

**Namakwa** Diamond Company

**QUARTERLY REPORT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2003**

**ASX CODE: NDC**

## **1.0 EXECUTIVE SUMMARY**

### **1.1 Highlights – Namakwa Diamond Project, South Africa**

- Final Resource Statement for Stage 1 determined at 2.2 million tonnes at a grade of 18.7 carats per hundred tonnes (cpht) for 411,000 carats with an in situ value of approximately A\$60 million.
- Successful completion of SPECTREM<sub>2000</sub> Airborne Survey which has delineated a number of major regional targets for follow up exploration.
- Increase in tenement holding on the Namakwa West Coast to 71km<sup>2</sup> (a 27% increase).
- Bulk sample exploration trench GDT8 commenced with gravel processing to begin next quarter.
- Lodgement of final Environmental Management Plan on 28 October 2003.

### **1.2 Corporate**

- Agreements executed with New Africa Mining Fund and Zaico (Pty) Ltd that will result in Rand 33 million (approximately A\$7 million) in direct funding and benefits relating to the Namakwa Diamond Project on the West Coast of South Africa.
- Appointment of Mr Richard Linnell to the Board.
- Additional working capital of A\$568,000 raised by the issue of 3,550,000 ordinary fully paid shares and 1,775,000 attaching options completed post quarter end.

## **2.0 NAMAKWA DIAMOND PROJECT SUMMARY**

### **2.1 Exploration**

The Company successfully completed an airborne geophysical survey utilising the leading edge SPECTREM<sub>2000</sub> technology which has delineated a large number of new targets at the Namakwa Diamond Project. This system is recognised as being one of the most sophisticated airborne EM systems worldwide.

The survey has confirmed the significant exploration upside within Namakwa's project areas.

The initial results of the SPECTREM<sub>2000</sub> survey are very exciting and represent a major advance in the Company's geological understanding of the Project at a regional scale and has identified a large number of priority geophysical targets for an expanded exploration program.

The completion of this survey represents a quantum leap in Namakwa's understanding of the broader potential of the tenement areas and will result in a sophisticated and highly developed program of drilling and bulk sampling over the next 12 months to increase the Company's resource inventory.

The survey flew 1,100 line kilometres and covered all four of Namakwa's West Coast tenements (including the recently granted eastern tenement), and was flown at an elevation of 90 metres above surface and at a line spacing of 150 metres. The survey utilised the electromagnetic/magnetic (EM) SPECTREM<sub>2000</sub> airborne geophysical platform, which has been a proven delineator of bedrock topography and alluvial stratigraphy along South Africa's West Coast.

The technology has been successfully deployed by a number of other South African diamond producers and explorers, most notably the Namaqualand Mines Division of De Beers South Africa.

The initial results are very promising and have highlighted a number of self evident targets on each tenement. Namakwa's exploration team is currently prioritising target delineation with a view to planning a comprehensive 2003/04 exploration program.

The primary focus of current activity is to map and model bedrock elevations and integrate these within the localised and regional models of gravel distribution on the four tenement areas. Of particular encouragement is the mapping of extensive coastal plain features such as the J-shaped bays, log-spiral features behind headlands, areas of irregular bedrock relief and large topographic lows that are still components of the palaeo-coastal plain.

These features are generally associated with high-grade accumulations of diamonds deposited along the coastline.

## **2.2 Development**

The Directors are pleased to report that the Namakwa Diamond Project has advanced to Stage 1 feasibility. Having completed three successful bulk sample trenches and undertaken 15,000 metres of auger and RC (reverse circulation) drilling since March 2001, the three critical parameters of value, grade and tonnage have been determined in two large resource blocks at Langstrand and Liebenberg Bay. These resource blocks delineate a resource of 2.2 million tonnes, containing 411,000 carats, grading overall at 18.7 cph. The average value of the diamonds is US\$101 per carat.

Namakwa has commenced further bulk sampling on the farm Graauwduinen 152. This trench is within the Langstrand resource block. To date, trench GDT8 has removed 60,250 bank cubic metres (bcm) of overburden (approximately 108,450 tonnes) and progress is ongoing. Information obtained from this trench will increase the confidence level in the Stage 1 resource block at Langstrand. Results from this trench are expected shortly.

## **2.3 Resource Statement**

Namakwa's initial resource statement after completion of further exploration drilling and bulk samples have been delineated at Langstrand (on the farm Graauwduinen 152, PP 26/2000) and at Liebenberg Bay (on the farm Klipvley Karoo Kop 153, PP 19/2000). In summary, a global resource of 2.2 million (metric) tonnes at an overall grade of 18.7 cph has been delineated (Table 1). The resource blocks cover an area of approximately 1% of the Company's West Coast ground holding.

**TABLE 1: GLOBAL RESOURCE STATEMENT**

Orebody	Measured Inventory			Indicated Inventory			Inferred Inventory			Total Resource		
	(t)	(ct/100t)	(ct)	(t)	(ct/100t)	(ct)	(t)	(ct/100t)	(ct)	(t)	(ct/100t)	(ct)
OU	139,000	29.0	41,600	314,000	36.0	113,000	1,591,000	15.1	240,100	1,730,000	16.3	281,700
RET	7,200	20.8	1,500	355,800	32.7	116,200	109,000	10.6	11,600	472,000	27.4	129,300
<b>TOTAL</b>	<b>146,200</b>	<b>29.5</b>	<b>43,100</b>	<b>669,800</b>	<b>34.2</b>	<b>229,200</b>	<b>1,700,000</b>	<b>14.8</b>	<b>251,700</b>	<b>2,202,000</b>	<b>18.7</b>	<b>411,000</b>

**TABLE 2: RESOURCE CLASSIFICATION AT LIEBENBERG BAY <sup>(i)</sup>**

Liebenberg Bay Mineral Resource Block Classification											
Block No.	Thickness	Area	Volume	Mass	Grade	Carats	Overburden Thickness	Overburden Volume	Overburden	Strip Ratio	Classification
	(m)	(m <sup>2</sup> )	(m <sup>3</sup> )	(t)	(cpht)		(m)	(m <sup>3</sup> )	(t)		
OU1	1.50	22,900	34,350	72,000	36.00	25,900	14.0	320,600	577,000	8:1	Measured
OU2	0.70	12,200	8,540	17,900	36.00	6,400	12.5	152,500	275,000	15:1	Measured
OU3	1.50	99,600	149,400	314,000	36.00	113,000	9.0	896,400	1,613,000	5:1	Indicated
OU4	1.50	56,900	85,350	179,000	16.10	28,900	13.0	739,700	1,331,000	7:1	Inferred
OU5	1.50	53,600	80,400	169,000	16.10	27,200	13.5	723,600	1,302,000	8:1	Inferred
<b>Sub Total</b>	<b>1.34</b>	<b>245,200</b>	<b>358,040</b>	<b>751,900</b>	<b>26.79</b>	<b>201,400</b>	<b>12.4</b>	<b>2,832,800</b>	<b>5,098,000</b>	<b>7:1</b>	
RET1	0.50	1,300	650	1,300	7.80	100	7.4	9,620	17,300	13:1	Indicated
RET2	0.50	11,900	5,950	11,900	7.80	900	8.0	95,200	171,000	14:1	Indicated
RET3	0.50	28,600	14,300	28,600	7.80	2,200	8.0	228,800	412,000	14:1	Indicated
<b>Sub Total</b>	<b>0.50</b>	<b>41,800</b>	<b>20,900</b>	<b>41,800</b>	<b>7.66</b>	<b>3,200</b>	<b>7.8</b>	<b>333,620</b>	<b>600,300</b>	<b>14:1</b>	
<b>TOTAL</b>		<b>287,000</b>	<b>378,940</b>	<b>793,700</b>	<b>25.78</b>	<b>204,600</b>		<b>3,166,420</b>	<b>5,698,300</b>	<b>7:1</b>	

**TABLE 3: RESOURCE CLASSIFICATION AT LANGSTRAND <sup>(i)</sup>**

Langstrand Mineral Resource Block Classification											
Block No.	Thickness	Area	Volume	Mass	Grade	Carats	Overburden Thickness	Overburden Volume	Overburden	Strip Ratio	Classification
	(m)	(m <sup>2</sup> )	(m <sup>3</sup> )	(t)	(cpht)		(m)	(m <sup>3</sup> )	(t)		
LS OU1	1.3	18,000	23,400	49,100	18.9	9,300	11.0	198,000	356,000	9:1	Measured
LS OU2	1.3	136,000	176,800	371,000	14.8	54,900	11.0	1,496,000	2,693,000	9:1	Inferred
LS OU3	1.3	187,000	243,100	511,000	14.8	75,600	12.0	2,244,000	4,039,000	9:1	Inferred
LS OU4	1.3	105,000	136,500	287,000	14.8	42,500	11.5	1,207,500	2,174,000	9:1	Inferred
LS OU5	1.3	27,100	35,230	74,000	14.8	11,000	9.0	243,900	439,000	7:1	Inferred
<b>Sub Total</b>	<b>1.3</b>	<b>473,100</b>	<b>615,030</b>	<b>1,292,100</b>	<b>15.0</b>	<b>193,300</b>		<b>5,389,400</b>	<b>9,701,000</b>	<b>9:1</b>	
LS RET1	1.0	3,600	3,600	7,200	21.1	1,500	6.0	21,600	39,000	6:1	Measured
LS RET2	1.0	9,600	9,600	19,000	10.7	2,000	7.5	72,000	130,000	7:1	Inferred
LS RET3	1.0	14,200	14,200	28,000	10.7	3,000	7.5	106,500	192,000	7:1	Inferred
LS RET4	1.0	21,600	21,600	43,000	10.7	4,600	5.0	108,000	194,000	5:1	Inferred
LS RET5	1.0	9,300	9,300	19,000	10.7	2,000	5.0	46,500	84,000	5:1	Inferred
<b>Sub Total</b>	<b>1.0</b>	<b>58,300</b>	<b>58,300</b>	<b>116,200</b>	<b>11.3</b>	<b>13,100</b>		<b>354,600</b>	<b>639,000</b>	<b>6:1</b>	
<b>TOTAL</b>		<b>531,400</b>	<b>673,330</b>	<b>1,408,300</b>	<b>14.7</b>	<b>206,400</b>		<b>5,744,000</b>	<b>10,340,000</b>	<b>9:1</b>	

**(i) NOTES TO RESOURCE CLASSIFICATIONS:**

- An SG of 2.1 was used to calculate Older Unit (OU) tonnage
- An SG of 2.0 was used to calculate Recent Emergent Terrace (RET) tonnage
- Inferred and Indicated carats have been rounded to nearest 100ct
- Measured tonnages have been rounded to nearest 100t
- Inferred tonnages have been rounded to nearest 1,000t
- An SG of 1.8 was used to calculate Overburden tonnage
- Overburden tonnages have been rounded to nearest 1,000t
- Grade indicator in the Measured and Indicated categories is a Sichel t estimator
- Grade indicator in the Inferred category is the lower 90% confidence level of the Sichel t estimator
- Overburden (tonnes)
- Volume (cubic metres)

## **2.4 Mining Right Application**

As previously advised, Namakwa lodged a Mining Right application with respect to the Namakwa Diamond Project in July 2003. This process involves, amongst other things, the lodgement of a final Environmental Management Plan (EMP) which the Company lodged on 28 October 2003. The final EMP requires a statutory 60 day public commenting period. Namakwa is optimistic that the Mining Right will be granted at the expiry of this time, which should be late 2003.

Upon grant of the Mining Right the Company will complete its plant upgrade, estimated to take 2 to 3 months and will then move into Stage 1 Mining, scheduled at 500,000 tonnes per annum.

## **2.5 Diamond Sales**

To date, 4,533.23 carats have been recovered in sampling operations, the largest diamond weighing 14.89 carats. Namakwa has completed two sales in South Africa of its sampled rough diamonds, realising average values of US\$96.63 and US\$103.20 respectively. These two sales of 1,561.48 and 2,926.17 carats respectively, have achieved one of the key goals of Namakwa's bulk sampling program, that of determining value in commercial sized parcels, being an average of US\$101 per carat.

## **3.0 CORPORATE MATTERS**

### **3.1 Black Economic Empowerment – New Africa Mining Fund / Zaico (Pty) Ltd**

During the quarter the Company completed a series of transactions to implement development funding and a benefits package of A\$7 million for the Namakwa Diamond Project provided by South Africa's New Africa Mining Fund (NAMF) and Zaico Investments (Pty) Limited (Zaico Investments).

Namakwa, its Black Economic Empowerment (BEE) partner Zaico Investments and NAMF executed a series of agreements under which:

- NAMF will immediately advance R10 million (approximately A\$2.13 million) to Namakwa's unlisted South African operating subsidiary, NDC Mining Company (Pty) Ltd (NDCM), to provide working capital to complete the Stage 1 Feasibility Study for the Namakwa Diamond Project and commence initial development activities;
- NAMF will take up a direct 10% interest in NDCM; and
- NDC and NAMF will free-carry the cost of Zaico Investments' acquisition of its interest in NDCM (via Zaico 2) in the sum of R13.35 million (approximately A\$2.85 million), recoverable from the preferential distribution of cash flows from the Project.

As a result of the the transactions, NDCM is now 64% owned by Namakwa, 10% by NAMF and 26% by Zaico 2. Zaico 2, in turn, is 51% owned by Zaico Investments and 49% by NAMF.

The finalisation of these transactions represents a very important milestone for Namakwa and signals the commencement of the development phase of the Namakwa Diamond Project, positioning the Company to make the transition to diamond producer.

Zaico 2's acquisition of a 26% interest in NDCM concludes the BEE transactions announced by Namakwa earlier this year, in accordance with South Africa's broad-based Socio-Economic Empowerment Charter and the recent changes to the South African Minerals Act 2002.

Under the transactions NAMF and Zaico 2 have the right to convert their holdings in NDCM into Namakwa shares, at fair market value at the time of conversion, provided that Black Empowerment status is preserved and all regulatory requirements (including shareholder approval, if required) are met.

Namakwa will also issue 5 million options to NAMF. The options will expire on 30 September 2006 and will be convertible into ordinary Namakwa fully paid shares at a price of 20 cents each. Namakwa will have 12 months to apply for the options to be listed on the ASX.

Finally, under the agreements, NAMF will also be granted a first right of refusal to participate in the acquisition by Namakwa of any interest in any diamond project in Africa (limited to a maximum of 22.7% of the interest that Namakwa may acquire).

### **3.2 Board Appointment – Richard Linnell**

Namakwa further strengthened its Board with the appointment of Mr Richard Linnell as a non-executive director.

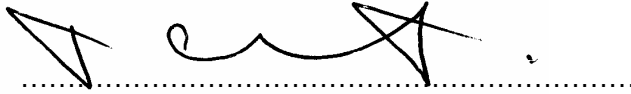
Mr Linnell is a senior South African mining executive who has acted for the Company as a consultant over the past year and brings to the Board specialist experience in the areas of liaison with black empowerment partners and government approvals. He also brings to the Company an exceptional knowledge and contact base, and depth of experience in operating effectively in the South African business environment.

Mr Linnell – who is based in Johannesburg – was until his retirement from a full-time role at BHP Billiton three years ago, responsible for Billiton PLC's Exploration and Development activities within Africa. This followed a lengthy career as General Manager of the Manganese Division of Samancor, a joint venture between Billiton PLC and the Anglo American Corporation.

Mr Linnell is still actively involved with BHP Billiton on special assignments relating to risk amelioration and risk management in the African context, and has interacted with the World Bank and its associates the IFC and MIGA. He was an originator of the Bakubung Initiative, a Forum designed to revive the South African mining industry which led to the establishment of the New Africa Mining Fund.

### **3.3 Capital Raising**

Subsequent to quarter end Namakwa negotiated a placement for up to 3,550,000 ordinary shares at 15 cents each together with 1,775,000 attaching options at 2 cents each to raise A\$568,000 to supplement working capital. The options expire on 30 September 2006 and are exercisable at 20 cents each. The placement was fully subscribed.

A handwritten signature in black ink, consisting of a stylized 'K' followed by a cursive 'S' and 'I'.

**KARL SIMICH**  
**EXECUTIVE CHAIRMAN**

31 October 2003

The geological information contained in this report has been compiled by Albert George Thamm, M.Sc., M.Aus.IMM, who is a Competent Person as defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves ("JORC Code") and is included in this report with his consent.

# 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

**NAMAKWA DIAMOND COMPANY NL**

ABN

**77 085 806 284**

Quarter ended ("current quarter")

**30 September 2003**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(909)	(909)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	4	4
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - Movement in Working Capital	(119)	(119)
<b>Net Operating Cash Flows</b>	<b>(1,198)</b>	<b>(1,198)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(2)	(2)
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>(2)</b>	<b>(2)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,200)</b>	<b>(1,200)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,200)	(1,200)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	800	800
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	800	800
	<b>Net increase (decrease) in cash held</b>	(400)	(400)
1.20	Cash at beginning of quarter/year to date	476	476
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	76	76

**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	101
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Provision of managerial, general corporate, financial, secretarial services and office accommodation by a director and a director related entity.

**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

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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

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+ 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	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	315
4.2 Development	
<b>Total</b>	<b>315</b>

### 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	76	476
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>76</b>	<b>476</b>

### 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		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

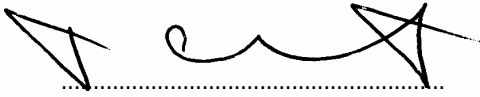
*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	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>	80,681,526	80,681,526		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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>	830,000 990,000		25 cents 15 cents	31/12/04 31/12/05
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	25,592,667	25,592,667	40 cents	31/07/03
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 Act 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:  Date: 31 October 2003

Print name: **KARL SIMICH**  
**CHAIRMAN**

## 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.