



# LERALA DIAMOND MINE

MARCH 2016 **READY TO GO**



KIMBERLEY DIAMONDS LTD



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## Kimberley Diamonds Ltd

### Lerala Diamond Mine – Project Highlights

A **new diamond miner** ready to take advantage of the forecast supply-demand gap in rough diamonds over the medium term

- **85% of funding committed\*** to bring Lerala Diamond Mine into production
- Updated project valuation of **NPV A\$ 105 million**
- **Nine Year Life of Mine**
- **Upgraded Resource & Reserve Estimate**
- **Mining to Commence in March 2016**
- **Diamond Production to begin in April 2016**
- **First Diamond Sale scheduled for June 2016**



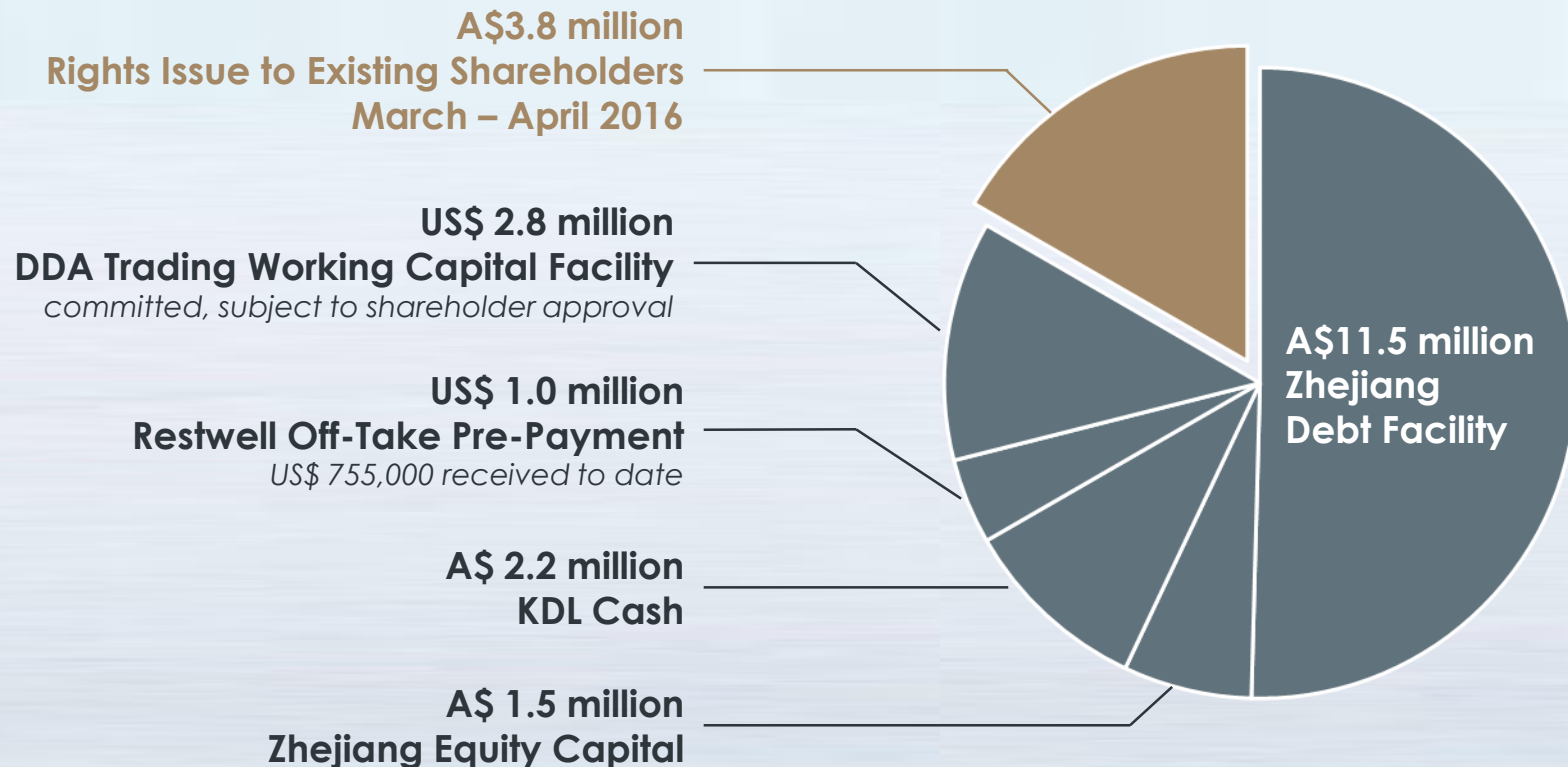
diamonds previously recovered from Lerala

\*see next slide for more details

## Kimberley Diamonds Ltd

### Lerala Diamond Mine – Funding Status

**85% of funding in place** to bring the Lerala Diamond Mine into production

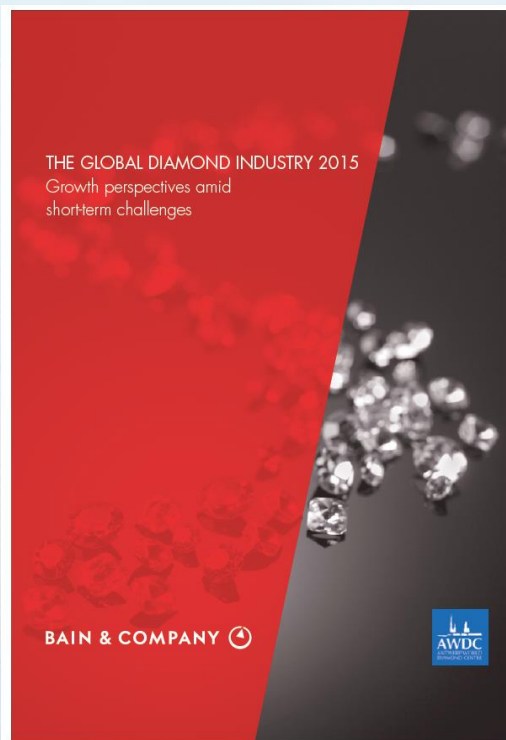




## Kimberley Diamonds Ltd

### Diamond Supply-Demand Forecast

**The outlook for diamonds prices is positive** with demand for rough diamonds forecast to significantly exceed supply over the next 15 years



Rough Diamond supply demand, US\$ billions at 2015 prices

Modified from Figure 39 "The Global Diamond Industry 2015" Bain & Company

# Kimberley Diamonds Ltd

## Lerala Diamond Mine – Independent Valuation Report

**Lerala Diamond Mine independently valued at A\$ 105 million**

An increase of 24% over KDL's previously announced in-house valuation

**VenmynDeloitte.**

**Independent Valuation Report on the Lerala Diamond Mine in Botswana for Kimberley Diamonds Limited**

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 264 George Street  
 Sydney, New South Wales, 2000  
 Australia

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 MSc (Min Eng.), MPM, BSc(Hons. (Min Eng.)), Grad CIS  
 MSAIMM, Pr Eng, MIAA, MAusIMM  
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 QSSA, GASA, SAIMM, Pr-Sci.Nat.  
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 B.Sc. Hons. (Geol.),  
 QSSA, Pr-Sci.Nat.  
 Associate Director

Reference No: VMD1929a  
 Valuation Date: 31 December 2015  
 Effective Date: 31 December 2016  
 Final Report Date: 23 February 2016

**VenmynDeloitte.**

Independence you can trust

Item	Unit	Venmyn Valuation	Previous KDL Valuation
Tonnes Mined	Mt	33.47	28.43
Tonnes Processed	Mt	12.61	8.99
- portion of Probable Reserves	%	~ 95%	~93%
- portion of Inferred Resources	%	~ 5%	~5%
- portion of Exploration Target	%	-	~2%
Carats Recovered	Mct	3.08	2.5
Starting Mining Location	Pipe	K3	K3
Starting Diamond Price	USD/ct	79	79
Average LOM selling price	USD/ct	82	90
Average LOM AUD:USD		0.59	0.67
Average OPEX	A\$/t proc.	12.83	14.78
Life of Mine CAPEX	A\$M	22.3	21.8
Total Net Cash Flow	A\$M	165	122
Discount Rate	%	10%	8%
<b>Valuation Life of Mine (DCF)</b>	<b>A\$M</b>	<b>93</b>	<b>85</b>
Value of Resource outside LOM	A\$M	12	0
<b>Total Valuation</b>	<b>A\$M</b>	<b>105</b>	<b>85</b>

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

## Kimberley Diamonds Ltd Corporate Snapshot

Listed on the ASX in February 2012

Ticker: **ASX:KDL**

**A\$ 0.160 – 0.055** 52 Week Range

As at 25 Feb 2015

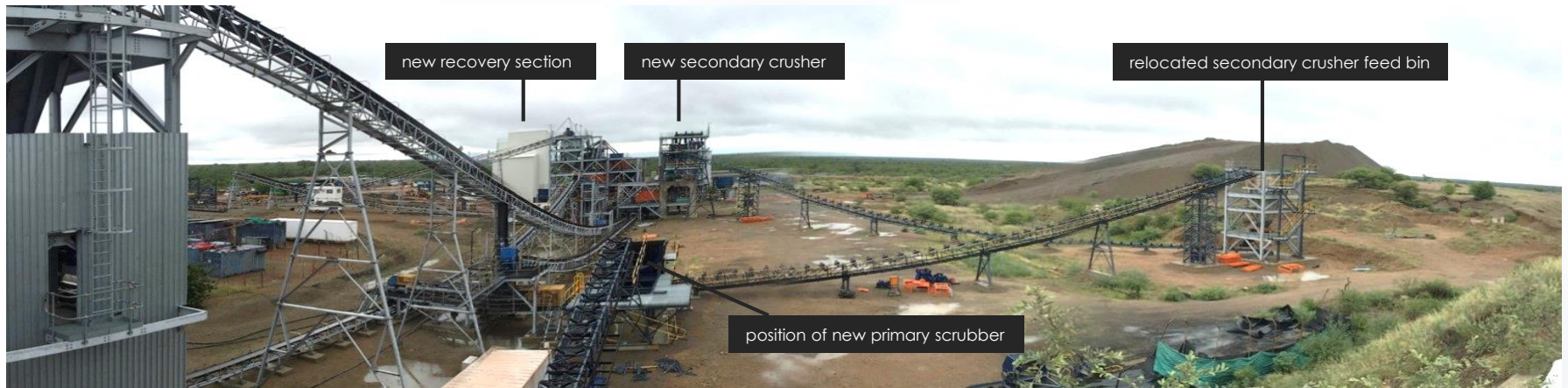
- **120,740,349** Shares Outstanding
- No Options Outstanding
- **A\$ 14.5M** Market Cap
- **A\$ 11.5M** Debt
- **A\$ 1.10M** Cash on hand



Diamonds previously recovered from Lerala



## Lerala Diamond Mine Overview and Highlights



- Located in Botswana, a stable, pro-mining country
  - Five diamond bearing kimberlite pipes to be mined
  - 20.1 Mt Resource with an average grade of 24.2 cpht
  - A\$ 9.4M refurbishment of process plant nearing completion
  - Total Upfront Capital Expenditure of A\$ 14.0M
  - 1.4 million tonnes of ore to be processed per annum
  - Average of 336,000 carats recovered per annum
  - Mine life upgraded to 9 years
  - Mining scheduled to begin in March 2016
  - Basil Read contracted to conduct mining
  - Net Cash Flow of A\$ 165M over the Life Of Mine
  - Project **NPV of A\$ 105M** to Kimberley Diamonds Ltd independently assessed by Venmyn Deloitte
- Details of the Resource, Production target and material assumptions underpinning this valuation can be found on slides within this presentation



# Republic of Botswana

## Sovereign Risk Overview

### BOTSWANA

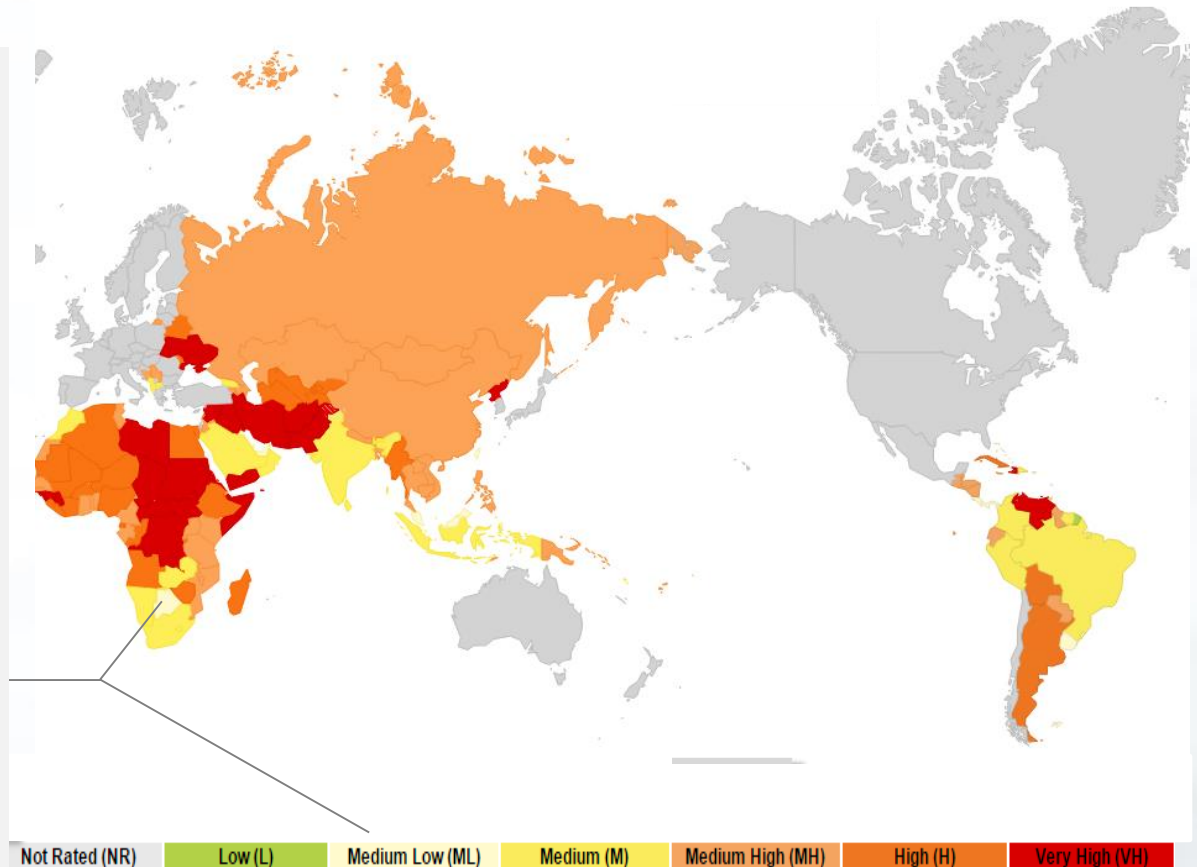
#### Core Views

- 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

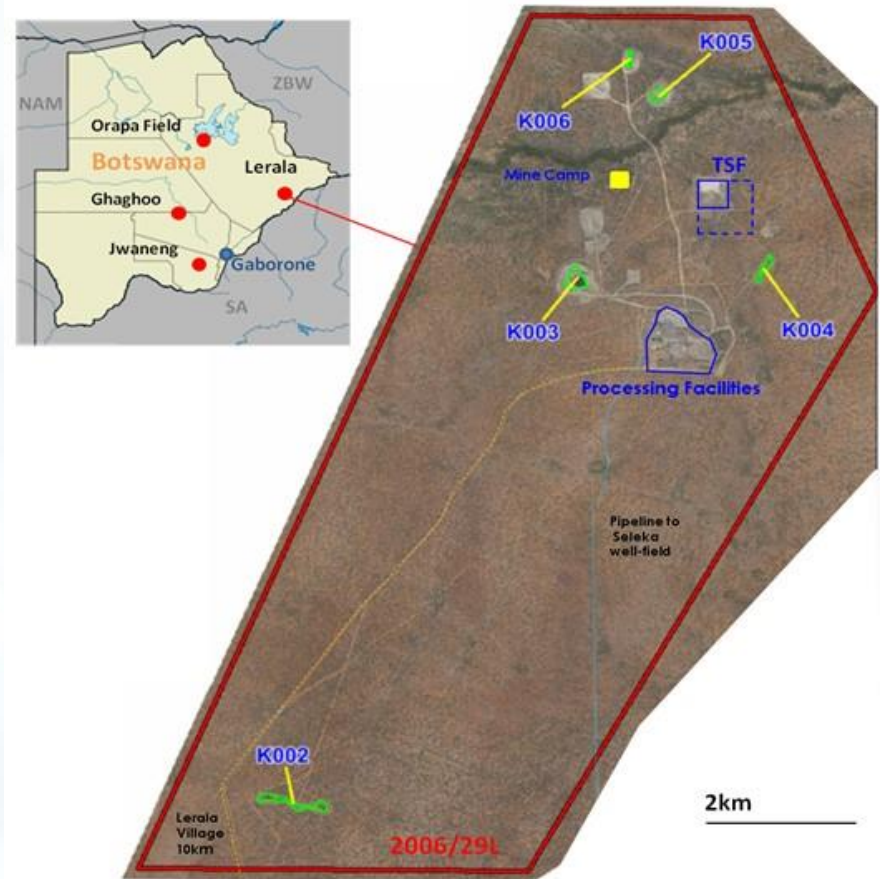
- Dependence on imported energy and food
- Uncertain energy supplies pose a persistent risk to economic activity within Botswana

Source: BMI Research



## 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 km<sup>2</sup> and is valid till 2021
- Mining Licence includes five diamond bearing kimberlites together with existing mining and processing infrastructure
- The mine and processing plant are powered by diesel fueled generators and source 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 Site Photos



K3 Pipe post dewatering in preparation for the recommencement of mining in March 2016



Construction of new recovery circuit



New Secondary crusher installed



KDL staff overseeing process plant refurbishment



## Lerala Diamond Mine Resource Statement

SOURCE	CLASSIFICATION	MILLION TONNES	cpht	Mct	USD/ct	BSS#
K2	INDICATED	6.3	20.5	1.29	\$61	1.00mm
K3		4.6	30.4	1.40	\$79	
K4		1.8	31.0	0.55	\$79	
K5		2.3	25.7	0.59	\$79	
K6		-	-	-	-	
ROM Stockpiles		0.1	22.5	0.02	\$79	
<b>SUB TOTAL</b>		<b>15</b>	<b>25.6</b>	<b>3.85</b>	<b>\$73</b>	
K2	INFERRED	0.9	13.8	0.13	\$61	
K3		1.5	28.6	0.41	\$79	
K3 Marginal Breccia		1.2	9.9	0.12	\$79	
K4		0.3	32.2	0.09	\$79	
K5		0.2	46.1	0.11	\$79	
K6		0.4	28.3	0.12	\$79	
De Beers Tailings		0.4	5.5	0.02	\$40	
Low-Grade Stockpiles		0.1	8.9	0.01	\$79	
<b>SUB TOTAL</b>		<b>5.1</b>	<b>20.2</b>	<b>1.01</b>	<b>\$76</b>	
<b>TOTAL</b>	<b>RESOURCES</b>	<b>20.1</b>	<b>24.2</b>	<b>4.86</b>	<b>\$74</b>	<b>1.00mm</b>

As at 31 Dec 2015

\*\* 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 - revised", created on 11<sup>th</sup> January 2015. 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



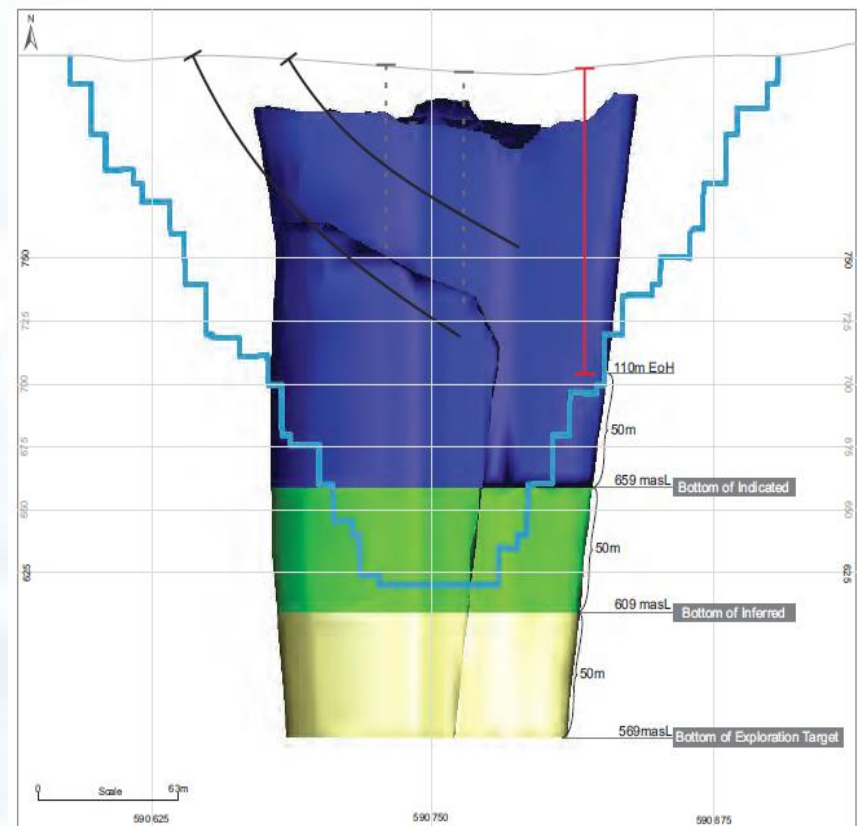
## Lerala Diamond Mine Reserve Statement

SOURCE	CLASSIFICATION	MILLION TONNES	cpht	Mct	USD/ct
K2	PROBABLE	3.0	23.8	0.71	\$61
K3		4.8	28.2	1.36	\$79
K4		1.5	26.6	0.40	\$79
K5		2.4	22.7	0.53	\$79
K6		-	-	-	-
<b>TOTAL</b>	<b>RESERVES</b>	<b>11.7</b>	<b>25.8</b>	<b>3.01</b>	<b>\$75</b>

As at 31 Dec 2015

\*\* Rounding may result in computational discrepancies

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 - revised", created on 11<sup>th</sup> January 2015. 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

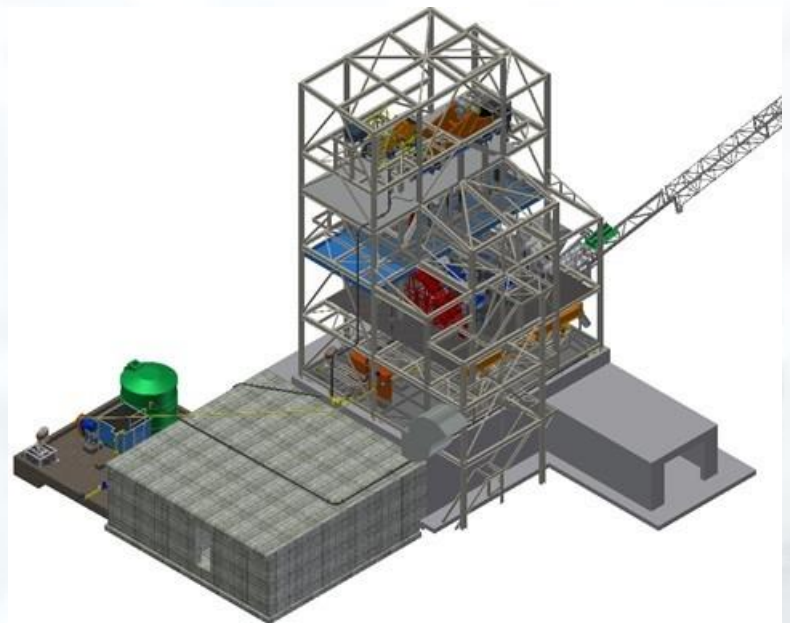


Cross Section through the geological model of the K3 pipe showing Resource categories and the proposed open pit

## Lerala Diamond Mine Recommissioning the Processing Plant

KDL engaged Consulmet, a leading South African mining engineering company with extensive diamond plant experience, to **redesign sections of the processing plant to achieve a reliable throughput of 200 tph** for an annualised production rate of 1.4Mtpa and enhanced diamond recovery.

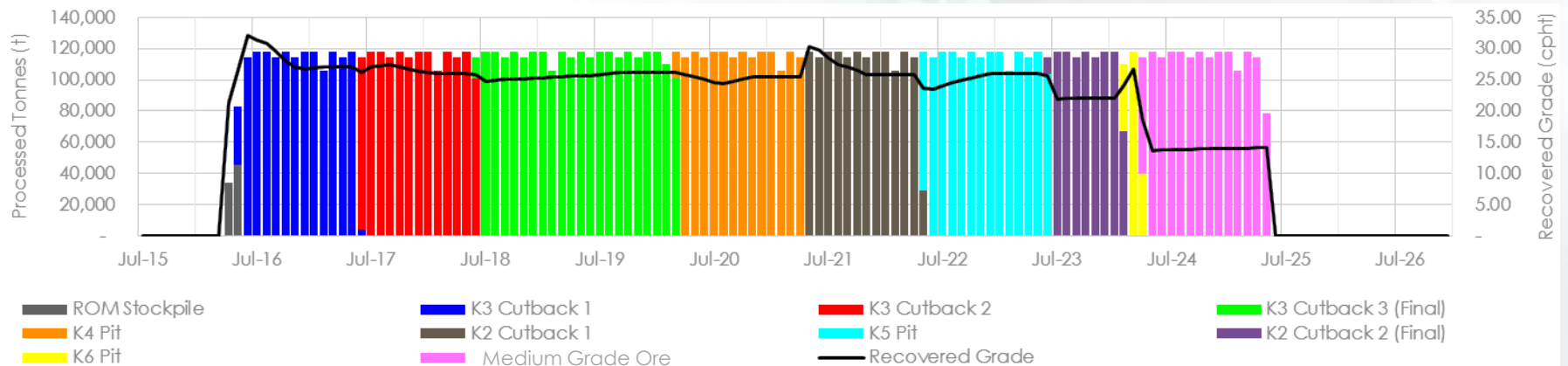
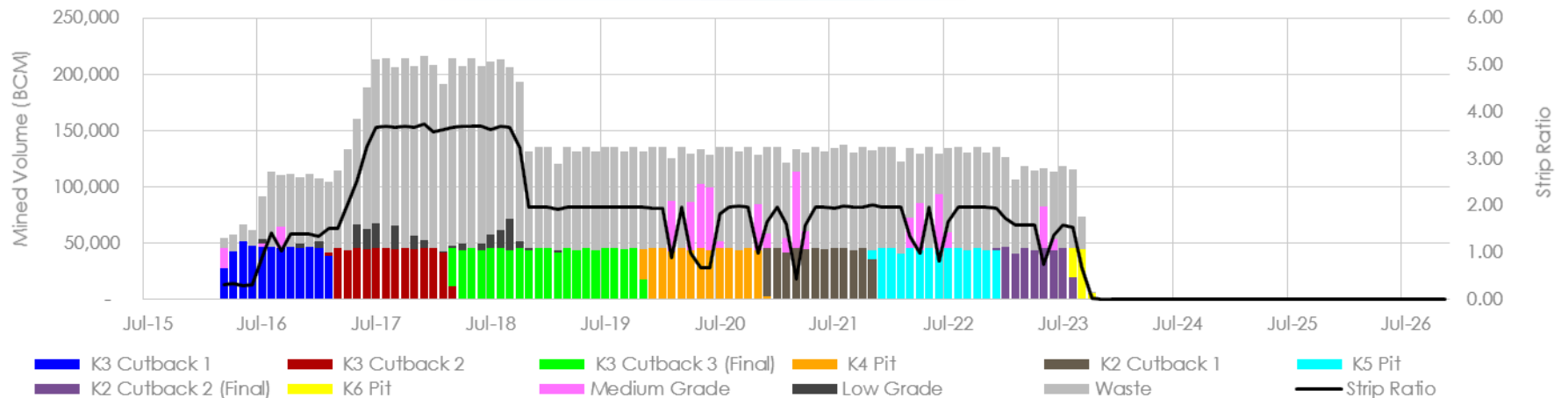
- **Completely new recovery section** to enhance first pass diamond recovery and minimise diamond loss
- **New Secondary Crusher** to improve diamond liberation and processing reliability
- **Insertion of a Scrubber and Trommel** to handle wet ore and maintain throughput
- **Implement Automated Thickener 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

## Life of Mine Production Schedule



# Lerala Diamond Mine

## Project Funding: July 15 to May 16 - A\$ millions

	Sources	Uses	
DDA Working Capital Facility <b>committed</b> , subject to shareholder approval US\$ 2.8million	3.8	3.8	Pre First Sale Operating Expenses
Rights Issue to Existing Shareholders March – April 2016	3.8	3.4	Other Capital Expenses
Restwell Off Take Pre-Payment <b>US\$ 755,000 received to date</b> ; US\$1.0 million total	1.4	1.2	Tailings Dam
Zhejiang Equity Capital <b>received</b>	1.5	9.4	Lump Sum Turn Key Contract to refurbish the Process Plant
Zhejiang Debt Facility <b>received</b>	11.5	4.6	Corporate, Administration and Financing Expenses
		0.5	Consultants and Legal Fees
		0.3	Travel
KDL Cash	2.0	0.5	Commission on debt and equity
		0.2	Exploration



## Lerala Diamond Mine Zhejiang Debt Facility & Equity Capital

- Initially announced to the market on 30 June 2015
- Debt provided by Zhejiang Huitong Auction Co Ltd
- Total of A\$ 13.0 million debt has been provided to date of which **A\$1.5 million has been converted to equity** at A\$0.10 per share as announced on 29 January 2016
- **A\$11.5 million Debt Outstanding**
- An interest rate of 5% per annum payable by KDL
- Debt to be repaid in full at the end of FY17



The Lerala process plant prior to refurbishment by KDL

## Lerala Diamond Mine Restwell Off-take Agreement

- Announced to the market on 4 February 2016
- Sales Agreement between KDL and Restwell Investments Pty Ltd to purchase US\$6 million worth of diamonds from Lerala at a price agreed to between the parties
- **Restwell has agreed to pre-pay US\$1.0 million (A\$1.4 million) to KDL. US\$ 755,000 has been received to date.**
- The US\$1 million will be repayable by the supply of diamonds from Lerala to Restwell



Diamonds previously recovered from Lerala

## Lerala Diamond Mine

### DDA Working Capital Facility & Off-Take Agreement

- KDL has secured a **US\$2.8 million (A\$3.8 million) working capital loan facility** from Belgian based diamond auction house DDA Trading BVBA, subject to shareholder approval
- The facility will be available from April – September 2016, will attract an interest rate of 10% on drawn funds and is secured by collateral of diamonds produced by the Lerala Diamond Mine

The loan facility is interconditional with the following (all subject to KDL shareholder approval):

- Lerala to appoint DDA as the exclusive sales and marketing agent for diamonds produced from the mine for a period of 3 years (with an option to renew for a further 2 years if agreed)
- Lerala to supply DDA with at least US\$5.0 million worth of diamonds from the mine at a discount to their valuation
- KDL to issue DDA with 5,000,000 KDL options with an exercise price of A\$0.20, expiring 3 years from the issue date



Diamonds previously recovered from Lerala



## 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 9 months
- Two exploration permits covering 162 km<sup>2</sup> 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





## Contacts

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