



Namakwa Diamond Company

PROSPECTUS

For the offer of up to 25,592,667 2006 Options (exercisable at 20 cents each on or before 30 September 2006) on the basis of one 2006 Option at two (2) cents each for every one Expired 2003 Option to raise up to \$511,854.

IMPORTANT NOTICES

This prospectus has been issued by Namakwa and was lodged with ASIC on, and is dated, 15 December 2003. Neither ASIC nor ASX take any responsibility for the contents of this prospectus.

The Company has issued both a printed and electronic version of this prospectus and the electronic version may be accessed at www.namakwa.com.au. This prospectus should be read in its entirety before deciding to invest in the 2006 Options offered by this prospectus. The directors consider an investment in the 2006 Options to be speculative and recommend that you consult your financial adviser as to the course you should follow with respect to the 2006 Options. No securities will be issued on the basis of this prospectus after its expiry date, being 13 months after the date of this prospectus.

This prospectus should only be accessed from within Australia as the 2006 Options have only been qualified for issuance in Australia. Hence, this prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. Where this prospectus has been dispatched to, or accessed electronically by, Non-Residents and where that jurisdiction's securities legislation requires lodgement or registration of this prospectus, this prospectus is provided for information purposes only. Non-Residents should refer to *Additional Information - Non-Residents* for further details.

The Company reserves the right not to accept an application from any person if it has reason to believe that when the person was given the application, that person was not provided with a complete and unaltered copy of this prospectus and any relevant supplementary or replacement prospectus. If you have received an application form for the 2006 Options without a complete and unaltered copy of this prospectus, please contact the Company who will send you, free of charge, a printed or electronic version of this prospectus.

Notwithstanding any provision of this prospectus, the Company may from time to time extend or further extend any period or vary or further vary any date referred to in this prospectus or for such period or to such later date as it thinks fit whether or not the period to be extended has expired or the date to be varied has passed.

Certain terms and abbreviations used in this prospectus (usually capitalised) are defined terms. See *Glossary* for further details.

CORPORATE DIRECTORY

Directors

Karl Simich - Executive Chairman
 John Firth - CEO (South Africa)
 Peter Danchin – Director
 Richard Linnell – Director
 John Hutton – Director

Secretary

Jean Mathie

Registered and Principal Office

12 Walker Avenue
 West Perth, Western Australia, 6005

South African Office

First Floor, 357 Rivonia Boulevard
 Rivonia, Gauteng, South Africa, 2128

Enquiries – Australia

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 Email: general@namakwa.com.au

Enquiries - South Africa

Telephone: (+27-11) 803 4004
 Facsimile: (+27-11) 803 9556
 Email: kerry@ndc-diamonds.co.za

Corporate Advisor*

ACM Corporate
 45 Ventnor Avenue
 West Perth, Western Australia, 6005

Share Registry*

Security Transfer Registrars Pty Ltd
 770 Canning Highway
 Applecross, Western Australia, 6153

ASX Codes

NDC (Shares)

* These persons appear for information purposes only.

DETAILS OF THE OFFER

The Offer

This Prospectus is for the offer of up to 25,592,667 2006 Options to Expired 2003 Optionholders, on the basis of one 2006 Option at two (2) cents each for every one Expired 2003 Option held, to raise up to \$511,854.

Purpose of the Offer

The purpose of this issue is to assist the Company in maintaining faith with its investors and to provide the Company with a mechanism for raising future sources of funds. The directors intend to apply the funds raised from the Offer towards the estimated expenses of the Offer (approximately \$7,000) and the balance towards the Company's cash reserves. It is presently intended that, over time, these cash reserves will be applied firstly (and mostly) to the Company's corporate and administrative overheads and then towards the development of the Namakwa Diamond Project (eg, ongoing bulk sampling, preparation of the feasibility study and mining lease application). As the purpose for the Offer is not to raise funds, the Company does not consider there to be any adverse consequences if the Offer is not fully subscribed, other than the foregoing of the opportunity (pursuant to this prospectus) for it to increase its cash reserves by the amount of the shortfall.

No Minimum Subscription or Over Subscription

There is no minimum number of 2006 Options which must be applied for pursuant to the Offer before 2006 Options will be issued under this Prospectus. If any Entitlements are not taken up pursuant to the Offer, the directors reserve the right to place the shortfall at their discretion. Over subscriptions will not be accepted.

Acceptances

As an Expired 2003 Optionholder you may:

- a) accept your Entitlement in whole or in part only; or
- b) do nothing (in which case you will receive no benefit from your Entitlement).

Acceptance of your Entitlement must be made on the green Entitlement and Acceptance Form accompanying this Prospectus (and headed *Entitlement and Acceptance Form*) in accordance with the instructions set out therein.

Issue of 2006 Options

Application monies will be held in a separate bank account on behalf of applicants until the 2006 Options are issued. If any application is rejected in whole or in part, the amount tendered in respect of the 2006 Options that have not been issued will be repaid to the unsuccessful applicant, without interest.

Subject to ASX Listing Rules, the directors reserve the right, in their absolute discretion, to accept any application in whole or in part, or to reject any application. If the directors decide to accept your application and issue the 2006 Options, either in whole or in part, they will issue the 2006 Options and dispatch a holding statement to you as soon as practicable after the closing date, together with any application monies received in excess of the number of 2006 Options that you have been issued.

Closing Date

The closing date for the Offer will be 5:00pm (WST) on 30 January 2004. The directors may, in their absolute discretion, close the Offer at any other date and time, without notice.

Stock Exchange Listing

As at the date of this prospectus, the Company does not intend to apply for the 2006 Options to be quoted on ASX, however, it reserves the right to make such an application in the future.

EFFECT ON COMPANY

Effect on Financial Position

Assuming that the Offer is fully subscribed, the Company's cash reserves, contributed equity and net assets will increase by \$504,854, which is the amount that would be raised pursuant to the Offer (\$511,854) less the estimated expenses of the Offer (approximately \$7,000).

If the Offer is not fully subscribed, the aforementioned effect on the Company's cash reserves, contributed equity and net assets will be reduced by the amount of the shortfall.

Effect on Capital Structure

The capital structure of the Company following completion of the Offer (assuming that the Offer is fully subscribed) is summarised below:¹

Shares	Number
Total Shares on issue as at the date of this prospectus	84,881,526
Options	
2004 Employee Options	830,000
2005 Employee Options	990,000
2006 Options on issue as at the date of this prospectus	10,975,000
2006 Options intended to be issued as approved by shareholders	3,500,000
2006 Options to be issued pursuant to the Offer	25,592,667
Total Options on issue upon completion of the Offer	41,887,667

¹ If the Offer is not fully subscribed, the 2006 Options on issue following completion of the Offer will be reduced by the under subscribed amount.

The Company also intends undertaking a rights issue of approximately 16,976,305 2006 Options on the basis of one (1) 2006 Option for every five (5) Shares held as at the record date. The actual number of 2006 Options offered pursuant to the rights issue will depend on the total number of Shares on issue as at the record date. The rights issue is not being undertaken pursuant to this prospectus.

ADDITIONAL INFORMATION

Interests, Fees and Benefits

The information set out below and elsewhere in this prospectus is provided for the purposes of section 711 of the Corporations Act.

- a) Mr Simich has a relevant interest in 7,812,231 Shares, 1,000,000 2006 Options and held 4,577,243 Expired 2003 Options at the time of their expiry. Over the past 2 years, Mr Simich or his related entities has received or will receive consultancy fees of \$180,000 per annum, 1,000,000 2006 Options and other options with a deemed value of \$4,728. Mr Simich has not received any director fees in addition to these amounts.
- b) Mr Firth has a relevant interest in 1,067,817 Shares, 1,000,000 2006 Options and held 1,639,370 Expired 2003 Options at the time of their expiry. Over the past 2 years, Mr Firth or his related entities has received or will receive consultancy fees of \$150,000 per annum, 1,000,000 2006 Options and other options with a deemed value of \$4,728. Mr Firth has not received any director fees in addition to these amounts.
- c) Mr Hutton has a relevant interest in 1,900,150 Shares, 500,000 2006 Options and held 1,135,736 Expired 2003 Options at the time of their expiry. Over the past 2 years, Mr Hutton has received or will receive director fees of \$24,000 (plus superannuation of \$2,160) per annum, 500,000 2006 Options and other options with a deemed value of \$1,455.
- d) Mr Danchin has a relevant interest in 750,000 2006 Options held 1,000,000 Expired 2003 Options at the time of their expiry. Over the past 2 years, Mr Danchin has received or will receive director and consultancy fees totalling \$140,000 (including superannuation), 750,000 2006 Options and other options with a deemed value of \$116. Moreover, on or before 26 December 2003, Mr Danchin or his nominee will be issued 750,000 2006 Options for acting as a director of the Company.
- e) Mr Linnell has a relevant interest in 650,000 Shares and 750,000 2006 Options. Since his appointment as a director of the Company on 15 July 2003, Mr Linnell has received or will receive consultancy fees of R180,000 (approximately \$40,000) per annum and 750,000 2006 Options.
- f) ACM Corporate Pty Ltd has been (or will be) paid a fee of approximately \$2,400 (excluding GST) for providing professional services in relation to this prospectus.

Risks

The directors consider that an investment in the Shares the subject of this prospectus is speculative because of the nature of the Company's business. The risk areas that may have a material effect on the financial position and performance of the Company and the value of its securities include, but may not necessarily be limited to, economic (such as diamond prices, exchange rates and interest rates), exploration, environmental, permit, sovereign, legislative change, unexpected variations in exploration, mining, development and operating costs and general market conditions in Australia, South Africa and worldwide. These risks may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities and many of these factors may be beyond the Company's control.

Exploration, by its nature, contains elements of significant risk (particularly exploration for alluvial diamonds). Ultimate success depends on the discovery of economically recoverable mineral resources, obtaining the necessary titles and other government regulatory approvals, the obtaining and servicing of funding arrangements to fund the establishment of an efficient mining operation if and when a decision to mine is made. The effect of any future claims over the Company's tenements and licenses is unknown.

The above statement of risk factors is by way of illustration only. There are numerous other risk factors inherent in an investment in the Company's securities and there can be no assurance whatsoever that a return on investment will be obtained by investing in the Company's securities or that the investment therein will not be lost.

Trading History

The highest and lowest market price of the Shares on ASX during the three months preceding the date of this prospectus, and the respective dates of those sales and the last sale on the business day immediately preceding the date of this prospectus, were:

	Date(s)	Cents
Highest	27 October 2003	29.0
Lowest	2 October 2003	13.0
Latest	12 December 2003	22.0

Continuous Disclosure and Document Available for Inspection

For the purposes of the Corporations Act 2001, the Company is a "disclosing entity" and as such, it is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Company may be obtained from or inspected at an office of ASIC.

Any person has the right to obtain a copy of the following documents and the Company will provide a copy of each of the following documents, free of charge, to any person who asks for it during the application period for this prospectus:

- a) the financial report of the Company for the financial year ended 30 June 2003 (being the last annual financial report lodged with ASIC in relation to the Company before the lodgement of this prospectus); and
- b) all documents used to notify ASX of the information relating to the Company under the Listing Rules since the lodgement of the financial report referred to in (a) above. Prior to the date of this prospectus, the only such documents were:

Date	Description
11 Dec 03	Appendix 3B - As approved by s/hldrs at 2003 AGM
26 Nov 03	Results of AGM
31 Oct 03	First Quarter Activities & Cashflow Report
24 Oct 03	Annual Report 2003
24 Oct 03	Notice of Annual General Meeting
24 Oct 03	Further to Appendix 3B - 10/10/2003

Non-Residents

Non-Residents should consult their professional advisers as to whether any formalities need to be observed (either by themselves or the Company) to enable them to subscribe for the 2006 Options. It is the responsibility of Non-Residents to obtain all necessary approvals so they may legally subscribe for (and be issued) the 2006 Options. The return of a completed application form from a Non-Resident applicant will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained and that the Company may legally issue the 2006 Options to the applicant.

Terms of 2006 Options

Following are the material terms of the 2006 Options:

- 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).

Rights Attaching to Shares

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the more important rights, privileges, and restrictions attaching to the Shares.

- a) Subject to the Company's constitution and any rights or restrictions attached to a class of Shares, at a general meeting, every Shareholder present in person or by proxy, representative or attorney has, on a show of hands, one vote; and on a poll, one vote for each Share held.
- b) Subject to the Corporations Act 2001, ASX Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the directors resolve but only out of profits of the Company. Subject to the Corporations Act 2001 and ASX Listing Rules, the directors may also capitalise any profits of the Company and distribute that capital to Shareholders in the same proportions as the Shareholders are entitled to a distribution by dividend.
- c) Subject to the Corporations Act 2001, ASX Listing Rules and any rights or restrictions attached to a class of shares, on a winding up of the Company, the liquidator may (with the sanction of a special resolution of shareholders) distribute among the Shareholders the whole or any part of the property of the Company and may also decide how to distribute the property as between Shareholders or different classes of shareholders and settle any dispute concerning the distribution.
- d) Shareholders may transfer shares by a proper transfer effected in accordance with the ASTC Operating Rules or an instrument in writing in the usual form or in any other form approved by the Board from time to time. The board of directors may refuse to register a transfer of shares in the circumstances permitted under the Listing Rules or the ASTC Operating Rules, or if the transfer is not in registrable form.
- e) Subject to all relevant laws and the terms of issue of shares in a particular class, the Company may vary or cancel rights attached to shares in that class or convert shares from one class to another by special resolution of the Company and by special resolution passed at a meeting of shareholders holding shares in that class or with the written consent of shareholders with at least 75% of the votes in that class.
- f) Shareholders are entitled to receive notice of, attend and vote (in person or by proxy, representative or attorney) at, all general meetings of the Company and to receive all notices and other documents required to be furnished to Shareholders in accordance with the Constitution, the Corporations Act 2001 and ASX Listing Rules.

Glossary

ASIC	Australian Securities & Investments Commission.
ASX	Australian Stock Exchange Limited (ABN 98 008 624 691).
cent	Australian cent.
Company	Namakwa Diamond Company NL (ABN 77 085 806 284).
Entitlement	Number of 2006 Options to which an Expired 2003 Optionholder is entitled (as shown on the Entitlement and Acceptance Form) under the Offer.
Expired 2003 Option	An option to acquire a Share (which expired on 31 July 2003) that was exercisable at 30 cents if exercised on or before 31 March 2002 or 40 cents if exercised after that date.
Expired 2003 Optionholder	A person who held an Expired 2003 Option at the time of its expiry.
Namakwa	Namakwa Diamond Company NL (ABN 77 085 806 284).
Non-Residents	Person domiciled outside Australia.
Offer	Offer of securities pursuant to this prospectus as set out in <i>Details of the Offer - The Offer</i> .
Share	Fully paid ordinary share in the capital of the Company.
WST	Western Standard Time, Perth, Western Australia.
2004 Employee Option	An option to acquire a Share exercisable at 25 cents each on or before 31 December 2004.
2005 Employee Option	An option to acquire a Share exercisable at 15 cents each on or before 31 December 2005.
2006 Option	An option to acquire a Share exercisable at 20 cents each on or before 30 September 2006 and otherwise on the terms and conditions as set out in <i>Additional Information - Terms of 2006 Options</i> .
\$	Australian dollar.

APPLICATION FORM

Applicants should read the prospectus in its entirety before completing this form. A person who gives to another person access to this application form, must at the same time and by the same means give that person access to the prospectus.

No of 2006 Options applied for:	Identifying Stamp Only
Application monies at two (2) cents per 2006 Option:	

Title - Given Names/Company Name	Surname/ACN
Joint applicants or account designation	

Postal Address			
City/Town	State	Postcode	
Email Address			

Contact Name	Daytime Contact No.
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CHESS HIN	Issuer SRN
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Tax File No/Exemption Category	Applicant 2	Applicant 3
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Cheque Details	Bank	Branch	Amount
Drawer	\$
.....	\$

DECLARATION
By lodging this application form and a cheque for the application money the applicant hereby:
a) applies for the number of 2006 Options specified in the application form or such lesser number of 2006 Options as may be allocated by the directors;
b) agrees to be bound by the Constitution of the Company;
c) authorises the directors to complete or amend this application form where necessary to correct any errors or omissions;
d) declares that the prospectus has been received (in full) by the applicant and is fully understood and read in its entirety.

Cheques must be made payable to *"Namakwa Diamond Company NL"* and be in Australian dollars.

YOU SHOULD ONLY COMPLETE AND LODGE THIS APPLICATION FORM IF YOU HAVE BEEN INSTRUCTED TO DO SO BY AN OFFICER OF THE COMPANY.

NOTES

1. Enter the number of 2006 Options you wish to apply for. Applications must be for a minimum of 10,000 options and thereafter in multiples of 1,000 options.
2. Enter the total amount of application monies payable. To calculate this amount, multiply the number of 2006 Options you are applying for by the issue price for each 2006 Option (ie, two (2) cents per 2006 Option).
3. Enter the full name(s) of all legal entities that are to be recorded as the registered holders.
4. Enter the postal address for all communications from the Company.
5. Enter the name and telephone number of the person who should be contacted if there are any questions with respect to this application.
6. If you are CHESSE sponsored, enter your Holder Identification Number (**HIN**). If you already own shares in the Company and you are issuer sponsored (ie, sponsored by the Company), enter your Security holder Reference Number (**SRN**). Otherwise leave this box blank and a SRN will be allocated to you on issue.
7. Enter the tax file number(s) of the applicant(s) - this is not mandatory.
8. Unless otherwise agreed by the Company, payment must be made to "**Namakwa Diamond Company NL**" by cheque drawn or payable on a bank within Australia, crossed "**Not Negotiable**" and be in Australian dollars. Receipt of payment will not be acknowledged.
9. This application form does not need to be signed. Return of this application form with the required application monies will constitute a subscription for that number of options stated on this form.

If you have received an application form without a complete and unaltered copy of this prospectus, please contact the Company who will send you, free of charge, a printed or electronic version of this prospectus.

Please note that if an application form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the directors as to whether to accept an application form, and how to construe, amend or complete it, shall be final. An application form will not be treated as having offered to subscribe for more options than is indicated by the amount of the accompanying cheque.

Please deliver the completed application form (accompanied by a cheque for the application monies) at any time prior to closing date to the Company's Share Registry, **Security Transfer Registrars Pty Ltd**:

Delivery:

770 Canning Highway
Applecross WA 6153

Post:

PO Box 535
Applecross WA 6953

Please telephone the Company's Share Registry on (08) 9315 0933 if you have any questions with respect to this application form.

Applications are for 2006 Options as detailed in the prospectus dated 15 December 2003, which expires 13 months after that date.

CORRECT FORMS OF REGISTRABLE TITLE

Note that only legal entities are allowed to hold securities. Application forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full name and the surname is required for each natural person. Application forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below:

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Trusts	Mr John David Brown <John David Brown A/C>	John Brown Family Trust
Deceased Estates	Mr John David Brown < Est John David Brown A/C>	John Brown <Deceased>
Partnerships	Mr John David Brown and Mr Michael James Brown	John Brown & Son
Clubs/ Unincorporated Bodies	Mr John David Brown <ABC Tennis Association A/C>	Brown Investment Club of ABC Tennis Association
Super Funds	John Brown Pty Ltd <Super Fund A/C>	John Brown Superannuation Fund