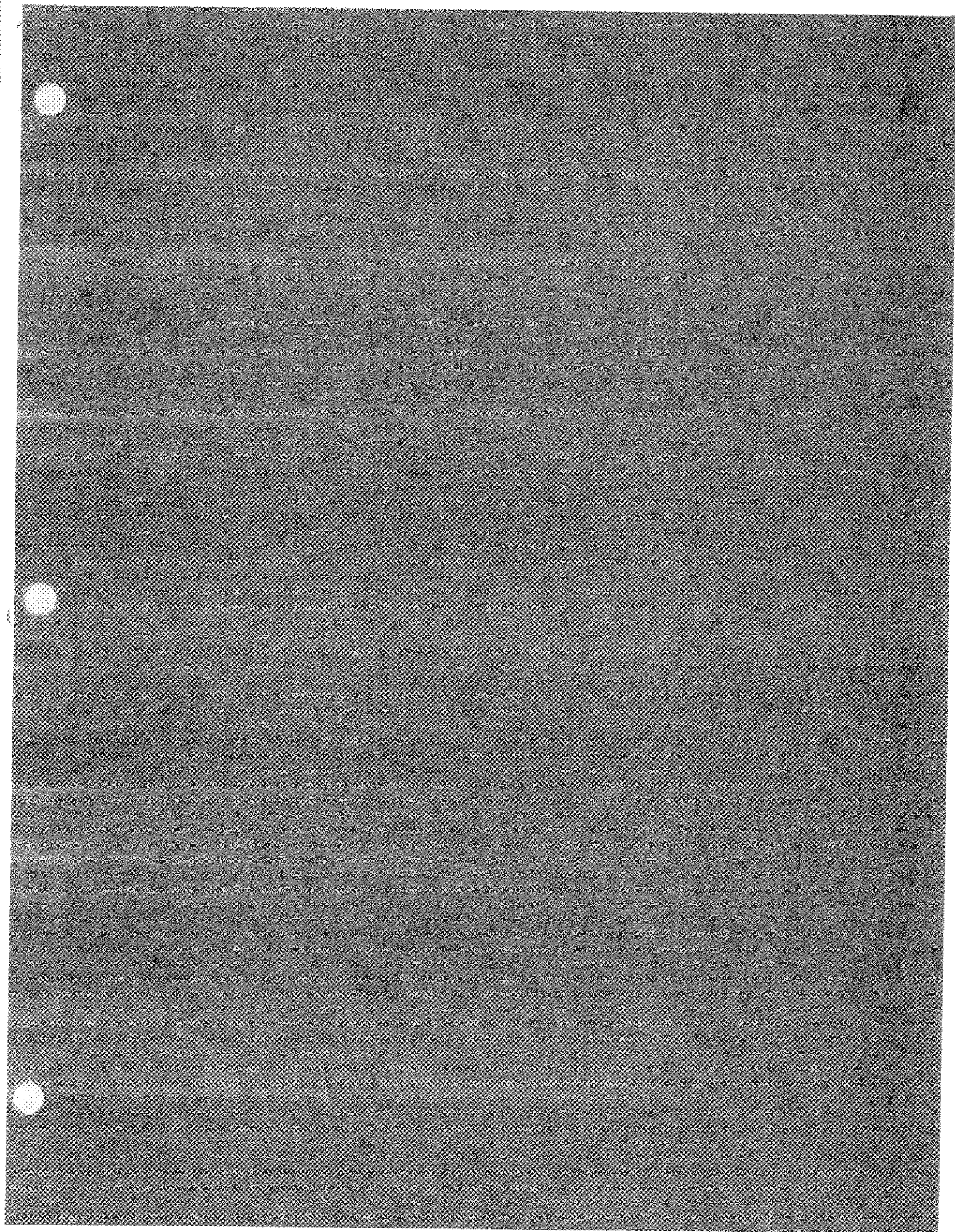


Tahera Corporation Annual Report 2002
Canada's Next



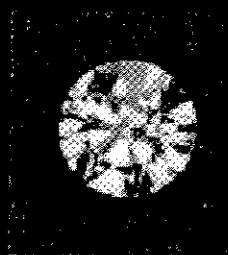
Tahera Corporation is focused on revolutionizing its website, as well as its product line, to meet the needs of its customers. Tahera has several other projects in development, including the launch of a new product line, which will be significantly different from the current line. The current line, of the Company, is the Tahera Stock Exchange, under the symbol "TAP".

Producer



At a Glance

Tahera Corporation is focused on developing its wholly-owned Jericho Diamond Project as CANADA'S NEXT and NUNAVUT'S FIRST DIAMOND MINE. Tahera has several other prospective diamond projects in Canada's prolific Slave Craton, including the Rockinghorse Property joint venture, where the significantly diamondiferous Anuri kimberlite occurs.



The "Nunavut Stone"
2.25 Carat Round Cut Diamond,
Rare White Color

*Tahera's CEO Mr. Joseph Gutnick
presenting a 2.25 Carat Jericho Diamond
(the "Nunavut Stone") to
Nunavut's Premier Paul Okalik*



Tahera is a unique Canadian diamond Company in that it has both an advanced-stage diamond development project (wholly-owned Jericho Diamond Project), and a joint venture on an exciting new diamond discovery (significantly diamondiferous Anuri kimberlite). Tahera will strive to enhance shareholder value by proactive development of this exciting and unique asset base. Tahera will also maintain an active diamond exploration portfolio to enhance shareholder value on a second front – through discovery of new diamond deposits.

The common shares of the Company trade on the Toronto Stock Exchange under the symbol "TAH".

Tahera Corporation



Table of Contents

Message to Shareholders	3
Our Activities	4
Management's Discussion and Analysis	11
Management's Responsibility for Financial Reporting / Auditors' Report	15
Consolidated Balance Sheets	16
Consolidated Statements of Loss and Deficit	17
Consolidated Statements of Cash Flows	18
Notes to Consolidated Financial Statements	19
Corporate Information	28

Annual Meeting

Wednesday June 18, 2003 at 11:00 am.
Sheraton Hotel, Windsor Room, 123 Queen Street West, Toronto, ON

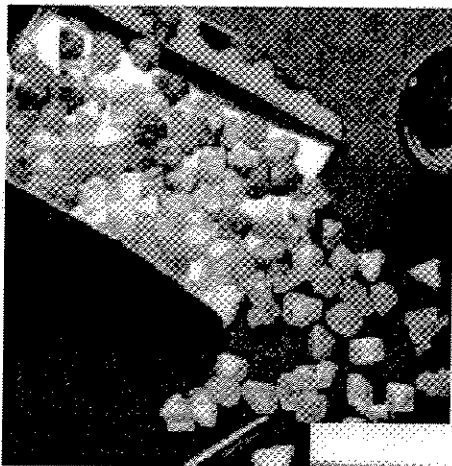
Year In Review

- Kennecott elected not to incorporate the Jericho Claims into the existing joint venture between Tahera and Kennecott
- Tahera advances permitting activities for development of its wholly-owned Jericho Diamond Project
- Drilling confirms that the Anuri and Anuri East kimberlites coalesce to form significantly diamondiferous Anuri kimberlite body with large tonnage potential (*Rockinghorse Property, Tahera/Kennecott JV*)
- With deep sadness, Tahera reported the tragic death of Hugo Dummett, a director of the Company
- Seasoned diamond industry professional, Dr. David Tyrwhitt, appointed to Tahera's board of directors

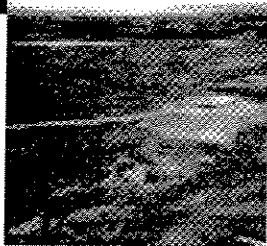
Looking Ahead – 2003 and Beyond

- Tahera – on the path to becoming Canada's next diamond producer

- Tahera's wholly-owned Jericho Diamond Project: forecast to produce +3,000,000 carats over a minimum mine-life of eight years, with diamond production commencing as early as 2005
 - On track to conclude the regulatory approval process for development of the Jericho Diamond Project during 2003
 - Following regulatory approval and project financing, one-year construction period required
 - Potential to increase reserve base by converting under-sampled resource material to reserve
- Agreement with Lazare Kaplan International Inc., one of the world's premier diamond companies, providing for:
 - Off-take agreement for Jericho production, Tahera option to market up to 25% of the diamond production independently
 - Lazare Kaplan to assist with project financing, and invest up to US\$4 million in Tahera
 - Tahera has option to enter into marketing agreement and/or polishing joint venture with Lazare Kaplan, thus maximizing diamond revenues
- Focused diamond exploration over highly prospective Tahera-operated exploration properties
 - Jericho Claims
 - Other Canadian diamond projects
- Significantly diamondiferous Anuri kimberlite, large tonnage potential
 - Assessing the diamond grade of the Anuri kimberlite
 - Continued exploration on highly prospective Rockinghorse Property



Assortment of Rough Jericho Diamonds



Jericho Diamond Project Site

The year 2002 was marked by several significant events for Tahera Corporation. Most importantly, Tahera resumed the process of developing its core asset, the Jericho Diamond Project, as Canada's next and Nunavut's first diamond mine.

The Jericho Diamond Project feasibility study indicates robust economics for a diamond mine capable of producing +3 million carats over the life of the Project. The Project offers considerable upside, primarily in the potential to increase the reserve base by converting existing diamond resources to reserves following further analysis. During the Jericho Mine development phase, Tahera will continue to conduct diamond exploration programs on its highly prospective Jericho Claims. The occurrence of several unresolved kimberlite indicator mineral trains, many within a 10-kilometre radius of the Jericho kimberlite, indicates the excellent exploration potential of the property.

Tahera continues to receive encouragement from key Nunavut stakeholders regarding its goal of attaining regulatory approval for development of the Jericho Diamond Project by year-end. In conjunction with the permitting activities, Tahera is working toward securing financing for construction of the Project.

In a major development for the Company, Tahera recently signed a Letter of Intent with Lazare Kaplan, one of the world's premier diamond companies. The agreement provides for an off-take arrangement under which Lazare Kaplan will purchase the Jericho production, and invest up to US\$4 million in Tahera, subject to certain conditions. Tahera retained the option to market 25% of the Jericho production independently.

Tahera has the option to convert the off-take agreement to a diamond marketing agreement, and the option to form a diamond polishing joint venture for Tahera diamonds polished at Lazare Kaplan facilities. This ability to participate in the downstream diamond market will allow Tahera to maximize its diamond revenues. The agreement with Lazare Kaplan is an important milestone toward achieving commercial diamond production at Jericho.

Tahera remains very excited about both the diamond grade potential and the size potential of the Anuri kimberlite, discovered on the Company's Rockinghorse Property in 2001. Further analysis of the Anuri kimberlite diamond grade will be conducted during 2003, and exploration activities will focus on the highly prospective area within close proximity to the kimberlite.

The tragic death of Hugo Dummett during 2002 marked a very sad time for the Company. Hugo's enduring personality, and his passion and commitment to the diamond industry will be dearly missed by all who knew him.

Dr. David Tyrwhitt, a seasoned diamond industry professional, joined Tahera as a director during the year. David brings a wealth of diamond industry experience to Tahera's Board of Directors, having served as Deputy Chairman of Argyle diamond sales in the past.

Tahera's strong asset base, including both the Jericho Diamond Project and the exciting Anuri kimberlite, will ensure that the Company continues to prosper as one of Canada's leading diamond exploration and development companies. Tahera is embarking on a very exciting year, and I believe that the future will be rewarding for our shareholders. Achieving the goals this year, as set out above, will mark significant milestones for Tahera. I encourage all shareholders to continue to support the Company's efforts as it nears entry into a new and exciting arena, that of being a publicly-traded Canadian diamond producer.

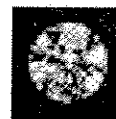
On Behalf of the Board of Directors,



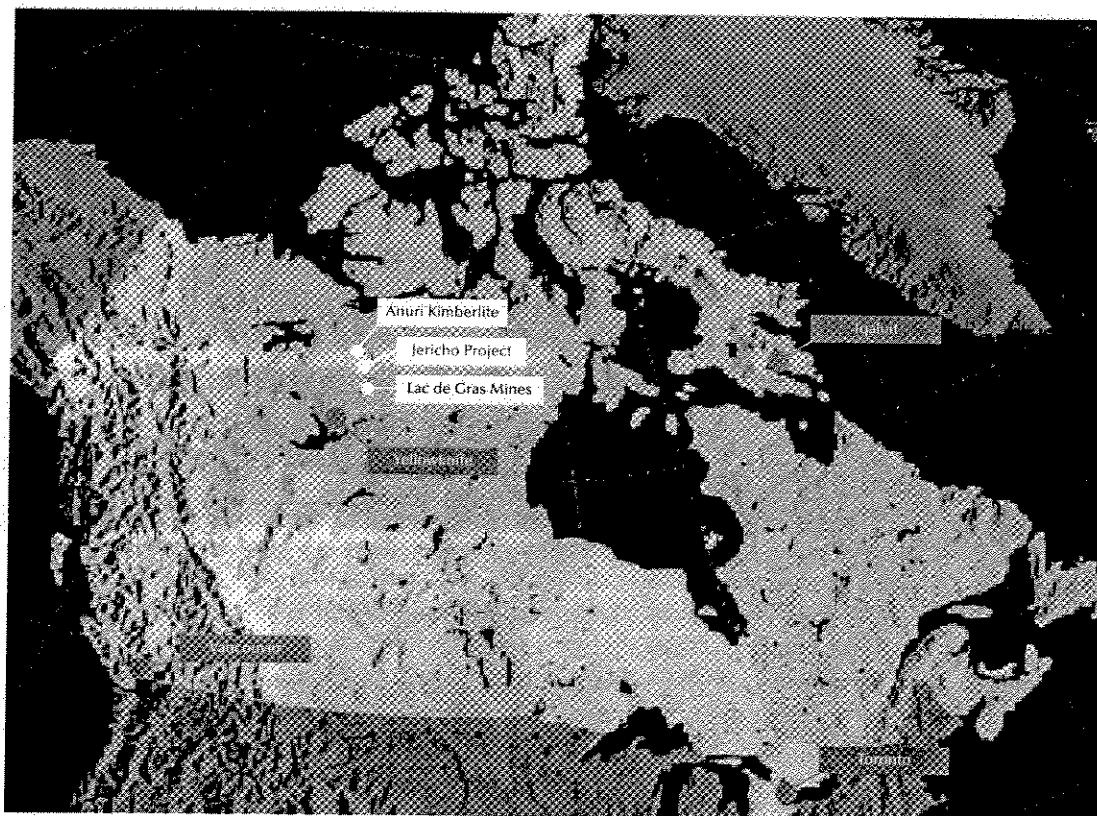
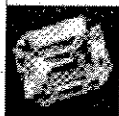
Joseph I. Gutnick
President and CEO

March 7, 2003

Message to Shareholders



Our Activities

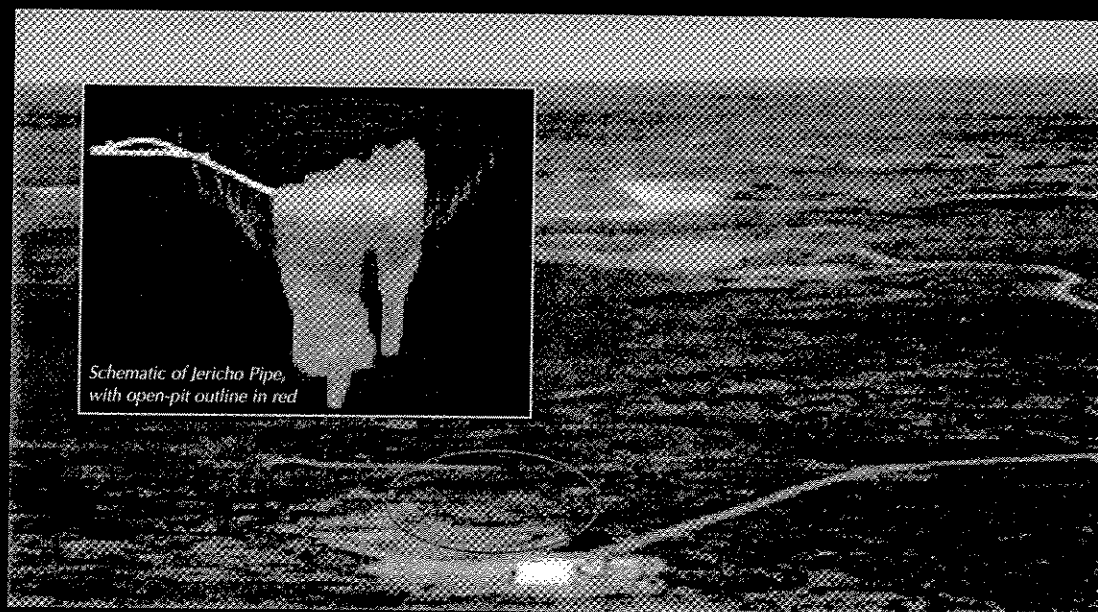


Location Map

Jericho Diamond Project

Tahera's wholly-owned Jericho Diamond Project, located in Nunavut Territory approximately 420 kilometres northeast of Yellowknife, Northwest Territories, has undergone extensive exploration and development activities during the last six years.

The Jericho Diamond Project feasibility study (SRK Consulting, 2000) indicates robust economics for a diamond mining operation centered on the land-based Jericho kimberlite. The study shows that the Project will produce 3 million carats over a minimum mine-life of eight years. Approximately 2.4 million carats will be mined by open-pit methods, followed by underground mining to extract 600,000 carats.



Jericho Kimberlite (open-pit outline in red)

Jericho Diamond Project (feasibility study completed by SRK Consulting)**Mining Reserve**

2.53 Mt @ 1.19 ct/t

Total Resource

Indicated: 3.7 Mt @ 1.14 ct/t

Inferred: 3.4 Mt @ 0.52 ct/t

Total Resource: 7.1 Mt @ 0.84 ct/t

Modeled Diamond Valuation

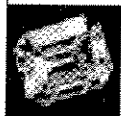
10,500 carats extracted from bulk sample decline: US\$75 – US\$88/ct

	SRK Consulting (US\$75/ct)	WW (US\$88/ct)
Diamond Production	3.0 MM Cts over 8 yrs.	
Capital Cost	C\$55 MM	
Operating Cost	C\$52/Ct (US\$35/Ct)	
Gross Revenue	C\$326 MM	C\$387 MM
Operating Cashflow	C\$153 MM	C\$211 MM
IRR	34.3%	50.7%
Pay Back	33 months	25 months

(Pre-financing, royalties and taxes)

Our Activities

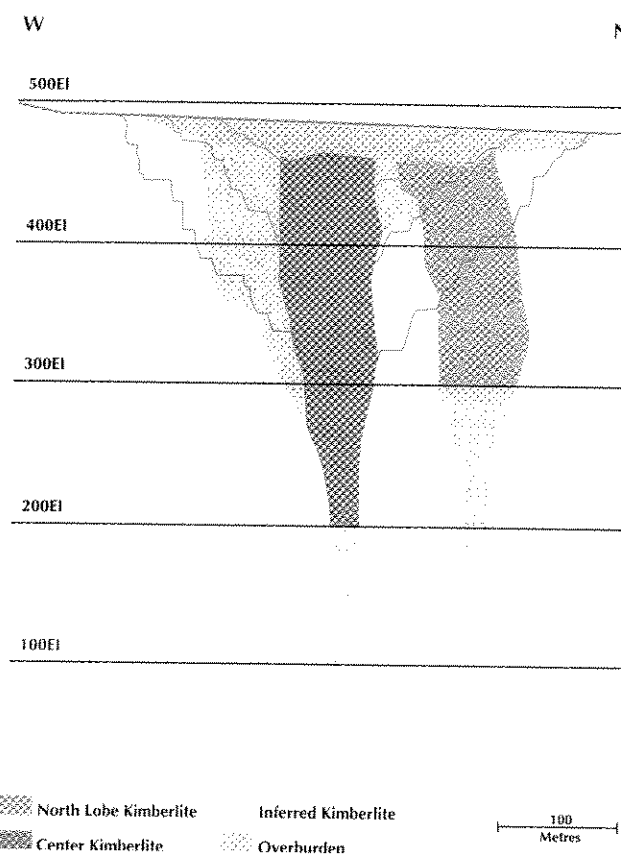




Approximately 10,500 carats were extracted from the Jericho kimberlite for diamond valuation purposes. WWW International Diamond Consultants Ltd. (WWW), who provides rough diamond valuation services for the Government of Canada, concluded that the Jericho diamonds are commercially attractive, and recommended using a diamond value of US\$88 per carat for feasibility study purposes. Based on a modeled diamond valuation of US\$75 – US\$88 per carat for the Jericho diamonds, the gross revenue for the Project ranges from \$330 million to \$390 million with an internal rate of return (IRR) from 34% to 50%, respectively. The feasibility study indicates a capital cost of approximately \$55 million for the Project. In preparation for project

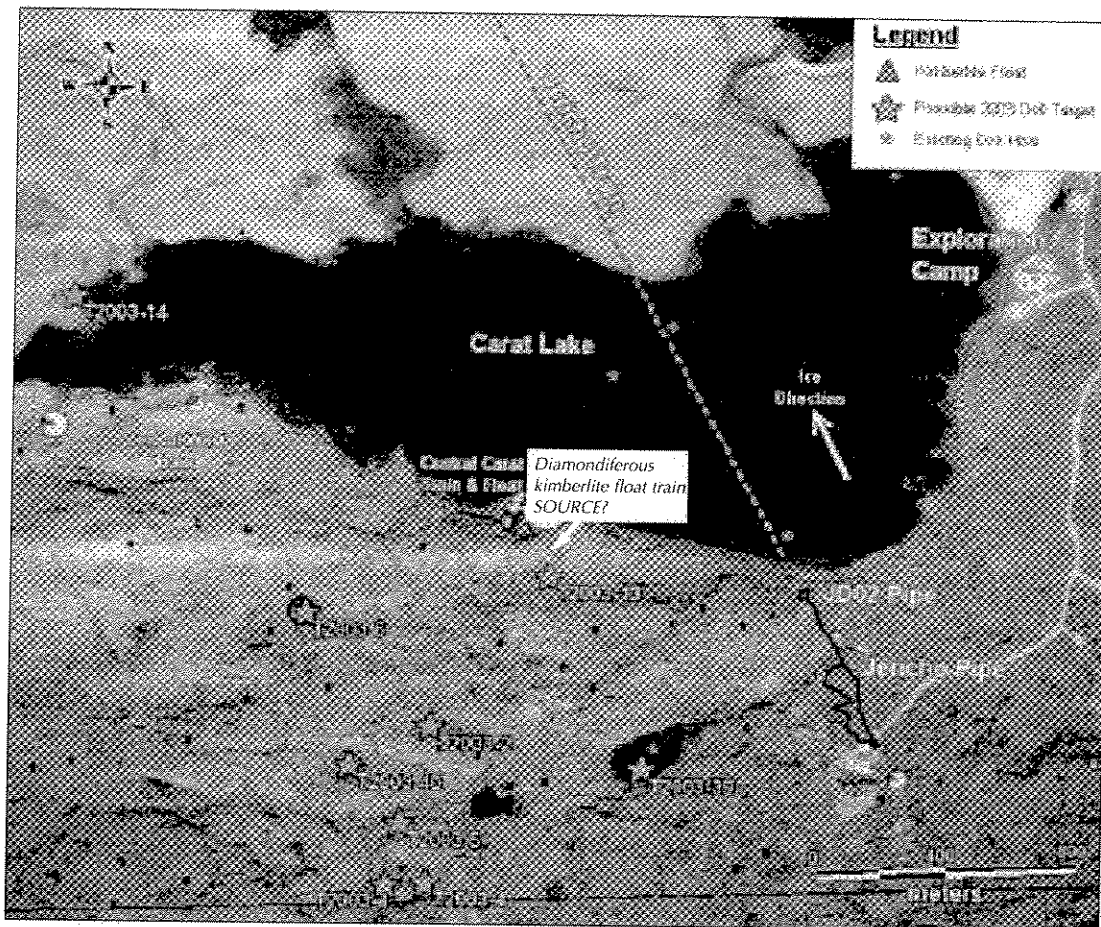
financing, Tahera has retained SRK Consulting to refresh the feasibility study. The updated feasibility study will be completed during the second quarter of 2003.

The total diamond resource of the Jericho Project was estimated by SRK Consulting to be approximately 6,000,000 carats. Tahera believes that excellent potential exists to increase the mine life substantially, as a large quantity of under-sampled kimberlite resource that will be mined and stockpiled during the course of the mining operation, may be converted to reserve upon adequate assessment of the diamond grade and value.



Schematic Section of Jericho Pipe: Large quantity of Jericho kimberlite resource (yellow), potential to convert to reserve following analysis of diamond grade and value

The Jericho Claims are considered highly prospective for further discoveries. Tahera will continue to focus its exploration efforts on the discovery of additional diamond reserves in close proximity to the Jericho Diamond Project, realizing that even modest-sized discoveries could enhance the economics of the existing Project.



Jericho Exploration: Drilling high priority kimberlite targets during Spring & Summer programs

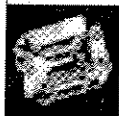
Permitting

Tahera's goal is to receive regulatory approval for development of the Jericho Diamond Project during 2003.

Tahera is very encouraged by the continued support, indicated by key Nunavut stakeholders, of the Company's goal of developing the Jericho Diamond Project as Nunavut's first diamond mine. Tahera has conducted numerous Nunavut community meetings during the permitting process in order to fully appreciate the lifestyle of the Inuit people, and the Company is committed to developing the Jericho Diamond Project in a socially and environmentally responsible manner.

The environmental review process in Nunavut is coordinated by the Nunavut Impact Review Board (NIRB). Tahera submitted the Final Environmental Impact Statement (EIS) for the Jericho Diamond Project in January 2003. This submission represents a significant milestone in the diamond mine development process in Canada. The EIS is an extensive document that includes a project description, environmental baseline studies, impact assessments, environmental management plans, reclamation plans, and information regarding Tahera's extensive





community consultation record. The regulatory agencies, including the Nunavut Impact Review Board, the Nunavut Water Board, the Kitikmeot Inuit Association, and various Federal authorities are currently conducting a thorough review of the final EIS submission in preparation for the final public hearings. The public hearings will be conducted in several Nunavut communities during May 2003. After the public hearings, the NIRB will submit a recommendation regarding the Project to the Department of Indian and Northern Affairs. Following review of the NIRB recommendation and subject to approval by the Department of Indian and Northern Affairs, the Company can proceed to finalize the required permits for the Project, leading to the development of Nunavut's first diamond mine.

Tahera is negotiating an Inuit Impact and Benefit Agreement (IIBA) with the Kitikmeot Inuit Association, and is optimistic that this agreement will be completed in time to facilitate the Project approval process.

Environmental Management Policy

It is Tahera's policy to achieve a high standard of environmental care in conducting its business as a resource company. Tahera's approach to environmental management seeks continuous improvement in performance by taking account of evolving knowledge and community expectations.

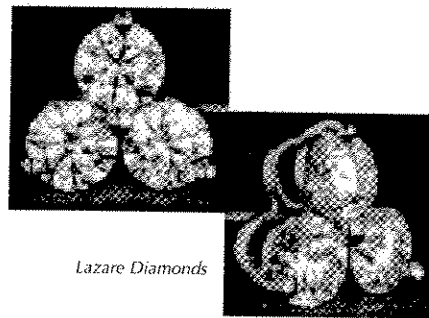
Specifically, it is Tahera's policy to:

- * Comply with all applicable laws, regulations and standards; uphold the spirit of the law; and where laws do not adequately protect the environment, apply standards that minimize any adverse environmental impacts resulting from its operations;
- * Communicate openly with government and the communities on environmental issues, and contribute to the development of policies, legislation and regulations that may affect Tahera;
- * Ensure that its employees and suppliers of goods and services are informed about this policy and are aware of their environmental responsibilities in relation to Tahera's operations;
- * Ensure that it has management systems to identify, control and monitor environmental risks arising from its operations and to prevent environmental impacts prior to their occurrence;
- * Conduct research and establish programs to conserve resources, minimize wastes, improve processes and protect the environment;

- * Take appropriate corrective actions should unexpected environmental impacts occur. Appropriate actions will be taken to prevent reoccurrence of such unexpected impacts.

Lazare Kaplan International Inc.

In a major development for the Company, Tahera signed a Letter of Intent in early 2003 with Lazare Kaplan International Inc., one of world's premier diamond companies. Lazare Kaplan sells its diamond and diamond jewelry products through a worldwide distribution network. The company is renowned for its "ideal-cut" diamonds, which it markets internationally under the brand name Lazare Diamonds®.



The agreement provides for the parties to enter into a comprehensive Off-Take and Investment Agreement for Tahera's Jericho Diamond Project. Under the terms of the proposed Off-Take Agreement, Lazare Kaplan will purchase 100% of the production from Tahera's Jericho Diamond Project, subject to Tahera's option to market up to 25% of the mine's diamond production independently.

Lazare Kaplan will assist Tahera with Project financing and has agreed to invest up to US\$4 million in Tahera, subject to Tahera securing the balance of funding for development and operation of its Jericho Diamond Project.

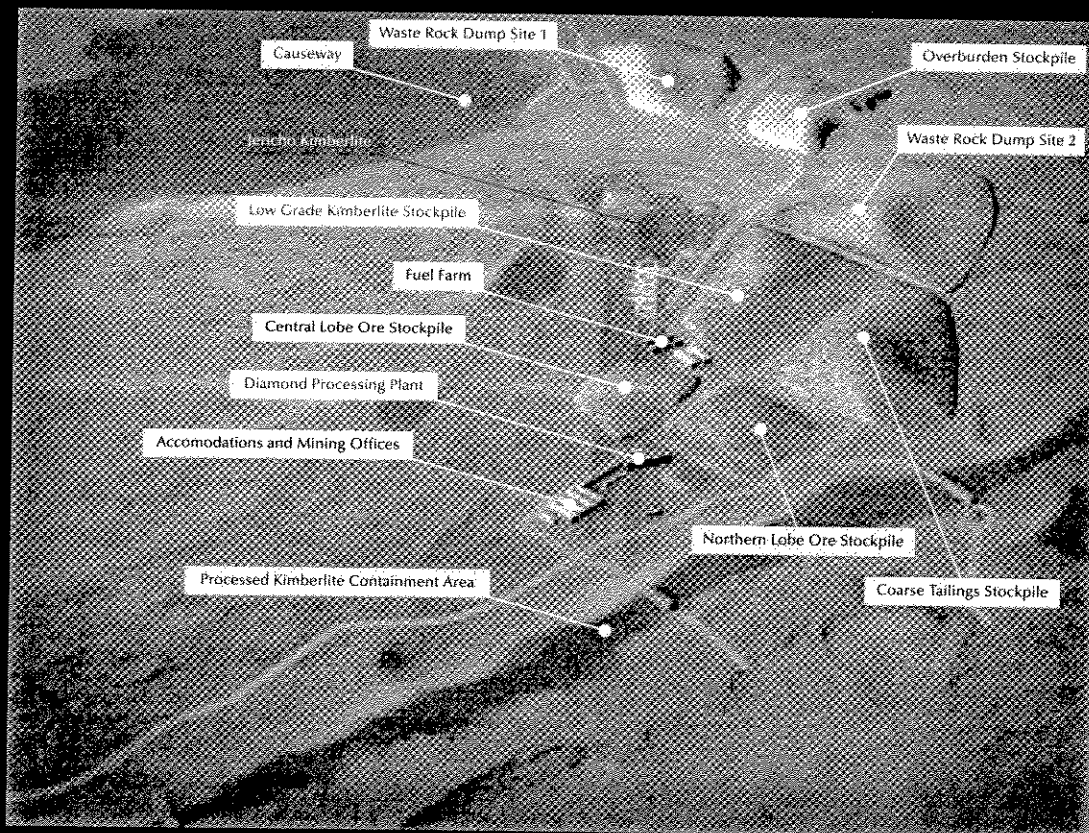
Marketing and Polishing Agreement

Tahera retained the option to convert the Off-Take Agreement with Lazare Kaplan to a rough-diamond marketing agreement at any time during the life of the agreement. In addition, Tahera will have the right to participate in a joint venture with Lazare Kaplan as equal partners for the polishing of diamonds produced by the Project, including special stones. These agreements will allow Tahera to maximize revenues from its diamond production.

Financing/Construction

Tahera is pursuing financing for construction of the Jericho Project, the goal being to finance as much as possible of the required Project capital via debt financing. The agreement with Lazare Kaplan will facilitate Tahera's ability to secure project financing in a timely manner.

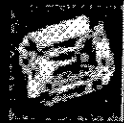
Project construction will take approximately one year, leading to a potential start-up date as early as 2005. In order to meet the 2005 production start-up, Tahera will need to mobilize the majority of the construction materials on the 2004 and 2005 seasonal winter ice road from Yellowknife, Northwest Territories to the Lupin Gold mine site. An extension of the winter road to the Jericho mine site will be required, a distance of approximately 35 kilometres.

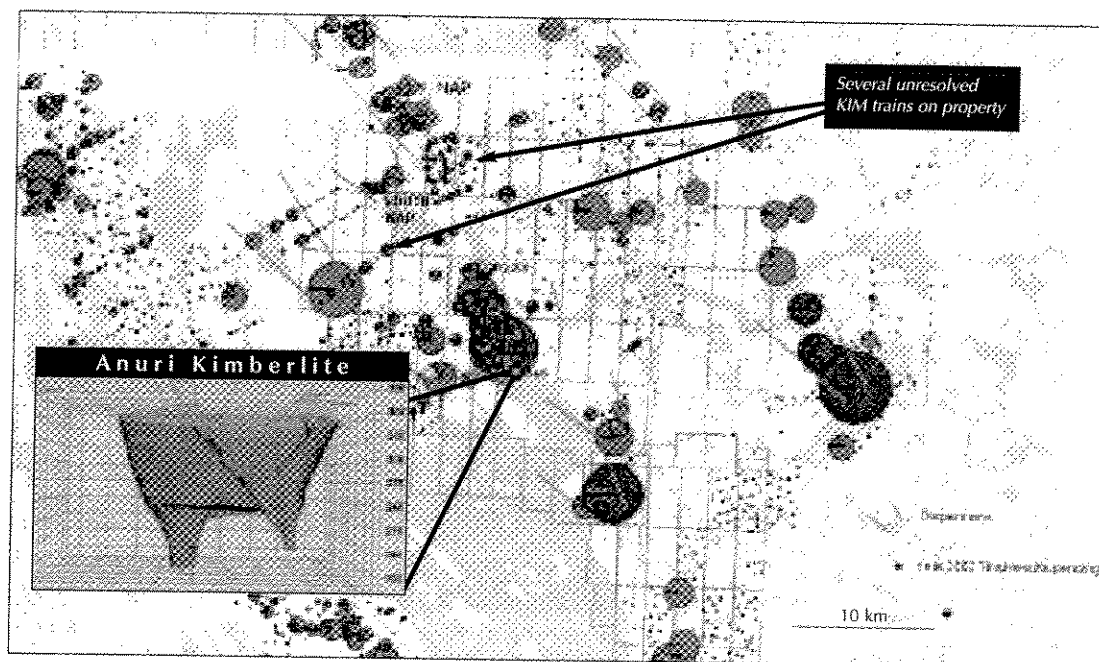
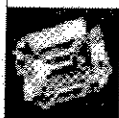


Schematic of Jericho Diamond Project during mining operation

Rockinghorse Property (RHP)

Tahera's Rockinghorse property is located in Nunavut, approximately 120 kilometres northwest of the Jericho Claims, and 450 kilometres northeast of Yellowknife, Northwest Territories. Kennecott Canada Exploration Inc. (a member of the Rio Tinto group of companies) is the operator of the RHP joint venture, and holds the option to earn a 25% interest in the property after spending \$25,000,000, and a 62.5% interest in the property by funding all costs up to a mine development decision, before 2008. A mine development decision can only be made after all permitting activities and a feasibility study are completed. Annual expenditures of \$1.5 million are required for Kennecott to retain operatorship.





Rockinghorse Property Map

Anuri Kimberlite

The significantly diamondiferous Anuri kimberlite was discovered on the RHP in 2001. Tahera is encouraged by both the diamond results reported to date and the size potential of the Anuri kimberlite.

Based on geophysical data and diamond drilling completed to date, the Anuri and Anuri East kimberlites coalesce in the upper region, creating a kimberlite body with a western lobe surface expression of approximately 225 metres by 150 metres, and an eastern lobe kimberlite body measuring approximately 100 metres by 100 metres. The kimberlite has been intercepted by drilling to a depth of over 200 metres.

The 2003 exploration program will involve further evaluation of the grade potential of the Anuri kimberlite via extraction of a mini-bulk sample (minimum 2.5 tonnes). The results from this exercise will provide a better understanding of the grade potential of the kimberlite. Pending positive results, a larger bulk sample is required to determine the diamond grade of the kimberlite, and the dollar per carat value of the diamonds.

Future exploration on the Rockinghorse Property will be focused on the highly prospective area within a 20 kilometre radius of the Anuri kimberlite, where several unresolved kimberlite indicator mineral trains exist.

Tahera (or its agent) retains sightholder rights to its share of future diamond production from the RHP.

Other Exploration Properties

Tahera has several early-stage diamond exploration projects in Nunavut and the Northwest Territories. The Company will maintain an active portfolio of diamond exploration projects as it continues to develop its advanced-stage Jericho Diamond Project.

The diamondiferous Tenacity kimberlite exists on Tahera's Hood River Property, located approximately 100 kilometres north of the Jericho Project. Although the Tenacity kimberlite does not have the size potential or diamond content to be economic on a stand-alone basis, the presence of the single kimberlite in what may be a distinct kimberlite field indicates the potential for further discoveries in the area.

The Ranch Lake kimberlite is located approximately 85 kilometres south of the Jericho Diamond Project on the ICE Claims. The Ranch Lake kimberlite, previously held under a joint venture with BHP Billiton, is now 100% Tahera-owned subject to a 1% gross royalty. Tahera is currently compiling and reviewing all technical data from the property, and may entertain joint venture proposals with respect to the property.

Readers of the following discussion and analysis should refer to the Company's audited consolidated financial statements for the years ended December 31, 2002 and 2001 where necessary. Those financial statements have been prepared in accordance with Canadian generally accepted accounting policies. All dollar figures included therein and in the following discussion and analysis are quoted in Canadian dollars.

Tahera Corporation is an exploration and development company engaged in the exploration for and development of diamond deposits. Tahera's vision is to become a significant producer of Canadian gem-quality diamonds for the Canadian and world markets. In order to accomplish this goal, the Company has commenced the development of its wholly-owned Jericho Diamond Project. The permitting process is currently underway, with the Company having filed its Final Environmental Impact Statement with the appropriate regulatory agencies.

In addition to the development of the Jericho Diamond Project, the Company will continue to conduct exploration programs at its other diamond projects, which includes further evaluation of the Anuri kimberlite. Exploration programs are being carried out in Nunavut and the Northwest Territories of Canada. The Company holds title to claims covering approximately 498,000 hectares both independently and through its joint ventures. To date, 20 kimberlites have been discovered on these claims. The Company will use its extensive database, compiled through several years of successful exploration campaigns, to assist in its quest for new discoveries.

The cost savings program undertaken in 2001 proved successful as the Company reduced year-over-year operating costs by over \$700,000 representing a 24% decrease. In addition, total expenditures including operating, capital, and exploration and development charges decreased by \$4,700,000 from 2001 to 2002, while the total amount spent by the Company and its joint venture partners on the Company's exploration projects decreased by only \$2,200,000. Actual monthly cash expenditures were approximately \$236,000 compared with a budgeted amount of \$250,000. Clearly, the mandate of the Company, to continue to develop its asset base while conserving cash thereby reducing the number of equity issuances during the year, was met in 2002. The decision to proceed with independent development of the Jericho Diamond Project will contribute to an increase in spending in 2003, as the Company moves to establish a recurring annual revenue stream in the next few years.

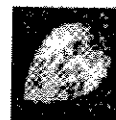
Jericho Diamond Project

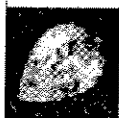
An amending agreement to the joint venture with Kennecott Canada Exploration Inc., completed in April 2002, granted Kennecott the option to include the Jericho group of claims in the existing joint venture between the two companies upon Kennecott completing certain minimum exploration expenditures. During the third quarter of 2002, Kennecott notified the Company that it would not exercise this option. Kennecott cited the onerous work commitments as the reason for its decision.

The Jericho Diamond Project is 100% owned by Tahera. The Company completed a feasibility study in 2000, which indicates robust economics for a diamond mine operation centered on the land-based Jericho kimberlite. The EKATI and Diavik diamond mines clearly establish the viability of diamond mining in Canada. As Tahera moves toward becoming the country's third diamond producer, the Company has and will continue to draw on the experience of these projects to assist in the development of the Jericho Diamond Project. However, several hurdles remain prior to development, including, but not limited to: completion of the Nunavut Impact Review Board hearings, which are scheduled for May 2003, completion of an Inuit Impact Benefit Agreement, and securing project financing.

The Company completed its Environmental Impact Statement and on March 7, 2003, announced that it had signed a letter of intent to enter into a comprehensive Off-Take Purchasing and Investment agreement with Lazare Kaplan International Inc. The agreement provides a guarantee from Lazare Kaplan to purchase a minimum of 75% to a maximum of 100% of the output of the project, with Tahera holding the right to limit this percentage to 75%. The agreement also provides Tahera the option to enter into a rough-diamond marketing agreement and/or a polishing agreement with Lazare Kaplan.

In addition, Lazare Kaplan will receive warrants entitling it to purchase US\$4 million of common shares in the Company at \$0.22 per share. The signing of this agreement will assist Tahera in obtaining financing for the capital component of the project as the Company has clearly established a market for its product with guaranteed payment upon delivery of the rough diamonds it produces. The agreement provides the Company with an option to participate in the downstream profits of the diamond market. Management sees this as an extremely valuable component of the agreement, as the profit earned by rough diamond dealers and polishers can be substantial.





Rockinghorse and ICE Claims

The Anuri kimberlite is situated on the Rockinghorse claims, which are subject to a joint venture with Kennecott. Kennecott is the operator of the group of claims and will earn a 25% interest after incurring expenditures of \$25 million. At December 31, 2002, Kennecott had incurred \$24.7 million. As operator of the claims, Kennecott holds an option to increase this percentage to 62.5% by funding all costs up to a mine development decision before May 2008 and incurring annual expenditures of \$1.5 million. Failure to meet the annual spending requirement would result in Tahera becoming operator of the project with Kennecott retaining its earned interest.

Kennecott committed to collecting a mini-bulk sample on the Anuri kimberlite during the spring 2003 exploration program. Results from this sample are expected in the summer of 2003. In addition, further exploration on the Rockinghorse claims, considered prospective for additional discoveries, is being planned.

During the first quarter of 2003, BHP Billiton notified the Company that it was withdrawing from the ICE claims joint venture. The Company is currently evaluating the potential of the property and considering other joint venture partners for these claims.

Financial Condition/Cash Flows

The Company's cash position increased by \$794,000 during the year, resulting in a closing balance of \$1,942,000. The working capital position increased to \$1,569,000 at December 31, 2002 from \$954,000 a year earlier. The total use of cash during 2002 was \$2,835,000 compared with \$7,854,000 during 2001, a savings of \$5,019,000 or 64% year-over-year. The decrease was primarily due to the fact that the Company shifted the onus of incurring exploration expenditures to its joint venture partners through negotiated amendments to its joint venture agreements. Management fulfilled its commitment to keep share issuances to a minimum during the year. The number of common shares issued decreased to 23.8 million from 36.2 million in 2001 and 99.4 million in 2000. Management remains committed to containing the pace of further dilution in order to enhance shareholder value, although further equity issuances will be required to fund a portion of the capital component of the Jericho Diamond Project.

Two private placements were completed during the year resulting in gross proceeds of \$2,800,000. First, a \$1,000,000 private placement with QIT-Fer et Titane Inc., an affiliate of Kennecott Canada Exploration Inc., was completed on October 1, 2002 at a subscription

price of \$0.167 per common share resulting in 5,988,024 common shares being issued. Further placements by Kennecott as described in the 2001 annual report are no longer required as Kennecott did not exercise its option to include the Jericho claims in the joint venture. A second placement was completed on December 5, 2002 resulting in 11,250,000 common shares being issued at a price of \$0.16 per share.

Major uses of cash during the year include operating and exploration and development charges. Cash used for operating and exploration and development expenditures decreased in 2002 to \$1,770,000 and \$870,000 from \$3,216,000 and \$3,443,000, respectively. The percentage of total cash used for operating expenditures increased to 62% (2001 – 41%) while exploration and development charges decreased to 31% (2001 – 44%). The proportional change in expenditures is a direct result of the shift in exploration spending as described above.

Spending during 2003 is expected to increase as the Company continues development of its Jericho Diamond Project. Cash outlays are estimated at \$5,500,000, an increase of \$2,500,000 over the 2001 budget. The bulk of the increase is related to additional project development and exploration program spending. The Company's year-end cash balance of \$1,942,000 has been augmented by warrant and option exercises of \$450,000 during the first quarter of 2003. Additional private placements and/or further warrant/option exercises will be required to make-up the shortfall in spending requirements.

The timing of cash requirements for the development and construction of the Jericho Diamond Project is directly linked to the completion of the permitting process. Part of the funds may be required as soon as the third quarter of 2003. The feasibility study completed by SRK Consulting in 2000 calls for upfront capital expenditures of \$45 million over an 18-month period. The capital cost of the underground portion of the mine along with sustaining capital expenditures will be funded with cash flows from operations later in the mine life. The Company is currently negotiating terms for the funding of the project; it is likely that a combination of debt and equity will be required.

Results of Operations

For the year ended December 31, 2002, Tahera incurred a loss of \$4,863,000 or \$0.02 per common share compared with \$4,756,000 or \$0.02 per common share recorded in 2001. Excluding exploration and development write downs, the 2002

loss would have been \$2,309,000 compared with \$4,278,000 in 2001 representing a 46% decrease year-over-year. As expected, operating costs decreased by \$702,000 from 2001 to 2002 representing a 24% savings. Reductions in operating costs for the two-year period ending December 31, 2002 total over \$1,000,000 when compared with expenditures made in 2000, as a result of changes made by current management. Individually, costs were reduced in almost every operating cost category. Management remains committed to maintaining operating costs at these levels although an increase during 2003 may be experienced as the Company incurs additional expenditures related to the development of the Jericho Diamond Project.

Interest revenues for the year decreased substantially as the Company held a smaller average cash balance during the year and the funds earned less, as interest rates were lower in 2002 than in 2001. Office and general costs were unchanged for 2002 when compared to 2001, if non-recurring exit costs related to the closure of the Company's Vancouver office are excluded. Salaries and benefits decreased by \$46,000 year-over-year after subtracting non-recurring severance packages incurred in 2001.

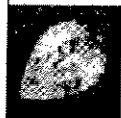
Debenture interest and financing costs amortization decreased as a result of the redemption of one of the secured convertible debentures in 2001. Depreciation decreased in 2002 as substantially all laboratory assets were sold as part of the Vancouver office closure in 2001.

As part of the Company's continuing evaluation of its exploration and development properties, management decided to allow the claims known as the Burnside Group to lapse during 2002. Previous results did not warrant the continuing cost to maintain and conduct exploration programs on these claims. In addition, the Company decided to write down the carrying value of the Roundrock Property Project as the Company does not intend to participate in future exploration programs. The total amount written down during the year ended December 31, 2002 was \$2,554,000 compared with \$478,000 in 2001.

Quarterly Information

	Quarters Ending in 2002			
	Mar.31	June 30	Sept.30	Dec.31
Operating Expenditures	543,591	733,901	417,514	502,568
Percentage of Operating Expenditures	24.7%	33.4%	19.0%	22.9%
Net Loss	558,111	772,989	448,331	3,083,260
Net Loss per Share	0.002	0.002	0.002	0.010
Cash Flows From (Used In):				
Operating Activities	(334,455)	(567,181)	(334,059)	(534,634)
Investing Activities	(155,703)	(104,725)	(264,057)	(352,478)
Financing Activities	70,249	692,208	27,000	2,651,948
Net Increase (Decrease) in Cash	(419,909)	20,302	(571,116)	1,764,836

	Quarters Ending in 2001			
	Mar.31	June 30	Sept.30	Dec.31
Operating Expenditures	673,966	903,806	550,499	771,347
Percentage of Operating Expenditures	23.2%	31.2%	19.0%	26.6%
Net Loss	664,031	838,239	1,955,945	1,298,183
Net Loss per Share	0.003	0.003	0.006	0.004
Cash Flows From (Used In):				
Operating Activities	(550,230)	(572,090)	50,476	(2,143,821)
Investing Activities	(1,312,200)	(1,477,028)	(998,471)	9,730
Financing Activities	—	3,086,742	844,660	(2,154)
Net Increase (Decrease) in Cash	(1,862,430)	1,037,624	(103,335)	(2,136,245)



Factors Affecting Comparability of Quarters

Quarterly operating expenditures have been incurred on a consistent basis over the past two years with the greatest variance occurring in the second and third quarters. Second quarter results are traditionally the highest during the year as the Company completes and files its annual report and holds its annual general meeting of shareholders. Third quarter expenditures are typically lower as this is the Company's off-season. Net losses for quarters do vary as transactions that qualify as other items are unique in nature and cannot be predicted. The increased third quarter net loss for 2001 was due to a settlement with the former President and CEO. Fourth quarter net losses in both 2002 and 2001 were affected by write downs of exploration and development programs.

Cash outflows typically follow the trend of operating expenditures. Exploration programs, which are season-dependent to a large degree, do not affect the comparability of quarterly operating results as these amounts are capitalized. They do, however, affect quarterly cash balances and are usually carried out during the first few months of the year and the late summer/early fall.

Risks and Uncertainties

Tahera Corporation is an exploration and development company engaged in the exploration for and development of diamond deposits. Diamond exploration and development of a mine involves a high degree of risk and the ultimate success of achieving a profitable operation cannot be assured. The Company's two major assets, the Jericho Diamond Project and the Anuri kimberlite, are at different stages of development and therefore have different risks and uncertainties associated with them.

To date, the Company has discovered 20 kimberlite bodies on its projects, however this is only the first major accomplishment on the road to becoming a producer of gem-quality diamonds. The percentage of discovered kimberlites in the world, which host diamonds, is small at approximately 15%. The percentage of kimberlites that host diamonds and become producing mines is under 1%. Costs involved with finding and evaluating a kimberlite body are substantial, taking several years to complete.

The Company's properties are located in Nunavut and the Northwest Territories where extreme weather conditions and the lack of infrastructure make it difficult and costly to operate. Exploration programs can only be carried out during limited times of the year.

Drilling programs typically occur during the winter months once the ice cover is thick enough to support a drilling operation. Till sampling programs typically occur during the summer months, after the snow has melted.

The Jericho Diamond Project has overcome many risks as it is now in the development stage. Completion of the permitting process, negotiation of an Impact Benefit Agreement with the Inuit organization in the region and funding of the capital costs of the project are yet to be completed. Construction and operational risks including, but not limited to: equipment and plant performance, harsh weather conditions, metallurgical, environmental, cost estimation accuracy, and workforce performance and dependability will all affect the profitability of an operating project. The mobilization of supplies and materials needed for the construction and operation of the mine is restricted to the winter months when a winter road can be constructed. Fluctuations in exchange rates and prices of rough diamonds will also affect the profitability of the Jericho Diamond Project. The Company has and will continue to mitigate these risks where possible by hiring experienced staff dedicated to achieving production of gem-quality Canadian diamonds.

The Company has incurred losses since its inception and currently does not have the financial resources to sustain operations. External financing, primarily through the issuance of common shares, will be required to carry on the Company's operations. There can be no assurance, however, that sufficient funds will be raised.

Tahera maintains a full programme of property and liability insurance, and also insures the Company's Directors and Officers for liability purposes. As the development and construction of its projects proceed, Tahera will consider adding appropriate environmental and business interruption coverage.

The accompanying consolidated financial statements of Tahera Corporation and all information in this annual report are the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, include management's best estimates and judgments. Management has reviewed the financial information presented throughout this report and has ensured it is consistent with the consolidated financial statements.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Board of Directors appoints the Audit Committee, and all of its members are non-management directors. The Audit Committee meets periodically with management and the shareholders' auditors to review internal controls, audit results, accounting principles and related matters. The Board of Directors approves the consolidated financial statements on recommendation from the Audit Committee.

Deloitte & Touche LLP, an independent firm of Chartered Accountants, was appointed by the shareholders at the last annual meeting to examine the consolidated financial statements and provide an independent professional opinion. Deloitte & Touche LLP has full and free access to the Audit Committee.



Joseph Gutnick
President, CEO and Executive Chairman

Toronto, Canada
March 7, 2003



Andrew Gottwald
Vice President Finance, Administration and CFO

Management's Responsibility for
Financial Reporting



Auditors' Report

To the Shareholders of Tahera Corporation:

We have audited the consolidated balance sheets of Tahera Corporation as at December 31, 2002 and 2001 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Deloitte & Touche LLP

Chartered Accountants

Vancouver, British Columbia

February 21, 2003

(except for note 16, which is at March 7, 2003)

Consolidated Balance Sheets
As at December 31 (in thousands of Canadian dollars)



	2002	2001
ASSETS		
Current Assets		
Cash and short-term deposits	\$ 1,942	\$ 1,148
Accounts receivable	155	258
Prepaid expenses	71	183
	2,168	1,589
Exploration and Development Projects (note 4)	59,416	60,899
Reclamation Deposits (note 5)	918	918
Fixed Assets (note 6)	475	698
Deferred Financing Costs (note 7)	163	266
Investments (note 8)	16	18
	\$ 63,156	\$ 64,388
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 599	\$ 635
Secured Convertible Debentures (note 9)	2,817	2,817
	3,416	3,452
Share Capital (note 10)		
Common shares	82,091	78,424
Equity component of secured convertible debentures (note 9)	225	225
Preferred shares	30	30
	82,346	78,679
Common Share Purchase Warrants (note 10(c) and (e))	122	122
	82,468	78,801
Deficit	(22,728)	(17,865)
	59,740	60,936
	\$ 63,156	\$ 64,388

See accompanying notes to the consolidated financial statements.

Continuing Operations (note 1)

Approved on behalf of the Board:

J. I. Gutnick

Joseph Gutnick, Director

R. A. Dickson

Robert Dickson, Director

Consolidated Statements of Loss and Deficit
Year Ended December 31 (in thousands of Canadian dollars)

	2002	2001
Revenues		
Interest	\$ 35	\$ 185
Contract processing	-	17
	35	202
Expenses		
Office and general	490	678
Salaries and benefits	469	607
Debenture interest and financing costs amortization	328	443
Travel	289	278
Depreciation	238	414
Directors' fees and expenses	156	156
Legal and audit	128	210
Transfer agent and listing fees	86	25
Consulting	13	58
Financing costs	-	30
	2,197	2,899
	(2,162)	(2,697)
Other Items		
Gain on sale of fixed assets and investments (note 6 and 8)	3	2
Write down of exploration and development projects (note 4)	(2,554)	(478)
Settlement of termination obligation (note 15)	-	(1,480)
Loss for the Year before Income Taxes	(4,713)	(4,653)
Provision for Income Taxes - Current (note 12)	(150)	(103)
Net Loss for the Year	(4,863)	(4,756)
Deficit - Beginning of Year	(17,865)	(13,149)
Expired Equity Component of Secured Convertible Debentures	-	40
Deficit - End of Year	\$ (22,728)	\$ (17,865)
Loss per Share - Basic and Diluted (note 10(l))	\$ (0.02)	\$ (0.02)

See accompanying notes to the consolidated financial statements.



Consolidated Statements of Cash Flows
 Year Ended December 31 (in thousands of Canadian dollars)



	2002	2001
Cash Flows From (Used in):		
Operating Activities:		
Loss for the year	\$ (4,863)	\$ (4,756)
Items not affecting cash –		
Depreciation	238	414
Debt principal accretion and financing costs amortization	103	176
Gain on sale of fixed assets	(3)	(2)
Write down of exploration and development projects	2,554	478
Debenture interest settled by issuance of shares	225	245
Termination obligation settled by issuance of shares and warrants	–	539
	(1,746)	(2,906)
Changes in non-cash working capital items –		
Accounts receivable	8	126
Prepaid expenses	112	(32)
Accounts payable and accrued liabilities	(144)	(404)
	(1,770)	(3,216)
Investing Activities:		
Exploration and development projects	(870)	(3,443)
Fixed assets	(12)	(283)
Proceeds on sale of fixed assets and investments	5	348
Reclamation deposits	–	(400)
	(877)	(3,778)
Financing Activities:		
Issue of common shares for cash	3,629	4,706
Share issuance costs	(188)	(260)
Issue of common share purchase warrants for cash	–	83
Secured convertible debentures	–	(600)
	3,441	3,929
Net Increase (Decrease) in Cash	794	(3,065)
Cash - Beginning of Year	1,148	4,213
Cash - End of Year	\$ 1,942	\$ 1,148
Cash and Cash Equivalents are Comprised of:		
Cash	\$ 89	\$ 120
Short-term deposits	1,853	1,028
	\$ 1,942	\$ 1,148
Supplemental Information:		
Interest paid	\$ 1	\$ 1
Income taxes paid	\$ 150	\$ 252

Supplemental Disclosure of Non-Cash Investing and Financing Activities

The following transactions are not reflected in the consolidated statements of cash flows:

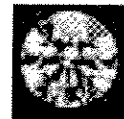
(a) During the year ended December 31, 2002:

The Company issued 468,750 common share purchase warrants on December 5, 2002 in connection with the private placement of flow-through shares (note 10(i)).

(b) During the year ended December 31, 2001:

The Company issued 416,666 common shares on July 31, 2001 for payment of agency fees related to the private placement of flow-through shares (note 10(c)).

See accompanying notes to the consolidated financial statements.



1. Continuing Operations

Tahera is a mineral exploration and development company engaged primarily in the exploration for and development of diamond deposits. The recoverability of the Company's exploration, acquisition and development costs is dependent on the confirmation of economically recoverable reserves, the ability of the Company to obtain financing to complete its development plans and the success of future operations.

The Company has incurred losses from inception and is considered to be in the development stage. It does not currently have the financial resources to sustain operations and its ability to continue as a going concern remains dependent upon its ability to attain future profitable operations and to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. External financing, predominately by the issuance of common stock to the public, will be sought to finance exploration and development of the Company's properties. There can be no assurance, however, that sufficient funds will be raised. If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net earnings and the balance sheet classifications used.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant policies:

(a) Basis of Financial Statement Presentation

These consolidated financial statements include the accounts of Tahera and those of its wholly-owned subsidiaries, Benachee Resources Inc. and Kiskaya Minerals Corporation.

The realization of the Company's investments in resource companies and exploration projects is dependent upon various factors, including the discovery of economically recoverable reserves of minerals, the ability to obtain necessary financing to continue development, and upon future profitable operations, or alternatively upon the disposal of the interests on an advantageous basis.

(b) Cash and Cash Equivalents

Cash and cash equivalents includes cash and short-term investments with an initial term of 90 days or less.

(c) Exploration and Development Projects

The costs of mineral properties and related exploration expenditures are deferred until the properties to which they relate are placed into production, sold or abandoned. These costs are then amortized over the estimated useful life of the properties following the commencement of production or written down if the properties are subsequently sold or abandoned.

(d) Fixed Assets

Fixed assets are recorded at cost. Exploration and office equipment are depreciated on a straight-line basis over periods ranging from three to five years.

(e) Investments

Investments are carried at cost. The Company provides for any loss in value that is other than temporary.

(f) Joint Ventures

Exploration and development joint ventures are accounted for using the proportionate consolidation method whereby the Company's pro-rata share of the assets, liabilities, revenues and expenses of the joint venture are included with those of the Company. As of December 31, 2002 and 2001 the Company holds resource property interests subject to joint venture agreements. The Company did not conduct operations through these joint ventures during 2002 and 2001.

(g) Stock-Based Compensation Plans

The Company has two stock-based compensation plans, which are described in note 11. The Company uses the intrinsic value based method to account for stock-based transactions with employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

(h) Income Taxes

Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, the future benefits of income tax assets including unused tax losses are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such losses will ultimately be utilized. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

December 31, 2002



(c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Actual results could differ materially from those reported.

(d) Comparative Information

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

3. Change in Accounting Policy

The Company has adopted the recommendations of the new CICA Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments, effective January 1, 2002. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method. The standard encourages the use of a fair value based method for all awards granted to employees, but only requires application of specified accounting methods to direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. If an alternative other than the fair value based method is used, pro-forma fair value based information must be disclosed.

The Company does not have any plans which result in the direct award of stock, stock appreciation rights and awards that call for settlement in cash or other assets and will continue to use the intrinsic value based method to account for stock-based transactions with employees. Had compensation costs for the Company's stock-based compensation plans been determined under the fair value based method of accounting, the Company's net income and earnings per common share for the year ended December 31, 2002 would have been affected as outlined in note 11.

4. Exploration and Development Projects

	Balance Dec. 31, 2000	Incurred During the Year	Balance Dec. 31, 2001	Incurred During the Year	Balance Dec. 31, 2002
Acquisition Expenditures –					
Jericho Group	\$ 15,075,472	\$ –	\$ 15,075,472	\$ –	\$ 15,075,472
Rockinghorse Group	808,973	–	808,973	–	808,973
Hood River Group	808,973	–	808,973	–	808,973
ICE Project	303,485	–	303,485	–	303,485
Roundrock Property Project	284,750	–	284,750	(284,750)	–
	17,281,653	–	17,281,653	(284,750)	16,996,903
Exploration and Development Expenditures –					
Jericho Group					
Incurred	45,024,736	3,101,036	48,125,772	760,615	48,886,387
Written down	(16,411,180)	–	(16,411,180)	(1,360,659)	(17,771,839)
Rockinghorse Group					
Incurred	6,044,857	–	6,044,857	239,904	6,284,761
Written down	(6,042,995)	–	(6,042,995)	–	(6,042,995)
Hood River Group					
Incurred	6,044,514	–	6,044,514	51,750	6,096,264
Written down	(6,042,995)	–	(6,042,995)	–	(6,042,995)
ICE Project					
Incurred	17,583,711	45,095	17,628,806	18,359	17,647,165
Written down	(6,637,228)	–	(6,637,228)	–	(6,637,228)
Roundrock Property Project					
Incurred	4,848,198	324	4,848,522	–	4,848,522
Written down	(3,940,401)	–	(3,940,401)	(908,121)	(4,848,522)
New Dolly Varden Project					
Incurred	1,238,957	–	1,238,957	–	1,238,957
Written down	(760,596)	(478,361)	(1,238,957)	–	(1,238,957)
	40,949,578	2,668,094	43,617,672	(1,198,152)	42,419,520
	\$ 58,231,231	\$ 2,668,094	\$ 60,899,325	\$ (1,482,902)	\$ 59,416,423

Exploration and development project expenditures do not include any allocation of administration or corporate overhead expenses.

(a) Jericho Group

The Company holds a 100% interest in various mineral claims located in Nunavut. Certain of these claims are subject to rental payments of \$91,000 per year and a 12% net profit royalty once production operations have commenced, payable to a third party. Certain other of these claims are subject to a net profit royalty, payable to a third party, equal to the lesser of (i) 13% of the value of production or (ii) a progressive royalty of between 0% and 14% of the value of production.

During the year ended December 31, 2002, the mineral claims known as the "Burnside Group" were abandoned and accordingly, exploration and development expenditures were written down by \$1,360,659.

(b) Rockinghorse Group

At December 31, 2002, the Company held a 100% interest in the mineral claims known as the Rockinghorse Group. These claims have been subject to the joint venture agreement described in note 4(g) since 1997. They are located in Nunavut and are subject to a net profit royalty as described in note 4(a).

(c) Hood River Group

The Hood River Group of claims is 100% owned by the Company. The claims are located in Nunavut and are subject to a net profit royalty as described in note 4(a).

(d) ICE Project

The ICE claims are located in Nunavut and the Northwest Territories of Canada. The Company holds a 100% interest in the claims, which are subject to a 1% gross royalty based on future diamond production from kimberlites discovered on the claims before April 23, 2001. In addition, the claims are subject to a net profit royalty as described in note 4(a).

(e) Roundrock Property Project

Under the terms of an option agreement, at December 31, 1997 the Company, Pure Gold Resources Inc., Ashton Mining of Canada Inc., Paramount Ventures & Finance Inc. and Silver Arrow Exploration each hold an interest in the Roundrock property claims located in the Northwest Territories.

During the Company's review of the value of its exploration and development properties, it was determined that continued capitalization of the Roundrock Property Group was not warranted. The Company had not participated or contributed to the exploration programs carried out on the property during the past three years. As a result, related exploration and development expenditures were written down by \$1,192,871.

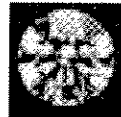
(f) New Dolly Varden Project

On March 6, 2002, the Company concluded that it would abandon all but one of the New Dolly Varden Project claims. Exploration and development expenditures relating to these claims were written down by \$478,361 during the year ended December 31, 2001. The remaining claim is held jointly, pursuant to a joint venture agreement with New Dolly Varden Minerals Inc.

(g) Agreement with Kennecott Canada Exploration Inc. (a member of the Rio Tinto group of companies)

The joint venture agreement with Kennecott has been amended from the original agreement made in 1997 between Lytton Minerals Limited, New Indigo Resources Inc., and Kennecott. Under the revised agreement, Kennecott will earn a 25% undivided interest in the joint venture properties after incurring total expenditures of at least \$25 million. The joint venture properties currently include the claims known as the Rockinghorse Group. Prior year expenditures made on other property groups, which were included in the joint venture at one time, count towards the \$25 million spending requirement even though those claim groups are no longer included in the joint venture agreement.

Kennecott has the option to increase its undivided interest to 62.5% upon incurring certain minimum annual exploration expenditures and making a development decision before May 1, 2008. A development decision would include incurring all costs to complete a feasibility study and to obtain such permits and complete such detailed engineering as may be requisite to enable mine construction to commence.



December 31, 2002



Accumulated expenditures by Kennecott as at December 31, 2002 were as follows:

	2002	2001
Jericho Group	\$ 1,632,718	\$ 385,126
Rockinghorse Group	10,851,773	8,894,098
Hood River Group	4,810,735	4,799,601
ICE Project	6,715,471	6,508,460
New Dolly Varden Project	582,316	582,316
Other	139,013	139,013
	<u>\$ 24,732,026</u>	<u>\$ 21,308,614</u>

5. Reclamation Deposits

The Company is required to provide reclamation deposits under the Nunavut Land Claims Agreement. To date the Company has made total deposits of \$918,000, which satisfy the current requirement of the Nunavut Water Board. These deposits are not available for working capital purposes.

6. Fixed Assets

		2002	2001
	Cost	Accumulated Depreciation	Net
Exploration equipment	\$ 1,097,576	\$ (667,511)	\$ 430,065
Office equipment	360,454	(315,633)	44,821
	<u>\$ 1,458,030</u>	<u>\$ (983,144)</u>	<u>\$ 474,886</u>
			<u>\$ 629,700</u>
			<u>\$ 68,304</u>
			<u>\$ 698,004</u>

During the year ended December 31, 2002, the Company sold equipment for net proceeds of \$3,800, resulting in a gain of \$3,560.

During the year ended December 31, 2001, the Company closed its Vancouver office and laboratory. As part of this closure the company sold assets for net proceeds of \$348,109, resulting in a gain of \$2,367.

7. Deferred Financing Costs

	2002	2001
Deferred financing costs	\$ 379,380	\$ 379,380
Less amortization	(287,560)	(229,569)
	<u>91,820</u>	<u>149,811</u>
Debt principal equity adjustment (note 9)	265,360	265,360
Less debt principal accretion	(193,996)	(148,924)
	<u>71,364</u>	<u>116,436</u>
	<u>\$ 163,184</u>	<u>\$ 266,247</u>

Deferred financing costs were incurred in connection with the issue of the Secured Convertible Debentures (note 9) and are being amortized over five years, which is the term of the debentures. Amortization of the deferred financing costs and accretion of the debt principal equity adjustment were increased by the remaining unamortized portion relating to the \$600,000 debenture redeemed during 2001 (note 9).

8. Investments

The Company holds a long-term portfolio investment position in certain publicly-listed junior resource companies. The market value of these investments at December 31, 2002 was approximately \$26,522 (2001 - \$28,080) though the realizable value of such shareholdings may be more or less than their market value. During 2002, the Company disposed of certain of these investments for net proceeds of \$1,665, resulting in a loss of \$385.

9. Secured Convertible Debentures

In August 1999, the Company completed a private placement financing totalling \$3,417,000 consisting of Special Notes exchangeable for secured convertible debentures. The Special Notes were exchanged for two secured convertible debentures on August 3, 1999 and November 23, 1999.

On October 11, 2001, a 9% secured convertible debenture totalling \$600,000 was redeemed. The debenture was cancelled and the holder surrendered and released its security interest in the assets of Tahera and its subsidiaries.

The remaining secured convertible debenture totalling \$2,817,000 has a five-year term and an 8% interest rate. Interest payable may be settled, subject to regulatory approval, by issuing shares of the Company. The secured convertible debenture is convertible into common shares at \$0.125 per common share at the option of the holder. The Company may redeem this debenture at its option if the current market price of the Company's common shares is equal to or greater than \$0.375 per share. The current market price on any date is defined as the aggregate sale price of all Tahera shares sold or traded during the 20 consecutive trading days ending on the fifth trading day before such date, divided by the total number of shares sold or traded during the same period.

In August 1999, the Company determined that the equity component of the secured convertible debentures amounted to \$265,360 and established a deferred financing cost in the same amount. This amount represents the value of the holders' option to convert the debentures into common shares. The unamortized deferred financing cost relating to the \$600,000 debenture, totalling \$58,330, was expensed upon redemption of the debenture. The remaining deferred financing cost is being amortized over the life of the remaining debenture.

10. Share Capital

Authorized –

- Unlimited number of common shares
- Unlimited number of a class of preferred shares issuable in series (none of which has been issued)
- A number of preferred shares, all of which have been called for redemption and cancellation at \$0.325 per share (see (k) below)

Issued and outstanding –

Common Shares:	Note	Number of Shares	Share Capital
Balance – December 31, 2000		268,710,613	\$ 73,232,441
Private placement	(a)	21,666,667	3,250,000
Issuance to settle debenture interest liability	(b)	1,553,691	245,443
Private placement	(c)	8,749,999	1,416,667
Issuance under stock option plans	(d)	260,000	39,000
Issuance to settle termination obligation	(e)	4,000,000	500,000
Share issuance costs	(f)		(259,622)
Balance – December 31, 2001		304,940,970	\$ 78,423,929
Issuance under stock option plans	(d)	1,099,999	172,583
Exercise of warrants	(g)	4,350,000	656,500
Issuance to settle debenture interest liability	(b)	1,128,678	225,360
Private placement	(h)	5,988,024	1,000,000
Private placement	(i)	11,250,000	1,800,000
Share issuance costs	(f)		(187,678)
Balance – December 31, 2002		328,757,671	\$ 82,090,694

(a) The Company issued 21,666,667 common shares upon the exercise of an equal number of special mechanism warrants at \$0.15 per share on April 23, 2001.

(b) During the year ended December 31, 2002, the Company issued 462,366 common shares at a price of \$0.24 per share on June 25 and 666,312 common shares at a price of \$0.17 per share on December 24, for payment of interest on the secured convertible debentures (note 9). Similar issuances during the year ended December 31, 2001 included 759,870 common shares at a price of \$0.17 per share on June 29 and 793,821 common shares at a price of \$0.14 per share on December 21.

Notes to Consolidated Financial Statements

December 31, 2002



For each interest payment, the share price was determined in accordance with an agreement between the holder of the debentures and the Company which states that the share price is to be based on the aggregate sale price of all Tahera shares sold or traded during the 20 consecutive trading days ending on the fifth trading day before June 30 and December 31 in each year, divided by the total number of shares sold or traded during the same period.

- (c) The Company issued 8,333,333 flow-through common shares on July 31, 2001 on a private placement basis at a price of \$0.17 per share. In addition, the Company issued an equal number of common share purchase warrants at a price of \$0.01 per warrant. Each warrant is exercisable into one common share at \$0.25 per share until July 31, 2003. Also, 416,666 common shares were issued to the agent in consideration for its services.
- (d) During the year ended December 31, 2002, the Company issued 1,099,999 common shares (260,000 common shares in 2001), under the current stock option plan at prices ranging from \$0.15 to \$0.18.
- (e) As part of the settlement described in note 15, the Company issued 4,000,000 common shares at \$0.125 per share and 3,870,600 common share purchase warrants. The common share purchase warrants are exercisable into an equal number of common shares at \$0.155 per share until August 4, 2004 and were valued at \$38,706.
- (f) The Company incurred share issuance costs totalling \$187,678 during the year ended December 31, 2002 (2001 - \$259,622), with respect to private placements and issuances of shares to settle debenture interest liabilities during each year.
- (g) During the year ended December 31, 2002, the Company issued 4,350,000 common shares upon the exercise of an equal number of warrants at prices ranging from \$0.15 to \$0.19.
- (h) The Company issued 5,988,024 common shares on October 1, 2002 on a private placement basis at a price of \$0.17 per share.
- (i) On December 5, 2002, the Company issued 11,250,000 common shares on a private placement basis at a price of \$0.16 per share. In addition, the Company issued 468,750 common share purchase warrants to the agents in consideration for their services. Each warrant is exercisable into one common share at \$0.16 per share until December 5, 2003.
- (j) The issued and outstanding warrants at December 31, 2002 are as follows:

Number of Warrants	Expiry Date	Exercise Price (\$)
8,333,333	July 31, 2003	0.250
468,750	December 5, 2003	0.160
400,000	June 14, 2004	0.150
1,600,000	June 27, 2004	0.150
1,200,000	July 19, 2004	0.150
3,870,600	August 4, 2004	0.155
11,535,217	August 29, 2004	0.150
3,800,000	August 29, 2004	0.120
10,544,026	October 31, 2004	0.150
22,470,757	November 14, 2004	0.150
64,222,683		

- (k) In 1980, preferred shares of the Company then outstanding were called for redemption at a price of \$0.325 per share, payable only upon surrender of the share certificates for cancellation. During the year ended December 31, 2001, a total of 400 shares were redeemed and cancelled leaving 91,966 shares at December 31, 2001 to be redeemed at a cost of \$29,888. No shares were redeemed and cancelled during 2002.
- (l) The loss per share has been computed using the weighted average number of common shares outstanding during the year (2002 - 311,234,407 shares; 2001 - 288,840,844 shares). Diluted common shares at December 31, 2002 including all convertible securities, warrants and options total 456,416,020 (2001 - 428,828,403). The conversion of these securities, warrants and options would not have a dilutive effect on earnings per share.

11. Stock-Based Compensation Plans

At December 31, 2002, the Company had two stock-based compensation plans, one of which was assumed from Lytton. There are 2,250,000 options outstanding under this plan and no additional options may be granted. Under the current Stock Option Plan, the Company may grant options to the Company's directors, officers, employees and service providers. The maximum number of options reserved for issuance under this Plan is 43,473,000 of which 14,731,335 can still be granted. The exercise price of an option cannot be less than the closing price of the common shares on the Toronto Stock Exchange on the day immediately preceding the grant of the option, and the maximum term of all options is ten years.

The Board of Directors determines the time during which any option may vest. Of the total of 29,631,666 options outstanding at December 31, 2002, the right to exercise 1,500,000 options is in dispute.

Common share stock options outstanding as at December 31, 2002 are as follows:

December 31, 2002				December 31, 2001	
		Weighted Average Exercise Price		Weighted Average Exercise Price	
Fixed options	Shares			Shares	
Outstanding at beginning of year	21,979,500	\$ 0.19		12,224,500	\$ 0.29
Granted	12,675,000	0.31		13,075,000	0.16
Exercised	(1,099,999)	0.16		(260,000)	0.15
Forfeited	(3,922,835)	0.24		(3,060,000)	0.45
Outstanding at end of year	29,631,666	\$ 0.24		21,979,500	\$ 0.19
Options exercisable at end of year	19,173,334	\$ 0.22		12,257,828	\$ 0.21

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 31, 2002	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2002	Weighted Average Exercise Price
\$ 0.15	6,115,000	2.2 years	\$ 0.15	6,023,335	\$ 0.15
0.16 – 0.18	9,183,333	3.3 years	0.16	6,566,668	0.16
0.23 – 0.345	11,958,333	4.0 years	0.31	4,208,331	0.31
0.35 – 0.80	2,375,000	0.8 years	0.40	2,375,000	0.40
\$ 0.15 – 0.80	29,631,666	2.9 years	\$ 0.24	19,173,334	\$ 0.22

The fair value assigned to the stock options granted during the twelve months ended December 31, 2002 was \$930,000. Had the portion of this compensation cost, which relates to 2002, been charged to earnings, the net loss for the year ended December 31, 2002 would have been \$5,420,000 while the basic and diluted loss per share would have been \$0.017 compared with the actual loss per share of \$0.016. The effect of stock option grants issued before January 1, 2002 has not been included in these amounts.

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions for grants in the three months ended June 30, 2002: dividend yield of 0%; expected volatility of approximately 49.5%; risk-free rate of 3.3% and expected lives of 2 years. The weighted average fair value of options granted in the three months ended June 30, 2002 was \$0.08.

Grants in the three months ended March 31, 2002 used the following weighted average assumptions: dividend yield of 0%; expected volatility of approximately 45.2%; risk-free rate of 3.3% and expected lives of 2 years. The weighted average fair value of options granted in the three months ended March 31, 2002 was \$0.05.

December 31, 2002



12. Income Taxes

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	2002	2001
Statutory tax rate	39%	42%
Recovery of income taxes computed at standard rates	\$ 1,819,013	\$ 1,954,296
Other	(6,346)	(20,006)
Tax losses not recognized in the period that the benefit arose	(1,812,667)	(1,934,290)
	-	-
Large corporations tax	150,222	103,312
	\$ 150,222	\$ 103,312

The approximate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets are as follows:

	2002	2001
Excess of tax value of capital assets over book value	\$ 1,101,431	\$ 1,099,851
Operating loss carry-forward	6,337,695	7,479,110
Excess of the tax base of resource properties over carrying value	32,509,528	34,066,444
Other	839,050	784,502
	40,787,704	43,429,907
Less: valuation allowance	(40,787,704)	(43,429,907)
	\$ -	\$ -

At December 31, 2002 the company had the following unused tax losses available for application against taxable income of future years, and expire as follows:

2003	\$ 3,361,000
2004	1,414,000
2005	1,781,000
2006	3,876,000
2007	1,558,000
2008	2,879,000
2009	1,548,000
Total	\$ 16,417,000

13. Financial Instruments

The carrying values of cash and short-term deposits, accounts receivable, accounts payable and accrued liabilities, debenture interest payable and secured convertible debentures reflected in the balance sheets approximate their respective fair values. The fair value of investments held is disclosed in note 8.

14. Related Party Transactions

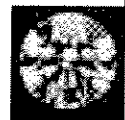
- (a) During the year ended December 31, 2002, the Company incurred general consulting expenses and consulting expenditures relating to exploration projects totalling \$11,577 (2001 – \$43,524), which were paid to two directors of the Company.
- (b) During the year ended December 31, 2002, the Company incurred expenses totalling \$138,257 for general legal services (2001 – \$212,111 for general legal services and services related to the Howard Miller settlement). Two of the Company's directors are partners in the legal firm which provided these services.
- (c) During the year ended December 31, 2001, interest totalling \$41,869 on the secured convertible debenture payable to the Fern Trust was paid by the issuance of 115,755 common shares (note 10(b)), payment of \$11,318 in cash and payment of \$10,467 in withholding taxes. The Fern Trust was established for the family of Howard Miller, a former Director and Officer of the Company.

15. Settlement of Termination Obligation

On October 11, 2001, the Company settled all outstanding issues with the former President and CEO relating to his termination. The Company paid a total of \$1,063,500, of which \$500,000 was settled by the issuance of 4,000,000 common shares. In addition, the Company incurred legal and share issuance costs totalling \$179,305. The settlement included an agreement with the Fern Trust for the early redemption of a 9% secured convertible debenture in the principal amount of \$600,000. Upon redemption of the convertible debenture, the Company issued 3,870,600 common share purchase warrants exercisable into an equal number of common shares at \$0.155 per share until August 4, 2004. Legal costs and an early redemption penalty totalling \$198,352 were incurred with respect to this matter. The Fern Trust surrendered the 9% secured convertible debenture to Tahera for cancellation and released all security that it had relating to Tahera and its subsidiaries and properties.

16. Subsequent Events

- (a) During the first quarter of 2003, BHP Billiton notified the Company that it was withdrawing from the ICE claims joint venture. The Company is currently evaluating the potential of the property and considering other joint venture partners for these claims.
- (b) On January 29, 2003, the Company issued 3,000,000 common shares upon the exercise of an equal number of warrants for proceeds of \$450,000.
- (c) On March 7, 2003, the Company announced that it had signed a letter of intent to enter into a comprehensive Off-Take Purchasing and Investment agreement with Lazare Kaplan International Inc. The agreement provides a guarantee from Lazare Kaplan to purchase a minimum of 75% to a maximum of 100% of the output of the project, with Tahera holding the right to limit this percentage to 75%. The agreement also provides Tahera the option to enter into a rough-diamond marketing agreement and/or a polishing agreement with Lazare Kaplan. In addition, Lazare Kaplan will receive warrants entitling it to purchase US\$4 million of common shares in the Company at \$0.22 per share.





Board of Directors

Joseph I. Gutnick
Executive Chairman

Robert R. B. Dickson, A.C.
Director

Maxwell Gottlieb, A.C.
Director

Patrick J. Lavelle, A.F.C.
Director

Dr. Stephen Meyer, F.R.S.
Director

Paul M. Stein, A.C.C.
Director

Dr. David Tyrwhitt, C.
Director

Committees

- A — Audit committee member
- C — Compensation committee member
- E — Environmental, health and safety committee member
- G — Corporate governance and nominating committee member

Senior Management

Joseph I. Gutnick
President and CEO

Dr. David Tyrwhitt
Technical Consultant

Dr. Stephen Meyer
Technical Consultant

Grant D. Ewing
*Vice President Investor Relations and
Corporate Development, Corporate Secretary*

Andrew Gottwald
Vice President Finance, Administration and CFO

Greg Missal
Vice President Nunavut Affairs

Mike Johnson
Exploration Manager

Solicitors

Cassels Brock and Blackwell LLP
Toronto, Ontario

Auditors

Deloitte & Touche LLP
Vancouver, British Columbia

Transfer Agent

Computershare Investor Services Inc.
Toronto, Ontario

Shares Outstanding

Common shares outstanding as of
December 31, 2002: 328,757,671

Shares Traded

The Toronto Stock Exchange
(Symbol: TAH)

Corporate Office

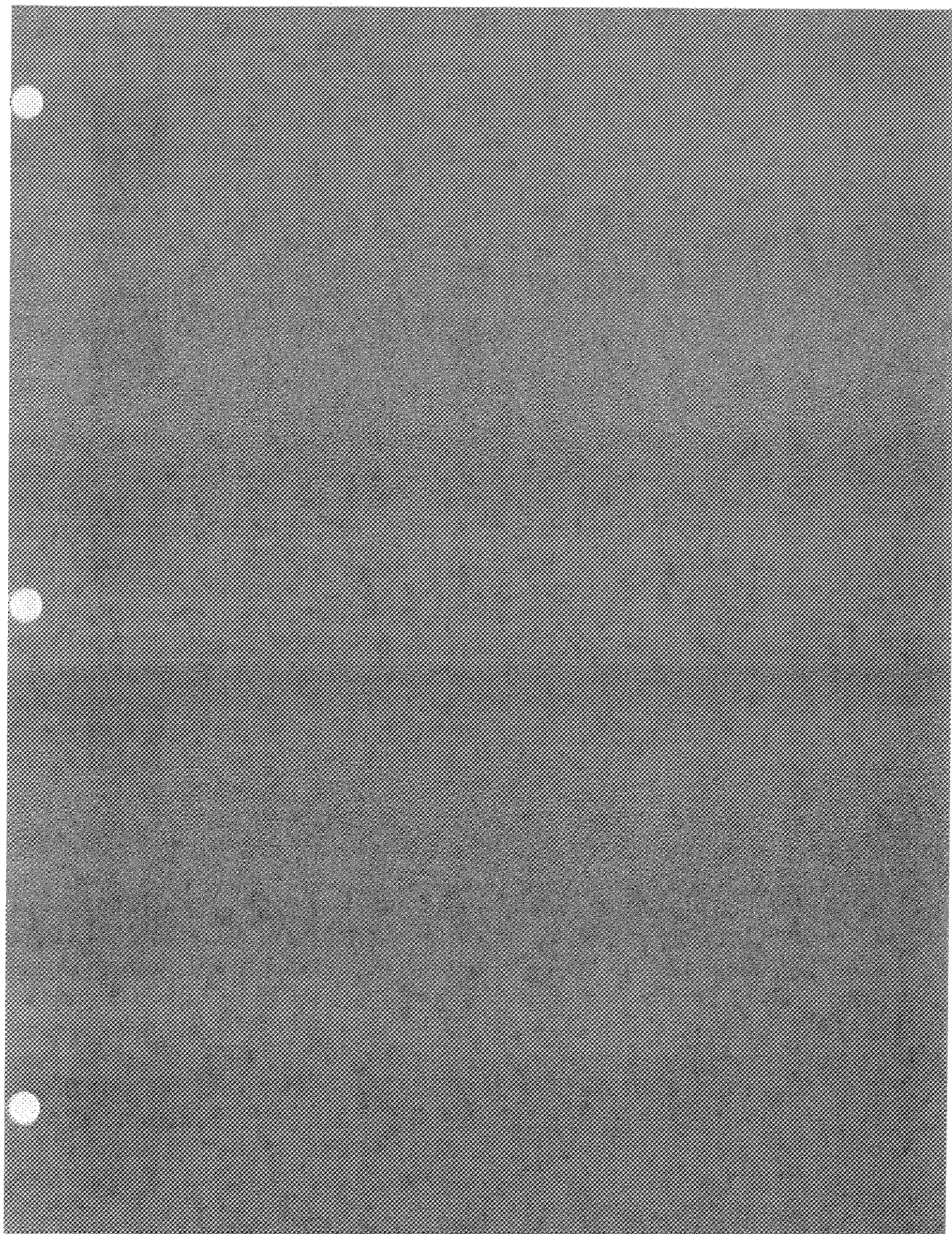
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