QUARTERLY REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2005

ASX CODE : NDC & NDCO

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

Project Development

- MOU signed with Angolan-based Tecmad – Mining Services SARL giving Namakwa the exclusive right to evaluate and present a development and operating plan for the Camutue Associated Diamond Deposits in north-eastern Angola.
- The Camutue Associated Diamond Deposits comprise alluvial deposits associated to the Camutue cluster of up to 9 kimberlite pipes in Lunda Norte Province, Angola.
- Multi-disciplinary team dispatched to site to conduct due diligence and present a detailed report, which was submitted to Tecmad in January 2006. This report is currently being finalised.
- If the plan is accepted, Namakwa to operate the Camutue Project under contract to Tecmad, with the opportunity to negotiate a further agreement to explore and acquire an interest in the highly prospective Camutue kimberlite pipes.
- Option exercised to acquire a 75% interest in the large-scale Jequitinhonha diamond project in south-east Brazil following successful completion of due diligence.
- Exploration programs currently being designed and budgeted for the Jequitinhonha Project, targeting both the conglomerate and alluvial deposits.
- Continued active assessment of potential acquisition and joint venture opportunities in the international diamond industry, particularly Africa.

Exploration

- Design and costing of the expanded exploration program at the Namakwa Project (West Coast of South Africa) completed. The expanded program will target fluvial channel features across the broader tenement area.
- Proposed exploration program involves up to 12,000 metres of drilling and, pending the results of drilling, a program of two 5,000 tonne bulk samples.
- Development of an exploration program for the Swartsand Project (Namaqualand region, South Africa) completed, with exploration to commence as soon as the Prospecting Permit is granted.

Corporate

- Funding arrangements for 2006 exploration, development and corporate activities currently under review.

1.0 PROJECT AND BUSINESS DEVELOPMENT

1.1 Camutue Project, Angola

During the quarter, Namakwa secured a further significant international project opportunity as part of its ongoing business development program. In December, the Company signed a Memorandum of Understanding (MOU) giving it exclusive rights to evaluate and potentially develop and mine under contract the highly sought-after Camutue Associated Diamond Deposits located in north-eastern Angola's Lunda Norte Province. The MOU was concluded with a view to Namakwa subsequently negotiating an agreement enabling it to explore and potentially acquire an interest in the nearby cluster of up to 9 highly prospective kimberlite pipes.

The agreement represents one of the most significant international opportunities secured by Namakwa to date and, if it leads to the establishment of a mining operation in Angola, will underpin an important new growth focus for the Company.

The Camutue Project, located some 10 kms east of the town of Lucapa in the Lunda Norte Province of Angola, comprises the Camutue West and Caixepa Concessions. Tecmad is entitled to a 60% participation in the profits of the operations of the Concessions under a consortium agreement with Angola's State-owned diamond mining company, Endiama E.P. The Camutue West kimberlite pipe, which has a total surface area of 9 hectares, was discovered in 1958 and mined by open pit to a depth of approximately 20 metres between 1961 and 1974. The mining records indicate that a total of 2.1 million cubic metres (approximately 3.8 million tonnes) was treated during this period, with 333,673 carats recovered at an average grade of 16 carats per 100 cubic metres (approximately 8.9 cpht).

The average stone size was 0.7 carats per stone and the largest diamond recovered weighed 95.41 carats. The Camutue West pipe became known for producing a high proportion of large stones. The pipe, prior to initial mining was covered at surface by a thin veneer of eluvial gravel and the upper 5-10 metres was surface enriched – averaging a grade of 22 carats per hundred cubic metres (approximately 12 cpht). The average grade of the lower portion of the pipe mined was reported as 10 carats per hundred cubic metres (or approximately 6 cpht).

Most of the more recent production at Camutue has come from the high-grade Camutue Associated Deposits, which offer the potential for a relatively rapid development timeframe given the mining and processing infrastructure already in place. Tecmad has to date invested in excess of US$10 million on plant and equipment at Camutue, including on the construction of a new Bateman 50 tonne per hour (tph) Dense Media Separation (DMS) diamond production plant which is currently awaiting commissioning.

Under the agreement, Namakwa was provided with the opportunity to review the entire technical database relating to the Camutue Concessions before dispatching a multi-disciplinary team to site to conduct a thorough due diligence. This review was completed immediately following the signing of the MOU, and Namakwa's technical team arrived on site in early January 2006.

The Company has since finalised a detailed technical report on the Camutue Project including:

- a proposed capital budget, works program and operating budget for development of the Camutue Associated Deposits; and
- a proposed timeline for the project moving forward including reasonable milestones and reasonable objectives to be achieved.

This report, which was completed at Namakwa's cost, was presented to Tecmad's shareholders before 20 January 2006. Its purpose is to present a potentially feasible and reasonable proposal for the commencement of full-scale commercial mining of the Camutue Associated Deposits in a professional, cost-effective and sustainable manner, drawing on Namakwa's expertise and experience in the international diamond industry. Tecmad has since requested various changes and alterations to the report, which are currently nearing completion.

Once the report is finalised, the two companies will undertake to promptly use all reasonable efforts to negotiate to conclude an operating agreement to commence mining operations. Namakwa will manage the mining operation with directly allocatable costs being paid by Tecmad and will be remunerated for all its services either on a percentage of net cash flow from mining operations to be agreed (but not to exceed 20%) or by way of a monthly fee of not less than US$100,000, whichever is the greater. Any additional capital requirements for the Associated Deposits mining operation will be funded solely by Tecmad.

Angola is one of the world's most resource-rich countries, offering major opportunities to international resource companies particularly in the oil and diamond sectors. The country is currently attracting very high levels of foreign investment in its oil industry, which is sub-Saharan Africa's second largest after Nigeria. Since the conclusion of the long-running civil war in 2002, Angola has stabilised politically and seen strong economic growth driven by its burgeoning oil sector – helping to support reconstruction of its war-damaged infrastructure.

1.2 Jequitinhonha Project, Brazil

As reported last quarter in September 2005, Namakwa secured a 6 month option to undertake due diligence and potentially acquire the Jequitinhonha diamond project, comprising a group of large-scale diamond deposits located in the heart of one of Brazil's most prolific diamond-producing regions.

The Company commenced this due diligence program shortly after the Memorandum of Understanding (MOU) was signed with the owners of the Jequitinhonha Project. In December, Namakwa made the decision to exercise its options to acquire a 75% interest in both the alluvial and conglomerate deposits that form part of the Jequitinhonha Project for an aggregate cash payment of US$50,000 (US$25,000 for each type of deposit). Namakwa has the option to increase its interest to 100% following a decision to commence mining.

The Jequitinhonha Project is located near the historic diamond mining centre of Diamantina in the State of Minas Gerais and comprises two distinct types of large-scale alluvial deposits, identified as "Alluvials" and "Conglomerates".

The owners have produced a JORC compliant inferred resource for the Conglomerate deposits exceeding 8.6 million m^3 (approximately 20 million tonnes) of in-situ gravels, containing approximately 1.2 million carats, indicating their potential to form the basis of a substantial mining operation. A key feature of the conglomerate deposits is their substantial gravel thicknesses, which average over 20 metres. The average grade of these deposits is 13.43 carats/100m^3 (approximately 5.6 cpht), with diamond values averaging US$300-400/carat. Portions of these conglomerate deposits will require drilling and blasting.

In addition to these two areas, Namakwa has agreed with the project owners to negotiate to acquire an additional 12 million tonnes of conglomerate deposits in the same general area, with an average grade of 2.5 cpht.

The exploration and development potential of the Jequitinhonha Project is supported by the strong history of mining in the region and the relative proximity of the alluvial concessions to the Domingas Mine, Brazil's largest single diamond producer, which is located some 100 kms upstream (to the south) of the alluvial concessions. Brazil has total recorded diamond production of some 60 million carats, all from alluvial sources, making it one of the world's largest diamond producers. The Diamantina region has good infrastructure and access, and a well-established mining culture. The Domingas Mine has produced, on average, 70-100,000 carats per annum for more than 10 years, with diamond grades averaging 4 carats/100m^3 with an average price of US$200 per carat.

A key feature of the acquisition of the Jequitinhonha diamond project is the ongoing participation of Mr Jorge Valente, one of the project owners, in the evaluation and development phases of the Project. One of Brazil's more experienced mining engineers, Mr Valente has extensive experience in the international diamond industry having held a number of senior roles in Brazil and Angola, including in the development of several major diamond mining operations.

Under the terms of the agreement, Namakwa will fund the cost of a 2 year exploration program, with planning for these exploration activities currently underway, subject to funding.

2.0 EXPLORATION PROJECTS

2.1 Namakwa Project, West Coast – South Africa

During the quarter, Namakwa completed planning and budgeting for an exploration re-evaluation program at the Namakwa Project, following the Board's previously announced decision to refocus activities to the substantially unexplored areas outside of the resource blocks at Langstrand and Liebenberg Bay. In particular, this exploration will focus on strandline and channel features identified as priority exploration targets, as outlined in previous quarterly reports.

Five fluvial channel systems have been identified as the most prospective and will be tested during the first phase of the planned exploration program, which involves drilling initially followed by bulk sampling. A total of 12,000 metres of drilling has been planned, followed by two 5,000 tonne bulk samples, subject to the results of the drilling. This program is scheduled to commence during the first half of 2006, subject to funding.

Rehabilitation

In line with its obligations and undertakings to the South African Department of Minerals and Energy (DME) in respect to its Environmental Management Plan (EMP), Namakwa continued during the quarter to rehabilitate all trial mining blocks and exploration trenches and pits. The re-establishment of vegetation present before bulk sampling activities continues to show excellent results.

Black Economic Empowerment and Employment

Namakwa subscribes to and has complied with the requirements of South Africa's Mining Charter with respect to Black Economic Empowerment (BEE). In addition to the 26% shareholding of its BEE partner, Zaico, in Namakwa's subsidiary company, NDC Mining Company (Pty) Limited, the Company continues to progress relevant programs relating to skills transfer and procurement. Namakwa remains committed to all aspects of the South African Mining Charter as it relates to Black Economic Empowerment.

2.2 Swartsand Project, Namaqualand Region – South Africa

During the quarter, Namakwa completed detailed planning for the exploration program developed for the Swartsand Project, which the Company applied for last year in the Namaqualand region. The Project comprises an area of 1,645 hectares and forms part of the farm Komaggas, located between the towns of Springbok and Kleinzee within the flood plains of the Buffels River, a major source of diamonds in the area.

Namakwa has submitted an Environmental Management Plan for the Swartsand Project, which has been accepted by the DME in South Africa. The approval process leading to the grant of a Prospecting Permit is expected to be concluded during the first quarter of 2006, which will clear the way for exploration to commence.

Exploration comprising initially surface geological mapping, topographic modelling and geophysical surveying will provide detailed bedrock profiles and may form the basis for the subsequent development of a wide-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.

The Swartsand Project is situated immediately adjacent to the Buffelsbank Mine, which was a significant diamond producer over a 30 year period until its eventual closure in 1998. A group of diamond mines currently owned and operated by De Beers, known as the Buffels Inland Complex, is situated downstream from the Project. 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 and may be available to the Company to rent.

2.3 Kimberley Project, Western Australia

As previously announced, Namakwa has completed regional prospecting reconnaissance of all targets within the portfolio of diamond exploration projects in the Kimberley region of Western Australia.

Namakwa's exploration focus is on the large Goat Paddock (EL 80/3153 & ELA 80/3266) circular physiographic anomaly in the central Kimberley region, which represents a high priority target area. The Goat Paddock Project comprises a crater-form topographic depression some 5 kms in diameter.

Previous drilling (carried out in 1972) demonstrated a crypto-explosion crater structure in-filled with some 200 metres of carbonaceous lacustrine sediment overlying brecciated sandstone. The lacustrine sediments (lake-fill) have been dated at approximately 50 million years, compared with the surrounding host rocks which have been dated at an estimated 500 million plus years.

Detailed ground magnetic and gravimetric surveys carried out last quarter have demonstrated an internal magnetic anomaly (1.5 kms in diameter) disposed within the much larger topographic anomaly or crater structure (5 kms in diameter). This anomaly is interpreted to reflect a 'melt pool' related to a meteorite impact or a sub-volcanic intrusive possibly related to a kimberlitic diatreme.

Planning continued during the quarter for a proposed drilling program at this target during the first half of 2006 following the commencement of the "dry" season in northern Western Australia, subject to funding.

3.0 CORPORATE

3.1 Funding Arrangements

In light of the recently announced project opportunities in Brazil and Angola, and its planned exploration activities in South Africa and Australia, Namakwa is currently reviewing its funding requirements for 2006 and intends to make an announcement shortly regarding the mechanism for funding its exploration, development and corporate activities over the next 12 months.

…………………………………………………......
KARL SIMICH
CHAIRMAN

31 January 2006

COMPETENT PERSON
The information in this report that relates to an inferred mineral resource is based on information following a due diligence program conducted by Peter Danchin, B.Sc (Hons), Pr.Sci.Nat. (RSA), M.Aus.IMM, who is an executive director of Namakwa Diamond Company NL. Mr Danchin is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Mr Danchin consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears.

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 and its controlled entities

ABN	Quarter ended ("current quarter")
77 085 806 284	**31 December 2005**

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date $A'000
1.1	Receipts from product sales and related debtors	39	606
1.2	Payments for (a) exploration and evaluation	(256)	(1,053)
	(b) evaluation of prospective projects	-	(156)
	(c) development	-	-
	(d) production	-	-
	(e) administration	(88)	(295)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	11	21
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	(294)	(877)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(7)
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	-	(7)
1.13	Total operating and investing cash flows (carried forward)	(294)	(884)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(294)	(884)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	1,181
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Interest and other costs of finance paid	-	-
1.19	Dividends paid	-	-
1.20	Share issue expenses	(69)	(69)
1.21	Other (provide details if material)	-	-
	Net financing cash flows	(69)	1,112
	Net (decrease)/increase in cash held	(363)	228
1.22	Cash at beginning of quarter/year to date	1,579	988
1.23	Exchange rate adjustments to item 1.22	-	-
1.24	**Cash at end of quarter**	1,216	1,216

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
1.25	Aggregate amount of payments to the parties included in item 1.22	66
1.26	Aggregate amount of loans to the parties included in item 1.10	-

1.27 Explanation necessary for an understanding of the transactions

Payment of director's fees.

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

None.

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

None.

+ 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	596
4.2	Development	-
	Total	**596**

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	1,216	1,579
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.24)	1,216	1,579

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**	124,803,615	124,803,615		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,350	2,350	20 cents	f/pd
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)*	- 63,271,069 1,115,000 1,077,500 5,500,000	- 61,271,069 - - -	**Exercise Price** - 20 cents 30 cents 40 cents 13 cents	**Expiry Date** - 30/09/2006 31/12/2006 31/12/2007 24/11/2010
7.8	Issued during quarter	5,500,000 2,000,000	- 2,000,000	13 cents 20 cents	24/11/2010 30/09/2006
7.9	Exercised during quarter	2,350	2,350	20 cents	30/09/2006
7.10	Expired during quarter	517,500	-	15 cents	31/12/2005
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: 31 January 2006

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.