Namakwa Diamond Company

NAMAKWA DIAMOND COMPANY NL

ASX CODE: NDC
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QUARTERLY REPORT
FOR THE PERIOD ENDED 30 JUNE 2001

1 HIGHLIGHTS

1.1 Outstanding Exploration Results at the West Coast Diamond Project

- Significant drilling was undertaken at the West Coast Diamond Project with better than expected results. At this early stage the Company is confident of achieving a gravel inventory of between 5-10 million tonnes.

- Previous sampling on the West Coast Diamond Project delivered an outstanding grade of 26.7 carats per hundred tonnes (“cpht”).

1.2 Valuation by Ernst & Young at between $0.42 to $0.87 per Namakwa share

- As at 19 April 2001, prior to the announcement of any data from Namakwa’s exploration and evaluation program, international accounting firm, Ernst & Young, independently valued one Namakwa share at between A$0.42 to A$0.87 on a fully risked basis (ie, 25% - 50% probability of success).

1.3 Corporate, Administration and Logistics

- Site personnel, including technical, logistics and security, established and operational at the West Coast Diamond Project.

- Corporate, administration and logistics systems and facilities established in Perth and Johannesburg and are fully operational.

1.4 Majestic bid fails – Shares subject to buy back

- Majestic’s takeover bid fails and Namakwa agrees to buy back Majestic’s 17.7% stake (9,000,000 shares) at A$0.23 per share, reducing the supply of Namakwa’s equity securities and tightening its capital structure (after quarter end).

2 EXPLORATION/EVALUATION

2.1 Namakwa Diamond Project – West Coast, South Africa

2.1.1 Exploration and Evaluation Program

Since March 2001, the Company's exploration/evaluation team, led by Chief Executive Officer (South Africa), John Firth, and Project Manager, West Coast, Albert Thamm, has been focussing on finalising field based studies and ore body delineation (from drilling) on the West Coast Diamond Project.

In light of the progress and results of Namakwa's exploration and evaluation program, the directors have reviewed the program as follows.

STAGE	PERIOD	ACTION	COMMENT
1	Apr – May 01	Field-based studies	Survey and environmental baseline studies completed.
			Geological mapping of outcrop geology completed.
			Aerial photography interpretation completed.
			Use of electromagnetic and other geophysical techniques in order to determine bedrock depth and contours. Not useful at this stage.
			DMS plant site determined.
	May – Aug 01	Drilling	First 2,000 plus metres completed.
			Additional drilling to be undertaken.
	Jul – Aug 01	Compilation of Data	Commenced and continuing.
2	Jul – Sep 01	Pitting and trenching	Some pitting to be undertaken but further drilling will be undertaken as this technique is proving to be of greater benefit and is more efficient at this stage.
	Sep 01 – Feb 02	Bulk samples to be taken	Approx. 50,000 tonnes of gravels will be extracted for processing through the DMS plant.
			A number of bulk sampling sites have already been determined.
3	Late Oct 01	DMS plant	Arrival expected on site.
	Nov 01	Complete construction and commission on site.	Including all associated infrastructure.
	Dec 01	Commence processing of bulk samples	Confirm the grade of mineral resources.
4	Dec – Apr 02	DMS processing.	Full processing of bulk samples on site.
5	May – Jun 02	Compilation of results.	Preparation of feasibility study.
6	Jun 02	Decision to mine	Based on feasibility study
7	Third Quarter 02	Commence mining operations.	Subject to stage 6 sign off.

2.1.2 Summary of Drilling Results to date

Drilling on the West Coast Diamond Project commenced on 7 May 2001. The primary focus of this drilling is to determine the presence or absence of gravel. Highlights of these results are:

- 135 holes totalling 2,262 metres (6.5 inch auger rig, 1-metre intervals);
- 41 holes intersected gravels greater than 1 metre, with some gravel intersections being of up to 5 meters;
- 64 holes (including the 41 above) intersected gravels greater than 0.5 metres; and
- gravels from all three terraces were encountered – lower, middle and upper.

The drilling results have been better than expected. At this stage, however, it would be premature to estimate a mineral resource. Nevertheless, the distribution of gravels is broadly as expected, other than the significantly promising occurrence of unexpected channels and gullies beneath the targeted ore body gravels at Klipvley Karoo Kop and Geelwal Karoo.

As initially interpreted, the distribution of gravels is, strongly controlled by bedrock topography. The presence of gullies and channels beneath our previous targeted ore body suggests the potential for excellent high-grade trap sites that could boost grade. The geology, at this stage, is strongly reminiscent of that at the Trans Hex Hondeklip Bay mine which is located north of the Company's prospects.

2.1.2.1 Graauduinen

Fifty-seven drill holes were completed for 963.5m. Of these ten intersected significant marine gravels >1m in thickness and in total twenty intersected recorded marine gravels 0.5-1m thick. Of these six are Middle Terrace intersections and fourteen are Lower Terrace intersections.

2.1.2.2 Klipvley Karoo Kop

Seventy-three drill holes were completed for 1,100m. Of these twenty-six intersected significant marine gravels >1m in thickness and in total thirty-nine intersection recorded marine gravels >0.5m thick. Of these nine are Middle Terrace intersections and fourteen are Lower Terrace intersections. Sixteen intersections are as yet unclassified.

2.1.2.3 Geelwal Karoo

Five drill holes were completed for 198m. Of these all five intersected significant marine gravels >1m in thickness. Of these four are Middle Terrace intersections and one an Upper Terrace intersections.

2.1.3 Past Bulk Sample Results

The Company has previously undertaken three bulk samples on its target diamondiferous gravels. The samples were taken from two sites within the middle concession of Klipvley Karoo Kop and the results were as follows.

	Estimated Plant Feed (Tonnes)	**Carats Recovered**	**Grade (cpht)**
Liebenburg Bay Sample 1	70	16.75	23.9
Liebenburg Bay Sample 2	90	13.56	15.1
Kol Se Duin	140	49.77	35.5
TOTAL	**300**	**80.08**	**26.7**

Note: Results from these samples were previously disclosed in Namakwa's quarterly report for the third quarter of 2000/2001. These are not new samples.

Diamond recovery was by hand sorting and the stones recovered and reported in the table are above a size of 1.6mm. The largest stone recovered from the above sampling was 2.41 carats.

It is important to note that no significant bedrock sweeping was undertaken from the samples and the Company is of the view that a greater number of larger diamonds would have been recovered and the grade would have been enhanced if bedrock sweeping had been undertaken.

Pursuant to its drilling program, Namakwa is already in the process of determining the gravel resources and stripping ratios at the West Coast Diamond Project. Processing of bulk samples is expected to commence in November 2001.

2.1.4 DMS Plant and Associated Infrastructure

Namakwa has determined the most favourable location for construction of the proposed DMS sampling plant. Quotes for the construction of the DMS plant and infrastructure have been called for tender and a decision on the construction of the plant and infrastructure will be made shortly. At this stage, the Company is proposing a plant with a 40 tonne per hour ("tph") front end (trommel) with a 10-15 tph DMS module.

Upon the final decision being made, the plant should be on site by late October 2001. Bulk sampling processing should commence late November 2001 and progress to full-scale bulk sample processing in December 2001.

2.2 Schweizer Reneke Diamond Project

When taking on the Schweizer Reneke Project, the Company's objective was to exploit the small, prospective alluvial diamond project with minimal capital expenditure by utilising surplus plant and equipment and using contract mining and rental recovery equipment.

Bulk sampling has been ongoing since May 2001 and 173.81 carats have been recovered since that time to the end of the quarter from 15,682 tonnes of gravel, indicating a grade of 1.11 cpht. The average stone size was 0.97 carats and their value is expected to be in the vicinity of US$300-US$400 per carat.

Site establishment was completed early in the third quarter and the first of two rotary pan plants commissioned. The second pan plant was operational at the end of the third quarter. A jig plant is being used to process concentrate for final recovery and sorting is done by hand.

Rainfall for the quarter was unusually high and resulted in the deep channel deposit being inaccessible for much of the quarter due to flooding.

Following is a summary of the bulk sampling production results at the project.

Gravel Mined	16,190 tonnes
Ave Strip Ratio	4:1
Gravel Processed	15,682 tonnes
Carats Produced	173.81 carats
No. of Stones	179
Grade	1.11 cpht
Ave Stone Size	0.97 carats
Minimum Stone Size	2 mm

The Company will make a decision on the future of this project during the following quarter.

3 CORPORATE MATTERS

3.1 Majestic Bid

Majestic Resources NL's ("Majestic") takeover bid for Namakwa closed on 28 May 2001 and lapsed.

Namakwa has agreed (on 23 July 2001), subject to all required approvals, to buy back and cancel Majestic's significant 17.7% stake (9,000,000 shares) at A$0.23 per share (2 cents less than what Majestic paid). This will reduce the number of shares on issue in Namakwa to a total of 41,719,869 shares. The agreement provides for all existing disputes (including the defamation proceedings issued by Majestic) to be settled upon the buy back being concluded.

The Company it can now turn its full attention to enhancing value for all Namakwa shareholders with the objective of advancing its West Coast Diamond Project to the production stage and establish it as a profitable diamond mining operation in South Africa.

The directors would like to thank all Namakwa shareholders for their patience and support during the takeover process.

3.2 Valuation by Ernst & Young

Pursuant to Namakwa's takeover defence, the directors commissioned international accounting firm, Ernst & Young, to prepare an independent experts report for the Company's Target Statement, which valued a Namakwa share at between $0.42 to $0.87.

3.3 Administration and Logistics

Namakwa's Perth and Johannesburg offices have been established and are fully operational.

The Johannesburg office is the management and financial control centre for the Company's South African exploration (and in due course mining) activities. The Perth office is the Company's head office, which deals with Company's overall management and financial control matters, including corporate matters and negotiation and review of significant transactions. Costs and overheads associated with the Company's Perth office have fallen significantly since the lapse of Majestic's hostile takeover bid.

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KARL SIMICH
EXECUTIVE CHAIRMAN

31 July 2001

The geological information contained in this report has been compiled by Albert George Thamm, Master of Science, AusIMM, 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.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

NAMAKWA DIAMOND COMPANY NL

ACN or ARBN	Quarter ended ("current quarter")
77 085 806 284	**30 JUNE 2001**

Consolidated statement of cash flows

	Cash flows related to operating activities		Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from product sales and related debtors			
1.2	Payments for	(a) exploration and evaluation	(441)	(2,039)
		(b) development		
		(c) production		
		(d) administration*	(1,234)	(1,341)
1.3	Dividends received			
1.4	Interest and other items of a similar nature received		1	3
1.5	Interest and other costs of finance paid			
1.6	Income taxes paid			
1.7	Other (Working Capital)		299	254
	Net Operating Cash Flows		(1,375)	(3,123)
	Cash flows related to investing activities			
1.8	Payment for purchases of:	(a)prospects		
		(b)equity investments		
		(c) other fixed assets	(115)	(311)
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)			
	Net investing cash flows		(115)	(311)
1.13	Total operating and investing cash flows (carried forward)		(1,490)	(3,434)

*This includes the substantial costs which were incurred in defending the Majestic takeover bid.

1.13	Total operating and investing cash flows (brought forward)	(1,490)	(3,434)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,744	7,693
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	1,350
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	1,744	9,043
	Net increase (decrease) in cash held	254	5,609
1.20	Cash at beginning of quarter/year to date	5,355	-
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	5,609	5,609

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	
1.24	Aggregate amount of loans to the parties included in item 1.10	(430)

1.25 Explanation necessary for an understanding of the transactions

Loan to subsidiary company eliminated on consolidation of accounts. Current report reflects the consolidated accounts of the company.

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

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

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	625
4.2	Development	
	Total	**625**

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	363	75
5.2	Deposits at call	5,246	5,280
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	5,609	5,355

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.

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	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	50,693,339	43,945,636	Fully paid	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*	5,400,000 Convertible Notes	-		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	4,560,838 14,825,686	4,560,838 10,725,951	*Exercise price* 25 cents 30 cents on or before 31/3/02 or 40 cents after 31/3/02 but before	*Expiry date* 15/9/01 31/7/03
7.8	Issued during quarter				
7.9	Exercised during quarter	7,004,062 328	7,004,062 328	25 cents 30 cents	15/9/01 31/7/03
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ 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: .... Date: ....**31 JULY 2001**
Director

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.

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