Kimberley Diamonds Ltd (formerly Goodrich Resources Ltd)

ABN 95 150 737 563

Annual Report - 30 June 2013

Kimberley Diamonds Ltd
Annual report
30 June 2013

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Dear Shareholders

2013 has been a pivotal year for Kimberley Diamonds Ltd ("KDL" or "the Company"). Over the course of the year, KDL has undertaken a number of initiatives both at an operational and corporate level to ensure that the Company is well positioned for future growth.

Earlier this year, KDL acquired Kimberley Diamond Company ("KDC") from London Stock Exchange listed Gem Diamonds Limited ("Gem") and raised $5.6 million to fund the transaction. The acquisition of KDC transformed the Company from a junior exploration company into a substantial miner with extended operations, and one of three listed diamond producers on the Australian Securities Exchange.

At an executive management level, KDL sought out and appointed industry renowned professionals with exceptional business and operational acumen and expertise. The new leadership under Managing Director Lee-Anne de Bruin, Chief Financial Officer Stephen Wetherall, Chief Technical Officer Neil Kaner, General Manager Operations Nick Selby and Production Manager Gideon Scheepers, have collectively over eight decades of proven experience in diamond operations, marketing and business strategy.

Our first sales event since taking ownership of KDC, generated revenues 11% higher than previously forecast, demonstrating a 33% improvement on the 2012 recorded average price per carat.

KDC's acceptance into the Western Australian Department of Mines and Petroleum's Mining Rehabilitations Fund in June, allowed for the immediate retirement of the cash backed $12.2 million environmental bond and consequently, the early repayment of the $10.7 million loan to Gem for the full and final settlement of all amounts owing to KDL and Gem.

In addition, the Company has commenced a number of life-extending projects including exploration through bulk sampling and drill programs at E4 Satellite, E6 and E9 coarse tailings ("lites") stockpiles. We remain committed to unlocking value from the E4 pipe, and its extensive exploration and evaluation potential. Current mine plans estimate the life of the E9 and E4 pits to continue till 2021.

In July 2013, the Company acquired eDiamond Belgium BVBA ("eDiamond") from eDiamond International. This marketing operation complements the Group's established mining and production strengths, allowing us to maximise gains in every facet of our operations. As the Group's newest subsidiary, the facility will provide us with greater control over our distribution channels, focused on improved pricing structures and maximising gains.

The above initiatives are a testament to our commitment to extending the life of the Ellendale Diamond Mine. KDL has made considerable progress over the past year and we are increasingly confident about the Company's long term prospects.

At 30 June 2013, KDL had a cash position of $8.8 million. Positive cash flows from operations are projected for 2014. The business is well funded and free of debt. Our operations are performing strongly with exciting monthly sales results.

The Group continues to view diamonds as an undervalued segment within the mining sector. A number of mines are available for sale throughout the world at attractive fair value prices. This availability, combined with long-term supply-demand imbalances primarily driven by declining grades from major diamond suppliers, the absence of any new significant diamond projects scheduled for development in the medium to long-term and forecast increasing demand from emerging economies makes this segment particularly attractive for investment.

The share price reflects these efforts and achievements. In the 2013 financial year KDL's share price increased from 16 to 24 cents and subsequently peaked at 51.5 cents on 2 August 2013, delivering a return of 222% over the period.

Finally, I would like to extend the Board's appreciation of the dedication and commitment of our staff, management and shareholders for their invaluable support and contribution to the Company's growth and development over the last year.

Alex Alexander
Executive Chairman

24 September 2013

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Introduction

The 2013 financial year has been a defining one for KDL (together with its controlled entities "the Group"). The highlight of which, was the acquisition of a 100% interest in Kimberley Diamond Company NL ("KDC") and its Ellendale diamond mine from Gem Diamonds Limited (LSE: GEMD) in January 2013. Ellendale is situated 120km south east of Derby in the West Kimberley region of Western Australia. The Mine is renowned for its production of rare fancy yellow diamonds which approximate 10% of the overall production for the five months ending 30 June 2013. These rare fancy yellow diamonds, sold under an off- take agreement with Laurelton Diamonds Inc., the diamond sourcing and manufacturing subsidiary of global high-end jeweller Tiffany & Co., accounted for 87% of KDC's total revenue for the five months to June 2013.

The acquisition price for KDC comprised an up-front completion payment of $3.3 million, funded through a combination of debt and equity and the agreed repayment, out of cash flow from operations over 22 months, of an existing loan due by KDC to Gem of $11.2 million. KDC's acceptance in July 2013 into the Western Australian Department of Mines and Petroleum's ("DMP") Mining Rehabilitations Fund ("MRF") in July 2013, allowed for the immediate retirement of the cash backed $12.2 million Environmental Bond, paving the way for the early repayment of the loan to Gem with the balance reserved for use in the expansion of the Ellendale operation and on-going integrated rehabilitation works.

On the exploration side of our business, KDL continues to evaluate highly prospective diamond, copper and gold targets including both old or existing operations and greenfield opportunities.

Diamond Market

KDL's acquisition of KDC in February 2013, coincided with a period in the market characterised by positive price movements for both rough and polished diamond prices. Rough demand was buoyant as a result of expected shortages in rough supply and polished prices were trending positively on the back of year-end holiday season sales and better demand leading into the Chinese New Year. However, continued economic uncertainty during the year, compounded by low demand from emerging markets in the East, a weaker Indian Rupee and further tightening of liquidity by the diamond lending banks in the middle of the second quarter of 2013 and leading into the US and European summer holidays, has weighed on diamond market sentiment.

Traditionally, September is a strong month for rough diamond sales as jewellery manufacturers generally look to increase stocks ahead of Diwali and the holiday season. However, the continued supply of high priced rough into the market by the majors, coupled with the market and currency issues noted above, continues to adversely impact liquidity and profitability in the manufacturing sector, forcing many diamantaires in India (the world's largest diamond cutting and polishing centre) to reduce their rough purchases. As a result, it is anticipated that sentiment in the diamond market in the short term will remain one of caution.

The medium to long-term outlook on industry fundamentals remains very positive as the demand for diamonds is anticipated to significantly exceed supply. Projected diamond consumption fuelled by growing consumption in emerging markets is expected to significantly exceed diminishing supply from maturing mines with no new major mines in the pipeline.

Lee-Anne de Bruin
Managing Director

Kimberley Diamond Company and its Ellendale Mine

The Ellendale operation, currently KDL's single producing asset, has made a significant contribution to the Group's performance since its acquisition on 1 February, contributing net profit before tax of $4.9 million for the five months ending 30 June 2013.

Site Operations

Mining operations recommenced in March 2013 as normal following the wet season stand down. As of 30 June 2013, 1.6 million tonnes of ore have been mined along with 1.4 million tonnes of waste.

On 26 June 2013, mining was temporarily suspended due to safety precautions following a routine blast in the E9 open pit, which resulted in some slippage of the pit wall beneath the main access ramp. Based on initial analysis indicating that a toe buttress would sufficiently stabilise the failure, one was constructed during the months of July and August. Following on the results of further probe drilling of the ramp and continued geotechnical monitoring post construction, a decision was reached to raise the buttress to the ramp crest to directly support the ramp-slope. This work is currently in progress and is expected to be completed in November 2013. The E9 plant continues processing surface stockpiles.

Whilst the slope failure in the E9 Pit has presented some challenges to on-site management, the risk has been well mitigated with the availability of large volumes of above surface stockpiles, allowing for continuous crusher feed despite the temporary closure of the E9 Pit. An interim amendment to the existing mining and crusher feed contract has also been enacted to cover the load and haul of the above ground E9 stockpiles to the crushers. These works, along with mining and explosives contracts will be tendered to ensure the most competitive pricing is secured for when mining recommences.

The Ellendale E9 Plant has processed 1.6 million tonnes of ore, producing 58.7 thousand carats at an overall recovered grade of 3.65 cpht; 41% of the ore treated was derived from the E9 East Pit (generating on average 16% Tiffany Quality ("TQ") diamonds) and 59% from the E9 West pit (generating on average 9% TQ diamonds). Consistent upgrades have been made to the plant throughout the year resulting in improved plant reliability and availability. It is anticipated that these improvements could facilitate increases in the plant's throughput rates in 2014 of up to 15% on 2013 rates. Full credit goes to the plant operating team for the recent improvements.

Sales and Marketing

KDC recovers and sells the qualifying fancy yellow diamonds directly under an exclusive off-take agreement with Laurelton Diamonds, Inc. ("Laurelton"), the diamond sourcing and manufacturing subsidiary of global high-end jeweller Tiffany & Co. In October 2012 and prior to KDC's acquisition by KDL, the pricing policy for qualifying fancy yellow diamonds sold to Tiffany & Co was reviewed, and a new pricing floor to the existing indexed pricing mechanism was established.

The remainder of Ellendale's production during the period was sold through eDiamond. eDiamond International's independent online trading platform for rough diamonds, provides diamond producers with branded, stand-alone e-sales solutions, marketing support and fully managed e-sales and distribution capabilities. In July 2013, subsequent to the year end, KDC acquired the eDiamond Belgium BVBA operation. The acquisition of this business provides the Group with a marketing presence in Antwerp, Belgium (the traditional centre for diamond marketing throughout the world) as well as greater control over its distribution channels. The new Belgian subsidiary will have the ability to integrate eDiamond's established sales and marketing platform and capabilities into the Group's processes.

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Business review
Diamond operations
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Financial Performance (Non IFRS information)

	Unit	5 months to June 2013
Diamond sales	$'000	47,951
Cost of sales	$'000	37,444
Royalty and selling costs	$'000	3,007
Segment profit	$'000	4,870
Physicals		
Ore treated	'000 tonnes	1,611
Ore mined	'000 tonnes	1,599
Waste mined	'000 tonnes	1,425
Carats recovered	carats	58,785
Carats sold	carats	67,944
Per unit		
Average price per carat (rough)	$/carat	706
Average exchange rate	$	1.00
Direct cash cost (including waste) per tonne treated	$/tonne	$25.00
Direct cash cost (excluding waste) per tonne treated	$/tonne	$19.96
Operating cost per tonne treated	$/tonne	$21.82
Other operating information		
Waste capitalised	$'000	$8,133
Waste amortised	$'000	$2,576
Depreciation and mining asset amortised	$'000	$6,823
Capital expenditure	$'000	$1,247

Cost management has and will continue to be a key focus for KDC. Costs initiatives have been developed and adopted in order to ensure that the operation is able to preserve its operating margins. KDC's overall results are exposed to foreign currency movements against the US Dollar which impacts revenue and fuel prices.

Heath, Safety, Social and Environmental

The Ellendale operation remains fatality free since commencing operation. July 2013 marked 12 months of Lost Time Injury (LTI) free for the operation. Prior to the LTI in May 2012 the operation had enjoyed 32 months LTI free. KDC remains committed to the continued development and improvement of its site safety culture. During the last 5 months and for the upcoming 12 months KDC has set the following areas of focus:

1. Review and further develop KDC Safety Golden Rules.
2. Continue development of our lead indicators (audits, inspections and task observations).
3. Establish hazard awareness training.
4. Improve our incident investigation process through training.
5. Develop supervisor training.

Since its acquisition, Ellendale has recorded zero major environmental incidents and two significant safety incidents, which were duly reported to the relevant authorities with appropriate remedial actions implemented. Extensive focus has been dedicated over the last 12 months to improving the operation's rehabilitation and closure plan to ensure integrated and cost-effective rehabilitation plan could be implemented concurrently with mining activities.

Rehabilitation expenditure is focussed on reducing Ellendale's rehabilitation liability by undergoing progressive rehabilitation planning and earthworks at E4 and E9.

Copper-gold strategy

KDL's initial objective was to discover economic deposits of copper-gold within a premier metallogenic province, the NSW Macquarie Arc. The recent shift towards consolidation within the sector, however, provides a unique opportunity to acquire existing resources with reduced premiums above discovery cost, potentially offering short lead times to mining development. Accordingly, KDL has re-focused its efforts into its most promising exploration targets and, increasingly, towards identifying a suitable acquisition target.

Two exploration projects contain defined copper-gold resources and appear to offer the most potential for short-term discovery. Both projects are subject to farm-in agreements.

- The Lachlan gold deposit at Calarie, near Forbes, is a narrow high-grade lode gold deposit mined between 1896 and 1908. KDL's recent focus has been on determining if the high-grade lode continues downwards below the existing resource and old mine workings. Our first two holes, completed in July, confirm that the lode continues downwards as a south-plunging ore shoot. A second zone of high-grade mineralisation, intersected by a previous hole, is yet to be targeted. KDL intends to conduct additional drilling to scope out the likely size and grade potential of this deposit. Results will be announced in due course.

- The Yeoval copper-gold deposit at Yeoval, near Wellington, is a shallow porphyry-style deposit with an existing Inferred Resource of 12.9 million tonnes at 0.38% copper and 0.14 g/t gold. KDL's focus has been on increasing the size and/or the grade of the resource to improve the economics. Last period, KDL reported that it had intersected sheeted bornite (copper sulphide) veining grading 6.1 m at 1.28% copper and 1.33 g/t gold in addition to a separate intersection of 44 m at 0.46% copper.

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Business review
Group financial review
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The acquisition of KDC during the year has had a significant impact on the financial performance, position and cash flows of the Group. The effective date of the acquisition was 31 January 2013 and consequently KDC's results were included in the Group consolidated financial statements for the five months to 30 June 2013.

Financial performance

The Group's profit before tax for the five month period amounted to $2.3 million which includes the following significant non-cash items recognised in the consolidated statement of comprehensive income:

- A credit from the release of the mine rehabilitation provision amounting to $2.7 million. At the date of acquisition, the estimated rehabilitation obligation was based on the assumption of an immediate and unforeseen closure of the Ellendale site, which at that time was the best available information. Subsequent to that date but prior to the year end, an estimate of the rehabilitation obligation was developed based upon a planned closure model. The carrying value of the site and mine restoration provision recorded in the balance sheet is $26.5 million;
- Non-cash share option charges of $1.4 million were incurred on the issue of 14 million options to directors and officers of the Group. The expense is based on the fair value of the options at the grant date, calculated using the Black Scholes pricing model; and
- A profit on acquisition of KDC by KDL of $1.5 million arising as result of the excess of net assets acquired, $4.8 million, being greater than the cost of acquisition of $3.3 million.

Financial position

The Group finished the year in a strong financial position with $8.8 million of cash in the bank and a $12.1 million bond deposited with the ANZ bank in the favour of the DMP as security for environmental disturbance. Subsequent to the year end, the Group’s Ellendale mining lease was accepted into the DMP’s MRF, resulting in the immediate retirement of the cash backed bond. The proceeds were used to repay a loan of $10.7 million from Gem to KDC arising prior to the acquisition by KDL.

During the year, KDC invested $5.6 million in additional waste stripping which has been capitalised to the balance sheet, consistent with the Group’s accounting policies (see note 1 to the financial statements) and the provisions contained within Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine. This will be amortised to the income statement when mining recommences based on the remaining ore and waste to be mined.

In order to fund its acquisition of KDC, the Group entered into a loan bridging facility agreement with a related party, Summit Equities Ltd (“Summit”). Summit agreed to provide a short term interest free loan facility of $3.3 million with a maturity date of 1 July 2014. $2.3 million of the facility was drawn down, all of which was fully repaid on 8 April 2013 with the closing of a $5.6 million non-renounceable rights issue and the issuing of 37.3 million shares. This rights issue closed substantially oversubscribed reflecting both the strong share price performance and positive media coverage received by the Company.

Going concern

Consideration has been given to the Group's going concern position and following reviews of profit forecasts and budgets, timing of the cash flows, sensitivity analyses and considering the uncertainties described in this report, the Directors have concluded that there is a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future.

Accounting policies

Following the acquisition of KDC, appropriate accounting policies for a producing mine business were adopted as set out in the notes to the annual financial statements. This included the early adoption of Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine.

Dividends

No dividends were declared or paid during the year. On 23 September 2013, the Company announced that the Board declared an unfranked dividend of 2 cents payable to shareholders on 21 October 2013.

Kimberley Diamonds Ltd
Business review
Principal risks
30 June 2013

The Group is exposed to a variety of risks. Although many of these are beyond the Group's control, a formal risk management process exists to identify, review and manage potential risks. Mitigating plans are formulated and reviewed regularly to gain an understanding of their effectiveness and progress.

The following key risks have been identified by the Group with regard to the management process above.

Market risk

The period and stability of the recovery of financial markets, in addition to their impact on consumer preferences, post the 2008 Global Economic Crisis affect both the Group and industry as a whole. The further downturn in the diamond market in late 2011 highlights the volatility and uncertainty characteristic of economic recovery periods. This variability potentially compounds the existing short-term supply-demand imbalance as well as its impact on the diamond supply pipeline. Diamond prices remain volatile and sensitive to market uncertainties, directly impacting cash flows.

Mitigation

Although the Group cannot materially influence the market, market conditions are continually monitored to identify current trends that may either pose a threat or create an opportunity for the Group. The Group has flexibility to reassess its capital projects and sales cycles to preserve cash balances on its balance sheet.

Operational risks

Mineral resource risk

The Group's ability to operate profitably in the medium to long-term depends significantly on the Group's mineral resource, which influences the operational mine plans and the generation of sufficient cash flows and margins.

Mitigation

Various bulk sampling programs combined with geological mapping and modeling methods significantly improve the Group's understanding of its mineral resources and further assist in mining the resource optimally.

Health, safety, social and environmental responsibility related risks

The risk that a major health, safety, social or environmental incident may occur within the Group is inherent in mining operations.

Mitigation

The Group has formal procedures and published policies in this regard as well as dedicated significant resources to continuously improve, review, recommend, implement and monitor compliance throughout the operations and departments within the Group. Further to this, the Group engages independent third parties to review and provide assurance on processes currently in place.

Diamond theft

Theft is an inherent risk factor in the diamond industry.

Mitigation

All necessary precautionary measures have been implemented to minimise this risk. Furthermore, the Group has a diamond specie policy in place with reputable brokers and underwriters.

Financial risks

Exchange rates

The Group earns revenue in US dollars while its cost base is in Australian dollar. Any weakening or strengthening of the US dollar relative to the Australian dollar and the volatility of the trading against the US dollar will impact the Group's cash flows and profitability.

Mitigation

The impact of the exchange rates and fluctuations are closely monitored. Where appropriate and at relevant currency levels, the Group enters into exchange rate contracts to protect cash flows in the short to medium term.

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Principal risks
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Inability to achieve profitability and positive cash flow in medium to long term
The financial impact of the risks that may affect the Group may individually, or in a combination, affect the ability of the Group to operate profitably and generate positive cash flow in the medium to long-term.
Mitigation
The various risk management processes described above provide a substantial base from which to assess, monitor and mitigate this risk.

Reliance on key customer
The Group relies on a single customer for a significant portion of its revenue.
Mitigation
The Group maintains its relationship with the key customer at the required level. An existing supply agreement is in place, which provides certainty and price stability for the life of the Ellendale Mine. This key customer is one of the largest and oldest jewellery and speciality retail brands and integrated groups in the luxury sector and is listed on the New York Stock Exchange.

Growth plans - Inability to achieve planned growth
The Group's growth strategy is based on various studies, cost indications and future market assumptions. Although due process in assessing the viability, costs and implementation of these projects is undertaken, risks with regards to cost overruns and/or delays may impact the effective implementation thereof. The funding of these growth plans could also be adversely affected by negative market conditions.
Mitigation
Project governance structures have been implemented to ensure that projects are monitored and risks managed at an appropriate level. Strict treasury management procedures are also in place to monitor this risk.

ENVIRONMENT

STRATEGIC REHABILITATION PLANNING

The approval of the Mine Closure Plan (“MCP”), which was submitted to the DMP in May 2012., has increased focus on the medium to long-term strategic rehabilitation plan at Ellendale. The Strategic Rehabilitation Committee (SRC) was formed to ensure rehabilitation planning and subsequent works are completed in line with the MCP commitments; current operations and future mine developments and therefore optimised rehabilitation spend. As part of optimising expenditure, planned and unplanned closure provision quantum’s have been developed externally, ensuring KDC’s financial provision is robust, auditable and adequate for budgeting purposes.

A revised MCP is due in March 2014.

	RESOURCE
Earthworks spend	$2 million
Rehabilitation planning spend	$250 thousand
Additional Staffing	Two contract staff to manage earthworks contractors Weed management contractor Four consulting organisations
Earthmoving contractors utilised	Mining contractor (Mining and Civil Australia) Civil earthworks contractor (Broome Contracting)

PROGRESSIVE REHABILITATION

A total of 137 hectares of disturbed land is currently under rehabilitation or trials within the Ellendale Mine lease. Topsoil trials on the Ellendale 4 Tailings Storage Facility (TSF2A) were established to determine native vegetation success on tailings dam surfaces with various topsoil depths, and compare additional treatments such seed and fertilisers. Seven months into the trial, results indicate optimal topsoil placement increases native grasses, therefore reducing weed impacts. Information obtained as a result of this trial will be applied on both of Ellendale’s tailings storage facilities, to ensure cost effective, successful rehabilitation.

TSF2A Trials- December 2012

COMPLIANCE

KDC recognise that environmental compliance is integral to its business and has policies and risk management systems in place to ensure operations meet compliance requirements. As a result there were no significant non-compliances reported. To ensure continual improvement, KDC’s risk management systems are audited biennially and an external legal compliance audit is conducted every other year. Regulators including the Department of Mines and Petroleum (DMP), Department of Environment and Conservation (DEC) and the Department of Water (DoW) also inspect the site regularly.

Community

Our objective is to create a positive legacy for the community around our operation.

KDL recognises that maintaining its Social Licence to Operate is critical to continue as a successful, responsible and sustainable business. The Kimberley Diamond Company is committed to creating a positive legacy for the community around the Ellendale operation, and to developing and maintaining relationships of mutual understanding and respect with all Project Affected Communities within the areas of operation.

A Community Needs Analysis was completed in the year which identified four areas of focus; **health and wellbeing**, **education and training**, **economic development** and **employment**.

Health and Wellbeing

In 2012, Kimberley Diamond Company and Variety -the Children's Charity made a ground-breaking commitment to support the Marulu Strategy and the fight against Foetal Alcohol Spectrum Disorders (FASD) amongst indigenous children living the Fitzroy Valley. This community driven strategy has one goal - to make FASD history in the Fitzroy Valley. With education, early intervention therapy and support for carers and families this is possible.

FAS D in the Fitzroy Valley

Alcohol exposure during pregnancy can cause permanent brain damage and result in a spectrum of disabilities (physical, behavioural and cognitive). Significant numbers of children and families in the Fitzroy Valley suffer from FASD, often compounded by early life trauma associated with excessive alcohol use in the community, resulting in additional barriers to normal child development, behaviour and learning resulting in children not reaching their full potential.

Marulu* Strategy

The strategy was started by a Leadership Team from community, non-government and government organisations of the Fitzroy Valley in 2008 with the goal to overcome FASD across the Fitzroy Valley.
This strategy addresses prevention, screening, diagnosis, support, capacity building and resourcing through education, early intervention therapy and support for carers and families.

*Marulu means 'precious, worth nurturing' in the Bunuba language.

The Boab Nut Project

The Marninwarntikura Women's Resource Centre (MWRC) in Fitzroy Crossing is a community-driven Aboriginal Corporation that encourages and facilitates the well-being of Aboriginal women from the Fitzroy Valley region through its innovative Community Programs, Family Violence Prevention Legal Services (FVPLS), and Women's Shelter. Boab nuts have been painted as art therapy by women staying at the shelter, which helps them heal from their experiences of violence.

The Boab Project evolved in collaboration with the Kimberley Diamond Company, who ordered 150 nuts to be given to the women attending the 2013 Diamond Dinner. This micro-enterprise project was enjoyed by the whole community, utilised the unique skills of the community, raised awareness about the Centre and provided a source of income.

Education and Training

KDL also sponsors the Yiramalay/Wesley Studio School located 50km from Ellendale. The school is a partnership between the Bunuba people and the community of Wesley College Melbourne and was established to bring about positive change through education. It offers students in Years 10, 11 and 12 hands-on practical, two-way learning "on country" which facilitates the building of relationships across cultures in a residential setting. The school began operation on 15 August 2010 and since then has achieved near perfect attendance and high student retention, improvement in student health, compared to other schools in the region. Our support is through the **Kimberley Diamond Company Yiramalay/Wesley Studio School Scholarship.**

Luke's Story

Luke is a Bunuba Student and was the first recipient of the Kimberley Diamond Company Yiramalay/Wesley Studio School Scholarship. He successfully completed Year 12 in 2012, and is currently working for Nindilingarri Cultural Health Services (an Aboriginal Community Controlled Health Organisation) as a Trainee Cultural Health worker.

Luke is a keen footballer and plays in the Central Kimberley Football League during the season. He also enjoys fishing and hunting on country, and spending time with his family.

Our Workforce

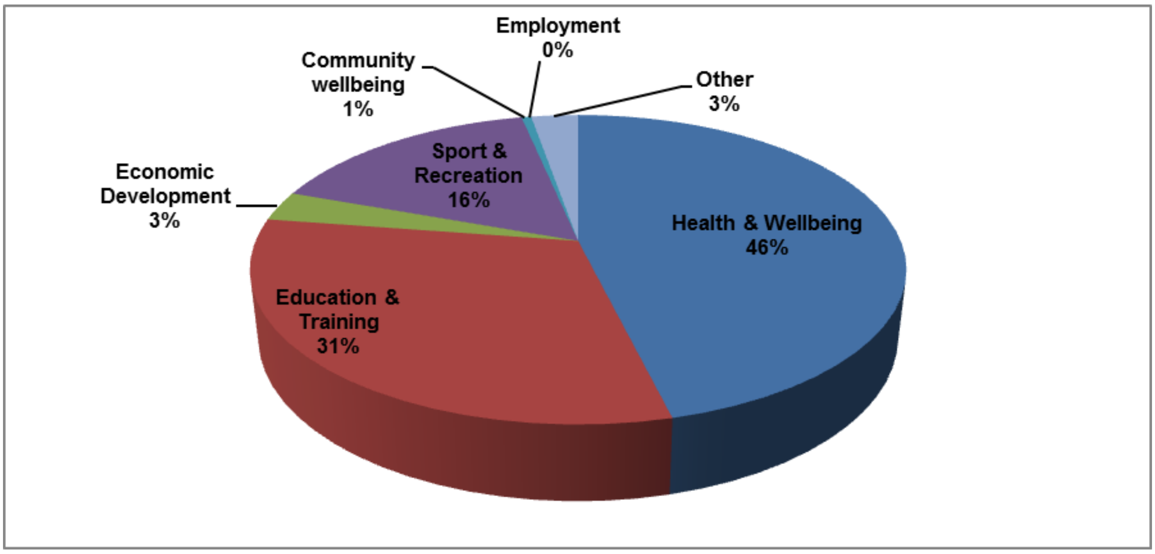
During the year, the Ellendale operation employed an average of 180 personnel, of which 32% are from the local community.

The 2013 target for indigenous employment is >15% indigenous employees. During the year, the percentage of indigenous employees employed directly by KDC was 10.1%. We are continuously working with our contractors on ways to increase indigenous employment, including actively encouraging our key contracting service providers to increase their efforts in respect to both local and indigenous employment.

KDC operates an Indigenous Training and Employment Program at Ellendale for inexperienced candidates. Candidates commence the Process Training program as an entry level processing plant operator, and progress through another four levels through the program. The program has proved successful, with four indigenous trainees promoted to entry level operator positions in 2012 and a further four employed during 2013.

Corporate Social Investment

KDC has continued to contribute funds to health and wellbeing (46% of total investment), education and training (31%), sport and recreation (16%) and other projects throughout the local community during the year, focussing on organisations based in the West Kimberley. The proportions of investment for the 2012-2013 year are shown below.



Your directors submit their report for the year ended 30 June 2013.

Directors

The following persons were directors of Kimberley Diamonds Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Alexandre Alexander, Double Masters Degree in Engineering/Economics, Graduate Diploma in Accounting and a Graduate Diploma in Applied Finance and Investments
(Executive Chairman)

Alexandre is a founder and Managing Director of Summit Equities Limited ('Summit Equities'), a boutique financial advisory firm with particular focus on resources and commodities. Prior to founding Summit Equities Limited, Alexandre was a stockbroker with Deutsche Bank Stockbroking and ABN AMRO Bank Stockbroking. Since founding Summit Equities Limited in 2005, he has had a lead role in a number of capital raisings and corporate transactions in resources and real estate sectors and built a highly successful business between Australia and China.

Alexandre is a Non-Executive Director of Winmar Resources Limited (ASX: WFE), an Executive Director of Freshtel Holdings Limited (ASX: FRE) and Managing Director of Summit Equities Limited. During the past three years he has not served as a director of any other company.

Lee-Anne de Bruin (appointed on 17 April 2013), B.Comm, B.Acc, CA (SA)
(Managing Director)

Lee-Anne served as Chief Financial Officer of Kimberley Diamond Company NL from April 2009 to November 2011 and then Chief Executive Officer until its acquisition by Kimberley Diamonds Ltd on 31 January 2013. She has over 12 years' financial experience, including 5 years in the diamond industry.

Lee-Anne does not serve as a director of any other Company. During the past three years, she served as a director of Blina Minerals NL (ASX:BDI).

Rodney Alan Sainty, B.Sc (Hons) (Syd) majoring in Geology and Geophysics, Graduate Diploma of Management (UCQ)
(Executive Director)

Rodney is a minerals exploration geologist with 26 years' experience in the mining industry. Based for much of his career at operating mines throughout Australia, his experience has focused on mine-district exploration for gold and base metal ore deposits in several of Australia's most productive minerals domains. He has worked with successful exploration teams from Electrolytic Zinc, Pancontinental Mining, Plutonic Resources, Outokumpu, Jabiru Metals, and, latterly, in consulting roles for several junior explorers. This broad experience includes advanced field-based skills in unravelling the complexities of volcanic-intrusive terrains and hydrothermal systems. Rodney has, to date, performed key roles in the discovery of three ore deposits: a gold deposit near Kalgoorlie, a copper-zinc lens near the Thalanga mine in Queensland and, most recently, the Bentley copper-zinc orebody at Teutonic Bore, WA.

Rodney is a director of Kimberley Diamond Company NL. During the past three years he has not served as a director of any other company.

Albert Yue-Ling Wong, B.Comm (UNSW), F Fin, MSDIA, FAICD
(Deputy Chairman)

Albert is an investment banker with over 28 years' experience in the finance industry. He was admitted as a Member of the Australian Stock Exchange in 1988 and was the principal of Intersuisse Limited until 1995 when he established and listed on ASX the Barton Capital group of companies including eStar Online. Albert was also a founding Director of both Pluton Resources Limited and Gujarat NRE Resources NL. He has been widely involved in philanthropic activities including current directorships on UNSW Foundation Limited (the principal fund raising arm of the University of New South Wales), Ian Thorpe's Fountain for Youth Foundation, Committee Member of the Messel Endowment Capital Campaign and Honorary Life Governor of The University of Sydney Physics Foundation.

Albert is Chairman of Cabral Resources Limited (ASX: CBS) and Winmar Resources Limited (ASX: WFE) and Deputy Chairman of Prima Biomed Limited (ASX: PRR). During the past three years he has not served as a director of any other company.

Mark Yumin Qiu, PhD in Economic Geology (UWA)
(Non-Executive Director)

Mark is an internationally recognised and published Geological authority in Australia, China, France, Japan, the Netherlands, the United Kingdom and the United States. He has more than 25 years experience in the gold and iron ore industries and has held a number of senior management roles in Australia and abroad, including serving as group executive for Sino Gold Mining Limited (ASX: SGX: HKSE: 1862) until its acquisition by Eldorado Gold Corporation (NYSE: EGO; TSX: ELD; ASX: EAU). His extensive experience includes directorships for several joint ventures for Sino Gold Mining Limited and Eldorado Gold Corporation.

Mark is Executive Director of China Hanking Holdings Limited (HKSE :03788). During the past three years he has not served as a director of any other company.

Yong Xiao, Finance Degree and Postgraduate Degree in Economic Management from the Southwestern University of Finance and Economics in China
(Non-Executive Director)

Yong is currently an Executive with Beijing CASIN Investment Holding Co., Ltd. He has built a highly successful business for Beijing Casin Investment Holding Co. Limited and led numerous investment transactions and projects for the company.

Yong is a director of Australia Casin Resources Co. During the past three years, served as a director of any other company.

Other directorships quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Former directorships in the last 3 years quoted above are directorships held in the last 3 years for listed entities only and exclude directorships in all other types of entities, unless otherwise stated.

Company Secretary

Warwick Pearce is a solicitor of the Supreme Court of New South Wales. During his professional career, which commenced at KPMG in 1985, Warwick has managed a significant number of corporate transactions. These include acquisitions and private and public capital raisings for entities including AVT Plasma Limited (ASX: AVT), Anzon Energy Limited (now part of ROC Oil Company Limited) (ASX: ROC), Avastra Sleep Centres Limited (ASX:AVS), Diakyne Limited (now part of Medivac Limited (ASX: MDV)), EvoGenix Limited (now part of Teva Pharmaceutical Industries Ltd (NASDAQ: TEVA), WHL Energy Limited (ASX:WHN) and Winmar Resources Limited (ASX: WFE). He was appointed Company Secretary of the Company on 15 March 2012.

Incorporation

The Company was incorporated on 5 May 2011.

Principal activities

During the financial year the principal continuing activities of the Group consisted of:
- the mining of diamonds; and
- the exploration for minerals including copper and copper-gold; and

- the acquisition and development of mineral exploration and mining tenements.

Dividends

There were no dividends paid or declared during the current financial year.

Operating and financial review

The Group's profit attributable to owners of the Company after providing for income tax and non-controlling interest amounted to $2.4 million compared to the prior period loss of $624 thousand. The increase in the result is due to the acquisition of Kimberley Diamonds Company NL on 31 January 2013 and the inclusion of its result from that date.

The Group's detailed financial and operating results are covered in the preceding report of the executive chairman and the business review.

Significant changes in the state of affairs

On 2 August 2012, the Company acquired a further 6.19% of the ordinary shares of Zodiac Resources Pty Ltd, increasing its total holding in the ordinary shares of Zodiac Resources Pty Ltd from 52.38% to 58.57%. The consideration was through the issue of 4,333,371 shares in the Company to the relevant vendor shareholders of Zodiac Resources Pty Ltd.

On 15 January 2013, the Company issued 5,742,511 ordinary shares under the rights issue shortfall facility, raising $861 thousand.

On 30 January 2013 Summit Equities Ltd and the Company entered into a loan agreement whereby Summit provided an interest free loan facility of $3.3 million to the Company. The maturity date is 1 July 2014. By the end of the period, the Company had drawn down and repaid a total of $2.3 million from this facility. No balance remains outstanding at 30 June 2013.

On 31 January 2013, the Company acquired Kimberly Diamond Company NL from Gem Diamond Ltd for a cash consideration of $3.3 million. On 31 January 2013 the Company paid $250 thousand to Gem with a deferred consideration of $3 million being paid in March 2013. In addition to this, the Group was required to make the repayment out of cash flow from operations over 22 months, of an existing loan due by KDC to Gem of $11.2 million. This amount was fully repaid subsequent to the end of the reporting period

KDC operates the Ellendale Diamond Mine located in the West Kimberley Region of Western Australia. The Ellendale Diamond Mine is a major producer of yellow diamonds. The acquisition of the Ellendale Diamond Mine delivers immediate revenues from production and adds substantial value to the Company's portfolio of assets.

On 6 February 2013, the Company issued 736,667 ordinary shares under the rights issue shortfall facility, raising $110.5 thousand.

On 21 February 2013, the Company issued 5,666,667 ordinary shares under the rights issue shortfall facility, raising $850 thousand.

On 27 March 2013, the Company issued 6,366,664 ordinary shares under the rights issue shortfall facility, raising $955 thousand.

On 8 April 2013, the Company issued 18,794,862 ordinary shares under the rights issue shortfall facility, raising $2.8 million.

On 6 May 2013, the name of the Company changed from Goodrich Resources Ltd to Kimberley Diamonds Ltd.

On 27 June 2013, the Company changed its auditor with the consent of the Australian Securities and Investments Commission.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

Subsequent to year end, on 28 August 2013, a settlement deed was signed terminating a Joint Venture agreement (JV Agreement) between Blina Minerals and KDC. Under the JV Agreement Blina held the right to mine certain alluvial deposits on the KDC mining lease M04/372. The terms of settlement were reached on commercial terms acceptable to both parties.

On 22 July 2013 the Group announced that it has entered into an agreement with eDiamond International Limited to acquire100% of the shares in eDiamond Belgium BVBA. The shares were acquired for a zero consideration and the estimated fair value of the business' net assets at the acquisition date is $56 thousand. The acquisition gives the Group greater control over its distributions and marketing channels and will assist in the successful and continued marketing of on-going production expansion projects.

The Company announced on 27 June 2013 that following a routine blast at the E9 pit of the Ellendale Diamond Mine, a slippage of the pit wall occurred beneath the main access ramp temporarily rendering the ramp unsafe for use. As a result, mining operations in the pit were provisionally suspended. The mine is currently in the process of increasing the height of the buttress to stabilise the failure. Geotechnical monitoring post construction will need to be completed prior to a decision around safe recommencement of mining. In the interim, the mine has continued with processing its above ground stockpiles.

On 12 September 2013, 4,000,000 share options in the Company with an exercise price of $0.75 were issued to employees of the Group. There are no vesting conditions and the options expire on 12 September 2015.

The Company announced on 17 September 2013 that it has signed a binding Heads of Agreement to acquire 100% of the equity in Mantle Diamonds Limited ("Mantle"), including Mantle's wholly-owned Lerala Diamond Mine ("Lerala") in Botswana. Working capital requirements and costs for improvements which will enhance diamond recovery and reduce operating costs are estimated to be $10 million. Lerala is currently under care and maintenance. Mantle also holds highly prospective ground in the Slave and Superior Cratons in Canada and Lahtojoki Kimberlite in Finland.

Under the terms of the agreement, the Company will issue a total of 13,566,317 new ordinary KDL shares to Mantle shareholders who, following the transaction will hold approximately 15.4% of the Group. The agreement is conditional upon KDL undertaking final due diligence and Mantle undertaking a capital restructuring.

On 23 September 2013 the Company announced that the Board declared an unfranked dividend of 2 cents. Key dates relevant to the dividend is as follows:

- Ex dividend date – 4 October 2013 (date shares begin trading ex dividend);
- Record date – 11 October 2013 (holders of shares at this date are eligible to receive the dividend)
- Payable date – 21 October 2013.

Likely developments and expected results of operations

There are no likely developments of which the directors are aware which could be expected to significantly affect the results of the Group's operations in subsequent financial years other than those disclosed in the Principal Activities and Operating and financial review, the announcements to the Australian Stock Exchange or the Matters subsequent to the end of the financial year.

Environmental regulation

The Group is subject to and compliant with all aspects of environmental regulation of its mining and exploration activities. The directors are not aware of any environmental law that is not being complied with.

Meetings of directors

The number of meetings of the Company's Board of Directors and of each board committee held during the period ended 30 June 2013, and the number of meetings attended by each director were:

2013	**Board Meetings**		**Circular Resolutions**	
	Attended	**Held**	**Signed**	**Total**
Alexandre Alexander	3	3	9	13
Lee-Anne de Bruin	1	1	1	1
Rodney Alan Sainty	3	3	13	13
Albert Yue-Ling Wong	3	3	11	13
Mark Yumin Qiu	2	3	10	13
Yong Xiao	2	3	11	13

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Circular resolutions were used instead of physical meetings where necessary, as detailed above. There were no separate board committee meetings.

The Company does not have separate audit, remuneration and nomination committees. These activities were undertaken by the full board.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the Group and the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation

A Principles used to determine the nature and amount of remuneration

The objective of the Group's and Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward arrangements satisfies the following key reward governance criteria:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group and Company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group and Company.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are different.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may seek the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. See 'use of remuneration consultants' section in this report. Non-executive directors have been issued options pursuant to Board approval. The Board considers it important to provide option incentives for the non-executive directors in order to provide sufficient incentives to retain their services and ensure the Company's business plan is implemented.

The ASX listing rules require that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The sum of the remuneration of non-executive directors' is currently capped at $350 thousand per annum, which was passed by the shareholders of the Company on 26 April 2013.

Executive remuneration

The Chairman's fees are determined independently to the fees of other executive directors based on comparative roles in the external market. The Chairman is not present at any meetings pertaining to his remuneration. The Group and Company aims to reward executives at a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and adds additional value to the executive.

Use of remuneration consultants

During the financial year ended 30 June 2013, the Company did not engage remuneration consultants, to review its existing remuneration policies and provide recommendations on how to improve its short-term incentives ('STI') and long-term incentives ('LTI') programmes.

Company performance and shareholder returns	**2013**	**2012***
Basic earnings/(loss) per share (cents)	5.07	(3.68)
Profit/(loss) after tax ($'000)	2,420	(624)
Share price (cents)	24	18
Dividend per share (cents) declared in September 2013	2	-

** Financial performance for the period from incorporation on 5 May 2011 to 30 June 2012.*

B Details of remuneration

Amounts of remuneration
Details of the remuneration of the directors and other key management personnel are set out in the following tables, from the time they were appointed in office. Key management personnel are defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the Group.

The key management personnel of the Group consisted of the directors of Kimberley Diamonds Ltd and the following executives:

- Noel Halgreen –Director of Kimberley Diamond Company NL (appointed 2 April 2013)
- Warwick Pearce - Company Secretary and General Counsel (appointed 15 March 2012)
- Luke Humphreys - Former Operations Manager (resigned on 31 January 2013)

Subsequent to the end of the financial year, Stephen Wetherall was appointed as Chief Financial Officer of the Group, effective from 1 September 2013.

Given the nature of the Group prior to the acquisition of KDC no formal short term incentive schemes were in place. Subsequent to year end the Group engaged external remuneration consultants and on the basis of the recommendations from this report, in September 2013, implemented a short term incentive scheme for executive employees that encompass key performance indicators.

Kimberley Diamonds Ltd
Directors' report
30 June 2013

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	**Cash salary and fees $**	**Bonus $**	**Termination $**	**Super-annuation $**	**Long service leave $**	**Equity-settled $**	**Total $**
2013							
Non-Executive Directors:							
A Y-L Wong	45,000	-	-	4,050	-	-	49,050
Dr M Qui	40,000	-	-	3,600	-	-	43,600
Y Xiao	40,000	-	-	-	-	-	40,000
Executive Directors:							
A Alexander (Chairman)	100,000	-	-	9,000	-	1,169,450	1,278,450
R Sainty	190,000	-	-	17,100	-	-	207,100
L de Bruin*	207,104	100,000	-	10,019	11,620	-	328,743
Other Key Management Personnel:							
N Halgreen	105,000	-	-	-	-	265,244	370,244
L Humphreys	58,333	-	-	5,250	-	-	63,583
W Pearce	66,667	18,200	-	7,800	-	-	92,667
	852,104	118,200	-	56,819	11,620	1,434,694	2,473,437

** Remuneration included for period 1 February 2013 to 30 June 2013. Appointed as Managing Director on 17 April 2013.*

2012							
Non-Executive Directors:							
A Alexander (Chairman)	20,000	-	-	1,800	-	46,646	68,446
A Y-L Wong	13,333	-	-	1,200	-	93,294	107,827
Dr M Qui	13,333	-	-	1,200	-	-	14,533
Y Xiao	13,333	-	-	-	-	-	13,333
Executive Directors:							
R Sainty	78,333	-	-	5,700	-	-	84,033
D Busch	109,743	-	40,000	13,476	-	93,294	256,513
Other Key Management Personnel:							
L Humphreys	68,269	-	-	6,144	-	-	74,413
M Tang	73,287	-	-	6,472	-	46,646	126,405
W Pearce **	-	-	-	-	-	-	-
	389,631	-	40,000	35,992	-	279,880	745,503

*** Appointed 15 March 2012. No remuneration was paid to W Pearce during the 2012 financial year.*

The cash bonuses paid to W Pearce and L de Bruin in 2013 was granted on a discretionary basis by the Board in recognition of contributions during the course of the year. There are no pre-determined performance conditions attached to the bonuses. The bonus for L De Bruin was approved in August 2013.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration	At risk - STI^	At risk - LTI**
2013			
Non-Executive Directors:			
A Y-L Wong	100%	0%	0%
Dr M Qui	100%	0%	0%
Y Xiao	100%	0%	0%
Executive Directors:			
A Alexander	9%	0%	91%
R Sainty	100%	0%	0%
L de Bruin*	66%	30%	4%
Other Key Management Personnel:			
N Halgreen	28%	0%	72%
L Humphreys	100%	0%	0%
W Pearce	80%	20%	0%

** Based on remuneration for period 1 February 2013 to 30 June 2013*

^ This relates to bonuses paid in 2013 at the Board's discretion. No further amount will be paid in respect of the 2012 year.

*** This relates to the options issued to KMPs as discussed below.*

Name	Fixed remuneration	At risk - STI^	At risk - LTI**
2012			
Non-Executive Directors:			
A Alexander	32%	0%	68%
A Y-L Wong	13%	0%	87%
Dr M Qui	100%	0%	0%
Y Xiao	100%	0%	0%
Executive Directors:			
R Sainty	100%	0%	0%
D Busch	64%	0%	36%
Other Key Management Personnel:			
L Humphreys	100%	0%	0%
M Tang	63%	0%	37%

C Service agreements

No directors or key management have a service agreement other than Mr Noel Halgreen. The service agreement under which Noel Halgreen provides his services to KDL and its controlled entities was executed on 2 April 2013 and has a term of two years. It provides for a monthly fee of $20 thousand (exclusive of GST). The directors and key management, other than Noel Halgreen, are subject to the Fair Work Act (2009). Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

D Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the period ended 30 June 2013 (2012: nil).

Options

The terms and conditions of each grant of options affecting remuneration of directors and other key management personnel in this financial period or future reporting years include the following:

- The implementation and administration of the scheme is the Board's responsibility,
- The only persons eligible to receive options under the scheme are directors and employees of the Company and other persons determined by the Board,
- Options offered to eligible persons are made in their personal capacity and cannot, without the Board's prior written consent:
  - be exercised by another person
  - be disposed or dealt with in any way including the granting of security interest over the options
- Options granted but unexercised are adjusted for changes in circumstances including bonus and pro-rata share issues and reorganisation of capital,
- The maximum number of options that may be granted is 14 million,
- Options granted carry no dividend or voting rights

The following options were issued during the year:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
8 March 2013	8 March 2013	30 June 2015	$0.30	$0.066
26 April 2013	26 April 2013	30 June 2015	$0.30	$0.117

Details of options over ordinary shares issued to directors and other key management personnel as part of compensation during the period are set out below. The options were issued to recognise the substantial effort of the KMP in sourcing, executing and finalising the deal to acquire KDC and therefore vested immediately.

Name	Number of options granted during the period	Number of options vested during the period	Value of options granted during the period $	Value of options exercised during the period $	Value of options lapsed during the period $	Remuneration consisting of options for the period %
2013						
A Alexander	10,000,000	10,000,000	1,169,450	-	-	91
A Y-L Wong	-	-	-	-	-	-
L de Bruin	-	-	-	-	-	-
N Halgreen*	4,000,000	4,000,000	265,244	-	-	72
L Humphreys	-	-	-	-	-	-
W Pearce	-	-	-	-	-	-
2012						
A Alexander	1,000,000	1,000,000	46,646			68
A Y-L Wong	2,000,000	2,000,000	93,294			87
D Busch	2,000,000	2,000,000	93,294		(93,294)	36
M Tang	1,000,000	1,000,000	46,646			100

If N Halgreen resigns as a KMP member on or before 8 March 2014, any of the options issued to him that remain unexercised shall lapse at the date of resignation.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Kimberley Diamonds Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
17 February 2012	30 June 2014	$0.30	4,000,000
8 March 2013	30 June 2015	$0.30	4,000,000
26 April 2013	30 June 2015	$0.30	10,000,000
12 September 2013	12 September 2015	$0.75	4,000,000

No person entitled to exercise the options had or has any right by virtue of the options to participate in any share issue of the Company or of any other body corporate.

Directors' interest in shares and options at the date of the report
Directors' interest in shares and options of KDL at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
A Alexander (Chairman)	11,953,334	6,000,000
A Y-L Wong	240,000	2,000,000
Dr M Qui	-	-
Y Xiao	-	-
L de Bruin	20,000	-
R Sainty	10,000	-
	12,223,334	8,000,000

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Indemnifying directors and executives against any payment they shall become legally obligated to make (excluding fines, penalties or exemplary damages), legal costs and expenses arising out of claims made against them jointly or severally by reason of wrongful acts including breach of duty or trust, neglect, error, mis-statement or misleading statement, omission, breach of warranty of authority or other act done or wrongly attempted whilst acting in their capacity as a director or officer of the Company.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
The Group's previous auditor, Deloitte Touche Tohmatsu, was paid an amount of $24,424 for services provided in

respect of a research and development tax incentive claim during the financial year.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former audit partners of Ernst & Young

There are no officers of the Company who are former audit partners of Ernst & Young.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Ernst & Young was appointed during the year and continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) and where noted ($'000) under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which the class order applies.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

____
Alexandre Alexander
Executive Chairman

24 September 2013
Sydney

Ernst & Young
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Auditor's Independence Declaration to the Directors of Kimberley Diamonds Limited

In relation to our audit of the financial report of Kimberley Diamonds Limited and its controlled entities for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the ***Corporations Act 2001*** or any applicable code of professional conduct.

Ernst & Young

F Drummond
Partner
Perth
24 September 2013

The Board of Directors of KDL ('the Board') is responsible for the corporate governance of the consolidated group. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Below is a summary of the company's compliance with the ASX Corporate Governance Council's Principles and Recommendations.

Principle 1 – Lay solid foundations for management and oversight

1.1 Establish the functions reserved to the Board and those delegated to manage and disclose those functions.

The Board has the primary responsibility for guiding and monitoring the business and affairs of the company, including compliance with the company's corporate governance objectives. The Board is responsible for the oversight and performance of the company.

The Board's role is set out in the Board Charter which establishes the relationship between the Board and management and describes their respective functions and responsibilities. A copy of the company's Board Charter can be located and viewed at the company's website.

The Board has implemented a Board Performance Evaluation Policy to ensure that individual directors and the Board as a whole work efficiently and effectively in carrying out their duties. A copy of the company's Board Performance Evaluation Policy can be located and viewed at the company's website.

The Board is in the process of adopting a Delegations of Authority that sets limits of authority for senior executives.

Comply? Yes.

1.2 Disclose the process for evaluating the performance of senior executives.

Clause 6.6 of the company's Board Charter refers to the Board's having in place procedures to assess the performance of the managing director and the executive team.

The managing director prepares strategic objectives that are reviewed and approved by the Board. These objectives must then be met by the managing director and executive team as part of their key performance targets. The Board reviews the executive teams performance against these and the company's objectives.

A copy of the company's Board Charter can be located and viewed at the company's website.

Comply? Yes.

1.3 Provide the information indicated in Guide to reporting on Principle 1.

A Board Charter has been disclosed on the company's website and is summarised in this Corporate Governance Statement. A Board Performance Evaluation Policy has been adopted by the Board and disclosed on the company's website and is summarised in this Corporate Governance Statement.

Comply? Partly.

Principle 2 – Structure the Board to add value

2.1 A majority of the Board should be independent directors.

The majority of the Board's directors are not independent. The Board currently comprises one of a controller of a substantial shareholder, a director of a substantial shareholder, or are executive directors of the company.

The Board currently has six directors, three non-executive directors and three executive directors. The executive chairman is the CEO. Subsequent to the resignation of Rodney Sainty as the managing director, Lee-Anne de Bruin was appointed by the Board as the new managing director. Rodney Sainty remains as an executive director of the company. Mark Yumin Qiu, Albert Yue-Ling Wong and Yong Xiao are each non-executive directors.

The Board has reviewed the position and associations of each of the six directors in office and has determined that Albert Yue-Ling Wong is the only independent director. In making this determination, the Board has considered the independence criteria in ASX Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of other directors, as appropriate.

The directors who do not meet the independence criteria are:

- **Alexandre Alexander**, who is a substantial indirect shareholder of the company and who is the executive Chairman of the company;
- **Lee-Anne de Bruin**, who is an executive of the company;
- **Mark Yumin Qiu**, who is a director of a substantial shareholder of the company;
- **Rodney Sainty**, who is an executive of the company; and
- **Yong Xiao**, who is a director of a substantial shareholder of the company.

Prior to the acquisition of KDC, as the Company was a small sized public company and the operations were fairly limited, the composition of the Board and the independence of the directors were not paramount. The Company's practices however accord with the spirit of the principle in that the directors are expected to bring independent views and judgement to the Board's deliberations in spite of their status.

As the Company and Group's growth strategy is achieved, the Chairman of the Board and shareholders will actively review the composition of the Board to include independent directors to move towards meeting the criteria set out in Recommendation 2.1.

Comply? No.

2.2 The Chair should be an independent director.

The Chairman, Alexandre Alexander, is not an independent director.

The company has not followed the recommendation because the company is currently a small sized public company. The company's practices however accord with the spirit of the principle in that the chairman is expected to bring an independent view and judgement to his deliberations in spite of his status.

The Board intends to appoint an independent Chair once the company has increased in size and operations.

Comply? No.

2.3 The roles of chair and Chief Executive Officer should not be exercised by the same individual.

The chairman of the company is Alexandre Alexander, who is also the Chief Executive Officer..

The company has not followed the recommendation because the company is a small sized public company that currently relies upon the day to day involvement of the chairman to effectively manage the operations.

The Board intends to appoint an independent Chief Executive Officer once the company has increased in size and operations.

Comply? No.

2.4 The Board should establish a nomination committee.

The Board has not established a nomination committee due to the small size of the Board and operations. The Company will review its position if and when the company has increased in size and operations..

The company's practices however accord with the spirit of the principle in that the Board has processes in place which raise the issues that would otherwise be considered by the nomination committee. This includes a process for taking into account the necessary and desirable competencies of directors, review of Board succession plans, the development of a process for evaluation of the performance of the Board and the appointment and re-election of directors.

Comply? No.

2.5 Disclose the process for evaluating the performance of the Board, its committees and individual directors.

The Board has adopted a Board Performance Evaluation Policy.

The Board undertakes an annual self-assessment of the performance of the Board as whole and individual directors.. Performance of individual directors are assessed against a range of dimensions including the ability of the director to consistently create shareholder value, to contribute to the development of strategies and risk identification, to provide clarity of direction to senior management and to provide the time and commitment to ensure the discharge of duties and obligations to the company.

The Chairman will meet privately with each director to discuss the individual and collective performance of directors.

Comply? Yes.

2.6 Provide the information indicated in the Guide to reporting on Principle 2.

This information has been disclosed (where applicable) in the Directors' Report included in this Annual Report and below.

Members of the Board are able to take independent professional advice at the expense of the Company.

The skills, experience and expertise relevant to the position of each director, as well as each directors' period in office, is disclosed in the Directors' Report.

Albert Wong is the only director considered by the Board to be independent. The materiality threshold for a director who is a substantial shareholder or who is an officer of a substantial shareholder is as defined in section 9 of the Corporations Act. That sections states that a shareholder is a substantial shareholder if it holds at least 5% of the voting shares of a company.

The company does not have a procedure agreed by the Board to take independent advice at the expense of the company.

The company has not conducted a performance evaluation for the Board in the reporting period.

The company is actively attempting to achieve a mix of skills and diversity in the composition of the Board and of senior management.

The Board has adopted a Remuneration and Nomination Committee Charter, a copy of which has been made available on the company's website.

In accordance with the information suggested in Guide to Reporting on Principle 2, the company has disclosed full details of its directors in the director's report included in this Annual Report. Other disclosure material on the structure of the Board has been made available on the company's website.

Comply? Yes.

Principle 3 – Promote ethical and responsible decision making

3.1 Establish a Code of Conduct and disclose the Code or a summary of the Code.

The Board has adopted a Code of Conduct for directors and senior executives to guide those parties as to the practices necessary to maintain confidence in the Company's integrity and the reporting of unethical practices.

The Code of Conduct reinforces the need for directors and senior executives to always act in good faith, in the company's best interests and in accordance with all applicable policies, laws and regulations relevant to the regions in which the company operates.

The Code of Conduct protects individuals who, in good faith, report conduct which they reasonably believe to be corrupt, illegal or unethical on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment.

Comply? Yes.

3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Board has not adopted a Diversity Policy as this recommendation is more appropriate for larger public companies. At this stage, the Board only looks at a candidate's suitability in terms of experience and qualifications. The Company will review its position if and when the company has increased in size and operations

The Board, however, does not discriminate against gender, age, cultural background and/or ethnicity.

Comply? No.

3.3 Provide the information indicated in Guide to reporting on Principle 3.

The Board will adopt a Diversity Policy if and when it is necessary.

Comply? No.

3.4 Proportion of Women.

The Company has three non-executive directors and three executive directors. One of the six directors is a woman. Each director was selected based on merit and each is fully qualified to act as a directors of the company.

No other women are currently employed in key management positions.

At such time when the company expands in size and operations, the company will then attempt to locate additional female candidates.

Comply? Yes.

3.5 Disclosure of Code of Conduct and Diversity Policy on Website.

The Board's Code of Conduct for directors and senior executives has been made available on the company's website. The company does not have a Diversity Policy.

Comply? Yes.

Principle 4 – Safeguard integrity in financial reporting

4.1 The Board should establish an Audit Committee.

The company does not currently have a separate Audit Committee, however, it has adopted an Audit

Committee Charter. The roles and responsibilities of the Audit Committee are currently being undertaken by the full Board. This recommendation is more appropriate for larger public companies and would unduly add to the cost structure of the company. The company will review its position if and when the company has increased in size and operations.

The Board verifies the integrity of the Company's financial reporting. As part of the Company's commitment to safeguarding integrity in financial reporting, the Company has implemented procedures and policies to monitor the independence and competence of the Company's external auditors.

The Board monitors and reviews the effectiveness of the Company's control environment in the areas of operational risk, legal/regulatory compliance and financial reporting. The Board will use due care, diligence and skill in relation to:

- Reporting of financial information to users of financial reports, in particular the quality and reliability of such information;
- Assessing the consistency of disclosures in the financial statements with other disclosures made by the company to the financial markets, governmental and other public bodies;
- Review and application of accounting policies;
- Financial management;
- Reviewing internal and external audit reports to ensure that where weaknesses in controls or procedures have been identified;
- Appropriate and prompt remedial action is taken by management;
- Evaluating the company's compliance and risk management structure and procedures, internal controls and ethical standards;
- Reviewing business policies and practices;
- Conducting any investigation relating to financial matters, records or accounts, and to report those matters to the Board;
- Protecting the company's assets; and
- Compliance with applicable laws, regulations, standards and best practice guidelines.

Comply? No.

4.2 The Audit Committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.

The company does not currently have an Audit Committee. The Board currently carries out any necessary duties of the Audit Committee. This recommendation is more appropriate for larger public companies and would unduly add to the cost structure of the company. The company will review its position if and when the company has increased in size and operations.

Comply? No.

4.3 The Audit Committee should have a formal charter.

The Board has adopted an Audit Committee Charter. The Board is acting in the role of the Audit Committee. A copy of the Company's Audit Committee Charter has been made available on the Company's website.

Comply? Yes.

4.4 Provide the information indicated in Guide to reporting on Principle 4.

The Company does not currently have an Audit Committee. However, the company does have an Audit Committee Charter. The external auditor is selected on the basis of independence, capability and appropriateness for the Company and is subject to rotation at the discretion of the Board.

Comply? No.

Principle 5 – Make timely and balanced disclosure

5.1 Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has adopted a Continuous Disclosure and Shareholder Reporting Policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001.

A copy of the Company's Continuous Disclosure and Shareholder Reporting Policy has been made available on the company's website.

Comply? Yes.

5.2 **Provide the information indicated in the Guide to reporting on Principle 5**

A copy of the company's Continuous Disclosure and Shareholder Reporting Policy has been made available on the company's website.

Comply? Yes.

Principle 6 – Respect the rights of shareholders

6.1 **Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.**

The Company has a positive and formal strategy to communicate with shareholders and actively promote shareholder involvement in the Company, in particular with respect to shareholders' attendance at general meetings.

In addition to its disclosure obligations under the ASX Listing Rules, the Company communicates with its shareholders through a number of means including:

- Annual and half-yearly reports, including material presented at the annual general meeting; and
- Quarterly shareholder updates released to the ASX and placed on the company's website once it is released; and

The Company's Continuous Disclosure and Shareholder Reporting Policy aims to increase and improve the information available to shareholders on its website. All Company announcements, presentations to analysts and other significant briefings will be posted on the company's website after release to the Australian Securities Exchange.

A copy of the Company's Continuous Disclosure and Shareholder Reporting Policy has been made available on the Company's website.

Comply? Yes.

6.2 **Provide the information indicated in the Guide to reporting on Principle 6.**

A copy of the Company's Continuous Disclosure and Shareholder Reporting Policy has been made available on the company's website.

Comply? Yes.

Principle 7 – Recognise and manage risk

7.1 **Establish policies for the oversight and management of material business risks and disclose a summary of these policies.**

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has established, as part of its management and reporting systems, a number of risk management controls. The company has adopted a general risk management statement addressing the profile of risk relevant to the company given its operational context which is posted on the company's website.

The risk profile and procedures used to manage risk can be expected to change and procedures adapted as the company's business develops and it grows in size and complexity.

A copy of the company's Risk Management Statement has been made available on the company's website.

Comply? Yes.

7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Management is in the process of implementing a complete risk management and internal control system to manage the company's material business risks. The Board has received a first draft from management as to the effectiveness of the company's management of its material business risks.

The Board does not believe that any marked efficiencies or enhancements would be achieved by a separate risk management committee, nor separate internal audit function. The Board currently oversees these functions and will assess any existing risk management and internal control systems annually. The company's practices nonetheless accord with the spirit of the principle.

Comply? No.

7.3 The Board should disclose whether it has received assurance from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.

The Board has received a statement from the Executive Chairman, Managing Director and the acting Chief Financial Officer ('CFO') that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.

Comply? Yes.

7.4 Provide the information indicated in Guide to reporting on Principle 7.

The Board has adopted an Audit Committee Charter which includes a statement of the company's risk policies.

This Charter is available on the Company's website and is summarised in this Corporate Governance Statement.

The Company has identified key risks within the business and has received a statement of assurance from the Executive Chairman, Managing Director and the acting CFO.

Comply? Yes.

Principle 8 – Remunerate fairly and responsibly

8.1 The Board should establish a remuneration committee.

The Board has not established a remuneration committee. The Company has not followed the recommendation due to the size and nature of the current operations of the Company. The Company will review its position once the Company has increased in size and operations.

The Company's practices nonetheless accord with the spirit of the principle in that the Board has processes in place which raise the issues that would otherwise be considered by the remuneration committee. This includes a process for taking into account the Company's remuneration, recruitment, retention and termination policies and procedures for senior executives; senior executives' remuneration and incentives; superannuation arrangements and the remuneration framework for directors.

The Board has implemented a Remuneration and Nomination Committee Charter. A copy of the Remuneration and Nomination Committee Charter adopted by the Board has been made available on the company's website.

Comply? No.

8.2 The remuneration committee should be structured.

As mentioned in Principle 8.1 above, there currently is no remuneration committee. The Company has not followed the recommendation due to the size and nature of the current operations of the Company. The Company will review its position once the company has increased in size and operations.

The aggregate remuneration of non-executive directors is determined by shareholders and the Board determines individual non-executive directors' remuneration. The Company's remuneration policy is to balance the need to provide industry-competitive remuneration in order to attract and retain high quality personnel, while ensuring effective use of shareholder funds.

The Company has previously elected to depart from the Corporate Governance Principles and Recommendations guidelines in Box 8.2 in that it has, pursuant to shareholder approval, issued options to non-executive directors in the prior financial period. The Board considers it important to provide option incentives for the non-executive directors in order to provide sufficient incentives to retain their services and ensure that the company's business plan is implemented.

Comply? No.

8.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The sum of the remuneration of non-executive directors' is currently capped at $350 thousand per annum, which was passed by the shareholders of the Company on 26 April 2013. The remuneration of the executives is determined by the Board. The Board believes that the fixed remuneration of the executives is reasonable and fair, taking into account the Company's legal and industrial obligations and labour market conditions and is relative to the scale of the business. Furthermore, the Board believes that it reflects core performance requirements and expectations.

Comply? Yes.

8.4 Provide the information indicated in the Guide to reporting on Principle 8.

As mentioned in Principle 8.1 above, the company does not have a remuneration committee. The Board currently carries out the necessary work pursuant to the Remuneration and Nomination Committee Charter. The Company has not followed the recommendation due to the size and nature of the current operations of the Company. The Company will review its position once the Company has increased in size and operations.

The Company does not have any schemes for retirement benefits other than superannuation for non-executive directors.

A copy of the Remuneration and Nomination Committee Charter adopted by the Board has been made available on the company's website.

The Company does not currently have a policy with respect to the prohibition of transactions in associated products which limit the economic risk of participation in unvested entitlements under any equity based remuneration schemes because the Company's ordinary quoted shares are not sufficiently liquid to permit the creation of such products.

Comply? No.

KDL's corporate governance practices were in place from 6 October 2011 to the date of signing the Directors' Report, except with respect to the Board Performance Evaluation Policy, the Audit Committee Charter and the Remuneration and Nomination Committee Charter. These were in place from 18 January 2012 to the date of signing the Directors' Report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by KDL, refer to our website www.kdl.com.au.

Board functions

The role of the Board is as follows:

- Representing and serving the interests of shareholders by overseeing and appraising the strategies, policies and performance of the Company. This includes over seeing the financial and human resources that the company has in place to meet its objectives and the review of management performance;
- Protecting and optimising company performance and building sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- Responsible for the overall Corporate Governance of the Company and its controlled entities, including monitoring the strategic direction of the Company and those entities, formulating goals for management and monitoring the achievement of those goals;
- Setting, reviewing and ensuring compliance with the Company's values (including the establishment and observance of high ethical standards);
- Ensuring shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

Responsibilities/functions of the Board include:

- Selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning for the successor of, the CEO and the managing director;
- Reviewing procedures in place for appointment of senior management and monitoring of its performance, and for succession planning. This includes ratifying the appointment and the removal of the CFO and the company secretary;
- Input into and final approval of management development of corporate strategy, including setting performance objectives and approving operating budgets;
- Reviewing and guiding systems of risk management and internal control and ethical and legal compliance. This includes reviewing procedures in place to identify the main risks associated with the company's businesses and the implementation of appropriate systems to manage these risks;
- Overseeing and monitoring compliance with the Code of Conduct for directors and senior executives;
- Monitoring corporate performance and implementation of strategy and policy;
- Approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- Monitoring and reviewing management processes in place aimed at ensuring the integrity of financial and other reporting;
- Monitoring and reviewing policies and processes in place relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards and;
- Performing such other functions as are prescribed by law or are assigned to the Board.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a director, employee or other person subject to ultimate responsibility of the directors under the Corporations Act 2001.

Matters which are specifically reserved for the Board or its committee, if applicable, include the following:

- appointment of the Chair;
- appointment and removal of the CEO;
- appointment and removal of the managing director;
- appointment of directors to fill a vacancy or as additional directors;

- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- development and review of corporate governance principles and policies;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

Structure of the Board

The Company's constitution governs the regulation of meetings and proceedings of the Board.

The Board determines its size and composition, subject to the terms of the constitution. The Board does not believe that it should establish a limit on tenure other than stipulated in the Company's constitution.

While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight in the Company and its operation and, therefore, an increasing contribution to the Board as a whole. It is intended that the Board should comprise a majority of independent non-executive directors and comprise directors with a broad range of skills, expertise and experience. It is also intended that the Chair should be an independent non-executive director. The Board regularly reviews the independence of each director in light of the interests disclosed to the Board.

The Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principle 2 of the ASX Corporate Governance Principles and Recommendations. The Board will review the independence of each director in light of interests disclosed to the Board from time to time.

In accordance with the definition of independence above, and the materiality thresholds set, the below director of KDL is considered to be independent:

Name	Position
Albert Yue-Ling Wong	Non-executive director

The appointment date of each director in office at the date of this report is as follows:

Name	Appointed	Executive	Independent	Term of appointment
Alexandre Alexander	5 May 2011	Yes	No	Eligible for re-election 2013
Lee-Anne de Bruin	17 April 2013	Yes	No	N/A
Mark Yumin Qiu	28 Feb 2012	No	No	Eligible for re-election 2015
Rodney Sainty	28 Feb 2012	Yes	No	Eligible for re-election 2013
Albert Yue-Ling Wong	18 Aug 2011	No	Yes	Eligible for re-election 2014
Yong Xiao	6 Mar 2012	No	No	Eligible for re-election 2015

Further details on each director can be found in the Directors' Report attached to this Corporate Governance Statement.

Diversity policy

The company does not have a Diversity policy.

Securities trading policy

Under the Company's Securities Trading Policy, directors, officers and employees and related entities of the Company must not trade in the Company's securities when he or she is in possession of price sensitive information that is not generally available to the market.

Directors and senior management are likely to be in possession of unpublished price sensitive information concerning the Company by virtue of their position within the Company. Therefore those persons are restricted from dealing in the

Company's securities in the thirty day period immediately preceding the release of price sensitive information to the ASX (Non-Trading Period).

In addition, directors, officers, employees and related entities can only deal in the Company's securities after having first obtained clearance from the Company, and must notify the Company secretary when a trade has occurred.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company within five business days of the transaction taking place.

The Securities Trading Policy has been issued to ASX and can be found on the company's website.

Risk

The Company identifies areas of risk within the Company and management and the Board continuously undertake a risk assessment of the company's operations, procedures and processes. The risk assessment is aimed at identifying the following:

- A culture of risk control and the minimisation of risk throughout the company, which is being done through natural or instinctive process by employees of the company;
- A culture of risk control that can easily identify risks as they arise and amend practices;
- The installation of practices and procedures in all areas of the business that are designed to minimise an event or incident that could have a financial or other effect on the business and its day to day management; and
- Adoption of these practices and procedures to minimise many of the standard commercial risks, i.e. taking out the appropriate insurance policies, or ensuring compliance reporting is up to date.

CEO and CFO certification

The Executive Chairman, Managing Director and the acting CFO have given a written declaration to the Board required by section 295A of the Corporations Act 2001 that in their view:

- The Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board;
- The Company's risk management and internal compliance and control system is operating effectively in all material respects;
- The Company's financial statements and notes thereto comply with the accounting standards; and
- The Company's financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial period ended on that date.

Performance

The Board Performance Evaluation Policy covers the evaluation of the:

- Board of Directors;
- Executive Directors and Key Executives; and
- Board Committees,

in order to ensure that their performance is efficient and effective in achieving their functions and implementing the Company's objectives.

Each year the Board discusses and analyses its own performance, reviews the Company's strategy and reviews the charters of the Company to ensure they are up to date

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board, in assuming the responsibilities of assessing remuneration to employees, links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives;
- Attraction of high quality management to the Company; and
- Performance incentives that allow executives to share in the success of KDL.

For a more comprehensive explanation of the Company's remuneration framework and the remuneration received by directors and key executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits to executive or non-executive directors.

Corporate social responsibility

The Company has embraced responsibility for the company's actions and encourages a positive impact through its activities on the environment, employees, communities and stakeholders.

Kimberley Diamonds Ltd
Financial report
30 June 2013

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Kimberley Diamonds Ltd
Consolidated statement of comprehensive income
For the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Revenue	4	48,306	43
Cost of sales		(37,444)	-
Gross profit		10,862	43
Royalties and selling costs		(3,007)	-
Administration expenses		(6,409)	(507)
Share option expenses	25	(1,435)	(187)
Foreign exchange loss		(571)	-
Impairment of exploration assets	5	(831)	-
Release of Mine Rehabilitation Provision	16	2,648	-
Other operating income/(expenses)		19	(5)
Operating profit/(loss)		1,276	(656)
Finance costs	5	(533)	-
Gain on acquistion of business	27	1,539	-
Profit/ (Loss) before income tax expense		2,282	(656)
Income tax expense	6	-	-
Profit/ (Loss) after income tax expense for the period		2,282	(656)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		2,282	(656)
Profit/(Loss) for the period is attributable to:			
- Non-controlling interest		(138)	(32)
- Owners of Kimberley Diamonds Ltd	21	2,420	(624)
		2,282	(656)
Total comprehensive income for the period is attributable to:			
- Non-controlling interest		(138)	(32)
- Owners of Kimberley Diamonds Ltd		2,420	(624)
		2,282	(656)
		Cents	**Cents**
Basic earnings/(loss) per share	22	5.07	(3.68)
Diluted earnings/(loss) per share	22	5.07	(3.68)

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

Kimberley Diamonds Ltd
Consolidated statement of financial position
As at 30 June 2013

	Note	2013 $'000	2012 $'000
Assets			
Current assets			
Cash and cash equivalents	7	8,830	1,799
Trade and other receivables	8	16,334	123
Inventories	9	18,279	-
Other current assets	10	-	10
Non-current assets classified as held for sale	11	-	150
Total current assets		43,443	2,082
Non-current assets			
Non-current receivables	8	543	-
Property, plant and equipment	12	19,935	1,370
Other non-current assets	13	-	438
Total non-current assets		20,478	1,808
Total assets		63,921	3,890
Liabilities			
Current liabilities			
Trade and other payables	14	10,636	332
Current borrowings	15	11,034	402
Current provisions	16	2,197	16
Total current liabilities		23,867	750
Non-current liabilities			
Non-current provisions	16	27,371	-
Total non-current liabilities		27,371	-
Total liabilities		51,238	750
Net assets		12,683	3,140
Equity			
Issued capital	18	9,771	3,558
Other contributed equity	19	201	(132)
Reserves	20	923	187
Retained earnings/ (Accumulated losses)	21	1,813	(624)
Equity attributable to the owners of Kimberley Diamonds Ltd		12,708	2,989
Non-controlling interest		(25)	151
Total equity		12,683	3,140

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

Kimberley Diamonds Ltd
Consolidated statement of changes in equity
For the year ended 30 June 2013

	Note	Issued capital $'000	Other contributed equity $'000	Reserves $'000	(Accumulated losses)/Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 5 May 2011		-	-	-	-	-	-
Loss after income tax expense for the period		-	-	-	(624)	(32)	(656)
Other comprehensive income for the period, net of tax		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	(624)	(32)	(656)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		3,558	-	-	-	-	3,558
Share-based payments		-	-	187	-	-	187
Treasury shares		-	(333)	-	-	-	(333)
Capital contribution		-	201	-	-	183	384
Balance at 30 June 2012		3,558	(132)	187	(624)	151	3,140
Profit/(Loss) after income tax expense for the period		-	-	-	2,420	(138)	2,282
Other comprehensive income for the period, net of tax		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	2,420	(138)	2,282
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		5,476	-	-	-	-	5,476
Share-based payments		-	-	1,435	-	-	1,435
Treasury shares		-	333	-	17	-	350
Change in non-controlling interest		737	-	(699)	-	(38)	-
Balance at 30 June 2013		9,771	201	923	1,813	(25)	12,683

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Kimberley Diamonds Ltd
Consolidated statement of cash flows
For the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers		48,116	-
Payments to suppliers and employees (inclusive of GST)		(32,110)	(550)
Proceeds from other income		(92)	-
Interest received		228	43
Interest paid & other finance cost		(449)	-
Net cash from/ (used in) operating activities	26	15,693	(507)
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	27	(2,654)	1
Payments for property, plant and equipment		(9,379)	(3)
Payments for exploration and evaluation		(583)	(1,362)
Proceeds from sale of exploration and evaluation assets		50	-
Payments for security deposits		(37)	(10)
Proceeds from sale of investments		61	-
Net cash used in investing activities		(12,542)	(1,374)
Cash flows from financing activities			
Proceeds from issue of shares		5,596	3,734
Share issue transaction costs		(120)	(456)
Proceeds from borrowings		-	402
Repayment of borrowings		(987)	-
Advances from related parties		2,300	-
Payments to related parties		(2,331)	-
Net cash from financing activities		4,458	3,680
Net increase in cash and cash equivalents		7,609	1,799
Cash and cash equivalents at the beginning of the financial period		1,799	-
Effect of exchange rates on cash holdings in foreign currencies		(578)	-
Cash and cash equivalents at the end of the financial period		8,830	1,799

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

1. Corporate information

The consolidated financial statements of Kimberley Diamonds Ltd (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 20 September 2013.

Kimberley Diamonds Limited is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange under the ticker symbol of KDL. The consolidated financial statements for the year ended 30 June 2013 comprise the Company and its subsidiaries.

The nature of the operations and principal activities of the Group are described in the Directors' report.

2. Summary of significant accounting policies

2.1 Basis of presentation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

The financial report also complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

2.2 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review. The financial position of the Group, its cash flows and liquidity position are described in the Group Financial review. In addition, Note 24, Financial risk management, includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.
After making enquiries which include reviews of forecasts and budgets, timing of cash flows, borrowing facilities and sensitivity analyses and considering the uncertainties described in this report either directly or by cross reference, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual report and accounts of the Group.

These financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

Refer to Note 24, Financial Risk Management for statements on the Group's objectives, policies and processes for managing its capital; details of its financial instruments and hedging activities; its exposures to market risk in relation to commodity price and foreign exchange risks; cash flow interest rate risk; credit risk and liquidity risk.

2.3 New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as per below.
The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2012:

Amendments to Australian Accounting Standards -Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]
This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.

The adoption of these new standards has not had a significant impact on the financial statements of the Group.

2. Summary of significant accounting policies (continued)

The Group early adopted the following standard which is effective from annual periods beginning on or after 1 January 2013:

AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".

The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011-12.

The early adoption of Interpretation 20 has no impact on the opening balance as the Group had no Stripping activity assets in the prior year.

Refer to 2.9 below for the Group’s accounting policy on the Stripping Activity Asset.

2. Summary of significant accounting policies (continued)

2.4 Standards issued but not yet effective

The standards and interpretations that have been issued, but not yet effective, up to the date of the issuance of the Group's financial statements, are disclosed below. The Group intends to adopt these standards if applicable when they become effective.

The following standards are effective from annual periods beginning on or after 1 January 2013 and applies to the Group from 1 July 2013:

AASB 10 Consolidated Financial Statements
AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.

AASB 12 Disclosure of Interests in Other Entities
AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.

AASB 13 Fair Value Measurement
AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.

AASB 119 Employee Benefits
The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met.

2. Summary of significant accounting policies (continued)

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:

- Repeat application of AASB 1 is permitted (AASB 1)
- Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).

The following standard is effective from annual periods beginning on or after 1 July 2013 and applies to the Group from 1 July 2013:

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

The following standards are effective from annual periods beginning on or after 1 January 2014 and applies to the Group from 1 July 2014:

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

Interpretation 21 Levies

This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.

AASB 9 Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.
These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.

(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
- The remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior

2. Summary of significant accounting policies (continued)

periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.

The Group is still in the process of assessing the impact of the new requirements. Based on work performed to date, it is not expected that the adoption of the new standards and interpretations will have a material impact on the financial statements.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of Kimberley Diamonds Limited and entities controlled by the Company. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Basis of consolidation

Subsidiaries
Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intragroup balances and transactions, including unrealised profits arising from them, are eliminated in full.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it (i) derecognises the assets (including goodwill) and liabilities of the subsidiary;(ii) derecognises the carrying amount of any non-controlling interest; (iii) derecognises the cumulative translation differences recorded in equity; (iv) recognises the fair value of the consideration received; (v) recognises the fair value of any investment retained; (vi) recognises any surplus or deficit in profit or loss; (vii) reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Non-controlling interests
Non-controlling interests represent the equity in a subsidiary not attributable, directly and indirectly, to the parent company and is presented separately within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive

2. Summary of significant accounting policies (continued)

income. If the contingent consideration is classified as equity, it should not be re measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable AASBs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the 'acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.7 Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes:

- acquisition of rights to explore;
- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

Administration costs that are not directly attributable to a specific exploration area are charged to the income statement. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Exploration and evaluation expenditure is capitalised as incurred. Capitalised exploration expenditure is recorded as a component of property, plant and equipment at cost less accumulated impairment charges. As the asset is not available for use, it is not depreciated.

Exploration and evaluation expenditure related to areas of interest are carried forward to the extent that the rights to tenure of the areas of interest are current and the Group controls the area of interest in which the

2. Summary of significant accounting policies (continued)

expenditure has been incurred and ,

- such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

2.8 Development expenditure

When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified within property, plant and equipment to development expenditure. As the asset is not available for use, during the development phase, it is not depreciated. On completion of the development, any capitalised exploration and evaluation expenditure already capitalised to development expenditure, together with the subsequent development expenditure, is reclassified within property, plant and equipment to mining assets and depreciated on the basis as laid out in Note 12 Property, plant and equipment.

All development expenditure is monitored for indications of impairment annually.

2.9 Property, Plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition and construction of the items, amongst others, professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Subsequent costs to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised when the cost of the item can be measured reliably, with the carrying amount of the original component being written off. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation commences when an asset is available for use. Depreciation is charged so as to write off the depreciable amount of the asset to its residual value over its estimated useful life, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group.
Depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date. The following methods and useful lives were applied during the period:

Item	Method	Useful life
Mining assets	Straight line	Lesser of life of mine or period of lease
Decommissioning assets	Straight line	Lesser of life of mine or period of lease
Leasehold improvements	Straight line	Lesser of 3 years and period of lease
Plant and equipment	Straight line	3 to 10 years
Finance lease assets	Straight line	Lesser of period of lease and 5 years
Other assets	Straight line	2 to 5 years

2. Summary of significant accounting policies (continued)

As part of its mining operations, the Group incurs mining stripping (waste removal) costs both during the development and production phase of its operations. When stripping costs are incurred in the development phase of a mine before the production phase commences (development stripping), such expenditure is capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units of production method, in accordance with the policy applicable to mine properties. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Waste development costs incurred in the production phase creates two benefits, being either the production of inventory or improved access to the ore to be mined in the future. When the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for a part of the cost of producing those inventories. When production stripping costs are incurred and the benefits is improved access to ore to be mined in the future, the costs are recognised as a stripping activity asset in mine property. If the cost of the inventory produced and the stripping asset are not separately identifiable, the allocation is undertaken based on waste to ore stripping ratio for the particular ore component concerned. If mining of waste in a period occurs in excess of the expected life of component average waste to ore strip ratio, the excess is recognised as part of the stripping asset. When mining occurs at or below the expected life-of-component stripping ratio in a period, the entire production stripping cost is allocated to the cost of the ore inventory produced.

Amortisation is provided on the units-of-production method over the life of the identified component of ore body. The units of production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources.

2.10 Other financial assets

Other financial assets include:
- Financial assets at fair value through the statement of profit and loss;
- Loans and receivables;
- Held to maturity investments; and
- Available for sale financial assets.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

When financial assets are recognised initially, they are measured at fair value plus (in the case of investments, not at fair value though profit or loss) directly attributable costs.

Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss. Upon initial recognition, a financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Gains and losses on investments held-for-trading are recognised in profit or loss. Assets in this category are classified as current assets if they are either held-for-trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Such assets are carried at amortised cost using the effective interest rate method, less any allowance for impairment, if the time value of money is significant. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at an appropriate interest rate. The amount of the provision is recognised in the income statement.

2. Summary of significant accounting policies (continued)

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the time value of money is significant, held-to-maturity investments are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit or loss.

Fair value
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

2.11 Impairments

Non-financial assets
Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets that were previously impaired are reviewed for possible reversal of the impairment at each reporting date.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial assets
The Group assesses at each balance sheet date whether a financial asset or group of financial assets are impaired.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related

2. Summary of significant accounting policies (continued)

objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date, any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial investments
If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.12 Inventories

Inventories, which include rough diamonds, ore stock piles and consumables, are measured at the lower of cost and net realisable value. The amount of any write-down of inventories to net realisable value and all losses, are recognised in the period the write-down or loss occurs. Cost is determined as the average cost of production, using the 'first-in-first-out method'. Cost includes directly attributable mining overheads, but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs to be incurred in marketing, selling and distribution.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at amortised cost. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

2.14 Issued share capital

Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

2.15 Foreign currency translation

Functional and presentation currency
The results and financial position of the Group's subsidiaries which have a functional currency different from the Australian Dollar being the Group's presentation currency, are translated into the presentation currency as follows:

- balance sheet items are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognised as a separate component of equity.

2. Summary of significant accounting policies (continued)

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items that are measured in terms of cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary items for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

2.16 Financial liabilities

Interest-bearing borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest rate method.
Bank overdrafts are recognised at amortised cost.

Fair value through profit or loss
Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.
Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

2.17 Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of a past event;
- a reliable estimate can be made of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.
The increase in the provision due to the passage of time is recognised as finance costs.

2.18 Restoration and rehabilitation

The mining, extraction and processing activities of the Group normally give rise to obligations for site restoration and rehabilitation. Rehabilitation works can include facility decommissioning and dismantling; removal and treatment of waste materials; land rehabilitation; and site restoration. The extent of the work required and the estimated cost of final rehabilitation, comprising liabilities for decommissioning and restoration, are based on current legal requirements, existing technology and the Group's environmental policies and is reassessed annually. Cost estimates are not reduced by the potential proceeds from the sale of property, plant and equipment.

Provisions for the cost of each restoration and rehabilitation programme are recognised at the time the environmental disturbance occurs. When the extent of the disturbance increases over the life of the operation, the provision is increased accordingly. Costs included in the provision encompass all restoration and rehabilitation activity expected to occur. The restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value. The value of the provision is progressively increased over time as the effect of the discounting unwinds, which is recognised in finance charges. Restoration and rehabilitation provisions are also adjusted for changes in estimates.

2. Summary of significant accounting policies (continued)

When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset where it gives rise to a future benefit and depreciated over future production from the operation to which it relates.

2.19 Taxation

Income tax for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, deferred tax is provided except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Withholding tax is recognised in the income statement when dividends or other services which give rise to that withholding tax are declared or accrued respectively. Withholding tax is disclosed as part of current tax.

Royalties

Royalties and revenue-based taxes are accounted for under AASB 112 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under Government authority and the amount payable is based on taxable income – rather than based on quantity produced or as a percentage of revenue. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation.

Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as current provisions and disclosed as part of selling and distribution costs. The royalties incurred by the Group are considered not to meet the criteria to be treated as part of income tax.

2.20 Employee benefits

Wages, salaries and annual leave

Provision is made in the financial statements for all short term employee benefits. Liabilities for wages and salaries, including non-monetary benefits, benefits required by legislation, annual leave, retirement benefits and accumulating sick leave obliged to be settled within 12 months of the reporting date, are recognised in trade and other payables and are measured at the amounts expected to be paid when the liabilities are settled. Benefits falling due more than 12 months after the balance sheet date are discounted to present value. The Group recognises an expense for contributions to the defined contribution pension fund in the period in which the

2. Summary of significant accounting policies (continued)

employees render the related service.

Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2.21 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) There is a change in the determination of whether fulfilment is dependent on a specific asset; or
d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in financial liabilities.
The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset’s useful life and the lease term.
Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease. When the Group is a party to a lease where there is a contingent rental element associated within the agreement, a cost is recognised as and when the contingency materialises.

2.22 Revenue

Revenue is measured at fair value of the consideration received or receivable and comprises the fair value for the sale of goods, net of value-added tax, rebates and discounts and after eliminated sales within the Group. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

Revenue is recognised as follows:
Sale of goods
Sales of diamonds and other products are recognised when the significant risks and rewards of ownership have been transferred to the customer and can be measured reliably and receipt of future economic benefits is probable.

2. Summary of significant accounting policies (continued)

Interest income
Interest income is recognised on a time-proportion basis using the effective interest rate method.

2.23 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary share outstanding for the effects of all dilutive potential ordinary shares, which comprise listed options and share options granted to employees.

2.24 Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 Operating Segments are reported separately.
Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category as "unallocated".

2.25 Share-based payment transactions

Equity settled transactions
Share-based compensation benefits are provided to eligible directors, officers and employees, which allows participants to acquire shares of the Company.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model, further details of which are given in Note 25. The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- The grant date fair value of the award;
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- The expired portion of the vesting period.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market or non-vesting is fulfilled, provided that all other conditions are satisfied.

2. Summary of significant accounting policies (continued)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.26 Dividend distribution

Dividend distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are declared by the Board.

2.27 Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets and liabilities, the reported revenue and costs during the periods presented therein, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future and the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the financial results or the financial position reported in future periods are discussed below.

Life of mine
There are numerous uncertainties inherent in estimating ore reserves and the associated life of mine. Therefore the Group must make a number of assumptions in making those estimations, including assumptions as to the prices of commodities, exchange rates, production costs and recovery rates. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of ore reserves and may, ultimately, result in the ore reserves being restated. Where assumptions change the life of mine estimates, the associated depreciation rates, residual values, waste stripping and amortisation ratios and environmental provisions are re-assessed to take into account the revised life of mine estimate.

Exploration and evaluation expenditure
This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether economically viable extraction operations are viable where reserves have been discovered and whether indications of impairment exist. Any such estimates and assumptions may change as new information becomes available.

Development expenditure
Judgement is applied by management in determining when a project has reached a stage at which economically recoverable reserves exist and that development may be sanctioned. Management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure.

Property, plant and equipment – recoverable amount
The calculation of the recoverable amount of an asset requires significant judgements, estimates and

2. Summary of significant accounting policies (continued)

assumptions, including future demand, technological changes, exchange rates, interest rates and others.

Impairment of assets
The Group assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value-in-use. These assessments require the use of estimates and assumptions such as long-term diamond prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as management's best estimate of the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mine assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate to determine the net present value.

Provision for restoration and rehabilitation
Significant estimates and assumptions are made in determining the amount of the restoration and rehabilitation provisions. These deal with uncertainties such as changes to the legal and regulatory framework, magnitude of possible disturbance, and the timing, extent and costs of required restoration and rehabilitation activity.

Taxation
The determination of the Group's obligations and expense for taxes requires an interpretation of tax law and therefore certain assumptions and estimates are made.

Stripping activity asset
Management is required to make certain estimates and assumptions regarding the tonnes of waste material expected to be mined during the life of area per tonne of ore mined. The average life of area cost per tonne is calculated as the total expected costs to be incurred to mine the ore body divided by the number of tonnes expected to be mined. The average life of area stripping ratio and the average life of area cost per tonne are recalculated annually in light of additional knowledge and changes in estimates.

3. Segment information

For management purposes, the Group is organised into business units based on its products and services and currently has two reportable segments, both operating in Australia:
- Diamond mining being the mining, processing, marketing and exploration of diamonds,
- Mineral exploration, being the acquisition and exploration of minerals and mineral tenements.

The Chief Operating Decision Maker ('CODM') is the Board of Directors, which monitors the operating results of the business units separately for purposes of making decisions about resource allocations and performance assessment.

Segment performance is evaluated based segment results which are determined using revenues and expenditure directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment results are measured consistently with the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Inter-segment revenues are eliminated upon consolidation and included in the "unallocated" column.

	Diamond mining $'000	Exploration and Corporate $'000	Consolidated $'000
3. Segment information			
2013			
Revenue			
External customers	47,951	-	47,951
Interest revenue	196	33	229
Research and development incentive claim		126	126
Inter-segment revenue	-	-	-
	48,147	159	48,306
Segment profit/(Loss)	4,870	(2,711)	2,159
Share option expenses	-	(1,435)	(1,435)
Gain on acquistion of business	-	1,539	1,539
Other	-	19	19
Profit after income tax expense for the period	4,870	(2,588)	2,282
Interest paid	162	10	172
Depreciation and amortisation	9,399	4	9,403
Other non-cash items	-	101	101
Assets	60,453	3,468	63,921
Liabilities	50,591	647	51,238
Capital expenditure	9,379	646	10,025
2012			
Revenue			
Interest revenue	-	43	43
	-	43	43
Segment profit/(Loss)	-	(656)	(656)
Loss after income tax expense for the period	-	(656)	(656)
Depreciation and amortisation	-	2	2
Assets	-	3,890	3,890
		-	
Liabilities	-	750	750
		-	
Capital expenditure	-	1,372	1,372

Diamond mining revenue includes sales to one customer amounting to $41.573 million (2012: nil) which represents 87% of its total revenue for the period.

	2013 $'000	2012 $'000
4. Revenue		
Sale of goods	47,936	-
Research and development incentive claim	126	
Other revenue	15	-
Interest income	229	43
Revenue	48,306	43
5. Expenses		
Profit before income tax includes the following specific expenses:		
Depreciation	6,827	2
Employee benefits expense		
Wages and Salaries	9,591	218
Defined contribution superannuation and other employee benefits	2,103	35
Share-based payments expense	1,435	187
Total employee benefits expense	13,129	440
Minimum lease payments recognised as an operating lease expense	264	-
Finance cost		
Interest on borrowings	172	-
Mine rehabilitation and site restoration discount unwind	361	-
Total finance cost	533	-
Impairment loss		
Exploration and evaluation	831	
Total impairment loss	831	-

The impairment loss arose on exploration expenditure for areas of interest which the Group are no longer pursuing. Accordingly the exploration costs capitalised for these areas have been impaired.

6. Income tax expense

	2013 $'000	2012 $'000
Major components of income tax expense are:		
Statement of comprehensive income		
Current income tax		
Current income tax charge	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	(634)	(197)
Current year tax losses and temporary differences not recognised in the current period	634	197
Income tax expense/(benefit) recognised	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/ (loss) before income tax expense	2,282	(656)
Tax at the statutory tax rate of 30%	685	(197)
Share based payments	431	-
Non-accessible gains	(732)	
Sundry non-deductible/(deductible) expenses	250	-
Current period tax losses and temporary differences not recognised	(634)	197
Income tax expense	-	-
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	20,770	2,190
Potential tax benefit @ 30%	6,231	657

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The Group has no franking credit as 30 June 2013 (2012: nil).

	2013 $'000	2012 $'000
7. Cash and cash equivalents		
Cash at bank and on hand	8,830	1,799
	8,830	1,799
8. Trade and other receivables		
Current		
Other receivables	1,501	-
Prepayments	1,239	-
Environmental bonds*	12,149	-
Goods and services tax recoverable	1,445	123
	16,334	123
Non-current		
Other security bonds and capitalised bond costs**	543	-
	543	-

** Comprised of cash pledged as security for environmental bonds issued by ANZ to DMP.*

*** Term deposits held as security over operating lease, exploration and credit card facility.*

	2013 $'000	2012 $'000
9. Inventories		
Ore stockpiles - Net realisable value	8,357	-
Diamond inventory - Net realisable value	6,790	-
Stores stock	3,132	-
	18,279	-
Net realisable value write down	4,017	-
10. Other current assets		
Security deposits	-	10
11. Non-current assets classified as held for sale		
Tenement licences and leases	-	150

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Notes to the consolidated financial statements
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12. Property, plant and equipment

	Plant and equipment $'000	Land and buldings $'000	Exploration and evaluation $'000	Motor vehicles $'000	Office equipment $'000	Stripping activity asset $'000	Mine properties $'000	Furniture and fittings $'000	Total $'000
Cost									
Balance at 5 May 2011	-	-	-	-	-	-	-	-	-
Additions	-	-	1,361	-	-	-	-	11	1,372
Balance at 30 June 2012	-	-	1,361	-	-	-	-	11	1,372
Transfers	-	-	438	-	-	-	-	-	438
Additions	874	317	646	46	7	8,133	-	2	10,025
Acquired through business combination	10,649	6,508	52	358	769	-	-	-	18,336
Balance at 30 June 2013	11,523	6,825	2,497	404	776	8,133	-	13	30,171
Accumulated depreciation/ impairment									
Balance at 5 May 2011	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	(2)	(2)
Balance at 30 June 2012	-	-	-	-	-	-	-	(2)	(2)
Depreciation/ Amortisation	(3,598)	(3,010)	-	(30)	(185)	(2,576)	-	(4)	(9,403)
Impairment	-	-	(831)	-	-	-	-	-	(831)
									-
Balance at 30 June 2013	(3,598)	(3,010)	(831)	(30)	(185)	(2,576)	-	(6)	(10,236)
Net carrying value									
Balance at 30 June 2012	-	-	1,361	-	-	-	-	9	1,370
Balance at 30 June 2013	7,925	3,815	1,666	374	591	5,557	-	7	19,935

	2013 $'000	2012 $'000
13. Other non-current assets		
Tenement licences and leases*	-	438

** The balance was transferred to property, plant and equipment during the year (refer note 12).*

	2013 $'000	2012 $'000
14. Trade and other payables		
Trade payables	3,995	186
Accrued expenses	5,171	71
Other payables - Related parties	-	-
Other payables	1,470	75
	10,636	332

Refer to note 24 for further information on financial instruments.

	2013 $'000	2012 $'000
15. Borrowings		
Current		
Due to Summit Equities Pty Limited	21	402
Obligations under finance leases and hire purchase contracts	303	
Loan from Gem Diamonds Ltd	10,710	-
	11,034	402

The Gem Diamonds Ltd loan arose prior to the acquisition of KDC and bears interest at a fixed rate of 2.6%. The loan was secured by fixed and floating charges over KDC's assets and was settled in full subsequent to year end.

	2013 $'000	2012 $'000
16. Provisions		
Current		
Employee benefits	2,197	16
Non-current		
Employee benefits	836	-
Mine rehabilitation provision	26,535	-
	27,371	-
Movement in mine rehabilitation provision		
At the beginning of the period	-	-
Acquired through business combination	28,955	-
Arising during the period	22	-
Re-estimation of provision	(2,648)	
Utilised during the period	(155)	-
Unwinding of discount	361	-
At the end of the period	26,535	-

The site and mine restoration provision has been recognised as the Group has an obligation for the rehabilitation of its mining areas. The provision has been calculated based on the total estimated rehabilitation costs over a period of 13 years and discounted back to present value at a rate of 3.99%.

17. Deferred tax	**2013 $'000**	**2012 $'000**
Deferred Tax Liabilities		
The balance comprises temporary differences attributable to:		
Exploration and Evaluation	-	523
Foreign Exchange Gains / Losses	2	-
Accrued Income	267	-
Consumables	260	-
Prepayments	1	-
Other	6	
Deferred tax asset offset gainst deferred tax liability	(536)	(523)
Deferred tax liabilities	-	-
Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
Business Related Costs	115	116
Exploration and Evaluation	2,942	-
Intangibles	2,429	-
Provision for annual leave	659	5
Provision for long service leave	251	-
Other provisions	7,961	-
Accrued superannuation	5	4
Accrued expenses	460	12
Fixed Assets	55,901	-
Asset impairments	129	-
Trading Stock	1,471	-
Revenue tax losses	6,231	1,042
Capital losses	2	-
Deferred tax asset offset gainst deferred tax liability	(536)	(523)
	78,020	656
Amount not recognised	(78,020)	(656)
Deferred Tax Assets	-	-
Movement in deferred tax balances		
Balance at 1 July	-	-
Credited/(charged) to the profit or loss	(1,213)	197
Not recognised	1,213	(197)
Acquired	-	-
Credited/(charged) to other comprehensive income	-	-
	-	-

	2013 $'000	2012 $'000
18. Issued capital		
Fully paid ordinary shares - 74,614,742 shares (2012 : 32,974,000)	9,771	3,558

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$'000
Issue of shares on incorporation	5-May-11	100	$1.00	-
Issue of shares	1-Jun-11	5,000,000	$0.00	20
Issue of shares	1-Jun-11	5,000,000	$0.00	5
Issue of shares	15-Jun-11	3,849,900	$0.04	164
Issue of shares on Initial Public Offering	22-Feb-12	17,724,000	$0.20	3,545
Issue of shares	22-Feb-12	1,400,000	$0.20	280
Share issue transaction costs				(456)
Balance at 30 June 2012		32,974,000		3,558
Issue of shares	2-Aug-12	4,333,371	$0.17	737
Issue of shares	15-Jan-13	5,742,511	$0.15	861
Issue of shares	6-Feb-13	736,667	$0.15	111
Issue of shares	21-Feb-13	5,666,667	$0.15	850
Issue of shares	27-Mar-13	6,366,664	$0.15	955
Issue of shares	8-Apr-13	18,794,862	$0.15	2,819
Share issue transaction costs				(120)
Balance at 30 June 2013		74,614,742		9,771

	2013 $'000	2012 $'000
19. Other contributed equity		
Treasury shares	-	(333)
Capital contribution	201	201
	201	(132)

Treasury shares

1,750,000 treasury shares were acquired during the period ended 30 June 2012 which arose on the acquisition of Zodiac Resources Pty Ltd which held shares in Kimberley Diamonds Ltd (formerly Goodrich Resources Ltd) with an acquisition-date fair value of $332,500. These shares have been excluded from the calculation of earnings per share and diluted earnings per share. The treasury shares were disposed of on the 28th August 2012 to Summit Equities Ltd , a director related entity, for $350,000.

Capital contribution

The capital contribution reserve represents the common shareholder transaction on the acquisition of Zodiac Resources Pty Ltd in 2012.

Refer to note 24 for details of the Group's capital management plan.

20. Reserves

	2013 $'000	2012 $'000
Share-based payments reserve	1,622	187
Other reserves	(699)	-
	923	187
Share-based payments reserve		
Balance at the beginning of the financial period	187	-
Share options granted	1,435	280
Share options forfeited	-	(93)
Balance at the end of the financial period	1,622	187

The share based payment reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services. Refer to note 25 for detailed disclosure.

Other reserves arose on the acquisition of a further 6.19% of the ordinary shares of Zodiac Resources Pty Ltd, increasing its the holding from 52.38% to 58.57%. The consideration paid was the issue of 4,333,371 shares in the company to the relevant vendor shareholders of Zodiac Resources Pty Ltd.

21. Retained earnings/ (Accumulated losses)

	2013 $'000	2012 $'000
Accumulated losses at the beginning of the financial period	(624)	-
Profit/ (loss) after income tax expense for the period	2,420	(624)
Fair value adjustment on disposal of treasury shares	17	-
Retained profit at the end of the financial year	1,813	(624)

22. Earnings per share

	2013 $'000	2012 $'000
Profit/ (Loss) after income tax	2,282	(656)
Non-controlling interest	138	32
Profit/ (Loss) after income tax attributable to the owners of Kimberley Diamonds Ltd	2,420	(624)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	47,751,596	16,965,896
Weighted average number of ordinary shares used in calculating diluted earnings per share	47,751,596	16,965,896
	Cents	**Cents**
Basic earnings per share	5.07	(3.68)
Diluted earnings per share	5.07	(3.68)

18,000,000 (2012: 4,000,000) options over ordinary shares are excluded from the earnings per share calculation as their inclusion would be anti-dilutive.

1,750,000 treasury shares held in 2012 have been excluded from the earnings per share calculation. Refer note 19 for details.

23. Equity – dividends

There were no dividends paid or declared during the current or prior financial period. On 23 September 2013 the Company announced that the Board declared an unfranked dividend of 2 cents payable to shareholders on 21 October 2013.

24. Financial risk management

	2013 $'000	2012 $'000
Financial instruments included in the consolidated statement of financial position		
Cash and cash equivalents	8,830	1,799
Loans and receivables		
Trade and other receivables	16,334	123
Security bonds	543	-
Financial liabilities measured at amortised cost		
Trade and other payables	10,636	332
Borrowings	11,034	402
Amounts recognised on financial instruments in the consolidated statement of comprehensive income		
Loans and receivables		
Interest income	229	43
Financial liabilities measured at amortised cost		
Interest expense	172	-

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed, such as sensitivity analysis in the case of interest rate risk.

Risk management is carried out by the directors under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. The Board identifies, evaluates and, if applicable, hedges financial risks.

Market risk

Commodity price risk

The Group is exposed to commodity price risk. Diamonds are not a homogenous product and the price of rough diamonds is not monitored on a public index system. The fluctuation of prices is related to certain features of diamonds such as quality and size. Diamond prices are marketed in US$ and long-term US$/carat prices are based on external market consensus forecasts and contracted sales arrangements adjusted for the Group’s specific operations. The Group does not have any financial instruments that may fluctuate as a result of commodity price movements but has an existing supply agreement with a top-end jeweller for its fancy yellow diamond production. This contract, which caters for a monthly index review and floor price, is for the life of the mine and provides certainty to the revenue flows.

The Group also has an indirect exposure to the price of gold and copper.

Foreign currency risk

The Group’s functional currency is Australian Dollar and is exposed to foreign exchange risk arising primarily due to exchange differences incurred on sales denominated in US Dollar as well as on input costs denominated in US Dollar.

At 30 June 2013, the Group’s exposure to the US Dollar relates to its cash balance of $ 919 thousand (2012: nil).

24. Financial risk management (continued)

If the US$ had appreciated (depreciated) 10% against the Australian Dollar , income before taxation for the period ended 30 June 2013 and equity as at that date would have been $108 thousand lower (higher) (2012: nil).

Interest rate risk
The Group's main interest rate risk arises from environmental bonds and cash and cash equivalents.

The sensitivity analysis has been determined based on the exposure to interest rates and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit and net assets would increase/decrease by $105 thousand (2012: $9 thousand), based on the environmental bonds and cash and cash equivalents held at the reporting date.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure.
The Group's maximum exposure to credit risk at the reporting date in relation to each class of recognised financial assets is the carrying amount as disclosed in the statement of financial position and notes to the financial statements.
The Group manages the credit risk of its cash resources by placing the funds in high quality banking institutions.

The Group's exposure to customer credit risk is limited due the nature of its ultimate customers, the relevant trading terms and conditions and due to the fact that customers are required to pay prior to receipt of goods.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.
The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

24. Financial risk management (continued)

2013	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	9,166	-	-	-	9,166
Other payables	-	1,470	-	-	-	1,470
Related party loans	-	21	-	-	-	21
Interest bearing						
External borrowings	2.6	11,013	-	-	-	11,013
Total non-derivatives		21,670	-	-	-	21,670
2012						
Non-derivatives						
Non-interest bearing						
Trade payables		186	-	-	-	186
Other payables		75	-	-	-	75
Related party loans		402	-	-	-	402
Total non-derivatives		663	-	-	-	663

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.
The Group also manages its exploration and evaluation commitments (see Note 29) by continuously monitoring its tenement minimum government expenditure commitments and Farm in commitments.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Capital management

Capital comprises share capital and equity attributable to equity holders of the Company. The primary objective of the Groups' capital management is to ensure that it maintains healthy capital ratios to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2013 and 2012.

25. Share-based payments

Summary of options granted

Grant date	Options granted	Exercise price ($)	Expiry date	Vesting conditions
17-Feb-12	6,000,000	0.30	30-Jun-14	None
8-Mar-13	4,000,000	0.30	30-Jun-15	None
26-Apr-13	10,000,000	0.30	30-Jun-15	None

The following inputs were used in the measurement of fair value at the grant date of the above options:

	8-Mar-13 options	26-Apr-13 options	17-Feb-12 options
Share price at grant date - $	0.18	0.26	0.20
Expected volatility (%)	85.0	85.0	50.0
Expected life (years)	2.31	2.18	2.00
Expected dividends (%)	0.0	0.0	0.0
Risk-free interest rate (%)	3.0	3.1	4.75
Fair value at grant date - $	0.066	0.117	0.0466

Amount recognised as an employment expense for the period in respect of share-based payments:

	2013 $'000	2012 $'000
17-Feb-12 options	-	187
8-Mar-13 options	266	-
26-Apr-13 options	1,169	-
	1,435	187

Reconciliation of outstanding share options
The number and weighted exercise price of the outstanding share options are as follows:

	2013		2012	
	Weighted average exercise price ($)	Number	Weighted average exercise price ($)	Number
Options outstanding at the beginning of period	0.30	4,000,000		-
Granted	0.30	14,000,000	0.30	6,000,000
Exercised		-		
Expired/Forfeited/ Other		-	0.30	(2,000,000)
Options outstanding at the end of period	0.30	18,000,000	0.30	4,000,000
Options exercisable at the end of period		18,000,000		4,000,000
Weighted average share price at the date of options exercised during period	n/a		n/a	
Weighted average remaining contractual life of outstanding options (years)		1.78		2.00

	2013 $'000	2012 $'000
26. Reconciliation of cash flow from operating activities		
Profit/ (Loss) after income tax expense for the period	2,282	(656)
Adjustments for:		
Depreciation and amortisation	6,827	2
Release of Mine Restoration Provision	(2,648)	-
Impairment loss	831	-
Foreign exchange loss	571	-
Finance cost	84	-
Stripping activity asset amortisation	2,576	-
Loss on disposal of property plant and equipment	148	-
Gain on acquistion of business	(1,539)	-
Share-based payments	1,435	187
Doubtful debt expense	(26)	-
Other accruals	49	-
Operating profit before changes in working capital and provisions	10,590	(467)
Increase in inventories	5,473	-
Movement in trade and other receivables	(2,029)	351
Movement in trade and other payables	1,506	(407)
Movement in provisions	153	16
Net cash from/ (used in) operating activities	15,693	(507)

27. Business combinations

2012

Zodiac Resources Pty Ltd

On 28 May 2012 Kimberley Diamonds Ltd acquired 52.38% of the ordinary shares of Zodiac Resources Pty Ltd for no consideration. It was acquired to provide the Group an expanded exploration portfolio base. The discount on acquisition represents the fair value of the assets obtained for nil consideration. The acquired business contributed revenues of $nil and loss after tax of $31.9 thousand to the Group for the period from 28 May 2012 to 30 June 2012. Due to significant integration changes within the consolidation entity it is not practical to provide a meaningful profit or loss for the entire financial period. The values identified in relation to the acquisition of Zodiac Resources Pty Ltd are final as at 30 June 2012.

27. Business combinations (continued)

Details of the acquisition are as follows:	2012 Acquiree's carrying amount $'000	Fair value $'000
Cash equivalents	1	1
Other receivables	90	90
Furniture and fittings	8	8
Other financial assets	491	659
Shares in Kimberley Diamonds Ltd	350	332
Trade payables	(88)	(88)
Other payables	(618)	(618)
Net assets acquired	234	384
Discount on acquisition		(384)
Acquisition-date fair value of the total consideration transferred		-
Representing:		
Discount on acquisition available to Kimberley Diamonds Ltd		201
Non-controlling interest		183
		384
Cash used to acquire business, net of cash acquired:		
Cash equivalents acquired		1
Net cash received		1

2013

On 2 August 2012, the Company acquired a further 6.19% of the ordinary shares of Zodiac Resources Pty Ltd, increasing its total holding in the ordinary shares of Zodiac Resources Pty Ltd from 52.38% to 58.57%. The consideration paid was the issue of 4,333,371 shares in the Company to the relevant vendor shareholders of Zodiac Resources Pty Ltd. The fair value of the shares issued was $737 thousand.

Kimberley Diamond Company NL

On 4 February 2013, the Company announced it had finalised negotiations for the acquisition of a 100% interest in Kimberley Diamonds Company NL ("KDC") from GEM Diamonds Limited by means of an up-front completion payment of $3.25 million, which was funded through a mixture of short term debt and equity, and an agreement to repay an existing loan over 22 months of $11.2 million, used by KDC to cover environmental bonds. The effective acquisition date of KDC was 30 January 2013 being the date that the Share Sale and Purchase Agreement were executed by both parties.

Acquisition costs of $614 thousand have been expensed and included in other operating expense in the Consolidated Statement of Comprehensive Income and in its operating cash flows in the Consolidated Cash Flow Statement.

As a result of KDC and its Ellendale operation being held for sale by GEM Diamonds for an extended period of time, the Company was able to negotiate a favourable acquisition price that resulted in a gain of on acquisition of the business of $1.539 million, being the fair value of its net assets acquired in excess of the purchase price paid.

27. Business combinations (continued)

Details of the acquisition are as follows:	2013 Acquiree's carrying amount $'000	Fair value $'000
Cash and Cash equivalents	596	596
Other receivables	16,065	14,862
Diamonds on hand	10,808	10,808
Other inventory	12,944	12,944
Property plant and equipment	18,336	18,336
Trade payables	(9,340)	(9,340)
Provisions	(31,686)	(31,686)
Other payables	(11,731)	(11,731)
Net assets acquired	5,992	4,789
Discount on acquisition		(1,539)
Fair value of the total consideration transferred		3,250
The consideration is made up as follows:		
- cash payment at acquistion		250
- deferred consideration paid subsequently		3,000
		3,250
Allocation of discount on acquistion:		
- available to Kimberley Diamonds Ltd		(1,539)
- non-controlling interest		-
		(1,539)
Cash used to acquire business, net of cash acquired:		3,250
Cash equivalents acquired		(596)
Net cash payment		2,654

The fair values are provisional due to the complexity of the valuation process. Finalisation of the fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition as required by AASB3 Business Combinations.

KDC entered into retention arrangements with certain of its employees and directors prior to the acquisition. Pursuant to these arrangements, $338 thousand was recognised as a liability at the acquisition date and was subsequently paid. There are no further retention obligations.

From the date of acquisition to 30 June 2013, revenue of $48.1 million and income after tax of $4.9 million were included in the Consolidated Statement of Comprehensive Income with respect to KDC. The revenue and profit and loss of the combined entity have not been presented as if the combination has occurred at the beginning of the annual reporting period as, in the opinion of the Directors; this information is not considered to be useful to the users of this annual report.

28. Contingent liabilities

In September 2013, a company with which the Group has a farm-in agreement gave notice of its intention to commence proceedings against the Group unless it received payment of $650 thousand within 14 days, claiming the Group had failed to manage the tenements in accordance with the terms of the farm-in agreement such that they will or may already be forfeited. The Group intends to defend any proceedings commenced by the other party. Accordingly, no provision for any liability has been made in these financial statements.

29. Commitments

The Group leases corporate office space and equipment under non-cancellable operating leases expiring from two to four years, with renewal options thereafter.

	2013 $'000	2012 $'000
Operating lease commitments		
Office space and equipment		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	383	-
Two to five years	351	-
	734	-

The Group is committed to the following minimum expenditure on the mining leases specified by local authorities, in order to maintain current rights of tenure.

	2013 $'000	2012 $'000
Exploration and mining lease commitments		
Future obligation from agreements with local authorities:		
Within one year	2,005	1,352
Two to five years	10,177	8,061
More than five years	35	-
	12,217	9,413

The Group is committed to the following minimum lease payments for the use of mining equipment for which ownership passes at the end of the lease term.

	2013 $'000	2012 $'000
Finance lease and hire purchase commitments		
Future minimun lease payments are payable as follows:		
Within one year	309	-
Total minimun lease payments	309	-
Less: Finance charges	(6)	-
Present value of net minimun lease payments	303	-
The present value of net minimun lease payments are payable as follows:		
Within one year	303	-
Present value of net minimun lease payments	303	-

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2013 $'000	2012 $'000
Capital commitments - Property Plant and Equipment		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	520	-
Two to five years	-	-
More than five years	-	-
	520	-

30. Related party transactions

Parent entity
Kimberley Diamonds Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 34.

Key management personnel
Disclosures relating to key management personnel are set out in note 31 and the remuneration report in the directors' report.

	2013 $	2012 $
Transactions with related parties		
The following transactions occurred with related parties:		
Payment for other expenses:		
- management fees paid to Summit Equities Limited, a director related entity.	70,000	55,006
- office rent paid to Summit Equities Limited, a director related entity.	40,000	
5,000,000 Share options issued to Summit Equities Limited, a director related entity	584,725	-
Loans to/from related parties		
The following balances are outstanding at the reporting date in relation to loans with related parties:		
Current borrowings:		
- Loan from Summit Equities Limited, a director related entity (interest free)	21,406	402,025

On 28 May 2012 the Group acquired 52.28% of the ordinary shares of Zodiac Resources Pty Ltd for nil consideration. The fair value of the assets acquired amounted to $384 thousand. Zodiac Resources Pty Ltd was a related party of Goodrich as it was controlled by Alexandre Alexander, a director of Kimberley Diamonds Ltd.

The Group paid Summit Equities Limited, a director related entity, $195 thousand brokerage commission for the funds raised in the Initial Public offering during the previous financial year.

On 28 August 2012, the Group disposed 1,750,000 treasury shares to Summit Equities Ltd for $ 350,000. (refer note 19).

On 30 January 2013 Summit Equities Ltd and the Company entered into a loan agreement whereby Summit provided an interest free loan facility of $3.250 million to the Company. The maturity date is 1 July 2014. By the end of the period, the Company has drawn down and repaid a total of $2.250 million from this facility. No balance remains outstanding at 30 June 2013

Terms and conditions
Except for the interest free loan, all transactions were made on normal commercial terms and conditions and at market rates. There is no written agreement in place.

31. Key management personnel disclosures

Directors

The following persons were directors of Kimberley Diamonds Ltd during the financial period:

Alexandre Alexander (appointed on 5 May 2011)	Executive Chairman
Rodney Alan Sainty (appointed on 28 February 2012)	Managing Director and Chief Executive Officer (from 6 March 2012 to 16 April 2013)
Albert Yue-Ling Wong (appointed on 18 August 2011)	Non-Executive Director
Mark Yumin Qui (appointed on 28 February 2012)	Non-Executive Director
Yong Xiao (appointed on 6 March 2012)	Non-Executive Director
Lee-Anne de Bruin (appointed on 17 April 2013)	Managing Director

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial period:

Warwick Pearce (appointed 15 March 2012)	Company Secretary and General Counsel
Luke Humphreys (appointed 6 March 2012; resigned on 31 January 2013)	Operations Manager
Noel Halgreen (appointed 2 April 2013)	Director of Kimberley Diamond Company NL

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2013 $	2012 $
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:		
Short-term employee benefits	970,304	389,631
Post-employment benefits	68,439	35,992
Termination benefits	-	40,000
Share-based payments	1,434,694	279,880
	2,473,437	745,503

Shareholding

The number of shares in the parent entity held during the financial period by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

31. Key management personnel disclosures (continued)

	Balance at the start of the period	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the period
Ordinary shares					
2013					
A Alexander	10,610,000	-	1,343,334	-	11,953,334
A Y-L Wong	-	-	240,000	-	240,000
R A Sainty	10,000	-	-	-	10,000
L de Bruin	-	-	20,000	-	20,000
N Halgreen	-	-	-	-	-
L Humphreys	-	-	-	-	-
W Pearce	-	-	-	-	-
	10,620,000	-	1,603,334	-	12,223,334
2012					
A Alexander	-	-	11,860,000	(1,250,000)	10,610,000
R A Sainty	-	-	10,000	-	10,000
D P Busch	-	-	10,000	(10,000)	-
	-	-	11,880,000	(1,260,000)	10,620,000

Option holding

The number of options over ordinary shares in the parent entity held during the financial period by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period	Vested and exercisable	Vested and unexercisable	Vested at the end of the period
Options over ordinary shares								
2013								
A Alexander *	1,000,000	10,000,000	-	(5,000,000)	6,000,000	6,000,000	-	6,000,000
A Y-L Wong	2,000,000		-	-	2,000,000	2,000,000	-	2,000,000
N Halgreen	-	4,000,000	-	-	4,000,000	4,000,000	-	4,000,000
L de Bruin	-	-	-	-	-	-	-	-
L Humphreys	-	-	-	-	-	-	-	-
W Pearce	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	3,000,000	14,000,000	-	(5,000,000)	12,000,000	12,000,000	-	12,000,000
2012								
A Alexander	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
A Y-L Wong	-	2,000,000	-	-	2,000,000	2,000,000	-	2,000,000
D P Busch	-	2,000,000	-	(2,000,000)	-	-	-	-
M Tang **	-	1,000,000	-	(1,000,000)	-	-	-	-
	-	6,000,000	-	(3,000,000)	3,000,000	3,000,000	-	3,000,000

** - Other represents options transferred to an outside party.*
*** - Other movement due to not being a KMP member any longer. Options are still valid.*

Related party transactions

Related party transactions are set out in note 30.

32. Auditors' remuneration

	2013 $	2012 $
Audit services		
Audit or review of the financial statements		
Deloitte Touche Tohmatsu	28,250	55,750
Ernst & Young	75,000	-
Other services		
Investigating accountants report		
Deloitte Touche Tohmatsu	-	15,000
Research and development tax incentive claim		
Deloitte Touche Tohmatsu	26,424	-
	129,674	70,750

33. Parent entity information

	2013 $'000	2012 $'000
Statement of comprehensive income		
Loss after income tax	(3,718)	(698)
Total comprehensive income	(3,718)	(698)
Statement of financial position		
Total current assets	1,781	2,064
Total assets	6,878	3,309
Total current liabilities	101	263
Total liabilities	101	263
Issued capital	9,775	3,558
Share-based payments reserve	1,621	187
Accumulated losses	(4,416)	(698)
Total equity	6,980	3,047
Capital commitments - Exploration and evaluation		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	156	1,352
One to five years	254	8,061
More than five years	-	-
	410	9,413

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2013 (nil: 2012).

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:
Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

34. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Equity holding %	
Name of entity	**Country of incorporation**	**2013**	**2012**
Zodiac Resources Pty Ltd *	Australia	58.57	52.38
Kimberley Diamond Company NL **	Australia	100.00	-
Kimroy Pty Ltd **	Australia	100.00	-
Royell Pty Ltd **	Australia	100.00	-
Kimberley Mining Services Pty Ltd **	Australia	70.00	-
Kimphil Pty Ltd **	Australia	100.00	-

* Entity was acquired on 28 May 2012
** Entities were acquired on 31 January 2013

35. Events after the reporting period

Subsequent to year end, on 28 August 2013, a settlement deed was signed terminating a Joint Venture agreement (JV Agreement) between Blina Minerals and KDC. Under the JV Agreement Blina held the right to mine certain alluvial deposits on the KDC mining lease M04/372. The terms of settlement were reached on commercial terms acceptable to both parties.

On 22 July 2013 the Group announced that it has entered into an agreement with eDiamond International Limited to acquire 100% of the shares in eDiamond Belgium BVBA. The shares were acquired for a zero consideration and the estimated fair value of the business' net assets at the acquisition date is $56 thousand. The acquisition gives the Group greater control over its distributions and marketing channels and will assist in the success of ongoing production expansion projects.

The Company announced on 27 June 2013 that following a routine blast at the E9 pit of the Ellendale Diamond Mine, some slippage of the pit wall occurred beneath the main access ramp temporarily rendering the ramp unsafe for use. As a result, mining operations in the pit were provisionally suspended. The mine is currently in the process of constructing a full buttress to stabilise the failure. Geotechnical monitoring post construction will need to be done prior to a decision around safe recommencement of mining. In the interim, the mine has continued with processing its above ground stockpiles.

On 12 September 2013, 4,000,000 share options in the Company with an exercise price of $0.75 were issued to employees of the Group. There are no vesting conditions and the options and expire on 12 September 2015.

The Company announced on 17 September 2013 that it has signed a binding Heads of Agreement to acquire 100% of the equity in Mantle Diamonds Limited ("Mantle"), including Mantle's wholly-owned Lerala Diamond Mine ("Lerala") in Botswana. Working capital requirements and costs for improvements which will enhance diamond recovery and reduce operating costs are estimated to be $10 million. Lerala is currently under care and maintenance. Mantle also holds highly prospective ground in the Slave and Superior Cratons in Canada and Lahtojoki Kimberlite in Finland.

Under the terms of the agreement, the Company will issue a total of 13,566,317 new ordinary KDL shares to Mantle shareholders who, following the transaction will hold approximately 15.4% of the Group. The agreement is conditional upon KDL undertaking final due diligence and Mantle undertaking a capital restructuring.

On 23 September 2013 the Company announced that the Board declared an unfranked dividend of 2 cents. Key dates relevant to the dividend is as follows:

- Ex dividend date – 4 October 2013 (date shares begin trading ex dividend);
- Record date –11 October 2013 (holders of shares at this date are eligible to receive the dividend)
- Payable date – 21 October 2013.

Kimberley Diamonds Ltd
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the financial period ended on that date; and

- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Alexandre Alexander
Executive Chairman

24 September 2013
Sydney

Building a better working world

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Independent auditor's report to the members of Kimberley Diamonds Limited

Report on the financial report

We have audited the accompanying financial report of Kimberley Diamonds Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the ***Corporations Act 2001*** and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 ***Presentation of Financial Statements***, that the financial statements comply with ***International Financial Reporting Standards***.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the ***Corporations Act 2001***. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report.

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Opinion

In our opinion:

a. the financial report of Kimberley Diamonds Limited is in accordance with the ***Corporations Act 2001***, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the ***Corporations Regulations 2001***; and

b. the financial report also complies with ***International Financial Reporting Standards*** as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 19 to 24 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the ***Corporations Act 2001***. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Kimberley Diamonds Limited for the year ended 30 June 2013, complies with section 300A of the ***Corporations Act 2001***.

Ernst & Young

Ernst & Young

F Drummond
Partner
Perth
24 September 2013

Kimberley Diamonds Ltd
Shareholder information
30 June 2013

The shareholder information set out below was applicable as at 31 August 2013.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	13	-
1,001 to 5,000	60	-
5,001 to 10,000	178	-
10,001 to 100,000	160	-
100,001 and over	63	6
	474	6
Holding less than a marketable parcel	15	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Summit Equities Ltd	6,933,334	9.29
Australia Casin Resources Co Pty Ltd	5,520,000	7.39
Mrs Ling Wei Dong	5,351,498	7.17
Mr Alex Alexander & Mrs Liang Xie <Alexxie Super Fund A/C>	5,020,000	6.73
Hanking Australia Pty Ltd	5,000,000	6.7
Edenbridge Investments Pty Ltd <Neglasari Super Fund A/C>	3,400,000	4.56
International Conveyors (Asia) Ltd	3,300,000	4.42
Yan Xie	3,000,000	4.02
Mrs Marianna Dergushina	2,866,419	3.84
Ubs Wealth Management Australia Nominees Pty Ltd	2,053,000	2.75
Twynam Agricultural Group Pty Limited	2,000,000	2.68
Elinora Invenstments Pty Limited	1,533,333	2.05
Hsbc Custody Nominees (Australia) Limited – A/C 2	1,500,000	2.01
Strategic Development Partners (Aust) Pty Ltd	1,333,332	1.79
Mr Peter Oswald Buttery & Dr Tanya Karen Buttery	1,321,668	1.77
Tennessee Investments Pty Ltd <The Tennessee Investments Sf>	1,125,000	1.51
Advanced Minings Solutions Pty Ltd <Seear Family A/C>	1,061,667	1.42
Green Mountains Investments Ltd	1,017,091	1.36
Lambert Family Pty Limited <The Lambert Family A/C>	1,000,000	1.34
Gregorach Pty Ltd	1,000,000	1.34
	55,336,342	74.14

Unquoted equity securities

	Number on issue	Number of holders
Fully paid ordinary shares issued subject to ASX imposed escrow until 24 February 2014	13,029,872	3
Fully paid ordinary shares issued subject to voluntary imposed escrow until 24 February 2014	820,128	1
Options over ordinary shares subject to ASX imposed escrow until 24 February 2014	3,000,000	2
Options over ordinary shares not subject to escrow	15,000,000	4

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Alexandre Alexander on behalf of the Alexxie Super Fund and his associates	11,953,334	9.30
Australia Casin Resources Co Pty Ltd	5,520,000	7.40
Mrs Ling Wei Dong	5,351,498	7.17
Hanking Australia Pty Ltd	5,000,000	6.70

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Kimberley Diamonds Ltd
Shareholder information
30 June 2013

Tenements

Description	Tenement Number	Interest Owned
Kimberley Diamonds Ltd		
New South Wales		
Calarie	EL 7023**	75%
Calarie	ML 739**	75%
Calarie	EL 8007	100%
Boomey	EL 6567	100%
Boomey	ELA4334*	100%
North Parkes East	EL 7994	100%
North Parkes East	EL 7995	100%
Biscay	EL 7889	100%
Yarrowitch diamond project	ELA 4807*	100%
Wyalong	EL 7827	100%
Wyalong	EL 7828	100%
Northern Terrritory		
South Tanami	ELA 28787*	100%
Zodiac Resources		
Western Australia		
Troy Creek copper-gold PGM project	P 69/45**	55%
Troy Creek copper-gold PGM project	E 69/1729**	55%
Troy Creek copper-gold PGM project	E 69/2357**	55%
Troy Creek copper-gold PGM project	E 69/2358**	55%
Troy Creek copper-gold PGM project	E 69/2485**	55%
Troy Creek copper-gold PGM project	E 69/2869**	55%
Troy Creek copper-gold PGM project	E 69/2870**	55%
Troy Creek copper-gold PGM project	E 69/2903	100%
Troy Creek copper-gold PGM project	E 69/2904	100%
Troy Creek copper-gold PGM project	E 69/2905	100%
Troy Creek copper-gold PGM project	E 69/2921	100%
New South Wales		
Yeoval copper-gold project	ML 811**	75%
Yeoval copper-gold project	EL 6311**	75%
Yarrowitch diamond project	EL 7972	100%
Kimberley Diamond Company		
Western Australia		
Ellendale	M 04/372	100%
Ellendale	L04/26	100%
Ellendale	L04/48	100%

* Application only

** Earning through a farm-in

Kimberley Diamonds Ltd
Corporate directory
30 June 2013

Directors	Alexandre Alexander – Executive Chairman Lee-Anne de Bruin Rodney Alan Sainty Albert Yue-Ling Wong Mark Yumin Qiu Yong Xiao
Company secretary	Warwick Pearce
Registered office	c/o Summit Equities Limited Level 39, Australia Square Tower 264-278 George Street Sydney NSW 2000 Tel: +61 2 8243 7500 Fax: +61 2 8243 7599
Principal place of business	c/o Summit Equities Limited Level 39, Australia Square Tower 264-278 George Street Sydney NSW 2000
Share register	Boardroom Pty Limited Level 7 207 Kent Street Sydney NSW 2000 Tel: +61 2 9290 9600
Auditor	Ernst & Young 11 Mounts Bay Road Perth WA 6000
Solicitors	Mills Oakley Lawyers Level 29 264 George Street Sydney NSW 2000
Stock exchange listing	Kimberley Diamonds Ltd shares are listed on the Australian Securities Exchange (ASX code: KDL)
Website address	www.kdl.com.au