



KIMBERLEY DIAMONDS LTD
ACN 150 737 563

Rights Issue Offer Document

An offer to raise approximately \$9,912,672 by way of a non-renounceable pro-rata offer of 1 New Share for every 2 Shares at an issue price of \$0.19 per New Share

The Offer opens on 4 September 2014

Valid acceptances must be received by 5.00pm (Sydney time) on 26 September 2012

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 26 August 2014.

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 6 of this Offer Document.

1.12 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.

1.13 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.

1.14 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.

1.15 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 (Appendix 3B lodged with ASX)	22 August 2014
Lodgement of Offer Document and Cleansing Notice with ASX	26 August 2014
Notice sent to security holders containing the information required by Appendix 3B	27 August 2014
Shares quoted on an "Ex Entitlement" basis	28 August 2014
Record Date	7.00pm (Sydney time) on 1 September 2014
Offer opens - Offer Document sent to Eligible Shareholders	4 September 2014
Closing Date	5.00pm (Sydney time) on 26 September 2014
Shares quoted on a Deferred Settlement basis	29 September 2014
Shortfall Notification Date	1 October 2014
Allotment of New Shares	2 October 2014
Despatch Date	2 October 2014
Trading on ASX of New Shares	3 October 2014

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. CHAIRMAN'S LETTER

Dear Shareholders,

On behalf of the Board of Kimberley Diamonds Ltd (**KDL** or the **Company**), I am pleased to invite you to participate in a pro-rata, non-renounceable rights issue of 1 new share for every 2 shares held at an issue price of \$0.19 (**Issue Price**) to raise approximately \$9,912,672 (before expenses). This Offer will allow you the opportunity to purchase 1 New Share at the Issue Price for every 2 existing KDL ordinary shares you own at 7pm (Sydney time) on 1 September 2014 (**Record Date**).

As announced by the Company on 2 June 2014, the Company has approved expenditure of a total of AUD\$14.7 million to fund the re-commissioning of its Lerala Diamond Mine in Botswana. This capital expenditure is being funded by existing cash reserves, cash flow from the Company's operations at the Ellendale Diamond Mine in Western Australia and from additional capital to be raised by the Company. The proceeds from this rights issue will be applied to the funding of the re-commissioning of the Lerala Diamond Mine, and to fund the Company's ongoing working capital requirements.

This Offer Document sets out the particulars of the rights issue, including details of the Offer, risks associated with the Offer and actions required by Shareholders. Under the Offer, as Eligible Shareholders, you are entitled to subscribe for the number of New Shares set out in your personalized Entitlement and Acceptance Form enclosed with this Offer Document (**Entitlement**). You may also apply for Additional Shares in excess of your Entitlement.

Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which accompanies this Offer Document or by making payment of Application Monies by BPAY in accordance with the instructions set out below and on the Entitlement and Acceptance Form. Application Monies for the New Shares must be received by the Company at its Share Registry by the Closing Date. Please refer to the timetable in section 2 of this Offer Document for the important dates for the Offer.

This rights issue is not underwritten, however the Company is currently in discussions with investors regarding possible underwriting and will provide the market with an update if an agreement is reached for an investor to underwrite this Offer.

On behalf of the Board and management, we look forward to keeping Shareholders informed of our progress and thank you again for your continued support.

Yours sincerely,



Alex Alexander
Chairman
Kimberley Diamonds Ltd

4. DETAILS OF THE OFFER

4.1 Overview

Kimberley Diamonds Ltd (**KDL** or the **Company**) is seeking to raise approximately \$9,912,672 (before expenses) by way of a non-renounceable offer to Eligible Shareholders of 1 New Share for every 2 Shares held on the Record Date at an issue price of \$0.19 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 6).

4.2 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 7.00pm (Sydney time) on 1 September 2014 (**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 2 Shares held at an issue price of \$0.19 per New Share (**Issue Price**).

4.3 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.

4.4 Minimum subscription

There is no minimum subscription.

4.5 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.

4.6 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.

4.7 Use of funds

If the Offer is fully subscribed it will raise approximately \$9,912,672 (before expenses). These funds will be applied in the following manner:

- (a) re-commissioning of the Lerala Diamond Mine in Botswana; and
- (b) general working capital requirements.

4.8 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.

4.9 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	104,343,915
New Shares which will be issued as part of the Offer (assuming the Offer is fully subscribed)	52,171,958
Issued Shares following completion of the Offer	156,515,873

**Due to rounding of Entitlements, the exact number of New Shares to be issued will not be known until completion of the Offer. This also assumes none of the options on issue will be exercised before the exercise date of the options.*

4.10 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 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.

Table outlining the potential impact of the Offer on the control of the Company by existing Substantial Shareholders

		A		B		C	
	Shareholder	Shares	%	Shares	%	Shares	%
{1}	ALEXANDRE ALEXANDER (including associates)	13,048,334	12.57%	19,572,501	15.09%	19,572,501	17.65%
	PACIFIC ROAD CAPITAL (including associates)	12,984,585	12.44%	19,476,838	15.02%	19,476,838	17.57%
	COUNTRY ROSY LIMITED	9,606,929	9.207%	14,410,394	11.11%	14,410,394	13.20%
	HANKING AUSTRALIA PTY LTD	9,054,400	8.677%	13,581,600	10.47%	13,581,600	12.47%
{1}	MRS LING WEI DONG	6,041,211	5.790%	9,061,817	6.99%	9,061,817	8.44%

Legend

A	current Shareholding and percentage interest of the Substantial Shareholder.
B	Shareholding of the Substantial Shareholder if all Substantial Shareholder accepted their full Entitlements, no Shareholders other than the Substantial Shareholders participated in the Offer and no Shortfall Shares are issued to any parties.
C	Shareholding of the Substantial Shareholder if no Shareholders (including other Substantial Shareholders) other than that Substantial Shareholder participated in the Offer and no Shortfall Shares are issued to any parties.
{1}	Related Parties. These Shareholders are not entitled to accept any Shortfall Shares.

4.11 Underwriting

This Offer is not currently underwritten. As at the date of this Offer Document, the Company is currently in discussions with potential investors who may agree to underwrite this Offer. If an underwriting agreement is entered into, the Company will set out in a subsequent announcement the terms of such underwriting agreement and the potential control effects, as well as issuing a new Appendix 3B and cleansing notice. The effect on the control of the Company in relation to an underwriter will depend upon the quantity of the Shortfall, the terms of the underwriting agreement (including the portion of any Shortfall an underwriter agrees to take up) and whether the underwriter is a related party, associate or current Shareholder.

If the Offer is underwritten, the effect of the control of the Company by the existing Substantial Shareholders will depend upon whether the Offer is fully or partially underwritten. If the Offer is fully underwritten, the Substantial Shareholders will not increase their percentage interest of Shares in KDL unless they participate in any Shortfall.

However, if the Offer is partially underwritten, the Substantial Shareholders may increase their percentage interest of Shares in KDL if they take up their full Entitlement and some or all other Shareholders do not take up their Entitlement. However, the actual effect of the Offer on the control of the Company cannot be known at this time for, as mentioned above, it cannot be known with certainty whether Shareholders will take up their full Entitlement, or whether, if there is a Shortfall, Shareholders will participate in the Shortfall.

4.12 No brokerage

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

4.13 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.

4.14 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.

4.15 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 2 October 2014.

Application monies received from Nominees will be held in trust by Kimberley until allotment and issue of the New Shares. Kimberley will be entitled to retain any interest paid on the monies so held, even if this Offer does not proceed.

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.

4.16 Additional shares

In accordance with Exception 3 of ASX Listing Rule 7.2, the Company may place and issue any Shortfall of New Shares (**Shortfall Shares**) at its discretion for up to 3 months after the Closing Date. The issue price of any Shortfall Shares will be \$0.19, being the price and terms at which New Shares have been offered to Eligible Shareholders pursuant to this Offer Document. Eligible Shareholders 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. There is no guarantee that any participating Shareholder will receive Shortfall Shares under the Shortfall Facility. The Company may, at its discretion, elect to place some or all of the Shortfall Shares with third parties who are sophisticated and professional investors.

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.

4.17 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.

5. YOUR CHOICES

5.1 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.

5.2 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 Section B 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 26 September 2014:

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 7, 207 Kent 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.

- (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 26 September 2014. 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.

5.3 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, at its discretion, the Shortfall Shares with Eligible Shareholders and/or third parties 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:

$$\text{Application Amount} = \text{Number of Shortfall Shares applied for} \times \$0.19 + \text{Amount shown on Acceptance Form}$$

5.4 Allocation of Shortfall Shares

The following rules apply to the allocation of Shortfall Shares:

- (a) there is no guarantee that any participating Eligible Shareholder will receive Shortfall Shares under the Shortfall Facility;
- (b) the Board reserves its right to scale back applications for Shortfall Shares and the Board's decision is final; and
- (c) the Board reserves the right to place the Shortfall Shares in its discretion. Shortfall Shares may be placed, at the Board's discretion, with Eligible Shareholders participating in the Shortfall Facility and/or with third parties who are sophisticated and professional investors (subject to the Listing Rules and the Corporations Act).

If the Board exercises its discretion to place the Shortfall Shares, the Shortfall Shares will be issued not later than 3 months from the Closing Date.

5.5 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 26 September 2014 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 26 September 2014.

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.

5.6 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.

5.7 Application is unconditional

You cannot withdraw your application once it has been accepted.

6. 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 company shares in ASX listed 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.

6.1 General risks

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.

6.3 Industry Risks

There are a number of specific risks relating to the industry in which the Company operates of which Shareholders should be aware. The following is not an exhaustive summary, but points to some of the risks that are peculiar to a diamond exploration and diamond mining company. 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 a diamond 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, Australia 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 and has not been operated since this time. The Company intends to re-commission 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.

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.

Mineral Resource risks

The Company's ability to operate profitably in the medium to long-term depends significantly on the Company's mineral resource, which influences the operational mine plans and the generation of sufficient cash flows and margins.

The Group has acquired both exploration and mining projects in the 2013-2014 financial year, including Smoke Creek in Western Australia and the Lerala Diamond Mine in Botswana. 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.

Title

The future viability and profitability of KDL will depend upon maintaining and, where relevant, obtaining the renewal of the tenements held by KDL in Australia, Botswana and Canada. Such renewal is at the discretion of the relevant government departments in those 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.

Native Title and Land Access

The activities of KDL in Australia are subject to the Native Title Act. Native title and aboriginal land rights may affect the Company's ability to gain access to prospective exploration areas on the Australian tenements, and to explore and develop these tenements. Compensatory obligations may be necessary in relation to settling native title claims lodged over any undeveloped area in the Australian tenements. KDL may also be subject to native title laws in other jurisdictions in which it operates, which may also affect the Company's ability to access explore and develop its tenements in such jurisdictions.

Within Australia, Commonwealth and State legislation also allows for the protection of sites of significance to Aboriginal custom and tradition. The Company is aware of its obligations in this respect and will carry out surveys prior to conducting any exploration work on its Australian tenements that would disturb the surface of the land.

Environmental risks

The Company's diamond activities are subject to laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all diamond projects, a variety of environmental impacts exist. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws in each country in which it has operations.

Contractors and service providers

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

Reliance on key customer

The Company relies on a single customer, Laurelton Diamonds Inc, a subsidiary of Tiffany and Co, for a significant portion of its revenue. An existing supply agreement is in place with Laurelton for the life of the Ellendale Mine. Any failure by Laurelton to comply with the existing agreement will have an adverse impact on the Company's cash flow and ability to proceed with its current business plan.

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.

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) 26 September 2014.
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 3 business days (T+3) 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.
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	\$0.19 per Share.

Listing Rules	ASX Listing Rules.
New Shares	Shares offered under this Offer Document.
Nominee	a person or entity nominated by an Eligible Shareholder to take up part or all of their Entitlement in accordance with 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.