

LUMP SUM TURNKEY CONTRACT FOR LERALA PLANT MODIFICATIONS EXECUTED

(ASX: KDL) Kimberley Diamonds Ltd (**KDL**) is pleased to announce that the Board has approved the recommencement of mining, processing and diamond sales operations at the Lerala Diamond Mine in Botswana, and has approved the expenditure of AUD\$14.6m to be spent on upfront capital items required to bring the plant and mine to a state of readiness.

KDL has entered into a lump sum turnkey contract (**Consulmet Agreement**) with Consulmet (Pty) Limited (**Consulmet**), for modifications to the plant at Lerala, to allow the plant to operate more effectively, and allow it to reliably treat 200 tonnes per hour. KDL has been in ongoing discussions with Consulmet regarding the plant modification work since 2014. In September 2014, KDL announced that it had engaged Consulmet to undertake the design and detailed engineering work to effect the proposed plant modifications. This work was completed by December 2014.

The execution of the Consulmet Agreement is a key step towards the recommissioning of the plant at the Lerala Diamond Mine, and recommencement of mining at Lerala. Consulmet will be paid approximately AUD\$9.83 million to undertake the plant modifications, and is scheduled to complete the work by February 2016.

Discussions with Consulmet had been on hold since December 2014 until KDL was able to raise the funds required to proceed with the modifications. As announced on 30 June 2015, KDL has received the first AUD\$5 million under the terms of a loan agreement (**Loan Agreement**) entered into with a third party lender, Zhejiang Huitong Auction Co Ltd (**Zhejiang**). Under the terms of the Loan Agreement, Zhejiang has agreed to provide KDL with a total loan of AUD\$10 million. A significant portion of these funds will be used for the payment of the fees due to Consulmet under the terms of the Consulmet Agreement.



The crusher at the Lerala Diamond Mine

Who is Consulmet?

Consulmet is a South African based company which specialises in the design, supply and construction of mineral processing plants, and has significant experience designing plants for diamond producers, having operated in Africa since 1993.

Recent diamond projects undertaken by Consulmet include the design, supply and/or installation of diamond plants for Jagersfontein Developments (South Africa), Transhex (South Africa), Venetia Mine (De Beers, South Africa), Ghaghoo Mine (Gem Diamonds, Botswana), Alexkor (South Africa), Koidu Kimberlite (Sierra Leone), Murowa Diamonds (Rio Tinto, Zimbabwe), Namakwa Diamonds (South Africa & Lesotho), Diacor CC (South Africa) and BHP Billiton (Angola). Consulmet has also been involved in various Kimberlite projects in Lesotho, Angola and Tanzania.

About the Lerala Diamond Mine

The Lerala Diamond Mine is situated in north-east Botswana, approximately 34km north of the Martin's Drift Border Post with South Africa, and comprises five kimberliferous pipes totalling 6.66ha in size. The kimberlites were discovered by De Beers in the early 1990s and subject to limited mining by DiamonEx in 2009. Most recently, Mantle Diamonds Limited (**Mantle**) operated the mine between February and July 2012, producing 73,403 carats from 0.26 Mt at 28.2 cpht. The mine and processing plant was placed on care and maintenance in July 2012. KDL acquired Mantle in February 2014.



The processing plant at the Lerala Diamond Mine

The current total Resource estimate for the Lerala kimberlites is 10.3 Mt at an average grade of 31.5 cpht equating to approximately 3.3 million carats. Once in production, Lerala has a current forecasted

life of mine of 7 years treating 1.4 million tonnes of ore per annum and producing an average of 357,000 carats per year.

Timeline for re-commissioning Lerala

With Consulmet to commence work on the plant modifications in late July, provided that there are no delays in this work, or any other external delays, KDL intends to commence mining in February 2016 at the Lerala Diamond Mine, and to ramp up the plant commissioning and processing of existing run of mine stockpiles in February 2016. If the timing of the recommissioning remains on schedule, then KDL intends for the first diamond sale to be held in March 2016.

For further information please contact:

Noel Halgreen
Managing Director
noel.halgreen@kdl.com.au

Holly Taylor
Corporate Communications
holly.taylor@kdl.com.au

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. 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 this announcement:

Source	Resource Classification	Tonnes Mt	Grade cpht	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