DIAMONEX LIMITED
AND CONTROLLED ENTITIES

ABN 26 091 951 978

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2012

Your Directors present their report of the Company and its controlled entities for the year to 30 June 2012.

DIRECTORS

The Directors of the Company during or since the end of the financial year are listed below. During the year there were 7 meetings of the full Board of Directors. The meetings attended by each Director were

DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED
D.C. O'Neill	7	7
P.A. Crawford	7	6
P. van Riet-Lowe	7	7
W. Osterberg	7	7
L.T. Siwawa	7	6
J. G. Allan	7	7
M. N. Gray (Appointed 22 July 2011)	7	7

COMPANY SECRETARY

Mr Paul Crawford resigned as Company Secretary on 22 July 2011. Mr Stewart McIntosh and Mr Hugh Lennerts were appointed on 22 July 2011. Mr Lennerts resigned on 4 November 2011. Mr McIntosh has since resigned and Mr Paul Crawford appointed Company Secretary on 22 August 2012. Mr Crawford is a CPA and holds accounting, company secretarial and business law qualifications. He has been Company Secretary and a Director of the Company since its incorporation.

PRINCIPAL ACTIVITY

The economic entity had previously developed a diamond mine in Botswana. During the financial year the economic entity's principal activity has been working on a Recovery Plan with its financiers.

OPERATING AND FINANCIAL REVIEW

Operating Results

The entity's consolidated operating loss for the financial year after applicable income tax was $523,000 (2011: $2,023,146 loss).

Review of Operations

During the financial year to 30 June 2012, the Company continued efforts to restructure its balance sheet with a view to recapitalising the Company and seeking the reinstatement of the Company's shares on ASX.

The sale of DiamonEx Botswana Limited (BDL) to Mantle Diamonds Plc (Mantle) in April 2011 eliminated the majority of the Company's debt. Under the sale agreement, Mantle withheld 10% of the sale consideration for a period of six months to cover potential warranty claims. During the retention period, Mantle lodged an initial estimate of claims. Mantle agreed to allot the shares component of the sale consideration withheld. The cash component has been retained by Mantle pending settlement of the warranty claim. The Company has since agreed a warranty claim settlement amount of US$125,000. The balance of the retention funds of US$375,000 will be claimed as soon as the remaining condition precedent of the sale agreement is finalised.

Following the Company's distribution of the Mantle withholding shares to bondholders, the final security for the convertible capital notes was released.

During the year, Directors assessed the acquisition of a number of projects in Botswana and elsewhere. In November 2011 entered into a binding agreement with Shumba Resources Limited to acquire all the shares in Sechaba Natural Resources (Pty) Limited which held three coal prospecting licences in Botswana. However, the extremely difficult and turbulent global financial market conditions at the time, made it impossible to secure the required funding to finance the transaction and the agreement was terminated as a result.

DiamonEx executed a Deed of Loan and Security for US$250,000 with Flamenco (Pty) Ltd to fund this project. As at 30 June 2012 the Company had an unsecured loan from Flamenco of US$250,000 and an unsecured loan to Shumba Resources Limited of US$250,000. These assets and liabilities were extinguished in December 2012 by the execution of a Tri-parte Deed of Novation.

The Directors have been working through a number of restructuring options for some time. The Company is assembling a portfolio of exploration assets as it intends recommencing its previous exploration and development activities.

The Company has lodged prospecting licence applications over prospective diamond ground with the Geological Survey of Botswana and is in discussion with other parties over additional exploration assets.

Since the end of the financial year, the Company has also entered into a Heads of Agreement with Azimuh Investments (Pty) Ltd to acquire a majority interest in Prospecting Licences PL 204/2012 and PL 205/2012 located in north central Botswana. Under the terms of the proposed joint venture, DiamonEx may earn a 51% interest in the Prospecting Licences by spending Pula 4 Million (A$500,000) on exploration over a 2 year period and can earn up to 75% over the next 2 years by investing a further Pula 12 Million (A$1.5 million).

Since the end of the financial year, the Company has entered into a conditional funding agreement to underwrite a A$2 million capital raising, to be undertaken through a placement of shares to a number of existing shareholders and other professional and sophisticated investors.

GOING CONCERN & FINANCIAL POSITION

At 30 June 2012 the economic entity has a deficiency of net assets of $132,602 (2011:$ 103,993). The financial statements have been prepared on the basis that the economic entity is a going concern.

As reported previously the economic entity encountered significant financial difficulties as a result of the impact of the global financial crisis in late 2008. Since then the Company has been working with financiers, other creditors and stakeholders on a recovery plan and re-structuring. At balance date the economic entity and the parent entity have incurred significant losses and have negative net equity. The economic entity and the parent entity continue to have the ongoing financial support of the financiers and other creditors.

The ability of the economic entity and the parent entity to continue as a going concern is dependent on the collection of amounts receivable which are owed to the Company, the ongoing financial support of the financiers and other creditors, and achievement of the recovery plan and re-structuring. On the basis of these matters and the status of the recovery plan and re-structuring, the directors have prepared the financial statements on a going concern basis. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary if the economic entity and parent entity could not continue as a going concern.

The ability of the economic entity and the parent entity to continue as a going concern beyond the period of finalisation of the recovery plan/re-structuring will depend on attaining new forms of finance (either equity or debt). Directors are confident that new funding initiatives will be successful. On the expectation of obtaining the necessary funding the directors have prepared the financial statements on a going concern basis.

INFORMATION ON DIRECTORS

The names and qualifications of current Directors are summarised as follows

Peter van Riet Lowe	**Non Executive Chairman**
Qualifications	B Com (Hons) (Econ), B Compt (Hons) (Acc.Sci),ACMA, IMC, FCA (Botswana)
Experience	Appointed to the Board on 4/11/2009. Over 30 years experience in accounting and financial services. Founded the Fleming Group in 1992

	which has approximately US$1.2 billion under management
Interest in Shares	Currently holds 127,700 ordinary shares
Directorships in Other Listed Companies	Chobe Holdings Limited (Botswana)
Wayne Osterberg	**Director (Non Executive)**
Qualifications	BA LLB MBA
Experience	Appointed to the Board on 4/11/2009. Practised law in Zimbabwe before entering stockbroking as an analyst in 1997. Thirteen years experience in the capital markets of Southern Africa and Australia. Currently Chief Operating Officer of Fleming Asset Management Botswana
Interest in Shares	Currently holds 60,000 ordinary shares
Dennis C O'Neill	**Director (Executive)**
Qualifications	Bachelor of Science - Geology
Experience	Board member since 2000, 30 years experience in exploration project and corporate management
Interest in Shares	Founding shareholder and currently holds 9,890,429 ordinary shares and 1,000,000 options
Directorships in Other Listed Companies	Altura Mining Limited
Paul A Crawford	**Director (Executive)**
Qualifications	Bachelor of Business – Accountancy; CPA; Master of Financial Management; Graduate Diploma in Business Law; Graduate Diploma in Company Secretarial Practice.
Experience	Board member since 2000; 28 years experience in accounting and commercial management, Principal of corporate consultancy firm.
Interest in Shares	Founding shareholder and currently holds 36,473,225 ordinary shares.
Directorships in Other Listed Companies	ActivEX Limited
Leonard T. Siwawa	**Director (Non Executive)**
Qualifications	Bachelor of Science in Actuarial Science & Master of Science in Actuarial Management.
Experience	Appointed to the Board on 19/11/2010. Mr. Siwawa has considerable experience in investment fund management, covering both debt and equity instruments.
Interest in Shares	Nil
Directorships in Other Listed Companies	Nil
James G. Allan	**Director (Non Executive)**
Qualifications	BSc. Eng (Mining); MBA
Experience	Appointed to the Board on 24/3/2011. Mr. Allan is based in Johannesburg and MD of a corporate advisory company concentrating on the mining sector.

Interest in Shares	Nil
Directorships in Other Listed Companies	Nil
Mark N. Gray	**Director (Non Executive)**
Qualifications	LLB
Experience	Appointed to the Board on 22/7/2011. Mr. Gray has considerable experience in corporate law and finance, with the last 10 years in the junior mining and resources sector in Australia and Africa.
Interest in Shares	Nil
Directorships in Other Listed Companies	Nil

REMUNERATION REPORT

This report details the nature and amount of remuneration of each Director and other key executive personnel.

The current financial position of the Company has resulted in the suspension of a number of remuneration arrangements. The Company's remuneration policy ordinarily seeks to align Director and executive objectives with those of shareholders and business, while at the same time recognising the development stage of the Company and the criticality of funds being utilised to achieve development objectives. The Board believes that the current policy has been appropriate and effective in achieving a balance of objectives.

The remuneration structure for executive officers including executive Directors is based on a number of factors including length of service, particular experience of the individual concerned and overall performance of the group.

The Company's policy for determining the nature and amount of remuneration of board members and senior executives of the Company is as follows:

The remuneration policy setting the terms and conditions for the executive Directors was developed by and approved by non-executive Directors. Historically, Executive Directors receive a base salary, superannuation and fringe benefits and in prior years equity based performance remuneration. Superannuation payments consist of the 9% superannuation guarantee contribution. Individuals may elect to salary sacrifice part of their salary to increase payments towards superannuation. No other form of retirement benefit is paid. The current financial position of the Company has resulted in the limitation of executive appointments.

The Board policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amounts of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting and are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company. The maximum aggregate amount of fees that can be paid to non-executive Directors approved by shareholders is currently $100,000.

The Company's remuneration policy provides for long term incentives through participation in the Company's Employee and Officers Share Option Plan. Further details on options issued under the Plan are set out in Note 15 in the financial statements. In the current financial circumstances use of this Plan is limited. However, a separate equity based performance remuneration arrangement was in existence during the year in respect of Mr Mark Gray (see below). During the current year, Mr Gray held the equivalent position of Chief Executive Officer under a fixed contract.

The Board of Directors is responsible for determining and reviewing the Company's remuneration policy, remuneration levels and performance of both executive and non executive Directors. Independent external advice will be sought when required. However, no remuneration consultants were engaged during the year.

No Non-executive Directors fees have accrued since 31 December 2008, prior to the Company seeking a suspension from trading on the ASX and the BSE. Fees and post employment benefits owing to the non-executive Directors at that time were settled during the prior year in the form of the issue of shares.

Non-executive directors have agreed to waive Directors' fees up to the completion of the Recovery Plan. If the parent entity re-lists on the Australian Stock Exchange, fees will be paid to Directors in relation to meeting held since the restructuring plan was approved by shareholders at the general meeting held in March 2011. Fees payable will be calculated on the basis of $3,000 per meeting for non-executive directors and $5,000 per meeting for the Chairman. At the date of this report, the contingent liability is $155,000.

The remuneration of each Director and specified executive officers of the consolidated entity during the year were as follows:

2012	**Short-term Benefits**		**Post Employment Benefits Superannuation**	**Equity Settled Options**	**Total**
Key Management Personnel	**Fees and/or Salary**	**Non-Cash Benefits**			
	$	**$**	**$**	**$**	**$**
P Van Riet Lowe (i)	-	-	-	-	-
W Osterberg (i)	-	-	-	-	-
L Siwana (i)	-	-	-	-	-
D O'Neil (i)	-	-	-	-	-
P Crawford (i)	-	-	-	-	-
J Allan (i)	-	-	-	-	-
M Gray (ii,iii)	102,000	-	-	-	102,000
H Lennerts (iii)	-	-	-	-	-
S McIntosh (iii)	-	-	-	-	-
	102,000	-	-	-	102,000

2011	**Short-term Benefits**		**Post Employment Benefits Superannuation**	**Equity Settled Options**	**Total**
Key Management Personnel	**Fees and/or Salary**	**Non-Cash Benefits**			
	$	**$**	**$**	**$**	**$**
P Van Riet Lowe (i)	-	-	-	-	-
W Osterberg (i)	-	-	-	-	-
L Siwana (i)	-	-	-	-	-
D O'Neil (i)	-	-	-	15,199	15,199
P Crawford (i)	-	-	-	-	-
J Allan (i)	-	-	-	-	-
M Gray (ii)	18,700	-	-	-	18,700
	18,700	-	-	15,199	33,899

(i) Non executive Director

(ii) Chief executive officer, appointed 1 May 2011

(iii) Appointed 22 July 2011

Following are employment details of persons who were key management personnel of the group during the financial period.

Key Management Personnel	Position held & change during period	Contract Details	Proportion of Remuneration: Related to performance	Proportion of Remuneration: Not related to performance	Total
			Options	Salary & Fees	
P van Riet-Lowe	Non-executive Chairman	No fixed term, termination as provided by Corporations Act	-	100%	100%
W Osterberg	Non-executive Director	No fixed term, termination as provided by Corporations Act	-	100%	100%
D O'Neil	Non-executive Director	No fixed term, termination as provided by Corporations Act	-	100%	100%
P Crawford	Non-executive Director Company Secretary ceased 22 July 2011	No fixed term, termination as provided by Corporations Act	-	100%	100%
L Siwana	Non-executive Director - appointed 19 November 2010	No fixed term, termination as provided by Corporations Act	-	100%	100%
J Allan	Non-executive Director - appointed 24 March 2011	No fixed term, termination as provided by Corporations Act	-	100%	100%
M Gray	CEO – appointed 1 May 2011, ceased 30 June 2012 Non-executive Director - appointed 22 July 2012	Initial term of 6 months, notice to terminate of 3 months'	-	100%	100%
H Lennerts	Company Secretary from 22 July 2011 to 4 November 2011	No fixed term, engaged by SG Corporate Pty Ltd	-	100%	100%
S McIntosh	Company Secretary from 22 July 2011	No fixed term, engaged by SG Corporate Pty Ltd	-	100%	100%

The terms of appointment of the Non-executive Directors provide for the payment of fixed directors' fees in the event that the Company relists on the Australian Securities Exchange.

Options granted as remuneration

No options were granted as remuneration in the current year. In the 2007 financial year 1,000,000 share options were granted to executive directors to take up ordinary shares at an exercise price of $0.35 each. The options were exercisable on or before 30 November 2011. The options expired unexercised.

Employment Contract of Key Management Personnel

The service conditions for Chief Executive Officer Mark Gray were formalised in an Executive Engagement Agreement ("Agreement") between the Company and Gray Corporate Advisory Pty Ltd, a company controlled by Mr Gray. Under the Agreement Mr Gray was engaged for an initial period of six months, extendable at the option of DiamonEx.

The Agreement provides for a base retainer of $8,500 per month and can be terminated by either party giving three months' notice. No additional leave or superannuation entitlements are payable under the Agreement.

In addition, the Agreement provided for the issue of DiamonEx shares to Gray Corporate Advisory Pty Ltd equal to 1% of the total number of ordinary shares the Company has on issue upon completion of the following:

- The recapitalisation of the Company sufficient to enable the suspension of the Company's shares to be lifted; and
- The acquisition of or investment in a new project to again enable the suspension of the Company's shares to be lifted; and
- The re-quotation of the Company's shares on the ASX.

This Agreement was terminated effective 30 June 2012. There are no residual entitlements to any issues of shares pursuant to the proposed restructuring of the Company.

DIVIDENDS

No dividends were declared or paid during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The economic entity's activities have been focussed on the continuing implementation of the Recovery Plan. Significant changes during the year include:

- Mantle Diamonds Plc. allotted the shares component of the sale consideration withheld to DiamonEx. The shares were distributed to bondholders in partial settlement of the amount outstanding in relation to the convertible capital notes previously issued.
- The Company agreed with parties funding the reconstruction that the proposed repayment of the cash component of the Mantle withholding of DBL sale proceeds (US$500,000) will be retained by the Company. The Company issued 25,000,000 shares to bondholders in final settlement of the amount outstanding in relation to the convertible capital notes previously issued.
- Mantle lodged a warranty claim in relation to their acquisition of DBL. A settlement was agreed with Mantle for a claim of US$125,000. The remaining US$375,000 is payable on satisfaction of the final condition of the sale agreement.
- The security for the convertible capital notes was released.

Further details are provided in the Operating and Financial Review above.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Since the end of the financial year, the economic entity's activities have been focussed on the continuing implementation of the Recovery Plan as set out in Operating and Financial Review above.

Key events since balance date have been:

- Ongoing financial support from Messrs Crawford and O'Neill of $25,000 each, pursuant to the recapitalisation of the Company.
- The Company has also entered into a Heads of Agreement with Azimuh Investments (Pty) Ltd on 23 September 2012 to acquire a majority interest in Prospecting Licences PL 204/2012 and PL 205/2012 located in north central Botswana. Under the terms of the proposed joint venture, DiamonEx may earn a 51% interest in the Prospecting Licences by spending Pula 4 Million (A$500,000) on exploration over a 2 year period and can earn up to 75% over the next 2 years by investing a further Pula 12 Million (A$1.5 million).
- In December 2012, the Company entered into conditional agreements with parties, including Messrs Crawford and O'Neill to underwriting a $2,000,000 (1,000,000,000 shares) capital raising as part of the Company's Recovery Plan, with a further 27,000,000 shares as underwriter fees.
- The Company lodged prospecting licence applications over prospective diamond ground with the Geological Survey of Botswana.
- In December 2012 the Company entered into a Tri-parte Deed of Novation with Flamenco (Pty) Ltd and Shumba Resources Limited whereby the Company transferred all its rights in the Shumba loan to the Botswana Public Officers Pension Fund in satisfaction of the US$250,000 owed to Flamenco.
- The Company is to issue a Notice of Meeting for the Annual General Meeting in April 2013. Matters to be presented as resolutions include share placements, underwriting agreements and underwriter fees. These matters have been disclosed as subsequent events.

Other than as set out in this report and the attached financial statements no matters or circumstances have arisen since 30 June 2012, which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

LIKELY DEVELOPMENTS

Since balance date, the economic entity's activities have been focussed on the implementation of the Recovery Plan, as discussed above.

ENVIRONMENTAL REGULATION

The Company's is not subject to any significant environmental regulation under the law of the Commonwealth and a State or Territory.

SHARE OPTIONS

At the date of this report there are no unissued ordinary shares of the Company under option.

No options have been issued or exercised during the financial year or since year end to the date of this report.

Options on issue at the start of the financial year that have expired or lapsed at the date of this report are:

- 1,000,000 granted to Directors having a grant date of 30 November 2006, expiry date of 30 November 2011 and an exercise price of $0.35.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since the end of the reporting period.

INDEMNIFICATION OF DIRECTORS AND AUDITORS

The economic entity has paid insurance premiums to indemnify each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company The contracts include a prohibition on disclosure of the premium paid and nature of the liabilities covered under the policy.

The Company has not given an indemnity or entered into any agreement to indemnify, or paid or agreed to pay insurance premiums in respect of any person who is or has been an auditor of the Company or a related body corporate during the year and up to the date of this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability the Directors of DiamonEx Limited support and where practicable or appropriate have adhered to the ASX Principles of Corporate Governance. The Company's Corporate Governance statement is contained within this annual report.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

There are no non-audit services provided by the auditors in the current financial year.

Signed in accordance with a resolution of the Directors.

Dennis O'Neill	**Paul Crawford**
Director	**Director**

Signed: 28 February 2013

Brisbane, Queensland

Hayes Knight
Accountants, Advisors & Auditors

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Lead Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001

To the Directors of DiamonEx Limited

As lead auditor for the audit of DiamonEx Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions to the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of DiamonEx Limited and the entities it controlled during the year.

Hayes Knight Audit (Qld) Pty Ltd.

Hayes Knight Audit (Qld) Pty Ltd

AM Robertson

A M Robertson
Director

Date: 28 February 2013

DIAMONEX LIMITED

ABN 26 091 951 978

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards; and

   (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance of the economic entity for the year ended on that date.

2. The Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Dennis O'Neill **Director**	**Paul Crawford** **Director**

Dated this: 28th day of February 2013

DIAMONEX LIMITED
ABN 26 091 951 978

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

	Note	Economic Entity 2012 $	2011 $
Revenue and other income	2	-	1,766,962
Less expenses:			
Administrative expenses		(380,358)	(267,905)
Restructure costs		-	(675,678)
Employee benefit expense		(2,265)	(54,580)
Warranty claim on sale of available for sale investments		(122,147)	-
Finance costs		-	(829,444)
Foreign exchange gains (losses)		(18,230)	1,322,590
Loss on disposal of available for sale investments		-	(755,644)
Write (off)/back of impairment to subsidiaries		-	(2,529,447)
Loss before income tax	3	(523,000)	(2,023,146)
Income tax expense	4	-	-
Loss from continuing operations for the year		(523,000)	(2,023,146)
Loss for the year		(523,000)	(2,023,146)
Other comprehensive income			
Exchange differences on translation of foreign controlled entities		(5,609)	24,868
Other Comprehensive income for the year net of tax		(5,609)	24,868
Total comprehensive loss attributable to members		(528,609)	(1,998,278)
Earnings per Share			
Overall operations			
Basic earnings per share (cents per share)	6	(0.07)	(0.90)
Diluted earnings per share (cents per share)	6	(0.07)	(0.90)
Continuing operations			
Basic earnings per share (cents per share)	6	(0.07)	(0.90)
Diluted earnings per share (cents per share)	6	(0.07)	(0.90)
Dividends per share (cents per share)		-	-

The accompanying notes form part of these financial statements.

DIAMONEX LIMITED
ABN 26 091 951 978

STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

		Economic Entity	
	Note	**2012**	**2011**
		$	**$**
CURRENT ASSETS			
Cash and cash equivalents	8	65,359	505,985
Trade and other receivables	9	633,363	1,012,873
Other	10	-	10,097
Total Current Assets		698,722	1,528,955
TOTAL ASSETS		698,722	1,528,955
CURRENT LIABILITIES			
Trade and other payables	12	476,745	650,503
Borrowings	13	354,579	982,445
Total Current Liabilities		831,324	1,632,948
TOTAL LIABILITIES		831,324	1,632,948
NET ASSETS		(132,602)	(103,993)
EQUITY			
Issued capital	14	48,039,511	47,539,511
Reserves	16	(4,274,093)	(4,268,484)
Accumulated losses		(43,898,020)	(43,375,020)
TOTAL EQUITY		(132,602)	(103,993)

The accompanying notes form part of these financial statements.

DIAMONEX LIMITED
ABN 26 091 951 978

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2012

	Note	Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Total
		$	$	$	$	$
Balance at 1 July 2010		39,033,979	(41,351,874)	(4,554,351)	245,800	(6,626,446)
Loss attributable to members of entity		-	(2,023,146)	-	-	(2,023,146)
Other comprehensive income for period		-	-	-	24,868	-
Total comprehensive income (loss)		-	(2,023,146)	24,868	-	(1,998,278)
Shares issued during the period	14	8,505,532	-	-	-	8,505,532
Share based payment - employee share options expense		-	-	-	15,199	15,199
Balance at 30 June 2011		47,539,511	(43,375,020)	(4,529,483)	260,999	(103,993)
Loss attributable to members of entity		-	(523,000)	-	-	(523,000)
Other comprehensive income for period		-	-	-	(5,609)	-
		-			-	
Total comprehensive income (loss)		-	(523,000)	(5,609)	-	(528,609)
Shares issued during the period	14	500,000	-	-	-	500,000
Share based payment - share options expense		-	-	-	-	-
Balance at 30 June 2012		48,039,511	(43,898,020)	(4,535,092)	260,999	(132,602)

The accompanying notes form part of these financial statements.

DIAMONEX LIMITED
ABN 26 091 951 978

STATEMENT OF CASH FLOWS
for the year ended 30 June 2012

	Note	Economic Entity 2012 $	Economic Entity 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(544,155)	(795,327)
Interest received		-	1,644
Finance costs		-	(829,444)
Net cash provided by (used in) operating activities	17	(544,155)	(1,623,127)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to external parties		(244,293)	-
Net proceeds from sale of available for sale investments		-	975,167
Advances to group entities		-	(2,039,763)
Net cash provided by (used in) investing activities		(244,293)	(1,064,596)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		356,405	2,635,642
Proceeds from issue of shares		-	500,000
Net cash provided by (used in) financing activities		356,405	3,135,642
Net increase (decrease) in cash held		(432,043)	447,919
Cash at beginning of financial year		505,985	58,379
Effect of exchange rates on cash holdings in foreign currencies		(8,583)	(313)
Cash at end of financial year	8	65,359	505,985

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards, Australian Accounting Interpretations and other authoritive pronouncements of the Australian Accounting Standards Board.

The financial report covers the economic entity of DiamonEx Limited and controlled entities ("group"). DiamonEx Limited is a listed public company, incorporated and domiciled in Australia. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical cost modified, where applicable, by measurement at fair value of selected non-current assets, financial assets and liabilities.

Separate financial statements for DiamonEx Limited as an individual entity are not presented following a change to the Australian *Corporations Act 2001*. However, financial information required for DiamonEx Limited as an individual entity in included in Note 25.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

Going Concern Basis

The financial statements have been prepared on the basis that the parent and consolidated entity is a going concern.

As reported previously the economic entity encountered significant financial difficulties as a result of the impact of the global financial crisis in late 2008. Since then the Company has been working with financiers, other creditors and stakeholders on a recovery plan and re-structuring. At balance date the economic entity and the parent entity have incurred significant losses and have negative net equity. The economic entity and the parent entity continue to have the ongoing financial support of the financiers and other creditors.

The ability of the economic entity and the parent entity to continue as a going concern is dependent on collection of amounts receivable which are owing to the Company, the ongoing financial support of the financiers and other creditors, and achievement of the recovery plan. On the basis of these matters and the status of the recovery plan and restructuring, the directors have prepared the financial statements on a going concern basis. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary if the economic entity and parent entity could not continue as a going concern.

The ability of the economic entity and the parent entity to continue as a going concern beyond the period of finalisation of the recovery plan and restructuring will depend on attaining new forms of finance (either equity or debt). Directors are confident that new funding initiatives will be successful. On the expectation of obtaining the necessary funding the directors have prepared the financial statements on a going concern basis.

Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by DiamonEx Limited at the end of the reporting period. A controlled entity is any entity over which DiamonEx Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year. Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Where controlled entities have entered or left the group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 11 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Impairment of Assets

At each reporting date, the economic entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not practicable to estimate the recoverable amount of an individual asset the economic entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

The economic entity does not designate any interests in subsidiaries as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

iii. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default

Foreign Currency Transactions and Balances

Functional and presentation currency:

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Group companies:

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

Employee Benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred.

Equity Settled Payments

The parent entity has issued equity settled payments for services rendered by executives, employees and external parties. The fair value of options granted (measured at grant date) is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the services rendered or options granted.

Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of less than 3 months, and bank overdrafts.

Issued Capital

Ordinary shares are classified as equity. Transaction costs (net of tax, where the deduction can be utilised) arising on the issue of ordinary shares are recognised in equity as a reduction of the share proceeds received.

Where share application monies have been received, but the shares have not been allotted, these monies are shown as a payable in the statement of financial position.

The equity component of compound financial instruments issued by the group is determined in accordance with the substance of the contractual arrangement.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

Interest revenue is recognised using the effective interest method.

Borrowing Costs

All borrowing costs are recognised in income in the period in which they are incurred.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the Australian Tax Office or the Botswana Unified Tax Office. In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST/VAT.

Cash flows are presented in the statement of cashflows on a gross basis except for the GST component of investing activities which are disclosed as operating cash flow.

Comparative Figures and Financial Period

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Earnings per Share (EPS)

Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the parent entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the economic entity.

Key estimates/judgments taken in preparation of the financial statements are:

- Going concern basis - see comments at note 1.
- Carrying value of receivables - as outlined in note 9, the deferred sale consideration receivable is recoverable in foreign currency and is subject to a warranty claim.

New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing 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;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The amendments are not expected to significantly impact the Group.

AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the Group.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The amendments are not expected to significantly impact the Group.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed). The amendments are not expected to significantly impact the Group.

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 17, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Group.

AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Group.

AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB101, AASB124, AASB134, AASB1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) for an offer that may be withdrawn – when the employee accepts;

(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

(iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The amendments are not expected to significantly impact the Group.

AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets and Financial Liabilities': Principally amends AASB 7 'Financial Instruments: Disclosures' to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position

AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities': Adds application guidance to AASB 132 'Financial Instruments: Presentation' to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement

AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle': Makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: repeat application of AASB 1 is permitted (AASB 1); and clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 'Presentation of Financial Statements'), and

AASB 1048: Interpretation of Standards (revised)': Identifies the Australian Interpretations and classifies them into two groups: those that correspond to an IASB Interpretation and those that do not. Entities are required to apply each relevant Australian Interpretation in preparing financial statements that are within the scope of the Standard. The revised version of AASB 1048 updates the lists of Interpretations for new and amended Interpretations issued since the June 2010 version of AASB 1048

AASB 2012-2: AASB 2012-4 and AASB 2012-5 apply to annual reporting periods beginning on or after 1 January 2013. AASB 2012-3 applies to annual reporting periods beginning on or after 1 January 2014. AASB 1048 applies to annual reporting periods ending on or after 30 June 2012. Earlier application of the Standards is permitted, with some conditions.

The amendments are not expected to significantly impact the Group.

NOTE 2: REVENUE AND OTHER INCOME - CONTINUING OPERATIONS

	2012	2011
Other income:	**$**	**$**
Interest received from other persons	-	1,644
Release of guarantee (see note 14)	-	1,765,318
Total revenue and other income	-	1,766,962

The release of guarantee in the 2011 financial year relates to the Company's guarantee of a loan facility for its subsidiary DiamonEx Botswana Limited.

NOTE 3: PROFIT/(LOSS) FOR THE YEAR - CONTINUING OPERATIONS

	2012	2011
Included in expenses are the following significant items:	**$**	**$**
Foreign currency translation losses/(gains)	18,230	(1,322,590)
Warranty claim on sale of available for sale investments (a)	122,147	-
(Profit)/Loss on disposal of available for sale investments (b)	-	755,644
Impairment expense/(write-back) to subsidiary (b)	-	(2,529,447)
Finance costs:		
- interest paid and payable to external parties	-	829,444

(a) The warranty claim represents US$125,000 economic damages claim from the purchase of the Company's subsidiary, DiamonEx Botswana Limited. The claim relates to additional costs incurred by purchaser to repair the mine's water pipeline.

(b) These prior year amounts relate to the sale of the wholly owned subsidiary, DiamonEx Botswana Limited, as fully detailed in the 2011 financial statements.

NOTE 4: INCOME TAX EXPENSE

The prima facie tax on loss from ordinary activities is reconciled to the income tax as follows:

	2012 $	2011 $
Prima facie tax payable/(benefit) on loss from ordinary activities before income tax at 30% (2011: 30%).	(156,900)	(606,944)
Adjust for tax effect of:		
Tax losses and temporary differences not brought to account	156,895	460,492
Non-allowable items	-	145,158
Effects of different tax rates on foreign tax losses / (gains)	5	1,294
Income tax expense/(benefit) attributable to entity	-	-

Following the disposal in the prior year of DiamonEx Botswana Limited, the economic entity has realised significant tax losses on both revenue and capital accounts. These losses, together with losses in prior years, are unconfirmed and have not been brought to account because recovery is not yet considered probable.

The weighted average tax rate is nil, due to losses.

The tax benefits will only be obtained if the conditions in note 1 are satisfied and if:

(a) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(b) the economic entity continues to comply with the conditions for deductibility imposed by the relevant tax legislation; and

(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for losses.

The amount of such benefits has not been disclosed due to the complexities of their calculation under relevant Australian legislation. Also the economic entity has USA carry forward losses which are quarantined under Australian tax legislation and are only available to be offset against future taxable income derived in USA.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY

(a) The names of key management personnel of the parent and economic entity who held office during the financial year are:

Key Management Person	Position
Peter van Riet-Lowe	Chairman - Non-Executive
Dennis C. O'Neill	Director - Non-Executive
Paul A. Crawford	Director - Non-Executive
Wayne Osterberg	Director - Non-Executive
Leonard Siwawa	Director - Non-Executive
James Allan	Director - Non-Executive
Mark Gray	Director - Executive

(b) Key management personnel compensation

	2012 $	2011 $
Short-term employee benefits	102,000	18,700
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	15,199
	102,000	33,899

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY (continued)

Detailed disclosures on compensation for key management personnel are set out in the Remuneration Report included in the Directors' Report. See also note 18 for related party transactions.

(c) Number of shares held by Key Management Personnel

Key Management Personnel (i)	Balance 1 July 2011	Remuneration (ii)	Purchased / Issued/(Sold)	Balance 30 June 2012
Dennis C O'Neill	9,890,429	-	-	9,890,429
Paul A Crawford	36,473,225	-	-	36,473,225
Peter van Riet-Lowe	127,700	-	-	127,700
Wayne Osterberg	60,000	-	-	60,000
Leonard Siwawa	-	-	-	-
James Allan	-	-	-	-
Mark Gray	-	-	-	-
Total	46,551,354	-	-	46,551,354

Key Management Personnel (i)	Balance 1 July 2010	Remuneration (ii)	Purchased / (Sold)	Balance 30 June 2011
Dennis C O'Neill	4,900,000	-	4,990,429	9,890,429
Paul A Crawford	4,123,350	-	32,349,875	36,473,225
Peter van Riet-Lowe	127,700	-	-	127,700
Wayne Osterberg	60,000	-	-	60,000
Leonard Siwawa (at date of appointment)	-	-	-	-
James Allan (at date of appointment)	-	-	-	-
Mark Gray (at date of appointment)	-	-	-	-
Total	9,211,050	-	37,340,304	46,551,354

(i) Represents shares held directly, indirectly or beneficially.

(ii) The parent entity does not currently issue shares as remuneration.

(d) Number of options held by Key Management Personnel

Key Management Personnel (i)	Balance 1 July 2011	Remuneration	Purchased / (Sold/Lapsed)	Balance 30 June 2012
Dennis C O'Neill	1,000,000	-	(1,000,000)	-
Paul A Crawford	-	-	-	-
Peter van Riet-Lowe	-	-	-	-
Wayne Osterberg	-	-	-	-
Leonard Siwawa	-	-	-	-
James Allan	-	-	-	-
Mark Gray	-	-	-	-
Total	1,000,000	-	-	1,000,000

Key Management Personnel (i)	Balance 1 July 2010	Remuneration	Purchased / (Sold)	Balance 30 June 2011
Dennis C O'Neill	1,000,000	-	-	1,000,000
Paul A Crawford	-	-	-	-
Peter van Riet-Lowe	-	-	-	-
Wayne Osterberg	-	-	-	-

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY (continued)

Key Management Personnel (i)	Balance 1 July 2010	Remun- eration	Purchased / (Sold)	Balance 30 June 2011
Leonard Siwawa (at date of appointment)	-	-	-	-
James Allan (at date of appointment)	-	-	-	-
Mark Gray (at date of appointment)	-	-	-	-
Total	1,000,000	-	-	1,000,000

(i) Represents options held directly or indirectly.

(ii) All of these options have lapsed.

NOTE 6: EARNINGS PER SHARE

The earnings figures used in the calculation of both the basic EPS and the dilutive EPS are the same.	2012 No.	2011 No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	700,053,529	225,149,390
Weighted average number of dilutive securities outstanding.	-	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the year used in the calculation of diluted EPS	700,053,529	225,149,390

Options totalling nil (2011: 1,000,000) in the parent entity are the only securities considered as potential ordinary shares in determination of diluted EPS. These options are not presently dilutive and have been excluded from the calculation of diluted EPS.

NOTE 7: AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:	2012 $	2011 $
- auditing or reviewing the financial report	28,000	37,200
- other assurance services	-	-

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	65,359	505,985

NOTE 9: TRADE AND OTHER RECEIVABLES

Current:		
Deferred sale consideration	366,439	982,445
Loan to Shumba Resources Limited	244,293	-
Other Debtors	22,631	30,428
	633,363	1,012,873

The group has significant credit risk exposure arising from the deferred receivable of $366,439 (2011:$982,445) from Mantle Diamonds Plc. This relates to cash withheld from the sale proceeds of DBL ($488,586), less an agreed warranty claim settlement of $122,147. On a geographical basis the exposure is in US dollars from parties located in United Kingdom and Botswana.

In November 2011, the Company entered into a binding terms sheet with Shumba Resources Limited to acquire all the shares in Sechaba Natural Resources (Pty) Limited for $6,395,000, payable by the issue of 2,299,005,454 shares at an issue price of $0.0028 per share. Under the terms of the agreement DiamonEx loaned Shumba US$250,000. In June 2012, the Company announced that the binding terms sheet with Shumba Resources Limited to acquire all the shares in Sechaba Natural Resources (Pty) Limited had been terminated. The loan is repayable on call, but subject to a Tri-parte Deed of Novation executed on 17 December 2012. See note 23 for details of events after balance date.

NOTE 9: TRADE AND OTHER RECEIVABLES (continued)

There are no other balances within current receivables that are past due. It is expected that these balances will be received when due.

The prior year movement in the provision for impairment of non-current receivables from wholly owned subsidiaries is as follows:

	2012 $	2011 $
Opening balance	-	28,585,136
Change for the year	-	(28,585,136)
Closing balance	-	-

NOTE 10: OTHER ASSETS

Current:		
Prepayments	-	10,097

NOTE 11: FINANCIAL ASSETS

Non-current:

Available for sale investments

Shares in Unlisted Group Entities:		
Lake Exploration Pty Ltd, incorporated in Australia. The parent entity holds 100% (2010: 100%) of the ordinary shares of the entity, carried at recoverable amount	-	-
DiamonEx (USA) Limited, incorporated in Wyoming, USA. The parent entity holds 10% (2010: 100%) of the ordinary shares of the entity, carried at recoverable amount	-	-
Total available for sale investments	-	-

In November 2010 the parent company entered into a conditional agreement to sell DBL. The sale was completed in April 2011. To date, 95% of the sale proceeds have been received and the 5% balance is held in escrow.

NOTE 12: TRADE AND OTHER PAYABLES

	2012 $	2011 $
Current:		
Trade creditors	335,123	374,553
Sundry creditors and accrued expenses	141,622	275,950
Total trade & other payables (unsecured) (i)	476,745	650,503

(i) During the prior period, a total of $1,648,495 in creditors was settled through the issue of shares. See note 14. Within trade and other payables is $150,157 (2011:$118,066) owing to related parties.

NOTE 13: BORROWINGS

	2012 $	2011 $
Current:		
Unsecured loan Flamenco (Pty) Ltd - Shumba loan	244,293	-
Unsecured loan Flamenco (Pty) Ltd - expense funding	32,112	-
Secured loan Flamenco (Pty) Ltd - working capital	78,174	-
Secured convertible capital notes	-	982,445
	354,579	982,445

NOTE 13: BORROWINGS (continued)

Flamenco (Pty) Ltd loan security

A Deed of Loan and Security between DiamonEx Limited and Flamenco (Pty) Ltd provided the following security against specific loans from Flamenco:

(a) The Shumba loan of US$250,000 was to be secured against all shares held by DiamonEx in Sechaba Natural Resources Limited. DiamonEx did not proceed with acquiring these shares (refer note 9). As at 30 June 2012 the Shumba loan is unsecured against any assets or rights of DiamonEx. See note 23 for release of this loan through the execution of a Tri-parte Deed of Novation on 17 December 2012.

(b) The working capital loan of US$80,000 is secured against all monies owing to DiamonEx from Mantle Diamonds Plc. See note 9 for deferred sale consideration of $366,439 due from Mantle, as at 30 June 2012.

(c) Expenses funding is unsecured.

(d) The Schumba and working capital loans only incur interest at 10% per annum if either loan is not converted to equity. Either loan can convert to equity at $0.0025 per share.

Fixed rate convertible capital notes

On 3 September 2007 DiamonEx Limited issued 50,000 unsecured fixed rate convertible capital notes with a total face value of Botswana Pula 50 million. The notes fell into breach and have been the subject of the Recovery Plan which has resulted in part repayment of the notes by way of issue of DiamonEx shares during the prior year. The balance of the notes were settled from the share component of the deferred proceeds of the sale of DBL and the issue of 25,000,000 DiamonEx shares at $0.02 each, in lieu of the cash component of the Mantle withholding during the current year.

NOTE 14: ISSUED CAPITAL

	2012 $	2011 $
718,700,924 (2010: 693,430,924) fully paid ordinary shares	48,039,511	47,539,511
Ordinary shares		
Balance at the beginning of the reporting period	47,539,511	39,033,979
Shares issued during the year:		8,505,532
26 April 2012 - 25,000,000 ordinary shares at $0.02 each	500,000	-
Transaction costs relating to share issues	-	-
Balance at reporting date	48,039,511	47,539,511

	2012 No.	2011 No.
Balance at the beginning of the reporting period	693,700,924	193,424,196
Shares issued during the year:	-	500,276,728
26 April 2012	25,000,000	-
Balance at reporting date	718,700,924	693,700,924

Shares issued during the prior year related to the Recovery Plan and involve the issue of shares to bondholders in lieu of the proposed distribution of the cash component of the Mantle sale consideration.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the company does not have authorised capital or par value in respect of its issued shares.

NOTE 14: ISSUED CAPITAL (continued)

Capital management policy

Exploration companies such as DiamonEx are funded by share capital during exploration and a combination of share capital and borrowings as they move into the development and operating phases of their business life.

During the year, the capital management activities of the Group have focussed on continuing the Recovery Plan and developing a capital management structure to complete the Company reconstruction.

NOTE 15: SHARE OPTIONS

	2012	2011
Options outstanding at reporting date	**No.**	**No.**
Balance at the beginning of the reporting period	1,000,000	3,423,283
Issued during the year	-	-
Lapsed during the year	(1,000,000)	(2,423,283)
Balance at reporting date	-	1,000,000

The balance outstanding comprises parent entity granted options in prior reporting periods as follows:

Grant Date & Vesting

To the executive directors, pursuant to shareholder approval at the entity's 2007 Annual General Meeting. The terms of the grants are as follows:

Number of options	1,000,000
Date of grant and vesting of options	30 November 2006
Fair value at grant date	5.08 cents
Share price	22 cents
Exercise price	35 cents
Expected volatility	33.40%
Option life	5 years
Expected dividends	nil
Risk-free interest rate	5.75%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The fair values of all options were determined with reference to fair value of services received, or by using a binomial option pricing model. Further details on these options are set out in note 22.

NOTE 16: RESERVES

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Options reserve

The options reserve records amounts recognised as expenses on valuation of employee share options.

NOTE 17: CASH FLOW INFORMATION	**2012** **$**	**2011** **$**
Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax:		
Loss from ordinary activities after income tax	(523,000)	(2,023,146)
Non-cash flows in profit from ordinary activities:		
Warranty claim on sale of available for sale investments	122,147	-
Employee options expense	-	15,199
Loss/(gain) on sale of controlled entity	-	755,644
Impairment of receivables writeback	-	2,529,447
Release of guarantee	-	(1,765,318)
Unrealised foreign exchange (gain)/loss	18,230	(1,322,590)
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	7,797	(22,599)
(Increase)/Decrease in prepayments and inventory	10,097	(5,818)
(Decrease)/Increase in creditors and accruals	(179,426)	216,054
Cash flows from operations	(544,155)	(1,623,127)

Non-cash Financing and Investing Activities

During the year, 25,000,000 shares were issued in settlement of $500,000 borrowings of the Company. The Company also received $482,445 of securities in part settlement of a receivable and applied these against that same borrowing.

During the prior year, 400,276,728 shares were issued in settlement of $6,357,041 borrowings and $1,648,491 creditors of the Company.

NOTE 18: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Controlled Entities

The parent entity's shareholding in the controlled entities is detailed in note 11.

Finance provided to the controlled entities is detailed in note 9.

Key management personnel transactions with the economic entity

Key management personnel compensation and equity interests are detailed in Note 5.

During the prior year, the parent entity incurred professional fees of $50,000 for accounting, company secretarial, financial management and other services provided to the entity by Cambridge Business & Corporate Services, an entity controlled by Mr Paul Crawford, a director of the company. No fees were incurred during the current year and $5,000 was credited to the Company. The amount owing by the company at 30 June was nil (2011: $54,500).

During the year, the parent entity incurred professional fees of $102,000 (2011:$115,000) for management services provided to the entity by Gray Corp Pty Ltd, an entity controlled by Mr Mark Gray, a director of the company. The amount owing by the company at 30 June was $63,450 (2011: nil).

During the year, the parent entity incurred fees of $120,000 (2011:nil) for administrative, company secretarial and financial services provided to the entity by SG Corporate Pty Ltd, an entity engaging Messrs Hugh Lennerts and Stewart McIntosh, joint company secretaries of the company. The amount owing by the company at 30 June was $70,400 (2011: nil).

NOTE 18: RELATED PARTY TRANSACTIONS (continued)

During the year, the parent entity incurred professional fees of $2,600 (2011:nil) for management services provided to the entity by Stewart McIntosh, joint company secretary of the company. The amount owing by the company at 30 June was nil (2011: nil).

During the prior year Mr Crawford provided funds to the company on an interest free, unsecured, short term basis. No funds were advanced during the current year. Additional funds of $50,000 have been advanced by Messrs Crawford and O'Neill since the end of the reporting period. The balance outstanding at the end of the financial year was $9,021 (2011: $9,021).

During the prior year the Company issued 32,349,875 shares at $0.02 in settlement of amounts owing to Mr Crawford and associated entities.

During the prior year the Company also issued 4,990,429 shares at $0.02 each in settlement of employment amounts owing to Mr. O'Neill.

During the prior year, Fleming Asset Management Botswana (Pty) Ltd (FAMB), a company of which Messrs van Riet-Lowe and Osterberg are directors, received fees of $124 561 in relation to funds advanced to the entity. The amount owing by the Company at 30 June was nil (2011:nil).

During the prior year, the Company was party to Deed of Loan & Guarantee with Flamenco (Pty) Ltd, a company of which Messrs van Riet-Lowe, Allan and Gray and are directors. During the prior year, Flamenco advanced BWP30,000,000 funds to the entity. Amounts owing to FAMB were repaid from the proceeds of the sale of DBL. No amount was owing at 30 June 2012 (2011:nil).

During the year, Flamenco provided a secured loan of US$250,000 to finance a loan to Shumba Resources Limited, US$80,000 secured loan for working capital and A$32,112 as an unsecured loan to finance travel costs. As at 30 June 2012 $354,579 was owing to Flamenco (note 13).

During the prior year, Flamenco received fees of $1,473 273, interest of $87,526 and other charges of $76,470 in relation to funds advanced to the entity. No amount was owing at 30 June 2012 (2011:nil).

In the previous year, Mr Gray received fees of $202,219 in relation to the sale of DiamonEx Botswana Limited. No amount was owing at 30 June 2012 (2011:nil).

Prior period error - in the 2011 financial year, the Company disposed of its 100% interest in DiamonEx Botswana Limited to Mantle Diamonds Limited for sale consideration of $10,110,974. At 30 June 2011, the deferred consideration receivable was $987,445 and a warranty claim of $95,637 arose. These transactions were detailed in note 5 of the 2011 financial statements.

A director of the Company Mr Peter van Riet-Lowe was appointed a director of Mantle in May 2011, approximately 1 month after the sale transaction. The 2011 financial statements did not identify Mantle Diamonds Plc as a related party upon Mr van Riet-Lowe's appointment.

In the current financial year, a portion of the deferred consideration has been received and a balance of $366,439 remains (see note 9).

NOTE 19: COMMITMENTS

The consolidated entity has no commitments at balance date.

NOTE 20: FINANCIAL INSTRUMENTS

Financial Risk Management

Risk management is carried out by the senior executive team. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as liquidity risk, foreign exchange risk, interest rate risk, credit risk, use of financial instruments and non-derivative financial instruments.

NOTE 20: FINANCIAL INSTRUMENTS (continued)

The overall risk strategy seeks to assist the economic entity in meeting its financial targets, whilst minimising potential adverse effects on financial performance. In the current circumstances the focus is on the financial recovery of the economic entity.

The economic entity's financial instruments comprise mainly bank balances, amounts receivable and payable, intercompany investments and loans, bank facilities and convertible capital notes. The main purpose of these financial instruments is to provide finance for the entity's operations. Many of these items were restructured in the year.

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. These risks usually are managed through monitoring of forecast cashflows, interest rates, economic conditions and ensuring adequate funds are available.

The Directors believe that it is in the interests of shareholders to expose the Group to foreign currency risk and interest rate risk. Therefore the Group does not employ any derivative hedging of these risks. The Directors and management monitor these risks, in particular market forecasts of future movements in foreign exchange movements and if it is believed to be in the interests of shareholders will implement risk management strategies to minimise potential adverse effects on the financial performance of the Group.

Financial instruments at carrying value are summarised as:

	2012 $	2011 $
Financial Assets		
Cash and cash equivalents	65,359	505,985
Trade and other receivables (net of impairment)	633,363	1,012,873
	698,722	1,518,858
Financial liabilities		
Trade and other payables	476,745	650,503
Borrowings	354,579	982,445
	831,324	1,632,948

(a) Market risk

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from currency movements, primarily in respect of the US Dollar and the Botswana Pula. No derivative financial instruments are employed to mitigate the exposed risks. This is the Group's current policy and it is reviewed regularly including forecast movements in these currencies by management and the Board.

These foreign exchange risks arise from

- Previous Group activity and expense funding in Botswana which are denominated in Botswana Pula;
- Previous Group activity in USA which are denominated in US dollars;
- Amount receivable on the sale of DBL, denominated in US dollars and Great Britain Pounds; and
- Loan funds in US dollars.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	US$		BWP		GBP	
	2012	2011	2012	2011	2012	2011
Cash and cash equivalents	1,240	1,337	-	-	-	-
Receivables	625,000	500,000	-	-	-	315,000
Payables	(128,333)	(128,333)	-	-	-	-
Borrowings	(330,000)	-	(880,849)	(6,759,804)	-	-
Net	167,907	373,004	(880,849)	(6,759,804)	-	315,000

NOTE 20: FINANCIAL INSTRUMENTS (continued)

Group sensitivity

If the spot Australian Dollar rate weakened / strengthened by 5 percent against the US Dollar, with all other variables held constant, the Group's post-tax loss for the year would have been $8,204 higher / lower (2011: $17,400).

If the spot Australian Dollar rate weakened / strengthened by 5 percent against the Botswana Pula, with all other variables held constant, the Group's post-tax loss for the year would have been $5,726 lower/higher (2011: $49,124).

If the spot Australian Dollar rate weakened / strengthened by 5 percent against the Great Britain Pound, with all other variables held constant, the Group's post-tax loss for the year would have been $nil lower/higher (2011: $23,598).

(ii) Interest risk

The group is exposed to interest rate risks primarily from bank balances and borrowings. This risk is managed through the use of fixed and variable rate instruments.

The Directors and management do not believe it is appropriate at this time to use derivative financial instruments to hedge interest rates based on current conditions.

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Group - 2012	**Floating Interest Rate 2012 $**	**Fixed Interest Rate 2012 $**	**Non-Interest Bearing 2012 $**	**Total 2012 $**
Financial Assets:				
Cash & cash equivalents	65,004	-	355	65,359
Receivables	-	-	633,363	633,363
Provision for impairment	-	-	-	-
Total Financial Assets	65,004	-	633,718	698,722
Financial Liabilities:				
Trade & other payables	-	-	476,745	476,745
Borrowings	322,467	-	32,112	354,579
Total Financial Liabilities	322,467	-	508,857	831,324
Group - 2011	**2011 $**	**2011 $**	**2011 $**	**2011 $**
Financial Assets:				
Cash & cash equivalents	505,930	-	55	505,985
Receivables	-	-	1,012,873	1,012,873
Provision for impairment	-	-	-	-
Total Financial Assets	505,930	-	1,012,928	1,518,858
Financial Liabilities:				
Trade & other payables	-	-	650,503	650,503
Borrowings	-	-	982,445	982,445
Total Financial Liabilities	-	-	1,632,948	1,632,948

NOTE 20: FINANCIAL INSTRUMENTS (continued)

Cash and cash equivalents received interest at a weighted average rate of 0% (2011: 1.0%)

Interest on borrowings carried a weighted average interest rate of 10.0% (2011: 13.0%)

All other receivables and payables were non-interest bearing.

Group sensitivity

As at 30 June 2012, if interest rates on variable rate financial instruments had been 1% higher / lower with all other variables held constant the post tax loss for the year would have been $3,224 higher / lower (2011: $5,055).

(b) Credit risk

Credit risk arises from cash and cash equivalents, bank deposits, and amounts receivable. At this stage there is no credit exposure to trade customers. The carrying amounts of these financial assets, as recorded in the financial statements, represent the economic entity's and the parent entity's maximum exposure to credit risk.

Concentration of credit risk is outlined in note 9.

(c) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its obligations as they fall due. The risk is managed by ensuring, to the extent possible, that there is sufficient liquidity to meet liabilities when due, without incurring unacceptable losses or risking damage to the group's reputation. In the current financial circumstances liquidity risk is being managed with the assistance of the group's financiers.

The Group's liquidity requirements are monitored through cash flow forecasts which are based upon forward production, operations, development, exploration and capital projections. Liquidity management, including debt / equity management, is carried out under policies approved by the Board. The following table analyses financial assets and liabilities into relevant maturity groupings based on remaining period (excluding any Recovery Plan effect) at the reporting date. The amounts disclosed are the contractual undiscounted cash flows.

Group entity	1 year or less	1 to 2 years	More than 2 years	Total
	$	$	$	$
2012				
Financial assets				
Cash & cash equivalents	65,359	-	-	65,359
Receivables	633,363	-	-	633,363
	698,722	-	-	698,722
Financial liabilities				
Payables	476,745	-	-	476,745
Borrowings	354,579	-	-	354,579
	831,324	-	-	831,324
		-	-	
Net cash outflow	132,602	-	-	132,602

NOTE 20: FINANCIAL INSTRUMENTS (continued)

Group entity	1 year or less	1 to 2 years	More than 2 years	Total
2011	**$**	**$**	**$**	**$**
Financial assets				
Cash & cash equivalents	505,985	-	-	505,985
Receivables	1,012,873	-	-	1,012,873
	1,518,858	-	-	1,518,858
Financial liabilities				
Payables	650,503	-	-	650,503
Borrowings	982,445	-	-	982,445
	1,632,948	-	-	1,632,948
		-	-	
Net cash outflow	114,090	-	-	114,090

(d) Fair values

The net fair value of financial assets and financial liabilities of the Group approximate their carrying amounts.

The net fair value of cash or other monetary financial assets and financial liabilities is based upon market prices where a market exists, or through discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the financial statements. Fair values are materially in line with carrying values.

No financial assets or liabilities are readily traded on organised markets in a standardised form.

As shown in note 5, the fair value of the interest in the de-consolidated subsidiary is based on the directors' best estimate, based on the currently proposed sale transactions.

Financial instruments recognised at fair value have been analysed and classified using a fair value hierarchy reflecting the significance of inputs used in making the measurements. The fair value hierarchy is:

Level 1 - quoted prices in active markets.

Level 2 - inputs that are observable either directly or indirectly.

Level 3 - inputs that are not based on observable market data.

No financial assets are recognised at fair value at balance date. The only financial assets recognised at fair value for the previous year are the amounts receivable from and investment in DiamonEx (Botswana) Limited. This was assessed as a level 2 hierarchy.

NOTE 21: CONTINGENT LIABILITIES

Restructure Fee

During the previous year the parent entity entered into an agreement with Gray Corp Pty Ltd, an entity controlled by director Mark Gray whereby Mr Gray could earn a success fee of 1%, payable through the issue of new shares in the Company, of the market value of DiamonEx Limited if it re-lists on the Australian Stock Exchange. This agreement was terminated during the year.

Director Fees

If the parent entity re-lists on the Australian Stock Exchange, fees will be paid to Directors in relation to meetings held since the restructuring plan was approved by shareholders at the general meeting held in March 2011. Fees payable will be calculated on the basis of $3,000 per meeting for non-executive directors and $5,000 for the Chairman. At the date of this report, the contingent liability is $155,000 (2011:$80,000).

NOTE 22: SHARE BASED PAYMENTS

During the current financial year, 25,000,000 shares were issued to bondholders in settlement of the proposed repayment of the cash component of the Mantle withholding of DBL sale proceeds. See notes 13 and 14.

The following share based transactions were completed during the prior year.

On 23 April 2011, the Company issued 37,340,304 shares to Messrs O'Neill and Crawford in settlement of amounts owing to them. The issue of shares was approved by shareholders in General Meeting on 25 March 2011.

On 23 June 2011, the Company issued 317,852,078 shares to Bond holders in settlement of principal and interest amounts owing to them. The issue of shares was approved by shareholders in General Meeting on 25 March 2011.

On 23 June 2011, the Company issued 45,084,346 shares to a number of parties in settlement of trade creditor balances. The issue of shares was approved by shareholders in General Meeting on 25 March 2011.

In previous years, the following share based payments arrangements were transacted and lapsed during the current financial year:

In the 2007 financial year 1,000,000 share options were granted to executive directors to take up ordinary shares at an exercise price of $0.35 each. The options were exercisable on or before 30 November 2011. The options expired unexercised. The options hold no voting or dividend rights.

All options granted are over ordinary shares in DiamonEx Limited, which confer a right of one ordinary share per option.

Consolidated Group	**2012**		**2011**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding at the beginning of the year	1,000,000	$0.350	3,423,283	$0.350
Granted	-	-	-	-
Forfeited	-	-	(2,423,283)	-
Exercised	-	-	-	-
Expired	(1,000,000)	-	-	-
Outstanding at year-end	-	-	1,000,000	$0.350
Exercisable at year-end	-	-	1,000,000	$0.350

Included under employee benefits expense in the income statement in the prior year is $15,199 relating to equity-settled share-based payment transactions to directors. No expense was incurred in the current year.

NOTE 23: EVENTS AFTER BALANCE SHEET DATE

(a) Recovery Plan

Since the end of the financial year, the economic entity's activities have been focussed on the implementation of the re-structuring of the economic entity. Key events since balance date have been:

(i) Ongoing financial support from Messrs Crawford and O'Neill of $25,000 each, pursuant to the recapitalisation of the Company.

(ii) The Company has also entered into a Heads of Agreement with Azimuh Investments (Pty) Ltd on 23 September 2012 to acquire a majority interest in Prospecting Licences PL 204/2012 and PL 205/2012 located in north central Botswana. Under the terms of the proposed joint venture, DiamonEx may earn a 51% interest in the Prospecting Licences by spending Pula 4 Million (A$500,000) on exploration over a 2 year period and can earn up to 75% over the next 2 years by investing a further Pula 12 Million (A$1.5 million).

NOTE 23: EVENTS AFTER BALANCE SHEET DATE (continued)

(iii) In December 2012, the Company entered into conditional agreements with parties, including Messrs Crawford and O'Neill to underwriting a $2,000,000 (1,000,000,000 shares) capital raising as part of the Company's Recovery Plan, with a further 27,000,000 shares as underwriter fees.

(iv) The Company lodged prospecting licence applications over prospective diamond ground with the Geological Survey of Botswana.

(v) In December 2012 the Company entered into a Tri-parte Deed of Novation with Flamenco (Pty) Ltd and Shumba Resources Limited whereby the Company transferred all its rights in the Shumba loan to the Botswana Public Officers Pension Fund in satisfaction of the US$250,000 owed to Flamenco.

(vi) The Company is to issue a Notice of Meeting for the Annual General Meeting in March 2013. Matters to be presented as resolutions include share placements, underwriting agreements and underwriter fees. These matters have been disclosed as subsequent events.

(b) Financial report

This financial report was authorised for issue on 28 February 2013 by the Board of Directors.

NOTE 24: SEGMENT REPORTING

The economic entity operates internationally, in the mineral exploration industry. The exploration focus is exclusively on diamonds. In the current financial circumstances though, all activity has ceased and segment reporting is based on whole of entity. Geographical segment information is as follows:

Primary Reporting: Geographical Segments

	Australia		**USA**		**Economic Entity**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
	$	**$**			**$**	**$**
REVENUE						
Revenue	-	1,766,962	-	-	-	1,766,962
Total revenue from ordinary activities	-	1,766,962	-	-	-	1,766,962
RESULT						
Loss from ordinary activities before income tax expense	(522,906)	(1,997,273)	(94)	(25,873)	(523,000)	(2,023,146)
Income tax expense	-	-	-	-	-	-
Loss from ordinary activities after income tax expense	(522,906)	(1,997,273)	(94)	(25,873)	(523,000)	(2,023,146)
ASSETS						
Segment assets	697,510	1,527,708	1,212	1,247	698,722	1,528,955
LIABILITIES						
Segment liabilities	705,920	1,513,213	125,404	119,735	831,324	1,632,948

NOTE 24: SEGMENT REPORTING (continued)

There were no transfers between segments reflected in the revenues, expenses or result above. The pricing of any intersegment transactions is based on market values.

Segment accounting policies are consistent with the economic entity.

NOTE 25: PARENT ENTITY INFORMATION

The following information relates to the parent entity. This information has been prepared using consistent accounting policies as presented in note 1.

	30 June 2012 $	30 June 2011 $
Current assets	697,507	1,527,705
Non-current assets	563	563
Total assets	698,070	1,528,268
Current liabilities	705,920	1,513,212
Non-current liabilities	-	-
Total liabilities	705,920	1,513,212
Contributed equity	48,039,511	47,539,511
Reserves	260,999	260,999
Accumulated losses	(48,308,360)	(47,785,454)
Total equity	(7,850)	15,056
Loss for the year	(522,906)	(1,997,273)
Other comprehensive income	-	-
Total comprehensive loss for the year	(522,906)	(1,997,273)

NOTE 26: COMPANY DETAILS

The registered office and principal place of business is:

DiamonEx Limited
Level 1
349 Coronation Drive
Milton Qld 4064
Australia

Hayes Knight
Accountants, Advisors & Auditors

Hayes Knight Audit (Qld) Pty Ltd
ABN 49 115 261 722
Registered Audit Company 299289

Level 19, 127 Creek Street, Brisbane Qld 4000
GPO Box 1189, Brisbane Qld 4001

T: +61 7 32292022 F: +61 7 32293277
E: email@hayesknightqld.com.au

www.hayesknight.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DIAMONEX LIMITED

Report on the Financial Report

We have audited the accompanying financial statements of DiamonEx Limited (the company), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and 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 and fair presentation 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 is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of DiamonEx Limited as attached to the directors' report, has not changed as at the date of this auditor's report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DIAMONEX LIMITED (continued)

Basis for Qualified Auditor's Opinion

As set out in Note 9, the consolidated entity has $488,586 deferred sale consideration receivable from the April 2011 sale of Diamonex Botswana Limited. The receivable is being withheld subject to a $122,147 warranty claim. The receivable is unsecured.

No information could be provided in relation to the capacity of DiamonEx to collect the receivable. Consequently we are unable to obtain sufficient and appropriate audit evidence as to the carrying value of the receivable as at 30 June 2012.

Opinion

In our opinion, except for adjustments, if any, as might have been required had the limitation in respect of the deferred sale consideration receivable not existed:

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

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter – Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the ability of the consolidated entity and the company to continue as a going concern is dependent on collection of amounts receivable which are owing to the company, the ongoing financial support of the financiers and other creditors, and achievement of the recovery plan and re-structuring.

As indicated in the note, at balance date the consolidated entity and the company have incurred significant losses and have negative net equity. However the consolidated entity and the company have ongoing financial support of the financiers and the other creditors whilst the recovery plan and re-structuring are underway. Since balance date these activities have continued.

On the basis of the above matters, the ongoing financial support and status of the recovery plan and re-structuring the directors have prepared the financial statements on a going concern basis. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary if the consolidated entity and the company could not continue as a going concern.

As also indicated in the note, the ability of the economic entity and the parent entity to continue as a going concern beyond the period of finalisation of the recovery plan/re-structuring will depend on attaining new forms of finance (either equity or debt). Directors are confident that new funding initiatives will be successful, however no absolute commitment has yet been made to source additional funding. On the expectation of obtaining further funding directors have prepared the financial statements on a going concern basis. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary if the consolidated entity and the company could not continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DIAMONEX LIMITED (continued)

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of DiamonEx Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

Hayes Knight Audit (Qld) Pty Ltd.

Hayes Knight Audit (Qld) Pty Ltd

AM Robertson

AM Robertson
Director

Level 19, 127 Creek Street,
Brisbane, QLD, 4000

Date: 28 February 2013

ASX INFORMATION

Following is additional information required by the ASX Limited and not disclosed elsewhere in this report. The following information is provided as at 27 February 2013.

1. Shareholding:

Distribution of Shareholders Number:

Category Number (Size of Holding)	Ordinary Shares (Number)
1 - 1,000	52
1,001 - 5,000	109
5,001 - 10,000	115
10,001 - 100,000	474
100,001 - and over	153
	903

The number of shareholdings held in less than marketable parcels is 297.

Twenty Largest Holders - Ordinary Shares

		Number of Shares Held	% of Total Issued Capital
1.	Stanbic Nominees Botswana (Pty) Ltd <Sims - NPF 212/001 A/C>	102,855,623	14.31
2.	SCB Nominees Botswana (Pty) Ltd <FAM-BPOPF No1 201/010 A/C>	67,816,141	9.43
3.	DiamonEx Limited <Botswana Register A/C>	60,152,279	8.37
4.	FNB Nominees Botswana (Pty) Ltd <Sims - BPOPF 10001009 A/C>	50,025,428	6.96
5.	SCB Nominees Botswana (Pty)Ltd <FAM - BPOPF Private Equity A/C>	50,000,000	6.96
6.	SCB Nominees Botswana (Pty) Ltd <FAM- BPOPF No2 3185938 A/C>	34,628,060	4.82
7.	Gregory Mark King	33,974,251	4.73
8.	Stanbic Nominees Botswana (Pty) Ltd <BFIM-LB Local Bond A/C>	32,296,666	4.49
9.	Sirod Pty Ltd	30,913,745	4.30
10.	SCB Nominees Botswana (Pty) Ltd <FAM- BPOPF No1 3582376 A/C>	29,210,997	4.06
11.	FNB Nominees Botswana (Pty) Ltd <SIMS - BPOPF 212/005 A/C>	23,231,657	3.23
12.	Hartco Nominees Pty Ltd	20,000,000	2.78
13.	SCB Nominees Botswana (Pty) Ltd <Sims - STBMPF 207/002 A/C>	14,399,787	2.00
14.	J P Morgan Nominees Australia Limited	12,686,000	1.76
15.	LTHC Pty Limited	9,834,440	1.37
16.	Dennis Charles O'neill	9,470,429	1.32
17.	Capital Corporate Finance (Pty) Ltd	8,750,000	1.22
18.	SCB Nominees Botswana (Pty) Ltd <BFIM-Debs-Debswana SEG Pf Ac>	7,885,598	1.10
19.	FNB Nominees Botswana (Pty) Ltd <GRAY- BPOPF A/C>	7,405,605	1.03
20.	Coronation Fund Managers Botswana (Pty) Ltd	6,582,760	0.92
		612,119,696	**85.16**

DIAMONEX LIMITED

ABN 26 091 951 978

ASX INFORMATION

The names of the substantial shareholders listed in the Company's register as at 27 February 2013:

Shareholder	Number of Shares Held	% of Issued Capital
Stanbic Nominees Botswana (Pty) Ltd <Sims - NPF 212/001 A/C>	102,855,623	14.31
SCB Nominees Botswana (Pty) Ltd <FAM-BPOPF No1 201/010 A/C>	67,816,141	9.43
SCB Nominees Botswana (Pty)Ltd <FAM - BPOPF Private Equity A/C>	50,000,000	6.96

Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

There are no voting rights attaching to the Options, but voting rights as detailed above will attach to the ordinary shares issued when the Options are exercised.

2. Registers of securities are held at the following address:

Computershare Investor Services Pty Limited
117 Victoria Street
West End Qld 4101 Australia

3. Securities Exchange Listing

Quotation has been granted for all the ordinary shares issued by the Company on all Member Exchanges of the ASX Limited.

4. Restricted Securities

The Company has no restricted securities on issue.

DIAMONEX LIMITED
ABN 26 091 951 978

Corporate Governance Statement

DiamonEx Limited ("DiamonEx" or "Company") is committed to implementing the highest standards of corporate governance and to determine these standards, the Company has used the reporting recommendations set out by the Australian Securities Exchange (ASX) Corporate Governance Council's *Corporate Governance Principles and Recommendations* (ASX Principles and Recommendations) as the basis for its corporate governance policies.

While seeking to implement optimal corporate governance practices, the Company does not accept that all the recommendations are applicable to the Company due to the current size and nature of its operations. Where the Company has not fully adopted the relevant recommendation, the reasons for non-adoption are set out below.

To assist the Board carry out its functions, it has developed a Corporate Governance Manual to guide the Non-Executive Directors, the Executive Director and other key senior executives in the performance of their roles.

PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Pursuant to Principle 1, the Company has established the functions reserved to the Board and established the functions delegated to senior executives. The Board of Directors' role is to govern the Company rather than to manage it and to ensure that it represents effectively the interests of all shareholders. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is currently the role of the Executive Director to manage the Company in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of the Executive Director in carrying out these delegated duties.

1.1 Companies should establish the functions reserved for the Board and those delegated to the senior executives and disclose those functions.

The Company has developed a Statement of matters reserved for the Board which documents the role and responsibilities of the Board, a summary of which is as follows:

- providing leadership to the Company;
- overseeing the development and implementation of an appropriate strategy;
- overseeing planning activities including the development and approval of strategic plans, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets;
- reviewing the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews on at least an annual basis;
- ensuring corporate accountability to the shareholders primarily through effective shareholder communications;
- overseeing the control and accountability systems that ensure the Company is progressing towards the goals set by the Board and in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations;
- ensuring that robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively;
- being responsible for the Company's senior executives, management and other personnel; and
- making all decisions outside the scope of these delegated powers.

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company, which includes supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

The Board has clearly delegated all powers to the Executive Director necessary to effectively and efficiently carry out the business of the Company and any exceptions to this delegation requires Board approval, as set out in the Company's Corporate Governance Manual.

Newly appointed Directors are provided with formal appointment letters setting out the key terms and conditions regarding their appointment. Similarly senior executives (including the Executive Director) are provided with formal appointment letters making clear the responsibilities of their role, remuneration, appointment term and entitlements on termination.

1.2 Companies should disclose the process for evaluating the performance of senior executives

The remuneration structure for executive officers is based on a number of factors, including length of service, particular experience of the individual concerned and the overall performance of DiamonEx.

Senior executives' performance is reviewed against a range of quantitative and qualitative measures and considers past performance of DiamonEx as well as the executive and also takes into account market practice with respect to comparable positions.

The Non-Executive Directors are responsible for regularly evaluating the Executive Director's performance. This evaluation is based on the Company's business performance and whether strategic objectives are being achieved. The Company does not currently employ executives or staff.

1.3 Reporting on Principle 1

Details of the functions reserved for the Board and delegated to senior executives are outlined in the Company's Corporate Governance Manual, which is available on the Company's website (www.diamonex.com.au).

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

Principle 2 is to have a Board of an effective size, composition and commitment to adequately discharge its responsibilities and duties. To add value to the Company, given the size and operations of the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties.

The DiamonEx Board (as at the date of this Annual Report) is comprised of seven Directors that have wide ranging experience in the mineral exploration, mining and financial sectors and a diverse skill set which is set out in the Activities Report in this Annual Report along with details of the Directors, period of office and their qualifications.

2.1 A majority of the Board should be independent Directors

Currently**,** DiamonEx does not has a majority of independent Directors. As at the date of this report, the Board comprises two Executive Directors and five Non-Executive Directors. One of the Non-Executive Directors, Mr Gray, is the principal of a firm that provided management services to the Company during the 2012 finacial year and therefore does not meet the criteria for independence. However, the Board considers it appropriate for Mr Gray to remain a member of the Board. The other Non-Executive Directors meet the criteria for independence proposed by the ASX Principles and Recommendations.

While determining the independent status of Directors, the Board has considered whether the Director:

a) holds less than five percent of the voting shares of the Company (in conjunction with their associates); or is an officer of the Company, or otherwise associated directly with a shareholder of more than five percent of the voting shares of the Company;
b) has within the last three years, been employed in an executive capacity by the Company or another group member;
c) has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided. In this context, the relationship with the professional adviser or consultant shall be deemed to be material if payments from the Company exceed 10% of the Company's annual expenditure to all professionals and consultants or exceed 10% of the recipient's annual revenue for advisory or consultancy services;
d) is a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer. In this context, the relationship with the supplier or customer shall be deemed to be material if annual payments to or from that supplier or customer exceed 10% of the annual consolidated gross revenue of either the Company or that supplier or customer; and
e) has a material contractual relationship with the Company or other group member other than as a Director of the Company.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that they can offer, however the size and nature of the Company's activities does not justify expanding the Board at this time.

2.2 The chairperson should be an independent director

DiamonEx is compliant with the recommendation. The Chairperson Mr Peter van Riet-Lowe is an independent Non-Executive Director.

2.3 The roles of the Chairperson and Chief Executive Officer should not be exercised by the same person

The Executive Director, Mr Dan O'Neill, is the Chief Executive Officer of DiamonEx and as mentioned above, Mr Peter van Riet-Lowe is the Chairperson of the Board. This makes DiamonEx compliant with this recommendation.

2.4 The Board should establish a nomination committee

DiamonEx does not comply with this recommendation as a nomination committee has not been established. Currently, the role of the nomination committee is undertaken by the full Board. The size and nature of the Company's activities do not justify the establishment a separate committee at this time. The Board regularly reviews the composition, skill base and effectiveness of the Directors of the Board.

The Board has a policy and procedure for nominating and appointing new Directors. Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, independence and ability to meet the Board's expectation as set out in the Corporate Governance Manual. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting. Directors are required to retire and be subject to re-election by shareholders at least once every three years. This procedure can also be found in the Company's Corporate Governance Manual located on its website.

2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors

The Board considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability. The Chairperson undertakes a review of the Board and individual Director's performance at least once a year. Board performance is evaluated in relation to goals that are set at the time of the Board's annual strategic planning session. The Chairperson's review has not been undertaken during the current year.

Induction and Education

New Directors undergo an induction process in which they are given a full briefing on the Company. Where possible, this includes meetings with key executives, tours of the premises, an induction package and presentations.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

Access to information and Independent Professional Advice

Each Director has the right of access to all Company information and to the Company's executives. Further, the Board collectively and each Director, subject to informing the Chairperson, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

2.6 Reporting on Principle 2

The policy and procedure for the selection and appointment of new Directors is detailed in the Corporate Governance Manual which is available on the Company's website.

PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Principle 3 is to actively promote ethical and responsible decision-making.

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code

The Company acknowledges that the community expects businesses to be aware of their wider social obligations and to promote practices to maintain confidence in the Company's integrity. The DiamonEx Board requires high standards of conduct and responsibility from Directors, senior executives and employees at all times. As part of its commitment to recognising the expectations of their stakeholders, the Company has established a Code of Ethics and Conduct for Directors and employees within its Corporate Governance Manual to guide compliance with legal and other obligations to stakeholders, which include employees, clients, customers, government authorities, creditors and the community. Directors are required to adhere to industry standards in conduct and dealings and promote a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures as well as dealing with stakeholders.

The Board also requires the Company's employees and consultants, to have similar high standards and are required to adhere to industry standards in their conduct and dealings, including trading in securities. The DiamonEx Board has built the promotion of a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures.

A copy of the Code of Ethics and Conduct is given to all contractors and relevant personnel, including Directors and each individual is accountable for such compliance. Any breach of applicable laws, accepted ethical commercial practices or other aspects of the Code of Ethics and Conduct will result in disciplinary action.

Depending on the severity of the breach, such disciplinary action may include reprimand, formal warning, demotion or termination of employment/engagement (as the case may be). Similar disciplinary action may be taken against any manager who directly approves of such action or has knowledge of the action and does not take appropriate remedial action.

Breach of applicable laws or regulations may also result in prosecution by the appropriate authorities.

The Company will not pay, directly or indirectly, any penalties imposed on personnel as a result of a breach of law or regulation.

Personnel are expected to report any instances of suspected non-compliance and investigating reports of unethical practices. These instances will be investigated fairly. Individuals who report suspected non-compliance in good faith will be appropriately protected.

Company Securities Trading Policy

The Company has adopted a Securities Trading Policy pursuant to ASX Listing Rule 12.9. A summary of the policy is available on the Company's website.

Directors, senior executives and employees are required to advise the Chairperson and Company Secretary of their intentions prior to undertaking any transaction in the Company's securities. If a Director, senior executive or employee is considered to possess unpublished market price sensitive information, they will be precluded from making a security transaction until after the time of public release of that information.

3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy.

The Company has implemented a Diversity Policy which is available on its website. The Diversity Policy is a commitment by the Company to actively seek to maintain a diverse workforce to create a workplace that is fair and inclusive, applies fair and equitable employment practices and provides a working environment that will allow all employees to reach their full potential.

3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.

The Company is of the view that any measurable statistical objectives on a diverse workforce must be fit for purpose, in line with the Company strategic objectives and ensure the Company is in compliance with all relevant legislative requirements. As at the date of this Annual Report, the Company is of the opinion that measurable objectives are not appropriate at its present stage of development, however, the Company will consider implementation of measurable objectives in future.

3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board

Due to the size and scale of operations of the Company, the Board believes that a longer term gender diversity objective is more appropriate.

As at the date of this Annual Report, no members of the Board are women. The Company does not currently employ executives or employees. The Company will look to increase gender diversity at a Board and senior executive level in future years as the Company develops.

3.5 Reporting on Principle 3

The Code of Ethics and Conduct for Directors and employees, that forms part of the Corporate Governance Manual, is available on the Company's website.

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Principle 4 is to have a structure of review and authorisation in place which independently verifies and safeguards the integrity of the Company's financial reports. The compilation and timely disclosure of accurate and true and fair information about the Company's financial position and performance is vital for the integrity of the market in the Company's securities. DiamonEx has put in place a structure of reporting and oversight to achieve these objectives.

4.1 The Board should establish an audit committee

DiamonEx has not established an audit committee. The role of the audit committee has been assumed by the full Board. The size and nature of the Company's activities does not justify the establishment of an audit committee at this time. The audit committee will be established as and when the need for such a committee arises.

4. 2 The structure of the audit committee

In the absence of an audit committee, this recommendation is not applicable to the Company.

4.3 The audit committee has a formal charter

In the absence of an audit committee, this recommendation is not applicable to the Company.

4.3 Reporting on Principle 4

The Company has developed a procedure for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis.

In addition to these mandatory criteria, the Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, cost and any other matters deemed relevant by the Board.

The Board will review the performance of the external auditor on an annual basis.

PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

Principle 5 is that listed companies should make timely and balanced disclosure to the ASX of all material matters concerning the Company.

The DiamonEx Board has adopted a policy and rules to ensure the Company complies with its obligations under the ASX Listing Rules regarding continuous disclosure and ensures accountability at a senior executive level for that compliance. The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's shares; and
2. that would, or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose the Company's shares.

Such matters are advised to the ASX immediately they are identified as being material. Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on its website in an area accessible to the public.

5.2 Reporting on Principle 5

A summary of the Continuous Disclosure Policy is available on the Company's website.

PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS

Principle 6 is that companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

6.1 Communications policy

The DiamonEx Board respects the rights of its shareholders and to facilitate the effective exercise of those rights, it has adopted a policy on communication with shareholders and implemented a set of processes to ensure timely and effective communication with shareholders and the wider investment community. The Company is committed to:

- communicating effectively with shareholders through releases to the market via the ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company and ask questions regarding the conduct of audit and about the functioning of the Company generally; and
- making it possible for shareholders to receive communication by electronic means.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

6.2 Reporting on Principle 6

A summary of the Company's Shareholder Communications Policy is available on the Company's website.

PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

ASX Principle 7 is that companies should establish a sound system of risk oversight and effective management and internal control.

7.1 Risk Management and Internal Control System

The primary objectives of the risk management and internal control system at the Company are to ensure:

- all major sources of potential, opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the Company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and
- the Board, senior executives and investors understand the risk profile of the Company.

The system covers:

- operations risk;
- financial reporting; and
- compliance.

Any matters of significance to the Company or materially relevant to its assets, liabilities or profits are signed off by the Board after discussion and evaluation of submissions made by the Executive Director or other party.

7.2 Report on risk management and internal control system

The Board has required the management of the Company to design and implement the risk management and internal control systems to manage the Company's material business risks. As required by the Board, management has reported to the Board that the Company's material business risks have been managed effectively. The Executive Director reviews risk in response to changing business conditions and regulations. Regular reviews of risk and a regular update of the risk profile is undertaken by the Board. This normally occurs in conjunction with the strategic planning process. The internal audit is carried out to analyse and give an independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control system. The internal audit function is independent of the external auditor.

Given the size and scale of operations and stage of development of the Company, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk management committee. Presently, the full Board carries out the functions of a risk management committee.

7.3 Attestation by Chief Executive Officer and Chief Financial Officer (or equivalents)

The Executive Director and the Chief Financial Officer/Company Secretary provide a written assurance that the risk management system is effective, efficient and accurately reflected in the Company's financial statements and that:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control ; and
- the Company's risk management and internal control system is operating effectively in all material respects in relation to financial reporting risks.

7.4 Reporting on Principle 7

The Company's risk management, internal compliance and control system policies that have been established to manage material business risks are disclosed by the Company internally to the Board, senior executives, management and other employees.

PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

Principle 8 is that companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined. DiamonEx is committed to remunerating its Directors and officers in a manner that is market competitive, consistent with best practice and supporting the interests of shareholders.

8.1 The Board should establish a remuneration committee

DiamonEx has not established a remuneration committee. The role of the remuneration committee has been undertaken by the full Board. The size and nature of the Company's activities does not justify the establishment of a committee at this time. The committee will be established as and when the need for such a committee arises.

Details of the Company's remuneration policy are provided in the accompanying Director's Report and Financial Statements.

8.2 Structure of Non-Executive and Executive Director Remuneration

The remuneration structure for executives, including the Executive Director, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The remuneration policy, setting the terms and conditions for the Executive Director was developed and approved by Non-Executive Directors. Executive Directors, other senior executives and staff receive a base salary, superannuation, fringe benefits and equity based performance remuneration. Superannuation payments consist of the 9% superannuation guarantee contribution. Individuals may elect to salary sacrifice part of their salary to increased payments towards superannuation. No other form of retirement benefit is paid.

Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting and is not linked to the performance of the Company. However, to align Director's interests with shareholder interests, Directors are encouraged to hold equity interests in the Company. The maximum aggregate amount of fees that can be paid to Non-Executive Directors approved by shareholders is currently $100,000.

The Company's remuneration policy provides for long-term incentives through participation in the Company's Employee and Officers Share Option Plan. Any equity based remuneration proposed to be granted to Executive Directors will only be granted with shareholder approval.

The Company has prohibited the entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration.

8.3 Reporting on Principle 8

Details of the Company's remuneration policy are outlined in the Remuneration Report section of the Directors' Report, along with the names of the Directors, their qualifications, experience and the term of office held by each Director.