
AGREEMENT WITH TRANS HEX GROUP TO MINE COASTAL GRAVELS ADJACENT TO NAMAKWA DIAMOND PROJECT

- **Agreement with diamond producer Trans Hex Group to explore and mine potentially lucrative beach gravels and surf zone within an extensive coastal strip adjacent to Namakwa Diamond Project.**
 - **Potential to mine immediately, providing diversification for Namakwa and additional diamond production at minimal capital cost, supplementing its land-based mining operations.**
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Namakwa Diamond Company NL (**ASX: NDC**) is pleased to announce an agreement with Trans Hex Group giving it the right to mine selected areas of potentially lucrative beach gravels and surf zones within an extensive coastal strip strategically located adjacent to its Namakwa Diamond Project in South Africa.

The 5-year agreement – between Namakwa’s operating subsidiary, NDC Mining Company (Pty) Limited (NDCM) and Trans Hex Operations (Pty) Limited – will give Namakwa immediate access for exploration and mining, with gravels extracted from beach and surf zone mining expected to supplement those from its nearby land-based operations. Either party can cancel the agreement on 3 months notice.

Under the agreement, NDCM is entitled to explore and mine the beach gravels as a sub-contractor using standard earthmoving equipment. NDCM will screen the gravels on site before transporting them under the supervision of Trans Hex security personnel to its DMS diamond production plant, located on the nearby farm Klipvley Karoo Kop, for processing. Sorting of diamonds will be carried out at NDC’s final diamond recovery unit under the supervision of Trans Hex personnel.

A term of the agreement provides that Trans Hex will be responsible for marketing the diamonds. Diamonds will be sold through the Trans Hex tender system to third parties, with NDCM afforded a transparent review of the tender process and the results achieved. Trans Hex is renowned in the diamond industry for achieving excellent prices for diamonds through its tender process.

As a sub-contractor, NDCM will receive 80% of the revenue from diamonds sold and Trans Hex 20%, with NDCM assuming responsibility for all capital and operating costs including processing costs through the NDCM plant.

Earlier this month, Namakwa received confirmation of the grant of a Mining Licence for the Stage 1 Mining development of its Namakwa Diamond Project, which is scheduled to commence production in September this year at the rate of 95,000 carats per annum. The Stage 1 operation is based on an onshore diamond resource of 2.2 million tonnes grading 18.7 carats per hundred tonnes (cpht), containing 411,000 carats. Namakwa expects this resource to significantly increase with further exploration.

Trans Hex Group is a world leader in the exploration, mining and marketing of high-quality alluvial diamonds from both land and sea operations, and is one of the major land and marine-based diamond producers in South Africa. The Company is involved in mining activities along the West Coast of South Africa, as well as in Namibia and Angola.

TRANS HEX SURF ZONE

The agreement between NDCM and Trans Hex Group relates to an area defined as “Surf Zone 11a”, an extensive coastal strip incorporating the surf zone and exposed beaches strategically located immediately adjacent to Namakwa’s proposed mining areas on the farms Klipvley Karoo Kop and Graauwduinen (see attached map).

The diamond-bearing gravels within this area – which are found below the beach sand (between the high and low water level marks) – were either washed up from the ocean during storm events over many years or deposited as a result of the regression of the ocean from higher elevations. Following deposition, a prolonged period of reworking and sorting took place.

The gravels are normally at a depth of 1 - 3 metres, similar to those in the Recent Emerged Terraces (RET) – one of three gravel horizons being targeted by Namakwa in its land-based mining and bulk sampling operations. Gravel thickness varies from 0.5 - 2 metres. Stone sizes are generally significantly higher than those in the RET and the incidence of large stones is greater.

Trans Hex holds operative mining licences over the entire area. Under the agreement, NDCM will have the ability (as sub-contractor) to explore and mine immediately.

DEVELOPMENT AND MINING PLANS

On the basis that economic grades are confirmed by exploration, Namakwa is aiming to commence mining within “Surf Zone 11a” in September 2004, with gravels from beach mining being used to supplement those from its land-based operations. This will provide mining diversification for NDCM and should reduce the risk of grade fluctuation.

Exploration in the form of 0.5 metre diameter auger drilling and mini-bulk samples will be carried out on the beach areas over the next two months, with exploration gravels hauled to Namakwa’s existing DMS production plant. This phase of exploration is budgeted to cost \$50,000 (R260,000).

Assuming mining proceeds, Namakwa will purchase the equipment required for on-site screening including a portable screening plant, pumps and piping, vehicles and a generator. The total estimated capital expenditure for this is \$250,000 (R1.3 million).

Run-of-mine gravels will be screened on the beach, with the screened product transported to Namakwa’s DMS production plant for processing on a campaign basis once or twice per month. Processing will be coordinated with process planning for gravels mined at Namakwa’s onshore operations.

Rehabilitation will be strictly carried out in accordance with DME approved Trans Hex environmental rehabilitation practices.

CONCLUSION

Namakwa's Directors believe the agreement with Trans Hex represents a significant, low-cost strategy for expanding and adding value to its mining operations at the Namakwa Diamond Project.

With minimal exploration and capital cost, the proposed mining program for "Surf Zone 11a" should generate early cash flow and diversify the Company's production base. In addition, the agreement represents an important and mutually beneficial arrangement with a leading diamond producer.

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NAMAKWA LICENCE AND PERMIT AREAS

