

**Namakwa** Diamond Company

**NOTICE OF GENERAL MEETING**

**EXPLANATORY MEMORANDUM AND PROXY FORM**

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

**ON THURSDAY, 7 SEPTEMBER 2006 AT 11.00AM (WST)**

**NOTICE IS HEREBY** given that a general meeting of members of Namakwa Diamond Company NL (ABN 77 085 806 284) (**Company**) will be held at the Celtic Club, 48 Ord Street, West Perth 6005 Western Australia on Thursday, 7 September 2006 at 11.00am (**Meeting**). The Explanatory Memorandum and Proxy Form accompanying this Notice of General Meeting (**Notice of Meeting**) are hereby incorporated in and form part of this Notice of Meeting. Some terms used in this Notice of General Meeting are defined in the Explanatory Memorandum.

*This Notice of Meeting and the Explanatory Memorandum are important documents and should be read in their entirety. If you are in doubt as to the course you should follow, consult your financial or other professional adviser.*

## Special Business

### 1. RATIFICATION OF ISSUE OF SHARES

To consider and, if thought fit, pass the following ordinary resolution.

"That, for the purposes ASX Listing Rule 7.4 and for all other purposes, the shareholders of the Company hereby ratify the issue of 18,600,000 fully paid ordinary shares at \$0.03 cents each pursuant to a placement announced 12 April 2006."

#### **Voting Exclusion Statement**

*The Company will disregard any votes cast on this resolution by a person who participated in the issue of securities referred to in this resolution and any votes cast by an associate of that person. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, or it is cast by the person chairing the meeting as proxy for the person who is entitled to vote, in accordance with the direction on the proxy form.*

### 2. CALDERA JOINT VENTURE AGREEMENT – SHARE PLACEMENT

To consider and, if thought fit, pass the following ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the shareholders of the Company hereby approve the issue of 5,000,000 ordinary fully paid shares to Mr Ron Winston, or his nominee, for no cash consideration pursuant to the terms of a Heads of Agreement entered into between the Company and Caldera Resources Inc."

#### **Voting Exclusion Statement**

*The Company will disregard any votes cast on this resolution by Mr Ron Winston, his nominee or any other person who may participate in the proposed issue or 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 any of them. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, or it is cast by the person chairing the meeting as proxy for the person who is entitled to vote, in accordance with the direction on the proxy form.*

### 3. ISSUE OF SHARES TO BLINA DIAMONDS NL IN REPAYMENT OF LOAN

To consider and, if thought fit, pass the following ordinary resolution:

"That for the purposes of ASX Listing 10.11 and for all other purposes the shareholders of the Company hereby approve the issue to Blina Diamonds NL (**BDI**) of such number of fully paid ordinary Shares as have in aggregate a market value equal to not less than \$274,432.81 in repayment of the balance of the principal due by the Company to BDI in respect of funds lent to the Company by BDI, calculated in the manner set out in the Explanatory Memorandum accompanying this Notice of Meeting."

#### **Voting Exclusion Statement**

*The Company will disregard any votes cast on this resolution by BDI or any other person who may participate in the proposed issue or 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 BDI or any of those persons. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, or it is cast by the person chairing the meeting as proxy for the person who is entitled to vote, in accordance with the direction on the proxy form.*

**Note:** *If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.*

#### 4. ELECTION OF DIRECTOR

To consider and, if thought fit, pass the following ordinary resolution:

"That, subject to the passing of Resolutions 5(a) and (b), Miles Alistair Kennedy who, being eligible, offers himself for election, is hereby elected as a director of the Company."

#### 5. EXECUTIVE OPTIONS

To consider and, if thought fit, pass the following ordinary resolutions:

"That, subject to the passing of Resolution 4, the shareholders of the Company hereby authorise and approve the issue and allotment of the following options to Miles Alistair Kennedy, or his nominee, for no cash consideration:

- (a) 15,000,000 options (**2009 Options**), each of such 2009 Options being subject to the terms and conditions set out and described in the Explanatory Memorandum accompanying this Notice of Meeting and carrying the right, exercisable at any time within three (3) years from the date of issue of those 2009 Options, to subscribe for 1 fully paid ordinary share in the Company at an issue price of \$0.09; and
- (b) 15,000,000 options (**2011 Options**), each of such 2011 Options being subject to the terms and conditions set out and described in the Explanatory Memorandum accompanying this Notice of Meeting and carrying the right, exercisable at any time within five (5) years from the date of issue of those 2011 Options, to subscribe for 1 fully paid ordinary share in the Company at an issue price of \$0.15

and resolve that the issue of these Options to Miles Alistair Kennedy, or his nominee, constitutes reasonable remuneration for the purpose of Chapter 2E of the Corporate Act 2001 (Cth), and hereby authorise the directors to execute such documents and do all such acts and things as shall be necessary or desirable to implement and give full effect to these Resolutions."

##### ***Voting Exclusion Statement***

*The Company will disregard any votes cast on this resolution by Miles Kennedy, his nominee or any other person who may participate in the proposed issue or 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 any of them. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, or it is cast by the person chairing the meeting as proxy for the person who is entitled to vote, in accordance with the direction on the proxy form.*

**Note:** *If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.*

#### 6. CONSOLIDATION OF SHARE CAPITAL

To consider and, if thought fit, pass the following ordinary resolution:

"That, in accordance with section 254H of the Corporations Act 2001 (Cth):

- (a) every ten (10) fully paid ordinary shares of the Company be consolidated into one (1) fully paid ordinary share;
- (b) every ten (10) unexercised options granted by the Company be consolidated into one (1) option; and
- (c) the exercise price for each unexercised option granted by the Company be multiplied by ten (10),

with effect from 11 September 2006 with any resulting fractional entitlements to a share or option being rounded up to the next whole number."

**7. CHANGE OF COMPANY NAME**

To consider and, if thought fit, pass the following resolution as a special resolution:

"That, subject to the consent of the Australian Securities and Investments Commission, the name of the Company be changed to Resource and Investment NL."

**8. ADOPTION OF NEW CONSTITUTION**

To consider, and if thought fit, to pass the following resolution as a special resolution:

"That the Constitution contained in the printed document produced to the Meeting and signed by the Chairman for the purposes of identification be adopted forthwith in substitution for and to the exclusion of the existing Constitution of Namakwa Diamond Company NL with effect from the earliest date permitted by law."

**By Order of the Board**

**Jean Mathie**  
**Company Secretary**

DATED this 9th day of August 2006

This Explanatory Memorandum accompanies and forms part of the Notice of General Meeting given by Namakwa Diamond Company NL (ABN 77 085 806 284) (**Company**) to be held at the Celtic Club, 48 Ord Street, West Perth 6005 Western Australia on Thursday, 7 September 2006 at 11.00am (**Meeting**). The Explanatory Memorandum and Proxy Form accompanying this Notice of Meeting (**Notice of Meeting**) are hereby incorporated in and form part of this Notice of Meeting.

*This Explanatory Memorandum and the preceding Notice of General Meeting are important documents and should be read in their entirety. If you are in doubt as to the course you should follow, consult your financial or other professional adviser.*

**1. RESOLUTION 1 - RATIFICATION OF ISSUE OF SHARES**

The 18,600,000 Shares, the subject of Resolution 1, were issued at the discretion of the directors (subject to the Corporations Act 2001 (Cth)) and Australian Stock Exchange (**ASX**) Listing Rules) at a price of \$0.03 per Share through placements (**the Placements**) made pursuant to valid applications procured by Argonaut Limited (**Argonaut**) from the 20 "sophisticated investors" listed in Table 1, being investors to whom disclosure was not required to be made under Part 6D.2 of Chapter 6D of the Corporations Act 2001 (Cth) by reason of Sections 708(8)(b) or (c) of that Act. None of these investors are related parties of the Company.

<b>TABLE 1 Names of Shareholder</b>	
John Bandy	Susanne Bossong
Gavin Statham	Academic Growth Institute Fund Pty Ltd
Areley Kings Pty Ltd	Merrill Lynch (Australia) Nominees Pty Ltd
Jo Patoir	Greenleigh Holdings Pty Ltd
Seventy Three Pty Ltd	Benjamin Ryan
Kaslam Pty Ltd	Perizia Investments Pty Ltd
Husif Nominees Pty Ltd	Matthew Selby
Sebros Pty Ltd	EGR Investments Pty Ltd
Black Planet Thoroughbreds Pty Ltd	Gregory Southee
Nutsville Pty Ltd	Mark Donovan & Stephanie Donovan

All Shares referred to in Resolution 1 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 (\$558,000) raised pursuant to the Placements firstly towards the costs of the Placements (\$33,480, being the fee of 6% paid to Argonaut in respect of the Placements), and then to further the Company's exploration activities.

All directors recommend that shareholders vote in favour of Resolution 1.

**2. RESOLUTION 2 - CALDERA JOINT VENTURE AGREEMENT – SHARE PLACEMENT**

On 6 June 2006 the Company announced that it had entered into a Heads of Agreement (**the Caldera Agreement**) with Caldera Resources Inc. in terms of which it was agreed, inter alia, that, subject to certain approvals the Company and Caldera Resources Pty Ltd (**Caldera**), a subsidiary of Caldera Resources Inc., would enter into two joint venture agreements.

The first of these joint venture agreements will establish the Ellendale East joint venture (**the Ellendale East JV**) under which the Company will have the right to earn a 51% interest in the granted Ellendale East Tenements E04/1437 and E04/1438 (collectively **Ellendale East Tenements**), and the second of these joint venture agreements will establish the Ellendale South joint venture (**the Ellendale South JV**) under which the Company will have the right to earn a 51% interest in the as yet ungranted Ellendale South tenements, being E04/1456, E04/1457 and E04/1595 (collectively **Ellendale South Tenements**).

In February this year, Caldera Resources Inc. announced the discovery of up to six new lamproite pipes within the Ellendale East Tenements, which is located some 25kms along strike from the Ellendale 4 mine of Kimberley Diamond Company NL (**KDC**). One large target, of in excess of 200 hectares, has similar dimensions to those of the Ellendale 4 and 9 pipes currently being mined by KDC. Geophysical modelling of this target indicates a body with large depth extent.

Volcanoclastic quartz tuff, which is one of the predominant diamond bearing rocks in the Ellendale Lamproite Field has been identified at six of the targets drilled to date by Caldera within the Ellendale East Tenements. Caldera's work has established a significant southern extension of the Ellendale Field as a potential diamond bearing entity in its own right. Micro-diamonds have been identified in drill chip thin sections from the large Caldera target. One 170 micron diamond fragment from a larger stone was recovered from a 19.8 kilogram caustic fusion sample in the +100 -300 sieve fraction. Chrome spinel chemistry indicates potential for an additional two pipes to be diamondiferous.

There is also excellent potential for the discovery of additional pipes in southern part of the Ellendale East Tenements. Further drilling with large diameter holes is required to determine the area and depth extent of the bodies and to undertake a bulk sampling program.

The Ellendale South Tenements, which have not yet been granted, cover poorly explored areas to the south and east Ellendale East Tenements. It is believed that repetitions or extensions of the discoveries identified at Ellendale East may occur in this area.

Pursuant to the Caldera Agreement, both of these proposed joint venture agreements will be conditional upon the issue to Mr Ron Winston, or his nominee, of 5,000,000 fully paid ordinary Shares (**NDC Shares**) in the Company and 500,000 fully paid ordinary shares (**BDI Shares**) in Blina Diamonds NL (**BDI**).

Under the Caldera Agreement, Caldera Resources Inc. will procure that, in consideration for the issue of the NDC and BDI Shares to Mr Ron Winston, or his nominee, Mr Ron Winston will relinquish all and any interests he has, or may be entitled to earn, in the Ellendale East Tenements and Ellendale South Tenements.

The Caldera Agreement stipulates that the NDC Shares will be issued upon the grant of shareholder approval and it for this reason that shareholders are being asked to consider and, if thought fit, pass Resolution 2 to approve the issue of the NDC Shares to Mr Ron Winston, or his nominee, to comply with the provisions of the Caldera Agreement.

All directors recommend that shareholders vote in favour of Resolution 2.

### **3. RESOLUTION 3 - ISSUE OF SHARES TO BLINA DIAMONDS NL IN REPAYMENT OF LOAN**

In January and February 2005, BDI lent and advanced an aggregate of \$1,000,000 (**Principal Sum**) to the Company. In terms of the loan, interest on the Principal Sum advanced accrued at the rate of 8.50% per annum from the respective date of each advance and was payable monthly in arrears on the 1st day of each month. Interest not paid by the due date for payment was capitalised and added to and thereafter comprise part of the Principal Sum advanced.

An amount of \$725,567.19 was repaid by the Company to BDI through the issue of 24,185,573 Shares at \$0.03 each to BDI as sub-underwriter to the non-renounceable entitlements issue made by the Company pursuant to its Prospectus and Supplementary Prospectus dated 20 and 21 April 2006 respectively. The Company has also repaid to BDI in cash the interest of \$32,814.06 due on the loan to 30 June 2006.

As at the date of the Meeting the balance of all amounts remaining outstanding and required to be repaid by the Company to BDI in respect of the loan will be the sum of approximately \$278,778.62 representing \$274,432.81, being the balance of the Principal Sum (**Outstanding Principal**), and \$4,345.81, being the estimated interest on the loan from 30 June 2006 to 7 September 2006, being the anticipated date on which the Shares will be issued to BDI in repayment of the Outstanding Principal if Resolution 3 is passed.

In terms of the arrangements between BDI and the Company, BDI is, to the maximum extent permitted by the ASX Listing Rules and Corporations Act 2001 (Cth), entitled to require that any repayments due in respect of the loan be effected, in lieu of in cash, by the issue to BDI, or its nominee(s) of such number of Shares as have in aggregate a total issue price as near as possible to, but not less than, the amount of the required repayment.

In accordance with previous practice, and with the agreement of BDI, the interest of approximately \$4,345.81 will be repaid in cash and, subject to the passing of Resolution 3, the Outstanding Principal of will be repaid through the issue of Shares.

BDI still holds a total of 24,185,573 Shares, which equates to approximately 8.43% of the current issued Shares of the Company, and is accordingly a substantial shareholder in the Company.

Listing Rule 10.11 provides, in essence, that a listed company may not issue securities to any of the following persons without the approval of ordinary shareholders:

- (a) a related party; or
- (b) a person whose relationship with the company or a related party is, in the opinion of ASX, such that approval should be obtained.

In the circumstances, the issue of Shares to BDI, which is now a substantial shareholder of the Company, would constitute the issues of securities of the Company requiring shareholder approval for the purposes of Listing Rule 10.11.

**Number, Price and Allottees**

The Company will issue the Shares described above to BDI in repayment of the Outstanding Principal, and for no other cash consideration.

The total issue price of the Shares to be issued to BDI or its nominee to effect the required repayment of the Outstanding Principal is to be calculated using an issue price (**Reference Price**) per Share equal to 80% of the weighted average price of each Share traded on ASX for 10 consecutive ASX trading days immediately preceding the date of the repayment, determined by dividing the aggregate sale price for all Shares traded during that 10 day period by the total number of those Share.

Accordingly, the total number of Shares to be issued to BDI pursuant to Resolution 3 to effect the required repayment of the Outstanding Principal of \$274,432.81 will be calculated by dividing the amount of the Outstanding Principal by the Reference Price and, if necessary, adjusting the resultant number of Shares to ensure that the aggregate of the Reference Price for all of those Shares is not less than the Outstanding Principal.

The Shares will be issued to BDI prior to 11 September 2006. It is anticipated that actual date of issue will be 7 September 2006.

**Use of Funds Raised**

The issue of the Shares to BDI pursuant to Resolution 3 will repay in full the Company's indebtedness to BDI in respect of the Outstanding Principal and no funds will be raised from the issue of those Shares to BDI.

**Other Information**

The sole purpose of the issue of Shares to BDI pursuant to Resolution 3 is not to raise capital, but to settle the Company's indebtedness to BDI in respect of the Outstanding Principal.

If approval to the issue of Shares to BDI pursuant to Resolution 3 is given under ASX Listing Rule 10.11, approval to that issue is not required under ASX Listing Rule 7.1

All directors recommend that shareholders vote in favour of Resolutions 3.

**4. RESOLUTION 4 - APPOINTMENT OF MA KENNEDY AS DIRECTOR**

Miles Alistair Kennedy has consented to act as director of the Company, subject to the passing of Resolutions 5(a) and (b), and if appointed as a director under Resolution 4, to assume the role of non-executive Chairman of the Company.

Mr Kennedy has held directorships of Australian listed companies for the past 23 years. He is the executive chairman of Kimberley Diamond Company NL and the non-executive chairman of Blina Diamonds NL and Marine Produce Australia Limited. He has extensive experience in the management of public companies with specific emphasis in the resources industry. He is a barrister and Solicitor of the Supreme Court of Western Australia and the High Court of Australia. He is also an Attorney of the Supreme Court of South Africa.

All directors recommend that shareholders vote in favour of Resolutions 4.

**5. RESOLUTIONS 5(a) and (b) – APPROVAL OF EXECUTIVE OPTIONS**

If Mr Kennedy is appointed as a director of the Company pursuant to Resolution 4, the approval of the shareholders of the Company is sought for the issue to Mr Kennedy, or his nominee, of:

- (a) 15,000,000 options (**2009 Options**) to subscribe for Shares at an exercise price of 9 cents per Share. These 2009 Options will be exercisable at any time within three (3) years from their date of issue and will be subject to the terms and conditions set out below (See: *Terms of 2009 and 2011 Options*); and
- (b) 15,000,000 options (**2011 Options**) to subscribe for Shares at an exercise price of 15 cents per Share. These 2011 Options will be exercisable at any time within five (5) years from their date of issue and will be subject to the terms and conditions set out below (See: *Terms of 2009 and 2011 Options*).

### ASX Listing Rule 10.11

Listing Rule 10.11 provides, in essence, that a listed company may not issue securities to any of the following persons without the approval of ordinary shareholders:

- (a) a related party; or
- (b) a person whose relationship with the company or a related party is, in the opinion of ASX, such that approval should be obtained.

In the circumstances, the issue of 2009 and 2011 Options to Mr Kennedy, or his nominee, after his appointment as a director of the Company would constitute issues of securities of the Company requiring shareholder approval for the purposes of Listing Rule 10.11.

### Terms of 2009 and 2011 Options

The 2009 Options and 2011 referred to in Resolutions 5(a) and (b) respectively, will be issued upon and subject to the following terms and conditions:

1. Definitions:
  - (a) **Exercise Price** means:
    - (i) in the case of 2009 Options, the exercise price of each 2009 Option, being \$0.09; and
    - (ii) in the case of 2011 Options, the exercise price of each 2009 Option, being \$0.15.
  - (b) **Expiry Date** means 5.00pm (WST) on:
    - (i) in the case of 2009 Options, the third anniversary of the date of issue of the 2009 Options; and
    - (ii) in the case of 2011 Options, the fifth anniversary of the date of issue of the 2011 Options.
  - (c) **Exercise Notice** means the form prescribed by the Company from time to time for the purpose of exercising 2009 or 2011 Options, as applicable.
  - (d) **Option Holder** means the person or persons registered as the holder of one or more 2009 or 2011 Options from time to time.
  - (e) **Share** means a fully paid ordinary share in the capital of the Company.
  - (f) **Unexercised Option Holder** means any person or persons registered as the holder of Unexercised Options.
  - (g) **Unexercised Options** means all 2009 and 2011 Options not exercised on or before the relevant Expiry Date.
2. Each 2009 and 2011 Option carries the right to subscribe for one Share.
3. Each 2009 and 2011 Option is unlisted and is transferable.
4. 2009 and 2011 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 applicable Expiry Date.
5. The Exercise Notice must state the number of 2009 or 2011 Options, as applicable, 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 2009 or 2011 Options, as applicable, being exercised.
6. Following receipt of a properly executed Exercise Notice and application monies in respect of the exercise of any 2009 or 2011 Options, the Company will issue the resultant Shares and deliver notification of shareholdings.
7. The Company will make application to have the Shares (issued pursuant to an exercise of 2009 and 2011 Options) listed for quotation by ASX within 7 days of the date of issue.
8. Shares issued pursuant to an exercise of 2009 and 2011 Options shall rank, from the date of issue, *pari passu* with existing Shares in all respects.
9. 2009 and 2011 Options carry no right to participate in pro rata issues of securities to shareholders unless these Options are exercised before the record date for determining entitlements to the relevant pro rata issue.
10. 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.

11. Subject to the Corporations Act 2001(Cth) and ASX Listing Rules, 2009 and 2011 Options do not confer the right to a change in Exercise Price.
12. In the event of a reorganisation (including reconstruction, consolidation, subdivision, reduction, or return) of the capital of the Company, the terms of the 2009 and 2011 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).
13. Except as noted in paragraph 12 above, a 2009 and 2011 Option does not confer the right to a change in respective exercise price or a change in the number of underlying securities over which the 2009 and 2011 Option can be exercised.

**Number, Price and Allottees**

The Company will issue the 2009 and 2011 Options described above to Mr Kennedy, or his nominee, for no cash consideration and on the terms referred to above, prior to 11<sup>th</sup> September 2006.

If the proposed issue of 2009 and 2011 Options to Mr Kennedy, or his nominee, is approved by shareholders pursuant to Resolutions 5(a) and (b), the aggregate number of options that will be issued under Resolutions 5(a) and (b), inclusive, is 30,000,000.

**Use of Funds Raised**

No funds will be raised from the issue of the 2009 and 2011 Options.

**Other Information**

The primary purpose of the issue of 2009 and 2011 Options is not to raise capital, but to provide an incentive to Mr Kennedy. Given this purpose, the Company does not believe that there are any significant opportunity costs or benefits forgone by the issue of the 2009 and 2011 Options.

The market price of the Company's shares during the term of the 2009 and 2011 Options would normally determine whether or not the option holder exercises those Options. At the time any of those Options are exercised and Shares are issued pursuant to the exercise of any of those Options, the Company's Shares may be trading on ASX at a price which is higher than the respective exercise price of the 2009 or 2011 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 respective exercise prices of those Options.

During the 12 months preceding this Notice of Meeting the Company's share price has traded between \$0.13 and \$0.041. On the business day prior to the date of this Notice of Meeting, the Company's share price closed at \$0.42.

Using the Black-Scholes option valuation model, the value of each 2009 and 2011 Option as at the date of this Notice of Meeting is assessed to be approximately \$0.007 and \$0.007 respectively based on the particulars contained in Table 2.

<b>TABLE 2</b>		
<b>Item</b>	<b>2009 Options</b>	<b>2011 Options</b>
Exercise price of Options	\$0.09	\$0.15
Share price used (Closing ASX price 8/8/2006)	\$0.042	\$0.042
Expiry date	3 <sup>rd</sup> anniversary of date of issue	5 <sup>th</sup> anniversary of date of issue
Total number of Options	15,000,000	15,000,000
Risk free rate	5.25%	5.25%
Volatility	50%	50%
Black-Scholes total notional value (all Options)	\$100,487.36	\$105,940.51
Black-Scholes notional value (each Option)	\$0.007 (3dp)	\$0.007 (3dp)

The Company currently has the following pre-consolidation issued capital:

286,837,404 ordinary fully paid Shares;

63,240,895 listed 2006 Options expiring 30/09/2006 (**30 September 2006 Options**), exercisable at \$0.20;

1,115,000 unlisted options expiring 31/12/2006 (**31 December 2006 Options**), exercisable at \$0.30;

1,077,500 unlisted options expiring 31/12/2007 (**31 December 2007 Options**), exercisable at \$0.40; and

5,500,000 unlisted options expiring 24/11/2010 (**24 November 2010 Options**), exercisable at \$0.13.

Therefore if:

- all existing listed and unlisted options to acquire Shares are exercised; and
- all 2009 and 2011 Options are issued and exercised

the total dilution effect of the issue and exercise of the 2009 and 2011 Options on the Company's fully diluted Share capital would be approximately 7.74%.

If 5,000,000 Shares are issued to Mr Ron Winston pursuant to Resolution 2, the total effect of the issue and exercise of the 2009 and 2011 Options on the Company's fully diluted Share capital would be reduced to approximately 7.64%. If Shares are issued to BDI pursuant to Resolution 3, the total effect of the issue and exercise of the 2009 and 2011 Options on the Company's fully diluted Share capital would be further reduced and the precise extent of that further reduction would depend on the number of Shares issued to BDI pursuant to Resolution 3.

### **Relevant Interests**

Under the proposed agreement for the appointment of Mr Kennedy as the non-executive Chairman of the Company, Mr Kennedy will not receive director's fees for his services as director and the non-executive Chairman of the Company but he, or his nominee, will receive the 2009 and 2011 Options to be issued pursuant to Resolutions 5(a) and (b), if those resolutions are passed. He will, under that agreement, be entitled to rights of indemnity, and access to records, commonly granted to directors of listed public companies in Australia and will be entitled to a fixed termination fee of \$180,000 if his position as a director or the non-executive Chairman of the Company is terminated by the Company within 3 years from the date of his appointment, for causes other than serious misconduct, gross negligence or conduct that in the reasonable bona fide opinion of the directors materially adversely affects the business of the Company.

Mr Kennedy is a director of Resource Development Company Pty Ltd (**RDC**).

At the date of this Notice of Meeting, Mr Kennedy had an indirect interest in 14,578,226 Shares and 6,978,638 listed September 2006 Options exercisable at \$0.20 expiring 30 September 2006 all held by RDC as trustee for the Resource Development Discretionary Trust (**RDC Trust**).

RDC employs a number of professional staff and provides services and support to a number of public companies. During the 12 months preceding the date of this Notice of Meeting RDC provided management services to the Company, and management fees of \$180,000 were paid, or payable, by the Company to RDC for the provision of those management services to the Company. RDC will continue to provide management services to the Company for a fixed management fee of \$180,000 per annum.

Mr Kennedy will, in common with other directors, be entitled to be reimbursed for all appropriate business expenses incurred on relation to the Company's business in accordance with the terms of the Company's policies and procedures in force from time to time.

Other than the issue of the 2009 and 2011 Options to Mr Kennedy, or his nominee, pursuant to Resolutions 5(a) and (b), and his potential entitlement to the fixed termination fee in certain circumstances, the Company currently has no intention of materially altering the remuneration payable to its directors.

### **Directors' Recommendations**

All of the directors were available to consider the proposed Resolutions 5(a) and (b).

The directors consider that, although the issue of the 2009 and 2011 Options would constitute reasonable remuneration for the purposes of Chapter 2E of the Corporations Act 2001 (Cth), 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 2009 and 2011 Options.

Messrs Firth, Danchin, Linnell and Hutton all recommend that shareholders vote in favour of Resolutions 5(a) and (b) as, having considered Mr Kennedy's experience, the responsibilities he will assume and the Company's current circumstances, they each consider the issue of the 2009 and 2011 Options to be a reasonable and proper incentive to Mr Kennedy to encourage the growth of the Company and maximise the value of each shareholder's investment in the Company.

If approval to the issue of 2009 and 2011 Options to Mr Kennedy, or his nominee, pursuant to Resolutions 5(a) and (b) is given under ASX Listing Rule 10.11, approval to the issue of those 2009 and 2009 Options is not required under ASX Listing Rule 7.1.

## 6. RESOLUTION 6 – CONSOLIDATION OF SHARE CAPITAL

It is proposed that the Company consolidate its capital by:

- (a) consolidating every ten (10) fully paid ordinary Shares (*Pre-consolidation Shares*) into one (1) fully paid ordinary Share (*Post-consolidation Share*);
- (b) consolidating every ten (10) Options into one (1) Option; and
- (c) multiplying the exercise price for each unexercised Option by ten (10).

This consolidation will take effect on 11 September 2006.

Assuming that no Options are exercised before the consolidation takes effect, the consolidation will involve:

- (a) 286,837,404 Pre-consolidation Shares being converted into approximately 28,683,741 Post-consolidation Shares;
- (b) 63,240,895 pre-consolidation 30 September 2006 Options exercisable at \$0.20 each being converted into approximately 6,324,090 post-consolidation 30 September 2006 Options exercisable at \$2.00 each;
- (c) 1,115,000 pre-consolidation 31 December 2006 Options exercisable at \$0.30 each being converted into approximately 115,000 post-consolidation 31 December 2006 Options exercisable at \$3.00 each;
- (d) 1,077,500 pre-consolidation 31 December 2007 Options exercisable at \$0.40 each being converted into approximately 107,750 post-consolidation 31 December 2006 Options exercisable at \$4.00 each; and
- (e) 5,500,000 pre-consolidation 24 November 2010 Options exercisable at \$0.13 each being converted into approximately 550,000 post-consolidation 24 November 2010 Options exercisable at \$1.30 each.

In addition if:

- (a) 5,000,000 Pre-consolidation Shares are issued to Mr Ron Winston or his nominee pursuant to Resolution 2, these will be converted into 500,000 Post-consolidation Shares;
- (b) 15,000,000 2009 Options exercisable at \$0.09 and 15,000,000 2011 Options exercisable at \$0.15 are issued to Mr Kennedy or his nominee pursuant to Resolutions 5(a) and (b), these will be converted into 1,500,000 post-consolidation 2009 Options and 1,500,000 post-consolidation 2011 Options each exercisable at \$0.90 and \$1.50 respectively.
- (c) any Pre-consolidation Shares are issued to BDI pursuant to Resolution 3 these will be converted into one tenth of that number of Post-consolidation Shares (subject to any adjustment for fractional entitlements resulting from that conversion).

Conversion of the terms of Options in the above manner is a requirement of the Listing Rules and is in accordance with the terms of the Options.

The consolidation of capital to be effected under Resolution 3 is not intended to increase or decrease shareholders' or option holders' proportionate holdings in the Company. However, where the consolidation would result in a fractional entitlement to a Share or Option, that fractional entitlement will be rounded up to the next whole Share or Option, as applicable.

The consolidation will have no effect on the Company's assets or liabilities.

### Reasons for consolidation

The Directors consider that the Company's present capital structure is inappropriate and recommend that it be consolidated for reasons including the following.

- (a) During the period of the market price of the Company's securities (recently in the vicinity of around \$0.05 per Share) and the fact that ASX only accepts trades of multiples of not less than 0.1 cents means that small movements in the Company's Share price represents a relatively large percentage change that may be inappropriate in the circumstances.
- (b) Administrative costs to the Company will be reduced.

**Taxation implications**

The consolidation of Shares and options does not give rise to any capital gains tax consequences. In broad terms, the cost base in the Shares and options on issue after the conversion will be attributed proportionally.

These comments are general in nature and apply to Australian resident shareholders. The actual tax consequences will depend on each shareholder's particular circumstances and shareholders should seek their own taxation advice.

**Indicative timetable for consolidation**

Company advises ASX that security holders have approved reorganisation with effect from 11 September 2006.	8 September 2006
Last day for trading in pre-reorganised securities.	11 September 2006
Trading in the reorganized securities on a deferred settlement basis commences.	12 September 2006
Last day for entity to register transfers on a pre-reorganisation basis.	18 September 2006
Company dispatches new holding statements to shareholders and optionholders and trading in the reorganised securities on a deferred settlement basis ends.	19 September 2006
Normal trading (i.e. with an obligation to settle on a T+3 business days) in the consolidated securities commences.	25 September 2006

All directors recommend that shareholders vote in favour of Resolution 6.

**7. RESOLUTION 7 - CHANGE OF COMPANY NAME**

The Company's current name identifies it with diamonds and a specific geographical location.

In view of the fact that the Company now has interests and operations in South Africa, Angola, Brazil and Australia and may expand its interests to resources other than diamonds, it is appropriate that it has a name that is not limited to a single geographic location and a single commodity.

The proposed name "Resource and Investment NL" has been chosen by the directors to reflect the diversified nature of the Company's present interests and activities and all directors recommend that shareholders vote in favour of Resolution 7.

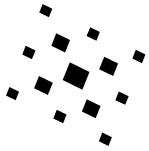
**8. RESOLUTION 8 - ADOPTION OF NEW CONSTITUTION**

The proposed Constitution will be made available to any shareholder on request by email, or may be inspected during normal business hours at the Company's registered office or viewed on the Company's web site at [www.namakwa.com.au](http://www.namakwa.com.au).

The reason for the proposed change is that the current Constitution has become dated and fails to enable the Company to take advantage of either the technological efficiencies offered by, or the cost savings which may be accessed through, the use of the internet as a medium of communication.

**9. GLOSSARY**

In this Explanatory Memorandum "Share" means fully paid ordinary share in the capital of the Company.



SHAREHOLDER PROXY FORM

Shareholder Name and Address

Insert your name(s) above

Number & Street/PO Box Number

City/Town

State

Post Code

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 general meeting of the Company to be held at the Celtic Club, 48 Ord Street, West Perth 6005, Western Australia on Thursday, 7 September 2006 at 11.00am (and at any adjournment thereof) (Meeting).

[Empty box for name of person you are appointing]

or

the Chairman of the Meeting

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 \* [Arrow pointing to empty box]

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

Table with 4 columns: Special Business, For, Against, Abstain\*\*. Rows include items like Ratification of issue of Shares, Approval of the Issue of 5,000,000 Shares to Mr Ron Winston, etc.

\*\* 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)

Contact Telephone Number

[Empty box for number of shares]

or

[Empty box for percentage]

The number of shares applicable to this proxy form

The percentage of your voting rights

[Empty box for area code and telephone number]

Area Code

Telephone Number

Signature(s)

Shareholder 1

[Empty box for Shareholder 1 signature]

Shareholder 2

[Empty box for Shareholder 2 signature]

Shareholder 3

[Empty box for Shareholder 3 signature]

Director

Director/Secretary

Sole Director and Secretary

[Large empty box for Company Seal]

Company Seal (if required)

Proxies may be lodged either by facsimile on (08) 9321 5884, by mail to PO Box 806, West Perth, 6872, Western Australia or delivery to the registered office of the Company at 12 Walker Avenue, West Perth, Western Australia. To be valid, a proxy form must be received by at the registered office of the Company not less than 48 hours before the time appointed for the Meeting. For assistance in completing this form, please refer to the rear of this form.

## **INSTRUCTIONS FOR COMPLETION OF THE PROXY FORM**

### **Shareholders Name & Address**

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This is the name and address of the shareholder as it appears on the Company's share register. For the purposes of this Meeting, shares will be taken to be held by those persons who are the registered holders thereof 48 hours before the time appointed for the commencement of this Meeting.

### **Appointment of Proxy**

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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).

### **Vote on Resolutions**

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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.

### **Appointing a Second Proxy**

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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**

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

### **Signature(s)**

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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.