

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the action you should take, you should immediately consult a person duly authorised under the Financial Services and Market Act 2000.

If you have sold or transferred all your ordinary shares of 0.5p each (“Ordinary Shares”) in KimCor Diamonds plc (“KimCor” or the “Company”) you should hand this letter together with the accompanying form of proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

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# **KimCor Diamonds plc**

*(Registered in England and Wales with registered number 05399993)*

## **Proposed Disposal of Diamond Assets**

### **Change of name to “Carlton Resources plc”**

#### **Notice of Extraordinary General Meeting**

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Your attention is drawn to the letter from the Chief Executive of KimCor Diamonds plc set out on pages 2 to 4 of this document which recommends that you vote in favour of the resolutions to be proposed at the Extraordinary General Meeting referred to below.

Notice of an Extraordinary General Meeting of KimCor Diamonds plc to be held at the offices of Nabarro at Lacon House, 84 Theobald’s Road, London WC1X 8RW on 8 January 2009 at 11.00a.m. is set out at the end of this document.

The Form of Proxy for use at the Extraordinary General Meeting accompanies this document and, to be valid, must be completed, signed and returned in accordance with the instructions thereon and be received by the registrars of KimCor Diamonds plc, Computershare Investor Services, The Pavilions, Bridgwater Road, Bristol BS13 8FB as soon as possible and, in any event, so as to arrive no later than 11.00a.m. on 6 January 2009. The completion and return of a Form of Proxy will not preclude a shareholder from attending the Extraordinary General Meeting and voting in person should he or she wish to do so.

## Letter from the Chief Executive of KimCor Diamonds plc

*Directors:*

*Martyn John Churchouse (Chief Executive)*  
*Cedric Bredenkamp (Managing Director, South Africa)*  
*Roger Anthony Harris (Non-executive Director)*

*Registered Office:*

Lacon House  
84 Theobald's Road  
London WC1X 8RW

### To holders of Ordinary Shares ("Shareholders")

5 December 2008

Dear Shareholder

### INVESTING STRATEGY

#### Background

The Company announced on 3 December 2008 that it had entered into a conditional agreement (the "Sale and Purchase Agreement") for the disposal ("Disposal") of its entire interest in the ordinary shares of KimCor Diamond Holdings Limited, Free State Diamond Mines (Pty) Limited and Koffiefontein Diamonds (Pty) Limited (together the "Trading Companies") to Belmont Mining Limited ("Belmont") for a cash consideration of £500,000.

The Trading Companies and their subsidiaries effectively hold all of the trading business activities of KimCor. In accordance with Rule 15 of the AIM Rules for Companies published by the London Stock Exchange plc (the "AIM Rules"), the Disposal requires the approval of Shareholders at a general meeting of the Company.

Under the AIM Rules, where a company whose shares are traded on AIM divests itself of all or substantially all of its trading business activities it will be treated as an "investing company". Such a company must then state its investing strategy going forward and implement its investing strategy, to the satisfaction of the London Stock Exchange plc (the "London Stock Exchange"), within twelve months of shareholders approving the investing strategy.

Accordingly, I am now writing to you to seek your approval of the Disposal and to outline the Board's proposed investing strategy and to seek your approval of it. In this regard you will find attached to this letter a notice convening an extraordinary general meeting of the Company (the "EGM") at which ordinary resolutions to approve (i) the Disposal; and (ii) the investing strategy will be proposed along with a special resolution to approve a change in the Company's name to "Carlton Resources plc" (the "Resolutions").

#### Details of the Disposal

On 3 December 2008, the Company entered into the Sale and Purchase Agreement for the disposal of the Company's interests in the Trading Companies for a cash consideration of £500,000, payable in cash on completion of the Disposal.

Under the terms of the Sale and Purchase Agreement, KimCor retains the right to repurchase 30 per cent. of the shares in the Trading Companies for a nominal value should the Company's SMI4 tailings retreatment operation achieve a production target of 150,000 tonnes per month prior to 1 June 2009.

Following completion of the Disposal, and assuming the settlement of professional fees and costs relating to the Disposal and cessation of trading activities, KimCor will hold a cash balance of approximately £0.3 million, or approximately 0.11 pence per Ordinary Share.

### **Background to and reasons for the Disposal**

The development of the Group's diamond mining assets and increases in rough diamond output, as disclosed in recent announcements to the market, resulted in an inventory of approximately 30,000 carats of rough diamonds being placed on open tender during November 2008. The open tender ran for more than two weeks and during that time the Company did not receive a single offer to purchase from a buyer. This reflects recent commentary to the effect that demand for rough diamonds is currently at zero.

In order to sustain the business, the Company needs to sell its diamonds to generate cash flow to service its creditors and permit the operating mines to purchase consumable goods and services and pay employee wages. Without recourse to proceeds of sale, there is no cash flow and hence no means of sustaining the business other than through the raising of new funds. The Board, in consultation with its advisers, considers that such new funds are currently unavailable to the Company.

As of 4 December 2008, the operating subsidiaries in South Africa had creditors due for approximately £500,000, a sum that would have been met had the sale of the 30,000 carat diamond parcel been achieved for a value similar to that achieved in earlier sales of inventory by the Company. In the event, without the sale of the parcel the Company would have potentially been bankrupt and wound up, and in the process shareholders would have lost all the value attributable to the assets.

The Board evaluated a number of possible alternatives prior to entering into the Sale and Purchase Agreement, including the disposal of a limited number of assets, closure and maintenance of certain operating assets and the entering into of joint ventures with potential operating partners. The Board has determined, however, that the Disposal represents the best option to preserve shareholder value in light of current circumstances.

### **Investing Strategy**

After careful consideration the Board has determined that the Company's investing strategy will be to acquire minority or controlling interests in a number of privately-held or publicly listed resource projects in Africa (the "Investing Strategy"). It is proposed that the projects in which the Company invests will not be limited to any single resource.

Acquisition targets will be subject to initial commercial due diligence by the remaining Directors. I will assume primary responsibility for evaluating investments, given my extensive experience of operating and investing in resource projects in Africa and elsewhere.

In reviewing investment opportunities, relevant commercial advice will be taken from market consultants as deemed appropriate. Further relevant legal and financial due diligence will be undertaken by suitably qualified advisers to determine the feasibility and risks associated with any potential acquisition or investment.

It is intended that any such acquisition will be completed within 12 months of the date of the EGM. If no such acquisition is completed within this timescale, the London Stock Exchange will suspend the Company's quotation on AIM.

If the Investing Strategy is not approved at the EGM, the Board will proceed with a return of capital to shareholders and a voluntary liquidation of the Company.

### **Change of company name**

To reflect the proposed changes to the Company as a result of the Transaction, it is proposed that the Company will change its name to Carlton Resources plc.

**Board changes**

Melissa Sturgess resigned as Chairman of the Company on 3 December 2008. Roger Harris, Cedric Bredekamp and I will remain as non-executive directors to evaluate potential reverse acquisition targets.

**Action to be taken**

You will find enclosed a form of proxy for use in connection with the EGM. You are urged to complete the form of proxy in accordance with the instructions printed thereon and return it to Computershare Investor Services, The Pavilions, Bridgwater Road, Bristol BS13 8FB as soon as possible and, in any event, so as to be received by no later than 11.00a.m. on 6 January 2009. The completion and return of a form of proxy will not preclude you from attending the EGM and voting in person should you wish to do so.

**Recommendation**

Your Board considers that approving the Disposal adopting the Investing Strategy is in the best interests of the Company and its Shareholders as a whole. Accordingly, your Board recommends that Shareholders vote in favour of the Resolutions to be proposed at the EGM.

Yours faithfully

Martyn Churchouse  
*Chief Executive*

## NOTICE OF EXTRAORDINARY GENERAL MEETING

# KimCor Diamonds plc

(Registered in England and Wales with registered number 05399993)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the offices of Nabarro at Lacon House, 84 Theobald's Road, London WC1X 8RW on 8 January 2009 at 11.00a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolution 3 will be proposed as a special resolution:

### ORDINARY RESOLUTIONS

1. THAT the sale of the Company's interests in the ordinary shares of the Trading Companies for a cash consideration of £500,000 be and is hereby approved, and that the Directors or any authorised committee of the Directors be and are hereby authorised to take such steps as are necessary to complete the Disposal.
2. THAT the Investing Strategy (as such term is defined in the Circular to Shareholders of the Company dated 5 December 2008) be and is hereby approved.

### SPECIAL RESOLUTIONS

3. THAT, subject to the consent of the Registrar of Companies, the name of the Company be changed to "Carlton Resources plc".

Dated: 5 December 2008

*Registered Office:*

Lacon House  
84 Theobald's Road  
London WC1X 8RW

*By order of the Board:*

*Paul McKay*  
*Company Secretary*

*Notes:*

- (1) A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and, on a poll, to vote instead. A proxy need not be a member of the Company. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting of any adjournment thereof in person.
- (2) A form of Proxy is enclosed and, to be valid, must be lodged at the offices of the Company's registrars, Computershare Investor Services, The Pavilions, Bridgwater Road, Bristol BS13 8FB not later than 48 hours before the same time appointed for the meeting or for any adjournment thereof together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority.
- (3) The Company specifies, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, that only those Shareholders entered in the register of members of the Company at 11.00a.m. on 6 January 2009 shall be entitled to attend and vote at the meeting in respect of the number of Ordinary Shares registered in their respective names at that time. Changes to entries in the register of members after 11.00a.m. on 6 January 2009 shall be disregarded in determining the right of a person to attend and vote at the meeting. If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be entitled, members must be entered on the register of members at the time which is 48 hours before the time fixed for the adjournment meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
- (4) In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy but the vote of the first named on the register of members of the Company will be accepted to the exclusion of the other joint holder.