2013 ANNUAL FINANCIAL REPORT

BLINA MINERALS NL ABN 25 086 471 007
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The directors present their report together with the financial statements of the Group comprising Blina Minerals NL (the Company or Blina) and its subsidiary for the year ended 30 June 2013 and the independent auditor's report thereon.

1. DIRECTORS

The names of Directors of the Company at any time during or since the end of the financial year are:

NAME	PERIOD OF DIRECTORSHIP
Mr Brett F Fraser	Appointed 26 September 2008
Mr Peter G Webse	Appointed 12 January 2012
Ms Julia Beckett	Appointed 25 March 2013
Mr Justin Virgin	Appointed 6 September 2013
Ms Lee-Anne de Bruin	Appointed 18 June 2009, resigned 25 March 2013

The qualifications, experience, interests in shares and options and other directorships of the directors in office at the date of this report are:

Mr Brett Fraser	Independent Non-Executive Chairman
Qualifications	FCPA, FFIN, B.Bus
Experience	Brett has worked in the finance and securities industry for over 25 years' and has owned and operated businesses across wine, health, finance, media and mining.
Interest in Shares and Options	Nil ordinary shares 25,000,000 unlisted options
Directorships held in other listed entities	Non-Executive Director of Aura Energy Limited since August 2005, Drake Resources Limited since March 2004. Past director of Doray Minerals Limited from October 2009 to November 2011.
Mr Peter G Webse	Non-Executive Director
Qualifications	B.Bus, FCSA, FCIS, FCPA, MAICD
Experience	Peter has over 22 years company secretarial experience. He is the managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Peter acts as company secretary for a number of ASX listed resource and industrial companies and is a non-executive director of Eco Quest Limited.
Interest in Shares and Options	2,000,000 ordinary shares 15,000,000 unlisted options
Directorships held in other listed entities	Non-Executive Director of Eco Quest Limited from 18 May 2012. Non-Executive Director of Sum Biomedical from 22 January 2013
Ms Julia Beckett	Non-Executive Director
Qualifications	Certificate in Governance Practice and Administration and is a Certificated Member of Chartered Secretaries Australia
Experience	Julia is a corporate governance professional, having worked in corporate administration and compliance for the past 6 years. She has been involved in business acquisitions, mergers, initial public offerings and capital raisings, as well as statutory and financial reporting. Julia is currently Company Secretary of Equamineral Holdings Limited, Frontier Resources Ltd and Parker Resources NL.
Interest in Shares and Options	Nil
Directorships held in other listed entities	No directorships in any other listed entities as at the reporting date or in the past three years.
Mr Justin Virgin	Non-Executive Director
Qualifications	MBA
Experience	Justin has over eight years experience in the financial services industry with expertise in providing a wide range of financial services which includes capital

	raisings, providing general corporate advice, participating in the promotion of small-cap companies and other investment advice involved in mergers, acquisitions and valuation for sale of small to medium enterprises.
Interest in Shares and Options	27,000,000 Ordinary Shares Nil Options
Directorships held in other listed entities	Non-Executive Director of Terrain Minerals Limited from July 2012.

2. COMPANY SECRETARY

Mr Peter Webse – B.Bus, FCSA, FCIS, FCPA, MAICD was appointed to the position of Company Secretary on 30 May 2008. Mr Webse has over 22 years experience in similar company secretarial roles with listed companies. He is a consulting company secretary and provides services to a number of listed and unlisted companies.

3. DIRECTORS' MEETINGS

The number of directors' meetings held and the number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings	
Director	**A**	**B**
Mr B F Fraser	6	6
Ms L de Bruin	4	4
Mr P G Webse	6	6
Ms J Beckett	2	2
Mr J Virgin	-	-

A Number of meetings attended.
B Number of meetings held during the time the director held office during the year that the respective director was eligible to attend as a member.

4. NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year consisted of exploration activities within the Ellendale diamond field in Western Australia and exploration for gold at the Diapaga Project in Burkina Faso. The company was also active in pursing and reviewing other projects predominantly in Africa but also in other parts of the world.

5. OPERATING AND FINANCIAL REVIEW

The consolidated loss from ordinary activities for the year amounted to $1,184,291 (2012: $2,555,172). The net assets of the consolidated group have increased by $23,983 to $349,238. The major components of this movement were:

- share placements in October 2012 which raised $1,000,000 before costs; and
- exploration expenditure on the Diapaga Gold Project in Burkina Faso, where Blina as operator was earning a joint venture interest from Golden Rim Resources Ltd.

Review of Operations

Diamond Project

At the beginning of the year the Company undertook a review of its diamond assets at Ellendale in the Kimberley region of Western Australia. Work previous to 2008 had delineated alluvial diamond deposits in paleofluvial channels and terraces formed by the erosion and deposition from diamondiferous lamprolites. A number of the lamprolites are currently mined for diamonds by Kimberley Diamond Company ("KDC"), which until 2012 had a controlling shareholding in Blina.

Blina's diamond resources were compiled in an evaluation report by Venmyn in 2008. The total resource was calculated at 2,187,996 cubic metres at 5.80 carats per 100 tonnes for 126,900 carats. There are possibly additional resources of up to 20-30% in the J Channel and in the northwest of the tenement block in Terrace 5 but these were excluded at the time because of deep overburden and a lack of bulk testing. The value of the diamonds quoted in 2008 was $289 per carat for a total value of $36.7M. Diamond prices have dropped significantly since 2008. The overburden calculated by Venmyn was 18,179,000 cubic metres which gives a very high ore to waste strip ratio of 12:1.

The channels are generally 100 to 200 metres wide with gravel sections generally only a few metres thick.

The Blina 2012 assessment concluded that the alluvial deposits were unlikely to support a commercial-scale mining operation because of the difficult, high cost mining conditions and the low value of the recovered diamonds. A trial mining operation in 2008 was uneconomic and supports the 2012 assessment. The alluvial deposits may have value to a small independent operator.

Blina also completed an assessment of hard rock lamprolite targets on its tenements, as the primary lamprolites may prove to be more likely to produce a commercial-scale operation than the alluvial deposits. In the second quarter of the 2013 financial year two lamprolite targets were drilled in joint venture with KDC. One target GEM-004, which lies 400m southeast of the Water Reserve lamprolite was drilled and a thin lamprolite, probably a sill was identified in drill cuttings. It was decided that because of the relative thinness of the body that its economic significance was doubtful. The second target drilled GEM-030 gave negative results and it was concluded that the anomaly was caused by transported lamprolite from Ellendale 31, on a nearby ridge.

After this programme Blina decided to reduce it tenement holding to include the known lamprolite bodies and delineated alluvial channels. All of Blina's mineral tenements are in good standing. It was also decided to dispose of mining assets at Ellendale and reduce environmental liabilities on the camp and plant mining leases.

Gold Project

In October 2012 Blina completed a share placement for $1,000,000 and Mr David Porter became the major share holder in Blina with a 17.27% interest, whilst KDC's interest was reduced to 8.40%. Mr Porter is a successful geologist who was involved in the early stage developments of projects such as Yilgarn Star, Agbaou in Cote d'Ivoire, Tasiast in Mauritania, coal in Waterberg, South Africa and the Sundance iron ore project in Cameroon and Congo. He has been retained by Blina as a consultant to identify new opportunities, primarily in Africa.

In December 2012 Blina entered into a joint venture with Golden Rim Resources Ltd ("GMR") on its Diapaga gold project in the West African country of Burkina Faso. Under the terms of the joint venture Blina may elect to earn an initial 51% interest from GMR by spending US$2 million over 30 months. Blina may earn another 19% for a total of 70% by spending another US1.5 million in 24 months should GMR elect not to contribute further to exploration expenditure. Blina may elect to withdraw from the joint venture after expenditure of US$500,000.

Figure 1: Location of Burkino Faso in West Africa.

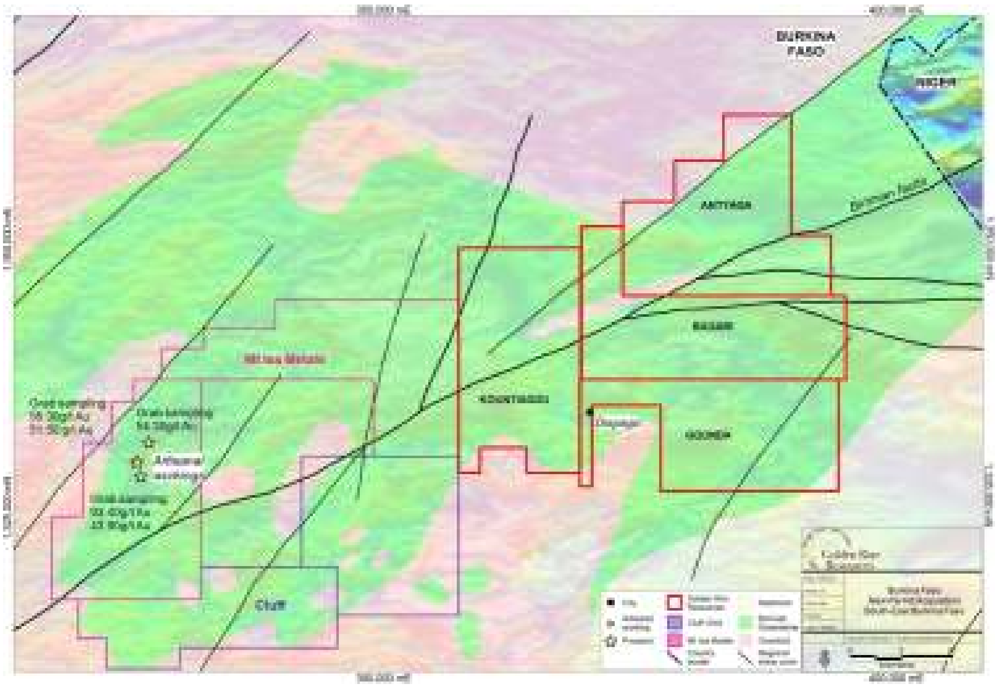

Figure 2: The Diapaga Tenement Block relative to the Natougou Gold Deposit.

The Diapaga greenstone belt in the southeast of Burkina Faso near the Niger frontier has become the focus of exploration in recent months with the discovery of the Natougou gold deposit by Orbis Gold Limited. The Natougou gold deposit of 15.2 million tonnes of 3.7g/t Au for 1.8 million ounces of gold lies on the adjoining tenement block and 25km southwest of the Diapaga tenements. The gold mineralisation is hosted in a flat lying pyritic shear zone in mafic volcanic rocks lying north of a prominent northeast trending regional shear zone which trends through the Blina joint venture area.

Prior to the last wet season Blina completed an orientation auger drilling programme over the 960 square kilometre Diapaga tenements. The area has never been explored and is entirely soil covered with an average depth of 6 metres of transported soil lying on deeply weathered basement greenstone rocks. An interpretation of recently flown magnetic data indicates that a major northeast trending shear some 40km long with subsidiary fault sets dissect mafic, acid and metasedimentary rocks and are suitable conduits for auriferous mineralisation fluids.

Five auger traverses were drilled 5 to 10km apart with holes spaced 400m apart. The programme was designed to test the depth to basement and locate any large dispersion zones. Background values were low possibly suggesting a deep depletion zone in the weathered rocks. Anomalous values of up to 23ppb gold were located along the northeast shear zone.

The Diapaga area has barely been scratched and Blina will continue with an exhaustive follow up auger drilling programme in the new field season.

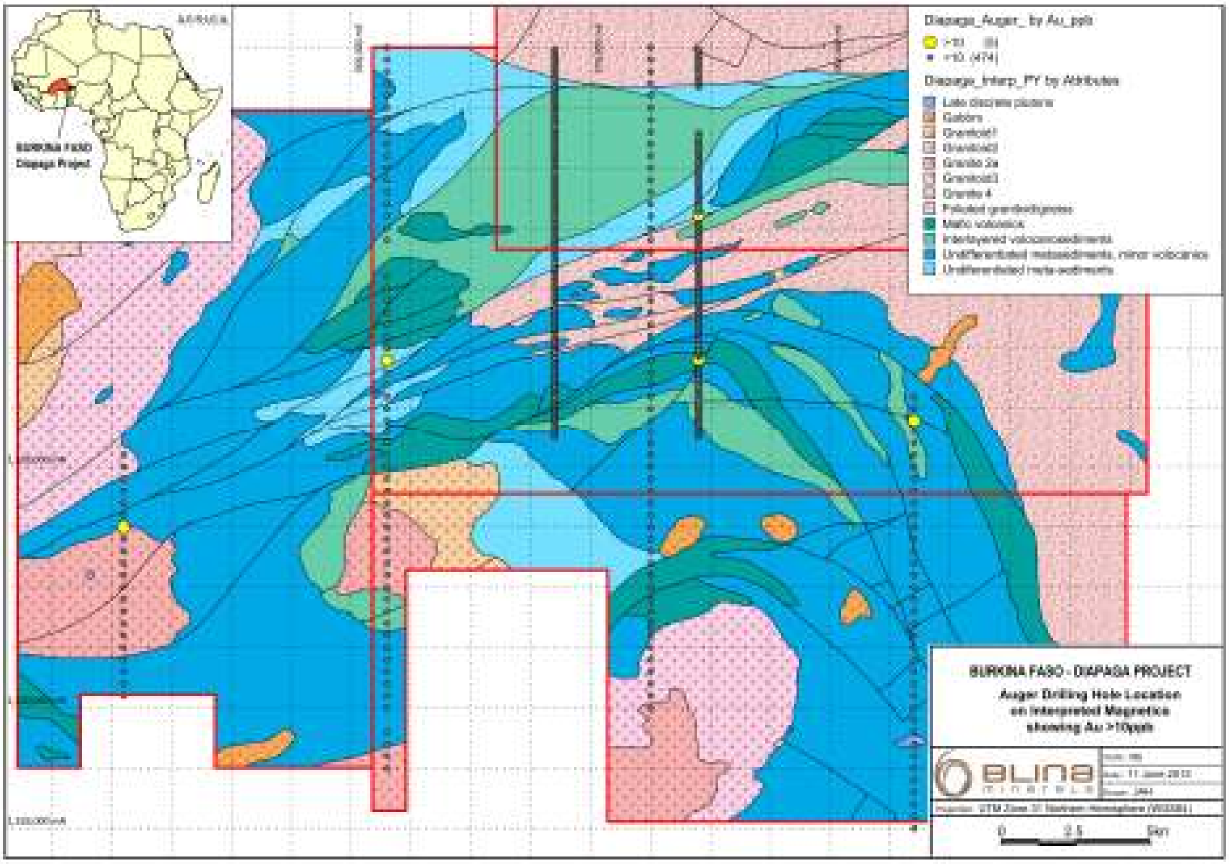

Figure 3: Anomalous Gold BLEG Auger Results from Blina's Orientation Programme

Competent Persons Statement

The Information in this public report that relates to exploration results of the Company is based on information compiled by Mr David Porter who is a Fellow of the Australasian Institution of Mining and Metallurgy and a consultant to the Company. Mr Porter's services are provided under contract by Metallica Investments Pty Ltd. Mr Porter has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Mr Porter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 3 October 2012, the Company issued 400,000,000 fully paid ordinary shares at an issue price of $0.0025 raising $1,000,000 before costs.

On 6 November 2012, the Company issued 100,000 fully paid ordinary shares at an issue price of $0.03 as part settlement of the Bunuba native title claim.

On 27 February 2013, the Company issued 50,000,000 fully paid ordinary shares at an issue price of $0.002 per the terms of the Diapaga agreement.

7. ENVIRONMENTAL REGULATION

The Group's operations are subject to significant environmental regulations in the jurisdictions it operates in, namely Australia and Burkina Faso.

The Group is committed to achieving a high standard of environmental performance. The Board is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

8. DIVIDENDS

The directors have not recommended the declaration of a dividend. No dividends were paid or declared during the period.

9. LIKELY DEVELOPMENTS

Other than those matters noted elsewhere in this financial report, likely developments, future prospects and business strategies of operations have not been included in this report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

10. SHARE OPTIONS

Unissued shares under option
At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price ($)	Number of options
4 October 2013	0.02	73,666,665
5 November 2015	0.60	5,000,000
29 November 2014	0.01	48,000,000
29 November 2014	0.0175	19,200,000
29 November 2014	0.025	12,800,000
		158,666,665

These options do not entitle the holder to participate in any share issues of the Company.

For details of options issued to Directors and executives as remuneration in the previous financial year, refer to the Remuneration Report.

Shares issued on exercise of options
No ordinary shares were issued by the Company as a result of the exercise of options during or since the end of the financial year.

11. REMUNERATION REPORT - AUDITED

11.1 Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key Management Personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the directors of the Company.

Compensation levels for Key Management Personnel are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparative companies both locally and internationally and the objectives of the Group's compensation strategy.

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds.

Shares and options may only be issued to directors subject to approval by shareholders in a general meeting.

The Board has no established retirement or redundancy schemes.

11.1.1 Fixed Remuneration

Fixed compensation consists of base compensation as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group. In addition, external consultants provide analysis and advice to ensure the directors' and

11. REMUNERATION REPORT – AUDITED (continued)

senior executives' compensation is competitive in the market place. During the period no such consultant was used and no senior executive's other than directors were employed.

11.1.2 Performance Based Remuneration

Short-term and long-term incentive structure

Given the current size, nature and opportunities of the Group, the Board has given more significance to service criteria instead of market related criteria in setting the Group's incentive schemes. Accordingly, at this stage the Board does not consider the Group's earnings or earnings related measures to be an appropriate key performance indicator (KPI). In considering the relationship between the Group's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are analysed as well as measures such as successful completion of exploration activities (eg completion of exploration programs within budgeted timeframes and costs), development activities (eg completion of scoping and/or feasibilities studies), corporate activities (eg recruitment of key personnel/contractors) and business development activities (eg project acquisitions and capital raisings).

Short-term incentives

No short-term incentives in the form of cash bonuses were granted during the year.

Long-term incentives

The Board has a policy of granting incentive options to executives with exercise prices above market share price. As such, incentive options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Group increases sufficiently to warrant exercising the incentive options granted.

The directors of the Company are not eligible to participate in the "Blina Minerals NL Employee Incentive Option Plan" adopted by the Board and approved by shareholders on 16 March 2011.

11.1.3 Service Contracts

Compensation and other terms of employment for the directors, key management personnel and the company secretary are formalised in contracts of employment.

11.1.4 Non-executive Directors

Total compensation for all non-executive directors are set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Non-executive directors' fees are presently limited to an aggregate of $250,000 per annum.

11.1.4 Non-executive Directors (continued)

Non-executive directors do not receive performance related compensation. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to non-executive directors.

Fees for the Non-Executive Directors for the financial year were $104,878 (2012: $121,967) and cover main Board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Group.

11.1.5 Engagement of Remuneration Consultants

During the financial year, the Company did not engage any remuneration consultants.

11.1.6 Relationship between Remuneration of Key Management Personnel and Shareholder Wealth

During the Group's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore, there was no relationship between the Board's policy for determining, or in relation to, the nature

11. REMUNERATION REPORT – AUDITED (continued)

and amount of remuneration of Key Management Personnel and dividends paid and returns of capital by the Company during the current and previous financial years.

The Board did not determine the nature and amount of remuneration of the Key Management Personnel by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and previous financial years. However, as noted above, the Directors of the Company received incentive options in which generally would only be of value if the Company's share price increased sufficiently to warrant exercising the incentive options.

11.1.7 Relationship between Remuneration of Key Management Personnel and Earnings

As discussed above, the Group is currently undertaking exploration activities and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from its projects. Accordingly, the Board does not consider earnings during the current and previous financial years when determining the nature and amount of remuneration of Key Management Personnel.

11.2 Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company are listed below. The Group did not have any executive officers, other than executive directors, appointed at any time during the financial year.

2013	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total	% of remuneration as options
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other	Equity	Options		
Directors:	$	$	$	$	$	$	$	$	$	
Ms L De Bruin (resigned 25 March 2013)	-	-	-	-	-	-	-	20,496	20,496	100%
Mr B Fraser [1]	60,000	-	-	-	5,400	-	-	68,318	133,718	51%
Mr P Webse	36,000	-	-	45,000[2]	-	-	-	20,495	101,495	20%
Ms J Beckett (appointed 25 March 2013)	8,878	-	-	-	799	-	-	-	9,677	-
Mr J Virgin (appointed 6 September 2013)	-	-	-	-	-	-	-	-	-	-
	104,878	-	-	45,000	6,199	-	-	109,309	265,386	-

[1] Wolfstar Corporate Management, a company where Brett Fraser has a major interest provides accounting services to Blina Minerals Nl. These services are provided indirectly by Brett and have therefore not been included in remuneration. Please refer to Note 25(b) Key Management Personnel on page 47 for further details.

[2] Peter Webse is a director of Platinum Corporate Secretarial Pty Ltd ("PCS"). PCS provides company secretarial services to Blina Minerals NL

11. REMUNERATION REPORT – AUDITED (continued)

11.2 Directors' and executive officers' remuneration

2012	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total	% of remuneration as options
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other	Equity	Options		
Directors:	$	$	$	$	$	$	$	$	$	
Ms L De Bruin	-	-	-	-	-	-	-	-	-	-
Mr B Fraser	60,000	-	-	-	-	-	-	-	60,000	-
Mr P Webse	16,967	-	-	45,000[1]	-	-	-	-	61,967	-
	76,967	-	-	45,000	-	-	-	-	121,967	-

11.3 Options granted to Key Management Personnel

	Date	No.	FV per option at grant date	No. vested during the year	% of grant vested	% of grant forfeited	Expiry date
Directors:							
Ms L De Bruin (resigned 25 March 2013)	30/11/2012	9,000,000	$0.0016	9,000,000	100	-	29 November 2014
Ms L De Bruin (resigned 25 March 2013)	30/11/2012	3,600,000	$0.0011	3,600,000	100	-	29 November 2014
Ms L De Bruin (resigned 25 March 2013)	30/11/2012	2,400,000	$0.0009	2,400,000	100	-	29 November 2014
Mr B Fraser	30/11/2012	30,000,000[3]	$0.0016	30,000,000	100	-	29 November 2014
Mr B Fraser	30/11/2012	12,000,000[3]	$0.0011	12,000,000	100	-	29 November 2014
Mr B Fraser	30/11/2012	8,000,000[3]	$0.0009	8,000,000	100	-	29 November 2014
Mr P Webse	30/11/2012	9,000,000	$0.0016	9,000,000	100	-	29 November 2014
Mr P Webse	30/11/2012	3,600,000	$0.0011	3,600,000	100	-	29 November 2014
Mr P Webse	30/11/2012	2,400,000	$0.0009	2,400,000	100	-	29 November 2014
		80,000,000					

The options have been granted to Key Management Personnel (KMP) to provide a market-linked incentive package in their capacity as KMP and for future performance by them in their roles. The KMP options vested immediately after the issue date.

The value of options granted as remuneration and as shown in the table above has been determined in accordance with applicable valuation models and accounting standards.

The dollar value of the percentage vested during the period has been reflected in the Directors' and executive officers' remuneration tables.

All options were issued by Blina Minerals NL and entitle the holder to one ordinary share in Blina Minerals NL for each option exercised.

For details of Directors and executives interests in options at year end, refer to Note 25 of the financial statements.

REMUNERATION REPORT ENDS

[3] Per the terms of the options Brett Fraser allocated 50% of the options granted to a nominee. This nominee is not a related party of Brett Fraser or Blina Minerals.

12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

The Company indemnifies each of its Directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavours to insure a Director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their report on the financial report.

Insurance Premiums

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

13. NON-AUDIT SERVICES

During the year, Nexia Perth Audit Services Pty Ltd (Nexia Perth), the Company's auditor, did not perform any services other than their statutory audits.

In the event that non-audit services are provided by Nexia Perth, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

14. EVENTS SUBSEQUENT TO REPORTING DATE

On the 28 August 2013 the legal dispute between Blina Mineral Nl and Kimberly Diamond Company NL (KDC) were settled. The settlement terms were confidential however both companies advised the ASX that the settlement had been reached on commercial terms acceptable to both parties. The settlement will finalise the joint venture and other commercial arrangements between Blina and KDC.

On 3 September 2013, the Company placed 233,750,000 ordinary fully paid shares at an issue price of $0.001 per share to raise $233,750 before costs. The capital raising is to be utilised for working capital costs.

On 6 September 2013 Justin Virgin was appointed as a non-executive director of the Company.

On 24 September 2013 the Company advised there was bush fire that had caused extensive damage to the Blina Camp site in the Kimberley. The camp site has been under care and maintenance. There were no injuries arising from the fire. The exact extent of the damage will not be able to be gauged until the Company's insurer has been to site and made an assessment.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 12 and forms part of the directors' report for the financial year ended 30 June 2013.

Dated at West Perth this 26th day of September 2013.

Signed in accordance with a resolution of the directors:

BRETT F FRASER
NON-EXECUTIVE CHAIRMAN

the next solution

Auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Blina Minerals NL

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

(i) no contraventions of the auditor's 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.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

26 September 2013
Perth

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The Board of Directors of Blina Minerals NL (the Company or Blina) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Blina on behalf of the shareholders by whom they are elected and to whom they are accountable.

The principal features of Blina's corporate governance regime and compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations are set out in this Corporate Governance Statement. For further information on corporate governance matters adopted by Blina, refer to our web site www.blinaminerals.com.au.

1. Board of Directors

The Board is accountable to shareholders for the performance of Blina.

Roles and Functions of the Board and Senior Management
(ASX Corporate Governance Principles and Recommendations: 1.1, 1.3, 2.3)

The Board has adopted a charter that sets out the functions and responsibilities of the Board within the governance structure of Blina. The conduct of the Board is also governed by the Company's Constitution.

The primary responsibilities of the Board are to:

- Appointment, evaluation, rewarding and, if necessary, removal of the Managing Director, Chief Financial Officer, senior executives and the Company Secretary;
- Approval of remuneration methodologies and systems;
- In conjunction with management (where applicable), development of corporate objectives, strategy, operations plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Managing Director and other executive Directors (where appointed) to allow them to manage the business effectively;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management (where applicable) including the implementation of strategy and ensuring appropriate resources are available;
- Overseeing the management of business risks, safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately
- Assuring itself that appropriate audit arrangements are in place;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with its Corporate Governance Policies.

The Managing Director (where one is appointed) is responsible for the overall operational, business management and financial performance of Blina whilst also managing the Company in accordance with the strategy, plans and policies approved by the Board to achieve agreed goals.

Where applicable, senior executives reporting to the Managing Director will have their roles and responsibilities defined in position descriptions. Blina's Board Charter is available on its website.

1. Board of Directors (continued)

Board Composition and Size
(ASX Corporate Governance Principles and Recommendations: 2.1, 2.2, 2.3, 2.5, 2.6)

During the financial year ended 30 June 2013 and up to the date of this report, the Blina Board comprised the following Directors:

Name	Position	Appointed
Brett Fraser	Independent Non-Executive Chairman	26/09/2008
Julia Beckett	Independent Non-Executive Director	26/03/2013
Peter Webse	Non-Executive Director	12/01/2012
Justin Virgin	Non-Executive Director	06/09/2013
Lee-Anne de Bruin	Executive Director (resigned 26/03/213)	18/06/2009

The Directors determine the size of the Board, with reference to the Constitution and Blina's Board Charter, which provides that there will be a minimum of three directors and a maximum of ten directors. However, it is the present intention of the Board to limit the maximum number of Directors to no more than five.

Information on the skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and term of office are detailed in the Directors' Report.

Details of the number of Board meetings and the attendance of Directors are detailed earlier in this Directors' Report.

During the financial year the Company did not comply with *Recommendation 2.1: A majority of the Board should be independent directors* for the reasons set out below.

The Company currently has a majority of independent Directors, being the Non-Executive Chairman, Mr Brett Fraser, Ms Julia Beckett, who was appointed as a Non-Executive Director on 26 March 2013 and Mr Justin Virgin, who was appointed as a Non-Executive Director on 6 September 2013. The Board considers Mr Fraser, Ms Beckett and Mr Virgin to be independent as they are not members of management and are free of any business or other relationships that could materially interfere with, or could reasonably be perceived to interfere with the independent exercise of their judgement. Mr Peter Webse is a Non-Executive Director. However, the Board does not consider him to be independent due to his role as managing director of Platinum Corporate Secretariat Pty Ltd, which provides consulting company secretarial services to the Company. Prior to 26 March 2013 the Company did not have a majority of independent Directors. The only Director considered to be independent was Mr Brett Fraser, for the reasons set out above. Ms Lee-Anne de Bruin (an Executive Director until 26 March 2013) was not considered to be independent as she was the managing director of Kimberley Diamond Company NL (KDC), a substantial shareholder of the Company and Mr Peter Webse was not considered to be independent for the reasons outlined above.

The Directors are satisfied that the structure of the Board is appropriate for the size of the Company, the nature of its operations and its current financial standing. The structure and composition of the Board is subject to ongoing review.

No member of the Board, other than a Managing Director, may serve for more than three years or past the third annual general meeting following their appointment, whichever is the longer, without being re-elected by the shareholders. Prior to the Board proposing re-election of Non-Executive Directors, their performance will be evaluated by the Board ensuring that they continue to contribute effectively to the Board. Nominations for appointment to the Board are considered by the Directors as a whole and with the objective to ensure that the Board comprises Directors with a mix of qualifications, experience and expertise which will assist the Board in fulfilling its responsibilities, as well as assisting the Company in achieving growth and delivering value to shareholders.

The appointment of the Company Secretary is a matter for the Board. Information on the skills, experience and qualifications of the Company Secretary can be found in the Directors' Report.

Independence of Directors
(ASX Corporate Governance Principles and Recommendations: 2.1)

As stated above, the Company has three independent Directors, the Non-Executive Chairman, Mr Brett Fraser, Ms Julia Beckett and Mr Justin Virgin. In assessing the independence of Directors, the Board considers whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company and there has not been a

1. Board of Directors (continued)

period of at least three years between ceasing such employment and serving on the Board;

- has within the last three years been a principal of a material professional adviser or a material consultant to the Company or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has a material contractual relationship with the Company or another Group member other than as a Director of the Company.

The materiality thresholds are assessed on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold.

Access to Information
(ASX Corporate Governance Principles and Recommendations: 2.6)

Directors are encouraged to have direct communications with management and other employees within the Company to facilitate the carrying out of their duties.

The Board, Board Committees (where applicable) or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior approval from the Chairman. A copy of any such advice received is made available to all members of the Board.

2. Remuneration and Performance

Board Remuneration and Performance Review
(ASX Corporate Governance Principles and Recommendations: 2.4, 2.5, 2.6, 8.3, 8.4)

The Board generally conducts an annual review of the role of the Board, assessing its performance over the previous 12 months and examining ways of assisting the Board in performing its duties more effectively.

The annual review may include consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

There was no formal performance review of the Board during the financial year. A performance review of the Board will be deferred until such time as the Company's status becomes more active.

Non-Executive Directors receive fees for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is $250,000 per annum. The Directors set the individual Non-Executive Directors' fees within the limit approved by shareholders.

The total fees paid to Non-Executive Directors during the reporting period was $104,878.

2. Remuneration and Performance (Continued)

During the financial year the Company did not comply with *Recommendation 2.4: The Board should establish a nomination committee* for the reasons set out below.

The Company does not have a nomination committee as the Directors consider the Company to be too small to warrant one. However, matters typically dealt with by such a committee are dealt with by the full Board.

The process for evaluating the performance of the Board and individual Directors is set out in the Performance Evaluation Policy, which is available on the Company's web site.

Executive Remuneration and Performance
(ASX Corporate Governance Principles and Recommendations: 1.2, 1.3, 8.3, 8.4)

The Company had an executive Director until 26 March 2013. The Executive Director was employed by a substantial shareholder of the Company, KDC. KDC provided the services of the Executive Director by way of a monthly management services charge, details of which are set out in the Related Party Transactions note to the attached financial statements. The Executive Director had forgone their Director's fees. The Company currently has no executives.

Where applicable, the Board annually reviews the performance of the Executive Directors and other executives (the Company does not currently have a Managing Director). Where applicable, at the commencement of each financial year, the Board and the executive agree a set of generally Company specific performance measures to be used in the review of the forthcoming year.

These will include:

(a) financial measures of the Company's performance;
(b) the extent to which key operational goals and strategic objectives are achieved;
(c) development of management and staff;
(d) compliance with legal and Company policy requirements; and
(e) achievement of key performance indicators.

Where applicable, the Managing Director (if one is appointed) assesses the performance of any senior executives within the Company which directly report to him/her. This is performed through a formal performance appraisal process and measured against key performance indicators, including the business performance of the Company, and agreed at the beginning of each financial year.

There were no senior executives who were not Directors of the Company during the financial year.

Due to the resignation of the Executive Director on 26 March 2013, no performance evaluation was undertaken.

3. Board Committees

(ASX Corporate Governance Principles and Recommendations: 2.4, 2.6, 4.1, 4.2, 4.3, 4.4, 8.1, 8.2, 8.4)

The current size and composition of the Board, with a Non-Executive Chairman and three Non-Executive Directors, and the operations of the Company, are not sufficient to establish Committees to assist the Board in fulfilling its duties and that would meet the requirements of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. However, in the future, should the size and composition of the Board and the operations of the Company warrant it, the Board will give consideration to the establishment of the following committees:

- Nomination Committee;
- Audit and Risk Committee; and
- Remuneration Committee.

During the financial year the Company did not comply with *Recommendation 2.4: The Board should establish a nomination committee, Recommendation 4.1: The Board should establish an audit committee, Recommendation 4.2: Structure the audit committee so that it consists of only non-executive directors, consists of a majority of independent directors, is chaired by an independent director who is not chairperson of the Board and has at least three members, Recommendation 4.3: The audit committee should have a formal charter, Recommendation 8.1: The Board should establish a remuneration committee and Recommendation 8.2: The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members*, for the reasons set out above.

However, matters typically dealt with by the abovementioned committees and the functions of those committees are dealt with by the full Board.

The Board meets with the external auditor at least twice a year to review the adequacy of the existing external audit arrangements, with particular emphasis on scope, quality and independence of the audit. The external auditor will be required to report to the Board on its findings in relation to annual audits and half-yearly audit reviews as part of the process of the review and sign-off by the Board. The auditor will be rotated as is statutorily required.

4. Code of Ethics and Conduct

(ASX Corporate Governance Principles and Recommendations: 3.1 3.5)

The Company has a Directors' Code of Conduct and a Corporate Code of Conduct which promote ethical and responsible decision-making by Directors and employees.

The Codes of Conduct set out the:

- Practices necessary to maintain confidence in the Company's integrity;
- Practices necessary to take into account legal obligations and expectations of stakeholders; and
- Responsibility and accountability of individuals for reporting and investigating unethical practices.

The Company's Directors' Code of Conduct and Corporate Code of Conduct are available on its website.

5. Diversity Policy

(ASX Corporate Governance Principles and Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company has adopted a formal Diversity Policy and is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of the Company and on the Company Board.

During the financial year the Company did not comply with *Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them and Recommendation 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* for the reasons set out below.

The Board has established and disclosed its policy concerning diversity. However, the Board considers due to the size of the Company that setting measurable diversity objectives is not appropriate. The Company currently has no employees and utilises external consultants and contractors as and when required.

The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

Notwithstanding the above, during the financial year the Board had one woman member of the Company, Ms Lee-Anne de Bruin until her resignation on 26 March 2013 and Ms Julia Beckett from that date.

The Company's Diversity Policy is available on its website.

6. Securities Trading Policy

The Company has a Securities Trading Policy regarding Directors and Key Management Personnel trading in its securities. The policy restricts Directors and Key Management Personnel from acting on material information until it has been released to the market and adequate time has been given for the information to be reflected in the security's prices.

Directors or Key Management Personnel must not, except in exceptional circumstances, deal in the securities of the Company during the following "Block Out" periods:

1. in the 10 business days prior to and 1 business day after the release of the Company's Annual Financial Report;
2. in the 10 business days prior to and 1 business day after the release of the Interim Financial Report of the Company;
3. in the 10 business days prior to and 1 business day after the release of the Company's quarterly reports;
4. in the 10 business days prior to and 1 business day after the Annual General Meeting of the Company.

Directors must not trade in the Company's securities without advising the Chairman (or other person designated for this purpose) in advance and must receive written clearance before any dealing in the Company's securities. The Chairman must not trade in the Company's securities without the prior approval of the Board before doing so. Key Management Personnel (where appointed) must not trade in the Company's securities without prior written approval of the Managing Director (where appointed). Approval will not be given during a "Block Out" period.

The Company's Directors and any Key Management Personnel who are participating in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

The Company's Securities Trading Policy is available on its website.

7. Continuous Disclosure

(ASX Corporate Governance Principles and Recommendations: 5.1, 5.2)

The Company's Continuous Disclosure Policy sets out the obligations under the ASX Listing Rules and Corporations Act for all Directors and employees in relation to continuous disclosure and the type of information that requires disclosure. The Policy also provides procedures for internal notification and external disclosure, as well as procedures promoting understanding of compliance with the disclosure requirements and for monitoring compliance.

In addition, the Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of information in the course of their duties as a Director of the Company.

The Chairman, in conjunction with the Board, is the person primarily responsible for ensuring that the Company complies with its continuous disclosure obligations.

The Company's Continuous Disclosure Policy is available on its website.

8. Communications with Shareholders

(ASX Corporate Governance Principles and Recommendations: 6.1, 6.2)

The Company has a Shareholder Communications Policy which has been designed to promote effective communication with shareholders and encourage shareholder participation at annual general meetings.

The Company's Policy requires that shareholders are informed of all major developments that impact on the Company. The Chairman has primary responsibility for communication with shareholders.

Information is communicated to shareholders through:

- distribution of the half-yearly and annual reports (in hardcopy when requested) via the Company's website;
- disclosures and announcements made to the ASX, which are placed on the Company's website;
- notices and explanatory memoranda of annual general meetings and general meetings;
- occasional letters from the Chairman to specifically inform shareholders of key matters of interest; and
- the Company's website, where all reports, ASX announcements and media releases are posted.

The Company recognises the importance of shareholder participation in general meetings and supports and encourages that participation.

The Shareholder Communications Policy also provides that the Company's external auditor is required to attend each annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company's Communications with Shareholders Policy is available on its website.

9. Recognise and Manage Risk

(ASX Corporate Governance Principles and Recommendations: 7.1, 7.2, 7.3, 7.4)

The Company has established policies for the oversight and management of material business risks.

The Board is responsible for approving and reviewing the Company's risk management policy. The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks.

The policy identifies potential risks by means of a comprehensive list of events across the elements of the business structure. Potential risks are assessed according to the likelihood of the risk event and the impact on the organisation. Risks with low likelihood and low impact have been excluded from the policy.

The Board has required and management has reported to the Board on the effectiveness of the management of the Company's material business risks. When considering its review of the financial reports, the Board receives a written statement from the Chairman and the Chief Financial Officer (or equivalent), that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial statements are founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Management had reported to the Board during the financial year as to the effectiveness of the Company's management of its material business risks. The Board reviews the effectiveness of risk management and internal compliance and control on an annual basis.

A summary of the policies on risk management is available on the Company's website.

	Note	2013 $	2012 $
Other income	6	5,785	92,013
Reclassification of translation difference on relinquishment of Mongolian Tenements		-	47,117
Accounting and compliance expense		(207,011)	(209,705)
Insurance and legal expense		(107,440)	(44,476)
Director fees		(111,077)	(68,967)
Exploration expenditure written off		(41,302)	-
Impairment expense	7	(413,846)	(1,688,861)
Site administration costs (care and maintenance)		(101,088)	(483,207)
Business development expense		(27,487)	(182,390)
Travel expense		(60,656)	(64,271)
Share based payments		(109,309)	-
Other expenses		(47,913)	(44,159)
Loss from operating activities		**(1,221,344)**	**(2,646,906)**
Financial income		37,053	122,567
Financial expenses		-	(71,321)
Net financing income/(expense)	9	37,053	51,246
Loss before tax		**(1,184,291)**	**(2,595,660)**
R&D tax refund	11	-	40,488
Loss after tax		**(1,184,291)**	**(2,555,172)**
Other comprehensive income			
Items that will not be reclassified to the profit or loss		-	-
Items that may be reclassified to the profit or loss		-	6,888
Other comprehensive income for the period, net of tax		-	6,888
Total comprehensive loss for the period attributable to owners of the company		**(1,184,291)**	**(2,548,284)**
Earnings per share			
Basic loss per share attributable to ordinary shareholders	12	$0.0011	$0.004

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

	Note	2013 $	2012 $
Current Assets			
Cash and cash equivalents	13	539,610	540,855
Trade and other receivables	14	123,793	10,060
Inventories		-	8,521
Prepayments		108,967	110,532
Non-current assets held for disposal	15	737,480	-
Total Current Assets		1,509,850	669,968
Non-Current Assets			
Other receivables	14	247,000	344,000
Property, plant and equipment	16	196,958	1,060,820
Exploration and evaluation assets	17	360,291	146,521
Total Non-Current Assets		804,249	1,551,341
Total Assets		2,314,099	2,221,309
Current Liabilities			
Trade and other payables	19	506,418	447,864
Provisions	20	537,388	20,000
Total Current Liabilities		1,043,806	467,864
Non-Current Liabilities			
Provisions	20	921,055	1,428,190
Total Non-Current Liabilities		921,055	1,428,190
Total Liabilities		1,964,861	1,896,054
Net Assets		**349,238**	**325,255**
Equity			
Issued capital	21	32,548,891	31,450,344
Reserves	21	1,180,473	1,070,746
Accumulated losses		(33,380,126)	(32,195,835)
Total Equity		**349,238**	**325,255**

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

	Issued Capital $	Accumulated Losses $	Share-based Payments Reserve $	Foreign Currency Translation Reserve $	Total Equity $
Balance at 1 July 2011	**30,112,076**	**(29,640,663)**	**1,070,746**	**(6,888)**	**1,535,271**
Loss for the year	-	(2,555,172)	-	-	(2,555,172)
Recycling balance of FCTR through profit and loss	-	-	-	6,888	6,888
Total comprehensive loss for the year	-	(2,555,172)	-	6,888	(2,548,284)
Transactions with owners:					
Shares issued	1,403,280	-	-	-	1,403,280
Transaction costs on share issue	(65,012)	-	-	-	(65,012)
Cost of share based payments	-	-	-	-	-
Closing balance at 30 June 2012	**31,450,344**	**(32,195,835)**	**1,070,746**	**-**	**325,255**
Balance at 1 July 2012	31,450,344	(32,195,835)	1,070,746	-	325,255
Loss for the year	-	(1,184,291)	-	-	(1,184,291)
Recycling balance of FCTR through profit and loss	-	-	-	-	-
Total comprehensive loss for the year	-	(1,184,291)	-	-	(1,184,291)
Transactions with owners:					
Shares issued	1,000,000	-	-		1,000,000
Transaction costs on share issue	(4,453)	-	-	-	(4,453)
Share based payment expense	100,000	-	109,309	-	209,309
Bunuba settlement	3,000	-	418	-	3,418
Closing balance at 30 June 2013	**32,548,891**	**(33,380,126)**	**1,180,473**	**-**	**349,238**

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

	Note	2013 $	2012 $
Cash flows from operating activities			
Cash receipts from customers		4,949	99,206
Payments for care and maintenance		(246,544)	(459,526)
Payments for business development		(119,980)	(181,143)
Cash paid to suppliers and employees		(493,596)	(350,508)
Cash utilised in operations		(855,171)	(891,971)
Interest received		37,053	49,918
R&D tax refund		-	40,488
Net cash outflow from operating activities	*24*	**(818,118)**	**(801,565)**
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(179,427)	(986,190)
Proceeds on disposal of property, plant and equipment		750	-
Net cash (outflow)/inflow from investing activities		**(178,677)**	**(986,190)**
Cash flows from financing activities			
Proceeds from share issue		1,000,000	1,403,280
Share issue cost		(4,450)	(65,012)
Net cash inflow from financing activities		**995,550**	**1,338,268**
Net decrease in cash and cash equivalents		**(1,245)**	**(449,487)**
Cash and cash equivalents at the beginning of the period		540,855	996,142
Effect of exchange rate fluctuations on cash held		-	(5,800)
Cash and cash equivalents at the end of the period	*13*	**539,610**	**540,855**

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

1. REPORTING ENTITY

Blina Minerals NL (the Company or Blina) is a company domiciled in Australia. The address of the Company's registered office is Level 4, 66 Kings Park Road, West Perth 6005, Western Australia. The consolidated financial statements of the Company as at the end of the year ended 30 June 2013 comprise the Company and its subsidiary (together referred to as the Group). The Group is primarily involved in the exploration of mineral resources.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASB) adopted by the Australian Accounting Standard Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 26 September 2013.

(b) Financial Position

The Group had a working capital surplus of $513,586 as at 30 June 2013 (2012:$ 202,104) and reported a loss of $1,184,291 for the year then ended (2012: $2,555,172).

On 3 September 2013, the Company placed 233,750,000 ordinary fully paid shares at an issue price of $0.001 per share to raise $233,750 before costs. The capital raising is to be utilised for working capital costs

For the 12 months commencing from 30 June 2013, the Group is required to spend a minimum amount of $0.93m on exploration expenditure in Australia and abroad in order to maintain its right to tenure of exploration tenements. If necessary the Group has the option to relinquish these tenements in order to maintain its cash funds at an appropriate level. The Board of Directors are aware that, based on the Group's cash flow forecast, the Company will need to raise additional capital, and the Group has the option, if necessary, to relinquish tenements and decrease expenditure in order to conserve its cash balance. Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report. In the event that the Group is not successful in raising funds from the issue of new equity, there exists material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3(r).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, than such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on retranslation are recognised in the income statement.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments

(i) Non-derivative financial instruments

Non derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified on the contract expire or are discharged or cancelled.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Trade and other receivables

Trade and other receivables are stated at amortised cost. Receivables are usually settled within 60 days.

Collectability of trade and other debtors is reviewed on an ongoing basis. An impairment loss is recognised for debts which are known to be uncollectible. An impairment provision is raised for any doubtful amounts.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid and stated at their amortised cost. The amounts are unsecured and are generally settled on 30 day terms.

Share capital

Ordinary issued capital is recorded at the consideration received. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of mining inventories is determined using a weighted average basis. Cost includes direct materials, direct labour, mining costs, related transportation costs to the point of sale and other fixed and variable overhead costs directly related to mining activities.

The cost of other inventories is based on a weighted average basis. The cost of other inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(e) Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation costs are recognised as an asset if the rights of the area of interest are current and either:

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

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy 3(g)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash-generating unit shall not be larger than the area of interest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Exploration and evaluation assets (continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation assets to mine properties within property, plant and equipment.

Proceeds from the sale of diamonds recovered as a result of bulk sampling from identified areas of interest are offset against exploration and evaluation costs.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 3(g) and note 3(e) for exploration and evaluation assets).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as an expense as incurred.

(iii) Depreciation

With the exception of exploration and evaluation assets, depreciation is charged to the income statement on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

Depreciation rates and methods are reviewed annually for appropriateness. The depreciation rates used for the current and comparative period are:

	2013	2012
Office furniture and equipment	11%	11%
Plant and equipment	10%	10%
Buildings and infrastructure	10%	10%
Motor vehicles	33%	33%
Restoration and rehabilitation asset	10%	10%

The residual value, if significant, is reassessed annually.

(g) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment (continued)

(i) Financial assets (continued)

Financial assets are tested for impairment on an individual basis.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the income statement.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (see accounting policy 3(d)), and deferred tax assets (see accounting policy 3(n)) and exploration and evaluation assets (see accounting policy 3 (e)) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

(h) Employee benefits

(i) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

(ii) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

For the period ending 30 June 2013, no amount for short term benefits has been recognised in the financial statements as the Group has no employees.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Employee benefits (continued)

(iii) Other long-term benefits

The Group's obligation in respect of long-term employee benefits other than definite benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

For the period ending 30 June 2013, no amount for long term benefits has been recognised in the financial statements as the Group has no employees.

(iv) Share-based payment transactions – equity settled

Share-based compensation benefits are provided to employees via the Group's various share option plans. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(i) Site restoration and rehabilitation

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration and rehabilitation in respect of disturbed land is recognised when the land is disturbed.

The provision is the best estimate of the present value of the expenditure required to settle the restoration and rehabilitation obligation at the reporting date, based on current legal requirements and technology. Future restoration and rehabilitation costs are reviewed annually and any changes are reflected in the present value of the restoration and rehabilitation provision at the end of the reporting period.

The amount of the provision for future restoration and rehabilitation costs is capitalised and depreciated in accordance with the policy set out in note 3(f). The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(j) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or there is a risk of return of goods or there is continuing management involvement with the goods.

(k) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(l) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Loss per share

(i) Basic loss per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to the ordinary shareholders of the Company for the reporting period by the weighted average number of ordinary shares outstanding during the year.

(ii) Diluted loss per share

Diluted earnings/(loss) per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares which comprise share options granted as share based payments.

(n) Income tax

Deferred tax is measured using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

(o) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(q) Non-current assets held for disposal

Non-current assets are classified as held for disposal when it is highly probable that they will be recovered through a legal settlement. Prior to reclassification, the assets are remeasured at the lower of their carrying amount and fair value**.**

(r) New accounting standards and interpretations issued but not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2013, but have not been applied in preparing these consolidated financial statements:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 will become mandatory for the Group's 30 June 2016 financial statements. Retrospective application is generally required, although there are exceptions. The Group has not yet determined the potential effect of the standard.
- AASB 10 *Consolidated Financial Statements* establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and Interpretation 112 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

give control, the impact of potential voting rights and when holding less than a majority of voting rights may give control. This is likely to lead to more entities being consolidated into the Group. AASB 10 will become mandatory for the Group's 30 June 2014 financial statements.

(r) New accounting standards and interpretations issued but not yet effective (continued)

- AASB 11 *Joint Arrangements* replaces AASB 131 *Interests in Joint Ventures* and Interpretation 113 *Jointly-controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the Group. AASB 11 will become mandatory for the Group's 30 June 2014 financial statements.
- AASB 12 *Disclosure of Interests in Other Entities* includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. AASB 12 will become mandatory for the Group's 30 June 2014 financial statements.
- AASB 13 *Fair Value Measurement* establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under Australian Accounting Standards when fair value is required or permitted by Australian Accounting Standards. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. AASB 13 will become mandatory for the Group's 30 June 2014 financial statements.

(s) Fair value estimation

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Information about the assumptions made in determining fair values of assets and liabilities is disclosed in the notes specific to that asset or liability.

(t) Accounting estimates and judgements

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Site restoration and rehabilitation provision

The Group assesses its site restoration and rehabilitation provision at each balance date in accordance with accounting policy 3(i). Significant judgement is required in determining the provision for site restoration and rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate and restore the mine sites and related assets. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates. When these factors change or become known in the future, such differences will impact the site restoration and rehabilitation provision and asset in the period in which they change or become known.

(ii) Share-based payments

The Group measures the fair value of options at grant date using an option pricing model. Significant judgement is required in determining the volatility to be used in the model.

(iii) Impairment of exploration and evaluation assets and mine properties

The ultimate recoupment of the value of the exploration and evaluation assets and mine properties is dependent on successful development and commercial exploitation or alternatively, sale, of the underlying mineral exploration properties. The Group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of these assets. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Accounting estimates and judgements (continued)

(iii) Impairment of exploration and evaluation assets and mine properties (continued)

The key areas of estimation and judgment that are considered in this review include:

- recent drilling results and reserves and resource estimates;
- environmental issues that may impact the underlying tenements;
- the estimated market value of assets at the review date;
- independent valuations of underlying assets that may be available;
- fundamental economic factors such as diamond prices, exchange rates and current and anticipated operating costs in the industry; and
- the Group's market capitalisation compared to its net assets.

Information used in the review process is rigorously tested to externally available information as appropriate.

(i) Impairment of Property, Plant and Equipment and Buildings and Infrastructure

In determining any impairment of property, plant and equipment an estimate is determined of the fair value less cost of sale of the assets. The fair value of an asset is the best estimate of the price reasonably attainable in the market at the reporting date.

4. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and the management of capital.

Risk management framework

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

Credit risk

Credit exposure represents the extent of credit related losses that the Group may be subject to on amounts to be received from financial assets. Credit risk arises principally from trade and other receivables. The objective of the Group is to minimise the risk of loss from credit risk. Although revenue from operations is minimal, the Group trades only with creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant. The Group's maximum credit risk exposure is limited to the carrying value of its financial assets as indicated on the statement of financial position.

4. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at reporting date was as follows:

		2013 $	2012 $
Cash and cash equivalents	*13*	539,610	540,855
Trade and other receivables	*14*	370,793	354,060
		910,403	894,915

Impairment losses

The aging of the Group's trade and other receivables at reporting date was as follows:

	Gross 2013 $	Impaired 2013 $	Net 2013 $	Past due but not impaired 2013 $
Trade debtors				
Not past due	-	-	-	-
Past due up to 3 months	-	-	-	-
Past due 3 to 6 months	-	-	-	-
Past due over 6 months	106,553	-	106,553	106,553[4]
	106,553	-	106,553	106,553
Other receivables				
Not past due	247,000	-	247,000	-
Total	353,553	-	353,553	106,553

Other receivables include environmental bonds ($247,000). The ultimate recoupment of the environmental bonds is dependent on the completion, to the satisfaction of the Department of Mines and Petroleum, of rehabilitation of the site.

No trade or other receivables were past due or impaired as at 30 June 2013.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group does not maintain any lines of credit.

[4] Trade receivable was subsequently offset against the liability to KDC, refer to Note 19.

4. FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk (continued)

The following are the contractual maturities of financial liabilities of the Group:

	Carrying amount $	Contractual cash flows $	6 mths or less $	6-12 mths $	1-2 years $	2-5 years $
30 June 2013						
Trade and other payables	506,418	506,418	506,418[5]	-	-	-
	506,418	506,418	506,418	-	-	-
30 June 2012						
Trade and other payables	447,864	447,864	447,864	-	-	-
	447,864	447,864	447,864	-	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

As the Group is not exposed to significant interest rate risk, it does not enter into interest rate swap contracts.

Profile
At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2013 *$*	*2012* *$*
Variable rate instruments		
Financial assets	883,610	884,856

The Group has no exposure to fixed rate financial instruments (2012: nil).

Cash flow sensitivity analysis for variable rate financial instruments
A change of 100 basis points in the interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	100bp increase		100bp decrease	
	Equity	Profit or loss	Equity	Profit or loss
30 June 2012				
Variable rate instruments	8,848	(8,848)	(8,848)	8,848
30 June 2013				
Variable rate instruments	8,836	(8,836)	(8,836)	8,836

[5] Refer to subsequent event note 28 for details of legal settlement with KDC

4. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Foreign currency risk

As the Group is not exposed to significant foreign currency risk, it does not enter into hedging contracts.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2013		2012	
	USD	MNT	USD	MNT
Cash and cash equivalents *(AUD)*	-	-	-	27,614

Sensitivity analysis

A strengthening of the AUD by 10% against the MNT at 30 June 2012 would have impacted equity and profit and loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. Note there was no foreign currency held at 30 June 2013.

	Strengthening		Weakening	
	Equity $	Profit or loss $	Equity $	Profit or loss $
30 June 2012				
MNT (10% movement)	(2,510)	2,510	3,068	(3,068)
30 June 2013				
MNT (10% movement)	-	-	-	-

Capital management

The Group's policy is to maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the availability of liquid funds in order to meet its short term commitments. It does this by ensuring that its current ratio (current assets divided by current liabilities) remains in excess of 1:1.

Current ratio for this financial year and previous is as follows:

	2013	2012
Current ratio	1.52	1.44

The Group is not subject to externally imposed capital requirements.

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position are as follows:

	Note	Carrying amount 2013 $	Fair value 2013 $	Carrying amount 2012 $	Fair value 2012 $
Financial assets					
Cash and cash equivalents	*13*	539,610	539,610	540,855	540,855
Trade and other receivables	*14*	123,793	123,793	10,060	10,060
Bonds and security deposits	*14*	247,000	247,000	344,000	344,000
Total financial assets		910,403	910,403	894,915	894,915
Financial liabilities					
Trade and other payables	*19*	149,817	149,817	91,263	91,263
Payable	*19*	356,601	356,601	356,601	356,601
Total financial liabilities		506,418	506,418	447,864	447,864

Estimation of fair values

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

5. SEGMENT REPORTING

Operating segments are identified based on the internal reports that are reviewed and used by the management team in assessing performance and in determining the allocation of resources. Management has identified two reportable segments based on geographical areas and therefore different regulatory environments. There are two operating segments, being Australia and international. The international segment includes exploration expenditure as it relates to new or proposed projects.

No operational revenues were derived during the current financial year as both segments are in an exploration phase. Information regarding the results of each reportable segment is included below and is based on internal management reports that are reviewed by management monthly. The measurement of segment profit or loss, segment assets and segment liabilities for each reportable segment is based on the same principles as the measurement of the Group's profit or loss, assets and liabilities.

Information about reportable segments	2013 Australia $	2013 International $	2012 Australia $	2012 International $	Total 2013 $	Total 2012 $
Other income	5,785	-	91,950	63	**5,785**	**92,013**
Interest revenue	36,966	87	49,915	-	**37,053**	**49,915**
Depreciation and amortisation	4,563	-	15,253	1,600	**4,563**	**16,853**
Other material non-cash items:						
Impairment reversal/(charges) of rehabilitation asset	(30,253)	-	117,971	-	**(30,253)**	**117,971**
Impairment of property, plant and equipment	(120,543)	-	(192,250)	-	**(120,543)**	**(192,250)**
Impairment of exploration and evaluation assets	(293,303)	-	(386,536)	(1,228,046)	**(293,303)**	**(1,614,582)**
Exploration expenditure written off	(41,302)	-	-	-	**(41,302)**	**-**
Share based payments expense	(109,309)	-	-	-	**(109,309)**	**-**
Mine rehabilitation and restoration discount unwind	-		(71,321)	-	**-**	**(71,321)**
Reportable segment loss	(1,172,469)	(11,822)	(2,538,629)	(16,543)	**(1,184,291)**	**(2,555,172)**
Reportable segment assets	2,074,283	239,816	2,284,420	38,026	**2,314,099**	**2,322,446**
Reportable segment liabilities	(1,947,244)	(17,617)	(1,893,788)	(2,266)	**(1,964,861)**	**(1,896,054)**
(Disposal)/ Additions to non-current assets other than financial instruments	(249,424)	239,816	51,521	944,373	**(9,608)**	**995,894**

Reconciliation of reportable segment assets and liabilities

	2013 $	2012 $
Assets		
Total assets for reportable segments	2,314,099	2,322,446
Elimination of intercompany investments	-	(101,137)
Consolidated total assets	2,314,099	2,221,309
Liabilities		
Total liabilities for reportable segments	(1,964,861)	(1,896,054)
Elimination of intercompany payables	-	-
Consolidated total liabilities	(1,964,861)	(1,896,054)

6. OTHER INCOME

Vehicle hire	18,450	91,950
Other	-	63
Loss on disposal of assets	(12,665)	-
	5,785	92,013

7. EXPENSES

Included in income statement			
Impairment charges/(Impairment reversals):			
(Impairment reversal) of rehabilitation asset	*16*	-	(117,971)
Impairment of exploration and evaluation assets	*17*	293,303	1,614,582
Impairment of property, plant and equipment	*16*	120,543	192,250
		413,846	1,688,861
Depreciation of:			
Office furniture and equipment		-	1,600
(Write back)/ Depreciation of Motor vehicles		(4,563)	15,253
Depreciation included in income statement		(4,563)	16,853

8. PERSONNEL EXPENSES

Wages and salaries	-	8,298
Other associated personnel expenses	957	-
Superannuation costs	6,199	-
	7,156	8,298

9. NET FINANCING INCOME

Interest income	37,053	49,915
Net foreign currency exchange gain	-	72,652
Financial income	37,053	122,567
Mine rehabilitation and site restoration discount unwind	-	(71,321)
Financial expense	-	(71,321)
Net financing income	37,053	51,246

	2013 $	2012 $

10. AUDITOR'S REMUNERATION

	2013 $	2012 $
Audit services:		
Auditors of the Company – Nexia Perth	25,700	23,491
	25,700	23,491

11. INCOME TAX EXPENSE/BENEFIT

	2013 $	2012 $
Current tax expense / (benefit)		
R&D tax incentive	-	(40,488)
	-	(40,488)

The income tax benefit resulted from the receipt of the R&D tax incentive. Under the R&D tax incentive, small companies can claim refundable tax incentive equal to the tax value of deductions available under the R&D tax concessions.

	2013 $	2012 $
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Under provision for prior periods	-	-
Total income tax expense/(benefit) in income statement	-	-

Numerical reconciliation between tax expense/(benefit) and pre-tax net profit/(loss)

	2013 $	2012 $
Loss before tax	(1,184,291)	(2,595,660)
Income tax benefit using the domestic corporation tax rate of 30% (2012: 30%)	(355,287)	(778,698)
Increase in income tax due to:		
Non-deductible expenses	32,700	117
Effect of unrecognised temporary difference	2,315	34,398
Effect of current tax losses not recognised	334,668	400,178
Tax effect of foreign losses not recognised	-	357,415
Decrease in income tax due to:		
Tax deductible equity raising costs	(13,896)	(13,410)
R&D tax incentive received	-	(40,488)
Income tax expense/(benefit) attributable to entity	-	(40,488)

12. BASIC AND DILUTED LOSS PER SHARE

	2013 $	2012 $
Basic loss per share	$0.0011	$0.004

The calculation of basic loss per share at 30 June 2013 was based on the net loss for the period attributable to ordinary shareholders of $1,184,291 (2012: $2,555,172) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2013 of 1,070,804,384 (2012: 650,408,330).

The Group is in a loss making position and it is unlikely that the conversion to, calling of, or subscription for, ordinary share capital in respect of potential ordinary shares would lead to a diluted earnings per share that shows an inferior view of the earnings per share. For this reason, the diluted loss per share for the year ended 30 June 2013 is the same as basic loss per share.

13. CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Bank balances	539,610	540,855
Cash and cash equivalents in the statement of cash flows	539,610	540,855

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 4.

	Note	2013 $	2012 $

14. TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
Current:		
Goods and services tax receivable	17,240	10,060
Trade receivables	106,553	-
	123,793	10,060
Non-Current:		
Opening balance - Environmental bonds	344,000	344,000
Reclassification to non-current assets held for disposal	(97,000)	-
	247,000	344,000

The Group's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in note 4.

15. NON CURRENT ASSETS HELD FOR DISPOSAL

	Note	2013 $	2012 $
Property, plant and equipment	16	94,334	-
Mine properties	16	546,146	-
Environmental bonds	14	97,000	
		737,480	-

16. PROPERTY, PLANT AND EQUIPMENT

	Note	2013 $	2012 $
Office furniture and equipment:			
At cost		10,311	46,139
Accumulated depreciation and impairment		(10,311)	(35,828)
		-	10,311
Plant and equipment:			
At cost		2,482,492	2,827,746
Assets classified as non-current assets held for sale	15	(94,334)	-
Accumulated depreciation and impairment		(2,351,035)	(2,567,908)
		37,123	259,838
Buildings and infrastructure:			
At cost		1,712,657	1,712,657
Accumulated depreciation and impairment		(1,562,848)	(1,498,644)
		149,809	214,013
Motor vehicles:			
At cost		112,475	344,765
Accumulated depreciation and impairment		(102,449)	(314,253)
		10,026	30,512
Mine Properties			
At cost		546,146	560,000
Assets classified as non-current assets held for sale	15	(546,146)	-
Accumulated depreciation and impairment		-	(13,854)
		-	546,146
Total property, plant and equipment		**196,958**	**1,060,820**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation

A reconciliation of the carrying amounts for each class of property, plant and equipment is set out below:

	2013 $	2012 $
Office furniture and equipment:		
Carrying amounts at the beginning of the year	10,311	2,270
Additions	-	9,641
Disposal	(10,311)	-
Depreciation	-	(1,600)
Impairment charges	-	-
Carrying amount at the end of the year	-	10,311
Plant and equipment:		
Carrying amounts at the beginning of the year	259,838	452,088
Additions	-	-
Disposals	(72,042)	
Reclassification to non-current assets held for disposal	(94,334)	-
Impairment charges	(56,339)	(192,250)
Carrying amount at the end of the year	37,123	259,838
Buildings and infrastructure:		
Carrying amounts at the beginning of the year	214,013	214,013
Additions	-	-
Depreciation	-	-
Impairment charges	(64,204)	-
Carrying amount at the end of the year	149,809	214,013
Motor vehicles:		
Carrying amounts at the beginning of the year	30,512	45,765
Additions	-	-
Disposals	(25,049)	-
Depreciation write back (expense)	4,563	(15,253)
Impairment charges		-
Carrying amount at the end of the year	10,026	30,512
Mine Properties:		
Carrying amounts at the beginning of the year	546,146	546,146
Reclassification to non-current assets held for disposal	(546,146)	-
Impairment (charges)	-	-
Carrying amount at the end of the year	-	546,146
Total property, plant and equipment	**196,958**	**1,060,820**

(i) Based on the assessment of the board the recoverable amount of the assets was deemed to be $120,543 lower than the carrying amount. The assessment was based on an independent third party comments relating to similar assets for a similar company. An impairment charge of $120,543 was recorded in the profit and loss.

(ii) Based on the assessment performed by the board which included an assessment of current diamond prices and foreign exchange rates, the board believes that no impairment indicators were present as at 30 June 2013 and that the carrying value of mine properties is not higher than the recoverable amount.

	2013 $	2012 $

17. EXPLORATION AND EVALUATION ASSETS

	2013 $	2012 $
Exploration and evaluation assets	360,291	146,521
Reconciliation		
Carrying amount and the beginning of the year	146,521	774,916
Exploration impairment	(293,303)	(1,614,582)
Expenditure during the period	507,073	986,187
Carrying amount at the end of the year	360,291	146,521

18. TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2013 $	2012 $
Deductible temporary differences	948,078	1,031,285
Tax income losses	7,824,317	7,522,017
Tax capital losses	216,652	216,652
	8,989,047	8,769,954

The deferred tax assets have not been brought into account at balance date as the realisation of these is not probable. This benefit (which has been calculated as 30% of losses and deductions available) will only be obtained if: i) The Company 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; ii) The company continues to comply with the conditions for deductibility imposed by the tax legislation; and iii) No changes in tax legislation adversely affect the Company in realising the benefit from the deduction for the losses.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Inventories	-	-	-	(2,526)	-	(2,526)
Property, plant & equipment	-	-	(163,844)	(163,844)	(163,844)	(163,844)
Exploration & evaluation assets	-	-	(108,087)	(43,956)	(108,087)	(43,956)
Tax value of losses recognised	271,931	210,326	-	-	271,931	210,326
	271,931	210,326	(271,931)	(210,326)	-	-

			Recognised in			
	1/7/2012 $	Under/Over Provision $	Income $	Equity $	Other $	30/6/2013 $
Inventories	(2,526)	-	2,526	-	-	-
Property, plant and equipment	(163,844)	-	-	-	-	(163,844)
Exploration and evaluation assets	(43,956)	-	(64,131)	-	-	(108,087)
Tax value of losses recognised	210,326	-	61,605	-	-	271,931
	-	-	-	-	-	-

			Recognised in			
	1/7/2011 $	Under/Over Provision $	Income $	Equity $	Other $	30/6/2012 $
Inventories	(2,526)	-	-	-	-	(2,526)
Property, plant and equipment	(163,844)	-	-	-	-	(163,844)
Exploration and evaluation assets	(144,481)	-	100,525	-	-	(43,956)
Tax value of losses recognised	310,851	-	(100,525)	-	-	210,326
	-	-	-	-	-	-

	2013 $	2012 $

19. TRADE AND OTHER PAYABLES

	2013 $	2012 $
Current:		
Trade creditors	74,600	58,385
Trade creditors	-	9,800[6]
Loan payable to KDC	356,601[7]	356,601[8]
Other creditors and accruals	75,217	23,078
	506,418	447,864

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 4.

20. PROVISIONS

		Bunuba Obligation $	Site restoration $	Total $
Balance at 1 July 2012		20,000	1,428,190	**1,448,190**
Issued of 5 million options	22b(iv)	(418)	-	**(418)**
Issue of 100,000 shares	21a(iii)	(3,000)	-	**(3,000)**
Reversal of excess provision		(16,582)	-	**(16,582)**
Change in estimates of rehabilitation costs		-	30,253	**30,253**
Balance at 30 June 2013		-	1,458,443	**1,458,443**
Disclosed as:				
Current		-	537,388	**537,388**
Non-current		-	921,055	**921,055**
		-	1,458,443	**1,458,443**

Bunuba Provision

The provision represents the fair value of equity instruments to be granted under the Bunuba Native Title and Compensation Agreement with the Bunuba people and estimated legal fees. In June 1992 the High Court of Australia held in the Mabo case that the common law of Australia recognises a form of Native Title. The Company's exploration and mining tenements relate to land where native title may continue to exist.

As part of the agreement with the Bunuba people, Blina havesatisfied the following obligations:

- The issue of 100,000 Blina shares at market value of $0.03 credited as fully paid
- The issue of 5 million options over Blina shares, exercisable within 3 years from the issue date at $0.60 each. The fair value of each option was nominal at less than $0.0001 per option.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land is recognised when the land is disturbed. The basis of accounting is set out in note 3(i) of the significant accounting policies.

Change in accounting estimates

During the year a reassessment of restoration obligations was undertaken by an independent third party. The above changes during the year have resulted in the provision increasing by $30,253.

[6] Deemed to be a related party creditor in the period ending 30 June 2012.
[7] Refer to subsequent event note 28 for details of legal settlement with KDC
[8] Deemed to be a related party payable in the period ending 30 June 2012.

	2013 $	2012 $

21. ISSUED CAPITAL AND RESERVES

	2013 $	2012 $
Ordinary shares		
Issued and fully paid	32,548,891	31,450,344

Fully paid ordinary shares carry vote per share and carry the right to dividends

	2013 $	2012 $
Reserves		
Share based payment reserve	1,180,473	1,070,746
	1,180,473	1,070,746

(a) Movement in ordinary shares on issue

		Ordinary shares	$
At 1 July 2011		499,263,377	30,112,076
Share issue	(i)	258,736,623	1,403,280
Share issue costs		-	(65,012)
At 30 June 2012		758,000,000	31,450,344
Share issue	(ii)	400,000,000	1,000,000
Share issue	(iii)	100,000	3,000
Share issue	(iv)	50,000,000	100,000
Share issue costs		-	(4,453)
At 30 June 2013		1,208,100,000	32,548,891

(i) Shares issued to sophisticated and professional investors in July 2011 at 0.9 cents per share (73,666,665 shares) and in January 2012 at 0.4 cents per share (185,069,958 shares).
(ii) Shares issued to sophisticated and professional investors at $0.0025 per share on the 3 October 2012.
(iii) Shares issued in settlement for Bunuba native title claim, issued at $0.03 per share on 6 November 2012.
(iv) Shares issued to Golden Rim Resources per terms of the Diapaga agreement issued at $0.002 on 27 February 2013.

(b) Nature and purpose of reserves

Share based payments reserve
The share based payments reserve is used to record the fair value of equity instruments issued to employees, including Key Management Personnel, as part of their remuneration and issued to external parties for the receipt of goods and services. Refer to note 22 for further details on share based payments.

(c) Options over shares

For information relating to the Blina Minerals NL employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 22: Share-based Payments.
For information relating to share options issued to Key Management Personnel during the year, refer to Note 22.

22. SHARE BASED PAYMENTS

(a) Share based payment plans

Blina Minerals NL Employee Incentive Options Plan

At the general meeting held on 16 March 2011, shareholders approved Blina Minerals NL Employee Incentive Option Plan (Plan). The Plan replaces the previous Blina Diamonds NL Employee Option Plan approved by shareholders on 24 November 2004.

The Plan was adopted in order to ensure that the Company has appropriate mechanisms to continue to attract and retain the services of employees of a high calibre. Directors and their Associates are not eligible to participate in the Plan.

The key terms of the Plan are summarised below.

Eligibility and Grant of Incentive Options:	The Board may grant Incentive Options to any full or part time employee of the Company or an associated body corporate. Incentive Options may be granted by the Board at any time.
Consideration:	Each Incentive Option issued under the Plan will be issued for nil cash consideration.
Conversion:	Each Incentive Options is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.
Exercise Price and Expiry Date:	To be determined by the Board prior to the grant of the Incentive Options.
Exercise Restrictions:	The Incentive Options may be subject to conditions on exercise as may be fixed by the Directors prior to grant.
Share Restriction Period:	Shares issued on the Exercise of Incentive Options may be subject to a restriction that they may not be transferred or otherwise dealt with until a Restriction Period has expired, as specified in the Offer for the Incentive Options.

No Incentive Options have yet been issued under the Plan.

(b) Share based payment arrangements existed during the period

i. On 30 November 2012, 48,000,000 share options were granted to Key Management Personnel for no consideration to acquire 1 share in the Company exercisable at $0.01 on or before the 29 November 2014.

ii. On 30 November 2012, 12,800,000 share options were granted to Key Management Personnel for no consideration to acquire 1 share in the Company exercisable at $0.025 on or before the 29 November 2014.

iii. On 30 November 2012, 19,200,000 share options were granted to Key Management Personnel for no consideration to acquire 1 share in the Company exercisable at $0.0175 on or before the 29 November 2014.

iv. On 6 November 2012, 5,000,000 share options were issued pursuant to the terms and conditions of the Bunuba Native Title and Compensation Agreement and the Deed of Satisfaction and Variation, to acquire 1 share in the Company exercisable at $0.60 on or before the 5 November 2015. The options hold no dividend or voting rights and are not transferrable.

22. SHARE BASED PAYMENTS (CONTINUED)

v. Options granted to Key Management Personnel are as follow:

Grant Date	Number
30 November 2012	80,000,000

These options vested immediately. Further details of these options are provided in the directors report. The options hold no voting of dividend rights and are unlisted. The options do not lapse when a director ceases their employment with the Group. During the financial year 80,000,000 options vested with Key Management Personnel (2012: nil).

A summary of the movements of all company options issued is as follows:

	Number	Weighted Average Exercise Price
Options outstanding as at 30 June 2011	67,500,000	$0.02
Granted as part of capital raising	73,666,665	$0.02
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2012	141,166,665	$0.02
Granted	85,000,000	$0.046
Forfeited	-	-
Exercised	-	-
Expired	(67,500,000)	-
Options outstanding as at 30 June 2013	158,666,665	$0.034
Options exercisable as at 30 June 2013	158,666,665	$0.034
Options exercisable as at 30 June 2012	141,166,665	$0.02

No options were exercised during the year.

The weighted average remaining contractual life of options outstanding at year-end was 0.91 years. The weighted average exercise price of outstanding share options at the end of the reporting period was $0.034.

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average exercise price of options granted during the year was $0.046 (2012: nil). These values were Calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	$0.046
Weighted average life of the option:	1.47 years
Expected share price volatility:	116%
Risk-free interest rate:	2.70%

Historical share price volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future volatility.

23. CAPITAL AND OTHER COMMITMENTS

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various agreements held with governments or other companies. These obligations are subject to renegotiation when an application for a mining lease is made. These obligations are not provided for in the financial report as they are commitments for future expenditure at year end. Capital and other commitments comprise amounts to be expended on exploration tenements, as per tenement conditions. Should the Company relinquish these tenements, the amounts stated below may reduce. Further, the Company may decide to sell tenements or renegotiate commitment terms to reduce such commitments. Commitments due within one year for the current period are $1,089,360 (30 June 2012: 781,700).

24. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2013 $	2012 $
Loss for the period	**(1,184,291)**	**(2,555,172)**
Adjustments for:		
Share based payments	112,728	-
Net impairment charge	195,058	1,688,861
Depreciation	(4,563)	16,853
Loss on disposal of asset	32,026	-
Unwinding of discount on provision	-	71,321
Net foreign currency exchange impact	-	12,687
Operating loss before changes in working capital and provisions	(849,042)	(765,450)
Decrease/(increase) in inventories	8,521	(102)
(Increase)/(decrease) in trade and other receivables	(47,967)	20,686
Decrease in prepayments	1,564	19,398
Increase/ (decrease) in trade and other payables	38,553	(51,184)
Increase/ (decrease) in rehabilitation provision	30,253	(24,913)
Net cash used in operating activities	(818,118)	(801,565)

25. KEY MANAGEMENT PERSONNEL

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2013.

The totals of remuneration paid to KMP during the year are as follows:

	2013	2012
	$	$
Short-term employee benefits	104,878	76,967
Post employment benefits	6,199	-
Equity Settled	109,308	-
Other payments	45,000	45,000
Total KMP Compensation	265,385	121,967

KMP Options and Rights Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2013	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	Unvested
L De Bruin (resigned 25 March 2013)	15,000,000	15,000,000	-	(15,000,000)	15,000,000	15,000,000	-
B Fraser	15,000,000	50,000,000	-	(40,000,000)	25,000,000	25,000,000	-
P Webse	2,000,000	15,000,000	-	(2,000,000)	15,000,000	15,000,000	-
J Beckett (appointed 25 March 2013)	-	-	-	-	-	-	-
Total	32,000,000	80,000,000	-	(57,000,000)	55,000,000	55,000,000	-

30 June 2012	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	Unvested
L De Bruin	15,000,000	-		-	15,000,000	15,000,000	-
B Fraser	15,000,000	-		-	15,000,000	15,000,000	
P Webse	2,000,000	-		-	2,000,000	2,000,000	-
A Croll (resigned 12 January 2012)	20,000,000	-		-	20,000,000	20,000,000	-
Total	52,000,000	-		-	52,000,000	52,000,000	-

25. KEY MANAGEMENT PERSONNEL (continued)

(a) Share holdings of key management personnel

Peter Webse held 2,000,000 shares in the Company as at 30 June 2013 (2012: 2,000,000). No other directors for the year ended 30 June 2013 hold shares in the Company.

(b) Other transactions with key management personnel and their related parties

Wolfstar Corporate Management Pty Ltd ("WCM") is a company with which Brett Fraser is a major shareholder. WCM provides accounting services to Blina Minerals NL the amount was $55,000 for the year ended 30 June 2013 (2012: $nil).

26. RELATED PARTY DISCLOSURES

(a) Subsidiaries

	Country of incorporation	Ownership interest 2013	2012
Blina LLC	Mongolia	-	100%

The Mongolian company was wound up on the 14 April 2013. Balances and transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note.

(a) Ultimate parent

Blina Minerals NL is the ultimate parent of the Group.

(b) Key Management Personnel

Transactions with key management personnel, including remuneration and equity holdings, are included in note 25.

(c) Other related parties

Related Party:			**Sales** $	**Purchases** $	**Outstanding at 30 June** $
Entity with significant influence over the Group					
Kimberley Diamonds Company NL and Gem Diamonds Limited:	(i)				
Vehicles/genset hire and sale of stemming		2013	-	-	-
		2012	91,950	-	
Management services		2013	-	-	-
	(ii)	2012	-	110,000	-
Care and maintenance services		2013	-	-	-
	(iii)	2012	-	11,000	1,000

(i) **Entity with significant influence over the Group**:
Kimberley Diamonds Company NL (KDC) and Gem Diamonds Limited (GEM Group) had significant influence over the group in the previous year (2012: 12.83%). This influence did not extend to the current year, KDC remains a shareholder with a 6.75% interest in the Company and is not a related party for the year 30 June 2013

(ii) The Company had an agreement with KDC under which KDC managed the Company's day-to-day financial, statutory, and administrative affairs and allowed the Company to use the offices and office facilities in which KDC has secured certain rights as the Company's head office. These services (Management Services) included general corporate, management, administrative, financial, secretarial, and office services to the Company through KDC's team of professionally qualified and administrative staff and ceased on 1 July 2012

(iii) The Company had an agreement with KDC under which KDC maintained the Company's plant whilst on care and maintenance.

26. RELATED PARTY DISCLOSURES (CONTINUED)

Terms and conditions of transactions with related parties
Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

(e) Loans with related parties

During the financial year ended 30 June 2010 the Company terminated the Forward Sales Agreement (FSA) it had entered into with GEM on 23 September 2008. The FSA agreement was terminated because of the depressed rough diamond prices at the time and Blina did not have (and did not foresee in the medium term to have) the ability to continue mining diamonds.

Pursuant to the terms of the FSA, GEM advanced $700,000 to Blina in lieu of diamonds to be delivered by Blina to GEM. Diamonds to the value of $700,000 were mined by Blina and delivered to, and subsequently sold by KDC for and on behalf of GEM. The proceeds accruing from the sale of the Diamonds by KDC have been applied to the loan balance between KDC and Blina and as such have not been paid to GEM to set off against the amount of $700,000 previously advanced to Blina by GEM pursuant to the FSA.

GEM has ceded to KDC all its rights to the claim against Blina for the $700,000 it advanced to Blina in terms of the FSA. Following the ceding KDC and Blina have set off the $700,000 against the amount owing by KDC to Blina as at 28 February 2010 of $343,399 resulting in an outstanding loan balance of $356,601. The loan in non-interest bearing and has no specified repayment date.

As stated above at 26(c)(i) for the year ended 30 June 2013 KDC was no longer deemed to be a related party.

There has been no movement in the loan balance during the year ended 30 June 2013. Subsequent to the year end, the Company entered into a deed of settlement which includes the settlement of this liability: please refer to note 28 for further details.

27. PARENT ENTITY DISCLOSURES

Throughout the financial year ended 30 June 2013 the parent entity of the Group was Blina Minerals NL.

	2013 *$*	*2012* *$*
Result of parent entity		
Loss for the year	(2,427,510)	(1,360,788)
Other comprehensive income	-	-
Total comprehensive income for the year	(2,427,510)	(1,360,788)
Financial position of parent entity at year end		
Current assets	772,367	744,860
Total assets	2,314,099	2,285,889
Current liabilities	506,418	467,067
Total liabilities	1,964,861	1,895,257
Total equity of the parent entity comprising:		
Share capital	32,548,891	31,450,341
Share based payments reserve	1,180,473	1,070,746
Accumulated losses	(33,380,126)	(32,130,455)
Total equity	349,238	390,632

Parent entity contingencies
The directors are not aware of any contingent liabilities involving the parent entity.

28. SUBSEQUENT EVENTS

On the 28 August 2013 the legal dispute between Blina Mineral Nl and Kimberly Diamond Company NL (KDC) were settled. The settlement terms were confidential however both companies advised the ASX that the settlement had been reached on commercial terms acceptable to both parties. The settlement will finalise the joint venture and other commercial arrangements between Blina and KDC.

On 3 September 2013, the Company placed 233,750,000 ordinary fully paid shares at an issue price of $0.001 per share to raise $233,750 before costs. The capital raising is to be utilised for working capital costs.

On 6 September 2013 Justin Virgin was appointed as a non-executive director of the Company.

On 24 September 2013 the Company advised there was bush fire that had caused extensive damage to the Blina Camp site in the Kimberley. The camp site has been under care and maintenance. There were no injuries arising from the fire. The exact extent of the damage will not be able to be gauged until the Company's insurer has been to site and made an assessment.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

1. In the opinion of the directors of Blina Minerals NL (the Company):

   (a) the consolidated financial statements and notes and the remuneration disclosures that are contained in sections 11.1, 11.2, 11.3 and 11.4 of the Remuneration Report in the Directors' report are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance, for the financial 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 2(a);

   (c) the remuneration disclosures that are contained in sections 11.1, 11.2, 11.3 and 11.4 of the Remuneration Report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*; and

2. there are reasonable grounds to believe that the Company and the group entities identified in note 26(a) will be able to pay its debts as and when they become due and payable.

3. The directors have been given the declarations required by Section 295A of Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2013.

Dated at West Perth this 26 day of September 2013.

Signed in accordance with a resolution of the directors:

B Fraser.

BRETT FRASER
NON-EXECUTIVE DIRECTOR

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Independent auditor's report to the members of Blina Minerals NL

Report on the financial report

We have audited the accompanying financial report of Blina Minerals NL which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, 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 the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Nexia Perth Audit Services Pty Ltd
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audit@nexiaperth.com.au, www.nexia.com.au

Opinion

In our opinion:

(a) the financial report of Blina Minerals NL is in accordance with the *Corporations Act 2001*, including:

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

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

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the Financial Report, which indicates that the Group will require further funding in the next twelve months from the date of this report to fund its planned activities. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

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

Opinion

In our opinion, the remuneration report of Blina Minerals NL for the year ended 30 June 2013 complies with Section 300A of the *Corporations Act 2001*.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

26 September 2013
Perth

Additional Shareholder Information

The additional information, dated 19 September 2013, as required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below:

1. CAPITAL

Ordinary Share Capital

1,441,850,000 ordinary fully paid shares held by 2,812 shareholders.

All issued ordinary shares carry one vote per share and carry the right to receive dividends when declared.

Unlisted Options

80,000,000 unlisted options expiring 29 November 2014 exercisable at various exercise prices, held by 4 holders(1);

73,666,665 unlisted options expiring 4 October 2013 exercisable at $0.02 held by 20 holders(2); and

5,000,000 unlisted options expiring 5 November 2015 exercisable at $0.60 held by 1 holder (2).

(1) Two holders hold more than 20%, Mr Brett Fraser who holds 25 million options and Mr Jay Stephenson who holds 25 million options. (2) No one holder holds more than 20%. (3) One holder holds the options, Plan B Trustees Limited.

Unlisted Options do not entitle the holders to vote in respect of that option, nor participate in dividends, when declared, until such time as the options are exercised and subsequently registered as ordinary shares.

2. SUBSTANTIAL SHAREHOLDERS

SHAREHOLDER NAME	NUMBER OF SHARES	PERCENTAGE
David Porter	200,000,000	13.87
Kimberley Diamond Company NL	97,256,497	6.75

3. DISTRIBUTION OF SHAREHOLDERS

DISTRIBUTION ANALYSIS	NUMBER OF HOLDERS	NUMBER OF SHARES	PERCENTAGE
1 – 1,000	673	249,588	0.02
1,001 – 5,000	907	2,161,350	0.15
5,001 – 10,000	209	1,539,668	0.11
10,001 – 100,000	461	19,810,807	1.37
100,001 and over	560	1,418,088,587	98.35
TOTAL	**2,810**	**1,441,850,000**	**100.00**

As at 19 September 2013 there were 2,374 fully paid ordinary shareholders holding less than a marketable parcel and 2,592 holding less than an economic parcel of shares.

4. 20 LARGEST HOLDERS OF QUOTED SECURITIES AS AT 19 SEPTEMBER 2013

FULLY PAID ORDINARY SHARES	NUMBER	PERCENTAGE
Metallica Investments Pty Ltd <Metallica Trust A/C>	200,000,000	13.87
Kimberley Diamond Company NL	97,256,497	6.75
Golden Rim Resources Limited	50,000,000	3.47
Anderson, David & Charmayne <Canterbury Super Fund A/C>	35,000,000	2.43
Jansen, William & Marilyn <W&MG Jansen Super Fund A/C>	34,000,000	2.36
Hoa Yun Limited	32,500,000	2.25
Kuan Chee Hoong	30,000,000	2.08
Virgin, Justin Anthony <J Virgin T/A Stockfeed A/C>	27,000,000	1.87
KSLCorp Pty Ltd	22,000,000	1.53
Ashton House Pty Ltd <Orange Grove Family S/F A/C>	20,000,000	1.39
Odyssey Oil Pty Ltd	20,000,000	1.39
Sandstorm Investments Pty Ltd <Beckford Super Fund A/C>	20,000,000	1.39
Crabb, Rick & Carol <Intermax A/C>	17,500,000	1.21
Tsoutsoulis, Don & Nadica <The Tsoutsoulis Family A/C>	13,604,128	0.94
Mickle, Gregory & Newton, Stephen <Mickle & Newton S/F A/C>	12,500,000	0.87
McCammon, Rupert James	12,500,000	0.87
Brown, Jarrad Craige	12,500,000	0.87
Kerridge, Phillip Lloyd	11,578,966	0.80
Tiger Management Pty Ltd <Brendan Sheehan Family A/C>	11,220,000	0.78
Citicorp Nominees Pty Limited	10,759,367	0.75
	689,918,958	**47.87**

5. ON-MARKET BUY-BACK

There is no current on-market buy-back.

6. RESTRICTED SECURITIES

The Company has no restricted securities on issue.

Tenement Schedule

Blina's tenement holdings in the Ellendale Region of the West Kimberley, Western Australia, are presented below. Blina owns 100% of 164 square kilometres of mining and exploration leases.

Schedule of Mining Tenements – 19 September 2013

Tenement	Notes	Area (km^2)	Date of Grant
E 04/0726	1	95	21/01/1993
M 04/391	1	10	10/06/2004
M 04/392	1	9	10/06/2004
M 04/393	1	10	10/06/2004
M 04/426	1	10	19/02/2007
M 04/427	1	10	19/02/2007
M 04/428	1	10	19/02/2007
M 04/429	1	10	19/02/2007
TOTAL BLINA		**164**	

Notes:

1. Blina registered tenement – 100% Blina