

Kimberley Diamonds settles Mantle Diamonds acquisition

(ASX: KDL) Kimberley Diamonds Limited (“KDL” or “Kimberley”) is pleased to announce it has completed the acquisition of Mantle Diamonds Limited (“Mantle”), including Mantle’s wholly owned Lerala Diamond Mine (“Lerala”) in Botswana, which is currently on care and maintenance.

Executive Chairman of Kimberley Diamonds Limited Alex Alexander commented: “The Lerala Diamond Mine provides Kimberley with an excellent near-term development opportunity beyond our flagship Ellendale Diamond Project and our recently acquired Argyle Smoke Creek Alluvial Diamond Project. Lerala has great potential and we are planning to bring the mine back into production this year. Rough diamond prices are on the rise and KDL is well positioned to capitalise on this. This acquisition is in line with our growth strategy of becoming a diversified diamond producer and we will continue to look for further acquisition opportunities.”

Kimberley Diamonds Limited owns and operates the Ellendale Diamond Mine in Western Australia. The mine supplies approximately half of the world’s rare fancy yellow diamonds and currently produces about 120,000 carats of diamonds per year.

The Mantle acquisition marks a major milestone in the history of KDL.

- Lerala will target a production rate of approximately 400,000 carats per annum (cpa)
- Increases KDL’s potential marketable production of gem and near-gem quality diamonds from current production of 120,000 cpa, to more than 700,000 cpa. It is estimated that the recently announced reopening of the Ellendale E4 mine will contribute 200,000 carats in the 2015 calendar year, based on an annualised treatment rate of 2.8 Mt per year, while Lerala is expected to contribute 400,000 cpa.
- Second acquisition of a near-term production diamond mining asset within a year, following the recent purchase of the Argyle Smoke Creek Alluvial Diamond Project
- International expansion of asset base
- Entry into Botswana, Africa’s largest producer of diamonds, providing further acquisition opportunities
- Interests in two joint venture exploration projects in Canada managed by Diavik Diamond Mines and free carried during the ongoing exploration phase

On 17 September, 2013 KDL announced to the ASX that Lerala contains **Probable Reserves of 8.38 Mt with an average grade of 29.68 carats per hundred tonnes (cpht). The current life of mine is 6 years at full production levels of 400,000 cpa.**¹²

¹ Technical details, including a competent person statement supporting this announcement can be found in KDL’s ASX Release 17 September 2013

² Probable Reserves are calculated using a diamond price of US\$ 55/ct. An independent valuation performed by WWW International Diamond Consultant Ltd in 2005 returned an average diamond price of US\$ 57/ct for K3, K5 & K6 and US\$ 45/ct for K2 – using a cut-off of +1mm.

This information was prepared and first disclosed under the 2004 Edition of the JORC Code. It has not been updated since to comply with the 2012 Edition of the JORC Code on the basis that the information has not materially changed.

Lerala Diamond Mine

Lerala is situated in north-east Botswana, 34km north of the Martin's Drift Border Post with South Africa, and comprises five diamondiferous kimberlite pipes totalling 6.66ha in size.

The kimberlites were discovered by De Beers in the early 1990s and subjected to limited mining by DiamonEx Ltd in 2008. Most recently, Mantle operated the mine between February and July 2012, producing 73,403 carats from 0.26 Mt at 28.2 cpht.

The mine and processing plant was placed on care and maintenance in July 2012.

Kimberley intends to recommence production at Lerala in 2014. A 230 tph processing and recovery plant situated on site will be modified to reach 1.9 Mtpa of ore throughput.

Lerala has a 15 year fully-permitted mining licence covering an area of 21.86km².

Terms of the agreement

Under the terms of the acquisition, the shareholders in Mantle will receive 13,566,317 new ordinary KDL shares to be issued on 24 February 2014. Mantle's majority shareholders, being funds managed or advised by Pacific Road Capital Management Pty Ltd ("Funds") will now have an overall stake of 10.29% in KDL. For a period of 12 months from 24 February 2014, each of the Funds holding KDL shares on their own behalf issued to them on 24 February 2014 cannot, without KDL's prior written consent:

- (i) undertake an on-market disposal of those KDL shares; or
- (ii) undertake an off-market disposal of those KDL shares for a sale price per share that is greater than a 7.5% discount to the closing price for KDL shares on the business day prior to the disposal.

In addition to the Lerala Diamond Project in Botswana, KDL acquires interests in the Tenby and Commonwealth exploration projects in known diamond producing areas in Canada's Northwest Territories. The licences in these two projects are managed by Diavik Diamond Mines under a joint venture agreement and KDL's interest in these areas is free carried during the exploration phase, which is ongoing.

The Tenby and Commonwealth project areas are located within 5km of the Diavik diamond mine (Rio Tinto) and within 25km of the Ekati diamond mine (Dominion).

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About Kimberley Diamonds Limited

Kimberley Diamonds Limited 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 Diamonds Limited 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 New South Wales, the Northern Territory and Western Australia. Kimberley Diamonds Limited is headquartered in Sydney; has an office in Perth and is listed on the ASX under the code KDL.

Compliance Statement

The information in this report that relates to Mineral Resources and Mineral Reserves at the Lerala diamond mine is based on information compiled by Mr Mike Brennan, a Competent Person who is a Member of South African Institute of Mining and Metallurgy. Mr Brennan is a full-time employee of Mantle Diamonds Limited. Mr Brennan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Brennan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. Additional information relating to the Mineral Resources and Mineral Reserves at the Lerala diamond mine is contained in the report titled "Kimberley Diamonds Ltd signs binding Head of Agreement to acquire Mantle Diamonds Ltd", created on 17 September 2013 and available to view on www.asx.com.au. 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.