

**Kimberley Diamonds Limited**  
ACN 150 737 563  
Level 39 Australia Square Tower  
264-278 George Street  
Sydney NSW 2000

**ASX:KDL**  
T: 61 2 8243 7500  
F: 61 2 8243 7599  
[www.kdl.com.au](http://www.kdl.com.au)  
30 April, 2014

## HIGHLIGHTS

---

### PRODUCTION AND SALES

---

- Recovered 22,280 carats during Q3/2014<sup>1</sup> at an average grade of 2.40 carats per hundred tonnes ("cpht"). This compares to 36,545 carats recovered in Q3/2013<sup>2</sup> at an average grade of 4.12 cpht. Recovered grade was lower than the corresponding period in 2013, as a result of the continued treatment of lower grade surface ore stockpiles which has a resource grade of 2.43 cpht
- Mining in the E9 Pit was suspended in June 2013 due to a rock slip beneath the main haul ramp. Treatment operations continued from surface ore stockpiles and lower grade stockpiles. Mining in the E9 Pit has since recommenced in April 2014
- Sold 21,431 carats for a total sales value of US\$15.5 million during the quarter. This compares to 35,440 carats sold for US\$31.2 million in Q3/2013
- Generated sales revenue of A\$17.0 million, in line with forecast and net cash out flow from operating activities of A\$0.4 million, which is A\$3.5 million above forecast, on a consolidated basis. Operating EBITDA of A\$1.2 million, which is A\$4.1 million below forecast due to lower than anticipated portion of cash costs being capitalised to ore and diamond inventory
- Achieved highest average price at March 2014 auction of US\$207.33 per carat on run-of-mine commercial goods (non-Tiffany Quality) since the previous high in 2011
- Closing cash position of A\$13.1 million at 31 March 2014, which is A\$2.6 million above forecast and KDL has no debt

### CORPORATE

---

- Acquired the Lerala Mine in Botswana as part of the takeover of UK-based Mantle in an all scrip deal on the 24 February 2014
- Acquired the Smoke Creek Diamond Project for A\$1 million in scrip and cash on 17 February 2014 from Venus
- Announced plans to recommission the Ellendale 4 Mine and Plant
- Paid an interim dividend of 2 cents per share on 3 March 2014
- Appointed Rupert Baring to the Board as an independent non-executive Director
- Initiation of broker coverage by Shaw Stockbroking and Ord Minnett

---

<sup>1</sup> Q3/2014 refers to the period commencing 1<sup>st</sup> January 2014 to the 31<sup>st</sup> March 2014

<sup>2</sup> Q3/2013 refers to the period commencing 1<sup>st</sup> January 2013 to the 31<sup>st</sup> March 2013

OPERATIONS

- Restart of mining in the E9 Pit recommenced after the wet season
- Engineering design and planning work commenced on the E4 Mine and Plant
- Design, planning and pricing schedules for the Lerala Mine recommissioning commenced
- Scoping study underway for the Argyle Smoke Creek Alluvial Diamond Project

**1 PRODUCTION AND SALES**

ELLEDALE OPERATIONS PHYSICALS

**Quarterly Mining and Treatment**

Mining operations in the Ellendale 9 Pit were suspended as a result of a rock slip beneath the main haul ramp in June 2013, but treatment operations continued from the surface ore stockpiles and lower grade stockpiles. In-pit mining recommenced one month later than anticipated and ore planned to be treated in Q4/2014 will be primarily higher grade fresh pit ore.

	Q3/2014	Q3/2013	Variance %
<b>Waste &amp; low grade (tonnes)</b>	839	138,919	(99)
<b>Ore mined (tonnes)</b>	66,999	152,036	(56)
<b>Ore treated (tonnes)</b>	926,661	886,933	4
<b>Carats recovered</b>	22,280	36,545	(39)
<b>Grade (cpht)</b>	2.40	4.12	(42)

SALES PHYSICALS

**Quarterly Sales**

	Q3/2014	Q3/2013	Variance %
<b>Carats sold</b>	21,431	35,440	(39)
<b>Sales value (US\$m)</b>	\$15.5	\$31.2	(50)
<b>Price per carat (US\$)</b>	\$725	\$880	(18)

The auction for run of mine commercial quality diamonds held during the third quarter delivered exceptional prices. The overall average price achieved of US\$207.33 per carat was 17.2% higher

than the previous quarter (Q2/2014). The timing of the auction was critical in capturing a market rebound following a sluggish second quarter of 2014. The auction was conducted in KDL's Antwerp office through an electronic auction platform. The lower sales volumes when compared to Q3/13 were a direct result of the processing of the lower grade stock piles.

The comparative 2013 quarter contained a higher quantity of Tiffany Quality ("TQ") production as a result of the production being sourced predominantly from E9 East pit ore. The TQ content in those sales comprised 15%, whereas the TQ content in the current quarter was 11% as the ore treated was predominantly sourced from the lower grade stockpiles which are a blend of E9 East and E9 West Pit ore.

## FINANCIALS

### Quarterly Summary Cash Flow – A\$m

	Q3/2014	Market Guidance	Variance \$m
Cash flow related to operating activities	(0.4)	(3.9)	3.5
Capital expenditure – E9	(0.9)	(1.3)	0.4
Mine development expenditure	(0.9)	(0.3)	(0.6)
Exploration expenditure	(0.7)	(0.2)	(0.5)
Project acquisition costs	(0.4)	(0.5)	0.1
Release of bonds	-	0.2	(0.2)
Equity raised	0.9	0.9	-
Dividends paid	(1.8)	(1.7)	(0.1)
Movement in cash	<b>(4.2)</b>	<b>(6.8)</b>	<b>2.6</b>
Cash at beginning of quarter	17.3	17.3	-
Cash at end of quarter	<b>13.1</b>	<b>10.5</b>	<b>2.6</b>

*Note: the above cash flow disclosure is as per KDL accounting disclosure and different to that required by the 5B as the company is a mining company, whereas the 5B disclosure is for an exploration company.*

The positive variance in operating cash flows is a result of lower than forecast cash operating costs and continued focus on working capital management.

### Quarterly Unaudited Consolidated Earnings Results - A\$m

	Q3/2014	Market Guidance	Variance \$m
Sales of diamonds	17.0	17.4	(0.4)
Operating costs	(15.8)	(12.1)	(3.7)

<b>Operating EBITDA</b>	<b>1.2</b>	<b>5.3</b>	<b>(4.1)</b>
<b>Project acquisition costs</b>	(0.3)	(0.5)	0.2
<b>EBITDA</b>	<b>0.9</b>	<b>4.8</b>	<b>(3.9)</b>

The negative variances in operating costs and EBITDA are largely due to lower cash costs being capitalised against ore and diamond inventory vs forecast, essentially as a result of a delay in the recommencement of in-pit mining activities. The actual operating cash costs were lower than those contained in the forecast.

#### Quarterly Unit Production Cost– A\$

	<b>Q3/2014</b>	<b>Q3/2013</b>
<b>Cash cost per carat recovered</b>	\$595	\$532

*Note: Cash costs exclude corporate costs*

Total cost per carat recovered increased to \$595 due to the recovery of less carats from the treatment of the lower grade ore stockpiles. Whilst mining and other costs have been significantly reduced as a result of the cessation of in-pit mining, certain fixed cost elements within the operation are still being carried while treating the lower grade ore and resultant reduced carat production.

## 2 CORPORATE

### ACQUISITIONS

#### Mantle/Lerala

On 24 February 2014, Kimberley Diamonds announced the completion of the takeover of Mantle Diamonds Limited UK (“Mantle”), including the wholly owned Lerala Diamond Mine (“Lerala Mine”) in north-east Botswana. Kimberley Diamonds acquired Mantle in an all scrip deal of 13,566,317 new ordinary shares.

The Lerala Mine contains Probable Reserves of 8.38 Mt with an average grade of 29.68 cpht.<sup>3</sup> This information was prepared and first disclosed under the 2004 Edition of the JORC Code. It has not been updated since to comply with the 2012 Edition of the JORC Code on the basis that the information has not materially changed.

The operation, which includes a 230 tonne per hour processing plant, was placed on care and maintenance by its previous owners in July 2012. The current life of mine of the operation is 6 years at full production levels of 400,000 carats per annum. Lerala has a 15 year fully permitted mining licence covering an area of 21.86km<sup>2</sup> and five diamondiferous kimberlite pipes.

<sup>3</sup> Probable Reserves are calculated using a diamond price of US\$55/ct. An independent valuation performed by WWW International Diamond Consultants Ltd in 2005 returned an average diamond price of US\$57/ct for K3, K5 & K6 and US\$45/ct for K2 – using a cut-off of +1mm.

Scope definition and lump sum turnkey pricing for the modifications and refurbishment of the processing plant were completed during the quarter. This project's timeline is being reviewed following the deferment of the capital raising. An update as to the recommissioning of the Lerala Mine will be provided to market in Q4/2014.

#### **Argyle Smoke Creek Alluvial Diamond Project**

On 17 February 2014, KDL finalised the acquisition of 100% of the Argyle Smoke Creek Alluvial Diamond Project ("Smoke Creek Diamond Project") from Venus Metals Corporation Limited ("Venus") for a total of A\$1 million, consisting of A\$250,000 in cash and 625,000 ordinary KDL shares at a deemed issue price of A\$1.20 (worth A\$750,000).

The Smoke Creek Diamond Project consists of 22 prospecting licenses and one Mining Lease application. Twelve of the prospecting licences contain an Inferred Resource of 21.5 Mt at an average grade of 28cpt (carats per hundred tonnes), for approximately 6,000,000 carats. An application to convert the 12 prospecting licenses containing the defined resource into a Mining Lease was made by Venus Metals prior to the sale and will be completed by KDL.

During the quarter, scoping studies commenced to confirm the tasks, costs and timelines associated with furthering the Mining Lease application and future mining approval processes.

#### **E4 RESTART**

---

Kimberley Diamonds announced plans to recommence mining at the Ellendale E4 lamproite mine in 2014. The operation was placed on care and maintenance in February 2009 by its previous owners due to the Global Financial Crisis and the consequential impact on rough diamond prices. The E4 Resource comprises Indicated Resources of 6.1 Mt at 6.66 cpt and Inferred Resources of 50 Mt at 3.92 cpt for a total of 2,366,500 carats.

During the quarter, limited scoping work commenced toward refurbishing the E4 plant and gaining the necessary regulatory approvals.

#### **DIVIDEND**

---

The Board declared a 2 cent per share dividend which was paid to shareholders on 3 March 2014. As the Company will be entering a capital intensive growth phase, the Board of Kimberley Diamonds approved the temporary suspension of its dividend policy. The Board believes it is prudent to suspend the payment of dividends until the new projects are in production.

#### **BOARD APPOINTMENT**

---

Mr Rupert Baring was appointed to the Board as an independent non-executive Director on 12 March 2014. Mr Baring was formerly a co-founder and director of Mantle.

### 3 EXPLORATION ACTIVITIES

#### DIAMONDS

There was no sampling carried out or results received during the quarter.

The results of the E6 microdiamond sample are still under review together with historical information to establish whether further exploration on E6 is warranted.

The technical team is considering taking an additional bulk sample from E4 Satellite once the nearby E4 plant has been recommissioned and necessary approvals obtained. This will allow recovery of more diamonds for valuation and improve the confidence of the diamond revenue model of this deposit.

The microdiamond data for the E9 Far East Pit has been interpreted. Diamond counts compare with data from similar lithologies in E9 East Pit. This helps in confirming the geological model. Microdiamond counts are only useful for qualitative comparison in the Ellendale pipes so no grades can be inferred from this data.

#### METALS EXPLORATION ACTIVITIES

##### CALARIE COPPER-GOLD PROJECT, CENTRAL NSW (KDL earning 75%)

During the quarter, KDL applied, on behalf of Tri Origin Mining Pty Ltd, for 100% renewal of the EL7023 licence for a further 3 years to 20th January 2017. On the 11th of April, the NSW Department of Trade & Investment informed KDL that this renewal application had been successful.

##### YEOVAL COPPER-GOLD PROJECT, CENTRAL NSW (Zodiac, 75%)

No field exploration was undertaken on the Yeoval Project during the quarter.

### 4 TENEMENTS

#### Tenement Interests acquired by KDL during the quarter

PROJECT	TENEMENT	LOCATION
Diamond Projects		
Lerala	2006/29L	Botswana
Tenby Property	3768	NWT, Canada
Tenby Property	3769	NWT, Canada
Tenby Property	4138	NWT, Canada
Tenby Property	4139	NWT, Canada
Tenby Property	4140	NWT, Canada
Tenby Property	4142	NWT, Canada
Tenby Property	4141	NWT, Canada
Tenby Property	4143	NWT, Canada
Tenby Property	3760	NWT, Canada

Tenby Property	3761	NWT, Canada
Tenby Property	3762	NWT, Canada
Tenby Property	4097	NWT, Canada
Tenby Property	4098	NWT, Canada
Tenby Property	4099	NWT, Canada
Tenby Property	4100	NWT, Canada
Tenby Property	4101	NWT, Canada
Tenby Property	4102	NWT, Canada
Tenby Property	4103	NWT, Canada
Tenby Property	4174	NWT, Canada
Tenby Property	4175	NWT, Canada
Tenby Property	4176	NWT, Canada
Tenby Property	4181	NWT, Canada
Tenby Property	4182	NWT, Canada
Tenby Property	4183	NWT, Canada
Tenby Property	4184	NWT, Canada
Tenby Property	4185	NWT, Canada
Tenby Property	4186	NWT, Canada
Tenby Property	4187	NWT, Canada
Tenby Property	4270	NWT, Canada
Tenby Property	4269	NWT, Canada
Tenby Property	4271	NWT, Canada
Tenby Property	4104	NWT, Canada
Tenby Property	4105	NWT, Canada
Tenby Property	4106	NWT, Canada
Tenby Property	4107	NWT, Canada
Tenby Property	4108	NWT, Canada
Tenby Property	4109	NWT, Canada
Tenby Property	4110	NWT, Canada
Tenby Property	4432	NWT, Canada
Tenby Property	4433	NWT, Canada
Tenby Property	4434	NWT, Canada
Tenby Property	4234	NWT, Canada
Tenby Property	4235	NWT, Canada
Commonwealth Property	3763	NWT, Canada
Commonwealth Property	3764	NWT, Canada
Commonwealth Property	3765	NWT, Canada
Commonwealth Property	3766	NWT, Canada
Commonwealth Property	4144	NWT, Canada
Commonwealth Property	4145	NWT, Canada
Commonwealth Property	4111	NWT, Canada
Commonwealth Property	4112	NWT, Canada
Commonwealth Property	4113	NWT, Canada
Commonwealth Property	3770	NWT, Canada
Commonwealth Property	3719	NWT, Canada

Commonwealth Property	3771	NWT, Canada
Commonwealth Property	4114	NWT, Canada
Commonwealth Property	3772	NWT, Canada
Commonwealth Property	4115	NWT, Canada
Commonwealth Property	3773	NWT, Canada
Commonwealth Property	4116	NWT, Canada
Commonwealth Property	4117	NWT, Canada
Commonwealth Property	4118	NWT, Canada
Commonwealth Property	4119	NWT, Canada
Commonwealth Property	4120	NWT, Canada
Commonwealth Property	4121	NWT, Canada
Commonwealth Property	4122	NWT, Canada
Commonwealth Property	4123	NWT, Canada
Commonwealth Property	4124	NWT, Canada
Commonwealth Property	4125	NWT, Canada
Commonwealth Property	4126	NWT, Canada
Commonwealth Property	4127	NWT, Canada
Commonwealth Property	4128	NWT, Canada
Commonwealth Property	4129	NWT, Canada
Commonwealth Property	4130	NWT, Canada
Commonwealth Property	4437	NWT, Canada
Commonwealth Property	4438	NWT, Canada
Commonwealth Property	4439	NWT, Canada
Commonwealth Property	4435	NWT, Canada
Commonwealth Property	4272	NWT, Canada
Commonwealth Property	4177	NWT, Canada
Commonwealth Property	4440	NWT, Canada
Commonwealth Property	4436	NWT, Canada
Commonwealth Property	4441	NWT, Canada
Commonwealth Property	4178	NWT, Canada
Commonwealth Property	4328	NWT, Canada
Commonwealth Property	4442	NWT, Canada
Commonwealth Property	4266	NWT, Canada
Commonwealth Property	4325	NWT, Canada
Commonwealth Property	4267	NWT, Canada
Commonwealth Property	4326	NWT, Canada
Commonwealth Property	4327	NWT, Canada
Commonwealth Property	4268	NWT, Canada
Trillion Project	4216482	Ontario - Porcupine District, Canada
Trillion Project	3013687	Ontario - Porcupine District, Canada
Trillion Project	3013668	Ontario - Porcupine District, Canada
Trillion Project	3013646	Ontario - Porcupine District, Canada
Trillion Project	3013648	Ontario - Porcupine District, Canada
Trillion Project	3013647	Ontario - Porcupine District, Canada
Trillion Project	4202624	Ontario - Porcupine District, Canada



Trillion Project	4206505	Ontario - Thunder Bay District, Canada
Trillion Project	3013699	Ontario - Porcupine District, Canada
Trillion Project	3013666	Ontario - Porcupine District, Canada
Centenary Project	4206426	Ontario - Larder Lake, Canada
Centenary Project	4206425	Ontario - Larder Lake, Canada
Smoke Creek	P 80/1712	WA, Australia
Smoke Creek	P 80/1713	WA, Australia
Smoke Creek	P 80/1714	WA, Australia
Smoke Creek	P 80/1715	WA, Australia
Smoke Creek	P 80/1716	WA, Australia
Smoke Creek	P 80/1717	WA, Australia
Smoke Creek	P 80/1718	WA, Australia
Smoke Creek	P 80/1719	WA, Australia
Smoke Creek	P 80/1720	WA, Australia
Smoke Creek	P 80/1721	WA, Australia
Smoke Creek	P 80/1722	WA, Australia
Smoke Creek	P 80/1723	WA, Australia
Smoke Creek	P 80/1724	WA, Australia
Smoke Creek	P 80/1725	WA, Australia
Smoke Creek	P 80/1734	WA, Australia
Smoke Creek	P 80/1735	WA, Australia
Smoke Creek	P 80/1736	WA, Australia
Smoke Creek	P 80/1737	WA, Australia
Smoke Creek	P 80/1738	WA, Australia
Smoke Creek	P 80/1739	WA, Australia
Smoke Creek	P 80/1740	WA, Australia
Smoke Creek	P 80/1741	WA, Australia

**Tenement Interests disposed of by KDL during the quarter**

PROJECT	TENEMENT	LOCATION
South Tanami	EL28787	NT, Australia
Trillion Project	3013698	Ontario - Porcupine District, Canada

**Tenement Interests retained by KDL**

PROJECT	TENEMENT	LOCATION
Ellendale	M04/372	WA, Australia
Calarie	EL7023	NSW, Australia
Calarie	ML739	NSW, Australia
Calarie	EL8007	NSW, Australia
Yeoval	EL6311	NSW, Australia
Yeoval	ML811	NSW, Australia

EL7023 & ML739: KDL is earning 75% from TriAusMin Ltd & Tri Origin Mining Pty Ltd through a farm-in agreement by spending \$1.75M by 3<sup>rd</sup> Dec 2015. KDL has the option to purchase 100% for \$5M by 3<sup>rd</sup> Dec 2014 or \$12.5M by 3<sup>rd</sup> Dec 2017.

EL6311 & ML811: Zodiac Resources Pty Ltd, a subsidiary of KDL, holds a 75% interest in the project. A joint venture between Zodiac and Augur Resources Ltd comes into force on 11<sup>th</sup> May 2014 after which both parties must contribute pro-rata amount to exploration or be diluted. Zodiac has the option to purchase the remaining 25% of the project for \$2M by 11<sup>th</sup> May 2014.

**For further information please contact:**

**Alex Alexander**

Chairman

Kimberley Diamonds Limited

T: +61 2 8243 7500

E: [alex@kdl.com.au](mailto:alex@kdl.com.au)

**Candice Sgroi**

Head of Corporate Communications

Kimberley Diamonds Limited

T: +61 2 8243 7520

E: [candice.sgroi@kdl.com.au](mailto:candice.sgroi@kdl.com.au)

## 5 APPENDICES

---

### COMPANY OVERVIEW

---

Kimberley Diamonds Ltd (“KDL”) (**ASX:KDL**) is the owner of Kimberley Diamond Company NL (“KDC”), which owns and operates the Ellendale Diamond Project (“Ellendale”) in the West Kimberley region of Western Australia, located approximately 120km south east of the town of Derby.

The Ellendale Mining Lease, M04/372, covering 123 km<sup>2</sup>, produces predominantly gem and near-gem quality diamonds and is the world’s leading source of rare fancy yellow diamonds, contributing an estimated 50% of the global supply. The operation currently extracts and processes ore from its E9 lamproite pipe and surface stockpiles. Work is underway to recommission the Ellendale 4 mine and plant which was placed on care and maintenance in 2009. Forty-seven additional lamproite pipes occur within the Ellendale Mining Lease.

Like the better-known kimberlite, lamproite is an unusual magma that originates within the upper mantle at depths exceeding 150 km. The lamproite magma entrains diamonds as it ascends through a diamond-bearing zone in the upper mantle before erupting at the surface.

Kimberley Diamonds Limited prides itself on its excellent safety track record and supports the communities in which it operates. Ellendale is a fatality-free site and the Company is actively involved with the local community surrounding the Mine, continually seeking opportunities to employ community members and engage in community-enriching initiatives. In February 2014, Kimberley Diamonds Limited completed the takeover of UK-based Mantle Diamonds Limited thereby acquiring the Lerala Diamond Mine in north-east Botswana. The Mine and 230 tonne per hour processing plant were placed on care and maintenance in July 2012 by its previous owners, the current life of mine is 6 years at full production levels of 400,000 carats per annum. Lerala

has a 15 year fully permitted mining licence covering an area of 21.86km<sup>2</sup> and five diamondiferous kimberlite pipes.

Kimberley Diamonds Limited also owns the Argyle Smoke Creek Alluvial Diamond Project in the east Kimberley region of Western Australia which it acquired in February 2014 from Venus Metals Corporation Limited.

In 2013, Kimberley Diamonds Limited bought eDiamond BVBA in Antwerp, Belgium a marketing office for rough diamonds that uses an independent online trading platform for rough diamond sales.

KDL additionally has interests in a portfolio of tenements prospective for gold and copper-gold in New South Wales and diamond tenements in Canada.

## COMPETENT PERSON STATEMENTS

---

*The information in this report that relates to Mineral Resources and Mineral Reserves at the Ellendale Diamond Mine is extracted from the report titled "Resource update at Ellendale demonstrates increase total resources", created on 14 November 2013 and available to view on [www.asx.com.au](http://www.asx.com.au). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.*

*The information in this report that relates to Mineral Resources and Mineral Reserves at the Lerala diamond mine is based on information compiled by Mr Mike Brennan, a Competent Person who is a Member of South African Institute of Mining and Metallurgy. Mr Brennan is a full-time employee of Mantle Diamonds Limited. Mr Brennan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Brennan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. Additional information relating to the Mineral Resources and Mineral Reserves at the Lerala diamond mine is contained in the report titled "Kimberley Diamonds Ltd signs binding Head of Agreement to acquire Mantle Diamonds Ltd", created on 17 September 2013 and available to view on [www.asx.com.au](http://www.asx.com.au).*

*The information in this report that relates to Mineral Resources at Smoke Creek project is extracted from the report titled "Kimberley Diamonds acquires Argyle Smoke Creek Diamond Project from Venus Metals Corporation", created on 18 February 2014 and available to view on [www.asx.com.au](http://www.asx.com.au). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.*