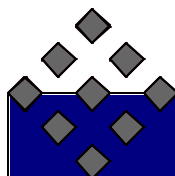


No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

PROSPECTUS

NEW ISSUE

June 19, 2001



NAMIBIAN MINERALS CORPORATION

US\$12,000,000

9,475,758 Common Shares and 4,737,879 Tranche 1 Warrants
to be issued upon the exercise of 9,475,758 Tranche 1 Special Warrants

and

US\$6,273,000 in principal amount of Tranche 1 Convertible Debentures and 9,504,545 Tranche 1 Warrants
to be issued upon the exercise of US\$6,273,000 in principal amount of Tranche 1 Special Notes

and

US\$2,600,000 in principal amount of Tranche 2 Convertible Debentures and 3,939,394 Tranche 2 Warrants
to be issued upon the exercise of US\$2,600,000 in principal amount of Tranche 2 Special Notes

Namibian Minerals Corporation (“Namco” or, when referring to Namco and its direct and indirect subsidiaries, the “Company”) is hereby qualifying for distribution in the Provinces of Ontario and British Columbia, an aggregate of 9,475,758 common shares in the capital of Namco (the “Common Shares”), an aggregate of US\$6,273,000 in principal amount of convertible debentures (the “Tranche 1 Convertible Debentures”), an aggregate of US\$2,600,000 in principal amount of convertible debentures (the “Tranche 2 Convertible Debentures” and, together with the Tranche 1 Convertible Debentures, the “Convertible Debentures”), 14,242,424 common share purchase warrants of Namco (the “Tranche 1 Warrants”) and 3,939,394 common share purchase warrants of Namco (the “Tranche 2 Warrants” and together with the Tranche 1 Warrants, the “Warrants”). 9,475,758 Common Shares and 4,737,879 Tranche 1 Warrants will be distributed to the holders of 9,475,758 special warrants of Namco (the “Tranche 1 Special Warrants”), both upon the exercise by or on behalf of the holders of the Tranche 1 Special Warrants. US\$6,273,000 in principal amount of Tranche 1 Convertible Debentures and 9,504,545 Tranche 1 Warrants will be distributed to the holders of US\$6,273,000 in principal amount of special notes of Namco (the “Tranche 1 Special Notes”), both upon the exercise by or on behalf of the holders of the Tranche 1 Special Notes. US\$2,600,000 in principal amount of Tranche 2 Convertible Debentures and 3,939,394 Tranche 2 Warrants will be distributed to the holders of US\$2,600,000 in principal amount of special notes of Namco (the “Tranche 2 Special Notes” and, together with the Tranche 1 Special Notes, the “Special Notes”) (the Special Notes together with the Tranche 1 Special Warrants are the “Special Securities”), both upon the exercise by or on behalf of the holders of the Tranche 2 Special Notes.

Each Tranche 1 Special Warrant entitles the holder thereof to acquire, subject to adjustment in certain circumstances, without additional payment, one Common Share and one-half of one Tranche 1 Warrant for each Tranche 1 Special Warrant held by the holders. The Tranche 1 Special Notes entitle the holders thereof to acquire, subject to adjustment in certain circumstances, without additional payment, an equivalent principal amount of Tranche 1 Convertible Debentures and 1,515.15 Tranche 1 Warrants for each US\$1,000 in principal amount of Tranche 1 Special Note held by the holders. The Tranche 2 Special Notes entitle the holders thereof to acquire, subject to adjustment in certain circumstances, without additional payment, an equivalent principal amount of Tranche 2 Convertible Debentures and 1,515.15 Tranche 2 Warrants

for each US\$1,000 in principal amount of Tranche 2 Special Note held by the holders. Each Tranche 1 Convertible Debenture will entitle the holder thereof to convert the principal amount of Tranche 1 Convertible Debentures for Common Shares, subject to adjustment in certain circumstances, at a conversion price of US\$0.33 per Common Share at any time prior to March 23, 2003. Each Tranche 2 Convertible Debenture will entitle the holder thereof to convert the principal amount of Tranche 2 Convertible Debentures for Common Shares, subject to adjustment in certain circumstances, at a conversion price of US\$0.33 per Common Share at any time prior to April 30, 2003. Each whole Tranche 1 Warrant will entitle the holder thereof to purchase one Common Share, subject to adjustment in certain circumstances, at a price of CAD\$0.60 per Common Share at any time prior to 5:00 p.m. (Toronto time) on March 23, 2004. Each whole Tranche 2 Warrant will entitle the holder thereof to purchase one Common Share, subject to adjustment in certain circumstances, at a price of CAD\$0.60 per Common Share at any time prior to 5:00 p.m. (Toronto time) on April 30, 2004.

The Tranche 1 Special Warrants were issued by Namco on March 23, 2001 (the “Tranche 1 Closing”) to purchasers resident offshore of Canada at a price of US\$0.33 per Tranche 1 Special Warrant for aggregate gross proceeds of US\$3,127,000 pursuant to a special securities indenture dated as of March 23, 2001 (the special securities indenture being referred to herein as the “Tranche 1 Special Securities Indenture”), between Namco and Montreal Trust Company of Canada (“Montreal Trust”), as special securities agent (the “Special Securities Agent”). US\$6,273,000 in principal amount of Tranche 1 Special Notes was also issued at face value at the Tranche 1 Closing by Namco to purchasers resident offshore of Canada pursuant to the Tranche 1 Special Securities Indenture. Collectively, the issuance of Tranche 1 Special Warrants and Tranche 1 Special Notes completed as of the Tranche 1 Closing are referred to herein as “Tranche 1 of the Private Placement”.

US\$2,600,000 in principal amount of Tranche 2 Special Notes was issued at face value by Namco to purchasers resident offshore of Canada on April 30, 2001 (the “Tranche 2 Closing”) pursuant to a special securities indenture dated as of April 30, 2001 (the special securities indenture being referred to herein as the “Tranche 2 Special Securities Indenture”), between Namco and Montreal Trust, as Special Securities Agent. The issuance of Tranche 2 Special Notes completed as of the Tranche 2 Closing is referred to herein as “Tranche 2 of the Private Placement”. Together, Tranche 1 of the Private Placement and Tranche 2 of the Private Placement are referred to herein as the “Canaccord Private Placement”.

The offer and sale of the Special Securities was arranged by Canaccord Capital Corporation (the “Agent”) pursuant to an agency agreement (the “Agency Agreement”) dated as of March 21, 2001 between the Agent and Namco. The price of the Special Securities was determined by negotiation between the Company and the Agent with reference to the market price of the Common Shares and the value ascribed to the Warrants issuable upon exercise of the Special Securities. No additional funds are to be received by the Company from the distribution of the Common Shares, the Convertible Debentures and Warrants issuable upon exercise of the Special Securities.

	Price to Public⁽¹⁾	Agents' Fee⁽²⁾	Net Proceeds to Namco
Per Tranche 1 Special Warrant	US\$0.33	US\$0.021	US\$0.309
Subtotal for Tranche 1 Special Warrants	US\$3,127,000	US\$203,255	US\$2,923,745
Per US\$1,000 in principal amount of Special Note	US\$1,000	US\$65	US\$935
Subtotal for Special Notes	US\$8,873,000	US\$576,745	US\$8,296,255
TOTAL	US\$12,000,000	US\$780,000	US\$11,220,000

Notes:

⁽¹⁾ The proceeds from the sale of the Tranche 1 Special Warrants and the Tranche 1 Special Notes were paid to the Company on March 23, 2001. The proceeds from the sale of the Tranche 2 Special Notes were paid to the Company on April 30, 2001.

⁽²⁾ The Agent was paid a commission equal to 6.5% of the gross proceeds of the sale of the Special Securities. No additional fee will be payable to the Agent in connection with the issuance of the Common Shares, the Convertible Debentures and Warrants upon the exercise of the Special Securities and no additional fee will be payable to the Agent in connection with the issuance of the Common Shares upon the exercise of the Warrants and the Convertible Debentures.

As additional consideration in connection with Tranche 1 of the Private Placement, Namco granted to the Agent non-assignable special broker warrants of Namco (the “Tranche 1 Special Broker Warrants”) to acquire, for no additional consideration, 2,848,484 broker warrants (the “Tranche 1 Broker Warrants”). Each Tranche 1 Broker Warrant entitles the Agent to purchase at any time until March 23, 2003, one Common Share, subject to adjustment in certain circumstances, at an exercise price of CAD\$0.60 per Common Share. As additional consideration in connection with Tranche 2 of the Private Placement, Namco granted to the Agent non-assignable special broker warrants of Namco (the “Tranche 2 Special Broker Warrants”) and, together with the Tranche 1 Special Broker Warrants, the “Special Broker Warrants”) to acquire, for no additional consideration 787,878 broker warrants (the “Tranche 2 Broker Warrants”). Each Tranche 2 Broker Warrant entitles the Agent to purchase at any time until April 30, 2003, one

Common Share, subject to adjustment in certain circumstances, at an exercise price of CAD\$0.60 per Common Share. Also, as additional consideration for Tranche 1 of the Private Placement and Tranche 2 of the Private Placement (the “Canaccord Private Placements”), Namco granted to Canaccord Capital (Europe) Limited (“Canaccord Europe”), a subsidiary of the Agent, a non-assignable special agent warrant of Namco (the “Special Agent Warrant”) to acquire at any time up to the earlier of three business days after the Clearance Date (as hereinafter defined) or March 23, 2002, for no additional consideration, 850,000 Common Shares (the “Agent Warrant Shares”). On March 23, 2002, if the Clearance Date (as hereinafter defined) has not previously occurred, the Special Agent Warrant will automatically be converted into the Agent Warrant Shares. **Namco is also hereby qualifying for distribution in the Provinces of Ontario and British Columbia 1,424,242 of the 2,848,484 Tranche 1 Broker Warrants and 393,939 of the 787,878 Tranche 2 Broker Warrants.** See “Plan of Distribution”.

All of the Tranche 1 Special Warrants and Tranche 1 Special Notes, which were both issued on March 23, 2001, may both be exercised at or prior to 5:00 p.m. (Toronto time) on the date which is the earlier of (the “Tranche 1 Time of Expiry”): (i) the third business day after the date (the “Clearance Date”) on which a receipt has been issued by the last of the applicable Canadian securities regulatory authorities for the (final) prospectus of Namco qualifying the distribution of the Common Shares and the Tranche 1 Warrants issuable on the exercise of the Tranche 1 Special Warrants and the Convertible Debentures and the Warrants issuable on the exercise of the Special Notes; and (ii) July 20, 2001. All of the Tranche 2 Special Notes, which were issued on April 30, 2001, may be exercised at or prior to 5:00 p.m. (Toronto time) on the date which is the earlier of (the “Tranche 2 Time of Expiry”): (i) the third business day after the Clearance Date; and (ii) August 28, 2001. All Tranche 1 Special Warrants and Tranche 1 Special Notes which have not been exercised prior to the Tranche 1 Time of Expiry will be exercised by the Special Securities Agent on behalf of the holders thereof immediately prior to such time. All Tranche 2 Notes which have not been exercised prior to the Tranche 2 Time of Expiry will be exercised by the Special Securities Agent on behalf of the holders thereof immediately prior to such time.

If the Clearance Date does not occur by June 20, 2001 (the “Qualification Deadline”), a holder of Tranche 1 Special Warrants will be entitled to acquire upon exercise, without additional payment, 1.1 Common Shares (in lieu of one Common Share) and 0.55 Tranche 1 Warrants (in lieu of 0.5 Tranche 1 Warrants) per Tranche 1 Special Warrant pursuant to the terms of the Tranche 1 Special Securities Indenture. If the Clearance Date does not occur on or before the Qualification Deadline, a holder of Tranche 1 Special Notes will be entitled to acquire upon exercise, without additional payment, US\$1,100 in principal amount of Tranche 1 Convertible Debentures and 1,666.67 Tranche 1 Warrants for each US\$1,000 in principal amount of Tranche 1 Special Notes held by the holder. If the Clearance Date does not occur on or before the Qualification Deadline, a holder of Tranche 2 Special Notes will be entitled to acquire upon exercise, without additional payment, US\$1,100 in principal amount of Tranche 2 Convertible Debentures and 1,666.67 Tranche 2 Warrants for each US\$1,000 in principal amount of Tranche 2 Special Notes held by the holder.

Namco’s obligations under the Convertible Debentures will be assumed by Namco (Gibraltar) Limited (“Namco Gibraltar”), a wholly-owned subsidiary of Namco, at a time following the distribution of securities pursuant to this prospectus to be determined by Namco. Namco anticipates that it will guarantee the performance of the obligations under the debentures by Namco Gibraltar. The Convertible Debentures, following assumption of obligations thereunder by Namco Gibraltar, will still be convertible, in accordance with their terms, by the holders into Common Shares. For this reason, such securities subsequent to the assumption of the obligations by Namco Gibraltar will be referred to as “Exchangeable Debentures” rather than “Convertible Debentures”. See “Description of the Convertible Debentures and the Exchangeable Debentures”.

With respect to the Company’s obligation to pay interest to holders of the Convertible Debentures, **the Company’s earnings coverage ratio is less than one-to-one**. See “Earnings Coverage Ratio”.

Risk Factors

The securities distributed pursuant to this prospectus are speculative. Reference is made to “Risk Factors”, where information about the risks of an investment in the securities is provided.

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 (“NSX”). On June 18, 2001, the closing price of the Common Shares on the TSE was CAD\$0.46 and on the NSX was N\$7.50. The Common Shares are not currently being traded on NASDAQ. NASDAQ and the NSX have been given notice of and the TSE has conditionally approved the listing of the Common Shares issuable upon the exercise of the Tranche 1 Special Warrants, Warrants, Convertible Debentures, Tranche 1 Broker Warrants, Tranche 2 Broker Warrants and the Special Agent Warrant. The listing on the TSE of the Common Shares distributed by this prospectus is subject to Namco fulfilling all the requirements of the TSE. The continued quotation of the Common Shares distributed by this prospectus on NASDAQ is subject to Namco fulfilling all the requirements of NASDAQ. **There is no market through which the Warrants and Convertible Debentures may be sold and purchasers may not be able to resell the Warrants and Convertible Debentures acquired in connection with this prospectus.**

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. On June 7, 2001, Namco received a request from NASDAQ for additional information concerning its current status in connection with the provisional liquidation and Namco’s audited financial statements for the year ended December 31, 2000. Namco has responded to this request and continues to co-operate with NASDAQ. 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. On March 20, 2001, the TSE deferred consideration of Namco’s eligibility for continued listing until June 27, 2001. On June 11, 2001, the TSE further deferred consideration of Namco’s eligibility for continued listing until October 5, 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.

See “Stock Exchange Prices” and “Plan of Distribution”.

U.S. Securities Legends

THE SECURITIES QUALIFIED FOR DISTRIBUTION BY THIS PROSPECTUS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE. THEY ARE BEING OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER REGULATIONS (“REGULATION S”) PROMULGATED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”). THE SECURITIES MAY NOT BE OFFERED, SOLD OR RESOLD IN THE UNITED STATES OR TO U.S. PERSONS (AS SUCH TERM IS DEFINED IN REGULATION S) UNLESS THE SECURITIES ARE REGISTERED UNDER THE ACT OR PURSUANT TO AVAILABLE EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE ACT.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY TO ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY SECURITIES COMMISSION OR REGULATORY AUTHORITY.

Certificates evidencing Tranche 1 Convertible Debentures, Tranche 2 Convertible Debentures, Tranche 1 Exchangeable Debentures and Tranche 2 Exchangeable Debentures issued to a U.S. Person or to persons for the account of or benefit of a U.S. Person, or in the United States and all certificates in exchange therefor or transfer thereof, will bear the following legend:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF NAMIBIAN MINERALS CORPORATION (THE “CORPORATION”) THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) IN “REGULAR WAY” TRANSACTIONS ON THE TORONTO STOCK EXCHANGE IN COMPLIANCE WITH RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT, OR (C) IN COMPLIANCE WITH ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAW, AFTER PROVIDING A SATISFACTORY LEGAL OPINION TO THE CORPORATION. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE “GOOD DELIVERY” IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA. A NEW CERTIFICATE BEARING NO LEGEND, DELIVERY OF WHICH WILL CONSTITUTE “GOOD DELIVERY,” MAY BE OBTAINED FROM MONTREAL TRUST COMPANY OF CANADA UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO MONTREAL TRUST COMPANY OF CANADA AND THE CORPORATION.”

Certificates evidencing Tranche 1 Convertible Debentures, Tranche 2 Convertible Debentures, Tranche 1 Exchangeable Debentures and Tranche 2 Exchangeable Debentures issued to a person other than a person covered by the above language and all certificates in exchange therefor or transfer thereof, will bear the following legend:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THESE SECURITIES ARE BEING OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER REGULATIONS (“REGULATION S”) PROMULGATED UNDER THE SECURITIES ACT. THE SECURITIES MAY NOT BE OFFERED, SOLD OR RESOLD IN THE UNITED STATES OR TO U.S. PERSONS (AS SUCH TERM IS DEFINED IN REGULATION S) UNLESS THE SECURITIES ARE REGISTERED UNDER THE SECURITIES ACT OR PURSUANT TO AVAILABLE EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT; PROVIDED, HOWEVER, FOR THE AVOIDANCE OF DOUBT, THAT THE FOREGOING LEGEND SHALL NOT BAR A “REGULAR WAY” (I.E., NON-PREARRANGED, AT USUAL AND CUSTOMARY BROKERAGE COMMISSIONS) TRANSACTION ON THE TORONTO STOCK EXCHANGE. DISTRIBUTORS, DEALERS, PERSONS RECEIVING SELLING CONCESSIONS AND AFFILIATES OF THE CORPORATION ARE HEREBY PUT ON NOTICE THAT RESALES BY THEM, HOWEVER, ARE SUBJECT TO ADDITIONAL CONDITIONS.”

Certificates evidencing Tranche 1 Warrants and Tranche 2 Warrants and all certificates in exchange therefor or transfer thereof, will bear the following legend:

“THE WARRANTS REPRESENTED HEREBY AND THE SECURITIES ISSUABLE UPON EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) AND THE WARRANTS MAY NOT BE EXERCISED BY OR ON BEHALF OF ANY U.S. PERSON (AS DEFINED IN RULE 902(K) OF REGULATION S UNDER THE U.S. SECURITIES ACT) OR OFFERED OR SOLD IN THE UNITED STATES OR TO U.S. PERSONS (AS SO DEFINED) UNLESS REGISTERED UNDER THE U.S. SECURITIES ACT OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE.

THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS SO

DEFINED) (I) AS PART OF THEIR DISTRIBUTION AT ANY TIME, OR (II) OTHERWISE IN THE DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN RULE 902(F) OF REGULATION S TO THE U.S. SECURITIES ACT) EXCEPT IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.”

Special Note Regarding Forward-Looking Information

The information in this prospectus 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 prospectus, and in documents incorporated by reference into this prospectus, 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 June 18, 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\$1.5244 per US\$1.00, CAD\$2.1008 per £1.00 and CAD\$0.1881 per R1.00/N\$1.00.

Certain information contained in this prospectus concerning the Company's competitors has been derived from publicly available sources. Neither the Company nor the Agent make any representation with respect to the accuracy of this information.

TABLE OF CONTENTS

PROSPECTUS SUMMARY	10	Rough Diamond Prices	93
SELECTED CONSOLIDATED FINANCIAL INFORMATION	15	Distribution Arrangements of the Company	93
GLOSSARY OF TECHNICAL TERMS	17	ADDITIONAL INFORMATION APPLICABLE TO THE COMPANY'S OPERATIONS.....	94
CORPORATE STRUCTURE.....	20	General Political and Economic Climate in Namibia and South Africa.....	94
GENERAL DEVELOPMENT OF THE BUSINESS.....	20	Currency Restrictions and Foreign Exchange Laws	95
Three Year History	21	Taxation on Operations of the Company	96
Acquisition of ODM.....	24	USE OF PROCEEDS.....	97
RECENT DEVELOPMENTS	24	SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS	97
NamSSol Accident.....	24	Quarterly Information	99
Provisional Liquidation.....	25	Management's Discussion and Analysis	99
Lenders	27	2000 Results	99
Employees	29	2001 First Quarter Results.....	106
Financing in 2001	29	Dividends.....	110
Agreements with Vessel Owners.....	31	EARNINGS COVERAGE RATIO.....	110
Resumption of Operations.....	32	DESCRIPTION OF THE COMMON SHARES.....	110
Shareholders Rights Plan.....	32	DESCRIPTION OF THE WARRANTS.....	110
RISK FACTORS	33	DESCRIPTION OF THE TRANCHE 1 BROKER WARRANTS AND THE TRANCHE 2 BROKER WARRANTS.....	111
Risks Related to the Company	33	DESCRIPTION OF THE CONVERTIBLE DEBENTURES AND THE EXCHANGEABLE DEBENTURES	111
Risks Related to the Distribution of Securities.....	37	THE CONVERTIBLE DEBENTURES	112
Risks Related to the Industry.....	38	General.....	112
NARRATIVE DESCRIPTION OF THE INDUSTRY AND BUSINESS.....	41	Subordination	112
Evolution of Marine Diamond Deposits	41	Conversion Privilege	113
Development of Diamond Prospecting and Mining Along the West Coast of Southern Africa	42	Optional Redemption.....	113
Recent developments	43	Interest.....	114
Regional Geological Setting	44	Mergers, Consolidations or Amalgamations.....	114
Mineralization.....	44	Events of Default	114
Regulations	45	Defeasance and Discharge.....	115
Environmental Policy.....	48	Modification of the Convertible Debenture Indentures and Convertible Debentures	116
General Description of Licences (Tenements).....	49	Right to Nominate Two Directors for Election	116
Mining Licences	49	Governing Law	116
Exploration Licences.....	54	THE EXCHANGEABLE DEBENTURES	116
General location, accessibility, local resources and infrastructure	56	CONSOLIDATED CAPITALIZATION	117
Development of Producing Properties	56	Canaccord Private Placements	117
Prospecting.....	59	Leviev Group Investment	118
Sampling Analysis and Results	61	Shipowner Warrants	118
Mining Operations.....	66	Summary	118
Mineral Resource & Ore Reserve Estimates	75		
Notes on Estimation	81		
Development Properties	83		
Overall Budget.....	91		
THE INTERNATIONAL DIAMOND MARKET	92		
The Global Market	92		

OPTIONS TO PURCHASE SECURITIES	119	AUDITORS, TRANSFER AGENTS AND	
PRIOR SALES	121	REGISTRARS.....	131
Sales in 2001.....	121	MATERIAL CONTRACTS	132
Sales Prior to January 1, 2001.....	121	INCOME TAX CONSIDERATIONS	133
STOCK EXCHANGE PRICES	121	United Kingdom Tax Considerations.....	133
PRINCIPAL SHAREHOLDERS.....	123	Canadian Federal Income Tax Considerations	134
DIRECTORS AND OFFICERS.....	123	Gibraltar Tax Considerations.....	135
EXECUTIVE COMPENSATION.....	125	EXPERTS.....	136
STOCK OPTION INCENTIVE COMPENSATION ..	126	Opinions	136
Employment Contracts	126	Interest of Experts	136
Compensation of Directors	127	ENFORCEMENT OF CERTAIN CIVIL	
PLAN OF DISTRIBUTION	127	LIABILITIES	136
LEGAL PROCEEDINGS	130	PURCHASERS' STATUTORY RIGHTS OF	
Provisional Liquidation and Creditor Actions.....	130	RESCISSION.....	137
Other Material Legal Proceedings.....	130	CONTRACTUAL RIGHT OF ACTION FOR	
		RESCISSION.....	137

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

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. A prospective investor should carefully review the entire contents of this prospectus and consult his/her legal and financial advisors having relevant experience. Capitalized terms appearing herein and not otherwise defined have the respective meanings ascribed thereto elsewhere in this prospectus.

PROSPECTUS SUMMARY

The Company

The Company is engaged in the business of exploring and mining off-shore mineral properties off the coast of Namibia and South Africa. The Company is engaged in commercial production only in its Namibian concessions.

The Company has developed advanced mining technology to allow it to recover diamonds efficiently from the ocean sea bed. It currently has two sea bed mining crawlers (the NamSSol and the Nam 2), one airlift marine mining system and one sampling tool which it uses to mine and explore its marine diamond concessions.

On January 7, 2001, the NamSSol, one of the Company's sea bed mining crawlers, was involved in an accident. The accident has resulted in the complete loss of production from the NamSSol, which was the principal source of the Company's cash flow during the early commissioning stage of the Nam 2, the Company's second generation sea bed mining crawler. In late February 2001, due to a severe deterioration of the Company's financial position nine of Namco's subsidiaries, registered in Namibia and South Africa, were placed into provisional liquidation. Further, the Company's mining and exploration activities were suspended.

In order to restore the Company's financial stability, discharge its subsidiaries from provisional liquidation and resume mining operations, Namco concluded several financing transactions which raised, in total, approximately US\$27,000,000. In the Canaccord Private Placements, which were completed by May 2001, Namco sold Special Securities in two separate tranches and raised US\$12,000,000. Subsequently, LL Mining, part of the Leviev Group acquired a combination of Common Shares and common share purchase warrants in exchange for a US\$15,000,000 investment in Namco and became Namco's new major shareholder.

Subsequent to the accident, the Company breached the terms of its loans from its senior creditors. 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 and have committed to working with the Company to re-schedule its debt repayments prior to that time.

The Company has obtained discharges from provisional liquidation for its Namibian subsidiaries and one of its South African subsidiaries. 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 repayments and successfully reverse the provisional liquidation of some of its subsidiaries. Additional capital may be required by the Company to meet these objectives.

See “Recent Developments” and “Narrative Description of the Industry and Business”.

Insolvency Risk

No assurances can be given regarding the Company’s current financial situation. The Company’s ability to restore its financial situation, to develop its mining licences, to cover its general and administrative expenses, and to provide for further exploration and development of other diamond properties in which it holds interests depends upon the Company’s ability to restore mining revenues, obtain additional sources of financing and reschedule existing debt.

There can be no assurance that available sources of funding will be sufficient to satisfy the Company’s current obligations and future capital requirements or that the Company will not require additional capital at a future date. There can be no assurance that the Company will generate revenues and operating income sufficient to satisfy its working capital, debt obligations and capital expenditure needs in the future or that creditors will be agreeable to rescheduling debt repayments.

Furthermore, the Company has financial commitments which must be met in the near future and does not currently have adequate financial resources to satisfy those commitments. These commitments include the following:

- commitments to senior lenders pursuant to various credit facilities. For additional information, see “Recent Developments — Lenders”;
- commitments in respect of the marine vessels chartered by the Company. For additional information, see “Recent Developments — Agreements with Vessel Owners” and “Narrative Description of the Industry and the Business — Mining Operations”;
- obligations to repay US\$3.5 million in respect of advances on diamond sales made to the Company. For additional information, see “The International Diamond Market — Distribution Arrangements of the Company”;
- an offer to repay US\$2.5 million to certain creditors of the Company in respect of compromises of debt owed by certain subsidiaries of the Company. For additional information, see “Recent Developments — Provisional Liquidation”;
- capital expenditures requirements, including the repair of the NamSSol mining tool. For additional information, see “Recent Developments — NamSSol Accident”; and
- estimated operating expenses for exploration activities conducted by the MV Zacharias, which will vary depending on actual exploration activities. For additional information, see “Narrative Description of the Industry and the Business — Overall Budget”.

In the event that existing sources of financing are not sufficient to meet the financial obligations of the Company, the Company would need to secure additional sources of financing, including from existing shareholders, from senior lenders or from other third party investors, which financing may not be forthcoming.

The inability to generate revenues and operating income, to reschedule debts or to obtain required financing on acceptable terms would have a material adverse affect on the Company’s business,

financial condition and results of operations, and could require the Company to significantly reduce or suspend operations, postpone its development plans, forfeit its interest in some or all of its properties or joint ventures, pursue a sale of the Company or issue securities on terms that could be adverse to existing investors or investors in the Canaccord Private Placements or result in a realization of the undertaking, property and assets of the Company by the Company's creditors.

For additional information, see "Risk Factors — Risks Related to the Company — Insolvency Risk".

The Distribution

Securities to be Distributed:	An aggregate amount of 9,475,758 Common Shares; US\$8,873,000 in principal amount of Convertible Debentures (comprised of Tranche 1 Convertible Debentures and Tranche 2 Convertible Debentures) and 18,181,818 Warrants (comprised of Tranche 1 Warrants and Tranche 2 Warrants), subject to adjustment in certain circumstances, issuable upon the exercise of previously issued Tranche 1 Special Warrants and Special Notes (comprised of Tranche 1 Special Notes and Tranche 2 Special Notes).
Offering Price:	No additional price is payable upon the exercise of the Tranche 1 Special Warrants or the Special Notes.
Amount:	US\$12,000,000
Warrants:	Each whole Tranche 1 Warrant will entitle the holder thereof to purchase one Common Share, subject to adjustment in certain circumstances, at a price of CAD\$0.60 per Common Share at any time at or prior to 5:00 p.m. (Toronto time) on March 23, 2004. The Tranche 1 Warrants will be issued pursuant to the Tranche 1 Warrant Indenture dated as of March 23, 2001 between Namco and the Warrant Agent. Each whole Tranche 2 Warrant will entitle the holder thereof to purchase one Common Share, subject to adjustment in certain circumstances, at a price of CAD\$0.60 per Common Share at any time at or prior to 5:00 p.m. (Toronto time) on April 30, 2004. The Tranche 2 Warrants will be issued pursuant to the Tranche 2 Warrant Indenture dated as of April 30, 2001 between Namco and the Warrant Agent. See "Description of the Warrants".
Convertible Debentures:	Each Tranche 1 Convertible Debenture will entitle the holder thereof to acquire one Common Share, subject to adjustment in certain circumstances, at a conversion price of US\$0.33 per Common Share at any time at or prior to 5:00 p.m. (Toronto time) on March 23, 2003. The Tranche 1 Convertible Debentures will be issued pursuant to the Tranche 1 Convertible Debenture Indenture dated as of March 23, 2001 between Namco and the Special Securities Agent, acting as trustee on behalf of the holders of Tranche 1 Convertible Debentures.

Each Tranche 2 Convertible Debenture will entitle the holder thereof to acquire one Common Share, subject to adjustment in certain circumstances, at a conversion price of US\$0.33 per Common Share at any time at or prior to 5:00 p.m. (Toronto time) on April 30, 2003. The Tranche 2 Convertible Debentures will be issued pursuant to the Tranche 2 Convertible Debenture Indenture dated as of April 30, 2001 between Namco and the Special Securities Agent, acting as trustee on behalf of the holders of Tranche 2 Convertible Debentures.

Namco's obligations under the Convertible Debentures will be assumed by Namco Gibraltar following the distribution of securities pursuant to this prospectus at a time to be determined by Namco. Namco will guarantee the performance of the obligations under the debentures by Namco Gibraltar.

See "Description of the Convertible Debentures and the Exchangeable Debentures".

Special Securities: 9,475,758 Tranche 1 Special Warrants were issued and sold by Namco for consideration of US\$0.33 per Tranche 1 Special Warrant for aggregate gross proceeds of US\$3,127,000 on March 23, 2001. Each Tranche 1 Special Warrant entitles the holder thereof to receive, upon exercise and without additional payment, one Common Share and one-half of one Tranche 1 Warrant, subject to adjustment in certain circumstances.

US\$6,273,000 in principal amount of Tranche 1 Special Notes were issued and sold by Namco on March 23, 2001. Each US\$1,000 in principal amount of Tranche 1 Special Note entitles the holder thereof to receive, upon exercise and without additional payment, an equivalent principal amount of Tranche 1 Convertible Debentures and 1,515.15 Tranche 1 Warrants, subject to adjustment in certain circumstances.

US\$2,600,000 in principal amount of Tranche 2 Special Notes were issued and sold by Namco on April 30, 2001. Each US\$1,000 in principal amount of Tranche 2 Special Note entitles the holder thereof to receive, upon exercise and without additional payment, an equivalent principal amount of Tranche 2 Convertible Debentures and 1,515.15 Tranche 2 Warrants, subject to adjustment in certain circumstances.

The offer and sale of the Special Securities was arranged by the Agent pursuant to the Agency Agreement.

If the Clearance Date does not occur by the Qualification Deadline, a holder of Tranche 1 Special Warrants will be entitled to acquire upon exercise, without additional payment, 1.1 Common Shares (in lieu of one Common Share) and 0.55 Warrants (in lieu of 0.5 Warrants) per Tranche 1 Special Warrant pursuant to the terms of the Tranche 1 Special Securities Indenture. If the Clearance Date does not occur by the Qualification Deadline, a holder of US\$1,000 in principal amount of Special Notes will be entitled to acquire upon exercise, without additional payment, US\$1,100 in principal amount of

Convertible Debentures (in lieu of US\$1,000 in principal amount of Convertible Debentures) and 1,666.67 Warrants (in lieu of 1,515.15 Warrants) per US\$1,000 in principal amount of Special Note pursuant to the terms of the Tranche 1 Special Securities Indenture or the Tranche 2 Special Securities Indenture, as applicable.

All of the Tranche 1 Special Warrants and Tranche 1 Special Notes, which were issued on March 23, 2001, may be exercised at or prior to 5:00 p.m. (Toronto time) on the Tranche 1 Time of Expiry. All of the Tranche 2 Special Notes, which were issued on April 30, 2001, may be exercised at or prior to 5:00 p.m. (Toronto time) on the Tranche 2 Time of Expiry. All Tranche 1 Special Warrants which have not been exercised prior to the Tranche 1 Time of Expiry will be exercised by the Special Securities Agent on behalf of the holders thereof immediately prior to such time.

All Special Notes which have not been exercised prior to the Tranche 1 Time of Expiry or Tranche 2 Time of Expiry, as the case may be, will be exercised by the Special Securities Agent on behalf of the holders thereof immediately prior to such time.

See “Plan of Distribution”.

Use of Proceeds:

The estimated net proceeds to the Company from the offering of the Special Securities, after deducting fees payable to the Agent and the expenses of this offering, will be approximately US\$10,100,000. The Company has used approximately US\$3,000,000 of the proceeds of the offering of the Special Securities to secure the charter parties for the MV Ya Toivo, the MV Kovambo and the MV Zacharias.

The balance of the proceeds have been and will be used to pay costs of the operations in the start up phase, including on-going charter fees, fuel and personnel expenses, interest on loans and other advances and for working capital.

See “Use of Proceeds”.

Risk Factors:

An investment in the Common Shares, Convertible Debentures and Warrants of the Company is highly speculative and involves significant risks including the following risks:

Risks Related to the Company. These risks include, but are not limited to: (i) the Company’s precarious financial situation and possible insolvency; (ii) the possibility of an accident disrupting operations and causing further deterioration in the Company’s revenues; (iii) the possibility that the Company is not successful or is only partially successful in its claim under the insurance policy in respect of the damage to the NamSSol; (iv) there is no assurance that regulatory authorities will not revoke or not renew the Company’s mining and prospecting licences; (v) foreign exchange restrictions and exchange rate fluctuations; (vi) the possible change in the application of the laws of Namibia

or South Africa to the business of the Company; (vii) the possibility of restrictions on the repatriation of the Company's earnings by the Namibian or South African governments; (viii) the possibility that the publicly available information that was relied on by the Company in making its successful bid for control of ODM is inaccurate; and (ix) work stoppages by the Company's employees due to a strike or similar action or loss of employee man-hours due to illness stemming from HIV/AIDS infection or loss of employees due to emigration.

Risks Related to the Distribution of Securities. These risks include, but are not limited to: (i) there is no assurance that Namco will be able to honour its obligations to investors who choose to exercise their contractual rights of rescission; and (ii) the possibility that the Common Shares are delisted from NASDAQ and/or the TSE and/or the NSX.

Risks Related to the Industry. These risks include, but are not limited to: (i) there is no assurance that commercial quantities of diamonds will continue to be discovered or that commercial production will continue for current producing properties; (ii) there is no assurance that a possible mishap, inherent in mining operations, including an environmental mishap will not occur disrupting operations and resulting in significant loss of revenue and unanticipated expenditures; (iii) the possibility of miscalculation of mining reserves, resources and corresponding grades; (iv) the possibility that diamond prices will fall, causing a deterioration of the Company's revenues; (v) there is no assurance that contractual arrangements which enable the Company to mine its concessions will not be cancelled; and (vi) the possibility that future changes in environmental regulations or other regulations, or more stringent implementation thereof, will adversely affect the Company's operations.

See "Risk Factors".

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables summarize certain 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 elsewhere in this prospectus.** 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.

	3 months ended <u>Mar. 31, 2001</u> (Unaudited)	12 months ended <u>Dec. 31, 2000</u> (Audited)	12 months ended <u>Dec. 31, 1999</u> (Audited)	7 months ended <u>Dec. 31, 1998</u> ⁽¹⁾ (Audited)	12 months ended <u>May 31, 1998</u> (Audited)
Income Statement Data					
	(thousands of United States dollars) ⁽²⁾				
Total revenues ⁽³⁾	US\$4,757	US\$42,588	US\$43,794	US\$13,223	US\$1,060
Income (loss) from continuing operations					
total	(12,213)	1,007	17,138	3,108	(7,079)
per share	(0.26)	0.02	0.43	0.08	(0.19)
fully diluted per share	(0.26)	0.02	0.40	0.08	(0.19)
Net income (loss)					
total	(12,213)	1,007	17,138	3,108	(7,079)
per share	(0.26)	0.02	0.43	0.08	(0.19)
fully diluted per share	(0.26)	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\$5,630	US\$4,394	US\$20,033	US\$3,897	US\$3,902
Exploration and development costs	15,450	15,450	14,098	12,213	28,582
Capital assets, net of amortization	101,974	109,440	71,926	28,586	14,147
Goodwill	32,495	33,098	33,449	55	62
Total assets	165,961	170,923	147,634	48,669	49,549
Current liabilities, excluding current portion of long-term debt	19,976	17,518	8,624	2,515	5,625
Long-term financial liabilities, including current portion of long-term debt	71,100	68,960	45,961	0	257
Shareholders' Equity					
Capital Stock	90,169	90,169	83,802	53,834	53,811
Special Warrants	2,733	-	-	-	-
Warrants	2,483	406	500	0	0
Exchangeable debentures	1,550	1,550	4,615	4,724	4,637
Contributed surplus	459	459	459	459	459
Cumulative foreign exchange adjustment	(15,794)	(13,637)	(3,124)	(2,256)	(1,664)
Retained earnings / (deficit)	(7,115)	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.

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, 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.

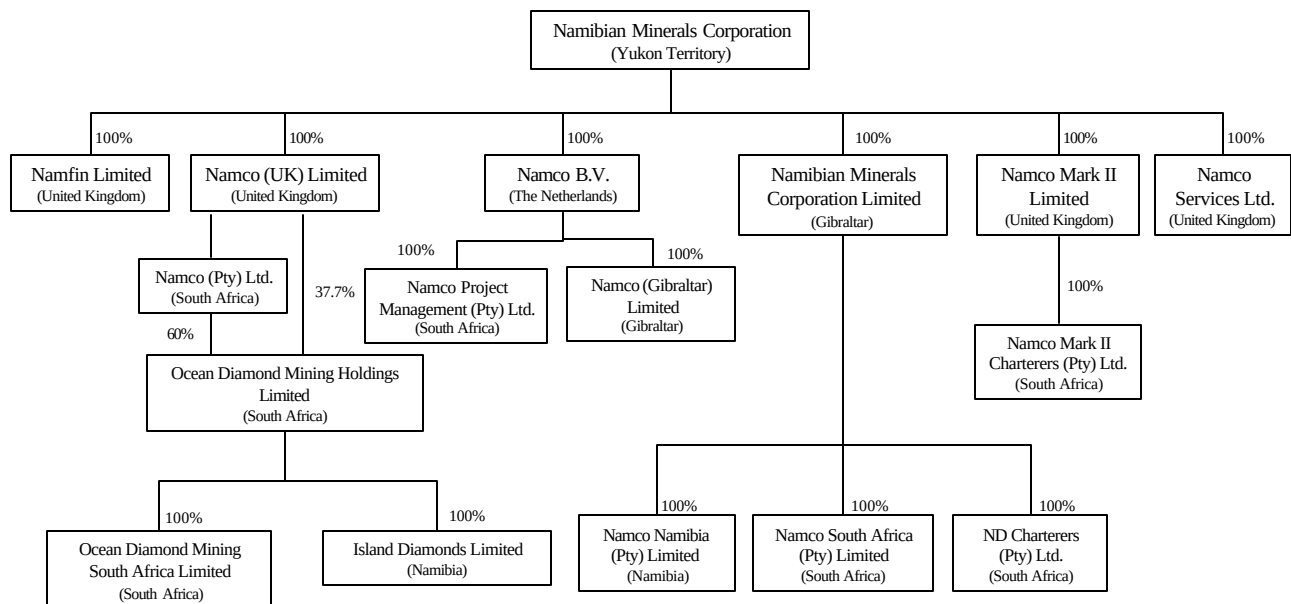
The definitions of “Mineral Resource”, “Indicated Mineral Resource”, “Inferred Mineral Resource”, “Measured Mineral Resource”, “Ore Reserve”, “Probable Ore Reserve” and “Proved Ore Reserve” are drawn from the JORC Code.

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 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.

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.

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:



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

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

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.
- 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.

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

- 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 in the 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.
- A loss in the first quarter of US\$12,200,000, reflecting the interruption to production resulting from the NamSSol accident and the suspension of operations at the end of February.
- 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\$4,100,000.

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 not received any payment under either insurance policy. However, the Company has been advised by the underwriter of its physical loss and damage policy that the insurance claim has been accepted and that the costs associated with the repair of the NamSSol mining tool will be covered under that policy. Since the cover 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 believes its claim in respect of the business interruption policy is soundly based. However, there can be no certainty of payment under the business interruption policy and the Company is progressing matters with the underwriter of that policy.

The Company is also 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 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 and has obtained extensions of the Return Date in order to facilitate the completion of the procedures required in order to proceed with the Compromises.

In relation to the subsidiaries registered in South Africa which remain in provisional liquidation (the "Insolvent South African Subsidiaries"), the Company intends to procure a discharge of these subsidiaries from provisional liquidation by proceeding with a Compromise. The Company has submitted an offer (the "Offer") to provisional liquidators in respect of the Insolvent South African Subsidiaries in terms of section 311 of the Companies Act. To implement the Offer, the Company has made available approximately R19.5 million (approximately US\$2.5 million) to the Insolvent South African Subsidiaries by way of a loan to effect compromises between the Insolvent South African Subsidiaries and their creditors. In addition to these funds, the Company has undertaken that in the event of a successful insurance claim arising under a business interruption policy from the damage to the NamSSol mining tool,

the amount received from a claim under that policy in excess of US\$5.5 million, to a maximum of US\$1 million, will be made available to creditors of the Insolvent South African Subsidiaries, pro rata in proportion to claims proven by creditors in each of the Insolvent South African Subsidiaries where a compromise is sanctioned by the court. In addition, for the Offer submitted in respect of Namco Project Management (Pty) Ltd. and Namco South Africa (Pty) Ltd., the Company has undertaken to enter into a debenture trust deed. This trust deed will provide for a debenture to be issued in the amount of the difference between the sum of the creditor's claim proved and the aggregate amount of the dividend received by that creditor under the Offer to each creditor who has proven a claim against an Insolvent South African Subsidiary. These debentures would be redeemable on or before December 31, 2004, would be unsecured and would not bear interest. The debentures could be redeemed for common shares of Namco on notice at a price equal to the greater of (a) a weighted average market price of the common shares of Namco, or (b) US\$0.75 per share. The issuance of the common shares pursuant to the debentures would be subject to regulatory approval.

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 have been filed 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\$4,100,000 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 June 18, 2001, the Company has approximately 150 employees. Approximately 110 employees 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, Namco sold 9,475,758 Tranche 1 Special Warrants at a price of US\$0.33 per Tranche 1 Special Warrant and sold US\$6,273,000 in principal amount of Tranche 1 Special Notes by way of a private placement, for aggregate gross proceeds of US\$9,400,000. On April 30, 2001, Namco sold US\$2,600,000 in principal amount of Tranche 2 Special Notes. See “Consolidated Capitalization” and “Plan of Distribution”.

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 pursuant to an investment agreement (the “Leviev Investment Agreement”) dated March 30, 2001 and entered into by Paul Westrate BV³ and 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.⁴ 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 a warrant certificate (“Warrant Certificate No. 1”) evidencing 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 a warrant certificate (“Warrant Certificate No. 2”) evidencing 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. The Company and LL Mining are resolving the final terms of the credit facility and expect to enter into a definitive agreement in the near future.

³ Subsequent to the date of the Leviev Investment Agreement, Paul Westrate BV changed its name to “LL Mining Corporation BV”.

⁴ The information contained in this prospectus 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.

Marketing Agreement

On March 30, 2001, as a condition precedent to the investment by LL Mining in Namco, the Company entered into a marketing agreement (the “LLD Marketing Agreement”) dated March 30, 2001 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 entered into an addendum to the charter party agreement 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.

In order to ensure that the owner of MV Ya Toivo supported the refinancing efforts of the Company, Namco issued 1,000,000 common share purchase warrants to that owner on May 28, 2001, 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 third 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. A copy of the Rights Plan is available to persons acquiring securities under this prospectus upon request to the Company.

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.

RISK FACTORS

An investment in Common Shares, Convertible Debentures or Warrants issuable upon exercise of the Tranche 1 Special Warrants or exercise of the Special Notes is speculative and involves a high degree of risk. Investors should carefully consider the following risks involved in an investment in the Common Shares, the Convertible Debentures or Warrants issuable upon exercise of the Tranche 1 Special Warrants or exercise of the Special Notes, as well as all the other information contained and incorporated by reference in this prospectus.

RISKS RELATED TO THE COMPANY

Insolvency Risk

The Company’s ability to restore its financial situation, to develop its mining licences, to cover its general and administrative expenses, and to provide for further exploration and development of other diamond properties in which it holds interests depends upon the Company’s ability to obtain financing through Tranche 1 of the Private Placement and Tranche 2 of the Private Placement (the “Canaccord Private Placements”), the investment by the Leviev Group, additional debt and equity financing, debt rescheduling or other means.

There can be no assurance that the net proceeds from the Canaccord Private Placements and other available sources of funding will be sufficient to satisfy the Company’s current obligations and future capital requirements or that the Company will not require additional capital at a future date. There can be no assurance that the Company will generate revenues and operating income sufficient to satisfy its working capital, debt obligations and capital expenditure needs in the future or that creditors will be agreeable to rescheduling debt repayments. The Company only commenced mining operations in the first half of 1998 and results have shown significant variation on a quarter by quarter basis. Depressed markets for mining projects may make it difficult for the Company to obtain debt financing or equity financing on favourable terms or at all. The Company operates in a region of the world that has recently

experienced economic and political upheaval, which may make it more difficult for the Company to obtain debt financing from project lenders.

Specifically, the Company has financial commitments which must be met within the next 12 months and does not currently have adequate financial resources to satisfy those commitments. The commitments include payments by the Company of interest and principal on senior debt, payments to the owners of the mining vessels operated by the Company and payments to trade creditors. The Company is seeking to reschedule, Compromise and renegotiate these debts. There can be no assurance that these debts will be successfully rescheduled or renegotiated. If creditors do not vote in favour of the Compromises, these companies may be placed into final liquidation and their assets disposed of. 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, which is currently unquantifiable. Failure to discharge the Insolvent South African Subsidiaries from provisional liquidation may result in litigation. See “Recent Developments - Provisional Liquidation”.

In addition, the Company is currently in default under its senior credit facilities. The events of default contained in the credit facility agreements are extremely broad. There can be no assurance that these creditors will not exercise their rights under the credit facilities and call for an accelerated repayment of such loans. See “Recent Developments - Lenders”.

The inability to generate revenues and operating income, to reschedule debts or to obtain required financing on acceptable terms would have a material adverse affect on the Company’s business, financial condition and results of operations, and could require the Company to significantly reduce or suspend operations, postpone its development plans, forfeit its interest in some or all of its properties or joint ventures, pursue a sale of the Company or issue securities on terms that could be adverse to existing investors or investors in the Canaccord Private Placements or result in a realization of the undertaking, property and assets of the Company by the Company’s creditors.

The delays and disruption to implementing resource development, the deterioration of supplier relationships, the lack of access to spares, the absence of normal business relations, the longer than expected period to discharge the Insolvent South African Subsidiaries from provisional liquidation, the restricted market for specialist skills, suppliers and services, have all had and continue to have a detrimental and disruptive effect on the Company’s efforts to re-establish effective and normal mining and exploration operations and may postpone the planned introduction of those vessels which are currently out of service.

Accidents

The Company may suffer losses or become liable for damages arising from accidents, natural disasters, delays, pollution, environmental incidents or other hazards against which it has not insured or cannot insure, because of high premium costs or otherwise. Such liabilities would reduce funds available for operations and may result in the loss of property interests. These liabilities may have a material adverse effect on the Company’s financial position. As a result of the accident involving the NamSSol, the Company has lost a very substantial portion of its planned production of mined diamonds and as a result, revenue has been adversely affected and the Company incurred significant additional expenditure. There is no assurance that such an accident could not occur again in respect of the NamSSol or other mining equipment of the Company.

Insurance

There are risks inherent in the undersea mining industry which could expose the Company to claims resulting from injury to or death of persons, or damage to property of third parties, for environmental damage, or damage to the Company's operations including accidents of the kind experienced by the NamSSol. Despite the fact that the Company maintains insurance against risks that are typical in the mining industry in amounts believed to be reasonable, any insurance carried by the Company may be insufficient, resulting in a loss to the Company. Insurance may also be prohibitively expensive, limiting the Company's ability to insure itself against foreseeable risks.

Discussions regarding the Company's claim with the underwriters of its business interruption policy, in respect of the interruption of mining operations due to damage to the NamSSol, are ongoing. If the Company is not successful or is only partially successful in its claim under the business interruption insurance policy, the Company is likely to require additional financing and may experience significant difficulties meeting its financial commitments as they come due. See "Recent Developments - NamSSol Accident".

Title Matters

The Company's properties are located offshore of Namibia and South Africa and are subject to the laws and regulations of these countries. The Company has investigated its rights to explore and exploit its various properties and, to the best of its knowledge and other than as set out in the following three paragraphs below, those rights are in good standing. However, no assurance can be given that applicable governments will not revoke, or significantly alter the conditions of, the applicable exploration and mining authorizations and that such exploration and mining authorizations will not be challenged or impugned by third parties. Other than two of its South African exploration licences, concession 12(b) and concession 7(b), which were not notarized when originally granted to the Company, the Company has followed all applicable government procedures in obtaining and renewing its prospecting and mining licences. However, the licences may be subject to prior unregistered agreements or other claims and the licences may be affected by undetected defects. The precise boundaries and area size of the mining concessions held by the Company could also be subject to amendment. Mining and prospecting licences may be revoked by the applicable government authorities for failure to perform the obligations thereunder. In addition, these licences must be renewed periodically, which renewal includes a review of performance of obligations by the same authorities. The renewal process for mineral licences in Namibia, where the Company's mining licences and some of its exploration licences are located, is governed by the *Minerals (Prospecting and Mining) Act, 1992* (the "Namibian Mining Act"). While the Minister of Mines and Energy is empowered to grant or refuse any renewal application in terms of the Namibian Mining Act any intention or act of refusal must follow procedures specified in the Namibian Mining Act which provide the right of representation and appeal. Were the Company's mining and exploration to be revoked, the Company would not be able to carry on its prospecting and mining operations.

At the end of February 2001, several of the Company's subsidiaries entered into provisional liquidation. This has had no effect on the Company's title to its three mining licences: ML36, ML51 and ML103A. ML51 and ML103A are held by Namco Namibia (Pty) Ltd. which was placed into provisional liquidation. Namco Namibia (Pty) Ltd.'s interest in these mining licences was unaffected while it was in provisional liquidation and it has since been discharged from provisional liquidation. Island Diamonds Ltd., which holds ML36, was never in provisional liquidation. See "Narrative Description of the Industry and Business - Mining Licences - Effect of Provisional Liquidation".

A number of the Company's exploration licences are held by its subsidiaries registered in Namibia which were placed in provisional liquidation. These subsidiaries have since been released from provisional liquidation. However, renewals for the exploration licences held by these subsidiaries were not submitted 90 days prior to the expiry of such licences, as required under the Namibian Mining Act, due to the fact that the subsidiaries were in provisional liquidation at the time. The Ministry of Mines and Energy agreed to waive the 90 day requirement on the condition that renewal 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 2027A-I. It intends to do the same for the remainder of its Namibian exploration licences. If, despite its assurances to the contrary, the Ministry of Mines and Energy does not renew the Company's licences because the 90-day requirement was not met or for any other reason, the Company would not be able to carry on its prospecting operations in these areas. See "Narrative Description of the Industry and Business - Development Properties - Namibia - Effect of Provisional Liquidation".

The Company's exploration property 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 title to concession 12(b). There is no assurance that the Company will not lose its title to concession 12(b) while Namco South Africa (Pty) Ltd. is in provision liquidation or would not do so if it were to proceed into final liquidation. See "Narrative Description of the Industry and Business - Development Properties - South Africa - Effect of Provisional Liquidation".

Currency and Foreign Exchange

Although all of the Company's operations are outside of North America, the Company maintains its financial records in United States dollars. The Company's operations in Namibia and South Africa make it subject to foreign exchange restrictions that may materially affect the Company's financial position and results. Fluctuations in currency exchange rates, particularly operating costs denominated in currencies other than United States dollars, may also significantly impact the Company's financial position and results.

Foreign Countries and Regulatory Requirements

The Company's properties are located off-shore of Namibia and South Africa and are subject to the laws and regulations of those jurisdictions. The Company's business, operations and affairs could be materially adversely affected by changes to, or arbitrary application of, such laws and regulations or changes in the political and economic status of Namibia or South Africa. Any operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, importing and exporting of minerals, concession tenure, exchange controls, mining taxes, labour standards, foreign trade or investment restrictions and environmental protection. There can be no assurance that such legislation, policies and controls will not have a material adverse effect on the business, operations and affairs of the Company.

Repatriation of Earnings

Namibia and South Africa remain part of the South African Rand Common Monetary Area. Exchange controls in the CMA require that dividends, loans, repayment of loans and payment of all invoices to parties outside the CMA by companies registered in the CMA require prior approval. The controls are applied by the South African Reserve Bank in South Africa and by the Bank of Namibia in Namibia. There can be no assurance that the Company will obtain the requisite approvals in the future to

repay loans or pay invoices to parties outside the CMA, including the investors in the Canaccord Private Placements.

ODM Acquisition

In September 1999, the Company made a general offer to acquire all of the shares of ODM that it did not currently own, which was accepted by a substantial majority of the shareholders of ODM. Due to the manner of the acquisition of the shares of ODM (by way of public offer rather than a privately negotiated transaction), the Company was unable to undertake an in-depth due diligence review of the operations or financial position of ODM prior to the acquisition. The Company relied on the public disclosure record of ODM as the basis for its offer. Previously undisclosed information or facts regarding ODM may become evident to the Company which may have an adverse effect on the Company's financial position.

Employee Relations

Prior to several of the Company's subsidiaries entering into provisional liquidation, the majority of the Company's workforce was unionized and represented by the National Union of Mineworkers in Namibia. The provisional liquidation of certain subsidiaries of Namco technically terminated the agreements the Company had with its unionized employees. The Company continues to employ some of these employees but on materially different terms and conditions. The Company intends to continue its relationship with the National Union of Mineworkers of Namibia once, if necessary under applicable laws, its status as bargaining unit for the Company's employees is re-established. Work stoppages due to an employee strike or other similar action by some or all of the Company's employees could seriously impair the Company's operations and financial position.

HIV/AIDS is prevalent in southern Africa. Employees of the Company may have or could contract this potentially deadly virus. There has been a steady emigration of skilled personnel from southern Africa in recent years. Generally, the prevalence of HIV/AIDS could cause lost employee man-hours and the emigration of skilled labourers could adversely affect the Company's ability to retain its employees.

RISKS RELATED TO THE DISTRIBUTION OF SECURITIES

Inability to Satisfy Contractual Right of Rescission

In accordance with the terms of the Canaccord Private Placements and due to the financial situation of the Company, the subscription proceeds from the Canaccord Private Placements received by the Company are not subject to escrow conditions and were made immediately available to the Company. The Company has disbursed substantially all of the proceeds from the Canaccord Private Placements to owners of vessels operated by the Company, to the Agent and to recommence operations. Consequently, there can be no assurance that the Company will be able to honour its contractual obligations to those investors in the Canaccord Private Placements who are entitled to choose to exercise contractual rights of rescission as described under "Contractual Right of Action for Rescission".

Delisting from Stock Exchanges

As a result of the financial situation of the Company and the liquidation proceedings involving certain of the Company's subsidiaries, NASDAQ has suspended trading of the Common Shares pending receipt and review of further information requested by NASDAQ. NASDAQ may determine to

terminate the inclusion of the Common Shares on NASDAQ. For the same reasons and despite the fact that the Common Shares continue to trade on the TSE, the TSE is currently reviewing Namco's eligibility for continued listing on the TSE. There can be no assurance that NASDAQ, the TSE or the NSX will not choose to delist the Common Shares. See "Plan of Distribution".

The suspension of the Common Shares from trading on NASDAQ has seriously impaired the liquidity of trading in the Common Shares. The delisting of the Common Shares from NASDAQ and/or the TSE and/or the NSX, would impair the liquidity of trading in the Common Shares. If all three stock exchanges delist the Common Shares, there would be no public market for the Common Shares. More limited liquidity of trading in the Common Shares means that holders of Common Shares will have greater difficulty disposing of their Common Shares at a price that reflects the intrinsic value of those securities.

RISKS RELATED TO THE INDUSTRY

Exploration and Development

Mineral exploration and development involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. Furthermore, commercial production for the Company has only been sustained over a short period of time. All mining operations are currently undertaken in the Namibian mining licence areas, which are referred to as "Producing Properties" for the purposes of this prospectus. There is no assurance that commercial quantities of diamonds will continue to be discovered or that commercial production will continue for current Producing Properties. The continued discovery of mineral deposits is dependent upon a number of factors not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, Grade and accessibility, diamond prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Most of the above factors are beyond the control of the Company. There can be no assurance that the Company's operations will be sustainable or be profitable in the future.

Due to the Company's financial circumstances, the Company has been forced to curtail its exploration activities in recent months. If for whatsoever reason the Company is unable to continue exploration and development of its diamond concessions, the Company may not be able to identify significant additional diamond resources and will be unable to sustain or increase past production and revenue levels.

Mining Operations

The business of mining is competitive and is subject to a variety of risks such as accidents, extreme marine and weather conditions, natural disasters, environmental hazards, theft, the discharge of toxic chemicals and other hazards. Such occurrences, against which the Company cannot, or may elect not to, insure, may result in destruction of mining equipment or other production capabilities, damage to life and property, environmental damage, delayed production, increased production costs and possible legal liability for any and all damages, any or all of which may have a material adverse effect on the Company's financial position.

The technology required for off-shore diamond mining in relatively deep waters (such as the mining concessions held by the Company) has only begun to be used commercially in the last ten years. Experience and expertise in off-shore marine diamond mining, both within the Company and on the part of third parties, is limited. In addition, while the Company has attempted to use proven technologies in the development of its mining systems, the mining systems may not perform to design requirements leading to possible delay and additional expense. Furthermore, the Company has been developing the Nam 2, its second mining system. If the second mining system does not perform as anticipated, the Company will be unable to meet anticipated production and revenue objectives. Furthermore, the planned return of the NamSSol, the first mining system is scheduled for the last quarter of 2001. However, if there are delays, this will further affect the Company's ability to meet anticipated production and revenue objectives.

Calculation of Ore Reserves and Diamond Recovery

Ore Reserves and resources are reported as general indicators of mine life. However, disclosed Ore Reserves and Mineral Resources should not be interpreted as assurance of mine life or the profitability of current or future operations. In addition, there is a degree of uncertainty attributable to the calculation of Ore Reserves, Mineral Resources and corresponding Grades being mined or dedicated to future production. The estimation of Grade is generally acknowledged to be very difficult in Diamond Placer Deposits. Until Ore Reserves or Mineral Resources are actually mined and processed, the quantity of reserves or resources and Grades must be considered as estimates only. In addition, the quantity of reserves or resources may vary depending on diamond prices or mining conditions. Any material change in the quantity of reserves, resources or Grade may affect the economic viability of the Company's properties.

Diamond Prices and Markets

The profitability of the Company's mining operations is affected by the market for diamonds. Diamond prices tend to fluctuate and are affected by numerous factors beyond the control of the Company. The market for precious stones is influenced by changing production costs, the supply and demand for precious stones, the rate of inflation, the inventories of precious stones, the political environment and changes in international investment patterns. The market for diamonds, a high fashion luxury product, is sensitive to changes in the global economic climate, affected particularly by the United States economy. In value terms, the United States currently accounts for approximately half of world-wide consumption of diamond jewellery. In addition, DeBeers Consolidated Mines Ltd./DeBeers Centenary AG group ("DeBeers") has a significant influence over the world trade in rough diamonds. As a result, the Company's ability to sell, and the price that the Company receives for, its diamonds would be adversely affected by a downturn in the economy of the United States and/or the policies and actions of DeBeers. In addition, production from diamond mines in Canada will have greater effect on competition as the quantity from this relatively new source of production builds up in the coming years. There can be no assurance that an economic recession in the United States, a global recession, increased supplies, or the actions of DeBeers, the Namibian or South African authorities will not adversely affect the prices the Company will receive for its diamonds and correspondingly hurt the Company's revenues from mining operations.

In addition, diamond markets and prices may be affected by international concern over so-called "conflict diamonds". "Conflict diamonds" are diamonds that originate from areas controlled by forces or factions opposed to legitimate and internationally recognized governments, and are used to fund military action in opposition to those governments. Most notably, rebel forces in Angola and Sierra Leone have been alleged to fund their conflicts through sale of "conflict diamonds". Although "conflict

diamonds” comprise only a very small fraction of the total world diamond trade, they have been the subject of substantial international concern and United Nations’ resolutions. None of the Company’s production or sales comprises “conflict diamonds”. However, the Company may be adversely affected if diamond markets generally, or those involving diamonds originating in southern Africa, are affected by any escalation of international concern relating to “conflict diamonds”.

Synthetic diamonds, particularly industrial grit products, have been produced since the late 1950s. To the extent the Company faces increased competition from alternatives to diamonds, including synthetic diamonds, its revenues from mining operations may be detrimentally effected.

Contractual Arrangements

The Company has entered into, and may enter into, contractual arrangements to acquire interests in mineral resource properties with governments, governmental agencies or government-owned entities which contain or may contain time-sensitive performance requirements. The basis for these agreements may be derived from recent political and economic reforms and newly enacted legislation not otherwise supported by precedent, convention or custom. As such, these contractual arrangements may be vulnerable to cancellation or unilateral modification. In addition, the Company is dependent on the receipt of government approvals or permits to explore and develop its properties. Any change in government or legislation may affect the status of the Company’s contractual arrangements or its ability to obtain necessary approvals or permits and may result in the loss of its interests in the applicable mineral properties.

Environmental and Other Regulatory Requirements

All phases of the Company’s operations are subject to environmental regulation in the various jurisdictions in which it operates. For example, the discharge tailings and waste effluent into coastal waters from Company mining vessels is subject to environment regulation, including impact assessment monitoring and reporting requirements. Environmental legislation is evolving in a manner which may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments and increased responsibility for companies and individuals. There is no assurance that future changes in environmental regulations, if any, or more stringent interpretation thereof, will not adversely affect the Company’s operations. In addition to the hazards inherent in mining operations, environmental hazards may exist on the properties in which the Company holds interests, some of which may be presently unknown to the Company and may have been caused by previous or existing owners or operators of the properties. Government approvals and permits are also required for many of the Company’s operations. To the extent such approvals are required and contain restricting conditions or are not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have significant civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reductions in levels of production at Producing Properties or require abandonment or delays in development or exploration of new or existing mining properties.

Any operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, importing and exporting of minerals, concession tenure, exchange controls, mining taxes, labour standards and environmental protection. There can be no assurance that such legislation, policies and controls will not have a material adverse effect on the business, operations and affairs of the Company.

NARRATIVE DESCRIPTION OF THE INDUSTRY AND BUSINESS

The following information and information elsewhere in this prospectus 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 Africa West Coast" and dated May 25, 2001, as amended by an addendum letter dated June 19, 2001 (collectively, 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 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, Koingnaas 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 Chamais 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 International⁵

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 resource⁶ 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,

⁵ The terms “indicated resource”, “inferred resource” and “probable ore reserve” used in this section are drawn from the July 1996 JORC Code.

⁶ DFI have improved their classification to “probable reserve” (DFI Annual Report 2000).

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).

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 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. Under the terms of the prospecting agreements, 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, the 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". For a description of the significance of regulations to the Company, see "Risk Factors - Risks Related to the Industry - Environmental and Other Regulatory Requirements".

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 (A-J), 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 of Expiry
ML36A-J	Island Diamonds Ltd.	362.8	25	March 31, 2019
ML51 ("Koichab Prospect")	Namco Namibia (Pty) Ltd.	136	15	January 30, 2012
ML103A ("Saddle Hill Prospect")	Namco Namibia (Pty) Ltd.	359	15	October 21, 2014

Figure 1
Namibian Concessions

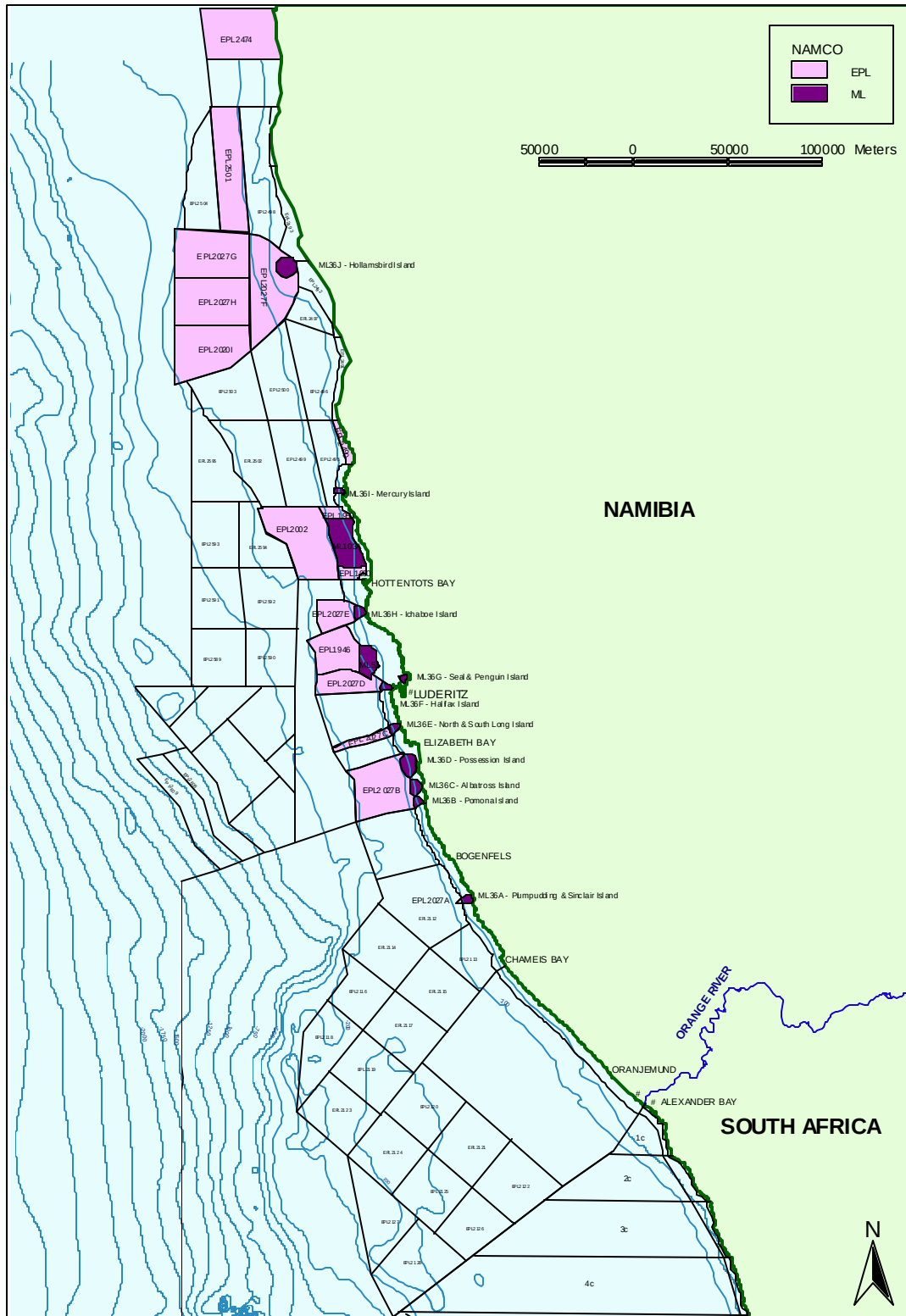


Figure 2
North Namibian Concessions

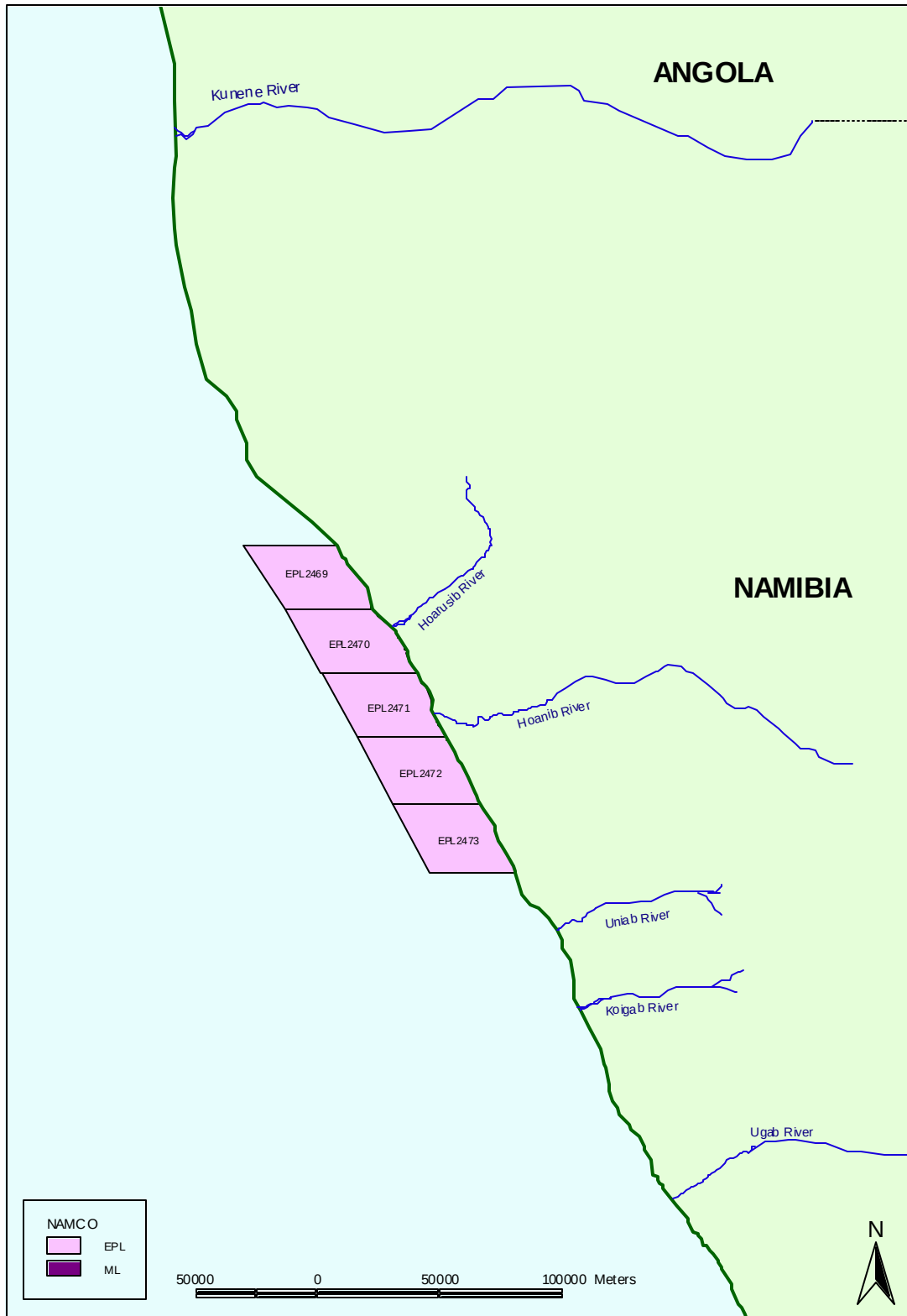
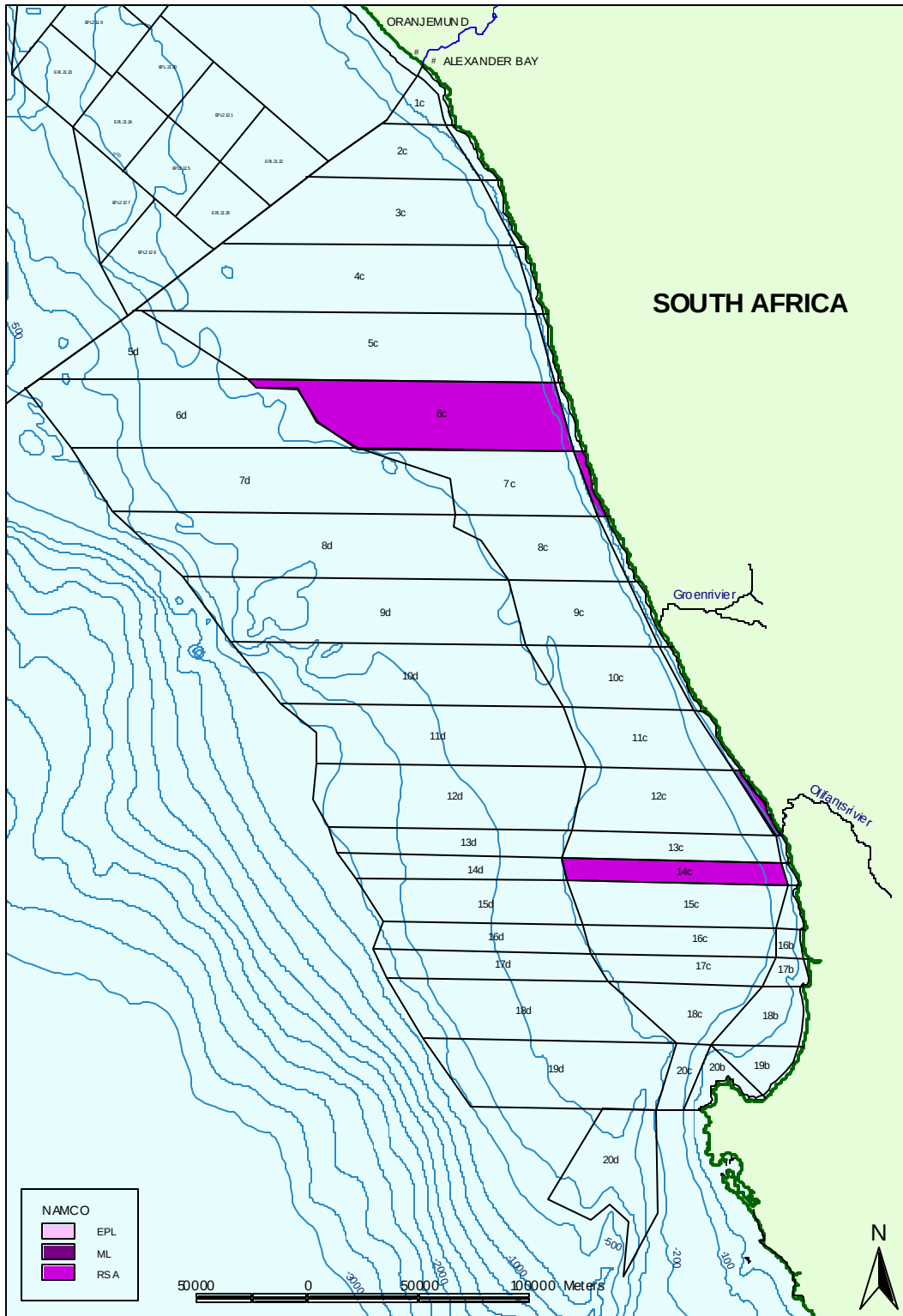


Figure 3
South African Concessions



Namco holds a total of 857 km² in twelve 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 (ML 36 A-J).

ML36 (A-J)

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.

Hollamsbird Island is the most northerly island, situated some 8 km offshore and 240 km north of Luderitz. Mercury Island lies in Spencer Bay some 110 km north of Luderitz and Ichaboe Island is located in Douglas Bay approximately 45 km north of Luderitz. Seal Island and Penguin Island are the centre pair of a four island chain, Flamingo – Seal – Penguin – Shark, running from north to south in Luderitz Bay. Halifax Island lies in Guano Bay on the west side of Diaz Point opposite Luderitz. North and South Long Island is situated to the north of Elizabeth Bay some 20 km south of Luderitz. Possession Island, the largest of the Namibian Islands, is located in Elizabeth Bay some 37 km south of Luderitz Bay. Albatross Island and Pomona Island are to the south of Elizabeth Bay some 47 km and 55 km south of Luderitz, respectively. Plumpudding and Sinclair Islands lie opposite Baker Bay, approximately 110 km south of Luderitz.

These mining licences were 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.

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 (A-J).

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 prospectus, 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 of Expiry
2027 Grants			
• EPL 2027A	Island Diamonds Ltd.	5.3	June 9, 2001 ¹
• EPL 2027B	Island Diamonds Ltd.	819.1	June 9, 2001 ¹
• EPL 2027C	Island Diamonds Ltd.	130.0	June 9, 2001 ¹
• EPL 2027D	Island Diamonds Ltd.	348.5	June 9, 2001 ¹
• EPL 2027E	Island Diamonds Ltd.	276.7	June 9, 2001 ¹
• EPL 2027F	Island Diamonds Ltd.	997.8	June 9, 2001 ¹
• EPL 2027G	Island Diamonds Ltd.	1,000.7	June 9, 2001 ¹
• EPL 2027H	Island Diamonds Ltd.	984.6	June 9, 2001 ¹
• EPL 2027I	Island Diamonds Ltd.	997.0	June 9, 2001 ¹
Luderitz Grant (EPL 1946)	Namco Namibia (Pty) Ltd.	457	June 25, 2001

EXPLORATION LICENCES — Namibia			
Concession	Holder	Size (km²)	Date of Expiry
Hotentot Bay Grant (EPL 1950)	Namco Namibia (Pty) Ltd.	167	June 26, 2001
2002 Grant (EPL 2002)	Namco Namibia (Pty) Ltd.	994	September 28, 2002
Block A (EPL 2490)	Cape Ocean Namibia (Pty) Ltd., a joint venture partner of Namco Namibia (Pty) Ltd.	91	November 5, 2002
Block L (EPL 2501)	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 19, 2001
Skeleton Grants			
• EPL 2469	Island Diamonds Ltd.	983.2	May 25, 2001 ²
• EPL 2470	Island Diamonds Ltd.	1,000	May 25, 2001 ²
• EPL 2471	Island Diamonds Ltd.	958.2	May 25, 2001 ²
• EPL 2472	Island Diamonds Ltd.	994	May 25, 2001 ²
• EPL 2473	Island Diamonds Ltd.	988.4	May 25, 2001 ²
Conception Grant			
• EPL 2474	Island Diamonds Ltd.	556.5	May 25, 2001 ²

Note:

1. The original licence expired on June 9, 2001. A renewal application was submitted for this licence on June 8, 2001 and is under review by the Ministry of Mines and Energy. On renewal, the Ministry may impose further terms and conditions, of which the Company has no knowledge at this time.

2. The original licence expired on May 25, 2001. A renewal application was submitted for this licence on June 8, 2001 and is under review by the Ministry of Mines and Energy. On renewal, the Ministry may impose further terms and conditions, of which the Company has no knowledge at this time.

Table 3

EXPLORATION LICENCES — South Africa			
Concession	Holder	Size (km²)	Date of Expiry
Concession 6(c)	Ocean Diamond Mining 6(c) (Pty) Ltd.	3,494	February 27, 2005
Concession 7(b)	Solid Pump Company (Pty) Limited	89	October 16, 1999 ¹
Concession 12(b)	Namco South Africa (Pty) Ltd.	100.8	April 9, 2006
Concession 14(c)	Ocean Diamond Mining 14(c) (Pty) Ltd.	1,056	January 19, 2005

Note:

1. The original licence expired in 1999. A renewal application was submitted in 1999 for this licence and is under review by the Department of Minerals and Energy. On renewal, terms and conditions may be imposed, of which the Company has no knowledge at this time.

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 release of the South African subsidiary (Namco South Africa (Pty) Ltd.) 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 and on release of the subsidiary from provisional liquidation.

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 6.5 m² to 26 m²). 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 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 2003 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 (A-J), ML103A and ML51. A total of 319 samples were taken during this period. A brief period of sampling was completed in May and June 2001 to support mining development of existing resources and reserves in ML36 (C, D) and ML51.

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 (A-J)

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.

Table 4

CUMULATIVE SAMPLING RESULTS PER CONCESSION										
Licence		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.	542	311	0.574	4260.53
EPL 1950	167.15	18	5	0	18	Evaluation sampling on 50m x 150m or 50m x 50m grids.	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

Note:

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

Sampling

The licence areas comprise (including ML36 A-J, ML51, ML103 A and EPL 1950) a total of 216 features.

Since 1995, a total of 7632 samples have been taken in the ML36 (A-J) 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).

In May and June, further airlift sampling for mining support was completed in ML36C (94 samples) and ML36D (31 samples).

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.

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. In May and June 2001, an additional 42 airlift samples were taken for mining support purposes.

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) (A-J)

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 (“ISMC”). All of the Company’s vessels must be ISMC 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 ISMC 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 3.1 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\$4,100,000, the net proceeds of which were 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/cu.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.

Table 9

MEASURED, INDICATED AND INFERRED MINERAL RESOURCE ESTIMATES at 31-Dec-2000															
	Measured					Indicated					Inferred				
Licence Area	Carats	Area (m²)	Grade (cts/m²)	Volume (m³)	Grade (cts/m²)	Carats	Area (m²)	Grade (cts/m²)	Volume (m³)	Grade (cts/m²)	Carats	Area (m²)	Grade (cts/m²)	Volume (m³)	Grade (cts/m²)
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				

Notes:

1. N/S - Areas not stated in Placer Analysis report (May 1999).
2. Table prepared by Marine & Coastal, May 2001, Qualified Person R.H. De Decker, M.Sc. (Marine Geology), Pr. Sci. Nat.
3. Mineral resource estimates are based on a cut-off grade of 0.1 ct/m².

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.

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 10					
Ore Reserve Estimates					
Concession	December 31, 2000				
	Probable Carats	Probable Area (m²)	Grade (cts/m²)	Volume (m³)	Grade (cts/m³)
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

Notes:

1. Table prepared by Marine & Coastal, May 2001, Qualified Person R.H. De Decker, M.Sc. (Marine Geology), Pr. Sci. Nat.
2. Probable reserve estimates are based on a cut-off grade of 0.2 ct/m².

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 (A-J)

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-J), 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 (km ²)	Area %	Cumulative Area (km ²)	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**

Note:

1. This includes only areas on the inner shelf (0-100m) in ML36 (A-J), 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 (A-J) 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 by way of rights or joint ventures 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. The Company holds rights (directly and indirectly) to twelve mining licences and nineteen exclusive exploration licences in Namibia. The Company has access to one additional exploration licence area by way of a joint venture.

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 expired on May 25, 2001. Renewal documents have been prepared and submitted. 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 documents have been prepared and completed. A request for an extension to the submission date for the mandatory renewal for the Conception Grant and has been submitted and verbally 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). Documents were submitted to the Department of Mine and Energy. Conco has advised that successful renewal of the licence for a further period of three years has been granted and the current licence is valid to November 5, 2002 .

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 before expiry. The Ministry of Mines and Energy has waived the 90 day rule for submission of the renewal documents.

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 September 28, 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 has submitted an application for renewal of the licences and the Minister of Mines and Energy has waived the 90 day rule for submission of the renewal documents. The Company anticipates that the renewal application will be successful. 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 25, 2001. The Company will submit an application for renewal prior to expiry. The Ministry of Mines and Energy has waived the 90 day rule for submission of the renewal documents.

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 has agreed 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 EPL 2027A-I. The Company intends to submit renewal applications for its other Namibian exploration licences within the prescribed time limits.

South Africa

Offshore Licences

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, 1999.⁷ 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. An environmental Management Plan has been submitted and is under review.

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 licence has been renewed for a further period of five years and expires on April 9, 2006. Issue of the relevant licence is in progress. An environmental management plan has been submitted and is currently under review.

⁷ 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.

Middle Shelf Licences

Concession 6(c)

Concession 6(c) is located off the Namaqualand coast between the DeBeers mines of Koringnaas 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 Koringnaas 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 Department 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. 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 release of the South African subsidiary (Namco South Africa (Pty) Ltd.) 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 and on release of the subsidiary from provisional liquidation. 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 averages 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.

Marine & Coastal consider the proposed annual operating budget for exploration to be reasonable and appropriate for the anticipated programs.

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. Sightholders can be categorized broadly into manufacturers, dealers and preparers. Some sightholders carry on a combination of these functions, and most sightholders 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 and is expected to lead to reductions in diamond prices.

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 the LLD Marketing Agreement, 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 LLD Marketing Agreement was entered into as a condition precedent to the investment by LL Mining in Namco.

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 LLD Marketing Agreement 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.

ADDITIONAL INFORMATION APPLICABLE TO THE COMPANY'S OPERATIONS

GENERAL POLITICAL AND ECONOMIC CLIMATE IN NAMIBIA AND SOUTH AFRICA⁸

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%).

⁸ 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 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.

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 (the "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. See “Risk Factors - Risks Related to the Company - Repatriation of Earnings”.

TAXATION ON OPERATIONS OF THE COMPANY

The summaries below are of a general nature only and are not intended to be exhaustive of all Namibian or South African or United Kingdom taxation applicable to the Company.

Namibia

The Company’s diamond mining operations in Namibia will be subject to income tax at an effective rate of 55% on taxable income derived from its 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

The Company’s 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 normally 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. Proposed legislation in 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, the highest rate of which is 30% on a worldwide 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.

Dividends received by the Company from companies fiscally resident outside the United Kingdom are subject to corporation tax in the United Kingdom, but credit relief may be 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 20% is deductible, but that rate may be reduced where a double tax treaty applies. There is no withholding tax on the payment of dividends from the United Kingdom. Generally, capital allowance at the rate of 25% on the reducing balance of tax depreciated capital expenditure is given on plant and machinery in use for trading purposes.

USE OF PROCEEDS

The estimated net proceeds from this distribution after deducting fees payable to the Agent and the estimated expenses of the distribution were US\$10,100,000. The net proceeds of Tranche 1 of the Private Placement were US\$8,195,000 and of Tranche 2 of the Private Placement were US\$1,905,000.

The net proceeds from the Canaccord Private Placements have been and are to be applied as follows:

	<u>Thousands of US\$</u>
Funds used to secure the charter parties for the MV Ya Toivo, the MV Kovambo and the MV Zacharias	3,000
Funds used to pay costs of the operations in the start-up phase, including on-going charter fees, fuel and personnel expenses	4,000
Funds used to pay interest on loans and other advances	1,000
Funds used for working capital	2,100
Total	<u><u>10,100</u></u>

The Company has spent and intends to spend funds available to it from the Canaccord Private Placements as stated in this Prospectus. There may be circumstances, however, where, for sound business reasons, a reallocation of the funds not already spent may be necessary.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

The following tables summarize certain 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 elsewhere in this prospectus. 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.

	3 months ended <u>Mar. 31, 2001</u> (Unaudited)	12 months ended <u>Dec. 31, 2000</u> (Audited)	12 months ended <u>Dec. 31, 1999</u> (Audited)	7 months ended <u>Dec. 31, 1998</u> ⁽¹⁾ (Audited)	12 months ended <u>May 31, 1998</u> (Audited)
Income Statement Data	(thousands of United States dollars) ⁽²⁾				
Total revenues ⁽³⁾	US\$4,757	US\$42,588	US\$43,794	US\$13,223	US\$1,060
Income (loss) from continuing operations					
total	(12,213)	1,007	17,138	3,108	(7,079)
per share	(0.26)	0.02	0.43	0.08	(0.19)
fully diluted per share	(0.26)	0.02	0.40	0.08	(0.19)
Net income (loss)					
total	(12,213)	1,007	17,138	3,108	(7,079)
per share	(0.26)	0.02	0.43	0.08	(0.19)
fully diluted per share	(0.26)	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\$5,630	US\$4,394	US\$20,033	US\$3,897	US\$3,902
Exploration and development costs	15,450	15,450	14,098	12,213	28,582
Capital assets, net of amortization	101,974	109,440	71,926	28,586	14,147
Goodwill	32,495	33,098	33,449	55	62
Total assets	165,961	170,923	147,634	48,669	49,549
Current liabilities, excluding current portion of long-term debt	19,976	17,518	8,624	2,515	5,625
Long-term financial liabilities, including current portion of long-term debt	71,100	68,960	45,961	0	257
Shareholders' Equity					
Capital Stock	90,169	90,169	83,802	53,834	53,811
Special Warrants	2,733	-	-	-	-
Warrants	2,483	406	500	0	0
Exchangeable debentures	1,550	1,550	4,615	4,724	4,637
Contributed surplus		459	459	459	459
Cumulative foreign exchange adjustment	(15,794)	(13,637)	(3,124)	(2,256)	(1,664)
Retained earnings / (deficit)	(7,115)	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.

QUARTERLY INFORMATION

	Quarter Ended							
	Mar. 31 2001 (unaudited)	Dec. 31, 2000 (unaudited)	Sep. 30, 2000 (unaudited)	June 30, 2000 (unaudited)	Mar. 31, 2000 (unaudited)	Dec. 31, 1999 (unaudited)	Sep. 30, 1999 (unaudited)	June 30, 1999 (unaudited)
	(thousands of United States dollars) ⁽¹⁾							
Total revenues ⁽²⁾	US\$4,757	US\$10,748	US\$9,434	US\$9,955	US\$12,451	US\$8,830	US\$12,473	US\$10,752
Income from continuing operations								
total	(12,213)	(1,492)	(869)	433	2,035	1,107	5,393	5,456
per share	(0.26)	(0.04)	(0.01)	0.01	0.04	0.02	0.14	0.14
fully diluted per share	(0.26)	(0.04)	(0.01)	0.01	0.04	0.02	0.13	0.13
Net income (loss)								
total	(12,213)	(1,611)	(665)	1,038	2,245	1,107	5,393	5,456
per share	(0.26)	(0.04)	(0.1)	0.02	0.05	0.02	0.14	0.14
fully diluted per share	(0.26)	(0.04)	(0.1)	0.02	0.05	0.02	0.13	0.13

⁽¹⁾ Other than per share amounts

⁽²⁾ Total revenues includes revenue from diamond sales, interest received and gains on marketable securities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Please note that all dollar amounts greater than US\$100,000 in this management's discussion and analysis have been rounded to the nearest US\$100,000.

2000 RESULTS

Overview

2000 was a year of considerable challenge for the Company with the integration of ODM, unexpected geological conditions in certain of its mining areas and completion of substantial construction projects for both new mining and exploration systems. In February 2000, the Company increased its interest in ODM from 92.5% to 97.7%. By year end, the Company had five vessels operating off the Namibian coast. The Company's investment in new, improved technology was overshadowed by operating challenges, disappointing production performance, cost overruns and the accident to NamSSol in early 2001.

The decline in net earnings to US\$1,000,000, US\$0.02 per share, reflected increased operating costs from the expanded fleet and lower diamond production levels (1999: US\$17,100,000, US\$0.43 per share). The operations in 2000 benefited from higher diamond prices as compared with the previous year and from two of the ODM vessels operating for a full year, compared with 1999 when these vessels contributed only two months of production.

Cash flow from operations was US\$15,900,000, compared with US\$22,700,000 in 1999. Investment in the business was US\$54,400,000 (1999: US\$47,400,000). At year end, cash was US\$4,400,000, compared with cash of US\$20,000,000 at the end of 1999. Long-term debt including the current portion was US\$54,200,000 (1999: US\$31,100,000). Net debt to shareholders funds increased significantly to 59% (1999: 12%).

Following a year of substantial capital expenditure and reduced earnings, the Company pursued a number of financing proposals. A critical operational setback occurred in January 2001 when an accident to its NamSSol mining system suspended mining operations. While the Company's new Nam 2 mining system was in its commissioning phase, the impact of the accident was accentuated by the loss of the principal source of cash flow. The insurance claims resulting from the accident are the subject of prolonged and ongoing discussions with the underwriters.

The Company breached the terms of its loans from its senior lenders. A significant new financing through the Agent was withdrawn when moratorium terms could not be agreed with the Company's senior lenders.

Several southern African subsidiaries of the Company were placed in provisional liquidation in late February 2001. All operations were suspended. The Company continued to pursue financing initiatives and reached accord with its senior lenders. US\$27,000,000 was successfully raised by early May 2001. This included a US\$15,000,000 subscription from the Leviev Group, which has become the Company's new major shareholder. Limited mining operations resumed in April 2001 and exploration resumed in May 2001. The Company requires ongoing support from its senior lenders, rescheduling of its debts, the reversal of the provisional liquidations and a return to profitable operations to continue as a going concern.

Financial Data	2000	1999
<i>(US\$ in thousands, other than per share data and number of shares outstanding)</i>		
Earnings and Cash Flow		
Revenue from diamond sales	US\$41,769	US\$42,808
Earnings before goodwill and tax	2,508	17,394
Net earnings	1,007	17,138
Cash flow from operations	15,946	22,707
Earnings per share	0.02	0.43
Capital Expenditure and Investments		
Capital Expenditures	49,989	14,304
Acquisition of ODM	2,623	31,630
Balance Sheet		
Cash	4,394	20,033
Total Assets	170,923	147,634
Long-term debt, including current portion	54,245	31,061
Shareholders' equity	84,045	91,749
Net debt to shareholders' funds ¹	59%	12%
Weighted average number of shares outstanding, in thousands	46,842	40,233

¹ Net debt to shareholders' funds is calculated as long-term debt (including current portion) less cash, divided by shareholders' equity.

Results of Operations

Production

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.

MV Kovambo was the most important vessel and was equipped with NamSSol sea bed crawler technology. During the year, the Company completed construction and started commissioning of its second sea bed crawler, Nam 2. The Company's focus was on the development of enhanced technology to improve long term operating efficiency and profitability. Three airlift vessels and contractor-operated shallow water operations were acquired in the ODM transaction, and two of these less efficient operations were sold or closed down during the year.

MV Kovambo

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.

On January 7, 2001, while mining in ML51, the NamSSol became stuck on the sea bed. On attempted recovery of the machine, applying standard recovery procedures, the tracked undercarriage of the NamSSol separated from the upper chassis and remained on the sea bed. An investigation into the cause of the accident determined that the mining face had collapsed onto the tool with substantial amounts of sediment material weighing down the machine. Further recovery attempts were unsuccessful with strong underwater currents depositing further sediment in the mining trench, completely covering the undercarriage. In consultation with the insurance assessor, the Company abandoned recovery operations.

The accident resulted in the suspension of operations and the loss of diamond production onboard MV Kovambo. The Company has insurance covering (i) direct physical loss or damage to the NamSSol and (ii) operating costs and anticipated profits, both of which are subject to deductibles. The cover under the direct physical loss or damage policy is subject to a deductible for each incident of US\$100,000 and an annual aggregate deductible of US\$150,000 and the cover under the operating costs and anticipated profits is in total a maximum of US\$67,500 per day for a maximum period of 180 days, subject to an excess period of 14 days. Recovery under the second policy is dependent on the loss or damage being covered under the first policy. See "Management's Discussion and Analysis - 2001 First Quarter Results - Results of Operations - Production - MV Kovambo" for information regarding the status of the claims.

Meanwhile, the Company plans to rebuild the undercarriage of NamSSol and effect minor repairs to the upper chassis, at an estimated cost of approximately US\$1,500,000. The Company plans to return the NamSSol to operation in the fourth quarter of 2001.

MV Ya Toivo

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 to process higher volumes of sea bed material and to operate in low grade mining conditions. The Company has included a number of design features to allow operation in softer Footwall conditions including cutter heads fitted to the suction nozzle, wider tracks and a new mining method.

MV Namibian Gem

Performance in 2000 of the MV Namibian Gem, which is equipped with airlift technology, was 45,760 Carats. The vessel did not produce for approximately three months of 2000 while modernization and repairs were carried out. Following this modernization, the vessel's diamond production improved substantially from the first half of the year.

MV Ivan Prinsep

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.

MV Oceandia

As the smallest and least efficient vessel in the fleet, on the expiry of seaworthiness classification after production of 5,744 Carats for the first five months of 2000, the vessel was withdrawn from operation and sold.

MV Zacharias

The Company commissioned its first full-time exploration vessel in the first quarter of 2000 for geophysical survey work. Following two quarters of geophysics and then conversion in the third quarter, limited sampling commenced in the fourth quarter of 2000. As well as the new drilling system, developed for sampling with the German engineering group Wirth, MV Zacharias is equipped with an airlift sampling tool, a grab sampler and a vibrocorer. Sampling with the airlift tool began in the fourth quarter, pending repairs to the Wirth tool's hydraulic levelling device.

Shallow Waters

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.

Production Data								
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.								

Earnings

The Company's earnings of US\$1,000,000 in 2000 (1999: US\$17,100,000) reflected lower than anticipated production levels, increased costs of operating an expanded fleet, the amortization of the cost of mineral properties acquired and a full year's charge for goodwill as a result of the ODM acquisition.

Revenues

In 2000, the Company primarily generated revenues from three vessels. One of the ODM vessels was removed from operation in June, and recoveries from the new MV Ya Toivo were limited. Revenues from the sale of 237,000 Carats in 2000 were US\$41,800,000 compared with US\$42,800,000 from the sale of 283,000 Carats in 1999. The decline in production levels in 2000 was offset by higher diamond prices and larger stone sizes obtained from concessions acquired in the ODM acquisition. The average realized diamond price was US\$176 per Carat, compared with US\$151 per Carat in 1999. Diamond quality remained high.

Expenses

Direct production costs increased by US\$8,400,000 to US\$22,100,000 from the previous year. The increase in costs is attributable to operating two additional vessels for a full year, significant holding costs for the MV Namibian Gem while being refurbished and operating an additional two vessels for part of the year.

Royalty and marketing costs in the period were US\$4,300,000, or 10.3% of revenue. Royalty payments to the Namibian Government were US\$3,300,000 (1999: US\$3,700,000).

The majority of operating costs for each vessel are fixed and include charter fees (when applicable), personnel and insurance. Semi-variable costs include fuel prices, which increased during the period, and repairs and maintenance costs. Both costs are highly dependent on hours of operation, which increased substantially during the year.

General office costs increased to US\$4,800,000 compared to US\$3,700,000 in 1999 as a result of the increased support required for the operations and the capital projects. Following the completion of the capital projects and the provisional liquidation the support cost base has been reduced significantly. The former ODM office in Cape Town has been closed.

Amortization rose to US\$6,700,000 due to the inclusion of a full year's costs for the ODM fleet and acquired concessions. A full year's goodwill amortization of US\$2,400,000 was incurred (1999: US\$300,000).

Fourth Quarter Results

The fourth quarter loss was US\$1,600,000, US\$0.04 per share, compared with earnings of US\$1,100,000, US\$0.02 per share, in 1999. Diamond sales of 60,200 Carats (1999: 53,700 Carats) generated revenues of US\$10,600,000 (1999: US\$8,400,000). The average sales price achieved was US\$176 per Carat compared with US\$156 per Carat a year earlier. Operating cash flow was US\$8,500,000. Diamond production was 57,500 Carats (1999: 65,900 Carats).

Liquidity and Capital Resources

Cash flow from operation of US\$15,900,000 in 2000 (1999: US\$22,700,000) was affected by reduced earnings, which were partially offset by increased amortization, including goodwill, and changes in working capital, principally the advance receipts on inventory sales and increases in accounts payable and accrued liabilities.

In 2000 Namco invested US\$54,400,000 in the business, compared to US\$47,400,000 in 1999. In 2000, US\$50,000,000 was spent on capital projects. In 1999, the most significant investment in the business was the net cash consideration of US\$31,600,000 paid in connection with the ODM purchase. The capital projects were funded through a mixture of internally generated funds from operations and from additional bank facilities. The acquisition of ODM in 1999 was funded from internal resources, bank facilities and share placements.

During 2000, the Company undertook the development of more efficient and cost effective technology for mining and exploration, building two new mining and exploration systems and enhancing the capacity of technology acquired from ODM. The US\$50,000,000 of project-related capital expenditure, including capitalization of interest on loans and of appropriate holding costs of each vessel can be summarized as follows:

	<u>US\$ in millions</u>
Ya Toivo/Nam 2 mining project	29.1
Zacharias/Wirth tool exploration project	13.0
Namibian Gem modernization	5.0
Other capital expenditure	2.9

All of the above capital projects were substantially completed, albeit with time and significant cost overruns, reflecting the complexity of the ground breaking nature of the principal projects, the late delivery of MV Ya Toivo, underestimation of the structural strengthening requirements of MV Ya Toivo, unanticipated increase in the weight of the Wirth tool, consequent upgrade of the launch and recovery system onboard MV Zacharias and the condition of MV Namibian Gem. Capital project commitments outstanding at year end were US\$1,600,000. New capital expenditures in 2001 will be significantly reduced to approximately US\$3,000,000, including an allowance of US\$1,500,000 to rebuild the NamSSol undercarriage.

At year end, Namco had total debt, including amounts due within one year, of US\$54,200,000, compared to US\$31,100,000 a year earlier. Debt was used to fund the capital projects for the Nam 2 production unit, modernization of the MV Namibian Gem and the construction of the Wirth exploration tool and the fitting out of MV Zacharias. In the period the Company repaid US\$16,400,000 of the loan raised to fund part of the ODM acquisition.

Current liabilities, excluding the current portion of long-term debt increased during the period from US\$8,600,000 to US\$17,500,000. Included in the current year end is an overdraft of US\$1,200,000 and advance receipts on inventory sales of US\$4,300,000. Accounts payable and accrued liabilities increased from US\$8,600,000 to US\$12,100,000, which was a reflection of the level of capital projects during the year.

Cash at year end was US\$4,400,000 compared with US\$20,000,000 in 1999.

Risks and Uncertainties

Insolvency Risk

Placing of subsidiaries into provisional liquidation has created significant uncertainty and risk for the Company. The Company's ability to restore its financial situation, to attract lost skills, to develop its mining licences and to cover its corporate and operational expenses depends on its ability to restore profitable operations and on the continuing support of its creditors, including its senior lenders. Additional capital raisings may be required at a later date. The Company plans to resume mining operations on a staged basis. The MV Ya Toivo, which is expected to be the principal source of production in 2001, started operations in April 2001. However, there can be no assurance that the Company will generate revenues and operating income sufficient to satisfy its working capital, debt servicing and capital expenditure needs in the future.

Specifically, the Company has financial commitments that must be met within the next 12 months and beyond. These commitments include payments of interest and principal on senior debt and payments to trade creditors. The Company is seeking to reschedule, Compromise and renegotiate these debts, but there can be no assurances that creditors or its senior lenders will be willing to accommodate the Company.

The inability of the Company to generate revenues and operating income, to reschedule debts or, if required, to secure financing on acceptable terms would have a material adverse effect on the Company's business, financial condition and results of operations and could require: the reduction or suspension of operations, postponement of development plans, forfeiture of its interest in some or all of its properties, the sale of the Company or the issuance of securities, or other actions, which might have a negative impact on the Company and/or its shareholders.

Mining Operations

The business of marine mining is challenging and is subject to a variety of risks such as accidents, extreme marine and weather conditions, natural disasters, environmental hazards, theft, unusual, unknown or unexpected geological formations, unpredictable mining conditions or diamond occurrence, the discharge of toxic chemicals and other hazards. Such occurrences may result in the suspension of operations, losses and/or damage to property, human injury or deaths, environmental damage and possible legal liability for any and all damages.

The technology required for ocean diamond mining in deeper waters has only begun to be used commercially in the last ten years. While the Company believes that its production and processing technology is state-of-the-art, these systems may not perform to design requirements leading to possible delay and additional expense.

The Company has only sustained commercial production over a short period of time. There is no assurance that commercial quantities of diamonds will continue to be discovered or that commercial production will continue for the diamond properties.

Currency and Foreign Exchange

Although the Company's operations are outside of North America, its diamonds are priced in US dollars and its financial records are maintained in US dollars. The Company's operations in Namibia and South Africa make it subject to foreign exchange restrictions that may materially affect the Company's ability to transfer funds and therefore its financial position. Fluctuations in currency exchange rates, particularly for operating costs denominated in currencies other than United States dollars, may also significantly impact the Company's financial position and results.

Diamond Prices

The market for diamonds affects the profitability of the Company's mining operations. Diamond prices tend to fluctuate and are affected by numerous factors beyond the control of the Company. The market for precious stones is influenced by world supply and demand, the rate of inflation, inventories of precious stones, political environments and changes in international business conditions. DeBeers has a significant influence over the world trade in rough diamonds. As a result, the Company's diamond prices may be affected by the policy and actions of DeBeers.

See "Risk Factors".

2001 FIRST QUARTER RESULTS

Results of Operations

Production

The Company began the quarter with five vessels in operation. An accident to the NamSSol mining system resulted in the suspension of operations onboard MV Kovambo in early January 2001. At the end of February, the remaining vessels ceased operation. A total of 10,700 Carats was produced during the quarter, compared with 52,900 Carats in the first quarter of 2000.

MV Kovambo

See "Management's Discussion and Analysis - 2000 Results - Results of Operations - Production - MV Kovambo" for information regarding the accident to the NamSSol and the related insurance claims by the Company.

Subsequent to quarter-end, the Company was advised that its claim under the direct physical loss or damage policy had been accepted and that costs associated with the repair of NamSSol will be covered under the policy. The estimated costs of repair are approximately US\$1,500,000. The Company is continuing its discussions with the underwriters of the business interruption policy and although there can be no certainty of payment, the Company believes its claim is soundly based.

The Company plans to return the NamSSol to operation in the fourth quarter of 2001.

MV Ya Toivo

MV Ya Toivo started commissioning in December 2000 and the commissioning process was interrupted during the first quarter as a result of the provisional liquidation.

In April 2001, commissioning resumed in ML36. Access to ML51, which the Company's original mine plan contemplated would be mined in 2001, was achieved in May 2001. Commissioning of the 100 tons DMS processing plant is ongoing. Operator familiarity with the new equipment is still improving.

MV Namibian Gem

The operating performance of the MV Namibian Gem was in line with expectations until operations ceased as a result of the provisional liquidation. MV Namibian Gem is expected to resume operations during the third quarter of 2001.

MV Ivan Prinsep

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\$4,100,000, the proceeds of which were used to repay the Company's senior lenders.

MV Zacharias

Exploration using the airlift equipment continued in the first quarter until activities ceased as a result of the provisional liquidation. Sampling resumed in May 2001 and it is anticipated that the drilling system will be installed on the vessel in the third quarter.

Financial Results

The Company's loss of US\$12,200,000 in the first quarter of 2001 compared with first quarter 2000 earnings of US\$2,200,000. Revenues from the sale of 28,100 Carats in the first quarter of 2001 were US\$4,700,000 compared with US\$12,200,000 from the sale of 66,500 Carats in 2000. Lower revenues in 2001 reflected the interruption to production as a result of the NamSSol accident and the suspension of the remaining operations at the end of February. The average diamond price obtained during the quarter was US\$168 per Carat, compared with US\$182 a year earlier.

Direct production costs in the first quarter of 2001 increased to US\$11,300,000 from US\$5,900,000 a year earlier. These costs include US\$2,400,000 of year end 2000 diamond inventory which were expensed during the quarter. The Company had no diamond inventory at quarter end. All operational costs incurred in the first quarter of 2001 were fully expensed, including the costs of MV Ya Toivo and MV Zacharias.

In the quarter, the Company incurred costs associated with the provisional liquidation of US\$700,000 and a corporate finance fee of US\$300,000.

General office costs including salaries were US\$900,000 in the first quarter of 2001, compared with US\$1,100,000 a year earlier. Following the completion of the capital projects and the provisional liquidation the support cost base has been reduced significantly. The former ODM office in Cape Town has been closed.

Liquidity and Capital Resources

As a result of the loss, there was a cash outflow from operations of US\$4,700,000 in the first quarter of 2001 compared with a cash inflow of US\$4,700,000 in 2000.

Capital expenditure in the period was US\$500,000 (2000: US\$8,400,000). The Company sold the MV Ivan Prinsep for gross proceeds of US\$4,100,000, the funds being received after the end of the quarter.

At quarter end, Namco had total debt, including amounts due within one year, of US\$56,600,000, compared to US\$54,200,000 at the end of the previous quarter. Debt was used to fund the capital projects for the Nam 2 production unit, modernization of the Namibian Gem and the construction of the Wirth exploration tool and the fitting out of MV Zacharias.

Current liabilities, excluding the current portion of long-term debt, increased during the period from US\$17,500,000 to US\$20,000,000, which was a reflection of the cash flow difficulties experienced by the Company.

Cash at quarter end was US\$5,600,000 compared with US\$4,400,000 at the end of 2000.

In response to its declining cash and weakened financial position, the Company investigated a number of fund raising options. The financial position was accentuated by the loss of the NamSSol seabed crawler in early January. As a result, part of a scheduled loan repayment due at the end of January 2001 was not made, which constituted an event of default, which was not called. In early February 2001 the Company announced that the Agent had contracted with investors agreeing to purchase US\$10,300,000 of Common Shares and Convertible Debentures, being part of a planned US\$20,000,000 capital raising. However, the financing was abandoned when a moratorium could not be agreed upon with the Company's senior lenders with resultant uncertainty as to their intentions.

The events described above resulted in the severe deterioration of the Company's financial position. In late February 2001, the Company placed nine of its subsidiary companies into provisional liquidation. All mining and exploration operations ceased. The provisional liquidation orders can be discharged by application to court, or by way of a scheme of arrangement in terms of the South African Companies Act. See "Recent Developments - Provisional Liquidation"

Agreement was then reached with the Company's lenders to a six month capital repayment moratorium. The lenders further undertook in good faith to agree to a rescheduling of the Company's debt prior to September 2001. The Company agreed to the sale of the MV Ivan Prinsep for US\$4,100,000 to repay certain lenders. The ongoing support of the Company's lenders is required as is a satisfactory rescheduling agreement.

To restore financial stability and to resume business operations, the Company has completed financings totaling US\$27,000,000. The Company raised US\$12,000,000 through the Canaccord Private Placements. Tranche 1 of the Private Placement for gross proceeds of US\$9,400,000 was completed during the quarter. In May 2001, the Leviev Group, a leading diamond manufacturer subscribed for US\$15,000,000 of Common Shares, with half warrants attached, and is expected to provide a US\$2,600,000 credit facility, which can be converted into Common Shares. Net proceeds from the financings, excluding the credit facility, are approximately US\$24,400,000. Proceeds were initially used to pay charter fees to secure vessels MV Ya Toivo, MV Kovambo and MV Zacharias, provide guarantees

in respect of the MV Ya Toivo and MV Zacharias , resume mining operations, provide working capital and provide funds for the discharge of the companies in liquidation.

In May 2001, the Company's Namibian subsidiaries and one South African subsidiary were discharged from provisional liquidation as the Company has paid, compromised or is in the process of paying or compromising all creditors in these subsidiaries. The Company intends to proceed with court sanctioned, creditor approved compromise schemes ("Schemes") for the South African subsidiaries which have not been discharged. It is anticipated that if the Schemes are accepted, the South African companies could be discharged from provisional liquidation by July 31, 2001. See "Recent Developments - Provisional Liquidation".

Given recent events, the risks and uncertainties with regard to the Company's liquidity and capital resources, its future, and the quantifiable effects and delays from the provisional liquidation of its operating companies are significant. To meet its ongoing obligations and maintain its operations, the Company needs to regain profitable operations and in turn improve its cash flow position, the continuing support of its senior lenders, rescheduling of its debt repayments and successfully reverse the provisional liquidation of its subsidiaries that remain in provisional liquidation. It is likely that additional capital may be required.

Outlook

Following the developments in the first quarter, the Company expects 2001 to be another challenging and very difficult year. Progress will depend primarily on close monitoring of the financial situation, tight cost controls and on meeting revenue, production and exploration targets.

Management faces a number of important challenges which will affect the financial performance of Namco in 2001 and beyond:

- Discharging the remaining South African subsidiaries from provisional liquidation;
- Achieving the design capacity levels from MV Ya Toivo;
- Resuming and maintaining profitable mining operations from MV Namibian Gem;
- Resuming of successful exploration activities with MV Zacharias;
- Rebuilding NamSSol and resuming mining operations with MV Kovambo; and
- Achieving satisfactory debt rescheduling and creditor compromise.

The Company's earnings in 2001 will be significantly negatively affected by the loss of production from the NamSSol unit, the provisional liquidation of certain subsidiaries and the resultant suspension of all operations, and all consequences thereof, and the availability of effective production units for a small portion of the year while incurring costs over the whole period.

Despite the great setback and the ongoing impact, management remains focused on realizing the production, resource and technical potential of the Company.

DIVIDENDS

The Company did not have any earnings until the period ended December 31, 1998. In 1999, Namco reviewed its dividend policy and paid a US\$0.02 dividend to all shareholders as of record at close of business on May 10, 1999 and the dividend was paid on June 1, 1999. In 2000, Namco paid a US\$0.03 dividend to all shareholders as of record at close of business on May 29, 2000 and the dividend was paid on July 27, 2000.

Due to the default under the Investec Loan and the Investec Credit Facility, the terms of such credit facilities dictate that Namco cannot pay dividends. Thereafter, given the current financial position of the Company, any dividend in the short to medium term is extremely unlikely and will remain modest in the future (or not be paid at all) as it is the Company's policy to retain most of its earnings to rebuild working capital, support current operations and to fund exploration and development projects. Namco did not pay dividends on its Common Shares in the periods prior to December 31, 1998. Any decision as to the payment of dividends is fully within the discretion of the board of directors of Namco subject to the above. See "Risk Factors - Risks Related to the Company - Insolvency Risk".

EARNINGS COVERAGE RATIO

The Company's interest requirements, after giving effect to the issue of the Convertible Debentures, amount to US\$4,221,000 for the 12 months ended December 31, 2000. The Company's earnings before interest and income tax for the 12 months then ended was US\$1,971,000, which is 0.47 times the Company's interest requirements for this period, so that the amount of the deficiency is US\$2,250,000.

DESCRIPTION OF THE COMMON SHARES

The authorized share capital of Namco consists of an unlimited number of Common Shares. As at June 19, 2001, 85,329,372 Common Shares of Namco were issued and outstanding.

The holders of Common Shares are entitled to receive dividends if, as and when declared by the board of directors of Namco. Each Common Share entitles the holder thereof to one vote at meetings of shareholders. In the event of a voluntary or involuntary liquidation, dissolution or winding-up, after payment of all outstanding debts and amounts payable in respect of shares ranking in priority to the Common Shares, the remaining assets of Namco available for distribution are to be distributed pro rata to the holders of the Common Shares. Holders of Common Shares have no conversion, subscription or pre-emptive rights. The Common Shares are listed on NASDAQ, the TSE and the NSX. See "Stock Exchange Prices" and "Plan of Distribution".

DESCRIPTION OF THE WARRANTS

The Tranche 1 Warrants will be issued pursuant to a warrant indenture (the "Tranche 1 Warrant Indenture") dated as of March 23, 2001 and entered into between Namco and Montreal Trust, as

warrant agent (the “Warrant Agent”). Each whole Tranche 1 Warrant will entitle the holder thereof to purchase one Common Share, subject to adjustment in certain circumstances, at a price of CAD\$0.60 per Common Share at any time at or prior to 5:00 p.m. (Toronto time) on March 23, 2004.

The Tranche 2 Warrants will be issued pursuant to a warrant indenture (the “Tranche 2 Warrant Indenture”) dated as of April 30, 2001 and entered into between Namco and Montreal Trust as the Warrant Agent. Each whole Tranche 2 Warrant will entitle the holder thereof to purchase one Common Share, subject to adjustment in certain circumstances, at a price of CAD\$0.60 per Common Share at any time at or prior to 5:00 p.m. (Toronto time) on April 30, 2004.

DESCRIPTION OF THE TRANCHE 1 BROKER WARRANTS AND THE TRANCHE 2 BROKER WARRANTS

As consideration in connection with services provided by the Agent in respect of Tranche 1 of the Private Placement, Namco granted to the Agent the Tranche 1 Special Broker Warrants to acquire, for no additional consideration, 2,848,484 Tranche 1 Broker Warrants. The Tranche 1 Special Broker Warrants were issued pursuant to an amended and restated special broker warrant agreement (the “Tranche 1 Special Broker Warrant Agreement”) dated as of March 23, 2001 and entered into between the Agent and Namco. Each Tranche 1 Broker Warrant entitles the Agent to purchase at any time until March 23, 2003, one Common Share, subject to adjustment in certain circumstances, at an exercise price of CAD\$0.60 per Common Share. As consideration in connection with services provided by the Agent in respect of Tranche 2 of the Private Placement, Namco granted to the Agent Tranche 2 Special Broker Warrants to acquire, for no additional consideration 787,878 Tranche 2 Broker Warrants. The Tranche 2 Special Broker Warrants were issued pursuant to a special broker warrant agreement (the “Tranche 2 Special Broker Warrant Agreement”) dated as of April 30, 2001 and entered into between the Agent and Namco. Each Tranche 2 Broker Warrant entitles the Agent to purchase at any time until April 30, 2003, one Common Share, subject to adjustment in certain circumstances, at an exercise price of CAD\$0.60 per Common Share. Also, as additional consideration for the Canaccord Private Placements, Namco granted to Canaccord Europe, a subsidiary of the Agent, a Special Agent Warrant to acquire, at any time up to the earlier of three business days after the Clearance Date or March 23, 2002, for no additional consideration, 850,000 Common Shares (the “Agent Warrant Shares”). The Special Agent Warrant was issued pursuant to an amended and restated special agent warrant agreement (the “Special Agent Warrant Agreement”) dated as of March 23, 2001 and entered into between Canaccord Europe and Namco. On March 23, 2002, if the Clearance Date has not previously occurred, the Special Agent Warrant will automatically be converted into the Agent Warrant Shares.

DESCRIPTION OF THE CONVERTIBLE DEBENTURES AND THE EXCHANGEABLE DEBENTURES

The following is a summary of the principal terms and conditions of the Convertible Debentures and the Exchangeable Debentures and the indentures under which they will be issued. This summary does not purport to be complete. For full particulars, reference should be made to the Convertible Debenture Indentures or the Exchangeable Debenture Indentures, as applicable. Where reference is made to particular provisions of the Convertible Debenture Indentures or the Exchangeable Debenture Indentures, as applicable, such provisions are qualified in their entirety by the applicable provision of the Convertible Debenture Indentures or the Exchangeable Debenture Indentures, as applicable. Capitalized terms used without definition are defined in the Convertible Debenture Indentures or the Exchangeable Debenture Indentures, as applicable.

The Tranche 1 Convertible Debentures issuable upon conversion of the Tranche 1 Special Notes are governed by a trust indenture (the “Tranche 1 Convertible Debenture Indenture”) dated as of March 23, 2001 between Namco and Montreal Trust (the “Trustee”), acting as trustee on behalf of the holders of Tranche 1 Convertible Debentures. The Tranche 2 Convertible Debentures issuable upon conversion of the Tranche 2 Special Notes are governed by a trust indenture (the “Tranche 2 Convertible Debenture Indenture” and, together with the Tranche 1 Convertible Debenture Indenture, the “Convertible Debenture Indentures”) dated as of April 30, 2001 between Namco and the Trustee, acting as trustee on behalf of the holders of Tranche 2 Convertible Debentures.

THE CONVERTIBLE DEBENTURES

GENERAL

The Tranche 1 Convertible Debentures and Tranche 2 Convertible Debentures (the “Convertible Debentures”) will be issued as unsecured junior subordinated debentures. The Tranche 1 Convertible Debenture Indenture is limited in aggregate principal amount to US\$6,273,000. The Tranche 2 Convertible Debenture Indenture is limited in aggregate principal amount to US\$2,600,000. The Convertible Debentures are not subject to a sinking fund provision. The principal amount of the Tranche 1 Convertible Debentures plus accrued and unpaid interest thereon will become due on March 23, 2003 and will be payable by cash. The principal amount of the Tranche 2 Convertible Debentures plus accrued and unpaid interest thereon will become due on April 30, 2003 and will be payable in cash.

The Convertible Debentures will be issued in fully registered form only in denominations of US\$1,000 and integral multiples thereof. Principal and interest will be payable and the transfer of such Convertible Debentures will be registrable. The Convertible Debentures will be convertible in other denominations of a like aggregate principal amount at the corporate trust office of the Trustee, or its designated agent. Payment of principal and interest will be made by cheque and sent to the address of the entitled holder.

SUBORDINATION

The payment of the principal of and interest on the Convertible Debentures will be subordinated in right of payment, as set forth in the Convertible Debenture Indentures, to the prior payment in full of all Senior Indebtedness. Senior Indebtedness is defined in the Convertible Debenture Indentures as the principal of and the interest and premium, if any, on and all other costs and expenses associated with: (i) indebtedness (other than indebtedness exempted by the Convertible Debenture Indentures); (ii) liabilities, contingent or otherwise, outstanding on the date of the Convertible Debenture Indentures are created, incurred, assumed or guaranteed afterwards by Namco; and (iii) renewals, extensions or refinancing of any indebtedness referred to in (i) or (ii).

The Convertible Debenture Indentures provide that upon any dissolution, winding-up, liquidation, reorganization or other similar proceedings relative to Namco, the holders of all Senior Indebtedness will be entitled to receive payment in full of the principal and interest due before the holders of the Tranche 1 Convertible Debentures and Tranche 2 Convertible Debentures (collectively, the “Convertible Debenture Holders”). The Convertible Debenture Indentures also provide that any payment by, or distribution of assets of, Namco of any kind to which the Convertible Debenture Holders or the Trustee would be entitled (except for the provisions provided) will be paid or delivered directly to the holders of Senior Indebtedness. The Convertible Debenture Indentures also provide that if any payment

by, or distribution of assets of, Namco of any kind is received by the Trustee or the Convertible Debenture Holders before all Senior Indebtedness is paid in full, such payment or distribution will be held in trust for the benefit of, and will be paid over to the holders of, such Senior Indebtedness.

CONVERSION PRIVILEGE

The Convertible Debentures will be convertible at the holder's option into fully paid and non-assessable Common Shares in the capital of Namco at any time prior to the close of business on the business day immediately preceding the maturity date, or, if called for redemption, the business day immediately preceding the date specified for redemption of such Convertible Debentures, at a conversion price of US\$0.33 per Common Share. No adjustment will be made for dividends on Common Shares issuable upon conversion or for interest accrued on Convertible Debentures surrendered for conversion.

Subject to the provisions thereof, the Convertible Debenture Indentures provide for the adjustment of the conversion price in certain events including: (a) the subdivision or consolidation of the outstanding Common Shares; (b) the distribution of Common Shares to holders of Common Shares by way of stock dividend or otherwise other than an issue of shares to holders of Common Shares who have elected to receive dividends in stock in lieu of receiving cash dividends paid in the ordinary course; (c) the issuance of options, rights, or warrants to holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 95% of the then Current Market Price (as defined in the Convertible Debenture Indentures) of the Common Shares; and (d) the distribution to all holders of Common Shares of any securities or assets (other than cash dividends and equivalent dividends in stock paid in lieu of cash dividends in the ordinary course). Except as stated above, no adjustment will be made in the conversion price on account of the exercise of options under Namco's employee and director stock option plan. Namco will not be required to make adjustments in the conversion price unless the cumulative effect of such adjustments would change the conversion price by at least 1%.

No fractional Common Shares will be issued on any conversion but in lieu thereof Namco shall satisfy such fractional interest by a cash payment equal to the market price of such fractional interest.

OPTIONAL REDEMPTION

Namco may redeem the Convertible Debentures at its option, in whole or in part, provided Namco and all of its subsidiaries have adequate funds to pay its secured creditors and trade creditors on payment of the principal amount plus accrued and unpaid interest to the date specified for redemption. If Namco elects to redeem the Convertible Debentures, the Convertible Debenture Holders called for redemption shall be entitled to elect to (i) receive the principal amount of the Convertible Debentures plus accrued and unpaid interest, or (ii) to exchange their Convertible Debentures in accordance with the provisions of the Convertible Debenture Indentures. If less than all the Convertible Debentures are to be redeemed, Namco shall, at least ten business days before the date upon which notice of redemption is to be given, notify the Trustee by a direction signed in the name of Namco by any officer of Namco of its intention to redeem the Convertible Debentures and of the aggregate principal amount of the Convertible Debentures to be redeemed.

INTEREST

Each Tranche 1 Convertible Debenture bears interest (subject to the stipulations provided below) from the date the Tranche 1 Convertible Debentures are issued at the rate of 10% per annum (payable after as well as before maturity, default and judgement, with interest on amounts in default at the same rate) payable annually in arrears on March 23, 2002 and thereafter semi-annually in arrears on September 23, 2002 and on March 23, 2003. Similarly, each Tranche 2 Convertible Debenture bears interest (subject to the stipulations provided below) from the date the Tranche 2 Convertible Debentures are issued at the rate of 10% per annum (payable after as well as before maturity, default and judgement, with interest on amounts in default at the same rate) payable annually in arrears on April 30, 2002 and thereafter semi-annually in arrears on October 30, 2002 and on April 30, 2003.

The Convertible Debentures issued upon exercise of Special Notes are deemed to bear all accrued interest on the principal amount of the Special Notes exercised to acquire those Convertible Debentures which has accrued as of the date of exercise. Subject to Namco purchasing the Convertible Debentures, the principal amount of the Convertible Debentures due on maturity or redemption will be made payable in United States dollars, against surrender of the Convertible Debentures by the respective Convertible Debenture Holders at the offices of the Trustee. Each debenture, whether issued originally or in exchange for other Convertible Debentures, shall bear interest from and including the date such Convertible Debentures are issued or from and including the last interest payment date interest has been paid or made available for payment on the Convertible Debentures, whichever is later. Interest on the principal amount of each Debenture shall cease to accrue from the earliest of March 23, 2003 (for the Tranche 1 Convertible Debentures) or April 30, 2003 (for the Tranche 2 Convertible Debentures) or such earlier date as the entire principal balance of the then outstanding Convertible Debentures may become due (the "Maturity Date"). If any of the Convertible Debentures are called for redemption, interest will also cease to accrue as of the date fixed for redemption unless, upon presentation and surrender for payment on or after the Maturity Date or the date fixed for redemption, such payment is improperly withheld, refused or, if any Debenture is exchanged, the date stipulated in the Convertible Debenture Indentures.

MERGERS, CONSOLIDATIONS OR AMALGAMATIONS

Namco will not enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other person or of the continuing corporation that would result, unless: (i) a supplemental indenture is executed which ensures the other person or continuing corporation (the "Successor Corporation") assumes the liability for the due and punctual payment of all the Convertible Debentures plus interest and all other moneys payable and agrees to observe and perform all the covenants and obligations of Namco under the Convertible Debenture Indentures; (ii) such transaction, to the satisfaction of the Trustee, preserves and does not impair any of the rights or powers of the Trustee or of the Convertible Debenture Holders and is in no way prejudicial to the interests of the Convertible Debenture Holders; and (iii) no condition or event will exist in respect of Namco or the Successor Corporation, either at the time of such transaction or immediately, which would constitute an Event of Default.

EVENTS OF DEFAULT

The Convertible Debenture Indentures provide for certain events of default. Such events include: (a) default in payment of the principal or premium of any Debenture when due; (b) failure to pay

any interest on any Convertible Debentures when due, continued for a period of 30 days; (c) default in observing or performing any covenant or condition of the Convertible Debenture Indentures to be observed or performed, and if such default continues for a period of 30 days (or such longer period as may be necessary to cure such default having regard to the nature of the default and provided Namco is diligently pursuing the curing of such default) after notice in writing has been given to Namco by the Trustee specifying such default and requiring Namco to rectify the same; (d) certain events of winding up, liquidation, bankruptcy, insolvency or receivership; (e) an encumbrancer taking possession of all or substantially all of the property of Namco or any of its material subsidiaries; and (f) any outstanding indebtedness for borrowed money which matures by its terms, or is renewable at the option of the payor, to a date more than six months after the creation, assumption or guarantee and ranks subordinate to or *pari passu* with the Convertible Debentures so that an amount in excess of US\$1,000,000 becomes due and payable by Namco, demand for payment is made to Namco prior to the date when it would have become due and payable, and such event of default is not remedied or cured, whether by payment or otherwise, or waived by the holders of such indebtedness, within 60 days after such an event of default occurs.

Notwithstanding the Events of Default listed, none of the liquidation proceedings commenced in South Africa in respect of certain subsidiaries of Namco prior to March 23, 2001 shall constitute an Event of Default for the purposes of the Tranche 1 Convertible Debenture Indenture provided that Namco uses its best efforts (a) to release Namco Namibia (Pty) Ltd., Namco (Pty) Ltd., Namco Exploration South Africa (Pty) Ltd., Pinette Investments (Pty) Ltd., NMS Management Services (Pty) Ltd. and ODM of Namibia (Pty) Limited from provisional liquidation prior to April 7, 2001, and (b) to release Namco South Africa (Pty) Ltd., Namco Project Management (Pty) Ltd. and ODM Southern Africa Limited from provisional liquidation prior to May 15, 2001. The Company has secured the release from provisional liquidation of its Namibian subsidiaries and is using its best efforts to secure the release of the remaining subsidiaries from provisional liquidation as soon as possible.

Similarly, notwithstanding the Events of Default listed, none of the liquidation proceedings commenced in South Africa and Namibia in respect of certain subsidiaries of Namco prior to March 23, 2001 shall constitute an Event of Default for the purpose of the Tranche 2 Convertible Debenture Indenture, provided Namco uses its best efforts to release those subsidiaries from provisional liquidation, as follows: (a) Namco Namibia (Pty) Ltd., NMS Management Services (Pty) Ltd., ODM of Namibia Limited, Pinette Investments (Pty) Ltd., and Namco (Pty) Ltd., on or before May 14, 2001; and (b) Namco South Africa (Pty) Ltd., Namco Project Management (Pty) Ltd., ODM Southern Africa Limited and Namco Exploration South Africa (Pty) Ltd., by June 30, 2001. The Company has secured the release from provisional liquidation of its Namibian subsidiaries and is using its best efforts to secure the release of the remaining subsidiaries from provisional liquidation as soon as possible.

DEFEASANCE AND DISCHARGE

After the Trustee is satisfied that all the Convertible Debentures and interest (including interest on amounts in default) has been paid or satisfied or that all the outstanding Convertible Debentures have matured or have been called for redemption or the Trustee has been given irrevocable instructions by Namco to give within 90 days' notice of redemption of all the outstanding Convertible Debentures, payment or redemption will be provided for by payment to the Trustee. Upon payment of all costs, charges and expenses properly incurred by the Trustee in relation to the Convertible Debenture Indentures and all interest and the remuneration of the Trustee it will, at the request and at the expense of Namco, execute and deliver to Namco any deeds or other instruments that are necessary to evidence the

satisfaction and discharge of the Convertible Debenture Indentures and to release Namco from its covenants except those relating to the indemnification of the Trustee.

MODIFICATION OF THE CONVERTIBLE DEBENTURE INDENTURES AND CONVERTIBLE DEBENTURES

Namco and the Trustee may amend or supplement the Convertible Debenture Indentures or the Convertible Debentures without the consent of the Convertible Debenture Holders, among other circumstances, to cure any ambiguity, defect or inconsistency or to make any change that does not adversely affect the rights of any Convertible Debenture Holder in any material aspect.

Apart from changes which do not materially prejudice the Convertible Debenture Holders as a group (which may be made by the Trustee without the consent of such holders), the Convertible Debenture Indentures provide that modifications and alterations to the Convertible Debentures may be made if authorized by an extraordinary resolution. Extraordinary resolutions are defined in the Convertible Debenture Indentures to mean resolutions passed by the affirmative votes of holders of not less than $66\frac{2}{3}\%$ of the principal amount of Convertible Debentures represented and voting at a meeting of Convertible Debenture Holders or an instrument or instruments in writing signed by the holders of not less than $66\frac{2}{3}\%$ of the principal amount of all outstanding Convertible Debentures.

RIGHT TO NOMINATE TWO DIRECTORS FOR ELECTION

The holders of the Tranche 1 Convertible Debentures, together with the holders of any outstanding Tranche 1 Special Notes have the right to nominate two directors of Namco. Namco will use reasonable efforts to implement the right, including ensuring that the two individuals nominated as directors by the holders of both the Tranche 1 Convertible Debentures and any outstanding Tranche 1 Special Notes are included among the management nominees for directors of Namco at each annual meeting of shareholders of Namco. The Tranche 2 Convertible Debentures and holders of any outstanding Tranche 2 Special Notes have no rights to nominate directors of Namco.

GOVERNING LAW

The Convertible Debenture Indentures and the Convertible Debentures are governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. The courts of the Province of Ontario have non-exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Convertible Debenture Indentures and the Convertible Debentures.

THE EXCHANGEABLE DEBENTURES

Pursuant to the terms of the Convertible Debenture Indentures, Namco has the right to assign its obligations in respect of the Convertible Debenture Indentures to its wholly-owned subsidiary Namco Gibraltar, provided that Namco agrees to guarantee the obligations being assumed by Namco Gibraltar. Following that assignment, assumption and guarantee, the obligations assumed by Namco Gibraltar in respect of each of the Convertible Debenture Indentures will each be restated pursuant to an amended and restated trust indenture (the "Exchangeable Debenture Indentures"), both amended and restated indentures being between Namco Gibraltar, Namco and the Trustee. The Convertible Debentures with respect to which the obligations are assumed by Namco Gibraltar are referred to herein collectively as the Exchangeable Debentures. Namco intends to exercise this right soon after the exercise of the Special Securities.

Namco has agreed to guarantee on a subordinated basis the obligations of Namco Gibraltar pursuant to the trust indentures governing the Exchangeable Debentures. Namco will guarantee all principal and interest accrued on the Exchangeable Debentures, as well as all other indebtedness and liabilities of Namco Gibraltar relating to the Exchangeable Debentures.

The holders of the Exchangeable Debentures have the right to exchange the principal amount of the Exchangeable Debentures into fully paid and non-assessable Common Shares of Namco, at any time prior to the close of business on the business day immediately preceding the maturity date, or, if called for redemption, the business day immediately preceding the date specified for redemption of such Exchangeable Debentures, at an exchange price per Common Share of US\$0.33 per share or at the adjusted price then in effect pursuant to the terms of the applicable Exchangeable Debenture Indenture which are substantially the same as the terms of the respective Convertible Debenture Indenture discussed above. See "Description of the Convertible Debentures and the Exchangeable Debentures - The Convertible Debentures - Conversion Privilege".

All other provisions of the Exchangeable Debentures, as reflected in each of the amended and restated trust indentures, are substantially similar to the terms of the Convertible Debentures described above.

In order to address certain registration and prospectus requirements in Ontario and British Columbia, Namco intends to file applications for exemption orders in respect of the Exchangeable Debentures in each of those jurisdictions.

CONSOLIDATED CAPITALIZATION

CANACCORD PRIVATE PLACEMENTS

On March 23, 2001, in Tranche 1 of the Private Placement, Namco issued, to investors outside of Canada, 9,475,758 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 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 Tranche 1 Warrant for no additional consideration. Each Tranche 1 Special Note is exchangeable for no additional consideration for an equivalent principal amount of 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 Tranche 1 Special Broker Warrants to acquire, for no additional consideration, 2,848,484 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 Tranche 2 of the Private Placement, Namco sold US\$2,600,000 in principal amount of 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 Tranche 2 Convertible Debenture and 1,515.15 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 Tranche 2 Special Broker Warrants to acquire, for no additional consideration, 787,878 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 Europe, a subsidiary of the Agent, a Special Agent Warrant to acquire, for no additional consideration, 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.

LEVIEV GROUP INVESTMENT

On May 1, 2001, Namco issued an aggregate of 37,727,273 Common Shares and 18,863,636 Common Share purchase warrants to LL Mining, a corporation indirectly controlled by Mr. Lev Leviev. All of the Common Share purchase warrants are exercisable over a period of three years. 11,363,636 of the Common Share purchase warrants can be exercised to acquire Common Shares at a price of US\$0.40 per share and 7,500,000 of the Common Share purchase warrants can be exercised to acquire Common Shares at a price of US\$0.50 per share. In addition, as a condition precedent to the investment by LL Mining in Namco, LL Mining has agreed to provide the Company with a credit facility of up to US\$2,600,000, under certain conditions, including that Namco issue 15,151,515 Common Share purchase warrants to LL Mining, exercisable at US\$0.33 per share over a period of two years. The terms of the loan agreement governing the credit facility will provide that the principal amount drawn under the credit facility is also convertible into Common Shares, at a price of US\$0.33 per share. The Company and LL Mining are resolving the final terms of the credit facility and expect to enter into a definitive agreement in the near future.

As a result of the transactions between the Company and LL Mining (including the credit facility), an aggregate of 79,621,212 Common Shares were issued or made issuable to LL Mining. See “Recent Developments - Financing in 2001 - The Leviev Group Investment”.

SHIPOWNER WARRANTS

On May 28, 2001, Namco issued 1,000,000 Common Share purchase warrants to the owner of the MV Ya Toivo. Each warrant is exercisable over a period of 12 months to acquire one Common Share at a price of US\$0.50 per share.

SUMMARY

Following these transactions, Namco has issued or proposes to issue common shares as summarized in the following capitalization table:

	Shares or share equivalents ¹	Subtotal (in shares)	Total (in shares)
Outstanding share capital, March 1, 2001			47,602,099

Common shares issued, to June 19, 2001		37,727,273
Leviev investment	37,727,273	
First tranche of common shares	22,727,273	
Second tranche of common shares	15,000,000	
Common shares issued or made issuable pursuant this Prospectus		59,031,819
Tranche 1 of the Private Placement, March 23, 2001	46,425,758	
Tranche 1 Special Warrants	9,475,758	
Tranche 1 Special Notes	19,009,091	
Tranche 1 Warrants	14,242,424	
Tranche 1 Broker Warrants	2,848,485	
Special Agent Warrant	850,000	
Tranche 2 of the Private Placement (April 30, 2001)	12,606,061	
Tranche 2 Special Notes	7,878,788	
Tranche 2 Warrants	3,939,394	
Tranche 2 Broker Warrants	787,879	
Other common shares issuable		47,285,839
Leviev investment	41,893,939	
Warrants	18,863,636	
Conversion of entire credit facility	7,878,788	
Credit facility warrants	15,151,515	
Shipowner warrants	1,000,000	
Other common shares issuable ²	4,391,900	
TOTAL		191,647,030

Note:

1. This column identifies the number of common shares issued or the number of common shares issuable pursuant to the security listed, as appropriate.
2. This item identifies common shares issuable pursuant to commitments not otherwise addressed in the table, including shares issuable under the Company's stock option plan and common share purchase warrants issued prior to March 1, 2001.

OPTIONS TO PURCHASE SECURITIES

Namco has adopted a stock option plan (the "Stock Option Plan") and conditionally allotted and reserved up to 4,200,000 of its Common Shares for issuance pursuant to the Stock Option Plan. The purpose of the Stock Option Plan is to secure for Namco and its shareholders the benefits of incentives inherent in share ownership by directors, officers, employees and consultants of the Company. Options to purchase Common Shares may be granted under the Stock Option Plan only to directors, officers, employees and consultants of the Company, as determined by Namco's board of directors, and are not transferable except in the case of death. Subject to specified adjustment in the Stock Option Plan, the aggregate number of Common Shares at any time that are available for issuance under the Stock Option Plan is not permitted to exceed 4,200,000 Common Shares. Each option granted under the Stock Option Plan, unless sooner terminated pursuant to the provisions of the Stock Option Plan, expires on a date determined by the board of directors which may not be later than ten years from the date the option is granted. The exercise price of any option granted will be determined by the board of directors of Namco,

but may not be less than 100% of the market value of the Common Shares underlying such option, as determined in accordance with the terms of the Stock Option Plan.

The table below sets forth certain information pertaining to the 2,750,000 options outstanding under the Stock Option Plan as at June 18, 2000:

	Number Outstanding	Exercise Price of Securities Under Option (US\$)	Date of Grant	Expiry Date of Option	Market Value of Securities Under Option on Date of Grant (US\$)⁽¹⁾
All executive officers and past executive officers of Namco (three individuals in the aggregate)	1,340,000	2.75	March 4, 1999	March 4, 2004	2.14
	100,000	2.35	August 8, 2000	August 8, 2005	2.20
	100,000	0.50	May 22, 2001	July 1, 2004	0.49
All directors and past directors of Namco who are not also executive officers (five individuals in the aggregate)	700,000	2.75	March 4, 1999	March 4, 2004	2.14
	200,000	3.25	May 27, 1999	May 27, 2004	3.20
All executive officers and past executive officers of all subsidiaries of Namco, excluding those who are executive officers or directors of Namco (one individual)	125,000	2.75	March 4, 1999	March 4, 2004	2.40
All directors and past directors of all subsidiaries of Namco, excluding those who are executive officers or directors of Namco (one individual)	125,000	2.75	March 4, 1999	March 4, 2004	2.14
All other employees or past employees of Namco	Nil	-	-	-	-
All other employees or past employees of all subsidiaries of Namco (three individuals in the aggregate)	60,000	0.50	April 17, 2001	April 17, 2006	0.43
All consultants of Namco	Nil	-	-	-	-

⁽¹⁾ The amounts set forth in this column represent market value as defined in the Stock Option Plan, which is the average of the high and low prices at which the Common Shares were traded on the TSE during the five trading days preceding the date of grant. The figures have been converted into US funds at the Bank of Canada nominal noon exchange rate on the respective dates of grant (March 4, 1999: CAD\$1=US\$0.6556; May 27, 1999: CAD\$1=US\$0.6779; April 17, 2001: CAD\$1=US\$0.6419; and May 22, 2001: CAD\$1=US\$0.6491).

PRIOR SALES

During the 12 month period prior to the date of this prospectus, Namco issued its securities as described below.

SALES IN 2001

Please see the section entitled “Consolidated Capitalization”.

SALES PRIOR TO JANUARY 1, 2001

On September 27, 2000, the Company, Investec and KBC amended the Investec Credit Facility to accelerate the drawdown period and reduce the interest rate on the facility. In exchange, Namco granted 115,000 common share purchase warrants to each of Investec and KBC in respect of the Investec Credit Facility, exercisable for an aggregate of 230,000 Common Shares at a price of US\$4.00 per Common Share. The warrants are exercisable in a three year period to September 27, 2003.

Pursuant to a third supplemental indenture dated December 3, 2000 (the “Third Supplemental Indenture”), a trust indenture underlying 6% exchangeable subordinated debentures of Namco Gibraltar (guaranteed by Namco) dated December 4, 1997 (the “Trust Indenture”) was amended as follows: (i) the interest rate was increased to 8% effective as of December 5, 2000; (ii) the exchange price was reduced to US\$2.00 per Common Share effective as of December 5, 2000; and (iii) the holders of the exchangeable debentures were granted the option to have their exchangeable debentures mature on December 4, 2001 rather than December 4, 2000. Debenture holders holding US\$1,550,000 in principal amount elected to have their debentures mature on December 4, 2001.

Pursuant to Namco Gibraltar’s right under the Trust Indenture, Namco Gibraltar repaid the amount owing on the December 4, 2000 maturity date by issuing Common Shares to such debenture holders.

STOCK EXCHANGE PRICES

The Common Shares are listed on the TSE, under the trading symbol “NMR”, on NASDAQ, under the trading symbol “NMCOF”, and on the NSX, under the trading symbol “NMC”. The following table sets forth the high and low sales prices per share and trading volumes for the Common Shares on the TSE and NASDAQ for the periods indicated.

The Toronto Stock Exchange

<u>Calendar Period</u>	<u>Price Per Share</u>		<u>Share Trading Volume</u>
	<u>High</u>	<u>Low</u>	
1999			
Second quarter	CAD\$5.450	CAD\$3.700	1,611,666 shares
Third quarter	9.250	4.900	1,634,505 shares
Fourth quarter	9.000	6.450	1,140,939 shares

The Toronto Stock Exchange

<u>Calendar Period</u>	<u>Price Per Share</u>		<u>Share Trading Volume</u>
	<u>High</u>	<u>Low</u>	
2000			
First quarter	12.350	6.500	2,052,057 shares
Second quarter	7.600	5.000	625,633 shares
Third quarter	5.500	3.050	712,719 shares
Fourth quarter	4.000	2.090	1,497,907 shares
2001			
January	4.250	2.380	530,527 shares
February	2.450	0.320	1,117,816 shares
March	0.830	0.240	6,024,447 shares
April	0.930	0.550	1,058,940 shares
May	0.860	0.650	484,186 shares
June 1 to 18	0.830	0.430	243,060 shares

The NASDAQ National Market

<u>Calendar Period</u>	<u>Price Per Share</u>		<u>Share Trading Volume</u>
	<u>High</u>	<u>Low</u>	
1999			
Second quarter	US\$3.750	US\$2.375	4,873,300 shares
Third quarter	6.438	3.250	6,562,500 shares
Fourth quarter	6.188	4.563	5,484,900 shares
2000			
First quarter	8.313	4.063	12,719,700 shares
Second quarter	5.000	3.469	3,303,200 shares
Third quarter	3.875	2.063	4,636,300 shares
Fourth quarter	2.563	1.344	6,437,300 shares
2001			
January	2.750	1.500	3,680,200 shares
February 1-23*	1.656	0.688	1,850,500 shares

* Following Namco's February 23, 2001 press release announcing that it was placing some of its South African subsidiaries into provisional liquidation, NASDAQ halted trading in Namco's Common Shares. See "Plan of Distribution".

PRINCIPAL SHAREHOLDERS

As at June 18, 2001, the only persons or companies who owned of record, or who, to the knowledge of Namco owned beneficially, directly or indirectly, more than 10% of any class or series of voting securities of Namco:

Name	Number of Common Shares Owned	Number of Securities of any Class of Namco to be Owned After the Distribution	Type of Ownership	Percentage of Each Class Owned Before the Distribution (and to be Owned After the Distribution) ⁽¹⁾
LL Mining Corporation BV ⁽²⁾	37,727,273	37,727,273	Of record and beneficially	44.2% (39.8%)

Notes:

1. LL Mining will own 33.7% of the Common Shares after the distribution, on a fully-diluted basis.
2. LL Mining Corporation BV is a Netherlands corporation which is wholly owned by Meijer Witgoed Capaelle BV, which in turn is wholly owned by Lev Leviev, a prominent Israeli businessman in the diamond industry.

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 prospectus.

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 June 18, 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

<u>Name and Municipality of Residence</u>	<u>Position with Namco</u>	<u>Principal Occupation</u>	<u>Became Director</u>
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. As set out in more detail in the section entitled “Description of the Convertible Debentures and the Exchangeable Debentures - Right to Nominate Two Directors for Election”, 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 in Namco, 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. Subsequent to the mailing of the management proxy circular in respect of the Annual Meeting, Howard Beck indicated to Namco that he does not wish to stand for election as a director of Namco at the Annual Meeting. Management is undertaking a search for an appropriate nominee to fill this vacancy.

The following five individuals, nominated by LL Mining and by the holders of the Tranche 1 Special Note holders, have been nominated by management of Namco for election as directors of Namco at the Annual Meeting. As at June 19, 2001, these nominees, as a group, beneficially owned, directly or indirectly, as a group, 1,950,000 Common Shares or approximately 2.3% of the issued and outstanding Common Shares.

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>
ARYE BARBOY ⁽¹⁾ Lehavim, Israel	Director of International Investment, Leviev Group of Companies (from 1994); Partner and Financial Director, United Project Services Ltd. (from 1990 to 1998)
ELIEZER NEFUSSY ⁽¹⁾ Ramat-gan, Israel	General Manager, ILD Hotels (from 2000); Chief Financial Officer, ILD Hotels (from 1989); Chief Financial Officer, Hed Arzi (from 1993 to 1996)
JAY KELLERMAN ⁽¹⁾ Toronto, Ontario	Partner, Stikeman Elliott law firm (from 1997); Partner, Smith Lyons law firm (from 1994 to 1997)
FRANK GIUSTRA ⁽²⁾ Vancouver, British Columbia	Founder and Chairman, Lions Gate Entertainment Corp. (from 1997); Chairman and CEO, Yorkton Securities Inc. (from 1995 to 1997)
NEIL WOODYER ⁽²⁾ Vancouver, British Columbia	Managing Director, Endeavour Financial (from 1988)

⁽¹⁾ Nominee of LL Mining.

⁽²⁾ Nominee of the holders of Special Notes (or the debentures underlying those Special Notes).

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.

EXECUTIVE COMPENSATION

The following Summary Compensation Table, presented in accordance with the regulation to the *Securities Act* (Ontario), sets forth the compensation paid in respect of individuals who were, in respect of the financial year ended December 31, 2000, the Chief Executive Officer and the only other executive officer of Namco whose total salary and bonus exceeded CAD\$100,000 (collectively, the “Named Executive Officers”).

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year Ended ⁽⁴⁾	Annual Compensation			Long-Term Compensation Awards	
		Salary (US\$) ⁽¹⁾⁽²⁾	Bonus (US\$)	Other Annual Compensation ⁽³⁾ (US\$)	Common Shares Under Options / SARs Granted ⁽⁵⁾ (#)	All Other Compensation (US\$)
Alastair Holberton, Chief Executive Officer, President & Director	2000	448,000	Nil	Nil	Nil/Nil	Nil
	1999	373,000	271,000	Nil	1,000,000/Nil	Nil
	1998	220,000	77,000	Nil	Nil/Nil	Nil
Charles Purdy, Chief Financial Officer, Secretary & Director	2000	164,000	4,000	Nil	Nil/Nil	Nil
	1999	141,000	89,000	Nil	Nil/Nil	Nil
	1998	83,000	29,000	Nil	Nil/Nil	Nil

⁽¹⁾ All salary amounts paid in pounds sterling are converted to United States dollars as of December 31, 2000, at a rate of exchange of US\$1.00 = £0.67.

⁽²⁾ All figures are in United States dollars, unless otherwise stated. Prior year figures have been restated on the basis of the relevant rates of exchange on December 31, 2000.

- (3) The value of perquisites and other personal benefits for each Named Executive Officer does not exceed the lesser of CAD\$50,000 and 10% of the total annual salary and bonus of such Named Executive Officer and accordingly is not recorded.
- (4) Namco changed its financial year-end in 1998, resulting in a seven month financial year for 1998 beginning June 1, 1998 and ending on December 31, 1998.
- (5) Alastair Holberton held options exercisable into 1,000,000 Common Shares at US\$3.70 which expired in 2001. Namco granted Alastair Holberton new options in 1999 to replace these options. The new options may be exercised to acquire Common Shares at US\$2.75.

No officers of Namco other than the Named Executive Officers received individual compensation in excess of CAD\$100,000 for services in all capacities during the most recently completed financial year.

STOCK OPTION INCENTIVE COMPENSATION

No stock options were granted to any of the Named Executive Officers, directors and officers during the year ended December 31, 2000.

The following table sets forth information relating to options exercised by the Named Executive Officers, directors and officers during the year ended December 31, 2000:

AGGREGATED OPTION EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION VALUES

Name	Common Shares Acquired on Exercise (#)	Aggregate Value Realized (US\$)	Unexercised Options at December 31, 2000 (#) Exercisable / Unexercisable	Value of Unexercised in-the-Money Options at December 31, 2000 (US\$) Exercisable / Unexercisable
Alastair Holberton Chief Executive Officer, President & Director	10,000	312 ⁽¹⁾	615,000 / 375,000	Nil / Nil
Charles Purdy Chief Financial Officer, Secretary & Director	Nil	Nil	156,250 / 93,750	Nil / Nil

- (1) Determined as the difference between the market value of the Common Shares underlying the option at the date of exercise (being US\$2.7812 per share at closing of NASDAQ on September 8, 2000) and the exercise price of the option.

EMPLOYMENT CONTRACTS

Alastair Holberton

The Company entered into a service agreement dated September 10, 1993 with Alastair Holberton, the Chief Executive Officer and President of the Company. The agreement provides that Mr. Holberton is employed by the Company on a non-exclusive basis and prohibits Mr. Holberton from being contractually involved with any enterprise that competes with the business of the Company. The term of the agreement is five years commencing on August 1, 1993 and the agreement will continue thereafter unless and until terminated by either party giving proper notice. At Mr. Holberton's instigation, this agreement was revised on May 11, 2001 and the notice period required for termination was reduced from 36 months to three months ("Proper Notice"). Mr. Holberton's salary is reviewed annually. Mr. Holberton agreed to a voluntary reduction in salary from £300,000 following the Company's recent

difficulties. For the period from February 2001 to June 2001, Mr. Holberton's base salary was set at £210,000. After June 2001, Mr. Holberton's base salary is set at £250,000 per annum.

The agreement with Mr. Holberton provides for a payment in the event of termination for whatever reason (other than in circumstances where the Company gives Proper Notice) of a sum equal to his then applicable salary and the value of other benefits which he would have received if the agreement had been terminated by the Company giving Proper Notice. The sum payable to Mr. Holberton in the event of such termination will be calculated gross and without deduction for any amount assessable by way of a discount for mitigation, accelerated receipt or otherwise.

Charles Purdy

The Company and Charles Purdy have agreed in principle that Mr. Purdy will cease to be Chief Financial Officer and Secretary as of the Annual Meeting and Eliezer Nefussy will be appointed as Namco's Chief Financial Officer. Under the terms of Mr. Purdy's existing employment agreement, his salary is currently fixed at US\$164,000 per year. In accordance with the terms of this agreement, a variation in the employment arrangement must be agreed to in writing, which has not yet occurred.

Subject to negotiation of a definitive written agreement, the Company and Mr. Purdy have agreed that in consideration for waiving the 36 month notice period in his employment agreement, Mr. Purdy will be paid a redundancy payment of £45,000 before June 30, 2001 and will enter into a 12 month consulting agreement. The proposed terms of such agreement are as follows: Mr. Purdy will be paid £10,000 per month for up to 15 days of consulting per month for the first three months. For the remaining nine months, Mr. Purdy will be paid £3,500 per month for up to five days of consulting per month. Further, on or about July 1, 2001, Mr. Purdy will have vested 100,000 options to acquire Common Shares. The exercise price of the options will be US\$0.50. The options will expire 36 months after the date of vesting.

COMPENSATION OF DIRECTORS

Other than compensation paid to Mr. Holberton and Mr. Purdy, as disclosed above in the Summary Compensation Table, the non-executive directors received US\$12,000 in compensation in the most recently completed financial year for their services in their capacity as directors of Namco.

Andrew Buxton, who was elected a director of Namco on September 30, 1997, receives £12,000 per year in relation to consulting work he does for the Company in addition to the non-executive director compensation he receives.

PLAN OF DISTRIBUTION

Namco completed private placements with Canaccord Capital Corporation (the "Agent"), in two separate tranches, of an aggregate of 9,475,758 Tranche 1 Special Warrants at a price of US\$0.33 per Tranche 1 Special Warrant and an aggregate of US\$8,873,000 in principal amount of Special Notes, all to investors resident offshore of Canada. On March 23, 2001, Namco completed the first private placement of 9,475,758 Tranche 1 Special Warrants and US\$6,273,000 in principal amount of Tranche 1 Special Notes. On April 30, 2001, Namco completed the second private placement of US\$2,600,000 in principal amount of Tranche 2 Special Notes. The distribution price of the Special Securities was determined by negotiation between Namco and the Agent.

The Tranche 1 Special Warrants and the Tranche 1 Special Notes were issued pursuant to the Tranche 1 Special Securities Indenture. Each Tranche 1 Special Warrant entitles the holder thereof to acquire, subject to adjustment in certain circumstances, without additional payment, one Common Share and one-half of one Tranche 1 Warrant for each Tranche 1 Special Warrant held by the holders. The Tranche 1 Special Notes entitle the holders thereof to acquire, subject to adjustment in certain circumstances, without additional payment, an equivalent principal amount of Tranche 1 Convertible Debentures and 1,515.15 Tranche 1 Warrants for each US\$1,000 in principal amount of Tranche 1 Special Notes held by the holders. Each Tranche 1 Convertible Debenture will entitle the holder thereof to convert the principal amount of Tranche 1 Convertible Debentures into Common Shares, subject to adjustment in certain circumstances, at a conversion price of US\$0.33 per Common Share at any time prior to March 23, 2003. Each whole Tranche 1 Warrant will entitle the holder thereof to purchase one Common Share, subject to adjustment in certain circumstances, at a price of CAD\$0.60 per Common Share at any time prior to 5:00 p.m. (Toronto time) on March 23, 2004. Reference is made to the Tranche 1 Special Securities Indenture for the full text of the attributes of the Tranche 1 Special Warrants and the Tranche 1 Special Notes. Since the date of issue, no Tranche 1 Special Warrants or Tranche 1 Special Notes have been exercised.

The Tranche 2 Special Notes were issued pursuant to the Tranche 2 Special Securities Indenture. The Tranche 2 Special Notes entitle the holders thereof to acquire, subject to adjustment in certain circumstances, without additional payment, an equivalent principal amount of Tranche 2 Convertible Debentures and 1,515.15 Tranche 2 Warrants for each US\$1,000 in principal amount of Tranche 2 Special Notes held by the holders. Each Tranche 2 Convertible Debenture will entitle the holder thereof to convert the principal amount of Tranche 2 Convertible Debentures into Common Shares, subject to adjustment in certain circumstances, at a conversion price of US\$0.33 per Common Share at any time prior to April 30, 2003. Each whole Tranche 2 Warrant will entitle the holder thereof to purchase one Common Share, subject to adjustment in certain circumstances, at a price of CAD\$0.60 per Common Share at any time prior to 5:00 p.m. (Toronto time) on April 30, 2004. Reference is made to the Tranche 2 Special Securities Indenture for the full text of the attributes of the Tranche 2 Special Notes. Since the date of issue, no Tranche 2 Special Notes have been exercised.

All of the Tranche 1 Special Warrants and Tranche 1 Special Notes, which were issued on March 23, 2001, may be exercised at or prior to 5:00 p.m. (Toronto time) at the Tranche 1 Time of Expiry. All of the Tranche 1 Special Warrants and Tranche 1 Special Notes which have not been exercised prior to the applicable Expiry Time will be exercised by the Special Securities Agent on behalf of the holders thereof immediately prior to such time. If the Clearance Date does not occur prior to the Qualification Deadline, a holder of Tranche 1 Special Warrants will be entitled to acquire upon exercise, without additional payment, 1.1 Common Shares (in lieu of one Common Share) and 0.55 Tranche 1 Warrants (in lieu of 0.5 Warrants) per Tranche 1 Special Warrant pursuant to the terms of the Tranche 1 Special Securities Indenture. If the Clearance Date does not occur prior to the Qualification Deadline, a holder of Special Notes will be entitled to acquire, upon exercise, without additional payment, US\$1,100 in principal amount of Convertible Debentures and 1,666.67 Warrants for each US\$1,000 in principal amount of Special Notes held by the holders pursuant to the terms of the Tranche 1 Special Securities Indenture or the Tranche 2 Special Securities Indenture, as the case may be.

The private placement of the Tranche 1 Special Warrants and Tranche 1 Special Notes was made to investors resident offshore of Canada. In order to avoid being considered to be distributions of securities subject to the *Securities Act* (Ontario) and *Securities Act* (British Columbia) (collectively, the "Securities Acts"), resales of Tranche 1 Special Warrants and of Special Notes are restricted to prevent

sales of those securities to residents of Canada. For the same reason, the resale of Common Shares, Convertible Debentures and Warrants (or Common Shares underlying the Convertible Debentures and the Warrants) prior to the issuance of a receipt for a final prospectus will also be restricted to prevent sales of those securities to residents of Canada.

The sale of the Tranche 1 Special Warrants and the Tranche 1 Special Notes was arranged by the Agent pursuant to the Agency Agreement. Under the terms of the Agency Agreement, the Agent received a commission on the private placement of the Tranche 1 Special Warrants and Tranche 1 Special Notes equal to 6.5% of the gross proceeds of this private placement. As additional consideration in connection with Tranche 1 of the Private Placement, Namco granted to the Agent Tranche 1 Special Broker Warrants to acquire, for no additional consideration, 2,848,484 Tranche 1 Broker Warrants. Each Tranche 1 Broker Warrant entitles the Agent to purchase one Common Share at any time until March 23, 2004, subject to adjustment in certain circumstances, at an exercise price of CAD\$0.60 per Common Share.

The sale of the Tranche 2 Special Notes was arranged by the Agent pursuant to the Agency Agreement. Under the terms of the Agency Agreement, the Agent received a commission on the private placement of the Tranche 2 Special Notes equal to 6.5% of the gross proceeds of this private placement. As additional consideration in connection with Tranche 2 of the Private Placement, Namco granted to the Agent Tranche 2 Special Broker Warrants to acquire, for no additional consideration 787,878 Tranche 2 Broker Warrants. Each Tranche 2 Broker Warrant entitles the Agent to purchase one Common Share at any time until April 30, 2004, subject to adjustment in certain circumstances, at an exercise price of CAD\$0.60 per Common Share.

As consideration for services performed in respect of both tranches of the Canaccord Private Placements, Namco also granted to Canaccord Europe, a subsidiary of the Agent, a Special Agent Warrant to acquire, for no additional consideration, the Agent Warrant Shares.

This prospectus qualifies the distribution in the Provinces of Ontario and British Columbia of the Common Shares, the Convertible Debentures and the Warrants issued on conversion of the Special Securities. This prospectus also qualifies the distribution in the Provinces of Ontario and British Columbia of 1,424,242 of the 2,848,484 Tranche 1 Broker Warrants and 393,939 of the 787,878 Tranche 2 Broker Warrants. The prospectus does not qualify the issuance of the Agent Warrant Shares to Canaccord Europe on conversion of the Special Agent Warrants. The Common Shares which underlie the 2,848,484 Tranche 1 Broker Warrants and 787,878 Tranche 2 Broker Warrants represent 6.67% of the Common Shares qualified for distribution pursuant to this prospectus, excluding the Common Shares underlying the Tranche 1 Broker Warrants and the Tranche 2 Broker Warrants.

NASDAQ and the NSX have been given notice of, and the TSE has conditionally approved the listing of, the Common Shares issuable upon the exercise of the Tranche 1 Special Warrants, the Warrants, the Convertible Debentures, the Tranche 1 Broker Warrants, the Tranche 2 Broker Warrants and the Special Agent Warrants. The listing on the TSE of the Common Shares distributed by this prospectus is subject to Namco fulfilling all the requirements of the TSE. The continued listing of the Common Shares distributed by this prospectus on NASDAQ and the NSX is subject to Namco fulfilling all the requirements of NASDAQ and the NSX, respectively.

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. On June 7, 2001, Namco received a request from NASDAQ for additional information concerning its current status in connection with the provisional liquidation and Namco's audited financial statements for the year ended December 31, 2000. Namco has responded to this request and continues to co-operate with NASDAQ. 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. On March 20, 2001, the TSE deferred consideration of Namco's eligibility for continued listing until June 27, 2001. On June 11, 2001, the TSE further deferred consideration of Namco's eligibility for continued listing until October 5, 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.

LEGAL PROCEEDINGS

Other than as set out below, the Company is not currently involved in any litigation or legal proceedings which are material either individually or in the aggregate and, to the Company's knowledge, no other legal proceedings of a material nature involving the Company are currently contemplated by any individuals, entities or government authorities.

PROVISIONAL LIQUIDATION AND CREDITOR ACTIONS

A number of creditors instituted action against the Company's subsidiaries registered in South Africa prior to such companies being placed in provisional liquidation towards the end of February 2001. By virtue of the provisional liquidation of these companies, the creditors who launched actions can no longer proceed with such actions as their claims fall to be dealt with by the provisional liquidator in terms of the Companies Act as read with the Insolvency Act. Please also refer to "Recent Developments".

OTHER MATERIAL LEGAL PROCEEDINGS

The Company is involved or could become involved in legal proceedings on the following matters:

- (a) A summons was issued by ODM in the High Court of South Africa, Cape Town Provincial Division (Case No. 5548/001), against the former executive and non-executive directors of ODM in respect of profits received by such directors arising from the exercise of share options issued to those directors under and in terms of the ODM share incentive scheme, regulated in terms of a trust deed. In essence, the basis upon which the action has been brought is in the alternative as follows:

- (i) The former non-executive directors and executive directors of ODM were in breach of their fiduciary duties and responsibilities when they instructed the trustees of the share incentive scheme to reduce the time period during which their options would vest from ten years to five years. The effect of these actions were to permit those directors to take up the full extent of the shares they were entitled to in terms of the share options granted to them. In so acting, the directors obtained a profit on the sale of such shares by illegal means and such profits should be repaid to the Company; and
- (ii) The former non-executive directors were not eligible for participation in the ODM share incentive scheme by virtue of the fact that the provisions of section 223 of the Companies Act were not complied with (i.e., approval from the shareholders was not obtained). The profit derived by the former non-executive directors accordingly was derived illegally and should be repaid to the Company.

The total amount of the claim against the former executive and non-executive directors collectively amounts to approximately R10,000,000. The defendants have previously filed exceptions to the summons on the basis that the summons does not disclose a cause of action. The legal advisors to the company are presently considering further amendments to the summons. It is expected, depending on the advice obtained from the company's legal advisors, that if the matter proceeds to trial it would be held towards the end of 2002.

- (b) On May 9, 2000, at an appeal hearing against the decision of the Executive Committee of the Securities Regulation Panel ("SRP") and in the ruling of "The Namco/ODM Parties acting in concert", the SRP upheld the appeal by Namco against the decision of the Executive Committee of October 14, 1999 that Namco and a third party consortium were acting in concert in respect of Namco's bid for ODM. In consequence, the decision of the Executive Director was restored, namely that the parties were not acting in concert. The decision by the Executive Director that the offer by Namco to shareholders of ODM should have been made at R8.60 per share instead of R8.25 per share was set aside and the SRP confirmed that the offer price of R8.25 per share was correct. If this decision is overturned or reversed and this case is not decided in Namco's favour, the maximum amount payable by Namco would be approximately US\$6,500,000.

The decision by the SRP is final. However, Trans Hex has launched an application before the South African courts for an order reviewing the decision of the SRP decision. This application is being opposed by Namco.

If Trans Hex is successful in its application for review, it is likely that the decision of a single judge will be subject to appeal to a full bench, and thereafter, subject to appeal to the Appellate Division of the High Court of South Africa. Accordingly, it is not envisaged that the matter will be resolved in the near future.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of Namco are Deloitte & Touche LLP, Suite 2000, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1P4.

Namco's two registrar and transfer agents are: (i) Computershare Trust Company of Canada at its principal office in each of the cities of Toronto, Ontario and Vancouver, British Columbia; and (ii) Transfer Secretaries (Pty) Limited, P.O. Box 2401, Windhoek, Namibia.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the Company within the past two years or which are proposed to be entered into:

1. the Agency Agreement referred to under "Plan of Distribution";
2. the Tranche 1 Special Securities Indenture referred to under "Plan of Distribution";
3. the Tranche 2 Special Securities Indenture referred to under "Plan of Distribution";
4. the Tranche 1 Convertible Debenture Indenture referred to under "Description of the Convertible Debentures and the Exchangeable Debentures";
5. the Tranche 2 Convertible Debenture Indenture referred to under "Description of the Convertible Debentures and the Exchangeable Debentures";
6. the Tranche 1 Warrant Indenture referred to under "Description of the Warrants";
7. the Tranche 2 Warrant Indenture referred to under "Description of the Warrants";
8. the Tranche 1 Special Broker Warrant Agreement referred to under "Description of the Tranche 1 Broker Warrants and the Tranche 2 Broker Warrants";
9. the Tranche 2 Special Broker Warrant Agreement referred to under "Description of the Tranche 1 Broker Warrants and the Tranche 2 Broker Warrants";
10. the Special Agent Warrant Agreement referred to under "Description of the Tranche 1 Broker Warrants and the Tranche 2 Broker Warrants";
11. the Leviev Investment Agreement referred to under "Recent Developments - Financing in 2001 - The Leviev Group Investment";
12. the LLD Marketing Agreement referred to under "Recent Developments - Financing in 2001 - The Leviev Group Investment - Marketing Agreement";
13. Warrant Certificate No. 1 referred to under "Recent Developments - Financing in 2001 - The Leviev Group Investment"; and
14. Warrant Certificate No. 2 referred to under "Recent Developments - Financing in 2001 - The Leviev Group Investment".

Copies of these agreements may be examined at the Toronto office of Torys⁹, counsel to Namco during normal business hours during the period of distribution of the securities qualified for distribution by this prospectus.

⁹ Torys, Suite 2700, P.O. Box 270, Maritime Life Tower, 79 Wellington Street West, Toronto-Dominion Centre, Toronto, Ontario, M5K 1N2.

INCOME TAX CONSIDERATIONS

On July 6, 1995 and July 12, 1995, respectively, Namco received letters from the United Kingdom Inland Revenue Commissioners and Revenue Canada (the predecessor of the Canada Customs and Revenue Agency) advising it that such revenue authorities had determined that Namco was a resident of the United Kingdom and not a resident of Canada for purposes of the Income Tax Convention between the United Kingdom and Canada (the “Convention”). The summaries of United Kingdom Taxation and Canadian Federal Income Tax Considerations that follow are based on such determination and the assumption that such determination continues to be in effect.

Holders of Common Shares, Warrants or Convertible Debentures qualified for distribution pursuant to this prospectus are advised to consult their own tax advisors as to the Canadian federal and provincial, United Kingdom, Gibraltar and other tax consequences.

UNITED KINGDOM TAX CONSIDERATIONS

In the opinion of Charles Russell, the following is, as of the date hereof, a fair summary of the principal United Kingdom tax considerations generally applicable to investors who acquire Common Shares, Convertible Debentures or Warrants pursuant to the Prospectus. This summary does not purport to address all United Kingdom tax consequences of the ownership of Common Shares, Convertible Debentures and Warrants. This summary is based on current United Kingdom tax law and practice, which are subject to change (or changes in interpretation) possibly with retroactive effect. This discussion does not address any aspect of United Kingdom taxation other than income and capital gains taxation.

Taxation of Investors Resident Outside the United Kingdom

There is no United Kingdom withholding tax applicable to the payment of dividends on the Common Shares where the recipient is resident outside the United Kingdom.

Payments of interest on the Convertible Debentures to a Convertible Debenture holder resident outside the United Kingdom are normally subject to withholding tax at the rate of 20%. However, this withholding tax does not apply where an exemption or reduced rate applies under a double tax convention whether the recipient is an individual or corporation (and in the case of a corporation, the Inland Revenue has accepted that double taxation relief applies and permits gross payment or the withholding of tax at the relevant reduced rates). Withholding tax on payments of interest on the Convertible Debentures will also not apply if, subject to certain restrictions, the recipient is a company liable for United Kingdom corporation tax on the interest receivable.

An investor who is not resident or ordinarily resident in the United Kingdom for tax purposes generally will not be within the charge to Capital Gains Tax in connection with any dealings with the Convertible Debentures, Warrants or Common Shares unless that investor carries on a trade in the United Kingdom through a branch or agency and the assets in question are used in or for the purposes of the trade or are used or held for the purposes of the branch or agency.

Taxation of Investors Resident in the United Kingdom

There is no United Kingdom withholding tax applicable to the payment of dividends on the Common Shares where the recipient is resident in the United Kingdom.

Payments of interest on the Convertible Debentures to holders resident in the United Kingdom is normally subject to withholding tax at the rate of 20%. However, withholding tax on payment of interest on Convertible Debentures will not apply if, subject to certain restrictions, the recipient beneficially entitled to the interest is a company resident in the United Kingdom, or a partnership, each member of which is a company resident in the United Kingdom.

Where an investor resident in the United Kingdom converts a Convertible Debenture, the conversion should be treated as a reorganization such that there would be no disposal of the Convertible Debenture at the time of conversion and the Common Shares that are acquired as a result of the conversion will be treated as having been acquired at the same time as the Convertible Debenture at a base cost equal to the acquisition cost of the Convertible Debenture plus any additional consideration paid on the conversion. The exercise of a Warrant by an investor resident in the United Kingdom would be treated as an acquisition of the Common Shares on the date of exercise for consideration paid for the Warrants plus the further consideration paid for the Common Shares on the exercise of Warrants. On the subsequent sale of the Common Shares an investor resident in the United Kingdom may be liable to Capital Gains Tax. Such an investor should note that there are special rules for identifying shares that are sold with shares acquired, and the computation of any gain may include allowances for gains attributable to inflation, namely indexation relief, and taper relief whereby the effective rate of Capital Gains Tax falls the longer the Common Shares are held, normally after three years of acquisition.

This summary is of a general nature only. It is not exhaustive of all United Kingdom income tax considerations and is not intended to be, and it should not be construed to be legal or tax advice to any particular investor. Accordingly the prospective investors must consult their own tax advisers with respect to their particular circumstances.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys, the following is, as of the date hereof, a fair summary of the principal Canadian federal income tax considerations generally applicable to investors who acquire Common Shares, Warrants or Convertible Debentures which were qualified for distribution pursuant to this Prospectus, who are not resident or deemed to be resident in Canada for the purposes of the *Income Tax Act* (Canada) (the “Act”) and to whom none of Common Shares, Warrants and Convertible Debentures will constitute taxable Canadian property (“Non-Canadian Investors”). The Common Shares, Warrants and Convertible Debentures will generally not be taxable Canadian property to an investor provided that (i) the investor does not use or hold such securities in connection with a business carried on in Canada and (ii) such securities are not “designated insurance property” within the meaning of the Act. **Investors are urged to consult their own tax advisers as to whether any of the Common Shares, Warrants or Convertible Debentures constitute “taxable Canadian property”.** This summary is based on the current provisions of the Act, the regulations thereunder, the current provisions of the Convention and counsel’s understanding of the current published administrative practices of the Canada Customs and Revenue Agency. In addition, this summary takes into account all proposed amendments to the Act and the regulations thereunder publicly announced by the Minister of Finance prior to the date hereof (the “Proposed Amendments”). No assurances can be given that any Proposed Amendment will be adopted. Except for the Proposed Amendments, this summary does not take into account or anticipate changes in law, whether by legislative, governmental or judicial action, or changes in the administrative practices of the Canada Customs and Revenue Agency. This summary does not take into account or consider any provincial, territorial or foreign income tax considerations.

Conversion or Disposition by Non-Canadian Investors

A Non-Canadian Investor generally will not be subject to tax under the Act on the conversion of Convertible Debentures, the exercise of Warrants or other dispositions of Common Shares, Warrants or Convertible Debentures.

Dividends Paid to Non-Canadian Investors

A Non-Canadian Investor generally will not be subject to tax under the Act on dividends paid on the Common Shares to such Non-Canadian Investor.

Interest Paid to Non-Canadian Investors

A Non-Canadian Investor generally will not be subject to tax under the Act on interest accruing, paid or payable on Convertible Debentures.

This summary is of a general nature only. It is not exhaustive of all Canadian federal income tax considerations and is not intended to be, and it should not be construed to be, legal or tax advice to any particular investor. Accordingly, prospective investors must consult their own tax advisors with respect to their particular circumstances.

GIBRALTAR TAX CONSIDERATIONS

Namco intends to exercise its rights under the Convertible Debenture Indentures to assign its obligations under the Convertible Debentures to Namco Gibraltar. Consequently, Convertible Debenture holders may become holders of Exchangeable Debentures issued by Namco Gibraltar, a Gibraltar corporation.

In the opinion of Denton Wilde Sapte, the following is, as of the date hereof, a fair summary of the principal Gibraltar tax considerations generally applicable to investors who acquire and hold Exchangeable Debentures.

This summary does not purport to address all Gibraltar tax consequences of the ownership of Exchangeable Debentures. This summary is based on current Gibraltar tax law and practice, which are subject to change (or changes in interpretation) possibly with retroactive effect.

Namco Gibraltar has qualifying status under the Income Tax (Qualifying Companies) Rules of Gibraltar. Under those Rules a Gibraltarian or resident of Gibraltar would not be entitled to hold Exchangeable Debentures in Namco Gibraltar.

Interest Paid to a Non-Resident of Gibraltar

Under the Income Tax Ordinance of Gibraltar, Namco Gibraltar is required to deduct withholding tax at the rate of tax specified in its qualifying certificate from payments of interest to non-resident persons.

Under the Income Tax (Allowances, Deductions and Exemptions) Rules of Gibraltar, any interest received by a non-resident person on a loan, bond or debenture owed by a qualifying company, such as Namco Gibraltar, to that non-resident person is exempt from Gibraltar tax. Consequently, a non-resident investor could recover from the Commissioner of Income Tax of Gibraltar withholding tax deducted from interest paid to the non-resident investor on the Exchangeable Debentures.

Namco Gibraltar could make an application to the Commissioner of Income Tax of Gibraltar for an exemption from the requirement to deduct withholding tax from interest payments. If Namco Gibraltar obtains such an exemption, withholding tax would not be applied to payments of interest to holders of Exchangeable Debentures.

Exchanges or Other Dispositions

An exchange of an Exchangeable Debenture for Common Shares or other disposition of an Exchangeable Debenture by a non-resident investor will not result in a tax liability for the non-resident investor under the laws of Gibraltar.

This summary of the principal Gibraltar tax considerations generally applicable to investors who acquire Exchangeable Debentures is based on the current provisions of the Income Tax Ordinance, Income Tax (Qualifying Companies) Rules and the Income Tax (Allowances, Deductions and Exemptions) Rules of Gibraltar and our understanding of the current practices of the Commissioner of Income Tax. In addition, this summary takes into account all proposed amendments to the applicable legislation. This summary does not otherwise take into account or anticipate changes in law, whether by legislative, governmental or judicial action or changes in the administrative practices of the Commissioner of Income Tax. This summary does not take into account or consider any foreign income tax considerations.

This summary is of a general nature only. It is not exhaustive of all Gibraltar income tax considerations and is not intended to be, and it should not be construed to be legal or tax advice to any particular investor. Accordingly the prospective investors must consult their own tax advisers with respect to their particular circumstances.

EXPERTS

OPINIONS

Certain legal matters relating to the Common Shares, Warrants and Convertible Debentures offered by this prospectus will be passed upon at the date of closing on behalf of Namco by Torys, Charles Russell and Denton Wilde Sapte.

Marine & Coastal prepared the Marine & Coastal Technical Report which is referred to in the section entitled "Narrative Description of the Industry and Business".

INTEREST OF EXPERTS

As of June 18, 2001, the partners and associates of Torys, Charles Russell, Denton Wilde Sapte and Marine & Coastal, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of Namco or its associates and affiliates.

ENFORCEMENT OF CERTAIN CIVIL LIABILITIES

Namco is incorporated under the *Business Corporations Act* (Yukon). A substantial portion of Namco's assets are located outside of the United States and most of its directors and officers,

as well as the experts named in this prospectus, are residents of jurisdictions outside of the United States. As a result, it may be difficult for investors to effect service within the United States upon Namco or those directors, officers and experts who are not residents of the United States, or to realize in the United States upon judgments of courts of the United States predicated upon the civil liability provisions of the United States federal securities laws.

Namco has been advised by Torys that there is some doubt as to the enforceability in Canada by a court in original actions, or in actions to enforce judgments of United States courts, of civil liabilities predicated upon United States federal securities laws.

PURCHASERS' STATUTORY RIGHTS OF RESCISSION

The securities legislation in the Provinces of Ontario and British Columbia (the "Securities Laws") provides a purchaser resident in Ontario or British Columbia (the "Purchaser") with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the Purchaser, provided that the remedies for rescission or damages are exercised by the Purchaser within the time limit prescribed by the Securities Laws. The Purchaser should refer to any applicable provisions of the Securities Laws for the particulars of these rights or consult with a legal adviser.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that the Purchaser of Special Securities, who acquires a Common Share, Convertible Debenture and/or Warrant of Namco upon the exercise of a Tranche 1 Special Warrant or a Special Note, as the case may be, as provided for in this prospectus, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this prospectus or any amendment thereto containing a misrepresentation, such Purchaser shall be entitled to rescission not only of the holder's exercise of its Special Securities but also of the private placement transaction pursuant to which the Special Securities were initially acquired, and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Agent or Namco, as the case may be, on the acquisition of the Special Securities. In the event such Purchaser is a permitted assignee of the interest of the original Special Securities subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if such permitted assignee was such original subscriber. The foregoing is in addition to any other right or remedy available to a holder of the Special Securities under section 131 of the *Securities Act* (British Columbia), section 130 of the *Securities Act* (Ontario) or otherwise at law.

Auditors' Report

To the Directors of Namibian Minerals Corporation

We have audited the consolidated balance sheets of Namibian Minerals Corporation as at December 31, 2000 and 1999 and the related consolidated statements of operations and retained earnings (deficit) and cash flows for each of the years in the two year period ended December 31, 2000 and 1999, for the seven months ended December 31, 1998 and the year ended May 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

With respect to the consolidated financial statements for the year ended December 31, 2000, we conducted our audit in accordance with Canadian generally accepted auditing standards and United States generally accepted auditing standards. With respects to the consolidated financial statements for the year ended December 31, 1999, the seven month ended December 31, 1998 and the year ended May 31, 1998, we conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2000, and 1999, for the seven months ended December 31, 1998 and the year ended May 31, 1998 in accordance with Canadian generally accepted accounting principles.

(Signed) Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
Vancouver, Canada
18 May 2001 (except for Note 21(c), for which the date is 19 June 2001)

Comments by Auditor on Canada – United States Reporting Differences

United States reporting for auditors require the addition of an explanatory paragraph for the following:

- (i) when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Notes 1 and 21 to the financial statements.
- (ii) when the financial statements reflect a change in accounting policy, such as described in Note 3 (p) for future income taxes. The adoption of this policy had the effect of increasing the future income tax liability on the acquisition of Ocean Diamond Mining Holdings Limited by \$12,700,000 with a corresponding increase in goodwill.
- (iii) When the financial statements reflect a significant subsequent event, such as described in Note 21 to the financial statements.

Although we conducted our audits in accordance with both Canadian generally accepted auditing standards and United States generally accepted auditing standards, our report dated 18 May 2001 (except for Note 21 (c), for which the date is 19 June 2001) is expressed in accordance with Canadian reporting standards which do not permit a reference to such conditions and events in the auditors' report when these are adequately disclosed in the financial statements.

(Signed) Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
Vancouver, Canada
18 May 2001 (except for Note 21(c), for which the date is 19 June 2001)

Namibian Minerals Corporation
Consolidated Balance Sheets
United States Dollars

Statement 1

		As at 31 December 2000 \$000	As at 31 December 1999 \$000
ASSETS			
Current	Cash – <i>Statement 3</i>	4,394	20,033
	Accounts receivable	1,207	1,196
	Prepayments	231	530
	Inventories (<i>Note 4</i>)	6,075	5,279
	Marketable securities (<i>Note 5</i>)	51	97
		<u>11,958</u>	<u>27,135</u>
	Exploration and development costs (<i>Note 6</i>)	15,450	14,098
	Capital assets, net of amortization (<i>Note 7</i>)	109,440	71,926
	Deferred costs (<i>Note 8</i>)	703	718
	Goodwill (<i>Note 9</i>)	33,098	33,449
	Other assets	274	308
		<u>170,923</u>	<u>147,634</u>
LIABILITIES			
Current	Accounts payable and accrued liabilities	12,097	8,624
	Bank overdraft	1,171	-
	Advance receipt on inventory sales	4,250	-
	Current portion of long term debt (<i>Note 10</i>)	16,535	16,833
		<u>34,053</u>	<u>25,457</u>
	Future income taxes (<i>Note 12</i>)	14,715	14,900
	Long term debt (<i>Note 10</i>)	37,710	14,228
		<u>86,478</u>	<u>54,585</u>
	Non controlling interest (<i>Note 14</i>)	400	1,300
SHAREHOLDERS' EQUITY			
	Share capital (<i>Note 11a</i>)	90,169	83,802
	Warrants (<i>Note 8</i>)	406	500
	Exchangeable debentures (<i>Note 11b</i>)	1,550	4,615
	Contributed surplus	459	459
	Cumulative foreign exchange adjustment	(13,637)	(3,124)
	Retained earnings - <i>Statement 2</i>	5,098	5,497
		<u>84,045</u>	<u>91,749</u>
		<u>170,923</u>	<u>147,634</u>

Continuing Operations (*Note 1*)
Contingency (*Note 20*)

ON BEHALF OF THE BOARD:

(Signed) J A Holberton

J.A. HOLBERTON
Chairman, Chief Executive
Officer and Director

(Signed) J C F Purdy

J.C.F. PURDY
Chief Financial Officer
and Director

19 June 2001

Namibian Minerals Corporation
Consolidated Statements of Operations and Retained Earnings (Deficit)
United States Dollars

Statement 2

		For the 12 months ended 31 December 2000 \$000	For the 12 months ended 31 December 1999 \$000	For the 7 months ended 31 December 1998 \$000	For the 12 months ended 31 May 1998 \$000
Income	Revenue from diamond sales	41,769	42,808	12,984	-
	Interest earned	789	632	111	688
	Gain on marketable securities	30	354	128	372
		<u>42,588</u>	<u>43,794</u>	<u>13,223</u>	<u>1,060</u>
Expenses	Direct production costs	22,149	13,717	4,351	-
	Royalty payment	3,308	3,732	1,264	-
	Marketing costs	976	866	324	-
	General office costs, including salaries	4,755	3,762	1,980	3,892
	General exploration and development costs	-	-	-	3,254
	Write-down of marketable securities	45	-	350	-
	Amortization - capital assets	5,778	3,665	1,807	959
	- exploration and development costs	428	-	-	-
	- deferred costs	477	60	-	-
	Interest paid - long term debt	1,924	460	32	22
	- other	240	138	-	-
		<u>(40,080)</u>	<u>(26,400)</u>	<u>(10,108)</u>	<u>(8,127)</u>
Earnings (loss) for the period before taxes and goodwill		2,508	17,394	3,115	(7,067)
	Recovery of income taxes	900	-	-	-
Earnings (loss) for the period before goodwill		3,408	17,394	3,115	(7,067)
	Goodwill amortization	<u>(2,401)</u>	<u>(256)</u>	<u>(7)</u>	<u>(12)</u>
Earnings (loss) for the period		1,007	17,138	3,108	(7,079)
	Retained earnings (deficit) – beginning of period	5,497	(10,607)	(13,576)	(6,377)
	Accretion on equity component of exchangeable debenture (net of tax)	-	(276)	(139)	(120)
	Dividend	(1,406)	(758)	-	-
Retained earnings (deficit) – end of period		<u>5,098</u>	<u>5,497</u>	<u>(10,607)</u>	<u>(13,576)</u>
		\$	\$	\$	\$
Basic earnings (loss) per share for the period before goodwill		0.07	0.43	0.08	(0.19)
Basic earnings (loss) per share for the period after goodwill		0.02	0.43	0.08	(0.19)
Fully diluted earnings (loss) per share for the period		0.02	0.40	0.08	(0.19)
Dividend per share		0.03	0.02	-	-
Weighted average number of shares outstanding					
In thousands		46,842	40,233	37,850	37,690

Namibian Minerals Corporation
Consolidated Statements of Cash Flows
United States Dollars

Statement 3

		For the 12 months ended 31 December 2000 \$000	For the 12 months ended 31 December 1999 \$000	For the 7 months ended 31 December 1998 \$000	For the 12 months ended 31 May 1998 \$000
Cash resources provided by (used in)					
Operating activities	Earnings (loss) for the period	1,007	17,138	3,108	(7,079)
	Items not affecting cash				
	Amortization - capital assets	5,778	3,665	1,807	959
	- goodwill	2,401	256	7	12
	- exploration and development costs	428	-	-	-
	- deferred costs	477	60	-	-
	Issue of share capital not for cash	-	-	-	180
	Writedown of marketable securities	45	-	350	-
	Gain on sale of marketable securities	(30)	(354)	(128)	(372)
	Income tax recovery	(900)	-	-	-
	Changes in non-cash working capital (Note 15)	6,740	1,942	(4,862)	4,007
	Net cash provided by (used in) operating activities	15,946	22,707	282	(2,293)
Investing activities	Exploration and development costs	(1,780)	(1,885)	750	(9,851)
	Capital assets	(49,989)	(14,304)	(933)	(11,846)
	Marketable securities	30	413	128	1,382
	Acquisition of ODM (Note 13)	(2,623)	(31,630)	-	-
	Net cash used in investing activities	(54,362)	(47,406)	(55)	(20,315)
Financing activities	Share capital	1,946	10,812	23	13,187
	Bank overdraft	1,171	-	-	-
	Exchangeable debentures	-	-	-	5,000
	Long term debt	21,921	31,061	-	-
	Exchangeable debentures repayment	-	(280)	(255)	-
	Dividend payment	(1,406)	(758)	-	-
	Financing costs paid	(112)	-	-	-
	Net cash provided by (used in) financing activities	23,520	40,835	(232)	18,187
Net increase (decrease) in cash		(14,896)	16,136	(5)	(4,421)
	Effect of foreign exchange movement on cash balances	(743)	-	-	-
	Cash position – beginning of period	20,033	3,897	3,902	8,323
Cash position – end of period		4,394	20,033	3,897	3,902

Supplemental cash flow information (Note 15)

During the period the Company issued 1,089,524 (1999: 85,550) common shares on the redemption of \$3,065,000 (1999: \$385,000) 6% exchangeable debentures (*note 11 (b)*), 90,578 (1999: nil) common shares by way of satisfaction of the interest payable on the 6% exchangeable debentures (*note 11(b)*), and 400,000 (1999: nil) common shares for a deemed value of \$2,044,000 and cash received of \$1,600,000 upon exercise of warrants issued in conjunction with the IBM loan (*note 11(e)*).

During the period to 31 December 1999 the Company acquired 92.5% of Ocean Diamond Mining Holdings Limited (“ODM”) by issuing 1,650,000 common shares at a deemed value of \$5,363,000, 3,354,340 shares at a deemed value of \$13,407,000 and payment of cash (net of cash acquired of \$9,050,000) of \$31,630,000. In the period to 31 December 2000, the Company increased the interest in ODM to 97.7% by issuing 228,104 common shares at a deemed value of \$4 per share, and payment of cash of \$2,623,000 (*Note 13*).

31 December 2000
United States Dollars

1. Continuing operations

The Company, through its subsidiaries, is engaged principally in marine diamond exploration and mining off the coast of Namibia and marine diamond exploration off the coast of South Africa.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from carrying values as shown in these financial statements should the Company be unable to continue as a going concern. In the fourth quarter of 2000, the Company had negative working capital. Subsequent to 31 December, 2000, the Company's NamSSol mining tool was damaged and together with delays in commissioning the second generation mining tool Nam 2, the Company's financial position and liquidity deteriorated, as disclosed in Note 21.

As a result, the Company placed six of its South African subsidiaries and three of its Namibian subsidiaries into provisional liquidation in February 2001. The Namibian subsidiaries were released from provisional liquidation on 7 May, 2000. The Company has raised, net of expenses, approximately \$24,400,000 in the subsequent period. However, it should be noted that as at 31 December 2000 the Company has a working capital deficiency of \$22,095,000 and long term debt outstanding at \$37,710,000.

The Company's ability to meet its obligations and maintain its operations is contingent upon a combination of the following factors: i) regaining profitable operations, ii) the continuing support of its banks and the successful rescheduling of its debt repayments, iii) continuance of vessel charters and iv) the successful reversal from provisional liquidation of those subsidiaries that remain in provisional liquidation. The Company may also need to raise further additional funds. These factors create significant doubt as to the Company continuing as a going concern.

See Note 21 for the discussion of these events and management plans.

2. Directors

The directors of the Company at the end of the period and as of the date of signing the consolidated balance sheet are as follows:

J. A. Holberton
J. C. F. Purdy
A. E. Buxton
H.L. Beck
C. Civelli
L. Geingos
Y. Surtee

31 December 2000
United States Dollars

3. Significant accounting policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which, in the case of the Company, conform in all material respects with accounting principles generally accepted in the United States of America ("U.S. GAAP"), except as explained in Note 19.

These consolidated financial statements have been prepared in United States Dollars, the Company's functional currency.

In 1998, the Company changed the reporting period from 31 May to 31 December.

The significant accounting policies used in these Consolidated Financial Statements are as follows:

a) Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries ("the Group"). The principal subsidiaries (wholly owned unless indicated otherwise) are as follows:

- Namco B.V., Netherlands
- Namco Mark II Limited, United Kingdom
- Namco Services Limited, United Kingdom
- Namco (UK) Limited, United Kingdom
- Namibian Minerals Corporation Limited, Gibraltar
- Namco (Gibraltar) Limited, Gibraltar
- Island Diamonds Limited, Namibia (97.7%)
- Namco Namibia (Pty.) Limited, Namibia
- Ocean Diamond Mining of Namibia (Pty.) Ltd, Namibia (97.7%)
- NMS Management Services (Pty.) Limited, Namibia
- Inshore Diamond Mining (Pty.) Limited, South Africa (97.7%)
- Namco Project Management (Pty.) Ltd, South Africa
- Namco (Pty) Ltd, South Africa
- Namco Exploration South Africa (Pty.) Ltd
- Namco South Africa (Pty.) Limited, South Africa
- N.D. Charterers (Pty.) Ltd, South Africa
- Ocean Diamond Mining Southern Africa Limited, South Africa (97.7%)
- Pinette Investments (Pty.) Limited, South Africa

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

31 December 2000
United States Dollars

3. Significant accounting policies *(continued)*

c) Cash

Cash includes short term money market instruments with terms to maturity at the date of issue not exceeding ninety days.

d) Inventories

Inventories are valued at the lower of cost and net realisable value. Diamond inventory is costed at the average cost of production and supplies inventory is costed at actual cost on a first in first out basis.

e) Marketable securities

Marketable securities are carried at the lower of cost or market value.

f) Exploration and development costs

The Group is mining two of its mineral properties and is in the process of exploring its other mineral properties (as detailed in note 6).

Exploration and development costs are capitalized on an individual prospect basis until such time as an economic reserve is defined and mining is commenced or the mineral property abandoned.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically viable resource and the ability of the Company to obtain the necessary financing to complete their developments.

Capitalized costs are amortized subsequent to commercial production on a unit-of-production basis over the estimated resources. The unit-of-production is carats mined.

Mining Licences acquired are capitalized at cost and are amortized over the lesser of the remaining life of the mining license or fifteen years.

Management regularly reviews the carrying value of producing mineral properties for impairment in value, utilizing discounted estimates of future cash flows. Any resulting writedowns are charged to earnings.

g) Goodwill

Goodwill arising on acquisitions is amortized on the straight-line basis over fifteen years. Management regularly reviews the carrying value of goodwill for impairment in value utilizing discounted estimates of future cash flows. Any resulting write downs are charged to earnings.

31 December 2000
United States Dollars

**3. Significant accounting
Policies (continued)**

h) Exchangeable debentures

The fair value of the exchangeable debentures is estimated using discounted cash flow analysis based on borrowing rates currently available for similar terms and maturities. The exchangeable debentures have been segregated into their debt and equity components. The financial liability component, representing the present value of the future interest payments is included in long term debt. The remaining component, representing the value ascribed to both the holders' option to convert the principal balance into common shares and the Company's right to pay the principal amount of the instrument into common shares, is classified in shareholders' equity as equity component of exchangeable debentures. These components are measured at their respective fair values at the dates the exchangeable debentures were originally issued.

The current fair value of the debt component approximates its fair value due to the short-term maturity and the market interest rate.

i) Fair value of financial instruments

The Company believes based upon current information that the carrying value of the Company's cash, accounts receivable and accounts payable and accrued liabilities approximates fair value. The estimated fair values of debt and derivative instruments, except as described in note 10, which approximate carrying value, are estimated by discounting cash flows using current market rates available for debt or derivative instruments with similar terms and maturity.

Cash Flow Risk

The Company is subject to interest rate cash flow risk on its long-term debt since a significant portion of these liabilities bear interest at floating rates.

Financial Risk

Financial risk is the risk arising from changes in interest rates and foreign currency exchange rates. The Company does not use any derivative instruments to reduce its exposure to fluctuations in interest rates and foreign currency exchange rates.

j) Foreign currency translation

Financial statements of the Company's foreign operations are translated using the current rate method. Adjustments arising from this translation are deferred and recorded under a separate caption of Shareholders' Equity and are included in income only when a reduction in the investment in these foreign operations is realized.

31 December 2000
United States Dollars

3. Significant accounting policies (continued)

k) Revenue recognition

Revenue is recognized when payment from customers is reasonably assured. Diamonds are released only on third party confirmation of payment being made.

l) General exploration costs

General exploration costs incurred when investigating for properties outside the Group's area of interest are written off until a resource property interest is acquired.

m) Amortization

The Group provides for amortization on the following basis:

Buildings	- straight-line over 40 years
Furniture & office equipment	- straight-line over 3 to 6 years
Leasehold improvements	- straight-line over 5 to 10 years
Mineral properties	- unit-of production basis over the estimated reserves
Motor vehicles	- straight-line over 3 to 5 years
Plant & machinery	- straight-line over 1 to 10 years
Vessels	- straight-line over 10 years

Capital assets are recorded at cost.

n) Earnings (loss) per share

Earnings (loss) per common share is computed on the basis of the weighted average number of shares outstanding.

o) Stock based compensation plans

The Company has one stock-based compensation plan, which is described in Note 11(c). No compensation expense is recognised for these plans when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital. If stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock option cancelled is charged to retained earnings.

p) Income taxes

The Company has adopted the recommendations of the Canadian Institute of Chartered Accountants concerning accounting for income taxes. The retroactive application of this new accounting policy has increased the deferred tax liability on the acquisition of Ocean Diamond Mining Holdings Limited by \$12,700,000 with a corresponding increase in goodwill.

31 December 2000
United States Dollars

3. Significant accounting policies (continued)

p) Income taxes (continued)

The adoption of the new standards changes the Company's focus when accounting for income taxes from a statement of earnings to a balance sheet approach. Previously, the Company recorded deferred income taxes based on timing differences in the recognition of income and expense for tax and financial reporting purposes. The new standards require the recognition of future income taxes for the expected future tax consequences between the carrying amount of balance sheet items and their corresponding tax values.

The new standards also require the Company to compute future income taxes using the enacted corporate income tax rates for the years in which the differences will reverse. Previously, deferred increase tax balances reflected the rates in effect when the differences arose.

4. Inventories

	As at 31 December 2000	As at 31 December 1999
	\$000	\$000
Diamonds	2,400	2,400
Supplies	3,675	2,879
	<u>6,075</u>	<u>5,279</u>

5. Marketable securities

The mid-market quoted value of the marketable securities as at 31 December 2000 was \$51,000 (31 December 1999: \$97,000)

Namibian Minerals Corporation
Notes to the Consolidated Financial Statements

31 December 2000
United States Dollars

6. Exploration and development costs

(a) Namibia and South Africa

The Group holds the rights as specified on the following off-shore mineral properties:

Concession/Grant	Description	Type of License	Group interest in Concession/Grant
Mining Licences – Namibia			
14/2/3/2/36A-J (inclusive)	Mining Licence 36	Diamond mining rights	100%
14/2/3/2/51	Mining Licence 51	Diamond mining rights	100%
14/2/3/2/103A	Mining Licence 103A	Diamond mining rights	100%
Prospecting Licences – Namibia			
14/2/1/4/2/2027A-I (inclusive)	2027 Grant	Diamond prospecting rights	100%
14/2/1/4/2/1946	Luderitz Bay Grant	Diamond prospecting rights	100%
14/2/1/4/2/1950	Hottentot Bay Grant	Diamond and phosphorite prospecting rights	100%
14/2/1/4/2/2002	2002 Grant	Diamond and phosphorite prospecting rights	100%
14/2/1/4/2/2490	Block A	Diamond prospecting rights	65%
14/2/1/4/2/2501	Block L	Diamond prospecting rights	50%
14/2/1/4/2/2469-73 (inclusive)	Skeleton Grants	Diamond prospecting rights	100%
14/2/1/4/2/2474	Conception Grant	Diamond prospecting rights	100%
Prospecting Licences – South Africa			
6c	6c Concession	Precious stones prospecting rights	51%
7b	7b Concession	Precious stones prospecting rights	100%
12b	12b Concession	Precious stones prospecting rights	100%
14c	14c Concession	Precious stones prospecting rights	51%

At the time of issuance by the government, no cost is associated with the licenses. Once revenue is earned from those licenses, a royalty payment is made to the government based on a percentage of revenue.

In the period, mining took place in Mining Licenses 36, 51 and 103A. Exploration of all areas is on-going. In 2000, the Group introduced a full time exploration vessel.

Exploration and development costs in the period can be analysed as follows:

	For the 12 months ended 31 December 2000 \$000	For the 12 months ended 31 December 1999 \$000	For the 7 months ended 31 December 1998 \$000	For the 12 months ended 31 May 1998 \$000
Survey	300	200	-	-
Bulk sampling	560	1,300	-	-
Pre-production costs	-	-	(1,000)	9,976
General operating costs	920	385	250	710
Write off of 12d Concession	(428)	-	-	-
Sale of pre-production stock	-	-	-	(835)
Transfer to capital assets	-	-	(15,619)	-
	<u>1,352</u>	<u>1,885</u>	<u>(16,369)</u>	<u>9,851</u>
Balance – beginning of period	14,098	12,213	28,582	18,731
Balance – end of period	15,450	14,098	12,213	28,582

Namibian Minerals Corporation
Notes to the Consolidated Financial Statements

31 December 2000
United States Dollars

6. Exploration and development costs
(continued)

As at 31 December 1998, there was a transfer from the Luderitz Bay Grant to capital assets of \$15,619,000 which related to mining license 51.

Exploration and development costs to date are allocated between grants and concessions as follows:

	As at 31 December 2000 \$000	As at 31 December 1999 \$000
Luderitz Bay	2,665	2,105
Mining License 103A	8,605	8,305
2002	728	458
Block L	105	105
12b	3,347	2,697
12d Concession	-	428
	15,450	14,098

7. Capital assets

The major categories of capital assets and related accumulated amortization are as follows:

	Cost \$000	Accumulated Amortization \$000	As at 31 December 2000 Net Book Value \$000	As at 31 December 1999 Net Book Value \$000
Furniture & office equipment	2,701	1,065	1,636	1,004
Land & buildings	1,591	103	1,488	1,801
Leasehold improvements	528	168	360	447
Mineral properties (Note 6)	41,309	4,487	36,822	36,488
Motor vehicles	283	195	88	83
Plant & machinery	65,807	5,038	60,769	22,103
Vessels	11,904	3,627	8,277	10,000
	124,123	14,683	109,440	71,926

Included in plant and machinery are assets under construction of \$ nil (1999: \$6,872,000). The Company at 31 December 2000 had commitments totaling \$1,590,000 (1999:\$8,120,000) for additional plant and machinery.

Namibian Minerals Corporation
Notes to the Consolidated Financial Statements

31 December 2000
United States Dollars

8. Deferred Costs

Deferred costs are as follows:

	As at 31 December 2000 \$000	As at 31 December 1999 \$000
Deferred financing fees	633	460
Exchangeable debentures	<u>70</u>	<u>258</u>
	<u>703</u>	<u>718</u>

Deferred financing fees arise from the issuance of warrants on the draw down of a loan (see Note 11e). A value of \$350,000 (1999: \$500,000) has been attributed to the warrants issued in the period. On exercise of part of the warrants, issued in 1999, an amount of \$444,000 was transferred to share capital. The financing fee for the IBM and KBC Bank NV loan is being amortized over three years.

The exchangeable debentures charge arose from the extension of the exercise period of the debenture to 4 December 2001 and is being amortized over one year.

9. Goodwill

	As at 31 December 2000 \$000	As at 31 December 1999 \$000
Goodwill	35,814	33,764
Less: accumulated amortization	<u>(2,716)</u>	<u>(315)</u>
	<u>33,098</u>	<u>33,449</u>

31 December 2000
United States Dollars

10. Long term debt

	As at 31 December 2000 \$000	As at 31 December 1999 \$000
Financing agreement with Investec Bank (Mauritius) Limited less: current portion	8,571 (8,571) <u>-</u>	25,000 (16,429) <u>8,571</u>
Financing agreement with HSBC Equator Bank plc and others less: current portion	23,589 (4,464) <u>19,125</u>	5,376 (404) <u>4,972</u>
Financing agreement with IBM and KBC Bank NV Less current portion	21,500 (3,500) <u>18,000</u>	- - <u>-</u>
Other long term debt	<u>585</u>	<u>685</u>
Total long term debt less: current portion Long term debt	54,245 (16,535) <u>37,710</u>	31,061 (16,833) <u>14,228</u>

Investec Bank (Mauritius) Limited ("IBM") has supplied a loan to finance the purchase of shares in ODM (See Note 13). The IBM loan is subject to an interest rate margin of 3.85% on the six month British Bankers Association settlement rate. The interest rate at 31 December 2000 was 10.55%(1999: 9.99%). The IBM loan is secured by the ODM shares and guaranteed by the Company. The loan is repayable by October 2001.

HSBC Equator Bank plc and others ("HSBC") have supplied loan financing for up to \$25,000,000 for the building of the second mining system. The amount was drawn down over the construction and commissioning phase of the project. Interest rate on 85% of the loan is fixed at 6.75% per annum. Interest on the remaining 15% is at the one month London inter bank offered rate plus 1.75%. The interest rate at 31 December 2000 was 8.31% (1999: 7.9%). Repayment of 15% of the loan is by October 2001. Repayment of the other 85% is over five years in ten equal semi-annual installments commencing six months after the completion of commissioning. The HSBC loan is secured on the assets of the second mining system and is guaranteed by the Company.

IBM and KBC Bank NV ("KBC") have supplied loan financing for \$21,500,000 for the capital expenditure program of ODM. The KBC loan is subject to an interest rate margin of 2.95% on the applicable London inter-bank offered rate. The rate at 31 December 2000 was 9.61%. The KBC loan is secured by the ODM shares, and by mortgages on the vessels owned by the ODM Group and guaranteed by the Company. The loan is repayable by March 2003, with \$3,500,000 being repayable in 2001, \$12,000,000 being repayable in 2002 and the remaining balance at the end of the loan.

31 December 2000
United States Dollars

10. Long term debt (continued)

The Company estimates the fair value of the fixed rate portion of the HSBC loan using discounted cash flows assuming a borrowing rate equal to the variable rate portion of the loan equal to the one month LIBOR rate plus 1.75%.

	As at 31 December 2000	As at 31 December 1999
	\$000	\$000
Carrying value	21,250	4,570
Fair Value	20,436	4,440

The fair value of the remaining long-term debt is estimated to approximate its fair value at 31 December, 2000 and 1999.

11. Share capital

a) Details are as follows:

	Issued and Fully Paid	Amount \$000
Balance at 31 May 1997	33,618,476	40,444
Public offer and private placement (i)	3,930,000	12,942
Exercise of options	247,034	245
Agents commission (b)	48,000	180
Balance at 31 May 1998	37,843,510	53,811
Exercise of options	25,000	23
Balance at 31 December 1998	37,868,510	53,834
Employee share bonus and purchase plan	9,900	3
Exercise of options	37,166	73
Exercise of exchangeable debenture	85,550	385
Issuance of shares for subsidiary (Note 13)	5,004,340	18,770
Private placement (ii)	2,721,852	10,737
Balance at 31 December 1999	45,727,318	83,802
Employee share bonus and purchase plan	3,200	1
Exercise of options	63,375	189
Exercise of exchangeable debentures	447,776	2,015
Redemption of exchangeable debenture	732,326	1,206
Issuance of shares for a subsidiary (Note 13)	228,104	912
Warrants	400,000	2,044
Balance at 31 December 2000	47,602,099	90,169

The authorized share capital of the Company is an unlimited number of common shares of no par value.

31 December 2000
United States Dollars

11. Share capital (continued)

- (i) An international public offering and a private placement in Namibia of 3,930,000 common shares at a price of \$3.82 per share was completed in September 1997. Gross proceeds were \$15,013,000 (costs of placement were \$2,071,000).
- (ii) A private placement of 2,721,852 common shares at a price of \$4.05 per share was completed in October 1999. Gross proceeds were \$11,024,000 (costs of placement were \$287,000).

b) 6% Exchangeable Debentures

The Company completed on 4 December 1997 through a wholly owned subsidiary, Namco (Gibraltar) Limited, the private placement of \$5,000,000 of 6% Exchangeable Subordinated Debentures, maturity date 4 December 1999. In the prior period, the redemption date of the 6% Exchangeable Subordinated Debentures was extended to 4 December 2000. All other terms remained the same. In the current period, the redemption date, the conversion price and the interest rate on the Exchangeable Debentures were changed to 4 December 2001, \$2.00 (from \$4.50) and 8% respectively. All other terms remain the same.

The debentures are exchangeable at the option of the debenture holder into common shares of the Company at the conversion price of \$2 to 4 December 2001. The Company can redeem the debentures in the period after 4 December 1998 at par plus accrued and unpaid interest only if the weighted average price at which the common shares have traded on NASDAQ during 30 consecutive trading days, ending not more than five days prior to the giving of notice of redemption, is at least \$6.50. The Company may satisfy the obligation to pay the principal amount of the debentures on redemption or at the maturity date by issuing common shares at a conversion price of 95% of the weighted average price of the common shares on NASDAQ for 30 consecutive trading days ending not more than five days prior to redemption or maturity. The Company may, at its own discretion, satisfy the obligation to pay the interest amount on the debentures in cash or by issuing common shares at a conversion price of the weighted average price of the common shares on NASDAQ for 30 consecutive trading days ending not more than five days prior to the payment date. The agent's fee payable was 6% of the principal amount of the debentures, settled by the issuance of 48,000 common shares at a conversion price of \$3.75 per common share and \$120,000 in cash.

In the period, 447,776 shares were issued on the exercise of \$2,015,000 of the debentures and 641,748 shares were issued on the redemption of \$1,050,000 of the debentures. The interest paid in December 2000 was satisfied by the issue of 90,578 shares.

31 December 2000
United States Dollars

11. Share capital (continued)

To the date of the balance sheet \$3,450,000 of the debentures have been converted with the issuance of 1,175,074 shares.

The remaining equity component \$1,550,000 (31 December 1999: \$4,615,000) represents the value ascribed to both the holders option to convert the principal into common shares and the Company's right to pay the principal amount of the debentures in cash or common shares.

Interest expense is determined by applying a discount rate of 8% against the outstanding liability component. The equity component of the debentures, represented by the Company's right to pay in common shares, is being accreted to the maturity value through periodic charges to retained earnings, net of tax. The accretion on this equity component net of taxes in the period was nil (31 December 1999 : \$276,000; 31 December 1998: \$139,000; 31 May 1998: \$120,000). Taxes for the period were nil (31 December 1999 : \$54,000; 31 December 1998 : \$62,000; 31 May 1998 \$52,000).

c) Options granted and outstanding:

The Company has one fixed stock option plan. Under the Employee Stock Option Plan, the Company may grant options to its eligible employees for up to 4,200,000 shares of common stock. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is 10 years. Options are granted at the Directors' discretion in accordance with the specific terms of the stock option agreement entered into between the Company and the eligible employee.

A summary of the status of the Company's fixed stock option plan as of 31 December 2000 is presented below:

No. of options outstanding 2000	Exercise price \$	Expiry date	Exercisable at 31 December 2000
100,000	2.48	26.01.2001	100,000
125,000	3.73	02.04.2001	125,000
72,000	2.50	20.05.2001	72,000
78,500	2.92	04.06.2001	78,500
100,000	2.50	19.11.2001	100,000
35,000	2.00	26.01.2002	35,000
2,419,625	2.75	04.03.2004	1,506,950
20,000	3.20	11.05.2004	12,500
200,000	3.25	27.05.2004	125,000
20,000	3.60	07.07.2004	12,500
100,000	3.90	03.08.2004	62,500
50,000	4.60	05.09.2004	31,250
10,000	4.00	08.03.2005	5,000
5,000	3.88	18.05.2005	2,500
107,500	2.35	08.08.2005	53,750
20,000	2.75	19.11.2005	10,000
<u>3,462,625</u>			<u>2,332,450</u>

Namibian Minerals Corporation
Notes to the Consolidated Financial Statements

31 December 2000
United States Dollars

11. Share capital (continued)

Changes in fixed stock option plan in the four financial periods ending 31 December 2000.

	For the 12 Months Ended 31 December 2000	Weighted average exercise price	For the 12 months ended 31 December 1999	Weighted average exercise price	For the 7 months ended 31 December 1998	Weighted average exercise price	For the 12 Months Ended 31 May 1998
Outstanding at the beginning of period	3,354,500	\$2.88	2,190,000	\$3.63	2,320,000	\$3.41	2,197,034
Granted	364,500	\$2.73	2,950,000	\$2.86	125,000	\$2.92	470,000
Exercised	(63,375)	\$3.01	(37,166)	\$1.97	(25,000)	\$0.92	(247,034)
Expired	(193,000)	\$3.06	(1,748,334)	\$3.80	(230,000)	\$1.35	(100,000)
Outstanding at the end of period	<u>3,462,625</u>	\$2.85	<u>3,354,500</u>	\$2.88	<u>2,190,000</u>	\$3.63	<u>2,320,000</u>
Weighted average exercise price at the End of period	\$2.85		\$2.88		\$3.63		\$3.41

d) Employee share bonus and purchase plan

Under the employee share bonus and purchase plan up to 200,000 shares are reserved for issuance to employees. Issuances of 13,100 common shares under the plan have taken place to date.

e) Warrants

Under the IBM loan, 450,000 warrants were issued with an exercise price of \$4.00 per common share. The warrants are exercisable for a two year period to 28 October 2001. 400,000 warrants have been exercised in the period.

Under the KBC loan, 500,000 warrants were issued with an exercise price of \$7.00 per common share. The warrants are exercisable for a two year period to 5 April 2002. The KBC loan was varied in the period and as part of the variation 230,000 warrants were issued with an exercise price of \$4.00 per common share and are exercisable, for a three year period to 27 September 2003.

31 December 2000
United States Dollars

12. Income taxes

The Competent Authorities of Revenue Canada and the United Kingdom Inland Revenue have determined that as of 19 October 1993, the Company's tax residency moved from Canada to the United Kingdom.

The company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of balance sheet items and their corresponding tax values, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. The Company computes future income taxes using the enacted corporate income tax rates for the years in which the differences are likely to reverse.

A reconciliation of the income tax benefit (provision) with amounts determined by applying the statutory income tax rates to the consolidated income (loss) before income taxes for completed financial periods is as follows:

	For the 12 Months ended 31 December 2000 \$000	For the 12 months ended 31 December 1999 \$000	For the 7 months ended 31 December 1998 \$000	For the 12 months ended 31 May 1998 \$000
Earnings (loss) for the period before tax	107	17,138	3,108	(7,079)
Income tax recovery (provision) at statutory rates	(29)	(5,141)	(932)	2,123
Adjustments				
Foreign tax rates	1,321	(4,027)	(330)	180
Permanent differences	116	141	184	(340)
Tax benefit of losses not recognized in current period	(1,408)	-	-	(1,963)
Release of future tax liability	900	-	-	-
Application of loss carry forwards	-	9,027	1,078	-
Income tax recovery	900	-	-	-

The Company's future tax items are as follows:

	As at 31 December 2000 \$000	As at 31 December 1999 \$000
Future tax assets		
Net operating loss carry forwards		
South Africa and Namibia	13,750	7,990
UK	748	929
Total future tax assets	14,498	8,919
Valuation allowance	(8,305)	(3,764)
	6,193	5,155
Future tax liabilities	(20,908)	(20,055)
	(14,715)	(14,900)

31 December 2000
United States Dollars

12. Income taxes (continued)

In South Africa and Namibia, the Group has income tax losses of not less than \$29,000,000 (1999: \$15,000,000) available to reduce future taxable income which can be carried forward indefinitely. Losses available for carry forward in the United Kingdom are approximately \$2,500,000 (1999: \$3,000,000) which can be carried forward indefinitely.

13. Business Combination

In September 1999, the Company made a general offer to acquire all the shares of Ocean Diamond Mining Holdings Limited ("ODM") that the Company did not own. The offer entitled each ODM share to be tendered to the Company for Rand 8.25 payable either in cash or 50% in cash and 50% in the Company's common shares at a value of \$4 per share. Prior to the opening of the general offer the Company owned approximately 33.5% of ODM's shares. Acceptances under the general offer increased the Company's interest to 92.3% of ODM's issued shares as at 28 October 1999. Subsequent to the closure of the general offer the Company was required under South African company law to extend an offer on the same terms as the original offer to acquire all the shares not owned by the Company. This offer closed on 26 February 2000. At 31 December 1999, the Company had increased its interest in ODM shares to 92.5%. The Company has increased its interest in ODM share to 97.7% at 31 December 2000.

Consideration for the ODM acquisition in 1999 was satisfied by the issuance of 5,004,340 common shares of the Company with a deemed value of \$18,770,000 and cash of \$40,680,000. Additional consideration in the current period was \$3,535,000 satisfied by the issuance of 228,104 common shares in the Company at a deemed value of \$4 per share and cash of \$2,623,000. This additional consideration has been allocated as follows: reduction in minority interest by \$900,000, increase in goodwill and mineral property costs arising on acquisition of \$1,335,000 and \$1,300,000 respectively.

The acquisition has been accounted for by the purchase method with the results of operations being consolidated with those of the Company effective 28 October 1999.

The fair value of the net assets acquired is as follows:

	\$000
Current assets	11,400
Capital assets	11,450
Acquired concessions	23,100
Goodwill	33,650
	<u>79,600</u>
Current liabilities	5,250
Future income taxes	14,900
	<u>20,150</u>
	<u>59,450</u>

Namibian Minerals Corporation
Notes to the Consolidated Financial Statements

31 December 2000
United States Dollars

14. Non-controlling interest

Non-controlling interest represents the interests in the net assets of ODM not owned by the Company. At the start of the period, 7.5% was not owned by the Company which was reduced to 2.3% in February 2000 (see Note 13)

	As at 31 December 2000 \$000	As at 31 December 1999 \$000
Balance at start of period	1,300	1,300
Reduction in the period	(900)	-
Share of net profits (loss) of ODM for the period ended	-	-
Balance at end of period	<u>400</u>	<u>1,300</u>

15. Changes in non-cash working capital

	For the 12 months ended 31 December 2000 \$000	For the 12 months ended 31 December 1999 \$000	For the 7 months ended 31 December 1998 \$000	For the 12 months ended 31 May 1998 \$000
Accounts receivable	(11)	1,536	(248)	1,009
Prepayments	299	(398)	(63)	175
Inventories	(796)	(2,651)	(1,085)	(1,543)
Accounts payable and accrued liabilities	3,473	3,231	(1,112)	2,435
Advance receipt on inventory sales	4,250	-	(2,000)	2,000
Effect of foreign exchange movement	(475)	224	(354)	(69)
	<u>6,740</u>	<u>1,942</u>	<u>(4,862)</u>	<u>4,007</u>
Supplemental disclosure of cash flow information:				
Cash receipts for interest	789	632	111	688
Cash payments for interest	2,385	154	54	-
Cash payments for taxes	-	-	-	-

16. Segmented information

The Company operates in one industry segment, diamond mining. A significant proportion, 85% and above, of the long lived assets which include capital assets and exploration and development costs are utilized in the Namibian operations. The remaining 15% of long-lived assets are located in the UK and South Africa.

Cash and marketable securities are principally held within the corporate group in Europe.

31 December 2000
United States Dollars

16. Segmented information *(continued)*

Diamond production from the Namibian operations is sold by the Company in Europe. There are no other significant sources of revenue for the Company.

Exploration and development costs incurred in Namibia and South Africa with respect to mining exploration are deferred. The loss and deficit in prior periods is due to corporate expenditure and the write off of general exploration and development costs.

17. Commitments

Commitments are reflected elsewhere in these financial statements except that the Company, through wholly owned subsidiaries, is committed to the chartering of three vessels:

- a) the M.V. Kovambo for five years as from 30 September 1997 at an annual cost of approximately \$4,325,000;
 - b) the M.V. Ya Toivo from mid 2000 for five years at an annual cost of approximately \$5,900,000. Following the events detailed in Note 21(b), the Company has put in place a bank guarantee for \$5,000,000 to secure the obligations to the vessel owner.
 - c) the M.V. Zacharias from late February 2000 for three years at an annual cost of approximately \$1,300,000. Subsequent to the period end, the Company has entered into an agreement that requires it to purchase the vessel before the end of March 2003 at an agreed price. The purchase price decreases on a quarterly basis and has a range of \$6,600,000 currently to \$5,000,000 in 2003.
-

18. Comparative figures

Certain comparative figures have been re-classified to conform with the financial statement presentation used in the current year.

Namibian Minerals Corporation
Notes to the Consolidated Financial Statements

31 December 2000
United States Dollars

19. Reconciliation between Canadian and U.S. generally accepted accounting principles ("GAAP")

These Consolidated Financial Statements have been prepared in accordance with Canadian GAAP, which, in the case of the Company, conform in all material respects with U.S. GAAP, except as set forth below:

a) Adjustments to net earnings (loss)	For the 12 months ended 31 December 2000 \$000	For the 12 months ended 31 December 1999 \$000	For the 7 months ended 31 December 1998 \$000	For the 12 months ended 31 May 1998 \$000
Earnings (loss) for the period Canadian GAAP	1,007	17,138	3,108	(7,079)
Gain (loss) on marketable securities (i)	-	-	-	(1,098)
Interest on exchangeable debentures (ii)	-	(259)	(152)	(124)
Consulting expense (b)	(100)	(146)	-	(56)
Mineral property exploration expenses (c)	(1,052)	(245)	(250)	-
United States GAAP	(145)	16,488	2,706	(8,357)
Earnings (loss) per share, United States GAAP				
Basic	\$0.00	\$0.41	\$0.07	(\$0.22)
Diluted	\$0.00	\$0.38	\$0.07	(\$0.22)
Weighted average number of shares outstanding (in thousands) (iii)	46,842	40,233	37,850	37,690
Adjustments to cash flows				
Operating activities				
Canadian GAAP	15,946	22,707	282	(2,293)
Mineral property exploration expenses (c)	(1,052)	(245)	(250)	-
United States GAAP	14,894	22,462	32	(2,293)
Investing activities				
Canadian GAAP	(54,362)	(47,406)	(55)	(20,315)
Mineral property exploration expenses (c)	1,052	245	250	-
Foreign exchange translation	-	-	-	250
United States GAAP	(53,310)	(47,161)	195	(20,065)
Financing activities				
Canadian GAAP	23,520	40,835	(232)	18,187
Foreign exchange translation	-	-	-	(250)
United States GAAP	23,520	40,835	(232)	17,937

31 December 2000
United States Dollars

19. Reconciliation between Canadian and U.S. generally
accepted accounting principles ("GAAP") (continued)

Adjustments to assets, liabilities and shareholders' equity	As at 31 December 2000 \$000	As at 31 December 1999 \$000
Exploration and development costs		
Canadian GAAP	15,450	14,098
Mineral property exploration expenses (c)	(6,845)	(5,793)
United States GAAP	<u>8,605</u>	<u>8,305</u>
Exchangeable debentures		
Canadian GAAP	-	-
Exchangeable debentures (ii)	1,550	4,615
United States GAAP	<u>1,550</u>	<u>4,615</u>
Shareholders' equity		
Share Capital		
Canadian GAAP	90,169	83,802
Foreign exchange translation	283	283
United States GAAP	<u>90,452</u>	<u>84,085</u>
Exchangeable debentures		
Canadian GAAP	1,550	4,615
Accretion	-	(535)
Debt	(1,550)	(4,080)
United States GAAP	<u>-</u>	<u>-</u>
Contributed surplus		
Canadian GAAP	459	459
Consulting expense (b)	1,197	1,097
United States GAAP	<u>1,656</u>	<u>1,556</u>
Cumulative foreign exchange adjustment		
Canadian GAAP	(13,637)	(3,124)
Foreign exchange translation	(283)	(283)
United States GAAP	<u>(13,920)</u>	<u>(3,407)</u>
Accumulated retained earnings (deficit)		
Canadian GAAP	5,098	5,497
Exchangeable debenture (ii)	-	-
Consulting expense (b)	(1,197)	(1,097)
Mineral property exploration expenses (c)	(6,845)	(5,793)
United States GAAP	<u>(2,944)</u>	<u>(1,393)</u>

(i) Marketable securities

U.S. GAAP require trading securities to be carried at fair value. Changes in fair value are charged against or credited to income, while under Canadian GAAP such items are carried at cost or, where market value is lower, at market value.

31 December 2000
United States Dollars

19. Reconciliation between Canadian and U.S. generally accepted accounting principles ("GAAP") (continued)

(ii) Exchangeable debenture

U.S. GAAP require the exchangeable debenture to be recognized as a liability with interest being charged to operations, while under Canadian GAAP such items are segregated into their debt and equity components with interest payments being predominantly treated as settlement of the liability portion. The equity component of the debentures, representing the Company's right to settle the obligation in common shares, is accreted to the face value through periodic charges to deficit, net of tax.

(iii) Earnings (loss) per share

In February 1997 the Financial Accounting Standards Board issued Statement No. 128, Earnings Per Share (SFAS 128), which established new standards for computing and presenting earnings per share effective for fiscal years ending after 15 December 1997. With SFAS 128, Primary Earnings Per Share was replaced by Basic Earnings Per Share, which is computed by dividing income available to common shareholders by the weighted average number of shares outstanding for the period. In addition, SFAS 128 requires the presentation of Diluted Earnings Per Share, which includes the potential dilution that could occur if dilutive securities were exercised or converted into common stock. The computation of Diluted Earnings Per Share does not assume the conversion or exercise of securities if their effect is anti-dilutive. Under this method the weighted average number of shares outstanding for each of the periods presented is not significantly different from that calculated under Canadian GAAP.

The calculation of basic and diluted loss per share, "Earnings Per Share", is based on the weighted average number of common shares outstanding during the years ended December 31, 2000 and 1999, for the seven months ended 31 December, 1998 and the year ended 31 May, 1998. The effect of common stock equivalents, which include employee stock options, warrants and convertible debt securities, is not included in the computation of per share amounts as inclusion would be anti-dilutive.

b) Stock based compensation

For U.S. GAAP purposes the Company accounts for stock based compensation to employees and directors, under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), whereby compensation cost is recorded for the excess, if any, of the quoted market price over the exercise price for stock options at the date granted. As at 31 December 2000 no compensation cost has been recorded for any period under this method.

31 December 2000
United States Dollars

19. Reconciliation between Canadian and U.S. generally accepted accounting principles ("GAAP") (continued)

Statement of Financial Accounting Standard No. 123, Accounting for Stock-Based Compensation (SFAS 123), issued in October 1995, requires the use of the fair value based method of accounting for stock options. Under this method, compensation cost is measured at the grant date based on the fair value of the options granted and is recognized over the exercise period. During the periods ended 31 December 2000, 1999 and 1998 and 31 May 1998, the Company issued options to individuals other than employees and directors which under SFAS 123 must be recognized as a consulting expense in the period they are issued.

SFAS 123, however allows the Company to continue to measure the compensation cost of employees and directors in accordance with APB 25. The Company has therefore adopted the disclosure-only provision of SFAS 123.

The following proforma financial information presents the net earnings (loss) for the year and the earnings (loss) per common share had the Company adopted SFAS 123 for all stock options issued to employees and directors.

	For the 12 Months ended 31 December	For the 12 months ended 31 December	For the 7 months ended 31 December	For the 12 months ended 31 May
	2000	1999	1998	1998
	\$000	\$000	\$000	\$000
Earnings (loss) for the period - U.S. GAAP	(145)	16,488	2,706	(8,357)
Additional stock based compensation costs	(362)	(4,652)	(194)	(957)
Proforma net (loss) earnings	(507)	11,836	2,512	(9,314)
Proforma basic (loss) earnings per share	(\$0.01)	\$0.29	\$0.07	(\$0.25)

Using the fair value method for stock based compensation, additional costs of approximately \$362,000, \$4,652,000, \$194,000 and \$957,000 would have been recorded for the periods ended 31 December 2000, 31 December 1999, 31 December 1998 and 31 May 1998 respectively. These amounts have been determined using an option pricing model assuming no dividends are to be paid, vesting occurring on the date of the grant, a weighted average volatility of the Company's share price of 67.55% and a weighted average annual risk free interest rate of 5.97% (31 December 1999 5.43%; 31 December 1998: 5.25%; 31 May 1998: 5.05%);

31 December 2000
United States Dollars

19. Reconciliation between Canadian and U.S. generally accepted accounting principles ("GAAP") (continued)

c) Exploration expenses

Canadian GAAP allows exploration costs to be capitalized during the search for a commercially mineable body of ore. Under U.S. GAAP expenditures on mineral property costs can only be deferred subsequent to the establishment of mining reserves. For U.S. GAAP purposes the Company has expensed exploration expenditures in the period incurred. Acquisition costs for U.S. GAAP purposes are written down or off when circumstances arise that indicate that an impairment has occurred. For U.S. GAAP purposes mineral property costs capitalized represent acquisition costs relating to mineral properties for which there is no indication of impairment.

d) Comprehensive income

For U.S. GAAP purposes the Company adopted Statement of Financial Accounting Standard No. 130 Reporting Comprehensive Income (SFAS 130), with the retroactive reclassification of prior years. Comprehensive income includes all changes in equity during a period, including those resulting from transactions and other events and circumstances from non-owner sources. SFAS 130 requires that all items that meet the definition and components of comprehensive income be reported in a financial statement for the period in which they are recognised.

	For the 12 Months ended 31 December 2000 \$000	For the 12 months ended 31 December 1999 \$000	For the 7 months ended 31 December 1998 \$000	For the 12 months ended 31 May 1998 \$000
Earnings (loss) for the period				
U.S. GAAP	(145)	16,488	2,706	(8,357)
Other comprehensive income:				
Foreign exchange translation adjustment	(10,513)	(868)	(592)	(910)
Comprehensive income (loss)	<u>(10,658)</u>	<u>15,620</u>	<u>2,114</u>	<u>(9,267)</u>
			As at 31 December 2000 \$000	As at 31 December 1999 \$000
Accumulated retained (deficit)				
U.S. GAAP			(2,944)	(1,393)
Foreign exchange translation adjustment			(13,920)	(3,407)
Comprehensive income			<u>(16,864)</u>	<u>(4,800)</u>

e) Recent pronouncements

In September 1998, the Financial Accounting Standards Board issued Statement No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities, which standardises the accounting for derivative instruments.

31 December 2000
United States Dollars

19. Reconciliation between Canadian and U.S. generally accepted accounting principles ("GAAP") (continued)

SFAS 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. The Company's adoption of this statement, for U.S. GAAP purposes, which requires the accounting recognition of derivatives at fair value, did not have a significant effect on the Company's financial position or results of operations.

In March 2000, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation (an interpretation of APB Opinion No. 25) (the "Interpretation"). Among other issues, this Interpretation clarifies (a) the definition of employee for purposes of applying APB 25, (b) the criteria for determining whether a plan qualifies as a non-compensatory plan, (c) the accounting consequence of various modifications to the terms of a previously granted stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. This Interpretation became effective July 1, 2000, but certain conclusions in the Interpretation cover specific events that occur after either December 15, 1998 or January 12, 2000. To the extent that this Interpretation covers events occurring during the period after December 15, 1998 or January 12, 2000, but before the effective date of July 1, 2000, the effects of applying this Interpretation are recognized on a prospective basis from July 1, 2000. This Interpretation does not have a material effect on the consolidated financial statements.

However, 82,000 stock options held by two individuals were modified during the year by amending the option exercise prices. As such, these options will be valued on a variable basis in accordance with FIN 44. There has been no effect on these financial statements, because the market price has been below the exercise price of the Company's shares since the repricing date.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") 101, Revenue Recognition in Financial Statements which provides guidance related to revenue recognition based on interpretations and practices followed by the SEC. SAB 101 requires companies to report any changes in revenue recognition as a cumulative change in accounting principle at the time of implementation in accordance with Accounting Principles Board Opinion 20, Accounting Changes. SAB 101 as amended is not required to be implemented until the Company's fourth fiscal quarter of the year ended December 31, 2001. The impact that SAB 101 will have on its financial position or results of operations is not expected to be material.

31 December 2000
United States Dollars

20. Matters outstanding with regard to the general offer for ODM

At the end of 1999 the Company was appealing two related matters before the Securities Review Panel ("SRP") in South Africa which could have led to an additional maximum amount payable on the acquisition of ODM of approximately \$6,500,000.

The Company was successful in these appeals. The decision of the SRP was final. Subsequently, Trans Hex Group Limited has launched an application to have this decision reviewed. This application is to be opposed by the Company. Any final decision is unlikely in 2001.

21. Subsequent events

The following took place subsequent to the period end:

a) NamSSol Mining Tool

In early January, 2001, the Company's first mining tool, NamSSol was damaged. The cost of repair is estimated to be of the order of \$1,500,000. These costs are the subject of an insurance claim with an excess on the policy of \$250,000. Operating costs and loss of earning are covered by a second insurance policy for a period of up to 180 days, subject to an excess on the policy of 14 days, and up to a maximum operating costs and loss of earnings of \$67,500 per day. Both claims are subject to on going discussions with the Underwriters to the respective insurance policies and no certainty can be given as to the successful outcome of these claims.

b) Provisional liquidation of certain Southern African subsidiaries

The accident to the NamSSol mining unit has resulted in the loss of the production from this unit. The return to production is likely to be in the final quarter of 2001. Furthermore, by the final quarter of 2000, the Company had originally expected to complete the building and commissioning phase of the Company's new and largest production unit, the Nam 2 and to have commenced production. Delays in the build and commissioning process have resulted in delays to the commencement of full scale production by the Nam 2 mining unit. As a result of the above and increased project costs, the working capital of the Company has been adversely affected.

31 December 2000
United States Dollars

21. Subsequent events *(continued)*

Liquidation

In late February, following the deterioration in the Company's financial situation, the Company placed some of its Southern African subsidiary companies into provisional liquidation under the laws of South Africa and Namibia.

The following Southern African subsidiaries were placed into provisional liquidation:

(a) South Africa

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

(b) Namibia

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

Under South African and Namibian law, provisional liquidation means that the assets and liabilities of the subsidiaries are controlled by a provisional liquidator. As a consequence, all diamond mining operations ceased at the time of placing the companies into provisional liquidation.

During a period of approximately six weeks or such extended period as the courts may allow before the provisional liquidation becomes final, the Company has the opportunity to reverse provisional liquidation by way of a discharge if creditors have been compromised, paid or are in the process of being compromised and paid or after an offer of compromise in terms of S311 of the Companies Act in South Africa has been accepted by creditors and sanctioned by the Court.

The periods of the provisional liquidations have been extended and management will use its best efforts to ensure it will continue to be extended as required. The three Namibian companies were discharged from provisional liquidation on 7 May 2001. Pinette Investments (Pty.) Ltd. was discharged from provisional liquidation on 22 May 2001. It is anticipated that the remaining South African companies could be discharged from provisional liquidation by 31 July, 2001.

31 December 2000
United States Dollars

21. Subsequent events *(continued)*

Long-term Debt

As a result of the deterioration in the Company's financial position, the Company failed to effect in full a capital repayment due on the IBM loan at the end of January 2001. This failure to pay the capital repayment in full, together with the placing of some of the Company's Southern African subsidiaries into provisional liquidation breaches the terms of the loan agreements with the Company's lenders (Note 10). These breaches constitute events of default, which would allow the lenders to demand repayment of the full amount of their loans outstanding. The lenders have not called on event of default. The Company is dependent on the continued support of the lenders.

To further improve the Company's financial position and in recognition of the disruption to production and cash flow from the loss of its NamSSol mining unit, the lenders have agreed to a capital repayment moratorium until the end of September 2001 and the Company is committed to working with the lenders to reschedule its debt repayments at the end of September.

The MV Ivan Prinsep, the Company's smallest vessel equipped with airlift technology, has been sold for gross proceeds of approximately \$4,400,000 to reduce the Company's debt position.

New Financing

In order to restore the Company to financial stability, the Company requires significant additional financing and accordingly, the Company explored various financing options. The Company raised approximately \$24,400,000 (net of costs of fund raising).

These financing proceeds will allow the Company to:

- restart mining operations and exploration activities;
- take its operating companies out of provisional liquidation;
- rebuild the NamSSol mining tool, damaged in January this year, while continuing to pursue its insurance claim;
- reduce the Company's outstanding creditor position; and
- provide working capital.

The MV Ya Toivo, equipped with the new Nam 2 mining unit, was the first vessel back in operation in April 2001. This vessel is the largest in the Company's fleet and is expected to be the principal source of diamond production in 2001.

31 December 2000
United States Dollars

21. Subsequent events (continued)

c) Canaccord Private Placements

On 23 March, 2001 and 30 April 2001, the Company raised \$12,000,000 which enabled it to commence the discharge of several subsidiary companies from provisional liquidation and to resume diamond mining operations off the Namibian coast.

Canaccord Capital Corporation ("Canaccord") sold 9,475,758 special warrants (the "Special Warrants") at a price of \$0.33 per Special Warrant and \$8,873,000 in principal amount of 10% special notes with a term of two years (the "Special Notes") by way of a private placement to investors for aggregate gross proceeds of \$12,000,000. Each Special Warrant is exchangeable for one common share and one-half of one warrant for no additional consideration. Special Notes are exchangeable for no additional consideration for an equivalent principal amount of convertible debentures (the "Convertible Debentures") and half a warrant for every \$0.33 of principal amount of Special Note. The Convertible Debentures are in turn convertible into common shares of the Company at conversion price of \$0.33 per share. The holders of Special Notes and Convertible Debentures together have the right to nominate two representatives to the board of directors of the Company.

The warrants issuable pursuant to the Special Warrants and the Special Notes are each exercisable over a period of three years to acquire one common share at a price of CAD\$0.60 (approximately \$0.40) per share. A total of 18,181,818 common shares are issuable in connection with these warrants.

Under the terms of an agency agreement between Canaccord and the Company the ("Agency Agreement"), an affiliate of Canaccord was paid a corporate finance fee in the form of 850,000 shares of the Corporation and Canaccord was issued common share purchase warrants (the "Broker Warrants") exercisable to acquire up to 10% of the common shares issuable pursuant to the Special Warrants and the Convertible Debentures. A total of 4,486,364 common shares are issuable in connection with Canaccord's compensation.

If a receipt has not been obtained in respect of a prospectus filed in Ontario and British Columbia, Canada by the Company by 20 June 2001 to qualify the issuance of common shares and the Convertible Debentures on exchange of the Special Warrants, the Special Notes, the Canaccord corporate finance fee and the Broker Warrants, the Company is required to issue an additional 10% of the securities otherwise issuable on exchange or conversion of the Special Warrants and the Special Notes. A total of 5,903,182 common shares are issuable in connection with this penalty.

On 19 June 2001, the Company filed a prospectus to qualify 9,475,758 common shares and 4,737,879 Tranche 1 Warrants, to be issued on the exercise of 9,475,758 Tranche 1 Special Warrants, \$6,273,000 in principal amount of Tranche 1 Convertible Debentures and 9,504,545 Tranche 1 Warrants to be issued upon exercise of \$6,273,000 in principal amount of Tranche 1 Special Notes and \$2,600,000 in principal amount of Tranche 2 Convertible Debentures and 3,939,394 Tranche 2 Warrants to be issued upon exercise of \$2,600,000 in principal amount of Tranche 2 Special Notes for total gross proceeds of \$12,000,000.

31 December 2000
United States Dollars

21. Subsequent events *(continued)*

d) Investment by the Leviev Group

In addition, the Company entered into an agreement with the Leviev Group of Israel, who invested \$15,000,000 on 1 May 2001 in the Company through a subscription for common shares and warrants.

The Leviev Group subscribed for common shares, accompanied by warrants, as follows:

- (a) 22,727,272 common shares at a price of \$0.33 per share, for proceeds of \$7,500,000 , along with 11,363,636 warrants, exercisable over a period of three years to acquire common shares at a price of \$0.40 per share; and
- (b) 15,000,000 common shares at a price of \$0.50 per share for proceeds of \$7,500,000, along with 7,500,000 warrants, exercisable over a period of three years to acquire common shares at a price of \$0.50 per share.

In addition, the Leviev Group is to make available up to \$2,600,000 to the Company in the form of a credit facility, under certain conditions. The principal amount drawn under the credit facility would be convertible at the election of the Leviev Group into common shares of the Company, at a price of \$0.33 per share. The credit facility will only be available if the Leviev Group receives 15,151,515 warrants, exercisable at \$0.33 per share over a period of two years, as consideration for making the credit facility available to the Company.

Under the terms of a marketing agreement between the Company and the Leviev Group, the Leviev Group has exclusive marketing rights to the Company's production for a period of 15 years. The Leviev Group has agreed to buy all production at open market world prices. The Company retains the right to ensure independent pricing control through the use of a price checking mechanism.

If the investment were completed in its totality, an aggregate of 79,621,212 common shares would be issued or made issuable to the Leviev Group. As a result, the Leviev Group would become the largest shareholder of the Company, holding approximately 39% of the outstanding common shares of the Company, prior to the exercise of any Convertible Debenture or warrants and approximately 43% on a fully diluted basis (excluding any common shares issuable if a receipt for a prospectus is not obtained). Should the Leviev Group exercise all of its convertible securities and no other shareholder exercises any Convertible Debentures or warrants, the Leviev Group would hold approximately 58% of the outstanding common shares of the Company. Leviev also has the right to nominate two-sevenths of the board of directors of the Company (rounding up to the next highest whole number).

Namibian Minerals Corporation
Notes to the Consolidated Financial Statements

31 December 2000
United States Dollars

21. Subsequent events (continued)

e) Shipowner Warrants

In order to ensure that the owners of the vessels operated by the Company support the refinancing efforts of the Company, the Company has agreed to issue 1,000,000 warrants, each exercisable over a period of 12 months to acquire one common share at a price of \$0.50 per share, to certain vessel owners.

f) Proposed Issuances of Common Shares

If all of the above share issuances as detailed above are completed the fully diluted share capital of the Company would be as follows:

	Subtotal (in shares)	Total (in shares)
Outstanding share capital at 31 December 2000		47,602,099
Canaccord Placements		64,935,001
Special warrants	9,475,758	
Special notes	26,887,879	
Underlying warrants	18,181,818	
Broker warrants	3,636,364	
Corporate finance fee (in shares)	850,000	
Penalty shares, if no prospectus	5,903,182	
Leviiev investment		79,621,212
First tranche of common shares	22,727,273	
Second tranche of common shares	15,000,000	
Warrants	18,863,636	
Conversion of entire credit facility	7,878,788	
Credit facility warrants	15,151,515	
Shipowner warrants		1,000,000
Other common shares issuable (See Note 11)		5,204,525
Fully diluted share capital		198,362,837

NAMIBIAN MINERALS CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

31 March 2001

(unaudited)

Namibian Minerals Corporation
Consolidated Balance Sheets
United States Dollars

Statement 1

		As at 31 March 2001 \$000 (unaudited)	As at 31 December 2000 \$000
ASSETS			
Current	Cash – <i>Statement 3</i>	5,630	4,394
	Accounts receivable	5,512	1,207
	Prepayments	384	231
	Inventories (<i>Note 3</i>)	2,856	6,075
	Marketable securities	51	51
		<u>14,433</u>	<u>11,958</u>
	Exploration and development costs	15,450	15,450
	Capital assets, net of amortization	101,974	109,440
	Deferred costs	1,345	703
	Goodwill	32,495	33,098
	Other assets	264	274
		<u>165,961</u>	<u>170,923</u>
LIABILITIES			
Current	Accounts payable and accrued liabilities	15,233	12,097
	Bank overdraft	1,243	1,171
	Advance receipt on inventory sales	3,500	4,250
	Current portion of long term debt	20,714	16,535
		<u>40,690</u>	<u>34,053</u>
	Future income taxes	14,515	14,715
	Long term debt	<u>35,871</u>	<u>37,710</u>
		91,076	86,478
	Non controlling interest	400	400
SHAREHOLDERS' EQUITY			
	Share capital	90,169	90,169
	Special Warrants (<i>Note 4a</i>)	2,733	-
	Warrants and conversion privileges (<i>Note 4a</i>)	2,483	406
	Exchangeable debentures	1,550	1,550
	Contributed surplus	459	459
	Cumulative foreign exchange adjustment	(15,794)	(13,637)
	Retained earnings (deficit) - <i>Statement 2</i>	(7,115)	5,098
		<u>74,485</u>	<u>84,045</u>
		<u>165,961</u>	<u>170,923</u>

Continuing operations (Note 1)

ON BEHALF OF THE BOARD:

(Signed) J A Holberton

J.A. HOLBERTON
Chairman, Chief Executive
Officer and Director

(Signed) J C F Purdy

J.C.F. PURDY
Chief Financial Officer
and Director

19 June 2001

Namibian Minerals Corporation
Consolidated Statements of Operations and Retained Earnings (Deficit)
United States Dollars

Statement 2

		For the 3 months ended 31 March 2001 \$000 (unaudited)	For the 3 months ended 31 March 2000 \$000 (unaudited)
Income	Revenue from diamond sales	4,728	12,166
	Interest earned	22	285
	Gain on marketable securities	7	-
		<u>4,757</u>	<u>12,451</u>
Expenses	Direct production costs	11,326	5,850
	Royalty payment	329	891
	Marketing costs	227	197
	General office costs, including salaries	901	1,053
	Corporate finance fee	280	-
	Provisional liquidation costs	700	-
	Amortization - capital assets	1,335	1,136
	- deferred costs	128	63
	Interest paid - long term debt	1,276	664
	- other	65	-
		<u>16,567</u>	<u>9,854</u>
Earnings (loss) for the period before taxes and goodwill		(11,810)	2,597
	Recovery of income taxes	<u>200</u>	<u>210</u>
Earnings (loss) for the period before goodwill		(11,610)	2,807
	Goodwill amortization	<u>(603)</u>	<u>(562)</u>
Earnings (loss) for the period		(12,213)	2,245
	Retained earnings – beginning of period	5,098	5,497
Retained earnings (deficit) – end of period		<u>(7,115)</u>	<u>7,742</u>
		\$	\$
Basic earnings (loss) per share for the period before goodwill		(0.24)	0.06
Basic earnings (loss) per share for the period after goodwill		(0.26)	0.05
Fully diluted earnings (loss) per share for the period		(0.26)	0.05
Weighted average number of shares outstanding			
In thousands		47,602	46,533

Namibian Minerals Corporation
Consolidated Statements of Cash Flows
United States Dollars

Statement 3

		For the 3 months ended 31 March 2001 \$000 (unaudited)	For the 3 months ended 31 March 2000 \$000 (unaudited)
Cash resources provided by (used in)			
Operating activities	Earnings (loss) for the period	(12,213)	2,245
	Items not affecting cash		
	Amortization - capital assets	1,335	1,136
	- goodwill	603	562
	- deferred costs	128	63
	Income tax recovery	(200)	(210)
	Changes in non-cash working capital (Note5)	5,653	914
	Net cash provided by (used in) Operating activities	(4,694)	4,710
Investing activities	Exploration and development costs	-	(400)
	Capital assets – purchased	(544)	(8,354)
	Acquisition of ODM	-	(2,268)
	Other assets	7	(24)
	Net cash used in investing activities	(537)	(11,046)
Financing activities	Share capital	-	1,740
	Bank overdraft	72	-
	Securities issued (Note 4a)	8,216	-
	Long term debt	(1,821)	(5,047)
	Net cash provided by (used in) financing activities	6,467	(3,307)
Net increase (decrease) in cash		1,236	(9,643)
	Cash position – beginning of period	4,394	20,033
Cash position – end of period		5,630	10,390

Supplemental cash flow information (Note 5)

31 March 2001

United States Dollars

(Information as at 31 March 2001 and 2000 and for the 3 months then ended is unaudited)

1. Continuing operations

The Company, through its subsidiaries, is engaged principally in marine diamond exploration and mining off the coast of Namibia and marine diamond exploration off the coast of South Africa.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from carrying values as shown in these financial statements should the Company be unable to continue as a going concern.

On 7 January 2001, the Company's first mining tool, NamSSol was damaged. The cost of repair is estimated to be of the order of \$1,500,000. These costs are the subject of an insurance claim with an excess on the claim of \$250,000. Operating costs and loss of earning ("business interruption policy") are covered by a second insurance policy for a period of up to 180 days, subject to an excess on the policy of 14 days, and up to a maximum operating costs and loss of earnings of \$67,500 per day. The Company has not received any payment under the policies. The Company has however been advised by the Underwriter of the policy in respect of all risk cover that the insurance claim has been accepted and that the costs associated with the repair of the NamSSol tool will be covered under the policy. The cover under the business interruption policy is dependent on the cause of the accident being a risk covered by the all risks policy. Given that this condition has been met, the Company believes its claim is soundly based. There can however be no certainty of payment under the business interruption policy and the Company is progressing matters.

The accident to the NamSSol mining unit has resulted in the loss of the production from this unit. The return to production is likely to be in the final quarter of 2001. Furthermore, by the final quarter of 2000, the Company had originally expected to complete the building and commissioning phase of the Company's new and largest production unit, the Nam 2 and to have commenced production. Delays in the build and commissioning process have resulted in delays to the commencement of full scale production by the Nam 2 mining unit. As a result of the above the Company's financial position and liquidity deteriorated.

a) Provisional liquidation of certain Southern African subsidiaries

In late February, following the deterioration in the Company's financial situation, the Company placed some of its Southern African subsidiary companies into provisional liquidation under the laws of South Africa and Namibia.

31 March 2001

United States Dollars

(Information as at 31 March 2001 and 2000 and for the 3 months then ended is unaudited)

1. Continuing operations
(continued)

The following Southern African subsidiaries were placed into provisional liquidation:

(i) South Africa

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

(ii) Namibia

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

Under South African and Namibian law, provisional liquidation means that the assets and liabilities of the subsidiaries are controlled by a provisional liquidator. As a consequence, all diamond mining operations ceased at the time of placing the companies into provisional liquidation.

During a period of approximately six weeks or such extended period as the courts may allow before the provisional liquidation becomes final, the Company has the opportunity to reverse provisional liquidation by way of a discharge if creditors have been compromised, paid or are in the process of being compromised and paid or after an offer of compromise in terms of S311 of the Companies Act in South Africa has been accepted by creditors and sanctioned by the Court.

At period end all nine companies were still in provisional liquidation.

b) Long-term Debt

As a result of the deterioration in the Company's financial position, the Company failed to effect in full a capital repayment due on the Investec Bank (Mauritius) Ltd loan at the end of January 2001. This failure to pay the capital repayment in full, together with the placing of some of the Company's Southern African subsidiaries into provisional liquidation breaches the terms of the loan agreements with the Company's lenders. These breaches constitute events of default, which would allow the lenders to demand repayment of the full amount of their loans outstanding. The lenders have not called an event of default. The Company is dependent on the continued support of the lenders.

To further improve the Company's financial position and in recognition of the disruption to production and cash flow from the loss of its NamSSol mining unit, the lenders have agreed to a capital repayment moratorium until the end of September 2001 and the Company is committed to working with the lenders to reschedule its debt repayments at the end of September.

Namibian Minerals Corporation
Notes to the Consolidated Financial Statements

31 March 2001

United States Dollars

(Information as at 31 March 2001 and 2000 and for the 3 months then ended is unaudited)

1. Continuing operations
(continued)

As previously reported, the MV Ivan Prinsep, the Company's smallest vessel equipped with airlift technology, has been sold. The final gross receipts of approximately \$4,100,000 (reported at 31 December, 2000 at \$4,400,000, the difference being due to foreign exchange movements) will reduce the Company's debt position when received.

The Company has raised, net of expenses, approximately \$24,400,000 in this and the subsequent period. However, it should be noted that as at 31 March 2001 the Company has a working capital deficiency of \$26,257,000 and long term debt outstanding of \$35,871,000.

The Company's ability to meet its obligations and maintain its operations is contingent upon a combination of the following factors:

i) regaining profitable operations and in turn improve its cash flow position, ii) the continuing support of its banks and the successful rescheduling of its debt repayments, iii) continuance of vessel charters and iv) the successful reversal from provisional liquidation of those subsidiaries that remain in provisional liquidation. It is likely that the Company may also need to raise further additional funds. These factors create significant doubt as to the Company continuing as a going concern.

See Note 7 for the discussion of events subsequent to the 31 March 2001 and management plans.

2. Significant accounting Policies

a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial reporting, and the accounting policies used are consistent with the most recent annual financial statements. While these financial statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and notes required by Canadian generally accepted accounting principles for complete financial statements. For further information, refer to the Consolidated Financial Statements including notes for the year ended 31 December 2000.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Namibian Minerals Corporation
Notes to the Consolidated Financial Statements

31 March 2001

United States Dollars

(Information as at 31 March 2001 and 2000 and for the 3 months then ended is unaudited)

2. Significant accounting Policies (continued)

(c) Income taxes

The Company has adopted the recommendations of the Canadian Institute of Chartered Accountants concerning accounting for income taxes. The retroactive application of this new accounting policy has increased the deferred tax liability on the acquisition of Ocean Diamond Mining Holdings Limited by \$12,700,000 with a corresponding increase in goodwill.

The adoption of the new standards changes the Company's focus when accounting for income taxes from a statement of earnings to a balance sheet approach. Previously, the Company recorded deferred income taxes based on timing differences in the recognition of income and expense for tax and financial reporting purposes. The new standards require the recognition of future income taxes for the expected future tax consequences between the carrying amount of balance sheet items and their corresponding tax values.

The new standards also require the Company to compute future income taxes using the enacted corporate income tax rates for the years in which the differences will reserve. Previously, deferred increase tax balances reflected the rates in effect when the differences arose.

3. Inventories

	As at 31 March 2001 \$000	As at 31 December 2000 \$000
Diamonds	-	2,400
Supplies	2,856	3,675
	<u>2,856</u>	<u>6,075</u>

4. Share capital

a) Securities issued

On 23 March, 2001, the Company raised \$9,400,000. Canaccord Capital Corporation ("Canaccord") sold 9,475,758 special warrants (the "Tranche 1 Special Warrants") at a price of \$0.33 per Special Warrant and \$6,273,000 in principal amount of 10% special notes with a term of two years (the "Tranche 1 Special Notes") by way of a private placement to investors for aggregate gross proceeds of \$9,400,000. (Costs of placement were \$1,184,000). Each Tranche 1 Special Warrant is exchangeable for one common share and one-half of one warrant for no additional consideration. Tranche 1 Special Notes are exchangeable for no additional consideration for an equivalent principal amount of convertible debentures (the "Tranche 1 Convertible Debentures") and half a warrant for every \$0.33 of principal amount of Tranche 1 Special Note. The Tranche 1 Convertible Debentures each exercisable over two years from 23 March 2001 are in turn convertible into common shares of the Company at conversion price of \$0.33 per share. The holders of Tranche 1 Special Notes and Tranche 1 Convertible Debentures together have the right to nominate two representatives to the board of directors of the Company. The principal amount of the Tranche 1 Special Note has been apportioned as follows: long term debt of \$4,196,000, warrant rights of \$1,349,000 and conversion privileges of \$728,000. The warrants issuable pursuant to the Tranche 1 Special Warrants and

31 March 2001

United States Dollars

(Information as at 31 March 2001 and 2000 and for the 3 months then ended is unaudited)

4. Share capital
(continued)

the Tranche 1 Special Notes are each exercisable over a period of three years to acquire one common share at a price of CAD\$0.60 per share. A total of 14,242,424 common shares are issuable in connection with these warrants. Under the terms of an agency agreement between Canaccord and the Company (the "Agency Agreement"), an affiliate of Canaccord was paid a corporate finance fee in the form of 850,000 shares at a value of \$0.33 per share of the Corporation and Canaccord was issued common share purchase warrants (the "Tranche 1 Broker Warrants") on the same terms as the warrants above exercisable to acquire up to 10% of the common shares issuable pursuant to the Tranche 1 Special Warrants and the Tranche 1 Convertible Debentures. The shares for the corporate finance fee were unissued at period end. A total of 3,698,484 common shares are issuable in connection with Canaccord's compensation.

If a receipt has not been obtained in respect of a prospectus filed in Ontario and British Columbia, Canada by the Company by 20 June 2001 to qualify the issuance of common shares and the Tranche 1 Convertible Debentures on exchange of the Tranche 1 Special Warrants, the Tranche 1 Special Notes, the Canaccord corporate finance fee and the Tranche 1 Broker Warrants, the Company is required to issue an additional 10% of the securities otherwise issuable on exchange or conversion of the Tranche 1 Special Warrants and the Tranche 1 Special Notes. A total of 4,642,576 common shares are issuable in connection with this penalty.

The costs of placement have been apportioned between the Tranche 1 Special Warrants and Tranche 1 Special Notes in proportion to their gross value. The costs of \$790,000 associated with the Tranche 1 Special Notes have been taken as a deferred financing fee to be amortized over the life of the Tranche 1 Convertible Debenture.

b) Options granted and outstanding

The Company has one fixed stock option plan. Under the Employee Stock Option Plan, the Company may grant options to its eligible employees for up to 4,200,000 shares of common stock. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is 10 years. Options are granted at the Directors' discretion in accordance with the specific terms of the stock option agreement entered into between the Company and the eligible employee.

A summary of the status of the Company's fixed stock option plan as of 31 March 2001 is presented below:

No. of options outstanding	Exercise price \$	Expiry date	Exercisable at 31 March 2001
125,000	3.73	02.04.2001	125,000
72,000	2.50	20.05.2001	72,000
2,290,000	2.75	04.03.2004	1,717,500
200,000	3.25	27.05.2004	125,000
100,000	2.35	08.08.2005	50,000
<u>2,787,000</u>			<u>2,089,500</u>

Namibian Minerals Corporation
Notes to the Consolidated Financial Statements

31 March 2001

United States Dollars

(Information as at 31 March 2001 and 2000 and for the 3 months then ended is unaudited)

4. Share capital
(continued)

Changes in the fixed stock option plan in the period.

For the 3
months ended
31 March
2001

Outstanding at the beginning of period	3,462,625
Expired/cancelled	(675,625)
Outstanding at the end of period	<u>2,787,000</u>

5. Changes in non-cash working capital

	For the 3 months ended 31 March 2001 \$000	For the 3 months ended 31 March 2000 \$000
Accounts receivable	(155)	(431)
Prepayments	(153)	45
Inventories	3,219	(16)
Accounts payable and accrued liabilities	3,136	1,865
Advance receipt on inventory sales	(750)	-
Effect of foreign exchange movement	<u>356</u>	<u>(549)</u>
	<u>5,653</u>	<u>914</u>
Supplemental disclosure of cash flow information:		
Cash receipts for interest	7	285
Cash payments for interest	1,095	500
Cash payments for taxes	-	-

6. Segmented information

The Company operates in one industry segment, diamond mining. A significant proportion, 85% and above, of the long lived assets which include capital assets and exploration and development costs are utilized in the Namibian operations. The remaining 15% of long- lived assets are located in the UK and South Africa.

Cash and marketable securities are principally held within the corporate group in Europe.

Diamond production from the Namibian operations is sold by the Company in Europe. There are no other significant sources of revenue for the Company.

31 March 2001

United States Dollars

(Information as at 31 March 2001 and 2000 and for the 3 months then ended is unaudited)

7. Subsequent events

a) **Provisional liquidation of certain Southern African subsidiaries**

The initial period of the provisional liquidations has been extended and management will use its best efforts to ensure it will continue to be extended as required. The three Namibian companies were discharged from provisional liquidation on 7 May, 2001. Pinette Investments (Pty) Ltd was discharged from provisional liquidation on 22 May, 2001.

In relation to the subsidiaries registered in South Africa, which remain in provisional liquidation ("the companies"), the Company intends to procure a discharge of these companies from provisional liquidation by proceeding with a formal scheme of arrangement ("Compromise") pursuant to the provisions of Section 311 of the South African Companies Act No. 61 of 1973 ("the Companies Act"). The Company has submitted an offer to the provisional liquidators of the companies in terms of Section 311 of the Companies Act ("the offers"). In terms of the offers the Company has made available a capital sum of approximately R19.5 million (\$2,500,000) to the companies by way of a loan to effect compromises between the companies and their creditors. In addition to the aforesaid capital sum the Company has undertaken to procure that in the event of a successful business interruption insurance claim arising from the damage to the NamSSol I mining tool, that an amount received from insurers in excess of \$5,500,000 million or an amount of \$1,000,000, whichever amount is the lesser will be made available to creditors of such companies pro rata in proportion to concurrent creditors claims in each of those companies where a compromise is sanctioned by the Court. In Namco South Africa (Pty) Ltd and Namco Project Management (Pty) Ltd, a debenture for the amount of the difference between the amount of the claim proved and the amount of the dividend received will be issued. The debenture, at the election of the Company, can be redeemed in part or in whole at any date prior to 31 December 2004 or may exchange such debentures for shares in the Company. The provisional liquidators will present the offer to creditors formally and will apply to Court for leave to convene meetings of creditors in the companies in terms of Section 311 of the Companies Act.

It is anticipated that the South African companies could be discharged from provisional liquidation by 31 July, 2001.

31 March 2001

United States Dollars

(Information as at 31 March 2001 and 2000 and for the 3 months then ended is unaudited)

7. Subsequent events
(continued)

b) New Financing

In order to restore the Company to financial stability, the Company requires significant additional financing and accordingly, the Company explored various financing options. The Company raised approximately \$24,400,000 (net of costs of fund raising) in the period just completed and the subsequent period.

These financing proceeds will allow the Company to:

- restart mining operations and exploration activities;
- take its operating companies out of provisional liquidation;
- commence the rebuild of the NamSSol mining tool, damaged in January this year, while continuing to pursue payment of its insurance claims;
- reduce the Company's outstanding creditor position; and
- provide working capital.

The MV Ya Toivo, equipped with the new Nam 2 mining unit, was the first vessel back in operation in April 2001. This vessel is the largest in the Company's fleet and is expected to be the principal source of diamond production in 2001.

c) Canaccord Private Placements

On 23 March, 2001 and 30 April, 2001, the Company raised \$12,000,000 which enabled it to commence the discharge of several subsidiary companies from provisional liquidation and to resume diamond mining operations off the Namibian coast. Of this amount, \$2,600,000 was raised subsequent to the period end.

Canaccord sold \$2,600,000 in principal amount of 10% special notes with a term of two years (the "Tranche 2 Special Notes") by way of a private placement to investors for aggregate gross proceeds of \$2,600,000. The Tranche 2 Special Notes are exchangeable for no additional consideration for an equivalent principal amount of convertible debentures (the "Tranche 2 Convertible Debentures") and half a warrant for every \$0.33 of principal amount of Special Note.

31 March 2001

United States Dollars

(Information as at 31 March 2001 and 2000 and for the 3 months then ended is unaudited)

7. **Subsequent events**
(continued)

The Tranche 2 Convertible Debentures each exercisable over two years from 30 April 2001 are in turn convertible into common shares of the Company at conversion price of \$0.33 per share.

The warrants issuable pursuant to the Tranche 2 Special Notes are each exercisable over a period of three years to acquire one common shares at a price of CAD\$0.60 per share. A total of 3,939,394 common share are issuable in connection with these warrants.

Under the terms of an Agency Agreement, Canaccord was issued common share purchase warrants (the "Tranche 2 Broker Warrants") on the same terms as the warrants above exercisable to acquire up to 10% of the common shares issuable pursuant to the Tranche 2 Convertible Debentures. A total of 787,879 common shares are issuable in connection with Canaccord's compensation.

If a receipt has not been obtained in respect of a prospectus filed in Ontario and British Columbia, Canada by the Company by 20 June 2001 to qualify the issuance of the Tranche 2 Convertible Debentures on exchange of the Tranche 2 Special Notes, and the Tranche 2 Broker Warrants, the Company is required to issue an additional 10% of the securities otherwise issuable on exchange or conversion of the Tranche 2 Special Notes. A total of 1,260,606 common shares are issuable in connection with this penalty.

d) Investment by the Leviev Group

The Leviev Group subscribed for common shares, accompanied by warrants, as follows:

- (i) 22,727,272 common shares at a price of \$0.33 per share, for proceeds of \$7,500,000 , along with 11,363,636 warrants, exercisable over a period of three years to acquire common shares at a price of \$0.40 per share; and
- (ii) 15,000,000 common shares at a price of \$0.50 per share for proceeds of \$7,500,000, along with 7,500,000 warrants,exercisable over a period of three years to acquire common shares at a price of \$0.50 per share.

In addition, the Leviev Group is to make available up to \$2,600,000 to the Company in the form of a credit facility, under certain conditions. The principal amount drawn under the credit facility would be convertible at the election of the Leviev Group into common shares of the Company, at a price of \$0.33 per share. The credit facility will only be available if the Leviev Group receives 15,151,515 warrants, exercisable at \$0.33 per share over a period of two years, as consideration for making the credit facility available to the Company.

Under the terms of a marketing agreement between the Company and the Leviev Group, the Leviev Group has exclusive marketing rights to the Company's production for a period of 15 years. The Leviev Group has agreed to buy all production at open market world prices. The Company retains the right to ensure independent pricing control through the use of a price checking mechanism.

Namibian Minerals Corporation
Notes to the Consolidated Financial Statements

31 March 2001

United States Dollars

(Information as at 31 March 2001 and 2000 and for the 3 months then ended is unaudited)

7. Subsequent events
(continued)

If the investment were completed in its totality, an aggregate of 79,621,212 common shares would be issued or made issuable to the Leviev Group. As a result, the Leviev Group would become the largest shareholder of the Company, holding approximately 44.2% of the outstanding common shares of the Company, prior to the exercise of any convertible debentures or warrants and approximately 41.5% on a fully diluted basis (excluding any common shares issuable if a receipt for a prospectus is not obtained). The Leviev Group also has the right to nominate two-sevenths of the board of directors of the Company (rounding up to the next highest whole number).

e) Shipowner Warrants

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

f) Proposed Issuances of Common Shares

If all of the above share issuances as detailed above are completed the fully diluted share capital of the Company would be as follows:

	Subtotal (in shares)	Total (in shares)
Outstanding share capital at 31 December 2000 and at 31 March 2001		47,602,099
Canaccord Placements (Tranche 1 and 2)		64,935,000
Special warrants	9,475,758	
Special notes	26,887,879	
Underlying warrants	18,181,818	
Broker warrants	3,636,363	
Corporate finance fee (in shares)	850,000	
Penalty shares, if no prospectus	5,903,182	
Leviev investment		79,621,212
First tranche of common shares	22,727,273	
Second tranche of common shares	15,000,000	
Warrants	18,863,636	
Conversion of entire credit facility	7,878,788	
Credit facility warrants	15,151,515	
Shipowner warrants		1,000,000
Other common shares issuable		4,528,900
Fully diluted share capital		197,687,211

Namibian Minerals Corporation
Notes to the Consolidated Financial Statements

31 March 2001

United States Dollars

(Information as at 31 March 2001 and 2000 and for the 3 months then ended is unaudited)

7. Subsequent events
(continued)

g) Prospectus Filing

On 19 June 2001 the Company filed a final prospectus to qualify the issuance of the securities described in Note 7 c), Canaccord Private Placements.

CERTIFICATES

Date: June 19, 2001

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

(Signed) J. ALASTAIR HOLBERTON
Chief Executive Officer

(Signed) J. CHARLES F. PURDY
Chief Financial Officer

On behalf of the Board of Directors

(Signed) ANDREW E. BUXTON
Director

(Signed) CARLO CIVELLI
Director

Date: June 19, 2001

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

CANACCORD CAPITAL CORPORATION

By: (Signed) PETER M. BROWN