

# DIAMOND VENTURES NL

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Dear Sir,

## **QUARTERLY REPORT FOR PERIOD ENDING 31 MARCH 2001**

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### **HIGHLIGHTS**

- Intersection of 7 m @ 165 g/t gold from 101 m cut in DVRC74 at Champion prospect.
- Assays up to 8 m @ 24.1 g/t gold from 32 m returned from DVRB311 at Butterfly North prospect.
- Undiluted resource estimate of the Admiral deposit is determined as 825,000 tonnes @ 2.95 g/t for 78,300 contained ounces gold and for the Butterfly deposit as 555,000 tonnes @ 2.80 g/t for 49,800 ounces contained gold. Aggregate resource for both deposits is 1.38 Mt @ 2.89 g/t for 128,100 contained ounces gold.
- Evaluation of alluvial diamond potential at Ellendale now enabled by the withdrawal of the optionholder, Kimberley Diamond Company.

### **GOLD**

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

Reverse circulation and RAB drilling programmes were continued property-wide to evaluate mineralisation encountered in previous programmes. A total of 15 RC holes (DVRC73-87) for 2124 m and 28 RAB holes (DVRB293-320) for 1436 m was drilled. The best results from RC and RAB drilling are given in Tables 1 and 2 respectively.

### **CHAMPION – 7m @ 165 g/t Gold**

To further evaluate the Champion prospect, an historic producer from which 32,600 oz from 62,500 tons were recovered from an underground operation during 1898-1917, two angled RC holes were drilled to test the down-dip projection of the Champion workings beneath the lowest mine level at 125 m vertical depth. One of these holes, DVRC74, cut 7 m @ 165 g/t from 101 m (including 1 m @ > 1000 g/t at 102-103 m and with the following 5m at 103-108m averaging 30.5g/t). Applying a top assay cut of 30.0g/t to individual 1m samples reduces the intersection to 7m @ 19.9g/t. The intersection was made in an unexpected position 15 m into the hangingwall of the main reef and is located 10m from the main vertical shaft. The main reef was intersected where expected as 1m @ 6.28 g/t from 130 m. although drill samples were dry and of constant size some modest degree of contamination of the intervals below 103m is not ruled out given the extremely high grade of the interval 102-103m.

Subsequently five vertical RC holes (DVRC79–83) were drilled on 20 m centres around this intersection. The probable correlatives of the high grade hangingwall zone in DVRC74 appear to have been intersected in three of the five holes, the best being 1 m @ 5.53 g/t in DVRC83. The main mineralised zone subject of the historic mining was intersected in four of the five holes, plainly evident as a wide (7–20 m) zone of quartz veining and associated shearing within a retrograded and carbonate altered granitic host rock. The best intersection from the main zone was 2 m @ 8.9 g/t in DVRC80. Plans for follow-up drilling are being developed.

At a location 2.5 km south along strike from Champion a single follow-up RC hole, DVRC86, was drilled to investigate mineralisation intersected in reconnaissance air core drilling by previous explorers in 1997 (7 m @ 0.94 g/t from 55 m) and recent hole, DVRC68 (1 m @ 7.85 g/t from 27 m within broader anomalous intervals). Best result was 3 m @ 6.8 g/t from 97 m in sheared, pyritic, quartz veined felsic rocks (probably retrograded granite) similar to those at Champion. Wide (tens of metres) gold-anomalous zones were intersected above this in the transition zone of weathering. This mineralisation is located within a very extensive area of alluvial cover about 10 m thick at this locale. The mineralisation is open in all directions.

### **BUTTERFLY NORTH – 8 m @ 24.1 g/t Gold**

This prospect is notable for high though erratic gold grades within broad zones of anomalous gold and pyrite mineralisation. Host rocks are granite and magnetite-rich dolerite. Since the geometry of the high grade mineralisation previously intersected on N-S sections is unclear six short RAB holes were drilled on E-W sections adjacent to well mineralised holes. High grades were intersected – up to 8 m @ 24.1 g/t from 32 m (including 4 m @ 38.8 g/t from 33 m) in DVRC311 – the disposition of which suggests a westerly dip. Given this partial clarification of the geometry follow-up RC drilling is planned.

## ADMIRAL-BUTTERFLY

An undiluted resource estimate for the Admiral and Butterfly deposits was completed using a cross-sectional, polygonal method and a lower cut-off grade of 1.0 g/t. The 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. Applying a top grade cut of 20 g/t decreases the overall grade by less than 5%. Despite the good continuity and predictable geometry of the mineralisation the shallow oxidation profile suggests the open pit potential of the deposits is limited. Pit optimisation analysis has not been applied at this time.

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>

A single RC hole, DVRC87, was drilled to follow up a shallow zone of mineralisation (3 m @ 10.4 g/t from 61 m) cut in previous hole DVRC52. This zone was correlated with an intersection of 1 m @ 2.55 g/t from 85 m in DVRC87. The Admiral Shear mineralisation was intersected beneath this as 4 m @ 5.4 g/t from 114 m, and the Basalt Shear mineralisation above it as 3m @ 2.33 g/t from 23 m. No immediate follow-up drilling is planned.

## ADMIRAL WEST

An intersection of 1 m @ 11.7 g/t from 38 m, within a broad zone of anomalous gold mineralisation, was obtained from one of three RAB holes drilled to follow up a previous intersection (12 m @ 0.48 g/t from 56 m) in magnetic dolerites at Admiral West. No immediate follow up is planned.

## GEOPHYSICS

MMR (magnetometric resistivity) surveying was undertaken over a 2 km strike length south of Champion. Several anomalous trends, believed to reflect shear zones beneath the alluvial cover, were identified and short RAB fences are planned to investigate these. The Butterfly North prospect area was covered with limited IP and ground magnetic surveys. Magnetic dolerites, possible sulphide accumulations and a probable buried granite were identified, features which will be incorporated into the geological synthesis.

**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>CHAMPION</b>									
DVRC74	6757402	352090	-80	271	180	101	108	7	165
					incl	102	103	1	> 1000
						130	131	1	6.28
DVRC80	6757420	352070	-90		168	137	139	2	8.9
						147	147	1	1.23
DVRC83	6757380	352090	-90		204	150	151	1	5.53
<b>FURTHER TEST KRAC29 and DVRC68, SOUTH OF CHAMPION</b>									
DVRC86	6754900	351850	-60	270	108	36	37	1	4.45
						72	73	1	1.73
						93	94	1	1.47
						97	100	3	6.8
<b>ADMIRAL</b>									
DVRC87	10270	9180	-90		126	23	26	3	2.33
						85	86	1	2.55
						114	118	4	5.4

**TABLE 2: RAB DRILLING RESULTS**

Hole	Northing	Easting	Dip	Az.	Depth (m)	Best Assays			
						From (m)	To (m)	Width (m)	Grade (g/t Au)
<b>BUTTERFLY NORTH</b> (local Butterfly grid coordinates)									
DVRB307	10200	10070	-60	90	41	9	21	12	4.26
					incl	14	15	1	19.0
DVRB308	10200	10090	-60	270	41	12	18	6	2.03
DVRB309	10210	10080	-60	90	60	46	55	9	7.4
DVRB310	10210	10120	-60	270	60	25	32	7	1.90
						35	36	1	1.02
DVRB311	10180	10065	-60	90	41	32	40	8	24.1
					incl	33	37	4	38.8
<b>ADMIRAL WEST</b>									
DVRB302	6769685	339320	-60	180	69	36	69	33	0.41c!
					incl	38	39	1	11.7

c: 4m composite samples.

!: mineralisation extends to or beyond end of hole.

## DIAMONDS

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

During the quarter Kimberley Diamond Company NL surrendered its option to acquire the Ellendale property (E04/813) thereby returning this valuable property to the control of the Joint Venture between Diamond Ventures and Auridiam Consolidated NL. Under the terms of the option agreement Kimberley could have acquired 100% interest in E04/813 by payment of \$8.4m to the Joint Venture on or before 31 March 2002.

It is noted that Kimberley, prior to relinquishing the above option, had announced its intention to purchase and develop (Stage 1) the nearby Argyle Joint Venture property for an anticipated cost of \$32.45 million.

The underlying Joint Venture between Diamond Ventures and Auridiam Consolidated NL will now resume. Under the terms of this Joint Venture, Diamond Ventures may increase its interest in the property from 40% to 51% by expenditure of approximately \$400,000 prior to 31 December 2001.

During the period of Kimberley's option 60 alluvial diamonds for 22.55 ct were recovered from the Joint Venture holdings, with the largest diamond weighing 2.85 ct. The immediate target for ongoing exploration is the 5 km long segment

of the diamond bearing 'Terrace 5' palaeo-channel system identified by Kimberley. Planning for a winter bulk sampling programme to evaluate this palaeo-channel system is in progress.

E04/813 includes 20 known lamproite bodies. The bulk sampling programme may therefore be extended to further evaluate selected prospective lamproite pipes, particularly the large and inadequately tested Ellendale 22 pipe which at 54.6 ha is the third largest pipe in the Ellendale Field.

The exciting exploration results and diamond recoveries attained from E04/813 and adjacent tenements during the past year highlights the Ellendale Diamond Field as a potentially new diamond producing region. The Company looks forward to re-commencing its exploration effort in this prospective district.

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

No field work was undertaken on this project during the quarter. Results of the field programme completed last quarter however have upgraded the property such that more than a dozen priority drill targets have been identified by ground follow-up of 34 selected aeromagnetic anomalies distributed throughout the extensive land holdings. One of the most attractive targets is a 13 ha circular positive magnetic feature with coincident shallow topographic depression located just 6.5 km east of the Letlhakane Diamond Mine operated by Debswana.

In order to progress the evaluation of these targets several major mining companies have now been invited to farm into this project.

***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 "mining has been suspended pending the interpretation of the recently completed drilling program".

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**