



NAMAKWA DIAMONDS

## **Strategic Review & Restructuring Update**

September 2011



# Background to the Strategic Review

## History of the Review

- **Poor H1'2011 results prompted wholesale operational and financial review**
- **June 2011, Richard Collocott brought in to oversee Group Finance function:**
  - Chartered accountant with a broad experience in commodities; previously MD of Norilsk Nickel's International Production Assets, with management responsibility for Africa and Australia
- **July 2011 – Initial Findings:**
  - Systemic operational problems identified in the DRC and deteriorating grades and viability in the North West Province of South Africa
  - Failures of the DRC & NW Province laid strain on Group financial reserves, resulting in liquidity challenges and FY2012 funding gap
  - Problem increased by reduction in metallurgical testing carat call in Lesotho
- **July 2011 - Richard Collocott appointed Chief Financial Officer**



# Group Restructuring

## Analysis & Execution

### ***Alluvial Mining:***

- Maximise value with minimum cash costs and outflows
- DRC to be sold
- NW to be restructured, with a focus on contractor based operations

### ***Kimberlite Mining:***

- Operations at Kao running within budget and major positive

### ***Trading & Beneficiation:***

- Restructure business to facilitate the optimal flow of goods to their best markets; liquidation of current inventory.
- Position NAD mined production into the global markets in a cost effective manner to achieve best price

### ***Corporate:***

- Significant reduction in cost base reflecting the restructured business, including Board and Executive Management changes
- Liquidity issues addressed through re-negotiation of available credit facilities



# Group Refinancing

## Process

- Deterioration in Group operations following the July 2011 IMS, resulted in Jarvirne's requirement for US\$30m facility to include trading debts, placing strain on FY2012 headroom funding requirements
- As a result, credit facility renegotiated and discussions opened up with alternative funders

## Jarvirne Re-Finance Package

- New terms agreed with Jarvirne on the evening of Wednesday 7 September 2011
- US\$40m secured loan facility and debt/equity swap on US\$19.5m trading debt
- **Re-financing subject to shareholder approval in mid-November 2011**
- Jarvirne:
  - Significant shareholder with c.5%
  - Biggest creditor of the Group
  - Supportive long-term partner and historic financier of the Group
  - Constructive discussions during the re-financing negotiations

**NB: In the event that shareholder approval not obtained, amounts drawdown from the facility and the trading debt to become repayable**



# Refinancing: Key Terms

## US\$40m Secured Facility

- Term:** 2 years
- Availability:** US\$23m available between now and the Company's Special General Meeting in mid-November 2011  
US\$17m available thereafter, assuming necessary approvals
- YR 1 Interest:** Issue of 9m shares to Jarvirne following first drawdown
- YR 2 Interest:** 24% on outstanding amounts of capital and interest. Company incentivised to repay early
- Security:** Secured against Lesotho receivable and equity (subject to consents)

## Capitalisation of US\$19.5m Trading Debt

- Debt:** US\$19.5m (being principal, US\$17m and settlement of unrealised profits of US\$ 2.5m)
- Repayment:** 61.75m new shares @ 19.5p per share, representing an 85% premium to market at close on signing on 7 Sep 2011
- Settlement:** In two tranches:  
(1) 11m new shares issued on or around 16 Sep 2011; and  
(2) 50.75m new shares issued in mid-Nov 2011, subject to shareholder approval



# Update on Q4 Deliverables

## Operations

## Q4 Stated Deliverables

## Progress Update

### ***DRC:***

Multi-site operational focus to reduce impact of nuggety river grades

Advanced negotiations in respect of sale of entire portfolio

### ***South Africa:***

Optimisation of North West project area during the dry season to recover lost ground

Restructuring of North West project area to focus on low cost contractor driven operations

### ***Lesotho:***

Completion of infrastructure build-out of the world-class kimberlite resource for FY2012 commercial production

Within budget, despite general cost inflation in 2011 for global infrastructure projects. Plant cold commissioning in early October; first kimberlite scheduled for processing in late October 2011

### ***Trading & Beneficiation:***

Moving from a trader to a marketer of NAD production in FY2012

In progress



## Next Steps

### Q1'2012 Operation Comment

<b>Sep:</b>	<i>Lesotho</i>	Completion of stage 1 of slimes & freshwater facilities; delivery of x5 1.4MVA power generators for plant
	<i>DRC</i>	Sale to be finalised and update to market
	<i>North West</i>	Restructuring in progress
<b>Oct:</b>	<i>Lesotho</i>	Plant operational and first kimberlite processed; completion of mess facilities for 500+ personnel
<b>Nov:</b>	<i>Lesotho</i>	Ramp-up in production and finalisation of plant and infrastructure matters; first diamonds exported for sale

**Key Corporate Events:** **27 October 2011** – release of FY2011 Results and publication of shareholder documentation in respect of Jarvirne Financing Proposals

**14 November 2011** – anticipated date of Special General Meeting of Shareholders in respect of the Jarvirne Financing Proposals



# Restructured Board of Directors

**Edward Haslam**  
(Chairman)

- Previously Chief Executive Officer of Lonmin Plc
- Current Non-executive Chairman of Talvivaara Mining Co., Senior Independent Non-executive Director of Centamin Egypt Ltd, and Non-executive Director of Aquarius Platinum Ltd

**Alex Davidson**  
(Senior Independent NED)

- Previously Executive VP for Exploration and Corporate Development at Barrick Gold
- 30 year+ history in international M&A and exploration for major base metal and gold corporations

**Tom Kruger**  
(NED & Deputy Chairman)

- Founding member of the South African Rough Dealers Association and a long standing member of the South African Diamond Dealers' Club and the Jewellery Council of South Africa
- 30 year+ history in the rough and polished diamond trading industry

**Martiens Mulder**  
(Independent NED)

- Previously Chief Executive Officer of Saldanha Steel and Mine Manager of Iscor Sishen and Iscor Thabazimbi
- 40 year+ history in management and technical consultancy focused on change management, productivity improvement programmes and high level process design in the iron ore and coal sectors

**Allen Gessen**  
(NED)

- Background in private equity and consultancy with McKinsey & Company

**Gerard Holden**  
(NED)

- Previously Global Head of Mining & Metals at Barclays Capital
- Current Chairman of AIM listed GCM Resources and ex-Chair of the Audit Committee of Norilsk Nickel

**Richard Collocott**  
(Chief Executive Officer)

- Former Managing Director of Norilsk Nickel's International Production Assets, with management responsibility for Norilsk Nickel's businesses in Africa and Australia. Prior to this he held the position of Chief Executive Officer for Metal Trade Overseas AG
- Chartered Accountant with a broad experience in and allied to the commodity sector





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