
NAMAKWA ANNOUNCES BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION

The Directors of Namakwa Diamond Company NL (NDC) (**ASX: NDC**) are pleased to advise that NDC has concluded a Heads of Agreement with Zaico Pty Ltd (Zaico), a consortium of historically disadvantaged South African citizens (HDSA's) as defined in Section 1 of the South African Mineral and Petroleum Resources Development Act 28 of 2002.

Under this agreement:

1. Zaico will acquire a 26% interest in NDC's unlisted South African subsidiary, Namakwa West Coast Holdings Pty Limited, for the sum of R30 million (Thirty Million South African Rand) – (approximately A\$6.12 million).
2. NDC and Zaico will incorporate a new Pty Ltd Company (Newco) whose principal objective will be to identify and acquire from third parties and/or the State the right to prospect and mine diamonds in and on additional South African mineral properties. Newco will be owned 60% by Zaico and 40% by NDC.
3. Zaico will assist NDC in its endeavours to obtain Mining Licences and all other permits necessary in respect of the tenements held by NDC on the West Coast of South Africa.

The agreement is conditional upon Zaico, at their election, verifying the purchase price of approximately A\$6.12 million, by giving NDC notice that they intend to do so, within five (5) business days of NDC Board approval for the transaction. The purchase price, which is payable over time, will attract interest at the South African Reserve Bank Repo rate on any outstanding balance. All shares purchased by Zaico in Namakwa West Coast Holdings Pty Ltd shall be pledged to NDC as security for the outstanding indebtedness.

The parties have further agreed that, subject to NDC Board approval, they will sign a substantive shareholders agreement and/or additional agreements incorporating and amplifying the terms of the Heads of Agreement.

The persons associated with Zaico are prominent business people in the Republic of South Africa whose political and business associations will enhance NDC's endeavours in South Africa.

BACKGROUND INFORMATION

Namakwa is exploring and developing the Namakwa Diamond Project, comprising 49 square kilometres of highly prospective ground in three adjacent Concessions on South Africa's West Coast, 350 kilometres north of Cape Town.

The Project is located in the heart of one of the world's most prolific diamond-producing regions - with major historic and current diamond mines located to the north and south.

The diamonds within the rich onshore gravels being exploited by these operations are thought to have been transported to the coast by the major drainage systems of the interior - the Olifants, Buffels and Orange Rivers. Namakwa's Concessions are located just north of the mouth of the Olifants River.

Between 1994 and 2000, South Africa's West Coast yielded 5.8 million carats, worth an estimated US\$900 million at an average grade of 14 cpht. The run of mine diamond values ranged between US\$80 and US\$220 a carat.

Namakwa recently announced the second sale of diamonds from bulk sampling activities at the Namakwa Diamond Project, comprising a total of 2,926.17 carats realising a total of US\$301,970 for an average value of US\$103.20/carat.

The Company is currently finalising funding arrangements for a Feasibility Study on development of Stage 1 of the Project with specialist merchant bank RMB Resources Limited, with an announcement expected in the near future. Namakwa is aiming to complete this study in the next 2-3 months, enabling it to move to Stage 1 project development during the fourth quarter of 2003.

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Released by:
Jan Hope/Nicholas Read
Jan Hope & Partners
Telephone: (+61-8) 9388-1474

On behalf of:
Karl Simich – Chairman
Namakwa Diamond Company NL
Telephone: (+61-8) 9321-5887