

MARKET UPDATE: ELLENDALE DIAMOND MINE TO CONTINUE OPERATING IN FY2016

KDL's Ellendale Diamond Mine to continue operating into FY2016 as economic viability of operations extended due to:

- ***cost cutting***
- ***improved operational efficiency***
- ***impact of lower Australian dollar***

Processing high grade stockpiles from Ellendale E4 Mine and coarse tailings stockpiles from the E9 Mine.

(ASX: KDL) Kimberley Diamonds Ltd ("KDL") is pleased to announce that it will be continuing operations at its Ellendale Diamond Mine in Western Australia into FY2016. The Company previously announced on 8 October 2014 that it anticipated Ellendale would need to be placed on care and maintenance from May 2015 due to uncertainty as to the economic viability of continued operations. Extensive work has since been undertaken by KDL's Management team to extend the economic viability of the mine through increased efficiencies and reduced costs, now allowing the Company to continue processing operations at Ellendale into FY2016.

KDL also confirms that as part of its ongoing operations into FY2016, it plans to commence the processing of stockpiles from Ellendale's E4 Mine, which has been on care and maintenance since 2009. Higher grades are expected from the E4 stockpiles than those being recovered from the E9 stockpiles.

KDL Managing Director Noel Halgreen said that *"the continuation of processing operations at Ellendale into FY2016 is a great result for KDL and reflects the hard work of the KDL Management team and the team on site at Ellendale, who have worked tirelessly on improving efficiency and productivity at the mine, and exploring options for the processing of stockpiles from our E4 Mine. KDL's Ellendale Diamond Mine is the world's leading source of rare fancy yellow diamonds, and ongoing operations will see continued access to an increasingly rare product in the diamond market."*

Current operations at Ellendale

KDL's Ellendale Diamond Mine is situated approximately 120km east of Derby, the West Kimberley Region of Western Australia. Ellendale Diamond Mine comprises three lamproite pipes which have a JORC Resource - E9, E4 and E4 satellite, with mining having previously been undertaken at both the E9 Mine (mining ceased in Q1/2015) and the E4 Mine (mining ceased in 2009). The E9 and E4 Mines also have associated surface stockpiles – E9 has both low grade ore and coarse tailings (lights) stockpiles and E4 has a run of mine ore stockpile.



Location of the E4 Mine in relation to the E9 Mine

Ellendale E9 Mine

KDL has been processing low grade ore stockpiles from its Ellendale E9 Mine since mining ceased at the E9 Mine in Q1/FY2015, with 1.74 million tonnes processed in the period from 1 October 2014 to date with an average grade of 1.95 cpht recovered. It is anticipated that the E9 low grade ore stockpile will be depleted in May 2015. E9 also has a lights stockpile, which has JORC Inferred Resource of 11.23 million tonnes, with an inferred grade of 1.1 cpht (Table 1).

Table 1: Ellendale E9 Lights Stockpiles Resource as at June 30th 2014

| SOURCE | ZONE | CLASSIFICATION | TONNES (Mt) | GRADE (cpht) | CARATS (Kcts) | VALUE (USD/ct) | BSS |
|----------------------|------------------|----------------|-------------|--------------|---------------|----------------|-------|
| E9 Lights Stockpiles | Main Lights Dump | Inferred | 11.23 | 1.1 | 118 | \$945 | 1.5mm |

*BSS = bottom screen size

Ellendale E4 Mine

Ellendale's E4 Mine also has a run of mine stockpile, which is classified as a Probable Reserve of 1.2 million tonnes with a grade of 9.4 cpht (Table 2). The E4 Mine was previously operated from August 2006 to February 2009. During this time, 10 million tonnes of ore was treated and 931,000 carats were recovered with an average grade of 9.3 cpht. The E4 Mine was placed on care and maintenance in February 2009 by its previous owners Gem Diamonds Limited after the fall in rough diamond prices following the onset of the global financial crisis. The E4 satellite pipe, located adjacent to E4, has not been mined to date.

Table 2: Ellendale E4 ROM Stockpile Reserve as at June 30th 2014

| SOURCE | ZONE | CLASSIFICATION | TONNES (Mt) | GRADE (cpht) | CARATS (Kcts) | VALUE (USD/ct) | BSS |
|-------------------|----------|----------------|-------------|--------------|---------------|----------------|--------|
| E4 ROM Stockpiles | E4 South | Probable | 1.2 | 9.4 | 111 | \$185 | 1.5 mm |

**BSS = bottom screen size*

Continued operations at Ellendale in FY2016

KDL intends that operations at Ellendale into FY2016 will be as follows:

- the processing of low grade stockpiles from the E9 Mine to continue until early May 2015, at which time it is anticipated that the E9 low grade stockpiles will be depleted;
- from early May 2015, KDL will begin the load and haul of ore stockpiles from the E4 Mine, transporting them to the E9 Mine to be processed at the E9 plant, together with some material from the E9 lights stockpile; and
- on completion of the E4 stockpiles, KDL will then continue to process lights from the E9 Mine, which it currently anticipates will continue until the end of 2015.

A further extension of operations beyond December 2015 will depend on the results from the continued operations, further improvements to operational efficiencies and the Australian dollar. The continued operations at the Ellendale Diamond Mine will provide the Company with ongoing revenue and future operating cash flows, and provide continued employment for the local community.

Production and revenue forecast for Ellendale operations

The extension of the operations at Ellendale beyond May 2015 and into FY2016 has resulted in the following production and revenue forecast for the period to 31 December 2015:

| | June-15 Qtr | Sep-15 Qtr | Dec-15 Qtr |
|------------------|--------------|--------------|--------------|
| Ore processed | 1,112,280 | 1,104,960 | 939,420 |
| Carats recovered | 67,645 | 51,161 | 11,743 |
| Carats Sold | 33,944 | 64,757 | 25,373 |
| Revenue (\$AUD) | \$15,886,005 | \$17,654,707 | \$18,008,125 |

The above forecast includes production from both the E9 stockpiles and the E4 stockpiles, assumes a USD/AUD exchange rate of \$0.77 and is based on current prices of diamonds. We note that the September quarter revenue will contain more diamonds derived from E4 which have an expected lower average price per carat than E9 sourced diamonds.

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About Kimberley Diamonds Ltd

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

Compliance Statement

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.