



LERALA DIAMOND MINE

August 2015 **A bright new future**



KIMBERLEY DIAMONDS LTD

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Investment Case

Kimberley Diamonds Ltd – Lerala Diamond Mine

- **Strong commodity**, demand is forecast to significantly exceed supply over the medium term
- **7 year mine life** with multiple life extension possibilities
- **NPV₈ of A\$ 84.9 million**, life of mine Net Cash Flow of A\$ 122 million, Net Cash Flow margin of 36%
- Low capex of A\$ 14.9m required to bring the project into production, A\$ 10 million already raised
- Forecasted payback period of 1.5 years
- Diamond Production to begin February 2016



Corporate Snapshot Kimberley Diamonds Ltd

Listed on the ASX in February 2012

Ticker: ASX:KDL

A\$ 0.24 – 0.06 52 Week Range

As at 30 June 2015

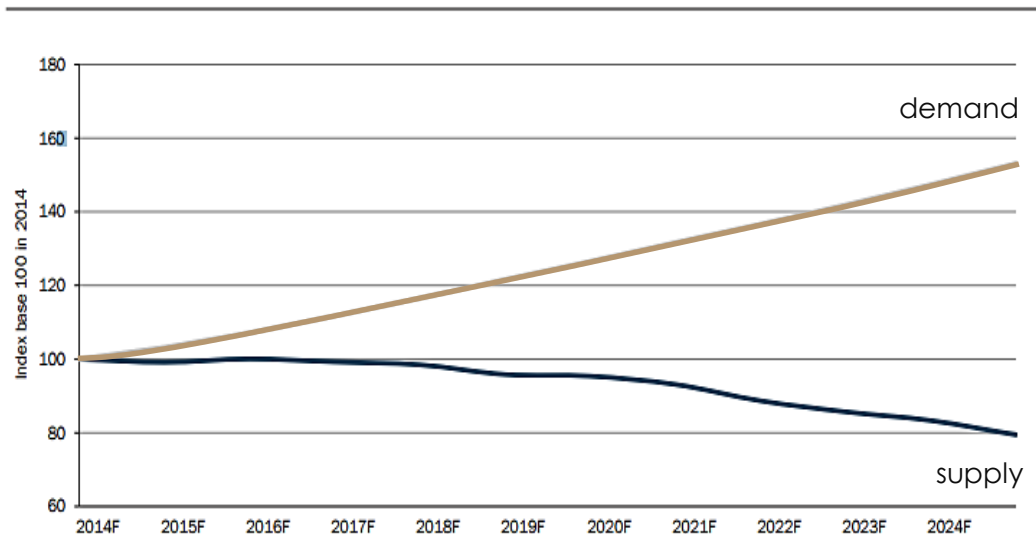
- **105,740,349** Shares outstanding
- **5,500,000** Options Outstanding
- **A\$ 12.7M** Market Cap
- **A\$ 4.9M** Cash on hand
- **A\$ 5.0M** Debt



Lerala Diamonds

The Company's current focus is the recommissioning of the **Lerala Diamond Mine** in Botswana to take advantage of a forecast shortage of rough diamond supply

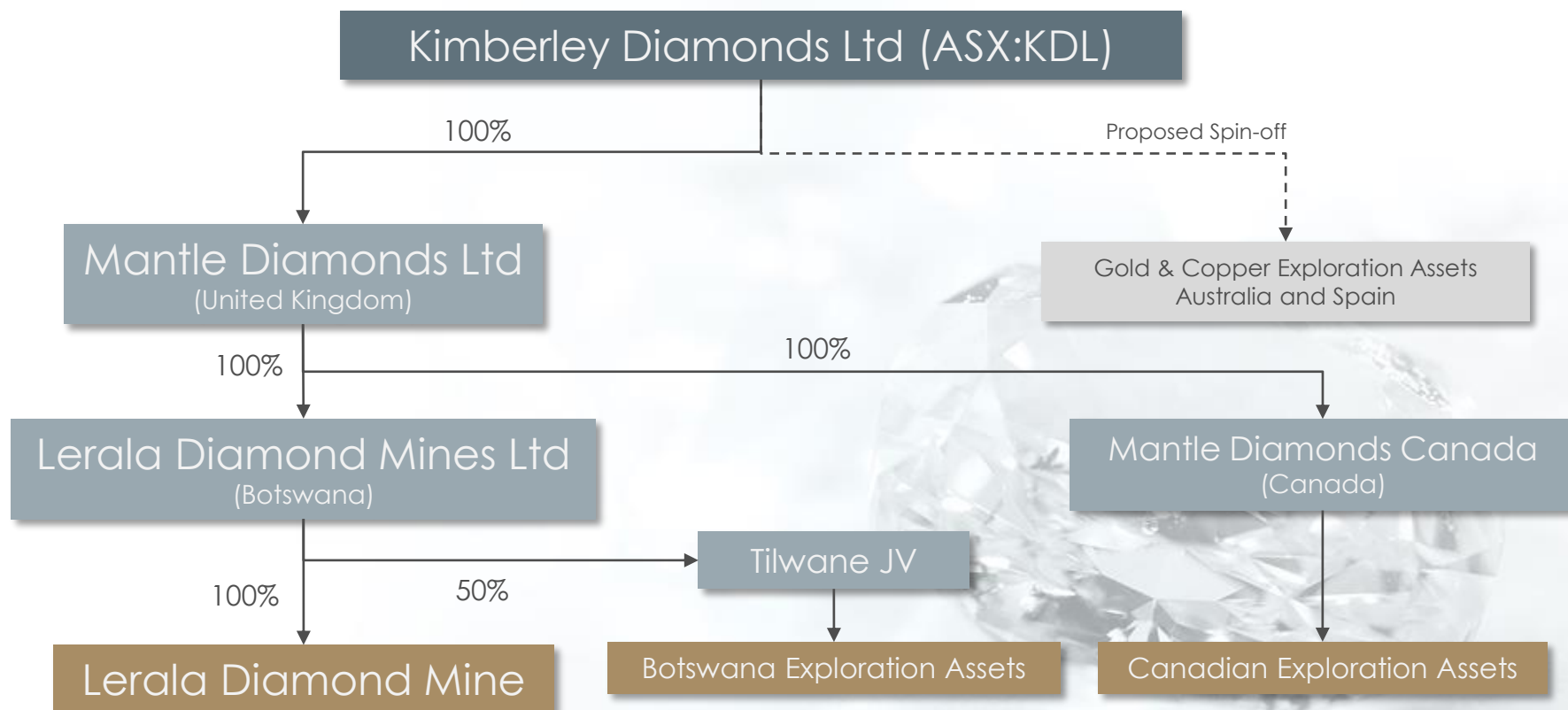
SUPPLY/DEMAND CURVE BASED ON MCKINSEY FORECASTS



Source: McKinsey Global Institute: McKinsey & Company, Perspectives on the Diamond Industry, Sep 2014

Company Structure

Kimberley Diamonds Ltd



Lerala Diamond Mine Overview and Highlights

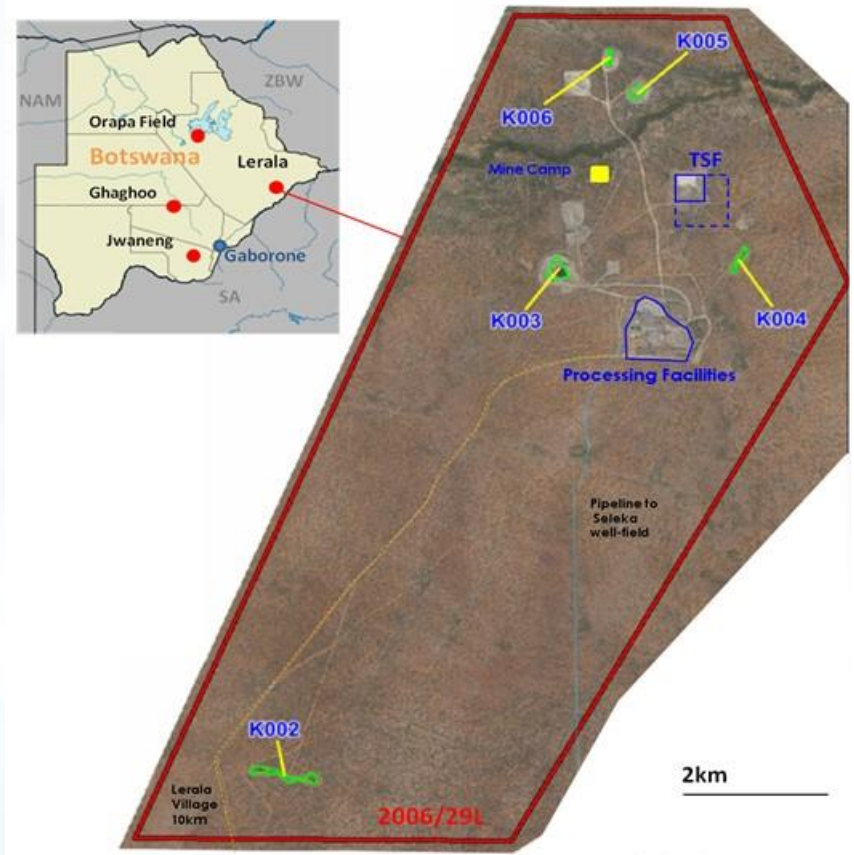


- Located in Botswana, a stable, pro-mining country
- Five diamond bearing kimberlite pipes to be mined
- 10.3 Mt Resource with an average grade of 31.5 cpht
- Existing process plant undergoing a A\$ 9.8m refurbishment
- Total Upfront Capital Expenditure of A\$ 14.9m
- Production to begin in February 2016
- 1.4 million tonnes of ore to be processed per annum
- Average of 357,000 carats recovered per annum
- Current 7 year mine life
- Opportunity to extend mine life
- Net Cash Flow of A\$ 127m over the life of mine
- Modelled project **NPV₈ of A\$ 84.9m** to Kimberley Diamonds Ltd

Details of the Resource, Production target and material assumptions underpinning this valuation can be found on slides within this presentation

Lerala Diamond Mine Location and Layout

- Located in the Central District of Botswana, 300 km north east of the capital city Gaborone and 30 km west of the border with South Africa
- Mining Licence 2006/29L covers approximately 22 km² and is valid till 2021
- Mining Licence includes five diamond bearing kimberlites together with existing mining and processing infrastructure
- The mine and processing plant is powered by diesel fuelled generators and sources excess water via a pipeline from the Seleka Well Field
- Labour and services will be sourced from the local villages including the Lerala Village located 10 km south west of the mining licence



Lerala Diamond Mine

Resource Statement

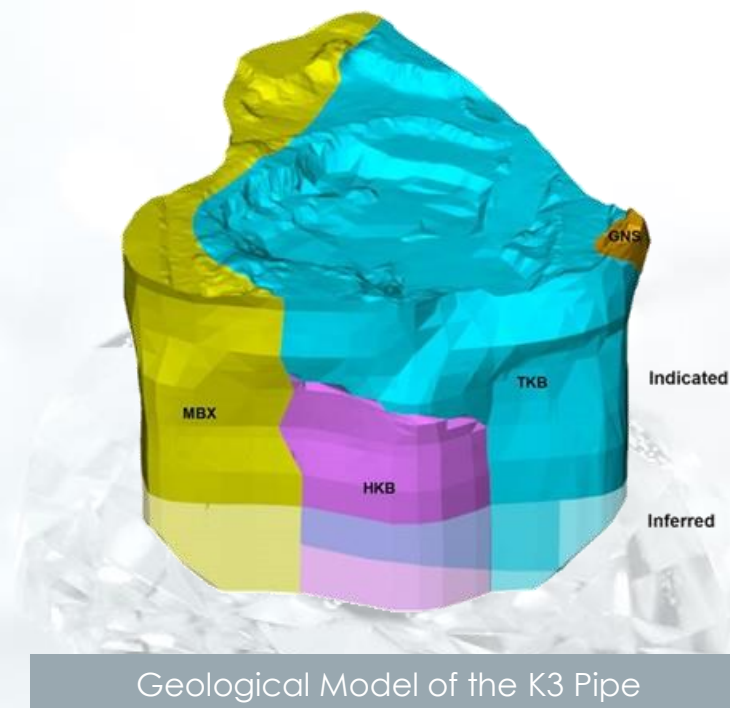
As at 30 June 2014

Source	Classification	Tonnes Mt	Grade cpht	Carats K cts	Value	BSS [#]
K2	Indicated	3.1	25.4	799	61	1.00mm
K3		2.8	44.1	1,253	79	
K4		0.7	53.7	381	79	
K5		1.5	17.8	274	79	
K6		0.3	30.7	89	79	
Indicated Resource		8.5	32.8	2,796	74	
K3	Inferred	1.50	26.7	401	79	
K4		0.20	21.0	42	79	
Tailings		0.07	14.3	10	40	
Inferred Resource		1.77	25.6	453	78	
Total Resource		10.3	31.5	3,253	74	1.00mm

** Rounding may result in computational discrepancies

BSS = Bottom Screen Size Cut Off

The information in this report that relates to Mineral Resources and Ore Reserves 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



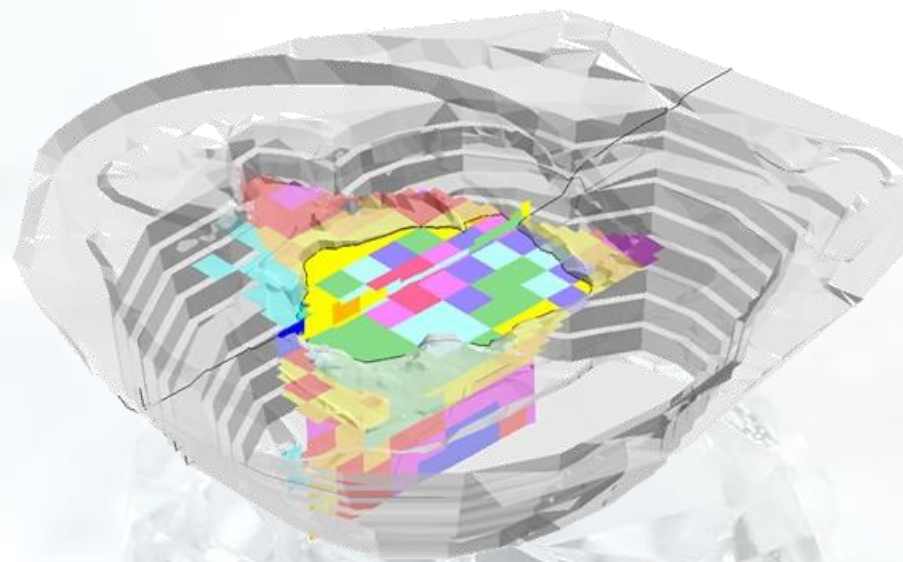
Lerala Diamond Mine

Reserve Statement

As at 30 June 2014

Source	Classification	Tonnes Mt	Grade cpht	Carats K cts	Value
K2	Probable	0.8	35.3	286	61
K3		2.7	32.3	865	79
K4		0.6	32.2	197	79
K5		0.7	20.0	134	79
K6		0.2	29.9	59	79
Total Reserves		5.0	31.0	1,541	73

** Rounding may result in computational discrepancies
BSS = Bottom Screen Size Cut Off



Proposed Open Pit Design for the K3 Pipe

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Lerala Diamond Mine

The People

- Skilled and experienced leadership team at the mine.
- Highly experienced technical team in Sydney will assist site.
- Intent is to employ over 100 local employees during 6 month recommissioning phase of the project.
- Key expat roles identified to lead and train in critical areas including Process, Maintenance and Safety.
- Recruitment for Supervisor positions will commence immediately with all other roles to commence in September 2015.
- Key strategy is to recruit the right person in the right role and embed a high performing, transparent culture.
- Focus on world class safety standards with *Zero Tolerance* from the outset.
- Local community collaboration has been and will continue to be a key consideration in recruitment and ongoing community initiatives.



Lerala Diamond Mine Timeline to Production

- **Jul 15** – A\$ 10m Debt finance secured
 - Provided by Jhejiang Huitong Auction Co Ltd
 - Interest rate of 5% per annum payable by KDL
 - To be repaid in full at the end of FY17
 - Up to A\$ 3.3m of the loan is convertible to equity
- **Aug 15** – Plant refurbishment to begin
 - Lump Sum Turn Key contract with Consulmet
- **Oct 15** – Final Environmental Approval
- **Oct 15** – Mining Contractor to be appointed
- **Jan 16** – Processing plant commissioning
- **Feb 16** – Mining operations to begin
- **Feb 16** – Ore processing to begin
- **Apr 16** – First diamond sales expected



A sample of Lerala Diamonds

Lerala Diamond Mine Capital Budget Items

- KDL will spend **A\$ 14.9m on capital items** to bring the Lerala Mine back into production.
- **A\$ 9.8m** of this total figure relates to a risk minimising **Lump Sum Turn Key contract** signed with respected mineral processing consultants *Consulmet* to redesign, replace and refurbish elements of the processing plant.
- A further **A\$ 1.2m** is to be spent on the upgrade and expansion of the existing **tailings dam**.
- Other significant budgeted items include:
 - **A\$ 0.4m on Critical Spares**
 - **A\$ 0.4m on Contract Miner Mobilisation**
- A capital budget **contingency of 5%** has provided for.
- Approximately **A\$ 1.0m per annum** has been budgeted in **Sustaining Capital Expenditure** over the life of the mine
- In addition, **A\$ 1.8m** has been allocated to tailings dam expansion and crusher replacement in **2019**

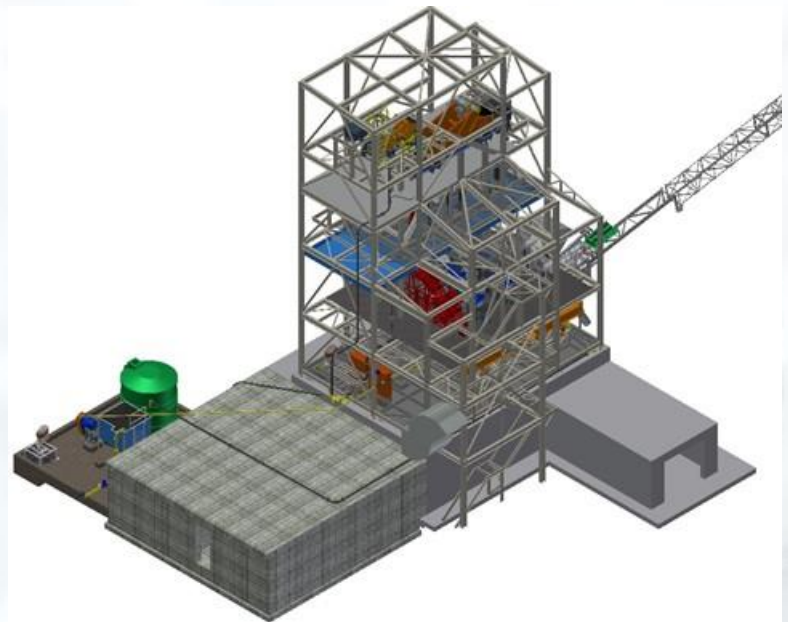




Lerala Diamond Mine Recommissioning the Processing Plant

Experienced KDL staff have undertaken detailed on-site reviews of the processing facilities. In consultation with reputable mineral processing consultants, *Consulmet*, solutions have been designed to overcome the problems that inhibited previous operators of the mine. Following the completion of the proposed upgrades, the Company is confident the plant will **achieve a reliable throughput of 200 tph** and an annualised production rate of 1.4 Mtpa.

- **Completely new recovery section** to enhance first pass diamond recovery and minimise diamond loss.
- **New Secondary Crusher** to improve diamond liberation and processing reliability
- **Insertion of a Scrubber and Trommel** to handle wet ore and maintain throughput
- **Implement Automated Thickener Control** to ensure a consistent and optimised tailings treatment philosophy
- **Additional Surge Capacity** to decouple sections of the plant, reduce downtime and maintain head feed rates
- **Centralised and automated control system** to coordinate and optimise processing parameters across the plant



3D drawing of the completely new Recovery Section

Lerala Diamond Mine Recommencement of Mining

- Previous operators of the mine have undertaken commercial scale mining at the K3 and K6 pit.
- The current mine plan calls for steady state mining rate of 132,000 BCMs (340,000 tonnes) per month
- The company will employ contract mining to reduce upfront capital expenditure and ongoing maintenance costs
- Tenders for the mining contract have been sought and received with a short list and final decision to be made within the next 3 months
- It is envisaged that the mining contractor will mobilise in December 2015 and will commence mining in February 2016
- Water is currently being pumped from the K3 pit to the K6 pit in preparation for mining to commence



View of the existing K3 pit

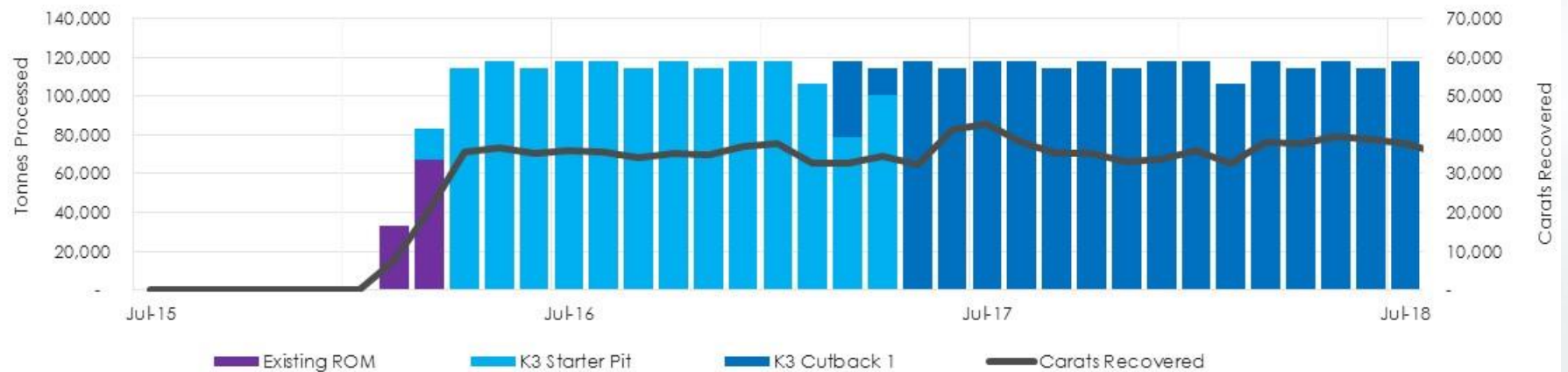
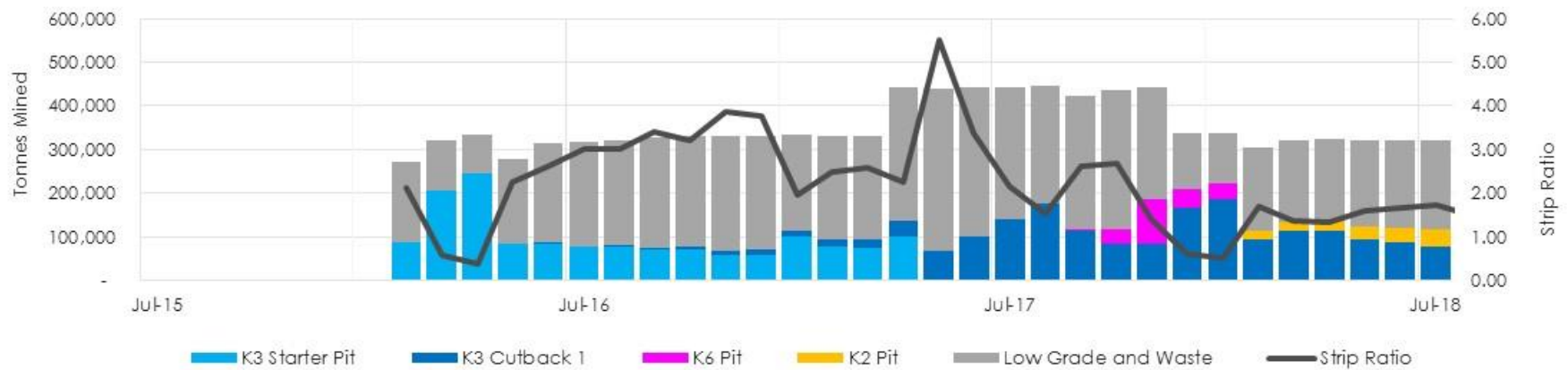


View of the existing K6 pit



Lerala Diamond Mine

Initial Three Year Production Schedule



Lerala Diamond Mine

Life of Mine Cash Flow Forecast

		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	TOTAL
Tonnes Mined	Mt	1.5	4.3	4.5	4.0	4.0	7.5	2.7	0.0	28.4
Ore Treated	Mt	0.5	1.4	1.4	1.4	1.4	1.4	1.4	0.2	9.0
Carats Sold	Kcts	101	418	445	421	356	346	336	78	2,500
Gross Revenue	A\$m	11.1	48.6	55.0	55.2	49.5	51.0	52.7	13.0	336.1
Net Revenue	A\$m	9.1	42.9	48.5	48.7	43.7	45.0	46.5	11.5	295.9
Total Operating Costs	A\$m	-9.4	-21.1	-21.5	-19.2	-19.0	-25.1	-16.6	-0.9	-132.9
Net Operating Cash Flow	A\$m	-0.3	21.8	27.0	29.5	24.6	19.9	30.0	10.6	163.0
Total Capital Expenditure	A\$m	-14.9	-0.8	-0.9	-1.6	-1.8	-0.8	-0.9	-0.1	-21.8
Botswana Corporate Tax	A\$m	0.0	0.0	0.0	-2.2	-4.8	-4.8	-4.9	-2.3	-19.1
Net Asset Cash Flow	A\$m	-15.2	21.0	26.1	25.7	18.0	14.4	24.2	8.1	122.2
PROJECT NPV 8%	A\$m	84.9								
Net Cash Flow Margin			43%	48%	46%	36%	28%	46%	62%	36%

The production target and financial forecasts presented in the table above are based on the material assumption provided in the following slide. The Resources underpinning the production target have been prepared by a competent persons in accordance with the requirements in Appendix 5A (JORC Code)

Lerala Diamond Mine

Material Assumptions related to the Cash Flow Forecast

- Conventional open pit mining
- Plant recovery factor: 95%
- Overall Plant Utilisation: 85%
- Ore dilution and losses: 0%
- Bottom cut off size: 1.0 mm
- Year 1 diamond price of US\$ 79 /ct
- Diamond Price Escalation of 4% p.a.
- Marketing and royalty costs: 11.75%
- No cost inflation
- A strengthening USD
- 0.72 per AUD decreasing by 2% pa
- 0.078 per RAND decreasing by 5% pa
- Constant RAND per BWP of 0.787
- Accumulated tax losses of BWP 140M

	Ore Tonnes	Ind	Inf.	Exp.	Grade	Carats
ROM Stockpile	100,000		100%		23.75	23,750
K3 Starter pit	1,468,299	100%			30.73	451,146
K3 cutback 1	1,992,498	100%			31.38	625,247
K6 pit	221,722	100%			28.04	62,173
K2 pit	2,538,330	95%		5%	26.63	675,840
K4 pit	552,128	100%			29.80	164,509
K5 pit	690,835	100%			18.99	131,179
K3 cutback 2	1,425,473	76%	24%		25.68	366,106
Total	8,989,286	93%	5%	2%	27.81	2,499,951

IND = Indicated, INF = Inferred, EXP = Exploration Target

There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised

The potential quantity and grade of an exploration target is conceptual in nature, there has been insufficient exploration to determine a mineral resource and there is no certainty that further exploration work will result in the determination of mineral resources or that the production target itself will be realised.



Tilwane Joint Venture

A high quality exploration Asset ready to be drilled



- Joint Venture with Tilwane Services (Pty) Ltd
- KDL has earned a 50% interest in the project and has the option to earn a further 20% by spending A\$ 1.0M over the next 18 months
- Two exploration permits covering 162 km² and are located approximately 60 km east of three large DeBeers mines within Botswana
- Previous soil sampling over the areas has returned numerous and widespread kimberlite indicator minerals and microdiamonds.
- Geophysics and geochemical analysis has identified 15 high priority targets ready for low cost drilling

Republic of Botswana

Sovereign Risk Overview

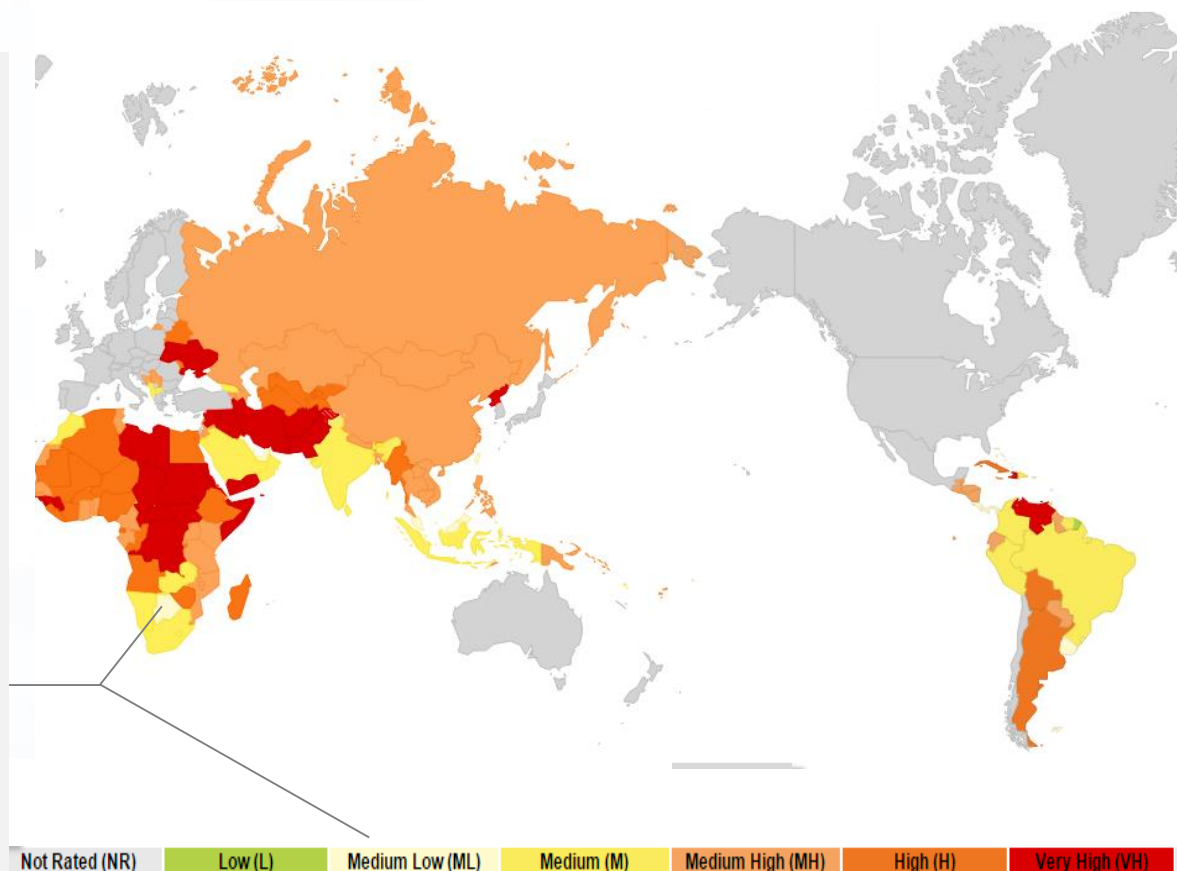
BOTSWANA

Core Views

- Lowest political risk in Africa
- Stable democratic government
- Economic growth averaging around 4.5% annually
- Mining sector set to remain a key engine of growth.

Risks

- Dependence on imported energy and food
- Uncertain energy supplies pose a persistent risk to economic activity within Botswana



Source: BMI Research

Contacts

Alex Alexander
Chairman

Noel Halgreen
Managing Director

Sydney Office
L39 Australia Square Tower
264 George Street
Sydney NSW 2000
Australia
+61 (0) 2 8243 7500
Info@kdl.com.au

Lerala Diamond Mines Limited
P. O. Box 211008
Bontleng
Gaborone
Botswana

www.kdl.com.au

