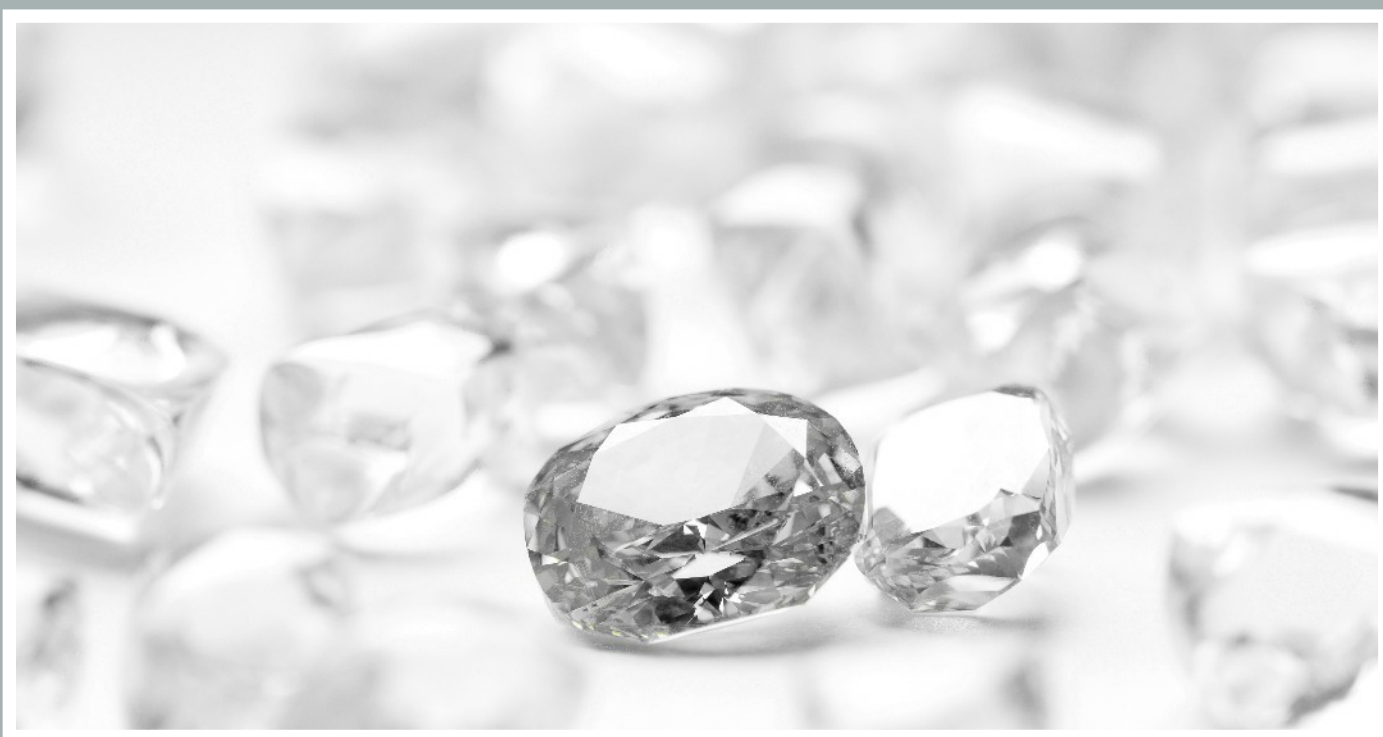

Kimberley Diamonds Ltd

Annual Report 2015





1. Table of Contents

1. TABLE OF CONTENTS	1
2. REPORT FROM CHAIRMAN AND MANAGING DIRECTOR	3
3. BUSINESS REVIEW	5
3.1 OPERATIONS	5
3.2 ELLENDALE DIAMOND MINE	8
3.3 COPPER GOLD STRATEGY	11
3.4 ANNUAL REVIEW OF MINERAL RESOURCES AND ORE RESERVES	16
3.5 FINANCIAL PERFORMANCE (NON IFRS INFORMATION)	21
3.6 CORPORATE SOCIAL RESPONSIBILITY REPORT	23
3.7 PRINCIPAL RISKS	29
4. DIRECTORS' REPORT	34
4.1 DIRECTORS	34
4.2 INCORPORATION	35
4.3 PRINCIPAL ACTIVITIES	35
4.4 DIVIDENDS	36
4.5 VOLUNTARY ADMINISTRATION OF SUBSIDIARY	36
4.6 OPERATING AND FINANCIAL REVIEW	36
4.7 SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS	37
4.8 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR	38
4.9 ENVIRONMENTAL REGULATION	39
4.10 MEETINGS OF DIRECTORS	39
4.11 REMUNERATION REPORT	40
5. INDEPENDENT AUDITOR'S DECLARATION	52
6. CORPORATE GOVERNANCE STATEMENT	53
6.1 <i>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</i>	53
6.2 <i>PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE</i>	55
6.3 <i>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</i>	60
6.4 <i>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</i>	61
6.5 <i>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</i>	62
6.6 <i>PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS</i>	62
6.7 <i>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</i>	63
6.8 <i>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</i>	64
7. DIRECTORS' DECLARATION	66

8. FINANCIAL REPORT	67
8.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	67
8.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION	68
8.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	69
8.4 CONSOLIDATED STATEMENT OF CASH FLOWS	70
9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2015	71
NOTE 1: CORPORATE INFORMATION	71
NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	71
NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES	91
NOTE 4: SEGMENT INFORMATION	93
NOTE 5: REVENUE	95
NOTE 6: EXPENSES	96
NOTE 7: AUDITORS REMUNERATION	96
NOTE 8: INCOME TAX	97
NOTE 9: RECEIVABLES	99
NOTE 10: INVENTORIES	99
NOTE 11: PROPERTY, PLANT AND EQUIPMENT	100
NOTE 12: TRADE AND OTHER PAYABLES	101
NOTE 13: INTEREST BEARING LOANS AND BORROWINGS	102
NOTE 14: PROVISIONS	103
NOTE 15: ISSUED CAPITAL	104
NOTE 16: RESERVES	105
NOTE 17: RETAINED EARNINGS	106
NOTE 18: SHARE BASED PAYMENTS	106
NOTE 19: RELATED PARTY DISCLOSURES	107
NOTE 20: PARENT ENTITY INFORMATION	110
NOTE 21: SUBSIDIARIES	111
NOTE 22: CASH FLOW STATEMENT	112
NOTE 23: COMMITMENTS	113
NOTE 24: CONTINGENT LIABILITIES AND CONTINGENT ASSETS	113
NOTE 25: EARNINGS PER SHARE	115
NOTE 26: SUBSEQUENT EVENTS	116
10. INDEPENDENT AUDITOR REPORT	117
11. ADDITIONAL ASX INFORMATION	120
12. TENEMENT INTERESTS	122
12.1 TENEMENTS HELD AT 30 JUNE 2015	122
12.2 TENEMENT INTERESTS DISPOSED OF BETWEEN 1 JULY 2014 AND 30 JUNE 2015	123

2. Report from Chairman and Managing Director

Dear Shareholders

The 2015 financial year ("FY2015") was one of significant progress and hard work for Kimberley Diamonds Ltd ("KDL" or the "Company") as it takes steps to commence mining at the Lerala Diamond Mine ("Lerala Mine") in Botswana.

Lerala Diamond Mine: The Lerala Mine has become KDL's new operational focus and, when mining recommences, will become KDL's key source of revenue. KDL acquired the Lerala Mine in February 2014, when it acquired Mantle Diamonds Limited ("Mantle") and its controlled entities, including Lerala Diamond Mines Limited ("Lerala"), the owner of the Lerala Mine.

The KDL Board has approved expenditure of AUD\$14.6 million in order to implement modifications and new capital items designed to lift plant capacity to reliably treat 200 tonnes per hour, and achieve dramatically improved diamond recovery. KDL selected Consulmet (Pty) Limited ("Consulmet") to undertake the plant modifications and entered into a lump sum turnkey contract with Consulmet in July 2015. Consulmet is a highly experienced, South African-based mining engineering firm. The re-commissioning is currently scheduled to be completed in February 2016. Successful achievement of this timeframe is subject to a number of factors, including the procurement of additional funding and the approval by the Botswana Government of the Company's environmental impact assessment.

The Lerala re-commissioning process is currently being funded by debt. To date, AUD\$10 million debt has been received from a third party lender. The Company remains in discussions with various third party investors for the additional funds required to complete the re-commissioning. Once in production, Lerala is expected to produce an average of 357,000 carats per year over a mine life of seven years.

Botswana Joint Arrangement: In July 2014, Lerala entered into a joint arrangement with Tilwane Services (Pty) Limited ("Tilwane") in respect of two tenements located in north-eastern Botswana, close to the Orapa Diamond Mine. The entry into this joint arrangement further highlights KDL's shift to focusing its operations to Botswana, one of the largest diamond producing countries in the world.

In the first 12 months of the joint arrangement, Lerala spent approximately AUD\$152,000 on project expenditure and has earned a 50% interest in the joint arrangement. Lerala now has the opportunity to earn an additional 20% interest in the joint arrangement by spending a further AUD\$1m on project expenditure in the following 18 months. If it does this successfully, it will hold a 70% interest in the joint arrangement. Lerala is looking to commence drilling on the joint arrangement tenements in the 2016 financial year ("FY2016").

Australia: KDL's former Australian operating subsidiary, Kimberley Diamond Company Pty Ltd ("KDC"), ceased mining at the Ellendale Diamond Mine ("Ellendale") in Quarter 1, FY2015 and had been processing stockpiles since this time, which included stockpiles from both the E9 and E4 mines. Significant work was undertaken by KDC's management team and employees during FY2015 to try to extend the economic viability of the Ellendale mine through increased efficiencies and reduced costs, however an unexpected decline in rough diamond prices achieved at auction in June 2015 undermined this process. As a result, KDC was placed into voluntary administration by its directors on 1 July 2015, subsequent to the end of FY2015, and operations were suspended at Ellendale. KDC was later placed into liquidation by its creditors.

Diamond Market: Despite the current volatility in prices for both rough and polished diamonds, we remain positive in our medium to long-term outlook. With diminishing supply from mature mines, and no major new mines in the pipeline, many industry participants and observers are forecasting that supply will start declining,

and a consequential growing gap between supply and demand will result in increased diamond prices in the medium to long-term.

Copper-Gold: In October 2014, KDL announced that it had been awarded the investigation permit covering the gold-rich Lomero (formerly Lomero-Poyatos) massive sulphide deposit, located within the Iberian Pyrite Belt in southern Spain. During FY2015, KDL has procured data generated by a number of previous drilling investigations, conducted its own initial on-site surveys and data assessment, and in late June engaged consultants to undertake a new resource estimation, which is ongoing.

The acquisition of the Lomero project is an important part of KDL's copper-gold strategy, which envisages the spin out of a new company focused on copper-gold. In due course, it is intended that the new company will be listed and existing KDL shareholders given shares through an in specie distribution. To ensure the best return for our shareholders, KDL intends to undertake this spin-off when market conditions improve.

Exploration and Joint Ventures: KDL continues to seek and evaluate acquisition opportunities that may present long term sustainable value for shareholders. KDL also has existing joint arrangements in Australia, Botswana and Canada.

Funding: The Company has successfully obtained debt funding of AUD\$10 million from a third party lender, Zhejiang Huitong Auction Co Ltd ("Zhejiang"), which has allowed KDL to commence the Lerala Mine refurbishment. KDL requires further funding of approximately AUD\$5 million to complete the re-commissioning of the Lerala Mine, as well as additional funds for ongoing operational costs until diamond sales are able to provide sufficient cash flow to support operations. The loan from Zhejiang must be repaid in full in two years and has an interest rate of 5% per annum. KDL is in ongoing discussions with a number of possible third party financiers for the further funding required and will update the market in due course.

Management: The KDL Board and senior management are committed to the long term success of the Company and are focused on progressing the Company as it moves its immediate operational focus to Botswana and evaluates the Lomero project in Spain.

Financial Performance: As at 30 June 2015, KDL had a cash position of \$5 million and debt of \$5million. The sales of our diamonds during FY2015, generated a total of 126,894 carats for a total sales revenue in FY2015 of \$63.1 million and cash from our operating activities of \$(9.2) million.

Finally, we would like to extend the Board's appreciation of the hard work and commitment from our staff and management and the support of our shareholders over the last year. We look forward to continuing to work with you in FY2016 and beyond as we re-open our Lerala Diamond Mine in Botswana and look for further opportunities to build our company.



Alex Alexander
Non-Executive Chairman



Noel Halgreen
Managing Director

3. Business Review

3.1 Operations

3.1.1 Lerala Diamond Mine

The Lerala Mine, acquired in February 2014, consists of five diamond-bearing kimberlite pipes, designated K2 to K6, and a processing plant with a nominal capacity of 200 tonnes per hour (tph). It has a 15 year fully permitted mining lease which covers an area of 21.86 km².

In the annual “Mineral Resource and Ore Reserve Statement - 2015” (“Statement”), released to the ASX on 7 September 2015, KDL announced that it had reviewed the resource and reserve estimate released to the market on 30 September 2014 and advised that there was no reason to change the tonnage and grade estimates published at that time. The Lerala Mine contains Probable Reserves of 5.0 Mt with an average grade of 31.0 cpht and Inferred Resources of 10.3 Mt with an average grade of 31.5 cpht.

Project Progress: During the year to 30 June 2015, significant progress was made towards the re-commissioning of the Lerala Mine. Key areas included the environmental approvals process, technical recovery process modelling, re-design of the processing plant and tendering for and short-listing of potential mining contractors.



Scrubber at the Lerala Mine

Plant refurbishment and modifications

Prior to re-commencing operations at the Lerala Mine, KDL's Botswana subsidiary, Lerala Diamond Mines Limited (“Lerala”), is undertaking a refurbishment of the plant at the Lerala Mine, which includes modifications to the plant to allow it to operate more effectively and reliably treat 200 tonnes per hour. Consulmet, a South

African engineering company with extensive diamond plant experience, was engaged by Lerala in September 2014 to undertake detailed design work for the modifications to the plant. The design work was completed by Consulmet in late 2014.

During FY2015, Lerala also continued to negotiate with Consulmet in relation to a lump sum turnkey contract for the work required for the plant refurbishment and modifications. Subsequent to FY2015, in 20 July 2015, KDL advised the ASX that the Board had approved the recommencement of mining, processing and diamond sales operations at Lerala and had approved the expenditure of AUD\$14.6m to be spent on upfront capital items required to bring the plant and mine to a state of readiness. Also in July 2015, KDL entered into the lump sum turnkey contract with Consulmet to undertake the modifications to the plant.

In FY2016, Consulmet commenced the refurbishment work and expects to have the plant ready for re-commissioning in February 2016.



Members of the Consulmet team including Wade Quinn, Project Manager, Martin Rautenbach, Construction Director and Morne Lindeque, Manager Infrastructure on site at the Lerala Diamond Mine with Lerala Project Manager, Deon Vermeulen

Environmental approvals

On 28 November 2014, KDL announced that it had received confirmation of the transfer of the authorisation of the previously approved Environmental Impact Assessment ("EIA") to Lerala. The transfer of this existing EIA permits Lerala to undertake the planned upgrade of the plant, site infrastructure and the tailings storage facilities at the Lerala Mine. In addition, Lerala also engaged Loci Environmental, a Botswana based company project managed by Envirobility Loci cc, for an EIA review to allow the Lerala Mine to re-commence operations. This review incorporated numerous technical studies on environmental impact at the Lerala Mine and this was completed and submitted to the Botswana Department of Environmental Affairs ("DEA") on 30 April 2015, with a response to this submission by the DEA and the final Environmental Approval anticipated by October 2015.



Tertiary Crusher at Lerala Diamond Mine

Mining Contractor

A detailed tender was issued early in 2015 for the contracting of all mining activities at the Lerala Mine, including drilling and blasting, waste and ore loading and hauling, plant headfeed operations as well as all ancillary activities. A total of eight qualifying tenders were received. At 30 June 2015, review and shortlisting of these contractors was in progress with a view to final tender negotiations to occur during October 2015.

Under the current Life of Mine Plan, Lerala will mine and treat approximately 1.4 million tonnes of ore per annum and produce an average of 357,000 carats per year over a mine life of seven years. Mining is currently scheduled to commence in February 2016. The concurrent plant commissioning and processing will utilise existing run of mine stockpiles. If the current schedule is maintained, the first diamond sale will be held in April 2016. Successful achievement of this timeframe is subject to various factors including the upgrade being completed on schedule, the procurement of additional funding and approval of the Environmental Impact Assessment by the Botswana Department of Environmental Affairs.



The Plant Raw Water Storage Dams at the Lerala Diamond Mine

3.2 Ellendale Diamond Mine

The Ellendale Diamond Mine is owned by Kimberley Diamond Company Pty Ltd (“KDC”), a former subsidiary of KDL. Subsequent to FY2015, on 1 July 2015, KDC and its subsidiaries were placed into voluntary administration by their directors, and operations were suspended at Ellendale. On 5 August 2015, the creditors of KDC voted to place KDC into liquidation, rejecting a Deed of Company Arrangement proposal put forward by KDL, which was a secured creditor of KDC.

Operations during FY2015

Operations at the Ellendale Diamond Mine during FY2015 were focused on processing of the stockpiled material following the cessation of mining activities during the reporting period. Mining operations ceased at the E9 during the early part of FY2015 when the pit reached the maximum design depth. Thereafter, diamond production was sourced from the processing of stockpiled material. E9 West ROM and E9 lights stockpile material was processed during Q2 FY2015 and Q3 FY2015. Based on the average diamond pricing during the first half of FY2015, a contract was signed to haul E4 stockpiled material to the E9 plant for processing during Q4 FY2015.

The E9 plant performed well during FY2015 with availability and utilisation targets being met. The average availability over FY2015 was 94% and average utilisation 78%, giving an overall utilisation figure of 73%. Plant efficiencies were measured on a regular basis and were kept to within acceptable tolerances.

A total of 3.84 million tons of ore was treated yielding 133,589 carats at an average grade of 3.47 cpht for the year. The ore split was 7.8% from E9 East pit, 10.8% from E9 West pit, 61% from the E9 low grade stockpiles, 20% from the E4 high grade stockpiles and 0.4% from the alluvial deposits. The low grade stockpiles include material sourced from both E9 East and E9 West pits since mining began at Ellendale.

Voluntary administration

As announced during the course of FY2015, significant work was undertaken by KDC's management team and employees during FY2015 to try to extend the economic viability of the Ellendale mine through increased efficiencies and reduced costs. However this process was undermined by a sharp, unexpected decline in rough diamond prices achieved at auction on 24 June 2015.

Our forecasted diamond prices are based on current diamond prices, being those achieved at the most recent previous auction prior to such forecast being undertaken. We announced on 1 April 2015 that we intended to continue operations at the Ellendale Diamond Mine into FY2016. At the time this announcement was made, our forecasts were based on the then current diamond prices, which were those achieved at our auction held in March 2015.

The prices actually achieved at our June 2015 auction were approximately 27% lower than those achieved at our March 2015 auction. This unexpected and significant decline in prices for rough diamonds was driven largely by buyer caution in response to uncertainty following the USD\$100m bankruptcy of a large Indian diamantaire. In addition, approximately USD\$600,000 worth of diamonds were withdrawn from the auction and not sold.

The subsequent decline in actual revenue obtained from the June auction (compared to forecasted revenue) and the corresponding decline in forecasted revenue for our next auction to be held in September 2015 (with such forecasts now based on diamond price results from the June 2015 auction) had a significant negative impact on KDC's forecast financial performance. As a result, it was no longer possible to meet KDC's forecasted liabilities or to continue operating the Ellendale Diamond Mine, and KDC was placed into voluntary administration by its directors on 1 July 2015, subsequent to the end of FY2015, and operations were suspended at Ellendale. KDC was later placed into liquidation by its creditors.

3.2.1 Smoke Creek Project

The Smoke Creek Project, acquired by KDC in February 2014, consists of an alluvial diamond deposit covered by 22 prospecting licenses, 12 of which are also part of a mine lease application. During the period, KDL technical personnel completed a significant review of the geology and developed a new depositional model. The new model enabled a more reliable estimation to be made of the resource and resulted in a significant improvement in the volume and grade. Following this work, the Smoke Creek deposit has been estimated to contain an Inferred resource of 33.5 Mt at an average grade of 39 cpht, using a cut-off of 10 cpht.

During the reporting period, it was discovered that the bulk sampling plant at Smoke Creek had been damaged by a fire and was largely destroyed. This incident has been reported to the local Police and an investigation initiated. However, no further information regarding progress with this investigation has been received to date.

The Smoke Creek Project is owned by KDC, which, subsequent to FY2015, was placed into liquidation. KDL no longer has an interest in the Smoke Creek Project.

3.2.2 Tilwane Project

Background

Lerala is party to a Farm-In and Joint Venture Agreement ("Joint Arrangement") with Tilwane Services (Pty) Limited ("Tilwane"), a Botswana based exploration company. The Joint Arrangement is in respect of two tenements, Prospecting Licence 267/2013 and Prospecting Licence 268/2013, located in north-eastern

Botswana, close to the Orapa Diamond Mine. The licences cover a total of 162km² and lie close to the main Orapa-Francistown road.

Farm-In Progress

During FY2015, Lerala successfully satisfied the expenditure commitment for Year 1 of the Joint Arrangement, spending approximately AUD\$152,000, and Tilwane has acknowledged that Lerala now owns a 50% interest in the Joint Arrangement. Lerala now has the opportunity to earn a further 20% interest in the Joint Arrangement by spending a further AUD\$1m on project expenditure in the following 18 months. If Lerala does this successfully, it will hold a 70% interest in the Joint Arrangement.

Work Undertaken

During the period to 30 June 2015, Lerala undertook soil geochemistry sampling and high resolution ground magnetic surveys of the Joint Arrangement tenements. In addition, a detailed review of all of the available historical and recently collected data was undertaken by geophysical specialists in order to improve resolution and to interpret each block's data with a view to locating potential 'kimberlite-type' anomalies.

High resolution geophysical maps were constructed for each target area identified as high potential. A list of 25 recommended drill sites was developed for further attention. Of these, 15 high priority sites were selected for follow-up percussion drilling in order to detect the possibility of kimberlitic intrusives below the Karoo Basalts. A drilling program has been designed and is expected to be undertaken during FY2016.

3.2.3 Sales and Marketing of Diamonds

Process for sales and marketing

During FY2015, sales and marketing of diamonds recovered from the Ellendale Diamond Mine were undertaken using two methods:

1. the Company recovered and sold qualifying fancy yellow diamonds from Ellendale directly under an exclusive life of mine off-take agreement (**Off-Take Agreement**); and
2. the remainder of Ellendale's commercial production during FY2015, being the commercial quality diamonds which do not qualify for sale to Laurelton under the Off-Take Agreement, was sold through auction at the Antwerp office of eDiamond Belgium BVBA (**eDiamond**), previously a subsidiary of KDC. Sales were undertaken through an online auction platform owned by a third party, eDiamond International, with the assistance of their sales team.

During Q4 FY2015, KDC sold its interest in eDiamond, to an unrelated third party, Zihan He. The sale, for consideration of AUD\$10,000, was not material to KDL or KDC. The business of eDiamonds was not generating any revenue for KDL or KDC and was being continued only for the purpose of the lease of office premises in Belgium to facilitate viewings and auctions of commercial diamonds in Antwerp. Auctions were undertaken by the third party sales team using these premises.

Sales results

Towards the end of FY2015, KDC revenues were negatively impacted by lower than forecasted prices realised at auction. In particular, prices achieved at the auction held on 24 June 2015 in Antwerp were significantly lower than those forecasted, due to a sharp, unexpected decline in the rough diamond market. The poor results were the key reason for the decision to place KDC into voluntary administration on 1 July 2015.

3.3 Copper Gold Strategy

After KDL's focus changed to diamond mining in 2013, the Company embarked on a strategy to return the value of its copper-gold assets to shareholders. The strategy envisages the spin out of a new company focused on copper-gold and the acquisition of a flagship project comprising a significant copper-gold resource with near-term operational potential. In due course, it is intended that the new company will be listed and existing KDL shareholders given shares through an in specie distribution. The strategy provides shareholders with the opportunity to gain exposure to a promising new project and to copper and gold markets in general.

The acquisition

The search for the flagship project identified Spain as an attractive first-world pro-mining jurisdiction and short-listed several potentially attractive candidate projects. Lomero (previously Lomero-Poyatos) stood out by having the highest gold grade of any known deposit within the Iberian Pyrite Belt together with a 2012 Qualifying Foreign Estimate of significant size.

An initial approach to the then-titleholder in November 2013 was unsuccessful, but in June 2014 the government of Andalusia revoked the mining concessions from this holder for non-compliance and issued a public tender calling for companies to submit fresh exploration proposals by 26 August 2014.

KDL submitted a bid that successfully met the detailed specifications of the tender and was awarded Investigation Permit 14977 over Lomero on 7 October 2014. The award resolution was announced publically the next day at a press conference chaired by the Minister of Economy, Innovation, Science and Employment (Figure 1).



Figure 1: The Minister of Economy, Innovation, Science and Employment, José Sánchez Maldonado (centre), Mayor-President of El Cerro de Andévalo, Pedro J. Romero Rubio (left) and Rod Sainty, Director, Kimberley Diamonds Ltd (right) at the conclusion of the press conference on 8 October 2014 at which the government of Andalusia awarded the Lomero project to KDL. Photo used with permission from Radio Valverde.

The award resolution required the submission of additional documents and licence payments and the Company did so within the specified timeframes. On 13 July 2015 the government certified that all the documents had been accepted and that, accordingly, the application had been registered in the Mining Registry. Final granting is expected in the coming months.

Subsequent licence applications

Subsequent to the award of the Lomero Investigation Permit 14977, the Company submitted applications for two neighbouring Investigation Permits, 14978 and 14989. The second of these areas had been reserved by the government for whichever company holds the licence over Lomero. Granting of these two applications is expected in due course.

On 17 February 2015, KDL submitted a bid for a public tender issued over the former San Telmo copper-zinc mine, located just 3.6km to the west of the Lomero project. The tender attracted bids from six companies and consortiums, including Trafigura, Grupo-Mexico–Minorbis and Valoriza Minería–Macquarie Capital. The calibre of the interest in the area is encouraging. The outcome of the San Telmo public tender is yet to be announced.

Local mining infrastructure

Lomero lies just 8km west of the Aguas Teñidas copper mine operated by Trafigura (Figure 2), which is currently expanding the capacity of its treatment plant from 2.2 million tonnes per annum to 4.4 million tonnes per annum.

A rail line 4.5 km east of Lomero is used to deliver concentrates from Aguas Teñidas to the coastal port of Huelva, 80 km south.

At Huelva, Atlantic Copper, owned by Freeport-McMoRan and one of Spain's leading industrial companies, operates a world-leading copper smelter and refinery complex. In 2014 this facility produced 330,000 tonnes of copper anodes and 284,000 tonnes of refined copper.

Setting and size

The Lomero gold-silver-copper-zinc deposit is located in Spain's premier mineral district, the Iberian Pyrite Belt. The IPB is the largest volcanogenic massive sulphide ("VMS") province on Earth and contains more than 80 known deposits. Lomero is a tabular massive sulphide deposit almost 1,000m in length. It strikes east-west and dips moderately to the north.

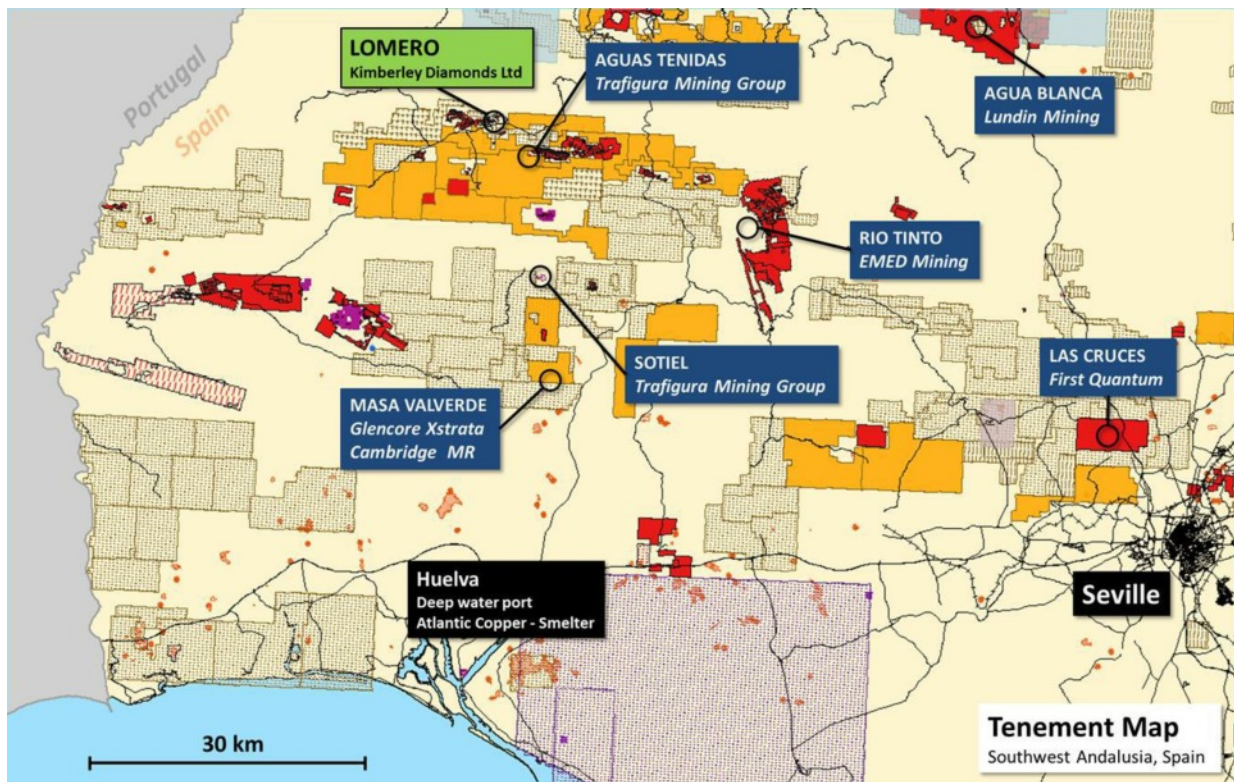


Figure 2: Location of the Lomero project in Andalusia, Spain, in relation to other mine operations and re-developments (in blue) and infrastructure (in black). Lomero lies just 8km northwest of Trafigura's Aguas Teñidas copper mine and processing facility, and 80km by rail north of Atlantic Copper's world-leading copper smelter located at the port of Huelva.

Prior to its closure in 1991, the former Lomero mine produced at least 2.6 million tonnes of massive sulphide ore containing 5 g/t gold and 1.2% copper. As noted previously, the gold grade is unusual and the highest of all the known deposits within the IPB.

The most recent estimate of the deposit was prepared in 2012 by the independent global mining consultancy Behre Dolbear International. That study estimated the deposit as an:

Inferred Resource of 6.07 Mt @ 4.25 g/t Au & 88.7 g/t Ag, for 830,000 oz of gold

This estimate was previously announced on the Toronto Stock Exchange on 25 May 2012 by Petaquilla Minerals Ltd in accordance with Canadian standard NI43-101 and is therefore considered a Qualifying Foreign Estimate of mineralisation under ASX Listing Rules. A Competent Person has not done sufficient work to classify the Qualifying Foreign Estimate in accordance with the Australian JORC Code. It is uncertain whether such evaluation and/or further exploration work will enable the Qualifying Foreign Estimate to be reported as Mineral Resources or Ore Reserves in accordance with JORC 2012.

As announced on 22 June 2015, KDL has commissioned the independent global mining consultancy Snowden to undertake a new resource estimation. Snowden will complete a new three-dimensional (3D) block model, kriging estimation and resource classification. This new estimation will incorporate additional drilling undertaken in 2013 and satisfy the reporting requirements of the Australian JORC Code. It is scheduled to take approximately three months to complete.

Data acquisition and initial assessment

On 25 November 2014, KDL announced that it had acquired datasets pertaining to all drilling conducted prior to 2012. Our preliminary review plotted the drill intercepts on a long section of the deposit, enabling their location and significance to be understood (Figure 3). The long section plot revealed that significant thicknesses of high-grade massive sulphide occur at and beyond the margins of the former mine workings, and that the deposit has not been closed off in any direction.

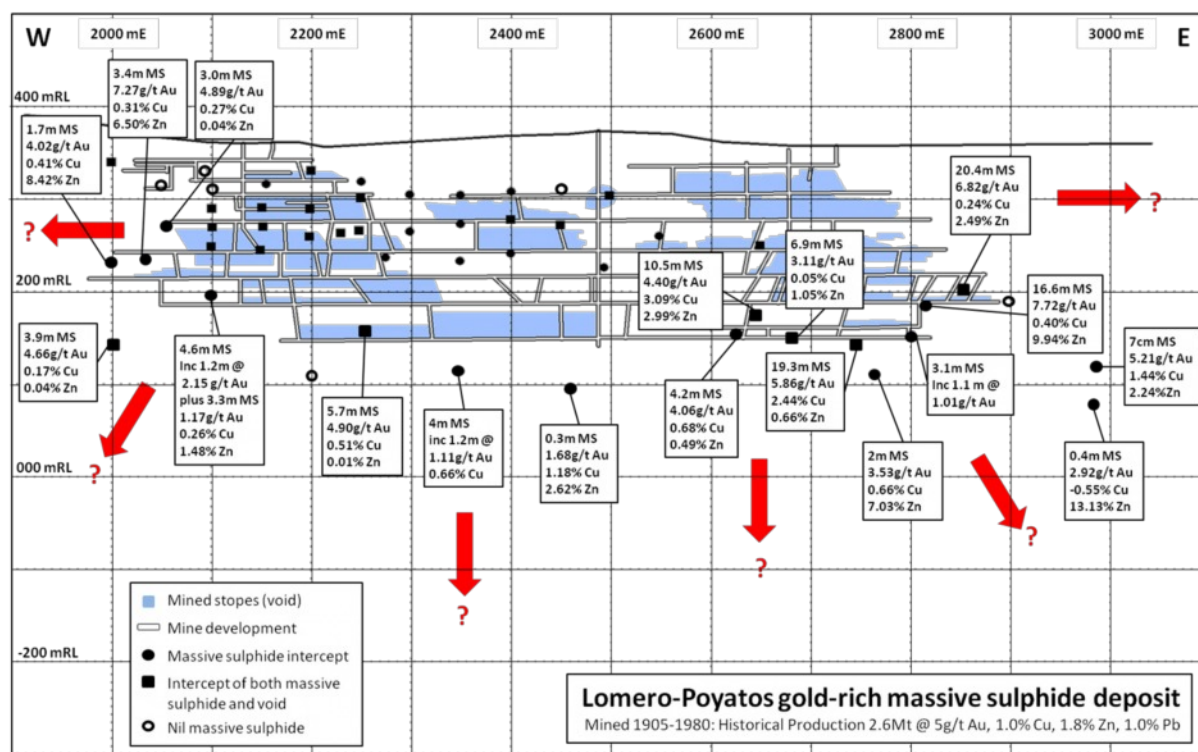


Figure 3 Long section (looking north) of the Lomero massive sulphide deposit, showing mine development, mined stopes (blue) and drill intercepts prior to 2012. The figure does not show all holes drilled within the previously mined areas.

These findings, though preliminary in nature, suggest there is excellent potential for significant extensions to the deposit.

High-grade drill intercepts at the eastern end of the mine workings

The intercepts of note at the western end of the mine workings include:

L02: 19.3m* at 5.86 g/t Au, 2.44% Cu, 0.66% Zn

L03: 16.6m at 7.72 g/t Au, 0.40% Cu, 9.94% Zn

L05: 10.5m* at 4.40 g/t Au, 3.09% Cu, 2.99% Zn

L25: 20.4m* at 6.82 g/t Au, 0.24% Cu, 2.49% Zn

Beyond those intercepts, an isolated single step-out hole below the eastern end of the mine workings achieved a potentially mineable interval of high-grade massive sulphide:

TH-1: 2.0m at **3.5 g/t Au**, 0.66% Cu, **7.03% Zn**

High-grade drill intercepts at the western end of the mine workings

The intercepts of note at the western end of the mine workings include:

L01: 5.7m* at **4.90g/t Au**, 0.51% Cu, 0.01% Zn

L08: 3.4m at **7.27 g/t Au**, 0.31% Cu, **6.50% Zn**

L22: 3.0m at **4.89 g/t Au**, 0.27% Cu, 0.04% Zn

L47: 1.7m at **4.02 g/t Au**, 0.41% Cu, **8.42% Zn**

L48: 3.9m* at **4.66 g/t Au**, 0.17% Cu, 0.04% Zn

The intercepts reported here are in-hole widths. The drill holes are oriented perpendicular to strike and nearly perpendicular to dip (0-20 degree variance). Hence, the in-hole widths are approximately representative of the true widths. The reader is directed to the announcement of 25 November 2014 for additional details and methodologies.

Some of the intercepts reported here (those with widths marked by asterisks) include mining voids within the massive sulphide. To more accurately represent the original thickness of the massive sulphide, the width of the void has been included in the width of the massive sulphide. The grade of the interval shown is the grade indicated by assays of the adjacent unmined massive sulphide.

Significance of the sulphide intercepts

The drill intercepts listed above show that the Lomero massive sulphide deposit remains 'open' to depth and along strike from the old mine workings (Figure 4). The intercepts suggest that there is excellent potential for significant extensions to be made to the deposit.

Further drilling in 2013

In 2013, the previous titleholder targeted additional drill holes into the lower levels of the Lomero mine workings, including the previously mined stopes. KDL has recently obtained complete assay datasets for 14 of those drill holes. The core from several additional holes remains inaccessible to the Company at this time. Snowden mining consultants will incorporate the newly acquired datasets from the additional 14 holes into its new resource estimation.

Alto Minerals S.L.

The Company's activities in Spain are conducted through Alto Minerals S.L., a wholly owned Spanish subsidiary. Alto Minerals S.L. was incorporated on 26 January 2015.

3.4 Annual Review of Mineral Resources and Ore Reserves

3.4.1 Mineral Resources

Diamond Mineral Resources**Table 1: Mineral Resource Summary as at 30 June 2015**

			2015 RESOURCE STATEMENT				2014 RESOURCE STATEMENT			
SOURCE	ZONE	RESOURCE CLASS	TONNAGE (Mt)	GRADE (cpht)	CARATS (k cts)	VALUE (USD/ct)	TONNAGE (Mt)	GRADE (cpht)	CARATS (k cts)	VALUE (USD/ct)
Lerala	K2	Indicated	3.1	25.4	799	\$61	3.1	25.4	799	\$61
	K3		2.8	44.1	1,253	\$79	2.8	44.1	1,253	\$79
	K4		0.7	53.4	381	\$79	0.7	53.4	381	\$79
	K5		1.5	17.8	275	\$79	1.5	17.8	275	\$79
	K6		0.3	30.3	90	\$79	0.3	30.3	90	\$79
	Tailings		0.0	0.0	0	\$0	0.0	0.0	0	\$0
	TOTAL INDICATED LERALA		8.5	32.8	2,799	\$74	8.5	32.8	2,799	\$74
	K2	Inferred	0.0	19.7	0	\$61	0.0	19.7	0	\$61
	K3		1.5	26.7	401	\$79	1.5	26.7	401	\$79
	K4		0.2	20.8	43	\$79	0.2	20.8	43	\$79
	K5		0.0	0.0	0	\$79	0.0	0.0	0	\$79
	K6		0.0	0.0	0	\$79	0.0	0.0	0	\$79
	Tailings		0.1	13.0	10	\$40	0.1	13.0	10	\$40
	TOTAL INFERRED LERALA		1.8	25.4	454	\$78	1.8	25.4	454	\$78
	TOTAL LERALA		10.3	31.5	3,253	\$74	10.3	31.5	3,253	\$74
Ellendale	E4 pipe	Indicated	4.0	6.7	265	\$156	4.0	6.7	265	\$185
	E9 pipe		5.1	3.7	186	\$706	5.1	3.7	186	\$746
	ROM Stockpiles		0.7	7.6	55	\$180	1.8	6.8	120	\$242
	TOTAL INDICATED ELLENDALE		9.7	5.2	506	\$361	10.8	5.3	571	\$379
	E4 pipe	Inferred	10.3	6.1	632	\$156	10.3	6.1	632	\$185
	E9 pipe		1.4	3.5	47	\$706	1.4	3.5	47	\$730
	E4 Satellite		13.1	5.5	725	\$210	13.1	5.5	725	\$210
	Low Grade Stockpiles		1.8	2.5	44	\$210	2.9	2.8	80	\$436
	Lights Stockpiles		12.4	0.8	103	\$682	11.2	1.1	118	\$945
	Alluvials		0.4	4.29	18	\$643	0	0	0	0
	TOTAL INFERRED ELLENDALE		39.3	4.0	1,569	\$239	38.8	4.1	1,602	\$281
	TOTAL ELLENDALE		49.1	4.2	2,075	\$269	49.6	4.4	2,173	\$307
Smoke Creek	Smoke Creek	Inferred	33.5	39.2	13,113	\$40	22.2	28.0	6,000	\$30
	TOTAL SMOKE CREEK		33.5	39.2	13,113	\$40	22.2	28.0	6,000	\$30
TOTAL KDL INDICATED RESOURCE			18.3	18.1	3,305	\$118	19.3	17.5	3,370	\$126
TOTAL KDL INFERRED RESOURCE			74.6	20.3	15,136	\$62	62.8	12.8	8,056	\$83
TOTAL KDL RESOURCE			92.8	19.9	18,441	\$72	82.1	13.9	11,426	\$95

* Tonnage is stated in 1,000,000 tonnes and rounded to the nearest 100 kt while carats are stated in 1,000 carats and rounded to the nearest 1000 ct, which may result in minor computational discrepancies

Notes:

- As at 30 June 2015 the Diamond Mineral Resources of the Company totalled 92.8 million tonnes (Mt) at 19.9 carats per hundred tonnes (cpht) containing 18.4 million carats, compared to 82.1 Mt at 13.9 cpht for 11.4 million carats at 30th June 2014. Note, however that on 1 July 2015, Kimberley Diamond Company Pty Ltd ("KDC"), a former subsidiary of the Company and the owner of the Ellendale Diamond Mine and Smoke Creek Project, was placed into voluntary administration and has subsequently been placed into liquidation. As a consequence, the Ellendale Diamond Mine and the Smoke Creek Project are no longer owned by KDL.

- The E9 Mineral Resource is calculated to a 1.50mm bottom cut-off size. All other resources are calculated to a 1.0mm bottom cut-off size.
- No additional exploration work or mining depletion has occurred at E9 Pipe, E4 Pipe or E4 Satellite Pipe so Indicated and Inferred Mineral Resources volumes and grades for these sources have not changed from the 2014 *Mineral Resource and Ore Reserve Statement* report (2014 Report), published 30 September 2014 and available on the ASX website. Estimated revenue per carat, where applicable has been updated in the current report.
- ROM and Low Grade stockpiles have been reduced due to mining depletion.
- The Lerala Diamond Mine has been on care and maintenance and as such no additional exploration work or mining depletion has occurred at Lerala and Indicated and Inferred Mineral Resources for these sources have not changed from the 2014 Report, with the exception of an incorrect resource table which was identified in the *Table 1* document in the 2014 Report and which has been corrected in the current 2015 report.
- A new depositional sedimentology model has been developed for Smoke Creek and the Inferred Mineral Resource was reviewed and the volume and resource grades re-estimated accordingly.
- Mineral Resources are reported inclusive of Ore Reserves.

Further details are available in the *Mineral Resource and Ore Reserve Statement – 2015*, released to the ASX on 7 September 2015.

Diamond Ore Reserves

Table 2: Ore Reserve Summary as at 30 June 2015

			2015 RESERVE STATEMENT				2014 RESERVE STATEMENT			
SOURCE	ZONE	RESERVE CLASS	TONNAGE (Mt)	GRADE (cpht)	CARATS (k cts)	VALUE (USD/ct)	TONNAGE (Mt)	GRADE (cpht)	CARATS (k cts)	VALUE (USD/ct)
Lerala	K2	Probable	0.8	35.3	287	\$61	0.8	35.3	287	\$61
	K3		2.7	32.3	865	\$79	2.7	32.3	865	\$79
	K4		0.6	32.2	197	\$79	0.6	32.2	197	\$79
	K5		0.7	20.0	134	\$79	0.7	20.0	134	\$79
	K6		0.2	29.9	59	\$79	0.2	29.9	59	\$79
	PROBABLE RESERVES LERALA		5.0	31.0	1,541	\$76	5.0	31.0	1,541	\$73
Ellendale	E9 Pipe	Probable	No reserves have been estimated				0.6	3.3	20	\$674
	E9 Stockpiles						0.6	1.6	10	\$921
	E4 Stockpiles						1.2	9.4	111	\$185
	PROBABLE RESERVES ELLENDALE		0.00	0.00	0.00	0.00	2.4	5.9	140	\$446
TOTAL PROBABLE RESERVES KDL			5.0	31.0	1,541	\$76	7.3	22.9	1,681	\$102

* Tonnage is stated in 1,000,000 tonnes and rounded to the nearest 100 kt while carats are stated in 1,000 carats and rounded to the nearest 1000 ct, which may result in minor computational discrepancies

Notes:

- At 30 June 2015 the estimated Diamond Ore Reserves of the Company totalled 5.0 million tonnes (Mt) at 31.0 carats per hundred tonnes (cpht) containing 1.54 million carats. All reserves are in the Probable category.
- The above figure compares to the Ore Reserve at 30 June 2014 of 7.3 Mt at 22.9 cpht containing 1.68 million carats, which represents a decrease of 2.3 Mt and 0.14 million carats, primarily due to the removal of Ellendale Ore Reserves.
- Based on prevailing economic conditions as at 30 June 2015, no Ore Reserves have been stated for Ellendale Diamond Mine.
- The Ore Reserves are located only at the Lerala Diamond Mine in Botswana.
- There were no acquisitions that added to the Ore Reserves during the year.
- The stated Ore Reserve grades are head feed grades.
- The Lerala Diamond Mine has been on Care and Maintenance and as such no additional exploration work or mining depletion has occurred at Lerala and Probable Reserves for these sources have not changed from the *2014 Report*, with the exception of an arithmetic error in the calculation of average revenue per carat which was identified in the *2014 Report* and which has been corrected in the current 2015 report.

Further details are available in the *Mineral Resource and Ore Reserve Statement – 2015*, released to the ASX on 7 September 2015.

Gold and Base Metal Mineral Resources

Lomero gold-silver-copper-zinc project in Spain

The most recent estimate of the Lomero massive sulphide deposit was completed in 2012 by Behre Dolbear International (UK) in accordance with the Canadian compliance standard NI43-101 and, therefore, is designated as a Qualifying Foreign Estimate of mineralisation under ASX Listing Rules.

A Competent Person has not done sufficient work to classify the Qualifying Foreign Estimate in accordance with the Australian JORC Code. It is uncertain whether such evaluation and/or further exploration work will enable the Qualifying Foreign Estimate to be reported as Mineral Resources or Ore Reserves in accordance with JORC 2012.

The independent report underpinning the estimate is titled “*NI43-101 Technical report of the Lomero-Poyatos Au-Cu-Zn mine in Andalusia, Spain*” by Qualified Person Richard Fletcher and is dated 21 May 2012. The report was commissioned by Petaquilla Minerals Ltd and its subsidiary, Corporacion Recursos Iberia SL, and is publically available on the internet.

The independent study estimated the deposit as an Inferred Mineral Resource of 6.07 Mt @ 4.25 g/t Au & 88.7 g/t Ag, containing a total of 830,000 oz of gold.

The estimate stated above is based on a base case cut-off grade of 1 g/t gold. The estimation was repeated at successively higher cut-off grades, and reported (on p.59) as follows:

Inferred Mineral Resource	Class	Cut-Off	Volume		Cumulative	
		g/t Au	m ³	Mt	Au g/t	Ag g/t
	Base case*	> 1.0	1,348,656	6.07	4.25	88.74
		> 2.0	1,261,039	5.66	4.45	92.33
		> 3.0	1,114,235	4.89	4.74	96.47
		> 4.0	864,606	3.63	5.16	102.24
		> 5.0	520,970	1.92	5.77	111.6
		> 6.0	162,814	0.59	6.51	124.57
		> 7.0	29,806	0.04	7.76	132.24
		> 8.0	4,703	0.01	9.02	171.03
		> 9.0	830	0.004	9.82	187.77

*Base case assumes a minimum underground mining width of 2m at 1 g/t and specific gravity of 4.5.

The Inferred Resource category under NI43-101 is comparable to that defined under the JORC Code.

The 2012 estimation was based on a database of 48 diamond drill holes (p.53) completed from 2001 to 2007 by Cambridge Mineral Resources Plc (CMR). The three-dimensional (3D) deposit block model took into account the zones of previous mining, developed as solids from the detailed mine closure plans (p.57).

As announced on 22 June 2015, KDL has commissioned the independent global mining consultancy Snowden to undertake a new resource estimation. Snowden will validate the data and complete a new three-dimensional (3D) block model, kriging estimation and resource classification. This new estimation will incorporate additional data generated by the 2013 drilling and satisfy the reporting requirements of the Australian JORC Code. It is scheduled to take approximately three months to complete.

Further details are available in the *Mineral Resource and Ore Reserve Statement – 2015*, released to the ASX on 7 September 2015.

Statements of Compliance

The information in this report that relates to Diamond Mineral Resources as at 30 June 2015 is based on information compiled or reviewed by Mr Stephen le Roux. Mr le Roux is a member of the South African Council for Natural Scientific Professions and a full time employee of Kimberley Diamonds Limited. Mr le Roux has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr le Roux consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Diamond Ore Reserves as at 30 June 2015 is based on information contained in the 2014 Report and has been reviewed under the direction of Mr Brett Thompson. Mr Thompson is a Member of the AusIMM and is a full time employee of Kimberley Diamonds Limited. Mr Thompson has sufficient experience relevant to the style of mineralisation, type of deposit under consideration and for the activity being undertaken to qualify as a Competent Person as defined by the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Thompson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources at the Lomero gold-silver-copper-zinc deposit project in Spain is based on information compiled by Mr Rod Sainty, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Sainty is a full-time employee of the Company. Mr Sainty has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Sainty consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

3.5 Financial Performance (Non IFRS information)

	Unit	Year to 30 June 2015
Diamond sales	\$'000	63,145
Cost of sales (excluding depreciation)	\$'000	64,596
Royalty and selling costs	\$'000	4,504
Loss before income tax	\$'000	17,463
Physicals		
Ore treated	'000 tonnes	3,842
Ore mined	'000 tonnes	601
Waste mined	'000 tonnes	114
Carats recovered	carats	133,365
Carats sold	carats	126,894
Per unit		
Average price per carat (rough)	\$/carat	\$498
Average exchange rate	\$	\$0.84
Direct cash cost (including waste) per tonne treated	\$/tonne	\$14.96
Direct cash cost (excluding waste) per tonne treated	\$/tonne	\$14.96
Operating cost per tonne treated	\$/tonne	\$16.76
Other operating information		
Waste amortised	\$'000	\$2,223
Depreciation and mining asset amortised	\$'000	\$6,291
Capital expenditure	\$'000	\$4,699

Financial performance

The Group's loss before tax for the year amounted to \$17.423 million.

Financial position

The Group finished the year with \$4.959 million of cash in the bank.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position (including its cash flows and liquidity position) are set out in the Operating and Financial review section of the directors' report.

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.

The Group experienced net cash outflows from operating activities of \$9.204m, net cash outflows from investing activities of \$3.3325m and net cash outflows from financing activities of \$4.058m. In addition, the Group incurred a net loss of \$17.463m for the year ended 30 June 2015. At 30 June 2015 and 22 September 2015 the cash and cash equivalents balance was \$4.959m and \$3.2m respectively.

The KDL Board has approved expenditure of \$14.6 million to be spent on upfront capital items required to upgrade the plant and update infrastructure at the Lerala Mine. Further funds will also be required for operating

expenses. In July 2015, KDL entered into a lump sum turnkey contract with Consulmet (Pty) Limited ("Consulmet") for Consulmet to undertake the plant modifications, and the Lerala Mine is currently scheduled to be re-commissioned in February 2016. Successful achievement of this timeframe is subject to the upgrade work being completed on schedule, further funds being raised and obtaining an environmental approval from the Botswana Government.

The re-commissioning of the Lerala Mine is being funded by debt, with \$10 million received from a third party lender. The Company remains in discussions with various third party investors for further funds required to complete the re-commissioning process as well as additional funding for ongoing operating costs.

In addition, on 1 July 2015, the Company's wholly owned Australian subsidiary, Kimberley Diamond Company Pty Ltd ("KDC"), the owner of the Ellendale Diamond Mine in Western Australia, was placed into voluntary administration by its directors. KDC's subsidiaries were also placed into voluntary administration on 1 July 2015. On 5 August 2015, the creditors of KDC voted to place KDC and its subsidiaries into liquidation, rejecting a Deed of Company Arrangement proposal put forward by Kimberley Diamonds Limited ("KDL"), which is a secured creditor of KDC.

Subsequent to the year end, KDL has received \$2.24m from the sale of diamonds by KDC which were secured for the funds lent by KDL to KDC. There is a risk that the liquidator may pursue actions to prevent KDL from applying these proceeds to payment of its loan, or require it to repay to KDC other loans or payments KDC paid to KDL prior to the liquidation. There is also a risk that the liquidators or regulators may pursue actions against KDL or its Directors in relation to KDC and/or its subsidiaries.

The Directors recognize the need to raise further additional funds via equity raisings or borrowing facilities in order to fund the future capital expenditure and working capital requirements. The Group's cash flow forecast indicates that the group will need to raise additional capital by November 2015. The Directors have been in discussions with a number of interested parties in relation to the funding of the Group's working capital requirements and its committed and planned development expenditure in connection with the re-commissioning of the Lerala Mine. The Directors are satisfied they will be able to raise additional capital as required and thus it is appropriate to prepare the financial statements on a going concern basis.

Should the Group not achieve the funding outcomes set out above, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

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.

Dividends

The Company did not pay any dividends in FY2015 (FY2014: 3.297m).

3.6 Corporate Social Responsibility Report

3.6.1 Introduction

We set out below our report on Corporate Social Responsibility (“CSR”), covering each aspect of our operations, including environment, health, safety and community.

3.6.2 Environment

The Group is committed to conducting its operations in a sustainable and responsible manner at its mining and exploration sites.

Lerala

The Lerala operation remained on care and maintenance during the period to 30 June 2015 and as such limited activity was undertaken on site and during the period no environmental incidents were detected or reported.

On 28 November 2014, KDL reported to the ASX that the Botswana Department of Environmental Affairs (“DEA”) had approved and completed the transfer of the authorisation of the previously approved Environmental Impact Assessment (“EIA”) from DiamonEx Botswana (a previous owner of the Lerala Diamond Mine) to Lerala Diamond Mines Limited, KDL’s Botswana subsidiary and the current owner of the Lerala Diamond Mine. The transfer of this existing EIA permits KDL to undertake the planned upgrade of the plant, site infrastructure and the tailings storage facilities at the Lerala Diamond Mine.

Significant technical studies have been undertaken during the period to 30 June 2015 to update the Environmental and Social Management Plan for the re-opening of Lerala Mine as required by the DEA prior to the commencement of mining and processing operations. The scope of these Environmental Impact Studies has included the use of specialist consultants conducting studies in the following fields:

- a. Archaeology;
- b. Hydrology;
- c. Hydrogeological;
- d. Ecology;
- e. Social Impact (public participation meetings was part of that);
- f. Waste management.

The final report was submitted to the DEA on 30 April 2015 and as at 30 June 2015 was still being assessed. It is anticipated that final EIA with applicable compliance requirements for operations will be granted by October 2015.

The design of a new tailings storage facility was undertaken during the period and tenders for construction of the new facility will be issued in time for the re-commencement of operations scheduled for FY2016.

Ellendale

Ellendale recorded zero major environmental incidents in the reporting year and during its operations strive to minimise operational impacts on its surrounding environment and maintain regulatory compliance through:

- minimising land disturbance to protect surrounding native vegetation and to reduce rehabilitation requirements at mine closure;

- monitoring surface and groundwater quality and aquifer impacts as a result of groundwater abstraction;
- ongoing protection and preservation of indigenous heritage sites;
- ongoing monitoring of rehabilitation and trials;
- continually promoting and improving efficiencies throughout the organisation by challenging how things are done, including energy and water use;
- managing waste as outlined in the Waste Management Plan;
- updating the organisation with relevant legislation amendments, prosecutions and fines in industry through the subscribed 'Enviro Essentials';
- ongoing management of exotic species to minimise non-native or destructive fauna and flora including weeds and feral cats; and
- promoting environmental awareness throughout the workforce.

KDC utilised a tailings contractor to manage the tailings storage facilities on site. Tailings Storage Facility 1D capacity continued to be increased during FY2015 through staged wall lifts using in situ tailings. This strategy ensures greater control of tailings deposition and will improve closure outcomes.

3.6.3 Rehabilitation Planning

Lerala

The Lerala Mine remained suspended on care and maintenance as at 30 June 2015 and no rehabilitation was planned or undertaken nor any further disturbances created during that period. Proposed rehabilitation planning has been incorporated into the Environmental and Social Management Plan submitted in April 2015. Further rehabilitation planning will be developed once the final EA with specific provisions has been received.

Ellendale

Rehabilitation activities at Ellendale during FY2015 were focused on reducing the rehabilitation liability at the Ellendale Diamond Mine by undergoing progressive rehabilitation planning and earthworks of these landforms.

A total of 137 hectares of disturbed land is under rehabilitation and trials within the Ellendale Diamond Mine. Topsoil trials on tailings storage facilities (TSF's) have determined that a capping cover is not required and topsoil can be direct placed to establish successful vegetation on tailings. Removing the capping requirement from the TSF's reduces the closure provision substantially.

KDC submitted an updated Mine Closure Plan to the DMP during the period, outlining significant advancements to address knowledge gaps and progress mine closure planning at the Project. Since the 2012 submission KDC has undertaken a range of closure investigations and trials including:

- refinement of the conceptual closure plans for the tailings storage facilities (TSF's) by a multi-disciplinary team of specialists;
- trials to assess the performance of armouring strategies to improve the stability of TSF embankments and waste rock dump batters;
- updated waste rock inventory to assess the availability of armouring rock;
- revegetation trials on TSF's to determine the most effective method of revegetating the tailings surface;
- consultation with other mining operations to assess TSF closure challenges and opportunities;
- operational design change to increase storage capacity and improve closure outcomes at TSF1D;
- tailings geotechnical investigations to inform the closure options for the TSF's;

- specialist assessment of local soil microbial communities to inform a planned seed inoculation trial that aims to maximise revegetation outcomes;
- a social impact assessment of mine closure;
- specialist monitoring of rehabilitation performance; and
- refinement of closure objectives and closure criteria, and the development of closure standards.

3.6.4 Water at Mine Sites

Lerala

The Lerala Mine remained suspended on care and maintenance as at 30 June 2015 and limited water was drawn from local bores for camp requirements as well as care and maintenance activities during that period. No water has been pumped from the Seleka well-field situated some 34 km to the South East of Lerala, during the period.

No adverse environmental impacts on water quality on the lease area or the nearby well-field were detected or reported during the period.

Ellendale

Water at Ellendale is sourced from local aquifers. Groundwater investigations have been completed to develop an understanding of the hydrogeology and the impacts of the Company's activities, and an extensive monitoring bore and spring monitoring network is utilised to monitor the quality and quantity of groundwater in the Ellendale area. Over the 12 years of the operation of the Ellendale mine, groundwater monitoring has indicated no adverse effects on local aquifers.

3.6.5 Health and Safety

Lerala

The Lerala Mine remained suspended on care and maintenance as at 30 June 2015. However despite the limited activities on site, on 10 June 2015 an unfortunate incident occurred at the mine which resulted in the death of mechanical assistant, Kabelo Lenkwetse, and the serious injury of mechanic, Isaac Manbalala. A senior management team from KDL's Sydney head office was immediately dispatched to investigate the incident and provide assistance to the families and colleagues of the impacted employees. The investigation found that the incident was caused by the explosion of a mine crane tyre while it was being inflated, and a number of recommendations coming from the investigation have been implemented to prevent a similar occurrence and improve the safety of workers at the Lerala Mine.

As at 30 June 2015, the Government Mining Inspectorate were still investigating the unfortunate incident reported in the Safety and Health section above, with no findings released as yet.

Ellendale

The Ellendale Diamond Mine had in place stringent and comprehensive health and safety procedures, which were strictly enforced and monitored, with no fatal injuries during FY2015 and only one lost time injury. The lost time injury occurred in August 2014, when a worker fell approximately 1m and sustained a fracture to the lumbar region of his spine.

3.6.6 Operations, Environmental and Licence Compliance

KDL recognises that environmental compliance is integral to its business and is committed to responsibly managing its environmental impacts. As well as environmental laws, as a mining company, KDL is subject to mining licence requirements in the jurisdictions in which it holds an interest in tenements. KDL has in place risk management systems which are used to monitor compliance and licence requirements and flag potential risks, which are addressed and managed.

In addition, in our key operating jurisdictions, government agencies undertake regular review of our operations. In Botswana, representatives of various Government Departments and Local Government officials representing key technical disciplines, particularly Environmental, Mining and Safety departments, visited the Lerala Mine site during the period to 30 June 2015 to review and assess Lerala's care and maintenance operations. Positive support has been received to date on the proposed Environmental Impact Assessment ("EIA") to resume operations.

In Australia, regulators including the Department of Mines and Petroleum (DMP), Department of Environment Regulation (DER) and the Department of Water (DoW) inspect the site against tenement license conditions and previous performance reports submitted annually. KDL also reports emissions and energy use to the Government for the National Pollutant Inventory and the National Greenhouse and Energy Reporting Act 2007.

In Q4 2015, KDC was in breach of its licence conditions by failing to pay its March 2015 royalties within the timeframes required by the DMP. Following the appointment of the administrators (and now liquidators), the powers of the officers of KDC and its subsidiaries were suspended and the liquidators assumed control of these companies' business, property and affairs. Records relating to KDC and its subsidiaries were provided to the liquidators. Accordingly, this Annual Report for the year ended 30 June 2015 has been prepared without the benefit of complete information and records being available for KDC and its subsidiaries, including in relation to licence compliance. The above sets out non-compliance with KDC's mining licence of which the Directors were aware.

3.6.7 Community

Lerala

While Lerala has been on care and maintenance since 2012, KDL has made active efforts to engage with the community to understand the needs and requirements of the community, the services available and how KDL could look to working with the community as the mine is re-commissioned. Part of the EIA process included a detailed community review and recommendations have been made for the consideration of the Board and management team in the future, as part of KDL's proposed corporate social responsibility program in Botswana.

In September 2015, subsequent to FY2015, KDL held a Blessing Ceremony with the local community at Lerala, which was aimed at mobilising the community to provide its best wishes for the success of the mine.

Ellendale

KDC has had a long history with supporting the local community, and has during the course of its operations, provided funds to the health and wellbeing, education and training, sport and recreation and other projects to organisations based in the West Kimberley.

In July 2014, KDL proudly supported "Jandamarra – Sing for the Country", a music production of the Jandamarra story – a story of extreme importance to the Bunuba people - which unites two cultures by combining western

classical music with indigenous culture. The production was a collaboration between the Sydney Symphony Orchestra (SSO), Bunuba Cultural Enterprises (BCE) and Gondwana Choirs.

Funds generated from steel recycled from Ellendale are donated to Ruggies Recycling and assisted with implementing Telehealth services at Derby hospital. Telehealth enables patients to undertake video consultation with a specialist, consultant physician or consultant psychiatrist from a regional centre rather than travelling to the nearest major city for health care services. The Derby Telehealth unit has provided access to specialist health services not otherwise locally available and subsequently is heavily used by the West Kimberley community.



Tony Fitzgibbon (Ruggies Recycling) and Sue Hicks (Derby Hospital) testing the Derby Telehealth unit.

3.6.8 Local and Indigenous Workforce

KDL continuously works to develop ways to increase local indigenous employment in its operations, including actively encouraging our key contract service providers to increase their efforts in respect to both local and indigenous employment.

Lerala

KDL is currently in the process of re-commissioning the Lerala Diamond Mine, and if successful in recommencing operations, it is looking to employ members of the local community at Lerala in as many roles as possible.

Ellendale

During the reporting period KDL utilised government funded employment services providers based in Fitzroy Crossing and Broome to source local and indigenous casual and permanent staff, which has increased indigenous and local employment to 9.7%.

Local employees are considered those who reside within the Shire of Derby-West Kimberley and the Shire of Broome. During the 2014-2015 financial year the Ellendale operation employed an average of 132 permanent and contractor personnel, of which 25.6% are from the local community.¹

	Indigenous	Kimberley	Male	Female	Total
Jul-14	13	41	124	27	151
Aug-14	13	40	124	29	153
Sep-14	13	35	113	21	134
Oct-14	12	30	110	20	130
Nov-14	12	27	108	19	127
Dec-14	13	31	110	19	129
Jan-15	14	34	109	19	128
Feb-15	13	34	107	19	126
Mar-15	13	35	110	19	123
Apr-15	12	33	106	16	122
May-15	12	34	107	34	141
Jun-15	12	29	93	16	109
Average	13	34	110	22	132
%	9.7%	25.6%	83.7%	16.3%	

¹ Directly employed by the Group only

3.7 Principal Risks

The Group's principal business risks are outlined below. These are significant risks that may adversely affect the Group's business strategy, financial position or future performance. It is not possible to identify every risk that could affect the Group's business and the actions taken to mitigate the risks described below cannot provide absolute assurance that a risk will not materialise.

Economic and Market Risks

The general economic climate in which the Group operates may adversely affect the financial performance of the Group. Factors which may contribute to the general economic climate include the level of direct and indirect competition facing the Group, the performance of the diamond market, industrial disruption, the rate of global growth, interest rates, exchange rates and the rates of inflation.

Future earnings are likely to be closely related to the price of diamonds and the terms of any sale agreements which the Company or its subsidiaries enters into.

Diamond prices may fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand, forward selling by producers, production cost levels in other producing regions and global conflict. Diamond prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates, currency and exchange rate fluctuations, and global and regional demand for, and supply of, diamonds as well as general global economic conditions. Diamond prices remain volatile and sensitive to market uncertainties, directly impacting cash flows. These factors may have an adverse effect on the Company's exploration, development and production activities.

Rough diamond prices achieved at our auction on June 2015 were significantly lower than forecast prices, which was a key factor in KDC being placed into administration by its directors.

Mitigation: Market conditions are continually monitored to identify current trends that may either pose a threat or create an opportunity for the Group and the Group will continually assess its capital projects and sales cycles, with a view to using its best efforts to preserve positive cash balances on its balance sheet.

Operation and development risks

The success of the business of a diamond exploration and mining company depends on many factors, including the successful exploration and/or acquisition of recoverable and economic reserves, design and construction of efficient processing facilities, competent operation and proficient marketing of the product. There are many risks inherent in this process.

Whether or not income will result from the exploration, development and production of KDL's assets in Botswana, Australia and Canada depends on the successful establishment of exploration and mining operations and project development. Factors including costs, equipment availability and resource prices affect successful operations and project development, as does the design and construction of efficient exploration facilities, prudent financial administration and skilled management and employees, including the availability and reliability of appropriately skilled and experienced consultants.

The Lerala Mine has been on care and maintenance since July 2012 and has not been operated since this time. The Company intends to re-commence operations at the Lerala Mine and is undertaking work to re-commission the plant at the Lerala Mine. As a result, the Company will be subject to all the risks inherent in the establishment of new operations. No assurances can be given as to the level of viability that the operations of Lerala Mine may

achieve. The work being undertaken to improve the plant at the Lerala Mine may not be successful or may be subject to delay. Any delay in the re-commissioning, or performance below that which is forecast, will impact on the performance of the Group as a whole and may threaten the ongoing operations of the Group.

The operations of the Group may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including diamond theft, environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, formation damage, flooding and extended interruptions due to inclement or hazardous weather conditions, fire and explosions. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

Mitigation: The Group has engaged experienced professionals to manage and operate its business. The Group regularly undertakes risk assessment and financial modelling to assess its current and anticipated future performance and respond to operational and development risks.

Health, safety, social and environmental related risks

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

The Company's activities are subject to laws and regulations regarding occupational health and safety, as well as environmental matters and the discharge of hazardous wastes and materials. As with all mining and exploration projects, a variety of environmental impacts exist. The Company intends to conduct its activities in a safe and environmentally responsible manner and in accordance with applicable laws in each country in which it has operations.

The death of an employee at Lerala Mine in June 2015 was found to have been caused by the explosion of a mine crane tyre while it was being inflated. A number of recommendations coming from the investigation to prevent a similar occurrence and generally improve the safety of workers at the Lerala Mine are either completed or are well advanced.

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.

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. There is a risk that the actual mineralisation may be different to the expected results from exploration. Adverse results may impact on the financial viability of the relevant projects.

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

Title

The future viability and profitability of the Group will depend upon maintaining, and where relevant, obtaining the renewal of the tenements or interests held by the Group in Australia, Botswana, Spain and Canada. Such renewal is at the discretion of the relevant government departments in those jurisdictions. Tenements held by the Group have conditions which must be complied with. Failure by the Group to comply with these conditions may mean forfeiture of the relevant tenements.

Mitigation: The Group regularly reviews and assesses its compliance with the conditions of its tenements.

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.

Future Capital Requirements

The Group does not currently have any revenue producing operations following the suspension of operations at the Ellendale Mine in June 2015. The Group will incur costs as it looks to develop its projects and recommission the Lerala Mine in Botswana and has ongoing costs relating to its existing operations. The Company's existing funds will not be sufficient to cover costs until such time that the Lerala Diamond Mine is operating and revenue is being produced, and the Company is seeking further debt or equity funding. If debt or equity funding is not obtained within the timeframe additional funds are required, the Group may not be able to continue its operations. There is no certainty that the Group will have access to available financial resources sufficient to fund its obligations and operations in the future.

Mitigation: The Group regularly assesses its cash flow and expenditure need and is in ongoing discussions with possible financiers, both debt and equity. The Company has successfully obtained an AUD\$10 million loan and is looking at possible options for further funding.

Debt financing

The Company has entered into debt finance arrangements for the loan of \$10 million and has granted the lender a security interest over its shares in Mantle Diamonds Limited, the sole shareholder of Lerala Diamond Mines Limited, which is the owner of the Lerala Diamond Mine. If the Company defaults on its repayment obligations under the loan, the lender may enforce its security over the Company's shares in Mantle Diamonds Limited. If this occurred, the Company would lose its interest in Mantle Diamonds Limited and consequentially the Lerala Diamond Mine.

If the Group enters into any further debt funding arrangements, it may be required to offer some or all of its assets as security.

Mitigation: The loan is not required to be repaid for a period of 2 years, which gives the Company this time to recommission the Lerala Mine, recommence production and start selling the diamonds recovered. Once revenue starts to be generated, the Company believes it will be able to repay the loan in the timeframe required. Any further debt funding arrangements entered into by the Group will only be entered into after an assessment as to the Group's ability to repay such debt and appropriate risk assessment is undertaken.

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.

Exposure to Subsidiary

On 1 July 2015, the Company's wholly owned Australian subsidiary, Kimberley Diamond Company Pty Ltd ("KDC"), the owner of the Ellendale Diamond Mine in Western Australia, was placed into voluntary administration by its directors. KDC's subsidiaries were also placed into voluntary administration. On 5 August 2015, the creditors of KDC subsequently voted to place KDC and its subsidiaries into liquidation, rejecting a Deed of Company Arrangement proposal put forward by KDL, which is a secured creditor of KDC.

On 30 June 2015, KDL was owed an amount of \$3.64m as a secured creditor by KDC. KDL was then repaid \$2.24m in the form of diamond sales during July and August 2015. At 30 September 2015, there is an outstanding secured debt of \$1.40m owed by KDC to KDL.

There is a risk that the liquidator may pursue various actions to prevent KDL from applying these proceeds to payment of its loan, or require it to repay to KDC other loans or payments KDC paid to KDL prior to the liquidation. There is also a risk that the liquidators or regulators may pursue actions against KDL or its Directors in relation to KDC and/or its subsidiaries.

Mitigation

KDL believes that it has a valid and enforceable security and will take all legal action necessary to defend any action brought by a liquidator to dispute this. In addition, KDL and its Directors will vigorously defend any other actions that may be brought by a liquidator.

Exchange rates

The Group operates internationally and is exposed to foreign exchange risk arising from currency movements. The Group currently earns revenue in US dollars while its cost base is in Australian dollars, Botswana Pula and South African Rand. Any weakening or strengthening of the US dollar relative to the Australian dollar, Botswana Pula and/or the South African Rand 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.

Regulatory and sovereign

The Group operates in Australia, Botswana, Spain, the United Kingdom and Canada and deals with local regulatory authorities in relation to the operation of its business and the development of its properties. There may be adverse changes in the regulatory environment in future periods which may impact mining tenure, mine

regulation, export regulation, taxation and other regulated activities that may impact the financial viability of the Group.

Mitigation: The Group monitors all regulatory changes and where necessary will seek legal advice on ways to mitigate any impacts arising from such changes.

Native Title and Land Access

The activities of KDL in Australia are subject to the *Native Title Act 1993* (Cth). Native title and Aboriginal land rights may affect the Company's ability to gain access to prospective exploration areas on the Australian tenements, and to explore and develop these tenements. Compensatory obligations may be necessary in relation to settling native title claims lodged over any undeveloped area in the Australian tenements. KDL may also be subject to native title laws in other jurisdictions in which it operates, which may also affect the Company's ability to access explore and develop its tenements in such jurisdictions.

Within Australia, Commonwealth and State legislation also allows for the protection of sites of significance to Aboriginal custom and tradition. The Company is aware of its obligations in this respect and will carry out surveys prior to conducting any exploration work on its Australian tenements that would disturb the surface of the land.

Mitigation: The Group regularly reviews and assesses its compliance with native title laws.

Diamond theft

Theft is an inherent risk factor in the diamond industry.

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

Operations in Africa

The operations of KDL in Botswana are subject to all risks inherent in operating in an African jurisdiction. While Botswana is known to have a stable government, it may be affected by politics of neighbouring countries. Infrastructure, services may be less reliable than those in Australia and health risks are increased for the employees of the Company based in Botswana.

Mitigation: Botswana is known as a stable, pro-mining jurisdiction, with a stable government and a well-developed diamond industry, which was a key reason why KDL chose to invest in Botswana. KDL believes that it is less risky than most other African jurisdictions. KDL is taking steps during the re-commissioning process to improve services and infrastructure at the Lerela Mine, including improved accommodation, dining and communications facilities.

Exposure to ASIC action

On 16 September 2015, the Australian Securities and Investments Commission ("ASIC") charged Alexandre Alexander, a Director of the Company, with offences under the Corporations Act, relating to statements in announcements made by KDL between October 2013 and March 2014, which ASIC alleges were false and misleading.

It is possible that ASIC or other parties may take action against KDL in relation to this matter. Although KDL has Directors and Officers Insurance, KDL does not have securities litigation insurance cover for the Company, and accordingly, any action against KDL will need to be funded by the Company, which has cash flow implications.

4. Directors' Report

Your directors submit their report for the year ended 30 June 2015.

4.1 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 Master's Degree in Engineering/Economics, Graduate Diploma in Accounting and a Graduate Diploma in Applied Finance and Investments*

(Non-Executive Chairman - Appointed 22 May 2014)

Alexandre is a founder and Managing Director of Summit Capital Ltd ('Summit Capital'), a boutique financial advisory firm with particular focus on resources and commodities. Prior to founding Summit Capital, Alexandre was a stockbroker with Deutsche Bank Stockbroking and ABN AMRO Bank Stockbroking. Since founding Summit Capital 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). During the past three years he has also served as a director of Freshtel Holdings Limited (ASX: FRE).

Noel Halgreen, *B.Sc. Eng (Mining Engineering), Bsc. Eng (Hons), Master of Engineering (Industrial Engineering)*

(Managing Director – Appointed 22 May 2014)

Noel is a mining engineer with over 30 years diverse industry experience. During his career, Noel's experience has included appointments as Vice President and Executive Director of BHP Billiton Coal, Executive Director of Trans Natal Coal Corporation and Chief Operating Officer of Sasol Coal.

Noel is a Non-Executive Director of International Coal Limited (ASX: ICX) and a Non-Executive Director of Winmar Resources Limited (ASX: WFE). During the past three years he has also served as a director of Bligh Resources Limited (ASX: BGH).

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 27 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.

During the past three years Rodney has not served as a director of any other listed 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, he has not served as a director of any other listed company.

Rupert Baring
(Independent Non-Executive Director – appointed 12 March 2014)

Rupert is co-founder and director of Mantle Diamonds Ltd, which was acquired by the Company in February 2014. Rupert has more than 20 years' experience in the diamond industry, including extensive experience as a diamond broker with De Beers and I Hennig & Co. He has in-depth knowledge of the diamond markets in Belgium, Israel and India and has negotiated mineral licences in more than a dozen African countries including Botswana, Sierra Leone, Angola, South Africa and Lesotho.

During the past three years, he has not served as a director of any other listed company.

Mark Yumin Qiu, *PhD in Economic Geology (UWA)*
(Non-Executive Director) (removed as a Director on 26 November 2014)

Mark has more than 27 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 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).

Company Secretary

Mrs Laila Green was appointed as Chief Financial Officer and Company Secretary, effective from 1 July 2014. Laila has over 25 years of experience in finance and accounting, and has worked in a number of senior finance roles including at BHP Billiton, Gordon and Gotch, Yahoo!7, Australia Consumers' Association and International Masters Publishers. Laila is a Certified Practising Accountant and a commerce graduate from the University of Western Sydney.

4.2 Incorporation

The Company was incorporated on 5 May 2011.

4.3 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 diamonds, copper and copper-gold; and
- the acquisition and development of mineral exploration and mining tenements.

4.4 Dividends

The Company did not declare or pay any dividends in FY2015. (FY2014: Nil)

4.5 Voluntary Administration of Subsidiary

Appointment of Administrator

On 1 July 2015, the directors of KDL's wholly owned subsidiary, Kimberley Diamond Company Pty Ltd ("KDC"), resolved to place KDC into voluntary administration and appointed Sule Arnautovic, Trajan John Kukulovski and Chris Williamson of Jirsch Sutherland as administrators of KDC. KDC's subsidiaries were also placed into voluntary administration. Creditors subsequently voted to place KDC and its subsidiaries in liquidation.

Incomplete records

Following the appointment of the administrators (and now liquidators), the powers of the officers of KDC and its subsidiaries were suspended and the liquidators assumed control of these companies' business, property and affairs. Records relating to KDC and its subsidiaries were provided to the liquidators. Accordingly, this Annual Report for the year ended 30 June 2015 has been prepared without the benefit of complete information being available for KDC and its subsidiaries. To prepare the financial report, the Directors have constructed the financial records of KDC and its subsidiaries using data extracted from the Group's accounting system for the financial year. However, there may be information that the Directors have not been able to obtain, the impact of which may or may not be material on the accounts.

This Annual Report may not contain all the required information or disclosures in relation to transactions undertaken by KDC and its subsidiaries, and the disclosures regarding its business, environmental and health, safety and CSR, as this information is not fully available due to the administration and liquidation process.

Consequently, although the Directors have prepared the Annual Report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this Annual Report has been prepared in accordance with the Australian Accounting Standards including Australian interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state that this Annual Report gives a true and fair view of the Group's financial position as at 30 June 2015 and for the year then ended.

4.6 Operating and financial review

The Group's loss attributable to owners of the Company after providing for income tax and non-controlling interest amounted to \$17.46 million compared to the prior period profit of \$19.49 million. Despite less revenue realised in FY2015 due to the cessation of mining activities in August 2014; there were significant savings in administration costs as part of continuous cost saving initiatives; \$3.8m of mining rehabilitation expense was also released in FY2015 in accordance with the latest rehabilitation estimate.

The Group's detailed financial and operating results are covered in the preceding report of the Chairman and Managing Director and in the Business Review.

4.7 Significant changes in the state of affairs

On 1 July 2014, Mrs Laila Green was appointed as Chief Financial Officer and Company Secretary.

On 2 July 2014, the Company's wholly owned subsidiary, Lerala Diamond Mines Limited, entered into a Farm-In and Joint Venture Agreement ("Joint Arrangement") with Tilwane Services (Pty) Limited, a Botswana based exploration company. The Joint Arrangement covers two prospecting licences, Prospecting Licence 267/2013 and Prospecting Licence 268/2013, located in north-eastern Botswana, close to the Orapa Diamond Mine. Under the terms of the Joint Arrangement, Lerala has the exclusive right to earn up to a 70% interest in the Joint Arrangement by spending a total of AUD\$1.1m on project expenditure for the Joint Arrangement over the next 2.5 years, plus payment of an additional AUD\$20,000 to Tilwane. If Lerala spends AUD\$100,000 on project expenditure in the first 12 months of the Joint Arrangement, it will earn a 50% interest in the Joint Arrangement. It will then have the opportunity to earn a further 20% interest by spending a further AUD\$1m on project expenditure in the following 18 months.

On 31 July 2014, the Company issued 140,000 new ordinary shares to Rivonia Pty Limited as non-cash consideration for consultancy services provided to the Company in relation to its acquisition of Mantle Diamonds Limited.

On 22 August 2014, the Company announced that it would be undertaking a non-renounceable pro-rata rights issue of 1 new share for every 2 existing shares held on 1 September 2014 at an issue price of \$0.19 per share. The funds raised by the Offer will be used to fund the re-commissioning of Kimberley's Lerala Diamond Mine in Botswana and for general working capital requirements.

On 24 September 2014, the Company announced that the legal proceedings between its subsidiary, Mantle Diamonds Limited, and Sayona Mining Limited were settled by agreement between Mantle, Sayona and KDL. The settlement included payment by Mantle to Sayona of cash and scrip in KDL to an aggregate value of USD\$340,000.

On 1 October 2014, the Company issued 980,772 new ordinary shares as non-cash consideration to Sayona Mining Limited as part of the settlement of the legal proceedings between Sayona and Mantle Diamonds Limited.

On 8 October 2014, the Company announced its subsidiary, KDC, intended to place the Ellendale Diamond Mine into care and maintenance from May 2015 due to uncertainty as to the economic viability of continued operations.

On 10 October 2014, the Company announced that it had been awarded the rights to Investigative Permit 14.977, a package of tenements in Spain constituting the Lomero-Poyatos gold project.

On 24 October 2014, the rights issue closed, and on 30 October 2014, the Company issued 415,662 new ordinary shares under the terms of the rights issue.

On 26 November 2014, Mr Mark Qiu was removed as a Director of the Company by the Company's shareholders at general meeting.

On 1 April 2015, the Company announced that its subsidiary, KDC, would continue operating the Ellendale Diamond Mine in Western Australia into FY2016 following extensive work undertaken by Ellendale's management team to increase efficiencies and reduce costs.

On 2 June 2015, the Company announced that Lerala Diamond Mines Limited had successfully earned a 50% interest in the Botswana Joint Arrangement by spending AUD\$100,000 on the Joint Arrangement in the first 12 months.

On 30 June 2015, the Company announced that it had received the first AUD\$5 million under the terms of a loan agreement (**Loan Agreement**) entered into with Zhejiang Huitong Auction Co Ltd (**Zhejiang**). Under the terms of the Loan Agreement, Zhejiang agreed to provide KDL with a total loan of AUD\$10 million.

On 30 June 2015, 14 million unlisted options with an exercise price of \$0.30 expired.

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

4.8 Matters subsequent to the end of the financial year

Subsequent to year end, on 1 July 2015, Kimberley Diamond Company Pty Ltd (**KDC**) and its subsidiaries were placed into voluntary administration by their directors and operations were suspended at the Ellendale Diamond Mine. The decision to place KDC and its subsidiaries into voluntary administration occurred primarily as a result of prices achieved at the June 2015 commercial diamond auction in Antwerp being significantly lower than forecasted. On 5 August 2015, the creditors of KDC voted to place KDC into liquidation, rejecting a Deed of Company Arrangement proposed by KDL. At this stage, it is unclear what effect the liquidation of KDC will have on KDL.

On 20 July 2015, the Company announced that Lerala Diamond Mines Limited had entered into a lump sum turnkey contract with Consulmet (Pty) Limited (**Consulmet**) for modifications to the plant at the Lerala Diamond Mine in Botswana, to allow the plant to operate more effectively, and allow it to reliably treat 200 tonnes per hour.

On 31 July 2015, the Company announced that it had received a further AUD\$3.2 million under the terms of the Loan Agreement with Zhejiang.

On 27 August 2015, the Company announced it had received the balance of the loan funds from Zhejiang, with a total of AUD\$10 million received.

On 16 September 2015, Alex Alexander was charged with offences under the Corporations Act, relating to statements in announcements made by KDL between October 2013 and March 2014, which ASIC alleges were false and misleading. The matter will return to court in November 2015. Mr Alexander will be defending these offences.

On 30 June 2015, KDL was owed an amount of \$3.64m as a secured creditor by KDC. KDL was then repaid \$2.24m in the form of proceeds from diamond sales during July and August 2015. At 30 September 2015, there is an outstanding secured debt of \$1.40m owed by KDC to KDL.

4.8.1 Likely developments and expected results of operations

The Ellendale Diamond Mine has historically been KDL's operating business and sole source of revenue. As at the date of this report, KDL does not have an operating and revenue producing diamond mine, but is looking to re-commission the plant at its Lerala Diamond Mine in Botswana and currently intends re-commence mining in early calendar year 2016. Successful re-commencement of mining at Lerala is subject to various factors, including further funds of approximately AUD\$5 million being raised for the re-commissioning process, as well as additional funds required for ongoing operational costs. Once the Lerala Diamond Mine is re-opened, it will

become KDL's operating business and sole source of revenue. If further funds are unable to be raised, KDL may not be able to continue its operations.

In addition, it is possible that the liquidator of KDC may pursue various actions to require KDL to repay to KDC other loans or payments KDC paid to KDL prior to the liquidation. There is also a risk that the liquidators or regulators may pursue actions against KDL or its Directors in relation to KDC and/or its subsidiaries.

Further, on 16 September 2015, ASIC charged Alex Alexander with offences under the Corporations Act, relating to statements in announcements made by KDL between October 2013 and March 2014, which ASIC alleges were false and misleading.

It is possible that ASIC or other parties may take action against KDL in relation to this matter. Although KDL has Directors and Officers Insurance, KDL does not have securities litigation insurance cover for the Company, and accordingly, any action against KDL will need to be funded by the Company, which has cash flow implications.

There are no other 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 Business Review, Directors' Report and Operating and Financial Review, the announcements to the Australian Stock Exchange or the Matters subsequent to the end of the financial year.

4.9 Environmental regulation

The Group strives to comply with environmental regulation applicable to its mining and exploration activities. Following the appointment of the administrators (and now liquidators), the powers of the officers of KDC and its subsidiaries were suspended and the liquidators assumed control of these companies' business, property and affairs. Records relating to KDC and its subsidiaries were provided to the liquidators. Accordingly, this Annual Report for the year ended 30 June 2015 has been prepared without the benefit of complete information and records being available for KDC and its subsidiaries, including in relation to environmental and licence compliance. The Directors set out below their understanding to the best of their knowledge as to KDC.

The Directors are not aware of any significant non-compliance with environmental legislation during the period covered by this report.

4.10 Meetings of Directors

The number of meetings of the Company's Board of Directors held during the period ended 30 June 2015, and the number of meetings attended by each Director were:

2015	Board Meetings		Circular Resolutions	
	Attended	Held ¹	Signed ²	Total ³
Alexandre Alexander	8	9	31	36
Noel Halgreen	9	9	36	36
Rupert Baring	9	9	35	36
Mark Yumin Qiu⁴	3	4	9	20
Yong Xiao	7	9	36	36
Rodney Alan Sainty	9	9	36	36

¹ The number of meetings held during the period that the Director held office.

² The number of circular resolutions passed by the Director during the period that the Director held office. Under the Company's Constitution, a circular resolution is passed when it is signed by a majority of the Directors being entitled to vote in relation to the resolution.

³The number of circular resolutions circulated during the period that the Director held office. This excludes circular resolutions for certain Directors who abstained from voting because of a material personal interest.

⁴Mr Qiu was removed as a Director on 26 November 2014.

Circular resolutions were used instead of physical meetings where necessary, as detailed above.

During the period ending 30 June 2015, two Audit and Risk Committee meetings were held. The members of the Audit and Risk Committee are Rupert Baring and Alex Alexander. Both members of the committee attended both meetings.

4.11 Remuneration Report

The remuneration report, which has been audited, outlines the director and senior 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 to market best practice for delivery of reward. 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; and
- transparency.

The Board is responsible for determining and reviewing remuneration arrangements for its directors and its most senior 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 it considers to be market competitive and complementary to the reward strategy of the Group and Company.

The Board believes that the remuneration framework aligns to shareholders' interests as it:

- 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; and
- attracts and retains high calibre executives.

The Board believes that the remuneration framework also aligns to the interests of its directors and senior executives as it:

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

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

Non-executive directors' remuneration

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 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; and
- 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, is reviewed annually, 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 2015, the Company has not engaged remuneration consultants.

Company performance and shareholder returns

	2015	2014	2013	2012 *
Basic earnings / (loss) per share (cents)	(16.58)	(22.08)	5.07	(3.68)
Profit / (loss) after tax (\$'000)	(17,463)	(19,224)	2,420	(624)
Share price (cents)	12	14	24	18
Dividend per share (cents)	-	2	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:

- Mark Qui – Non Executive Director (removed 26 November 2014)
- Neil Kaner – Chief Technical Officer (appointed 1 July 2013 and terminated 12 May 2015)
- Nicholas Selby – Ellendale Manager (appointed 1 May 2013 and resigned on 12 September 2014)
- Laila Green – Chief Financial Officer (appointed 1 July 2014)
- Brett Thompson – Chief Technical Officer (appointed 2 March 2015)

30 June 2015	Short-term benefits		Termination	Post-employment benefits	Long-term benefits	Share based payments	Total
	Cash salary and fees	Bonus		Superannuation	Long service leave	Equity-settled	
Non-Executive Directors							
M Qui ¹	19,555	-	-	1,858	-	-	21,413
Y Xiao	40,000	-	-	-	-	-	40,000
R Baring	175,836	-	-	-	-	-	175,836
A Alexander	166,928	-	43,533	15,858	-	-	226,319
Executive Directors							
R Sainty	190,000	-	-	18,050	-	-	208,050
N Halgreen ¹	496,823	-	-	47,198	-	-	544,021
Executives							
N Kaner ²	440,310	-	71,479	41,829	-	-	553,618
N Selby ³	119,392	-	-	6,250	-	-	125,642
L Green ⁴	325,060	-	-	30,881	-	-	355,941
B Thompson ⁶	134,327	-	-	12,761	-	-	147,088
Total	2,108,231	-	115,012	174,685	-	-	2,397,928

¹ Dr M Qui was removed as Non-Executive Director on 26 November 2014.

² Mr Kaner became a KMP on 1 July 2013, and was terminated on 12 May 2015.

³ Mr N Selby became a KMP on 1 July 2013 and resigned on 12 Sep 2014.

⁴ Mrs L Green was appointed as Chief Financial Officer on 1 July 2014.

⁵ Mr B Thompson became a KMP on 2 Mar 2015.

30 June 2014	Short-term benefits		Termination	Post-employment benefits	Long-term benefits	Share based payments	Total
	Cash salary and fees	Bonus		Superannuation	Long service leave	Equity-settled	
Non-Executive Directors							
Dr M Qui	40,000	-	-	3,700	-	-	43,700
Y Xiao	40,000	-	-	3,700	-	-	43,700
A Wong ⁴	64,167	-	-	-	-	-	64,167
R Baring ²	37,303	-	-	-	-	-	37,303
A Alexander ¹⁰	275,000	-	106,000	25,438	-	-	406,438
Executive Directors							
R Sainty	190,000	-	-	17,575	-	-	207,575
N Halgreen ¹	220,000	-	-	-	-	-	220,000
L de Bruin ³	430,221	-	444,475 *	16,896	-	584,651	1,476,243
Executives							
N Kaner ⁸	330,172	-	-	30,541	-	155,906	516,619
N Selby ⁹	374,999	45,767	-	38,921	-	155,906	615,593
S Wetherall ⁵	302,975	-	53,394	28,024	-	155,906	540,299
G Scheepers ⁷	321,099	50,000	-	28,899	-	155,906	555,904
W Pearce ⁶	143,489	-	33,846	12,352	-	-	189,687
Total	2,769,425	95,767	637,715	206,046	-	1,208,275	4,917,228

¹ Mr Halgreen was appointed as Managing Director on 22 May 2014.

² Mr Baring was appointed as Non-Executive Director on 12 March 2014.

³ Mrs de Bruin resigned as Managing Director on 22 May 2014 and resigned as Non-Executive Director on 25 June 2014.

⁴ Mr Wong resigned as Non-Executive Director on 22 May 2014.

⁵ Mr Wetherall was appointed as Chief Financial Officer on the 15 August 2013 and resigned his position on 25 June 2014.

⁶ Mr Pearce resigned on 4 April 2014.

⁷ Mr Scheepers was appointed on the 2 May 2013 and resigned on 30 June 2014.

⁸ Mr Kaner became a KMP on 1 July 2013.

⁹ Mr Selby became a KMP on 1 July 2013.

¹⁰ Mr Alexander was paid a termination amount when he resigned as Chief Executive Officer on 22 May 2014.

* \$333,356 of the \$444,475 was paid subsequent to year end.

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

30 June 2015	Fixed remuneration	At risk – STI[^]	At risk – LTI^{**}
Non-Executive Directors			
M Qui ¹	100%	0%	0%
R Baring	100%	0%	0%
A Alexander	100%	0%	0%
Executive Directors			
R Sainty	100%	0%	0%
N Halgreen	100%	0%	0%
Executives			
N Kaner ²	70%	0%	30%
N Selby ³	62%	13%	25%
L Green ⁴	100%	0%	0%
B Thompson ⁵	100%	0%	0%

¹ Dr M Qui was removed as Non-Executive Director on 26 November 2014.

² Mr Kaner became a KMP on 1 July 2013, and was terminated on 12 May 2015.

³ Mr N Selby became a KMP on 1 July 2013 and resigned on 12 Sep 2014.

⁴ Mrs L Green was appointed as Chief Financial Officer on 1 July 2014.

⁵ Mr B Thompson became a KMP on 2 Mar 2015.

30 June 2014	Fixed remuneration	At risk – STI[^]	At risk – LTI^{**}
Non-Executive Directors			
Dr M Qui	100%	0%	0%
Y Xiao	100%	0%	0%
A Wong ⁴	100%	0%	0%
R Baring ²	100%	0%	0%
A Alexander ¹⁰	100%	0%	0%
Executive Directors			
R Sainty	100%	0%	0%
N Halgreen ¹	100%	0%	0%
L de Bruin ³	61%	0%	39%
Executives			
N Halgreen	100%	0%	0%
N Kaner ⁸	70%	0%	30%
N Selby ⁹	62%	13%	25%
S Wetherall ⁵	71%	0%	29%
G Scheepers ⁷	63%	9%	28%
W Pearce ⁶	100%	0%	0%

¹ Mr Halgreen was appointed as Managing Director on 22 May 2014.

² Mr Baring was appointed as Non-Executive Director on 12 March 2014.

³ Mrs de Bruin resigned as Managing Director on 22 May 2014 and resigned as Non-Executive Director on 25 June 2014.

⁴ Mr Wong resigned as Non-Executive Director on 22 May 2014.

⁵ Mr Wetherall was appointed as Chief Financial Officer on the 15 August 2013 and resigned his position on 25 June 2014.

⁶ Mr Pearce resigned on 4 April 2014.

⁷ Mr Scheepers was appointed on the 2 May 2013 and resigned on 30 June 2014. The bonus was paid at the Boards discretion in relation to the 2014 financial year. No further amount will be paid in respect to the 2014 financial year.

⁸ Mr Kaner became a KMP on 1 July 2013.

⁹ Mr Selby became a KMP on 1 July 2013.

¹⁰ Mr Alexander resigned as Chief Executive Officer on 22 May 2014.

C Service agreements

The Company had in place the following service agreements with Directors and key management during FY2015:

Rupert Baring

The Company had in place a service agreement with Rupert Baring during the course of FY2015, which was entered into on 22 January 2015 and terminated on 16 July 2015. Under the terms of the Services Agreement, Mr Baring provided the Company with assistance in developing its commercial diamond and fancy yellow sales and marketing activities.

The Services Agreement replaced a previous agreement for sales and marketing services with an external services provider. Shareholder approval was not required for the entry into the Services Agreement as it was on terms less favourable to Mr Baring than the arm's length terms previously entered into with the external third party.

The key terms of the Services Agreement were as follows:

- the Services Agreement had a term of 12 months, and commenced on 27 January 2015;
- the Services Agreement can be terminated by either party with 1 month's written notice; and
- the Company paid Mr Baring a services fee of 4000 GBP per month.

The rest of the key management personnel are subject to a standard form employment contract and receive an annual salary that is in accordance with their seniority and responsibilities.

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 2015 (2014: 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

There were no rights and options over equity issued to directors and other key management personnel as part of compensation during the period ended 30 June 2015 (2014: 5.5 million options issued).

Options and rights over equity instruments

30 June 2015	Balance at 1 Jul 2014	Granted as remuneration	Options exercised	Net change other	Balance at 30 Jun 2015	Vested at 30 June 2015		
						Total	Exercisable	Not exercisable
Non-Executive Directors								
M Qui	-	-	-	-	-	-	-	-
Y Xiao	-	-	-	-	-	-	-	-
R Baring	-	-	-	-	-	-	-	-
A Alexander	5,000,000	-	-	(5,000,000)	-	-	-	-
Executive Directors								
R Sainty	-	-	-	-	-	-	-	-
N Halgreen	4,000,000	-	-	(4,000,000)	-	-	-	-
L de Bruin	1,500,000	-	-	(1,500,000)	-	-	-	-
Executives								
N Kaner	1,000,000	-	-	(1,000,000)	-	-	-	-
N Selby	1,000,000	-	-	(1,000,000)	-	-	-	-
S Wetherall	1,000,000	-	-	(1,000,000)	-	-	-	-
G Scheepers	1,000,000	-	-	(1,000,000)	-	-	-	-
W Pearce	-	-	-	-	-	-	-	-
Total	14,500,000	-	-	(14,500,000)	-	-	-	-

30 June 2014	Balance at 1 Jul 2013	Granted as remuneration	Options exercised	Net change other	Balance at 30 Jun 2014	Vested at 30 June 2014		
						Total	Exercisable	Not exercisable
Non-Executive Directors								
M Qui	-	-	-	-	-	-	-	-
Y Xiao	-	-	-	-	-	-	-	-
A Wong	2,000,000	-	(2,000,000)	-	-	-	-	-
R Baring	-	-	-	-	-	-	-	-
Executive Directors								
A Alexander	6,000,000	-	(1,000,000)	-	5,000,000	5,000,000	5,000,000	-
R Sainty	-	-	-	-	-	-	-	-
L de Bruin	-	1,500,000	-	-	1,500,000	1,500,000	1,500,000	-
Executives								
N Halgreen	4,000,000	-	-	-	4,000,000	4,000,000	4,000,000	-
N Kaner	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
N Selby	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
S Wetherall	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
G Scheepers	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
L Humphreys	-	-	-	-	-	-	-	-
W Pearce	-	-	-	-	-	-	-	-
Total	12,000,000	5,500,000	(3,000,000)	-	14,500,000	14,500,000	14,500,000	-

Shares under option

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

<i>Grant Date</i>	<i>Vesting date and exercisable date</i>	<i>Expiry date</i>	<i>Exercise price</i>	<i>Number under option</i>
29 November 2013	29 November 2013	29 November 2015	\$1.15	1,500,000
12 September 2013	12 September 2013	12 September 2015	\$0.75	4,000,000
				5,500,000

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. The options are held by executives who have since resigned.

Shareholding of key management personnel

30 June 2015	Fully Paid Ordinary Shares (KDL)				
	Balance at 1 Jul 2014	Granted as remuneration	On exercise of options	Net change other	Balance at 30 Jun 2015
<i>Non-Executive Directors</i>					
Dr M Qui	9,054,400	-	-	-	9,054,400
Y Xiao	-	-	-	-	-
R Baring	19,904	-	-	-	19,904
A Alexander ¹	13,048,334	-	-	614,497	13,662,831
<i>Executive Directors</i>					
R Sainty	10,000	-	-	-	10,000
N Halgreen	200,000	-	-	280,240	480,240
<i>Executives</i>					
N Kaner	50,000	-	-	(50,000)	-
N Selby	-	-	-	-	-
L Green	-	-	-	-	-
B Thompson	-	-	-	-	-
Total	22,382,638	-	-	844,737	23,227,375

¹ Includes the shareholding of Mrs Marianna Dergushina, a relative of Mr Alex Alexander – number of securities held 1,624,497

30 June 2014	Fully Paid Ordinary Shares (KDL)				
	Balance at 1 Jul 2013	Granted as remuneration	On exercise of options	Net change other	Balance at 30 Jun 2014
Non-Executive Directors					
Dr M Qui	5,000,000	-	-	4,054,400	9,054,400
Y Xiao	-	-	-	-	-
A Wong	1,540,000	-	2,000,000	(3,540,000)	-
R Baring	-	-	-	19,904	19,904
Executive Directors					
A Alexander	11,953,334	-	1,000,000	95,000	13,048,334
R Sainty	10,000	-	-	-	10,000
L de Bruin *	20,000	-	-	(20,000)	-
Executives					
N Halgreen	-	-	-	200,000	200,000
N Kaner	-	-	-	50,000	50,000
N Selby	-	-	-	-	-
S Wetherall	-	-	-	-	-
L Humphreys	-	-	-	-	-
W Pearce	-	-	-	-	-
Total	18,523,334	-	3,000,000	859,304	22,382,638

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:

Grant Date	Ordinary shares	Options over ordinary shares
Non-Executive Directors		
Dr M Qui	9,504,400	-
Y Xiao	-	-
R Baring	19,904	-
A Alexander	13,662,831	-
Executive Directors		
R Sainty	10,000	-
N Halgreen	480,240	-

Transactions with related parties

	2015 \$	2014 \$
Payment for other expenses:		
<i>The following transactions occurred with related parties</i>		
Office rent (received) from Summit Equities Pty Limited, a director related entity *	(203,797)	(254,288)
Office rent (received) from Winmar Resources Limited, a director related entity *	(33,000)	-
Amount payable and receivable from Summit Equities Pty Limited:		
Receivable from Summit Equities Pty Limited, a director related entity in relation to miscellaneous expenses paid on its behalf	(47,369)	-
Office and travel expenses paid to Summit Equities Pty Limited, a director related entity	431,280	-
Other transactions:		
Commission for loan of funds paid to Summit Equities Pty Limited, a director related party	110,786	-
Capital raising fees to Summit Equities Limited, a director related entity	-	584,725
Commission paid to DDA Trading (formerly eDiamonds Belgium BVBA)		
Commission paid to DDA Trading, director related entity, for acting as selling agents for Kimberley Diamond Co Pty Ltd**	362,655	-

Loans to / from key management personnel

Mr. Alex Alexander provided Kimberley Diamonds Limited loans worth \$1,085,000 during August and September 2014. These loans were interest free and repaid on 17 September 2014.

Other transactions

During the year, there were short term loans received from Summit Capital Limited and Starhall Limited, director related entities.

Loans amounting to:

- (a) \$199,000 was received in November 2014;
- (b) \$250,000 was received in March 2015;
- (c) \$155,000 was received in April 2015; and
- (d) \$642,000 was received in June 2015.

These loans were interest free and repaid within 30 days. No balance was outstanding at 30 June 2015 in respect of these loans.

* At 30 June 2015, there were amounts receivable from Summit Equities Pty Ltd and Winmar Resources Limited of \$60,564 in relation to the above transactions

** Subsequent to the sale of DDA Trading, Mr Alex Alexander and Mr Noel Halgreen have remained as directors of DDA Trading and accordingly, transactions post the sale of eDiamonds have been reflected as related party transactions.

This concludes the remuneration report, which has been audited.

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. The Company indemnifies 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 (Cth) 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

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.

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 2012-2013 financial 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

A handwritten signature in blue ink, appearing to read 'Alexandre Alexander', with a long horizontal flourish extending to the right.

Alexandre Alexander
Non-Executive Chairman

30 September 2015
Sydney

5. Independent Auditor's Declaration



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

In relation to our audit of the financial report of Kimberley Diamonds Limited for the financial year ended 30 June 2015, 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

G H Meyerowitz
Partner
30 September 2015

6. Corporate Governance Statement

The Board of Directors of Kimberley Diamonds Ltd (the “Board”) is responsible for the overall corporate governance of the organisation. The Board has developed a corporate governance framework for the Company to act in the interests of shareholders, the Company’s employees and stakeholders.

All charters and policies referred to within this Corporate Governance Statement are available on KDL’s website (www.kdl.com.au) under “Corporate” then “Corporate Governance”.

This Corporate Governance Statement reports against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (“ASX Principles”). The Board considers and applies the ASX Principles to the extent there is sound reason to do so given the circumstances of the Company. Where the Company's corporate governance practices have not followed the ASX Principles, the Board has provided its reasons for not following the ASX Principles and disclosed what, if any, alternative practices the Company has or will adopt instead of those in the ASX Principles.

This Corporate Governance Statement is current as at 29 September 2015 and was approved by the Board.

6.1 *Principle 1 – Lay solid foundations for management and oversight*

Recommendation 1.1

The Board is responsible for the overall strategic direction of the Company with oversight and review of the management, administration and overall governance of the Company.

It is the role of Senior Management to manage the Company in accordance with the direction and delegation of the Board and the responsibility of the Board to oversee the activities of Management in carrying out these delegated duties.

The respective roles and responsibilities of the Board and Senior Management are set out in the Company’s Board Charter.

Recommendation 1.2

When appointing new Directors, the Board consider the mix of skills and expertise required of Directors in order for the Board to contribute to the successful oversight and stewardship of the Company and to discharge its duties under the law diligently and efficiently.

The Board will have regard to the selection criteria set out in the Board appointment process, which include:

- skills, expertise and background that add to, and complement the range of skills, expertise and background of the existing Directors;
- diversity; and
- the extent to which the candidate would fill a present (and future) need on the Board.

At commencement of the Non-Executive Director selection process, the Company undertakes appropriate checks on potential candidates to consider their suitability to fill a casual vacancy on the Board or for election as a Non-Executive Director.

Prior to appointment, candidates are required to provide the Chairman with details of other commitments and an indication of time involved, and to acknowledge that they will have adequate time to fulfil his or her responsibilities as a Non-Executive Director of the Company.

Directors available for re-election at a general meeting will be reviewed and approved by the Board. Directors are re-elected in accordance with the Company's Constitution and the ASX Listing Rules. Shareholders will be provided with all material information for a Director's election in the Notice of Meeting that would be relevant for shareholders to make a decision on whether or not to elect or re-elect a Director, such as the Director's qualifications, experience and contribution to the Board.

Recommendation 1.3

Newly appointed Non-Executive Directors receive formal letters of appointment from the Chairman setting out the key terms, conditions, responsibilities and expectations of their appointment. Additionally, the Company enters into employment contracts with each newly employed Senior Executive, setting out in further detail the responsibilities specifically delegated to them.

Recommendation 1.4

The Company Secretary is accountable to the Board, through the Chairman, on all governance matters to do with the proper functioning of the Board.

Recommendation 1.5

The Board has adopted a Diversity Policy which sets out the Company's commitment to diversity and inclusion in the workplace.

The Board is responsible for developing strategies with a view to progressing towards achieving gender diversity (**measurable objectives**) and for monitoring the progress of the measurable objectives through appropriate evaluation and reporting structures within the organisation.

The Company has not established measurable objectives for achieving gender diversity at this time. The Company believes this is appropriate given the size of the Company and its stage of development. The Board will consider and review matters relating to diversity.

The table below outlines the proportion of women and men employed by the Company as at 30 June 2015:

	Women	Men
Board	0 (0%)	6 (100%)
Senior Executives	3 (50%)	3 (50%)
Whole organisation	21 (15.44%)	115 (84.56%)

Senior Executives includes all members of the senior management team reporting directly to the Managing Director.

Recommendation 1.6

The Company has not established a process for periodically evaluating the performance of its Board, its Committees and individual directors at this time. The Company believes this is appropriate given the size of the Company and its stage of development. The Board will consider establishing a process to meet the effectiveness of the evaluation for the Board. The Board has not undertaken an evaluation of its performance during 2014/15.

Recommendation 1.7

The Board is responsible for establishing a process for periodically evaluating the performance of Senior Executives. In particular, the Board is responsible for evaluating the performance of the Managing Director.

Senior Executives are required to prepare their strategic objectives for review and approval by the Managing Director. Senior Executives are expected to meet these objectives as part of their key performance targets. The Board reviews the performance of the Managing Director on an annual basis.

For 2015/16, the Board will review the process for periodically evaluating the performance of Senior Executives and will decide whether to continue with the existing process or develop a more structured review process.

6.2 *Principle 2 – Structure the Board to add value*

Recommendation 2.1

The Board has not established a Nomination Committee and accordingly has not adopted Recommendation 2.1 due to the size and nature of the current operations of the Company. The Board will review its requirement for a Nomination Committee when the Company has reached a certain stage in size and operations.

The Board as a whole fulfils all nomination functions, such as:

- the selection and nomination of Director candidates;
- reviewing the composition of the Board and assess the necessary and desirable competencies of Directors;
- overseeing the Directors' induction program and ensure Directors have access to appropriate education;
- succession planning; and
- evaluating the performance of the Board, individual Directors and Senior Executives.

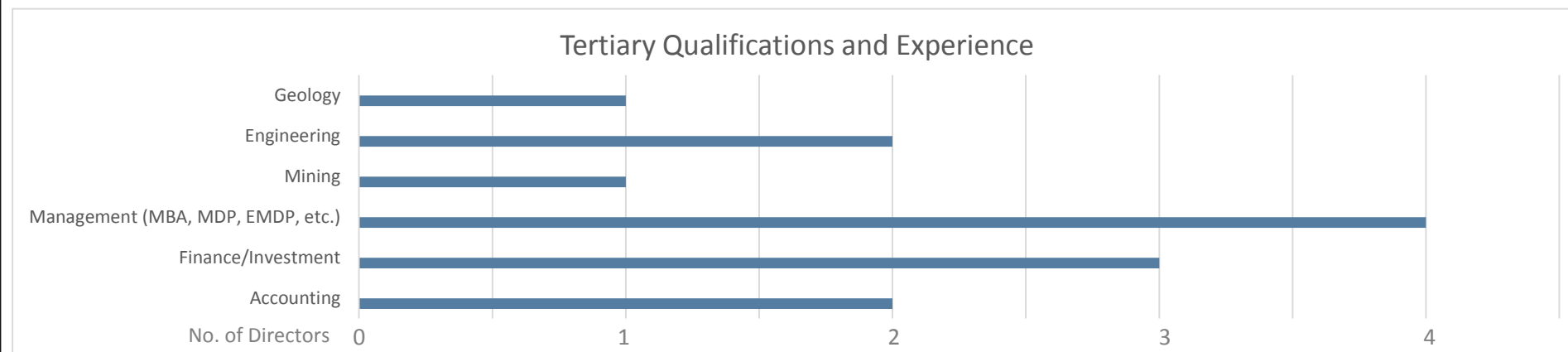
Recommendation 2.2

The Board has developed a Board skills matrix to identify and assess necessary and desirable Director' skills and competencies, and provide advice to the Board on the skills and competency levels of Directors with a view to enhancing the Board composition.

The following table summarises the key skills and experience of the Directors:

Skills and experience

The Board currently comprises 3 non-executive directors, a managing director and 1 executive director.



Executive leadership / strategic thinking capabilities/Global experience

Sustainable success in business at a senior executive level in a successful career. Track record of developing and implementing successful strategy and profit and loss outcomes. Excellent judgement and communication skills.

Board, senior management or equivalent experience in multiple global locations, exposed to a range of political, cultural, regulatory and business environments.



Governance

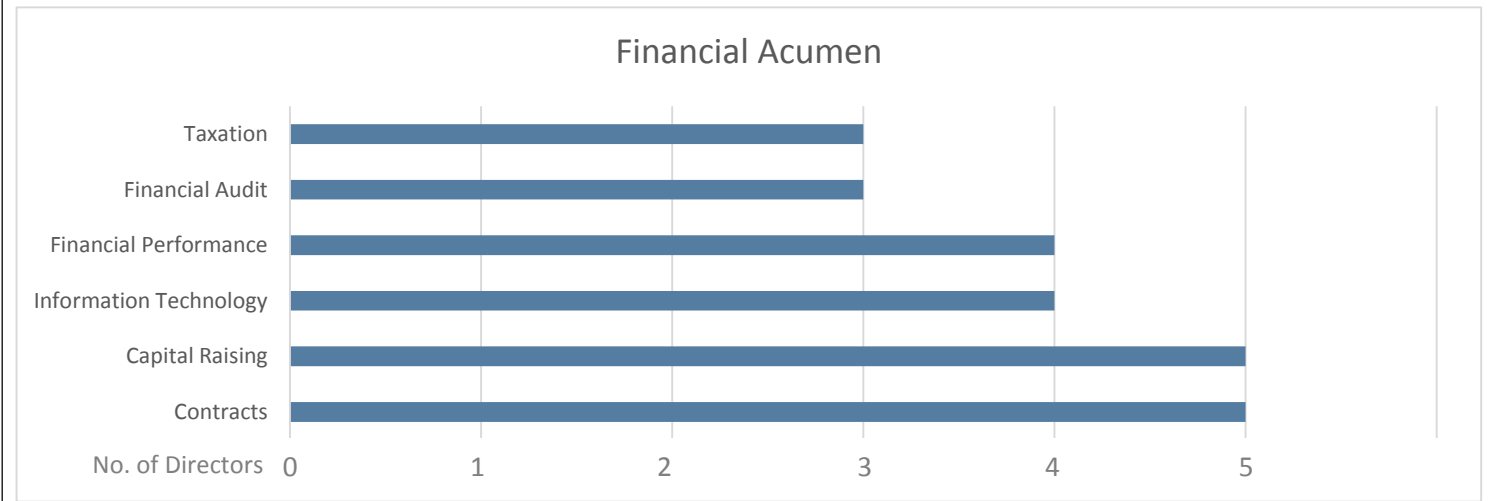
Commitment to the highest standards of governance including experience with an organisation that is subject to rigorous governance standards.

Ability/ willingness to probe management in the context of the board acting collegiately in constructive debate.



Financial acumen

Board, senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls.



The Board considers these skills and experience are appropriate for the Company.

Recommendation 2.3

Directors are independent if they are not members of Management and are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

During the reporting period, the independence of Directors was measured having regard to the relationships listed in Box 2.1 of the 3rd edition ASX Principles and the Company's materiality thresholds.

Between 1 July 2014 and 30 June 2015 (**reporting period**) there were various changes to the Board. The following table outlines the Directors of the Company during the reporting period, including their term of office and non-executive and independent status.

Name	Appointment Date	Cessation Date	Non-Executive Status	Independent Status
Alexandre Alexander	5 May 2011	-	Yes	No; Mr Alexander is a substantial shareholder
Noel Halgreen	22 May 2014	-	No	No
Rodney Sainty	28 February 2012	-	No	No
Rupert Baring	12 March 2014	-	Yes	Yes
Mark Yumin Qiu	28 February 2012	26 November 2014	Yes	No; Mr Qiu is a substantial shareholder
Yong Xiao	6 March 2012	-	Yes	Yes; Mr Xiao ceased as a substantial shareholder on 20 March 2014

The Board has five Directors comprising two Executive Directors and three Non-Executive Directors, two of which are independent. The current members of the Board are:

- Alexandre Alexander – Non-Executive Chairman;
- Noel Halgreen – Managing Director;
- Rodney Sainty – Executive Director;
- Rupert Baring – Independent Non-Executive Director; and
- Yong Xiao – Independent Non-Executive Director.

Mark Yumin Qiu was removed as a Non-Executive Director on 26 November 2014.

Recommendation 2.4

The Board currently does not have a majority of independent Directors. However to participate in a particular Board decision, each Director must, and does, bring an independent judgement to bear, or otherwise abstain from participating in the deliberation.

The Board size, diversity and composition is periodically determined and reviewed by the Board as a whole. In relation to the composition, the Board will consider and regularly review the number and balance of Directors with non-executive and independent status.

Recommendation 2.5

The Chairman, Alexandre Alexander, is not an independent Director because he is a substantial shareholder of the Company. Mr Alexander is a non-executive Director. The Board believes Mr Alexander is most appropriately qualified of all incumbent Directors to be charged with the responsibility as Chairman. The roles of the Chairman and Managing Director are not exercised by the same individual.

Recommendation 2.6

The Board has established a formal induction program for new Directors in which they are given a full briefing on the Company, its operations and the industry in which it operates. This includes meeting members of the existing Board, Company Secretary and the Senior Management for new Directors to familiarise themselves with the Company and Board practices and procedures.

The Company Secretary is responsible for arranging the new Directors to undertake the induction program. The Board is responsible for reviewing induction procedures for the new Directors to facilitate their ability to discharge their responsibilities.

To achieve continuing improvement in Board performance and to enhance the skills of Board members, all Directors may request and undertake training and professional development, as appropriate, at the Company's expense.

6.3 Principle 3 – Act ethically and responsibly

Recommendation 3.1

Code of Conduct

The Board has adopted a Code of Conduct that governs the Company's commercial operations and the conduct of Directors, employees, contractors, consultants and all other people that represent the Company (**personnel**).

The Code reinforces the need for personnel 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.

Personnel are encouraged if they consider a breach has occurred to the Code, to immediately report to the Company Secretary, Managing Director or the Chairman. The Code 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.

Securities Trading Policy

The Board has adopted a Securities Trading Policy that applies to all Directors, officers, employees, contractors and consultants of the Company and its subsidiaries (**personnel**). The Policy prohibits personnel from dealing in KDL securities while in possession of price-sensitive or inside information.

In addition, Directors and Senior Executives (being direct reports to the Managing Directors and those persons' direct reports) of the Company and its subsidiaries (**Designated Persons**) and any family member or associate over whom a Designated Person has influence (**relevant persons**), may deal in KDL securities by following the outside blackout periods, but are prohibited from dealing in KDL securities (subject to exception circumstances) during certain blackout periods.

Designated Persons and relevant persons are restricted from entering into any margin lending or hedging arrangements (subject to certain circumstances) and are prohibited from trading in derivative products and short-selling.

6.4 *Principle 4 – Safeguard integrity in corporate reporting*

Recommendation 4.1

The Company has an Audit and Risk Management Committee. Under the Committee's Charter, it must consist of at least three members who are Non-Executive Directors, with the intention that a majority be independent where the Board composition allows and chaired by a Non-Executive Director. It is anticipated that at least one member has financial expertise or significant experience of financial, accounting and commercial matters. The Committee may seek the counsel of a financial expert at any time.

Given the composition and skill set of the Board, the Committee did not have three members during the reporting period; instead two Non-Executive Directors served as Members. The Committee comprised one independent Non-Executive Director, Mr Rupert Baring (Committee Chairman) and one Non-Executive Director, Mr Alexandre Alexander. At the appropriate time, the Board will consider appointing another Member to this Committee.

Committee members' qualifications, experience and their attendance at the Audit and Risk Management Committee Meetings during the reporting period are set out on pages 34 to 35 (Directors) and pages 39 to 40 (Meetings of Directors) of the Directors' Report. All the Committee members are financially literate and have an understanding of the industry in which the Company operates.

Recommendation 4.2

Prior to Board approval of the Company's quarterly, half year and annual financial reports, the Managing Director and Chief Financial Officer must provide the Board with declarations required under section 295A of the Corporations Act 2001 (Cth) and Recommendation 4.2 of the ASX Principles.

For the financial year ended 30 June 2015, the Managing Director and Chief Financial Officer were unable to provide the Board with declarations that, in their opinion, the financial records of Company had been properly maintained and that the financial statements complied with the appropriate accounting standards and gave a true and fair view of the financial position and performance of the Company. The reason for this is that on 1 July 2015, KDC was placed into voluntary administration and all records were provided to the administrators, which meant that the Managing Director and the Chief Financial Officer were unable confirm the financial records and financial statements.

A declaration was given by the Managing Director and Chief Financial Officer in respect of the Half Year Report (31 December 2014) and an equivalent declaration will be given for future Quarterly Reports.

Recommendation 4.3

The Company's external auditor attends each Annual General Meeting (**AGM**) and is available to answer shareholder questions about the conduct of the audit and preparation and conduct of the Independent Auditor's Report. The Company believes this is important in both promoting and encouraging shareholder participation in the meeting and providing balanced and understandable information. The Company also considers that this reflects and underlines the role of the auditor and the auditor's accountability to shareholders.

6.5 Principle 5 – Make timely and balanced disclosure

Recommendation 5.1

The Board has adopted a Continuous Disclosure Policy to ensure the Company's compliance with its disclosure obligations under the Corporations Act 2001 (Cth) and ASX Listing Rules. The Policy outlines the procedures that apply to the central collection, control, assessment and if required, release to ASX, of material information.

The Managing Director is designated as the person responsible for communication with ASX in relation to ASX Listing Rule matters and is authorised to speak to ASX or externally in relation to the Company's affairs.

6.6 Principle 6 – Respect the rights of shareholders

Recommendation 6.1

The Board's is committed to providing shareholders with sufficient information to enable them to assess the performance of the Company and to inform shareholders of major developments affecting the state of affairs of the Company. The Company's primary communications tool is its website (www.kdl.com.au) and all announcements are posted on the Company website, immediately following release to ASX. The website also contains information of the Company's asset portfolio, reports and presentations made by the Company and share price information.

Recommendation 6.2

The Company will hold its AGM in November 2015 and the Chairman and the Managing Director will engage with shareholders in advance of the AGM, as appropriate.

Should shareholders wish to contact the Company, the contact details of the Company and its Share Registry are available on the Company's website.

The Company recognises the importance of its relationships with investors and analysts. The Managing Director is the primary contact for communicating with the investment community. Further details are contained in the Continuous Disclosure and Shareholder Communications Policy.

Recommendation 6.3

To encourage shareholder engagement and participation at each AGM, shareholders have the opportunity to attend the AGM, ask questions on the floor, participate in voting and meet the Board and Senior Management in person.

Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form accompanying the Notice of Meeting. Shareholders have the opportunity to submit written questions to the Company and external auditor, or make comments on the management of the Company

and access AGM presentations and speeches made by the Chairman and Managing Director prior to the commencement of the meeting. The Company will publish results of the meeting to the ASX and on its website following the conclusion of the AGM.

Recommendation 6.4

Shareholders have the option of receiving all shareholder communications (including notification that the Annual Report is available to view and Notices of Meeting) by email. Electronic communications have the added advantage of being more timely and cost effective, which benefits all shareholders.

The contact details of the Company and its Share Registry are available to shareholders on the Company's website to address and facilitate any shareholder-related enquiries.

6.7 Principle 7 – Recognise and manage risk

Recommendation 7.1

Refer to commentary under Recommendation 4.1 for information about this Committee.

The Board is ultimately responsible for overseeing the risk management activities of the Company and the implementation of risk management controls and assessing their effectiveness. The Company's Risk Management Policy sets out the requirements, roles and responsibilities for managing risks across the organisation within areas such as:

- occupational health and safety;
- the environment;
- asset protection (insurances);
- continuous disclosure;
- securities trading policies applicable to directors, employees and key contractors; and
- codes of conduct.

The objective of this Policy is to:

- encourage appropriate tolerance of risks across the organisation;
- establish procedures to analyse risks within agreed parameters across the organisation;
- establish appropriate risk delegations and corresponding frameworks across the organisation; and
- ensure the Company has in place a risk framework which can measurably react should the risk profile of the Group change.

The approach to the Board's risk management practices shall be guided by the following criteria:

- identification of all risks;
- analysis of identified events within the organisation that could adversely impact on the risk profile of the organisation; and
- assessment of effectiveness of risk management framework.

Recommendation 7.2

During the reporting period, Management reported to the Board on the effectiveness of the management of the material risks faced by the Company during 2014/15. The Board has reviewed the Company's risk management framework and is satisfied that it continues to be sound.

Recommendation 7.3

The Company does not have an internal audit function at this time. Given the size and scope of the Company's operations, the Board has not established an internal audit function. During the reporting period, the Audit and Risk Management Committee was responsible for oversight of the Company's internal processes and practices, and assessing the effectiveness of the Company's risk management and internal control processes.

Recommendation 7.4

The Board recognises that material risks facing the Company are the more significant areas of uncertainty or exposure to the Company that could adversely affect the achievement of the Company's objectives and successful implementation of its business strategies. Details about the Company's material business risks is contained in "Principal Risks" on page 29 to 33 of the Annual Report.

The Board will consider these material risks as part of its periodic risk management review on an as required basis upon advices from the Audit and Risk Management Committee and/or Senior Management.

6.8 Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1

The Board has not established a Remuneration Committee and accordingly not adopted Recommendation 8.1 due to the size and nature of the current operations of the Company. The Board will review its requirement for a Remuneration Committee when the Company has reached a certain stage in size and operations.

The Board as a whole manages all remuneration-related matters of the Company, such as:

- the remuneration framework for Directors; and
- Senior Executive remuneration (short-term and long-term incentives), recruitment, retention, termination policies and procedures.

Recommendation 8.2

In relation to remuneration issues, the Board ensures that it remunerates fairly and responsibly. The remuneration framework is designed to ensure that the level and composition of remuneration to Senior Executives and Directors is competitive, reasonable and appropriate for the results delivered. The Remuneration Report and details about the Company's Remuneration Framework are set out on pages 40 to 48 of the Annual Report.

As detailed in the Remuneration Report, Non-Executive Directors are paid fixed fees from an aggregate sum approved by shareholders of the Company. There are no retirement schemes for Non-Executive Directors, other than statutory superannuation.

Senior Executives remuneration and reward framework has four components:

- base pay and non-monetary benefits;

- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave entitlements.

Senior Executive remuneration is detailed in the Remuneration Report and reviewed annually by the Board.

Recommendation 8.3

Directors and Senior Executives are not permitted to enter into transactions with securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme which will be offered by the Company in the future.

7. Directors' Declaration

In the Directors' opinion:

- As detailed in note 2, although the Directors have prepared the attached financial statements and notes thereto to the best of their knowledge based on the information available to them, they are of the opinion that it is not possible to state that the financial statements and notes thereto are in accordance with the Corporations Regulations 2001, including;
 - giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - complying with Accounting Standards (including Australian Accounting Interpretation) and Corporation Regulation 2001.
- subject to the matters set out in note 2, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- This declaration has been made after receiving the declaration required to be made to the directors in accordance with Section 295A of the Corporation Act 2001 for the financial year ended 30 June 2015.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the directors



Alexandre Alexander
Non-Executive Chairman
30 September 2015
Sydney

8. Financial Report

8.1 Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015	Note	2015 \$'000	2014 \$'000
Continuing operations			
Revenue	5	63,891	77,559
Cost of sales		(70,887)	(77,613)
		(6,996)	(54)
Royalties and selling costs		(4,503)	(5,156)
Administration expenses		(9,368)	(10,939)
Share option expense	6	28	(1,050)
(Provision) / release of mine rehabilitation		3,829	-
Impairment of exploration asset		-	(147)
Other expenses		-	(813)
Finance costs	6	(413)	(1,069)
Loss before income tax		(17,423)	(19,228)
Income tax expense	8	(40)	(13)
Loss after income tax for the period		(17,463)	(19,241)
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange difference on translation of foreign operations		1,894	(245)
Total comprehensive loss		(15,569)	(19,486)
Profit attributable to:			
Minority interest		(2)	(17)
Members of the parent		(17,461)	(19,224)
		(17,463)	(19,241)
Total comprehensive income attributable to:			
Minority interest		(2)	(17)
Members of the parent		(15,567)	(19,469)
		(15,569)	(19,486)
		Cents	Cents
Loss per share for profit attributable to the ordinary equity holders of the company:			
Basic loss per share	25	(16.58)	(22.08)
Diluted loss per share	25	(16.58)	(22.08)

8.2 Consolidated Statement of Financial Position

As at 30 June 2015	Note	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	22	4,959	13,417
Trade and other receivables	9	4,928	2,731
Inventories	10	8,907	15,100
Total current assets		18,794	31,248
Non-current assets			
Trade and other receivables	9	52	65
Property, plant and equipment	11a	27,728	31,777
Exploration and evaluation assets	11b	3,253	2,999
Total non-current assets		31,033	34,841
TOTAL ASSETS		49,827	66,089
Current liabilities			
Trade and other payables	12	15,698	16,274
Interest bearing loans and borrowings	13	688	1,080
Income tax payable		(3)	7
Provisions	14	1,543	2,102
Total current liabilities		17,926	19,463
Non-current liabilities			
Interest bearing loans and borrowings	13	5,040	283
Provisions	14	25,401	29,508
Total non-current liabilities		30,441	29,791
TOTAL LIABILITIES		48,367	49,254
NET ASSETS		1,460	16,835
Equity			
Contributed equity	15	36,086	35,862
Reserves	16	6,737	4,871
Retained earnings / (accumulated losses)	17	(41,319)	(23,856)
Parent interests		1,504	16,877
Non-controlling interest		(44)	(42)
TOTAL EQUITY		1,460	16,835

8.3 Consolidated Statement of Changes in Equity

	Issued capital \$'000	Other contributed equity \$'000	Other reserves \$'000	Profit reserves \$'000	Accumulated losses \$'000	Minority interests \$'000	Total \$'000
Consolidated							
Balance as at 1 July 2014	35,661	201	1,728	3,143	(23,856)	(42)	16,835
Foreign currency translation	-	-	1,894	-	(2)	-	1,892
Total income/(expenses) for the period recognised directly in equity	-	-	1,894	-	(2)	-	1,892
Profit for the period	-	-	-	-	(17,461)	(2)	(17,463)
Total income/(expenses) for the period	-	-	-	-	(17,461)	(2)	(17,463)
Issue of share capital	-	-	-	-	-	-	-
Share issue cost	-	-	-	-	-	-	-
Share based payment	-	-	(28)	-	-	-	(28)
Contribution of equity, net of transaction costs	224	-	-	-	-	-	224
Balance as at 30 June 2015	35,885	201	3,594	3,143	(41,319)	(44)	1,460
Balance as at 1 July 2013	9,771	201	923	-	1,813	(25)	12,683
Foreign currency translation	-	-	(245)	-	-	-	(245)
Profit for the period	-	-	-	-	(19,224)	(17)	(19,241)
Total income/(expenses) for the period	-	-	(245)	-	(19,224)	(17)	(19,486)
Change in non-controlling interest	-	-	-	-	-	-	-
Issue of share capital	26,430	-	-	-	(5)	-	26,425
Share issue costs	(540)	-	-	-	-	-	(540)
Share based payment	-	-	1,050	-	-	-	1,050
Dividends paid	-	-	-	(3,297)	-	-	(3,297)
Transfer of period profits to profit reserve	-	-	-	6,440	(6,440)	-	-
Balance as at 30 June 2014	35,661	201	1,728	3,143	(23,856)	(42)	16,835

8.4 Consolidated Statement of Cash Flows

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from customers		64,122	79,905
Payments to suppliers and employees		(73,312)	(72,705)
Interest received		39	144
Interest and other costs of finance paid		(53)	(79)
Other		-	(7)
Net cash flows (used in) / from operating activities		(9,204)	7,258
Cash flows from investing activities			
Payments for plant and equipment		(401)	(10,412)
Net cash acquired on acquisition of a subsidiary		-	345
Payments for exploration and evaluation expenditure		(2,924)	-
Refund of payments on deposit		-	12,149
Net cash flows (used) / from in investing activities		(3,325)	602
Cash flows from financing activities			
Proceeds from share issue		158	11,979
Costs associated with issue of shares		-	(540)
Payment to related parties		36	(21)
Repayment of borrowings		(1,177)	(11,571)
Payment of dividend		-	(3,297)
Proceeds from borrowings		5,041	187
Net cash flows from / (used) in financing activities		4,058	(3,263)
Net (decrease) / increase in cash and cash equivalents		(8,471)	4,597
Cash at the beginning of the financial year		13,417	8,830
Effects of exchange rate changes on the balances of cash held in foreign currencies		13	(10)
Cash at the end of the financial year	22	4,959	13,417

9. Notes to the Consolidated Financial Statements | 30 June 2015

Note 1: Corporate Information

The financial report of Kimberley Diamonds Ltd (“the Company” or “KDL”) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of Directors on 30th of September 2015.

Kimberley Diamonds Ltd 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 2015 comprise the Company and its subsidiaries (“the Group”). The financial statements include the financial information for Kimberley Diamonds Company Pty Ltd and its controlled entities. These entities were placed into administration on 1 July 2015 and control was lost on that date.

The nature of the operations and principal activities of the Group are detailed in the Directors’ report.

Note 2: Summary of Significant Accounting Policies

Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Account Standards Board, except for as discussed below. The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

Incomplete

records

Following the appointment of the administrators (and now liquidators), the powers of the officers of KDC and its subsidiaries were suspended and the liquidators assumed control of these companies’ business, property and affairs. Records relating to KDC and its subsidiaries were provided to the liquidators. Accordingly, this Annual Report for the year ended 30 June 2015 has been prepared without the benefit of complete information being available for KDC and its subsidiaries. To prepare the financial report, the Directors have constructed the financial records of KDC and its subsidiaries using data extracted from the Group’s accounting system for the financial year. However, there may be information that the Directors have not been able to obtain, the impact of which may or may not be material on the accounts.

This Annual Report may not contain all the required information or disclosures in relation to transactions undertaken by KDC and its subsidiaries, as this information is not fully available due to the administration and liquidation process.

Consequently, although the Directors have prepared the Annual Report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this Annual Report has been prepared in accordance with the Australian Accounting Standards including Australian interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state that this Annual Report gives a true and fair view of the Group’s financial position as at 30 June 2015 and for the year then ended.

Going concern

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.

The Group experienced net cash outflows from operating activities of \$9.204m, net cash outflows from investing activities of \$3.325m and net cash outflows from financing activities of \$4.058m. In addition, the Group incurred a net loss of \$17.463m for the year ended 30 June 2015. At 30 June 2015 and 22 September 2015 the cash and cash equivalents balance was \$4.959m and \$3.2m respectively.

The KDL Board has approved expenditure of \$14.6 million to be spent on upfront capital items required to upgrade the plant and update infrastructure at the Lerala Mine. In July 2015, KDL entered into a lump sum turnkey contract with Consulmet (Pty) Limited ("Consulmet") for Consulmet to undertake the plant modifications, and the Lerala Mine is currently scheduled to be re-commissioned in February 2016. Successful achievement of this timeframe is subject to the upgrade work being completed on schedule, further funds being raised and obtaining an environmental approval from the Botswana Government.

The re-commissioning of the Lerala Mine is being funded by debt, with \$10 million received from a third party lender. The Company remains in discussions with various third party investors for further funds required to complete the re-commissioning process as well as additional funding for ongoing operational costs.

On 1 July 2015, the Company's wholly owned Australian subsidiary, Kimberley Diamond Company Pty Ltd ("KDC"), the owner of the Ellendale Diamond Mine in Western Australia, was placed into voluntary administration by its directors. KDC's subsidiaries were also placed into voluntary administration on 1 July 2015. On 5 August 2015, the creditors of KDC voted to place KDC and its subsidiaries into liquidation, rejecting a Deed of Company Arrangement proposal put forward by Kimberley Diamonds Limited ("KDL"), which is a secured creditor of KDC.

Subsequent to the year end, KDL has received \$2.24m from the sale of diamonds by KDC which were secured for the funds lent by KDL to KDC. There is a risk that the liquidator may pursue actions to prevent KDL from applying these proceeds to payment of its loan, or require it to repay to KDC other loans or payments KDC paid to KDL prior to the liquidation. There is also a risk that the liquidators or regulators may pursue actions against KDL or its Directors in relation to KDC and/or its subsidiaries.

The Directors recognize the need to raise further additional funds via equity raisings or borrowing facilities in order to fund the future capital expenditure and working capital requirements. The Group's cash flow forecast indicates that the group will need to raise additional capital by November 2015. The Directors have been in discussions with a number of interested parties in relation to the funding of the Group's working capital requirements and its committed and planned development expenditure in connection with the re-commissioning of the Lerala Mine. The Directors are satisfied they will be able to raise additional capital as required and thus it is appropriate to prepare the financial statements on a going concern basis.

Should the Group not achieve the funding outcomes set out above, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

Compliance statement

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards, as issued by the Australian Accounting Standards Board and as issued by the International Accounting Standards Board, except as discussed above.

New accounting standards and interpretations

Except as disclosed below, the accounting policies adopted are consistent with those of the previous financial year. For the year ending 30 June 2015, the Group has adopted all new and amended Standards and Interpretations.

Reference	Title	Application date of standard	Application date for Group
AASB 1031	<p>Materiality</p> <p>The revised AASB 1031 is an interim standard that cross-references to other Standards and the <i>Framework</i> (issued December 2013) that contain guidance on materiality.</p> <p>AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.</p> <p>AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014*.</p>	1 January 2014	1 July 2014
AASB 2013-9	<p>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</p> <p>The Standard contains three main parts and makes amendments to a number of Standards and Interpretations.</p> <p>Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.</p> <p>Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.</p> <p>Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 <i>Hedge Accounting</i> into AASB 9 <i>Financial Instruments</i>.</p>	^^	^^
<p>AASB 2014-1</p> <p>Part A -Annual Improvements</p> <p>2010–2012 Cycle</p>	<p>AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> and <i>Annual Improvements to IFRSs 2011–2013 Cycle</i>.</p> <p>Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:</p> <ul style="list-style-type: none"> • AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. • AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. • AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets. • AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. • AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 <i>Related Party Disclosures</i> for KMP services provided by a management entity. Payments made to a 	1 July 2014	1 July 2014

Reference	Title	Application date of standard	Application date for Group
	management entity in respect of KMP services should be separately disclosed.		

^^ The application dates of AASB 2013-9 are as follows:

Part A – periods ending on or after 20 Dec 2013 - Application date for the Group: period ending 30 June 2014

Part B - periods beginning on or after 1 January 2014 - Application date for the Group: period beginning 1 July 2014

Part C - reporting periods beginning on or after 1 January 2015 - Application date for the Group: period beginning 1 July 2015

The following standards and interpretations have been issued by the AASB but are not yet effective for the year ending 30 June 2015.

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> <p>Financial assets</p> <ul style="list-style-type: none"> 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 	1 January 2018	1 July 2018

Reference	Title	Summary	Application date of standard*	Application date for Group*
		<p>measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>Financial liabilities</p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p>Impairment</p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>Hedge accounting</p> <p>Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>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, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>		
AASB 2014-3	Amendments to Australian Accounting Standards –	AASB 2014-3 amends AASB 11 <i>Joint Arrangements</i> to provide guidance on the accounting for acquisitions of interests	1 January 2016	1 July 2016

Reference	Title	Summary	Application date of standard*	Application date for Group*
	Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	<p>in joint operations in which the activity constitutes a business. The amendments require:</p> <p>(a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and</p> <p>(b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>This Standard also makes an editorial correction to AASB 11</p>		
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	<p>AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>	1 January 2016	1 July 2016
AASB 15	Revenue from Contracts with Customers	<p>AASB 15 <i>Revenue from Contracts with Customers</i> replaces the existing revenue recognition standards AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i> and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 <i>Revenue from Contracts with Customers</i> issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <p>(a) Step 1: Identify the contract(s) with a customer</p>	1 January 2017 (Note A)	1 July 2017 (Note A)

Reference	Title	Summary	Application date of standard*	Application date for Group*
		<p>(b) Step 2: Identify the performance obligations in the contract</p> <p>(c) Step 3: Determine the transaction price</p> <p>(d) Step 4: Allocate the transaction price to the performance obligations in the contract</p> <p>(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</p> <p>Currently, AASB 15 is effective for annual reporting periods commencing on or after 1 January 2017. Early application is permitted. (Note A)</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p>		
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>AASB 2014-10 amends AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:</p> <p>(a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and</p> <p>(b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p> <p>AASB 2014-10 also makes an editorial correction to AASB 10.</p> <p>AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.</p>	1 January 2016	1 July 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>:</p> <ul style="list-style-type: none"> Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. <p>AASB 7 <i>Financial Instruments: Disclosures</i>:</p>	1 January 2016	1 July 2016

Reference	Title	Summary	Application date of standard*	Application date for Group*
		<ul style="list-style-type: none"> Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 <i>Disclosure–Offsetting Financial Assets and Financial Liabilities</i> is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 <i>Interim Financial Reporting</i> when its inclusion would be required by the requirements of AASB 134. <p>AASB 119 <i>Employee Benefits</i>:</p> <ul style="list-style-type: none"> Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. <p>AASB 134 <i>Interim Financial Reporting</i>:</p> <ul style="list-style-type: none"> Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. 		
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	1 July 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 <i>Materiality</i>	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 July 2015
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 <i>Disclosure of Interests in Other Entities</i> and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1 July 2015	1 July 2015

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2015-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	This Standard makes amendments to AASB 124 <i>Related Party Disclosures</i> to extend the scope of that Standard to include not-for-profit public sector entities.	1 July 2016	1 July 2016

Note A - The IASB in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015. At this time, it is expected that the AASB will make a corresponding amendment to the effective date of AASB 15.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Kimberley Diamonds Ltd and its subsidiaries ('the Group'). The financial statements of subsidiaries are prepared for the same reporting year as the parent company and use consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Control is achieved when the Group is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Consolidated Entity controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra- Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Investments in subsidiaries held by Kimberley Diamonds Limited are accounted for at cost in the separate financial statements of the Parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity. 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 income. If the contingent consideration is classified as equity, it should not be re measured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, any 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, expected to benefit from the combination's synergies.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB8 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit or groups of cash-generating units and an 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 on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Segment reporting

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".

Foreign currency translation

Both the functional and presentation currency of Kimberley Diamonds Ltd and its Australian subsidiaries is Australian dollars (AUD\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign exchange gains or losses arising from translation are recognised in profit or loss except for when they are deferred in equity as qualifying cash flow hedges.

As at the reporting date the assets and liabilities of this overseas subsidiary are translated into the presentation currency of Kimberley Diamonds Ltd at the rate of exchange ruling at the balance sheet date and the statement of comprehensive income are translated at the weighted average exchange rates for the period. Exchange differences are taken to the statement of comprehensive income.

The exchange differences arising on the retranslation are brought to account in the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or default payments are considered objective evidence of impairment.

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.

Investments in controlled entities

All investments in controlled entities are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Subsequent to the initial measurement, investments in controlled entities are carried at cost less accumulated impairment losses.

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 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.

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 unavailable during the development phase, it is not depreciated. On completion, any capitalised exploration and evaluation expenditure already capitalised to development expenditure, together with subsequent development expenditure, is reclassified within property, plant and equipment to mining assets and depreciated on that basis. All development expenditure is monitored for indications of impairment annually.

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:

Category	Method	Useful Life
Mining assets	<i>Straight line</i>	<i>Unit of production</i>
Leasehold improvements	<i>Straight line</i>	<i>Lesser of 3 years or period of lease</i>
Plant and equipment	<i>Straight line</i>	<i>3 to 10 years</i>
Finance lease assets	<i>Straight line</i>	<i>Lesser of 5 years or period of lease</i>
Other assets	<i>Straight line</i>	<i>2 to 5 years</i>

Stripping activity asset: 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 benefit 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.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Impairment of assets

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.

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.

Trade and other payables

Trade and other payables are carried at amortised costs due to their short term nature. They are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions: Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in provision due to the passage of time is recognised as a finance cost.

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.

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.

Employee leave benefits

Wages, salaries and annual leave: Liabilities for employee benefits expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave: The liability for long service leave is recognised in the provision for employee benefits 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 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.

Share-based payment transactions

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Kimberley Diamonds Ltd ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

Equity-settled awards granted by Kimberley Diamonds Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by Kimberley Diamonds Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

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.

The cumulative expense recognised for equity-settled transactions at each subsequent reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where 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 earnings per share.

Contributed equity

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, net of tax, from the proceeds.

Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends)
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods: Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest revenue: Revenue is recognised as the interest accrues using the effective interest method. This is the method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends: Revenue is recognised when the shareholders' right to receive the payment is established.

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 Income Taxes 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.

Other**taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

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 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.

Impairment of mine properties: The future recoverability of capitalised mine properties and plant and equipment is dependent on a number of key factors including; diamond price, pre-tax discount rates used in determining the estimated discounted cash flows of Cash Generating Units ("CGUs"), foreign exchange rates, the level of proved and probable reserves and measured, indicated and inferred mineral resources, future technological changes which could impact the cost of mining and future legal changes (including changes to environmental restoration obligations).

Impairment is recognised when the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount of each CGU has been determined on its fair value less cost to sell ('Fair Value'). The costs to sell have been estimated by management based on prevailing market conditions.

The recoverable amount of the Lerala Diamond Mine was based on an independent valuation undertaken by Venmyn Deloitte, an expert specialising in the field of mine valuation.

The determination of fair value for the Ellendale Mine was not undertaken due to inadequate information available.

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 component 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. Significant judgements are also required in determining the different components of the mine.

Functional currency translation reserve: Under the accounting standards, each entity within the Group is required to determine its functional currency, which is the currency of the primary economic environment in which the entity operates. Management considers the foreign subsidiaries to be foreign operations with the currency of that country as the functional currency. In arriving at this determination, management has given priority to the currency that influences the labour, materials and other costs of exploration activities as they consider this to be a primary indicator of the functional currency.

Note 3: Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise receivables, payables, insurance premium funding, cash and short term deposits.

The Group manages its exposure to key financial risks, including interest rate, foreign currency, credit risk and liquidity risk, with the objective of providing support to delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, commodity risk and foreign currency risk. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include analysis of aging reports to monitor and manage credit risk, analysis of future rolling cash flow forecasts to monitor and manage liquidity risk, monitoring levels of exposure to interest rate and foreign exchange risk, and assessments of market forecasts for interest rate and foreign exchange rate movement.

The Board reviews and agrees risk management strategies for managing each of the risks identified above.

Primary responsibility for identification and control of financial risks rests with Management under authority of the Board.

a. Risk exposures and responses

Interest rate risk: The Group exposure to interest rate risk has been minimised through utilisation of fixed interest rates on borrowings.

The Group does not enter into any interest rate swaps, interest rate options or similar derivatives.

At balance date the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	2015 \$'000	2014 \$'000
Financial assets		
Cash and cash equivalents	4,959	13,417
Net exposure	4,959	13,417

Post tax profit

Equity

Judgements of reasonable possible movements	Higher/(Lower)		Higher/(Lower)	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
+0.50% (50 basis points)	25	67	25	67
-0.50% (50 basis points)	(25)	(67)	(25)	(67)

Foreign currency risk: the Group functional currency is Australian dollars and is exposed to transactional currency exposures. Such exposures arise primarily as a result of the sale of Diamonds being denominated in USD. Foreign currency risk is managed by management monitoring actual and forecast currencies.

At balance date, the Group had the following exposure to USD foreign currency that is not designated in cash flow hedges:

	2015 \$'000	2014 \$'000
Financial assets		
Cash and cash equivalents	-	7,430
Borrowings	2,083	(478)
Net exposure	2,083	6,952

Management believes that the above balance date risk exposures for foreign currency risk may be unrepresentative, as they do not reflect potential exposure during the year.

The following sensitivity analysis is based on the foreign exchange rate exposures in existence at the balance sheet date:

At 30 June 2014, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

Judgements of reasonable possible movements	Post tax profit Higher/(Lower)		Other equity Higher/(Lower)	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Consolidated				
AUD/USD +10%	(189)	(655)	(189)	(655)
AUD/USD -10%	232	655	232	655

The judgement of reasonable possible rate movement is based upon management's current assessment of the possible change in foreign currency exchange rates, which is based on regular review of current trends and forecasts. There has been no change in assumptions and sensitivities from the previous year.

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 size and quality. Diamonds prices are marketed in US\$ and long term USD\$/carat prices are based on external market consensus forecasts and contracted sales arrangements adjusted for the Groups 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 diamonds 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 indirect exposure to the price of gold and copper.

Credit risk: Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note. Exposure on trade and other receivables is limited as the Group sales are made on a cash basis.

Liquidity risk: Responsibility for liquidity risk management rests with Management and the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments.

	<=6 months \$'000	6-12 months \$'000	1-5years \$'000	Total \$'000
2015				
Financial liabilities				
Trade and other payables	15,698	-	-	15,698
Interest bearing loans and borrowings	688	-	5,040	5,728
	16,386	-	5,040	21,426
2014				
Financial liabilities				
Trade and other payables	16,274	-	-	16,274
Interest bearing loans and borrowings	967	113	283	1,363
	17,241	113	283	17,637

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.

Note 4: 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 and marketing 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.

	2015			2014		
	Diamond mining \$'000	Exploration & corporate \$'000	Total \$'000	Diamond mining \$'000	Exploration & corporate \$'000	Total \$'000
Revenue						
External customers	63,114	344	63,458	76,196	-	76,196
Interest revenue	18	385	403	76	68	144
Other revenue	-	-	-		1,219	1,219
Total segment revenue	63,132	729	63,891	76,272	1,287	77,559
Segment (loss) / profit	(11,052)	(6,439)	(17,491)	(7,832)	(10,359)	(18,191)
Share option expense	-	28	28	-	(1,050)	(1,050)
(Loss) / profit after income tax expense for the period	(11,052)	(6,411)	(17,463)	(7,832)	(11,409)	(19,241)
Interest paid	-	-	-	-	14	14
Depreciation and amortisation	6,208	45	6,253	11,884	32	11,916
Impairment	-	-	-	-	147	147
Segment assets	18,430	31,397	49,827	32,637	33,452	66,089
Segment liabilities	35,804	12,563	48,367	44,200	5,054	49,254

Diamond Mining revenue includes sales to one customer amounting to \$39,160 million (2014:\$56,051 million) which represents 62% of its total revenue for the period.

	2015 \$'000	2014 \$'000
Geographic segment		
<i>Revenues from external customers</i>		
Australia	63,293	77,362
Belgium	598	197
Total revenue per consolidated statement of profit or loss	63,891	77,559
 <i>Non-current assets</i>		
Australia	7,803	19,437
Belgium	-	67
Botswana	23,230	15,337
Total non-current assets	31,033	34,841

Non-current assets for this purpose consist of property, plant and equipment and trade and other receivables.

Note 5: Revenue

	2015 \$'000	2014 \$'000
(a) Revenues		
Sale of goods	63,488	76,576
Research and development incentive claim	-	-
Other income	364	839
Interest income	39	144
	63,891	77,559

Other income: includes receipts from ticket sales to, and auction at the Annual Diamond Dinner.

Note 6: Expenses

	2015 \$'000	2014 \$'000
Profit before income tax includes these specific expenses:		
Employee benefits expense		
Wages and salaries	16,750	22,102
Defined contribution superannuation expense	2,275	1,966
Share based payments expense	(28)	1,050
	18,997	25,118
Impairment		
Exploration and evaluation	-	147
	-	147
Finance costs		
Interest expense	413	79
Mine rehabilitation and site restoration discount unwind	-	990
	413	1,069
Amortisation and depreciation expenses		
Depreciation of plant and equipment	6,253	11,916
	6,253	11,916

Note 7: Auditors Remuneration

	2015 \$	2014 \$
<i>Amounts received or receivable for audit or review of the financial report of the entity and any other entity in the consolidated group</i>		
Ernst & Young (Australia)	120,510	100,000
Ernst & Young (Botswana)	22,932	-
BDO (United Kingdom)	23,101	-
	166,543	100,000

Note 8: Income Tax

	2015 \$'000	2014 \$'000
--	----------------	----------------

The major components of income tax are:

Income statement

Current income tax

Current income tax credit/(charge)	(40)	(13)
------------------------------------	------	------

Deferred income tax

Relating to origination and reversal of timing differences	4,999	4,472
--	-------	-------

Current year tax losses and temporary differences not recognised in the current period	(4,999)	(4,472)
--	---------	---------

Income tax benefit/(expense) reported in the income statement

(40)	(13)
-------------	-------------

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit before income tax

(17,423)	(19,228)
-----------------	-----------------

At the Group's statutory income tax rate of 30% (2014: 30%)

(5,227)	(5,768)
---------	---------

Share based payments	-	315
----------------------	---	-----

Other assessable income	129	-
-------------------------	-----	---

Assessable dividend income	-	970
----------------------------	---	-----

Sundry non-deductible / (deductible) expenses	37	12
---	----	----

Current period tax losses and temporary differences not recognised	5,061	4,472
--	-------	-------

Adjustment in respect of current income tax of previous years	(40)	(13)
---	------	------

Income tax benefit/(expense) reported in the income statement

(40)	(13)
-------------	-------------

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 at 30 June 2015 (2014: nil).

	2015 \$'000	2014 \$'000
Deferred tax balances		
Taxable and deductible temporary differences arise from the following:		
<i>Deferred tax liabilities</i>		
Exploration and evaluation	-	-
Foreign exchange gains / losses	-	2
Accrued income	233	233
Consumables	10	202
Prepayments	1	-
Other	-	-
Deferred tax asset offset against deferred tax liability	(244)	(437)
	-	-
<i>Deferred tax assets</i>		
Business related costs	43	79
Exploration and evaluation	2,879	3,016
Intangibles	2,409	2,409
Provision for annual leave	455	631
Provision for long service leave	120	279
Other provisions	7,393	8,676
Borrowing costs	80	-
Accrued superannuation	24	2
Accrued expenses	(3)	37
Fixed assets	47,285	52,992
Project pool	3,054	3,577
Sundry Temporary Differences	134	-
Trading stock	1,510	1,510
Revenue tax losses	24,907	12,395
Capital losses	2	2
Deferred tax liability offset against deferred tax asset	(243)	(437)
	90,049	85,168
Amount not recognised	(90,049)	(85,168)
Net deferred tax asset / (liability)	-	-
Movement in deferred tax balances		
Balance 1 July	-	-
Credited / (charged) to the profit or loss	4,999	4,472
Not recognised	(4,999)	(4,472)
Acquired	-	-
Credited / (charged) to other comprehensive income	-	-
	-	-

Note 9: Receivables

	2015 \$'000	2014 \$'000
Current		
Other receivables	2,957	683
Prepayments	863	1,021
Environmental bonds	-	-
Goods and services tax recoverable	1,108	1,027
Total current receivables	4,928	2,731
Non-current		
Other security bonds and capitalised bond costs	52	65
Total Non-current receivables, net	52	65

Other receivables: are non-interest bearing and are generally on 30-60 day terms. An allowance for doubtful debts is recognised when there is objective evidence that the Group may not be able to collect all amounts due according to original terms of the transaction. None of the amounts are considered impaired.

Prepayments: consist predominately of insurance premiums paid relating to the 2015 financial year.

Note 10: Inventories

	2015 \$'000	2014 \$'000
Current		
Stores stock	2,070	3,588
Ore stockpiles – net realisable value	2,177	4,987
Diamond inventory – net realisable value	4,660	6,525
Total inventories	8,907	15,100
Net realisable value write down	-	1,928

Note 11: Property, Plant and Equipment

a) Non-current fixed assets	Plant & equipment *	Land & buildings	Stripping activity asset	Mine properties	Assets under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2015						
As at 1 July 2014 net of accumulated depreciation	4,331	3,357	2,223	18,295	3,571	31,777
Additions	-	-	-	3,423	778	4,201
Transfers	1,022	-	-	-	(1,022)	-
Reclassification to cost of sales	(51)	-	(2,223)	-	-	(2,274)
Depreciation	(3,350)	(2,791)	-	(112)	-	(6,253)
As at 30 June 2015	1,952	566	-	21,606	3,327	27,451
Cost	12,480	10,079	-	23,585	3,327	49,471
Impairment	-	-	-	277	-	277
Accumulated depreciation	(10,528)	(9,513)	-	(1,979)	-	(22,020)
Net carrying amount	1,952	566	-	21,883	3,327	27,728
Year ended 30 June 2014						
As at 1 July 2013 net of accumulated depreciation	8,897	3,815	5,557	-	-	18,269
Additions	2,545	-	-	20,162	2,994	25,701
Transfers	(3,839)	3,262	-	-	577	-
Acquired through business combination	87	-	-	-	-	87
Reclassification to cost of sales	-	-	(364)	-	-	(364)
Depreciation	(3,359)	(3,720)	(2,970)	(1,867)	-	(11,916)
As at 30 June 2014	4,331	3,357	2,223	18,295	3,571	31,777
Cost	11,509	10,079	2,223	20,162	3,571	47,544
Accumulated depreciation	(7,178)	(6,722)	-	(1,867)	-	(15,767)
Net carrying amount	4,331	3,357	2,223	18,295	3,571	31,777

* The purchaser of the HPGR Crusher acquired through the Mantle acquisition was funded through a loan and the asset is held as security, refer note 13 (iii) for details of loan.

b) Exploration and evaluation assets	2015	2014
	\$'000	\$'000
Current		
Additions	2,999	1,666
Transfers	254	1,480
Other payables	-	(147)
	3,253	2,999

Note 12: Trade and Other Payables

	2015	2014
	\$'000	\$'000
Current		
Trade payables	8,874	12,703
Accrued expenses	1,321	2,068
Other payables	5,503	1,503
	15,698	16,274

Trade payables: are non-interest bearing and are normally settled on 30-day terms.

Other payables: are non-interest bearing and have an average term of 120 days.

Note 13: Interest Bearing Loans and Borrowings

	2015 \$'000	2014 \$'000
Current		
Insurance premium funding (i)	591	775
Other (ii)	-	80
Loan (iii)	97	225
Total current interest bearing loans & borrowings	688	1,080
Non-current		
Loan received from Zhejiang Auctions Co (iv)	5,040	283
Total current interest bearing loans & borrowings	5,040	283

- (i) *Insurance premium funding:* the agreement was entered into on the 7th May 2015. The funding is for a period of 10 months with a flat fixed interest rate of 2.03%.
- (ii) *Other:* represents a repayment agreement between Zodiac Resources and the Office of State Revenue in Western Australia. The Agreement was entered into on the 31 December 2013 for a period of 12 months and interest is charged at a rate of 11.5% per annum.
- (iii) *Current Loan:* The Stanbic loan is denominated in United States Dollars. It is for a period of 48 months, repayable monthly (1st September 2011- 1st August 2015), with 8.82% finance charge over the life of the loan.
- (iv) *Non-current Loan:* The loan has a 2 year term with 5% simple interest computed daily, interest payable in December and June of each year with the principal repaid on maturity. The loan is secured by the shares held by Kimberley Diamonds Ltd in Mantle Diamonds Limited.

In Q4 2015, KDL obtained two loans from a relative of Mr Alex Alexander, Yan Xie, for short term cash flow requirements. The two loans were for a total of USD2.85 million, with USD1.5 million borrowed on 28 April 2015 and USD1.35 million borrowed on 10 June 2015. KDL paid total fees of USD220,000 for these loans. These loans were repaid in full prior to the end of Q4 FY2015.

Note 14: Provisions

	2015 \$'000	2014 \$'000
Current		
Employee benefits	1,543	2,102
	1,543	2,102
Non – current		
Employee benefits	432	929
Mine rehabilitation provision	24,969	28,579
	25,401	29,508
<i>Movement in the mine rehabilitation provision</i>		
At the beginning of the period	28,579	26,535
Acquired through business combination	-	258
Arising during the period	-	251
Re-estimation of provision	(3,610)	550
Utilised during the period	-	(5)
Unwinding of discount	-	990
	24,969	28,579

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 12 years.

Note 15: Issued Capital

	2015	2014
(a) Issued and paid up capital		
Number of ordinary shares fully paid	105,740,349	104,203,915
(b) Movements in shares on issue	2015	
	Number of shares	\$'000
Beginning of the financial year	104,203,915	35,661
<i>Issued during the year</i>		
Equity placement	1,120,772	224
Share options exercised	415,662	-
Share options forfeited	-	-
	105,740,349	35,885
	2014	
	Number of shares	\$'000
Beginning of the financial year	74,614,742	9,771
<i>Issued during the year</i>		
Equity placement	26,191,173	25,252
Share options exercised	3,398,000	1,178
Share issue costs	-	(540)
	104,203,915	35,661
Other contributed equity	2015	2014
	\$'000	\$'000
Capital contribution reserve	201	201
	201	201

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

Note 16: Reserves

	Share option reserve (a) \$'000	Foreign currency translation (b) \$'000	Profit reserve (c) \$'000	Other (d) \$'000	Total \$'000
At 1 July 2014	2,672	(245)	3,143	(699)	4,871
Currency translation differences	-	1,894	-	-	1,894
Share based payments	(28)	-	-	-	(28)
Dividends paid	-	-	-	-	-
As at 30 June 2015	2,644	1,649	3,143	(699)	6,737
At 1 July 2013	1,622	-	-	(699)	923
Currency translation differences	-	(245)	-	-	(245)
Share based payments	1,050	-	-	-	1,050
Transfer of reserves	-	-	6,440	-	6,440
Dividends paid	-	-	(3,297)	-	(3,297)
As at 30 June 2014	2,672	(245)	3,143	(699)	4,871

a) Share option reserve: The share option reserve is used to record the value of equity benefits provided to executives as part of their remuneration. Refer note 18 for further details of these plans.

b) Foreign currency translation reserve: The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign operations.

c) Profit reserve: On acquisition of Kimberley Diamond Company Pty Ltd the directors resolved to isolate accumulated profits into a Profit Reserve.

d) Other reserve: The equity reserve is used to record gains and losses associated with equity transactions with minority interest.

Dividends: Dividends paid or provided for during the year nil (2014: \$3,297,087).

Note 17: Retained Earnings

	2015 \$'000	2014 \$'000
Net loss / profit after tax and non-controlling interest	(17,463)	(19,224)
Accumulated profit / (loss) at the beginning of the financial year	(23,856)	1,813
Transfer to profit reserve	-	(6,440)
Adjustment on opening balance	-	(5)
Accumulated (losses) / retained profit at the end of the financial year	(41,319)	(23,856)

Note 18: Share Based Payments

Share option plans

No share options were granted during the year. The fair value of the options granted in prior years at the date of grant was calculated using the Binomial model and taking into account the terms and conditions upon which the options were granted. All options vested on grant date.

The following table lists the inputs to the model used.

Grant Date	29 November 2013	12 September 2013	26 April 2013	8 March 2013
Volatility	100%	100%	85%	85%
Risk free rate	2.69%	2.64%	3.10%	3.00%
Share price at grant date	\$0.90	\$0.43	0.26	0.18
Exercise price of options	\$1.15	\$0.75	\$0.30	\$0.30
Expected dividend yield	3.00%	3.00%	0.00%	0.00%
Number of options issued	1,500,000	4,000,000	10,000,000	4,000,000
Vesting date	29 November 2013	12 September 2013	26 April 2013	8 March 2013
Expected life of options(yrs)	2	2	2.18	2.31
Fair value of options at grant date	\$0.3898	\$0.1559	\$0.117	\$0.066

Reconciliation of outstanding share options

Grant Date	Vesting date and exercisable date	Expiry date	Exercise price	Number under option	Granted during the year	Exercised during the year	Expired during the year	Ending balance
29-Nov-13	29-Nov-13	29-Nov-15	\$1.15	1,500,000	-	-	-	1,500,000
12-Sep-13	12-Sep-13	12-Sep-15	\$0.75	4,000,000	-	-	-	4,000,000
Total				5,500,000	-	-	-	5,500,000
Weighted average of share price (to be updated)				0.86				0.86

Note 19: Related Party Disclosures

Parent entity: Kimberley Diamonds Ltd is the parent entity.

Subsidiaries: Interests in subsidiaries are set out in note 21.

Transactions with related parties

	2015 \$	2014 \$
Payment for other expenses:		
<i>The following transactions occurred with related parties</i>		
Office rent (received) from Summit Equities Pty Limited, a director related entity *	(203,797)	(254,288)
Office rent (received) from Winmar Resources Limited, a director related entity *	(33,000)	-
Amount payable and receivable from Summit Equities Pty Limited:		
Receivable from Summit Equities Pty Limited, a director related entity in relation to miscellaneous expenses paid on its behalf	(47,369)	-
Office and travel expenses paid to Summit Equities Pty Limited, a director related entity	431,280	-
Other transactions:		
Commission for loan of funds paid to Summit Equities Pty Limited, a director related party	110,786	-
Capital raising fees to Summit Equities Limited, a director related entity	-	584,725

Commission paid to DDA Trading (formerly eDiamonds Belgium BVBA)

Commission paid to DDA Trading, director related entity, for acting as selling agents for Kimberley Diamond Co Pty Ltd**	362,655	-
--	---------	---

Loans to / from key management personnel

Mr. Alex Alexander provided Kimberley Diamonds Limited loans worth \$1,085,000 during August and September 2014. These loans were interest free and repaid on 17 September 2014.

Other transactions

During the year, there were short term loans received from Summit Capital Limited and Starhall Limited, director related entities.

Loans amounting to:

- (e) \$199,000 was received in November 2014;
- (f) \$250,000 was received in March 2015;
- (g) \$155,000 was received in April 2015; and
- (h) \$642,000 was received in June 2015.

These loans were interest free and repaid within 30 days. No balance was outstanding at 30 June 2015 in respect of these loans.

* At 30 June 2015, there were amounts receivable from Summit Equities Pty Ltd and Winmar Resources Limited of \$60,564 in relation to the above transactions

** Subsequent to the sale of DDA Trading, Mr Alex Alexander and Mr Noel Halgreen have remained as directors of DDA Trading and accordingly, transactions post the sale of eDiamonds have been reflected as related party transactions

Compensation of key management personnel

	2015	2014
	\$	\$
Short-term employee benefits	2,108,231	2,865,192
Post-employment benefits	174,685	206,046
Termination benefits	115,012	637,715
Share-based payment	-	1,208,275
Total compensation	2,397,928	4,917,228

Interests held by key management personnel under the Senior Executive Share Plan

i) Options over ordinary shares in Kimberley Diamonds Ltd

Grant Date	Vesting date and exercisable date	Expiry date	Exercise price	Number under option
29 November 2013	29 November 2013	29 November 2015	\$1.15	1,500,000
12 September 2013	12 September 2013	12 September 2015	\$0.75	4,000,000
				5,500,000

Employee options in Kimberley Diamonds Ltd are not listed. No issue price is payable for the options

Note 20: Parent Entity Information

	Parent	
	2015 \$'000	2014 \$'000
<i>Statement of comprehensive income</i>		
Loss after income tax	(3,524)	(756)
Total comprehensive income	(3,524)	(756)
<i>Statement of financial position</i>		
Current assets	12,964	11,276
Non-current assets	19,797	19,562
Total assets	32,761	30,838
Current liabilities	1,167	966
Non-current liabilities	5,042	-
Total liabilities	6,209	966
Net assets	26,552	29,872
Issued capital	35,885	35,661
Share-based payments reserve	2,652	2,672
Profit reserve	3,143	3,143
Accumulated losses	(15,128)	(11,604)
Total equity	26,552	29,872
<i>Capital commitments – exploration and evaluation</i>		
Committed at balance date, payable:		
Within one year	-	42
Two to five years	-	168
Total	-	210

Note 21: Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2.

	Country of Incorporation	2015 %	2014 %
Zodiac Resources	Australia	58.57	58.57
Kimberley Diamond Company Pty Ltd	Australia	100.00	100.00
Kimroy Pty Ltd	Australia	100.00	100.00
Royell Pty Ltd	Australia	100.00	100.00
Kimberley Mining Services Pty Ltd	Australia	70.00	70.00
Kimphil Pty Ltd	Australia	100.00	100.00
eDiamonds Belgium BVBA*	Belgium	-	100.00
Alto Minerals Limited**	Australia	100.00	0.00
Mantle Diamonds UK	United Kingdom	100.00	100.00
Mantle Diamonds Canada Inc	Canada	100.00	100.00
Mantle Finland	Finland	100.00	100.00
Lerala Diamonds Limited	Botswana	100.00	100.00
Alto Minerals SL	Spain	100.00	100.00
Baltic Bond	BVI	100.00	100.00

* Entity sold on 12 Jun 2014

** Entity incorporated on 17 Nov 2014

Note 22: Cash Flow Statement

Reconciliation of net profit after tax to net cash flows from operations

	2015	2014
	\$'000	\$'000
Net (loss) / profit after tax	(17,463)	(19,241)
Non-cash items		
Re-estimation / (release) of mine restoration provision	(3,827)	550
Amortisation and depreciation	6,291	11,916
Impairment	-	147
Foreign exchange loss	(421)	484
Share based payments	(28)	1,050
Changes in assets and liabilities		
Movement in inventories	6,193	3,544
Movement in receivables	2,197	1,522
Movement in trade and other creditors	2,520	4,822
Movement in provisions	(4,666)	2,394
Net cash flow (used in) / from operating activities	(9,204)	7,258

(a) Reconciliation of cash

For the purposes of the cash flow statement cash and cash equivalents comprise the following at 30 June:

Cash on hand	-	14
Cash at bank	4,959	12,250
Cash on deposit	-	1,153
	4,959	13,417

Note 23: Commitments

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

	2015 \$'000	2014 \$'000
Within one year	613	820
Two to five years	1,371	1,349
	1,984	2,169

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

	2015 \$'000	2014 \$'000
Within one year	3,424	1,624
Two to five years	6,052	6,142
More than five years	610	2,110
	10,086	9,876

Capital expenditure contracted for at reporting date but not recognised as a liability is as follows:

	2015 \$'000	2014 \$'000
Within one year	-	509
	-	509

Note 24: Contingent Liabilities and Contingent Assets

(a) Contingent liabilities

On 1 July 2015, the Company's wholly owned Australian subsidiary, Kimberley Diamond Company Pty Ltd ("KDC"), the owner of the Ellendale Diamond Mine in Western Australia, was placed into voluntary administration by its directors. KDC's subsidiaries were also placed into voluntary administration. On 5 August 2015, the creditors of KDC subsequently voted to place KDC and its subsidiaries into liquidation, rejecting a Deed of Company Arrangement proposal put forward by KDL, which is a secured creditor of KDC.

On 30 June 2015, KDL was owed an amount of \$3.64m as a secured creditor by KDC. KDL was then repaid \$2.24m in the form of diamond sales during July and August 2015. At 30 September 2015, there is an outstanding secured debt of \$1.40m owed by KDC to KDL.

There is a risk that the liquidator may pursue various actions to prevent KDL from applying these proceeds to payment of its loan, or require it to repay to KDC other loans or payments KDC paid to KDL prior to the liquidation. There is also a risk that the liquidators or regulators may pursue actions against KDL or its Directors in relation to KDC and/or its subsidiaries.

On 16 September 2015, the Australian Securities and Investments Commission (“ASIC”) charged Alexandre Alexander, a Director of the Company, with offences under the Corporations Act, relating to statements in announcements made by KDL between October 2013 and March 2014, which ASIC alleges were false and misleading.

It is possible that ASIC or other parties may take action against KDL in relation to this matter. Although KDL has Directors and Officers Insurance, KDL does not have securities litigation insurance cover for the Company, and accordingly, any action against KDL will need to be funded by the Company, which has cash flow implications.

(b) Contingent assets

There are no contingent assets.

Note 25: Earnings per Share

	2015 \$'000s	2014 \$'000s
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
(Loss) / profit used in calculating basic earnings per share	(17,461)	(19,224)
	2014 Number of shares	2014 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	105,339,630	87,064,619
	2015 \$'000	2014 \$'000
Effect of dilutive securities:		
(Loss) / profit used in calculating basic earnings per share	(17,461)	(19,224)
Share options		
(Loss) / profit used in calculating diluted earnings per share	(17,461)	(19,224)
	2015 Number of shares	2014 Number of shares
Weighted average number of ordinary shares used in calculating diluted earnings per share:	105,339,630	87,064,619
	2015 Share options	2014 Share options
The number of share options not considered dilutive are:	5,500,000	19,500,000

Note 26: Subsequent Events

Subsequent to year end, on 1 July 2015, Kimberley Diamond Company Pty Ltd (**KDC**) and its subsidiaries were placed into voluntary administration by their directors and operations were suspended at the Ellendale Diamond Mine. The decision to place KDC and its subsidiaries into voluntary administration occurred primarily as a result of prices achieved at the June 2015 commercial diamond auction in Antwerp being significantly lower than forecasted. On 5 August 2015, the creditors of KDC voted to place KDC into liquidation, rejecting a Deed of Company Arrangement proposed by KDL. At this stage, it is unclear what effect the liquidation of KDC will have on KDL.

On 20 July 2015, the Company announced that Lerala Diamond Mines Limited had entered into a lump sum turnkey contract with Consulmet (Pty) Limited (**Consulmet**) for modifications to the plant at the Lerala Diamond Mine in Botswana, to allow the plant to operate more effectively, and allow it to reliably treat 200 tonnes per hour.

On 31 July 2015, the Company announced that it had received a further AUD\$3.2 million under the terms of the Loan Agreement with Zhejiang.

On 27 August 2015, the Company announced it had received the balance of the loan funds from Zhejiang, with a total of AUD\$10 million received.

On 16 September 2015, Alex Alexander was charged with offences under the Corporations Act, relating to statements in announcements made by KDL between October 2013 and March 2014, which ASIC alleges were false and misleading. The matter will return to court in November 2015. Mr Alexander will be defending these offences.

On 30 June 2015, KDL was owed an amount of \$3.64m as a secured creditor by KDC. KDL was then repaid \$2.24m in the form of proceeds from diamond sales during July and August 2015. At 30 September 2015, there is an outstanding secured debt of \$1.40m owed by KDC to KDL.

10. Independent Auditor Report



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

Report on the financial report

We were engaged to audit the accompanying financial report of Kimberley Diamonds Ltd, which comprises the consolidated statement of financial position as at 30 June 2015, 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 1 (a), 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 conducting the audit in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an 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.

Basis for disclaimer of opinion

As disclosed in note 2 to the financial statements, on 1 July 2015, the directors of Kimberley Diamonds Ltd's wholly owned subsidiary, Kimberley Diamond Company Pty Ltd ("KDC"), resolved to place KDC and its subsidiaries into voluntary administration. On 5 August 2015, the creditors of KDC voted to place KDC and its subsidiaries into liquidation. Following the appointment of the administrators (and subsequently liquidators), the powers of the directors and officers of KDC and its subsidiaries were suspended and the administrators (and subsequently liquidators) assumed control of these companies' business, property and affairs. Books and records relating to KDC and its subsidiaries were provided to the administrators (and subsequently liquidators) and are not available to the directors or to the auditors. Accordingly, the Annual Report for the year ended 30 June 2015 has been prepared by the Board without the benefit of complete information being available for KDC and its subsidiaries.

Due to the above, the directors of Kimberley Diamonds Ltd have been unable to conclude without qualification, within its directors' declaration, that the financial statements of the consolidated entity for the financial year ended 30 June 2015 have been prepared in accordance with the *Corporation Acts 2001* and Australian Accounting Standards, to give a true and fair view of the financial position of the consolidated entity as at 30 June 2015 and of its performance for the year ended on that date.



The representation letter provided to the auditors by the consolidated entity has also been qualified on the basis that the directors of Kimberley Diamonds Ltd did not have access to books and records of KDC and its subsidiaries to enable them to prepare financial statements that give a true and fair view.

As a result of the above matters, we are unable to obtain sufficient appropriate evidence for the existence, measurement, valuation, rights and obligations, completeness and disclosures relating to the assets, liabilities, revenues and expenses of KDC and its subsidiaries as at 30 June 2015 and for the year then ended.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

Emphasis of matter

Without amendment to our disclaimer of opinion, we draw attention to Note 2 in the financial report. The conditions as set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

Our responsibility is to express an opinion on the Remuneration Report included in the directors' report for the year ended 30 June 2015. 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*. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

As disclosed in note 2 to the financial statements, on 1 July 2015, the directors of Kimberley Diamonds Ltd's wholly owned subsidiary, Kimberley Diamond Company Pty Ltd ("KDC"), resolved to place KDC and its subsidiaries into voluntary administration. On 5 August 2015, the creditors of KDC voted to place KDC and its subsidiaries into liquidation. Following the appointment of the administrators (and subsequently liquidators), the powers of the directors and officers of KDC and its subsidiaries were suspended and the administrators (and subsequently liquidators) assumed control of these companies' business, property and affairs. Books and records relating to KDC and its subsidiaries were provided to the administrators (and subsequently liquidators) and are not available to the directors or to the auditors. Accordingly, the remuneration report for the year ended 30 June 2015 has been prepared by the Board without the benefit of complete information being available for KDC and its subsidiaries.

The representation letter provided to the auditors by the consolidated entity has also been qualified on the basis that the directors of Kimberley Diamonds Ltd did not have access to books and records of KDC and its subsidiaries to enable them prepare a remuneration report in accordance with section 300A of the *Corporations Act 2001*.

As a result of the above matters, we are unable to determine the completeness of information related to the remuneration report presented to us for audit for the period 1 July 2014 to 30 June 2015.



Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the remuneration report.

Report on other legal and regulatory requirements

Due to the matters described in the basis for disclaimer of opinion paragraphs to the financial report and remuneration report, we have not been given all information and explanation necessary for the conduct of the audit and we are unable to determine whether the company has kept:

- a) financial records sufficient to enable the financial report to be prepared and audited; and
- b) other records and registers as required by the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'Ernst & Young', with a large, stylized loop at the end.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz', with a large, stylized loop at the end.

G H Meyerowitz
Partner
Perth
30 September 2015

11. Additional ASX Information

The shareholder information set out below was applicable as at 30 June 2015.

Distribution of equity securities – fully paid ordinary shares

HOLDING RANGES		HOLDERS	TOTAL UNITS	%
1	- 1,000	98	47,628	0.045
1,001	- 5,000	206	640,889	0.606
5,001	- 10,000	275	2,477,076	2.343
10,001	- 100,000	389	12,862,446	12.164
100,001	and over	99	89,712,310	84.842
Totals		1,067	105,740,349	100.000

- There were 259 holders of less than a marketable parcel of ordinary shares.
- The 20 largest shareholders held 65.615% of Kimberley Diamonds' ordinary shares.

Twenty largest shareholders

NAME	NUMBER OF ORDINARY SHARES	%
1. COUNTRY ROSY LIMITED	9,606,929	9.085
2. HANKING AUSTRALIA PTY LTD	9,054,400	8.563
3. PACIFIC ROAD CAPITAL MGNT GP LTD AS GENERAL PARTNER OF PACIFIC ROAD RESOURCES FUND LP	8,146,481	7.704
4. MRS LING WEI DONG	7,415,211	7.013
5. SUMMIT EQUITIES LIMITED	6,933,334	6.557
6. MR ALEX ALEXANDER & MRS LIANG XIE <ALEXXIE SUPER FUND A/C>	5,085,000	4.809
7. EDENBRIDGE INVESTMENTS PTY LTD <NEGLASARI SUPER FUND A/C>	3,403,118	3.218
8. INTERNATIONAL CONVEYORS (ASIA) LTD	3,300,000	3.121
9. PACIFIC ROAD CAPITAL A PTY LIMITED	2,306,275	2.181
10. MRS MARIANNA DERGUSHINA	1,624,497	1.536
11. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,505,598	1.424
12. ADVANCED MINING SOLUTIONS PTY LTD <SEAR FAMILY A/C>	1,433,198	1.355
13. J P MORGAN NOMINEES AUSTRALIA LIMITED	1,363,803	1.290
14. MR SHUMING ZOU	1,340,183	1.267
15. TENNESSEE INVESTMENTS PTY LTD <THE TENNESSEE INVESTMENTS SF>	1,125,000	1.064
16. MR GUOCHENG LI & MS YIZHEN OU	1,082,104	1.023
17. PACIFIC ROAD CAPITAL A PTY LTD <PACIFIC RD RESOURCES FUND A>	1,060,704	1.003
18. PACIFIC ROAD CAPITAL B PTY LTD <PACIFIC RD RESOURCES FUND B>	1,060,704	1.003
19. MR ALEXANDRE ALEXANDER	1,000,000	0.946
20. KEITH AND CAROLYN LAMBERT PTY LIMITED <LAMBERT FAMILY S/F A/C>	1,000,000	0.946
	68,846,539	65.108

Substantial Shareholders

NAME	NUMBER OF ORDINARY SHARES	%
Country Rose Limited	9,606,929	9.085
Hanking Australia Pty Ltd	9,054,400	8.563
Pacific Road Capital Management GP Ltd	8,146,481	7.704
Mrs Ling Wei Dong	7,415,211	7.013
Summit Equities Limited	6,933,334	6.557

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.

Unquoted Equity Securities

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Unlisted Options \$0.75 Exp. 12 Sept 2015	4,000,000	4
Unlisted Options \$1.15 Exp. 29 Nov 2015	1,500,000	1

12. Tenement Interests

12.1 Tenements Held at 30 June 2015

PROJECT	TENEMENT
Lerala Diamond Mine Central District, Botswana	2006/29L
Ellendale Diamond Mine WA, Australia	M04/372
Smoke Creek Diamond Project WA, Australia	P80/1712, P80/1713, P80/1714, P80/1715, P80/1716, P80/1717, P80/1718, P80/1719, P80/1720, P80/1721, P80/1722, P80/1723, P80/1724, P80/1725, P80/1734, P80/1735, P80/1736, P80/1737, P80/1738, P80/1739, P80/1740, P80/1741
Tenby Property North West Territories, Canada	3768, 3769, 4138, 4139, 4140, 4142, 4141, 4143, 3760, 3761, 3762, 4097, 4098, 4099, 4100, 4101, 4102, 4103, 4174, 4175, 4176, 4181, 4182, 4183, 4184, 4185, 4186, 4187, 4270, 4269, 4271, 4104, 4105, 4106, 4107, 4108, 4109, 4110, 4432, 4433, 4434, 4234, 4235
Commonwealth Property North West Territories, Canada	3763, 3764, 3765, 3766, 4144, 4145, 4111, 4112, 4113, 3770, 3719, 3771, 4114, 3772, 4115, 3773, 4116, 4117, 4118, 4119, 4120, 4121, 4122, 4123, 4124, 4125, 4126, 4127, 4128, 4129, 4130, 4437, 4438, 4439, 4435, 4272, 4177, 4440, 4436, 4441, 4178, 4328, 4442, 4266, 4325, 4267, 4326, 4327, 4268
Trillion Project Ontario - Canada	30136646, 3013647, 3013648, 3013665, 3013666, 3013668, 4202624, 4206505, 3013699
Tilwane JV Central District, Botswana	PL267/2013, PL268/2013
Calarie NSW, Australia	EL7023, ML739
Yeoval NSW, Australia	EL6311, ML811

EL6311 & ML811: Zodiac Resources Pty Ltd, a subsidiary of KDL, holds a 75% interest in the project. Augur Resources Ltd holds the remaining 25%

PL 267/2013 & PL 268/2013: KDL, via its wholly owned subsidiary Lerala Diamond Mines Limited, has the exclusive right to earn up to 70% in the project from Tilwane Services (Pty) Limited

Tenby Property: Mantle Diamonds Limited, a wholly owned subsidiary of KDL, will acquire a 20% interest in the tenements upon a production decision by the registered owner, Diavik Diamond Mines Incorporated

Commonwealth Property: Mantle Diamonds Limited, a wholly owned subsidiary of KDL, will acquire a 10% interest in the tenements upon a production decision by the registered owner, Diavik Diamond Mines Incorporated

12.2 Tenement Interests Disposed Of Between 1 July 2014 and 30 June 2015

Project	Tenement	Interest
Trillion Project <i>Ontario, Canada</i>	4216482, 3013687	100% Mantle Diamonds Canada Inc.
Centenary Project <i>Ontario, Canada</i>	4206426, 4206425	100% Mantle Diamonds Canada Inc.



Kimberley Diamonds Ltd

Annual Report 2015

Kimberley Diamonds Ltd
Level 39
264-278 George Street
Sydney 2000
Australia

Tel: +61 2 8243 7519

www.kdl.com.au