recoverable reserves, and active and significant operations are continuing.

Where conditions set out in A or B above is met, expenditure is capitalised.

Development Properties
Development expenditure incurred is accumulated separately for each area of interest in which economically recoverable mineral resources have been identified to the satisfaction of the directors.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated with the costs of development and classified under non-current assets as "Development Properties". All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward, to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

Amortisation is not charged until production commences. Amortisation charges are determined on a production output or time basis as appropriate.

Property, Plant & Equipment
Property, plant and equipment are held at cost or at directors' valuation. Directors' valuations are conducted every 5 years. A review by the Directors of the carrying value of the Company's property, plant and equipment showed that the current carry values were appropriate and no revaluation was effected.

The cost of property, plant and equipment is depreciated on a straight-line basis over the period of the estimated useful life of the asset as follows:

	Life	Method
Buildings	50 years	Straight line
Office furniture and equipment	4 years	Straight line
Motor vehicle	4 years	Straight line
Plant and equipment	4 years	Straight line

Inventories
Inventories of diamonds, rubies and sapphires are valued at the lower of cost and net realisable value. Cost comprises direct material, labour and transportation expenditure in getting such inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure. Cost also includes an appropriate allocation of exploration, evaluation and pre-development expenditure once production has commenced in an area of interest. Net realisable value is the amount estimated as obtainable from the sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

Borrowing Costs
Borrowing costs are expensed as incurred.

Foreign Exchange
Transactions in foreign currencies have been converted at the rates of exchange applicable at the date of each transaction. Foreign currency balances arising from these transactions have been converted at the rates of exchange ruling at 31 December 2003. Gains and losses arising from exchange rate fluctuations are brought to account in the Statement of Financial Performance.

Provision for Rehabilitation
The provision for rehabilitation represents charges against profits for future estimated total restoration and rehabilitation costs relating to areas from which natural resources have been extracted.

Income Tax
The consolidated entity follows the liability method of tax-effect accounting where by the income tax expense 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 and taxable income are brought to account as either a provision for deferred income tax or as a 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 income tax benefit of tax losses has not been recognised as the benefit will only be obtained if the company and its controlled entities:
(a) derive assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
(b) continue to comply with the conditions for deductibility imposed by the law; and
(c) are not adversely affected in realising the benefit by changes in tax legislation.

Joint Ventures
The consolidated entity's interest, where material to the consolidated entity, in joint venture operations is brought to account by including in their respective classification categories:
(a) the consolidated entity's share of each of the individual assets employed in the joint ventures,
(b) liabilities incurred by the consolidated entity in relation to joint ventures including the consolidated entity's share of any liabilities for which consolidated entity companies are jointly and/or severally liable, and
(c) the consolidated entity's share of expenses incurred by the venturers in relation to the joint ventures.

Employee Entitlements

The amounts expected to be paid to employees for their pro-rata entitlement to long service and annual leave are accrued annually at current pay rates, including on costs such as payroll tax, superannuation and workers compensation, having regard to experience of employee turnover rates and periods of service.

2. LOSS FROM ORDINARY ACTIVITIES

The loss from ordinary activities before income tax has been determined after:

	Note	Consolidated 2003 $	Entity 2002 $	Parent 2003 $	Entity 2002 $
Depreciation of property, plant & equipment		60,417	38,543	37,677	38,543
Auditors' remuneration					
- Audit		20,899	20,187	13,899	13,187
- Other			-		-
Operating lease rental	18	36,000	-	36,000	-
Provision for doubtful debts		-	133,642	-	129,492
Write-off of exploration expenditure on surrender of tenement	10	-	290,964	-	290,964
Write down of inventories to net realisable value		1,299,103	-	955,178	-
Provision for write-down of pre-development expenditure		3,924	1,242,765	-	-
(Profit)/Loss on disposal of plant and equipment		(81,537)	93,063	(81,537)	93,063

Accumulated Losses

Accumulated losses at the beginning of the financial year	(27,806,921)	(25,309,320)	(29,597,005)	(28,387,368)
Loss from ordinary activities after tax	(2,233,804)	(2,497,601)	(1,700,308)	(1,209,637)
Accumulated losses at the end of the financial year	(30,040,725)	(27,806,921)	(31,297,313)	(29,597,005)

3. REVENUE

	Consolidated 2003 $	Entity 2002 $	Parent 2003 $	Entity 2002 $
Operating activities				
Sales of gemstones & jewellery sets	502,371	175,577	221,853	175,577
Other revenue:				
Interest received or receivable				
- other corporations	10,597	10,729	10,569	10,647
Proceeds on disposal of property, plant and equipment	81,537	-	81,537	-
Sundry	17,749	2,620	17,749	2,342
	109,883	13,349	109,855	12,989
Total revenue	612,254	188,926	331,708	188,566

4. INCOME TAX

	Consolidated Entity 2003 $	2002 $	Parent Entity 2003 $	2002 $
Reconciliation of prima facie income tax:				
Loss from ordinary activities before income tax	(2,233,804)	(2,497,601)	(1,700,308)	(1,209,637)
Prima facie income tax on operating loss at 30%	(670,141)	(749,280)	(510,092)	(362,891)
Tax effect of adjustments to derive income tax expense:				
Timing differences - provisions	12,382	340,668	8,381	75,142
Exploration and pre-development expenditure	(143,005)	(168,580)	(71,553)	(26,013)
Current year tax loss not brought to account	(800,764)	(240,032)	(573,264)	(313,762)
Income tax credit	-	-	-	-

The consolidated entity has unconfirmed carry forward tax losses, calculated according to Australian income tax legislation, estimated at $21,586,000 (2002 - $18,900,000), which will be deductible from future assessable income provided that income is derived, and:

(a) the parent entity and its controlled entities carry on prescribed petroleum or mining operations as defined in the Income Tax Assessment Act, as appropriate, or

(b) the parent entity and its controlled entities carry on a business of, or a business that includes, exploration or prospecting in Australia, for the purpose of discovering petroleum or extraction of minerals, as appropriate, and

(c) no changes in tax legislation adversely affect the parent entity and its controlled entities in realising the benefit from the deductions for the losses.

The benefit of these losses has not been brought to account because its ultimate realisation is not virtually certain.

5. RECEIVABLES

	Consolidated Entity 2003 $	2002 $	Parent Entity 2003 $	2002 $
CURRENT				
Amounts receivable in respect of the issue of shares	26,000	26,000	26,000	26,000
Other receivables	395,137	179,084	299,491	172,908
	421,137	205,084	325,491	198,908
Less provision for doubtful debts	(171,642)	(171,642)	(167,492)	(167,492)
Net receivables	249,495	33,442	157,999	31,416

6. INVENTORIES

	Consolidated Entity 2003 $	2002 $	Parent Entity 2003 $	2002 $
CURRENT				
Stock on hand – uncut loose gems	335,112	767,334	119,946	259,922
Stock on hand – cut loose gems	381,627	1,701,829	156,660	1,269,495
Stock on hand – jewellery	58,643	74,957	58,643	74,957
	775,382	2,544,120	335,249	1,604,374

7. RECEIVABLES

	Consolidated Entity 2003 $	2002 $	Parent Entity 2003 $	2002 $
NON-CURRENT				
Receivable from controlled entities	-	-	7,418,055	7,063,817
Provision for loss	-	-	(4,180,056)	(4,180,056)
Net receivables	-	-	3,237,999	2,883,761

8. OTHER FINANCIAL ASSETS

(a) Investments in controlled entities

	Parent Entity 2003 $	2002 $
Shares in controlled entities, at cost	746,020	746,020
Less provision	(746,020)	(746,020)
Shares in controlled entities, net	-	-

The following were controlled entities at or during the year ended 31 December 2003 and have been included in the consolidated accounts. The shares issued by the controlled entities are all ordinary shares.

	% Ownership	Place of Incorporation and business
Cluff Minerals (Australia) Pty Limited	100	New South Wales
NSW Gold NL	100	New South Wales
Cluff Mining Pty Limited	100	New South Wales
Cluff Open Cut Mining Pty Limited	100	New South Wales

The business of each subsidiary is carried on in its country of origin

(b) Joint venture operation

The company entered into a joint venture agreement with Junior Mining (Operations) Pty Ltd on 21st September 2000. The operations of the joint venture were suspended effective 31 December 2002 pending a review of its operations.

Joint Venture Name and Principal activity

	Interest Held in output	
	2003	**2002**
	%	**%**
Junior Mining Joint Venture - Sapphire mining	50	50

Assets employed in joint venture operation:

	Consolidated	
	2003	**2002**
	$	**$**
Assets employed:		
Non-Current assets:		
- Property, plant and equipment, net	14,062	32,812
- Mining lease	75,000	75,000
Net assets employed	89,062	107,812

Amounts relating to the joint venture

Contingent liabilities	-	-
Capital expenditure commitments	-	-

9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2003 $	Entity 2002 $	Parent 2003 $	Entity 2002 $
Office furniture and equipment, at deemed cost				
Opening balance	8,288	8,288	8,288	8,288
Additions	-	-	-	-
Disposals	-	-	-	-
Closing balance	8,288	8,288	8,288	8,288
Accumulated depreciation				
Opening balance	(8,288)	(8,288)	(8,288)	(8,288)
Depreciation for year	-	-	-	-
Disposals	-	-	-	-
Closing balance	(8,288)	(8,288)	(8,288)	(8,288)
Net book value	-	-	-	-
Office furniture and equipment, at cost				
Opening balance	86,956	79,459	86,956	79,459
Additions	1,262	7,497	1,262	7,497
Disposals	-	-	-	-
Closing balance	88,218	86,956	88,218	86,956
Accumulated depreciation				
Opening balance	(51,863)	(32,070)	(51,863)	(32,070)
Depreciation for year	(18,928)	(19,793)	(18,928)	(19,793)
Disposals	-	-	-	-
Closing balance	(70,791)	(51,863)	(70,791)	(51,863)
Net book value	17,427	35,093	17,427	35,093

Motor vehicles, at deemed cost				
Opening balance	35,564	35,564	35,564	35,564
Additions	-	-	-	-
Disposals	-	-	-	-
Closing balance	35,564	35,564	35,564	35,564
Accumulated depreciation				
Opening balance	(35,564)	(35,564)	(35,564)	(35,564)
Depreciation for year	-	-	-	-
Disposals	-	-	-	-
Closing balance	(35,564)	(35,564)	(35,564)	(35,564)
Net book value	-	-	-	-

Motor vehicles, at cost				
Opening balance	241,527	255,800	241,527	255,800
Additions	-	7,727	-	7,727
Disposals	(62,276)	(22,000)	(62,276)	(22,000)
Closing balance	179,251	241,527	179,251	241,527
Accumulated depreciation				
Opening balance	(177,389)	(135,126)	(177,389)	(135,126)
Depreciation for year	(36,366)	(56,448)	(36,366)	(56,448)
Disposals	55,964	14,186	55,964	14,186
Closing balance	(157,791)	(177,389)	(157,791)	(177,389)
Net book value	21,460	64,139	21,460	64,139

Plant and equipment, at cost				
Opening balance	722,817	684,610	722,817	684,610
Additions	37,626	38,207	37,626	38,207
Disposals	(44,590)	-	(44,590)	-
Closing balance	715,853	722,817	715,853	722,817
Accumulated depreciation				
Opening balance	(538,514)	(422,782)	(538,514)	(422,782)
Depreciation for year	(103,292)	(115,732)	(103,292)	(115,732)
Disposals	41,874	-	41,874	-
Closing balance	(599,932)	(538,514)	(599,932)	(538,514)
Net book value	115,921	184,303	115,921	184,303

Plant and equipment, at deemed cost				
Opening balance	586,067	586,067	586,067	586,067
Additions	-	-	-	-
Disposals	(42,531)	-	(42,531)	-
Closing balance	543,536	586,067	543,536	586,067
Accumulated depreciation				
Opening balance	(586,067)	(586,067)	(586,067)	(586,067)
Depreciation for year	-	-	-	-
Disposals	42,531	-	42,531	-
Closing balance	(543,536)	(586,067)	(543,536)	(586,067)
Net book value	-	-	-	-

Joint venture plant & equipment, at cost				
Opening balance	75,000	75,000	75,000	75,000
Additions	-	-	-	-
Disposals	-	-	-	-
Closing balance	75,000	75,000	75,000	75,000
Accumulated depreciation				
Opening balance	(42,188)	(23,438)	(42,188)	(23,438)
Depreciation for year	(18,750)	(18,750)	(18,750)	(18,750)
Disposals	-	-	-	-
Closing balance	(60,938)	(42,188)	(60,938)	(42,188)
Net book value	14,062	32,812	14,062	32,812

Land and buildings, at cost				
Opening balance	126,645	530,076	126,645	530,076
Additions	-	-	-	-
Disposals	-	(403,431)	-	(403,431)
Closing balance	126,645	126,645	126,645	126,645
Accumulated Depreciation				
Opening balance	-	-	-	-
Depreciation for year	-	-	-	-
Disposals	-	-	-	-
Closing balance	-	-	-	-
Net book value	126,645	126,645	126,645	126,645

Total property, plant & equipment				
- at deemed cost	587,388	629,919	587,388	629,919
- at cost	1,184,967	1,252,945	1,184,967	1,252,945
Total Accumulated depreciation	(1,476,840)	(1,439,873)	(1,476,840)	(1,439,873)
Property, plant & equipment	295,515	442,991	295,515	442,991

Office furniture and equipment, motor vehicles and plant and equipment were last revalued by the Directors as at 31 December 2002. Valuations were based on the Directors' assessments of recoverable values of each asset, having regard to current market values.

10. EXPLORATION, EVALUATION AND PRE-DEVELOPMENT EXPENDITURE

	Consolidated 2003 $	Entity 2002 $	Parent 2003 $	Entity 2002 $
Exploration and evaluation				
Cost:				
Expenditure brought forward	1,777,984	2,058,703	1,124,553	1,414,990
Less: transfer to pre-development	-	-	-	-
Add: expenditure for year	24,312	10,245	-	527
Less: expenditure written off on areas relinquished	-	(290,964)	-	(290,964)
	-	-	-	-
	1,802,296	1,777,984	1,124,553	1,124,553
Provision for write-down:				
Provision brought forward	871,614	871,614	871,012	871,012
Add: Increase during year	-	-	-	-
	871,614	871,614	871,012	871,012
Exploration and evaluation, net	930,682	906,370	253,541	253,541
Pre-development				
Cost:				
Expenditure brought forward	8,140,197	7,588,509	3,845,207	3,678,398
Add: transfer from exploration and evaluation	-	-	-	-
Add: expenditure for year	450,611	551,688	238,511	166,809
Less: transfer to development properties	(2,185,832)	-	-	-
	6,404,976	8,140,197	4,083,718	3,845,207
Provision for write-down:				
Provision brought forward	1,242,765	-	-	-
Add: Increase during year	-	1,242,765	-	-
	1,242,765	1,242,765	-	-
Pre-development, net	5,162,211	6,897,432	4,083,718	3,845,207
Total exploration, evaluation and pre-development, net	6,092,893	7,803,802	4,337,259	4,098,748

The exploration and evaluation expenditure has been accounted for on the basis set out in Note 1 and relates to areas of interest in the exploration phase and which have not yet reached the stage where a reasonable estimate of the existence or otherwise of economically recoverable reserves can be made.

Pre-development exploration expenditure has been accounted for on the basis set out in Note 1. Pre-development expenditure relates to areas of interest in the sampling and trial mining phase and for which the directors believe economically recoverable mineral reserves have not yet been established, and commercial levels of production have not yet commenced. No amortisation is provided in respect of such expenditure until commercial mining has commenced.

At the Monte Christo diamond mine mining is sub-economic, but has prospects in connection with the exposure of features in the basement that may provide a primary source for the diamonds recovered to date. Costs incurred to 31 December 2002 had a provision for diminution raised, amounting to $1,242,765.

The ultimate recovery of the costs incurred on areas for which current title is held is dependent upon the successful exploration, exploitation and development of areas of interest or by their sale, and accordingly is uncertain. As disclosed in Note 1, the directors will need to raise further capital from share placements and/or rights issues to enable ongoing activity in these areas of interest.

11. DEVELOPMENT PROPERTIES

	Consolidated Entity 2003 $	Consolidated Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Development properties				
Cost:				
Expenditure brought forward	-	-	-	-
Add: transfer from pre-development	2,185,832	-	-	-
Less: Amortisation	-	-	-	-
	2,185,832	-	-	-
Provision for write-down:				
Provision brought forward	-	-	-	-
Add: Increase during year	-	-	-	-
	-	-	-	-
Total development properties, net	2,185,832	-	-	-

12. PAYABLES

	Consolidated Entity 2003 $	Consolidated Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
CURRENT				
Unsecured				
Trade creditors	110,510	117,931	110,510	110,749
Accrued expenses	63,509	35,000	48,375	35,000
Unallotted share proceeds	835,037	-	835,037	-
	1,009,056	152,931	993,922	145,749

13. PROVISIONS

	Consolidated Entity 2003 $	Consolidated Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
CURRENT				
Rehabilitation of mining properties	58,428	58,428	25,000	25,000
	58,428	58,428	25,000	25,000

Obligations under exploration and mining leases granted by NSW Department of Mineral Resources are secured against cash deposits with the NSW Department of Mineral Resources. Included with Cash of $1,120,027 for the consolidated entity (2002 – $460,465) are cash deposits of $185,000 (2002 - $175,000) held by the NSW Department of Mineral Resources as security against rehabilitation of mining properties.

14. CONTRIBUTED CAPITAL

	2003		2002	
	Number of shares	$	Number of shares	$
Issued capital fully paid				
At the beginning of the year	691,798,817	38,671,866	635,149,621	37,642,886
Transfer from share option reserve	-	-	-	-
Issued during the year (a)	115,056,880	812,003	56,649,196	1,028,980
On issue at the end of the year	806,855,697	39,483,869	691,798,817	38,671,866
Issued capital partly paid				
At the beginning of the year	73,724,328	100,000	73,724,328	100,000
Issued during the year	-	-	-	-
On issue at the end of the year	73,724,328	100,000	73,724,328	100,000
Total on issue at the end of the year	880,580,025	39,583,869	765,523,145	38,771,866

During the year, a total of 115,056,880 (2002 – 56,649,196) fully paid listed shares were issued to provide an increase in working capital and funds for the carrying out of trial mining operations and further exploration for diamonds at Copeton and Bingara, and rubies at Gloucester, NSW.

15. RESERVES

	Consolidated 2003 $	Entity 2002 $	Parent 2003 $	Entity 2002 $
Asset revaluation reserve	108,516	108,516	108,516	108,516

16. EARNINGS PER SHARE

	Consolidated 2003	Entity 2002
Basic earnings per share (cents per share)	Cents (0.27)	Cents (0.33)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	822,936,336	753,680,372

Potential ordinary shares are represented by the options disclosed in Note 16. As the consolidated entity has incurred losses after tax from normal operations in the current and previous years, the subscription for ordinary share capital in respect of these potential ordinary shares would not result in diluted earnings per share inferior to the basic earnings per share shown above. Accordingly, diluted earnings per share are not disclosed.

17. FINANCIAL REPORTING BY SEGMENTS

The chief entity and economic entity operate predominantly in one industry and one geographic area, being the participation in prospecting and mining for diamonds and minerals within Australia.

18. OPERATING LEASE COMMITMENTS

	Consolidated 2003 $	Entity 2002 $	Parent 2003 $	Entity 2002 $
Operating lease commitments contracted but not provided for:				
Not later than one year	36,000	36,000	36,000	36,000
Later than one year but not later than five years	36,000	72,000	36,000	72,000
Total	72,000	108,000	72,000	108,000

19. OTHER COMMITMENTS

Exploration
To retain its interest in various permits the consolidated entity is committed to contribute its share of costs as they are incurred. Due to the nature of the consolidated entity's operations in the exploration and evaluation of areas of interest it is not possible to forecast the nature or amount of such future expenditure.

Guarantees
Bank guarantees in respect of the controlled entity's share of mineral exploration expenditure commitments for certain areas of interest which were outstanding at 31 December, 2003 amounted to $14,000 for the consolidated entity (2002 - $14,000) and $Nil for the parent entity (2002 - $Nil). Included in Cash of $1,120,027 for the consolidated entity (2002 - $460,465) are short term deposits of $4,797 (2002 - $8,773) held by Westpac Banking Corporation as security against bank guarantees issued.

Security Deposit
Security deposits have been lodged with local councils in relation to the use of roads by the consolidated entity in connection with its mining activities. Included in Cash of $1,120,027 for the consolidated entity (2001 - $460,465) are short term deposits of $10,000 (2002 - $10,000) held by Guyra Shire Council as security against damage to Shire roads.

20. STAFF COSTS

Remuneration of Directors
The number of directors of the parent entity and of the consolidated entity who received, or were due to receive, remuneration including brokerage, commissions, bonuses and salaries (but excluding any payments in connection with their retirement, such payments being disclosed later in this note under 'retirement benefits'), directly or indirectly, from the parent entity or any related corporation, as shown in the following bands, were:

$	2003	2002
0 - 9,999	0	0
20,000 - 29,999	1	0
30,000 - 39,999	1	0
60,000 - 69,999	1	1
90,000 - 99,999	0	1
110,000 - 119,999	0	0
120,000 - 129,999	1	1
140,000 - 149,999	0	0

The aggregate remuneration of the directors referred to in the above bands is $257,547 (2002 - $283,982).

Superannuation Commitments
The consolidated entity contributes to a number of superannuation funds in respect of superannuation guarantee obligations to wages staff and contractors.

Retirement Benefits
There were no prescribed benefits (2002 - $Nil) given to a person, or to a present superannuation fund, in connection with the retirement of a person from a prescribed office in relation to a company in the consolidated entity during the financial year.

21. RELATED PARTIES

Controlled Entities
Information relating to the controlled entities is set out in note 8(a).

Joint Ventures
Information relating to the consolidated entity's interests in joint ventures is set out in note 8(b).

Directors
The names of the persons who were directors of the parent entity at any time during the financial year are as follows:

Stephen G Gemmell
Peter J Kennewell
Scott M Enderby
Peter F Barrow

	Shares and options issued by the parent entity	
	2003	**2002**
Shares and share options acquired from the entity during the year		
Ordinary shares	-	-
2003 ordinary share options	-	-
Shares and share options held at end of the year		
Ordinary shares	9,011,684	7,625,799
2003 ordinary share options	-	25,854,154

Other Director Transactions

Other information relating to specific types of transactions with directors is set out in Note 20 – Staff Costs.

Transactions with Related Parties

	Consolidated Entity		Parent Entity	
	2003 **$**	**2002** **$**	**2003** **$**	**2002** **$**
Consulting and directors fees paid to directors or companies in which directors have an ownership interest (1)	257,547	283,982	257,547	283,982

(1) Entities in which directors at 31 December 2003 have an ownership interest, provided management services to the consolidated entity during the year. The amounts paid are at commercial daily rates and are included in the remuneration of directors disclosed in Note 20.

22. CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at banks and deposits. Cash at the end of the financial year in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Performance as follows:

	Consolidated Entity 2003 $	Consolidated Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Cash	1,120,027	460,465	1,049,973	392,836

(b) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after income tax

	Consolidated Entity 2003 $	Consolidated Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Loss from Ordinary Activities after income tax	(2,233,804)	(2,497,601)	(1,700,308)	(1,209,637)
Non Cash Flows in Loss from Ordinary Activities				
Provision for write-down of pre-development expenditure	3,924	1,242,766	-	-
Depreciation expense	60,417	38,543	37,677	38,543
Audit fee accrual	(5,000)	-	(5,000)	-
Provision for doubtful debts	-	133,642	-	129,492
Write-off of exploration expenditure	-	290,964	-	290,964
(Profit)/Loss on disposal of property, plant & equipment	(81,537)	93,063	(81,537)	93,063
Stock write-down	1,299,103	-	955,178	-
Change in assets and liabilities:				
(Decrease) / increase in creditors and provisions	26,083	(98,915)	18,136	(82,104)
Decrease / (increase) in receivables	(216,053)	(97,458)	(126,583)	(93,730)
Decrease / (increase) in inventories	469,635	(268,956)	313,947	(172,507)
Net cash outflow from operating activities	(677,232)	(1,163,952)	(588,490)	(1,005,916)

23. COMPARATIVE INFORMATION

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

CLUFF RESOURCES PACIFIC NL
DIRECTORS' DECLARATION

The director's declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001:
   i) comply with Accounting Standards and the Corporations Regulations 2001; and
   ii) give a true and fair view of the financial position as at 31 December 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.

SCOTT ENDERBY
Director

PETER KENNEWELL
Director

Hornsby, NSW
15 March 2004

STATEMENT OF CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

The Company, being an independent exploration and mining company, operates such that the majority of management and other decisions are undertaken by the Board of Directors directly. Accordingly, the Board takes responsibility for corporate governance and operates in accordance with the following principles:

- the Board comprises a minimum of four directors;
- not less than half the Board should be Non-executive Directors;
- the Chairman should be a Non-executive Director who is elected by the full Board;
- the Board should comprise Directors with a broad range of skills and experience relevant to the business of the Company; and
- the issue of board membership is generally a matter to be decided by the shareholders at general meetings.

INDEPENDENT PROFESSIONAL ADVICE

Directors may seek independent professional advice at the Company's expense with the approval of the Board of Directors.

REMUNERATION POLICIES

The remuneration of directors is determined by the Remuneration Committee based on commercial rates relevant to the nature of services provided. The members of the Remuneration Committee during the year were S Gemmell, P Barrow, P Kennewell and S Enderby. The remuneration is disclosed in notes 20 and 21.

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 the financial report. Among its specific responsibilities, the committee reviews and advises the Board on the nomination and remuneration of auditors and reviews the terms of their engagement, and the scope and quality of their audit.

The members of the Audit Committee during the year were S Gemmell, P Barrow, P Kennewell, and S Enderby.

INDEPENDENT AUDIT REPORT

To the Members of Cluff Resources Pacific NL:

Scope

I have audited the financial report of Cluff Resources Pacific NL for the financial year ended 31 December 2003 as set out on pages 13 to 30. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with my understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of Cluff Resources Pacific NL is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2003 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations 2001 and

(b) other mandatory professional reporting requirements.

Inherent Uncertainty Regarding Continuation as a Going Concern and Recoverability of Assets

Without qualification to the opinion expressed above, attention is drawn to the following matter:

As a result of the matter described in Note 1, there is uncertainty whether the company will be able to continue as a going concern, and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial statements.

Included in current assets are gemstone inventories of $775,382 and in other non-current assets, exploration, evaluation and pre development expenditure of $6,092,893 and development properties of $2,185,832. The ability of the company to continue as a going concern is dependent on the recovery of the book value of these assets, the raising of further capital through rights issues and share placements, successful development of current and future areas of interest and the expansion of new markets for the company's gemstone products.

Martin J Hager
Chartered Accountant

Signed at Hornsby, NSW on 15 March 2004.

SUBSTANTIAL SHAREHOLDERS

The company's register of substantial shareholders recorded the following information as at 11 March 2004. Shareholdings in this name represent 5 percent or more of each class of equity.

Name	Ordinary Shares Number	Holding
Fully paid shares		
	-	-
Partly paid shares		
Television Corporation of Australia Pty Limited	73,724,328	100%

SPREAD OF SHAREHOLDINGS AND VOTING RIGHTS

At 12 March 2004 there were 8,261 holders of shares. The shareholders are entitled to one vote for each share held.

Distribution of Shareholdings	Shares
1 - 1,000	152
1,001 - 5,000	878
5,001 - 10,000	988
10,001 - 100,000	4,697
Over 100,001	1,546
	8,261

As at 12 March 2004 there were 3,018 shareholders holding less than a marketable parcel.

TWENTY LARGEST SHAREHOLDERS AND OPTIONHOLDERS

The 20 largest holders of fully paid ordinary shares held 18.266% of the total issued.

The 20 largest holders of partly paid ordinary shares held 100.00% of the total issued.

The name of the company secretary is Scott Enderby.

The principal registered office in Australia is Unit 1, 30 Leighton Place, Hornsby NSW 2077.
Telephone (02) 9482 4655. Facsimile (02) 9482 4987.

The share register is held at Registries Limited, Level 2, 28 Margaret Street, Sydney, NSW 2000.
Telephone (02) 9290 9600. Facsimile (02) 9279 0664.

The names and addresses of the twenty largest shareholders as at 11 March 2004, has been lodged with The Australian Stock Exchange (Sydney) Limited.

The following are the names of and number of equity securities held by the 20 largest holders in each class of equity as at 11 March 2004.

Cluff Resources Pacific NL
Fully Paid Ordinary
Top 20 Holdings as at 11 March 2004

Holder Name	**Number of shares**	**% of Capital**
CITICORP NOMINEES PTY LIMITED	25,935,504	3.028
MAREKAR PTY LTD <MAREKAR A/C>	20,000,000	2.335
JONENDERBEE INVESTMENTS PTY LIMITED	16,609,671	1.939
MR UWE SCHUMACHER	11,124,002	1.299
MR PHILLIP LIU	8,722,600	1.018
DIAMOGEM PTY LIMITED	7,600,000	0.887
MR IAN ANTHONY JOHNS	6,619,381	0.773
MR DARRY THAKAR SINGH	6,000,000	0.700
MRS PATRICIA MARGARET BARNETT	5,800,334	0.677
MR JOHN EDGAR FISHER	5,600,000	0.654
GOLDRIM INVESTMENTS PROPRIETARY LIMITED	5,223,745	0.610
MR DAVID ROY BARNETT	5,000,000	0.584
MICROBIAL SCREENING TECHNOLOGIES PTY LTD	4,840,000	0.565
MR PETER KENNEWELL <SUPERANNUATION A/C>	4,607,629	0.538
PARKVIEW SERVICES (AUSTRALIA) PTY LTD <PARKVIEW SERVICES S/F A/C>	4,110,329	0.480
ADANAK EXPLORATIONS PTY LTD	4,000,000	0.467
MRS CHERYL DIANNE GOODMAN	3,970,400	0.463
MR KAZEK WLODARCZYK	3,892,000	0.454
ANZ NOMINEES LIMITED	3,523,077	0.411
MR NEIL ALFRED WOLFGRAM & MRS DIANNE MARGARET WOLFGRAM <THE WOLFGRAM SUPER FUND A/C>	3,300,000	0.385
	156,478,672	18.266
	856,650,233	