



Namakwa Diamond Company

PROSPECTUS

20 April 2006

PRO RATA NON-RENOUNCEABLE UNDERWRITTEN ENTITLEMENTS ISSUE OF APPROXIMATELY 143,403,615 NEW SHARES AT 3 CENTS EACH ON THE BASIS OF 1 NEW SHARE FOR EACH 1 SHARE HELD AT THE RECORD DATE TO RAISE APPROXIMATELY \$4,302,108 BEFORE COSTS.

IMPORTANT DATES

Record Date for determining entitlements	2 May 2006
Closing Date for acceptances	23 May 2006

Subject to ASX Listing Rules, the Company reserves the right to alter the above dates, with or without notice.

Underwriter and Manager to the Offer:

ARGONAUT CAPITAL LIMITED

(ABN 18 099 761 547)

(AFSL 221 476)

NAMAKWA DIAMOND COMPANY NL

(ABN 77 085 806 284)

12 Walker Avenue

West Perth WA 6005

CORPORATE DIRECTORY

Directors

Karl M Simich (Chairman)
John LG Firth (Executive Director, Chief
Executive Officer - South Africa)
Peter D Danchin (Executive Director)
John R Hutton (Non-Executive Director)
Richard J Linnell (Non-Executive Director)

Secretary

Jean Mathie

Enquiries

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Underwriter and Manager to the Offer

Argonaut Capital Limited
Level 29 Allendale Square
77 St Georges Terrace
Perth, Western Australia

Solicitors*

Drummond Law
Level 1, 52 Kings Park Road
West Perth, Western Australia

Share Registry*

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

ASX Code

NDC
NDCO

**These persons appear for information purposes only.*

IMPORTANT NOTICE

This Prospectus has been issued by Namakwa Diamond Company NL (ABN 77 085 806 284) and was lodged with ASIC on, and is dated, 20 April 2006. Neither ASIC nor ASX take any responsibility for the contents of this Prospectus.

No shares (or other securities) will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The Company will apply within 7 days after the date of this Prospectus for the listing and quotation on the Australian Stock Exchange Limited of the securities offered by 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. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. There is no facility for online applications. The Corporations Act 2001 (Cth) prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered electronic version of this Prospectus.

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 received, or accessed electronically, in a jurisdiction outside Australia by non-residents, and where that jurisdiction's securities legislation requires 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 Entitlement and Acceptance Form or Shortfall Application Form for the securities offered by this Prospectus without a complete and unaltered copy of this Prospectus, please contact the Company who will send you a copy of this Prospectus free of charge.

This Prospectus should be read in its entirety before deciding to invest in the securities offered by this Prospectus. The directors consider an investment in the securities offered by this Prospectus to be speculative and recommend that you should consult your financial adviser as to the course you should follow with respect to the Offer.

In particular, potential investors should consider the risk factors that could affect the financial performance of the Company and consider these factors in the light of personal circumstances, including financial and taxation issues (refer to *ADDITIONAL INFORMATION – Risks*).

Neither the Company nor its directors nor any party named in this Prospectus guarantee any return on capital or the performance of the Company, and no person is authorised to give any information or to make any representation in connection with the Offer. Only information and representations contained in this Prospectus may be relied on as having been authorised by the Company in connection with the Offer.

Definitions (often with the first letter capitalised) appear both in the body of this Prospectus (refer to bold type) as well as in the Glossary.

DETAILS OF THE OFFER

The Offer

This Prospectus is for the offer (**the Offer**) of new Shares (**New Shares**) pursuant to a pro rata non-renounceable entitlements issue offered to eligible shareholders on the basis of 1 New Share at an issue price of 3 cents for each Share held at the Record Date (2 May 2006).

The number of New Shares to which a shareholder is entitled (**Entitlement**) under the Offer is shown on the form (**Entitlement and Acceptance Form**) accompanying this Prospectus and headed *Entitlement and Acceptance Form*.

Disregarding any Entitlements relating to Shares issued on the exercise of options prior to the Record Date, 143,403,615 New Shares will be issued pursuant to the Offer, raising approximately \$4,302,108 before the costs of the Offer.

Acting On Your Entitlement

As a shareholder 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).

As the Offer is non-renounceable, shareholders may not sell or transfer any part of their Entitlements.

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

Shortfall Applications

If any shareholders do not accept their whole Entitlement, the number of unaccepted New Shares (**Shortfall**), may be issued by the Company at the discretion of the directors (subject to the rights of Argonaut under the Underwriting Agreement to nominate to whom the shortfall will be issued), to shareholders or other investors.

Shareholders may apply for additional New Shares in excess of their respective Entitlements, and other investors may apply for New Shares, by using the Shortfall Application Form (headed *Shortfall Application Form*) accompanying this Prospectus in accordance with the instructions set out therein. As required by ASX Listing Rule 7.11.4, the issue of New Shares to shareholders in excess of their respective Entitlements will only be made out of the Shortfall.

Closing Date

The closing date (**Closing Date**) for acceptances will be 5:00 pm WST on 23 May 2006. Subject to ASX Listing Rules, the directors may extend this Closing Date (with or without notice and either before or after that date).

Issue of New Shares

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, either in whole or in part, they will issue the New Shares and dispatch a holding statement to you as soon as practicable after the Closing Date.

Application Monies

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

Underwriting

The Offer is underwritten in full by Argonaut on the terms set out in the section headed *ADDITIONAL INFORMATION – Underwriting Agreement*.

Blina has accepted an offer from Argonaut to participate as a priority sub-underwriter to the Offer to the extent of 33,333,333 underwritten New Shares (\$1,000,000).

Minimum Subscription

The Offer is conditional on the amount of at least \$4,302,108 (**Minimum Subscription**) being subscribed under the Offer. No New Shares will be issued pursuant to the Offer until the Minimum Subscription is reached.

If the Company does not receive applications for at least the Minimum Subscription, the Company will not proceed with the Offer, and all application monies will be returned to applicants, without interest.

Stock Exchange Quotation

The Company will apply within 7 days after the date of this Prospectus for the New Shares being offered to be quoted on ASX. If the application for the quotation of the New Shares on ASX is not made within 7 days after the date of this Prospectus, or if the New Shares are not granted quotation within 3 months after the date of this Prospectus, the Company will:

- a) repay all application monies received with respect to the Offer; or
- b) give the applicants a supplementary or replacement Prospectus and 1 month to withdraw their applications and be repaid; or
- c) issue the New Shares to the applicants and give them a supplementary or replacement Prospectus and one month to withdraw their applications and be repaid.

The fact that ASX may grant quotation of the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares.

USE OF PROCEEDS

The following table sets out how the Company intends, as at the date of this Prospectus, to apply the net funds of approximately \$3,943,982 (after costs) to be raised pursuant to this Prospectus:

Table 1

Details	Amount \$
Repayment of Blina loan	1,000,000
RC Drilling programme for continued exploration, evaluation and development of current mining interests on the west coast of South Africa	900,000
Mapping and drilling in relation to the Swartsand project	200,000
Drilling and establishment of infrastructure in relation to the Brazilian project	600,000
Sampling, analysis and design of drilling programme for Australian projects	300,000
General Working Capital	943,982
Total	3,943,982

To the extent the proceeds of the Offer are not applied in respect of any of the matters detailed in Table 1, they will be applied to general working capital.

Given the nature of the Company's business, the allocation of funds detailed in Table 1 may change depending on environmental, regulatory, market conditions and other natural and commercial factors.

EFFECT ON COMPANY

Effect on Financial Position

Assuming that the Offer is fully subscribed, the Company's cash reserves, issued capital and net assets will increase by approximately \$3,943,982, which is the amount that would be raised pursuant to the Offer (\$4,302,108), less the estimated expenses of the Offer (\$358,126, which includes \$308,126 payable to Argonaut as Manager and Underwriter to the Offer).

Table 2 comprises a pre-Offer pro forma balance sheet and a post-Offer pro forma balance sheet each based on and compared with unaudited non-audit reviewed management accounts and balance sheet of the consolidated entity as at 31 March 2006 (**balance date**). The adjustments to the balance date balance sheet made in the pre and post-Offer pro forma balance sheets reflect events subsequent to the balance date which have had or will have a material effect on the balance date balance sheet.

Table 2

	31-Mar-2006	Pre-Offer pro forma 31-Mar-2006	Post-Offer Pro forma 31-Mar-2006
	\$	\$	\$
Current Assets			
Cash assets	156,703	681,223	4,625,205
Trade and other receivables	349,497	349,497	349,497
Inventories	18,508	18,508	18,508
Total Current Assets	<u>524,708</u>	<u>1,049,228</u>	<u>4,993,210</u>
Non Current Assets			
Receivables	161,861	161,861	161,861
Property, plant and equipment	1,719,405	1,719,405	1,719,405
Exploration and evaluation expenditure	11,161,761	11,161,761	11,161,761
Total Non Current Assets	<u>13,043,027</u>	<u>13,043,027</u>	<u>13,043,027</u>
Total Assets	<u>13,567,735</u>	<u>14,092,255</u>	<u>18,036,237</u>
Current Liabilities			
Trade and other payables	240,046	240,046	240,046
Interest bearing liabilities	1,000,000	1,000,000	1,000,000
Provisions	73,518	73,518	73,518
Total Current Liabilities	<u>1,313,564</u>	<u>1,313,564</u>	<u>1,313,564</u>
Non-Current Liabilities			
Other liabilities	4,224,045	4,224,045	4,224,045
Provisions	93,896	93,896	93,896
Total Non Current Liabilities	<u>4,317,941</u>	<u>4,317,941</u>	<u>4,317,941</u>
Total Liabilities	<u>5,631,505</u>	<u>5,631,505</u>	<u>5,631,505</u>
Net Assets	<u>7,936,230</u>	<u>8,460,750</u>	<u>12,404,732</u>
Equity			
Issued capital	18,904,207	19,428,727	23,372,709
Reserves	1,632,960	1,632,960	1,632,960
Accumulated losses	(12,600,937)	(12,600,937)	(12,600,937)
Total equity attributable to equity holders of the parent	<u>7,936,230</u>	<u>8,460,750</u>	<u>12,404,732</u>
Minority interest	-	-	-
Total Equity	<u>7,936,230</u>	<u>8,460,750</u>	<u>12,404,732</u>

Pre-Offer Pro forma Transactions

The pre-Offer pro forma balance sheet has been derived from the balance date balance sheet adjusted to reflect the Placement of 18,600,000 ordinary fully paid shares by the Company at \$0.03 per share to raise \$558,000 before issue costs of \$33,480.

Post-Offer Pro forma Transactions

The post-Offer pro forma balance sheet has been derived from the pre-Offer pro forma balance sheet adjusted to reflect the following transactions:

- the issue of 143,403,615 New Shares at \$0.03 each to raise approximately \$4,302,108 (before costs) (assuming no options are converted after the date of this Prospectus but prior to the Record Date); and
- payment of the estimated costs of the Offer of \$358,126.

As indicated in the post-Offer pro-forma balance sheet above, the effect of raising net \$3,943,982 by the Offer is that cash increases by this amount, as does net issued capital and net assets.

Effect on Capital Structure

The capital structure of the Company following completion of the Offer (assuming that the Offer is fully subscribed and no options are converted after the date of this Prospectus but prior to the Record Date) is summarised in Table 3 below.

Table 3

Shares	Number
Shares on issue at the date of this Prospectus	143,403,615
Shares to be issued pursuant to the Offer¹	143,403,615
Shares on issue upon completion of the Offer¹	286,807,230
Options (Listed)	
Listed 20c 30 September 2006 Options on issue at the date of this Prospectus	63,271,069
Listed 20c Options on issue upon completion of the Offer	63,271,069
Options (Unlisted)	
Unlisted December 2006 Options on issue at the date of this Prospectus	1,115,000
Unlisted December 2007 Options on issue at the date of this Prospectus	1,077,500
Unlisted November 2010 Options on issue at the date of this Prospectus	5,500,000
Unlisted options on issue upon completion of the Offer	7,692,500
Maximum number of Shares on a fully diluted basis following completion of the Offer	214,367,184

¹At the date of this Prospectus, the Company had on issue a total of 70,963,569 options to subscribe for Shares as detailed in Table 3 above. Table 3 does not take into account the Entitlements that would attach to Shares that would be issued if any of those options were exercised before the Record Date

ADDITIONAL INFORMATION

Interests, Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no (a) director of the Company; or (b) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation and distribution of this Prospectus; or (d) stockbroker or manager to the offer of securities under this Prospectus; has or had within 2 years before lodgement of this Prospectus with ASIC any interest in: (i) the formation or promotion of the Company; or (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of securities under this Prospectus; or (iii) the offer of securities under this Prospectus; and no amounts have been paid or agreed to be paid and no amounts have been given or agreed to be given to any of those persons as an inducement to become or to qualify as a director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of securities under this Prospectus.

- a) At the date of this Prospectus, each director of the Company had a relevant interest in the number of shares and options set out below:
- i. Karl Simich is a director of Resource Development Company Pty Ltd (**RDC**), Tongaat Pty Ltd (**Tonga**at), Kape Securities Ltd (**Kape**) and has an indirect interest in 7,289,113 Shares and 6,978,638 September 2006 Options held by RDC, 11,078 Shares and 7,940 September 2006 Options held by Tongaat, 671,000 Shares and 145,200 September 2006 Options held by Kape. He is also a director of Kimberley Diamond Company NL (**KDC**) and accordingly has an indirect interest in 1,553,000 Shares held by KDC. He has a direct interest in 1,500,000 November 2010 Options.
 - ii. John Firth is a director of by Firth International Pty Ltd and has an indirect interest in 1,067,817 Shares, 2,850,534 September 2006 Options and 2,000,000 November 2010 Options all held by that company.
 - iii. Peter Danchin has an indirect interest in 750,000 September 2006 Options and 1,500,000 November 2010 as beneficiary of the Danchin Super Fund and in 1,000,000 September 2006 Options held by his wife. He is also a director of KDC and has an indirect interest in 1,553,000 Shares held by KDC.
 - iv. John Hutton is a director of Faustus Nominees Pty Ltd and has an indirect interest in 638,540 Shares and 587,755 September 2006 Options held by that company. He is also a director of JCO Investments Pty Ltd and has an indirect interest in 500,000 September 2006 Options held by that company. He also has a direct interest in 542,610 Shares and 878,561 September 2006 Options.

- v. Richard Linnell is a director of Terra Africa Investments Limited and has an indirect interest in 650,000 Shares, 750,000 September 2006 Options and 500,000 November 2010 Options held by that company.
- b) The remuneration paid to directors or their related entities during the period of 2 years prior to the date of this Prospectus is set out in Table 4 below.

Table 4

Director	Period	Primary	Post-employment	Equity	Other	Total
	12 months to	Salary & Fees	Superannuation	Value of Options ¹	Management Contract	
		\$	\$	\$	\$	\$
Karl Simich	20-April-06	-	-	21,910	90,000	111,910
	20-April-05	-	-	-	90,000	90,000
John Firth	20-April-06	77,966	-	29,214	-	107,180
	20-April-05	68,876	-	-	-	68,876
Richard Linnell	20-April-06	36,620	-	7,303	-	43,923
	20-April-05	36,620	-	-	-	36,620
Peter Danchin	20-April-06	19,992	2,004	21,910	-	43,906
	20-April-05	19,992	2,004	-	-	21,996
John Hutton	20-April-06	24,000	2,160	-	-	26,160
	20-April-05	24,000	2,160	-	-	26,160

¹Value of Options in Table 4 above represents the respective values attributed to November 2010 Options issued to the directors or their nominees, as applicable, as follows: 1,500,000 to Karl Simich; 2,000,000 to John Firth; 1,500,000 to Peter Danchin and 500,000 to Richard Linnell.

- c) Directors are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.
- d) For acting as Manager and Underwriter to the Offer, Argonaut will be paid an underwriting commission equal to 6% (plus GST) of the total offer price of all New Shares to be issued pursuant to the Offer, i.e. an underwriting commission \$258,126.51 (plus GST) (assuming that no options are converted after the date of this Prospectus and prior to the Record Date) plus a corporate fee of \$50,000 (See *ADDITIONAL INFORMATION – Underwriting Agreement* for further details). From the underwriting commission, Argonaut will pay all fees required to be paid to sub-underwriters, brokers and investors in connection with the Offer.

Over the 2 years ended 20 April 2006 Argonaut and its related securities company, Argonaut Securities Pty Ltd (ACN 108 330 650) have been paid (or are entitled to be paid) \$110,832.10 (plus GST) in management and placement fees for previous capital raisings undertaken by the Company. In addition, as its fee for managing the Placement, an amount of \$33,480 (plus GST), being 6% of the amount raised through the Placement has, or will be, paid to Argonaut.

Argonaut and its related and/or associated companies hold 1,418,000 September 2006 Options.

Underwriting Agreement

Argonaut and the Company have entered into an agreement (**Underwriting Agreement**) in terms of which Argonaut has agreed to manage and underwrite the entire Offer on the basis that, inter alia:

- a) Argonaut will be paid a corporate fee of \$50,000 (plus GST) (for managing the Offer) and a commission of 6% (for underwriting the Offer) of the total funds to be raised by the Offer.
- b) The Company will pay all reasonable costs and expenses incurred by Argonaut. Such costs and expenses are not to exceed \$10,000 without prior approval of the Company.
- c) The Company has agreed to indemnify and keep indemnified Argonaut, its related corporations and their respective directors, officers, employees, agents, representatives and advisers (**Indemnified Parties**) from and against any and all claims, actions, damages, losses, liabilities, costs, or expenses, including costs for legal advice on a solicitor-client basis, (**Losses**) which any Indemnified Party incurs or suffers in respect of or in any way relating to the Offer, this Prospectus or the Underwriting Agreement, including any Losses in connection with any investigation, enquiry or hearing by the ASIC, ASX, a government or any Governmental Agency. It is acknowledged and

agreed that, in relation to the indemnity, Argonaut is contracting for the benefit of each of the Indemnified Parties and that any Indemnified Party may enforce the indemnity on his or her behalf or Argonaut may enforce it on their behalf. The Company has also agreed to reimburse or provide for payment of any Losses suffered personally by any other Indemnified Party in respect of certain matters and has agreed to reimburse the Underwriter and each of its Indemnified Parties for expenses, and to pay Argonaut and the Indemnified Parties at their standard professional charge out rate for all time spent in connection with any investigations, enquiries or legal proceedings, or defending any claim or potential claim whatsoever and from whomsoever, relating to or arising out of this Prospectus, the Offer or the Underwriting Agreement.

- d) The indemnity under the Underwriting Agreement does not extend to and is not an indemnity against any amount in respect of which the indemnity would be illegal, void or unenforceable under any law; and to any Losses, to the extent that they arise, either directly or indirectly, out of the negligence, wilful misconduct or fraud on the part of the Indemnified and to any amounts paid or payable by the Indemnified Parties in respect of any applications for the Shortfall which Argonaut makes or is obliged to make under the Underwriting Agreement.
- e) The indemnity under the Underwriting Agreement survives completion or termination of the Underwriting Agreement, and if the indemnity is held invalid in whole or in part, Argonaut and the Company will share the Losses on a proportional basis with Argonaut contributing that proportion of the Losses that its fees as bear to the total amount of the capital raised by the Offer and the Company contributing the balance of the Losses.
- f) Argonaut may elect to terminate the Underwriting Agreement if, inter alia:
- Argonaut reasonably forms the view that there is a material omission from this Prospectus or that it contains a material statement which is misleading or deceptive, or a material statement has become misleading or deceptive, or that any projection or forecast in the Prospectus becomes, to a material extent, incapable of being met or unlikely to be met in the projected time, or ASIC gives notice of intention to hold a hearing under section 739(2) of the Corporations Act 2001 (Cth) or makes an interim order under section 739(3) of that act, or any person other than Argonaut who consented to being named in this Prospectus withdraws that consent;
 - Argonaut reasonably forms the view that a supplementary or replacement document (as appropriate) must be lodged with ASIC under sections 719 or 724 of the Corporations Act 2001 (Cth), and the Company does not lodge such a document in the form and content, and within the time reasonably required by Argonaut;
 - ASX does not give approval for the New Shares to be listed for official quotation, or if approval is granted, the approval is subsequently withdrawn, qualified or withheld;
 - the S&P/ASX Small Ordinaries Index (ASX Code: XSO) falls more than 10% from the date of the Underwriting Agreement for a period of 3 continuous business days;
 - a director of the Company or any Related Corporation is charged with an indictable offence;
 - the Company or a Related Corporation takes any steps to undertake a proposal contemplated under section 257A of the Corporations Act 2001 (Cth) or passes or takes any steps to pass a resolution under section 260B of that Act, without Argonaut's prior written consent;
 - the Company's bankers not terminating or issuing any demand or penalty notice or amending the terms of any existing facility or claiming repayment or accelerated repayment of any facility or requiring additional security for any existing facility;
 - legislation is introduced or prospective legislation or policies are announced by the Federal or any State or Territory governments or any regulations or policies are adopted by ASIC, its delegates, the Reserve Bank of Australia or other regulatory authority which does or is likely to prohibit, restrict or regulate, in a manner which Argonaut reasonably considers materially adverse, the principal business of the Company, the Offer or the operation of stock markets generally;
 - the Company or any Related Corporation fails to comply with any provision of its Constitution, any statute, a requirement, order or request, made by or on behalf of the ASIC or any Governmental Agency; or any material agreement entered into by it;
 - except as described in this Prospectus, the Company alters its capital structure or its constitution without the prior written consent of the Argonaut;

- there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, Philippines, Indonesia, Japan, Russia, the United Kingdom, the United States of America, or the Peoples Republic of China, other than hostilities involving Afghanistan or Iraq, any country bordering Afghanistan or Iraq or any Arab country (being a country the majority of whose inhabitants are of Arab ethnicity);
- a Force Majeure, which prevents or delays an obligation under the Underwriting Agreement, lasting in excess of 2 consecutive weeks occurs;
- the Company is in default of any of the terms and conditions of the Underwriting Agreement or breaches any warranty or covenant given or made by it under that Agreement ;
- any adverse change occurs which materially impacts or is likely to impact the assets, operational or financial position of the Company or a Related Corporation (including but not limited to an administrator, receiver, receiver and manager, trustee or similar official being appointed over any of the assets or undertaking of the Company or a Related Corporation);
- any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or a Related Corporation;
- the Company suspends payment of its debts generally, an Event of Insolvency occurs in respect of a Related Corporation or a judgment in an amount exceeding \$50,000 is obtained against the Company or a Related Corporation and is not set aside or satisfied within 7 days.

Risks

The Company's operations, which principally involve exploration and mining activities, are subject to inherent risks which could have a significant adverse effect on the prospects of the Company. The value of the Company's shares is likely to fluctuate depending on various factors, many of which are beyond the Company's control. These risks and factors include but are not by any means limited to:

- the results of the Company's exploration programmes and mining operations;
- the discovery of economically recoverable mineral resources;
- the grant of titles and other government regulatory approvals from time to time; and
- volatility and variations in:
 - the grade or quality of diamonds;
 - the recovery rate of diamonds;
 - ground, water and weather conditions;
 - material as mined;
 - mining, development and operating costs;
 - general economic and stock market conditions in Australia, South Africa, Brazil, Angola and worldwide;
 - the price of diamonds and other commodities; and
 - exchange rates;
- interference with, obstruction of and objections to the Company's operations and proposals by third parties including "green groups", local activists and, in particular, the effect of current or future native title claims or claims by aboriginal persons for compensation or otherwise in respect of matters involving aboriginality, heritage sites, artefacts, culture or otherwise 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 shares and there can be no assurance whatsoever that a return on investment will be obtained by investing in the Company's shares or that the investment therein will not be lost.

Share Trading History

The highest and lowest market sale price of the Shares on ASX during the 3 months immediately 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:

	Dates	Cents
Highest	19 April 2006	9.0 cents
Lowest	5 April 2006	5.1 cents
Latest	19 April 2006	9.0 cents

Continuous Disclosure and Documents Available for Inspection

For the purposes of the Corporations Act 2001 (Cth), 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 2005, being the last annual financial reported lodged with ASIC in relation to the Company before the issue of this Prospectus with ASIC;
- b) all documents used to notify ASX of the information relating to the Company under ASX Listing Rules since the lodgement of the financial report referred to in (a) above. As at the date of this Prospectus, the only such documents were as follows.

Date Lodged	Description of Document
19/04/2006	Notice to Option holders
12/04/2006	Placement Complete
05/04/2006	\$4.3m Non-Renounceable Entitlements Issue/Placement
27/03/2006	Company Update & 2006 Exploration Focus
17/03/2006	Half Year Accounts
31/01/2006	Revised Second Quarter Cashflow Report
31/01/2006	Second Quarter Activities & Cashflow Report
13/01/2006	Lapse of Unlisted Options
21/12/2005	Qualification of Competent Person Statement
21/12/2005	Camutue Diamond Project in Angola & General Update
19/12/2005	Change of Director's Interest Notice
19/12/2005	Change of Director's Interest Notice
19/12/2005	Change of Director's Interest Notice
19/12/2005	Change of Director's Interest Notice
16/12/2005	Appendix 3B
25/11/2005	Results of Annual General Meeting
31/10/2005	First Quarter Activities & Cashflow Report
27/10/2005	Notice of Annual General Meeting

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 New Shares. It is the responsibility of Non-Residents to obtain all necessary approvals so they may legally subscribe for (and be issued) the New Shares. 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 New Shares to the applicant.

Rights and Liabilities Attaching to Shares

New Shares issued under this Prospectus will, from the time they are issued, rank pari passu in all respects with the Company's existing Shares. The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights, privileges, and restrictions attaching to all Shares.

- a) Subject to any special rights or restrictions for the time being attached to any class or classes of shares (at present there are none), 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 rights of shares issued with any special or preferential rights (at present there are none), any profits of the Company, which the Company from time to time distributes by way of dividend, will be divisible amongst the shareholders in proportion to the shares held by them respectively.
- c) Subject to the rights of shareholders (if any) of shares with special rights in a winding-up (at present there are none), on a winding-up of the Company, all assets which may be legally distributed amongst the shareholders will be distributed in proportion to the shares held by them.
- d) Subject to some limited restrictions contained in the Company's Constitution, ASX Listing Rules, SCH Business Rules and the Corporations Act 2001 (Cth), shares are freely transferable.
- e) Where shares of different classes are issued, the rights attaching to the shares of a class can thereafter only be varied by a special resolution passed at a general meeting of the holders of the shares of that class, or with the written consent of the holders of at least three quarters of the issued shares of that class.
- f) Each shareholder is entitled to receive notice of and to attend and vote in person or by proxy, representative or attorney at general meetings of the Company and to receive all notices, financial reports and other documents required to be furnished to shareholders under the Constitution of the Company or the Corporations Act 2001 (Cth).

Glossary

Argonaut	Argonaut Capital Limited (ABN 18 099 761 547).
ASIC	Australian Securities & Investments Commission.
ASX	Australian Stock Exchange Limited (ABN 98 008 624 691).
Blina	Blina Diamonds NL (ABN 25 086 471 007).
Cent	Australian cent.
Company	Namakwa Diamond Company NL (ABN 77 085 806 284).
December 2006 Options	Unlisted options, exercisable on or before 31 December 2006, each entitling the holder to acquire a Share at an issue price of \$0.30.
December 2007 Options	Unlisted options, exercisable on or before 31 December 2007, each entitling the holder to acquire a Share at an issue price of \$0.30.
Non-Residents	Person domiciled outside Australia.
November 2010 Options	Unlisted options, exercisable on or before 24 November 2010, each entitling the holder to acquire a Share at an issue price of \$0.13.
Placement	The placement of 18,600,000 Shares more fully described in the Company's announcement to ASX dated 5 April 2006.
Record Date	2 May 2006.
Related Corporation	A "related body corporate" of the Company as that expression is defined in the Corporations Act 2001 (Cth) and includes a body corporate which is at any time after the date of the Underwriting Agreement a "related body corporate" but ceases to be a "related body corporate" because of an amendment, consolidation or replacement of the Corporations Act 2001 (Cth).
September 2006 Options	Listed options exercisable on or before 30 September 2006, each entitling the holder to acquire a Share at an issue price of \$0.20.
Share	Fully paid ordinary share in the capital of the Company.
WST	Western Standard Time.
\$	Australian dollar.

Consents

Argonaut has given its written consent to be named in this Prospectus as Underwriter and Manager to the Offer in the form and context in which it is named, and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Security Transfer Registrars Pty Ltd (the Company's share registrars) and Drummond Law (solicitors to the Company) have been named in this Prospectus for information purposes only and have not consented to being named herein.

Directors' Consent

This Prospectus has been issued by Namakwa Diamond Company NL and each director has consented to the lodgement of this Prospectus with ASIC.

**KARL SIMICH
CHAIRMAN**

SHORTFALL APPLICATION FORM

Applicants should read this Prospectus dated 20 April 2006 in its entirety before completing this application form. A person who gives another person access to this application form, must at the same time and by the same means give that person access to this Prospectus.

No of New Shares applied for:

Identifying Stamp Only

Application monies at \$0.03 per New Share:
 \$.....

Given Names/Company Name	Surname/ACN/ABN
Joint applicants or account designation
.....

Postal Address

City/Town State Postcode

Email Address

Contact Name Daytime Contact No.

CHESS HIN

Tax File No/Exemption Category	Applicant 2	Applicant 3
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Cheque Details Drawer	Bank	Branch	Amount
.....	\$
.....	\$

DECLARATION

By lodging this application form and a cheque for the application money the applicant hereby:

- applies for the number of New Shares specified in the application form or such lesser number as may be allocated by the directors;
- agrees to be bound by the Constitution of the Company;
- authorises the directors to complete or amend this application form where necessary to correct any errors or omissions;
- authorises the Company to send the applicant a substituted application form (if this application form ceases to be current) to the applicant's email address set out in this application; and
- declares that the applicant has received a full and unaltered version of this Prospectus either in an electronic or paper format.

Cheques must be made payable to "NAMAKWA DIAMOND COMPANY NL" and be in Australian dollars.

NOTES

1. Enter the number of New Shares you wish to apply for. Applications must be for a minimum of 10,000 and thereafter in multiples of 1,000 New Shares. A New Share will be a fully paid ordinary share.
2. Enter the total amount of application monies payable. To calculate this amount, multiply the number of New Shares you are applying for by the issue price (i.e. \$0.03 cents per New Share).
3. Enter the full name(s) of all legal entities that are to be recorded as the registered holder(s).
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 CHESS sponsored, enter your Holder Identification Number (**HIN**) in the CHESS HIN box, otherwise leave this box blank and a Shareholder Reference Number (**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 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 acceptance of that number of New Shares stated on this form.

If you have received an application form without a complete and unaltered copy of this Prospectus detailing the Offer pursuant to which the application is made, please contact the Company (telephone: (08) 9321 5887; facsimile: (08) 9321 5884; email: general@namakwa.com.au) for a free printed or electronic version of this Prospectus. You may access a copy at www.namakwa.com.au.

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 New Shares 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 2333 if you have any questions with respect to this application form.

Applications are for fully paid ordinary shares as detailed in this Prospectus dated 20 April 2006.

