



KIMBERLEY DIAMOND COMPANY

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QUARTERLY REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2002

ASX CODE : KIM
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HIGHLIGHTS

- ◆ Full-scale mining at Ellendale commenced on 1 July 2002 and the mine was officially opened by the Premier of Western Australia, Dr Geoff Gallop, on 1 September 2002.
- ◆ The largest diamond every recorded from the Ellendale Field, 11.47 carats, was recovered from mining operations.
- ◆ Diamond sales total \$3.63 million in first three sales to date.
- ◆ 7.5 million tonnes established from surface to 60 metres in a portion of Ellendale Pipe 4 (known as Pipe 4 South-east Lobe) grading 11.34 carats for 851,000 contained carats with an inground value exceeding \$115 million.
- ◆ Surface enriched zone on northern extension of Pipe 4 South-east Lobe yields, through exploration, a further 181,000 tonnes grading 18.5 cpht for 33,000 contained carats with an inground value exceeding \$4.5 million. The surface enrichment zone to a depth of 3 metres on Pipe 4 alone now contains a resource of 906,000 tonnes grading 20 cpht with an inground value exceeding \$25 million.
- ◆ Major new palaeo-drainage systems found near Pipe 9.
- ◆ Major palaeo-drainage system identified at Pipe 4 (J Channel).



1.0 CORPORATE

- 1.1 On 1 August Kimberley Diamond Company NL issued a Prospectus to raise \$4.8 million by the issue of 7,100,000 ordinary shares at \$0.50 each and 7,100,000 contributing shares at \$0.175 each. These funds are to complete a major drilling program at Pipe 4 Southeast and all associated feasibility studies aimed at establishing a resource of 10 million tonnes at around 10-12 carats per hundred tonnes, with a view to commencing mining and processing this material in the second half of 2003. This work and these studies are expected to be complete by the end of November 2002. The issue closed fully subscribed on 17 August 2002.
- 1.2 On 2 August 2002 Kimberley entered into a farm in agreement with Gravity Capital Limited who holds the exclusive licence in Australia for BHP Billiton's Falcon™ Technology. This technology has led to major diamond discoveries in Canada. Unfortunately Gravity Capital was not able to raise sufficient funding to deploy the Falcon™ Technology in 2002 as originally envisaged, but it is now hoped this will occur in the second quarter of 2003. Gravity will pay all costs of flying the survey area covering the Ellendale Mining Lease. Any new discovery will be co-funded 50:50 between Kimberley and Gravity capital with BHP Billiton having the right to buy out Gravity capital at any time prior to the delineation of an inground resource in excess of A\$100 million, giving BHP Billiton a 51 percent interest, management and marketing rights if BHP Billiton sole funds the new target through to bankable feasibility.
- 1.3 The Annual General Meeting will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on 29 November 2002 at 12 noon. Mr David Lapa of Overseas Diamonds will give a presentation on the marketing of diamonds.

2.0 MINING

2.1 SUMMARY

Full-scale mining, by NRW Pty Ltd, commenced at Ellendale 9 on 1 July and the first high grade ore was fed to the plant on 3 July. Table 1 below summarises progress for the three month period being reported.

TABLE 1 PRODUCTION SUMMARY FOR THE PERIOD 1 JULY 2002 TO 30 SEPTEMBER 2002		
	ACTUAL	ACTUAL VS BUDGET (%)
Tonnes mined	355,218	101
Tonnes stockpiled	251,663	113
Tonnes processed	103,555	81
Recovered ore grade (carats/100 tonnes)	10.78	105

Production levels during July and August were at or above budgeted levels. Several Mechanical improvements to the processing plant were completed during September which resulted in low plant availability for the month.

These improvements have resulted in a throughput increase approaching the desired 100 tonnes per hour level. Further improvements are scheduled for mid-November which are aimed at exceeding the 100 tonnes per hour rate.



An 11.47 carat magnificent yellow octahedral gemstone was recovered from production. This being the largest diamond ever recovered from the Ellendale Field.

Mining of Pipe 9 will stop at the end of October 2002 and will recommence next year. Processing of stockpiled material and diamond recovery will continue throughout the wet season.

2.2 MARKETING

Kimberley has now finalised three diamond sales in Antwerp (see Table 2). The purchaser in all sales was Mr David Lapa of Overseas Diamonds NV. The world market remains buoyant for the better quality stones such as those produced at Ellendale.

SALE	DIAMONDS FROM	CARATS SOLD	SALE PROCEEDS (A\$)	US\$/CT (AVERAGE ROM)
1	Ellendale 4 (3,120 cts) Ellendale 9 (1,432 cts)	4,552	804,000	99
2	Ellendale 9	4,320	1,056,000	133
3	Ellendale 9	6,920	1,774,013	141

2.3 OTHER OPERATIONAL DEVELOPMENTS

- ◆ Studies of technical data received earlier in the year have resulted in the delineation of a portion of the Ellendale 4 Pipe which may change the course of Kimberley's initial (Stage 1) planning. The latter planned to mine the enriched surface 3 metres of Ellendale 9, then move the plant to Ellendale 4 and mine the surface 3 metres there. The South-eastern lobe of Ellendale 4 was previously extensively drilled and bulk sampled. From surface to a depth of 60 metres this lobe contains 7.5 million tonnes grading 11.34 carats per 100 tonnes, totalling 851,000 contained carats at an average value of US\$80 per carat. Snowden Mining Industry Consultants have confirmed this resource. Kimberley's geologic delineation, by air core drilling, has been completed and additional bulk sampling by drilling 1.2 metre diameter holes is underway. If the results of Kimberley's current sampling and studies of this Stage 2A prove positive, it is planned to commence production at Ellendale 4 with a new 200-300 tonnes/hour DMS processing plant in the second half of 2003. The final recovery plant and all infrastructure will remain located at Ellendale 9.
- ◆ The construction of an additional slimes dam at Ellendale 9 was completed in September. The dam covers a surface area of 27 hectares and has a capacity of one million tonnes.

3.0 EXPLORATION

3.1 SURFACE ENRICHMENT RESOURCE – ELLENDALE 4

Kimberley is continuing exploration to increase the high-grade surface enrichment resource on Ellendale Pipes 4 and 9. During the quarter most effort was directed at the eastern lobe of Ellendale Pipe 4. Reconnaissance trenching in this area during 2001 suggested several areas that warranted detailed follow-up. Over a 1,000 metres of trenching was completed during the quarter and samples from this program are currently undergoing processing.

Results to date have been extremely encouraging and Kimberley has been able to increase the indicated resource for the high-grade section of Ellendale Pipe 4 by 181,000 tonnes



grading 18.5 cph (carats per hundred tonnes). This is in addition to the 725,000 tonnes grading 20.4 cph previously announced for the surface enrichment zone on Ellendale 4. This additional resource is located on a northern extension of the South-eastern Lobe. The current surface enrichment resource for Ellendale 4 is given in Table 3.

TABLE 3 ELLENDALE PIPE 4 SURFACE ENRICHMENT ZONE (0 - 3M) INDICATED AND INFERRED RESOURCE – SEPTEMBER 2002 (NO CUT-OFF GRADE)					
AREA	RESOURCE CLASSIFICATION	TONNES (000s)	CARATS (000s)	GRADE (CPHT)	
South-eastern Lobe	Main Zone	Indicated	380	95	25.0
		Inferred	41	4	10.0
	<i>Northern Extension</i>	<i>Indicated</i>	<i>181</i>	<i>33</i>	<i>18.4</i>
North-western Lobe		Indicated	287	47	16.4
		Inferred	17	2	9.4
ELLENDALE 4 TOTAL	All	906	181	20.0	

*Lower screen 1.2mm, upper screen size 10mm

Results of samples treated to date are presented in Table 4. While the diamonds from the Ellendale 4 trenching are, on average, smaller than those mined from Ellendale 9, the stones diamonds are usually of excellent quality.

TABLE 4 TRENCH SAMPLE RESULTS – EASTERN LOBE ELLENDALE 4									
SAMPLE NUMBER	SAMPLE TONNES	DIAMOND SIZES			TOTAL NUMBER OF DIAMONDS	WEIGHT (CARATS)	AVERAGE STONE SIZE (CARATS)	GRADE (CPHT)	LARGEST DIAMOND (CARATS)
		+6	-6 +3	-3 +1.2					
KE4T78A	91.6	1	25	248	274	43.60	0.159	47.60	3.91
KE4T78B	24.7	0	3	23	26	3.53	0.136	14.27	0.46
KE4T79A	129.8	0	27	506	533	50.18	0.094	38.67	1.44
KE4T79B	88.5	0	13	123	136	17.17	0.126	19.40	0.97
KE4T88A	144.8	0	36	60	96	19.30	0.201	13.33	1.70
KE4T89A	104.4	0	18	54	72	8.80	0.122	8.43	0.88
KE4T89B	96.5	0	58	85	143	28.05	0.196	29.07	1.63
KE4T90A	100.4	0	20	126	146	11.74	0.080	11.69	1.38
KE4T90B	118.2	0	15	67	82	7.97	0.097	6.74	0.42
KE4T92A	44.1	0	15	98	113	9.89	0.087	22.41	1.08
KE4T92B	95.3	0	37	113	150	19.56	0.130	20.52	1.66
KE4T93A	84.1	0	18	133	151	12.24	0.081	14.55	1.20
KE4T94A	34.5	0	8	98	106	5.43	0.051	15.74	0.66
KE4T95A	60.64	0	6	46	52	3.45	0.066	5.68	0.54
KE4T95B	79.10	0	15	89	104	10.73	0.103	13.56	2.33
KE4T96A	82.88	0	5	68	73	3.71	0.051	4.47	0.32
KE4T97A	41.08	0	1	23	24	4.39	0.183	10.69	2.14
KE4T97B	53.88	0	1	19	20	2.78	0.139	5.16	1.20
KE4T98A	31.83	0	1	11	12	1.82	0.151	5.70	0.84
KE4T98B	138.90		27	70	97	13.65	0.141	9.82	0.89
KE4T99A	40.87	0	4	17	21	3.31	0.157	8.09	1.28
KE4T99B	45.31	0	6	19	25	2.47	0.099	5.44	0.35

Samples from 3m deep trenches "A" sample is regolith, "B" sample is saprolite.
 Diamonds recovered from the 1.2 mm to 10mm size fraction.

Processing of trench samples is continuing and should be completed within the next two months. High-grade mineralisation is being recorded in samples from the eastern margin of



the pipe and it is anticipated that additional resources will be added to the surface enrichment inventory when all results are available.

In recent months, a number of regolith samples collected from over magmatic lamproite adjacent to tuffaceous areas have contained economic diamond grades. At Ellendale 9 the regolith over large areas of magmatic lamproite proved to be economically mineralised and the Company is hopeful that a similar situation will exist at Ellendale 4. Kimberley has recently commenced a reconnaissance trenching program over magmatic areas of the eastern lobe of Ellendale 4. It is anticipated that this work will further enhance the surface enrichment resource at Ellendale 4.

3.2 DEEP EXPLORATION – ELLENDALE 4 AND 9

Kimberley is investigating the tuffaceous lamproite that occurs beneath the surface enrichment zone that is targeted by the Stage 1 mining operations. Primary tuffaceous lamproite underlying the surface enriched zones is known to be significantly diamondiferous and this deeper resource should form the basis for Kimberley's Stage 2 mining operations. Preliminary results have been sufficiently encouraging for the Company to accelerate development, with the current plan being to commence Stage 2 mining of Ellendale Pipe 4 during the second half of 2003.

Narrow diameter drilling aimed at determining pipe structure and defining volumes and tonnages of the various lithologies was completed during the last quarter and three-dimensional modelling of the orebody is currently being undertaken.

Kimberley has recently commenced a large-diameter drilling program to determine the grade of the deeper lamproite at Ellendale 4. Over fifty, 1.2m diameter holes totalling about 2,000 metres of drilling are planned for this program. Large diameter drilling of Ellendale 9 will require a much larger drill and this work is not expected to commence till the second quarter of 2003.

Regional Program and Blina

Bulk testing of fissure lamproites identified during 2001 is continuing. To date, results from this sampling have been interesting rather than outstanding. To date, samples have been processed from Kimberley 19, 21 and 23. The most encouraging results so far have been from the largest of the fissure lamproites, Kimberley 23. Two relatively shallow sites over microdiamond-rich magmatic lamproite have been sampled with one sample achieving grades of just over 1 cpht from a 200 tonne sample. For magmatic lamproite this is a relatively high grade (compared to Ellendale Pipes 4 and 9) and Kimberley is anticipating that the tuffaceous phases of this pipe will have substantially higher grades. The tuffaceous sections of Kimberley 23 are covered by more than 15 metres of aeolian sand and recent attempts at sampling have been unsuccessful. Work is continuing on this fissure.

Bulk sampling results from Kimberley Pipes 19 and 21 have been disappointing. While grades of up to 1.7 cpht have been achieved from individual samples on Kimberley 19, the overall grade from 12 bulk samples was less than 0.5 cpht. The single sample processed from Kimberley 21 while diamondiferous, was also low grade. Additional sampling is planned to further test microdiamond-rich sections of Kimberley 21.

Samples from lamproites on the two southern fissures have been collected and are awaiting processing.

An exploration program to locate the diamonds eroded from Ellendale 9 has recently commenced. The program targets areas immediately adjacent to Ellendale 9 mining operation and has achieved almost instant success. Pitting has identified two new palaeo-



channel systems in close proximity to the mine. One of these systems is essentially at surface and a continuous zone of gravels over 150 metres wide has been exposed in trenches. The other palaeo-channel system appears much older and is covered by up to 10 metres of well consolidated clayey sand. Gravels have been recorded in exploration pits over a traverse width of 200 metres, however continuity of the system is uncertain. This deeper palaeo-channel system has many similarities to the Terrace 5 gravels.

Bulk samples gravels have now been collected from both gravels and these should be processed shortly. Further evaluation of the new newly identified palaeo-channel systems will await the results of the bulk testing.

Ellendale South Project

Exploration on palaeo-gravels identified in the Ellendale South Project continued during the quarter. A 156 hole, 2,557 metre drilling program aimed at better the J-Channel palaeo-gravels was completed. This drilling enabled the palaeo-channel to be defined over a distance of approximately 7 kilometres and to within a kilometre of Ellendale 4. Gravel layers up to 3 metres thick were recorded with channel widths typically in excess of 500 metres.

Samples of drill-spoil collected from gravel within palaeo-channel have been sent to Kimberley's Perth laboratory for analysis. Results from this sampling will provide a guide to an upcoming bulk sampling program. During the quarter 93 diamonds weighing 16.07 carats were recovered from 435 tonnes of gravels processed from the southern end of the J-Channel near Dome Hill. In the coming quarter, Kimberley plans to collect bulk samples from the upstream end of J-Channel, close to Ellendale 4.

Ellendale East Project

No fieldwork was undertaken in the Ellendale East Project area during the last quarter. Kimberley is waiting for a heritage clearance survey to be completed over an area north of Ellendale 4. Previous exploration has identified extensive gravel deposits and concentrations of lamproitic indicator minerals and diamonds within the area. It is hoped to commence a mapping and sampling program during the coming quarter.



TABLE 5				
SCHEDULE OF MINING TENEMENTS – 30 SEPTEMBER 2002				
	TENEMENT	AREA (KM ²)	DATE OF GRANT	KIMBERLEY'S INTEREST
ELLENDALE MINING AREA	MLA04/372	123.9	23/04/02	100%
BLINA PROJECT	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%
	LA04/26	1.6	application	100%
	PLA04/204	1.8	application	100%
	PLA04/205	1.6	application	100%
	PLA04/206	1.3	application	100%
ELLENDALE SOUTH PROJECT (AURIDIAM JV)	E04/726	95	21/01/93	Earning up to 61%
ELLENDALE EAST PROJECT (ELLENDALE RESOURCES JV)	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%
CALWYNARDAH PROJECT (BENTONITE)	E04/817	26	3/08/93	80%
	MLA04/316	3.2	application	80%
	MLA04/317	2.6	application	80%
	MLA04/334	5.4	application	80%
	MLA04/335	5.1	application	80%
All Mining Lease Applications are within existing Exploration Licences				

**MILES KENNEDY
 CHAIRMAN**

30 October 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 does not accept responsibility for the accuracy or adequacy of this release.