
KDL SECURES FURTHER FUNDING FOR LERALA DIAMOND MINE

(ASX: KDL) Kimberley Diamonds Ltd (**KDL**) is pleased to announce that it has secured a USD2.8 million working capital loan facility for the Lerala Diamond Mine.

The working capital loan facility, combined with a rights issue planned for March-April 2016, is anticipated to provide full funding required to take the Lerala Diamond Mine to production.

Lerala Diamond Mine is scheduled to commence mining in March 2016 and production of diamonds in April 2016. The first sale of diamonds is scheduled in June 2016.

The working capital loan facility is offered by a related party and is therefore subject to KDL shareholder approval.

Terms of loan facility

KDL and its Botswana subsidiary, Lerala Diamond Mines Limited (**Lerala**), have entered into a sales and marketing agreement (**Sales Agreement**) and an off-take agreement (**Offtake Agreement**) with DDA Trading BVBA (**DDA**), a Belgian based diamond auction house which specialises in the sales and marketing of rough diamonds for the international diamond trade.

Under the terms of the Sales Agreement, the loan facility will be provided in April-September 2016. It will carry interest rate of 10% per annum and will be secured by collateral of diamonds produced at the Lerala Diamond Mine. DDA is to be appointed as the exclusive sales and marketing agent for the diamonds produced from the Lerala Diamond Mine for a period of 3 years (which may be extended by a further 2 years by agreement between the parties). KDL will issue 5,000,000 KDL options to DDA or its nominees, with an exercise price of \$0.20, expiring 3 years from the date of issue. Under the terms of the Offtake Agreement, which is interconditional with the Sales Agreement, Lerala will also supply to DDA run of mine rough diamonds to the total value of at least USD\$5 million at an agreed discount to valuation.

Shareholder approval

The Sales Agreement and the Offtake Agreement are related party transactions and are subject to and conditional upon shareholder approval. KDL intends to convene an extraordinary general meeting of shareholders, which it will schedule and announce in due course.

Funding for Lerala Diamond Mine to date

To date, KDL has raised a total of A\$13 million under the debt facility with Zhejiang Huitong Auction Co Ltd (first announced on 30 June 2015, A\$1.5 million of which has been converted to equity) and USD1 million under the diamond sales agreement with Restwell Investments Pty Ltd (announced on 4 February 2016). KDL plans to undertake a rights issue in March-April 2016, to

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raise approximately A\$4 million. The details of the rights issue will be confirmed in due course and announced to the market.

Assuming successful completion of the rights issue and full placement of any shortfall allocation, and provided shareholder approval is obtained for the Sales and Offtake Agreements, KDL considers that with the USD2.8 million working capital facility the Lerala Diamond Mine should be fully funded to enter production and commence sales of its diamonds, the first of which is currently scheduled for June 2016.

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