



**Namakwa** Diamond Company

**NOTICE OF THE 2005 ANNUAL GENERAL MEETING**

**TO BE HELD ON FRIDAY, 25 NOVEMBER 2005 AT 12.00 NOON WST**

**AT THE CELTIC CLUB, 48 ORD STREET WEST PERTH WA 6005**

Please read the Notice carefully and if you are unable to attend the Annual General Meeting of Shareholders please complete and return the enclosed Proxy Form in accordance with the specified directions.

**NAMAKWA DIAMOND COMPANY NL**

ABN 77 085 806 284

Registered Office  
12 Walker Avenue  
West Perth, Western Australia 6005

Postal Address  
PO Box 806  
West Perth, Western Australia 6872

Telephone: +61-8 9321 5887  
Facsimile: +61-8 9321 5884  
Email: [general@namakwa.com.au](mailto:general@namakwa.com.au)  
Website: [www.namakwa.com.au](http://www.namakwa.com.au)

## TIME AND PLACE OF MEETING AND HOW TO VOTE

### Venue

The 2005 Annual General Meeting of the shareholders of Namakwa Diamond Company NL will be held at:

The Celtic Club

48 Ord Street

West Perth WA 6005

Commencing 12.00 noon (WST) on Friday, 25 November 2005

### Voting Entitlements

For the purposes of the Corporations Act 2001, all shares of the Company that are quoted securities at 12.00 noon (WST) two days prior to the Meeting will be taken, for the purposes of the Meeting, to be held by the persons who held them at the time and such persons are eligible to vote at the Meeting.

### How to Vote

The business of the Meeting affects your shareholding and your vote is important. Please take action by voting in person (or authorised representative) or by proxy.

### Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 12.00 noon (WST).

### Proxies

A Proxy Form accompanies this Notice of Annual General Meeting. To be effective the Proxy Form must be completed and received at either the Company's registered office or its share registry, Security Transfer Registrars no later than 48 hours before the Meeting:

#### Registered Office

Company Secretary  
Namakwa Diamond Company NL  
12 Walker Avenue  
West Perth WA 6005  
PO Box 806  
West Perth WA 6872

#### Share Registry

Security Transfer Registrars  
770 Canning Highway  
Applecross WA 6153  
PO Box 535  
Applecross WA 6953

*Or by facsimile on:*  
+61-8 9321 5884

*Or by electronic address:*  
general@namakwa.com.au

If any shareholder wishes to lodge a proxy electronically, it will be necessary to scan an image of a signed proxy form and e-mail that image of the proxy form with the signature affixed to be received no later than 48 hours before the Meeting. This is needed to comply with the requirements of section 250A of the Corporations Act that a valid proxy be in writing and be signed by the shareholder appointing the proxy.

If you are entitled to attend and cast a vote at the Meeting you may appoint up to two proxies. A proxy may be an individual or a corporation but need not be a shareholder. If you appoint two proxies each proxy may exercise half of the shareholders votes if no proportion or number of votes is specified.

If you appoint a proxy but attend the Meeting yourself, the rights of the proxy to speak and vote on your behalf at the Meeting will be suspended while you are present.

### Corporate Representatives

A corporation may appoint an individual as a representative to exercise its powers as shareholder or as a shareholder's proxy. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed, unless it was previously given to the Company's share registry.

### Powers of Attorney

A person appearing as an Attorney for a shareholder should produce a properly executed original (or certified copy) of an appropriate Power of Attorney for admission to the Annual General Meeting.

## NOTICE OF ANNUAL GENERAL MEETING

**Namakwa Diamond Company NL**, ABN 77 085 806 284 (the **Company**) gives notice that the 2005 Annual General Meeting of shareholders will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia 6005 on Friday, 25 November 2005 at 12.00 noon (Western Standard Time).

### AGENDA

#### ORDINARY BUSINESS

##### Financial Statements

To receive the financial report of the Company and the reports of the Directors and Auditors for the year ended 30 June 2005.

##### Election of Directors

To consider, and if thought fit, to pass the following Resolutions (with or without amendment) as ordinary resolutions.

**1. Re-election of Mr Karl Simich**

"That Karl Simich who retires by rotation in accordance with the Company's constitution, and being eligible, offers himself for re-election, be re-elected a director of the Company."

**2. Re-election of Mr Richard Linnell**

"That Richard Linnell who retires by rotation in accordance with the Company's constitution, and being eligible, offers himself for re-election, be re-elected a director of the Company."

##### Remuneration Report

To consider, and if thought fit, to pass the following Resolution (with or without amendment) as an ordinary resolution.

**3. Adoption of Remuneration Report**

"That the remuneration report forming part of the Company's 2005 Annual Report, which accompanies this Notice of Annual General Meeting be adopted."

#### SPECIAL BUSINESS

**4. Ratification of Issues**

To consider and, if thought fit, to pass the following Resolutions (with or without amendment) as ordinary resolutions:

"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the shareholders of the Company hereby ratify:

- (A) the issue of 750,000 listed September 2006 Options issued for no cash consideration, announced 7 December 2004;
- (B) the issue of 1,000,000 listed September 2006 Options, issued for no cash consideration, announced 11 May 2005; and
- (C) the issue of 14,756,686 ordinary fully paid Shares at an issue price of \$0.08 each, announced 29 September 2005

more fully described in the in the Explanatory Notes accompanying this Notice of Annual General Meeting."

<p><b>Voting Exclusion Statement:</b> The Company will disregard any votes cast on Resolutions 4(A), (B) and (C) by any person who participated in the issues of securities referred to in these Resolutions and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any votes cast by an associate of such person. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.</p>
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**5. Approval for the allotment of Securities**

To consider and, if thought fit, to pass the following Resolutions (with or without amendment) as ordinary resolutions:

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, the shareholders hereby approve and authorise the directors to issue and allot:

- (A) up to 20,000,000 Shares at an issue price of not less than \$0.096 per Share or 80% of the average Market Price, whichever is lower, and otherwise as set out in the Explanatory Notes accompanying this Notice; and
- (B) 2,000,000 listed September 2006 Options, to Argonaut Limited for no cash consideration pursuant to an agreement with them as part of their management fee for the placement of 14,756,686 ordinary fully paid Shares at an issue price of \$0.08 each, announced 29 September 2005, such September 2006 Options being exercisable at \$0.20 each on or before 30 September 2006 and otherwise as set out in the Explanatory Notes accompanying this Notice.

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolutions 5(A) and (B) by any person who may participate in, and any person who might obtain a benefit from, the issue of securities referred to in this Resolution, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any votes cast by an associate of any such person. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### 6. Issue of Director's Options to John Firth

To consider and, if thought fit, to pass the following Resolution (with or without amendment) as an ordinary resolution:

"That for the purposes of Listing Rule 10.11 and for all other purposes, the shareholders of the Company hereby approve the issue and allotment of 2,000,000 Director's Options to John Firth, or his nominee, for no cash consideration, each of such Director's Options being subject to the terms and conditions set out and described in the Explanatory Notes accompanying this Notice of Annual General Meeting and carrying the right, exercisable on or before 24 November 2010 to subscribe for 1 Share in the Company at an issue price of \$0.13, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act and hereby authorise the directors to execute such documents and do all such acts and things as shall be necessary or desirable in order to implement and give full effect to this Resolution.

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 6 by John Firth and any person who may participate in or who might obtain a benefit from, the issue of securities referred to in this Resolution, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any votes cast by an associate of any such person. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### 7. Issue of Director's Options to Peter Danchin

To consider and, if thought fit, to pass the following Resolution (with or without amendment) as an ordinary resolution:

"That for the purposes of Listing Rule 10.11 and for all other purposes, the shareholders of the Company hereby approve the issue and allotment of 1,500,000 Director's Options to Peter Danchin, or his nominee, for no cash consideration, each of such Director's Options being subject to the terms and conditions set out and described in the Explanatory Notes accompanying this Notice of Annual General Meeting and carrying the right, exercisable on or before 24 November 2010 to subscribe for 1 Share in the Company at an issue price of \$0.13, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act and hereby authorise the directors to execute such documents and do all such acts and things as shall be necessary or desirable in order to implement and give full effect to this Resolution.

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 7 by Peter Danchin and any person who may participate in or who might obtain a benefit from, the issue of securities referred to in this Resolution, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any votes cast by an associate of any such person. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### 8. Issue of Director's Options to Karl Simich

To consider and, if thought fit, to pass the following Resolution (with or without amendment) as an ordinary resolution:

"That for the purposes of Listing Rule 10.11 and for all other purposes, and subject to Karl Simich being duly re-elected as a director of the Company at this Meeting, the shareholders of the Company hereby approve the issue and allotment of 1,500,000 Director's Options to Karl Simich, or his nominee, for no cash consideration, each of such Director's Options being subject to the terms and conditions set out and described in the Explanatory Notes accompanying this Notice of Annual General Meeting and carrying the right, exercisable on or before 24 November 2010 to subscribe for 1 Share in the Company at an issue price of \$0.13, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act and hereby authorise the directors to execute such documents and do all such

acts and things as shall be necessary or desirable in order to implement and give full effect to this Resolution.

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 8 by Karl Simich and any person who may participate in or who might obtain a benefit from, the issue of securities referred to in this Resolution, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any votes cast by an associate of any such person. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **9. Issue of Director's Options to Richard Linnell**

To consider and, if thought fit, to pass the following Resolution (with or without amendment) as an ordinary resolution:

"That for the purposes of Listing Rule 10.11 and for all other purposes, and subject to Richard Linnell being duly re-elected as a director of the Company at this Meeting, the shareholders of the Company hereby approve the issue and allotment of 500,000 Director's Options to Richard Linnell, or his nominee, for no cash consideration, each of such Director's Options being subject to the terms and conditions set out and described in the Explanatory Notes accompanying this Notice of Annual General Meeting and carrying the right, exercisable on or before 24 November 2010 to subscribe for 1 Share in the Company at an issue price of \$0.13, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act and hereby authorise the directors to execute such documents and do all such acts and things as shall be necessary or desirable in order to implement and give full effect to this Resolution.

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 9 by Richard Linnell and any person who may participate in or who might obtain a benefit from, the issue of securities referred to in this Resolution, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any votes cast by an associate of any such person. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **Other Business**

To deal with any other business that may be brought forward in accordance with the Company's Constitution and the Corporations Act 2001.

By order of the Board



**JEAN MATHIE  
COMPANY SECRETARY**

Date: 26 October 2005

## EXPLANATORY NOTES

These Explanatory Notes form part of the Notice of Annual General Meeting.

### Financial Statements

This deals with the presentation of the Company's Financial Report and the reports of the directors and auditors for the year ending 30 June 2005. The Company will take Shareholders' questions and comments about the management of the Company. The auditor of the Company will be available to take Shareholders' questions and comments about the conduct of the audit and preparation and content of the audit report.

No resolution is required to be moved in respect of this item.

## RESOLUTIONS 1 AND 2 – ELECTION OF DIRECTORS

### Retirement by Rotation

In accordance with the provisions of the Company's Constitution, one third of the directors for the time being must retire from office at every annual general meeting and are eligible for re-election. The directors to retire are to be those who have been longest in office since their appointment or last re-appointment or, if the directors have been in office for an equal length of time, by agreement. Accordingly, Mr Simich and Mr Linnell have both indicated that it is their intention to retire pursuant to the Company's Constitution and each of them, being eligible, has consented to be re-elected as a director of the Company.

### Directors' Information

#### **Karl M Simich, Chairman** (41 years)

*B.Comm, CA, ASIA*

Appointed 12 January 1999. Mr Simich is responsible for the corporate, financial, marketing and day-to-day affairs of the Company in Australia. He has had considerable international business experience, (including in South Africa) and in the management and administration of publicly listed companies. Mr Simich has had 18 years experience in publicly listed companies, specialising in resource finance and corporate management. Mr Simich is an executive director of Kimberley Diamond Company NL since 1993, a non-executive director of Blina Diamonds NL since 2002, a non-executive director of Marine Produce Australia Limited since 2002 and holds directorships in private companies, some of which have acted as underwriters to capital raisings by resource companies. Mr Simich is a Chartered Accountant and a member of Securities Institute of Australia, and has completed post-graduate studies in business and finance. Mr Simich lives in Perth, Western Australia.

#### **Richard J Linnell, Non-Executive Director** (60 years)

Appointed 15 July 2003. Mr Linnell is a former senior executive with Billiton PLC and Samancor. As a recent non-executive director of BHP Billiton SA Ltd, Mr Linnell was actively involved with BHP Billiton on special assignments relating to risk amelioration and risk management in the African context. He was an originator of the Bakubung Initiative, a forum designed to revive the South African mining industry that led to the establishment of the New Africa Mining Fund. Mr Linnell lives in Johannesburg, South Africa.

## RESOLUTION 3 – ADOPTION OF REMUNERATION REPORT

The vote on the remuneration report is advisory only and non-binding to the Company. However, the Board of Directors will take the outcome of the vote into consideration when reviewing the remuneration policies of the Company.

The Chairman of the meeting intends to vote undirected proxies in favour of the adoption of the remuneration report.

During the consideration of this item, there will be an opportunity for shareholders to comment on and ask questions about the Company's remuneration report. This remuneration report can be found on page 31 of the Company's 2005 Annual Report.

## RESOLUTIONS 4(A), (B) AND (C) – RATIFY ISSUE OF SECURITIES

### Resolution 4(A)

The 750,000 September 2006 Options, the subject of Resolution 4(A), were issued to Montagu Stockbrokers Pty Ltd for no cash consideration pursuant to an agreement with them (**Montagu Agreement**) as part of their management fee for the placement of securities completed on 6 December 2004, and were subsequently listed on ASX on about 9 December 2004. These September 2006 Options are listed and transferable and are exercisable at \$0.20 each on or before 30 September 2006 and otherwise on the terms set out in the Terms of September 2006 Options (See: **Terms of September 2006 Options** below). Apart from any relationship that may be deemed to have arisen solely by reason of the Montagu Agreement, which would be exempt from the provisions of ASX Listing Rule 10.11 by virtue of Exception 6 in ASX Listing Rule 10.12, Montagu is not a related party of the Company.

No funds were raised from the issue of these September 2006 Options.

### Resolution 4(B)

The 1,000,000 September 2006 Options, the subject of Resolution 4(B), were issued for no cash consideration to Hereford Securities and Management SA (**Hereford**) of Geneva, Switzerland pursuant to an agreement under which Hereford agreed

to provide investor relation support for the Company to broaden its investor network in Europe and the United Kingdom with a view to a possible future listing of the Company's securities on London's Alternative Investment Market (AIM) (**Hereford Agreement**). These September 2006 Options are listed and transferable and are exercisable at \$0.20 each on or before 30 September 2006 and otherwise on the terms set out in the Terms of September 2006 Options (See: **Terms of September 2006 Options** below). Apart from any relationship that may be deemed to have arisen solely by reason of the Hereford Agreement, which would be exempt from the provisions of ASX Listing Rule 10.11 by virtue of Exception 6 in ASX Listing Rule 10.12, Hereford is not a related party of the Company.

No funds were raised from the issue of these September 2006 Options.

#### **Resolution 4(C)**

The 14,756,686 Shares, the subject of Resolution 4(C), were issued at the discretion of the directors (subject to the Corporations Act 2001 and ASX Listing Rules) at a price of \$0.08 per Share through placements (**the Placements**) made pursuant to valid applications procured by Argonaut Limited from twenty three "sophisticated investors" (as detailed below), being investors to whom disclosure was not required to be made under Part 6D.2 of Chapter 6D of the Corporations Act 2001 by reason of Sections 708(8)(b) or (c) of that Act. The allottees are not related parties to the Company.

All Shares referred to in Resolution 4(C) are listed fully paid ordinary Shares and rank pari passu with existing fully paid ordinary Shares.

The directors have or intend to apply the funds (\$1,180,534.88) raised pursuant to the Placements firstly towards the costs of the Placements (approximately \$75,000.00), and then towards corporate and administrative overheads and working capital.

<b>Allottee</b>	<b>Number of Shares</b>
Academic Growth Institute Fund Pty Ltd	2,625,000
IE Properties Pty Ltd	2,500,000
Bank Julius Baer & Co Ltd	1,475,000
Batley DF & Vause IC	1,400,000
John GE Benton	1,250,000
Key International Pty Ltd	625,000
Grange Securities Ltd	500,000
Jennifer Bandy	500,000
Merrill Lynch (Australia) Nominees Pty Ltd	500,000
Sebros Pty Ltd	500,000
Kennedy Holdings (WA) Pty Ltd	375,000
Sofia Services Pty Ltd	350,000
Black Planet Thoroughbreds Pty Ltd	346,686
Fitel Nominees Limited	325,000
Graham JS Evans	300,000
Mesuta Pty Ltd	200,000
Blue Bone Enterprises (WA) Pty Ltd	187,500
Vitor Pty Ltd	187,500
Linkville Pty Ltd	185,000
Gary C Castledine	125,000
Seventy Three Pty Ltd	125,000
Husif Nominees Pty Ltd	100,000
Andrew Smith	75,000
<b>Total Number of Shares</b>	<b>14,756,686</b>

#### **RESOLUTION 5(A) and (B) – APPROVAL FOR THE ALLOTMENT OF SECURITIES**

ASX Listing Rule 7.1 provides that (subject to certain exceptions, none of which is relevant here) prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the securities on issue at the commencement of that 12-month period aggregated with shares issued with shareholders approval, shares issued under an exception to Listing Rule 7.1 and any partly paid shares that become fully paid shares, less any shares cancelled during that period.

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 5(A) to allow shareholders to assess the proposed facility for the future issue of up to 20,000,000 Shares:

- The maximum number of Shares which may be allotted and issued under Resolution 5(A) is 20,000,000 fully paid ordinary shares at a minimum issue price of not less than \$0.096 or 80% of the average Market Price (See: **Glossary** below), whichever is lower.
- The allottees of these Shares will be determined by the directors of the Company. The identities of these allottees are not yet known, however, they will not be related parties of the Company.
- These Shares will rank equally with the existing Shares on issue.
- These Shares will be issued and allotted no later than three months after the date of approval of Resolution 5, or such later date as approved by ASX.
- Twenty percent of the funds being raised from the issue of these Shares will be used to supplement working capital and the balance to accelerate the Company's exploration program.

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 5(B) to allow shareholders to assess the proposed issue of 2,000,000 listed September 2006 Options to Argonaut Limited:

- a) The maximum number of September 2006 Options which may be allotted and issued under Resolution 5(A) is 2,000,000.
- b) These September 2006 Options will be issued and allotted to Argonaut Limited for no cash consideration pursuant to an agreement with them as part of their management fee for the placement of 14,756,686 ordinary fully paid Shares at an issue price of \$0.08 each, announced 29 September 2005.
- c) These September 2006 Options will rank equally with the existing September 2006 Options on issue.
- d) These September 2006 Options will be issued and allotted no later than three months after the date of approval of Resolution 5(B), or such later date as approved by ASX.
- e) No funds will be raised from the issue of these September 2006 Options.

If Resolution 5(B) is not passed by the shareholders, the 2,000,000 listed September 2006 Options due to Argonaut Limited pursuant to the agreement with them as part of their management fee for the placement of 14,756,686 ordinary fully paid Shares at an issue price of \$0.08 each, announced 29 September 2005, will be issued and allotted to them for no cash consideration as part of the number of equity securities that the Company may be entitled to issue pursuant to the ASX Listing Rules as and when permitted under the ASX Listing Rules.

#### Terms of September 2006 Options

- a) Definitions:
  - (i) **Exercise Price** means the exercise price of each September 2006 Option, being \$0.20.
  - (ii) **Expiry Date** means 5.00pm (WST) on 30 September 2006.
  - (iii) **Exercise Date** means the Expiry Date or, if applicable, the Underwritten Expiry Date.
  - (iv) **Exercise Notice** means the form prescribed by the Company from time to time for the purpose of exercising September 2006 Options.
  - (v) **Option Holder** means the person or persons registered as the holder of one or more September 2006 Options from time to time.
  - (vi) **Option Underwriter** means any person or persons (other than the Company) that is party to an Option Underwriting Agreement.
  - (vii) **Option Underwriting Agreement** means all agreements made prior to the Expiry Date between the Company and an Option Underwriter whereby the Option Underwriter agrees to exercise the Underwritten Options prior to the Underwritten Expiry Date.
  - (viii) **Share** means a fully paid ordinary share in the capital of the Company.
  - (ix) **Underwritten Expiry Date** means, if the Company has entered into an Option Underwriting Agreement, 5.00pm (WST) 14 days after the Expiry Date.
  - (x) **Underwritten Options** means that number of Unexercised Options the subject of an Option Underwriting Agreement.
  - (xi) **Unexercised Option Holder** means any person or persons registered as the holder of Unexercised Options.
  - (xii) **Unexercised Options** means all September 2006 Options not exercised on or before the Expiry Date.
- b) Each September 2006 Option carries the right to subscribe for one Share.
- c) September 2006 Options may be exercised by delivering to the Company's registered office or the Company's share registry an Exercise Notice at any time prior to the Exercise Date.
- d) The Exercise Notice must state the number of September 2006 Options to be exercised and be accompanied by the relevant holding statement(s) and a cheque (in Australian currency) made payable to the Company for an amount being the result of the Exercise Price multiplied by the number of September 2006 Options being exercised.
- e) If the Company has entered into an Option Underwriting Agreement, then at the Expiry Date all Unexercised Option Holders immediately, unconditionally and irrevocably appoint the Company as the Option Holder's agent to transfer all Unexercised Options the subject of an Option Underwriting Agreement to the Option Underwriter and the Option Underwriter is entitled to exercise the options prior to the Underwritten Expiry Date.
- f) Following receipt of a properly executed Exercise Notice and application monies in respect of the exercise of any September 2006 Options, the Company will issue the resultant Shares and deliver notification of shareholdings.

- g) The Company will make application to have the Shares (issued pursuant to an exercise of September 2006 Options) listed for quotation by ASX within 7 days of the date of issue.
- h) Shares issued pursuant to an exercise of September 2006 Options shall rank, from the date of issue, *pari passu* with existing Shares in all respects.
- i) September 2006 Options carry no right to participate in pro rata issues of securities to shareholders unless the September 2006 Options are exercised before the record date for determining entitlements to the relevant pro rata issue.
- j) Each Option Holder will be notified by the Company of any proposed pro rata issue of securities to shareholders in accordance with ASX Listing Rules.
- k) Subject to paragraph l) below, the Corporations Act 2001 and ASX Listing Rules, September 2006 Options do not confer the right to a change in exercise price or a change to the number of underlying securities over which the options can be exercised.
- l) In the event of a reorganisation (including reconstruction, consolidation, subdivision, reduction, or return) of the capital of the Company, the terms of the September 2006 Options will be changed to the extent necessary to comply with the requirements of the ASX Listing Rules (in force at the time of the reorganisation).

### RESOLUTIONS 6, 7, 8 and 9 – ISSUE OF FREE OPTIONS TO DIRECTORS

Under Resolutions 6 to 9 inclusive, shareholders are asked to approve the issue of free Director's Options to the Directors of the Company as set out below. Shareholder approval is not sought under Listing Rule 7.1 as approval is being sought under Listing Rule 10.11.

Resolution No.	Director	No. of free Director Options
Resolution 6	John Firth	2,000,000
Resolution 7	Peter Danchin	1,500,000
Resolution 8	Karl Simich	1,500,000
Resolution 9	Richard Linnell	500,000

#### Number, Price and Allottees

The Company will issue the Director's Options described above to each director concerned (or their respective nominees), for no cash consideration and on the terms referred to below, within 1 month of the date of the Meeting.

If the proposed issue of Director's Options to each director (or their respective nominees) is approved by shareholders pursuant to the respective Resolutions, the aggregate number of options that will be issued under Resolutions 6 to 9, inclusive, is 5,500,000 Director's Options.

#### Use of Funds Raised

No funds will be raised from the issue of the Director's Options for any of Resolutions 6 to 9, inclusive.

#### Terms of Director's Options

The Director's Options referred to in Resolutions 6 to 9, inclusive, will be issued upon and subject to the following terms and conditions:

- a) Definitions:
  - (i) **Exercise Price** means the exercise price of each Director's Option, being \$0.13.
  - (ii) **Expiry Date** means 5.00pm (WST) on 24 November 2010.
  - (iii) **Exercise Notice** means the form prescribed by the Company from time to time for the purpose of exercising Director's Options.
  - (iv) **Option Holder** means the person or persons registered as the holder of one or more Director's Options from time to time.
  - (v) **Share** means a fully paid ordinary share in the capital of the Company.
  - (vi) **Unexercised Option Holder** means any person or persons registered as the holder of Unexercised Options.
  - (vii) **Unexercised Options** means all Director's Options not exercised on or before the Expiry Date.
- b) Each Director's Option carries the right to subscribe for one Share.
- c) Each Director's Option is unlisted and is not transferable.
- d) Of the total of all Director's Options issued to an Option Holder, the Option Holder may, subject to g) below, only exercise that percentage of those Director's Options (**Exercisable Interest**) during the period commencing from the date of issue (**Qualifying Period**) as provided for below:

PERIOD OF DIRECTORSHIP AND/OR EMPLOYMENT SINCE DATE OF ISSUE OF DIRECTOR'S OPTIONS	EXERCISABLE INTEREST
Date of issue – 24 November 2006	NIL
25 November 2006 – 24 November 2007	33.33%
25 November 2007 – 24 November 2008	66.66%
25 November 2008 – Expiry Date	100.00%

- e) If the Option Holder is a nominee of a director, the Exercisable Interest shall be determined by reference to the period of engagement of the relevant director (**Participant**) as a director or employee of the Company during the Qualifying Period.
- f) If a Participant ceases to be a director and/or employee of the Company during the Qualifying Period for any reason (other than death or disability), the Option Holder may only exercise the Exercisable Interest within 3 months from the date the Participant ceases to be a director or employee, as the case may be, and thereafter the Director's Options will expire and cease to carry any rights or benefits unless otherwise approved by the directors. If the Option Holder is a nominee of a Participant, the Option Holder may only exercise the Exercisable Interest within 3 months from the date the Participant ceases to be a director or employee, as the case may be, and thereafter the Director's Options will expire and cease to carry any rights or benefits unless otherwise approved by the directors.
- g) If a Participant ceases to be a director and/or employee of the Company during the Qualifying Period by reason of death or disability, all Director's Option held by the Option Holder at the date of death or disability, will ipso fact vest and become exercisable and the Option Holder, or the Option Holders estate where the Option Holder is deceased, may exercise the vested Director's Options within 6 months from the date the Option Holder ceases to be a Participant, by reason of death or disability, as the case may be, and thereafter the Director's Options will expire and cease to carry any rights or benefits unless otherwise approved by the directors. If the Option Holder is a nominee of a Participant, the Option Holder may only exercise the Exercisable Interest within 6 months from the date the Participant ceases to be a director or employee of the Company by reason of death or disability, as the case may be, and thereafter the Director's Options will expire and cease to carry any rights or benefits unless otherwise approved by the directors.
- h) Subject to d), e), f) and g) above, Director's Options may be exercised by delivering to the Company's registered office or the Company's share registry an Exercise Notice at any time prior to the Expiry Date.
- i) The Exercise Notice must state the number of Director's Options to be exercised and be accompanied by the relevant holding statement(s) and a cheque (in Australian currency) made payable to the Company for an amount being the result of the Exercise Price multiplied by the number of Director's Options being exercised.
- j) Following receipt of a properly executed Exercise Notice and application monies in respect of the exercise of any Director's Options, the Company will issue the resultant Shares and deliver notification of shareholdings.
- k) The Company will make application to have the Shares (issued pursuant to an exercise of Director's Options) listed for quotation by ASX within 7 days of the date of issue.
- l) Shares issued pursuant to an exercise of Director's Options shall rank, from the date of issue, pari passu with existing Shares in all respects.
- m) Director's Options carry no right to participate in pro rata issues of securities to shareholders unless the Director's Options are exercised before the record date for determining entitlements to the relevant pro rata issue.
- n) Each Option Holder will be notified by the Company of any proposed pro rata issue of securities to shareholders in accordance with ASX Listing Rules.
- o) Subject to the Corporations Act 2001 and ASX Listing Rules, Director's Options do not confer the right to a change in Exercise Price.
- p) In the event of a reorganisation (including reconstruction, consolidation, subdivision, reduction, or return) of the capital of the Company, the terms of the Director's Options will be changed to the extent necessary to comply with the requirements of the ASX Listing Rules (in force at the time of the reorganisation).

### Other Information

The primary purpose of these issues of Director's Options is not to raise capital, but to provide an incentive to the directors. Given this purpose, the Company does not believe that there are any significant opportunity costs or benefits forgone by the issue of the Director's Options.

The market price of the Company's shares during the term of the Director's Options would normally determine whether or not the Option Holder exercises the Director's Option. At the time any Director's Options are exercised and Shares issued pursuant to the exercise of any Director's Option, the Company's Shares may be trading on ASX at a price which is higher than the exercise price of the Director's Options. Where this is the case, the opportunity cost may be that the Company could have received greater consideration for the issue of the Shares than the \$0.13 issue price.

During the preceding 12 months ended 18 October 2005, the Company's share price has traded from a low of \$0.092 per share to a high of \$0.17 per share. The closing price of the Company's shares on 18 October 2005 was \$0.105.

ASIC has indicated the Black-Scholes option price calculation method is an acceptable method for valuing options. This method is designed to value listed securities that are freely tradable and hence it is not entirely appropriate or reliable in the current circumstances where the Director's Options proposed to be issued pursuant to Resolutions 6 to 9, inclusive, will be unlisted, non-transferable and only vest in one-third tranches at the end of each of the first three years and whilst the Participant is a director or employee of the Company. Nevertheless, a value for each of the Director's Options as at the date of this Notice of Meeting has been estimated to be approximately \$0.046 by applying the Black-Scholes option pricing model as follows:

Exercise Price of Director's Options		\$0.13
Share price used		\$0.105
Expiry Date		24 November 2010
Total Director's Options		5,500,000
Vesting Conditions	From Date of Issue to 1 year	Nil
	From 1 to 2 years	33.33% (in total)
	From 2 to 3 years	66.66% (in total)
	From 3 to Date of Expiry	100.00% (in total)
Risk free rate		5.25%
Volatility		50.00%
Black-Scholes total notional value (all 5,500,000 Director's Options)		\$253,005
Black-Scholes notional value (per Director's Option)		\$0.046

The Company currently has the following issued capital:

124,801,265 ordinary fully paid Shares;  
61,273,419 listed September 2006 Options expiring 30/09/2006, exercisable at \$0.20;  
517,500 unlisted options expiring 31/12/2005, exercisable at \$0.15;  
1,115,000 unlisted options expiring 31/12/2006, exercisable at \$0.30; and  
1,077,500 unlisted options expiring 31/12/2007, exercisable at \$0.40

If the Director's Options issued pursuant to Resolutions 6 to 9, inclusive, are all exercised, then the issue of Shares pursuant to the exercise of those Director's Options (up to an aggregate of 5,500,000 Shares) will dilute the holdings of the existing shareholders.

Therefore if:

- all existing listed and unlisted options to acquire Shares are exercised; and
- all 5,500,000 Director's Options are issued and exercised

the total dilution effect of the issue and exercise of the Director's Options on the Company's fully diluted Share capital would be approximately 2.831%.

#### Directors' Recommendation & Interests

At the date of this Notice of Meeting, each director of the Company had a relevant interest in the number of shares and options set out below:

	Shares	Listed September 2006 Options exercisable @ \$0.20 expiring 30 September 2006
John Firth	1,067,817	2,850,533
Peter Danchin <sup>(1)</sup>	1,553,000	1,750,000
Karl Simich <sup>(1)</sup>	9,524,191	7,131,779
Richard Linnell	650,000	750,000
John Hutton	1,181,150	1,966,316

<sup>(1)</sup> Shares include 1,553,000 Shares held by Kimberley Diamond Company NL of which Messrs Simich and Danchin are directors.

The directors are currently being remunerated (on an annual basis) as follows:

	<b>Base Remuneration and Director's Fees</b>	<b>Super Contributions</b>	<b>Other Payments</b>	<b>Total</b>
	\$	\$	\$	\$
John Firth	74,372	-	-	74,372
Peter Danchin	19,992	2,004	-	21,996
Karl Simich <sup>(2)</sup>	-	-	90,000	90,000
Richard Linnell	36,418	-	-	36,418
John Hutton	24,000	2,160	-	26,160

<sup>(2)</sup> Mr Simich is a director associated with Resource Development Company Pty Ltd (**RDC**), a company that employs a number of professional staff and provides accounting and administrative support to a number of public companies. Other payments were made to RDC for providing financial, accounting and administrative support to the Company.

Other than the issue of Director's Options the subject of Resolutions 6 to 9 inclusive, the Company currently has no intention of materially altering the above remuneration.

All of the directors were available to consider the proposed Resolutions.

The directors consider that, although the issue of the Director's Options would constitute reasonable remuneration for the purposes of Chapter 2E of the Corporations Act, it is possible that the transaction could be construed otherwise. Therefore, the directors also consider that it is prudent and sensible to seek the approval of shareholders to the issue of the Director's Options.

John Firth declined to make a recommendation about the proposed Resolution 6 on the basis that he has a material personal interest in the outcome of that resolution. Messrs Danchin, Simich, Linnell and Hutton recommend that shareholders vote in favour of Resolution 6 as, having considered John Firth's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Director's Options to be a reasonable and proper incentive to John Firth to encourage the growth of the Company and maximize the value of each shareholder's investment in the Company.

Peter Danchin declined to make a recommendation about the proposed Resolution 7 on the basis that he has a material personal interest in the outcome of that resolution. Messrs Firth, Simich, Linnell and Hutton recommend that shareholders vote in favour of Resolution 7 as, having considered Peter Danchin's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Director's Options to be a reasonable and proper incentive to Peter Danchin to encourage the growth of the Company and maximize the value of each shareholder's investment in the Company.

Karl Simich declined to make a recommendation about the proposed Resolution 8 on the basis that he has a material personal interest in the outcome of that resolution. Messrs Firth, Danchin, Linnell and Hutton recommend that shareholders vote in favour of Resolution 8 as, having considered Karl Simich's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Director's Options to be a reasonable and proper incentive to Karl Simich to encourage the growth of the Company and maximize the value of each shareholder's investment in the Company.

Richard Linnell declined to make a recommendation about the proposed Resolution 9 on the basis that he has a material personal interest in the outcome of that resolution. Messrs Firth, Danchin, Simich and Hutton recommend that shareholders vote in favour of Resolution 9 as, having considered Richard Linnell's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Director's Options to be a reasonable and proper incentive to Richard Linnell to encourage the growth of the Company and maximize the value of each shareholder's investment in the Company.

Other than the information disclosed above or elsewhere in these Explanatory Notes, no director has an interest in the outcome of the proposed Resolutions 6 to 9 (other than as directors of, and holders of securities in, the Company) and neither the directors nor the Company are aware of any other information that is reasonably required by shareholders in order to decide whether or not it is in the Company's interests to pass Resolutions 6 to 9.

#### **Voting Exclusion Statement**

Please refer to the Voting Exclusion Statements contained in the Notice of Annual General Meeting for details regarding votes to be disregarded in relation to Resolutions 4(A), (B) and (C), Resolutions 5(A) and (B) and Resolutions 6, 7, 8 and 9.

## GLOSSARY

In the Notice of Annual General Meeting and these Explanatory Notes, unless the context otherwise requires, the following expressions have the following meanings:

“**ASX**” means Australian Stock Exchange Limited.

“**ASX Listing Rules**” means the listing rules of ASX.

“**the Company**” means Namakwa Diamond Company NL (ABN 77 085 806 284).

“**Explanatory Notes**” means these explanatory notes.

“**Market Price**” means, for the purposes of Resolution 5(A), the weighted average price of each Share traded on ASX for five (5) consecutive Trading Days on which sales in Shares were recorded, before the day on which the issue of Shares under Resolution 4(A) is made.

“**Meeting**” or “**Annual General Meeting**” means the 2005 Annual General Meeting of shareholders convened by this Notice.

“**Notice**” or “**Notice of Meeting**” or “**Notice of Annual General Meeting**” means the Notice of the 2005 Annual General Meeting of which these Explanatory Notes form part.

“**Resolution**” means a resolution referred to in the Notice of Annual General Meeting.

“**Trading Day**” has the meaning ascribed to that term in Chapter 19 of the ASX Listing Rules.

“**Share**” means fully paid ordinary voting Share issued in the capital of the Company.

“**WST**” means Western Standard Time.

**SHAREHOLDER PROXY FORM**

Holder Identification Number (HIN) .....

**Appointment of Proxy**

I/We appoint as proxy to vote in accordance with the following directions (or if no directions have been given, as the proxy or Chairman see fit) at the Annual General Meeting of the Company to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Friday, 25 November 2005 at 12.00 noon (WST) (and at any adjournment thereof) (**Meeting**).

	Or	the Chairman of the Meeting
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Name of person you are appointing (if not the Meeting Chairman)

**IF YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, PLEASE PLACE A MARK IN THIS BOX \***

**\*The Chairman currently intends to vote undirected proxies in favour of all resolutions.** By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he may have an interest in the outcome of a resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

ORDINARY RESOLUTIONS	FOR	AGAINST	ABSTAIN*
1 Re-election of Karl Simich as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Richard Linnell as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4(A) Ratification of issue of 750,000 September 2006 Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4(B) Ratification of issue of 1,000,000 September 2006 Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4(C) Ratification of issue of 14,756,686 ordinary fully paid Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5(A) Approval for allotment of up to 20,000,000 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5(B) Approval for allotment of 2,000,000 September 2006 Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval for allotment of 2,000,000 Director's Options to J. Firth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approval for allotment of 1,500,000 Director's Options to P. Danchin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Approval for allotment of 1,500,000 Director's Options to K. Simich	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Approval for allotment of 500,000 Director's Options to R. Linnell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item.

APPOINTING A SECOND PROXY (if applicable) <input style="width: 90%; height: 20px;" type="text"/>	Contact Telephone Number <input style="width: 90%; height: 20px;" type="text"/>
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<input style="width: 90%; height: 20px;" type="text"/> <i>Number of shares applicable to this proxy form</i>	or	<input style="width: 90%; height: 20px;" type="text"/> % <i>Percentage of your voting rights</i>
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PLEASE SIGN HERE

THIS SECTION MUST BE SIGNED IN ACCORDANCE WITH THE INSTRUCTIONS OVERLEAF TO ENABLE YOUR DIRECTIONS TO BE IMPLEMENTED.

Individual or Shareholder 1 <input style="width: 95%; height: 25px;" type="text"/> Sole Director/Sole Secretary	Joint Shareholder 2 <input style="width: 95%; height: 25px;" type="text"/> Director	Joint Shareholder 3 <input style="width: 95%; height: 25px;" type="text"/> Director / Secretary
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Company Seal (if required)

**DEADLINE FOR RECEIPT OF PROXY FORM**  
 Your completed proxy form (and any relevant authorities) must be received at the registered office of the Company or at the Company's Share Registry no later than 48 hours before the time appointed for the Meeting.

Documents may be lodged using the enclosed envelope or:

BY FAX +61-8 9321 5884  
 BY MAIL PO Box 806, West Perth 6872, Western Australia or delivered to the registered office of the Company at 12 Walker Avenue, West Perth 6005, Western Australia.  
 BY EMAIL: [general@namakwa.com.au](mailto:general@namakwa.com.au)

For assistance in completing this form, refer to the reverse of this form.

## SHAREHOLDER PROXY FORM

### INSTRUCTIONS FOR COMPLETION OF THE PROXY FORM

#### Shareholder's Name & Address

Your pre-printed name and address is as it appears on the share registry of Namakwa Diamond Company NL. If this information is incorrect please make the correction on the proxy form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

#### Appointment of Proxy

A shareholder entitled to attend and vote at the Meeting is entitled to appoint not more than two other persons (whether shareholders or not) as proxy or proxies to attend in the shareholder's place at the Meeting. The proxy has the same right as the shareholder to speak and vote at the Meeting. If you leave this section blank, the Chairman of the Meeting will be your proxy to vote your shares even if you attend the Meeting (unless you revoke your proxy before the Meeting). Your proxy's authority to speak and vote for you at the Meeting is suspended if you are present at the Meeting.

#### Vote on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the resolution/s you wish to direct your proxy to vote on. If you do so, all your shares will be voted in accordance with your direction. You can split your vote on any resolution/s by inserting the number/s of shares you wish to vote in the appropriate box/es. Please ensure you clearly mark the box in black or blue ink by placing a mark or the number of shares you are voting. If you mark more than one box relating to the same resolution any vote by your proxy on that resolution will be invalid.

#### Appointing a Second Proxy

If a shareholder appoints two proxies and the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise half of the votes.

#### Contact Telephone Number

This will help us if there are any problems with your proxy form.

#### Signing Instructions

Each shareholder must sign this form. If your shares are held in joint names, all shareholders must sign in the boxes. If you are signing as an Attorney, then the Power of Attorney must have been noted by the Company or be duly stamped and accompany this form. Only duly authorised officer/s can sign on behalf of a company. Please sign in the boxes provided which state the office held by the signatory.