



**QUARTERLY REPORT  
FOR THE PERIOD ENDED 31 MARCH 2006**

**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](mailto:general@namakwa.com.au) WEBSITE [www.namakwa.com.au](http://www.namakwa.com.au)

**HIGHLIGHTS**

- Comprehensive review of Namakwa's projects completed, resulting in a revised exploration and project program for 2006 – focusing principally on the Namakwa Project on the West Coast of South Africa.
- Planning for comprehensive exploration program for the Namakwa Project finalised, with the initial focus on five fluvial channel systems to be tested by drilling and subject to results, bulk sampling.
- Technical review of Jequitinhonha Project in Brazil determines that the initial exploration focus at this Project will be on the Alluvial concessions.
- Exploration program finalised to evaluate the Jequitinhonha and Macaubas River alluvial concessions.
- Prospecting Permit granted for the Swartsand Project in South Africa's Namaqualand region, clearing the way for exploration activities to commence.
- Finalisation of operating agreements for the Camutue Project in Angola still in progress, subject to acceptance and finalisation by Tecmad – Mining Services SARL.

**Corporate**

- Subsequent to quarter-end, Namakwa announced a 1-for-1 non-renounceable entitlements issue at 3 cents to raise \$4.3 million, together with a \$558,000 share placement, managed by Argonaut Securities Pty Ltd.
- Recapitalisation to underpin 2006 exploration and evaluation program.
- Following completion of the capital raising, Namakwa intends to convene a shareholder meeting to consider a number of items of business including a proposed change of company name to reflect its broader international focus.

## 1.0 OVERVIEW

During the quarter, Namakwa carried out a comprehensive review of its portfolio of exploration projects and newly acquired project opportunities in South Africa, Angola, and Brazil. This included the completion of a technical review of the 75%-owned Jequitinhonha Diamond Project in Brazil.

As a result of this review, the Company announced a revised exploration and project program for 2006, with the focus of activity to be primarily on the Namakwa Diamond Project in South Africa and the alluvial component of the Jequitinhonha Project in Brazil, together with more limited exploration programs at the Kimberley Project in Australia and the Swartsand Project in South Africa.

## 2.0 EXPLORATION PROJECTS

### 2.1 Namakwa Project, West Coast – South Africa

*The Namakwa Diamond Project is located 350 kms north of Cape Town on South Africa's West Coast, in one of the world's largest alluvial diamond-producing regions. The Namakwa Project comprises four adjacent, onshore diamond Concessions, covering a total area of 90 kms<sup>2</sup> with major operating mines both to the north (De Beers) and to the south (Trans Hex). The Project includes a DMS diamond production plant with a 500,000 tpa (100 tph) throughput capacity, plus associated infrastructure including a Flowsort X-Ray final diamond recovery plant.*

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 initial resource blocks at Langstrand and Liebenberg Bay. In particular, exploration will focus on channel features identified as priority exploration targets, as outlined in previous quarterly reports.

Electromagnetic data obtained from the De Beers 2003 SPECTREM<sub>2000</sub> survey has identified five highly prospective fluvial channel systems which will be tested during the first phase of the planned exploration program. These channel systems have been interpreted to be major, buried fossil drainage systems, with structures very similar to the fluvial channel pattern at the De Beers (Namaqualand Division) Koingnaas mining operations, located approximately 200 kms north of Namakwa's project area.

These channel systems will be tested during the first phase of the planned exploration program, which will involve 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 finalisation of funding (see below).

#### **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 has now completed the rehabilitation of all trial mining blocks and exploration trenches and

pits at the Namakwa Project. 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 Jequitinhonha Diamond Project – Brazil**

*The Jequitinhonha Diamond Project (Namakwa 75%) is located near the historic diamond mining centre of Diamantina in the Brazilian State of Minas Gerais and comprises two distinct types of large-scale alluvial deposits, identified as "Alluvials" and "Conglomerates". 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.*

As previously reported, Namakwa exercised its options to acquire a 75% interest in the Jequitinhonha alluvial diamond project in Brazil in December 2005, including both the alluvial and conglomerate style of deposits that form part of the project. During the quarter, Namakwa completed a detailed technical review of both the alluvial deposits, which are located within two groups of Concessions straddling the Jequitinhonha and Macaubas Rivers, and both the Boa Vista and Serrinha conglomerate deposits (which have been partially mined in the past).

This review, which included a technical site visit and preliminary exploration evaluation, confirmed the presence of diamondiferous gravels within the large-scale alluvial concessions and highlighted the significant exploration potential of these areas, some of which (such as the Macaubas River Concessions) have not seen any modern exploration.

Accordingly, the Company has decided that focus of exploration will initially be on the Alluvial concessions (unconsolidated river gravels) in the short term, rather than the Conglomerates (consolidated hard-rock sediments). The alluvials and the Serrinha conglomerates are held under granted tenure, while the Boa Vista conglomerates remain under application.

A comprehensive exploration program was developed during the quarter to evaluate the Jequitinhonha and Macaubas River alluvial concessions. Regional geological mapping of the alluvial gravels has been completed and the exploration program will comprise landsat and air photo interpretation, to be followed by drilling and subsequent bulk sampling. It is envisaged that the drilling program will be carried out in the dry months between May and October 2006. This will be followed by bulk sampling after interpretation of the drilling results.

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 a 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.

### **2.3 Swartsand Project, Namaqualand Region – South Africa**

*Namakwa secured the prospective Swartsand Project, located in the Namaqualand Region of South Africa, in January 2005. Located some 450 kms north of the Namakwa Project, the Swartsand Project covers an area of 1,645 hectares within the flood plains of the Buffels River – a major source of alluvial diamonds in the area. The Swartsand Project is located immediately adjacent to the Buffelsbank Mine – one of the richest alluvial diamond operations in the region which produced 1.2 million carats over a 30-year period until its 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.*

During the quarter, the Prospecting Permit for the Swartsand Project was granted by the DME in South Africa, enabling Namakwa to commence its planned exploration activities. Namakwa submitted its original Prospecting Permit application for the Swartsand Project some 14 months ago, with the approval process for the grant of the tenement taking significantly longer than expected. However, the Company utilised this time to develop a detailed exploration program.

The planned exploration program comprises several phases, including initial surface geological mapping and topographic modelling of the palaeo-gravels and basement rock to determine drilling and trial pitting locations, followed by broad-spaced percussion drilling and shallow trial pitting. The overall exploration program will take approximately 12 months.

For its exploration sampling activities, Namakwa will be able to access an existing treatment plant 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 eliminates the need for Namakwa to construct its own processing plant.

### **2.4 Kimberley Project – Western Australia**

*The Kimberley Project is a conceptual diamond exploration play located in the Kimberley region of Western Australia, the same region that hosts Australia's two existing commercial diamond mines, the Ellendale and Argyle operations.*

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 sediments 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 which, subject to site clearances, is proposed to commence during the second half of 2006.

## 2.5 Camutue Project – Angola

*In December 2005, Namakwa signed a Memorandum of Understanding (MOU) with Angolan-based Tecmad – Mining Services SARL 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 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.

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.

Namakwa subsequently completed a detailed report, which was presented to Tecmad's shareholders before 20 January 2006. Its purpose was to present a potentially feasible and reasonable proposal for the commencement of full-scale commercial mining of the Camutue Associated Deposits (Alluvials) in a professional, cost-effective and sustainable manner, drawing on Namakwa's expertise and experience in the international diamond industry. This report included:

- 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.

After a number of detailed changes to this report were requested by Tecmad, and subsequently made, Namakwa has commenced negotiations in good faith to conclude a draft operating agreement to commence mining operations.

The finalisation of this operating agreement is wholly dependent on its acceptance and finalisation by Tecmad, which has been dealing with the issues raised over the past two months. While there is little doubt that the Camutue Project represents a unique and potentially very significant opportunity for Namakwa, it is not possible at this stage to say when, or if, this agreement will be finalised and whether it will lead to the establishment of a commercial mining venture.

### 3.0 CORPORATE

#### 3.1 Entitlements Issue and Placement

Subsequent to the end of the quarter, on 5 April, Namakwa announced the proposed funding mechanism to underpin its 2006 exploration and evaluation programs as detailed in this Quarterly Report, following the comprehensive project reviews and revised exploration focus detailed above.

The recapitalisation comprises two key components:

1. a placement of 18.6 million shares at an issue price of 3 cents each to raise \$558,000 before costs. The placement, which was managed by Argonaut Securities Pty Ltd (Argonaut), was completed on 12 April 2006, with shares being placed with professional investors under Section 708 of the Corporations Act 2001 (Cth). The placement shares rank pari passu with the Company's existing ordinary shares; and
2. a pro rata non-renounceable entitlements issue on a 1-for-1 basis at an issue price of 3 cents to raise approximately \$4.3 million before costs. Argonaut has underwritten the entitlements issue on industry standard terms and conditions. Listed diamond company, Blina Diamonds NL (ASX: BDI), has the right to participate as a priority sub-underwriter to the entitlements issue as provided for under its loan agreement with Namakwa (see below).

Namakwa lodged an Appendix 3B New Issue Announcement and Prospectus for the pro rata non-renounceable entitlements issue with ASIC on 20 April 2006, with a Supplementary Prospectus lodged on 21 April.

Argonaut received a fee of 6% of the total amount raised pursuant to the placement and will receive an underwriting fee of 6% of the total amount underwritten pursuant to the entitlements issue. In addition, Argonaut will receive a corporate fee of \$50,000 payable upon successful completion of the entitlements issue.

The timetable for the entitlements issue is as follows:

"EX" Date:	26 April 2006
Record date to determine entitlements:	2 May 2006
Entitlements issue closing date for acceptances:	23 May 2006
Securities quoted on a deferred settlement basis:	24 May 2006
Despatch date (anticipated):	31 May 2006

During January and February 2006, the Company also received a total of \$1 million in loan funds under agreement from Blina Diamonds NL ("Blina"). The loan bears interest at 8.5% pa (plus 1% establishment fee) and is not callable before 1 July 2006. Under the agreement, Blina holds the right, at its sole discretion, to receive ordinary shares in Namakwa Diamond Company NL in satisfaction of the loaned funds.

Namakwa's cash reserves at the end of the March 2006 quarter were \$156,703.

### **3.2 Proposed Change of Name to reflect Broader International Focus**

Following the completion of the share placement and entitlements issue, Namakwa intends to convene a shareholder meeting to consider a number of items of business, including a proposed change of name to reflect its broader international focus following the new projects and project opportunities secured in Brazil, Angola and Australia over the past 12 months.

**KARL SIMICH**  
**CHAIRMAN**

27 April 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.