

# DIAMOND VENTURES NL

ACN 062 091 909

*Suite 701, 220 Pacific Highway, Crows Nest NSW 2065 Australia*

*Telephone: 02-9929 6633 Facsimile: 02-9929 9366*

31 July 2001

Australian Stock Exchange Limited  
Company Announcements Office  
10th Floor, 20 Bond Street  
SYDNEY NSW 2000

BY FAX: 1300-300 021

Dear Sir,

## **QUARTERLY REPORT FOR PERIOD ENDING 30 JUNE 2001**

---

### **HIGHLIGHTS**

- Operating cash surplus indicated for the Admiral and Butterfly resources – though insufficient for project start-up.
- Drill intersection of 36 m @ 3.56 g/t gold from 35 m returned from DVRC97 at Butterfly North prospect.
- Diamond exploration field programme commences at Ellendale to evaluate selected alluvials and large lamproite pipe Ellendale 22 and vicinity.

### **GOLD**

#### ***KOOKYNIE, Western Australia*** ***(DVNL may earn 50%)***

Scoping studies were undertaken to evaluate the defined resources at Admiral and Butterfly, and drilling programmes continued on the Kookynie property.

#### **ADMIRAL AND BUTTERFLY DEPOSITS**

As part of a scoping study to determine the potential of these two deposits for open pit mining, pit optimisation analysis was applied to the latest resource estimates. Resource Evaluations Pty Ltd and Intermine Engineering Services were retained to undertake this work.

The undiluted resource estimate for Admiral is 825,000 tonnes @ 2.95 g/t for 78,300 contained ounces gold and for Butterfly, 555,000 tonnes @ 2.80 g/t for 49,800 ounces contained gold. Aggregate resource for the deposits is 1.38 Mt @ 2.89 g/t for 128,100 oz. These estimates were made using a cross-sectional, polygonal method and a lower cut-off grade of 1.0 g/t. They are tabulated below:

ADMIRAL RESOURCE ESTIMATE							
	Indicated		Inferred		Total		Contained Gold oz
Type	Tonnes	Grade g/t	Tonnes	Grade g/t	Tonnes	Grade g/t	
Oxide	49,000	2.12	0	0.0	49,000	2.12	3,300
Trans	106,000	2.82	8,000	1.92	114,000	2.76	10,100
Fresh	540,000	3.17	122,000	2.51	662,000	3.05	64,900
<b>Total</b>	<b>695,000</b>	<b>3.04</b>	<b>130,000</b>	<b>2.48</b>	<b>825,000</b>	<b>2.95</b>	<b>78,300</b>
BUTTERFLY RESOURCE ESTIMATE							
	Indicated		Inferred		Total		Contained Gold oz
Type	Tonnes	Grade g/t	Tonnes	Grade g/t	Tonnes	Grade g/t	
Oxide	0	0.0	14,000	4.08	14,000	4.08	1,800
Trans	107,000	2.96	8,000	1.80	115,000	2.88	10,700
Fresh	388,000	2.86	38,000	1.36	426,000	2.73	37,400
<b>Total</b>	<b>495,000</b>	<b>2.89</b>	<b>60,000</b>	<b>2.05</b>	<b>555,000</b>	<b>2.80</b>	<b>49,800</b>

The pit optimisation analysis, using a gold price of A\$525/oz, indicates an operating cash surplus of \$6 million with recovery of 34,700 oz gold from throughput of 437,000 tonnes @ 2.7 g/t from Admiral and 20,300 oz gold from 264,000 tonnes @ 2.6 g/t from Butterfly. Margin and throughput however are insufficient at this time to confidently underpin project start-up and further work, including additional drilling and metallurgical testwork, is required to increase confidence in the results of the evaluation. The availability of the Kookynie treatment plant and the positive results to date necessitate consideration of further ongoing exploration to identify additional reserves to supplement this projected throughput to enable project commencement.

## DRILLING

Reverse circulation and RAB drilling programmes continued, particularly at the Butterfly North, Champion South, and Orient East prospects to evaluate mineralisation encountered in previous programmes. A total of 23 RC holes (DVRC88-110) for 1596 m and 60 RAB and air-core holes (DVRC321-327 and DVAC01-52) for 3028 m was drilled. The best results from RC and RAB drilling are given in Tables 1 and 2 respectively.

### BUTTERFLY NORTH – 36 m @ 3.56 g/t gold

Following return of encouraging intersections last quarter – the best result being 8 m @ 24.1 g/t from 32 m (including 4 m @ 38.8 g/t from 33 m) in DVRC311 – a further 20 vertical RC holes were drilled on nominal 10 m centres to clarify the

attitude and continuity of the mineralisation. Impressive assays were obtained from DVRC97 (36 m @ 3.56 g/t from 34 m, including 4 m @ 12.0 g/t from 44 m) with indications that the higher grade material is east-dipping and enclosed within a broad (50 m wide) easterly dipping envelope of lower grade (0.5 g/t) mineralised magnetic dolerite. Initial interpretation of results suggests that the higher grade shoots may be discontinuous. Mineralisation is developed against, and partially within, a steep-sided granite stock, which magnetic and IP modelling suggest to be a deep-seated and largely un-roofed intrusion. As this geological environment is reminiscent of that of the Tarmoola orebody north of Leonora, Butterfly North may represent the periphery of a large mineralising system. Considerable deep drilling will be required to test this potential.

### **ORIENT EAST**

This prospect, located 500 m east of the Orient Well pit (from which 538,170 tonnes @ 1.58 g/t for 27,340 oz were mined), is defined by east-dipping mineralisation previously identified by the former pit operators. Three RC holes were drilled to target the projection of this mineralisation within a magnetic dolerite. Results – including 4 m @ 3.13 g/t – require follow-up.

### **CHAMPION SOUTH**

This new prospect is located within a very extensive area of shallow (10 m) alluvial cover about 2.5 km south along strike from Champion. Seven fences of RAB and air-core holes were drilled to test for strike extensions of open-ended mineralisation (3 m @ 6.8 g/t from 97 m) intersected last quarter in RC hole, DVRC86. Mineralisation similar in setting to that at Champion, was encountered intermittently over a N-S strike length of 240 m with best assays of 7 m @ 1.37 g/t from 56 m to the base of hole DVAC3; 9 m @ 2.02 g/t from 52 m to the base of hole DVAC19; and 1 m @ 13.1 g/t in DVAC13. RC follow-up is planned.

**TABLE 1: RC DRILLING RESULTS**

Hole	Northing	Easting	Dip	Grid Az.	Depth	Best Assays			
						From (m)	To (m)	Width (m)	Grade (g/t Au)
<b>BUTTERFLY NORTH</b>									
DVRC90	10220	10110	-90		60	18	20	2	6.18
DVRC94	10220	10150	-90		54	42	52	10	2.47
DVRC96	10210	10120	-90		54	29	31	2	5.47
DVRC97	10210	10110	-90		156	0	150	150	1.58
					incl.	23	28	5	2.65
					and	35	71	36	3.56
					incl.	44	48	4	12.0
					also	71	113	42	0.95
					incl.	76	81	5	2.46
					and	87	88	1	11.4
					also	123	150	27	1.61
					incl.	135	140	5	6.6
DVRC98	10210	10090	-90		54	0	28	28	0.51
					incl.	11	12	1	5.25
DVRC100	10200	10090	-90		66	17	45	28	0.63
					incl.	41	43	2	3.39
DVRC101	10200	10100	-90		54	0	44	44	0.41
DVRC104	10190	10070	-90		54	0	29	29	0.65
					incl.	6	10	4	1.60
					and	15	18	3	2.12
DVRC107	10180	10090	-90		60	49	52	3	3.38
						56	57	1	5.90
<b>ORIENT EAST</b>									
DVRC108	10950	10620	-90		90	38	42	4	3.13
						63	65	2	3.93

**TABLE 2: RAB AND AIR-CORE DRILLING RESULTS**

Hole	Northing	Easting	Dip	Grid Az.	Depth (m)	Best Assays			
						From (m)	To (m)	Width (m)	Grade (g/t Au)
<b>CHAMPION SOUTH</b>									
DVRB326	6754860	351820	-60	270	74	32	74	42 !	0.24
DVAC003	6754820	351800	-60	270	63	37	40	3	1.80
						56	63	7 !	1.37
					incl.	56	59	3	2.76
DVAC13	6755060	351768	-60	270	52	48	48	1	13.1
DVAC019	6754900	351875	-60	270	61	52	61	9 !	2.02
					incl.	53	57	4	3.27

!: mineralisation extends to or beyond end of hole.

## DIAMONDS

### **ELLEDALE, Western Australia** (DVNL 40%, may earn 51%)

Fieldwork commenced at the end of the quarter. The essential component of the fieldwork is a bulk sampling programme with a twofold purpose – (i) to evaluate selected alluvials and (ii) to assess the potential of lamproite pipe, Ellendale 22, and any new pipes located in the under-explored southeastern corner of the project tenement (E04/813).

Evaluation of the alluvials will focus on a 3 km-long section of the diamond-bearing alluvial palaeo-gravels identified by former optionholder, Kimberley Diamond Company NL (KDC). KDC recovered 43 diamonds aggregating 18.50 carats from 379 tonnes of gravels taken from three pits (Pits 57, 63 and 69) sampling a 5 km stretch of gravels within E04/813. Details of these recoveries are tabled below and the locations of the pits are shown on the accompanying plan.

Pit	Tonnes	No. diamonds	Total weight (ct)	Largest diamond (ct)
57	89	19	4.29	0.87
63	195	19	11.00	2.85
69	95	5	3.21	1.87
	<b>379</b>	<b>43</b>	<b>18.50</b>	

Large diameter RAB drilling, with nominally 6 m deep holes on 200 m x 50 m centres, is currently in progress to detail the distribution, depth and thickness of the gravels within the proposed area of bulk sampling. Selected in-fill drilling and follow-up trenching may be required to further assess the nature of the target gravels. Results of this work will enable bulk sample sites to be selected.

Initial sampling will be undertaken in the vicinity of Pit 63 and will extend for up to three kilometres from the southern tenement boundary northwest towards Pit 69. KDC's previous work has shown this section of gravels to have the best continuity and relatively shallow (3m) cover.

The second component of the winter field programme is the assessment of the large lamproite pipe, Ellendale 22, and vicinity in the southeast corner of the tenement. Ellendale 22, located close to Pit 63 and the diamondiferous gravels, is the third largest lamproite in the Ellendale Field (54.6 ha) but appears to have been inadequately explored. The first phase of a geochemical programme sampling termite mounds to map Ellendale 22 and possibly identify new, additional lamproites ahead of selective bulk sampling has been completed with analytical results awaited. Bulk sampling will particularly address the surficial material, which from KDC's recently publicised experience at Ellendale 4 and Ellendale 9 to the southeast, may be enriched in diamonds relative to the underlying lamproite.

Actual bulk sampling will commence in August with on-site processing using a Heavy Media Separation plant. Preparations to establish the plant-site are underway and an HMS plant has been secured. Total expected throughput is 2000–3000 tonnes.

Under the terms of the Joint Venture, Diamond Ventures may increase its interest in the property from 40% to 51% by expenditure of \$400,000 prior to 31 December 2001.

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

No field work was undertaken on this project during the quarter.

Farm-out terms are under discussion with a major mining company. In the event that suitable terms cannot be achieved at this time a drilling programme will be undertaken to test selected targets.

***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 that geological investigations undertaken by consultant, Dr Julian Hollis, have identified certain primary bedrock features to which further exploration should be directed.

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**