



Namakwa Diamond Company



Annual Report 2003

Namakwa Diamond Company NL ABN 77 085 806 284

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Namakwa is the owner of four highly prospective, onshore diamond tenements on the west coast of South Africa, extending in length for 36 kilometres and covering an area of approximately 71 square kilometres. These tenements are situated in a proven diamond mining region, surrounded by historical and present day diamond mining operations to the north, south and west.



DEAR SHAREHOLDER

On behalf of the directors, I am pleased to present the 2003 Annual Report for Namakwa Diamond Company NL.

Namakwa has made significant progress during the year towards its objective of becoming a significant producer of gem-quality diamonds in South Africa. Our immediate goal is to establish the Namakwa Diamond Project as a profitable mining operation as soon as possible in order for the Company to be in a self-funding position.

I am confident that a Stage 1 Mining operation, at the rate of approximately 500,000 tonnes per annum, can be achieved during the early part of 2004, subject to government approvals. The surplus funds generated by this initial operation will most likely be reinvested, in part, in a significantly expanded exploration program during 2004.

While our focus to date has been to achieve mining status as quickly as possible, there is little doubt that further exploration of our tenements will deliver a substantially larger ore body to underpin a substantial expansion of the proposed Stage 1 mining operations. In this regard, it is important to note that the currently identified Stage 1 resource covers less than 1% of our total tenement area.

With a view to prioritising future exploration activities, Namakwa has recently completed a tenement-wide airborne electromagnetic survey (Spectrem) which is expected to significantly reduce the time and cost of follow-up exploration work. The early results from this sophisticated technique have been most encouraging.

During the year the Company completed a number of drilling campaigns, as well as three major successful bulk sampling trenches. The bulk sampling results were outstanding and provided high-quality information with respect to tonnages, geology, geotechnical matters and, importantly, grade. The grade results are particularly significant and exceeded our expectations for the Project.

Exploration activities during the first half of the year resulted in Namakwa's first resource statement, which was subsequently refined with further drilling and bulk sampling. The current, initial resource, stands at 2.2 million tonnes, grading 18.7 carats per hundred tonnes (cpht), delivering a resource of 411,000 carats. The gross in-situ value of this initial resource, at rates and values today, is in the order of A\$62 million.

With the extraction of gem-quality diamonds from bulk sampling, the Company completed two diamond sales, by tender, during the year. The sales totalled 4,488 carats and realised USD453,000, representing an average price of USD101 per carat. These sales are significant as they demonstrate the quality of the Namakwa diamonds and the fact they can be freely sold in the open market for premium values. The largest diamond recovered and sold from the Project weighed 14.89 carats.

The extensive work conducted during the year has enabled the Company to prepare a feasibility study with respect to the proposed Stage 1 mining operation, based on the initial resource. The results of this study are expected shortly.

The Company has applied for a Mining Right in the terms of the new South African Minerals Legislation covering the Stage 1 resource blocks at Langstrand and Liebenberg Bay. We are optimistic that all relevant government and regulatory approvals can be achieved by the end of 2003, enabling project development to proceed.

In September 2003, the Company announced it had increased its tenement holdings at the Namakwa Diamond Project by a further

15 square kilometres, bringing its total holding to 71 square kilometres (a 27 per cent increase). This additional area is adjacent to current tenements and is considered significant in terms of the future development of the Project.

Namakwa has proactively sought a suitable Black Economic Empowerment (BEE) partner and the Company announced in September a tripartite agreement between Zaico (Pty) Ltd, chaired by Mr Themba Vilakazi, and the New Africa Mining Fund (NAMF).

This represents a very important development for the Company which will result in funding and other benefits of A\$7 million accruing to Namakwa's subsidiary that controls the Namakwa Diamond Project. This transaction is subject to final agreements which are expected to be executed shortly.

NAMF is a special purpose vehicle established to provide risk capital to South Africa's emerging junior mining sector which is backed by a number of major corporates from the South African public, mining and banking sectors.

I have little doubt that this transaction will deliver value for Namakwa in terms of political and business contacts within the South African environment far in excess of its simple commercial elements. Critically, it also provides us with the necessary funding to launch the Stage 1 development of the Namakwa Diamond Project and commence a much expanded Stage 2 exploration program.

Namakwa is committed to all aspects of the new Minerals Charter and Black Economic Empowerment (BEE) and will ensure that the philosophy and principles of the Charter and BEE are embraced in all its activities.

The Company maintained its exemplary environmental commitment during the year with ongoing rehabilitation of disturbed areas at the Project site. Our rehabilitation of areas disturbed by the original project vendor as well as our own exploration activities has been an outstanding success.

On the corporate front, the Company was fortunate to secure the services of Mr Richard Linnell to join the Namakwa Board. Mr Linnell is a non-executive director of BHP Billiton SA Ltd and is a member of the Board of Trustees of NAMF. He has had a distinguished career in the South African resources industry and brings a wealth of invaluable experience in operating in the South African environment.

In conclusion, I would like to take this opportunity to sincerely thank our focused and determined team of people for their efforts during the year.

We are looking forward to an exciting year ahead with the transition from explorer to profitable mining company as well as accelerated exploration to further increase our diamond resource base.

I believe Namakwa has seized the window of opportunity presented by the new South African Minerals Legislation and we look forward to delivering significant value to you as shareholders.

Thank you for your support.

Yours sincerely



KARL M SIMICH
CHAIRMAN

30 September 2003

Namakwa's mission is to become a significant producer of gem-quality diamonds.





1 BACKGROUND

The Namakwa Diamond Project ("Project") is a significant diamond exploration project covering 71 square kilometres of highly prospective ground in four adjacent concessions. It is located on South Africa's west coast between 12km and 47km north of the Olifants River mouth (about 350 kilometres north of Cape Town), which is in the heart of one of the world's most prolific diamond-producing regions.

To the north of Namakwa's tenements, the De Beers Group operates its Namaqualand mines, which between 1994 and 2002 treated 47,615,000 million (metric) tonnes of ore and recovered 6,686,021 carats, at grade of 14 carats per hundred tonnes (cpht). These mines were established in 1928 and have an estimated mine life until at least 2010.

The Olifants River mouth is recognised as one of the most important point sources for distributing diamonds along the west coast and major historic and current diamond mines are located to the north and south of the Project. Namakwa is exploring and developing the Namakwa Diamond Project with the short-to-medium term objective of developing its own profitable mining operation.

2 SUMMARY

During the year, the Namakwa Diamond Project advanced to Stage 1 feasibility with results expected during the December 2003 Quarter. Following the completion of three bulk sample trenches, as well as 15,000 metres of auger and RC (reverse circulation) drilling since March 2001, the three critical parameters of value, grade and tonnage have been determined in two large resource blocks at Langstrand and Liebenberg Bay. These resource blocks delineate an initial resource of 2.2 million (metric) tonnes, containing 411,000 carats, with an average overall grade of 18.7 cpht. It is important to note these resource blocks cover a surface area that is less than 1 per cent of the Company's entire ground holding.

3 DIAMOND SALES

Namakwa completed two sales of gem-quality diamonds recovered from bulk sample operations during the year. These sales, which occurred by tender, in April and June 2003, achieved prices in excess of the estimates provided by independent valuation. Rough value in commercial sized parcels is a key determinant in project valuation. Namakwa sold a total of 4,487.65 carats realising USD452,858 at an average price of USD100.91 per carat.

4 DIAMOND RECOVERY

To date, Namakwa has recovered 42,569 commercial sized gem-quality diamonds weighing 4,533.2 carats from sampling operations. The largest diamond weighed 14.89 carats. Trenches GDT07, KKT5R and R17 intersected the key two target gravel horizons, the (uppermost and geologically younger) Recent Emergent Terrace and the Older Unit, which is developed along the bedrock contact. Diamond recovery to date has been as follows.

DIAMOND RECOVERY TO DATE

Origin	Stones	Carats
Trench GDT07	11,473	1,179.6
Trench KKR17	586	56.2
Trench GDT04	191	13.4
Trench KKT5R	26,768	3,025.4
Other*	3,551	258.6
TOTAL	42,569	4,533.2

*Diamonds recovered from plant and recovery decontamination, commissioning samples, sample pad sterilisation, sample checks, re-processed samples, or any other source not directly attributable to an individual sample.

Overall the recovered stone size was 0.11 carats per stone. Trench GDT04, while sparsely mineralised, did not intersect either of the target horizons.

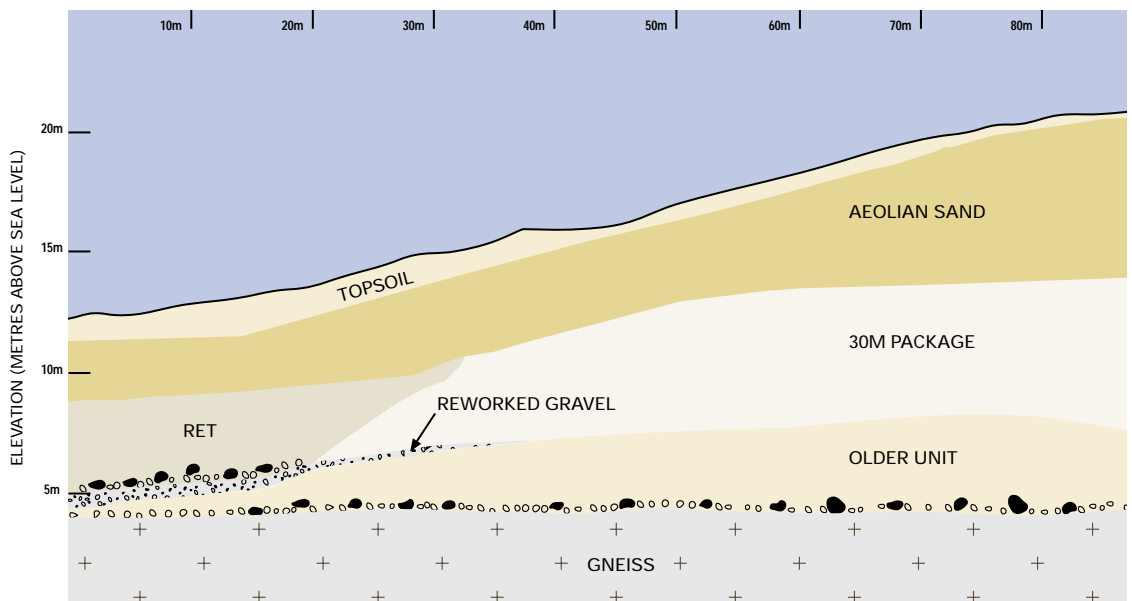
5 GEOLOGY

Namakwa’s four tenements are located on the highly prospective South African west coast immediately north of the Olifants River and west of the towns of Vredendal and Lutzville. These tenements comprise the Namakwa Diamond Project which covers a total area of 71 km².

The tenements are landward of the Admiralty strip, which is held by the Trans Hex Mining Group. Bedrock lithologies are gneiss, schist and marbles of Gariep age. The drilled, delineated and sampled ore bodies are marine sands and gravels originating as pocket beaches and marine terraces within larger log-spiral and J shaped beach complexes. These palaeo-beach and strand line deposits originate from sea level rises and falls. As these sea level rises and falls are broadly synchronous along any coast line, Namakwa’s gravels are broadly genetically related to the series of marine palaeo-placers developed along the south west African coastline, from the Olifants River mouth to Luderitz and beyond, northwards, into Namibia.

Namakwa has delineated two ore bodies, the Recent Emergent Terrace (RET) of Holocene age and an Older Unit (OU) of as yet undetermined age, but suspected correlation to what has been termed the “50 metre” package along the Southern African coastline. The OU again has two developed lithologies, an upper sand dominated interval and a lower cobble to boulder gravel developed directly on bedrock. Other barren lithologies include an uppermost aeolian sand (that overlies both ore bodies) and a poorly mineralised marine package (the 30 metre package) that lies between the RET and the OU. The RET originated as pocket beaches on an older marine stratigraphy while the OU originated as beach and terrace gravels incised onto bedrock. Individual sample results have been reported to the ASX and are available on Namakwa’s website at www.namakwa.com.au. An operational summary of trench results is presented on page 7.

Geology and Stratigraphy at Liebenberg Bay



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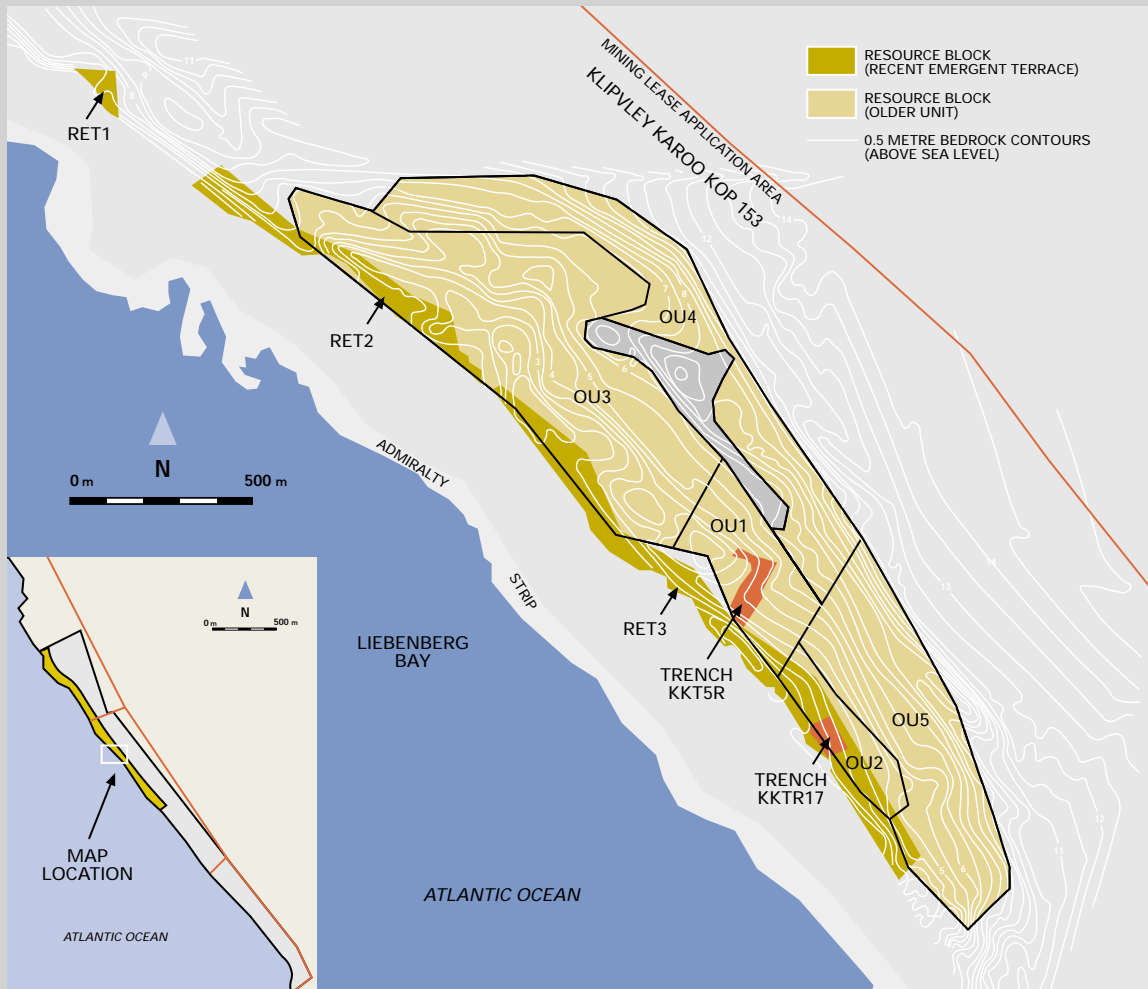
Bulk Sampling Trenches

- 1 Sampling operations at Liebenberg Bay, trench KKT5R, Klipvley Karoo Kop.
- 2 Boulder gravel at base of the RET, Liebenberg Bay.
- 3 Generalised stratigraphy, trench KKT5R. The RET (purple sand, on upper left) is underlain by reworked gravel and the sandy upper part of the Older Unit.



SUMMARY OF TRENCH RESULTS

Farm	Resource Block	Trench	Carats Recovered	Sample Tonnes Processed (tonnes)
Klipvley Karoo Kop	Liebenberg Bay	R17	56.2	1,093
Klipvley Karoo Kop	Liebenberg Bay	KKT5R	3,025.4	13,811
Graauwduinen	Langstrand	GDT07	1,179.6	9,164
Graauwduinen	-	GDT04	13.4	3,493



6 RESOURCE STATEMENT

Namakwa's first resource statement was issued in February 2003 following the completion of trench GDT07. This estimate was 2.49 Million (metric) tonnes at a grade of 15.8 cpht. Following the completion of 15,000 metres of exploration drilling and three successful bulk samples, the two resource blocks have been further refined and delineated at Langstrand (on Graauwduinen 152, PP 26/2000) and at Liebenberg Bay (on Klipvley Karoo Kop 153, PP 19/2000). In summary, a global resource of 2.2 Million (metric) tonnes at an overall grade of 18.7 cpht has been delineated.

As value has been established in commercial sized parcels, classifications in the Measured and Indicated resource categories is warranted in ore blocks with demonstrated gravel continuity relatively close to bulk sampling sites. Resource blocks further away from bulk sampling sites have had a lower grade applied at a 90% (statistical) confidence level.

GLOBAL RESOURCE STATEMENT ⁽¹⁾

Orebody	Measured Inventory			Indicated Inventory			Inferred Inventory			Total Resource		
	(t)	(cpht)	(cts)	(t)	(cpht)	(cts)	(t)	(cpht)	(cts)	(t)	(cpht)	(cts)
OU	139,000	29.0	41,600	314,000	36.0	113,000	1,591,000	15.1	240,100	1,730,000	16.3	281,700
RET	7,200	20.8	1,500	355,800	32.7	116,200	109,000	10.6	11,600	472,000	27.4	129,300
TOTAL	146,200	29.5	43,100	669,800	34.2	229,200	1,700,000	14.8	251,700	2,202,000	18.7	411,000

RESOURCE CLASSIFICATION AT LIEBENBERG BAY ⁽¹⁾

Block No.	Thickness	Area	Volume	Mass	Grade	Carats	Overburden Thickness	Overburden Volume	Overburden	Strip Ratio	Classification
	(m)	(m ²)	(m ³)	(t)	(cpht)			(m ³)	(t)		
OU1	1.50	22,900	34,350	72,000	36.00	25,900	14.0	320,600	577,000	8:1	Measured
OU2	0.70	12,200	8,540	17,900	36.00	6,400	12.5	152,500	275,000	15:1	Measured
OU3	1.50	99,600	149,400	314,000	36.00	113,000	9.0	896,400	1,613,000	5:1	Indicated
OU4	1.50	56,900	85,350	179,000	16.10	28,900	13.0	739,700	1,331,000	7:1	Inferred
OU5	1.50	53,600	80,400	169,000	16.10	27,200	13.5	723,600	1,302,000	8:1	Inferred
Sub Total	1.34	245,200	358,040	751,900	26.79	201,400	12.4	2,832,800	5,098,000	7:1	
RET1	0.50	1,300	650	1,300	7.80	100	7.4	9,620	17,300	13:1	Indicated
RET2	0.50	11,900	5,950	11,900	7.80	900	8.0	95,200	171,000	14:1	Indicated
RET3	0.50	28,600	14,300	28,600	7.80	2,200	8.0	228,800	412,000	14:1	Indicated
Sub Total	0.50	41,800	20,900	41,800	7.66	3,200	7.8	333,620	600,300	14:1	
TOTAL		287,000	378,940	793,700	25.78	204,600		3,166,420	5,698,300	7:1	

cpht = carats per hundred tonnes

RESOURCE CLASSIFICATION AT LANGSTRAND ⁽ⁱ⁾

Block No.	Thickness (m)	Area (m ²)	Volume (m ³)	Mass (t)	Grade (cpht)	Carats	Overburden Thickness	Overburden Volume (m ³)	Overburden (t)	Strip Ratio	Classification
LS OU1	1.3	18,000	23,400	49,100	18.9	9,300	11.0	198,000	356,000	9:1	Measured
LS OU2	1.3	136,000	176,800	371,000	14.8	54,900	11.0	1,496,000	2,693,000	9:1	Inferred
LS OU3	1.3	187,000	243,100	511,000	14.8	75,600	12.0	2,244,000	4,039,000	9:1	Inferred
LS OU4	1.3	105,000	136,500	287,000	14.8	42,500	11.5	1,207,500	2,174,000	9:1	Inferred
LS OU5	1.3	27,100	35,230	74,000	14.8	11,000	9.0	243,900	439,000	7:1	Inferred
Sub Total	1.3	473,100	615,030	1,292,100	15.0	193,300		5,389,400	9,701,000	9:1	
LS RET1	1.0	3,600	3,600	7,200	21.1	1,500	6.0	21,600	39,000	6:1	Measured
LS RET2	1.0	9,600	9,600	19,000	10.7	2,000	7.5	72,000	130,000	7:1	Inferred
LS RET3	1.0	14,200	14,200	28,000	10.7	3,000	7.5	106,500	192,000	7:1	Inferred
LS RET4	1.0	21,600	21,600	43,000	10.7	4,600	5.0	108,000	194,000	5:1	Inferred
LS RET5	1.0	9,300	9,300	19,000	10.7	2,000	5.0	46,500	84,000	5:1	Inferred
Sub Total	1.0	58,300	58,300	116,200	11.3	13,100		354,600	639,000	6:1	
TOTAL		531,400	673,330	1,408,300	14.7	206,400		5,744,000	10,340,000	9:1	

(i) NOTES TO RESOURCE CLASSIFICATIONS:

An SG of 2.1 was used to calculate Older Unit (OU) tonnage

An SG of 2.0 was used to calculate Recent Emergent Terrace (RET) tonnage

Inferred and Indicated carats have been rounded to nearest 100ct

Measured tonnages have been rounded to nearest 100t

Inferred tonnages have been rounded to nearest 1,000t

An SG of 1.8 was used to calculate Overburden tonnage

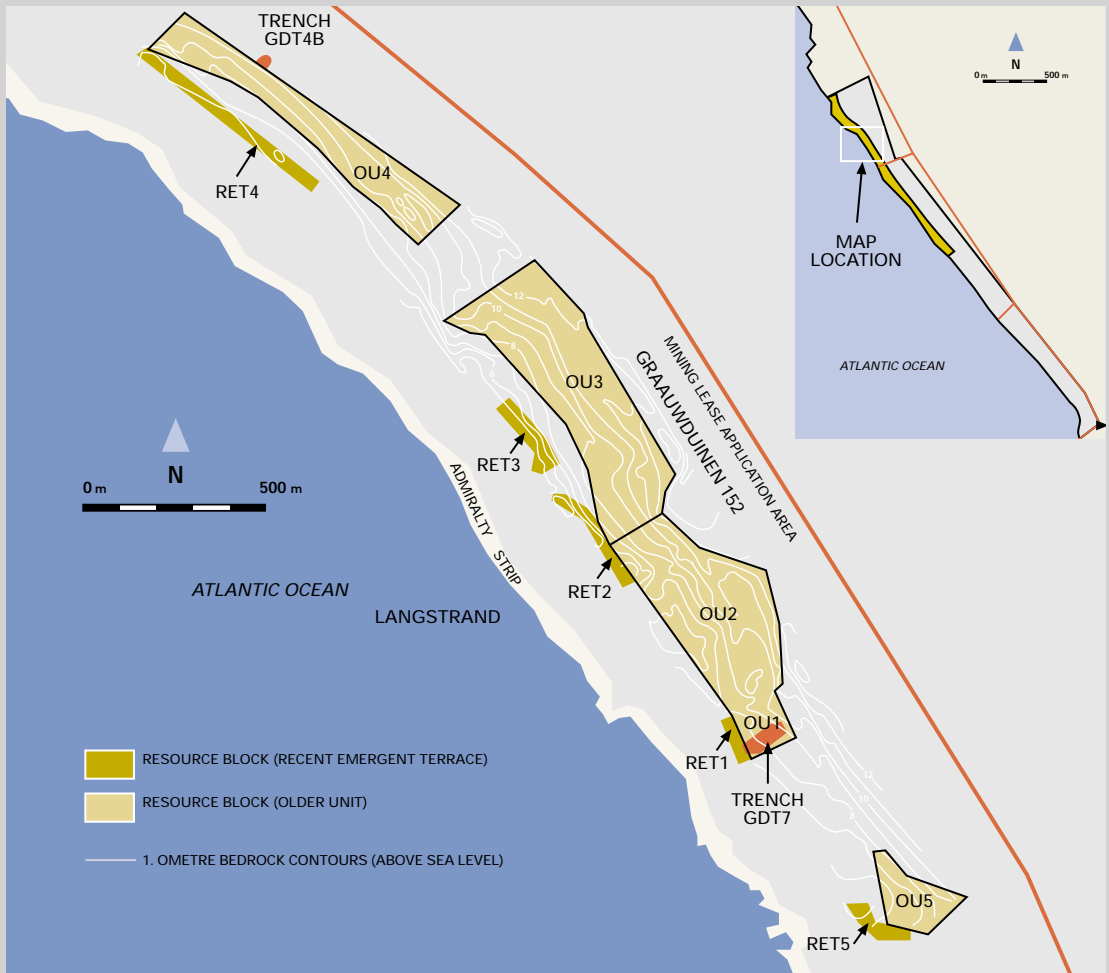
Overburden tonnages have been rounded to nearest 1,000t

Grade indicator in the Measured and Indicated categories is a Sichel t estimator

Grade indicator in the Inferred category is the lower 90% confidence level of the Sichel t estimator

Overburden (tonnes)

Volume (cubic metres)



7 NAMAKWA DIAMOND PROJECT – KEY PROJECT VARIABLES

Namakwa has advanced the Project to a Stage 1 feasibility with results of the formal study due to be announced during the December 2003 Quarter. The Company has applied for a Mining Right in terms of the new Mineral and Petroleum Resources Development Act (Act 28 of 2002) and its regulations (Government Gazette 24135, December 2002). The Mining Right application contains resource blocks comprising less than 1% of the total Project area. The key Stage 1 Project variables are tabulated below.

KEY PROJECT VARIABLE INPUTS

Rough diamond value	(USD)	101
Stone size	(carats per stone)	0.11
Langstrand tonnes	(metric tonnes)	1,403,300
Liebenberg Bay tonnes	(metric tonnes)	793,300
Langstrand Grade		14.7
Liebenberg Bay Grade	(carats per hundred tonnes)	25.8
Langstrand stripping ratio		9:1
Liebenberg Bay stripping ratio		7:1
Inventory	(metric tonnes)	2,202,000
Global grade	(carats per hundred tonnes)	18.7

The Company is confident that it will receive mining approval for the Stage 1 development during the December 2003 Quarter, which would enable it to commence mining operations during the March 2004 Quarter.

8 FURTHER DEVELOPMENT

In September 2003, Namakwa was awarded prospecting permit PP 6/2003 extending its Project area by 15.3 km² to 71.2 km². This new prospecting permit is located landward of Namakwa's original permit on Klipvley Karoo Kop, the middle tenement of its Project area.

A tenement-wide airborne electromagnetic (AEM) survey was flown during the year, the preliminary results of which are available. The AEM survey was flown by Spectrem Air Limited. Following interpretation of the results of this survey further drilling and bulk sampling will be undertaken to test new target areas as well as to improve grade estimations in the Langstrand resource blocks.

The AEM survey has identified additional priority targets such as J bay like features, palaeo-strandlines, major embayments, channel and runnel like features (areas of irregular relief and other indicators of entrapment sites) at various scales. Additional information will be made available upon receipt of the final detailed report from Spectrem.

9 HMS AND DIAMOND RECOVERY PLANT

The HMS plant at the Namakwa Diamond Project, originally rated at a front end through-put rate of 40 tonnes per hour (tph), has been modified and upgraded during the bulk sampling program. Its current rating is 70 tph with the addition of a de-sanding screen and deck to the recovery circuit and the refurbishment of the scrubber barrel.

The HMS module and X-ray flow sort recovery units have provided excellent and consistent service. Namakwa's plant recovers diamonds in the 1.25 to 16 mm size fraction, scalped at 80 mm. This plant will be subject to further upgrade and modifications to enable it to be used as the mining plant for the proposed Stage 1 mining operations of 500,000 tonnes per annum.

10 SECURITY

The Company has well established security procedures and has recruited experienced and competent security staff. All appropriate security measures have been implemented resulting in an incident free year. Good security relationships have also been established with the local community, local government authorities, the South African Police Service (SAPS) and neighbouring mining companies.

11 MINERALS BILL AND BLACK ECONOMIC EMPOWERMENT

As expected, the Mineral and Petroleum Resources Act 28 of 2002 became law during the course of the year. Namakwa has proactively sought a suitable Black Economic Empowerment (BEE) partner and the Company announced in September 2003 a tripartite arrangement between Zaico (Pty) Ltd, chaired by Mr Themba Vilakazi, and New Africa Mining Fund (NAMF). This agreement will result in funding and other benefits totalling A\$7 million accruing to Namakwa's subsidiary (NDCM) that controls the Project on the west coast in return for Zaico and NAMF collectively acquiring 36% of NDCM.

This transaction is subject to final agreements being executed which are expected to be completed during the December 2003 Quarter. NAMF is a special purpose vehicle established to provide risk capital to South Africa's emerging junior mining sector and is backed by a number of major organisations from within the South African public, mining and banking sectors. The value of this transaction will be significant for the Company and the direct funding will underpin the transformation of Namakwa into a mining company.

The Company is proactively committed to all aspects of the new Minerals Charter and Black Economic Empowerment (BEE) and has numerous plans in place to ensure the Charter and BEE are embraced.



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HMS and Diamond Recovery Plant

- 1 Recent modifications to the HMS Plant have included a new de-sanding screen which prevents excess sand being transported to the HMS circuit
- 2 The plant treats over 70 tonnes of gravel per hour from the Stage 1 bulk sampling program, and should increase to 150 tonnes per hour at mining stage
- 3 Gravel and diamonds are transported along the circuit to the diamond recovery plant



Namakwa's commitment to Environmental Management can be seen throughout the rehabilitation process

1 2 3

NDC Environmental Management

- 1 Erecting wind breaks after topsoil has been replaced
- 2 Establishment and survival of ground cover after one year's growth, including one dry season
- 3 Extensive regrowth and flowering of annuals during the wet season (winter)



12 ENVIRONMENTAL MANAGEMENT

Namakwa has applied the most rigorous standards in its rehabilitation effort at the Namakwa Diamond Project which have been subject to independent review. The Company has successfully rehabilitated ten sites disturbed by the original project vendor and has comprehensively rehabilitated all trench sites resulting from its bulk sampling. The outcome, in terms of re-establishing the vegetation present before prospecting, has been outstanding and Namakwa has developed the necessary skills and practice to carry it forward through the Stage 1 mining process. Namakwa's environmental rehabilitation procedures have been undertaken in consultation with SRK and are independently audited.

13 TENEMENT SCHEDULE

Project	Tenement	Interest	Area (km ²)
Graauwduinen	PP 26/2000	100 %	19.6
Klipvley Karoo Kop	PP 19/2000	100 %	17.9
Klipvley Karoo Kop	PP 6/2003	100 %	15.3
Geelwal Karoo	PP 25/2000	100 %	18.4
TOTAL			71.2

14 COMPETENT PERSON

The geological information contained in this report has been compiled by Albert George Thamm, M.Sc., FSEG, M.Aus.IMM, who is a "Competent Person" as defined by the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code) and is included in this report with his consent.

Additional information current as at 22 September 2003 required by Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this Report.

1 SUBSTANTIAL SHAREHOLDERS

The number of shares held by the substantial shareholders as at 22 September 2003 was:

Name	Ordinary Fully Paid Shares
Resource Development Company Pty Ltd	8,322,096

2 CLASS OF SHARES AND VOTING RIGHTS

At 22 September 2003, there were 1,361 holders of 80,681,526 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares (set out in clause 11.7 of the Company's Constitution) are:

"Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at meetings of Shareholders or classes of Shareholders:

- each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder has one vote; and
- on a poll, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes as bears the same proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited)."

3 ON-MARKET BUY-BACK

There is no current on-market buy-back.

4 DISTRIBUTION OF SHAREHOLDERS AS AT 22 SEPTEMBER 2003

Ordinary Fully Paid Shares	
1 – 1,000	255
1,001 – 5,000	202
5,001 – 7,999	46
8,000 – 10,000	243
10,001 – 100,000	496
100,001 and over	119
	1,361

As at 22 September 2003, there are 365 fully paid ordinary shareholders holding less than a marketable parcel.

5 TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED SECURITIES AS AT 22 SEPTEMBER 2003

Fully Paid Ordinary Shares	Number	Percentage
Resource Development Company Pty Ltd	7,289,113	9.03
ANZ Nominees Limited	5,656,467	7.01
Maitland Trustees Ltd	4,414,871	5.47
IE Properties Pty Ltd	2,819,568	3.49
Kimberley Diamond Company NL	2,600,000	3.22
Hwang Sin Jen	1,851,600	2.29
Terpie Pty Limited	1,702,431	2.11
Thorpe Road Nominees Pty Ltd	1,101,325	1.37
Firth International Pty Ltd	1,055,817	1.31
Batley DF and Vause I, The Don Forshaw Batley Trust	1,008,920	1.25
RMB Australia Holdings Ltd	993,215	1.23
Thomas, Peter S	987,535	1.22
Lange, Arnold N	904,986	1.12
Hutton, John	892,610	1.11
Faustus Nominees Pty Ltd	838,540	1.04
IE Properties Pty Ltd	800,000	.99
Academic Growth Institute Fund	749,882	.93
Stanley Nominees Pty Ltd	745,404	.92
Kape Securities Pty Ltd	701,000	.87
Hamann, Karl L	700,000	.87
	37,813,284	46.85

6 DISCONTINUOUS DISCLOSURE

The Company has appointed an officer who is in charge of overseeing the continuous disclosure practices of the Company. That person's responsibilities include:

- ensuring compliance with continuous disclosure requirements;
- overseeing and coordinating the disclosure of information to the stock exchange, analysts, brokers, shareholders, the media and public; and
- educating directors and staff of the Company's disclosure policies and procedures and raising awareness of the principles of underlying continuous disclosure.

The Company's adopted policies of continuous disclosure include the following:

- The Company should keep to a minimum the number of directors and staff authorised to speak on the Company's behalf.
- The officer responsible for disclosure should be made aware of information to be disclosed in advance, including information to be presented at private briefings.

- Price sensitive information should be publicly released through the Stock Exchange before disclosing it to analysts or others outside the Company.
- Announcements should be posted on the Company's website following its release to the Stock Exchange.
- Documents used for external briefings should be given to the Stock Exchange for immediate release and posted on the Company's website.
- Only information that has been (or is based on information that has been) publicly released through the Stock Exchange should be disclosed to analysts, shareholders or others outside the Company.
- If price sensitive information is leaked or inadvertently disclosed, an announcement should be made to the Stock Exchange and posted on the Company's website.
- If the Company becomes aware of a significantly widespread rumour which could be expected to have a material effect on the price or value of the Company's securities, an announcement should be made to the Stock Exchange which addresses the rumour (where commercially feasible).



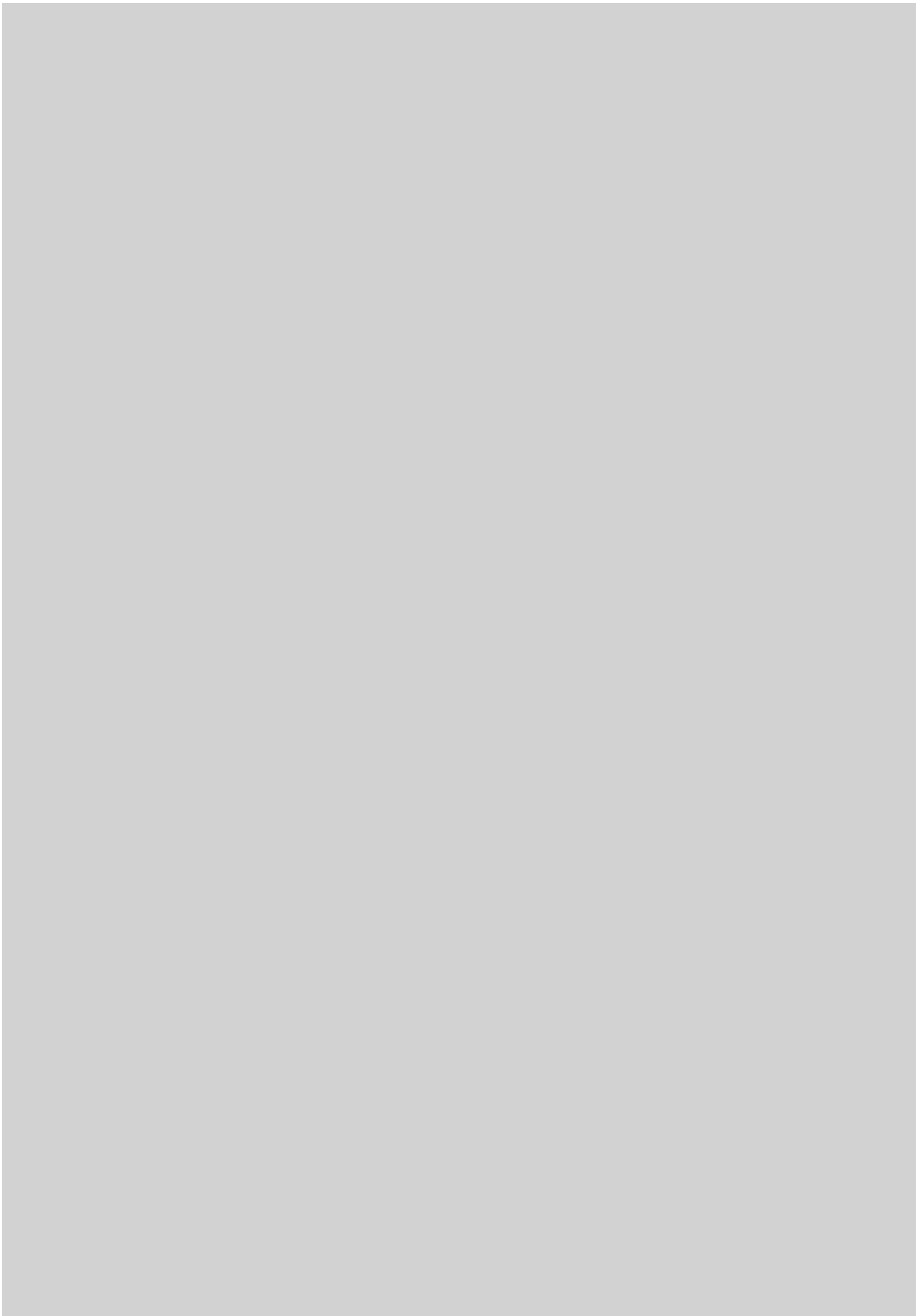
Namakwa's focus is to move from explorer to a profitable mining company.



FINANCIALS 2003

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This statement outlines the main corporate governance practices that are in place for Namakwa Diamond Company NL.

BOARD OF DIRECTORS

The Board of Directors is responsible for the overall corporate governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of those goals.

Namakwa is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of separate committees. Accordingly, all matters which may be capable of delegation to a committee are dealt with by the full Board. Nevertheless, the Board may from time to time form committees which it considers appropriate to assist in carrying out its responsibilities to shareholders. The Board meets at appropriate times and is in regular contact, in order to retain full and effective control over the Company and monitor the executive management. The Board has established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards. Each director has the right to seek independent professional advice on matters relating to his position as a director of the Company at the Company's expense, subject to prior approval of the Chairman, which shall not be unreasonably withheld.

COMPOSITION OF THE BOARD

The procedures for election and retirement of directors are governed by the Constitution of the Company. The composition of the Board is determined using the following principles:

- the Board shall comprise a mixture of executive and non-executive directors;
- the Board shall comprise directors with a range of expertise encompassing the current and proposed activities of the Company; and
- where a vacancy is considered to exist, the Board selects an appropriate candidate through consultation with external parties and consideration of the needs of shareholders and the Company. Such appointments are referred to shareholders at the next available opportunity for re-election in general meeting.

AUDITORS

Whilst the Company does not have a formally constituted audit committee, the Board reviews the performance of the external auditors on an annual basis. The executive directors meet with them at least twice a year:

- to review the results and findings of the audit, the adequacy of accounting and financial controls, and to obtain feedback on the implementation of recommendations made; and
- to review the draft financial statements and audit/review reports at year-end and half year.
- to review the nomination and performance of the auditor. The external auditors were appointed in 2000 and the lead external audit engagement partner is due to be rotated in 2009; and

The Board monitors the need to form an audit committee on a periodic basis.

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework, however, it also recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility the Board has instigated an internal control framework that can be described under the following headings.

FINANCIAL REPORTING

There is a comprehensive budgeting system with an annual budget approved by the directors. Actual results are reported against budget and revised forecasts for the year are prepared and presented to the Board regularly. The Company reports to shareholders as required under the Corporations Law and ASX Listing Rules. Procedures are also in place to ensure that price sensitive information is reported to Australian Stock Exchange in accordance with Continuous Disclosure Requirements.

QUALITY AND INTEGRITY OF PERSONNEL

The Company conducts a comprehensive review of the ability and experience of potential employees prior to appointment. Informal appraisals are conducted regularly with continuous feedback and on the job monitoring and training for all employees.

OPERATIONAL REPORTING

The executive directors are in regular contact with senior personnel at the consolidated entity's operating sites. In addition, informal and formal reporting occurs regularly and periodic site visits are carried out by the executive directors.

ETHICAL STANDARDS

The Company recognises the need for directors and employees to observe the highest standards of behaviour and business ethics in conducting its business, and intends to maintain a reputation of integrity.

The directors ensure that their actions and business conduct provide a benchmark for the consolidated entity's employees.

ENVIRONMENT

The consolidated entity's principal activity, diamond exploration, is carried out on the west coast of South Africa. The consolidated entity aims to ensure a high standard of environmental care is achieved and to ensure compliance with the environmental regulations set down under South African and International Law. The Company has an Environmental Management Program in place for each prospecting permit.

BUSINESS RISKS

The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. The strategic planning process, which is updated regularly, is the principal tool used in this process.

Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk. The Company's main areas of risk include:

- exploration and development;
- fluctuating commodity prices and exchange rates; and
- political and economic climate in areas of operations.

The Board gives regular consideration to all these matters.

THE ROLE OF SHAREHOLDERS

The Board ensures that shareholders in all jurisdictions are informed of all major developments affecting the financial position and state of affairs of the Company. All documents that will be released publicly are made available on the Company's website at www.namakwa.com.au.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues will be presented to shareholders as single resolutions.

The Directors present their report together with the consolidated financial report for the year ended 30 June 2003 and the independent auditor's report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial period were:

KARL M SIMICH, EXECUTIVE CHAIRMAN (39 YEARS)

B.Comm, CA, ASIA

Appointed 12 January 1999. Mr Simich is responsible for the corporate, financial, marketing, and day-to-day affairs of the Company in Australia. He has had considerable international business experience in the management and administration of publicly listed companies. He has had 16 years experience in publicly listed companies, specialising in resource finance and corporate management. Mr Simich is an executive director of Kimberley Diamond Company NL, a director of Technology Incubation Group Limited. He is also a Chartered Accountant and a member of Securities Institute of Australia, and has completed post-graduate studies in business and finance.

JOHN LG FIRTH, EXECUTIVE DIRECTOR, CHIEF EXECUTIVE OFFICER (SOUTH AFRICA) (34 YEARS)

B.Agric.Admin, MBA

Appointed 12 January 1999. Mr Firth is responsible for the day-to-day operations in South Africa. He has had extensive experience in the exploration, production and marketing of rough diamonds in various countries, including Angola, Democratic Republic of Congo, South Africa, Namibia, and the Ivory Coast. Mr Firth has a degree in agriculture administration from the University of Stellenbosch, South Africa, an MBA from the Thames Valley University in London, UK, and is currently completing a PhD at the University of Pretoria.

PETER D DANCHIN, NON-EXECUTIVE TECHNICAL DIRECTOR (57 YEARS)

B.Sc. (Hons.) (Exploration Geology) (Wits), Pr.Sci.Nat. – RSA, M.Aus.IMM

Appointed 1 November 2001. Mr Danchin has extensive experience in the exploration, mining and marketing of rough diamonds and has an intimate knowledge of the Namaqualand and Kimberley areas of South Africa. He has held senior technical and managerial positions with the Union Carbide Corporation of USA and the Anglo American Corporation of South Africa. He was also Group Managing Director – Operations with the Trans Hex organisation, which is the second largest diamond producer in South Africa. Mr Danchin is the Managing Director of Kimberley Diamond Company NL. Mr Danchin has special responsibilities including providing advice and managing certain aspects relating to technical issues, relations with the Department of Minerals and Energy, environmental matters, black empowerment liaison and project generation. Mr Danchin holds an honours degree in exploration geology from the University of Witwatersrand, Johannesburg.

RICHARD J LINNELL, NON-EXECUTIVE DIRECTOR (59 YEARS)

B.Sc. (Hons.) BSc. (Special Hons. in Geology) (UCRN)

Appointed 10 July 2003. Mr Linnell is a former senior executive with Billiton PLC and Samancor. As a non-executive director of BHP Billiton SA Ltd, Mr Linnell is actively involved with BHP Billiton on special assignments relating to risk amelioration and risk management in the African context. He was an originator of the Bakubung Initiative, a forum designed to revive the South African mining industry which led to the establishment of the New Africa Mining Fund. He has acted for the Company over the past year and played a key role in brokering the Company's Black Economic Empowerment (BEE) transaction.

JOHN R HUTTON, NON-EXECUTIVE DIRECTOR (37 YEARS)

Appointed 12 January 1999. Mr Hutton works for a successful accounting practice in Western Australia. He has experience in merchant banking, budgeting, financial planning and tax related matters. As a director of a number of highly successful private companies involved in the resources, pearling and tourism industries, Mr Hutton has been involved in the day-to-day management and the development of further opportunities for many of these companies. Mr Hutton is directly involved in the management of a highly successful pearl farm, which grows Australian South Sea Pearls.

DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings	
	A	B
Karl Simich	4	4
John Firth	3	4
Peter Danchin	4	4
Richard Linnell*	-	-
John Hutton	4	4

* Mr Linnell was appointed on 10 July 2003

A Number of meetings attended.

B Number of meetings held during the time the director held office during the year.

Due to its small size, scope and complexity, the Company does not have any formally appointed committees of directors (such as an audit or remuneration committee).

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year consisted of exploration and evaluation of the Namakwa Diamond Project on the west coast of South Africa.

REVIEW AND RESULTS OF OPERATIONS

The consolidated loss after tax attributable to members of the Company for the year ended 30 June 2003 was \$956,957 (2002:\$1,204,035).

EXPLORATION

A detailed review of the Company's exploration activities is contained elsewhere in this Annual Report.

DIVIDENDS

The directors have not recommended the declaration of a dividend. No dividends were paid or declared during the period.

STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial period were as follows:

- On 23 August 2002, the Company issued 200,000 ordinary shares pursuant to a Waiver and Termination Agreement for the acquisition of exploration interests
- On 12 December 2002, the Company raised \$825,000 by the issue of 8,250,000 ordinary shares
- On 14 April 2003, the Company raised \$682,500 by the issue of 9,750,000 ordinary shares
- On 30 June 2003, the Company issued 5,891,299 ordinary shares on conversion of loan funds to equity in accordance with a Memoranda of Loans

EVENTS SUBSEQUENT TO BALANCE DATE

On 15 July 2003 the Company announced that Mr Richard Linnell had been appointed a Non-Executive Director.

During August and September 2003, the Company received proceeds totalling \$800,000 from Kimberley Diamond Company NL under a short term lending agreement formalised in the prior period. The facility has been established on an arm's length basis, is repayable on or before 31 October 2003 and incurs interest at commercial rates. Under the facility, the lender can request at any time a first ranking Deed of Fixed and Floating Charge over the assets of the Company not subject to existing mortgages or charges. Messrs Simich and Danchin are directors of Kimberley Diamond Company NL.

On 18 September 2003, the Company announced a series of transactions with unrelated parties [South Africa's New Africa Mining Fund ("NAMF") and Zaico (Pty) Limited ("Zaico")], which will result in those parties acquiring a combined interest of 36% in Namakwa's subsidiary, NDC Mining Company (Pty) Ltd, which owns the Namakwa Diamond Project ("the Project"). The commercial elements of the transactions effectively provide for cash injections totalling South African Rand ("Rand") 19.57 million (approximately A\$4.18 million) to either be made by NAMF or to be procured by NAMF and for the Consolidated Entity to receive preferential payments from the anticipated Project's cash flow surplus in the sum of Rand 65 million (plus interest). At the same time of the Consolidated Entity receiving preferential payments, NAMF will also participate in preferential payments totalling Rand 23 million (plus interest). These preferential payments will be made from the Project's anticipated cash flow surplus prior to Zaico being entitled to participate as a normal ordinary shareholder.

NAMF will either themselves provide or procure the advance of funds by way of unsecured, unsecured shareholder loans for Rand 10 million (approximately A\$2.13 million) soon after execution of the formal agreements and a further, Rand 9.57 million (approximately A\$2.05 million) upon the formal grant of a Mining Right for the Project, which is expected toward the end of 2003. The completion of these transactions is subject to final documentation being executed, which is expected shortly. These funding amounts are expected to provide sufficient working capital for the Project and its development.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS

The consolidated entity will continue to pursue its primary objective, which is to explore, evaluate and develop the Namakwa Diamond Project into an economic mining operation.

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS**Remuneration Policy**

The Board is responsible for determining and reviewing compensation arrangements for the directors. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities, level of performance, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The role also includes responsibility for share option schemes, superannuation entitlements, retirement and termination entitlements, fringe benefit policies, professional indemnity and liability insurance policies, and other terms of employment.

The Board should meet at least annually or as required to review compensation arrangements, usually on the anniversary date of each service agreement for the particular director and/or executive. At the meetings, the particular director and/or executive will declare their interest and not vote, as well as depart from the meeting, so as not to be present whilst the issue is being discussed.

In the event that share options are allotted to a director, the allotment will be ratified at a general meeting of shareholders.

DIRECTORS' REMUNERATION

Details of the nature and amounts of each major element of the remuneration of each director of the Company and each of the four named officers of the Company and the consolidated entity are:

Director	Base Remuneration \$	Super Contributions \$	Options Issued (iii) \$	Total \$
KM Simich (i)	-	-	-	-
JLG Firth (ii)	57,263	-	-	57,263
PD Danchin	19,999	1,832	116	21,947
RJ Linnell	-	-	-	-
JR Hutton	24,182	2,160	-	26,342

(i) Excludes payments to Resource Development Company Pty Ltd. Refer Note 20.

(ii) Excludes payments to Firth International (Pty) Ltd. Refer Note 20.

(iii) The estimated value of options issued is calculated at the date of grant using the Black-Scholes model. Options granted vest on their date of issue. Key inputs into the valuation of options issued included:

Grant date	30 October 2002
Spot price	\$0.125
Exercise price \$0.40	
Volatility	50%
Risk-free interest rate	5%

Further details of the remuneration of directors are set out in Notes 20 and 21 of the Financial Statements.

Other than the executive directors, the Company had no executive officers during the period.

Other than as disclosed above or elsewhere in this report, no options were issued to directors or executives during the financial year.

OPTIONS

During the financial year, the Company granted options over unissued ordinary shares to the following directors.

Director	Number of Options Granted	Exercise Price \$	Expiry Date
PD Danchin	1,000,000	0.40	31 July 2003

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Number of Options	Exercise Price \$
31 December 2004	830,000	0.25
31 December 2005	990,000	0.15

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During or since the end of the financial year there were no ordinary shares issued by the Company as a result of the exercise of options.

DIRECTORS' INTERESTS

The relevant interest of each director in the share capital of the Company (as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001), at the date of this report is as follows:

	Ordinary Shares	Options
Mr KM Simich	8,332,231	-
Mr JLG Firth	1,067,817	-
Mr PD Danchin	-	-
Mr RJ Linnell*	-	-
Mr JR Hutton	2,050,150	-

* Mr Linnell has a contingent interest in shares in the Company by virtue of an arrangement with the Company whereby he will receive shares in the Company based on 2.5% of the value of the Black Economic Empowerment transaction the Company is completing in this regard.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has entered into deeds of indemnity and access ("Deeds") with each of its Directors and the Company Secretary.

Under these Deeds, the Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties (unless the liability arises out of conduct involving lack of good faith), and in successfully defending legal and administrative proceedings and applications for such proceedings. The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of a conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavour to insure a director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

ENVIRONMENTAL REGULATIONS

The consolidated entity's exploration activities are subject to South African Mining Law. Mining and exploration is an industry which has become subject to increasing environmental responsibility and liability. Given the environmental sensitivity of the west coast region of South Africa, the Company intends to conduct its activities in a professional and environmentally conscious manner and in accordance with applicable laws and permit requirements.

The Company has an Environmental Management Program in place for each prospecting permit and is unaware of any breaches of any environmental laws.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in this section of the Annual Report (see Corporate Governance Statement).

INSURANCE PREMIUMS

Since the end of the previous financial year, the Company has paid insurance premiums of \$21,063 in respect of directors and officers liability and legal expenses, insurance contracts for current directors including executive officers of the Company and directors, executive officers and secretaries of its controlled entities.

Signed in accordance with a resolution of the directors.



KARL M SIMICH
EXECUTIVE CHAIRMAN

Dated this 30th day of September 2003

	NOTE	CONSOLIDATED		THE COMPANY	
		2003 \$	2002 \$	2003 \$	2002 \$
Revenue from sale of goods		-	114,029	-	-
Other revenue from ordinary activities		30,460	153,010	348,726	767,060
Total revenue from ordinary activities	4	30,460	267,039	348,726	767,060
Administration, corporate, overhead and indirect expenditure		(809,610)	(1,203,418)	(1,127,875)	(1,052,461)
Borrowing costs		(12,391)	-	(12,391)	-
Other expenses from ordinary activities		(165,416)	(267,656)	(165,417)	(918,634)
Loss from ordinary activities before related income tax expense		(956,957)	(1,204,035)	(956,957)	(1,204,035)
Income tax expense relating to ordinary activities	6	-	-	-	-
Loss from ordinary activities after related income tax expense		(956,957)	(1,204,035)	(956,957)	(1,204,035)
Net loss		(956,957)	(1,204,035)	(956,957)	(1,204,035)
Basic loss per share	8	\$0.015	\$0.023		

The statements of financial performance are to be read in conjunction with the accompanying notes.

	NOTE	CONSOLIDATED		THE COMPANY	
		2003 \$	2002 \$	2003 \$	2002 \$
Current Assets					
Cash assets	9	479,572	1,701,661	54,004	1,436,089
Receivables	10	79,156	128,550	15,459	59,879
Inventories	11	-	1,991	-	-
Total Current Assets		558,728	1,832,202	69,463	1,495,968
Non-Current Assets					
Receivables	10	-	-	6,765,463	4,368,223
Property, plant and equipment	12	1,529,152	1,349,563	12,100	10,935
Exploration and evaluation expenditure	13	5,214,728	2,948,076	-	-
Total Non-Current Assets		6,743,880	4,297,639	6,777,563	4,379,158
Total Assets		7,302,608	6,129,841	6,847,026	5,875,126
Current Liabilities					
Payables	14	560,165	313,133	160,797	79,312
Provisions	15	56,214	20,894	-	-
Total Current Liabilities		616,379	334,027	160,797	79,312
Total Liabilities		616,379	334,027	160,797	79,312
Net Assets		6,686,229	5,795,814	6,686,229	5,795,814
Equity					
Contributed equity	16	10,649,434	8,802,062	10,649,434	8,802,062
Reserves	18	44,695	44,695	44,695	44,695
Accumulated losses	17	(4,007,900)	(3,050,943)	(4,007,900)	(3,050,943)
Total Equity		6,686,229	5,795,814	6,686,229	5,795,814

The statements of financial position are to be read in conjunction with the accompanying notes.

	NOTE	CONSOLIDATED		THE COMPANY	
		2003 \$	2002 \$	2003 \$	2002 \$
Cash flows from operating activities					
Cash payments in the course of operations		(632,427)	(1,275,683)	(603,797)	(1,116,577)
Interest received		30,460	133,010	19,480	131,910
New cash outflow from operating activities	23(b)	(601,967)	(1,142,673)	(584,317)	(984,667)
Cash flows from investing activities					
Payments for exploration and evaluation expenditure		(2,912,124)	(1,528,675)	-	-
Receipts recovered during the exploration phase		671,473	-	-	-
Payments for property, plant and equipment		(223,749)	(1,074,430)	(7,698)	(253)
Proceeds from sale of property, plant and equipment		35,297	-	-	-
Net cash outflow from investing activities		(2,429,103)	(2,603,105)	(7,698)	(253)
Cash flows from financing activities					
Proceeds from issue of shares		1,507,500	1,216,382	1,507,500	1,216,382
Payments for share issue expenses		(98,519)	(112,725)	(98,519)	(112,725)
Proceeds from borrowings		400,000	-	400,000	-
Repayment of borrowings		-	(1,350,000)	-	(1,350,000)
Loan to controlled entity		-	-	(2,599,051)	(2,904,625)
Loan to director related entity		-	(1,700,000)	-	(1,700,000)
Repayment of loan from director related entity		-	1,700,000	-	1,700,000
Net cash inflow/(outflow) from financing activities		1,808,981	(246,343)	(790,070)	(3,150,968)
Net decrease in cash held		(1,222,089)	(3,992,121)	(1,382,085)	(4,135,888)
Cash at the beginning of the year		1,701,661	5,693,782	1,436,089	5,571,977
Cash at the end of the year	23(a)	479,572	1,701,661	54,004	1,436,089

The statements of cash flows are to be read in conjunction with the accompanying notes.

(1) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy as set out in Note 2, are consistent with those of the previous year.

(b) Financial position

The financial report has been prepared on the going concern basis. For the year ended 30 June 2003, the consolidated entity recorded a loss of \$956,957 (2002: \$1,204,035). At 30 June 2003 the consolidated equity had a net working capital deficiency of \$57,651 (2002: \$1,498,175 surplus).

The reported loss and negative cash flows for the year and the net position at 30 June 2003 have been affected by:

- Continued high levels of expenditure on exploration and development in respect to the Stage 1 bulk sampling program at the Project site on the West Coast of South Africa.
- Capital expenditure to further upgrade facilities, plant and equipment at the Project site.
- Expenditure to complete plant modifications to the Dense Media Separation (DMS) Plant.

The Board of Directors is aware of the Company's cash flow requirements and is taking appropriate action to secure the Company's short term cash requirements.

During August and September 2003, the Company received proceeds totalling \$800,000 from Kimberley Diamond Company NL under a short term lending agreement formalised in the prior period. The facility has been established on an arm's length basis, is repayable on or before 31 October 2003 and incurs interest at commercial rates. Under the facility, the lender can request at any time a first ranking Deed of Fixed and Floating Charge over the assets of the Company not subject to existing mortgages or charges. Messrs Simich and Danchin are directors of Kimberley Diamond Company NL.

On 18 September 2003, the Company announced a series of transactions with unrelated parties [South Africa's New Africa Mining Fund ("NAMF") and Zaico (Pty) Limited ("Zaico")], which will result in those parties acquiring a combined interest of 36% in Namakwa's subsidiary, NDC Mining Company (Pty) Ltd, which owns the Namakwa Diamond Project ("the Project"). The commercial elements of the transactions effectively provide for cash injections totalling South African Rand ("Rand") 19.57 million (approximately A\$4.18 million) to either be made by NAMF or to be procured by NAMF and for the Consolidated Entity to receive preferential payments from the anticipated Project's cash flow surplus in the sum of Rand 65 million (plus interest). At the same time of the consolidated entity receiving preferential payments, NAMF will also participate in preferential payments totalling Rand 23 million (plus interest). These preferential payments will be made from the Project's anticipated cash flow surplus prior to Zaico being entitled to participate as a normal ordinary shareholder.

NAMF will either themselves provide or procure the advance of funds by way of unsubordinated, unsecured shareholder loans for Rand 10 million (approximately A\$2.13 million) soon after execution of the formal agreements and a further, Rand 9.57 million (approximately A\$2.05 million) upon the formal grant of a Mining Right for the Project, which is expected toward the end of 2003. The completion of these transactions is subject to final documentation being executed, which is expected shortly. These funding amounts are expected to provide sufficient working capital for the Project and its development.

In addition, the following sources of funding may be available:

- Proceeds from sale of diamonds recovered from the current bulk testing program.
- Additional equity raisings.

The directors are confident of raising funds when necessary to meet the Company's obligations as and when they fall due. In the unlikely event that the Company is unable to complete the proposed transactions above or fail to raise sufficient additional working capital, the Company may not be able to continue as a going concern. Accordingly the Company may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial report.

(c) Principles of consolidation

Controlled entities

The consolidated financial report incorporates the assets and liabilities of all entities controlled by Namakwa Diamond Company NL ("the Company") as at 30 June 2003 and the results of all controlled entities for that part of the period then ended that they were controlled during the period. Namakwa Diamond Company NL and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities within the consolidated entity are eliminated in full.

(d) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) or value-added tax (VAT) payable to the taxation authority.

Sale of goods

Revenues from the sale of production diamonds are recognised when control of the goods passes to the customer. Revenue from the sale of diamonds recovered through exploration and development activities are offset against exploration expenditure incurred during the period.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the assets passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

(e) Goods and services tax and value-added tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) in Australia and value-added tax (VAT) in South Africa, except where the amount of GST or VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST or VAT included.

The net amount of any GST or VAT recoverable from, or payable to, the taxation authority are included as current assets or current liabilities separately in the statement of financial position as there is no legal right of set off of these amounts.

Cash flows are included in the statement of cash flows on a gross basis. The GST or VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

(f) Foreign currency**Transactions**

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rate of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

Translation of controlled foreign entities

The financial statements of foreign controlled entities that are integrated are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while non-monetary items and revenue and expense items are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are brought to account in the statement of financial performance.

(g) Income tax

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax benefit is calculated on the operating loss adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses, when realisation is virtually certain.

(h) Loss per share

Basic loss per share is calculated by dividing the net loss attributable to members of the parent entity for the reporting period by the weighted average number of ordinary shares of the Company.

(i) Acquisition of assets

All assets acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Costs relating to the acquisition of new areas of interest are classified as either exploration and evaluation expenditure, development properties or mine properties based on the stage of development reached at the date of acquisition.

(j) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward (see Note 1(n)), are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value.

(k) Depreciation

Items of property, plant and equipment are depreciated using the straight-line method over their estimated useful lives, taking into account estimated residual values. Depreciation rates and methods are reviewed annually for appropriateness.

The depreciation rates used for each class of asset are as follows:

	2003	2002
Exploration plant and equipment and motor vehicles	20% - 40%	20%-40%

Assets are depreciated from the date of acquisition.

Depreciation charges are expensed, except to the extent that they are included in the carrying amount of carried forward exploration expenditure.

(l) Investments**Controlled entities**

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

(m) Leased assets**Operating leases**

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(n) Employee benefits**Wages, salaries and annual leave**

Liabilities for employee benefits for wages salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

Employee share and option plans

Where shares or options are issued to employees, including directors, as remuneration for past services, the difference between fair value of the shares or options issued and the consideration received, if any, from the employee is expensed. The fair value of the shares or options issued is recorded in contributed equity.

Other shares or options issued to employees, including directors, are recorded in contributed equity at the fair value of consideration received, if any. Transaction costs associated with issuing shares and options are recognised in equity.

Superannuation plans

The Company and its controlled entities contribute to several defined contribution superannuation plans. Contributions are recognised as an expense as they are made.

(o) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity and revaluations are accumulated separately for each separate area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through the sale or successful development and commercial exploitation of the area of interest, or, where exploration and evaluation activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations are continuing.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward values in relation to that area of interest. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

(p) Receivables

Receivables are carried at normal amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(q) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. Trade liabilities are normally settled in accordance with the terms of the relevant supplier.

(r) Equity – Ordinary Shares

Ordinary share capital is recognised at the amount paid up, adjusted for any discount at the date of issue. Details of shares issued are set out in Note 16(b).

(s) Currency

All amounts are stated in Australian dollars unless otherwise stated.

(t) Segment Information

The Company is principally engaged in 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.

2 CHANGES IN ACCOUNTING POLICIES**(a) Foreign currency translation**

The consolidated entity has applied the revised AASB 1012 "Foreign Currency Translation" for the first time from 1 July 2002.

The consolidated entity had no foreign currency hedge contracts during the period, and as a result, there was no impact on opening retained profits at 1 July 2002 or on net profit for the current year to 30 June 2003.

(b) Employee benefits

The consolidated entity has applied the revised AASB 1028 "Employee Benefits" for the first time from 1 July 2002.

The liability for wages and salaries, annual leave and sick leave is now calculated using the remuneration rates the Company expects to pay as at each reporting date, not wage and salary rates current at reporting date.

The application of the revised AASB1028 has not given rise to any material impact on the current provisions or previous financial periods.

(c) Provisions and contingent liabilities

The consolidated entity has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time from 1 July 2002.

No adjustments to the consolidated and Company financial reports as at 1 July 2002 resulted from this change.

AASB 1044 requires disclosure of contingent liabilities only when the probability of payment is not remote.

There was no impact on net profit for the current financial year to 30 June 2003.

3 SUBSEQUENT EVENTS

Since 30 June 2003 the Company has:

On 15 July 2003 the Company announced that Mr Richard Linnell had been appointed a Non-Executive Director.

During August and September 2003, the Company received proceeds totalling \$800,000 from Kimberley Diamond Company NL under a short term lending agreement formalised in the prior period. The facility has been established on an arm's length basis, is repayable on or before 31 October 2003 and incurs interest at commercial rates. Under the facility, the lender can request at any time a first ranking Deed of Fixed and Floating Charge over the assets of the Company not subject to existing mortgages or charges. Messrs Simich and Danchin are directors of Kimberley Diamond Company NL.

On 18 September 2003, the Company announced a series of transactions with unrelated parties [South Africa's New Africa Mining Fund ("NAMF") and Zaico (Pty) Limited ("Zaico")], which will result in those parties acquiring a combined interest of 36% in Namakwa's subsidiary, NDC Mining Company (Pty) Ltd, which owns the Namakwa Diamond Project ("the Project"). The commercial elements of the transactions effectively provide for cash injections totalling South African Rand ("Rand") 19.57 million (approximately A\$4.18 million) to either be made by NAMF or to be procured by NAMF and for the Consolidated Entity to receive preferential payments from the anticipated Project's cash flow surplus in the sum of Rand 65 million (plus interest). At the same time of the consolidated entity receiving preferential payments, NAMF will also participate in preferential payments totalling Rand 23 million (plus interest). These preferential payments will be made from the Project's anticipated cash flow surplus prior to Zaico being entitled to participate as a normal ordinary shareholder.

NAMF will either themselves provide or procure the advance of funds by way of unsubordinated, unsecured shareholder loans for Rand 10 million (approximately A\$2.13 million) soon after execution of the formal agreements and a further, Rand 9.57 million (approximately A\$2.05 million) upon the formal grant of a Mining Right for the Project, which is expected toward the end of 2003. The completion of these transactions is subject to final documentation being executed, which is expected shortly. These funding amounts are expected to provide sufficient working capital for the Project and its development.

The financial effects of the above transactions have not been reflected in this financial report.

4 REVENUE FROM ORDINARY ACTIVITIES

Sale of goods revenue from ordinary activities

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
Sale of goods revenue from ordinary activities	-	114,029	-	-

Other revenues:

From operating activities

Interest received – other persons	30,460	133,010	19,480	131,910
Sundry income	-	20,000	-	20,000
Management fee [®]	-	-	329,246	615,150
Total other revenues	30,460	153,010	348,726	767,060
Total revenue from ordinary activities	30,460	267,039	348,726	767,060

[®] Management fee represents a charge by the parent entity for the provision of specified management administration, financial and other designated services to the South African subsidiary, Namakwa Investment Holdings (SA) (Pty) Ltd.

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
5 LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX				
Operating loss before income tax has been arrived at after charging/(crediting) the following items:				
Net foreign exchange loss on translation of foreign operations	56,212	118,060	-	-
Depreciation of exploration plant and equipment and motor vehicles	14,597	8,003	3,317	2,686
Depreciation capitalised to exploration expenditure	(11,280)	-	-	-
Total depreciation	3,317	8,003	3,317	2,686
Net (gain)/loss on disposal of plant and equipment	(4,801)	4,921	293	-
Operating lease rental expense	1,341	68,313	-	-
Provision for non-recovery of controlled entity loan	-	-	554,728	846,568
Provisions – employee benefits	35,320	20,894	-	-
Interest expense	12,391	-	12,391	-

6 TAXATION

No income tax has been provided in the financial statements as the consolidated entity incurred an operating loss and does not have income tax expense nor taxable income for the year.

As at 30 June 2003, the parent entity has estimated carried forward tax losses of \$1,817,170 (2002: \$1,427,332). The overseas tax losses of the controlled entities not brought to account is estimated at \$1,603,189 (2002: \$1,019,438). The benefit of these losses is not being brought to account as realisation is not certain. The benefit will only be obtained if:

- i. the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised;
- ii. the consolidated entity continues to comply with the conditions for deductibility imposed by the Law; and
- iii. no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deduction for the losses.
- iv. overseas tax losses do not include a possible allowance for capital, exploration and evaluation expenditure.

7 AUDITOR'S REMUNERATION

	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
Audit services:				
Auditors of the Company – KPMG	63,623	58,865	22,924	30,163
Other services:				
Auditors of the Company – KPMG	12,758	-	-	-
	<u>76,381</u>	<u>58,865</u>	<u>22,924</u>	<u>30,163</u>

8 LOSS PER SHARE

- i. the basic loss per share for the year ended 30 June 2003 was \$0.015 (2002: \$0.023).
- ii. the weighted average number of ordinary shares on issue used in the calculation of basic earnings per share for the year ended 30 June 2003 was 63,387,898 (2002: 51,649,831).

The Company's potential ordinary shares are not considered dilutive and accordingly diluted earnings per share is the same as basic earnings per share.

9 CASH ASSETS

	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
Current				
Cash at bank	479,572	546,912	54,004	281,340
Bank commercial bills	-	1,154,749	-	1,154,749
	<u>479,572</u>	<u>1,701,661</u>	<u>54,004</u>	<u>1,436,089</u>

10 RECEIVABLES

Current				
Other debtors	<u>79,156</u>	<u>128,550</u>	<u>15,459</u>	<u>59,879</u>
Non-Current				
Loans to controlled entities	-	-	8,743,802	5,791,834
Provision for non-recovery of loan	-	-	(1,978,339)	(1,423,611)
	<u>-</u>	<u>-</u>	<u>6,765,463</u>	<u>4,368,223</u>

The ultimate recoverability of loans to controlled entities is dependent upon successful development and commercial exploitation or alternatively, the sale of respective areas of interest held by those controlled entities.

Loans to controlled entities are subordinated against the trade creditors of the controlled entities.

11 INVENTORIES

Current				
Diamonds – at valuation	<u>-</u>	<u>1,991</u>	<u>-</u>	<u>-</u>

The diamond inventory has been valued at estimated market values prevailing at year end for unpolished diamonds.

12 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
Non-Current				
Exploration plant and equipment – at cost	1,556,148	1,360,063	16,725	13,621
Accumulated depreciation	(26,996)	(10,500)	(4,625)	(2,686)
	<u>1,529,152</u>	<u>1,349,563</u>	<u>12,100</u>	<u>10,935</u>

Reconciliation

A reconciliation of the carrying amounts for each class of property, plant and equipment is set out below.

	CONSOLIDATED	THE COMPANY
	2003	2003
	\$	\$
Exploration plant and equipment		
Carrying amount at the beginning of year	1,349,563	10,935
Additions	223,749	7,698
Disposals	(29,563)	(3,216)
Depreciation	(14,597)	(3,317)
Carrying amount at the end of year	<u>1,529,152</u>	<u>12,100</u>

13 EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
Costs carried forward in respect of areas of interest in the exploration and/or evaluation phase	<u>5,214,728</u>	<u>2,948,076</u>	-	-

Reconciliation

A reconciliation of the carried forward amount is set out below.

Carrying amount at the beginning of the year	2,948,076	1,419,401	-	-
Expenditure during the period	2,912,124	1,528,675	-	-
Exploration acquired through the issue of shares	26,000	-	-	-
Revenue from the sale of rough diamonds recovered from exploration activities	(671,473)	-	-	-
Carrying amount at the end of the year	<u>5,214,728</u>	<u>2,948,076</u>	-	-

The ultimate recovery of mineral exploration expenditure carried forward is primarily dependent upon successful development and commercial exploitation or, alternatively, the sale of the respective areas of interest.

14 PAYABLES

Current				
Trade creditors and accruals	<u>560,165</u>	<u>313,133</u>	<u>160,797</u>	<u>79,312</u>

15 PROVISIONS

Current				
Employee benefits	<u>56,214</u>	<u>20,894</u>	-	-

16 CONTRIBUTED EQUITY

	CONSOLIDATED 2003 \$	THE COMPANY 2002 \$
(a) Issued and paid up capital		
80,681,526 (2002: 56,590,227) ordinary fully paid shares	10,649,434	8,802,062

	2003		2002	
	NO OF SHARES	\$	NO OF SHARES	\$
(b) Movement in issued capital				
Balance at beginning of financial year	56,590,227	8,802,062	50,719,694	7,503,100
Issue of ordinary shares at 13 cents per share (i)	200,000	26,000	-	-
Issue of ordinary shares at 10 cents per share	8,250,000	825,000	-	-
Issue of ordinary shares at 7 cents per share	9,750,000	682,500	-	-
Issue of ordinary shares at 7 cents per share (ii)	5,891,299	412,391		
Issue of ordinary shares at 25 cents per share	-	-	4,517,282	1,129,320
Exercise of options to ordinary shares at 25 cents per share	-	-	72,399	18,100
Exercise of options to ordinary shares at 30 cents per share	-	-	80,852	24,267
Issue of ordinary shares to employees	-	-	300,000	42,000
Issue of ordinary shares for services	-	-	900,000	198,000
Share issue expenses	-	(98,519)	-	(112,725)
	<u>80,681,526</u>	<u>10,649,434</u>	<u>56,590,227</u>	<u>8,802,062</u>

(i) Issue of ordinary shares pursuant to a Waiver and Termination Agreement for the acquisition of exploration interests

(ii) Conversion of loan funds (including interest) to equity in accordance with Memoranda of Loans

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

(c) Options over shares

EXERCISE PRICE		THE COMPANY 2003		THE COMPANY 2002	
		NO. OF OPTIONS	EXERCISE PRICE \$	NO. OF OPTIONS	EXERCISE PRICE \$
On or before 31 July 2003	(i)	25,592,667	0.40	24,592,667	0.40
On or before 31 December 2004		830,000	0.25	830,000	0.25
On or before 31 December 2005	(ii)	990,000	0.15	-	-

(d) Movement in options over shares

The following options over ordinary shares were issued during the year:

- (i) Pursuant to a resolution passed by shareholders on 31 July 2002, 1,000,000 options expiring 31 July 2003 exercisable at 40 cents each were issued to Mr P. Danchin.
- (ii) Pursuant to the Company's Employee Option Plan, the Company issued 990,000 unlisted options during the period expiring 31 December 2005 to various employees and contractors for nil consideration. The options were issued effective from 1 January 2003 and the exercisable interest of such options is subject to a period of continuous employment or engagement with the Company.

All 31 July 2003 options lapsed subsequent to period end.

17 ACCUMULATED LOSSES

	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
Accumulated losses at the beginning of the year	(3,050,943)	(1,846,908)	(3,050,943)	(1,846,908)
Net loss	(956,957)	(1,204,035)	(956,957)	(1,204,035)
Accumulated losses at the end of the year	(4,007,900)	(3,050,943)	(4,007,900)	(3,050,943)

18 RESERVES

Option premium reserve	44,695	44,695	44,695	44,695
Movements during the year				
Balance at beginning of year	44,695	-	44,695	-
Issue 4,469,457 options at 1 cent each	-	44,695	-	44,695
Balance at end of year	44,695	44,695	44,695	44,695

19 PARTICULARS IN RELATION TO CONTROLLED ENTITIES

NAME	COUNTRY OF INCORPORATION	INTEREST	
		2003	2002
Parent entity			
Namakwa Diamond Company NL			
Controlled entities			
Namakwa Investment Holdings (SA) (Pty) Ltd	South Africa	100%	100%
Rency (Pty) Ltd	South Africa	100%	100%
Geelwal Karoo Diamante (Pty) Ltd	South Africa	100%	100%
Namakwa West Coast Holdings (Pty) Ltd (formally Rietfontein Diamond Exploration Co (Pty) Ltd)	South Africa	100%	100%
NDC Mining Company (Pty) Ltd	South Africa	100%	100%

20 RELATED PARTY DISCLOSURES**(a) Directors**

The names of persons who held office as directors of Namakwa Diamond Company NL during the year were:

Karl M Simich
John LG Firth
Peter D Danchin
John R Hutton

(b) Related Party Transactions**Transactions with controlled entities**

A loan totalling \$8,743,802 (2002: \$5,791,834) represents funds remitted to Namakwa Investment Holdings (SA) (Pty) Ltd for the acquisition of mining leases and to meet exploration, evaluation, development and administration costs in South Africa. The loan is unsecured and interest free.

A charge totalling \$329,246 (2002: \$615,150) represents a management fee charged to Namakwa Investment Holdings (SA) (Pty) Ltd by the parent entity for the provision of management, administration and financial services by the parent entity.

Transactions with directors and director-related entities

Mr Simich is a director associated with Resource Development Company Pty Ltd ("RDC") at one time or another during the course of the reporting period. During the year an amount of \$180,000 (2002: \$180,000) was charged to the accounts of the Company relating to services provided by Mr Simich. The Company also charged in the accounts an amount of \$91,145 (2002: \$90,779) relating to services provided by RDC, including general corporate, financial, accounting, secretarial, management services and office accommodation and outgoings and the utilisation of five employees of RDC by the Company during the period.

Mr Firth, a director of the Company, is the principal of Firth International (Pty) Ltd. Firth International received \$95,438 (2002: \$35,855) being payment for the rent of office plant, facilities and equipment and \$57,263 (2002: \$117,120) for directors remuneration for the year ended 30 June 2003 in respect to Mr Firth.

(c) Transactions of Directors and Director Related Entities Concerning Shares and Share Options

Aggregate numbers of shares and share options of the Company acquired and disposed of by directors and their director-related entities during the year were as follows:

	HOLDING 2002	ACQUIRED	DISPOSED	LAPSED	HOLDING 2003
Ordinary shares	11,311,915	2,651,283	250,000	-	13,713,198 [ⓐ]
Options over ordinary shares	5,764,868	2,587,481	-	-	8,352,349

[ⓐ]Includes 2,350,000 shares held by Kimberley Diamond Company NL of which Mr Simich and Mr Danchin are directors.

21 REMUNERATION OF DIRECTORS AND EXECUTIVES

	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
Total income received or due and receivable by all directors of the consolidated entity from the Company and related bodies corporate excluding fees paid to RDC. Refer Note 20(b).	139,794	193,610	105,436	159,716
			2003 \$	2002 \$

The number of directors of the Company whose remuneration from the Company or any related party falls within the followings bands excluding amounts paid to RDC.
Refer Note 20(b).

\$0 - \$9,999	1	2
\$20,000 - \$29,999	2	-
\$30,000 - \$39,999	-	1
\$50,000 - \$59,999	1	-
\$110,000 - \$119,999	-	1

No prescribed benefits were given to a person, or to a prescribed superannuation fund, in connection with the retirement of a person from a prescribed office in relation to the Company in the consolidated entity during the financial period.

	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$

22 COMMITMENTS FOR EXPENDITURE**(a) Mineral Tenement Leases**

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to outlay annual prospecting fees. These commitments are subject to re-negotiation upon expiry of the prospecting permits. These commitments are not provided for on the financial statements and are payable:

not later than 1 year	6,144	3,615	-	-
later than 1 year but not later than 2 years	5,922	1,485	-	-
later than 2 years but not later than 5 years	-	1,485	-	-
	<u>12,066</u>	<u>6,585</u>	-	-

The commitment for this expenditure reduces if the tenements are relinquished by the consolidated entity.

(b) Capital Expenditure Commitments

Plant and Equipment	-	218,611	-	-
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	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
23 NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of Cash				
For the purpose of the Statements of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call net of outstanding bank overdraft. Cash as at the end of the financial period as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:				
Cash	479,572	1,701,661	54,004	1,436,089
(b) Reconciliation of loss from ordinary activities to net cash outflow from operating activities				
Loss from ordinary activities	(956,957)	(1,204,036)	(956,957)	(1,204,035)
Adjusted for:				
(i) Non-cash items				
Shares issued in lieu of services	-	240,000	-	240,000
Shares issued in lieu of interest	12,391	-	12,391	-
Amounts set aside for provisions	35,320	20,894	-	-
Provision for non-recovery of loan to subsidiary	-	-	554,728	846,568
Loans written-off	5,545	-	5,545	-
Management fee	-	-	(329,246)	(615,150)
Depreciation	3,317	8,003	3,317	2,686
(ii) Changing in operating assets and liabilities				
(Increase)/decrease in inventories	1,991	146,860	-	-
(Increase)/decrease in receivables	49,394	82,184	44,420	78,166
Increase/(decrease) in creditors	247,032	(436,578)	81,485	(332,902)
Net cash outflow from operating activities	(601,967)	(1,142,673)	(584,317)	(984,667)
(c) Non-cash investing and financing activities				
(i) Loans and accrued interest totalling \$412,391 were converted at the election of the lender to ordinary fully paid shares in the Company during the period under the Memorandum of Loan Agreement.				
(ii) 200,000 ordinary fully paid shares with a market value of \$26,000 were issued during the period pursuant to a Waiver and Termination Agreement for the acquisition of exploration interests.				

24 EMPLOYEE BENEFITS

	Note	CONSOLIDATED		THE COMPANY	
		2003 \$	2002 \$	2003 \$	2002 \$
Aggregate liability for employee benefits, including on-costs:					
Current	15	56,214	20,894	-	-
Assumed rate of increase in wage and salary rates		3%	3%	3%	3%
Number of employees at year end		33	21	-	-

Equity-based plans**Employee Share Option Plan**

The Company has an employee share option plan approved at the annual general meeting on 31 October 2001.

The plan can be used at the discretion of the Board to provide incentives to employees, contractors, directors and others that fit within the definitions of the plan.

Each option is convertible to one ordinary share. The exercise price of the options is based on a premium above the market price of the underlying ordinary shares. All options expire three years from their date of issue and vest in four equal instalments based on the period of continuous employment or engagement with the Company. Options are issued for no consideration.

There are no voting or dividend rights attached to the options. Voting rights will be attached to the issued ordinary shares when the options have been exercised.

Summary of options over unissued ordinary shares

Details of options over unissued ordinary shares under the Company's employee share option plan during the year are set out below:

Consolidated and Company 2003

Effective Grant date	Exercise date on or after	Expiry date	Exercise price \$	Number of options at beginning of year	Options granted	Number of options at end of year	
						On issue	Vested
1 January 2003	1 July 2003(i)	31 December 2005	0.15	-	990,000	990,000	-
1 January 2002	1 July 2002(i)	31 December 2004	0.25	830,000	-	830,000	415,000
				830,000	990,000	1,820,000	415,000

Consolidated and Company 2002

Effective Grant date	Exercise date on or after	Expiry date	Exercise price \$	Number of options at beginning of year	Options granted	Number of options at end of year	
						On issue	Vested
1 January 2002	1 July 2002(i)	31 December 2004	0.25	-	830,000	830,000	-
				-	830,000	830,000	-

(i) Under the terms of employee options, options become exercisable in 25% lots at the end of each six month period of service. The exercise date shown represents the first exercisable interest date of the options granted. The balance of options granted remains vested.

No amounts have been recognised in the financial statements of the Company and consolidated entity in relation to employee share options.

25 FINANCIAL INSTRUMENTS**(a) Interest rate**

The Company's exposure to interest rate risk is considered minimal. The only financial asset and liability subject to fluctuations in interest rates is the cash balance. The weighted average interest rate for cash is a floating rate of 8.54% (2002: 4.50%).

(b) Net fair values

The aggregate net fair value of financial assets and financial liabilities, both recognised and unrecognised, at balance date, are as follows:

	Total carrying amount 2003 \$	Aggregate net fair value (*) 2003 \$	Total carrying amount 2002 \$	Aggregate net fair value (*) 2002 \$
Financial assets				
Cash	479,572	479,572	1,701,661	1,701,661
Receivables	79,156	79,156	128,550	128,550
Total financial assets	558,728	558,728	1,830,211	1,830,211
Financial liabilities				
Payables	560,165	560,165	313,133	313,133
Employee benefits	56,214	56,214	20,894	20,894
Total financial liabilities	616,379	616,379	334,027	334,027

(*) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Cash and cash equivalents: the carrying amount approximates fair value because of their short-term maturity

Receivables and payables: the carrying amount approximates fair value

Employee benefits: the carrying amount approximates fair value

(c) Credit risk exposures

The consolidated entity's maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in Note 25(b).

In the opinion of the directors of Namakwa Diamond Company NL:

- (a) the financial statements and notes, set out on pages 28 to 46 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with the Accounting Standards and the Corporations Regulations; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at West Perth this 30th day of September 2003.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'Karl Simich', followed by a comma.

KARL SIMICH
DIRECTOR

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 both Namakwa Diamond Company NL (the "Company") and the Consolidated Entity, for the year ended 30 June 2003. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporation Act 2001*. This includes responsibility for the maintenance 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.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion, the financial report of Namakwa Diamond Company NL is in accordance with:

- a) the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2003 and of their performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

EMPHASIS OF MATTER**Inherent uncertainty regarding continuation as a going concern**

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1 (b), there is significant uncertainty whether the Company and the Consolidated Entity will be able to continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

TR HART
PARTNER

Perth
30 September 2003

Namakwa Diamond Company Corporate Directory

Board of Directors

Karl M Simich – Executive Chairman
John LG Firth – CEO (South Africa)
Peter D Danchin – Non-Executive Technical Director
Richard J Linnell – Non-Executive Director
John R Hutton – Non-Executive Director

Company Secretary

Jean Mathie

Australian Business Number

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SOUTH AFRICA 2146

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Namakwa Diamond Company



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