DIAMOND VENTURES NL

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Dear Sir,

QUARTERLY REPORT FOR PERIOD ENDING 31 DECEMBER 2000

HIGHLIGHTS

- Intersection of 6 m @ 6.0 g/t from 121 m extends gold mineralisation further down-plunge at Butterfly (Kookynie).
- Assays of 6 m @ 6.7 g/t from 104 m at Champion and 3 m @ 16.8 g/t from 11 m at Puzzle North returned from first drilling on these Kookynie prospects.
- Alluvial diamond potential advanced at Ellendale by optionholder, Kimberley Diamond Company.
- Kimberlitic indicator minerals recovered from sixteen aeromagnetic targets on the Mmashoro JV property near Orapa, Botswana.

GOLD

KOOKYNIE, Western Australia
(DVNL may earn 50%)

In addition to further step-out drilling on advanced prospects in the Admiral–Butterfly area, reverse circulation and RAB drilling programmes were extended property-wide to commence evaluation of prospects elsewhere, particularly in the southern part of the Kookynie property. A total of 26 RC holes (DVRC47–72) for 3050 m and 69 RAB holes (DVRB224–292) for 3273 m was drilled. The best results from RC and RAB drilling are given in Tables 1 and 2 respectively.

A. ADMIRAL–BUTTERFLY AREA

ADMIRAL

Five vertical RC holes were drilled on 20 m and 60 m step-outs to extend gold mineralisation previously intersected in the down-plunge position on the Admiral Shear. Mineralisation is preferentially developed where the Admiral Shear crosscuts a 100 m-thick magnetite-rich dolerite sill. Results were mixed, the best intersection within the Admiral Shear being 4 m @ 5.33 g/t from 124 m (DVRC55). An unexpectedly shallow intersection of 3 m @ 10.4 g/t from 61 m was cut in non-magnetic dolerite in DVRC52 some 50m above, and unrelated to, the Admiral Shear. This zone is open to the north and east. Further drilling is planned.

BUTTERFLY

At Butterfly five 25 m-spaced vertical RC holes were drilled 40 m east of previous drilling to test further down-plunge for extensions of mineralisation within the 30°E dipping Butterfly Shear at a vertical depth of 110–120 m. The Butterfly Shear was intersected where expected with best return of 6 m @ 6.0 g/t from 121 m (DVRC48). Gold is concentrated where the Butterfly Shear crosscuts the same magnetic dolerite sill as at Admiral. Mineralisation remains open down-plunge to the east.

BUTTERFLY NORTH

At Butterfly North gold mineralisation occurs in a magnetite-bearing, quartz veined granite which has intruded variably pyritised and silicified magnetic dolerite. The geometry of the high grade mineralisation previously intersected within both the granite and the dolerite is unclear owing to erratic grade distribution.

Two 40 m-spaced fences of 20 m-spaced vertical RAB holes were completed to test for eastward extensions of mineralisation previously drilled. Although many of the holes cut anomalous gold values assay results are generally more subdued on these lines, the best being 13 m @ 0.44 g/t at 48–61. Granite is generally absent, the predominant lithology here being magnetic dolerite with local pyritic intervals. This prospect is notable for high though erratic gold grades, and broad zones of anomalous gold and sulphide mineralisation. Results are under review.

RECONNAISSANCE RAB DRILLING

Follow-up RAB drilling was undertaken at three gold-anomalous sites identified by the reconnaissance RAB drilling programme completed along magnetic dolerites in the Admiral area last quarter. Best result was returned from Admiral Dolerite West where DVRB241 cut anomalous gold grades throughout with 12 m @ 0.48 g/t from 56 m. This target is located about 1km ESE along strike from the Ulysses deposit, currently being developed by adjacent titleholders, Sons of Gwalia/Dalrymple. Follow-up is planned.

B. SOUTHERN PROSPECTS

These prospects, located 15–20 km south of the Admiral–Butterfly area, are generally represented as high grade, quartz reef gold deposits mined around the turn of the century. Cosmopolitan was the largest, having produced 312,000 oz at a grade of ½ oz/ton (16 g/t) to a vertical depth of 300 m. Extensive though thin alluvial cover thwarted further discoveries by the early prospectors and insufficient modern exploration has been directed towards discoveries of this type of deposit.

ORION

Six angled RC holes were drilled to test for steeply east-plunging projections of mineralisation evident from historical drilling beneath the Orion line of workings east of the main shaft. The high grade underground potential at Orion has not been investigated by modern drilling. Orion is located in the Niagara district in the southern part of the property. Past production is documented at 19,000 oz from 37,000 tons mined from underground via a 180 m deep vertical shaft pre-1914, and a further 2400 oz from a small pit operated during the mid 1990s. Ore is developed in a 2–3 m thick zone of brecciated vein quartz and dolerite which strikes 080 and dips 70^{o} south. The holes were drilled to intersect the lode at about 100 m vertical depth and 100–250 m east along strike from the main underground workings. The lode structure was found to be poorly developed with the exception of an intersection of 1 m @ 49.3 g/t from 113 m in DVRC64. It is probable that the potentially viable Orion mineralisation is restricted to the 150–200 m strike length which plunges directly beneath the main underground workings below a vertical depth of 180 m.

CHAMPION

Six angled RC holes were drilled at Champion over a strike length of 80 m and depths up to 120 m as a first pass evaluation of the extent and grade of the mineralisation. Champion was the second largest historical producer at Kookynie with 32,600 oz from 62,500 tons having been mined from underground pre-1914. A vertical shaft extends to 130 m. A small pit was developed during the late 1980's. Gold mineralisation is associated with a quartz reef in sheared dolerites and felsic volcanics. The reef dips 70^{o} east, strikes N–S and the mineralisation within it pitches steeply north. All six holes intersected the well defined Champion quartz reef. The best result was 6 m @ 6.7 g/t from 104 m (true width is 90% of the down-hole width) within a 14 m zone of vein quartz and sheared dolerite in DVRC57. Results are encouraging and a follow-up drilling programme is planned.

In addition to the RC drilling three 160 m spaced fences of angled RAB holes comprising 1277 m in 33 holes were drilled to test the southern projection of the Champion line of workings beneath 2–4 m of alluvial cover. The line of mineralisation was intersected but assays were subdued, the best being 1 m @ 4.90 g/t from 35 m in DVRB225.

Stepping a further 2.5 km south along strike from Champion a single RC hole, DVRC68, was drilled to investigate mineralisation (7 m @ 0.94 g/t from 55 m) intersected in reconnaissance air core drilling by previous explorers in 1997. This isolated target is located within a very extensive area of alluvial cover – about 10 m thick in this locale. Results from DVRC68 (1 m @ 7.85 g/t from 27 m within broader anomalous intervals) are sufficiently encouraging to warrant drill follow up.

PUZZLE AREA

A short fence of RAB holes was drilled at a site located 1 km north along strike from the Puzzle pit to investigate an area of gold anomalism indicated by shallow (5 m), wide-spaced reconnaissance drilling completed by previous explorers in 1997. Puzzle was mined in 1997 and produced 32,000 oz from open pit. This target, as at Puzzle, is located within a granite on its eastern faulted contact. It is covered by 1–2 m of alluvial overburden which would have rendered the bedrock opaque to the historic prospectors. Best results were 3 m @ 16.8 g/t from 11 m (DVRB257) within a pyritic quartz-veined zone within granite. Follow-up drilling is in progress.

A single vertical RC (DVRC69) hole was drilled to follow up a RAB hole drilled by previous explorers and which had cut 11 m @ 2.37 g/t from 27 m. This hole is located 2.5 km south of Puzzle within the same granite and also near its eastern contact. DVRC69 returned 6 m @ 4.3 g/t from 27 m in weathered granite. The granite contact zone is known to be gold-anomalous for at least 1.5 km strike length in this area. Further drilling is planned here.

GEOPHYSICS

Orientation MMR (magnetometric resistivity) surveying was undertaken on two prospect areas – Admiral and Champion – to determine whether such technique can cost-effectively identify shear zones beneath masking alluvial cover and thereby reduce the amount of drilling required to discover orebodies along such shear zones. Results are encouraging and further surveys are planned.

TABLE 1: RC DRILLING RESULTS

Hole	Northing	Easting	Dip	Grid Az.	Depth (m)	Best Assays			
						From (m)	To (m)	Width (m)	Grade (g/t Au)
ADMIRAL (local Butterfly grid coordinates)									
DVRC52	10250	9180	-90		138	61	64	3	10.4
					incl	61	62	1	25.1
						109	113	4	3.51
DVRC53	10190	9180	-90		123	107	108	1	7.58
DVRC55	10190	9240	-90		138	124	128	4	5.33
BUTTERFLY (local Butterfly grid coordinates)									
DVRC47	9825	10240	-90		138	121	123	2	2.37
						126	129	3	4.97
DVRC48	9800	10240	-90		132	115	117	2	2.26
						119	120	1	1.25
						121	127	6	6.0
					incl	122	123	1	23.5
DVRC49	9775	10240	-90		132	112	116	4	2.31
DVRC51	9725	10240	-90		114	100	105	5	2.03
ORION (local Orion grid coordinates)									
DVRC64	9800	8840	-60	360	138	113	115	2	25.5
						113	114	1	49.3
CHAMPION									
DVRC57	6757440	352100	-60	270	120	104	110	6	6.7
					incl	104	105	1	17.9
DVRC58	6757441	352140	-60	270	156	137	143	6	1.82
SOUTH OF CHAMPION									
DVRC68	6754900	351800	-60	270	78	27	28	1	7.85
PUZZLE SOUTH (local Puzzle grid coordinates)									
DVRC69	12600	5400	-90		54	27	33	6	4.3
					incl	30	33	3	7.4

TABLE 2: RAB DRILLING

Hole	Northing	Easting	Dip	Az.	Depth (m)	Best Assays From (m)	To (m)	Width (m)	Grade (g/t Au)
ADMIRAL DOLERITE WEST									
DVRB241	6769705	339330	-90		72	0	48	48 c	0.23
						56	68	12 c	0.48
BUTTERFLY NORTH (local Butterfly grid coordinates)									
DVRB244	10240	10180	-90		64	32	48	16 c	0.21
						56	64	8 c!	0.15
DVRB246	10200	10180	-90		61	48	61	13 c!	0.44
					Incl.	54	55	1	1.78
DVRB248	10260	10220	-90		60	28	60	32 c	0.25
DVRB249	10240	10220	-90		60	36	60	24 c	0.23
DVRB251	10200	10220	-90		61	56	61	5 c	0.35
CHAMPION SOUTH									
DVRB225	6757127	352020	-60	270	44	32	40	8 c	1.03
					incl	35	36	1	4.90
DVRB232	6757119	351867	-60	270	26	4	16	16 c	0.62
					incl	6	11	5	1.26
DVRB233	6757118	351855	-60	270	29	4	8	4 c	0.59
						12	16	4 c	0.26
PUZZLE NORTH (local Puzzle grid coordinates)									
DVRB257	16300	4800	-90		41	4	24	20 c	2.96
					incl	11	14	3	16.8
DVRB260	16300	4920	-90		41	4	41	37 c!	0.22
DVRB261	16300	4960	-90		41	0	41	41 c!	0.63
					incl	3	5	2	2.30

c: 4m composite samples.
!: mineralisation extends to or beyond end of hole.

DIAMONDS

ELLENDALE, Western Australia
(DVNL 40%, under Option)

Optionholder Kimberley Diamond Company NL has reported on progress at Ellendale (E04/813) in combination with results from its adjoining wholly-owned Blina property as the Terrace 5 palaeo-channel system passes across the property boundary. As presently known the Terrace 5 palaeo-channel system extends for six kilometres through the Ellendale (E04/813) tenement. Kimberley's report is presented as follows:

"During the December quarter, Kimberley concentrated field exploration in the Blina and Ellendale (E04/813) Project Areas. The exploration program was aimed at defining the richly diamondiferous Terrace 5 palaeo-channel system and locating the source of the diamonds recovered from within this system. Kimberley maintained an active exploration program until mid-December when the onset of the northern wet season results in the closure of the Gibb River Road and the forced termination of the bulk sampling program.

"Despite being shortened by adverse weather conditions, the 2000 field season proved remarkably successful. During the season Kimberley traced and defined the Terrace 5 palaeo-channel over a distance of more than 10 kilometres. The gravels within the Terrace 5 system proved substantially diamondiferous with the diamonds recovered being mainly of gem quality. In general, the diamond grade of the Terrace 5 gravels increases upstream with the size of the diamonds recovered remaining fairly constant and averaging almost half a carat. The Terrace 5 diamond population is characterised by the number of large (>2 carats) diamonds recovered. The diamonds within the Terrace 5 gravels are predominantly white. This feature, along with their large average size, distinguishes them within the Ellendale Diamond Field. The source of the Terrace 5 diamonds has not been located and Kimberley continues exploration aimed at locating this source.

"During the quarter, Kimberley continued an active bulk sampling program aimed at testing the Terrace 5 gravels. The highlight of this program was the recovery of a 4.01 carat gem diamond from the Pit 66 sample. While this is the largest diamond recovered by Kimberley and one of the largest stones recorded from the Ellendale Field, it was just one of a number of +2 carat diamonds recovered during the period. The results of bulk sampling undertaken during the 2000 field season are tabulated below.

Sample Number	Gravel Processed (t)	+6mm #	-3+1.5 mm #	-3+1.5 mm #	Total Diamonds #	Total Weight (ct)	Largest Diamond Recovered (ct)
Pit 61	220	–	15	31	46	21.61	2.58
Pit 62 *	240	–	–	–	–	–	–
Pit 63 *	195	–	8	11	19	11.00	2.85
Pit 64	140	–	2	8	10	2.21	0.75
Pit 65	110	–	4	5	9	3.60	1.01
Pit 66	310	1	7	23	31	12.51	4.01
Pit 67	315	–	19	28	47	18.99	1.42
Pit 68 *	153	–	–	4	4	0.61	0.25
Pit 69 *	95	–	3	2	5	3.21	1.87
Pit 70 *	Diamond recovery not completed						
Pit 71	185	–	1	2	3	2.22	1.76
Pit 72	160	–	–	3	3	0.63	0.30
Pit 73	120	–	–	1	1	0.16	0.16
Pit 74	125	–	3	–	3	1.26	0.54
Pit 75	Diamond recovery not completed						
Total for 2000		1	62	118	181	78.01	4.01

*** Sample collected from Ellendale Project area (E04/813)**
– Upper size cut off of 10 mm

“Results from two of the bulk samples are still outstanding. These samples were stranded at site at the start of the wet season. A recent break in the weather has allowed the samples to be brought to Perth for diamond recovery. This will be completed during the next two weeks with the result expected mid-February 2001.

“Late in the quarter, several bulk samples were collected along the main trunk of the Terrace 5 system upstream of the richly diamondiferous Pit 61 sample (Pits 71, 72 and 73). While all samples were diamondiferous, the number and size of diamonds recovered indicated that this section of the Terrace 5 system had not been tapping the main Terrace 5 diamond source. The source of the Terrace 5 diamonds must be located on one of the tributaries heading off the main Terrace 5 trunk. Kimberley commenced a detailed prospect pitting program aimed at locating the diamond bearing tributary and/or the source of the Terrace 5 diamonds.

“This work identified extensive gravels being derived from a south flowing tributary located to the north of the main Terrace 5 palaeo-channel. Rainfall associated with the first cyclone of the northern wet season prevented Kimberley from bulk sampling these gravels. A number of heavy mineral samples were collected and results from these are eagerly awaited.

“If this south flowing tributary is tapping the source of the Terrace 5 diamonds, Kimberley anticipates that grades could be very high. The Company is very keen to define a commercially exploitable alluvial diamond resource in the area and believes that the grades in these gravels could provide the key to a commercially viable alluvial diamond deposit.

"Proving that the source of the Terrace 5 diamonds no longer lies on the main branch of the palaeo-drainage puts Kimberley one step closer to locating the lamproite that is the source of the diamonds. While it is impossible at this time to define the catchment area for the south flowing tributary, it appears considerably smaller than that identified for the main trunk of the Terrace 5 system."

Kimberley Diamond Company NL maintains its option over Diamond Ventures' 40% interest by making monthly cash payments of $6000 to Diamond Ventures. The option is exercisable prior to 31 March 2002 by cash payment of $84,000 per percentage point. If the option is exercised, Diamond Ventures retains a 2% net profit interest and may purchase a 7% participating interest.

MMASHORO JOINT VENTURE, Botswana
(DVNL 51%, may earn up to 75%)

Mineralogical examinations of heavy mineral concentrates retrieved from loam samples collected from 34 selected aeromagnetic targets have been completed. These aeromagnetic targets were identified for ground magnetic follow-up and loam sampling on the basis of their circular shape, isolated disposition and spatial relationship with regional fault zones. They are distributed throughout this 5000 km^2 property, which is situated close to Debswana's world class Orapa and Letlhakane diamond mines. In 1999 these two mines together produced 9.98 million carats valued at US$700 million.

The mineralogical examinations, together with morphological and chemical (microprobe) studies, have confirmed the presence of kimberlitic indicator minerals in sixteen of the 34 targets sampled. Results have identified populations of indicator minerals additional to those from known kimberlites within the Orapa/Letlhakane field. Garnet populations include numerous high chrome and diamond inclusion (G10) type garnets. Results are further encouraged by the lack of physical alteration observed on kimberlitic grains recovered from several priority targets. As a consequence the likelihood of further kimberlite discoveries is considered extremely high.

Drilling of these targets will now be required to confirm the presence of kimberlites and to determine whether they are diamondiferous.

With regard to the terms of the Joint Venture, amendments were negotiated with co-venturer Auridiam Consolidated NL to enable Diamond Ventures to earn up to 75% interest by spending up to cumulative $2,865,000 (including $1.2 million already expended by Diamond Ventures since the inception of the Joint Venture) on or before 31 December 2003. These amendments are subject to the approval of the Botswana Geological Survey.

BINGARA PROJECT, New South Wales
(DVNL 10% NPI, reducing to 5% NPI after receipts of $2.0 million)

Cluff Resources Pacific NL, the project operator, reports as follows:

"Diamond bearing fragmental basement rocks have been exposed by trenching beneath the diamond bearing alluvial gravels of the Monte Christo mine. The base of these rocks has not been exposed, and their extent is open to the south and east. Overburden in the trench is about eight metres thick.

"Eight gem quality diamonds weighing 1.3 carats were recovered from a 35 tonne bulk sample of these rocks, for a grade of 4 carats per hundred tonnes. The stones are generally rounded, yellow and white, and up to 0.25 carat in size. No dry screening was carried out. Traces of gold were also recovered.

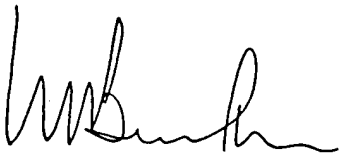
"A drilling program to determine the extent and thickness of the fragmental rocks and surrounding gravels will commence next week."

POLICE VALLEY, Western Australia
(DVNL 100%)

This project was terminated and the project tenement surrendered.

This report was compiled by W R Bucknell who is a Corporate Member of the Australasian Institute of Mining and Metallurgy.

Yours faithfully,



W R Bucknell
Director