

Kimberley Diamonds Ltd

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1 HIGHLIGHTS

1.1 PRODUCTION AND SALES

- Kimberley Diamonds Ltd (“KDL” or “the Company”) recovered 20,009 carats during Q2/2015¹ at an average grade of 2.18 carats per hundred tonnes (“cpht”). This compares to 24,151 carats recovered in Q2/2014² at an average grade of 2.22 cpht.
- KDL sold 20,176 carats for a total sales value of US\$12.9 million during the quarter. This compares to 22,852 carats sold for US\$16.2 million in Q2/2014.
- The Company had a closing cash position of A\$1.8 million at 31 December 2014. The Company has no debt.

1.2 CORPORATE

- The Company has been awarded 100% of the rights to the Lomero-Poyatos gold-rich massive sulphide deposit in Spain, through a competitive tender process run by the regional government of Andalusia.
- The resolution to remove Mr Mark Qiu was passed by shareholders. Mr Mark Qiu was removed from the Board effective 26 November 2014.
- Alex Alexander, Noel Halgreen, Rod Sainty and Rupert Baring remain as Directors after resolutions to remove them were rejected by shareholders at the 2014 Annual General Meeting.

1.3 OPERATIONS

- Consulmet has completed the detailed design work at the Lerala Diamond Mine required for the modifications of the plant. KDL is in advanced discussions with Consulmet to undertake the plant modifications on a Lump Sum Turn Key basis.
- KDL is in the process of tendering for the mining contract at Lerala.
- The Botswana Department of Environmental Affairs (“DEA”) approved and completed the transfer of the authorisation of the previously approved Environmental Impact Assessment (“EIA”) from DiamonEx Botswana to Lerala Diamond Mines Limited (“Lerala”), KDL’s Botswana subsidiary and the current owner of the Lerala Diamond Mine, which permits Lerala to undertake the planned upgrade of the plant, site infrastructure and the tailings storage facilities at the Lerala Diamond Mine.

¹ Q2/2015 refers to the period commencing 1st October 2014 to the 31st December 2014

² Q2/2014 refers to the period commencing 1st October 2013 to the 31st December 2013

- Consultations with the community at Lerala were completed during Q2/2015, with positive feedback being received.
- As previously announced, KDL has ceased mining the Ellendale E9 pipe and has processed stockpiles for Q2/2015, and will continue to do so for Q3/2015.

2 PRODUCTION AND SALES

2.1 ELLENDALE OPERATIONS PHYSICALS

Quarterly Mining and Treatment

Mining at Ellendale E9 pipe ceased in Q1/2015. Ore treated in Q2/2015 represents the treatment of surface stockpiled lower grade ore from E9.

| | Q2/2015 | Q2/2014 | Variance % |
|---------------------------------------|---------|-----------|------------|
| Waste & low grade (tonnes) | - | 28,241 | - |
| Ore mined (tonnes) | - | 20,820 | - |
| Ore treated (tonnes) | 916,735 | 1,085,706 | (16%) |
| Carats recovered | 20,009 | 24,151 | (17%) |
| Grade (cpht) | 2.18 | 2.22 | (2%) |

2.2 SALES PHYSICALS

Quarterly Sales

| | Q2/2015 | Q2/2014 | Variance % |
|-------------------------------|------------|------------|------------|
| Carats sold | 20,176 | 22,852 | (12%) |
| Sales value (US\$) | 12,888,143 | 16,171,555 | (20%) |
| Price per carat (US\$) | 639 | 708 | (10%) |

The lower sales volume from Q2/2015 when compared to Q2/2014 was a direct result of the processing of the lower grade stockpiles. The comparative 2014 quarter contained a higher quantity of Tiffany Quality ("TQ") production as a result of the production being sourced predominantly from mining the E9 East pit ore. The TQ content in those sales comprised 10.9%, whereas the TQ content in the current quarter was 9.3% as the ore treated was sourced from the surface stockpiled lower grade ore.

The auction for run of mine commercial quality diamonds held during Q2/2015 delivered an overall average price of US\$180 per carat, 1% higher than the comparative 2014 quarter (Q2/2014).

3 FINANCIALS

Quarterly Unaudited Consolidated Earnings Results

| | Q2/2015 \$m | Market Guidance \$m | Variance \$m |
|---|----------------|------------------------|-----------------|
| Revenue (A\$m) | 14.99 | 18.85 | (3.86) |
| Operating cash costs (A\$m) | (16.69) | (17.25) | 0.56 |
| Cash from operations (A\$m) | (1.70) | 1.60 | (3.30) |
| Costs of putting Ellendale on care and maintenance (A\$m) | - | - | - |
| Total cash from operations (A\$m) | (1.70) | 1.60 | (3.30) |
| Cash costs (\$per tonne) | 18.18 | 16.75 | (1.43) |
| Redundancy Costs (A\$m) | (0.44) | - | (0.44) |
| Lerala Diamond Mines – Operating (A\$m) | (0.09) | - | (0.09) |

Lower revenue was achieved in Q2/2015 compared to market guidance due to the deferral of December 2014 consumer goods auction to January 2015 to avoid selling in depressed year end market following failure of sale of Antwerp Diamond Bank (“ADB”) and subsequent announcement by ADB that it is shutting down its diamond financing business and closing credit lines to diamond buyers. Sales in January 2015 were successful and 100% clearance was delivered with premium value achieved.

Lower revenue compared to market guidance was also a result of market guidance assuming processing from Ellendale’s E4 stockpiles which contain higher grade ore compared to the lower grade ore currently processed from E9. It is currently intended that processing from E4 will commence in Q4/2015, after the wet season has finished. Such change in timing is forecasted to have positive impact on both costs and diamond prices realised on larger quantities of goods.

Operating cash costs were down \$0.56m to \$16.69m compared to market guidance of \$17.25m. Cash costs are up \$1.43 per tonne compared to market guidance, to \$18.18 per tonne, due to lower tonnages processed in the current quarter of 917,844 tonnes compared to market guidance of 1,030,000 tonnes. Ore stockpile volume at quarter end was greater than market guidance by 1.1 million tonnes, this is likely to have positive impact on cash cost of future periods. Included in the operating cash cost is the reduction in accounts payable liability of \$4m compared to the end of previous quarter.

As a part of management cost saving initiative, redundancy expenses of \$440,000 were incurred during the quarter in relation to the close down of the Perth corporate office and reduction in Ellendale operation headcount.

Operating cash costs include the expenditure of \$690,000 on project costs towards the re-commissioning of Lerala, and has included the following work which was undertaken and/or completed in Q2/2015:

- Consulmet has completed the detailed design work at the Lerala Diamond Mine required for the modifications of the plant to enable it to treat 200 tonnes per hour. KDL is in advanced discussions with Consulmet to undertake the plant modifications on a Lump Sum Turn Key basis.
- KDL is in discussions with mining companies who are tendering for the mining contract at Lerala, and has selected a number of preferred tenderers from whom it is currently awaiting official proposals.
- The DEA approved and completed the transfer of the authorisation of the previously approved EIA from DiamonEx Botswana to Lerala, which permits Lerala to undertake the planned upgrade of the plant, site infrastructure and the tailings storage facilities at the Lerala Diamond Mine. KDL is now required to undertake a revision of this existing EIA and its Environmental Management Plan. KDL has completed a number of specialist environmental studies and intends to submit its final report to the DEA at the end of January 2015. THE new EIA is expected to be obtained in May 2015.
- Consultations with the community at Lerala were completed during Q2/2015, with positive feedback being received.

Operating cash costs also include the expenditure of \$86,000 on exploration on the Tilwane Joint Venture in Botswana. As announced on 2 October 2014, work commenced on the two Tilwane Joint Venture tenements in Botswana during Q1/2015, with soil geochemistry sampling being undertaken. The sampling was completed in mid-October and were submitted to a laboratory for review. The Company expects to receive the results of this sampling imminently.

Quarterly Unit Production Cost– A\$

| | Q2/2015 | Q2/2014 |
|--------------------------------------|---------|---------|
| Cash cost per carat recovered | 636 | 579 |

Note: Cash costs exclude corporate and administrative costs

The unit cost comparison is impacted by the fact that the prior period's production represents a full quarter of mining whereas the current period involves the treatment of low grade ore stockpiles only. Current period production cash costs were \$1.6m lower than guidance.

4 CORPORATE

4.1 KDL AWARDED LOMERO-POYATOS GOLD PROJECT

As announced on 10 October 2014, the Company has been awarded 100% of the rights to the Lomero-Poyatos gold-rich massive sulphide deposit in Spain, through a competitive tender process run by the regional government of Andalusia.

The acquisition is a key first step in KDL's strategy of establishing a new listed entity focused on copper-gold that will incorporate the Company's existing copper-gold projects. As previously announced to shareholders, the Company intends in due course to provide existing KDL shareholders with shares in the new entity through an in specie distribution.

The Lomero-Poyatos project is located in Spain's premier mineral district, the Iberian Pyrite Belt. The Iberian Pyrite Belt is the largest volcanogenic massive sulphide (VMS) province on Earth and contains more than 80 known deposits. Lomero-Poyatos lies 35km west of the giant Rio Tinto copper deposit currently under re-development by EMED Mining and just 8km west of the Aguas Tenidas copper-gold mine operated by Trafigura (Figure A).

Further detail on Lomero-Poyatos is set out in section 5.2.1 below.

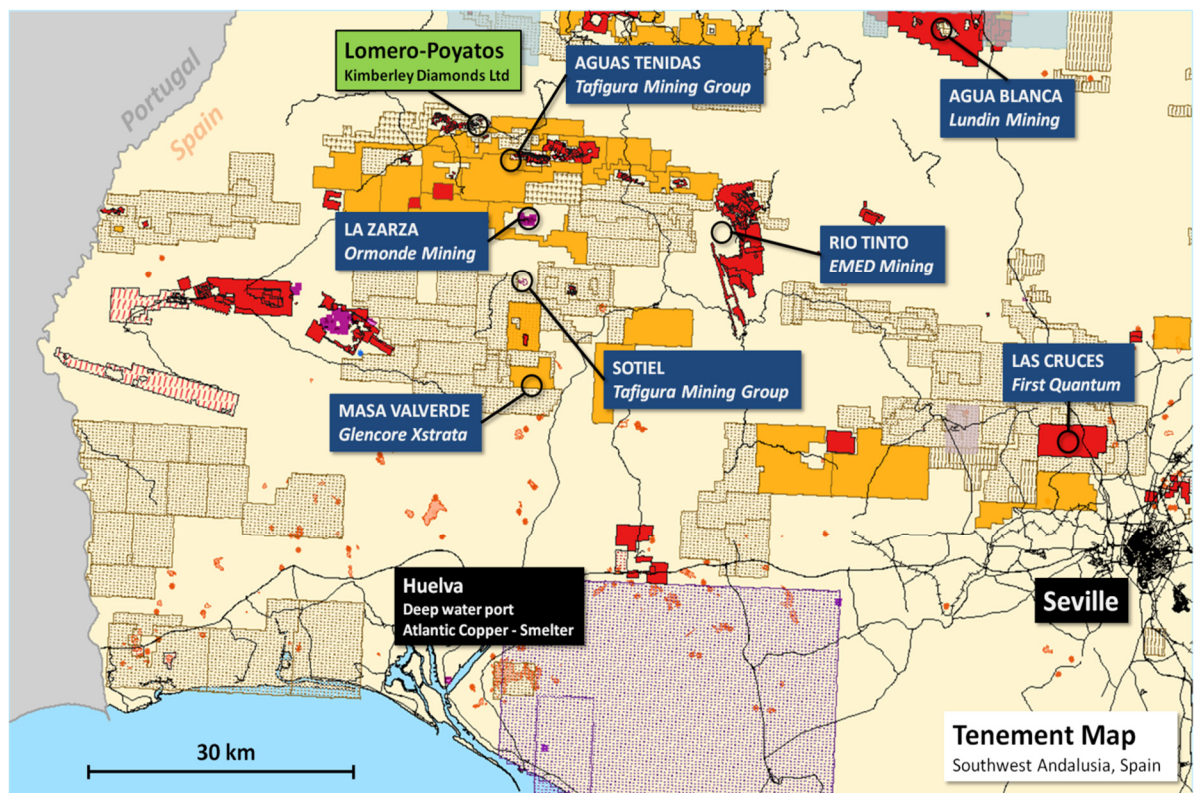


Figure A: Location of the Lomero-Poyatos project in southwestern Spain, in relation to other mine operations, re-developments and infrastructure.

4.2 UPDATE ON SHAREHOLDER REQUISITION

The Company 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
- a section 249D notice from Hanking Australia Pty Limited to appoint Dale Rogers as a Director.

Each of the above resolutions were put to shareholders at the 2014 Annual General Meeting, which was held on 26 November 2014.

The resolutions to remove Mr Mark Qiu was passed by shareholders. Mr Mark Qiu was removed from the Board effective 26 November 2014.

The remaining resolutions were not passed by shareholders.

4.3 PLACEMENT OF RIGHTS ISSUE SHORTFALL

On 22 August 2014, the Company announced that it was undertaking a non-renounceable pro-rata rights issue offer of 1 new KDL ordinary share for every 2 existing KDL ordinary shares held at an issue price of \$0.19 per new share to raise up to approximately \$9,912,672 ("Offer"). The Offer opened on 4 September 2014 and closed on 24 October 2014 ("Closing Date").

The Offer had a shortfall of 51,756,296 shares, which could be placed at the discretion of the Directors within three months of the Closing Date (by 24 January 2015), in accordance with Listing Rule 7.2, Exception 3. KDL entered into a Subscription Agreement with Foch Investment Holding Group Co Ltd ("Foch") for the placement of 23 million shares which formed part of the Offer shortfall, but was not able to place these shares prior to 24 January 2015 due to difficulties faced by Foch in obtaining approvals required from the Chinese Government.

KDL remains in discussion with Foch, who are still in the process of applying for the relevant approvals and will continue to update the market in due course. Should this placement proceed, KDL will consider its options as to the manner in which it can issue these shares, including issuing all or part of the shares under its 15% placement capacity and seeking shareholder approval for any shares in excess of this placement capacity.

4.4 MATTERS SUBSEQUENT TO THE END OF THE QUARTER

On 28 January 2015, the Company entered into a Sales and Marketing Services Agreement ("Services Agreement") with Rupert Baring. Under the terms of the Services Agreement, Mr Baring will provide the Company with assistance in developing its commercial diamond and fancy yellow sales and marketing activities.

The Services Agreement replaces a previous agreement for sales and marketing services with an external services provider. Shareholder approval was not required for the entry into the Services Agreement as it was on terms less favourable to Mr Baring than the arm's length terms previously entered into with the external third party.

The key terms of the Services Agreement are as follows:

- the Services Agreement has a term of 12 months;
- the Services Agreement can be terminated by either party with 1 month's written notice; and
- the Company will pay to Mr Baring a services fee of 4000 GBP per month.

5 EXPLORATION ACTIVITIES

5.1 DIAMONDS

As announced on 2 October 2014, work commenced on the two Tilwane Joint Venture tenements in Botswana during Q1/2015, with soil geochemistry sampling being undertaken. The sampling was completed in mid-October and were submitted to a laboratory for review. The Company expects to receive the results of this sampling imminently.

5.2 METALS EXPLORATION ACTIVITIES

5.2.1 LOMERO-POYATOS GOLD-COPPER-ZINC PROJECT, SPAIN

As mentioned in section 4.1 of this report, KDL has been awarded 100% of the rights to the Lomero-Poyatos gold-rich massive sulphide deposit in Spain. Set out below is further detail on this project.

Lomero-Poyatos

Prior to its closure in 1991, the Lomero-Poyatos mine produced at least 2.6 million tonnes of massive sulphide ore containing 5 g/t gold and 1.2% copper. The gold grade is unusual and the highest of all the deposits within the Iberian Pyrite Belt.

Lomero-Poyatos is a continuous tabular massive sulphide deposit almost 1,000m in length. It strikes east-west and dips moderately to the north (Figure B).

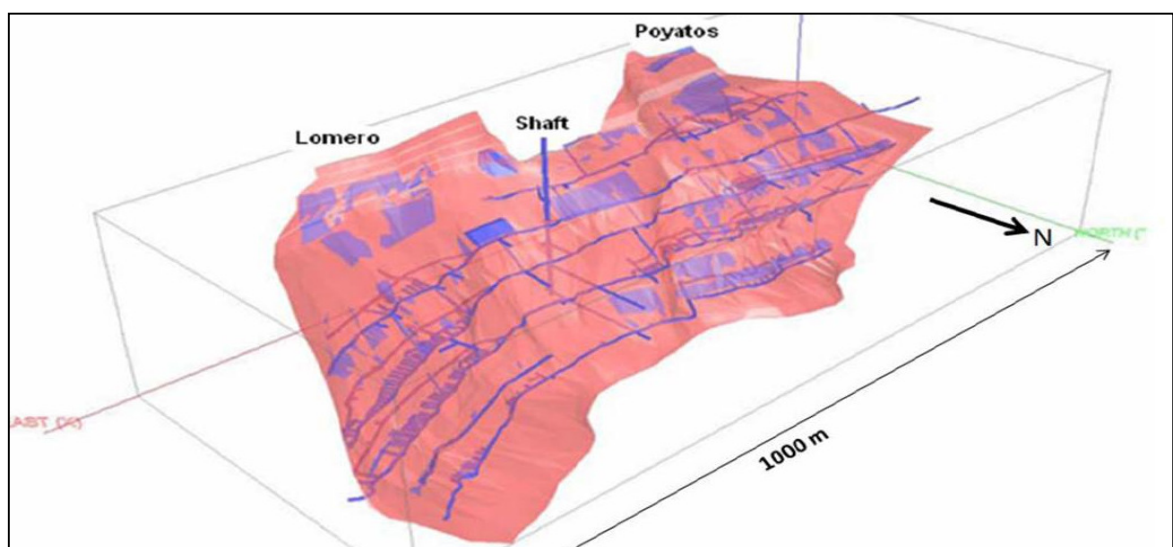


Figure B: A 3D view of Lomero-Poyatos showing the known extent of the massive sulphide deposit (red) and the location of the historic underground mine workings (blue).

The most recent estimate of the deposit was prepared in 2012 by the independent global mining consultancy Behre Dolbear International. That study estimated the deposit as:

830,000 oz of gold in an Inferred Resource of 6.07 Mt @ 4.25 g/t Au and 88.74 g/t Ag.

This Resource estimate was previously announced on the Toronto Stock Exchange on 25 May 2012 by Petaquilla Minerals Ltd in accordance with NI43-101 and is therefore considered a 'Foreign Estimate of mineralisation' under the ASX Listing Rules. A competent person has not done sufficient work to classify the Estimate in accordance with JORC 2012. It is uncertain whether further evaluation and/or exploration work will result in the foreign estimates being reported as mineral resources or ore reserves in accordance with the JORC Code.

Please refer to the Company's announcement of 10 October 2014 for additional details pertaining to the Behre Dolbear estimate.

Proposed Work Programme

The Company has proposed an exploration budget of €400,000 in Year 1 and a further €5 million spread over Years 2 and 3. More details about the proposed exploration programme will be outlined in a subsequent announcement once this programme is finalised by the Company

Future Potential

KDL has recently acquired and reviewed a number of datasets pertaining to previous core drilling of the Lomero-Poyatos deposit. The long section plot (Figure C) reveals that significant thicknesses of high-grade massive sulphide occur at and beyond the margins of the mine workings. It suggests that there is excellent potential for significant extensions to the deposit.

The intercepts located at and immediately below the **eastern end** of the mine workings are impressive. They include:

L02: **19.3m*** at **5.86 g/t Au, 2.44% Cu**, 0.66% Zn

L03: **16.6m** at **7.72 g/t Au**, 0.40% Cu, **9.94% Zn**

L05: **10.5m*** at **4.40 g/t Au, 3.09% Cu**, 2.99% Zn

L25: **20.4m*** at **6.82 g/t Au**, 0.24% Cu, 2.49% Zn

The intercepts of note beyond the **western end** of the mine workings include:

L01: 5.7m* at **4.90g/t Au**, 0.51% Cu, 0.01% Zn

L08: 3.4m at **7.27 g/t Au**, 0.31% Cu, **6.50% Zn**

L22: 3.0m at **4.89 g/t Au**, 0.27% Cu, 0.04% Zn

L47: 1.7m at **4.02 g/t Au**, 0.41% Cu, **8.42% Zn**

L48: 3.9m at **4.66 g/t Au**, 0.17% Cu, 0.04% Zn

These drill intercepts, along with others shown in Figure C, show that the Lomero-Poyatos deposit remains open, both along strike and to depth. The intercepts suggest there is excellent potential for significant extensions to the deposit.

Notes on sulphide intercepts

The intercepts reported here are in-hole widths. The drill holes are oriented perpendicular to strike and nearly perpendicular to dip (0-20 degree variance). Hence, the in-hole widths are approximately representative of the true widths.

Some of the intercepts reported here (those with widths marked by asterisks) include mining voids within the massive sulphide. To more accurately represent the original thickness of the massive sulphide, the width of the void has been included in the width of the massive sulphide. The grade of the interval shown is the grade indicated by assays of the adjacent unmined massive sulphide.

Please refer to the Company's announcement of 25 November 2014 for the JORC Table 1 and for additional details pertaining to the previous drilling.

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

No activities were undertaken during the quarter.

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

Exploration data was reviewed to support tenement renewal and the design of a forward work programme.

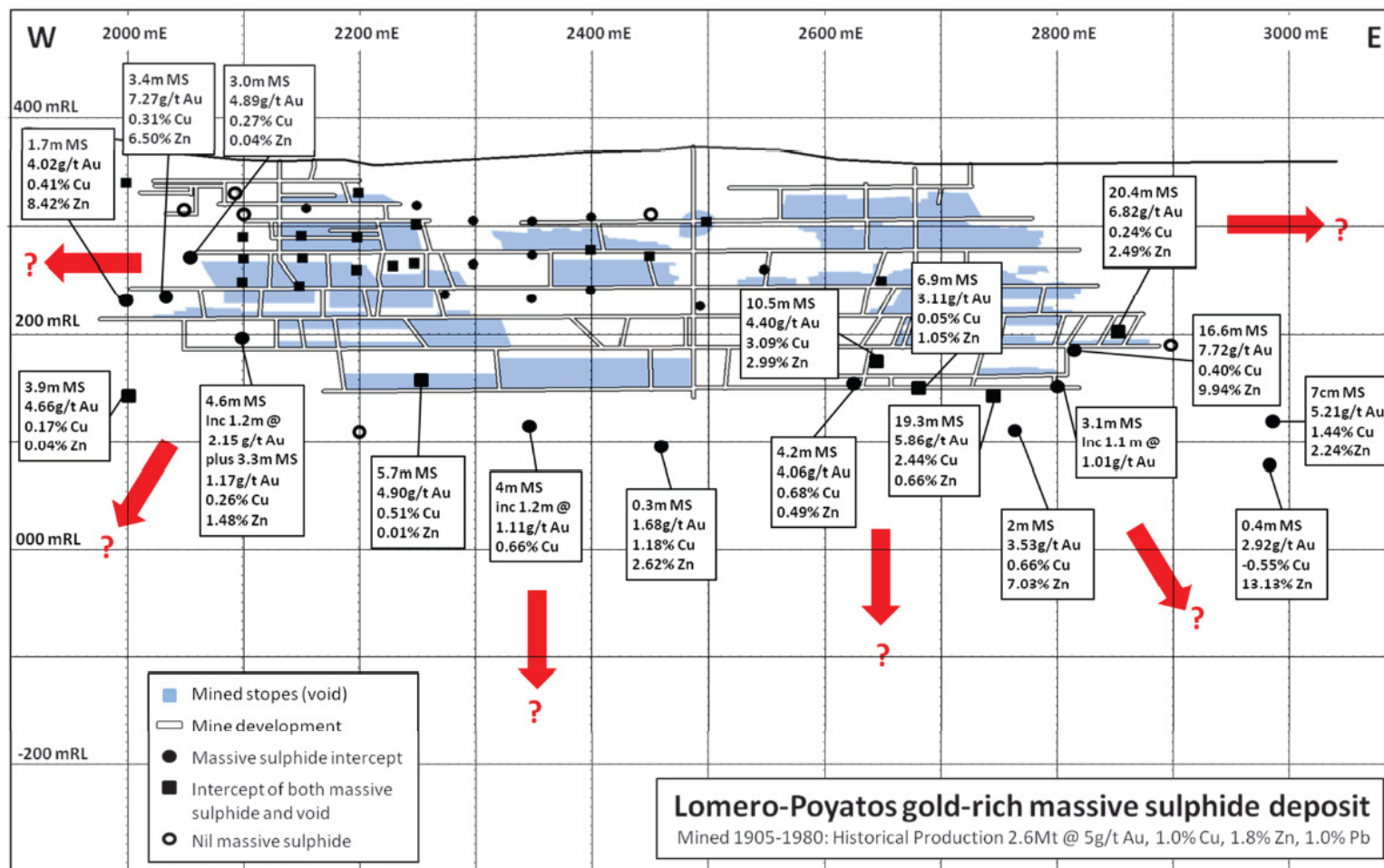


Figure C: Long-section of the Lomero-Poyatos deposit

6 TENEMENTS

Tenement Interests retained by KDL

| PROJECT | TENEMENT |
|--|--|
| Lerala Diamond Mine Central District, Botswana | 2006/29L |
| Ellendale Diamond Mine WA, Australia | M04/372 |
| Smoke Creek Diamond Project WA, Australia | P80/1712, P80/1713, P80/1714, P80/1715, P80/1716, P80/1717, P80/1718, P80/1719, P80/1720, P80/1721, P80/1722, P80/1723, P80/1724, P80/1725, P80/1734, P80/1735, P80/1736, P80/1737, P80/1738, P80/1739, P80/1740, P80/1741 |
| 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 |
| Tilwane JV Central District, Botswana | PL267/2013, PL268/2013 |
| Yeoval NSW, Australia | EL6311 & ML811 |
| Calarie NSW, Australia | EL7023, ML739 |

Tenement Interests Disposed of by KDL

| PROJECT | TENEMENT |
|--|------------------|
| Calarie NSW, Australia | EL8007 |
| Centenary Project Ontario - Canada | 4206426, 4206425 |

EL7023 & ML739: KDL is earning 75% from TriAusMin Ltd & Tri Origin Mining Pty Ltd

EL6311 & ML811: Zodiac Resources Pty Ltd, a subsidiary of KDL, holds a 75% interest in the project. Augur Resources Ltd holds the remaining 25%

PL 267/2013 & PL 268/2013: KDL, via its wholly owned subsidiary Lerala Diamond Mines Limited, has the exclusive right to earn up to 70% in the project from Tilwane Services (Pty) Limited

Tenby Property: Mantle Diamonds Limited, a wholly owned subsidiary of KDL, will acquire a 20% interest in the tenements upon a production decision by the registered owner, Diavik Diamond Mines Incorporated

Commonwealth Property: Mantle Diamonds Limited, a wholly owned subsidiary of KDL, will acquire a 10% interest in the tenements upon a production decision by the registered owner, Diavik Diamond Mines Incorporated

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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 processes ore from its E9 lamproite pipe’s remaining 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 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.

The information in this report that relates to Mineral Resources and Mineral Reserves at the Lerala Diamond Mine is extracted from the report titled “Mineral Resource and Ore Reserve Statement”, created on 30 September 2014 and available to view on www.asx.com.au. The company confirms that it is not aware of any new information or data that materially affects the

information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this report that relates to Mineral Resources and Exploration Results at Lomero-Poyatos is extracted from the reports titled "KDL awarded 830,000 ounce Gold Project in southern Spain" created on 10 October 2014 and "Drill data reveals high grade intercepts below Lomero-Poyatos mine" and associated Table 1 created on 25 November 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 announcements and that all material assumptions and technical parameters underpinning the estimates in relevant market announcements 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 announcements.