

Kimberley Diamonds Ltd

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1 HIGHLIGHTS

1.1 PRODUCTION AND SALES

- Kimberley Diamonds Ltd (“KDL” or “the Company”) recovered 25,557 carats during Q1/2015¹ at an average grade of 2.59 carats per hundred tonnes (“cpht”).² This compares to 30,215 carats recovered in Q1/2014³ at an average grade of 2.70 cpht. Recovered grade was lower than the corresponding period in 2014, as a result of the continued treatment of lower grade surface ore stockpiles which have a resource grade of 2.43 cpht.
- KDL sold 28,931 carats for a total sales value of US\$17.1 million during the quarter. This compares to 34,384 carats sold for US\$19.8 million in Q1/2014.
- KDL generated sales revenue of A\$18.8 million however encountered a negative movement in cash from operating activities of A\$3.1 million.
- The Company had a closing cash position of A\$9.4 million at 30 September 2014. The Company has no debt.

1.2 CORPORATE

- KDL entered into a Farm-In and Joint Venture Agreement with Tilwane Services (Pty) Limited, a Botswana based exploration company, in respect of two tenements located in north-eastern Botswana.
- KDL undertook a non-renounceable pro-rata rights issue offer of new KDL ordinary shares at an issue price of \$0.19 per new share to raise up to approximately \$9,912,672.
- Mrs Laila Green was appointed Chief Financial Officer and Company Secretary.
- Mr Deon Vermeulen was employed as the Project Manager for the Lerala Diamond Mine.

1.3 OPERATIONS

- KDL has engaged Consulmet (Pty) Limited (“Consulmet”) to undertake the detailed design work required for modifications of the plant at the Lerala Diamond Mine to enable the plant to treat 200 tonnes per hour.

¹ Q1/2015 refers to the period commencing 1 July 2014 to the 30 September 2014

² The financials contained in this document are the final financials for Quarter 1 2015 and may differ from the financials announced on 1 October 2014 as those were preliminary results only.

³ Q1/2014 refers to the period commencing 1 July 2014 to the 30 September 2014

- The Company is currently in advanced discussions with Consulmet to undertake the plant modifications required on a Lump Sum Turn Key basis and with candidates for the senior management team at the Lerala Diamond Mine.
- Due to changes in legislation in Botswana since Lerala last operated, a revision and update of the Environmental and Social Impact Assessment must be approved before production can commence. Work commenced on the environmental and social studies required for this purpose.
- The Company ceased mining at the Ellendale E9 pipe in September 2014 and is currently processing stockpiles.

2 PRODUCTION AND SALES

2.1 ELLENDALE OPERATIONS PHYSICALS

Quarterly Mining and Treatment

Treatment of surface stockpiled lower grade ore, together with the higher grade ore that was mined in July and August.

	Q1/2015	Q1/2014	Variance %
Waste & low grade (tonnes)	468,099	70,625	563%
Ore mined (tonnes)	601,051	14,254	4,117%
Ore treated (tonnes)	988,644	1,118,960	(12)%
Carats recovered	25,557	30,215	(15)%
Grade (cpht)	2.59	2.70	(4)%

2.2 SALES PHYSICALS

Quarterly Sales

	Q1/2015	Q1/2014	Variance %
Carats sold	28,931	34,384	(16)%
Sales value (US\$m)	17,054,090	19,783,441	(14)%
Price per carat (US\$)	589	575	2%

The lower sales volumes when compared to Q1 FY2014 were a direct result of some continued processing of the lower grade stock piles, together with freshly mined ore. The comparative 2014 quarter contained

a higher quantity of Tiffany Quality ("TQ") production as a result of the production being sourced predominantly from E9 East pit ore. The TQ content in those sales comprised 11%, whereas the TQ content in the current quarter was 8% as the ore treated was partially sourced from the lower grade stockpiles which are a blend of E9 East and E9 West Pit ore.

The auction for run of mine commercial quality diamonds held during Q1/2015 delivered better than expected prices for the quarter, with an overall average price of US\$185 per carat. Prices for this quarter were 13% lower than the previous quarter (Q4 FY2014). The auction was conducted in KDL's Antwerp office through an electronic auction platform.

3 FINANCIALS

Quarterly Summary Cash Flow – A\$m

	Q1/2015 '000
Cash flow related to operating activities	(3,602)
Capital expenditure – E9	(117)
Mine development expenditure	(359)
Exploration expenditure	-
Project acquisition costs	-
Repayment of loans	-
Equity raised	50
Dividends paid	-
Movement in cash	(4,028)
Cash at beginning of quarter	13,417
Effects of exchange rate changes	12
Cash at end of quarter	9,401

Note: the above cash flow disclosure is as per KDL accounting disclosure and different to that required by the 5B as the company is a mining company, whereas the 5B disclosure is for an exploration company.

Quarterly Unaudited Consolidated Earnings Results

	Q1/2015	Market Guidance	Variance
	\$'000	\$'000	
Sales of diamonds	18.8	22.5	(3.7)
Operating costs	(20.2)	(25.3)	5.1
Operating EBITDA	(1.4)	(2.8)	1.4
Project acquisition costs	0	0	0
EBITDA	(1.4)	(2.8)	1.4

Management cost saving initiatives implemented have resulted in operating cash costs being significantly lower than budget.

Quarterly Unit Production Cost– A\$

	Q1/2015	Q1/2014
Cash cost per carat recovered	\$683	\$455

Note: Cash costs exclude corporate costs

The unit cost comparison is impacted by the fact that the prior period's production represents a full quarter of mining whereas in the current period was a combination of mining and treatment of low grade ore stockpiles. Current period costs were lower than guidance.

4 CORPORATE

4.1 BOTSWANA JOINT VENTURE

On 2 July 2014, KDL entered into a Farm-In and Joint Venture Agreement with Tilwane Services (Pty) Limited, a Botswana-based exploration company, in respect of two tenements located in north-eastern Botswana, close to the Orapa Diamond Mine. Preparations are underway to commence field work in PLs 267/2013 and 268/2013 to the east of Orapa, under joint venture with Tilwane Services Limited. KDL has commenced work on the Joint Venture, with soil geochemistry sampling currently being undertaken.

4.2 UPDATE ON LERALA DIAMOND MINE

On 12 September, KDL announced that it has engaged Consulmet (Pty) Limited (“Consulmet”) to undertake the detailing and design work required for modifications of the plant at the Lerala Diamond Mine in Botswana.

Prior to re-commencing mining, KDL is looking to modify the plant at Lerala to enable it to reliably treat 200 tonnes per hour and has engaged Consulmet to undertake the detailing and design work for these modifications. Consulmet commenced this work in September. The engagement of Consulmet is the first step in re-commissioning the plant and re-commencing mining at Lerala.

KDL is also in ongoing negotiations with Consulmet to undertake the supply and installation work required on a lump sum turn-key basis which will be undertaken when the design phase is completed.

4.3 NON-RENOUNCEABLE RIGHTS ISSUE

On 22 August 2014, the Company announced that it was undertaking a non-renounceable pro-rata rights issue offer of new KDL ordinary shares at an issue price of \$0.19 per new share to raise up to approximately \$9,912,672 (“Offer”). The funds raised by the Offer will be used to fund the re-commissioning of Kimberley’s Lerala Diamond Mine in Botswana and for general working capital requirements. The Offer opened on 4 September 2014 and closed at 5pm on 24 October 2014. Shareholders holding shares at 7pm on 1 September 2014 were eligible to participate.

The Offer closed on 24 October 2014 (“Closing Date”), subsequent to the end of the quarter. A total of 415,662 new KDL shares were subscribed for under the Offer, raising \$78,975.78. The Directors are now exercising their right to place the Offer shortfall, which was 51,756,296 shares, at their discretion within three months of the Closing Date.

4.4 SENIOR MANAGEMENT CHANGES

- Mrs Laila Green was appointed Chief Financial Officer and Company Secretary effective 1 July 2014. Mrs Green is a Certified Practising Accountant, with a wealth of experience in senior finance roles.
- Mr Deon Vermeulen was employed by the Company as the Project Manager for its Lerala Diamond Mine in July 2014. Mr Vermeulen is a qualified Metallurgical Engineer with 15 years

extensive production and projects experience. Mr Vermeulen was most recently employed by Ekapa Mining as a Mine/Metallurgical Manager, and has previously held senior roles at BVI Consortium, Consulmet and De Beers. Mr Vermeulen has a degree in Extractive Metallurgical Engineering from Pretoria University of Technology.

4.5 REGISTRATION OF ABORIGINAL LAND USE AGREEMENT

On 18 August 2014, the Ellendale Indigenous Land Use Agreement (“ILUA”) with the Bunuba People was registered by the National Native Title Tribunal. The ILUA was signed on 23 December 2013 and records the relationship between Kimberley Diamond Company NL (KDL’s wholly owned subsidiary), Blina Minerals NL, the State of Western Australia, the Bunuba People and the Bunuba Dawangarri Aboriginal Corporation RNTBC in relation to the Ellendale Diamond Project.

4.6 SETTLEMENT OF LEGAL PROCEEDINGS

On 24 September 2014, KDL settled legal proceedings between its wholly owned subsidiary, Mantle Diamonds Limited (“Mantle”) and Sayona Mining Limited (“Sayona”). KDL inherited these proceedings, which were ongoing when it acquired Mantle in February 2014. The settlement agreement included a mutual release of claims by the parties and payment by Mantle to Sayona of cash and scrip in KDL to an aggregate value of USD\$340,000.

4.7 RECEIPT OF NOTICES FROM SHAREHOLDERS

KDL has received:

- a section 203D and 249E notice from Summit Equities Limited to remove Mr Mark Qiu as a Director;
- a section 203D and 249D notice from entities associated with Pacific Road Capital Management to:
 - remove Alex Alexander, Noel Halgreen, Rod Sainty and Rupert Baring as Directors; and
 - appoint Hugh Thomas and Rob Thomson as Directors; and
- subsequent to the end of the quarter, KDL also received a section 249D notice from Hanking Australia Pty Limited to appoint Dale Rogers as a Director.

Each of the above will be put to shareholders at the 2014 Annual General Meeting, to be held on 26 November 2014.

4.8 MATTERS SUBSEQUENT TO THE END OF THE QUARTER

The Company has actively sought a flagship copper-gold project to complement the Company’s existing portfolio of copper-gold assets, which it has held since its listing on the ASX in 2012. Subsequent to the end of the quarter, on 10 October 2014, the Company announced that it has been awarded 100% of the rights to the Lomero-Poyatos gold project in Spain, which it won through a competitive tender process run by the regional government of Andalusia.

As previously announced to shareholders, the Company is considering spinning out its portfolio of copper-gold assets into a new entity which would be listed in due course, with existing KDL shareholders

to be given shares in the new entity through an in specie distribution. The acquisition of the rights to Lomero-Poyatos, now KDL's flagship copper-gold project, was a key step in this process.

5 EXPLORATION ACTIVITIES

5.1 DIAMONDS

As announced on 2 October 2014, work commenced on the two Tilwane Joint Venture tenements in Botswana during the quarter, with soil geochemistry sampling being undertaken. Fifteen aeromagnetic anomalies were selected for follow-up by ground magnetic surveys and soil geochemistry sampling based on a combination of the magnetic signature and association with historical heavy mineral occurrences.

Preliminary results for thirteen of these blocks were received and show improved definition of the targets. Block 2 gave encouraging results of a small but distinct magnetic anomaly within an area of elevated heavy mineral counts.

The soil geochemistry sampling was completed in mid-October. The samples are currently being prepared for submission to the laboratory and the detailed results of this sampling are expected during December 2014.

Confirmation of the geological source of the targets will be supported by modelling of the magnetic data and interpretation of the soil geochemistry data using techniques developed at Ellendale.

The most promising of the targets will be selected for drilling.

5.2 METALS EXPLORATION ACTIVITIES

5.2.1 CALARIE COPPER-GOLD PROJECT, CENTRAL NSW (KDL earning 75%)

No work was undertaken on the project during the quarter.

The NSW Department of Trade & Investment is yet to process the renewal of EL7023.

5.2.2 YEOVAL COPPER-GOLD PROJECT, CENTRAL NSW (Zodiac, 75%)

A geophysical survey utilising induced polarization (IP) was designed to investigate the doughnut-shaped magnetic anomaly previously identified in the southern portion of EL 6311. However, funding constraints during the quarter prevented this programme being undertaken.

6 TENEMENTS

PROJECT	TENEMENT
Lerala Diamond Mine Central District, Botswana	2006/29L
Ellendale Diamond Mine WA, Australia	M04/372
Smoke Creek Diamond Project WA, Australia	P 80/1712, P 80/1713, P 80/1714, P 80/1715, P 80/1716, P 80/1717, P 80/1718, P 80/1719, P 80/1720, P 80/1721, P 80/1722, P 80/1723, P 80/1724, P 80/1725, P 80/1734, P 80/1735, P 80/1736, P 80/1737, P 80/1738, P 80/1739, P 80/1740, P 80/1741
Tenby Property North West Territories, Canada	3768, 3769, 4138, 4139, 4140, 4142, 4141, 4143, 3760, 3761, 3762, 4097, 4098, 4099, 4100, 4101, 4102, 4103, 4174, 4175, 4176, 4181, 4182, 4183, 4184, 4185, 4186, 4187, 4270, 4269, 4271, 4104, 4105, 4106, 4107, 4108, 4109, 4110, 4432, 4433, 4434, 4234, 4235
Commonwealth Property North West Territories, Canada	3763, 3764, 3765, 3766, 4144, 4145, 4111, 4112, 4113, 3770, 3719, 3771, 4114, 3772, 4115, 3773, 4116, 4117, 4118, 4119, 4120, 4121, 4122, 4123, 4124, 4125, 4126, 4127, 4128, 4129, 4130, 4437, 4438, 4439, 4435, 4272, 4177, 4440, 4436, 4441, 4178, 4328, 4442, 4266, 4325, 4267, 4326, 4327, 4268
Trillion Project Ontario - Canada	4216482, 3013687, 3013668, 3013646, 3013648, 3013647, 4202624, 4206505, 3013699, 3013666
Centenary Project Ontario - Canada	4206426, 4206425
Calarie NSW, Australia	EL7023, EL8007, ML739

There were no disposals or acquisitions during the quarter. A renewal application was submitted for EL6311.

EL7023 & ML739: KDL is earning 75% from TriAusMin Ltd & Tri Origin Mining Pty Ltd through a farm-in agreement by spending \$1.75M by 3rd Dec 2015. KDL has the option to purchase 100% for \$5M by 3rd Dec 2014 or \$12.5M by 3rd Dec 2017.

EL6311 & ML811: Zodiac Resources Pty Ltd, a subsidiary of KDL, holds a 75% interest in the project.

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7 APPENDICES

7.1 COMPANY OVERVIEW

Kimberley Diamonds Ltd (“KDL”) (**ASX:KDL**) is the owner of the Lerala Diamond Mine in Botswana and is the owner and operator of the Ellendale Diamond Project in Western Australia.

The Lerala Diamond Mine is situated in north-east Botswana, approximately 34km north of the Martin’s Drift Border Post with South Africa. Lerala has a 15 year fully permitted mining licence covering an area of 21.86km² and comprises five diamondiferous kimberlite pipes totalling 6.66ha in size. The kimberlites were discovered by De Beers in the early 1990s and subjected to limited mining by DiamonEx Ltd in 2008. Most recently, the previous owners of Mantle Diamond Mines Limited operated the mine between February and July 2012. The Lerala Diamond Mine was placed on care and maintenance in July 2012 by its previous owners.

The Ellendale Diamond Project (“Ellendale”) is situated in the West Kimberley region of Western Australia, approximately 120km south east of the town of Derby. The Ellendale Mining Lease, M04/372, covering 123 km², produces predominantly gem and near-gem quality diamonds and is the world’s leading source of rare fancy yellow diamonds, contributing an estimated 50% of the global supply. The operation currently extracts and processes ore from its E9 lamproite pipe and surface stockpiles.

KDL prides itself on its excellent safety track record and supports the communities in which it operates. Ellendale is a fatality-free site and the Company is actively involved with the local community surrounding the Mine, continually seeking opportunities to employ community members and engage in community-enriching initiatives.

KDL also owns the Argyle Smoke Creek Alluvial Diamond Project in the east Kimberley region of Western Australia and eDiamond BVBA in Antwerp, Belgium, a marketing office for rough diamonds that uses an independent online trading platform for rough diamond sales.

KDL additionally has interests in a portfolio of tenements prospective for gold and copper-gold in New South Wales and Spain and diamond tenements in Canada.

In July 2014, KDL acquired the right to earn up to a 70% interest in two exploration tenements located in north-eastern in Botswana in a Joint Venture with Tilwane Services (Pty) Limited.

7.2 COMPETENT PERSON 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.

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