

## **SITE UPDATE**

---

(ASX:KDL) Kimberley Diamonds Ltd (**KDL**) would like to provide an update to shareholders in relation to the implementation of our performance improvement plan for the Lerala Diamond Mine plant.

### ***Performance Improvement Plan***

Our Botswana subsidiary, Lerala Diamond Mines Limited (**Lerala**), has been operating the recommissioned diamond processing plant at the Lerala Diamond Mine, since Quarter 4, 2016. As announced in our Investor Presentation released on 1 September 2016, Lerala has identified some shortcomings in certain pre-existing elements of the plant, which combined with the highly abrasive character of the internal waste within the kimberlite ore, has significantly impacted the plant's ability to operate at maximum capacity on a consistent basis. In response to this, Lerala has developed a performance improvement plant which looks to address the issues at the plant and is in the process of implementing this plan.

Although this improvement plan has only recently commenced, the following positive milestones have been achieved to date:

- the Vibrating Grizzly Feeder was substantially upgraded to improve material flow from the headfeed bin;
- the CDX X-ray recovery machine was recommissioned and recovery tailings retreatment commenced;
- the coarse cyclone feed pump which processes DMS feed in the range +6mm to -20mm was upgraded from a "6/4" pump to the substantially larger "8/6" pump which has had a marked impact on the efficiency and reliability of the DMS module. It is planned to similarly upgrade the fines cyclone feed pump, processing the +1 to -6mm material, in the next few weeks; and
- the screening solution after the secondary scrubber which screens off and recycles oversized material to the existing tertiary crusher thereby further improving the reliability of the DMS module, was installed and commissioned.

As reported previously, successful implementation of the ongoing performance improvement plan is dependent on certain assumptions, most importantly the raising of further funds for capital expenditure, spare parts and working capital.

### ***In-pit mining temporarily suspended***

We have become aware of some incorrect media articles in Botswana which have reported that the Lerala Diamond Mine has closed. Such information is factually incorrect.

Mining operations at the Lerala Diamond Mine, which are conducted by external contractor, Basil Read, have continued to date at rates exceeding the plant's current ability to process feed, which has resulted in the development of a large ore stockpile. As a result, Lerala has asked Basil Read to temporarily suspend their pit mining operations in the K3 kimberlite

pipe to allow Lerala to process and reduce these stockpiles to reasonable levels. Basil Read has now temporarily ceased all in-pit operations until further notice, however their operations to provide feed from stockpiles to the ROM and into the plant, continue. The plant remains in production and produces diamonds every day. At this stage, Lerala expects the suspension of in-pit operations to continue for approximately 3-4 months or until stockpiles are reduced and mining is required to re-commence.

This is a cost saving measure while Lerala implements the performance improvement plan, and is not anticipated to impact on our expected production levels.

For further information please contact:

**Laila Green**

Chief Financial Officer and Company Secretary

[laila.green@kdl.com.au](mailto:laila.green@kdl.com.au)