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## **NAMAKWA FINALISES A\$7 MILLION FUNDING PACKAGE TO PROCEED WITH DIAMOND DEVELOPMENT**

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Namakwa Diamond Company NL (**ASX: NDC**) will proceed immediately with final feasibility and development activities for Stage 1 of the Namakwa Diamond Project after completing a series of transactions to implement development funding and a benefits package of A\$7 million for the Project provided by South Africa's New Africa Mining Fund (NAMF) and Zaico Investments (Pty) Limited (Zaico Investments).

Namakwa, its Black Economic Empowerment (BEE) partner Zaico Investments and NAMF executed, on Friday in South Africa, a series of agreements under which:

- NAMF will immediately advance R10 million (approximately A\$2.13 million) to Namakwa's unlisted South African operating subsidiary, NDC Mining Company (Pty) Ltd (NDCM), to provide working capital to complete the Stage 1 Feasibility Study for the Namakwa Diamond Project and commence initial development activities;
- NAMF will take up a direct 10% interest in NDCM; and
- NDC and NAMF will free-carry the cost of Zaico Investments' acquisition of its interest in NDCM (via Zaico 2) in the sum of R13.35 million (approximately A\$2.85 million), recoverable from the preferential distribution of cash flows from the Project.

As a result of the the transactions, NDCM is now 64% owned by Namakwa, 10% by NAMF and 26% by Zaico 2. Zaico 2, in turn, is 51% owned by Zaico Investments and 49% by NAMF.

Upon the issue of NDCM's Mining Licence for the Namakwa Diamond Project – targeted for late 2003 or early 2004 – NAMF will advance a further R9.57 million (approximately A\$2.05 million) to NDCM, bringing the total advanced by NAMF to NDCM to R19.57 million (approximately A\$4.8 million). These funds will be used to implement the Stage 1 development and commence an expanded exploration program at the Project to further increase its diamond resource inventory.

Namakwa's Chairman, Mr Karl Simich, said: "The finalisation of these transactions represents a very important milestone for Namakwa and signals the commencement of the development phase of the Namakwa Diamond Project, positioning the Company to make the transition to diamond producer within the next 6 months."

"We also welcome our new funding partners and shareholders in NAMF and Zaico Investments, with the conclusion of these transactions marking NAMF's first investment in South Africa's junior mining sector since its establishment last year," he added.

"Zaico 2's acquisition of a 26% interest in NDCM concludes the BEE transactions announced by Namakwa earlier this year, in accordance with South Africa's broad-based Socio-Economic Empowerment Charter and the recent changes to the South African Minerals Act 2002."

“We look forward to working closely with Zaico, chaired by Mr Themba Vilakazi, in moving ahead with the implementation and development of the Namakwa Diamond Project over the next 12 months,” Mr Simich said.

Mr Simich said the next key milestones for Namakwa would be the grant of a Mining Licence for the Stage 1 Project development, which will be based on an initial resource of 2.2 million tonnes grading 18.7 carats per hundred tonnes (411,000 contained carats) from an area covering less than 1% of Namakwa’s total tenement area.

The Stage 1 operation will produce an estimated 80,000 carats per annum, generating strong cash flows and underpinning a potential Stage 2 expansion pending further exploration success.

Under the transactions completed on Friday, NAMF and Zaico 2 have the right to convert their holdings in NDCM into Namakwa shares, at fair market value at the time of conversion, provided that Black Empowerment status is preserved and all regulatory requirements (including shareholder approval, if required) are met.

Namakwa will also issue 5 million options to NAMF. The options will expire on 30 September 2006 and will be convertible into ordinary Namakwa fully paid shares at a price of 20 cents each. Namakwa will have 12 months to apply for the options to be listed on the ASX.

Finally, under the agreements, NAMF will also be granted a first right of refusal to participate in the acquisition by Namakwa of any interest in any diamond project in Africa (limited to a maximum of 22.7% of the interest that Namakwa may acquire).

### **Background Information**

Namakwa is exploring and developing the Namakwa Diamond Project, comprising 71 square kilometres of highly prospective ground in four 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.

Financial studies have shown that the initial Stage 1 operations are capable of producing 80,000 carats per annum over a 5-year mine life, generating A\$60 million in revenue and A\$30 million in surplus pre-tax free cash flow.

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