



**Namakwa** Diamond Company

**NAMAKWA DIAMOND COMPANY NL**

ASX CODE: NDC  
NDCO  
NDCOA

**QUARTERLY REPORT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2001**

## 1 HIGHLIGHTS

### 1.1 Exploration - West Coast Namakwa Diamond Project

- Significant drilling was undertaken during the quarter with 80% of drill holes intersecting marine gravels.
- A 0.3 carat diamond recovered during jigging of one random drill sample.
- Drilling statistics to the quarter end are as follows:

Farm Name	Prospecting Permit No.	Number of Drill Holes	Total Meters Drilled
Graauw Duinen	26/2000	75	1,259
Klipvley Karoo Kop	19/2000	130	2,325
Geelwal Karoo	25/2000	14	341
		219	3,925

- Further drilling is planned.
- A DMS plant with a front end capacity of 30 to 40 tonnes per hour (tph) has been ordered and is expected to be on site in December 01/January 02.
- The Company has commenced excavation of the first bulk sample trench.

### 1.2 Valuation by Ernst & Young at between \$0.37 to \$0.82 per Namakwa share

- On 28 September 2001, Ernst & Young Corporate Finance Pty Ltd, independently valued one Namakwa share at between \$0.37 to \$0.82 on a fully risked basis (ie 25% - 50% probability of success).

### 1.3 Corporate

- The Majestic buy back agreement was cancelled and their stake of 9,000,000 shares in Namakwa was sold on the market to clients of stockbroking firms: Montagu, Baker Young, Barton Capital and Equity Underwriters.
- All outstanding disputes with Majestic have been settled in full or discontinued.

### 1.4 Future

- The Company is now well positioned to fully focus on its exploration and evaluation program at the Namakwa Diamond Project with bulk sample processing to commence in January 2002.

## 2 EXPLORATION/EVALUATION

### 2.1 Namakwa Diamond Project – West Coast, South Africa

#### 2.1.1 Exploration and Evaluation Program – Timetable

PERIOD	ACTION
Ongoing	Drilling, additional and cover drilling
Sept 01 to May 02	Trenches and bulk samples to be taken
Dec 01/Jan 02	DMS plant construction and commissioning on site
Jan 02 to June 02	Bulk sample processing
July 02	Feasibility study
July 02	Decision to mine
Third Quarter 02	Commence Mining operations, subject to feasibility study and all relevant approvals

#### 2.1.2 Summary of Drilling Results to Date

Delineation drilling on the Company's West Coast properties continued. Highlights of progress to date are:

##### 2.1.2.1 Graauw Duinen

Twenty-one drill holes were completed for 317m. Fourteen of these returned gravel intersections. To date, 75 drill holes and 1,259m have been completed on this tenement. The distribution of gravels is, as initially interpreted, strongly controlled by bedrock topography and the occurrence of gullies. The distribution of gravel has been greater than expected. Planning and cover drilling for two first phase sampling trenches is complete.

##### 2.1.2.2 Klipvley Karoo Kop

A total of 105 drill holes were completed for 2,025m. Of these, 85 intersected significant marine gravels, on the Lower, Middle and Upper Terraces. To date 130 drill holes and 2,325m have been completed on this tenement. The distribution of gravels is interpreted, strongly controlled by bedrock topography and the occurrence of gullies. The distribution of gravel is broadly to expectation, other than the occurrence of channels beneath the orebody target gravels. Significantly thicker than expected gravels were intersected in the Liebenberg Bay area, where gravels are known to be diamondiferous. The geology at this stage is strongly reminiscent of that at the Hondeklip Bay mine, to the north of this company's prospect area.

Planning and cover drilling for five first phase sampling trenches is complete. Overburden stripping has been completed on one existing EMP approved trench. Sampling and analysis on this pit should be complete in the next quarter and this site should deliver a 500 tonne bulk sample. In the course of jiggling drill hole KK3 for geotechnical analysis a 0.293 carat diamond was recovered.

### 2.1.2.3 Geelwal Karoo

Twelve drill holes were completed for 258m. Of these, all 12 intersected significant marine gravels >1m in thickness. Of these, 11 are Middle Terrace intersections and one an Upper Terrace intersection. A total of 14 drill holes have been completed to date for 341m. All intersected significant gravel. The distribution of gravels is controlled by bedrock topography and the occurrence of gullies. The distribution of gravel is broadly to expectation, however, in drill cuttings and in outcrop these gravels are strongly cemented. Areas with thinner overburden thickness were targeted in this quarter. As on Klipvley and Graauw Duinen, channels occur beneath the ore body target gravels. The geology at this stage is, as with the other two prospects, strongly reminiscent of that at the Hondeklip Bay mine, to the north of this company's prospect area. Planning and cover drilling for one first phase sampling trench is complete.

All drilling is by 6½ inch auger with primary focus the presence or absence of gravel, its thickness and bedrock height. Sampling is at 1m intervals and the X and Y position of each hole and its collar height recorded by DGPS to survey datum LO 19 to WGS 84.

### 2.1.3 Other Activities

Other than the drilling the following activities were completed:

- The prospect drill hole database completed and validated;
- A survey of a potential DMS plant site completed;
- Aerial photograph interpretation completed and incorporated into GIS;

Statutory Environmental Management Program amendments to allow for additional bulk sampling were submitted during the quarter. Discussions with regulatory authorities and interested and affected parties are on-going.

### 2.1.4 DMS Plant and Associated Infrastructure

Namakwa has ordered a DMS plant with construction being undertaken in Australia. The plant will have a front-end throughput rate of between 30 to 40 tph with a 10-15 tph DMS module. The DMS plant is expected to leave Australia in November/December 2001 with arrival at site late 2001/early 2002. It will be constructed and commissioning should take place in January 2002.

The Company will also be purchasing a Flow sort diamond recovery unit.

## 2.2 Schweizer Reneke Diamond Project

No further work was undertaken at this project.

Namakwa was not satisfied with the extent of the size of the project and considers it does not warrant moving to larger scale operations. Namakwa has therefore withdrawn from this project and equipment demobilised to the Namakwa Diamond Project. Diamonds recovered have not been sold as yet but have been valued at approximately US\$300 per carat. The Company holds 174 carats of diamonds on hand.

### **3 CORPORATE MATTERS**

#### **3.1 Majestic Position**

Majestic Resources NL ("Majestic") requested the Company to cancel the Buy Back Agreement in relation to Namakwa buying back and cancelling the 9 million shares Majestic owned in the Company for a price of \$0.23 per share. The termination of the Agreement was to facilitate the on market sale by Majestic of their entire holding in the Company.

This transaction was arranged by Montagu Stockbrokers and the shares were acquired by clients of Montagu, Baker Young, Barton Capital and Equity Underwriters stockbrokers.

Pursuant to the cancellation and Majestic selling their shares on market, all parties have mutually released and discharged one another from all claims.

Importantly, this preserves approximately \$2.0 million that the Company had previously ear marked for the buy back transaction.

Resolution 14 in the Company's forthcoming Annual General Meeting to be held at 10:00am on 31 October 2001 relating to the Majestic buy back is therefore redundant.

#### **3.2 Valuation by Ernst & Young**

In preparing documents relating to the Company's forthcoming Annual General Meeting the Company was required to have a revised Independent Expert's Report completed.

Ernst & Young Corporate Finance Pty Ltd completed their report on 28 September 2001 and valued one Namakwa share at between 37 and 82 cents. This was based on a fully risked basis in which they determine a probability of success with respect to major assumptions underlying the project at between 25% and 50%.

Obviously, with further work being conducted on the project and greater certainty with respect to key variables and the object of our current programs, we are optimistic about the enhancement of the underlying value of the Company's shares relative to the merits of the project.

#### **3.3 Expiry of 2001 Options**

During the quarter the outstanding 2001 options expired. The Company is proposing at its forthcoming Annual General Meeting to approve the pro rata issue of one new 2003 option (with the same terms and conditions of the existing listed 2003 options) at an issue price of one cent per new option to all holders of 2001 options that lapsed on the expiry date unexercised.

This will raise a small amount of working capital for the Company.

.....  
**KARL SIMICH**  
**EXECUTIVE CHAIRMAN**  
30 October 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.

# 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

**77 085 806 284**

Quarter ended ("current quarter")

**30 SEPTEMBER 2001**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 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	(236)	(236)
(b) development		
(c) production		
(d) administration*	(416)	(416)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	25	25
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Working Capital)	50	50
<b>Net Operating Cash Flows</b>	<b>(577)</b>	<b>(577)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets	(368)	(368)
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>(368)</b>	<b>(368)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(945)</b>	<b>(945)</b>

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

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

1.13	Total operating and investing cash flows (brought forward)	(945)	(945)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	18	18
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other – Redeem Convertible Notes	(1,350)	(1,350)
<b>Net financing cash flows</b>		(1,332)	(1,332)
<b>Net increase (decrease) in cash held</b>		(2,277)	(2,277)
1.20	Cash at beginning of quarter/year to date	5,609	5,609
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	3,332	3,332

**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	55
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**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

+ 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	435
4.2 Development	
<b>Total</b>	<b>435</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	182	363
5.2 Deposits at call	3,150	5,246
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,332</b>	<b>5,609</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>	50,792,093	44,044,390		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	98,754	98,754	91,381 @ 25 cents 7,373 @ 30 cents	
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	5,400,000 convertible notes	-	-	-
7.7 <b>Options</b> <i>(description and conversion factor)</i>	14,820,421	10,720,686	<i>Exercise price</i> 30 cents on or before 31/3/02 or 40 cents after 31/3/02 but before 31/7/03	<i>Expiry date</i> 31/7/03
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	91,381 7,373	91,381 7,373	25 cents 30 cents	
7.10 Expired during quarter	4,469,457	4,469,457	25 cents	15/9/01
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 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: **30 OCTOBER 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.

== == == == ==