



KIMBERLEY DIAMOND COMPANY

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON INDUSTRY,
SCIENCE AND RESOURCES
3 OCT 2002
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2 October 2002

Fred Cook, Esq
House of Representatives
Standing Committee on Industry and Resources
Parliament House
CANBERRA ACT 2600

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House of Representatives Standing Committee
on Industry and Resources
Submission No: 92
Date Received: 3 OCTOBER 2002
Secretary: B.T. [Signature]

Dear Fred

RESOURCES EXPLORATION IMPEDIMENTS INQUIRY

Graeme Hutton, a co-director of mine on the Board of Kimberley Diamond Company NL, has asked me to appear on his behalf in Darwin at 6.30 pm on 9 October 2002 in relation to the enquiry into any impediments to increasing investment in mineral and petroleum exploration in Australia.

I am the Executive Chairman of Kimberley Diamond Company NL which:

1. was incorporated in 1993 for the purpose of exploring for diamonds in the West Kimberley region of Western Australia;
2. has spent nearly \$70 million in exploration and acquisition costs;
3. became Australia's only locally owned diamond production company in July 2002 forecast to earn \$12 million in export earnings to June 2003 thereafter increasing to \$40 million a year in successive years;
4. has been listed on the Australia Stock Exchange since January 1994.

I emigrated from South Africa in 1981 and am a Barrister and Solicitor of the Supreme Court of Western Australia and the High Court of Australia. I am also the Chairman of WTL Ltd, listed on the Stock Exchange, which developed mining software used by 480 mining companies worldwide.

As I mentioned briefly in my telephone discussion with Beverley Forbes today, the major impediments faced by the Exploration Sector are, in my view:

- access to the capital markets to fund exploration. We compete against a whole range of other investment products where such investment has the immediate tax benefit of a deduction against other income in addition to speculative growth. I refer in particular to investments in forestry, viticulture and films. It seems extraordinary to me that no similar benefit is bestowed on an investment in shares in listed exploration companies.



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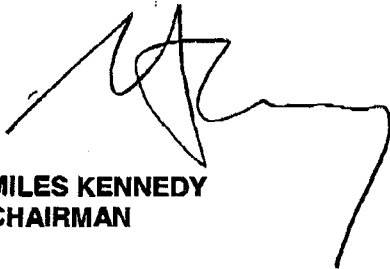
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- Access to Crown Land. Kimberley Diamond Company is waiting years to have exploration licences granted and even longer to convert an exploration licence into a mining licence. We have one instance where a mining licence application seems simply to have "stalled" for three years. A comprehensive Native Title register and a formula for compensation could be implemented over the whole of Western Australia in a time frame of three years, in my opinion.
- The imposition of harsh royalties (7.5 percent gross) by the State Government as a condition of the grant of a mining lease by the State Government, with no commitment to spend any revenue derived on local, and needed, infrastructure development. This royalty (or 22.5 percent of profit, whichever is higher) is the highest in the world.
- Costly annual reporting requirements borne solely by the company and the substantial cost of administration.
- The impossibility of actually achieving the so-called Government Grants. We developed unique methods of determining the existence of soil covered diamond pipes and tried, through PricewaterhouseCoopers, for three years to obtain a \$500,000 development grant to patent this, without success.

I will expand on these when I attend the inquiry.

Yours faithfully



MILES KENNEDY
CHAIRMAN