



LERALA DIAMOND MINE

MAY 2016 Production Begins



KIMBERLEY DIAMONDS LTD



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Kimberley Diamonds Ltd

Lerala Diamond Mine

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

Key Milestones Reached

- **First Kimberlite Ore Mined** on 21st April 2016
- **First Blast Completed** on 23rd April 2016
- **First Kimberlite Ore Fed Into The Plant** on 30th April 2016
- **First Diamonds Recovered** on 2nd May 2016

Project Highlights

- Independent valuation of **NPV A\$ 105 million**
- **Nine Year Life of Mine**
- **First Diamond Sale** currently scheduled for June 2016



diamonds previously recovered from Lerala



First Blast of the K3 Pit by KDL at the Lerala Diamond Mine



First Kimberlite Ore being Mined and Hauled from the K3 Pit at the Lerala Diamond Mine



First Kimberlite Ore being fed into the Processing Plant at the Lerala Diamond Mine



Kimberlite Ore from the Primary Crusher being fed into the New Primary Scrubber



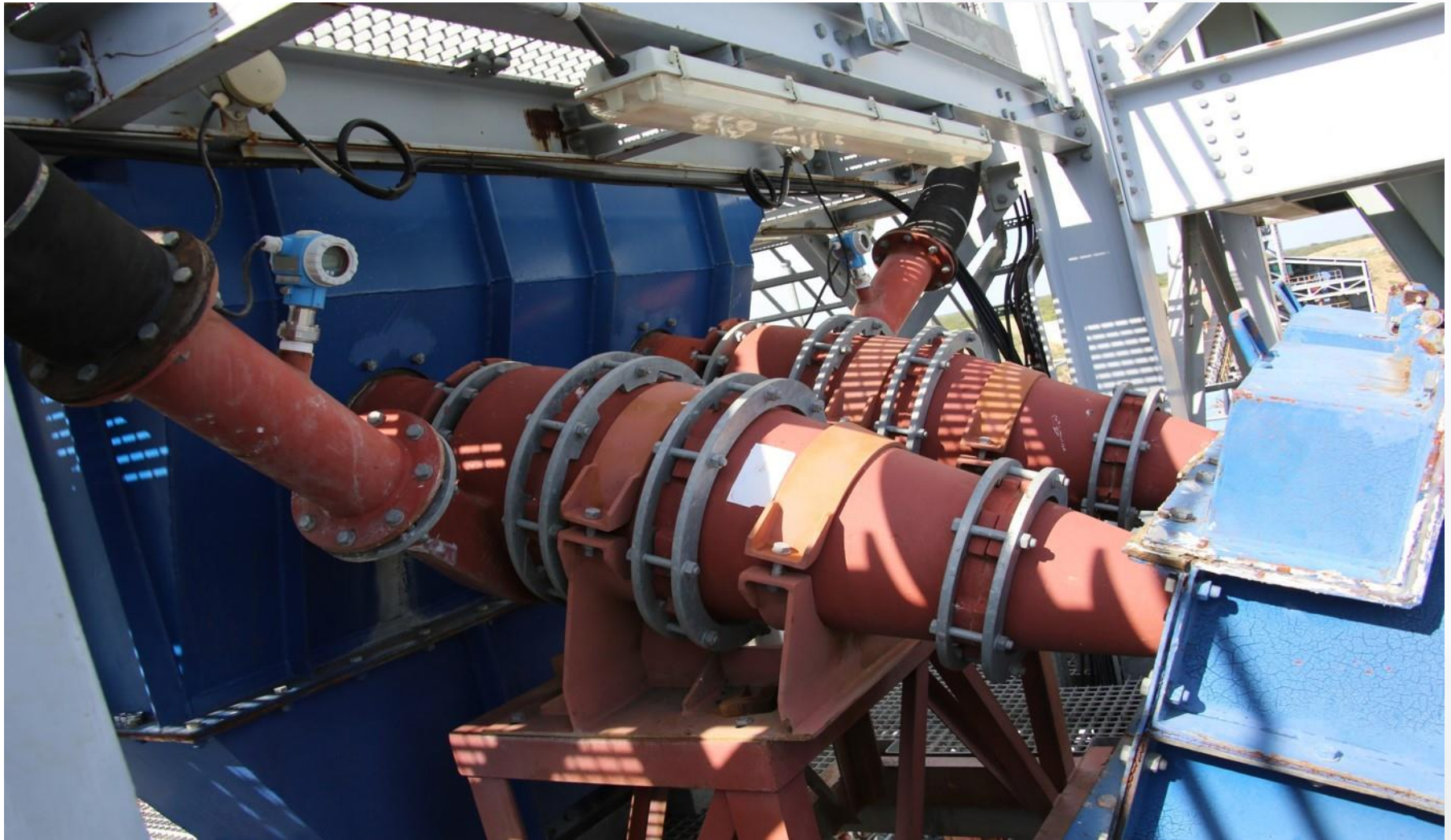
Kimberlite Ore passing through the new Primary Scrubber and Trommel



Kimberlite Ore passing over Sizing Panels in the Vibrating Secondary Screen



Scrubbed and Screened Ore being conveyed to the 400 tonne bin prior to being fed into the DMS (Dense Medium Separator)



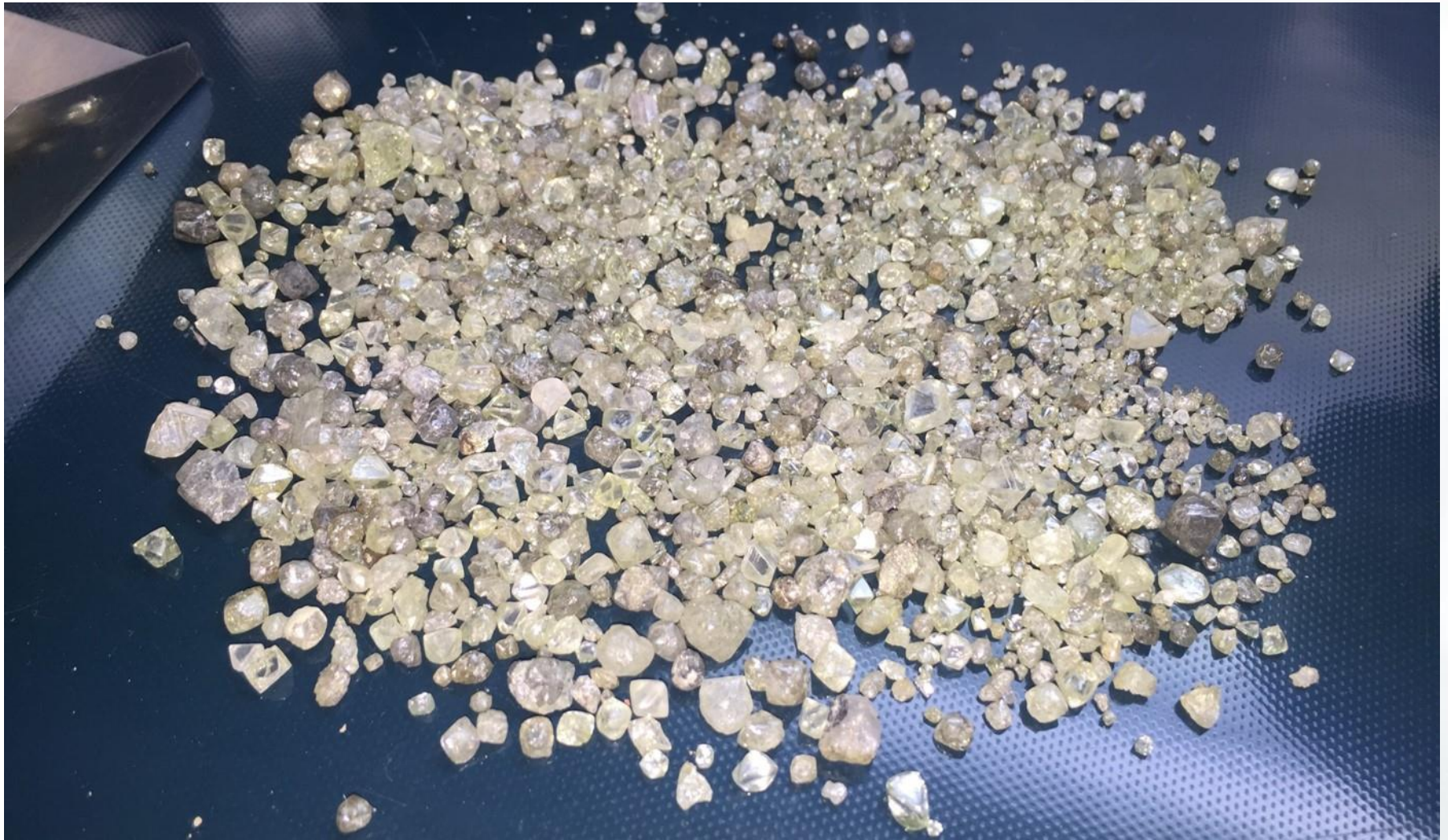
DMS Cyclones, where dense diamond bearing kimberlite is separated from less dense barren kimberlite



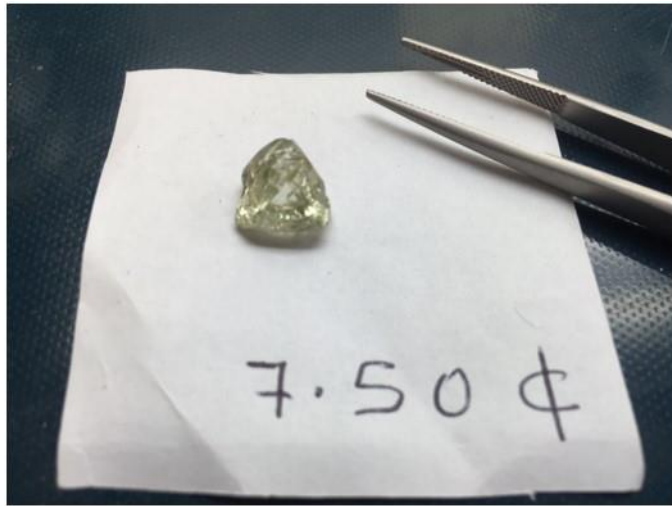
Barren Kimberlite rock from the DMS being conveyed to the Coarse Tailings Dump



X-ray Flowsort machines in the New Recovery Building prior to commissioning. Used to extract diamonds from the dense DMS concentrate



A sample of diamonds recovered by KDL from the Lerala Diamond Mine



A selection of diamonds recovered by KDL from Lerala showing good colour and octahedral shape

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
- 1.4 million tonnes of ore to be processed per annum
- Average of 336,000 carats to be recovered per annum
- Mine life of 9 years
- 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

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 16 May 2016

- **139,059,650** Shares Outstanding
- **12.0M @ 20c** Options Outstanding
- **A\$ 13.8M** Market Cap
- **A\$ 14.7M** Debt
- Including A\$ 1.0M diamond pre-payments
- **A\$ 0.9M** Cash on hand



Diamonds Recovered by KDL from Lerala





Kimberley Diamonds Ltd

Lerala Diamond Mine – Independent Valuation Report

Lerala Diamond Mine independently valued at A\$ 105 million in February 2016

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

Kimberley Diamonds Limited
L39 Australia Square Tower
264 George Street
Sydney, New South Wales, 2000
Australia

G. Njowa
MSc (Min Eng.), MPM, BSc(Hons. (Min Eng.)), Grad CIS
MSA/MM, Pr Eng, MIAA, MAusIMM
Independent Expert and Valuator

A.J. de Klerk
B.Sc., B.Sc. Hons. (Geol.), G.D.E. (Min. Eng.),
QSSA, GASA, SAMM, Pr-Sci.Nat.
Senior Manager

F.J. Harper
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

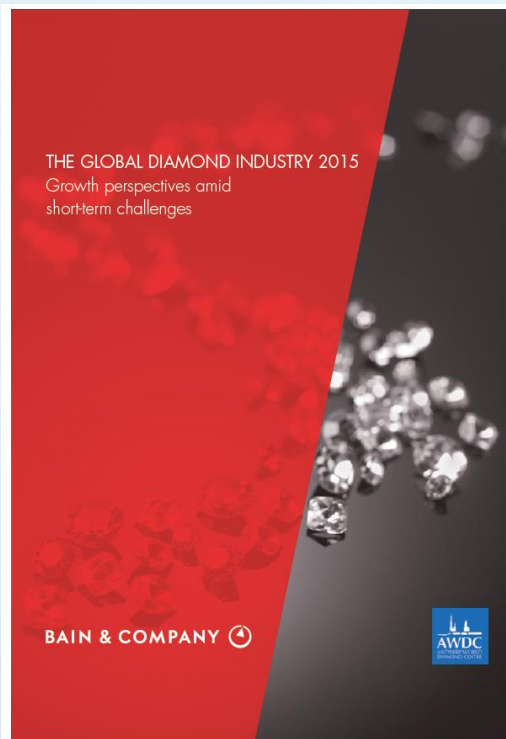
Item	Unit	Venmyn Valuation	Previous KDL Valuation
Tonnes Mined	Mt	33.47	28.43
Tonnes Processed	Mt	12.61	8.99
- portion of Probable Reserves	%	~ 95%	~93%
- portion of Inferred Resources	%	~ 5%	~5%
- portion of Exploration Target	%	-	~2%
Carats Recovered	Mct	3.08	2.5
Starting Mining Location	Pipe	K3	K3
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%
Valuation Life of Mine (DCF)	A\$M	93	85
Value of Resource outside LOM	A\$M	12	0
Total Valuation	A\$M	105	85

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

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

Republic of Botswana

Sovereign Risk Overview

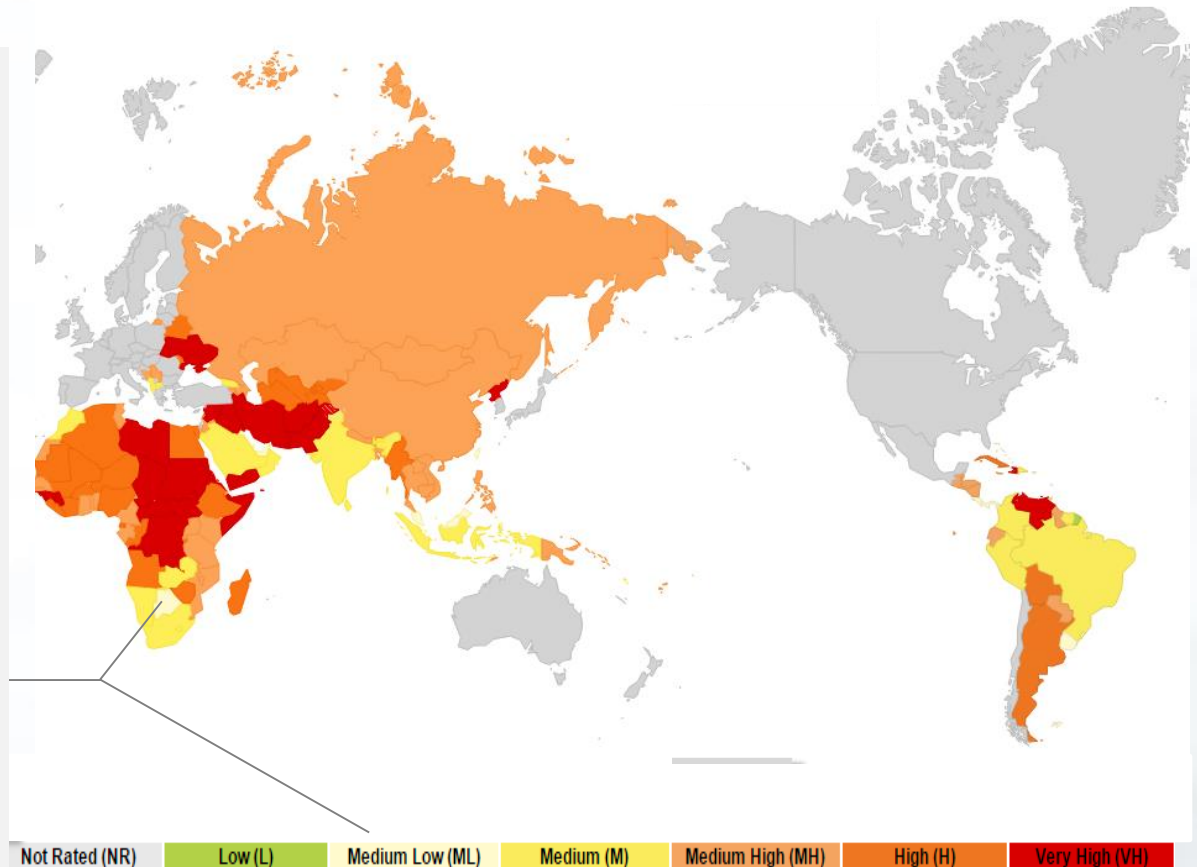
BOTSWANA

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.

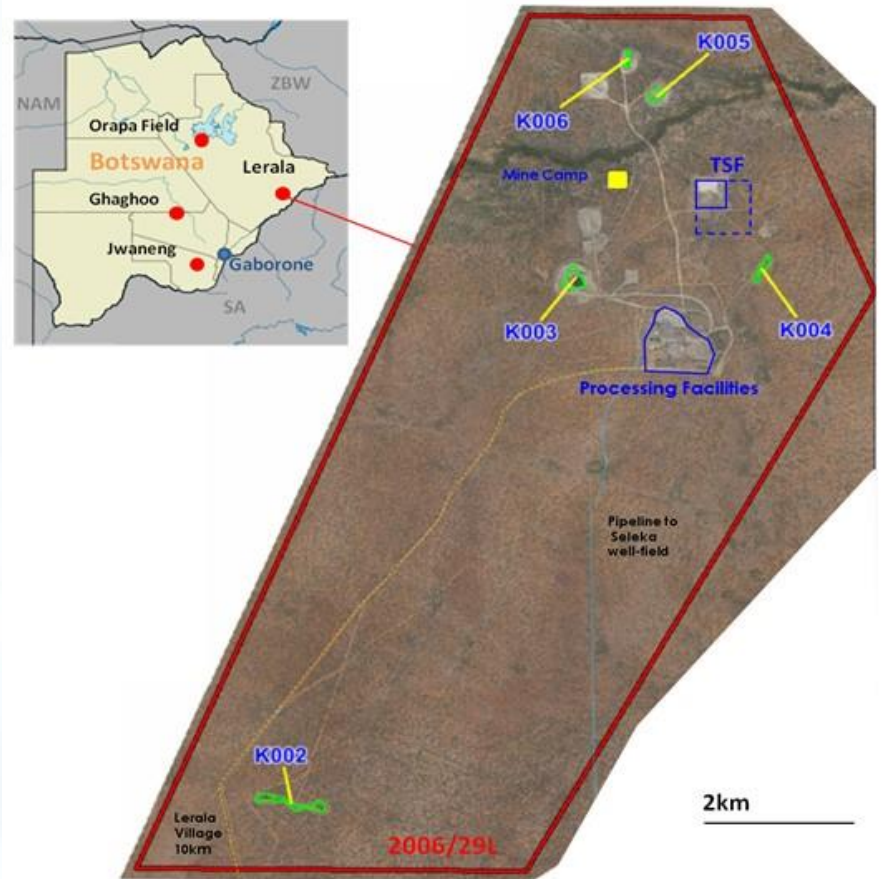
Risks

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



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 are powered by diesel fuelled generators and source excess water via a pipeline from the Seleka Well Field
- Labour and services are sourced from the local towns and villages including the Lerala Village located 10 km south west of the mining licence



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	
SUB TOTAL		15	25.6	3.85	\$73	
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	
SUB TOTAL		5.1	20.2	1.01	\$76	
TOTAL	RESOURCES	20.1	24.2	4.86	\$74	1.00mm

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 11th 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

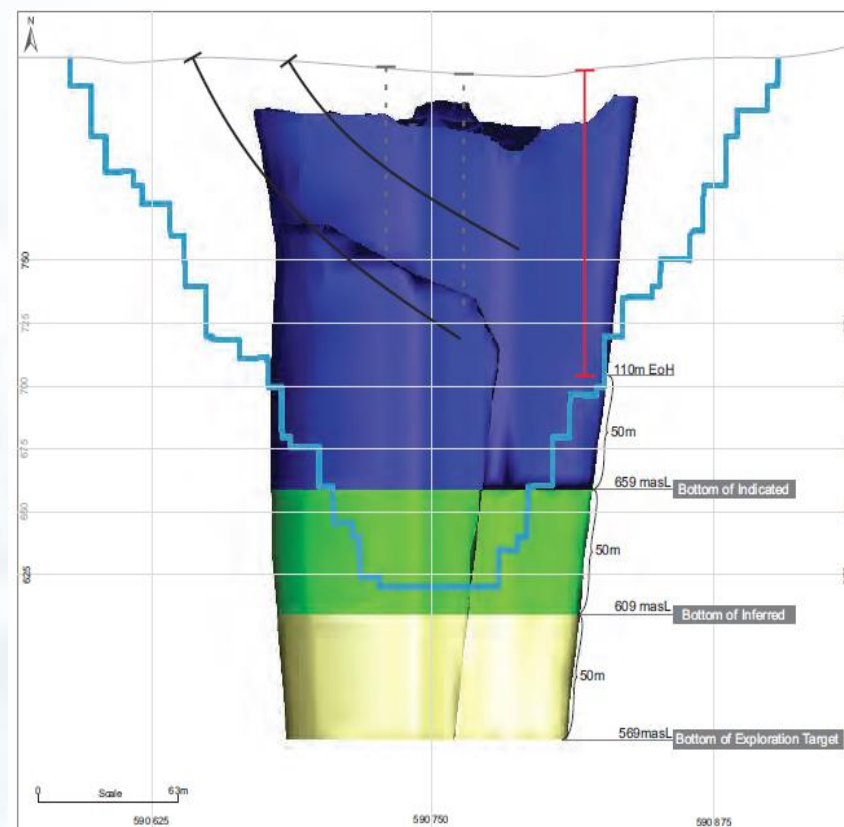
Lerala Diamond Mine Reserve Statement

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		-	-	-	-
TOTAL	RESERVES	11.7	25.8	3.01	\$75

As at 31 Dec 2015

** Rounding may result in computational discrepancies

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



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 by December 2016.
- Two exploration permits covering 162 km² 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

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

