
NAMAKWA EXPANDS DIAMOND PORTFOLIO WITH NEW AUSTRALIAN PROJECTS ACQUISITION

- **Interest in 8 diamond exploration projects acquired in the Kimberley region of Western Australia, broadening Namakwa's international diamond portfolio.**
 - **Low-risk exposure through joint venture with Faustus Nominees Pty Ltd, controlled by well-known Australian prospecting geologist Graeme Hutton.**
 - **Priority target areas possibly related to lamproitic or kimberlitic volcanic pipes identified during extensive 2-year review of diamond exploration opportunities in Kimberley region.**
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Diamond producer Namakwa Diamond Company NL (**ASX: NDC**) has moved to expand its growth focus internationally through acquiring an interest in a portfolio of highly prospective diamond exploration projects in the Kimberley region of Western Australia. The package includes 8 target areas possibly related to lamproitic or kimberlitic volcanic pipes identified during an extensive geological review of the region that hosts Australia's two existing commercial diamond mines.

The acquisition gives Namakwa low-risk exposure to a unique tenement package in the Kimberley region – which has been one of the focal points for world diamond exploration since the early 1970's with the discovery of Argyle (AK1) pipe and Ellendale 4 and 9 pipes. The Argyle (Rio Tinto) and Ellendale (Kimberley Diamond Company) mines are both currently in production.

The acquisition of the Australian projects marks another step in Namakwa's growth and diversification as an international diamond company following its move into diamond production at the Namakwa Diamond Project on the west coast of South Africa last year. The Company last week secured the acquisition of a second alluvial diamond project in South Africa's Namaqualand district as a potential new exploration and development focus in the region.

Under the terms of the new acquisition, Namakwa will acquire an interest in 8 diamond exploration projects (see Figure 1) in Australia comprising 5 granted Exploration Licences and 4 Exploration Licence Applications from Faustus Nominees Pty Ltd, a company controlled by one of Australia's most successful prospecting geologists, Mr Graeme Hutton. Mr Hutton will progressively dilute his interest as Namakwa farms in, but will direct and manage all exploration at the projects at no cost.

Mr Hutton, who is a director of independent Australian diamond producer Kimberley Diamond Company NL and ASX-listed exploration company Sandfire Resources NL, has played a pioneering role in iron ore, gold and diamond exploration in Western Australia.

The tenements were pegged by Mr Hutton in 2003 following an extensive 2-year review of diamond exploration opportunities in the Kimberley region which involved the assessment of over 300 project areas. The 8 target areas were selected because of their regional geologic setting and the presence of pronounced physiographic anomalies – one of the more common surficial representations of kimberlite or lamproite pipes.

Joint Venture Terms

Under the terms of the agreement with Faustus, Namakwa will pay a fee of A\$150,000 to Faustus to establish the joint venture with the right to earn a 20 per cent interest in the tenements by spending A\$250,000 on exploration within the first 12 months.

Namakwa can increase its interest to 40 per cent by spending a further A\$350,000 on exploration in the second year and further to 60 per cent by spending A\$500,000 on exploration in the third year. It has the right to withdraw from the joint venture at any stage prior to earning a 60 per cent interest, but will forfeit any equity earned up to that point.

Once it has earned a 60 per cent interest, Namakwa has the right to buy a further 20 per cent for A\$1.5 million, with Faustus' remaining 20 per cent free-carried or, at Faustus' election, converted to a 4 per cent Gross Overriding Royalty (GOR) with the 20 per cent free carried interest relinquished. If Namakwa elects not to purchase an additional interest, it will revert to a 60-40 Joint Venture with Faustus free-carried.

The agreement is subject to Namakwa shareholder approval, if required.

Overview of Projects

The 8 project areas cover a total area of 437 square kilometres and are located in three separate tectonic environments on the Kimberley Craton. They were identified using fundamental geological principles to define anomalous physiographic features rather than the conventional approach to regional diamond exploration utilising indicator mineral sampling and geophysical surveying.

Very limited historic exploration including drainage sampling was carried out on three of the areas by companies including Stockdale Prospecting Ltd and CRA Exploration, although these programs were cursory and did not adequately test any of the three targets.

The Goat Paddock, Pannikin Corner, Maddox Hills, Cobb and Little Gold River project areas are located in close proximity to major fault structures within or adjacent to the Halls Creek Mobile Zone, a major regional tectonic unit along the eastern margin of the Kimberley Craton that also hosts the Argyle Mine. The Dunham Swamp project is located approximately 50 km north of Argyle also within the Halls Creek Mobile Zone. The Clean Skin Pocket and Bick Pocket Projects are both located within the Kimberley Basin where kimberlite pipes and dykes were identified by previous explorers in the 1970's.

The Goat Paddock Project (see Figure 2) is regarded as a particularly attractive exploration target because of the presence of several ovoidal topographic and structural features situated within an overall circular feature 5 kms in diameter. Recent reinterpretation suggests this is a possible intrusive feature rather than an impact structure. The internal ovoid features are magnetically anomalous.

Proposed Exploration Program

Namakwa has agreed with Mr Hutton that exploration will commence at the Australian projects as soon as practicable following the northern Australia wet season, with initial reconnaissance field work involving indicator mineral and geotechnical sampling, and ground based magnetic surveying

Drilling of key targets is also planned within the first year of activity.

Namakwa's Chairman, Mr Karl Simich, said: "This represents an initial investment in diamond exploration in Australia by Namakwa, marking our progression from a diamond miner and explorer in Southern Africa to an international company with a diversified portfolio."

"The agreement with Faustus is structured in such a way as to maximise our leverage and exposure to potential exploration success in the Kimberley area of Western Australia without compromising our ongoing diamond mining, exploration and development activities in the Namaqualand region of South Africa," he added. "We are delighted to have secured the opportunity to work closely with Mr Hutton on exploring this select and very attractive portfolio of exploration projects in the Kimberley region of Western Australia."

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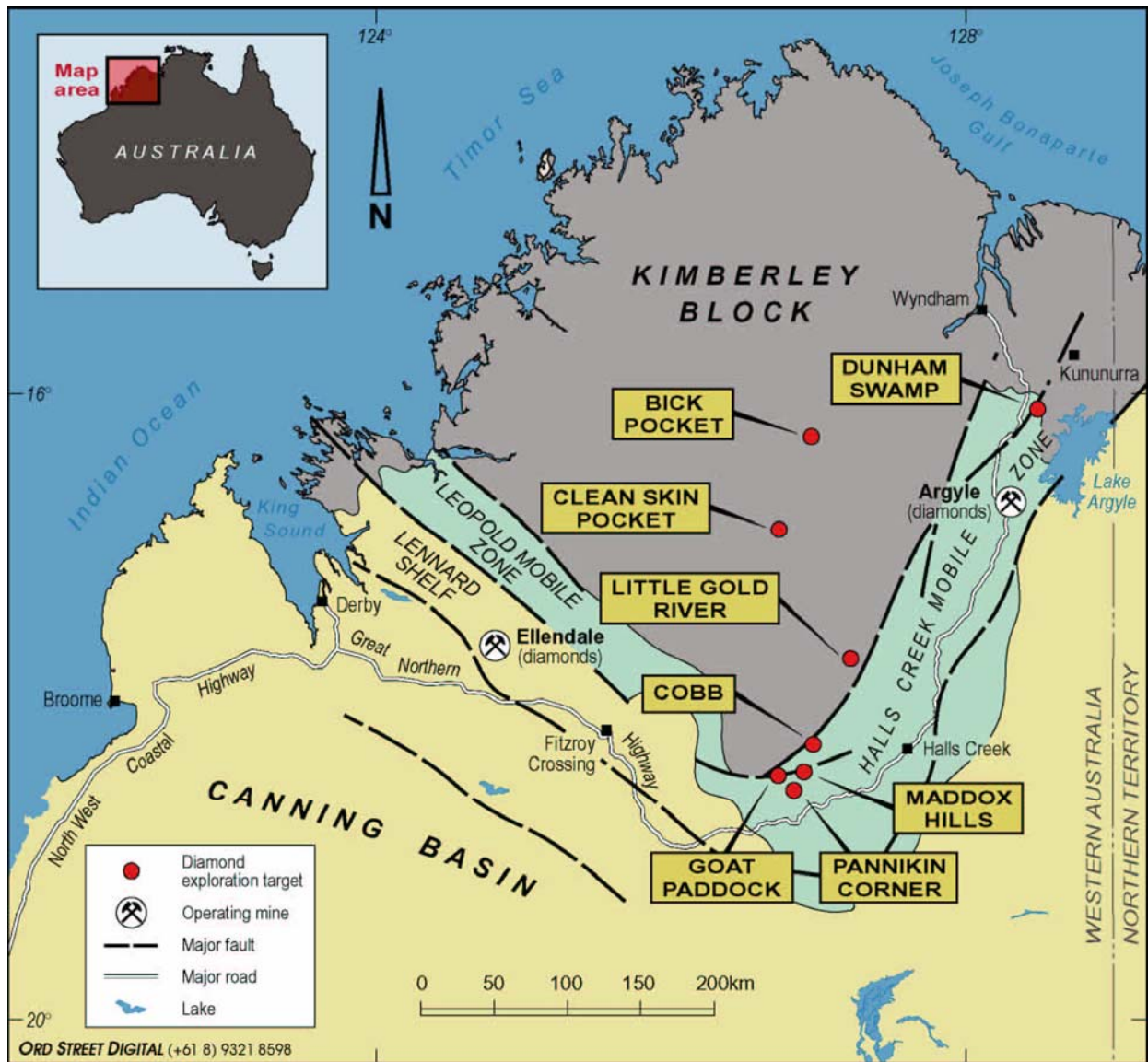


Figure 1: East Kimberley Projects – Target Location Plan

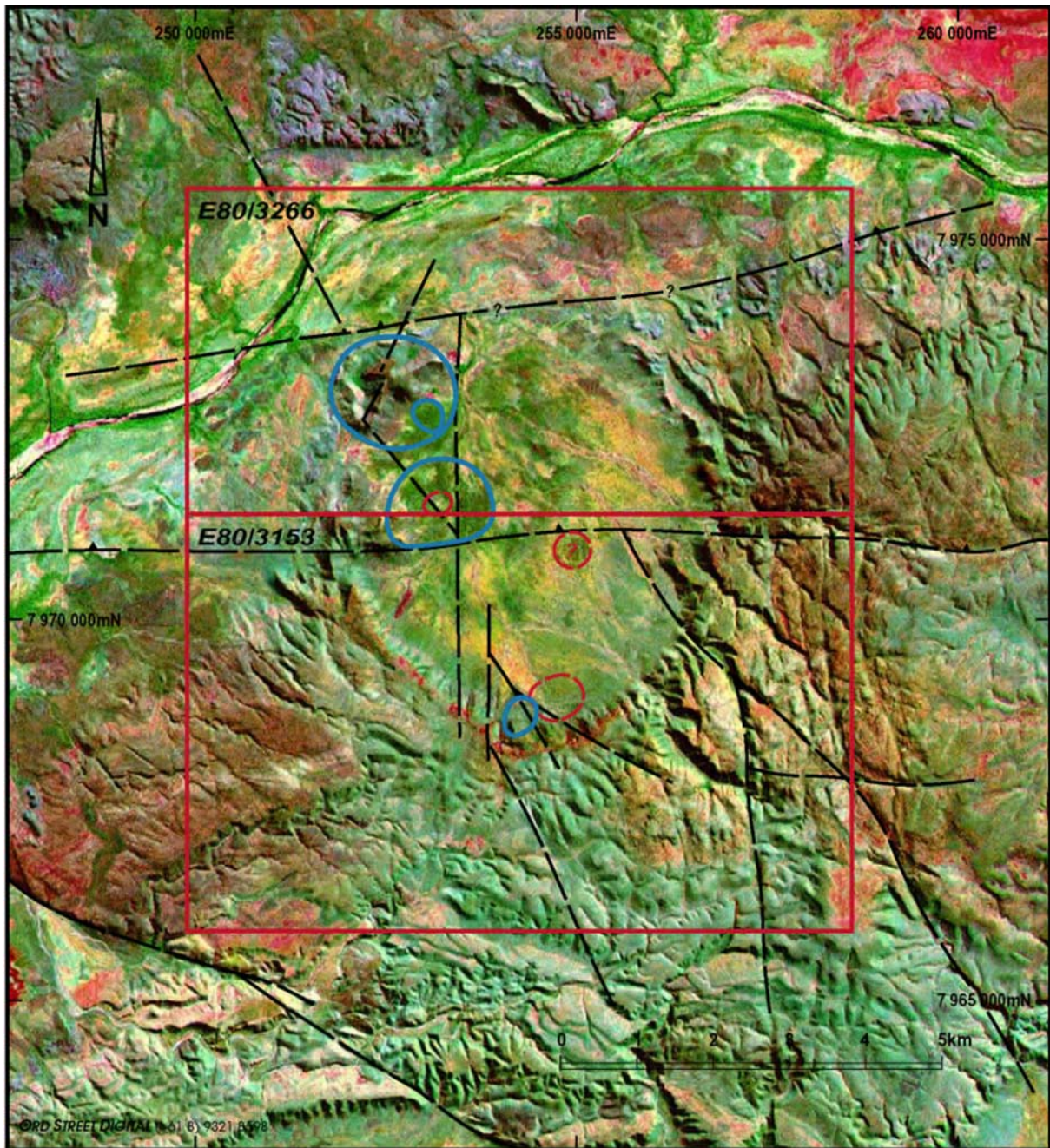


Figure 2: Goats Paddock Project – Landsat Image

