

27 January 2017

[Shareholder]
[Shareholder Address1]
[Shareholder Address2]
[Shareholder Address3]

Dear Shareholder

Non-renounceable Rights Issue Offer – Notice to Shareholders

On 27 January 2017, Kimberley Diamonds Ltd (**KDL** or the **Company**) announced a pro rata non-renounceable rights issue offer of new KDL ordinary shares (**New Shares**) at an issue price of \$0.02 per New Share to raise up to approximately \$4,078,979 (**Offer**).

Eligible shareholders will be able to purchase 1 New Share for every 1 existing KDL ordinary share held as at 5.00pm (EST) on 1 February 2017 (**Record Date**). New Shares issued under the Offer will rank equally with existing KDL ordinary shares on issue. Fractional entitlements will be rounded up to the nearest whole number of shares.

Use of funds

The funds raised from the Offer may be used for:

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

Eligible Shareholders

Shareholders who, as at 5.00pm (Sydney time) on the Record Date are registered as holders of existing KDL ordinary shares and have a registered address in Australia or New Zealand will be eligible to participate in the Offer (**Eligible Shareholders**).

All other overseas registered shareholders will not be eligible to participate.

Offer Document

This letter is not an offer document but rather an advance notice of some key terms and conditions of the Offer. Full details of the Offer are set out in the offer document (**Offer Document**), copies of which will be available on ASX's company announcements platform and KDL's website at www.kdl.com.au from today.

Eligible Shareholders will be mailed the Offer Document, together with a personalised Entitlement and Acceptance Form which contains details of their entitlement, on or around 3 February 2017. You should read all of the Offer Document carefully before deciding whether to participate in the Offer.

Eligible Shareholders that wish to participate in the Offer will need to complete the Entitlement and Acceptance Form and return it with payment by 5.00pm (Sydney time) on 15 February 2017, being the closing date of the Offer.

Eligible Shareholders' entitlements under the Offer are non-renounceable and accordingly, Eligible Shareholders will be able to:

- (d) take up their entitlements in full or in part;
- (e) do nothing, in which case their entitlements will lapse; or
- (f) take up their rights in full and apply for additional shortfall shares.

Indicative timetable

The indicative timetable for the Offer is as follows:

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 dates set out above are indicative only and are subject to change. KDL reserves the right to vary these dates, subject to compliance with applicable provisions of the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

The Offer is not underwritten and the directors of KDL reserve the right to place any shortfall at their discretion within 3 months after the close of the Offer.

For further information on the Offer you should call our Share Registry, Boardroom Pty Limited, on +61 2 9290 9600, or your stockbroker, solicitor, accountant or other professional adviser.

On behalf of the board and management of KDL, we thank you for your continued interest in KDL.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Laila Green', with a large, stylized initial 'L'.

Laila Green
Company Secretary