



**KIMBERLEY DIAMOND COMPANY**

12 WALKER AVENUE WEST PERTH 6005 WESTERN AUSTRALIA PO BOX 806 WEST PERTH WESTERN AUSTRALIA 6872  
TEL (08) 9321 5887 FAX (08) 9321 5884 EMAIL [general@kimres.com.au](mailto:general@kimres.com.au) WWW [www.kimberleydiamondco.com.au](http://www.kimberleydiamondco.com.au)

## **QUARTERLY REPORT**

**FOR THE PERIOD ENDED 30 JUNE 2002**

ASX CODE : KIM  
KIMCD  
KIMO



## HIGHLIGHTS

- ◆ A call on the Company's contributing shares resulted in payment of the sum of \$10.48 million
- ◆ Approval to commence Plant Construction and Mining Operations granted by WA State Mining Engineer on 10 May 2002.
- ◆ First diamond sale of 4,552 carats on 24 June 2002 realises A\$804,000 (an average price of US\$99.09 per carat).
- ◆ Full scale production at Ellendale Pipe 9 commenced on 24 June 2002 with NRW Pty Ltd, Mining Contractors, commencing full mining operations on 1 July 2002.
- ◆ Mr Peter Danchin appointed as Managing Director on 2 July 2002.

### 1.0 CORPORATE

- ◆ A call on the Company's contributing shares resulted in payment of the sum of \$10.48 million allocated as follows:

	<i>\$'million</i>
◆ Payment to Argyle to secure transfer of the Ellendale Mining Lease	5.00
◆ Payment of stamp duty on Argyle sale	1.30
◆ Additional Environmental Bond to WA State Government	0.84
◆ Capital on mining plant, final recovery building, camp, etc.	2.60
◆ Brokerage	0.62
	<b>10.36</b>



## 2.0 MINING

### 2.1 SUMMARY

The initiation of Stage 1 mining operations of the top 3-4 metres of the Ellendale 9 Pipe, together with the successful commissioning of the 100tph processing and final recovery plants, marked one of the most significant milestones in the Company's eight year history. Wet commissioning of the plant commenced on 20 May 2002; the first rock was fed on 28 May 2002; 24 hour operations, 365 days a year started on 22 June 2002 and high grade ore was fed for the first time on 3 July 2002.

The commencement of mining and processing operations followed confirmation by Kimberley that:

- ◆ Kimberley's Notice of Intent to commence mining was approved and approval to commence operation of the project was granted by the State Mining Engineer on 9 May 2002;
- ◆ the Ellendale Mining Lease, covering 117 square kilometres, was transferred to Kimberley on 23 April 2002;
- ◆ settlement with Ellendale's previous owner, Argyle Diamond Mines Pty Ltd, was achieved on 23 April 2002 following a \$5 million payment;
- ◆ there were no Native Title claims affecting any of the mining areas.

Mining and processing efficiencies continue to improve and the design capacity of 70tph ROM (500,000 tpy) will be exceeded to the level of approximately 100 tph (675,000 tpy) .

Diamond production for the quarter was minimal due to the project commissioning nature of the period being reported. Only very low grade materials, of differing physical properties and waste rock, were fed to the plant in order to maximise its efficiency prior to high grade ore feed which commenced on 3 July 2002.

Stage 1 mining operations will continue for 2-3 years focusing on the near-surface zones of Ellendale Pipes 4 and 9. Mining will switch from Ellendale 9 to Ellendale 4 in 12-15 months' time. The processing facilities will be relocated from Ellendale 9 to Ellendale 4 at this time.

The Stage 1 operations will form the basis of a much-expanded Stage 2 mining operation focused on the primary resources of Ellendale Pipes 4 and 9. Subsequent mining stages will be based on other pipes and new discoveries in the field.

### 2.2 OTHER OPERATIONAL DEVELOPMENTS

- ◆ The full-scale mining and slimes dam construction contracts were awarded to Perth/Newman based NRW Pty Ltd contractors. The award of these contracts followed a fiercely contested tender process. NRW's mining fleet is ideally suited to handling the required throughput of 675,000 tonnes in an annual dry season mining campaign of eight months. This contract commenced on 1 July 2002 for an initial term of one year, renewable.
- ◆ The dense media separation plant (DMS) together with the highly efficient Gekko pressure jig were commissioned without untoward problems.
- ◆ The final recovery plant, housed in a building measuring 24m x 10m with a height of 8m, was successfully commissioned. This plant is fitted with two state-of-the-art X-ray Flowsort separation units; one of which is dedicated to exploration and the other



to production. The entire operation is coupled with sophisticated security monitoring devices, all of which are now operating smoothly and efficiently.

- ◆ A new slimes dam measuring 200m x 400m with a 160,000 tonne capacity was constructed with all pipelines and water recovery systems installed by Kimberley personnel. An additional slimes dam, covering 27 hectares and with a capacity of 1 million tonnes, is being constructed by the Mining Contractor, NRW Pty Ltd.
- ◆ The borefield at Pipe 9 has been completed refurnished with two new production bores to a depth of 250 metres each. Over 3.5 kilometres of new pipeline has been laid by Kimberley personnel. The borefield has been commissioned and is providing water to a new water storage dam at the rate of 110,000 litres an hour.
- ◆ An additional 57 accommodation rooms have been added to the campsite bring total camp capacity to 78 people. A new kitchen/dining complex, measuring 21m x 14.5m has been installed, capable of seating and catering for 100 people at any one time. 70 persons are currently engaged and living at the mine site. The work roster is 20 days on, 10 days off and is a fly in/fly out operation from Broome and Derby in the West Kimberley region of Western Australia.

### 3.0 **MARKETING**

Another milestone was recorded when the Company made its first sale of diamonds.

A total of 4,552 carats was sold for US\$451,052 (A\$804,000) representing an average price of US\$99.09 a carat. The first sale parcel comprised 3,120 carats mined from Pipe 4 with 1,432 carats mined from Pipe 9 and represents a sale value exceeding value projections used in the Snowden Feasibility Study.

The purchaser was Mr David Lapa of Overseas Diamonds, a substantial Antwerp company. Overseas Diamonds was selected by Kimberley following an intensive selection campaign over the past nine months. They offered a transparent process that enables Kimberley to track goods through the pipeline to manufacturing and final stages.

Kimberley is predicting production of about 13,000 carats from Pipe 9 for the period 1 July to 30 September 2002, increasing to 16,000 carats for the December quarter and approximately 60,000 carats for the full year from 1 July 2002 to 30 June 2003. Diamond values from Pipe 9 are expected to average US\$130 per carat for the full year.

### 4.0 **EXPLORATION**

#### 4.1 **STAGE 1 EXTENSION**

Kimberley is continuing a shallow trenching program over the tuffaceous areas of the Ellendale 4 and Ellendale 9 Pipes not sampled during 2001. Mineralised material identified from this program will be added to the Stage 1 mining inventory as it is defined. During the quarter work was concentrated on the Ellendale 9 Pipe. Highlights of recently received trench results are summarised in Table 1.

Trenching in the western lobe of Ellendale 9 was concentrated on the magmatic core of the vent. While the underlying magmatic lamproite is low grade (usually <1cpht), sampling in 2001 suggested that the soil profile overlying the magmatic lamproite might be relatively rich in diamonds. Sampling over the magmatics at Ellendale 9 has so far confirmed this observation and the program will be extended to evaluate other magmatic areas within



Ellendale 9 and Ellendale 4. Magmatic lamproite overlies large sections of both pipes and economic mineralisation in the soil profile could add significantly to the Stage 1 ore reserve.

Kimberley used a series of large samples (KE9T110 – 119) from the eastern lobe of Ellendale 9 for the final commissioning of the Production HMS Plant. Results from these samples are given in Table 1. Like most exploration samples, recovered grades are somewhat patchy; however, several higher grade zones have been identified. Of special interest, the average diamond size in samples from this area is considerably higher than other parts of Ellendale 9. This should have a positive impact on the value of the diamonds from this section of the pipe.

TABLE 1 – HIGHLIGHTS OF TRENCH SAMPLING							
Sample ID	Underlying Lithology	Sample Processed (tonnes)	Total Weight (CT)	Number of Diamonds	Average Stone Size (CT)	Grade (cpht*)	Largest Diamond (CT)
<b>ELLENDALE 9 - WESTERN LOBE</b>							
KE9T090A	Tuff	56	12.69	49	0.259	22.84	2.53
KE9T090B	Tuff	63	7.40	26	0.284	11.76	1.57
KE9T091A	Tuff	83	8.03	37	0.217	9.65	1.55
KE9T092A	Tuff	88	10.26	62	0.165	11.67	0.60
KE9T094A	Magmatic	50	4.12	25	0.165	8.31	0.45
KE9T096A	Magmatic	78	7.34	45	0.163	9.44	1.55
KE9T097A	Magmatic	84	7.67	55	0.139	9.18	1.49
KE9T098A	Magmatic	82	12.30	70	0.176	15.05	2.31
KE9T099A	Magmatic	96	13.97	75	0.186	14.54	2.97
KE9T100A	Magmatic	94	8.09	74	0.109	8.57	1.75
KE9T101A	Magmatic	91	10.56	84	0.126	11.67	0.96
<b>ELLENDALE 9 - EASTERN LOBE</b>							
KE9T110	Tuff	103	4.46	16	0.279	4.33	0.95
KE9T111	Tuff	468	19.79	60	0.330	4.23	2.96
KE9T116	Tuff	485	44.51	107	0.416	9.17	3.87
KE9T117	Tuff	557	27.64	73	0.379	4.96	4.13
KE9T118	Tuff	327	14.81	45	0.329	4.53	2.41
KE9T119	Tuff	420	22.29	51	0.437	5.30	4.22
		<b>3,225</b>	<b>235.93</b>	<b>954</b>			
Diamonds recovered from the 1.2 – 15mm size fraction. * cpht – carats per hundred tonnes Samples with an 'A' suffix are upper (regolith) samples while those with a 'B' suffix are lower (saprolite) samples. Samples with no suffix have regolith and saprolite combined. All trenches sampled to a maximum depth of 3 metres.							

Processing of sample from the remaining trenches on Ellendale 9 is continuing and sampling around Ellendale 4 has now commenced.

#### 4.2 DEEPER EXPLORATION ELLENDALE 4 AND 9 – STAGE 2 ORE DEFINITION

Kimberley's Stage 1 mining program is aimed solely at the upper three metres overlying sections of Ellendale 4 and 9. Kimberley estimated that this surface resource will eventually total more than two million tonnes and will sustain mining operations for the next two to three years. During that time the Company is planning to define extensive deeper orebodies within both lamproite pipes.

This program commenced during the current quarter. An initial aircore drilling program has been completed over both pipes. This involved 135 holes for 6600m of drilling and tested sections of the pipes where surface mining is already underway or planned. The aim of this program is to determine three-dimensional structures and define tonnages of the various



tuffaceous phases identified within the pipes. While microdiamond sampling is being used to map the different tuffaceous zones, the actual grades of the material will be tested with large diameter drilling. The large diameter drilling program will commence in August.

An unexpected bonus of the structural drilling program has been the identification of three previously unrecognised vent zones within the two pipes. Two of these vents are within the western half of Ellendale 9, while the third lies on the eastern margin of Ellendale 4. All the recently identified vent zones are entirely tuffaceous in character.

One of the vents on Ellendale 9 lies within the western orebody that is currently being mined. The depth extension provided by this vent has the potential to significantly add to the tonnage of material for the Stage II mining operations. The other vent on Ellendale 9 lies beneath a thin veneer of magmatic lamproite and has not previously been tested. The newly identified vent on Ellendale 4 has been surface sampled by a single trench. This trench returned ore-grade diamond concentrations. Considerably more drilling and sampling will be required to determine the economic significance of these new discoveries.

### **4.3 REGIONAL EXPLORATION**

#### **Ellendale and Blina**

Drilling and sampling of magnetic anomalies identified from the 2001 aeromagnetic survey re-commenced earlier this year. Sample results recently received have confirmed the identification of an additional lamproitic intrusion. This body has been termed Kimberley 32 and is located on the southernmost of the fissures identified by Kimberley. This is the F5 fissure and Kimberley 32 is the first new lamproite identified on the structure. The F5 fissure also hosts the Ellendale 7 lamproite pipe. Previous sampling of this pipe has returned significant diamond grades.

At this stage tuffaceous lamproite has only been confirmed from a single drill hole so the extent of the body is uncertain. The magnetic feature hosting the lamproite has a strike length of several hundred metres. Kimberley 32 lies within the catchment of the Terrace 5 gravels.

Bulk sampling of the Kimberley 23 lamproite commenced in June. Both samples processed to date have been from magmatic lamproite. The magmatic material from this lamproite produced significant numbers of microdiamonds and it was hoped that this would translate into a high diamond grade. This did not eventuate. Although the diamond grade in the Kimberley 23 magmatics is high for magmatic lamproite, it does not approach ore grade. While some of the diamonds recovered from Kimberley 23 were similar to the Terrace 5 diamonds, the overall population was not comparable. Testing of the tuffaceous sections of Kimberley 23 will be undertaken over the coming months.

#### **Ellendale East**

During 2001 Kimberley commenced an evaluation of a probable palaeo-channel structure known as the "B" Channel. This is a pronounced geophysical and topographic feature that originates downslope of the diamondiferous Ellendale 9 lamproite pipe. An exploration program involving mapping, drilling and pitting demonstrated that cobble conglomerates were present within the "B" Channel structure near Barnes Well.

Kimberley excavated a 365 tonne sample of these gravels and trucked it to the Company's HMS processing facility at Ellendale. A total of 9.1 tonnes of heavy concentrate were recovered from the sample. This material was processed through the a Flowsort diamond x-ray unit during June. Unfortunately no diamonds were recovered from the sample.



Kimberley is re-assessing the "B" Channel area to determine whether additional sampling is warranted.

Kimberley has commenced a mapping program in the area north of Ellendale 4. Previous explorers have identified diamondiferous gravels and indicator mineral concentrations and the company plans to re-evaluate the area.

### **Ellendale South**

During 2001, the Company collected a 435 tonne bulk sample from Dome Hill located at the southern end of the palaeo-channel. This sample produced some 17.8 tonnes of heavy concentrate. At this stage, approximately 11 tonnes of this material have been sized and processed through the Company's x-ray sorting facility. A total of 41 diamonds weighing 6.6 carats have so far been recovered with the largest stone weighing 0.49 carats. Kimberley's processing facility recovers diamonds in the 1.2 to 15mm size range.

Kimberley has recently commenced an exploration program aimed at defining the northern extension of the "J" Channel system. This program will involve aircore drilling, indicator mineral sampling and bulk sampling. The drilling is to better define the structure of the "J" Channel system with the eventual aim of defining a mineable reserve.



<b>SCHEDULE OF MINING TENEMENTS – 30 JUNE 2002</b>				
	<i>Tenement</i>	<i>Area (km<sup>2</sup>)</i>	<i>Date of Grant</i>	<i>Kimberley Interest</i>
<b>Ellendale Mining Area</b>	M04/372	124.4	23/11/99	100%
<b>Blina Project</b>	E04/993	98	17/08/95	100%
	E04/1006	39	6/02/96	100%
	E04/1052	59	26/11/96	100%
	E04/1072	3	22/09/97	100%
	E04/1075	26	14/10/97	100%
	E04/1105	65	19/07/99	100%
	ELA04/1073	92	application	100%
	ELA04/1098	160	application	100%
	ELA04/1139	110	application	100%
	ELA04/1163	6.5	application	100%
	ELA04/1212	72	application	100%
	MLA04/346	10	application	100%
	MLA04/353	10	application	100%
	MLA04/354	10	application	100%
	MLA04/355	10	application	100%
	MLA04/356	10	application	100%
	MLA04/358	10	application	100%
	PLA04/204	1.8	application	100%
	PLA04/205	1.6	application	100%
	PLA04/206	1.3	application	100%
<b>Ellendale South Project (Auridiam JV)</b>	E04/726	95	21/01/93	Earning up to 61%
<b>Ellendale East Project (Ellendale Resources JV)</b>	E04/801	124	15/01/93	Earning up to 75%
	E04/911	18	23/05/94	Earning up to 75%
	E04/1062	115	24/03/97	Earning up to 75%
	E04/1092	186	25/11/99	Earning up to 75%
	E04/1093	141	04/07/01	Earning up to 75%
<b>Calwynyardah Project (Bentonite)</b>	E04/817	26	3/08/93	80%
	MLA04/316	3.2		80%
	MLA04/317	2.6		80%
	MLA04/334	5.3		80%
	MLA04/335	5.1		80%
All Mining Lease Applications are within existing Exploration Licences				

**MILES KENNEDY  
 CHAIRMAN**

31 July 2002

The Australian geological information in this report is based on data compiled by David Jones BSc(Hons) MSc of Ascidian Prospecting Pty Ltd. Mr Jones is a corporate member of the Australasian Institute of Mining and Metallurgy. He has consented to the inclusion of this information in the form and context in which it appears in this report. The Australian Stock Exchange has not reviewed and they do not accept responsibility for the accuracy or adequacy of this release.