



Ms Andia Petropolous
Adviser, Listings Compliance
ASX Compliance
20 Bridge Street
Sydney NSW 2000

By email: andia.petropolous@asx.com.au

4 November 2016

Dear Ms Petropolous

Kimberley Diamonds Ltd: ASX Query

We refer to your correspondence dated 2 November 2016 in relation to the Annual Report released by Kimberley Diamonds Ltd (the **Company**) on 30 September 2016.

We respond to each of your numbered points as follows:

1. Yes, the Directors believe that, in their opinion, the Annual Report complies with accounting standards and gives a true and fair view of the financial performance and financial position of the Company. Please refer to the Directors' opinion on page 64 of the Annual Report.
2. The Company does not believe any concerns are raised by the disclaimer of opinion in the independent auditor's report or that any steps need to be taken to address this. The disclaimer is solely as a result of the administration and subsequent liquidation of Kimberley Diamond Company Pty Ltd (**KDC**) in July 2015, which resulted in all KDC records being provided to the administrators (now liquidators). As a result of this, last year, Ernst and Young placed a disclaimer in their independent auditors report in our 2015 Annual Report, noting that they were unable to form an opinion as they did not have access to KDC records. This year, BDO, a new auditor who completed their full year audit on KDL for the first time, placed their disclaimer on the 2016 Annual Report on the basis of the Ernst & Young disclaimer in the 2015 accounts, as such BDO were unable to verify the comparative balances and determine if adjustments were required.
3. Yes, the Company believes that the financial condition of the Company is currently adequate to warrant the continued quotation of its securities and continued listing to date. This view is formed on the basis that the Company has taken, and continues to take, steps to try to raise further cash to fund its operations, through both debt and equity, as well as diamond sales which have commenced. The Company will continue to monitor its financial condition and consider all appropriate options for its continued operations.

4. N/A
5. The Company confirms that, to the best of its knowledge, it is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

Yours faithfully



Laila Green
Company Secretary and CFO
Kimberley Diamonds Ltd



2 November 2016

Ms Laila Green
Chief Financial Officer and Company Secretary
Kimberley Diamonds Ltd
Level 39, Australia Square Tower
264-278 George Street
Sydney NSW 2000

By email: laila.green@kdl.com.au; holly.taylor@kdl.com.au

Dear Ms Green

Kimberley Diamonds Ltd (the "Company")

We refer to the Company's annual report for the year ended 30 June 2016 ("the Annual Report"), released to ASX Limited ("ASX") on 30 September 2016 in which the independent auditor's report includes the following disclaimer of opinion ("Disclaimer Opinion"):

Basis for Disclaimer of Opinion

As disclosed in note 26 to the financial statements, on 1 July 2015 the directors of Kimberley Diamonds Limited's wholly owned subsidiary, Kimberley Diamond Company Pty Limited ("KDC"), resolved to place KDC and its subsidiaries into voluntary administration. On 5 August 2015, the creditors of KDC voted to place KDC and its subsidiaries into liquidation. Following the appointment of the administrators (and subsequently liquidators), the powers of the directors and officers of KDC and its subsidiaries were suspended and the administrators (and subsequently liquidators) assumed control of these companies' business, property and affairs. Books and records relating to KDC and its subsidiaries were provided to the administrators (and subsequent liquidators) and are not available to the directors. Accordingly, the financial report for the period ended 30 June 2016 has been prepared by the Directors without the benefit of complete information being available for KDC and its subsidiaries.

As a result of the matters outlined above we were unable to determine whether any adjustments might have been necessary in respect of the amounts relating to KDC and its subsidiaries included in the financial performance and cash flows for the year ended 30 June 2016. Whilst we were satisfied with the material accuracy of amounts recorded in the consolidated statement of financial position at 30 June 2016, the impact of the amounts relating to KDC and its subsidiaries in the opening balances and the calculation of the \$21.663M gain relating to the discontinuation of KDC and its subsidiaries on the current period financial performance and cash flows prevents us from forming an opinion on the financial report taken as a whole.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.



Other matter

The financial report of Kimberley Diamonds Limited. for the year ended 30 June 2015 was audited by another auditor who disclaimed an opinion on that financial report on 30 September 2015.

Relevant listing rules and guidance

We also refer to the following:

- Listing rule 3.1, which requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information.
- Listing rule 12.2, which states that an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.
- Listing Rule 19.11A, which requires accounts given to ASX under the requirements of the listing rules, to be prepared to Australian accounting standards and if the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.

Questions for response

In light of the information contained in the Annual Report and having regard to the listing rules referred to above, please respond to the following questions:

1. Is the Company able to confirm that in the Directors' opinion, the Annual Report:
 - (a) complies with Accounting Standards; and
 - (b) gives a true and fair view of the financial performance and financial position of the Company?
2. Given the Disclaimer Opinion relates to the Auditor's inability to obtain sufficient appropriate audit evidence to determine whether any adjustments might have been necessary in respect of the amounts relating to Kimberley Diamond Company Pty Limited and its subsidiaries, what steps does the Company intend to take to address the concerns raised the disclaimer of opinion in the independent auditor's report in the Annual Report?
3. Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please explain the basis for this conclusion.
4. If the answer to question 3 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2.



5. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by return e-mail. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, no later than **9.30am AEST on Tuesday, 8 November 2016**.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market. Accordingly, please prepare your response in a form suitable for release to the market.

If you have any queries regarding any of the above, please call me.

Yours sincerely

[Sent electronically without signature]

Andia Petropoulos
Adviser, Listings Compliance (Sydney)