



FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2001

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The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2001 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	Appointed 1 November 2001

REVIEW OF OPERATIONS

OPERATIONS

Extensive exploration and evaluation activities took place during the six months with the intention of the Company to commence a bulk sampling programme early in the 2002 year. Significant drilling was undertaken during the September 2001 quarter with 80% of drill holes intersecting marine gravels.

Construction of a DMS plant was completed in Australia and shipped to South Africa in December 2001. A diamond recovery unit has been designed and construction commenced in South Africa in December 2001. The DMS plant and ancillary equipment is expected to be commissioned in early 2002. The design of the plant layout including all civil work and the slimes disposal system was completed during the last quarter of the reporting period.

The bulk sampling programme will involve the excavation of seven trenches, which are expected to yield approximately 50,000 to 70,000 tonnes of gravel for processing. One 80 metre trench on Kiple Karoo Kop has been pre-stripped and will deliver a 7,000 tonne bulk sample from Liebensbergs Bay, which can be treated immediately once the DMS plant is commissioned.

The necessary environmental and other regulatory submissions have been completed and lodged with the appropriate government authorities and all approvals are expected to be obtained in early 2002.

The first quarter of 2002 will be a milestone for the Company with the arrival and installation of the DMS plant and the subsequent commencement of bulk sampling.

CORPORATE

Majestic Resources NL ("Majestic") requested the Company to cancel a Buy Back Agreement in relation to Namakwa buying back and cancelling the 9 million shares Majestic owned in the company for a price of 23 cents per share. On 12 October 2001, Majestic sold its entire stock holding in the Company. The clients of certain stockbrokers based in Perth, Adelaide and Sydney acquired the shares and the line of stock was transacted at an average price of 11.2 cents per share. Pursuant to the cancellation and Majestic selling its shares on the market, all parties mutually released and discharged one another from all claims. Importantly, this arrangement preserved \$2.0 million that the Company had reserved for the buy back transaction.

During the reporting period the September 2001 options expired. On 7 December 2001 the Company lodged a prospectus with the Australian Securities and Investment Commission for the offer of up to 4,469,457 2003 Options to expired 2001 option holders on the basis of one 2003 Option at one cent each for every one expired 2001 Option held to raise up to \$44,695. All securities that were subject to the prospectus were allotted.



DIRECTORS' REPORT
For the half-year ended 31 December 2001

Mr Peter Danchin was appointed to the Board on 1 November 2001. 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 new project generation. Mr Danchin was the immediate past Managing Director - Group Operations with Trans Hex Limited.

Dated at West Perth this 11th day of March 2002

Signed in accordance with a resolution of the directors

KARL M SIMICH
CHAIRMAN

STATEMENT OF FINANCIAL PERFORMANCE
For the half-year ended 31 December 2001

	<i>Note</i>	<i>Consolidated</i>	
		<i>2001</i>	<i>2000</i>
		<i>\$</i>	<i>\$</i>
Other revenue from ordinary activities		127,232	8
Administration expenses		(669,590)	(17,021)
Other expenses from ordinary activities		(154,822)	-
Loss from ordinary activities before related income tax expense		<u>(697,180)</u>	<u>(17,013)</u>
Income tax attributable to ordinary activities		-	-
Net loss	3	<u>(697,180)</u>	<u>(17,013)</u>
Basic loss per share (\$)		<u>(0.01)</u>	<u>-</u>

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 2001

		<i>Consolidated</i>	
		<i>31 December</i>	<i>30 June</i>
	<i>Note</i>	<i>2001</i>	<i>2001</i>
		<i>\$</i>	<i>\$</i>
Current Assets			
Cash Assets		2,015,557	5,693,782
Receivables		199,472	210,734
Inventories		99,527	148,851
Total Current Assets		<u>2,314,556</u>	<u>6,053,367</u>
Non Current Assets			
Property, plant and equipment		1,092,544	288,057
Exploration and evaluation expenditure		2,053,693	1,419,401
Total Non Current Assets		<u>3,146,237</u>	<u>1,707,458</u>
Total Assets		<u>5,460,793</u>	<u>7,760,825</u>
Current Liabilities			
Accounts payable		471,681	754,633
Borrowings		-	1,350,000
Total Current Liabilities		<u>471,681</u>	<u>2,104,633</u>
Total Liabilities		<u>471,681</u>	<u>2,104,633</u>
Net Assets		<u>4,989,112</u>	<u>5,656,192</u>
Equity			
Contributed Equity	2	7,533,200	7,503,100
Accumulated losses	3	(2,544,088)	(1,846,908)
Total Equity		<u>4,989,112</u>	<u>5,656,192</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 2001

	<i>Note</i>	<i>Consolidated</i> 2001 \$	2000 \$
Cash flows from operating activities			
Cash payments in course of operations		(1,007,275)	(107,720)
Interest received		127,232	8
Net cash outflow from operating activities		<u>(880,043)</u>	<u>(107,712)</u>
Cash flows from investing activities			
Payments for property plant and equipment		(801,990)	(195,710)
Payments for exploration and evaluation expenditure		(634,292)	(940,621)
Net cash outflow from investing activities		<u>(1,436,282)</u>	<u>(1,136,331)</u>
Cash flows from financing activities			
Proceeds from issues of shares		18,100	482,660
Payments for share issue expenses		(30,000)	(25,000)
Proceeds/ (repayment) convertible note from related entity		(1,350,000)	1,051,878
Proceeds from loan from related entity		1,700,000	-
Repayment of loan from related entity		(1,700,000)	-
Net cash inflow/(outflow) from financing activities		<u>(1,361,900)</u>	<u>1,509,538</u>
Net increase/ (decrease) in cash held		(3,678,225)	265,495
Cash at the beginning of the period		<u>5,693,782</u>	-
Cash at the end of the period		<u><u>2,015,557</u></u>	<u><u>265,495</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 2001 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 2001 Annual Financial Report.

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

(b) Reclassification of financial information

Some line items and sub-totals reported in previous reporting periods have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2001 of the revised standards AASB 1018 Statement of Financial Performance, AASB 1034 Financial Report Presentation and Disclosures and the new AASB 1040 Statement of Financial Position.

Adoption of these standards has resulted in the transfer of the reconciliation of the opening to closing accumulated losses from the face of the statement of financial performance to Note 3.

<i>Consolidated</i>	
<i>31 December</i>	<i>30 June</i>
<i>2001</i>	<i>2001</i>
\$	\$

NOTE 2 CONTRIBUTED EQUITY

Issued and Paid Up Capital		
51,092,094 (June 2001 : 50,719,694) ordinary fully paid shares	7,533,200	7,503,100

Additional share issue expenses totalling \$30,000 were incurred during the half-year that related to the Initial Public Offer.

4,541,856 Options with an exercise price of 25 cents expired 30 September 2001. Of these, 72,400 were exercised raising \$18,100.

On 15 November 2001 the Company issued 300,000 fully paid ordinary shares to specified individuals as full consideration for services provided to the Company with respect to the Namakwa Diamond Project. The issue was the result of Resolution 10 that was accepted by the Company's shareholders at the Annual General Meeting held 31 October 2001. These shares have been recognised at a fair value of 14 cents each and resulted in an increase of \$42,000 in contributed equity.

During the six months ended 31 December 2001, the following options were granted:

- 3,125,000 options expiring 31 July 2003 exercisable at 30 cents each if exercised on or before 31 March 2002 and 40 cents if exercised after 31 March 2002.
- 1,000,000 options expiring 31 July 2003 subject to shareholder approval;

- on 7 December 2001, the Company lodged a prospectus with the Australian Securities and Investment Commission for the offer of up to 4,469,457 Options expiring 31 July 2003. The offer was made to expired 2001 Option holders to raise \$44,695 on the basis of one 2003 Option at one cent each for every one expired 2001 Option held. These options were granted subsequent to balance date.

<i>Consolidated</i>	
<i>31 December</i>	<i>30 June</i>
<i>2001</i>	<i>2001</i>
\$	\$

NOTE 3 ACCUMULATED LOSSES

Accumulated losses at the beginning of the half year	(1,846,908)	-
Net Loss	(697,180)	(17,013)
Accumulated losses at the end of the half year	<u>(2,544,088)</u>	<u>(17,013)</u>

NOTE 4 SUBSEQUENT EVENTS

- On the 25 January 2002, the Company granted 4,469,459 July 2003 Options raising \$44,695. The issue was made pursuant to the Company's prospectus dated 7 December 2001.
- On the 8 February 2002, the directors of the company resolved to issue 900,000 fully paid ordinary shares of the company to NM Rothschild and Sons (Australia). Limited in full and final settlement of the company's outstanding obligations.

The financial effects on the above transactions have not been brought to account on the financial statements for the half year ended 31 December 2001.



DIRECTORS' DECLARATION
For the half-year ended 31 December 2001

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

1. the financial statements and notes set out on pages 3 to 7 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 2001 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.

Dated at West Perth this 11th day of March 2002

Signed in accordance with a resolution of directors

KARL M SIMICH
DIRECTOR



Independent review report to the members of Namakwa Diamond Company NL

Scope

We have reviewed the financial report of Namakwa Diamond Company NI, for the half-year ended 31 December 2001, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes and the directors' declaration set out on pages 3 to 8. 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 and statutory requirements in Australia 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 NI, 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 2001 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.

A M KITCHEN
Partner

Perth
11 March 2002

