
MARKET UPDATE

(ASX: KDL) Kimberley Diamonds Ltd (“KDL” or “the Company”) would like to address a number of rumours which are currently circulating the market, including certain statements which have been recently made on HotCopper, following the Company’s release of its Annual Report on 30 September 2014 and the subsequent deterioration of the Company’s share price.

1. The Company is a going concern, as confirmed by the annual audit opinion contained in our Annual Report. The Company has realistic plans supported by financial modelling for continuance of its operations. Neither the Company nor any of its subsidiaries are insolvent. Any statements to this effect are false.
2. The Company will need to raise capital to fund its future plans, including the re-commissioning of the Lerala Diamond Mine in Botswana. Management noted in the Annual Report that there is a degree of uncertainty in relation to the Company as a going concern in the future given that such funding has not yet been raised. It is standard practice in the market to make such disclosure. However, that does not mean that the Company is insolvent or that the Company is not a going concern. The Board and Management team believe that the Company will raise the necessary funds as and when required and will continue its operations.
3. The Company’s financial position remains strong. At the end of the September 2014 quarter, the Company had:
 - a. AUD\$9.4 million of cash;
 - b. AUD\$2.2 million of accounts receivable;
 - c. AUD\$6.1 million of diamond inventory, which is accounted for at cost and is expected to be sold at higher prices; and
 - d. AUD\$12.5 million accounts payable.
4. The Company will be updating the market shortly in relation to its operational plans. As previously announced, these plans include the following:
 - a. the Company is focused on restarting its Lerala Diamond Mine and is currently raising funding to do this; and
 - b. in relation to its Ellendale operation, the Company intends to continue processing its surface stockpiles till May 2015. It is anticipated that Ellendale will be put on care and maintenance after May 2015 until higher diamond prices can be achieved to support further economically viable operations. It is estimated that Ellendale has a remaining resource of approximately 2.2 million carats (as at 30 June 2014). In the view of our Management team, it is likely that Ellendale will be re-opened in future as it is a unique and profitable operation.

5. Over the next 9 months the Ellendale operation is forecast to produce:

	Q2 FY2015	Q3 FY2015	Q4 FY2015
Revenue (A\$m)	18.85	18.88	17.39
Operating cash costs (A\$m)	(17.25)	(14.65)	(11.40)
Cash from operations (A\$m)	1.60	4.23	5.99
Costs of putting Ellendale on care and maintenance (A\$m)	0	0	(7.24)
Total cash from operations (A\$m)	1.60	4.23	(1.25)
Cash costs (\$ per tonne)	16.75	15.39	16.02

The above forecasts are in AUD (millions) and are based on current prices of diamonds and at a current conservative USD/AUD exchange rate of \$0.89. Forecasts include:

- a. administration and head office costs;
- b. royalties and marketing costs;
- c. costs of AUD\$1.4 million for transitioning Ellendale to care and maintenance. Additionally, the forecasts also include Ellendale redundancy costs (including leave entitlements) which are estimated at AUD\$5.8 million; and
- d. anticipated cost savings from extensive cost reduction program currently undertaken by Management.

Forecasts do not include:

- a. AUD\$3.2 million pre-startup costs for Lerala; and
- b. any capital expenditure associated with Lerala.

6. The Lerala Diamond Mine is expected to come into production mid-2015 and is forecast to:

- a. produce an average of 357,000 carats per annum;
- b. produce an average of AUD\$44.4 million of revenue per annum;
- c. result in AUD\$7.6 million cash generated in the first year of production and AUD\$16.5 million in the second year of production; and
- d. have a mine life of 7 years. The Company will be undertaking an exploration program and believes it is possible that the life of the Lerala Diamond Mine may be extended beyond the estimated 7 year mine life.

The above production target and the forecast financial information derived from that production target were disclosed in the report entitled “*Investor Presentation – August 2014*” announced to the ASX on 20 August 2014 and is available to view on www.asx.com.au. All material assumptions regarding the above production target and the forecast financial information derived from that production target continue to apply and have not materially changed. The potential quantity and grade of an exploration target is conceptual in nature, there has been insufficient exploration to determine a mineral resource and there is no certainty that further exploration work will result in the determination of mineral resources or that the production target itself will be realised.

The Investor Presentation released to the market on 20 August 2014 will be updated shortly based on the above. The Company will shortly be conducting a number of investor seminars to inform shareholders of our operations and plans. Full details of these seminars, including dates and times, will be announced on the ASX.

Competent Persons Statements

The information in this report that relates to Mineral Resources and Mineral Reserves at the Ellendale Diamond Mine is extracted from the report titled “Mineral Resource and Ore Reserve Statement”, created on 30 September 2014 and available to view on www.asx.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

The information in this report that relates to Mineral Resources and Mineral Reserves at the Lerela Diamond Mine is extracted from the report titled “Mineral Resource and Ore Reserve Statement”, created on 30 September 2014 and available to view on www.asx.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

For further information please contact:

Alex Alexander
Chairman
alex@kdl.com.au

Noel Halgreen
Managing Director
noel.halgreen@kdl.com.au

About Kimberley Diamonds Ltd

Kimberley Diamonds Ltd owns the Lerela Diamond Mine in Botswana and is the owner and operator of the Ellendale Diamond Project in Western Australia. The mine is the world’s leading source of rare fancy yellow diamonds and contributes around half of the world’s supply. Kimberley also owns the Smoke Creek Alluvial Diamond Project in the Kimberley region of Western Australia; eDiamond BVBA, a marketing office for rough diamonds that uses an independent online trading platform for rough diamond sales and also has interests in a portfolio of other mining tenements in Canada, New South Wales and Western Australia. Kimberley Diamonds Ltd has offices in Sydney and Perth and is listed on the ASX under the code KDL.