



Namakwa Diamond Company

17 December 2003

Dear Optionholder

PARTICIPATION IN PRO-RATA NON-RENOUCEABLE RIGHTS ISSUE

The Directors of Namakwa Diamond Company NL (“NDC” or “Company”) advise that the Company will be making a Pro-Rata Non-Renounceable Rights Issue to all shareholders on the basis of 1 option (exercisable at 20 cents each on or before 30 September 2006) for every 5 shares held on 31 December 2003 (“Record Date”).

The terms and conditions of the options you currently hold do not entitle you to participate in the above Pro-Rata Non-Renounceable Rights Issue.

To participate in the Pro-Rata Non-Renounceable Rights Issue, you must exercise your options in time for the new shares to be allotted prior to the Record Date. To ensure that your new shares are allotted prior to the record date, your Notice of Exercise of Options together with a cheque for the requisite amount must be received by our share registry, Security Transfer Registrars Pty Ltd, **no later than 29 December 2003**. Any Notice of Exercise of Options received after this date cannot be assured of allotment prior to the record date.

In order to assist optionholders, we have attached the Notice of Exercise of Options on the reverse of this letter.

Your optionholding details recorded at our share registry as of today are as above.

This notice is important and requires immediate attention. If you are in doubt as to the action you should take in relation to this notice, you should consult with your professional adviser for advice immediately.

Should you have any questions in relation to the above matters, please contact our registry on telephone (08) 9315 0933, facsimile (08) 9315 2233 or e-mail registrar@securitytransfer.com.au.

Yours faithfully

JEAN MATHIE
COMPANY SECRETARY

NAMAKWA DIAMOND COMPANY NL
OPTIONS EXPIRING 30 SEPTEMBER 2006 EXERCISABLE AT 20 CENTS

- a) Definitions:
- (i) **Exercise Price** means the exercise price of each option, being 20 cents.
 - (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 options.
 - (v) **Option Holder** means the person or persons registered as the holder of one or more 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 options not exercised on or before the Expiry Date.
- b) Each option carries the right to subscribe for one Share.
- c) 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 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 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 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 options) listed for quotation by ASX within 7 days of the date of issue.
- h) Shares issued pursuant to an exercise of options shall rank, from the date of issue, *pari passu* with existing Shares in all respects.
- i) Options carry no right to participate in *pro rata* issues of securities to shareholders unless the 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 the Corporations Act 2001 and ASX Listing Rules, options do not confer the right to a change in exercise price.
- l) In the event of a reorganisation (including reconstruction, consolidation, subdivision, reduction, or return) of the capital of the Company, the terms of the 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).

The Directors
Namakwa Diamond Company NL
12 Walker Avenue
WEST PERTH WA 6005

NOTICE OF EXERCISE OF OPTIONS

Holder
Number: _____
Share Registry
Security Transfer Registrars Pty Ltd
PO Box 6405 EAST PERTH 6892
WESTERN AUSTRALIA

I/We _____
of _____

the registered holder(s) of the options evidenced by the statement attached hereby exercise _____ options to subscribe for _____ ordinary shares. I/We enclose the application monies payable of \$ _____ in total and being at \$0.20 per option.

I/We authorise you to register me/us as the holder of the shares to be allotted to me/us and I/we agree to accept such shares subject to the Constitution of the Company.

Dated this _____ day of _____ year _____

Usual Signature(s) _____

PLEASE NOTE: In the case of joint holders, each joint holder must sign. Applications by companies must be under seal. Cheques should be made payable to Namakwa Diamond Company NL.

NAMAKWA DIAMOND COMPANY NL
TERMS OF EMPLOYEE OPTIONS EXPIRING 31 DECEMBER 2005

Each employee option (**Option**) is issued upon and subject to the following terms and conditions:

1. Each Option carries the right to subscribe for one fully paid ordinary share in the capital of the Company (**Share**).
2. Subject to Clause 15, the exercise price of each Option is A\$0.15.
3. Each Option will expire at 5.00 pm on 31 December 2005 unless Clause 6 causes an earlier expiry date.
4. Of the total of all Options issued to a Holder, the Holder may only exercise that percentage of such Options (**Exercisable Interest**) during the period commencing from the date of issue (**Qualifying Period**) as provided for below:

PERIOD OF CONTINUOUS EMPLOYMENT, ENGAGEMENT OR DIRECTORSHIP SINCE DATE OF ISSUE OF OPTIONS	EXERCISABLE INTEREST
1 January 2003 – 30 June 2003	0%
1 July 2003 – 31 December 2003	25%
1 January 2004 – 30 June 2004	50%
1 July 2004 – 31 December 2004	75%
1 January 2005 – 31 December 2005	100%

5. If the Holder is a nominee of an employee, contractor or director of the Company, the Exercisable Interest shall be determined by reference to the period of continuous employment, engagement or directorship of the relevant employee, contractor or director (**Participant**) during the Qualifying Period.
6. If a Holder ceases to be a Participant during the Qualifying Period for any reason (other than death or disability), the Holder may only exercise the Exercisable Interest within 3 months from the date the Holder ceases to be a Participant, and thereafter the Options will expire and cease to carry any rights or benefits unless otherwise approved by the Directors. If the Holder is a nominee of a Participant, the Holder may only exercise the Exercisable Interest within 3 months from the date the Participant ceases to be a Participant, and thereafter the Options will expire and cease to carry any rights or benefits unless otherwise approved by the directors.
7. Options may be exercised by Holders delivering to the Company's share registry a notice (in a form prescribed by the Company from time to time) (**Notice**) stating the number of Options to be exercised and accompanied by the relevant Option certificate(s) and a cheque made payable to the Company for an amount equal to the exercise price for each Option exercised.
8. Within 5 Business Days of receipt of a properly executed Notice and application monies in respect of the exercise of Options, the Company shall issue the resultant Shares and deliver notification of shareholdings.
9. The Company shall make application to ASX for quotation of Shares (issued pursuant to an exercise of Options) within 7 days of the date of issue.
10. Shares issued pursuant to an exercise of Options shall rank, from the date of issue, pari passu with the then existing Shares in all respects.
11. Options shall not be transferred or assigned by the Holder except with the prior written consent of the Directors.
12. Options shall not be quoted on ASX.
13. Subject to Clause 15, Option Holders have no right to change the exercise price or the number of Shares over which the Options are exercisable.
14. Holders may only participate in new issues of securities to Holders of Shares if an Option has been exercised and Shares issued in respect of the Option before the record date for determining entitlements to the issue. The Company shall give notice to Holders (as required under the Listing Rules) of any new issue before the record date for determining entitlements to the issue.
15. If, prior to the expiry of any Options, there is a reorganisation of the issued capital of the Company (including, but not limited to, a consolidation, sub-division, cancellation, reduction or return of capital), the rights of Holders shall be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

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I/We _____
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I/We authorise you to register me/us as the holder of the shares to be allotted to me/us and I/we agree to accept such shares subject to the Constitution of the Company.

Dated this _____ day of _____ year _____

Usual Signature(s) _____

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1. Each Option carries the right to subscribe for one fully paid ordinary share in the capital of the Company (**Share**).
2. Subject to Clause 15, the exercise price of each Option is A\$0.25.
3. Each Option will expire at 5.00 pm on 31 December 2004 unless Clause 6 causes an earlier expiry date.
4. Of the total of all Options issued to a Holder, the Holder may only exercise that percentage of such Options (**Exercisable Interest**) during the period commencing from the date of issue (**Qualifying Period**) as provided for below:

Period of continuous employment or directorship since date of issue of Options	Exercisable Interest
Within 6 months	0%
From 6 months to 1 year	25%
From 1 year to 18 months	50%
From 18 months to 2 years	75%
More than 2 years	100%

5. If the Holder is a nominee of an employee, contractor or director of the Company, the Exercisable Interest shall be determined by reference to the period of continuous employment, engagement or directorship of the relevant employee, contractor or director (**Participant**) during the Qualifying Period.
6. If a Holder ceases to be a Participant during the Qualifying Period for any reason (other than death or disability), the Holder may only exercise the Exercisable Interest within 3 months from the date the Holder ceases to be a Participant, and thereafter the Options will expire and cease to carry any rights or benefits unless otherwise approved by the Directors. If the Holder is a nominee of a Participant, the Holder may only exercise the Exercisable Interest within 3 months from the date the Participant ceases to be a Participant, and thereafter the Options will expire and cease to carry any rights or benefits unless otherwise approved by the directors.
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