



24 October 2014

Dear Shareholders

(ASX: KDL) Kimberley Diamonds Ltd ("KDL") is pleased to enclose the Notice of Meeting and Proxy Form in respect of the 2014 Annual General Meeting ("AGM").

Shareholders are being asked to consider 13 items of business, both ordinary business and business relating to requests from three shareholder groups to have resolutions considered.

A combined statement from Non-Executive Chairman, Mr Alex Alexander, Managing Director, Mr Noel Halgreen, Executive Director Mr Rod Sainty and Non-Executive Directors, Mr Rupert Baring and Mr Yong Xiao, is available on KDL's website at the following link:

www.kdl.com.au/statement-directors-relation-upcoming-agm

Shareholders are strongly advised to read the Directors' Statement.

It contains important information regarding the business to be considered at the AGM.

For further information please contact:

Laila Green

Company Secretary

laila.green@kdl.com.au



KIMBERLEY DIAMONDS LTD

ACN 150 737 563

NOTICE OF 2014 ANNUAL GENERAL MEETING

-and-

EXPLANATORY MEMORANDUM

-and-

PROXY FORM

TIME: 10.00 am (Sydney time)

DATE: Wednesday, 26 November 2014

PLACE: Kemp Strang Lawyers
Level 17, 175 Pitt Street
SYDNEY NSW 2000

If you have any queries about the general meeting or the resolutions to be voted on, please call the **shareholder information line** on **1300 150 131** or (within Australia) or **+61 02 8022 7902** (outside Australia), Monday to Friday between 9am and 5pm (Sydney time).

This Notice of Annual General Meeting and the Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor.

NOTICE OF 2014 ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Kimberley Diamonds Ltd (**Kimberley** or the **Company**) will be held at the offices of Kemp Strang Lawyers, Level 17, 175 Pitt Street, Sydney NSW 2000 at 10.00 am (Sydney time) on Wednesday, 26 November 2014.

The Explanatory Memorandum and Proxy Form attached to and which form part of this Notice are intended to be read in conjunction with and form part of this Notice. Terms and abbreviations used in this Notice are defined in the Glossary attached as Annexure A to the Explanatory Memorandum.

Unless otherwise indicated, a reference to the or your Board in this document is a reference to all of the Directors except Dr Qiu.

BUSINESS

ANNUAL REPORT

To table and consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2014, which includes the Financial Report, the Directors' Report and the Auditor's Report.

RESOLUTIONS

Resolution 1

Adoption of Remuneration Report (non-binding)



Resolution your Board of Directors recommends you VOTE FOR

To consider and, if thought fit, to pass the following **non-binding resolution**:

That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report as published in the Annual Report be adopted.

Resolution 2

Ratification and approval of prior issue of Shares to Rivonia Pty Limited



Resolution your Board of Directors recommends you VOTE FOR

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, for the purposes of Listing Rule 7.4 and for all other purposes, approval is given for the prior allotment and issue by the Company of 140,000 Shares to Rivonia Pty Limited, on the terms and conditions set out in the Explanatory Memorandum.

Resolution 3

Ratification and approval of prior issue of Shares to Sayona Mining Limited



Resolution your Board of Directors recommends you VOTE FOR

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, for the purposes of Listing Rule 7.4 and for all other purposes, approval is given for the prior allotment and issue by the Company of 980,772 Shares to Sayona Mining Limited, on the terms and conditions set out in the Explanatory Memorandum.

Resolution 4

Approval of a 10% placement facility



Resolution your Board of Directors recommends you VOTE FOR

To consider and, if thought fit, to pass the following resolution as a special resolution:

That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue by the Company of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum.

Resolution 5

Election of Director – Mr Rupert Baring



Resolution your Board of Directors support and will be voting their shares FOR

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That Rupert Baring, being a Director appointed during the year as an addition to the existing Directors, be elected as a Director of the Company.

Resolution 6

Removal of Director – Dr Mark Yumin Qiu



Resolution your Board of Directors support and will be voting their shares FOR

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That Dr Mark Yumin Qiu be removed as a director of Kimberley Diamonds Ltd with immediate effect.

Resolution 7

Removal of Director – Mr Alex Alexander



Resolution your Board of Directors does not support and will be voting their shares AGAINST

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, pursuant to section 203D of the Corporations Act 2001 (Cth), Mr. Alexandre Alexander be removed as a director of Kimberley Diamonds Limited with effect from the end of the general meeting of Kimberley Diamonds Limited at which this resolution is passed.

Resolution 8

Removal of Director – Mr Rod Sainty



Resolution your Board of Directors does not support and will be voting their shares AGAINST

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, pursuant to section 203D of the Corporations Act 2001 (Cth), Mr. Rodney Alan Sainty be removed as a director of Kimberley Diamonds Limited with effect from the end of the general meeting of Kimberley Diamonds Limited at which this resolution is passed.

Resolution 9

Removal of Director – Mr Noel Halgreen



Resolution your Board of Directors does not support and will be voting their shares AGAINST

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, pursuant to section 203D of the Corporations Act 2001 (Cth), Mr. Noel Halgreen be removed as a director of Kimberley Diamonds Limited with effect from the end of the general meeting of Kimberley Diamonds Limited at which this resolution is passed.

Resolution 10

Removal of Director – Mr Rupert Baring



Resolution your Board of Directors does not support and will be voting their shares AGAINST

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, pursuant to section 203D of the Corporations Act 2001 (Cth), Mr. Rupert Baring be removed as a director of Kimberley Diamonds Limited with effect from the end of the general meeting of Kimberley Diamonds Limited at which this resolution is passed.

Resolution 11

Election of Director – Mr Hugh Thomas



Resolution your Board of Directors does not support and will be voting their shares AGAINST

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, Mr. Hugh Thomas, having consented to act, be appointed a director of Kimberley Diamonds Limited with effect from the end of the general meeting of Kimberley Diamonds Limited at which this resolution is passed.

Resolution 12

Election of Director – Mr Rob Thomson



Resolution your Board of Directors does not support and will be voting their shares AGAINST

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, Mr. Rob Thomson, having consented to act, be appointed a director of Kimberley Diamonds Limited with effect from the end of the general meeting of Kimberley Diamonds Limited at which this resolution is passed.

Resolution 13

Election of Director – Mr Dale Rogers



Resolution your Board of Directors does not support and will be voting their shares AGAINST

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That Mr Dale Rogers is appointed a director of Kimberley Diamonds Limited effective as at the close of the meeting.

PROXIES, ATTORNEYS AND CORPORATE REPRESENTATIVES

Shareholders are entitled to appoint up to two proxies to act generally at the Annual General Meeting on their behalf, and to vote in accordance with their directions on the Proxy Form. A proxy need not be a Shareholder.

Where two proxies are appointed, each proxy can be appointed to represent a specified proportion or number of the votes of the Shareholder. If no number or proportion of votes is specified, each proxy may exercise half of the Shareholder's votes.

If you appoint a proxy, the Company encourages you to direct your proxy how to vote on each Resolution by marking the appropriate boxes on the Proxy Form.

Where permitted, the Chairman of the Annual General Meeting will vote undirected proxies:

- FOR Resolutions 1 to 6. This includes Resolution 1 on the basis that the Proxy Form expressly authorises the Chairman to vote undirected proxies even if the resolution is connected directly or indirectly with the remuneration of a Director. **Accordingly, if you want to vote against any of the items of business, you should direct your proxy how to vote in respect of that resolution**
- AGAINST Resolutions 7 to 13. **Accordingly, if you want to vote for any of the items of business, you should direct your proxy how to vote in respect of that resolution**

If you appoint a Director (other than the Chairman of the meeting), or any of the Company's other Key Management Personnel or a Closely Related Party of that person, as your proxy and do not direct your proxy how to vote on Resolution 1, the proxy will not be permitted to vote your proxy on that resolution. **Accordingly, if you want your vote to be counted on that resolution, you should direct your proxy how to vote in respect of it.**

A corporation which is a Shareholder, or which has been appointed a proxy, may appoint an individual to act as a representative to vote at the Annual General Meeting. The appointment must comply with section 250D of the Corporations Act. The representative should bring to the Annual General Meeting evidence of his or her appointment unless it has previously been provided to the Share Registry.

For the convenience of shareholders, two proxy forms have been included with this Explanatory Memorandum, a green proxy form and a white proxy form.

The green proxy form has been completed in line with the views of the Kimberley Diamonds Board and has been paid for by the Board out of their personal funds. If you wish to vote in accordance with the views of the Board, you should simply sign the **green proxy form** and fax or mail the form to the Company Secretary following the instructions on the form. **If you sign and return the green proxy form, you do not need to complete the white proxy form.**

If you do not wish to vote in accordance with the views of the Kimberley Diamonds Board, you will need to follow the instructions on the white proxy form to indicate your voting instructions. Once you have completed this form, please fax or mail the form to Company Secretary following the instructions on the form.

Completed Proxy Forms (together with any authority under which the Proxy Form was signed, or a certified copy of the authority) must be returned to the Company Secretary by 10.00 am (Sydney time) on 24 November 2014.

The Company Secretary's contact details are as follows:

Post	Using the enclosed pre-paid envelope OR Level 39, Australia Square Tower, 264-278 George Street, Sydney, NSW, 2000
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In person	Level 39, Australia Square Tower, 264-278 George Street, Sydney, NSW, 2000
Telephone	(02) 8243 7500
Facsimile	(02) 8243 7599
Email	laila.green@kdl.com.au

VOTING

Assuming all Resolutions are moved, the Chairman intends to put each Resolution to a poll at the meeting. Voting results will be announced to the Australian Securities Exchange (ASX) as soon as practicable after the meeting.

Voting Exclusion

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Annual General Meeting as proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form to vote as the proxy decides.

ENTITLEMENT TO ATTEND AND VOTE AT THE 2014 ANNUAL GENERAL MEETING

All Shareholders may attend the Annual General Meeting.

The Board has determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered as Shareholders at 10.00 am (Sydney time) on Monday, 24 November 2014.

BY ORDER OF THE BOARD



Laila Green
 Company Secretary
 Kimberley Diamonds Ltd
 24 October 2014

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting of the Company to be held at Kemp Strang Lawyers, Level 17, 175 Pitt Street, Sydney, NSW, 2000 on 26 November 2014 at 10.00 am (Sydney time).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

Unless otherwise indicated, a reference to the or your Board or your Directors in this document is a reference to all of the Directors except Dr Qiu.

Background to Special Business being put to this meeting

The Special Business to be considered at the meeting has been requested by three shareholder groups.

On 25 September 2014, Summit Equities Ltd (**Summit**), which holds approximately 6.6% of the shares of the Company, served the Company with notices pursuant to sections 203D and 249N of the Corporations Act requesting that the next general meeting of the Company consider the removal of Dr Mark Yumin Qiu as a Director of the Company.

On 29 September 2014, Pacific Road Capital A Pty Limited, Pacific Road Capital B Pty Limited and Pacific Road Capital Management GP Limited (together, **Pacific Road**), which in aggregate hold approximately 12.3% of the shares of the Company, served the Company with a notice pursuant to section 203D of the Corporations Act giving notice to the Directors that it intended to request a general meeting of the Company to move resolutions to remove Mr Alexandre Alexander, Mr Noel Halgreen, Mr Rodney Sainty and Mr Rupert Baring as Directors of the Company, and appoint Mr Hugh Thomas and Mr Rob Thomson as Directors of the Company.

On 30 September 2014, Pacific Road served the Company with a notice pursuant to section 249D of the Corporations Act requesting the Company to call a general meeting to consider the resolutions described above.

On 9 October 2014, Hanking Australia Pty Ltd (**Hanking**), which holds approximately 8.6% of the shares of the Company, served the Company with a notice pursuant to section 249D of the Corporations Act requesting the Company to call a general meeting to consider appointing Mr Dale Rogers as a Director of the Company.

Each of Pacific Road and Hanking have agreed that their proposed resolutions be considered at the Annual General Meeting in lieu of calling separate meetings.

In compliance with the above, the Company has included in the Notice of Meeting the following items of Special Business:

Resolution supported by your Board

- Resolution 6 – Removal of Dr Mark Yumin Qiu as a Director

Resolutions NOT supported by your Board

- Resolution 7 – Removal of Mr Alex Alexander as a Director
- Resolution 8 – Removal of Mr Rod Sainty as a Director
- Resolution 9 – Removal of Mr Noel Halgreen as a Director
- Resolution 10 – Removal of Mr Rupert Baring as a Director
- Resolution 11 – Election of Mr Hugh Thomas as a Director

- Resolution 12 – Election of Mr Rob Thomson as a Director
- Resolution 13 – Election of Mr Dale Rogers as a Director

Frequently asked questions

Why have these additional resolutions been included in the Notice of Meeting?	Any shareholder holding more than 5% of the Company's issued share capital is entitled to require a resolution(s) be put at a general meeting or to requisition a general meeting be called to have resolutions considered.
Why does Summit Equities wish to remove Mr Qui as a Director?	Consistent with the view held by the Directors of Kimberley Diamonds, Summit considers that shareholders should vote <u>FOR</u> Dr Qui to be removed from the Board. A statement by the Directors of Kimberley Diamonds is annexed to this Notice of Meeting.
Why does Pacific Road wish to removed Messrs Alexander, Sainty, Baring and Halgreen as Directors and appoint Messrs Thomas and Thomson?	A copy of Pacific Road's statement, made pursuant to section 249P of the Corporations Act, is annexed to this Explanatory Memorandum. The Directors of Kimberley Diamonds do not agree with the statement of Pacific Road and will be voting their shares <u>AGAINST</u> the resolutions it has put forward.
Why does Hanking wish to appoint Mr Rogers as a Director?	A copy of Hanking's statement, made pursuant to section 249P of the Corporations Act, is annexed to this Explanatory Memorandum. The Directors of Kimberley Diamonds do not agree with the statement of Hanking and will be voting their shares <u>AGAINST</u> the resolution it has put forward.

Further Information

If you have any queries about the general meeting or the resolutions to be voted on, please call the **shareholder information line** on **1300 150 131** or (within Australia) or **+61 02 8022 7902** (outside Australia), Monday to Friday between 9am and 5pm (Sydney time).

Important dates and times

Record time/date to determine shareholders eligible to vote	10:00 am Sydney time on Monday, 24 November 2014
Last time/date for receipt of valid proxies	10:00 am Sydney time on Monday, 24 November 2014
General meeting	10:00 am Sydney time on Wednesday, 26 November 2014

Nature of resolutions

All of the resolutions are ordinary resolutions, meaning that they can be passed by a simple majority of votes cast by the shareholders entitled to vote (i.e. 50%), except for Resolution 4 which can be passed by a 75% vote by all shareholders entitled to vote.

Annual Report

There is no requirement for Shareholders to approve the Annual Report; however, as required by section 317 of the Corporations Act, the Annual Report (constituting the Financial Report, the Directors' Report and the Auditor's Report) will be laid before the Company in the Annual General Meeting.

Shareholders will be offered the following opportunities at the Annual General Meeting:

- (a) discuss the Annual Report;
- (b) ask questions or make comment on the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Annual General Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and the content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies of the Company in relation to the preparation of the Financial Report; and
- (d) the independence of the auditor in relation to the conduct of the audit

may be submitted no later than 5 Business Days prior to the Annual General Meeting to the Company Secretary at the Company's registered office.

The Company will not provide a hard copy of the Company's Annual Report to Shareholders unless specifically requested to do so. The Company's Annual Report is available on its website at www.kdl.com.au.

Resolution 1 Adoption of Remuneration Report (non-binding)

Section 250R(2) of the Corporations Act provides that the Company is required to put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report that sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

Section 250R(3) of the Corporation Act provides that Resolution 1 is advisory only and does not bind the Board of itself. A failure of Shareholders to pass Resolution 1 will not require the Board to alter any of the arrangements in the Remuneration Report.

However, the Corporations Act provides Shareholders with the opportunity to remove the Board if the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings (**Two Strikes Rule**).

Under the Two Strikes Rule, where a resolution on the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

In summary, if the Remuneration Report receives a 'no' vote of 25% or more at this Annual General Meeting, Shareholders should be aware that, if there is a 'no' vote of 25% or more at the next annual general meeting, the consequences are that it may result in the re-election of the Board.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the Remuneration Report.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Annual General Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1 by signing

and returning the Proxy Form, the Shareholder is considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

The Remuneration Report is contained within the Annual Report. You may access the Annual Report by visiting the Company's website at www.kdl.com.au. Alternatively, you may order a hard copy of the Annual Report by phoning +61 2 8243 7500.

Voting Exclusion Statement

The Company will disregard any votes on Resolution 1 cast by, or on behalf of, a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that person.

However, the Company need not disregard a vote cast if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote, if the vote is cast in accordance with the directions on the Proxy Form; or
- (b) the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the Key Management Personnel.



The Directors recommend that Shareholders VOTE FOR Resolution 1 to adopt the Remuneration Report.

Resolution 2 Ratification and approval of prior issue of Shares to Rivonia Pty Limited

Prior to the date of this Annual General Meeting, on 31 July 2014, the Company issued 140,000 Shares to Rivonia Pty Limited (**Rivonia**) as consideration for services provided by Rivonia in relation to the Company's acquisition of Mantle Diamonds Limited (**Mantle**). Rivonia is not a related party.

Listing Rule 7.1 prohibits the Company from issuing or agreeing to issue more than 15% of its issued ordinary shares in any 12 month period without the approval of Shareholders (unless one of the exceptions in Listing Rule 7.2 applies). The Shares outlined in Resolution 2 were issued within the Company's existing capacity under Listing Rule 7.1.

Listing Rule 7.4 provides that an issue of Equity Securities will be treated as having been made with approval for the purposes of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 at the time and Shareholders subsequently approve it.

If Resolution 2 is passed, the prior issue of Shares the subject of Resolution 2 will be approved for the purposes of Listing Rule 7.4, and the Company will be able to issue additional Equity Securities without the Shares the subject of Resolution 2 counting towards the 15% threshold for the purposes of Listing Rule 7.1.

Technical information required by Listing Rule 7.5:

- (a) Listing Rule 7.5.1: Number of securities issued:

140,000 Shares

- (b) Listing Rule 7.5.2: Price at which the securities were issued:

No cash consideration

- (c) Listing Rule 7.5.3: Terms of the securities:

The Shares were issued on the same terms as the Company's existing ordinary Shares.

- (d) Listing Rule 7.5.4: The names of the allottees or the basis on which the allottees were determined:
- Rivonia Pty Limited
- (e) Listing Rule 7.5.5: Use (or intended use) of the funds raised:
- No funds were raised
- (f) Listing Rule 7.5.6: Voting Exclusion Statement:

Voting Exclusion Statement

The Company will disregard any votes on Resolution 2 cast by Rivonia Pty Limited and any of its Associates.

However, the Company need not disregard a vote cast if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote, if the vote is cast in accordance with the directions on the Proxy Form; or
- (b) the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.



The Directors recommend that Shareholders VOTE FOR Resolution 2 to adopt the ratification and approval of prior issue of Shares to Rivonia Pty Limited.

Resolution 3 Ratification and approval of prior issue of Shares to Sayona Mining Limited

Prior to the date of this Annual General Meeting, on 1 October 2014, the Company issued 980,772 Shares to Sayona Mining Limited (**Sayona**) as a settlement in relation to a dispute between Sayona and Mantle, which pre-dated the Company's acquisition of Mantle. The dispute arose from Mantle's original acquisition of the Lerala Diamond Mine from Sayona in 2011. Sayona is not a related party.

Listing Rule 7.1 prohibits the Company from issuing or agreeing to issue more than 15% of its issued ordinary shares in any 12 month period without the approval of Shareholders (unless one of the exceptions in Listing Rule 7.2 applies). The Shares outlined in Resolution 3 were issued within the Company's existing capacity under Listing Rule 7.1.

Listing Rule 7.4 provides that an issue of Equity Securities will be treated as having been made with approval for the purposes of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 at the time and Shareholders subsequently approve it.

If Resolution 3 is passed, the prior issue of Shares the subject of Resolution 3 will be approved for the purposes of Listing Rule 7.4, and the Company will be able to issue additional Equity Securities without the Shares the subject of Resolution 3 counting towards the 15% threshold for the purposes of Listing Rule 7.1.

Technical information required by Listing Rule 7.5:

- (a) Listing Rule 7.5.1: Number of securities issued:
- 980,772 Shares
- (b) Listing Rule 7.5.2: Price at which the securities were issued:
- No cash consideration

(c) Listing Rule 7.5.3: Terms of the securities:

The Shares were issued on the same terms as the Company's existing ordinary Shares.

(d) Listing Rule 7.5.4: The names of the allottees or the basis on which the allottees were determined:

Sayona Mining Limited

(e) Listing Rule 7.5.5: Use (or intended use) of the funds raised:

No funds were raised

(f) Listing Rule 7.5.6: Voting Exclusion Statement:

Voting Exclusion Statement

The Company will disregard any votes on Resolution 3 cast by Sayona Mining Limited and any of its Associates.

However, the Company need not disregard a vote cast if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote, if the vote is cast in accordance with the directions on the Proxy Form; or
- (b) the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.



The Directors recommend that Shareholders VOTE FOR Resolution 3 to adopt the ratification and approval of prior issue of Shares to Sayona Mining Limited.

Resolution 4 Approval of a 10% placement facility

Listing Rule 7.1A enables eligible entities to seek Shareholder approval by special resolution to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX300 Index and has a market capitalisation of \$300 million or less. The Company currently satisfies both the criteria, and it is anticipated that it will also satisfy both these criteria at the date of the Meeting.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to the formula below).

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue two classes of Equity Securities, Shares and Options. However, only the Shares are a quoted class of Equity Securities in relation to which an issue pursuant to Listing Rule 7.1A.2 applies.

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue, or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

where:

- A** is the number of fully paid ordinary shares on issue 12 months before the date of issue or agreement to issue:
- (A) plus the number of fully paid ordinary shares issued in the 12 months under an exception in Listing Rule 7.2;
 - (B) plus the number of partly paid ordinary shares that became fully paid in the 12 months;
 - (C) plus the number of fully paid ordinary shares issued in the 12 months with the approval of holders of ordinary shares under Listing Rule 7.1 or Listing Rule 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval;
 - (D) less the number of fully paid ordinary shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

- D** is 10%

- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or Listing Rule 7.4.

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 105,324,687 Shares. If Resolutions 2 and 3 are approved, the Company will have the capacity to issue:

- (i) 15,798,703 Equity Securities under Listing Rule 7.1; and
- (ii) 10,532,468 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to the formula above).

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the volume weighted average market price (**VWAMP**) of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

The effect of Resolution 4 will be to allow the Board to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires the approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Technical information required by Listing Rule 7.3A:

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

(a) Listing Rule 7.3A.1: Minimum price:

The Equity Securities will be issued at an issue price of not less than 75% of the VWMAP of the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(b) Listing Rule 7.3A.2: Risk of economic and voting dilution of existing Shareholders:

If Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in Table A below (assuming that no Options are exercised before the date of the issue of the Equity Securities). There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting;
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date; or
- (iii) the Equity Securities may be issued as part of the consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

Table A below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2) as at 13 October 2014 (and assuming that Resolutions 2 and 3 are passed).

Table A also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for

example, a pro rata entitlements issue or Shares issued under a takeover offer for the purposes of item 7 of section 611 of the Corporations Act) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Table A

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.075 50% decrease in Issue Price	\$0.15 Issue Price	\$0.30 100% increase in Issue Price
Current Variable A 105,324,687 Shares	10% Voting Dilution	10,534,468 Shares	10,534,468 Shares	10,534,468 Shares
	Funds raised	\$790,085.10	\$1,580,170.20	\$3,160,340.40
50% increase in current Variable A 157,987,030 Shares	10% Voting Dilution	15,798,703 Shares	15,798,703 Shares	15,798,703 Shares
	Funds raised	\$1,184,902.73	\$2,369,805.46	\$4,739,610.90
100% increase in current Variable A 210,649,374 Shares	10% Voting Dilution	21,064,937 Shares	21,064,937 Shares	21,064,937 Shares
	Funds raised	\$1,579,870.28	\$3,159,740.55	\$6,319,481.10

Table A has been prepared on the following assumptions:

- (i) Resolutions 2 and 3 are approved;
 - (ii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
 - (iii) No Options are exercised into Shares before the date of the issue of the Equity Securities;
 - (iv) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (v) Table A does not show an example of dilution that may be caused to a particular Shareholder by reason of a placement under the 10% Placement Facility, based on that Shareholder's holding at the date of this Annual General Meeting.
 - (vi) Table A shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (vii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. The Options are not a quoted class of Equity Securities and therefore do not fall within the issue of Equity Securities under Listing Rule 7.1A.2.
 - (viii) The issue price is \$0.15 being the closing price of the Shares on the ASX on 13 October 2014.
- (c) Listing Rule 7.3A.3: Date by which the Equity Securities may be issued:

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 4 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

(d) Listing Rule 7.3A.4: Purposes for which the Equity Securities may be issued:

The Company may seek to issue the Equity Securities for the following purposes:

- (i) non-cash consideration. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3. The Company considers that it may issue Equity Securities as non-cash consideration for an acquisition or to consultants for services; or
- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new mining or exploration projects (including expenses associated with such acquisition), continued exploration and mining expenditure on the Company's current assets and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rule 7.1A.4 and Listing Rule 3.10.5A upon the issue of any Equity Securities.

(e) Listing Rule 7.3A.5: Details of the allocation policy:

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, a rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

(f) Listing Rule 7.3A.6: Previous approval under Listing Rule 7.1A:

The Company previously obtained Shareholder approval under Listing Rule 7.1A at its 2013 annual general meeting held on 29 November 2013.

The Company advises for the purposes of Listing Rule 7.3A.6(a) that 30,709,945 Shares and 1,500,000 Options were issued in the 12 months preceding the date of the Annual General Meeting. This represents 43% of the total number of Equity Securities on issue at the commencement of that 12 month period (being 29 November 2013). The Company may also issue up to 52,171,958 fully paid ordinary shares under the 1:2 non-renounceable rights issue (**Rights Issue**) at \$0.19 per new Share as announced to ASX on 22 August 2014. The Rights Issue represents 70% of the total number of Equity Securities on issue at the commencement of the 12 month period (being 29 November 2013). The date of issue of shares under the Rights Issue is 30 October 2014 and the date of issue of any shortfall shares is to be no later than 24 January 2015.

Table B below includes the details of all issues of Equity Securities during the 12 months preceding the date of the Annual General Meeting and is provided in conformity with Listing Rule 7.3A.6(b).

Table B

Number of Equity Securities issued	Date	Class and terms of Equity Securities issued	Names of allottees or basis on which allottees were determined	Price of issue and discount to market price if applicable	Cash consideration	Non cash consideration
10,166,667	19 December 2013	Shares on the same terms as those Shares existing prior to the issue	Issue of Shares to investors under section 708 of the Corporations Act 2001 pursuant to a private placement announced by the Company on 18 December 2013	\$0.90 per Share at no discount to market price	\$9,150,000.30	-
1,833,189	24 December 2013	Shares on the same terms as those Shares existing prior to the issue	Issue of Shares to investors under section 708 of the Corporations Act 2001 pursuant to a private placement announced by the Company on 18 December 2013	\$0.90 per Share at no discount to market price	\$1,649,870	-
1,000,000	11 February 2014	Shares on the same terms as those Shares existing prior to the issue	Issue of Shares pursuant to the exercise of options by existing optionholders	\$0.30 per Share at agreed option exercise price which was a discount of 73% to closing price on date of issue of the Shares	\$300,000	-
2,000,000	12 February 2014	Shares on the same terms as those Shares existing prior to the issue	Issue of Shares pursuant to the exercise of options by existing optionholders	\$0.30 per Share at agreed option exercise price which was a discount of 74% to closing price on date of issue of the Shares	\$600,000	-
625,000	17 February 2014	Shares on the same terms as those Shares existing prior to the issue	Issued to Venus Metals Corporation Limited pursuant to the terms of the Tenement Acquisition Agreement for the acquisition of the Smoke Creek Project	Market price on date of issue, which was \$1.10, no discount	-	Non cash consideration – the conveyance to KDL of a 100% interest in the tenements that form the Smoke Creek Project. Current value of \$343,750 (using 13 October

Number of Equity Securities issued	Date	Class and terms of Equity Securities issued	Names of allottees or basis on which allottees were determined	Price of issue and discount to market price if applicable	Cash consideration	Non cash consideration
						2014 closing price of \$0.15 and including \$250,000 cash consideration also paid to Venus).
38,000	24 February 2014	Shares on the same terms as those Shares existing prior to the issue	Issue of Shares pursuant to the exercise of options by existing optionholders	\$0.30 per Share at agreed option exercise price which was a discount of 70% to closing price on date of issue of the Shares	\$11,400	-
13,566,317	24 February 2014	Shares on the same terms as those Shares existing prior to the issue	Issued to the vendors of Mantle Diamonds Limited pursuant to the terms of the Share Sale Agreement with the majority vendors of Mantle Diamonds Limited	Market price on date of issue, which was \$1.01, no discount	-	Non cash consideration – the conveyance to KDL of the total issued share capital of Mantle Diamonds Limited. Current value of \$2,034,947.55 (using 13 October 2014 closing price of \$0.15).
40,000	13 March 2014	Shares on the same terms as those Shares existing prior to the issue	Issue of Shares pursuant to the exercise of options by existing optionholders	\$0.30 per Share at agreed option exercise price which was a discount of 74% to closing price on date of issue of the Shares	\$12,000	-
70,000	18 March 2014	Shares on the same terms as those Shares existing prior to the issue	Issue of Shares pursuant to the exercise of options by existing optionholders	\$0.30 per Share at agreed option exercise price which was a discount of 73% to closing price on date of issue of the Shares	\$21,000	-
100,000	1 May	Shares on the	Issue of Shares	\$0.30 per Share	\$30,000	-

Number of Equity Securities issued	Date	Class and terms of Equity Securities issued	Names of allottees or basis on which allottees were determined	Price of issue and discount to market price if applicable	Cash consideration	Non cash consideration
	2014	same terms as those Shares existing prior to the issue	pursuant to the exercise of options by existing optionholders	at agreed option exercise price which was a discount of 59% to closing price on date of issue of the Shares		
100,000	9 May 2014	Shares on the same terms as those Shares existing prior to the issue	Issue of Shares pursuant to the exercise of options by existing optionholders	\$0.30 per Share at agreed option exercise price which was a discount of 54% to closing price on date of issue of the Shares	\$30,000	-
50,000	16 May 2014	Shares on the same terms as those Shares existing prior to the issue	Issue of Shares pursuant to the exercise of options by existing optionholders	\$0.30 per Share at agreed option exercise price which was a premium of 2% to closing price on date of issue of the Shares	\$15,000	-
140,000	31 July 2014	Shares on the same terms as those Shares existing prior to the issue	Issue of Shares to Rivonia Pty Limited for consultancy services provided to KDL in relation to the acquisition of Mantle Diamonds Limited	Market price on date of issue, which was \$0.20, no discount	-	Non cash consideration – the provision of consultancy services by Rivonia Pty Limited in relation to the acquisition of Mantle Diamonds Limited. Current value of \$21,000 (using 13 October 2014 closing price of \$0.15).
980,772	1 October 2014	Shares on the same terms as those Shares existing prior to the issue	Issue of Shares to Sayona Mining Limited (Sayona) as part of the settlement of the legal proceedings between Sayona and Mantle	Market price on date of issue, which was \$0.086, no discount	-	Non cash consideration – part of the settlement of the legal proceedings between

Number of Equity Securities issued	Date	Class and terms of Equity Securities issued	Names of allottees or basis on which allottees were determined	Price of issue and discount to market price if applicable	Cash consideration	Non cash consideration
			Diamonds Limited			Sayona Mining Limited and Mantle Diamonds Limited. Current value of \$147,115.80 (using 13 October 2014 closing price of \$0.15).
1,500,000	29 November 2013	Options with an exercise price of \$1.15 and an expiry date of 29 November 2015	Lee-Anne de Bruin	Options issued to employee for no consideration	-	-

The cash raised by the above issues was used as working capital. The cash raised from the Rights Issue will be used for the re-commissioning of the Lerala Diamond Mine in Botswana and for working capital.

(g) Listing Rule 7.3A.7: A voting exclusion statement:

Voting Exclusion Statement

The Company will disregard any votes on Resolution 4 cast by:

- (a) any person who may participate in the proposed 10% Placement Facility; and
- (b) any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the resolution is passed;

and any Associate of those persons.

However, the Company need not disregard a vote cast if it is cast by:

- (a) a person as a proxy for a person who is entitled to vote, if the vote is cast in accordance with the directions on the Proxy Form; or
- (b) the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.



The Directors recommend that Shareholders VOTE FOR Resolution 4 to adopt the approval of a 10% placement facility.

Resolution 5 Election of Director – Mr Rupert Baring

In accordance with clause 24.4 of the Company's Constitution, the Board may appoint any person to be a Director, either to fill a casual vacancy or as an additional Director (provided that the total number of Directors does not exceed the maximum

allowed by law), and any Director so appointed may hold office only until the next annual general meeting of Shareholders when he or she will be eligible for election.

The Board appointed Mr Baring as a Director on 12 March 2014.

Rupert is co-founder and director of Mantle Diamonds Ltd, which was acquired by the Company in February 2014. Rupert successfully raised capital for the purchase and development of the Lerala Diamond Mine in Botswana and was instrumental in developing government relations in that country. Rupert has more than 20 years experience in the diamond industry, including extensive experience as a diamond broker with De Beers and I Hennig & Co. He has in-depth knowledge of the diamond markets in Belgium, Israel and India and has negotiated mineral licences in more than a dozen African countries including Botswana, Sierra Leone, Angola, South Africa and Lesotho.

Mr Baring is not currently a director of any other ASX listed company.



Your Board of Directors support Resolution 5 and will be voting their shares FOR

Resolution 6 Removal of Director – Dr Mark Yumin Qiu

On 25 September 2014, the Company was served with notices pursuant to section 249N and 203D of the Corporations Act from Summit Equities Ltd, an entity associated with Mr Alex Alexander, which holds more than 5% of the votes that may be cast at a general meeting (**Summit**), requesting that a resolution to remove Dr Mark Yumin Qiu as a Director of the Company be considered and voted on at the company's next general meeting.

In compliance with the notices provided under sections 203D and 249N, Resolution 6 seeks the removal of Dr Mark Yumin Qiu as a Director of the Company.

Consistent with the views of Summit, the Board of Kimberley Diamonds no longer has the necessary level of trust and confidence in Dr Qiu's abilities to act as a Director of the Company.

The Board believes that it is in the best interests of the Company and its Shareholders for Dr Qiu to be removed as a Director of the Company.



Your Board of Directors support Resolution 6 and will be voting their shares FOR

Resolution 7 Removal of Director – Mr Alex Alexander

Resolution 7 seeks the removal of Mr Alex Alexander as a Director of the Company.

Mr Alexander is a founding Director of the Company and has been Chairman of the Company since its inception in 2011. Mr Alexander has made a significant contribution to the Company since this time, having successfully listed the Company on the ASX in 2012, and having found, negotiated and finalised the Company's key corporate acquisitions, including Kimberley Diamond Company, Lerala Diamond Mine and Smoke Creek, with the assistance of various key individuals, including Mr Noel Halgreen.

More recently, Mr Alexander was involved in the Company's acquisition of the Lomero-Poyatos gold project in southern Spain, which was announced to the ASX on 10 October 2014.

Mr Alexander, together with his associates, is a substantial shareholder of the Company, holding approximately 12% of the Company's shares.

Mr Alexander is a founder and Managing Director of Summit, a boutique financial advisory firm with particular focus on resources and commodities. Prior to founding Summit, Alex was a stockbroker with Deutsche Bank Stockbroking and ABN AMRO Bank Stockbroking. Since founding Summit Capital Limited in 2005, he has had a lead role in a number of capital raisings and corporate transactions in resources and real estate sectors and built a highly successful business between Australia and China. Mr Alexander has a Double Masters Degree in Engineering/Economics, Graduate Diploma in Accounting and a Graduate Diploma in Applied Finance and Investments. Mr Alexander is also a Non-Executive Director of Winmar Resources Limited (ASX: WFE).



**Your Board of Directors does not support Resolution 7 and will be voting their shares
AGAINST**

Resolution 8 Removal of Director – Mr Rod Sainty

Resolution 8 seeks the removal of Mr Rod Sainty as a Director of the Company.

Rod has been an Executive Director of the Company since 2012, and is the Company's General Manager – Minerals. Rod is actively involved in seeking new projects for the Company and was largely responsible for the Company's recent acquisition of the Lomero-Poyatos project in Spain. Rod was also involved in the acquisition of projects for the Company's listing and in the acquisition of the Ellendale Diamond Mine. Rod will play a key role in the spin-off of the Company's copper-gold assets and in driving those projects forward.

Rod is a minerals geologist with 28 years' experience in the mining industry. Most of this experience was obtained while based at operating mines located throughout Australia. He has worked for a series of respected former mining companies including Electrolytic Zinc, Pancontinental Mining, Outokumpu Mining and Plutonic Resources. More recently, he has worked for junior miner Jabiru Metals and in consulting roles for several junior explorers. Rod's career is dominated by mine-district exploration for gold and base metal ore deposits. His achievements here include making key contributions to the discovery of three high-grade ore deposits: a gold deposit near Kalgoorlie, WA, a copper-zinc ore lens near Thalanga in Queensland, and the Bentley copper-zinc orebody near Teutonic Bore in WA. In addition, Rod has developed additional resources at two known deposits that extended their operational life and has worked in two mines as an underground mine geologist. These successes and experiences bring Rod a thorough understanding of the practical aspects and requirements of resource definition and mining.



**Your Board of Directors does not support Resolution 8 and will be voting their shares
AGAINST**

Resolution 9 Removal of Director – Mr Noel Halgreen

Resolution 9 seeks the removal of Mr Noel Halgreen as a Director of the Company.

Mr Halgreen is the Managing Director of the Company, having previously acted as a consultant to the Board since mid-2012. Mr Halgreen has played a key role in the negotiation of the Company's key corporate acquisitions, including Kimberley Diamond Company, Lerala Diamond Mine, Smoke Creek and, more recently, the Lomero-Poyatos gold project in southern Spain.

Since his appointment as Managing Director in May 2014, Mr Halgreen has led the Company through a difficult transition period, as the Company's Ellendale Diamond Mine comes to the end of its life and the Company looks to move its focus to its Lerala Diamond Mine in Botswana.

Mr Halgreen is a mining engineer with over 30 years diverse industry experience. During his career, Mr Halgreen's experience has included appointments as Vice President and Executive Director of BHP Billiton Coal, Executive Director of Trans Natal Coal Corporation and Chief Operating Officer of Sasol Coal. Mr Halgreen has a Bachelor of Science (Mining Engineering), a Bachelor of Engineering (Hons) and Masters of Engineering (Industrial Engineering). Mr Halgreen is a Non-Executive Director of International Coal Limited (ASX: ICX) and a Non-Executive Director of Winmar Resources Limited (ASX: WFE).



Your Board of Directors does not support Resolution 9 and will be voting their shares AGAINST

Resolution 10 Removal of Director – Mr Rupert Baring

Resolution 10 seeks the removal of Mr Rupert Baring as a Director of the Company.

Rupert is co-founder and director of Mantle Diamonds Ltd, which was acquired by the Company in February 2014. Rupert successfully raised capital for the purchase and development of the Lerala Diamond Mine in Botswana and was instrumental in developing government relations in that country. Rupert has more than 20 years' experience in the diamond industry, including extensive experience as a diamond broker with De Beers and I Hennig & Co. He has in-depth knowledge of the diamond markets in Belgium, Israel and India and has negotiated mineral licences in more than a dozen African countries including Botswana, Sierra Leone, Angola, South Africa and Lesotho.

Rupert will play a key role in the Company's re-commissioning of the Lerala Diamond Mine, as his relationships in Botswana and knowledge of the regulatory and mining environment will be invaluable to the Company as it moves its focus from its Ellendale Mine in Australia to its Lerala Mine in Botswana.



Your Board of Directors does not support Resolution 10 and will be voting their shares AGAINST

Resolution 11 Election of Director – Mr Hugh Thomas

Resolution 11 seeks the appointment of Mr Hugh Thomas as a Director.

This resolution, which was requested by Pacific Road, is not supported by the Board of Directors, which is opposed to Mr Thomas being appointed as a Director.



Your Board of Directors does not support Resolution 11 and will be voting their shares AGAINST

Resolution 12 Election of Director – Mr Rob Thomson

Resolution 12 seeks the appointment of Mr Rob Thomson as a Director.

This resolution, which was requested by Pacific Road, is not supported by the Board of Directors, which is opposed to Mr Thomson being appointed as a Director.



**Your Board of Directors does not support Resolution 12 and will be voting their shares
AGAINST**

Resolution 13 Election of Director – Mr Dale Rogers

Resolution 13 seeks the appointment of Mr Dale Rogers as a Director.

This resolution, which was requested by Hanking, is not supported by the Board of Directors, which is opposed to Mr Rogers being appointed as a Director.



**Your Board of Directors does not support Resolution 13 and will be voting their shares
AGAINST**

ANNEXURE

Glossary

In this Explanatory Memorandum the following terms, abbreviations and acronyms have the following meaning:

\$	means Australian Dollars.
ASIC	means the Australian Securities and Investments Commission.
Annual General Meeting	means this 2014 annual general meeting of Shareholders.
Annual Report	means the Directors' Report, the Financial Report and the Auditor's Report with respect to the year ended 30 June 2014.
Associate	has the same meaning it has in the Corporations Act.
ASX	means ASX Limited (ACN 008 624 691) and the market operated by it, as the context requires.
Auditor's Report	means the auditor's report on the Financial Report.
Board	means the majority of the board of Directors of the Company.
Business Day	means a day that is not a Saturday, Sunday or public holiday in Sydney.
Chair or Chairman	means the person appointed to chair the Annual General Meeting convened by this Notice.
Closely Related Party	means a spouse or child of the person or has the meaning given in section 9 of the Corporations Act.
Company or Kimberley	means Kimberley Diamonds Ltd (ACN 150 737 563).
Constitution	means the constitution of the Company.
Corporations Act	means the <i>Corporations Act 2001 (Cth)</i> .
Director	means a director of the Company.
Directors' Report	means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.
Equity Securities	has the same meaning it has in the Listing Rules.
Explanatory Memorandum	means the Explanatory Memorandum that accompanies and forms part of this Notice.
Financial Report	means the annual financial report prepared under Chapter 2M of the Corporations Act.
Key Management Personnel	means persons having authority and responsibility for planning, directing and controlling the activities of the Company and/or its controlled entities, directly or indirectly, including any Director (whether executive or otherwise) of the Company and/or its controlled entities.
Listing Rules	means the official listing rules of the ASX, as amended from time to time.
Notice	means the notice of the Annual General Meeting, which accompanies this Explanatory Memorandum and of which this Explanatory Memorandum forms part.
Option	means an option to acquire a Share.

10% Placement Facility	has the same meaning it has in the body of the Explanatory Memorandum in relation to Resolution 4.
10% Placement Period	has the same meaning it has in the body of the Explanatory Memorandum in relation to Resolution 4.
Proxy Form	means the proxy form which accompanies this Notice.
Related Party	has the same meaning it has in the Listing Rules.
Relevant Interest	has the same meaning it has in the Corporations Act.
Remuneration Report	means the remuneration report of the Company contained in the Directors' Report.
Resolution	means a resolution in this Notice.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means the registered holder of a Share.
Trading Day	means a day determined by ASX to be a trading day in accordance with the Listing Rules.
Two Strikes Rule	has the same meaning it has in the body of the Explanatory Memorandum in relation to Resolution 1.
VWAMP	means volume weighted average market price.

In the Notice and the Explanatory Memorandum, words importing the singular include the plural and vice versa.

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am AEDT on Monday, 24th of November, 2014.**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00am AEDT on Monday, 24th of November, 2014.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

📠 **By Fax**

+ 61 2 8234 7599

✉ **By Mail**

Kimberley Diamonds Ltd
Level 39, Australia Square Tower
264 – 278 George Street
Sydney NSW 2000 Australia



In Person

Level 39, Australia Square Tower
264 – 278 George Street
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Kimberley Diamonds Ltd

ACN 150 737 563

Full Name(s)
of Registered
Holding

Registered
Address

Securityholder
Reference Number
(SRN), Holder
Identification Number
(HIN) or Holder ID (S)

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Kimberley Diamonds Ltd** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the offices of **Kemp Strang Lawyers, Level 17, 175 Pitt Street, Sydney NSW 2000 on Wednesday, 26th of November, 2014 at 10:00am AEDT** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 1, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this resolution even though Resolution 1 is connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies FOR Items 1 - 6 (including Resolution 1) and AGAINST Items 7 - 13. If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

Your Directors intend to vote **FOR** Items 1 - 6

and **AGAINST** Items 7 – 13.

		FOR	AGAINST	ABSTAIN*			FOR	AGAINST	ABSTAIN*
Res 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 7	Removal of Director – Mr Alex Alexander	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 2	Ratification and Approval of Prior Issue of Shares to Rivonia Pty Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 8	Removal of Director – Rod Sainty	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 3	Ratification and Approval of Prior Issue of Shares to Sayona Mining Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 9	Removal of Director – Mr Noel Halgreen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 4	Approval of a 10% Placement Facility (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 10	Removal of Director – Mr Rupert Baring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 5	Election of Director – Mr Rupert Baring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 11	Election of Director – Mr Hugh Thomas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 6	Removal of Director – Mr Mark Yumin Qiu	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 12	Election of Director – Mr Rob Thomson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
					Res 13	Election of Director – Mr Dale Rogers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2014

Statement by Pacific Road to shareholders of Kimberley Diamonds Limited

Pacific Road Resources Fund ("Pacific Road" or "the Fund") became a shareholder in Kimberley Diamonds Limited ("KDL") on 24 February 2014 following the acquisition by KDL of Mantle Diamonds Limited, a company that was majority owned by the Fund. The consideration was new ordinary shares of KDL, which resulted in Pacific Road becoming an approximate 10% shareholder in KDL. At that time the KDL share price was over \$1.00 per share.

From the time Pacific Road became a shareholders of KDL, KDL's share price has fallen from \$1.01 on 24 February 2014 to \$0.12 on 14 October 2014.

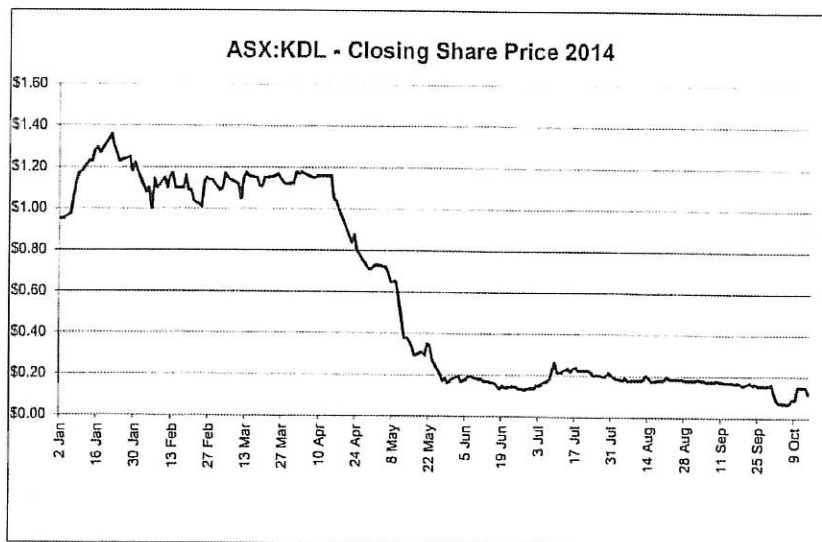
Pacific Road is concerned about how KDL's affairs have been administered and believes that the only way to address this issue is to change the current make-up of KDL's board of directors.

Pacific Road's concerns arise out of various announcements to the market by KDL, including those referred to below:

- On 10 April 2014 KDL went into a trading halt pending the release of an announcement by the company in relation to a capital raising. On 15 April 2014 KDL announced that it had decided to defer the planned capital raising. KDL's shares resumed trading and over the following two weeks fell by approximately 30%, closing at 71c on 29 April 2014.
- On 8 May 2014 KDL announced another trading halt, pending an announcement by KDL in relation to price negotiations on diamond sales with Tiffany. On 12 May 2014 KDL announced that negotiations with Tiffany to secure a price increase had been unsuccessful at that time. Further, KDL announced that the expectation of securing a price increase had been reflected in the earnings guidance previously provided to the market and, as a result, revenue and operating EBITDA guidance for Q4/2014 were reduced. KDL's shares resumed trading and promptly fell to 38c per share.
- On 23 May 2014 KDL announced that its Managing Director, Lee-Anne de Bruin, had been replaced. There was no explanation for this change in the announcement and KDL's shareholders have not been given any explanation for this change since the announcement.
- Four days later, KDL announced that Stephen Wetherall, KDL's Chief Financial Officer, and Gideon Scheepers, KDL's Production Manager, had resigned. KDL's share price closed at 17c on 27 May 2014 following this announcement. Again, KDL's shareholders were given no explanation for these resignations.
- On 20 August 2014, KDL released an investor presentation indicating that it had a closing cash position of A\$12.9 million at 30 June 2014 and had no debt.
- On 22 August 2014, KDL announced a 1 for 2 non-renounceable pro rata rights issue to raise up to approximately A\$9.9 million. While KDL explained what the capital was to be used for, KDL did not explain to shareholders why it was appropriate to raise capital through a highly dilutive non-renounceable rights issue.
- On 23 September 2014, the closing date for the rights issue was extended for approximately 1 month. No reason was given for the extension.

- In its annual report to shareholders released to the ASX on 30 September 2014 KDL stated that should the Group not achieve the funding outcomes referred to in the annual report, there is "significant uncertainty" whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.
- On 8 October 2014, KDL subsequently sought to "address a number of rumours" as to its financial position.
- On 10 October 2014, KDL announced that it had acquired a gold project in Spain, requiring substantial expenditure over time.

KDL's share price chart over the period between 2 January 2014 and 14 October 2014 is shown below.



Pacific Road believes that the dramatic deterioration in KDL's share price is, to a substantial extent, a consequence of the way in which KDL's affairs have been administered. Pacific Road is concerned about aspects of KDL's corporate governance, the company's relationship with Tiffany (with whom it has an exclusive arrangement to market the high quality yellow diamonds from the Ellendale mine), and the current direction of KDL generally.

In addition, Pacific Road's view of the now departed senior management team was that they were competent and appropriately qualified for their roles. Pacific Road was displeased to see them leave KDL, particularly in circumstances where their departure was left unexplained.

In Pacific Road's opinion, KDL's prospects would be enhanced by changing the current make-up of KDL's board of directors in the manner proposed below. We do not support the removal of Dr Mark Qiu.

We urge you to vote in respect of the relevant resolutions to be proposed at the general meeting of KDL's shareholders on 26 November 2014, as follows:

- Vote **for** the removal of Messrs. Alexander, Halgreen, Sainty and Baring
- Vote **for** the appointment of Messrs. Thomas and Thompson
- Vote **against** the removal of Dr Qiu; and
- Vote **for** the appointment of Mr Rogers.

STATEMENT UNDER SECTION 249P OF THE CORPORATIONS ACT

Dear fellow shareholders,

Kimberley Diamonds Ltd (**KDL** or the **Company**) has announced that its shareholders will consider the following resolutions at the Company's forthcoming annual general meeting:

- the removal of Mr. Alexandre Alexander, Mr. Noel Halgreen, Mr. Rodney Sainty and Mr. Rupert Baring as directors of the Company and the appointment of Mr. Hugh Thomas and Mr. Rob Thomson as directors of the Company (together the **Pacific Road Resolutions**);
- the removal of Dr Mark Yumin Qiu as a director the Company (**Summit Resolution**); and
- the appointment of Mr. Dale Rogers as a director of the Company (**Hanking Resolution**).

Hanking Australia Pty Ltd ACN 154 695 593 (**Hanking**) holds approximately 8.68% of the shares in the Company, and has requested this statement to be circulated in relation to the above resolutions and other matters which may be considered at the annual general meeting.

Hanking's Concerns Regarding KDL

In the past 10 months, KDL's share price has materially decreased, from \$1.39 in January 2014 to \$0.07 on 7 October 2014.

As a result of the material deterioration of KDL's share price and the failure of KDL's existing leadership to preserve and generate value for KDL's shareholders, Hanking has lost confidence in Messrs Alexander, Halgreen, Sainty and Baring as directors.

In particular, Hanking considers that:

- **KDL's chairman (Mr Alexandre Alexander) has failed to implement adequate corporate governance processes**

In Hanking's view, the implementation of the corporate governance processes of the board is inadequate; in particular material information was not made available to the board in a timely fashion, and the failure to implement adequate corporate governance processes has resulted in poor strategic decision making. Hanking considers that adequate implementation of corporate governance processes is the primary responsibility of the chairman.

- **KDL's chairman lacks relevant expertise and experience**

In Hanking's view, the chairman has insufficient board management experience and expertise for a company like KDL. Hanking considers that this is demonstrated by his failure:

- while he was executive chairman, to retain senior management executives within KDL with appropriate diamond industry expertise;
- as lead negotiator, to secure any price increase from the Company's off-taker, Tiffany & Co, after the market was informed of an expected price increase;
- while he was executive chairman, to implement appropriate cost saving measures within KDL.

Hanking considers that, in addition to poor corporate governance implementation, these have all contributed to KDL's poor share price performance.

- **KDL's managing director (Mr Noel Halgreen) has failed to adequately perform his role**

In Hanking's view, Mr. Halgreen has not adequately performed his role as managing director of KDL. In Hanking's view, this is demonstrated by his failure to:

- promptly re-build KDL's management and operational team (after KDL's experienced management team resigned following Mr. Halgreen's appointment as managing director) with personnel with high levels of diamond industry experience and expertise;
 - provide timely and accurate information regarding the operational and financial status of KDL to KDL's non-executive directors; and
 - implement appropriate cost saving measures.
- **KDL's executive director (Mr Rod Sainty) lacks relevant expertise and experience**

In Hanking's view, Mr Sainty, has insufficient board and diamond industry expertise to act as an executive director of a company comparable to KDL. Mr Sainty's expertise and experience is in gold exploration, which is relevant to only a small part of KDL's business, and does not, in Hanking's view, justify his role as an executive director of KDL.

- **The KDL board and senior management lacks sufficient shareholder orientation**

Hanking is concerned that there is not sufficient independent representation on the KDL board and current board of KDL does not appropriately reflect KDL's shareholdings. Mr Alexander and his associates (including Summit Equities Pty Ltd (**Summit**)) together hold approximately 14.21% of the shares in KDL, yet two of the six directors of KDL (Messrs Alexander and Halgreen) are also directors of Summit. In addition, KDL's CFO, company secretary and general counsel are all former executives of Summit.

In Hanking's view Mr Alexander's and Summit's interests as shareholders are disproportionately represented on the KDL board and within KDL's senior management. Hanking believes that it is time for the board and senior management of KDL to be constituted in a way that more appropriately aligns with KDL's shareholders and their interests.

Hanking supports the appointment of new directors to the KDL board

Hanking considers that KDL and its shareholders will benefit from the appointment of new directors to the KDL board with relevant experience and expertise. Hanking has proposed a resolution for Mr. Dale Rogers to be appointed as a non-executive director of KDL. Mr. Rogers has extensive expertise in mining companies including at Argyle Diamond mine in the Kimberley, interacting with the professional investment community, building shareholder value and corporate governance for over 25 years. Mr. Rogers is currently chairman of ASX listed companies Primary Gold Limited and Phoenix Gold Limited.

Mr. Rogers will provide an opportunity to offer a fresh and experienced perspective on the Company's operations and business.

How to Vote

Hanking strongly believes that the appointment of Mr. Dale Rogers as a director would be in the best interests of the Company and recommends that shareholders **VOTE IN FAVOUR OF THE HANKING RESOLUTION** set out in the notice of meeting. Hanking also encourages shareholders to support the Pacific Road Resolutions.

In line with our reasons and recommendation detailed above, Hanking suggests that shareholders **VOTE AGAINST THE SUMMIT RESOLUTION** and Hanking intends to do so with respect to any shares it holds and that may be voted at the meeting.

Yours sincerely

Executed by Hanking Australia Pty Ltd in
accordance with Section 127 of the
Corporations Act 2001

Signature of director

Dr Mark Yumin QIU

Name of director (print)

←

Signature of company secretary

Mr Jeff Dawkins

Name of company secretary (print)

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