



**Namakwa** Diamond Company

# **HALF-YEARLY REPORT**

## **FOR THE PERIOD ENDED 31 DECEMBER 2003**

**ASX CODE : NDC**

**NAMAKWA DIAMOND COMPANY NL ABN 77 085 806 284**

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The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2003 and the auditors' review report thereon.

## DIRECTORS

The directors of the Company during the half-year are:

<i>Name</i>	<i>Period of Directorship</i>
Mr Karl M Simich – Chairman	Director since 1999
Mr John LG Firth	Director since 1999
Mr Peter D Danchin	Director since 2001
Mr Richard J Linnell	Appointed 15 July 2003
Mr John R Hutton	Director since 1999

## REVIEW OF OPERATIONS

Final Resource reports for Namakwa's mining areas at Langstrand and Liebenberg Bay were finalised in July 2003 resulting in an initial global resource of 2.2 million tonnes containing an estimated 411,000 carats at an average grade of 18.7 carats per hundred tonnes (cpht).

Excavation of overburden and gravel in the new prospecting trench GDT8, in the Langstrand area, started in August 2003. Treatment of the diamondiferous gravels is still in progress and is expected to be completed during March with individual sample results available by the end of March 2004. The largest diamond recovered to date from current bulk sampling activities weighed 5.1 carats.

The Company lodged a Mining Right application with the Department of Minerals and Energy during the period.

Detailed planning for the upgrade of the DMS Plant to enable it to process the required tonnage for the mining phase was completed in August 2003.

An Aerial Electro-Magnetic survey was completed by SPECTREM over Namakwa's prospecting tenements. Significant targets have been identified during the process, being palaeo channels and raised beaches, which will be followed up by detailed RC drilling and bulk sampling.

An application for prospecting rights on three new areas adjacent to the existing tenements, was lodged with the Department of Minerals and Energy during September 2003.

An Independent Environmental Auditor conducted a detailed Botanical Survey on Namakwa's tenements. A short quote from his report reads as follows: *"Their utmost dedication to following rehabilitation protocol, as well as the success they have achieved thus far, is outstanding and praiseworthy, which makes them an example of what can be achieved in the field of rehabilitation along the West Coast."*

## CORPORATE

For the reporting period under review, the consolidated entity incurred a net loss of \$401,327 compared with a net loss of \$441,958 for the corresponding period ended 31 December 2002.

Highlights of the current reporting period included:

- Concluding an agreement that will result in development funding and a benefits package of approximately \$7 million for the Namakwa Diamond Project provided by South Africa's New Africa Mining Fund (NAMF) and Zaico Investments (Pty) Limited (Zaico).
- Consequent to the funding agreement NAMF and Zaico acquired 10% and 26% respectively of NDC Mining Company (Pty) Limited (NDCM), a previously wholly owned South African subsidiary of the consolidated entity.
- Appointment to the Board of Directors of Mr Richard Linnell as a non-executive director.
- The issue of 3,550,000 ordinary shares and 1,775,000 attaching options to raise \$568,000.
- Draw down of approximately \$2 million being the first tranche of the NAMF funding agreement with a further \$2 million (approximately) due to NDCM upon grant of the Mining Licence.

Subsequent to the end of the reporting period the Company:

- Issued approximately 42.5 million options at 2 cents each to raise approximately \$850,000. The options are exercisable at 20 cents each and expire on 30 September 2006.
- Raised \$2,400,000 by the issue of 8 million ordinary shares at 30 cents each pursuant to a placement to the Commonwealth Bank of Australia, being one of Australia's largest institutions.

Signed in accordance with a resolution of the directors.

Dated at West Perth this 10th day of March 2004



**KARL M SIMICH**  
**CHAIRMAN**

STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003



		Consolidated	
		2003	2002
		\$	\$
	Note		
Revenue from sales of goods		-	2,501
Other revenue from ordinary activities		6,665	23,568
Gain on dilution of interest in subsidiary company	2	284,432	-
Total revenue		<u>291,097</u>	<u>26,069</u>
			-
Administration expenses		(662,746)	(421,828)
Borrowing costs		(19,752)	-
Other expenses from ordinary activities		(30,663)	(46,199)
Loss from ordinary activities before related income tax expense		<u>(422,064)</u>	<u>(441,958)</u>
Income tax expense attributable to ordinary activities		-	-
Net loss attributable to outside equity interests		20,737	-
		<u>(401,327)</u>	<u>(441,958)</u>
Net loss after income tax expense		<u>(401,327)</u>	<u>(441,958)</u>
Basic loss per share		<u>(0.01)</u>	<u>(0.01)</u>

Options on issue are not considered dilutive and accordingly diluted earnings per share is not disclosed for this reason.

The statement of financial performance is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003



	Note	Consolidated	
		31 December 2003 \$	30 June 2003 \$
Current Assets			
Cash Assets		691,798	479,572
Receivables		155,169	79,156
Total Current Assets		<u>846,967</u>	<u>558,728</u>
Non Current Assets			
Property, plant and equipment		1,492,355	1,529,152
Exploration and evaluation expenditure		6,843,445	5,214,728
Total Non Current Assets		<u>8,335,800</u>	<u>6,743,880</u>
Total Assets		<u>9,182,767</u>	<u>7,302,608</u>
Current Liabilities			
Accounts payable		301,079	560,165
Provisions		64,514	56,214
Total Current Liabilities		<u>365,593</u>	<u>616,379</u>
Non Current Liabilities			
Interest bearing liabilities		2,005,857	-
Total Non Current Liabilities		<u>2,005,857</u>	<u>-</u>
Total Liabilities		<u>2,371,450</u>	<u>616,379</u>
Net Assets		<u>6,811,317</u>	<u>6,686,229</u>
Equity			
Contributed Equity	3(i)	11,278,315	10,649,434
Reserves	3(ii)	201,602	44,695
Accumulated losses	4	(4,364,532)	(4,007,900)
		<u>7,115,385</u>	<u>6,686,229</u>
Outside equity interests		(304,068)	-
Total Equity		<u>6,811,317</u>	<u>6,686,229</u>

The statement of financial position is to be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003



	Consolidated	
	2003	2002
	\$	\$
Cash flows from operating activities		
Cash receipts in the course of operations	-	2,501
Cash payments in course of operations	(867,848)	(391,301)
Interest received	6,665	14,469
Borrowing costs paid	(11,752)	-
Net cash outflow from operating activities	<u>(872,935)</u>	<u>(374,331)</u>
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(1,598,602)	(1,401,063)
Payments for property, plant and equipment	(15,101)	(209,100)
Proceeds from sale of property, plant and equipment	5,524	9,099
Net cash outflow from investing activities	<u>(1,608,179)</u>	<u>(1,601,064)</u>
Cash flows from financing activities		
Proceeds from issues of shares and options	734,102	825,000
Payments for share issue expenses	(46,619)	(60,878)
Proceeds from borrowings	2,005,857	-
Loan from director related entity	800,000	-
Repayment of loan from director related entity	(800,000)	-
Net cash inflow / (outflow) from financing activities	<u>2,693,340</u>	<u>764,122</u>
Net increase in cash held	212,226	(1,211,273)
Cash at the beginning of the year	<u>479,572</u>	<u>1,701,661</u>
Cash at the end of the year	<u>691,798</u>	<u>490,388</u>

The statement of cash flows is to be read in conjunction with the accompanying notes.

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of preparation of half-year financial report

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029 *Interim Financial Reporting*, the recognition and measurement requirements of applicable AASB standards other authoritative pronouncements of the Australian Standards Board and Urgent Issues Group consensus views. This half-year financial report is to be read in conjunction with the 30 June 2003 Annual Financial Report and any public announcements by Namakwa Diamond Company NL and its controlled entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets. The accounting policies adopted are consistent with those applied in the 30 June 2003 Annual Financial Report.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

**NOTE 2 LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX**

Consolidated	
31 December 2003	30 June 2003
\$	\$

Individually significant revenue included in loss from ordinary activities before income tax expense

Gain on dilution of interest in subsidiary company	284,432	-
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A gain of \$284,432 was made on dilution of 36% of the Company's previously wholly owned South African subsidiary, NDC Mining Company (Pty) Ltd (NDCM). In October 2003, the Company entered into an agreement whereby development funding for the Namakwa Diamond Project would be provided to NDCM by the New Africa Mining Fund (NAMF) and Zaico Investments (Pty) Ltd (Zaico). A condition of the funding was that NAMF and Zaico would acquire 10% and 26% of NDCM respectively.

	Consolidated	
	31 December 2003	30 June 2003
<b>NOTE 3 (i) CONTRIBUTED EQUITY</b>	\$	\$
Issued and paid up capital 84,881,526 (June 2003: 80,681,526) ordinary fully paid shares	11,278,315	10,649,434

Movements in contributed equity

On 24 October 2003, a total of 3,550,000 ordinary shares were issued at 15 cents per share which raised \$532,500. Shares issue expenses totalling \$46,619 were netted off against this amount for the period.

Pursuant to a resolution passed by shareholders at the Company's Annual General Meeting held on 26 November 2003, a total of 650,000 ordinary shares at 22 cents per share were issued to Mr Richard Linnell on 11 December 2003. The shares were in consideration of a consulting agreement with Mr Linnell to secure a black economic empowerment partner for the Namakwa Diamond Project.

	Consolidated	
	31 December 2003	30 June 2003
<b>(ii) RESERVES</b>	\$	\$
Option premium reserve	201,602	44,695

Movements in option premium reserve

On 31 July 2003, 4,469,457 options issued at 1 cent each totalling \$44,695, expired. This amount has been transferred to accumulated losses.

On 24 October 2003, a total of 1,775,000 options were issued at 2 cents each which raised \$35,500. The options will expire on 30 September 2006 and be exercisable at 20 cents each.

On 23 December 2003, a total of 8,305,099 options were issued at 2 cents each to replace the options which expired on 31 July 2003. This issue raised \$166,102. The options are exercisable at 20 cents each on or before 30 September 2006 and were issued on a 1:1 pro rata basis to the holders of any options which expired on 31 July 2003.

**(iii) OPTIONS**

	Consolidated			
	31 December 2003		30 June 2003	
<b>Expiry date</b>	No of Options	Exercise Price \$	No of Options	Exercise Price \$
On or before 31 July 2003	-	-	25,592,667	0.40
On or before 31 December 2004	570,000	0.25	830,000	0.25
On or before 31 December 2005	945,000	0.15	990,000	0.15
On or before 30 September 2006	22,780,099	0.20	-	-

All 31 July 2003 options lapsed during the reporting period.

On 10 October 2003, 1,775,000 free attaching options exercisable at 20 cents each and expiring 30 September 2006 were issued to investors who participated in the ordinary fully paid share placement on a 1 option for 2 shares basis.

As a consequence of resolutions passed at the Company's 2003 Annual General Meeting, 12,700,000 options were issued to NAMF, the Company's officers, consultants and advisors for no consideration. The options are exercisable at 20 cents each and expire 30 September 2006.

On 23 December 2003, 8,305,099 unlisted options were issued as detailed in the explanatory note to Resolution 5 set out in the Notice of 2003 Annual General Meeting. The options are exercisable at 20 cents each and expire 30 September 2006.

260,000 and 45,000 employee unlisted options exercisable at 25 cents each (31 December 2004) and 15 cents each (31 December 2005) respectively, lapsed during the reporting period consequent to a number of employees who left the group and did not exercise their entitlements.

	Consolidated	
	31 December 2003	31 December 2002
<b>NOTE 4 ACCUMULATED LOSSES</b>	\$	\$
Accumulated losses at the beginning of the half-year	(4,007,900)	(3,050,943)
Transfer from option premium reserve	44,695	-
Net loss	(401,327)	(441,958)
Accumulated losses at the end of the half-year	<u>(4,364,532)</u>	<u>(3,492,901)</u>

**NOTE 5 SEGMENT REPORTING**

The Company is principally engaged in diamond exploration in South Africa. The consolidated entity maintains an administrative office in Western Australia solely to support and promote the exploration in South Africa and is not considered an individual segment.

**NOTE 6    SUBSEQUENT EVENTS**

On 16 December 2003, the Company lodged a Prospectus with the Australian Stock Exchange to raise up to \$511,854 with the offer of up to 25,592,667 Options exercisable at 20 cents each on or before 30 September 2006 on the basis of one 2006 Option at 2 cents for every one expired 2003 Option.

On 16 December 2003, the Company lodged a Prospectus with the Australian Stock Exchange to raise approximately \$339,527 for a pro rata non-renounceable rights issue of 2006 Options exercisable at 20 cents each on or before 30 September 2006 on the basis of one 2006 Option at 2 cents each for every 5 Shares held.

The above option offers were fully subscribed on 23 February 2004.

On 26 February 2004, the Company announced that it had agreed to place 8 million ordinary shares at 30 cents each together with 4 million free 30 September 2006 options exercisable at 20 cents each to raise \$2,400,000. The securities were placed with one institutional investor, Commonwealth Bank of Australia.

In the opinion of the directors of Namakwa Diamond Company NL ("the Company"):

1. the financial statements and notes set out on pages 3 to 9 are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2003 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - (b) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.



**KARL M SIMICH**  
**CHAIRMAN**

Dated at West Perth this 10th day of March 2004

## **Independent review report to the members of Namakwa Diamond Company NL**

### ***Scope***

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Namakwa Diamond Company NL Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2003. The Consolidated Entity comprises Namakwa Diamond Company NL ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review approach*

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.



### ***Independence***

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### ***Statement***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Namakwa Diamond Company NL is not in accordance with:

- a) the Corporations Act 2001, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
  - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

KPMG

T R HART  
*Partner*

Perth

11 March 2004