

Kimberley Diamonds Ltd

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1 FINANCIALS

Quarterly Unaudited Consolidated Earnings Results

	Q4/2015	Market Guidance	Variance
	\$m	\$m	\$m
Revenue (A\$m)	14.19	15.00	(0.81)
Operating cash costs (A\$m)	(17.61)	(19.40)	1.79
Cash from operations (A\$m)	(3.42)	(4.40)	0.98
Total cash from operations (A\$m)	(3.42)	(4.40)	0.98
Cash costs (\$per tonne)	15.83	17.78	1.95
Redundancy Costs (A\$m)	(0.43)	(0.37)	(0.06)

Diamond revenue for Q4/2015 was down AUD\$0.81M (5%) compared to market guidance given on 1 April 2015. This was driven by \$830k (14%) less TQ revenue due to 82 less carats available for sale (9%) as a result of switching from E9 processing to commencing E4 haulage and processing earlier than planned, as well as 5% lower selling price due to smaller size distributions (US\$260 less per carat). There were 13,405 (34%) additional carats sold at auction due to the earlier commencement of E4 processing, however selling prices did not meet market guidance expectations for the quarter (down 28%) with May auction prices up 4% and June auction prices down 37%, resulting in \$322K less revenue. Other sales were up \$352K. USD revenue was down \$0.6M (5%) and FX was on forecast.

Operating cash costs were down \$1.79M, predominantly due to cost cutting initiatives, focused planning and shutdown days causing savings to forecasted operation expenses. Haulage costs were also down \$0.8M due to the commencement of a new haulage contract one month earlier than planned that provided savings in fixed management fees. Demobilisation costs also came in lower than anticipated. These savings were partly offset by higher selling costs \$0.1M as a result of auction viewings in multiple cities.

Cash costs per tonne were \$15.83, an 11% improvement on market guidance due to 2% more processed tonnes and lower cost base due to cost cutting initiatives.

Quarterly Unit Production Cost– A\$

	Q4/2015	Market Guidance
Cash cost per carat recovered	189	194

Note: Cash costs exclude corporate and administrative costs (including selling costs)

Despite recovery being down 11% (8,975 carats) due to not achieving forecasted E4 grade, the cost saving initiatives put into place in the last quarter still resulted in a lower cost per carat, with an improvement of 3% on market guidance.

PRODUCTION AND SALES

1.1 ELLENDALE OPERATIONS PHYSICALS

Quarterly Treatment

	Q4/2015	Market Guidance	Variance
Ore treated (tonnes)	1,112,235	1,090,979	21,256
Carats recovered	73,670	82,646	(8,976)
Grade (cpht)	6.62	7.58	(0.96)

Q4/2015 was the first period in which hauling and processing operations on Ellendale’s E4 stockpiles were undertaken. During Q4/2015, 1.1m tonnes of ore were processed. Maintenance days were kept to a minimum allowing maximum plant processing availability whilst processing mostly material from the E4 high grade stockpile. Q4/2015 also saw the treatment of a small amount of E9 material during that period. 73,670 carats were recovered in total, with an average grade of 6.62cpht.

Carats recovered were down 11% predominantly due to the E4 ore not achieving expected grades. This was slightly mitigated by increased tonnes processed.

1.2 SALES PHYSICALS

Quarterly Sales

	Q4/2015	Market Guidance	Variance %
Carats sold	53,423	40,051	33%
Sales value (US\$m)	10,976,627	11,553,070	(5%)
Price per carat (US\$)	205	288	(29%)

For the June quarter, sales volume was up 13,372 carats (33%) compared to last market release due to the haulage of E4 commencing 1 month earlier than planned.

There were 82 less TQ carats available for sale (9%) due to switching from E9 processing to E4 processing earlier than planned as well as average selling price down USD\$260 per carat (5%) due to processing the tail end of E9 Low Grade stockpiles which had a more variable size distribution than normal run of mine of E9 and fewer TQ carats.

Carats available for auction were up 13,405 carats (34%) due to the earlier commencement of E4, however average price for the quarter was down USD\$49 (28%) per carat. Whilst May auction (predominantly E9 CG stones) pricing was up 4%, June's auction result had a pricing shortfall of USD\$65 (37%) per carat due to the smaller stones in E4, lower than expected Fancy yellow stone pricing as well as a depressed auction market.

2 CORPORATE

2.1 KDL SECURES DEBT FINANCE FOR LERALA DIAMOND MINE

KDL has received the first AUD\$5M under the terms of a loan agreement (**Loan Agreement**) entered into with a third party lender, Zhejiang Huitong Auction Co Ltd (**Zhejiang**). Under the terms of the Loan Agreement, Zhejiang has agreed to provide KDL with a total loan of AUD\$10M, with KDL to receive a further AUD\$5M by 31 July 2015. The funds will be applied by KDL to the re-commissioning of the Lerala Diamond Mine in Botswana.

The Lerala Diamond Mine is KDL's primary focus, and once re-opened, will be KDL's key source of revenue. Since the initial funds have been received, KDL has progressed work on the recommissioning of the Lerala Diamond Mine, with the Board approving expenditure of AUD\$14.6 million on upfront capital items required to bring the plant and mine to a state of readiness, and an agreement executed with Consulmet (Pty) Limited to undertake modifications to the plant at Lerala. We set out further detail in section 4.4.2 below on the progress towards the recommissioning of Lerala.

2.2 FATALITY AT LERALA DIAMOND MINE

On 10 June 2015, an unfortunate incident occurred during Care & Maintenance activities at the Lerala Diamond Mine in Botswana, which resulted in the death of a mechanical assistant and a serious injury to a mechanic. A senior management team from KDL's Sydney head office was immediately dispatched to investigate the incident and provide assistance to the families and colleagues of the impacted employees.

The investigation found that the incident was caused by the explosion of a mine crane tyre while it was being inflated, and a number of recommendations coming from the investigation to prevent a similar occurrence and generally improve the safety of workers at the Lerala Diamond Mine are either completed or are well advanced.

2.3 SALES AND MARKETING UPDATE

During Q4/2014, Kimberley Diamond Company Pty Ltd (**KDC**) sold its interest in eDiamond Belgium BVBA (**eDiamond**), to an unrelated third party, Zihan He. The sale, for consideration of AUD\$10,000, was not material to KDL or KDC. The business of eDiamonds was not generating any revenue for KDL or KDC, and was being continued for the purpose of the lease of office premises in Belgium to facilitate viewings and auctions of our commercial diamonds in Antwerp. Auctions were undertaken by a third party sales team using these premises.

KDL is in the process of negotiating terms for the sales and marketing of diamonds from the Lerala Diamond Mine with an external auction sales team. KDL currently plans for diamonds recovered from Lerala to be sold via auction. It is intended that the selected team will provide full auction services, including the provision of premises in Antwerp and Dubai to conduct viewings.

2.4 MATTERS SUBSEQUENT TO THE END OF THE QUARTER

2.4.1 VOLUNTARY ADMINISTRATORS APPOINTED TO SUBSIDIARY

Please refer to section 5 below for a detailed summary in relation to the appointment of a voluntary administrator to KDC.

2.4.2 LUMP SUM TURN KEY CONTRACT FOR LERALA PLANT MODIFICATIONS EXECUTED

KDL recently announced that it has entered into a lump sum turnkey contract (**Consulmet Agreement**) with Consulmet (Pty) Limited (**Consulmet**), for modifications to the plant at Lerala, to allow the plant to operate more effectively, and allow it to reliably treat 200 tonnes per hour. The execution of the Consulmet Agreement is a key step towards the recommissioning of the plant at the Lerala Diamond Mine, and recommencement of mining at Lerala. Consulmet will be paid approximately AUD\$9.83M to undertake the plant modifications, and is scheduled to complete the work by February 2016.

With Consulmet to commence work on the plant modifications in late July, provided that there are no delays in this work, or any other external delays, KDL intends to commence mining in February 2016 at the Lerala Diamond Mine, and to ramp up the plant commissioning and processing of existing run of mine

stockpiles in February 2016. If the timing of the recommissioning remains on schedule, then KDL intends for the first diamond sale to be held in March 2016.

3 EXPLORATION ACTIVITIES

3.1 DIAMONDS

KDL through its wholly owned subsidiary, Lerala Diamond Mines Limited (Lerala) has now earned a 50% right in the Tilwane Joint Venture, a greenfields kimberlite exploration project in Botswana some 60km to the east of the large scale Orapa and Letlhakane diamond mines. Over the past 12 months in which Lerala has held an interest in the Tilwane JV, approximately \$130,000 has been expended in exploring the property particularly focusing on geophysical and geochemical analyses and from this work a number of high value targets have been identified for further attention. From these, 15 high priority sites were selected for follow-up Percussion drilling in order to detect the possibility of kimberlitic intrusives below the Karoo Basalts.

Lerala now has the opportunity to earn an additional 20% interest in the Joint Venture by spending a further AUD\$1m on project expenditure in the following 18 months and if it does this successfully, it will hold a 70% interest in the Joint Venture. The next phase of exploration at Tilwane will be a drilling program which has been designed to test the identified high value targets and this is expected to be undertaken during 2016.

3.2 METALS EXPLORATION ACTIVITIES

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

On 22 June, the Company announced that its wholly owned Spanish subsidiary, Alto Resources S.L. (Alto) had commissioned the global mining firm of Snowden mining consultants (Snowden) to undertake a new JORC-compliant resource estimate for the Lomero (previously Lomero-Poyatos) gold-copper-zinc project in southern Spain.

Snowden will verify the various datasets, complete a new three-dimensional (3D) block model, kriging estimation and resource classification, and will report the results to the Australian standard JORC 2012.

The estimation process commenced in the last week of June with an initial examination of the datasets and a site visit for Snowden personnel. Data verification is currently in progress, with re-surveying of drill collars already completed. The estimation is scheduled to take approximately three months to complete.

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

No activities were undertaken during the quarter.

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

No activities were undertaken during the quarter.

4 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	30136646, 3013647, 3013648, 3013665, 3013666, 3013668, 4202624, 4206505, 3013699
Tilwane JV Central District, Botswana	PL267/2013, PL268/2013
Calarie NSW, Australia	EL7023, ML739
Yeoval NSW, Australia	EL6311, ML811

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

5 VOLUNTARY ADMINISTRATION OF KDC

KDL's wholly owned subsidiary, KDC, the holder of the Ellendale mining licence, was placed into voluntary administration by its directors on 1 July 2015 and operations have been suspended at KDC's Ellendale Diamond Mine. It was determined that KDC was unable to continue trading solvently after prices achieved at the auction in Antwerp in June were significantly lower than those forecasted, due to a sharp, unexpected decline in rough diamond prices.

Impact of Diamond Prices

Our forecasted diamond prices are based on current diamond prices, being those achieved at the most recent previous auction prior to such forecast being undertaken. We announced on 1 April 2015 that KDC intended to continue operations at the Ellendale Diamond Mine into FY2016. At the time this announcement was made, our forecasts were based on the then current diamond prices, which were those achieved at the auction held in March 2015.

The prices actually achieved at the June 2015 auction were approximately 27% lower than those achieved at the March 2015 auction, representing an unexpected and significant decline in diamond prices over the 3 month period. In addition, approximately USD\$600,000 worth of diamonds were withdrawn from the auction and not sold.

The subsequent decline in actual revenue obtained from the June auction (compared to forecasted revenue) and the corresponding decline in forecasted revenue for the next auction to be held in September 2015 (with such forecasts now based on diamond price results from the June 2015 auction) had a significant negative impact on KDC's forecast financial performance. As a result, it was no longer possible to meet KDC's forecasted liabilities or to continue operating the Ellendale Diamond Mine.

Additional factors relevant to the decision to place KDC into voluntary administration

In addition to the significant decline in diamond prices achieved at auction, there has been a recent decline in the quality and grades of the diamonds recovered from the stockpiles at Ellendale, as well as lower size distributions of diamonds, which has also contributed to the lower forecasted revenues for the rest of calendar year 2015.

Voluntary administration

The impact of the significantly lower diamond prices achieved in June meant that it was no longer possible to continue operating the Ellendale Diamond Mine or to incur any further debts or obligations without the possibility of insolvent trading. Accordingly, KDC was placed into voluntary administration by its directors.

The voluntary administration does not apply to KDL or its other subsidiaries which hold the interests in the Lerala Diamond Mine in Botswana or the Lomero-Poyatos project in Spain.

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6 APPENDICES

6.1 COMPANY OVERVIEW

Kimberley Diamonds Ltd (“KDL”) (ASX:KDL) is the owner of the Lerala Diamond Mine in Botswana.

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.

KDL additionally has interests in a portfolio of tenements prospective for gold and copper-gold in New South Wales and Spain, interests in diamond tenements in Canada and a 50% interest in two exploration tenements located in north-eastern in Botswana in a Joint Venture with Tilwane Services (Pty) Limited, as well as a right to earn an additional 20% interest.

6.2 COMPETENT PERSON STATEMENTS

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.