
NAMAKWA BECOMES A NEW AFRICAN DIAMOND PRODUCER

- **Diamond production commences on South Africa's west coast, with ramp-up to the Stage 1 targeted level of 95,000 carats per annum now underway.**
 - **A\$1.5 million plant and facilities upgrade to achieve Stage 1 production capacity completed on schedule and on budget.**
 - **In addition, further bulk sampling will commence during the fourth quarter within an extensive coastal strip adjacent to Namakwa's tenements under a 5-year agreement with Trans Hex Group, which has the potential to be a supplementary source of diamond production.**
 - **Stage 2 exploration program to commence shortly targeting prospects identified by the Spectrem AEM survey. This program has the potential to identify mineralisation which may lead to a major expansion of the Namakwa Diamond Project in 2005/2006.**
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Namakwa Diamond Company NL (**ASX: NDC**) today announced the commencement of Stage 1 mining operations at its Namakwa Diamond Mine on South Africa's west coast. Namakwa's transition to producer status marks the beginning of a new phase of growth and development for the Company in its quest to become a significant producer of gem quality diamonds in Southern Africa.

The Australian-based diamond group said today it had commenced production and will ramp-up the Project to the full Stage 1 level of the targeted 95,000 carats per annum following a commissioning phase of the newly expanded production facilities and associated infrastructure at the Namakwa site. The Namakwa Diamond Mine is located 350 kms north of Cape Town near Vredendal on South Africa's west coast, one of the world's most prolific diamond-producing areas.

The A\$1.5 million plant and facilities upgrade required to commence Stage 1 production was completed recently, with the Dense Media Separation (DMS) diamond production plant upgraded to 500,000 tpa capacity together with enhancements to the on-site Flowsort (X-Ray) Final Diamond Recovery Unit.

Removal of overburden and topsoil for the first two mining blocks was completed at the end of July, with mining of the first gravels commencing in early August. Approximately 25,000 tonnes of diamond-bearing gravels have been stockpiled at the plant site. Full-scale mining and production is now underway.

Stage 1 mining 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\$72 million at current diamond prices). This resource covers less than 3% of Namakwa's tenement area, which covers an area of 90.4 km² in a long coastal strip.

The Stage 1 operations are estimated to generate A\$7 million pre-tax annual cash surplus from forecast average production of 95,000 carats per annum, with an initial mine life of approximately 5 years.

Namakwa's Chairman, Mr Karl Simich, said the commencement of diamond production in South Africa represented the most significant milestone for the Company since listing on the Australian Stock Exchange in early 2001.

"It has been an eventful and very rewarding three and a half years during which Namakwa has successfully defended a hostile takeover bid, commenced exploration of its tenements, defined a mineable resource, achieved full Black Economic Empowerment (BEE) compliance, secured a Mining Licence and raised sufficient funding to commence production," Mr Simich said.

"The key point is that the commencement of Stage 1 production represents just the start of what we expect will be a long period of continuing growth and development for Namakwa as we move ahead as a self-funding Company to unlock the full value of our Project," he added. "Our focus moving forward is on realising this growth potential and achieving our goal of becoming a substantial producer of gem quality diamonds in Southern Africa."

The projected strong cash flow and production profile of the Stage 1 operations will enable Namakwa to make a substantial investment in the proposed Stage 2 exploration program, which will cover the remaining 97% of the Company's tenement areas over the next 12 months.

"Our target is to delineate at least 15 million tonnes of high-grade resources containing some 2.4 million carats with an in-situ value at current diamond prices of around A\$410 million," Mr Simich said. "This will form the basis of a Stage 2 expansion of the existing plant to 1.5 mtpa capacity. At that processing level, the Project has the potential to produce over 240,000 carats per annum over a 10-year plus mine life, ranking Namakwa as a significant mid-tier diamond producer in world terms." *The Company advises that this statement is an objective/target the Company is seeking to achieve and is a statement that is conceptual in nature and does not imply that mineral resources of this extent have or will be defined.*

Namakwa will also commence major bulk sampling next quarter of the potentially lucrative beach gravels and surf zones in an extensive coastal strip immediately adjacent to the Namakwa Diamond Project. This is in terms of a 5-year agreement with Trans Hex Group giving Namakwa the right to mine these areas as a sub-contractor, receiving 80% of the revenue from the diamonds sold.

STAGE 2 EXPLORATION PROGRAM

Namakwa has employed state-of-the-art exploration techniques including a SPECTREM₂₀₀₀ airborne geophysical survey carried out over its tenements last year, which delineated a large number of new targets.

Similar to major mining operations to the north and south, Namakwa's is a secondary type diamond deposit which will mine diamonds transported to the coast by major drainage systems from primary sources in South Africa's interior. The Namakwa Diamond Project is located 12 kms north of one such major drainage system, the Olifants River, which is a major feeder of diamonds transported from the interior.

Stage 2 exploration will cover the entire 90.4 km² area of Namakwa's tenements, which are located between major mining operations operated by De Beers (to the north) and Trans Hex (to the south). Exploration will target three onshore palaeo marine beach terraces, several palaeo channels and major embayments identified through exploration to date. Initial exploration will comprise an extensive drilling program.

BACKGROUND INFORMATION

Namakwa Diamond Company NL is an Australian Stock Exchange-listed diamond company, whose vision is to become a substantial producer of gem quality diamonds in Southern Africa, leveraging off the strong production base of its Namakwa Diamond Project on South Africa's west coast.

The Namakwa Diamond Project comprises 90.4 km² of highly prospective ground in seven adjacent Concessions located some 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 were 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.

Namakwa has achieved a number of significant milestones on its path to diamond production, including the completion of major bulk sampling and drilling programs, the finalisation of a A\$7 million BEE and funding transaction with the New Africa Mining Fund and an institutional placement to Colonial First State.

Some 42,569 diamonds weighing 4,533 carats were recovered from exploration and mine activities in the lead-up to production, which have been sold at an average price of US\$101 per carat in 2003 and since which time diamond prices have increased significantly. This is in line with the high grades and excellent values achieved from diamond mining along South Africa's west coast, which has yielded over 50 million carats of diamonds to date worth an estimated US\$10 billion. The average historical grade from mining on the coast is 15 cpht.

Over 60,000 tonnes of bulk samples were excavated and treated in the 24 months leading up to the start of full-scale mining, achieving an average recovered grade from sampling of 19 cpht. Some 30,000 metres of drilling has also been completed, together with compilation of an extensive GIS, base map, survey grid and geological database.

Construction of the exploration DMS Diamond Plant and Final Recovery Plant was completed in early 2002, while the Mining Licence application for Stage 1 and Environmental Impact Statement (EIS) were lodged late last year. Mining approval was received in May 2004. The refurbished production plant was completed in early September 2004.

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