
MINING LICENCE SECURED FOR NAMAKWA DIAMOND PROJECT

- **Namakwa announces grant of key Mining Licence for South African Diamond Project.**
 - **Stage 1 Mining scheduled to start in September 2004 at an initial production rate of 95,000 carats per annum.**
 - **Work to commence immediately to upgrade existing diamond production plant and infrastructure to 500,000tpa capacity.**
 - **New Africa Mining Fund subscribes for additional A\$2 million in subsidiary company.**
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Namakwa Diamond Company NL (**ASX: NDC**) today announced that it would immediately commence final preparations to begin Stage 1 Mining at its Namakwa Diamond Project during the 3rd quarter of 2004 after receiving confirmation of the grant of the Mining Licence from the South African Department of Minerals and Energy (DME).

The Mining Licence has been issued to Namakwa's operating subsidiary, NDC Mining Company (Pty) Ltd and Namakwa's Black Economic Empowerment (BEE) partner, Zaico Investments (Pty) Ltd, by the Western Cape Regional Office of the DME. It follows the issue of a mining authorisation and consent by the South African Minister for Minerals and Energy.

The grant of the Mining Licence represents the final remaining approval required to commence mining at the Namakwa Diamond Project, located 350km north of Cape Town on South Africa's West Coast.

It follows a 9-month approval process which has included the development of a detailed environmental management plan for the Project and the achievement of full Black Economic Empowerment (BEE) compliance.

PLANT UPGRADE AND STAGE 1 MINING

With the grant of the Mining Licence, Namakwa will immediately commence work on upgrading its existing Dense Media Separation (DMS) diamond production plant to enable it to accommodate in excess of 100 tonnes per hour scrubber feed in the Stage 1 Mining phase. Modifications will also be made to the Flowsort (X-Ray) Final Diamond Recovery Unit.

Following the upgrade, the Namakwa Diamond plant will have a production capacity of 500,000 tonnes per annum. The existing plant will continue limited processing operations during late May and June while the upgrade construction is in progress. The plant will be shut down in July for the final upgrade installation and commissioning, which is scheduled to commence in August 2004.

The Stage 1 development is based on an initial resource of 2.2 million tonnes grading 18.7 carats per hundred tonnes (cpht) containing 411,000 carats (with an in-situ value of approximately A\$60 million at current diamond prices). This resource covers just 3% of Namakwa's total tenement area.

The Stage 1 Project is forecast to produce 95,000 carats per annum with an expected A\$6 million annual cash surplus. Namakwa's longer-term objective is to delineate a resource of up to 15 million tonnes grading 16 cpht to underpin an expanded Stage 2 Mining operation. Detailed planning for the upgrade and the commencement of Stage 1 Mining has already been completed following work carried out in anticipation of the award of the Mining Licence.

PROJECT FUNDING

The grant of the Mining Licence will trigger the second tranche of development funding for the Namakwa Stage 1 Project, to be advanced by the New Africa Mining Fund (NAMF) under agreements announced in September last year between Namakwa, its BEE partner Zaico Investments and NAMF.

The second tranche comprises an advance of R9.57 million (approximately A\$2 million) from NAMF to NDC Mining Company (Pty) Ltd, bringing the total advanced under the agreement to R19.57 million. The funds will be used to complete the plant upgrade and to provide working capital to commence Stage 1 Mining.

In addition, Namakwa is in a strong funding position with cash reserves of A\$3.1 million at the end of the March 2004 Quarter following a A\$2.4 million institutional placement completed on 26 February 2004. The total capital cost of the plant and infrastructure upgrade including working capital required to commence Stage 1 Mining is estimated at A\$2 million.

OUTLOOK

The grant of the Mining Licence represents a significant milestone for Namakwa, clearing the way for it to make the transition to diamond producer status during the second half of 2004.

Namakwa's Chairman, Mr Karl Simich, said: "The grant of the Mining Licence represents the culmination of the approvals and pre-development phase, during which Namakwa has invested considerable resources and effort to ensure that the Project can be expeditiously implemented."

"The next four months will be a time of significant transition for Namakwa as we move into Stage 1 Mining and commence production and cash flow generation from the Stage 1 operation," he added. "The longer-term outlook is equally positive, as we activate the broader Stage 2 Exploration program to further increase our diamond resource inventory."

"We are looking forward to working closely with our BEE partner and the communities in the Western Cape region to build a successful and profitable long-term diamond mining project," Mr Simich said.

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