



ASX ANNOUNCEMENT

21 DECEMBER 2005

CAMUTUE DIAMOND PROJECT IN ANGOLA, BRAZIL OPTION EXERCISED, AND GENERAL UPDATE

- **Exclusive right secured to evaluate and present a development and operating plan for the Camutue Associated** (alluvial deposits associated to the Camutue cluster of kimberlite pipes, within the Camutue Mining Lease Area) **Diamond Deposits in north-eastern Angola.**
 - **If the plan is accepted, Namakwa to operate the Camutue Project under contract to Tecmad – Mining Services SARL with the opportunity to negotiate a further agreement to explore and acquire an interest in the highly prospective Camutue kimberlite pipes.**
 - **Option exercised to acquire a 75% interest in the Jequitinhonha Diamond Project in Brazil, following completion of due diligence.**
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Namakwa Diamond Company NL (**ASX: NDC**) today announced that it had signed a Memorandum of Understanding (MOU) giving it exclusive rights to evaluate and potentially develop and mine under contract the highly sought-after Camutue Associated Diamond Deposits in north-eastern Angola's Lunda Norte Province.

The Company also announces an update on its other exploration and development projects in South Africa, Brazil and Australia, including the completion of due diligence on the Jequitinhonha alluvial diamond project in Brazil. As a result, Namakwa has exercised its options to acquire a 75% interest in the Project, ahead of the planned commencement of exploration in 2006.

Camutue Project, Angola

Namakwa has signed an MOU with Angolan-based **Tecmad – Mining Services SARL** ("Tecmad") giving it exclusive rights to evaluate and present a development and operating plan to mine the Camutue Associated Deposits under contract, with a view to subsequently negotiating an agreement enabling Namakwa to explore and potentially acquire an interest in the nearby cluster of up to nine highly prospective kimberlite pipes.

The agreement represents one of the most significant international opportunities secured by Namakwa to date and, if it leads to the establishment of a mining operation in Angola, will underpin an important new growth focus for the Company.

The Camutue Project, located some 10 kms east of the town of Lucapa in the Lunda Norte province of Angola, comprises the Camutue West and Caixepa Concessions. Tecmad is entitled to a 60% participation in the profits of the operations of the Concessions under a consortium agreement with Angola's State-owned diamond mining company, Endiama E.P.

The Camutue West kimberlite pipe, which has a total surface area of 9 hectares, was discovered in 1958 and mined by open pit to a depth of approximately 20 metres between 1961 and 1974. The mining records indicate that a total of 2.1 million cubic metres (approximately 3.8 million tonnes) was treated during this period, with 333,673 carats recovered at an average grade of 16 carats per 100 cubic metres (approximately 8.9 carats per hundred tonnes).

The average stone size was 0.7 carats per stone and the largest diamond recovered weighed 95.41 carats. The Camutue West pipe became known for producing a high proportion of large stones. The pipe, prior to initial mining was covered at surface by a thin veneer of eluvial gravel and the upper 5-10 metres was surface enriched – averaging a grade of 22 carats per hundred cubic metres (approximately 12 carats per hundred tonnes). The average grade of the lower portion of the pipe mined was reported as 10 carats per hundred cubic metres (or approximately 6 carats per hundred tonnes).

Most of the more recent production at Camutue has come from the high-grade Camutue Associated Deposits, which offer the potential for a relatively rapid development timeframe given the mining and processing infrastructure already in place.

Tecmad has to date invested in excess of US\$10 million on plant and equipment at the Camutue Project, including on the construction of a new Bateman 50 tonne per hour (tph) Dense Media Separation (DMS) diamond production plant which is currently awaiting commissioning.

Under the agreement between Namakwa and Tecmad, Namakwa will have the opportunity to review the entire technical database relating to the Camutue Concessions before dispatching a multi-disciplinary team to site to conduct a thorough due diligence. It is anticipated that, following signing of the MOU, this team will depart for site immediately with a view to producing a detailed report on the project to be delivered to Tecmad by 13 January 2006.

This report will include:

- a proposed capital budget, works program and operating budget for development of the Camutue Associated Deposits; and
- a proposed timeline for the project moving forward including reasonable milestones and reasonable objectives to be achieved.

This report and its related presentation to Tecmad's shareholders will be made and carried out at Namakwa's sole cost and expense. Its purpose is to present a potentially feasible and reasonable proposal for the commencement of full-scale commercial mining of the Camutue Associated Deposits in a professional, cost-effective and sustainable manner, drawing on Namakwa's expertise and experience in the international diamond industry. If the report is accepted by Tecmad shareholders by no later than 20 January 2006, the two companies will undertake to promptly use all reasonable efforts to negotiate to conclude an operating agreement to commence mining operations.

Namakwa will manage the mining operation with directly allocatable costs being paid by Tecmad and will be remunerated for all its services either on a percentage of net cash flow from mining operations to be agreed (but not to exceed 20%) or by way of a monthly fee of not less than US\$100,000, whichever is the greater. Any additional capital requirements for the Associated Deposits mining operation will be funded solely by Tecmad.

Angola is one of the world's most resource-rich countries, offering major opportunities to international resource companies particularly in the oil and diamond sectors. The country is currently attracting very high levels of foreign investment in its oil industry, which is sub-Saharan Africa's second largest after Nigeria. Since the conclusion of the long-running civil war in 2002, Angola has stabilised politically and seen strong economic growth driven by its burgeoning oil sector – helping to support reconstruction of its war-damaged infrastructure.

Namakwa's CEO, Mr John Firth, said: "The Camutue Project comprises reasonable volumes of high-grade material in the Associated Deposits as well as a kimberlite cluster of no less than 9 pipes, of which five have been shown to be diamondiferous and two have been mined historically to some extent. Namakwa's due diligence and assessment program will commence immediately, leading to a decision in early 2006 on proceeding to conclude an operating agreement on the immediate development of the Camutue Associated Deposits."

Jequitinhonha Project, Brazil

Namakwa advises that it has recently completed the due diligence program covering the Jequitinhonha Project in Brazil and, as a result, has exercised its options to acquire a 75% interest in both the alluvial and conglomerate deposits that form part of the Project for an aggregate cash payment of US\$50,000 (US\$25,000 for each type of deposit). Namakwa has the option to increase its interest to 100% following a decision to commence mining.

As previously announced, the Jequitinhonha Project is located near the historic diamond mining centre of Diamantina in the State of Minas Gerais and comprises two distinct types of large-scale alluvial deposits, identified as "Alluvials" and "Conglomerates". The owners have produced a JORC compliant inferred resource for the Conglomerate deposits exceeding 8.6 million m³ (approximately 20 million tonnes) of in-situ gravels, containing approximately 1.2 million carats, indicating their potential to form the basis of a substantial mining operation. The average grade of these deposits is stated as 13.43 carats/100m³ (approximately 5.6 cpht).

The exploration and development potential of the Jequitinhonha Project is supported by the strong history of mining in the region and the relative proximity of the alluvial concessions to the Domingas Mine, Brazil's largest single diamond producer, which is located some 100 kms upstream (to the south) of the alluvial concessions. Brazil has total recorded diamond production of some 60 million carats, all from alluvial sources, making it one of the world's largest diamond producers. The Diamantina region has good infrastructure and access, and a well-established mining culture.

Mr Firth said the results of the Jequitinhonha due diligence studies were very positive, with exploration programs currently being designed and budgeted, with the intention of commencing exploration, targeting both the conglomerate and alluvial deposits during the first half of 2006, subject to funding.

Namakwa Project, West Coast - South Africa

Namakwa has recently commenced rehabilitation of the trial mining areas excavated during 2005 at its Namakwa Diamond Project in South Africa, located approximately 350 kms north of Cape Town. Rehabilitation of blocks in the Liebenberg Bay and Langstrand areas is continuing, and is scheduled to be completed during the first half of 2006.

As previously advised, Namakwa intends to commence an expanded exploration program during 2006 targeting the fluvial channel features underlying the known beach deposits which have been identified for priority follow-up. A series of targets have been identified and a comprehensive

program of drilling and bulk sampling has been developed to test the channel features. This program is scheduled to commence during the first half of 2006, subject to funding.

Kimberley Project, Australia

As previously advised, Namakwa has completed regional prospecting reconnaissance of all targets within the portfolio of diamond exploration projects in the Kimberley region of Western Australia. Namakwa's exploration focus is on the large Goat Paddock circular physiographic anomaly in the central Kimberley region, which represents a high priority target area. The Goat Paddock Project comprises a crater-form topographic depression some 5 kms in diameter. Drilling of this target is planned to commence during the first half of 2006, subject to funding.

Funding Arrangements

In light of the recently announced project opportunities in Brazil and Angola, and its planned exploration activities in South Africa and Australia, Namakwa is currently reviewing its funding requirements for 2006 and intends to make an announcement shortly regarding the mechanism for funding its exploration, development and corporate activities over the next 12 months.

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