

Namakwa Diamond Company

QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2005

ASX CODE : NDC & NDCO

HIGHLIGHTS

Namakwa Diamond Project, South Africa

- Development activities continued predominantly in block LBM 4 at Liebenberg Bay. The first block at Langstrand, to the north, was pre-stripped and gravels exposed.
- 4,881 carats recovered for the quarter (March 2005 quarter: 2,287 carats) at a significantly increased average grade of 15.21 cpht (March 2005 quarter: 6.77 cpht).
- 15,683 carats recovered for the year at an average grade of 10.23 cpht from processing 153,260 tonnes of gravels.
- Third diamond sale comprising 3,906 carats at an average price of US\$84 per carat, completed, taking sales for the year to 13,985 carats at an average price of US\$105 per carat.

Exploration

- Five large fluvial channel systems underlying the beach gravel deposits identified as the most prospective to be investigated during the expanded exploration program.
- Confirmation drilling of approximately 12,000 metres planned targeting fluvial channel features across the broader tenement area.
- Follow-up target definition drilling planned to determine the lateral extent of the channel gravel bodies, followed by bulk sampling of selected targets.
- Testing of a possible diamond-bearing channel underlying the 3-9 metre beach gravels in LBM 4 underway through further stripping of overburden to channel bedrock. Positive results will enhance the accelerated inland exploration program.
- Encouraging results from initial geological, geochemical and geophysical orientation surveys covering the newly acquired Australian diamond exploration projects in the Kimberley region of Western Australia.

Project Development

- Continued active assessment of potential acquisition and joint venture opportunities in the international diamond industry, particularly in Africa.
- Consent received from Trans Hex Group to carry out exploration immediately adjacent to the Langstrand resource. Exploration to commence in the September 2005 quarter.
- Environmental Management Plan submitted for the newly acquired Swartsand Project in Namaqualand. Exploration to commence once the necessary permits have been issued.

Corporate

- Cash reserves of \$963,000 plus diamond inventory of 2,194 carats of gem quality diamonds as at 30 June 2005 (A\$250,000 estimated value).
- European-based investment group Hereford Securities and Management S.A. appointed to provide investor relations support in the UK and European capital markets.

1.0 NAMAKWA DIAMOND PROJECT (ELANDSVY SITE)

1.1 Overview

During the quarter, Namakwa's operating subsidiary, NDC Mining Company (Pty) Limited (NDC), continued trial mining development activities, predominantly within the Liebenberg Bay area in block LBM 4. Towards the end of the quarter, pre-stripping of the first block at Langstrand, to the north of Liebenberg Bay, also commenced.

The overall results for the quarter were encouraging, with 4,881 carats recovered (March quarter: 2,287 carats) at a significantly higher average grade of 15.21 cpht (March quarter: 6.77 cpht). Since October 2004, a total of 15,683 carats have been recovered at an average grade of 10.23 cpht from processing 153,260 tonnes of gravels.

While these results were generally below expectations as a result of grade variability, decreased gravel thickness in some of the key ore horizons and higher than predicted stripping ratios, the results achieved in the June quarter were encouraging.

Of particular importance has been the enhanced geological understanding of the behaviour of the key gravel horizons obtained in recent months, as well as confirmation of the presence of older fluvial channels underlying the terrace gravels (as outlined in the March 2005 Quarterly Report). This represents a significant new exploration and development focus for the Company, based on the application of the geological model from the De Beers owned and profitably operated Koiingnaas mining area, located 100 kms north of Namakwa's areas.

Namakwa completed three diamond sales during the 2004/05 financial year totalling 13,985 carats at an average price of US\$105 per carat, in line with expectations. However, the Company's overall financial results reflected the adverse impact of the appreciating South African currency against the US dollar. At the time Namakwa submitted its mining application, the exchange rate was R8:US\$1.

The Company plans to continue limited trial mining development at the Elandsvy site, in parallel with a significantly expanded exploration program covering the estimated 97 per cent of its total tenement areas outside the initially delineated resource blocks.

Work to date has confirmed the existence of diamonds in payable quantities in certain areas, and further recent work in block LBM 4 has confirmed the presence of older fluvial channels underlying the known beach deposits. While the geology of the project has proved more complex than originally anticipated, Namakwa believes that the potential to delineate additional economic resources is very good and that the broader exploration upside of the project is substantial.

A comprehensive exploration program has been designed which will commence during the September 2005 quarter. Ongoing trial mining development activities will be staged in such a manner as to complement (and be part of) Namakwa's principal focus during the second half of 2005, which will be on accelerating its broader exploration activities.

1.2 Trial Mining Development Activities

During the quarter, trial mining development activities were focused within block LBM 4 at Liebenberg Bay, where diamond-bearing gravels were extracted from the 3-9 metre terraces. Average diamond grades increased significantly in the 9 metre terrace, located on the eastern flank (inland) of LBM 4, although the stripping ratio for the 9 metre terrace was higher than expected.

The presence of a fluvial-like channel in LBM 4 (as outlined in the March 2005 Quarterly Report) was confirmed, providing strong evidence for the existence of major, buried fossil drainage systems on Namakwa's tenements, similar to those mined by De Beers at its Koinaas operation to the north.

The presence of this diamond-bearing channel underlying the 3-9 metre beach gravels has clearly influenced the degree of mineralisation of the gravel terraces, with grades increasing in close proximity to the channel. Further stripping of overburden down to the channel bedrock is currently in progress to confirm the positive impact of the channel feature. If confirmed, this would have positive implications for the acceleration of Namakwa's planned inland exploration activities (see below).

During the quarter, a total of 390,000 tonnes of overburden was stripped from block LBM 4, to extract a total of 31,171 tonnes of diamond-bearing gravels at an average grade of 16.44 carats per hundred tonnes (cpht).

Towards the end of the quarter, overburden stripping continued at Langstrand, to the north of Liebenberg Bay, yielding gravels of approximately 18,000 tonnes. These gravels will be processed through the plant in July and August 2005.

1.3 Processing

A total of 32,092 tonnes of gravels were treated during the quarter at a significantly increased average diamond grade of 15.21 cpht, resulting in the recovery of 4,881 carats of gem quality diamonds. The average stone size was 0.1 carats. Plant operating statistics for the year to date are:

	Gravels Treated (tonnes)	Carats Recovered	Stone Size (ct/stone)	ROM Grade (cpht)
June Quarter	32,092	4,881	0.10	15.21
Year to Date	153,260	15,683	0.105	10.23

The plant operated on a limited basis, as and when ore feed was presented.

1.4 Diamond Sales

During the quarter, the Company completed its third diamond sale by closed tender, comprising 3,906 carats at an average price of US\$84 per carat. This increased total diamond sales for the financial year ended 30 June 2005 to 13,985 carats at an average price of US\$105 per carat, generating a cash inflow of A\$1.921 million.

1.5 Exploration

During the quarter, Namakwa finalised plans for a comprehensive exploration program covering the extensive tenement areas outside of the initial delineated resource blocks at Liebenberg Bay and Langstrand.

Planned exploration activities were developed in light of an independent report received last quarter from Mr Richard Hall (of Placer Solutions Pty Ltd), a specialist consulting geologist with extensive diamond exploration experience along South Africa's West Coast, combined with the results of Namakwa's previous SPECTREM Airborne Electro Magnetic survey (flown in 2002) and a large historical exploration database acquired last year from De Beers.

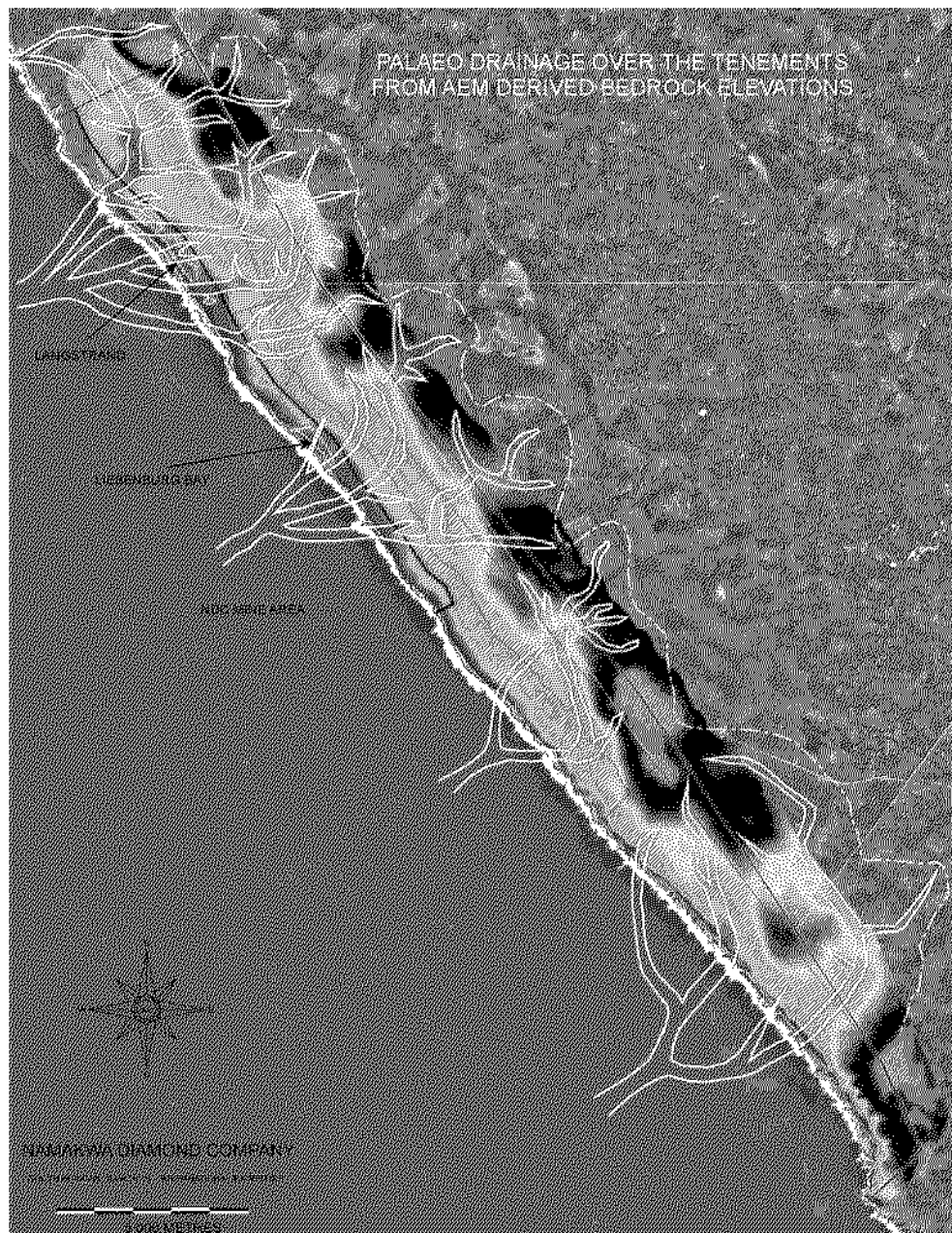
Five major fluvial channel systems (see Figure 1) were identified as the most prospective and will be tested during the first phase of the planned exploration program, which is expected to commence in the next quarter.

These channels have been selected because of their exposure to favourable placer-forming processes, their substantial aerial extent and the density of the drainage systems within them as determined from the SPECTREM survey. In addition, the presence of diamonds in the historic De Beers sampling pits has increased confidence in the selection process.

The new exploration program will commence with approximately 12,000 metres of very wide-spaced target confirmation drilling. Where gravel channels are encountered, a total of approximately 10,000 metres of closer-spaced target definition drilling will be undertaken to determine the lateral extent of the gravel bodies, depending on detailed results received.

The final stage of this first phase of exploration will comprise bulk sampling of selected targets, utilising Namakwa's existing diamond processing facilities. The results from this first phase of exploration will determine the extent of the second and third phases, which will aim to narrow the focus to 2-3 targets for follow-up resource delineation drilling.

Figure 1



1.6 Beach Mining

Under the terms of an agreement concluded last year with Trans Hex Group, Namakwa is entitled to mine certain beach areas adjacent to its land operations. This agreement allows Namakwa to mine the beach gravels of the Admiralty Strip on a profit share basis. Namakwa has only undertaken limited bulk sampling to date.

Namakwa has recently obtained consent from Trans Hex to carry out further exploration on the beach at Liebenberg Bay, immediately adjacent to the Company's tenement areas. An exploration program has been developed and will commence during the September 2005 quarter.

1.7 Rehabilitation

In line with its obligations and undertakings to the Department of Minerals & Energy in respect of its Environmental Management Plan (EMP), Namakwa continued during the quarter to maintain close supervision of all site-related activities. Waste control, dust emissions and stockpile management are constantly carried out. In addition, boundary fences are erected and maintained and topsoil is carefully preserved.

1.8 Black Economic Empowerment and Employment

Namakwa subscribes to and has complied with the requirements of the Mining Charter with respect to Black Economic Empowerment (BEE). In addition to the 26 per cent shareholding of its BEE partner, Zaico in NDC Mining Company (Pty) Limited, the Company has made significant progress with regard to skills transfer and procurement.

Zaico is an active participant in all matters relating to BEE and is actively involved in the upliftment and development of the local community. Employment Equity and Social Labour Plans are being developed under the auspices of Zaico. The Company has recently sponsored a teacher at the local primary school.

Namakwa employs 12 females at its Elandsdy Site.

2.0 NEW PROJECT DEVELOPMENT

2.1 Swartsand Project

Earlier in the year, Namakwa announced that it had successfully applied for the Swartsand Project in Namaqualand. The project comprises an area of 1,645 hectares and forms part of the farm Komaggas, located between the towns of Springbok and Kleinsee within the flood plains of the Buffels River, a major source of diamonds in the area.

During the quarter, the Company submitted the Environmental Management Plan (EMP) for this project, which has been accepted by the Department of Minerals and Energy (DME). The approval process leading to the grant of a Prospecting Permit is expected soon. Exploration will commence as soon as the necessary permits have been issued by the DME.

Namakwa has developed an exploration program comprising initially surface geological mapping and topographic modelling. This will provide detailed bedrock profiles and form the basis for the subsequent development of a broad-spaced drilling program and shallow bulk sampling. Based on the results of this work, further in-fill drilling and geophysical surveys will be carried out to locate bulk sampling and trial mining sites.

An existing treatment plant is located at the nearby Buffelsbank Mine, which operates on a campaign basis, treating gravels for other small-scale miners working on the Buffelsbank leases. This facility will be available for lease by Namakwa to process its exploration samples. The original Buffelsbank Mine produced 1.2 million carats over a 30 year period until its eventual closure in 1998, underpinning the early development of leading South African based diamond producer, Trans Hex.

A group of diamond mines previously owned and operated by De Beers, known as the Buffels Inland Complex, is situated downstream from the Project.

2.2 Australian Projects

Last quarter, the Company announced it had entered into an arrangement with Faustus Pty Ltd, a company associated with prominent Australian prospector Mr Graeme Hutton, which gives Namakwa the right to acquire up to a 100 per cent interest in stages in a portfolio of highly prospective diamond exploration projects in the Kimberley region of Western Australia. The package includes 8 target areas possibly related to lamproitic or kimberlitic volcanic pipes identified during an extensive geological review by Mr Hutton of the region that hosts Australia's two existing commercial diamond mines.

During the quarter, Namakwa completed a preliminary reconnaissance exploration program over 13 physiographic (land form-related) anomalies on the Kimberley Craton, within the northern and central-eastern Kimberley region.

Encouraging results from geological, geochemical and geophysical orientation surveys (limited and non-invasive) have determined the prioritisation of targets and exploration methodology to be applied. Detailed ground magnetic and gravimetric surveys are planned for the latter half of 2005, while exploration drilling is planned for the second quarter of 2006 (being the commencement of the 'dry' season in northern Western Australia).

The Australian project areas cover a total area of 437 square kilometres and are located in three separate tectonic environments on the Kimberley Craton. They were identified using fundamental geological principles to define anomalous physiographic features rather than the conventional approach to regional diamond exploration utilising indicator mineral sampling and geophysical surveying.

2.3 Project Generation

Namakwa intends to broaden its asset base and, to this end, continued during the quarter to actively assess a number of potential acquisition and joint venture opportunities in the diamond sector, particularly in Africa, and will report when developments of significance occur.

3.0 CORPORATE

3.1 Appointment of Hereford Securities

The Company has engaged Hereford Securities and Management S.A., a European based investment group to provide investor relations support for Namakwa in the UK and European capital markets. The Company's Directors believe that this decision will be beneficial to Namakwa's longer term corporate strategy as these markets have a strong appetite for diamond companies.

3.2 Other Corporate Matters

As at 30 June 2005 the Company had cash reserves of A\$963,000 as well as an inventory of 2,194 carats of gem quality diamonds. On 8 July 2005, the Company sold at tender 2,184 carats at an average price of A\$116 per carat realising A\$253,000 in revenue.

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KARL SIMICH
CHAIRMAN

29 July 2005

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.

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 2005

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	444	1,924
1.2	Payments for (a) exploration and evaluation	(739)	(3,143)
	(b) development	-	-
	(c) production	(781)	(3,028)
	(d) administration	(294)	(1,039)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	43	106
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other - Movement in Working Capital	-	-
Net Operating Cash Flows		(1,327)	(5,180)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(6)	(864)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	1
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(6)	(863)
1.13	Total operating and investing cash flows (carried forward)	(1,333)	(6,043)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,333)	(6,043)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1	3,593
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	1	(3)
	Net financing cash flows	2	3,590
	Net increase (decrease) in cash held	(1,331)	(2,453)
1.20	Cash at beginning of quarter/year to date	2,325	3,532
1.21	Exchange rate adjustments to item 1.20	(31)	(116)
1.22	Cash at end of quarter	963	963

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	102
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 and general corporate services 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

N/A

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	300
4.2 Development	-
Total	300

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	273	375
5.2 Deposits at call	690	1,950
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	963	2,325

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	110,044,579	110,044,579		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	517,500 61,273,419 1,115,000 1,077,500	61,273,419	Exercise Price 15 cents 20 cents 30 cents 40 cents	Expiry Date 31/12/05 30/09/06 31/12/06 31/12/07
7.8 Issued during quarter	1,000,000	1,000,000	20 cents	30/09/06
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations 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: 29 July 2005

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.

+ See chapter 19 for defined terms.