



Namakwa Diamond Company

QUARTERLY REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 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

- Stage 1 Mine Production commenced at the Namakwa Diamond Project.
- Upgrades to the processing plant and mining pre-strip completed.

Corporate

- Release of Financial Report for year ended 30 June 2004.

1.0 NAMAKWA DIAMOND PROJECT SUMMARY

1.1 Overview

During the quarter, Namakwa's operating subsidiary, NDC Mining Company (Pty) Limited, completed the upgrade of its process plant and infrastructure at its South African west coast site.

Commercial production commenced in September and is ramping up to the design throughput rate of 500,000 tonnes per annum. Phase 1 Mining of the resource, of 2.2 million tonnes at Liebenberg Bay and Langstrand, is expected to yield around 95,000 carats per year (after a 3 month ramp up period). It is important to recognise the current resource has been identified from within an area that covers less than 3 per cent of the total concession area held.

1.2 Process Plant Upgrade

The DMS diamond production plant at the Project has been modified and upgraded to a 500,000 tonnes per annum capacity and enhancements have been made to the in-house Flow Sort (X Ray) Final diamond recovery plant.

The total cost of the capital upgrade for the plant was A\$1.5 million. The plant modifications included a new scrubber, enlarged floats screen, 750 KVA genset, new conveyor structure and extensive modifications to the Final Recovery Plant. Infrastructure costs, mining pre-strip costs, working capital costs incurred due to delays in receipt of the Mining Licence, exploration expenditure, environmental cash bonds given, together with the anticipated working capital required during production ramp up in order to reach steady state have (over the past 6 months) or are expected (over the next 2 months) to result in a total net outlay of approximately A\$4.5 million (including the plant costs of A\$1.5 million).

Local suppliers were used where possible and consideration was given to Black Economic Empowerment companies with regard to the plant upgrade. All suppliers are to be congratulated on their performance.

The entire plant and facilities upgrade was delivered within the planned four month period.

1.3 Production

Limited production in the commissioning stage commenced on 15 September 2004.

The plant initially operated on a single shift, increasing to double shift by the end of September. The plant will start operating on a 3 x 8 hour shift system in the first week of October 2004. This system will be worked for a 6-day week due to current licence conditions.

1.4 Employees

With the transformation from an exploration operation to a mining operation, the labour force has increased from 24 to 64 persons. Of these, 15 are women, which is in excess of the requirements of the Employment Equity Act.

Mining is sub-contracted to Kosie Swart, who is well known in the area and is a significant contractor to the Trans Hex Group.

All other aspects of production, including security, are handled in-house.

1.5 Beach Mining

In terms of the agreement with the Trans Hex Group, Namakwa is entitled to mine certain beach areas adjacent to its land operations. The agreement allows Namakwa to mine the beach gravel of the Admiralty Strip on a profit share basis.

Exploration samples have been collected along the Langstrand beach and diamond-bearing gravels were found in several locations. Work on this will continue once the plant has been fully commissioned and is running in steady state operations.

1.6 Black Economic Empowerment

Namakwa has complied with the requirements of the Mining Charter with respect to Black Economic Empowerment. The management team, with the assistance of Zaico, under the leadership of Themba Vilakazi, is constantly working on skills transfer, employment equity, procurement and the upliftment and development of the local community.

2.0 CORPORATE

2.1 Financial Report for the Year Ended 30 June 2004

In releasing its financial results for the year ended 30 June 2004, the Company reported a consolidated loss after tax of \$1,613,688 compared to a consolidated loss after tax for the previous year of \$956,957. The increase in loss was partly attributable to a foreign exchange adjustment due to the South African Rand strengthening considerably against the Australian Dollar during the reporting period.

.....
KARL SIMICH
CHAIRMAN

22 October 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.

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 September 2004

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(1,052)	(1,052)
(b) development	-	-
(c) production	-	-
(d) administration	(287)	(287)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - Movement in Working Capital	(452)	(452)
Net Operating Cash Flows	(1,784)	(1,784)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(164)	(164)
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	(164)	(164)
1.13 Total operating and investing cash flows (carried forward)	(1,948)	(1,948)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,948)	(1,948)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	55	55
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)	-	-
Net financing cash flows		55	55
Net increase (decrease) in cash held		(1,893)	(1,893)
1.20	Cash at beginning of quarter/year to date	3,532	3,532
1.21	Exchange rate adjustments to item 1.20	(26)	(26)
1.22	Cash at end of quarter	1,613	1,613

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	140
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

--

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

--

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	-
Total	100

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	463	1,232
5.2 Deposits at call	1,150	2,300
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,613	3,532

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	95,354,387	95,354,387		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	617,237	617,237		
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>	585,000 915,000 58,631,864 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	30,000 587,237		15 cents 20 cents	31/12/06 30/09/06
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: 22 October 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.

+ See chapter 19 for defined terms.