



Namakwa Diamond Company

Financial Report

For The Half-Year Ended 31 December 2002

Namakwa Diamond Company NL

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The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2002 and the auditors' review report thereon.

DIRECTORS

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

<i>Name</i>	<i>Period of directorship</i>
Mr Karl Matthew Simich - Chairman	Director since 1999
Mr John Ralston Hutton	Director since 1999
Mr John Leask Gates Firth	Director since 1999
Mr Peter Danchin	Director since 2001

REVIEW OF OPERATIONS

Summary

Namakwa commenced bulk sampling at Trench site R17, after its 30tph DMS plant was commissioned in May 2002. Namakwa's operations in the half year to December 2002 were solely focussed on the completion to two additional bulk sampling trenches and the initiation by year's end of the fourth bulk sampling trench. Trench R17 had been completed in the first half of 2002.

Bulk sampling commenced on trench GDT07, which is also located on PP26/2000, Graauwduinen. This trench has proceeded in multiple phases, with an initial 60m sample footprint. In the September 2002 quarter, trench GDT04(b) was excavated, sampled, backfilled and rehabilitated. Trench GDT04(b) is located on PP26/2000, Graauwduinen. This trench did not locate target gravel.

Modification to the plant DMS and scrubber circuits has occurred to improve recoveries and through-put production rates. The plant is performing to expectation and recoveries to stone sizes as low as 0.03 carats are routinely achieved. Plant capacity is in excess of 50 tph (tonnes per hour).

Namakwa has completed all rehabilitation work required by the regulatory authorities, prior to the commencement of its bulk sampling program as well as ongoing co-incident rehabilitation in this bulk sampling phase. These works encompassed the reshaping of ten previously sampled sites, excavated by the vendors of Namakwa's tenements in previous activity. Each site has been restored to its natural contoured shape, has had topsoil emplaced and shade netting erected as windbreaks. In a number of cases an experimental plant transplantation program has been undertaken onto rehabilitation sites, with excellent results. These methods have been extended to Namakwa's bulk sample sites namely Trench R17 and GDT04(b). Namakwa's rehabilitation performance has been audited by independent consultants and the results over this winter's growing season have been outstanding.

Sampling in Trench GDT07 has been completed and results have been released to the ASX in announcements throughout the period from June 2002 to December 2002. The grades of these have been very encouraging. Namakwa's policy is to release ongoing results continuously as these are verified and additional results will be released as soon they become available.

Since bulk sampling commenced a total of 13,560 diamonds weighing 1,325 carats have been recovered from bulk sampling operations, as detailed below.

SAMPLE/TRENCH	CARATS	NUMBER OF DIAMONDS
GDT07	1,128.62	10,905
R17	54.79	552
GDT04	13.25	187
Other**	128.21	1,916
TOTAL	1,324.87	13,560

**Other includes:

- (1) Carats recovered from untreated samples not processed by the previous vendors (126.44 carats).
- (2) Carats recovered from plant and sort house clean up (1.47 carats).
- (3) Small volumes recovered from gravels unearthed during civils excavation (0.3 carats).

Trench GDT07

Trench GDT07 was sited on Graauwduinen 152 (northern most permit), in an area that was known to be mineralised seaward, but with unknown grade and stone size. In nearby exposure and in drilling, the target mineralisation was known to be a boulder to cobble gravel that defines the base of what is called the "Recent Emergent Terrace" (RET) or the Eemian age beach on the South African West Coast. This is a significant orebody at many localities northwards and southwards of Namakwa's prospects and at this locality a well exposed east-west trenching gully was thought to provide an excellent heavy mineral trap site. These are the "G" samples as indicated on Table 1 below.

With the excavation of trench GDT07, a basal gravel horizon (Older Boulder Facies ("OBF")) was intersected which contains exceptionally high grades. This horizon, which predates the Middle Package, lies directly under and is preserved beneath the Lower Package and extends further to the east, beneath overburden and the 30m package. These are the "F" and "FS" samples in Table 1 below. This is termed the Older Unit, and has two associated lithologies, the sand dominated "Older Sandy Facies", which overlies the basal OBF.

	7	6	5	4	3	2	1	0	8	9	10
BULK	6G	5G	4G	3G/3D	2D	1D	0D	8D	9D	10D	
BULK	6E	5E	4E	3E	2E	1E	0E	8E	9E	10E	
BULK	6F	5F	4F	3F	2F	1F	0F	8F	9F	10F	
BULK	*6FS	5FS	4FS	3FS	2FS	1FS	0FS	8S	9FS	10 FS	
WEST											EAST

Sampling positions and nomenclatures as developed in Trench GDT 07. "G" samples are the Recent Emergent Terrace. "F" and "FS" samples are the OBF. "E" samples are the Older Sandy Facies. Geological descriptions of each facies given below,

The newly identified horizon is the highest potential target on all three tenements. Its presence on both Graauwduinen and on Klipvley Karoo Kop confirmed, given the geology encountered in Trench R17 and results reported from the mini bulk sample undertaken by Namakwa in December 2000. After excavation of the overburden, the sampling slot was established in the centre-line of trench GDT07, approximately 60m long and 5m wide. Six sampling panels, numbered 1 to 6, delineate six sub samples, with 1 being the eastern-most and 6 being the western-most. Sampling then occurs vertically downwards in geologically significant horizons.

Two additional sample slots, also 60m long and 5m wide were developed southwards of the initial two sample slots. These were possible within the original design parameters of the sample trench given improved side wall stabilities and higher angles of response. In total, GDT07 thus has four sampling slots, each 60m long and approximately 5m wide. The geometry of this sampling trench was such that Namakwa was able to develop four further sampling panels to the east along the initial sampling slots. These are the samples labelled 0, 8, 9 and 10 in Table 1 above.

Each sample is processed separately. After each sample is processed the plant is flushed and washed down. During each sample, estimates of the efficiency of plant separation are made. These have repeatedly, without fail, recorded efficiencies of separation >95% at S.G. >2.80. Subsequent to formal sampling and geological mapping, any mineralised gravel available and extractable at trench bottom is removed, bulked and processed separately. These are the "7 Bulked" samples in Table 1 above. Such material is used to test plant recovery at relatively known stone size and approximate grade for quality assurance purposes.

Drilling

Subsequent to commencing trench GDT07, Namakwa commenced a tenement wide RC drilling program to confirm interpretations in approved bulk sampling sites as well as in other high priority locations. The objective of such work is to develop additional and alternative sampling sites as well as leading to a resource estimate. By quarter end 5164m of RC drilling had been completed, focussing on Liebenberg Bay (on PP 19/2000) and Langstrand (on PP 26/2000). This drilling has demonstrated the geological continuity of both the RET and OBF gravel horizons in both these areas.

Plant

By year end an additional de-sanding circuit, cyclone and conveyor circuit had been successfully installed and commissioned on the HMS plant, up-rating its capacity to in excess of 50tph.

Results – Trench GDT07

Table 2
Progressive And Cumulative Grades For Target Gravel Horizons
From Trench GDT07 On Graauwduinen

GEOLOGY	SG	VOLUME (bcm)	GEOLOGICAL TONNES**	MINERALISED THICKNESS (m)	TOTAL CARATS	GEOLOGICAL GRADE (cpht)	LARGEST STONE (cts)	OVERBURDEN THICKNESS (m)*
Recent emergent terrace	2.05	471	965	0.99	213.09	22.08	3.64	4.7
30 M package	2	140	280	0.98	1.81	0.65	0.26	2.0
Older sand facies	2	1367	2733	0.91	61.89	2.26	1.87	7.5
Older boulder facies	2	1272	2543	0.93	467.79	18.39	14.89	7.8
Bulked***	2	1461	2922	2.69	384.04	13.14	4.06	5.3
ALL SAMPLES		4710	9444		1128.62			

*Overburden thickness – average thickness to surface above mineralised horizon.

**Geological tonnes – volumes measured by survey, SG by weigh bridge.

***Includes D, E, F and G horizons and internal waste, sampled as separate slot.

Results achieved per gravel horizon are reported in Table 2 (above) Sampling results are presented here as recalculated into in-situ grade. Individual sample results have been released to the ASX. Volumes are measured by independent survey. Specific gravities are measured in bulk, per potential ore horizon, by weigh bridge. The progressive and cumulative results reported to the ASX for the two significant gravel horizons are recalculated, in situ geological grades, based on measured diamond recoveries through the sampling plant and measured volumes and specific gravities. Each sample has been treated separately and diamond recovery is effected by heavy media separation (HMS). HMS concentrate is passed through an X-ray Flow Sort machine, which effects a separation of material fluorescent to x-rays, which includes diamonds.

To December 2002 the DMS had processed 9,138 scrubber tonnes, recovered 1,128 carats and 10,905 diamonds from Trench GDT 07. Calculated in situ grades in the RET are 22.08 cpht, 18.39 cpht in the OBF and "Bulked": samples, where both these gravel horizons and the intervening inter-bedded sand are treated together is 13.14 cpht (carats per hundred tonnes),

Since bulk sampling commenced a total of 13,560 diamonds, weighing 1,325 carats have been recovered from bulk sampling operations.

Trenching has commenced at site KKT05R, in the Liebenberg Bay area targeting the RET and Older Facies gravels and the first results are expected towards the end of the March 2003 quarter.

Resource Statement

Since the half-year end the Company has announced its initial Resource Statement of 2,490,400 tonnes at an average grade of 15.82 cpht, containing an estimated 393,000 carats of diamonds.

The resource blocks are located at Langstrand and Liebenberg Bay and comprise only 1.34 percent of the 49 km² surface extent of its three South African tenements.

Global Resource Statement

For The Recent Emergent Terrace (RET) And Older Unit (OU) Gravels On The Farms Klipvley Karoo Kop 153 And Graauwduinen 152

Area	Vol (m ³)	RET			OU			Carats	Carats
		Mass (t)	Grade (cpht)	Carats	Vol (m ³)	Mass (t)	Grade (cpht)		
Liebenberg Bay	105,400	210,800	9.3	19,604	461,700	923,400	8.9	82,183	101,787
Langstrand	130,000	260,000	19.2	49,920	548,100	1,096,200	22.1	242,260	292,180
Total	235,400	470,800	14.8	69,524	1,009,800	2,019,600	16.1	324,443	393,967

CORPORATE

During the reporting period the Company made a cash payment of South African Rand 200,000 (approximately A\$36,000) and issued 200,000 ordinary fully paid shares pursuant to the terms and conditions of a Waiver and Termination Agreement between the Company and certain parties to take 100 percent control over tenement PP25/2000 which, inter alia, extinguished an option exercise price of South African Rand 8 million (approximately A\$1,439,000) relating to the acquisition of that tenement.

During the reporting period, the Company issued 8.25 million ordinary fully paid shares at 10 cents each. The issue was fully subscribed and raised A\$825,000. Details of the issue were fully documented in a prospectus dated 25 November 2002.

At the Company's Annual General Meeting held on 28 November 2002, Mr John Firth and Mr John Hutton were re-elected as directors of the Company.

Signed in accordance with a resolution of the directors.

Dated at West Perth this 12th day of March 2003



KARL M SIMICH
CHAIRMAN

STATEMENT OF FINANCIAL PERFORMANCE
For the half-year ended 31 December 2002

	<i>Note</i>	<i>Consolidated</i>	
		<i>2002</i>	<i>2001</i>
		\$	\$
Revenue from sales of goods		2,501	-
Other revenue from ordinary activities		23,568	127,232
Total revenue		<u>26,069</u>	<u>127,232</u>
			-
Administration, corporate, overhead and indirect expenditure		(421,828)	(669,590)
Other expenses from ordinary activities		(46,199)	(154,822)
Loss from ordinary activities before related income tax expense		<u>(441,958)</u>	<u>(697,180)</u>
Income tax expense attributable to ordinary activities		-	-
Net loss after income tax expense	3	<u>(441,958)</u>	<u>(697,180)</u>
Basic loss per share		<u>(0.01)</u>	<u>(0.01)</u>

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

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

STATEMENT OF FINANCIAL POSITION
For the half-year ended 31 December 2002

	<i>Note</i>	<i>Consolidated</i>	
		<i>31 December 2002</i>	<i>30 June 2002</i>
		<i>\$</i>	<i>\$</i>
Current Assets			
Cash Assets		490,388	1,701,661
Receivables		79,380	128,550
Inventories		-	1,991
Total Current Assets		<u>569,768</u>	<u>1,832,202</u>
Non Current Assets			
Property, plant and equipment		1,518,194	1,349,563
Exploration and evaluation expenditure		4,349,139	2,948,076
Total Non Current Assets		<u>5,867,333</u>	<u>4,297,639</u>
Total Assets		<u>6,437,101</u>	<u>6,129,841</u>
Current Liabilities			
Accounts payable		264,129	313,133
Provisions		28,993	20,894
Total Current Liabilities		<u>293,122</u>	<u>334,027</u>
Total Liabilities		<u>293,122</u>	<u>334,027</u>
Net Assets		<u>6,143,979</u>	<u>5,795,814</u>
Equity			
Contributed Equity	2	9,592,185	8,802,062
Reserves		44,695	44,695
Accumulated losses	3	(3,492,901)	(3,050,943)
Total Equity		<u>6,143,979</u>	<u>5,795,814</u>

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

STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2002

	Note	Consolidated	
		2002 \$	2001 \$
Cash flows from operating activities			
Cash receipts in the course of operations		2,501	-
Cash payments in course of operations		(391,301)	(1,007,275)
Interest received		14,469	127,232
Net cash outflow from operating activities		<u>(374,331)</u>	<u>(880,043)</u>
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(1,401,063)	(634,292)
Payments for property, plant and equipment		(209,100)	(801,990)
Proceeds from sale of property, plant and equipment		9,099	-
Net cash outflow from investing activities		<u>(1,601,064)</u>	<u>(1,436,282)</u>
Cash flows from financing activities			
Proceeds from issues of shares		825,000	18,100
Payments for share issue expenses		(60,878)	(30,000)
Repayment of borrowings		-	(1,350,000)
Loan to director related entity		-	(1,700,000)
Repayment of loan from director related entity		-	1,700,000
Net cash inflow / (outflow) from financing activities		<u>764,122</u>	<u>(1,361,900)</u>
Net decrease in cash held		(1,211,273)	(3,678,225)
Cash at the beginning of the year		<u>1,701,661</u>	<u>5,693,782</u>
Cash at the end of the year		<u><u>490,388</u></u>	<u><u>2,015,557</u></u>

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

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of half-year financial report

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029 *Interim Financial Reporting*, the recognition and measurement requirements of applicable AASB standards other authoritative pronouncements of the Australian Standards Board and Urgent Issues Group consensus views. This half-year financial report is to be read in conjunction with the 30 June 2002 Annual Financial Report and any public announcements by Namakwa Diamond Company NL and its controlled entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets. The accounting policies adopted are consistent with those applied in the 30 June 2002 Annual Financial Report.

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

(b) Financial position

The financial report has been prepared on the going concern basis. For the half-year ended 31 December 2002, the consolidated entity recorded a loss of \$441,958. At 31 December 2002 the consolidated entity had a net working capital surplus of \$276,646, compared to \$1,498,175 as at 31 December 2002.

The reported loss and negative cash flow for the half-year and the net position at 31 December 2002 have been affected by:

- continuing the scheduled exploration and evaluation programme on the West Coast of South Africa;
- maintaining the Company's South African administrative office in Johannesburg;
- expenditure associated with plant modifications and additional commissioning costs 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 requirements. The Board is evaluating and negotiating sources of finance to meet the Company's known commitments and provide working capital for the next twelve months. Known sources of funds and scenarios being considered by the Board include:

- sales revenue from diamonds recovered from bulk sampling;
- the directors are currently in negotiations with respect to a number of funding alternatives including equity, debt and a combination of both.

The directors are confident of raising funds when necessary to meet the Company's obligations as and when they fall due.

In the event that the Company is unable to realise sufficient funds from any or all of the scenarios noted above or from other sources not explicitly noted above, the Company may not be able to pay its debts as and when they fall due in which circumstances 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 its Statement of Financial Position.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2002

	<i>Consolidated</i>	
	<i>31 December 2002</i>	<i>30 June 2002</i>
	\$	\$

NOTE 2 CONTRIBUTED EQUITY

Issued and paid up Capital		
65,040,227 (June 2002: 56,950,227) ordinary fully paid shares	9,592,185	8,802,062

On 23 August 2002, 200,000 ordinary fully paid shares were issued pursuant to the terms and conditions of Waiver and Termination Agreement between the Company and certain parties in respect to one of the Company's mineral licences in South Africa.

On 16 December 2002 a total of 8,250,000 ordinary shares were issued at 10 cents per share which raised \$825,000. Share issue expenses totalling \$60,878 during the period were netted off against this amount.

During the six months ended 31 December 2002, the following options were granted:

- 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.

No options expired or were exercised during the half-year.

	<i>Consolidated</i>	
	<i>31 December 2002</i>	<i>31 December 2001</i>
	\$	\$
NOTE 3 ACCUMULATED LOSSES		
Accumulated losses at the beginning of the half-year	(3,050,943)	(1,846,908)
Net loss	(441,958)	(697,180)
Accumulated losses at the end of the half-year	<u>(3,492,901)</u>	<u>(2,544,088)</u>

NOTE 4 SEGMENT REPORTING

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

DIRECTORS' DECLARATION
For the half-year ended 31 December 2002

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

1. the financial statements and notes set out on pages 5 to 9 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2002 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.



KARL M SIMICH
CHAIRMAN

Dated at West Perth this 12th day of March 2003

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
For the half-year ended 31 December 2002



Independent review report to the members of Namakwa Diamond Company NL

Scope

We have reviewed the financial report of Namakwa Diamond Company NL for the half-year ended 31 December 2002, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 4 and the directors' declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of Company personnel and analytical procedures applied to the financial data. Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

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

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2002 and of its performance for the half-year ended on that date; and
 - ii. complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the statement 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 consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.


KPMG



A M KITCHEN
Partner

Perth
12 March 2003

