Gope 25 - A Unique Diamond Deposit
Botswana Resource Conference
June 2010
AGENDA

1. Background information on Gope
2. A brief history of Gope
3. SEIA process and update
4. Resource update
5. Alternative means to develop the deposit being investigated
6. Closing comments
1. Background information - Location

- CKGR comprises 54,000 km²
- Gope retention licence area 45 km²
- This equates to 0.08% of the surface area of CKGR
- Gope is located 40 km West of Eastern boundary
1. Background Information – Location

- Abandoned Airstrip
- Old Shaft Plug
- Current Pioneer Camp
1. Background information - License history

- **Prospecting permit (Pre Gem Diamonds)**
  - Permit number 3/92 issued in 1992 and expired 1999 (allowed to lapse)
  - Permit number 108/94 issued in 1994 and expired 2001

- **Retention licence (Pre Gem Diamonds)**
  - Initial retention licence issued 2001
  - Second retention licence issued December 2003 - valid to December 2006
  - Suspension of retention licence on 28 Sept 2006 “until further notice”

- **Retention licence (Gem Diamonds)**
  - Suspension of retention licence lifted on 3 October 2007
  - Retention licence extended to end of December 2010,
    - Requires submission of updated feasibility report by August 2010

- **Mining licence (Gem Diamonds)**
  - Initial application made July 2007
  - Final submission May 2008
  - Section 51 negotiations commenced Jun 2009
  - Section 51 negotiations suspended due to global financial crisis and impact on diamond prices
### 2. A brief exploration history - pre Gem Diamonds

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>Heli-borne survey undertaken</td>
</tr>
<tr>
<td>1980</td>
<td>Aeromagnetic survey complete</td>
</tr>
<tr>
<td>1981</td>
<td>Gope 25 discovered</td>
</tr>
<tr>
<td>1982</td>
<td>Initial drilling of Gope</td>
</tr>
<tr>
<td>1983</td>
<td>Falconbridge JV with De Beers</td>
</tr>
<tr>
<td>1985</td>
<td>Incorporation of Gope Exploration Company</td>
</tr>
<tr>
<td>1988</td>
<td>Exploration shaft dropped to 150m depth, 200m of tunnels</td>
</tr>
<tr>
<td>1995</td>
<td>Additional holes drilled and tunnels extended 1.4km. 18 000 tones of kimberlite</td>
</tr>
<tr>
<td>1997</td>
<td>Pre feasibility study completed - not viable to depth of 300m (overburden)</td>
</tr>
<tr>
<td>1998</td>
<td>Feasibility study completed - not viable to depth of 400m</td>
</tr>
<tr>
<td>2006</td>
<td>Mineral resources review - integration of LDD and UG samples, advanced Kriging</td>
</tr>
<tr>
<td>2006</td>
<td>6 Mpta scoping study and investment review by De Beers</td>
</tr>
<tr>
<td>2007</td>
<td>Data room opened for Disposal of Gope</td>
</tr>
<tr>
<td>2007</td>
<td>Gem acquires 100% of Gope</td>
</tr>
</tbody>
</table>
2. A brief history - Gem Diamonds

- May 2007 - Gem Diamonds acquires Gope
- June 2007 - Update to ’98 feasibility study & SEIA are initiated
- July 2007 - MLA submitted
- October 2007 - retention licence suspension is lifted
- February 2008 - update of ’98 feasibility report compiled
- March 2008 - Interim Bankable Feasibility Study commissioned
- April 2008 - SEIA Scoping Report Approved
- Oct 2008 - SEIA Approved
- June 2009 - Section 51 negotiations commenced & subsequently suspended
- June 2009 – Placed on “Care & Maintenance”
  - Internal study to identify means:
    - to reduce capital & operating cost
    - to improve revenue
- Jan 2010 – Remodel resource
  - Redo geological model, new data
  - New diamond prices
- May 2010 - commence underground study
### 3. Social & Environmental Impact Assessment (SEIA) update - Process overview

- Marsh appointed May 07
- Communications strategy Nov 07
- Authorities engagement Dec 07/Jan 08
- Public participation meetings (1) Jan 08
- Scoping report approval April 08
- SEIA submission June 08
  - No Fatal Flaws
  - All impacts can be satisfactory mitigated other than
    - leaving a large hole in the ground
    - changing the land use
- Public Participation Meetings (2) Jul 2008
- SEIA approved Oct 2008
- Develop SD strategy and tie in SEIA and CSR
3. Follow up communications with the communities

- Overwhelming community support
- Feedback sessions held in
  - Gope
  - New Xade
  - Kaudwane
  - Lephepe

Gope Residents

Scope
- Updated by C. Palmer (Gem)
  - 8 New holes
  - All De Beers data
- New Grade modeling
- New Diamond Prices
- AG Milling upside

Results
- Model similar volume
  - Removal of the ledge
  - Removal of some outliers
  - Clean up of the model
- Renaming of the rocktypes
- Extend model depth to 524m

Process
- Diamonds acidised
- Revalued by WWW May 2010

Results
- Higher unmodelled value from August 08 ($167/ct from $153/ct)
- Similar modelled value ($162/ct from $161/ct)
- Recovered to pre-crash values
- Wider range for high and low samples
- Large increase in value of HK

Table 18: Base, High and Low Average Price Models (+5 only)

<table>
<thead>
<tr>
<th>Samples</th>
<th>Model</th>
<th>Min</th>
<th>High</th>
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<tbody>
<tr>
<td>TKB Main</td>
<td>112</td>
<td>151</td>
<td>128</td>
</tr>
<tr>
<td>TKB SE</td>
<td>168</td>
<td>166</td>
<td>141</td>
</tr>
<tr>
<td>HK</td>
<td>259</td>
<td>173</td>
<td>138</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rock type</th>
<th>Volume (m³)</th>
<th>Density (t/m³)</th>
<th>Tonnage</th>
<th>Grade (cpht)</th>
<th>Carats</th>
<th>Price (USD/ct)</th>
<th>$/ton</th>
<th>In-situ value ($mil)</th>
<th>% of tons</th>
<th>% of value</th>
</tr>
</thead>
<tbody>
<tr>
<td>VKSE</td>
<td>9,427,653</td>
<td>2.50</td>
<td>23,599,000</td>
<td>30.63</td>
<td>7,229,500</td>
<td>166</td>
<td>50.85</td>
<td>1,200</td>
<td>22%</td>
<td>36%</td>
</tr>
<tr>
<td>VKMAINT</td>
<td>15,178,007</td>
<td>2.47</td>
<td>37,512,000</td>
<td>20.08</td>
<td>7,531,800</td>
<td>151</td>
<td>30.32</td>
<td>1,137</td>
<td>35%</td>
<td>34%</td>
</tr>
<tr>
<td>CK</td>
<td>3,743,713</td>
<td>2.60</td>
<td>9,723,000</td>
<td>20.50</td>
<td>1,993,700</td>
<td>173</td>
<td>35.47</td>
<td>345</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>BXVK</td>
<td>772,494</td>
<td>2.56</td>
<td>1,978,000</td>
<td>10.62</td>
<td>210,100</td>
<td>151</td>
<td>16.04</td>
<td>32</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>BXCK</td>
<td>10,440,466</td>
<td>2.63</td>
<td>27,465,000</td>
<td>11.71</td>
<td>3,216,100</td>
<td>173</td>
<td>20.26</td>
<td>556</td>
<td>25%</td>
<td>17%</td>
</tr>
<tr>
<td>Crater</td>
<td>3,057,212</td>
<td>2.58</td>
<td>7,890,000</td>
<td>4.45</td>
<td>351,100</td>
<td>162</td>
<td>7.21</td>
<td>57</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>total</strong></td>
<td><strong>42,619,546</strong></td>
<td><strong>2.54</strong></td>
<td><strong>108,167,000</strong></td>
<td><strong>18.98</strong></td>
<td><strong>20,532,300</strong></td>
<td><strong>162</strong></td>
<td><strong>30.6</strong></td>
<td><strong>3,327</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
5. Gope Open Pit vs Underground Integrated Approach possible alternatives

- **Open Pit - Large capex c$500m**
  - Given current market
  - Given risk profile of Gope green fields
- **Need a solution to provide;**
  - Security of tenure
  - Low capex access
  - While not destroying value
  - While not sterilising resource
- **UG Integrated mine fits profile**
  - Initial concept
  - 150tph
  - 10 year life UG then
  - 900tph OP

**Benefits of approach**

- Security of tenure, apply for ML
- De-risks open pit through
  - Proves up AG milling - liberation
  - Proves up ore resource - grade
  - Proves the plant flow sheet
- De-risks from a financial viewpoint
  - Affordability
  - Slower initial burn rate
  - Minimize capital exposure
  - Pushes out large capex commitment to post 2020
- Conduct further resource drilling
- UG less rehab liability
5. UGINT Concept

- **Underground mine**
  - 150tph plant - mimic OP plant
  - UG access via
    - vertical shaft or
    - decline
  - UG mine
    - via sublevel open stope
    - or other
  - UG mine 2 blocks 5 mil tons each

- **Once mined UG mine for 3 years**
  - Understanding on diamonds price (c600 000cts)
  - Have better understanding of resource
  - Have an understanding of AG milling
  - Understand operating environment
  - Make appropriate capital decision re OP

- **Open pit mine**
  - 6mtpa
  - As per previous feasibility study (~2 years of production - lost to UG)
6. Closing comments

- Gope unique
  - 80m of sand overburden
  - Inside a game reserve
  - Remoteness (power, access, water & camp)
- Gope challenges
  - Its uniqueness
  - Current global project environment
- Gope team well received by all in Botswana
  - Government departments
  - Local authorities
  - Local communities
- Gem Diamonds looking forward to completing study on UGINT option and adopting the most appropriate strategy to enable the development of this unique diamond deposit
contact details

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