

# DIAMOND VENTURES NL

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Australian Stock Exchange Limited  
10<sup>th</sup> Floor, 20 Bridge Street  
Sydney NSW 2000

Dear Sir,

## **TOUQUOY GOLD PROJECT UPDATE - SCOPING STUDY**

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Diamond Ventures (DDV) announced on 23 May 2003 that it had entered into an agreement with private Canadian company, Moose River Resources Inc (MRRI), to earn up to a 75% interest in the Touquoy Gold Project, Nova Scotia, Canada.

Diamond Ventures has since commenced a due diligence and order-of-magnitude scoping study, including field evaluation and selective re-sampling of diamond core and percussion drilling samples, to enable a better judgement of the Property's potential and the approximate costs to achieve substantial, profitable gold production. In addition to in-house expertise, DDV has engaged Sydney-based consultants Peter J Lewis and Associates Pty Ltd and Gemell Mining Engineers; Perth-based resource/reserve estimation specialists, Hellman & Schofield Pty Ltd, Resource Evaluations Pty Ltd and Mining Solutions Consultancy Pty Ltd; and Perth-based engineering and process consultant and contractors Roche (JR) Pty Ltd to assist with these studies.

The preliminary results of the scoping study are positive and DDV now plans to commence drilling on the property and progress investigations leading to a prefeasibility study.

A description of the Project and the initial results of these studies are presented below:

### **Summary**

- The Touquoy Gold Project is a potential open pit mine development with considerable opportunity for substantial additions to resource ounces.
- A resource estimate by DDV using existing drill data totalled 5.6 million tonnes at 2.2 g/t Au using a 1.0 g/t Au cut-off grade. While the DDV estimate does not comply with the JORC Code it does compare favourably with an earlier resource estimate by Canadian Mining and Engineering

consultants Watts Griffis McOuat which estimated Indicated and Inferred resources of 5.7 million tonnes of 2.2 g/t Au containing 405,000 oz of gold.

- A preliminary pit optimisation commissioned by DDV revealed the opportunity to add additional resources within this pit. DDV believes that a proposed infill drilling program of approximately 100 shallow drill holes has the potential to define a commercially viable open pit mining operation.
- Further substantial additions to the gold resource base are likely from future drilling immediately along strike to the east of the existing resource, and at the Higgins and Lawlor gold occurrences along strike approximately two kilometres to the west.

### **Location**

The Project is located in Nova Scotia, Canada approximately 1.5 hours by sealed road from the provincial capital and seaport of Halifax. The region is mostly forested with a low population density. The land surface is gently undulating, with lakes and streams typical of the North American Appalachian region.

Average annual precipitation is about 1,400 mm. Summers are cool and moist with an average (July-August) temperature of 18°C. Winter snowfall is moderate and the average winter (January-February) temperature is -6°C.

Skilled labour services and housing are available in the nearby Musquodoboit Valley, where several long-standing gypsum and limestone open pits are operating. Three-phase power is available on Highway 224, approximately 20 kilometres from Touquoy. Discussions regarding a gold mining operation at Touquoy with the provincial government officials have been most encouraging.

### **Geology**

The Touquoy gold deposit is located in the Meguma Group, a sequence of Cambro-Ordovician sandstones and mudstones which underlies about half of the province of Nova Scotia. Since the mid-1800's about sixty underground gold deposits within the Meguma Group have been mined, for an aggregate production of about 1.2 million ounces. The Touquoy deposit however stands apart from these orebodies in that the gold is disseminated throughout the host sediments and is essentially unrelated to quartz veining. The very wide drill intersections of gold mineralisation at Touquoy, some in excess of 100m, therefore set this deposit apart from the typical Meguma Group gold deposits as a substantial, open-pit, bulk mining proposition.

Elsewhere the Meguma Group gold deposits are typically developed in quartz veins in saddle reef settings geologically comparable to those of the Bendigo-Ballarat district of Victoria. However the deposits, although high grade, tend to be relatively small.

## **Existing Resources**

A previous resource estimate by Canadian Mining and Engineering consultants Watts Griffis McOuat, based on 169 diamond drill holes outlined Indicated Resources of 3.8 million tonnes at 2.22 g/t Au and Inferred Resources of 1.9 million tonnes at 2.15 g/t Au, containing about 405,000 ounces of gold using a 1.0 g/t Au cut-off grade. (These estimates conform to Canadian National Instrument 43-101 and follow guidelines adopted by the Council of the Canadian Institute of Mining Metallurgy and Petroleum.) DDV commissioned an independent resource estimate to evaluate the Watts Griffis McOuat estimate and produced very similar numbers.

## **Additional Resources for Preliminary Pit**

The DDV resource estimate, using existing drill data totalled 5.6 million tonnes at 2.2 g/t using a 1.0 g/t cut-off grade. The DDV estimate is not a resource estimate which conforms to the JORC Code, principally because the source data have not been completely validated. Of this resource, 4.4 million tonnes at 2.1 g/t Au fall within a preliminary pit outline using a gold price of \$500 (Canadian dollars) per ounce.

Significant areas of likely extensions to the mineralisation within the preliminary pit have not been drilled or sampled and as a result the resource tonnage is significantly constrained by lack of drill data. Diamond Ventures has designed an infill drilling program comprising about 100 shallow drillholes to address this issue.

Results from the milling of a 57,000 tonne bulk sample taken from an 18-metre deep Mini-Pit at Touquoy in 1989 indicate that the resource modelling for that pit understated the drill-indicated grade by about 7%. No allowance for underestimation of grade has been used in this scoping study

## **Exploration Potential Proximal to the Preliminary Pit**

Having studied technical data acquired by previous explorers and having re-logged 40 diamond drill holes, DDV has determined that exploration potential exists for the discovery of additional commercial deposits within 5km of the proposed plant site. Attractive exploration targets include:

- Direct extensions of the known resource, particularly to the east of Touquoy.
- Favourable stratigraphy and structure indicated by airborne magnetics and previous drilling, extending for at least two kilometres west of Touquoy to the old Higgins and Lawlor mine areas where modest historic gold

production is recorded. An unpublished resource estimate (not JORC compliant) of 186,000 tonnes at 7.2 g/t Au was calculated in 1987 on the basis of exploration drilling conducted on this prospect during 1986-87.

- Favourable stratigraphy and structure extending for 5.5km northeast of Touquoy to the property boundary. Weak gold mineralisation (up to 1.0m at 1.1 g/t Au) was intersected in stratigraphy similar to that at Touquoy by previous explorers in 1980 in localised drilling on a prospect at Wire Lake located 5km northeast along strike from Touquoy. Only a single hole has been drilled in the intervening target stratigraphy between Touquoy and Wire Lake.

### **Metallurgy**

A review of all available metallurgical data by consultant Peter Lewis has revealed that the ore is uncomplicated and ore processing is expected to be straightforward. Test work indicates that a combination of gravity separation and conventional CIL processing will recover in the order of 95% of the gold.

Limited comminution test work indicates the ore is very soft with a Bond ball mill work index of 7.3 kWh/t. A single-stage crusher and SAG mill will likely form the comminution circuit.

The ore appears to be a low consumer of reagents and the host and waste rock are not acid generating.

### **Property Ownership**

Under the farm-in Agreement Diamond Ventures:

- is committed to make a cash payment of C\$40,000 (Canadian dollars) to the property vendors, Moose River Resources Inc (MRRI), in 2003. At this time approximately C\$37,000 of this payment has been made. DDV may withdraw from the Project at any time after making this cash payment to MRRI.
- may earn a 60% interest in the entire Property by spending C\$2.2 million before 31 December 2005 (of which C\$500,000 is to be spent prior to 31 December 2004) on exploration, evaluation and development of the Property, and by making additional cash payments totalling C\$200,000 to MRRI. The additional cash payments are monthly payments of C\$10,000 commencing January 2004.
- may earn an additional 15% interest in the Exploration Block, which comprises the major part of the property outside the currently defined resource area, upon securing project financing for the Project.
- will be the operator and manager of the Project and will arrange project financing in respect of MRRI's minority interest.

A significant proportion of surface property rights are held by about eighteen permanent and part-time residents of the hamlet of Moose River Gold Mines. Access agreements with these residents has been obtained in the past by previous explorers to enable the deposit to be drilled. It is anticipated that similar appropriate access agreements can be put in place and that, as required, property sale and purchase agreements can be negotiated.

## **History**

Gold mining began in the area in 1877, and continued intermittently until 1947, with numerous small underground operations and open pits developed around the central part of the project area. About 26,000 ounces of gold are reported to have been recovered from 150,000 tonnes of slate, quartz and glacial overburden material.

The deposit has undergone several exploration campaigns since 1986. These include:

- Seabright Exploration Inc, 1986-87: 143 diamond drill holes for 19,523 metres drilled around the Higgins and Lawlor prospect and eastwards towards Touquoy. Seabright was taken over by Western Mining Corporation in late 1987.
- Westminer Canada Limited (a subsidiary of Western Mining Corporation), 1988-89: 129 diamond drill holes for 12,722 metres drilled on the Touquoy zone and surrounds. Mining and processing of a 57,000-tonne bulk sample taken from near-surface mineralisation at the western end of the deposit.
- Moose River Resources Inc, 1996: 38 diamond drill holes for 2,669 metres and 37 percussion holes for 1,110 metres.
- Aurogin Resources Ltd, 2002: five percussion and one diamond drill holes for 381 metres.

## **Future Programs**

There is considerable metreage of existing drill core which has not been assayed, both internal and external to the deposit, and this will be sampled and assayed in the coming months as an immediate priority. The first of a series of staged drilling programs is planned over a 9 month period commencing in the December quarter to (i) delineate additional in-pit resources, (ii) test for immediate extensions to the existing resource, (iii) test outlying targets evident in the existing data, and (iv) investigate broader stratigraphic and structural positions elsewhere on the property as a reconnaissance exercise.

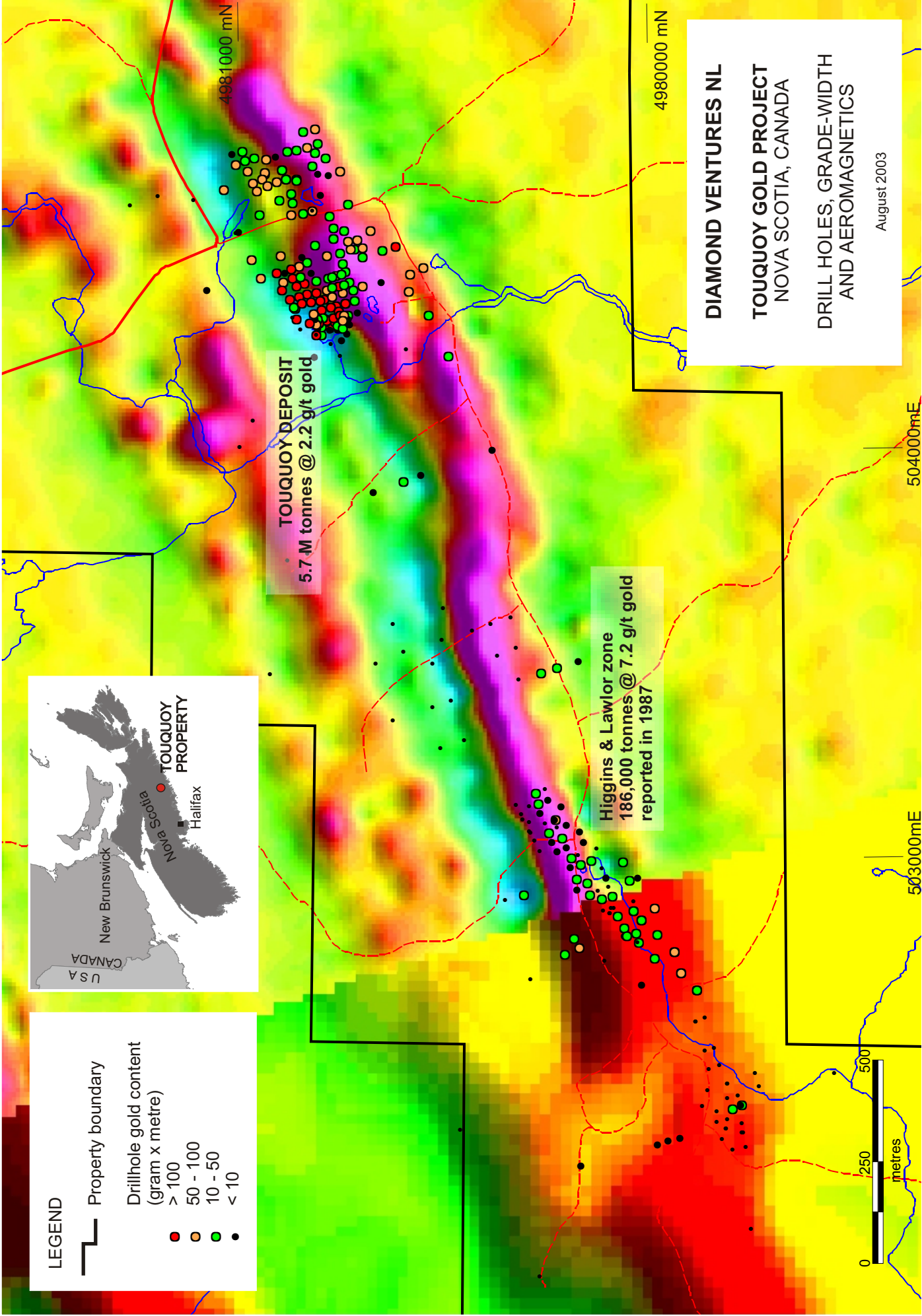
Concurrent with these drilling programs ongoing investigations relating to metallurgical, geotechnical, hydrological, environmental and other issues relevant to a feasibility study, will be undertaken as appropriate. The

commercial parameters impacting on eventual development and production will continue to be refined on an ongoing basis.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Wally Bucknell', written in a cursive style.

Wally Bucknell  
Executive Director



**LEGEND**

Property boundary

Drillhole gold content  
(gram x metre)

- > 100
- 50 - 100
- 10 - 50
- < 10



**TOUQUOY DEPOSIT**  
5.7 M tonnes @ 2.2 g/t gold

**Higgins & Lawlor zone**  
186,000 tonnes @ 7.2 g/t gold  
reported in 1987

**DIAMOND VENTURES NL**  
**TOUQUOY GOLD PROJECT**  
NOVA SCOTIA, CANADA

August 2003



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