



Kimberley Diamonds Ltd

ABN 95 150 737 563

Half Year Report – 31 December 2016

Kimberley Diamonds Ltd
Directors' Report
31 December 2016

The Directors present their report, together with the financial statements, on Kimberley Diamonds Ltd ('KDL' or 'the Company') and the entities it controlled (referred to hereafter as the 'Group') for the half year ended 31 December 2016 and the auditor's report thereon.

DIRECTORS

The following persons were Directors of KDL during the whole of the six months ended and up to the date of this report, unless otherwise stated:

Name	Period of Directorship
Alexandre Alexander <i>Executive Chairman</i>	Director since May 2011
Yong Xiao <i>Non-Executive Director</i>	Director since March 2012
Rupert Baring <i>Non-Executive Director</i>	Director since March 2014
Rod Sainty	Resigned 16 August 2016
Noel Halgreen	Resigned 10 October 2016

OPERATING AND FINANCIAL REVIEW

Principal Activities

During the six months the principal continuing activities of the Group consisted of:

- production from the Company's principal asset, the Lerala Diamond Mine (Lerala) in Botswana; and
- the exploration for minerals including diamonds, copper and copper-gold.

Operating Results

The loss for the Group after providing for income tax and non-controlling interest amounted to \$7.521m (31 December 2015: profit of \$17.285m).

Financial Performance

Net Assets

Net assets of the Group have decreased by \$5.509m to \$9.822m during the reporting period.

Cash Balance

The Group finished the half year with \$0.097m of cash in the bank as at 31 December 2016. Cash from our operating activities was (\$7.786) million and loss before tax was \$7.521 million.

Review of Operations

A summary of the key points for the six months ending 31 December 2016 are listed below:

(a) Operations

- The Lerala Diamond Mine in Botswana is KDL's key operational focus and during H1 FY2017, with production ongoing throughout the period.
- A number of important plant design modifications and issues were identified during the initial commissioning period and work has been ongoing, funding permitted, to systematically resolve these issues. While several of these issues have been addressed, unfortunately due to funding restrictions, significant impediments to full production remain and these are being addressed as funds become available. Engineering solutions have been identified for each of the plant problem areas and provided funds are available, the operational team are confident that these issues can be resolved.
- As a consequence of the delay in ramping up to full processing capacity, in-pit mining operations by mining contractor, Basil Read Botswana (Pty) Limited were suspended during October 2016, due to an increasing build-up of kimberlite ore stockpiles. Basil Read continue to manage stockpiles and feed the plant with the stockpiled ore. It is planned to recommence in-pit mining when ore stockpiles are reduced to acceptable levels.

(b) Corporate

Funding

As at 31 December 2016, KDL had a cash position of \$0.097 million and debt of \$23.064 million, including interest liability and capitalised loan costs. The debt has varying maturities within 12 months. There is also a \$1.4 million prepayment as part of the Restwell Offtake Arrangement.

KDL has undertaken a number of steps during FY2016 and to date to raise the additional funds required to complete the re-commissioning and subsequently improve the Lerala Diamond Mine.

These are set out in detail below.

Zhejiang Huitong loan

In late FY2015, KDL entered into a loan agreement (**Loan Agreement**) with a third party lender, Zhejiang Huitong Auction Co Ltd (**Zhejiang**) for the provision of \$10 million debt finance. The funds were applied to the refurbishment and re-commissioning of the plant at KDL's Lerala Diamond Mine in Botswana, as well as to ongoing operational costs.

On 12 October 2015, KDL announced that Zhejiang has agreed to provide KDL with a further \$3 million in debt finance under the terms of the Loan Agreement. At 30 June 2016, \$3 million of the additional funds had been advanced to KDL.

On 29 January 2016, Zhejiang agreed to convert \$1.5 million of KDL's debt to 15 million KDL shares at a share price of \$0.10 per share. Zhejiang agreed for these shares to be escrowed for a period of 12 months from the date of their issue. The shares were issued under KDL's 15% capacity under ASX Listing Rule 7.1 and ratified by shareholders at our Extraordinary General Meeting in April 2016. The escrow has now expired subsequent to the period ending 31 December 2016.

On 24 June 2016, KDL announced that 7,041,202 of the rights issue shortfall shares were issued to Zhejiang in payment of outstanding interest and payment of approximately \$0.180 million debt in accordance with the terms of an agreement between KDL and Zhejiang.

As at 31 December 2016, KDL owes Zhejiang \$11.605 million. This debt will mature in May 2017, however the Company is currently renegotiating terms with Zhejiang.

DDA Loans

KDL announced on 26 February 2016 that it has secured a USD\$2.800 million working capital loan facility for the Lerala Diamond Mine. Under the terms of the Sales Agreement with DDA, DDA agree to provide to Lerala USD\$2.800 million in aggregate, available to be drawn down and repaid in monthly tranches, with interest of 10% per annum on the outstanding amount from time to time and secured by collateral of diamonds produced at the Lerala Diamond Mine.

The loan facility under the Sales Agreement was not drawn down by Lerala in the period to 30 June 2016 as the required collateral was not available. In the meantime, DDA advanced Lerala funds under an interim short term loan entered into on 25 April 2016 and amended by the parties during Q4, 2016. USD\$1.110 million had been received by Lerala under the short term loan on 30 June 2016 and a further USD\$0.700 million advanced by DDA to Lerala in early July 2016.

In late July 2016, DDA converted the debt outstanding under the short term loan to the terms of the loan facility under the Sales Agreement. As at 31 December 2016, a total of USD\$1.863 million (AUD\$2.586 million at reporting date FX) is outstanding under the terms of the loan facility. Shareholder approval for amendments to the Sale Agreement relating to the loan facility was obtained at our Extraordinary General Meeting in September 2016.

Other Loans

On 31 August 2016, KDL entered into a loan agreement with Kangni Zou, under which the lender agreed to provide KDL with a loan of renminbi 5 million (AUD\$0.994 million at reporting date FX). The loan is repayable by 31 July 2017 and has an interest rate of 18% per annum.

On 27 September 2016, KDL entered into two loan agreements with Shuming Zou under which the lender agreed to provide KDL with loans of approximately USD \$1.877 million and USD \$0.300 million respectively (AUD\$3.021 million total at reporting date FX). The loans have different repayment dates

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for different tranches of the loans (which fall between the period 31 October 2016 and 31 March 2017) and have interest rates of 15% and 10% per annum respectively. Repayment dates for some of these tranches are being renegotiated as at reporting date.

KDL entered into three loan agreements with Shuren Zou in the period of October 2016 to December 2016 under which the lender agreed to provide KDL with loans of approximately AUD \$0.464 million, USD\$1.616 million (AUD \$2.243 million at reporting date FX), and USD \$0.873 million (AUD \$1.212 million at reporting date FX) respectively. The loans have different repayment dates for different tranches of the loans (which fall between the period 30 April 2017 and 30 December 2017) and have interest rates of 10% on the AUD loan and 21% on USD loans with the exception of 24% on one tranche of USD \$0.518 million (AUD \$0.719 million at reporting date FX).

On 18 October 2016, KDL entered into a loan agreement with Zhiyuan Zhang, under which the lender agreed to provide KDL with a loan of USD \$0.450 million (AUD \$0.624 million at reporting date FX). The loan is repayable by 18 October 2017 and has an interest rate of 5% per annum.

On 22 December 2016, KDL entered into a loan agreement with Liang Chen, under which the lender agreed to provide KDL with a loan of USD \$0.193 million (AUD \$0.267 million at reporting date FX). The loan is repayable by 30 June 2017 and has an interest rate of 20% per annum.

Equity

On 12 October 2016, KDL received AUD\$0.500 million by a private investor under the private placement announced the same day.

Subsequent to 31 December 2016:

- On the 3rd and 5th January 2017, Shuren Zou provided the Company with a further loan of USD \$1.260 million (AUD \$1.736 million at receipt date FX per oanda) which has an interest rate of 10% with a repayment date of 30 December 2017.
- On 24 January 2017, KDL announced that under a private placement the Company issued shares to Zhejiang in full satisfaction of the outstanding interest due of AUD \$0.285 million.
- As at 30 January 2017, AUD\$0.561 million was fully received by private investor under the private placement announced on the 23 January 2017.
- As at 31 January, a further USD \$0.200 million (AUD \$0.264 million at receipt date FX per oanda) was drawn down on the DDA working capital facility.
- During January and February 2017, Liang Chen provided the Company with loans of USD \$1.330 million (AUD \$1.752m at receipt date FX per oanda). The loans have a repayment date of 30 June 2017 and have interest rates of 20%.
- On 14 February 2017, Shuren Zou provided the company with a further loan of AUD \$1.000 million which has an interest rate of 15% with a repayment date of 15 October 2018.
- The rights issue closed on 15 February raising AUD\$2.038 million.

- During March 2017, Shuren Zou provided the Company with a loan of USD \$1.295 million (AUD \$1.683 million at receipt date FX per oanda). The loan has a repayment date of 31 July 2017 and has an interest rate of 10%.

KDC Liquidation

- Kimberley Diamond Company Pty Ltd (**KDC**), KDL's former subsidiary and the holder of the Ellendale mining licence, was placed into voluntary administration by its directors on 1 July 2015 and operations were suspended at KDC's Ellendale Diamond Mine. It was determined that KDC was unable to continue trading solvently after prices achieved at the auction in Antwerp in June 2015 were significantly lower than those forecasted, due to a sharp, unexpected decline in rough diamond prices. On 5 August 2015, KDC's creditors voted to place KDC into liquidation, rejecting a Deed of Company Arrangement proposal put forward by KDL.
- The liquidation of KDC does not apply to KDL or its other subsidiaries which hold the interests in the Lerala Diamond Mine in Botswana or the Lomero-Poyatos project in Spain. However, KDL may have some exposure to the liquidation as there is a risk that the liquidator may attempt to pursue actions against KDL or its directors.

(c) Exploration

Botswana

- Lerala has a 50% shareholding in the Farm-In and Joint Venture Agreement with Tilwane Services (Pty) Ltd, in respect of two tenements located in north-eastern Botswana. As at reporting date, additional conditions to retain the Joint Venture Agreement had not yet been met and are currently being renegotiated. As a result of these ongoing discussions, a provision for the full impairment of the project has been included in the Financial Statements.

Spain

- The Company was awarded 100% of the rights to the Lomero-Poyatos gold-rich massive sulphide deposit in Spain, through a competitive tender process run by the regional government of Andalusia in October 2014. Investigation Permit No. 14977 was formally granted to KDL by the Government of Andalucia on 13 May 2016.

Australia

- On 1 September 2016, Zodiac Resources Pty Ltd entered into an agreement with Augur Resources Limited to terminate the farm in and joint venture agreement between those parties in relation to the Yeoval tenements. The project was impaired in the 30 June 2016 financials
- On 23 October 2015, KDL withdrew from the Calarie farm-in. with finalisation of the termination documentation with Tri Origin Mining Pty Ltd and Tri Ausmin Ltd occurring on 26 August 2016 with final payment made by KDL on 23 September 2016. The Project was impaired in the 31 December 2015 financials.

Projects

(a) Lerala Diamond Mine (KDL 100%)

During H1 FY2017 (the **Half Year**), KDL has continued to ramp up production at the Lerala Diamond Mine in Botswana, with the following key steps undertaken during the Half Year:

- Mining successfully ramped up to full capacity; and
- Processing ramp up identified areas of focus to achieve full capacity.

Processing Progress

During H1 FY2017, processing production has steadily ramped up until a number of process impediments were identified. In particular:

- Extremely abrasive ore causing excessive wear to major components within the plant, specifically crusher liners, chutes, screen panels and process pumps. This has necessitated more frequent maintenance and replacement of liners and high wear items.
- Choking of critical DMS feed pumps and recovery concentrate jetpump with large rocks. This was resolved by increasing the size of the pumps and motors as well as introducing closed circuit screening to send larger rocks back for re-crush prior to the DMS and Recovery.
- Excessive vibration of the secondary crusher causing potential instability of the secondary crusher mounting structure. This was resolved early after the end of the Half Year by removing and re-mounting the secondary crusher on vibration damping mounts.

Unresolved at the end of the period were,

- Excessive wear on the primary scrubber trommel screen and choking of the primary scrubber underflow pump – a screening and conveying solution to resolve this was in an advanced design phase.
- Upgrading of key conveyor drives to fully optimise the mass balance of the plant and allow these conveyors to be restarted under full load – engineering solutions have been identified but yet to be implemented.

During the period 1 July 2016 to 31 December 2016, 420,096 tonnes of run of mine ore had been mined and transported to the process plant stockpiles, 31,220 tonnes of low grade ore and 37,089 tonnes of waste had been mined and dumped in the respective stockpile areas.

263,734 tonnes of ore had been fed to the process plant as headfeed during the period 1 July 2016 to 31 December 2016 with 52,021 carats recovered. Issues particularly with high wear and consequent unavailability of the secondary crusher for significant time during this period caused large quantities of headfeed ore to be bypassed to stockpile prior to reaching the DMS and final recovery, with a negative impact on average grade.

Community

Management of Lerala Diamond Mine continue to liaise closely with Lerala's Chief Moroka, as well as other local community representatives to ensure that the Company's activities have a positive impact on the community in which we operate.

Mining Operations

A mining contract was awarded to Basil Read Botswana (Pty) Limited (**Basil Read**) following a two-stage competitive tender process in which eight qualified companies competed for selection into a shortlist of three selected companies, from which Basil Read was ultimately selected.

Basil Read mobilised staff and equipment to Lerala Diamond Mine early in calendar 2016 and mining operations have commenced and ramped up successfully in the K3 open pit during the period.

Unfortunately mining operations have been so successful relative to the ramp up in capacity of the processing plant, that in-pit mining has been temporarily suspended pending an increase in processing capacity such that ore stockpiles are reduced to acceptable levels.

Mineral Resource and Ore Reserve

Set out below is a summary of the last published Lerala Ore Reserves and Mineral Resources as at 31 December 2015. The table demonstrates the upgrade in Ore Reserves and Mineral Resources over those reported at 30 June 2015, however no further updates have been published during the period.

Category	As at 31 Dec 2015				As at 30 Jun 2015			
	Mt	cpht	Mct	USD/ct	Mt	cpht	Mct	USD/ct
Total Probable Reserves	11.7	25.8	3.01	\$75	5.0	31.0	1.54	\$76
Indicated Resources	15.0	25.6	3.85	\$73	8.5	32.8	2.80	\$74
Inferred Resources	5.1	20.2	1.01	\$76	1.8	25.4	0.45	\$78
Total Resources (inc. Reserves)	20.1	24.2	4.86	\$74	10.3	31.5	3.25	\$74

The information pertaining to the Lerala Diamond Mine Reserves and Resources is extracted from the report titled "Statement of Mineral Resources and Ore Reserves as at 31 December 2015", created on 11 January 2016 and available to view online at www.asx.com.au and www.kdl.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, confirms that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

(b) Tilwane Joint Venture (KDL 50%)

KDL is currently in discussions with our Tilwane Joint Venture partners to explore the possibility of extending the early 2017 deadline for the drilling programme, given the current focus on Lerala. The terms for an extension were under consideration at the end of the quarter but no resolution has been made as yet. While there is no guarantee that these discussions will be successful, KDL will keep the market informed as these the negotiation progresses. As a result of these discussions not being finalised by reporting date, the project has been impaired in full for the period ending 31 December 2016.

KDL, through its wholly owned subsidiary, Lerala Diamond Mines Limited, has earned a 50% right in the Tilwane Joint Venture, a greenfields kimberlite exploration project in Botswana located some 60km to the east of the large scale Orapa and Letlhakane diamond mines. At 31 December 2016, approximately AUD\$0.166 million (at reporting date FX) had been expended in exploring the property since KDL has held an interest in the Tilwane Joint Venture. Exploration has focused on geophysical surveys and geochemical analyses, and has identified a number of significant targets deserving of further attention. No additional funds have been expended in the quarter under review.

KDL has the opportunity to earn an additional 20% interest in the Joint Venture by spending a further A\$1 million on project expenditure in the period to early 2017. If it completes this expenditure, it will hold a 70% interest in the Joint Venture. If it does not, and if the parties do not agree to an extension, it will be deemed to withdraw from the joint venture. The next phase of exploration at Tilwane is logically a drilling program designed to test the identified targets. The drilling programme had been expected to be undertaken during calendar 2016, however given the extended focus on ramping up production at Lerala, this has been delayed and the market will be kept informed as to when this will proceed.

Until there is an opportunity to re-focus on the Tilwane greenfields exploration project, one of our local joint venture partners in this project has been engaged on a medium term basis to assist with the geology and grade control activities at Lerala.

(c) Canada diamond interests

KDL holds interests in tenements located in Canada that are prospective for diamonds. The Trillion Project is located in the Ontario District and is 100% held by KDL. The Tenby and Commonwealth Properties are located in the North West Territories. KDL will acquire a 20% and 10% interest in these tenements respectively should the registered holder, Diavik Diamond Mines Incorporated make a decision to produce diamonds from these properties.

No work was undertaken by KDL on any of the Canadian tenements during the 6 months to 31 December 2016.

(d) Copper-Gold Exploration Tenements

Lomero Gold-Copper-Zinc Project, Spain

The Lomero-Poyatos gold-silver-copper-zinc project (Lomero) is located 80km north of the deep-water port of Huelva in Andalusia, Spain, with Spain's premier mineral district, the Iberian Pyrite Belt. Lomero is a 1km-long tabular volcanogenic massive sulphide (VMS) deposit with elevated gold content. Previous mining operations extracted at least 2.6 million tonnes of massive sulphide ore containing an average grade of 5g/t gold and 1.2% copper. KDL is evaluating the potential for a profitable re-development of Lomero through its wholly owned Spanish subsidiary, Alto Minerals S.L.

On 17 August 2016, the Company announced that it had entered into a farm in and joint venture arrangement with ASX listed Winmar Resources Limited (Winmar) in relation to the Lomero project. On execution of the JVA and payment of a condition precedent non refundable payment of AUD\$0.200 million, Winmar has a right to earn up to a 70% interest in the tenements over a 3 year period, starting 13 May 2016.

Winmar must acquire an initial 10% by spending EUR €0.400 million in Year 1 (First Commitment). Winmar may then elect to acquire a further 35% interest (for a total 45% interest) by spending EUR €3.000 million in Year 2. Winmar may then elect to acquire a further 25% interest (for a total 70% interest) by spending a further EUR €2.000 million in Year 3. Winmar may withdraw at any time after the First Commitment has been completed. If Winmar withdraws during Years 2 or 3, its interest earned to date will revert back to KDL.

The arrangement with Winmar will meet the expenditure requirements for the Lomero project for the initial three years. KDL will retain a 30% interest in the project after this time, thereby providing its shareholders with continued exposure to the project and to copper-gold markets. Mr Rod Sainty, a former director of KDL, has been appointed by Winmar as Managing Director and will lead the Lomero exploration program for Winmar.

Diamond drill core and associated QA/QC data was acquired during the period for 56 holes totalling 10,053m drilled at Lomero between 2001-2004.

On January 25 2017, Winmar was granted approval to begin its inaugural drilling campaign at the Lomero programme. Drilling has begun.

Yeoval Copper-Gold Project, Central NSW (Zodiac)

On 1 September 2016, Zodiac Resources Pty Ltd entered into an agreement with Augur Resources Limited to terminate the farm in and joint venture agreement between those parties in relation to the Yeoval tenements. The parties agreed to relinquish and cancel the Yeoval tenements. KDL has a 58% shareholding in Zodiac Resources, which has a 75% interest in the project. The process of cancelling the tenement was ongoing as at 31 December 2016 with respect to ML811. EL6311 cancellation was finalised by period ending 31 December 2016.

Calarie Copper-Gold Project, Central NSW

On 23 October 2015, KDL Advised the holders of EL7023 and ML839, Tri Origin Mining Pty Ltd and TriAusmin Ltd that it had decided to withdraw from the Calarie farm-in. Finalisation of the termination documentation with Tri Origin Mining Pty Ltd and Tri Ausmin Ltd occurred on 26 August 2016 with final payment made by KDL on 23 September 2016. The parties have agreed that termination was effective 23 October 2015. The Project was impaired in the 31 December 2015 financials.

Significant Changes in the State of Affairs

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years, other than those set out above.

Auditor's Disclaimer of Conclusion

The Auditor's Report commencing on page 33 contains a Disclaimer of Conclusion. This disclaimer results from the Company not providing to the Auditors sufficient information to support the carrying values for the Property, Plant & Equipment. The Company is in the process of commissioning an independent valuation of these assets to underpin its deliberations on the appropriate valuation of assets moving forward. This valuation process is anticipated to be completed prior to 30 June 2017 and its outcomes will be brought to bear on the Directors assessment of asset values for the purposes of the Company's 30 June 2017 financial statements.

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 page 35 of this combined report and forms part of the Directors' Report for the half-year ended 31 December 2016.

This report is made in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

Rounding of Amounts – The consolidation entity has applied the relief available to it in ASIC Class order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest thousand dollars.

On behalf of the Directors



Alexandre Alexander
Executive Chairman
Sydney, 31 March 2017

COMPETENT PERSON STATEMENTS

The information in this report that relates to Mineral Resources and Mineral Reserves at the Lerala Diamond Mine is extracted from the report titled "Statement of Mineral Resources and Ore Reserves as at 31 December 2015", created on 11 January 2016 and available to view on www.asx.com.au and www.kdl.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this report that relates to gold and polymetallic Mineral Resources at Lomero, Spain is extracted from the report titled "Statement of Mineral Resources and Ore Reserves as at 31 December 2015", created on 11 January 2016 and available to view on www.asx.com.au and www.kdl.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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Kimberley Diamonds Limited
Half year consolidated statement of comprehensive income
For the half year ended 31 December 2016

	Note	Half year ended 31 December 2016 \$'000	Half year ended 31 December 2015 \$'000
Revenue		839	-
Cost of sales		(2,945)	(1)
Gross profit / (loss)		(2,106)	(1)
Other income	11	545	15
Royalties and selling costs		(343)	-
Corporate and site administration expenses		(2,063)	(3,334)
Share based payment expense		-	-
Foreign exchange gain/(loss)		(405)	264
Impairment of exploration assets		(166)	(972)
Depreciation and amortisation		(1,716)	(19)
Operating loss		(6,254)	(4,047)
Finance costs		(1,267)	(331)
Loss before income tax expense		(7,521)	(4,378)
Income tax expense		-	-
Loss after income tax expense for the period from continuing operations		(7,521)	(4,378)
Profit/(Loss) after income tax expense from discontinued operations	12	-	21,663
Profit/(Loss) after income tax expense		(7,521)	17,285
Other comprehensive income for the period			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences – foreign operations		1,512	(1,989)
Total other comprehensive income for the period		1,512	(1,989)
Total comprehensive Profit/(Loss) for the period		(6,009)	15,296
Profit/(Loss) for the period is attributable to:			
- Non-controlling interest		-	-
- Owners of Kimberley Diamonds Ltd		(7,521)	17,285
		(7,521)	17,285
Total comprehensive Profit/(Loss) for the period is attributable to:			
- Non-controlling interest		-	-
- Owners of Kimberley Diamonds Ltd		(6,009)	15,296
		(6,009)	15,296
Total comprehensive Profit/(Loss) for the period is attributable to:			
- Continuing operations		(6,009)	(6,367)
- Discontinued operations		-	21,663
Owners of Kimberley Diamonds Limited		(6,009)	15,296

Kimberley Diamonds Limited
Half year consolidated statement of comprehensive income
For the half year ended 31 December 2016

Profit/(loss) per share for the half year attributable to the members of Kimberley Diamonds Ltd:

		Cents	Cents
Basic profit/(loss) per share	9	(4.57)	16.47
Diluted profit/(loss) per share	9	(4.57)	16.47

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

Kimberley Diamonds Limited
Half year consolidated statement of financial position
As at 31 December 2016

		31 December 2016 \$'000	30 June 2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	4	97	117
Trade and other receivables		1,087	1,259
Inventories	5	7,163	2,847
Other financial asset		317	317
Total current assets		8,664	4,540
Non-current assets			
Non-current receivables		15	214
Property, plant and equipment	6a	30,911	30,553
Exploration and evaluation assets	6b	261	430
Total non-current assets		31,187	31,197
Total assets		39,851	35,737
Liabilities			
Current liabilities			
Trade and other payables		6,038	5,699
Interest bearing loans and borrowings	7	23,064	13,959
Provisions		335	252
Interest tax liability		-	-
Total current liabilities		29,437	19,910
Non-current liabilities			
Interest bearing loans and borrowings		-	-
Provisions		592	496
Total non-current liabilities		592	496
Total liabilities		30,029	20,406
Net assets		9,822	15,331
Equity			
Issued capital	8	41,434	40,934
Other contributed equity		201	201
Reserves		2,794	1,282
Accumulated losses		(34,299)	(26,778)
Equity attributable to the owners of Kimberley Diamonds Ltd		10,130	15,639
Non-controlling interest		(308)	(308)
Total equity		9,822	15,331

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

Kimberley Diamonds Limited
Half year consolidated statement of changes in equity
For the half year ended 31 December 2016

	Issued capital \$'000	Other contributed equity \$'000	Reserves \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2015	35,885	201	5,233	1,504	(41,319)	(44)	1,460
Prior period reclassification of reserves	-	-	544	483	(1,027)	-	-
Profit after income tax expense for the period	-	-	-	-	17,285	-	17,285
Other comprehensive income for the period, net of tax	-	-	-	(1,989)	-	-	(1,989)
Transfer between Reserves	-	-	(3,134)	-	3,134	-	-
Total comprehensive income for the period	-	-	(2,590)	(1,506)	19,392	-	15,296
<i>Transactions with owners in their capacity as owners:</i>							
Share-based payments	-	-	(2,643)	-	2,643	-	-
Dividends paid	-	-	-	-	-	-	-
Balance at 31 December 2015	35,885	201	-	(2)	(19,284)	(44)	16,756
Balance at 1 July 2016	40,934	201	1,044	238	(26,778)	(308)	15,331
Profit after income tax expense for the period	-	-	-	-	(7,521)	-	(7,521)
Other comprehensive income for the period, net of tax	-	-	-	1,512	-	-	1,512
Transfer between reserves	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,512	(7,521)	-	(6,009)
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs	500	-	-	-	-	-	500
Share-based payments	-	-	-	-	-	-	-
Balance at 31 December 2016	41,434	201	1,044	1,750	(34,299)	(308)	9,822

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

Kimberley Diamonds Limited
Half year consolidated statement of cash flows
For the half year ended 31 December 2016

		Half year ended 31 December 2016 \$'000	Half year ended 31 December 2015 \$'000
	Note		
Cash flows from operating activities			
Receipts from customers		771	-
Payments to suppliers and employees (inclusive of GST)		(8,781)	(2,903)
Proceeds from other income		-	-
Interest received		8	15
Other income		200	
Net cash used in operating activities		(7,802)	(2,888)
Cash flows from investing activities			
Net cash forfeited on disposal of subsidiary		-	(60)
Payments for property, plant and equipment	6a	(614)	(10,244)
Proceeds from investment -JV		223	
Payments for exploration and evaluation	6b	(216)	(93)
Payment for security deposits		-	(60)
Net cash used in investing activities		(607)	(10,457)
Cash flows from financing activities			
Proceeds from issue of shares		500	-
Interest paid & other finance cost		(40)	-
Repayments of secured borrowings		-	3,644
Proceeds from borrowings		9,860	5,683
Repayment of borrowings		(1,929)	-
Net cash used in financing activities		8,391	9,327
Net decrease in cash and cash equivalents		(18)	(4,018)
Cash and cash equivalents at the beginning of the financial period		117	4,063
Effect of exchange rates on cash holdings in foreign currencies		(2)	-
Cash and cash equivalents at the end of the financial period	4	97	45

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

Kimberley Diamonds Limited
Notes to the half year consolidated financial report
For the half year ended 31 December 2016

1. Corporate information

The consolidated financial statements of the Company and its subsidiaries collectively, the “Group” for the half year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 31 March 2017.

KDL is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange under the ticker symbol of KDL.

The nature of the operations and principal activities of the Group are described in the Directors’ Report.

2. Summary of Significant Accounting Policies

Basis of preparation

The half-year Financial Report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 “Interim Financial Reporting”.

The half-year Financial Report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Annual Financial Report.

The half-year Financial Report should be read in conjunction with the Annual Financial Report of Kimberley Diamonds Ltd as at 30 June 2016.

The same accounting policies and methods of computation are followed in the interim financials as compared with the most recent annual financial statements.

It is also recommended that the half-year Financial Report be considered together with the public announcements made by Kimberley Diamonds Ltd during, and since, the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half-year Financial Report has been prepared on a historical cost basis and in Australian dollars.

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 \$7.786 million, net cash outflows from investing activities of \$0.378 million and net cash inflows from financing activities of \$8.142 million. In addition, the Group incurred a net operating loss of \$7.521 million from continued operations for the half year ended 31 December 2016. At 31 December 2016, the cash and cash equivalents balance was \$0.097m.

Kimberley Diamonds Limited
Notes to the half year consolidated financial report
For the half year ended 31 December 2016

The re-commissioning of the Lerala Mine and ongoing working capital requirements is being funded by debt and equity, with approx. AUD\$26.0 million received from various lenders, AUD\$0.8 million of interest capitalised with approximately AUD \$4.46 million repaid or converted to equity as at December 31 2016. A further AUD \$6.4 million of debt has been received subsequent to period end with AUD\$1.3 million repaid and AUD \$1.4 million converted to equity under the February 15 2017 rights issue (out of AUD \$2.0 million raised).

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 was 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 repaid in full by the end of September 2015. There is a risk that the liquidators or regulators may attempt to pursue actions against KDL or its Directors in relation to KDC and/or its subsidiaries.

These conditions indicate the existence of a material uncertainty that may cast significant doubt over the consolidated entities ability to continue as a going concern.

The directors recognise 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 over the short to medium term. 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 to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

Kimberley Diamonds Limited
Notes to the half year consolidated financial report
For the half year ended 31 December 2016

3. Segment information

	Discontinued operations \$'000	Diamond Mining \$'000	Exploration, development & Corporate \$'000	Consolidated \$'000
31 December 2016				
Revenue				
External customers	-	839		839
Interest revenue	-	-	2	2
Other Revenue		343	200	543
	-	1,182	202	1,384
Segment result	-	(3,751)	(3,770)	(7,521)
Depreciation and amortisation	-	1,698	18	1,716
31 December 2016				
Assets		37,901	1,950	39,851
Liabilities [^]		75,597	(45,468)	30,029
Capital expenditure for the period ended 31 December 2016	-	635		635
31 December 2015				
Revenue				
External customers	-	-		-
Interest revenue	-	-	15	15
	-	-		15
Segment result	21,663	-	(4,378)	17,285
Depreciation and amortisation	-		19	19
30 June 2016				
Assets	-	33,635	2,102	35,737
Liabilities*	-	65,660	(45,254)	20,406
Capital expenditure for the period ended 31 December 2015	-	-	10,137	10,137

[^]Intercompany loans are recorded in the "Segment Liability" line. "Diamond Mining" intercompany liability for Lerala Diamond Mine is \$67.6m and "Exploration, development & corporate" is (\$67.6m) for 31 December 2016

*Intercompany loans are recorded in the "Segment Liability" line. "Diamond Mining" intercompany liability for Lerala Diamond Mine is \$57.9m and "Exploration, development & corporate" is (\$57.9m) for 30 June 2016

Kimberley Diamonds Limited
Notes to the half year consolidated financial report
For the half year ended 31 December 2016

4. Cash and cash equivalents

	31 December 2016 \$'000	30 June 2016 \$'000
Cash at bank and on hand	97	117
	<u>97</u>	<u>117</u>

5. Inventories

	31 December 2016 \$'000	30 June 2016 \$'000
Ore stockpiles – cost	3,567	1,343
Waste Stockpiles – cost	607	477
Diamond inventory – cost	2,634	533
Stores stock	353	384
Stores stock in transit	2	110
	<u>7,163</u>	<u>2,847</u>

Kimberley Diamonds Limited
Notes to the half year consolidated financial report
For the half year ended 31 December 2016

6. a) Property, plant and equipment

	PPE & Building & Infrastructure \$'000	Rehabilitation Asset \$'000	Mine Properties \$'000	Assets Under Construction \$'000	Establishment costs	Total PPE \$'000
Balance at 1 July 2016	19,781	408	9,509	95	760	30,553
Additions	503	-	88	44		635
Transfers	27	-	-	(27)		-
Unrealised FX Revaluation	886	21	540	5	-	1,452
Impairment	-	-	-	-	-	-
Disposals	(13)	-	-	-		(13)
Depreciation	(1,168)	(21)	(527)	-		(1,716)
Balance at 31 December 2016:	20,016	408	9,610	117	760	30,911
Cost	22,117	441	10,379	117	760	33,814
Impairment	-	-	-	-	-	-
Accumulated Depreciation	(2,101)	(33)	(769)	-		(2,903)
Balance at 31 December 2016	20,016	408	9,610	117	760	30,911

6 b) Exploration and evaluation assets

	31 December 2016 \$'000	30 June 2016 \$'000
Opening balance 1 July	430	3,253
Additions	-	15
Impairment	(166)	(1,605)
Disposal of Discontinued Operations	-	(1,375)
Reclassification from Receivables	-	153
Unrealised FX Revaluations	(3)	(11)
	261	430

During the six months ended 31 December 2016, the Group spent \$0.6m in cash (six months ended 31 December 2015: \$10.2m) on mine development, property, plant and equipment and nil (six months ended 31 December 2015: \$0.93m) on its exploration businesses.

Impairment assessment of non-current assets

In accordance with the Group's accounting policies and processes, non-financial assets are reviewed at each reporting period to determine whether there is an indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

The gross loss for the year is considered to be an indicator of impairment. Accordingly, the Group carried out recoverable amount assessments for all of its cash generating units ("CGUs").

KDL received its first independent valuation on 23 February 2016 of its 100% owned Lerala Diamond Mine in Botswana. The valuation was prepared by global mineral resource consultancy Venmyn Deloitte (Proprietary) Limited (**Venmyn Deloitte**).

Venmyn Deloitte has valued the Lerala Diamond Mine at A\$105 million. This valuation is an increase of 24% over KDL's previously-announced in-house valuation of A\$85 million.

12 months post this valuation, the directors' believe the independent valuation is reflective of the value of the asset. To support this, the directors' have prepared a value in use calculation and believe the revised conservative carrying value is fully recoverable.

Key assumptions used:

Item	Unit	Venmyn Valuation	KDL VIU Calculation
Tonnes Mined	Mt	33.47	33.31
Tonnes Processed	Mt	12.61	12.30
Carats Recovered	Mct	3.08	3.15
Starting Diamond Price	USD/ct	79	70
Average LOM selling price	USD/ct	82	79
Average LOM AUD:USD		0.59	0.63
Average OPEX	A\$/t processed	12.83	14.12
Life of Mine CAPEX*	A\$ million	22.3	29.2
Total Net Cash Flow	A\$ million	165	101
Discount Rate	%	10%	12%
Valuation Life of Mine (DCF)	A\$ million	93	40
Value of Resource outside LOM	A\$ million	12	-
Total Valuation	A\$ million	105	40

* CAPEX includes addition of Optical Sorter/changes to Pump 4 into the Lerala Plant Flow in KDL VIU calculation

7. Interest bearing loans and borrowings

	31 December 2016 \$'000	30 June 2016 \$'000
Interest bearing loans and borrowings	23,064	13,959
	23,064	13,959

As at 31 December 2016, KDL had debt of \$23.064 million including interest and borrowing costs, which matures within 12 months.

As previously reported on 30 June 2015, KDL entered into a loan agreement (**Loan Agreement**) with a third party lender, Zhejiang Huitong Auction Co Ltd (**Zhejiang**) for the provision of debt finance. \$13 million was received in total with \$1.7 million of debt converted to equity. \$0.8 million of interest has been capitalised with \$0.5 million converted to equity with closing debt position at \$11.605 million as at 31 December 2016.

KDL has secured a USD\$2.8 million working capital loan facility for the Lerala Diamond Mine with DDA. At December 31 2016, USD\$1.863 million had been drawn upon (AUD\$2.586 million at reporting date FX). The facility is secured by collateral of diamonds produced at the Lerala Diamond Mine.

There is further debt denominated in USD of USD\$6.025 million (AUD\$8.361 million at reporting date FX) and an AUD loan of AUD\$0.464 million. At reporting date, 3 scheduled repayments valued at USD\$1.477 million (AUD\$2.050 million at reporting date FX) per the loan agreements had not been made and terms are currently being renegotiated.

There is AUD\$0.443 million in interest liability as at 31 December and AUD(\$0.395) million in Loan costs capitalised to be amortised over the life of the relevant facilities.

8. Issued capital

	31 December 2016 \$'000	30 June 2016 \$'000
Fully paid ordinary shares – 169,320,465 shares (30 June 2016 : 160,987,132)	41,434	40,934

Movements in ordinary share capital

Details	No. of shares	\$'000
Balance at 1 July 2015	105,740,349	35,885
Issue of shares/Equity placement	-	-
Share options exercised	-	-
Share issue costs	-	-
Balance at 31 December 2015	105,740,349	35,885
Equity placement – cash received	33,205,581	3,321
Equity placement – debt to equity	22,041,202	2,204
Gain on conversion of debt	-	(476)
Other contributed equity	-	-
Balance at 30 June 2016	160,987,132	40,934

Movement in 1st half FY16

Equity placement – cash received	8,333,333	500
Share options exercised	-	-
Balance at 31 December 2016	169,320,465	41,434

9. Earnings per share

	Half year ended 31 December	
	2016	2015
	\$'000	\$'000
Profit/ (loss) after income tax	(7,521)	17,285
Non-controlling interest	-	-
Profit/ (loss) after income tax attributable to the owners of Kimberley Diamonds Ltd	<u>(7,521)</u>	<u>17,285</u>

	Half year ended 31 December	
	2016	2015
	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	164,635,781	104,945,444
Weighted average number of ordinary shares used in calculating diluted earnings per share	164,635,781	104,945,444
	Cents	Cents
Basic earnings per share	(4.57)	16.47
Diluted earnings per share	(4.57)	16.47

10. Contingent Liabilities

On 1 July 2015, the Company's former 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. On 22 June KDL announced that it had been served with an originating process and supporting affidavit in the Supreme Court of New South Wales by the liquidators of KDC. The liquidators have commenced proceedings against KDL and Alex Alexander, Noel Halgreen and Rodney Sainty (in their capacity as KDC directors) in respect of a number of claims relating to KDC, including alleged insolvent trading, alleged voidable transaction recovery proceedings and alleged breaches of director duties. The amount specifically claimed against KDL by the liquidators in the documentation received is approximately A\$22.7 million, plus costs and interest. There are also additional claims for unspecified amounts

KDL has been made aware of outstanding tax penalties of BWP 6 million (approximately A\$0.7 million) pertaining to the late payments of PAYE and OWHT for 2007, 2008, 2010, 2011, 2012, 2013 which was pre the acquisition of the Lerala Diamond Mine by KDL. The company is currently in the process of investigating these penalties and have been advised that they are likely to be incorrect.

KDL has identified potential rehabilitation liabilities not yet included due to the costs not being reliably measured at this point. This includes an estimated stripping cost of the plant of ZAR 8.5m (A\$0.862m) on rehabilitation. KDL is also unaware of the cost to rehabilitate the existing stockpile and pit footprint at this stage.

11. Other Income

	31 December	30 June
	2016	2016
	\$'000	\$'000
Other Income - Debt Forgiveness	343	-
Other Income – Establishment Fee JV	200	-
Interest received	2	15
	<u>545</u>	<u>15</u>

12. Discontinued Operations

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.

Loss after income tax expense from discontinued operations

	Half year ended 31 December	
	2016	2015
	\$'000	\$'000
Revenue	-	-
Expenses	-	-
Loss before income tax	-	-
Income tax expense	-	-
Loss after income tax expense	-	-
Gain on disposal before income tax	-	21,663
Income tax expense	-	-
Profit/ (loss) after income tax expense from discontinued operations	<u>-</u>	<u>21,663</u>

Details of the disposal

Half year ended 31 December

	2016	2015
	\$'000	\$'000
Total sale consideration	-	
Carrying amount of net liabilities disposed	-	21,663
Derecognition of foreign currency	-	
Disposal costs	-	
Gain on disposal before tax income	-	21,663
Income tax expense	-	
Gain on disposal after income tax	-	21,663

Carrying amounts of assets and liabilities disposed

Half year ended 31 December

	2016	2015
	\$'000	\$'000
Cash and cash equivalents	-	59
Trade and other receivables	-	5,050
Inventories	-	8,908
Other current assets	-	(3,644)
Property, plant and equipment	-	9,235
Other non-current assets	-	37
Total assets	-	19,645
Trade and other payables	-	14,408
Interest bearing liability	-	591
Provisions	-	26,309
Total liabilities	-	41,308
Net liabilities	-	(21,663)

	Half year ended 31 December 2016 \$'000	Half year ended 31 December 2015 \$'000
Net cash (used in) / from operating activities	-	-
Net cash (used in) / from investing activities	-	-
Net cash (used in) / from financing activities	-	-
Net cash (used in) / from deconsolidation	-	(59)
Net (decrease) / increase in cash and cash equivalents	-	(59)
Cash and cash equivalents at the beginning of the financial period	-	59
Effect of exchange rates on cash holdings in foreign currencies	-	-
Cash and cash equivalents at the end of the financial period	-	-

13. Events after the reporting period

On the 3rd and 5th January 2017, Shuren Zou provided the Company with a further loan of USD \$1.260 million (AUD \$1.736 million at receipt date FX per oanda) which has an interest rate of 10% with a repayment date of 30 December 2017.

On 24 January 2017, KDL announced that under a private placement the Company issued shares to Zhejiang in full satisfaction of the outstanding interest due of AUD \$0.285 million.

As at 30 January 2017, AUD\$0.561 million was fully received by private investor under the private placement announced on the 23 January 2017.

As at 31 January, a further USD \$0.200 million (AUD \$0.264 million at receipt date FX per oanda) was drawn down on the DDA working capital facility.

During January and February 2017, Liang Chen provided the Company with loans of USD \$1.330 million (AUD \$1.752m at receipt date FX per oanda). The loans have a repayment date of 30 June 2017 and have interest rates of 20%.

On 14 February 2017, Shuren Zou provided the company with a further loan of AUD \$1.000 million which has an interest rate of 15% with a repayment date of 15 October 2018.

The rights issue closed on 15 February raising AUD\$2.038 million.

On 20 February 2017, KDL shareholders voted "For" the delisting from the Official List of the ASX. The delisting is scheduled to be finalised on 21 March 2017.

During March 2017, Shuren Zou provided the Company with a loan of USD \$1.295 million (AUD \$1.683 million at receipt date FX per oanda). The loan has a repayment date of 31 July 2017 and has an interest rate of 10%.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

14. Related party disclosures

	Half year ended 31 December 2016 \$	Half year ended 31 December 2015 \$
Transactions with Related Parties:		
<i>The following transactions occurred with related parties</i>		
Office rent (received) from Summit Equities Pty Limited, a director related entity	-	(31,069)
Office rent (received) from Winmar Resources Limited, a director related entity	-	(33,000)
Payments from Summit Equities Pty Limited, a director related entity in relation to miscellaneous expenses paid on its behalf	-	(8,746)
Payments in relation to Office and travel expenses paid to Summit Equities Pty Limited, a director related entity	-	5,543
Commission for loan of funds paid to Summit Equities Pty Limited, a director related party	200,202	109,215
Commission and selling costs to DDA Trading, director related entity, for acting as selling agents for Kimberley Diamond Co Pty Ltd in 2015 Financial Year and selling agents for Lerala Diamond Mine in 2016	218,041	-
Amount payable/ (receivable) from Related Parties:		
Commission for loan of funds paid to Summit Equities Pty Limited, a director related party	200,202	109,215
Commission and selling costs paid to DDA Trading, director related entity, for acting as selling agents for Kimberley Diamond Co Pty Ltd	218,041	-
Office rent (receivable) from Winmar Resources Limited, a director related entity. \$66k represents a rent prepayment for future financial year, \$5.5k from current financial year	-	(5,500)
Loans from Related Parties		
Working Capital Facility between Lerala Diamond Mine and DDA Trading, director related entity, USD2.8m available	1,863,446	-

Compensation of key management personnel

	Half year ended 31 December 2016 \$	Half year ended 31 December 2015 \$
Short-term employee benefits	942,303	1,000,859
Post-employment benefits	57,466	56,895
Termination benefits	-	-
Long-term employee benefits	42,862	-
Share-based payments	-	-
Total compensation	1,042,630	1,057,754

Interests held by key management personnel

i) Options over ordinary shares in Kimberley Diamonds Ltd

Grant Date	Vesting date and exercisable date	Expiry date	Exercise price	Number under option
28 th April 2016	28 th April 2016	28 th April 2019	\$0.20	5,000,000
3 rd June 2016	3 rd June 2016	3 rd June 2018	\$0.20	1,000,000
3 rd June 2016	3 rd June 2016	3 rd June 2018	\$0.20	1,000,000
3 rd June 2016	3 rd June 2016	3 rd June 2018	\$0.20	1,300,000
				8,300,000

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

Kimberley Diamonds Limited
Directors Declaration
For the half year ended 31 December 2016

In the Director's opinion:

- the attached half year consolidated financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting';
- the attached half year consolidated financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and
- subject to achieving the matters set out in note 1 to the financial report, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors



Alexandre Alexander
Executive Chairman
Sydney, 31 March 2017

**Independent auditor's review report
To the members of Kimberley Diamonds Limited
31 December 2015**

Independent Auditor's Review Report



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kimberley Diamonds Limited

Report on the Half-Year Financial Report

We were engaged to review the accompanying half-year financial report of Kimberley Diamonds Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on conducting our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*.

However, because of the matters described in the basis for disclaimer of conclusion paragraph, we were not able to obtain sufficient appropriate evidence to provide a basis for expressing a conclusion on the half-year financial report.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kimberley Diamonds Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Basis for disclaimer of conclusion

Carrying value of property plant and equipment

Included in the half-year financial report of Kimberley Diamonds Limited are property, plant and equipment of \$30.911M. We were unable to obtain sufficient appropriate evidence as to the carrying value of property, plant and equipment as the Directors did not provide an assessment of the recoverable amount prepared in accordance with Australian Accounting Standards. We were unable to satisfy ourselves by alternative means as to the carrying value of the consolidated entity's property, plant and equipment as at 31 December 2016.

**Independent auditor's review report
To the members of Kimberley Diamonds Limited
31 December 2015**



As a result of the matters outlined above we were unable to determine whether any adjustments might have been found necessary in respect of the carrying value of property, plant and equipment, and any subsequent impact on the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows.

Comparability of the current period's and the corresponding figures

On 1 July 2015 the directors of Kimberley Diamonds Limited's wholly owned subsidiary, Kimberley Diamond Company Pty Limited ('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 subsequent liquidators) and are not available to the directors. Accordingly, the financial report for the period ended 30 June 2016 was prepared by the Directors without the benefit of complete information being available for KDC and its subsidiaries.

As a result of the matters outlined above we were unable to determine whether any adjustments might have been necessary in respect of the amounts relating to KDC and its subsidiaries included in the financial performance and cash flows for the year ended 30 June 2016. Whilst we were satisfied with the material accuracy of amounts recorded in the consolidated statement of financial position at 30 June 2016, the impact of the amounts relating to KDC and its subsidiaries in the opening balances and the calculation of the \$21.663M gain relating to the discontinuation of KDC and its subsidiaries on the that period's financial performance and cash flows prevented us from forming an opinion on the financial report taken as a whole. Our audit opinion on the financial report for the period ended 30 June 2016 was disclaimed accordingly. Our conclusion on the current period's financial report is also modified because of the possible effect of this matter on the comparability of the current period's and the corresponding figures.

Disclaimer of conclusion

Due to the significance of the matters described in the basis for disclaimer of conclusion paragraph, we were unable to obtain sufficient appropriate evidence to form a conclusion on the accompanying half-year financial report. Accordingly, we do not express a conclusion on this financial report.

BDO East Coast Partnership

A handwritten signature in black ink that reads 'Gareth Few'. The signature is written in a cursive, flowing style.

Gareth Few

Partner

Sydney, 31 March 2017

**Auditor's Independence Declaration
To the members of Kimberley Diamonds Limited
31 December 2015**

Auditor's Independence Declaration



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DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF KIMBERLEY DIAMONDS LIMITED

As lead auditor for the review of Kimberley Diamonds Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kimberley Diamonds Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Gareth Few'. The signature is written in a cursive style with a large, looped 'G' and 'F'.

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 31 March 2017