

MARKET UPDATE

Voluntary administrators appointed to subsidiary

(ASX: KDL) Kimberley Diamonds Ltd (**KDL**) regrets to announce that it has been forced to suspend operations at its Ellendale Diamond Mine and place its subsidiary, Kimberley Diamond Company Pty Ltd (**KDC**), the holder of the Ellendale mining licence, into voluntary administration. Sule Arnautovic, Trajan John Kukulovski and Chris Williamson of Jirsch Sutherland have been appointed as administrators of KDC, with effect from this afternoon.

While KDC has seen strong processing results at Ellendale in recent months and has initiated a number of successful cost cutting initiatives, KDC revenues have been negatively impacted by lower recovered grades and lower size distributions and, as a result, lower prices have been realised. In particular, prices achieved at the auction held last week in Antwerp were significantly lower than those forecasted, resulting from a sharp, unexpected decline in the rough diamond market. As a result, KDC is unable to continue trading solvently and the KDC board has been left with no option but to place KDC into external administration.

The voluntary administration does not apply to KDL or its other subsidiaries which hold the interests in the Lerala Diamond Mine in Botswana or the Lomero-Poyatos project in Spain.

KDL has recently secured debt finance which allows KDL to commence the re-commissioning of the Lerala Diamond Mine, which, once re-opened, will provide KDL with significant revenue streams for the life of mine of approximately 7 years with significant potential for extension.

Update to 30 June 2015 announcement

Further to our announcement on 30 June 2015 regarding KDL securing debt finance for the Lerala Diamond Mine, we provide the following additional information:

- In accordance with clause 26 of the JORC Code (2012), we set out below the table in relation to the Resource estimate referred to in the announcement:

Source	Resource Classification	Tonnes Mt	Grade cph	Carats K cts	Value (USD/ct)	Bottom Screen Size Cut-Off (mm)
All Pipes	Indicated Resource	8.5	32.8	2,799	74	1.00 mm
All Pipes	Inferred Resource	1.8	25.4	454	78	
All Pipes	Total Resource	10.3	31.5	3,253	74	1.00 mm

- The approval of KDL shareholders will be required under ASX Listing Rule 7.1 before any KDL shares are issued to the lender, Zhejiang Huitong Auction Co, under the terms of the loan agreement entered into with that party.

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The information in this report that relates to Mineral Resources at the Lerala diamond mine is extracted from the ASX announcement titled “Mineral Resource and Ore Reserve Statement”, created on 30 September 2014. 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 the 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.