

Kimberley Diamonds Ltd

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1 HIGHLIGHTS

1.1 PRODUCTION AND SALES

- Recovered 32,443 carats during Q4/2014¹ at an average grade of 3.02 carats per hundred tonnes (“cpht”). This compares to 32,838 carats recovered in Q4/2013² at an average grade of 3.28 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 recommenced in April 2014 and continued without incident throughout the quarter. Treatment operations continued from surface ore stockpiles and lower grade stockpiles.
- Sold 27,289 carats for a total sales value of US\$18.7 million during the quarter. This compares to 34,037 carats sold for US\$24.5 million in Q4/2013.
- Generated sales revenue of A\$20.4 million and cash from operating activities of A\$2.4 million.
- In June 2014 achieved highest average price on sales of run of mine commercial goods (non-Tiffany quality) at auction since taking over Ellendale in February 2013 of US\$209.21 per carat (including diamonds sold prior to auction).
- Closing cash position of A\$12.9 million at 30 June 2014. Kimberley Diamonds Ltd (“KDL” or “the Company”) has no debt.

1.2 CORPORATE

- On 23 May 2014, Mr Noel Halgreen was appointed Managing Director of KDL.
- On 2 June 2014, KDL announced that the Board has approved capital expenditure of a total of AUD\$14.7m to fund the recommissioning of the Lerala Diamond Mine in Botswana.

1.3 OPERATIONS

- Preliminary work has been carried out at the Lerala Diamond Mine by the Company’s technical team.

¹ Q4/2014 refers to the period commencing 1st April 2014 to the 30th June 2014

² Q4/2013 refers to the period commencing 1st April 2013 to the 30th June 2013

- The Company is currently in advanced discussions with contractors to undertake the re-commissioning work and with candidates for the senior management team at the Lerala Diamond Mine.
- The Company has elected to postpone the re-starting of the Ellendale E4 Mine while it funds the re-commissioning of the Lerala Diamond Mine.

2 PRODUCTION AND SALES

2.1 ELLENDALE OPERATIONS PHYSICALS

Quarterly Mining and Treatment

Mining from the E9 pit recommenced in Q4 FY2014 from the West pit and the Far East pit following the slope failure in 2013 and subsequent wet season. Treatment of some surface stockpiled lower grade ore continued, together with the higher grade ore that was mined.

	Q4/2014	Q4/2013	Variance %
Waste & low grade (tonnes)	507,115	1,285,953	(61)
Ore mined (tonnes)	1,030,834	1,446,949	(29)
Ore treated (tonnes)	1,074,270	1,002,496	7
Carats recovered	32,443	32,838	(1)
Grade (cpht)	3.02	3.28	(8)

2.2 SALES PHYSICALS

Quarterly Sales

	Q4/2014	Q4/2013	Variance %
Carats sold	27,289	34,037	(20)
Sales value (US\$m)	\$18.7	\$24.5	(24)
Price per carat (US\$)	\$684	\$721	(5)

The lower sales volumes when compared to Q4 FY2013 were a direct result of some continued processing of the lower grade stock piles, together with freshly mined ore. 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 partially sourced from the lower grade stockpiles which are a blend of E9 East and E9 West Pit ore.

The auction for run of mine commercial quality diamonds held during the fourth quarter delivered exceptional prices. The overall average price achieved of US\$209.21 per carat (including diamonds sold prior to auction) was 0.9% higher than the previous quarter (Q3 FY2014). The auction was conducted in KDL's Antwerp office through an electronic auction platform.

3 FINANCIALS

Quarterly Summary Cash Flow – A\$m

	Q4/2014
Cash flow related to operating activities	2.4
Capital expenditure – E9	-0.9
Mine development expenditure	-1.5
Exploration expenditure	0.0
Project acquisition costs	0.2
Repayment of loans	-0.4
Equity raised	0.1
Dividends paid	0.0
Movement in cash	-0.1
Cash at beginning of quarter	13.1
Cash at end of quarter	12.9

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.

Quarterly Unaudited Consolidated Earnings Results - A\$m

	Q4/2014	Market Guidance	Variance \$m
Sales of diamonds	20.4	20.1	0.3
Operating costs	-22.9	-18.6	-4.3
Operating EBITDA	-2.5	1.5	-4.0
Project acquisition costs	0.2	-0.2	0.4
EBITDA	-2.3	1.3	-3.6

Operating cash site costs were in line with budget. Non cash costs were negatively impacted by inventory valuation adjustments as a result of fewer tonnes treated at a lower grade than anticipated and by higher corporate costs following restructuring and project acquisition.

Quarterly Unit Production Cost– A\$

	Q4/2014	Q4/2013
Cash cost per carat recovered	\$615	\$722

Note: Cash costs exclude corporate costs

The unit cost comparison is impacted by the fact that the prior period's production represents a full quarter of mining whereas in the current period it was a combination of mining and treatment of low grade ore stockpiles. Current period costs were in line with guidance.

Market Guidance – Q1 and Q2 FY2015

	Sep 14	Dec 14	Q1 and Q2
Tonnes treated	1,025,523	1,042,956	2,068,479
Carats produced	30,359	24,212	54,571
Sales	22.5	20.7	43.2
Costs	25.3	21.6	46.9
Group EBITDA	-2.8	-0.9	-3.7

Note: Financial numbers in A\$m. Includes \$5m of non cash items related to stockpile movements.

4 CORPORATE

4.1 RE-COMMISSIONING OF LERALA DIAMOND MINE, BOTSWANA

On 2 June 2014, KDL announced that the Board has approved capital expenditure of a total of AUD\$14.7m to fund the re-commissioning of the Lerala Diamond Mine in Botswana. The capital expenditure and working capital will be funded by cash flow from on-going operations with any funding shortfall to be covered by either equity or debt raising.

The Lerala Diamond Mine was placed on care and maintenance in July 2012 by the previous owners of Mantle Diamonds Limited (“Mantle”) prior to the Company’s acquisition of Mantle in February 2014.

Preliminary work has been carried out at the Lerala Diamond Mine by Kimberly Diamonds’ technical team and the Company is currently in advanced discussions with contractors to undertake the re-commissioning work, as well as with candidates for the senior management team at the Lerala Diamond Mine. The Company recently engaged Mr Deon Vermeulen as the Project Manager for its Lerala Diamond Mine. Information about Mr Vermeulen’s experience is set out in further detail below.

Work currently being undertaken by the Company in relation to the Lerala Diamond Mine includes:

- the negotiation of a lump sum turnkey contract for the refurbishment and modification of the Lerala plant to enable the plant to treat 200 tonnes per hour, as well as an upgrade of the camp at the Lerala Diamond Mine;
- the preparation of a new Environmental Impact Assessment (**EIA**) for the Lerala Diamond Mine and the Seleka Wellfield, to be done in parallel with the plant refurbishment. The EIA is required to be completed and approved by the Botswana government before mining and treatment operations can commence. Lerala’s existing EIA is no longer adequate following changes to Botswana legislation subsequent to that EIA being granted;
- the selection of a contractor for the design and construction of a new tailing storage facility;
- the engagement of consultants to carry out hydrogeological and water supply studies; and
- the selection of a contractor to undertake mining at the Lerala Diamond Mine, following receipt of responses to a recent expression of interest notice published in the Botswana press which closed on 15 July 2014. Mining is scheduled to commence when the EIA is approved and the plant refurbishment complete, which is currently anticipated to be Q4 FY2015.

4.2 ELLENDALE E4

Following the deferred capital raising as announced on 15 April 2014, the Company has elected to postpone the re-starting of the Ellendale E4 Mine while it funds the re-commissioning of the Lerala Diamond Mine. The Board will revisit the development of E4 in due course.

4.3 SALES OF PREMIUM GRADE FANCY YELLOW DIAMONDS TO TIFFANY

On 12 May 2014, the Company announced that negotiations with a subsidiary of global jeweller Tiffany & Co (“Tiffany”) to secure a price increase above the current levels for the supply of premium grade fancy yellow diamonds have been unsuccessful at this time. KDL continues to supply all of its premium grade fancy yellow diamonds to Tiffany at existing prices.

4.4 BOARD APPOINTMENT

Mr Noel Halgreen was appointed to the Board as Managing Director effective 23 May 2014. Mr Halgreen, a qualified mining engineer, was previously an advisor to the Board, playing a key role in the Company’s acquisition of the Ellendale Mine, Mantle Diamonds and the Smoke Creek Project.

4.5 SENIOR MANAGEMENT CHANGES

Mr Stephen Wetherall, the Company’s former Chief Financial Officer and Mr Gideon Scheepers, the Company’s former Production Manager, resigned in May 2014, departing the Company in June 2014.

Mr Nick Selby has also resigned from his position as General Site Manager and Head of Metallurgy. Mr Selby will leave the Company after serving out his notice period.

4.6 MATTERS SUBSEQUENT TO THE END OF THE QUARTER

Subsequent to the end of the quarter, on 2 July 2014, KDL entered into a Farm-In and Joint Venture Agreement with Tilwane Services (Pty) Limited, a Botswana based exploration company, in respect of 2 tenements located in north-eastern Botswana, close to the Orapa Diamond Mine. Preparations are underway to commence field work in PL’s 267/2013 and 268/2013 to the east of Orapa, under joint venture with Tilwane Services Limited. Fifteen aeromagnetic targets have been selected for follow-up with high resolution ground magnetics and soil geochemical sampling. The field work is due to start within the next two weeks and will take approximately two months to complete.

Mrs Laila Green was appointed Chief Financial Officer and Company Secretary effective 1 July 2014. Mrs Green is a Certified Practising Accountant, with a wealth of experience in senior finance roles.

In July 2014, the Company employed Mr Deon Vermeulen as the Project Manager for its Lerala Diamond Mine. Mr Vermeulen is a qualified Metallurgical Engineer with 15 years extensive production and projects experience. Mr Vermeulen was most recently employed by Ekapa Mining as a Mine/Metallurgical Manager, and has previously held senior roles at BVI Consortium, Consulmet and De Beers. Mr Vermeulen has a degree in Extractive Metallurgical Engineering from Pretoria University of Technology.

5 EXPLORATION ACTIVITIES

5.1 DIAMONDS

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

The review of the E6 microdiamonds recovered during the 2013 drilling programme was completed and it has been decided that no further exploration on E6 is warranted.

Plans for taking an additional bulk sample from E4 Satellite have been placed on hold.

5.2 METALS EXPLORATION ACTIVITIES

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

On 3 June, the NSW Department of Trade & Investment informed KDL that the renewal of EL7023 would be delayed. On 20 June, the Department advised that it expected to make an offer in regards to our renewal application by the end of July 2013.

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

A previous in-house review of aeromagnetic data identified a doughnut-shaped magnetic anomaly within the southern portion of EL 6311 (Figure 1). The anomaly is three kilometres in diameter and contains a central, one kilometre-wide magnetic low, which is similar to those sourced from magnetite-destructive alteration associated with mineralisation. We have confirmed that no previous geochemical sampling has covered this low magnetic low zone and no drill holes have tested it (Figure 1). It is intended to investigate the magnetic anomaly with low-cost soil sampling as a first-pass screen for a geochemical response from any associated copper-gold mineralisation.

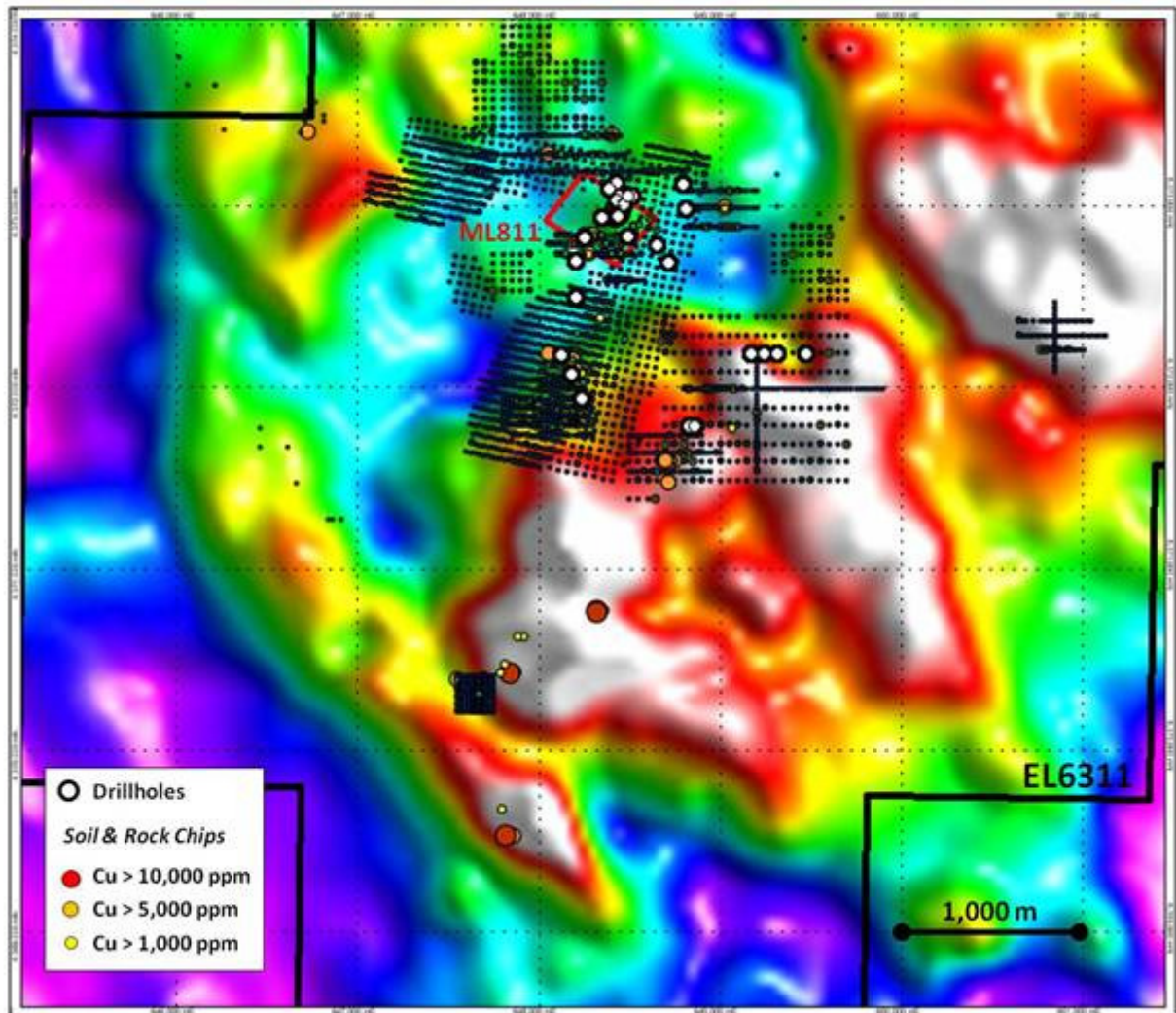


FIGURE 1: Untested doughnut-shaped magnetic anomaly located within EL6311. The anomaly exhibits characteristics consistent with copper-gold porphyry systems. Old prospector pits and copper stainings occur across the anomaly.

6 TENEMENTS

PROJECT	TENEMENT
Lerala Diamond Mine Central District, Botswana	2006/29L
Ellendale Diamond Mine WA, Australia	M04/372
Smoke Creek Diamond Project WA, Australia	P 80/1712, P 80/1713, P 80/1714, P 80/1715, P 80/1716, P 80/1717, P 80/1718, P 80/1719, P 80/1720, P 80/1721, P 80/1722, P 80/1723, P 80/1724, P 80/1725, P 80/1734, P 80/1735, P 80/1736, P 80/1737, P 80/1738, P 80/1739, P 80/1740, P 80/1741
Tenby Property North West Territories, Canada	3768, 3769, 4138, 4139, 4140, 4142, 4141, 4143, 3760, 3761, 3762, 4097, 4098, 4099, 4100, 4101, 4102, 4103, 4174, 4175, 4176, 4181, 4182, 4183, 4184, 4185, 4186, 4187, 4270, 4269, 4271, 4104, 4105, 4106, 4107, 4108, 4109, 4110, 4432, 4433, 4434, 4234, 4235
Commonwealth Property North West Territories, Canada	3763, 3764, 3765, 3766, 4144, 4145, 4111, 4112, 4113, 3770, 3719, 3771, 4114, 3772, 4115, 3773, 4116, 4117, 4118, 4119, 4120, 4121, 4122, 4123, 4124, 4125, 4126, 4127, 4128, 4129, 4130, 4437, 4438, 4439, 4435, 4272, 4177, 4440, 4436, 4441, 4178, 4328, 4442, 4266, 4325, 4267, 4326, 4327, 4268
Trillion Project Ontario - Canada	4216482, 3013687, 3013668, 3013646, 3013648, 3013647, 4202624, 4206505, 3013699, 3013666
Centenary Project Ontario - Canada	4206426, 4206425
Calarie NSW, Australia	EL7023, EL8007, ML739

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

EL6311 & ML811: Zodiac Resources Pty Ltd, a subsidiary of KDL, holds a 75% interest in the project.

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7 APPENDICES

7.1 COMPANY OVERVIEW

Kimberley Diamonds Ltd (“KDL”) (**ASX:KDL**) is the owner of the Lerala Diamond Mine in Botswana and is the owner and operator of the Ellendale Diamond Project in Western Australia.

The Lerala Diamond Mine is situated in north-east Botswana, approximately 34km north of the Martin’s Drift Border Post with South Africa. Lerala has a 15 year fully permitted mining licence covering an area of 21.86km² and comprises five diamondiferous kimberlite pipes totalling 6.66ha in size. The kimberlites were discovered by De Beers in the early 1990s and subjected to limited mining by DiamonEx Ltd in 2008. Most recently, the previous owners of Mantle Diamond Mines Limited operated the mine between February and July 2012. The Lerala Diamond Mine was placed on care and maintenance in July 2012 by its previous owners.

The Ellendale Diamond Project (“Ellendale”) is situated in the West Kimberley region of Western Australia, approximately 120km south east of the town of Derby. The Ellendale Mining Lease, M04/372, covering 123 km², 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.

KDL 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.

KDL also owns the Argyle Smoke Creek Alluvial Diamond Project in the east Kimberley region of Western Australia and 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.

In July 2014, KDL acquired the right to earn up to a 70% interest in two exploration tenements located in north-eastern in Botswana in a Joint Venture with Tilwane Services (Pty) Limited.

7.2 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. 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.