

NAMIBIAN MINERALS CORPORATION

Annual Information Form

May 22, 2001

TABLE OF CONTENTS

	Page
GLOSSARY OF TECHNICAL TERMS	4
SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION	7
EXCHANGE RATES.....	8
ITEM 2 - CORPORATE STRUCTURE	9
ITEM 3(a) - GENERAL DEVELOPMENT OF THE BUSINESS.....	10
Three Year History.....	10
Acquisition of ODM.....	13
ITEM 3(b) - RECENT DEVELOPMENTS	14
NamSSol Accident.....	14
Provisional Liquidation.....	15
Lenders.....	16
Employees.....	18
Financing in 2001	18
Agreements with Vessel Owners.....	20
Resumption of Operations	21
Shareholders Rights Plan.....	22
ITEM 4(a) - NARRATIVE DESCRIPTION OF THE INDUSTRY AND THE BUSINESS	23
Evolution of Marine Diamond Deposits.....	23
Development of Diamond Prospecting and Mining Along the West Coast of Southern Africa	24
Recent developments.....	24
Regional Geological Setting.....	26
Mineralization	26
Regulations	26
Environmental Policy.....	29
General Description of Licences (Tenements)	30
Mining Licences	31
Exploration Licences.....	35
General location, accessibility, local resources and infrastructure.....	37
Development of Producing Properties	38
Prospecting	40
Sampling Analysis and Results.....	42
Mining Operations.....	46
Mineral Resource & Ore Reserve Estimates	55
Notes on Estimation	60
Development Properties	62
Overall Budget.....	70
ITEM 4(b) - THE INTERNATIONAL DIAMOND MARKET	70
The Global Market.....	70
Rough Diamond Prices.....	72
Distribution Arrangements of the Company	72
ITEM 4(c) - ADDITIONAL INFORMATION APPLICABLE TO THE COMPANY'S OPERATIONS	73
General Political and Economic Climate in Namibia and South Africa.....	73
Currency Restrictions and Foreign Exchange Laws.....	74

Taxation on Operations of the Company.....	74
ITEM 5 - SELECTED CONSOLIDATED FINANCIAL INFORMATION.....	76
ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS.....	77
ITEM 7 - MARKET FOR SECURITIES.....	78
ITEM 8 - DIRECTORS AND OFFICERS	79
ITEM 9 - ADDITIONAL INFORMATION.....	81

LIST OF TABLES

Table 1.....	Mining Licences - Namibia
Table 2.....	Exploration Licences - Namibia
Table 3.....	Exploration Licences - South Africa
Table 4.....	Cumulative Sampling Results Per Concession
Table 5.....	Production by Vessel
Table 6.....	Production by Mining Licence
Table 7.....	Fleet Summary
Table 8.....	A Sample of Grade Reconciliation
Table 9.....	Measured, Indicated and Inferred Mineral Resource Estimates
Table 10	Ore Reserve Estimates
Table 11	Development of Geological Features

LIST OF FIGURES

Figure 1.....	Namibian Concessions
Figure 2.....	North Namibian Concessions
Figure 3.....	South African Concessions

GLOSSARY OF TECHNICAL TERMS

As used in this document, the following terms have the following meanings:

Aeolian	Wind deposited.
Bathymetry	Water depth measurements.
Carat	Diamond weight (0.2 grammes).
Dense Media Separation (“DMS”)	The process by which heavy components of the sediments recovered from the sea floor are concentrated and separated from the light materials by mixing material in dense mediums (Ferrosilicon and water).
Diamondiferous	Diamond bearing.
Diamond Placer Deposits	Diamond bearing sedimentary deposit, usually beach or river gravels.
Ferrosilicon	The substance that is used to increase density and operate the DMS process.
Footwall	The surface on which the diamond bearing (mineral ore) is located.
Grade	Grade figures are referred to as Carats per square metre. Where referenced Grades are expressed as Carats per cubic metre ton, appropriate conversions to Carats per cubic metre are made using the average thickness of the overlying sediments.
Indicated Mineral Resource	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, Grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or Grade continuity but are spaced closely enough for continuity to be assumed.
Inferred Mineral Resource	That part of a Mineral Resource for which tonnage, Grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or Grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

JORC Code	1999 Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia.
Kimberlite	Rock type in potentially diamond bearing volcanic pipes.
Measured Mineral Resource	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, Grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and/or Grade continuity.
Mineral Resource	The concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, Grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Ore Reserve	The economically mineable part of a Measured or Indicated Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.
Probable Ore Reserve	The economically mineable part of an Indicated, and in some circumstances, Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting extraction could reasonably be justified.

Proved Ore Reserve	The economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
Qualified Person	A qualified person as defined in National Instrument 43-101 Standards of Disclosure for Mineral Projects adopted by the Canadian securities administrators.
RE Factor	The comparison between the actual and expected estimates of various mining production parameters, i.e., Grade, Carats, mining time, etc.
Side-Scan Sonar	Images produced by sonic reflection from sea bed surface features.
Sonographs	Images produced by Side-Scan Sonar.

The definitions of “Mineral Resource”, “Indicated Mineral Resource”, “Inferred Mineral Resource”, “Measured Mineral Resource”, “Ore Reserve”, “Probable Ore Reserve” and “Proved Ore Reserve” are drawn from the JORC Code.

Unless otherwise noted or the context otherwise indicates, the term “Namco” refers to Namibian Minerals Corporation and the term “Company” refers to Namco and its direct and indirect subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

The information in this annual information form (“AIF”) contains forward-looking statements within the meaning of Section 21E of the *United States Securities Exchange Act of 1934*, as amended. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as “may”, “will”, “should”, “estimates”, “predicts”, “potential”, “continue”, “strategy”, “believes”, “anticipates”, “plans”, “expects”, “intends” and similar expressions are intended to identify forward-looking statements. Actual results and the timing of certain events may differ significantly from the results discussed or implied in the forward-looking statements. Among the factors that might cause or contribute to such a discrepancy include, but are not limited to, the risks outlined herein, or in any other public disclosure document including the Company’s Annual Reports on Form 20-F and Form 40-F and other documents filed with the Securities and Exchange Commission. Readers should carefully review the risk factors described in documents that the Company files from time to time with the Securities and Exchange Commission, which identify important factors that could cause such material differences.

The forward-looking statements contained in this AIF, and in documents incorporated by reference into this AIF, include, among other things, statements relating to (i) the Company’s plans and objectives for future operations, (ii) the Company’s outlook for 2001 and 2002, (iii) trends affecting the Company’s financial condition or results of operations, including the results of the Company’s exploration and mining activities, (iv) the development and introduction of new technology, (v) the impact of competition and (vi) the effects of foreign currency fluctuations relative to the United States dollar.

Any and all of these forward-looking statements can be affected by inaccurate assumptions that the Company might make or by known or unknown risks and uncertainties. The actual future results of the Company may vary materially.

EXCHANGE RATES

All references to “CAD\$” are to Canadian dollars, references to “US\$” are to United States dollars, references to “£” are to British pounds, references to “N\$” are to Namibian dollars and references to “R” are to South African Rand. The following table sets forth certain information provided by the Bank of Canada concerning the rate of exchange for Canadian dollars per US dollar (US\$), British pound (£) and South African Rand (R) / Namibian dollar (N\$) for the periods and dates indicated:

	Year ended December 31		
	1998	1999	2000
US\$1.00			
Average rate for period ⁽¹⁾	1.4831	1.4330	1.4858
£1.00			
Average rate for period ⁽¹⁾	2.4587	2.4038	2.502
R1.00 / N\$1.00			
Average rate for period ⁽²⁾	0.2697	0.2430	0.2149

⁽¹⁾ Based on the Bank of Canada monthly average noon rates during the period

⁽²⁾ The Namibian dollar is tied to the South African Rand at an exchange rate R1.00 to N\$1.00.

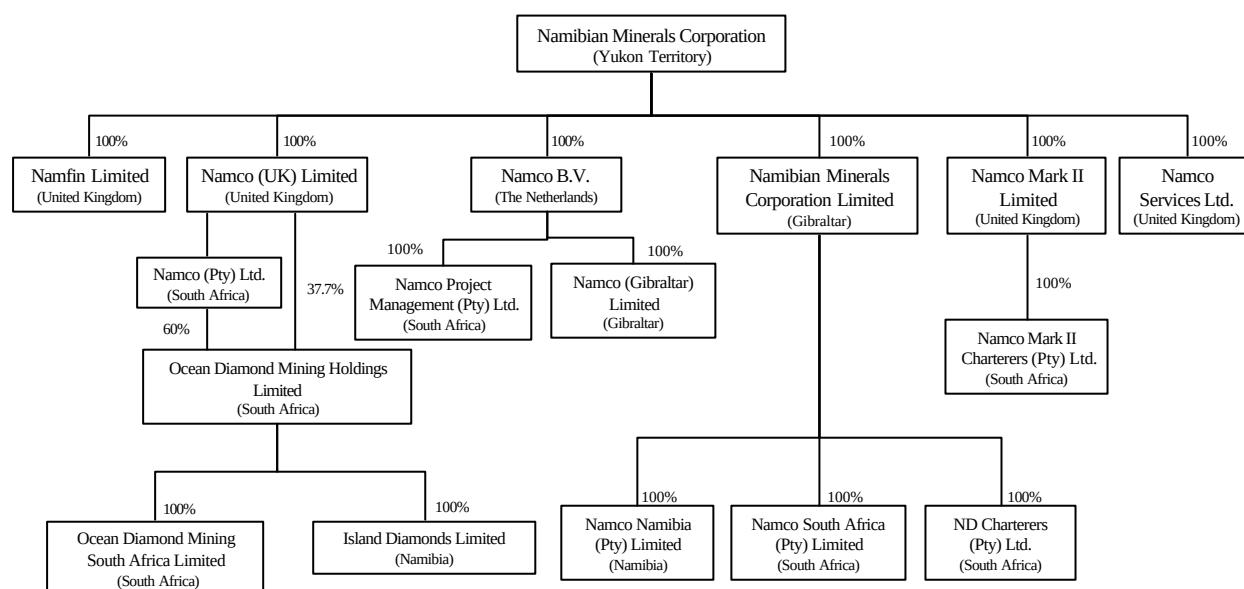
The noon rates of exchange on May 22, 2001 as reported by the Bank of Canada, for the conversion of US dollars, pounds sterling and South African Rand/Namibian dollars into Canadian dollars were CAD\$1.5407 per US\$1.00, CAD\$2.1998 per £1.00 and CAD\$0.1948 per R1.00/N\$1.00.

Certain information contained in this AIF concerning the Company’s competitors has been derived from publicly available sources. The Company makes no representation with respect to the accuracy of this information.

ITEM 2 - CORPORATE STRUCTURE

Source Resources Ltd. was continued under the Business Corporations Act (Yukon) on September 8, 1993. Effective October 12, 1993, Source Resources Ltd. changed its name to “Namibian Minerals Corporation”. Namco’s articles have been amended from time to time, including on October 12, 1993 to consolidate its authorized and outstanding common shares (“Common Shares”) on the basis of 1.5 pre-consolidation shares for every post-consolidation share; on November 28, 1997, to change the maximum allowable number of directors to seven; and on June 1, 2000, to amend its authorized capital to an unlimited number of Common Shares. Namco’s principal office is at 243-247 Pavilion Road, London, England, SW1X 0BP. Namco’s registered office is at Anton Campion Macdonald Ovler, Suite 200 - 204 Lambert Street, Whitehorse, Yukon Territory, Y1A 3T2.

The following chart illustrates the relationship of Namco to its material subsidiaries¹ and indicates their respective jurisdictions of incorporation as well as the percentage of voting securities held, directly or indirectly, by each subsidiary’s parent company:



¹ Intermediate holding companies without significant assets have been omitted from the chart.

ITEM 3(a) - GENERAL DEVELOPMENT OF THE BUSINESS

The Company is engaged in ocean diamond exploration and mining off the coast of Namibia and in ocean diamond exploration off the coast of South Africa. The Company has developed advanced mining and exploration technology, adapted from the offshore oil, gas and dredging industries. The Company's primary objectives for 2001 are to return to profitable operations and in turn improve the Company's cash flow position, maintain the continuing support of its senior lenders, reschedule its debt repayment and successfully reverse the provisional liquidation of some of its subsidiaries. Despite the great setback and the ongoing impact of the loss of production from the NamSSol unit, the Company remains focused on realizing its production, resource and technical potential.

THREE YEAR HISTORY

1998

Earnings were US\$3,108,000² in the Company's first year of diamond production. The Company deployed the mining vessel MV Kovambo equipped with the Company's proprietary NamSSol sea bed crawler mining technology in Mining Licence ("ML") 51. Major developments in 1998 included:

- The completion of construction and commissioning of the new NamSSol sea bed crawler, designed and built in collaboration with SubSea Offshore Ltd. and the commissioning of a 50 tons per hour diamond processing plant onboard MV Kovambo.
- Diamond production of 100,100 Carats.
- An average diamond sales price of US\$141 per Carat.
- Strengthened management through the appointment of Operations Director Peter Looijen, formerly of the leading Dutch dredging group Royal Boskalis Westminster N.V. ("Boskalis"). Peter Looijen is an expert in dredging and marine engineering.
- The introduction of a share ownership scheme for all employees.
- At year-end the Company's had no long term debt and its cash balance was US\$3,897,000.

1999

Earnings increased to US\$17,138,000 as a result of improved operating efficiency and higher diamond production. The Company strengthened its industry position through the acquisition of Ocean Diamond Mining Holdings Limited ("ODM"), the third largest offshore diamond producer in Namibia and South Africa. Major developments included:

- Diamond production of 273,700 Carats, which included two months of production contributed by the three vessels acquired from ODM: MV Namibian Gem, MV Oceandia and MV Ivan Prinsep. MV Kovambo continued operations in ML51 of the Luderitz Bay Grant.
- An increase in average diamond sales price to US\$151 per Carat.

² In 1998, the Company changed its financial year end date from May 31 to December 31.

- The installation of a number of new technical features onboard MV Kovambo to enhance productivity, including a launch and recovery system for the NamSSol, strengthened NamSSol mainframe and a real time three dimensional sea bed visualization system.
- The acquisition of 92.5% of the equity of ODM, the details of which are outlined in the section entitled “General Development of the Business - Acquisition of ODM” below.
- Namco’s first dividend payment to shareholders of US\$0.02 per share.
- Grant of ML103A in the Hottentot Bay Grant to the Company, following bulk sampling and development work completed earlier in 1999.
- The announcement of an agreement to develop new exploration drilling technology with Wirth GMBh (“Wirth”), a German engineering group.
- The appointment of Mike Woodborne, formerly founding partner of South Africa’s premier marine geological consulting group, as Exploration Director.
- The implementation of a US\$25,000,000 project financing facility for the construction of the Company’s second sea bed crawler mining system, the mining tool Nam 2, process plant and other equipment and cash required for the start-up of a new mining operator.
- The signing of a charter agreement for the new mining system’s support vessel, renamed MV Ya Toivo.
- At year-end, the Company’s long term debt was US\$31,061,000 and its cash balance was US\$20,033,000.

2000

Earnings of US\$1,007,000 reflected increased operating costs from the expanded vessel fleet and lower diamond production levels. The Company experienced considerable challenges in 2000, including integrating ODM into the Company, unexpected geological conditions and completing substantial construction projects for both new mining and exploration systems. Major developments included:

- Diamond production of 221,000 Carats, which included 102,700 Carats from the ODM vessels and shallow water operations. Increased productivity from the ODM fleet was achieved despite removing MV Oceandia from production in June and a three month port call by MV Namibian Gem for modernization.
- An increase in average diamond sales price to US\$176 per Carat.
- The completion of the ODM acquisition, with the Company’s equity interest increasing to 97.7%.
- A dividend payment to common shareholders of Namco of US\$0.03 per share.
- A charter for an exploration vessel, MV Zacharias, was secured and detailed geological surveys over ML36, which was acquired from ODM, were completed in April.
- The announcement in July that the unexpected geological conditions in ML51 would result in lower than anticipated production levels. The presence of clay and soft Footwall conditions caused tracking difficulties for NamSSol, making it necessary to relocate the system to lower Grade but easier mining conditions.

- The completion of modernization of MV Namibian Gem, a vessel acquired from ODM and funded through part of a new US\$21,500,000 facility, including the repair of its two airlift pipes, installation of security systems and an engineering overhaul.
- The sale of MV Oceandia, the smallest and oldest vessel in the Company's fleet, following expiry of its seaworthiness classification.
- The completion of construction of the new exploration drilling system, the Namdrill designed for operation in a wide range of geological conditions, including soft Footwall and thicker overburden.
- The start of exploration in October, initially using the new drilling system. The need for technical improvements and repairs to the drilling system was identified. Sampling continued using an airlift system pending completion of these improvements and repairs, anticipated by second half of 2001.
- During the year, the Company did not renew the exclusive prospecting licences for concessions 7(d) and 12(d) in South Africa, which were two of the Company's "deep water" (water depths ranging from 200 to 500 metres) concessions. Currently, no diamond mining and only very limited exploration activities have been undertaken at these depths in either Namibia or South Africa. This divestiture was part of the Company's current strategy to focus on exploration and mining in the "inner shelf" concessions in water depths ranging from 30 metres to 120 metres.
- The completion of construction of the Nam 2 sea bed crawler mining technology and the conversion of support vessel MV Ya Toivo. Commercial production levels are expected to be reached in third quarter 2001.
- The Company had a total of approximately 480 employees as of December, 2000. Of this number, approximately 400 worked offshore on mining related activities and the balance provided administrative or other operational support to the Company's mining operations.
- The Company's year-end debt position was US\$54,245,000 and cash position was US\$4,394,000.
- Following substantial capital expenditures and lower than expected revenues, the Company began exploring various financing alternatives.

2001 to date

Major developments included:

- In January 2001, the Company faced a critical operational setback when an accident to its NamSSol mining system suspended mining operations. While the new Nam 2 mining system was in its commissioning phase, the impact of the accident resulted in the loss of the Company's principal source of cash flow.
- Several subsidiaries applied for provisional liquidation in late February while the Company continued to pursue refinancing initiatives.
- Total gross proceeds of US\$27,000,000 were raised by May 2001 through private placements of Namco's securities.

- Commissioning recommenced onboard MV Ya Toivo in April 2001 and the Company's Namibian subsidiaries and one of its South African subsidiaries were discharged from provisional liquidation in May 2001.

Further information on the events of 2001 is outlined in "Recent Developments" below.

ACQUISITION OF ODM

In 2000, the Company completed its US\$62,073,000 acquisition of ODM. At the date of acquisition, ODM owned three vessels equipped with airlift pipe mining technology (MV Namibian Gem, MV Oceandia and MV Ivan Prinsep), had approximately US\$9,050,000 of cash, an inventory of mined diamonds and, of principal importance, a number of mining and exploration licences off the coasts of Namibia and South Africa.

MV Oceandia, the smallest producing vessel in the Company's fleet, was sold in 2000. Existing minor operations previously conducted by ODM on a contractor basis in Namibian shallow waters were curtailed. In 2001, at the requirement of the Company's lenders MV Ivan Prinsep was also sold for gross proceeds of approximately US\$4,400,000.

ITEM 3(b) - RECENT DEVELOPMENTS

NAMSSOL ACCIDENT

On January 7, 2001, while mining in ML51, the Company's original sea bed crawler, the NamSSol mining tool which operates from MV Kovambo, became stuck on the sea bed. After applying standard recovery procedures to recover the NamSSol for further inspection, the upper chassis of the NamSSol tool separated from the undercarriage. The undercarriage remained on the sea bed.

An investigation into the cause of the accident determined that the mining face collapsed onto the NamSSol and trapped the undercarriage. Strong underwater currents deposited additional material and further buried the undercarriage. Recovery attempts were unsuccessful. In consultation with insurance assessors, it was agreed that further attempts to recover the NamSSol should be abandoned.

The accident has resulted in the complete loss of production from the NamSSol mining tool, which was the principal source of the Company's cash flow during the early commissioning stage of the new Nam 2 sea bed crawler. The Nam 2 had only started commissioning in late November 2000 and diamond recoveries in the first quarter of 2001 were not anticipated to be commercial.

The Company has two insurance policies in place in respect of damage to the NamSSol. Under its physical loss and damage policy, the Company has US\$6,500,000 of coverage in respect of direct physical loss or damage to the NamSSol, subject to a US\$100,000 deductible for each incident and subject to an annual aggregate deductible of US\$150,000. Under its business interruption policy, the Company has coverage up to an aggregate of US\$42,000 per day in respect of operating costs for up to 180 days for each incident or occurrence, subject to a 14-day deductible, and up to US\$25,500 per day in respect of loss of profits on the same basis. Recovery under the business interruption policy is dependent on the cause of the accident being a risk covered by the physical loss and damage policy. The Company has been engaged in discussions with the underwriters with regard to the Company's claims for the NamSSol accident soon after the accident occurred. The likely outcome of the discussions remains unclear as the parties continue to work through outstanding issues related to the Company's claim. There is no assurance that the Company will be successful in its claims under the aforementioned insurance policies.

Meanwhile, the Company is proceeding with the repair and rebuilding of the NamSSol mining system. Damage to the recovered upper chassis was minimal and repairs in respect of this damage have been completed. Initial estimates were for a period of lost production of approximately five months, but following the provisional liquidation of certain of Namco's subsidiaries, the return to production is more likely to be in the final quarter of 2001. The total estimated cost for repairs to the NamSSol is expected to be US\$1,500,000.

The Company believes that its new Nam 2 sea bed crawler is equipped with improved design and operational features which should reduce the likelihood of an accident in similar operating conditions. The mining method has changed from an excavation motion (up/down) to a slewing motion (side to side) with cutter heads attached to the suction nozzle, which enables better control of the mining face and more efficient loosening of sea bed material. In addition, Nam 2's suction boom is twice as long as that of NamSSol so that the mining face is further away from the undercarriage. Finally, the tracking

power of Nam 2 is three times that of NamSSol and with the jet water flushing system installed on its tracks, Nam 2's manoeuvrability is far greater than NamSSol.

PROVISIONAL LIQUIDATION

The impact of the loss of production from the NamSSol, combined with the Company's weakened financial position at year end, resulted in a severe deterioration of the Company's financial position in early 2001. To restore the Company's financial position, the Company began exploring financing opportunities. In early February 2001, the Company announced that Canaccord Capital Corporation (the "Agent") had contracted with investors agreeing to purchase Common Shares and convertible debentures as part of an anticipated US\$20,000,000 financing. However, the financing was abandoned when a moratorium could not be agreed upon with the Company's senior lenders. At the end of February 2001, in the absence of available financing, nine subsidiary companies were placed into provisional liquidation. All mining and exploration activities were suspended following the provisional liquidation.

The South African registered companies placed into provisional liquidation are:

- Namco South Africa (Pty) Ltd.
- Namco Project Management (Pty) Ltd.
- Ocean Diamond Mining of Southern Africa Ltd.
- Namco (Pty) Ltd.
- Namco South Africa Exploration (Pty) Ltd.
- Pinette Investments (Pty) Ltd.

The Namibian registered companies placed into provisional liquidation are:

- Namco Namibia (Pty) Ltd.
- NMS Management Services (Pty) Ltd.
- Ocean Diamond Mining of Namibia (Pty) Ltd.

The effect of the provisional liquidation was that the assets of Namco's subsidiaries listed above were placed under the control of provisional liquidators. Any creditors' claims must then be dealt with in terms of Namibian and South African insolvency law and creditors cannot proceed against the assets of these subsidiary companies in provisional liquidation. The directors of the relevant companies were divested of all powers in respect of those companies, such powers vesting in the duly appointed provisional liquidators. During a period of approximately six weeks or such extended period as the courts may allow (the "Return Date") before the provisional liquidation becomes final, the Company has the opportunity to reverse the provisional liquidation.

The Company intends to discharge all the subsidiaries from provisional liquidation, leaving those subsidiaries free to carry on business without exposure to claims from pre-liquidation creditors. To date, the Company has obtained discharges from provisional liquidation for subsidiaries registered in Namibia and Pinette Investments (Pty) Ltd. registered in South Africa, as the Company has paid, compromised or is in the process of paying or compromising all creditors of these subsidiaries. In relation to the remaining subsidiaries registered in South Africa, the Company intends to procure discharges by

proceeding with a formal scheme of arrangement or compromise (a “Compromise”) pursuant to the terms of provisions of section 311 of the *South African Companies Act No. 61 of 1973* (the “Companies Act”).

Under the Companies Act, once a Compromise between a company and its creditors or any class of creditors has been proposed, the court may on application to it, order a meeting of those creditors. The acceptance of the Compromise requires a simple majority in number representing 75% of the value of the creditors present at the meeting of creditors convened for the purposes of voting in relation to the Compromise, whereupon a court may, if satisfied that such Compromise is in the interests of the creditors, sanction the Compromise and discharge the Company from provisional liquidation. As a result, if approved by the court, all creditors as well as the liquidators are then bound by the terms of the Compromise. Payment distributed to creditors pursuant to a sanctioned Compromise is in full and final settlement of all creditors’ claims. The court does retain discretion to refuse the Compromise even if the required majority of creditors have voted in favour. It will exercise this discretion against the Company if it perceives that creditors are being unreasonably prejudiced in accepting the offer.

The Company has made an application for a further extension of the Return Date in order to facilitate the completion of the procedures required in order to proceed with the Compromises.

The Company intends to proceed with a Compromise to secure the discharge of Namco South Africa (Pty) Ltd., Ocean Diamond Mining Southern Africa Ltd., Namco Project Management (Pty) Ltd., Namco Exploration South Africa (Pty) Ltd. and Namco (Pty) Ltd. The offer to creditors contained in the Compromises will be considered at meetings of creditors for each of the companies in provisional liquidation. Applications to court will be made to convene these meetings of creditors. If the required number of creditors vote in favour of the Compromises, further applications will be required to be made to court in order to sanction the Compromises. Subject to any creditors’ vote and to the court’s sanction, it is anticipated that the Compromise procedures required in terms of the Companies Act could be completed by July 31, 2001. The effect of the sanction of the Compromises would be that pre-liquidation creditors’ claims would be finally settled in terms of the Compromises and the remaining balance of their claims would be extinguished. The full amount due to the senior lenders under the credit facility agreements will remain unaffected by the Compromises.

Should creditors not approve the Compromise, or if the court fails to sanction the Compromise, then the Company may elect to amend the terms of the Compromise and submit such amended Compromise arrangement to creditors for their consideration. If the Company elects not to make such an alternative Compromise arrangement to creditors, then those subsidiary companies which remain in provisional liquidation at the date upon which the Company makes such an election are likely to be placed in final liquidation. The effect of a final liquidation order is that the provisional liquidator is usually appointed as the final liquidator and is empowered in terms of the *Insolvency Act No. 24 of 1936* (the “Insolvency Act”), as read with the provisions of the Companies Act, to dispose of the assets of the company in liquidation and to distribute the proceeds arising from the disposal of such assets by way of a payment to creditors in the order of preference laid down in the Insolvency Act. Key operational assets are held by the subsidiary companies in provisional liquidation. The loss of some or all of those key assets following the liquidation of some or all of the subsidiaries currently in provisional liquidation will have a significant and detrimental effect on the Company.

LENDERS

Credit facility agreements have been entered into between the Company and various senior lenders for the provision of financing. The details pertaining to those credit facilities are set out below.

The Company entered into a credit facility agreement dated September 28, 1999 with Nedcor Bank Limited and HSBC Equator Bank plc ("HSBC") in respect of loan financing of up to US\$25,000,000 to finance the construction of the second mining system. The full amount of the loan was drawn down over the construction and commissioning phase of the project. The loan bears interest at a fixed rate of 6.75% per annum in respect of 85% of the loan. Interest on the remaining 15% of the loan is at the one month London inter-bank offered rate ("LIBOR") plus 1.75%. Fifteen percent of the loan is repayable by October 2001, and repayment of the other 85% of the loan is over a five-year period in ten equal semi-annual instalments commencing six months after the completion of commissioning of the second mining system or eighteen months after first drawdown under the facility. First repayment is due in November 2001. The loan is secured primarily by way of: (a) various guarantees from subsidiaries of the Company; (b) charges over all of the assets of Namco Mark II Limited, including the assets comprising the second mining system; (c) an assignment of the proceeds of the diamond sales from certain subsidiaries of the Company; (d) security over the revenues generated from those diamond sales; and (e) a cession and assignment of interest in respect of insurance policies for loss or damage relating to the second mining system.

The Company entered into a credit facility agreement dated September 1, 1999 with Investec Bank (Mauritius) Limited ("Investec") for a loan of up to US\$25,000,000 to finance the purchase of shares in ODM (the "Investec Loan"). The Investec Loan is subject to an interest rate margin of 3.85% on the six month British Bankers Association settlement rate. US\$10,000,000 of the loan was due 150 days from drawdown, with the remaining US\$15,000,000 repayable as follows: US\$2,142,857.14 was due six months after the drawdown date of October 29, 1999, and every three months thereafter, the last payment being made 24 months after October 29, 1999. The Investec Loan is primarily secured by: (a) a guarantee from a subsidiary of the Company; (b) a pledge of shares in ODM and in Namco (Pty) Ltd.; (c) a pledge of shares of certain of the Company's subsidiaries; (d) a charge over certain of the movable assets aboard the MV Kovambo, principally the NamSSol; (e) a charge over all the assets of certain subsidiaries; (f) the notation of Investec as a loss payee on insurance policies in respect of the assets of ODM for the loss of such assets; (g) a mortgage over certain patents held by the Company; (h) charges over revenue generated from diamond sales by certain subsidiaries of the Company; and (i) a second charge over a revenue account of Namco Mark II Limited.

The Company entered into a credit facility agreement dated April 4, 2000 with Investec and KBC Bank NV - Global Trade Finance Group ("KBC") for a loan of US\$21,500,000 for a capital expenditure program by ODM (the "Investec Credit Facility"). This loan is subject to an interest rate margin of 2.95% on the applicable LIBOR rate. The repayment schedule of the loan is as follows: US\$1,750,000 on June 30, 2001; US\$1,750,000 on September 30, 2001; US\$6,000,000 on March 31, 2002; US\$6,000,000 on September 30, 2002; and US\$6,000,000 on March 31, 2003. The Company may also repay the facility in whole or in part subject to a minimum repayment of US\$2,000,000. The loan is secured primarily by way of: (a) a guarantee by the Company; (b) a cession of inter-company loans between certain subsidiaries of the Company; (c) a mortgage over the MV Ivan Prinsep and the MV Namibian Gem; and (d) charges over revenue generated from diamond sales by certain subsidiaries of the Company. In addition, the security given under the Investec Loan was extended to also cover this credit

facility. The Investec Credit Facility was amended on September 27, 2000 by an Addendum to the agreement.

Due to the accident and the financial position of the Company, the Company was unable to make payment in full of a capital repayment due at the end of January 2001 on the Investec Loan. As a result of the failure to effect payment in full, an event of default occurred under the Investec Loan. Furthermore, all three senior credit facility agreements contain cross-event of default provisions which provide that an event of default under the terms of any of the credit facility agreements constitutes an event of default under each of the other credit facility agreements. Each of the credit facility agreements provides that if the senior lender calls an event of default, the repayment of the debt accelerates and the entire debt becomes payable on demand. In addition, the deterioration of the financial condition of the Company also constituted an event of default under the credit facility agreements. Despite the fact that events of default have occurred and are continuing in respect of each of the credit facility agreements, the senior lenders have not formally called an event of default.

The Company has entered into discussions with its senior lenders, who are presently supporting the Company by not requiring capital repayments until the end of September 2001 (the "Moratorium Period") and have committed to working with the Company to re-schedule its debt repayments prior to the end of September 2001 (the "Moratorium Arrangements"). Investec and KBC have made the Moratorium Arrangements conditional on the discharge of the subsidiary companies from provisional liquidation as soon as possible, but in any event no later than July 31, 2001. Interest due on the loan is to be paid in accordance with the terms of the loan agreements in the Moratorium Period.

The events of default contained in the credit facility agreements are extremely broad. Accordingly, the Company remains reliant on the continued support of its senior lenders to suspend capital repayment requirements, to not call for an accelerated repayment of loans during the Moratorium Period and to agree to a rescheduling of debt repayments. The MV Ivan Prinsep (over which Investec and KBC held a mortgage) was sold for gross proceeds of approximately US\$4,400,000 and the net proceeds after deduction of relevant costs, will be paid to Investec and KBC, reducing the Company's debt position.

Namco Namibia (Pty) Ltd., a subsidiary of the Company, has an overdraft facility in the sum of N\$10,000,000 with the Commercial Bank of Namibia Ltd., which is secured by a cession of the loan account of the Company in Namco Namibia (Pty) Ltd. limited to N\$10,000,000. Commercial Bank of Namibia Ltd. has agreed not to call upon the Company for repayment of this loan until the end of September 2001, consistent with the Moratorium Arrangements reached with the Company's senior lenders.

EMPLOYEES

The Company restructured its workforce in early 2001 following the provisional liquidation and sale of the MV Ivan Prinsep. As of the date of this AIF, the Company has approximately 150 employees: approximately 110 work offshore engaged in the company's mining activities and the balance provide administrative or other operational support to the Company's mining operations.

FINANCING IN 2001

In order to restore the Company's financial stability, discharge its subsidiaries from provisional liquidation and resume business operations, Namco has concluded several financing

transactions, raising gross proceeds of US\$27,000,000. Shareholders' approval for these transactions was obtained at a shareholders' meeting held on March 12, 2001 and at an adjourned shareholders' meeting held on April 25, 2001.

Canaccord Private Placements

On March 23, 2001, in the first tranche of a private placement ("Tranche 1 of the Private Placement") arranged by the Agent, Namco issued, to investors outside of Canada, 9,475,758 special warrants ("Tranche 1 Special Warrants") at a price of US\$0.33 per Tranche 1 Special Warrant and US\$6,273,000 in principal amount of special notes ("Tranche 1 Special Notes") for aggregate gross proceeds of US\$9,400,000. Each Tranche 1 Special Warrant is exchangeable for one Common Share and one-half of one common share purchase ("Tranche 1 Warrant") for no additional consideration. Each Tranche 1 Special Note is exchangeable for no additional consideration for an equivalent principal amount of convertible debentures ("Tranche 1 Convertible Debentures") and 1,515.15 Tranche 1 Warrants for every US\$1,000 of principal amount of Tranche 1 Special Note. The Tranche 1 Convertible Debentures are in turn convertible into Common Shares at a conversion price of US\$0.33 per share. As consideration in connection with Tranche 1 of the Private Placement, Namco granted to the Agent special broker warrants to acquire, for no additional consideration, 2,848,484 broker warrants ("Tranche 1 Broker Warrants"). Each Tranche 1 Broker Warrant entitles the Agent to purchase at any time until March 23, 2004 one Common Share, subject to adjustment in certain circumstances, at an exercise price of CAD\$0.60 per Common Share.

On April 30, 2001, in the second tranche of the private placement arranged by the Agent ("Tranche 2 of the Private Placement", and together with Tranche 1 of the Private Placement, the "Canaccord Private Placements"), Namco sold US\$2,600,000 in principal amount of special notes ("Tranche 2 Special Notes") to investors outside of Canada. Each Tranche 2 Special Note is exchangeable for no additional consideration for an equivalent principal amount of convertible debentures ("Tranche 2 Convertible Debentures") and 1,515.15 common share purchase warrants ("Tranche 2 Warrants") for every US\$1,000 of principal amount of Tranche 2 Special Note. The Tranche 2 Convertible Debentures are in turn convertible into Common Shares at a conversion price of US\$0.33 per share. As consideration in connection with Tranche 2 of the Private Placement, Namco granted to the Agent special broker warrants to acquire, for no additional consideration, 787,878 broker warrants ("Tranche 2 Broker Warrants"). Each Tranche 2 Broker Warrant entitles the Agent to purchase at any time until April 30, 2004 one Common Share, subject to adjustment in certain circumstances, at an exercise price of CAD\$0.60 per Common Share. As additional consideration for the Canaccord Private Placements, Namco granted to Canaccord Capital Europe Limited ("Canaccord Europe"), a subsidiary of the Agent, a special agent warrant (the "Special Agent Warrant") to acquire, for no additional consideration, 850,000 Common Shares (the "Agent Warrant Shares"). On March 23, 2002, if not previously exercised by Canaccord Europe, the Special Agent Warrant will automatically be converted into the Agent Warrant Shares.

In the aggregate, a total of 59,031,818 Common Shares were issued or made issuable by Namco pursuant to the Canaccord Private Placements.

The Leviev Group Investment

On May 1, 2001, LL Mining Corporation BV ("LL Mining") acquired a combination of Common Shares and common share purchase warrants in exchange for a US\$15,000,000 investment in Namco. LL Mining is part of a group of companies (the "Leviev Group"), controlled by Mr. Lev Leviev,

a prominent Israeli businessman in the diamond industry.³ As a result of the transaction, LL Mining became the largest shareholder of Namco, holding approximately 44% of its outstanding Common Shares, prior to the exercise of any convertible debentures or warrants and approximately 40% on a fully diluted basis. Under the terms of the investment by LL Mining, LL Mining has the right to nominate for election two-sevenths of the board of directors, rounding all fractions to the next highest whole number.

In exchange for its US\$15,000,000 investment in Namco, LL Mining received:

- (a) 22,727,273 Common Shares at a price of US\$0.33 per share, along with 11,363,636 warrants, with each warrant exercisable over a period of three years to acquire one Common Share at a price of US\$0.40 per share; and
- (b) 15,000,000 Common Shares at a price of US\$0.50 per share, along with 7,500,000 warrants, with each warrant exercisable over a period of three years to acquire one Common Shares at a price of US\$0.50 per share.

In addition, LL Mining has agreed to make available to the Company a credit facility of up to US\$2,600,000 under certain conditions, including that Namco issue 15,151,515 warrants to LL Mining, exercisable at US\$0.33 per share prior to March 31, 2003. The principal amount drawn under the credit facility is also convertible into Common Shares at a price of US\$0.33 per share.

Marketing Agreement

On March 30, 2001, the Company entered into a marketing agreement with L.L.D. Diamonds Ltd. ("LLD"), a leading diamond manufacturing company based in Israel, which is also part of the Leviev Group. Namco and certain of its subsidiaries granted to LLD exclusive rights to purchase all of the Company's diamond production and to act as the sole world-wide distributor of the Company's diamonds. See "The International Diamond Market - Distribution Arrangements of the Company".

AGREEMENTS WITH VESSEL OWNERS

As a result of the uncertainty that arose while the subsidiaries of Namco were in provisional liquidation, the vessel owners imposed new conditions for the renewal of the vessel charter party agreements as set out below.

MV Ya Toivo

In March 2001, the Company and the owner of the MV Ya Toivo concluded an addendum to the charter party agreement entered into in March 2001, governing the charter of the MV Ya Toivo. Under this addendum, the daily rate of hire increased by 8.4%. In addition, the Company put in place an on demand US\$5,000,000 bank guarantee issued in favour of the owner of the MV Ya Toivo.

³ The information contained in this AIF regarding Mr. Lev Leviev and his ownership of the companies controlled by him was provided to the Company by Mr. Lev Leviev. The Company has not verified the accuracy or completeness of any information provided by Mr. Leviev.

In order to ensure that the owner of MV Ya Toivo supported the refinancing efforts of the Company, Namco will issue to that owner 1,000,000 common share purchase warrants, each exercisable over a period of 12 months to acquire one Common Share at a price of US\$0.50 per share.

MV Kovambo

In March 2001, the Company and the owner of the MV Kovambo reached an agreement that in return for payment of charter obligations for February and March of 2001, the terms of the existing charter party agreement between the parties were confirmed and agreed to be in good standing. The owner of the MV Kovambo has agreed to reduce the daily hire rate by 28% during the rebuilding of the NamSSol.

MV Zacharias

The Company entered into a new charter party agreement with the owner of the MV Zacharias in April 2001. Charter payments increased by 30% per day and are payable monthly in advance by the Company. Under this agreement, the Company has an obligation to purchase the MV Zacharias from the owner at the termination of the charter period. The agreement contains an option for the Company to purchase the MV Zacharias at various price levels in the intervening period.

As agreed to by the Company and the owner of the MV Zacharias, the Company placed the equivalent of six months of charter payments into escrow as security. Furthermore, the Company provided the owner of the MV Zacharias with a performance guarantee as further security for the performance of the charter party obligations.

RESUMPTION OF OPERATIONS

The return to mining operations is being progressively phased to allow recovery of skills, stringent cost control, revised mine planning, build up of spares and the re-establishment of essential supplier relationships. With approximately six months effective loss of production, the operation will not cover its costs in 2001 and is likely to operate at a significant loss.

MV Ya Toivo

Prior to mining operations being suspended as a result of provisional liquidation, MV Ya Toivo had completed approximately eight weeks of commissioning. The Company estimates that the commissioning process is more than half complete, however, commissioning and the start of full scale production have therefore been delayed significantly due to provisional liquidation. The Company experienced a loss of skilled personnel, lack of access to spares and services, and general uncertainty arising from the provisional liquidation process.

MV Ya Toivo was re-deployed in April 2001 in ML36, a licence held by Island Diamonds Ltd., a subsidiary of ODM which was not in provisional liquidation. Access to ML51, which the Company's original mine plan contemplated would be mined in 2001, was achieved on May 9, 2001. Commissioning of the 100 tons DMS processing plant is ongoing. The Nam 2 sea bed crawler's productivity in certain areas is currently hampered by the absence of one of the cutters on the suction nozzle, which is being replaced. Operator familiarity with the new equipment is still improving. Higher rates of productivity are expected on a progressive basis with optimum rate being achieved by the end of the third quarter of 2001.

MV Zacharias

The MV Zacharias resumed airlift sampling in May 2001. MV Zacharias will also be used as a fuel support vessel so that MV Ya Toivo will not be required to return to port for refuelling. Later this year, it is anticipated that in the third quarter, MV Zacharias will return to Cape Town for installation of the Namdrill, following repairs to its hydraulic levelling device.

MV Namibian Gem

The MV Namibian Gem is to be re-crewed and is expected to resume operation by the end of the second quarter 2001.

MV Kovambo

The MV Kovambo will remain in harbour at a reduced charter rate while the NamSSol sea bed crawler is rebuilt. The vessel is expected to resume operation in the fourth quarter of 2001.

SHAREHOLDERS RIGHTS PLAN

On May 15, 2000, the shareholders of Namco extended the shareholder rights plan (the "Rights Plan") of Namco. The purpose of the Rights Plan is to ensure adequate time for the board of directors and shareholders of Namco to assess the merits of a take-over bid without undue pressure and to encourage persons seeking to acquire control of Namco to do so by means of a public take-over bid available to all shareholders. The Rights Plan is not intended to prevent a change of control of Namco or to secure the continuance of current management or the directors currently in office. The Rights Plan will expire on February 10, 2005, unless renewed by shareholders.

Each Common Share has attached to it one right (a "Right"), which only becomes exercisable upon a person or group of persons becoming the beneficial owner of 20% or more of the Common Shares (a "Flip-In Event"), other than through a permitted take-over bid or through other exemptions set out in the Rights Plan. When exercised, a Right entitles each shareholder who is not then attempting to acquire control of Namco to purchase additional Common Shares at a substantial discount to market value. This purchase would cause substantial dilution to the person or group of persons attempting to acquire control of Namco, other than by way of a permitted take-over bid. The requirements for permitted take-over bids are set out in the Rights Plan and include making the bid available to all shareholders, requiring the bid to be open for at least 60 days and other requirements designed to attract competing bids.

The board of directors may waive the application of the Rights Plan to a particular take-over bid or redeem the Rights in accordance with the terms of the Rights Plan. The directors have waived the application of the Rights Plan to the May 1, 2001 investment by LL Mining.

ITEM 4(a) - NARRATIVE DESCRIPTION OF THE INDUSTRY AND THE BUSINESS

The following information and information elsewhere in this AIF about the participation in mining activities in the coastal regions of Namibia and South Africa by other mining companies has been derived from publicly available information distributed by those companies. The Company has not verified the accuracy or completeness of any information contained in such disclosure documents or determined if there has been any omission by those companies to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any information contained in such disclosure documents has been furnished, or which may affect the significance and accuracy of any information contained in any such disclosure documents and summarized herein. Unless otherwise indicated, the following sections were compiled with reference to the independent report prepared by Marine & Coastal GeoScience (Pty) Ltd. ("Marine & Coastal"), Qualified Person R.H. De Decker, M.Sc. (Marine Geology), Pr. Sci. Nat., entitled "Technical Report on the Marine Diamond Properties of Namibian Minerals Corporation off the Southern African West Coast" and dated May 25, 2001 (the "Marine & Coastal Technical Report").

EVOLUTION OF MARINE DIAMOND DEPOSITS

The current conceptual model for marine diamond deposits, which is generally accepted, is that the marine diamonds were derived from the erosion of the upper assemblages of countless Diamondiferous Kimberlite pipes in the southern African regions bordering the coast. Erosion of the Diamondiferous pipes followed continental uplift, removed some 1,400m of the Kimberlite pipes and surrounding country rock and liberated an estimated 3 billion Carats of diamonds.

At first, the diamonds were transported to the west coast by the ancient Karoo River which comprised the upper drainage of the present day Orange River system and flowed into the sea via the lower reaches of the present day Olifants River. As a result of climatic and tectonic effects, the Kalahari River effectively captured the upper part of the Karoo River approximately 25,000,000 years ago, thus establishing the present day Orange River. From then on, diamonds were delivered to the west coast in the vicinity of the present day Orange River mouth, situated on the border between Namibia and South Africa.

In the marine environment, wave action transported the sediment and diamonds northward. Thus the extent of the Diamondiferous deposits continually stretched further north from the primary point sources at the Olifants River in the south and the Orange River in the north as well as from the numerous secondary and local rivers. Prime localities for diamond deposits on a shoreline are therefore closely related to the wave regime. Wind has also acted to create diamond deposits within wind-blown valleys or basins formed as a result of wind and erosion.

Other factors influenced the distribution of diamonds along the coastline. Tectonic movement and the expansion and contraction of polar ice-caps resulted in sea level fluctuations. As a result, a series of fossil shorelines were developed along the west coast at elevations ranging between 300m above to 500m below the present day sea level. The majority of these fossil shorelines lie below the present day level. It may be concluded that the major part of the marine diamond deposits along the west coast lie on ancient shorelines below the present sea level.

As a result of these effects, ancient river channels and shorelines with their associated features are the primary potentially Diamondiferous environments to be identified in marine diamond

exploration. The diamond deposits on the raised shorelines along the west coast of southern Africa have been mined almost continuously since discovery in 1908 and have produced approximately 100,000,000 Carats.

DEVELOPMENT OF DIAMOND PROSPECTING AND MINING ALONG THE WEST COAST OF SOUTHERN AFRICA

Diamonds were first discovered on-shore along the Namibian west coast in 1908 at Kolmanskop, seven kilometres inland from Luderitz. Enriched deposits of diamonds were found in the wind blown valleys in the surrounding areas and by 1913, 20% of the world's output of diamonds was being produced from the 160 km zone from Hottentot Bay to just south of Bogenfels.

The initial discoveries in the Luderitz area were followed by the discovery of diamonds in 1926 at Port Nolloth on the South African Namaqualand coast and in 1928 at the beach deposits at Alexander Bay on the southern side of the Orange River mouth. After the Alexander Bay discoveries, diamonds were found along the coast immediately to the north of Orange River, associated with the emerged marine terraces that are continuous for almost 100 kilometres northwards from the Orange River mouth. This area was eventually acquired by CDM (Pty) Limited (now Namdeb Diamond Corporation (Pty.) Limited) ("Namdeb"), a 50/50 joint venture between DeBeers Consolidated Mines Ltd./DeBeers Centenary AG group ("DeBeers") and the Namibian Government.

Other discoveries have been made north of Luderitz at Spencer Bay, Meob Bay, Conception Bay and Terrace Bay (850 kilometres north of Luderitz). To the south of Port Nolloth, discoveries were made at various locations, the most important of which were at the sites of the present day DeBeers' mines at Kleinsee at the mouth of the Buffels River, Koringnaas and Mitchells' Bay. As most of the onshore coastal mines are nearing the end of their productivity, in recent years more effort has been, and is increasingly being, spent on exploration offshore.

In 1960, Texan entrepreneur Sam Collins successfully applied for rights to explore for diamonds offshore on the west coast of South Africa and Namibia. Significant discoveries were made on the Namibian coast in the area between Chamaïs Bay (100 km north of the Orange river) and Hottentot Bay (100 km north of Luderitz). Collins' company, Marine Diamond Corporation, constructed dedicated mining barges to mine diamonds from the sea bed. Spectacular recoveries were made in some areas, notably at Hottentot Bay where it is reported that more than 360,000 Carats were mined in a small embayment over a period of some three months. The Collins operation was bought out by DeBeers. They then continued with a dedicated prospecting program in subsequent years through the formation of DeBeers Marine (Pty.) Limited ("DeBeers Marine"), a subsidiary company, in 1983, which led to the discovery of mineable deposits in the deeper water on the continental shelf off the Orange River.

RECENT DEVELOPMENTS

DeBeers

Namdeb holds the coastal mining licence areas with producing mines at Oranjemund and Elizabeth Bay. It also holds the majority of the shallow and mid-water licence areas south of Hottentot Bay. DeBeers Marine, part of the DeBeers group and operating as contractors to Namdeb, has been actively mining the mid and deep water deposits off the coast of southern Namibia since 1991. The current mining fleet is equipped with either wide diameter drills or sea bed crawlers. The shallow water licence areas on the inner continental shelf (less than 100m depth) are currently mined using sub-

contractors operating both offshore as well as from land based beach mining units. DeBeers Marine also holds prospecting rights to a number of concessions off the coast of South Africa. In the period since 1991, DeBeers Marine has commissioned a number of vessels for its ocean diamond operations. According to the DeBeers 1991 and 2000 Annual Reports, diamond production from these deposits has increased from 171,000 Carats in 1991 to 576,500 Carats per annum in 2000.

BHP/Benco Joint Venture

In mid-1995, the joint venture (“BHP/Benco JV”) between BHP Diamonds Inc. (“BHP”) and Benguela Concessions Ltd. (“Benco”) completed a sampling program of 4,000 sites utilizing a 62 ton excavation tool (the “Bauer Tool”) that was deployed from the MV Geomaster, a 123m long Norwegian vessel. This included sampling in South African concessions, namely concessions 2(b), 3(b), 5(b), 6(a), 6(b) held by Benco as well as the ODM licence areas of 6(c) and 14(c) which form part of a joint venture agreement between ODM and Benco.

Diamond Fields International⁴

The Namibian properties held by Diamond Field Resources Incorporated (“DFR”) were also sampled on the “Geomaster” Program under a joint venture agreement with the BHP/Benco JV. Ownership of DFR’s properties was transferred to a new company, Diamond Fields International Limited (“DFI”) in 1996. As a result of the 1996 sampling program, DFR identified an initial inferred resource of 1,150,000 Carats in 30m to 80m water depth in their Luderitz properties. In the period from November 1998 to March 1999, DFI completed a three phase advanced sampling and trial mining program to further investigate resource potential in its primary diamond deposit, the Marshall Fork feature and also in the Elephant Basin deposit. In addition, further reconnaissance sampling was done in the Gallovideo Reef deposits. Based on the program results, DFI completed a revised resource estimate in January 2000. As a result, the original estimates were increased as follows: (i) Marshall Fork feature - 437,000 Carats indicated resource⁵ and 132,000 Carats inferred resource; (ii) Diaz Reef feature - 460,000 Carats indicated resource and 78,000 Carats inferred resource. The total indicated resources were classified as probable ore reserves totalling some 896,000 Carats at an average Grade of 0.3 Carats per square metre.

In 2000, Benco was taken over by Trans Hex Group Limited (“Trans Hex”). Trans Hex operates alluvial mines onshore on the west coast of South Africa and along the Orange River. It also holds shallow and mid-water marine diamond concessions in South Africa and Namibia which, to date, have been mined by diver boat operators under sub-contract. In March 2001, DFI announced terms of a contract with Trans Hex to carry out mining of the reserves identified in the Marshall Fork and Elephant Basin Features. Trans Hex is currently mobilizing two airlift mining vessels with which the work will be done. One vessel, the MV Ivan Prinsep, was purchased from Namco.

ODM

Prior to being effectively acquired by Namco, ODM was actively mining and prospecting in all its licence areas off the Namibian and South African coasts. Mining activities were focused on the areas surrounding the set of islands that lie just off the coast of Namibia (ML36).

⁴ The terms “indicated resource”, “inferred resource” and “probable ore reserve” used in this section are drawn from the July 1996 JORC Code.

⁵ DFI have improved their classification to “probable reserve” (DFI Annual Report 2000).

In 1999, ODM operated three vessels equipped with airlifts, processing plants and mooring systems. ODM achieved production of approximately 57,000 Carats per annum in the years to March 31, 1997 and 1998, and 63,000 Carats in the year to March 31, 1999. ODM commissioned a third vessel in the first quarter of 1999. In the nine months to December 31, 1999, ODM mined 64,000 Carats.

REGIONAL GEOLOGICAL SETTING

The continental shelf represents the offshore extension of the land beneath the sea. The inner continental shelf (inner shelf) slopes relatively steeply (2–7 degrees) from the shore to a depth of approximately 100m. It comprises the offshore extension of the rugged coastal Precambrian aged (over 500,000,000 years) crystalline bedrock. The boundary between the inner and middle shelf is marked by a significant change in slope. The middle continental shelf (middle shelf) lies between 100m and 250m water depth, slopes gently (less than one degree) to the west and is underlain by sedimentary rock of Cretaceous or Tertiary age. Due to the difference in physiography, the processes of diamond distribution in these two areas of the continental shelf are different. Mid- and shallow-water diamond licences lie on the inner shelf. Deep-water licences lie on the middle shelf. The Company's operations are currently principally located on the inner shelf.

MINERALIZATION

Onland mining experience, coupled with recent marine mining experience, shows strandline diamonds are concentrated in preferred locations. These include, *inter alia*, the southern side of headlands, basins, river-channels, in gullies, depressions and at the base of cliffs on wave cut terraces, wind-eroded valleys and basins and the northern side of embayments. This knowledge is applicable to the exploration and prospecting for diamonds on the inner shelf areas where the sub-marine deposits are equivalent to the onland raised beaches. However, as mentioned above, the nature of the mineralization and trap sites differs on the middle shelf where diamonds are reportedly more widely distributed along the various features associated with ancient shorelines. In almost all cases, due to their high specific gravity, diamonds tend to be concentrated in gravels lying on or close to the bedrock surface. Given the general two dimensional distribution for exploration purposes, the concentration of diamonds is generally expressed as a measure of Carats per square metre when discussing sampling results and resource estimation. Volumetric Grades in Carats per cubic metre are dependant on the thickness of the gravel horizon as well as the overlying sediments (overburden).

REGULATIONS

Namibia

Mining

The *Minerals (Prospecting and Mining) Act, 1992* (the "Namibian Mining Act") vests all rights to minerals on the continental shelf and in the sea bed in Namibian territorial waters in the Namibian government, which in turn has the power to issue licences and permits to private investors for the purposes of realizing the economic potential of these rights.

Exclusive prospecting licences are issued for specific periods (usually an initial period of three years) and may be renewed on two occasions for periods not exceeding two years. This type of licence entitles the holder to conduct prospecting operations in the area to which such licence relates in respect of specified minerals. Work programs may be prescribed, and operations must be conducted

reasonably and in accordance with good prospecting practice. Operations must be duly documented and reports furnished to the Ministry of Mines and Energy.

Mining licences entitle the holder to conduct mining operations in the mining area in respect of specified minerals. A mining licence endures for a period of twenty five years or such shorter period as may be deemed to be the estimated life of the mine. Renewals for further periods of fifteen years at any one time are possible on application. Mining rights must be exercised reasonably and in accordance with good mining practice. Operations must be duly documented and reports must be furnished to the Ministry of Mines and Energy.

The Namibian Mining Act provides that the Minister of Mines and Energy shall not refuse to grant an application for renewal of an exclusive prospecting licence if the holder of the licence has complied with all the terms and conditions of the licence, including the proposed program of prospecting operations and has met the expenditures in respect of such operations in accordance with the terms of the licence. In addition, the Namibian Mining Act provides that exclusive prospecting licences shall not expire while an application for renewal is being considered until such application is refused, is withdrawn or has lapsed or, if such application is granted, until such time as the exclusive prospecting licence is renewed in consequence of such application.

The Namibian Mining Act provides that an exclusive prospecting licence shall not be renewed on more than two occasions, unless the Minister of Mines and Energy deems it desirable and in the interests of the development of the Mineral Resources of Namibia. The Namibian Mining Act also provides that an application for the renewal of an exclusive prospecting licence shall not be made, in the case of the first application for the renewal of such licence, in respect of any area greater in extent than 75% of the prospecting area in respect of which such licence has been issued or, in the case of any other application for the renewal of such licence, in respect of any area greater in extent than 50% of the prospecting area existing at the date of such application, without the approval of the Minister of Mines and Energy. No reductions were made to the areas covered by the Company's exploration licences on the renewals thereof and the Company does not anticipate that any reduction will be made to the area in the current renewal applications.

Labour

The Namibian *Labour Act of 1992* (the "Labour Act") regulates the conditions of employment and the rights and obligations of employees and employers. It furthermore provides for the establishment of trade unions, employers' organizations and labour courts and defines the rights, duties and functions of such entities. Trade unions and employers may regulate their affairs by agreement and dispute resolution procedures are prescribed.

The Labour Act contains general provisions to the effect that all employers are obliged to ensure the safety, health and welfare at work of all their employees. This duty includes the duty to avoid all hazards to health in the conduct of operations. A further duty is imposed on employers, in carrying out their business in or on their premises, to ensure, insofar as this is reasonably practicable, that persons not in their employ are not exposed to hazards to their safety or health. Detailed regulations have been prescribed by the Labour Act in respect of the health and safety of employees.

Environmental

The Namibian Mining Act imposes a liability on the holders of licences or mining claims for the pollution of the environment or other damages or losses caused. The Namibian Minister of the Environment and Tourism may reserve certain areas of land from prospecting operations and mining operations.

The Namibian Mining Act also requires, as necessary, an environmental management program including an environmental impact assessment indicating the extent of any pollution of the environment, as well as an estimate of any pollution likely to be caused by such prospecting or mining operations before prospecting or mining operations are carried out. If any pollution is likely to be caused, an environmental management plan indicating the proposed steps to be taken in order to minimize or prevent such pollution must be prepared. A revised environmental management plan must be filed as circumstances change.

South Africa

Mining

The *Minerals Act 50 of 1991* (the “South African Minerals Act”) regulates prospecting and mining activities in South Africa. Under the South African Minerals Act, the South African government is the holder of the mineral rights on the continental shelf and in the sea bed in the South African territorial waters. As the holder of such mineral rights, the South African government can enter into prospecting agreements and mineral leases whereby the right to prospect or the right to mine for diamonds in a specific area is granted. However, statutory authorization is still required prior to the commencement of any prospecting or mining. By the granting of these authorizations, the South African government regulates the prospecting for and the optimal exploitation of minerals, provides for the safety and health of persons employed in mines and ensures the rehabilitation of the area prospected or mined.

The South African government entered into prospecting agreements with the Company in respect of sea concessions 6(c), 7(b), 7(d), 12(b), 12(d) and 14(c) along the west coast of South Africa. Mining licences 7(d) and 12(d) have since expired and were not renewed by the Company. Prospecting permits (statutory authorizations) were also issued. The Company is further obliged to commence prospecting operations in a manner and on a scale satisfactory to the Minister of Minerals and Energy within three months from the date of issue of the prospecting permit. The Minister of Minerals and Energy has the right, after due notice, in certain circumstances to cancel the prospecting agreement. Prospecting fees and a royalty of 5% of the gross proceeds of any diamonds found in the course of prospecting operations are payable to the South African government.

The prospecting agreements provide that the South African government may direct the Company to cause the value of any diamonds found by it to be determined by an independent diamond evaluator retained by the South African government, in which case the Company may not dispose of such diamonds at a price below the value so determined, except with the South African government’s consent. The prospecting agreements impose quarterly and annual reporting requirements with respect to exploration and mining activities carried out by the Company. The prospecting agreements also impose conditions upon the Company with respect to protection of the environment. Under the prospecting agreements, the Department of Minerals and Energy may establish areas of particular environmental importance in which prospecting will be prohibited. The Department of Minerals and Energy may also set limits as to the places where treated gravel derived from the concessions may be dumped or may otherwise restrict the dumping of such gravel to specified sites.

The Company may not alienate, cede or transfer its rights under the prospecting agreements without prior consent of the Minister of Minerals and Energy. The Company has, during the currency of the prospecting agreements, the sole right to apply to the Minister of Minerals and Energy for mineral leases in order to mine for diamonds in the prospecting areas. The Company has to submit proof to the satisfaction of the Minister of Minerals and Energy that diamonds occur in such quantities in the prospecting areas as to warrant mining. Any damage caused to the environment in the area of operations must be remedied to the satisfaction of the Minister of Minerals and Energy, who may also prescribe such steps as may be appropriate.

Labour

The employment and industrial relations fields in South Africa are governed essentially by a trilogy of Acts. *The Labour Relations Act* (66/1995) (as amended) (“LRA”) applies to all employment relationships excluding the National Security forces. The LRA’s general focus is that of unions’ organizational rights, bargaining councils, industrial action, dispute resolution forums and unfair dismissals. The *Basic Conditions of Employment Act* (75/1997) sets minimum conditions of employment for virtually all employees and prohibits employment on less favourable terms. The *Employment Equity Act*’s (55/1998) primary focus is to promote the constitutional right of equality, eliminate unfair discrimination and regulate the implementation of employment equity to redress the effects of discrimination. Further applicable legislation is the *Skills Development Act*, *Occupational Health and Safety Act*, *Compensation for Occupational Injuries and Diseases Act*, and the *Unemployment Insurance Act*.

The provisions of the above-mentioned legislation has resulted in a regulated employer/employee environment which requires significant human resource and specialized management. The consequence of this regulated relationship is that a significant part of management’s function is the managing of collective bargaining, fair discipline and dismissal procedures, monitoring and implementation of employment equity plans, financial contributions to employees’ skills development and the maintenance of stringent health and safety standards.

Environmental

In addition to the conditions imposed by the prospecting agreements, the South African Minerals Act contains provisions imposing primary obligations on the Company, including the submitting of environmental management programmes. The provisions of this Act are monitored and enforced, and applicable standards are set, by the Department of Mineral and Energy Affairs.

The South African Minerals Act requires that on cessation of prospecting or mining operations, any damage caused to the surface of the land (including the sea and the sea bed) and the environment in the area of operations must be remedied to the satisfaction of the Minister of Minerals and Energy.

The South African Minerals Act also requires that an environmental management program in respect of the surface of land (including the sea and the sea bed) in any prospecting or mining operation be submitted for approval by the holder of the prospecting permit or mining authorization to the Director of Mineral Development before operations may be commenced.

The person who was the holder of a prospecting or mining permit or authorization immediately prior to cessation of operations remains liable for complying with the relevant provisions of the

South African Minerals Act until the Department of Mineral and Energy Affairs issues a compliance certificate.

ENVIRONMENTAL POLICY

Environmental Regulations

All phases of the Company's operations are subject to environmental regulations in the various jurisdictions in which it operates. A short description of relevant aspects of regulations in Namibia and South Africa is given above, see "Narrative Description of the Industry and Business - Regulations".

Environmental Impacts

The Company's exploration and mining operations disturb the sea bed and entrain a significant amount of sediment in the water column. Operations also involve the use of Ferrosilicon for processing the ore, and the discharge of waste effluent and tailings from the Company's mining vessels into coastal waters. The scope of actual and potential environmental impacts are monitored by the Company through periodic environmental studies and ongoing environmental performance monitoring which include: the impact of the discharges and sediment entrainment on benthic communities, lobster populations and other sea dwelling plants and organisms; the disruption and destruction of the sediment record; and noise and other effects on marine mammals such as seals, whales and dolphins.

The environmental risks of the Company's marine operations in both Namibia and South Africa are managed through the Company's Environmental Management System ("EMS"), which is rooted in standard, internationally accepted environmental evaluation practices. The Company has established and implemented environmental management plans for all operational vessels and operational areas. The Company has also implemented various monitoring programs that evaluate and attempt to mitigate identified impacts. The general monitoring procedure for all systems follows an adjustable circular review format of data collection, data evaluation, system connection, auditing and reporting.

The EMS is managed by an external consultant, who reports to a designated person within the Company who has responsibility to ensure that the Company meets an appropriate level of environmental performance. As of October 23, 1999, the Company had successfully certified the EMS for MV Kovambo with its mining system the NamSSol to the ISO14001 standard. Although these certifications are due to lapse because of the non-operational status of the MV Kovambo and the NamSSol, the essential elements of the vessel and mining system's management procedures remain in place. An extension for the verification audit, due in April 2001, has been requested and verbally approved to be undertaken two months after MV Kovambo resumes mining operations.

Based on the information generated through its EMS, the Company believes that it is in material compliance with all environmental laws applicable to its operations, and with all its permits. The Company is not aware of any impending amendments to environmental law or any of its permits or authorizations that could materially affect its operations.

GENERAL DESCRIPTION OF LICENCES (TENEMENTS)

The coastline and continental shelf off the west coast of Namibia and South Africa has been subdivided into a number of exploration and mining licence areas, stretching from Cape Columbine to the Orange River on the South African coast and from the Orange River to the Kunene River on the

Namibian coast. In Namibia, licence areas are also referred to as “grants”. In South Africa, licences are referred to also as “concessions”.

In both countries, the successful application for conversion of all or part of an exploration licence into a mining licence is generally awarded once exploration programs have identified sufficient resources in Measured and Indicated categories to support mining for a minimum of two years.

The Company has both mining licences and exploration licences. Details of the Company’s mining licences are set out in Table 1 below and details of the Company’s exploration licences are set out in Tables 2 and 3 found under the section “Narrative Description of the Business and Industry - Exploration Licences”. A brief narrative description of the general setting of the licences is also provided below. The material properties are considered to be the Producing Properties. The exploration licence areas in Namibia and South Africa are considered “Development Properties”.

The location of mining licences ML36, ML51 and ML103A are shown in Figure 1. The location of Development Properties in Namibia north of Walvis Bay are also shown in Figure 1. The location of Development Properties in Namibia, south of Walvis Bay are shown in Figure 2 and Namco’s South African concessions are shown in Figure 3.

MINING LICENCES

Table 1

MINING LICENCES — Namibia				
Concession	Holder	Size (km²)	Term (years)	Date Originally Granted
ML36	Island Diamonds Ltd.	362.8	25	April 1, 1994
ML51 (“Koichab Prospect”)	Namco Namibia (Pty) Ltd.	136	15	January 31, 1997
ML103A (“Saddle Hill Prospect”)	Namco Namibia (Pty) Ltd.	359	15	October 22, 1999

Namco holds a total of 857 km² in three mining licence areas located on the inner shelf off the coast of Namibia between Oranjemund in the south and Hottentot Bay which lies approximately 100 km north of Luderitz (see Figure 1). Significant diamond production has been recovered from previous mining operations on this section of the coast. See “Narrative Description of the Industry and Business - Development of Diamond Prospecting and Mining Along the West Coast of Southern Africa”. The licences are principally located off Hottentot Bay (ML103A) in the north, off Luderitz (ML51) and around the string of small offshore islands that occur along the coast over a distance of some 200 km both north and south of Luderitz.

ML36

ML36A-J provides for mining rights to the following areas:

- the land areas of the Hollamsbird, Penguin, Seal, Halifax, Possession, Pomona and Plumpudding Islands, including the bed of the sea within their respective three nautical mile territorial waters; and

- the bed of the sea within the three nautical mile territorial waters of Mercury, Ichaboe, North and South Long, Albatross and Sinclair Islands.

This mining licence was awarded for a period of 25 years from April 1, 1994 and expiring March 31, 2019. The total extent of the mining licence area is 362.8 km². The extent and water depth of the individual island licence areas range from 0m to 100m.

Figure 1
Namibian Concessions

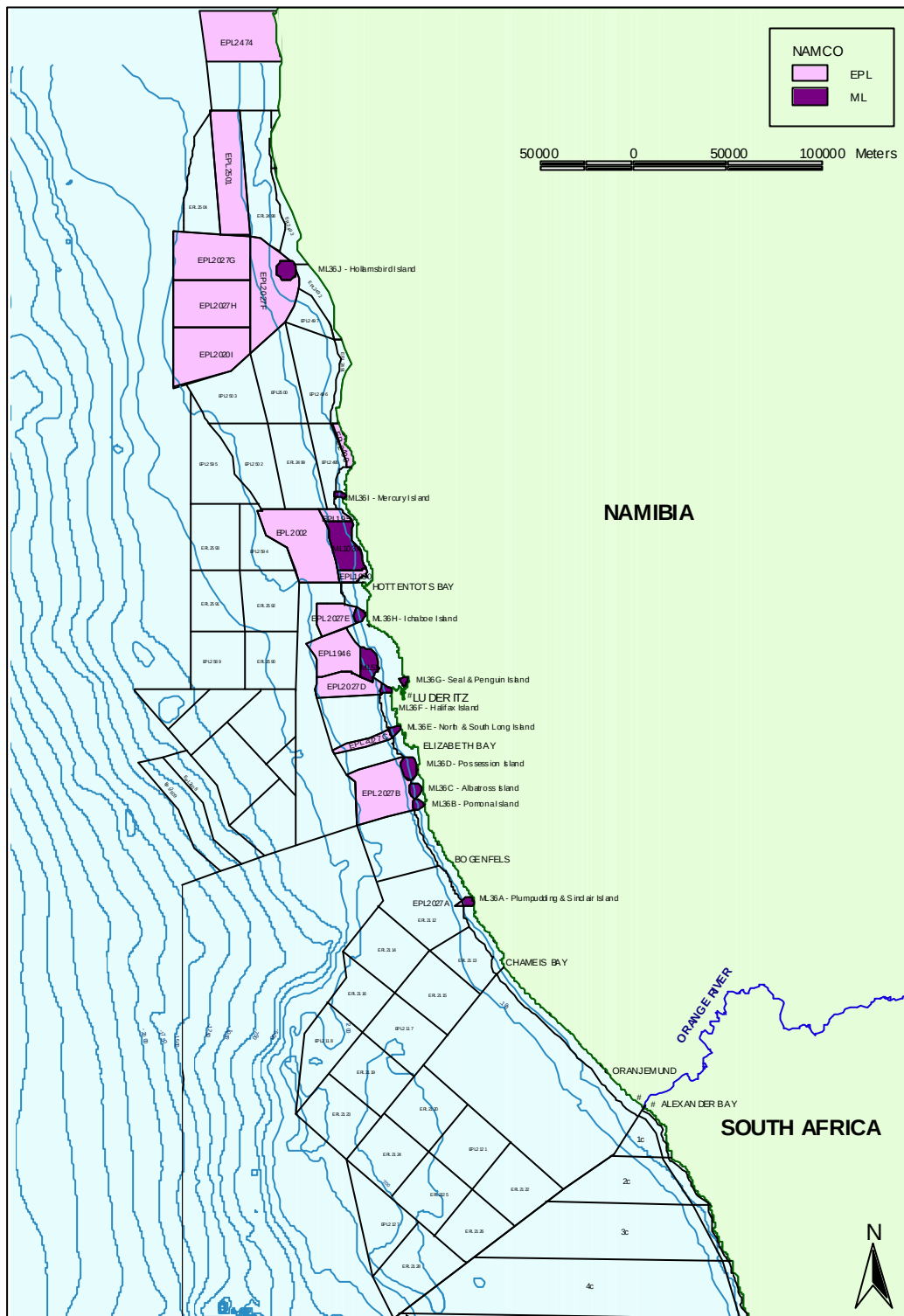


Figure 2
North Namibian Concessions

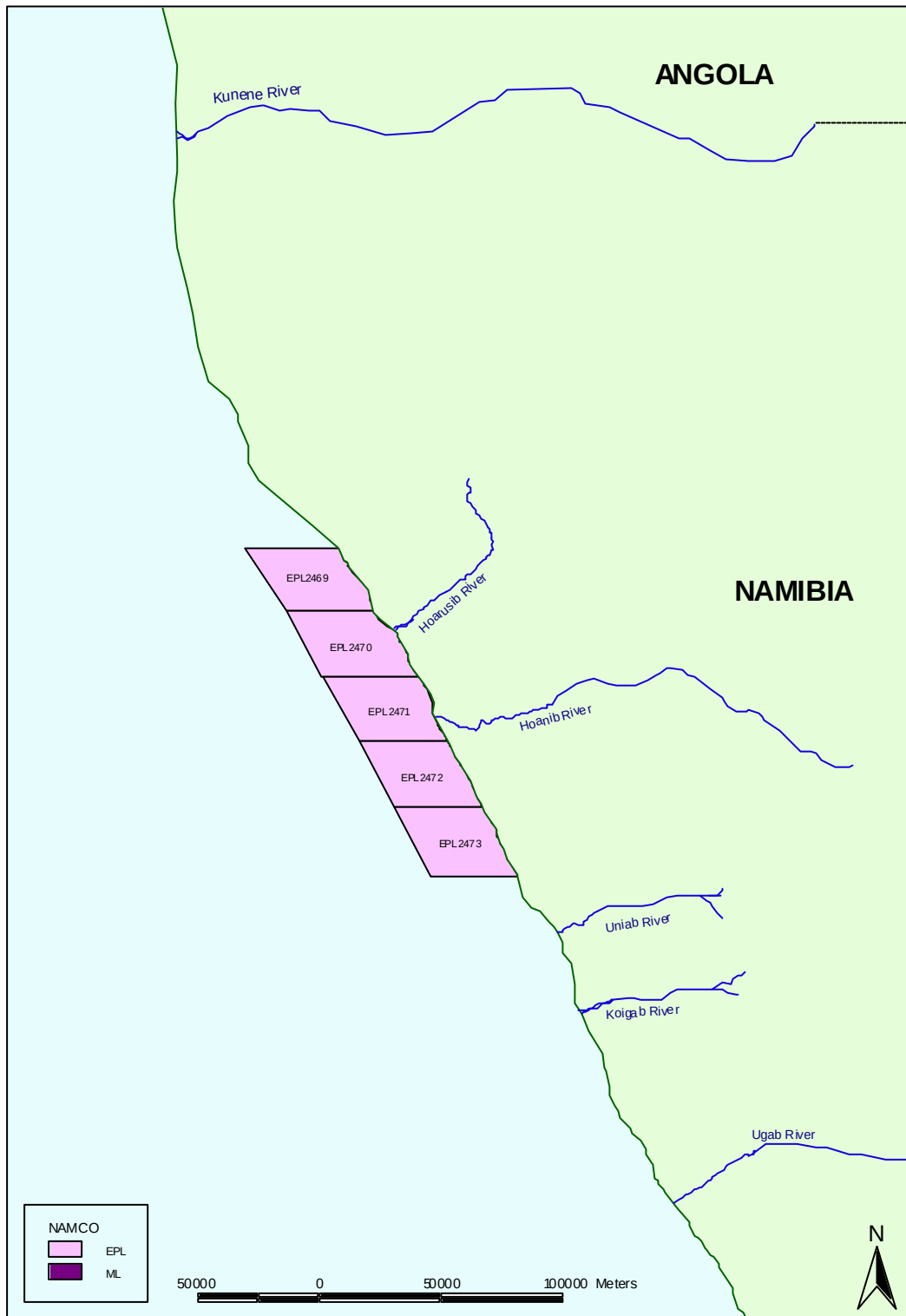
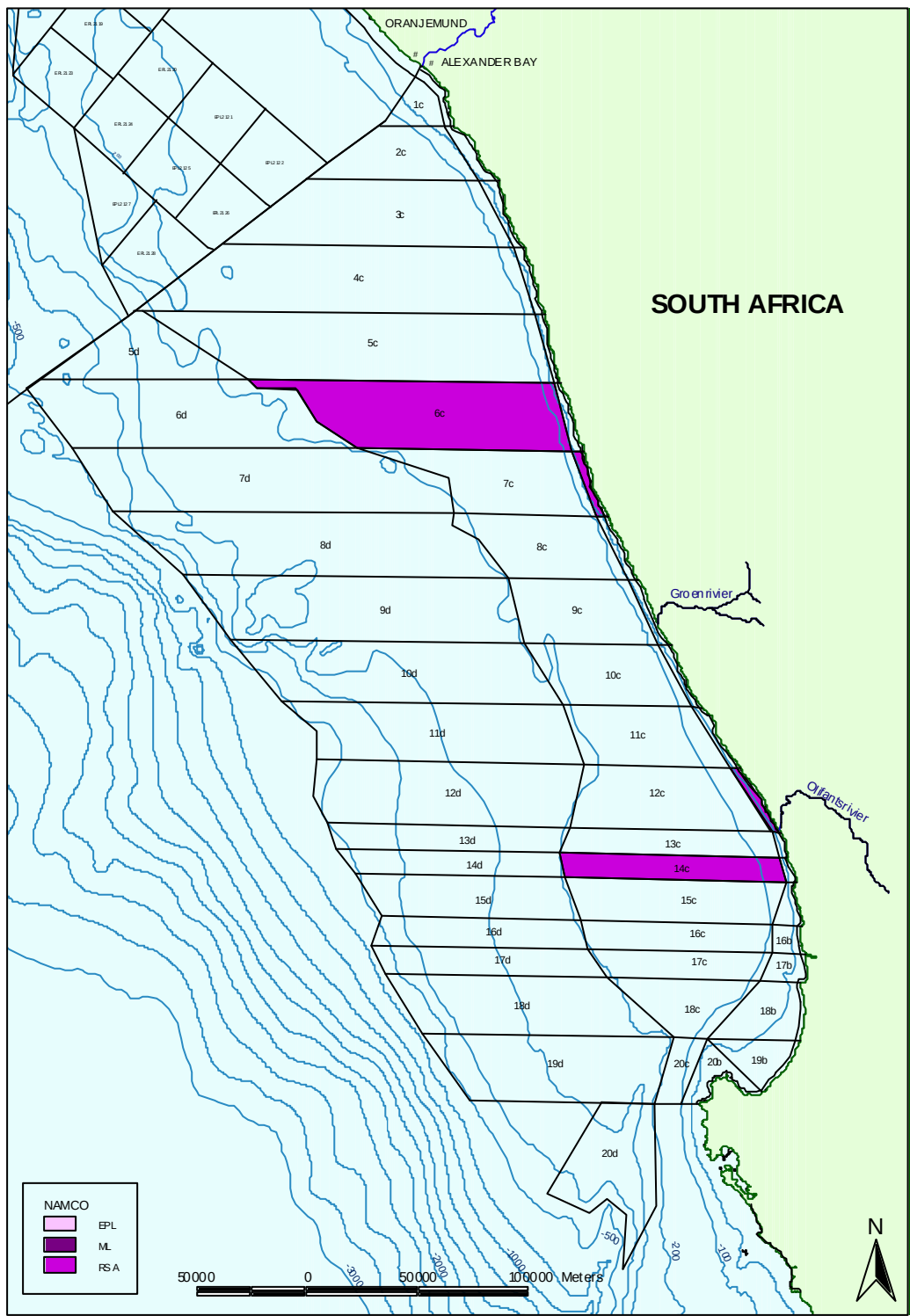


Figure 3
South African Concessions



ML51

The eastern boundary of ML51 lies 12 km offshore from the port of Luderitz. It was formerly the priority prospect area, the Koichab Prospect comprising the eastern portion of the Luderitz Grant (EPL 1946) awarded to Namco in 1993. This mining licence was issued by the Namibian Government and is dated January 31, 1997, and is for an initial period of 15 years (with an expiry date of January 30, 2012). If additional economic diamond resources are discovered within the area, the period can be extended. This mining licence covers an area of 136 km². Water depth varies from 50m to 110m. The adjacent prospecting and mining areas are held by DFI to the north, east and west. ODM holds the contiguous property to the south.

ML103A

ML103A is located at Hottentot Bay, some 100 km north of Luderitz. It extends from the vicinity of Black Rocks in the south to Saddle Hill in the north. It was formerly the priority prospect area, Saddle Hill Prospect, located in the middle portion of Hottentot Bay Grant EPL 1950 awarded to Namco in 1993. This mining licence was issued by the Namibian Government and is dated October 22, 1999, and is for an initial period of 15 years (with an expiry date of October 21, 2014). If additional economic diamond resources are discovered within the area, the period can be extended. This licence covers an area of approximately 359 km². Water depth varies from 35m to 120m. The adjacent prospecting areas are held by Afri-Can Marine Minerals Corporation, a Canadian exploration company, to the north, DFI to the south and by DeBeers' subsidiary, Tidal Diamonds, to the east. The contiguous property on the west is EPL 2002, owned by Namco.

Effect of Provisional Liquidation

ML51 and ML103A are held by Namco Namibia (Pty) Ltd. and Island Diamonds Ltd. holds ML36. Island Diamonds Ltd. was never in provisional liquidation. Therefore, the fact that at the end of February 2001, several of Namco's subsidiaries were placed into provisional liquidation did not affect the Company's interest in ML36.

Namco Namibia (Pty) Ltd. however, was placed into provisional liquidation at the end of February 2001. The Minister of Mines and Energy of Namibia confirmed to the Company that Namco Namibia (Pty) Ltd.'s interest in ML51 and ML103A would not be cancelled. As of the date of this AIF, Namco Namibia (Pty) Ltd. has been discharged from provisional liquidation.

EXPLORATION LICENCES

In addition to mining licences, the Company holds exclusive exploration licences from the Namibian Government and the South African Government, which are set out in Table 2 and Table 3, respectively. More detailed commentary on the licences is given under "Narrative Description of the Industry and Business - Development Properties".

Table 2

EXPLORATION LICENCES — Namibia			
Concession	Holder	Size (km²)	Date Originally Granted
2027 Grants			
• EPL 2027A	Island Diamonds Ltd.	5.3	June 10, 1996
• EPL 2027B	Island Diamonds Ltd.	819.1	June 10, 1996
• EPL 2027C	Island Diamonds Ltd.	130.0	June 10, 1996
• EPL 2027D	Island Diamonds Ltd.	348.5	June 10, 1996
• EPL 2027E	Island Diamonds Ltd.	276.7	June 10, 1996
• EPL 2027F	Island Diamonds Ltd.	997.8	June 10, 1996
• EPL 2027G	Island Diamonds Ltd.	1,000.7	June 10, 1996
• EPL 2027H	Island Diamonds Ltd.	984.6	June 10, 1996
• EPL 2027I	Island Diamonds Ltd.	997.0	June 10, 1996
Luderitz Grant	Namco Namibia (Pty) Ltd.	457	June 28, 1993
Hotentot Bay Grant	Namco Namibia (Pty) Ltd.	167	June 28, 1993
2002 Grant	Namco Namibia (Pty) Ltd.	994	September 29, 1994
Block A	Cape Ocean Namibia (Pty) Ltd., a joint venture partner of Namco Namibia (Pty) Ltd.	91	November 6, 1997
Block L	Guinas Angonam Mining (Pty) Ltd., a joint venture partner of Namco Namibia (Pty) Ltd., Guinas Mining (Pty) Ltd. and Angonam Exploration (Pty) Ltd.	1,000	July 20, 1998
Skeleton Grants			
• EPL 2469	Island Diamonds Ltd.	983.2	May 26, 1998
• EPL 2470	Island Diamonds Ltd.	1,000	May 26, 1998
• EPL 2471	Island Diamonds Ltd.	958.2	May 26, 1998
• EPL 2472	Island Diamonds Ltd.	994	May 26, 1998
• EPL 2473	Island Diamonds Ltd.	988.4	May 26, 1998
Conception Grant			
• EPL 2474	Island Diamonds Ltd.	556.5	May 26, 1998

Table 3

EXPLORATION LICENCES — South Africa			
Concession	Holder	Size (km²)	Date Originally Granted
Concession 6(c)	Ocean Diamond Mining 6(c) (Pty) Ltd.	3,494	May 18, 1994

Concession 7(b)	Solid Pump Company (Pty) Limited	89	October 17, 1994
Concession 12(b)	Namco South Africa (Pty) Ltd.	116	July 15, 1993
Concession 14(c)	Ocean Diamond Mining 14(c) (Pty) Ltd.	1,056	May 18, 1994

In Namibia, the Company has access to (by way of holdings and joint venture) a total of 13,851 km² in 20 separate exploration licences on the inner and middle continental shelf off Namibia. The licences are distributed both north and south of Walvis Bay and thus cover a broad section of the Namibian coast.

In South Africa, the Company currently has access to (by way of holdings and joint venture) four prospecting licences covering an area of 4,739 km² on the inner and middle continental shelf off the west coast of South Africa. Three of these licences are encumbered in joint venture operations (See “Narrative Description of the Industry and Business - Development Properties”). The ultra-deepwater licence areas 12(d) and 7(d), representing a total area of 7,620 km², were not renewed in 2000. This decision was based on the fact that the properties lie in deep water (250m to 500m). Reconnaissance exploration work has indicated low prospectivity and diamond potential and water depths are beyond the limits of current mining technologies.

The Company made application for exploration licences over five farms covering a total of 66.2 km² on an alluvial diamond prospect in the vicinity of Vryburg, located to the north of Kimberly in the Northern Province. This is a grass roots project selected on the basis of a favourable geological setting and presence of historical prospecting and mining information in the area. Licences for four of the five areas applied for have been granted and the Company has been advised that the licence documents will be issued on receipt of a letter indicating the Company’s intention to release its South African subsidiary from provisional liquidation. The licence for the fifth area is pending an access agreement with local Tribal Trust and will be issued upon settlement of this issue.

The Company presently has no other interests or projects outside of Namibia or South Africa.

GENERAL LOCATION, ACCESSIBILITY, LOCAL RESOURCES AND INFRASTRUCTURE

In Namibia, the offshore operations are supported from the ports at Luderitz and to a lesser extent at Walvis Bay. Both ports have recently been enlarged and can provide fuel, mooring and some engineering support services. Operations off the South African coast are supported by small harbours at Port Nolloth and St. Helena Bay. The larger port of Saldanha Bay is located at the southern end of operations. In most cases, the port city of Cape Town in South Africa is used to support the large-scale marine operations. Access to the properties is achieved only by sea aboard a suitable vessel from one of the named ports.

DEVELOPMENT OF PRODUCING PROPERTIES

Introduction

In the years preceding the 1999 acquisition of ODM by the Company, the Company and ODM were progressing the development and mining of their mineral properties in parallel. However, the two companies, in both exploration and mining, applied different technologies, philosophies and strategies. In reviewing the development of the properties, the general aspects of the various approaches,

methodologies and technologies used are discussed. Detailed information relating to the individual Producing Properties are dealt with in the subsequent section.

Exploration

Detailed geophysical surveys and mapping of the seafloor have been completed in all of the Producing Properties. The existing data coverage was recently supplemented with more modern geophysical survey data to improve resolution and mapping of the seafloor geology.

Geophysical Surveys

Marine geophysical surveys are conducted in order to map the sea bed in a licence area. The geophysical equipment is deployed off a survey vessel which runs along a predetermined grid of survey lines. In reconnaissance phase, survey lines are generally widely spaced (0.5–2 km) to complete regional surveys. As areas of specific interest (in terms of prospectivity) are identified, the line spacing is progressively reduced to provide detailed surveys comprising 100% coverage on line spacings of 50m to 200m. In identified mining areas, survey spacing is reduced even further over selected areas to intervals of 25m to 50m to improve data coverage and resolution.

A typical suite of the equipment used and resultant products comprises:

- Echo sounder - to produce depth information (Bathymetry) showing the sea bed morphology. More recently multi-beam echo sounders or swathe Bathymetry systems have been introduced to provide 100% coverage of bathymetric data.
- Side-Scan Sonar – to map the nature and surface distribution of different sediment and bedrock types.
- Seismic profiler – to map the nature and thickness of overlying sediments as well as the topography of the underlying bedrock.
- High precision position fixing system (i.e., Differential Global Positioning System – “DGPS”) with Hydrographic Survey program and electronic data capture systems – to precisely locate and record the path of the various geophysical sensors and to record the data produced. This information is essential to produce accurate maps from the processed and interpreted geophysical data.

Survey Operations

ODM Survey Operations

ODM owned and operated its own basic set of geophysical survey equipment and a dedicated survey vessel up to October 1999. The survey vessel, MV Halifax, a 47 foot Catamaran, conducted surveys on a more or less continuous basis and produced approximately 2000 survey line kilometres per annum. A total of approximately 10,645 line km (representing 6,708 km²) of regional and detailed survey was completed up to May, 1999, predominantly in ML36. Data processing and interpretation was done internally by the ODM geology department. The quality of the geophysical data and resultant maps is considered to be of acceptable standard.

Namco Survey Operations

Namco undertook comprehensive geophysical surveys at several intervals in the period from 1993 to 2000 in its original Namibian and South African properties. During this period a total of approximately 10,800 line km of survey data was collected.

In December 1993, Namco contracted Wimpol UK Ltd. to conduct its first geophysical surveys and geological sampling. A total of 6,560 line km were completed including a regional survey as well as a detailed (100% coverage) survey of concession 12(b), Luderiz Grant (EPL 1946) and the Kiochab Prospect (now ML51) as well as in the Hottentot Bay Grant (EPL 1950) and the Saddle Hill Prospect (now ML103A).

In May 1996, Namco contracted Racal Survey Ltd., to carry out geophysical surveys and geological sampling in EPL 2002, concession 12(d), EPL 1950 and ML51. Regional survey coverage was completed in EPL 2002 and concession 12(d). Detailed survey work was done in selected Measured and Indicated Mineral Resource features in ML51. A total of 2,143 line km of survey data was collected.

In October 1999, Namco contracted Marine & Coastal to conduct regional surveys in the joint venture licence areas Block L ("Guinas Angonam JV") and to complete detailed survey of the two remaining prospects in the Hottentot Bay Grant EPL 1950. A total of 2,043 line km of survey data was obtained. A further survey of 85 line km was run for Namco in November 1999 by South African company Marine Data Solutions cc in association with Sage Survey BV of Belgium. This comprised a sea bed resistivity survey. The objective was to attempt to quantify the geotechnical characteristics of the overburden and Footwall on which the gravel deposits occur in the mining areas in ML51 in order to assist in future mine planning. The results of the program were not adequate to meet the desired objectives.

2000 Survey Operations

Due to the fact that the ODM survey coverage comprised some 33 discrete and separate surveys, there were difficulties in matching adjacent data sets and inevitable gaps in coverage. In addition, new seismic and bathymetric equipment became available early in 2000 with improved penetration and resolution capabilities. For these reasons, it was decided to re-survey priority areas in the ML36 areas after the acquisition of ODM in October 1999. In addition, further detailed survey work was undertaken in mining features ML51 and ML103A after successful trials with a new seismic system provided improved penetration and resolution of the layering and thickness of the overlying sediment. The survey undertaken in April and May 2000 was run jointly by Namco and survey contractor Marine & Coastal. A total of 2,200 line km of high quality, digital survey data was obtained on survey lines spaced at 50m to 200m intervals. This information has been used to refine the interpretation of geological information required to support the anticipated mining and exploration programs in the Producing Properties in 2001.

In June 2000, joint venture partners Cape Ocean Namibia ("Conco") contracted Marine & Coastal to complete 722 line kilometres of regional and detailed survey coverage in shallow water area EPL 2490.

The overall quality of the survey data and interpreted maps produced for Namco by the various contractors and, more recently, by the Company, has been of a high standard. Processing and mapping of the data has been completed. Modelling of the new data is being used to assist in mapping structural trends in the bedrock that appear to control the pattern of mineralization in certain areas. The

Sonograph data has provided clearer resolution of the seafloor with a resultant improvement in the interpretation of bedrock and sediment areas.

Data Interpretation and Mapping

All relevant primary geological information (interpreted maps and sample data) is captured electronically, processed and incorporated in a computer based Geographical Information System (“GIS”). The purpose of the GIS is to provide a long-term facility for the input of survey and sampling data as well as to provide an efficient means for data modelling, planning and management of the Namco exploration program. The activities of geophysical surveying, data processing, interpretation, mapping and sampling is ongoing.

The primary data input to the GIS includes map coverages such as sediment thickness, Bathymetry and bedrock topography maps as well as sea bed geology and Sonograph images (Side-Scan Sonar). These base geological maps are used to identify prospecting target features. The boundaries of identified target features have also been incorporated as well as all the selected initial sample sites.

Identification of Prospecting Targets

The seafloor geological maps are used to identify those geological features that are generally recognized as being favourable for the trapping and concentration of diamonds. Features such as basins, channels, southern side of headlands, northern side of embayments, south-west facing gullies, etc. are considered to be preferred diamond trapping sites. This is knowledge that has been gained from the industry experience in mining of the raised beach deposits along the west coast of southern Africa. Potentially Diamondiferous prospecting target features are ranked in order of priority according to a variety of geological criteria (i.e., location, water depth, sediment thickness, proximity to known resources, etc.). Using this approach, the licence areas ML36, ML51, ML103A and EPL 1950 have been fully subdivided into features. These inner shelf licence areas comprise a total of 216 features, including current resource and reserve features.

PROSPECTING

Equipment and Operations

The process of sampling for diamonds in the marine environment is complex. No standard equipment exists and established facilities are not readily available. Consequently, various technologies have been applied to produce customized equipment, with improvements being based on previous experience. The primary methods used by the Company and its predecessor ODM are discussed below as well as the benefits and disadvantages of each system.

MV Oceandia/Airlift Sampling

Of the three vessels owned by ODM, the MV Oceandia (861 GRT) was the primary prospecting vessel. The vessel was equipped with a 1,350mm airlift and a 10 tons per hour DMS plant for material processing. The sampling method consists of a large steel pipe (airlift head) that is lowered to the sea bed from the vessel. An intense suction force is generated as air is introduced into the pipe which draws the sea bed sediment into the process plant where material is concentrated by screening and DMS. In sampling, the vessel lays a spread of three anchors over the identified location. Sample spacing is dependant on the objective (reconnaissance or evaluation sampling). Sample time is dependant on the

nature and thickness of the sediment and was generally a minimum of one hour. Sampling in thicker sediments of greater than three metres required longer.

Due to the nature of the operation, it is not possible to accurately determine the area excavated, volume of material recovered, sample weight, or depth of sediment penetrated at any site. An estimate of 13m² per hour for area sampled has been assumed by ODM but this is a very approximate figure. It is possible that the true figure at any site may range from less than half to twice the average (i.e., less than 6.5m² to 26m²). Consequently, the inherent variability will distort Grade estimates and introduce a large indefinable random element to resource estimation. ODM applied this sampling method in all of their mining and exploration licence areas. Sampling to some degree was undertaken in all of their exploration and mining licence areas south of Hollamsbird Island in Namibia as well as in concession 7(b) in South Africa. Some samples were also taken in concession 6(c) to prove the presence of diamonds prior to the Geomaster program.

Although it does not provide a quantitative measure, the airlift sampling does provide a qualitative indication of the prospectivity of an area by revealing the presence or absence of diamonds in low or high concentrations. This approach is suitable for reconnaissance prospecting in areas of thin sediment (less than three metres) where the objective is to prove the presence or absence of diamonds in a selected feature.

MV Geomaster/Bauer Tool

In 1995/1996, BHP, in joint venture with Benco, mobilized the dynamic positioning vessel, MV Geomaster, which was equipped with a ten tons per hour material processing plant and a sampling tool built by a German drilling company, Bauer Kompressoren ("Bauer"). The Bauer Tool had a footprint of approximately 4m² and was equipped with cutting wheels to ensure that sample penetration extended through any gravel or cobble layers onto the bedrock surface where diamond concentration is usually greatest. The Bauer Tool could penetrate to a depth of six metres below seafloor and was used in licence areas 6(c) and 14(c). The Bauer Tool was also used in the licence area owned by DFI north of ML36. In the further development and sampling of their Marshall Fork area, DFI have since confirmed doubts, initially raised by Benco, that the Bauer Tool under-sampled to a significant degree.

MV Sprut/Namrod Sampling Tool

In 1995, Namco retained Boskalis to act as the manager and operator for Namco's bulk sampling work. The work comprised a bulk-sampling program of 760 sample sites that commenced on June 18, 1995 and concluded in October 1996. The target-driven prospecting program was adopted to facilitate Namco's fast track approach to exploration.

Boskalis designed and constructed a 38-ton remotely-operated sampling tool for the program called the "Namrod". The Namrod was designed to clear a 10m² area to bedrock, through typical local sediments and bedrock features of up to four-metre thickness and in water depths up to 120m. The Namrod cleared and recovered the sediment with an excavation bucket and suction boom, using an underwater screening system to remove material at sea bed. A submersible pump pumped the remaining material to the ship through a flexible hose. The dynamic positioned vessel MV Sprut was chartered and equipped with a ten tons per hour DMS and material processing plant with a secure diamond recovery system. The diamond recovery system was designed to eliminate any possibility of theft. In addition, a manned security presence was maintained on the vessel at all times during prospecting operations. Sampling was undertaken primarily in the current mining licences ML51 and ML103A with some sampling

also in concession area 12(b). The Namrod produced a large, quantifiable sample that could be used for Grade and resource estimation. However, the sample rate was disappointing with an average of two samples per day being achieved (although the rate improved as the program progressed). Consequently, cost per sample was high, estimated at approximately US\$17,000 per sample. Also, prospecting was limited to areas with less than four metres sediment.

MV Zacharias/Namdrill Rotary Drill Sampling

In January 2000, Namco chartered the MV Zacharias to be equipped as a dedicated prospecting vessel. Following review of previous industry experience and the requirement for low cost, quantitative sampling, Namco engineers designed and commissioned the construction of a new sampling tool, the Namdrill. Wirth, a German company specializing in drilling equipment, has constructed the reverse circulation rotary drill. The fabrication of the tool was completed in Germany and the tool was sent to Cape Town for assembly and commissioning. In May 2001, the MV Zacharias was refitted in Cape Town where the processing plant, handling system and helipad were installed. The MV Zacharias is on charter until the end of March 2002 at an annual rental of US\$1,300,000. The Company is required to purchase the vessel at the end of the charter for US\$5,000,000. In the intervening period it is entitled to purchase the vessel, the purchase price decreasing on a quarterly basis from the current level of approximately US\$6,600,000.

The Namdrill has a footprint area of 2.5m^2 and can penetrate a variety of sediment and rock types to a maximum depth of eight metres. The cutters at the base of the drill are capable of penetrating into rock to ensure full penetration through diamond-bearing gravels. The excavated hole is fully cased to avoid any slumping or sample contamination. Following opinion from several acknowledged geostatisticians, the principle of cluster sampling has been adopted. The standard sample will be a 5m^2 sample comprising two drill holes at any defined site. Larger samples can be obtained if required by increasing the number of holes in any cluster. The design parameter caters for a sampling rate of ten 5m^2 samples per day in sediments of five metres average thickness. Cost per sample is expected to be less than US\$2,000 per sample.

The MV Zacharias is also equipped with a 16 inch airlift and a six metre vibrocorer. With the unavailability of the Namdrill, the airlift has been used in the interim period from August 2000 to February 2001 to progress reconnaissance sampling in order to assess prospectivity of areas in ML36, ML103A and ML51. A total of 319 samples were taken during this period.

SAMPLING ANALYSIS AND RESULTS

Further to the above discussion of sampling methods, the results and analysis of the sampling campaigns in the Producing Properties are presented in summary form in Table 4.

The success rate of sampling in a particular geological feature is expressed as a percentage of the number of positive sites (one diamond or more present) over the total number of sample sites taken in that feature. The success rate of sampling is used as the main criterion in the identification of candidate features for "Phase 2" or follow-up sampling, in conjunction with other factors such as size of the feature, sample density, number of multiple diamond sites and number of stones at each site.

ML36

Geology

The combined area of the ten component licences in ML36 is 362.7 km² of which 125 km² (34.5%) comprises sediment covered areas. The sediments are generally accumulated in north – south oriented linear depressions or basin-type features. The remaining area comprises predominantly metamorphic, crystalline bedrock with patches of thin coarse sediment in places. The sediment profile generally comprises an overburden of mud and sand with variable thickness. Below the overburden there is a gravel horizon, which rests on the bedrock. In places there is an internal hard layer of clay or beach-rock, which forms a false basement on which gravel has concentrated. Below the false basement there is often a second layer of coarse sediments generally resting on weathered bedrock.

Sampling

The licence area comprises a total of 216 features.

Since 1995, a total of 7632 samples have been taken in the ML36 licence area in 117 features. The airlift sampling was generally completed on grids varying from 100m x 50m to 50m x 50m in areas where positive samples were obtained. The sample quality is variable as noted above and did not provide quantitative Grade information. The only three variables that are well established in airlift sampling are the sampling time as well as number and weight of diamonds recovered. This provides a useful statistic of Carats recovered per hour that was used by ODM to calculate cut-off Grades, but this statistic cannot be used to calculate resources. To define a resource Grade, a sample area of 13 m² per hour was assumed based on survey observations with most samples being a minimum of one hour.

The sample spacing applied is controlled by the natural variability of the deposit and the sampling objective (i.e., reconnaissance or evaluation). Diamonds were recovered from all of the component licence areas demonstrating the provenance of the mineralization in the properties over a total distance of approximately 300 km. This range includes the locations of ML51 and ML103A discussed below. The overall success rate of sampling was 50.8%. Sampling was limited predominantly to the thinner sediment areas. Practical experience has shown that, in thicker sediments (more than 3m) the results from the MV Oceandia sampling are unreliable (positive results have subsequently been obtained in locations where MV Oceandia results were negative).

The recent MV Zacharias airlift sampling was undertaken to do reconnaissance sampling. A total of 319 samples were taken in 38 features. Of these a success rate of 45% was achieved and 21 features were identified for follow-up sampling with the Namdrill.

ML51

Geology

Approximately 110 km² of the licence area (81%) is sediment covered. The sediment profile generally comprises an overburden of mud and sand with variable thickness. Below the overburden there is a gravel horizon, which rests on the bedrock. In places there is an internal hard layer of clay or beach-rock, which forms a false basement on which gravels have concentrated. Below the false basement there is often a second layer of coarse sediments generally resting on weathered bedrock. Exposures of metamorphic, Precambrian aged bedrock outcrops occur in the north and south of the licence area. The central part of the licence area comprises a deep, sediment-filled channel marking the offshore extension of the ancient Koichab channel. The channel can be traced through the adjacent DFI property to the shore and is considered by geologists to have been a potential conduit and local source of Diamondiferous sediments. Sediment thickness in the channel is up to 20m. Tertiary aged sedimentary bedrock is exposed on the western side of the area. The contact with the Precambrian bedrock occurs at

100m depth and is covered by a wedge of sediments up to 10m thick. Linear sediment depressions occur in the bedrock on the northern side of the area representing the channel complex that extends into the adjacent DFI property as the Marshall fork feature. Water depth ranges from 50m to 100m.

Table 4

CUMULATIVE SAMPLING RESULTS PER CONCESSION										
License		Features				Samples				
Name	Area km ²	Total	Sampled	Completed	Remaining	Sampling density	Total	No of Positive	% of Positive	Total Carats
ML36A	22.657	16	10	5	11	Sampling spreads sampled to a minimum 50m x 50m or 25m x 50m grid using 300m x 350m sampling spreads	671	231	0.344	706.34
ML36B	21.836	13	10	3	10		811	258	0.318	718.57
ML36C	37.612	14	9	2	12		902	371	0.411	840.39
ML36D	81.169	20	15	7	13		1238	501	0.405	1066.76
ML36E	23.236	17	15	5	12		1388	611	0.440	1602.11
ML36F	21.758	15	12	4	11		2269	1925	0.848	5406.46
ML36H	33.777	11	5	1	10		212	21	0.099	14.02
ML36I	16.581	5	3	0	5		66	8	0.121	2.95
ML36J	91.44	6	4	3	3		75	10	0.133	5.09
ML36	350.066	117	83	30	87		7632	3936	0.516	10362.69
ML51	136.19	23	20	2	21	Reconnaissance sampling at 200m to 500m spacing, geology controlled. Evaluation sampling on 50m x 150m or 50m x 50m grids.	542	311	0.574	4260.53
EPL 1950	167.15	18	5	0	18		60	12	0.200	3.9
ML103A	358.85	58	23	9	49		459	157	0.342	113.76
TOTAL	1012.256 ¹	216	131	41 ¹	175		8693	4416	0.508	14740.88

1. This total includes 34 non-prospective features and 7 candidate mining features.

Sampling

A total of 366 samples were taken in the 1996 campaign using the Namrod in 16 features. Sample spacing ranged from 300m for reconnaissance sampling and was reduced to 50m for evaluation sampling in the two most prospective features. The sample quality was good, average sample size of 10m² provided good representation. The overall success rate for sampling in the ML51 licence area (excluding three large samples of 100m² or more) was 51%. The average diamond size was 0.36 Carats and the median diamond size was 0.3 Carats. The largest diamond recovered weighed 4.4 Carats and the smallest diamond was 0.08 Carats. Of the features sampled in this prospect, two demonstrated significant diamond mineralization and were subsequently targeted for mining operations on the basis of the resource estimates produced (i.e., features 19 and 20).

The MV Zacharias completed airlift sampling between October 2000 and January 2001 to continue reconnaissance sampling to assess prospectivity. A total of 78 samples were taken in nine features. Of these a success rate of 51% was achieved and five features were identified for follow-up sampling with the Namdrill.

ML103A

Geology

ML103A covers 359 km² of which, 282 km² (78%) is covered with sediments. The area generally comprises a broad, north–south oriented, sediment–filled depression bounded on either side by ridges of exposed Precambrian bedrock. The general shape of the depression feature is very similar in appearance to the wind blown sediment transport valleys that occur on land at Luderitz where the rich Aeolian Diamondiferous deposits were found. On the eastern side of the depression, the geophysical information shows well-defined terraces indicating ancient shorelines at least three different depths. This mining licence area is situated between two major sediment–filled channels, referred to as the Hottentot Bay Deposit in the south and the Clara Bay Deposit in the north. The Saddle Hill Prospect has become the Company's ML103A. The western ridge of bedrock incorporates several linear sediment-filled channels. There is a sediment–filled palaeo-channel feature at the southern end of the mining licence area that cuts through the bedrock ridge in an east-west direction. Tertiary–aged bedrock outcrops at the western margin of the licence area extending in the adjacent EPL 2002, which is also owned by the Company. Water depth ranges from 35m to 120m.

Sampling

A total of 330 samples were taken in the 1996 campaign using the Namrod. Features in the southern part of the area were sampled. Sample spacing of 300m was used for reconnaissance sampling and was reduced to 150m for follow up sampling in the most prospective features. No evaluation sampling was carried out due to program constraints. The sample quality was good. The average sample size of 10m² provided good representation. The overall success rate for sampling was 30%. The average diamond size was 0.27 Carats per stone and the median diamond size was 0.2 Carats per stone. The largest diamond recovered was 1.31 Carats and the smallest diamond was 0.09 Carats. Of the features sampled, two features warranted resource estimates based on available sampling results, namely features 22 and 12. In addition, six more features also produced good results but had too few samples in them to

warrant further comment as to their potential at this stage. Further sampling is being planned for these features.

In March and April of 1999, the Company undertook a program of ten bulk sample sites in feature 22 of the Hottentot Bay Grant. The trench bulk samples were taken by using the MV Kovambo and the NamSSol mining system. The aim of the work was to better delineate the distribution of resource in this feature and to upgrade the resource estimate from an Inferred Mineral Resource to a Measured or Indicated Mineral Resource. This was required to secure the successful application for a mining licence over the Saddle Hill Prospect area. The bulk sample program and location of sites was planned jointly with Marine & Coastal who were responsible for the subsequent resource estimates.

Sampling in the period December 2000 to February 2001 was undertaken using airlift from the MV Zacharias. Reconnaissance sampling was undertaken to further investigate the area. Samples taken have not affected the resource estimates but have produced further guidance for continued exploration. A total of 179 samples were taken in 17 features. Of these a success rate of 38% was achieved and 16 features were identified for follow-up sampling with the Namdrill.

Security and Integrity of Sampling Results

Given the proven provenance of diamonds in the Producing Properties as well as the cost of prospecting in developing areas, the risk of theft is considered the primary issue relating to security of samples in marine diamond exploration and mining. Consequently, the processing of the diamond-bearing gravels onboard the prospecting and mining vessels is purposely designed to be free of any hands-on processing or access. In addition, strict security measures are followed in the final recovery, recording, storage, transfer and subsequent handling of diamonds.

Sample integrity has been discussed under “Narrative Description of the Industry and Business - Prospecting, Equipment and Operations”. In addition, ML51 and ML103A have been visited by a representative of Marine & Coastal, who have also actively participated in the geophysical surveys and subsequent bulk sampling operations in each of the licences. Marine & Coastal have confirmed that the 1996 Namrod prospecting operation and recording of sampling results have been undertaken in a rigorous and competent manner. Similar involvement and confirmation has been given for the 1999 bulk sampling campaign in ML103A. These results were used to make the resource estimates disclosed for the Company, prior to acquisition of ODM. The Company is not able to vouch for the security of sampling completed by ODM, but records indicate that appropriate practises for security were employed.

MINING OPERATIONS

Shallow Water Operations (ML36)

Over the period 1995 to 2000, the shallow (less than 25m depth) parts of ML36 were mined on a small-scale contract basis by divers operating from small boats. Mining was generally undertaken around the islands located close to Luderitz, namely the Halifax, Possession and Long Island areas. Operating days were generally limited to a few mining days per month. Consequently the production was intermittent.

ODM operated a small plant in Luderitz from June 1995 to process the gravel recovered by its contractors. Diamond recovery was done by hand under Company security procedures and in the presence of Company staff with the relevant contractor.

In 2000, the shallow water production was approximately 2,100 Carats. In the period from 1994 to 2000, total production was approximately 34,800 Carats.

After careful consideration of all relevant issues, the Company suspended its shallow water operation in July 2000 in order to re-evaluate the management and viability of the shallow water mining operations.

The shallow water areas (less than 25m depth) cover approximately 20% of the ML36 area. Given the proven presence of diamonds, total production of approximately 34,760 Carats to date, the Company considers the area to have potential for further development with appropriate systems for exploration and mining.

While a viable shallow water mining operation remains a Company goal, the present focus is on the successful establishment of the large-scale mid-water mining operations and mining fleet.

Mining Vessels and Equipment

The Company currently operates four vessels, three of which are mining vessels and one is a dedicated exploration vessel, MV Zacharias. (See “Narrative Description of the Industry and Business - Prospecting - Equipment and Operations”). The Company deploys two types of ocean mining methods to mine its licences: (i) its sea bed crawler technology; and (ii) conventional airlift systems.

Due to the various vessel, oil rig and drill platform accidents which occurred in the 1970s and 1980s, the International Marine Organization implemented rules regarding building specifications, maintenance and safety operations on sea-going vessel barges and platforms, including the International Safety Management Code (“ISM Code”). All of the Company’s vessels must be ISM Code compliant by July 1, 2002. The Company can expect that vessels not certified to this standard by this deadline will be held by the marine authorities until such time as the system is in place, verified and certified. The Company intends and expects that all of its vessels will be ISM Code compliant by the prescribed deadline.

MV Kovambo/NamSSol Crawler

MV Kovambo

Chartered by Namco for diamond exploration in 1995, this vessel was modified in 1997 for diamond mining operations and today deploys Namco’s 140 ton NamSSol mining system. The vessel has a length of 95m and a weight of 2,887 tons. The mining system operates on the same principals to that of the MV Ya Toivo, only on a smaller scale. The NamSSol is capable of pumping 250m³ of Diamondiferous material to the process plant on the surface. The DMS process is rated to have a throughput of 50 tons per hour. The NamSSol is totally remotely operated from a surface control room. The process plant is only 50% automated for remote control operation. The MV Kovambo is on charter for five years from September 1997 at a current annual cost of US\$4,325,000. The Company has the option to extend for up to a further five years.

NamSSol 1

This mining tool, which has been in operation since 1998, was designed to mine up to sediment thickness of five metres and in water depth of up to 150m by means of powerful suction.

The NamSSol is a sea bed crawler controlled remotely from a cabin onboard the MV Kovambo. The NamSSol is deployed and recovered from an A-frame mounted on the stern of the MV Kovambo. The NamSSol is equipped with a large articulated suction boom that is able to move up/down, forwards/backwards and from side to side. The boom has the ability to exert large downward forces in order to penetrate sandstone layers. Suction power is provided by an electrically driven pump unit that is mounted on the vehicle. The suction head is provided with variable delivery water jetting to flush out crevices and a ripping tooth for gouging sandstone layers. Mobility is provided by twin crawler tracks providing low ground bearing pressure. Sea bed sediment is transported to the surface through a buoyant flexible riser comprised of rubber hose sections. Underwater cameras and scanning sonar provide visual monitoring, combined with electronic sensors to provide feedback for control of the mining process.

The Company is the owner of the NamSSol design and the owner of the constructed NamSSol. Various enhancements to NamSSol have been made on an on-going basis.

NamSSol Accident

Following the accident to the NamSSol in January, 2001, repairs are underway. The rebuilding is expected to be completed in the final quarter of 2001.

On the MV Kovambo, the A-Frame, doors, cantilevers and spooling gear of the main hoist winch require upgrading to accommodate the new undercarriage. These modifications will be completed in parallel with the repair of the mining tool.

MV Ya Toivo/Nam 2 Crawler

MV Ya Toivo

Formerly the British Royal Navy's HMS Challenger, this vessel has been renamed MV Ya Toivo. It has been chartered for five years commencing mid-2000 and at an annual cost of US\$5,900,000. The Company is able to extend the charter for up to a further five years. It has been commissioned as the support vessel for Namco's second-generation mining system, Nam 2. It will be by far the largest vessel in Namco's fleet. The vessel has a length of 149m and a weight of 9,000 tons. The vessel underwent a major refit and transformation when it was converted in Poland during the period from the later part of 1999 to the first quarter of 2000. Its beam was increased from 18m to 24m by way of sponsors. Its accommodation was completely refitted, and included a helicopter deck, mooring winches, DP system, cantilevers. Further, majors under deck stiffening was carried out during this period.

The vessel arrived in Cape Town on April 7, 2000 where the second transformation would take place. The entire diamond process plant, launch and recovery system, A-Frame, Hydraulic power pack and reticulation systems were fitted in a five month period.

Nam 2

The Company's next generation sea bed crawler, Nam 2, started operating in December 2000. Nam 2 heralds a new era in ocean diamond production, allowing the profitable mining of lower Grade areas and areas of thick sediment.

The Company's in-house operations team has designed the tool and construction was completed in Cape Town, South Africa. The Nam 2 is capable of pumping an average 450m³ per hour of Diamondiferous material to the process plant on the surface. The DMS plant is also designed to process 100 tons per hour. The mining system and process plant are remotely controlled from a central control room via a Programmable Logic Controller system ("PLC") and Supervisory Control & Data Acquisition system ("SCADA").

Improvements on the second generation machine include:

- larger dredge pump capacity (1.8 MW variable speed dredge pump) allowing the transportation of larger particles (300mm) and a variety of soil types;
- mechanical cutters fitted on the suction boom to penetrate complex sediments including clay and rock;
- electronic control sensors with double redundancy to significantly reduce potential downtime;
- new track design which allows faster movement on the ocean floor;
- increased suction boom power;
- two thrusters for better positioning during the launch and recovery cycle;
- enhanced energy efficiency with slewing confined to the suction boom rather than the entire mainframe;
- operation in water depths to 250m and penetration of up to 8m of sediment; and
- power rating increased from 2MW to 3MW.

MV Namibian Gem/Airlift

The MV Namibian Gem which is owned by the Company was commissioned by ODM in 1995. It has one 18 inch and one 20 inch inside diameter airlift pipes for mining in the Namibian grants. The vessel has a length of 73m and a weight of 2,555 tons. This vessel underwent a fairly substantial refit from March 2000 to May 2000, where the following modifications and improvements were made to increase the production capability of the vessel. A helicopter deck was fitted above the bridge, a fourth mooring winch was fitted, the accommodation was improved and refitted, and 70% of the process plants was redesigned and replaced. The hydraulic ring main was also upgraded to facilitate the proper operation of the mooring system. The airlift mining control system was also automated and controlled by a PLC and SCADA system.

Mining Methodology

Sea Bed Crawlers

This mining vessel is anchored over a mining spread which provides access to an area of approximately 400m x 400m on the seafloor. The sea bed crawlers provide a horizontal attack on the seafloor sediments. The tool is lowered to the sea bed from the vessel and tracks into a starting position. The crawler tracks provide manoeuvrability over the seafloor and the suction boom is able to move in an arc around the front of the tracks to suck up the sediments. In this manner, mining lanes of 15m to 20m in width and up to 200m in length can be excavated in sediments of up to 8m thickness. The position of the

crawler is determined with sub-meter accuracy using a Real-Time Kinematic (“RTK”) positioning system. The system relies on a precisely positioned base station. The position of the crawler is determined relative to the vessel using sonar. The mining control systems continuously record and plot the position of the nozzle on the suction boom to accurately determine the area mined and the overlap between adjacent mining lanes. In addition, a ultra-high resolution sonar system, mounted on the mining vessel, is used to survey the mining area to provide spatial, topographical and volumetric information on the areas mined.

Airlift

The mining vessel anchors over the mining spread and the airlift heads are lowered onto the seafloor on either side of the vessel. The airlift heads are manoeuvred forward and backward over a distance of approximately 5m to 10m by adjusting the length of the cables attached to them with the winches onboard the vessel. This action opens up a trench. The position of the vessel is adjusted both sideways in metre increments to allow for full excavation of the sea bed below the vessel. The vessel then moves forward in increments of five metres to continue the process. The vessel is positioned using the RTK system. The mining control system continuously records and plays the central position of the airlifts relative to the vessel by way of measured offsets. It is not possible to track the precise location of the airlift head below the vessel due to technical constraints of the sonar equipment that would be required. The vessel is also equipped with the ultra-high resolution scanning sonar for sea bed mapping and measurement of the pre- and post-mining operations.

Materials Processing

The materials processing on all of the vessels is fundamentally similar and standard in the industry, but with minor variations arising from differing capacities and configurations on different vessels. The system on the MV Ya Toivo is described here for general reference.

Material from the sea bed (feed slurry) is received from the mining tool into the feed box and undergoes primary and secondary screening on a vibrating double deck screen.

The upper deck of the primary screening has an aperture of 40mm and the bottom deck of the secondary screening is fitted with high open area 1.6mm slotted panels. High-pressure sprays ensure good classification of near size material. Oversize and undersize material is discharged overboard. The discharge pipe is located some 70m behind the mining face. The sized gravel from the primary screen feeds onto the secondary screen. Here the gravel is sized with discard products again reporting overboard. The final sized gravel is then hydraulically transferred via a de-watering screen into a large surge bin to ensure continuous operation.

Material is removed from the surge bin at a controlled rate to feed the shell milling/scrubbing module. The module is designed to reduce the amount of shell and clay in the material. Material from the mill is deposited into a secondary surge bin and feeds, at a controlled rate, directly into the DMS mixing box where it is mixed with Ferrosilicon at a controlled density and fed to the separating cyclone. The DMS cyclone performs the separation of light and heavy material. Material with a density of greater than 31 specific gravity reports to the sink or concentrate screen (the density of diamond is 3.5). The concentrate is washed for recovery of the Ferrosilicon and then passes into the final recovery processes. Regular tracer testing of the DMS ensures efficient operation and a quick response to any abnormal performance.

The concentrate is further processed and then screened into three fractions and stored in separate surge hoppers.

The two finer sized fractions are fed into separate double pass x-ray recovery machines while the coarser fraction passes through a separate single pass machine. X-ray tailings can be recycled to either the milling or re-concentration circuits or directly to overboard. Concentrate from the x-ray machines passes directly into the picking cabinet for final hand sorting.

Diamonds picked from the concentrate will be counted on a daily basis, then placed into a secure receptacle, which is sealed prior to removal from the cabinet and deposited directly into the safe. All of these operations take place inside a secure cabinet.

The final recovery section of the plant is totally separate from the remainder of the plant, with limited and controlled access to this high security area. The concept of hands off operation has been used in the design to maximize security. Dual locking systems are used throughout the operation, backed up by fully overt and covert electronic surveillance systems.

Mine Planning

The annual production target is apportioned to the mining vessels in accordance with their capabilities. All of the mining licence areas have been sub-divided into 50m x 50m blocks. A schedule of mining spreads (i.e., 400m x 400m areas) are then selected for each vessel from available areas of resource/reserves apportioned to the 50m x 50m blocks. Production is reviewed regularly and results compared to the plan. Where consistent shortfalls are accruing due to Grade or operational difficulties, the schedule of mine spreads is altered to attempt to redress the shortfall.

This flexible approach to mining is necessary given the erratic nature of alluvial diamond mineralization on a localized basis, the limitation of accurate Grade prediction on a 50m x 50m block basis and the number of vessels operating (each vessel being equivalent to a mining face in a producing mine. As a consequence, production Grade is variable on the short to medium term (days and weeks) but fluctuates less over the medium term (months, year).

Production

Production 2000

In 2000, the Company operated three production vessels for the entire year and two vessels for part of the year. The vessels operated in each of the Company's three mining licences off the Namibian coast, ML36, ML51 and ML103A. Total diamond production in 2000 was 221,000 Carats, compared with 273,700 Carats in 1999. Production in 2000 was slightly below the target range of 225,000 – 250,000 Carats.

Production from vessel MV Kovambo was 115,740 Carats. A decline in production was expected in 2000, as the vessel operated in lower grade areas. However, unexpectedly challenging geological conditions were encountered in ML51 due to the presence of clay and soft Footwall which required the removal of the vessel to locations with easier, substantially lower grade mining conditions. Despite these challenges, the area mined by the NamSSol sea bed crawler was three to four times greater than that of the airlift mining technology, allowing it to operate more effectively in lower grade areas. The MV Kovambo mined up to the accident which occurred on January 7, 2001.

MV Ya Toivo started commissioning in December 2000 and diamond recoveries for that month were 2,460 Carats. The vessel is equipped with the new Nam 2 sea bed crawler which was developed thicker sediments and softer Footwall types to process higher volumes of sea bed material and to operate in low grade mining conditions.

The MV Namibian Gem, which is equipped with airlift technology, produced 45,760 Carats. The vessel did not operate for approximately three months of 2000 while modernization and repairs were carried out.

MV Ivan Prinsep produced 49,117 Carats in 2000. This strong performance was mainly due to its operation in higher grade areas in the second quarter while MV Namibian Gem was not producing. The cut-off grade for this vessel was the highest in Namco's fleet. Ongoing capital requirements for the vessel to ensure seaworthiness and high operating costs in the resource currently available, together with requirements of the Company's senior lenders, led to the decision to sell the vessel in March 2001 for US\$4,400,000, the proceeds of which will be used to repay the Company's senior lenders.

MV Oceandia produced 5,744 Carats for the first five months of 2000. This was the smallest and least efficient vessel in the fleet. On expiry of seaworthiness classification in mid-2000, the vessel was withdrawn from operation and sold.

The shallow water operations were decommissioned in July following the production of 2,081 Carats. The Company believes exploration should be carried out on its shallow water concessions before operations resume in order to best direct its mining subcontractors.

The summary of the production by vessel, production by mining licence and costs for the year 2000 are presented below in Tables 5, 6 and 7.

Table 5

PRODUCTION BY VESSEL								
Vessel	2000				1999*			
	Total Production (Carats)	Area Mined (sq.m)	Volume (cu.m.)	Average Grade (cts/sq.m)	Total Production	Area Mined (sq.m.)	Volume (cu.m.)	Average Grade (cts/sq.m.)
Kovambo	115,743	276,590	852,728	0.42	256,462	159,948	279,909	1.60
Namibian Gem	45,764	74,505	88,881	0.61	6,531	23,994	N/A	0.27
Ivan Prinsep	49,118	69,299	78,265	0.71	7,537	13,223	N/A	0.57
Oceandia	5,744	24,043	20,865	0.24	2,618	15,265	N/A	0.17
Shallow water	2,081	N/A	N/A	N/A	593	N/A	N/A	-
Zacharias	120	1,391	N/A	N/A	-	-	-	-
Ya Toivo	2,461	16,341	8,658	0.15	-	-	-	-
TOTAL	221,031	462,169	1,049,397	0.48	273,741	212,430	279,909	1.29
* Volumes are calculated on the average thickness of sediments mined. 1999 results from Namibian Gem, Ivan Prinsep and Oceandia are reported from the date of the ODM acquisition on October 28, 1999.								

Table 6

PRODUCTION BY MINING LICENCE		
Mining Licence (Carats)	2000	1999
ML51	68,511	253,913
ML36	148,116	17,279
ML103A	4,404	2,549
TOTAL	221,031	273,741

Table 7

FLEET SUMMARY		
	2000	1999
Area mined (sq.m.)	462,169	212,430
Volumes mined (cu.m)	1,049,397	279,909
Average grade recovered (cts/sq.m.)	0.48	1.29
Average grade recovered (cts/sq.m.)	0.21	N/A
Production (Carats)	221,031	273,741
Production costs per Carat		
Cash operating costs	US\$93	US\$49
Royalty and marketing	US\$18	US\$16
Total cash costs per Carat	US\$111	US\$65
Amortization of capital assets and exploration/development costs	US\$26	US\$13
Total production costs per Carat	US\$137	US\$78
Total sales price per Carat	US\$176	US\$151

Notes:**2000**

1. MV Oceandia and shallow water operations were closed down in May 2000 and July 2000 respectively.
2. MV Namibian Gem produced for nine months only due to the port call for classification and modernization.
3. Ya Toivo commenced commissioning in December 2000 in low grade areas of thin sediments.
4. MV Zacharias is the Company's exploration vessel and diamond recoveries are expected to be minimal.

1999

1. The Airlift vessels were acquired from ODM in October 1999 and contributed two months production.

Soil conditions do affect mining in certain areas. MV Kovambo's operations in feature 19, ML51, were affected by a cemented internal layer of beachrock which requires additional effort to mine. In addition, below the internal horizon, in the central part of the feature, the Footwall consists of a clay (weathered bedrock) which presented tracking difficulties for the crawler and resulted in slower mining rates. The mine plan was adjusted to accommodate these constraints. In commissioning in recent months, the MV Ya Toivo/Nam 2 has successfully accessed areas that are considered beyond the MV Kovambo/NamSSol 1 capabilities. Airlift mining, being a vertical attack system, is hindered by

consolidated internal layers (clay or beach rock) and also by areas of thick sediment or large cobbles and boulders.

Grade Reconciliation

During 2000, the MV Kovambo mined in all three of the Producing Properties to varying degrees. The reconciliation between the crawler mining results and expected prospecting Grade (“RE”) results for the total area mined is presented in Table 8 below.

Table 8

A SAMPLE OF GRADE RECONCILIATION						
Mining area	Method	Area Mined (m²)	Carats Recovered (ct)	Mined Grade (ct/m²)	Global Resource Grade (ct/m²)	Recovered vs. Expected
feature 19	NamSSol	229,537	409,252	1.78	1.73	1.03
feature 20	NamSSol	49,488	37,761	0.76	3.36	0.23
Halifax Basin	NamSSol	52,000	15,473	0.30	0.27	1.10
Baker Bay	NamSSol	10,623	14,036	1.32	0.84	1.57
feature 22	NamSSol	14,716	4,417	0.30	0.34	0.88

Total (with feature 20) **356,364** **480,939** **1.35** **1.66** **0.81**

Total (without feature 20) **306,876** **443,178** **1.44** **1.39** **1.04**

The current results show that:

- although Grade reconciliation on individual mining blocks is very variable, the total mining production from an area compares very favourably with the total modelled estimates for the same area;
- the correlation RE Grades for areas sampled with the airlift technique show a positive correlation. The reasons for this are not clear given inherent inaccuracy of the airlift sample results. However the result may be attributed to the general tendency for point sample estimates to underestimate the mining results;
- the negative correlation in ML51, feature 20 was based on the revised, upgraded estimates presented by Marine & Coastal in 1999. However Marine & Coastal did caution that the upgrade would require verification by mining or sampling to confirm validity. The recovered Grade does compare favourably with the original Grade estimates for the area mined. The expected Grades estimates have been adjusted in the resource and reserve inventory for 2001; and
- satisfactory correlation was obtained in ML103A where limited mining was undertaken.

In their mining experience with the airlift vessels alone, ODM reported an RE of 0.77. Subsequent independent review indicated that a figure of 0.85 was more appropriate and was used to define published reserves.

Related Mining Information

The Company has not forecast production for the current year or beyond until the effect of provisional liquidation is fully quantified and full operations established. Marine & Coastal have examined the Company's areas of Probable Ore Reserves and sediment thickness interpretations and are satisfied that there is sufficient reserve in the various sediment thickness to keep the three current mining vessels operational for the next one and a half to two years.

Marine & Coastal do not believe it prudent to calculate payback or to speculate on life of mine given the present status of development of the properties. They consider that the Company's properties have good potential for discovery of additional resources and reserves. If current production capabilities are sustained at cut-off Grades of 0.15-0.2 Carats per square metre in sediments of 2-3 metres thickness, then large portions of the licence areas are viable to mine. Indication of this potential is evidenced by the current inventory of Inferred Mineral Resource (2,200,000 Carats at 0.1 Carats per square metre cut-off). Production curves for the current operations on MV Ya Toivo suggest these mining capabilities are attainable.

MINERAL RESOURCE & ORE RESERVE ESTIMATES

In May, 2001, independent consultants Marine & Coastal (Qualified Person R.H. De Decker) produced a reconciliation of the Company's Mineral Resource and Ore Reserve estimates. The findings are taken from the Marine & Coastal Technical Report.

The estimates of Mineral Resources and Ore Reserves were prepared and classified in accordance with the JORC Code and International Standards for Mineral Disclosure (Denver Accord). Marine & Coastal consider that such estimates would not be materially different if prepared in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Ore Reserves definitions applicable under National Instrument 43-101. Mineral Resources, which are not Ore Reserves, do not have demonstrated economic viability. Unless otherwise disclosed herein, the company does not know of any environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues, which may materially affect the estimates of Mineral Resources and Ore Reserves referred to herein.

Marine & Coastal note the following considerations are relevant in evaluating Mineral Resource and Ore Reserve estimates:

- there are no sampling tools available "off the shelf" that are accurately able to assess Grade in the deposits which are characterized by highly variable morphology, composition and concentration of Grade;
- evaluation of sampling efficiency is very difficult;
- samples are small and losses in recovery of diamonds during prospecting will have a significant impact on subsequent results and Grade estimates;
- historically, point sampling has generally resulted in under-estimation of Grade;
- due to the mobility of the mining units (vessels) over the deposit, mine plans can be adjusted with minimal effect on cost in the event of poor Grade performance. Levels of confidence required for inland mining are therefore not fully applicable. International

guidelines for Mineral Resource and Ore Reserve estimates do not cater to this unique situation in the reporting requirements.

Definitions are provided in the Glossary of Technical Terms.

Background

Following the merger of Namco with ODM in December 1999, the resource bases of the two companies were combined for the purposes of mining. This posed a number of problems.

- the two sets of resources had been estimated using different methodologies and sampling methods;
- different definitions and classification systems were applied to the estimates;
- Namco's resources are based on the division of ground into features, whereas ODM resources were declared for a total licence area based around sampling spreads;
- steps were taken during 2000 to reconcile the two resource bases;
- the ODM licences have been divided up into features and existing resources have been attributed to particular features. In some cases the resource area defined falls within a single feature while in other instances the resource area covers more than one feature; and
- the published Measured Mineral Resource and Probable Ore Reserves were derived from ODM's Measured Mineral Resource. For the purpose of resource classification the Probable Ore Reserves have been added back into the Measured Mineral Resource (divide by 0.85 to removed RE Factor).

Mineral Resources

The current Mineral Resource inventory, reconciled against production results in calendar year 2000, is presented in Table 9 below.

At start of operations in 2001, the Mineral Resource status comprised 566,000 Carats Measured Mineral Resource, 516,000 Carats Indicated Mineral Resource and 2,224,000 Carats Inferred Mineral Resource. A cut-off Grade of 0.1 Carats per square metre is applied to the estimates.

Prior to 2000, Mineral Resources were reconciled by deduction of Carats from the Mineral Resource base and deducting the area mined on a global basis for each feature. The Company has since revised the approach and reconciliation in 2000 that has been undertaken by deducting areas mined from the area of declared Mineral Resource and recalculating the residue using the average Grade of the declared resource. Specific variations for features 19 and 20 are detailed below.

ML51

Current Measured and Indicated Mineral Resources occur in two features in ML51, namely features 19 and 20. Based on 1996 sampling results, Marine & Coastal made original estimates of the Measured, Indicated and Inferred Mineral Resources in the Luderitz Grant and the Hottentot Bay Grant in May 1997. However, initial production results from the Company's mining operations in feature 19 of the Luderitz Grant, which commenced in April 1998, significantly exceeded the expected production

based on the original Grade estimates. Accordingly, in August 1998, the Company commissioned Marine & Coastal to re-estimate the resources in features 19 and 20 of the Luderitz Grant.

Marine & Coastal increased the Measured Mineral Resource estimate from 261,484 Carats to approximately 836,000 Carats and the Indicated Mineral Resource estimate from 30,200 Carats to approximately 319,000 Carats and decreased the Inferred Mineral Resource estimate from 2,362,000 to approximately 1,645,000 Carats:

The main assumptions and qualifications on which the revised estimates are based are:

- the revised Grade estimate model re-estimates the resources in features 19 and 20 of the Luderitz Grant, but is based on the results of mining only in the northern part of feature 19 (less than 5% of the total area in feature 19) as well as an appreciation of the key factors affecting sample Grades and a good understanding of the geological controls on the distribution of Grade in feature 19. Marine & Coastal noted it to be prudent to verify the model assumptions by adjusting the mining plan to incorporate mining of selected blocks in the southern and central parts of feature 19 and also in feature 20;
- almost all of the resources in the defined mining features in features 19 and part of 20 previously estimated by Marine & Coastal originally in the inferred category were upgraded to the equivalent of the Measured and Indicated category which is exceptional. Marine & Coastal noted that as it is normally expected that a much lower percentage (typically 10-50%) of the Inferred Mineral Resource will be upgraded to a higher category;
- in preparing the revised estimates, Marine & Coastal relied upon mining production and sampling data provided by the Company's geological department and appointed a specialist advisor to carry out specific geostatistical modelling, analyses and resource estimation work;
- the estimates of Measured, Indicated and Inferred Mineral Resources are based on the definitions of those terms set out in the JORC Code;
- estimation of resources in marine Diamond Placer Deposits off southern Africa is a very challenging exercise. The deposits are highly variable due to the pronounced "nugget effect" that is characteristic of marine diamond mineralization; and
- in Marine & Coastal's opinion, it is reasonable to assume a cut-off Grade of 0.1 Carat per square metre for evaluating the available resources for mining given the rapid advances in sub-sea mining technology and capability.

Based on the results of the trench sampling in feature 22 (ML103A), in April 1999, the original resource estimates for feature 22 of 406,000 Carats Inferred Mineral Resource Carats was also revised. The revised resource estimate comprises 106,000 Carats of Measured Mineral Resource, 165,000 Carats of Indicated Mineral Resource and 298,000 Carats of Inferred Mineral Resource.

The overall Namco resource for ML51 and including ML103A (still incorporated in EPL 1950 at that time) was adjusted from 836,000 Carats to approximately 942,000 Carats of Measured Mineral Resource, from 319,000 Carats to approximately 484,000 Carats of Indicated Mineral Resource and from 1,645,000 Carats to approximately 1,537,000 Carats of Inferred Mineral Resource. Mining in

ML51 to the December 31, 1999 has reduced the Measured and Indicated Mineral Resource from a combined total of 1,426,000 Carats by 380,000 Carats to a combined total of 1,046,000 Carats.

Reconciliation

Resources have been defined in ML51 (features 11, 18, 19 and 20). Only the latter two features contain Indicated or Measured Mineral Resources and have been subject to mining before 2000 and during 2000. Mining prior to 2000 indicates an RE of 1.03 for features 19 and 0.23 for feature 20 (i.e., recovered Grade was 1.03 times that expected from sampling). Prior to 2000 the deduction from the Measured Mineral Resource for mining was made on the basis of Carats mined. In the case of feature 19, this has been accepted as the starting point for the 2000 reconciliation as an area deduction gives a less conservative result. For feature 20 a Carat deduction has been made for 1999 and the RE of 0.23 applied to the 1999 Measured and Indicated Mineral Resource before making that deduction. Thus the January 1, 2000 position in the feature 20 Measured Mineral Resource was 40,000 m², 11,600 Carats at a Grade of 0.29 Carats per square metre and Indicated Mineral Resource was 230,763 m², 26,680 Carats at a Grade of 0.12 Carats per square metre.

Table 9

MEASURED, INDICATED AND INFERRED MINERAL RESOURCE ESTIMATES at 31-Dec-2000															
	Measured					Indicated					Inferred				
Licence Area	Carats	Area (m ²)	Grade (cts/m ²)	Volume (m ³)	Grade (cts/m ²)	Carats	Area (m ²)	Grade (cts/m ²)	Volume (m ³)	Grade (cts/m ²)	Carats	Area (m ²)	Grade (cts/m ²)	Volume (m ³)	Grade (cts/m ²)
ML36A	15,400	153,640	0.1	153,640	0.10	0	0	0	0	0	8,000	N/S	N/S	N/S	N/S
ML36B	0	0	0	0	0	0	0	0	0	0	5,000	N/S	N/S	N/S	N/S
ML36C	14,000	87,700	0.16	52,620	0.26	0	0	0	0	0	9,736	N/S	N/S	N/S	N/S
ML36D	15,500	129,500	0.12	194,250	0.07	0	0	0	0	0	8,155	N/S	N/S	N/S	N/S
ML36E	57,500	436,926	0.13	436,926	0.13	0	0	0	0	0	37,369	N/S	N/S	N/S	N/S
ML36F	188,300	1,456,700	0.13	1,748,040	0.11	0	0	0	0	0	0	0	0	0	0
ML36G	0	0	0	0	0	0	0	0	0	0	10,000	N/S	N/S	N/S	N/S
ML36H	0	0	0	0	0	0	0	0	0	0	5,000	N/S	N/S	N/S	N/S
ML51	173,500	215,240	0.58	645,720	0.26	229,700	865,263	0.26	2,595,789	0.09	1,157,000	2,488,500	0.46	7,465,500	0.15
ML103A	101,600	298,924	0.34	597,848	0.16	165,000	507,975	0.32	1,015,950	0.16	382,000	3,011,430	0.13	6,022,860	0.06
6C	0	0	0	N/S	N/S	121,000	N/S	N/S	N/S	N/S	600,000	N/S	N/S	N/S	N/S
7B	0	0	0	N/S	N/S	0	0	0	0	0	2,000	N/S	N/S	N/S	N/S
TOTAL	565,800					515,700					2,224,260				
ROUNDED	566,000					516,000					2,224,000				

* N/S - Areas not stated in Placer Analysis report (May 1999).

* Table prepared by Marine & Coastal, May 2001, Qualified Person R.H. De Decker, M.Sc. (Marine Geology), Pr. Sci. Nat.

For 2000 the deductions from the position at the start of the year has been from the Measured Mineral Resource on the basis of the area mined.

ML36

Resource estimation was carried out internally by ODM based on airlift sampling results generally collected on a 50m x 50m grid in mineralized areas. The areas were divided into blocks with a sample at each corner. The Grade assigned to each block was the average of the four corner samples. Grades were defined in both measures of Carats per hour and Carats per square metre. The block resource was calculated by allocating an area of 13m² (estimated) to each hour of sampling at any site. The total resource estimate was obtained by accumulating the individual block resource estimates. A cut-off Grade of 0.5 Carats per hour sample Grade was applied for resource estimation.

The ODM Measured Mineral Resources and Probable Ore Reserves have been updated and reconciled to the January 1, 2000 on a block by block basis. The Ore Reserves were defined as a deduction from the Mineral Resource after applying a RE Factor of 0.85 to the Measured Mineral Resource estimate. For the purpose of this reconciliation, the Ore Reserves have been included back in the resource and the updated position at January 1, 2000 accepted.

ML36 Mineral Resources are based on a block cut-off Grade of 0.05 Carats per square metre and Ore Reserves are based on those blocks that fall above a cut-off Grade of 0.15 Carats per square metre before applying the RE Factor.

Deduction during 2000 has been made on a global area basis for each feature as with the Namco areas.

Ore Reserves

Considerations

The company has not previously disclosed a Ore Reserve estimate due to the following considerations:

- prior to 1999, the cut-off Grades and operating costs were not sufficiently constrained for the MV Kovambo as operations and mining capabilities were changing continuously due to modifications to the tool and vessel. Constant improvements from the start of operations have progressively increased mining capability;
- data from the ODM properties required re-organization and translation into a suitable structure in order to merge both companies' databases to allow for proper reconciliation of mining activities and Mineral Resources;
- production capabilities of the Namibian Gem were adjusted following refit of the vessel in 2000; and
- the MV Ya Toivo, equipped with the largest mining capacity, is still commissioning.

In summary, the issues of variable mining capabilities, vessel cut-off Grades, incompatible data structures to start, and estimation issues precluded a meaningful estimate. Initial results from the MV Ya Toivo have indicated that the mining capacities are in line with the theoretical design ranges and consequently the targeted cut-off Grades in sediments of up to six metres thickness could be achieved.

Based on examination of past production rates, diamond price and current operational costs and capabilities, Marine & Coastal have determined a cut-off Grade of 0.2 Carats per square metre for estimation of Probable Ore Reserves. Marine & Coastal consider this to be a conservative approach which includes a proportion of the land-based costs and exploration costs.

Given the inherent variability of the alluvial diamond deposits and limitations of sampling and resource estimation, the true estimate of Grade (and resource) will only be revealed during mining. Consequently, it is considered that the Ore Reserve estimates should be classified in the category of Probable Ore Reserves, reflecting the appropriate level of confidence in the estimates.

NOTE - The Ore Reserve inventory is extracted and reported as a subset of the Measured and Indicated Resources (i.e., the two categories should not be added together to report a combined Mineral Resource and Ore Reserve figure.) A cut-off Grade of 0.20 Carats per square metre was applied to the declared Measured and Indicated Mineral Resources presented in the previous section to define the Ore Reserves reported here. Due consideration was also given to the nature and support of sampling as well as Grade reconciliation.

A summary of the Ore Reserve estimates for the mining licence areas is presented in Table 10 below.

Table 10¹

ORE RESERVE ESTIMATES					
Concession	December 31, 2000		Grade (cts/m²)	Volume (m³)	Grade (cts/m³)
	Probable Carats	Probable Area (m²)			
ML36A	0	0			
ML36C	4,511	10,253	0.43	6,151.8	0.73
ML36D	5,101	17,005	0.30	25,507.5	0.19
ML36E	18,339	61,426	0.30	61,426.0	0.30
ML36F	35,900	141,693	0.25	170,031.6	0.21
ML51	335,732	714,740	0.47	2,144,220.0	0.15
ML103A	184,099	552,924	0.33	1,105,848.0	0.16
TOTAL	587,682	1,498,041		3,513,184.9	0.17
ROUNDED	588,000	1,498,000		3,510,000	0.17

¹ Table prepared by Marine & Coastal, May 2001, Qualified Person R.H. De Decker, M.Sc. (Marine Geology), Pr. Sci. Nat.

NOTES ON ESTIMATION

ML51

To get to an Ore Reserve position in the features, Ore Reserves have been extracted from the Measured Mineral Resource and Indicated Mineral Resource areas on the basis of cut-off Grade and sampling support. In the case of feature 20, only the Measured Mineral Resource falls into the Probable Ore Reserve base. The Indicated Mineral Resource fails to meet the 0.20 Carats per square metre cut off Grade limit after the RE of 0.23 has been applied.

In the case of feature 19, the whole of the Measured Mineral Resource is included and parts of the Indicated Mineral Resource (which is split into the areas of less than 5m sediment and more

than 5m sediment) is included. Areas with poor sampling (or mining) support are excluded. On a global Grade basis the Indicated Mineral Resources can be converted to Ore Reserves.

All deductions for mining in 2000 have been made from the Measured Mineral Resource component.

ML103A

Ore Reserves represent a sub-set of the Measured and Indicated Mineral Resources in feature 22. Limited mining with the MV Kovambo indicates an RE of approximately one. The Measured Mineral Resource has been included as a whole in the Probable Ore Reserve. Fifty percent of the Indicated Mineral Resource has also been included in the Probable Ore Reserve. The reduction of the Indicated Mineral Resource conversion reflects a lack of sampling support in parts of the defined area. The depletion of the Ore Reserve during 2000 reflects the depletion in the Measured Mineral Resource.

ML36

The published Ore Reserve estimates for ODM were determined by applying an RE Factor of 0.85 to the estimated Measured Mineral Resources. In defining the reconciled Ore Reserves for ML36, a cut-off Grade of 0.15 Carats per square metre was applied to all resource blocks. Following this the RE Factor of 0.85 used to define the published Ore Reserves was again applied for consistency. However, mining experience has indicated a positive RE and this estimate is therefore considered to be conservative.

Resource Potential

The majority of the Mineral Resources and Ore Reserves defined thus far are located in the Company's Producing Properties. The exploration and development of resources in these areas is still in progress. Diamonds have been recovered in all of the licence areas sampled to date. The Inferred Mineral Resources provide a substantial inventory from which further resources and Measured Mineral Resources and Indicated Mineral Resources and Ore Reserves can be defined. In addition, prospecting is still required in a substantial area within the existing mining licence areas. The status of development is summarized in Table 11.

Table 11

DEVELOPMENT OF GEOLOGICAL FEATURES						
Status						
January 31, 2001						
Class	Status	Features	Area (km²)	Area %	Cumulative Area (km²)	Cumulative Area %
1.	Virgin Ground (zero to <5 samples localized)	80	449	44.4	449.0	44.4
2.	Incomplete Reconnaissance (sampling restricted or inadequate)	75	385.5	38.1	834.5	82.5
3.	Incomplete Evaluation (not evaluated or incompletely evaluated)	20	43.6	4.3	878.1	86.8
4.	Candidate Mining (ready to trial mine or mine)	7	6.9	0.7	885.0	87.5
5.	Non-Prospective (not worth sampling or sampling results indicate not prospective)	34	126.2	12.5	1,011.2	100
	TOTAL	216	1011.2	100.0		

Currently Mined Features (from classes 3 & 4) 12

* This includes only areas on the inner shelf (0-100m) in ML36 (A-1), ML51, ML103A and EPL 1950

Areas of immediate priority are those areas of Inferred Mineral Resource located within or on the extension of the geological features containing the present mining reserves in ML51 and ML103A as well as the areas in ML36 adjacent to mining areas inaccessible to airlift sampling due to sediment compositions (cobbles, boulders etc.) or sediment thickness (generally greater than 3m).

The following are considered as priority areas for further resource and Ore Reserve development in the exploration program for 2001.

Feature 18 in ML51 lies adjacent to the mining area 19 and represents the southerly continuation of the linear depression of feature 19. Sediment thickness is 8m to 12m and hence the mining potential of the area will be controlled by the capabilities of subsequent mining technology. The current Inferred Mineral Resource estimate for feature 18 is approximately 464,000 Carats.

Feature 20 in ML51 is equivalent in setting to feature 19. Only the eastern margin, including the northern and southern mining areas, was sampled due to limitations of sediment thickness and capabilities of the sampling tool. The central axis of the entire basin, equivalent to the well-mineralized part of feature 19, was not sampled, as sediment thickness is approximately 12m. The current Inferred Mineral Resource estimate for the central channel area is approximately 290,000 Carats (out of the revised total of 684,000 Carats for the whole feature 20 Inferred Mineral Resource).

These two features extend northward into the adjacent DFI Licence Area as the Marshall Fork feature in which Ore Reserves of 436,600 Carats have been declared by DFI. The mining resource potential of the features 20 and 18 is therefore considered to be high. On the basis of available sampling data, a further five features will require follow-up sampling.

Sampling in ML103A feature 22 has shown the possible presence of two gravel layers in places. The full extent of this occurrence has not yet been defined due to limitations of sampling equipment. This aspect will be investigated with the Namdrill. The potential for expansion of mining resource potential of this feature is considered, therefore, to be significant. In addition, reconnaissance sampling has indicated an additional 16 features that warrant follow up sampling.

Priority areas in ML36 include further sampling adjacent to previously mined areas in Bakers Bay, Possession Island, Long Island, Pomona Island and Halifax Island. Although these areas have previously been relatively well sampled in thin sediment (less than 3m) areas, the extension of mineralized, mined areas into significant areas of thicker sediments is targeted for sampling with the MV Zacharias.

DEVELOPMENT PROPERTIES

General Summary of Location

The Company currently holds access to a total of 13,851 km² in 20 separate exploration licences on the inner and middle continental shelf off Namibia. The licences are distributed both north and south of Walvis Bay and cover a broad section of the Namibian coast.

At the start of 2000 the Company held six exploration licences in South Africa covering an area of 12,360 km² on the inner and middle continental shelves. After review of exploration potential

and technological requirements during 2000, the Company decided not to renew concessions 7(d) and 12(d) which are the two ultra-deep water exploration licence areas. The current licence holdings comprise four exclusive exploration licences covering 4,740 km² of the inner and middle shelf off the coast of South Africa.

A summary of location and development status of the Development Properties follows. The properties are described in terms of location on inner and middle shelf areas in Namibia and South Africa. The location of the licence areas are shown in Figures 1, 2 and 3. Details of the licences are in Tables 2 and 3 under the section “Narrative Description of the Industry and Business - Exploration Licences”.

Namibia

Inner Shelf Licences

The Skeleton Grants (EPL’s 2469 – 2473)

The Skeleton Grants comprise a block of five Exclusive Prospecting Licences (“EPL’s”) located between Rocky Point and Terrace Bay on the coast north of Walvis Bay. The licences were issued for an initial period of three years and the current licence expires on May 25, 2001. Renewal documents have been prepared. A request for an extension to the submission date for the mandatory renewal for the Skeleton Coast Grants has been submitted and verbally approved by the Mining Commissioner. A successful renewal for a further period of three years is anticipated.

The licences lie on the inner and middle shelf adjacent to known diamond bearing raised marine deposits. Significant production was obtained in the vicinity of Terrace Bay and Rocky point. The origin of diamonds on this section of the Namibian coast is unknown. While the Orange River is an unlikely source, there is speculation that the diamonds have been transported to the coast by ancient rivers draining the hinterland. The licences are located between the mouths of the Hoanib and Horusib rivers. Reconnaissance survey work has been completed in EPL 2469 to date.

The Conception Grant, EPL 2474

EPL 2474 lies opposite Sandwich Harbour to the south of Walvis Bay and covers the inner and middle continental shelf. The nearest known diamond occurrences are those at Conception Bay which were mined in the early 1900s. Large quantities of small diamonds were mined. Regional survey has been completed but no sampling work has yet been completed by the Company.

The licence was awarded for an initial period of three years as of May 26, 1998 to May 25, 2001. Renewal has been completed and request for an extension to the submission date for the mandatory renewal for the Conception Grant and has been submitted and approved by the Mining Commissioner. A successful renewal for a further period of three years is anticipated.

Block A, EPL 2490

The exclusive exploration rights to Block A were awarded to Cape Ocean Namibia (Pty) Ltd., a joint venture partner of Namco Namibia (Pty) Ltd.. The annual licence fee is N\$2,000. See

“Narrative Description of the Business - Development Properties - Namibia - Joint Venture Agreements - Namibia”.

Block A covers an area of 91 km² and is situated 100 km north of Luderitz. Its eastern boundary is the coastline between Spencer Bay and Black Cliffs and the western boundary lies 3 km to 3.5 km offshore. Block A ranges in water depth from 0m to 50m. The adjacent prospecting licence to the south is held by Tidal Diamonds (Pty) Ltd., to the north by Together Quando Mining (Pty) Ltd. and to the west by Benco. Survey work was completed in the area in June 2000 and successfully indicated prospective areas for further exploration. The next phase of development is being planned.

The exploration licence was issued by the Namibian Government dated November 6, 1997 for an initial period of three years (with an expiry date of November 5, 2000). The required renewal documents were submitted to the Department of Mine and Energy. Benco has advised that successful renewal of the licence for a further period of three years has been granted.

The Hottentot Bay Grant, EPL 1950

In October 1999, the central two thirds of the Hottentot Bay Grant was upgraded to be ML103A, thus splitting Hottentot Bay Grant into a southern and northern portion of roughly equal size. The Hottentot Bay Grant has been reduced to approximately 167 square kilometres in extent as a result of the grant of ML103A. The water depth in the grant area varies from 25m to 120m below sea level and at least two-thirds of the grant area lies between 60m and 90m below sea level. Geophysical survey of the remaining areas was completed in 1999 and interpretation of the data was completed in 2000. An initial program of reconnaissance sampling was undertaken with the Zacharias (Airlift) from December 2000 to January 2001 in the southern section of the area. A total of 179 samples were taken in 17 features and a success rate of 38% was achieved. Sampling will continue in 2001.

The adjacent grant areas on the eastern side of the Hottentot Bay Grant are allocated to Tidal Diamonds (Pty.) Limited, a subsidiary of Namdeb. To the south, the adjacent grant area belongs to DFI, to the north, Benco.

The Hottentot Bay Grant was awarded to the Company by the Namibian Government as of June 28, 1993 and was renewed until June 26, 2001. The Company will apply for a renewal of the licence.

Middle Shelf Licences

Block L, EPL 2501

The exclusive exploration rights to Block L were awarded to Guinas Angonam Mining (Pty) Ltd., a joint venture between Namco Namibia (Pty) Ltd., Guinas Mining (Pty) Ltd. and Angonam Exploration (Pty) Ltd. The annual licence fee is N\$10,000. See “Narrative Description of the Business - Development Properties - Namibia - Joint Venture Agreements - Namibia”.

Block L covers an area of 1,000 km² and is situated 250 km north of Luderitz on the middle shelf north of Hollamsbird Island. Its eastern boundary lies 20 km offshore between Meob Bay and Conception Bay. The water depth ranges between 100m and 150m. The adjacent prospecting areas to the north and south are held by ODM, the area to the east by Namdi Mining (Pty) Ltd. and to the west

by Winddub (Pty) Ltd. and Winnico Mining (Pty) Ltd. Regional survey work was completed in 2000. Initial results indicate significant areas of thick sediment overburden in the north. The area is a low priority prospect at the present time for diamond exploration.

The exploration licence was issued by the Namibian Government. It is dated July 20 1998 and is for an initial period of three years (with an expiry date of July 19, 2001). A request for an extension to the submission date for the mandatory renewal has been submitted and verbally approved by the Mining Commissioner. A successful renewal for a further period of three years is anticipated.

The 2002 Grant, EPL 2002

The 2002 Grant extends from the seaward boundary of the Hottentot Bay Grant out to the approximate position of the 200m water depth line, which lies approximately 30 to 50 km off the Namibian coast. The 2002 Grant covers approximately 994 km² and lies in water depths ranging from 96m to 200m. The adjacent prospecting areas are held by DFI to the south, Kuwelai Mining (Block M) and a Namibian consortium (Block J) to the north, Le Ro Marine Diamond in the (deep water) west and the Hottentot Bay Grant and ML103A to the east. Regional survey work has been completed with some geological sampling.

The 2002 Grant was awarded to the Company as of September 29, 1994. The licence was renewed to 28 September 2002.

The Island Extension Grants, EPL 2027 A-I

EPL 2027 grants represent the offshore extension of the ML36 licence areas out to the 200m isobath. These areas are generally located on the middle shelf in water depths of 100m to 200m. These grants comprise a group around Hollamsbird Island in the north and extend to Plumpudding Island in the south. Diamonds have been recovered in all the adjacent mining licence areas. Reconnaissance survey work has been done in the areas as well as some reconnaissance sampling using airlift vessels by ODM. Reconnaissance sampling has been undertaken in the areas off Hollamsbird, Ichaboe, Halifax, Long, Possession and Plumpudding Islands. A total of a total of 1,221 airlift samples were taken, of which 86 were positive results. Diamonds were recovered in all of the areas except Plumpudding and the best results were obtained off Long Island where approximately 20% of the samples were positive. Overall Grades were generally low. Diamonds were also recovered in deep water at depths of approximately 160m at Hollamsbird and Possession Islands. The nature of mineralization on the low gradient middle shelf is different from that encountered on the inner shelf and less well understood. The sampling has, however, demonstrated the widespread nature of diamond occurrence on the middle shelf. Further exploration is planned in the middle shelf areas.

The licences were awarded to Island Diamonds Ltd. as of June 10, 1996 and the current licences expire on June 9, 2001. The company will make application for renewal of the licences. The adjacent Exclusive Prospecting Licences 2112 OSD to the north and 2113 OSE to the south are allocated to Namdeb.

The Luderitz Grant, EPL 1946

The eastern boundary of Luderitz Grant lies approximately 20 km west of the port of Luderitz and to the west of adjacent property ML51. The Luderitz Grant covers approximately 451 km².

The water depth in the grant area ranges from 90m to 200m below sea level. On the north eastern side of the Luderitz Grant, the adjacent prospecting grant area is held by DFI, while Namco's ML51 is situated adjacent to the eastern side of the Luderitz Grant. The prospecting rights adjacent to the northern and southern sides of the Luderitz Grant are held by ODM and the prospecting rights for the deep-water area to the west are held by DFI.

Regional survey work and some geological sampling has been completed in the property. No prospecting work has been undertaken. The mouth of the ancient Koichab River channel is located on the eastern side of the area. Given the prominence of diamonds demonstrated by the sampling in the island extension areas, the area remains a prospective property.

The Luderitz Grant was awarded to the Company by the Namibian Government as of June 28, 1993 and has been renewed until June 26, 2001. The Company will submit an application for renewal.

Joint Venture Agreements - Namibia

On July 20, 1998, the Namibian Ministry of Mines and Energy granted an exclusive prospecting licence over Block L to Guinas Angonam Mining (Pty) Ltd. This company is 50% owned by Guinas Mining (Pty) Ltd. (which is 80% owned by the Company) and Angonam Exploration (Pty) Ltd. (which is 50% owned by the Company), such that the Company's interest in the joint venture is 65%. Commitments under the terms of the prospecting licence total N\$1,000,000 over three years.

An exclusive prospecting licence is held by Conco over Block A. A joint venture agreement was concluded between Conco and Namco for the exploration and development of Block A. The Company's interest in that joint venture is 65%. Initial funding commitments from Namco are N\$1,000,000. In 2000, Conco secured a N\$1,200,000 loan from the Minerals Development Fund of Namibia to progress geophysical survey and mapping programs in the area. In terms of the joint venture agreement, this work was carried out under the supervision of the Company and successfully completed. High quality data and maps were obtained.

Effect of Provisional Liquidation

The Company's exploration licences were not cancelled during the period during which Namco's Namibian subsidiaries were in provisional liquidation. However, pursuant to the Namibian Mining Act, application for review must be received by the Ministry of Mines and Energy 90 days prior to expiry of such licences. Due to the fact that Namco's Namibian subsidiaries were in provisional liquidation, renewals were not submitted by this prescribed deadline. The Ministry of Mines and Energy agreed verbally to waive the 90-day requirement on condition that applications are submitted for each of the licences prior to the expiry date of the respective licences. The Company submitted renewal applications prior to the expiry of the licences for EPL 2469-2474 and has received written notification of the renewal of these licences. The Company intends to submit renewal applications for its other Namibian exploration licences within the prescribed time limits.

South Africa

Offshore Licenses

The South African west coast has been divided attitudinally into 20 concession areas that lie between the Orange River in the north to Cape Columbine, approximately 500 km further south. Each

concession area is subdivided into smaller concession areas comprising a shallow water “(a)” concession, a mid-depth water “(b)” concession, a deep water “(c)”concession and an ultra-deep water “(d)” concession.

Inner Shelf Licences

Concession 7(b)

Concession 7(b) is situated off Hondeklip Bay. The shoreward boundary is approximately one kilometre from the shore whereas the western boundary is approximately 5 km from the South African coast. Concession 7(b) lies on the inner continental shelf in water depths between 18m and 105m and covers 89 km². A limited program of reconnaissance airlift sampling has been done with no significant results obtained to date. A total of 19 target features were sampled and 285 samples taken of which 26 were positive. Prospecting of the area will continue in future programs.

The licence was awarded to Solid Pump Company (Pty) Ltd. (“Solid”), a wholly owned subsidiary of ODM, as of October 17, 1994 to October 16, 1999.⁶ An application for renewal was submitted to the Ministry of Mines and Energy in 1999 and is still pending. In accordance the South African Minerals Act, the licence remains valid and communications with the Department of Minerals and Energy have been positive. The Company anticipates that the renewal will be awarded in due course.

Concession 12 (b)

Concession 12(b) is situated off the Olifants River mouth and extends about 25 km northward and 2 km southward from the river mouth. The shoreward boundary of concession 12(b) is one kilometre from the shore, whereas the western boundary is defined by a straight line between two points and lies approximately 5 km from the South African coast. Concession 12(b) encompasses an area of approximately 116 km². The water depth in concession 12(b) ranges from 15m in places to 75m.

On the western side, adjacent concession 12(c) is held by DeBeers. The adjacent concessions on the eastern side, 12(a), and on the northern side, 11(a), 11(b), 11(c), belong to Trans Hex. To the south, concessions 13(a) and 13(b) are held by the North Bay Mining (Pty.) Ltd. and 13(c) was acquired by Benco. Diamonds have been mined in the shallow water properties adjacent to area 12(b) over the past 15 years. The area is characterized by average diamond size of approximately 1.0 Carats per stone. Reconnaissance sampling was undertaken in the area in 1996 with the Namrod and also in 2000 with the MV Oceandia. Initial results were disappointing, however the area remains a priority development property based on mining operations in adjacent areas.

The exclusive prospecting permit to prospect for precious stones within concession 12(b) was acquired by the Company from the former shareholders of Rio Tinto Exploration (Pty.) Ltd., a subsidiary of Rio Tinto Zinc pursuant to an acquisition agreement dated May 13, 1993. The lease was granted pursuant to section 4 of the *South African Precious Stones Act, 1964* on August 13, 1990. The prospecting permit for concession 12(b) expired on July 14, 2000. The Company has received notification

⁶ An option agreement was entered into between Solid and Wilfa Ontwikkelaars (Pty) Ltd. (“Wilfa”) under the terms of which Solid granted Wilfa an option to acquire the prospecting licence granted to Solid in respect of concession 7(b). The Company’s view is that such option agreement is void as the South African Minerals Act does not permit the alienation of prospecting licences.

of the Government's preparedness to grant a renewal for a period of five years. Issue of the relevant licence is in progress.

Middle Shelf Licences

Concession 6(c)

Concession 6(c) is located off the Namaqualand coast between the DeBeers mines of Koingnaas in the south and Kleinsee in the north. The eastern boundary lies approximately 5 km from the coast. The western boundary is marked by the 200m water depth isobath, approximately 110 km from the coastline. The concession covers an area of 3,494 km² and the water depth varies between 95m and 200m. Concession 6(c) is held by Ocean Diamond Mining 6(c) (Pty) Ltd., a joint venture company in which the Namco currently holds a 50.01% interest through its subsidiary Ocean Diamond Mining Holdings (Pty) Ltd. Benguela Concessions (Pty) Ltd., a subsidiary of Trans Hex, holds 49.9% of the issued share capital. See "Narrative Description of the Business - Development Properties - South Africa - Middle Shelf Licences - Joint Venture Agreements - South Africa". The property lies to the north of the onland mine at Koingnaas operated by DeBeers.

During the period 1993 – 1995, Benco completed work on areas 6(c) and 14(c) as part of their separate BHP/Benco JV. The work included geophysical survey, vibrocoreing and prospecting with the MV Geomaster. A total of 43 features were sampled in the depth range of 85 – 150m. In total, 1,031 samples were taken of which 132 (12.8%) were positive. Based on the sampling, a low Grade Indicated Mineral Resource of 121,000 Carats and Inferred Mineral Resource of 600,000 Carats was declared. The area is considered prospective and further work is warranted.

The licence was transferred to the joint venture company on May 18, 1994 and the licence has recently been renewed for a further period of five years to February 27, 2004.

Concession 14 (c)

Concession 14(c) is situated offshore near the mouth of the Olifants River, approximately 120 km south of concession 6(c). The concession extends from the western boundary of concession 14(b) to the edge of the continental shelf at a water depth of 20m. Concession 14(c) covers an area of 1,056 km² and the water depth varies between 90m in the east and 200m in the west. Concession 14(c) was awarded to Ocean Diamond Mining 14(c) (Pty) Ltd., a joint venture company in which the Namco currently holds a 50.01% interest through its subsidiary Ocean Diamond Mining Holdings (Pty) Ltd. Benguela Concessions (Pty) Ltd., a subsidiary of Trans Hex, holds 49.9% of the issued share capital. See "Narrative Description of the Business - Development Properties - South Africa - Middle Shelf Licences - Joint Venture Agreements - South Africa". Survey work completed by the Benguela BHP JV indicates that the majority of the area is covered in thick sediment overburden. A prospective area on the north-eastern corner remains to be prospected. The prospecting licence was renewed on January 20, 2000 for a period of five years.

Joint Venture Agreements - South Africa

Joint venture agreements were entered into between ODM and Benco in respect of concessions 6(c) and 14(c). In terms of the joint venture agreements, Benco is obliged to manage exploration of the concessions 6(c) and 14(c) and is obligated to expend R10,000,000 on exploration within

a 10-year period ending May 31, 2006. ODM has no financial commitment in terms of the joint venture agreements until Benco has expended the South African Rand 10,000,000. The joint venture agreements granted Benco the right to exercise an option to acquire a further 16.68% of the issued share capital of Ocean Diamond Mining 6(c) (Pty) Ltd. and Ocean Diamond Mining 14(c) (Pty) Ltd., respectively.

Deep Water Licences

Concession 7(d)

Concession 7(d) is situated offshore Hondeklip Bay. The concession is 4,316 km² in extent and lies in water depths between 180m and 500m. The licence was awarded to Ocean Diamond Mining of Southern Africa Ltd. as of September 6, 1995 to September 5, 2000. Following review of regional geophysical data, which indicated low prospectivity as well as consideration of the technical constraints of working in great water depths, the Company decided not to renew the licence upon expiry.

Concession 12(d)

Concession 12(d) covers an area of approximately 3,304 km². It is situated to the west of concession 12(b) in water depths of 200m to 500m. The licence was awarded to Namco South Africa (Pty) Ltd. on September 6, 1995 for a period of five years expiring September 5, 2000. Following review of regional geophysical data, which indicated low prospectivity as well as consideration of the technical constraints of working in great water depths, the Company decided not to renew the licence upon expiry.

Effect of Provisional Liquidation

The Company's concession 12(b) in South Africa is held by Namco South Africa (Pty) Ltd., which is in provisional liquidation. It is not clear what effect this has had on the Company's ownership of concession 12(b). If Namco South Africa (Pty) Ltd. were to enter into final liquidation, it is not certain what effect this would have on its interest in concession 12(b). However, any change to Namco South Africa (Pty) Ltd.'s ownership in the licence cannot occur without prior consent of the Ministry of Minerals and Energy.

Onshore

Korabella Alluvial Project

The Korabella Alluvial Project area lies approximately 20 km southwest of Vryburg, in the Northern Province. The target of the project is an extensive gravel deposit approximately 34 km² in size that is associated with ancient river drainage channels in the area. No previous exploration of the area has been done other than random prospecting in the 1970s. A permit application was submitted in 2000. Prospecting in the area is expected to begin in 2001.

Exploration and Development Program 2001

Continuous exploration has now become essential in order to continue the development of existing and new resource areas. This is required to renew the resource base as it becomes depleted by the increased scale and rate of mining operations and technology. To achieve this, a new vessel, the MV Zacharias equipped with the Namdrill and airlift sampling equipment has been dedicated to continuous exploration.

The exploration strategy comprises two main priorities, namely:

- (a) the development of existing Ore Reserves and resources in the Producing Properties to support current and planned mining for the next two years; and
- (b) the discovery of new resources in the producing and exploration properties to increase the inventory of Inferred Mineral Resources for further development work.

The primary objectives of the exploration program are:

- to expand and improve the reliability of the current planable mining reserves,
- to maintain a minimum Ore Reserve to support two years of planned mining,
- to establish and maintain a minimum inventory of 2,000,000 Carats of Indicated Mineral Resources,
- to establish and maintain an Inferred Mineral Resource inventory of 5,000,000 Carats, and
- a better understanding of mining conditions in resource areas.

This will be achieved by:

- sampling with the Namdrill to improve confidence in the established planable Ore Reserves incorporated in the mine plans in the Producing Properties;
- defining the ability to mine the sediment deposits and bedrock in the areas of defined Ore Reserves and resources,
- sampling of priority target areas in the existing Producing Properties to upgrade a significant part of the existing Inferred Mineral Resource areas to the Indicated category, and
- sampling prospective but unsampled areas to discover and develop to Inferred Mineral Resource level

The prospecting features identified in the section “Narrative Description of the Business - Notes on Estimation - Resource Potential” will be the focus of the prospecting program for the remainder of 2001.

The Company has submitted the appropriate environmental assessments and management plans in terms of its intended sampling programs in Namibia. Conformance environmental reports are submitted annually to the authorities. In respect to South African operations, individual project-based environmental assessments are prepared and submitted to the authorities for approval.

OVERALL BUDGET

Sampling programs have been prepared for the MV Zacharias on a feature basis, allowing for the fact that the vessel has full mobility on dynamic positioning. The Namdrill will be used as the primary sampling tool for resource development, supported by airlift sampling where justified for reconnaissance work only. The expected average sampling rate is ten samples per day of five square metres (20 holes) in sediments of five metres average thickness. A sampling capability of approximately 250 samples per month is anticipated. The operating budget for Zacharias is of the order of US\$5,000,000 per annum.

ITEM 4(b) - THE INTERNATIONAL DIAMOND MARKET

THE GLOBAL MARKET

The total global production of rough diamonds in 1999 was estimated at 115,000,000 Carats, with a value of some US\$6.6 billion. Of this amount, total gem diamond output accounted for over 95% of the value but only 15% by weight. The Company's output falls into the gem diamond output category of which it forms only a small part.

The marketing of rough diamonds is a highly specialized process. DeBeers markets approximately two-thirds of the world's annual supply of rough gem diamonds and therefore, has significant influence over the world's rough diamond trade. Given this influence over the market for rough diamonds, a review of publicly available information from DeBeers details the historical market trend, and the factors that have influenced this trend. While competitive selling into an over-supplied market for smaller, near gem diamonds created pricing pressures, DeBeers stated in connection with the release of its 1996 results that a firm market for rough gem diamonds larger than one-half Carat had continued into 1997. In the 1997 annual report of DeBeers, it was stated that sales in the second half of the year were significantly reduced as a result of the continued recession in Japan and the economic and currency problems which had emerged in the South East Asian countries. 1998 showed a continued deterioration in the market. Sales in 1998 fell from the record levels of 1996 and 1997 of US\$4.8 billion and US\$4.6 billion, respectively, to US\$3.3 billion. In 1998, DeBeers stated that retail consumption reflected varied economic circumstances, with the United States and European markets showing growth, but the Japanese and South East Asian markets showing a reduction. Overall global consumption contracted for the second year in succession. In 1999, DeBeers, in its annual report, stated that there had been a remarkable transformation in the industry, which resulted in it being able to increase sales of rough diamonds by 57% to US\$5.2 billion. A number of factors contributed to this transformation, including: the continued growth of the United States retail market; restocking of the trade pipeline; and increased sales flowing from the millennium celebrations. The improved mood in the market continued into 2000. In their annual report for 2000, DeBeers highlighted that consumer demand led by the United States began to slow in the second half of 2000. Overall, DeBeers sales increased in 2000 to US\$5.7 billion. Sales in the first half of 2001 are 15% below their peak levels in the first half of 2000 as demand adjusts in light of more subdued national markets, particularly the United States. A target of US\$4.8 billion has been set for 2001 by DeBeers.

DeBeers' rough diamond sales occur ten times per year through "sights" conducted on the basis of the buyer either accepting or rejecting all the stones offered. Sight holders can be categorized broadly into manufacturers, dealers and preparers. Some sight holders carry on a combination of these functions, and most sight holders are active at more than one level of the diamond pipeline. Rough

diamonds are purchased by manufacturers (who cut and polish rough stones) and by dealers specializing in supplying rough diamonds to the secondary market. Some rough diamonds are purchased by specialist preparers who partially process the stones by sawing or cleaving them in preparation for the cutting and polishing process.

Around 80% of the DeBeers' sales occur at the sights in London; the remainder are split between Johannesburg and Luzern. Only South African sight holders attend the Johannesburg sights.

Sales of rough diamonds is a "cash business"; sight holders pay for their goods before they are dispatched.

Diamond cutting and polishing occurs in about 30 different countries, but DeBeers' principal clients are located in New York, Tel Aviv, Antwerp, Johannesburg and Bombay. New York typically handles the largest and higher value stones; Antwerp is the largest centre in terms of the total value exported; the Israeli centres tend to cut and polish the more unusual shaped stones; and the Indian industry, because of its low labour costs, is responsible for the high-volume production of the smaller, poorer (i.e., near gem) quality stones.

The final stages of the diamond "pipeline" incorporate the jewellery manufacturers, wholesalers and, ultimately, the consumer. Polished stones from the major cutting centres are sold and exported to jewellery manufacturing hubs throughout the world such as New York, Hong Kong, Geneva and Rome. The diamonds are then combined into a variety of metal settings and designs ready for the consumer. The diamonds are sold to retail outlets world-wide through jewellery wholesalers.

ROUGH DIAMOND PRICES

Since the start of production the Company's average price per Carat has ranged from US\$125 to US\$180. Prices achieved in 2000 were towards the top of that range. Prices in the late 1990s have been affected by the Asian crisis, the strength of the United States' retail market and increased sales flowing from the millennium. This has led to large and rapid movements in prices. Increased competition in the diamond industry is also likely to have an effect. Recent weakness in the United States' retail market is of concern in the short to medium term.

DISTRIBUTION ARRANGEMENTS OF THE COMPANY

The Company had distributorship agreements in place with IDC (Holdings) Ltd. ("IDC"). Under the agreements, IDC was appointed as sole distributor of the Company's rough diamonds.

The Company also entered into an agreement in December 2000 with Rosy Blue BV ("Rosy Blue"), a customer which regularly purchased diamonds distributed by IDC. Pursuant to this agreement, Rosy Blue deposited US\$2,000,000 with the Company and had the right to purchase, at a discounted price, at least US\$750,000 worth of diamonds in respect of each sale conducted by IDC.

Pursuant to the terms of the investment in Namco by LL Mining, the Company is in the process of terminating its agreements with IDC and Rosy Blue. The termination of these agreements will require the Company to repay by the end of September 2001, in the aggregate, approximately US\$3,500,000 advanced to the Company by these two counterparties.

Marketing Agreement with LLD

The distributorship agreements with IDC have been replaced by a marketing agreement with LLD, pursuant to which the Company granted to LLD exclusive rights to purchase all of the Company's diamond production and to act as the sole world-wide distributor of the Company's diamonds. LLD has agreed to pay the Company the current market price for the diamonds it purchases, based on diamonds of the same quality, mix and type as the diamonds being purchased, less a discount of 3.5%.

The current market price to be paid by LLD for the diamonds LLD purchases from the Company is to be determined by mutual agreement of LLD and the Company, or by a mutually agreed upon evaluator, or by way of a "window operation" if LLD and the Company are unable to agree. Under a "window operation", the Company first obtains a tender in the Antwerp diamond market to purchase up to a representative 10% of the Company's annual diamond production from potential purchasers other than LLD. The Company has also agreed to ensure that if LLD chooses not to purchase diamonds at the purchase price established in a window operation, the potential purchaser in the Antwerp market choosing to purchase the representative 10% shall be required to purchase the remaining 90% of the diamonds being sold in the specific sale. LLD may elect to buy 100% of the diamonds being sold at the "window price". A mutually agreed upon evaluator is required to pay due regard to the price established by the window operation.

The marketing agreement with LLD is expected to commence at the end of July of this year and will continue for a maximum of 15 years, subject to LLD's right to terminate at any time with three months prior written notice. The Company may terminate the agreement in the event of any breach of LLD.

ITEM 4(c) - ADDITIONAL INFORMATION APPLICABLE TO THE COMPANY'S OPERATIONS

GENERAL POLITICAL AND ECONOMIC CLIMATE IN NAMIBIA AND SOUTH AFRICA⁷

Namibia

Namibia is located in southern Africa, bordering the Atlantic Ocean between Angola and South Africa. The country comprises an area of approximately 824,000 square kilometres and the population of Namibia is approximately 1,700,000 people. Its currency is the Namibian dollar which is tied to the South African Rand at an exchange rate of one Namibian dollar to one Rand. The Rand is also legal tender in Namibia.

Namibia's estimated gross domestic product ("GDP") for 2000 was N\$24.1 billion (1999, N\$21.7 billion) and the inflation rate for 2000 was 9.3% (1999, 8.6%).

Namibia attained independence from South Africa in March 1990. Since independence, the elected president has been Sam Nujoma, the leader of the Swapo Party. President Nujoma commenced his third term of office on March 21, 2000.

⁷ The following information has been derived from publicly available information. The Company has not verified the accuracy or completeness of any information contained in such publicly available information or determined if there has been any omission of material facts, information or events in such publicly available information.

Namibia and South Africa both are members of the Southern African Customs Union and Namibia is a member of the Southern African Development Community, the United Nations, the Organization of African Unity, the Commonwealth of Nations, the Lomé Convention and the World Trade Organization.

The NSX opened in September 1992 and is governed by the *Stock Exchanges Control Act* (1985, as amended in 1992 and 2000). The total market capitalization of the NSX for 1999 was N\$333.9 billion.

South Africa

South Africa is situated on the southern tip of the African continent, with the Atlantic Ocean to the West and the Indian Ocean to the East. South Africa shares common borders with Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zimbabwe. The total area of the country is approximately 1,233,201 square kilometres and, according to the national census, in June 1997 South Africa's population was approximately 37,800,000. Its currency is the South African Rand.

South Africa held its first democratic national elections on April 27, 1994, culminating in the election as president of Mr. Nelson Mandela, leader of the African National Congress (the "ANC"). The next presidential election was held on June 2, 1999 and Mr. Thabo Mbeki of the ANC was elected as president.

South Africa has the most developed economy in the southern African region with a GDP equal to six times that of its immediate neighbours combined. It is believed that over one quarter of the trade of countries (other than South Africa) in the southern African region is conducted with South Africa. According to the South African government's Central Statistics Review, its GDP for 2000 was R873.6 billion (1999, R801.1 billion). The inflation rate for 2000 was 5.4% (1999, 5.2%).

The major strength of the South African economy is its strong physical and economic infrastructure, its abundant natural resources, particularly gold and a wide variety of other minerals, and its growing manufacturing sector and considerable tourism potential. The lifting of international economic sanctions, the re-joining by South Africa of many international organizations and the granting of generalized system of preferences status to South Africa by the United States and the possibility of a comprehensive trade agreement with the European Union are expected to open trade and investment opportunities for South Africa.

The Johannesburg Stock Exchange (the "JSE") is the only stock exchange in South Africa and is governed by the *Stock Exchanges Control Act of 1985*, as amended. According to the JSE's Markets Department data-base records, the total market capitalization of the JSE as at December 2000 was R1,551,500,000.

CURRENCY RESTRICTIONS AND FOREIGN EXCHANGE LAWS

Namibia and South Africa remain part of the South African Rand Common Monetary Area ("CMA"). Exchange controls in the CMA require that dividend, loans, the repayment of loans and the payment of most invoices to parties outside the CMA by companies registered in the CMA require prior approval. The controls are applied by the Bank of Namibia as agent for the South African Reserve Bank.

TAXATION ON OPERATIONS OF THE COMPANY

Namibia

Diamond mining operations in Namibia will be subject to income tax at an effective rate of 55% on taxable income derived from diamond mining operations in Namibia. In addition to the income tax, a royalty, which is deductible, of 10% of the selling price is levied on the export of diamonds from Namibia.

Taxable income in Namibia is determined in much the same way as in South Africa. The costs of a ship and most other assets used for mining and prospecting in Namibian waters are deductible over three years. The cost of mineral rights in general is not deductible for tax purposes.

The entire system of diamond taxation in Namibia is currently being reviewed. Namibia does not have a system of capital gains tax.

Withholding tax at an effective rate of 10.5% is levied in respect of fees (royalties or similar payments) paid to non-residents for imparting knowledge for use in Namibia. In addition, subject to certain exceptions, Namibia imposes a 10% withholding tax on any dividend distributed by a Namibian resident company to a shareholder who is a non-resident and who does not carry on business in Namibia.

South Africa

Diamond mining operations in South Africa are subject to income tax at the rate of 30% on taxable income derived from its diamond mining operations. Dividends will be subject to the secondary tax on companies of 12.5%. South African taxable income is calculated after allowable deductions from income. Normally, expenditures of a capital nature are not deductible (except by way of depreciation allowances).

The cost of a ship used for off-shore prospecting and mining generally qualifies for an annual capital allowance of 20% of the cost. The cost of land and mineral rights is not deductible for tax purposes. The cost of other moveable assets used for mining or prospecting are generally written off over periods ranging from three to five years.

South Africa does not, as of yet, have a system of capital gains tax. South Africa has indicated the intention to introduce a capital gains tax which would take effect from October 1, 2001.

A final withholding tax at a rate of 12% is levied on royalties paid to a non-resident (again subject to the provisions of a double taxation agreement, if applicable). Technical fees accruing to a non-resident in respect of imparting of knowledge for use in South Africa are also subject to this withholding tax.

United Kingdom

Operations conducted in the United Kingdom are subject to corporation tax at a rate of 30% on taxable income derived from these operations. Taxable income is determined by reference to the arms' length principle where the service and support operations are for the benefit of other companies in the same corporate group fiscally resident outside the United Kingdom.

Dividends received from companies in the same corporate group fiscally resident outside the United Kingdom are subject to corporation tax in the United Kingdom, but credit relief is given for overseas taxes paid on the income from which the dividend is paid. Where interest or royalties are paid to non-United Kingdom residents, withholding tax at the rate of 22% is deductible, but that rate is frequently reduced where a double tax treaty applies. There is no withholding tax on the payment of dividends from the United Kingdom. Capital allowance at the rate of 25% is given on plant and equipment in use for business purposes.

ITEM 5 - SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables summarize certain audited consolidated financial information of the Company for the periods indicated. **The following is a summary only and should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and the accompanying notes to the consolidated financial statements contained in Namco's 2000 annual report.** The selected consolidated financial information for the period ending December 31, 1999 includes ODM as a subsidiary of the Company for the period from October 28, 1999 to December 31, 1999.

	12 months ended <u>Dec. 31, 2000</u>	12 months ended <u>Dec. 31, 1999</u>	7 months ended <u>Dec. 31, 1998⁽¹⁾</u>	12 months ended <u>May 31, 1998</u>
Income Statement Data	(thousands of United States dollars) ⁽²⁾			
Total revenues ⁽³⁾	US\$42,588	US\$43,794	US\$13,223	US\$1,060
Income from continuing operations				
total	107	17,138	3,108	(7,079)
per share	0.00	0.43	0.08	(0.19)
fully diluted per share	0.00	0.40	0.08	(0.19)
Net income (loss)				
total	1,007	17,138	3,108	(7,079)
per share	0.02	0.43	0.08	(0.19)
fully diluted per share	0.02	0.40	0.08	(0.19)
Cash dividend declared per share	0.03	0.02	0.00	0.00
Balance Sheet Data				
Cash and short-term investments	US\$4,394	US\$20,033	US\$3,897	US\$3,902
Exploration and development costs	15,450	14,098	12,213	28,582
Capital assets, net of amortization	109,440	71,926	28,586	14,147
Goodwill	33,098	33,449	55	62
Total assets	170,923	147,634	48,669	49,549
Current liabilities, excluding current				
portion of long-term debt	17,518	8,624	2,515	5,625
Long-term financial liabilities, including	68,960	45,961	0	257
current portion of long-term debt				
Shareholders Equity				
Capital Stock	90,169	83,802	53,834	53,811
Warrants	406	500	0	0
Exchangeable debentures	1,550	4,615	4,724	4,637
Contributed surplus	459	459	459	459
Cumulative foreign exchange adjustment	(13,637)	(3,124)	(2,256)	(1,664)
Retained earnings / (deficit)	5,098	5,497	(10,607)	(13,576)

⁽¹⁾ Namco's previous fiscal year end was May 31, 1998. Subsequent to this date, Namco changed its year end to December 31.

Therefore, the fiscal year ended December 31, 1998 was only seven months in duration.

⁽²⁾ Other than per share amounts

⁽³⁾ Total revenue includes revenue from diamond sales, interest received and gains on marketable securities.

ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS

Please refer to Namco's "Management Discussion and Analysis and Financial Review" contained on pages 6 to 15 in Namco's 2000 Annual Report.

ITEM 7 - MARKET FOR SECURITIES

The outstanding Common Shares are quoted for trading on the NASDAQ National Market ("NASDAQ") and listed for trading on The Toronto Stock Exchange ("TSE") and the Namibian Stock Exchange.

On February 23, 2001, Namco requested that NASDAQ halt trading in its securities in advance of its press release announcing that it was placing some of its South African subsidiary companies into liquidation. As a result of this press release, NASDAQ determined to halt trading in Namco's securities pending receipt and review of further information requested by NASDAQ. Namco responded on March 16, 2001 to NASDAQ's initial request for information and Namco continues to co-operate with NASDAQ's further requests for information. Once Namco has fully satisfied NASDAQ's requests for additional information, NASDAQ will make a determination regarding the continued inclusion of Namco's securities on NASDAQ. At this time, no assurance can be given that NASDAQ will not choose to terminate Namco's inclusion on NASDAQ.

On March 7, 2001, the TSE initiated an expedited review of the continued listing of the Common Shares on the TSE following the commencement of liquidation proceedings in connection with certain Southern African and Namibian subsidiaries of the Company. The Common Shares continue to trade on the TSE. The TSE has deferred consideration of Namco's eligibility for continued listing until June 27, 2001, subject to the discretion of the TSE to make a determination in advance of this date. At this time, no assurance can be given that the TSE will not choose to suspend Namco's listing on the TSE.

ITEM 8 - DIRECTORS AND OFFICERS

The following table provides the name, municipality of residence, positions with Namco and principal occupation of each of the directors and executive officers of Namco as at the date of this AIF.

Each director has been elected or appointed to serve until the next annual meeting or until a successor is elected or appointed. Namco has an Audit Committee, a Nominating Committee and a Compensation Committee. The members of each such committee are shown below. As at May 22, 2001, the directors and senior officers of Namco, as a group, beneficially owned, directly or indirectly, as a group, 3,827,857 Common Shares or approximately 4.5% of the issued and outstanding Common Shares.

<u>Name and Municipality of Residence</u>	<u>Position with Namco</u>	<u>Principal Occupation</u>	<u>Became Director</u>
J. ALASTAIR HOLBERTON ⁽¹⁾⁽²⁾ Cape Town, South Africa	President and Chief Executive Officer and Director	President and Chief Executive Officer and Director of Namco	1993
CARLO CIVELLI ⁽²⁾⁽³⁾ Zurich, Switzerland	Director	Independent businessman and a director of Clarion Finanz AG, a company specializing in investment banking	1993
HOWARD L. BECK, Q.C. ^{(1) (2) (3)} Toronto, Ontario	Director	Independent businessman and a director of a number of public and private companies	1996
ANDREW E. BUXTON ^{(1) (3)} London, England	Director	Non-executive director of Mercury World Mining Trust (a company engaged in investment, from 1993); and of Henderson Far East Income Trust PLC, a company engaged in investment	1997
LOINE GEINGOS Windhoek, Namibia	Director	Non-executive director of Global Projects Namibia (Pty) Ltd. (a company engaged in food catering); Oshiwanda Fishing Co. (Pty) Ltd. (a company engaged in fishing); Namibia Sea Food Processor (Pty) Ltd. (a company engaged in food processing); Charity and Development Projects CC (a charitable organization); Offshore Development Company (a company engaged in import/export business)	1999
J. CHARLES F. PURDY London, England	Chief Financial Officer, Secretary and Director	Chief Financial Officer, Secretary and Director of Namco	1993
PETER LOOIJEN ⁽⁴⁾ Cape Town, South Africa	Chief Operations Officer	Chief Operations Officer of Namco, executive officer of South African subsidiaries of Namco and prior to January 1, 1998, General Manager of Boskalis, South African Region (a company engaged in offshore dredging)	-

⁽¹⁾ Member of the Compensation Committee.

⁽²⁾ Member of the Nominating Committee.

⁽³⁾ Member of the Audit Committee.

⁽⁴⁾ Mr. Looijen became an executive officer of Namco in April 2001.

Yusuf Surtee, who became a director in 1999, resigned from the board of directors of Namco on May 21, 2001, decreasing the size of the board to six. The board of directors plans, following shareholder approval, to increase the maximum number of directors and set the current size of the board of directors at 10. It is intended that Charles Purdy will cease to be a director as of the annual and special meeting (the “Annual Meeting”) of shareholders of Namco to be held on June 29, 2001.

New directors will be elected at the Annual Meeting. Pursuant to the terms of the Canaccord Private Placements, the holders of the Tranche 1 Special Notes have the right to nominate for election by the shareholders of Namco, two directors. In addition, under the terms of the investment by LL Mining, LL Mining has the right to nominate for election two-sevenths of the board of directors of Namco, rounding all fractions to the next highest whole number. If shareholders of Namco authorize the board to be set at 10, LL Mining shall have the right to nominate three individuals for election as directors. Those persons nominated by the Tranche 1 Special Note holders and LL Mining will be included as management nominees for election as directors of Namco at the Annual Meeting.

In addition to the restructuring of the board of directors outlined above, which is expected to be completed subsequent to shareholder approval at the Annual Meeting, there will also be a change to senior management of Namco. It is intended that Charles Purdy will cease to be Chief Financial Officer and Secretary immediately following the Annual Meeting and Eliezer Nefussy will be appointed Chief Financial Officer of Namco at that time.

ITEM 9 - ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Management Proxy Circular. Additional financial information is provided in the Company's comparative financial statements for the financial year ended December 31, 2000 included in the Annual Report.

The Company will provide to anyone, upon request to the Secretary of the Company at 243-247 Pavilion Road, London, England, SW1X 0BP (Telephone: 44 20 7824 8900, Fax: 44 020 7824 8889):

- (a) when the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,
 - (i) one copy of the AIF of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF;
 - (ii) one copy of the comparative financial statements of the Company for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year;
 - (iii) one copy of the management proxy circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that management proxy circular, as appropriate; and
 - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or
- (b) at any other time, one copy of any other documents referred to in (a)(i), (ii) and (iii) above, provided the Company may require the payment of a reasonable charge if the request is made by a non-security holder.