Namakwa Diamond Company

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 JUNE 2004

ASX CODE : NDC

NAMAKWA DIAMOND COMPANY NL ABN 77 085 806 284
12 WALKER AVENUE WEST PERTH WESTERN AUSTRALIA 6005 PO BOX 806 WEST PERTH WESTERN AUSTRALIA 6872
TEL (+61 8) 9321 5887 FAX (+61 8) 9321 5884 EMAIL general@namakwa.com.au WEBSITE www.namakwa.com.au

HIGHLIGHTS

Namakwa Diamond Project

- Mining Licence granted by the South African Department of Minerals & Energy, clearing the way for Stage 1 mining operations to commence.
- Plant upgrade commenced and earthmoving contract awarded ahead of first diamond production in September 2004 – Stage 1 production 95,000 carats per annum.
- Pre-stripping of first three ore blocks underway.
- Agreement signed with Trans Hex Group to mine potentially lucrative beach gravels and surf zone adjacent to existing tenements.
- Prospective new exploration areas secured increasing Namakwa's total ground holdings by 30% to 90.4km^2.

Corporate

- Second tranche of R9.57 million (approximately A$2 million) received from the New Africa Mining Fund following the grant of the Mining Licence.

1.0 NAMAKWA DIAMOND PROJECT SUMMARY

1.1 Mining Licence Granted

The Mining Licence for the Namakwa Diamond Project was granted to the Company's operating subsidiary, NDC Mining Company (Pty) Limited, and its Black Economic Empowerment partner, Zaico Investments (Pty) Limited on 30 April 2004.

In terms of the licence requirements, a rehabilitation guarantee of R2 million (A$400,000) was established and lodged with the South African government.

The grant of the Mining Licence represents a key milestone for the Company and represented the final remaining approval required for the Stage 1 mining operation to proceed.

1.2 Preparation for Mining

Preparations are well underway to mine the first resource block of 2.2 million tonnes of gravels, grading 18.7 carats per hundred tonnes (containing 411,000 carats).

Mining blocks LBM1, LBM2 and LBM3 have been surveyed in detail. Removal of topsoil and overburden started in early June. 102,000 tonnes of overburden have been removed from block LBM1, situated immediately south of sample trench KKT5 in Liebenberg Bay. Exposure of the first gravels is expected at the end of July.

Engineering work to upgrade the capacity of the DMS Processing Plant is well under way. This work includes modifications to enable the plant to accommodate in excess of 100 tonnes per hour (tph) of scrubber feed in the Stage 1 mining phase, as well as upgrades to the Flowsort (X-Ray) Final Diamond Recovery Unit.

The Plant has been temporarily shut down during July while final modifications are carried out to upgrade it to 500,000 tonnes per annum capacity.

Plant commissioning is scheduled for completion by September 2004, leading to the start of full-scale Stage 1 mining operations. Once in production, the Stage 1 operations are expected to yield approximately 95,000 carats per annum.

2.0 EXPLORATION

During the quarter, exploration continued at the Namakwa Diamond Project. Significant achievements included:

- Completion of a new set of bedrock elevation contour plans.
- Follow-up drilling program designed, based on new interpreted bedrock contour plans. Further exploration drilling (Stage 2 Exploration) will be undertaken once Stage 1 mining has reached steady-state operations.
- Completion of rehabilitation of trench GDT8.
- Ongoing rehabilitation.

3.0 CORPORATE

3.1 New Africa Mining Fund (NAMF)

The granting of the Mining Licence triggered the second tranche of development funding for the Namakwa Stage 1 Project to be advanced by the New Africa Mining Fund (NAMF) under agreements announced in September 2003 between NDCM, its Black Economic Empowerment partner, Zaico Investments and NAMF.

The second tranche of R9.57 million (approximately A$2 million) has been applied towards the cost of upgrading the Company's Dense Media Separation (DMS) Plant and to provide working capital to commence Stage 1 Mining.

3.2 Agreement with Trans Hex Group

During the quarter the Company announced that it had reached an agreement with South African diamond producer, Trans Hex Group, to explore and mine potentially productive beach gravels and surf zones within an extensive coastal strip adjacent to the Namakwa Diamond Project.

This 5 year agreement between the Company's operating subsidiary, NDC Mining Company (Pty) Limited (NDCM), and Trans Hex Operations (Pty) Limited will entitle NDCM to explore and mine the beach gravels as a sub-contractor.

NDCM will receive 80% of the revenue from diamonds sold and Trans Hex 20%, with NDCM assuming responsibility for all capital and operating costs including processing costs through the NDCM plant.

The beach mining operation is seen as an important addition to Namakwa's resources and could possibly provide increased mining flexibility.

The first area sampled, on Langstrand beach, produced diamonds approximately 35% larger than those produced from land operations. A meaningful grade could not be established, given the mining conditions below sea level which resulted in significant dilution of the samples.

Further work is continuing and will be reported in the future.

....

KARL SIMICH
CHAIRMAN

23 July 2004

The geological information contained in this report has been compiled by Peter Danchin, B.Sc (Hons), Pr.Sci.Nat. (RSA), M.Aus.IMM, who is a Competent Person as defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves ("JORC Code") and is included in this report with his consent.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

NAMAKWA DIAMOND COMPANY NL

ABN

77 085 806 284

Quarter ended ("current quarter")

30 June 2004

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(769)	(3,076)
	(b) development		
	(c) production		
	(d) administration	(173)	(853)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	24	43
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other - Movement in Working Capital	115	(355)
	Net Operating Cash Flows	(803)	(4,241)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets	(1,003)	(1,018)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	(1,003)	(1,018)
1.13	Total operating and investing cash flows (carried forward)	(1,806)	(5,259)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,806)	(5,259)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	214	4,259
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	2,050	4,856
1.17	Repayment of borrowings		(800)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	2,264	8,315
	Net increase (decrease) in cash held	458	3,056
1.20	Cash at beginning of quarter/year to date	3,074	476
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	3,532	3,532

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	142
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Provision of managerial, general corporate, financial, secretarial services and office accommodation by directors and director related entities.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

As per an agreement with the New Africa Mining Fund (NAMF), the second tranche of SA Rand 9.57 million (approximately A$2 million) was paid during the quarter under review. NAMF had already taken up a direct 10% interest in Namakwa's unlisted South African operating subsidiary, NDC Mining Company (Pty) Limited (NDCM) when it advanced the first tranche of funds (SA Rand 10 million) in the December 2003 quarter.

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	65
4.2	Development	700
	Total	**765**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	1,232	274
5.2	Deposits at call	2,300	2,800
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	3,532	3,074

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	94,737,150	94,737,150		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	559,459	559,459		
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	585,000 945,000 59,219,101 1,115,000		Exercise Price 25 cents 15 cents 20 cents 30 cents	Expiry Date 31/12/04 31/12/05 30/09/06 31/12/06
7.8	Issued during quarter				
7.9	Exercised during quarter	559,459		20 cents	30/09/06
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 23 July 2004

Print name: **KARL SIMICH**
CHAIRMAN

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.