

Kimberley Diamonds Ltd

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1 HIGHLIGHTS

1.1 PRODUCTION AND SALES

- Kimberley Diamonds Ltd (“KDL” or “the Company”) recovered 14,158 carats during Q3/2015¹ at an average grade of 1.72 carats per hundred tonnes (“cpht”) and sold 24,366 carats for a total sales value of US\$12.5 million during the quarter.
- The Company had a closing cash position of A\$3.0 million at 31 March 2015. The Company has no debt as at 31 March 2015.
- In January 2015, KDL commenced viewings of its commercial quality diamonds in Dubai prior to auctioning the diamonds in Antwerp, which it will continue to do for future auctions. A number of new buyers sourced from the Dubai viewings actively participated in both our January and March auctions, resulting in strong results for both auctions.

1.2 OPERATIONS

- KDL will be continuing processing operations at its Ellendale Diamond Mine in Western Australia into FY2016.
- KDL has been processing low grade ore stockpiles from its Ellendale E9 Mine since mining ceased at the Ellendale E9 Mine in Q1/FY2015². KDL will begin the processing of coarse tailings from E9 and higher grade stockpiles from Ellendale’s E4 Mine.
- KDL has undertaken a tender process for the mining contract at its Lerala Diamond Mine in Botswana, with bids currently being assessed.
- KDL intends to re-commence mining at the Lerala Diamond Mine once sufficient funds are raised to undertake modifications to the plant to enable it to treat 200 tonnes per hour.

1.3 EXPLORATION

- The Company advanced its preparations towards the proposed commissioning of a JORC-compliant resource estimate on its Lomero-Poyatos gold-copper-zinc project in southern Spain.

¹ Q3/2015 refers to the period commencing 1st January 2015 to the 31st March 2015

² Q1/2015 refers to the period commencing 1st July 2015 to the 30th September 2015

2 OPERATIONS AT ELLENDALE DIAMOND MINE TO CONTINUE IN FY16

KDL will be continuing operations at its Ellendale Diamond Mine in Western Australia into FY2016. The Company previously announced on 8 October 2014 that it anticipated the Ellendale Mine would need to be placed on care and maintenance from May 2015 due to uncertainty as to the economic viability of continued operations. Extensive work has since been undertaken by KDL's Management team to extend the economic viability of the mine through increased efficiencies and reduced costs, now allowing the Company to continue processing operations at Ellendale into FY2016.

Operations at Ellendale into FY2016 will include the continued processing of low grade stockpiles from the E9 Mine, as well as the commencement of the processing of coarse tailings from E9. KDL will also begin the load and haul of ore stockpiles from the E4 Mine, transporting them to the E9 Mine to be processed at the E9 plant. KDL currently anticipates processing operations at Ellendale will continue until the end of the 2015 calendar year.

A further extension of operations beyond December 2015 will depend on the results from the continued operations, further improvements to operational efficiencies and the US dollar/Australian dollar exchange rate. The continued operations at the Ellendale Diamond Mine will provide the Company with ongoing revenue and future operating cash flows, and provide continued employment for the local community.

3 UPDATE ON PROGRESS AT LERALA DIAMOND MINE, BOTSWANA

KDL intends to re-commence mining at the Lerala Diamond Mine once sufficient funds are raised to undertake modifications to the plant to enable it to treat 200 tonnes per hour. KDL is in the process of raising these funds, and will update the market on any future progress.

The following work was undertaken, continued and/or completed at Lerala in Q3/2015:

- de-watering of Lerala Diamond Mine's K3 pit has commenced. It is intended that the K3 pit be the first pit at the Lerala Diamond Mine to be mined once the plant modifications are complete;
- KDL is in advanced discussions with Consulmet to undertake modifications required for the plant at the Lerala Diamond Mine to be able treat 200 tonnes per hour. Detailed design work, as well as fabrication and construction drawings have been completed by Consulmet, which will enable it to commence the work at the Lerala Diamond Mine immediately once terms are agreed with KDL;
- KDL has undertaken a tender for the mining contract at Lerala and a short list of preferred tenderers is being developed for follow up negotiations; and

- the preparation of the revised Botswana Environmental Impact Assessment (“EIA”) has been finalised with the revised EIA document to be submitted to the Botswana Department of Mines by the end of April.

4 PRODUCTION AND SALES

4.1 ELLENDALE OPERATIONS PHYSICALS

Quarterly Treatment

	Q3/2015	Q3/2014	Variance %
Ore treated (tonnes)	824,795	926,661	(11%)
Carats recovered	14,158	22,280	(36%)
Grade (cpht)	1.72	2.40	(28%)

Ore treated in Q3/2015 represents the treatment of surface stockpiled lower grade ore from E9. Lower throughput was impacted by a number of factors including greater than anticipated adverse effect of the wet season, unexpected failure of the main crusher and the power generation system. The lower quantity of recovered carats are a direct result of a significantly lower average grade of 1.72 cpht in Q3/2015 from processing of the lower grade E9 stockpile compared to a much higher average grade of 2.4 cpht achieved in Q3/2014.

4.2 SALES PHYSICALS

Quarterly Sales

	Q3/2015	Q3/2014	Variance %
Carats sold	24,366	21,431	14%
Sales value (US\$m)	12,522,696	15,537,475	(19%)
Price per carat (US\$)	514	725	(29%)

Overall Sales

The sales volume from Q3/2015 has improved by 14% compared to the comparative 2014 quarter.

TQ Sales

Q3/2014 quarter contained a higher quantity of Tiffany Quality (“TQ”) production as a result of the production in that quarter being sourced from both the E9 East and E9 West Pit ore as mining was ongoing

at that time. The sales in the comparative 2014 quarter comprised a TQ content of 11%, whereas the TQ content in the current quarter was 7% as the ore treated was sourced from the E9 surface stockpiled lower grade ore.

Auction Sales

The auction for run of mine commercial quality diamonds held during Q3/2015 delivered an overall average price of US\$193 per carat, marginally lower than the comparative 2014 quarter (Q3/2014).

In January 2015, KDL commenced viewings of its commercial quality diamonds in Dubai prior to its regular viewing and auctioning of the diamonds in Antwerp. A number of new buyers sourced from the Dubai viewings actively participated in both our January and March auctions, contributing to strong results for both auctions, despite overall weaker market conditions in the diamond market. As a result of this, KDL intends to continue to conduct regular viewings for our future auctions in both Dubai and Antwerp.

5 FINANCIALS

Quarterly Unaudited Consolidated Earnings Results

	Q3/2015	Market Guidance	Variance
	\$m	\$m	\$m
Revenue (A\$m)	15.17	18.88	(3.71)
Operating cash costs (A\$m)	(15.90)	(14.65)	(1.25)
Cash from operations (A\$m)	(0.74)	4.23	(4.97)
Costs of putting Ellendale on care and maintenance (A\$m)	-	-	-
Total cash from operations (A\$m)	(0.74)	4.23	(4.97)
Cash costs (\$per tonne)	19.32	15.39	3.93
Redundancy Costs (A\$m)	(0.07)	-	(0.07)

Lower revenue compared to market guidance was a result of market guidance being based on processing from Ellendale's E4 stockpiles during the quarter, which contain higher grade ore compared to the lower grade ore currently processed from the E9 stockpiles. The deferral of E4 processing compared to market guidance had a direct impact on revenue achieved as well as carats recovered during the quarter.

Operating cash costs were up \$1.25m to \$15.90m compared to market guidance of \$14.65m. The increase is mainly attributable to project acquisition related costs namely travel and accommodation, and consultants costs (combined total of \$700k).

As a part of ongoing management cost saving initiatives, redundancy expenses of \$66k were also incurred during the quarter.

Cash costs per tonne were impacted by both the higher operating cash costs (discussed above) and reduced throughput which was adversely impacted by greater than anticipated impacts of rains during the wet season as well as unexpected failures on both the main crusher and power generation system. Cash costs per tonne are up \$3.93 per tonne compared to market guidance to \$19.32 per tonne.

Operating cash costs include the expenditure of \$418,000 on project costs towards the re-commissioning of the Lerala Diamond Mine. These funds were expended on the work set out in section 3 of this Report, which was undertaken and/or completed in Q3/2015.

Operating cash costs also include the expenditure of \$45,000 on exploration on the Tilwane Joint Venture in Botswana.

Quarterly Unit Production Cost– A\$

	Q3/2015	Q3/2014
Cash cost per carat recovered	869	595

Note: Cash costs exclude corporate and administrative costs

The unit cost comparison is primarily impacted by reduced diamond production due to significantly lower grade feed from low grade E9 stockpiles in Q3/2015 compared with run of mine feed in Q3/2014. 14,158 carats were recovered in the current quarter compared to 22,280 carats recovered in Q3/2014.

Current period production cash costs are however \$955k lower than Q3/2014.

6 EXPLORATION ACTIVITIES

6.1 DIAMONDS

Work commenced on the two Tilwane Joint Venture tenements in Botswana during Q1/2015, with soil geochemistry sampling completed in mid-October. A total of 320 samples were taken over 13 separate blocks. Samples were analysed at SGS Laboratories in Perth and results have been interpreted using a combination of JMP Statistical Software and MapInfo GIS. The results received to date are encouraging as samples with geochemistry similar to those found over known kimberlites have been identified in some of the blocks.

A review of the Tilwane ground and airborne magnetic data has also been undertaken during Q3/2015 by an independent geophysics company specialising in the interpretation of geophysical data to digitally combine the ground and airborne magnetic data and to compare, assess and enhance the relative geological resolution of the methods. We are now in the process of evaluating all the re-processed geophysical and soil sampling data and have identified anomalies consistent with possible

kimberlite signatures worthy of further exploration and have recommended follow-up drill targets on some of the blocks. It is currently intended that drilling will commence during H1/2016.

6.2 METALS EXPLORATION ACTIVITIES

6.2.1 LOMERO-POYATOS GOLD-COPPER-ZINC PROJECT, SPAIN

The Company advanced its preparations towards the proposed commissioning of a JORC-compliant resource estimate on the Lomero-Poyatos gold-copper-zinc project in southern Spain.

These preparations included:

- (a) acquisition, review and verification of numerical datasets relating to previous drilling;
- (b) on-site measurement of previous drill collars, former mine openings and reference points;
- (c) inspection of drill core and acquisition of previous drill core assay samples;
- (d) discussions with metallurgical consultants and vendors regarding potential treatment pathways; and
- (e) discussions with geotechnical consultants regarding the scope of the proposed resource estimation.

To date, the Company has received proposals from two major independent mining consultancies offering to conduct the proposed resource assessment, and a third is expected shortly.

The Company held discussions on various aspects of the project with officials from the government of Andalusia, in particular the Director General of Industry, Energy and Mines, and received positive feedback for the steps it has taken to acquire and verify previous drilling data.

The Company completed the legal steps required to establish a wholly-owned local subsidiary to operate the project.

Encouraged by its investigations and its relationship with the regional government, the Company submitted a competitive bid in response to a new public tender for a former copper-zinc mine and property located just 3.6 km to the west of Lomero-Poyatos. The bid comprised a detailed work programme and operating budget for an initial three year period of tenure. The tender attracted bids from six companies and consortiums, including Trafigura, Grupo Mexico - Minorbis, and Valoriza Minería - Macquarie Capital, indicating solid interest on an international level. Resolution of the tender is expected to take several months due to the complexity of the submissions and assessment criteria.

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

No activities were undertaken during the quarter.

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

No activities were undertaken during the quarter.

On 11 March 2015 the Company received confirmation that EL6311 had been renewed for a further two years from 26 September 2014.

7 TENEMENTS

Tenement Interests retained by KDL

PROJECT	TENEMENT
Lerala Diamond Mine Central District, Botswana	2006/29L
Ellendale Diamond Mine WA, Australia	M04/372
Smoke Creek Diamond Project WA, Australia	P80/1712, P80/1713, P80/1714, P80/1715, P80/1716, P80/1717, P80/1718, P80/1719, P80/1720, P80/1721, P80/1722, P80/1723, P80/1724, P80/1725, P80/1734, P80/1735, P80/1736, P80/1737, P80/1738, P80/1739, P80/1740, P80/1741
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	3013668, 3013646, 3013648, 3013647, 4202624, 4206505, 3013699, 3013666
Tilwane JV Central District, Botswana	PL267/2013, PL268/2013
Calarie NSW, Australia	EL7023, ML739

Tenement Interests Disposed of by KDL

PROJECT	TENEMENT
Trillion Project Ontario - Canada	4216482, 3013687

EL7023 & ML739: KDL is earning 75% from TriAusMin Ltd & Tri Origin Mining Pty Ltd

EL6311 & ML811: Zodiac Resources Pty Ltd, a subsidiary of KDL, holds a 75% interest in the project. Augur Resources Ltd holds the remaining 25%

PL 267/2013 & PL 268/2013: KDL, via its wholly owned subsidiary Lerala Diamond Mines Limited, has the exclusive right to earn up to 70% in the project from Tilwane Services (Pty) Limited

Tenby Property: Mantle Diamonds Limited, a wholly owned subsidiary of KDL, will acquire a 20% interest in the tenements upon a production decision by the registered owner, Diavik Diamond Mines Incorporated

Commonwealth Property: Mantle Diamonds Limited, a wholly owned subsidiary of KDL, will acquire a 10% interest in the tenements upon a production decision by the registered owner, Diavik Diamond Mines Incorporated

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8 APPENDICES

8.1 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 processes ore from its E9 lamproite pipe’s remaining 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 Spain 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.

8.2 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 “Mineral Resource and Ore Reserve Statement”, created on 30 September 2014 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.

The information in this report that relates to Mineral Resources and Mineral Reserves at the Lerala Diamond Mine is extracted from the report titled “Mineral Resource and Ore Reserve Statement”, created on 30 September 2014 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.

The information in this report that relates to Mineral Resources and Mineral Reserves at Lomero-Poyatos is extracted from the report titled "Table 1 for Acquired Drill Data for Lomero-Poyatos Project", created on 25 November 2014 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.