

# DIAMOND VENTURES NL

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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 SEPTEMBER 2000

### Highlights

- Drilling extends ore grade gold mineralisation at the Butterfly (4 m @ 7.19 g/t Au from 82m) and Butterfly North (6 m @ 9.4 g/t Au from 30m) prospects.
- Further promising alluvial diamonds recovered by optionholder, Kimberley Diamond Company, at Ellendale .

### GOLD

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

Reverse circulation drilling resumed in the Admiral-Butterfly area to follow up encouraging intersections from the first drilling programme with completion of a further 27 RC holes for 2875m (DVRC20-46). In addition 102 RAB holes for 4799 m (DVRB122-223) were drilled, both as follow-up to previous drilling at Butterfly North and as first pass reconnaissance outside the immediate Admiral-Butterfly area.

RC drilling was undertaken in four main prospect areas – Butterfly, Butterfly North, Admiral and Clark as shown on Figure 1. Best results are given in Table 1.

**Table 1: Best intersections from RC drilling**

Prospect	Hole No.	Northing	Easting	From (m)	To (m)	Width (m)	Grade (g/t Au)
Clark	DVRC22	9960	9680	64	66	2	11.2
Butterfly North	DVRC25	10210	10100	42	47	5	8.44
			<i>incl</i>	42	45	3	12.1
				53	59	6	2.53
				61	65	4	2.00
Butterfly North	DVRC29	10190	10080	59	61	2	6.38
				64	66	2	3.08
				69	78	9	3.80
				82	87	5	3.16
Butterfly	DVRC35	9800	10200	94	100	6	3.15
			<i>incl</i>	98	100	2	7.15
Butterfly	DVRC36	9775	10200	90	93	3	4.97
Butterfly	DVRC37	9750	10200	82	86	4	7.19
Butterfly	DVRC38	9725	10200	78	81	3	3.45
Admiral	DVRC40	10200	9300	136	138	2	4.55
Admiral	DVRC43	10120	9500	170	172	2	4.78
Admiral	DVRC44	10140	9500	103	104	1	17.6
				184	187	3	1.98

All holes are vertical.

### **BUTTERFLY**

At Butterfly five 25 m-spaced vertical holes were drilled 40 m east of previous drilling to test for down-plunge extensions of mineralisation within the 30°E dipping Butterfly Shear at a vertical depth of 80–90 m (see figure 2). The mineralised Shear was intersected where predicted with grades, widths and continuity – 4 m @ 7.19 g/t from 82 m (DVRC37), 3 m @ 4.97 g/t from 90 m (DVRC36) and 2 m @ 7.15 g/t from 98 m (DVRC35) – encouraging consideration for viable underground extraction. Mineralisation is preferentially developed where the Butterfly Shear crosscuts a 100m-thick magnetite-rich dolerite sill. Mineralisation is open down-plunge to the east.

## **ADMIRAL**

Mineralisation at Admiral is similarly best developed within the same magnetic dolerite unit where it is crosscut by the Admiral Shear. The Admiral Shear is parallel to the Butterfly Shear and lies about 1.2 km to the west. Six vertical step-out holes were drilled up to 320m down-plunge from previously intersected mineralisation. Although the Admiral Shear was intersected where expected within the magnetic dolerite, grades were lower than desired, best being 2 m @ 4.78 g/t from 170 m (DVRC43). Further drilling is therefore in progress closer in to the defined mineralisation to re-establish and better resolve the trend of the higher grades.

## **CLARK**

The Clark prospect is also located in the same magnetic dolerite, midway between Admiral and Butterfly where a third shear, between and parallel to the Admiral and Butterfly Shears, crosscuts the dolerite. Best intersections from the five 40 m-spaced vertical RC holes drilled to extend mineralisation down-plunge is 2 m @ 11.2 g/t from 64 m (DVRC22).

## **BUTTERFLY NORTH**

The Butterfly North prospect is situated in a contrasting geological setting where gold mineralisation occurs in a locally magnetite-bearing, quartz veined granite which has intruded, and incorporated large (> 10m) blocks of, variably pyritised and silicified magnetic dolerite. Eight vertical RC holes were drilled on 20 m centres primarily to determine the attitude of ore grade mineralisation (up to 28 m @ 4.2 g/t) cut in vertical RAB holes during the previous drilling programme. Best results are 5 m @ 8.44 g/t from 42 m (DVRC25) and 2m @ 6.38 g/t from 59 m, 9 m @ 3.80 g/t from 69 m and 5 m @ 3.16 g/t from 82 m (DVRC29). The geometry of the high grade mineralisation however still remains unclear owing to the apparently erratic grade distribution. It is most likely steeply dipping and enclosed within a lower grade mineralised envelope which strikes northeasterly.

Two N-S fences of 20 m-spaced vertical RAB holes (DVRC141-148) were therefore drilled 100m apart on either end of the mineralised envelope to trace the zone along strike. Best results (see Table 2a) were obtained from the eastern fence where 6 m @ 9.4 g/t from 30 m (DVRC142) were cut within a magnetic dolerite. This result confirms the mineralisation to strike northeasterly and indicates the zone to be open to the northeast. Further staged drilling is planned.

## **RECONNAISSANCE RAB DRILLING**

Beyond the immediate Admiral-Butterfly area new ore positions are contemplated along the magnetic dolerites where they are crosscut by additional shears analogous to those at Admiral, Clark and Butterfly. There are over 25 km strike length of such untested magnetic dolerites on the Kookynie property. As an

initial test of about 7.5 km strike length of dolerites, mostly west of the Admiral-Butterfly area, a first pass RAB drilling programme comprising 93 vertical holes for 4250 m drilled at 80 m and 160 m spacings along the strike of the dolerites was completed. Best results are given in Table 2b below. Several sites of anomalous gold are indicated along the Admiral and King dolerites west of the Admiral-Butterfly area. The anomalous intersection in DVRB210 is located near the intersection of the Butterfly Shear and the King dolerite east of the King Pit. These positive results will be followed up in subsequent RAB drilling programmes.

**Table 2: Best intersections from RAB drilling.**

Hole No.	Northing	Easting	From (m)	To (m)	Width (m)	Grade (g/t Au)
<b>Table 2a – Butterfly North</b>						
DVRB141	10240	10140	48	69	21	0.44 !
DVRB142	10220	10140	28	56	28	2.77
		<i>incl</i>	30	36	6	9.4
		<i>and</i>	47	51	4	2.56
DVRB143	10200	10140	52	60	8	0.40 !
DVRB144	10180	10140	0	2	2	2.48
			8	12	4	0.45
			44	60	16	0.31 !
DVRB147	10180	10040	20	40	20	0.18 c
<b>Table 2b – Reconnaissance drilling along magnetic dolerites</b>						
<b>Admiral Dolerite – West</b>						
DVRB123	6769730	339300	56	69	13	0.28 !
DVRB139	6769260	339945	36	44	8	0.36
			48	68	20	0.20
<b>King Dolerite – West</b>						
DVRB177	6769110	337640	32	36	4	1.26
DVRB196	6768520	339320	24	32	8	0.27
<b>King Dolerite – East</b>						
DVRB210	6768470	342815	32	44	12	0.38

! bottom of hole

DIAMONDS

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

Optionholder Kimberley Diamond Company NL reports as follows:

“During the Quarter, Kimberley continued diamond exploration operations within the Ellendale Project Area (E04/813), concentrating on tracing the diamondiferous Terrace 5 palaeo-gravels. Exceptional results were obtained from Pit 63, one of two pits in the Project Area so far sampled and processed this quarter, and these are tabulated below.

Sample Number	Material Processed (t)	+3mm	-3+1.5 mm	Total Diamonds	Total Weight (in ct)	Largest Diamond Recovered
Pit 63	195	8	11	19	11.00	2.85
Pit 62	240	-	-	-	-	-

“These results are considered extremely encouraging. Of particular note is the presence of two large diamonds (>2 carats) recovered from Pit 63 including one of 2.85 carats. This is the second largest diamond so far recovered by Kimberley. As with previous diamonds found in the palaeo-gravels, a high proportion of the diamonds recovered from Pit 63 would be of gem quality.

“The Terrace 5 gravels are part of an ancient river system that drained the western section of the Ellendale lamproite Field. During the past three years, Kimberley has traced the Terrace 5 gravels for approximately 20 kilometres. Recent exploration has shown that the Terrace 5 system is quite elaborate with numerous, complexly branching tributaries of similar age. While the Terrace 5 gravels are the oldest gravels recognized within an ancient valley system, they are dissected by younger channels. The valley system has been preserved beneath dune sands and laterite. Only one branch of the Terrace 5 system appears to carry significant diamonds. The gravels in this branch are characterised by the presence of large (>0.5 carat) high quality diamonds.

“Pit 63 lies on what appears to be a northwesterly trending tributary of the Terrace 5 system. Pit 63 is about four kilometres upstream from Pit 57. Pit 57 was excavated late in 1999 and was the most easterly of the significantly diamondiferous gravels located during that year. Pit 62 was a check sample collected from another tributary that has now been confirmed as barren.

“While the diamonds recovered from Pit 63 appear similar to those from Pit 57 the connection between the gravels has not been firmly established. A pitting and bulk sampling program aimed at confirming this connection and the continuity of the Terrace 5 system is currently underway. This program involves sampling on 1 kilometre spaced lines between Pits 57 and 63. Kimberley are keen to define a commercially exploitable

alluvial diamond resource in the area and the information gathered from this program will be crucial in the economic evaluation of the palaeo-channel”.

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%)

The property-wide field programme of ground magnetic surveying and composite loam sampling to assess thirty-seven high priority aeromagnetic targets was completed. Heavy mineral concentrates have been retrieved from the loam samples and are currently undergoing mineralogical examination for identification of kimberlitic indicator minerals. Of most interest at this time is a circular, positive magnetic feature coincident with a shallow topographic depression about 13 ha in area located 6.5 km east of Debswana's Letlhakane Mine.

Three other magnetic targets prioritised by groundwork completed in 1998 were drill tested in three percussion holes for 160 m. No kimberlites were intersected.

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

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

“A total of 2,637 gem quality diamonds was recovered from the Monte Christo mine at Bingara, NSW, during the quarter. Total weight was 312 carats, an increase from the 196 carats mined during the June quarter. 1,875 tonnes of gravels were processed for an average grade of 16.6 carats per hundred tonnes, up from the 10 carats per hundred tonnes in the previous quarter. The largest stone recovered was a 1.6 carat white, flat in nature. Other stones were a 1.1 carat white, and an 0.75 carat yellow, with the average size of the stones being 0.12 carat. The stones are about half white, and half light yellow in colour.

“Red possible volcanic ash from the Monte Christo Mine yielded a low grade of gem quality diamonds during the last quarter, but gravels immediately beneath this ash deposit are yielding very high grades, with up to 53 carats per hundred tonnes from 80 tonnes mined. This rich bed is dipping at about 20 degrees into the hill, beneath a substantial thickness of the volcanic ash, with an infilled shaft about 50 metres behind the working face, suggesting the deposit continues and extends to depth. As overburden is becoming high, a bulldozer trench is being excavated to more economically expose

the bed further into the hill. This is presently following a tunnel excavated by previous miners, almost certainly in the 1890s.

“An overthrust fault has been exposed on the northern side of the pit, with a zone of iron cemented diamondiferous gravels about two metres wide extending down the fault plane and into the basement rocks. This zone is being trenched at present.”

**POLICE VALLEY, Western Australia**  
**(DVNL 100%)**

No fieldwork was undertaken on this property.

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

Yours faithfully,

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

**W R Bucknell**  
**Director**