

CONVERSION OF \$1.5 MILLION DEBT TO EQUITY

(ASX: KDL) Kimberley Diamonds Ltd (**KDL**) and its lender, Huitong Auction Co Ltd (**Zhejiang**) have agreed to convert \$1.5 million of KDL's current \$12 million debt to 15 million KDL shares at a share price of \$0.10 per share.

Zhejiang has agreed for these shares to be escrowed for a period of 12 months from the date of their issue.

As previously reported, KDL entered into a loan agreement (**Loan Agreement**) with Zhejiang for the provision of \$10 million debt finance, which was amended in October 2015 to provide for a further \$3 million debt. At 27 January 2016, \$12.05 million had been advanced to KDL, and the remaining funds are scheduled to be advanced in February 2016.

Under the terms of the amended loan agreement, Zhejiang may elect for up to a further \$1.5 million of the loan to be repaid in KDL shares, subject, if required, to shareholder approval.

The shares will be issued under KDL's 15% capacity under ASX Listing Rule 7.1.

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