

**Namakwa** Diamond Company

## **QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2003**

**ASX CODE: NDC**

## **1.0 EXECUTIVE SUMMARY**

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

- All regulatory applications for the Company's Stage 1 Mining Licence at the Namakwa Diamond Project were submitted during the quarter. The Company is in consultation with the Department of Minerals and Energy (DME) and we expect the DME's decision during the March 2004 quarter.

### **1.2 Corporate**

- All resolutions contained in the Notice of Annual General Meeting approved by shareholders at the Company's Annual General Meeting.
- Prospectus lodged with the Australian Stock Exchange for a pro rata non-renounceable rights issue of 2006 Options at 20 cents each (one 2006 Option for every 5 Shares held) to raise approximately \$339,527.
- Prospectus lodged with the Australian Stock Exchange for an offer of up to 25,592,667 Options at 20 cents each to raise up to \$511,854.
- First tranche of Rand 10 million received from the New Africa Mining Fund (NAMF).

## **2.0 NAMAKWA DIAMOND PROJECT SUMMARY**

### **2.1 Exploration**

Namakwa's Stage 1 Feasibility and Mining Plan are centred around its resource blocks at Liebenberg Bay and Langstrand which stand at a global resource of 2.2 million metric tonnes, containing an estimated 411,000 carats grading at 18.7 carats per hundred tonnes. The diamonds recovered from Namakwa's bulk sampling program to date have resulted in two parcels of diamonds (4,522 carats in total) being valued and sold at an average price of USD101 per carat.

### **2.2 Spectrem AEM Survey**

The Company's technical staff are currently evaluating the results of the advanced SPECTREM<sub>2000</sub> airborne geophysical survey which targeted strandlines, palaeo channels and bedrock elevations across Namakwa's 71.2 km<sup>2</sup> tenement holding. This 1,100 line kilometre survey, flown at line spacings of 150 metres and at heights of 90 metres above, has generated a number of significant new targets within the Company's tenement holdings and these will form Namakwa's Stage 2 Exploration program, which will commence once the Stage 1 Mining Licence has been issued.

### **2.3 Black Economic Empowerment**

Compliance with South Africa's newly enacted mining legislation, the Mineral and Petroleum Resources Act (28) of 2002 is a pre-condition to any Mining Licence being granted. In this regard the Company has successfully negotiated a substantive Black Economic Empowerment transaction with Zaico (Pty) Ltd and the New Africa Mining Fund (NAMF), culminating in transactions which provide approximately R33 million in value to the Company (of which R19.57 million is in cash) in return for the acquisition of

a combined 36% of Namakwa's South African based subsidiary, NDC Mining (Pty) Limited, by Zaico (Pty) Ltd (26%) and NAMF (10%).

### **3.0 CORPORATE MATTERS**

#### **3.1 Annual General Meeting**

The Company's Annual General Meeting was held 26 November 2003. All resolutions included in the Notice of 2003 Annual General Meeting were approved by the shareholders.

#### **3.2 Equity Raising**

On 16 December 2003 the Company lodged a Prospectus with the Australian Stock Exchange to raise up to \$511,854 with the offer of up to 25,592,667 Options exercisable at 20 cents each on or before 30 September 2006 on the basis of one 2006 Option at 2 cents each for every one expired 2003 Option.

On 16 December 2003 the Company lodged a Prospectus with the Australian Stock Exchange to raise approximately \$339,527 for a pro rata non-renounceable rights issue of 2006 Options exercisable at 20 cents each on or before 30 September 2006 on the basis of one 2006 Option at 2 cents each for every 5 Shares held.

#### **3.3 New Africa Mining Fund (NAMF)**

During the quarter NAMF advanced South African Rand 10 million to Namakwa's unlisted South African operating subsidiary, NDC Mining (Pty) Limited (NDCM). The advance was in accordance with agreements executed with NAMF and Zaico (Pty) Ltd in the previous quarter that will result in a total of South African Rand 19.57 million being available for development funding for the Namakwa Diamond Project on the West Coast of South Africa. Consequent to this initial advance NAMF took up a direct 10% interest in NDCM. Upon the grant of the Mining Licence NAMF will advance the final Rand 9.57 million.



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

30 January 2004

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

<b>NAMAKWA DIAMOND COMPANY NL</b>
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ABN

<b>77 085 806 284</b>
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Quarter ended ("current quarter")

<b>31 December 2003</b>
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### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(695)	(1,604)
1.3 Dividends received	(389)	(563)
1.4 Interest and other items of a similar nature received	10	14
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - Movement in Working Capital	(240)	(359)
<b>Net Operating Cash Flows</b>	<b>(1,314)</b>	<b>(2,512)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(13)	(15)
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>(13)</b>	<b>(15)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,327)</b>	<b>(2,527)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(1,327)	(2,527)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	521	521
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	2,006	2,806
1.17	Repayment of borrowings	(800)	(800)
1.18	Dividends paid		
1.19	Other (provide details if material)		
<b>Net financing cash flows</b>		1,727	2,527
<b>Net increase (decrease) in cash held</b>		400	-
1.20	Cash at beginning of quarter/year to date	76	476
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	476	476

**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	181
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 directors and director related entities.

**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

The New Africa Mining Fund (NAMF) advanced SA Rand 10 million (approximately A\$2 million) to Namakwa's unlisted South African operating subsidiary, NDC Mining (Pty) Limited (NDCM) and as per the funding agreement NAMF took up a direct 10% interest in NDCM.

+ 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	637
4.2 Development	-
<b>Total</b>	<b>637</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	476	76
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>476</b>	<b>76</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**

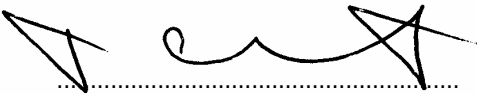
*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	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>	84,881,526	84,881,526		
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>	570,000 945,000 57,043,972		25 cents 15 cents 20 cents	31/12/04 31/12/05 30/09/06
7.8 Issued during quarter	3,500,000		20 cents	30/09/06
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 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: 30 January 2004

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.