

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity	
KIMBERLEY DIAMONDS LTD	
ABN	Quarter ended ("current quarter")
95 150 737 563	30 JUNE 2016

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(30)	(217)
(b) development	(0)	(12,866)
(c) production	(2,994)	(2,994)
(d) administration	(1,048)	(4,939)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (liquidation of environmental bonds)	-	-
<b>Net Operating Cash Flows</b>	<b>(4,071)</b>	<b>(21,009)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1,940)	(1,940)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	3,644
1.12 Other (de-consol of KDC entity)	-	(698)
<b>Net investing cash flows</b>	<b>(1,940)</b>	<b>1,006</b>
1.13 Total operating and investing cash flows (carried forward)	(6,011)	(20,003)
1.13 Total operating and investing cash flows (brought forward)	(6,011)	(20,003)

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	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	2,263	3,287
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	3,235	12,194
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>5,498</b>	<b>15,481</b>
	<b>Net increase (decrease) in cash held</b>	<b>(513)</b>	<b>(4,522)</b>
1.20	Cash at beginning of quarter/year to date	944	4,959
1.21	Exchange rate adjustments to item 1.20	3	(3)
1.22	<b>Cash at end of quarter</b>	<b>434</b>	<b>434</b>

**Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	401
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions	

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Item 1.2 (a) Exploration YTD of AUD \$217k consist of the following

- Tilwane JV – exploration expenditure (\$15k)
- Alto Resource (Spanish copper gold project) – exploration expenditure (\$202k)

Item 1.2 (b) Development YTD of AUD \$ 12.9 million consist of

- Lerala Diamond Mine – Capital & development expenditure for recommissioning of mine (\$12.9m)

Item 1.2 (c) Production YTD of AUD \$ 3 million consist of

- Lerala Diamond Mine – Recommissioned Mine in April, first processing in May. Total Q4 production costs (\$3.0m)

Item 1.2 (d) Administration YTD of AUD \$4.9 million consist of

- Payment of Corporate salaries and payroll liabilities (\$2.3m),
- Insurance (\$0.3m)
- Rent, IT support, software maintenance, telecommunications, company filing fees and other corporate expenses (1.02m)
- Debt raising and loan establishment costs (0.52m)
- Audit and Taxation costs (0.30m)
- Legal fees (0.13m)
- Costs associated with securing the Ellendale Mine site (0.1m)
- Other cost (\$0.23m), include insurance, audit and care and maintenance fees for Lerala Diamond Mine and other companies within Mantle Group.

Item 1.11 is the repayment of a loan between KDL and KDC (no longer part of KDL group)

Item 1.12 relates to the cash balance of KDC group (now no longer part of KDL group) forming part of the closing balance for Q4 2015

Item 1.14 25,036,773 shares issued in Q3 at \$0.10, valued at \$2.504M, \$1,024m in cash received, including \$20k shortfall shares, which were issued in Q4 and 15M shares valued at \$1.5M converted from Debt to Equity on the 29<sup>th</sup> January, 2016. Total Shares from Rights issue in Q3 was 4,517,335, and 5,519,438 issued as shortfall. In Q4, 30,210,010 of shortfall shares have been issued with 7,041,202 of those being debt/capitalised loan interest converted to Equity, balance in cash

Item 1.23 includes net salaries and superannuation paid to directors and related party payments.

## Non-cash financing and investing activities

### 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On the 29<sup>th</sup> of January, 2016, Kimberley Diamonds Ltd (KDL) and its lender, Huitong Auction Co Ltd (Zhejiang) have agreed to convert AU\$1.5m of debt to 15 million KDL shares at \$0.10 per share. Zhejiang has agreed for these shares to be escrowed for a period of 12 months from the date of their issue. On the 24<sup>th</sup> June, Zhejiang have converted a further AU\$0.18m of debt and AU\$0.52m of capitalised loan interest into 7.041m shares at \$0.10 per share

### 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

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#### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	3,762	2,432
3.2 Credit standby arrangements	-	-

- KDL announced on 26 February 2016 that it has secured a USD2.8 million working capital loan facility for the Lerala Diamond Mine ("DDA Loan Facility"). KDL and its Botswana subsidiary, Lerala, entered into a sales and marketing agreement (Sales Agreement) and an off-take agreement (Offtake Agreement) with DDA Trading BVBA (DDA), a Belgian based diamond auction house which specialises in the sales and marketing of rough diamonds for the international diamond trade.
- DDA has instead advanced Lerala funds under an interim short term loan entered into on 25 April 2016 and amended by the parties during Q4, 2016 for additional funds to be advanced ("Short Term DDA Loan"). USD\$1,110,000 had been received by Lerala under the terms of the Short Term DDA Loan as at 30 June 2016 and a further USD\$700,000 advanced by DDA to Lerala in early July.
- In late July 2016, subsequent to the end of Q4, 2016, DDA converted the debt outstanding under the Short Term DDA Loan to the terms of the DDA Loan Facility. As at 27 July 2016, total of USD\$2,060,000 is outstanding under the terms of the DDA Loan Facility.

#### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	6,437
4.4 Administration	1,895
<b>Total</b>	<b>8,332</b>

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### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	434	944
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>434</b>	<b>944</b>

### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

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#### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> (description)	-	-	-	-
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	160,987,132	160,987,132	-	-
7.4 Changes during quarter				
(a) Increases through issues	30,210,010	30,210,010	\$0.10	\$3,021,001
(b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> (description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	-		-	-
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> (totals only)	-	-		
7.12 <b>Unsecured notes</b> (totals only)	-	-		

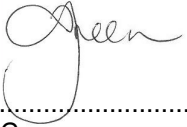
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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



.....  
(Company secretary)

Date: ..29 July 2016.....

Print name: .....Laila Green.....

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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