

Our Reference: VMD1863 and VMD1865

Attention: The Directors

Gem Diamonds Limited
2 Eaton Gate
London SW1 W9BJ
United Kingdom

30 June 2015

LETTER TO GEM DIAMONDS LIMITED ON THE VERIFICATION AND ISSUE OF RESOURCE AND RESERVE STATEMENTS FOR THEIR LETŠENG DIAMOND ASSET

Venmyn Deloitte (Pty) Limited (Venmyn Deloitte) was requested by Gem Diamonds Limited (Gem), as per mandate VMD1863, to independently review, verify and sign off on the orebody modelling, diamond resource and diamond reserve estimates for Letšeng, as at 1st January 2015. Venmyn Deloitte was also mandated to review the SAMREC compliance of these resources and reserves.

The Letšeng diamond resources and reserves were estimated under the direct guidance and supervision of Mr A Allan (Pr.Sci.Nat Reg. No. 400127/11), who is currently a full time employee of Gem Diamonds Technical Services (Pty) Ltd and the company's Competent Person.

Venmyn Deloitte has undertaken a review and verification process and can confirm that the estimates reported herein are an accurate reflection of the respective diamond resources and reserves as at 1st January 2015, and that they are SAMREC compliant.

Venmyn Deloitte's Competent Person, Mrs C Telfer (Pr.Sci.Nat Reg No. 400049/02), has signed off on the resource statement for Letšeng. Mrs Telfer has the necessary qualifications and relevant experience as required by SAMREC.

Venmyn Deloitte's Competent Person, Mr G Njowa (Pr.Eng. Reg. No. 20090204), has signed off on the reserve statement for Letšeng. Mr Njowa has the necessary qualifications and relevant experience as required by SAMREC.

The summary tables overleaf and those detailed in Appendices 1 and 2 show the SAMREC compliant diamond resource and diamond reserve estimates for Letšeng, respectively. Venmyn Deloitte have reviewed and reproduced these statements with no modifications, after verifying that they are reasonable.

Directors: TP Pillay Chairman AN Clay Managing GJE de Beer N McKenna AS Olivier

National Executive: LL Bam Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Risk Advisory
NB Kader Tax TP Pillay Consulting K Black Clients & Industries JK Mazzocco Talent & Transformation CR Beukman Finance M Jordan Strategy
S Gwala Managed Services TJ Brown Chairman of the Board MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

LETŠENG SUMMARY SAMREC COMPLIANT RESOURCE STATEMENT
(1st January 2015, Including Reserves)

OPERATION / PROJECT NAME	RESOURCE CATEGORY	TONNES (t)	REC. ⁽¹⁾ GRADE (cpht)	CARATS	VALUE (USD/ct)	EFFECTIVE BOTTOM CUT-OFF (mm)
Letšeng	Indicated	179 192 000	1.75	3 144 300	2 094	⁽²⁾ 2.00
TOTAL / AVE INDICATED RESOURCES		179 192 000	1.75	3 144 300	2 094	
Letšeng	Inferred	105 899 000	1.71	1 810 200	2 063	⁽²⁾ 2.00
TOTAL / AVE INFERRED RESOURCES		105 899 000	1.71	1 810 200	2 063	
GRAND TOTAL / AVE RESOURCES		285 091 000	1.74	4 954 500	2 083	

Notes:

- 1) Recovered, pre-acid wash.
- 2) Plant 1 and Plant 2 bottom screen apertures are 1.6mm x 8.0mm. Both the two plants (Plant 1 and 2) and the AV pan plant apertures result in an effective 2.0mm cut-off on the stated diamond resource.
Rounding down of tonnage to the nearest 1,000t and carats to the nearest 100cts may result in computational discrepancies.

LETŠENG SUMMARY SAMREC COMPLIANT RESERVE STATEMENT
(1st January 2015)

OPERATION / PROJECT NAME	RESERVE CATEGORY	MINING METHOD	TONNES (t)	REC. ⁽¹⁾ GRADE (cpht)	CARATS	VALUE (USD/ct)	EFFECTIVE BOTTOM CUT-OFF (mm)
Letšeng	Probable	Opencast	137 188 000	1.75	2 396 700	2 048	⁽²⁾ 2.00
TOTAL / AVE PROBABLE RESERVES			137 188 000	1.75	2 396 700	2 048	
GRAND TOTAL / AVE RESERVES			137 188 000	1.75	2 396 700	2 048	

Notes:

- 1) Recovered, pre-acid wash, taking modifying factors into account.
- 2) Plant 1 and Plant 2 bottom screen apertures are 1.6mm x 8.0mm. Both the two plants (Plant 1 and 2) and the AV pan plant apertures result in an effective 2.0mm cut-off on the stated diamond resource.
Rounding down of tonnage to the nearest 1,000t and carats to the nearest 100cts may result in computational discrepancies.

The modifying factors applied in the conversion of diamond resources into diamond reserves for the Gem asset is summarised in the table below:-

MODIFYING FACTORS PERTAINING TO THE CONVERSION OF RESOURCE TO RESERVES FOR LETŠENG

MODIFYING FACTORS	UNITS	LETŠENG VALUES
2015 Average Diamond Price	USD/ct	2 048
Exchange Rate to the USD	Units/USD	⁽¹⁾ 11.5
Diamond Price Escalation per Annum	%	⁽²⁾ Variable
Total Operating Costs	USD/t	As per confidential contracts
Average LOM Dilution	%	2.2%
Mining Extraction	%	100%
Main Plant Recovery Factor ⁽³⁾	%	100%
Effective Bottom Cut-off	mm	2.00
Royalty and Marketing (% of gross revenue)	%	9.5%
Corporate Tax Rate	%	25%

Notes:

- 1) Currency unit = Maloti
- 2) Based upon WWW 2015 - Q1 forecast.
- 3) Alluvial Ventures Plant Recovery Factor is 80%.

Yours Faithfully,



C.A. TELFER

B.Sc. Hons (Geol.), (DMS) Dip.Bus.Man.,
Pr. Sci. Nat., FGSSA, MAusIMM.

COMPETENT PERSON
SENIOR MANAGER



N. Mc KENNA

M.Sc. (Geol.), Pr.Sci.Nat., MGSSA,
MSAIMM, MAusIMM, MIASSA, M.Inst.D.

COMPETENT PERSON
DIRECTOR



G. NJOWA

M.Sc MRM (Min. Eng), BSc Hons (Min. Eng), Grad CIS
MSAIMM, MAusIMM, Pr Eng, MIASSA.

COMPETENT PERSON
SENIOR MANAGER

APPENDIX 1 – DETAILED RESOURCE STATEMENT FOR LETŠENG

SAMREC Compliant Diamond Resource Statement for Letšeng as at 1st January 2015 (Including Reserves)

SOURCE	PHASES	COMPOSITION	DEPTH FROM (mamsl)	DEPTH TO (mamsl)	RESOURCE CATEGORY	VOLUME (m ³)	SG (t/m ³)	TONNAGE	REC. ⁽¹⁾ GRADE (cpht)	CARATS	VALUE (USD/ct)	PROCESS PLANT ⁽²⁾	EFFECT. BOTTOM CUT-OFF (mm)
Satellite Pipe	SVK	N/A	3 046	2 542	Indicated	5 928 386	2.56	15 176 000	2.36	358 700	2 464	DMS	(2)2.00
	NVK		3 046	2 542		9 837 506	2.53	24 888 000	2.16	538 500	3 234		
	SUBTOTAL / AVE SATELLITE PIPE INDICATED						15 765 892	2.54	40 064 000	2.24	897 200	2 926	
	SVK	N/A	2 542	2 192	Inferred	3 080 632	2.56	7 886 000	2.36	186 400	2 464	DMS	
	NVK		2 542	2 192		5 101 481	2.53	12 906 000	2.16	279 200	3 234		
	SUBTOTAL / AVE SATELLITE PIPE INFERRED						8 182 113	2.54	20 792 000	2.24	465 600	2 926	
TOTAL / AVE SATELLITE PIPE						23 948 005	2.54	60 856 000	2.24	1 362 800	2 926		
Main Pipe	K Main	N/A	3 046	2 542	Indicated	44 991 593	2.62	117 877 000	1.50	1 764 600	1 844	DMS	
	K 6		3 046	2 542		7 133 297	2.57	18 332 000	2.49	455 900	1 458		
	K 4		3 046	2 542		900 626	2.60	2 341 000	0.94	22 000	⁽³⁾ 1 458		
	SUBTOTAL / AVE MAIN PIPE INDICATED						53 025 516	2.61	138 550 000	1.62	2 242 500	1 762	
	K Main	N/A	2 542	2 248	Inferred	27 030 130	2.62	70 818 000	1.50	1 060 100	1 844	DMS	
	K 6		2 542	2 248		4 090 809	2.57	10 513 000	2.49	261 400	1 458		
	K 4		2 542	2 248		711 541	2.60	1 850 000	0.94	17 300	⁽³⁾ 1 458		
	KB		10% K Main : 90% Basalt	3 046		2 794	464 837	2.69	1 251 000	0.15	1 800		1 844
	KBB	40% K Main : 60% Basalt	3 046	2 724	253 266	2.67	675 000	0.60	4 000	1 844			
	SUBTOTAL / AVE MAIN PIPE INFERRED						32 550 583	2.61	85 107 000	1.58	1 344 600	1 764	
TOTAL / AVE MAIN PIPE						85 576 099	2.61	223 657 000	1.60	3 587 100	1 763		
Stockpiles	Live Stockpile	80% K Main, 10% NVK, 10% SVK	N/A	N/A	Indicated	6 654	1.68	11 000	1.65	100	2 115	DMS	
	Main Pit Stockpile 1	100% K Main				58 342		98 000	1.50	1 400	1 844		
	Main Pit Stockpile 4	100% K Main, diluted				94 450		158 000	0.71	1 100	1 844	Pan Plant	
	Metso Crusher Stockpile	100% K Main				401		0	1.50	0	1 844	DMS	
	AV Oversize Stockpile	Low grade K Main material				128 401		215 000	0.68	1 400	1 844	Pan Plant	
	AV Boulders Stockpile	Low grade K Main material				57 374		96 000	0.68	600	1 844		
	SUBTOTAL / AVE STOCKPILES INDICATED							345 621	1.68	578 000	0.85	4 600	1 854
TOTAL / AVE STOCKPILES						345 621	1.68	578 000	0.85	4 600	1 854		
GRAND TOTAL / AVE LETSENG RESOURCES						109 869 725	2.59	285 091 000	1.74	4 954 500	2 083		

Notes:

1) Recovered, pre-acid wash.

2) Plant 1 and Plant 2 bottom screen apertures are 1.6mm x 8.0mm. Both the two plants (Plant 1 and 2) and the AV pan plant apertures result in an effective 2.0mm cut-off on the stated diamond resource.

3) K4 diamond price reduction was based on the new geological interpretation that suggests K4 is a late derivative of K6 and the revenue is matched to K6 instead of K Main used in the previous diamond reserves estimates. Resources are inclusive of reserves.

Rounding down of tonnage to the nearest 1,000t and carats to the nearest 100cts may result in computational discrepancies.

APPENDIX 2 – DETAILED RESERVE STATEMENT FOR LETŠENG**SAMREC Compliant Diamond Reserve Statement for Letšeng as at 1st January 2015**

RESERVE CATEGORY	SOURCE	PHASES	TONNAGE	REC. ⁽¹⁾ GRADE (cpht)	CARATS	VALUE (USD/ct)	EFFECTIVE BOTTOM CUT-OFF (mm)
Probable	Satellite Pipe	SVK	11,994,000	2.28	273,800	2,464	(2)2.00
		NVK	20,645,000	2.11	435,600	3,234	
	TOTAL / AVE SATELLITE		32,639,000	2.17	709,400	2,761	
	Main Pipe	K Main	85,902,000	1.47	1,266,000	1,844	
		K6	15,975,000	2.49	397,700	1,458	
		K4	2,094,000	0.94	19,600	⁽³⁾ 1,458	
	TOTAL / AVE MAIN		103,971,000	1.62	1,683,300	1,748	
		Metso Crusher	0	1.50	0	1,844	
		AV Oversize Stockpiles	215,000	0.54	1,100	1,844	
		Live Stockpile	11,000	1.62	100	2,114	
		Main Pit Stockpile 1	98,000	1.47	1,400	1,844	
		AV Boulders	96,000	0.54	500	1,844	
		Main Pit Stockpile 4	158,000	0.57	900	1,844	
	TOTAL / AVE STOCKPILES		578,000	0.73	4,000	1,856	
	GRAND TOTAL / AVE LETSENG RESERVES			137,188,000	1.75	2,396,700	

Notes:

- 1) Recovered, pre-acid wash, taking modifying factors into account.
 - 2) Plant 1 and Plant 2 bottom screen apertures are 1.6mm x 8.0mm. Both the two plants (Plant 1 and 2) and the AV pan plant apertures result in an effective 2.0mm cut-off on the stated diamond resource.
 - 3) K4 diamond price reduction was based on the new geological interpretation that suggests K4 is a late derivate of K6 and the revenue is matched to K6 instead of K Main used in the previous diamond reserves estimates.
- Rounding down of tonnage to the nearest 1,000t and carats to the nearest 100cts may result in computational discrepancies.

MODIFYING FACTORS	UNITS	VALUE
2015 LOM Satellite Pipe Average Diamond Price	USD/ct	2,761
2015 LOM Main Pipe Average Diamond Price	USD/ct	1,748
Average Exchange Rate to the USD	Maloti/USD	11.5
Diamond Price Escalation per Annum	%	⁽¹⁾ Variable
Total Operating Costs	USD/t	As per confidential contracts
Average LOM Dilution	%	2.2%
Mining Extraction	%	100%
Main Plant Recovery Factor ⁽²⁾	%	100%
Effective Bottom Cutoff	mm	2.00
Royalty and Marketing (% of gross revenue)	%	9.5%
Corporate Tax Rate	%	25%

Notes:

1) Based upon WWW 2015 - Q1 forecast.

2) Alluvial Ventures Plant Recovery Factor is 80%, increased from 70% after processing plant improvements.

All costs quoted in 2015 terms and converted from the local currency (MLT) at an exchange rate of 1:11.5 (USD:MLT).

Mining extraction assumed at 90% on the marginal blocks.

All reserve grades are quoted as recovered grades, inclusive of dilution where applicable.