

MARKET UPDATE

(ASX: KDL) Kimberley Diamonds Ltd (**KDL**) would like to provide its shareholders with an update on recent activities.

Consulmet Team Hit the Ground Running

As announced on 20 July 2015, Consulmet (Pty) Limited (**Consulmet**) was recently awarded the lump sum turnkey contract for the plant modification work to be undertaken at the Lerala Diamond Mine (**Lerala**). Last week, an advance team from Consulmet arrived at Lerala to prepare for the plant refurbishment work. The photo below show key members of the Consulmet project team in discussions with Lerala personnel.



Morne Lindeque, Consulmet Manager Infrastructure with Vasco Setete, Lerala Superintendent and Deon Vermeulen, Lerala Project Manager, at the Lerala Diamond Mine.

This week, on Tuesday, 4 August, additional personnel from Consulmet arrived and commenced the task of dismantling some of the redundant equipment, specifically the secondary crusher, pan plant, diamond recovery module and the associated conveyors. These items have been determined by KDL and external consultants to be significant impediments to the effective and efficient operation of the plant and have been designated for redesign and replacement.

To date the key activities in the overall project schedule have gone smoothly and the project remains on track for diamond production commencing during commissioning in February 2016.



Members of the Consulmet team including Wade Quinn, Project Manager, Martin Rautenbach, Construction Director and Morne Lindeque, Manager Infrastructure on site at the Lerala Diamond Mine with Lerala Project Manager, Deon Vermeulen.

Kimberley Diamond Company Pty Ltd placed into liquidation

As previously announced, KDL's subsidiary, Kimberley Diamond Company Pty Ltd (**KDC**), was placed into voluntary administration by its directors on 1 July 2015. The action was necessitated by poor auction results in June that arose from an unexpected decline in the rough diamond market. Jirsch Sutherland was appointed as administrator for KDC and its subsidiaries.

The creditors of KDC and its subsidiaries (**KDCG**) yesterday voted to place the KDCG into liquidation. Jirsch Sutherland has been appointed as the liquidator. KDL put forward a Deed of Company Arrangement (**DOCA**) proposal which, in our view, was in the best interest of all creditors and likely to achieve a better outcome than liquidation. Unfortunately, the creditors did not vote in favour of this DOCA, and as a result, the KDCG is now in liquidation.

At this stage, it is unclear what effect the liquidation of the KDCG will have on KDL, which is a secured creditor of KDC. KDL remains owed an outstanding amount of approximately AUD\$1.8 million from KDC, which we expect to recover in full from the sale of diamonds at auction in September. We will provide shareholders with an update in due course, when matters progress further.

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