

# DIAMOND VENTURES NL

ACN 062 091 909

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31 October 2002

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

Dear Sir,

## **QUARTERLY REPORT FOR PERIOD ENDING 30 SEPTEMBER 2002**

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### **HIGHLIGHTS**

#### ***KOOKYNIE GOLD PROJECT***

- Sons of Gwalia commence mining the Butterfly gold deposit.
- Indicated Resource of 170,000 tonnes @ 2.8 g/t Au for 15,700 contained ounces gold delineated at the Clark prospect, located next to the Butterfly deposit.
- Property-wide RAB drilling programme intersects 11 m @ 1.48 g/t Au in attractive geology in first drilling at Double J prospect.
- Strong gold geochemical anomalies (to 1.57 g/t Au) identified in buried laterite located in under-explored, prospective terrain between the Kookynie mining centres of Admiral/Butterfly and Orient Well.

#### ***BEACONSFIELD GOLD EXPLORATION PROJECT***

- Execution of the formal exploration agreement with the Beaconsfield Mine Joint Venture (Tasmania) to earn an 8% gold royalty interest and reimbursement of exploration expenditure upon potentially economic discovery. Field activities, including drilling at three prospects, to commence early November.

## GOLD

### **KOOKYNIE GOLD PROJECT, Western Australia (170 km north of Kalgoorlie)** (DVNL may earn 50%)

#### DEVELOPMENT

Agreement has been reached between the Kookynie Joint Venture (Diamond Ventures and Barminco Pty Ltd) and Sons of Gwalia Limited whereby Sons of Gwalia will pay Diamond Ventures and Barminco \$600,000 (to be shared equally) over a 4 month period for the right to mine the Butterfly deposit at Kookynie. Sons of Gwalia will develop the deposit as an open pit and will retain all proceeds. Mining will be limited to a depth of 70 metres below surface, the deposit to this depth having been estimated to contain 190,000 tonnes of ore at a grade of 2.6 g/t for 14,800 recoverable ounces of gold. The resource is open at depth beneath this mining limit. Mining operations commenced in the last week of September, these operations resulting in the first gold production from the property in five years.

There is a number of deposits adjacent to the Butterfly deposit that are targets for near term development:

- Admiral

Sons of Gwalia is undertaking resource modelling and a feasibility study on the potentially open-pittable part of the Admiral deposit and will present its conclusions to the Kookynie Joint Venture in the near future.

- Clark

The planned resource delineation drilling at Clark has been completed with a further 21 reverse circulation holes (DVRC161-181) drilled for 906 m. Best results from this drilling are:

Hole	Northing	Easting	Dip	Depth (m)	Best Assays			
					From (m)	To (m)	Width (m)	Grade (g/t Au)
DVRC0165	9920	9640	-90	58	43	47	4	3.5
DVRC0167	9940	9640	-90	52	40	49	9	3.5
DVRC0168	9940	9660	-90	64	54	57	3	3.25
DVRC0170	9960	9640	-90	48	26	28	2	4.66
DVRC0171	9960	9660	-90	64	22	36	14	2.7
				and	40	50	10	2.6
DVRC0172	9980	9660	-90	52	35	38	3	5.54
DVRC0174	10000	9600	-90	40	5	10	5	5.85
DVRC0175	10000	9660	-90	58	33	41	8	3.9
DVRC0178	10020	9663	-90	54	30	39	9	3.72
DVRC0181	100040	9620	-90	36	23	27	4	8.0

Completion of this drilling has enabled estimation of an undiluted Indicated Resource<sup>1</sup> of 170,000 tonnes @ 2.8 g/t Au for 15,700 contained ounces of gold to a depth of 70 m. All technical details relating to this resource are being made available to Sons of Gwalia for their evaluation as potential ore to supplement that presently being mined from Butterfly. It is expected that a commercial arrangement will be negotiated with Sons of Gwalia if their evaluation justifies development. The granted Mining Lease covering the Clark prospect is the subject of an option-to-purchase agreement, and the option may be exercised by Diamond Ventures on behalf of the Kookynie Joint Venture.

## EXPLORATION

- Prospects drilled

Concurrent with the resource/reserve development activities in the Admiral/Butterfly area, an extensive programme of property-wide RAB drilling commenced. This drilling continues the search for the major new ore deposit which, the Company believes, awaits discovery within the tenements securing this prospective terrain. During the quarter 135 RAB holes (DVRB328–460, DVAC53, 54) for 3727 m were drilled to test various defined targets throughout the Kookynie property. These targets comprised prospects at Double J, Orient South, Redlake West, Duke, Grafter and Diamantina together with mineralisation drilled by previous explorers at several localities within M40/107 (refer to plan for locations). A single RC hole was drilled at Batavia to test beneath old workings.

Best results are as follows:

Hole	Northing	Easting	Dip	Az.	Depth (m)	Best Assays			
						From (m)	To (m)	Width (m)	Grade (g/tAu)
<b>Double J</b>									
DVRB0329	6766355	348102	-60	224	52	0	28	28 c	0.23
DVRB0330	6766337	348083	-60	224	49	0	44	44 c	0.21
DVRB0333	6766291	348038	-60	224	51	0	51	51 c !	0.47
					Incl.	40	51	11!	1.48
DVRB0334	6766271	348019	-60	224	37	0	37	37 c !	0.20
DVRB0335	6766254	348012	-60	224	43	0	43	43 c !	0.25

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<sup>1</sup> This estimate was undertaken using a cross-sectional polygonal method and based on fire assay of 1m interval samples from 41 vertical reverse circulation holes for 1917 m drilled on 20 m x 20 m centres. The estimate uses a lower cut-off grade of 1.0 g/t and no top cut. Bulk density of 2.0 t/m<sup>3</sup> was applied throughout.

Hole	Northing	Easting	Dip	Az.	Depth (m)	Best Assays			
						From (m)	To (m)	Width (m)	Grade (g/tAu)
<b>Double J Laterite</b>									
DVRB0342	6766151	347903	-60	226	72	0	4	4 c	1.83
DVRB0374	6766080	348000	-90	360	8	0	1	1	1.73
DVRB0375	6766080	347920	-90	360	8	4	6	2	1.51
DVRB0401	6766320	348000	-90	360	8	0	1	1	1.16
DVRB0403	6766320	347840	-90	360	8	0	4	4	2.16
DVRB0404	6766320	347760	-90	360	8	1	4	3	1.51
DVRB0408	6766400	347760	-90	360	8	2	6	4	1.53
DVRB0414	6766400	348000	-90	360	8	1	2	1	2.40
<b>Duke</b>									
DVRB0425	6767940	342560	-90	360	42	22	27	5	1.22
DVRB0427	6767960	342580	-90	360	69	35	39	4	3.77
						57	64	7	1.03
DVRB0428	6768000	342580	-90	360	58	2	4	2	3.83
<b>Redlake West</b>									
DVRB0451	6767597	341435	-60	180	57	37	39	2	5.25
						43	46	3	1.18
<b>Grafter</b>									
DVRB0454	6766165	350675	-90	360	41	5	7	2	2.59
						25	28	3	5.10
<b>Batavia</b>									
DVRC0182	6758915	351715	-90	360	48	21.5	22	0.5	7.30

c nominal 4 m composite

! bottom of hole

The best results were recorded from the **Double J prospect** located about 1 km southwest of the Orient Well pit. This prospect is evidenced by dry-blowings and an isolated group of nine shallow holes drilled by a previous explorer in the 1980s, several of which cut surficial gold-in-laterite mineralisation assaying up to 3 m @ 2.06 g/t Au. Aeromagnetic data indicate the prospect to be underlain by magnetic dolerites, known to be prospective in the Admiral/Butterfly area. A single fence of 16 RAB holes was therefore drilled to intersect the magnetic dolerite stratigraphy in the area of anomalous gold geochemistry. It cut a 50 m-wide zone of anomalous gold, coincident with the aeromagnetic high, with best assay result of 11 m @ 1.48 g/t Au from 40 m to bottom of hole in DVRB333. The mineralisation is hosted in dolerite near two steeply dipping felsic porphyry units and is clearly related to the laterite mineralisation at surface. The bedrock mineralisation is open along strike, particularly to the northwest beneath mineralised laterite and further drilling is planned in this area.

The **laterite potential at Double J** was also investigated, with 76 shallow RAB holes for 613 m drilled on nominal 80 m centres to assess the laterite resource and, as well, seek vectors to bedrock mineralisation. Eight holes with assays exceeding 1 g/t Au over intervals of 1 m or more identify two areas of laterite mineralisation which together indicate pre-resource mineralisation in the order of 250,000 tonnes @ 1.3 g/t Au. The requisite resource definition by RC drilling has been deferred at this time in favour of follow-up drilling of the bedrock mineralisation.

Drilling at **Duke** supports the interpretation of a setting and geometry similar to that at Admiral, Butterfly and Clark. The best mineralisation defines a narrow shoot with limited potential, although open at depth.

Two fences of RAB holes were drilled across the **Redlake** stratigraphy, west of the Redlake deposit. Best mineralisation (2 m @ 5.25 g/t Au from 37 m) was encountered with quartz veining within the northern contact zone of the Redlake felsic unit (host of the Redlake deposit). This mineralisation is 250 m west along strike from the Redlake resource and is open to the west.

The best of three holes drilled at **Grafter** cut 3 m @ 5.10 g/t Au from 25 m (DVRB454) in the mineralised zone beneath old workings.

The single RC drillhole at the historic **Batavia** workings intersected 0.5 m @ 7.30 g/t Au in the footwall of a 2.5 m wide historic mining void. Geological setting is similar to that at Champion, situated 1 km south along strike.

Drill follow-up of the Duke, Redlake West, Grafter and Batavia prospects will be prioritised upon completion of the current drilling programme.

- Reconnaissance 'interface' sampling in the alluvial-covered area between Admiral/Butterfly and Orient Well

In addition to the above RC and RAB drilling programmes, 122 shallow reconnaissance 'interface' RAB holes (DVG1-122) for 1258 m were drilled on nominal 200 m x 50 m centres over an area between Admiral/Butterfly and Orient Well. The favourable E-W magnetic dolerite/porphyry stratigraphy between these two outcropping mining centres, 6km apart, is most evident from the aeromagnetic data. A 3 km strike length of this prospective stratigraphy is buried beneath up to 10 m of barren, transported, alluvial cover. It is considerably under-drilled and DDV has not previously addressed this area. The interface RAB holes are drilled to geochemically sample the iron-rich, residual laterite horizon developed on bedrock beneath the alluvial cover, as this medium will generally reflect the presence of gold mineralisation at depth. This geochemical method is more cost effective than pattern RAB drilling of the bedrock sequence. This programme is continuing.

Considerable geochemical relief is evident in the analytical data, which partially define five anomalous (> 100 ppb Au) areas spatially associated with the magnetic dolerites. Peak response is 1.57 g/t Au. As expected, there is a strong correlation between highly elevated gold responses and the pisolitic laterite, although there are a few strongly anomalous responses in other media.

Additional step-out sampling on nominal 50 m centres is required to map the anomalies, and further reconnaissance sampling is warranted. This programme commenced during October.

**BEACONSFIELD GOLD EXPLORATION PROJECT, Tasmania**  
*(DVNL may earn 8% royalty interest)*

The formal exploration agreement with parties representing the Beaconsfield Mine Joint Venture was executed at the end of the quarter. As previously announced, this agreement provides DDV with full exploration access to all tenements apart from an exclusion area immediately surrounding and containing the Tasmania Reef, the subject of the current Beaconsfield gold mining operation located near the town of Beaconsfield in Northern Tasmania. The exploration area available to Diamond Ventures covers 85 km<sup>2</sup> and includes the highly prospective corridor of favourable stratigraphy/structure which hosts the Tasmania Reef. Past production and reserves at Beaconsfield amount to more than 1.5 million ounces of gold and the operation is currently producing at an annualised rate of about 90,000 ounces per year.

Diamond Ventures has committed to spend \$350,000 in the first year and a minimum of \$350,000 per year in future years to retain exploration access to the tenements. Diamond Ventures will receive reimbursement of exploration expenditure (under a prescribed formula) and may earn an 8% royalty on any potentially commercial discoveries it makes. Up to 80% of the royalty may be paid (under a prescribed formula) in advance of production. No reimbursement of exploration expenditure will occur unless Diamond Ventures makes a potentially commercial discovery.

Gold was first discovered at Beaconsfield in 1877 and approximately 854,000 ounces of gold with a grade of around three quarters of an ounce per tonne were recovered from 1.1 million tonnes of ore between 1877 and 1914 when operations were shut down due to poor profitability. The Beaconsfield Mine was reopened in September 1999 and up to 30 June 2002 had produced over 200,000 ounces. As at 30 June 2002 Ore Reserves of 878,000 tonnes @ 16.7 g/t Au for 471,000 contained ounces gold have been reported. Total Mineral Resources (including Reserves) amount to 893,000 tonnes @ 20.9 g/t Au for 601,000 contained ounces gold.

Although numerous gold occurrences are known within the NNW trending corridor of favourable rocks which hosts the Tasmania Reef (the 'Cabbage Tree thrust slice') it nevertheless remains relatively unexplored by modern methods. Field activities are expected to commence in early November and these will comprise first-pass drilling of the Salisbury, Moonlight and North Tasmania prospects and an extensive soil geochemical survey along the Cabbage Tree thrust slice (refer to plan for locations).

The opportunity to explore the Beaconsfield tenements fits comfortably with DDV's exploration strategy parameters – high quality, under-explored exploration ground with near term development potential, located on granted mining leases near a treatment plant.

## DIAMONDS

No fieldwork was undertaken on the Ellendale Joint Venture in the Kimberley Region in WA, or on the Mmashoro Joint Venture in Botswana.

Cluff Resources Pacific NL, the project operator of the Bingara Project in NSW, reports that no substantial work was completed during the quarter.

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



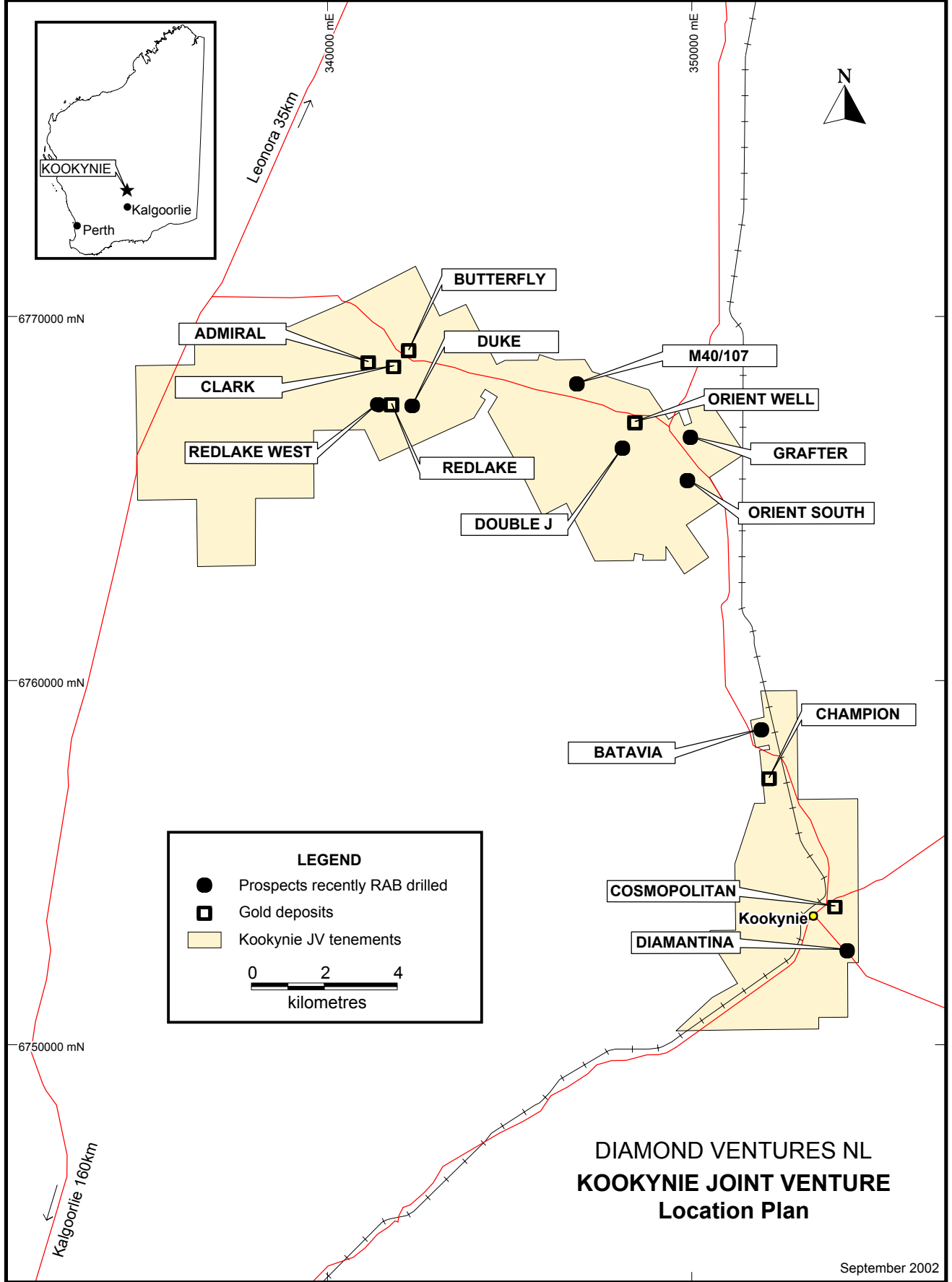
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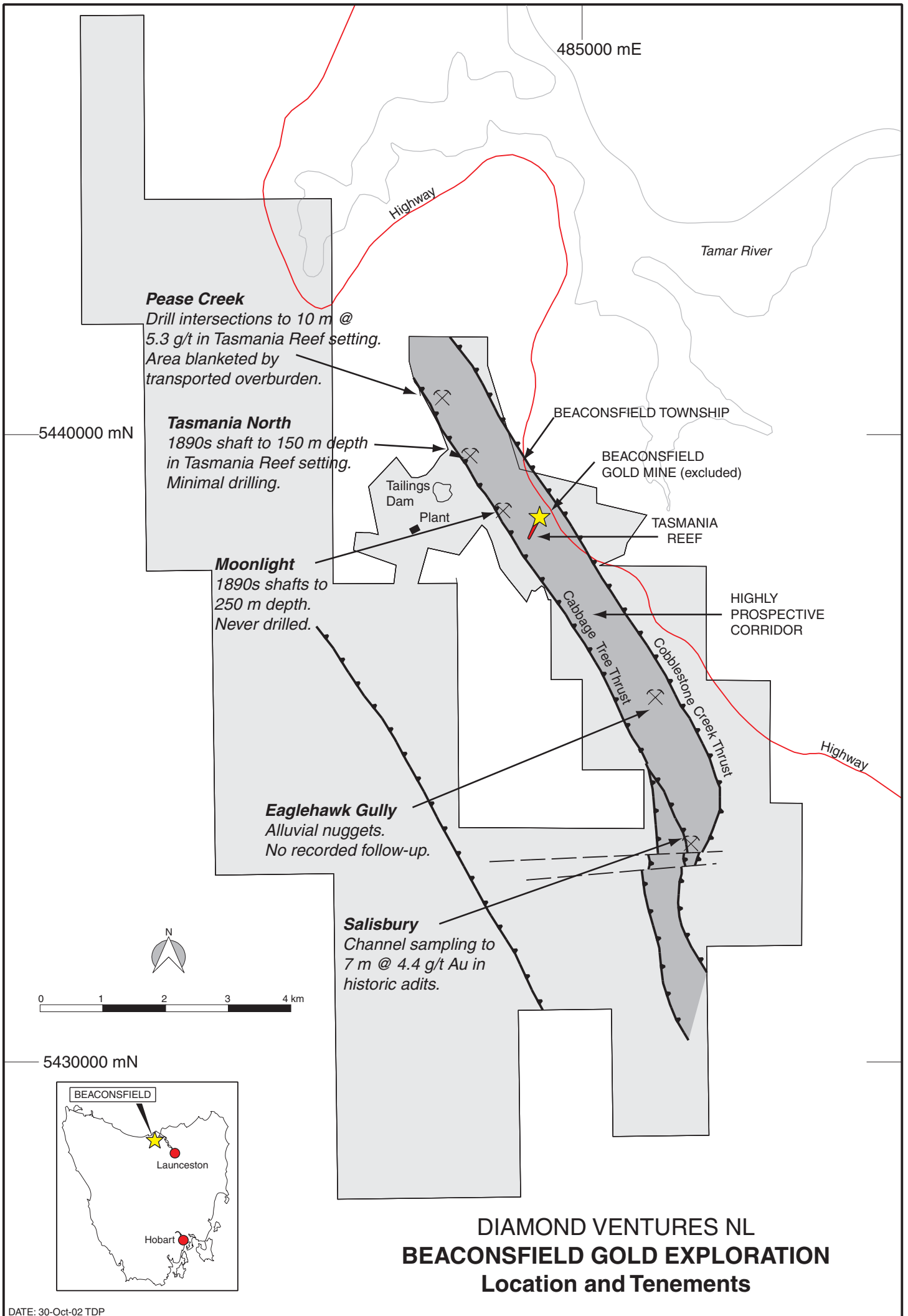
- Prospects recently RAB drilled
- ◻ Gold deposits
- Kookynie JV tenements

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kilometres

**DIAMOND VENTURES NL  
KOOKYNIIE JOINT VENTURE  
Location Plan**

September 2002





# 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")

30 September 2002

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	100	100
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(309)	(524)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	16	31
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(275)</b>	<b>(593)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets		(3)
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 (provide details if material)		
<b>Net investing cash flows</b>		<b>(3)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(275)</b>	<b>(596)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(275)	(596)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.		1,108
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 – Costs of rights issue		(31)
	<b>Net financing cash flows</b>		<b>1,077</b>
<b>Net increase (decrease) in cash held</b>			
		(282)	481
1.20	Cash at beginning of quarter/year to date	1,554	791
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>1,272</b>	<b>1,272</b>

**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	30
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	12
Salaries	18

**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	400
4.2 Development	
<b>Total</b>	400

### 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	106	1,124
5.2 Deposits at call	1,165	430
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	1,272	1,554

### 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	M40/101 (WA) M40/110 (WA) P40/989 (WA)	Interest pursuant to Kookynie Joint Venture Agreement dated 30 May 2000	Nil	50%

+ 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>	82,406,707	82,406,707		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	250,000	250,000		
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>	733,335		<i>Exercise price</i> \$0.25	<i>Expiry date</i> 31.12.03
	733,335		\$0.30	31.12.03
	733,330		\$0.35	31.12.03
	22,405,600	22,405,600	0.10	30.06.06
7.8 Issued during quarter	250,000	250,000	0.10	30.06.06
7.9 Exercised during quarter				
7.10 Expired during quarter				
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:

  
.....  
(Director/Company secretary)

Date: 31 October 2002

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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