mineral resources

Department:
Mineral Resources
REPUBLIC OF SOUTH AFRICA

NAME OF APPLICANT:

OKAPI DIAMONDS (PTY) LTD

Registration No.: 2000/027438/07

**REMAINING EXTENT OF PORTION 9 (WOUTER)
OF THE FARM LANYON VALE 376,
REGISTRATION DIVISION: HAY RD, NORTHERN CAPE**

Northern Cape

MINING WORK PROGRAMME

SUBMITTED FOR A MINING RIGHT APPLICATION

AS REQUIRED IN TERMS OF SECTION 23(a), (b) AND (c) READ TOGETHER WITH REGULATION 11(1)(g) OF THE MINERAL AND PETROLEUM RESOURCES DEVELOPMENT ACT(ACT 28 OF 2002)

STANDARD DIRECTIVE

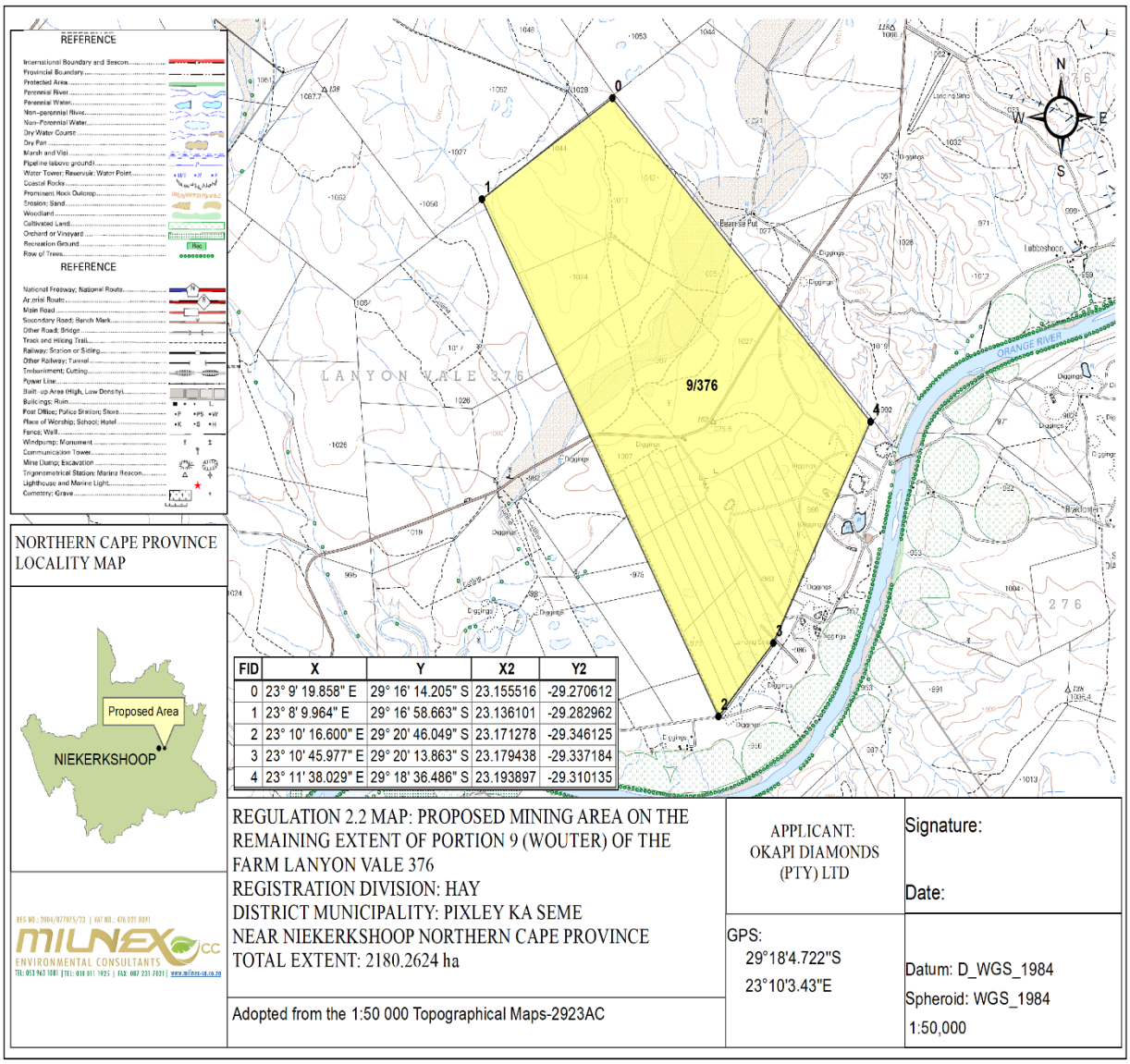
All applicants for mining rights are herewith, in terms of the provisions of Section 23 (a), (b) and (c) and in terms of Regulation 11 (1) (g) of the Mineral and Petroleum Resources Development Act, directed to submit a Mining Work Programme, strictly under the following headings and in the following format together with the application for a mining right.

1. **REGULATION 11.1. (a): FULL PARTICULARS OF THE APPLICANT**

ITEM	COMPANY CONTACT DETAILS
Name	Okapi Diamonds (Pty) Ltd Reg No.: 2000/027438/07
Tel no	053 963 2008
Fax no	053 963 2009
Cellular no	083 395 9676
Email address	
Postal address	P.O. Box 960 Schweizer-Reneke 2780

ITEM	CONSULTANT CONTACT DETAILS (If applicable)
Name	Japie van Zyl Attorneys
Tel no	053 963 2008
Fax no	053 963 2009
Cellular no	082 924 6687
Email address	japie@japievzylprok.co.za
Postal address	P.O. Box 960 Schweizer-Reneke 2780

2. **REGULATION 11(1) (b) PLAN SHOWING THE LAND AND MINING AREA TO WHICH THE APPLICATION RELATES (the plan requires in terms of Regulation 2(2)**



FID	X	Y	X2	Y2
0	23° 9' 19.858" E	29° 16' 14.205" S	23.155516	-29.270612
1	23° 8' 9.964" E	29° 16' 58.663" S	23.136101	-29.282962
2	23° 10' 16.600" E	29° 20' 46.049" S	23.171278	-29.346125
3	23° 10' 45.977" E	29° 20' 13.863" S	23.179438	-29.337184
4	23° 11' 38.029" E	29° 18' 36.486" S	23.193897	-29.310135

REGULATION 2.2 MAP: PROPOSED MINING AREA ON THE REMAINING EXTENT OF PORTION 9 (WOUTER) OF THE FARM LANYON VALE 376
REGISTRATION DIVISION: HAY
DISTRICT MUNICIPALITY: PIXLEY KA SEME
NEAR NIEKERKSHOOP NORTHERN CAPE PROVINCE
TOTAL EXTENT: 2180.2624 ha

Adopted from the 1:50 000 Topographical Maps-2923AC

APPLICANT:
OKAPI DIAMONDS (PTY) LTD

Signature:

Date:

GPS:
29°18'4.722"S
23°10'3.43"E

Datum: D_WGS_1984
Spheroid: WGS_1984
1:50,000

See annexure "A"

3. **REGULATION 11(1) (c): THE REGISTERED DESCRIPTION OF THE LAND TO WHICH THE APPLICATION RELATES**

3.1. The remaining extent of portion 9 (Wouter) of the farm Lanyon Vale 376
Registration Division: Hay RD
Extent: 2180.2624 hectares
Title deed: T1903/2007
Province: Northern Cape

REGULATION 11(1) (d): THE DETAILS OF THE IDENTIFIED MINERAL DEPOSIT

4.1 Resource Particulars

ITEM	DETAIL
Type of Mineral	Diamonds (Alluvial) & Diamonds (General)
Locality **(Direction and distance from nearest town)**	The area applied for is located along the North Bank of the middle Orange River between Douglas and Prieska in the Northern Cape Province of South Africa, some 100km southwest of Douglas and some 200km from Kimberley.
Extent of the area required for mining	2180.2646 hectares
Extent of the area required for infrastructure, roads, servitudes etc	+/- 1.5 hectares
Depth of the mineral below surface	Depth of gravel varies from 1 meters to 3 meters below surface.
Geological formation	The present Orange River between Douglas and Prieska displays a meandering channel morphology, best developed in areas underlain by the Dwyka Group. All the different fluvial terrace deposits are covered by Rooikoppie gravels, which represent mobile, multi-cycle deflation and gravitational deposits and/or elevated (inverted) fluvial deposits and preserved and recycled repeatedly from one successive land surface to the next. Only the most durable silicic clast Branded iron formation (BIF, quartzite, chart, etc.) survived this deflation recycling and diamonds are only present shere the Rooikoppie gravels recycled older diamondiferous fluvial deposits. Palaeochannel depositional packages of the Orange River are preserved at different elevations above the present Orange River bed. Diamondiferous Rooikoppie gravel scree slopes higher than the oldest preserved fluvial deposits suggest that even older and higher elevation paleo-deposits were present and have been removed completely by erosion. The ages of these terraces young with decreasing elevation and vary from Pleistocene-Pilocene for the lower terraces to Plio-Miocene for the upper terraces. Conversely, the probability of preservation decreases with increasing age and elevation.

	The most consistent high level paleo deposit, and the one on on which the geological model for this area was developed, occurs between 60-90m above river level. These deposits represent palaeomeanders exhibiting a wavelength of approximately 13km and an amplitudeof about 6km, very similar th that of the modern-river. These gravel deposits occur at about 1000 masl. and generally slope slightly to the south, away from the Orange River. Both the calcrete cap and the bedrock exhibit this same slope. The menaders are generally covered entirely by either calcrete or wind-blown sand, or both, but careful mapping have defined points of entry and emergence of palaeochannel deposits from underneath the upper calcrete cap, along the valley scarps. Frequency of occurrence suggests that the known deposits represent the complete palaeochannel profile for this section of the river. The correspondence in palaeo- and modern river morphology, for this cycle, indicates that this sector of the Orange River system remained in relative equilibrium since, probably, the Miocene. All the preserved meanders at this elevation lie to the south of the present river channel suggesting that meander cut-off occurred mostly along the northern loops of the meanders. This may be an indication of regional slope to the south or slow, continuos uplift to the north. The primary sources of diamonds trapped in the palaeogravels of the Orange River are kimberlites and intermediate secondary sources like elivial, colluvial and fluvial deposits in the catchment regions of the Vaal and Orange rivers. These diamonds were deposited along the course of the river in favourable trap sites either in bedrock-traps or in point-bar complexes and within-channel bars, particularly in meanders, scour pools and areas of divergent flow. In the range of deposits on Wouterspan and within the context of the model presented diamonds were first deposited in gravel units at an elevation of + 110m above the present river. As a result of consecutive cycles of continental uplift and erosion, the oldest

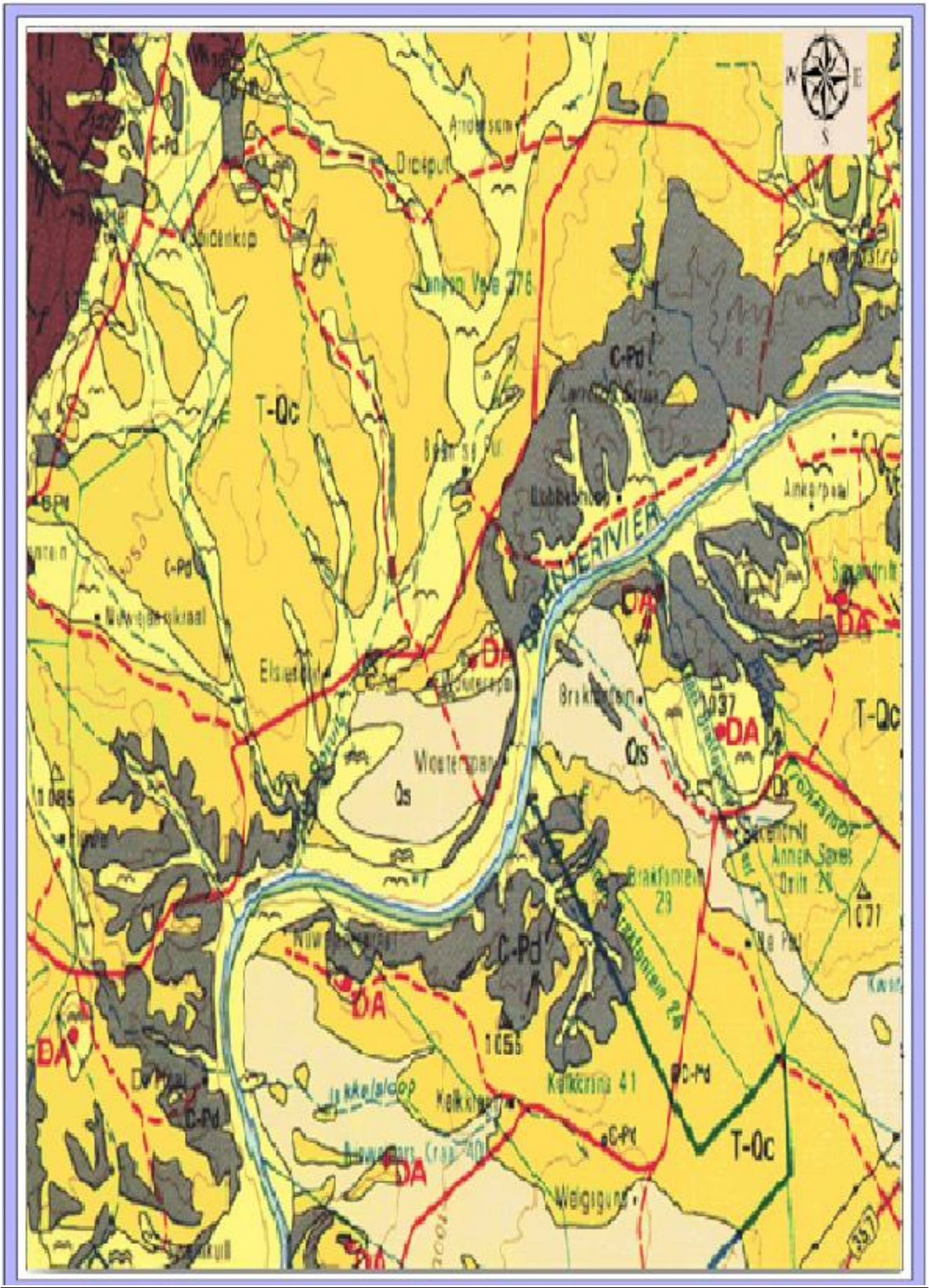
	diamondiferous gravels deposited by the Orange River have been recycled and re-deposited repeatedly through time down to the lowest level gravels as preserved today. Lower elevation terraces (less than about 30m above present river bed) of the Orange River are typified by up to 30% sand matrix with a high proportion of zeolite-rich sand lenses and a high proportion of red Drakensberg basalt clasts. These gravels normally exhibit intermediate to low diamond grades. They are typically cobble-peddle gravels with occasional boulders. Clast composition is dominated by BIF +60%, andesite, dolerite, shale, quartzite, riebeckite and others with a low percentage of agate and amygdales. Clast-rounding is moderate, packing is moderate to poor which impacts negatively on diamond entrapment potensial. Average grades of 0.5-1.2ct/m^3 or 0.23-0.54cpht are known with the occurrence of occasional large stones. The lowest terrace does not appear to be as calcreted as the upper two terraces and mining is, therefore, easier. Lower terrace deposits are generally covered by 1-4m of sand shereas the upper terrace deposits are capped by a hard calcrete layer some 2-3m thick which protected the gravel deposits from erosion and prevented exploitation in the past. The Wouterspan deposit comprises an extensive flat lying alluvial sequence located on the right bank of the modern Orange River extending across an area of approximately 4x3km. the bedrock is well exposed in the workings and shale and tillite of the Karoo age Dwyka Group, are common. The bedrock displays an irregular erosional surface with gully and pothole features creating high diamond trapping potential. At Wouterspan, the gravel terrace occurs approximately 20-40m above the Orange River and appear to have been deposited in a braided river environment. These terraces are, probably, of lower to imtermediate age. Thin (<2m), extensive Rooikoppie blanket the property. The fluvial-alluvial sequence is comprised of a basal gravel overlain by

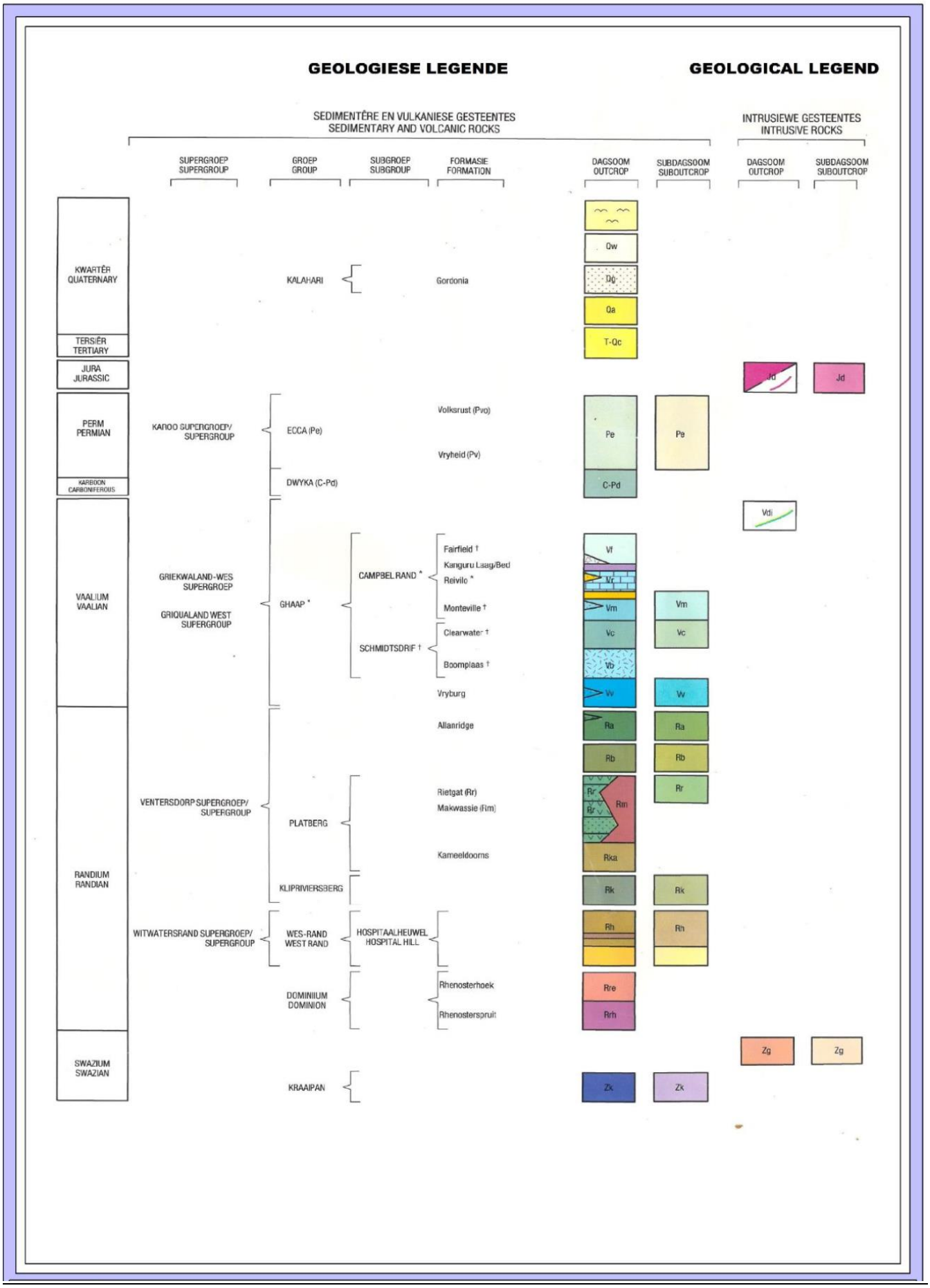
	a generally upward-fining sequence with hanging gravel lenses known as “Middlings”. The sequence is covered by a (non-silcreted) calcrete cap, generally less than 5m thick. Post-depositional weathering of this calcrete has formed solution hollows called “makondos” which are often filled with diamond-enriched rooikoppie gravels. **Mineralisation** The palaeochannel gravels are mineralised by diamonds derived from the weathering and erosion of kimberlites present in the headwaters of the paleo-Vaal river system. Colluvial and eluvial post-depositional modification of these fluvial-alluvial deposits resulted in the formation of the rooikoppie gravels. Under arid conditions low stream flow typically results in wide, shallow channels. The valleys displays moderate sinuosity and braiding may be frequent. Braided streams are highly transient environments. The braided channel are unstable through time and gravel bars are formed and destroyed continuously. Shifting bars and channels cause wide varations in local flow conditions resulting in varied depositional assemblages. Common feature in braided stream deposits include irregular bed thicknesses, restricted lateral and vertical variations within the sediments, and evidence of erosion and re-deposition.

4.2 Details of person who compiled the resource statement

ITEM	DETAILS
Name	P. de Jager (BSc Hons) & J.D. Ward (PhD)
Qualification/s	BSc (Hons) & PhD, Pri.Sci.Nat., FGSSA
Profession	Geologists
Experience	Vast experience in geology relating to diamonds
Professional Body(If registered)	FGSSA, SASQUA & SACNASP
Registration number(if applicable)	400080/85

4.3 Locality specific geological map (in colour)




GEOLOGIESE LEGENDE
GEOLOGICAL LEGEND
SEDIMENTÊRE EN VULKANIESE GESTEENTES
SEDIMENTARY AND VOLCANIC ROCKS
INTRUSIEWE GESTEENTES
INTRUSIVE ROCKS
SUPERGROEP SUPERGROUP
GROEP GROUP
SUBGROEP SUBGROUP
FORMASIE FORMATION
DAGSOOM OUTCROP
SUBDAGSOOM SUBOUTCROP
KWARTÊR QUATERNARY
TERSIÊR TERTIARY
JURA JURASSIC
PERM PERMIAN
KARBOON CARBONIFEROUS
VAALIUM VAALIAN
RANDIUM RANDIAN
SWAZIUM SWAZIAN
KALAHARI
Gordonia
Ow
Qg
Qa
T-Qc
Jd
KAROO SUPERGROEP/ SUPERGROUP
ECCA (Pe)
DWYKA (C-Pd)
Volksrust (Pvo)
Vryheid (Pv)
Pe
C-Pd
Vdi
GRIEKWALAND-WES SUPERGROEP
GRIQUALAND WEST SUPERGROUP
GHAAP *
CAMPBELRAND *
SCHMIDTSDRIF †
Fairfield †
Kanguru Laag/Bed
Reivilo *
Monteville †
Clearwater †
Boomplaas †
Vryburg
Allanridge
Vf
Vr
Vm
Vc
Vb
Vv
Ra
Rb
VENTERSDORP SUPERGROEP/ SUPERGROUP
PLATBERG
KLIPRIVIERSBERG
Rietgat (Rr)
Makwassie (Rm)
Kameeldoorns
Rr
Rm
Rka
Rk
WITWATERSRAND SUPERGROEP/ SUPERGROUP
WES-RAND WEST RAND
HOSPITAALHEUWEL HOSPITAL HILL
Rh
DOMINIUM DOMINION
Rhenosterhoek
Rhenosterspruit
Rre
Rrh
Zg
KRAAIPAN
Zk

LITOLOGIE
LITHOLOGY

~	Alluvium Alluvium
Qa	Rivierterrasgruis; diamanthoudend op plekke River-terrace gravel; diamondiferous in places
Qg	Rooibruin tot vleeskleurige eoliese sand Red-brown to flesh-coloured aeolian sand
Qw	Eoliese sand Aeolian sand
T-Qc	Kalkreet Calcrete
Jd	Doleriet Dolerite
Pe	Sandsteen en skalie Sandstone and shale
Pvo	Skalie en ondergeskikte sandsteen Shale and subordinate sandstone
Pv	Sandsteen en ondergeskikte skalie Sandstone and subordinate shale
C-Pd	Tilliet, moddersteen, skalie, rolblokskalie en sandsteen Tillite, mudstone, shale, boulder shale and sandstone
Vb	Oölitiese en stromatolitiese dolomiet; tussengelaagde kwartsiet, skalie en plaveisteen Oolitic and stromatolitic dolomite; interbedded quartzite, shale and flagstone
Vc	Skalie, sliksteen met tussengelaagde dolomiet Shale, siltstone with interbedded dolomite
Vdi	Diabaas Diabase
Vf	Grofkristallyne herkristalliseerde dolomiet met tussengelaagde chert; prominente chert aan basis ( ) Coarse-crystalline recrystallised dolomite with interbedded chert;prominent chert at base ( )
Vm	Dolomiet met stromatolitiese kalksteen; tussengelaagde skalie ( ); kwartsietmerker aan bokant ( ) Dolomite with stromatolitic limestone; interbedded shale ( ); quartzite marker at top ( )
Vr	Dolomiet, kalksteen en chert; tussengelaagde skalie ( ); gestreepte ystersteenmerker aan bokant ( ) Dolomite, limestone and chert; interbedded shale ( ); banded ironstone marker at top ( )
Vv	Kwartsiet, plaveisteen, konglomeraat, dolomiet en skalie; andesitiese lawa ( ) Quartzite, flagstone, conglomerate, dolomite and shale; andesitic lava ( )
Ra	Tholeiitiese en kalk-alkaliese basalt en andesiet; tuf en piroklastiese breksie ( ) Tholeiitic and calc-alkaline basalt and andesite; tuff and pyroclastic breccia ( )
Rb	Kwartsiet, grintsteen, konglomeraat; piroklastiese breksie, tufagtige sedimente, plek-plek chertagtig of kalkhoudend Quartzite, grit , conglomerate; pyroclastic breccia, tuffaceous sediments, cherty or calcareous in places
Rh	Rooi ysterryke skalie; magnetiese skalie ( ); kwartsiet en skalie ( ) Red iron-rich shale; magnetic shale ( ); quartzite and shale ( )
Rk	Liggroen amandelhoudende en nie-amandelhounende lawa Light-green amygdaloidal and non-amygdaloidal lava
Rka	Konglomeraat, grouwak, kalksteen, chert, chertagtige skalie en granietrolblokkonglomeraat Conglomerate, greywacke, limestone, chert, cherty shale and granite-boulder conglomerate
Rm	Kwartsporfier, veldspaatporfier en rioliet Quartz porphyry, feldspar porphyry and rhyolite
Rr	Liggroen tholeiïtiese en kalk-alkaliese basalt en andesiet ( ); tuf, piroklastiese breksie, karbonaatgesteentes met chertlae, konglomeraat, sandsteen en tufagtige sedimente ( ) Light-green tholeiitic and calc-alkaline basalt and andesite ( ); tuff, pyroclastic breccia, carbonate rocks with chert layers, conglomerate, sandstone and tuffaceous sediments ( )
Rre	Andesitiese lawa, tuf en skalie Andesitic lava, tuff and shale
Rrh	Kwartsiet, konglomeraat, skalie en tussengelaagde lawa Quartzite, conglomerate, shale and interbedded lava
Zg	Ligkleurige fyn- tot middelkorrelrige graniet; gneis Light-coloured fine- to medium-grained granite; gneiss
Zk	Gestreepte ystersteen, chert, kwartsiet, grouwak, grint en skis; amfiboliet; andesitiese en riolitiese lawa, tuf en piroklastiese breksie Banded ironstone, chert, quartzite, greywacke, grit and schist; amphibolite; andesitic and rhyolitic lava, tuff and pyroclastic breccia

* Nog nie deur SAKS goedgekeur nie.
* Not yet approved by SACS.

† Verandering in rang nog nie deur SAKS goedgekeur nie.
† Change in rank not yet approved by SACS.

4.4 Exploration results (supporting geological reports to be listed and appended)

The area is known to produce exceptionally large diamonds, notably two 200 plus carat stones were recovered by Rockwell Diamonds

The property applied for have been prospected and mined since 2005, initially by professional diggers and, subsequently by Rockwell. Rockwell commence with mining during 2007 / 2008. The mine was put on Care and Maintenance at the end of November 2008 as a result of international economic conditions and the declining mining prices.

Alluvial diamonds have been recovered from properties along the middle Orange River, between Douglas and Prieska since the early 1880's. Initially much of this activity was focussed on the Rooikoppie gravels – deflation gravels derived from the colluvial and eluvial reworking of pre-existing alluvial deposits. Later it was recognised that the underlying palaeochannel gravels, often buried beneath a hard calcrete carapace, represented an economically viable, high volume target. During the period February and May 2006 a local drill contractor under instruction from HCVWD and supervised by Robert Cooke, a consulting geologist based in Kimberley drilled a total of 191 boreholes (2,097m) on Okapi, and 278 boreholes (3,265m) on Farhom. The data collected from the boreholes were used in the construction of a geological model for the area from which contour plans illustrating gravel thickness, overburden thickness and bedrock elevation were produced Exploration Potential of some 4,481,331m^3 of Rooikoppie and 43,258,590m^3 of Primary gravels were estimated to exists on the Wouterspan property (de Decker, 2006). During March 2005 and February 2006, a total of 513,892m^3 Primary gravel and 24,013m^3 Rooikoppie gravel was bulksampled by HCVWD. Results from this exercise indicated that sample average grades were around 0.55ct/100m^3. The average selling price achieved for the nine-month period ending

Rockwell Resources RSA (PTY) Ltd ("Rockwell RSA") owned 74% shareholding and H C van Wyk Limited ("HC van Wyk"). HC van Wyk was granted a new order mining right on certain portions of the property and a new prospecting right on a surveyed portion on the remainder 9 of the property. On the last mentioned property, H C van Wyk was appointed as a contractor of Okapi Diamonds CC.

The High Court of the Northern Cape Province, situated in Kimberley, granted a provisional liquidation order of both Rockwell and H C van Wyk.

In terms of Section 56 of the MPRDA, a mining right lapses if the holder thereof is liquidated. As a provisional liquidation order has been granted, the date of liquidation will be the date when the application for liquidation has been physically issued as application papers with the register of the High Court. It is thus our submission that this application of the applicant must be accepted by the Department because of the liquidation of the Right Holder. In the alternative in the event that the DMR does not want to accept the application it is our submission that the acceptance must be held in abeyance until a final order of liquidation has been granted.

From the technical report of the Wouterspan Alluvial Diamond Mine, drafted by Tania R. Marshall, (Pr. Sci. Nat.) and Glenn A. Norton, (Pr. Sci. Nat) dated 26 June 2013 ("Technical Report!") some 100 000 m^3 of Rooikoppie and 452,293m^3 of calcreted fluvial-alluvial gravel (a total of 552,293m^3 was processed to recover 3 896,42ct at an average grade of 0.70ct/100m^3.
On page 11 of the Technical Report, a mineral resource estimation was made as at 15 March 2013. The mineral resource can be summarized as follows:

	Inferred Resources	**Indicated Resources**	**Ave Grade (ct/100m^3)**	**Ave value (USD/ct)"**
Rooikoppie	5,911,000	614,400	0.70 at 2mm bcos	2.029 at 2mm bcos
Fluvial Alluvial	31,863,000	3,858,800	0.62 at 5mm bcos	2,300 at 5mm bcos
TOTAL	**37,774,000**	**5,025,500**	**0.70 AT 2mm bcos** **0.62 at 5mm bcos**	**2,029 at 2mm bcos** **2,300 at 5mm bcos**

From the Technical Report it also appears that there is an estimated further Mineral Resource of 14-15Mm^3 of gravel as well as some 400ha of terrace area that have also been identifies as Exploration Targets for further prospecting.

Alluvial diamondiferous gravels are found in the area as remnants of ancient terrace deposits occurring at different elevations above the floor of the present orange river. Terrace elevations in the Middle Orange River area vary

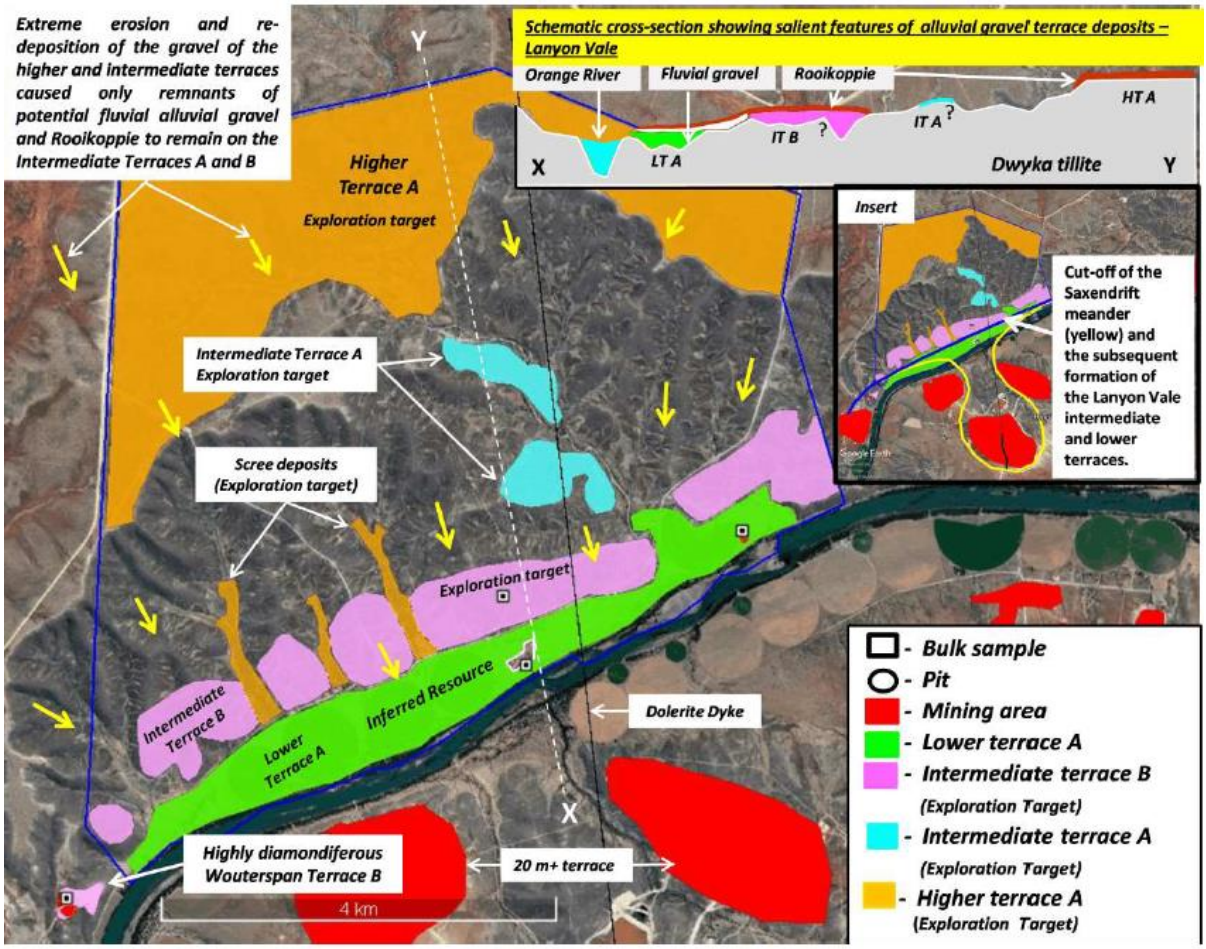
from a few metres to about 110m above the florr of the current river position and the ages of deposition vary from recent (100,00 years) to Miocene (8Ma). The oldest gravels are found at the highest elevations Saxendrift higher terrace opposite Lanyon Vale). These deposits were formed in a braided river environment.

It does appear that the geological information substantiate the minerals to be prospected for.

4.5 Information required in terms of regulation 8 (in cases where the application was preceded by a prospecting right)

Refer to the detailed report attached hereto and marked Annexure "**B**".

4.6 Mineral resource map



4.7 Resource statement

MINERAL RESOURCES

None of the internationally recognised codes (CIM, SAMREC or JORC) deal specifically with the peculiarity of alluvial diamonds when it comes to resource estimations. The reasons for this that as exploration/prospecting proceeds (usually through trial/test mining and processing) the resource base changes as new deposits are proved up. For reserve definition, different cut-off grades are applied to different deposits or sections of a mine at different times. Cut-off grades can vary as average ore value changes (e.g. diamond market conditions, exchange rate, diamond size variations) or as operating cost factors vary (e.g. amount of overburden, haul distance). Reserves for alluvial diamond mining inevitably change as deposits are mined.

The Indicated and Inferred Resource categories used in this Report follows the SAMREC definition[1]. The resultant estimations are materially similar to those set out in section 1.2 of the NI43-101[2] (based on the CIM Standards[3]).

Clause 61 of SAMREC 2007 defines an ***Inferred (Diamond) Resource*** as:

"*that part of a Diamond Resource for which tonnage or volume, grade and average diamond value can be estimated with a low level of confidence. It is inferred from geological evidence and assumed, but not verified, geological and grade continuity and a sufficiently large diamond parcel is not available to ensure a reasonable representation of the diamond assortment. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes that may be limited or of uncertain quality and reliability."*

This category, which has a lower level of confidence than that applying to an Indicated Mineral Resource is intended to cover situations where a mineral concentration or occurrence has been identified and limited measurements and sampling completed, but where the data are insufficient to allow the geological and/or grade continuity to be confidently interpreted. Due to the uncertainty which may be attached to Inferred Mineral Resources, it cannot be assumed that all or part of an Inferred Mineral Resource will necessarily be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration. Further, confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability worthy of public disclosure.

[1] SAMREC Code (2007)
[2] NI 43-101 (2004)
[3] CIM Definition Standards (2004)

Clause 61 of SAMREC 2007 defines ***an Indicated (Diamond) Resource*** as:

" that part of a Diamond Resource for which tonnage and volume, densities, shape, physical characteristics, grade and average diamond value can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are too widely or inappropriately spaced to confirm geological and grade continuity but are spaced closely enough for continuity to be assumed and sufficient diamonds have been recovered to allow a reasonable estimate of average diamond value."

The confidence level associated with the Indicated Mineral Resource is sufficient for this information to be applied to global mine design, mine planning; to allow the appropriate application of technical and economic parameters; and to enable an evaluation of economic viability.

Exploration Results include data and information generated by exploration programmes that may be of use to investors. The Exploration Results may or may not be part of a formal declaration of Mineral Resources or Mineral Reserves. However, in Public Reports, that part of Exploration Results' data and information relating to mineralization not classified as a Mineral Resource or Mineral Reserve must be described as an exploration target and must contain sufficient information to allow a considered and balanced judgement of the significance of the results. Such reporting must not be presented so as to unreasonably imply that potentially economic mineralization has been discovered. Reporting of isolated values without placing them in perspective is unacceptable. Any such information relating to exploration targets must be expressed so that it not misrepresented or misconstrued as an estimate of Mineral Resources or Mineral Reserves. The term Resource(s) or Reserves(s) must not be used in this context. In the situation where tonnes and grades have been estimated for an exploration property for the purposes of justifying additional exploration, but on insufficient data to define a Mineral Resource, this information must not be presented in Public Reports in such a way that it might be misrepresented or misconstrued as an estimate of a Mineral Resource.

Diamond Value

In the quarter ended November 30, 2008, market demand continued to decrease as retailers continued to resist committing their limited capital towards polished diamond inventory. This situation was caused by world financial crisis and banks not lending money to retailers to purchase new stock

until their debt had been reduced. This had an immediate effect on their ability to purchase rough diamonds.

Diamond Traders have experienced these 'slow downs' in the past, so the industry remained calm and there was a limited amount of forced selling, so although there was a limited amount of trade in polished stones, polished prices did not decrease markedly. However, demand on the secondary rough diamond market ceased, and first hand buyers that purchased from producers like Diamond Trading Company (DTC) and Alrosa turned down a large percentage of their allotments.

Producers felt the effects of this reluctance to purchase rough diamonds. Any purchases made on the secondary market during this quarter were opportunistic and at prices well below market value. This has allowed the buyers to sit on the stock until such time the market begins trading again. The world's producers, particularly the two largest De Beers and Alrosa, immediately reduced production. De Beers launched their largest ever campaign, called Enduring Value, to drive consumer demand for diamond jewellery. India enforced a month-long ban on imports of rough stones, effective November 25. Diamond market leaders asked the industry to exercise caution and be responsible until such time as there is stability in financial markets. Auctions, primarily via Sotheby's and Christie's, have continued to receive interest from private buyers which have been successful in their bids of special and rare jewellery, due to the absence of diamond traders. High net worth individuals still invest in diamonds and interest in rare diamonds continues to be stable.

Rockwell sold via tender in September and achieved its reserve prices - an excellent result. In October, a further four diamonds were sold into the Steinmetz Diamond Group beneficiation joint venture. This result was satisfying as the world's market prices had continued to slide. Thereafter, the diamond market continued to decrease. The Company cancelled its October and November tender sales but intends to continue to review diamond markets and return to sales in fourth quarter. During the third quarter, polished diamonds were sold through the Steinmetz Diamond Group agreement. Three exceptional yellow gemstones were sold, resulting in additional revenues of approximately USD2 million.

Rockwell shut down its operations at the end of November. All diamond producers, worldwide, have reduced their production. The industry is waiting for the results of holiday sales before the restocking of any inventory will take place. In addition, once this assessment has been made, producers should have a better insight into the diamond prices. As a result of reduced production, stability is expected to return to the markets and a return to trade at reduced

prices will occur. Rockwell management is confident of its ability to sustain its operations even under these changes in rough diamond prices.

During 2007 the average sales value was USD2,290/ct. The high average diamond value was attributed, in part, to the worldwide increase in the value of gemstones as well as to the recovery of a number of large (+50ct) stones during the production period. During March – October 2008, over 2,000cts were sold from Wouterspan for an average of USD 1,511/ct (**Table**). During this period, there was a decrease in average diamond value of some 33% from the previous year – this is thought to reflect a drop in the average size of the diamonds recovered from the Wouterspan operation, combined with general decreases in international diamond prices towards the end of 2008.

Sales data for the Wouterspan operation

	Carats sold	USD/ct value
Mar-08	-	-
Apr-08	790.98	1,559.13
May-08	475.92	1,566.33
Jun-08	659.12	1,130.98
Jul-08	-	-
Aug-08	434.44	1,462.45
Sep-08	269.70	1,886.20
Oct-08	43.70	3,960.00
TOTAL	**2,673.86**	**1,511.39**

Since November 2008, international diamond prices have continued to drop. Subsequent to its extended Christmas period shutdown (November 27 to January 5), Rockwell elected to continue the shutdown until January 31st, 2009 in order to conserve cash and have additional time to ascertain conditions in the rough diamond market.

Rockwell considered it prudent to halt production from Wouterspan until the diamond price recovers sufficiently to ensure profitable operations. Rockwell has modelled that the values of Middle Orange River (MOR) diamonds in 2009 would be around 50% of 2008 figures and that prices for Wouterspan stones might only recover towards 2011. At this time, the company would plan to build and commission a processing plant that would be better able to deal with the declining average diamond sizes recovered from the operations (refer section 17.3). Wouterspan might, then, return to full production in 2012, given that the diamond market had improved sufficiently.

Size Frequency and Large Stones

During October 2008, Dr M M Oosterveld was asked to compare the diamond distributions of Wouterspan over the years of production and also to compare it with the rest of Rockwell's mines (Oosterveld, 2008). Except for 2005 when a smaller average stone size was apparent across the property, the results show distinct similarities (**Fig. 16.2**). The large stone size end of the distribution shows the normal irregularities caused by the incidental recovery of large stones.

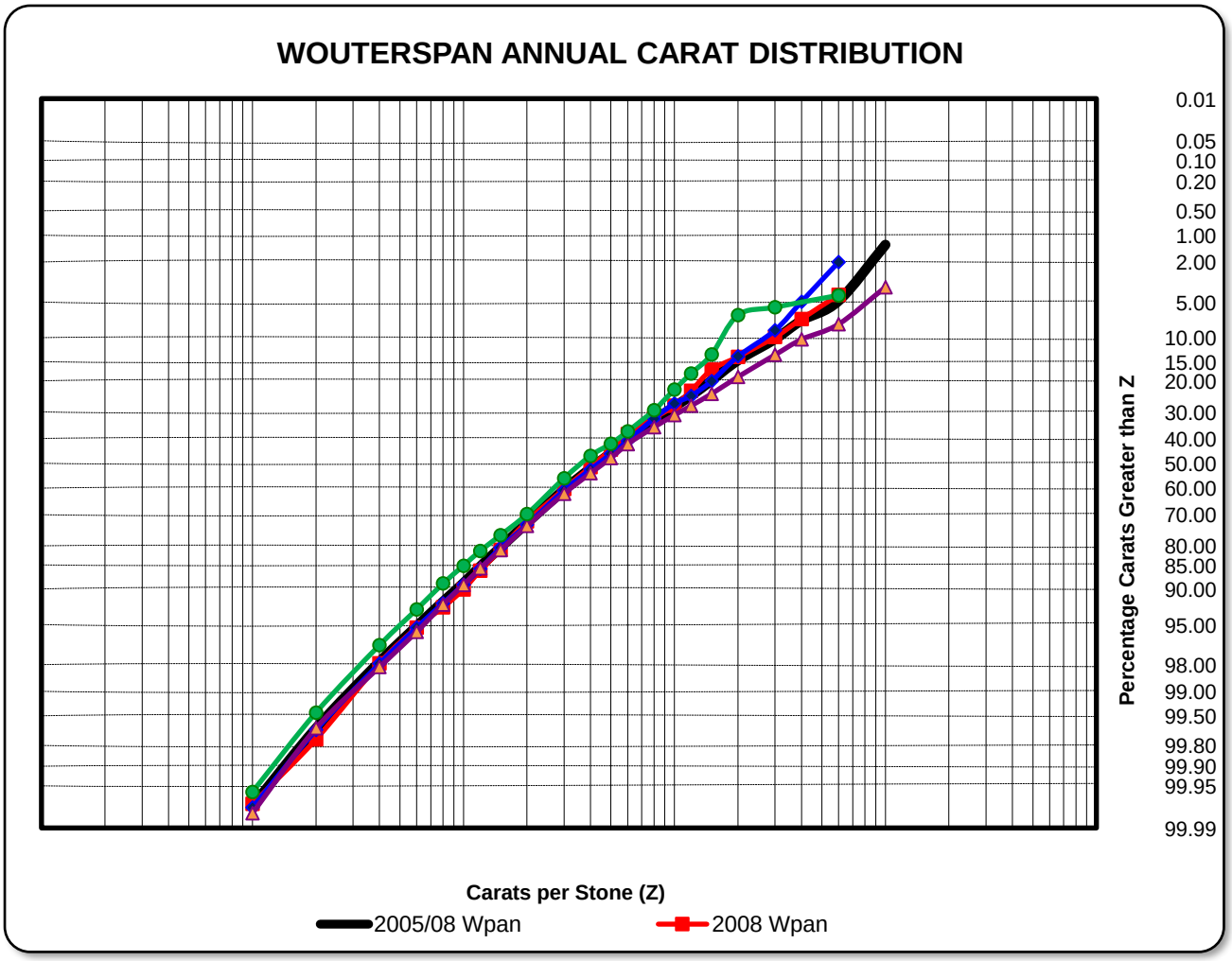


Figure: ***Diamond size distribution on Wouterspan 2005-2008*** (Oosterveld, 2008)

During 2006 the large stone recovery was higher than in the other years. The average stonesize during 2008 was high for the Farhom portion of Wouterspan mine at 2.847 cts/st (but based on only 101 stones) and for HCVWD at 2.667 cts/st while the average stone size for the Okapi portion was small at 1.792 cts/st. These average sizes appear to be somewhat inconsistent in comparison with 2007 in which Farhom produced an average size of 2.08 cts/st and Okapi 2.22 cts/st. The general impression is that the overall diamond size frequency for Wouterspan is fairly constant but local variations do exist.

The number and the cumulative number of large stones per year and per size class were plotted. Because of the different number of stones produced per year the graphs run parallel. To make them comparable the cumulative number of stones for each year was proportionally adjusted to 22,039 carats per year. **Fig. 16.3**. shows that after this adjustment the annual graphs lie very close together. Above 10 carats the results become more variable because of the variability in the occurrence of large stones related to the small number of stones recovered above this size.

To forecast the number of large stones to be expected the cumulative number of stones in the classes larger than 6 cts/st were used. The forecast was obtained by fitting a straight line to the observed values between in the 6 carat and 30 carat classes. (>6cts/st to <40cts/st). It is apparent that for the 2005 to 2008 period only two stones larger than 100 carats were observed while the forecast indicates that five stones should have been recovered. On average, the largest stone recovered in 22,039 carats could have been in the order of 250 carats. In a normalized production of 50,000 cts, Wouterspan would have recovered 13 stones larger than 100 carats while only five were observed. This deficiency of large stones is considered by Oosterveld to be caused by the non -recovery of these stones due to the treatment plant characteristics. It was, also, thought possible (but not likely) that these stones were not present in the source diamond population.

Volume Estimation Model

This study has applied the following criteria for the estimation of indicated and inferred resource volumes on Wouterspan, based on the experience gained from this specific property (both the procedures and the subsequent results were reviewed and validated in conjunction with the independent QP).

Indicated Resources

- Of primary importance is the confidence that can be placed on the volume model. Rockwell has implemented a system whereby the volumes of mined out areas are regularly reconciled with the volumes predicted by the drilling. Where a good correlation is found (within 10% annually with a variance of less than 15% on a monthly basis) then adjacent areas are considered for indicated resource category;.
- A minimum drilling grid of 100x50m is preferred.
- An indicated resource has to lie within 250m of a reference bulk-sampling pit, or an active mining face, from which a 2,000cts have been recovered (for confidence in the grade and value estimations).

- Similarly, the geological environment is considered – indicated resource gravels need to lie within the same geological environment (channel or overbank, for example) as the reference bulk-sample.

  Inferred Resources
- A minimum drill grid on 200x200m
- A minimum of 500cts from the property (for grade and value estimation)
- Similar broad geological environment (same terrace, for example and same gravel type – no extrapolation from Rooikoppie to fluvial-alluvial units).

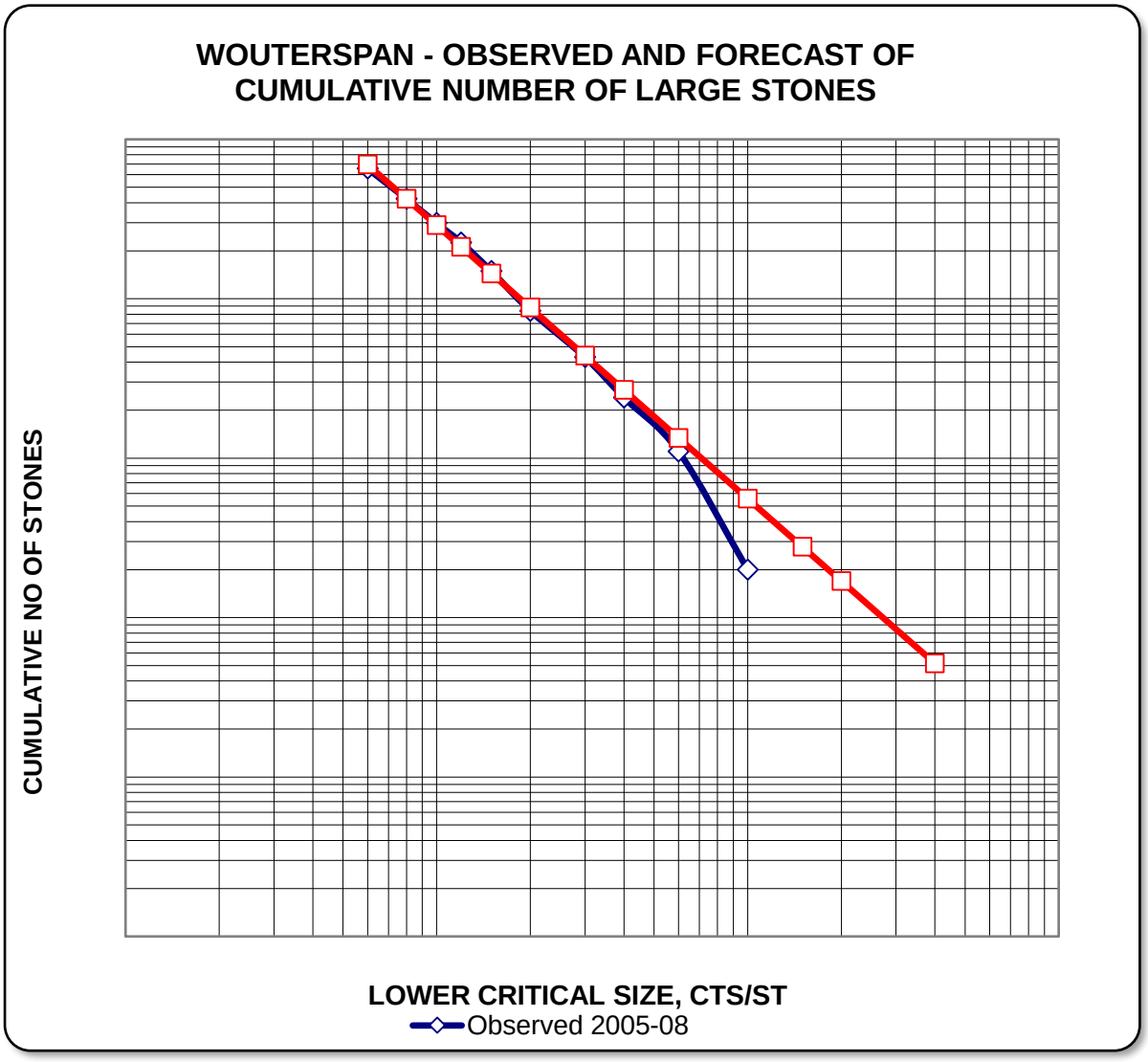


Figure: ***Observed and forecast of large stones for Wouterspan*** (Oosterveld, 2008)

Based on the criteria described above, the Indicated and Inferred resources present on Wouterspan as at 28 February 2008 are summarised in **Table** (these figures represent volumes available in the ground, fully depleted of material removed by the bulk-sampling programme).
They were estimated by Rockwell's Manager, Resources, G. Norton, (Pr. Sci.
Nat.), a qualified person who is not independent of the Company and rev iewed by T.R. Marshall, PhD, (Pr. Sci.
Nat.), a qualified person who is independent of the Company and is respo nsible for the estimate.

Resource statement as at 28 February 2008

	Inferred Resources	**Indicated Resources**	**Ave Grade (ct/100m^3)***	**Ave Value (USD/ct)**
Rooikoppie	5,911,000	737,100	0.71	2,290
Fluvial-alluvial	31,863,000	4,528,200		
TOTAL	**37,774,000**	**5,265,000[4]**	**0.71**	**2,290**

* At a bottom cut-off of 2mm

Resource Volume Depletion

During the period March - November 2008, the resources on Wouterspan were depleted by mining activities (**Table 16.3**). All of the gravels mined during this period were from Indicated Resource areas. Some 100,000m^3 of Rooikoppie and 452,293m^3 of calcreted fluvial-alluvial gravel (for a total of 552,293m^3 was processed to recover 3,896.42ct at an average grade of 0.70ct/100m^3. Although the volume of Rooikoppie and Fluvial-Alluvial gravels are estimated separately, the processing combines them, so separate grade estimation is not possible.

[4] "Total" figure rounded off

Production results for Wouterspan March-November, 2008

2008	Volume (m^3)	Carats	Grade	Stone Size
Mar	77,087	473.11	0.61	2.40
Apr	87,931	578.59	0.66	2.14
May	77,222	568.60	0.74	2.16
Jun	48,798	257.92	0.53	2.03
Jul	44,563	248.96	0.56	1.72
Aug	27,468	201.24	0.73	2.61
Sep	51,285	355.08	0.69	1.76
Oct	74,365	567.85	0.76	1.67
Nov	63,574	645.07	1.01	1.58
Total	**552,293**	**3,896.42**	**0.70**	**2.15**

Addition of Resource Volume

Since Indicated Resources are estimated, *inter alia*, by defining an envelope of 250m around/ahead of the current mining face, given suitable geological conditions and drill spacing, after mining of the above gravel from a previously identified indicated resource block, a new envelope was modelled to contain an estimated 313,000m^3 of gravel derived from forward modelling(shown in purple hatching on **Fig. 16.3**), which would be added to the final depleted resource estimate.

As described in section 10, an amount of some 300,000$m^3$of gravel volume was added to the inferred resource category by limited infill drilling completed in 2008 (shown in pink hatching on Fig. 16.3).

Resource Estimation

The resource statement for Wouterspan has, subsequently, been modified to reflect the situation as at 28 February 2009 (**Table 16.4**). Note that:

- The diamond value given is the target value that Wouterspan will be expected to achieve before it is likely to go back into production, provisionally expected for 2011/12.
- The indicated resource estimate in this table is the 2008 value, minus the volume depleted during the period March – October 2008, plus the

additional volume obtained from modelling additional resources in the 250m envelope ahead of an active mining face.

- The Wouterspan mine was put on Care & Maintenance at the end of November 2008, so no additional mining took place during the period November 2008 – February 2009, the effective date of this resource estimate.
- The inferred resource estimate is the 2008 value minus the material in the 250m envelope ahead of the active mining face that was converted to inferred resources, plus the volume added by the in-fill drilling.

The updated resource statement as at 28 February 2009 is given below. They were estimated by Rockwell's Manager, Resources, G. Norton, (Pr. Sci. Nat.), a qualified person who is not independent of the Company and reviewed by T.R. Marshall, PhD, (Pr. Sci. Nat.), a qualified person who is independent of the Company and is responsible for the estimate.

Resource statement as at 28 February 2009

	Inferred Resources[!]	**Indicated Resources**	**Ave Grade (ct/100m^3)***	**Ave Value (USD/ct)**
Rooikoppie	5,911,000	714,400	0.70	1,511
Fluvial-alluvial	31,863,000	4,311,100		
TOTAL	**37,774,000**	**5,025,500**	**0.70**	**1,511**

* At a bottom cut-off of 2mm (based on the average grade of the total sample mined to date)

Inferred Resources do not include Indicates resources ("Total" figure rounded off)

5. REGULATION 11(1)(e): THE DETAILS FOR THE MARKETS FOR, THE MARKET REQUIREMENTS AND PRICING IN RESPECT OF THE MINERAL CONCERNED

5.1 A list of products and their proportionate quantities

Diamonds from Wouterspan are well known for their excellent quality and the large size of individual stones. The average size of the diamonds is of the order of 1.5 to 2 carats, with stones of 30 to 100 carats found on a regular basis. Most stones are white, with some Cape Yellows, especially the larger octahedrons. The stones are mainly sawable goods, consisting of octahedrons with a good percentage of macles. Spotted goods containing noticeable internal spots or flaws make up a minor percentage of the production.

The average selling price is about $ 2 245 per carat.

Prices for rough diamonds are effectively set by five criteria; these being size, quality, colour, shape and demand. Pricing rough diamonds is not an exact science and opinions vary between valuations. All four of the key factors rated in diamond quality contribute to the high value of stones from these deposits.

The applicant will conduct the mining activities with 4 x 16ft washing pans and these pans can each process up to 40 tons/hour. The applicant will operate for 20 hours a day and 22 days a month. Total tonnages to be washed will be **774,400** tonnes annually and it is determined as follows:

Calculation
4 x 16ft washing pan x 40 (tonnes an hour) x 20 (production hours per day) x 22 (operational days during the month) = **70,400** tonnes.

Total gravel to be processed 63 3360 tonnes per month x 11 (months of work a year) = **774,400 tonnes per year.**

70,400 (tonnes) ÷ 100 x 0.70 = 492,8 carats a month.

5.2 Market for each specific product in terms of Local, Regional or International

The diamonds will be sold at Tender Houses. Various tender houses will be used, such as CS Diamonds (Kimberley), Flawless Diamonds (Johannesburg), etc.

5.3 Summary of product consumers

Domestic and International Jewellers, industrial traders in rough and polished diamonds.

5.4 Summary of customer specifications and details of any proposed beneficiation of the products

The diamonds can be beneficiated into jewelry. Below quality can be beneficiated into industrial jewelry. According to the Diamonds Amendment Acts (28 and 30) of 2005 the State seeks to promote the level of primary and secondary beneficiation of diamonds within the borders of South Africa. Under the provisions of these Acts, diamond producers are required to sell a percentage of their production to the State Diamond Trader (SDT) for onward sale to local cutters and jewellery manufacturers. In order to encourage local diamond sales and beneficiation, the State has, further, proposed a 15% export tax on any diamonds that are exported beyond South Africa.

5.5 **Summary of infrastructure requirements such as roads, rail, electricity and water**

Roads
The area is reasonably well accessed through a local, regional and national network of roads. Roads to access access the plant area, haul roads has been developed by previous prospecting and or mining done.

Electricity
The mine will require power supply from the national grid for the beneficiation plant and workshops. This will supply the washing plant, drying plant, workshops and offices and ancillary uses.

Water Supply
Water for mining and beneficiation will be sourced from ground water, or extracted from the Orange River. It is estimated that the supply of water required for the plant and wash-down operations would be approximately 68 000 litres/hr, therefore a water recycling plant will be required to reduce the water consumption. A small volume of water will also be required for the workshops, offices and change house. It will be necessary to apply for both, an Integrated Water Use License (IWULA) and an Integrated Waste Water Management (IWWMA).

Water Use Pan Size specifications for Alluvial Diamond Mining (DWS NC & FS, 2001).

Pan size	Water/hour (m^3)	Water/day(m^3)	Gravel/hour (tons)	Gravel/day (ton)
16	17	170	60	600

Since 4 x 16 feet washing pans will be used, the amount of water for the pans will be 68 000 L/hour from which 30% is re-used.

5.6 **Summary of other information applied that may influence price, e.g. exchange rate, duties, tariff barriers etc.**

Whether the price of diamonds will increase or decrease in value depends on both general financial market and the specific characteristics of the diamond itself.

However the following factors and issues affect the price of diamonds:

- **Limited volatility**

  According to the diamond industry analysts, the price of diamonds do not fluctuate so strongly, compared to other investment markets. Between 2004 and 2013 the price rose approximately 33% on the IDEZ Online Polished Price Index, an index composed of several diamond prices. Despite an occasional peak up or down, the price of diamonds remains relatively stable.

- **Carat Weight**

  When jewellers refer to a diamonds carat, they are actually referring to the weight of the stone, not the size. The weight of a diamond has the most significant impact on its price. Diamonds of higher carat weight demand a higher price because they can be few and far between; however it's important to keep in mind that carat size doesn't necessarily reflect the physical size of the diamond and that two diamonds of the same carat weight can have different costs based on the quality of other characteristics such as cut, clarity and colour. As one 2 carat diamond will be more expensive than the total cost of two 1 carat diamonds of the same quality.

- **Colour**

  Diamonds naturally come in every colour of the rainbow but the most common are those with slight yellowness. The rarest and most expensive diamonds are either colourless or of a natural fancy intense colour such as blue, yellow, pink or the most rare-red.

- **Influence of De Beer and the global economic climate**

  One of the main reasons of the constant price of diamonds is the impact of the monopoly of De Beers on the market. If prices fall, De Beers limits the supply of rough diamonds or-reversed-the supply will likely be pushed up if the price becomes too high.

  However also other global economic forces have and influence of the price of diamonds. The global economic climate also acts as an instigator/clamper on enthusiasm for diamonds. In times of relative prosperity, marketing campaigns and higher expendable income lead to an increased demand for diamonds and provide a rising diamond price. In the same way, retailers estimate the demand for diamonds and organize diamond stocks accordingly. When the demand for diamonds is high, they tend to invest in large stocks and are willing to pay higher prices.

- **Exchange Rate**

  Fluctuation in exchange rate has an impact on revenue made on sales (because production is sold in USD). The fluctuation in the exchange rate also has an impact on production costs, as it will influence prices on spares and diesel costs.

5.7 **The price to be used in the cash flow forecast**

The average selling price for rough diamonds will be R31,430.00 per carat calculated at an exchange rate of R14.00 per US dollar. For the purposes of this mining right, the price is estimated at an average of $2245 per carat.

5.8 **Confirmation that a specialist market analysis is attached as an appendix which explains the assumptions made and how the price was determined.**

The amount is based on actual carats mined by HC van Wyk Diamonds Ltd and revenue generated on the remaining extent of portion 9 (Wouter) of the farm Lanyon Vale 376 and the adjacent portions of the farm Lanyon Vale 376.

6. REGULATION 11(1)(F): THE DETAILS WITH REGARD TO THE APPLICABLE TIMEFRAMES AND SCHEDULING OF THE VARIOUS IMPLEMENTATION PHASES AND A TECHNICALLY JUSTIFIED ESTIMATE OF THE PERIOD REQUIRED

6.1 **Timeframes and scheduling of Implementation Phases**

6.1.1 **Explanation of time taken to develop the mine and commence production.**

Infrastructure and equipment will be erected within the first two months for the purpose of the mining activities. Infrastructure and equipment are minimal for opencast mining, as mobile plants will used.

6.1.2 **Explanation of the production build-up period once production commences.**

The mining activities will be undertaken as per the approved Mining Work Programme. 4 x 16ft washing pans will be used during mining to wash approximately **774,400** tonnes annually.

The build-up period for the operation will be short as most infrastructure required is mobile. The build-up period should be completed within 1 month of execution of the right. It is, thus, expected that estimated production tonnes per month will be reached by the second month.

6.1.3 **Explanation of production decline period (as grades deteriorate).**

It is estimated that the grades greater than 0.25 cpht (the achieved grade) will be maintained for the life of mine. Should the grade drop below the 0.25 cpht it would result in uneconomic mining and the mining activity would likely stop, unless there is an increase in diamond

price or if the exchange rate becomes more favourable. The Mine Work Programme will then be amended accordingly if necessary.

6.1.4 **Production forecast for each year over the full period applied for based on the above explanations**

The applicant will conduct the mining activities with 4 x 16ft washing pans and these pans can each process 40 tons/hour. The applicant will work for 20 hours a day and 22 days a month. Total tonnages to be washed a month is determined as follows:

Production forecast per year (calculations)

4 x 16ft washing pan x 40 (tonnes an hour) x 20 (production hours per day) x 22 (operational days during the month) = **70 400** tonnes.

Total gravel to be processed is 70 400 tonnes per month x 11 (months worked a year) = **744,400 tonnes per year.**

Year 1	**744,400 tonnes**
Year 2	**744,400 tonnes**
Year 3	**744,400 tonnes**
Year 4	**744,400 tonnes**
Year 5	**744,400 tonnes**
Year 6	**744,400 tonnes**
Year 7	**744,400 tonnes**
Year 8	**744,400 tonnes**
Year 9	**744,400 tonnes**
Year 10	**744,400 tonnes**

6.2 **Technically justified estimate of the period required**

Life of Mine = Mineral Resource estimate in tonnes (Inferred + Indicated)
Estimated production per year (in tonnes) (5 911 000m^3 + 714 400 x 1.8 SG = tonnes)

= **11,925,720 tonnes**
774,400 tonnes
= **15.3 years**
= **15 years**

The period that is required for mining is **15 years.**

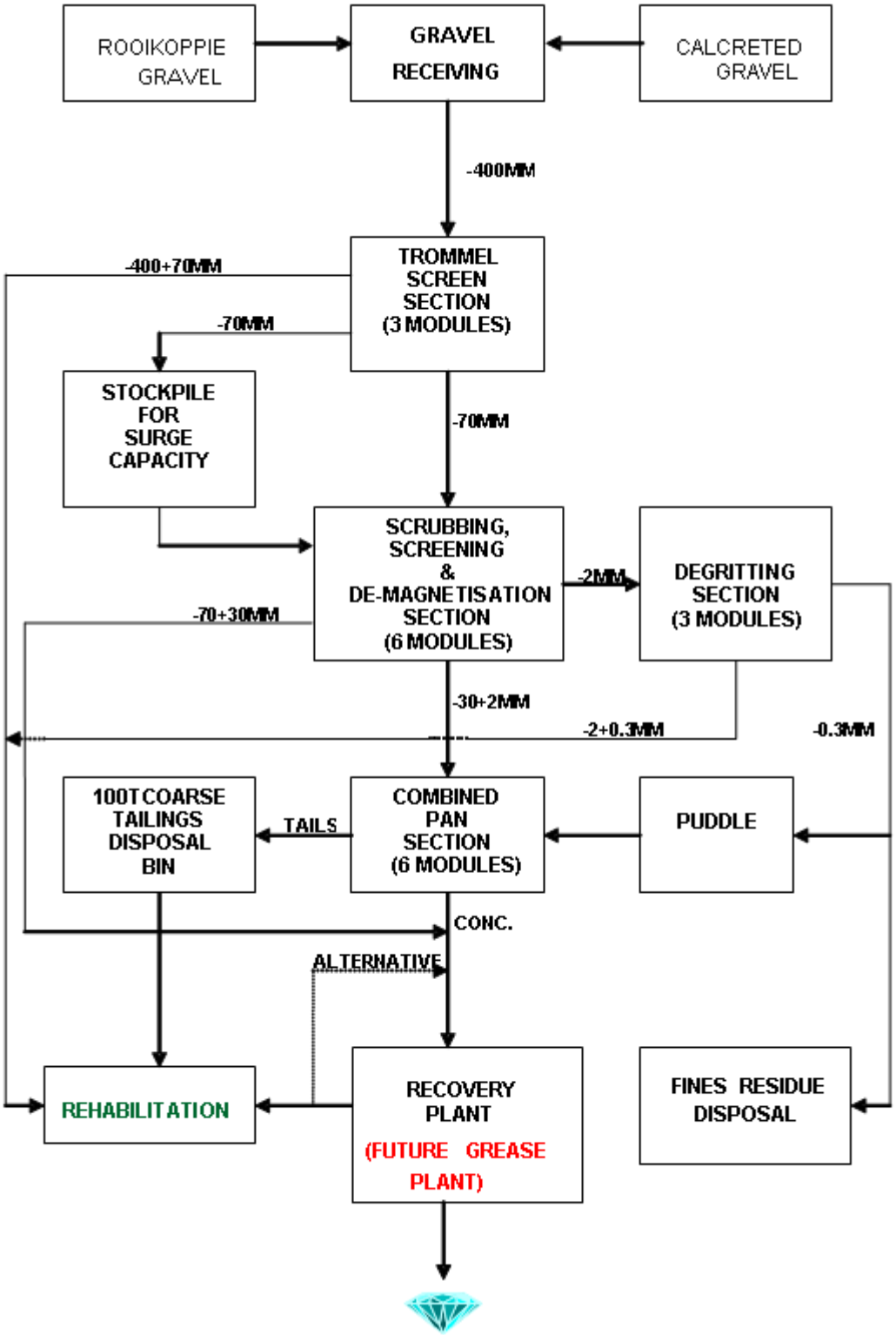
7. REGULATION 11(1)(G)(i) THE DETAILS WITH REGARD TO THE COSTING OF THE MINING TECHNIQUE, MINING TECHNOLOGY AND PRODUCTION RATES

(excluding labour and capital)

7.1 Mine design map

(Include a high level map indication the basic mine design and schematic mining schedule).

The generic process is as follows:



We provide a generic map due to the complexity of alluvial and kimberlite mining occurring simultaneously. it is extremely difficult to have a predetermined mine plan. Mining and mine planning is reviewed as per results achieved. Kindly see point 7.2 herein for an outline of mining work to be conducted.

The mining schedule will follow as close as practically possible the classification of the resources, i.e. Measured to be mined out first and then Indicated. The schedule will further be dependant on additional exploration activities, and exploration results obtained, that could be undertaken in the future.

For any mine planning that is proposed, the uncertainty regarding this specific style of mineralisation has to be borne in mind, i.e. the location of the mineralised channel gravels, the character of the channel gravels, and the quality, quantity and size of the minerals (alluvial diamonds) itself. Due to economic factors being dependant on the mineralisation, the mining schedule could be required to be modified as mining progresses, and this cannot be foreseen at this stage, especially when planning a medium to long term schedule.

The below map proposes a mine planning schedule for the Measured and Indicated Resource categories, over the short and medium term, divided as follows:

- Short term (Measured Resource) – on a monthly basis (periods 1 -23), up to a maximum of two years
- Medium term (Indicated Resource) – on a six monthly basis (periods 24 – 32)

The Short and Medium term mine schedule applied to the Measured and Indicated Resource categories covers a period of seven and a half years.

No mine planning schedule has been drafted for Inferred Resources, as no modifying factors can be applied to resources classified as Inferred (as per SAMREC clauses 67, 68 and 69).

The mine planning schedule for areas categorised as Measured and Indicated Resource

7.2 Description of the mining method's impact on operating cost.

7.2.1 Basic overview of the mining method

Mining Methods: Although the alluvial diamond deposits and the presence of channels can be inferred, it is necessary that the mining work be accompanied by exploration work to determine the precise location and direction of the channels to follow during

mining. Pits will thus be excavated by excavators as part of further exploration work and for mining purposes. Trenches will be excavated with excavators. The topsoil will be removed and stored separately. The gravel will be removed and transported by ADT to the mining plant. Here it will be stored and transported by a FEL to the washing machines.

The gravel will be washed using the so-called “dry-method” and/or “wet-method” depending on the, among others, the weather, regulatory requirements, economies of scale. Depending on the method, waste will either be washed back into the trenches and/ or re-directed to the tailings dam.

The possible diamond bearing gravel will be mortised into bins, where after the gravel will be sorted by a flow sort and/or DMS o possibly find diamonds.

OPEN CAST MINING

Open Pit

Excavator

Dumper

Front-End – Loader

16 Ft. Washing Pan

Flowsort

7.2.2 **Description of equipment and activities impacting electricity cost** (excluding the processing plant)

Equipment that may have an impact on electricity costs are listed below, and the applicant spends approximately R40 000.00 monthly on electricity.

- Welder, Grinder, Electrical driller, Lights, computers in office

7.2.3 **Description of equipment and activities impacting on fuel cost**

1 x Bonfiflioli Crane
1 x BELL Diezelbowser
1 x Volvo EC380 Excavator
1 x Volvo EC380DL Excavator
2 x Volvo EC480DL Excavator
1 x Komatsu WA420 Front End Loader
4 x Volvo L120F Front End Loader
2 x CAT777G Dumpers
1 x Volvo A35F Dumpers
3 x Volvo A60 ADT Dumpers
1 x Komatsu D475A Bulldozer
2 x CAT D11T Bulldozer

Total: **10 000 litres per day x 22 working days @ R14.30 (current diesel price) = R3,146,000 x 11 = R34, 606,000.00** total fuel price for the first year.

This fuel cost is provided for the following activities – production and hauling activities.

7.2.4 **Description of equipment and activities impacting on cost of stores and materials**

The only activity that may impact on costs of stores and materials is the maintenance to be undertaken on the mobile machines and equipment.

Maintenance and spares for mining, excluding the plant R350 000.00 per month. This is calculated on the hourly maintenance cost of all mining equipment. The total for the first year then: 350 000.00 x 11 months = **R3 850 000.00.**

7.2.5 **Description of equipment and activities impacting on the cost of water**

- Use of water by employees and the working of the site. This will require pumping infrastructure, i.e. pumps, pipelines and tanks;

- Water for dust suppression is obtained from either recycled water or process water. The cost of dust suppression water will be influenced by the diesel price (diesel pumps) and the pumping infrastructure, i.e. the pumps, pipelines and tanks.

Facility	Yearly usage	Monthly usage	Multiply with CMA (2.87 c/m^3)	Add 15% VAT	Monthly Water Expense	Yearly water expense
Dust suppression	**4000 m^3**	**333.3m^3**	**R9.56**	**R1.43**	**R11.35**	**R136.20**
Wash bay	**2500 m^3**	**208.3m^3**	**R5.97**	**R0.89**	**R6.84**	**R82.08**
Domestic use	**3668 m^3**	**305.6m^3**	**R8.80**	**R1.32**	**R10.12**	**R121.44**

7.2.6 Description of activities impacting on other cost not included above

No other activities are envisaged which may impact on costs not covered above.

7.2.7 Operating Cost Forecast (Excluding the processing plant and labour)

(For first 10 years)

7.2.7 Operating Cost Forecast (Excluding the processing plant and Labour) for first 10 years

COST CATEGORY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Fuel	34, 606,000	36,682,360	38, 883, 302	41,216,300	43,689,278	46,310,635	49,089,273	52,034,629	55,156,707	58,466,110
Electricity	440 000	466,400	494,384	524,047	555,490	588,819	624,149	661,597	701,293	67, 514
Water	339.72	360.10	381.70	404.62	428.90	454.63	482	511	542	575
Stores and Material	350 000	371, 000	393, 260	416,856	441,867	468,379	496,482	526,271	557,847	591,318
TOTAL COST (To be reflected in the cash flow forecast)	35,396,339.72	37,520,120.10	39,771,327.70	42,157,607.62	44,687,063.90	47,368,287.63	50,210,386	53,223,008	56,416,389	59,125,517

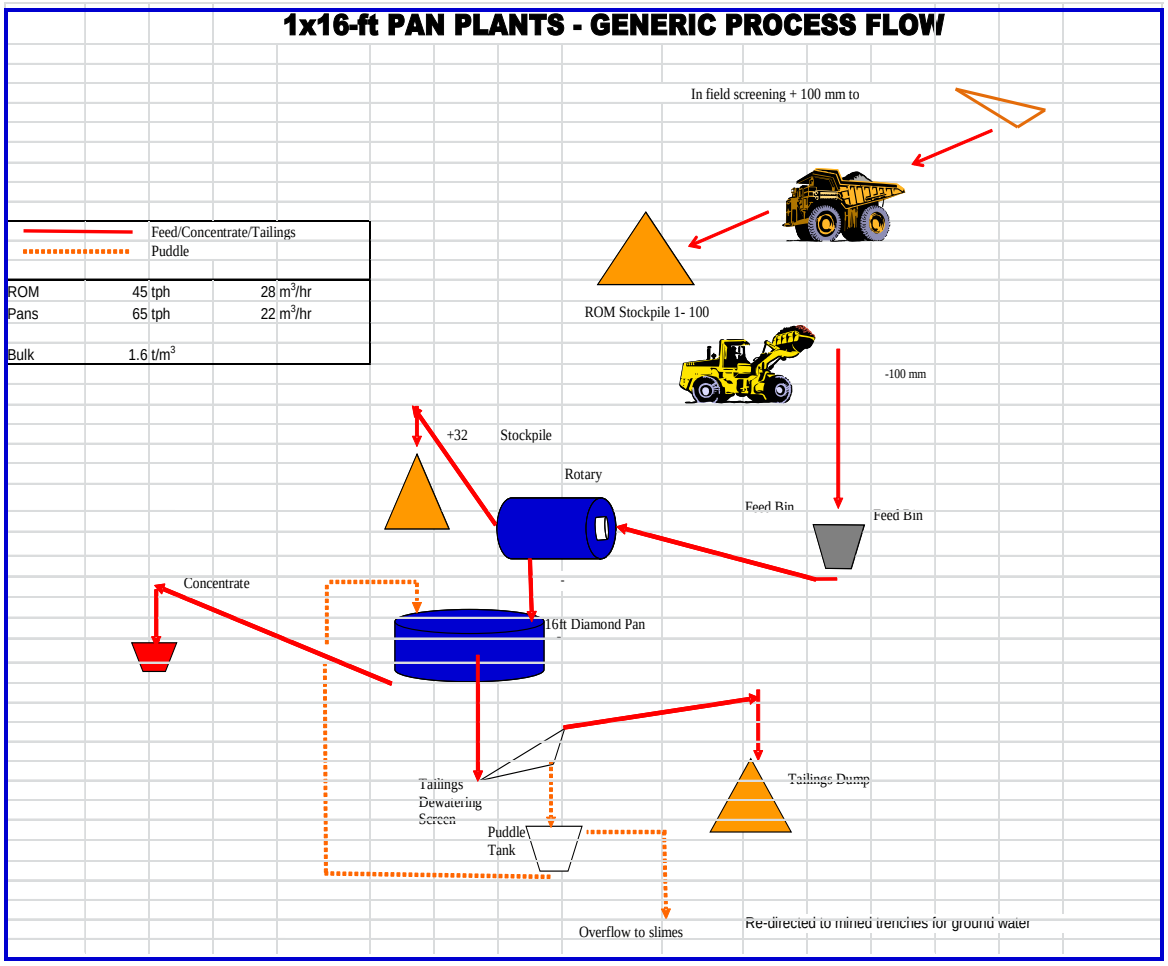
NB! The costs determined here must explain the costs used in line item 4 of the cash flow forecast required herein under Regulation 11 (1) (g) (vi)

Please note further that a cost escalation of 6% is applied throughout.

8. REGULATION 11(1) (g) (ii): DETAILS AND COSTS OF THE TECHNOLOGICAL PROCESS APPLICABLE TO THE EXTRACTION AND PREPARATION OF THE MINERAL OR MINERALS TO COMPLY WITH MARKET REQUIREMENTS

8.1 High level description of the processing plant

8.1.1 **Basic plant design.** (Supported by a process flow diagram, of the plant).



(a) Top soil is removed then pits and trenches are opened to the top of the gravel with alleys in 3m steps as required by Mine Health & Safety.

(b) The dug out gravel is moved 3m+ away from the excavations by excavators together with dumper trucks and is stockpiled in the vicinity of the pan feed bin.

(c) Sump is made at the deepest point, of which the water is pumped to our water hole so that it can be used in production.

(d) The gravel is fed to the pan feed bin with a Front end loader at a rate of approximately 60 tons per hour depending on the type of gravel (lower feed rates for gravel with high sand or clay content).

(e) Pans will separate the gravel into three parts, namely:

- A Concentrate
- B Waste
  - B1 Rupture (Cutting > 32mm)
  - B2 Tailings (Cutting < 32mm)
  - B3 Sludge (Sand and Water)

(f) B1 & B2 will be taken back to the excavated sites where it will be used to backfill using the Front end loaders and dumpers.

(g) Sludge (B3) is pumped out to separate the water and the sand. Water is recycled so that it is used again in production and sand will be dried with time after which it will be used for rehabilitation.

(h) Other excavations may be opened by removing the top soil. Dead soil is thrown or the B1 and B2 (with backfill) are thrown and finally the top soil is placed.

8.1.2 **Efficiency of the process.** (Together with an estimate of the mineral recovery rate, and the expected mass or volume of mine waste or residues together with the manner in which it would be disposed of).

The diamond pan is one of the oldest methods that are used for concentrating and the recovery of diamonds in the North West region.

From the stock pile the gravel is screened. Screens are fed to a capacity of 75% for effectiveness and to obtain 80-90% efficiency.

The method is relatively cost-effective but produces a large amount of concentrate and recovery efficiencies are very sensitive to size distribution of the feed and the quality of the medium - called puddle.

Pan efficiencies are normally calculated at approximately 80% recovery of the product, provided that all operational parameters are being adhered to and medium contamination is kept to the minimum. Losses would mainly occur in the very small diamond fractions.

The estimated mineral recovery rate will be 0.8529cpht processed can be achieved roof operation being negatively influenced during periods of high rain occurrence.

The grade may also be influenced by the uneven distribution of diamonds in the area. Allowing for a fluid mine plan assists in ensuring that the mining on the property remains efficient.

8.2 **Description of equipment and activities impacting electricity cost** (excluding the processing plant)

Electricity will be used and generators may be used for back-up. The applicant did however budget for an amount of R440 000 a year to be paid to Eskom for electricity used by conveyors, Screen & sludge pumps during processing.

8.3 **Description of equipment and activities impacting on fuel cost**

See 7.2.3

8.4 **Description of equipment and activities impaction on cost of stores and material**

Maintenance and spares for mining, excluding the plant is R45 000.00 per month. This is calculated on the hourly maintenance cost of all mining equipment. The total for the first year then: 45 000.00 * 11 months = **R 495 000.00.**

8.5 **Description of equipment and activities impaction on the cost of water**

- Processing, use of water by employees, the working of the site, and processing activities. This will require pumping infrastructure, i.e. pumps, pipelines and tanks;

- Water for dust suppression is obtained from the either recycled water or process water. The cost of dust suppression water will be influenced by the diesel price (diesel pumps) and the pumping infrastructure, i.e. the pumps, pipelines and tanks

	Yearly usage	Monthly usage	Multiply with CMA (2.87 c/m^3)	Add 15% VAT	Monthly Water Expense	Yearly water expense
4 x 16ft Washing Pans	197 472 m^3	17,952m^3	R515.22	R77.28	R592.50	R7 110
Recovery	10 000 m^3	833.2m^3	R23.90	R3.59	R27.49	R329.88

8.6 **Description of activities impacting on other cost not included above**
Not Applicable

8.6.1 Processing plant Operating Cost Forecast (Excluding Labour) for first 10 years

COST CATEGORY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Fuel	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-
Water	74340	7886	8359	8861	9392	9956	10553	11 186	11858	12 569
Stores and Material	495 000	524700	556 182	589 553	624 926	662 422	702 167	744, 297	788, 955	836 292
Other (Specify)										
TOTAL COST **(To be reflected in the cash flow forecast)**	502,430	532,586	564,541	598,414	634,318	672,378	712,720	755,483	756,155	848,861

NB! The costs determined here must explain the costs used in line 5 of the cash flow forecast required herein under Regulation 11 (1) (g)

9. REGULATION 11 (1) (g) (iii): DETAILS AND COSTING OF THE TECHNICAL SKILLS AND EXPERTISE AND ASSOCIATED LABOUR IMPLICATIONS REQUIRED TO CONDUCT THE PROPOSED MINING OPERATION

9.1 Organizational Structure of the mine

9.1.1 Description of positions requiring certificates of competency and under which skills category they have been budgeted for.

The applicant will make the following appointments:

- A qualified person as general manager determined in Section 3 (1) of the Health and Safety Act of Mines (29/1996;
- His own mine manager under Section 4 (1) of the Health and Safety Act of Mines (29/1996);
  A competent and qualified person under Section 7 (2) of the Health and Safety Act of Mines (29/1996);
- A competent and qualified person under Section 12 of the Health and Safety Act of Mines (29/1996).

Further, and in general the following skills categories have been budgeted for:

- Mine manager (Top Management)
- Safety Officer (Skilled technical and academically qualified workers, Junior management, Supervisors, Foremen and Superintendents)
- Electrician (Skilled technical and academically qualified workers, Junior management, Supervisors, Foremen and Superintendents)
- Operators (Semi-skilled and discretionary)

9.1.2 Description of which part or parts of the mining operation will be outsourced (if any)

- The applicant shall appoint engineers as prescribed in the Mine Health & Safety Act.
- The applicant shall appoint Mineral Consultants to ensure compliance with the approved EMP.

- The applicant shall also appoint Mine Health & Safety Consultants to assist with compliance with the Mine Health & Safety Act.

9.2 **Costing of the skills categories in the mining operation to determine if technical competence has been budgeted for: Complete the following tables:**

PERSONNEL ON THE MINE'S PAYROLL: (YEARS 1-5)

COST CATEGORY	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5	
	NO OF POSITIONS	BUDGET	NO OF POSITIONS	BUDGET	NO OF POSITIONS	BUDGET	NO OF POSITIONS	BUDGET	NO OF POSITIONS	BUDGET
Top Management	3	1,440,000 (R40,000)	3	1,526,400	3	1,617,984	3	1,715,063	3	1,817,967
Professionally qualified and experienced specialists and mid-management	5	2,100,000 (R35000)	5	2,226,000	5	2,359,560	5	2,501,133	5	2,651,207
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	15	2,700,000 (R15000)	15	2,862,000	15	3,033,720	15	3,215,743	15	3,408,688
Semi-skilled and discretionary decision making	78	6,084,000 (R6500)	78	6,449,040	78	6,835,982	78	7,246,141	78	7,680,910
Non-permanent employees	-	-	-	-	-	-	-	-	-	-

TOTAL PERSONNEL EXPENDITURE	101	12,324,000	101	13,063,440	101	13,847,246	101	14,678,080	101	15,558,772

PERSONNEL ON THE MINE'S PAYROLL: (YEARS 6 - 10)

COST CATEGORY	YEAR 6		YEAR 7		YEAR 8		YEAR 9		YEAR 10	
	NO OF POSITIONS	BUDGET	NO OF POSITIONS	BUDGET	NO OF POSITIONS	BUDGET	NO OF POSITIONS	BUDGET	NO OF POSITIONS	BUDGET
Top Management	3	1,927,045	3	2,042,668	3	2,165,228	3	2,295,142	3	2,432,850
Professionally qualified and experience specialists and mid-management	5	2,810,279	5	2,978,896	5	3,157,630	5	3,347,088	5	3,547,913
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	15	3,613,209	15	3,830,002	15	4,059,802	15	4,303,390	15	4,561,593
Semi-skilled and discretionary decision making	78	8,141,765	78	8,630,270	78	9,148,086	78	9,696,972	78	10,278,790
Non-permanent employees	-		-	-	-		-		-	
TOTAL PERSONNEL EXPENDITURE	101	16,492,298	101	17,481,836	101	18,530,746	101	19,642,592	101	20,821,146

SUBCONTRACTORS EMPLOYEES (if applicable)
(Duplicate this form for each Subcontractor)

COST CATEGORY	NUMBER YEAR 1	NUMBER YEAR 2	NUMBER YEAR 3	NUMBER YEAR 4	NUMBER YEAR 5	NUMBER YEAR 6	NUMBER YEAR 7	NUMBER YEAR 8	NUMBER YEAR 9	NUMBER YEAR 10
Top management	1,440,000	1,526,400	1,617,984	1,715,063	1,817,967	1,927,045	2,042,668	2,165,228	2,295,142	2,432,850
Senior Management	2,100,000	2,226,000	2,359,560	2,501,133	2,651,207	2,810,279	2,978,896	3,157,630	3,347,088	3,547,913
Professionally qualified and experienced specialists and mid-management	2,700,000	2,862,000	2,359,560	3,215,743	3,408,688	3,613,209	3,830,002	4,059,802	4,303,390	4,561,593
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	0	0	0	0	0	0	0	0	0	0
Semi –skilled and discretionary decision making	6,084,000	6,449,040	6,835,982	7,246,141	7,680,910	8,141,765	8,630,270	9,148,086	9,696,972	10,278,790
	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
TOTAL CONTRACT BUDGET (Not only salaries & wages)	12,324,000	13,063,440	13,847,246	14,678,080	15,558,772	16,492,298	17,481,836	18,530,746	19,642,592	20,821,146

SERVICE PROVIDERS

LIST OF SPECIALISTS, CONSULTANTS AND SERVICE PROVIDERS	BUDGET YEAR 1	BUDGET YEAR 2	BUDGET YEAR 3	BUDGET YEAR 4	BUDGET YEAR 5	BUDGET YEAR 6	BUDGET YEAR 7	BUDGET YEAR 8	BUDGET YEAR 9	BUDGET YEAR 10
EEC Occupational Risk Management	63 503	67 313.	74,0445	78,487	83,196	88,188	93,479	99,088.	105,034	111,336
Erwin Harms Consulting Services (MHS)	317 850	336,921	357,137	378,564	401,278	425,355	450,877	477,929	506,605	537,001
Jenben Trading CC (Ingeneur)	737,917	782,192	829,123	878, 870	931,602	987,499	1,046,749	1,109,554	1,176,127	1,246,695
Administration	20 000	21200	22472	23820	25250	26765	28370	30073	31877	33790
TOTAL BUDGET (SERVICES)	1,139,270	1,207,626	1,949,177	1,286,174	1,441,326	1,527,807	1,619,475	1,716,644	1,819,643	1,928,822

TOTAL COST OF ALL TECHNICAL SKILLS AND SERVICES REQUIRED TO OPERATE THE MINE

LIST OF SPECIALISTS, CONSULTANTS AND SERVICE PROVIDERS	BUDGET YEAR 1	BUDGET YEAR 2	BUDGET YEAR 3	BUDGET YEAR 4	BUDGET YEAR 5	BUDGET YEAR 6	BUDGET YEAR 7	BUDGET YEAR 8	BUDGET YEAR 9	BUDGET YEAR 10
In House skills and services										
Skills and Services provided by Subcontractors	12, 324,000	13,063,440	13,847,246	14,678,080	15,558,772	16,492,298	17,481,836	18,530,746	19,642,592	20,821,146
Skills and Services provided by service providers	1,139,270	1,207,626	1,949,177	1,286,174	1,441,326	1,527,807	1,619,475	1,716,644	1,819,643	1,928,822
Total Budget for technical skills and competences	13, 463,270	14,271,066	15,796,423	15,964,262	17,000,098	18,020,105	19,101,311	20,247,390	21,462,235	22,749,968

NB! THE TOTAL BUDGET FOR TECHNICAL SKILLS AND SERVICES AND COMPENTENCE MUST BE TRANSFERRED TO LONE ITEM 6 IN THE CASH FLOW FORECAST

10. REGULATION 11(1) (g) (iv); DETAILS AND COSTING OF REGULATORY REQUIREMENTS IN TERMS OF THE ACT AND OTHER APPLICABLE LAW, RELEVANT TO THE PROPOSED MINING OPERATION

10.1 Environmental cost forecast.

10.1.1 Rehabilitation cost estimate

(Refer to the guideline for Financial provision (described in Regulation 54 (1) (2) published on the Departments website. Complete 10 forecasts and paste them into this section, i.e. one for the progressive impact in each of the first 10 years of operation. The progressive total (10th year must be stated under this heading and also included into the first year of the cash flow under Regulation 11 (1) (g) (vi) below in the environmental cost category).

It is estimated that R_____ will be spent on rehabilitation monthly. On this premise, an annual amount of R_____ will be spent annually on rehabilitation. It is estimated that this amount will escalate with 6% per year.

Considering that rehabilitation will be conducted on an ongoing basis and as an integrated part of the activities, the diesel and other associated costs have been budgeted for under item 7.2.7 herein above.

Please see the attached Calculations of the quantum marked as annexure "**F**".

10.1.2 Socio Economic impact cost estimate.

(Refer to the guidelines on community consultation, and the scoping report template. Estimate the risk of compensation to persons whose socio-economic conditions may be directly affected by the mining operation. Provide the estimated total under this heading and include it into the first year of the cash flow under regulation 11 (1) (g) (vi) below in the environmental cost category).

Currently no agreement has been reached with the surface owner. The contractor budgets for R650 000.00 compensation for the next 5 years.

10.1.3 Summary of estimated environmental cost: complete the table below.

Estimated Environmental and Rehabilitation cost

CATEGORY	COST ESTIMATE
a)Progressive total for rehabilitation	
b)Cost of mitigating socio-economic	R650 000.00
conditions of directly affected persons	
TOTAL COST	

10.2 **Other Regulatory Costs** (complete the table below)

Cost	Amount per annum	Explanation on how the amount was calculated
Royalties	R241 128.27	Royalties = 0.5% + [EBIT/Revenue x 9] x100
Mine Health and Safety Regulations	-	Cost included under item 9.2 herein above
Occupational Health	-	Cost included under item 9.2 herein above
Rates and Taxes		
National Skills Fund	R134,632.70	1% of wage bill
Other (Specify)	n/a	
TOTAL COST	R296 240.59	

The costs thus derived must be clearly explained and used to justify the number that are reflected in line item 7 of the cash flow forecast required in terms of regulation 11 91) (g) (vi).

11. **REGULATION 11 (1) (g) (viii): PROVISIONS FOR THE EXECUTION OF THE SOCIAL AND LABOUR PLAN**

11.1 **The following table must be duplicated here from the table in SECTION 5: FINANCIAL PROVISION of the Social and labour Plan**

PROGRAMME	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	BUDGET
HUMAN RESOURCE DEVELOPMENT	R200 000	R200 000	R200 000	R200 000	R200 000	R1 000 000
LOCAL ECONOMIC DEVELOPMENT	R200 000	R200 000	R200 000	R200 000	R200 000	R1 000 000
MANAGEMENT OF DOWNSCALING/RETRENCHMENTS	R100 000	R100 000	R100 000	R100 000	R100 000	R500 000
TOTAL	R500 000	R500 000	R500 000	R500 000	R500 000	R2 500 000

The costs quantified in the aforesaid categories must justify the numbers that are reflected in line item 8 of the cash flow forecast required in terms of regulation 11 91) (g) (vi).

12. REGULATION 11 (1) (g) (iv): DETAILS REGARDING OTHER RELEVANT COSTING, CAPITAL EXPENDITURE REQUIREMENTS, AND EXPECTED REVENUE APPLICABLE TO THE PROPOSED MINING OPERATION.

12.1 Expected Revenue.

12.1.1 **Explanation of revenue determination.** (given the prices of the various relevant products and by-products produced) how the price referred to in item 5.9 above, and the production referred to in item 6.1.4 above was arrived at and applied to each year's production estimate in order to estimate revenue.

The revenue has been determined as follows:

774,400 divided by 100 x 0.70 (carat per 100 tons) x R31,430 a carat = **R170,375,744** a gross revenue a year. This revenue will be derived from the indicated & measured resource.

12.1.2 **Revenue forecast** (for each year over the full period applied for based on the above explanations. Note that this revenue estimate must be stated both here and in line item 3 of the cash flow forecast required below in terms of Regulation 11 (1) (g) (vi).

Year 1:	R170,375,744
Year 2:	R180,598,288.60
Year 3:	R191,434,185.90
Year 4:	R202,920,237
Year 5:	R215,095,451.20
Year 6:	R228,001,178.20
Year 7:	R241,681,248.80
Year 8:	R256,182,123.70
Year 9:	R271,553,051.10
Year 10:	R278,846,234.10

12.2 Estimated Capital Expenditure

12.2.1 **Initial capital expenditure.**

All equipment is readily available so no initial capital expenditure is anticipated.

12.2.2 **Ongoing capital expenditure** (A discussion on ongoing capital expenditure items and estimated amount thereof in each of the years in which it will be incurred).

Ongoing capital expenditure will only be incurred to replace the current equipment at the end of its useful life. The new replacement value of the current equipment is estimated at R352 583 713 . The equipment has an average useful life of 20 years. Therefore, on average the ongoing capital expenditure is R17,629,186 per year (R352 583 713/ 20 years) in year 1 (escalating at 6% thereafter).

12.2.3 **Summary, in a 10-year tabular format.** (Stating the initial, ongoing, and total amount of capital expenditure in each of the first ten years in which it will be incurred).

See 12.2.4 herein below.

12.3 **Explanation and summary of other costs (not addressed elsewhere in the mining work programme, in each year in which they are to be incurred.)**

There are no other costs, to be borne by the applicant, anticipated.

12.4 **Summary of capital and other costs. Complete the table below**

SUMMARY OF CAPITAL AND OTHER EXPENDITURE

CATEGORY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Initial capital expenditure	-	-	-	-	-	-	-	-	-	-
Ongoing capital expenditure	17,629,186	18,686,937	19,808,153	20,996,642	22,256,441	23,591,827	25,007,337	26,507,777	28,098,244	29,784,138
Other costs specified in 12.3 above	-	-	-	-	-	-	-	-	-	-
Total Capital and Other (To be reflected in the cash flow forecast)	17,629,186	18,686,937	19,808,153	20,996,642	22,256,441	23,591,827	25,007,337	26,507,777	28,098,244	29,784,138

(Note!) These amounts bust be transferred to line item 9 of the cash flow forecast required in terms of Regulation 11 (1) (g) (vi) below.

REGULATION 11 (1) (g) (vi): A DETAILED CASH FLOW FORECAST AND VALUATION, EXCLUDING FINANCING OF THE PROPOSED MINING OPERATION, WHICH FORECAST MUST ALSO CLEARLY INDICATE HOW THE APPLICABLE REGULATORY COSTS WILL BE ACCOMMODATED THEREIN.

(The following cash flow forecast must be submitted in accordance with the line items provided. The applicant may not change the line items or their sequence. The applicant may, however provide for escalation within accepted practice, and provide other indicators such as IRR in addition)

	CASH FLOW FORECAST AND VALUATION (REGULATION 11 (G) (VI)											
		YEAR 1 R'000	**YEAR 2 R'000**	**YEAR 3 R'000**	**YEAR 4 R'000**	**YEAR 5 R'000**	**YEAR 6 R'000**	**YEAR 7 R'000**	**YEAR 8 R'000**	**YEAR 9 R'000**	**YEAR 10 R'000**	**TOTAL R000**
1	Regulations 11 (1) (d) and (f) Production	5420.80	5420.80	5420.80	5420.80	5420.80	5420.80	5420.80	5420.80	5420.80	5420.80	54208
2	Regulation 11 (1) (e) Price	31 430	33 315.80	35 314.75	37,433.64	39,679.66	42,060.43	44,584.06	47,259.10	50,094.65	53,100.33	414,272.42
3	**Revenue**	170,375,744	180,598,288.60	191 434 185.90	202,920,275.70	215,095,451	228,001,178.90	241,681,272.40	256,182,129.20	271,553,078.70	278,846,268.80	2,236,687,871
4	Regulation 11 (1) (g) 9i) Mining Cost	35,396,339.72	37,520,120.10	39,771,327.70	42,157,607.62	44,687,063.90	47,368,287.63	50,210,386	53,223,008	56,416,389	59,125,517	
5	Regulation 11 (1) (g) (ii) Technology Cost	502,430	532,586	564,541	598,414	634,318	672,378	712,720	755,483	756,155	848,861	6,577,886
6	Regulation 11 (1) (g) (iii) Technical Skills Cost	13, 463,270	14,271,066	15,796,423	15,964,262	17,000,098	18,020,105	19,101,311	20,247,390	21,462,235	22,749,968	178,076,128

7	Regulation 11 (1) (g) (iv) **Regulatory Requirements**											
	Environmental Cost											
8	Regulation 11 (1) (G) (viii) Social and Labour Plan Cost	500 000	500 000	500 000	500 000	500 000	530 000	561 800	595 508	631238	669 113	5 487 653
9	Regulation 11 (1) (g) (v) Capital and Other	17,629,186	18,686,937	19,808,153	20,996,642	22,256,441	23,591,827	25,007,337	26,507,777	28,098,244	29,784,138	232,366,682
10	**Working Profit / Loss**											
11	**Tax**											
12	**Net cash Flow**											
13	**Discounted Cash Flow**											

The applicant may provide for escalation, based on accepted practice, and may provide other indicators such as IRR.

For the avoidance of doubt a cash flow as prepared by the applicant showing the cost in detail on a yearly basis. Please work from the attached cash flow.

14. REGULATION 11 (1) (g) (vii): DETAILS REGARDING THE APPLICANTS RESOURCES OR PROPOSED MECHANISMS TO FINANCE THE PROPOSED MINING OPERATION, AND DETAILS REGARDING THE IMPACT OF SUCH FINANCING ARRANGEMENTS ON THE CASH FLOW FORECAST.

14.1 Financing the cash flow

(Provide in tabular format an explanation of how the cash flow will be financed, showing the amounts, the type of financing, eg. Loans, equity, retained earnings, etc., as well as the impact of financing on the cash flow in terms of financial arrangements and repayments)

The applicant has access to sufficient funds to provide the necessary capital for this operation. The financial statements of Steyn Diamonds CC are attached hereto as annexure "G". It is not foreseen that the mining activities will have to be funded from outside sources. Mining has already been done on the property and from the mining activities it is expected that the mining activities will be self-financed.

14.2 Detail regarding the financing arrangements

(Elaborate on the financing arrangements that are described in item 14.1 above, in terms of where the finance will be sourced extent to which the financing has been finalized and on the level of certainty, that such financing can be secured.)

The mining activities will also be self-funded as it appears on paragraph 14.1.

14.3 Confirmation of supporting evidence appended

(Attach evidence of available funding and or financing arrangements such as balance sheets, agreements with financial institutions, underwriting agreements, etc. and **specifically confirm** in this regard what documentation has been attached as appendices "N"- Financial Statement).

See the cash flow attached and financial statements – annexure "G".

15. REGULATION 11 (1) (h): UNDERTAKING, SIGNED BY THE APPLICANT, TO ADHERE TO THE PROPOSALS AS SET OUT IN THE MINING WORK PROGRAMME

Herewith I, the person whose name and identity number is stated below, confirm that I am the Applicant or the person authorised to act as representative of the Applicant in terms of the resolution submitted with the application, and undertake to implement this mining work programme and adhere to the proposals set out herein.

Herewith I, the person whose name and identity number is stated below, confirm that I am the Applicant or the person authorised to act as representative of the Applicant in terms of the resolution submitted with the application, and undertake to implement this mining work programme and adhere to the proposals set out herein.	
Full names and surname	
Identity number	