

KIMBERLEY DIAMONDS STRATEGIC REVIEW OF OPERATIONS

(ASX:KDL) The Board of Kimberley Diamonds Limited (“KDL” or the “Company”) is pleased to announce it has approved capital expenditure for funding the recommissioning of the Lerala Diamond Project (“Lerala”) in Botswana after considering a strategic review of the Company’s operations.

The Board has approved a total of A\$14.7M which includes a 20% contingency to fund the restart of the Lerala operation which was placed on care and maintenance in July 2012 by the former owners Mantle Diamonds Limited (“Mantle”).

The Board has, for now, withdrawn the A\$14.3M funding commitment it made in February 2014 to develop the Ellendale E4 Mine which is on care and maintenance. The Board will revisit the development of E4 in due course. At this time, mining of the E9 pipe is continuing at Ellendale and preliminary work on E4 is also continuing.

The capital expenditure and working capital will be funded by cash flow from on-going operations with any funding shortfall to be covered by either equity or debt raising.

At 31 March, 2014, KDL had A\$13.1M cash and no debt. Commissioning of Lerala is expected to commence in the first half of CY/2015.

At full production, Lerala is expected to produce 400,000 carats of diamonds per year.

Lerala

Lerala is situated in north-east Botswana, 34km from the Martin’s Drift Border Post with South Africa, and comprises five diamondiferous kimberlite pipes. Lerala has a 15 year fully-permitted mining licence covering an area of 21.86km².

The kimberlites were discovered by De Beers in the early 1990s and subjected to limited mining by DiamonEx Ltd from April 2008 to January 2009.

Most recently, Mantle operated the mine between February and July 2012, producing 73,403 carats during that period.

KDL intends to recommence production at Lerala in the first half of CY/2015.

Previous owners DiamonEx and Mantle together invested approximately US\$31M on infrastructure at Lerala.

A 230tph processing and recovery plant situated on site and will be modified to increase efficiencies and raise recovery rates.

Work to date carried out on Lerala

Preliminary work has been carried out at Lerala by KDL’s technical team.

The Resource review is close to completion and the review of mine planning is in progress.

A decision has been taken to contract mine at Lerala and the company has engaged consultants to provide Lump Sum Turn Key pricing for the recommissioning of the operation and environmental consultants to analyse and advise on Health, Safety and Environmental aspects of Lerala.

Delays in receiving environmental approvals could impact the planned commencement of operations.

KDL will be appointing an experienced Project Manager to manage delivery of the project.

Ellendale

Management is considering options to extend the life of the E9 operations at Ellendale focusing on treatment of coarse tailings (lites) and will inform the market once this has been completed.

Mining recommenced at the E9 pipe in April 2014 and the processing of the higher grade ore from the pipe continues. It is expected that mining of E9 West and Far East Pit will conclude in October 2014, with ore processing continuing until January 2015.

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About

Kimberley Diamonds Limited owns the Lerala Diamond Mine in Botswana and is the owner and operator of the Ellendale Diamond Project in Western Australia. The mine is the world's leading source of rare fancy yellow diamonds and contributes around half of the world's supply. Kimberley also owns the Argyle Smoke Creek Alluvial Diamond Project in the Kimberley region of Western Australia; eDiamond BVBA, a marketing office for rough diamonds that uses an independent online trading platform for rough diamond sales and also has interests in a portfolio of other mining tenements in Canada, New South Wales and Western Australia. Kimberley Diamonds Limited has offices in Sydney and Perth and is listed on the ASX under the code KDL.