

27 August 2014

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

Dear Shareholder

Non-renounceable Rights Issue Offer – Notice to Shareholders

On 22 August 2014, 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 \$0.19 per New Share to raise up to approximately \$9,912,672 (before expenses) (**Offer**).

Eligible shareholders will be able to purchase 1 New Share for every 2 existing KDL ordinary shares held as at 7.00pm (AEST) on 1 September 2014 (**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 will be used to fund:

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

Eligible Shareholders

Shareholders who, as at 7.00pm (AEST) 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 are available on ASX's company announcements platform and KDL's website at www.kdl.com.au.

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 4 September 2014. 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 (AEST) on 26 September 2014, being the closing date of the Offer.

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

1. take up their entitlements in full or in part;
2. do nothing, in which case their entitlements will lapse; or
3. 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 (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 dates set out above are indicative only and are subject to change. KDL reserves the right to vary these dates, subject to compliance with the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

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



Alex Alexander
Chairman