

Ms Andia Petropoulos
Adviser, Listings Compliance
ASX Compliance
20 Bridge Street
Sydney NSW 2000

By email: andia.petropolous.asx.com.au

9 May 2016

Dear Ms Petropoulos

Kimberley Diamonds Ltd: ASX Appendix 5B Query

We refer to your correspondence dated 5 May 2016 in relation to the Appendix 5B released by Kimberley Diamonds Ltd (the **Company**) on 29 April 2016.

We respond to each of your numbered points as follows:

1. The Company expects that it will continue to have negative operating cash flows until sales of diamonds produced from the Lerala Diamond Mine in Botswana commence. The Company currently estimates that the first diamond sale will occur in June 2016, with frequent sales and hence ongoing revenues expected thereafter. The Company is currently aiming to be cash flow positive in October 2016. In the meantime, the Company is reliant on capital raising activities to fund its ongoing activities.
2. Yes, the Company has taken, and continues to take, steps to raise further cash to fund its operations. As previously announced to the market, the Company has raised:
 - (a) \$13 million in debt finance from Zhejiang Huitong Auction Co Ltd, with \$12.95 million in total already advanced to the Company. \$1.5 million of this debt was recently converted to equity;
 - (b) approximately \$1.8 million from the recent rights issue, with the Directors still looking to place a shortfall of approximately \$2.2 million;
 - (c) USD\$500k debt finance from DDA Trading BVBA (**DDA**);
 - (d) USD\$2.8 million drawdown facility from DDA;
 - (e) USD\$1 million from Eternal Diamonds BVBA (USD\$500,000 advanced to date); and
 - (f) USD\$1 million from Restwell Investment Pty Ltd as pre-payment for diamonds.

The Company is in discussions with a number other external parties for possible equity or debt financing for the Lerala Diamond Mine, including the placing of the rights issue



KIMBERLEY DIAMONDS LTD

shortfall. The Company is not currently in a position to determine whether these discussions are likely to be successful, but will update the market in due course.

The Company also currently expects to sell diamonds in June 2016, with revenues expected from this sale.

3. Yes. The Company expects to be able to continue its operations and to meet its business objectives. Estimated expenditures for Q4, 2016 are \$8.98 million. To meet these estimated expenditures, the Company notes the following:
- (a) at the end of Q3, 2016, it had \$944k;
 - (b) since the end of Q3, 2016, USD\$500k debt from Eternal Diamonds BVBA, USD\$500k debt from DDA and \$815k from rights issue shortfall placements has been received;
 - (c) the Company currently expects to be able to meet the balance of its estimated expenditures for Q4, 2016 through:
 - a. revenues from diamond sales currently anticipated for June 2016;
 - b. the drawdown facility with DDA; and
 - c. debt or equity financing based on discussions which are ongoing with external parties, the outcome of which will be announced in due course.
4. The Company confirms that, to the best of its knowledge, it is in compliance with Listing Rule 3.1 and that there is no information that should be given to the ASX about its financial condition in accordance with that Rule that has not already been released to the market.

Yours faithfully



Laila Green
Company Secretary and CFO
Kimberley Diamonds Ltd

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5 May 2016

Ms Laila Green
Company Secretary
Kimberley Diamonds Ltd
c/- Summit Equities Limited
Level 38, Australia Square Tower
264-278 George Street
Sydney NSW 2000

By Email

Dear Ms Green,

Kimberley Diamonds Ltd (the “Entity”): ASX Appendix 5B Query

I refer to the Entity’s quarterly report in the form of Appendix 5B for the period ended 31 March 2016 lodged with ASX Market Announcements Platform on Friday, 29 April 2016 (the “Appendix 5B”).

ASX notes that the Entity has reported:

- negative net operating cash flows for the quarter of \$3,713,000;
- cash at the end of the quarter of \$944,000; and
- estimated cash outflows for the next quarter of \$8,983,000.

It is possible to conclude on the basis of the information provided in the Appendix 5B that if the Entity were to continue to expend cash at the rate for the quarter (and at the rate estimated for the next quarter) indicated by the Appendix 5B, the Entity may not have sufficient cash to continue funding its operations. In view of that, please respond to each of the following questions:

1. Does the Entity expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does the Entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

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4. Can the Entity confirm that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market?

Please also provide any other information that the Entity considers may be relevant to ASX forming an opinion on whether the Entity is in compliance with Listing Rule 12.2.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9:30am AEST on Tuesday, 10 May 2016. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail or by facsimile to (02) 9227 7620. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.



If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[sent electronically without signature]

Andia Petropoulos

Adviser, Listings Compliance (Sydney)

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