Namakwa Diamond Company

28 October 2004

Australian Stock Exchange Limited
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

By Facsimile: 9221 2020

Attention: Marian Tang

Dear Marian,

NAMAKWA DIAMOND COMPANY NL – NEWSPAPER ARTICLES; THE AUSTRALIAN, THE WEST AUSTRALIAN

I refer to your letter of today's date regarding newspaper articles in The Australian and The West Australian and given the content of those articles, the Company advises:-

(i) It is constantly reviewing its options with regard to the Namakwa Diamond Project and new project possibilities and is discussing a wide range of options with a number of parties. The Company is keen to establish a broader base in Southern Africa and we are working in this regard.

(ii) With respect to the reference to De Beers in the above articles, the Company is in discussions with De Beers relating to a project similar to our other west coast diamond project. This project is located in the general vicinity of the Company's current project. Discussions have been over an extended period and we are hopeful that a sensible transaction can be concluded within the next few months.

(iii) With respect to the reference to BHP Billiton in the above articles, the Company is having early discussions with BHP Billiton regarding the possibility of some form of alliance in Angola. These discussions are in their early phase.

With respect to the potential of the Namakwa west coast project, the Company has previously stated (refer ASX announcements of 14 and 16 July 2004) its objective/target is to establish an expanded resource from further exploration and bulk sampling, the potential of which could be significant. 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 been or will be defined, and correspondingly the financial information appearing in The Australian is also conceptual in nature.

In the opinion of the Company the above matters are not considered to be price sensitive information and the Company confirms that it is in compliance with ASX Listing Rule 3.1.

Yours sincerely,

KARL SIMICH
CHAIRMAN

REGISTERED OFFICE 12 WALKER AVENUE WEST PERTH 6005 WESTERN AUSTRALIA POSTAL ADDRESS PO BOX 806 WEST PERTH 6872 WESTERN AUSTRALIA
T +61 08 9321 5887 F +61 08 9321 5884 E general@namakwa.com.au W www.namakwa.com.au
NAMAKWA DIAMOND COMPANY NL ABN 77 085 806 284

ASX

AUSTRALIAN STOCK EXCHANGE

28 October 2004

Australian Stock Exchange Limited
ABN 98 008 624 691
Level 8
Exchange Plaza
2 The Esplanade
Perth WA 6000

GPO Box D187
Perth WA 6840

Telephone 61 (08) 9224 0000
Facsimile 61 (08) 9221 2020
Internet http://www.asx.com.au

Mr Peter Danchin
Namakwa Diamond Company NL
12 Walker Avenue
WEST PERTH WA 6005

By facsimile: 9321 5884

Dear Peter

NAMAKWA DIAMOND COMPANY NL (the "Company) - NEWSPAPER ARTICLES; THE AUSTRALIAN, THE WEST AUSTRALIAN

We refer to two articles in the Australian and West Australian newspapers today, entitled "OZ miner close to deal with De Beers" and "Namakwa looks to wider African diamond deals" (the "Articles"), copies of which are attached.

The Articles refer to statements by the Company's Chief Executive Officer, Mr John Firth, regarding "*advanced negotiations*" with De Beers to *acquire a diamond mining lease near the Company's Diamond Project*, and BHP Billiton over a *"strategic alliance" in Angola*.

The Article in the Australian also comments on the projected Stage 2 production at the Namakwa Diamond Project. The Article states that Stage 2 production is forecast at 240,000 carats a year *"with expected revenue of $42 million with a 50 per cent cash margin, for at least 10 years"*.

In the interests of maintaining a fully informed market and to the extent that any of the comments in the Articles have not been the subject of any previous announcements by the Company, Australian Stock Exchange Limited ("ASX") requests the Company comment directly on the Articles, including but not limited to, the matters referred to above.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5pm WST, today, 29 October 2004.**

The Company's response must be in a form suitable for release to the market. If you have any concerns about the release of the response, please contact me immediately.

Please direct the Company's response to me on **facsimile number (08) 9221 2020.** It should <u>not</u> be sent to the Company Announcements Office.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and the guidance note titled "Trading halts" we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

Should you have any queries regarding any of the above, please do not hesitate to contact me.

Yours sincerely

Marian Tang
Senior Companies Adviser

Namakwa looks to wider African diamond deals

JOHN PHACEAS
CAPE TOWN

Diamond miner Namakwa Diamond Company is poised to spread its wings in Africa, flagging major deals with De Beers and BHP Billiton and a likely listing in London.

Perth-based Namakwa will officially open its namesake alluvial mine on the west coast of South Africa tomorrow, a month after commercial production began at the 95,000 carats a year operation.

Speaking at the mine on Tuesday, Namakwa chairman Karl Simich said that with commissioning now complete, the company was ready to look further afield.

"We would like, after spending all this time building up the credibility of this organisation and its people . . . to expand our horizons," he said.

Namakwa was looking at a range of growth opportunities both in southern Africa and "possibly other jurisdictions".

Mr Simich did not elaborate, but chief executive John Firth said potential deals with diamond giant De Beers and BHP were at the top of the agenda.

"We're actively talking to De Beers and we are actively talking to BHP and that is going very well," he said.

Mr Firth said Namakwa was "very close" to concluding a deal with De Beers which would give it access to alluvial leases extending from its existing operation, 350km north of Cape Town.

At the same time, Namakwa was in advanced talks with BHP over a possible "strategic alliance" in Angola, he said. Declining to give further details, Mr Firth said only that the proposed deal was not an exploration alliance.

BHP has long been exploring for diamonds in the once war-torn nation, considered one of the richest diamond sources in Africa. Namakwa's operating experience in the alluvial diamond sector is believed to be at the heart of any deal.

However, Mr Simich said the company's immediate focus was on expanding the existing mine, where it hopes to treble processing capacity to 1.5 million tonnes a year by early 2006.

"We would like, after spending all this time building up the credibility of this organisation and its people . . . to expand our horizons."

KARL SIMICH

Mr Simich said the expansion, expected to cost no more than $5 million, hinged on a big increase in resources on its leases following a big drilling and sampling program.

To that end, Mr Simich will fly to London next week to canvass a possible listing on the Alternative Investment Market.

Mr Simich said an AIM listing would provide excellent access to European capital markets as the company planned its next growth phase.

Any listing there could include a raising of up to $3 million to fund the drilling and sampling program planned for the next 4-6 months.

The program aims to lift resources from 2.2 million tonnes to 15 million tonnes grading 16 carats per hundred tonnes, capable of supporting production of 200,000 carats a year for 10 years.

▶ *John Phaceas travelled to Africa as part of a media tour funded by Namakwa and others*

THE WEST AUSTRALIAN, 28 OCTOBER 2004

Oz miner close to deal with De Beers

David King
Expansion

JUNIOR mining company Namakwa Diamonds is in "advanced negotiations" with two of the world's biggest mining companies over expansion of its African operations.

The Australian-listed company — which mines alluvial diamonds on the west coast of South Africa — also said it would pursue a stock market listing on London's second stock exchange, the Alternative Investment Market.

South African chief executive John Firth said the company was very close to signing a deal with the world's biggest diamond miner, De Beers, to buy a diamond mining lease near the company's Namakwa Diamond Project on the Namaqualand coast.

Namakwa said it was also talking to BHP Billiton about a "strategic alliance" in the war-torn African nation of Angola.

"We're actively talking to De Beers and BHP, and that's going very well," Mr Firth said.

Chairman Karl Simich said he would soon travel to Britain to address the investment community about Namakwa's expansion and development plans.

"We are exploring a very high-quality tenement portfolio. Basically, the west coast of South Africa is littered with diamonds," he said. "After spending all this time building up the credibility of this organisation, its infrastructure, its people ... we would like to expand our horizons."

Namakwa wants to raise between $2 million and $3 million to fund the second stage of exploration at its diamond project.

Production at the Namakwa mine near Vredendal, about 350km north of Cape Town, began in September.

The Namakwa Diamond Project, to be renamed this year, has seven diamond mining concessions covering a 90sqkm coastal strip north of the Olifants River — an area rich in alluvial diamonds.

The low-cost operation moves sand from coastal areas to a nearby 100-tonne-an-hour diamond processing facility.

The mine, to be officially opened tomorrow by Patrick Lekota, chairman of the African National Congress, is expected to produce 95,000 carats of diamonds a year in its first stage.

Namakwa plans to reach stage two by 2006, producing 240,000 carats a year with expected revenue of $42 million, with a 50 per cent cash margin, for at least 10 years.

To meet the provisions of South Africa's new Minerals Act, Namakwa Diamonds has become "Black Economic Empowered", with a minimum 26 per cent shareholding by BEE partner Zalaco.

The transaction was funded by South Africa's New Africa Mining Fund.

Mr Simich said the Minerals Act would open South Africa to junior explorers.

"Many projects have been locked up by the major organisations," he said.

"There will be opportunities for a junior resource sector that has not been developed in this country."

Namakwa was formed in late 1990 as an offshoot of the Kimberley Diamond Company, and later fought off a takeover bid from Majestic Resources.

Namakwa shares closed unchanged yesterday at 23.5c. Namakwa has market capitalisation of about $24 million.

THE AUSTRALIAN
28 OCTOBER 2004.