

# PRESS INFORMATION



29 November 2011

**Namakwa Diamonds Limited**  
(“Namakwa” or the “Company”)

## **World class Kao kimberlite project de-risked and ramping up to commercial production**

Following the completion last week of the Company’s refinancing, Namakwa’s 62.5% owned Kao kimberlite diamond project in Lesotho is today in the process of commissioning and ramping-up towards sustainable commercial production levels, expected to be achieved in the first quarter of calendar 2012.

With financing for Kao’s Phase I production in place from long-term committed shareholder and financier Jarvirne, the Company expects to produce c.200,000 carats of predominately high quality white Type IIa goods, during the financial year to 31 August 2012. The first sale of diamonds from the ramp-up phase of production is expected to be held in the New Year.

As at 31 August 2011, Kao had an indicated and inferred resource base, independently verified by Venmyn, totalling approximately 12.66m carats.

**Commenting, Eduard Prutnik, Jarvirne’s founder, said:** “I was exceptionally pleased that Namakwa shareholders saw, as I have, the incredible potential of the Kao Project and approved the refinancing provided by Jarvirne. I am also very happy with the way in which the management team performed during a difficult period and I believe that they are taking the Company in the right direction. With commissioning underway and production building to full commercial levels, I have no doubt that Kao will prove to be a long life asset that we can be proud of and that will deliver substantial value to all shareholders.”

**Richard Collocott, CEO of Namakwa, added:** “Now that Namakwa is financially de-risked through the strengthening of our balance sheet and the continued availability of the USD 40 million facility, thanks to Mr. Prutnik’s financing of the Company, we can resume our focus on operational issues. We are making good progress in implementing our 2012 financial year strategy to reduce costs throughout the Company, to increase the economic value at our North West Province operations in South Africa and to develop the Kao Project into a prize asset with long term commercial production potential.”

For further information please visit [www.namakwadiamonds.com](http://www.namakwadiamonds.com) or contact:

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## **The Kao Project**

In late December 2009, the Lesotho operational company and Namakwa's subsidiary, Storm Mountain Diamonds, took control of the Kao Project. Storm Mountain Diamonds is an innovative joint venture operating company for the Kao Project held between Namakwa (62.5%), the Government of Lesotho (25%) and local Basotho citizens through a public vehicle, Kimberlite Investments Lesotho Limited (12.5%). The Government of Lesotho's equity interest is fixed and cannot be diluted by further equity issuances.

The Kao kimberlite pipe is the largest diamond-bearing pipe in Lesotho and the fourth largest in South Africa and Lesotho (19.8ha). Kao represents Namakwa's first hard-rock, large-scale mining operation.

The Government of Lesotho granted Storm Mountain Diamonds access to the project area in February 2010, and an experienced Lesotho hard-rock mining team led by Namakwa's Chief Technical Officer and Chief Executive Officer of Storm Mountain Diamonds, Keith Whitelock and General Manager, Jan Venter, began establishing an operational site. Today, there are more than 500 people employed on the project area, with the majority comprising Basotho citizens.

The development of the mine will take place in two phases to provide an open pit life of mine, estimated by Namakwa, to be in excess of 25 years.

Phase 1 will constitute the mining and processing of K6 hard-rock and hard and weathered K-Other kimberlites over an anticipated three to five year period. This process will establish revenues for the various K-Other facies, which comprise 95% of the pipe and will provide 9Mt of basalt by way of waste stripping to complete the slimes dam wall, as well as exposing high value K6 kimberlite for mining. Revenue data obtained from this process will be incorporated into a feasibility study on the viability of increasing the rate of mining and processing, two-fold, with greater economies of scale in terms of unit costs.

During Phase 1, Storm Mountain Diamonds expects to mine and process: (i) 2.5Mt of the higher grade K6 facie; and (ii) 11.9Mt of hard and soft kimberlites from the K-Other facies. However, the Phase 1 operation allows for the doubling-up of operations, in a second phase, to take advantage of the best economic rate in which to mine the whole of the kimberlite pipe to depth, should this be warranted by the results of a bankable feasibility study and the then current economic conditions.

The Company has already commenced a pre-scoping analysis for a definitive feasibility study on the doubling up of production capability at the Kao Project. This study is expected to detail, inter alia, the capital expenditure requirements of the Phase 2 mine and Namakwa expects the study to be completed in 2013.

Subject to diamond prices and the economic climate, the in-built flexibility of the Phase 1 mine plan allows for Phase 2 to be developed at an earlier stage, or for Phase 1 to continue beyond five years operating at an anticipated 300,000 carats per year from the processing of 3.6Mt of kimberlite ore each year.

**About Jarvirne**

Jarvirne is the investment vehicle from the group of companies of Mr. Eduard Prutnik, an industrialist from the Ukraine. Mr. Prutnik holds substantial business interests in agriculture, property, ore processing, mining, leisure and other industries. He is also the founder of the United World Foundation, an international charitable institution, aimed at raising the awareness of Ukrainian citizens of their national identity, importance to their community and the whole world, and securing their rights and opportunities in the global society. Jarvirne has been a shareholder in Namakwa Diamonds for over a year, and has been a provider of loan financing to the Company in the past, as well as a trading partner of the Company's Trading & Beneficiation Division.

**About Namakwa Diamonds Limited**

Namakwa is a diamond resource group, which seeks to extract maximum value from the marketing, distribution and sale of Group mined and contracted production through a Trading & Beneficiation platform with access to the international wholesale markets.

The Group's Mining Division is focused on the Kao Project in Lesotho, the 4th largest individual kimberlite pipe in South Africa and Lesotho, anticipated to come into commercial production in the first quarter of the calendar year in 2012, and the only one mining at or near surface. Operated by Storm Mountain Diamonds and its leading hard-rock mining team, with a proven track record in the construction and development of Lesotho's leading kimberlite pipes, the Kao kimberlite project presents a 186Mt resource of c.13m carats (c.4m indicated and c.9m inferred), of which Namakwa holds a 62.5% interest.

The Group also maintains alluvial mining operations in the North West Province of South Africa and a portfolio of exploration and development projects in the Northern Cape Province of South Africa (alluvial) and offshore concessions in Namibia (marine), with a combined resource base of c.7m carats (indicated and inferred).

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