

MARKET UPDATE

(ASX: KDL) Kimberley Diamonds Ltd (**KDL**) would like to provide its shareholders with an update on its operations following strong production results coming out of its Ellendale Diamond Mine this month.

Ellendale Diamond Mine, Western Australia

Update on operations at Ellendale

Following our announcement on 1 April 2015 that we will continue operations at Ellendale past May 2015 and into FY2016, KDL has now:

- completed the processing of low grade stockpiles from our E9 Mine;
- commenced the load and haul of high grade ore stockpiles from our E4 Mine to our E9 plant for processing, using a contractor to undertake the haulage work; and
- obtained approvals from the WA Department of Mines and Petroleum (**DMP**) to mine alluvial gravels on our E9 project area and process these gravels at our E9 plant.

KDL has also commenced further sampling of our E9 coarse tailings stockpiles to refine the current grade estimates and confirm that the processing of these stockpiles is economically viable.



Hauling the E4 stockpiles to the E9 processing plant

Results from processing E4 stockpiles in May 2015

We have had strong results from our processing operations in May 2015, with an average of approximately 12,600 tonnes of E4 materials processed per day through the E9 plant, and a total of approximately 302,000 tonnes for the month of May to date (as at 23 May 2015), which is 8% ahead of our budget for this period. The daily average of 12,600 tonnes is also a 20% improvement over our processing results in March and April, when we were producing an average of 10,425 tonnes per day. A rolling preventative maintenance program is now fully implemented enabling the higher processing results. The average grade recovered to date from E4 is 8.3 cpht, which is lower than the expected 9.4 cpht, but this is compensated for by our stronger than expected production results.

These strong results are a direct result of the ongoing initiatives by our Ellendale management team, who have worked tirelessly to improve the output of our E9 plant and have worked closely with our staff and our contractors to ensure the success of the E4 haulage.

Approval obtained for alluvial mining at Ellendale's E9 Mine

KDL recently obtained approvals from the DMP to mine alluvial gravels on the E9 project area. KDL intends to mine alluvial gravels from palaeochannels on our E9 project area previously explored by Blina Minerals NL. These palaeochannels were originally river basins that filled with alluvial gravels formed through the erosion of diamond-bearing volcanic pipes and vents.

The alluvial ore will be hauled to the E9 plant along existing roads within the mining area and processed at the plant. Historical grades achieved when alluvial mining was discontinued in 2008 were up to 10 cph. An application is currently being prepared for submission to the DMP by the end of May, which, if approved, will expand the alluvial resource area.

Further cost saving initiatives

KDL's Management team has continued to take initiatives to extend the economic viability of the mine through increased efficiencies and reduced costs. We recently undertook a restructure of our Ellendale workforce to reflect our reduced operational requirements as we undertake load, haul and processing operations, which has resulted in cost savings of approximately \$200,000 per month.

Assistance with capital raising for Lerala

As previously announced, KDL is looking to raise funds (debt or equity) to recommission its Lerala Diamond Mine in Botswana. KDL has engaged Summit Capital Ltd (**Summit**), a company associated with KDL's Chairman, Mr Alex Alexander, to provide advisory services in respect of KDL's efforts to raise funds for the recommissioning of Lerala (**Mandate**). The Board of KDL is satisfied that this engagement is on arms length and ordinary commercial terms.

The key terms of the Mandate are as follows:

- KDL will pay Summit commission of 2% of the total value of any funds received by KDL as debt and 5% of any funds received as equity, arising from any funding agreement introduced and negotiated by Summit, with the total commission payable capped at the maximum amount allowed to be paid without shareholder approval under ASX Listing Rule 10.1; and
- the Mandate will terminate on 18 November 2015, unless the capital raising completes earlier, or unless terminated earlier by agreement between the parties.

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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.