

DIAMOND VENTURES NL

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30 October 2001

The Manager
Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

DIAMOND RECOVERIES – ELLENDALE, WESTERN AUSTRALIA

The Diamond Ventures NL/Auridiam Ltd joint venture is pleased to announce diamond recoveries from its bulk-testing programme of alluvial gravels in the Ellendale tenement E04/813. A feature of the testing was the recovery of large diamonds of over one carat in near surface alluvial gravels.

Several phases of RAB drilling (340 holes for 2553 m) and confirmatory trenching were undertaken to map the distribution and determine the nature of the gravels and the large Ellendale 22 lamproite pipe prior to bulk sampling a range of gravel types. On the basis of the drilling results eleven exploratory pits were excavated within a 2.5 km² area and from these pits seventeen bulk samples were taken for an aggregate 2,420 tonnes. Two bulk samples were taken from six of the pits to test different types of gravels identified in those pits. Diamond recovery results are as follows:

Pit	Sample	Tonnes processed	No. of diamonds	Total weight (ct)	Largest diamond	Average stone size (ct)
P1	DV1	213	16	4.95	1.57	0.31
P1	DV2	52	2	0.38	0.27	0.19
P2	DV3	64	1	0.17	0.17	0.17
P2	DV4	120	14	5.34	1.03	0.38
P3	DV5	196	5	2.55	1.83	0.51
P6	DV9	195	3	0.60	0.38	0.20
P7	DV11	185	3	1.91	1.42	0.64
P8	DV13	197	3	0.49	0.37	0.16
P8	DV14	93	1	0.04	0.04	0.04
Totals		1315	48	16.43		

Best results were obtained from Pits 1, 2, 3 and 7 located over a strike length of 1.5 km. Results overall define a northwesterly trending gravel sequence over 1 km wide and averaging about 1 m thick, generally covered by 2 m of variably lateritised dune sand. A northeastern limit to the diamond-bearing gravels within this sequence is indicated by the results of this programme but the southwestern and western limits remain open. The width of the diamond-bearing gravels is in the order of 300 m.

Ellendale is located 140 kilometres east of Derby in the North West of Australia in a region now emerging as a potential important new diamond province. In what is now becoming a regular feature of the area is the recovery of "plus one carat" diamonds over a significant regional area. The programme is being carried out under a joint venture between Diamond Ventures NL and Auridiam Limited. Diamond Ventures NL holds a 40% interest and is earning 51%, and manages the joint venture.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'W R BUCKNELL', written in a cursive style.

W R BUCKNELL
Director