



Mr Tom Hambrett
Adviser, Listings Compliance
ASX Compliance
20 Bridge Street
Sydney NSW 2000

By email: tom.hambrett@asx.com.au

4 February 2016

Dear Mr Hambrett

Kimberley Diamonds Ltd: ASX Appendix 5B Query

We refer to your correspondence dated 1 February 2016 in relation to the Appendix 5B released by Kimberley Diamonds Ltd (the **Company**) on 29 January 2016.

We respond to each of your numbered points as follows:

1. The Company expects that it will continue to have negative operating cash flows until the re-commissioning of the Lerala Diamond Mine in Botswana is completed, mining and diamond production commences and diamond sales are undertaken. The Company currently estimates that the first diamond sale will occur in June 2016, with monthly sales and hence ongoing revenues expected thereafter. The Company is currently aiming to be cash flow positive in October 2016. In the meantime, the Company is reliant on capital raising activities, including debt, to fund its ongoing activities.
2. Yes, the Company has taken, and continues to take, steps to raise further cash to fund its operations. As previously announced to the market, the Company has raised \$13 million in debt finance, with \$12.05 million in total already advanced to the Company. \$1.5 million of this debt was recently converted to equity. Under this facility, the Company has \$950,000 remaining to be advanced, which it expects to receive in February 2016. The Company also highlights the following initiatives being undertaken to raise cash to fund its operations:
 - (a) on 3 February 2016, the Company's Botswana subsidiary, Lerala Diamond Mines Limited, entered into an agreement with a third party for the sale of USD\$6 million of diamonds to be recovered from its Lerala Diamond Mine after production commences, with USD\$1 million to be advanced as a pre-payment during Q3, 2016;
 - (b) the Company is in advanced discussions with a number other external parties for possible equity or debt financing for the Lerala Diamond Mine; and the Company is considering undertaking an equity raising during Quarter 3, 2016.

The Company is not currently in a position to determine whether these discussions are likely to be successful, but will update the market in due course.

3. Yes. The Company expects to be able to continue its operations and to meet its business objectives. Estimated expenditures for Q3, 2016 are \$5,839,000. To meet these estimated expenditures, the Company notes the following:
 - (a) at the end of Q2, 2016, it had \$361,000;
 - (b) since the end of Q2, 2016, it has received a further \$1.33 million under its existing debt facility, and has \$950,000 remaining to be advanced;
 - (c) on 3 February 2016, the Company's Botswana subsidiary, Lerala Diamond Mines Limited, entered into an agreement with a third party for the sale of USD\$6 million of diamonds, with USD\$1 million to be advanced as a pre-payment under this agreement during Q3, 2016; and
 - (d) the Company currently expects to be able to meet the balance of its estimated expenditures for Q3, 2016 through either:
 - a. an equity raising such as a rights issue; or
 - b. debt or equity financing based on discussions which are ongoing with external parties, the outcome of which will be announced in due course.
4. The Company confirms that, to the best of its knowledge, it is in compliance with Listing Rule 3.1 and that there is no information that should be given to the ASX about its financial condition in accordance with that Rule that has not already been released to the market.

Yours faithfully



Laila Green
Company Secretary and CFO
Kimberley Diamonds Ltd



1 February 2016

Ms Holly Taylor
General Counsel
Kimberley Diamonds Ltd
Level 39, Australia Square Tower
264-278 George Street, SYDNEY NSW 2000

By email: holly.taylor@kdl.com.au

Dear Ms Taylor,

Kimberley Diamonds Ltd ACN 150 737 563 (the “Entity”): ASX Appendix 5B Query

I refer to the Entity’s quarterly report in the form of Appendix 5B for the period ended Thursday, 31 December 2015 lodged with ASX Market Announcements Platform on Friday, 29 January 2016 (the “Appendix 5B”).

ASX notes that the Entity has reported:

- negative net operating cash flows for the quarter of \$4,660,000;
- cash at the end of the quarter of \$361,000; and
- estimated cash outflows for the next quarter of \$5,839,000.

It is possible to conclude on the basis of the information provided in the Appendix 5B that if the Entity were to continue to expend cash at the rate for the quarter (and at the rate estimated for the next quarter) indicated by the Appendix 5B, the Entity may not have sufficient cash to continue funding its operations. In view of that, please respond to each of the following questions:

1. Does the Entity expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does the Entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?



4. Can the Entity confirm that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market?

Please also provide any other information that the Entity considers may be relevant to ASX forming an opinion on whether the Entity is in compliance with Listing Rule 12.2.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **9.30am AEDT on Thursday, 4 February 2016**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail or by facsimile to +61 2 9241 7620. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.



If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[sent electronically without signature]

Tom Hambrett

Adviser, Listings Compliance (Sydney)