

# DIAMOND VENTURES NL

ABN 82 062 091 909

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31 January 2005

Australian Stock Exchange Limited  
Company Announcements Office  
10<sup>th</sup> Floor, 20 Bridge Street  
SYDNEY NSW 2000

## QUARTERLY REPORT FOR PERIOD ENDING 31 DECEMBER 2004

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### HIGHLIGHTS

#### ***TOUQUOY GOLD PROJECT – Nova Scotia Canada***

- Six infill diamond drillholes return results as expected (up to 16 m @ 3.2 g/t gold from 26 m) and provide added confidence that the Inferred Resources component of the deposit will be successfully upgraded to Measured and Indicated Resources with completion of delineation drilling. Mineralisation is shown to be continuous and shallow, with a favourably low waste:ore ratio.
- Results from three diamond holes drilled in the southwest fringe of the deposit foreshadow further shallow resource extensions here.
- DDV has increased its wholly owned holdings of highly prospective ground within 25 km of the Touquoy Gold Deposit to 426 km<sup>2</sup>. Within this 25 km radius, past production and present resources held by others together with Touquoy amount to about 1.5 million ounces gold.
- Feasibility study financing discussions and project permitting activities are ongoing.

## **GOLD**

### ***TOUQUOY GOLD PROJECT Nova Scotia Canada***

*(DDV may earn up to 75%)*

#### **Diamond Drilling**

Nine diamond holes for 616 m were drilled in the Touquoy Gold Deposit. Six of these holes (MR-04-53 to MR-04-058) were drilled to infill a single section (21775E) across the sparsely drilled geographical central area of the deposit at nominal 20m hole spacing. Resources estimated for this part of the deposit (and elsewhere where drillholes are relatively widely spaced) have necessarily been largely categorised as Inferred Resources (category of lowest confidence) and this infill drilling was undertaken to increase confidence in this resource assessment. (Recall that the resource estimate for the Touquoy Deposit presently stands at 6.91 million tonnes @ 2.1 g/t for 472,000 ounces gold, of which 4.44 million tonnes @ 2.1 g/t for 300,000 ounces are classified as Indicated Resources and 2.47 million tonnes @ 2.2 g/t for 172,000 ounces are classified as Inferred Resources). The other three holes (one of which was abandoned in old workings) were drilled in the southwestern part of the deposit to assess the potential for additional resources in this sparsely drilled area.

Hole locations are shown on the accompanying plan and section and assay results are tabulated below.

Results obtained from the infill drilling on 21775E correspond very closely with those expected. This outcome strongly supports our expectations that the Inferred Resources of 172,000 ounces, and potentially more, will be converted to Measured and Indicated Resources on completion of the 25m x 20m infill drilling program planned as part of the feasibility study. This infilled section also demonstrates the excellent continuity of the mineralisation which, along with its shallow disposition, reflects a favourably low waste:ore ratio. The offset continuation of the mineralisation on the north side of the Northeast Fault presents an obvious target for ongoing near-mine exploration.

Results obtained from the three holes drilled in the southwest area of the deposit on the western side of the West Fault foreshadow new resource extensions in this poorly tested area. Potential repetitions of this mineralisation in argillites on the northern limb of the anticline present an exploration target.

#### **RAB Drilling**

Concurrent with the diamond drilling a brief program of 26 RAB holes for 242m was drilled in two areas. Fourteen holes were drilled some 500m south of the Touquoy Deposit to test a zone of anomalous till geochemistry evident in exploration data from the late 1980s. As previously, vertical holes were drilled to sample the basal till and retrieve a short bedrock sample. Although grades up to 3 g/t were intersected in the till all bedrock samples were barren. The mineralised till is assumed at this time to have been derived from Touquoy and no further drilling is presently proposed for this area.

The second area tested was Anomaly D, located 12 km ENE of Touquoy and identified in DDV's August property-wide reconnaissance RAB drilling program. All basal till and bedrock samples were barren of gold and this contrary result is to be further investigated.

Hole	Easting	Northing	Dip	Grid Az.	Depth	Best Assays			
						From (m)	To (m)	Width (m)	Grade (g/t Au)
<b>Six holes on the central section 21775E</b>									
MR-04-053	21775	9975	60°	360	107	65	69	4	1.19
MR-04-054	21775	10020	60°	360	47	5	14	9	1.08
						26	42	16	3.2
MR-04-055	21775	10100	60°	180	47	5	12	7	2.49
						18	23	5	1.72
MR-04-056	21775	10140	60°	180	50	30	32	2	1.30
MR-04-057	21775	10180	60°	180	89	5	10	5	4.3
						27	31	4	3.69
						38	44	6	1.84
MR-04-058	21775	10220	60°	180	107	42	44	2	3.22
						68	80	12	3.7
<b>Three holes in the southwest</b>									
MR-04-051 <sup>1</sup>	21550	10020	60°	360	35	19	35	16	1.55
MR-04-052	21550	10000	60°	360	74	35	39	5	5.5
						54	55	1	4.31
MR-04-059	21550	10023	60°	350	60	16	23.6	7.6	1.62 <sup>2</sup>
						31	40	9	2.53 <sup>3</sup>

1. Abandoned in old workings and re-drilled in MR-04-059.

2. includes a 1m stope given zero grade

3. includes a 2.4m stope given zero grade

Individual samples comprise ½ NQ core of nominal 1m length, and all assays are fire assays.

## Ground Acquisition

A further substantial addition to Diamond Ventures' regional ground position has been made with grant of a further 266 km<sup>2</sup> under Exploration Licences bringing the total 100% holdings to 426 km<sup>2</sup> (see accompanying plan). Ground was selected along strike from areas of historic workings and within trucking distance of Touquoy. This new ground can now be effectively explored by application of the reconnaissance percussion drilling technique developed since last May for the Touquoy property. Concurrent with this land acquisition DDV continues to evaluate a number of these historic mining properties. It is notable that in the relatively small area – 30km x 30km – of Meguma Group sediments (host to the Touquoy Gold Deposit) depicted on the attached tenement plan there are approximately 1.5 Moz of currently reported gold

resources<sup>1</sup> and past production. All these resources are derived from outcropping gold occurrences originally discovered in the 19th century. The lack of new discoveries since that time owes itself to the masking cover of glacial till (sand and gravel averaging around 10m deep) over 90% of the land surface and the absence hitherto of an effective means of exploring beneath this cover. The reconnaissance drilling technique being applied by DDV through a local competent drilling contractor now provides this effective means for the first time.

### **Metallurgy**

Further to the initial favourable review of the voluminous metallurgical data generated by the previous explorers at Touquoy two 100 kg composite drill core samples of mineralised argillite and greywacke were collected and shipped to Metcon Lab in Brookvale NSW for gold recovery and grindability testing. Preliminary results are positive and confirm that the gold is free milling with a very high proportion (>75%) recoverable by gravity with overall recoveries in excess of 95%. Testwork also confirms that the ore – both argillite and greywacke – is soft with Bond mill work indices of 10 or less. Early results suggest that reagent consumptions will likely be low. Testwork on these samples will be completed in the next several weeks.

### **Permitting**

The permitting process continues to advance with ongoing routine collection of seasonal baseline environmental data particularly relating to surface water chemistry and drainage flow characteristics at the project site. No issues of concern have arisen.

### **Development and Financing**

Further to site visits last quarter by representatives of Roche (JR) Pty Ltd and Gemell Mining Engineers Ltd revised capital and operating cost estimates for a 1.5 Mtpa on-site treatment plant were received in late January and are presently being reviewed. Initial indications are positive.

Financing arrangements to complete the feasibility study during 2005 are being addressed. This feasibility study anticipates completion of the delineation drilling (approximately 140 drillholes on 20m x 25m centres for 9000 m) to enable an estimate of Measured and Indicated Resources for the Touquoy Deposit. Discussions with several potential financiers continue.

### **Looking forward**

In parallel with ongoing fieldwork, investigations relating to environmental permitting, community and government departmental liaison, land acquisition, refinement of expected capital and operating costs and financial modelling are

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<sup>1</sup> Resources for Beaverdam and Mooseland sourced from published reports of Acadian Gold Corporation (TSX-V ADA) and Azure Resources Corporation (TSX-V AZR) respectively.

ongoing to advance the development of the project. At this stage no significant impediments to project development are foreseen providing suitable financing is available.

The target is a production scenario incorporating an on-site gold treatment plant with a 1.5 million tonne per annum throughput and a 7 year minimum mine life to produce approximately 90,000 ounces gold per year. This target implies a further increase in the existing resource inventory, to which the ongoing drilling is being applied. Due diligence and scoping studies undertaken by DDV confirm that the Touquoy deposit has a low stripping ratio (3.5:1), excellent ore metallurgy (free milling with >95% recovery) and favourable ore grindability characteristics. The property is located in an old gold mining area about 110 km by sealed roads from Halifax, the capital of Nova Scotia.

Diamond Ventures is earning a 60% interest in the Touquoy Gold Project by spending C\$2.2 million by 31 December 2005, with further staged cash payments of C\$60,000. An additional 15% interest can be acquired in the property outside the general area of the known resource by securing project financing.

### **OTHER PROJECTS**

No fieldwork was undertaken during the quarter on the Beaconsfield Project (Tas), Kookynie (WA) gold project, or on the Ellendale Joint Venture (WA) diamond project. A plaint has been lodged by a third party over the Ellendale project tenement (E04/813) with a Warden's Court hearing scheduled in May. All administrative requirements relating to the security of the Licence have been complied with and the plaint is regarded as opportunistic and will be vigorously defended. Plaints have also been lodged over four of the Kookynie Joint Venture tenements as part of a blanket plaint over 55 tenements held at Kookynie by Barminco Pty Ltd, DDV's co-venturer. All administrative requirements relating to the security of the four Licences have been complied with. The plaint is regarded as opportunistic and will be vigorously defended by Barminco and DDV.

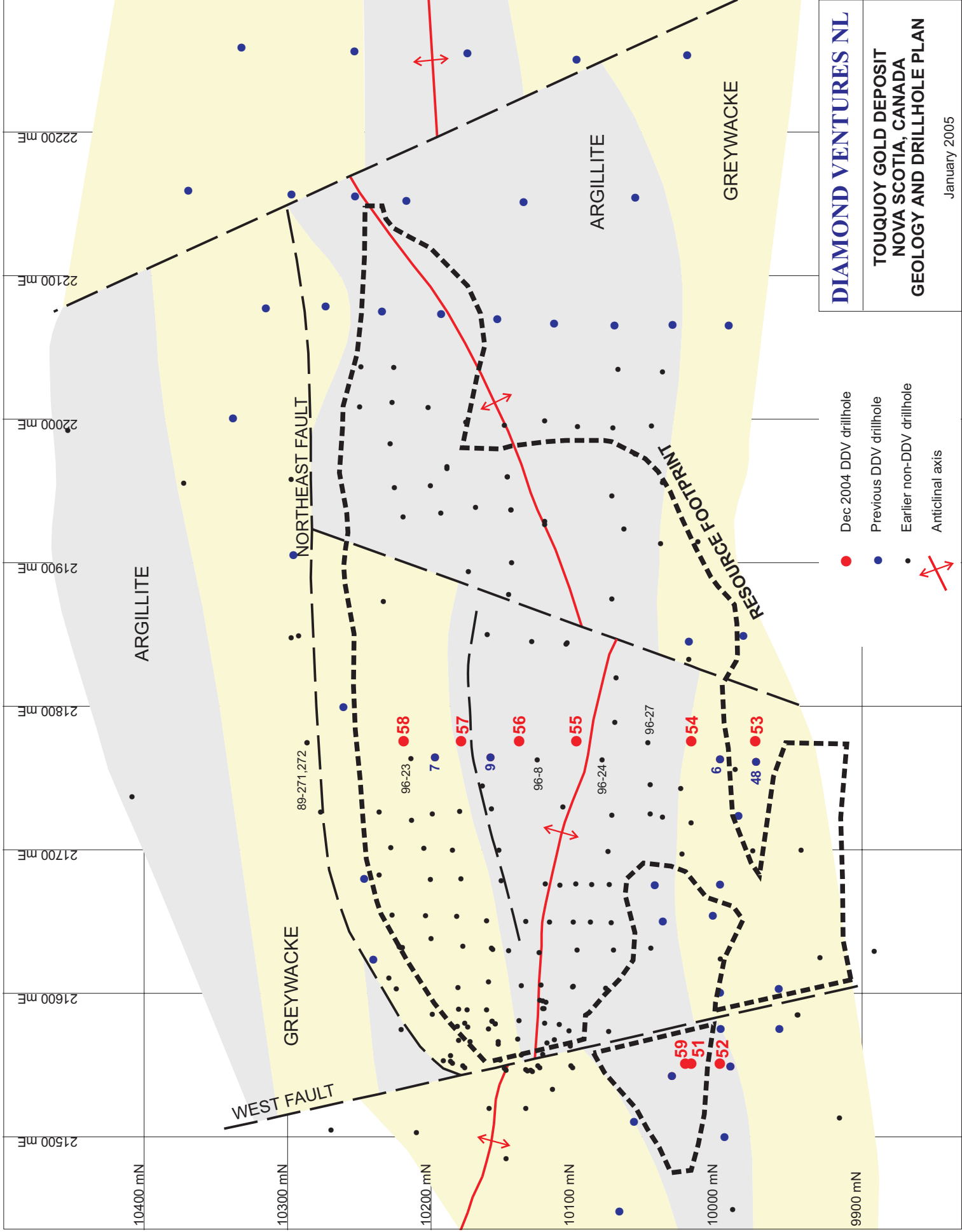
This report was compiled by WR Bucknell who is a Corporate Member of the Australasian Institute of Mining and Metallurgy.

This report and accompanying plans will be posted on the Company's website, [www.diamondventures.com.au](http://www.diamondventures.com.au) following its release to the Australian Stock Exchange.

Yours faithfully



**W R Bucknell**  
Director

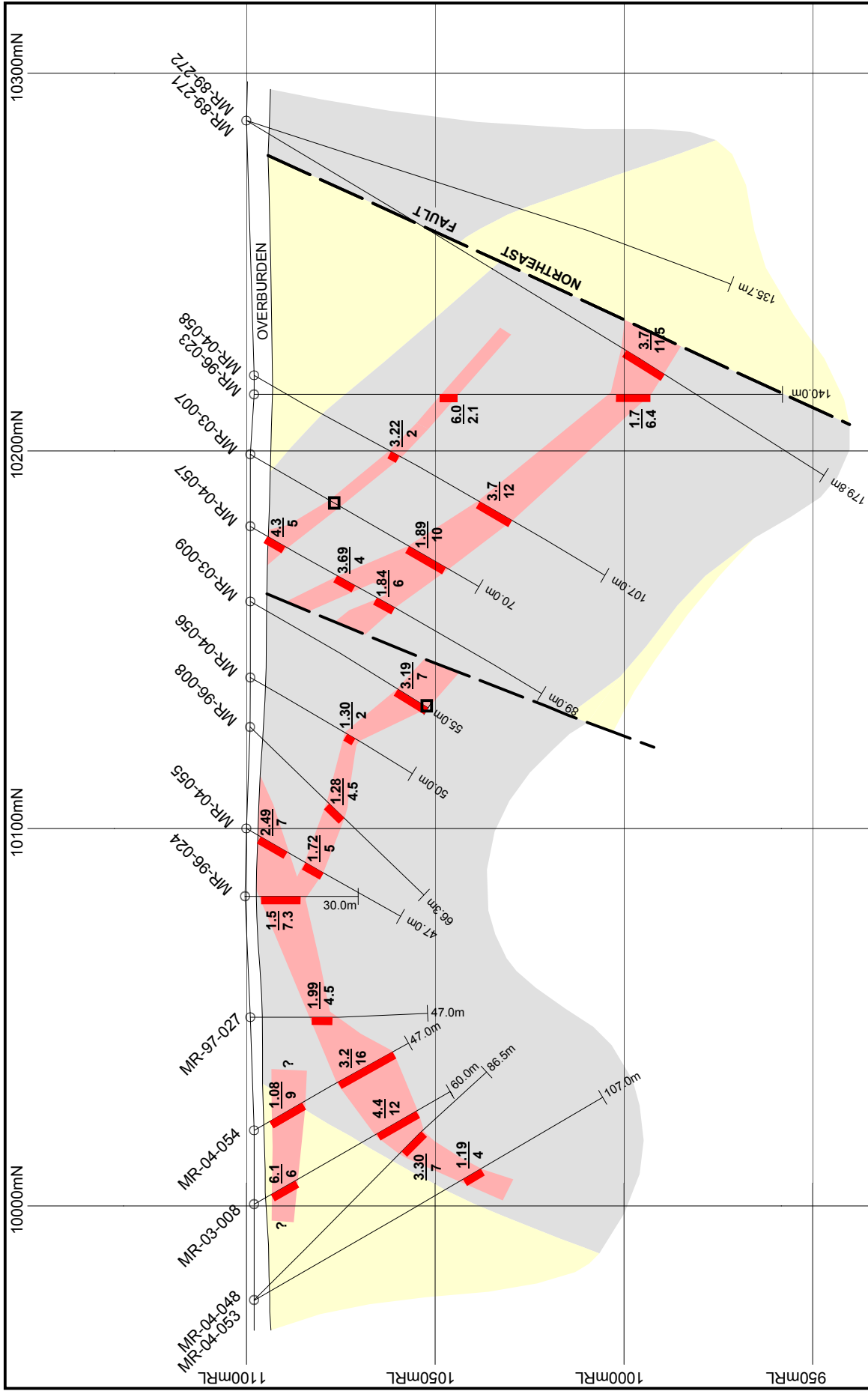


**DIAMOND VENTURES NL**

**TOUQUOY GOLD DEPOSIT**  
**NOVA SCOTIA, CANADA**  
**GEOLOGY AND DRILLHOLE PLAN**

January 2005

- Dec 2004 DDV drillhole
- Previous DDV drillhole
- Earlier non-DDV drillhole
- Anticlinal axis



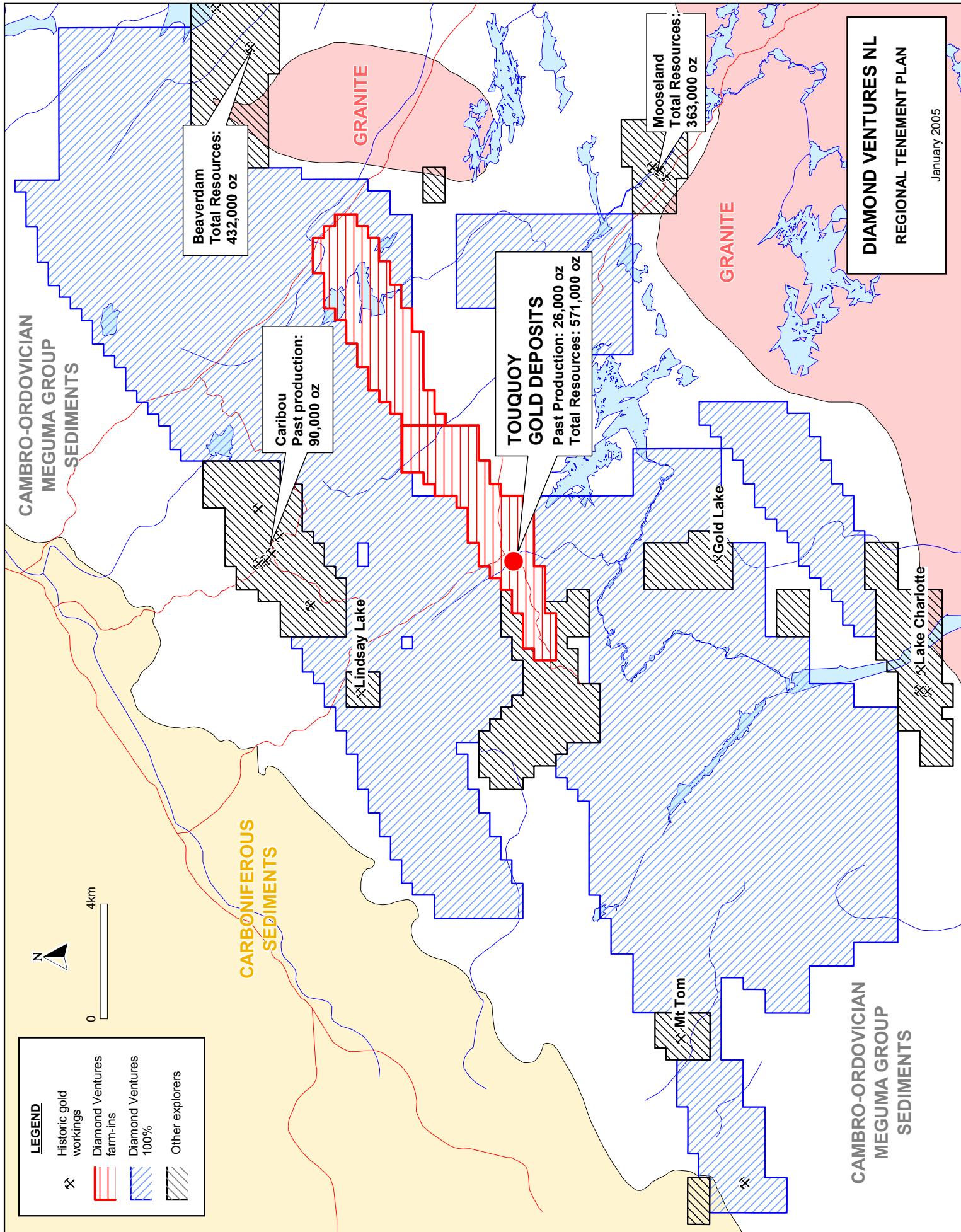
**DIAMOND VENTURES NL**  
**TOUQUOY GOLD DEPOSIT**  
**NOVA SCOTIA, CANADA**  
**SECTION 21775mE**

January 2005

- Legend**
- Argillite
  - Greywacke
  - Fault
  - Stope

$\frac{3.73}{12}$  g/t gold metres

Note: All high grades cut to 30g/t Au



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Diamond Ventures NL

ABN

82 062 091 909

Quarter ended ("current quarter")

31 December 2004

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(382)	(1749)
(b) development		
(c) production		
(d) administration	(85)	(344)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	8	48
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		5
<b>Net Operating Cash Flows</b>	<b>(459)</b>	<b>(2040)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets	0	(4)
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other – Security deposits	0	(30)
<b>Net investing cash flows</b>	<b>0</b>	<b>(34)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(459)</b>	<b>(2074)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(459)	(2074)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	154	762
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other	0	(4)
	<b>Net financing cash flows</b>	154	758
	<b>Net increase (decrease) in cash held</b>	(305)	(1316)
1.20	Cash at beginning of quarter/year to date	775	1787
1.21	Exchange rate adjustments to item 1.20	1	
1.22	<b>Cash at end of quarter</b>	471	471

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	46
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors fees	22
Salaries	24

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	
4.2 Development	300
<b>Total</b>	300

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows:

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	(57)	107
5.2 Deposits at call	528	668
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	471	775

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

+ See chapter 19 for defined terms.

### Issued and quoted securities at end of current quarter

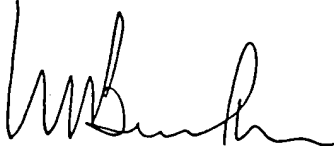
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference + securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b> Fully paid DDV Partly paid 5c DDVCB	102,969,418 30,296,342	102,969,418 30,296,342		
7.4 Changes during quarter (a) Increases through issues – Fully paid DDV (b) Decreases through returns of capital, buy-backs	1,280,418	1,280,418		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
– DDVOA	23,615,931	23,615,931	\$0.10	30.06.06
– DDVOB	0	0	\$0.12	31.10.04
– DDVAI	2,200,000		\$0.20	31.12.08
7.8 Issued during quarter				
7.9 Exercised during quarter – DDVOB	1,280,543	1,280,543		
7.10 Expired during quarter – DDVOB	8,797,736	8,797,736		
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  ..... Date: 31 January 2005  
(Director/Company secretary)

Print name: Walter R Bucknell

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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