



KIMBERLEY DIAMONDS LTD
ACN 150 737 563

Rights Issue Offer Document

An offer to raise approximately \$4,078,979 by way of a non-renounceable pro-rata offer of 1 New Share for every 1 Share held at an issue price of \$0.02 per New Share

The Offer opens on 3 February 2017

Valid acceptances must be received by 5.00pm (Sydney time) on 15 February 2017

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

1. IMPORTANT INFORMATION

1.1 Date

This Offer Document has been prepared by Kimberley Diamonds Ltd (ACN 150 737 563) and was lodged with the ASX on 27 January 2017.

1.2 No disclosure

This Offer is being made without a prospectus in accordance with section 708AA of the Corporations Act, as modified by Class Order [CO 08/35]. This Offer Document is not a prospectus or any other form of disclosure document and has not been lodged with ASIC. Accordingly, this Offer Document does not contain all of the information which a prospective investor may require to make a decision as to whether to subscribe for New Shares. Further, this Offer Document does not contain all of the information which would otherwise be required to be disclosed in a prospectus or other form of disclosure document.

This Offer Document is important and should be read in its entirety before deciding to participate in the Offer. This Offer does not take into account, and this Offer Document has been prepared without taking into account, the investment objectives, financial or taxation situation or particular needs of any Applicant. Before applying for New Shares, each Applicant should consider whether such an investment, and the information contained in this Offer Document, is appropriate to your particular needs, considering your individual risk profile for speculative investments, investment objectives and individual financial circumstances. You should read this Offer Document in its entirety and seek independent professional advice prior to participating in the Offer.

Neither the Company, nor any other person guarantees the repayment of capital or the payment of income. Investors should note that the past Share price performance of the Company provides no guidance to its future Share price performance.

By returning an Entitlement and Acceptance Form, you acknowledge that you have received and read this Offer Document, you are entitled to participate in the Offer, you have acted in accordance with the terms of the Offer detailed in this Offer Document and you agree to all of the terms and conditions as detailed in this Offer Document.

1.3 Jurisdiction

This Offer does not constitute an offer or invitation to subscribe for New Shares in any jurisdiction in which, or to any person whom, it would not be lawful to make such an offer or invitation or issue this Offer Document. In particular, this Offer Document does not constitute an offer to Ineligible Shareholders. The distribution of this Offer Document in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

1.4 Financial amounts

Money as expressed in this Offer Document is in Australian dollars unless otherwise indicated.

1.5 Publicly available information

Information about the Company is publicly available and can be obtained from ASIC, ASX and other sources. Any such publicly available information is not incorporated into this Offer Document and does not form part of the Offer. This Offer Document is intended to be read in conjunction with publicly available information in relation to the Company which has been notified to ASIC and ASX. Investors should have regard to that information prior to making a decision to subscribe for New Shares pursuant to the Offer.

1.6 Definitions

Certain terms used in this Offer Document are defined in the Glossary, which is contained in section 7 of this Offer Document.

1.7 Not financial product advice

The information contained in this Offer Document is not and should not be considered to be financial product advice. The information is general only and has been prepared without any actual or implied knowledge or

consideration of the investment objectives, financial situation, taxation position or other particular needs or requirements of you or any other person. You should read this Offer Document in its entirety and seek independent professional advice prior to participating in the Offer.

1.8 No recommendation

The information contained in this Offer Document is not a recommendation by the Company or its related entities or by any of its directors, officers, employees, agents or consultants to any person that they should subscribe for New Shares pursuant to the Offer.

1.9 Disclaimer

To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made, and to the maximum extent permitted by law, no responsibility or liability is assumed by the Company or its related entities or by any of its directors, officers, employees, advisors, agents or consultants as to the adequacy, accuracy, completeness or reasonableness of this Offer Document. To the maximum extent permitted by law, no responsibility is accepted for errors or omissions from this Offer Document, whether arising out of negligence or otherwise.

1.10 Future performance and forward looking statements

Neither the Company nor its related entities nor any of its directors, officers, employees, advisors, agents or consultants or any other person warrants or guarantees the future performance of the New Shares. Forward looking statements, opinions and estimates provided in the Offer Document are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements including projections and estimates are provided as a general guide only and should not be relied on as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Offer Document.

1.11 Risks

Please refer to the non-exhaustive summary of risks relating to the Offer contained in section 5 of this Offer Document.

1.12 Delisting from Official List of the ASX

The Company is in the process of applying to delist from the Official List of the ASX. An extraordinary general meeting of Shareholders will be held on 20 February 2017 to vote on this. A Notice of Meeting and Explanatory Memorandum was despatched to Shareholders on 20 January 2017. If the delisting is approved by Shareholders, it will take effect on 21 March 2017. If this occurs, the Company will become an unlisted public company. Please see sections 5 and 6 of this document for further information on this. You should seek independent professional advice prior to participating in the Offer.

1.13 Enquiries

If you have any questions in relation to the Offer, please contact your stockbroker, solicitor, accountant or other professional adviser. If you have any questions with respect to completing the Entitlement and Acceptance Form, please contact our registered office, on +61 2 8243 7500.

1.14 Taxation consequences

You should be aware that there may be taxation implications associated with subscribing for New Shares pursuant to the Offer. The Company does not consider it appropriate to give advice regarding the taxation consequences of subscribing for New Shares under this Offer Document or the subsequent disposal of any New Shares allotted and issued under this Offer Document. No responsibility or liability whatsoever is accepted by the Company or its related entities or by any of its directors, officers, employees, advisors, agents or consultants in relation to the

taxation consequences of the Offer. The Company recommends that all Eligible Shareholders consult their own professional tax advisers in connection with the Offer.

1.15 Privacy

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly, or to the Share Registry). The Company collects, holds and uses that information to assess your Application, service your needs as a Shareholder, and facilitate distribution payments and corporate communications to you as a Shareholder.

Company and tax law requires some of this information to be collected. If you do not provide the requested information, the Company may be unable to process your Application. You can access, correct and update the personal information we hold about you by contacting the Share Registry. Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act, the Corporations Act and rules such as the ASTC Settlement Rules.

1.16 Entire Agreement

The terms contained in this Offer Document and the Entitlement and Acceptance Form constitute the entire agreement between the Company and each Applicant as to the Offer and each Applicant's participation in the Offer, to the exclusion of all prior representations, understandings and agreements between the Company and each Applicant.

2.

INDICATIVE TIMETABLE

Announcement of the Offer (Offer Document, s708AA Cleansing Notice and Appendix 3B lodged with ASX)	Prior to 10.00am (Sydney time) on 27 January 2017
Notice sent to security holders containing the information required by Appendix 3B	27 January 2017
Shares quoted on an “Ex Entitlement” basis	31 January 2017
Record Date	5.00pm (Sydney time) on 1 February 2017
Offer Document sent to Eligible Shareholders	3 February 2017
Closing Date	5.00pm (Sydney time) on 15 February 2017
Shares quoted on a Deferred Settlement basis	16 February 2017
Shortfall Notification Date	17 February 2017
Allotment of New Shares	22 February 2017
Despatch Date	22 February 2017
Trading on ASX of New Shares	23 February 2017

The timetable outlined above is indicative only and is subject to change. The Company reserves the right to vary these dates without prior notice, subject to compliance with the Corporations Act and the Listing Rules. The Company reserves the right to withdraw the Offer at any time before the allotment and issue of the New Shares in its absolute discretion.

3. DETAILS OF THE OFFER

3.1 Overview

Kimberley Diamonds Ltd (**KDL** or the **Company**) is seeking to raise approximately \$4,078,979 (before expenses) by way of a non-renounceable offer to Eligible Shareholders of 1 New Share for every 1 Share held on the Record Date at an issue price of \$0.02 per New Share. Fractional entitlements will be rounded up to the nearest whole number of New Shares. An Entitlement and Acceptance Form setting out your Entitlement to New Shares accompanies this Offer Document. If you do not take up your Entitlement, your shareholding in KDL will be diluted.

Eligible Shareholders should be aware that an investment in KDL involves risks and Eligible Shareholders should consider the investment in the context of their individual risk profile, investment objectives and individual financial circumstances (see section 5).

3.2 The Offer

The Company is offering Eligible Shareholders the opportunity to subscribe for additional fully paid ordinary shares in the Company (**New Shares**).

To be eligible to participate in the Offer, you must:

- (a) be registered as a Shareholder at 5.00pm (Sydney time) on 1 February 2017 (**Record Date**); and
- (b) have an address in Australia or New Zealand as recorded at the Share Registry as at the Record Date.

Eligible Shareholders will be entitled to apply for 1 New Share for every 1 Share held at an issue price of \$0.02 per New Share (**Issue Price**).

3.3 New Shares

New Shares issued pursuant to this Offer will be fully paid and rank equally with existing Shares. The rights and liabilities attaching to the New Shares are set out in the constitution of the Company and in the Corporations Act.

3.4 Minimum subscription

There is no minimum subscription.

3.5 No Rights trading

As your Entitlement is non-renounceable, you will not be able to trade your Entitlement on ASX or otherwise dispose of your Entitlement to any other party.

3.6 Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Offer Document in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Offer Document should seek advice on, and observe any, of these restrictions. Failure to comply with these restrictions may violate securities laws. No action has been taken to register or qualify these Shares or otherwise permit a public offering of the Shares the subject of this Offer Document in any other jurisdiction.

In accordance with Listing Rule 7.7 and section 9A of the Corporations Act, no Offer is being made to Shareholders who have a registered address outside Australia and New Zealand. The Company has determined that it would be unreasonable to make the Offer of New Shares to Ineligible Shareholders having regard to the number of Ineligible Shareholders, the number and value of the New Shares that would otherwise be offered and the costs of complying with the legal and regulatory requirements of those jurisdictions.

Eligible Shareholders should consult their professional advisers as to whether any government or other consents are required, or other formalities need to be observed, to enable them to exercise their Entitlements under the Offer. The return of a completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained and there has been no breach of laws in connection with the Applicant's ability to participate in the Offer.

New Zealand

In making the Offer to Eligible Shareholders in New Zealand, the Company is relying on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand) by virtue of which this Offer Document is not required to be registered in New Zealand.

United States

This Offer Document may not be released or distributed in the United States. This Offer Document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this Offer Document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

3.7 Use of funds

If the Offer is fully subscribed it will raise approximately \$4,078,979 (before expenses). It is intended that these funds will be applied to the following:

- (a) costs associated with the operation of the Lerala Diamond Mine in Botswana;
- (b) repayment of some existing debt; and
- (b) general working capital requirements.

3.8 Cleansing Notice

The Company has lodged with ASX a cleansing notice in accordance with section 708AA(7) of the Corporations Act which sets out the effect of the Offer on the control of the Company, taking into account the identity and current shareholdings. This notice may be reviewed on the Company's website www.kdl.com.au and in the Company's releases on ASX.

3.9 Effect on capital structure

The following table illustrates the changes in the capital structure of the Company that will occur as a consequence of the Offer assuming the Offer is fully subscribed.

Issued Shares at the date of this Offer Document	203,948,966
New Shares which will be issued as part of the Offer (assuming the Offer is fully subscribed)	203,948,966
Issued Shares following completion of the Offer	407,897,932

**Due to rounding of Entitlements, the exact number of New Shares to be issued will not be known until completion of the Offer.*

*** This reflects shares on issue at the time this Offer Document is lodged with the ASX. We anticipate that approximately 7,700,000 additional shares will be issued to Liang Chen on or about 27 January 2017, at a time after this Offer Document is lodged with the ASX. The above Share numbers do not take into account these additional shares. If these additional shares are issued, funds which may be raised under this Offer may increase and the effect on the capital structure may change accordingly.*

3.10 Effect on Control

The Offer is pro-rata and accordingly, the issue of the New Shares by the Company is not intended to have any material effect or consequence on the control of the Company. However, the actual effect of the Offer on the control of the Company cannot be known at this time as it cannot be known with certainty whether Eligible Shareholders will take up their full Entitlement, or whether, if there is a Shortfall, Eligible Shareholders will participate in the Shortfall.

Eligible Shareholders who take up their Entitlement in full will not be diluted as a result of the Offer. Eligible Shareholders who do not take up all of their Entitlements and Ineligible Shareholders will be diluted. If all Eligible Shareholders other than the Substantial Shareholders (shareholdings calculated as at 25 January 2017) do not take up any of their Entitlement and all of the Substantial Shareholders do take up their full Entitlement there may be a change in the control of the Company as described in the table below. The table below assumes that none of the Substantial Shareholders participate in the Shortfall. There will not be any consequences as a result of these potential changes in the control of the Company. No Shareholder will be permitted to go over 20% as this rights issue is not being made to overseas Shareholders, meaning that the Corporations Act section 611, Item 10 exception to section 606 of the Corporations Act does not apply for this rights issue. If any Shareholder's acceptance of Entitlements will take them over 20%, the portion of their funds which would take them over 20% will be returned to them and only New Shares below 20% will be issued to them.

Table outlining the potential impact of the Offer on the control of the Company by existing Substantial Shareholders (as at 25 January 2017)

	Shareholder	A		B	
		Shares	%	Shares	%
	ZHEJIANG HUITONG AUCTION CO LTD	33,307,152	16.33%	66,614,304	22.28%
{1}	LIANG CHEN	20,362,551	9.98%	40,725,102	13.62%
{2}	ALEXANDRE ALEXANDER (including associates)	13,048,334	6.40%	26,096,668	8.73%

Legend

A	current Shareholding and percentage interest of the Substantial Shareholder.
B	Shareholding of the Substantial Shareholder if all Substantial Shareholders accepted their full Entitlements, no Shareholders other than the Substantial Shareholders participated in the Offer and no Shortfall Shares are issued to any parties.
{1}	We anticipate that approximately 7,700,000 further shares will be issued to Liang Chen on or about 27 January 2017. The above calculations reflect shares issued as at 25 January 2016 and do not take into account these additional shares.
{2}	Related Parties. These Shareholders are not entitled to accept any Shortfall Shares.

3.11 No brokerage

Eligible Shareholders who participate in the Offer will not be charged brokerage or commissions in relation to their acceptance of their Entitlement.

3.12 CHESS

The Company participates in the Clearing House Electronic Sub-register System, known as CHESS. ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532 (ASTC), a wholly owned subsidiary of ASX operates CHESS in accordance with the Listing Rules and ASTC Settlement Rules. Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If you are registered in the Issuer Sponsored Sub-register, your statement will be despatched by Boardroom Pty Limited and will contain the number of New Shares issued to you under this Offer Document and your security holder reference number. A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes.

3.13 ASX quotation

KDL has made an application to the ASX for the New Shares to be granted quotation on the ASX. If permission is not granted for quotation of the New Shares on the ASX, then no allotment and issue of any New Shares will take place and any application monies (without interest) will be returned in full to Applicants. Trading of New Shares will, subject to the ASX approval, occur on or about the date specified in the Timetable.

The Company is in the process of applying to delist from the Official List of the ASX. An extraordinary general meeting of Shareholders will be held on 20 February 2017 to vote on this. If the delisting is approved by Shareholders, it will take effect on 21 March 2017. If this occurs, the Company will become an unlisted public company and your Shares will no longer be quoted on the ASX. Please see sections 5 and 6 of this document for further information on this.

3.14 Allotment and despatch of Holding Statements

Subject to the New Shares being granted quotation on the ASX, the New Shares will be allotted and issued and holding statements despatched in accordance with the Timetable. It is expected that despatch of holding statements and allotment and issue of New Shares will take place on or about 22 February 2017. It is the responsibility of Applicants to determine the number of New Shares allotted and issued to them prior to trading in the New Shares. The sale by an Applicant of New Shares prior to receiving their holding statement is at the Applicant's own risk.

3.15 Additional shares

In accordance with Exception 3 of ASX Listing Rule 7.2, the Company may place any Shortfall of New Shares (**Shortfall Shares**) at its discretion for up to 3 months after the Closing Date. Allocation of any Shortfall is at discretion of the Board, including placing all, part or none of the Shortfall, and to whom the Shortfall will be placed, which may include Eligible Shareholders or third parties. The issue price of any Shortfall Shares will be \$0.02, being the price and terms at which the Entitlement has been offered to Eligible Shareholders pursuant to this Offer Document. Each Eligible Shareholder may apply for additional New Shares in excess of their Entitlement (**Additional Shares**), which the Company may issue to them at its discretion as part of the Shortfall.

3.16 Discretions

Without limiting the other powers and discretions set out in this Offer Document, the Directors (or their delegate for this purpose) may implement the Offer in the manner they think fit and settle any difficulty, anomaly or dispute which may arise either generally or in a particular case in connection with, or by reason of, the operation of the Offer or a matter in this Offer Document, as they think fit, whether generally or in relation to any Shareholder or any Shares, and the determination of the Directors (or their delegate) is conclusive and binding on all relevant Shareholders and other persons to whom the determination relates. The Directors reserve the right, in their discretion, not to proceed with the whole or part of the Offer at any time prior to the allotment of the New Shares.

3.17 Governing Law

This Offer Document, the Offer and the contracts formed on acceptance of Applications are governed by the laws applicable in New South Wales. Each Applicant submits to the exclusive jurisdiction of the courts of New South Wales.

4. YOUR CHOICES

4.1 Options available to Eligible Shareholders

If you are an Eligible Shareholder, you may:

- (a) take up **all or part** of your Entitlement, in which case your proportionate shareholding will:
 - (i) remain the same if you take up all of your Entitlement; or
 - (ii) be diluted if you take up only part of your Entitlement; or
- (b) apply for **more than** your Entitlement, in which case your proportionate shareholding will:
 - (i) increase if you are allocated any Shortfall Shares; or
 - (ii) remain the same if you are not allocated any Shortfall Shares; or
- (c) do nothing, in which case you will **not take up** your Entitlement and your proportionate shareholding in the Company will be diluted.

4.2 How to accept the Offer

- (a) Pay by cheque, money order or bank draft

If you wish to take up all or part of your Entitlement and pay for the New Shares by cheque, money order or bank draft, you should complete the personalised Entitlement and Acceptance Form accompanying this Offer Document (for all of the New Shares offered to you or such lesser number you wish to accept) in accordance with the instructions set out on the form. If you also wish to apply for any Shortfall Shares, you will also need to complete the relevant section of the Entitlement and Acceptance Form in accordance with the instructions set out on the form.

Completed forms should be forwarded, together with your cheque, money order or bank draft for the amount due in respect of the number of New Shares you have applied for (being that number multiplied by the Issue Price), so that it is received by the Share Registry at the following address by no later than 5.00pm (Sydney time) on 15 February 2017:

By mail:

Kimberley Diamonds Ltd
c/- Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

Hand delivery:

Kimberley Diamonds Ltd
c/- Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Cheques, money orders and bank drafts will only be accepted in Australian currency and must be drawn on an Australian financial institution, made payable to "Kimberley Diamonds Ltd Share Issue Account" and crossed "not negotiable".

Cash will not be accepted. Receipts for payment will not be issued.

If requested by an Eligible Shareholder, the Company may issue New Shares to that Eligible Shareholder as repayment for all or part of existing debt owed by the Company to that Eligible Shareholder, provided such debt is due and payable (or the Company agrees such debt may be repaid early) and such debt is not disputed by the Company. The number of New Shares to be issued multiplied by the Issue Price will be equal to the relevant portion of the debt being repaid.

(b) Pay BPAY®

Alternatively, you may wish to make payment through the BPAY® facility according to the instructions set out on the Entitlement and Acceptance Form. Payment must be received by 5.00pm (Sydney time) on 15 February 2017. Shareholders should be aware of the time required to process payments by BPAY® in choosing the appropriate application and payment method. If you make your payment by BPAY® you do not need to lodge the Entitlement and Acceptance Form.

4.3 Shortfall Facility

Eligible Shareholders may apply for New Shares in addition to their Entitlement under the Shortfall Facility. The Shortfall Facility allows the Company to place the Shortfall Shares with Eligible Shareholders and third parties in its discretion so that the maximum amount can be raised under the Offer.

For Eligible Shareholders wishing to take up Shortfall Shares please indicate the number of New Shares in addition to your Entitlement that you wish to subscribe for. The Application Amount can be calculated as follows:

$$\text{Application Amount} = \text{Number of Shortfall Shares applied for} \times \$0.02 + \text{Amount shown on Acceptance Form}$$

4.4 Allocation of Shortfall Shares

The following rules apply to the allocation of Shortfall Shares:

- (a) there is no guarantee that any participating Shareholder will receive Shortfall Shares under the Shortfall Facility, however, all participating Shareholders will receive at least their Entitlement;
- (b) the Board reserves its right to scale back applications for Shortfall Shares in its discretion, and the right to place all, part or none of the Shortfall Shares in its discretion, and the Board's decision is final; and
- (c) the Board reserves its right to place the Shortfall Shares with Eligible Shareholders participating in the Shortfall Facility and third parties in its discretion (subject to any applicable provisions of the Listing Rules and the Corporations Act).

The Board intends to issue the Shortfall Shares at its discretion within 3 months from the Closing Date. The Company may be an unlisted public company at the time some or all of the Shortfall Shares are issued, if the delisting is approved and they are issued after it takes effect.

4.5 Declining to take up your Entitlement

If you decide not to participate in the Offer, you do not need to fill out or return the accompanying Entitlement and Acceptance Form. You will receive no payment for any Entitlement not taken up.

You should note that the Company is not required to issue any New Shares to a person accepting the Offer under this Offer Document unless:

- (a) the Share Registry receives a completed Entitlement and Acceptance Form and a cheque or bank draft for the full amount due in respect of the New Shares by 5.00pm (Sydney time) on 15 February 2017 and there are sufficient funds in the account on which the cheque or bank draft is drawn so that the cheque or bank draft clears in favour of the Company when it is first presented for payment; or
- (b) payment is received via the BPAY® facility for the relevant number of New Shares by 5.00pm (Sydney time) on 15 February 2017.

Receipt of your payment will constitute acceptance in accordance with, and your agreement to, the terms of the Offer, including those set out in this Offer Document.

If you take up only some of your rights, your remaining rights will lapse as set out in the section below.

4.6 Allow entitlements to lapse

If you do not wish to exercise any or part of your Entitlements, you are not required to do anything. In that case, the Entitlements will lapse without any benefit to you. By not taking any action and not taking up your Entitlement your shareholding in KDL will be diluted.

4.7 Application is unconditional

You cannot withdraw your application once it has been received by the Company or the Share Registry.

5. RISKS

An investment in New Shares should be regarded as speculative and is a decision which is subject to the same type of risks which are ordinarily associated with purchasing shares in ASX listed companies, and, if the delisting is approved, unlisted public companies. The brief summary of risk factors set out below is not exhaustive. Eligible Shareholders should consider these risks carefully and, if they are in any doubt, should consult their financial, legal or other professional adviser.

5.1 General risks

While the Company remains listed on the ASX, as is the case with any investment listed on ASX, the value of New Shares may rise above or fall below the Issue Price. Movement in the Company's share price may be attributable to any number of factors associated with financial and operating conditions. Similarly, external factors may have a bearing on the value of New Shares, over which the Company has no control.

These external factors include (but are not limited to):

- (a) economic conditions in Australia and overseas;
- (b) share market fluctuations;
- (c) interest and inflation rates;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital;
- (f) liquidity of Shares and the lack of an active market for Shares;
- (g) changes in fiscal, monetary, regulatory and other government policies;
- (h) geo-political conditions such as acts or threats of terrorism or military conflicts; and
- (i) changes to the regulatory environment, including any changes to tax laws or accounting standards.

6.2 Company specific risks

Other key risks specific to the Company are set out below. Any one or a combination of such risks could affect Company adversely and therefore the value of any investment in Company.

Market risks

The general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors which may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption, the rate of global growth, interest rates and the rates of inflation.

Future earnings are likely to be closely related to the price of diamonds and the terms of any sale agreements which the Company or its subsidiaries enters into. Diamond prices may fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand, forward selling by producers, production cost levels in other producing regions and global conflict. Diamond prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates, currency and exchange rate fluctuations, and global and regional demand for, and supply of, diamonds as well as general global economic conditions. These factors may have an adverse effect on the Company's exploration, development and production activities.

Operation and development risks

The success of the business of an exploration and mining company depends on the successful exploration and/or acquisition of recoverable and economic reserves, design and construction of efficient processing facilities, competent operation and proficient marketing of the product. There are many risks inherent in this process.

Whether or not income will result from the exploration, development and production of KDL's assets in Botswana, Spain and Canada depends on successful establishment of exploration operations and project development. Factors including costs, equipment availability and diamond prices affect successful project development, as does the design and construction of efficient exploration facilities, competent operation and management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced consultants.

The Lerala Diamond Mine has been on care and maintenance since July 2012. The Company recently recommenced operations at the Lerala Diamond Mine. As a result, the Company will be subject to all the risks inherent in the establishment of new operations. No assurances can be given as to the level of viability that the operations of Lerala Diamond Mine may achieve. Any delay in the plant and/or the mine operating at full forecast production levels, issues with the plant, or performance below that which is forecast, will impact on the performance of the Group as a whole and may threaten the ongoing operations of the Group. As previously announced by the Company, there have been issues with the production plant which have required attention and delays in bringing the plant to full production capacity, and this has impacted on the Group's revenue.

The successful operation of the Lerala Diamond Mine is reliant on a number of third parties, such as (but not limited to) a mining contractor and a fuel supplier. If these third parties do not perform their roles satisfactorily and to an appropriately high standard, or if there are any issues with such third parties, this may impact on the performance and outcomes of the Lerala Diamond Mine. Any delays in employing people with the skills needed, or inability to find or train such people, or performance below the standard required, may impact on the performance and outcomes of the Lerala Diamond Mine.

The operations of KDL may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including diamond theft, environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, formation damage, flooding and extended interruptions due to inclement or hazardous weather conditions, fire and explosions. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

Future capital requirements

Should the Company require additional funding in the future there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have an adverse material effect on the Company's business, its financial condition and performance and its ability to continue as a going concern.

Lerala commenced sales of diamonds sourced from the Lerala Diamond Mine in Botswana on 28 June 2016. The Group does not currently have any other revenue producing operations following the suspension of operations at the Ellendale Diamond Mine in June 2015. The Group will incur costs as it looks to develop its projects and continue production at the Lerala Diamond Mine in Botswana and has ongoing costs relating to its existing operations. The Company may need to source further debt or equity funding as the Company's existing funds may not be sufficient to cover costs until such time that revenue is being produced consistently to cover ongoing capital and operating costs. If debt or equity funding is not obtained within the timeframe additional funds are required, the Group may not be able to continue its operations. There is no certainty that the Group will have access to available financial resources sufficient to fund its obligations and operations in the future.

Debt financing

The Company has entered into debt finance arrangements with a number of third parties, which may be required to be repaid or restructured over the next 12 months. Rights issue proceeds may be applied to repaying existing debt. If the Company is unable to repay or restructure such debt it may be in breach of its loan agreements and this may have implications for the Company and its ongoing operations. The Company has in place debt finance arrangements with Zhejiang Huitong Auction Co Ltd for loan of A\$13 million (of which approximately A\$11.3 million remains outstanding) and has granted the lender a security interest over its shares in Mantle Diamonds Limited, the sole shareholder of Lerala Diamond Mines Limited, which is the owner of the Lerala Diamond Mine. If the Company defaults on its repayment obligations under the loan, the lender may enforce its security over the Company's shares in Mantle Diamonds Limited. If this occurred, the Company would lose its interest in Mantle Diamonds Limited and consequentially the Lerala Diamond Mine.

Mineral resource risks

The Group's ability to operate profitably in the medium to long-term depends significantly on the Group's mineral resource, which influences the operational mine plans and the generation of sufficient cash flows and margins. There is a risk that the actual mineralisation may be different to the expected results from exploration. Adverse results may impact on the financial viability of the relevant projects.

Growth Plans – Inability to achieve planned growth

The Group's growth strategy is based on various studies, cost indications and future market assumptions. Although due process in assessing the viability, costs and implementation of these projects is undertaken, risks with regards to cost overruns and/or delays may impact the effective implementation thereof. The funding of these growth plans could also be adversely affected by negative market conditions.

Title and land access

The future viability and profitability of KDL will depend upon maintaining and, where relevant, obtaining the renewal of the tenements held by KDL. Such renewal is at the discretion of the relevant government departments in the relevant jurisdictions. Tenements held by the Group have conditions which must be complied with. Failure by the Group to comply with these conditions may mean forfeiture of the relevant tenements. KDL may also be subject to native title or land access laws in jurisdictions in which it operates, which may also affect the Company's ability to access explore and develop its tenements in such jurisdictions.

Contracts

The Directors are unable to predict the risk of insolvency or managerial failure by any of the contractors used by the Group in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Group for any of its activities.

Litigation

On 1 July 2015, the Company's former wholly owned Australian subsidiary, Kimberley Diamond Company Pty Ltd (KDC), the owner of the Ellendale Diamond Mine in Western Australia, was placed into voluntary administration by its directors. KDC's subsidiaries were also placed into voluntary administration. On 5 August 2015, the creditors of KDC subsequently voted to place KDC and its subsidiaries into liquidation. On 22 June KDL announced that it had been served with an originating process and supporting affidavit in the Supreme Court of New South Wales by the liquidators of KDC. The liquidators have commenced proceedings against KDL and KDL Directors (in their capacity

as KDC directors) Alex Alexander, Noel Halgreen and Rodney Sainty in respect of a number of claims relating to KDC, including alleged insolvent trading, alleged voidable transaction recovery proceedings and alleged breaches of director duties. The amount specifically claimed against KDL by the liquidators in the documentation received is approximately A\$22.7 million, plus costs and interest. There are also additional claims for unspecified amounts.

In September 2015, the Australian Securities and Investments Commission ("ASIC") charged Alexandre Alexander, a Director of the Company, with offences under the Corporations Act, relating to statements in announcements made by KDL between October 2013 and March 2014, which ASIC alleges were false and misleading. A hearing has been scheduled for this matter in 2017. It is possible that ASIC or other parties may take action against KDL in relation to this matter. KDL does not have securities litigation insurance cover, and accordingly, any action against KDL will need to be funded by the Company, which has cash flow implications.

Health, safety, social and environmental related risks

The risk that a major health, safety, social or environmental incident may occur within the Group is inherent in mining and exploration operations. The Company's activities are subject to laws and regulations regarding occupational health and safety, as well as environmental matters and the discharge of hazardous wastes and materials. As with all mining and exploration projects, a variety of environmental impacts exist. The Company intends to conduct its activities in a safe and environmentally responsible manner and in accordance with applicable laws in each country in which it has operations. The death of an employee at Lerala Diamond Mine in June 2015 was found to have been caused by the explosion of a mine crane tyre while it was being inflated. 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.

Regulatory and sovereign

The Group operates in Australia, Botswana, Spain, the United Kingdom and Canada and deals with local regulatory authorities in relation to the operation of its business and the development of its properties. There may be adverse changes in the regulatory environment in future periods which may impact mining tenure, mine regulation, export regulation, taxation and other regulated activities that may impact the financial viability of the Group.

Operations in Africa

The operations of KDL in Botswana are subject to all risks inherent in operating in an African jurisdiction. While Botswana is known to have a stable government, it may be affected by politics of neighbouring countries. Infrastructure and services may be less reliable than those in Australia and health risks are increased for the employees of the Company based in Botswana.

Delisting

The Company is in the process of applying to delist from the Official List of the ASX. An extraordinary general meeting of Shareholders will be held on 20 February 2017 to vote on this. A Notice of Meeting and Explanatory Memorandum was despatched to Shareholders on 20 January 2017. If the delisting is approved by Shareholders, it will take effect on 21 March 2017. If KDL is removed from the official list, it will become an unlisted public company. The Listing Rules will no longer apply to it and the shareholder protections inherent in the Listing Rules will no longer apply. This includes those relating to continuous disclosure, share issues, related parties, significant changes to activities and the requirement to announce publicly various financial reports, including quarterly activity reports.

Requirements set out in the Corporations Act applicable to unlisted public companies will continue to apply. Please see section 6 for further detail on this. In addition other consequences of delisting include that KDL's shareholders will not be able to buy and sell shares on the public market after the delisting, including those issued under the rights issue. Shareholders will be able to sell their shares in the lead up to the delisting. Following the delisting, Shareholders who wish to sell after this time will need to find a purchaser for their securities at a price agreed between the seller and the purchaser. Shareholders may need to contact KDL to enquire if KDL is aware of any buyers, and there is no guarantee that such buyers will be available.

There are other potential consequences of the Company not being listed, including that some people may apply a higher valuation to securities of a company that is listed on a recognised exchange. Shareholders should obtain advice from their professional advisors in relation to their particular circumstances.

6. DELISTING FROM THE ASX

Background

KDL has made an application to the ASX pursuant to Listing Rule 17.11 to be removed from the Official List of the ASX, as announced to the ASX on 14 November 2016. ASX has granted its approval for the Company to pursue delisting subject to compliance with the following conditions:

- (a) the Company releases the full terms of this decision to the market immediately upon the Company's directors resolving to seek removal of the Company from the official list of ASX;
- (b) the Company's removal from the official list of ASX is approved by ordinary resolution of ordinary security holders of the Company; and
- (c) the notice of meeting seeking security holder approval for the Company's removal from the official list of ASX must include a statement
 - I. to the effect that the removal will take place no earlier than one month after approval is granted; and,
 - II. contain full particulars of the Company's outstanding loans and those that require restructuring in the short term (including the proposed restructuring terms).

The above conditions are in the process of being complied with. An extraordinary general meeting of Shareholders will be held on 20 February 2017. If the delisting is approved, it will take effect on 21 March 2017.

Reasons for delisting

The Board of the Company has determined that the delisting of the Company from the Official List of the ASX is in the best interests of shareholders as the benefits for the Company of being delisted outweigh the benefits to the Company of continued listing. Specific reasons for which the Company considers delisting to be beneficial to the Company include the following:

(a) Shares are trading at a price materially lower than the underlying value of the Company's assets

In February 2016, KDL obtained an external valuation of its key asset, the Lerala Diamond Mine, from Venmyn Deloitte, who valued the mine at AUD105 million. Internal valuations undertaken subsequently have resulted in similar outcomes. These valuations are based only on the Lerala Diamond Mine and do not take into account the Company's other assets. On the basis of these valuations, the Company would expect our Shares to be trading at a much higher price than current market prices. Accordingly, we believe that our share price does not reflect the value of our underlying assets, and accordingly, we consider that our ASX listing is not in the interests of our shareholders. As an unlisted company, we will be able to market our company to investors based on the value of our assets, without being restrained by a low share price.

(b) Low liquidity

In addition to our low share price relative to the higher value of our assets, KDL shares have been largely illiquid since 2014, with limited trading being undertaken. This further reflects our view that a public listing is no longer appropriate, as although shareholders and investors have the opportunity to trade our shares, they are not doing so, making a listing redundant, with high costs but little or no benefits to our shareholders.

(c) Lack of interest for KDL shares in Australian market

We have extensively marketed KDL shares in the Australian investor market since listing the Company in 2012, and it has been our experience that since 2014, when we acquired the Lerala Diamond Mine, which is based in Botswana, we have had little interest in the asset, and hence our shares, from the Australian market.

(d) Directors believe that it is possible that the Company may have more difficulty raising funds and /or restructuring existing loans if it remains listed

The Company has in place debt facilities with a number of investors, each of which is repayable in the next 12 months. While it is intended that some of this debt be repaid with cash flow from sales of diamonds from the Lerala Diamond Mine, we will be required to restructure some or all of this debt by agreement with the existing lenders or repay some or all of this debt through the entry into further loans or through equity raisings.

The Directors have had discussions with some of these existing lenders, as well as possible new investors, and feedback received to date is that existing and potential lenders have expressed concerns that the ASX listing may no longer be beneficial for the Company as a result of the low share price, and may be hindering the Company's ability to raise funds. On the basis of these discussions, the Directors believe that it is possible that the Company may have more difficulty raising the required funds, or restructuring its existing debt, in the next 12 months if it remains listed.

(e) High cost to remain listed

In addition to the above arguments, the ASX listing has now become an unnecessary cost burden on the Company, with the costs required to remain listed being spent for no return to our shareholders' investments as they receive little or no benefit to the Company being listed.

Effect of delisting

Prior to the removal of the Company from the Official List, the Company's Shares may continue to be traded on the ASX which will enable Shareholders who want to sell their Shares to do so for at least one month from the date of the Meeting. After removal of the Company from the Official List of the ASX, it will become an unlisted public company. Shareholders who remain on the Company's register after the removal of the Company from the Official List will retain the protections afforded to them under the Corporations Act and the Company's constitution (noting that provisions of the Constitution which refer to the ASX listing will no longer apply), although the Listing Rules will no longer apply.

While the Company continues to have more than 100 shareholders following the delisting, the Company's securities may be classified as unlisted enhanced disclosure securities, and the Company would be an unlisted disclosing entity, which, if this is the case, would oblige the Company to disclose material information in a timely fashion to ASIC, although not to ASX. In addition, other provisions of the Corporations Act which apply to such unlisted disclosing entities would apply if the Company was an unlisted disclosing entity. These may include the following non-exhaustive list of applicable Corporations Act provisions:

- section 111ANA requirements relating to remuneration recommendations in relation to key management personnel – there are special requirements in Part 2D.8 for remuneration recommendations in relation to key management personnel for disclosing entities;
- section 111AO accounting requirements – a disclosing entity has to prepare financial statements and reports for half years as well as full financial years as set out in Chapter 2M;
- section 111AP continuous disclosure requirements – as discussed above, a disclosing entity is subject to the continuous disclosure requirements of sections 674 and 675; and
- section 111AQ prospectus relief – section 713 applies (subject to certain qualifications) to prospectuses for quoted ED securities of disclosing entities.

The Company anticipates that following delisting it will amend its policies and procedures to reflect its unlisted status, in particular, to remove policies and procedures which were specific to the requirements of the ASX, such as certain aspects of the share trading policy. However, as the Company will remain an unlisted public company and will be subject to Corporations Act requirements, corporate governance policies procedures will be retained or adapted with the Company's unlisted status.

If the Company is delisted, there will no longer be a readily available indicator of market price for the Company's securities, Shares will no longer be traded on the ASX and as a result will be much less liquid. Shareholders who wish to sell their Shares after delisting would need to find a purchaser for their securities at an agreed price.

Please see section 5 for some of the consequences and risks to Shareholders of the delisting.

7. GLOSSARY

When reading the Offer Document the following terms have the following meanings unless the context otherwise requires:

Additional Shares	New Shares in excess of a Shareholder's Entitlement.
Allotment Date	the date on which the New Shares are allotted pursuant to the terms of this Offer Document.
Applicant	a person who has applied to subscribe for New Shares by submitting an Entitlement and Acceptance Form.
Application	an application for New Shares pursuant to the Offer.
Application Monies	funds accompanied by an Entitlement and Acceptance Form.
ASIC	Australian Securities and Investments Commission.
Associate	has the meaning it has in the Corporations Act.
ASTC Settlement Rules	the operating rules of the settlement facility operated by the Australian Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.
ASX	ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.
ASX Listing Rules	the listing rules of the ASX.
Class Order	a class order issued by ASIC.
Closing Date	5.00pm (Sydney time) on 15 February 2017.
Company or KDL	Kimberley Diamonds Ltd (ACN 150 737 563).
Corporations Act	<i>Corporations Act 2001 (Cth)</i> .
Deferred Settlement	a settlement in which the obligation to settle on a trade date plus 2 business days (T+2) basis is deferred until the time following the despatch date that ASX fixes.
Directors	the directors of the Company.
Eligible Shareholder	a Shareholder who is eligible to participate in the Offer in accordance with the terms of this Offer Document.
Entitlement	the number of New Shares each Eligible Shareholder is offered under the Offer as designated on their personalised Entitlement and Acceptance Form.
Entitlement and Acceptance Form	the application form which is included in or accompanies this Offer Document.
Ex Entitlement	a date that is subsequent to the date on which Shares can be purchased in order for a purchaser to be identified as a Shareholder on the Record Date.
Group	the Company and its subsidiaries.
Ineligible Shareholder	a Shareholder who is unable to participate in the Offer because they do not meet the eligibility criteria contained in this Offer Document.

Issue Price	\$0.02 per Share.
Listing Rules	ASX Listing Rules.
New Shares	Shares offered under this Offer Document.
Offer	the offer of New Shares under this Offer Document.
Offer Document	this document.
Privacy Act	<i>Privacy Act 1988 (Cth)</i> .
Record Date	the date used to identify Shareholders entitled to participate in the Offer.
Share	a fully paid ordinary share in the capital of the Company.
Shareholder	a holder of Shares in the Company as recorded on the Share Registry.
Share Registry	Boardroom Pty Limited (ACN 003 209 836).
Shortfall	the difference between the number of New Shares offered pursuant to this Offer Document and the number of New Shares for which no Applications have been received.
Shortfall Facility	the mechanism under which the Company may issue Shortfall Shares to Eligible Shareholders or third parties.
Shortfall Shares	the New Shares that are not subscribed for by Shareholders pursuant to their Entitlements and which may be allocated by the Directors at their absolute discretion.
Substantial Shareholder	has the meaning it has in the Corporations Act.
Timetable	the indicative timetable in section 2 of this Offer Document.