THE NAMAQUALAND MINES ACQUISITION

November 2013
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Communications to shareholders

- Trans Hex Group Limited (“Trans Hex”) announced the signature of an agreement with De Beers Consolidated Mines Limited (“DBCM”) on 6 May 2011 in terms of which, and subject to certain conditions precedent, its 50% held joint-venture company, Emerald Panther Investments 78 (Proprietary) Limited, will acquire assets and liabilities relating to Namaqualand Mines, owned by DBCM (“the Transaction”)

- Shareholders were initially advised in May 2011 that the Transaction is subject to the JSE Listings Requirements and that Trans Hex shareholder approval is therefore required

- A number of aspects of the Transaction have changed since May 2011

- The JSE confirmed in a ruling that the Transaction is not subject to the JSE Listings Requirements and consequently shareholder approval is not required

- Subsequently, Trans Hex’s transactional attorneys confirmed that shareholder approval is also not required in terms of the Companies Act No 71 of 2008

- Trans Hex would however still like to share the most relevant terms of the Transaction with its shareholders
In August 2010, following a strategic review of its mining operations, DBCM initiated a competitive disposal process in respect of its diamond prospecting, mining and processing operations situated mainly on the west coast of South Africa and known as Namaqualand Mines.

Trans Hex was invited to participate in the tender process. Trans Hex was unable to fund the full purchase consideration from cash resources at the time of the tender process and major shareholders indicated that they were not in favour of a rights issue. Trans Hex therefore engaged with various potential funders.

After a rigorous selection process, a consortium comprising Trans Hex, RECM and Calibre Limited (“RAC”), Dinoka Investment Holdings (Pty) Ltd (“Dinoka”), and the Namaqualand Diamond Fund Trust (“NDFT”) (collectively, “the Consortium”) was selected to enter into exclusive negotiations with DBCM in relation to the acquisition of Namaqualand Mines.

The composition of the Consortium was designed to meet the BEE requirement of 26% ownership in order for the Department of Mineral Resources (“DMR”) to approve the transfer of the Mining and Prospecting Rights.

On 6 May 2011, an agreement was entered into between Emerald Panther Investments 78 (Pty) Ltd (“EPI”), an entity formed by the Consortium for this purpose, and DBCM, setting out the terms and conditions on which EPI would acquire Namaqualand Mines (“the Transaction”) or (“the Sale Agreement”) which was subsequently amended to address, *inter alia*, the treatment of the significant rehabilitation liability pertaining to the Buffels Marine Mining Right (“BMC”) and will still be amended to address the treatment by the DMR of its 20% interest in Namaqualand Mines.

This presentation provides further information on the Transaction structure, in light of the amendments as set out above, as well as the results of the Competent Persons Report (“CPR”) as compiled by Snowden in October 2013.
In October 2013, the DMR indicated that the Department of Public Enterprises ("DPE") will take up the 20% interest and may allocate this 20% interest to a junior miner to be selected by the DPE ("the DPE Nominee")

In order to not delay the closing of the Transaction, a Special Purpose Vehicle ("the DPE SPV") is to be formed to house this 20% interest on behalf of the DPE Nominee. DBCM has agreed to fund the DPE SPV with a once-off amount of R26 million

Following the aforementioned, the revised shareholding structure of EPI will be as follows:

### Initial Transaction agreements

- Initially, the shares in EPI were held by the Consortium in the following shareholding percentages:

<table>
<thead>
<tr>
<th>Trans Hex</th>
<th>RAC</th>
<th>Dinoka¹</th>
<th>NDFT²</th>
</tr>
</thead>
<tbody>
<tr>
<td>50.0%</td>
<td>34.0%</td>
<td>11.0%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

  ![Shareholding Structure Diagram](initial_diagram.png)

- During 2007 the DMR became entitled to a 20% interest in Namaqualand Mines. Prior to October 2013, the parties had yet to reach agreement on how this interest would be treated for the purposes of the Transaction.

### Revised Transaction agreements

- During 2007 the DMR became entitled to a 20% interest in Namaqualand Mines. Prior to October 2013, the parties had yet to reach agreement on how this interest would be treated for the purposes of the Transaction.

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### Notes:

1. The shares in Dinoka are beneficially owned by certain members of the Trans Hex management team through family trusts
2. NDFT is a trust created for the benefit of broad-based, historically disadvantaged groups of persons within the Namaqualand community
3. This reflects the DPE SPV’s share of the estimated R130 million shareholder funding requirements as set out in slide 8 (20% x R130 million = R26 million)
In terms of the Sale Agreement, EPI would acquire the assets of Namaqualand Mines and, in consideration, assume certain liabilities pertaining to Namaqualand Mines, the most significant of which is the rehabilitation liability, estimated by DBCM at R215 million.

Initially, the Sale Agreement provided that EPI would acquire the following assets:

- The Mining Rights\(^1\) and the Buffels Marine Mining Right
- Prospecting Right
- Tailings Resources
- Immovable property\(^2\) & related infrastructure\(^3\)

The total rehabilitation liability approved by the DMR in respect of Namaqualand Mines was R353.9 million. The rehabilitation liability approved by the DMR relating to the BMC was R188 million and for the remainder of Namaqualand Mines was therefore R165.9 million. This meant that a substantial proportion of the aggregate rehabilitation liability pertained to the BMC.

Following subsequent negotiations between EPI and DBCM, the terms of the Transaction were amended in that DBCM will retain in excess of 50% of the Namaqualand Mines environmental rehabilitation liability.

The BMC (and the related rehabilitation liability) were excluded from the Transaction and replaced with an option and pre-emptive structure.

Notes:

1. Collectively, the following mining rights: the Brand se Baai Mining Right, the Buffels Inland Mining Right, the Dikgat Mining Right, the Koingnaas Mining Right, the Samson’s Bak Mining Rights and the Verdun Mining Right

2. The Immovable Property is valued at R39 million

3. Includes, \textit{inter alia}, the Koingnaas Bulk Sample Plant, the Michell’s Bay Plant, and earthmoving equipment valued at R43 million
• In terms of the Sale Agreement, EPI is obliged to provide a guarantee to the DMR for the rehabilitation liability assumed as consideration for the Transaction

• The rehabilitation guarantee approved by the DMR in February 2012 is R165.9 million

• In order to comply with this requirement, EPI will enter into an agreement with an insurance company, acceptable to the DMR, to issue a guarantee in an amount of R165.9 million. The insurance provider will require security as collateral for the insurance product which is included in the R130 million shareholder funding as mentioned in slide 8

• The Immovable Property and related infrastructure that forms part of the assets acquired from DBCM and valued at R75 million will also be encumbered as security for the insurance product
In terms of the Memorandum of Incorporation of EPI, each EPI shareholder has undertaken to advance its proportionate share of the funding required by EPI for its activities in the ordinary course, including working capital, capital expenditure and rehabilitation obligations, unless EPI receives funding from third parties.

EPI has, subject to the fulfilment of certain conditions precedent, secured a loan from the IDC amounting to R189 million, the salient terms of which are as follows:

- Interest rate: prime plus 0.4%
- Security: the loan will be secured by a combination of -
  - a cession by all EPI shareholders of their shares in EPI
  - a notarial bond over movable assets
  - a guarantee in the favour of the IDC to be provided by EPI shareholders. Trans Hex will provide a guarantee to the IDC in respect of its shareholding in EPI and in respect of Dinoka’s and the NDFT’s shareholdings in EPI as an IDC requirement. Any guarantees in respect of the 20% DPE SPV share are still to be finalized.

Trans Hex’s estimate of its immediate funding obligation in relation to EPI is set out below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (ZAR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total estimated initial funding required by EPI</td>
<td>319</td>
</tr>
<tr>
<td>IDC loan secured</td>
<td>189</td>
</tr>
<tr>
<td>Remainder to be funded by EPI shareholders (see note 1)</td>
<td>130</td>
</tr>
<tr>
<td>Trans Hex’s proportionate share thereof (40%)</td>
<td>52</td>
</tr>
<tr>
<td>Plus funding provided to Dinoka (see note 2)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total estimated immediate funding commitment by Trans Hex</strong></td>
<td><strong>55</strong></td>
</tr>
</tbody>
</table>

Notes:
1. Of this R130 million funding requirement, the DPE’s SPV’s share (20%) is estimated at R26 million which will be funded by DBCM.
2. Trans Hex and RAC have jointly committed (on a 50/50 basis) to fund half of the funding commitment of Dinoka being an amount of R3 million each. This funding will be provided to Dinoka as cumulative redeemable preference shares at a dividend rate of prime plus 3.5%.
In terms of the Management and Marketing Agreement, Trans Hex will be appointed on an exclusive basis as operator to manage the day-to-day activities at Namaqualand Mines and to market all diamonds produced from Namaqualand Mines.

In consideration for the management and marketing services provided, Trans Hex will receive fees equal to 5.5% of the gross value of the total sales of diamonds from the mine:
- These fees will only cover technical and management support, intellectual property, systems, procedures and governance provided by Trans Hex’s head office and will not cover the day-to-day operating expenses of the mine.
- Any other services provided by Trans Hex to EPI will be on an arm’s length basis.
- Taking the fees of 5.5% into consideration, Trans Hex’s effective interest in Namaqualand Mines is 52% vs a direct shareholding of 40%.

The management and marketing fees provides Trans Hex with an annuity stream of cash flow, over the life of the mine.
As at the date of this document, the Transaction remains subject to the following:

1. signature of detailed agreements between EPI, Trans Hex and DBCM in relation to the revised terms of the Transaction
2. DBCM and the DMR being satisfied with the rehabilitation insurance guarantee provided by EPI
3. finalisation and signature of the insurance rehabilitation product
4. finalisation and signature of the IDC loan agreement
5. the capitalisation by DBCM of the DPE SPV
6. the execution and registration of the transfer of the Mining Rights and the Prospecting Right from DBCM to EPI in terms of section 11 of the MPRDA

The Transaction is expected to close on/about end of March 2014
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Appendix 2: Buffels Marine Mining Right
Namaqualand Mines is located in the Northern Cape Province, on coastal lowland along South Africa’s west coast.

Mining operations first began in 1927. Since then, more or less continuous production has taken place at varying levels on the farm until November 2009, when ore extraction was temporarily suspended for a number of reasons, including the global economic crisis and DBCM’s focus on rehabilitation work in certain parts of the mining areas.

Two towns have been established at Namaqualand Mines, namely Kleinsee and Koingnaas, both of which were originally developed as access controlled towns to support DBCM’s Namaqualand Mines operations. These towns have subsequently been proclaimed as towns in terms of the Northern Cape Planning and Development Act No.7 of 1998 and have been excluded from the relevant mining rights.
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RESOURCES AND RESERVES

Operational Plan

The table below summarises the Mineral Resources and Reserves of Namaqualand Mines (excluding the BMC)

<table>
<thead>
<tr>
<th>Resource classification</th>
<th>Ore (Mt)</th>
<th>Carats (Mct)</th>
<th>Grade (cpht)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral Resources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicated</td>
<td>15.9</td>
<td>1.66</td>
<td>10.44</td>
</tr>
<tr>
<td>Inferred</td>
<td>102.3</td>
<td>4.96</td>
<td>4.85</td>
</tr>
<tr>
<td>Total</td>
<td>118.2</td>
<td>6.62</td>
<td>5.60</td>
</tr>
<tr>
<td>Mineral Reserves</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Probable</td>
<td>3.3</td>
<td>0.80</td>
<td>24.39</td>
</tr>
<tr>
<td>Payable Inferred Resources</td>
<td></td>
<td>1.10</td>
<td>6.70</td>
</tr>
<tr>
<td>Total</td>
<td>20.5</td>
<td>1.90</td>
<td>9.27</td>
</tr>
</tbody>
</table>

Operational plan for first 18 months:
- Establishment of two alluvial mining operations over the first 18 months
  1) Dikgat / Mannels Vley, 185tph plant, 70,000 cts/year, 7 year Life of Mine
  2) Koingnaas, 150tph plant, 120,000 cts/year, 7 year Life of Mine
- R209 million of capital required for plant and earth moving equipment over the first 2 years
- Continued expenditure on rehabilitation of past disturbances
- Drilling and bulk sampling of the Inferred Resources will form an important part of unlocking additional value at Namaqualand Mines
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Appendix 2: Buffels Marine Mining Right
• In October 2013, Snowden performed a valuation of Namaqualand Mines as part of the CPR

• A summary of the key assumptions and results of the valuation are included hereunder

| Revenue | Resources and reserves | • Clause 23 of the SAMREC Code allows a certain percentage of Inferred Mineral Resources to be included in the Life of Mine ("LOM") plan. Accordingly, the probable reserve ("PR") plus the payable Inferred Mineral Resource ("Payable Inferred Resource" or "PayInf") for each mining area at Namaqualand Mines has been used for the valuation |
| Production scheduling | • The production schedule determines the timing of the extraction of the relevant resource. This is discussed in slide 17 |
| Revenue assumptions | • Diamond value assumptions per slide 18 have been applied to the Resource which is estimated to be extracted in line with the production schedule (below) |
| Capital expenditure and operating costs | Estimated capex | • Outflows required to fund project capital expenditure and the timing thereof are discussed in slide 19 |
| | Estimated operating costs | • The estimated operating costs are discussed in slide 20 |
In order to economically mine the remaining reserves within Namaqualand Mines, Snowden has evaluated the mineral reserve based on a low cost mining approach.

Input parameters used in the economic evaluation of the planned Namaqualand Mines operation were derived from similar alluvial diamond mining operations conducted by Trans Hex in South Africa.

The scheduled mine plan has been created with the objective of reducing long hauling distances from the mining face to the plants, thereby containing costs.

- By applying first pass screening operations at the mining face, haul costs can be significantly reduced due to the reduction in the quantity of process material transported to the plant.
- Trans Hex also intends to locate semi-mobile treatment plants at strategic locations in close proximity to operating faces to further reduce screened ore hauling costs.

Based on this approach, Trans Hex has prepared a 13 year LOM plan for exploitation of the remaining Payable Inferred Resource and probable reserves of Namaqualand Mines, excluding the BMC.

Source: Snowden, Oct 2013
In arriving at an estimate of the revenue to be derived from the sale of diamonds in relation to Namaqualand Mines, the average value per carat is required.

The table below illustrates the average value (in US dollars) per carat in respect of the mining areas:

<table>
<thead>
<tr>
<th></th>
<th>The Buffels Inland Complex and Dikgat Complex</th>
<th>The Koingnaas Complex</th>
<th>Brand se Baai</th>
<th>Recovery Tailings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average (US$/carat)</td>
<td>260</td>
<td>156</td>
<td>112</td>
<td>130</td>
</tr>
</tbody>
</table>

The average estimation of value per carat applied is between $112 and $260.
• The equipment currently at Namaqualand Mines included in the sale, will be utilised and replaced when needed. In addition, EPI will be acquiring certain new mining equipment which will be used in the Namaqualand Mines mining operation.

• **Equipment capex**: Based on the equipment requirements and equipment replacement schedules, the mining capital expenditure of operations has been estimated to be a minimum of R227 million.

• **Processing and treatment capex**: The Michell’s Bay dense media separator ("DMS") plant, the Central Recovery Facility (CRF) and the Koingnaas bulk sampling plant will be acquired by EPI as part of the sale assets subject to the Transaction. Additional processing and treatment capex estimated at R90 million, will be required

• **Other capex**: Stay-in-business capex estimated at R22 million and overhead capex estimated at R14 million

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Source: Compiled by Questco using data sourced from Snowden, Oct 2013 [Appendix B, excl. overheads]
Costs have been calculated from first principles and have been benchmarked to similar / historic operations where appropriate. On-mine costs have been divided into the following categories:
- accretion
- overburden mining
- gravel mining
- start-up costs (pre-production overheads, recruitment and plant commissioning costs)
- treatment
- overheads

Unit operating costs (across all cost centres – labour, stores, utilities and ‘other costs’) have been estimated at ZAR73/t Run of Mine (“ROM”) average for the LOM (Probable Reserves plus Payable Inferred Resources)
The results of the valuation of Namaqualand Mines (using Probable Reserves plus Payable Inferred Resources) are shown below:

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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Carats recovered</td>
<td>kct</td>
<td>1 826</td>
<td>69</td>
<td>149</td>
<td>301</td>
<td>183</td>
<td>211</td>
<td>297</td>
<td>386</td>
<td>57</td>
<td>57</td>
<td>57</td>
<td>57</td>
<td>57</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Diamond price</td>
<td>US$/ct</td>
<td>221</td>
<td>233</td>
<td>252</td>
<td>212</td>
<td>232</td>
<td>248</td>
<td>227</td>
<td>205</td>
<td>197</td>
<td>197</td>
<td>197</td>
<td>197</td>
<td>197</td>
<td>197</td>
<td></td>
</tr>
<tr>
<td>Total Opex</td>
<td>ZAR'000</td>
<td>1 503 702</td>
<td>72 013</td>
<td>183 702</td>
<td>248 537</td>
<td>258 422</td>
<td>407 520</td>
<td>501 297</td>
<td>645 645</td>
<td>622 082</td>
<td>107 959</td>
<td>107 959</td>
<td>107 959</td>
<td>107 959</td>
<td>107 959</td>
<td>29 895</td>
</tr>
<tr>
<td>Net Free Cash Flow</td>
<td>ZAR'000</td>
<td>1 287 372</td>
<td>-73 273</td>
<td>97 392</td>
<td>198 565</td>
<td>67 579</td>
<td>14 102 8</td>
<td>248 509</td>
<td>315 587</td>
<td>79 598</td>
<td>48 704</td>
<td>48 756</td>
<td>48 805</td>
<td>48 851</td>
<td>16 262</td>
<td>1008</td>
</tr>
<tr>
<td>Cumulative Free Cash Flow</td>
<td>ZAR'000</td>
<td>-73 273</td>
<td>24 119</td>
<td>222 685</td>
<td>290 264</td>
<td>431 292</td>
<td>679 801</td>
<td>995 388</td>
<td>1 074 986</td>
<td>1 123 690</td>
<td>1 172 446</td>
<td>1 221 250</td>
<td>1 270 102</td>
<td>1 286 363</td>
<td>1 287 372</td>
<td></td>
</tr>
<tr>
<td>Discounted Cash Flows (12.0%)</td>
<td>ZAR'000</td>
<td>604 871</td>
<td>-617 21</td>
<td>73 249</td>
<td>93 343</td>
<td>40 520</td>
<td>75 501</td>
<td>18 789</td>
<td>134 692</td>
<td>30 333</td>
<td>15 572</td>
<td>14 812</td>
<td>13 239</td>
<td>11 832</td>
<td>3 517</td>
<td>195</td>
</tr>
<tr>
<td>TNM NPV</td>
<td>ZAR'000</td>
<td>604 871</td>
<td></td>
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<tr>
<td>Less environmental liabilities</td>
<td>ZAR'000</td>
<td>165 900</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Add saleable properties</td>
<td>ZAR'000</td>
<td>38 775</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Adjusted TNM NPV</td>
<td>ZAR'000</td>
<td>477 746</td>
<td></td>
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<td></td>
<td></td>
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</tbody>
</table>

The net present value of Namaqualand Mines is R478 million for 100% (calculated at a real discount rate of 12%), Trans Hex’s share of this, at 40%, is R191 million (excluding the management and marketing fee).

Post-financing Net Present Value

- As mentioned previously, EPI is in the process of securing the following funding:
  - a loan for R189 million from the IDC
  - an insurance product in relation to the rehabilitation liability amounting to R165.9 million

- A study was undertaken to assess the net present value, if financing was applied to Namaqualand Mines. Taking the financing aspects (including finance costs) into consideration, and assuming a real cost of equity of 12%, the net present value of Namaqualand Mines will be R545 million (using Probable Reserves plus Payable Inferred Resources)
The adjacent table illustrates the sensitivity of the net present value of Namaqualand Mines assuming various changes in Revenue, Operating costs (“Opex”) and Capex.
- The valuation is highly sensitive to changes in revenue.
- This could be driven by, *inter alia*, changes in diamond demand and supply fundamentals, exchange rates, or variances in estimated diamond grade and concentration.
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Trans Hex is of the view that the Transaction has the potential to generate positive returns and value for shareholders in the short to medium term and specifically in the following manner:

- Snowden’s CPR valuation of Namaqualand Mines is R545 million after project financing arrangements are taken into consideration
- The IRR of the project is 43%
- Trans Hex will earn Management and Marketing fees of 5.5% of Revenue which amounts to R213 million over the life of the project
- The NPV of Trans Hex’s 40% interest including the after tax cash flows of the Management and Marketing fees amounts to R300 million or R2.83 per share
- Trans Hex's average cash flow from NM during FY 2016 to FY 2021 is R73 million per year or R0.69 per share. From 2022 onwards, tailing mineral resources are treated at an average cash flow of R20 million per year, or R0.19 per share
- As 40% shareholder in EPI, Trans Hex will invest R52 million and receive cash flows of R643 million over the life of the project
- No Trans Hex shareholder funding is required for the Transaction
- The acquisition of Namaqualand Mines provides Trans Hex with access to the rich channel gravels that extend from land into the South African 7a and 6a sea concessions which are held by Trans Hex and are difficult to explore without access from land
- The acquisition of Namaqualand Mines by EPI will increase the scope of Trans Hex’s South African operations to 14 years
GEOLOGY, RESOURCES AND RESERVES

• A host of diamond placers of variable age have been deposited on the Namaqualand coastal plain. The abrasiveness of the fluvial and marine transport mechanisms from the original source of these diamonds, being the South African Kaapvaal craton, has effectively removed a high percentage of the poorer quality diamonds from deposits, thus providing a diamond population that is 95% gem quality.

• The diamond placers on the Namaqualand coastal plain are complex as a result of the continuous reworking of deposited diamondiferous fluvial sediments. This means that there is a high variability in the suite of placer deposits in terms of mineralisation style, stone density and stone size.

1 The Buffels Inland Complex (“BIC”) and Dikgat Complex (“DGC”):  
- Comprise the deposits of the inland portion of the Buffels River valley which is one of the major Namaqualand fluvial systems that supplied clastic diamond bearing gravels to the west coast.
- The Buffels Inland Complex comprises deposits of the inland portion of the Buffels River valley which hosts a number of Miocene age proto-Buffels River fluvial placers of which the Langhoogte and Nuttabooi deposits have been extensively mined.
- Diamond grades are highly variable and can reach significant levels (> 20 carats per hundred tonne or cpht).
- Clast size drops rapidly towards the proto deposits with the average diamond stone size decreasing from ~0.50 ct/stone 60 km upstream to ~0.30 ct/stone adjacent to the coast.

2 The Koingnaas Complex (“KNC”):  
- The granitic gneiss bedrock has been extensively eroded by a complex drainage network of diamond bearing, high grade, clay-filled, fluvial channels formed during the Cretaceous period (Hall, 2002).
- Partial re-working in the marine environment has resulted in localised movement of diamonds into beaches that have formed within the depressions created by the drainage system.
- The result is an absence of linear marine terraces which means that exploration strategy is less predictable.
- Although extensively mined, the Koingnaas Complex is still prospective on a local scale and is typified by high stone densities but a small average stone size (~0.25 ct/stone).

3 Samsons Bak Complex (“SBC”):  
- A number of beaches and fluvial diamond placers have been identified in this area but no mining has taken place as this area typically exhibits lower grades and small stone sizes and is less prospective than the Koingnaas Complex.

4 Brand se Baai (“BBR”):  
- A number of small pocket beach Recent Emergent Terrace (“RET”) deposits have been identified and sampled on Karoetjies Kop and Tities Baai.
- These deposits have reasonable grades and are typified by an extremely small stone size (~0.08 ct/stone) but contain high quality gem diamonds as they represent the extreme northern extent of the Olifants River diamond region.
The table below summarises the Mineral Resource Statement for the Mineral Rights subject to the Transaction as at 30 September 2013.

<table>
<thead>
<tr>
<th>Mining Right</th>
<th>Resource classification</th>
<th>Ore (Mt)</th>
<th>Carats (Mct)</th>
<th>Grade (cpht)</th>
<th>Stone Size (ct/stone)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovery Tailings</td>
<td>Inferred</td>
<td>&lt;0.1</td>
<td>0.08</td>
<td>197.22</td>
<td>0.27</td>
</tr>
<tr>
<td>The Buffels Inland Complex and Dikgat Complex</td>
<td>Indicated</td>
<td>1.9</td>
<td>0.29</td>
<td>15.34</td>
<td>0.33</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>42.7</td>
<td>1.70</td>
<td>4.00</td>
<td>0.34</td>
</tr>
<tr>
<td>Koingnaas Complex</td>
<td>Indicated</td>
<td>11.6</td>
<td>1.15</td>
<td>9.89</td>
<td>0.22</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>19.3</td>
<td>1.45</td>
<td>7.50</td>
<td>0.22</td>
</tr>
<tr>
<td>Brand se Baai</td>
<td>Inferred</td>
<td>1.4</td>
<td>0.15</td>
<td>10.29</td>
<td>0.08</td>
</tr>
<tr>
<td>Samson's Bak</td>
<td>Indicated</td>
<td>2.1</td>
<td>0.19</td>
<td>9.14</td>
<td>0.17</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>38.0</td>
<td>1.19</td>
<td>3.12</td>
<td>0.20</td>
</tr>
<tr>
<td>Prospecting Right</td>
<td>Indicated</td>
<td>0.2</td>
<td>0.02</td>
<td>9.71</td>
<td>0.23</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>0.9</td>
<td>0.39</td>
<td>43.22</td>
<td>0.19</td>
</tr>
<tr>
<td>Total</td>
<td>Indicated</td>
<td>15.9</td>
<td>1.66</td>
<td>10.44</td>
<td>0.22</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>102.3</td>
<td>4.96</td>
<td>4.85</td>
<td>0.23</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>118.2</strong></td>
<td><strong>6.62</strong></td>
<td><strong>5.60</strong></td>
<td><strong>0.23</strong></td>
</tr>
</tbody>
</table>

Source: Z Star, Snowden, Oct 2013
The table below summarises the Mineral Reserve Statement for the Mineral Rights subject to the Transaction as at 30 September 2013 – all reserves are probable.

<table>
<thead>
<tr>
<th>Mining area</th>
<th>Gravel Reserves (Mt)</th>
<th>Grade (cpht)</th>
<th>Carats (Mct)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dikgat - Mannelsvlei</td>
<td>0.84</td>
<td>25.00</td>
<td>0.21</td>
</tr>
<tr>
<td>Koingnaas – Mitchells Bay</td>
<td>0.88</td>
<td>14.77</td>
<td>0.13</td>
</tr>
<tr>
<td>Koingnaas - Koingnaas</td>
<td>1.56</td>
<td>29.49</td>
<td>0.46</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.28</strong></td>
<td><strong>24.39</strong></td>
<td><strong>0.8</strong></td>
</tr>
</tbody>
</table>

Clause 23 of the SAMREC Code allows a certain percentage of Inferred Mineral Resources to be included in the LOM plan. Accordingly, the payable Inferred Mineral Resource (excluding probable reserves) for each mining area at Namaqualand Mines has been determined and is presented below:

<table>
<thead>
<tr>
<th>Mining area</th>
<th>Gravel Reserves (Mt)</th>
<th>Grade (cpht)</th>
<th>Carats (Mct)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dikgat - Mannelsvlei</td>
<td>0.2</td>
<td>20.06</td>
<td>0.04</td>
</tr>
<tr>
<td>Dikgat - Dikgat</td>
<td>2.4</td>
<td>7.87</td>
<td>0.18</td>
</tr>
<tr>
<td>Dikgat - Sand Kop</td>
<td>&lt;0.1</td>
<td>6.87</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td>Dikgat - Stryd Rivier</td>
<td>&lt;0.1</td>
<td>41.42</td>
<td>0.01</td>
</tr>
<tr>
<td>Dikgat – Langklip</td>
<td>&lt;0.1</td>
<td>162.57</td>
<td>0.01</td>
</tr>
<tr>
<td>Dikgat - LH TMR</td>
<td>2.6</td>
<td>2.91</td>
<td>0.08</td>
</tr>
<tr>
<td>Koingnaas - Michells Bay</td>
<td>0.1</td>
<td>20.28</td>
<td>0.01</td>
</tr>
<tr>
<td>Koingnaas - Koingnaas</td>
<td>0.1</td>
<td>147.31</td>
<td>0.11</td>
</tr>
<tr>
<td>Koingnaas - LKB04 Channels</td>
<td>0.4</td>
<td>59.48</td>
<td>0.26</td>
</tr>
<tr>
<td>Koingnaas - KNC TMR</td>
<td>11.4</td>
<td>3.95</td>
<td>0.45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17.2</strong></td>
<td><strong>6.70</strong></td>
<td><strong>1.10</strong></td>
</tr>
</tbody>
</table>

Source: ASG (Shaun Gillespie), 2013, Snowden, Oct 2013 [page 68 and 69]
Note 1 - Calculated by Questco using data sourced from Snowden, Oct 2013
As mentioned previously, the BMC was excluded from the mining rights acquired pursuant to the Transaction and, instead, the BMC Call Option and BMC Pre-emptive Rights will be acquired by EPI.

Accordingly, the BMC has not been taken into account in determining the net present value of Namaqualand Mines and no resources and reserves attributable to this right, have been included in the resource and reserve statements included.

A summary of the salient information pertaining to this right, is included hereunder as well as the calculation of the net present value of the BMC.

**Geology:**
- Fluvial systems and, in particular, the Buffels River supplied large quantities of diamonds to the high energy marine environment resulting in diamonds being concentrated in beach deposits through typical shallow marine processes.
- The shape and size of these deposits (and resultant grade of the diamonds) is dependent on the competency of the bedrock.
  - In the area relating to the BMC, a series of laterally extensive marine terraces have been eroded into metasediments at specific elevations related to sea-level still stands. These terraces can be traced over distances of up to 40 km.
- The presence of groundwater has, in places, cemented the diamondiferous gravels and occasionally a portion of the overburden. Such cementation is more prevalent on the farms Kareedoorn Vlei and Twee Pad.

**Resources and reserves:**

<table>
<thead>
<tr>
<th>Mineral Resource Classification</th>
<th>Ore (Mt)</th>
<th>Carats (Mct)</th>
<th>Grade (cph)</th>
<th>Stone size (ct Stonewt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated</td>
<td>77.0</td>
<td>1.62</td>
<td>2.10</td>
<td>0.38</td>
</tr>
<tr>
<td>Inferred</td>
<td>47.7</td>
<td>0.53</td>
<td>1.12</td>
<td>0.38</td>
</tr>
<tr>
<td>Total</td>
<td>124.7</td>
<td>2.15</td>
<td>1.73</td>
<td>0.38</td>
</tr>
</tbody>
</table>

**Revenue estimations:**

<table>
<thead>
<tr>
<th>BMC AK3¹ (US$/ct)</th>
<th>BMC TP² (US$/ct)</th>
<th>Megalodon³ (US$/ct)</th>
</tr>
</thead>
<tbody>
<tr>
<td>310.61</td>
<td>211.08</td>
<td>484.77</td>
</tr>
</tbody>
</table>

1. BMC AK3 – refers to the tailings reserves situated at the AK3 production plant which treats marine diamond deposits from Sandkop, Annex Kleinzee and Dreyerspan.
2. BMC TP – refers to the tailings reserves situated at the Twee Pad production plant which treats marine diamond deposits from the Kareedoorn Vlei, Twee Pad and Oubeep.
3. Megalodon – refers to the Megalodon fluvial channel.
The value of the BMC has been estimated at R90 million, calculated as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>ZAR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net present value of future cash flows</td>
<td>164</td>
</tr>
<tr>
<td>Plus property</td>
<td>6</td>
</tr>
<tr>
<td>Less rehabilitation liability</td>
<td>(80)</td>
</tr>
<tr>
<td><strong>Total value</strong></td>
<td><strong>90</strong></td>
</tr>
</tbody>
</table>
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