

Our Reference : D1666, 1667

**Attention: The Directors**

Gem Diamonds Limited  
2 Eaton Gate  
London SW1 W9BJ  
United Kingdom

30 June 2014

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

Venmyn Deloitte (Pty) Limited (Venmyn Deloitte) was requested by Gem Diamonds Limited (Gem), as per mandate VMD1666, to independently review, verify and signoff on the orebody modelling, mineral resource and reserve estimates for Ghaghoo, as at 1<sup>st</sup> January 2014. Venmyn Deloitte was also mandated to review the SAMREC compliance of this resources and reserve.

The Ghaghoo 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 1<sup>st</sup> January 2014, and that they are SAMREC compliant.

Venmyn Deloitte's Competent Person, Mr N Mc Kenna (Pr.Sc.Nat. Reg. No. 400199/04), has signed off on the resource statement for Ghaghoo. Mr Mc Kenna 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 Ghaghoo. 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 mineral resource and mineral reserve estimates for Ghaghoo (of Gem Diamonds), 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

**GHAGHOO SUMMARY SAMREC COMPLIANT RESOURCE STATEMENT  
(1<sup>st</sup> January 2014, Including Reserves)**

OPERATION / PROJECT NAME	RESOURCE CATEGORY	TONNES (t)	REC. <sup>(1)</sup> GRADE (cpht)	CARATS	VALUE (USD/ct)	EFFECTIVE BOTTOM CUT-OFF (mm)
Ghaghoo	Indicated	79 390 000	19.51	15 492 200	242	1.50
<b>TOTAL / AVE INDICATED RESOURCES</b>		<b>79 390 000</b>	<b>19.51</b>	<b>15 492 200</b>	<b>242</b>	
Ghaghoo	Inferred	28 777 000	17.52	5 040 300	239	1.50
<b>TOTAL / AVE INFERRERED RESOURCES</b>		<b>28 777 000</b>	<b>17.52</b>	<b>5 040 300</b>	<b>239</b>	
<b>GRAND TOTAL / AVE RESOURCES</b>		<b>108 167 000</b>	<b>18.98</b>	<b>20 532 500</b>	<b>241</b>	

**Notes:**

1) Recovered, pre-acid wash.

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

**GHAGHOO SUMMARY SAMREC COMPLIANT RESERVE STATEMENT (1<sup>st</sup> January 2014)**

OPERATION / PROJECT NAME	RESERVE CATEGORY	MINING METHOD	TONNES (t)	REC. <sup>(1)</sup> GRADE (cpht)	CARATS	VALUE (USD/ct)	EFFECTIVE BOTTOM CUT-OFF (mm)
Ghaghoo <sup>(2)</sup>	Probable	Underground	7 492 000	27.81	2 083 500	267	1.50
<b>TOTAL / AVE PROBABLE RESERVES</b>			<b>7 492 000</b>	<b>27.81</b>	<b>2 083 500</b>	<b>267</b>	
<b>GRAND TOTAL / AVE RESERVES</b>			<b>7 492 000</b>	<b>27.81</b>	<b>2 083 500</b>	<b>267</b>	

**Notes:**

1) Recovered, pre-acid wash, taking modifying factors into account.

2) Diamond reserves have been declared up to and including Level 8 to a depth of 300m and only the VKSE phase will be exploited. Reserve tonnages and grades are reported inclusive of external waste, mining and geological losses and plant modifying factors. Grade, diamond price and operating costs for Ghaghoo may need to be adjusted once conclusive results from the current trial mining and processing have been finalised.

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 GHAGHOO**

MODIFYING FACTORS	UNITS	GHAGHOO VALUES
2014 Average Diamond Price	USD/ct	267
Exchange Rate to the USD	Units/USD	<sup>(1)</sup> 8.5
Diamond Price Escalation per Annum	%	<sup>(2)</sup> Variable
Total Operating Costs	USD/t	As per confidential contracts.
Average LOM Dilution	%	15.0%
Mining Extraction	%	88%
Main Plant Recovery Factor <sup>(4)</sup>	%	100%
Bottom Screen Size Cut-off	mm	1.50
Royalty and Marketing (% of gross revenue)	%	11.5%
Corporate Tax Rate	%	Variable (Min 22%)

**Notes:**

1) Currency unit = Pula

2) Based upon WWW 2014 - Q1 forecast.

Grade, diamond price and operating costs for Ghaghoo may need to be adjusted once conclusive results from the current trial mining and processing have been finalised.

Yours Faithfully,



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**N. Mc KENNA**

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

**COMPETENT PERSON  
DIRECTOR**



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**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 GHAGHOO

SAMREC Compliant Diamond Resource Statement for Ghaghoo as at 1<sup>st</sup> January 2014 (Including Reserves)

RESOURCE CATEGORY	DEPTH FROM (m)	DEPTH TO (m)	PHASES	VOLUME (m <sup>3</sup> )	SG (kg/m <sup>3</sup> )	TONNAGE	REC. <sup>(1)</sup> GRADE (cpht)	CARATS	VALUE (USD/ct)	EFFECTIVE BOTTOM CUT-OFF (mm)	
Indicated	Base of Crater	300	VKSE	5 233 408	2.51	13 121 000	28.45	3 733 500	290	1.50	
			VKMAIN	8 574 975	2.46	21 136 000	17.78	3 757 600	201		
			CK	2 693 977	2.58	6 953 000	19.88	1 382 100	230		
			BXVK	720 811	2.56	1 848 000	10.03	185 300	246		
			BXCK	4 882 496	2.62	12 790 000	9.40	1 202 600	230		
	<b>TOTAL / AVE</b>				<b>22 105 668</b>	<b>2.53</b>	<b>55 848 000</b>	<b>18.37</b>	<b>10 261 100</b>		<b>242</b>
	300	400	VKSE	2 264 532	2.50	5 654 000	33.37	1 886 500	290		
			VKMAIN	3 273 548	2.48	8 119 000	23.05	1 871 000	201		
			CK	571 723	2.64	1 509 000	22.08	333 200	230		
			BXVK	51 683	2.53	130 000	19.14	24 800	246		
			BXCK	3 078 488	2.64	8 130 000	13.72	1 115 600	230		
	<b>TOTAL / AVE</b>				<b>9 239 974</b>	<b>2.55</b>	<b>23 542 000</b>	<b>22.22</b>	<b>5 231 100</b>		<b>242</b>
	<b>TOTAL / AVE INDICATED</b>				<b>31 345 642</b>	<b>2.53</b>	<b>79 390 000</b>	<b>19.52</b>	<b>15 492 200</b>		<b>242</b>
	Inferred	N/A		Crater	3 057 212	2.58	7 890 000	4.45	351 100		242
<b>TOTAL / AVE</b>				<b>3 057 212</b>	<b>2.58</b>	<b>7 890 000</b>	<b>4.45</b>	<b>351 100</b>	<b>242</b>		
400		524	VKSE	1 929 713	2.50	4 824 000	33.37	1 609 700	290		
			VKMAIN	3 329 485	2.48	8 257 000	23.05	1 903 200	201		
			CK	478 013	2.64	1 261 000	22.08	278 400	230		
			BXCK	2 479 481	2.64	6 545 000	13.72	897 900	230		
<b>TOTAL / AVE INFERRED</b>				<b>11 273 903</b>	<b>2.55</b>	<b>28 777 000</b>	<b>17.52</b>	<b>5 040 300</b>	<b>239</b>		
<b>TOTAL / AVE INFERRED (Excluding Crater)</b>				<b>8 216 692</b>	<b>2.54</b>	<b>20 887 000</b>	<b>22.45</b>	<b>4 689 200</b>	<b>239</b>		
<b>GRAND TOTAL / AVE GHAGHOO RESOURCES</b>				<b>42 619 546</b>	<b>2.54</b>	<b>108 167 000</b>	<b>18.98</b>	<b>20 532 500</b>	<b>241</b>		
<b>GRAND TOTAL / AVE GHAGHOO RESOURCES (Excluding Crater)</b>				<b>39 562 334</b>	<b>2.53</b>	<b>100 277 000</b>	<b>20.13</b>	<b>20 181 400</b>	<b>241</b>		

## Notes:

1) Recovered grades and carats based on a conventional diamond processing circuit employing crushing, re-crushing and DMS. The current circuit employs autogenous milling and there remain uncertainties regarding the recoverable diamond grade and diamond value using autogenous milling. The current trial mining at Ghaghoo has the objective of confirming the recoverable grade, diamond prices and the recovery processes, including the use of autogenous milling. Grade and diamond price may need to be adjusted once conclusive results from the current trial mining and processing using autogenous milling have been finalised.

Parcel of ~3,400cts valued by MJ Barker in July 2011. This was updated by Gem Diamonds in February 2012 by SFD and price modelling. WWW's diamond price index movements were subsequently used to adjust for general price movements up to 1<sup>st</sup> January 2014. Venmyn Deloitte considers this a fair reflection of the diamond market as at January 2014. This may need to be adjusted once conclusive results from the current trial mining have been finalised.

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 GHAGHOO****SAMREC Compliant Diamond Reserve Statement for Ghaghoo as at 1<sup>st</sup> January 2014**

RESERVE CATEGORY	MINING METHOD	PHASES	DEPTH FROM (mbs <sup>(1)</sup> )	DEPTH TO (mbs <sup>(1)</sup> )	TONNAGE	REC. <sup>(2)</sup> GRADE (cpht)	CARATS	VALUE (USD/ct)	EFFECTIVE BOTTOM CUT-OFF (mm)
Probable	Underground	VKSE	153	300	7 492 000	27.81	2 083 500	267	1.50
<b>TOTAL / AVE PROBABLE RESERVE</b>					<b>7 492 000</b>	<b>27.81</b>	<b>2 083 500</b>	<b>267</b>	
<b>GRAND TOTAL / AVE GHAGHOO RESERVES</b>					<b>7 492 000</b>	<b>27.81</b>	<b>2 083 500</b>	<b>267</b>	

**Notes:**

1) Metres below surface.

2) Recovered, pre-acid wash, taking modifying factors into account.

Reserve tonnages and grades are reported inclusive of external waste, mining and geological losses and plant modifying factors.

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

Grade and diamond value may need to be adjusted once conclusive results from the current trial mining have been finalised.

There have been no mining or additional studies that have been conducted during the previous financial year and hence the diamond reserve statement has been restated (with an adjustment to diamond value only).

MODIFYING FACTORS	UNITS	VALUE
2014 VKSE Average Diamond Price	USD/ct	267
Exchange Rate to the USD	Pula/USD	8.5
Average LOM Dilution	%	15%
Autogenous Milling Factors	%	USD/ct -8%; Grade +15%
Diamond Price Escalation per Annum	%	<sup>(1)</sup> Variable
Total Operating Costs	USD/ROMt	As per confidential contract.
Mining Extraction	%	88%
Main Plant Recovery Factor	%	100%
Effective Bottom Cut-off	mm	1.50
Royalty and Marketing (% of gross revenue)	%	11.5%
Corporate Tax Rate	%	Variable (Min 22%)

**Notes:**

1) Based upon WWW 2014 - Q1 forecast.

Grade, diamond price and operating costs may need to be adjusted once conclusive results from the current trial mining and processing have been finalised.