



Namakwa Diamond Company

NAMAKWA DIAMOND COMPANY NL

ASX CODE: NDC
NDCOA

**QUARTERLY REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2001**

1 EXECUTIVE SUMMARY

1.1 Exploration

During the quarter, all efforts were concentrated on the exploration activities on the West Coast – Namakwa Diamond Project.

The intention of the Company is to start bulk sampling as early as possible in March 2002. Before this can happen, the process plant will be delivered, erected and commissioned (mid February to mid March 2002): the final regulatory approvals will be obtained (mid February 2002) and the Earthmoving Contractor will mobilise to site (mid February 2002).

The first quarter of 2002 will be a milestone in the Company's operations. All staff is geared for the arrival of the plant and the commencement of bulk sampling.

1.2 Corporate

Sale by Majestic Resources NL of its entire stake in the Company and settlement of all disputes between the companies.

Appointment of Mr Peter Danchin to the Board of Directors.

2 WEST COAST PROJECT

2.1 Plant

The DMS plant was inspected in Darwin during the quarter.

The process plant was shipped in seven sea containers from Darwin in December 2001. It arrived in Cape Town in January 2002.

The final recovery plant (Flowsort) was designed and construction started in December.

Erection and commissioning of the process plant and the final recovery plant is scheduled to be achieved by mid March 2002.

The design of the plant layout including all civil work and the slimes disposal system, was completed during the quarter.

Martin Stormont was appointed Metallurgical Manager in January 2002. Mr Stormont is a specialist and has extensive experience in DMS and final recovery plant operations.

2.2 Environmental Management

The revised Environmental management program was completed and submitted to the Department of Minerals & Energy in December 2001. The final approval for Namakwa to proceed with the erection of the process plant and to commence the bulk sampling is expected to be given by no later than 15 February 2002.

In order to satisfy the amended environmental requirements and to ensure the Company operates in an environmentally proficient manner, the Company will appoint an Environmental Control Officer immediately.

The company commissioned an expanded environmental scoping report in December 2001. Steffen Robertson & Kirsten ("SRK") are the independent consultants appointed to carry out this work. It is anticipated that this report will facilitate an expanded program of work and the application for a mining licence on part of NDC's permits.

2.3 Mining Machinery and Equipment

Refurbishment of the on site machinery and equipment, acquired from the previous vendor, was completed.

2.4 Geology

An exploration database was established during the quarter. The database is now an interactive prospect GIS, which includes all mapping, survey and drilling results. This database will be continually updated.

Successful trials using seismic reflection geophysical methods were carried out at Liebenbergs Bay. This method may be of considerable value in determining broad scale bedrock topography.

2.5 Drilling program

No further drilling was carried out during the quarter. A further 1000 metres will be drilled in the first quarter 2002 in order, to finesse final placement of the trench sites and to test further anomalies.

2.6 Bulk Sampling program

In total, seven trenches are proposed which are expected to yield approximately 50,000 to 70,000 tonnes of gravels for processing.

The trenching program was revised for the first phase of bulk sampling. This will now consist of two 100-metre trenches on the farm Graauw Duinen and two 100-metre and one 200-metre trenches on the farm Klipvley Karoo Kop and one 100-metre trench on the farm Geelwal Karoo.

In addition, one 80-metre trench on Klipvley Karoo Kop has been pre-stripped and will deliver a 7,000 tonne bulk sample from Liebenbergs Bay, which can be treated immediately the plant is commissioned.

The scope of earthworks has been issued to tendering contractors. The contract will be awarded in February.

2.7 Security

Security personnel on the West Coast have been assisting with the processing of drilling samples. The complicated procedure of implementing access controls and safety procedures over public roads has been addressed and resolved. Good security relations with local farmers and our neighbours, Trans Hex and Namakwa Sands (Anglo), have been established.

In house designed safety and security procedures are in place at the West Coast. These procedures will be constantly audited by independent third parties. All employees and contractors will receive training in health, safety and security procedures on an ongoing basis.

3 CORPORATE MATTERS

3.1 Majestic Resources NL

On 12 October 2001, Majestic Resources NL sold its entire stake of 9 million shares in the Company. The shares were acquired by clients of Perth based - Montagu Stockbrokers, Adelaide based - Baker Young and Sydney based - Barton Capital and Equity Underwriters. The line of stock was transacted at an average price of 11.2 cents. This sale made obsolete the buy-back resolution proposed to the Company's shareholders for the Annual General Meeting on 31 October 2001. Pursuant to the cancellation and Majestic selling its shares on the market, all parties have mutually released and discharged one another from all claims.

3.2 Annual General Meeting

The Company's Annual General Meeting was held on 31 October 2001. With the exception of Resolution 14, the Company's shareholders approved all resolutions detailed in the Notice of Annual General Meeting. Resolution 14 was made obsolete due to the cancellation of the Majestic buy-back agreement.

3.3 Appointment of Director

Mr Peter Danchin was appointed to the Board on 1 November 2001. Mr Danchin was the immediate past Managing Director – Group Operations with Trans Hex Limited. Mr Danchin has special responsibilities including providing advice and managing certain aspects relating to technical issues, relations with the Department of Minerals and Energy, environmental matters, black empowerment liaison and new project generation.

3.4 2003 Options

On 7 December 2001 the Company lodged a prospectus with the ASIC for the offer of up to 4,469,457 203 Options to Expired 2001 Option holders on the basis of one 2003 Option at one cent each for every one expired 2001 Option held to raise up to \$44,695. All securities the subject of this prospectus have been allotted.

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KARL SIMICH
EXECUTIVE CHAIRMAN
31 January 2002

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")

31 DECEMBER 2001

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(487)	(723)
(b) development		
(c) production		
(d) administration*	(204)	(620)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	12	37
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Working Capital)	(229)	(179)
Net Operating Cash Flows	(908)	(1,485)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets	(437)	(805)
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	(437)	(805)
1.13 Total operating and investing cash flows (carried forward)	(1,345)	(2,290)

*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)	(1,345)	(2,290)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	(29)	(11)
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)
Net financing cash flows		(29)	(1,361)
Net increase (decrease) in cash held		(1,374)	(3,651)
1.20	Cash at beginning of quarter/year to date	3,332	5,609
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,958	1,958

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	76
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	447
4.2 Development	
Total	447

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	232	182
5.2 Deposits at call	1,726	3,150
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,958	3,332

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 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	51,092,093	44,344,390		
7.3 +Ordinary securities				
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	300,000	300,000		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	17,945,421	13,845,686	<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	3,125,000			
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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: **31 JANUARY 2002**
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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