MINING BUNDLE 04

EXHIBIT XX 4

GAVIN JOHN
CRAYTHORNE

JUDICIAL COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE, CORRUPTION AND FRAUD IN THE PUBLIC SECTOR INCLUDING ORGANS OF STATE

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MINING

EXHIBIT XX 4

GAVIN JOHN
CRAYTHORNE

IN THE COMMISSION OF INQUIRY INTO STATE CAPTURE

AFFIDAVIT

I, the undersigned,

GAVIN JOHN CRAYTHORNE

do hereby make oath and say that:

1. I am an adult male businessman living in Alexander Bay, Northern Cape Province.

2. The content of this affidavit is within my personal knowledge, unless the context indicates the contrary. To the extent that I rely on hearsay evidence, I have explained the circumstances in which the information was imparted to me, and I have identified my sources. I confirm that I verily believe such information to be true and correct, and that I have no reason to doubt my sources.

3. I will, in the course of this affidavit refer in the text of the affidavit to the annexures attached to this affidavit in support of the averments made by me. Each reference will reference an annexure with the suffix "**GC**" followed by the number of that annexure. Footnotes will be used to clarify certain aspects in this affidavit.

4. I am duly authorised to depose to this affidavit. I do so as a founding member and office bearer of the Equitable Access Campaign (EAC) [**GC1**], being an association of small-scale black-owned and black empowered marine mining companies ("**the Emerging BEE Marine Diamond Miners**") [**GC2**] who are or were subcontracted to the Alexkor – Richtersveld Mining Company Pooling & Sharing Joint Venture ("**PSJV**"). This joint venture manages the mining operations of the pooled land and marine mining rights of the Richtersveld Mining Company ("**RMC**") and Alexkor SOC Ltd ("**Alexkor**"), a state owned entity, dealt with by me herein below.

MY QUALIFICATIONS AND EXPERIENCE

5. I have been working full-time in the diver-based marine diamond mining industry since July 1985 and as an Alexkor marine mining contractor since 1999, except for a period from 7 November 2017 to 19 March 2019. As such, I have contributed significantly to Alexkor and the PSJV's shallow water marine profits [**GC3**].

6. I have also contributed significantly to the success of Alexkor's marine operations by designing, building and providing turnkey mining vessels to start-up contractors that do not have the technical ability to construct their own mining vessels. I am locally and internationally acknowledged as an expert in the narrow field of diver-based underwater mining and engineering [**GC4**]. I attach hereto a copy of my curriculum vitae setting out my work experience and my expert experience [**GC5**].

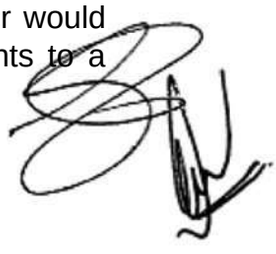
7. I have expert knowledge, based on twenty years of local marine mining experience, of Alexander Bay's world class marine diamond geology, including the diamond ore grade distribution, the diamond size frequency distribution and the shape, colour and clarity quality attributes thereof.

THE JOINT VENTURE BETWEEN ALEXKOR AND THE RICHTERSVELD MINING COMPANY

8. Alexkor SOC is a state-owned mining company which owns marine diamond mining rights in the Richtersveld. The Department of Public Enterprises is the shareholder representative of Alexkor on behalf of the South African Government, with oversight responsibility over it.

9. RMC is a community mining company which acquired the land diamond mining rights in the relevant region, following a land restitution claim brought by the Richtersveld community. A Settlement Agreement was reached between the parties which was signed on 22 April 2007 and made an Order of Court [**GC6**]. This was later supplemented by a further agreement referred to as "*the Unanimous Resolution*" ("**the Resolution**") [**GC7**].

10. In terms of the Settlement Agreement and the Resolution, it was agreed that a joint venture would be pursued between Alexkor and the Richtersveld Community. In terms of the joint venture agreement, styled the Pooling and Sharing Joint Venture Agreement ("**PSJV**"), it was agreed that Alexkor would retain its marine mining rights, but would transfer its land mining rights to a



company formed by the Richtersveld Community, the Richtersveld Mining Company ("RMC"), to be exploited by them jointly. It was agreed that Alexkor would hold 51% of the shares in PSJV and that the remaining shares (49%) would be held by RMC.

11. In terms of the Joint Venture Agreement, the PSJV was mandated to conclude marine mining contracts on behalf of Alexkor and land mining contracts on behalf of RMC. However, the PSJV does not itself conduct mining operations and all its land, beach and marine mining operations are conducted by contract miners, who are subcontracted to the PSJV and mine areas allocated to them under their contract with the PSJV.

12. The joint operations were placed under the control of an executive management team, under the control of a Joint Board, with three directors representing Alexkor and three directors representing the RMC ("**the Board**"). In terms of clause 6.1.3, the Joint Board is responsible for the "*carrying out of the recovery and sale, at the highest prices possible, of precious stones produced from the pooled operations areas.*"

13. To give effect to this clause and various others in the Settlement Agreement and Resolution, the Joint Board established a PSJV Technical Committee ("**the Technical Committee**") to oversee the many complex technical aspects of the joint land and marine mining operations.

THE EVENTS WHICH PRECEDED THE APPOINTMENT OF SCARLET SKY AS A SERVICE PROVIDER

14. During 2013, the PSJV's marine diamond production traded on average at 30.2% below the market. [**GC8**]

15. On 21 October 2013, the PSJV Technical Committee raised a concern with management regarding the manner in which diamonds were marketed and sold by the then service provider, Diamond Marketing Consultants ("**DMC**"). The committee advised management to request approval from the Board to appoint a new service provider on a trial basis to determine whether there would be an improvement in pricing [**GC9**].

16. On 23 October 2013, the PSJV Management Team obtained approval from the PSJV Joint Board to appoint a new service provider on a trial basis [**GC9**, page 4].

17. On 1 January 2014 the Management Team appointed Fusion Alternatives on a trial basis [**GC9**, page 4].

18. On 8 January 2014 the Management Team cancelled the marketing and sales agreement with Diamond Marketing Consultants ("**DMC**") [**GC9**, page 4].

19. On 16 April 2014 the Joint Board gave approval for the management team to begin a tender process for the appointment of a permanent service provider to take the place of Diamond Marketing Consultants [**GC9**, page 4].

20. On 31 October 2014 the Management Team published a Request for Proposal in this regard in the Government Gazette titled RFP 03-14 [**GC10**].

21. On 1 March 2015 Alexkor awarded the tender to a Gupta linked entity, Scarlet Sky Investments 60 (Pty) Ltd ("**SSI**"), after the conclusion of a fundamentally flawed tender process that was fraught with breaches of the law dealt with below.

22. In spite of the further deterioration in Alexkor's diamond prices under the SSI contract, the contract was not cancelled, but was renewed again in October 2016, more than two years before the first contract was due to expire, and in the midst of growing controversy over SSI's poor performance.

THE IRREGULAR TENDER PROCESS FOLLOWED IN THE APPOINTMENT OF SCARLETT SKY

23. On 21 October 2013, the PSJV's Technical Committee initiated the process leading to the appointment of SSI as the sole agent to market and sell Alexkor's diamonds [**GC9**].

24. In the Alexkor Audit Risk Committee ("**ARC**") Report to former Minister Lynn Brown ("**Brown**")) on the appointment of SSI it is stated:

"21 October 2013

> *Technical Committee meeting of the PSJV raised a concern to management regarding the manner in which diamonds were marketed and sold by the then service provider Diamond Marketing Consultants ("DMC"). The committee advised that management request approval from the PSJV Board ("the Board") to appoint a new service provider on a trial basis to determine whether there will be an improvement in pricing."*

25. The Technical Committee meeting of the PSJV raised a concern to management regarding the manner in which diamonds were marketed and sold by the then service provider Diamond Marketing Consultants ("**DMC**"). The committee advised that management request approval from the PSJV Board ("**the Board**") to appoint a new service provider on a trial basis to determine whether there would be an improvement in pricing.

26. Those present at this meeting are recorded in the Alexkor 2014 Annual Report as being the following individuals:

ATTENDANCE AT TECHNICAL COMMITTEE MEETINGS

Name	23/04/13	15/08/13	21/10/13	17/01/14	10/04/14
Dr. J Bristow	P	VT		VT	VT
Mr. M Carstens (CEO)	P	VT	P	P	P
Mr. W Diergaardt	P	VT	P	SEE ARC REPORT	
Dr. R Paul	P	VT	P	VT	VT

27. At the time Rafique Bagus ("**Bagus**") chaired the Joint Board of the PSJV.

ALEXKOR RMC JV ATTENDANCE AT BOARD MEETINGS

Member	24/04/13	26/08/13	30/10/13	30/01/14	16/04/14
Mr. MR Bagus	P	P	P	VT	P
Dr. J Bristow	P	P		VT	VT
Mr. M Carstens (CEO)	P	P	P	P	P
Mr. W Diergaardt	P	P	A		
Mr. D Korabie			SEE ARC REPORT	VT	VT
Mr. C Matthews	P	VT	A		
Ms. Z Ntlangula	P	VT	P	VT	A
Dr. R Paul	P	P	P	VT	P
Mr. W Vries				VT	P

28. The advertisement for tender RFP 03/14 was published in the Government Tender Bulletin on 31 October 2014 [**G10**, at section 2] and in the Sunday Times on 26 October 2014. Interested parties were invited to formerly submit an Expression of Interest to participate in the process by 13:00 on Friday, 7

November 2014. The closing date for the submission of the formal proposal was given as 24 November 2014.

29. Pursuant to the tender advertisement, nine interested companies, including SSI, submitted written expressions of interest to participate in the tender by 7 November 2014 [**GC9**].

30. SSI sent an expression of interest on 6 November 2014 on a letterhead that indicated the directors were Daniel Nathan ("**Daniel Nathan**") and Kuben Moodley ("**Moodley**"). At that date, however, the directors were actually still shelf company stand-ins and company records indicate that Nathan and Moodley only became directors on 4 December 2014. SSI's own company structure shows that they became shareholders on 20 November 2014 (through their respective companies Daniel Nathan Trading ("**DNT**") and Kimomode (Pty) Ltd ("**Kimomode**").1

31. Accordingly:

    31.1. Up until 4 December 2014, the date upon which Messrs Moodley and Nathan officially became directors, SSI was a shelf company [**GC11**]; and

    31.2. The date upon which they became directors was eleven days after the official closing date of 24 November 2014 for formal written proposals to be submitted in order to compete in the tender [**GC10** at section 3.c].

32. An investigation was carried out by Alexkor in 2015 ARC at the behest of Brown. The ARC report to Brown **[GC9**] revealed that:

    32.1. Mervyn Carstens ("**Carstens**"), the chief executive of the joint venture, outsourced the shortlisting of bids to a company called Gamiro Advisory Services ("Gamiro") (controlled by Heather Sonn ("**Sonn**")), although there were only seven bids. (The significance of the involvement of Sonn and Christo Wiese ("**Wiese**") in Alexkor's plans to diversify into coal is dealt with below.)

    32.2. Gamiro shortlisted three companies, namely SSI, CS Diamonds and Diamond Realisations, who were all invited to make further presentations to the tender committee.

[1] Exhibit 25 in the Gobodo report (GC11)

32.3. On the shortlist, Diamond Realisations – the company that held the interim contract – scored the highest with 75 points, SSI came in second with 71.5 points and CS Diamond third, with 67 points.

32.4. SSI was shortlisted although it held no diamond license (Daniel Nathan's company, DNT did, however, have a diamond licence, but this could not be utilised by SSI as explained below). Moodley, the purported 60% BEE shareholder, had no diamond industry background at all.

32.5. When it came to the final selection on 11 December 2014, only three people sat on the panel at Alexkor's Rosebank, Johannesburg head-office: Bagus, Duncan Korabie ("**Korabie**") and Dr Roger Paul ("**Dr Paul**"). Korabie awarded SSI a full 100% mark.

32.6. It was recorded in the ARC report that:

> ""*11 December 2015*
>
> *The Board members present at the presentations was Dr Paul, Mr Korabie and MR Bagus. None of the members had any interest to declare in the tender.*
>
> *Each board member present scored the shortlisted companies. The scoresheet is disclosed after each members' declaration form.*
>
> *The highest score per member was as follows:*
>
> - *Dr Paul: SSI=54 points*
> - *Mr Korabie: SSI=100 points*
> - *Mr Bagus: SSI=66 points, tallied by the committee."*

33. Despite all three adjudicators awarding SSI the highest points, it appears there was a significant lack of clarity about their proposal and what exactly SSI had committed to in terms of funding, pricing, beneficiation and community investment, which resulted in a delay in finally awarding the tender to SSI.

34. On 27 February 2015, Alexkor awarded the tender to SSI (which was announced on 15 March 2015), notwithstanding that it failed to meet the specified minimum requirements of the tender, more particularly in that:

34.1. SSI had no track record in the diamond industry [**GC12** page 1 reply point (1)];

34.2. SSI had no experience in trading in diamonds or in cutting and polishing rough diamonds [**GC12** page 1 reply point (1)];

34.3. SSI had no cutting or polishing factory [**GC12** page 1 reply point (1)];

34.4. SSI had no licence to buy rough diamonds [**GC12** page 3 reply point (4)];

34.5. SSI had no licence to sell rough diamonds [**GC12** page 3 reply point (4)];

34.6. SSI had no licence to cut and polish rough diamonds [**GC12** page 3 reply point (4)];

34.7. SSI had no diamond trading house licence [**GC12** page 3 reply point (4)]; and

34.8. SSI had no BEE certificate SSI (which it only acquired after being awarded the tender).

35. These were all minimum requirements for the tender [**GC13**].

36. In addition, notwithstanding that a due diligence was a requirement of the Bid, Zarina Kellerman ("**Kellerman**"), Alexkor's Chief Legal Officer and the CEO, Carstens (who is still currently in the employ of Alexkor), misrepresented to the Board that a due diligence had been conducted, when in fact, no due diligence was conducted before SSI was appointed by the PSJV [**GC14**].

37. The Tender Committee and the unlawfully constituted Joint Board (dealt with by me below) also contravened section 217(1) of the Constitution in that they failed to ensure that the procurement process was fair, equitable, transparent and competitive by ignoring their own tender specifications as set out above and favouring SSI in the following manner:

37.1. Whereas SSI's original proposal was to procure rough diamond production through an outright purchase of production at the price determined by an independent diamond valuer, SSI was permitted to change its bid proposal to the selling of rough diamonds through an auction process to the highest bidder. This favoured SSI and afforded it a competitive advantage over other bidders.

37.2. SSI was also permitted to include 1.5% handling fee for handling the rough diamonds.

38. It seems self-evident to me that the outcome of the RFP 03-14 tender process was a forgone conclusion and that the process itself was a mere sham put on by the PSJV Management Team, headed by the CEO, Carstens, to try and create a façade of compliance with the required procurement processes[**GC15**].

39. Gobodo Forensic and Investigative Accounting (Pty) Ltd ("**Gobodo**") found that that tender 03/14 was irregularly awarded to SSI by the PSJV Board during 2014 as the procurement process was fatally flawed. Gobodo also found that a proper procurement process was not followed during tender no 02/2016, which led to the renewal of the contract with SSI. [**GC11**]. The Gobodo report is dealt with by me more fully below.

40. Having won the tender, SSI went from being a dormant shelf company to suddenly appearing on the local diamond trading scene as the PSJV's new marketing and sales service provider, taking delivery of its first tranche of multi-million rand rough diamonds on 15 March 2015 at its new offices located at 1 River Street, Houghton, Johannesburg [**GC16**].

41. Numerous complaints about the irregular appointment of SSI were reported to Alexkor management and Parliament's oversight committees, to no avail.

42. As will be demonstrated below, the awarding of Tender RFP 03-14 to SSI and the subsequent renewal of its contract has contributed to the collapse of Alexkor and with it, the economies of Alexander Bay and Port Nolloth and RMC.

THE LINK BETWEEN SCARLET SKY AND THE GUPTAS

43. The links between SSI and the Guptas have been investigated and are dealt with in the affidavit deposed to by Peter Bishop ("**Bishop**"), an investigator at the Commission [**GC17**]. From my knowledge and that discovered by Bishop,

key persons involved in both Alexkor, the PSJV and SSI have links to the Guptas and/or their associates.

44. According to the group structure submitted with the proposal for the first tender awarded to SSI, the shares in SSI were held as follows:

    44.1. 60% owned by Kimomode (represented by Moodley); and

    44.2. 40% owned by DNT (represented by Daniel Nathan).

45. The current shareholding of SSI is constituted as follows:

    45.1. 30% owned by the Richtersveld Community Trust;

    45.2. 40% owned by DNT (represented by Daniel Nathan);

    45.3. 30% owned by a black female, who Daniel Nathan informed a Democratic Alliance member of Parliament, Veronica Van Dyk, when she visited the premises in December 2018, is Raygen Phillips ("**Phillips**"). However, company searches could not confirm this and have also not identified who the BEE partner/s is/are or what their BBBEE rating is.

46. CIPC records indicate that Daniel Nathan is a director of SSI. Its prior directors, Moodley and Kasavan Govendor ("**Govendor"**), resigned on 5 November 2015 and 4 November 2016 respectively.

47. On 20/12/2016 Mr Stanley "*Screamer*" Tshabalala, who is Mr Irvin Khoza's close confidant and Orlando Pirates technical director and founder member of Kaiser Chiefs, was appointed as a director to DNT.

48. Known Gupta associates linked to state capture who were instrumental in the awarding of Tender RFP 03-14 to SSI are as follows:

    48.1. Malusi Gigaba ("**Gigaba**");

    48.2. Mosebenzi Zwane ("**Zwane**");

    48.3. Bagus;

    48.4. Carstens;

48.5. Moodley [**GC18**];

48.6. Percy Khoza ("**Khoza**");

48.7. Kellerman;

48.8. Hantsi Matseke ("**Matseke**");

48.9. Daniel Nathan;

48.10. Selwyn Nathan [**GC19**, Daniel Nathan's father and close associate of Salim Essa ("**Essa**") [**GC20**];

48.11. Marc Chipkin ("**Chipkin**") [**GC21**], the CEO of Integrated Capital Management ("**ICM**") [**GC22**], which provided a R50 million credit facility to SSI [**GC23**]; and Essa [**GC19**]

Bagus

49. At the time of the appointment of SSI, Bagus was both the Chairman of Alexkor and of the RMC/Alexkor joint venture. He was appointed the Chairman of Alexkor by Gigaba in September 2012. When Bagus was appointed all of the directors of the Board of Alexkor, Mr RT Muzariri, Ms S Ngoma, Dr V Makin and Mr C Towel, resigned and 6 new directors were appointed. Previously, he had been the Chief Executive of Trade and Investment South Africa, Deputy Director General of the Department of Trade and Industry, and Special Adviser to Alec Erwin when he was Public Enterprises Minister.

50. Bagus attended the Alexkor Board Meetings as well as those of the Joint Venture, including those held on 23 January 2015 and 29 January 2015, where decisions to support the appointment of SSI was made. After the meeting on 23 January 2015, Korabie resigned.

51. In December 2012, Alexkor "*embarked upon a strategic planning exercise*," which was a reference to its intent to diversify into coal in order to supply Eskom. The role Bagus played in this is dealt with in a separate section below. Prior to Bagus' involvement, Alexkor's corporate strategy was firmly to pursue its diamond interests. The hand of the Guptas in this change in direction is also

documented below. It is rumoured that Bagus was a frequent visitor to the Guptas at Saxonwold.

Carstens

52. Carstens was appointed the Chief Executive Officer of the Alexkor/RMC joint venture in August 2012. He had a long history with Trans Hex, where he had ultimately served as the Executive Director of land operations until his departure in April 2012. Trans Hex has sought to acquire Alexkor's marine mining rights and is dealt with below.

53. The Audit and Risk Committee meetings were attended*, inter alia*, by Carstens, Dr Paul, Dr Bistrow, who were present at the meeting on 15 January 2015 where decisions to support the SSI bid was made. The same persons attended the Technical Committee meetings and in particular, the meeting held on 22 January 2015 referred to in the ARC report where decisions to award the tender to SSI were being taken.

Khoza

54. The Chief Executive of Alexkor was Khoza, who was a mining executive with both diamond and coal experience. He was hired, in part, to pursue Alexkor's diversification into coal approved by Gigaba, dealt with below. Khoza took a voluntary retrenchment package. He apparently raised concerns about the appointment of SSI and delivered a detailed memorandum to Brown's advisor, Annelize van Wyk.

Moodley

55. It is common knowledge that the majority shareholder of SSI at the time of the tender was Moodley, who was implicated by the former Public Protector, Advocate Thuli Madonsela, in her State of Capture Report [**GC18**].

56. The available information indicates that Moodley was the former advisor of the erstwhile Mineral Resources Minister, Zwane, who was appointed to former President, Mr. Jacob Zuma's Cabinet in or about September 2015. Moodley resigned from SSI on 5 November 2015, soon after Zwane was appointed to the cabinet.

57. A number of media reports have linked Moodley to the Guptas and to the erstwhile Minister of Mineral Resources, Zwane, who is infamous for his involvement in the Vrede Dairy Project which paid for the Gupta Wedding. It has been averred by witnesses at the Commission that Moodley assisted Trillian Capital to loot Eskom and assisted the Guptas in acquiring Optimum Mine. It would appear that he has also assisted the Guptas in looting the diamond resources in the Richtersveld for their, Daniel Nathan and other connected person's benefit.

Essa

58. Shortly after the announcement by Gigaba that Alexkor would be expanding into the coal business to supply Eskom, well documented Gupta linked entities and persons, Regiments and Woods started engaging with Alexkor CEO, Khoza and the Chief Legal Officer, Kellerman as discussed in Bishop's affidavit [**GC17**]. Wood and Essa at the time were partners as mentioned in Bishop's affidavit [**GC17**]. In one instance Wood engages via email with Essa regarding his costing proposal he was to submit to Alexkor as mentioned in Bishop's affidavit [**GC17**].

Kellerman

59. Kellerman was appointed as Alexkor's Chief Legal Officer and played a role in facilitating the award of the contract to SSI. She was also appointed as an adviser to Zwane after her resignation from Alexkor. She must have known that SSI's bid did not comply with the tender requirements.

Matseke

60. Bagus left Alexkor during August 2015 and Brown appointed Matseke in August 2015 as the new Alexkor chair. Matseke also became chair of the Alexkor/RMC joint venture. Matseke acted as the Chairperson of Alexkor from August 2015 to October 2018 and is also the Chairperson of the Free State Development Corporation, which ran the Vrede Dairy Project.

Regiments Capital

61. Regiments Capital, already involved in State Capture, was also involved with Alexkor, and during January 2014 tendered to provide Financial and Advisory Services to Alexkor. The Financial Advisors Panel report is attached marked (**GC17)** Significantly, Regiments at the request of Kellerman was requested to prepare the Request for Proposal **("RFP**"), score sheet and advert for the

Financial Advisory Panel and thereafter also tendered and was appointed. This is totally contrary to the PFMA prescripts as it gave them an undue advantage.

62. It is submitted that the biased tender process and the involvement of the aforementioned Gupta linked individuals, are enough evidence to reasonably conclude that the insertion of SSI into the PSJV's diamond value chain was a Gupta sponsored state capture project that followed the same *modus operandi* used by the Guptas in the capture of other SOEs.

63. Indeed, there was absolutely no need for any marketing or sales company to promote the diamonds recovered by PSJV, given the expert opinion of Charles Wyndham ("**Wyndham**") regarding the self-selling quality of Alexkor's diamonds and the example set by Zimbabwe's state owned diamond company (who sell their own productions in Zimbabwe2)[**GC24**]. I submit that if international buyers will travel to Zimbabwe to buy Marange diamonds [**GC25**], they will certainly also travel to Alexander Bay to buy Alexkor's diamonds [**GC26**].

THE BREACH OF THE RELEVANT STATUTORY PROVISIONS

64. SSI does not have the necessary licences required in terms of the Diamond Act 56 of 1986 ("**the Diamond Act**") authorising it to purchase, acquire, possess or sell uncut diamonds.

65. It is therefore by law not permitted to:

65.1. buy and sell rough diamonds;

65.2. operate a tender house or diamond exchange; or

65.3. cut and polish rough diamonds.

66. Diamond licences are not transferrable. SSI can thus, by law, not use the license of Daniel Nathan and/or his company, DNT to trade or deal in diamonds.

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[2] The Marange Diamond Fields are a massive deposit of cheap low-quality diamonds that have attracted a lot of attention due to the high volumes of carats produced, the Zimbabwean Governments involvement and alleged human rights abuses. South Africa lobbied intensely for Zimbabwe to be admitted into the Kimberley Process Certification System after they were banned. The concern about Marange diamonds is that there is no control over these cheap low-quality diamonds entering our borders and being substituted for high quality South African goods.

67. SSI and/or Nathan and/or DNT are, furthermore, contravening the following provisions of the Diamonds Act:

68. **Section 19** deals with the prohibition of the sale of unpolished diamonds and provides that no person shall sell any unpolished diamond unless-

    68.1. he or she is a producer;

    68.2. he or she has manufactured that diamond, if it is a synthetic diamond;

    68.3. he or she is a dealer; or

    68.4. he or she is the holder of a permit referred to in section 26 (h).

69. **Section 20** prohibits the purchase of unpolished diamonds and provides that no person shall purchase any unpolished diamond unless-

    69.1. he or she is a licensee; or

    69.2. he or she is the holder of a permit referred to in section 26 (e).

70. **Section 44** prohibits the utilization of unregistered premises as a diamond trading house and provides that no person shall utilize any premises as a diamond trading house unless he or she holds a diamond trading house license and those premises are registered as a diamond trading house in terms of the Diamonds Act.

71. In relation to the premises, I am advised the contract between SSI and Alexkor and its renewal are unlawful.

72. I caused certain questions to be asked in Parliament as to whether SSI had the necessary licenses. Attached hereto are the questions posed by me and the responses I received thereto [**GC27**].

73. I would like to make particular mention of Parliamentary Question No. 1267 (item (4) [**GC12**] on page one) and the answer thereto (item (4) on page three), as well as the Affidavit from the South African Diamond and Precious Metals Regulator (SADPMR), Mr Martinus Mamphenyane Mononela ("**Mononela**") [**GC28**]. The response to Question 4 in the Parliamentary Question No. 1267 stated:

    "In terms of the South African Diamonds and Precious Metals Regulator (SADPMR) prescripts, a license is issued to an individual "Diamond Dealer"

or to a company "Diamond Trading House". In this instance, Mr Daniel Nathan is the holder of the required Diamond Dealer license."

73.1. Although Daniel Nathan is a holder of Diamond Dealer Licence and a Diamond Trading House Licence, these licences were issued in the name of DNT and not SSI. SSI does not have any licences as stated by Mononela. SSI could, thus, not trade using DNT's licences as this would be in contravention of the Diamonds Act. The response to the parliamentary question 4 was therefore, not true as far as it relates to SSI.

THE UNLAWFULLY CONSTITUTED BOARD OF RMC

74. On 4 September 2014, just prior to the PSJV publishing the tender that provided the opening for SSI to enter Alexkor's diamond value chain, a judgement was handed down by Judge Samela in the Western Cape High Court, which declared that the people purporting to be the directors of RMC (Alexkor's partner in the PSJV), were not directors and reinstated Mr Craig Matthews ("**Mathews**") as the sole director of the RMC Board. [**GC29**] In a letter to Alexkor's directors, the CEO of the PSJV and the Board Secretary of the PSJV dated 4 September 2014. [**GC30**] Matthews stated the following under point number 3:

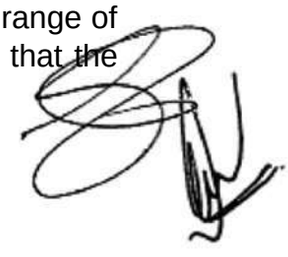
"The judgement also means crucially that Dr John Bristow, Mr Duncan Korabie, Mr Willem Vries and Mr Dennis Farmer are not directors of the RMC and were never appointed as such on 22 November 2013"

75. Under point number 7, he further stated that:

"*The further implications are very serious in that any decisions that were taken by the PSJV Board since November 2013 are on the face of it invalid for the mere fact that the RMC representatives were not appointed by the RMC and had no authority to take decisions on behalf the company and the PSJV Board. You were advised in previous communications that subsequent to the finalisation of the aforementioned Court matter that the RMC may review all decisions taken by the PSJV Board since November 2013."*

76. The Alexkor SOE board, Alexkor CEO, Alexkor PSJV CEO and unlawful Alexkor PSJV joint board all ignored the Samela judgement and the warnings of Matthews and continued to finalise the onboarding of SSI.

77. I submit that the aforementioned breaches of law, the serious tender irregularities and the involvement of several individuals implicated in a range of state capture projects, are sufficient evidence to reasonably conclude that the



insertion of SSI into the PSJV's diamond value chain was itself a state capture project [**GC31**].

78. This can be seen by the manner in which the terms of the Marketing and Sales Agreements with SSI have been manipulated to deprive PSJV and the private contractors of their rightful profit derived from the sale of the diamonds mined, to the detriment of Alexkor, and ultimately the South African taxpayers and the Richterveld community dealt with by me below.

THE COMPLAINTS LEVELLED BY THE MINING CONTRACTORS

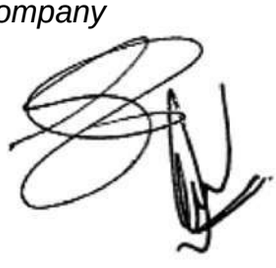
.

79. As I will explain fully in this affidavit, since the involvement of SSI in the value chain, the value of the diamonds recovered have considerably diminished, to the detriment of the members of the joint venture, the private mining contractors and the Richtersveld community.

80. I, as one of the main mining sub-contractors, have been directly affected by this. I have been active in the diamond mining industry since July 1985 and an Alexkor marine mining contractor since 1999.

81. On 9 October 2017, I wrote to Ms Phillips, the PSJV Company Secretary, on behalf of the EAC's members, who had expressed their concern and anger about the ever-decreasing values attributed to the diamonds produced by them as follows [**GC32**]:

> *"Dear Raygen,*
>
> *The EAC has been inundated with complaints from the small-scale marine mining community regarding the alarming systemic decline in the prices Alexkor is achieving for the sale of their hard-won diamonds.*
>
> *My colleagues in the EAC and myself, having done some initial due diligence on the matter, have concluded that it is in the best interests for all involved in the winning of Alexkor's diamonds to gain a better understanding of who is participating in and benefitting from the marketing and sale of Alexkor's diamond production. The interests of the country's tax payers are taken as read. To this end, we provide under cover hereof, a selection of documents that are self-explanatory and which furthermore, provide ample cause for Alexkor management to share in our concerns and to favourably respond to our request for sight of Scarlet Sky Investment's company registration number."*



82. Ms Raygen responded as follows [**GC33**]:

> "*Dear Gavin,*
>
> *Your email of 09 instant is noted.*
>
> *Any issue pertaining to the diamond sales and diamond pricing trends must be addressed directly with the PSJV. SSI is the marketing agent of the PSJV duly appointed by the Board. We cannot provide information of a service provider to 3rd parties. You are welcome to discuss any issues with SSI or any other service provider of the PSJV with management.*
>
> *Regards*
>
> *Raygen Phillips"*

83. I responded by email dated 10 October 2017 in which I made a second attempt to obtain transparency [**GC34**]:

> *"Hi Raygen,*
>
> *Thanks, and understood.*
>
> *Could you then provide the following information as a precursor to opening discussions between the EAC and management on this issue and others relating to corporate governance?*
>
> *1. A list of the directors and shareholders of SSI.*
>
> *2.The technical credentials of the SSI personnel.*
>
> *3. The track record of SSI within the diamond marketing and sales industry.*
>
> *4. A list of the firms who competed unsuccessfully against SSI for the Alexkor contract. Please provide contact details.*
>
> *5. Are there any links, direct or otherwise between SSI and the Gupta family or any of their known associates?*
>
> *6. What is their business model and how does it support the purchase of the former American Embassy premises located at 1 River Street, Houghton?*
>
> *7. What is the total to date of fees payed to SSI by Alexkor?*

8. What is the total to date of commissions, profit share or any other benefit to SSI?

9. Details of all diamonds that have been selected from the contractor's production for beneficiation to date including:

a. *The rough valuation specifications, the prices paid and the ratio between the price achieved and the instant Rap spot price.*

b. *The polished outcomes in terms of grade, prices achieved at sale and details of the buyer in each case.*

c. *The names of all the clients who were offered the polished goods.*

d. *The Alexkor share of the added value.*

e. *The contractor's share of the added value.*

10. What is the total value of diamonds Alexkor has supplied to the State Diamond Trader since the date Alexkor began supplying the entity?

11. Can you provide details on how the SDT mandate clients have benefited from these transactions?

12. In addition to the grievances of the marine mining community in terms of the poor diamond prices, the EAC has also received numerous complaints regarding the following:

a. *Treatment of their gravels and tailings.*

b. *The highly negative impacts of seawall mining and the threat it poses to the sustainability of the diamond diving industry and the environment.*

c. *The shocking lack of respect from many of the Alexkor employees towards their work and towards the marine mining community.*

d. *The serious deterioration of critical infrastructure brought about by a lack of work ethic, maintenance and funding for the mine and the town.*

e. *The decline of the socio-economic welfare and social cohesion of Alexander Bay.*

Regarding the above could you please provide the following information:

a. *The average monthly grade in carats/m3 of the production from the marine division over the past five years.*

b. *The average monthly grade in carats/m3 of the recoveries from the marine tailings since the project began.*

c. *The total value of diamonds produced to date from the marine tailings.*

d. *The process and decision record for the awarding of the contract to process the marine tailings dump and the continuing processing of current tailings generated by the efforts of the small-scale marine mining community.*

e. *Did the transaction trigger a section 54 application and if so was such an application made to the Minister?*

f. *An explanation as to why Alexkor's marine contractors who produced the marine gravels of the tailings were not consulted even though they themselves were in discussions with Alexkor at the time to do a joint venture project on the very same tailings dump, and who in fact had been the first to point out to Alexkor the substantial value that could be unlocked by retreating the tailings using advanced sensor-based sorting technology.*

g. *A list of the directors and shareholders of the company concerned.*

h. *The deal split in favour of the company concerned and the methodology used in the determination thereof.*

i. *The frequency of polygraph testing for staff employed at the sorting plants, the total number of tests conducted to date and the ratio of negative to positive results.*

j. *The legal basis upon which Alexkor is conducting seawall mining by dumping waste rock, gravel, sand and fine particulate into the sea more than 150m beyond the low water mark.*

k. The deal split in favour of the company concerned, the methodology used in the determination thereof and when or to what extent any changes were renegotiated in the deal split.

l. A GIS shape file containing all the shallow water mining blocks that have been affected by seawall mining.

m. The benefits for the people of Alexander Bay and Port Nolloth in supporting a corporate structure based in Johannesburg at a cost of R40 million per year.

I know I should have begun this process soon after our meeting in Kimberley Raygen but the pressure on me personally and our business due to the cost over-runs on the MASS FLOW MINING research, development and innovation project has been quite staggering.

While this has not grown any easier for me under the present circumstances, I believe the time has come for us all to deal with these difficult issues and begin building a legacy for our children without delay.

Kind regards,

Gavin Craythorne."

84. I received no response to my email dated 10 October 2017.

85. After I raised serious concerns regarding the sharp decline in the prices of our diamonds, my, and several other miners' contracts were cancelled.

86. It was only after Moodley was implicated in State Capture by the Standard Bank of South Africa, that my contract for my company, Ocean Diggers CC, was reinstated on 01 April 2019 [**GC35**].

87. There is a vital need for the Emerging BEE Marine Miners to have a voice to champion their cause, which has been succinctly borne out in a 2010 report produced by the Mineral Resources Portfolio Committee [**GC36**]. The South African taxpayers and the Richtersveld community also deserve protection from what I would describe as the wholesale theft of the marine diamonds of Alexkor. This has been achieved by the manipulation of the provisions of the agreements between the PSJV and SSI and the persistent undervaluation of the diamonds produced by the contractors.

THE MARKETING AND SALE AGREEMENT CONCLUDED WITH SCARLET SKY INVESTMENT

88. On 4 March 2015, the PSJV concluded an agreement with SSI [**GC37**], which was registered on 16 February 2009 as a shell company, with Christian Gouws as the stand-in director [**GC38**].

89. In terms of the agreement:

    89.1. The PSJV undertook to deliver one hundred percent (100%) of all diamonds produced within the land mining and marine concessions to SSI; and

    89.2. SSI was granted the exclusive right to market, value, sell and beneficiate all of the diamonds mined.

90. A further agreement on similar terms was concluded on 6 October 2016 [**GC39**].

91. The first agreement stipulates that:

    91.1. 10% of the rough diamonds must be offered to the State Diamond Trader ("**SDT**") for purchase;

    91.2. 5% of the "*supply*" by value will be allocated by SSI for "beneficiation purposes". In the diamond industry, the term, "*beneficiation*" is used to refer to the downstream activities, such as cutting and polishing of the rough diamonds mined, that enhances their value; and

    91.3. The remainder of the diamonds (85%) are sold in a tender process.

92. In terms of paragraph 7.6 of the first agreement, it was provided that the 10% offered to the SDT must be based on value and must be a representative sample of the production to prevent the SDT "*cherry picking*", a term I will explain below.

93. The second agreement, however, stipulates that 10% of the rough diamonds are to be offered to the SDT, with an "*additional amount*" of not less than five percent to be allocated by SSI for beneficiation purposes (paragraph 3.1.2. of the second SSI agreement signed in 2016 [**GC39**]).

THE VALUATION AND SALE OF ALEXKOR'S DIAMONDS BY SCARLET SKY

94. The gravel mined by the private contractors is delivered to two diamond recovery plants for batch processing by them, done together with officials from the PSJV. The diamonds recovered by each contractor are then counted, weighed and documented. Hereafter, they are sorted into parcels of equal size diamonds and sent to Johannesburg, where they are cleaned, sorted and valued by Daniel Nathan and Dale Horne ("**Horne**"); Horne values the diamonds up to 8 grainers and Daniel Nathan values the diamonds more than 8 grainers.

95. Valuation of the smaller diamonds is not done on an individual basis. According to the report compiled by James Allan ("**Allan**") dated 29 May 2019, dealt with below [**GC40**], the diamonds are sorted by taking a sample which is divided into categories and a valuation is placed on each category. In this manner Daniel Nathan states that he arrives at a weighted average value for the sample and a weighted average for the category.

96. The diamonds are then sold in mixed and singles parcels.

97. After the sale, each producer gets the average price per carat for the contributions they made towards the total weight of each of the various assortments/lots. The special stones over 6.8 carats are sold individually and producers only receive price information on the special stones they produced [**GC41**]. This was lowered to 5 carats from the March 2019 sale onwards.

THE DIFFICULTY WITH THE VALUATION AND SALE PROCESS

98. The Marketing Protocol set out in clause 13.3 of the Resolution obliges the PSJV to ensure that Alexkor and RMC's diamonds are marketed and sold in a manner which at all times achieves the highest possible prices for the diamonds [**GC42**].

99. There is, however, room for manipulation of the prices obtained at each stage of the sale process.

The absence a proper valuation of the diamonds at the mine

100. The valuation of diamonds depends upon the diamond quality, which, in turn, is a function of the proverbial four C's, comprising of the carat weight of the stone, clarity of the stone, colour of the stone and cut. Cut is a function of the shape of

the rough diamond which will influence the shape of the polished diamond. Of the four C's, clarity and colour are the biggest drivers of value.

101. The difficulty with the process undertaken to value the diamonds is that the valuation of the diamonds at the mine is based only on the carat size of the diamonds. This valuation is done by an admittedly inexperienced valuer, Ms Adams, who has only received intermittent training to determine value, which she estimates solely on the basis of the carats of the diamonds mined, having regard to the prevailing market prices This is done solely for insurance purposes and not as a process of verification of the size, quality and value of the diamonds that have been produced prior to their delivery to SSI.

102. The lack of experienced personnel in the valuation of the diamonds at the mine exposes the PSJV and the contractors to a risk of the diamonds being under-valued at the mine. [**GC11**: **Gobodo** at paragraph 14.1.4-9 p 101].

103. This is exasperated by the fact that the miners are not able to verify the value of the diamonds produced by them and are forced to accept the valuation of the stones attributed to them by Daniel Nathan at SSI's premises in Johannesburg. This is analogous to providing an art dealer with a painting with instructions to sell it without checking whether it is a Van Gogh or a Tretchikoff, and simply receiving the proceeds without question. The miners are thus faced with Hobson's choice: either they accept this situation or they face victimization, as has happened to me and the miners I represent who have questioned the valuation of the diamonds mined. It is submitted that this situation has been created by the PSJV in conjunction with SSI.

104. The financial importance of properly valuing diamonds before they leave the mine can be illustrated by noting the impact that colour and clarity have on a one carat diamond as indicated in the 2017 Rapaport Diamond Price Statistics Report [**GC43**]:

    104.1. The lowest grade one carat diamond has a value of $1000, 00/carat, while the top grade one carat diamond has a value $20 000/carat;

    104.2. Consider that the PSJV has sold, according to the annual reports, more than 317 329 carats since SSI took control of the marketing and sale of its diamonds and the losses could amount to many billions of rand, even before factoring in the price boosting effect of significantly larger and rarer diamonds [**GC44**].

105. There is no reason for not valuing the diamonds while they are still at the mine. The net effect is that the divers/miners are at the mercy of corruption down the line.

The undervaluation of the diamonds

106. It has been found that the diamonds have been undervalued over the years to the detriment of Alexkor, the Richterveld community and the private diamond contractors. This has been achieved by both:

106.1. undervaluing the diamonds mined by the private contractors at the mine; and

106.2. undervaluing the diamonds sold to the SDT and for beneficiation; and

106.3. manipulating the tender process to ensure that the diamond parcels are sold to the local diamond traders at reduced prices for on-sale to international buyers at substantially higher prices.

107. Whatever protocols the Joint Board of PSJV may have implemented to ensure that the highest possible prices are achieved for the diamonds have been rendered redundant by refusing and/or failing to ensure that:

107.1. all diamonds which leave the mine are competently graded (in terms of quality) and appraised (in terms of value for insurance purposes) before leaving the mine, on the basis of size, colour and clarity; and

107.2. all diamonds which leave the mine do so with full traceability at every stage in the chain of custody up to the point of sale and transfer of ownership and risk to the buyer.

108. There are at least four corrupt methods used to deprive the producers and Alexkor out of fair diamond prices, all of which I believe the PSJV and SSI are using:

108.1. **Switching**: This scheme involves the swapping out of high-grade stones and replacing them with low grade stones of the same weight.

108.2. **Cherry Picking**: This scheme, which has in effect, been confirmed in Parliament by way of an answer to Question No. 687, involves the removal of the highest quality diamonds from the various categories of mixed diamonds prior to the auction, which brings down the price of tender bids dramatically. It is these prices that SSI then applies to the top-quality stones they have selected prior to the auction for cutting

and polishing in terms of the beneficiation agreement with Alexkor PSJV and, for which any transparency has been denied to the contractors, who have repeatedly requested details regarding their stones that have been so selected but for which no additional benefit accrued to them [**GC45**]

108.3. **Sawn Kap Theft**: This scheme involves the theft of diamond offcuts, known as "sawn kaps", which arise when the shape of a diamond is such that it would be more profitable to saw a diamond in two and produce two polished diamonds. However, the smaller offcut is not manufactured into a second polished diamond but written off as waste and then sold as a cut (but not polished) stone;

108.4. **Tender Collusion**: This scheme involves collusion between the buyers who attend the diamond auctions and the auction service provider.

109. It is the refusal on the part of the PSJV management to allow producers to grade and appraise their diamonds before they leave the mine that facilitates the practice of stone swapping, cherry-picking, sawn-kap theft, bid rigging and ultimately, fraudulent diamond prices being attributed to the diamonds produced.

The diamonds sold to the SDT

110. It is stated in Allan's report dated 29 May 2019 (dealt with more fully below) that the valuation of the diamonds by Nathan is not used in the tender process but is used to provide the PSJV with "*an indication of the value of the tender and hence the revenue that is likely for each tender sale*. *Importantly the valuation is also used as the starting point for the negotiation with the State Diamond Trader (SDT)*" [**GC40**. at paragraph 7.4 p 16]. According to Allan, the SDT is "*only interested in the average value per carat for the entire parcel and not in negotiating each different category.*" [at paragraph 7.4 p16]

111. Thus, although the agreement stipulates that 10% of the <u>value</u> of the rough diamonds must be sold to the SDT, only 10% of the <u>carat</u> quantities is sold to the SDT. This seriously reduces the overall price recovered for the sale of the diamonds to the SDT. As in effect, the selection is not a representative sample.

The diamonds sold for beneficiation purposes

112. In terms of the contract between the PSJV and SSI, 5% of the diamonds produced are removed from the tender process for beneficiation (cutting and

polishing). These diamonds are selected by Daniel Nathan and are purchased by his company, DNT and sent to Joe Gaddie Diamonds ("**Gaddie**") for cutting and polishing. DNT buys the diamonds at the price paid for each category in the tender.

113. The serious conflict of interest faced by Daniel Nathan, representing both SSI (as the agent of the PSJV) and his own company, DNT in selecting the diamonds for beneficiation purposes and controlling the tender, and ultimately the prices paid by his company for the diamonds, should not be underestimated. There is also nothing to prevent him selecting the best stones for beneficiation, thereby reducing the value of the diamonds sold by way of tender and/or manipulating the tender prices obtained.

114. In addition, the agreement stipulates that no less than 5% of the rough diamonds should be sold for beneficiation purposes to Gaddie based on gross sales (value) of a representative sample of the rough diamonds received by SSI, which has not been adhered to.

The diamonds sold pursuant to the tender process

115. 85% of the diamonds are sold in a tender process. These diamonds are sold in parcels which the buyers are invited to view in viewing rooms at the tender house. The buyers then submit their bids through the Fantasy Tender Management System which operates off a server in Israel. The tender close off is done at the offices of SSI. The screen shows the top three bids against each parcel and the total dollar value for the tender. Thus there is visibility of the top three bids at the tender to Daniel Nathan and his assistant who close off the tender.

116. This creates a possibility that favoured buyers may be informed of the top 3 bids for certain parcels before they place their bids. Allan discounts this as "*suspicion and rumour circulated around all of the tender houses*", but it is my view that this is an attempt to downplay this glaring irregularity [**GC40** at paragraph 8.1-2 p18-19]. More significantly, according to Louis Kotze, Nathan is able to, and does, phone bidders while having sight of all live bids in real-time.

117. In addition, valuations are generally about 30% lower than prices achieved on the open market, therefore the so-called "*5% premium*" is no premium at all, but rather a net discount of at least 25%.

118. In the case of the special stones of 6.8 carats and larger, the spread between the valuation price and the selling price is significantly greater, often in excess of 40%.

THE EFFECT ON ALEXKOR'S ROUGH MARINE DIAMOND PRICES SINCE THE APPOINTMENT OF SCARLET SKY

119. During 2015, SSI's first year of the contract, the PSJV's marine diamond production traded on average at 47.1% below the market i.e. 38.5% worse [**GC46**] than the negative 34% performance recorded for 2014.

120. On 16 December 2015, the PSJV CEO, Carstens quietly fired Mr Jeffrey Brenner ("**Brenner**") of Flawless Diamonds, the PSJV's independent diamond valuator and replaced him with Daniel Nathan of SSI, as the independent diamond valuator for the PSJV [**GC47**].

121. From here on, the value attributed to the diamonds mined continued steadily decreasing, in circumstances under which there can be no innocent explanation.

122. From February 2015 to December 2017, the diamond prices continued to decrease relative to the Zimnisky Index (explained below), with Alexkor composite index at 100 points for 2017, the Zimnisky Index at 186 points for the same year and a spread differential of 86 points on average. This translates to a minimum 46% discount to fair value and a loss to Alexkor, the Emerging BEE Marine Diamond Miners and taxpayers amounting to more than R 400 million for 2017 alone.

123. During 2016, the PSJV's marine diamond production traded on average at 40% [**GC46**, at page 12] below the market.

124. During 2017, the PSJV's marine diamond production traded on average at 46.1% [**GC46**, at page 12] below the market.

125. During 2018, the PSJV's marine diamond production traded on average at 37.5
126. During 2019, the PSJV's marine diamond production traded on average at 45.6% [**GC46**, at page 12] below the market.

127. During the first quarter of 2020, the PSJV's marine diamond prices improved to 37.5% below the market, only to plunge down to 57.5% below the market in the second quarter.

128. One does expect to see a drop in the market due to the Covid19 lockdown and to see a corresponding drop in the performance of the PSJV's diamond prices too. What one does not expect to see is the tracking error diverge to a gaping negative 57.5% chasm, that is completely decoupled from the market.

129. I have sought to bring the readily apparent under-valuation of Alexkor's diamonds to the attention of the PSJV Executive Management Committee and the Technical Committee. The PSJV Executive Management Committee, who are responsible for monitoring the prices of the PSJV'S diamonds and ensuring that the highest possible prices are being achieved, were deeply concerned when Alexkor's prices were 43 points lower than the Zimnisky Index. However, as the prices dropped steadily to a level of 100 points (46%) below the benchmark, this same Technical Committee remained silent and inert. Instead of dealing with the problem, the PSJV Executive Management Committee has been victimising those who have complained, thereby violating the trust of the Emerging BEE Marine Diamond Miners and Section 34 of PRECCA [**GC48**].

130. The impact of fraudulent low diamond prices has devastated the Alexander Bay small-scale mining community and caused a high level of dissatisfaction within the Richtersveld Community, for whom the largest successful land claim in South African history has proved to be nothing more than an empty victory [**GC49**].

MY EXPERT ASSESSMENT OF THE VALUE OF THE DIAMONDS PRODUCED BY ALEXKOR

131. On the basis of my twenty years as an Alexkor contract miner, thirty plus years of industry expertise and diamond sales information management, I have assessed the performance of Alexkor's diamond marketing and sales process by constructing indices for each of the standard size category assortments [**GC50**], and benchmarking them against an internationally recognised rough diamond price index, the popular Zimnisky Global Rough Diamond Price Index, published by Mr Paul Zimnisky online at, www.roughdiamondindex.com.

132. I have continuously tracked the prices of each of Alexkor's standard diamond size categories since 2000, using data which Alexkor, and after 28 March 2013, the PSJV provides to the miners following each sale [**GC51**].

133. I have not been able to track the price performance of Alexander Bay's larger stones, those over 6.8 carats, as this data has not been available to me, with the exception of such stones that I myself have produced and a small data set [**GC52**], which was provided to me by a confidential source in Alexkor about ten years ago.

134. The Zimnisky Global Rough Diamond Price Index was created to consolidate reliable natural rough diamond price information and publish the current price change of natural rough diamonds on a weekly basis in the form of an index. The aim of the Index is to track the like-for-like price change of natural rough diamonds priced in U.S. dollars weighted according to the global product mix.

135. It is important to note that the index published by Mr Zimnisky is relatively conservative and to illustrate this point, I have benchmarked his index [**GC53**] against the equivalent index published by Bloomberg. The reason I point this out is that the Alexkor SOE/PSJV tracking errors[3], as appalling as they are using the Zimnisky index, would be even greater using the Bloomberg index.

136. It is very important to note that, regardless of which Alexkor category index is benchmarked with the Zimnisky Index, the tracking error and inflection points are echoed across them all with a high level of correlation among the Alexkor indices but an alarming divergence between all of the Alexkor indices and the benchmark.

137. In stark contrast, the Zimnisky Index and the Bloomberg Index correlate very closely, as should any indices that are tracking the same commodity prices [**GC54**].

138. Over the medium to long-term (four or more production cycles and sales), the run-of-mine production (typical size, colour, shape and clarity) from a mine is consistent and unique to the specific mine where the diamonds are produced.

139. This phenomenon is crucial as it provides a credible basis upon which statistical benchmarking and trend analysis can be performed and which, when applied to Alexkor's diamond pricing data, proves that Alexkor's diamonds have been sold at fraudulent price points since at least 2000, with the exception of the period

[3] Tracking error tells the difference between the performance of an asset and its benchmark

2006 to 2011, but most aggressively since March 2015 after SSI took control of the value chain.

140. For the purposes of benchmarking and trend analysis, it is irrelevant what the weighting for the different categories is as that data only impacts on Alexkor's overall diamond price average, which is the total diamond revenue divided by the total carats. If more carats were produced in an area mineralised with small diamonds than in areas that are mineralised with large diamonds, the average price will be lower than if the scenario was reversed [**GC55**].
141. It was disingenuous for Alexkor to try and introduce carat volumes and stone size frequency distributions into the price benchmarking analysis, as they did in Parliament during a Portfolio Committee meeting on Wednesday, 7 November 2018; it is not diamond revenue that is being compared, but rather one of the drivers of revenue i.e. pricing. The claims made by board member Haasbroek, are proof that he does not understand this cardinal fact or was deliberately trying to mislead Parliament [**GC56**].

142. Rough diamond pricing is a function of diamond quality, transparency and market conditions; it makes not one iota of difference where diamonds came from, or how many there are in the total production run when valuing the different assortments that the total production run has been sorted into; all that matters is what the real intrinsic value of the diamond is before the valuer, based upon the quality of the diamonds and the prevailing market conditions.

143. An interesting fact to note is that the SDT selects, by percentage, the highest volume of its diamonds from Alexkor's production, in fact more than double the average supplied by other producers. This is a proxy for diamond quality and proves that Alexkor produces the best run-of-mine diamonds in South Africa. It is my view that the PSJV produces some of the highest valued diamonds in the world [**GC57**].

144. This notwithstanding, it is clear from the data that Alexkor's marine diamond marketing and sales efforts have been dismally sub-optimal for all but a five-year interregnum, beginning after the cancellation of Diamdel's exclusive agreement in 2006 [**GC58**] (dealt with below), and ending with the onset of what I believe to be a further era of state capture starting with the appointment of Gigaba in 2010, and the interposition of SSI into the value chain during 2015. The introduction of section 20A in terms of the Diamond Second Amendment Act 30 of 2005, climate change and global market conditions have also played a part, which I have taken into account in my analysis as set out below.

Raw Pricing Data

145. Alexkor has, after every diamond sale for the past twenty years, provided what is loosely referred to as a "*broker's note*" by management and the miners [**GC59**]. In fact, however, this is a tax invoice which has been generated by Alexkor Ltd management (on behalf of the miners). With the inception of the PSJV, the PSJV management then took over the completion and control of the brokers note from Alexkor.

146. Recorded on every brokers note is a detailed breakdown of the average selling price in US$/carat for each of the fourteen standard size assortments, into which all diamonds below 6.8 carats in weight are sorted. These diamonds are referred to as the "*mixed goods*".

147. Each individual contract mining company is paid according to the carat weight contribution it makes to each of the standard size assortments on a pro-rata basis and the average selling price per carat per assortment.

148. Within a separate block on the same tax invoice, any diamonds weighing 6.8 carats or more, are recorded individually reflecting each stone's weight, the US$/carat selling price and the total US$ selling price. These diamonds are referred to as the "*special goods*."

Standard Diamond Size Category Indices

149. The selling price information for the mixed goods has been used to populate an Excel table from which average selling prices per assortment per year have been calculated [**GC60]**

150. The average price data has then been indexed to a base of 100 in the year 2000 to construct assortment-specific indices for each of the fourteen size categories.
151. For the purpose of this affidavit and brevity, only five indices will be referenced, but the general price behaviour is almost identical across all fourteen of the categories:

151.1. The 4-grs (1-carat stones);

151.2. The 8-grs (2-carat stones);

151.3. The 3-carat stones; and

151.4. The 4-carat stones.

The Composite Diamond Size Index

152. In order to aggregate all of the pricing data into a single reference tool and to provide a basis upon which to estimate the impact that tracking error has had on Alexkor's diamond sales revenues for the past twenty years, it was necessary to construct a composite index for all fourteen of the standard assortments.

153. To allow for the widely ranging weightings and value contributions between the assortments, I used a data set provided by Mr Henk Smith("**Smith**") [**GC61**], an attorney who represented the Richtersveld Community during the land claim court case.

154. This data set was useful because it was the enterprise-level equivalent of an individual miner's broker's note, i.e. reflecting the total carat weights for the entire mine for each of the fourteen assortments for the period [**GC62**].

155. The total weight for the sample was just over 56 000 carats. From this I was able to construct a model of the carat weight contributions for each of the assortments as a percentage.

156. These percentage weight contributions provided the basis upon which to then derive a weighted average diamond selling price for each year's worth of data for the run of mine production under the 6.8-carat top-cut for the Alexander Bay mixed goods **[GC62**].

Tracking Error & Inflection Points

157. Statistical benchmarking and trend analysis are very effective tools for identifying anomalies in large chunks of data, such as Alexander Bay's diamond sales data. Besides being able to clearly see the continuously increasing tracking error over the past twenty years, which is an emphatic long term (secular) trend in Alexkor and the PSJV diamond prices, you can also use inflection points in the price curve to identify significant changes in the general trend. This could be a complete trend reversal or an acceleration or deceleration in an established trend. These events generally correlate to external factors

such as political interventions, recessions, regulatory capture, state capture and media exposes.

158. The Composite Weighted Average Selling Price (WASP) index reflects the price behaviour of all fourteen of the PSJV standard selling size ranges in a single curve that factors in the different weightings and values of each price range.

159. The principle behind this model is based upon the fact that every diamond deposit has a unique statistical footprint in terms of the size frequency distribution, the clarity, the colour and the shape of the diamond population, akin to a person's DNA. It is extremely reliable and therefore, very useful in combatting corruption in diamond value chains.

160. Statistical modelling or "*foot printing*" of diamond deposits around the world is promoted by the United Nations Security Council as a tool for combatting the trade in conflict diamonds around the world and the Kimberley Process has a dedicated department, the Kimberley Process Working Group on Statistics (KPWGS) which focuses on developing these footprints for diamond producing regions that are vulnerable to exploitation and conflict.

161. The inflection points in the PSJV diamond price curves can be credibly correlated to events that had a significant distorting effect on the prices of Alexkor's diamonds, such as, the introduction of section 20A and the introduction of SSI into the value chain.

162. You can also clearly identify positive inflection points caused by media exposes, such as the Mining Weekly article during the Diamdel era [**GC63**] and the Amabhungane article [**GC64**] during the current state capture era. Both of these media expose's caused significant improvements in the pricing of Alexkor's diamonds after their publication which can be clearly seen in the inflection points of the price curves that match the timelines of the expose.

The Effect of Inception Date Pricing Dynamics

163. The truth about Alexander Bay's diamonds cannot be developed using indices, without considering an important factor and recognising its cascading effect through time.

164. When the price performance of an asset over time is measured against a benchmark index for the market into which the asset is being traded, in order

for the index to provide a credible indication of how the asset is performing against the overall market, it must be on a like-for-like basis; clearly the index published by Mr Paul Zimnisky is very much intended to provide such a basis [**GC65**].

165. If Alexander Bay's diamonds were trading at a discounted price to their true market value at the start of the benchmarking period, say 23% below the market in 2000 and, the prices (for the same quality of diamonds) had perfectly tracked the same index for twenty years, it must follow that twenty years later the prices will still be 23% below their true market value.
166. If, however, the discount is eroded by, for example, changing to a more transparent and competitive sales process, the prices will improve relative to the benchmark, until the diamonds achieve and maintain their true market value. This is precisely what happened after the cancellation of the Diamdel agreement.

167. From that point forward, the two will move in lockstep until either the open, secure and competitive sales process loses its integrity, in which case the prices will fall again relative to the market, or buyers are willing to pay a premium for the exceptional quality of Alexander Bay's diamonds, in which case they will even outperform the index. This is precisely what happened during the period between Diamdel and the regulatory capture that introduced Section 20A into our diamond legislation.

168. International diamond expert, Mr Charles Wyndham **("Wyndham**") [**GC66**], stated the following in his 1998 report to Alexkor:

    168.1. "*Alexkor's is a premium production which is by definition extremely saleable;" and*

    168.2. *"Conservatively Alexkor should be receiving at least another R36.5 million per annum on its current production."*

169. It is therefore imperative to discover what discount was being applied to Alexkor's diamonds at the starting date of the index and, to adjust the base to reflect the fact that the starting value was not a true reflection of the market value, but a discounted value.

170. Accordingly, although strictly speaking the Diamdel era does not fall within the terms of the reference of the Commission, it is important to deal with it in order to refute any suggestion that comparatively, the prices of Alexkor's marine diamonds is no different during the SSI era to that during the Diamdel era and

thus, are a true reflection of their market value. The fact of the matter is, as I will demonstrate below, the Diamdel era was an era of equal corruption where Alexkor's diamonds were acquired by Diamdel Inc ("**Diamdel**"), a company in the De Beers Group, at well below their market value.

THE DEVALUATION OF ALEXKOR'S DIAMONDS DURING THE DIAMDEL ERA

171. From the documented expert opinions of Wyndham [**GC67**] and Mr Abe Sher ("**Sher**") [**GC68**], we can reasonably conclude that around 2000, when Alexkor first contracted to Diamdel, Alexkor's marine diamonds traded at, at least 23% below market value.

172. The strong sentiments expressed by each of these expert gentleman in relation to the manner in which Alexkor sells its diamonds seems to suggest that the discount (or fraud as they suggested) was significantly greater.

173. It is thus safe to say that 23% is a conservative value and this is the value that I have used to adjust the baseline from 100 points down to 77 points.

174. To illustrate how conservative this adjustment is, I must place on record facts that emerged during the Richtersveld Community's land claim court case in 2006.

175. As part of the proceedings, a joint report, produced by Standard Bank and SRK Consulting for Alexkor, was placed on record wherein, as a critical component of NPV calculations, the Alexkor marine run of mine (ROM) diamond production was determined to be, on average, $396/carat [**GC69]**.

176. Standard Bank and SRK Consulting arrived at this value based upon their diamond size frequency distribution (DSFD) model, into which diamond sales price data provided by Diamdel was fed.

177. The Richtersveld Community's attorney, Smith, relied upon the services of WWW International's, Wyndham, to provide a fully independent value for Alexkor's marine production.

178. After inspecting two large marine productions at Diamdel's offices in Johannesburg during January and February 2006, Windham arrived at a

significantly higher average value of $830/carat [**GC70**] for Alexkor's marine run of mine diamond production i.e. 109, 6% higher.

179. The valuation price and selling price during the Diamdel era was effectively one and the same as Diamdel's directors, Athol Methven and Brian Ray, would simply fly into Alexander Bay on a chartered flight, inspect Alexkor's production, decide what price they were prepared to pay and then take the diamonds back with them on their flight back to Johannesburg.

180. This was highlighted during the Alexkor Limited Amendment Bill hearings on 5 September 2001 at the Public Enterprises Portfolio Committee at which industry expert, Mr Vuyi Mdleleni ("**Mdleleni**"), stated the following, with reference to the exclusive sales agreement between Diamdel and Alexkor:

> "*The current arrangement (a legacy from the previous regime) that the product is sold to one buyer at his price without any check is completely unacceptable in fact it is tantamount to fraud*." [**GC71**]

181. The same allegation was repeated to me by Wyndham in an email he sent to me on 28 February 2013 in which he expressed the view that Alexkor was being cheated and was receiving substantially less for the diamonds than what they were worth. He was also certain that "*various people had been paid off and everything was pushed under the carpet again". He stressed that it was "simply shocking what was allowed to happen there*."

182. Wyndham was referring to the valuation he did in 2006 as an expert witness during the land claim court case when he valued the Alexkor marine diamond production at Diamdel's Johannesburg offices.

183. It is clear from independent expert opinions sought by Alexkor itself in 1998 [**GC67**] and again in 2006 [**GC72**], that Alexkor's highly questionable diamond pricing during the Diamdel era was common knowledge within the diamond trading industry.

184. The exclusive agreement with Diamdel was challenged by the European Competition Commission [**GC73**], but De Beers and Alexkor circumvented the challenge by switching to a monthly renewable contract.

185. I also challenged the agreement in a written exchange with Alexkor by way of commentary on a letter written by the company secretary on 4 September 2004 to Mining Weekly journalist, Jill Stanford [**GC74**].

186. I also wrote to Business Day on 16 July 2005 in response to a letter from a dissatisfied Diamdel client published on 15 July 2005 [**GC75**].

187. The agreement was also challenged by my colleague in the EAC, Joseph Klaasse ("**Klaasse**") [**GC76**], on page 5 of a report submitted to Alexkor on 6 June 2004.

188. On 22 July 2006, I co-authored a report on the matter and an abridged version thereof was hand-delivered to Mr Lance Greyling ("**Greyling**") of the Independent Democrats, for Ms Patricia De Lille's [**GC77**] attention.

189. In January 2012, I presented a report to Mr Barend Petersen [**GC78**], the Executive Chairperson of De Beers Consolidated Mines, in which I again raised the state capture of Alexkor in a section titled "*A Legacy of Betrayal*" starting at page 29.

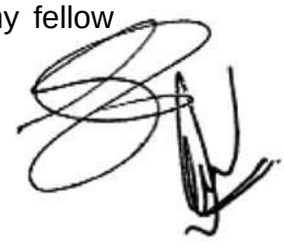
190. I am not the first person to openly proclaim that Alexkor's diamond sales are corrupt. During the 2001, at a Judicial Inquiry into the South African Diamond Industry, industry expert, Mr Vuyi Mdleleni ("**Mdleleni**"), stated the following with reference to referring to the exclusive sales agreement between Diamdel and Alexkor that ran from 2000 until 2006. [**GC79**]:

> "*The current arrangement (a legacy from the previous regime) that the product is sold to one buyer at his price without any check is completely unacceptable in fact it is tantamount to fraud.*"

191. Despite these efforts to bring sense to the minds of Alexkor management, they persisted with the anti-competitive arrangement with Diamdel until the deal self-destructed in April 2006 [**GC80**].

THE EFFECT ON DIAMOND PRICES AFTER THE TERMINATION OF THE CONTRACT WITH DIAMDEL

192. During the state capture of Alexkor by Diamdel between 2000 to 2006 (prior to the formation of the Equitable Access Campaign), I and many of my fellow



diamond divers were very vocal about the unfair diamond prices Alexkor was achieving due to the lack of competition and transparency.

193. So much so, that I complained to the editor of Mining Weekly, which led to a very hard-hitting expose' [**GC74**] (written by Ms Jill Stanford) of the situation, which in turn, led to a noticeable trend reversal in Alexkor's diamond prices, the inflection point [**GC46**] of which is clearly visible in the WASP performance curve at 2004.

194. The trend reversal accelerated with the firing of Diamdel in 2006, as was evident from the sudden dramatic price improvement, recorded in the first sales report [**GC81**] from the new valuator (Mr Menachem Pelleg). This inflection point [**GC46**] is also clearly visible in the price performance curve [**GC82**] in 2006.
195. After Alexkor/Diamdel arrangement was terminated, Alexkor's diamond valuations immediately improved by between 36% and 42%. If Alexkor had heeded the advice and concerns of its producers, they would have saved the company, the community and taxpayers hundreds of millions of rand [**GC83**].

THE EFFECT OF THE GLOBAL FINANCIAL CRISIS ON DIAMOND PRICES

196. During 2008, Alexkor's diamond prices continued to closely track the market, but with the onset of the Global Financial Crisis in 2008, the trend again reversed to the downside during 2009, only to reverse again strongly to the upside during 2010, as the market rebounded after the crisis.

THE EFFECT OF CLIMATE CHANGE ON THE DIAMOND DIVING INDUSTRY

197. During 2011, the margin by which Alexkor was tracking the market into which it was selling remained steady and the Emerging BEE Marine Mining Division posted its biggest operating profit since the onset of adverse climate conditions [**GC84**] in 2003, of R68 million. It was clear that the severe decline in "*diveable*" sea days and the commensurate drop in productivity caused by the effects of climate change, was being offset by Alexkor's escape from Diamdel's opaque lowball prices to the more transparent and competitive prices of the open market tender system.

THE EFFECT OF SECTION 20A ON DIAMOND PRICES

198. During 2011 and on 1 June, judgement in *Saidex (Pty) Ltd and Others v Minister of Minerals and Energy N.O. and Others* (Case No. 49/10) [**GC85**] was handed

down in favour of the Minister, which resulted in a most unfortunate situation by allowing the controversial Section 20A [**GC86**] of the Second Diamond Amendment Act of 2005 to stand.

199. Section 20A reads as follows:

> "*Assistance by non-licensed persons prohibited*
>
> *20A. (1) No licensee may be assisted by a non-licensee or holder of a permit referred to in section 26(e) during the viewing, purchasing or selling of unpolished diamonds at any place where unpolished diamonds are offered for sale in terms of this Act, except at a diamond exchange and export centre".*

200. The practical effect of Section 20A is to deny the Emerging BEE Marine Diamond Miners in Alexander Bay and Port Nolloth the benefit of fair rough diamond prices, not to mention Alexkor and the South African taxpayers.

201. These practical effects were later accurately described in a second judgement handed down on 24 July 2017[~~**GC87**~~], this time from the Constitutional Court over the constitutionality of Section 20A, in *South African Diamond Producers Organisation v Minister of Minerals and Energy N.O. and Others* [**GC87**].

202. At paragraph 36, the judgement reads as follows:

> "*In relation to the diamonds, SADPO contends that producers and dealers are deprived of 30% of the market value of the diamonds they sell, because section 20A prohibits a key part of the price-forming mechanism – unlicensed expert assistance.*
>
> *Without this assistance, producers and dealers are unable to obtain the prices they were previously able to obtain. And suffer loss of 30% compared to the prices they were previously able to obtain."*

203. At paragraph 50 the judgement continues:

> "*The respondents, however, allege that the 30% referred to is actually the lost commission opportunity, rather than the fair market value of the diamonds. Nothing in the way of empirical evidence for this alleged drop in price is included in the papers*.

SADPO's argument on this score is vague and speculative. As was the case In Link Africa, no loss has been proved. It is not clear how the court can, in the circumstances, make a finding that there has been interference to the extent that constitutes a "deprivation". It is not even clear on the facts whether the interference has any impact on the value of SADPO's member's property at all."

204. The Court continued at paragraph 51:

"Further, an attempt to calculate the alleged loss in value is beset by the difficulty of locating the point in time at which the "loss" is to be measured. Measuring the extent of the loss entails comparing the price of unpolished diamonds at a past point in time, to the price sometime after the amendments were effected."

205. From the above, the following points are worth noting:

205.1. The South African Diamond Producers Organisation, SADPO, believes that the prices of rough diamonds have dropped locally by 30% due to the effect of Section 20A, a belief powerful enough to propel them all the way to the Constitutional Court to seek relief.

205.2. Surprisingly, Government agrees with SADPO on this point, but seems simply to claim that it is justified as the 30% is "*actually the lost commission opportunity, rather than the fair market value of the diamonds*."

206. The fatal flaw in SADPO's case, so it seems, was the failure to provide anything at all "..*in the way of empirical evidence for this alleged drop in price."*

207. That in turn, to my mind, raises two important questions:

207.1. Regardless of whether one chooses to characterise the lost 30% as "*lost commission opportunity*," as is the term used by Minister Zwane, or by reference to some other semantic description, this in no way detracts from the substance of the loss suffered by the miners. One wonders why Minister Zwane and others have sought to find modes to explain away the losses suffered to the industry they are oath-bound to protect and develop.

207.2. Given that SADPO has access to highly reliable data and considerable resources to support the processing of that data, why was such evidence not placed before the Constitutional Court?

208. It seems to me that the amendment to Section 20A was a textbook case of regulatory capture for the benefit of a politically connected elite special interest group.

209. As rough diamond prices around the country plummeted (relative to the global market) in 2012, Alexkor's marine diamond prices dropped from 8.7% below the market to 39.2% [**GC46**] below, while the division's operating profit dropped by 39.7% [**GC88**]. Accordingly, I conclude that the dramatic drop in Alexkor's marine diamond prices was a direct consequence of the regulatory changes which took place.

210. The regulatory attack on the profitability of the shallow water marine diamond mining industry was unfortunately only the start of what I call the second state capture era which began with the appointment of SSI as a service provider.

STATE CAPTURE

211. I turn now to deal with the state capture of Alexkor.

212. The ARC – SSI report [**GC9**] is a useful document for accessing a timeline of events relating to the award by the PSJV of the marketing and sales tender to SSI. It is a copy of a report that was produced by Alexkor SOE's Audit and Risk Committee for Brown in February 2016.

213. This report was the output of an investigation into a complaint regarding the allegedly irregular awarding of the marketing and sales contract to SSI, as it was known then, which had been initially lodged with the Public Protector on 11 September 2015 by the Richtersveld Mining Company's attorney, Korabie, in protest over the community's bitter dissatisfaction about the unfair diamond prices earned by them [**GC89**].

214. Subsequent to lodging the complaint, negotiations took place which led to Korabie withdrawing the complaint, subject to an internal investigation being conducted by Alexkor's Audit and Risk Committee [**GC90**].

215. On 11 February 2016, a scathing letter was sent by the Chairman of the Richtersveld Self Development Company (Pty) Ltd, Mr Pieter De Wet ("**De Wet**"), to the Chairperson of Alexkor board, Matseke (herself now embroiled in state capture allegations related to the former Free State Premier –Mageshule), and the Minister of Public Enterprises to complain about the lack of progress in relation to the Richtersveld Community's complaint and the failure of Alexkor's board to begin the investigation [**GC91**].

216. On 29 February 2016, and in response to the complaint from De Wet, Alexkor's Audit and Risk Committee released an internal investigation report [**GC9**] on the complaint which concluded as follows:

> "*Based on the affidavit and collaborative evidence reviewed by the committee, we could not find any fundamental breach of procurement procedures adopted by PSJV other than manner (sic) housekeeping that we have alerted the management of the PSJV to correct.*
> *Furthermore, we are of the view that some of the challenges that have been raised could be mitigated if the PSJV board pack is enhanced to include all committee minutes for noting at each board meeting. This will enhance transparency and information sharing. To that end, we have recommended to the chairperson of the PSJV to consider a resolution of the board to include the minutes as part of the board pack.*
>
> *We are available to come to answer any questions the ministry might have.*
> *On behalf of the Alexkor's (sic) Audit and Risk Committee,*
> *Ms Lehobye CA (SA)*
> *Cc: Honourable Deputy Minister, Mr B Magwanishe, MP*
> *Cc: Director General, Mr M Seleke*
> *Cc: Chairperson of the Alexkor Board, Ms H Mayeza"*

217. On 23 July 2017, Ms Vytjie Mentor ("**Mentor**"), who was the former chairperson of the Portfolio Committee on Public Enterprises, posted accusations of corruption at Alexkor on Facebook, with particular emphasis on Alexkor's association with the Guptas [**GC92**].

218. On 13 December 2017, the Amabhungane expose' on Alexkor was published, thereby widely exposing state capture at Alexkor to a broad audience [**GC64**].

219. During the first quarter of 2018, Alexkor's diamond prices improved relative to the Zimnisky Index for the first time in more than ten years or 40 quarters. This is indicative of the fact that my criticism was being taken to heart [**GC93** at p 12].

CONCERNS RAISED WITH THE BOARD AND WITH MANAGEMENT ABOUT THE CAPTURE OF ALEXKOR

220. I have repeatedly voiced my concerns about state capture to the Board and to management:

220.1. I attended a PSJV board meeting in Kimberley on 12 April 2017 to raise the corporate governance issues I had been raising since November 2016 after Alexkor had briefed the Portfolio Committee on Public Enterprises'

220.2. I received a copy of the Kimberley minutes from the company secretary on 5 June 2017 [**GC94**]'

220.3. I also sent an email to Mr Tshediso Matona ("**Matona**"), who was the director of the Alexkor Board at the time, regarding my concerns over state capture at Alexkor[4] [**GC95**];

220.4. I sent an email to the Alexkor board regarding concerns for the safety of the PSJV's diamonds and state capture [**GC96**]; and

220.5. I sent an email to Carstens regarding concerns over the links between the Guptas and SSI after I became aware of Moodley's involvement in SSI [**GC97**].

221. The feelings of Alexkor's small-scale marine miners are reflected in the results of an online survey [**GC98**] conducted on the matter.

222. The approval by 100% [**GC99]** of Alexkor's small-scale marine mining contractors of a letter sent to Mr Pravin Gordhan [**GC100**], which letter is a subject of the two interdicts brought against me by the PSJV and SSI, is further evidence of the anger amongst this group towards Nathan, SSI, Alexkor, Carstens and PSJV. [**GC101** and **GC102]**

223. In our letter to the Minister we also stated that we had no faith in the forensic investigation that the Department of Public Enterprises launched to look into our grievances. Our lack of faith was vindicated when the Deputy Director General of Public Enterprises disclosed to the Portfolio Committee in Parliament on Wednesday 7 November 2018 that the investigation had been abandoned

[4] He was giving oral evidence in Parliament's Eskom enquiry because he was formerly the CEO of Eskom at the time.

under instructions from the Public Enterprises Minister, Pravin Gordhan because the forensic investigators, DM5 Incorporated, had themselves been implicated in state capture at PRASA [**GC103**].

224. At the contractors meeting in Alexander Bay in the PSJV's board room on 16 January 2019, the contractors' diamond sales representative, Mr Louis Kotze ("**Kotze**"), made the following startling revelations recorded on audio clip and transcribed by me [**GC104**]:

Audio clip 1 transcript: Diamond seals were never checked before the introduction of independent oversite by Ms Jennifer Gentle ("Gentle") (Diamond Valuator and Trader):

"*Ek het net iets uit gelaat. Heel in die begin van die prosess, vroeer as dit hier geseel is dan kom dit daaraan by Daniel. Die groep wat dit opgevad het stap daar uit. Inaudible. Hy maak die pakkie oop. Michelle is by, maak die pakkie oop, Gerry die sekuriteit ou is by. Hy maak die pakkie oop en dan begin hy werk met die pakkie. En vandag is daar 'n tender en dan gaan dit goed aan. Inaudible. Dit wat hier weg is, is dit wat daar aan gekom het? Is alles wat hier weg is dit wat daar aan gekom het? Is dit die selfde goed wat kom op die tender – ek maak nie aantuigings nie. Geen ander myn maatskappy inaudible. Gerone was by Trans Hex. Hy het hom opgestres to hy 'n junior ou daar was en hy moes daai ding geseel het. Hy het een keur die seel nommer half verkeerd geskryf, dood getrek en oor geskryf, hy was in groot mooilikheid. Want daai moet akuraat wees en dit is wat hulle moet tjek daarvoor. Hy het dae wakker gele totdat hy hoor anderkant dinge het daar aangekom, die seel nommers is reg, almal is happy alles is afgeteken."*

"Jennifer het gese, "man, wie tjek dat die sieels die selfde sieels is? Wie tjek of dit nie gebreek is nie? And what is the answer to those questions? Sy het dit opgehaal en dit geimplimenteer. No, but what was the answer to the questions? Up until the time that she asked the questions, what was the answer? Nobody did it before? Who cares. En dit is deel van die concerns, "Daniel jy hardloop 'n topnotch tender house, oorals in die industrie werk dit so, hoekom is dit nie by jou so nie?"

Audio clip 2 transcript: Daniel Nathan monitors live bids during auctions and makes telephone calls to bidders:

"*Nou monitor Daniel dit, hy se hoekom hy dit monitor is dat daar 'n paar kuur al gebuur – dan sien hy 'n ou bid op die heel onderste goed en hy bid 'n duisend doller. Dit kan nie reg wees nie, wie gaan 'n duisend doller betaal vir 'n een karaat steentjie. Dan bel hy die ou en se "is jy seker jy wil 'n duisend doller beta? I…..jus ek het 'n fout gemaak….. inaudible"*

Audio clip 3 transcript: The entire sales process and associated protocols are undocumented:

"*GC: Louis, its crucial, ok, that we are provided with documentation setting out what was the process before and what is the process now. You can't have control and you can't deal with issues as important as this on a blackboard with a whole lot of people. There's got to be documentation, it's got to be documented.*

LK:My opinie is dus, inaudible. Die oomblik dat ek gaan en probeer guilt vind en ondermekaar baklei, glip hierdie prosess onder my uit. Ek het nie tyd daarvoor nie, wat vir my saak maak is daar was nooit 'n independent valuator wat ons teenwoodig het nie. Ons het dit nou. Vir die eerste keer as daai parcel daar val is daar iemand wat kyk wat daar is, na die mooi stene kyk en tjek, tjek, tjek en se oraait, nou's die parsel inaudible".

225. I would also like to refer to:

225.1. The meeting follow up email addressed by me to Mr Louis Kotze ("**Kotze**") [**GC105**];

"*Hi Louis,*

Thank you for the feedback session on the diamond sales process today.

To establish a clear understanding of what was presented by you I have listed the salient points below.

1. All contractor's diamonds are valued for insurance purposes on the mine by Michelle solely on the basis of carat weight and stone quantity before transport to Daniel Nathan.

2. The diamonds are transported in a sealed tamper-proof container.

3. No information currently available regarding the transporter of the diamonds and the integrity of the chain-of-custody.

4. On arrival at the premises of Daniel, the tamper-proof seal is broken and the diamonds removed from the tamper-proof container in the presence of Jennifer Gentle who is currently the contractor's independent valuator.

5. Prior to the engagement of Jennifer, the seal would be broken by Daniel and the diamonds removed from the tamper-proof container without the presence of any independent observer.

6. The diamonds are deep-acid boiled and then sorted and valued by Daniel.

7. I presume that Jennifer also does her valuation at this point.

8. Daniel selects a 10% representative assortment of the production excluding any single stones which is then offered to the State Diamond Trader.

9. The SDT purchases all or a portion of the 10% assortment offered at the price set by Daniel Nathan or an alternative lower price negotiated between himself and the SDT.

10. If a price cannot be negotiated between Nathan and the SDT, the GDV (Government Diamond Valuator) is engaged to settle the matter.

11. Daniel selects a 5% assortment by value of the remaining 90% post the sale to the SDT.

12. This assortment is not a representative sample and ranges between 2-4 carats.

13. The price he pays for his assortment is unclear – please provide clarity on this point.

14. The remaining 85% of the diamond production is placed on tender at his premises at 1 River Street, Houghton Estate, Johannesburg.

15. The tender is a closed system and Daniel determines who will be given an opportunity to view the production and get access to the online tender platform.

16. The bids are made electronically by approved buyers through an online diamond tender platform developed by Daniel exclusively for Alexkor's production.

17. Approximately 80 buyers attend the auction viewing and compete on the bidding platform.

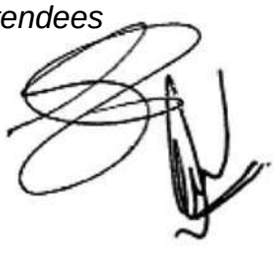
18. The bidding period closes at 14:30 sharp and no further bids can be made.

19. Buyers are able to change or cancel their offers during the bidding period up until the last minute.

20. During the bidding period Daniel is able to monitor all offers made by buyers, live and in real-time.

21. When he suspects that a buyer has made a bidding error he makes contact with the buyer to check with him/her.

22. When the bidding period closes, the system automatically awards the tender to the highest bidder and also publishes the top three bids for each lot on tender to all participants. I would appreciate you providing guidance or corrections where necessary. I also think it would help your meeting tomorrow if you could check the above and distribute it amongst the attendees before the briefing starts.



PS, please request a copy of the minutes from the initial meeting with Alexkor that led to the establishment of the Diamond Sales Committee and the Diamond Processing Plant Committee.

Thanks again for your efforts.

Warm regards,

Gavin Craythorne."

225.2. The e mail correspondence between me and Gentle [**GC106**];

"Dear Jennifer,

Thank you for discussing the diamonds sales with me.

Below, please find the notes I made for Louis.

As I mentioned, I think it is important to map out the process detailing the following to establish a baseline risk assessment:

1. Product preparation on the mine before leaving the gate.

2. Security and insurance.

3. Chain of custody for transportation.

4. Chain of custody at the tenders.

5. Sorting, assortments and valuation for the SDT's 10%.

6. Sorting, assortments and valuation for Daniel Nathan's 5%.

7. Sorting, assortments and valuation for the tenders.

8. Alexander Bay Diamonds' terms and conditions for buyers.

9. Alexander Bay Diamonds' tender rules for the tender house operator, the seller and the buyers.

10. Alexander Bay Diamonds' independent audits if any.

It would be a great help if you could attend to the above.

Thanks.

Warm regards,

Gavin Craythorne".

225.3. The further email correspondence between me and Kotze [**GC106**];

"Hi Gavin,

Let me first complete the third information gathering trip to Tender #281. Afterwards I will present all information to the Contractors and then you can present your case to them.

Regards

Louis

225.4. A response email from Kotze [**GC107**];

225.5. The copy of Gentle's original diamond sales report [**GC108**]; and

225.6. The sanitised version compiled by Kotze of Gentle's original diamond sales report for distribution to the contractors [**GC109**].

THE VICTIMISATION OF THE MINING CONTRACTORS

226. I deem it prudent and important to inform this Commission that after I started raising matters on behalf of the members of the EAC about the fraud, corruption, and maladministration at Alexkor SOC with Carstens, my and other marine contractor's contracts were cancelled, which in turn, significantly contributed to the economic decline in Alexander Bay, not to mention our own economic hardship.

227. We have been subjected to ongoing intimidation tactics from the PSJV executive management [**GC101**] and SSI [**GC102**]. No less than two gagging orders have been brought against me to prevent me from further raising concerns about of the wide scale fraud and corruption at Alexkor and to prevent me from communicating with persons who have an interest in the sale of diamonds which are recovered by Namaqualand's emerging BEE Marine Diamond Miners, many of whom are members of the Richtersveld Community.

228. To silence me would in effect be to silence all Northern Cape small-scale marine diamond miners and allow the destruction of a unique seafaring heritage to continue [**GC110**].

229. As I have said, it is imperative that we, as the mining contractors who have been directly affected by state capture, be afforded a voice [**, GC111, GC112, GC113, GC114, GC115, GC116**] as borne out by the 2010 report produced by the Mineral Resources Portfolio Committee [**GC117**].

PARLIAMENT HAS FAILED THE PEOPLE OF ALEXANDER BAY

230. On 30 November 2017, the Equitable Access Campaign (EAC)'s Mr George Nicolaai ("**Nicolaai**") travelled to Cape Town to hand deliver a warning about the serious governance problems and state capture at Alexkor to numerous Portfolio Committees [**GC118**].

231. Nobody responded in any meaningful way, except Ms Zukiswa Rantho ("**Rantho**"), who responded positively to my email in November 2016 warning the Portfolio Committee about the problems at Alexkor and requested further information which I provided. As a result, she requested Parliament to arrange an oversite visit to Alexander Bay, but she was told that it would be too dangerous as the Portfolio Committee members' safety could not be assured [**GC119**].

232. In May 2017, the State Capacity Research Project released a report on state capture titled "*Betrayal of The Promise: How South Africa Is Being Stolen*,." In relation to the Gupta's and Alexkor diamonds the following was noted:

> "*Another example of the Gupta's attempts to externalise (placement phase) the proceeds of their operations happened six days after the Gupta family infamously 'fled' South Africa in April 2016 on a late-night flight. On 13 April 2016, a Gupta plane allegedly tried to leave with a box believed to have been full of diamonds. According to an AmaBhungane investigation, a Gupta business jet was preparing to depart Fireblade Aviation's VVIP terminal at OR Tambo International Airport when X-ray scanners picked up something suspicious inside a suitcase belonging to the departing party. In the suitcase was a box containing diamonds, according to AmaBhungane claims (a claim that has not been refuted by the Gupta family). When Fireblade security asked to look inside, a Gupta security staffer apparently refused, took the bag from the counter and left. Fireblade confirmed to AmaBhungane that a "potential security incident" had taken place early one morning in April last year but would not identify which client was involved*." [**GC120**]

233. On 22 May 2018, Bonita Van der Berg, the managing member of Adams RCV Diamonds CC addressed a letter to Rantho, the Competition Commission and the Deputy Shadow Minister of Communications to complain about the decimation of the Richtersveld mining community. A copy of this complaint is annexed marked ["**GC121"]**

234. Perhaps if Parliament had acted, the wholesale theft of Alexkor's diamonds by the Guptas and their associates could have been avoided.

THE FORENSIC REPORTS CONDUCTED INTO THE CONTRACT WITH SCARLET SKY

235. During October 2019, the Department of Public Enterprises mandated Gobodo to investigate the relationship between Alexkor, Alexkor PSJV and its Marine Mining Contractors and in particular, SSI. The report was provided to the Commission in November 2019 [**GC11**].

236. The Department of Public Enterprises commissioned the report after four marine mining contractors informed the Department that they were excluded from the 2018 procurement cycle. The contracts with the said miners expired between December 2017 and January 2018 and were not renewed. The reason for the exclusion of the said contractors from the procurement cycle was that the relationship between the PSJV and them had "*irretrievably broken down*." In truth it was because we had complained about the poor diamond prices being achieved for the sale of the diamonds produced by us by SSI.

237. In October 2019, Gobodo presented their findings to the Department of Public Enterprises [**GC11**] and recommended that the PSJV Board/Department of Public Enterprises consider terminating the Alexander Bay Diamond Company formerly known as SSI contract with the PSJV based on the following:

237.1. That tender 03/14 was irregularly awarded to SSI by the PSJV Board in or about 2014 as the procurement process was fatally flawed;

237.2. That the procurement process for tender 02/2016 was flawed and irregularly awarded by the PSJV Board;

237.3. That there was no compliance with the terms of the contract by SSI. SSI failed to ensure that the rough diamonds sold for beneficiation purposes to SDT and Gaddies was 10% and 5% respectively, as required in the contract;

237.4. That SSI placed the PSJV at risk by not ensuring that 15% in value of the rough diamonds were sold for beneficiation purposes to Joe Gaddies Diamonds in order to allow the PSJV to be exempted from the export levy in terms of Section 8 of the Export Levy Act;

237.5. That SSI failed to disclose information relating to the buyers of the rough diamonds to the PSJV and misrepresented SSI as the buyer and for selling the rough diamonds at a price that was ostensibly lower than the market price;

237.6. That the contract for the reclamation of the stockpile tailings awarded to Ambicor be investigated;

237.7. That further investigation be conducted to identify the buyers of the 85% rough diamonds and the related prices for the rough diamonds and to ensure that the buyers have the required licenses and that the sales have been registered with the relevant authorities; and

237.8. That the Tender Committee not be considered as a sub-committee of the Board and that Board members should not be involved in the adjudication and evaluation tenders as this is a breach of the Unanimous Resolution; Board members should only be involved in the approval of the tenders.

238. I might add that this report was preceded by a report commissioned by Carstens to deal with the complaints levelled by the contractors which was compiled by Allan dated 29 May 2019 [**GC40**]. It is my submission that this report was a whitewash, which has been incontrovertibly discredited by the Gobodo report and the facts set out by me above. His recent article published in Mining Weekly dealt with me below is testimony to this.

239. The Commission has tasked the forensic auditor employed by the Commission to validate and further investigate the findings made by Gobodo. These findings are detailed in the affidavit of Mr Jan Dekker ("**Dekker**"). [**GC122**].

THE PROPOSED DIVERSIFICATION OF ALEXKOR INTO THE COAL INDUSTRY

240. With the appointment of Gigaba as Minister of Public Enterprises in late 2010, a process of twin state capture began: Whilst at the same time, expropriating Alexkor's diamond assets, initially through SSI and later, through Trans Hex, a group with links to Regiments set about capturing Alexkor itself in pursuit of coal supply contracts to be concluded by Gupta proxies at Eskom [**GC123, GC124, GC125, GC126**].

241. As it turns out, while I was trying to persuade the Alexkor Board to review the SSI contract and to report on the true value of Alexkor's marine diamond assets, unbeknown to me, Trans Hex, Questco, Khoza and Carstens had devised a plan to persuade Alexkor to dispose of its diamond assets in the region and to diversify into coal.

242. This plan was designed by certain individuals within the former leadership of the Richtersveld Community structures, in collaboration with the leadership of Trans Hex, notably Carstens and Llewellyn Delport, to provide a platform upon which to:

242.1. take management control of Alexkor's marine diamond operations;

242.2. construct a false narrative about the future mining potential of the marine mining rights, by telling all stakeholders that the diamonds will be mined out within five to ten years, while simultaneously stripping the assets and running the town and mine infrastructure into the ground; and

242.3. purchase Alexkor's marine diamond operations when government has lost hope in any future success and take over the 51% stake in the PSJV.

243. This plan was given traction as Gigaba had repurposed the Alexkor board in order to implement his Emerging Black Coal Miner Exit Strategy [**GC127**].

244. I first decided to expose this plan on 16 November 2016, after I attended Alexkor's briefing to the Portfolio Committee on Public Enterprises in Parliament at which I was introduced to the Alexkor board and the Acting Chair, Ms Zukiswa Ntlangula ("**Ntlangula**"). I was also introduced to the members of the Portfolio Committee and their Acting Chair, Rantho

245. I had attended the briefing with the purpose of finding clarity on the strategic plan for Alexkor as the board's decisions were contradictory, as communicated in the annual reports dating back to the 2013 financial year [**GC128**].

246. While the board made it clear that Alexkor was legally and ethically responsible for, and committed to, ensuring the success of the PSJV, as set out in the Land Claim Deed of Settlement, it was nonetheless diverting significant and vital financial resources away from the operations of the PSJV, in order to diversify into coal- a mandate that was irrational (given the lack of funding) and extremely harmful to the Namaqualand economy. This was also contrary to Alexkor's true

mandate set out clearly in the long form of its name, "*Alexander Bay Development Corporation*."

247. Despite my in-depth Marine Potential Report, I heard, during Alexkor's briefing on 16 November 2016 in Parliament that Alexkor would not only continue to pursue the coal strategy, for which it had no funding, it was now also investing money it did not have into cutting-and-polishing, while continuing to disregard the largest income driver of the business and, all the while ignoring its growing financial deficit [**GC129, GC130**].

248. On 23 December 2016, CNBC Africa announced that Wiese was entering the West Coast Diamond Industry, yet again by acquiring a 47% stake in Trans Hex [**GC131**].

249. Sometime during February 2017, as I recall, a whistle blower handed me a copy of the aforementioned Questco Plan and explained to me that Alexkor's marine operations would soon be taken over by Trans Hex. This confirmed my view regarding Trans Hex [**GC126**].

250. The document, produced by Questco Advisory Services, in association with Trans Hex, presented to Alexkor on 8 August 2014, sets out a plan to monopolise the entire West Coast Marine Diamond Industry, on the land and in the sea, from Doringbaai in the south, northwards to beyond the Orange River and into Namibia.

251. On receipt of this document, I realised that the central aim of the Questco/Transhex plan was to acquire Alexkor's' marine diamond assets at a reduced value. This has been achieved by:

251.1. capturing the PSJV by populating the executive management structure with Trans Hex proxies;

251.2. concealing the world-class potential and true value of the marine diamond assets from Alexkor and Government;

251.3. covertly trying to invoke the Richtersveld Community's option to eject Alexkor out of the PSJV and Alexander Bay; and

251.4. ensuring the costs of acquisition of the assets are minimal by having established a false sense of low value regarding the assets and a high level of owner fatigue.

252. Having connected the dots, on 8 March 2017 I informed my EAC colleagues, Klaasse and Nicolaai, that a conspiracy was at play between business and political elites, with Alexkor's marine diamond assets at the centre.

253. Based upon the facts at hand, and though I could adduce no direct evidence, they arrived at the same conclusion. We, accordingly, decided to act by raising awareness of the situation amongst our members, by calling a crisis meeting in Port Nolloth on 8 March 2017 [**GC132**].

254. The following morning at 05:52 am, a little over twelve hours later, a detailed letter from the Alexkor Chair, Matseke, was dispatched to our members via email from the Alexkor PSJV [**GC133**].

255. The contents of her missive clearly indicate that she was either not being truthful or was unaware of Alexkor's intention to exit diamonds and the Richtersveld, as stated before Parliament on 19 November 2014 during a briefing on the 2014 annual report [**GC125**].

256. Alarmed by the sinister overtones, rapid response time and distorted version of what transpired at the meeting, the EAC reached out to the former Minister of Public Enterprises, Brown, on 9 March 2017 [**GC134**].

257. Ten minutes later, we sent a follow up email to our members to reassure them that there was no need to fear victimisation as our concerns were firmly before Parliament's Portfolio Committee on Public Enterprises [**GC135**].

258. The EAC responded to Matseke on 10 March 2017 [**GC136**].

259. On 5 March 2017, prior to the crisis meeting, the EAC had already, in response to numerous complaints from the local small-scale miner community, launched an online satisfaction survey amongst the members to gauge the level of discontent regarding the Alexkor PSJV.

260. While at first we received a steady flow of responses, it stalled abruptly in the wake of the intimidating letter from the Alexkor Chair, Matseke. Nevertheless, we dispatched the results to the former Minister, incomplete as they were with only 15 responses [**GC137**].

261. On 4 April 2017, the EAC received a reply from the former Minister to our missive of 9 March 2017 wherein she provided a measure of comfort by expressing her concern and informing us of her instructions to the Alexkor Chair [**GC138**].

262. Consequently, on 6 April 2017, the EAC received a letter from the Chair in which she highlighted her concern regarding the negative responses reflected in the survey and invited me to attend a combined board meeting on 12 April 2017 in Kimberley to discuss our concerns and the negativity reflected in the survey results [**GC137**].

263. I travelled from Alexander Bay to Cape Town to Kimberley to attend the board meeting on 12 April. At the meeting I first attempted to raise my concerns regarding Alexkor's Emerging Black Coal Miner Exit Strategy and the Questco Plan, but the Chair refused to discuss these matters and pivoted the discussion to the burning issues as reflected in the results of the online survey.

264. During her introductory comments on the matter, it became clear that she understood me to be a consultant of sorts, who was only representing a small aggrieved faction of the broader satisfied contracting fraternity, a misunderstanding she had gained by assuming the survey was only directed at a special interest group whom I was acting on behalf of.

265. I informed her that I am a thirty year plus veteran in the industry with an eighteen-year track record as one of Alexkor's top producers and that the Equitable Access Campaign was in fact the voice of the entire shallow water mining industry in the Northern Cape.

266. I then pointed out that the survey sample was limited only because the heavy-handed letter she sent out to our members in such haste after our crisis meeting had resulted in a high level of fear which in turn created a severe chilling effect.

267. The Chair graciously accepted my explanation and requested that a repeat survey be undertaken so that she could get a true sense of the levels of dissatisfaction among the contractors.

268. I responded that it would be very helpful if she could ease the level of fear among the contractors by circulating a letter encouraging them to participate in the next survey to which she responded that I was "*pushing my luck*".

269. At the Kimberley airport while waiting for my flight back to Cape Town, Phillips approached my table and asked to join me. I then had a very frank and open discussion with her during which I ventilated my concerns regarding the coal exit strategy and the Questco Plan.

270. When the discussion had ended, I looked directly at her and asked if the Questco Plan was dead. To which she paused for a moment, smiled, replied no, and excused herself.

271. On 5 June 2017 I received the Kimberley board meeting minutes from Phillips that reflected the following: [**GC139**].

272. The following paragraphs are copied verbatim from the minutes:

> "Equal access campaign
>
> *Mr Craythorne presented the equal access campaign. Background information on his experience, training and education was provided. He was a resident of Alexander Bay. Due to his technical background, he was involved in the designing and development of equipment, and had recently been focussed on mechanisation. He is a sub-contractor to his wife's company Ocean Diggers and manage all technical aspects, He was of the view that it is a strategic misstep for Alexkor to venture into goal and not invest more in the marine operations. The Chairperson highlighted that Alexkor SOC has its own strategic role and plans, the responsibility of the marine asset is under the sole discretion of the PSJV Board. Alexkor needs to generate is own revenue stream as it does not rely on the PSJV for financial assistance. The governance and separation of Alexkor and the PSJV was discussed. It was noted that the two entities were operated on an independent basis.*
>
> *History of Mr Craythorn's engagements with Alexkor and the associated developments were discussed. The relationship with PSJV was good and a Service Level Agreement ("SLA") was in place whereby Mr Craythorne provided a vessel to a company that contracted directly with Alexkor.*
>
> *The utilisation of the Alexkor asset, being the largest marine diamond field in the world, and the need to accelerate the extent of marine mining was discussed. There was a feeling amongst contractors that Alexkor does not afford optimum attention to the marine mining section, especially when you take into consideration the kind of employees such as Ms Leilani Swartbooi that is appointed to oversee the marine*

operations. Contractors cannot discuss their operations or concern with her due to her lack of knowledge in the industry.

The solution was not to appoint more contractors but to assist the current contractors and to invest in research. Mr Craythorne indicated that Alexkor had had 105 contractors in place in 2004, compared to the 80 in place at present. It could thus be deduced that a higher level of contractors would not necessarily increase production, as could be evidenced by the reduction in contractors.

The Chairman indicated that the primary focus of this interaction should be on how to improve the utilisation of the asset and its yield for the PSJV and how this would also beneficially impact the community. Improvements were to be identified that could improve performance.

The following matters were suggested as means to improve marine operations performance:

1. *Increased investment into support services to contractors.*

2. *Personnel who are experienced in the industry are required to oversee the support function.*

3. *Transparency should be increased with regard to the diamond sales channel, processes and data.*

4. *The Board should engage more with the local community, which included the contractors.*

It was noted that the concerns would be considered but that the Board should not be involved on an operational basis.

The contractor's satisfaction survey was discussed, and it was noted that limited response had been received. The marine mining contractors were nervous of losing their contracts and therefore would not easily voice their concerns. Fifteen out of fifty-six marine contractors had responded to the survey and the feedback had been largely negative. The survey should be recirculated and contractors engaged with to improve the relationship. It was suggested that Mr Carstens empower the contractor community and encourage open communication.

A full-time metallurgist was in the process of being appointed and that the Plants was now being maintained, which would improve relations. The PSJV in the process to refurbish the new final recovery, money is being invested in the mine by the PSJV. All records of previous diamond sales were in place. Sensitive information was to be handled in a

confidential manner. A meeting could be scheduled on a regular basis with the contractor's community, and if individual contractors wanted their specific data and value chain information then this could be provided. The PSJV always had an open door policy where contractors can voice their concern or give advice on how to improve the business for all concerned. This is also noted in the increase of production amongst marine mining contractors as management is now aware of the problems faced by contractors and in better position to assist contractors. Additionally, the value chain should be verified according to the diamond index and bidding spreads for sales.

The building of coffer dams would continue in line with the current EMPA. The building of dams would be reconsidered in the updating of the EMPA upon which new legislation would have an impact."

273. Today, the Questco Plan is for all practical purposes a reality, as the entire Northern Cape West Coast Diamond Industry is under either the direct control of Trans Hex, or its proxy management team in the PSJV- a situation which has enabled Trans Hex and Alexkor to deny the longstanding mining contractors access to all the Northern Cape shallow water concessions and thereby deprive us of our right to economic freedom as enshrined in Section 22 of the Constitution [**GC140**].

274. In terms of the Questco Plan, provision for a 9% shareholding in the consolidated operations of the West Coast Diamond Industry is ring-fenced for the PSJV management team which Carstens has led since 1 August 2012, a fact that shows that Carstens is hopelessly conflicted, as are the rest of the PSJV management team.

275. In order for Trans Hex to capture the RMC/Alexkor PSJV in pursuit of their plan to monopolise the entire West Coast Diamond Industry, it had to capture the Department of Public Enterprises. To this end, Trans Hex ensured that the Department of Public Enterprises would emerge out of the negotiations for the purchase of the De Beers Namaqualand Mines as a 20% shareholder and thus, a significant partner of theirs [**GC141, GC142**].

276. With the 20% stake officially ring-fenced in a special purpose vehicle for a future black economic empowerment grouping yet to be formed, it is not difficult to see how this could be manipulated to give government enablers an opportunity of acquiring a shareholding in any new black economic empowerment company to be formed. The Special Purpose Vehicle ("SPV") is the company MAIN STREET 1252 (RF) - Physical address is De Beers House, corner of

Crownwood and Diamond Drive, Theta, Johannesburg. The entity was created on 28 March 2014 and De Beers Group Services is listed as a director/member.

277. With these benefits offered, the leadership of Alexkor and the PSJV seem determined to do everything in their power to ignore the obvious state capture of Alexkor's assets, to the detriment of the Richtersveld mining company, which is in desperate need of funding to upgrade and develop its mining equipment.

278. At a time when I enjoyed a good working relationship with Carstens, I provided him with a copy of a lengthy expert Marine Potential Report I wrote to assist him in getting greater support from Alexkor for developing its marine diamond assets [**GC143, GC144**].

279. Upon receiving my report, which I presented to him in his office on or about 25 January 2016, he expressed his gratitude and in the presence of his personal assistant, informed me that he would provide a copy to the Chairperson, Matseke.

280. This was important to me as I was troubled by the amount of money Alexkor was spending in pursuit of its Emerging Black Coal Miner Exit Strategy, money which is generated by the small-scale marine miners of Alexander Bay and which should have been applied to the maintenance of the mine's vital support infrastructure, which was becoming increasingly dysfunctional [**GC143**].

281. The costs of duplicating the administrative functions of Alexkor and establishing an office in Gauteng was identified as problematic by the shallow water miners, as far back as June 2010, in a letter to the Acting Mine Manager, Mr Wiaan Basson ("**Basson**") [**GC145**].

282. Since 2012, approximately R 40 million per year has been diverted to fund the corporate headquarters in Johannesburg and to pay consultants working on Alexkor's exit strategy. To justify this, Carstens has continued to undermine Alexander Bay's future diamond mining prospects. In Parliament on 22 November 2017 Carstens stated:

> "*In ten years' time or five years' time there is not going to be a mine anymore."*

283. This, I had demonstrated to him, was completely untrue.

284. In addition, the amount of money spent on Gigaba's Emerging Black Coal Miner Exit Strategy by financial year 2016 exceeded R175 000 000,00 was a cause of concern, as this could have comfortably recapitalised the entire Alexkor diamond fleet with new technology and semi-mechanised mining vessels capable of mining through sand overburden. Had this money been properly spent, this could have ensured that Alexander Bay could once again become a world class diamond producing centre.

285. The concealment of the true value of the marine diamond assets Alexkor possesses and the misrepresentation of the estimated life of its diamond mining ventures in the region, has provided the new Board with a rationale for exiting its diamond mining business and diversifying into coal. However, should it sell off its marine mining business under the current manufactured climate, it would seriously under-recover for its business. It would also mean that the individual miners would be forced to liquidate their mining operations at substantial loss [**GC146**].

286. The dynamics of a primary board and executive team that is conflicted by a Gupta/ Gigaba coal agenda and a PSJV board and executive team that is conflicted by a Trans Hex/Questco diamond agenda, has resulted in the decimation of the local economy, dilapidated critical infrastructure and a loss of social cohesion. It has also deprived Alexkor and the Richtersveld community of its share in what could and should be a lucrative diamond industry. This has served to dispossess the people of Namaqualand and South African taxpayers of a mineral asset of immense value and strategic importance.

287. Several approaches have also been made by stakeholders to the Boards and management of, Alexkor Ltd and Alexkor RMC JV about the Questo plan, including:

    287.1. raising the fact that the PSJV management were conflicted [**GC147**]; and

    287.2. revealing the extent to which the PSJV had been captured by Trans Hex [**GC148**].

288. None of these approaches have galvanized any member of the Alexkor or the PSJV Board to protect the states marine diamond resources.

THE INVOLVEMENT OF BAGUS, KELLERMAN, CARSTENS AND KHOZA IN THE QUESTCO PLAN

289. Bagus was appointed as the Chairman of Alexkor by Gigaba during September 2012. It is readily apparent from Alexkor's own financial records that at this early stage, the intent was that Alexkor would be utilised by the Guptas as another vehicle to supply coal to Eskom, and in 2015, Gupta associate, SSI would gain control of the diamond wealth of Alexkor.

290. In the Presentation of its Annual Financial Statement for the period ending 31 March 2012, there was no reference to it diversifying into coal. In the 2013 Annual Report, Bagus wrote a forward at p 8 as follows:

> *"Halfway through the 2012/13 financial year the new Alexkor board took office, facing challenging circumstances. We were confronted with some stark realities from a business with significant economic challenges. Our new strategy is a radical departure from the past to transform Alexkor into a diversified mining company that will ensure the long-term sustainability of our mining operations. The strategy embraces four key elements, namely:*
>
> - *Unlocking value from the PSJV;*
> - *Extract value from African diamond mining opportunities;*
> - *Utilise Alexkor's core mining capability to supply coal to Eskom and reduce their coal supply risk; and*
> - *Develop lime resources to supply Eskom.*
>
> *The Alexkor board has been given the mandate to qualify and quantify mining opportunities for investment consideration. An immediate and urgent opportunity exists to focus on securing thermal coal supply for power generation.*
>
> *Eskom faces a critical and significant shortfall in strategic coal supply that will jeopardise efforts to ensure energy supply to our industries.*
>
> *We can significantly contribute to the development of new coal supply sources by utilising mining methods, processes, technologies and skills that are well within our current core capability.*

Eskom will have to ensure that new mines are opened with a preference to procure coal from emerging black miners.

Alexkor's diversification strategy supports these initiatives that will broaden economic participation, secure employment, stimulate local investment, and unlock underutilised resources. We will provide market access and mining expertise to emerging black miners that will create significant economic value for local communities.

Various emerging black miners expressed interest to partner with Alexkor in developing coal opportunities. We believe that these opportunities will create a viable second tier mining industry in South Africa.

High grade limestone supply to Eskom is critical for flue gas desulphurisation operations. We are in the process of developing a strategic lime business case to supply Eskom and will report on this progress shortly.

During the next financial year, we will focus on building and expanding strategic relationships with sister state-owned corporations and in particular Eskom and Transnet.

We will also engage the Department of Mineral Resources (DMR) and the state-owned mining company to coordinate coal mining efforts and secure their support of our strategy.

We are also in the process of negotiating better prices for our rough diamonds, which will have a positive impact on future revenues.

We have appointed Mr Percival Khoza, one of the leading mining executives in South Africa, to champion the future growth of Alexkor. His vast knowledge and experience in gold, diamond and coal mining is of immense benefit to the executive team.

The credibility of our current management team provides Alexkor with the ability to attract the best skills from the mining industry to fill critical positions. We have finalised the team which will add more than 60 years of mining experience to the executive.

The development of the Richtersveld, Alexander Bay and Port Nolloth communities has been neglected for many years and in the ten years since the settlement the community regressed rather than progressed. Failing to turn around the situation will have a material

socioeconomic impact on the Alexander Bay community and surrounding region.

For this reason, failure is not an option and we will work diligently with total dedication to ensure the success of our turnaround initiatives. The community can be assured of our continued and unequivocal support.

A special word of thanks to Honourable Minister Malusi Gigaba, whose powerful vision of the future and insightful guidance and support is of huge value to Alexkor.

Also, the Honourable Deputy Minister Mr Bulelani Gratitude Magwanishe for his guidance and unconditional support during the past year.

We are excited about Alexkor's future and are looking forward to a prosperous year with the continuous support of an excellent team at Alexkor under Percy and with Mervyn's leadership and guidance at the PSJV." (The emphasis in this and in the subsequent paragraphs has been added.)

291. In the 2013 Corporate Governance Report at p 28 it is stated:

"During the 2012 AGM the board, with the exception of Dr Roger Paul who was retained for continuity and institutional knowledge, was rotated. A new board, under the chairmanship of Mr Rafique Bagus, was appointed on 8 September 2012. The other members of the new and current board are Dr Roger Paul, Dr Nono Yvonne Mohutsioa-Mathabathe, Mr Mohammed Bhabha and Ms Zukiswa Ntlangula.

The board provides the executive management with clear strategic direction, as documented in the company's strategic and corporate plans.

In addition to the monitoring of operational performance, the board also monitors the performance of management through the social, ethics and human resources committee. The board also fulfils this role even in relation to the PSJV board, which operates as a sub-committee of the board of Alexkor. Systems have been put in place for regular reporting and sharing of information between the board of Alexkor and the PSJV board."

292. In the 2014 Annual Report, Bagus wrote a forward as follows at p 8:

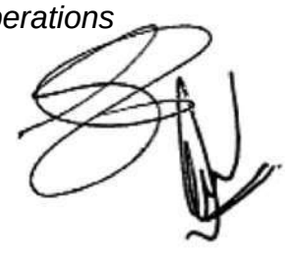
> *"Alexkor as a State-Owned Company exists to achieve both commercial and developmental objectives. These objectives are made concrete and specific in the strategic intent statement supplied by Alexkor's Executive Authority, the Minister of Public Enterprises.*
>
> *Key elements of the strategic intent statement include the need to stabilise and then expand all components of the company's diamond operations in the Northern Cape, build the relationship with the Richtersveld community and position the company to act as a comprehensive vehicle of local development.*
>
> *This includes starting a process of repositioning Alexkor as a coal miner with the aim of unlocking the transformation in the industry and ensuring Eskom's security of supply.*
>
> *As chairperson of the Alexkor Board, it is my role to ensure that the corporate plans and operations are aligned with this strategic intent. I am pleased to report, that we have made significant progress over the last year in achieving this goal and it is my pleasure to present some of the key highlights in this regard."*

THE COAL-MINING MANDATE

The Deed of Settlement requires of Alexkor to exit its 51% equity holding in the PSJV but needs to do so in a socially responsible manner. Already in December 2012 the DPE and the Deputy Minister (Bulelani Gratitude Magwanishe) indicated to the Board that it needed to broaden its focus within the context of its statutory mandate.

This prompted the Board's decision to enter into coal and limestone mining to supply Eskom to help alleviate the energy crisis and to give effect to the emerging miners strategy.
Part of the underlying reasons for the energy crisis is the shift in focus by private sector mining companies towards exporting high value thermal and coking coal. Studies show that Eskom will experience a shortage of coal of approximately 60 million tons by 2018.

At present the mining environment has seen a reduction in investment, with accompanying job losses and a general decline in the sector. Whereas the private sector is likely to mechanise many of its operations



in line with international trends, Alexkor is focused on increased investment, creating jobs and improving output and profitability.

This is in line with state owned companies' fiduciary responsibility to the Shareholder and the State to contribute directly to the developmental and transformational agenda of the country. Collaboration between Alexkor and Eskom therefore not only ameliorates the effects of the energy crisis but also makes a positive contribution to the investment climate for the South African economy.

In becoming involved in the coal-mining sector in this manner, Alexkor can ably contribute to South Africa's developmental and transformational agenda whilst remaining a commercially viable entity.

FUTURE OUTLOOK

It is likely that 2014 will see a stable balance between demand and supply on the rough diamond market, and the diamond price stability that was the norm in 2013 is expected to continue.

We are positive about the immediate future of Alexkor. In a relatively short space of time the Board and management team have been able to turn around both Alexkor and the PSJV.
Negotiations for better prices for our rough diamonds will have a further positive impact on future revenues and profitability.

APPRECIATION

The progress Alexkor and the PSJV have made is largely attributable to our Shareholder who invested trust in the Board and management team to deliver on this massive turnaround task.
I particularly thank outgoing Honourable Minister Malusi Gigaba for his guidance and support, and in welcoming the new Honourable Minister Lynne Brown, I look forward to continuing our journey under her oversight.

I also wish to thank the Honourable Deputy Minister Bulelani Gratitude Magwanishe for his commitment, knowledge and understanding, particularly in securing the turnaround in our finances and our relationship with the community."

293. In the same Annual Review, Kellerman provided a Governance Report at p 24 as follows:

	Challenges & Risks	Outlook
	Lack of funding for new ventures and inability to give effect to the Coal Strategy	Management, in conjunction with the Shareholder, is engaging with relevant role-players including Eskom with respect to the purchase of specific assets as well as negotiating the conclusion of pertinent contracts to ensure that the company is able to properly leverage itself. The company is also engaging with companies in the private sector on the purchase of various coal assets and looking at private funding opportunities for these assets. The company is strengthening relationships with various emerging miners.

"The SE&HR committee, under the guidance of the new Board, has made significant strides in changing the face of Alexkor. In 2013 Alexkor undertook to attract skilled and qualified personnel in preparation for the strategic business plans of the organisation.

A new Executive Committee (Exco) in the form of the Chief Financial Officer, Mr. Dludla, a Chief Operations Officer, Mr. Mokwena and a Chief Legal Officer, Ms. Z Kellerman were appointed.

In addition, the management team consisting of the Group Manager: Technical Services Mr. E Sithole, Group Manager: human resources Ms. B Makwetla and Group Manager: Finance Ms. T Mhlanga have been recruited.

The focus will be to build this new team and establish various processes and procedures in order that the team be enabled to deliver Alexkor's new mandated diversified strategy.

Salaries paid are based on the total package concept as per the approved remuneration policy. For the period under review, salaries paid to employees amounted to R18 132 429, R3 372 279 for Directors and R7 573 768 for contractors and consultants."

294. The strategic objectives and new business development were stated to be:

"*7 STRATEGIC OBJECTIVES*

The Board of Alexkor embarked on a strategic planning exercise on December 2012. The purpose of this session was to define the way forward for the business. The session was held in Johannesburg with the new Board members and representatives of DPE.

8 NEW BUSINESS DEVELOPMENT

Alexkor has been and still is in the process of identifying new projects to expand its mining operations and diamond resources. Its previous operations in Alexander Bay are now being managed within the PSJV under a separate management team and independent PSJV Board. This forced Alexkor to investigate other new business opportunities to generate alternative revenue streams to enable it to grow and to ensure sustainability. Alexkor received a mandate from the Minister to pursue these opportunities should they prove to be viable. Alexkor is currently exploring these potential opportunities."

295. On 8 August 2014, Questco and Trans Hex submitted an unsolicited bid to take over Alexkor's diamond interests in light of its intent to diversify into coal.

296. On 19 November 2014 Bagus and Khoza briefed Parliament regarding the need to diversify and exit its diamond interests in the Richtersveld. Its motivation for doing so was set out in Alexkor's Annual Review for the period ending 31 March 2014 as follows:

"End State of Mining

Exiting the Structure

- *DoS envisages the state will exit to a strategic partner. The exit must however be in a responsible manner to ensure long term sustainability*

- *Options whereby the community can receive cash rather than shares.*

- *The sale must derive maximum value for the State.*

- *The only real opportunity for meaningful job creation and economic development in that region is for there to be a consolidation of the various mining companies including De Beers, Transhex and Alexkor.*

Expansion of Mandate (1 of 4)

The need to diversify

- *Exit from diamonds and the Richtersveld*

- *Challenge by the Deputy Minister and the Department at the strategy session in December 2012 to broaden its focus within the context of the mandate specified in the Alexkor Act 116 of 1992 as amended by the Alexkor Act 29 of 2001.*

Expansion of mandate (2 of 4)

Why Coal Mining

The Coal Security of Supply Task Team study, commissioned by DPE, predicted a crisis in coal supply to Eskom by 2018:

- *By 2022, the coal shortfall could exceed 30 Mtpa, equivalent to 6-10 large coal mines and over 20% of Eskom's total demand;*

- *This is mainly due to mining company's cherry picking mining licence provisions to concentrate mainly on high grade coal for export and moving away from less profitable steam coal.*

This creates multiple opportunities for Alexkor to reduce Eskom's coal supply risk:

- *Utilise the current Eskom Infrastructure investment fund to develop a state owned capability in Alexkor;*
- *Agree a cost plus commercial model with Eskom to supply coal;*
- *Renegotiate lossmaking supply contracts with companies like Glencor-Optimum;*
- *Long and expensive litigation can be avoided by ceding coal supply right to Alexkor e.g. Khuthala.*

Expansion of mandate (3 of 4)

Benefits of Alexkor's entry into coal

- *To ensure security of supply to Eskom*
- *To create a stable economic and investment environment*
- *To improve the national credit rating*
- *To ensure transformation of the sector*

Perception of conflict of the Mangaung Resolution

- *Then managing resolution requires that the State Owned Mining Company (SOMCO) should be established and be under the direct supervision of the Department of Mineral*

Resources. Furthermore, SOMCO should gather all the State's interest in mining including those in Alexkor, AEMFC and other stakes which Government holds in mining corporations.

- *As a result, Alexkor's entry into coal is actually no conflict to the Mangaung resolution.*

- *This is a policy and political discussion and Alexkor will comply and has no preference as to where it is located.*

The energy crises is now and the responsibility to resolve it lies with the DPE (with Government through the Integrated Resource Plan)

Expansion of Mandate (4 of 4)

Steps for Implementation

- *Collaboration between Eskom and Alexkor including the transfer of certain assets from Eskom to Alexkor in respect of coal.*

- *A policy document being prepared by Alexkor and the DPE for submission to the Economic Transformation Committee by December 2014 to be tabled at the policy Conference in June 2015.*

** The implementation set out above will now take effect in January 2015 when the Boards of Eskom and Alexkor have been reconstituted."*

297. Bagus' forward in the 2015 Annual Report at p 12 states:

"OVERALL PERFORMANCE

As shown in the annual financial figures elsewhere in this integrated report, Alexkor boasts a solid performance, despite having posted an after-tax loss of R82 million. PSJV

Whilst the PSJV evidently still faces constraints, the Board is of the view that it has been put on a sound footing towards growth for Alexkor and for the benefit of the community.

The DoS envisages that the State will exit the structure, but it has to do so in a socially responsible manner.

THE COAL-MINING MANDATE

In its strategy session with the Minister during December 2012 the Board proposed coal mining as a means to provide coal to Eskom, and thus ensure security of energy supply to the national grid.

With the Shareholder having requested a business case from the Company, management has embarked upon a comprehensive submission for Board approval after the AGM.

APPRECIATION

The Shareholder's support has undoubtedly ensured the achievements of Alexkor and the PSJV in the past year, especially in helping us turn around the business.

This support came in large measure from the Honourable Minister Lynne Brown, her Deputy Minister Bulelani Magwanishe and the senior officials of the Department of Public Enterprises."

298. Khoza's overview at p 17 records:

"NEW BUSINESS

South Africa has a number of smaller junior emerging coal miners who need some form of consolidation to improve their business case in supplying cost effective coal to Eskom. We will endeavour to find the right partners with existing mining rights to leverage into our relationship with Eskom."

299. The Strategy Statement at p 20 records:

> *"Alexkor's new strategy is a departure from the past that will radically transform Alexkor into a diversified mining company. The proposed strategy includes key elements that will ensure the sustainability of Alexkor's mining operations.*
>
> *These elements are closely dependent on each other and will focus on:*
>
> *i. Unlocking value from the PSJV;*
>
> *ii. Extracting value from South African and African diamond mining opportunities; and*
>
> *iii. Utilising Alexkor's core mining capability to supply coal and Lime to Eskom and other industries.*
>
> *Alexkor has been mining alluvial diamonds on the West Coast of South for over fifty years. A wealth of experienced senior mining managers and executives with a proven track record have been recruited over the past 18 months who have already turned around the organisation from a production and profit perspective."*

300. Kellerman's Governance Report states at p 26:

> "BOARD OF DIRECTORS
>
> *The Board is responsible for driving the strategic direction whilst ensuring the optimal allocation of resources is accessible, with effective risk management and effective stakeholder communication and engagement in place.*
>
> *EXECUTIVE COMMITTEE*
>
> *The Company has an Executive Committee consisting of the following: Mr P Khoza, CEO; Ms T Mhlanga, Acting CFO; Mr H Mokwena, COO and Adv Z Kellerman, CLO.*
>
> *RESPONSIBILITIES OF THE BOARD*
>
> *The Board provides the Executive Committee with clear strategic direction, as documented in the Company's Strategic Intent and Corporate Plans.*

THE PSJV

The Board also fulfils an oversight role in relation to the PSJV Board, which operates as a sub-committee of the Board of Alexkor for reporting purposes. Governance processes have been implemented to enable regular reporting and sharing of information between the Board of Alexkor and the PSJV Board.

The governance framework of Alexkor has been implemented at the PSJV Board. In terms of the Deed of Settlement (DoS) concluded with the community of the Richtersveld, the Alexkor Board is required to have three board members serve on the PSJV Board.

The table on pages 35 to 36 reflects the members and attendance at PSJV Board and Committee meetings for the year under review.

CORPORATE GOVERNANCE FRAMEWORK

The Governance Framework that regulates the relationship between the Shareholder, the Company and the Board includes the following:

- *A Strategic Intent Statement, which sets out the agreed mandate and strategy for the Company. (We need a copy of the statement)*
- *A Corporate Plan, which forms the basis of the Company's operations and outlines the Company's strategic objectives.*
- *A Shareholder's Compact, which sets out annual key performance indicators and targets in support of the Strategic Intent Statement.*
- *A Significance and Materiality Framework, which sets out the requirements regarding matters needing approval in terms of the PFMA."*

301. The SE & HR Committee Report states at p 36 that:

"The SE&HR committee, under the guidance of the new Board, has made significant strides in changing the face of Alexkor. In 2013 Alexkor undertook to attract skilled and qualified personnel in preparation for the strategic business plans of the organisation.

A new Executive Committee (Exco) in the form of the Chief Financial Officer, Mr. Dludla, a Chief Operations Officer, Mr. Mokwena and a Chief Legal Officer, Ms. Z Kellerman were appointed.

In addition, the management team consisting of the Group Manager: Technical Services Mr. E Sithole, Group Manager: human resources Ms. B Makwetla and Group Manager: Finance Ms. T Mhlanga have been recruited.

The focus will be to build this new team and establish various processes and procedures in order that the team be enabled to deliver Alexkor's new mandated diversified strategy.

Salaries paid are based on the total package concept as per the approved remuneration policy. For the period under review, salaries paid to employees amounted to R18 132 429, R3 372 279 for Directors and R7 573 768 for contractors and consultants."

302. The strategic objectives and new business development were stated to be:

"*7 STRATEGIC OBJECTIVES*

The Board of Alexkor embarked on a strategic planning exercise on December 2012. The purpose of this session was to define the way forward for the business. The session was held in Johannesburg with the new Board members and representatives of DPE.

8 NEW BUSINESS DEVELOPMENT

Alexkor has been and still is in the process of identifying new projects to expand its mining operations and diamond resources. Its previous operations in Alexander Bay are now being managed within the PSJV under a separate management team and independent PSJV Board. This forced Alexkor to investigate other new business opportunities to generate alternative revenue streams to enable it to grow and to ensure sustainability. Alexkor received a mandate from the Minister to pursue these opportunities should they prove to be viable. Alexkor is currently exploring these potential opportunities."

303. The Directors Report at p 65 states:

> *"14. EVENTS AFTER REPORTING PERIOD*
>
> *The Minister of Public Enterprises also gave Alexkor a mandate to pursue other mining and related opportunities for new business development outside the Alexander Bay region in order to expand on its mining operations and includes expansion into coal mining. A revised strategy intent statement was received from the Shareholder on the 12th May 2015. These opportunities are being investigated and decisions to proceed will based on the viability and sustainability of such ventures. The Board accepts the risks related to new business development and believe that this expansion to be in the best interest of Alexkor's long-term sustainability going forward."*

304. In the 2016 Annual Report, Matseke's overview states at p 8:

> *"INTRODUCTION*
>
> *We, the board, whose credentials appear on pages 12 to 14, undertook a comprehensive review of the business, which indicated that the Company's operational and financial performance needs to be placed on a firmer footing than it currently is.*
>
> *This review was conducted across the entire value chain of the business, to address structural challenges that have impacted performance over time. Building on the varied and effective steps taken to contain operational costs in recent years, the objective of the proposed action was to create a safe, sustainable, competitive and profitable business for the long-term benefit of all our stakeholders.*
>
> *In order to achieve the above, it was necessary to align baseline production with long-term demand expectations and focus on a high-quality portfolio of assets, to produce diamonds on an economically sustainable basis, both on land and marine operations.*

Overheads have been reviewed and reduced while a new organisational design is in the process of being developed to ensure that the operations are appropriately supported.

Our commercial strategy has been revised to guarantee value and stability for diamonds and its customers, while also examining our participation in other mineral exploration and supply, including thermal coal to have a diversified portfolio."

305. It is an open secret that a consortium led by Wiese wanted to consolidate the west coast mining industry. Wiese said so himself when he bought into Trans Hex in 2016. It must be remembered that Carstens, the chief executive of the joint venture, outsourced the shortlisting of bids to a company called Gamiro (controlled Sonn), although there were only seven bids.

306. Sonn was a director of Steinhoff with Wiese, who was involved in Trans Hex which has been instrumental in the diversification of Alexkor into coal. However, it is accepted that Wiese only took control of Trans Hex in August 2016.

307. I believe that Khoza was an obstacle to Wiese's plans to monopolise the entire Namaqualand Diamond Industry unveiled in the presentation by Questco.

308. On 18 June 2018, I sent an open letter to Carstens, challenging him to deny the authenticity of the Questco document.[5](**GC149**).

309. I never received a response from him.

310. As it turns out, on 26 April 2018, less than two months after I had written to Carstens, Matseke wrote to Minister Pravin Gordhan lamenting his moratorium on the acquisition plans of State Owned Companies as it had effect of stifling its proposed establishment of Alexcoal. A copy of this letter is annexed marked ["**GC150**"]

THE ADMINISTRATION OF ALEXKOR

[5] 20180618 Open Letter to Carstens Re Questco [GC167]

311. On 12 September 2019 an Administrator of Alexkor, Mr Lloyd McPatie ("McPatie") was appointed for a period of six months. The Administrator held the positions of:

311.1. Executive Chairperson of Alexkor;

311.2. Chairperson of the Pooling and Sharing Joint Venture (PSJV); and

311.3. Chairperson of the Rehabilitation Trust

312. The Administrator's terms of reference were to:

312.1. Undertake an extensive review and analysis of the contract mining and revenue sharing models between the Alexkor Richtersveld Mining Company (RMC) PSJV and the contractors and provide proposed solutions;

312.2. Review the Alexkor and the Alexkor RMC PSJV cost structure to ensure that procurement of goods and services is at fair value and warranted;

312.3. Remove the duplicate functions at Alexkor Head Office and Alexkor RMC PSJV with a particular focus on executive and overhead expenses as well as to identify and implement other remedial and cost reduction intervention plans and/or initiatives;

312.4. Launch an investigation into any contractual impropriety and if need be, terminate marketing and sales contract with Scarlet Sky Investments (SSI) and propose solutions/options for the establishment of own or State Diamond Trader related diamond marketing and sales channel;

312.5. Develop a revenue enhancing plan with emphasis on contracting for mid and deep-water mining operations;

312.6. Propose a right sizing model for Alexkor and Alexkor RMC PSJV in line with the income streams;

312.7. Manage the rooting out of corruption and State capture related practices and individuals at Alexkor and Alexkor RMC PSJV;

312.8. Determine the optimal shareholding structure of the state's marine diamond resources;

312.9. Incorporate the Alexkor RMC PSJV to ensure adherence to the Act and proper Corporate Governance provisions;

312.10. Obtain in collaboration with the Department the support of the Richtersveld Communities and their appropriate entities into implementation of the Alexkor RMC PSJV restructuring interventions; and

312.11. Develop in collaboration with the Department a Key Stakeholder Engagement Plan to ensure support for the implementation of the above plans.

313. In Alexkor's Parliamentary Committee Report dated 27 May 2020 [**GC151**] it is stated that the contracts with Contractors should be reviewed as they are skewed in favour of the Contractors and against the Joint Venture, which I do not agree with because it is not true with respect to the small-scale marine miners, only the larger contractors.

314. The Administrator records that it launched an investigation into the impropriety of the contract concluded with SSI. This revealed that:

314.1. The appointment of SSI to do the marketing and selling of the diamonds is questionable from a governance perspective as SSI does not have a diamond trading license; and

314.2. the sales and marketing contract concluded with SSI was irregular.

315. It is recorded that Alexkor has applied to the South African Diamond and Precious Metals Regulator(SADPMR) for a diamond-trading license to enable the company to market and sell its own diamonds on various platforms and thus being able to cancel the SSI contract. It was anticipated that the license will be issued by end of February 2020.

316. It is also recorded that a legal firm was engaged to formulate charges against all implicated individuals and/or companies emanating from the Gobodo report.

317. Charges have been formulated and presented to Carstens, the CEO of the PSJV. A suspension letter with charges was sent to him on Friday 31 January 2020. The acting CEO, Mr Gerone Cloete ("**Cloete**"), has since reported his suspension to the CCMA and a disciplinary hearing will be scheduled after the CCMA process to ensure that the CEO does not continue to benefit from the PSJV while on suspension.

318. The fact that Alexkor has been stripped of all its assets is evidenced by the Administrator's statement that it only has funds which would last it until the end of March 2020 and thus, should be liquidated. It is furthermore stated that the PSJV is technically insolvent and cannot trade itself out of its current financial situation. In this respect it is recorded that:

318.1. Alexkor impaired a R200m loan in the 2018/19 financial year that was provided to the PSJV;

318.2. The PSJV currently has outstanding debts of approximately R100m which includes statutory payments such as PAYE, VAT and Pension Fund Contributions;

318.3. This will be reduced to R45m by the financial year end but the PSJV will not be able to meet its financial obligations during the winter months when carat production is low.

319. After the liquidation process, the Administrator suggests that a new corporatized and adequately recapitalised entity could be established.

320. As an alternative to liquidation, it is proposed that the joint venture be recapitalised on the basis that:

320.1. The budget required to do the exploration is approximately R400m;

320.2. The debt excluding the loan to Alexkor is around R100m;

320.3. Further funding will be required to adequately staff the mine with the correct levels of technical skills.

320.4. If a decision is taken to recapitalise the PSJV, it is recommended that the Deed of Settlement (DoS) and the Unanimous Resolution

(UR) must be set aside by a court of law and a Partnership Agreement between Alexkor and the PSJV must be entered into.

321. A further alternative proposal put forward by the Administrator is that the marine mining rights be sold to the private sector to partner with the community. However, it is said that these rights will be a hard sell as the exploration has not been done and there is no tangible value in the mining right without understanding the resource. This simply is not true; Alexkor's diamond rights are extremely valuable and their value is readily ascertainable as I have demonstrated in this affidavit.

322. I regrettably fear that this report provides an excuse to sell off Alexkor's highly valuable mining rights to a private entity (which will include politically connected individuals) pursuant to a sale in liquidation at a rock bottom price, a scenario which I believe was contemplated when Minister Gigaba first arrived at the DPE.

323. Whatever scenario is adopted, this does not bode well for the contractors, the South African taxpayers or the Richtersveld community. Alexkor's marine mining rights are a priceless strategic national asset belonging to the people of South Africa that should under no circumstances, particularly stressed circumstances, be sold off. It will be a calamitous decision.

Allan's response to the Administrator's Parliamentary briefing

324. Following the briefing of the Parliamentary Portfolio Committee on Public Enterprises and the Select Committee on Public Enterprises and Communication by the Administrator of Alexkor, Sable Metals & Minerals CEO, Allan, expressed the view in the Mining Weekly on 27 May 2020 that a panel of experts should be formed to properly oversee the future of the struggling State-owned diamond mining company Alexkor, and to unlock the greater long-term potential of northern Namaqualand. A copy of this article is annexed hereto marked [**GC152**]

325. I would like to respond to the averments made by Allan in the aforementioned article. In doing so, I will quote the passage I wish to respond to in italics and respond thereto thereafter:

325.1. "*The diamond deposits of Namaqualand were discovered by Jack Carstens in 1926 and were further delineated by Dr Hans*

Merensky, who identified Oyster shell as being a significant marker for the paleo beach terraces in 1927.

The State Alluvial Diggings (SAD) were proclaimed in 1928 and mining has taken place along this arid coastline since then for 92 years, with the SAD being transformed firstly into the Alexander Bay Development Corporation in 1989, and then incorporated into a public company, Alexkor Limited, with the State as the sole shareholder in 1992.

Subsequent to a Land Restitution Claim the local community was granted the mineral rights to the land areas and Alexkor remained with the marine mineral rights. A PSJV was formed between Alexkor (51%) and the Richtersveld Mining Community (49%) to mine and recover diamonds from the land and sea.

Notably these deposits have been mined for over 90 years and it is becoming increasingly difficult to mine them profitably. Over the last five years there has been a trend of decreasing stone size in diamonds recovered from land operations and a decreasing contribution in diamonds mined from the sea."

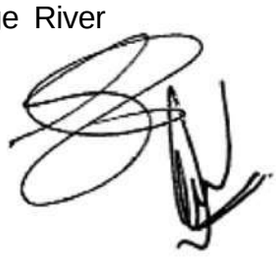
325.1.1. While true that the Namaqualand diamond deposits have been mined for almost a century, and it is certainly the case that it is becoming increasingly difficult to mine them profitably, I must disagree with Allan's overall diagnosis of Alexkor's problems.

325.1.2. Firstly, the mining histories of the terrestrial terraces and the marine terraces must be dealt with separately. We agree that the terrestrial diamond terraces have been mined for more than 90 years and that these terraces are now mined out for the most part.

325.1.3. The marine terraces, however, are an entirely different matter, the writing of their history will have to wait another hundred years until they too have been mined to the equivalent extent, perhaps even longer.

325.1.4. I say this for the following reasons:

(a) The submerged marine diamond terraces hold the bulk, probably about 95%, of the overall diamond population that was transport to the Atlantic Ocean by the Orange River



drainage system from the volcanic pipes that hoisted them to the earth's surface.

(b) The extensive onshore mining operations along the coast only constitute what could be described as nibbling along the edges of the greater overall diamond mega-placer deposit.

(c) Whereas the onshore terraces occupied a coast-wise strip approximately 2 km wide, the marine terrace strip is approximately 45 km wide.

(d) This massive diamond deposit has not been developed, firstly, because until recently the geotechnical challenges were insurmountable, and, secondly, because it has been at the centre of state capture dynamics that have created an environment too toxic to attract the capital investment, innovation and entrepreneurship such an undertaking requires.

325.2. *"In the recent presentation to Parliament (Mining Weekly 27 May 2020) by Mr Lloyd McPatie, the Administrator for Alexkor, stated that there should be a more scientific method to splitting the revenue from diamonds between the PSJV and the mining contractors."*

325.2.1. McPatie makes a good point but then he discredits himself by recalibrating the small-scale miners deal splits in favour of the PSJV without conducting any of the "scientific" analysis he claims is necessary.

325.3. *"The current split has been found to be appropriate over a long period of time, and if it does favour the contractors, this is appropriate given they carry all risk, including mining, geology, an old and depleted resource, and decreasing sea-days due to climate change, with ample evidence that the mining contractors themselves do not have highly profitable operations".*

"Alexkor's land and shallow marine operations are increasingly marginal and changing the revenue split could result in some of the contractors leaving for other, better, options."

325.3.1. The small-scale marine miners have no other option and their assets are hopelessly stranded, a situation that has been exploited by both Alexkor RMC JV and Trans Hex for more than a decade.

325.4. "*The awarding of a tender to Scarlet Sky Investments (SSI) has been controversial since it was awarded the contract to run the tender process on behalf of the PSJV".*

"This award was approved in a PSJV board meeting and premised on the State's drive to beneficiate goods locally, which SSI has done in its joint venture beneficiation facility in Killarney, Gauteng, in spite of most of Alexkor's being too small (60% of production is less than 0.66 carats per stone) to ensure economic local beneficiation".

325.4.1. Section 20A of the Amended Diamond Act deprives the local emerging BBBEE marine diamond miners of at least 30% of the market value of their diamonds and the SDT gets 10% of their production at an even greater discount. There can be no doubt that beneficiation was merely a pretext for state capture.

325.4.2. What measures can the regulatory authority demonstrate have been taken to assist the local BBBEE marine miners? None, because as Mr Carstens was fond of telling the EAC, we have "*no political top cover*". Our members have often lamented this unfair disadvantage.

325.4.3. Furthermore, these existential challenges to the local marine diamond industry have been well documented in Parliament since 2010 and it has also been repeatedly stated and acknowledged in the same forum that the health of this industry is of primary importance to the local economy.

325.4.4. Why then is all the regulatory emphasis on the beneficiation of Alexander Bay's diamonds when there is no benefit at all for the people who live in Alexander Bay or the people that mine these diamonds? And why are the miners' contracts cancelled for voicing legitimate concerns while SSI's contract is untouchable even after revelation upon revelation of state capture participation?

325.5. "*An investigation of the mining, recovery and tender process was conducted by the author in early 2019 and comprehensive report showed that while there was room for improvement in certain aspects of the SSI arrangements, the overall tender sale system (sealed auction) was inherently robust, and compatible with the approach followed by most local and international small and medium diamond producers".*

325.5.1. Based upon Allan's investigation into the sales and marketing of our diamonds, Allan contends that SSI conducts a "sealed auction" on behalf of Alexkor RMC JV, that is "*inherently robust*" and "*compatible with the approach followed by most international small and medium diamond producers*".

325.5.2. The EAC and I contend that SSI conducts a farce of an auction on behalf of a cabal of insiders who use Nathan's ability to monitor bids in real time and communicate these bids to the cabal as a means to providing its members with a robust and unlawful competitive advantage over non-cabal bidders.

325.5.3. Even the process by which SSI won the tender to market and sell our diamonds in the first place has been found to be riddled with irregularities, illegal, unconstitutional, uncompetitive and unfair to the other competing bidders.

325.6. "*The appointment of an experienced independent diamond valuator to ensure that the contractor's interests were taken care of was one of the positive outcomes of this independent investigation".*

325.6.1. Allan's claim of an "*experienced independent diamond valuator*" being appointed to "ensure that the contractors' interests were taken care of" is naïve as there are volumes of prima facie evidence suggesting that there is no such thing in South Africa's deeply conflicted rough diamond trading industry. The entire South African diamond value chain needs to be subjected to deep scrutiny and fundamental overhaul in the public interest.

325.6.2. Despite numerous attempts, the EAC failed to engage the services of local diamond valuator or for a local diamantaire to go on record about the corruption taking place in Alexkor's diamond value chain.

325.7. *"The Department of Public Enterprises appointed Gobodo Forensic and Investigative Accounting (GFIA) to investigate complaints by a*

group of contractors into the construction of a coffer dam in 2012, the awarding of the marketing contract to SSI, and the conflict between the contractors and the PSJV".

The GFIA Report on Alexkor presented to Parliament and referred to in the Mining Weekly article is flawed in many respects. The report makes a comparison between the prices achieved on tender with the Zimnisky and Bloomberg long term diamond sales indices, which they (Gobodo) show as prices in the various tables."

325.7.1. The report may be flawed in certain respects, but this is more indicative of the lack of cooperation the team received from the PSJV management combined with the overwhelming tactical complexity and opaque nature of the diamond trading industry.

325.8. *"An index is an index, not a price. Significantly, the diamond production from the PSJV is unique in terms of both its alluvial (secondary) origin, size distribution of the diamond sizes, and quality.*

By comparison the Zimnisky and Bloomberg Indices which purport to reflect global diamond production are based almost exclusively on kimberlite mine goods, bearing in mind that about 96% of world diamond production is from kimberlite (primary) hard rock sources, and hence any comparison of the two distinct populations is erroneous.
The PSJV production is furthermore bimodal with approximately 35% of the value derived from single stones over 6 carats in size (5% in carats) and another 34% from diamonds below 1,5 carats per stone (approximately 80% of carats)."

325.8.1. An index is an accepted statistical measure by which the relative performance of a financial investment in an asset can be assessed. An emerging BBBEE marine diamond miner does not invest in a mining vessel when he builds or buys it to mine Alexander Bay's world class diamonds, he invests in the diamonds themselves.

325.8.2. The suggestion that he must put his life's savings at monumental risk and not be entitled to benchmark the price performance of his investment against an index because the diamonds he invested in are too high in quality to be benchmarked can't be taken seriously.

325.8.3. In the period from 2008 to 2017, the State Diamond Trader's selling price in US$ per carat as presented to Parliament on 10 October 2019, increased by 412% ($97 per carat to $496 per

carat). By all accounts, our business' value should at least match this growth as the law states that the SDT may only trade in representative selections of local mining production.

325.8.4. During the same period however, Alexkor RMC JV's diamond prices dropped by 6% ($463 per carat to $438 per carat). How is it possible that Carstens, who is the Chairman of the SDT and the CEO of the Alexkor RMC JV, and Allan find nothing untoward about such a glaring difference in price performance?

325.9. *"The GFIA report also analyses the total sales and the values sold to the State Diamond Trader (STD) and for beneficiation.*

It ignores the fact that there is an agreement with the State Diamond Trader not to buy diamonds over 4 carats in size, because there are few diamonds produced in this size range, and for example it would be impossible to 'remove 10% of a single 6 carat stone (or for that matter a 30 carat stone)?"

325.9.1. If what Allan says regarding an agreement between the SDT and the PSJV is true, then more important is the fact that such an agreement is unlawful as it clearly breaches S59B.(1)(b) of the Diamond Act as amended which states:

> "*The percentage contemplated in paragraph (a) may be based on carats and value and shall be a representative sample of a production cycle of any diamond producer*."

325.10. *"If the STD were to buy single stones in these categories this would furthermore prejudice the contractor and the PSJV.*

By agreement with the PSJV, the STD has the right to purchase up to 10% of total production from diamonds less than 4 carats per stone. This means that the STD buys a higher percentage of diamonds in the lower size ranges.
The legislation allows for the purchase of the 10% in terms of carats. However, inspection of annual reports for the STD shows that this percentage has typically been about 4% of local production anyway. The GFIA report finds that less than 5% by value of diamonds are sold for beneficiation. The South African cutting and polishing industry can only cut and polish certain sizes profitably.

Large single stones and small stones or Melee are typically cut overseas where the expertise and cost structures are better suited to maximising the value from large stones and the smaller diamonds (of which the PSJV has a large proportion of their production).

Overall Alexkor goods are too small to be manufactured profitably in South Africa because of high labour costs and the inability to compete with the costs of manufacturing in India. Nine out of every ten (90%) of the world's rough diamond production (which averages about 0.30 carats per stone) are manufactured in India due to their competitiveness, cost structures, and cut quality.

Thus, only a small range of sizes is selected for beneficiation, mainly in the 2 to 4 carat range. This size range represents approximately 14% in terms of carats and 24% in terms of the Alexkor value.

Taking 5% of total production out for beneficiation would represent a large proportion of the diamonds in this size range and it has been decided by the tender house jointly with the PSJV that withdrawing this proportion of diamonds for beneficiation would be detrimental to the overall tender prices achieved, and hence further directly impact the sustainability of Alexkor.

325.10.1. What Allan is implying is that every transaction between the SDT and Alexkor RMC JV under the watch of Carstens and Nathan has been unlawful. Two parastatals doing business together cannot simply disregard regulations they find inconvenient. After all, they make these regulations.

325.11. *"The contract does allow for the quantity to be agreed between the PSJV and the tender house.*
The Gobodo report goes on to say that SSI has contravened the Diamond Export Levy Act in that it does not pay any export royalty.

GFIA ignores the fact SSI does not sell the diamonds, they facilitate a tender sales process (which is generally acknowledged as the best way for a diamond producer to realise value from production) on behalf of the PSJV".

325.11.1. In the greater context of state capture, the granular details relating to export royalties and offtakes are not material issues, particularly in light of the uncontested finding by Gobodo that SSI should clearly have been disqualified right at the very start of the tender process in 2014. To be quibbling about offtakes and royalties seems rather incongruous in the circumstances.

325.12. *"All of the buyers of the PSJV goods are South African based (albeit some of them have foreign holding companies) and therefore the sales are exempt from the export levy. It is only when these local buyers wish to export the diamonds that the diamonds are offered on*

the local bourse, and if they are not sold to local buyers, then the export tax is paid".

325.12.1. Most, if not all the significant buyers, whether foreign or local, have been participating in a collusive bid-rigging racket to deprive the miners and the state of fair diamond prices. The export exemption, as with the royalties, is not germane to the issue.

325.13. *"Overall, the situation facing Alexkor is indeed in need of a positive outcome, most of all for the impoverished communities of the Richtersveld and Northern Namaqualand, and the long-term sustainability of the region and its economy.*

Importantly positive solutions and outcomes need to be achieved on the basis of proper due diligence of the facts by experts, mindful of the need for long term development that will benefit the entire region, and which replace mining which is finite and in decline.

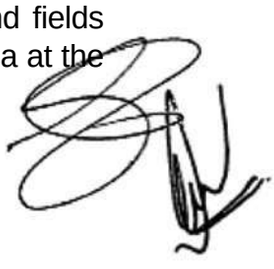
325.13.1. If there had been any due diligence or concern for the long term development of Alexkor and the region during all the years that the EAC has been fighting for transparency, public accountability, good governance and against relentless state capture, Alexander Bay and Port Nolloth would be hosts to thriving marine diamond mining industries and vibrant diamond tourism attractions today.

325.14. *"There may well be some future in the evaluation and development in the longer term of the deeper offshore diamond resources (the 'B' and 'C' Concessions of Alexkor). However, at a rough estimate an initial R500-million would be needed for systematic and detailed evaluation of these deposits, money which Government does not have.*

These deep-water concessions should be sold off to capable and well-resourced private enterprise as a priority, so as to prevent a repeat of Alexkor's recent history".

325.14.1. When the EAC took steps to counter Alexkor's state capture driven strategy to exit diamonds for coal, and Alexander Bay for Witbank, we took a principled decision to fight to keep Alexkor's marine diamond rights in the hands of the state and to argue that the privatisation of these rights would deprive the people of South Africa the opportunity to not only recover all the taxpayer money that has been invested into Alexkor but also to participate in the most significant mining play in the history of the diamond industry.

325.14.2. The kimberlite diamond pipes of the Kimberley diamond fields that gave up tonnes of diamonds and placed South Africa at the



centre of global diamond mining for many decades, are only small remnants of the original diamond pipes.

325.14.3. The original diamond pipes extended 1.4 km vertically and proportionally in the horizontal plane compared to what remains today. It is a geological fact that 1 400 m of the earth's surface has been removed by denudation from the region.

325.14.4. This process liberated every diamond that was trapped in the kimberlite host rock of the original volcanic pipes above the present-day surface elevation and released them into the westward flowing Orange River drainage system.

325.14.5. The late Dr John J. Gurney estimated that 3.5 billion carats of diamonds started the epic journey from Kimberley to the mouth of the Orange River, a process that destroyed the low grade diamonds and released about 1.5 billion carats of 97% high grade gem quality diamonds into the sea.

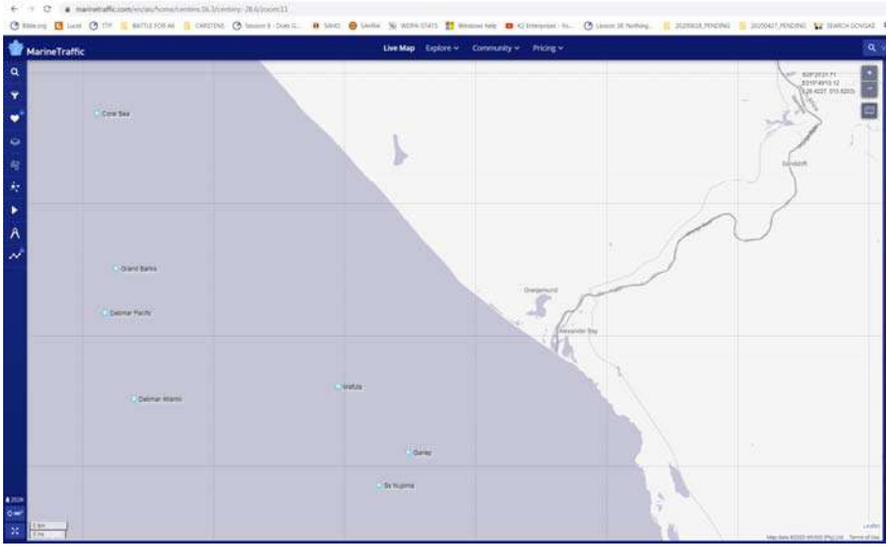
325.14.6. The proof of this geological pudding can be found by logging onto the AIS (automatic identification system) portal indicated in the screengrab below. The seven Namibian diamond vessels shown (as of 23 July 2020) are producing about 1.5 million carats of gem diamonds a year, worth approximately R12.5 billion.

325.14.7. The Namibians are investing heavily into the development of their side of the Orange River Delta diamond field, training and employing hundreds of their citizens in advanced technologies and professions, making money hand over fist, ordering new multi-billion-rand state of the art mining vessels every three years and generally making us look like backward garimpeiros.

325.14.8. What you will notice from the image is that these vessels are all mining a considerable distance from the shore because the sediment thickness increases to the east before it again thins out at the coast, and the tooling is at risk when mining into mud thicker than four metres.

325.14.9. What you will also notice from this image is that there is no mining activity south of the provisional maritime boundary, simply because of the destructive state capture dynamics I mentioned above. While the Namibians have been quietly putting all their energy into developing their half of this resource we have been

putting all our energy into either promoting state capture or combatting it.



In conclusion, the EAC and I strongly disagree with Allan's advice to Government that the marine mineral rights must be "sold off" as they are unquestionably strategic national assets and arguably priceless.

325.14.10. We just as strongly disagree that we need yet another "panel of experts, all of whom already exist, to properly oversee the future of Alexkor, and to unlock the greater long-term potential of Northern Namaqualand".

325.14.11. What we need is for the shallow, mid and deep-water miners to sit down with the Department of Public Enterprises, Alexkor, local government and the authentic representatives of the Richtersveld Community and negotiate a way out of the disastrous PSJV agreement and into a new, equitable and sustainable long term marine mining industry development plan.

THE SUSPENSION OF CARSTENS

326. My misgivings and concerns about the activities of Alexkor have been to some extent vindicated by the suspension of Carstens on 31 January 2020 **["GC153"]**. In his letter of suspension, Carstens is accused of, *inter alia,* gross negligence in that he:

326.1. "*failed to act objectively and in the interest of the PSJV by ignoring recommendations by the Bid Evaluation Committee in respect of the award under tender 2/2017"; and*

326.2. neglected to take into account Regulations in respect of the appointment of Service Providers in relation to the minimum requirements for tenders. One of which being the award of tender 3/2014 to Scarlet Sky Investments (Pty) Ltd (SSI); and

326.3. failed to take relevant and necessary action against SSI for breaching the marketing and sales agreement by not selling 10% of the value of rough diamonds in terms *of the Marketing, Value and Beneficiation Agreements".*

327. Significantly, Carstens was also accused of gross misconduct in that he "failed *to monitor the contract between the PSJV and SSI and thereby allowing the underselling of rough diamonds to Joe Gaddies in contravention with section 8 of the Diamond Export Levy Act*".

328. He is further accused of his failure to demonstrate acceptable conduct in that "*he failed, without proper cause to perform your fiduciary duties with proper care required from you by:*

328.1. "*Placing the PSJV at risk by not ensuring that 15% in value of the rough diamonds were sold for beneficiation; and*

328.2. *Expressing bias by his failure to disclose information of buyers and misrepresenting SSI as a buyer".*

CONCLUSION

329. In light of the foregoing, I believe that I can credibly claim that Alexkor was captured by the Gupta family; first, by rotating the Board and repurposing Alexkor for diversification into the coal industry and secondly, in the form of SSI, when they were allowed to physically take control of Alexander Bay's diamond value chain.

330. The direct costs as a result of the capture of the marine diamond industry is quantified by the technical analysis of the diamond sales referred to above. It appears from the financial results which have been published by Alexkor that during the period from 2000 to 2019, Alexkor has lost in the order of at least R3.3 billion. This is a direct loss suffered by Alexkor and RMC, as well as the taxpayers of South Africa.

331. This figure has been conservatively estimated as the statistics exclude the data for high value special diamonds because these prices are only disclosed to the

producers thereof in their broker's notes and are therefore, not currently available for analysis [**GC154**].

332. To illustrate my point, one need only study an Alexkor broker's note and compare the difference in prices between large special stones of 6.8 carats and above and the mixed stones smaller than 6.8 carats.

333. When the special stones are included in the calculation of the average per carat selling price, the value is significantly higher, as illustrated in the example of a broker's note for diamonds produced by myself and my team in March 2015 and the accompanying average prices as per TABLE-A and TABLE-B [**GC155**].

334. The indirect costs suffered as a result of the Alexkor capture project are equally catastrophic, but are harder to quantify. They are, however, equally as real, some of which are:

334.1. the collapse of the local marine diamond mining industry;

334.2. the loss of many small businesses in the diamond mining sector; and

334.3. the collapse of the economy in the Richtersveld region, including the loss of the livelihoods of the marine mining contractors.

GAVIN JOHN CRAYTHORNE

I hereby certify that on 17 July 2020, in my presence at Alexander Bay

GAVIN JOHN CRAYTHORNE signed this Affidavit and swore and acknowledged to me that he knew and understood the contents thereof, had no objection to taking this oath and that he considered this oath to be binding on his conscience.

COMMISSIONER OF OATHS
FULL NAME: DANA VAN WYNGAADT
DESIGNATION: CAPTAIN - SAPS
AREA: ALEXANDER BAY

GC01

Call to break up West Coast marine diamond monopoly

Cape Times 1 Jul 2011 Melanie Gosling

RISKY BUSINESS: On average, two diamond divers die a year on the West Coast. Here a diver uses a pneumatic jackhammer on the diamondiferous gravel, which is sucked up by a pipe.

SMALL-SCALE marine diamond miners have written to Mineral Resources Minister Susan Shabangu, calling on her to break up the monopolistic structure that four companies have on marine diamonds off the West Coast.

The small miners, who dive for the diamonds in highrisk operations, have to give up to 52 percent of the price of the diamonds to the concession holders – one of the four companies who hold all the marine diamond rights: Alexkor, Namagroen, De Beers and Transhex.

If the sale of De Beers Namaqualand Mines to Transhex goes through, it will further entrench the stranglehold, with 90 percent of the marine diamonds concentrated in only two companies, Transhex and Alexkor.

Apart from Alexkor, the big companies are not working many of their concessions, with about 70 percent either under-used or dormant. Small-scale marine miners have described the situation as "feudal".

Although there is vast mineral wealth in the marine diamonds, most West Coast communities are poor.

Now small marine miners, including diamond divers, skippers and boat crew, have formed a group called the Equitable Access Campaign to fight for their rights. In a letter to Shabangu this week, chairman Joseph Klaase said they objected strongly to the inclusion of De Beers Namaqualand Mines' sea concessions in the sale of De Beers mines to the Transhex consortium.

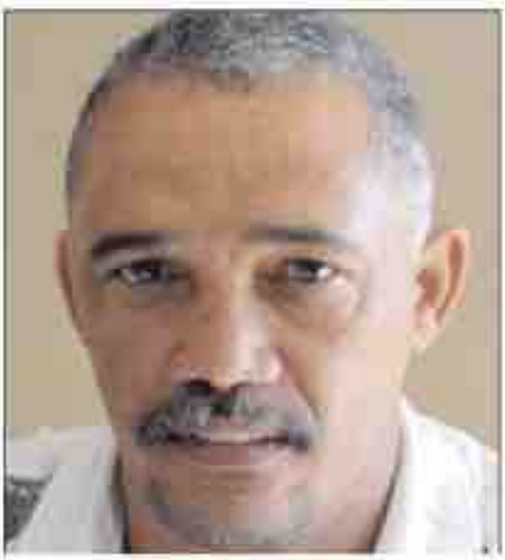
They have no issues with the land operations being sold. "Despite our best efforts to engage with De Beers in order to bring about equitable access to the concessions, we were unsuccessful and discovered to our dismay, in the press, that a decision had been made to sell Namaqualand Mines to a Transhex consortium," Klaase wrote.

"This will be extremely harmful to the small-scale marine diamond mining industry... The monopoly structure is already responsible for the sterilisation of more than 70 percent of the country's marine diamond shallow water resource, and the decimation of a once vibrant and unique diamond diving heritage."

Gavin Craythorne, the group's technical advisor, said yesterday: "It's as if some of the concession holders are operating a feudal system, instead of being a developmental system.

GC01

GEMS: The famous 111-carat Cirrus diamond found by a small-scale marine diamond diver for Alexkor in 2003.



FIGHT FOR RIGHTS: Equitable Access Campaign chairman Joseph Klaase wrote to the Mineral Resources minister.

'OBLIGATIONS': Gavin Craythorne says it's as if some of the concession holders are 'operating a feudal system'.

"They should be fulfilling their obligations in terms of the Mining Charter and the Minerals and Petroleum Resources Development Act, which are geared towards development.

"Transhex sits in Parow and collects 'rent' without adding any value.

"There is zero risk for the concession holder. We carry everything.

"This feudal system could be supported in the past, when there were more sea days, before climate change and when the resource was more abundant.

"But today there is no place for companies that add no value, but just sit back and collect rent from the small guys."

Their proposal is that the marine concessions in the under-used shallow areas be transferred to a co-operative of small-scale miners.

"The co-operative would act as a vehicle to acquire the licence, but where everyone works to bring out the diamonds and there is no one who gets in a position to sit back and collect rent," Craythorne said.

Transhex and De Beers have 11 concessions between them, but have created only eight jobs, by employing two sub-contractors. Alexkor has created 442 jobs.

GG02

THE MUISVLAK MANIFESTO

PREAMBLE:

The Northern Cape small-scale marine diamond industry should be structured in a manner that gives effect to the principle of equitable access.

This is a rational and legitimate expectation for the community to hold and it is also our government's stated intention in terms of the BEE Mining Charter and MPRDA which are emphatic in this regard. The community's right to equitable access is also enshrined in the Bill of Rights.

The reality is that many of the marine diamond concessions in the Northern Cape are either dormant or moribund due to the absence of equitable access for small-scale miners who alone possess the means of extraction whilst the rights holders themselves have no extractive capacity of their own, choosing rather to outsource the risk and effort and collect rent or suspend operations. This extravagant laissez-faire approach is made possible by the fact that shallow water mining is not the core business of the concession holders who have access to robust alternative revenue streams.

It is profoundly harmful to our community that such a vast and valuable national asset can be rendered inaccessible by the refusal of the rights holders to accept the harsh new reality facing marine mining SME's. A reality in which seadays have declined steadily from one hundred and fifty in 1999 to twenty in 2009.

The EQUITABLE ACCESS CAMPAIGN was established by members of the small-scale mining community on 28th April 2010 at the Muisvlak Convention Centre, situated between Port Nolloth and Alexander Bay, in order to pursue the right of equitable access to the diamond resource located beneath the waves of the adjacent Atlantic Ocean.

We will strive to bring this about by undertaking the following.

COMMITMENTS:

1. Uniting all Northern Cape small-scale marine mining businesses in pursuit of equitable access to the province's marine diamond resource through the acquisition of marine mining rights.
2. Identifying and targeting marine concessions that are not being utilized and developed in accordance with the BEE Mining Charter and MPRDA.
3. Engaging with the rights holders of these concessions in good faith in the hope of bringing about a friendly and orderly transformation and revival of the industry.
4. Where unsuccessful in this approach, using any and all means of lawful and ethical leverage to bring about transformation in the spirit of nation building.
5. Establishing the Small-scale Marine Diamond Miners' Co-operative as a commercial entity to hold mineral rights on behalf of the community and to facilitate the professional and optimal exploitation of the resources accessible under those rights.
6. Bringing back skilled miners that have left the industry due to the decline in profitability and lack of equitable access and encouraging newcomers to the industry by lowering the barriers to entry and offering mentorship programs.
7. Ensuring that the principle of equitable access extends downstream in the value chain to small beneficiators by ensuring a constant supply of high quality rough in small, affordable parcels.
8. Ensuring that the unique diamond diving heritage of our community is shared with the world by partnering with the tourism and cutting industries in order to take advantage of the compelling synergies that exist between the three industries. It is unacceptable that our tourists must drive to Johannesburg to buy a diamond from the sea.

CONCLUSION:

The small-scale marine diamond industry has been the bedrock of the Northern Cape coastal region's economy for decades. The lack of equitable access has resulted in the effects of climate change, resource depletion and prohibitive operational costs bringing about the decimation of a once vibrant and unique seafaring heritage.

It is time to lead our industry into The New South Africa. **Muisvlak - 28th April 2010.**

GC02

DECLARATION

We, the undersigned small-scale marine mining businesses, support the Muisvlak Manifesto in full.

Small Mining Business	Black Ownership		Company Representative		Contact Number	Signature
ABUTI 1103	100%		Anita	Panizza	078-428 3017	
ALE VINCE DIAMONDS 1	100%		Vincent	Young	082-8060 814	
ALE VINCE DIAMONDS 2	100%		Vincent	Young	082-806 0814	
ALE VINCE DIAMONDS 3	100%		Vincent	Young	082-806 0814	
ALLUVIAL MINING 1		50%	Hermien	Rossouw	082-414 0008	
ALLUVIAL MINING 2		50%	Bonita	van der Berg	082-472 2487	
ALLUVIAL MINING 3		50%	Johan	Strauss	072-337 2050	
BBC DIAMONDS 1	100%		Ronny	Coraizin	083-612 2507	
BBC DIAMONDS 2	100%		Franscious	Bekeur	082-788 5053	
BDC DIAMONDS 1	100%		Bobby	Cloete	078-210 2933	
BDC DIAMONDS 2	100%		Fabian	Panizza	083-874 4750	
CCHR MARINE 1	100%		Roland	Saal	082-805 7089	
CCHR MARINE 2	100%		Freddie	Van Niekerk	073-782 6048	
CDH SEA DIAMONDS	100%		Fanie	Cupido	073-654 3169	
CIRRUS DIAMONDS 1	100%		Derek	Uys	083-633 5970	
CIRRUS DIAMONDS 2	100%		Calvin	Losper	072-173 1956	
CIVITATUS 1	100%		Tiemie	Daniels	083-639 6465	
CIVITATUS 2	100%		Gerald	Thomas	071-432 4662	
CIVITATUS 3	100%		Victor	Gansie	072-313 8794	
CIVITATUS 4	100%		Edward	Smith-Fielding	082-627 1257	
DESERT DREAM 1		50%	Ronel	Cockerel	083-232 1735	
DESERT DREAM 2		50%	Ricky	Labuschagne	083-374 4117	Ronelle Cockrel 0832321735
GRAYSTONE TRADING 1		50%	Jaco	van Niekerk	074-116 9318	
GRAYSTONE TRADING 2		50%	Jaco	Van Niekerk	074-116 9318	
GRAYSTONE TRADING 3		50%	Jean	Kotze	079-499 2120	

Agenlin 2000cc M Nicholson (Budgie) 0829516594

GC02

GRAYSTONE TRADING 5		50%	Kobus	Kotze	079-499 4119	
HENQUE 2885	100%		Rensie	Heever	082-364 7858	
JBDE DIAMANTE	100%		Eggy	Farmer	083-245 2761	
JETVEST 1	100%		Neville	Cornberg	082-951 6601	
JETVEST 2	100%		Deon	van Wyk	073-573 8688	
JOFERO DIAMONDS 1	100%		Cavin	Cloete	083-622 8225	
JOFERO DIAMONDS 2	100%		Daniel	den Heever	073-648 5153	
KANIVEST 3250		50%	John	Basson	083-234 6304	
LENCAVIC VENTURES		50%	Len	Schreuder	082-803 6925	
MULTI FACET 1		50%	Simon	James	084-250 8909	
MULTI FACET 2		50%	Simon	James	084-250 8909	
NXANTATHU		50%	Kobus	Kriel	082-576 6118	
OCEAN DIGGERS	100%		Gavin	Craythorne	083-630 1380	
ORANGE RIVER MINING		50%	Wayne	Cooke	082-574 9092	
QUADRO RATS MARINE	100%		Archie	Ovies	083-225 5027	
SEA RAVEN 1	100%		Reagan	Jacobs	076-885 9701	
SEA RAVEN 2		50%	Louwrence	Botha	079-510 9790	
SEASONS FIND 1		60%	Barend	Cronje	083-285 7543	
SEASONS FIND 2	100%		Thompie	van Wyk	083-490 4982	
SEASONS FIND 3	100%		Gerald	Arendse	083-411 4842	
SHARP MINDS 2		50%	Harry	Burnett	083-632 6357	
SUNGLIDE 39		50%	Bias	Hanekom	083-628 8909	
WEST COAST MARINE MINERALS 1		50%	Victor	Haynes	083-378 7913	
WEST COAST MARINE MINERALS 2		50%	Geoff	Lorentz	071-243 9778	
ZANZIBAR DIAMONDS 1	100%		Quinton	Cloete	072-172 9566	
JOFERO DIAMONDS 3	100%		GERT OPPERMAN		0765603822	

TOTAL BUSINESSES: 51

TOTAL BLACK OWNERSHIP: 79.41%

AREND GROBBELAAR ALABAMA 027854 7738

GC03

Year	Month	Carats	Exchge rate	Diamond Revenue	Royalties	O. Digger Share	Alexkor Share
2006	January	98	6.3	R 464 460	R 23 223	R 211 664	R 229 573
2006	February	87	6.3	R 276 930	R 13 846	R 126 165	R 136 918
2006	March	7	6.1	R 24 139	R 1 207	R 10 998	R 11 933
2006	April	7	6.2	R 31 735	R 1 587	R 14 462	R 15 686
2006	May	12	7.0	R 18 602	R 930	R 12 348	R 5 324
2006	May	16	7.0	R 33 317	R 1 666	R 15 172	R 16 479
2006	June	5	7.0	R 8 590	R 429	R 3 910	R 4 250
2006	August	24	7.2	R 116 657	R 5 833	R 53 164	R 57 660
2006	September	31	7.5	R 230 988	R 11 549	R 105 290	R 114 149
2006	November	27	7.5	R 222 976	R 11 149	R 137 640	R 74 188
2006	November	4	7.5	R 8 009	R 400	R 3 647	R 3 962
2006	November	207	7.1	R 852 385	R 42 619	R 388 414	R 421 352
2006	November	42	7.1	R 299 677	R 14 984	R 184 976	R 99 717
2007	January	30	7.1	R 81 579	R 4 079	R 54 191	R 23 309
2007	January	13	7.1	R 54 647	R 2 732	R 33 721	R 18 194
2007	March	375	7.2	R 2 098 812	R 104 941	R 1 295 345	R 698 526
2007	March	122	7.2	R 590 508	R 29 525	R 364 156	R 196 826
2007	March	18	7.2	R 426 793	R 21 340	R 194 593	R 210 860
2007	April	20	7.1	R 510 716	R 25 536	R 232 861	R 252 320
2007	April	135	7.1	R 582 189	R 29 109	R 386 896	R 166 183
2007	April	8	7.1	R 18 048	R 902	R 8 219	R 8 926
2007	April	4	7.1	R 215	R 11	R 93	R 111
2007	July	30	6.8	R 94 689	R 4 734	R 62 910	R 27 045
2007	October	8	6.5	R 34 582	R 1 729	R 21 340	R 11 513
2007	October	19	6.5	R 59 973	R 2 999	R 39 845	R 17 129
2007	November	26	6.8	R 62 429	R 3 121	R 41 464	R 17 843
2007	November	6	6.8	R 8 034	R 402	R 5 330	R 2 302
2007	November	6	6.8	R 7 713	R 386	R 3 509	R 3 818
2008	January	106	7.0	R 532 221	R 26 611	R 353 722	R 151 888
2008	March	346	7.9	R 2 103 285	R 105 164	R 1 398 019	R 600 102
2008	March	4	7.9	R 4 624	R 231	R 3 067	R 1 325
2008	March	4	7.9	R 4 510	R 225	R 2 051	R 2 233
2008	April	214	7.8	R 1 272 366	R 63 618	R 845 712	R 363 035
2008	May	26	7.6	R 316 685	R 15 834	R 210 545	R 90 305
2008	June	3	7.6	R 5 212	R 261	R 3 460	R 1 491
2008	June	84	7.6	R 346 240	R 17 312	R 230 088	R 98 840
2008	August	105	8.3	R 546 529	R 27 326	R 363 240	R 155 963
2008	August	51	8.3	R 123 057	R 6 153	R 81 735	R 35 169
2008	August	2	8.3	R 7 230	R 362	R 4 461	R 2 408
2008	September	4	8.3	R 29 609	R 1 480	R 18 276	R 9 852
2008	September	1	8.3	R 722	R 36	R 479	R 207
2008	October	196	9.9	R 790 204	R 39 510	R 525 107	R 225 586
2008	November	49	10.2	R 129 153	R 6 458	R 85 793	R 36 903
2008	November	41	10.2	R 127 008	R 6 350	R 78 353	R 42 304
2009	January	62	9.9	R 143 675	R 7 184	R 95 425	R 41 067
2009	January	4	9.9	R 13 873	R 694	R 6 321	R 6 858
2009	January	2	9.9	R 11 889	R 594	R 7 337	R 3 957
2009	March	152	9.3	R 506 514	R 25 326	R 336 540	R 144 648
2009	March	9	9.3	R 20 778	R 1 039	R 13 801	R 5 938
2009	May	139	8.4	R 528 381	R 26 419	R 351 107	R 150 855
2009	May	31	8.4	R 78 792	R 3 940	R 52 338	R 22 515
2009	June	15	8.1	R 47 075	R 2 354	R 31 275	R 13 446
2009	July	15	7.8	R 38 853	R 1 943	R 25 809	R 11 101
2009	September	129	7.3	R 613 125	R 30 656	R 407 481	R 174 988
2009	October	170	7.8	R 756 189	R 37 809	R 502 539	R 215 841
2009	October	3	7.8	R 7 464	R 373	R 4 604	R 2 487
2009	November	150	7.6	R 832 620	R 41 631	R 553 405	R 237 585
2009	November	12	7.6	R 89 516	R 4 476	R 40 803	R 44 237
2009	November	9	7.6	R 33 336	R 1 667	R 22 151	R 9 517
2010	January	13	7.7	R 40 554	R 2 028	R 26 943	R 11 583
2010	January	87	7.7	R 464 126	R 23 206	R 211 527	R 229 393
2010	April	79	7.4	R 444 076	R 22 204	R 295 159	R 126 713

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2010	April	49	7.4	R 261 380	R 13 069	R 173 723	R 74 588
2010	May	5	7.6	R 1 428	R 71	R 645	R 712
2010	May	13	7.6	R 30 333	R 1 517	R 20 146	R 8 670
2010	May	122	7.6	R 517 617	R 25 881	R 343 982	R 147 755
2010	May	4	7.5	R 13 460	R 673	R 6 133	R 6 654
2010	May	10	7.5	R 33 613	R 1 681	R 22 334	R 9 598
2010	May	79	7.5	R 328 142	R 16 407	R 218 061	R 93 673
2010	July	56	7.4	R 290 382	R 14 519	R 192 997	R 82 866
2010	October	101	6.8	R 201 128	R 10 056	R 133 556	R 57 515
2010	December	21	7.0	R 158 116	R 7 906	R 72 073	R 78 137
2010	December	201	7.0	R 509 980	R 25 499	R 338 749	R 145 732
2011	February	12	7.3	R 69 720	R 3 486	R 31 777	R 34 457
2011	February	567	7.3	R 1 953 549	R 78 142	R 1 311 694	R 563 713
2011	March	444	6.7	R 1 523 375	R 60 935	R 1 022 854	R 439 586
2011	April	259	7.0	R 978 884	R 39 155	R 657 311	R 282 418
2011	July	746	6.8	R 3 121 854	R 124 874	R 2 096 449	R 900 530
2011	September	1161	7.4	R 4 005 215	R 160 209	R 2 689 269	R 1 155 737
2011	December	830	8.0	R 3 144 363	R 125 775	R 2 111 415	R 907 174
2012	March	136	7.7	R 481 428	R 19 257	R 323 258	R 138 913
2012	June	8	8.2	R 252 335	R 10 093	R 116 266	R 125 975
2012	June	8	8.2	R 28 053	R 1 122	R 18 837	R 8 094
2012	September	133	8.2	R 386 489	R 15 460	R 259 464	R 111 565
2012	September	11	8.2	R 26 322	R 1 053	R 17 668	R 7 601
2012	October	20	8.8	R 438 726	R 17 549	R 202 139	R 219 038
2012	October	67	8.8	R 196 728	R 7 869	R 132 072	R 56 787
2012	October	2	8.8	R 8 278	R 331	R 4 764	R 3 182
2012	December	339	8.8	R 1 261 880	R 50 475	R 847 331	R 364 073
2012	December	24	8.8	R 137 396	R 5 496	R 79 100	R 52 800
2012	December	200	8.8	R 2 269 718	R 90 789	R 1 045 622	R 1 133 308
2012	December	339	8.8	R 1 261 880	R 50 475	R 847 331	R 364 073
2012	December	41	8.8	R 86 691	R 3 468	R 58 177	R 25 047
2012	December	24	8.8	R 137 396	R 5 496	R 79 100	R 52 800
2012	December	9	8.8	R 32 891	R 1 316	R 15 145	R 16 431
2012	December	200	8.8	R 2 269 718	R 90 789	R 1 045 622	R 1 133 308
2013	February	110	8.9	R 435 783	R 17 431	R 292 635	R 125 717
2013	February	2	8.9	R 5 704	R 228	R 2 625	R 2 851
2013	February	3	8.9	R 9 524	R 381	R 6 394	R 2 750
2013	March	960	9.2	R 4 017 345	R 160 694	R 2 697 807	R 1 158 844
2013	March	42	9.2	R 247 334	R 9 893	R 166 127	R 71 313
2013	March	12	9.2	R 99 382	R 3 975	R 45 779	R 49 628
2013	April	960	9.2	R 4 017 345	R 160 694	R 2 697 807	R 1 158 844
2013	June	94	9.9	R 582 747	R 23 310	R 391 444	R 167 992
2013	June	16	9.9	R 147 064	R 5 883	R 67 746	R 73 436
2014	April	48	10.7	R 180 794	R 7 232	R 138 743	R 34 819
2014	April	66	10.3	R 392 332	R 15 693	R 282 342	R 94 297
2014	June	48	10.7	R 204 995	R 8 200	R 147 499	R 49 297
2014	June	4	10.7	R 17 202	R 688	R 12 377	R 4 136
2014	June	6	10.7	R 16 109	R 644	R 10 814	R 4 651
2014	June	70	10.7	R 373 009	R 14 920	R 250 528	R 107 561
2014	October	157	11.0	R 4 377 297	R 175 092	R 2 941 241	R 1 260 964
2015	March	235	12.0	R 3 249 715	R 129 989	R 2 183 355	R 936 371
2015	March	82	11.8	R 852 256	R 34 090	R 572 559	R 245 607
2015	March	133	12.0	R 6 718 211	R 268 728	R 3 224 558	R 3 224 924
2015	December	12	14.5	R 149 288	R 5 972	R 100 298	R 43 018
2016	January	78	16.5	R 1 199 830	R 47 993	R 806 135	R 345 701
2016	January	8	16.5	R 251 002	R 10 040	R 120 469	R 120 493
2016	January	86	16.5	R 1 450 826	R 58 033	R 974 789	R 418 004
2016	January	6	16.5	R 101 559	R 4 062	R 46 791	R 50 706
2016	February	3	16.6	R 6 788	R 272	R 3 124	R 3 392
2016	February	11	16.6	R 16 912	R 676	R 11 343	R 4 893
2016	March	5	15.4	R 177 421	R 7 097	R 81 749	R 88 576
2016	March	23	15.4	R 303 447	R 12 138	R 203 871	R 87 438
2016	March	39	15.4	R 384 758	R 15 390	R 177 244	R 192 123

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2016	may	4	15.1	R 27 475	R 1 099	R 18 456	R 7 920
2016	June	22	15.1	R 324 058	R 12 962	R 149 297	R 161 798
2016	June	3	15.1	R 11 170	R 447	R 6 429	R 4 294
2016	July	7	14.0	R 72 597	R 2 904	R 48 772	R 20 921
2016	September	28	13.6	R 244 253	R 9 770	R 164 085	R 70 398
2016	October	8	13.9	R 103 167	R 4 127	R 49 510	R 49 531
2016	October	8	13.9	R 218 172	R 8 727	R 146 596	R 62 850
2016	October	36	13.9	R 533 331	R 21 333	R 358 329	R 153 670
2017	February	91	13.4	R 768 261	R 30 730	R 516 095	R 221 435
2017	may	47	13.1	R 304 931	R 12 197	R 204 824	R 87 910
2017	may	9	13.1	R 34 990	R 1 400	R 20 139	R 13 451
2017	june	64	13.0	R 437 360	R 17 494	R 293 783	R 126 082
2017	August	2	13.3	R 10 249	R 410	R 6 887	R 2 952
2017	October	14	13.5	R 129 864	R 5 195	R 87 269	R 37 401

CONTRACT CANCELLED

Client base swells for low-cost marine mining vessel

Jill Stanford
Contributing Editor

Rapid Mining managing member **Gavin Craythorne** is using his 19 years of underwater mining and engineering experience in the Namaqualand inshore diamond industry to help new entrants that are being awarded Alexkor contracts.

At the end of 1988, in their mid-twenties, with shore-based diamond diving experience, but limited boat-based mining experience and capital, Craythorne and his partner **David Bird** were compelled to try a different approach to the traditional monohull mining vessels operating throughout the industry.

Trading size and comfort for low cost, they opted for a no-frills utility mining system comprising a six-inch-capacity mining plant installed on a catamaran ski-boat rather than a deck-boat.

Craythorne says that when their new 26-foot Butt Cat hull arrived from Butt Fibreglass Works, in Kenton on Sea, the partners began installing the outboard motors and mining plant in a car park in Three Anchor Bay – but after receiving a number of traffic fines they had to move the project to a railway yard in Woodstock.

This first catamaran ski-boat mining conversion, called the *Red Dawn*, began operating in 1989 on Trans Hex's 7a sea concession, bringing home 92 carats by month-end.

"This concession has harbour facilities at Hondeklipbaai, an important consideration, as a ski-boat is a day tripper, it goes out in the morning and comes in at night, and is constrained to an operating distance of 12 km," explains Craythorne.

He believes that the circumstances of today's emerging miners mirror his early experiences.

"A larger, more comfortable deck boat is out of the price range of most new entrants, whereas a ski-boat is more manageable in terms of price, handling and maintenance," he says.

This trend has been well established over the last 16 years and during this period Craythorne has built 28 new vessels, nine of which have been built over the last two-and-a-half years for black economic empowerment contractors that are mining Alexkor's shallow-water concessions.

These latest vessels have been based on the 35-foot Gecat hull built in Cape St Francis by **Errol Plowes**, which offers the best option in this size of ski-boat hull.

The latest was delivered in July to Nxantatu, a black-empowered and engendered company, which has produced 182 carats, including an 11-carat stone, since starting operations.

Craythorne says these mining vessels are the only stock standard turnkey option available to inshore mining contractors and while there have been a few large clients like Benguela Concessions and Alexkor itself in the past, the majority of clients have been small independent operators subcontracting to concession

Bobby Cloete, a historically-disadvantaged Alexkor contractor on board his 35-foot Gecat in concession 1a

holders.

On board, the vessels, which are manned by four divers and one crew member, have a twin six-inch configuration – a centrifugal pump which services two six-inch pipes, which are used by the divers to vacuum up gravel off the sea floor.

The gravel is delivered into a trommel screen on board where it is dewatered and split, with the oversize gravel thrown back overboard.

The remaining gravel is packed into bags and delivered to shore where it is treated in Alexkor's heavy-media separation plant.

Apart from supplying marine mining systems for the West Coast, Rapid Mining also builds riverine mining systems for operations in Angola, the Democratic Republic of Congo (DRC), Sierra Leone, Liberia and Guinea.

At present Craythorne is delivering a riverine mining barge to the Petra group for deployment on its Alto Cuilo project in Angola, which is a joint venture with BHP Billiton.

In June last year he delivered an eight-inch riverine mining barge to Trans Hex's Luarica project on the Chiumbe river, in Angola, and on the day of our interview he was loading two more barges onto a truck, one bound for Angola to a company called Mad Hatter Mining and the second for Russian company Diacom, which is operating in the DRC.

In total, Rapid Mining has delivered 16 riverine diamond barges and nine riverine shore units to companies such as Ocean Diamond Mining, C&C Mining, Kramer Trading and Technology, SAA Distributors, Gulf Pacific Holdings, Matt Roux and Sons, ASCorp and Southern Era, all mining in Africa.

The most successful project to date has been the Cassanguidi project for which Rapid Mining supplied two barges in 1998 that produced 127 000 carats in 12 months.

"Marine and riverine mining activities have a lot in common; clients want a turnkey solution, which in the case of mobilising river projects involves a vast array of equipment and logistical issues," says Craythorne.

In order to concentrate on being able to do this he has withdrawn from the manufacturing process and subcontracts the entire production of the marine and riverine mining systems to **Koos Smit** of KR Engineering, in Port Nolloth, although he still personally supervises the installation and tie in of the propulsion and deck mining systems.

Craythorne's first riverine mining project was when he was contracted on behalf of SPEM (Sociedade Portuguesa de Empreendimentos) by SAA Distributors to assist with the technical and operational aspects of riverine mining at the Luo' project on the Chikapa river in Angola's Lunde Sul province north of Ssurimo in 1996.

The project produced a 24-carat pink diamond, which was sold to the Sultan of Brunei for $8-million, and Craythorne gained valuable first-hand experience of what the requirements for optimal riverine mining systems should be.

At this time the Luo' project was using second-hand shore-unit equipment bought from the Namaqualand West Coast.

An important lesson learnt was that the major problems with mining diamonds in central Africa are the transport constraints and heavy overburdens encountered there, so the equipment that Rapid Mining produces has design cues of high capacity and low weight to achieve systems that are purpose optimal.

"The modular systems can be knocked down into small manageable pieces and transported either by air, ship or road," says Craythorne.

MINING WEEKLY COUPON ON PAGE 37 TO FILL

An eight-inch riverine diamond barge

It compacts & crushes at the same time
compacting earth fills • rock surfacing dirt roads
resurfacing tarmac • preparation of base course

TECON T-15 CRUSHPACTOR

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GC05

CURRICULUM VITAE

Updated: 2017

Full name:	Gavin John Craythorne
Borne:	2 April 1963
Identity #:	630402 5099 086
Nationality:	Dual citizen – South African / Irish
	South African passport # M00013320 expires - 13 December 2019
	Irish passport # PT4853424 expires - 7 December 2019
Mother tongue:	Fluent in English and Afrikaans
Home address:	7 Klipspringer Road, Alexander Bay, 8290, Northern Cape
Postal address:	PO. Box 330, Alexander Bay, 8290
Mobile phone:	+27 (0)83 630 1380
Land phone:	+27 (0)27 831 2323
Email:	gavinjohn@outlook.com
Next of kin:	El-Marie Craythorne (spouse) / mobile phone: 083 234 5759
Faith:	Christian
Academic:	Matric with exemption – 1980
Medical:	Seafarer Medical Certificate expires – 16 January 2018
	Diving Medical Certificate expires – 16 January 2018

Professional:

SA. Navy CD1 – 31 July 1981

SA. Navy CD2 – 26 November 1982

Commercial Diver class II # CS00/1179/269 – 8 December 1983

Commercial Supervisor class II # CS00/90/269 – 3 December 1984

Commercial Diving Instructor # CS00/17/269 – 7 May 1987

T1 Mechanical Engineering (NTC 4 equivalent) – 1st semester 1985

Subjects passed:
- Electrical Engineering (with distinction)
- Industrial Technology
- Engineering Mechanics (with distinction)
- Engineering Mathematics (with distinction)
- Communication – Languages
- Communication – Computers
- Machine Drawing

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Commercial Skipper class A1(1) – 23 June 1989

Radio Operator # 001887236 – 25 August 1989

Coastal Skipper ≥9m # SVC-0004717-S – 5 April

Courses:

Pre-Sea Familiarisation

- Project Maritime Training Centre, Saldanha Bay
- Date: 16 September

STCW Skipper Coastal # STCW 2609/2011/0001/SAL

- Project Maritime Training Centre, Saldanha Bay
- Duration: 26 September – 18 November 2011
- SAMSA level 3 oral examination passed 11 April 2013
- Examiner: Thandeka Sithole

Electronic Navigation Systems for Skipper Coastal

- Project Maritime Training Centre, Saldanha Bay
- Duration: 21 November – 2 December 2011

Sonarwiz5 Side Scan Sonar real-time DAQ software

- Chesapeake Technology, Southampton, United Kingdom
- Date: 5 April 2013

Survey Grade Inertial Navigation Systems (remote tool guidance)

- Oxford Technical Solutions (OXTS), Oxford, United Kingdom
- Duration: 1 – 2 September 2015

Courses that expire:

Personal Safety and Social Responsibility expires – 2 May 2022

Personal Survival Techniques expires – 4 May 2022

Medical First Aid Training expires – 28 October 2021

Fire Prevention and Fire Fighting expires – 25 October 2021

Technical conferences:

Ocean Business 13

- Southampton, United Kingdom
- Date: 3 – 5 April 2013

Hydro2015 - International Federation of Hydrographic Societies

- Cape Town International Convention Centre
- Duration: 23 – 25 November 2015

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ANSYS Engineering Simulation Conference – 2016

- Asara Wine Estate

- Date: 14 November 2016

ANSYS Engineering Simulation Conference – 2017

- Lord Charles Hotel, Somerset West

- Date: 29 August 2017

Parliamentary participation:

Gave written and oral submissions to the Mineral Resources Portfolio Committee during the public hearings on the Sate Owned Mining Co. - Date: 11 August 2010.

Gave written and oral submissions to the Mineral Resources Portfolio Committee during the public hearings on the Mining Charter Review - Date: 4 September 2011.

Gave written and oral submissions to the Environmental Portfolio Comm. during the public hearings on the Marine Spatial Planning Bill - Date: 1 September 2017.

Memberships:

The Geological Society of South Africa

The Equitable Access Campaign – founding member

The Marine Industry Association of South Africa

The SA. Navy Diver's Association

Computer skills:

MS. Word[f], Excel[f], PowerPoint[f], Outlook[f], Publisher[p] and Access[p]

ArcGis[x], AutoCAD LT[x], PnS4[x] 3D parametric ducting geometry

Adobe Acrobat[x], Adobe Premier Elements[p]

SonarWiz5[p] side scan sonar DAQ, navigation and online processing

EdgeTech Discover[p] side scan sonar DAQ

Keyboard skill[x] – touch-typing @ 100 plus words per minute

Engineering skills:

Manual metal arc welding[x], tungsten inert gas welding[s]

Metal inert gas welding[p], gas cutting[s], plasma cutting[s], rigging[s]

Lathe[s], milling machine[s], machine design[x], system integration[x]

Project management[x], procuremen[x], tooling[s], assembly jigs[s]

Hydraulic system design, procurement and installation[x]

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Technical skills:

GIS[x], geodesy[p], survey grade GNSS systems[p] (Novatel + Omnistar)

Survey grade inertial navigation systems[p] (OXTS Inertial[+2] MRU)

Side scan sonar[p] underwater survey (EdgeTech 4125 600kz/1600kz)

Dry photography[s] (Canon 7D DSLR, Pentax 67ii medium format SLR)

U/w photography[s] & videography[s] (Nikonos system and GoPro)

Operational skills:

Seamanship[x], vessel management[x], boat-handling[x], diving and dive supervision[x], underwater mining[x], rigging[x] and logistics[x].

(Skills key: Proficient – [p], Fluent – [f], Skilled – [s], Expert – [x])

Entrepreneurial experience:

Marine Alluvial cc:

Incorporated in April 1994 as a vehicle through which to conduct marine diamond diving operations. I raised R300 000,00 through Business Partners, formerly known as the SBDC or Small Business Development Corporation, to finance the build of a Butt Cat Mining Vessel – DMV. The Maree.

The purpose-built 44-foot vessel operated on Concession 12a running out of the Olifant's River mouth in difficult conditions made possible using twin Hamilton Jets powered by 600hp and a weight-optimised twin 6" deck plant.

The loan was redeemed ahead of the date and all loan capital raised to date in respect of numerous vessel upgrades since then has been redeemed. The company is in good standing with clients, suppliers, banks and the South African Revenue Service.

Rapid Mining cc:

Incorporated in January 1997 as a vehicle to enable discreet segmentation between the mining and engineering assets. The company is recognised internationally as the leading innovator in waterborne diamond recovery systems for diver-based mining and the only source of turn-key diamond mining vessels.

Rapid Mining has an excellent supply chain populated by leading engineering vendors within which strong relationships have been built up with management over many years of ethical trade and mutual respect.

In addition, the company has established a well-resourced light to medium engineering workshop in Alexander Bay to provide strong mechanical support to the marine mining operations, rapid prototyping for research and development and the fabrication of capital equipment locally in Alexander Bay.

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Operational experience:

SA. Navy service: January 1981 – December 1984

My military service obligation provided an opportunity for me to receive the best diving training in the world at the South African Navy's elite Diver Training School based in Simon's Town.

Qualifying in July 1981 as one of the top three students on my Clearance Diver 1 course I was retained at the school for two years as a 2nd Dickie (assistant instructor) to train rookie divers.

In November 1982 I qualified in the top three of my Clearance Diver 2 course where after I was drafted to the Mine Counter Measure Flotilla in Simon's Town and served aboard the SAS. Port Elizabeth, a Ton Class minehunter.

In January 1984 I was drafted ashore and placed in charge of the MCM Flotilla's mixed gas production facility where I was responsible for the supply of nitrox gas to the minehunters operating out of Simon's Town.

During my four years of military service I became skilled at seamanship, underwater training of rookie divers, open circuit air diving to 54m, semi-closed circuit nitrox diving to 54m, O^2 closed circuit diving to 8m, coxswaining of soft and hard boats, production of $_{60}/^{40}$, $_{40}/^{60}$ and $_{32.5}/^{67.5}$ nitrox gas mixtures, surface and underwater welding, diving systems, diving theory and barophysiology, recompression chamber operation and SAR.

In December 1984 I was honourably discharged from the Navy and began preparing for a career in offshore oil and gas by enrolling at the erstwhile Cape Town Technikon, now known as CPUT or Cape Provincial University of Technology.

Marine Diamond diving: January 1987 – present

After completing T1 Mechanical Engineering in June 1985 as one of the top three students of my semester I received a personal invitation from Ms. Metcalf, the HR manager of Consani Engineering, to serve out my practical semester at their large engineering facility in Elsie's River.

In addition, I was granted a SEIFSA bursary to continue my studies the following year.

At the time however, I received information that a 1500GT North Sea oil industry dive support vessel, MV. Poseidon Cape had recently docked in Cape Town harbour for conversion to a diamond mining vessel by the new owners, Dawn Diamonds.

I approached the Scottish dive superintendent, Mr Billy McLeod and enquired as to whether I could serve my practical semester aboard the vessel as an understudy to the Chief Engineer.

Due to a shortage of South African diving supervisors at the time and my qualifications an agreement was reached whereby I could join the vessel if I was prepared to serve in both the engineering and diving departments.

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This being ideal I promptly signed on with the unusual job description of cadet engineer/diving supervisor aboard the DMV. Poseidon Cape and soon after set sail for Sea Concession 5a south of Port Nolloth.

Much less ideal was the fact that she ran aground and was wrecked whilst mooring anchors on the 27th July 1985 at approximately 06:00am while I was eating breakfast in the mess.

Hastening down the port waste I encountered the Scottish Second Engineer, Tommy Campbell, just as he came up on deck from the engine room muttering that the master had run us aground.

In the ensuing rescue operation, all crew were safely airlifted by CDM to the beach in front of the town of Kleinzee while in the following days I had the privilege of working alongside the late Captain Dai Davies of Pentow Marine while assessing the viability of salvaging the stricken vessel.

Unfortunately, she was not, and I lost the opportunity to learn much from a master salvor and gentleman as well as continuing with the ideal arrangement for an aspiring 21-year-old diver/engineer.

I remained with Dawn Diamonds until the end of 1985 but with no appetite for spending another three semesters in a class room decided to develop my welding skills further by joining Consani Engineering in January 1986 as a welding apprentice to prepare for a career in hyperbaric welding.

I progressed rapidly with the privilege of personal guidance from a few elite coded welders who were eager to share their techniques with me as they knew I would be leaving to go back to diving and therefore posed no threat to them at Consani’s.

Unfortunately, this progress was arrested by the emergence of an inherited medical condition known as BFT or benign familial tremors which while not severe enough to prevent me becoming an expert welder, would prevent me from attaining the elite skill required of hyperbaric welders. I left Consani’s at the end of June 1986.

At this time oil had plunged to almost $10/b resulting in the offshore diving industry laying off thousands of divers and making it highly unlikely of being able to break into the profession as an air diver.

This being the case I took on a 6-month job as a construction welder on a kibbutz in Israel that was building a hi-tech dairy, occupying the rest of my year with many hours of aerial welding in all positions while aloft in a cherry-picker.

I returned to South Africa at the end of December 1986 and in January 1987 joined Cape Canyon Diamonds as a diver and supervisor aboard the DMV. Stock, a diamond vessel operating on Concession 13a out of Doornbaai. Cape Canyon Diamonds was a company owned by Dr John Gurney and managed by Peter Schroeder.

In the following 18 months, I developed the basic skills required for diamond diving as well as two friendships that endure to this day despite our parting ways in the middle of the following year when I began a project to design, build and operate my own diamond vessel under contract to Transhex on Concession 7a.

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The DMV. Red Dawn, a no-frills utility small-scale mining vessel based on the renowned Butt Cat hull was completed and launched at Granger Bay in December 1988.

This event signalled the start of a new era in diamond diving in which many young diamond divers who would have been prevented from starting their own businesses due to limited financial resources and a lack of technical ability found the way open when the Red Dawn's DNA evolved into the most cost-effective shallow water diamond vessel in the history of the industry and the only off-the-shelf option ever.

The success of these vessels was significant enough to attract the attention of Michael Suttaford, editor of ***SA. Shipping News & Fishing Industry Review*** who interviewed me for an article he personally authored and published in August 1990. It was Michael who aptly described these vessels as "no-frills utility mining vessels".

In the thirty years since, I have built a total of 29 catamaran mining vessels based on the original design cues for the Red Dawn and every concession along the West Coast has seen the silhouette of one or more of these builds.

In the years that followed I have designed, built and operated many of these vessels for myself as I took advantage of the feedback loop between Marine Alluvial and Rapid Mining in pursuit of Kaizen for myself and the small-scale marine mining industry.

<u>Summary of concession and boat handling experience:</u>

- Concession 7a:
  - Base of operations: Hondeklipbaai Harbour
  - Operational period: December 1988 – April 1991
  - Owner/skipper/diver/supervisor: DMV. Red Dawn
  - Owner/skipper/diver/supervisor: DMV. Illinois Bandit

- Concession 12a:
  - Base of operations: Olifant's River, De Punt
  - Operational period: May 1991 – September 1998
  - Owner/skipper/diver/supervisor: DMV. Honey Badger
  - Owner/skipper/diver/supervisor: DMV. Tinker's Pride
  - Owner/skipper/diver/supervisor: DMV. The Maree
  - Owner/skipper/diver/supervisor: DMV. Surf Digger

- Concessions 1-3a:
  - Base of operations: Alexander Bay harbour
  - Operational period: September 1998 - present
  - Owner/skipper/diver/supervisor: DMV. Surf-Digger
  - Owner/skipper/diver/supervisor: DMV. Loose Deuce
  - Owner/skipper/diver/supervisor: DMV. Ocean Digger
  - Owner/skipper/diver/supervisor: DMV. Ocean Heritage

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Riverine Diamond diving: January - April 1996:

During the end-game of the Angolan war many South African military consultants and operators were working alongside Angola's FAA troops in the battle against UNITA, a situation which forced General Jonas Savimbi into negotiations and eventually elections which resulted in a brief period of peace before hostilities resumed, ending only when Savimbi was killed in battle.

During the hiatus, I was contacted early in January 1996 by a former Executive Outcomes operative who requested my assistance on behalf of the Angolan Government to trouble-shoot a riverine mining barge that had been bought by Isabel Dos Santos' company SPEM for Project Luo'.

The mining barge had been built by a South African company but a year after deployment on the concession area it was still inoperable, and the original equipment manufacturer had abandoned the project and fled.

The lack of diamond diving industry experience on the part of the engineering company implicated in the matter resulted in the design and manufacture of a highly complex, extravagant and expensive failure which I advised should be written off immediately to concentrate on using the shore-units that had been purchased from an engineering company based in Port Nolloth with extensive diamond diving industry experience.

I extended my stay in Angola to gain experience of the operating environment with a view to adapting my marine mining systems for riverine operations. The client went on to achieve spectacular success while my time with them proved to be highly profitable financially and intellectually.

This enabled me to develop a range of riverine mining products that are appreciated by users throughout the central and west African river mining precincts for the best weight optimization, reliability and purpose fitness available.

Engineering experience: See - APPENDIX - ENGINEERING EXPERIENCE

Professional references:

Dr John J. Gurney	Chairman:	Mineral Services
	Website:	www.msgroup.net/page/ms-team/
	Telephone:	021 531 3162
Peter Schroeder	Owner @:	Helm Maritime Services
	Marine Mining:	30 years plus veteran – shallow & mid-water
	Telephone:	083 627 7976

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Wayne Hubert	Retired:	Erstwhile CEO. Andean Resources Ltd.
	Email:	wayne.hubert@gmail.com
Kobus Kriel	Diamond diver:	30 years plus veteran
	Telephone:	082 576 6118
Wayne Cooke	Diamond diver:	25 years plus veteran
	Telephone:	082 574 9092
Bill Feast	Managing Director:	Nat. Resources at Trimble Land Admin.
	Website:	www.spatialdimension.com
	Telephone:	021 531 3132
Clint Williams	Chairman:	Remote Drilling Services
	Website:	www.msgroup.net/page/rds-team/
	Telephone:	021 531 3162
Anton Tallie	Managing director:	Tallie Marine
	Website:	www.talliemarine.com
	Telephone:	022 736 1283

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APPENDIX - ENGINEERING EXPERIENCE

- SA. NAVAL DOCKYARD
  - Location- East Yard, Simon's Town, SA.
  - Job description- welding trainee
  - Period- April 1984 – July 1984
  - Details:
    - Received training in manual metal arc and tungsten inert gas welding processes.

- CONSANI ENGINEERING (Pty) Ltd.
  - Location- Elsie's River, Cape Town, SA.
  - Job description- welder
  - Period- January 1986 – June 1986
  - Details:
    - Gained extensive experience working with stainless steel in the shipping tank shop alongside world-class coded welders.
    - Attained proficiency in manual metal arc and tungsten inert gas welding in all positions up to 6G.

- KIBBUTZ TZORA
  - Location- Tzora, Israel
  - Job description- Construction welder
  - Period- July 1986 – December 1986
  - Details:
    - Gained extensive experience in multi-position LH stick welding while welding beams, columns and overhead structural roof trusses at height on cherry-pickers for new high-tech dairy.

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- BUTT CAT MINING VESSEL
  - Name- DMV. Red Dawn
  - Hull- 26-foot Butt Cat
  - Plant- single 6-inch system
  - Client- Gavin Craythorne
  - Concession- 7a
  - Launched- December 1988

- BUTT CAT MINING VESSEL
  - Name- DMV. Somnaas
  - Hull- 26-foot Butt Cat
  - Plant- single 6-inch system
  - Client- Benguela concessions
  - Concession- 6a
  - Launched- August 1989

- BUTT CAT MINING VESSEL
  - Name- DMV. Illinois Bandit
  - Hull- 26 foot Butt Cat
  - Plant- single 6 inch system
  - Client- Gavin Craythorne
  - Concession- 7a
  - Launched- August 1989

- BUTT CAT MINING VESSEL
  - Name- DMV. Orca
  - Hull- 26 foot Butt Cat
  - Plant- single 6 inch system
  - Client- Orca Diving
  - Concession- 9a
  - Launched- February 1990

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- BUTT CAT MINING VESSEL
  - Name- DMV. PJ. II
  - Hull- 26-foot Butt Cat
  - Plant- single 6-inch system
  - Client- Chris Faul
  - Concession- 9a
  - Launched- April 1990

- BUTT CAT MINING VESSEL
  - Name- DMV. Karaat
  - Hull- 26-foot Butt Cat
  - Plant- single 6-inch system
  - Client- John Otto
  - Concession- 12a
  - Launched- June 1990

- BUTT CAT MINING VESSEL
  - Name- DMV. Jolly Roger
  - Hull- 34-foot Butt Cat
  - Plant- twin 8-inch system
  - Client- JRD. Trust
  - Concession- 12a
  - Launched- December 1990

- BUTT CAT MINING VESSEL
  - Name- DMV. Sandpiper
  - Hull- 26-foot Butt Cat
  - Plant- single 8-inch system
  - Client- Rocky Dreyer
  - Concession- 6a
  - Launched- February 1991

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- BUTT CAT MINING VESSEL
  - Name- DMV. Honeybadger
  - Hull- 40-foot Butt Cat
  - Plant- twin 8-inch system
  - Client- Gavin Craythorne
  - Concession- 12a
  - Launched- May 1991

- BUTT CAT MINING VESSEL
  - Name- DMV. Bosprins
  - Hull- 26-foot Butt Cat
  - Plant- single 6-inch system
  - Client- Carel Boshoff
  - Concession- 10a
  - Launched- October 1991

- BUTT CAT MINING VESSEL
  - Name- DMV. Tinker's Pride
  - Hull- 26-foot Butt Cat
  - Plant- single 8-inch system
  - Client- Evan Tracy
  - Concession- 8a and 9a
  - Launched- February 1992

- BUTT CAT MINING VESSEL
  - Name- DMV. Helderberg
  - Hull- 26-foot Butt Cat
  - Plant- single 8-inch system
  - Client- Toss Du Toit
  - Concession- 10a
  - Launched- June 1992

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- BUTT CAT MINING VESSEL
  - Name- DMV. Swiss Dream
  - Hull- 26-foot Butt Cat
  - Plant- single 8-inch system
  - Client- Swiss Dream (Pty) Ltd.
  - Concessions- 8a and 9a
  - Launched- February 1992

- BUTT CAT MINING VESSEL
  - Name- DMV. Seedelwer 7
  - Hull- 26-foot Butt Cat
  - Plant- single 6-inch system
  - Client- Alexkor Limited
  - Concessions- 1a, 2a and 3a
  - Launched- April 1993

- BUTT CAT MINING VESSEL
  - Name- DMV. Cari-D
  - Hull- 26-foot Butt Cat
  - Plant- single 6-inch system
  - Client- Wayne Cooke
  - Concession- 12a
  - Launched- June 1993

- BUTT CAT MINING VESSEL
  - Name- DMV. The Maree
  - Hull- 44-foot Butt Cat
  - Plant- single 8-inch system
  - Client- Gavin Craythorne
  - Concession- 12a
  - Launched- November 1994

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- BUTT CAT MINING VESSEL
  - Name- DMV. Seabloom
  - Hull- 26-foot Butt Cat
  - Plant- single 6-inch system
  - Client- Peter Searle
  - Concession- 13a
  - Launched- August 1997

- RIVERINE PROJECT
  - System- 6-inch Mining Barge
  - Quantity- 2 off
  - Client- SouthernEra
  - Deployment- Cassanguidi, Angola
  - Delivered- November 1997

- RIVERINE PROJECT
  - System- 6-inch Shore Unit
  - Quantity- 1 off
  - Client- SAA. Distributors
  - Deployment- Luo' Project, Angola
  - Delivered- January 1998

- RIVERINE PROJECT
  - System- 6-inch Mining Barge
  - Quantity- 1 off
  - Client- ODM. Ltd.
  - Deployment- Angola
  - Delivered- February 1998

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- WEST COAST PROJECT
  - System- 6-inch Shore Unit
  - Quantity- 1 off
  - Client- Dirk Linde
  - Deployment- De Punt
  - Delivered- January 1998

- RIVERINE PROJECT
  - System- 6-inch Shore Unit
  - Quantity- 1 off
  - Client- Mike Rooken-Smith
  - Deployment- DRC.
  - Delivered- July 1998

- BUTT CAT MINING VESSEL
  - Name- DMV. Surf-Digger
  - Hull- 30-foot Butt Cat
  - Plant- single 6-inch system
  - Client- Gavin Craythorne
  - Concession- 12a
  - Launched- August 1998

- RIVERINE PROJECT
  - System- 6-inch Shore Unit
  - Quantity- 1 off
  - Client- C & C. Mining.
  - Deployment- DRC.
  - Delivered- March 1999

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- RIVERINE PROJECT
  - System- 6-inch Mining Barge
  - Quantity- 1 off
  - Client- KT & T
  - Deployment- DRC.
  - Delivered- April 1999

- RIVERINE PROJECT
  - System- 6-inch Mining Barge
  - Quantity- 2 off
  - Client- Gulf Pacific Holdings
  - Deployment- Liberia
  - Delivered- April 1999

- RIVERINE PROJECT
  - System- 6-inch Shore Unit
  - Quantity- 3 off
  - System- 6-inch Mining Barge
  - Quantity- 2 off
  - System- 8-inch Mining Barge
  - Quantity- 2 off
  - Client- SouthernEra
  - Deployment- Cassanguidi, Angola
  - Delivered- August 1999

- RIVERINE PROJECT
  - System- 6-inch Shore Unit
  - Quantity- 1 off
  - Client- Matt Roux & Sons
  - Deployment- Angola
  - Delivered- May 2000

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- RIVERINE PROJECT
  - System- Mining Barge
  - Quantity- 4 off
  - Client- SouthernEra
  - Deployment- Cassanguidi, Angola
  - Delivered- July 2000

- RIVERINE PROJECT
  - System- 8 inch Shore Unit
  - Quantity- 1 off
  - Client- ASCorp / Lev Leviev Group
  - Deployment- Quango Valley, Angola
  - Delivered- July 2000

- BUTT CAT MINING VESSEL
  - Name- DMV. Experience
  - Hull- 26 foot Butt Cat
  - Plant- twin 6 inch system
  - Client- Hannes Visser
  - Concession- 13a
  - Launched- March 2001

- GECAT MINING VESSEL
  - Name- DMV. Crazy Diamond
  - Hull- 35 foot Gecat
  - Plant- twin 6 inch system
  - Client- Rocky Dreyer
  - Concession- 1a
  - Launched- December 2001

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- GECAT MINING VESSEL
  - Name- DMV. Loose Deuce
  - Hull- 35 foot Gecat
  - Plant- single 8 inch system
  - Client- Gavin Craythorne
  - Concession- 1a
  - Launched- February 2002

- RIVERINE PROJECT
  - System- 8 inch Mining Barge
  - Quantity- 1 off
  - Client- SouthernEra
  - Deployment- Guinea
  - Delivered- April 2002

- GECAT MINING VESSEL
  - Name- DMV. Eleanor
  - Hull- 35 foot Gecat
  - Plant- twin 6 inch system
  - Client- Bobby Cloete
  - Concession- 1a
  - Commissioned- October 2002

- RIVERINE PROJECT
  - System- 6 inch Mining Barge
  - Quantity- 1 off
  - Client- J. Lopez
  - Deployment- Angola
  - Delivered- October 2002

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- GECAT MININE VESSEL
  - Name- DMV. Garnett
  - Hull- 35-foot Gecat
  - Plant- twin 6-inch system
  - Client- Jaco Van Niekerk
  - Concession- 1a
  - Launched- October 2002

- GECAT MINING VESSEL
  - Name- DMV. Fortuna
  - Hull- 35-foot Gecat
  - Plant- twin 6-inch system
  - Client- Rudolph Nelson
  - Concession- 1a
  - Launched- October 2002

- GECAT MINING VESSEL
  - Name- DMV. Aqua Gem
  - Hull- 35-foot Gecat
  - Plant- twin 6-inch system
  - Client- Gary Thompson
  - Concession- 1a
  - Launched- October 2002

- GECAT MINING VESSEL
  - Name- DMV. Isle of Cyprus
  - Hull- 35-foot Gecat
  - Plant- twin 6-inch system
  - Client- Joffie Cloete
  - Concession- 1a
  - Launched- November 2002

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- GECAT MINING VESSEL
  - Name- DMV. Jamin
  - Hull- 35-foot Gecat
  - Plant- twin 6-inch system
  - Client- Jacques Rossouw
  - Concession- 1a
  - Launched- December 2002

- RIVERINE PROJECT
  - System- 8-inch Mining Barge
  - Quantity- 1 off
  - Client- Transhex
  - Deployment- Angola
  - Delivered- June 2003

- GECAT MINING VESSEL
  - Name- DMV. Eureka
  - Hull- 35-foot Gecat
  - Plant- single 8-inch system
  - Client- Kobus Kriel
  - Concession- 1a
  - Launched- June 2004

- RIVERINE PROJECT
  - System- 6-inch Shore Unit
  - Quantity- 1 off
  - Client- J. Lopez
  - Deployment- Angola
  - Delivered- June 2003

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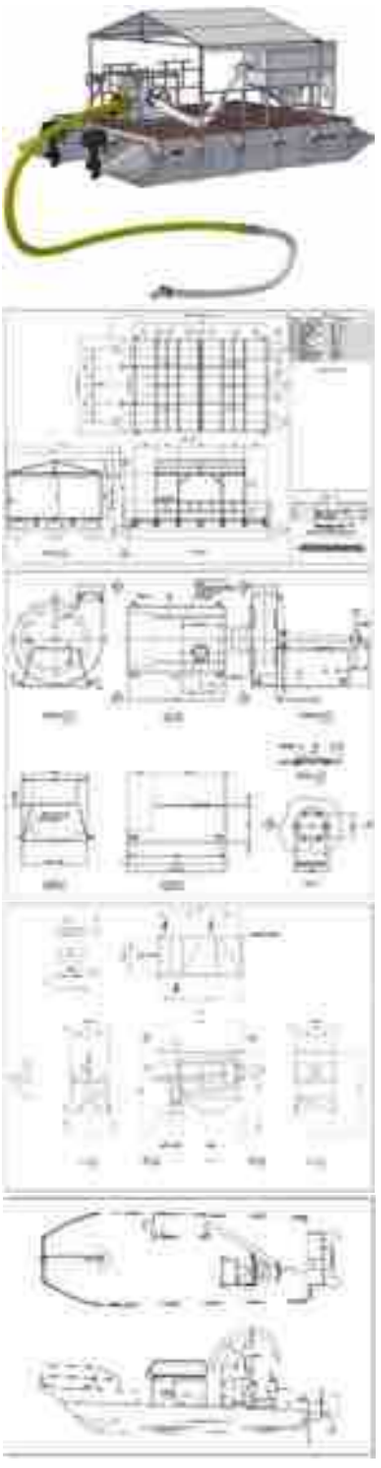
- RIVERINE PROJECT
  - System- 8-inch Mining Barge
  - Quantity- 1 off
  - Client- Mad Hatter Mining
  - Deployment- Angola
  - Delivered- July 2004

- RIVERINE PROJECT
  - System- 8-inch Mining Barge
  - Quantity- 1 off
  - Client- Diacom
  - Deployment- Angola
  - Delivered- August 2004

- RIVERINE PROJECT
  - System- 8-inch Mining Barge
  - Quantity- 1 off
  - Client- Petra Diamonds
  - Deployment- Angola
  - Delivered- August 2004

- GECAT MINING VESSEL
  - Name- DMV. Black Gem
  - Hull- 35-foot Gecat
  - Plant- single 8-inch system
  - Client- Gerry Coetzee
  - Concession- 13a
  - Launched- October 2004



GC05

- RIVERINE PROJECT
  - System- 10-inch Mining Barge
  - Quantity- 1 off
  - Client- Servicos Atlantico
  - Deployment- Angola
  - Delivered- June 2005

- RIVERINE PROJECT
  - System- 8-inch Mining Barge
  - Quantity- 1 off
  - Client- Mauritz Le Roux
  - Deployment- Sierra Leone
  - Delivered- December 2005

- TALLIE MARINE MINING VESSEL
  - Name- DMV. Ocean Digger
  - Hull- 45-foot Tallie
  - Plant- single 10-inch system
  - Client- Gavin Craythorne
  - Concession- 1a – 4a
  - Launched- December 2005

- RIVERINE PROJECT
  - System- 8-inch Mining Barge
  - Quantity- 4 off
  - Client- Mauritz Le Roux
  - Deployment- Sierra Leone
  - Delivered- January 2006

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- RIVERINE PROJECT
  - System- 8 inch Mining Barge
  - Quantity- 1 off
  - Client- Jindal Minerals
  - Deployment- Liberia
  - Delivered- August 2006

- RIVERINE PROJECT
  - System- 8 inch Mining Barge
  - Quantity- 1 off
  - Client- Servicos Atlantico
  - Deployment- DRC.
  - Delivered- September 2006

- RIVERINE PROJECT
  - System- 8 inch Mining Barge
  - Quantity- 2 off
  - Client- Gemico SPRL
  - Deployment- Angola
  - Delivered- November 2006

- RIVERINE PROJECT
  - System- 8 inch Mining Barge
  - Quantity- 1 off
  - System- 10 inch Mining Barge
  - Quantity- 1 off
  - Client- Gem Diamonds
  - Deployment- DRC.
  - Delivered- November 2007

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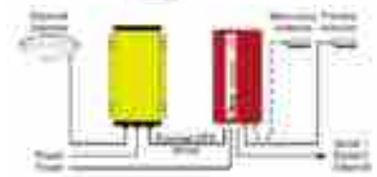
- RIVERINE PROJECT
  - System- 8 inch Mining Barge
  - Quantity- 1 off
  - Client- Gemico SPRL
  - Deployment- DRC.
  - Delivered- August 2008

- TALLIE MARINE MINING VESSEL
  - Name- DMV. Ocean Heritage
  - Hull- 50 foot Tallie
  - Plant- single 10 inch system
  - Client- Gavin Craythorne
  - Concession- 1a – 4a
  - Launched- January 2012

- TALLIE MARINE MINING VESSEL
  - Name- DMV. Ocean Explorer
  - Hull- 50 foot Tallie
  - Plant- single 10 inch system
  - Client- John Gurney
  - Concession- 11a – 13a
  - Launched- November 2014

- SUMMARY OF ENGINEERING EXPERIENCE

Successfully completed a total of 70 turn-key diamond mining vessels, barges and shore units on behalf of 46 different local and international clients, including Alexkor, Transhex, ODM, Benco, SouthernEra, Petra Diamonds, The Mineral Services Group, Gem Diamonds, Jindal Minerals, The Lev Leviev Group and 23 individual small-scale marine mining contractors in the west coast diamond industry.



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GC06

IN THE LAND CLAIMS COURT OF SOUTH AFRICA

(HELD AT CAPE TOWN)

Case No: LCC 151/1998

In the matter between:

THE RICHTERSVELD COMMUNITY Plaintiff

and

ALEXKOR LIMITED First Defendant

THE GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA Second Defendant

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DEED OF SETTLEMENT

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1. RECORDAL

1.1 WHEREAS under case no. LCC 151/1998 before the Land Claims Court, by agreement between the parties, the Land Claims Court confined itself to deciding the question whether the Richtersveld Community met the requirements of section 2(1) of the Restitution of Land Rights Act, 1994 (Act 22 of 1994), and in particular whether it constituted a community or a part of a community dispossessed of a right in land after 19 June 1913 as a

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result of past racially discriminatory laws or practices, and the Richtersveld Community claimed that it was dispossessed of ownership (by common law or by indigenous law) and the right to exclusive beneficial occupation and use of the claimed land, including the exploitation of its natural resources; and

1.2 WHEREAS the Land Claims Court held in 2001 that the Richtersveld Community constituted a community for the purposes of the Restitution of Land Rights Act, 1994 (Act 22 of 1994) and the Constitutional Court, on appeal, made an order as follows:

> "(a) It is declared that, subject to the issues that stand over for later determination, the first plaintiff [the Richtersveld Community] is entitled in terms of s 2(1) of Restitution of Land Rights Act 22 of 1994 to restitution of the right to ownership of the subject land (including its minerals and precious stones) and to the exclusive beneficial use and occupation thereof.";

1.3 WHEREAS the proceedings in the said case no. LCC 151/1998 thereafter resumed in the Land Claims Court on the issue of the appropriate nature and form which restitution of the said rights should take; and on 29 April 2004 the Land Claims Court

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ordered as follows with regard to preliminary issues:

> "(a) It is declared that the orders claimed by the plaintiff for both restoration and compensation in satisfaction of its right to restitution in terms of section 2(1) of the Restitution Act, are competent in terms of section 35 of the Restitution Act, (b) It is declared that the orders claimed by the plaintiff for repair of and/or compensation for the environmental damage to the subject land, are competent in terms of section 35 of the Restitution Act";

and

1.4 WHEREAS the Richtersveld Community, in the resumed proceedings, claimed:

- restoration to it of the right to ownership of the claimed land and of the mineral rights in respect thereof, alternatively of rights to prospect and mine in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002);

- compensation for minerals extracted from the claimed land by the State and Alexkor since dispossession of the claimed land

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from the Richtersveld Community, in an amount not less than R1,500,000,000.00;

- repair of the environmental disturbance caused by the said extraction of minerals from the claimed land by the State and Alexkor, alternatively compensation in respect thereof in an amount not less than R1,067,814,014.00; and

- a *solatium* for the said dispossession of R10,000,000.00; and

1.5 WHEREAS the Government of the Republic of South Africa, in the resumed proceedings:

- admitted that restoration of the claimed land should be ordered, subject thereto that formal township establishment in respect of the Alexander Bay township take place and that disruption of governmental functions and of the social fabric in Alexander Bay should be prevented by the restoration of only certain erven in the established township;

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- disputed that, with effect from 1 May 2004, restoration of mineral rights in respect of the claimed land was possible in law and that the Land Claims Court had the power or jurisdiction to order restoration of any rights to prospect and/or mine as contemplated in the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002);

- denied that the Richtersveld Community was entitled to an order for repair of the environmental disturbance caused by the said extraction of minerals and pleaded that the obligation of the State and Alexkor extended no further in this regard than the obligation to rehabilitate the said environmental disturbance in terms of successive mining and mineral laws and regulations;

- denied that the Richtersveld Community was entitled to any compensation in respect of environmental disturbance as claimed and in any event entitled to compensation exceeding the difference between the market value of the environmentally disturbed land and the market value thereof in an undisturbed

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state;

- offered, by way of equitable relief, the alternative State land set out in this agreement;

- denied that the Richtersveld Community was entitled to any compensation in respect of the minerals extracted from the claimed land since the dispossession thereof from the Richtersveld Community;

- denied that the Richtersveld Community was entitled to any *solatium*; and

- pleaded that in determining appropriate restitution, the Richtersveld Community may not receive more in value by way of restoration and equitable relief than the past value of the land and mineral rights which had originally been dispossessed from them, expressed in present-day monetary value and that the Richtersveld Community was not entitled to profit through the restitution process; and

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1.6 WHEREAS it was Alexkor's case that restoration should take place without social disruption, and in a way that would enable it to continue with its marine prospecting and mining operations whilst using the relevant infrastructure and facilities on land; and

1.7 WHEREAS the parties have decided to settle the restitution claim under case no. LCC151/1998 and have agreed to a restitution order by the Land Claims Court on the terms set out in this agreement; and

1.8 WHEREAS the Richtersveld Community is in the process of establishing a company holding structure containing the entities set out in annexure **"A"** hereto in order to hold the various restoration and compensation components set out in this agreement; and

1.9 WHEREAS the State is obliged to acquire the relevant land, rights in land and assets vesting in Alexkor for the purposes of restitution to the Richtersveld Community and has by agreement with Alexkor provided for the transfer thereof directly to the

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Richtersveld Community;

NOW THEREFOR THE PARTIES AGREE AS FOLLOWS:

2. **DEFINITIONS**

In this agreement, unless the context indicates otherwise, the following words or expressions shall have the meaning assigned thereto, namely:

2.1 "Alexkor" means Alexkor Ltd;

2.2 "court" means the Land Claims Court;

2.3 "CPA" means the Richtersveld Sida !hub Communal Property Association (in Afrikaans "die Richtersveld Sida !hub Vereniging vir Gemeenskaplike Eiendom"), a communal property association established by the Richtersveld Community and registered in terms of the Communal Property Associations Act, 1996 (Act 28 of 1996) and as reflected in annexure "A";

2.4 "CPA Act" means the Communal Property Associations Act, 28

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of 1996;

2.5 "DME" means the Department of Minerals and Energy;

2.6 "effective date" means the date upon which this agreement is made an order of the Land Claims Court;

2.7 "EMP" means the Environmental Management Plan pertaining to the mining area of Alexkor approved under the provisions of the Minerals Act, 50 of 1991;

2.8 "land claim" means the claim in case no. 151/1998 before the Land Claims Court;

2.9 "MOU" means the Memorandum of Understanding signed by and on behalf of the Richtersveld Community, Alexkor and the State on 26 October 2006 in Cape Town;

2.10 "Minister" means the Minister of Public Enterprises;

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2.11 "MPRDA" means the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002);

2.12 "parties" means Alexkor, the RVC, the CPA and the State;

2.13 "RVC" means the Richtersveld Community;

2.14 "signature date" means the date upon which the last signing party signs this agreement;

2.15 "State" means the Government of the Republic of South Africa and/or the Executive Council of a province of the Republic of South Africa, as circumstances may require.

3. AGREEMENT TO BE MADE ORDER OF COURT

Each party will cooperate and take all reasonable steps to have this agreement made an order of court as soon as possible after the signature date, but in any event by not later than 3 (three) months thereafter or such extended date as the parties may agree in writing.

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4. FULL AND FINAL SETTLEMENT

This agreement is in full and final settlement of the land claim: Provided that the parties will have no further claims against each other in respect of the land claim, save as is expressly provided for in this agreement.

5. ENTITIES ESTABLISHED BY THE RVC

5.1 By agreement between the parties, the RVC is in the process of establishing the entities reflected and defined in annexure "A" for purposes of the implementation of this agreement. Such entities are referred to herein as defined in annexure "A".

5.2 Before the effective date, the parties must be satisfied that such entities comply, insofar as practicable, with section 35(3) of the Restitution Act, read with the CPA Act.

5.3 Before the effective date and subject to clauses 12.2 and 18, the RVC must submit the founding documents of Devco and the

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Investment Holding Co, as well as the trust deeds of the Richtersveld Community Trust and the Richtersveld Investment Trust respectively, for approval to the State.

6. RESTORATION OF LAND RIGHTS AND RELATED MATTERS

6.1 Subject to clause 7 below, the following land must be transferred to the CPA as soon as possible after the effective date:

6.1.1 by Alexkor, the land in respect of which the RVC claimed restoration as described in annexure "**B**" hereto;

6.1.2 by the State, as alternative State land, the land as described in annexure "**C**" hereto;

6.1.3 by the State in its Provincial Government of the Northern Cape, as alternative State land, the land as described in annexure "**D**" hereto, subject to any existing leases (if any) to be ceded to the CPA; and

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6.1.4 by Alexkor, Portion 3 (Beauvallon) of the farm Groot Derm no. 10, held in terms of Deed of Transfer no. 43637/92 in lieu of monetary compensation as equitable relief.

6.2 Save for the land upon which the Alexander Bay township is to be established, all land transferred to the CPA in terms of clause 6.1 above, will remain subject to the mining rights of Alexkor until the said rights are dealt with as set out in clauses 8 and 10 below and the CPA consents to the said land being used in terms of the said mining rights for mining purposes.

6.3 On the transfer of the Remainder of Farm 1, Alexkor shall be entitled to reserve in its favour, as transferor, and in favour of its successors in title, the servitudes described in annexure "E" hereto, to use the facilities and land on the Remainder of Farm 1 necessary for the reasonable conduct of its activities with respect to the exercise of its prospecting and mining rights in respect of marine diamonds, including activities related to the processing of

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diamonds, as defined in the MPRDA.

6.4 Registration of transfer of the land mentioned in clauses 7.1 and 7.7 as well as the registration of all relevant servitudes, all conveyancing work necessary in connection with the township establishment set out in clause 7, including the opening of the township register and consolidation of the portion of the Remaining Extent of Farm 1 and Farm 625 on which the township of Alexander Bay is to be established, the subdivision of the Remaining Extent of Farm 1 for or in connection with the harbour, the border post and the airport, shall be done by the State Attorney, Cape Town at the cost of the State: Provided that the RVC shall be entitled at its own cost, if it so desires, to appoint Mallinicks Incorporated to assist the State Attorney in respect of the aforesaid attendances and to comment on, vet and approve all documentation prepared by the State Attorney for the aforesaid purpose.

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without payment of any rental or other compensation for the use thereof, to the CPA or Property Holding Co or RMC, as the case may be.

8. **MINING RIGHTS**

8.1 The parties agree that the RVC, through its shareholding in RMC should acquire the mining rights pertaining to the exploitation of diamonds on land in the mining area of Alexkor and in addition that Alexkor grants a right of pre-emption in respect of the mining rights pertaining to the exploitation of diamonds in the marine areas which vest in Alexkor, all on the basis as set out hereunder.

NB → ANY OR ALL PARTS OF MARINE RIGHTS PUT UP FOR SALE, RVC CAN BUY-IN AT THE SELLING VALUE TO MAINTAIN A 49% SHARE

8.2 It is recorded that Alexkor holds an old order mining right as contemplated in the MPRDA on the land in respect of which mining authorisation ML33/93 was granted to it by the Minister of Minerals and Energy in terms of section 9 of the Minerals Act, 50 of 1991, and in respect of which it held the common law rights to precious stones under Certificate of Mineral Rights

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K365/95, which has to be converted to a mining right in terms of the MPRDA in order for it to be transferred to RMC with the permission of the Minister of Minerals and Energy in terms of section 11 of the MPRDA.

8.3 The parties agree to form a PSJV between Alexkor and RMC as follows:

8.3.1 Alexkor will remain the holder of its marine mining rights and RMC will remain the holder of its land mining rights;

8.3.2 Alexkor and RMC will respectively put their marine mining rights and their land mining rights under the full control of a Joint Board of the Joint Venture for purposes of mining both the marine mining resources and the land diamond resources;

8.3.3 Alexkor will furthermore put its land and marine mining assets under the control of the said Joint Board and

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certain of its personnel under the control of the Executive Committee referred to in clause 8.3.10. The PSJV shall provide that such personnel shall remain employees of Alexkor but will be made available to render services to the pooled operations under the control of the Executive Committee. The parties shall procure that finds be made available to Alexkor from the pooled income of the PSJV to discharge all its obligations in respect of such personnel as part of the operating expenditure of the PSJV. For avoidance of doubt, the parties agree that all such employees shall remain in the service of Alexkor who shall directly discharge all its obligations towards such personnel whilst such personnel are under the control of the PSJV. A tripartite agreement shall be entered into between each such employee, Alexkor and RMC which puts it beyond doubt that such employee is and remains an employee of Alexkor despite the fact that such employee will be under the control of the PSJV through its Executive Committee. Further for avoidance of doubt, all existing obligations owed by Alexkor and

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actual or contingent liabilities of Alexkor to any personnel so put under the control of the PSJV, in respect of the period prior to any specific employee having been put under the control of the PSJV (including but not limited to any liabilities of Alexkor to its personnel in respect of post-retirement finding) shall remain with and be discharged by Alexkor. RMC shall not acquire any ownership in the Alexkor pooled assets and Alexkor shall not acquire any ownership in RMC's pooled assets (if any);

8.3.4 Any assets acquired out of the pooled income from the mining operations shall be jointly owned by the parties in undivided shares in proportion to their participation interest;

8.3.5 Alexkor shall initially have a 51% interest in the PSJV and RMC a 49% interest;

8.3.6 All diamonds won from land operations shall, on being

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won, be jointly owned by RMC and Alexkor in the proportion of 51% by Alexkor and 49% by RMC. The same principle applies with respect to diamonds won from Alexkor's offshore mining area in respect of which RMC acquires ownership as to a 49% undivided share therein and Alexkor retains ownership as to a 51% undivided share therein; NB.

8.3.7 The pooled EBITDA from the sale of diamonds (being revenue less operational expenditure derived from the pooled operations and being assessed before reduction of interest, taxes, depreciation and amortisation) will be paid out as to 49% to RMC and as to 51% to Alexkor subject to the policy of the Joint Board which will be dealt with more fully in the PSJV;

8.3.8 The Joint Board shall have the overall supervision of the activities of the pooled operations and shall be the sole representative of the parties in respect of the pooled operations, unless otherwise determined by the Joint

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Board by resolution. Each of the parties shall be entitled to appoint, remove and replace 3 (three) members to the Joint Board, who shall be duly authorised to represent that party in respect of all matters relating to the pooled operations. The members of the Joint Board appointed by Alexkor shall have 51% vote at meetings of the Joint Board and those appointed by RMC 49%. The Chairman of the Joint Board shall be a member of the Joint Board and shall not have a casting vote in addition to his deliberative vote;

8.3.9 All decisions of the Joint Board shall he decided by majority vote provided that unanimous decisions are NB. required with respect to –

8.3.9.1 the appointment of the Executive Committee; NB and

8.3.9.2 any deviation from the resource development plan and programme and mining plan NB.

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approved by the Joint Board

(hereinafter referred to as "reserved matters"). In the event that RMC refuses to approve any reserved matter, any of the parties may refer that reserved matter for determination to a suitably qualified expert agreed by Alexkor and RMC, or failing their agreement, appointed by the chairperson for the time being of the South African Institute of Mining and Metallurgy, provided that the chairperson shall appoint the expert from an aggregate of four experts, two of whom shall be nominated by Alexkor and two of whom shall be nominated by RMC. The parties shall be bound by such expert's appointment and determination;

8.3.10 There shall be an Executive Committee, appointed and removed by the Joint Board from time to time. The Executive Committee will comprise persons who have appropriate operational, technical and financial expertise and experience. The Executive Committee shall consist

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of at least the following posts:

8.3.10.1 a General Mine Manager (Chief Executive Officer);

8.3.10.2 a Financial Manager;

8.3.10.3 a Mineral Resource Manager;

8.3.10.4 a Metallurgy Manager;

8.3.10.5 a Security Manager;

8.3.10.6 such further managers as the Joint Board may decide.

The Executive Committee shall procure the appointment of such staff as will have the necessary expertise to supervise, manage, plan and implement all stages of the prospecting and mining process.

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Any member of the Joint Board shall be entitled to attend and ask questions at monthly meetings of the Executive Committee, but such member shall not be entitled to interfere with the affairs of the Executive Committee; MINUTES?

8.3.11 The management structure of the PSJV shall consist of the Executive Committee together with all the persons reporting to it, responsible for the management of the pooled operations;

8.3.12 The Executive Committee has to put a development plan and programme in place for approval by the Joint Board, in order to upgrade the land and sea diamond resources. The development plan and programme in respect of the land diamond resource must adhere to the following principles:

8.3.12.1 The overriding objective and principle is that the resource must be explored and ultimately

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mined to the hill potential of the resource;

8.3.12.2 The exploration target is an Indicated Resource of 1,5-million carats which, for purposes hereof, is based on the Inferred Resource Statement of Mineral Services (3,5-million carats) as at 31 August 2004 at a cut-off grade (COG) of 4.6 carats per hundred cubic metres;

8.3.12.3 The perceived Life of Mine (LOM) is 10 years at an annual production rate of 150,000 carats;

8.3.12.4 The exploration target is to be divided up into unique self-contained mining cells of sufficient size to sustain exploration and mining at the envisaged annual rate of 150,000 carats. The location and size of these mining cells will determine the infrastructure to be developed within these cells, but must

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ensure optimal best mining practice;

8.3.12.5 Before mining may commence in any mining cell, a three year resource (450,000 carats) needs to be established in that cell on the basis of one year of Probable Reserve and two years of Indicated Resource;

8.3.12.6 Exploration must be conducted at the average resource grade, i.e. a balanced exploration programme developing both high grade and low grade resource blocks;

8.3.12.7 Mining operations have to take place at the average resource grade so as to prevent the "high grading" of the resource;

8.3.12.8 After commencement of mining further exploration must be conducted concurrently with mining so as to continuously maintain a

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resource inventory in each operating mining cell of at least three years of resource on the basis of one year of Probable Reserve and two years of Indicated Resource;

8.3.12.9 A primary exploration plan must be implemented to target new resource areas outside of what is already defined by the inferred resource;

8.3.12.10 The references herein to "Inferred Resource", "Indicated Resource" and "Probable Resource" have the meaning as defined in the SAMREC-code.

PSJV MANAGMENT

The Executive Committee shall also be responsible for the preparation, maintenance and execution of a mining plan, for a viable mining operation on the land and sea resources to be approved by the Joint Board from time to time. A viable mining operation on the land resource will

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be one at least capable of generating sufficient EBITDA to Alexkor for Alexkor to recover 51% of the financial contribution to land operations mentioned in clause 8.3.14 within five years of commencement of mining operations and if further finance as contemplated in 8.3.15 is made available, to recover such finance from the pooled income before EBITDA, within the same five-year period;

8.3.13 Prospecting and mining of land resources will take place under the direct supervision and control of the Executive Committee by means of an independent contractor or contractors to be appointed on recommendation of the Executive Committee by the Joint Board on a basis other than a share of the proceeds of recovered diamonds. The responsibilities and functions of the independent contractor shall stop at the delivery of gravel to the DMS plants and the recovery and sale of diamonds shall be conducted by the Joint Venture. The Joint Board shall not unreasonably refuse to appoint a contractor so

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recommended by the Executive Committee. Should the Joint Board refuse such appointment the matter shall be referred back to the Executive Committee with reasons for such refusal. The Executive Committee shall thereupon reconsider its recommendation and if the Executive Committee again recommends the appointment of the same contractor, the Joint Board shall appoint such contractor unless financial constraints dictate otherwise;

8.3.14 Alexkor shall contribute the necessary finance and capital up to a maximum of R200-million for the joint operations of the Joint Venture, which shall be expended both with respect to the land and the sea operations according to the development plan and programme including the mining plan approved by the Joint Board on recommendation by the Executive Committee. The allocation of the maximum amount of R200-million between land and sea operations shall be made with due regard to the maintenance of an income stream from sea operations in order to subsidize the land operations during its

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development phase, but also with due regard to the principles set out in clause 8.3.12.

Thereafter RMC and Alexkor will, subject to 8.3.15.4, contribute towards expenses according to their respective participation interest.

8.3.15 Should the aggregate of the financial and capital contribution mentioned in clause 8.3.14 above and the pooled income from the operations not be enough for the purposes of the execution of the development plan and programme mentioned in the said clause 8.3.14 as well as the establishment of a viable mining operation, then –

8.3.15.1 the Joint Board may present the State with a business plan in which the reasonable necessity for further finance in that regard is motivated and the intended recovery of such further finance from the pooled income of the PSJV within the five-year period mentioned in

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clause 8.3.12 is demonstrated, requesting the State to make such further finance available;

8.3.15.2 should the State be satisfied with the reasonable necessity and business rationale for such further finance, the State shall facilitate further finance for such purpose on commercial terms to the Joint Venture parties, the repayment of which will be guaranteed by the State;

8.3.15.3 RMC may not sell, let, transfer or in any manner dispose of its interest in the PSJV or of its mining rights or any portion thereof, nor may any shares in RMC in any manner be disposed of, before such additional finance and interest thereon has been fully repaid, nor may it exercise the mentioned in clause 8.3.16 below before the additional finance and the interest thereon has been repaid in full, unless

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the written consent of the State has been obtained;

8.3.15.4 repayment of such additional finance and interest shall be made from the pooled income of the PSJV before calculating the EBITDA and, should the PSJV be dissolved for any reason other than the exercise of the options mentioned in clauses 8.3.16 and 8.3.17, the balance of such additional finance and interest shall be paid as a debt from the pooled income and assets acquired from the pooled income, available before distribution to the parties. RMC shall not be obliged to contribute to the repayment of the said additional finance other than through its share in the pooled income or assets acquired from the pooled income;

8.3.15.5 should the State not be satisfied with the reasonable necessity for such further finance

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on the basis of the said business plan or otherwise, then the reasonability of the need for such further finance will be referred to an independent mining and financial expert for a decision and the parties will be bound by such decision;

8.3.16 Alexkor will withdraw from the PSJV on the exercise of a call option to be given to RMC to buy the 51% interest of Alexkor in the land mining operation of the PSJV, which option will be on the following basis:

8.3.16.1 The purchase price of the 51% participation interest of Alexkor in the land mining operations will be such balance of 51% of the expenditure invested by Alexkor in the land mining project, as has at that stage not been recouped from the EBITDA earnings, as described above, received by Alexkor from the pooled land mining operations;

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8.3.16.2 The option may be exercised at any time after the land mining rights have been transferred to RMC and the conditions set out in either subparagraph (a) or subparagraph (b) hereunder have been fulfilled, namely:

(a) If, **firstly**, a land resource status has been achieved of a two-year Indicated Resource and one-year Probable Reserve in the first mining cell as contemplated in clause 8.3.12 and if, **secondly**, RMC has entered into a binding written agreement with a mining entity with the necessary technical competency and financial resources to continue the prospecting and mining in the manner contemplated in clause 8.3.12, or if RMC has entered into a binding written contract with a

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mining contractor with the necessary expertise to continue the prospecting and mining in the manner contemplated in clause 8.3.12, and if, **thirdly**, all additional finance made available as contemplated in clause 8.3.15 has been, repaid; or

(b) If the said land resource status has not been achieved:

a. when RMC has entered into a binding written contract with a mining entity with the technical competency and financial resources to achieve the said resource status and prospect and mine as contemplated in clause 8.3.12; and

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b. the terms and conditions of the said contract:

i. facilitate the future participation of RMC in the land mining operation on reasonable commercial terms as though the said resource status has been achieved in the first mining cell as contemplated in clause 8.3.12;

ii. provide for the repayment of the further finance (if any) contemplated in clause 8.3.15 within the five year period from commencement of mining operations in the first mining cell as contemplated

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in clause 8.3.12.

If dispute arises between RMC and Alexkor as to whether the conditions for exercise of the option have been met, such dispute must be referred to a suitably qualified independent expert whose decision shall be final.

8.3.16.3 The appointment of an objective expert consultant as contemplated in clauses 8.3.15.5 and 8.3.16 shall be made by agreement between Alexkor and RMC, or failing their agreement, shall be made by the chairman for the time being of the South African Institute of Mining and Metallurgy, provided that the chairperson shall appoint the expert from an aggregate of four experts, two of whom shall be nominated by Alexkor and two of whom shall be nominated by RMC. The parties shall be bound by such expert's appointment and

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determination.

8.3.16.4 Alexkor will retain control of the mining operation after the exercise of the call-option and until such time as the mining partner or mining contractor has taken control of prospecting and mining operations;

8.3.17 If the call-option has not been exercised within five years after commencement of mining operations in the first mining cell as contemplated in clause 8.3.12, there will be a put-option in favour of Alexkor to sell the said 51% interest at the outstanding un-recouped balance of 51% of the expenditure invested by Alexkor in the land mining project, such 51% of the balance being the balance of the said invested expenditure un-recouped from the EBITDA earnings received by Alexkor from the pooled land mining operations;

8.3.18 On the exercise of the said call-option or the put-option,

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the PSJV will dissolve, RMC will retain the land mining operations, land mining rights and resources, including land mining assets and infrastructure, all land mining plant and equipment whether acquired from the earnings of the pooled operations, or not and Alexkor will retain the marine mining operations, marine mining rights and resources including marine mining assets and marine mining infrastructure whether acquired from the earnings of the pooled operations or not, whilst RMC and/or the CPA and/or Property Holding Co will make available the existing land infrastructure to enable Alexkor to proceed with its marine mining operations in the sea concessions;

THE CALL/PUT OPTIONS RELATE ONLY TO THE PSJV INTERESTS

8.3.19 On dissolution of the PSJV, RMC will have a right of first refusal with respect to the marine mining business of Alexkor, or such portion thereof as Alexkor may wish to sell, including such prospecting rights and mining rights with respect to the sea concessions, as Alexkor may then have.

RVL ONLY HAVE A RIGHT OF FIRST REFUSAL ON THE SEA CONCESSIONS

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8.4 In order for formation of the PSJV to proceed forthwith after the signature date, Alexkor and the RVC will do the following:

WHO SAT ON THE IJB?

8.4.1 An Interim Joint Board (IJB) for the PSJV shall be appointed by not later than 1 June 2007;

8.4.2 Alexkor and the RVC shall each respectively be entitled to appoint, remove and replace three members to the IJB who shall be duly authorised to represent that party in respect of all matters relating to the business of the IJB and such members shall be remunerated for their services by the party appointing them;

8.4.3 The purpose of the IJB shall be to meet and by unanimous resolution to agree on the formation of the PSJV on the basis agreed to in clause 8.3;

8.4.4 In order to assist the IJB in the aforegoing –

8.4.4.1 the Minister shall appoint such attorney as the

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IJB may request, through the State Attorney and at the cost of the Minister, to formulate the terms and conditions of the said resolution to which the IJB has to agree unanimously and to perform such functions and to give such advice as the IJB may require;

8.4.4.2 any deadlock with respect to a matter not agreed in clause 8.3 considered by the IJB, must forthwith be formulated by the IJB in writing and must be referred to the principals of the members of the IJB within 3 (three) business days of such deadlock having been reached. The principles must then meet as soon as possible thereafter in order to resolve the deadlock and must advise the members of the IJB of their resolution of the deadlock in a document signed by the principals. The IJB must thereafter proceed in their deliberations on the basis of the resolution of the deadlock

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contained in the said document.

8.4.5 The members of the IJB must, before the unanimous resolution can take effect, refer the unanimous resolution to their principals for final, unconditional confirmation in writing. The said unanimous resolution has so to be confirmed in writing by the principals on or before 31 July 2007, or such later date as the IJB and the Minister may agree in writing, failing which, the PSJV shall fail and the provisions of clause 17.1 shall take effect.

→ CALL/PUT OPTIONS FALL AWAY
→ RIGHT OF FIRST R.

8.5 After –

8.5.1 the airport, the border control post and the land on which the Alexander Bay township is established have been excised from the mining area of Alexkor;

8.5.2 the unanimous resolution of the IJB referred to above has been reached; and

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8.5.3 the EMP has been finally amended as provided for in clause 9,

Alexkor shall convert its old order mining right as defined in item 1 of Schedule II to the MPRDA and as contemplated in item 7 thereof, namely the old order mining right as evidenced by Mining Licence 33/1993 issued in terms of section 9 of the Minerals Act 50 of 1991, and after having applied for and having been granted the consent of the Minister of Minerals and Energy in terms of section 11 of the MPRDA, to cede and transfer the converted mining right to RMC, all on the terms and conditions set out in clauses 9 and 10 below.

9. ENVIRONMENTAL MATTERS

9.1 The existing Environmental Management Plan (EMP) has to be amended both in respect of the rehabilitation of the existing historical environmental disturbance and in respect of future prospecting and mining in order also to facilitate the conversion of Alexkor's old order mining rights and in order to obtain the

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IF IT WAS NOT AMENDED THEN THE MINISTER WAS NOT EMPOWERED TO CONVERT ALEXKOR'S OLD ORDER RIGHTS NOR TO CONSENT TO THE TRANSFER IN TERMS OF SECTION 11 OF THE LAND RIGHTS.

consent of the Minister of Minerals and Energy in terms of section 11 of the MPRDA for the transfer of the converted mining rights to RMC.

9.2 From the date of transfer of the said mining rights Alexkor is financially responsible for all the outstanding/overdue rehabilitation responsibilities (i.e. responsibility for rehabilitation of historic environmental disturbance which does not fall within the continuing rehabilitation obligations arising from continuing mining and which excludes all areas and infrastructure used or to be used in the continuing mining after transfer of the mining rights) and RMC is financially responsible for rehabilitation of future prospecting and mining disturbances, including mine closure. Outstanding/ overdue rehabilitation responsibilities of Alexkor still existing at the date of eventual mine closure remains the financial responsibility of Alexkor.

9.3 The financial obligation of Alexkor for outstanding/overdue rehabilitation costs shall be guaranteed by the State: provided that if any amendment is made to the EMP as it exists at the date

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of transfer of the mining rights to RMC and such amendment results in extra costs of rehabilitation of such outstanding/overdue rehabilitation, such extra costs will not be guaranteed by the State, nor shall Alexkor assume any financial responsibility in respect thereof.

9.4 In order for transfer of the mining rights to take place to RMC, RMC through the PSJV, will make financial provision for all rehabilitation costs, inclusive of premature mine closure costs in a rehabilitation fund as required by the MPRDA, but the aforesaid guarantee by the State with respect to Alexkor's outstanding/overdue rehabilitation costs may be used as a guarantee for purposes of the rehabilitation fund of RMC. The amount of the outstanding/overdue rehabilitation costs in respect of which the aforesaid guarantee is to be made, shall be provisionally determined with reference to the amended EMP to the satisfaction of the Minister of Minerals and Energy immediately prior to the application in terms of section 11 of the MPRDA for the transfer of the mining rights to RMC. The said guarantee shall be maintained until such time as the

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outstanding/overdue rehabilitation aforementioned, has been done. Reassessment of the said amount shall be made as and when the PSJV has decided on the development plan and programme as contemplated in clause 8.3.12, in which case the said guarantee will be adjusted accordingly.

9.5 In order for such rehabilitation of historical disturbances to proceed, RMC through the PSJV will release such areas as will not be required for or in respect of its prospecting and mining programme and will also provide a list of facilities, infrastructure including roads and buildings within the mining area which will be retained and/or used in the short or long term for its prospecting and mining purposes. RMC, through the PSJV, may request Alexkor to commence and proceed with rehabilitation work with respect to the said outstanding/overdue rehabilitation on the basis of the amended EMP with respect to the said released areas. Should RMC, either on its own or through the PSJV decide to do such rehabilitation work itself, the contract for such rehabilitation must be submitted to Alexkor in order for it to verify the specifications of the contract against the standard of

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rehabilitation set in the amended EMP as well as the reasonableness of the rates and the contract amount and any draw-down on the rehabilitation fund of RMC to the extent guaranteed by the State, may only be done with Alexkor's written consent, which consent may not be unreasonably delayed or withheld, after having verified the amount against the said contract. Should any dispute arise as to the aforesaid amount or whether specifications in the contract conform to the standard of rehabilitation in the amended EMP or on whether the rates and contract amount are reasonable or not, the dispute will be referred for decision to an objective expert consultant appointed as contemplated in clause 9.14. The parties shall be bound by such expert's appointment and decision.

9.6 Any additional rehabilitation costs incurred by RMC or the PSJV in the course of performing its rehabilitation obligations, and –

9.6.1 which would otherwise have been the financial obligation of Alexkor, will be recoverable from the financial provision in RMC's rehabilitation fund, but only

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up to the standard of rehabilitation prescribed by the amended EMP and Alexkor agrees that such additional costs may be released from the rehabilitation fund to the credit of the PSJV, or RMC or its successor in title, as the case may be on the written approval by Alexkor of the amount so incurred, which approval or agreement may not be unreasonably delayed or withheld. Should any dispute arise as to the amount thereof, the dispute will be referred to an objective expert consultant appointed as contemplated in clause 9.14 and the parties shall be bound by such expert's appointment and decision;

9.6.2 which would not have been incurred had the outstanding/overdue rehabilitation not existed shall be paid by the State and should dispute arise as to such amount, the aforegoing dispute resolution mechanism will be applicable.

9.7 With respect to the amendment of the existing EMP the processes prescribed by the MPRDA and regulations shall be

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followed, but in addition the processes set out hereunder shall be followed in view of the interests which the RVC has in such amendments. As present holder of the old order mining rights with respect to the land, the processes shall be managed by Alexkor's independent consultant, who shall commence the process of amendment as soon as possible after the signature date.

9.8 The parties agree that the outstanding/overdue rehabilitation aforementioned, is to be completed within 20 years of release of the first area for rehabilitation as aforementioned, subject to delay which may result from the time when areas are released for rehabilitation by the PSJV or its successors in title to the mining operations. The amended EMP shall provide for the completion of the outstanding/overdue rehabilitation on that basis and the implementation schedule to the EMP shall be amended to incorporate appropriate five year bench marks on released areas.

9.9 The amended EMP will provide for comprehensive re-vegetation trials, for which Alexkor shall bear the costs for the first three

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years.

9.10 **Amendment of EMP with respect to future prospecting and mining activities:**

9.10.1 The independent consultant of Alexkor shall prepare and submit a draft amendment for future prospecting and mining by the PSJV to the DME for approval.

9.10.2 The independent environmental consultants of RMC shall jointly with the independent consultant of Alexkor cooperate on all relevant matters, including but not restricted to technical matters of rehabilitation and the formulation of a post-mining land use which conforms to the generally accepted principles of sustainable development as contemplated by section 38(1)(d) of the MPRDA.

9.10.3 In order to ensure that the joint inputs of the independent consultants of RMC shall be properly taken into account

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by the independent consultant of Alexkor in the amendment eventually submitted to the DME, the independent consultant shall ensure that:

9.10.3.1 during each step of the process of amending the EMP the independent environmental consultants of RMC shall have a proper opportunity to participate in all relevant matters;

9.10.3.2 such joint inputs are properly considered in drafting the said amendments, drafts of documentation shall be supplied to experts of RMC for their comment, prior to submission thereof to the DME by the said independent consultant;

9.10.3.3 any decision in respect of the draft amendment is to be taken by way of consensus between such independent

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environmental consultants and the said independent consultant, but in the event of a difference of opinion, such difference will be submitted to, and determined by, RMC in view thereof that, after approval, the amended EMP shall inform and regulate the prospecting and mining activities of the PSJV.

9.11 **Amendment of EMP with respect to past prospecting and mining activities:**

9.11.1 The existing EMP shall be amended to provide for the rehabilitation of such environmental disturbances in accordance with the requirements of the MPRDA to the extent that it may be applicable, read with the applicable statutory requirements at the time of such disturbances, provided that –

9.11.1.1 disturbances which took place prior to 1980 will be dealt with in such amendment on the

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same basis as disturbances which took place thereafter and

9.11.1.2 where practically feasible, the amendment of the EMP with respect to past prospecting and mining activities shall be consistent with the post-mining land use plan mentioned above. In order to attain and enhance such consistency areas of special treatment of historical disturbances will be selected on the basis of the said land use plan for additional rehabilitation which shall be provided for in the amendment of the EMP. The special areas and the specifications for special treatment to be applied thereto are to be agreed upon between the independent consultants engaged by Alexkor and the independent consultants engaged by RMC. If dispute arises between them as to the special areas to be selected or the specifications for special treatment

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thereof, such dispute or disputes shall be decided by a suitably qualified independent expert with no ties to the parties appointed in the manner provided for in clause 9.14. The parties shall be bound by such expert's appointment and determination.

9.11.2 In respect of the amendment of the EMP with respect to past prospecting and mining activities, the process to be followed by the said independent consultant shall ensure that –

9.11.2.1 during each step of the process of amending the EMP the independent environmental consultants of RMC shall have a proper opportunity to make inputs on all relevant matters, including but not restricted to technical matters of rehabilitation;

9.11.2.2 for such inputs to be duly and properly

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considered in drafting the said amendments, drafts of documentation shall be supplied to the experts of RMC for their comment, prior to finalization thereof by the said independent consultant;

9.11.2.3 the independent experts of RMC and the said independent expert of Alexkor shall seek to agree on the contents of the said amendments, but in the case of disagreement the independent expert for Alexkor shall submit the comments of the independent experts of RMC together with his proposed amendment for final consideration by the DME.

9.11.3 Prior to the submission to the DME, the amendment to the EMP drafted in terms of this clause 9.11 shall be submitted to an independent expert with no ties to any of the parties for a peer review in order to ensure that the rehabilitation programme is workable, cost effective and

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provides for an acceptable level of rehabilitation. Such peer review shall be submitted by the independent expert of Alexkor together with the amendment submitted to the DME for decision.

9.11.4 Alexkor or RMC shall be free to exercise their rights in terms of section 96 of the MPRDA in respect of any decision by the DME with respect to the amendment of the EMP or to take such decision on review to the High Court.

9.12 **General procedural matters:**

9.12.1 The parties undertake to cooperate, engage and work constructively towards an amended EMP.

9.12.2 Alexkor shall be liable for the reasonable costs of independent experts used by RMC with respect to past prospecting and mining activities.

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9.13 **Rehabilitation prior to amendment of the EMP:**

9.13.1 The parties recognize that urgent rehabilitation is necessary with respect to the sand plumes at and in the vicinity of Boegoeberg and Alexkor undertakes to commence with such rehabilitation as is agreed between the parties, or failing such agreement as determined by a suitably qualified expert consultant with no ties to the parties appointed as contemplated in clause 7.14 and the parties will be bound to the appointment and decision of such expert. Rehabilitation will thereafter commence as soon as the finances which have been requested from Treasury for such rehabilitation become available: provided that if Alexkor is directed by the Director General of Environmental Affairs and Tourism to commence with such rehabilitation before the independent consultants have agreed as aforesaid or the dispute between them have been resolved by the

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appointed expert, Alexkor will comply with such directive despite the aforegoing.

9.13.2 The State undertakes to finance the 12 month rehabilitation research project set out in the document "Draft plan for community implemented restoration at Alexander Bay" dated 9 August 2006 to a maximum amount of R1,331,100.00: provided that if this project establishes successfully a best practice rehabilitation method of re-vegetation, the responsible parties at that time shall revisit the EMP so as to incorporate the method so established in the EMP.

9.14 Wherever in this clause 9 reference is made to the appointment and decision of an expert or expert consultant, such expert or expert consultant shall be appointed by agreement between Alexkor and RMC, or failing their agreement, shall be made by the Chairperson for the time being of the South African Institute of Mining and Metallurgy, provided that the Chairperson shall appoint the said expert from a aggregate of a maximum of four

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(4) experts, two (2) of whom may be nominated by Alexkor and two (2) of whom may be nominated by RMC. The parties shall be bound by such expert's appointment and determination.

10. CONVERSION OF OLD ORDER MINING RIGHT AND TRANSFER OF CONVERTED MINING RIGHT

10.1 After the unanimous resolution contemplated in clause 8.4.3 has been taken, or the amendment of the Alexkor EMP has been finalised with due regard to clause 9.11.4, Alexkor shall, within a period of 20 business days calculated from the date upon which the last of the events happened, or such extended period as may be reasonable in the circumstances, compile and lodge with the DME an application –

10.1.1 for the conversion of the Alexkor old order mining right to a mining right in accordance with the procedure in Item 7 of Schedule II to the MPRDA and the MPRDA regulations; and

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10.1.2 for the consent of the Minister of Minerals and Energy under section 11 of the MPRDA ("the section 11 application"), to transfer to RMC such mining right once granted to Alexkor by the Minister of Minerals and Energy.

10.2 Alexkor shall, in the compilation of the section 11 application, cooperate with and allow RMC and its advisors an opportunity to comment on the content of the section 11 application and all reasonable comments provided by RMC to Alexkor shall be incorporated by Alexkor in the section 11 application. To facilitate the aforegoing, Alexkor shall appoint Mr Christopher Ian Stevens of Tabacks Attorneys of Rosebank, Johannesburg to assist RMC with commenting on the section 11 application. The costs of Mr Stevens shall be paid for by Alexkor in terms of the provisions of clause 10.3. RMC furthermore undertakes in favour of Alexkor to comply with all requests by Alexkor to sign all such documentation and to do all such things as may be necessary from time to time to facilitate the compilation, lodgement and implementation of the section 11 application.

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10.3 All costs related and incidental to the compilation and lodgement with the DME of the conversion application, the registration of the converted mining right, the section 11 application and the subsequent registration of the transfer of the mining right in the Mining Titles Office, shall be for the account of Alexkor and RMC shall have no obligation whatsoever to contribute to such costs.

10.4 Alexkor shall, prior to the lodging of the conversion application provided for in clause 10.1.1, abandon those portions of the Alexkor mining area which cover the areas of the harbour, the township of Alexander Bay, the border post and the airport, in accordance with the provisions of section 11(2) of the Minerals Act as read with section 110 of the MPRDA, to ensure that pursuant to the implementation of the conversion application provided for in clause 10.1.1 and the section 11 application, RMC mining right does not cover those areas.

10.5 In the event that the Minister of Minerals and Energy refuses to

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grant her consent under section 11 of the MPRDA pursuant to the section 11 application as contemplated by the provisions of clause 8.1 (collectively, "the Minister's refusal decision/s"), then –

10.5.1 Alexkor shall lodge an appeal against the Minister's refusal decision/s in accordance with the provisions of section 96 of the MPRDA and/or apply to have the Minister's refusal decision/s withdrawn under section 103(4) of the MPRDA (collectively "Alexkor administrative appeal"), as the case may be; and

10.5.2 Alexkor shall, in its discretion and in addition to the Alexkor administrative appeal, take the Minister's refusal decision/s on review to the Provincial Division of the High Court which has jurisdiction for such a review ("Alexkor review proceedings"); and

10.5.3 the provisions of clause 10.3 shall apply mutatis mutandis to any such Alexkor administrative appeal and Alexkor

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review proceedings.

10.6 RMC undertakes in favour of Alexkor to comply with all requests by Alexkor to sign all such documentation and do all such things as may be necessary from time to time to facilitate the Alexkor administration appeal and/or the Alexkor review proceedings.

11. NATURE OF DISPOSALS OF LAND AND MINING RIGHTS

It is recorded that the disposal or disposals that result in –

11.1 the CPA receiving the land described in clause 6;

11.2 Property Holding Co receiving the land described in clauses 7.6 and 7.9 above;

11.3 RMC receiving the mining right as set out in clauses 8.5 and 10;

11.4 the payment of monetary compensation set out in clauses 7.7, 12 and 14; and

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the RVC through its CPA or nominated companies become responsible for the management of all the said assets and enterprises and shall deal with them at best.

14. LUMP SUM DEVELOPMENT GRANT

14.1 Over and above the aforegoing the State shall pay to Investment Holding Co an amount of R50-million as a lump sum development grant which may, at the discretion of Investment Holding Co, be used for re-capitalization of the agricultural and maricultural enterprises or for such other purposes to the advantage of the RVC as it may deem fit.

14.2 The said amount will be paid over to Investment Holding Co or the CPA as soon after the signature date as is possible in view of Treasury regulations.

15. GOVERNMENT DEVELOPMENT PROGRAMMES

15.1 It is recorded that the parties support the principle that the

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Greater Namaqualand Community must also benefit from development in the area.

15.2 The parties will promote this objective through a social and labour plan required in terms of the MPRDA and provisions for skills development and social upliftment of the surrounding communities by way of facilitating social development projects.

15.3 Nothing in this agreement should affect the rights of the RVC to participate in and benefit from any government development programme.

15.4 It is very important to maintain the quantum and integrity of the Richtersveld land and, as far as possible, if any such land as has to be expropriated for public purposes such expropriation will be restricted to the minimum necessary for that purpose.

16. COSTS IN CONNECTION WITH SETTLEMENT

16.1 The State will, subject to clause 16.3 hereto, pay the reasonable

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and necessary legal fees, disbursements and related expenses of:

16.1.1 Mallinicks Inc incurred by the RVC in relation to the settlement of its restitution claim, including the processes of obtaining advice; giving instructions; the drafting, conclusion and implementation of the MOU resulting in this deed of settlement, including the drafting of trust deeds and putting into place the companies mentioned in annexure "A" hereto;

16.1.2 the Legal Resources Centre incurred by the RVC in relation to the settlement of the RVC's restitution claim, including reporting to and providing advice to the community, taking instructions from the community, representing the community; drafting, conclusion and implementation of the MOU resulting in this deed of settlement;

16.1.3 other attorneys instructed and employed under various provisions of the MOU or this deed of settlement through

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the State Attorney in the drafting and negotiation of the PSJV, and the costs of Tabacks Attorneys who may be instructed by Alexkor in terms of clause 10.2;

16.1.4 registration of transfer of the properties mentioned in clauses 6 and 7 by the State Attorney, Cape Town as well as registration of the various servitudes mentioned herein and the opening of the township register in respect of the established township of Alexander Bay.

16.2 The parties agree that the said legal fees, disbursements and related expenses payable by the State to Mallinicks Inc and the Legal Resources Centre in terms of this clause 16 may be paid through the funds made available or to be made available to the RVC by the Chief Land Claims Commissioner in terms of the order which was made in settlement of case no. LCC63/2005.

16.3 The State shall not be liable for any costs of Mallinicks, the LRC or any other attorney incurred by the RVC in relation to any of the aforementioned or otherwise beyond 1 August 2007, without the prior

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written approval of the State through its Department of Public Enterprises and the Land Claims Commission.

16.4 The State will pay the taxed party and party costs of the RVC in case no. LCC151/1998.

17. **FAILURE OF IJB TO IMPLEMENT PSJV OR FAILURE OF TRANSFER OF MINING RIGHTS TO RMC**

17.1 In the event of the PSJV failing by virtue of the failure by the members of the IJB to take a unanimous resolution, or the failure of the principals to unconditionally confirm the unanimous resolution all as provided for in clause 8.4, the provisions of clause 8.3 shall have no force and effect and the PSJV as provided for in clauses 8.3.1 to 8.3.19 shall retrospectively be annulled, but the remaining provisions of this agreement shall remain applicable on the basis *mutatis mutandis* as set out in clause 17.2. Without detracting from the generality of the aforegoing and for purposes of clarity, the parties record that in that event –

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17.1.1 the R200-million contribution as mentioned in clause 8.3.14, falls away;

17.1.2 the right of first refusal with respect to the marine mining business of Alexkor as mentioned in clause 8.3.19, falls away; and

17.1.3 the call-option mentioned in clauses 8.3.16 to 8.3.18, falls away.

17.2 In the event that the aforementioned unanimous resolution of the IJB is taken and confirmed as contemplated in clause 8, but the transfer of the mining right, despite cooperation of the parties hereto, prove to be incapable of implementation by virtue of –

17.2.1 the Minister of Minerals and Energy not granting the conversion of Alexkor's old order mining right in terms of item 7 of Schedule II to the MPRDA; or

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17.2.2 the Minister of Minerals and Energy not granting her consent in terms of section 11 of the MPRDA for the transfer of the mining right by Alexkor to RMC,

then and in that event, the PSJV shall lapse and for purposes of clarity, the consequences described in clause 17.1.1 to 17.1.3 shall ensue, but the remaining provisions of this agreement shall *mutatis mutandis* remain of full force and effect and clause 9 shall be interpreted on the basis that Alexkor remains the holder of its old order mining right, or converted mining right, as the case may be, whilst Alexkor shall remain liable for the rehabilitation of existing historical environmental disturbance as well as rehabilitation of future prospecting and mining disturbances, including mine closure and the references in clauses 9.10 to 9.14 –

(a) to the PSJV shall be interpreted as references to Alexkor;

(b) save in clause 9.10.3.3, to RMC shall be interpreted as references to the RVC or the CPA after transfer of the

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relevant land to it; and

(c) to RMC in clause 9.10.3.3 shall be interpreted as a reference to the DME.

17.3 Should the events in clauses 17.1 or 17.2 happen or any of the parties hereto not comply with their obligations in terms of this agreement, any of the parties to case no. LCC151/1998 may set the proceedings in that case down for resumed hearing in the Land Claims Court and it is agreed that such a resumed hearing may proceed only on the following basis –

17.3.1 the enforcement of the obligations of any of the parties in terms of this agreement or the remaining obligations of any of the parties in terms of this agreement, as the case may be, or the exercise of such remedies as such party may have by common law for breach of such obligations; and

17.3.2 in the case of the events in clauses 17.1 or 17.2

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happening, the hearing of the claim of the RVC with respect to the restitution of the rights to minerals and precious stones in respect of the claimed land as contemplated in the order of the Constitutional Court set out in clause 1.2 of the Recordal, and the RVC may in that regard amend their case so as to request the Land Claims Court to order the Minister of Land Affairs to expropriate the old order mining right of Alexkor (if not yet converted) or the mining right in terms of the MPRDA, in favour of the RVC: provided, however, that the State and Alexkor, by agreeing to this clause, do not agree that such rights are in law capable of being expropriated and that the State and Alexkor reserve their right to oppose any such request to the Land Claims Court.

18. **IMPLEMENTATION OF THIS AGREEMENT WITH RESPECT TO ENTITIES IN ANNEXURE "A"**

18.1 RVC shall ensure that each and every entity contemplated in

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annexure "A" hereto is fully and finally established (including but not restricted to the approval and finalisation of any founding documents and/or the issue or transfer of shares to the holding entity or entities created to hold such shares; and/or the appointment of persons as directors to the boards of companies and as directors of trusts and/or the registration of trusts with the Master of the High Court in terms of the applicable legislation) so as to enable the parties to comply with their obligations as described in terms of this agreement by the date upon which such obligations have to be performed.

18.2 RVC further undertakes to make such amendments to any of the founding documents, including trust deeds of the trusts and entities mentioned in annexure "A", as will be required in order to have the provisions of this agreement made an order of the Land Claims Court.

18.3 By signing this agreement, RVC and CPA undertake to procure the fulfilment of this agreement by all the companies and entities mentioned herein.

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SIGNED AT Pretoria THIS 22 DAY OF APRIL 2007

FOR AND ON BEHALF OF
THE RICHTERSVELD COMMUNITY

SIGNED AT Pretoria THIS 22 DAY OF APRIL 2007

FOR AND ON BEHALF OF THE RICHTERSVELD
SIDA !HUB COMMUNAL PROPERTY ASSOCIATION

SIGNED AT PRETORIA THIS 22ND DAY OF APRIL 2007

FOR AND ON BEHALF OF ALEXKOR

SIGNED AT PRETORIA THIS 22ND DAY OF APRIL 2007

FOR AND ON BEHALF OF THE GOVERNMENT
OF THE REPUBLIC OF SOUTH AFRICA

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COPY

C:\Documents and Settings\IBM User\Local Settings\Temporary Internet Files\OLKB7\Resolution 20070731.doc

UNANIMOUS RESOLUTION OF INTERIM JOINT BOARD APPOINTED IN TERMS OF CLAUSE 8.4 OF THE DEED OF SETTLEMENT DATED 22 APRIL 2007

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UNANIMOUS RESOLUTION OF INTERIM JOINT BOARD APPOINTED IN TERMS OF CLAUSE 8.4 OF THE DEED OF SETTLEMENT DATED 22 APRIL 2007

RESOLVED THAT:

WHEREAS the Richtersveld Mining Company (RMC) is not yet legally in a position to enter into an agreement with Alexkor Limited (Alexkor);

and

WHEREAS the Interim Joint Board appointed in terms of clause 8.4 of the Deed of Settlement has as purpose to take a unanimous resolution to agree on the formulation of a Pooling and Sharing Joint Venture between Alexkor and the RMC (PSJV) on the basis agreed to between the parties to the Deed of Settlement;

and

WHEREAS certain matters have been referred to the principals of the members of the Interim Joint Board as contemplated in clause 8.4.4.2 of the Deed of Settlement, who have reached agreement on certain of those matters and have advised the members of the Interim Joint Board of their agreement in that regard;

and

WHEREAS the members of the Interim Joint Board have reached unanimity

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as contemplated in clause 8.4.3 of the Deed of Settlement;

BE SUCH UNANIMITY RECORDED AS FOLLOWS:

1.

UNANIMOUS ACCEPTANCE OF THE PRINCIPLES OF PSJV

Subject to the clarifications and additions set out hereunder and the agreements reached between the principals which are also recorded herein, the principles of the Pooling and Sharing Joint Venture to be entered into between Alexkor and the RMC are unanimously accepted.

2.

DEFINITIONS

Unless the context clearly indicates a contrary intention, the following expressions used in clause 8 of the Deed of Settlement and herein, shall bear the meanings set out below and cognate expressions shall have corresponding meanings:

2.1 *Alexkor Initial Cost Contribution* means the necessary finance and capital up to a maximum of R200-million for the preliminary establishment of the PSJV and thereafter for the joint operations of the PSJV as provided

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agree to extend the date of fulfilment of the conditions to such a later date as may be reasonably necessary in order to obtain the fulfilment thereof.

3.5 If any suspensive condition is not fulfilled for any reason whatever and is not waived in terms of 3.3 above, then the agreement (other than this clause 3, 18, 24, 25, 27, 28 and 29 by which the parties shall remain bound) shall be of no force or effect:

3.5.1 Alexkor and the RMC shall be restored as near as possible to the positions in which they would have been, had this agreement not been entered into; and

3.5.2 Neither Alexkor nor the RMC shall have any claim against each other, except for such claims (if any) as may arise from breach of this clause 3 or from any other provision of the agreement by which the parties remain bound, or such claims as are provided for in clause 17.2 of the Deed of Settlement.

4.

PRELIMINARY ESTABLISHMENT PHASE OF THE PSJV

4.1 The preliminary establishment of the PSJV commences on the effective date and terminates on fulfilment of the suspensive conditions set in 3 and the provisions set out below apply during this period. Alexkor shall finance the preliminary establishment of the PSJV in terms of this clause

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4 from the Alexkor Initial Cost Contribution. All such financing and consequential payments to be made from the Alexkor Initial Cost Contribution by Alexkor, shall be subject to the prior approval of the Joint Board.

4.2 Within fourteen days of the effective date, Alexkor and the RMC shall appoint and constitute the Joint Board as contemplated in 9.1.

4.3 During the period in 4.1, the Joint Board so appointed shall be a committee of the Board of Alexkor and Alexkor shall effect the delegations of powers and functions to the extent necessary for the Joint Board to carry out its business and activities during the various stages of the preliminary establishment of the PSJV independently and without interference by Alexkor, to the extent that such delegations can be effected in terms of the National Treasury Regulations.

4.4 Upon constitution of the Joint Board, it shall without delay, draft a business plan for the process of the appointment of the Executive Committee, which shall include a full description of such process and a detailed budget for the execution of such process and the appointment of the Executive Committee, so as to enable Alexkor to provide the necessary finances from the Alexkor Initial Cost Contribution in respect of the said process and the appointment of the Executive Committee.

4.5 After the Deed of Settlement has been confirmed or noted by the Land Claims Court, the Joint Board shall without delay, commence and conclude the process of the appointment of the Executive Committee, as

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contemplated in clause 8.3.10 of the Deed of Settlement and as expanded on below in 10.1 read with 9.3.1 and 9.4.

4.6 After appointment of the Executive Committee, the Executive Committee shall without delay, commence with -

4.6.1 identification and earmarking of the Alexkor land and marine assets to be pooled under the control of the Joint Board on commencement of the PSJV: provided that any contracts or arrangements of Alexkor with a third party or third parties from which Alexkor cannot resile without incurring penalties, must be so identified and earmarked, but without any obligation to renew any such contract or arrangement;

4.6.2 identification of such personnel of Alexkor, if any, as are contemplated in clause 8.3.3 of the Deed of Settlement, to be put under the control of the Executive Committee as provided for in that clause;

4.6.3 a technical revision of -

(a) the resource statement and indicated resource target of 1.5-million carats and applicable cut-off grade as contemplated in clause 8.3.12.2 of the Deed of Settlement;

(b) the perceived Life of Mine and annual production rate

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stated in clause 8.3.12.3 of the Deed of Settlement;

(c) the three year resource caratage stated in clause 8.3.12.5 of the Deed of Settlement; and

(d) the question whether the three year resource contemplated in clauses 8.3.12.5 and 8.3.12.8 of the Deed of Settlement should be on the basis of three years of Indicated Resource;

4.6.4 drafting of a prospecting plan and work programme;

4.6.5 drafting of an interim mining plan if deemed desirable under the circumstances;

4.6.6 drafting of an accounting policy for the PSJV on the basis of the International Accounting Standards and the National Treasury Regulations,

all for submission and acceptance by the Joint Board: provided that the technical revision in 4.6.3 has to be accepted by the unanimous resolution of the Joint Board on any aspect which would have the effect of amending any provision in clauses 8.3.12.2, 8.3.12.3, 8.3.12.4, 8.3.12.5 or 8.3.12.8 of the Deed of Settlement.

4.7 The Joint Board and the Executive Committee, after its appointment, must diligently do all preparatory work necessary for the PSJV to

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stated in clause 8.3.12.3 of the Deed of Settlement;

(c) the three year resource caratage stated in clause 8.3.12.5 of the Deed of Settlement; and

(d) the question whether the three year resource contemplated in clauses 8.3.12.5 and 8.3.12.8 of the Deed of Settlement should be on the basis of three years of Indicated Resource;

4.6.4 drafting of a prospecting plan and work programme;

4.6.5 drafting of an interim mining plan if deemed desirable under the circumstances;

4.6.6 drafting of an accounting policy for the PSJV on the basis of the International Accounting Standards and the National Treasury Regulations,

all for submission and acceptance by the Joint Board: provided that the technical revision in 4.6.3 has to be accepted by the unanimous resolution of the Joint Board on any aspect which would have the effect of amending any provision in clauses 8.3.12.2, 8.3.12.3, 8.3.12.4, 8.3.12.5 or 8.3.12.8 of the Deed of Settlement.

4.7 The Joint Board and the Executive Committee, after its appointment, must diligently do all preparatory work necessary for the PSJV to

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commence operations once the suspensive conditions in clause 3 have been fulfilled in order for the PSJV to be constituted.

4.8 No prospecting or mining operations may be conducted by the Joint Board through the Executive Committee before commencement of the PSJV, unless -

4.8.1 the Minister of Public Enterprises and the Board of Alexkor have consented thereto;

4.8.2 Alexkor is in the position to fund such prospecting and mining from the Alexkor Initial Cost Contribution with the necessary consent of Treasury; and

4.8.3 an independent contractor or contractors for such prospecting or mining are appointed in accordance with the National Treasury Regulations on Procurement as applicable to a major public entity listed in Schedule II to the Public Finance Management Act, 1999 (Act No 1 of 1999).

4.9 The revenue from such prospecting or mining accrues to Alexkor to be dealt with as follows:

4.9.1 Such revenue must be applied towards operational expenditure in respect of the Joint Board and Executive Committee as from commencement of the period in 4.1 and towards operational and capital expenditure of such prospecting or mining;

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4.9.2 Any EBITDA shall be allocated to a reserve fund to be paid over to the pooled account mentioned in 14.7.1 when the suspensive conditions in 3.1 have been fulfilled.

4.10 All monies expended by Alexkor in respect of the preliminary establishment of the PSJV, form part of the Alexkor Initial Cost Contribution contemplated in 14.1 and shall be reflected as such on fulfilment of the suspensive conditions in the books of the PSJV.

4.11 For purposes of clarity, it is recorded that Alexkor is listed in Schedule II to the Public Finance Management Act 1 of 1999 as a major public entity which is subject to the provisions of the said Public Finance Management Act, and that the preliminary establishment of the PSJV in this clause 4 is subject to section 54(2) of that Act, whereby the accounting authority for Alexkor must in writing inform the Treasury of Alexkor's role in the preliminary establishment of this clause 4, and must submit it to the Minister of Public Enterprises for approval of the transaction, being the participation of Alexkor in an arrangement similar to an unincorporated joint venture.

4.12 The members of the Executive Committee appointed during the preliminary establishment as aforesaid, shall be appointed on the following basis to be agreed with each of them:

4.12.1 During the period in 4.1, such members shall be in the service of Alexkor, but under the control of the Joint Board, acting as a

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committee of the Board of Alexkor;

4.12.2 On commencement of the PSJV, the members of the Executive Committee shall be in the joint service of Alexkor and the RMC under the control of the Joint Board;

4.12.3 During the period in 4.1, the salaries and remuneration of the members of the Executive Committee and such employees of Alexkor as are required by the Executive Committee to render services to the interim operations under the control of the Executive Committee, shall be paid by Alexkor, but shall be operational expenditure of the PSJV and reflected as such in the books of the PSJV.

5.

POOLING AND SHARING IN THE JOINT VENTURE

5.1 As soon as the PSJV commences, the Joint Board and the Executive Committee appointed during the interim period shall be the Joint Board and the Executive Committee of the PSJV.

5.2 As from the commencement of the PSJV, the pooled operations shall be constituted by Alexkor and the RMC by -

5.2.1 placing the land and marine mining assets of Alexkor and of RMC, and as identified and earmarked by the Executive

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Committee during the period in 4.1, under the control of the Joint Board as the Alexkor pooled assets and as the RMC pooled assets;

5.2.2 sharing in the pooled EBITDA in accordance with their respective participation interest from time to time. In giving effect to the aforegoing, *inter alia*, the EBITDA generated from the RMC pooled assets shall accrue to RMC, up to a maximum of RMC's participation interest, provided that where RMC's participation interest is more than the ratio which the EBITDA generated from the RMC pooled assets bears to the aggregate (100%) EBITDA generated from the RMC pooled assets and the Alexkor pooled assets collectively, the balance shall accrue to the RMC out of the EBITDA generated from the Alexkor pooled assets, and where the RMC's participation interest is less, the balance of the EBITDA generated from the RMC pooled assets shall accrue to Alexkor. The aforegoing provisions will apply *mutatis mutandis* to EBITDA generated from the Alexkor pooled assets; and

5.2.3 sharing in the capital expenditure (to the exclusion of the Alexkor Initial Cost Contribution) in accordance with their respective participation interest from time to time. In giving effect to the aforegoing, each party will, subject to the provisions of 14, incur the capital expenditure in respect of their own pooled assets, provided that in the event that the capital expenditure incurred by Alexkor in respect of the Alexkor

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pooled assets during a particular year of assessment (as a percentage of the aggregate capital expenditure incurred in that year by both parties) exceeds Alexkor's participation interest for that year (the excess capital expenditure percentage), then Alexkor will on the last day of that year sell a portion (equal to the excess capital expenditure percentage) of each of the assets acquired by it during the year of assessment and on which such capital expenditure was expended, to the RMC for an amount equal to the proportionate cost of such assets. The aforegoing provisions will apply *mutatis mutandis* to capital expenditure incurred in respect of the RMC pooled assets in excess of the RMC's participation interest. For the purpose of this 5.2.3, capital expenditure shall exclude maintenance capital expenditure.

5.3 The relationship between the parties as participants in the pooled operations, shall be governed exclusively by the Deed of Settlement as herein supplemented, and is not intended to create and shall not constitute a partnership. Save as may be expressly provided for in this agreement, neither of the parties shall be entitled to represent or hold itself out as being the partner or agent of the other party or as being able to bind the credit of such other party. Each party hereby indemnifies the other against any losses or damages of whatever nature which that other party may suffer as a result of a breach of the provisions of this clause. As security for their respective obligations towards each other as provided for in this agreement, each party will be entitled to recover such loss or damages after liquidation thereof, from the other party's

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undistributed share in the pooled EBITDA and the parties hereby irrevocably consent thereto that in such an event, the Joint Board shall pay the amount of such liquidated loss or damages from the relevant undistributed share of the EBITDA to the party so entitled thereto.

5.4 Alexkor and the RMC undertake to act with the utmost good faith towards each other in giving effect to the terms of this agreement and to do all such things and sign all such documents as may be necessary to place the Alexkor pooled assets and the RMC pooled assets under the control of the Joint Board and to enable the Joint Board to manage and administer such assets as herein provided for.

5.5 The respective participation interests of the parties as set out in 2.14, shall not be altered or adjusted in any way or manner whatsoever, other than as provided for in this agreement or by written agreement between the parties.

6.

ELEMENTS AND EFFECT (to supplement clauses 8.3.1 to 8.3.5 of the Deed of Settlement)

6.1 The effect of the pooling transaction shall be to make the Joint Board ultimately responsible for the -

6.1.1 the prospecting and mining for precious stones in and on the pooled operations area (utilising the pooled assets);

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6.1.2 carrying out of all such ancillary and incidental activities from time to time in order to facilitate the activities contemplated in 6.1.1;

6.1.3 carrying out of the recovery and sale, at the highest price possible, of precious stones produced from the pooled operations areas; and

6.1.4 carrying out of all such ancillary and incidental activities from time to time in order to facilitate the recovery and sale as contemplated in 6.1.3, in terms of and subject to the provisions of this agreement.

6.2 Therefore, with effect from the commencement of the PSJV -

6.2.1 Alexkor shall place under the control of the Joint Board (with full retention of its rights of ownership) -

(a) the right of use of the Alexkor pooled assets;

(b) all precious stones produced from the exercise of the marine mining rights which contribution will be made free of charge to carry out the pooled operations; and

(c) certain of its employees in accordance with clause 8.3.3 of the Deed of Settlement.

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6.2.2 The RMC shall place under the control of the Joint Board (with full retention of its rights of ownership) -

(a) the right of use of the RMC pooled assets;

(b) the RMC land;

(c) all precious stones produced from the exercise of the RMC's mining rights, which contribution will be made free of charge to carry out the pooled operations.

6.2.3 Subject to 4 and from the commencement of the PSJV, Alexkor shall contribute to the pooled operations the Alexkor Initial Cost Contribution.

7.

OWNERSHIP OF ASSETS (to supplement clause 8.3.3 of the Deed of Settlement)

7.1 For the avoidance of doubt it is recorded that -

7.1.1 the RMC shall not acquire any ownership interest in the Alexkor pooled assets, including in any mining right granted to Alexkor by the Minister of Minerals and Energy pursuant to any conversion of the Alexkor offshore old order mining right to a

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mining right in accordance with the provisions of Item 7 of the transitional arrangements of the MPRDA; and

7.1.2 Alexkor shall not acquire any ownership interest in the RMC pooled assets;

7.1.3 the ownership of the Alexkor pooled assets and the RMC pooled assets shall for the duration of the conduct of the pooled operations and after its termination, be retained in full by Alexkor and the RMC respectively, provided however that the Joint Board and the Executive Committee, acting through the Management Structure shall, with effect from commencement of the PSJV, be responsible for prospecting and mining in the pooled operations in terms of 13.1 and by means of independent contractors appointed for that purpose, the conduct of all production activities relating to the pooled operations in terms of 13.2 and the supervision of marketing as contemplated in 13.3.

7.2 Any assets acquired out of the pooled EBITDA shall be jointly owned by the parties in undivided shares in proportion to their participation interest subject to any of the provisions of this agreement which expressly provides otherwise.

7.3 Save as expressly provided in this agreement, neither party will have the right to in any way deal with any of its assets forming part of the pooled operations (and therefore being under the control of the Joint Board)

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without the prior written consent of the other party.

8.

OWNERSHIP OF PRECIOUS STONES (to supplement clause 8.3.6 of the Deed of Settlement)

Notwithstanding the provisions of 7 and with respect to precious stones recovered from the exercise of the RMC mining rights (the RMC precious stones) and the exercise of the Alexkor marine mining rights (Alexkor precious stones), the parties agree that with effect from the commencement of the PSJV -

8.1 such percentage undivided share in all the Alexkor precious stones as is equal to the RMC's participation interest for the time being (RMC share) shall, as soon as those precious stones become movables capable of separate ownership (delivery moment), become the property of RMC and shall be delivered by Alexkor to RMC by *constitutum possessorium*. Accordingly, the parties agree that on the delivery moment, Alexkor changes its intention insofar as the RMC share is concerned and Alexkor shall no longer own the RMC share, but the parties shall be co-owners in undivided shares of the Alexkor precious stones in proportions equal to their respective participation interests; and

8.2 such percentage undivided share in all the RMC precious stones as is

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equal to Alexkor's participation interest for the time being (Alexkor share) shall, on the delivery moment, become the property of Alexkor and shall be delivered by RMC to Alexkor by *constitutum possessorium*. Accordingly, the parties agree that on the delivery moment, RMC changes its intention insofar as the Alexkor share is concerned and RMC shall no longer own the Alexkor share but the parties shall be co-owners in undivided shares of the RMC precious stones in proportions equal to their respective participation interests.

9.

JOINT BOARD (to supplement clauses 8.3.8 and 8.3.9 of the Deed of Settlement)

9.1 The overall supervision of the activities of the pooled operations shall vest in a Joint Board which shall be constituted and established as follows -

9.1.1 the Joint Board shall, subject to 13, be the sole representative of the parties in respect of the pooled operations, unless otherwise determined by the Joint Board by resolution. No person shall in any manner whatsoever represent the parties in relation to the pooled operations, save to the extent such person may be expressly authorised by a resolution of the Joint Board;

9.1.2 in the event that the conduct of the pooled operations is terminated for any reason whatsoever, the existence of the Joint

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Board shall continue but only for as long as and for the purpose of giving effect to the provisions of this agreement and to administer the discharge by the parties of any obligations or liabilities relating to the pooled operations which may survive its termination;

9.1.3 the members of the Joint Board shall discharge their functions and responsibilities in relation to the pooled operations in the same manner and with the same fiduciary duty and duty to act with care and skill, as would be expected of the directors of a company incorporated under the Companies Act;

9.1.4 each of the parties shall be entitled to appoint, remove and replace three members to the Joint Board, who shall be duly authorised to represent that party in respect of all matters relating to the pooled operations;

9.1.5 at any meeting of the Joint Board, each member shall have that percentage of the total votes of all members which corresponds to the percentage participation interest of the party which nominated such member, divided by the number of members nominated by such party; subject to the provisions of clause 9.3, all decisions of the Joint Board shall be by majority vote;

9.1.6 the chairman of the Joint Board shall be a member of the Joint Board, to be appointed from time to time by the Minister of Public Enterprises as executive authority for Alexkor in terms

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of the Public Finance Management Act 1 of 1999 and duly authorised by Alexkor to do so. The chairman shall not have a casting vote in addition to his or her deliberative vote;

9.1.7 the quorum at meetings of the Joint Board shall be at least two representatives from each of Alexkor and RMC;

9.1.8 if no quorum is present at any duly convened meeting of the Joint Board within thirty minutes after the scheduled time for commencement of that meeting, the meeting shall be adjourned to the same day seven days later at the same time and venue, or if that day is not a business day to the next succeeding business day. Written notice of each adjournment shall be given by one of those representatives present at the meeting to each of the representatives not present at the meeting forthwith after such adjournment. If at such adjourned meeting a quorum is not present within thirty minutes after the scheduled time for commencement of that meeting then, notwithstanding anything to the contrary herein contained, the representatives present thereat shall constitute a quorum. The representatives of each party present at the adjourned meeting shall exercise their voting rights collectively as a single unit on the same basis *mutatis mutandis* as set out in 9.1.5;

9.1.9 meetings of the Joint Board shall take place in accordance with the requirements of the pooled operations: Provided that at least one meeting shall take place once a calendar quarter for the

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duration of the period of conduct of the pooled operations. Any member shall be entitled to call a meeting of the Joint Board by giving not less than ten days written notice (or where the matter to be discussed is urgent, not less than five days written notice) to the other members, which notice shall set out the time and place for such meeting. Where the matter to be discussed is urgent and no quorum is present at such urgent meeting called in terms of this clause within thirty minutes after the scheduled time for commencement of that urgent meeting, the meeting shall be adjourned to the same day two days later on *mutatis mutandis* the same basis as set out in 9.1.8;

9.1.10 the resolutions of the Joint Board shall be recorded in minutes to be circulated to each member within ten days of any meeting. Receipt of the minutes shall be acknowledged in writing and any minutes so received shall be deemed to have been approved by each member, within ten days after receipt of such minutes, if that member does not raise any objections in writing to the minutes;

9.1.11 Joint Board members shall be entitled to participate in the meetings of the Joint Board through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other: Provided however that any such decision made at a meeting held in such a manner, is ratified in writing by each member who participated in the meeting within seventy-two

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hours from the decision having been made. The ratification shall be communicated to all members forthwith upon having been reduced to writing;

9.1.12 decisions of the Joint Board may also be arrived at in writing by telefacsimile or electronic mail;

9.1.13 no remuneration shall be payable to the members of the Joint Board by the PSJV and from the pooled income. The pooled operations shall also not be liable for the costs incurred by any member attending any Joint Board meeting unless otherwise agreed. Each party shall be responsible for the remuneration and costs of the members of the Joint Board nominated by it;

9.1.14 the administrative and secretarial functions of the Joint Board shall be carried out by its members or such third parties as determined by the Joint Board;

9.1.15 all costs of the pooled operations incurred by the Joint Board relative to its functioning and which are approved by it shall be paid for out of the pooled EBITDA;

9.1.16 the individual members of the Joint Board shall not be entitled to issue any instructions to, or exercise any authority over, any employee, agent or counter party involved in the pooled operations unless they have been expressly authorised by the Joint Board to do so;

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9.2 The Joint Board shall be responsible for, inter alia -

9.2.1 determining the business objectives and strategies (including hedging strategies) of the pooled operations from time to time;

9.2.2 approving the operating and capital expenditure budgets for the pooled operations;

9.2.3 supervising and engaging with the Executive Committee in the decision-making process relating to the management of the pooled operations as provided for herein;

9.2.4 information sharing and skills transfer/management training;

9.2.5 establishing, *inter alia*, the following committees (which will include at least one RMC representative in each committee) and their terms of reference -

(a) audit and risk;

(b) governance and remuneration, which includes the subjects of transformation and charter compliance; and

(c) environment and rehabilitation;

9.2.6 subject to 12, appointing on recommendation of the Executive

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Committee, an independent contractor or contractors; and

9.2.7 preparing such quarterly reports as would enable Alexkor to comply with its reporting obligations under the Public Finance Management Act 1 of 1999.

9.3 Notwithstanding the provisions of 9.1.5, the following decisions of the Joint Board will only be implemented if the members of the Joint Board representing the RMC and Alexkor have unanimously resolved to implement such a decision at a meeting of the Joint Board where such a decision is submitted to the Joint Board for resolution, namely -

9.3.1 the appointment of the Executive Committee as contemplated in clause 8.3.9.1 of the Deed of Settlement;

9.3.2 any deviation from the development plan and programme insofar as it relates to the land mining and prospecting.

9.4 In the event that any decision as referred to in 9.3.1 and/or 9.3.2 cannot be implemented due to a failure by the Joint Board to reach a unanimous resolution for such a decision, then -

9.4.1 the parties shall consult for a period of ten business days (discussion period) to attempt to reach a unanimous resolution for the decision in question through amicable discussion;

9.4.2 in the event that the resolution for the decision in question

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cannot be passed within the discussion period, the parties shall, for a further period of five business days, attempt to agree upon the identity of a third party consulting mining engineer to resolve the dispute between the parties ("the expert");

9.4.3 if the parties cannot within the expert identification period agree upon the identity of the expert, either of the parties ("the referring party") shall be entitled to request the Chairman for the time being of the South African Institute of Mining and Metallurgy ("the Chairman") to so appoint the expert on behalf of the parties, provided that the Chairman shall be instructed to appoint the expert from an aggregate of four experts nominated by the parties for that purpose. Each party undertakes in favour of the other to promptly forward to the Chairman and/or the referring party, two nominations for the expert; and

9.4.4 the expert shall act as an expert and not an arbitrator and his or her appointment and his or her determination of whether any person nominated for appointment to the Executive Committee has the necessary operational, technical or financial experience for the management of the pooled operations and/or whether any deviation from the development plan and programme insofar as it relates to the land mining development component is warranted, shall be final and binding on the parties, except in the case of manifest error.

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10.

THE EXECUTIVE COMMITTEE (to supplement clauses 8.3.10 and 8.3.11 of the Deed of Settlement)

10.1 The Executive Committee shall oversee the conduct of the day-to-day operations of the pooled operations. The members of the Executive Committee shall, subject to the provisions of 9.3.1, be appointed and removed by the Joint Board from time to time. The Executive Committee will comprise persons who have operational, technical and financial experience and expertise for the management of the pooled operations. The Executive Committee will, unless the Joint Board otherwise resolves, at all times comprise of at least the following positions:

10.1.1 a General Mine Manager (Chief Executive Officer);

10.1.2 a Financial Manager;

10.1.3 a Mineral Resource Manager;

10.1.4 a General Manager: Metallurgy;

10.1.5 a Security Manager;

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10.1.6 a Manager: Rehabilitation and Environment; and

10.1.7 such further managers as the Joint Board may decide.

10.2 Members of the Joint Board shall be entitled to attend and ask questions at monthly meetings of the Executive Committee but shall not be entitled to interfere in or direct any meeting of the Executive Committee where they are present. The Executive Committee will meet at least once per month in order to discuss the monthly management accounts referred to in 15.2 and will otherwise regulate the frequency and conduct of its own meetings.

10.3 The Executive Committee and the Management Structure shall report to and be accountable to the Joint Board. The Joint Board shall ensure that Executive Committee and members of the Management Structure shall at all times perform their obligations under this agreement and perform their duties to manage the pooled operations solely in the interests of both the parties.

11.

FORMULATION OF DEVELOPMENT PLAN AND PROGRAMME (to supplement clause 8.3.12 of the Deed of Settlement)

11.1 For the purposes of this clause 11, *viable land mining operation* shall comprise the conduct of diamond mining activities in and on the RMC

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land area in a manner which is capable of generating sufficient EBITDA to enable Alexkor to recover 51% of the Alexkor Initial Cost Contribution in respect of land prospecting and mining operations, within a period of five years calculated from the commencement of mining and to in addition, recover any additional finance made available to the pooled operations in the manner contemplated in 14.2 below within the same five year period.

11.2 The Executive Committee and the Management Structure shall formulate a development plan and programme to provide for the manner in which the upgrading of the marine and land diamond resource will occur and the manner in which prospecting and mining activities shall take place in the Alexkor marine area and the RMC land area, with the overriding objective to ultimately prospect and mine those areas to the full potential of the resource in those areas. The development plan and programme must be submitted to the Joint Board for approval and must be updated from time to time as prospecting and mining progresses.

11.3 The Executive Committee and the Management Structure shall in formulating the development plan and programme, include in the development plan and programme all activities related and incidental to prospecting and mining which are customary for the prospecting and mining of alluvial diamond deposits and marine diamond deposits to facilitate the optimum prospecting and mining, including, without limiting the generality of the aforegoing -

11.3.1 incorporation of the terms and conditions of the mining work

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programme relevant to the RMC land mining right;

11.3.2 providing for rehabilitation of prospecting and mining disturbances in accordance with the amended EMP;

11.3.3 complying with the principles set out in clause 8.3.12 of the Deed of Settlement, after such revision thereof as may be accepted unanimously by the Joint Board in accordance with the provisions of 4.6.3;

11.3.4 compilation of a mining plan to achieve a viable land mining operation;

11.3.5 appointment of an independent contractor in accordance with the provisions of 12; and

11.3.6 allocation of the Alexkor Initial Cost Contribution as between the marine and land components of the pooled operations in order to facilitate the implementation of the development plan and programme and to achieve the objectives of the development plan and programme, while simultaneously maintaining revenue from the offshore operations to subsidise the land operations during development phases.

11.4 The Executive Committee and the Management Structure shall, in the conduct of prospecting and mining activities in the pooled operations areas, at all times comply with the development plan and programme as

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approved by the Joint Board.

12.

APPOINTMENT OF INDEPENDENT CONTRACTOR (to supplement clause 8.3.13 of the Deed of Settlement)

12.1 The Executive Committee shall, as a component of the development plan and programme and subject to the provisions of this clause 12, recommend to the Joint Board an independent contractor or contractors for appointment by the Joint Board, to carry out the pooled operations for and on behalf of the parties in the pooled operations areas. All independent contractors appointed with regard to pooled operations in respect of the RMC land area, shall be appointed on behalf of the RMC and all independent contractors appointed with regard to pooled operations on the Alexkor marine area, shall be appointed on behalf of Alexkor. Where independent contractors are appointed with respect to pooled operations pertaining to both the RMC land area and the Alexkor marine area, the Joint Board shall decide on whose behalf such contractors will be appointed. For purposes of clarity, it is recorded that all monies paid to such independent contractors, shall be regarded as operational expenditure.

12.2 The appointment of the independent contractor, shall take place on terms

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and conditions to be agreed between Executive Committee and the independent contractor as approved by the Joint Board, provided however that it shall be an expressed term of any such contract that -

12.2.1 except where it is customary in the case of marine mining, the independent contractor will be remunerated on a basis which specifically excludes the independent contractor acquiring or participating in a share of the proceeds of diamonds recovered in the pooled operations areas and sold by the parties; and

12.2.2 the activities to be undertaken by the independent contractor pursuant to the contract, shall not include operation of any DMS plants and the recovery and sale of diamonds by the parties, unless the Joint Board on recommendation of the Executive Committee otherwise decides.

12.3 The Joint Board shall not unreasonably refuse to appoint a contractor identified by the Executive Committee, neither shall the Joint Board unreasonably refuse to approve of any terms and conditions of such a contract recommended by the Executive Committee. In the event that the Joint Board should refuse such appointment and/or the terms and conditions of any such contract, the matter shall be referred back to the Executive Committee by the Joint Board, together with reasons for the refusal, for reconsideration by the Executive Committee. In the event that the Executive Committee reconsiders the appointment of the contractor or any of the aforementioned terms and conditions and resubmits to the Joint Board the same recommendations, the Joint Board

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shall be obliged to accept those recommendations and appoint the contractor on the terms and conditions recommended by the Executive Committee, provided however that the Joint Board shall not be obliged to accept such a recommendation if the appointment of the contractor and/or any of the terms and conditions of the contract, will be to the financial prejudice of the pooled operations.

13.

MINING, FACILITY MANAGEMENT AND MARKETING (to supplement clause 8.3.12 at page 37 of the Deed of Settlement)

13.1 **Prospecting and mining**

13.1.1 Subject to 9.2.2, the Executive Committee, acting through the Management Structure, shall be responsible for the conduct and management of all prospecting and mining activities of the pooled operations on the basis set out in 10.3. The Executive Committee, acting through the Management Structure, will perform its management obligations acting as the representative of the parties. Without limiting the generality of the aforegoing, the overall day to day management operation and administration of the prospecting and mining activities shall include B

(a) management of all health and safety responsibilities and mine safety standards as required by the Mine Health and

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Safety Act, 1996 (Act No 29 of 1996) and the Regulations thereto;

(b) appointment of all such competent persons in accordance with the provisions of the Mine Health and Safety Act, 1996 (Act No 29 of 1996) and the Regulations thereto to perform any functions of the Management Structure;

(c) the procurement of consumables and equipment;

(d) the procurement of electricity, water and other utilities and services and the negotiation and conclusion of the terms and conditions of such procurement;

(e) the temporary suspension and subsequent resumption of prospecting and mining activities for good reason;

(f) the control, selection, hiring and dismissal of employees and/or secondees: provided that employees of Alexkor seconded to the joint operations shall not be dismissed by the Executive Committee, but by Alexkor alone, whilst the Executive Committee may instruct Alexkor to repeal the secondment of such employee: provided further that the tripartite agreement entered into between such employee, Alexkor and the RMC as envisaged in clause 8.3.3 of the Deed of Settlement, shall provide for such

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eventuality;

(g) the negotiation and conclusion of arrangements with trade unions and other employee representatives;

(h) applying for all consents, approvals, licences and permits as may be required in terms of the MPRDA, in order to conduct the prospecting and mining activities: provided that the Executive Committee will do all such things and take all such steps as may be required by the Transitional Arrangements of the MPRDA and within the time frame prescribed by the Transitional Arrangements, to convert the Alexkor marine mining right in 2.11.2 to a mining right in accordance with the provisions of Item 7 of the Transitional Arrangements and to furthermore apply for all such extensions of the land mining right of the RMC and of the marine mining rights in terms of the MPRDA in order to conduct the pooled operations: provided that all costs directly involved in -

(i) the application processes contemplated above;

(ii) the payment of any royalties to the State pursuant to the issue of any mining rights under the MPRDA and in any way related to the utilisation of the land mining rights of the RMC and the marine mining rights by the pooled operations, will be for the

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account of and paid from the pooled income,

whilst the conversion of the land mining rights prior to transfer thereof to the RMC as well as the conversion of the marine mining right, will be at the cost of Alexkor;

(i) the development, implementation and overseeing of the necessary financial, accounting, administrative, indirect tax, operating and secretarial controls and processes;

(j) complying with the duties imposed by all relevant labour, mine, health and safety legislation;

(k) complying with the duties imposed by all relevant environmental legislation;

(l) carrying out closure of any mining area and obtaining a closure certificate pursuant to the provisions of section 43 of the MPRDA, as the case may be, upon cessation of such prospecting and mining activities, by utilising the funds in the relevant rehabilitation trust, for such closure;

(m) the effecting and maintaining of insurance and the processing of any insurance claims;

(n) negotiating, conducting and settling any disputes or litigation arising from or attributable to the conduct by the

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Management Structure of the prospecting and mining activities in terms hereof;

(o) fulfilling all statutory obligations as an employer and operator of the prospecting and mining activities;

(p) implementing a skills transfer programme (as prepared by the Management Structure and as agreed by the Joint Board) in respect of the technical skills relating to the conduct of the prospecting and mining activities pertaining to the pooled operations;

(q) disposing of pooled assets having an individual value of less than R5-million or a cumulative value in any given year of less than R50-million (having regard to the pooled operations from time to time), which amount shall escalate annually from the execution date by the same percentage increase as the percentage increase in the PPI for the previous accounting period;

(r) procuring the services of such experts, consultants and contractors as are necessary in regard to the mining, engineering, design, legal, accounting or other professional services required in connection with the prospecting and mining activities in an economically viable and efficient manner;

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(s) ensuring that proper books of account and records are kept in connection with the prospecting and mining activities to the extent required by legislation and by good management accounting and secretarial practice;

(t) taking responsibility for asset management by maintaining and writing up an asset register, and taking all reasonable steps to ensure that through preventative maintenance all assets used in relation to the conduct of the prospecting and mining activities are preserved in good working order and condition, fair wear and tear excepted, as well as the managing of compliance with all relevant quality standards;

(u) preparing operating and capital budgets for the prospecting and mining activities of the pooled operations, to be presented to the Joint Board for its approval;

(v) suspending activities from time to time for good reason;

(w) concluding and/or amending any contracts in relation to the aforegoing in the name of either party, the name of the contracting party being a decision of the Executive Committee generally having regard to the site to which the contract relates, i.e. if the contract relates to an Alexkor site, such contract will be concluded in the name

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of Alexkor, and if it relates to an RMC site, it will be concluded in the name of the RMC;

(x) managing the independent prospecting and mining contractor to be appointed by the Joint Board in accordance with any contract concluded with such an independent contractor and the parties as participants in the pooling transaction;

(y) the rehabilitation of the surface of land concerned in any prospecting or mining -

(i) in accordance with the approved environmental management programme or plan in place from time to time for that area and the rehabilitation protocol;

(ii) as an integral part of the prospecting or mining operations concerned;

(iii) simultaneously with such operations;

(iv) by, insofar as it may be necessary, regularly updating the environmental management programme or plans;

(v) ensuring that adequate funds are set aside to fund in full the rehabilitation measures set out in the

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environmental management programme or plans and the rehabilitation protocol, as may be amended from time to time;

(vi) generally taking all such steps and doing all such things as may be necessary or requisite for the effective management of the prospecting and mining activities of the pooled operations.

13.1.2 The Executive Committee, acting through the Management Structure, shall subject to the confirmation by the Joint Board, be entitled to appoint additional sub-contractors in order to conduct such prospecting and mining activities.

13.2 **Facility management**

13.2.1 Subject to 9.2.2, the Executive Committee, acting through the Management Structure, shall be responsible for the conduct and management of all precious stones recovery facilities relating to the pooled operations on the basis set out in 10.3. Without in any way limiting the generality of the aforegoing, the Executive Committee's responsibilities and obligations, acting through the Management Structure, in relation to the conduct and management of all prospecting and mining activities relating to the pooled operations as set out in 13.1 above (other than 13.1.1(b)) shall apply, *mutatis mutandis*, in relation to its responsibilities pertaining to the management of all precious

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stones recovery facilities and related infrastructure of the pooled operations on the basis that references in 13.1 to prospecting and mining activities shall be construed as references to precious stones recovery and related activities.

13.2.2 Subject to 9.2.2, the Executive Committee, acting through the Management Structure, shall be entitled to appoint sub-contractors in order to conduct such facility management activities.

13.3 **Marketing**

Marketing of precious stones produced from the pooled operations areas by the Joint Board shall take place in accordance with a marketing protocol to be developed by the Joint Board, which marketing protocol shall ensure that such precious stones are marketed and sold in a manner which will at all times achieve the highest possible prices for the precious stones. In the event that any marketing arrangements are in existence as at the effective date, such existing marketing arrangements may be included in the aforementioned marketing protocol in the event that they have been ratified and accepted for such inclusion by the Joint Board.

14.

FINANCING OF THE POOLED OPERATIONS (to supplement clause 8.3.14 and 8.3.15 of the Deed of Settlement)

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being shall be rebuttably presumed to have been received by the addressee on the seventh day after the date of posting.

28.4 This 28 shall not invalidate any notice actually given or payment actually made otherwise than as specified in 28.3.

29.

GENERAL

29.1 This agreement and the Deed of Settlement constitutes the sole record of the agreement between the parties in regard to the subject matter thereof.

29.2 Neither party shall be bound by any representation, express or implied term, warranty, promise or the like not recorded herein or in the Deed of Settlement or reduced to writing and signed by the parties or their representatives.

29.3 No addition to, variation, or agreed cancellation of this agreement shall be of any force or effect unless in writing and signed by or on behalf of the parties.

29.4 No indulgence which either party may grant to the other shall constitute a waiver of any of the rights of the grantor.

29.5 If any provision of this agreement should be wholly or partly invalid, unenforceable or unlawful, then this agreement shall be severable in

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respect of the provision in question (to the extent that it is invalid, unenforceable or unlawful) and the remaining provisions of this agreement shall remain in full force and effect.

29.6 If there is any conflict between any provision of this agreement and any provision of the Deed of Settlement then the provision of this agreement shall prevail in regard to the subject matter of that provision.

Signed at JOHANNESBURG this 31st day of AUGUST 2007

Member of the IJB

Signed at JOHANNESBURG this 31st day of AUGUST 2007

Member of the IJB

Signed at JOHANNESBURG this 31st day of AUGUST 2007

Member of the IJB

Signed at Pretoria this 31st day of AUGUST 2007

Member of the IJB

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Member of the IJB

Signed at PRETORIA this 31st day of AUGUST 2007

Member of the IJB

Signed at _____ this 31st day of AUGUST 2007

Member of the IJB

Confirmed in terms of clause 8.4.5 by the undermentioned principals:

Signed at PRETORIA this 31st day of AUGUST 2007

FOR AND ON BEHALF OF Alexkor and the Government of the Republic of South Africa

Signed at CAPE TOWN this 31st day of AUGUST 2007

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FOR AND ON BEHALF OF the Richtersveld Community

Signed at CAPE TOWN this 31st day of AUGUST 2007

FOR AND ON BEHALF OF the Richtersveld Sidal Hub Communal Property Association

The contents of this document and the Deed of Settlement are accepted as a binding agreement between Alexkor and the Richtersveld Mining Company (Pty) Ltd.

ALEXKOR
Date:

RMC
Date: 31.08.2007

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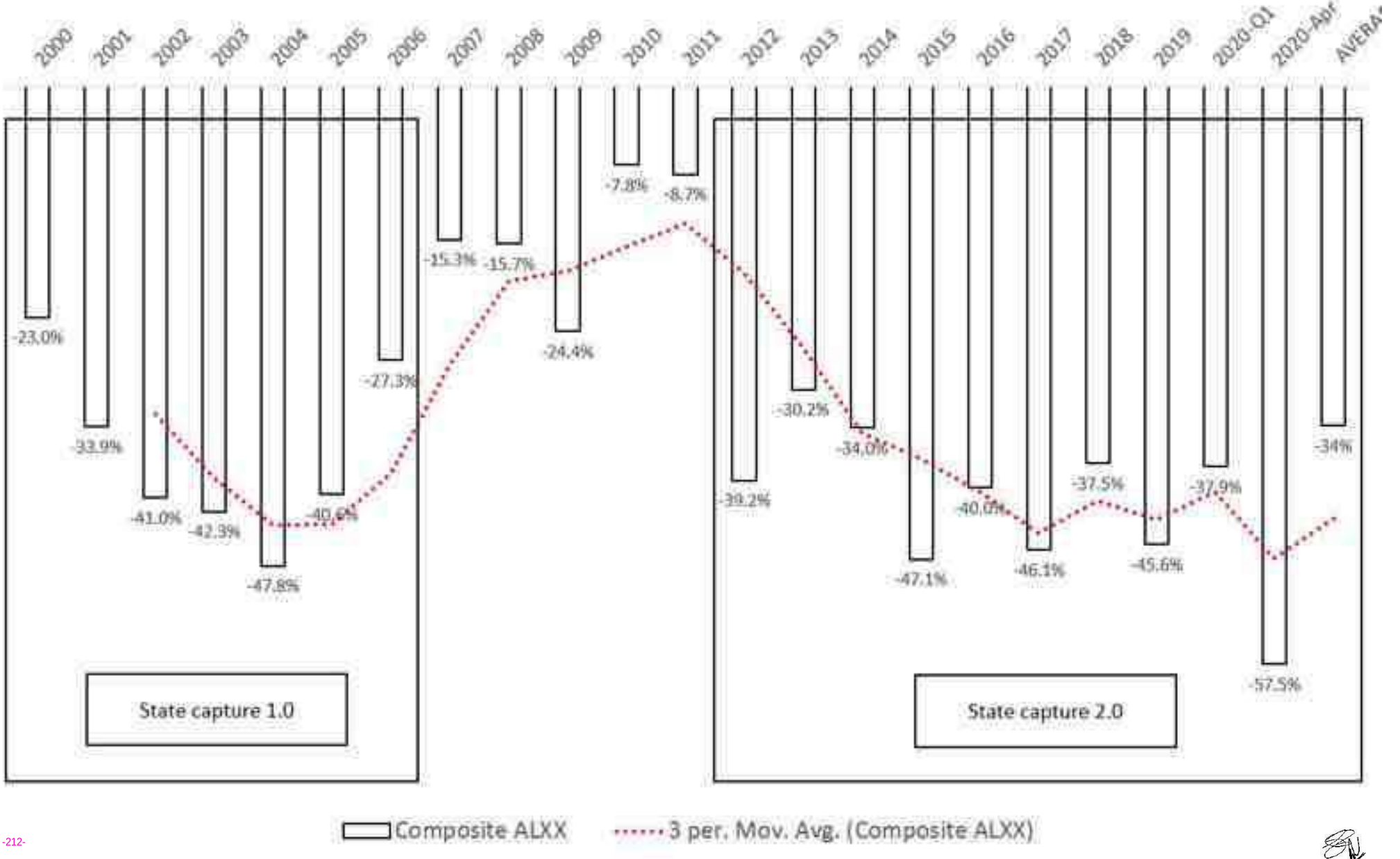
Alexkor's Composite Weighted Average Diamond Selling Price Tracking Error



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29 February 2016

Honourable Minister Ms Lynne Brown, MP
The Department of Public Enterprises
1090 Arcadia Street
Info Tech Building
Hatfield
By Email

Dear Honourable Minister

REPORT BACK ON THE INVESTIGATION CARRIED OUT BY THE ALEXKOR AUDIT AND RISK COMMITTEE

1 INTRODUCTION

The RMC, Alexkor's joint venture partner in the PSJV, lodged a complaint with the Minister of Public Enterprises in respect of the awarding of the tender **TENDER NO RFP 03/2014** by the PSJV to Scarlet Sky Investments ("SSI") as the preferred service provider for the sale of the JV's diamonds.

The matter was raised at the meeting between the RMC, Alexkor and the DPE on Wednesday, 28 October 2015 and it was resolved by the Minister that the Audit and Risk Committee of the Alexkor's Board ("the Committee") would conduct an investigation into the awarding of the tender.

The Committee subsequently met to deliberate on the scope and approach of the investigation, details of which are contained in section 2 and 3 of this letter. Furthermore, the detailed observations and findings of our investigation as well as our conclusion are detailed in Section 4 and 5 respectively.

2 SCOPE

The Committee agreed that it will review all the information pertaining to this tender including but not limited to:

- All formal complaints received from the RMC and/or its directors;
- All signed minutes of the PSJV Board recording formal complaints by the RMC and/or its directors;
- An affidavit from the Company Secretary and the Chief Executive Officer of the PSJV recording the sequence of event from the point a need was identified to the selection of Scarlet Sky Investment ("SSI") including all exhibits of documents referred to in the report under the following headings:
    - Introduction of company SSI (Co registration, Income tax references, date of incorporation' Directors, shareholders' etc.)';

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- The services that were advertised
- Process followed of identifying the need for the services advertised; evidence of what transpired; and outcome;
- Process followed to invite participant on the tender, evidence of what transpired and the outcome of the invitation
- Procurement processes followed, evidence of what transpired and the outcome;
- Process of seeking approval' evidence of what transpired and the outcome

- The approved Tender Committee Charter that oversaw the adjudication, the Supply Chain Management policy and Standard Operating Procedures used to appoint the SSI as a preferred supplier;
- All signed minutes of all the committees that were involved in the adjudication and awarding of SSI as a preferred supplier;
- Attendance registers pertaining to board, committee and management meeting where SSI is discussed, where people have rendered apologies, their written submission of their apologies;
- Access to visit the facilities of SSI at the request of the Committee;
- Copies of the due diligence responses provided after management conducted the technical due diligence and the legal due diligence; and
- A report of a technical adviser appointed by the Committee on areas of technical due diligence performed during the adjudication and awarding the tender, if deemed required.

3 APPROACH

The Committee was constituted with the following members:

- Ms M Lehobye (Chairperson)
- Mr T Haasbrook
- Mr T Matona apologised for not being available to serve on the Committee and the board nominated Mr V Bansi as his replacement

Dr R Paul, Ms Z Kellerman, Mr P Khoza and Ms T Mhlanga recused themselves from any dealing and deliberations concerning the investigation. Thereafter, communications were sent to all personnel from whom the Committee required information from so that it can independently review the evidence presented and form its view on the complaints lodged by the RMC.

Also, the Committee sought the resolution of the Board to approve its fees to conduct this investigation, which fees were set at maximum of R155 000 for all members.

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4 DETAILED OBSERVATIONS AND FINDINGS

4.1 Formal complaints received from the RMC

The Committee understood that there was a formal complaint from the RMC that had been submitted to the Public Protector. The copy of which was forwarded to the Committee on the 15 December 2015 by Mr P Khoza. Our observations with regards to the letter and email from Mr P Khoza are as follows:

a. The letter is on an RMC letterhead but not dated.
b. The letter is signed by Mr D Korabie as an independent Director of RMC.
c. The letter is addressed to Ms Winnie Manyathela at email winniem@pprotect.org.
d. The complaint was received by Mr P Khoza on the 11th September 2015 and was cced to numerous interested parties including the DPE and PSJV Board members.
e. The message to the Public Protector's Office represent Mr D Korabie as a service provider to the RMC with regard to lodging the complaint.

The detailed complaints levied against the PSJV is contained in Annexure A as paragraph 1 to 22, an Annexure to this report.

In conclusion, Mr P Khoza forwarded the above mentioned letter to the Chairperson of Alexkor Board and acknowledgement was sent to Mr D Korabie on the 14 September 2015. The Chairperson of Alexkor Board raised the matter at the PSJV board meeting of the 19th October 2015, which resulted into the matter being presented to the Honourable Minister.

4.2 Response to the complaint levied at it the PSJV

The response from the PSJV was received in a form of affidavits, interviews and collaborative evidence received to support the assertions made to the Committee.

For ease of reference we have included a timeline relating to activities that took place during the identification of need to the appointment of SSI as the preferred supplier for the sale of the JV's diamonds. Thereafter, we have outlined the Committees'' response to the complains levied against the PSJV as well as our conclusion.

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ALEXKOR

4.2.1 Timeline

Date	Description	Annexure	Reference to Collaborative Evidence
21 October 2013	Technical Committee meeting of the PSJV raised a concern to management regarding the manner in which diamonds were marketed and sold by the then service provider Diamond Marketing Consultants("DMC"). The committee advised that management request approval from the PSJV Board ("the Board") to appoint a new service provider on a trial basis to determine whether there will be an improvement in the pricing.		
23 October 2013	Management obtained an approval from the Board to appoint a new service provider on a trial basis.		
08 January 2014	Agreement with DMC cancelled.	Annexure A	**1**
01 January 2014 to 31 July 2014	Management engaged and appoints Fusion Alternatives ("FA") on a trial basis to market, valuate and sell the diamonds.		
30 January 2014	Both the chairperson of the Technical Committee and management give feedback to the Board pertaining to the appointment of FA and the termination of DMC's services.	Annexure B para 4.1.3 & 8.2	**2**
10 April 2014	The progress on the sale of diamonds and the performance of FA discussed at the Technical Committee meeting.	Annexure C para 6.1	**3**
16 April 2014	The Board approves for management to commence with a formal tender process to appoint a service provider.	Annexure D para 6.4	**4**
18 July 2014	The Technical Committee noted that there is a need to recommend to the Board to extent the temporary agreement with FA for a period of six months.	Annexure E para 5.4	**5**
30 July	The Board grants approval for the extension of the	Annexure F para	**6**

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Date	Description	Annexure	Reference to Collaborative Evidence
2014	temporary agreement. The duration of this agreement was from 01 August 2014 to 31 January 2015.	5.6	
31 October 2014	The request for proposals published in the Government Gazette. The date for the Sunday Times advert could not be ascertained however the minimum requirement of the Tender were detailed in the advert.	Annexure G1 Annexure G2	**7**
07 November 2014	Nine (9) expression of interest are received and invited to a briefing session on the 13th November 2014.	Annexure H1 to H9	**8**
13 November 2014	Seven of the companies who expressed and interest attended the briefing session out of the nine.	Annexure I1 to I7	**9**
	The tender documents sent via email to all the nine companies that submitted expressions of interest. Companies were not excluded on the basis of non-attendance because the briefing session was not compulsory.		
25 November 2014	Acknowledged receipt of tender documents from: • CS Diamonds • SA Diamond Realisations (PTY) LTD t/a Fusion Alternatives • Elite Diamond Cutting Works (PTY) LTD • Flawless Diamond Trading House (PTY) LTD • Scarlet Sky Investment (PTY)LTD • Trans Hex Operations (PTY)LTD • Anthony Peter Rough Diamonds t/a E Diamonds	Annexure J1 to J8	**10**
	Gamiro Advisory Services appointed to conduct the evaluations of the proposals from the bidding companies.	Annexure K	**11**
	From the seven proposals received three companies were shortlisted. In terms of the Evaluation Score Sheet, Flawless Diamonds was scored 50 points, Diamond Realisation	Annexure L Annexure L1 to L7	**12**

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Date	Description	Annexure	Reference to Collaborative Evidence
	was scored 75 points, E Diamonds was scored 57.5 point, CS Diamonds was scored 67 points, Scarlet Sky Investments was scored 71.5 points, Trans Hex was scored 65.5 points and Elite Diamonds was scored 34.5 points.		
08 December 2015	The shortlisted companies, CS Diamonds, Scarlet Sky Investments and Diamond Realisations were invited for presentations to the Tender Committee on 11 December 2014.	Annexure M1 to M3	**13**
11 December 2015	The Board Members present at the presentations was Dr Paul, Mr Korabie and Mr Bagus. None of the members had any interest to declare in the tender. Each board member present scored the shortlisted companies. The scoresheet is disclosed after each members' declaration form. The highest score per member was as follows: • Dr Paul: SSI = 54 points • Mr Korabie: SSI = 100 points • Mr Bagus: SSI = 66 points, tallied by the Committee	Annexure N1 to N3	**14**
12 December 2015	Subsequent to the presentations of 11 December 2014 the CEO was requested to obtain clarity on certain proposal made by SSI as SSI was the preferred bidding company and the CEO of the PSJV ("CEO") forwarded the request to SSI via email. The clarity and confirmation required included: • Upfront guarantee of funding available; • Number of community members to be trained in cutting and cutting diamonds • Local beneficiation strategy • Undertaking that the mine will benefit from value adding of diamonds post extraction.	Annexure O	**15**

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Date	Description	Annexure	Reference to Collaborative Evidence
15 December 2015	SSI submitted the requested information.	Annexure P	**16**
17 December 2015	The Tender Committee members responded via email and conditionally approved the awarding of the tender to Scarlet Sky Investment, subject to a due diligence and verification process being conducted.	Annexure Q1 to Q3	**17**
18 December 2015	SSI was informed that the tender was conditionally awarded subject to the due diligence and verifications process.	Annexure P	**16**
	The due diligence was done by the CEO and the verification was done by the Chief Legal Officer of Alexkor		
27 January 2015	Mr. Duncan Korabie resigned as director the PSJV Board. Upon resignation no further correspondence on any PSJV matters was exchanged with Mr. Korabie, including any further information on tender RFP 03-14.	Annexure R	**18**
29 January 2015	The due diligence report was finalized and circulated to the Board members.	Annexure S	**19**
27 February 2015	Subsequent to the due diligence and verification process the Board approved the awarding of the tender to SSI. The approval was ratified via round robin resolution signed by: • Mr R Bagus • Dr R Paul • Ms Z Ntsangula • Mr W Vries • Mr J Bristow	Annexure T	**20**
01 March 2015	SSI was informed that they were the successful bidder and that the tender was awarded to them and all other companies were informed that their proposals were unsuccessful.	Annexure V Annexure V1 to V6	**21**

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Date	Description	Annexure	Reference to Collaborative Evidence
15 June 2015	Mr Korabie reappointed on the PSJV board		**18**

4.2.2 Response to the Complaints by the Committee

The following is the Committees'' response to the complaints levied at the PSJV after taking into consideration all the evidence received:

Para 1	On 11 December 2014 the tender committee of the Alexkor RMC Pooling and Sharing Joint Venture (PSJV) conducted interviews with the aim of appointing a service provider to the PSJV to attend to the sale of the diamonds from the joint venture. We were represented by Duncan Korabie (Korabie).
Response by the Committee	The statement is correct RMC was represented by Mr Korabie on the Tender Committee until the 27th January 2015.
Para 2	On the 171h of December 2014 the previous chairperson contact Korabie and required Korabie to approve the conditional appointment of Scarlet Skye Investments 60 (Pty) Ltd (SSI). I raised certain queries with him surrounding the appointment and he persisted that a conditional appointment be done. A, inter alia, condition of the appointment of SSI was that the (CEO) should conduct a due diligence on SSI and report back to the committee on such due diligence.
Response by the Committee	We confirm that on the 17 December 2014 Mr Korabie conditionally approved the awarding of the contract to SSI, subject to the due diligence and verification process via email. Mr Korabie did not raise any concerns in his email regarding SSI. The only committee member who had further comments in his email of 17 December 2014 was Dr Paul. It was confirmed by the Chairperson that the reason the approval was conditional was to ensure that all concerns of the committee were addressed even though SSI attained the highest scoring.
Para 3	It would appear that there could not have been much a due diligence. SSI was previously owned by Legal Frontiers (Corporate Services) (LF). LF is a company that

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	trades in shelf companies. It would appear that from 2009 - 2014 SSI was a shelf company owned by LF. LF sold SSI and its new director were registered on 20 November 2014. We do not know who the shareholders are.
Response by the Committee	The CEO of the PSJV did a proper due diligence on all the technical aspects and submitted the report to members of the Tender Committee in an e-mail, dated 29 January 2015.
Para 4	The CEO never reported to the tender Committee on the due diligence, he was directed to conduct. Our investigation shows that the former chairperson, the CEO and Alexkor's CLO appointing another director of the RMC, Mr J Bristow ("Bristow") to the tender committee instead of Korabie. The RMC has never appointed Bristow as the representative to the tender committee nor the PSJV Board.
Response by the Committee	The due diligence was conducted as indicated to the response to para 4. Neither Alexkor nor RMC appoints representatives to the PSJV Committees. Committee members are appointed by the PSJV Board. Dr Bristow participated in all the previous Tender Committee meetings of the PSJV. RMC only informed the PSJV during September 2015 that Dr Bristow was no longer a representative of the RMC on the PSJV Board Annexure W
Para 5	The CLO and the former chairperson presented Bristow as an independent director for the RMC. During June 2015, it was discovered that Bristow holds a 5% interest in a company only known as Flawless Diamonds (FD). FD operates as an evaluator of diamonds before SSI sells off diamonds.
Response by the Committee	Dr Bristow was appointed on 04 March 2013 by the RMC as director of the PSJV Board (File reference 22) Dr Bristow declared his interest in Flawless Diamonds (FA) on the 14 November 2014 and again on the 21 and 24 April 2015 (file reference 23)
Para 6	Prior to the sitting of the tender committee, no documents were made available related to the candidates who will be considered to Korabie. Prior to the interview of the shortlisted candidates, the tender committee did no shortlisting and the tender committee had no insight into the methodology and process used in the shortlisting process. In an email response Raygen Phillips mentioned that the CEO will speak with Korabie prior to the meeting. No such discussion took place. Individuals in the

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	PSJV did the shortlisting, amongst other we discovered the CEO and the Secretary. The CEO also sat in on the shortlisting interview process on the 11th December 2014.
Response by the Committee	Gamiro Advisory Services was appointed to conduct the exercise of the shortlisting. The committee acknowledge that the presentation by Gamiro Advisory Services should have been accompanied by a report that informs the committee of the methodology followed and process used to shortlist the companies. This matter will be highlighted to the management of the PSJV to enhance the controls around reports received from external parties.
Para 7	The PSJV subscribes to the Public Finance Management Act 1 1999 at least according to the CLO.
Response by the Committee	The PSJV is not legally obliged to subscribe to the PFMA. However, it does subscribe and adheres to the PFMA through its association with a state owned company.
Para 8	On the 11th of December 2015 the CLO and chairperson at the time took Korabie and Dr Roger Paul (Paul) a Alexkor representative into his office and discussed what he viewed as the new direction the PSJV must take in appointing the service provider. He mentioned that only one candidate that will be interviewed met the new direction he proposes. He then mentioned SSI
Response by the Committee	The date 11th December 2015 cannot be correct as the tender was awarded on the 27th February 2015. We have received the representation of Mr. Bagus that he has no recollection of the meeting taking place.
Para 9	On the 17th of December 2014 the previous chairperson contacted Korabie and required Korabie to approve a conditional appointment of Scarlet Skye Investments 60 (Pty) Ltd (SSI). Korabie raised certain queries with him surrounding the appointment and he persisted that a conditional appointment be done. Korabie also received a call from the CLO of Alexkor in this regard.
Response by the Committee	The Tender Committee members responded via email and conditionally approved the awarding of the tender to Scarlet Sky Investment, subject to a due diligence and verification process being conducted.
Para 10	During March 2015 the appointment of SSI reaches a boiling point with the sole shareholder of the RMC challenging the regularity the appointment.
Response by the Committee	No response.

GC09

Para 11	Various request were sent to Phillips to provide certain information to the RMC and its shareholders. The first response from Phillips was on 23 March 2015 where she indicated that the request would be forwarded to the Board of the PSJV. The request never reached the Board who met on the 27th July 2015. Amongst those request were the minutes of the tender committee of the 11th of December 2014. We are not aware of any further meeting of the tender committee.
Response by the Committee	The PSJV had a board meeting 27 July 2015. The discussion on SSI performance was included under File reference 24 para 4.1.9. At that sitting there was no record on the minutes that the RMC was unhappy about the appointment of SSI as a service provider. The minutes of the Tender Committee is enclosed under File Reference 25. The Committee noted that the minutes were only signed by the company secretary however the voice recording is available if a need exist to verify the recording.
Para 12	This information is outstanding to date. In fact, any request the RMC makes to the PSJV related to information is met with the answer that the request must or will be directed to the PSJV Board.
Response by the Committee	According to best practice it is advisable that all the communications with external parties including shareholders be channelled through the Board. We therefore don't find the intentions of the PSJV malicious.
Para 13	On the 27th July 2015 a further startling discovery was made at the PSJV board meeting. The CEO report directly to the chairperson of the Board of the PSJV on the day to day running of the PSJV in contravention of Unanimous Resolution that stipulates he reports to the Board of the PSJV. The CEO claims that it is in accordance with his employment agreement.
Response by the Committee	The CEO of the PSJV reports to the Board through the Chairperson of the Board. This is general practice and is in accordance with the CEO's contract of employment.
Para 14	The RMC sought a copy of this agreement. Again the response was that the request would be referred to the PSJV Board. It is not clear what other business the previous chairperson conducted in contravention the Unanimous Resolution.
Response by the Committee	Due to the sensitivity of the document, we recommend that a request be put through the Chairperson of the PSJV Board to discuss the matter at the next board meeting.
Para 15	We have discovered that at 2 days before the tender closed the directors in SSI were registered with the Companies Office in Pretoria.

GC09

Response by the Committee	
Para 16	You will note from the attached correspondence by Phillips that was chosen because they were they "had a good track record in the diamond industry", that they were the only entity willing to sign a beneficiation agreement. To the best of our knowledge none of the contractors were offered this proposal by the tender committee. SS! has no track record in the diamond industry prior to its appointment. Since the appointment of SSI no beneficiation for the community has taken place.
Response by the Committee	During the adjudication of the 3 shortlisted companies. Each tender committee member was afforded an opportunity to score on the beneficiation commitments. The outcome of the scores out of 10 for SSI was: • Dr Paul: SSI = 5/10 • Mr. Korabie: SSI = 10/10 • Mr. Bagus: SSI = 5/10
Para 17	It is clear to us that SSI was created specifically for this tender. We do not. know who the shareholders are of SSI and their relationship if any with any of the tender committee board members or the PSJV Board Members. We do not know if SSI complies with the PFMA. We do not know if SSI complies with the BBBEE legislation. We do not know if the other requirements that led to their conditional appointment have been met
Response by the Committee	The appointment of SSI was done via Round Robin Resolution that was signed by all the Board members. Mr Korabie was not included as a signatory to the Round Robin Resolution as he no longer was a member of the PSJV Joint Board. The PSJV board from 27 January 2015 to 15 July 2015 consisted of 5 Directors. All the Directors of the PSJV Board signed the resolution
Para 18	When the Board considered the appointment of SSI, the tender committee had not made a recommendation. It could not have made a recommendation as it would not have been correctly constituted with John Bristow not being appointed by RMC and having indirect interest through FD.
Response by the Committee	The resolution of the board was signed at a duly constituted board meeting.
Para 19	At the Board meeting approving the appointment of SSI, our representative Willem Vries was misled by the rest of the board members and the CLO that Korabie had already approved the appointment of SSI and that it was mere formality. They did not disclose to him that Bristow was involved. The Board at the time was irregularly constituted, as it required 2 independent directors from the RMC and a community

GC09

	director to constitute a quorum for the meeting. This was the requirement set by Alexkor and RMC.
Response by the Committee	We have received the affidavit from Mr. W Vries which we have enclosed for ease of reference under File reference 26, which indicate he was not misled to signing the resolution that approved the appointment of SSI.
Para 20	No agreement was ever presented to the Board to consider and approve. The board to enter into the agreement and represent the PSJV in the agreement approved no person. We have requested this information and we have been refused.
Response by the Committee	The PSJV Board participated in the drafting of the agreement with SSI. Several comments and recommendations were received from Board members and were incorporated during the drafting of the agreement.
Para 21	It is still not clear what the outcome of the due diligence was.
Response by the Committee	The outcome of the due diligence was forwarded to the Board on 29 January 2015. The RMC representatives were represented throughout the tender process and was well aware of the outcome of the due diligence.
Para 22	The appointment of both FD and SSI was in our opinion in violation of the PFMA.
Response by the Committee	It was difficult for the Committee to respond to this complaint as no reference to the PFMA clauses is made. Furthermore, our scope didn't include a full compliance audit of the PFMA as we believed that it would be costly to conduct such a review without any scope limitation to specific sections of the Act.

5 CONCLUSION

Based on the affidavit and collaborative evidence reviewed by the committee, we could not find any fundamental breach of procurement procedures adopted by PSJV other than manner housekeeping that we have alerted the management of the PSJV to correct.

Furthermore, we are of the view that some of the challenges that have been raised could be mitigated if the PSJV board pack is enhanced to include all committee minutes for noting at each board meeting. This will enhance transparency and information sharing. To that end, we have recommended to the chairperson of the PSJV to consider a resolution of the board to include the minutes as part of the board pack.

We are available to come to answer any questions the ministry might have.

GC09

On behalf of the Alexkor's Audit and Risk Committee,

_____

Ms M Lehobye CA(SA)

Chairperson of the Audit and Risk Committee

Cc: Honourable Deputy Minister, Mr B Magwanishe, MP

Cc: Director General, Mr M Seleke

Cc: Chairperson of the Alexkor Board, Ms H Mayeza

GC10

Government Tender Bulletin

REPUBLIC OF SOUTH AFRICA

Vol. 592 Pretoria, 31 October 2014 **No. 2845**

This document is also available on the Internet on the following web sites:

1. http://www.treasury.gov.za
2. http://www.info.gov.za/documents/tenders/index.htm

PART 1 OF 2

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GC10

ALEXKOR RMC JV

REQUEST FOR PROPOSAL (RFP)
TENDER NO : RFP 03/14

Alexkor / RMC JV invites qualified parties to present innovative proposals for enhancing the revenue of the mine through the marketing and post extraction treatment, processing and beneficiation of diamonds extracted in the Richtersveld.

1. Introduction and Background

Post a significant Land Restitution award to the Richtersveld community concluded in 2007, the Richtersveld Mining Company (Pty) Limited ("RMC") and Alexkor are engaged in a Pooling and Sharing Joint Venture (PSJV) combining the sea and land diamond mining rights of Alexkor and the Richtersveld Community respectively. The PSJV plan to produce in excess of 70,000 Carats per annum and has made significant capital commitments with a view to increasing this output.

Although there is considerable scope for the ongoing expansion of the earnings and job creation impact of the current diamond mining activities, the Department of Public Enterprises has stipulated the need for Alexkor to develop and implement a strategy to introduce viable and economically sustainable activities in the Richtersveld that extend beyond primary minerals extraction activity.

The **post-minerals extraction (PME)** treatment, processing and beneficiation industries are broadly defined as any and/or diverse industrial minerals processing activity extending across the various stages of value chain beneficiation including manufacturing production of final consumer products. ***Beneficiation*** entails the transformation of a mineral (or a combination of minerals) to a higher value product, which can either be consumed locally or exported. The term is used interchangeably with "value-addition".

The development of the PME services sector is considered as a key proposition that will ensure additional economic benefit for the communities that rely on the primary extraction activity for their economic survival. This is captured in the ***Minerals and Petroleum Resource Development Act (MPRDA)***, to facilitate, among other objectives, the development of peripheral and value adding activities that will ensure an economic life for the Richtersveld beneficiary communities beyond the anticipated life of the mine (currently estimated to be between 10-20 years).

HOW CAN DIAMOND BENEFICIATION EXTEND BEYOND EXTRACTION ACTIVITY?

The Department of Publi[illegible]uring that post extraction beneficiation occurs in the Richtersveld in accordance with the relevant Policy framework and the Department of Mineral Resources Beneficiation Strategy for the Mineral Resources of South Africa.

GC10

2. **Terms of Reference**

Alexkor RMC JV intends to leverage its position as a primary producer of diamonds to participate in post extraction treatment, processing and beneficiation of its produce that will deliver additional benefits to the Company and the Richtersveld community.

As a minimum requirement, Proposals must demonstrate the Bidders ability to:

(i) Provide all resources including premises, legal entities including permits and licences to conduct the business of trading in and/or processing of rough diamonds and/or polished diamonds, technical personnel, administrative personnel and/or financial administration personnel to facilitate the sorting, valuation, transportation, safe custody, secure viewing and insurance of the produce and payment of proceeds from sales
(ii) Implement processes that mitigate any risk of conflicts of interest in terms of achieving maximum pricing for Alexkor RMC JV produce
(iii) Implement processes that achieve continuous improvements of prices for Alexkor RMC JV produce
(iv) Originate all funding for capital investments required to implement a Proposal

3. Indicative time frames

a. Interested parties should formally submit an Expression of Interest to participate in this process by 13h00, Friday, 7 November 2014 by email to Raygen Phillips (psjvtenders@alexkor.co.za). Late Expressions of Interest will not be considered.
b. A compulsory briefing session will be conducted by the mine management at the mine during the week of the 10th November 2014.
c. Submission of a formal written proposal to Alexkor RMC JV by Monday, 24 November 2014.

4. Correspondence

All queries in relation to this Request for Proposal must be directed in writing to Raygen Phillips (psjvtenders@alexkor.co.za).

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DEPARTMENT: PUBLIC ENTERPRISES
REPUBLIC OF SOUTH AFRICA

NATIONAL ASSEMBLY

QUESTION NO.: 1267

DATE OF PUBLICATION: 26 APRIL 2018

1267. Ms V van Dyk (DA) to ask the Minister of Public Enterprises:

(1) Did a certain company, namely Scarlet Sky Investments, have a track record in the diamond industry prior to its appointment by Alexkor; if so, what are the relevant details;

(2) (a) why has no beneficiation for the community taken place since the appointment of the specified company by Alexkor and (b) what are the details of how transferring the sale of diamonds to the company has impacted on the value returned to (i) Alexkor and (ii) the miners;

(3) (a) on what basis was the company again awarded the contract in November 2016, (b) why is there no longer an independent valuator model included in the company's contract, (c) who made this decision, (d) how does it impact on the sale of diamonds, (e) to which companies has the auction been opened since the adoption of the auction model and (f) who has been the most successful bidder since the start of the program;

(4) is the specified company a licensed diamond trader and the premises licensed as a tender house? NW1367E

REPLY:

The response is based on information received from Alexkor SOC Ltd.

(1) The company, namely Scarlet Sky Investments 60 CC (SSI) itself, had no track record, until, Mr Daniel Nathan, with twenty years' experience within the diamond industry, was appointed as a Director of SSI in November 2014.

(2) (a) Beneficiation is currently taking place at the offices of Scarlet Skye Investments (SSI) based in Houghton, Johannesburg, Gauteng. SSI currently employs learners from the Richtersveld Community. Beneficiation has been taking place since 2015.

GC12

(b) Beneficiation contributes an additional 9% (NINE PERCENT) income to the Pooling and Sharing Joint Venture (PSJV) to income after the tender process.

(3) (a) The Alexkor PSJV followed its Supply Chain Management policy.

The process included:

(i) the "Request for Proposal" (RFP 03/14) was advertised in the Government Tender Bulletin dated 31 October 2014 as well as the Business Day on 25 October 2014;

(ii) 7 (SEVEN) Companies expressed their interest in RFP 03/2014 and submitted proposals

(iii) Gamiro Advisory Services were appointed by the Alexkor PSJV Board to evaluate the proposals received;

(iv) The top 3 companies, according to the evaluation scores, were invited to present to the Alexkor PSJV Board Tender Committee; and

(v) Following the presentation and assessment of the SSI bid proposal, the Alexkor PSJV Board was satisfied with the prices and proposals submitted by SSI. The Alexkor PSJV Board appointed SSI with effect from 01 March 2018.

(b) The independent valuator process was stopped after some of the contractors' complained about beneficiation and it was decided that the diamonds selected for beneficiation process will be paid based on the tender price of the goods.

(c) The decision was taken by the Management of the Alexkor RMC PSJV

(d) It did not have any impact on the diamond sales as the diamonds are sold to the highest bidder and not on the reserved price.

(e) There are about between sixty and eighty companies attending the diamond tenders. It is not always the same companies attending the tenders; this varies from sale to sale. Since inception approximately 200 license holding companies participated in the tenders. These tenders take place at the offices of SSI in Johannesburg,

(f) The diamonds are not sold to one specific company but to various participating license holding companies that has the highest bid on any specific range or category of diamonds on tender. Since 2015 approximately 200 companies participated in the tenders. The sales are very competitive and there is at least 15 to 20 winning companies at every sale. (This number depends on how many carats are on sale).

GC12

(4) In terms of the South African Diamonds and Precious Metals Regulator (SADPMR) prescripts, a license is issued to an individual “Diamond Dealer” or to a company “Diamond Trading House”. In this instance, Mr Daniel Nathan is the holder of the required Diamond Dealer license.

Minister: The Department has initiated a forensic investigation into these matters.

GC13

SWORN AFFIDAVIT

FOR PURPOSES OF B-BBEE COMPLIANCE OF A BLACK OWNED QUALIFYING SMALL ENTERPRISE (QSE)

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COMPANY DETAILS

Company Registered Name	Scarlet Sky Investments 60 (Pty) Ltd		
Company Trade Name	Scarlet Sky Investments 60 (Pty) Ltd		
Company Address	1 Rivo Street , Houghton, Johannesburg, 2192		
Registration Number	2009/009987/07	VAT Number	4700269292
Company Type	○ Close Corporation ◉ Company ○ Sole Trader		
	○ Partnership ○ Trust ○ Non Profit Organisation		

TO BE COMPLETED BY THE DEPONENT

I (full names)	Daniel Mark Hallnan		
RSA ID / Passport Number	7402155158380		
Residing Address	14 Gregory Avenue, Melrose North, 2196		
Tel (w)	(010) 594-2999	(h) (011) 888-1378	(cell) (082) 450-2275

I hereby declare under oath that:

I am a member / director / owner of the above-mentioned entity and am duly authorised to act on its behalf.

The annual turnover of the above-mentioned entity was greater than R10,000,000 (Ten Million Rand) and less than or equal to R50,000,000 (Fifty Million Rand) in terms of the most recent audited financial statements or factual finding from an independent auditor, qualifying the entity as a Qualifying Small Enterprise (QSE).

I also confirm that the company has a Black (as defined per the B-BBEE Codes of Good Practice) shareholding as follows:

Total Black Shareholding	60.00	%
Total Black Female Shareholding		%

I am familiar with, and understand the contents of this declaration. I have no objection to taking the prescribed oath. I consider the prescribed oath as binding to my conscience and on the contents of the above-mentioned entity/ies I represent.

Place	Johannesburg	Date (dd/mm/yyyy)	30-Apr-2015

Signed

TO BE COMPLETED BY THE COMMISSIONER OF OATHS

I certify that the DEPONENT has acknowledged that he/she knows and understands the contents of this affidavit, that he/she does not have any objection to taking the oath, and that he/she considers it to be binding on his/her conscience, and which was sworn to and signed before me.

At	JHB	on this the (dd/mm/yyyy)	30/04/15
Full Name	Tebogo Leballo		
Business Address			

Stamp and Sign

TEBOGO LEBALLO
CA (SA)
Commissioner of Oaths
Republic of South Africa
31 Central Street, Houghton
JOHANNESBURG
POSTNET SUITE 25, PRIVATE
BAG X1, BRYANSTON, 2015

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GC14

Sanddrift

From: Raygen Phillips <raygenp@alexkor.co.za>
Sent: 24 March 2015 09:59
To: Duncan Korabie
Cc: pieterdewet099@gmail.com; wjvries@gmail.com; Cathrene Slander; liesl.devco@gmail.com; Zarina Kellerman; Mervyn Carstens
Subject: RE: SCARLET SKY INVESTMENTS
Attachments: image001.png

Good Morning All

Thanks DK.

Regards

Raygen Phillips
Company Secretary
Tel: 027 831 8352
Fax: 027 831 1910
E-mail: raygenp@alexkor.co.za
Website: www.alexkor.co.za

From: Duncan Korabie [mailto:duncan@korabie.co.za]
Sent: 24 March 2015 09:52
To: Raygen Phillips
Cc: pieterdewet099@gmail.com; wjvries@gmail.com; Cathrene Slander; liesl.devco@gmail.com; Zarina Kellerman; Mervyn Carstens
Subject: Re: SCARLET SKY INVESTMENTS

Dear Raygen;

Your email below refers.

With reference to my earlier email- awesome- and thank you for the information.

Regards
Duncan Korabie.

On 24 Mar 2015, at 09:23, Raygen Phillips <raygenp@alexkor.co.za> wrote:

Goeie More Pieter

Soos met al die tenders van die PSJV word ons volgens PFMA verplig om te adverteer en was hierdie tender ook adverteer in die nasionale koerante, provinsiaal sowel as die Staatskoerant, en heg ek hierby aan die advertensie vir verwysing. Ons het nege EOI ontvang en al die maatskappy was uitgenooi na 'n briefing session gedurende November 2014, waarvan sewe maatskappye toe voorleggings ingedien het op die tender dokumente wat ons sirkuleer het. Drie maatskappye is gekortlys en genooi na voorleggings aan die Tender Kommittee. Uit die drie was die tender toegestaan aan SSI, nadat die bestuur 'n due diligence gedoen het op SSI.

licence is held by Daniel Nathan Trading CC and Joe Gaddie Diamonds and not SSI. **However, the scoresheets completed by the Tender committee shows that all three members allocated the full 5 points to SSI for the said criteria.** In an interview with the South African Diamond & Precious Metals Regulator **("SADPMR"),** they confirmed that SSI had no licence and had been using licences held by Daniel Nathan Trading CC and Joe Gaddie Diamonds.

- We note that SSI was given 3 points out of 5 for the cost of handling rough diamonds by Dr Paul Roger. CS were also allocated 3 out of 5 points. Fusion was allocated 4 points. The Gamiro scoresheets shows that both CS and Fusion proposed the cost for handling rough diamonds as 1.5% and that SSI had no charge because of the model they proposed. The final SLA between SSI and the PSJV reflects cost for handling rough diamonds as 1.5%. Duncan Korabie and Rafique Bagus allocated 5 points and 3 points respectively for all three bidders. The allocation of points by Tender Committee members appears confusing and not in accordance with the bid proposals.

1.5.14 **It is evident that the Tender Committee allowed SSI to change their proposal from the outright purchase model to the auction model. They were also allowed to seemingly include a 1.5% cost for handling rough diamonds at a later stage of the procurement process. The change of the bid proposal is unfair, uncompetitive and unequitable and not in accordance with Section 217 of the constitution. The other bidders including the bidders that were not shortlisted must also be allowed a fair and equal chance to make changes to their bid.**

1.5.15 The Tender Committee members, agreed that before the tender is awarded that a due diligence should be conducted by Carstens. The Board approved the award based on the purported due diligence that was conducted. **On or about 29 January 2015, Carstens sent an email to Roger Paul, Zarina Kellerman, John Bristow regarding the due diligence that was conducted for tender 03/14. We requested the due diligence for tender 03/14. According to Phillips there was no due diligence conducted for tender 03/14. It appears that Carstens misrepresented to the Board that a due diligence had been conducted.**

1.5.16 **It is apparent that the bid evaluation process was manipulated to favour SSI. In the first evaluation process, Fusion scored the highest points.**

1.5.17 **The evaluation subsequent to the presentation was then based on changed SSI bid proposal that favoured SSI. The Tender Committee irregularly allowed SSI to change their model from**

GC15

GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA

GENERAL PROCUREMENT GUIDELINES

GC15

GENERAL PROCUREMENT GUIDELINES

These Guidelines are issued by the Government not only as a prescription of standards of behaviour, ethics and accountability which it requires of its public service, but also as a statement of the Government's commitment to a procurement system which enables the emergence of sustainable small, medium and micro businesses which will add to the common wealth of our country and the achievement of enhanced economic and social well-being of all South Africans.

GC15

Introduction

Proper and successful government procurement rests upon certain core principles of behaviour - the Five Pillars of Procurement. They are best described as pillars because if any one of them is broken the procurement system falls down.

The Five Pillars are:

Value for Money

Open and Effective Competition

Ethics and Fair Dealing

Accountability and Reporting

Equity

These Guidelines address those Five Pillars and prescribe a minimum set of standards that are to be observed. The Guidelines are to be supplemented by individual Accounting Officer's Procurement Procedures issued under the general authority contained in the Public *Finance Management Act, 1999.*

GC15

1. Value for Money

This is an essential test against which a department must justify a procurement outcome. Price alone is often not a reliable indicator and departments will not necessarily obtain the best value for money by accepting the lowest price offer that meets mandatory requirements. Best value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered.

The procurement function itself must also provide value for money and must be carried out in a cost-effective way. Procurement organisations, whether centrally located or devolved to individual departments, should:

(a) avoid any unnecessary costs and delays for themselves or suppliers;

(b) monitor the supply arrangements and reconsider them if they cease to provide the expected benefits; and

(c) ensure continuous improvement in the efficiency of internal processes and systems.

GC15

2. Open and Effective Competition

This requires:

(a) a framework of procurement laws, policies, practices and procedures that is transparent, i.e. they must be readily accessible to all parties;

(b) openness in the procurement process;

(c) encouragement of effective competition through procurement methods suited to market circumstances; and

(d) observance of the provisions of the Preferential Procurement Policy Framework Act.

Departments need to apply effort and research to get the best possible outcome from the market by ensuring that:

(a) potential suppliers have reasonable access to procurement opportunities and that available opportunities are notified at least in the Government Tender Bulletin;

(b) where market circumstances limit competition departments recognise that fact and use procurement methods that take account; of it;

(c) adequate and timely information is provided to suppliers to enable them to bid;

(d) bias and favouritism are eliminated;

(e) the costs of bidding for opportunities do not deter competent suppliers; and

(f) costs incurred in promoting competition are at least commensurate with the benefits received.

GC15

3. Ethics and Fair Dealing

In procurement, if all parties comply with ethical standards they can:

(a) deal with each other on a basis of mutual trust and respect; and

(b) conduct their business in a fair and reasonable manner and with integrity.

All government staff associated with procurement, particularly those dealing direct with suppliers or potential suppliers, are required:

(a) to recognise and deal with conflicts of interest or the potential therefor;

(b) to deal with suppliers even-handedly;

(c) to ensure they do not compromise the standing of the state through acceptance of gifts or hospitality;

(d) to be scrupulous in their use of public property; and

(e) to provide all assistance in the elimination of fraud and corruption.

GC15

4. Accountability and Reporting

This involves ensuring that individuals and organisations are answerable for their plans, actions and outcomes.

Openness and transparency in administration, by external scrutiny through public reporting, is an essential element of accountability.

Within the procurement framework:

(a) heads of departments are accountable to their ministers for the overall management of procurement activities;

(b) Heads of Procurement and senior procurement directors are accountable to heads of departments for various high-level management and co-ordination activities;

(c) individual procurement officers are accountable to Heads of Procurement, and to their clients, for the services they provide; and

(d) all people exercising procurement functions must have regard to these guidelines and are accountable to management.

GC15

5. Equity

The word `equity' in the context of these Guidelines means the application and observance of government policies which are designed to advance persons or categories of persons disadvantaged by unfair discrimination.

This fifth pillar is vital to public sector procurement in South Africa. It ensures that government is committed to economic growth by implementing measures to support industry generally, and especially to advance the development of Small, Medium and Micro Enterprises and Historically Disadvantaged Individuals.

In accordance with the Reconstruction and Development Programme, SMMEs and HDIs need to play a bigger role in the economy. Greater participation in the economy and more diversified representation of blacks and gender in ownership is essential.

The government has implemented the Preferential Procurement Policy Framework Act as the foundation on which all procurement activities are to be based. Its aim is to:

(a) advance the development of SMMEs and HDIs;

(b) promote women and physically handicapped people;

(c) create new jobs;

(d) promote local enterprises in specific provinces, in a particular region, in a specific local authority, or in rural areas; and

(e) support the local product.

No public procurement system should be operated if it is not founded on this pillar.

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Affidavit Peter Henry Bishop

GC18

STATE OF CAPTURE

Report on an investigation into alleged improper and unethical conduct by the President and other state functionaries relating to alleged improper relationships and involvement of the Gupta family in the removal and appointment of Ministers and Directors of State-Owned Enterprises resulting in improper and possibly corrupt award of state contracts and benefits to the Gupta family's businesses

Report No: 6 of 2016/17

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"State of Capture"
14 October 2016

A Report of the Public Protector

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through his shareholding in OAKBAY and Islandsite Investments 18015 (Pty) Ltd.

b) 28.53% owned by Mabengela Investments (Pty) Ltd16 (2008/014606/07) ("***Mabengela***"). Mabengela is owned by:

i. Duduzane ZUMA - 45%;

ii. Rajesh Kumar GUPTA - 25%;

iii. Aerohaven Trading (Pty) Ltd - 15%;

iv. Fidelity Investment (Incorporated in the UAE) ("***Fidelity***")- 10%;

v. Mfazi Investments (Pty) Ltd - 3%; and

vi. Ashu Chawla - 2%.

c) 12.91% owned by Fidelity.

d) 8.01%Accurate Investments Ltd (Incorporated in the UAE) ("***Accurate***")

e) 21.5% owned by Elgasolve (Pty) Ltd17 (2010/017836/07) ("***Elgasolve***"). The sole director of Elgasolve is Salim Aziz Essa ("***Mr Essa***") (ID 7801155017084).

5.43. The table below summarises that shareholding of Tegeta:

No	Name of Entity	Percentage of shareholding
1	Oakbay	29.05%
2	Mabengela	28.53%
3	Fidelity	12.91%

4	Accurate	8.01
5	Elgasolve	21.5%
Total		100%

5.44. The directors of Tegeta are:

No	Name of director
1	Seedy Momodou Lette
2	Ravindra Nath
3	Nazeem Howa
4	Ashu Chawla
5	Rajeneesh Pahadia
6	Ronica Ragavan

5.45. Centaur Mining South Africa (Pty) Ltd ("***Centaur***") is registered in South Africa and is a subsidiary of Centaur Holdings Ltd which is registered in the UAE. In 2016, Centaur signed a $100,000,000.00 (R1,500,000,000.00) revolving credit deal with an anonymous UAE-based family to expand its mining and natural resources projects in South Africa. Centaur also purchased the De Roodepoort coal mines in Mpumalanga during 2016. Centaur is one of the entities which contributed to the purchase price of OCH.

5.46. The directors of Centaur are

No	Name of director	Country of Origin
1	Aakash Garg Jahajgarhia (married to the daughter of Anil Kumar Gupta)	Indian citizen
2	Simon James Hoyle	UK citizen
3	Daniel James Mcgowan	UAE resident
4	David Barnett Silver	South African

5.47. Trillian Capital Partners (Pty) Ltd (2015/111759/07) ("TCP") is a diversified financial services and advisory firm with expertise in the fields of finance, management consulting, asset management, securities, engineering and property. TCP has various subsidiaries and has two major shareholders, namely Trillian Holdings (Pty) Ltd ("***Trillian Holdings***") (2015/168302/07) with 60% shareholding and Zara W (Pty) Ltd ("***Zara***") (2011/104773/07) with 25% shareholding. The remaining 15% is

held by employees and other smaller shareholders. TCP is one of the entities which contributed to the purchase price of OCH.

5.48. The directors of TCP are:

No	Name of director
1	Jeffrey Irvine Afriat
2	Tebogo Leballo
3	Eric Anthony Wood

5.49. The sole director of Trillian Holdings is Mr Essa, who also owns 21.5% of Tegeta through his company Elgasolve.

5.50. The sole director of Zara is Mr Eric Anthony Wood ("Mr Wood"), Mr Wood is also a director in TCP.

5.51. Regiments Capital (Pty) Ltd ("Regiments") (2004/023761/07) is one of the entities which contributed to the purchase price of OCH.

5.52. The directors of REGIMENTS are:

No	Name of director
1	Lithia Mveliso Nyhonyha
2	Magandheran Pillay
3	Eric Anthony Wood

Conflict of interest

5.53. A conflict of interest is a situation in which a person or organisation is involved in multiple interests, financial interest, or otherwise, one of which could possibly corrupt the motivation of the individual or organisation.

5.54. The presence of a conflict of interest is independent of the occurrence of impropriety. A widely used definition is: "*A conflict of interest is a set of*

circumstances that creates a risk that professional judgement or actions regarding a primary interest will be unduly influenced by a secondary interest."

5.55. Primary interest refers to the principal goals of the profession or activity, such as the protection of clients, the health of patients, the integrity of research, and the duties of public office.

5.56. Secondary interest includes not only financial gain but also such motives as the desire for professional advancement and the wish to do favours for family and friends, but conflict of interest rules usually focus on financial relationships because they are relatively more objective, fungible, and quantifiable.

5.57. The secondary interests are not treated as wrong in themselves, but become objectionable when they are believed to have greater weight than the primary interests.

5.58. The conflict in a conflict of interest exists whether or not a particular individual is actually influenced by the secondary interest. It exists if the circumstances are reasonably believed (on the basis of past experience and objective evidence) to create a risk that decisions may be unduly influenced by secondary interests.

5.59. **OVERSIGHT AND CONFLICT OF INTEREST IN STATE OWNED ENTERPRISES**

5.60. SOE's are institutions/entities through which the Executive delivers on services. The Executive Authority (Responsible Minister) plays various roles in its relationship with the SOEs. On one hand, Government as an owner and shareholder is concerned with obtaining a suitable return on investments, and ensuring the financial viability of the SOE. On the other hand, Government as policymaker is concerned with the policy implementation of service delivery. Finally, Government as regulator is

concerned with the industry practices of SOEs, pricing structures, and the interests of consumers.

5.61. The process to select and recommend a person to a SOE board is unclear and undefined in government protocols, safe to say the process is not without appointments that conflict personal and official interest.

5.62. The Executive Authority's corporate governance responsibility as shareholder, involves ensuring that, from the Board of directors downwards, and also in respect of accountability of the Board upwards to the shareholder, all the necessary and appropriate corporate governance structures, procedures, practices and controls and safeguards, are established, properly implemented and operate effectively in the SOE concerned.

5.63. It is for these reasons that when a Minister recommends a board, his/her mind must be applied to select suitable individuals that would reduce the levels of conflicting interest.

5.64. It is important for the executive authority of the SOE (shareholder) and Cabinet to consider whether there are conflicts that may influence the objective performance of the Board and whether:

a) A board member might make a financial gain, or avoid a financial loss, at the expense of the SOE.

b) There is an interest in the outcome of a service or contract that will be awarded by the SOE, and whether the Board member would have access to sensitive or privileged information.

c) There are Board members that receive financial or other incentives to favour the interest of a particular party, over the interests of the SOE.

d) If a member of the Board receives or will receive from a person other than the SOE, an inducement in relation to a service provided to the SOE in the form of money, goods or services, other than the salary the employer receives for his role in the SOE.

5.65. If such scenarios arise, the shareholder (in this case the government and the Minister of Public Enterprise) should take steps to mitigate the risks posed to the SOE.

5.66. I further noted Eskom Minutes of the Board Tender Committee Meeting No 07/2014 in the Huvo Nkulu Boardroom, Megawatt Park on 12 August 2014 at 07:30.

5.67. Page 12 of the minutes reads as follows: *"Pegasus Risk Consulting had been requested to provide probity checks on Optimum Coal Mine (Pty) Ltd ("Optimum Coal"). The Auditors reported that they were unable to confirm the shareholding of the Deputy President in one of the holding companies called Lexshell 849 (Pty) Limited. This rendered their finding inconclusive. It was submitted that the purpose of probity checks was that there should not be real or perceived bias. The fact that Eskom had a contract with a company in which the country's Deputy President was a shareholders may lead to perceived bias, but it was submitted that there was an existing contract between Optimum and Eskom, which would run until 2018. This contract had been concluded prior to the Deputy President assuming that role but the perception in the mind of the public would have to be managed."*

5.68. At the time of the above mentioned board meeting, the Eskom board was as follows:

Name	Position
Mr Zola Tsotsi	Chairperson
Mr Collin M Matjila	Acting Chief Executive
Ms Tsholofelo Molefe	Finance Director
Ms Queendy Gungubele	Independent Non-Executive Director

Dr Bernard Lewis Fanaroff	Independent Non-Executive Director
Ms Neo Lesela	Independent Non-Executive Director
Mr Mafika Mkhwanazi	Independent Non-Executive Director
Mr Phenyane Sedibe	Independent Non-Executive Director
Ms Lily Zondo	Independent Non-Executive Director
Ms Chwayita Mabude	Independent Non-Executive Director
Ms Yasmin Masithela	Independent Non-Executive Director
Ms Bajabulie Luthuli	Independent Non-Executive Director
Dr Boni Mehlomakulu	Independent Non-Executive Director

5.69. The Board of Eskom as mentioned above, made a concerted effort to manage any and all conflicts that may arise, be it an actual conflict or a perceived conflict.

The Minister of Public Enterprises and the Board of Eskom

5.70. In December 2014 Cabinet announced the details of appointed members to Eskom's Board. Eskom's articles stipulate that the shareholder (Executive Authority - Public Enterprises Department) will, after consulting the board, appoint a Chairman, Chief Executive and Non-Executive Directors. The remaining Executive Directors are appointed by the Board after obtaining shareholder approval.

5.71. The Board of Eskom was recommended by Minister Lynn Brown and appointed by Cabinet during September 2015. The Eskom Board at the time of the purchase of OCH, as well as the awarding of certain contracts to Tegeta, consisted of twelve individuals, namely:

Name	Appointment Date	Position
Brian Molefe	2015-10-01	Chief Executive Officer
Anoj Singh	2015-10-01	Chief Financial Officer
Zethembe Wilfred Khoza	2014-12-11	Non-Executive Director
Nazia Carrim	2014-12-11	Non-Executive Director
Suzanne Margaret Daniels	2015-05-25	Company Secretary
Venete Jarlene Klein	2014-12-11	Non-Executive Director
Giovanni Michele Leonardi (Swiss)	2015-05-25	Non-Executive Director
Chwayita Mabude	2011-06-26	Non-Executive Director
Devapushpum Naidoo	2014-12-11	Non-Executive Director

Pathmanathan Naidoo	2014-12-11	Non-Executive Director
Baldwin Sipho Ngubane	2014-12-11	Chairperson
Mark Vivian Pamensky	2014-12-11	Non-Executive Director
Romeo Khumalo	2014-12-11	Non-Executive Director
Mariam Cassim	Not known	Non-Executive Director

5.72. These individuals constituted the governing body of Eskom. They had absolute responsibility for the performance of the SOE and is fully accountable for the performance of the SOE. Governance principles regarding the role and responsibility of SOE Boards are contained in the PFMA and the Protocol on Corporate Governance.

5.73. The Board of Eskom appointed in December 2014 consisted predominately of individuals with direct and indirect business or personal relations with Mr D. Zuma, the Gupta family and their related associates, including Mr Essa.

The following members of the Board as at 1 April 2016 have identified conflicts of interest:

5.74. Dr Baldwin Ngubane ("***Mr Ngubane***") is a director of Gade Oil and Gas (Pty) Ltd ("***Gade Oil***")(2013/083265/07). Mr Essa was a previous director of this entity.

5.75. Mr Mark Pamensky ("***Mr Pamensky***") is/was a director of the following entities:

Name of Entity	Registration Number	Comment/ Observation
ORE (Mentioned above)	2009/021537/06	Mr Atul Gupta owns 64% of this entity
Shiva Uranium (Pty) Ltd ("***Shiva Uranium***")	1921/006955/07	• ORE has a 74% shareholding in Shiva Uranium. • Tegeta has a 19.6% shareholding in Shiva Uranium.
Yellow Star Trading 1099 (Pty) Ltd	2000/020259/07	Mr Essa was a director of this entity.
B I T Information Technology (Pty) Ltd	2003/022444/07	• Mr Pamensky was a previous director. • Kubentheran Moodley ("Mr Moodley") is also a director of this entity and is the spouse3 of ESKOM board member Ms Viroshini Naidoo. • Mr Moodley is a special advisor to the Minister of Mineral Resources and is the sole director of Albatime (Pty) Ltd

		(2009/0211474/07)("Albatime"). ALBATIME is one of the entities which contributed to the purchase price of OCH.

5.76. Public records confirm that Mr Pamensky has direct business interests in ORE and Shiva Uranium for which he received economic benefit. Mr Pamensky is also a member of Eskom's Board. By virtue of officio function and role in Eskom he would have or could have access to privilege or sensitive information regarding OCH and various Eskom Contracts. Such information coupled with a personal economic interest would give Tegeta an unfair advantage over other interested buyers. It would be very important to understand the role of this individual in this transaction in light of a high degree of irregularities that appears to have occurred in Eskom.

5.77. Ms Devapushpum Viroshini Naidoo ("Ms D Naidoo") is the spouse of Mr Moodley, who is the director of Albatime. As mentioned above Albatime contributed to the purchase of OCH.

5.78. Nazia Carrim ("Ms Carrim") is the spouse of Muhammed Sikander Noor Hussain ("Mr Hussain"). Mr Hussain is a family member of Mr Essa. Ms Carrim has since resigned from the Board of Eskom.

5.79. Mr Romeo Khumalo ("Mr Khumalo") resigned from the board of Eskom in April 2016. Mr Khumalo and Mr Essa were directors of Ujiri Technologies (Pty) Ltd (2011/010963/07). Mr Khumalo has since resigned from the Board of Eskom.

5.80. Ms Marriam Cassim's ("Ms Cassim") employment background states Sahara Computers (1997/015590/07), a 90% owned subsidiary of Sahara Holdings, as a previous employer. Ms Cassim has since resigned from the Board of Eskom.

5.81. The following was declared by the Eskom Board members in relation to the above mentioned conflicts identified:

5.82. Ms D Naidoo, in her declaration made on 19 February 2016, lists her husband as Mr K Moodley who is a part time advisor to the Minister of Mineral Resources and declares that this may be a conflict if she is in a forum at Eskom which seeks to influence the Governments mineral policy. Ms D Nadioo, lists herself as an employee of Albatime. This is as per her declaration made on 19 February 2016 and 31 May 2016.

5.83. Mr Ngubane does not list himself as a director of Gade Oil in his declaration made on 31 May 2016.

5.84. Ms Carrim did not declare her relationship with Mr Essa in her declaration made on 31 May 2016.

5.85. Ms Cassim does not list Sahara Computers has her previous employers.

5.86. Mr Pamensky does declare all his directoships held in ORE, Yellow Star Trading and BIT Information Technology. Mr Pamensky further states that he does not take part in any HR or procurement related activities.

Miniutes of the Board Committee Meeting (08/2015) held on 10 February 2016 in the Huvo Nkulu Boardroom at 09:00

5.87. The board members present during this meeting were. Mr Z Khoza, Ms C Mabude, Ms D Naidoo and Ms N Carrim.

5.88. No interests were declared pertaining to matters on the agenda.

5.89. The board approved the sale of shares in OCM to Tegeta and released OCH from the guarantee given to Eskom.

5.90. It was also resolved that the CSA between OCH and Eskom be ceded to Tegeta.

Minutes of the Special Eskom Board Tender Committee Meeting 09-2015/16 held at the Huvo Nkulu Boardroom on 07 March 2016 at 18H00

5.91. The board members present during this meeting were. Mr Z Khoza, Ms C Mabude, Ms D Naidoo and Ms N Carrim.

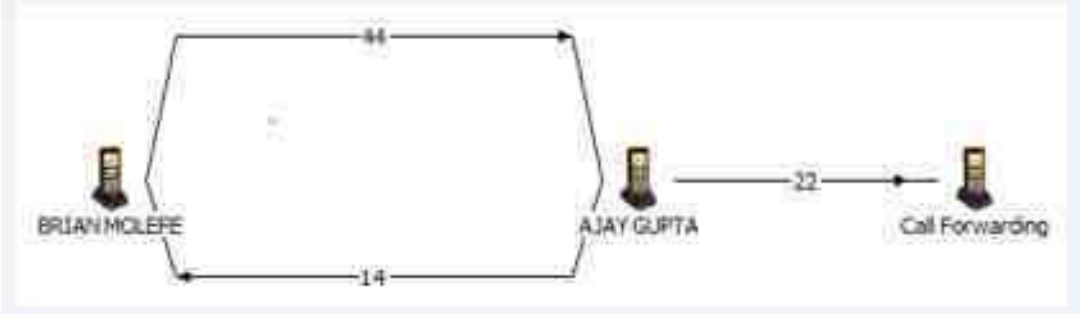
5.92. Ms D Naidoo in this meeting, declared that her husband was an advisor to the Minister of Mineral Resources, it was agreed that this posed no conflict in relation to the items on the agenda.

5.93. A mandate was given to negotiate coal supply agreements with coal suppliers for the supply of coal to Arnot power.

5.94. Cellular phone record analysis

5.95. With a view to establishing relationships between individuals as well as potential conflicts of interest, I obtained the numbers of Mr Brian Molefe ("Mr Molefe"), Mr Ajay Gupta, Ms Ronica Ragavan ("Ms Ragavan"), Mr Nazeem Howa ("Mr Howa"), Mr Rajest Gupta, Mr D Zuma, Mr Atul Gupta and The Minister of Mineral Resources, Mosebenzi Zwane ("Minister Zwane").

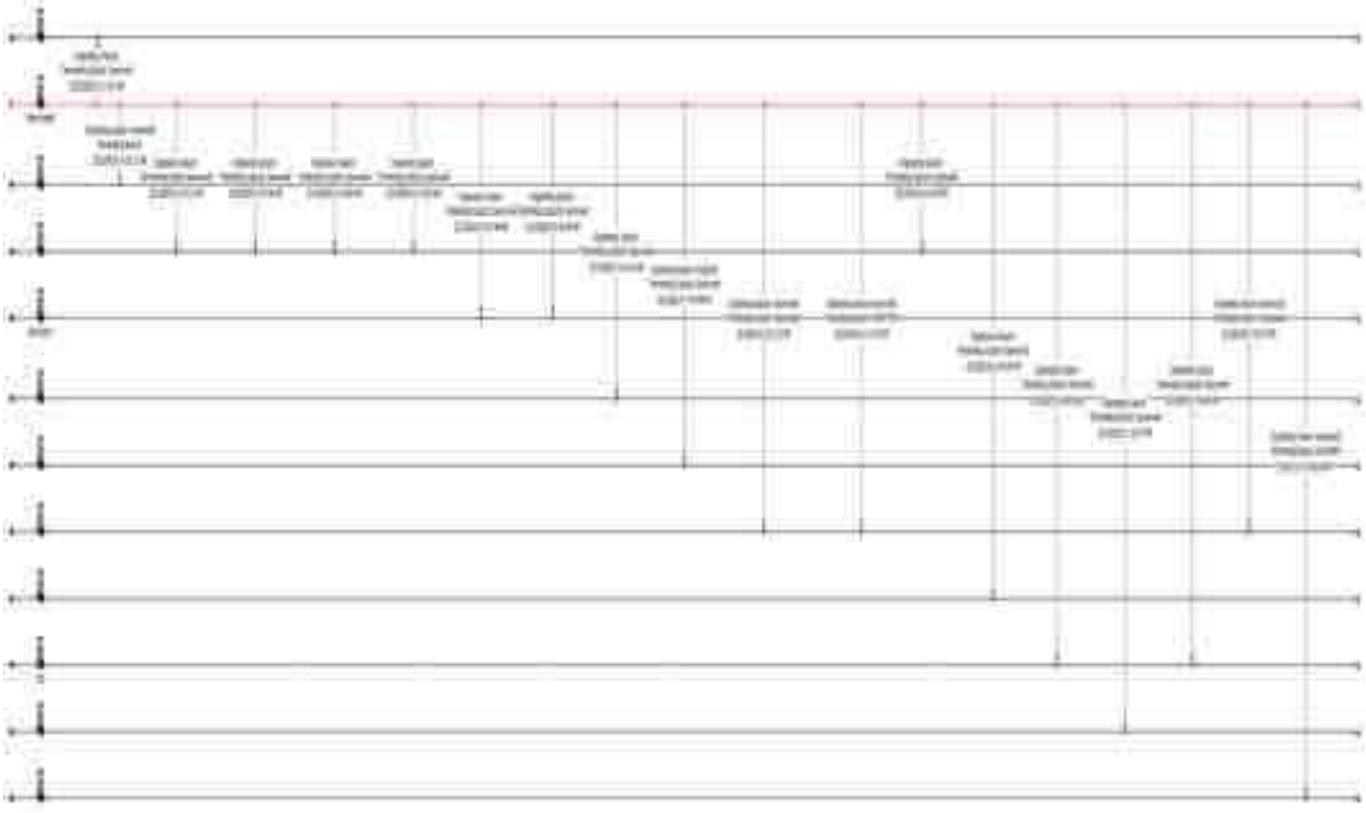
5.96. The following can be noted with regards to Mr Molefe and Mr Ajay Gupta:



5.97. The above illustrates that between the period 2 August 2015 and 22 March 2016 Mr Molefe has called Mr Ajay Gupta a total of 44 times and Mr Ajay Gupta has called Mr Molefe a total of 14 times.

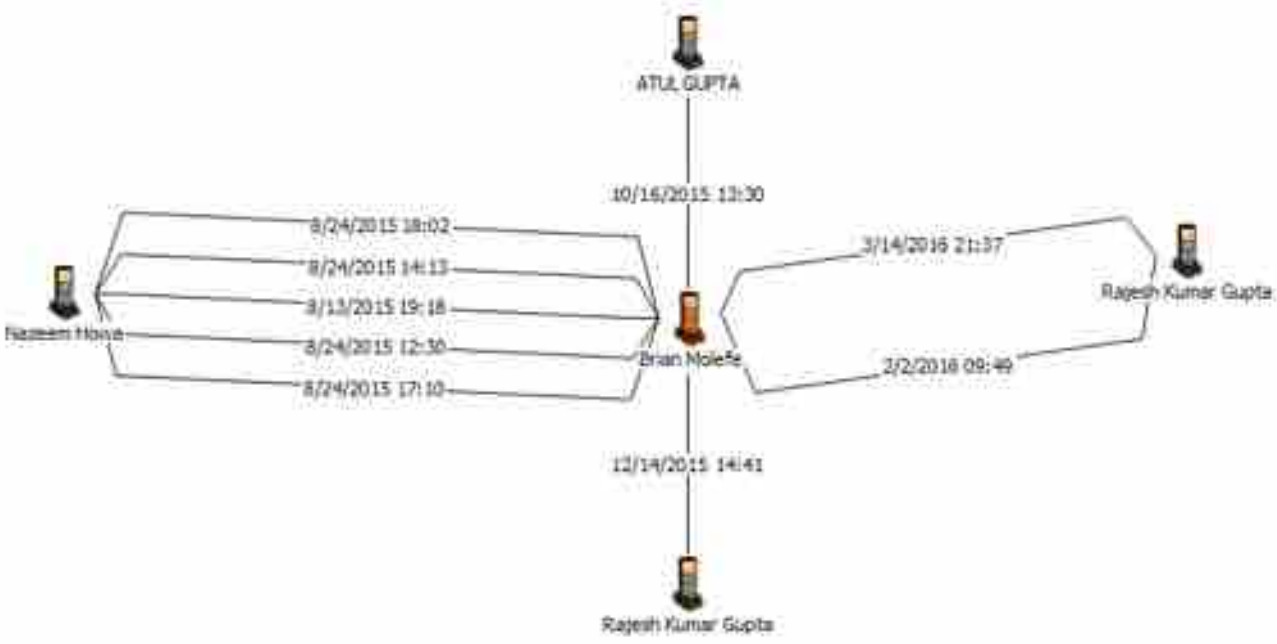
5.98. Between 23 March 2016 and 30 April 2016, Ms Ragavan made 11 calls to Mr Molefe and sent 4 text messages to him. Of the calls made, 7 were made between 9 April 2016 and 12 April 2016. This includes one call made on 11 April 2016.

5.99. The following diagram depicts the number of instances placing Mr Molefe within the Saxonwold area:



5.100. For the period 5 August 2015 to 17 November 2015, Mr Molefe can be placed in the Saxonwold area on 19 occasions.

5.101. The diagram below, further depicts instances of contact between Mr Molefe, Mr Howa, Mr Rajesh Kumar Gupta and Mr Atul Gupta:



Conflict of interest by the Minister of Mineral Resources

5.102. Minister Zwane, is responsible for ensuring policymaking and policy implementation of service delivery for ESKOM. He also oversees the regulation of the MPRDA. In the execution of his functions the Minister relies on advisors. Mr Moodley was an advisor during the Tegeta purchase of OCH

5.103. As mentioned earlier, Mr Moodley is married to Ms Naidoo (Eskom Board member). His role in the Tegeta acquisition of OCH remained unknown until it was established that his company Albatime made payments for the benefit of Tegeta towards the acquisition of OCH.

5.104. Media, business and politicians have questioned the role of the Minister Zwane in a Tegeta, OCH deal. In an article styled *"Zwane denies joining Guptas on trip to*

Switzerland" which was published on 25 May 2016, it was stated that Minister Zwane had met with Glencore CEO Mr Ivan Glasenberg at the Dolder Grand Hotel in Zurich.

5.105. Travel records obtained from Emirates Airlines confirm that Minister Zwane's travel itinerary for a trip undertaken between 29 November 2015 to 7 December 2015, which includes whether or not the flight was boarded, is as follows:

Flight details	Date of flight	Ticket number	Flown/Unused
Johannesburg to Dubai	29 November 2015	1769244673469	Flown
Dubai to Zurich	30 November 2015	1769244673469	Flown
Zurich to Dubai	02 December 2015	1769244673469	Unused
Dubai to Delhi	03 December 2015	1769244673469	Unused
Delhi to Dubai	05 December 2015	1769244673469	Unused
Dubai to Johannesburg	07 December 2015	1769244673469	Unused
Dubai to Johannesburg	07 December 2015	1769244734145	Flown

5.106. The total cost breakdown for the trip is as follows:

Ticket number	Amount
1769244673469	R 52,400.00
1769244734145	R 44,230.00
Total	**R 96,630.00**

5.107. It is unclear as to why Minister Zwane did not board his flights from 2 December 2015 to 5 December 2015. It is further unclear as to why an additional flight was booked from Dubai to Johannesburg on 7 December 2015. However, I still need to interview Minister Zwane in this regard.

5.108. What is further peculiar is how Minister Zwane, managed to reach Dubai on 7 December 2015 as there are no flight details for him travelling from Zurich to Dubai.

9. MONITORING

9.1 The Public Protector will monitor the implementation of the remedial action.

9.2 The Secretary of Parliament and the Diretor General in the Presidency are to provide periodic implementation reports to the Public Protector.

ADV THULI N MADONSELA
PUBLIC PROTECTOR OF THE
REPUBLIC OF SOUTH AFRICA
DATE: 14 OCTOBER 2016

Assisted by: Good Governance & Integrity Branch

(http://amabhungane.co.za/) (https://www.givengain.com/cc/amab)

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26 Jul 2018 Sam Sole

The "Gupta Minyan" and the R647-million Transnet scam

A trail left by Salim Essa led us to a group of businessmen who claim their community has shunned them because of their Gupta-association.

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SHARE (HTTPS://WWW.ADDTOANY.COM/SHARE#URL=HTTP%3A%2F%2FAMABHUNGANE.CO.ZA%2FARTICLE%2F2018-07-19-THE-GUPTA-MINYAN-AND-THE-R647-MILLION-TRANSNET-SCAM&TITLE=AMABHUNGANE%20-%20THE%20%E2%80%9CGUPTA%20MINYAN%E2%80%9D%20AND%20THE%20R647-MILLION%20TRANSNET%20SCAM)
(/#FACEBOOK) (/#TWITTER) (/#GOOGLE_PLUS) (/#EMAIL)

We went after a trail left by Gupta lieutenant Salim Essa. What we found was a group of Jewish businessmen who complain of being shunned by their community because of their association with the Guptas.

Our investigation suggests the community called it right. Essa extracted R76-million from a Transnet relocation project – but not without the assistance of a fake company with a stolen identity and a ghost director to help drive up the price Transnet was willing to pay.

The greed of a Chinese locomotive company has exposed the "Gupta minyan" – the memorable tag coined by members of the local Jewish community and first published in the SA Jewish Report (http://www.sajr.co.za/opinion/the-jewish-report-editorial/2017/11/30/what-of-the-gupta-minyan).

A minyan, in Judaism, is the quorum of 10 men required for public prayer, but in the context of the Guptas it refers to a group of businessmen who allegedly formed a key Gupta brains-trust and worshiped, at least figuratively, at the Saxonwold ATM.

When SAJR wrote about them in November 2017, there was a certain diffidence.

"You all know at least five names that perhaps are linked to Trillian, Eskom, McKinsey and I could go on," wrote editor Peta Krost-Maunder.

She noted: "I once suggested to a colleague of mine that there were two types of South African Jews, those who support the Gupta guys and those who don't. He disagreed, saying there were no Jews supporting them. Only their closest family and friends are backing them, but for the most part we are unforgiving."

Krost-Maunder concluded the community should suspend its judgement: "They are innocent until proven guilty!"

That stance is harder to maintain now that much of the "minyan" has gathered around the protective robes of Billy Gundelfinger, best known as a celebrity divorce lawyer, but also a go-to guy for criminal defence.

Gundelfinger is currently representing Selwyn Nathan, Clive Angel, Stanley Shane and Marc Chipkin.

Gundelfinger insists there is "absolutely no criminality on behalf of any of these parties... they were [merely] service providers".

Bex: the sham behind the relocation scam

The reason for this nervous assembly is a strange little company called Business Expansion Structured Products – Bex for short – and its role in yet another Transnet rip-off orchestrated by Gupta minion Salim Essa– in this case on behalf of China North Rail (CNR).

AmaBhungane has already reported (http://amabhungane.co.za/article/2018-05-20-gupta-link-in-r647m-train-deal) how CNR called in Bex – a shelf company that we linked to Essa – to extract R647-million from Transnet for changing the venue for local locomotive manufacture from Pretoria to Durban.

A report (https://www.dropbox.com/sh/jfyps27c17evb83/AAAHALEIY7p_qlvK4aqUzT0xa?dl=0) into Transnet by law firm Werksmans revealed that this was a project that, by one internal estimate, should have cost just R9-million.

Instead Bex promised to extract the "best possible price" from Transnet. Bex, a company with no track record, initially asked for a R100-million fee (https://www.dropbox.com/s/l6w6ddqouutabnu/BEX%20initially%20asks%20for%20R100m.pdf?dl=0).

CNR, Werksmans found (https://www.dropbox.com/s/8r1f0e69r9h4v07/CNR%20and%20BEX%20invoices.pdf?dl=0), eventually paid a commission of about R76-million to Bex for having secured payment R647-million from Transnet.

The R647-million was considered so excessive by CNR's own local empowerment partners – and the payment to Bex so questionable – that they laid a charge with the police in terms of the Prevention and Combating of Corrupt Activities Act.

CNR's South African auditors reported the payment as having "significantly misrepresented to Transnet the cost of the relocation" and later resigned.

The relocation project is currently "subject to a number of investigations by a number of law enforcement authorities in South Africa", according to Transnet.

Behind the Bex façade: Respectable businessmen

Now amaBhungane has established that propping up Bex and Essa was a scaffolding involving two more substantial companies and other more established businessmen.

In following the clues left by Essa, we wound up at the doors of investment manager Integrated Capital Management (ICM) and corporate services firm Legal Frontiers, neither previously linked to Bex.

ICM was formerly chaired by Selwyn Nathan and at the time controlled by its three directors, Angel, Shane and Chipkin. These three men have previously been linked to Essa via their alleged role in the establishment of Trillian, the consultancy controlled by Essa that booked massive fees from Transnet and Eskom.

Legal Frontiers is co-owned by Wayne Tichauer, at whose accounting firm, Tichauer & Bloch, another important role-player works: auditor Mark Shaw.

This information did not emerge without a struggle.

Initially our questions were met with silence or evasion.

Then Gundelfinger and his legal partner, Kamal Natha, emerged to tender candour and co-operation on behalf of "our guys".

The lawyers provided a detailed written version of events and complained that their clients were getting a bum rap; insisting they were merely the little fish who had innocently provided bona fide services to Essa, whom they believed to be a respectable businessman.

Then that version began unravelling. It happened like this.

The unravelling

The first two people we could identify behind Bex were Shaw and Taufique Hasware.

Public company records (https://www.dropbox.com/s/wjaoc3xzivqbpeg/CIPC%20docs.PDF?dl=0) listed Shaw as a former co-director of Bex, together with Hasware, whom we had previously linked to shelf companies operating as "letterboxes" for the Guptas and Essa, passing back large "commissions" from Transnet contracts.

But when we first went to see Shaw, he seemed as puzzled as we were to be linked to a company that had received an alleged Gupta pay-off.

He said it was strange that he was registered as a director of the company – that was not normally the case with the shelf companies that Legal Frontiers sells.

Reporting back on her meeting with Shaw, amaBhungane's Susan Comrie recounted: "He seemed genuinely perplexed by the whole thing. But he might be a good actor."

Now we know that he is a good actor.

Shaw's story collapsed as soon as we obtained access to the annexures to the Werksmans report. Handily, they included a copy of the commission agreement (https://www.dropbox.com/s/tz5fc8blnlg5lts/CNR%20Bex%20commission%20agreement.pdf?dl=0) signed between CNR and Bex.

The document showed that, far from being uninvolved, Shaw had been the one who signed the contract with CNR on behalf of Bex.

We also established independently that Shaw had been the signatory to the Standard Bank account he opened in the name of Bex into which CNR had paid the commission.

So we went back to Shaw.

Susan again: "I told him we had the Werksmans annexures and he is mentioned... I then showed him the signature page of the Bex contract and he confirmed it was his signature."

Shaw then explained he acted on behalf of a "client" he would not name.

Other threads of evidence, however, pointed to Shane and company: ICM in other words.

We got there this way.

Another annexure to the Werksmans report was a "company profile" (https://www.dropbox.com/s/brdj0qktvsdpu6o/BEX%20About%20us.pdf?dl=0) purportedly provided by Bex to CNR. Some research revealed the profile had been hijacked almost word-for-word from a real company, Cyest Analytics.

So we spoke to Cyest.

Cyest fingers ICM as the hidden hand behind Bex

Cyest knew nothing about the profile presented in the name of Bex and was understandably unhappy about their credentials being abused in this way to give Bex some bogus solidity.

Cyest chief executive Elton Bondi immediately pointed fingers (https://www.dropbox.com/s/krap2iosvwx7mk2/Elton%20Bondi%27s%20full%20response.pdf?dl=0) at ICM and gave the following account.

"During 2015 Cyest was approached by Integrated Capital with a view to sourcing a BEE partner and forming a joint venture company... Cyest did not ultimately ever enter into any venture. "During this period, I did however gladly provide Integrated Capital with Cyest's company profile, which they requested in order to expose us to potential partners and opportunities."

Bondi said ICM strung them along for months and he eventually terminated the relationship.

"To the extent that Cyest's credentials appear in any documents submitted to Transnet, CNR or Bex, it is unauthorised, without Cyest's knowledge and a fraud." (Gundelfinger later said his clients were unaware of how Cyest's profile had been hijacked.)

Bondi said that, behind his back, Angel had approached a Cyest employee, Tony Savides, in connection with the Bex CNR relocation costing for Transnet.

"Savides informed me that he initially refused Angel due to his own time constraints, but then did ultimately agree to render such services ... in his personal capacity."

Without Cyest's knowledge, ICM would use the model Savides produced to justify the massive relocation cost paid to CNR.

Bondi is still angry with the "Minyan". He told us: "The more we uncover about what happened back in 2015, the clearer it seems that this was an act of extreme betrayal and premeditated deceit; these were not mere strangers to us, we had worked with them in the past, and we knew them all personally. They looked us in the eye, they smiled and they plotted."

In the meantime we had prepared written questions and sent them off to ICM's directors (Angel, Shane and Chipkin) on the morning of Friday 15 June with a request that they revert to us by midday that Monday.

We also wrote to Essa and CNR.

The deadline came and went with no response.

On Thursday 21 June we heard that Gundelfinger's partner had been pushing to set up a meeting with Bondi. Bondi had refused (https://www.dropbox.com/s/yrzx6pk291hdmg0/Bondi%20refuses%20meeting.pdf?dl=0).

On Friday Gundelfinger called requesting that we meet the following week Wednesday, 27 June. We agreed.

The innocent 'little fish'

That day Gundelfinger and Natha presented us with a detailed explanation (see here (https://www.dropbox.com/s/ahuy7p2yknzoosv/Gundelfinger%20response%201_.pdf?dl=0)) complete with annexures detailing on-payments by Bex of the money that had flowed in from CNR.

They pressed home this demonstration of good faith with a display of impassioned sympathy with their clients.

Said Natha: "The point is the smaller guys here, like our guys, are getting nailed for trying to have done business ... when they were entering into transactions in a very bona fide manner... They provide services to a businessman [Essa] who they believe to be legitimate and then when all of the shit hits the fan everyone wants to now go and point fingers at the little guy...

"In their own community, people are calling them the 'Gupta trio' and things like that..."

Added Gundelfinger: "These guys have got families, I mean, they've been wiped out."

But even on its own terms the Gundelfinger narrative tested credibility.

Some highlights...

Selwyn Nathan made the introductions

Gundelfinger told us the association with Essa began in 2014 when Selwyn Nathan introduced Essa as "a credible BEE businessman and potential client".

It is worth flagging Nathan before he exits the stage.

He is a former golf-pro turned sports marketer who hit the big time with Vodacom's sponsorship arm. He served on the 2010 World Cup local organising committee and has strong business and political connections, mostly golf-related.

If he only made the introductions, we asked ourselves, why was he even legally represented?

Clues to that might be found in whispers about Nathan being "the boss" behind ICM. Back in 2015 he was listed prominently on the ICM webpage as the "non-executive chair".

Gundelfinger told us: "Nathan was never a director of ICM and owns no shares therein."

He did not respond to a question about whether Nathan previously held shares, but Gundelfinger himself originally described Nathan as ICM's "erstwhile chair".

Nathan's son Daniel also featured obliquely in the Gupta saga via his company Scarlet Sky, in which Essa associate Kuben Moodley held a 60% share when it scored a marketing contract with state-owned diamond company Alexkor.

- AmaBhungane's report on Alexkor (http://amabhungane.co.za/article/2017-12-13-guptaleaks-a-tale-of-two-captures-alexkor-gupta-inc-and-wmc)

In November 2014, when Daniel Nathan bid for the diamond marketing tender, his application noted that correspondence should flow through his "corporate advisors", addressed to one Marc Chipkin of Integrated Capital Management.

With this in mind, let us return to the Gundelfinger narrative of how Shane, Angel, Chipkin, Shaw and Tichauer became entangled in the Bex web.

The Gundelfinger narrative

Central to Gundelfinger's version (https://www.dropbox.com/s/q7j2zvpusjj0qme/Gundelfinger%20response%202.pdf?dl=0) is that ICM delivered legitimate work to make a serious assessment of the relocation costs and that no-one involved had any basis to question the bona fides of the Bex contract or the people involved.

In particular, Gundelfinger's account suggested that Essa had consulted experts provided by ICM before the contract between Bex and CNR was signed, meaning the relocation estimate – and Bex's commission – was based on realistic figures.

Let's re-cap what we know about the Bex contract with CNR.

The contract was signed by Shaw on 25 April 2015.

It provided that the Bex commission would be whatever Transnet paid over-and-above R580-million. In other words, if Transnet did not agree to pay at least a "base cost" of R580-million, then Bex would get nothing.

So it would make sense that anybody negotiating this deal would have a good idea about the real costs of the relocation before signing – if it was a genuine deal, that is.

To that end Gundelfinger claimed that his clients' involvement in the CNR project began in March 2015 when ICM met with Essa about assisting Eric Wood with a financial modelling project.

Wood, of course, is the fourth Musketeer of the "Gupta trio", a director of Regiments Capital who would later take the consulting arm of Regiments across to ICM to begin the formation of Trillian.

Gundelfinger said Chipkin and Angel met with Wood in April 2015, together with Tony Savides and Michail Scholiadis, two employees of Cyest (the company whose profile was secretly hijacked by Bex) because they were experts in financial modelling.

Gundelfinger told us that at the meeting Wood confirmed that Essa's client was CNR.

Gundelfinger said that Wood told the meeting that Bombardier's cost estimate was in the region of R620-million: "Bombardier's estimate... gave us [ICM] comfort as to the enormity of the quantum."

Wood, however, denies providing any such information. (Wood denied the meeting concerned CNR at all, something contradicted by all the other witnesses.)

- Wood's response (https://www.dropbox.com/s/od4uf034y5hjabj/Wood%20full%20response.pdf?dl=0)

"Shortly thereafter," Gundelfinger wrote in his narrative, "Essa followed up with ICM to confirm if ICM could deliver on the financial cost analysis model."

Essa proposed ICM – like Bex – would be paid a "success fee" only once Transnet agreed on the relocation payment to CNR. Then ICM would get a base fee of R3-million plus an 8.5% share of Bex's commission from CNR. (ICM would eventually earn about R6.8-million or more.)

So it stood to reason everyone needed to know what they were getting into before Bex signed the commission contract with CNR on 25 April.

In other words, according to the "innocent" narrative, Essa was contracted by CNR because it needed genuine help to work out what extra it might cost them to base themselves in Durban rather than Pretoria.

Essa then approached Wood for help. Wood approached ICM. ICM brought in the experts from Cyest who laboured to come up with a cost estimate.

On that basis everyone was confident they could justify a figure of more than R580-million to Transnet and earn their commission percentage.

There was one big problem with that narrative.

You see, we knew the briefing meeting with Wood didn't happen until 6 May.

That was nearly two weeks after the Bex commission contract had already been signed, stipulating a R580-million threshold before any success fee (over and above ICM's R3-million base fee) would be paid at all.

No rigor required

What Gundelfinger didn't know was that we already had a sworn statement from Savides in which he confirmed that he was approached by Angel on 6 May 2015 to produce the costing model and that he did so overnight, delivering it the following day.

In other words, according to Savides, the model used to justify the R647-million (that Transnet ultimately agreed to pay) was drawn up with only the most cursory research – and only after the commission contract was already signed.

Savides said he agreed to help ICM "as a personal favour" because Angel said he desperately needed help with the mechanical task of putting a model together overnight.

"He [Angel] insisted that I help, emphasising that his requirement was for a 24-hour turnaround and clearly indicated that detailed rigor was not necessary in this case...

It was a case of "Go onto Google, and look up average price of forklift, that's it," Savides told us on a different occasion. "All of it [was] basically desktop research, done in a couple of hours. That was certainly all we did."

His colleague Scholiadis confirmed this: "The exercise took less than a day and Tony and I completed it after hours on the first day we received information. It was heavily driven by the assumptions we received..."

Those assumptions, Savides insisted, were provided mainly by Angel.

Gundelfinger asserted extensive work was done over weeks but Savides contradicted him.

"Clive came back to me 3 more times to request minor changes... most of these changes took less than an hour," Savides said.

In a subsequent email Savides told us, "Neither I nor Michail [Scholiadis] received – or even asked for - any payment for this work. He [Clive] did offer to pay, which I declined, based on it being a favour of a nights worth of help... He then recommended that as a gesture he would make a donation to a charity..."

Even more intriguing was an email Savides attached which he had received from Angel shortly after the meeting of 6 May.

Narayan: the Gupta man provides input

The email Savides had received came not from clive@integratedcapital.co.za as one might expect if Angel was merely Bex's service provider.

Instead it came from "Clive" using Bex's own email account, enquiries@bexstructuredproducts.co.za.

The email Angel forwarded at 3.05 pm was from one Ashok Narayan, who had written to Angel, saying: “Hi Clive, some indicative figures from CNR which you will have to add some meat to…”

Ashok Narayan was of course the Guptas' right hand man.

So the two people thought to be most responsible for feeding the data into the model were Narayan and Angel.

Angel's use of the Bex email address and his apparent familiarity with Narayan also suggests ICM were more deeply involved than Gundelfinger tried to make out.

Not so innocent?

The information from Savides badly undermined the Gundelfinger narrative.

If the meeting – and any serious work on the figures – only happened in May, how could Bex – and by extension ICM – bind themselves in April already to a fee based on pushing up an already massive R580-million relocation charge that Transnet might not agree to pay?

If the number crunching was perfunctory, rather than rigorous, then where did the confidence in that R647-million come from?

It suggests that what Essa was actually involved in was an effort to retrofit a bloated estimate that he could sell Transnet in order to come up with a high enough figure to beat CNR's benchmark and deliver his commission.

It suggests, too, that ICM's involvement could not have been innocent, if they signed up for a deal with a R580-million threshold before numbers had been properly crunched.

No sensible businessman would blindly agree to such a deal if the contract was really “at risk” - though, admittedly, ICM's risk was minimal, given they had apparently invested very little in the project.

The Savides version fuels suspicion the deal was instead based on a bet that Essa's influence peddling would deliver Transnet's agreement, provided CNR could present Transnet with something vaguely plausible to justify the cost.

We put these contradictions to Gundelfinger.

Gundelfinger disputes our interpretation

He responded (https://www.dropbox.com/s/es6hfpih7nhf0g5/Gundelfinger%20response%203.pdf?dl=0) with bluster: “It appears that you are prejudiced and have clearly displayed a bias adverse to my clients, my clients will not submit themselves to a loaded interrogation…”

On the evidence, Gundelfinger countered: “Savides' version that he did it in ‘haste’ is nonsense. This was an interactive process and a number of versions were prepared…”

Gundelfinger included two more emails which he claimed showed that “detailed research was undertaken” and that correspondence was still continuing in July.

Gundelfinger also said Angel's use of the Bex email address “does not in any way demonstrate that Angel was one of the controlling hands behind Bex – which he emphatically denies”.

He said Essa had asked Angel to use the Bex mail-box.

Gundelfinger declined to explain what ICM directors understood Narayan's role to be and whether they were aware of his connection to the Gupta family.

Gundelfinger confirmed (https://www.dropbox.com/s/q7j2zvpusjj0qme/Gundelfinger%20response%202.pdf?dl=0) that the meeting with Wood and Savides took place only on 6 May – after the commission contract with a R580-million base price was already signed off in April – but failed to deal with the problems this created for his narrative.

In fact, we learned later that CNR had circulated a draft of the commission agreement (https://www.dropbox.com/s/zbrc7w4im0ks0ep/CNR%20BEX%20R280m%20contract.pdf?dl=0)internally as early as March. It shows that at that stage the Chinese were pushing for a base price of only R280-million, which had supposedly been reached “after extensive research and negotiations”.

Clearly the base price was a moving feast.

Shane's role: was a Transnet director batting for the other team?

Gundelfinger also provided an image of an electronic meeting calender that suggested Shane, who had also been a Transnet director since December 2014, was not part of the 6 May meeting.

It was becoming apparent that Gundelfinger was keen to distance Shane from the relocation project.

Was the "Minyan" not only abetting suspect deals but doing so when they were also conflicted because of Shane's position at Transnet?

Wood seemed to be saying so: he gave us a copy of a request for the same meeting which was sent to him by Chipkin. This particular meeting request included Shane.

Angel and Chipkin have denied that ICM did any work for Trillian, insisting the two of them worked for Trillian through a separate company that didn't include Shane and that they provided only limited, "startup" services.

Presumably this was a distinction they were keen to underline because Shane seemingly did not disclose to Transnet any conflict arising out of his interest in ICM, even when ICM became intimately involved with Essa's contract to lobby Transnet on behalf of CNR.

Gundelfinger argued that because the Transnet board had approved the relocation in principle in May 2014, before Shane joined the board, there was no conflict of interest.

He ignored the fact that the real issue was the amount paid to CNR, which was only decided in July 2015 after ICM got involved – and after Shane was already at Transnet.

Gundelfinger insists Shane "never saw let alone approved any contracts or payment in relation to CNR".

Legal Frontiers: what did the other "service providers" know?

When we first dealt with Gundelfinger he was representing Shaw, who, it will be recalled, had signed the Bex contract with CNR on behalf of Bex.

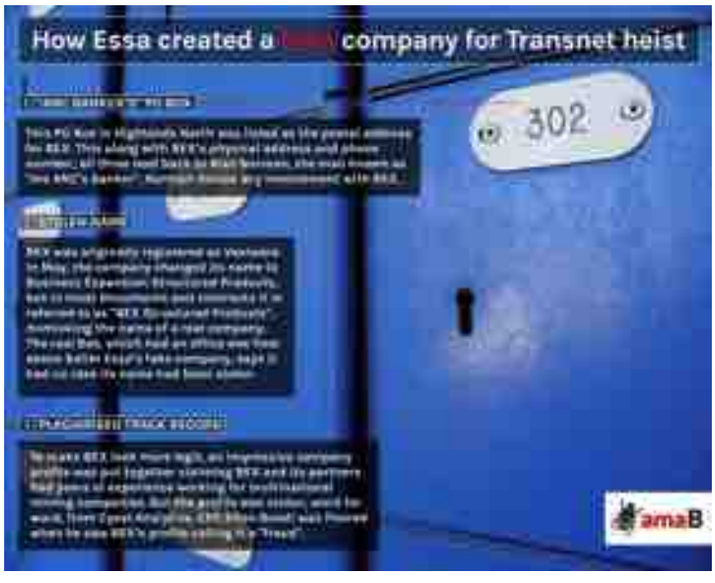
Gundelfinger explained Shaw had got involved because Essa had requested ICM to assist with the registration of Bex as a company.

ICM had a long standing relationship with Legal Frontiers, to whom it introduced clients for company secretarial and administrative functions.

ICM introduced Essa to Legal Frontiers, which procured a shelf company with a VAT registration number and a Standard Bank account.

Gundelfinger said Essa provided the name for Bex and "all relevant FICA documents such as the physical address, registered office, directorships and shareholding for Bex in writing".

Those addresses are intriguing. The physical address, PO Box and telephone number for Bex provided in the fake company profile all lead back to one Alan Norman.



The 'ANC's Banker'

Norman is no stranger to politically connected deals. He is a former Absa executive described in some media reports as “the ANC’s banker”, with links to ex-ANC treasurer general Mendi Msimang and ANC business front Chancellor House.

Most recently Norman featured in an amaBhungane exposé about the ANC's plans to spend R50-million on a secret campaign targeting opposition parties in the 2016 local government elections.

According to the report, invoices on the covert ANC project were at one point routed via a company of which Norman was the sole director.

Norman told amaBhungane he had no idea of how his contact details landed up being linked to Bex, which he said he had never heard of.

Norman said he had “never encountered” Essa and while he did know Shane, Angel and Chipkin, he had “no business dealings with them, ever”.

So we turned our attention to Shaw and Legal Frontiers, but the contradictions multiplied alarmingly.

The mysterious Mr Hasware

Gundelfinger's version was that Essa was responsible for all the instructions to Shaw and Legal Frontiers on behalf of Bex even though, on paper, he was neither a director nor shareholder.

Gundelfinger explained that Essa requested the services of an alternate director for Bex to act on written instruction should the "main" appointed director not be available.

“Essa informed us that both he and the ‘main’ director, Tasfique [sic] Hasware travelled extensively abroad as part of advising CNR. As one of Legal Frontiers' services they agreed to provide an alternate director to Bex. Mark Shaw, an employee of Legal Frontiers, was therefore appointed as the alternate director...

“Essa requested (via a signed board resolution) that the alternate director, Shaw, sign the Bex/CNR contract. According to Essa, Hasware was consulting overseas at the time.”

Gundelfinger said: “All instructions with regard to Bex were communicated in writing by Essa and/or his agent Taufique Hasware. We [Shaw and Tichauer] did not meet Hasware, but this is not uncommon since there are many clients with whom we don't meet in person but receive instructions and FICA documents in writing.”

Gundelfinger said in around September 2015, Essa told ICM that CNR had been successful with Transnet and they would be making payment in terms of the commission agreement.

It should be noted that by the end of July, 2015 amaBhungane had published a front page story in the *Mail & Guardian* (https://mg.co.za/article/2015-07-30-kickback-scandal-engulfs-transnet)concerning how telecoms firm Neotel paid tens of millions of rands in “commissions” to another letterbox company to clinch deals worth R2-billion from Transnet.

The article highlighted the central role of “Gupta man” Ashok Narayan and flagged the mysterious Taufique Hasware, whose most recent employment appeared to be as a small-time Johannesburg carpetseller, not a jetsetting dealmaker.

Perhaps no-one at ICM or at Legal Frontiers read the story.

More “service providers”

Bex’s money was channelled on to four other nondescript companies, Gundelfinger revealed.

Explaining Shaw's role and the on-payments made by Bex, Gundelfinger told us: “As Essa had still not completed the bank account forms he was not the signatory on the account. Therefore, he instructed Legal Frontiers (who were still signatories) to facilitate the payments due to the various other service providers whom Essa advised had completed work for Bex on the CNR project.”

Gundelfinger said that Essa “delivered four invoices (https://www.dropbox.com/s/olbg9ac3i8u8xrd/Letterbox%20invoices.pdf?dl=0) to Legal Frontiers' offices on behalf of other services providers whom he said had worked on the CNR initiative to be paid by Bex and gave instructions to make payment”.

Gundelfinger helpfully provided four invoices showing that, of the commission received by Bex (R76-million including VAT), R66-million had been paid out within a short time to four other letterbox companies.

This was something that should have raised red flags for Shaw – and it implicated him further if he was involved in making the payments – as Gundelfinger was suggesting.

In fact, it looked so bad for Shaw that, the day after we received the narrative explanation, we contacted him directly to confirm that he was indeed represented by Gundelfinger and attaching the answers provided in his name.

Shaw did not reply, but the next day, 29 June, we received a missive from Gundelfinger to which was appended a signed confirmation from Shaw that Gundelfinger was his lawyer and stating: "I confirm the contents of the narrative and reply to questions insofar as it relates to myself."

That did not last for long.

Accumulating lawyers

We had discovered that Legal Frontiers was 51% owned by a Mr Sudesh Rocharam.

We thought we had better get his version, so on Monday, 2 July, we sent him Gundelfinger's narrative for his comment.

The next day, Tuesday, we received a reply (https://www.dropbox.com/s/e8gndzb0m7kehj6/Kahn%20response%201.pdf?dl=0) from *his* lawyer – Brian Kahn – which made it clear that this was the first Rocharam had heard about the whole story, including our inquiries.

Apparently, neither Tichauer (who held the other 49% of Legal Frontiers) nor Shaw had bothered to inform him about the ruckus developing around his company.

Kahn told us: "Our client has no personal knowledge whatsoever of the (possible? implied?) unlawful and/or improper activities to which there is reference in the documentation enclosed to your email..."

Kahn also denied that Shaw was ever an employee Legal Frontiers.

By later on that Tuesday we received a letter from Russell Kantor of the venerable firm of Tugendhaft Wapnick Banchetti & Partners, indicating they were now the legal representatives of Shaw and Tichauer and were taking instructions from their new clients.

We were accumulating lawyers at a frightening rate.

Accumulating versions

There was a final dizzying round of different versions, mostly enveloped in clouds of legal jargon (Kantor is particularly fond of calling a question an "interrogatory").

Kahn, whose style is brusque, gave Shaw short shrift saying (https://www.dropbox.com/s/xolfk0e6cjqic0j/Kantor%20response%202.pdf?dl=0), "Mr Shaw occupies premises within the building that Legal Frontiers carries on business and from time-to-time (and purely on an ad hoc basis) his view or opinion may be sought on something or other."

Gundelfinger, no longer representing Shaw and Tichauer, underlined his view of the innocence of ICM's involvement, noting: "At no time did my clients believe or suspect that funds coming from CNR (a reputable Chinese multinational company) were not as a result of a legitimate contract and services provided by Bex to CNR's satisfaction."

Kantor had the toughest job, given that Shaw had foolishly signed his name not only to a dodgy commission contract, but also to Gundelfinger's version of events, which did not place him in a happy light.

Kantor's version: Did Shaw lie to us? No ways!

Kantor did his best to plaster over the contradictions (https://www.dropbox.com/s/xolfk0e6cjqic0j/Kantor%20response%202.pdf?dl=0), maintaining, in his inimitable style, that there were none.

"Save to the extent otherwise indicated, the statements made by Mr Shaw and those advanced on his behalf do not talk across one another. Moreover you are incorrect in suggesting that the documents referred to are disjunctive."

His concession appeared to extend only to confirming that Shaw was not an employee of Legal Frontiers, as set out in the Gundelfinger narrative, with which his client had previously concurred, in writing.

Kantor ascribed this to a mere oversight: "Insofar as the signed declaration is concerned, it was submitted to you by Mr Gundelfinger prior to either of our clients having had sight of that document. Upon a more careful reading of the statement, Mr Shaw observed that it contained factual inaccuracies, as and by way of example, the averment that he is an employee of Legal Frontiers... In the circumstances, there are no 'contradictory statements'..."

Kantor maintained steadfastly that Shaw had no reason to doubt the probity of what he was doing.

"There was nothing on the face of the [commission] agreement to suggest that the transactions therein contemplated were sinister or uncommercial and nothing signalling that the agreement was tainted by any irregularity or unlawfulness."

Kantor admitted thatShaw never met, or spoke with Hasware and claimed – in contradiction with Gundelfinger's version – that neither Shaw nor Tichauer had any communications with Essa whatsoever.

It seems that, on his version, Shaw, a registered auditor, entered into a R580-million contract on the strength of a piece of paper (https://www.dropbox.com/s/qpkf4lv3oyl65ho/Hasware%20resolutions.pdf?dl=0) which appears to have spelled Hasware's first name incorrectly.

Hasware's directorship of Bex was only officially lodged (https://www.dropbox.com/s/l3xp5gbmxjswfio/CIPC%20dirctor%20change.pdf?dl=0) on 27 March 2017 (nearly *two years* after the CNR transaction) but Kantor insisted this did not legally preclude Shaw from recognising Hasware as a *de facto* director.

Kantor said Legal Frontiers' client, from whom instructions were received concerning the formation of Bex, was neither Essa nor Hasware, but he declined to identify who it was.

Somewhat astonishingly, considering the wording of the Gundelfinger narrative, Kantor denied that Shaw, Tichauer, Legal Frontiers or Tichauer & Bloch had anything to do with the R66-million on-payment to the four letterbox companies.

"You must not... confuse, as you seemingly do, the signatory on the accounts (on the one hand), with persons transacting on the accounts (on the other hand). Accordingly, your assumption that Mr Shaw, as signatory on the accounts 'was therefore the only person able to execute these payments', is demonstrably incorrect."

Kantor declined to reveal (https://www.dropbox.com/s/rgt8fr7ddbrn0re/Kantor%20response%203.pdf?dl=0) who made the payments.

"Neither Mr Shaw, Mr Tichauer, Legal Frontiers nor Tichauer & Bloch were participant in or had any reason to believe that there was any unlawful scheme. There was no mischief on their part and any suggestion to the contrary would be scurrilous, devoid of any truth and highly defamatory of these persons."

So there.

While we were wrestling with assorted members of the legal fraternity in Johannesburg, we were also sounding out the community reaction.

Back to the Minyan

The "Gupta Minyan" has made quite a lot of people upset it appears – and many believe it is time to pass judgement.

There seems to be a consistent view of Shane who is regarded as flashy and arrogant – while Angel, in the words of one former co-worker, "wants to be like Shane when he grows up".

Opinion is more divided on Chipkin, who is "considerate – a much nicer guy", according to the same co-worker.

It was during this time that we learned that Shane and Angel are facing another problem, namely an unrelated criminal case.

Gundelfinger and Natha appeared crestfallen when we revealed that we knew Angel and Shane were accused 3 & 4 in case 43/2018 at the specialised commercial crime court in Johannesburg.

- The charge sheet (https://www.dropbox.com/s/38839s5gbjctr89/Super%20Group%20charge%20sheet.pdf?dl=0)

The case involves a company called Biggest SA Trading (BSA) which focused on the distribution and delivery of liquor to various wholesalers nationwide.

In November 2014 BSA was sold for about R30-million to Super Group, the listed logistics giant founded by Larry Lipschitz.

Now BSA, its auditor and its directors, which included Angel and Shane, have been charged with fraud, based on allegedly misrepresenting the value of the company which, according to the charge sheet, actually had a negative value of R26.7 million.

Both Shane and Angel have indicated that they viewed themselves as victims and not suspects in the matter, but neither the prosecutor nor Super Group seem convinced. The trial has not yet got underway.

All in all the "Gupta Minyan" is regarded as "bringing down the Jewish name", as one observer put it.

In a community that exists as a tiny minority in South Africa and often sees itself as under siege, this is seen as an offence that adds to Jewish vulnerability.

As Krost-Maunder put it in her SAJR editorial: "When other people are involved, we can be angry and frustrated, but it is embarrassing and humiliating when our own are involved...

"Is it okay for them to be sitting on boards? And how do you feel when they walk down the aisle at your shul on Shabbos? Do we have a right to look down our noses at them? They have not had their day in court."

Despite the seeming implausibility of their versions, it appears unlikely they will ever face that day, given the weakness of the state and the dedication of their lawyers.

On the other hand, social rejection as a punishment is as old as human society and is still used by many customary legal systems.

If the "Gupta Minyan" find themselves snubbed on a Friday night, there may be a certain justice in that.

**Additional reporting by Susan Comrie*

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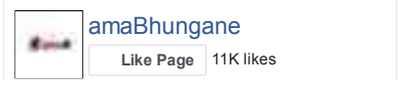

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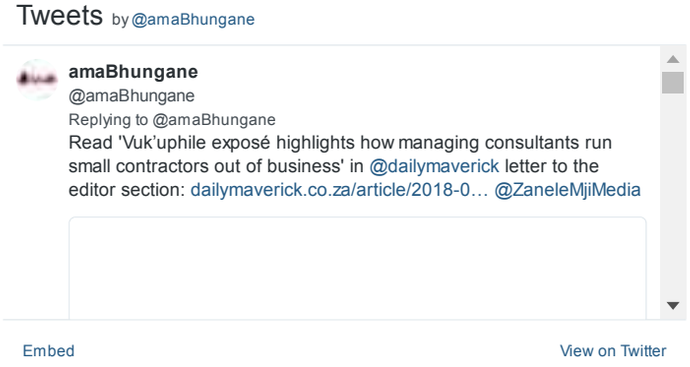

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GC20

NARRATIVE RE BEX AND CNR

1. Introduction

1.1 In 2014 Salim Essa ("Essa") was introduced to Integrated Capital Management ("ICM") by Selwyn Nathan, ICM's erstwhile chairman, as a credible BEE businessman and potential client. Is Selwyn Nathan a shareholder? If not, when did he cease to be a shareholder. Please disclose the share register for ICM.

1.2 In March 2015 a meeting was arranged between Essa and ICM regarding a financial modelling business opportunity. Who arranged the meeting? Who attended the meeting?

1.3 The opportunity was to assist Eric Wood ("Wood") of Regiments with a financial engineering and modelling project for which Essa advised that Regiments had insufficient capacity to deal with at the time.

1.4 Previously ICM had introduced Elton Bondi ("Bondi") of Cyest Corporation ("Cyest") to Essa to discuss Cyest's capabilities and to explore potential business ventures. Following this meeting Bondi circulated a summary of Cyest's capabilities to ICM to share with Essa. Nothing concrete came of the discussions between Bondi and Essa.

1.5 Essa impressed upon us the urgency to get the financial model together and informed us that sophisticated financial modelling was required..

1.6 We approached Tony Savides ("Savides") of Cyest whom ICM had worked with before and were aware of his capability and expertise in providing technical financial models for previous clients.

1.7 We arranged a meeting with Savides and Woods in April 2015 on the basis that Savides would assess what was required for the model or refer us to someone else to provide the modelling expertise who could prepare a functional and robust model.

1.8 In April 2015, Marc Chipkin ("Chipkin") and Clive Angel ("Angel") met with Wood at Regiments offices, 91 Central Street, Houghton for Wood to brief us on the project. The meeting was arranged by Essa.

1.9 Present at the above meeting were Wood, Chipkin, Angel and Savides. In addition Savides brought a modelling expert, Michail Scholiadis ("Scholiadis") also an employee of Cyest.

1.10 Savides advised that he and Scholiadis ("the experts") understood what was required and were able to assist with a deliverable in their private capacity independent of their Cyest work obligations.

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when in april? what date?

2. The meeting with Wood –April 2015

2.1 The meeting above with Wood extended for two to three hours.

2.2 Wood advised us that he had attended to some initial work on a project (details of which are set out hereunder) but that his team did not have capacity to complete the deliverables for Essa within the requisite timeframes.

2.3 Wood further explained that sophisticated financial modelling work was required, whereby a number of cost drivers and relevant market related assumptions were required to be taken into account in order to arrive at a final cost estimate.

2.4 Wood confirmed that Essa's client was China North Rail ("CNR") (and not Transnet) and the financial model was with regard to the preparation of a costing model on an approved relocation of a production facility from Koedoespoort in Pretoria to Durban in order for the larger locomotive contract to achieve a broader impact on the local economy, not just on the Gauteng region. The production of locomotives concerned were the locomotives to be manufactured by CNR based on a contract procured between 2010 and 2012.

What sort of a client?
What service did Essa provide?

2.5 The relocation project had been approved by the Transnet Board in March 2014 (which is of public knowledge), this being long before Wood/Essa approached ICM for the modeling work and also long before Shane's appointment to the Board of Transnet (which took place in December 2014). Shane therefore had no influence over the contract.

This is incorrect. There is no indication the board was ever consulted.

2.6 Wood advised us that CNR had previously prepared their own model which was rejected since it never took into account a number of material cost assumptions and thus needed to be revisited.

2.7 Wood also confirmed an almost identical relocation was being undertaken by Bombardier, one of the other locomotive suppliers. Wood advised us that Bombardier's cost estimate taking into account all of the variables was estimated to be in the region of R620m. Bombardier's estimate (it being a reputable supplier which had supplied the Gautrain) gave us comfort as to the enormity of the quantum.

2.8 Wood justified that these costs were market related for a move of this nature. He further reinforced this by providing the key financial drivers and assumptions relating to the project and went into detail as to how these would impact costs. Wood requested us to determine what cost estimate would be arrived at if the key financial drivers and assumptions relating to the project were applied in light of the fact that CNR's initial cost assumptions were incorrect. He assured us that Bombardier's quantum of costs were standard for this type of

project and that experts could rely on Bombardier's R620m cost estimate in the derivation of their model.

3. Mandate with BEX and deliverables

3.1 Post the Wood briefing, the experts confirmed to us that this was analytical work in which they had the capability, expertise and experience.

3.2 Shortly thereafter, Essa followed up with ICM to confirm if ICM could deliver on the financial cost analysis model as per Wood's briefing and within the timelines required.

3.3 ICM confirmed its ability to deliver the model, using independent experts as we had done in the past with clients such as Shaftsinker Limited requiring a more technical solution than we could provide on our own. ICM supplied Essa with detail of the experts by way of referring to the Cyest website (as Savides and Scholiadis are key employees of Cyest). It appears that Essa utilized this information to justify his ability to deliver to his client, CNR.

3.4 ICM proposed a fixed fee for the analysis payable in advance.

3.5 Essa's counter proposal was ICM earn a success fee for delivering on the model as well as various administrative services consistent with ICM's business offering. As the fee was to be success based and 100% at ICM's risk, Essa proposed ICM be remunerated on acceptance of the model by CNR and their client Transnet and the payment to CNR to Transnet, a base fee of R3m plus an 8.5% fee based on BEX's project fees received from CNR.

3.6 Essa confirmed he had been in discussions with and had been providing services to CNR for a number of years and with regard to a number of deliverables and that the financial model was one of these deliverables.

3.7 Essa advised that a BEE company, Business Expansion Structured Products ("BEX") needed to be the entity providing services to CNR. He advised that he had previously introduced himself to CNR as a representative of BEX at a trade show in 2014.

3.8 Essa required various services from ICM, which included:

3.8.1 Introduction to a company secretary to procure a shelf company for BEX, the shareholder of which would be a consortium led by Essa. For sake of clarity, neither ICM or any of its directors or shareholders or related parties were ever shareholders of BEX.

3.8.2 Secretarial and administrative services for BEX.

3.8.3 Essa provided all required FICA and company details for the entity, which he delivered to the company secretary for processing.

3.8.4 Preparation of the relocation cost model taking into consideration the cost drivers and Bombardier's costing as justified by Wood.

4. Legal Frontiers

4.1 ICM had a long standing relationship with Legal Frontiers, to whom it introduced clients for all company secretarial and administrative functions. Neither ICM, Shane, Angel and Chipkin were or have ever been directors or shareholders of Legal Frontiers.

4.2 ICM introduced Essa to Legal Frontiers.

4.3 Legal Frontiers procured a shelf company for Essa with a VAT registration number and a Standard Bank account.

4.4 Essa instructed as to the name of BEX and provided all relevant FICA documents such as the physical address, registered office, directorships and shareholding for BEX in writing. We refer to annexure "A" hereto.

4.5 Essa requested the services of an alternate director to act on written instruction should the "main" appointed director not be available.

4.6 All required resolutions were signed.

4.7 Essa informed us that both he and the "main" director, Tasfique Hasware ("Hasware"), travelled extensively abroad as part of advising CNR.

4.8 As one of Legal Frontiers' services they agreed to provide an alternate director to BEX. Mark Shaw ("Shaw"), an employee of Legal Frontiers, was therefore appointed as the alternate director and was comfortable with the fact that BEX's client was CNR.

4.9 Essa requested (via a signed board resolution) that the alternate director, Mark Shaw, sign the BEX / CNR contract. According to Essa, Hasware was consulting overseas at the time. Refer to Annexure "A1" showing the resolutions.

4.10 Shaw at no stage had any decision making role in BEX.

4.11 BEX's contract was with CNR. Shaw relied on CNR's credibility as a large Chinese multinational corporation and thus signed the agreement (Refer to Annexure "B "for the final agreement). The BEX contract articulated several deliverables for which success-based fees would be paid only once the deliverables had been presented to and approved by CNR.

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5. Delivery of the financial model to BEX

5.1 The financial model was prepared by the experts and presented by ICM to Essa.

5.2 Essa reverted to ICM with various questions from CNR regarding assumptions made, which were dealt with accordingly. This iterative process took a number of months and included meetings with Scholiadis and Angel at CNR to allow CNR's experts to engage with Scholiadis and to discuss the model and assumptions and have a Q&A session in order to satisfy themselves regarding the said model and assumptions. (Refer to Annexure "C").

5.3 Thereafter Essa advised, about July 2015, that CNR had finally approved the cost estimate.

6. Payments made to service providers by BEX

6.1 Approximately six months after ICM had accepted the mandate, and after the experts had completed work on the project, in or around September 2015, Essa advised ICM that CNR had been successful and they would be making payment in terms of the signed agreement that BEX had with CNR.

6.2 The financial model/ analysis was approved of (before receipt of payment for services provided) by CNR (being a multinational corporation) and by Transnet (being a SOE) and hence we had no reason to believe that there was any element of criminality or corruption.

6.3 Legal Frontiers provided Essa the necessary documentation relating to his BEX bank account.

6.4 Essa agreed that ICM must invoice BEX for their agreed fees.

6.5 As Essa had still not completed the bank account forms he was not the signatory on the account. Therefore, he instructed Legal Frontiers (who were still signatories) to facilitate the payments due to the various other service providers whom Essa advised had completed work for BEX on the CNR project.

6.6 As VAT needed to be paid which process was being facilitated by Legal Frontiers they required the invoices for the various other service providers.

6.7 Essa delivered 4 invoices to Legal Frontiers' offices on behalf of other services providers whom he said had worked on the CNR initiative to be paid by BEX (refer to Annexure "D") and gave instructions to make payment.

6.7.1	Invoice 1 -Fortime Consultants (Pty) Ltd	R18 140 820.00
6.7.2	Invoice 2 -Medjoul (Pty) Ltd	R15 228 071.00
6.7.3	Invoice 3 -Ismer Consultants (Pty) Ltd	R14 147 400.00

6.7.4 Invoice 4 -Maher Strategy Consultants (Pty) Ltd R18 605 940.00

6.8 The total amounted to R66 122 231.00 inclusive of VAT. These amounts were paid to the above mentioned entities and we do not know what transpired with the funds thereafter.

6.9 The payments were made in November 2015 on instruction of Essa.

6.10 ICM received payment for their work performed in due course.

7. Fees earned by ICM and Legal Frontiers:

7.1 After related disbursements ICM earned a risk based success fee of approximately R6.8m before tax for this project.

7.2 These fees were for managing the delivery of a comprehensive financial model as requested by Essa and justified by Wood at the briefing held in April 2015. This model was delivered to Essa /BEX and had to be approved by CNR.

7.3 The success fees payable to ICM were risk based and only payable on final authorization and acceptance by BEX.

7.4 To clarify, neither ICM, nor any of its associates or directors or employees received any remuneration and/or benefit from the payments made to the aforementioned 4 service providers.

7.5 Legal Frontiers earned R500 000 for providing company secretarial, accounting, administration and alternate director services for BEX over this period. All their instructions were received in writing from Essa or Hasware.

8. Wood's response to amaBhungane

8.1 From the narrative set out hereinabove, it is clear that Wood is being disingenuous in his response of 18 May where he claims that Regiments "*did not receive all of the relevant information*" and that "*no feedback or input was provided as Regiments did not take on the project*". Regiments may not have received or provided information, but he (Wood) certainly did. Refer to Annexure "E".

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BUSINESS STRUCTURED PRODUCTS (PROPRIETARY) LIMITED
REGISTRATION NUMBER: 2009/020420/07 ("the Company")
Incorporated in the Republic of South Africa

RESOLUTION PASSED IN TERMS OF SECTION 65 (9) OF THE COMPANIES ACT 2008 (ACT NO 71 OF 2008) ON 16 APRIL 2015

IT WAS NOTED THAT: Tasfique Shaukat Hasware, in his capacity as sole director and shareholder of the company had reviewed the agreement between CNR Rolling Stock (Proprietary) Limited and the company ("the Agreement").

IT WAS RESOLVED THAT: Mark Shaw, in his capacity as my alternate director be and is hereby authorised to sign the agreement in my stead.

TS HASWARE

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BUSINESS EXPANSION STRUCTURED PRODUCTS (PROPRIETARY) LIMITED

(REGISTRATION NUMBER: 2009/010426/07)

Incorporated in the Republic of South Africa

("the Company")

RESOLUTION PASSED BY THE SOLE DIRECTOR AND SHAREHOLDER OF THE COMPANY ON 15 APRIL 2015

RESOLVED THAT: Mark Shaw, in his capacity as alternate director to Tasiliqua Shaukat Haswara be and is hereby authorised to sign all documentation relating to the Company.

x Tawil y

TS HASWARE
HOLDING 100% OF THE ISSUED SHARE CAPITAL

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BUSINESS DEVELOPMENT SERVICES AGREEMENT

CNR ROLLING STOCK SOUTH AFRICA PTY LTD.
(Registration No. 2014/016892/07)

with

BUSINESS EXPANSION STRUCTURED PRODUCTS PTY LTD.
(Registration No. 2009/020420/07)

AGREEMENT DATE: APRIL 25, 2015

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This Agreement is entered into by and between the following parties:

BUSINESS EXPANSION STRUCTURED PRODUCTS PTY LTD (hereinafter referred to as "BEX") (which expression includes its associates, subsidiaries, affiliates, successors and permitted assigns), a company duly incorporated and existing under the Companies Act in South Africa, and having its registered offices at 1st Floor, 24 Crescent Drive, Melrose Arch 2076, Johannesburg, duly authorised and represented by Mr. Mark Shaw

and

CNR ROLLING STOCK SOUTH AFRICA PTY LIMITED (hereinafter referred to as the "Company") (which expression includes its successors and permitted assignees), a company duly incorporated and existing under the Companies Act in South Africa and having its office address at 3rd floor, 95 Grayston Drive, Sandton 2196, Johannesburg, South Africa, duly authorised and represented by the person signing this Agreement., duly authorised and represented by Mr. Gang Wang, signing this Agreement.

(Hereinafter, BEX and the Company may be individually referred to as a "Party", and collectively as "the Parties".)

WHEREAS:

A. BEX, a professional service advisory business that specialises in business enterprise optimisation using financial modelling, derivatives and engineering techniques, with its long subsisting relationships in the territory of South Africa (hereinafter "The Territory") has acquired a familiarity with regulatory, social, cultural and political framework whereby it is capable to closely co-ordinate with the designated authorities to comprehend the applicable Government policies, identify the opportunities of participation in various Government and Private projects, lend consultancy on participating in various tenders and bidding processes and thus facilitating trade of goods and services concerning such projects.

The COMPANY is a global company specialising in the manufacture of Locomotives and Spare Parts for the same, with a focus on emerging markets. The COMPANY has approached BEX to provide advisory services in respect of the Project and for expanding their business in the Territory and help it in achieving their BEE (Black Economic Empowerment) objectives in the Territory on a long-term basis.

B. The Parties have, after mutual discussions, acknowledged and agreed that they have suitable and complementary resources to jointly harness the opportunities in the Territory through this Business Development Services Agreement, whereby BEX will play an active role in providing advisory services in respect of the Project, Business development and BEE structuring and management in the Territory.

C. In view of the above-set background, the Parties have agreed to reduce in writing their mutual understanding and their respective fundamental interests, rights, duties, obligations and liabilities in relation to the agency, their respective roles in this regard, the terms and conditions on which the Parties would implement the agency relationship and certain other matters thereto.

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1. Definitions and Interpretation

1.1. Definitions

Certain terms are defined within the recitals and within the body text of this Agreement. In addition, the following terms shall have the following meaning:

"Affiliate"	means, with respect to any Person, any other Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with such person.
"Agency Commission"	the difference between the price excluding VAT awarded to the Company by TFR and the Project Benchmark Costs of R580 million excluding VAT
"Agreement"	means this Agreement, including the recitals and schedules hereto, as the same may be varied or amended from time to time in writing by agreement of the Parties;
"Agreement Date"	shall mean and refer to APRIL 25, 2015; being the date of execution of this Agreement;
"BEE"	means Black Economic Empowerment as set out in the BEE Charter of the Republic of South Africa.
"Business Day"	means any day on which banking institutions in South Africa are open for business.
"Force Majeure"	means any of the following events or occurrences: (i) Acts of God, such as fires, floods, thunderstorms, earthquakes, unusually severe weather and natural catastrophes; (ii) civil disturbances, such as strikes, lock outs and riots; (iii) acts of aggression, such as explosions, wars, and terrorism which are not foreseen; or (iv) acts of government or actions of regulatory bodies which significantly inhibit or prohibit either Party from performing their obligations under this Agreement.
"Nominee"	means any juristic person or company that may be nominated by BEX with the prior written consent of CNR from time to time to continue with and fulfil the obligations of this Agreement and/or to provide the necessary services and any expertise required for executing the commercial aspects of this Agreement.
"Person"	includes any individual, company, corporation, firm, partnership, consortium, joint venture or association, whether a body corporate or an unincorporated association of persons.
"Price"	shall mean the amount paid by TFR for the implementation

	of the project
"Product"	means the Company's related products and Services.
"Project"	shall mean the change in scope whereby Transnet Engineering (TE) a division of Transnet SOC Limited requires the Company to change the location of the local manufacture programme from the TE Koedoespoort Gauteng facility to their Bay-Head Durban facility.
"Project Benchmark Costs"	shall mean R580m (Five hundred and eighty million Rand) excluding VAT
"Scope Deviation"	shall mean costs associated with the implementation of the Project
"Territory"	means Republic of South Africa.
"Third Party"	means a person who is not a Party to this Agreement and does not include Affiliates of any of the Parties.
"TFR"	means Transnet Freight Rail, a division of Transnet SOC Limited

1.2. Interpretation

1.2.1. References to this Agreement or to any other instrument shall be a reference to this Agreement or that other instrument as amended, varied, novated, or substituted from time to time.

1.2.2. The headings in this Agreement are for ease of reference only and shall not affect the interpretation or construction of this Agreement.

1.2.3. References to Recitals, Clauses and Schedules are references to recitals, clauses and sub clauses and schedules to this Agreement.

1.2.4. Words importing the singular number shall include the plural and vice versa and words importing the masculine gender shall include the feminine and the neuter gender and vice versa.

1.2.5. Each of the representations and warranties provided in this Agreement are independent of other representations and warranties and unless the contrary is expressly stated, no Clause in this Agreement limits the extent or application of another Clause.

1.2.6. "In writing" includes any communication made by letter or fax or e-mail.

1.2.7. The words "include", "including" and "in particular" shall be construed as being by way of illustration or emphasis only and shall not be construed as, nor shall they take effect as limiting the generality of any preceding words.

1.2.8. References to a person shall be construed so as to include:

1.2.8.1. individual, firm, partnership, trust, joint venture, company, corporation, body corporate, unincorporated body, association, organization, any government, or state or any agency of a government or state, or any local or municipal authority or other governmental body (whether or not in each case having separate legal personality);

1.2.8.2. that person's successors in title and assigns or transferees permitted in accordance with the terms of this Agreement; and

1.2.9. References to a person's representatives shall be to its officers, employees, legal or other professional advisers, sub-contractors, agents, attorneys and other duly authorized representatives.

1.2.10. References to statutory provisions shall be construed as references to those provisions as are respectively amended or re-enacted or as their application is modified by other provisions (whether before or after the date of this Agreement) from time to time and shall include any provisions of which they are re-enactments (whether with or without modification).

1.2.11. All warranties, representations, indemnities, covenants, guarantees, stipulations, undertakings, agreements and obligations given or entered into by more than one person are given or entered into severally unless otherwise specified.

1.2.12. In the event that the date on which any act or obligation specified in this Agreement to be performed falls on a day which is not a Business Day, then the date on which the act or obligation is to be effected or performed shall take place on the next Business Day.

1.2.13. This Agreement is the result of negotiations between, and has been reviewed by, the Parties and their respective counsel. Accordingly, this Agreement shall be deemed to be the product of the Parties, and there shall be no presumption that an ambiguity should be construed in favour of or against any Party solely as a result of such Party's actual or alleged role in the drafting of this Agreement.

2. **Preamble**

2.1. Whereas TE requires the Company to change the location of the local manufacture programme from the TE Koedoespoort Gauteng facility to their Bay-Head Durban facility.

2.2. And whereas the Company has approached BEX to assess and formulate the entire strategy and planning to quantify and benchmark the costs associated with the re-location as per Clause 2.1.

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2.3. And whereas BEX has agreed to undertake the work at their sole risk and at no cost to the Company if the agreed Project Benchmark Costs are not recovered from Transnet Freight Rail (TFR).

2.4. After extensive research and negotiations with both the Company & TFR, BEX and the Company have agreed that the Project Benchmark Costs will be fixed at R580 million (Rands Five hundred and eighty million only) excluding VAT.

2.5. Since BEX has undertaken to negotiate and finalize the deal with TFR on a risk basis, it is agreed between both parties that BEX be entitled to an Agency Commission as detailed in Clause 6.

3. Scope and Purpose of the Agreement and key principles

3.1. The Parties have entered into this Agreement to record their mutual understanding as regards their relationship and the manner in which the Project shall be implemented through this Agreement.

3.2. The scope of this Agreement is the regulation of the rights and relationships of the Parties, both among themselves and with respect to Third Parties, with the aim of executing the Project and other services in the Territory.

3.3. In order to achieve their joint commercial objectives, the Parties shall operate this Agreement as per the terms and conditions set out herein.

3.4. Each Party agrees to co-operate with the other Party on a best effort basis.

3.5. Each Party hereby agrees and undertakes towards the other Party to perform and observe all of the provisions of this Agreement.

3.6. The Parties acknowledge that the broad parameters for the conduct of this Agreement (subject always to the terms and conditions of this Agreement) is to implement the Project in the Territory and to enhance the economic value of the Parties.

4. General Conditions of appointment

4.1. The Company hereby appoints BEX to provide advisory and consulting services in respect of the Project and to aid Business Development and to assist in achieving the Company's BEE objectives in the Territory.

4.2. The Parties hereby agree and acknowledge that they are independent contractors. No partnership, joint venture or employment is created or implied by this Agreement.

5. Duties and Responsibilities of BEX

5.1. BEX shall provide advisory services in respect of the Project and will assist in the implementation of the processes related to the Project on a risk basis.

5.2. BEX shall assist the Company to achieve its objectives in the Territory.

5.3. BEX shall not make any representation on behalf of the Company except in conformity with express written permission from the Company.

5.4. BEX will have two years from the Agreement Date to implement the Project

5.5. BEX will inform the Company timeously in writing if it wishes to appoint a nominee or assign the provisions of this Agreement. The appointment of such nominee or assignee shall be effected after the written consent of the Company.

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6. Remuneration, payment terms etc.

6.1. For the Project Scope deviation (referred hereinabove), BEX shall assist the Company to negotiate the best possible price with TFR based on the Project Benchmark Cost of R580 million (Rands Five Hundred and Eighty million only) excluding VAT.

6.2. The Company agrees that BEX will be entitled to an agency commission equivalent to the difference between the price excluding VAT awarded to the Company by TFR and the Project Benchmark Cost of R580 million excluding VAT. For example if the price awarded is R680 million, then BEX will be entitled to an agency commission of R100 million(excluding VAT) i.e. R680m less R580m.

6.3. The Company will be entitled to the Project Benchmark Cost of R580 Million irrespective of whether the total Project value is negotiated lower than the R680 million by TFR.

6.4. BEX shall be entitled to the agency commission irrespective of whether the Project Benchmark Cost arise from the supply of services, main product or any spare part or ancillary item thereto.

6.5. The agency commission as stated above will be due and payable in full as and when i) the Company and TFR has entered into an agreement that the Company will be awarded the Price more than the Project Benchmark Costs by TFR, and ii) the first payment of the Price is received by the Company.

6.6. The company shall pay BEX within 10 business days after from receipt of the invoice from BEX.

7. Term and Termination

7.1. This Agreement shall be effective from the Agreement Date and will remain valid for a period of two years and for such time that the Company remain eligible for the award of the Scope Deviation.

7.2. Once the agreement for the Scope Deviation has been signed by the Company, this Agreement shall remain in force until full payment due to BEX under this Agreement is made by the Company.

7.3. If either Party hereto commits a breach of this Agreement or defaults in the performance of its obligations, and if such default or breach is not rectified within 14 (fourteen) business days after the same has been called to the attention of the defaulting Party by a written notice from the other Party; then the non-defaulting Party, at its option, may declare a dispute and hereby consent to the arbitration being dealt with in terms of the expedited Rules of arbitration of AFSA within 30 days. The arbitration shall be determined in accordance with the provisions of South African law and the Parties submit to South African jurisdiction for the purpose of this arbitration

7.4. Any expiration or termination of this Agreement pursuant to Clause 7.2 shall be without prejudice to any other rights or remedies to which a Party may be entitled hereunder or at law and shall not affect any accrued rights or liabilities of either Party.

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8. Liability provisions

8.1. Each Party undertakes to cause its employees, agents, and Affiliates, as long as they are associated with terms of this Agreement, to respect and comply with this Agreement.

In any case, each Party undertakes to collaborate in good faith with each other to avoid or minimize any disadvantage or harm affecting the other Party.

8.2. The provisions of Clause 8 shall continue to apply following the expiration or termination of this Agreement and for a period of Five (5) years thereafter.

9. Confidentiality

9.1. During the course of this Agreement, one Party (the "Discloser") may, on a case-by-case basis, disclose to the other Party (the "Recipient") certain Confidential Information all of which shall be regarded as confidential. "Confidential Information" means any information as the Discloser may from time to time provide (or have supplied or disclosed on its behalf) to the Recipient, including all financial or other information relating to its business affairs or the business affairs of the Affiliates, whether orally or in a written, physical or visual form, regarding the products, activities, including (without limitation) data, software systems, information technology, products, applications together with analyses, compilations, forecasts, studies or other documents prepared by the Discloser (including, but not limited to, lawyers, accountants, consultants and financial advisers) and/or its Representatives which contain or otherwise reflect information about the Discloser and/or its Affiliates.

9.2. The Recipient shall at all times during the term of this Agreement and for a period of five (5) years following its termination, hold all Confidential Information which it acquires from Discloser under the terms of this Agreement, or otherwise, in strict confidence and shall not disclose such information to any third party or duplicate, transfer, or use directly or indirectly, the Confidential Information other than in Recipient's performance of its obligations under this Agreement.

The foregoing restrictions shall not apply to any information which: (i) is or becomes generally available to the public other than as a result of a breach of obligation by Recipient; or (ii) is lawfully acquired from a third party who owes no obligation of confidence in respect of the information; or (iii) Recipient is required to disclose by law (provided that Recipient shall assert the confidential nature of the Information and give immediate written notice to Discloser and assist Discloser in obtaining a protective order against such disclosure).

9.3. Upon request of Discloser, or upon the expiration or any earlier termination of this Agreement, Recipient shall promptly return all copies of the Confidential Information in whatever form or media, to Discloser or, at the direction of Discloser, destroy the same. Recipient shall certify in writing to Discloser such return or destruction within ten (10) days of the date of Discloser's request.

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9.4. Subject to all other terms of this agreement, this Agreement and its Annexes are also Confidential Information and either party shall not disclose, advertise or publish the terms or conditions of this Agreement or the Annexes without the prior written consent of the other party.

10. Miscellaneous

10.1. All notices required or permitted to be given under this Agreement shall be in writing, shall be given to the other Party and shall be deemed given to a Party when:

10.1.1. delivered to the appropriate address by hand and by email or by overnight courier service (costs prepaid);

In each case to the following addresses and marked to the attention of the person (by name or title) designated below (or to such other email address, facsimile number or person as a Party may designate by notice to the other Party):

BEX:
BEX Structured Products Pty Ltd
For the attention of: Mr. Mark Shaw
Address: 24 Crescent Drive, Melrose Arch 2076, Johannesburg and by email at enquiries@bexstructuredproducts.co.za

The Company:
CNR ROLLING STOCK PTY LTD.
For the attention of: Mr. Gang Wang
Address: 3rd Floor, 95 Grayston Drive, Sandton, 2196, Johannesburg

All correspondence, exchange of information, documents between the Parties, with Customers / third parties shall take place in English language.

10.2. No Party may assign any interest, benefit, right or obligation under this Agreement to any Person without having obtained the prior written consent of the other Party which consent shall not be unreasonably withheld. In the event of assignment as specified above, the assigning Party shall continue to guarantee the performance of the new participant under this Agreement and in any event of assignment, it shall also continue to be bound by the exclusivity and confidentiality provisions set forth herein.

10.3. If any provision of this Agreement is or becomes illegal, unenforceable or invalid under the law of any jurisdiction applicable to the Parties, neither the legality, validity or enforceability of the remaining provisions of this Agreement nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall be in any way affected or impaired thereby; provided, however, that if such severability materially changes the economic benefits of this Agreement to a Party, the Parties shall negotiate an equitable adjustment in the provisions of this Agreement in good faith.

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10.4. This Agreement (including any annexes thereof) sets forth the full and complete understanding of the Parties as of the date of execution of this Agreement and supersedes all other prior negotiations, agreements, and understandings of the Parties with respect thereto. No Party shall be bound by any other obligations, conditions or representations with respect to the subject matter of this Agreement.

10.5. No waiver of any of the provisions of this Agreement shall be deemed to be or constitute a waiver of any other provision whether similar or not. No single waiver shall constitute a continuing waiver.

10.6. Neither this Agreement nor any of the terms hereof may be amended, supplemented, waived or discharged unless the Parties so agree in writing.

10.7. This Agreement may be executed in one or more duplicate counterparts and when executed by all of the Parties shall constitute a single binding agreement.

10.8. Neither Party hereto shall be liable for any failure to perform its obligations under this Agreement due to a Force Majeure event. In the event of Force Majeure the Parties shall evaluate the obligations affected by the Force Majeure event, and shall mutually agree in writing on the measures to be taken or on the effect of such Force Majeure event on the Parties' obligations hereunder. The Parties may agree that performance of a Party's obligations shall be suspended during the period of existence of such Force Majeure event as well as the period reasonably required thereafter to resume the performance of the obligation. The Parties shall use their best reasonable efforts to minimize the consequences of this Force Majeure. In the event of Force Majeure the Parties, shall discuss and mutually agree on the continued co-operation between the parties, including the necessity of termination of this Agreement.

10.9. Except to the extent of indemnification obligations related to Third Party claims, neither Party hereunder shall be liable for special, incidental, exemplary, indirect, punitive or consequential damages arising out of a Party's performance or non-performance under this Agreement, whether based on or claimed under contract, tort (including such Party's own negligence) or any other theory at law or in equity.

11. **BEX Banking details**

The Banking details will be mentioned in each invoice provided by BEX to the Company.

Any changes to the above banking details of BEX will be advised by BEX to the Company in writing. In the event of the Company receiving what appears to be an instruction from BEX, amending the BEX banking details, the Company shall only be entitled to act upon such instruction if it was received in writing from, or confirmed in writing with, the signatory to this Agreement.

12. **Binding Effect**

With effect from the Agreement Date, this Agreement shall become unconditional and a legal, valid and binding obligation of each of the Parties.

GC20

13. Signature in counterparts

This Agreement may be executed in counterparts, each of which shall be deemed to be an original and which together shall constitute one and the same Agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement on the date and at the place mentioned below.

SIGNED AT PARKTOWN ON THIS THE 25th DAY OF APRIL 2015

For and on behalf of BEX STRUCTURED PRODUCTS PTY LTD:

Name: MR. MARK SHAW Designation: Authorised Signatory

Signature:

AS WITNESS:

1.

SIGNED AT [illegible] ON THIS THE 25th DAY OF APRIL 2015

For and on behalf of CNR ROLLING STOCK SOUTH AFRICA PTY LTD.

Name: MR. GANG WANG Designation: Authorised Signatory

Signature:

AS WITNESS:

GC20

Annexure - A

Details of Services to be provided by BEX to THE COMPANY in respect of the Project

BEX, and its associates have significant relationships in the Territory BEX has agreed to provide the Company with the following services as part of its Advisory and Consulting Services on the Project:

1. Conduct detailed research on the costs associated with the Project on a risk basis
2. Negotiate and assist the Company to conclude the project at the minimum benchmark cost of R580 million excluding VAT.
3. Advise the Company on the regulatory, social, cultural and political framework in South Africa with respect to the Project.
4. In addition to the Project, identify various opportunities to participate in similar projects.
5. Closely co-ordinate with appropriate counterparties to advise on applicable Government policies and advise the Company on successful execution and implementation of the Project.
6. In addition to the Project, assist the Company in increasing their access to in Government and Private Projects in the Territory
7. Assist the Company in relation to the Project to achieve the Price. If requested by the Company, BEX will attend the meeting with the Company in regard to giving report, analysis, explanation and presentation to TFR.
8. Provide project plan, information, data, or documents relating to the accounting records or other necessary data, documents or analysis on the Project.

Tax Invoice GC20091

GC20

Fortime Consultants (PTY) Ltd
Reg: 2015/187428/07
P O Box 644
Halway House
1685

Tel: 011 2569045
Fax: 011 2690001
Email: admin@fortimeconsultants.co.za
VAT Reg No: 4500270065

Business Expansion Structured Products
P O Box 302
Highlands North
2037

1st Floor
24 Crescent Drive
Melrose Arch
2076

Document Date: 09-Oct-15
Customer Vat No: 4740269264
Customer Order No:

Description	Price	Ext. Price
Fees as per Supplier Services Agreement	15,913,000.00	15,913,000.00

Account Holder: Fortime Consultants (PTY)
Bank Name: Standard Bank
Branch Name: Melville
Account Number: 271362421
Branch Code: 006105

Sub Total: 15,913,000.00

Total (Excl): 15,913,000.00
VAT Total: 2,227,820.00
Total (Incl): 18,140,820.00

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GC20 TAX INVOICE

MEDJOUL (PTY)LTD

Reg No: 2015/187454/07
P O Box 633
Halfway House
1685

Tel: 011-655 7132
Fax: 011-655 7011
VAT REG NO 454 027 0067

INVOICE NO 100205

INVOICE TO

Business Expansion Structured Products (PTY)
P O Box 302
Highlands North
2037
Tel: 0831217648
Fax:
CUSTOMER VAT Reg No: 4740258284

1st Floor
24 Crescent Drive
Melrose Arch
2076

ACCOUNT NO	ORDER NO	TERMS	DATE	CONTACT PERSON
BE001		7 Days	14-Oct-15	Mark Shaw

DESCRIPTION	AMOUNT
Fees as per Supplier Services Agreement	13,357,957.00

This document is for services/goods supplied. All claims regarding any discrepancies pertaining to this invoice must be lodged within 7 days, on presentation.

Account Holder: Medjoul (Pty) Ltd
Bank Name: Standard Bank
Branch Name: Melville
Account Number: 271382357
Branch Code: 008105

TOTAL EXCL:	13,357,957.00
VAT:	1,870,113.98
TOTAL INCL:	15,228,070.98

Medjoul Working Ahead

Tax Invoice GC200

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Ismer Consultants (PTY) Ltd

Reg 2015/228463/07
Suite 466
Private Bag X2
0106

Tel: (010) 0031555
Fax: (011) 3178601
Email:
VAT Reg: 4550270732

Business Expansion Structured Products (PTY) Ltd

P O Box 302
Highlands North

2037

Deliver To:

1st Floor
24 Crescent Drive
Melrose Arch
2076

Document Date:	16-Oct-15	Customer Order No:	
VAT Reg No:	4740269254		

Qty	Description	Unit Price	Ext. Price
1	Fees As per Supplier Services Agreement	12,410,000.00	12,410,000.00

Account Holder: Ismer Consultants (PTY) Ltd
Bank Name: Habib Overseas Bank
Branch Name: Landkim
Account Number: 1550205490
Branch Code: 700045

Sub Total:	12,410,000.00
Total (Excl):	12,410,000.00
VAT Total:	1,737,400.00
Total (Incl):	14,147,400.00

C4

Maher Strategy Consultants (Pty) Ltd

GC20

P O Box 59
Fourways North
2086

Tel 0115100167
Fax 0115100001
Vat Reg No 4570270738
Reg No 2015/228472/07

TAX INVOICE

INVOICE TO

Business Expansion Structured Products (PTY)
P O Box 802
Highlands North
2037
Tel : 0631227688
Fax :
CUSTOMER VAT Reg No: 4740259264

INVOICE NO	INV60007
DATE	07-Oct-15

ACCOUNT NO	PROJECT	TERMS	ORDER NO	CONTACT PERSON
001BES		7 Days		M Shaw

DESCRIPTION	UNIT PRICE	EXCLUSIVE	VAT	INCLUSIVE
Fees as per Business Services Agreement	16,321,000.00	16,321,000.00	2,284,940.0	18,606,940.00
		16,321,000.00	2,284,940.00	18,606,940.00

Bank Account

Account Holder: Maher Strategy Consultants (PTY) Ltd
Bank Name: Habib Overseas Bank
Account Number: 11553432059
Branch Name: Lenasia
Branch Code: 700045

Monday, May 21, 2018 at 2:52:27 PM South Africa Standard Time

GC20

"D"

Subject: Fwd: update
Date: Thursday, 21 May 2015 at 19:32:00 South Africa Standard Time
From: Tony Sevides <tony.savides@gmail.com>
To: Clive Angel <clive@integratedcapital.co.za>
Attachments: Calcs v5.xlsx

——— Forwarded message ———
From: Michail Scholiadis <m.scholiadis@gmail.com>
Date: Thursday, May 21, 2015
Subject: update
To: Tony Sevides <tony.savides@gmail.com>

Regards,

Michail Scholiadis
+27 84 759 9065 (SA)

Friday, June 22, 2018 at 9:19:04 AM South Africa Standard Time

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GC20

Subject: Re: Time Delay Change Impact
Date: Friday, 10 July 2015 at 14:50:53 South Africa Standard Time
From: Angel, Clive <clive@integratedcapital.co.za>
To: Michail Scholladis <m.scholladis@gmail.com>

I assume inflation had 2 variables
material and labour (labour portion I think was initially based on 5.5% = 12mths instead of 1.8% for 4 months) - assume thats why cost isnt slightly higher, I had material impact alone at R107m therefore reducing labour to 5 mths must have brought down to R203m?

sound right ?

Clive Angel
Director

Integrated Capital Mgt (Pty) Ltd
Unit 2, Ground Floor
3 Melrose Blvd
Melrose Arch

Mobile: + 27 82 921 3933
Tel: +27 10 594 3999

On 10 July 2015 at 14:38, Michail Scholladis <m.scholladis@gmail.com> wrote:

> Hi Clive,
>
> So, our conversation was spot on on the two items effected.
>
> - Inflation costs would increase from R152m to R203m (increase of R40,969,992).
> - Finance costs on forwards would increase from R81m to R87.75m (increase of R6,750,000).
> - Total project costs would increase from R669m to R717m (increase of R47,719,992).
>
> Let me know if this is what you're looking for.
>
> Regards,
>
> **Michail Scholladis**
> +27 84 759 9065 (SA)

TRILLIAN
CAPITAL PARTNERS

GC20

"E"

27

Media Statement

18 May 2018
Johannesburg

Dear Susan

Official Response to amaBhungane in response to questions sent on 17 May 2018

In the brief time given to respond to you, Dr Wood has provided the following responses which he has requested you to publish in full in your article or at very least to annex this response to your article.

Did Regiments have a formal agreement in place to assist Bex with the CNR relocation project?

Mr Salim Essa and Mr Niven Pillay entered into an arrangement whereby Mr Essa would bring work or business opportunities to Regiments from time to time. Whilst the documents were sent to Regiments for consideration, Regiments did not undertake any work or provide any input or opinion in regard to the CNR relocation project. In fact, Regiments passed on the opportunity to work on this.

If not, why – when Mr. Essa was asked to review the relocation costs and justification thereof – did he forward the information to you?

As indicated above Regiments received part of the information but did not work on the matter and as such did not receive all of the relevant information in so far as Dr Wood is aware.

Transnet's investigation has concluded that these fees were vastly inflated. Our interpretation of the correspondence we have seen is that Bex sought Mr. Essa's input on the figures, and that Mr. Essa in turn sought your input. Did you or any member of Regiments' provide any feedback on input on the CNR relocation costs or the justification for these costs?

No feedback or input was provided as Regiments did not take on this project.

TRILLIAN
CAPITAL PARTNERS

GC20

What was your understanding of Mr. Essa's role in this company and/or this project?

Dr Wood is unable to comment as Regiments had no involvement in the project.

Did Regiments receive payment from Bex or any other entities for work performed on this project?

No work was done by Regiments and therefore no payment was received.

Considering Regiments' position as Transnet's advisor, it appears to be a significant and grave conflict of interest for Regiments to have assisted Bex and CNR to strengthen their negotiating position against Transnet. Would you like to comment on this?

Regiments was never tasked to assess the relocation costs for either CNR or Bombardier. As such, Regiments would never have been placed in a conflict position even if it had taken on the work which it did not.

In Regiments' role as Transnet's advisor, was Regiments asked to assess the figures provided by Bex for CNR's relocation costs? If so, did Regiments question the validity of these figures?

See above

In general, Transnet's investigation raises serious questions about the process leading to Regiments' appointment and the escalation of Regiments' fees, with Transnet's lawyers recommending that Transnet pursue Regiments to repay the R100-million it received during February and March 2014. Would you like to comment on this?

To the extent that Dr Wood is aware, Regiments only invoiced for work done. Dr Wood is unaware of the scope and subject of the Transnet investigation you refer to. Are you able to provide more particularity?

ENDS

GC20

RESPONSE OF ICM TO amaBhungane

1) Could you describe the role each of you played at BEX?

1. *Role played at BEX – See Narrative.*

1.1 ICM, and/or its shareholders and/or its directors were not shareholders and/or Directors and/or employees of BEX at any stage.

1.2 ICM provided limited arms-length services to BEX as described in the narrative.

2) It appears that BEX tried to assume the identity of another company, also called Bex Structured Products, which at one stage was based in the same office as Mr. Shane in Melrose Arch. Would you like to comment on this?

2. *BEX in RE BEX Structured Products – See Narrative:*

2.1 See paragraph 3.7 and 4.4 of the narrative.

2.2 We cannot comment on whether or not BEX tried to assume the identity of another company as we were neither shareholders and/or directors and/or employees of BEX.

2.3 In respect of BEX Structured Products we are unaware if such an entity was ever formed and if same was formed we were never directors, shareholders or employees and therefore comment thereon.

2.4 Re: Occupation of the Office by Mr. Shane:

In 2007 a subsidiary company of Conduit Capital (a public listed company), rented space for some months from 4m traders who had an associated company called BEX Structured Products. This company had nothing to do with Business Expansion Pty Ltd. Mr Shane did not have an office at the premises and the offices were vacated in 2008. He was not a director, shareholder or on anyway involved in any of these companies save for Conduit Capital.

3) We have established that aside from Mr. Taufique Hasware, BEX was also represented by an alternate director, Mr. Mark Shaw who signed the contract between BEX and CNR. Mr. Shaw denies that he was involved in the company beyond his role as an alternate director and says he was asked to sign the agreement by a "client", although he declined to reveal the name of the client. Our research indicates that the "client" was likely Integrated Capital Management (ICM).

a) Did Mr. Shaw play a decision-making role in the company?

b) When did Mr. Shaw cease to be involved with the company?

c) To confirm, did ICM or any of its directors instruct Mr. Shaw to sign the agreement with CNR on BEX's behalf?

GC20

3. *DIRECTOR AND ALTERNATE DIRECTOR OF BEX:*

3.1 It is correct that Mr. Shaw was an alternate director of BEX and that he signed the contract between BEX and CNR – See paragraph 4 of the narrative in this regard.

3.2 It is correct, as per the narrative, that Mr. Shaw had no other involvement and no decision making role in BEX.

3.3.1 Mr. Shaw, as per paragraph 4 of the narrative, was instructed by Essa to sign the contract.

3.3.2 Essa and/or Hasware were the "client" as referred to in the question and ICM was most certainly not the client. Legal Frontiers, we have been advised, communicated with Essa and/or Hasware in terms of the engagement of services.

3.4 Mr. Shaw resigned as an alternative director in June 2015.

3.5 ICM and/or any of its Directors and/or Shareholders and/or any of its employees did not instruct Mr. Shaw to sign the agreement – you are referred to annexure A to the narrative which makes this position clear. A resolution was passed authorising Mr. Shaw to sign the agreement which resolution was signed by Essa's agent namely Mr. Hasware.

4) We have also established that BEX claimed in its "About us" profile to have a partnership with Cyest. Our research has also established that the cost analysis for CNR's proposed relocation was compiled by a member of Cyest's staff. Cyest indicated to us that it has never partnered with BEX but that it had explored a partnership with ICM in 2015.

a) Who compiled the "About us" document that was provided to CNR?

b) Why did BEX attempt to take credit for Cyest's projects, or at very least why did BEX imply it had a partnership with Cyest when, according to Cyest, no such partnership existed?

c) Was Cyest commissioned to produce the cost analysis that was submitted to CNR?

d) If so, was Cyest or any of its staff remunerated for this work?

e) If not, on what basis did Cyest agree to produce a cost analysis of CNR's proposed relocation costs?

4. *BEX IN RELATION TO CYEST*

4.1 This is canvassed at paragraphs 1, 2,3 and 5 of the narrative.

4.2.1 BEX did not have a partnership with Cyest.

4.2.2 Elton Bondi of Cyest can verify this.

4.3.1 The cost analysis and the financial model for CNR's proposal was compiled by Savides and Scholiadis.

4.3.2 The information relied upon by them was provided by Wood.

4.4 We are unaware of who compiled the "About Us" document that was provided to CNR. The only person that we can assume prepared same is Essa. We make this assumption as Essa had previously met with Bondi of Cyest to explore future business opportunities and Essa was impressed with Cyest. At some stage Bondi circulated the summary of Cyest's capabilities which we onward sent to Essa as discussed at the meeting.

4.5 We had made the introductions for Essa with Cyest.

4.6.1 We are unaware as to whether or not BEX attempted to take credit for Cyest's projects. We are similarly unaware that BEX tried to imply that it had a partnership with Cyest.

4.6.2 Cyest was not commissioned to produce the cost analysis. This is set out above and in the narrative. Cyest and none of its employees in their capacities as employees of Cyest were accordingly remunerated for the work performed.

5) **The cost analysis originating from a Cyest staff member, which was submitted to CNR and later Transnet, is noticeably flawed. For example, the inflation figure is calculated on the full amount of the contract**

using a South African inflation rate when substantial portions of the locomotive would be manufactured in other countries. The analysis also includes some questionable entries, such as R40,000 for a one-year MBA and an additional R70-million per year for "long-term maintenance consulting".

a) Could you clarify who was responsible for calculating the three examples above: inflation costs, MBA tuition, and consulting costs – were arrived at?

b) The analysis appears either cursory or flawed. Why did BEX submit this proposal to CNR without doing any additional work on the proposal?

5. *COST ANALYSIS*

5.1 The assumptions that were utilised by Savides and Scholiadis in the preparation of their model were provided to them by Wood at the meeting as referred to in the narrative.

5.2.1 These assumptions were stress tested by CNR and their staff.

5.2.2 Essa would from time to time communicate any adjustments required by CNR and same were then taken into consideration.

5.3 In light of the stress testing process by CNR we cannot comment on whether or not the analysis "*appears to be cursory or flawed*".

5.4.1 As to the question: "*Why did BEX submit the proposal to CNR without doing any additional work?*": The Response is that this was not a straight forward process and required many iterations based on the requirements of CNR. Scholiadis attended a meeting with Angel at CNR where CNR questioned a number of assumptions and provided their input. Scholiadis thereafter revised the model and submitted same to

BEX. There were further queries which Essa communicated which required more changes and more adjustments were made until CNR were satisfied.

5.4.2 It also appears from your questions to Wood about correspondence between himself and BEX/Essa wherein you allege that BEX/Essa sought input from Wood that Wood may have also provided input on the figures to BEX/Essa. Woods' answer to yourselves is that *"no feedback or input was provided as Regiments did not take on this project"*. As can be seen from our narrative, Wood did provide the assumptions and the figures. Whether or not Wood thereafter provided figures and/or input to Essa is not within our knowledge.

6) At the time that BEX was contracted by CNR, Mr. Shane was a non-executive director at Transnet with substantial influence over the award of contracts. Mr. Shane's involvement with BEX therefore represents a grave conflict of interest and is potentially a criminal action.

a) Was Mr. Shane's involvement with BEX disclosed to Transnet?

b) Would Mr. Shane like to offer any defence of his actions?

6. *BEX – CNR – STANLEY SHANE*

6.1 At the time of the BEX contract with CNR, Shane was a non-executive director of Transnet.

6.2 The CNR contract to relocate the locomotives was approved in March 2014 and Shane was only appointed to the board in December 2014. Shane therefore had no knowledge of the contract when it was approved and had no influence over the award of the contract.

6.3 There was therefore no criminal conduct on the part of Shane.

6.4 As Shane was not a shareholder and/or director and/or employee of BEX there was no need to disclose this to Transnet. Furthermore Transnet was not a client of BEX. BEX provided services to CNR and not to Transnet.

6.5 Lastly Shane never saw let alone approved any contracts or payment in relation to CNR.

7) The involvement of Mr. Taufique Hasware, the only director of BEX, suggests that BEX forms part of the broader network of "letterbox" companies controlled by Mr. Essa whose sole purpose appears to be laundering highly suspicious commissions from Transnet contracts. For the record, could each of you confirm whether you have had any dealings with the following companies: Homix, Chivita, Bapu Trading, BEX, Birsaa Projects, Fortime Consulting and Forsure Consultants?

7. *INVOLVEMENT OF HASWARE – RE: HOMIX, CHIVITA, BAPU TRADING, BEX, BIRSAA, FORTIME CONSULTING, FORSURE CONSULTANTS.*

7.1 ICM provided service to BEX as per the narrative.

7.2 Bex was the only company that CM and/or its shareholders and/or its directors and/or its employees performed services for. No services were performed for the other companies/entities referred to in the question.

8) It is apparent that although Mr. Hasware was the sole shareholder of BEX he was not the beneficial owner. To clarify, who or which entities financially benefitted from the BEX's work with CNR?

8. *HASWARE – RE: BENEFITS*

8.1 We were informed by Essa that Hasware worked for him.

8.2 The payments made pursuant to the CNR and BEX agreement are set out in the narrative.

9) Considering that Transnet appears to have approved the BEX analysis without dispute, and considering all of the above there is a reasonable suspicion that BEX's work for CNR involved an element of criminality or corruption. Would you like to comment on this?

9. *TRANSNET - APPROVAL FOR ANALYSIS*

9.1 Transnet's approval of the BEX analysis is not within our knowledge. This question should be directed to Transnet.

9.2.1 We provided a service to BEX and not to CNR or to Transnet.

9.2.2 Bex (Essa/Hasware) in turn delivered the financial model (amongst other services) to CNR.

9.3 The financial model/ analysis was approved of (before receipt of payment for services provided) by CNR (being a multinational corporation) and by Transnet (being a SOE) and hence we had no reason to believe that there was any element of criminality or corruption.

9.4 We provided *bona fide* services for which we were remunerated.

10. We wish to state, in light of the narrative, annexures thereto and our responses above, that:

10.1 it is apparent that Wood and Essa masterminded this scenario;

10.2 we were *bona fide* service providers that were unaware of the alleged *mala fide* intentions of Wood and/or Essa;

10.3 we vehemently deny any allegations of wrongdoing and/or criminal activity concerning ourselves.

GC20

11. In the interest of the public and fair and reasonable publication we request that in the event that you seek to mention us in any of your intended publications, that you ensure that you publish our entire narrative with the annexures and our responses to your questions.

12. In light of our co-operation with yourselves and the fact that it is demonstrated that we were not involved in any criminal and *mala fide* conduct we kindly request that you **not** mention our names or entities in which were have an interest in your publications as same may result in tremendous irreversible reputational harm.

GC20

RESPONSE OF SHAW

Please could you confirm if ICM and/or its directors is or was the "client" who effectively controlled BEX?
ICM or its directors were not the client who controlled BEX. Salim Essa and/or his agent Taufique Hasware was the client who controlled BEX.

Has anyone from Tichauer and Bloch ever met with or interacted with Mr Taufique Hasware regarding this company or was all communication through your "client"?
All instructions with regard to BEX were communicated in writing by Essa and/or his agent Taufique Hasware. We did not meet Taufique Hasware, but this is not uncommon since there are many clients with whom we don't meet in person but receive instructions and FICA documents in writing.

To date, what explanation has your client offered to you in response to the allegation made by (a) CNR's minority shareholders / CNR's auditors and (b) amaBhungane in its recent publication?
We have had no contact with Essa or Hasware since 2015.

During our first meeting you indicated that you had no involvement with BEX. At our second meeting you confirmed that you had signed the CNR business development contract, but that that was the extent of your involvement. We have since confirmed that you were also the signatory on BEX's bank account until his account closed in 2016. This leads us with few options but to conclude that (a) you were actively involved in BEX, a company that is implicated in corruption, and (b) that you lied about your involvement. If you feel that this is an inaccurate reflection please substantiate your response.
It is correct that I signed the CNR Business Development contract and that I had signing power over the BEX bank account. I signed the contract in accordance with a written resolution of the company signed by Taufique Hasware who was the agent of Essa. Apart from this, I was not operationally involved in the company nor did I make any decisions in relation to BEX. I did not lie about my involvement in the company. At the time we had our first meeting I was uncertain if I had the authority to divulge the requested information to yourself as I am simply an employee of Legal Frontiers. As you are fully aware I was always an alternate director and I deny any allegations of corruption and/or illegal conduct on the part of myself or Legal Frontiers.

As the signatory on the BEX bank account it is a fair assumption that you would have been responsible for authorising any payments made by BEX.
Any payments that were made from the BEX bank account were made on instructions of Essa. All payments that were made to entities from the BEX bank account were made against production of invoices, which invoices were given to Legal Frontiers to process, by Essa.

- **Which individuals or companies financially benefitted from BEX's work with CNR?**
  Refer to the narrative – section 5.

- **Did you benefit financially from this contract beyond standard director's fees?**

GC20

I did not benefit financially from the contract between BEX and CNR. Legal Frontiers / Tichauer and Bloch received fees for services rendered in accordance with their terms of engagement, which engagement commenced 15 April 2015.

GC21

From: Mervyn Carstens <mervync@alexkor.co.za>
Date: 12 December 2014 at 12:56:45 SAST
To: "daniel@danielnathan.co.za" <daniel@danielnathan.co.za>
Cc: "marc@intergratedcapital.co.za" <marc@intergratedcapital.co.za>
Subject: Alexkor RMC JV Proposal

Dear Daniel

Thank you for tender proposal presentation yesterday.The tender committee would like to further engage with you regarding your broad but innovative proposal in the marketing of our diamonds and your ideas around local beneficiation.

In order for the tender committee to further evaluate your proposal we need to urgently get clarity ,confirmation and proper guarantees on the following aspects.

1.Upfront guarantee of funding available for the outright purchasing of our rough diamonds and confirmation of the premium to be paid after the valuation by an independent and reputable diamond valuator.

2.We need to get confirmation on the number of Richtersveld people to be trained in cutting and polishing of diamonds from the various towns in the Richtersveld.

3.We need to clearly understand your local beneficiation strategy in terms of time frames,scale and the potential for outsourcing of it in the interim.

4.We need an upfront and guaranteed undertaking that the Mine will financially benefit from the value adding of our diamonds post extraction.

I would appreciate it if we can get this information and guarantees as soon as possible.Please contact me directly should you need any information or further clarity in this regard.

Sincerely
Mervyn Carstens

GC21

From: Marc Chipkin [mailto:marc@integratedcapital.co.za]
Sent: 15 December 2014 05:56 PM
To: Mervyn Carstens
Cc: Daniel Nathan
Subject: FW: Alexkor RMC JV Proposal

Dear Mr Carstens

Attached please find our responses to your queries below. We trust this satisfactorily resolves the issues. Please donâ€™t hesitate to contact us with any queries.

Regards
Daniel Nathan and Marc Chipkin

Marc Chipkin
Director

Integrated Capital Mgt (Pty) Ltd
Unit 2, Ground Floor
3 Melrose Blvd
Melrose Arch

Mobile: + 27 83 327 5399
Tel: +27 10 594 3999

GC21

From: Mervyn Carstens [mailto:mervync@alexkor.co.za]
Sent: 17 December 2014 15:56
To: rbagus@morning-tide.co.za; RLPaul.rsa@gmail.com; Duncan Korabie (duncan@korabie.co.za); Zarina Kellerman (zarinak@alexkor.co.za)
Cc: Raygen Phillips
Subject: FW: Alexkor RMC JV Proposal

Dear All

Attached please find correspondence from Scarlet Sky Investments in response to our queries and concerns raised after their proposal and presentation to the Tender committee on 11 December 2014.I am happy with their responses and guarantees offered and would like to give them conditional approval subject to a full due diligence and verification process to be conducted by us after Mine opening in January 2015.

Please advise whether you are in agreement.

GC21

SCARLET SKY INVESTMENTS

Dear Sirs:

We refer to your e-mail correspondence received on 12 December 2014 and wish to respond as follows:

1.1. Funding Facility Letter

Attached, please find a funding facility letter in the amount of ZAR 50m issued by Integrated Capital Management (Pty) Ltd ("ICM")

1.2. Independent Valuator Model

In terms of the regulations introduced in 2014, by the Department of Mining and Energy ("DME"), the number of participants licensed to participate in the tender (auction) process was significantly reduced from an estimated 100 participants to estimated 20 participants.

In SSI's analysis of the impact on PSJV's auction sale revenue, the new regulations would have the effect of significantly reducing PSJV's historical tender income by a significant percentage (estimated to be as much as 20%).

Should PSJV continue to utilize the auction process, its revenue realization resulting from the new regulations will be significantly curtailed.

SSI is also of the opinion that the propensity for price collusion amongst a reduced number of market participants will further adversely impact PSJV's revenue.

In order to counteract these factors, and as a mechanism to reduce the impact of these external macro factors, SSI detailed in its tender proposal a proprietary "independent valuator" model which would produce a greater, enhanced financial result for PSJV.

In summary, the independent valuator model process operates as follows:

1.2.1. SSI and PSJV agree on the appointment of a qualified, registered, independent, valuator.

1.2.2. The Valuator will produce an independent valuation taking the above market factors into consideration and which will be utilized for insurance purposes.

Scarlet Sky Investments 60 (Pty) Ltd
PO Box 333, Melrose Arch, 2076
Tel +2710 594 3999 VAT 4700259262 Reg 2009/002967/07
Directors: K Moodley (Chairman) | DM Nathan (CEO)

GC21

To reiterate, in SSI's opinion the reduced number of market participants, and the risk of collusion would have impacted significantly on PSJV's 2015 Tender ("Auction") Revenues.

The SSI independent valuator Model ("the model") will realise a more stable (favourable) valuation, plus (up to) 5% premium of that valuation, and will generate the PSJV invoice amount, payable by SSI, on a monthly basis.

1.2.3. Because the model allows an effective arbitration process it will create an inherent valuation that is fair to both parties and will allow for a robust appeal process to be contracted for in further detail in the event that SSI is successful in being awarded the tender.

The independent valuator will have representation made by both parties justifying their valuation expectations, on an ongoing basis.

1.2.4. Conclusion

As a result of this process, PSJV realises optional pricing for its production and participates in further beneficiation detailed in paragraph 4 below participates

2. We understand the need for PSJV to create upskilling and local participation as a concomitant to the delivery of the requirements for the community and as SSI articulated in its Tender Proposal. SSI proposed a training programme in the event of being awarded the Tender. You have asked us to clarify the number of participants we anticipate being able to train and our intention is to increase our training programme to produce between **12 and 16 individuals from the Richtersveld area** with the appropriate aptitude to be fully trained in the cutting and polishing of rough diamond production over a five year period in a process more fully detailed in point 3 below.

PSJV must be cognisant of the fact that in order to sustain an economically viable local beneficiation programme, which will create economies of scale inherently required in an industry of this nature, individuals with appropriate temperament and aptitude will have to be identified, who will stay committed to the training process for its entirety.

SSI will ensure, if chosen as the preferred bidder, to launch the process to advertise for local interns. They will then be placed in the initial stage of the programme. Due to the unique nature and end goal of this programme, SSI commits to continually modify and optimise the programme to ensure a growing number of students are placed in the programme so as to allow for a full team to return to the Richtersveld within 5 years to launch the local factory.

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3. The Local Beneficiation strategy will be achieved as follows:

i. Potential candidates recruited from local Richtersveld towns will be interviewed for 16 places on the training course

ii. Appropriate recruitment processes will be communicated and advertised to potential candidates

iii. Based on their enthusiasm, skill-set and aptitude, 16 candidates will be selected initially. They will attend the Harry Oppenheimer Diamond Trading School as detailed on page 68 of the SSI Tender Submission. For ease of reference we quote the relevant section below:

- "The training programme will run on yearly cycles and candidates will receive consultative training for a total of 5 years
- The candidates will start their training by attending the Entrepreneurial Valuation and Polishing Course at the Harry Oppenheimer Diamond Training School
    - The duration of the course is 6 months- Monday to Friday 07h30-15h00
    - The course provides a practical introduction to the diamond industry, from understanding rough diamond evaluation and planning to diamond polishing basics
    - This will give the selected candidates the necessary foundation to further their training
- Once the 6 month intense training programme has been completed, the candidates will receive training for 1 week per month at the Joe Gaddie Diamond Cutting Works (and/or other appropriate facilities where candidates will receive appropriate training and education) where they will be guided in the art of cutting and polishing rough diamonds as well as the valuation process that goes with it.
- This will continue for another 10 months in the year
- From year 2 - 5 the candidates will receive quarterly training from Joe Gaddie to ensure that their skills are up to date and being honed further."

iv. At the end of the 5 years it is envisaged that the trained people will be returned to the Richtersveld to work in the newly created beneficiation factory. This will only be done once their on the job skillset is up to a standard that will allow efficient beneficiation of the stones and also only once it is economically viable to do set up the factory, as not to disrupt the Richtersveld community.

v. As more people finish the training, they will be integrated into the factory. It is expected that the above process will continue for 5 years.

vi. It is envisaged that a fully functional factory in the Richtersveld will be in place after year 5 and will reach maximum capacity after 10 years.

Local beneficiation through training as mentioned above will not necessary be correlated with the financial benefit mentioned in point 4 below. Both processes will result in benefit to PSJV independently.

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4. Financial benefit to the mine post extraction

SSI will ensure that PSJV will benefit financially from post extraction through the production of the mine and will allow PSJV to participate in the profits of beneficiation of its production.

Currently, the tender process realizes approximately 10% above the valuator's valuation. Even without taking in account the factors mentioned in point 1 above which are expected to negatively impact on the realised prices per tenders, the SSI proposal will result in a substantial benefit to PSJV, as illustrated below.

PSJV and SSI will share the value of the benefit post extraction on stones between 1 and 4 carats as per the following indicative example detailed below. Full details of the production will be tracked for PSJV.

INDICATIVE VALUE SHARING EXAMPLE

4 carat stone at $500 per carat		$2 000.00	("Stone 1")
Valuation premium paid by SSI	5%	$100.00	
Purchase price from PSJV		$2 100.00	(a)
Assuming Stone 1 gets split in 2 stones of 1 carat each:			
Selling price of each 1 carat stone after beneficiation		$5 100.00	each
Total revenue		$10 200.00	(b)
Cost of sales		$-2 100.00	(a)
Assumed beneficiation cutting costs		$-600.00	(c)
Net profit		$7 500.00	(b)-(a)-(c)
Split 3 ways-	33.33% each		
SSI	$2 500.00		
Beneficiator	$2 500.00		
PSJV	$2 500.00	(d)	

In this example, the current realisation for PSJV is $2 200 for Stone 1 (namely a 10% premium above the valuation)

GC21

Under the SSI beneficiation proposal the Alexkor/RMC JV will realise $4 600 broken down as follows:

Total value for Alexkor/RMC JV		
Selling price	(a)	$2 100.00
Profit share	(d)	$2 500.00
Total value		$4 600.00

This results in more than a double premium over the current value achieved to PSJV! ($4600 vs $2200).

We trust this resolves your queries. Please don't hesitate to contact me with any queries on the above.

Yours sincerely

DANIEL NATHAN
DIRECTOR

Scarlet Sky Investments 60 (Pty) Ltd
PO Box 333, Melrose Arch, 2076
Tel +2710 594 3999 VAT 4700259262 Reg 2009/002967/07
Directors: K Moodley (Chairman) ; DM Nathan (CEO)

GC21

INTEGRATED
capital management

Mr Mervyn J Carstens
Chief Executive Officer
Alexkor RMC JV ("PSJV") Office
Orange Road
Alexander Bay
8290
South Africa

Dear Mr Carstens

FUNDING FACILITY AND LETTER OF COMMITMENT REGARDING THE PROVISION OF FINANCIAL RESOURCES AND OR FUNDING LINES TO SCARLET SKY INVESTMENTS 60 (PTY) LTD ("SSI") IN RESPECT OF FUNDING FOR THE PURCHASE OF ROUGH DIAMOND PRODUCTION TO BE PURCHASED BY SSI FROM PSJV

Integrated Capital Management (Pty) Ltd ("ICM") is a niche investment banking and advisory firm active in the financial services industry including in the areas of capital raising and project finance.

We refer to funding required by SSI for the purchase of the Rough Diamonds to be sold to SSI from PSJV's production from mining operations detailed in PSJV's Tender, Ref: RFP 03/14, to which SSI has submitted a proposal and of which ICM has had sight.

GC21

ICM wishes to confirm that, should SSI be successful in the award of the above tender **ICM will make available the necessary financial requirements in the form of a financial funding facility, letter(s) of credit, or financial guarantee(s) or a combination of the above to a maximum value of ZAR 50m (Fifty Million Rands) or its USD equivalent** on terms to be agreed between SSI and PSJV ("the parties") and to be further detailed in the comprehensive legal agreements to be signed between the parties on or about February 2015

ICM and / or its shareholders further confirm that it has previously entered in to such funding arrangements with SSI and / or its shareholders and is fully cognisant of the nature, complexity and terms and conditions of such funding commitments.

Should you have any further queries, please do not hesitate to contact me.

Yours sincerely,

Selwyn M. Nathan

GC21

From: Rafique Bagus <rbagus@morning-tide.co.za>
Sent: 17 December 2014 17:41
To: Mervyn Carstens; RLPaul.rsa@gmail.com; Duncan Korabie (duncan@korabie.co.za); Zarina Kellerman
Cc: Raygen Phillips
Subject: Re: Alexkor RMC JV Proposal

Hi Mervyn,

I trust u are well. Once again plz accept our condolences on your loss. My apologies I cannot be present as I am abroad.

I agree and support your proposal.

Best regards
Rafique
Sent via my BlackBerry from Vodacom - let your email find you!

GC21

From: Roger Paul [mailto:rjpaul.rse@gmail.com]
Sent: 17 December 2014 05:43 PM
To: Mervyn Carstens; rbagus@morning-tide.co.za; 'Duncan Korable'; 'Zarina Kellerman'
Cc: Raygen Phillips
Subject: RE: Alexkor RMC JV Proposal

Dear All,

I support conditional approval subject to "a full due diligence and verification process to be conducted by us after Mine opening in January 2015". I take it as a given that Mervyn is satisfied that the proposed selling price of Valuation + 5% provides fair value for the PSJVs diamonds.

My conditional approval is also subject to the terms of the final contract. I note with some concern that the attached response from SSI contains a number of important targets that contain ranges or are open to interpretation, such as:

- Clause 1.2.2: "Valuation plus (up to) 5% premium on that valuation". What that means is that the premium paid will be zero!
- Clause 2: "Our intention is to increase our training programme to produce between 12 and 16 individuals …. over a five year period. I am not interested in intentions – I want a commitment to produce a specified number of skilled individuals with **annual** targets.
- Clause 3 (iv): "The Richterveld beneficiation factory ….will only be done …..once it is economically viable." No indication is given as to which party will be responsible for providing the seed capital for the factory, or who decides on the economic viability of the factory.

Finally, the contract should contain both a termination date (such as 3 years) **and** early termination conditions if SSI does not meet the contractual targets during the 3 years.

I voice my concern over the very optimistic "indicative value sharing example".

I remain very cautious over SSI's claims, but give my support nonetheless subject to my comments above.

Regards, Roger

GC21

From: Duncan E. Korabie <duncan@korabie.co.za>
Sent: 17 December 2014 17:54
To: Mervyn Carstens; rbagus@morning-tide.co.za; RLPaul.rsa@gmail.com; Zarina Kellerman (zarinak@alexkor.co.za)
Cc: Raygen Phillips; floors.strauss; Edwin Farmer
Subject: Re: Alexkor RMC JV Proposal

Dear Mervyn;

Thank you for your email which refers.

I support the conditional approval subject to the full due diligence and verification process.

I trust the above is in order.

Kind Regards.

DUNCAN KORABIE
ATTORNEYS NOTARIES CONVEYANCERS

HOUSE MADISON 6ROBERTS STREET, WELLINGTON
PO BOX 286, WELLINGTON 7655
TEL 021 873 7767
FACSIMILE 086 602 0380
EMAIL ADMIN@KORABIE.CO.ZA

GC21

On 18 Dec 2014, at 11:17, Mervyn Carstens <mervync@alexkor.co.za> wrote:

Dear Marc

Thank you for your responses to my queries raised in the email dated 12 December 2014.The letter of commitment from Integrated Capital Management and other responses are noted. The tender are conditionally awarded to Scarlet Sky Investments subject to us conducting a full due diligence and verification process on all of the guarantees and commitments offered by you with specific reference to:

1.Wheter your proposed "valuation plus up to 5% premium" would represent fair value for our production.
2. Specific commitments and targets with regard to training of the Richtersveld people
3.Your local beneficiation proposal and proposed value sharing proposal.

We are now in the mine closing period and would only be able to commence with the verification process by mid-January 2015.

Regards
Mervyn

GC22

REPORT

for

MR T M G SEXWALE

CHAIRPERSON, TRILLIAN CAPITAL PARTNERS (PTY) LTD

on

ALLEGATIONS WITH REGARD TO THE TRILLIAN GROUP OF COMPANIES, AND RELATED MATTERS

GEOFF BUDLENDER SC

29 June 2017

Instructed by S Sirkar

Herold Gie Attorneys

GC22

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important that relations between her and Mr Bobat be improved if they were going to work together.

140. She also states that she saw Mr Bobat in Dr Wood's office on several occasions during her tenure at Trillian (ie after 1 March 2016, by which time Mr Bobat was Advisor to Minister Van Rooyen as Minister of Co-Operative Government and Traditional Affairs). She refers to two such occasions:

140.1. She says that on 4 March 2016, she came into the office after attending a presentation outside the office, to find that he was sitting at her desk, as Dr Wood's secretary had allocated him the desk on the assumption that she was not coming into the office that day. She says that Mr Bobat sat, worked and chatted with the Financial Advisory team for the remainder of the day.

140.2. She says that she saw him again on 22 March 2016 walking towards Salim Essa's office at Melrose Arch. She was at a meeting at Integrated Capital at the time. The office of Integrated Capital is next door to Mr Essa's office.

141. There is thus a dispute as to whether Dr Wood had advance knowledge of the dismissal of Minister Nene. The e-mail of 26 October 2015, referring to a list for *"the FM"* is said to support the assertion that he had this advance knowledge, on the basis that the *"FM"* was the Finance Minister to be appointed in place of Mr Nene (Mr Van Rooyen). Dr Wood's version is diametrically opposed to this: he denies having the advance

PART 8: SOME FURTHER MATTERS

159. During the course of the inquiry, many issues have emerged which call for further investigation. I have attempted to limit the inquiry by not following each and every one of them. There are, however, two further matters to which I think I ought to refer, if only briefly.

E Gateway

160. The former CEO of TMC states that on 18 January 2016, she was introduced by Mr Clive Angel of Integrated Capital to a company known as E Gateway, as the preferred Trillian partner for the Eskom Generation workstream. Mr Angel said to her *"our boss has found them, and we will work with them"*. She understood the reference to the *"boss"* as a reference to Mr Essa.

161. E Gateway is E Gateway Global Consultants FZC, a company registered in Dubai.

162. As may be recalled, when McKinsey required Trillian to provide certain information as part of its global risk review, one of the matters on which it required information, was *"Detailed account of the form and legal status of Trillian's relationship with Egateway Global Consultants FCZ"*.

163. There are widespread allegations in the public media with regard to the activities of the Gupta family and those associated with them in Dubai. There are allegations of the purchase of property, externalisation of funds, and so on.

164. If Trillian had co-operated in the inquiry, I would have wished to investigate precisely why Mr Essa required that it contract with E Gateway in respect of certain of the Eskom work, the terms of the contract, and the payments made under the contract. A copy of the contract is annexure **P**. I have not been able to pursue this matter further.

The Trillian Bank of Baroda account

165. I have already raised the question why Trillian would want or need an account with the Bank of Baroda. Again, this is a matter which I would have investigated if Trillian had co-operated with the inquiry.

166. The former CEO of Trillian Management Consulting informed me that the decision to open an account with the Bank of Baroda was one of the factors which led to her resignation. She states that she was not informed why such an account was necessary, or who had made the decision. She was at the time both the CEO and an Executive Director of TMC.

167. On Friday 18 March 2016 she received, at the instance of Mr Marc Chipkin of Integrated Capital, a document purporting to be an extract from the minutes of a meeting of Trillian Management Consulting (Pty) Ltd on 17 March 2016. She was asked to sign the minute.

It contained a resolution that application be made to the Bank of Baroda, Johannesburg branch, for the opening and operation of a current account, and that she and Mr Burnand, in their capacities as Directors of TMC, authorised Mr Chipkin to sign all documents to give effect to that. She interpreted this as providing that Mr Chipkin would have sole signing rights on the account.

168. She states that she concluded that she was being *"used"*, and she resigned the following morning.

CONCLUSION

169. The management of Trillian have obstructed this investigation. The obvious question is why they have done so. The only conclusion I can reach is that the questions which I raised, and my requests for documents and information, led them to conclude that if they complied with the undertaking they had given, information would be revealed which would be embarrassing to them. I can think of no other reason.

170. I expect that Trillian will say that some of the factual information in this report is incorrect or incomplete. If that is so, it is because Trillian refused to co-operate with the enquiry.

171. I need to record that I am sure that many staff members of Trillian have sought only to do a professional and honest job. They have been let down by the management of Trillian.

172. This investigation is still incomplete. I could have spent more time attempting to obtain information from other parties, including Eskom and Transnet. But it has become clear that the enquiry will not reach a satisfactory conclusion. What I can say with complete confidence is that the investigation has revealed matters which should be of great public concern. These matters need to be fully investigated, the results need to be made public, and those responsible for any wrongdoing should be required to account. All of this has to happen without delay.

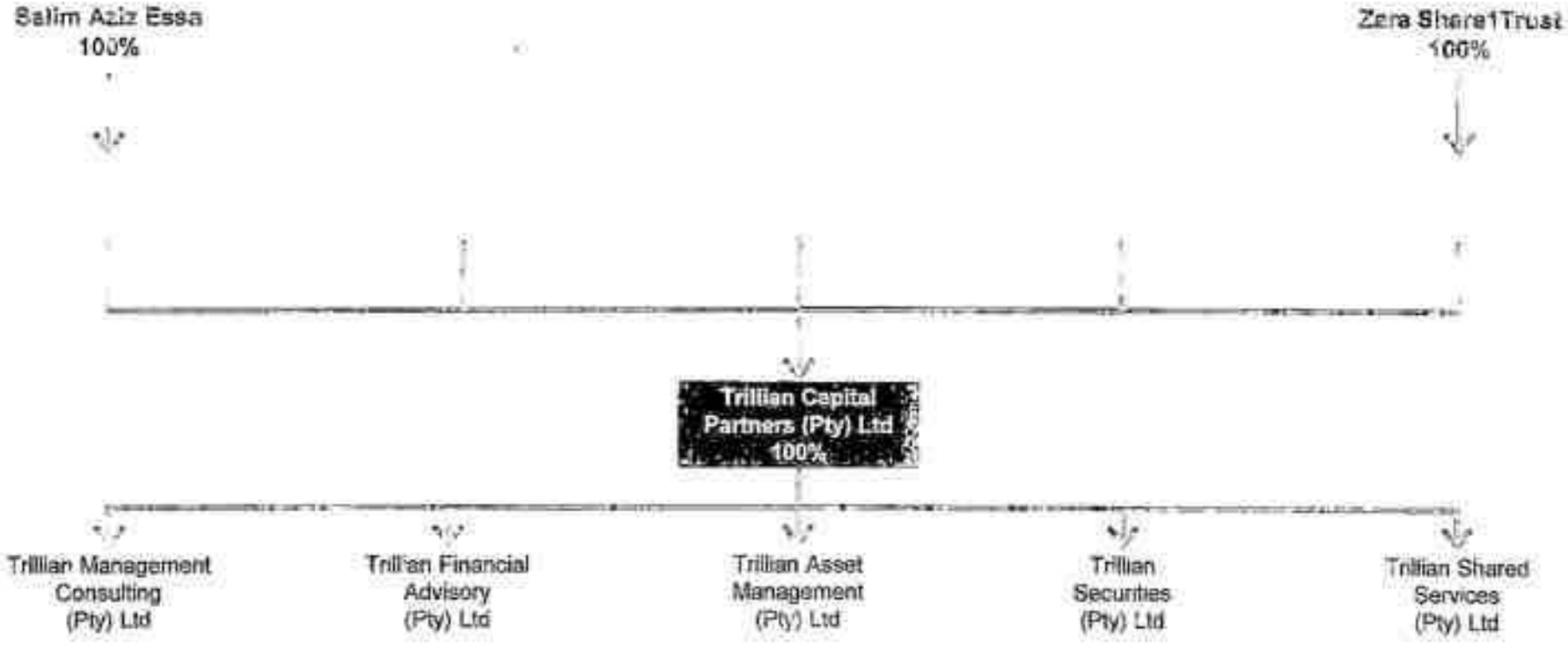
173. It is necessary for these matters be investigated by an entity which has the power to compel all concerned to give evidence and provide documentation. In my opinion, the most appropriate entity would be a commission of enquiry established under the Commissions Act, and undertaken by a person or persons of independence and integrity. The enquiry into the matters raised in this report should, in my opinion, be part of the enquiry proposed by the Public Protector in her report *"A State of Capture"*. Those who profess their innocence of wrongdoing should be at the front of the queue asking for a judicial commission of inquiry to deal with these matters without delay.

174. The reason why this should be done urgently is that there is ample evidence in the public domain that malfeasance is continuing. Investigating and dealing with this is not only a matter of accountability for what has already happened – it is a matter of putting a stop to wrongs which are currently taking place.

175. This is not to say that there is not also a need for full exposure and accountability in respect of wrongs committed in the past. The use of public power to benefit and enrich favoured people and interests is a matter which requires exposure. This is so whether it has taken place during the apartheid era or in the democratic era. However, the need to put a stop to abuse which is taking place now cannot be held hostage to the need for investigations of our past. Those who propose this will fairly be suspected of attempting to prevent or delay the ending of the abuse of public power and public resources which is currently taking place.

GEOFF BUDLENDER SC
29 June 2017

Question 1,2 & 3 : Group organogram



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DEPARTMENT: PUBLIC ENTERPRISES
REPUBLIC OF SOUTH AFRICA
NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO.: PQ 2701

DATE OF PUBLICATION: 02 December 2016

Ms N W A Mazzone (DA) to ask the Minister of Public Enterprises:

(1) What amount did Trillian Capital Partners receive in service fees for allegedly negotiating the settlement of a massive insurance claim involving the explosion of a boiler at the Duhva power plant; (2) did Eskom appoint the specified company to source a new supplier to replace the exploded boiler at the Duhva power plant; if not, why not; if so, what (a) were the fees payable to the specified company in this regard and (b) are the further relevant details; (3) (a) which other contracts of engagement have been concluded between Eskom and the specified company and (b) what are the costs involved in each case?

REPLY :

(1)
No amount was paid to Trillian Capital Partners for the Duvha power plant insurance claim. Eskom did not appoint Trillian Capital Partners to negotiate the settlement for the Duvha Power Plant insurance claim.

(2)
No, Eskom did not appoint Trillian Capital Partners to source a new supplier to replace the exploded boiler at the Duhva Power Plant. There was no need to appoint any external party to assist with sourcing.

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(2)(a)

Not applicable

(2)(b)

No other additional relevant detail relating to the above is applicable.

(3)(a)

None

(3)(b)

Not applicable

GC22

TRILLIAN
MANAGEMENT CONSULTING

C

Tax Invoice

Invoice: ESK2016-MC01
VAT #: 4950270852
Date: 14 April 2016

Mr Anoj Singh
Eskom Holdings SOC Ltd
Megawatt Park
Maxwell Drive
Sunninghill
Sandton

VAT Number: 4740101508

Professional fees: Pro-rate share of Eskom Corporate Plan deliverable	**R 26,900,000.00**
VAT (14%)	R **3,766,000.00**
Total	**R 30,666,000.00**

Banking Details:

Bank:	ABSA
Account Holder:	Trillian Management Consulting (Pty) Ltd
Account Number:	4088410495
Branch Code:	632005

14/04

Please quote invoice number on transfer and remittance

Invoice is payable upon receipt.

GC22

D

TRILLIAN
MANAGEMENT CONSULTING

Tax Invoice

Invoice: ESK2016-MC02
VAT #: 4950270852
Date: 10 August 2016

Mr. Prish Govender
Eskom Holdings SOC Ltd
Megawatt Park
Maxwell Drive
Sunninghill
Sandton

VAT Number: 4740101508

Professional fees: Financial Advisory for the following Eskom initiatives:	**R 107,200,000.00**
▪ *Project Surge*	
▪ *Private Sector Participation*	
▪ *Online Vending Services*	
▪ *Hitachi*	
▪ *Duvha*	
▪ *Short term funding facility*	
▪ *Long term funding facility*	
VAT (14%)	**R 15,008,000.00**
Total	**R 122,208,000.00**

Banking Details:

Bank:	ABSA
Account Holder:	Trillian Management Consulting (Pty) Ltd
Account Number:	4088410495
Branch Code:	632005

13/05

Please quote invoice number on transfer and remittance
Invoice is payable upon receipt.

GC22

E

TRILLIAN
MANAGEMENT CONSULTING

Tax Invoice

Invoice: ESK2016-MC03
VAT #: 4950270852
Date: 10 August 2016

Mr. Prish Govender
Eskom Holdings SOC Ltd
Megawatt Park
Maxwell Drive
Sunninghill
Sandton

VAT Number: 4740101508

Professional fees: Management Consulting for the following Eskom initiatives:	R 99,353,100.00
▪ *Programme Management Office (PMO)*	
▪ *Procurement*	
▪ *Primary Energy*	
▪ *Claims*	
▪ *Generation*	
VAT (14%)	R 13,909,434.00
Total	R 113,262,534.00

Banking Details:

Bank:	ABSA
Account Holder:	Trillian Management Consulting (Pty) Ltd
Account Number:	4088410495
Branch Code:	632005

13/09

Please quote invoice number on transfer and remittance
Invoice is payable upon receipt.

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F

McKinsey&Company

9 February 2016

Prish Govender
Eskom
Megawatt Park
Sunninghill

Email:Prish.Govender@eskom.co.za

Dear Prish,

Authorisation to pay Subcontractor Directly

We refer to the Professional Services Contract for the provision of consulting services for 6 months entered into between Eskom SOC Ltd (Eskom) and McKinsey and Company Africa Proprietary Limited ("McKinsey"), dated 29 September 2015 (the Agreement). As you know, McKinsey has subcontracted a portion of the services to be performed under the Agreement to [Trillian Proprietary Limited] (Trillian).

Subject to: (i) the terms of the Agreement relating to any payments to be made by Eskom to us; and (ii) us issuing a written confirmation of our satisfaction with the relevant services to be performed by Trillian to McKinsey and; (iii) the correctness of the amount to be invoiced, we hereby agree for, and authorize, Trillian to invoice, and be paid directly by, Eskom for any services performed by it in pursuance of our obligations under the Agreement.

We trust you find the above in order.

Yours sincerely

Vikas Sagar
Director
McKinsey and Company Africa Proprietary Limited

GC22

G

March 10, 2016

CONFIDENTIAL

Eric Wood
Trillian Management Consulting
eric@tcp.co.za

Dear Mr. Wood

TRILLIAN, HUBEI HONGYUAN, E GATEWAY GLOBAL CONSULTANTS FZC, AND ESKOM DUVHA BOILER PURCHASE

The above matter refers. Mr. Vikas Sagar has forwarded your e-mail dated March 08, 2016 to us. We have noted the contents thereof with thanks. We wish to inform you however that our global risk review remains ongoing with a view to being concluded during the middle of the coming week. To this effect, in addition to your undertaking to furnish us with a detailed group profile of the Trillian Group (which we have still not received), we would also appreciate your detailed responses to our letter dated February 25, 2016 before the close of business on Friday 11 March 2016. Your response should contain the following, as previously requested by us:

1. Detailed account of the form and legal status of Trillian's relationship with Hubei Hongyuan;
2. Detailed account of the form and legal status of Trillian's relationship with E Gateway Global Consultants FCZ;
3. Confirmation that Trillian, its employees, or any of its subcontractors or affiliates have no other interests which may conflict with their respective roles as advisor to Eskom;
4. Confirmation that, pending your detailed response to this letter and with immediate effect, no Trillian personnel, subcontractor personnel, or personnel of any affiliate undertaking will conduct or undertake any activities on any element of the Top Consultants Programme which may lend themselves to a conflict of interest whether real or perceived;
5. Confirmation that Trillian indemnifies, defends and holds McKinsey harmless from any and all claims brought against McKinsey in respect of and relating to Trillian's relationship with Hubei Hongyuan and any services performed by Trillian and/or any of its subcontractors or their affiliates for Eskom.

We look forward to your favourable reply.

Yours sincerely,

Georges Desvaux
Managing Partner, Africa

P.P.
Jean-Christophe Mieszala
Chair, Client Service Risk Committee
Europe, Middle East & Africa

Introductions

Eskom

Eskom
McKinsey†
Trillian†

Arnot Singh
Group CFO

Matshela Koko
Generation

Ayanda Noah
Cust. Services

Abram Masango
Group Capital

Edwin Mabelane
CFO

Maya Bhana
GM: Office of CFO

Prish Govender
Program Director: Group Capital

Charles Kelima
Senior Manager: Commercial

Dave Gorrie
Senior Manager: Commercial

Mary Anne Hendricks
Manager: GCD Sus. Enable

Alex Weiss
Director

Vikas Sapar
Director

Lorenz Jüngling
Partner

Jonathan Bown
Associate Partner

Eric Wood
Trillian Executive Director

Bianca Smith
Trillian Mgmt. Consulting CEO

Moalle Mothepu
Trillian Principal

† No voting rights

MINING-04-381
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XX4-GJC-379

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TRILLIAN

I

Tax Invoice

Invoice: TCPSWATII – 01
VAT #: 4900270770
Date: 07 June 2016

Transnet Soc Ltd
35th Floor, Carlton Centre
150 Commissioner Street
Johannesburg
VAT Number: 4720103177

Professional fees: Work done to close the SWAT II project	R 31 591 488.52
VAT (14%)	R 4 422 808.39
Total	R 36 014 296.91

Banking Details:

Bank:	ABSA
Account Holder:	Trillian Capital Partners (Pty) Ltd
Account Number:	4088041167
Branch:	North Towers
Branch Code:	632005

Invoice is payable upon receipt.

01/07/16

GC22

TRILLIAN

J

Invoice: TCP-GFB01
VAT #: 4900270770
Date: 23 May 2016

Transnet Soc Ltd
35th Floor, Carlton Centre
150 Commissioner Street
Johannesburg
VAT Number: 4720103177

Transnet GFB Breakthrough

Professional fees: Work done to Date (31 Mar 2016)	R 7 000 000.00
VAT (14%)	R 980 000.00
Total	R 7 980 000.00

Banking Details:

Bank:	ABSA
Account Holder:	Trillian Capital Partners (Pty) Ltd
Account Number:	4088041167
Branch:	North Towers
Branch Code:	632005

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Invoice is payable upon receipt.

GC22

TRILLIAN
CAPITAL PARTNERS

K

Invoice: TCP-GF802
VAT #: 4900270770
Date: 23 May 2016

Transnet Soc Ltd
35th Floor, Carlton Centre
150 Commissioner Street
Johannesburg
VAT Number: 4720103177

Transnet GFB Breakthrough

Professional fees: Work done to Date (30 Apr 2016)	R 7 000 000.00
VAT (14%)	R 980 000.00
Total	R 7 980 000.00

Banking Details:

Bank:	ABSA
Account Holder:	Trillian Capital Partners (Pty) Ltd
Account Number:	4088041167
Branch:	North Towers
Branch Code:	632005

01/07/16

Invoice is payable upon receipt.

GC22

TRILLIAN

L

Tax Invoice

Invoice: TCP-GFB03
VAT #: 4900270770
Date: 07 June 2016

Transnet Soc Ltd
35th Floor, Carlton Centre
150 Commissioner Street
Johannesburg
VAT Number: 4720103177

Transnet GFB Breakthrough

Professional fees: Work done to Date (31 May 2016)	R 7 000 000.00
VAT (14%)	R 980 000.00
Total	R 7 980 000.00

Banking Details:

Bank:	ABSA
Account Holder:	Trillian Capital Partners (Pty) Ltd
Account Number:	4088041167
Branch:	North Towers
Branch Code:	632005

Invoice is payable upon receipt.

01/07

GC22

M

Tax Invoice

Invoice: TCP-GCIA01
Vat #: 4900270770
Date: 20 May 2016

Garry Pita
Group Chief Financial Officer
Transnet SOC Limited
44th Floor
Carlton Centre
150 Commissioner Street
Johannesburg

Vat #: 4720103177

*Professional fees: Work done to date (01 Feb – 01 Apr 2016)	R 2 145 000.00
Out of Pocket expenses and support services at 10% of total bill	R 214 500.00
Vat (14%)	R 330 330.00
Total	R 2 609 830.00

Banking Details:

Bank:	ABSA
Account Holder:	Trillian Capital Partners (Pty) Ltd
Account Number:	4088041167
Branch:	North Towers
Branch Code:	632005

01/07/16

Please quote the invoice number on transfer and remittance.

Invoice is payable upon receipt.

* *TRXGCIA – DCT Affordability Model*

GC22

TRILLIAN
CAPITAL PARTNERS

N

Tax Invoice

Invoice: TE2016-CP01
Vat #: 4900270770
Date: 19 April 2016

Mr Thamsanqa Jiyane
Transnet SOC Limited
44th Floor
Carlton Centre
150 Commissioner Street
Johannesburg

Vat #: 4720103177

Professional fees: Financial Structuring advisory services*	**R 10 000 000.00**
Vat (14%)	**R 1 400 000.00**
Total	**R 11 400 000.00**

Banking Details:

Bank:	Absa
Account Name:	Trillian Capital Partners (Pty) Ltd
Account number:	40 8804 1167
Branch code:	632005

01/07/16

Please quote the invoice number on transfer and remittance.

Invoice is payable upon receipt.

**Financial Structuring advisory services on the fund raising required to facilitate African and global sales of rolling stock.*

GC22

Tax Invoice

Invoice: TFA2016-FA07
VAT #: 4900270770
Date: 15 April 2016

Transnet SOC Limited
150 Commissioner Street
Johannesburg
South Africa
2001

VAT Number: 4720103177

Professional services - Transnet Property Database and financial model to create a ring-fenced property fund

- Project office initiatives (Property portfolio)	R12 500 000.00
- EBITDA impact on bringing the budget closer to the corporate plan	R20 000 000.00
- Application of Cost and Revenue Drivers to run the portfolio on commercial terms	R3 500 000.00
Subtotal	**R36 000 000.00**
VAT (14%)	**R 5 040 000.00**
Total	**R41 040 000.00**

Banking Details:
Bank: ABSA
Account Name: Trillian Capital Partners (Pty) Ltd
Account Number: 4088041167
Branch Code: 632005

Please quote invoice number on transfer and remittance.

Invoice is payable upon receipt.

27/05

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OUTSOURCING ENGINEERING CONSULTANCY SERVICES AGREEMENT

(AGREEMENT FOR DEPLOYMENT OF MANPOWER TO CARRYOUT REVIEW, STUDY, ANALYSIS AND RECOMMEND SOULTIONS OF TECHNICAL ASPECTS FOR DIFFERENT POWER PLANTS OWNED BY ESKOM)

This Agreement is entered between the parties on the 26th day of January, 2016

Between

M/s. TRILLIAN MANAGEMENT CONSULTING, having Registration No: 2015/111709/07 having its business address at 4th Floor, 23 Melrose Boulevard, Melrose Arch, 2196 represented by its Authorized Signatory **Ms. BIANCA SMITH** National, holding Identity No: 8007260017089 (hereinafter called as **"First Party/Principal"**) on the one part

AND

M/s. EGATEWAY GLOBAL CONSULTANTS FZC, having License No:00741, having its registered office at PO Box 7073, Um Al Quwain, UAE represented by its Authorized Signatory Mr. Javed S Khan , US National, holding Passport No: 530541926 (hereinafter called as **"Second Party/Consultant"**) on the other part

(The First Party and Second Party shall be individually referred to as Party and collectively referred to as Parties and which expression shall unless it be repugnant to the context or meaning thereof be deemed to mean and include its' successors, legal representatives and permitted assignees)

PREAMBLE

WHEREAS the Principal herein is the leading company in South Africa and have operations in South Africa and around the world, and is being awarded a multilevel contract with McKinsey and Company Africa Proprietary Limited covering several aspects for the renovation, reassessment and improvement of the different facilities of ESKOM, which is the governmental body overseeing the Energy sector of the Government of South Africa.

AND WHEREAS the Consultant has specialized expertise, professional skills, and personnel and technical resources in the energy segment and has the knowledge to make assessment, improvements and advice on the different sectors of Energy facilities.

Consultant has capability to provide the technical & managerial qualified personnel experienced in their relevant job skills in the thermal power projects to Principal to carry out the above objective.

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AND WHEREAS the Principal has approached the Consultants to provide outsourcing consultancy services for Deployment of Manpower on different facilities of ESKOM as per the General Conditions of this Agreement and as per the specific conditions/requirements of each project, which are mentioned in the Annexure which form part of this agreement.

AND WHEREAS the Consultant have agreed to provide the Services on the terms and conditions set forth here in this agreement as well as the Annexure of this agreement.

Now this agreement witnesses and it is hereby agreed by and between the parties hereto as follows:

1. The preamble of this agreement is hereby considered as an integral part of this agreement and shall be read as part of this agreement.
2. Both the parties hereby agree that the general conditions contained in this agreement shall be the basis of the relationship between the parties and for each and every specific project that is entrusted by the Principal to the Consultant, an Annexure shall be entered between the parties and the same shall be added to this agreement. Such Annexure shall contain specific details of the project and any special conditions specifically agreed for such projects.

3. Between the parties, the following documents attached hereto shall be deemed to form an integral part of this Agreement:

   (a) The General Conditions of this Agreement;
   (b) The Details and understanding reached between the parties in the Annexure
   (c) The Special Conditions, if any for each entrusted project

4. COMMENCEMENT AND MODIFICATION

4.1 Commencement of Agreement

a. This Agreement shall come into force and effect on the date of execution of this Agreement (the "Effective Date") and each Annexure will specify the date on which Consultant's services will begin to be carried out as per the project requirement.
b. Period of the contract shall be 36 months subject to review of the agreement thereafter every six months by the Parties. If required the Contract can be extended for further period of 12 months on mutually / renegotiated terms by the parties

4.2 Commencement of Services

a. The Consultants shall begin carrying out the Services as per the Annexure for each project and as per the Special Conditions, if any, specified in each Annexure.

4.3 Modification

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a. Modification of the terms and conditions of this Agreement as well as the Annexure, including any modification of the scope of the Services or of the Agreement Price, may only be made in writing, which shall be signed by both the Parties.

5. OBLIGATIONS OF THE CONSULTANTS

5.1 General

a. The Consultants shall perform the Services and carry out their obligations with all due diligence, efficiency, and economy, in accordance with generally accepted professional techniques and practices, and shall observe sound management practices, and safe methods and as per the Business Plan or Hypothesis defined by the Principal. The Consultants shall always act, in respect of any matter relating to this Agreement or to the Services, as faithful advisers to the Principal, and shall at all times support and safeguard the Principal's legitimate interests in any dealings with Sub consultants or third parties.

b. The scope of services of deployed professional skills shall be as under :

To assist and help in the Turn-around strategy as provided by the Principal for improving EAF of ESKOM recovery Project.

Immediate deployment of the team including a Project Manager at South Africa who shall be in charge of the Technical Team and Human Resource department/ Management. Team to be deployed as per the agreed schedule

To study, review and analyze the Operations of main mechanical, electrical, instrumentations of the equipment & systems of Boiler Turbine Package along with their auxiliaries & Balance of Plant in all respects to run the power plant efficiently, checking & monitoring log books, change over schedules, housekeeping of entire thermal power plants, Preventive & Scheduled Maintenance work, analysis of coal, ash, seawater, RO water, boiler water, condensate water quality as per water & steam cycles and then suggest recommendations, modifications and repairs or replacements for improving EAF.

To supervise, monitor and suggest remedies and solutions during the implementation stage to carryout recommended changes for modifications and repairs or replacements improving the EAF.

5.2 Confidentiality

a. The Consultants, Sub consultants, and the Personnel shall not, either during the term or after the expiration of this Agreement, disclose any proprietary or confidential information relating to the Project, the Services, this Agreement, or the Principal's business or operations without the prior written consent of the Principal.

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5.3 Liability of the Consultants

i. Consultant will not be liable for any loss of damage caused by or arising out of circumstances over which it had no control.

ii. Consultant shall not be liable for indirect damages, such as loss of revenue, economic loss, and loss of production, profit or interest.

iii. Principal shall keep indemnified the Consultant against all claims from any third party, arising from the provision of its Services.

iv. In case the manpower is sent back due to misconduct or quality of work / inefficiency, maximum liability of eGateway shall be to bear the expenses for deporting him back and replacing with a person with better qualifications & skills.

v. Consultant liability under the Mandate shall cease on completion of their services or termination of the Mandate.

5.4 Reporting Obligations

a. The Consultants shall submit to the Principal the reports and documents in regular intervals as per the formats provided and as specified and required under each project under the conditions set forth in the Annexure.

5.5 Documents Prepared by Consultant to be the Property of the Principal

a. Upon full payment of the service fees, as specified in Annexure, all plans, drawings, specifications, reports, and other documents and software prepared by the Consultants shall become and remain the property of the Principal, and the Consultants / deployed manpower shall, not later than upon termination or expiration of this Agreement, deliver (if not already delivered) all such documents and software to the Principal, together with a detailed inventory thereof. The Consultants / deployed manpower may retain a copy of such documents and software.

5.6 Equipment and Materials Furnished by the Principal

a. Equipment and materials made available to the Deployed Manpower / Consultants by the Principal, or purchased by the Consultants with funds provided exclusively for this purpose by the Principal, shall be the property of the Principal and shall be marked accordingly. Upon termination or expiration of this Agreement, the Consultants shall assist in making available to the Principal an inventory of such equipment and materials and shall dispose of such equipment and materials in accordance with the Principal's instructions or afford salvage value of the same.

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5.7 Accounting

a. The Consultants (i) shall keep accurate and systematic accounts and records for the Services hereunder, in accordance with internationally accepted accounting principles and in such form and detail as will clearly identify all relevant time charges, and cost, and the basis thereof.

6. CONSULTANTS' PERSONNEL AND SUBCONSULTANTS

6.1 Description of Personnel

a. Upon awarding a project to the Consultant by the Principal and upon the parties executing the Annexure for the specific project, which form part of this agreement, the Consultant shall choose the specific personnel required for such project and the details of those personnel shall be forwarded to the Principal and those personnel are deemed to be approved by the Principal. The Consultant shall also inform the Principal, their Title, agreed job description and estimated period of their engagement in the specific project as per the Annexure.

b. Consultant Party shall be engaging experts of its choice, but of the desired expertise, other than its own in house people for completing the assignment. Consultant and anyone it may engage to perform any part of the work hereunder are independent service providers and not employees or agents of Principal.

6.2 Visa Procedure and Residency during the Project Period

a. Upon the finalization of the Consultant's Personal for a project, as specified in the Annexure for specific project and also during the extended period, as agreed between the parties, the Principal shall assist & help in making all the arrangements, as per the laws of South Africa, the work Permit Visa for the personals to travel to South Africa, live in South Africa during the Project phase and also to work as per the agreed project. The Consultant shall be responsible for arranging the initial entry visa for Consultant's personals and also for the Residency of the personals in South Africa during the project phase and Principal shall extend support/ assistance for this purpose.

6.3 Removal and/or Replacement of Personnel

a. Except as the Principal may otherwise agree, no changes shall be made in the Key Personnel. If, for any reason beyond the reasonable control of the Consultants, it becomes necessary to replace any of the Key Personnel, the Consultants shall provide as a replacement a person of equivalent or better qualifications;

b. If the Principal, finds that any of the Personnel have committed serious misconduct or have been charged with having committed a criminal action, then the Consultants shall,

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at the Principal's written request specifying the grounds, provide as a replacement a person with qualifications and experience acceptable to the Principal.

7. OBLIGATIONS OF THE PRINCIPAL

7.1 Assistance, Coordination and Approvals

i. Assistance

The Principal shall use its best efforts to ensure that the Principal shall:

(a) provide at no cost to the Consultants, Subconsultants and Personnel such documents prepared by the Principal or other consulting engineers appointed by the Principal and end customer ESKOM , as shall be necessary to enable the Consultants, Subconsultants or Personnel to perform the Services.

(b) assist to obtain the existing data pertaining or relevant to the carrying out of the Services, with various Government and other organizations. Such items unless paid for by the Consultants without reimbursement by the Principal, shall be returned by the Consultants upon completion of the Services under this Contact;

(c) issue to officials, agents and representatives of the concerned organizations, all such instructions as may be necessary or appropriate for prompt and effective implementation of the Services;

(d) assist to obtain permits which may be required for right-of-way, entry upon the lands and properties for the purposes of this Agreement;

(e) provide to the Consultants, Subconsultants, and Personnel any such other assistance and exemptions as may be specified in the Annexure.

ii. Co-ordination

The Principal shall:

(a) coordinate and get or expedite any necessary approval and clearances relating to the work from any Government or Semi-Government Agency, Department or Authority, and other concerned organization specified in each Annexure.

(b) coordinate with any other consultants employed by him.

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iii. Approvals

(a) The Principal shall accord approval to the personals of the Consultants when ever those are required for the Consultant for their effective implementation of their services.

7.2 Access to Land

a. The Principal warrants that the Consultants shall have, free of charge, unimpeded access to all land of which access is required for the performance of the Services.
b. Free space for Office with required furniture in Plant Premises with potable water & power.

7.3 Change in the Applicable Law & Increase in Cost

a. If, after the date of this Agreement, there is any change in the Applicable Law which effect the Services rendered by the Consultants, including any additional taxation, then the remunerations and direct costs otherwise payable to the Consultants under this Agreement shall be increased accordingly, and corresponding adjustment shall be made to the amounts referred to in Annexure, as the case may be.

7.4 Services and Facilities

a. The Principal shall assist & help in making available to the Consultants, Subconsultants and their Personnel, the Residency Visa, Multiple Entry Business Travel Visas. The cost of services will be borne by consultant who has already built in such service costs their contract price

7.5 Payments

a. In consideration of the Services performed by the Consultants under this Agreement, the Principal shall make to the Consultants such payments and in such manner as is provided by Clause 9 of this Agreement.

8 NON-SOLICITATION and NON POACHING OF RESPECTIVE PERSONNEL

8.1 Both Parties and their Principal Employers, including their subsidiaries, affiliate, group companies, Patent company, hereby agrees and undertakes that it shall not solicit or entice away any Personnel, SubConsultants, employees, clients, customers or any other contacts of the Consultant or the Principal for the duration of this Agreement or for the period of three (3) years following the termination of this Agreement.

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9 PAYMENTS TO THE CONSULTANTS

9.1 Remuneration

a. The Consultants remuneration will consist of a fixed down-payment amount and a performance based bonus. The fixed down payment will be paid over the initial 6 months of the project and the performance based bonus thereafter. The performance bonus will be earned as a result of achieving a raise in EAF as per the agreed benchmarks.

b. The fixed down-payment portion of the remuneration will be 77% (Seventy seven percent) of the agreed monthly budget allocated to the Principal. The monthly budget allocation to the Principal will be shared transparently and in advance, with the Consultant.

c. The performance based bonus will be shared equally between the Principal and the Consultants after deducting each party's respective costs.

d. The Consultants' total remuneration shall be specified in the Project Annexure, which form part of this agreement, and shall be including all staff costs incurred by the Consultants in carrying out the Services described in the Annexure and Back end support provided by the consultant from its Other offices. Other reimbursable direct costs expenditure, if any, shall be specified in the Annexure and/or the Consultant shall take preapproval from the Principal before incurring any such cost. Except as provided in Sub-Clause 9.1.b the Agreement Price may only be increased above the amounts stated in the Project Annexure if the Parties have agreed to additional payments in writing. This clause is modified as sub-clause (b).

e. The remuneration shall be invoiced in ZAR (South African Rand) and paid in currency of ZAR through RTGS to the bank account of the eGateway Global.

f. The above remuneration shall be inclusive of comprehensive Insurance policy, travel & travel related expenses and boarding & lodging etc. of deputed personnel.

g. There shall not be any deduction in payments on account mandate rates or head counts which are already agreed.

h. In case of additions or deletions in the scope, the completion time and prices will be revised through mutual agreement in writing.

9.2 Terms and Conditions of Payment

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a. Payment will be made to the account of the Consultants and according to the payment schedule stated in the Annexure. Payments shall be made after the conditions listed in the Annexure for such payments have been met, and the Consultants have submitted an invoice to the Principal specifying the amount due.

9.3 Period of Payment

a. Any amount due to the Consultants shall be paid by the Principal to the Consultants within Ten (10) days from the date issuance of the Invoice by the Consultant to the Principal and the Consultant shall issue invoice in every 30 days cycle. The bill shall be submitted by Consultant to Principal not later than Fifth Business Day of the month whose billing is to be made along with the monthly progress report.

b. ANY AMOUNT DUE TO THE CONSULTANT SHALL BE PAID BY THE PRINCIPAL TO THE CONSULTANT WITHIN 30 DAYS OF THE PRINCIPAL RECEIVING PAYMENT.

c. THE PRINCIPAL WILL ADVISE THE CONSULTANT ONCE INVOICES HAVE BEEN ISSUED TO THE CLIENT AT WHICH POINT THE CONSULTANT MAY ISSUE THE INVOICE.

9.4 Additional Services

Additional Services means:

a. Services as approved by the Principal outside the Scope of Services described in the Annexure;

b. Services to be performed during the period extended for any Project, beyond the original schedule time for completion of the Services; and

c. Any re-doing of any part of the Services as a result of Principal's instructions.

d. If, in the opinion of the Principal, it is necessary to perform Additional Services during the currency of the Agreement for the purpose of the Project, such Additional Services shall be performed with the prior concurrence of both the Parties. The Consultants shall inform the Principal of the additional time (if any), and the additional remuneration and reimbursable direct costs expenditure for such Additional Services. If there is no disagreement by the Principal within two weeks of this intimation, such additional time, remuneration and reimbursable direct costs expenditure shall be deemed to become part of the Agreement.

10 EXTENSION, COMPLETION AND/OR TERMINATION

10.1Expiration of Agreement

a. Unless terminated earlier, this Agreement shall expire when, pursuant to the provisions hereof, the Services have been completed and the payments of remunerations including the direct costs if any, have been made. The Services shall be completed within an

PRINCIPAL

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agreed period, or such extended time as may be allowed as per written agreement between the parties.

10.2Extension of Time for Completion

If the scope or duration of the Services is required to be increased:

a. the Consultants shall inform the Principal of the circumstances and probable effects;

b. the increase shall be regarded as Additional Services; and

c. the Principal shall extend the time for Completion of the Services accordingly.

10.3Force Majeure

10.3.1 Definition

a. For the purposes of this Agreement, "Force Majeure" means an event which is beyond the reasonable control of a Party and which makes a Party's performance of its obligations under the Agreement impossible or so impractical as to be considered impossible under the circumstances, and includes, but is not limited to, war, riots, civil disorder, earthquake, fire, explosion, storm, flood or other adverse weather conditions, strikes, lockouts or other industrial actions (except where such strikes, lockouts or other industrial actions are within the power of the Party invoking Force Majeure to prevent), confiscation or any other action by government agencies.

b. Force Majeure shall not include (i) any event which is caused by the negligence or intentional action of a Party or such Party's Subconsultants or agents or employees, nor (ii) any event which a diligent Party could reasonably have been expected to both (A) take into account at the time of the conclusion of this Agreement and (B) avoid or overcome in the carrying out of its obligations hereunder.

c. Force Majeure shall not include insufficiency of funds or failure to make any payment required hereunder.

10.3.2 No Breach of Agreement

a. The failure of a Party to fulfill any of its obligations under the Agreement shall not be considered to be a breach of, or default under this Agreement insofar as such inability arises from an event of Force Majeure, provided that the Party affected by such an event: (a) has taken all reasonable precautions, due care and reasonable alternative measures in order to carry out the terms and conditions of this Agreement; and (b) has informed the other Party in writing not later than fifteen (15) days following the occurrence of such an event.

10.3.3 Extension of Time

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a. Any period within which a Party shall, pursuant to this Agreement and its Annexure, complete any action or task, shall be extended for a period equal to the time during which such Party was unable to perform such action as a result of Force Majeure.

10.4 Termination

10.4.1 By the Principal

A. The Principal may terminate this Agreement, by not less than thirty (30) days written notice of termination to the Consultants, to be given after the occurrence of any of the events specified in paragraphs (a) through (e) of this Sub-Clause and One hundred and twenty (120) days' in the case of the event referred to in paragraph (f):

(a) if the Consultants do not remedy a failure in the performance of their obligations under the Agreement, within thirty (30) days after being notified or within any further period as the Principal may have subsequently approved in writing;

(b) if the Consultants become (or, if the Consultants consist of more than one entity, if any of their Members becomes) insolvent or bankrupt or enter into any agreements with their creditors for relief of debt or take advantage of any law for the benefit of debtors or go into liquidation or receivership whether compulsory or voluntary;

(c) if the Consultants fail to comply with any final decision reached as a result of arbitration proceedings pursuant to this agreement hereof;

(d) if the Consultants submit to the Principal a statement which has a material effect on the rights, obligations or interests of the Principal and which the Consultants know to be false statement;

(e) if, as the result of Force Majeure, the Consultants are unable to perform a material portion of the Services for a period of not less than Ninety (90) days;

(f) if the Principal, in its sole discretion, decides to terminate this Agreement.

10.4.2 By the Consultants

A. The Consultants may terminate this Agreement, by not less than thirty (30) days written notice to the Principal, such notice to be given after the occurrence of any of the events specified in paragraphs (a) through (d) of this Sub-Clause:

PRINCIPAL

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(a) if the Principal fails to pay any remuneration due to the Consultants pursuant to this Agreement within thirty (30) days after receiving invoice/written notice from the Consultants that such payment is overdue;

(b) if the Principal is in material breach of its obligations pursuant to this Agreement and has not remedied the same within forty-five (45) days (or such longer period as the Consultants may have subsequently approved in writing) following the receipt by the Principal of the Consultants' notice specifying such breach;

(c) if, as a result of Force Majeure, the Consultants are unable to perform a material portion of the Services for a period of not less than Ninety (90) days;

(d) if the Principal fails to comply with any final decision reached as a result of arbitration proceedings pursuant to Clause 7 hereof.

10.4.3 Cessation of Services

a. Upon receipt of notice of termination under Sub-Clause 10.4.1, or giving of notice of termination under Sub-Clause 10.4.2, the Consultants shall take all necessary steps to bring the Services to a close in a prompt and orderly manner and shall make every reasonable effort to keep expenditures for this purpose to a minimum. With respect to documents prepared by the Consultants, and support provided by the Principal, the Consultants shall proceed as provided, respectively, by Sub-Clauses 3.8 or 3.9.

10.4.4 Payment upon Termination

Upon termination of this Agreement pursuant to Sub-Clauses 10.4.1 or 10.4.2, the Principal shall make the following payments to the Consultants:

a. In case of termination of agreement within first 12 months, Principal shall make payment to the Consultant the fee equivalent to at least Four months remuneration of the teams deployed therein as the consultant will also enter back to back arrangement with their Technical & Managerial qualified team.
b. Payments as per clause 9.1(b) including remuneration and reimbursable direct costs expenditure pursuant to Clause 6 for Services satisfactorily performed prior to the effective date of termination. Effective date of termination for purposes of this Sub-Clause means the date when the prescribed notice period would expire;
c. except in the case of termination pursuant to paragraphs (a) through (d) of Sub-Clause 9.1, reimbursement of any reasonable cost incidental to the prompt and orderly termination of the Agreement, including the cost of the return travel of the Personnel, according to Consultants Traveling Allowance.

10.4.5 Disputes about Events of Termination

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a. If either Party disputes whether an event specified in paragraphs (a) through (e) of Sub-Clause 10.4.1 or in paragraph (a) through (d) of Sub-Clause 10.4.2 hereof has occurred, such Party may, within forty-five (45) days after receipt of notice of termination from the other Party, refer the matter to arbitration pursuant to Clause 7 hereof, and this Agreement shall not be terminated on account of such event except in accordance with the terms of any resulting arbitral award.

11 SETTLEMENT OF DISPUTES

11.1Amicable Settlement

a. The Parties shall use their best efforts to settle amicably all disputes arising out of or in connection with this Agreement or its interpretation.

11.2Dispute Settlement

a. Any dispute between the Parties as to matters arising pursuant to this Agreement which cannot be settled amicably within thirty (30) days after receipt by one Party of the other Party's request for such amicable settlement may be submitted by either Party for settlement in accordance with the provisions of the Arbitration Rules of SOUTH AFRICA
b. Services under the Agreement and its Annexure, shall, if reasonably possible, continue during the arbitration proceedings and no payment due to or by the Principal shall be withheld on account of such proceedings.

12 MISCELLANEOUS

12.1Law Governing the Agreement

a. This Agreement, its meaning and interpretation, and the relation between the Parties shall be governed as per the laws of South Africa.

12.2Language

a. This Agreement has been executed in the English language which shall be the binding and controlling language for all matters relating to the meaning or interpretation of this Agreement. All the reports and communications between the parties shall be in the English language.

12.3Notices

PRINCIPAL **CONSULTANT**

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a. Any notice, request, or consent made pursuant to this Agreement shall be in writing and shall be deemed to have been made when delivered in person to an Authorized Representative of the Party to whom the communication is addressed, or when sent by registered mail, telex, or facsimile to such Party at the address of the Authorized Representatives specified hereinabove. A Party may change its address for notice hereunder by giving the other Party notice of such change of address in writing.

12.4Location

a. The Services shall be performed at such locations as are specified in each of the Annexure, which shall form part of this agreement and which will specify the full details of each project and where the location of a particular task is not so specified, at such locations as mutually agreed by the Parties.

12.5Authorized Representatives

a. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement by the Principal or the Consultants shall be taken or executed by the Authorized Representatives specified hereinabove.

12.6 Taxes and Duties

a. Unless specified in the Special conditions of the Annexure, the Principal shall pay such taxes, duties, fees and other impositions as may be levied under the Laws of South Africa for the Consultants, Sub-consultants, and their Personnel.

If any tax exemptions, reductions, allowances or privileges may be available for the services to be provided under this contract by South Africa, Principal shall use its best efforts to enable the service provider to benefit from any such tax savings to the maximum allowable extent.

12.7 Entire agreement

a. This document along with its Annexure constitutes the entire agreement between the parties hereto with respect to the Consultancy and outsourcing services to be rendered by the Consultant to the Principal and supersedes all prior negotiations, representations or agreements related to this matter, either written or oral.

b. Each provision of this Agreement shall be considered separate and if any provision(s) is (are) determined to be invalid, unenforceable or illegal under any existing or future law, such invalidity, unenforceability or illegality shall not impair the operation of or affect those portions of this Agreement that are valid, enforceable and legal.

12.8 No Assignment.

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a. Neither Party may assign or delegate any right or obligation under this Agreement without the express written consent of the other Party (which consent may be withheld in such Party's sole discretion).This consent requirement shall not apply in the event either party shall change its corporate name or merge with another corporation. This Mandate shall benefit and be binding upon the successors and assigns of the parties hereto.

12.9 Interpretation.

a. The headings in this Agreement are provided for convenience and do not affect its meaning. The words "include", "includes" and "including" are to be read as if they were followed by the phrase "without limitation". The Parties have participated jointly with their respective counsel in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement is to be construed as if drafted jointly by the Parties and there is to be no presumption or burden of proof favoring or disfavoring any Party because of the authorship of any provision of this Agreement.

12.10 Not for Benefit of Third Parties.

a. Except as otherwise expressly provided herein, this Agreement and each and every provision thereof is for the exclusive benefit of the Parties and is not for the benefit of any third party.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

PRINCIPAL:
TRILLIAN... Management Consulting
Name: Bianca Smith

Signature: _____

PRINCIPAL

CONSULTANT

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CONSULTANT:
EGATEWAY GLOBAL CONSULTANTS Pte
Name: JAVED SHAFQAT KHAN
Signature:

WITNESSES
Witness 1:
Print Name M. Goodison
Signature

Witness 2:
Print Name Sadi Farooqui
Signature

FORMAT – PROJECT ANNEXURE

(Will be numbered and added to the Main Agreement and shall form Part of the Agreement)

Between

M/s. TRILLIAN MANAGEMENT CONSULTING having Registration No: 2015/111709/07 having its business address at 4th Floor, 23 Melrose Boulevard, Melrose Arch, 2196 represented

PRINCIPAL

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by its Authorised Signatory Ms. Bianca Smith National, holding Identification No:8007260017089 (hereinafter called as **"First Party/Principal"**) on the one part

AND

M/s. EGATEWAY GLOBAL CONSULTANTS FZC, having License No:00741, having its registered office at PO Box 7073, Um Al Quwain, UAE represented by its Authorized Signatory Mr. Javed S Khan , US National, holding Passport No: 530541926 (hereinafter called as **"Second Party/Consultant"**) on the other part

1. This Annexure shall be read in conjunction with main consultancy agreement entered between the parties on 25th January 2016 and this Annexure shall be numbered and made part of the above mentioned main agreement executed between the parties.

2. Project & Service Provided by the Consultant

   a. "Project" means ESKOM Turn-around Program, Generation Work stream, UCLF Reduction
   b. The Services and Consultancy services provided by the Consultant and its Personals shall be as follows:

      i. Support the delivery methodology with Expert recommendation and data analysis, as stipulated by the Project Manager of McKinsey and Company Africa Proprietary Limited
      ii. Comply with all reporting requests and schedules as agreed on by the Project Leadership.

3. Consultant's Service Fees and Consultancy Remuneration

   a. The total consultant's fees in ZAR shall be paid into the bank account of the consultant in United Arab Emirates and the account details are: .....

4. Authorized Representatives

   The Authorized Representatives are the following:

   For the Principal:
   Bianca Smith
   Telephone : +27833450095
   E.Mail : bianca@tcp.co.za

   For the Consultants:

_____ (Name of Project Manager)

PRINCIPAL **CONSULTANT**

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_____ (Project)
_____ (Address)
_____
_____

Telephone : _____
Facsimile : _____
E.Mail : _____

5. Commencement of the Project

   a. The date on which this Project shall come into effect is the date when the Agreement is signed by both the Parties

6. Commencement of Services

   a. The Consultants shall commence the Services within twenty-one (21) days after the date of signing of Project Annexure, or such other time period as the Parties may agree in writing.

7. Period of the Project

   a. The period of completion of Services shall be 36 months from the Commencement Date of the Services or such other period as the Parties may agree in writing.

8. Obligation of Principal for Mobilisation of Consultant Team

   a. The Principal shall make available within 10 days from the Commencement of Project Date, the following responsibility and approvals, which are necessary for the Consultant and its Personal proper functioning:

      iii. To arrange the Work Permits for the experts of Consultant
      iv. Approvals from Mckinsey and ESKOM for Experts of Consultants
      v. To arrange Entry Passes for the Experts of Consultants to work at sites and offices of Eskom

   Further to this list if additional obligations warranted shall be supplemented subsequently.

   b. Other assistance and exemptions to be provided by the Principal shall be on-going basis.

9. Coordination with Third Parties and Government Department

   a. The Third Parties, departments and agencies involved and include in this project are:

      i. ESKOM SOC LIMITED
      ii. McKinsey and Company Africa Proprietary Limited

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b. The Principal in coordination with the Consultant and other parties involved in the project shall have a coordination meeting within the last week of every month, for proper co-ordination between all the parties involved and to update the Principal as well as the Government departments regarding the progress of the project and to give a full update.

In agreement whereof the parties have hereby affixed their respective signatures and seal on this the 24 day of January 2016

Signed, Sealed and Delivered by Bianca Smith

PRINCIPAL

Signed, Sealed and Delivered by JAVED SHAFQAT KHAN

CONSULTANT Javed Shafqat Khan

PRINCIPAL **CONSULTANT**

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INTEGRATED capital management

Mr Mervyn J Carstens
Chief Executive Officer
Alexkor RMC JV ("PSJV") Office
Orange Road
Alexander Bay
8290
South Africa

INTEGRATED CAPITAL MANAGMENT FINANCED SSi'S PURCHASES OF ALEXKOR'S DIAMONDS

Dear Mr Carstens

FUNDING FACILITY AND LETTER OF COMMITMENT REGARDING THE PROVISION OF FINANCIAL RESOURCES AND OR FUNDING LINES TO SCARLET SKY INVESTMENTS 60 (PTY) LTD ("SSI") IN RESPECT OF FUNDING FOR THE PURCHASE OF ROUGH DIAMOND PRODUCTION TO BE PURCHASED BY SSI FROM PSJV

Integrated Capital Management (Pty) Ltd ("ICM") is a niche investment banking and advisory firm active in the financial services industry including in the areas of capital raising and project finance.

We refer to funding required by SSI for the purchase of the Rough Diamonds to be sold to SSI from PSJV's production from mining operations detailed in PSJV's Tender, Ref: RFP 03/14, to which SSI has submitted a proposal and of which ICM has had sight.

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ICM wishes to confirm that, should SSI be successful in the award of the above tender **ICM will make available the necessary financial requirements in the form of a financial funding facility, letter(s) of credit, or financial guarantee(s) or a combination of the above to a maximum value of ZAR 50m (Fifty Million Rands) or its USD equivalent** on terms to be agreed between SSI and PSJV ("the parties") and to be further detailed in the comprehensive legal agreements to be signed between the parties on or about February 2015

ICM and / or its shareholders further confirm that it has previously entered in to such funding arrangements with SSI and / or its shareholders and is fully cognisant of the nature, complexity and terms and conditions of such funding commitments.

Should you have any further queries, please do not hesitate to contact me.

Yours sincerely,

Selwyn M. Nathan

Integrated Capital Management (Pty) Ltd [Reg No: 2005/019761/07 | Unit 2, 3 Melrose Boulevard, Melrose Arch, JHB, SA
Contact Details: Tel: (010) 594 3999 | Website: www.integratedcapital.co.za
Directors: S. M. Nathan (Chair) C.M. Angel M.R. Chipkin S.D. Shane

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COMPLIANCE VERIFICATION REPORT

Diamond Mining Corporation (DMC)

December 2011 - January 2012

KP MONITORING TEAM ON MARANGE

- Abbey Chikane
- Mark Van Bockstael

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COMPLIANCE VERIFICATION OF DIAMOND MINING CORPORATION
December 2011 - January 2012

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Acknowledgements

The KP Monitoring Team wishes to convey its gratitude to the Minister of Mines and Mining Development, Hon. Obert Mpofu, to Deputy Minister Hon. Gift Chimanikire and Permanent Secretary Mr. Prince Mupazviriho for their much appreciated hospitality and their willingness to allow the KP Monitoring Team unhindered access and full collaboration with the Administration of the Ministry of Mines and Mining Development. We are in particular grateful for the relentless assistance particularly from Mr. John Makandwa and the whole team of Mr. Charles Tawha.

The KP Monitoring Team is also grateful for the great hospitality and welcome it experienced at the mine site by the management and staff of DMC, and the willingness to accommodate for every question or suggestion. The KP Monitoring Team further commends the preparatory work done by the team of Mr. AJ Eiseb at Global Diamond Valuators Namibia (PTY) Ltd. that made the time spent more efficient and effective. The observed standardization of mine and sortinghouse procedures throughout the Marange diamond fields is in no small part their contribution.

(Cover photo has been taken by Mark Van Bockstael on 10 December 2011 at the DMC mine not far from the Chimberero Dam in Marange. This picture, showing two levels of tunneling by illegal diamond diggers, is exemplary of the extent of the damage on this concession by illegal digging)

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COMPLIANCE VERIFICATION OF DIAMOND MINING CORPORATION
December 2011 - January 2012

Executive Summary

The KP Monitoring Team on Marange appointed by the KP Plenary in Kinshasa on 1 November 2011, and consisting of Mr. Abbey Chikane and Mr. Mark Van Bockstael, has executed a KPCS- compliance verification examination of the Diamond Mining Corporation (DMC) diamond mine in Chiadzwa and its sorthouse in Harare from 9 to 10 December 2011, and from 5 to 8 January 2012.

The visited company is fully compliant with all aspects of the national legislation concerning the mining of precious stones.

The visit to the MDC "Block E" diamond mine located at Chiadzwa in the Marange diamond fields, has revealed a very high level of transparency and accountability in all its operations and procedures. Copies of the latter were made available to the KP Monitoring Team in hard and soft copy. The KP Monitoring Team noted with appreciation the great care for the environment and for the remaining rural population on site. The KP Monitoring Team witnessed the extent of the environmental and economic damage inflicted by the illegal diggings in and around Chiadzwa and in particular in the area around the Chimberero Dam. The KP Monitoring Team noted with concern the ongoing struggle to keep the mining area securely fenced, especially during and after heavy rains, but is reassured by the resolve shown by the mine operator. Security at the concession is further relying on adequate numbers of security guards and state-of-the-art CCTV-monitoring, The highly efficient processing and sorting plants are located within a secure Red Zone governed by rigourous procedures and processes. As no rich diamondiferous conglomerates occur on the concession but only less concentrated alluvial deposits, the maximum monthly production will hover around 100,000 carats. However, DMC is planning to invest in a second processing and sorting plant to double the extraction capacity. A comprehensive production footprint has been established, showing slight differences with the production footprints of the Umkondo conglomerates. The lower yield, but better quality (the lowest boart quality is almost completely absent) is consistent with the dynamic alluvial environment in which the diamonds were deposited.

The visits to the MDC sorthouse in the Harare suburbs, convinced the KP Monitoring Team of its high level of transparency and security, consistent with the procedures and operations at the mine site.

At the time of the visit to the relocation area at the ARDA Transau Estate near Odzi, 21 of a total of 114 families have been relocated to newly constructed homesteads consisting (with slight variations) of a solar powered 3 bedroom house, separate rondavel (kitchen) and outdoor toilet and clean borehole water. The relocated families have received a $1,000 disturbance allowance allocation, 3 monthly food hampers and 0.5 hectare of irrigated farmland. DMC hopes to relocate all remaining families before year's end and will finalise its DMC "village" with roads, school, clinic, church and community centre.

Based on the documents obtained and the visits conducted, the KP Monitoring Team on Marange concludes that the operations of the Diamond Mining Corporation (DMC) at the diamond mine in Marange, at the sorthouse in Harare and at the relocation area at the ARDA Transau Estate are fully KPCS compliant as of 16 January 2012.

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COMPLIANCE VERIFICATION OF DIAMOND MINING CORPORATION
December 2011 - January 2012

Introduction

In view of the adoption by the KP Plenary on 1 November 2011 in Kinshasa, of the "KP Chair proposal for draft decision on Marange (Zimbabwe), including the appointment of the KP Monitoring Team on Marange, and the standing invitation from the Ministry of Mines and Mining Development of Zimbabwe of 7 December 2011 (to the KP Monitoring Team, to verify compliance of the Diamond Mining Corporation (DMC) diamond mine in the Marange area and sorthouse in Harare, a compliance verification examination has been conducted between 9 and 10 December 2011, and between 5 and 8 January 2012.

This report covers the compliance verification by the KP Monitoring Team of the "DMC Diamond Mine" in the Marange diamond area, the resettlement area at ARDA Transau and at the DMC sorthouse in Harare. All aspects concerning operational processes and chain-of-custody have been thoroughly investigated and tested as required.

Programme of Visit

Friday, 9 December 2011: 12:00PM – 02:00PM: Arrival at MDC mine – luncheon + security & safety induction
02:00PM – 03:00PM: Survey of perimeter fence and fence pink zone
03:00PM – 05:00PM: Visit of Red Zone, incl. processing plant- sorting plant- sort rooms (G/CMF)- vault (inventory taken)
05:00PM – 07:30PM: Presentation of documents and reports by consultants/management MDC.
9:30PM: Check-in hotel Mutare

Saturday, 10 December 2011:
05:00AM: Check-out hotel Mutare
06:30AM – 10:00AM: Visit to mine site and geology discussion
10:00AM – 11:00AM: Visit to CCTV-control room
11:30AM – 05:00PM: Luncheon and transit to Harare
05:00PM – 06:30PM: Clearance visit to DMC sorthouse Harare

.....

Thursday, 5 January 2012: 06:15PM – 07:30PM: Visit to ARDA Transau relocation site

Friday, 6 January 2012: 05:15AM: Check-out hotel Mutare
06:30AM – 07:30AM: Start of visit to DMC mine at Marange – security & safety induction
07:30AM – 10:00AM: Visit fence pink zone after heavy rains
10:00AM – 11:00AM: Visit vault

Saturday, 7 January 2012: 09:30AM – 12:00PM: Visit to DMC Sorthouse in Harare. Check procedures and processes and check production footprint

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COMPLIANCE VERIFICATION OF DIAMOND MINING CORPORATION
December 2011 - January 2012

Diamond Mining Corporation (DMC) Diamond Mine

Company Structure

Diamond Mining Corporation (DMC) is a joint venture company in Zimbabwe established between ZMDC and PURE DIAM of Dubai (UAE) on 29 October 2010 in Harare. Each shareholder owns 50% of the shares. The Zimbabwean partner contributed the Special Grant for mining as investment, and in return, Pure Diam provides funding, financial, technical, managerial and operational expertise to the joint venture, for the duration of the agreement. ZMDC appoints the Chairman while Pure Diam appoints the jv's CEO. It has invested approximately $35,000,000 in developing the mine (excluding relocation costs).
The joint venture company is fully compliant with all national legislation concerning the mining and sales of precious stones.

Location

The DMC diamond mine is located in Block E and comprises approximately 1,200 hectares in an area that is locally known as the "Chimberero Dam" area. On the concession, 114 homesteads under headman Chief Chiadzwa have been identified. The concession also houses the Chiadzwa Primary School and the Gandauta Secondary School.

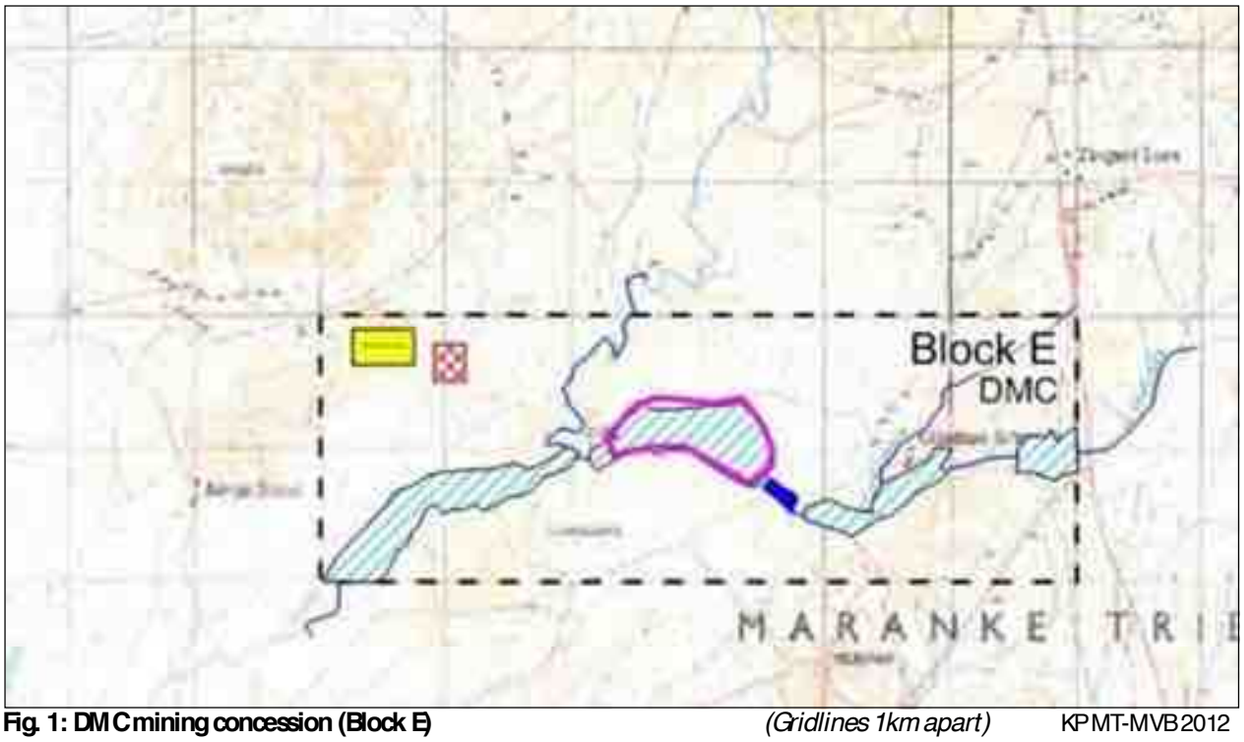

Fig. 1: DMC mining concession (Block E) *(Gridlines 1km apart)* KPMT-MVB 2012
Hashed black line: Concession fence. **Solid pink line**: fenced mining area (pink security zone). **Red cross-hatched rectangle**: sort plant and vault (red security zone). **Yellow rectangle**: DMC mining camp. **Cyan slashed area**: alluvial deposits. **Blue lines**: rivers (seasonal). **Blue solid**: Chimberero Dam. Projected on Topographic map (Hot Springs 1932 C2; 1:50 000).

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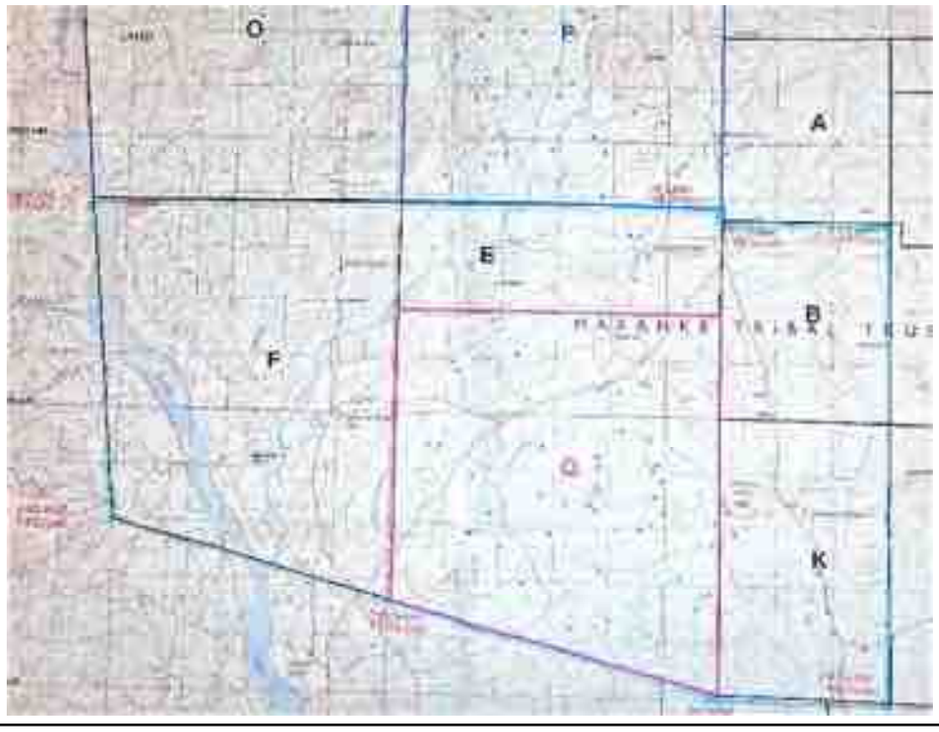

Fig. 2: Map of the concession blocks in the western part of the Marange diamond fields.
Block A: Mbada Diamonds
Block B: Marange Resources
Block E: MDC mine
Block F: MDC (reserved)

(Source: DMC, 2011. Concessions shown on same Topgraphic map as Fig. 1))

DMC has also obtained the titles to Block F, adjacent to its Block E diamond mine. At present no activities other than surveying and prospecting have been reported. The area has also not been fenced, and at present seems almost completely unaffected. The DMC management has indicated that while mining is proceeding in Block E, it will gradually prepare Block F for mining. To this effect, the DMC management has proposed a further investment of $15,000,000 to double the production capacity of the mine.

Geology

In stark contrast to the other active diamond mines in the Marange diamond fields, neither Block E nor Block F seem to contain the rich Umkondo diamond bearing conglomerates that outcrop to the East. Consequently, Block E and F only contain "classic" alluvial deposits resulting from the erosion of the diamond bearing formations, collected over the long continental history of the Marange area. As not only Umkondo conglomerates, but also diamond bearing kimberlites are known to occur in the catchment areas of the (now) seasonal river systems draining to the West, it is to be expected that the diamond footprint of Block E (and F) should be significantly different from those concessions mining mainly Umkondo conglomerates. The depositional processes involved (flash flooding, sheet wash, gully formation and deposition) tend to favour high energy transportation, resulting in significant destruction of heavily flawed or cracked diamonds. This natural, river-induced, sorting process significantly affects the quantity negatively, while increasing the overall quality of the deposited diamonds ('survival of the fittest').

In Block E, especially the Makodzi and Chimberero floodplains and lower terraces are promising. This is further demonstrated by the numerous signs of (mostly) superficial illegal diggings throughout this area, but most prominently visible around the Chiadzwa Primary School.

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In the East of Block E, the thickness of the sediments deposited on the saprolitic bedrock (mostly granites, gneisses, dolerites and other Archean basement rocks), varies between 3 to 5m, increasing to the West. In Block F, initial work has indicated overburden thicknesses of >10m. This may also explain why relatively little disturbance from illegal diggers has been observed in that area, but this may also negatively affect the commercial value of this concession. The eventual discovery of potholes is likely in "E" and could significantly increase the value of this concession.

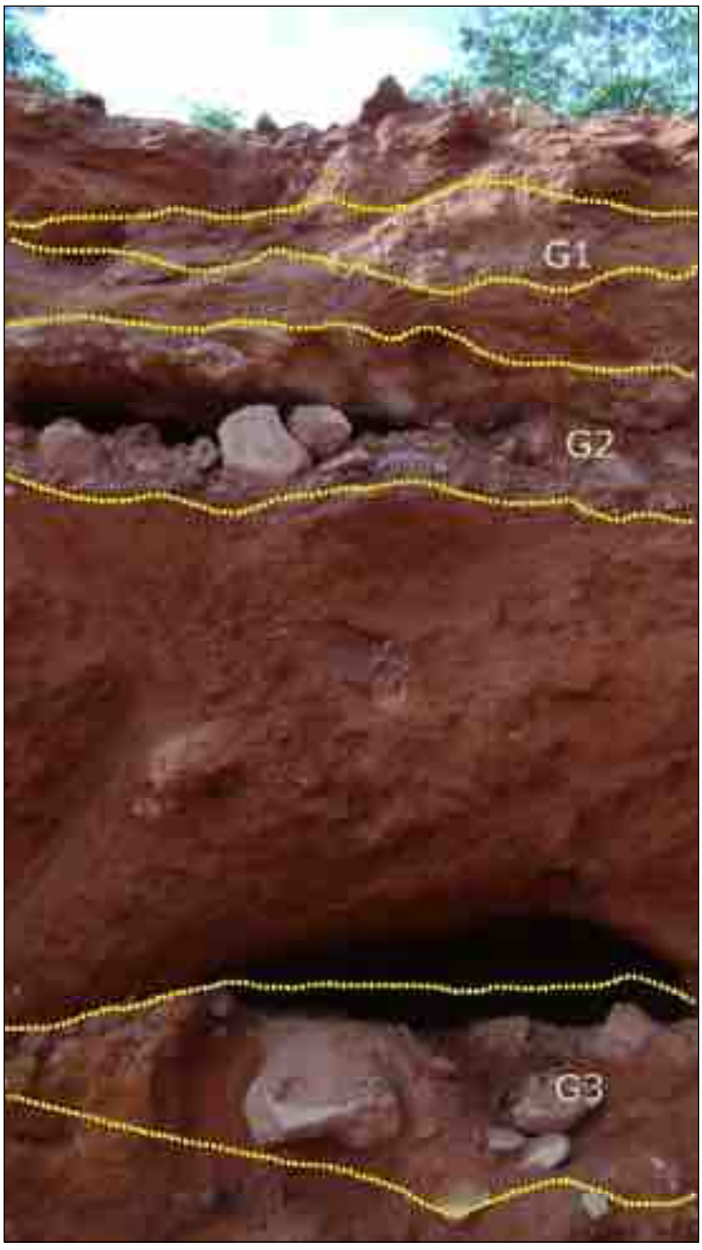

Fig. 3: Alluvial deposits near Chimerero Dam visible in mining trench.
The alluvial deposits that are being mined, mostly contain 3 separate gravel layers (G1-G2-G3), consisting of mostly angular and unsorted quartz, dolerite and Umkondo sediments-pebbles and clasts. However, remarkably few fragments of the diamondiferous base conglomerate are encountered. The gravels vary wildly in thickness from a few centimeters to >1m. The orangy-brown intercalations between the gravels consist of sandy loam with minor clasts.

The picture clearly shows the extent of the illegal diggings in the area that was once one of the most popular sites, where thousands of "panners" competed for the best spots. The comparison with an ants hill is not far fetched. In certain areas, <10% of the original ore remains, the bulk being removed by panners.
The extensive multi-level tunneling still poses serious safety issues as cave-ins are frequent when moving mining equipment around.

The richest gravel layer yields approx. 2.0ct/Ton; the intermediary layer yields approx. 1.5ct/Ton; the poorest layer yields approx. 0.5ct/Ton. Before the rains the yield averaged 1.36ct/Ton, that sank by dilution to 0.95ct/Ton in December 2011, due to the heavy rainfall. These yields are much lower than those of the conglomerate ore, but are still higher than in other comparable alluvial deposits, elsewhere.

The section pictured measures 3.5m from the surface down.

(KPMT- MVB, 2011)

Production Footprint

The production footprint of the DMC alluvial diamond mine was obtained after sorting the whole diamond production from August 2011 to end of November 2011, or 427,847.76 carats, at the DMC Sorthouse in Harare. Of this amount 34020.2 carats(7.96%) are Gem Quality Diamonds. A total of

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392808.74 carats(91.81%) fall in the Near Gem Diamonds category, and this contains as well "near gems ss" as "dead boart" (Industrials). Because of the very limited amount of Boart, the DMC management has opted for the commercial decision not to break up Near Gem and Industrials, and presenting these as a single item. After Defalsing, 958.82 carats (0.22%) have been identified as False (i.e. non diamond minerals).

For the detailed Size Frequency Distribution (SFD), a total of 3605.5 carats (760 stones) was examined consisting of 1588.19 carats of Gems, and 2017.31 carats from the Near Gems (containing near gem and boart).

The Marange diamond footprint as developed and updated by the WGDE remains valid as the diamonds produced at the DMC diamond mine are generally well within these parameters. As could be expected in alluvial deposits, better qualities recovered correlate well with a significant decrease in yield (ct/Ton). This equates with a proportional decrease of diamonds of group#1, in comparison with the Marange diamond footprint (WGDE, 2008).

4.a

Fig. 4: Typical features of DMC diamond production.
4.a. Yellowish green, green, and some green-black sorted parcels.
4.b. Small parcel of typical brown gem diamonds.
4.c. Typical oxidation features (Fe-(hydr)oxides in cracks).
4.d. Bottle green diamonds.
4.e. Typical elongated green Octa with smooth and shiny surface.
4.f. Green and brown radiation spots on green elongated Octa.

4.b

4.c

4.d

4.e

4.f

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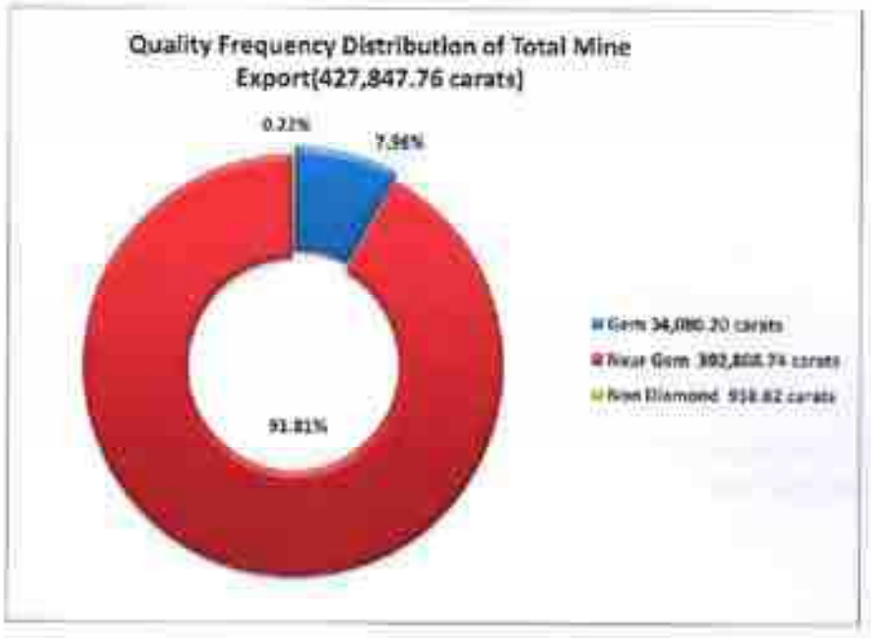
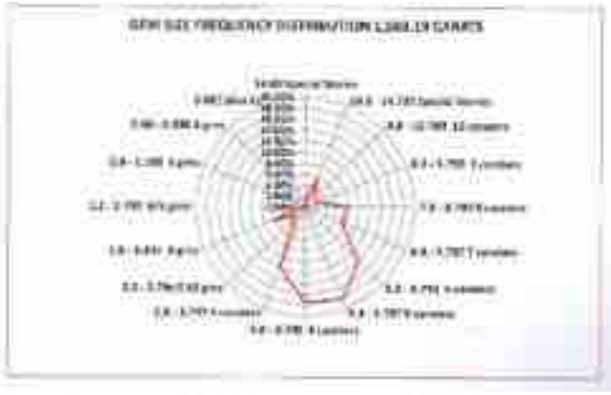
COMPLIANCE VERIFICATION OF DIAMOND MINING CORPORATION
December 2011 - January 2012

Table I: Production Footprint of the DMC diamond mine.





Gem: Sawables- 33.61%; Makeable - 66.37%
Average size: 4.75ct (largest >40ct)

Near Gem
Average size: 4.73ct

Crystal Morphology : mostly Octa and Dodec. Many Octa elongated. Some maccles (<1%) and some rounded. No cuboids.

Surface Features: Lightly frosted to moderately coated. Green and brown spots abundant. Many Octa show trigons. Others show pitted surface. Some heavy roundeds. Roundeds showing abrasion halfmoon cracks, and are always frosted.

Colour: mostly yellowish green (54%); green (27%); bottle green (5%); green black (4%); brown (7%); oxide (3%).

Fluorescence: Gem: (Blue) Str: 5.8%- Med : 4.8%- Faint : 5.5%- Nil : 81.9%
(Grn) Str: 0.2%- Med: 0.2%- Faint : 1.6%
Near Gem: Nil: 100%

(Source: DMC Valuation, December 2011)

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Mining

Mining is a 24/7 operation at the DMC diamond mine. This is accomplished with a workforce of approximately 455 workers (end of December 2011) of which 300 security agents, consisting of 95% Zimbabwean nationals and the remainder South African, Lebanese and Indian expats. Approximately 29 mining vehicles (mostly CAT, Man, Toyota) are in operation.

Fig. 5: Panoramic view (180°) of the mining front at the Chimberero Dam alluvial deposits.
On the right, a watchtower and the pink zone fence are just visible. This picture was taken on 6 January 2012 after heavy rains. The trench follows the Chimberero River that is dry most of the year. The dark patch in the middle represents a deep gully or pothole (>8m deep) being excavated.

The alluvial deposits are mostly loose sandy loam and gravel deposits that may be covered by silcrete/calcrete at places. Only the top soil with vegetation is pushed aside. Due to the disturbance (mixing of layers) caused by the panners, everything else needs to be considered as ore, causing considerable dilution. The ore is excavated and loaded on ADT's[1] that present the ore for dry screening (Fig. 6). The classified ore is than trucked (Fig. 7) to the diamond processing plant.

Fig. 6: Trommelscreen to concentrate the ore.
Oversized boulders and rocks, as well as the smallest fractions, are removed using a trommelscreen or a vibrating sizing screen (Sandvik-not shown).

Fig. 7: CAT front loader scooping the concentrated ore on MAN dump truck.

Dump trucks that are carrying ore to the processing DMS[2]-plant, are logged when leaving the pink zone and are carefully monitored by security agents along the mining road (within the concession's perimeter fence) to the DMS-plant (red zone). In case of mechanical breakdown, a security guard will be immediately despatched. If extended or overnight repair is necessary, the gravel hauled will be transferred to another truck and offloaded at the DMS-plant.

[1] ADT: Articulated Dump Truck (CAT)
[2] DMS: Dense Medium Separation. By mixing ferro-silicon, aka"fesi", as dense medium with water in a cyclone, heavy minerals such as diamonds can be separated by gravity.

In accordance with the security measures applicable at the mine, workers may not pick up fallen objects or pick up identified diamonds at the mine site. Security agents need to intervene and report on these incidents.

Reclamation of the mined out area downstream of the Chimberero Dam is still in the planning phase and will be executed in accordance with the recommendations of the Environmental Impact Assessment Plan (ARUP Zimbabwe (Pvt) Ltd.: 4348- October 2010).

Diamond Processing Plant

DMC currently operates a single diamond processing plant located in the heavily guarded and fenced Red Zone, with a front end capacity of 200T/hr, but is planning to double its processing capacity in 2012. The diamond processing technology and complete equipment are from South Africa's Bateman and Bond Companies, boasting a state-of-the-art DMS-plant with a 100T/hr capacity[3]. As the DMS-plant operates inside the high security zone, all operations are under close CCTV-monitoring and operate completely hands-off. All sensitive areas within the DMS-plant are shielded with screens that are locked for security. After processing, the highly diamondiferous concentrate is tubed into the bin feed of the sort plant.

The day to day running of the plant is guided by the company's operational procedures and the security and health and safety policies. Process water is piped in from a pumping station on the Sabi River. Spent water from the processing plant is reused after sedimentation in a storage tank.

Sort Plant

The sort plant is located in the Red Zone and consists of a secure building with tight security and procedures that are reminiscent of the procedures applicable at the Anjin diamond mine.
The tubed in concentrate from the DMS-plant is fed into a feedbin connecting to tower-mounted X-ray separators (Flowsort) that separate the feed into "Gems" and "Other". The latter is screened for size into 3 different size-groups: "Coarse", "Middle" and "Fine". The x-ray positive or "Gem" fraction is fed onto a slowly moving conveyer belt in a secure glove box with CCTV monitoring and supervision by DMC security guards and ZMDC and CID representatives, where sorters pick the diamonds from the belt with tweezers and collect them in a tube to be transferred to a locked dock box that is fixed to the glove box (Fig. 8).
At the end of the shift, or when full or other necessity, removing the dock box requires different keys and only when the dock box is sealed thight can it be removed from the glove box. This is done in the presence of a representative of the Sort Plant management, a dedicated DMC security agent, an agent of MMCZ and an agent of the (Police) CID - Mineral Unit . The sealed dock box containing the diamonds is then weighted and the approximate weight of the diamonds is recorded in a ledger. The sealed dock box is then transferred to the vault for safe keeping until the next shift, or when full,

Fig. 8: Picking diamonds in the "Fines" glove box.

[3] DMS running -on average- at 65-70T/hr.

until being transported ("exported" according to the mine's procedures) to the DMC Sort House in Harare.

The Coarse-, Middle-, and Fine-fractions are fed into a different sort room, on 3 individual conveyor belts in secure glove boxes. The followed procedure is identical to that of the Gems-room. In all cases, the non diamonds, mostly rock fragments, are collected as 'tailings' and will be fed into the DMS-plant all over again.

Comments:
- Remarkably, the different glove boxes in the different sort rooms were marked "D" (Gems room), "C" - "M" and "F" ("Other" room) probably in anticipation on a request that the KP Monitoring Team would have certainly made. If any recommendations that the KP Monitoring Team would make at any diamond mine, would be replicated at the other mines as easily, than much of the work would already be done.
- Although the weight of the empty dock boxes is well known, the weights of the diamonds contained in the dock boxes obtained by subtraction of the empty weight from the full, can only be approximate. Accurate production figures can only be obtained after defalsing and cleaning at the Sort House in Harare. However, discrepancies are to be expected not to be more than a few percents of the total weight.

Vault

The vault or strongroom containing the sealed dock boxes is located within the red zone (highest security level) close to the sort rooms. During the visit on 9/12/2011, 4 dock boxes were found stored in the vault (B1-B2-B3-D2), and 4 dock boxes (A1-A2-C1-D1) were in use in the sort rooms. The gross weights were checked with the reports in the daily ledger.

Table II: Diamond Production of DMC since the start of the mining operations (August 2011).

2011	Tons Proc.	Ct recovered	Ct/Ton
August	52935	76760	1.45
September	65608	105630	1.61
October	82402	123610	1.50
November	72596	76623	1.06
December	77407	73349	0.95
Totals	350948	455972	1.30

- First shipment of approx. 428000ct exported to SHE on 19/12/2011.
- Stock left at DMC mine on 19/12/2011 was 0 (zero)ct.
- Production 19-31/12 was 27972ct.
- Production 1-16/01/2012 was 64623ct.

Fig. 9: Heavily fenced and guarded Red Zone containing the sort plant with the sort rooms and the vault where the production is kept until exported to the DMC Sorthouse (SHE) in Harare.

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COMPLIANCE VERIFICATION OF DIAMOND MINING CORPORATION
December 2011 - January 2012

Security

The 24/7 security system that has been put in place to secure the mining area and the produced diamonds, consists of a multilayer "redundancy" approach. Four security zones are identified based on risk assessment: Green is for areas outside the perimeter fence (outside the concession); Blue is for areas within the perimeter fence without particular importance or risk involved. Until the relocation programme is completed, a small group of villagers remains in this area and move around with their cattle; Pink is for high risk areas such as actual mining sites that have their own fences; and finally Red is for the highest risk zones including processing plant, sort plant and vault area (Fig. 9).

"Passive" security features include the large perimeter 2.5m high diamond mesh fence with razor wire at top and bottom, that encloses the whole property. Furthermore the Pink and Red Zones have their own "fences within fences" adapted to the security risk involved. All fences and all vital components of the mining and processing operation are CCTV- monitored from the CCTV- monitoring centre in the Red Zone. Solar-powered cameras with nightvision monitor the areas that illegal panners may target, and other zones with particular security risks. All images are permanently stored on banks of "time machines". Hence, digital video footage can be retrieved in case of incidents.

Fig. 10. Solar-powered camera array guarding the mining road that connects the Pink and Red Zones.
All cameras have 360° autonomies and nightvision capability. Behind the camera pod, a watchtower with floodlight is just discernable.

Blue Zone – Concession perimeter fence

In contrast with the fences of the Pink and Red Zones, the perimeter fence around the concession (Fig. 1) is not fully closed as to allow villagers with their cattle to freely roam. Also important to note is the fact that two schools are still in operation within the concession, the Chiadzwa Primary School catering for children of the local community, but also the adjacent Gandauta Secondary School that receives pupils from the whole area. As the grounds around the schools are scheduled to be mined, the School Boards have recently decided to move the schools outside the area. That DMC is fully aware of the risks involved, can be judged from the following excerpt from their "Corporate Social Responsibility Plan":

> " … Diamond Mining Corporation (DMC) treats in the most humane way the issue of relocation and rights of the people living inside its concession area. It is true that DMC created a fence to protect the boundaries of its concession area even though local families still reside in the area. DMC never intended for the fence to create hardships and difficulties for the people as voiced by them during meetings with their leaders. We respect the right of the people to grow their crops. The right to earn a living, the right to educate their children and above all the right to move without restrictions as it is our belief that freedom is a basic humanitarion right that should not be denied to any person. Based on that and on the pleas of the people, the decision was taken that as long as there are families living inside the concession area, openings in the fence will remain to cater to the basic freedom of the people. …
> …We will do our best to combat the security threats that come along with our decision and our success on the ground is a great testament to how right our decision making was. DMC will accelarate the completion of relocation homes and move the affected families as soon as their

homes are ready and all their basic needs can be provided for. Once families are moved out, their homes inside the concession area will be destroyed and openings in the fence will be closed. …"

In December 2011, 18 openings in the perimeter fence still existed. This amount is now being reduced to 10, following discussions with Headman Chiadzwa and Chief Marange, and will continue to be reduced in step with the advancement of the relocation programme. Baton-armed DMC security guards with walkie-talkies are permanently guarding these openings to allow residents, students and other accepted visitors access, while stopping illegal panners from intruding, especially during nighttime.

That these measures are necessary is proven by the amount of security incidents. In December 2011 alone, 32 incidents, including the theft of 100m of security fence (!) on the SE of the perimeter - near the Chiadzwa Primary School-, have been reported. The report mentions further that this area had been invaded 3 times before. During the same month, 8 illegal panners have been apprehended by DMC security guards and handed over to the Diamond Base Police station for further action, whereby about 170kgs of gravel was recovered.

Pink Zone - Active mining area

The Pink Zone has its own security fence mainly to keep intruders out. Its perimeter is guarded using watchtowers with floodlights and mobile CCTV-camera pods (solar-powered), and security patrols. A particularly difficult issue is keeping this security fence intact during the (short) rainy season when torrential rains fill the -mostly dry- Chimberero riverbed in very little time, and the resulting flood destroys anything in its path (Fig. 11). It is obvious that maintaining the Pink Zone's enclosing security fence will remain a constant struggle against the elements. However, there is no better alternative available to protect the alluvial deposits against predation from intruders. This remains especially crucial, as long as the concession perimeter fence has not been completely closed. As such, it is an important element in the fight against illegal digging and smuggling.

Fig. 11. DMC's "fence team" putting up the Pink Zone's security fence in the riverbed of the Chimberero River after torrential rains. As the image (taken on 6 January 2012) shows, only a few days after the heavy rains, the riverbed has almost dried out completely, providing a perfect pathway for intruders. Watchtowers with floodlights on either side, provide additional security.

Red Zone - Processing plant, sort plant and vault

Included in the "active" security are approximately 300 (private) uniformed DMC security guards, and another 60 commercial security agents (Hightide Security/ Fawcett Security). They are on 'static' duty such as manning watchtowers with floodlights, watching over all Pink and Red areas, registering entries and exits and performing body searches on all persons (staff and others) entering and leaving Pink and Red areas.

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The extensive CCTV-monitoring has already proven to be invaluable, as a number of security breaches and incidents have been discovered due to the alertness of the CCTV-monitoring crew and automated processes. The most flagrant incident involved 3 workers in the Red Zone that on 14/11/2011 were shoveling spill-over of the concentrated ore-feedbin. The body-language was interpreted as suspect, and when confronted by security agents, one of them was found to carry concealed diamonds. Later, the 3 men were handed over the Police. A DVD with the incident as recorded from different camera angles has been made available to the KP Monitoring Team.

Duties

Security guards run patrols along all the fences, on foot and in cars. There are no dog patrols. Barracks constructed in the Blue Zone within the concession perimeter fence, house up to 360 security guards.

To improve on the general security of the whole Marange diamond fields, weekly meetings between the security heads of all the mining companies in the area and the Police are organised at the Diamond Base Police Station in order to exchange security related information.

Duties performed by DMC's and commercial security guards as described in the General Procedures:

- Armed (shotgun) guards are deployed on all key points within the red zone.
- Other baton-armed guards are deployed at all sites, watchtowers to protect company assets and equipment.
- Security guards deployed at the pink and red zones control people and vehicle movement, register and search all persons and vehicles.
- Security guards with metal detectors ensure that prohibited material or substances entering the processing area are not allowed.
- Security guards deployed in the access control of and within the sort plant strictly control and register all activities. Search procedures are implemented when the sorter intends to leave the sort plant area. Armed guards will strictly enforce the procedures governing the sealing and removal of dock boxes in assistance to ZMDC, MMCZ and CID agents present.
- Security guards monitor dump trucks carrying diamond ore and enforce the procedures applicable to all ore deliveries to the processing plant.
- Security guards and a member of the CID and MMCZ will weigh and duly register dock boxes that are transferred from the sort rooms into the vault.
- Security guards participate in the preparation and escort of the "export" of the product to the Harare Sort house (SHE).

Export

DMC has provided detailed information concerning the "export" or transferral of the diamonds produced to the DMC Sorthouse in Harare. Accompanied by armed escorts from a special intervention unit of the Police, the trunks containing the sealed dock boxes will be trucked in an armoured vehicle from a specialised security company to the airfield in Mutare. There the trunks will be transferred to a fixed-wing aircraft and will be accompanied by armed police and security guards and CID- and MMCZ-agents to Harare, where another armoured vehicle with armed escorts will deliver the trunks to DMC's Harare Sorthouse.

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Comments:
- The visits revealed that comments made by the KP Monitoring Team during the Anjin compliance verification, had already found there way to the DMC diamond mine and had already been implemented.
- The KP Monitoring Team noted with appreciation the extreme politeness and at the same time the rigidity in the application of the security procedures by the security guards on duty. This attitude seems rewarding and has been explained as a consequence of the discussions held with the communal chiefs that resulted in a "soft power" approach with neither aggresive dogs nor heavily armed patrols. Warding off agressive intruders, however, may than heavily depend on the speedy and succesful communication between security guards on patrol and their chain of command, resulting in an adequate and immediate response eventually involving police intervention.

Conclusion

The processes and procedures witnessed at Diamond Mining Corporation (DMC) diamond mine in the Marange diamond fields, allow for full traceability and transparency of the rough diamond flows. The security measures observed are well above minimum expectations but the particular security risks in this concession, require continuous vigilance and continuous reassessment of the effectiveness of the implemented security measures. Consequently, the KP Monitoring Team considers the DMC diamond mine and the processes and procedures to be fully KPCS compliant.

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DMC Sorthouse

A preliminary visit to the DMC Sorthouse took place on Saturday 10 December 2011 to establish whether the premises were ready to receive the diamonds from the DMC diamond mine. The KP Monitoring Team consented with the export of the diamonds produced from the mine to the sorthouse, so that the production footprint would be ready upon the return of the KP Monitoring Team, and the processes and procedures could be verified. The sorthouse KPCS compliance verification visit occurred on Saturday 7 January 2012.

DMC's sorthouse is located in a residential suburb of Harare in a transformed residential house. The building hosts the cleaning, sorting, client viewing rooms, a separate administration office and CCTV control room, and the "import zone" where trunks with dock boxes transferred from the mine will be "imported".

The building's yard is completely walled and the latter is topped with high security fencing. Apart from DMC's own security agents, also agents of commercial security companies are on the premises. Further security is provided by a 24/7 detail of heavily armed police officers from the special intervention unit that is also involved in the transferral from the mine to the sorthouse, that are patrolling the yard.

Workflow

The work at the sorthouse consists mainly of importing the shipments from the mine, take out the non-diamond minerals, and clean the diamonds. Sieving is optional as most of the DMC production arrives pre-sorted on size (Coarse, Medium or Fines). The diamonds will then be sorted and valued. Finally, depending on the marketing conditions, parcels will be made ready for viewing by clients. At the end of the buying (tender) process, the parcels will be made ready for export and certification and sealing by MMCZ.
A maximum of 4 expert sorters and trainee sorters can be accomodated at the sortroom. Operations will be on a one 8hr shift only.

IMPORTING > DEFALSING > CLEANING > (SIEVING)> SORTING > VALUING > EXPORTING

Importing
As no import was planned at the momemnt of the verification visit, the procedure was explained and discussed using the documents of the first import on 19/12/2011. Registration, verification of the double seal numbers (1 DMC seal + 1 MMCZ seal) and weighing precede the cutting of the one-time seals.

Defalsing
After weighing and preparing a dedicated worksheet, non diamond minerals are identified and removed from the batch. These are separately weighed and recorded and are retained for future reference. The "false" amounted to <0.5%.

Cleaning
Cleaning is done with a mild ultrasonic wash ("limesolv" or equivalent) in a sealed metal mesh funnel. After drying the weight is recorded and the weight loss is calculated.

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Sieving
After cleaning, the diamonds can be optionally (if coming from the "Gems" sort room) sieved using normal commercial diamond sieves with round holes, as is the standard in the industry.

Sorting
The main job of the sorters is to distinguish between gem - near gem - boart. The standard tools are used.

Valuing
After sorting, parcels are made ready for sales, and "fair market values" are asigned to each individual parcel.

Exporting
After sales, goods will be made ready for export from the sorthouse. However, first the shipment will be duly sealed and a KP Certificate will be issued by MMCZ

Security

Fig. 12. CCTV-control room at the DMC Sorthouse.

The same security protocols and procedures apply as within the Red Zone at the mine site. All duties have been properly described in the Sorthouse Operational Procedures. Sorthouse security is on a 24/7 regime comparable to that at the mines site. All areas are under constant CCTV- monitoring, and all camera-feed is captured on "Time Machines", that can be retrieved upon request and viewed at the CCTV- control room. No blind spots have been encountered. All visitors and staff are duly registered at the guardhouse at the entrance, and must be body- searched upon leaving.

Conclusion

The processes and procedures witnessed at the DMC Sorthouse allow for full traceability and transparency of the rough diamond flows. The security measures observed are far above minimum expectations. Consequently, the KP Monitoring Team considers the DMC Sorthouse and the processes and procedures to be fully KPCS compliant.

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DMC relocation programme

Community profile and the relocation

All villagers affected by diamond mining in the Marange diamond fields are in the process of being relocated to the ARDA Transau Estate near Odzi, W of Mutare. Following a survey conducted by the Provincial and District Administration's Office, 6 villages will be affected (Chiadzwa, Kuudzehwe, Maora, Rambai, Tarindwa and Tinoengana) and 114 families/homesteads were confirmed living within DMC's "E" concession and need to be relocated as well as 2 schools. Most of these families are from low income backgrounds and minimall skill levels, and rely on subsistence farming of millet and maize and cattle raising. The direct needs of the communities affected include electricity, potable drinking water, farming inputs and supplies, medical assistance and better equipped schools. DMC relied on the suggestions and requests and recommendations of the Headman of Chiadzwa and Chief Marange as spokespersons for their communities.

Corporate Social Responsibility Plan

The resulting "DMC Corporate Social Responsibility Plan" (cfr. Box 1) takes these recommendations into account as well as the approved plans for relocation established by the Mutare Rural District Council (MRDC), that are applicable to all relocation plans of all the operating diamond mines in the Marange area.

Box 1: MDC Corporate Social Responsibility Plan

- Creation of employment opportunities for local population
- Sharing and providing of basic services to the area
- Training and skills transfer to local population
- Creation of scholarship program to benefit gifted students
- Introduction of computers and internet access to schools
- Refurbish local clinics and schools
- Distribution of farming inputs and supplies (food hampers)
- Sponsorship of local sports and cultural events
- Develop and modernize diamond industry in Zimbabwe.

- DMC has already started with implementing its CSR plan by recruiting and training most of its (non-security related) workforce from the local area.
- In addition, water taps along its 7km-pipeline from the Sabi River to the processing plant, have been installed to provide much needed water supply to the families still residing in the area.

ARDA Transau Estate

Up to now, 21 families of which the homesteads were located within the Pink or Red Zones, have been relocated to the ARDA Transau Farm on land that has been made available by the Government. In effect, the communities have not been dispersed, but as each miner has been developing a different sector of the Estate, the communities have been kept together. To this effect, houses have been built according to the specifications as defined by the MRDC for all relocated families affected by one diamond mine or

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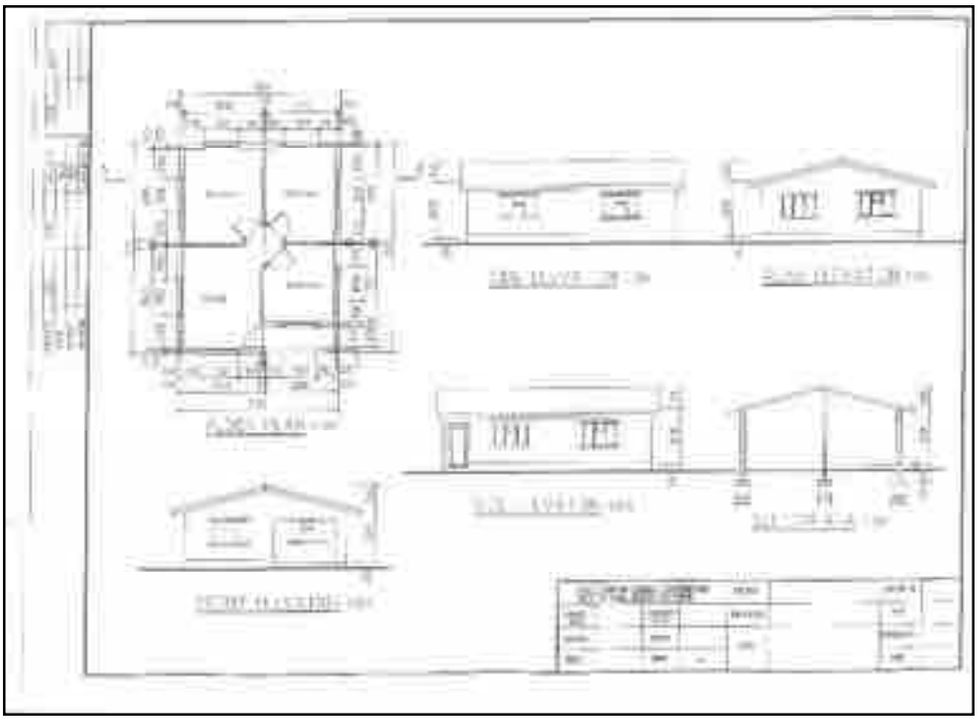
another. All homesteads exhibit more or less the same floorplan (4 bedroom/3 bedroom), and have a separate rondavel (kitchen) and outdoor toilet and sit on a 1 hectare piece of land . DMC has put in solar power and has provided with sufficiently deep boreholes (to avoid running dry) per number of families.

Fig. 13. Map of the DMC relocation "village" at the ARDA Transau Estate.
Yellow: 114 homesteads; Dark: tarred roads; Pink: school, clinic, church; Blue: commercial centre.

Fig. 14. 3 bedroom house under construction at the DMC "village" at ARDA Transau Estate.



DMC has budgetted the total cost of the relocation programme for 114 families to the Arda Transau Estate at $7.5 million, of which $35,000 to $50,000 for the construction cost per homestead.

Fig. 15: Floorplan of standard 3 bedroom house as approved by the MRDC for the ARDA Transau relocation programme.

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As part of the due diligence preparatory work for the relocation programme, valuators of the Ministry of Public Works have conducted valuations of the homesteads that had to be relocated.

a

b

Fig. 16. Traditional homestead in Chiadzwa vs. standardized homestead at ARDA Transau relocation settlement. a. Homestead with rondavel in Chiadzwa that will be destroyed after the relocation of its inhabitants; b. to a standardized 3 bedroom homestead with traditional rondavel and outdoor toilet at the DMC"village" at ARDA Transau Estate.

DMC"village"

- By end of 2012, all 114 families living inside the consession will be relocated to a fully functional DMC"village" with roads, school, clinic and community centre.
- All families with their cattle will be relocated upon finishing of the homesteads with solar powered home, rondavel, borehole water and outdoor toilet on 1 hectare of land.
- Families receive a one off $1,000.- Disturbance Allowance Allocation and three month food hampers until the first crop.
- Each family will be allocated 0.5 hectare of farming land with irrigation system and distribution of seasonal farming inputs.
- Construction of a school with playground and computer room to cater to the educational, social and physical needs of the children at the relocation area.

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Final Conclusion

Based on the documents provided and on the findings during the compliance verification visit to the Diamond Mining Corporation (DMC) Mine at Marange and the Diamond Mining Corporation (DMC) Sorthouse in Harare from 9-10 December 2011 and from 5-7 January 2012, the KP Monitoring Team on Marange concludes that all operations and procedures are deemed fully KPCS compliant on 16 January 2011.

The KP Monitoring Team on Marange,

(signed) (signed)

Abbey Chikane **Mark Van Bockstael**

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COMPLIANCE VERIFICATION OF DIAMOND MINING CORPORATION
December 2011 - January 2012

ANNEX I: INVITATION LETTER TO KP MONITORING TEAM IN RELATION TO ORGANISING A KPCS COMPLIANCE VERIFICATION VISIT OF THE DIAMOND MINING CORPORATION'S FACILITIES

ZIMBABWE

MINISTRY OF MINES AND MINING DEVELOPMENT

7 December 2011

The KP Monitoring Team
Messrs: Mark van Bockstael
Abbey Chikane

RE: VERIFICATION OF DIAMOND MINING CORPORATION'S COMPLIANCE TO KIMBERLEY PROCESS MINIMUM REQUIREMENTS

Diamond Mining Corporation (DMC) is ready to commence export of its diamonds produced from the Marange area of Zimbabwe

In that respect Zimbabwe is inviting the KP Monitoring Team to visit Zimbabwe to verify compliance of DMC's operations with KP minimum requirements from 10 to 11 December 2011

Accordingly, my Ministry has assessed DMC's diamond mining operations, from point of mining to point of export, and is satisfied that these operations meet the minimum requirements of the KP.

PERMANENT SECRETARY MINISTRY OF MINES & MINING DEVELOPMENT
07 DEC 2011
BAG 7705, CAUSEWAY

P. Mupazviriho
SECRETARY FOR MINES AND MINING DEVELOPMENT

Cc: Working Group on Monitoring Chair – Mr. Stephane Chardon
KP Chair – Hon. Mathias Yamba
Minister of Mines and Mining Development – Hon. Dr Obert M. Mpofu (MP)

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COMPLIANCE VERIFICATION OF DIAMOND MINING CORPORATION
December 2011 - January 2012

ANNEX II: LIST OF DOCUMENTS RECEIVED FROM DMC

1. Memorandum of Agreement between ZMDC and Pure Diam concerning the creation of a joint venture company (29 October 2010).
   -b. Form No. C.R.14 Companies Act: Diamond Mining Corporation (Pvt.) Ltd (2 November 2010).
   -c. Certificate of Incorporation (3 November 2010).

2. PureDiam DMCC- Chiadzwa Diamond Mining - Environmental Impact Assessment Report, by ARUP Zimbabwe (Pvt.) Ltd: 4348 (October 2010).

3. DMC- Mine: General Procedures (1 December 2011).

4. DMC- Mine: Operational Procedures (1 December 2011).

5. DMC- Mine: Metallurgical Procedures (1 December 2011).

6. DMC- Mine SHE: Health & Safety Procedures (1 December 2011).

7. DMC- Marange- Standard Operating Procedures for Security (no date).

8. DMC: Diamond Footprint Report (no date).

9. Executive Summary Report (December 2011).

10. DMC- Marange Diamond Project Folder (4 January 2012).
   - Introduction
   - General Geology of Marange
   - Boundaries of the Concession
   - Human Resources Report
   - Corporate Social Responsibility Plan
   - Relocation Data
   - Relationship with Government Institutions

11. DMC- (Supplier) Company Profiles Folder (no date).

12. Collection of Worksheets and related documents concerning the export of Dock Boxes from the DMC mine to the DMC Sorthouse in Harare (SHE) on 19/12/2011.

13. Tonnages and Downtime for 2011 Report (January 2012).

14. DMC Procedures for Apprehending (no date).

15. DVD showing recorded security incident (14/11/2011) within Red Zone.

16. Set of Floorplans of Homesteads at the Relocation area at Arda Transau (no date).

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Diamonds.net

Diamonds.net - Zimbabwe Sells 500,000 Carats of Marange Rough

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I, the undersigned,

Martinus Mamphenyane Mononela ID No.: **5605215197089** residing at: **112 Hillside Street, Silver Lakes Golf Estate, Silver Lakes**

hereby make oath in English and state that:

1.

The facts herein contained are true and correct and are within my personal knowledge unless otherwise indicated expressly or by the context hereof.

2.

2.1 I am an adult male, currently employed as the General Manager: Legal Services by the South African Diamond and Precious Metal Regulator ("the Regulator") and I herewith confirm that I am authorised to depose this statement.

2.2 The Regulator is a juristic person established in terms of the Diamonds Act 56 of 1986, as amended ("the Diamond Act"). It has its place of business at 251 Fox Street, City and Suburban, Johannesburg.

2.3

2.3.1 The objects of the Regulator include, *inter alia* ensuring that the diamond and precious resources of the Republic are exploited and developed in the best interest of the country.

2.3.2 The Regulator is authorised in terms of the Diamonds Act 56 of 1986, as amended ("Diamonds Act") to issue licences, permits and/or certificates related to purchase, sale, export or import of diamonds.

3.

On the 12th December 2019, the Regulator was requested by the Commission of Inquiry into State Capture ("the Commission") to prepare this statement to confirm whether the following entities and/or persons are licensed to deal in diamonds in terms of the Diamonds Act (see the attached written correspondence from the Commission dated 12th December 2019:

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3.1 Scarlet Sky Investments 60 (Pty) Ltd;

3.2 Daniel Nathan Trading CC;

3.3 Daniel Mark Nathan with ID No: 7402285156080;

3.4 Kimode (Pty) Ltd; and

3.5 Kubentheran Moodley with ID No: 7108075115083.

4.

Therefore, I hereby confirm the following information regarding the above-mentioned entities and/or persons, as reliably informed by the Regulator's Licensing Division: -

4.1 The Regulator does not have company or a juristic by the name **Scarlet Sky Investments 60** mentioned in 3.1 herein above in its records, neither as a licensee nor otherwise.

4.2 With regard to the juristic person **(Daniel Nathan Trading (Pty) Ltd ("DNT")** mentioned in 3.2 herein above, I hereby confirm the following:

- DNT is a holder of a Diamond Dealer's License **(AP06302/2)** issues on 15th June 2019 and expiring on 04th June 2024. The approved Business Premises for this licence is situated at: Unit 4, Ground Floor, Melrose Boulevard, Melrose Arch, Johannesburg.
- The directors of DNT are Daniel Mark Nathan with ID No: **740228 5156 080** and Stanley Tshabalala with ID No: **491115 5208 089**;
- The authorised representative of this company under licence **(AP06302/2)** was issued to Daniel Mark Nathan on 05th June 2019 and expires on 04th June 2024.
- Before the above-mentioned current dealers' licence, DNT was initially issued with a diamond dealers' licence **(AP06302)** on 13th November 2008 which expired on 12th November 2013. The approved Business Premises under this licence were situated at: 3 Melrose Boulevard, Melrose Arch, Collette Drive, Johannesburg.
- The authorised representative certificates of this company under licence (AP06302) were respectively issued to Daniel Mark Nathan on 11th April 2012 and expired on 13th November 2013 and Dale Horn on 22nd March 2013 and

DBS

GC28_(a)

expired on 12th November 2013 **(see certified copies of the said dealers licence and the authorised representative certificates attached herein for easy reference).**

- The first renewal of DNT's original dealers licence **(AP6302/1)** was issued on 24th April 2014 and expired on 24th April 2019. The approved Business Premises under this licence was situated at: 3 Colette Drive, Melrose Arch, Johannesburg.
- The authorised representative certificates were respectively issued to Daniel Mark Nathan and Dale Horn on 24th April 2014 and expired on 23rd April 2019. Furthermore, on 10th February 2015, DNT applied to the Regulator for the endorsement of an additional Business Premises, which application was approved on 15th March 2015 **(see the certified copies of the said dealers licence (AP6302/1) and the authorised representative certificates attached herein for easy reference).**

4.2.1 I hereby confirm further that, Daniel Mark Nathan had a Diamond Trading House License that was issued under the name Alexander Bay Diamond Company (Pty) Ltd **(AP09849/1),** which expired on 05th March 2020. I am reliably informed by the Regulator's Licensing Division that the Regulator is currently processing renewal application of Alexander Bay Diamond Company (Pty) Ltd;

4.3 On 22nd January 2019, DNT made an application to the Regulator under Trading House Licence (AP09849/1) to change its name to Alexander Bay Diamond Company (Pty) Ltd ("ABDC"), which application for name change was approved on 15th March 2019. Therefore, ABDC's licence was issued on 06th March2015 and expired on 05th March 2020 **(see a certified copy of the said licence attached herein for easy reference).**

4.3.1 Therefore, the directors of Alexander Bay Diamond Company are Daniel Mark Nathan with **ID No: 740228 5156 080** and Martha Radatsoa with **ID No: 760518 0566 084**;

IBS

GC28_(a)

4.4 That Kimode (Pty) Ltd, does not hold any License, permit or certificate. The Regulator does not have any records of the said company;

4.5 That the Regulator does not have any records about a person by the name Kubentheran Moodley, **ID No: 71080 75115 083** nor does it have any license, permit or certificate issued under his/her name;

NB: ALL LICENCES REFERRED TO HEREIN ABOVE ARE ATTCHED HEREIN AS ANNEXURES.

5.

The Diamond Act, with regards to prohibition of possession, purchase and sale and dealing in diamond, provides as follows: -

"18 Possession of unpolished diamonds prohibited

Save as is otherwise provided in this Act, no person shall have any unpolished diamond in his possession unless-

(a) He or she is a producer who has won or recovered that diamond from a mine as defined in section 1 of the Mineral and Petroleum Resources Development Act, in accordance with any, permit, authorization granted to him or her under the Mineral and Petroleum Resources Development or which remains in force under Schedule of the said Act;

(b) He or she has manufactured that diamond, if it is a synthetic diamond;

(c) He or she is a licensee;

(d) He or she is in respect of that diamond the holder of a permit under this Act;

GC28_(a)

(e) He or she is in possession of that diamond in implementing a written agreement entered into by him or her with a person referred to in paragraph (a), (b), (c) or (d); or

(f) he has otherwise come into possession of that diamond in a lawful manner.

19 Sale of unpolished diamonds prohibited

(1) No person shall sell any unpolished diamond unless-

(a) he or she is a producer;

(b) he or she has manufactured that diamond, if it is a synthetic diamond;

(c) he or she is a dealer; or

(d) he or she is the holder of a permit referred to in section 26(h).

(2) The provisions of subsection (1) shall not be construed so as to authorize such producer, dealer or holder of a permit to sell any unpolished diamond which has come into his or her possession in an unlawful manner.

20A Assistance by non-licensed persons prohibited

(1) No licensee may be assisted by a non-licensee or holder of a permit referred to in section 26(e) during the viewing, purchasing or selling of unpolished diamonds at any pace- where unpolished diamonds are offered for sale in terms of this Act, except at a diamond exchange and export centre.

20 Purchase of unpolished diamonds prohibited

No person shall purchase any unpolished diamond unless-

(a) he or she is a licensee; or

(b) he or she is the holder of a permit referred to in section 26(e)

EDS

GC28_(a)

21 Dealing in unpolished diamonds restricted

No person-

(a) referred to in section 19 (1) shall sell any unpolished diamond to any person other than a person referred to in section 20; and

(b) referred to in section 20 shall purchase any unpolished diamond from any person other than a person referred to in section 19 (1).

22 Processing of diamonds prohibited

No person shall polish any diamond or crush or set any unpolished diamond in any tool, implement or other article unless-

(a) he or she is a diamond beneficiator or researcher;

(b) he or she is an employee acting in the course of his or her employment with that diamond beneficiator or researcher; or

(c) he or she is authorized thereto in writing by the Regulator.

23 Erection and operation of machinery prohibited

No person shall erect or operate any machine designed or adapted for the polishing of diamonds unless-

(a) he or she is a diamond beneficiator or researcher;

(b) he or she is an employee acting in the course of his or her employment with that diamond or researcher; or

(c) he or she is authorized thereto in writing by the Regulator.

EBS

GC28_(a)

24 Export of unpolished diamonds prohibited

No person shall export any unpolished diamond from the Republic unless-

(a) he or she is a producer;

(b) he or she has manufactured that diamond, if it is a synthetic diamond;

(c) he or she is a dealer; or (d) he is the holder of a permit referred to in section 26(e) or (h).

60 Export of unpolished diamonds

No exporter shall export any unpolished diamond from the Republic unless that diamond has been registered and released for export in terms of this Chapter.

70 Export of polished diamonds

No person shall export any polished diamond, irrespective of whether it is set in jewellery or not, from the Republic unless that diamond has been registered and released for export in terms of this Chapter.

6

With regard to contravention of the above-mentioned prohibitions, the Diamond Act provides in section 82 and 84 respectively, as follows:

82 Offences relating to illegal acts

Any person who-

(a) contravenes a provision of section 18, 19 (1), 20, 21 or 55;

DJS

GC28_(a)

(b) places any unpolished diamond in the possession, or on the premises or in or on the vessel, vehicle or aircraft, of any other person with intent that such other person be charged with an offence under this Act;

(c) contravenes a provision of section 22, 23 or 24; or

(d) fails to comply with a provision of section 25 (1),

shall be guilty of an offence.

84 Offences relating to export of diamonds

Any person who-

(a) contravenes a provision of section 60;

(b) contravenes a provision of section 70;

(c) in connection with the registration of any unpolished or polished diamond for export wilfully furnishes information or makes a statement which is false or misleading; or

(d) fails to comply with a provision of section 64 (3) or 67 (3),

Shall be guilty of an offence.

86 Offences involving fraudulent conduct

Any person who-

(a) in or in connection with an application in terms of this Act wilfully furnishes information or makes a statement which is false or misleading;

(b) with intent to defraud alters, defaces, destroys or mutilates any register or document under this Act; or

(c) falsely gives himself out-

(i) to be the holder of a licence or permit under this Act;

GC28_(a)

(ii) to be registered as an authorized representative of any juristic person; or

(iii) to be an inspector, shall be guilty of an offence.

87 Penalties

Any person who is convicted of an offence under this Act shall be liable-

(a) in the case of an offence referred to in section 82 (a) or

(b), to a fine not exceeding R250 000, or to imprisonment for a period not exceeding ten years, or to both such fine and such imprisonment;

(b) in the case of an offence referred to in section 82 (c), 83 (a) or 84 (a), to a fine not exceeding R100 000, or to imprisonment for a period not exceeding four years, or to both such fine and such imprisonment;

(c) in the case of an offence referred to in section 83 (b) or 84 (b), to a fine not exceeding R50 000, or to imprisonment for a period not exceeding two years, or to both such fine and such imprisonment; and

(d) in the case of an offence referred to in section 82 (d), 83 (c), (d) or (e), 84 (c) or (d), 85 or 86, to a fine not exceeding R25 000, or to imprisonment for a period not exceeding twelve months, or to both such fine and such imprisonment.

7.

I am familiar with, and understand the contents of this statement. I have no objection to taking the prescribed oath. I consider the prescribed oath to be binding to my conscience.

DBS

GC28_(a)

Signed (Place): Pretoria on this 02 day of June 2020

Signature
DEPONENT

I certify that the above statement was taken before me and that the deponent after having acknowledged that he knows and understands the contents of this statement, has no objection to taking the prescribed oath and considers same to be binding on his conscience.

At (Place) Pretoria on this 02 day of June 2020

Signature
COMMISSIONER OF OATH

1183468-1 Sthoi Lt.
Force number/Rank/ Name- print

GC28_(a)

FORM DTH

Licence Number
AP09849

DIAMONDS ACT, 1986
(ACT 56 OF 1986) As amended

Diamond Trading House Licence

Issued in terms of section 26

Issued to: DANIEL NATHAN TRADING CC
Client Code: 11031

Identity/registration number: 2008/141467/23

Entitled the holder to:

Facilitate the buying and selling of unpolished diamonds locally on premises registered in terms of Section 47 of the Act

On the following approved business premises: 1 RIVER STREET
HOUGHTON
JOHANNESBURG
2196

Conditions of licence (if any):

1. May allow for the viewing of diamonds on the premises
2. Must submit a monthly register to the office of the Regulator on the activities or transactions made on the premises
3. The licence is valid for a period of five years as stipulated in Section 32 (e) of the Act, until 05 March 2020

CHIEF EXECUTIVE OFFICER
S.A. DIAMOND AND PRECIOUS METALS REGULATOR

DATE ISSUED: 06 MARCH 2015
VALID UNTIL: 05 MARCH 2020
SERIAL NO: 1500

SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

1500

GC28_(a)

FORM DTH

Licence Number
AP09849

DIAMONDS ACT, 1986
(ACT 56 OF 1986) As amended

Diamond Trading House Licence

Issued in terms of section 26

Issued to: **ALEXANDER BAY DIAMOND COMPANY (PTY) LTD**
Client Code: 11031

Identity/registration number: **2009/002967/07**

Entitled the holder to:

Facilitate the buying and selling of unpolished diamonds locally on premises registered in terms of Section 47 of the Act

On the following approved business premises: **1 RIVER STREET
HOUGHTON
JOHANNESBURG
2196**

Conditions of licence (if any):

1. **May allow for the viewing of diamonds on the premises**
2. **Must submit a monthly register to the office of the Regulator on the activities or transactions made on the premises**
3. **The licence is valid for a period of five years as stipulated in Section 32 (e) of the Act, until 05 March 2020**

CHIEF EXECUTIVE OFFICER
S.A. DIAMOND AND PRECIOUS METALS REGULATOR

DATE ISSUED: 06 MARCH 2015
VALID UNTIL: 05 MARCH 2020
ENDORSEMENT DATE: 15 FEBRUARY 2019
ENDORSEMENT TYPE: CHANGE OF NAME
SERIAL NO: 3984

SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

3984

GC28_(a)

FORM DD

Licence Number
AP06302/1

DIAMONDS AMENDMENT ACT, 2005
(ACT 30 OF 2005)

Diamond Dealer's Licence

Issued in terms of section 26

Issued To: **DANIEL NATHAN TRADING CC**
Client Code 11031

Identity/Registration Number: **2008/141467/23**

entitling the holder to

Carry on business as a buyer, seller, importer or exporter of unpolished diamonds

On the following approved business premises

MELROSE BOULEVARD
3 CORLETTE DRIVE
MELROSE ARCH
JOHANNESBURG
2196

Conditions of licence (if any):

1. **Buy an unpolished diamond from a producer, other dealer, or permit holder**
2. **Sell unpolished diamonds to a dealer, diamond beneficiator or researcher**
3. **Conduct business on the premises endorsed or approved by the Regulator**
4. **Comply with the Broad-Based Socio-Economic Empowerment Plan as approved**
5. **The licence will be reviewed periodically**
6. **The licence will be valid for a period of five years as stipulated in Section 32 (a) of the Act, until 2019/04/24**

CHIEF EXECUTIVE OFFICER
S.A. DIAMOND AND PRECIOUS METALS REGULATOR

ISSUED DATE: 2014/04/24
VALID UNTIL: 2019/04/24
SERIAL NO: 834

SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

S/No. 0834

GC28_(a)

FORM DAR

Licence Number
AP06302/1

DIAMOND ACT , 1986
(ACT 56 OF 1986)
As amended

Authorised Representative

Issued in terms of section 52 of the Principal Act

Issued To: **Daniel Mark Nathan**

Identity / Passport Number: **7402285156080**

entitling the holder to

Purchase or sell unpolished diamonds on behalf of Daniel Nathan Trading, a Diamond Dealer

Conditions of licence (if any):

Remarks (if any):

CHIEF EXECUTIVE OFFICER
S.A. DIAMOND AND PRECIOUS METALS REGULATOR

ISSUE DATE: 2014/04/24
VALID UNTIL: 2019/04/23
SERIAL NO: 835

SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

SN 0835

GC28_(a)

FORM DAR

Licence Number
AP06302/1

DIAMOND ACT , 1986
(ACT 56 OF 1986)
As amended

Authorised Representative

Issued in terms of section 52 of the Principal Act

Issued To: **Dale Horne**

Identity / Passport Number: **7201035193082**

entitling the holder to

Purchase or sell unpolished diamonds on behalf of Daniel Nathan Trading, a Diamond Dealer

Conditions of licence (if any):

Remarks (if any):

CHIEF EXECUTIVE OFFICER
S.A. DIAMOND AND PRECIOUS METALS REGULATOR

ISSUE DATE: 2014/04/24
VALID UNTIL: 2019/04/23
SERIAL NO: 836

SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

836

GC28_(a)

FORM DD(I)

Licence Number
AP06302/1

DIAMONDS AMENDMENT ACT, 1986
(ACT 56 OF 1986) As amended

Diamond Dealer's Licence

Issued in terms of section 32

Issued to: **DANIEL NATHAN TRADING CC**
Client Code: 11031

Identity/registration number: **2008/141467/23**

Entitled the holder to:

Carry on business as a buyer, seller, importer or exporter of unpolished diamonds

On the following approved business premises: **1 RIVER STREET**
HOUGHTON
JOHANNESBURG
2192

Conditions of licence (if any):

1. **Buy an unpolished diamonds from a producer, other dealer, or permit holder**
2. **Sell unpolished diamonds to a dealer, diamond beneficiator or researcher**
3. **Conduct business on the premises endorsed or approved by the Regulator**
4. **Comply with the Broad-Based Socio-Economic Empowerment Plan as approved**
5. **The licence will be reviewed periodically**
6. **The licence will be valid for a period of five years as is stipulated in Section 32 (a) of the Act, until 24 April 2019**

CHIEF EXECUTIVE OFFICER
S.A. DIAMOND AND PRECIOUS METALS REGULATOR

DATE ISSUED: 24 APRIL 2014
VALID UNTIL: 24 APRIL 2019
ENDORSEMENT DATE: 20 MARCH 2015
ENDORSEMENT TYPE: ADDITIONAL ADDRESS
SERIAL NO: 11852

SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

11852

GC28_(a)

FORM DD(i)

Licence Number
AP06302/2

DIAMONDS AMENDMENT ACT, 1986
(ACT 56 OF 1986) As amended

Diamond Dealer's Licence

Issued in terms of section 32

Issued to: **DANIEL NATHAN TRADING (PTY) LTD**
Client Code: 11031

Identity/registration number: **2016/540891/07**

Entitled the holder to:

Carry on business as a buyer, seller, importer or exporter of unpolished diamonds

On the following approved business premises:

MELROSE ARCH
UNIT 4 GROUND FLOOR
1 MELROSE BOULEVARD
JOHANNESBURG
2076

Conditions of licence (if any):

1. **Buy an unpolished diamonds from a producer, other dealer, or permit holder**
2. **Sell unpolished diamonds to a dealer, diamond beneficiator or researcher**
3. **Conduct business on the premises endorsed or approved by the Regulator**
4. **Comply with the Broad-Based Socio-Economic Empowerment Plan as approved**
5. **The licence will be reviewed periodically**
6. **The licence will be valid for a period of five years as is stipulated in Section 32 (a) of the Act, until 04 June 2024**

CHIEF EXECUTIVE OFFICER
S.A. DIAMOND AND PRECIOUS METALS REGULATOR

DATE ISSUED: 05 JUNE 2019
VALID UNTIL: 04 JUNE 2024
SERIAL NO: 4178

4178

SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

GC28_(a)

FORM DAR

Licence Number
AP06302/2

DIAMOND ACT, 1986

(ACT 56 OF 1986) As amended

Authorised Representative

Issued in terms of section 54 of the Principal Act

Issued to: **DANIEL MARK NATHAN**

Identity/passport number: **7402285156080**

Entitled the holder to:

Purchase or Sell unpolished diamonds on behalf of Daniel Nathan Trading (Pty) Ltd, a Diamond Dealer

Conditions of Certificate (if any):

Remarks (if any):

CHIEF EXECUTIVE OFFICER
S.A. DIAMOND AND PRECIOUS METALS REGULATOR

DATE ISSUED: 05 JUNE 2019
VALID UNTIL: 04 JUNE 2024
SERIAL NO: 4179

SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

4179

GC28_(a)

FORM DD

Licence Number
AP06302

DIAMONDS AMENDMENT ACT, 2005

(ACT 30 OF 2005)

DIAMOND DEALER'S LICENCE

issued in terms of section 26

issued to: DANIEL NATHAN TRADING CC
Client Code 11031

identity/registration number 2008/141467/23

entitling the holder to

Carry on business as a buyer, seller, importer or exporter of unpolished diamonds

on the following approved business premises. 3 MELROSE BOULEVARD
MELROSE ARCH
CORLETTE DRIVE
JOHANNESBURG
2196

Conditions of licence (if any):

1. Buy an unpolished diamond from a producer, other dealer, or permit holder
2. Sell unpolished diamonds to a dealer, diamond beneficiator or researcher
3. Conduct business on the premises endorsed or approved by the Regulator
4. Comply with the Broad-Based Socio-Economic Empowerment Plan as approved
5. The licence will be reviewed periodically
6. The licence will be valid for a period of 60 months in terms of Section 32(a) of the Act, until 12 November 2013

CERTIFIED A TRUE COPY
OF THE ORIGINAL
22-1-2013

CHIEF EXECUTIVE OFFICER
R.S.A. DIAMOND AND PRECIOUS METALS REGULATOR

HANRO WILHELM FRIEDRICH
COMMISSIONER OF OATHS
PRACTISING ATTORNEY R.S.A.
DIAMOND CENTRE
JOHANNESBURG 2001

DATE: November 13, 2008

GC28_(a)

FORM DAR

Licence Number
AP06302

DIAMOND ACT, 1986

(ACT 56 OF 1986)

As amended

Authorised Representative

Issued in terms of section 52 of the Principle Act

Issued To: **Dale Horne**

Identity / Passport Number: **7201035193082**

Entitling the holder to:

Purchase or sell unpolished diamonds on behalf of Daniel Nathan Trading, a Diamond Dealer

Conditions of licence (if any):

CERTIFIED A TRUE COPY
OF THE ORIGINAL
08-11-2013

Remarks (if any):

HANRO WILHELM FRIEDRICH
COMMISSIONER OF OATHS
PRACTISING ATTORNEY R.S.A.
SUITE 101, SA DIAMOND CENTRE
245 DIAMOND SQUARE STREET
[illegible]

CHIEF EXECUTIVE OFFICER
S.A. DIAMOND AND PRECIOUS METALS REGULATOR

ISSUED DATE: 2013/03/22
VALID DATE: 2013/11/12

50664

SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

50664

GC28_(a)

FORM DAR

Licence Number
AP06302

DIAMOND ACT, 1986

(ACT 56 OF 1986)

As amended

Authorised Representative

Issued in terms of section 52 of the Principle Act

Issued To: **DANIEL MARK NATHAN**

Identity / Passport Number: 7402285156080

Entitling the holder to:

Purchase or sell unpolished diamonds on behalf of Daniel Nathan Trading CC, a Diamond Dealer

Conditions of licence (if any):

CERTIFIED A TRUE COPY
OF THE ORIGINAL
28-11-2013

Remarks (if any):

RAINER WILHELM FRIEDRICH
COMMISSIONER OF OATHS
PRACTICING ATTORNEY R.S.A.
SUITE 604, S.A. DIAMOND CENTRE
[illegible] COMMISSIONER STREET
JOHANNESBURG 2001
TEL: (011) 334 3364

CHIEF EXECUTIVE OFFICER
S.A. DIAMOND AND PRECIOUS METALS REGULATOR

ISSUE DATE: 11 April 2012
VALID UNTIL: 13 November 2013

SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

51606

51606

GC28_(b)

ALEXANDER BAY
DIAMOND COMPANY

2019-01-22

The Chief Licensing Officer
South African Diamond and Precious Metals Regulator
Fox Street
Johannesburg

By Hand

Dear Sir

Request the change of licensing name.

We are requesting a licensing name change from Daniel Nathan Trading cc, AP/09849, client code: 11031 to Alexander Bay Diamond Company as we have changed the name and identity to be more in line with our supplier, Alexkor RMCJV – from the Alexander Bay area Northern Cape, South Africa

Yours faithfully,

Daniel Nathan

GC28_(b)

Certificate issued by the Commissioner of Companies & Intellectual Property Commission on Monday, September 17, 2018 at 11:59

Amended Registration Certificate: Companies

COR 14.3

Registration Number: 2009 / 002967 / 07
Enterprise Name: ALEXANDER BAY DIAMOND COMPANY

ENTERPRISE INFORMATION

Registration Number	**2009 / 002967 / 07**
Enterprise Name	**ALEXANDER BAY DIAMOND COMPANY (PTY) LTD**
Registration Date	**16/02/2009**
Business Start Date	**16/02/2009**
Enterprise Type	**Private Company**
Enterprise Status	**In Business**
Financial Year End	**February**
TAX Number	**9786253154**

Addresses

POSTAL ADDRESS

1 RIVER STREET
HOUGHTON
JOHANNESBURG
GAUTENG
2198

ADDRESS OF REGISTERED OFFICE

1 RIVER STREET
HOUGHTON
JOHANNESBURG
GAUTENG
2198

ACTIVE MEMBERS / DIRECTORS

Surname and First Names	Type	ID Number / Date of Birth	Contrib. (R)	Interest (%)	Appoint. Date	Address
NATHAN, DANIEL MARK	Director	7402285156080	0.00	0.00	20/11/2014	Postal. POSNET SUITE 147, PRIVATE BAG X1, MELROSE ARCH, GAUTENG, 2076 Residential. 14 GREGORY AVENUE, MELROSE NORTH, JOHANNESBURG, GAUTENG.

KAREN ELIZABETH ROBINSON
COMMISSIONER OF OATHS
Advocate of the High Court
114 Beyers Naude Drive
Northcliff
079 302 3010

CERTIFIED A TRUE COPY OF THE ORIGINAL
WITH NO ALTERATIONS OR AMENDMENTS

KAREN ELIZABETH ROBINSON
Advocate of the High Court

Date 11/1/19 Place Johannesburg

Physical Address
the dti Campus - Block F
77 Meintjies Street
Sunnyside 0001

Postal Address: Companies
P O Box 429
Pretoria
0001

Docex: 256
Web: www.cipc.co.za
Contact Centre: 086 100 2472 (CIPC)
Contact Centre (International): +27 12 394 9573

GC28_(b)

Certificate issued by the Commissioner of Companies & Intellectual Property Commission on Monday, September 17, 2018 at 11:59

Amended Registration Certificate: Companies

COR 14.3 Registration Number: 2009 / 002967 / 07
Enterprise Name: ALEXANDER BAY DIAMOND COMPANY

Effective date:	11/09/2018
Print date:	17/09/2018
Customer code:	SECRCR
Tracking number:	9136532076

RE : ALEXANDER BAY DIAMOND COMPANY (PTY) LTD

The above company has filed an amendment of its Memorandum of Incorparation in terms of section 16 of the Companies Act, 2008, changing the company name from **SCARLET SKY INVESTMENTS 60** to **ALEXANDER BAY DIAMOND COMPANY.**

In accordance with the Notice of Amendment of the Memorandum of Incorporation, the change of the company name takes effect on 11/09/2018.

In conjunction with this certificate, the Commission has not issued another notice contemplated in section 12 (3).

Commissioner: CIPC

CERTIFIED A TRUE COPY OF THE ORIGINAL
WITH NO ALTERATIONS OR AMENDMENTS

KAREN ELIZABETH ROBINSON
Advocate of the High Court

Date 17/9/18 Place Johannesburg

KAREN ELIZABETH ROBINSON
COMMISSIONER OF OATHS
Advocate of the High Court
114 Beyers Naude Drive
Northcliff
079 302 3010

Physical Address
the dti Campus - Block F
77 Meintjies Street
Sunnyside 0001

Postal Address: Companies
P O Box 429
Pretoria
0001

Docex: 256
Web: www.cipc.co.za
Contact Centre: 086 100 2472 (CIPC)
Contact Centre (International) +27 12 394 9573

GC28_(b)

CK1

Certificate issued by the Registrar of Companies & Close Corporations on Friday, July 04, 2008 09:58

Certificate of Incorporation

COMPANIES AND INTELLECTUAL PROPERTY REGISTRATION OFFICE

a member of the dti group

Registration Number	2008 / 141467 / 23
Enterprise Name	DANIEL NATHAN TRADING
Enterprise Shortened Name	None provided.
Enterprise Translated Name	None provided.
Registration Date	04/07/2008
Business Start Date	04/07/2008
Enterprise Type	Close Corporation
Enterprise Status	In Business
Financial Year End	February
Tax Number	Not available.
Number of Members	2
Aggregate Members' Contribution	R 100.00
Description of Principal Business	TRADING IN ALL ASPECTS
Postal Address	P O BOX 782718 SANDTON 2146
Address of registered office	6 TH FLOOR - TWIN TOWERS (EAST) 5 TH STREET SANDTON CITY 2196

Ex Officio Commissioner of Oaths
by virtue of my Office as Official of
The Standard Bank of South Africa Limited
Reg. No. 1962/000738/06
SANDTON CITY, GAUTENG
Authorised signatory
16/07/2014

Accounting Officer

Name	JACK LEON LURIE
Postal Address	P O BOX 782718 SANDTON 2146
Profession	Institute of Chartered Sec and Admin
Membership/Practice No	58463

Active Members

Surname and first names	ID number or date of birth	Contrib. (R)	Interest (%)	Appoint-ment date	Addresses
NATHAN, DANIEL MARK	7402285156080	74.00	74.00	04/07/2008	Postal: POSTNET SUITE 147, PRIVATE BAG X1, MELROSE ARCH, 2076 Residential: 14 GREGORY AVENUE, MELROSE, 2196

GC28_(b)

CK1

Certificate issued by the Registrar of Companies & Close Corporations on Friday, July 04, 2008 09:58

Certificate of Incorporation

COMPANIES AND INTELLECTUAL PROPERTY REGISTRATION OFFICE

a member of the dti group

Registration number 2008 / 141467 / 23

Enterprise Name DANIEL NATHAN TRADING

Active Members

Surname and first names	ID number or date of birth	Contrib. (R)	Interest (%)	Appoint-ment date	Addresses
KHOZA, MPUMELELO	8511195357080	26.00	26.00	04/07/2008	Postal: POSTNET SUITE 147, PRIVATE BAG X1, MELROSE ARCH, 2076 Residential: 443 PHASE TWO, DIEPKLOOF X2, 1864

Ex Officio Commissioner of Oaths
by virtue of my Office as Official of
The Standard Bank of South Africa Limited
Reg. No 1962/000738/06
SANDTON CITY GAUTENG

16/09/2014

Authorised signatory

COMPANIES AND INTELLECTUAL PROPERTY REGISTRATION OFFICE

Registrar of Companies & Close Corporations

P.O. BOX 429, PRETORIA, 0001, Republic of South Africa. Docex 256, PRETORIA

Call Centre Tel 086 184 3384, Website www.cipro.co.za WAP www.cipro.co.za/mobile

3

GC29

RP7

IN THE HIGH COURT OF SOUTH AFRICA
(WESTERN CAPE DIVISION, CAPE TOWN)

CASE NO.: 1836/2014

In the matter between

RICHTERSVELD MINING COMPANY (PTY) LTD	Appellant
and	
BISSET BOEHMKE McBLAIN	1st Respondent
LOUBSER DU PLESSIS INCORPORATED	2nd Respondent
CRAIG LLEWELLYN MATTHEWS	3rd Respondent
RICHTERSVELD SIDA IHUB COMMUNAL PROPERTY ASSOCIATION	4th Respondent

---

JUDGMENT DELIVERED: 4 SEPTEMBER 2014

SAMELA, J

INTRODUCTION

[1] The Applicant made an application seeking the following relief:

1.1 directing the First Respondent to refund the sum of R1,5 million paid to itself from the Applicant's banking account on 30 November 2013 by the Third Respondent;

GC29

1.2 interdicting and restraining the First Respondent from purporting to act as the attorneys of the Applicant;

1.3 directing the Second Respondent forthwith to hand over all the financial and accounting books and records of the Applicant;

1.4 in the event of the Second Respondent failing to give effect to the terms of paragraph 3 above within ten (10) days of the date of the order, authorising the Sheriff to enforce the terms thereof;

1.5 declaring that the Third Respondent was duly removed as a director of the Applicant on 22 November 2013;

1.6 interdicting and restraining the Third Respondent from purporting to act as a director of the Applicant; and

1.7 Directing the First and Third Respondents, together with any other Respondents who oppose this application to pay costs of the application jointly and severally, the one paying the others to be absolved.

[2] The First and Third Respondents opposed the application on the basis that the Third Respondent (Mr Craig Matthews) was the sole director of the RMC (Richstersveld Mining Company). Further, that the First Respondent ("Bissets") had acted as the paymaster for the RMC and still held monies in trust for the RMC.

[3] The Second and Fourth Respondents did not oppose the application and there was no relief sought against them.

[4] Mr D. Potgieter SC and Mr G Potgieter represented the Applicant and Messrs I.C. Bremridge and A.A. Brink represented the First and Third Respondents in these proceedings.

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FACTS

The facts in this matter are mostly common cause:

[4] This matter involved various entities established in terms of the deed of the settlement, to manage the property and assets of the Richtersveld Community obtained by way of land claim, in the Northern Cape. The entities were so structured that a balance was struck between the community involvement and the help from independent persons.

[5] The RMC is governed by the Memorandum of Association under the Old Companies Act 1973 (repealed by Companies Act 71 of 2008) with one shareholder, the Richtersveld Self-Development Company (Pty) Ltd ("Self-Devco").

[6] The Self-Devco is governed by the Memorandum of Association, under the Old Companies Act 1973, with one shareholder, the Richtersveld Company Trust ("the Trust").

[7] The Trust is governed by the Trust Deed, whose beneficiaries are the registered Richtersveld Sida members/ Hub Communal Property Association ("the CPA"). The Trust trustees are the people elected as trustees in accordance with the Trust Deed, and letters of authority issued by the Master of the High Court.

[8] The procedure for the appointment of the RMC director is as follows: for a person to be validity appointed as director, the following steps must be followed:

8.1 the appointment must conform to the RMC's MOI (Memorandum of Incorporation);

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8.2 The RMC shareholder, Self-Devco, must validly resolve at a RMC general meeting, to appoint a director;

8.3 for that to happen Self-Devco must have validly appointed directors, able to act on its behalf as shareholder of the RMC;

8.4 for that to happen the Self-Devco shareholder, the Trust, must have appointed the Self-Devco, and the people so appointed must be the persons who were nominated to those positions by the Trust's trustees;

8.5 for that to happen the Trust must firstly, have been properly elected and authorised trustees, secondly, have had a properly convened meeting and thirdly, those Self-Devco directors must have been appointed at that meeting; and

8.6 for that to happen in accordance with the Trust Deed, the Trust beneficiaries must have elected community independent trustees, and the Master's letters of authority for the appointment of those trustees must first have been obtained.

[9] On the 22 November 2013, the new directors terminated the Third Respondent term of tenure without notice to him, and without affording him an opportunity for presentation as required by law. At general meetings of the said companies held on the 3 April 2014, resolutions of the 22 November 2013 were duly confirmed and ratified.

ISSUES TO BE DECIDED

[10] The court is called upon to decide on the following issues:

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10.1 the validity of the appointed directors of the Richtersveld Mining Company ("the RMC");

10.2 the validity of the decisions taken by people or persons purporting to act as the RMC directors;

10.3 actions of the two sets of attorneys, and

10.4 the validity of the First Respondent status acting as paymaster for the RMC and having monies in trust for the RMC.

LEGAL PRINCIPLES

[11] The following extracts from the Company Law Act 71 of 2008 ("the Act") are relevant to these proceedings:

11.1 Section 71 (1) of the Companies Act provides:

(1) Despite anything to the contrary in a company's Memorandum of Incorporation - - - a director may be removed by an ordinary resolution adopted at a shareholders meeting by the persons entitled to exercise voting rights in an election of that director, subject to subsection (2).

11.2 Section 71 (2) (a) and (b) of the companies Act, provides (in part):

Before the shareholders of a company may consider a resolution contemplated in subsection (1) – (a) the director concerned must be given notice of the meeting and the resolution, at least equivalent to that which a shareholder is entitled to receive; and (b) the director must be afforded a reasonable opportunity to make a presentation, in person or through a representative, to the meeting, before the resolution is put to a vote.

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11.3 Section 73 (4) of the Act provides:

> The board of a company may determine the form and time for giving notice of its meetings, but – (b) no meeting of a board may be convened without notice to all of the directors - - -.

11.4 Clause 12.6 of the RMC's MOI provided:

> The directors appointed in terms of clause 12.2 (the "independent directors") shall remain in office for a period not exceeding five (5) years from the date of their appointment and shall be replaced in accordance with clause 12.2, provided that they may be re-appointed in accordance with clause 12.2.

11.5 **First Deed of Variation, in respect of the Deed of Trust of the Richtesrveld Community Trust.**

> The following clauses are relevant in this matter, namely, clauses 7.2, 7.9, 7.10 and 6.5.

Clause 7.2 provides:

> The board of trustees shall at all times consist of four (4) community trustees and three (3) independent trustees. If at any time the number of trustees shall fall below seven (7), the remaining trustees shall, until such vacancy or vacancies have been filled, be entitled to continue to act in all matters affecting the trust;

Clause 7.9 provides:

> In the event that a vacancy occurs during the term of office of a community trustee, whether as a result of death, disqualification, resignation, removal or any other reason, the board of trustees shall be

obliged to co-opt another person to fill such vacancy for the remaining period of the term of office of such community trustee, provided that a person so co-opted shall as far as possible be a resident in the same Richtersveld town as the community trustee vacating office.

Clause 7.10 provides:

The three (3) independent trustees are nominated by the committee of the CPA and shall not be residents of the Richtersveld community or members of the CPA. The independent trustees shall have appropriate financial and business experience.

Clause 8.5 provides:

Five (5) trustees shall be required to form a quorum of trustees for the purposes of meetings of the trustees, of whom no less than three (3) shall be community trustees.

DISCUSSION

[12] The Applicant submitted that the Third Respondent's (Mr Craig Matthews) term expired on or about 30 November 2012, and that it was not immediately apparent on what basis he continued to act as sole director of the Applicant.

[13] The Third Respondent countered the Applicant's submission by pointing out clearly in a chronological order the basis he continued to act as the director (independent) of the Applicant in the following:

13.1 on the 1 November 2007, in accordance with clause 12.2 of the Memorandum of Incorporation ("the MOI") of the RMC (as amended), he was appointed to serve as an independent director of the RMC;

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13.2 in terms of clause 12.5 of the RMC's MOI, an independent director of the RMC has a term of office of 5 years but may be re-appointed in accordance with clause 12.2 of the RMC's MOI;

13.3 his 5 year term of office was intended to end on 31 October 2012;

13.4 during or about September 2012, the directors of Self-Devco authorised one of their directors to conduct a general meeting of the RMC for purposes of re-appointing him as an independent director of the RMC for a 5 year period commencing on 1 November 2012;

13.5 he attached annexure marked CM 15 which was a copy of an affidavit by Mr Anthony Lucas September, who was a former director of Self-Devco, which confirmed the decision to re-appoint him as an independent director of the RMC.

[14] I am of the view that it is common cause between the parties that the Third Respondent was validly appointed as an independent director for the first term of his office.

[15] The next issue was whether the Third Respondent was validly appointed for the second term.

[16] The Applicant submitted that during 2012 the 4 year term office of the 4 previous community directors expired, and the 2nd independent director had resigned during June 2012 resulting in the Third Respondent being the sole director since approximately August 2012. The Third Respondent's term expired on or about 30 November 2012. The Applicant further submitted that the Third Respondent acted as directing mind of the Applicant until the Board

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of the Applicant (RMC board) removed him as director on the 22 November 2013.

[17] The Third Respondent pointed out and explained the basis for his continuous acting as a sole director of the Applicant in the following:

17.1 he stated the following in his March 2014 affidavit:

> "I acted as the sole director of the RMC because with effect from 1 November 2012, I was re-appointed as a director of the RMC by the sole shareholder of the RMC and no other directors of the RMC have since been appointed"

17.2 the Third Respondent pointed out in his affidavit of the 9 May 2014 that:

17.2.1 he had been appointed as an independent director on 1 November 2007;

17.2.2 in terms of the RMC's MOI, an independent director's term of office endured for five years, the term might be extended for a further 5 years;

17.2.3 the first 5 year term would have expired on 31 October 2012;

17.2.4 during September 2012, the directors of Self-Devco authorised one of their member to conduct a general meeting of the RMC; and

17.2.5 at that general RMC meeting, he was re-appointed with his second term commencing on 1 November 2012 for a period of 5 years.

[18] In support of the above the Third Respondent attached to the court papers the following:

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(i) a copy of an affidavit by Mr AL September which supported his contentions

(ii) a copy of the resolutions of Self-Devco's board; and

(iii) the RMC's resolution at the general meeting.

[19] I am in agreement with the Third Respondent that he was validly re-appointed as the sole director of the RMC with effect from 1 November 2012, for a period of 5 years. The documents attached to the court papers were clearly an explanation and illustration by the Third Respondent's basis to act as the sole director of the RMC.

[20] The next issue was the termination of the Third Respondent directorship.

[21] The Applicant submitted that after the appointment of the new community directors and in view of the dissatisfaction with the conduct of the Third Respondent, the Board of the Applicant [RMC] removed the Third Respondent as a director on the 22 November 2013.

[22] The Third Respondent pointed out that any removal had to be done in compliance with section 71 (2) (a) and (b) of the Companies Act. The Third Respondent submitted the following:

22.1 he did not receive any notice of the meeting from the board,

22.2 was not given any opportunity to make any presentation as required by the Companies Act; and

22.3 therefore, his removal was accordingly invalid and had no force and effect.

[23] I agree with the Third Respondent that his removal was contrary to section 71 (2) (a) and (b) of the Companies Act, as there was no proof that he was given a notice of the said board meeting. Also the Third Respondent was

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not afforded the opportunity to be heard by the board. Consequently, I am of the view that the board resolution of the 22 November 2013 was invalid and that the Third Respondent's removal as a director was invalid and had no effect.

[24] The Applicant submitted that the contention that the Respondent's removal was invalid because it failed to comply with section 71 of the Companies Act is devoid of any merit. As more fully appeared from the founding affidavit, the Third Respondent's removal was effected in terms of clause 18.1.6 of the Articles of Association of the Applicant. The Applicant submitted that section 71 found no application in this case.

[25] The Third Respondent countered the Applicant's submission by arguing that section 71 (1) of the Companies Act was applicable and that subsection 2 of the Act required that a notice had to be given to him before his removal as a director.

[26] I agree with the Third Respondent that section 71 of the Companies Act is applicable in this matter. Further, a notice had to be given to the Third Respondent before his removal as a director. Furthermore, the Third Respondent had to be afforded an opportunity to make presentation to the board.

[27] The next issue was the ratification of the director's actions.

[28] The Applicant submitted that in any event, the said new directors of Self-Devco and the Applicant had been formally appointed at a general meetings of the said companies held on the 3 April 2014. Furthermore, all the actions taken by the new directors, including the resolutions of 22 November 2013 were duly confirmed and ratified. Pursuant to the general meetings, the said new directors, on 3 April 2014, confirmed the resolutions which they passed on 22 November 2013. The decisions in question were accordingly all valid and binding.

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[29] The Third Respondent submitted that the ratification of the decisions was not valid. He pointed out that it was not possible for a failure to comply with an Act of Parliament to be ratified. He submitted further that to the extent that this was not clear from any other source, it was clear from the use of the words 'must' in the section (that is, section 71 (2) (a) of the Companies Act that its terms were peremptory, and the use of the word 'and' made it clear that both notices and an opportunity to make presentation were required. He argued that the use of word 'before' in two places, coupled with the peremptory nature of the section further made it clear that a failure to comply with the section was on its own terms not susceptible to ratification.

[30] The Third Respondent was correct in my view that a failure to comply with an Act of Parliament could not be confirmed and ratified. Resolutions of 22 November 2013 as indicated above were null and void.

[31] The next issue was the validity of the appointment of other directors.

[32] The Applicant submitted that the RMC directors were appointed on the 23 November 2013 by the Self-Devco.

[33] The Third Respondent pointed out that the new directors had not been validly appointed. In support of his submissions, he drew the court's attention to the following:

33.1 Elections were properly conducted by the IEC on the 17 and 31 August 2013;

33.2 during the elections Messrs Cloete, Slander, Samson and Farmer were elected to be the Community trustees of the Trust;

33.3 Messrs Phillips, De Wet, Fortuin and Stoffel were nominated to be directors of Self-Devco;

33.4 Messrs Thomas Vries, Koopman and Farmer were nominated to be community directors of the RMC;

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33.5 he argued further that the nominations by the community were not enough to constitute the appointment of the RMC's community directors;

33.5.1 for that to happened, the trustees had to be properly authorised by the Master;

33.5.2 then, as a shareholder of Self-Devco, the Trust had to appoint the directors of Self-Devco;

33.5.3 thereafter, as shareholder of the RMC, acting through its directors – Self-Devco had to appoint the community directors of the RMC;

33.5.4 the Master of the Northern Cape High Court on the 6 November 2013 nominated 4 trustees (namely Cloete, Slander, Samson and Farmer). In terms of the Trust Deed the trust must have 4 community representatives and two independent trustees (clause 7.2 of the Trust Deed). He pointed out that there were no independent trustees in terms of clause 7.10 nominated by the CPA. Clause 8.5 of the Trust Deed also put a limit on the formation of a quorum in trust meetings. Clause 7.9 dealt with the vacancy in respect of community trustee. He submitted that none of the above had been done.

[34] He further explained to the court that the result of the above mentioned omissions was as follows:

(i) since election, no decision of the Trust had been validly taken;
(ii) the Trust could not validly had acted qua shareholder of Self-Devco to appoint Self-Devco directors;
(iii) Self-Devon could not validly had a acted qua shareholder of the RMC to appoint RMC directors;

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and there was no basis to order that the First Respondent should be ordered to repay the amounts so disbursed; and

38.4 the RMC's remaining fund entrusted with First Respondent should remain so until the RMC, represented by Mr Matthews or such other persons as might in due course be appointed as directors, instruct them otherwise.

[39] I am of the view that the First Respondent was correct in its submissions that it complied with instructions from Mr Matthews, and that it should not be ordered to repay the amounts it disbursed. The Third Respondent presently is the sole director of the RMC, until such time that other RMC directors are lawfully appointed in accordance with the Trust Deed. The First Respondent should continue taking instructions from the Third Respondent.

FINDINGS

[40] 40.1 the Third Respondent was validly appointed for the first and the second terms. The second term commenced on the 1 November 2012, for a period of 5 years;

40.2 the Applicant was unable to put up evidence challenging the legality of the re-appointment of the Third Respondent as the sole director of the RMC for 5 years;

40.3 the removal of the Third Respondent as the RMC director on the 22 November 2013 was unlawful, invalid and had no effect as it was not done in accordance with section 71 (2) (a) and (b) of the Companies Act 71 of 2008;

40.4 the Applicant did not furnish reasons for not giving the Third Respondent notice of the meeting (22 November 2013) and not allowing him an opportunity to make any presentation;

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40.5 a failure to comply with an Act of Parliament cannot be ratified;

40.6 a failure to comply fully with the requirements of the Trust Deed resulted in the resolutions of the so called RMC directors null and void;

40.7 Consequently, the First Respondent was correct to comply with instructions from the Third Respondent and should not repay the amounts it disbursed; and

40.8 the First Respondent is the only lawful attorneys of the RMC.

ORDER

[41] In the result, I make the following order:

41.1 the Third Respondent was unlawfully removed as a director of the RMC on 22 November 2013;

41.2 the Third Respondent is the sole director of the RMC;

41.3 the application is dismissed;

41.4 the Applicant to pay First and Third Respondents costs including the wasted costs of 7 March 2014 and 14 March 2014.

M I. SAMELA
Judge of the High Court

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Zelda Ehrenreich

From: craig matthews <matthews.craig1969@gmail.com>
Sent: 04 September 2014 15:01
To: zarinak@alexkor.co.za; zuki@znlaw.co.za; Raygen Phillips; Roger Paul (Dr) (ripaul.rsa@gmail.com); percyk@alexkor.co.za; Dr Nono Mohutsioa-Mathabathe; Mervyn Carstens
Subject: Western Cape High Court Judgement - 4 September 2014
Attachments: RMC Matters - Western Cape High Court Judgement - 4 Sept 2014.pdf; RMC Matters - Letter to Alexkor & PSJV 4 Sept 2014 (signed).pdf

Dear ladies and gentlemen,

I enclose a letter addressed to yourselves as well as a copy of the High Court judgement delivered today which confirms *inter alia* the position as regards the Board of Directors of the RMC.

The Court confirmed among other things my position as the sole director of the RMC.

Regards,
Craig Matthews
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The Directors
Alexkor SOC Limited, c/o Alexkor Company Secretary

The Chief Executive Officer
The Pooling and Sharing Joint Venture (Alexkor / RMC)

Board Secretary: The Pooling and Sharing Joint Venture Board

Dear Sirs/Madams 4 September 2014

RE: WESTERN CAPE HIGH COURT JUDGEMENT – CASE NO: 1838/2014

1. I enclose for your attention a copy of the aforementioned Judgement delivered today by the Honourable Samela J.
2. The judgement confirms that Craig Matthews is and remains the sole Director of the Richtersveld Mining Company (Pty) Ltd (the RMC) and further that his removal as director in November 2013 was unlawful.
3. The judgement also means crucially that Dr. John Bristow, Mr. Duncan Kerable, Mr. Willem Vries and Mr. Dennis Farmer are not directors of the RMC and were never appointed as such on 22 November 2013.
4. Any further communication as from today with the aforementioned persons, either by Alexkor SOC Limited, the CEO and Management of the PSJV or the Board Secretary of the PSJV Board as regards any business of the RMC and the PSJV is done without the knowledge and approval of the RMC and its Board and by extension the PSJV Board of which the RMC has a 49% stake. Failure to adhere to the aforementioned request especially by PSJV Management or the Board Secretary will be viewed in a very serious light.
5. Similarly any communications with any other persons without the express approval and knowledge of the RMC about any RMC business or PSJV business is done without the knowledge and approval of the RMC.
6. The applications are quite clear that the purported removal of Craig Matthews as a PSJV Board member and the purported appointment of certain persons

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Craig Matthews (Director)

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amongst them, Dr. Bristow, Mr. Korable and Mr. Vries on the PSJV Board as RMC representatives was unlawful and of no effect.

7. The further implications are very serious in that any decisions that were taken by the PSJV Board since November 2013 are on the face of it invalid for the mere fact that the RMC representatives were not appointed by the RMC and had no authority to take decisions on behalf the company and the PSJV Board. You were advised in previous communications that subsequent to the finalisation of the aforementioned Court matter that the RMC may review all decisions taken by the PSJV Board since November 2013.

8. You are hereby notified that as from today, the RMC representatives on the PSJV Board are Craig Matthews and in the interim Mr. R Thomas and Mr. B Koopman. You will be advised in due course of final confirmation of the RMC representatives on the PSJV Board.

9. Accordingly any communication to the RMC should be directed to my office at Matthews.craig1569@gmail.com or 083 7471694.

10. This letter also serves as notice to Mr. Carstens to take immediate steps to unlock the RMC's office in Alexander Bay, which were unlawfully closed.

11. Ms. Phillips is also requested to send the calendar of dates for the upcoming PSJV Board meetings as well as any relevant Board documents since November 2013. I expect these to be delivered to me by no later than Wednesday, 10 September 2014.

12. A copy of this letter will be sent to Alexkor's shareholder, the Honourable Minister of Public Enterprises and the RMC will shortly be calling for a meeting with the Board of Alexkor.

13. In conclusion I trust there will be a good working relationship between Alexkor and the RMC going forward now that this matter has been laid to rest and now that there is no question whatsoever as to whom has the authority to lawfully act on behalf of the RMC.

Yours faithfully

.....

For Richtersveld Mining Company (Pty) Ltd

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Craig Matthews (Director)

GC30

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Zelda Ehrenreich

From: craig matthews <matthews.craig1969@gmail.com>
Sent: 09 September 2014 11:20
To: Roger Paul (Dr) (rlpaul.rsa@gmail.com); Mervyn Carstens
Cc: zuki@znlaw.co.za; Dr Nono Mohutsioa-Mathabathe; Raygen Phillips; zarinak@alexkor.co.za; percyk@alexkor.co.za; Mohammad82@dbsa.org
Subject: Western Cape High Court Order - 4 September 2014
Attachments: RMC Matters - Letter to Alexkor & PSJV 9 Sept 2014 (signed).pdf

Dear Refique and Mervyn,

I enclose for your urgent attention a letter from the RMC regarding the above matter. I do not have the contact details of the other Alexkor SOC Ltd board members, hence the e-mail not being addressed to them.

Regards,
Craig Matthews

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The Directors
Alexkor SOC Limited, c/o Alexkor Company Secretary

The Chief Executive Officer
The Pooling and Sharing Joint Venture (Alexkor / RMC)

Dear Sirs/Madams 9 September 2014

RE: WESTERN CAPE HIGH COURT JUDGEMENT – CASE NO: 1838/2014

1. I refer to the letter from the RMC dated 4 September 2014 as well as responses I received from Duncan Korable Attorneys dated 5 September 2014. The first letter was addressed to Mervyn Carstens and Rafique Bagus and the e-mail to which the letter was attached was copied to other recipients.

2. I am not going to deal with the content of the aforementioned letter in detail and the content of another letter from Duncan Korable Attorneys also dated 5 September 2014, save to state that the Court made a ruling regarding the directorship of the RMC and this ruling has to be respected.

3. My position on the matter is clear, as outlined in the RMC's letter of 4 September 2014.

4. There is no such thing as a director being suspended as suggested by Mr. Korable. The Companies Act does not provide for this. Furthermore, the Court by implication ruled that SellDevco's directors were not lawfully appointed and therefore could not take decisions to remove me as a director or appoint other persons as directors. The contents of the aforementioned letters from Duncan Korable Attorneys are therefore rejected by the RMC and its board.

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Craig Matthews (Director)

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5. Any "resolutions" taken by Selfdevco "directors" are not lawful, as suggested by Mr. Korable, because Selfdevco currently does not have directors.

6. If Mr. Korable has a problem with the Court Order and the findings by the Honourable Samela J, then he should appeal the Court's decision. I therefore urge you to ignore his statements and accept and respect the Court Order.

7. The Court Order is clear, therefore Alexkor SOC Limited and PSJV Management should therefore have no doubts as to the legal position and consequently have no interest in the contents of the letters from Mr. Korable.

8. As the sole director of the RMC, I therefore confirm the contents of the RMC's letter dated 4 September 2014 regarding the RMC representatives on the PSJV Board, the re-opening of the RMC Offices in Alexander Bay and the distribution of PSJV Board documents and trust that the RMC can rely on your co-operation.

Yours faithfully

For Richtersveld Mining Company (Pty) Ltd

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Craig Matthews (Director)

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ALEXKOR

11 September 2014

Mr Craig Matthews
By Email

Dear Mr Matthews,

WESTERN CAPE HIGH COURT MATTER

1 We refer to your letters addressed to Alexkor SOC Limited ("the Company") and to the CEO of the PSJV dated 04 September 2014 and 09 September 2014 respectively. We do not intend, at this time, to deal with the substantive allegations made therein and reserve our rights to do so at the appropriate time and in the appropriate forum.

2 We do however note the following:-

2.1 Neither the Company nor the PSJV were parties to the court action referred to in your aforementioned letter and as a result, the attachment of the court's ruling as well as an expose of the court action is of no consequence to us.

2.2 In addition to your letters, we have received letters from the CPA, the parent body of the RMC and our co-signatory to the Deed of Settlement as well as from Self Devco, the Shareholder of the RMC requesting that your letters be ignored. We have now also been advised that an appeal to your application has been lodged which we are advised renders your position *sub judice*.

2.3 We advise you that the Company's mandate has always been to ensure compliance with and implementation of the Deed of the Settlement. The Deed of Settlement is an agreement concluded between the Company, the Department of Public Enterprises as the representative of the Government and the community of the Richtersveld through its representative body, the CPA.

Reg. No. 1992/006368/30 Incorporated by Act No 116 of 1992
Head Office 5A Jellicoe Avenue, Rosebank, 2196 **T** +27 11 788 8809 **F** +27 11 788 9988 **www.alexkor.co.za**

Directors P Regan (Chairperson) - RH Mkuza (Chief Executive Officer) - M Diallo (Chief Financial Officer) - P Pool - M Rankin - VAN Mahlobo Mamabolo - Z Nkambule - S Zikalala - D Mahlangu - B Grobbelaar **Company Secretary** Zanele Kekana

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ALEXKOR

2.4 The Deed of Settlement requires that we act with good faith and in the best interests of the community of the Richtersveld. Through our involvement on the PSJV Board, we have done so and are committed to continuing to do so for the benefit of the community.

2.5 All our rights are strictly reserved.

Kindest Regards

Mr MR Bagus

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The Chairperson
Alexkor SOC Limited, c/o Alexkor Company Secretary

Dear Mr. Bagus 11 September 2014

RE: WESTERN CAPE HIGH COURT JUDGEMENT – CASE NO: 1836/2014

1. I refer to the letter dated 11 September 2014, received from Alexkor SOC Limited (Alexkor), which letter was sent via e-mail by Ms. Kellerman.

2. Let me respond as follows to specific paragraphs in the aforementioned letter:

Paragraph 2.1

For argument's sake your contention that Alexkor or the PSJV were not parties to the aforementioned Court action is accepted, the outcome of the Court action however has a direct bearing on Alexkor and the PSJV (Board and Management). For the simple reason that the decisions that were taken by the PSJV Board and PSJV Management since my unlawful removal in November 2013 has to be on the face of it unlawful as these decisions were taken by Alexkor in conjunction with persons who were not lawfully appointed by the RMC to serve as its representatives on the PSJV Board. Alexkor and PSJV Management were advised of this. To state in writing that the ruling is of no consequence to Alexkor or the PSJV is very convenient and defies belief.

I find it very strange that letters and an e-mail were directed to Alexkor and the CEO of the PSJV clearly outlining what is required from PSJV Management. Instead of receiving co-operation from Mr. Carstens, the RMC receives letters from Duncan Korable at all times. Is Mr. Korable acting on behalf of Alexkor and PSJV Management?

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Craig Matthews (Director)

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May I remind you that the Management of the PSJV was appointed by the PSJV Board which consists of representatives of Alexkor and the RMC, which means that the CEO of the PSJV is accountable to both Alexkor and the RMC. Refusal to adhere to lawful requests directed to PSJV Management from the RMC or encouraging PSJV management to disregard such requests is unlawful and against the spirit of the both the Settlement Agreement and the Unanimous Resolution, which Alexkor says it complies with.

Paragraph 2.2

You mention that you received letters from the CPA who is the "parent body" of the RMC and from SelfDevco (Shareholder) of the RMC to ignore my letters. These letters that you refer to, were sent on behalf of the RMC. Furthermore, as you certainly are aware, Ms. Obies, Mr. Strauss and others are currently involved in a High Court Application in Kimberley regarding the question as to whom lawfully represents the interests of the Richtersveld Community in terms of the CPA Constitution.

Furthermore, I will repeat the legal position regarding the Board of SelfDevco, as you evidently refuse to accept such position: The Court ruled that the Community Trustees acted in violation of the Trust Deed. [pages 14 (par. 35) and 16 (par. 40.6)]. This clearly implies that it could not have validly appointed directors to SelfDevco's Board. **So it means that SelfDevco does not have directors. It also means that SelfDevco could not have removed me in November 2013 and could not have appointed directors to replace me.**

Your continued acceptance of the validity of the directorship of certain individuals whom were nominated to serve on the Board of SelfDevco, despite the Court ruling is a great concern to is your refusal to accept my position as RMC director.

My position has not been "rendered *sub judice*" as you claim. An appeal has to be lodged by the party who does not agree with the ruling in the above case. It appears that Alexkor has much interest in the possible appeal, yet claims that the outcome of the ruling has no bearing on it.

Richtersveld Mining Company
P O Box 64
Alexander Bay
8290

Richtersveld Mining Company
6 Orange Road
Alexander Bay
8290

Craig Matthews (Director)

GC30

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The RMC respects Court processes and will deal with any appeals as and when these are lodged.

3. It is clear, looking at the contents of Alexkor's letter of 11 September 2014, that the RMC is not going to be able to rely on the co-operation of the current Alexkor Board and once more, the letter of 11 September 2014 as well as the RMC's response will be forwarded to the Honourable Minister of Public Enterprises.

4. The RMC's rights are reserved in general and specifically as regards Alexkor and PSJV Management's refusal to honour a Court Order.

Yours faithfully

For Richtersveld Mining Company (Pty) Ltd

Richtersveld Mining Company
P O Box 64
Alexander Bay
8290

Richtersveld Mining Company
8 Orange Road
Alexander Bay
8290

Craig Matthews (Director)

GC30

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PATENT, TRADEMARK, COPYRIGHT, COMMERCIAL, PROPERTY & LITIGATION ATTORNEYS

EMAIL & FAX MESSAGE

To: nwabisa@alexkor.co.za
011 – 100 2354

From: Andrew.molver@adamsadams.com

Cc: Thando.manentsa@adamsadams.com

joyc@alexkor.co.za

Adams & Adams

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Our Reference: ANM/TDM/crl/LT1926

Your Reference:

Date: 6 November 2014

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ALEXKOR SOC (PTY) LTD
Rosebank

ATTENTION: MR BAGAS

Dear Sir

RICHTERSVELD MINING COMPANY (PTY) LTD / ALEXKOR SOC (PTY) LTD

1. We act on behalf of the Richtersveld Mining Company (Pty) Ltd ("our client") and are instructed to address this letter to you on the direction of its sole director, Mr Craig Matthews ("Mr Matthews").

2. We understand that the disputes and exchanges between you and our client have a long history. We accordingly do not intend dealing, at this stage, with each and every contention or allegation advanced during these previous exchanges and our failure to do so should not be construed as an admission thereof or as a waiver of our client's rights, which are fully reserved.

3. We have considered the papers filed in the interdict application launched by persons holding themselves out to be directors of our client ("the purported directors") in the High Court of Cape Town under case number 1836/2014, the judgment of Samela J ("the judgment") and the order of court handed down in this regard ("the order") and the correspondence you exchanged with Mr Matthews in relation to the judgment.

4. On considering your correspondence regarding the judgment, it is apparent to us that you are under the mistaken belief that due to not being a party to the proceedings in the High

Pretoria, Johannesburg, Cape Town, Durban, Mozambique (ARPC), Angola, Tanzania, Swaziland, Cameroon (OAPI), Botswana, Lesotho, Namibia, Swaziland, Kenya, Ghana & Nigeria
Partners Gavin Kotze Howard Rogers Gisela Tandauw Johan du Preez Colin MacKenzie Neha Kotzman Mathilde du Plessis Samantha Cassang Gerard du Plessis Phil Ro
Louis van der Walt Charne le Roux Russell Bagnall Simon Brown Bokkon Lang Gregor Wolter Joseph Gawanas Riaan de Villiers Andre Visser Nawazi Gcuka Eugene Hanko
Darren Olivier David Schneiders Megan Meredith Marius Oertel Kelly Thompson Alex Khechane James Gilvet Nishi Chetty Lucy Sigmond Steven Yeates Johnny Randeree
Heather Dippenaar Jonny Persent Dana Dekuran Alexis Apostolidis Mike Rudolph Mariaria Nagamotsi-Mokoena Denise Morrice Michael Gwala Lauren Ross Dale Hoey
Mandy Gordon Rachel Grove Rodelia Koch James Davies Nicky Gerrett Walker Riley Geoffrey Budal Dhesh Wathagen Ferdi Myburg Samkelo Khan Theresa Wright Jac Nortje
Dania Sinclair Nthabiseng Phaswana Neshan Sukpi Martin Moss Wenna Griffiths Sandhe Samsudeen Peter Madge Jeanne Neethling Jani Oberholzer Wilhelm Preckeley
Annette Slippar Jean-Paul Rudd Andrew Molver Venashree Naidoo
Senior Consultants Esmé du Plessis Marie Rossouw Stephen Ferreira Cross Jaw Craig Forbes Jos Dijkstra
Associates Deborah Monsiliano Delene Rensaad Lindsi Sampter Chief Pelgate Thandee Dawe Claire Botma Siobhan Hollis Alida Kotzin Kagetsa Manyaapo Garda Bauwer
Natasha Wright Alida Castleman Ulf Pilay Amena Sulman Andrew Phillips Nicole Smallbergor Renee Nienaber Tiffany Cawley Chad Marais Nandumiso Mbelwang Paul Mussel
Laurika van Deventer Jean-Lucas La Grange Wynand Fouche Vuvukazi Ndamse Jan-Harm Swanepoel Sunaya Veerasamy Dekain Loxhumo Dionne Mucina Wenael Britz
Kim Rampersadh Lissa Nesser Thamarie Govender Zunaid Dower Lia Mia-Gamuza Henry Rodgerson Nicole Howarth Catherine Wojtowicz Richard Irvine Ash in Pillumull
Karisma Sha's
Assisted by Adre Oosthuizen Jevonne Bateman Fantasia Ruiters Melissa Dreyer Dominic Geldenhuys Karen Lim Zamakuhle Sukhele Fayiba Hafia Lisa Nurse Fatimah Mangan
Thando Manentsa Gelo Mokuka Kadi Parker Nasrudeen Pillay John Ndlovu Jeanette Visagie Claudia Daniel-Moulds Rosestein Gani Frances Landman Megan Donne Sinal Govender
Gillian Griffiths Katherine Harding Nasaa Mayekiso Mfana Posi Khumyelani Kwanyile Omeo Abdi Ijaz Margaret Janse Van Rensburg David Gouws Jan Leenderts Lubbert Duckitz
Shani van der Bergh
Chief Operating Officer Dave Forbes

Level 3 BBBEE Contributor rating

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Court of Cape Town, the judgment "is of no consequence to you" despite the central issue in the judgment being the directorship of our client.

5. It is thus necessary for us to address this mistaken belief. This is particularly important in view of the critical relationship between Alexkor SOC (Pty) Ltd ("Alexkor") and our client within the context of the Pooling and Sharing Joint Venture Agreement ("the PSJV"). In this regard, we record the following:

5.1. We question the basis for the assertions in your various letters that the ruling of Samela J is of no consequence to you. The central relief sought by the purported directors was for the court to grant a declaratory order regarding the directorship of Mr Matthews. It is thus irrational to suggest that the directorship of your joint venture partner in relation to the PSJV does not have a direct bearing on you and the functioning of the PSJV, particularly in respect of the composition of the joint board of the PSJV.

5.2. The fact that Alexkor was not a party to the said proceedings is irrelevant. The decision making process of the PSJV presupposes that the directors of our client were validly appointed and/or validly removed. The judgment clearly states, *inter alia*, that:

5.2.1. Mr Matthews' tenure as an independent director of our client was validly extended for a further five (5) years during September 2012.

5.2.2. The removal of Mr Matthews as a director did not comply with the requirements of Sections 71(2) and (b) of the Companies Act of 2008.

5.2.3. The failure to comply with the clear requirements of the Community Property Trust Deed renders the resolutions of the Trustees of the Trust, in attempting to appoint directors of the Self Development Company (Pty) Ltd ("the Self-Devco"), void *ab origine*.

5.2.4. The attempted ratification of the appointment of the purported directors, by persons who were themselves not validly appointed as directors of the Self-Devco, is null and void.

5.3. In view of the aforesaid, there is no basis to suggest that Mr Matthews' position as an independent director of the RMC is *sub judice*. This is particularly clear given that:

4.3.1 Between 30 November 2012 (being the renewal of Mr Matthews' tenure as director) and 22 November 2013 (being the date that Mr Matthews was incorrectly "removed" as director of our client), Mr Matthews took part in the functioning of the PSJV as a validly appointed director of our client without objection from Alexkor.

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4.3.2 Mr Mathews' position as the director of our client was the *de facto* position before the launching of the proceedings by the purported directors. Thus the noting of an appeal to the order has not altered the *de facto* position.

5.4. Although our client accepts that you and the Community Property Association ("the CPA") (including the Government of the Republic of South Africa) are co-signatories to the Settlement Agreement, your primary contractual obligations, in terms of the Settlement Agreement and the Unanimous Resolution, are to our client and its correctly appointed board of directors. The submission in your letters that you have taken the advice of the CPA and the purported directors of the Self-Devco, despite the order:

5.4.1. Contradicts your submission that you are acting in the best interests of the Richtersveld community.

5.4.2. Is contrary to long established principles of our company laws that the shareholders of a company are not vested with the authority to make decisions regarding the day to day functioning of a company.

5.4.3. Flies in the face of the judgment and order.

5.5. Our client is particularly concerned by your failure to appreciate the potential for all the decisions taken by the PSJV from 22 November 2013 by an improperly constituted board to be rendered null and void. This is illustrated by your persistence in engaging the purported directors despite the court order and, accordingly, there is a very real danger that the PSJV may be exposed to damages claims in respect of contractual arrangements concluded with third parties after 22 November 2013.

6. Your conduct has had the effect of ostracising Mr Matthews, where there has been no basis for this, and of placing the PSJV at risk.

7. In view of the aforesaid conduct, our instructions are to demand, as we hereby do, that within seven (7) days of receipt hereof you:

7.1. Provide us with an undertaking that you will cease and desist from recognising the purported directors as being lawful representatives of our client and from dealing in any manner whatsoever with the purported directors in relation to the functioning of our client and/or the PSJV.

7.2. Confirm that none of the purported directors will be permitted to sit on the joint board of the PSJV unless properly elected to do so.

7.3. Confirm that the implementation of any decisions taken by the joint board of the PSJV from 22 November 2013 to date hereof will be held over until a properly constituted board of the PSJV, that includes Mr Matthews, has had an opportunity to reconsider these decisions.

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8. Our client is anxious to resolve the issues as it threatens to detrimentally affect the future of the PSJV. Accordingly, in the event that you fail to provide the requested undertakings our instructions are to launch the necessary legal proceedings.

9. We have also been instructed to obtain records of all minutes of meetings, decisions taken and forward planning documents compiled in relation to the activities of the PSJV between 22 November 2013 to date hereof. We accordingly submit herewith our client's request in terms of Section 18(1) of the Promotion of Access to Information Act, 2 of 2000, for this information. To this end, we have included your Chief Executive Officer on this correspondence.

10. Finally, Mr Matthews understands that suggestions have been made by persons affiliated to you regarding an intention to "plant something" in his office. There are obvious unsavoury connotations which attach to these suggested intentions. We are accordingly instructed to also demand that you undertake within seven (7) days hereof that you will:

    10.1. Not do anything from your side to "plant" anything in Mr Matthews' office or to otherwise harm or compromise him.

    10.2. Take proactive steps, as our client's JV partner and as a State Owned Company, to ensure nothing is done to "plant" anything in Mr Matthews' office or to otherwise harm or compromise him.

    In the event that anything untoward does happen to our client, we are instructed to ensure that our knowledge of the above is brought to bear in any subsequent investigation.

11. We trust that our client can rely on your cooperation in the speedy resolution to this dispute.

Kind regards
ADAMS & ADAMS

A MOLVER
Checked and signed by author and sent electronically

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ALEXKOR

07 November 2014

Adams & Adams
Attention: Mr A Molver
By Email

Dear Sir

MR C MATTHEWS

1. We refer to your letter addressed to Mr M Bagas dated 6 November 2014 bearing reference ANM/TDM/cr/LT1928. We assume that your letter is for the attention of Mr M R Bagus, the Chairperson of Alexkor SOC Limited ("the Company").

2. We request that all future correspondence be directed to the writer hereof.

3. We do not intend dealing with each and every allegation contained in the aforementioned letter and our failure to do so should not be construed as an admission of its correctness or an acceptance of its content. We reserve the right to deal with each and every allegation contained in the aforementioned letter in the appropriate forum, if required.

4. We place on record that Alexkor has never pronounced or actively supported any factions in the Richtersveld community. Alexkor has, through its obligations, supported the legitimately elected structures created in terms of the Deed of Settlement concluded between the Government of the Republic of South Africa and the people of the Richtersveld for the full and proper implementation of the Deed of Settlement.

5. Furthermore, Alexkor has no authority over the affairs of the Richtersveld Communal Property Association ("CPA") or its subsidiaries. We refer you to the Judgement of Majiet J, in Henning Louw and Others v Richtersveld Agricultural Holdings Company (Pty) Ltd at paragraph 26, where the referred Judge stated that the "*..... Committee of the CPA controls the affairs of the Community through the control over the entities*".

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ALEXKOR

6. We are advised that your client was removed through proper resolutions by the majority shareholder of the Richtersveld Mining Company (Pty) Ltd ("RMC") in a General Meeting and confirmed by the RMC. The entities that can respond constructively to your letter would be the Committee of the CPA, the RMC and the shareholder of the RMC.

7. As stated above we have no influence or power over the internal affairs of companies or the structures of the community.

8. We accordingly seek your permission to allow us to forward your letter to the aforementioned entities for a response by 12pm today. In the event that we do not receive a response by the aforementioned time, we will forward said letter to them for a response.

9. It bears mentioning that all our rights are reserved.

10. We trust you find the above in order.

Yours faithfully
Ms Z Kellerman
Chief Legal Officer

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THE HONOURABLE MINISTER OF PUBLIC ENTERPRISES
MS LYNNE BROWN MP

Infotech Building
1090 Arcadia Street
Hatfield
Pretoria

By email: masenyo.selatswa@doe.gov.za

25 February 2015

Dear Minister Brown

Re: RICHTERSVELD MINING COMPANY (PTY) LTD / ALEXKOR SOC (PTY) LTD

1. I refer to our previous exchanges regarding the Richtersveld Mining Company (Pty) Ltd ("RMC"), the Pooling and Sharing Joint Venture ("PSJV") and Alexkor SOC (Pty) Ltd ("Alexkor").

2. The purpose of my letter is to bring to your attention the recent developments within the RMC and to raise my concerns regarding Alexkor's attitude to these developments.

3. From the outset, I wish to point out that my intention is not to involve your office, or Alexkor for that matter, in the internal affairs of the RMC. I believe, however, that it is my obligation as the RMC's director to protect its interests within the PSJV, to the extent that these interests are being placed at risk.

4. As you are aware, my position as a director of the RMC was confirmed by the Cape Town High Court in the attached Order dated 4 September 2014. This Order was subsequently appealed by the purported directors of the RMC, who launched the initial application in the Cape Town High Court. The appeal has, however, since lapsed as a result of these purported directors' failure to obtain an appeal date from the Registrar as provided for by the Rules of Court and, accordingly, the Order of 4 September 2014 is, as an automatic legal consequence, once more in full force and effect. I am therefore currently the sole director of the RMC.

5. As you will no doubt agree, the proper functioning of the RMC is critical to the proper functioning of the PSJV. I have previously raised this issue with Alexkor in the attached correspondence exchanged between Alexkor's office and my attorneys.

6. As regards Alexkor's response to my attorneys' letter, you will note that despite our concerns that the PSJV would be concluding transactions that may potentially be invalidated, Alexkor sought to disregard this issue as merely an internal issue within the entities controlled by the Communal Property Association.

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7. The obvious difficulty with Alexkor's attitude is that it has left the PSJV exposed to potential damages claims as the transactions entered into may potentially be invalidated due to the PSJV board having regard to, and acting on, the instructions of persons not authorised to bind the RMC.

8. I have accordingly instructed my attorneys to prepare further correspondence to Alexkor regarding the current state of affairs within the RMC. In the event that I do not receive a favourable response from Alexkor, I will be constrained to take appropriate legal steps in the protection of the RMC's rights and interests.

9. I trust that such course of action will not be necessary and that we can find an amicable resolution to this matter.

Yours sincerely
Craig Matthews

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PATENT, TRADEMARK, COPYRIGHT, COMMERCIAL, PROPERTY & LITIGATION ATTORNEYS

EMAIL & FAX MESSAGE

To: nwabisa@alexkor.co.za
011 – 100 2354

From: Andrew.molver@adamsadams.com

Cc: Thando.manentsa@adamsadams.com

lovc@alexkor.co.za

Adams & Adams

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Our Reference: ANM/TDM/cr/LT1926

Your Reference:

Date: 27 February 2015

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ALEXKOR SOC (PTY) LTD
Rosebank

ATTENTION: MR BAGUS

Dear Sir

RICHTERSVELD MINING COMPANY (PTY) LTD / ALEXKOR SOC (PTY) LTD

---

1. We refer to our letter to you dated 6 November 2014 and your letter in response dated 7 November 2014 (copies of which are **attached** for your ease of reference), and confirm that we still act on instruction of Mr Craig Matthews ("our client").

2. As you are aware, the order of 4 September 2014 of the Cape Town High Court (a copy of which is also **attached**) confirming our client as the validly appointed sole director of the Richtersveld Mining Company (Pty) Ltd ("the RMC") was appealed by the RMC's purported directors.

3. The appeal has since lapsed (as at 22 January 2015) as a consequence of the aforesaid purported directors' failure to apply for an appeal date as provided for by the Rules of Court. The lapsing of the appeal has had the automatic legal effect of resuscitating the order of 4 September 2014, confirming our client as the sole director of the RMC.

4. It follows that the persons who presently purport to act on behalf of the RMC, and sit on the joint board of the PSJV, do so in contempt of the order of 2 September 2014. This letter is therefore addressed to you in the protection of the RMC's rights and its interests in respect of the PSJV.

Pretoria, Johannesburg, Cape Town, Durban, Mozambique (ARIPO), Angola, Tanzania, Burundi, Cameroon (OAPI), Botswana, Lesotho, Namibia, Swaziland, Kenya, Ghana & Nigeria
Partners
Associates
Executive Consultants
Attorneys
Admitted by

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5. In view of the aforesaid, we are instructed to repeat the demands made in our letter of 6 November 2014, and we therefore demand that within seven (7) days of receipt hereof you:

5.1. provide us with an undertaking that you will cease and desist from recognising the purported directors as being lawful representatives of the RMC;

5.2. provide us with an undertaking that you will cease and desist from dealing in any manner whatsoever with the purported directors in relation to the functioning of the PSJV;

5.3. confirm that none of the purported directors will be permitted to sit on the joint board of the PSJV unless properly elected to do so;

5.4. provide us with details, including full documentation, regarding the implementation of any decisions taken by the joint board of the PSJV from 22 November 2013 to date hereof; and

5.5. hold over all further decisions of the PSJV until a properly constituted board of the PSJV, that includes our client, has had an opportunity to reconsider these decisions.

6. As a consequence of your previously expressed view to our client that the directorship of the RMC is of no consequence to you, which you persisted with in your letter of 7 November 2014, our client has exchanged the attached correspondence with the Honourable Minister of Public Enterprises, who is an interested party.

7. We trust that our client can rely on your cooperation in the speedy resolution of this dispute.

Yours faithfully
ADAMS & ADAMS

A HOLVER
Checked and signed by author and sent electronically

GC30

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Brigitta Mangale

From:	Andrew Molver <andrew.molver@adamsadams.com>
Sent:	04 August 2015 11:46
To:	'Duncan E. Korabie'
Cc:	WILLEM VRIES; dennis farmer; John Bristow; Mervyn Carstens; Raygen Phillips; Zarina Kellerman; Rafique Bagus; DR PAUL; pieterdewet099@gmail.com; Liesl Fortuin; Cathrene Slander; kuboes@richtersveld.gov.za; lekkersing@richtersveld.gov.za; eksteenfontein@richtersveld.gov.za; percyk@alexkor.co.za; Thando Manentsa; Matthew Russell
Subject:	LT1926: RICHTERSVELD MINING COMPANY (PTY) LTD
Attachments:	LT1926: RICHTERSVELD MINING COMPANY (PTY) LTD / ALEXKOR SOC (PTY) LTD

DUNCAN KORABIE ATTORNEYS
Wellington

ATTENTION: MR D KORABIE

RICHTERSVELD MINING COMPANY (PTY) LTD
OUR REFERENCE: ANM/TDM/crl/LT1926

1. We refer to your email below.

2. It is not our intention to become embroiled in disputes by way of correspondence and we accordingly do not intend dealing, at this stage, with each and every allegation in your aforesaid email. Our failure to do so should not be construed as an admission of the truth or correctness of your allegations, or as a waiver of any of our client's rights, which remain fully reserved.

3. Having regard to the contents of your email, it would appear to us that you have misconstrued the purpose of our letter to you of 29 July 2015 ("our letter"), a copy of which is attached for your ease of reference. Our letter was directed solely at resolving yet another crucial issue impacting on the administration of the Richtersveld Mining Company ("RMC") as a consequence of the pending appeal before the Cape High Court. Any divisions that may exist between the PSJV and Alexcor are not only irrelevant to our client, but also exist despite any actions that our client may take. Our client's primary concern is, and always has been, the RMC (specifically its corporate sustainability) and the interests of the community.

4. In order for our client's position to be made abundantly clear to you and your clients, and to clarify any misunderstanding before you reply to our aforesaid letter, we reiterate the key aspects of our aforesaid letter, as follows:

   4.1. There is absolutely no basis to suggest that our client is in contempt of court. In this regard, given that the appeal has lapsed, your clients' conduct may constitute contempt of court.

   4.2. We have written to you on numerous occasions with a view to addressing the administrative issues that the RMC is facing. You have failed to engage with us (in correspondence or otherwise) regarding any of these issues, despite our attempts at protecting the interests of the RMC.

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4.3 The parties have a responsibility to act in the best interests of the RMC. Irrespective of your clients' views, it can never be disputed that the renewal of the Dumps Agreement is in the best interests of the RMC. By co-operating with our client to secure the renewal of the Dumps Agreement your clients would not, in any manner, be weakening their position in respect of the pending litigation. On the converse, by having failed to co-operate with our client, as they have done to date, your clients have simply reiterated the point that they do not have the interests of the RMC, or of the community for that matter, at heart, and are simply pursuing their own interests. This will obviously support any application in terms of Rule 49(11) or for a court appointed curator of the RMC.

5. As we have not received a response to our aforesaid letter, and unless your client now provides an undertaking to not obstruct the renewal of the Dumps Agreement, we confirm that our client will proceed with an urgent application requesting the court to enforce the order of the Cape High Court pending the appeal, as provided for by Rule 49(11), alternatively for a curator to be appointed to take control of the affairs of the RMC.

6. We trust that the aforesaid clarifies our client's position on the matter.

ours faithfully

Andrew Molver
Partner

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+27 12 432 6536
andrew.molver@adamsadams.com
www.adamsadams.co.za

Lynnwood Bridge, 4 Daventry Street, Lynnwood Manor, Pretoria, South Africa
PO Box 1014, Pretoria, 0001, South Africa

From: Duncan E. Korable [mailto:duncan@korable.co.za]
Sent: Thursday, July 30, 2015 12:40 PM
To: Andrew Molver
Cc: WILLEM VRIES; dennis farmer; John Bristow; Mervyn Carstens; Raygen Phillips; Zarina Kellerman; Rafique Agus; DR PAUL; pietdewet099@gmail.com; Liesl Fortuin; Cathrene Slender; kubaes@richtersveld.gov.za; lekkersing@richtersveld.gov.za; eksteenfontein@richtersveld.gov.za; percyk@alexkor.co.za
Subject: RICHTERSVELD MINING COMPANY (PTY) LTD / BISSET BHOEMKE MCBLAIN & ANOTHER
Importance: High

Dear Sir;

Your letter dated 29 July 2015 received by our office at 16h14 on the said date refers.

We have sent your letter to our client and following a telephonic conference the Board of Directors of our client unanimously resolved to fully respond to the allegations set out in your letter and oppose the threatened litigation by your client.

You will receive our response by close of business 31 July 2015. Any frivolous process initiated will be vehemently opposed and an appropriate costs order sought against your office.

We would caution you, your client and his cohorts not to consider our client's robust engagement on issues related to the Deed of Settlement and the Unanimous Resolution as a sign of division in the PSJV or with our clients business partner, Alexkor. The relationship is as strong as ever and that collective relationship

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will pursue any ill fate that any person, in particular your client, may try to befall on the Richtersveld Community.

All our clients rights remain reserved and we trust the above is in order.

Regards.

DUNCAN KORABIE
ATTORNEYS NOTARIES CONVEYANCERS
HOUSE HARRISON &ROBERTSON STREET, WELLINGTON
PO BOX 388, WELLINGTON 7655
TEL 021 873 7767
FACSIMILE 086 602 0380
EMAIL ADMIN@KORABIE.CO.ZA

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RICHTERSVELD MINING COMPANY

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Posbus/P.O Box 64
ALEXANDER BAY
8290

Tel/Phone: 027 8311 648
Sel/Cell: 076 188 6750
rmc034807@gmail.com
Wjvries@gmail.com

Dear Ms. Mayeza;

Your letter regarding the latest convened board meeting refers.

We do not intend dealing with each and every allegation contained in the aforementioned letter and our failure to do so should not be construed as an admission of its correctness.

The RMC has over the past couple of months raised pertinent issues related to the operation of the PSJV that has been ignored and not attended to. Each time we raise an issue we are referred to the PSJV Board but the issues are never placed on the agenda of the PSJV for discussion. Let us raise it here and once we have reached consensus that these issues will be placed on the agenda and decided upon at the next board meeting will the RMC consider acceding to your request for a meeting.

1. PAYMENT OF R4 MILLION SUPLUS FUNDS

The Richtersveld Sida iHub Communal Property Association decided following the existence of communications and Alexkor (SOC) Ltd accepted that the writ sought for the payment of the R 4 Million has become academic as payment was imminent. The RMC has met all the requirements set by the PSJV for the payment of the funds. We now demand that payment.

DIRECTOR: W Vries(Chairman), Duncan Korabie, Dennis Farmer, John Bristow

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2. PAYMENT OF SURPLUS FUNDS FOR NEW FINANCIAL YEAR

We have reached the end of a new financial year and payment of the surplus funds are due to the RMC. The PSJV needs to determine this amount and make payment in terms of the Unanimous Resolution. In the event that it is found that we have been misled we will be forced to return to Court on this issue.

3. THE GENERAL MANAGER OF THE MINE

The general manager has adopted the attitude that in terms of his contract of employment he reports to the chairman of the PSJV board on the day -to -day running of the mine. This is in direct violation of the Unanimous Resolution. Clause 10.3 requires the executive committee and the management structure to report to and is accountable to the joint board. We have requested a copy of the contract of the general manager and have been referred to the PSJV Board by him.

We are entitled to this information, as we are party to his appointment. We also require the resolution related to his appointment. We seek this information as a matter of urgency.

4. DISCIPLINARY ACTION AGAINST THE GENERAL MANAGER

The general manager has been party to and creating division in the community. This is evident through the awarding of contracts by the "PSJV" in suspicious circumstances relating to the appointment of SSI in particular the due diligence he conducted. We have requested this information and have been referred to the board. We now demand the information.

The general manager has been party to the allocation of commercial property that is due to be transferred to the community without requiring those individuals to pay rental for that property. In this regard we refer to the tyre repair company appointed. Firstly, it is evident from the documents circulated that there was a tender process which led to the appointment of this company. The RMC has two representatives on the tender committee. We have never been

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Invited to a tender committee sitting related to this appointment. Secondly, any agreement that excludes the use of property without remuneration is in contravention of the deed of settlement. The only parties exempted from this are the community and the PSJV itself and Alexkor.

5. THE PSJV SECRETARY

We have raised with you the absolute disregard the PSJV secretary treats the RMC representatives without any change in her demeanor and attitude. This too needs to be addressed with disciplinary action and sanction.

6. PREVIOUS COMMUNICATION

We have written to you on a number of issues not listed here but incorporated through its previous reference. Please attend to those concerns of the RMC that ultimately led to the litigation and address those. We will be happy to forward all those letters should you require it.

Inasmuch as the RMC and its representatives have a fiduciary obligation, you have a fiduciary duty to ensure, as chairperson, that the concerns rose by us is ventilated in a constructive manner so as to avoid confrontation.

We propose that you adjourn the intended meeting to another date and agree with us on the issues that need to be tabled at the next sitting of the joint board.

We trust the above is in order.

MR W.J.VRIES
RMC CEO

DIRECTOR: W Vries(Chairman), Duncan Korabie, Dennis Farmer, John Bristow

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Brigitta Mangale

From: Raygen Phillips <raygenp@alexkor.co.za>
Sent: 16 April 2016 16:47
To: Brigitta Mangale
Subject: FW: INDEPENDENT DIRECTORS FOR THE RMC

Follow Up Flag: Follow up
Flag Status: Flagged

Raygen Phillips
Company Secretary
Tel: 027 831 8352
Fax: 027 831 1910
E-mail: raygenp@alexkor.co.za
Website: www.alexkor.co.za

From: Duncan E. Korable [mailto:duncan@korable.co.za]
Sent: 19 January 2016 15:13
To: pieterdeeret099@gmail.com; Liesl Fortuin
Cc: Richtersveld GEV/CPA; Willem Vries (rmc034807@gmail.com); Joshua De Wet; Raygen Phillips; Hantsi Ghetsida Mayeza
Subject: INDEPENDENT DIRECTORS FOR THE RMC

Dear Pieter;

Our telephonic discussion of even date refers.

I am awaiting confirmation from two individuals who have indicated that they would be willing to sit on the Board for the RMC at the PSJV

They are:

1. Dr Harold Adams- He is a medical doctor and doctor to president Zuma. He is currently on study leave and will confirm his availability by this tomorrow. His also the chairman of the Onderstepoort Biological Products Board of Directors.

2. Randall Corrolissen- he is a chief director with SARS.

A third option is Judy Dlamini - she sits on the remuneration committee for the Anglo American Group and the chairperson of Aspen PharmaCare she has also served on the boards of Discovery, Woolworths and is a non executive director of Northam Platinum.

I cannot confirm Ms Dlamini but she is a possibility. If you want to we can approach her again this year.

Lastly, this issue was created by the PSJV and Alexkor meddling in the affairs of the community. If the PSJV is not quorate it is as a result of their conduct.

I trust the above is in order.

Yours Faithfully.

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RICHTERSVELD

SELF ONTWIKKELINGS MAATSKAPPY (EDMS) BPK
SELF DEVELOPMENT COMPANY (PTY) LTD

Reg no 2006/034315/07
Fikkie Snyman laan 7 Fikkie Snyman Avenue
Posbus /PO Box 85,
Alexanderbaai 8290
Tel (+27) 27 8311 648
Epos/Email
leal.slevco@gmail.com
plate-dower098@gmail.com

RE: IRREGULAR PSJV MEETINGS

The above matter refers.

During January 2015 the board of the PSJV held an illegal meeting as it was not properly constituted. You even went as far as to use a CPA representative to sit on the PSJV board.

During January 2016 you again held irregular PSJV Board Meetings by failing to adhere to the provisions of the unanimous resolution on quorums and what would happen if no proper quorum existed.

To date you have failed to recognize the appointed independent directors appointed to the PSJV Board and RMC.

You have seven days from date of this letter to reverse those decisions failing which we will approach the land claims court for your breach of the provisions of the deed of settlement and unanimous resolutions.

We trust the above is in order.

Yours F ithfully

ieter De We

(Voorsitter)

11 February 2016

Direkteure/Directors P. de Wet (Voorsitter/Chairperson); L. Fortuin, M. Philips

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Richtersveld Sida Ihub Vereniging vir Gemeenskaplike Eiendomme
REG.NO.CPA/01/328/A

Frikkie Snyman Laan 2
Alexanderbaai
8290

Posbu 65
Alexanderbaai
8290

Richtersveld
CPA + SDV

Tel:027 8311 648
Faks:086 265 3600
E-pos adres:rgevcpa@gmail

Re: COMMUNICATIONS BY THE RICHTERSVELD SELF DEVELOPMENT COMPANY (PTY) LTD

The above matter refers

It is my understanding that you would have received a series of communication from the Richtersveld Self Development Company (Pty) Ltd

Those letters relates to

1. The SSI investigation
2. Irregular PSJV meetings
3. Exercise of the option to purchase the Alexkor interest in PSJV
4. The referral to the public protector

The CPA supports the letters and its content sent to you by SELFDEVCO

We have also requested that the matter be referred to the media in order to show South Africa how the rights of the Richtersveld people have been ignored and trampled on

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IIS

ALEXKOR

Mrs –L Obies
Richtersveld Sidal Hub Communal
Property Association
Email: reevcpa@gmail.com

26 February 2016

Dear Sirs and Madams,

1. We write to you out of grave concern regarding the Pooling and Sharing Joint Venture ("the PSJV") between Alexkor (SOC) Ltd ("Alexkor") and the Richtersveld Community ("the Community"). It was always the intention that the Community would be represented in the PSJV by the Richtersveld Mining Company ("the RMC"). However, over recent times we received conflicting correspondence as to who represents the RMC as its independent directors. We are also very concerned about the conflicting views as to who have been duly appointed to the Joint Board ("the JB") of the PSJV.

2. We want to stress that Alexkor is fully committed to the continued success of the PSJV. As a state owned company, You will appreciate that Alexkor must ensure that proper governance processes and structures are in place in respect of the JB of the PSJV and consequently also of the RMC.

3. As you are aware, the Unanimous Resolution of August 2007 requires that Alexkor and the RMC each appoint three representatives to the JB. The directors of the RMC should appoint representative to the JB. As a result of the judgement handed down in the Western Cape High Court on 4 September 2014, Alexkor is uncertain as to who the lawful independent directors of the RMC are.

4. As a result of the aforesaid judgment and the conflicting correspondence received from Self Devco, Alexkor remains uncertain as to who the independent directors are, and we are concerned that this position may compromise and prejudice the business affairs of the PSJV. Alexkor, as a member of the PSJV, is duty bound to take reasonable steps to ensure that the PSJV business affairs are being lawfully carried out and that the JB has been properly constituted.

Head Office 9A Jellicoe Avenue
www.alexkor.co.za
Acting Company Secretary

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ALEXKOR

5. In illustrating of paragraph 4 above we draw your attention to the fact that Alexkor has recently received correspondence from both Mr De Wet of Self-Devco as well as two letters from Mr Matthews on the letterhead of the RMC purporting to exercise a call-option or advising (in the case of Mr Matthews' letters) that the RMC is in the process of exercising the call option in terms the Unanimous Resolution, to buy-out Alexkor's interest in the PSJV in respect of land mining. These letters are attached for your attention.

6. In light hereof, we kindly request that you advise Alexkor as to who the independent directors of the RMC are. In this regard, we must advise that we have no reason to believe that the two representatives from the Community are not duly authorised to represent the RMC on the JB and Alexkor will continue to regard them as such unless otherwise shown.

7. Please be advised that the JB of the PSJV needs to make certain urgent operational decisions and we request that you inform us in writing within five (5) business days of the date hereof what steps are being taken, if any, to ensure proper representation of the RMC to the JB of the PSJV.

Yours faithfully

HANTSI MATSEKE
Chairperson

Head Office 8A Jellicoe Avenue, Rosebank, 2196 T +27 (0) [illegible] F +27 (0) 086 [illegible]
www.alexkor.co.za

Directors: [illegible] Acting Company Secretary: [illegible]

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Richtersveld Community Trust
IT315/2007
Posbus 128, Sandrift, Alexanderbaai 8290
Kontaknommer: 0734132652
Epos: richtersveldtrust@gmail.com

Datum: 11 Maart 2016

Aan:

Richtersveld Self-Development Company (Pty) Ltd

Mnr. Petrus Elias De Wet

Mnr. Niklaas Henry Phillips

Me. Liesl Fortuin

Mnr. Duncan Ernest Koraõie

Mnr. Jacob Harold Adams

INSAKE: ONREGMATIGE AANSTELLING AS DIREKTEURE

1. Ons rig hierdie skrywe aan u as honderd (100%) persent aandeelhouer van die Richtersveld Self-Development Company (Pty) Ltd ("SelfDefco").

2. Ons heg hierby aan die brief van die Richtersveld Sida Intsb Vereniging Vir Gemeenskaplike Eiendom ("die GEV"), gedateer 4 Maart 2016 en bring die volgende onder u aandag.

3. Soos daarna in die aangehegde brief verwys word, merk ons op dat u as direkteur van SelfDefco na verwys word. Ons bring egter die uitspraak van Regter Samela van 4 September 2014 onder u aandag. Vir u gemak, heg ons hierby aan 'n afskrif daarvan.

4. Ons vestig u aandag op paragrawe 33 tot 35 onderskeidelik van die uitspraak. U sal merk dat welke paragrawe te doen het met die aanstelling van die direkteure van SelfDefco en die Richtersveld Mining Company ("RMC").

5. U sal merk in paragraaf 33, dat die hof saamstem met die aanstellingsproses, soos uiteengesit deur Mnr. Craig Matthews (derde verweerder in daardie aangeleenthede), in paragrawe 33.1 tot 33.4, hoofsaaklik die aanstelling van beide RMC en SelfDefco se direkteure aangaan.

6. Volgens die uitspraak, alvorens die direkteure van RMC aangestel kan word, moet ons as trustees van die Richtersveld Gemeenskaptrust ("die Trust") eers behoorlik aangestel en

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Richtersveld Community Trust
IT315/2007
Posbus 128, Sandrift, Alexanderbaai 8290
Kontaknommer: 0734132852
Epos: richtersveldtrust@gmail.com

gekonstitueerder moes. weens in terme van klousules 7.2, 7.10 en 8.5 onderskeidelik van die trustakte. Die hof het bevind dat dit nie gedoen was nie en gevolglik kon die Trust geen geldige besluite neem nie (sien paragrawe 33.5.4 en 34 van die hofuitspraak).

7. As gevolg hiervan, kon die Trust ook nie wettiglik as quo aandeelhouer van SelfDefco opgetree het nie en kon dus ook nie wettiglik die direkteure van SelfDefco aangestel het nie. Ons verwys u vandag op paragraaf 34(ii) en die hof se aanmerkings daarmee in paragraaf 35.

8. Die hofuitspraak gaan verder dat SelfDefco kon ook nie wettiglik as quo aandeelhouer van RMC opgetree het nie met die aanstelling van RMC direkteure (sien paragraaf 34(iii) van die hofuitspraak).

9. In die lig hiervan, bring ons onder u aandag dat u (Petrus Elias De Wet; Niklaas Henry Phillips; Uesi Fortuin), gesamentlike direkteure in terme van artikel 12.1 van SelfDefco se Artikels van Assosiasie, soos gewysig op 26 Februarie 2010, nie wettiglike aangestel is as direkteur van SelfDefco is nie.

10. Insover dit Mnre. Jacob Adams and Duncan Korable aangaan is daar geen regsbasis of bevoegdheid vir u aanstelling nie. Ons verwys u na klousule 12.2 en 12.5 van die Artikels van Assosiasie soos gewysig in 2007 en 26 Februarie 2010 onderskeidelik. U sal merk dat onafhanklike direkteure slegs deur die Trust aangestel kan word.

11. In die lig hiervan versoek ons u almal om onverwyld enige aksie as direkteur van SelfDefco te staak tot en met ons as Trust u as gesamentlike direkteure (Petrus Elias De Wet; Niklaas Henry Phillips; Uesi Fortuin) behoorlik aangestel het.

12. As Trust is ons in die proses effek te gaan aan Regter Siemels se uitspraak en hoop ons spoedig behoorlike gekonstitueerd te wees om sodoende effek daaraan te gee.

13. Insover dit Mnre. Jacob Adams and Duncan Korable aangaan is u aanstelling totaal ontwetlig vir die redes soos uiteengesit in paragraaf 10 hierbo.

14. Ons versoek graag dat u skriftelik teen Dinsdag, 15 Maart 2016 onderneem om nie enige aksie namens SelfDefco te neem nie en u ook nie as direkteur voor te hou nie tot tyden wyl die Trust die nodige aanstellings gemaak het.

15. Ek vestig u aandag op Artikel 77 van die Maatskappywet, 2008 waarin direkteure in hul persoonlike kapasiteit verantwoordelik gehou kan word nou hulle sonder enige bevoegdheid optree.

16. Verdermeer vestig ons u aandag op Artikel 70(4) van die Maatskappywet wat voorsiening maak vir ons as Trust om 'n aandeelhouers vergadering te roep vir die doeleindes om u as

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Richtersveld Community Trust
IT315/2007
Posbus 128, Sanddrift, Alexanderbaai 8290
Kontaknommer: 0734132852
Epos: richtersveldtrust@gmail.com

gemeenskap direkteure sowel as die onafhanklike direkteure soos voorsien word in klousules 12.2 en 12.3 van die Artikels van Assosiasie onderskeidelik, behoorlik aan te stel.

17. Ons vertrou op u samewerking en hoor graag spoedig van u.

Die Uwe

Maria Magdalena Samson N.O.

Cathrina Josephena Slander N.O.

Martha Christina Farmer N.O.

Willem Stefano Cloete N.O.

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RICHTERSVELD

SELF ONTWIKKELINGS MAATSKAPPY (EDMS) BPK
SELF DEVELOPMENT COMPANY (PTY) LTD

Reg.no 2006/034315/07
Frikkie Snymanlaan 7 Frikkie Snyman Avenue
Posbus /PO Box 85
Alexanderbaai 8290
Tel (+27) 27 8311 648
Epos/Email
liesl.devco@gmail.com
pieterdewet099@gmail.com

11 March 2019

Mr. Hentie Maree

Aleksor – Chairperson

Per Email

RE: COMPOSITION OF THE RMC AND PSIV

The above matter refers

We record that the unanimous resolution requires at least one indepe dent director from the RMC to be present on the PSIV in order to constitute a quorum. The articles of association require at least one di rector to constitute a quorum for the RMC

Neither of these entities currently meet this requirement

Despite being aware of this you have wilfully ignored the fact in bre breach of the deed of settlement and the unanimous resolution. You have further willfully assisted this point on in the afore ementioned entities.

The RMC is an entity responsible for protecting the interest of the community in the PSIV. We have appointed two new independent directors and the secretary of the PSIV refuses to amend records reflecting these directors

We further understand that you have proceeded with decisions and ettings aware of the fact that you do not comply with the deed of settlement and unanimous resolution. All of those decision are unlawful.

Should we not receive your undertaking by close of business 14 March 019 to remedy this position we will approach the land claims court for urgent relief in this regard.

We trust the above is in order

Yours faithfully

PJ DE WET

DIRECTOR - SELF DEVCO

Direkteure/Directors: P. de Wet (Voorsitter/Chairperson), Fortuin, N. Phillips

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Die Hoof Uitvoerende Beampte:
Alexkor/Richtersveld Mynbou Maatskappy(Edms) Bpk (RMC)PSJV
Mnr.Mervyn Carstens
Orange Weg
Alexanderbaai

16 Maart 2016

mervync@alexkor.co.za

Geagte Mervyn

Insake :POSISIE RAKENDE DIE GENOMINEERDE VERTEENWOORDIGERS VIR DIE RMC DIREKSIE

1. *Ek bevestig dat verkiesings gehou is in Augustus 2013 om onder andere persone tot die* gemeenskap te nomineer om te dien op die direksies van die Richtersveld entiteite onder wie die Richtersveld Mining Company(Pty)Ltd(RMC)

2. Volgens my inligting en wat ek verstaan met betrekking tot die Hof bevel van September 2014,het die Hof bevestig dat Craig Matthews op hierdie stadium die enigste wettige direkteur van die RMC is.Ek het die Hof bevel gelees en dit word duidelik gestel wat die proses is vir die wettige aanstel van direkteure vir die RMC.

3. Gevolglik verstaan ek dat ek saam met Ryno Thomas,Willie Vries en Dennis Farmer nog nie wettiglik aangestel is as direkteure van die RMC nie en gevolglik nie besluite kan neem asof ons direkteure is nie.

Brian Koopman

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Die Hoof Uitvoerende Beampte:
Alexkor/Richtersveld Mynbou Maatskappy(Edms) Bpk (RMC)PSJV
Mnr.Mervyn Carstens
Orange Weg
Alexanderbaai

16 Maart 2016

mervync@alexkor.co.za

Geagte Mervyn

Insake :POSISIE RAKENDE DIE GENOMINEERDE VERTEENWOORDIGERS VIR DIE RMC DIREKSIE

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3. Gevolglik verstaan ek dat ek saam met Brian Koopman,Willie Vries en Dennis Farmer
nog nie wettiglik aangestel is as direkteure van die RMC nie en gevolglik nie besluite kan neem asof ons direkteure is nie.

Ryno Thomas

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ALEXKOR

19 March 2016

Mr Pieter de Wet
Director: Richtersveld Self Development Company (Pty) Ltd
Self Devco
Email: pieterdewet099@gmail.com

Dear Mr de Wet

Alexkor (SOC) Ltd / RMC and PSJV Issues

1. We refer to your letter dated 11 March. We shall not respond to each and every allegation in your letter, but reserves the right to do so at a later stage if it becomes necessary.

2. To set the record straight, the unanimous resolution does not require at least one independent director from the RMC to be seated on the Joint Board ("the JB") of the PSJV.

3. In any event, with the conflicting views received by Alexkor in various communications, Alexkor remains uncertain as to who the lawful directors of the RMC are, and also who the legitimate representation of the RMC to the JB are. We draw your attention to my letter addressed to Mr Willem Vries (copy attached) wherein we urge him to seek consensus within the Richtersveld Community as to who the directors of the RMC are and who the representatives of the RMC to the JB are. For the reasons set out in paragraph 7 of the attached letter, we make a similar request to you and request that you revert by 25 March 2016.

Yours faithfully

Hantsi Matseke
Chairperson
Alexkor (SOC) Ltd

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TO: THE CHAIRPERSON OF THE POOLING AND SHARING JOINT VENTURE (PSJV) BOARD: ALEXKOR SOC LTD (ALEXKOR)/RICHTERSVELD MINING COMPANY (PTY) LTD (RMC)

8A Jellicoe Avenue
Rosebank
JOHANNESBURG
2196

ATTENTION: Ms. Hantsi Mayeza
hantsim@gmail.com

30 March 2016

Dear Madam

Re: RICHTERSVELD MINING COMPANY (PTY) LTD (RMC)

1. We refer to previous correspondence directed at your office.

2. A meeting was held in Port Nolloth on Saturday, 26 March 2016 involving the writer and Messrs Willie Vries, Dennis Farmer, Brian Koopman and Ryno Thomas. The latter persons as you know were nominated to serve on the Board of the RMC.

3. We are glad to report that the meeting was a resounding success in that all differences that existed between specifically Messrs Vries, Farmer and the writer have been resolved. All the persons at the aforementioned meeting have unreservedly accepted the High Court Judgement of 4 September 2014 and confirmed to support the legitimate Board structure of the RMC as outlined by the Judgement.

Richtersveld Mining Company
P O Box 64
Alexander Bay
8290

Richtersveld Mining Company
6 Orange Road
Alexander Bay
8290

Craig Matthews (Director)

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4. This means that the writer is currently the sole director of the RMC Board and lawfully entitled to make decisions on behalf of the company. Messrs Vries and Farmer have accepted that until their appointment as directors to the RMC Board is legally finalised that they will with immediate effect cease holding themselves out as directors. Mr. Vries will consequently return to his post as a PSJV employee.

5. The RMC representatives on the PSJV Board is with immediate effect: CL Matthews, B Koopman and R Thomas.

6. All matters relating to the RMC and the PSJV must be directed to the writer and the official letter head of the company is as appears in this letter.

7. At the meeting in Port Nolloth a number of issues were discussed on which we have taken positions and these include the exercise of the Call Option as well as the re-treatment of the Mining Dumps. The writer also intends travelling to Alexander Bay shortly to look at office space for the RMC. In this regard we would appreciate a meeting with PSJV management in order to discuss the practicalities.

Richtersveld Mining Company
P O Box 64
Alexander Bay
8290

Craig Matthews (Director)

Richtersveld Mining Company
6 Orange Road
Alexander Bay
8290

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8. Accordingly we request an urgent meeting between yourself and Craig Matthews in order to discuss the immediate way forward and thank you in advance for your support and co-operation as we begin the process of normalizing RMC business.

Yours faithfully
RICHTERSVELD MINING COMPANY (PTY) LTD

C L MATTHEWS

Richtersveld Mining Company
P O Box 64
Alexander Bay
8290

Craig Matthews (Director)

Richtersveld Mining Company
6 Orange Road
Alexander Bay
8290

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ALEXKOR

4 April 2016

Mr Pieter de Wet
Richtersveld Self Development Company (Pty) Ltd
Self Devco
Email: pieterdewet099@gmail.com

Dear Sir

Alexkor (SOC) Ltd / RMC and PSJV Issues

1. We refer to our letter dated 18 March 2016 wherein we requested that consensus be reached within the community as to who the directors of the Richtersveld Mining Company ("RMC") are and who the representatives of the RMC to the Joint Board ("JB") are. We stressed the urgency of the matter and requested you to revert by 25 March 2016. We have regrettably not received a response to our aforesaid letter.

2. In the meantime, we have now received further correspondence from Mr Matthews confirming his assertion that he is the sole director of the RMC. Mr Matthews has again requested certain information from Alexkor (SOC) Ltd ("Alexkor") which he says he requires in order for the RMC to exercise the call-option as contained in clause 19 of the Unanimous Resolution passed between Alexkor, the Richtersveld Sida !Hub Communal Property Association and the Government of South Africa as part of a settlement agreement between these parties.

3. Alexkor is aware of differences within the Richtersveld Community, especially regarding the directorship in the RMC, and remain reticent to deal with Mr Matthews alone unless we are satisfied that he is acting with the blessing of the shareholder of the RMC, which is the Richtersveld Self-Developments Company ("Self-Devco"), and/or that he has the support of the Richtersveld Community who Alexkor regards as its ultimate partner in the Pooling and Sharing Joint Venture.

4. Alexkor is wary to get embroiled in disputes within the Richtersveld Community and also do not wish to be involved in any unnecessary litigation that may be forthcoming.

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ALEXKOR

5. It may be that Mr Matthews is contemplating bringing an action against Alexkor to compel us to supply him with the requested information, and we therefore, in addition to our request contained in our letter addressed to you dated 19 March 2016, also enquire whether Self-Devco has any objection to Alexkor providing the requested documentation to Mr Matthews.

6. For the sake of transparency, we enclose herewith the recent correspondence between Mr Matthews and Alexkor, relating to the above, namely:

- letter from Mr Matthews to Alexkor dated 23 February 2016
- Alexkor's letter to Mr Matthews dated 25 February 2016
- letter from Mr Matthews to Alexkor dated 29 February 2016
- letter from Alexkor to Mr Matthews dated 2 March 2016
- letter from Mr Matthews to Alexkor dated 1 April 2016.

7. Your urgent response by Friday 8 April 2016 is awaited before we reply to Mr Matthews' latest letter of 1 April 2016.

Yours faithfully

pp MS H MATSEKE
Chairperson

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TO: THE CHAIRPERSON OF THE ALEXKOR SOC LTD (ALEXKOR) BOARD & THE POOLING AND SHARING JOINT VENTURE (PSJV) BOARD:
ALEXKOR/RICHTERSVELD MINING COMPANY (PTY) LTD (RMC)

8A Jellicoe Avenue
Rosebank
JOHANNESBURG
2196

ATTENTION: Ms. Hantsi Matseke
hantsim@gmail.com

7 April 2016

Dear Madam

Re: EXERCISE OF CALL OPTION GRANTED TO THE RMC IN TERMS OF THE UNANIMOUS RESOLUTION

1. I refer to your letter of 4 April 2016.

2. Firstly my sincere apologies for addressing you as Ms. Mayeza instead of Ms. Maseke. Secondly I did respond to all your correspondence.

3. It is clear from the above letter as well as recent correspondence received from your office, that Alexkor SOC Ltd does recognize that Craig Matthews is a director of the RMC and that you accept the Judgement of 4 September 2014.

4. In light of the aforementioned you will know what the Judgement states about the appointment of Directors and Trustees. SelfDevco does not have directors. In light of what the Judgement states about the invalidity of decisions taken by the Community Trust.

Richtersveld Mining Company
P O Box 64
Alexander Bay
8290

Richtersveld Mining Company
6 Orange Road
Alexander Bay
8290

Craig Matthews (Director)

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5. It does not help for you to address correspondence to Selfdevco, because you are addressing letters to persons who have no authority in law to act on behalf of that company. You can also not base your decision whether or not to establish my authority on this incorrect cause of action and I ask that we now stop moving in circles.

6. Furthermore, the RMC does not require approval or a resolution from Selfdevco to proceed with the exercise of the Call Option. With all due respect Ms. Maseke, the RMC and the authority of Craig Matthews to proceed with the process as provided for in the Deed of Settlement and the Unanimous Resolution is firmly established as confirmed by the Judgement of 4 September 2014. Whether you accept it or not the RMC currently has one director, whom is authorised to act on behalf of the company. The appointment of further directors will be a process that is handled as set out in the Judgement.

7. We once more call on you to meet with us so we can discuss any legitimate concerns that you may have as regards the process. You may find that we share more common ground than you think.

8. In closing I want to visit the mine in Alexander Bay as a matter of urgency and request that you assist with the removal of any barriers that have stood in my way thus far. It is my right as the sole director of the RMC to visit the PSJV operations and interact with Management.

Richtersveld Mining Company
P O Box 64
Alexander Bay
8290

Craig Matthews (Director)

Richtersveld Mining Company
6 Orange Road
Alexander Bay
8290

GC30

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9 I look forward to hearing from you.

Yours faithfully
RICHTERSVELD MINING COMPANY (PTY) LTD

C L MATTHEWS

Richtersveld Mining Company
P O Box 64
Alexander Bay
8290

Craig Matthews (Director)

Richtersveld Mining Company
6 Orange Road
Alexander Bay
8290

GC30

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TO: ALEXKOR SOC LTD (ALEXKOR)

c/o
The State Attorney, Pretoria
8th Floor Old Mutual Centre
167 Andries Street,
PRETORIA
Attention: Mr. D Burger

E-mail: dburger@justice.gov.za

13 April 2016

Dear Sirs,

Re: EXERCISE OF CALL OPTION GRANTED TO THE RICHTERSVELD MINING COMPANY (PTY) LTD (RMC) IN TERMS OF THE UNANIMOUS RESOLUTION

1. We refer to the RMC's letter of 7 April 2016 as well as all previous correspondence addressed to Alexkor through its Board Chairperson, in the above regard.

2. It is patently clear that Alexkor is deliberately electing not to comply with the RMC's request for information/documentation to enable the RMC to exercise its rights in terms of the Unanimous Resolution. Instead Alexkor is creating conditions which do not exist in either of the Settlement Agreement or the Unanimous Resolution relating the exercise of the Call Option. Alexkor therefore chooses to place an interpretation on the provisions of the Unanimous Resolution which is in direct contradiction to that of the RMC.

Richtersveld Mining Company
P O Box 64
Alexander Bay
8290

Richtersveld Mining Company
6 Orange Road
Alexander Bay
8290

Craig Matthews (Director)

GC30

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3. Despite a number of requests for a meeting with the Chairperson of the Alexkor Board, she has chosen to ignore our very reasonable requests.

4. In the circumstances, we are left with no option but to invoke Clause 25 of the Unanimous Resolution and to have the dispute referred to in paragraph 3 above for arbitration. In the event that we do not receive Alexkor's confirmation that it will submit to the arbitration process, by close of business on 20 April 2016, the RMC will approach the Arbitration Foundation of Southern Africa to commence the process.

5. We confirm that Alexkor has accepted and confirmed receipt of all previous correspondence from the RMC, with regard to the subject matter via the e-mail address of the Alexkor Board Chairperson. The RMC also notifies Alexkor herewith that for the time being the *domicilium* address for the RMC for the purposes of the Unanimous Resolution is: 7, 2nd Avenue, Melville, Johannesburg, 2092 and that the e-mail address is: matthews.craig1969@gmail.com. No fax number is available at this stage.

Yours faithfully
RICHTERSVELD MINING COMPANY (PTY) LTD

C L MATTHEWS

Richtersveld Mining Company
P O Box 64
Alexander Bay
8290

Craig Matthews (Director)

Richtersveld Mining Company
6 Orange Road
Alexander Bay
8290

GC30

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WEBBER WENTZEL
15th Floor
Convention Tower
Heerengracht
Foreshore
CAPE TOWN

ATTENTION: Mr. Selwyn Hockey
selwyn.hockey@webberwentzel.com

22 April 2016

Dear Sir,

Re: EXERCISE OF CALL OPTION GRANTED TO THE RICHTERSVELD MINING COMPANY (PTY) LTD (RMC) IN TERMS OF THE UNANIMOUS RESOLUTION

1. We acknowledge receipt of your letter dated 20 April 2016 in the above regard.

2. We note the contents of your letter and trust that you have been placed in possession of all correspondence exchanged between the RMC and your your client relating to this matter.

3. In as much as your client wishes to take the position that the dispute intended to be referred by the RMC to Arbitration is not arbitrable, the contents of its correspondence since February 2016 reflects in no uncertain terms that it has imposed conditions relating *inter alia* to the Richtersveld Community approval of the process. These conditions are not contained in the Unanimous Resolution. Your client has further indicated that it will seek confirmation from Selfdevco as to whether or not the RMC or myself has the authority to exercise the Call Option.

Richtersveld Mining Company
P O Box 64
Alexander Bay
8290

Richtersveld Mining Company
6 Orange Road
Alexander Bay
8290

Craig Matthews (Director)

GC30

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4. The RMC confirms its position that your client has elected actively to place unlawful conditions for the exercise of the Call Option on the RMC which conditions are not contained in the UR. It therefore interprets the UR as having placed additional conditions as aforesaid, which the RMC disputes. Your client cannot now take the position that the dispute being referred to arbitration does not fall in a category which is not "arbitrable". It is common cause that Clause 25.1 allows for the referral to arbitration of a dispute relating to the interpretation of the provisions of the UR.

5. If the exercise of the RMC's rights in terms of the UR does not suit your client then it must state so and stop wasting time. The RMC and the Richtersveld Community are being prejudiced by your client's actions. The provisions of the UR has not been amended.

6. We advise that the RMC will in the circumstances proceed with the arbitration process and where necessary will also refer the position taken by your client for adjudication. The whole process can obviously be avoided and tax payers money saved, if your client co-operates and provides the RMC with the information/documentation requested.

7. The RMC's right remain equally reserved.

Yours faithfully
RICHTERSVELD MINING COMPANY (PTY) LTD

C L MATTHEWS

Richtersveld Mining Company
P O Box 64
Alexander Bay
8290

Craig Matthews (Director)

Richtersveld Mining Company
6 Orange Road
Alexander Bay
8290

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RP10

SERVICES: FUNCTIONAL (INCLUDING CLEANING AND SECURITY SERVICES)

DESCRIPTION	REQUIRED AT	TENDER NO	CLOSING DATE
Request for Bids: The RAF wishes to appoint service providers for the security services to all of its offices (Regions, Client Service Centers and Hospital Service Centers) for a period of five (5) years. *Meeting/Briefing Session:*RAF Head Office, Eco Glades Office Park 2, 420 Witch-Hazel Avenue, Centurion. 11 March 2016, 11:00. N/A. *Bids obtainable from:* RFB Document will be available on the RAF website: www.raf.co.za , *Payment Details:* N/A, *Notes:* N/A *Post or Deliver Bids to:* Eco-Glades Office Park 2 420 Witch-Hazel Avenue Centurion. Bidders to sign the registers at reception when delivering their bids. *For technical information please contact:* Mr. M Mashego. *Tel:* N/A *Email:* monaram@raf.co.za. *Hours:* 7:45 - 16:00. *For completion of bid documents please contact:* Mr. M Mashego, *Tel:* N/A, *Email:* monaram@raf.co.za, *Hours:* 7:45 - 16:00. No telephonic queries will be entertained.	National Road Accident Fund: Government Entity	RAF/ 2016/ 00004	2016-04-06 at 11:00

SERVICES: PROFESSIONAL

DESCRIPTION	REQUIRED AT	TENDER NO	CLOSING DATE
Alexkor RMC JV is situated in Alexander Bay in the Northern Cape and involved in the mining of diamonds on land, along rivers, on beaches and in the sea along the north-west coast of South Africa, bordering the Orange River. The ALEXKOR RMC JV is an unincorporated joint venture between Alexkor SOC and the Richtersveld Mining Company. ALEXKOR RMC JV (PSJV) invites qualified parties to present innovative proposals for enhancing the revenue of the mine through the marketing and post-extraction treatment, processing and beneficiation of diamonds extracted in the Richtersveld. Our strategy in line with the Minerals and Petroleum Resource Development Act (MPRDA) is to ensure viable and economically and sustainable activities in the Richtersveld that extend beyond primary minerals extraction activities. *Meeting/Briefing Session:*N/A . *N/A.* *Bids obtainable from:* Tender documents are available from the Alexkor RMC JV offices at Orange Road Alexander Bay or can be requested from psjvtenders@alexkor.co.za, *Cost of Documents:* R 1000.00, *Payment Details:* EFT transfer or cash deposit, *Notes:* The 80/20 preference points system will be applied. *Post or Deliver Bids to:* Alexkor RMC JV, Administration Building, Office of the CEO, Orange Road, Alexander Bay, 8290. Tenders must be deposited into the tender box situated at the PSJV Offices on or before 12H00 on 24 March 2016 *For technical information please contact:* Raygan Phillips. *Tel:* 027 831 8352. *Fax:* 027 831 1638 *Email:* rayganp@alexkor.co.za. *Hours:* 07H30 - 16H30. *For completion of bid documents please contact:* Gerald Saas, *Tel:* 027 831 8352, *Fax:* 027 831 1638, *Email:* geralds@alexkor.co.za, *Hours:* 07H30 - 16H30. No late submissions of tenders will be accepted. No correspondence will be entered into with unsuccessful tenderers and appointment will be at the Alexkor RMC JV's sole discretion and will be final.	Northern Cape: Alexkor Limited: Alexkor/ Richtersveld Mining Company Pooling and Sharing Joint Venture	02/ 16	2016-03-24 at 12:00

GC30

RP13A

CURRICULUM VITAE
AUGUSTIN IGNATIUS MAARMAN

Personal Details

Name	:	Augustin Ignatius Maarman (Gus)
Date of Birth	:	01 February 1963
I. D. Number	:	6302015065083
Marital Status	:	Married
Wife	:	Gonoril Cordelia
Children	:	Morgan Laverne
		Harvey William
Home Address	:	36 Bosch Street
		Kuilsriver
		7580
Telephone Numbers	:	Cell 0027 82 563 0843
		E-mail: gusm@africamail.com
Health	:	Good
Interests	:	Farming, Agricultural Processing, Reading, Fishing, Travelling, Computers
Languages	:	English, Afrikaans, Portuguese (Intermediate Level)

Schooling and Education

Management Education	:	Newport University California (2000)
		Master of Business Administration (MBA)
Tertiary Education	:	Technikon Witwatersrand
		National Diploma - Extractive Metallurgy (1991)
		National Higher Diploma – Extractive Metallurgy (1992)
Secondary Schooling	:	Schoonspruit Secondary School (Malmesbury)
		Matriculated 1980
Other Courses	:	Supervisory Diploma (Wits Tech)
		Introduction to Supervision, Advanced Supervision,
		New Era Management, Presentation Skills, Mentoring Skills (CTU)
Memberships:		AFASA – African Farmers Association of South Africa

Career Summary

GC30

Employer	:	SOMIPA - Angola
Date	:	March 2016 to Present
Position	:	Director of Mining Operations
Principle Duties		

Manager of Calonda Mine on behalf of SOMIPA with complete responsibility for the Production, Human Resources, Administration, Safety and Security, and Environmental functions on the mine.

Employer	:	West Coast Mine Management and Metallurgical Services (Pty) Limited
Date	:	June 2014 – February 2016
Position	:	Owner
Principle Duties		

Qualified and experienced Senior Metallurgist, Plant Manager, General Manager and Management Consultant, with more than 20 years in the mining industry to help you with:

- Recovery and Sort House audits
- Plant commissioning
- DMS audits
- Plant Personnel training
- Company profile development
- Company registrations
- Business plan development
- Prospecting and mining licence applications
- Project Management – dump re-treatment
- Writing & promoting Budgets and Production Operational Plans
- Surface Mining and Treatment Contracts
- Environmental clean-up services
- Manager for hire (Short and long term)
- Conflict resolution through mediation
- Agro-Processing and Beneficiation

Employer	:	Trans Hex Group Limited Baken Mine
Date	:	March 2012 to May 2014
Position	:	General Manager
Principle Duties		

Manager of a mine nearing end of life (+/- 2 years) under conditions of falling grades and diminishing reserves, and doing so responsibly and with sensitivity. Complete responsibility for the Production, Human Resources, Administration & Finance, Safety and Security, and Environmental functions on the mine. Retrenched as there was no long term position at E3 level in TransHex, and went back to Consulting.

- Set and Control mine budgets – running cost and personnel
- Manage daily, weekly & month-end reports
- Manage health and safety system
- Ensure full Department of Minerals Resources compliance
- Manage environmental management system
- Manage product security
- Writing & promoting mine operational plans
- Maintain community relations (Municipality, Community Property Association, Sanddrift Community Council)
- Ensure compliance with the Social and Labour Plan.
- Maintain Human Resource Development under difficult conditions.

GC30

Employer	:	Trans Hex Angola – Project Luana
Date	:	March 2009 to February 2012
Position	:	General Manager
Principle Duties		

One of the highlights of my career. Taking a Prospecting Project and turning it into a fully-fledged Mining Operation inside of eighteen months and doing it without direct financial support from the investors, using a multi-national team.

Complete responsibility for the Production, Human Resources, Administration & Finance, Safety and Security, and Environmental functions on the mine. Ensured proper community relations through constant interactions with the local Sobas (Tribal Council), Municipality Officials and the local Governor. Transferred to Baken.

Employer	:	Trans Hex Angola – Project Fucauma
Date	:	August 2007 to February 2009
Position	:	General Manager
Principle Duties		

A very promising project that I sadly had to put on "Care and Maintenance" at the beginning 2009 owing to the fact that over a period of three months the diamond price in Angola dropped by more than fifty percent, making it impossible to even cover operational costs at that time. Transferred to Project Luana.

Employer	:	West Coast Mine Management and Metallurgical Services CC
Date	:	June 2006 – July 2007
Position	:	Owner
Principle Duties		

My first foray into Management and Metallurgical Consulting. Am especially proud of the Metallurgical Training Material I wrote in Afrikaans, for use on the South African West Coast area, where very little English is spoken. I trained a group of Plant Operators. Eighty percent female and without any experience. Many students of that class are still employed in plants around the area.

Also gained valuable experience during this time in the field of Contract Formulation, and Tender Processes. The lure of a steady income saw me return to the corporate environment.

GC30

Employer	:	Burk Mining (Rust & Vrede and Burk Projects)
Date	:	March 2006 to May 2006
Position	:	General Manager
Principle Duties		

A short filler period, basically as a favour to a former colleague, but good to re-gain some insight into the Iron Ore and Manganese mining industries.

Employer	:	Trans Hex Angola – Luarica Project
Date	:	April 2005 to February 2006
Position	:	Acting Production Manager
Principle Duties		

My first term in Angola and had to learn Portuguese and local customs in order to firstly be able to communicate with the people, and secondly not to inadvertently offend them. Reported to the General Manager in a well-run operation. Managed the Plants, Geology Department, the Mining Department, and the Engineering Department. Good Expatriate experience. Left to start Consulting Business in South Africa.

Employer	:	Trans Hex Group Limited
Date	:	June 2004 to March 2005
Position	:	General Manager, Saxendrift & Niewejaarskraal Mines
Principle Duties		

I took over the reins at the mine life end, and, although not a pleasant thing to do, gained valuable experience during the process of closing the operation and it then being sold to another entity. The interaction between the Department of Mineral Affairs, the Department of Labour, the National Union of Mineworkers, and the Community at large to resolve the whole issue was an enormous learning experience. To this day I have good contacts inside the Department of Mineral Resources in the Northern Cape Province offices in Kimberley. Transferred to Luarica in Angola.

Employer	:	Trans Hex Group Limited
Date	:	November 2003 to May 2004
Position	:	Production Manager: Saxendrift & Niewejaarskraal plants
Principle Duties		

A period of intense mentoring to prepare me for the position of General Manager. Worked and interacted with the top structure of Trans Hex during this period.

Employer	:	Trans Hex Group Limited
Date	:	October 2001 to October 2003
Position	:	Superintendent Metallurgy/Production Manager Baken and Paelco Channel Plants
Principle Duties		

- Production Management
- Control plant budgets
- Maintain month-end reports
- Maintain health and safety system
- Maintain product security
- Mentoring of trainee metallurgists.

GC30

"SH1"

Consent - Maarman
10/05/2016

CONSENT

to act as a representative of the

RICHTERSVELD MINING COMPANY (PTY) LIMITED ("RMC")

on the

JOINT BOARD OF THE POOLING AND SHARING JOINT VENTURE ("The Joint Board")

I, the undersigned,

AUGUSTIN IGNATIUS MAARMAN

do hereby consent to my appointment as a representative of the RMC to the Joint Board of the Pooling and Sharing Joint Venture, an unincorporated joint venture between the RMC and Alexkor (SOC) Limited, on the terms that may be ordered by the High Court of South Africa, Northern Cape Division, Kimberley in the application to be launched by Alexkor (SOC) Limited in the said Court against the RMC and various other Respondents.

Dated at Calvinia on this 10th day of May 2016.

AUGUSTIN IGNATIUS MAARMAN

GC31

ALEXKOR

SOC LIMITED
(Reg. No. 1992/006368/30)
Incorporated by Act No 116 of 1992

ALEXKOR RMC JV

Orange Road
Private Bag X5
ALEXANDER BAY
8290

Tel. : +27 (027) 831 8300
Fax : +27 (027) 831 1910

RMC

(Reg. No. 2006/034807/07)

THE CHIEF OPERATING OFFICER
SCARLET SKY INVESTMENTS
PO BOX 333
MELROSE ARC
2076

Attention : Mr Marc Chipkin

07 December 2014

Dear Sir

Via e-mail : marc@integratedcapital.co.za

RE : INVITATION TO PRESENTATION

You are herewith invited to make presentations on your tender submitted to the Tender Committee.

The presentation is scheduled for Thursday, 11 December 2014 at 15H15 until 16H15 at the Alexkor SOC Offices, 8A Jellicoe Avenue, ROSEBANK, 2196, Johannesburg.

You may contact our Ms. Phillips for any enquiries at 083 400 9297.

Yours sincerely,

RAYGEN PHILLIPS
COMPANY SECRETARY

Directors: R Bagus (Chairperson), MJ Carstens (Chief Executive Officer), I Bristow, D Ramabia, Z Nhlangulo, R Paul, W Vries

GC31

ALEXKOR

SOC LIMITED
(Reg. No. 1992/006363/30)
Incorporated by Act No 116 of 1992

ALEXKOR RMC JV

Orange Road
Private Bag X5
ALEXANDER BAY
8290

Tel. : +27 (027) 831 8300
Fax : +27 (027) 831 1910

RMC

(Reg. No. 2006/034807/07)

THE CHIEF OPERATING OFFICER
CS DIAMONDS(PTY) LTD
HADISON PARK
KIMBERLEY
2001

Attention : Mr B CLOETE

08 December 2014

Dear Sir

Via e-mail : cstender@telkom.co.za

RE : INVITATION TO PRESENTATION

You are herewith invited to make presentations on your tender submitted to the Tender Committee.

The presentation is scheduled for Thursday, 11 December 2014 at 14H00 until 15H00 at the Alexkor SOC Offices, 8A Jellicoe Avenue, ROSEBANK, 2196, Johannesburg.

You may contact our Ms. Phillips for any enquiries at 083 400 9297.

Yours sincerely,

RAYGEN PHILLIPS
COMPANY SECRETARY

Directors: R Bagus (Chairperson), MJ Carstens (Chief Executive Officer), J Bristow, D Kwabiki, Z Ndengula, R Paul, W Vries

GC31

ALEXKOR

SOC LIMITED
(Reg. No. 1992/006368/30)
Incorporated by Act No 116 of 1992

ALEXKOR RMC JV

Orange Road
Private Bag X5
ALEXANDER BAY
8290

Tel. : +27 (027) 831 8300
Fax. : +27 (027) 831 1910

RMC

(Reg. No. 2006/034807/07)

THE CHIEF OPERATING OFFICER
DIAMOND REALISATIONS (SA) PTY LTD
RSA OFFICE
JOHANNESBURG

Attention : Mr Aron Budin

08 December 2014

Dear Sir

Via e-mail : aron@ihennig.co.za

RE : INVITATION TO PRESENTATION

You are herewith invited to make presentations on your tender submitted to the Tender Committee.

The presentation is scheduled for Thursday, 11 December 2014 at 16H30 until 17H30 at the Alexkor SOC Offices, 8A Jellicoe Avenue, ROSEBANK, 2196, Johannesburg.

You may contact our Ms. Phillips for any enquiries at 083 400 9297.

Yours sincerely,

RAYGEN PHILLIPS
COMPANY SECRETARY

Directors: K Bagus (Chairperson), MJ Carstens (Chief Executive Officer), J Bristow, D Kovalsic, Z Nhlangula, R Paul, W Vries

GC32

gavinjohn@outlook.com

From: Gavin J. Craythorne
Sent: 09 October 2017 10:17 PM
To: Raygen Phillips
Cc: 'Joanne Matisonn'; Pravin Gordhan (pgordhan@parliament.gov.za); josephklaasse@gmail.com; 'gnicol@live.com'
Subject: SSI AND RELATED MATTERS.
Attachments: 2001_PMG_UDASA_ABE SHER_ALEXKOR AMENDMENT BILL_SUBMISSION.pdf; 2004_ALEXKOR VOODOO ACCOUNTING_LETTER TO CEO.pdf; 2004_ALEXKOR VOODOO ACCOUNTING_RESPONSE FROM COMPANY SECRETARY.pdf; 2004 _ALEXKOR_DCCOB_CEO_RELIEF PROPOSALS_SERIOUS CONCERNS RE DIAMDEL.pdf; 2004 _ALEXKOR_DCCOB_CEO_RESPONSE TO RELIEF PROPOSALS_CONERNS RE DIAMDEL.pdf; 2012 _DIAMDEL_PRIMA FACIE EVIDENCE OF PRICE FIXING.pdf; 2017_SCARLET SKY INVESTMENTS_NEW BRYANSTON PREMISES.pdf; ALEXKOR SALES_PRICE DATA_2001-2017 _abridged.v1.xlsx

Dear Raygen,

The EAC has been inundated with complaints from the small-scale marine mining community regarding the alarming systemic decline in the prices Alexkor is achieving for the sale of their hard-won diamonds.

My colleagues in the EAC and myself, having done some initial due diligence on the matter, have concluded that it is in the best interests for all involved in the winning of Alexkor's diamonds to gain a better understanding of who is participating in and benefitting from the marketing and sale of Alexkor's diamond production. The interests of the country's tax payers are taken as read.

To this end, we provide under cover hereof, a selection of documents that are self-explanatory and which furthermore, provide ample cause for Alexkor management to share in our concerns and to favourably respond to our request for sight of Scarlet Sky Investment's company registration number.

We trust that our request will elicit a more collegial response than the attached example from our archives which illustrates the level of contempt we encountered in similar situations during the past.

Our thanks in advance, Je suis Alexkor.

Kind regards,

Messrs: George Nicolaai, Joseph Klaasse and Gavin Craythorne.

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights of Small-scale Marine Diamond Miners

GC33

From: Raygen Phillips [mailto:raygenp@alexkor.co.za]
Sent: 10 October 2017 09:40 AM
To: Gavin J. Craythorne <gavinjohn@outlook.com>
Cc: Joanne Matisonn <Joanne.Matisonn@tmf-group.com>; Pravin Gordhan (pgordhan@parliament.gov.za) <pgordhan@parliament.gov.za>; josephklaasse@gmail.com; 'gnicol@live.com' <gnicol@live.com>
Subject: RE: SSI AND RELATED MATTERS.

Dear Gavin

GC33

Your email of 09 instant is noted.

Any issued pertaining to the diamond sales and diamond pricing trends must be addressed directly with the PSJV. SSI is the marketing agent of the PSJV duly appointed by the Board. We cannot provide information of a service provider to 3rd parties. You are welcome to discuss any issues with SSI or any other service provider of the PSJV with management.

Regards

Raygen Phillips
Company Secretary
Tel: 027 831 8352
Fax: 027 831 1910
E-mail: raygenp@alexkor.co.za
Website: www.alexkor.co.za

GC34

gavinjohn@outlook.com

From: Gavin J. Craythorne
Sent: 10 October 2017 04:16 PM
To: 'Raygen Phillips'
Cc: Joanne Matisonn; Pravin Gordhan (pgordhan@parliament.gov.za); josephklaasse@gmail.com; 'gnicol@live.com'
Subject: RE: SSI AND RELATED MATTERS.

Hi Raygen,

Thanks, and understood.

Could you then provide the following information as a precursor to opening discussions between the EAC and management on this issue and others relating to corporate governance?

1. A list of the directors and shareholders of SSI.
2. The technical credentials of the SSI personnel.
3. The track record of SSI within the diamond marketing and sales industry.
4. A list of the firms who competed unsuccessfully against SSI for the Alexkor contract. Please provide contact details.
5. Are there any links, direct or otherwise between SSI and the Gupta family or any of their known associates?
6. What is their business model and how does it support the purchase of the former American Embassy premises located at 1 River Street, Houghton?
7. What is the total to date of fees payed to SSI by Alexkor?
8. What is the total to date of commissions, profit share or any other benefit to SSI?
9. Details of all diamonds that have been selected from the contractor's production for beneficiation to date including.
    a. The rough valuation specifications, the prices paid and the ratio between the price achieved and the instant Rap spot price.
    b. The polished outcomes in terms of grade, prices achieved at sale and details of the buyer in each case.
    c. The names of all the clients who were offered the polished goods.
    d. The Alexkor share of the added value.
    e. The contractor's share of the added value.
10. What is the total value of diamonds Alexkor has supplied to the State Diamond Trader since the date Alexkor began supplying the entity?
11. Can you provide details on how the SDT mandate clients have benefited from these transactions?

In addition to the grievances of the marine mining community in terms of the poor diamond prices, the EAC has also received numerous complaints regarding the following:

- Treatment of their gravels and tailings.
- The highly negative impacts of seawall mining and the threat it poses to the sustainability of the diamond diving industry and the environment.
- The shocking lack of respect from many of the Alexkor employees towards their work and towards the marine mining community.
- The serious deterioration of critical infrastructure brought about by a lack of work ethic, maintenance and funding for the mine and the town.
- The decline of the socio-economic welfare and social cohesion of Alexander Bay.

Regarding the above could you please provide the following information:

1. The average monthly grade in carats/m^3 of the production from the marine division over the past five years.
2. The average monthly grade in carats/m^3 of the recoveries from the marine tailings since the project began.
3. The total value of diamonds produced to date from the marine tailings.

GC34

4. The process and decision record for the awarding of the contract to process the marine tailings dump and the continuing processing of current tailings generated by the efforts of the small-scale marine mining community.
5. Did the transaction trigger a section 54 application and if so was such an application made to the Minister?
6. An explanation as to why Alexkor's marine contractors who produced the marine gravels of the tailings were not consulted even though they themselves were in discussions with Alexkor at the time to do a joint venture project on the very same tailings dump, and who in fact had been the first to point out to Alexkor the substantial value that could be unlocked by retreating the tailings using advanced sensor-based sorting technology.
7. A list of the directors and shareholders of the company concerned.
8. The deal split in favour of the company concerned and the methodology used in the determination thereof.
9. The frequency of polygraph testing for staff employed at the sorting plants, the total number of tests conducted to date and the ratio of negative to positive results.
10. The legal basis upon which Alexkor is conducting seawall mining by dumping waste rock, gravel, sand and fine particulate into the sea more than 150m beyond the low water mark.
11. The deal split in favour of the company concerned, the methodology used in the determination thereof and when or to what extent any changes were renegotiated in the deal split.
12. A GIS shape-file containing all the shallow water mining blocks that have been affected by seawall mining.
13. The benefits for the people of Alexander Bay and Port Nolloth in supporting a corporate structure based in Johannesburg at a cost of R40 million per year.

I know I should have begun this process soon after our meeting in Kimberley Raygen but the pressure on me personally and our business due to the cost over-runs on the MASS FLOW MINING research, development and innovation project has been quite staggering.

While this has not grown any easier for me under the present circumstances, I believe the time has come for us all to deal with these difficult issues and begin building a legacy for our children without delay.

Kind regards,

Gavin Craythorne.
Mobile: 083 630 1380.

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights
of
Small-scale Marine Diamond Miners

From: Raygen Phillips [mailto:raygenp@alexkor.co.za]
Sent: 10 October 2017 09:40 AM
To: Gavin J. Craythorne <gavinjohn@outlook.com>
Cc: Joanne Matisonn <Joanne.Matisonn@tmf-group.com>; Pravin Gordhan (pgordhan@parliament.gov.za) <pgordhan@parliament.gov.za>; josephklaasse@gmail.com; 'gnicol@live.com' <gnicol@live.com>
Subject: RE: SSI AND RELATED MATTERS.

Dear Gavin

Your email of 09 instant is noted.

Any issued pertaining to the diamond sales and diamond pricing trends must be addressed directly with the PSJV. SSI is the marketing agent of the PSJV duly appointed by the Board. We cannot provide information of a service provider to

3rd parties. You are welcome to discuss any issues with SSI or any other service provider of the PSJV with management.

Regards

Raygen Phillips
Company Secretary
Tel: 027 831 8352
Fax: 027 831 1910
E-mail: raygenp@alexkor.co.za
Website: www.alexkor.co.za

From: Gavin J. Craythorne [mailto:gavinjohn@outlook.com]
Sent: 09 October 2017 10:17 PM
To: Raygen Phillips
Cc: Joanne Matisonn; Pravin Gordhan (pgordhan@parliament.gov.za); josephklaasse@gmail.com; 'gnicol@live.com'
Subject: SSI AND RELATED MATTERS.

Dear Raygen,

The EAC has been inundated with complaints from the small-scale marine mining community regarding the alarming systemic decline in the prices Alexkor is achieving for the sale of their hard-won diamonds.

My colleagues in the EAC and myself, having done some initial due diligence on the matter, have concluded that it is in the best interests for all involved in the winning of Alexkor's diamonds to gain a better understanding of who is participating in and benefitting from the marketing and sale of Alexkor's diamond production. The interests of the country's tax payers are taken as read.

To this end, we provide under cover hereof, a selection of documents that are self-explanatory and which furthermore, provide ample cause for Alexkor management to share in our concerns and to favourably respond to our request for sight of Scarlet Sky Investment's company registration number.

We trust that our request will elicit a more collegial response than the attached example from our archives which illustrates the level of contempt we encountered in similar situations during the past.

Our thanks in advance, Je suis Alexkor.

Kind regards,

Messrs: George Nicolaai, Joseph Klaasse and Gavin Craythorne.

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights
of
Small-scale Marine Diamond Miners

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01 APRIL 2019

SHALLOW MARINE MINING AGREEMENT

between

THE JOINT BOARD OF THE PSJV (an unincorporated joint venture between Richtersveld Mining Company Proprietary Limited and Alexkor SOC Limited)

acting for and on behalf of Alexkor SOC Limited

and

OCEAN DIGGERS CC

REGISTRATION NUMBER: 2005/150617/27

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1 PARTIES

1.1 The Joint Board ("**Joint Board**") of the PSJV acting for and on behalf of Alexkor SOC Limited, a state-owned company incorporated in the Republic of South Africa with registration number 1992/006368/06, and established in terms of the Alexkor Limited Act 116 of 1992 of Office Block 15, 2nd Floor, The Woodlands Office Park, 20 Woodlands Drive, Woodmead, Johannesburg, Republic of South Africa ("**Alexkor**"); and

1.2 **OCEAN DIGGERS CC**, a close corporation incorporated in the Republic of South Africa with registration number **2005/150617/27** of 07 Klipspringer Avenue**,** Alexanderbay, 8290**,** Republic of South Africa ("**Contractor**").

2 INTRODUCTION

2.1 Alexkor is the holder of certain marine mining rights, which include diamond mining rights in respect of the Mining Area.

2.2 RMC is the holder of certain land mining rights.

2.3 Alexkor and RMC established the PSJV, pursuant to which the structures established by Alexkor and RMC as part of their joint venture arrangements are authorised on behalf of Alexkor and RMC, respectively, to conduct mining operations utilising the respect mining rights of Alexkor and RMC.

2.4 For these purposes, Alexkor and RMC have placed their respective marine mining rights and land mining rights under the full control of the PSJV.

2.5 Accordingly, the Joint Board, acting for Alexkor and RMC respectively, enters into subcontracting arrangements with third parties for the recovery of diamond gravels from certain mining areas. The Joint Board is authorised to act on behalf of Alexkor and RMC respectively in all matters relating to the mining rights of Alexkor and RMC respectively, including the appointment of contractors for the recovery of Diamond Gravels.

2.6 The PSJV acting for and on behalf of Alexkor has issued a tender for the recovery of Diamond Gravels from certain mining areas and the Contractor has submitted a bid for the award of this tender.

2.7 Pursuant to the award of the tender, the Joint Board acting for and on behalf of Alexkor wishes to grant the Contractor the right to recover Diamond Gravels from the Mining Area and the Contractor wishes to accept such right, as more fully set out in this Agreement.

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SIGNED at_____on_____2019.

For: **ALEXKOR SOC LIMITED**

AS WITNESSES:

_____

_____

_____

Signatory: Mervyn Jacques Carstens

Capacity: Chief Executive Officer

Authority: Board Resolution

SIGNED at_____on_____2019.

For: **OCEAN DIGGERS CC**

AS WITNESSES:

_____

_____

_____

Signatory:

Capacity:

Authority:

SCHEDULE 1

Variables

1. End date of the Contract Period: **31 March 2024**

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2. Effective Date: 0**1 April 2019**

3. The PSJV: Attn: **Gerone Cloete , Operations Manager**

Administrative Building, Orange Road,

Alexander Bay

8280

Republic of South Africa

Telephone Number: **027 831 8300**

Telefax Number: **027 831 1910**

4. the Contractor: Attn: _____

_____

_____

Republic of South Africa

Telephone Number:

Telefax:

SCHEDULE 2

Mining Areas

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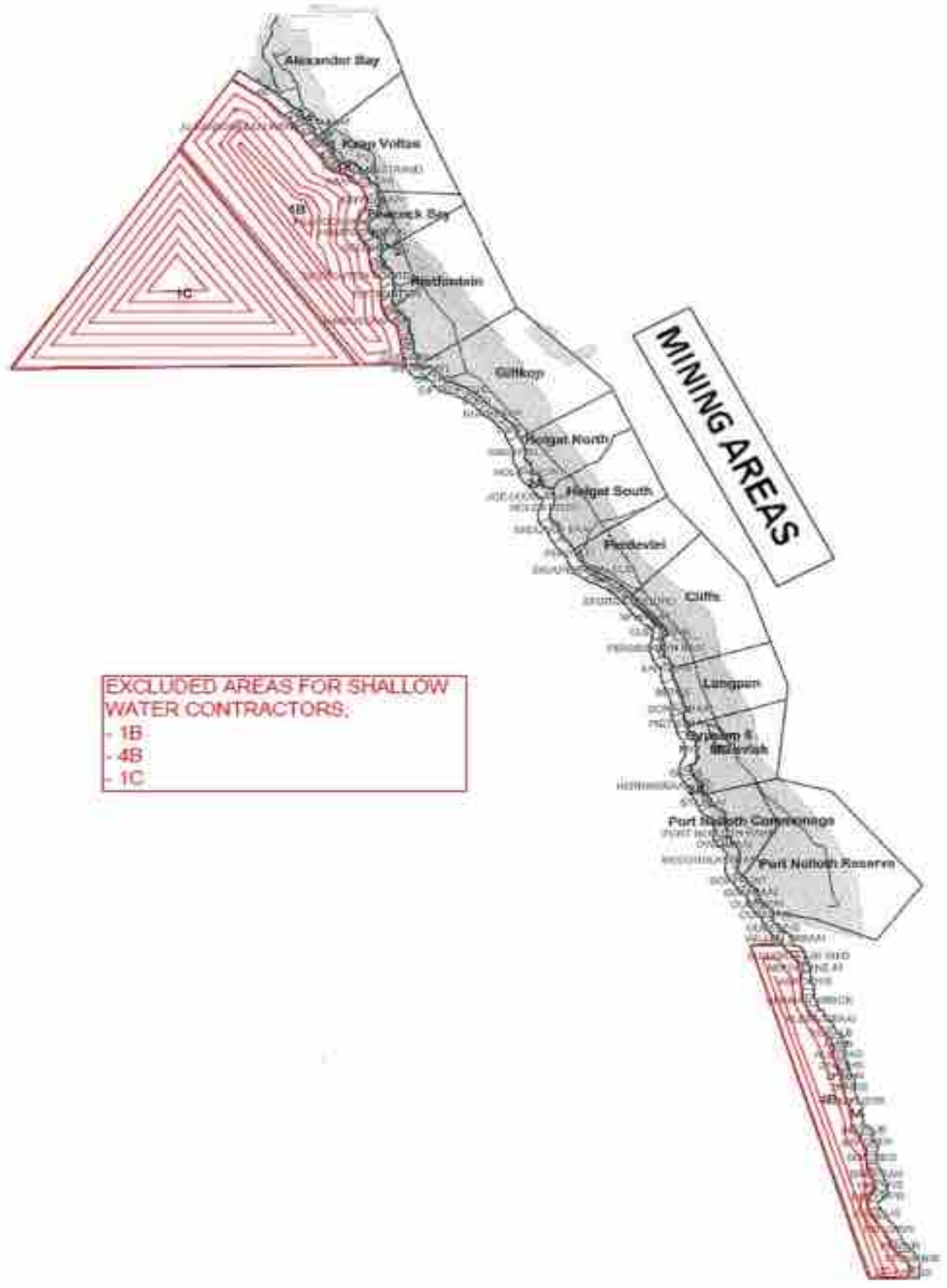
SCHEDULE 3

Excluded Areas



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SCHEDULE 4

Equipment

[NB: Insert details of the equipment.]

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SCHEDULE 5

The Contractor's Team

NAME	ID NUMBER	POSITION

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SCHEDULE 6

Contractor's Fee

1. The Contractor's diamond production shall be sold according to the PSJV's marketing strategy at the relevant point in time. All diamonds of 6.8 carats and greater shall be separated and evaluated independently.

2. The net proceeds of diamonds of 6.8 carats and greater and all single stones with a market value of ZAR1,000,000 or greater will be divided between the Contractor and the PSJV equally.

3. The net proceeds of other diamonds will be divided between the Contractor and the PSJV in the ratio as set out in the below table, respectively :

SEA AREA	ACTIVITY	%SPLIT PSJV	% SPLIT CONTRACTOR
3.1: NORTH	SHALLOW WATER UNITS	52 52	48 48
3.2: MIDDEL	SHALLOW WATER UNITS	40 40	60 60
3.3: SOUTH	SHALLOW WATER UNIT	30 30	70 70
3.4: DEEP	SHALLOW WATER UNITS	30	70
3.5: FAR SOUTH	SHALLOW WATER UNITS	25	75

4. Where the split as set out in 3.1 is applicable, clause 2 of schedule 6 will not be applicable.

5. For the purpose of paragraphs 2 and 3, net proceeds means the sale price, less the applicable marketing fee, the expenses of the PSJV, the expenses of the Contractor approved by the PSJV, and the royalty payable to the State.

6. The amount determined by application of paragraphs 2 and 3 is inclusive of VAT.

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SCHEDULE 7

Consent and Declaration

I, the undersigned,_____, identity number: _____ freely and voluntarily agree to take the polygraph (lie detector) tests required by Richtersveld Mining Company (Pty) Ltd ("**RMC**") and/or Alexkor SOC Limited ("**Alexkor**") from time to time, including a test before commencement of mining operations, random annual tests and tests at such other times as may be required by RMC and/or Alexkor.

I agree that the results of such tests and any conclusions that may derive from them may be disclosed to RMC and Alexkor, and their respective agents, officers and employees and to any other interested persons both orally and in writing, for whatever uses they may determine.

I understand that the results of such tests and the conclusions drawn from them may prove unfavourable towards me. Nevertheless, I hold RMC and Alexkor, and their respective agents, officers and employees free and harmless from any claim of whatsoever nature which I may have against them for any damages or liability towards me resulting from the taking of such tests and/ or disclosure of such results and conclusions drawn from them.

I hereby release, waive and discharge RMC and Alexkor, and their respective agents, officers and employees, from all and any action or cause of action, claim, demand or liability of whatsoever nature, which I have now or may ever have as a direct or indirect result of taking the polygraph examination and the oral and written options rendered because of the said examination and the subsequent release of the results of the examination and any oral or written options.

I consent to the recording of all polygraph tests.

I consent further to body searches, searches of my property, and X-ray examinations to be conducted by RMC, Alexkor and their respective nominees in their sole discretion from time to time.

I declare that I have not been involved in any diamond related criminal activities or any crimes involving theft, misappropriation, dishonesty, fraud or misrepresentation.

DATED AT (place):_____ ON (date):_____

SIGNATURE: _____

SCHEDULE 8

Site navigation

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More like this

- Namaqualand Diamond Fund Trust, Alexkor Development Foundation: Department, Transhex, Alexkor briefings
- Alexkor on its operations; Establishment of a State-Owned Mining Company: public hearings
- South African Diamond & Precious Metal Regulator, Mintek, Council for Geoscience, Mine Health & Safety Council Strategic Plans
- Council for Geoscience and Mintek Strategic Plans 2010-2013
- Geoscience Amendment Bill [B12-2010]: Public hearings Day 1

Drupal

Oversight visit reports: Northern Cape, Council for Geoscience, Mintek, Minutes: adoption

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Mining

Date of Meeting: 17 Nov 2010
Chairperson: Mr F Gona (ANC)

Minutes of Meetings for 2010
Report on the Oversight Visit to the Northern Cape
Report on the Oversight Visit to the council of Geoscience
Report on the Oversight Visit to Mintek

[All Committee Reports available at **Tabled Committee Reports** once published]

Audio recording of the meeting:
PC Min: Consideration & Adoption of Oversight Reports; Oversight visit to the Council for Geosciences Part 2
PC Min: Consideration & Adoption of Oversight Reports; Oversight visit to the Council for Geosciences Part 1

Summary:

The Committee noted that it would, in the following week, undertake the second leg of the oversight visit to the Northern Cape, this time visiting the Kimberley area, where it would visit the Kumba Mine, Kolomela, De Beers, New African Mining and the opencast mine in Lime Acres. It would also meet with the Namaqualand Development Trust Fund, the Kumba Super Trust Fund, the Smitsdrift community and Women and Mining.

The Chairperson discussed the arrangements for the international study tour, in January 2011, to Chile and Bolivia, Members serving on other committees could attend more than one study tour, if they did not clash. Positive responses had been received from both countries, and the Committee would try to ensure that all Members had the opportunity to go on the tour. Members suggested that they should meet with the foreign ambassadors of those countries

issue stemmed as far back as 1998, so the situation was still uncertain, as reflected in the draft Committee Report.

Ms Mathibela asked, in relation to paragraph 6.14, how relevant the electricity generator project progress was.

The Chairperson replied that De Beers, during its presentation to the Committee, had stated that this project was established and financed and simply needed government buy in. The whole project had already been set up.

The Chairperson pointed out issues under the "Findings" section of the draft Report. One issue was the lack of communication between municipalities and communities. In many areas of Namaqua, people were living in abject poverty, as witnessed during the May oversight. The information presented by the mining companies contradicted the information given by the communities. Mining companies could not account exactly for the trust funds and were not aware of its obligation. Both trust funds provided for representation by trustees. However, the communities were not aware of the MPRDA.

The Chairperson said that he wished to add points under "Findings" about the lack of social infrastructure and community, and the fact that the Committee discovered high levels of unemployment within the region.

Adv Schmidt stated that neither the mining companies nor the communities were able to account for the trust funds, so the main concern was who was accountable. He thought that the Committee must call the boards of those trusts in to explain the position.

The Chairperson replied that this had been done for the Namaqualand Development Fund Trust and the Alexkor Development Foundation. However, the Committee could not deal with the community side, as this was administered by the Portfolio Committee on Public Enterprise. If that community scheme received mining rights, it would be necessary for this Committee to call it in. The Committee had called only those trust funds that received royalties.

Adv Schmidt believed that it should be said that the Committee did not consult with the Alexkor Development Foundation, but that the mines and communities could not account for the trust funds, and recommend that the Department of Public Enterprises should conduct an investigation.

The Chairperson said that the trust funds referred to in the draft report should be set out clearly and by name. He agreed that the fact that neither the mines nor communities

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had accounted should be included.

Mr Gololo stated that because mining companies contributed royalties to the trusts, it should be stated clearly that they received royalties and not donations.

The Chairperson reminded Members that the royalties were paid until the MPRDA came into operation, but had been suspended since March 2010, as the companies were now required to pay over to the State.

The Chairperson then noted that the "Findings" section of the draft Report stated that there were three mining companies that held the monopoly of mineral rights in the Namaqua region. This "cartel" divided Namaqua into portions and monopolised the entire landscape of the regional and mining rights. The Committee further discovered that mining companies had a variety of degree of development projects. The Committee also discovered that mining companies were not properly implementing the required social and labour plans.

Adv Schmidt stated that the Committee had become increasingly aware that mining companies, across the board, were not complying with legislation. He suggested that the DMR should be inspecting them and determining why the social and labour plans were not implemented. The Committee must hold DMR accountable, as it was its responsibility to ensure that the mining companies were complying.

The Chairperson stated that the role of the DMR was raised previously, and the Committee must conclude that the DMR failed in its regulatory functions in the area of Namaqualand.

Mr Gololo agreed that the DMR was not complying. Currently there were 6 000 mines and the State was paying substantial sums to ensure that mines were rehabilitated, which again went back to DMR not fulfilling its regulatory functions.

The Chairperson stated that the Committee still needed to plan an oversight trip to DMR itself, to determine what the Department was doing to implement MPDRA and the Mine Health and Safety Act, and how and to what extent it was enforcing and ensuring compliance with the law.

The Chairperson said that the findings and recommendations section of the draft Report should reflect that a visit should be planned to check the DMR implementation plans.

The Chairperson then suggested that the recommendation stating that those retrenched should take their matters through the National Union of Mineworkers should be

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removed from the draft Report.

The Chairperson then added further recommendations. In respect of the conversion of old hospitals by De Beers into correctional services facilities, he asked that it be noted that the Department of Correctional Services was asked to support the correctional centres in the old hospitals, since De Beers had not capacity to manage the correctional service centres, which should be attended to by the correct State Department.

In respect of the MPRDA, he added a recommendation that this Act must be amended to deal with mineral rights that were held by companies for long periods of time, while the region and the provinces descended into poverty. He pointed out that in Northern Cape, certain companies held on to their rights, scaling down their operations, thus plunging the region into dire financial straits. MPRDA had some provisions to address this, but they were not adequate.

Members agreed to adopt the draft Report, as amended.

Committee's draft Report on the Oversight Visit to the Council for Geoscience (CGS)
Mr Gololo suggested that Members be referred to as "Hon" rather than "Mr" or "Ms".

The Chairperson answered that, firstly, this would not show the gender, and secondly would not allow for the correct titles such as "Dr" or "Adv" to be given.

The Chairperson said that the reference to the Council for Geoscience (CGS) as a "mandatory advisory authority" should be amended to "a national advisory authority".

The Chairperson noted that the grammatical errors would be corrected during the proofreading.

The Chairperson said that on page 3, the sentence in bold, which reported that the Mine Health and Safety Council funded the CGS on a pilot study for twelve months, should specify that it was the seismicity study that was funded.

The Chairperson stated that the headings for "Findings" and "Recommendations" should be combined.
He suggested a redraft of the first sentence to read: "…look at the matter of rising water tables as a result of acid mine drainage in the Rand area."

He asked that the sentence starting: " CGS was underdeveloped …" should be changed, to read: "CGS was underfunded to handle all of its problems; therefore the Ministry of Mineral Resources must pick up its approval of the

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BELASTINGFAKTUUR / TAX INVOICE

OCEAN DIGGERS
9 KLIPSPRINGER AVENUE
ALEXANDERBAY
8290

Date: 31 Mar 2015
Tax Invoice No. 204116/3.2015
VAT REG. NO: **4680228647**

ALEXKOR RMC JV
Private Bag X5
ALEXANDER BAY
8290
VAT REG NR 4650258157

OCEAN DIGGERS

Diamonds	Carats	$/Carat	$ Value
1	9.25	$1 066.00	9 679.00
1	7.83	$2 723.63	21 326.00
1	13.69	$6 419.87	87 888.00
1	9.69	$7 933.95	76 880.00
1	6.94	$1 491.93	10 354.00
1	14.48	$1 941.02	28 106.00
1	18.15	$4 021.43	72 989.00
1	8.35	$3 423.95	28 590.00
1	9.53	$3 071.04	29 267.00
1	15.08	$8 145.03	122 827.00
1	13.08	$3 675.98	48 081.76
1	6.93	$3 340.69	23 151.00
0	0.00	$1 336.75	0.00
0	0.00	$2 100.87	0.00
0	0.00	$1 679.01	0.00
0	0.00	$1 281.55	0.00
0	0.00	$1 198.21	0.00
0	0.00	$851.50	0.00
0	0.00	$607.50	0.00
0	0.00	$630.00	0.00
0	0.00	$408.60	0.00
0	0.00	$398.11	0.00
0	0.00	$203.88	0.00
0	0.00	$155.36	0.00
0	0.00	$104.87	0.00
0	0.00	$97.10	0.00
12	**133.00**	**$4 205.55**	**559 338.76**

Special goods

For account of: ALEXKOR RMC JV
Private Bag X5
ALEXANDER BAY
8290
VAT REG NR 4650258157

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Mixed goods

SIF NUMBER	OCEAN DIGGERS			
	Diamonds	Carats	$/Carat	$ Value
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
6 ct	2	12.98	$1 336.75	17 350.99
5 ct	6	31.67	$2 100.87	66 534.53
4 ct	6	24.83	$1 679.01	41 689.88
3 ct	16	52.32	$1 281.55	67 050.63
10 grs	7	19.03	$1 198.21	22 801.86
8 grs	17	36.55	$851.50	31 122.42
6 grs	11	16.80	$607.50	10 206.00
5 grs	3	4.08	$630.00	2 570.40
4 grs	12	12.24	$408.60	5 001.26
3 grs	12	9.42	$398.11	3 750.20
+11	14	7.65	$203.88	1 559.71
+9	8	2.68	$155.36	416.36
+7	12	3.03	$104.67	317.75
-7	13	1.95	$97.10	189.35
TOTAL	**139**	**235.23**	**$1 150.20**	**270 561.35**

Exchange rate - R/$ R/$		12.011
Amount in Rands(100%)		3 249 627.56
Less royalties (2%)		64 992.55
Less sorting & valuation		646.88
GROSS AMOUNT		3 183 988.13
CONTRACTORS SHARE	70%	2 228 791.69
LESS CSI CONTRIBUTION	1%	22 287.92
AMOUNT DUE (Excluding VAT)		2 206 503.77
VAT @ 14%		308 910.53
TOTAL		**2 515 414.30**

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Rapaport Diamond Price Statistics Annual Report 2017

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The correction continues.

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9 Diamond investment analysis

11 Round price performance analysis

17 Pear-shape diamond price analysis

19 RapNet Diamond Index (RAPI™)

20 RapNet average price discounts

21 RapNet diamond price analysis

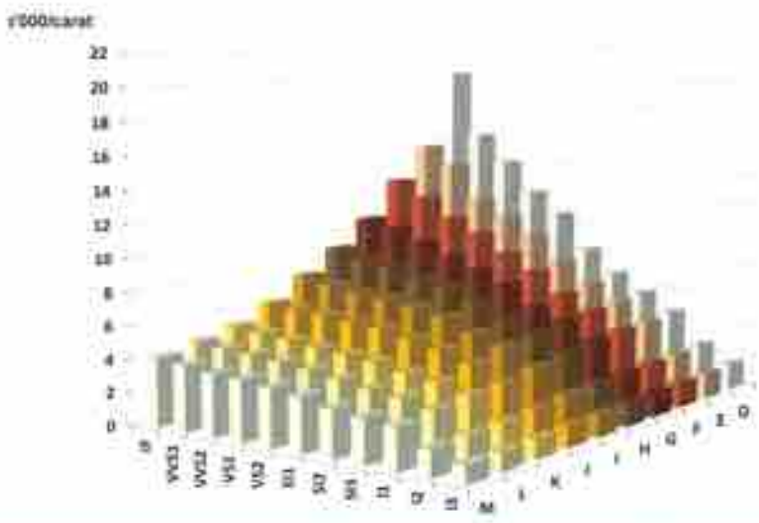
RAPAPORT PRICE INDICES – RDI AND RAPI

RDI: The Rapaport Diamond Index (RDI) is the average Rapaport Price List price for D-H, IF-VS2, RapSpec A3+ diamonds.

RAPI: The RapNet Diamond Index (RAPI™) is the average RapNet asking price for the 10% best priced diamonds in each of the top 25 diamond qualities (D-H, IF-VS2).

All Rapaport and RapNet pricing information is based upon diamonds meeting our Rapaport Diamond Specification A3+, as specified on our website. Additional information about Rapaport and RapNet is available on our Diamonds.net and RapNet.com websites or via email to *service@diamonds.net*.

All price data and information in our report is copyrighted ©2018 by Rapaport USA Inc. with all rights reserved.



1-carat diamond prices
In thousands of dollars per carat

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The correction continues

Consumers are buying diamond jewelry, but the trade is still battling low midstream profits and recovering from past setbacks.

By **Avi Krawitz**

There was a feel-good factor about the diamond industry toward the end of 2017. The Chinese jewelry market woke up during its Year of the Rooster, and the US was seeing some growth during the holiday season.

US consumers have been encouraged by improving employment numbers, economic growth and a soaring stock market, while the new tax laws the Senate passed in December are expected to raise disposable income and boost luxury sales. Jewelers were better prepared for the holiday season than in previous years, having enhanced their omni-channel platforms as they continued to navigate a challenging retail environment.

Meanwhile, Chinese consumers regained some of the confidence they'd lost during the government's anti-corruption campaign of the past three years. There has been more consistent demand in mainland China, and less erratic tourist buying in destinations like Hong Kong, Macau, Japan and South Korea — as well as in New York, London and Paris, for that matter.

As a result, the industry saw diamond jewelry sales grow in its two largest markets for the first time in a number of years, according to Rapaport estimates, leaving a positive outlook for consumer demand in the coming year.

That's the good news.

An inventory business

Nonetheless, 2017 brought many of the same challenges the diamond trade has experienced in the past decade. Manufacturers and dealers remained under pressure as prices softened, with the RapNet Diamond Index (RAPI™) for 1-carat diamonds sliding 5.3% — its sixth consecutive annual decline.

The diamond market is still in a correction phase triggered by the 2008 financial crisis, with 1-carat RAPI having shed 17.6% in the last 10 years. Diamond manufacturers and dealers have been forced to carry more of the industry's inventory and are feeling the squeeze, since the major miners have avoided stockpiling rough and jewelers require less polished.

The demand side:

The US jewelry sector continued to contract during 2017, with more businesses closing than opening, according to the Jewelers Board of Trade (JBT). Those that are staying in business have more efficient operations, maintaining leaner inventory and taking more goods on consignment (memo).

In addition, jewelers are adapting to ever-evolving millennial consumer habits. Declining mall traffic, the rise of online buying, and the popularity of custom-made bespoke jewelry are impacting their inventory decisions. Rising online sales have created greater competition and pricing uncertainty.

Chinese jewelers are facing similar challenges and are also taking more goods on memo, whereas in the past, China has traditionally been a cash market. That's put additional liquidity strains on the midstream, which buys rough for cash and has to wait increasingly long periods for the resulting polished to sell.

The supply side:

While manufacturers are selling fewer goods to jewelers, they continue to buy larger volumes of rough from the mining companies. In 2017, the top five miners all raised their production, and three new mines reached commercial production — Gahcho Kué and Renard in Canada, and Lighobong in Lesotho. Global rough production volume consequently increased by 9% to 14% during the year, Rapaport estimates show.

But while the mining companies sold more in terms of carat weight, the value of their rough sales, in fact, decreased. Provisional data suggests De Beers rough sales fell 5% to $5.3 billion for the year, while projections for Alrosa point to a 3% drop for a total of about $4.2 billion. Miners also sold a greater volume of smaller and lower-quality rough, which deflated overall sales values.

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Those lower-value goods brought down the average price achieved at rough sales as well. However, on a like-for-like basis, rough prices rose an estimated 2% to 4% during 2017, according to Rapaport calculations. That, coupled with softer polished prices, put a strain on manufacturing profits.

For the most part, though, the rough market was relatively strong throughout 2017, largely resulting from developments that had taken effect the previous year. Indian manufacturers refrained from buying rough in the fourth quarter of 2016 as liquidity dried up during the government's demonetization program. That, in turn, affected demand for the lower-priced diamonds that sustain the vast Indian manufacturing sector.

Pent-up demand for these goods drove the diamond market in the first half of 2017, and manufacturers focused on lower-priced rough again in the fourth quarter as they sought to maintain operations at certain levels after Diwali.

Raising demand

With the factories churning out more diamonds, and demand remaining sluggish, polished inventory levels rose to well above those of previous years throughout 2017. The volume of diamonds listed on RapNet grew 3% year on year to 1.28 million carats on January 1, which was 12% more than two years ago. As the following pages of the Rapaport Diamond Price Statistics Annual Report reveal, the diamond industry remained in an oversupply environment in 2017, which again weighed on polished prices.

Bankers speaking at a conference in Dubai in November stressed that there were too many players chasing too many goods in the midstream, and predicted further bankruptcies in the near-term.

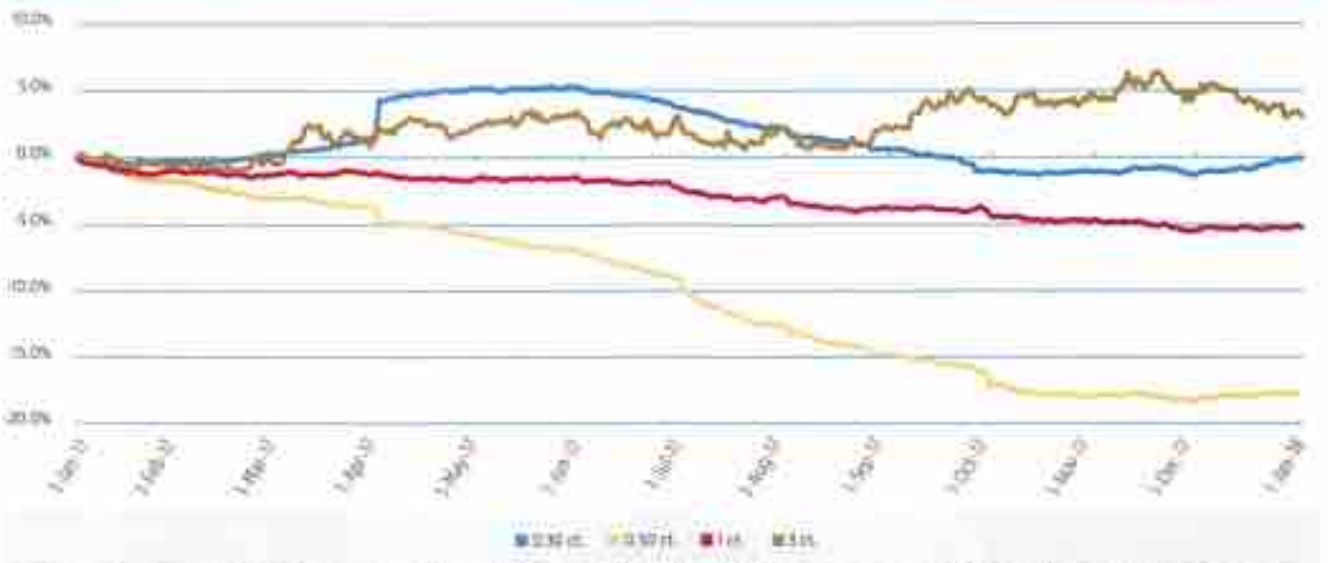
They noted, however, that companies were more likely to survive if they adopted a corporate structure, met the increasingly stringent compliance standards, and focused on bottom-line profit rather than turnover.

To reverse the six-year trend of declining diamond prices, the industry will need to increase midstream efficiency — and more importantly, raise consumer demand.

At least in the short-term, there are encouraging signs on the consumer side, with renewed expansion in China and a rise in wealth in the US, pointing to growth in demand for diamond jewelry. But it will require a sustained effort to hold the millennial consumer's attention, and the Diamond Producers Association (DPA) is taking a long-term approach in its generic diamond marketing.

In an era of unprecedented change in the retail sector, consumer tastes and habits continue to evolve. The diamond and jewelry industry will need to differentiate itself in a crowded luxury space with newer and sexier products and experiences. It will be up to jewelers and diamantaires alike to demonstrate their added-value service as they navigate this still-price-sensitive market.

RapNet Diamond Index (RAPI™)



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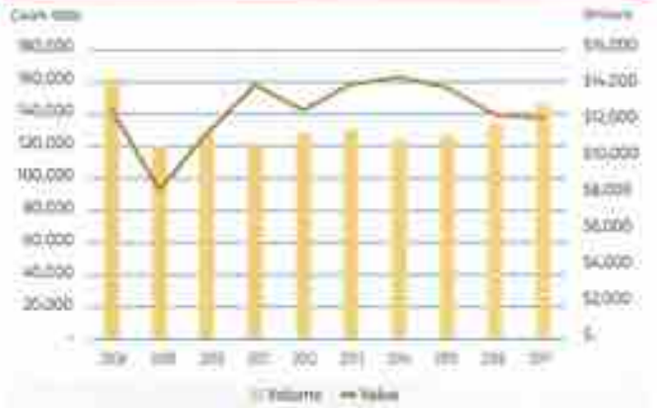
Developments in the diamond distribution chain

MINERS

Global diamond production volume rose, but value declined as a larger amount of low-value goods came to the market, deflating the overall average price of rough sales.

Global rough diamond production



MANUFACTURERS

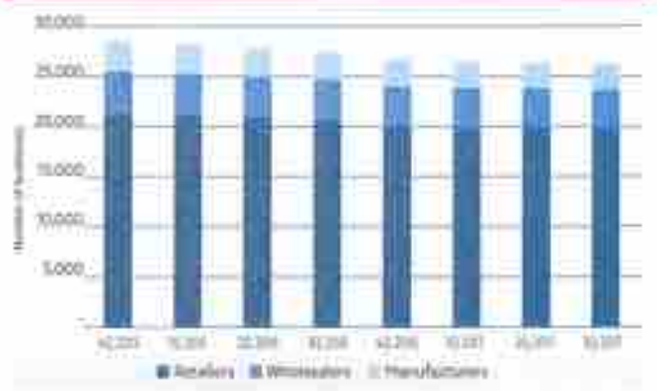
Midstream polished inventory levels rose as manufacturers bought greater volumes of low-value rough, while demand for the resulting polished stagnated.

Inventory of unique diamonds on RapNet

JEWELRY WHOLESALE

The US jewelry sector continued to contract, with more businesses closing than opening in the past few years.

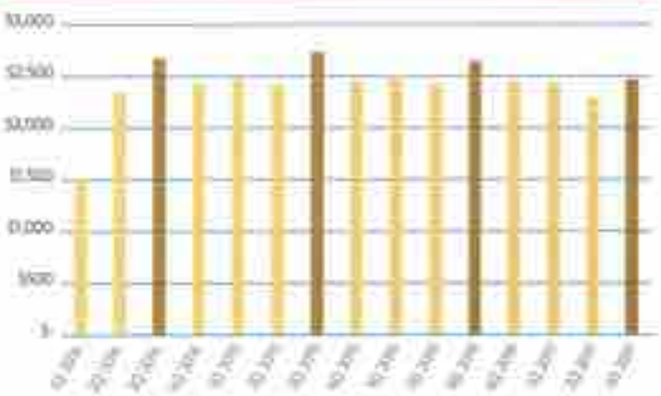
Operating jewelry businesses



US JEWELERS

Jewelers are holding less inventory, opting to take goods on memo when they can.

Signet Jewelers' inventory



CHINA JEWELERS

Sales in mainland China recovered, following two years of market stagnation, as reflected in the fiscal-first-half results of the major jewelers in the region.

CHOW TAI FOOK

SALES
+15% to **$3.2B**

PROFIT
+44% to **$234M**

LUK FOOK

SALES
+15% to **$805M**

PROFIT
+20% to **$67M**

CHOW SANG SANG

SALES
+3% to **$1B**

PROFIT
+8% to **$50M**

TSE SUI LUEN

SALES
+12% to **$222M**

PROFIT
+49% to **$2.2M**

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Trends impacting diamond prices

DIAMOND DIFFERENTIATION

Ethical sourcing is gaining momentum in the diamond trade, with new programs in the works to ensure stones can be traced through the distribution chain. Technology is also playing a part; various companies are testing the application of a diamond blockchain to enable effective tracking of transactions. More retailers are insisting on ethically sourced goods from suppliers, and this demand will lead to traceable diamonds selling at a premium over non-traceable stones.

WIDER DISTRIBUTION CHANNELS

Consumers are shifting to the web for their purchases in all retail categories, and jewelry is no exception. Online jewelers are gaining market share, despite having to overcome shoppers' desire to look and feel when buying a piece of jewelry. That's created some price uncertainty at the retail level, as e-jewelers have lower costs and can therefore offer their merchandise at discounted prices.

In the dealer market, the rise of online platforms has expanded the avenues through which suppliers can sell their diamonds, with consumer-facing websites such as James Allen and Blue Nile working with dealers to upload inventory onto their sale platforms.

GENERIC MARKETING

The diamond industry has long called for an increase in category marketing to raise consumer demand for diamond jewelry — at least, in the decade since De Beers shifted from generic campaigns to its own brand-focused ones. With the Diamond Producers Association (DPA) taking over the generic-marketing mantle, the organization has raised its US budget to $50 million for the current year. CEO Jean-Marc Lieberherr has emphasized that the underlying goal of the DPA is to achieve a rise in diamond prices within three years. Now in year two, the body's marketing efforts are expected to make an impact.

Key observations on diamond prices in 2017

The following report presents Rapaport's proprietary data tracking the Rapaport Diamond Index (RDI), which is based on changes to the Rapaport Price List for 2017, as well as over the past three, five, 10, 20 and 25 years. It also includes trends from the RapNet Diamond Index (RAPI™), a market-driven indicator based on average asking prices on RapNet.

The report demonstrates that some categories of diamonds performed better than others, while overall diamond prices continued to decline.

Diamond buyers have become more selective in their preferences, resulting in steady demand for a narrower range of goods. For that reason, there were consistent reports throughout the year of shortages in select categories, even as dealers' inventory levels remained bloated — largely with less-popular diamonds that proved difficult to move. Better-quality (RapSpec A2+) SI clarities have gained popularity as Chinese consumers have shifted toward SI, whereas before, they would typically buy VVS-VS diamonds. That has created greater competition for SI goods, which are also sought-after in the US, thus supporting their average price during 2017.

Among the size ranges, RAPI for 3-carat diamonds rose 3%, while RAPI for 0.30-carat was basically flat for the year, buoyed by steady demand for D-G, IF-VS2 categories. RAPI for 0.50-carat diamonds fell 17.8%, weighed down by steep declines in high-end D-H, IF-VVS1 goods. RAPI for 1-carat diamonds fell 5.3% during 2017, with most color and clarity combinations softening for the year. ■

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RAPAPORT DIAMOND PRICE STATISTICS/ROUND DIAMOND PRICE ANALYSIS

Rapaport Diamond Index (RDI) - Rounds*					D-IF prices*				1-carat prices*			
Date**	0.50 ct.	1 ct.	3 ct.	5 ct.	0.50 ct.	1 ct.	3 ct.	5 ct.	D-IF	F-VVS2	H-VS2	K-SI2
1978												
1979												
1980												
1981												
1982												
1983												
1984												
1985												
1986												
1987												
1988												
1989												
1990												
1991												
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2006												
2007												
2008												
2009												
2010												
2011												
2012												
2013												
2014												
2015												
2016												
2017												

RDI annual price change					D-IF annual price change				1-carat annual price change			
Date**	0.50 ct.	1 ct.	3 ct.	5 ct.	0.50 ct.	1 ct.	3 ct.	5 ct.	D-IF	F-VVS2	H-VS2	K-SI2
1979												
1980												
1981												
1982												
1983												
1984												
1985												
1986												
1987												
1988												
1989												
1990												
1991												
1992												
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2005												
2006												
2007												
2008												
2009												
2010												
2011												
2012												
2013												
2014												
2015												
2016												
2017												

Rapaport Diamond Index (RDI)					D-IF Prices				1-carat prices			
Changes	0.50 ct.	1 ct.	3 ct.	5 ct.	0.50 ct.	1 ct.	3 ct.	5 ct.	D-IF	F-VVS2	H-VS2	K-SI2
5 years												
10 years												
15 years												
20 years												
25 years												

* All prices are in hundreds of dollars per carat. ** As of December 31 for the respective year.

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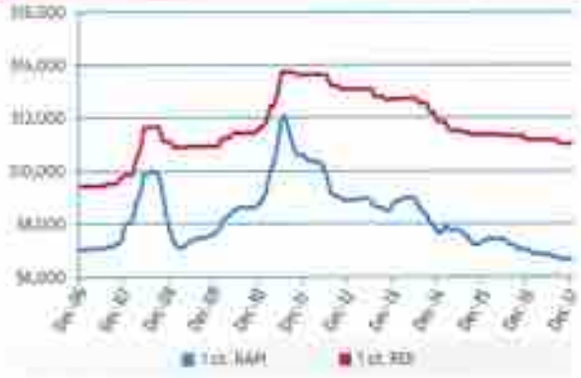
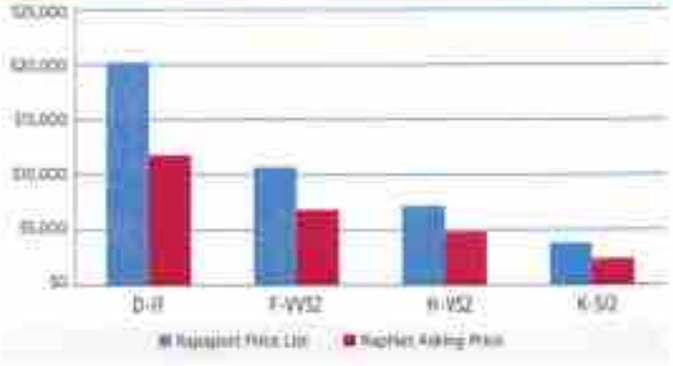
RAPAPORT DIAMOND PRICE STATISTICS/ROUND DIAMOND PRICE ANALYSIS

1-carat - Rapaport Diamond Index (RDI)

1-carat - RDI and RAPI

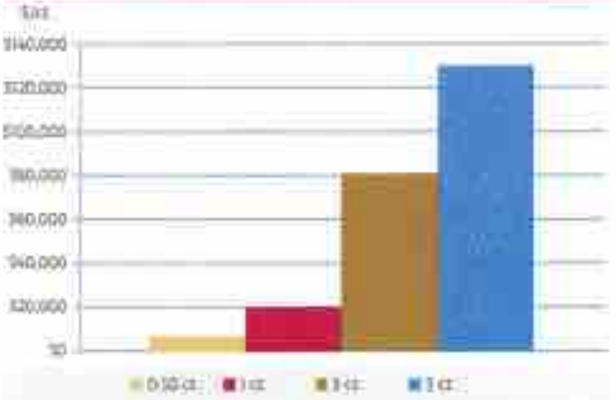


1-carat prices

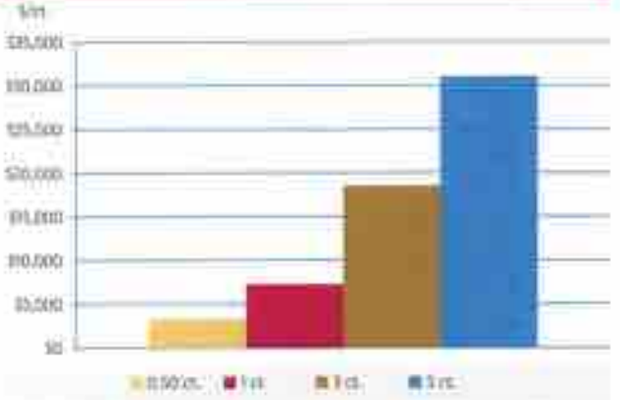


1-carat RDI and RAPI changes for 2017

D-IF Rapaport Price List



H-VS2 Rapaport Price List



Price premium by size - RDI, D-H, IF-VS2 as of 12/31/2017

	0.30 ct.	0.50 ct.	1 ct.	1.50 ct.	2 ct.	3 ct.	4 ct.	5 ct.	10 ct.
0.30 ct.		5%	30%	45%	75%	134%	174%	234%	372%
0.50 ct.	7%		21%	34%	42%	76%	98%	137%	215%
1 ct.	23%	15%		9%	25%	29%	33%	47%	76%
1.50 ct.	47%	29%	9%		12%	15%	17%	23%	39%
2 ct.	75%	42%	21%	12%		16%	17%	18%	33%
3 ct.	134%	76%	29%	15%	6%		2%	7%	16%
4 ct.	174%	98%	33%	17%	7%	2%		5%	12%
5 ct.	234%	137%	47%	23%	18%	7%	5%		7%
10 ct.	372%	215%	76%	39%	33%	16%	12%	7%	

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RAPAPORT DIAMOND PRICE STATISTICS/DIAMOND INVESTMENT ANALYSIS

10-year data

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Nasdaq											
Dow Jones											
Gold											
3 ct. diamond (RDI)											
US inflation (CPI)*											
5 ct. diamond (RDI)											
1 ct. diamond (RDI)											
US interest rates**											
Yen per $											
0.50 ct. diamond (RDI)											
$ per euro											
Platinum											

10-year annual results

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	10-year performance
Nasdaq											
Dow Jones											
Gold											
3 ct. diamond (RDI)											
US inflation (CPI)*											
5 ct. diamond (RDI)											
1 ct. diamond (RDI)											
US interest rates**											
Yen per $											
0.50 ct. diamond (RDI)											
$ per euro											
Platinum											

Return on $1,000 invested January 1, 2008

	Rank	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Profit
Nasdaq												
Dow Jones												
Gold												
3 ct. diamond (RDI)												
US inflation (CPI)*												
5 ct. diamond (RDI)												
1 ct. diamond (RDI)												
US interest rates**												
Yen												
0.50 ct. diamond (RDI)												
Euro												
Platinum												

* US CPI for December
** As measured by 10-year treasury bill

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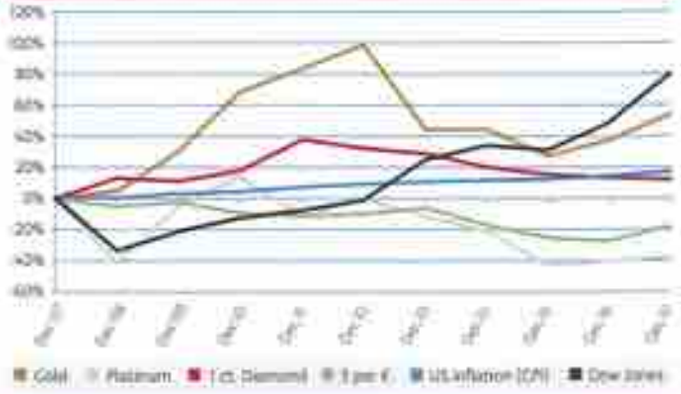
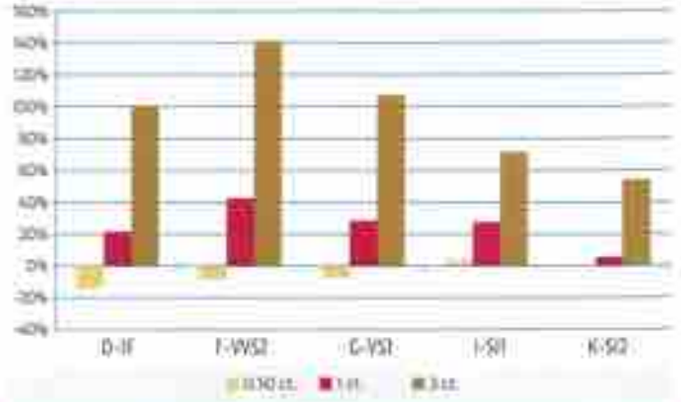
RAPAPORT DIAMOND PRICE STATISTICS/DIAMOND INVESTMENT ANALYSIS

10-year performance of different investments

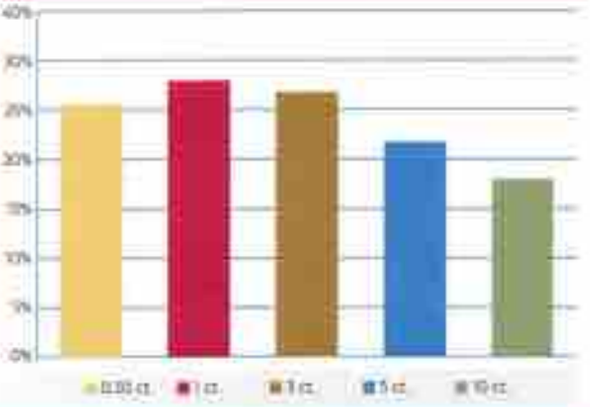


D-IF price changes

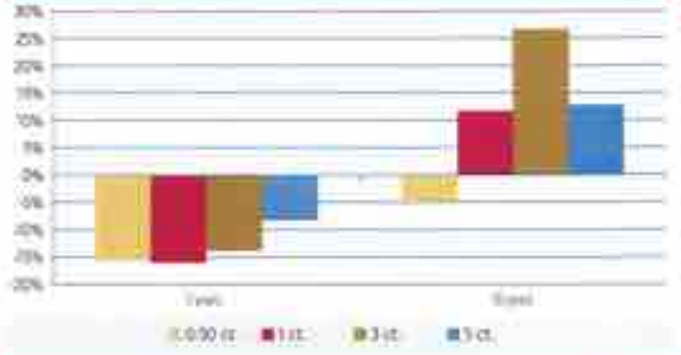
20-year Rapaport price performance



Pear-shape discounts from rounds (RDI)



5- and 10-year Rapaport price performance (RDI)



5- and 10-year 1-carat Rapaport price performance

Return on $1,000 invested January 1, 2008

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RAPAPORT DIAMOND PRICE STATISTICS/ONE-YEAR DIAMOND PRICE PERFORMANCE

Rounds 0.30-0.39 from 12/30/2016 to 12/29/2017 Avg. -2.3%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 0.40-0.49 from 12/30/2016 to 12/29/2017 Avg. -1.8%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 0.50-0.69 from 12/30/2016 to 12/29/2017 Avg. -4.8%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 0.70-0.89 from 12/30/2016 to 12/29/2017 Avg. -2.8%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 0.90-0.99 from 12/30/2016 to 12/29/2017 Avg. -0.2%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 1.00-1.49 from 12/30/2016 to 12/29/2017 Avg. -0.2%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 1.50-1.99 from 12/30/2016 to 12/29/2017 Avg. -0.2%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 2.00-2.99 from 12/30/2016 to 12/29/2017 Avg. 0.0%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 3.00-3.99 from 12/30/2016 to 12/29/2017 Avg. 0.0%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 4.00-4.99 from 12/30/2016 to 12/29/2017 Avg. 0.0%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 5.00-5.99 from 12/30/2016 to 12/29/2017 Avg. 0.0%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 10.00-10.99 from 12/30/2016 to 12/29/2017 Avg. 0.0%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

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RAPAPORT DIAMOND PRICE STATISTICS/THREE-YEAR DIAMOND PRICE PERFORMANCE

Rounds 0.30-0.39 from 12/26/2014 to 12/29/2017 Avg. -2.5%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 0.40-0.49 from 12/26/2014 to 12/29/2017 Avg. -1.7%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 0.50-0.69 from 12/26/2014 to 12/29/2017 Avg. -8.9%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 0.70-0.99 from 12/26/2014 to 12/29/2017 Avg. -6.1%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 0.90-0.99 from 12/26/2014 to 12/29/2017 Avg. -1.7%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 1.00-1.49 from 12/26/2014 to 12/29/2017 Avg. -5.5%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 1.50-1.99 from 12/26/2014 to 12/29/2017 Avg. -3.8%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 2.00-2.99 from 12/26/2014 to 12/29/2017 Avg. -5.5%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 3.00-3.99 from 12/26/2014 to 12/29/2017 Avg. -8.6%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 4.00-4.99 from 12/26/2014 to 12/29/2017 Avg. -4.7%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 5.00-5.99 from 12/26/2014 to 12/29/2017 Avg. -4.3%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

Rounds 10.00-10.99 from 12/26/2014 to 12/29/2017 Avg. -4.2%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D											
E											
F											
G											
H											
I											
J											
K											
L											
M											

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RAPAPORT DIAMOND PRICE STATISTICS/FIVE-YEAR DIAMOND PRICE PERFORMANCE

Rounds 0.30-0.39 from 12/28/2012 to 12/29/2017 Avg. 0.2%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	8%	4%	4%	0%	8%	7%	5%	3%	2%	2%	2%
E	2%	3%	1%	0%	3%	3%	3%	3%	2%	2%	2%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	1%	0%	1%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 0.40-0.49 from 12/28/2012 to 12/29/2017 Avg. -1.8%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	8%	4%	3%	0%	7%	8%	5%	3%	2%	2%	2%
E	2%	3%	1%	0%	3%	3%	3%	3%	2%	2%	2%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 0.50-0.69 from 12/28/2012 to 12/29/2017 Avg. -10.3%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	7%	3%	4%	0%	7%	8%	5%	3%	2%	2%	2%
E	2%	3%	1%	0%	3%	3%	3%	3%	2%	2%	2%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 0.70-0.89 from 12/28/2012 to 12/29/2017 Avg. -11.7%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	7%	3%	4%	0%	7%	8%	5%	3%	2%	2%	2%
E	2%	3%	1%	0%	3%	3%	3%	3%	2%	2%	2%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 0.90-0.99 from 12/28/2012 to 12/29/2017 Avg. -7.5%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	7%	3%	4%	0%	7%	8%	5%	3%	2%	2%	2%
E	2%	3%	1%	0%	3%	3%	3%	3%	2%	2%	2%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 1.00-1.49 from 12/28/2012 to 12/29/2017 Avg. -10.8%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	7%	3%	4%	0%	7%	8%	5%	3%	2%	2%	2%
E	2%	3%	1%	0%	3%	3%	3%	3%	2%	2%	2%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 1.50-1.99 from 12/28/2012 to 12/29/2017 Avg. -5.4%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	7%	3%	4%	0%	7%	8%	5%	3%	2%	2%	2%
E	2%	3%	1%	0%	3%	3%	3%	3%	2%	2%	2%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 2.00-2.99 from 12/28/2012 to 12/29/2017 Avg. -10.0%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	7%	3%	4%	0%	7%	8%	5%	3%	2%	2%	2%
E	2%	3%	1%	0%	3%	3%	3%	3%	2%	2%	2%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 3.00-3.99 from 12/28/2012 to 12/29/2017 Avg. -10.6%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	7%	3%	4%	0%	7%	8%	5%	3%	2%	2%	2%
E	2%	3%	1%	0%	3%	3%	3%	3%	2%	2%	2%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 4.00-4.99 from 12/28/2012 to 12/29/2017 Avg. -9.7%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	7%	3%	4%	0%	7%	8%	5%	3%	2%	2%	2%
E	2%	3%	1%	0%	3%	3%	3%	3%	2%	2%	2%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 5.00-5.99 from 12/28/2012 to 12/29/2017 Avg. -9.1%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	7%	3%	4%	0%	7%	8%	5%	3%	2%	2%	2%
E	2%	3%	1%	0%	3%	3%	3%	3%	2%	2%	2%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 10.00-10.99 from 12/28/2012 to 12/29/2017 Avg. -7.0%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	7%	3%	4%	0%	7%	8%	5%	3%	2%	2%	2%
E	2%	3%	1%	0%	3%	3%	3%	3%	2%	2%	2%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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RAPAPORT DIAMOND PRICE STATISTICS/10-YEAR DIAMOND PRICE PERFORMANCE

Rounds 0.30-0.39 from 12/28/2007 to 12/29/2017 Avg. 2.3%

	#	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	-48%	-29%	-7%	-4%	10%	18%	-7%	-9%	-10%	-9%
E	-29%	-49%	-33%	-7%	-4%	10%	15%	-7%	-9%	-10%	-9%
F	-30%	-49%	-33%	-44%	-5%	-1%	20%	-7%	-9%	-10%	-9%
G	-29%	-7%	-49%	-5%	-5%	-49%	-1%	-8%	-10%	-9%	-9%
H	-30%	-7%	-49%	-9%	-11%	-10%	-49%	-49%	-10%	-49%	-10%
I	-49%	-9%	-10%	-49%	-11%	-9%	-11%	-9%	-9%	-9%	-9%
J	-9%	-49%	-9%	-9%	-49%	-11%	-9%	-10%	-9%	-9%	-9%
K	-49%	-49%	-9%	-9%	-10%	-49%	-49%	-10%	-9%	-9%	-49%
L	-49%	-49%	-49%	-49%	-49%	-49%	-49%	-10%	-9%	-9%	-49%
M	-49%	-9%	-49%	-49%	-49%	-49%	-49%	-10%	-9%	-9%	-49%

Rounds 1.00-1.49 from 12/28/2007 to 12/29/2017 Avg. 11.6%

	#	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	14%	7%	23%	27%	20%	17%	9%	12%	4%	9%
E	17%	17%	9%	11%	30%	20%	18%	23%	12%	4%	9%
F	9%	9%	9%	11%	12%	20%	18%	23%	12%	4%	9%
G	9%	23%	9%	9%	12%	23%	18%	23%	12%	4%	9%
H	14%	12%	12%	18%	18%	18%	18%	23%	18%	4%	9%
I	12%	9%	9%	18%	18%	23%	18%	23%	12%	9%	9%
J	9%	9%	9%	12%	12%	18%	12%	23%	18%	9%	9%
K	12%	9%	9%	12%	9%	9%	18%	12%	12%	9%	9%
L	9%	9%	9%	12%	18%	9%	18%	12%	12%	9%	9%
M	9%	9%	9%	9%	12%	18%	12%	12%	9%	9%	9%

Rounds 0.50-0.69 from 12/28/2007 to 12/29/2017* Avg. 3.6%

	#	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	10%	4%	0%	7%	8%	10%	9%	10%	9%	0%
E	0%	7%	0%	0%	8%	10%	7%	12%	11%	10%	9%
F	0%	0%	0%	4%	7%	10%	0%	9%	11%	10%	9%
G	10%	0%	4%	12%	10%	10%	12%	9%	10%	9%	0%
H	12%	0%	8%	0%	4%	11%	0%	9%	10%	0%	0%
I	0%	0%	0%	9%	0%	10%	0%	10%	8%	0%	0%
J	4%	0%	0%	8%	8%	8%	12%	0%	10%	0%	0%
K	10%	9%	0%	0%	7%	10%	0%	9%	10%	0%	0%
L	0%	0%	0%	0%	0%	8%	0%	0%	10%	0%	0%
M	0%	9%	0%	0%	8%	10%	0%	0%	0%	0%	0%

Rounds 1.50-1.99 from 12/28/2007 to 12/29/2017 Avg. 12.3%

	#	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	15%	17%	10%	27%	25%	14%	13%	11%	8%	5%	13%
E	15%	17%	7%	27%	25%	14%	13%	13%	8%	5%	13%
F	15%	17%	8%	13%	13%	8%	14%	13%	8%	8%	13%
G	17%	17%	8%	8%	13%	13%	13%	11%	11%	5%	7%
H	15%	17%	13%	14%	14%	14%	13%	13%	13%	5%	7%
I	13%	8%	8%	8%	13%	17%	14%	15%	8%	8%	7%
J	8%	14%	7%	14%	14%	13%	14%	13%	5%	8%	7%
K	13%	13%	7%	7%	13%	14%	14%	14%	13%	8%	8%
L	8%	8%	8%	7%	14%	14%	8%	13%	14%	8%	8%
M	14%	7%	7%	7%	14%	14%	8%	13%	13%	8%	8%

Rounds 0.70-0.89 from 12/28/2007 to 12/29/2017 Avg. -1.1%

	#	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
E	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 2.00-2.99 from 12/28/2007 to 12/29/2017 Avg. 15.2%

	#	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	20%	22%	22%	22%	20%	20%	17%	9%	10%	9%	9%
E	22%	22%	20%	22%	22%	20%	17%	9%	9%	9%	9%
F	9%	22%	9%	22%	22%	17%	9%	9%	11%	9%	9%
G	9%	9%	9%	9%	9%	17%	9%	9%	11%	9%	9%
H	20%	22%	22%	22%	9%	17%	9%	9%	9%	9%	9%
I	22%	9%	9%	9%	11%	17%	9%	9%	11%	9%	9%
J	11%	9%	9%	9%	9%	17%	9%	9%	9%	9%	9%
K	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
L	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
M	9%	9%	11%	11%	9%	9%	9%	9%	9%	9%	9%

Rounds 3.00-3.99 from 12/28/2007 to 12/29/2017 Avg. 22.5%

	#	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	40%	8%	25%	8%	8%	25%	25%	25%	8%	0%	8%
E	25%	25%	25%	25%	25%	25%	25%	25%	8%	8%	8%
F	8%	25%	25%	25%	25%	25%	8%	8%	8%	8%	8%
G	25%	25%	25%	25%	25%	25%	8%	8%	8%	8%	8%
H	25%	8%	8%	25%	25%	25%	8%	8%	8%	8%	8%
I	8%	25%	25%	25%	25%	25%	8%	8%	8%	8%	8%
J	8%	25%	25%	25%	25%	25%	8%	8%	8%	8%	8%
K	25%	25%	25%	25%	25%	25%	8%	8%	8%	8%	8%
L	8%	8%	25%	25%	25%	25%	8%	8%	8%	8%	8%
M	25%	25%	25%	25%	25%	25%	8%	8%	8%	8%	8%

Rounds 0.90-0.99 from 12/28/2007 to 12/29/2017 Avg. 10.2%

	#	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	14%	0%	10%	10%	0%	0%	0%	0%	0%	0%
E	14%	0%	10%	10%	10%	0%	0%	0%	0%	0%	0%
F	10%	0%	14%	10%	10%	0%	0%	0%	0%	0%	0%
G	10%	10%	0%	14%	0%	0%	0%	0%	10%	0%	0%
H	14%	0%	10%	10%	0%	0%	0%	0%	10%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 4.00-4.99 from 12/28/2007 to 12/29/2017 Avg. 10.0%

	#	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
E	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 5.00-5.99 from 12/28/2007 to 12/29/2017 Avg. 11.9%

	#	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	20%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
E	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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RAPAPORT DIAMOND PRICE STATISTICS/20-YEAR DIAMOND PRICE PERFORMANCE

Rounds 0.30-0.39 from 12/26/1997 to 12/29/2017 Avg. 8.6%

	↓	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	20%	36%	36%	35%	7%	10%	5%	6%	7%	12%	19%
E	16%	48%	33%	36%	4%	11%	6%	4%	6%	12%	16%
F	18%	33%	33%	33%	8%	11%	6%	4%	8%	7%	14%
G	12%	39%	33%	36%	4%	11%	6%	5%	11%	5%	17%
H	13%	40%	33%	40%	5%	8%	7%	7%	10%	0%	19%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 1.00-1.49 from 12/26/1997 to 12/29/2017 Avg. 25.2%

	↓	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	12%	41%	44%	43%	33%	35%	21%	35%	34%	13%	19%
E	11%	43%	44%	44%	36%	37%	23%	33%	32%	8%	14%
F	13%	43%	43%	43%	38%	37%	29%	33%	33%	9%	7%
G	14%	38%	36%	38%	33%	35%	30%	33%	33%	3%	9%
H	13%	37%	37%	36%	34%	33%	33%	33%	33%	10%	9%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 0.40-0.49 from 12/26/1997 to 12/29/2017* Avg. 6.5%

	↓	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
E	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 1.50-1.99 from 12/26/1997 to 12/29/2017 Avg. 37.3%

	↓	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	10%	44%	50%	47%	35%	42%	38%	33%	33%	7%	0%
E	10%	43%	47%	47%	36%	42%	37%	33%	33%	7%	0%
F	10%	43%	47%	47%	36%	42%	38%	33%	33%	7%	0%
G	10%	43%	44%	47%	36%	42%	38%	33%	33%	7%	0%
H	10%	43%	47%	47%	36%	42%	38%	33%	33%	7%	0%
I	10%	43%	47%	47%	36%	42%	38%	33%	33%	7%	0%
J	10%	43%	47%	47%	36%	42%	38%	33%	33%	7%	0%
K	10%	43%	47%	47%	36%	42%	38%	33%	33%	7%	0%
L	10%	43%	47%	47%	36%	42%	38%	33%	33%	7%	0%
M	10%	43%	47%	47%	36%	42%	38%	33%	33%	7%	0%

Rounds 0.50-0.69 from 12/26/1997 to 12/29/2017 Avg. 6.1%

	↓	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
E	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 2.00-2.99 from 12/26/1997 to 12/29/2017 Avg. 53.9%

	↓	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
E	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 0.70-0.89 from 12/26/1997 to 12/29/2017 Avg. 4.6%

	↓	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
E	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 3.00-3.99 from 12/26/1997 to 12/29/2017 Avg. 77.1%

	↓	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
E	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 0.90-0.99 from 12/26/1997 to 12/29/2017 Avg. 18.1%

	↓	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
E	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 4.00-4.99 from 12/26/1997 to 12/29/2017 Avg. 103.0%

	↓	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
E	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rounds 5.00-5.99 from 12/26/1997 to 12/29/2017 Avg. 105.3%

	↓	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
E	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
F	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
H	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
I	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
J	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
K	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
L	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
M	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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RAPAPORT DIAMOND PRICE STATISTICS/25-YEAR DIAMOND PRICE PERFORMANCE

Rounds 0.30-0.39 from 12/25/1992 to 12/29/2017 Avg. -5.6%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1	I2	I3
D										
E										
F										
G										
H										
I										
J										
K										
L										
M										

Rounds 0.40-0.49 from 12/25/1992 to 12/29/2017 Avg. -0.7%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1	I2	I3
D										
E										
F										
G										
H										
I										
J										
K										
L										
M										

Rounds 0.50-0.69 from 12/25/1992 to 12/29/2017 Avg. 10.1%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1	I2	I3
D										
E										
F										
G										
H										
I										
J										
K										
L										
M										

Rounds 0.70-0.89 from 12/25/1992 to 12/29/2017 Avg. 30.1%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1	I2	I3
D										
E										
F										
G										
H										
I										
J										
K										
L										
M										

Rounds 0.90-0.99 from 12/25/1992 to 12/29/2017 Avg. 40.4%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1	I2	I3
D										
E										
F										
G										
H										
I										
J										
K										
L										
M										

Rounds 1.00-1.49 from 12/25/1992 to 12/29/2017 Avg. 40.7%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1	I2	I3
D										
E										
F										
G										
H										
I										
J										
K										
L										
M										

Rounds 1.50-1.99 from 12/25/1992 to 12/29/2017 Avg. 58.7%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1	I2	I3
D										
E										
F										
G										
H										
I										
J										
K										
L										
M										

Rounds 2.00-2.99 from 12/25/1992 to 12/29/2017 Avg. 66.7%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1	I2	I3
D										
E										
F										
G										
H										
I										
J										
K										
L										
M										

Rounds 3.00-3.99 from 12/25/1992 to 12/29/2017 Avg. 76.6%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1	I2	I3
D										
E										
F										
G										
H										
I										
J										
K										
L										
M										

Rounds 4.00-4.99 from 12/25/1992 to 12/29/2017 Avg. 103.7%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1	I2	I3
D										
E										
F										
G										
H										
I										
J										
K										
L										
M										

Rounds 5.00-5.99 from 12/25/1992 to 12/29/2017 Avg. 109.3%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1	I2	I3
D										
E										
F										
G										
H										
I										
J										
K										
L										
M										

30-YEAR DIAMOND PRICE PERFORMANCE

Rounds 1.00-1.49 from 12/25/1987 to 12/29/2017 Avg. 77%

	IF	VVS1	VVS2	VS1	VS2
D					
E					
F					
G					
H					
I					
J					
K					

35-YEAR DIAMOND PRICE PERFORMANCE

Rounds 1.00-1.49 from 12/31/1982 to 12/29/2017 Avg. 85%

	IF	VVS1	VVS2	VS1	VS2
D					
E					
F					
G					
H					
I					
J					
K					

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RAPAPORT DIAMOND PRICE STATISTICS/PEAR-SHAPE DIAMOND PRICE ANALYSIS

Rapaport Diamond Index (RDI)* - Pears					D-IF prices*				1-carat prices*			
Date**	0.50 ct.	1 ct.	3 ct.	5 ct.	0.50 ct.	1 ct.	3 ct.	5 ct.	D-IF	F-VVS1	H-VS2	K-SI2
1980	259	581	-	-	75	160	-	-	160	68	34	30
1981	280	634	-	-	82	175	-	-	175	76	41	37
1982	267	651	1,458	1,865	90	195	382	490	195	87	47	42
1983	267	693	1,552	1,985	95	205	405	520	205	92	50	45
1984	267	693	1,552	1,985	95	205	405	520	205	92	50	45
1985	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1986	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1987	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1988	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1989	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1990	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1991	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1992	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1993	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1994	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1995	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1996	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1997	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1998	258	662	1,478	1,865	90	195	382	490	195	87	47	42
1999	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2000	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2001	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2002	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2003	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2004	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2005	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2006	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2007	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2008	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2009	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2010	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2011	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2012	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2013	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2014	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2015	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2016	258	662	1,478	1,865	90	195	382	490	195	87	47	42
2017	258	662	1,478	1,865	90	195	382	490	195	87	47	42

RDI annual price change					D-IF annual price change				1-carat annual price change			
Date**	0.50 ct.	1 ct.	3 ct.	5 ct.	0.50 ct.	1 ct.	3 ct.	5 ct.	D-IF	F-VVS1	H-VS2	K-SI2
1981	8%	9%	-	-	8%	9%	-	-	9%	9%	9%	9%
1982	2%	3%	-	-	2%	3%	-	-	3%	3%	3%	3%
1983	0%	6%	5%	6%	10%	9%	9%	8%	9%	8%	6%	7%
1984	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1985	-3%	-5%	-5%	-6%	-5%	-5%	-5%	-5%	-5%	-5%	-6%	-7%
1986	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1987	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1988	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1989	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1990	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1991	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1992	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1993	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1994	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1995	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1996	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1997	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1998	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1999	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2000	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2001	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2002	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2003	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2004	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2005	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2006	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2007	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2008	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2009	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2010	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2011	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2012	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2013	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2014	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2015	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2016	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2017	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Rapaport Diamond Index (RDI)					D-IF Prices				1-carat prices			
Changes	0.50 ct.	1 ct.	3 ct.	5 ct.	0.50 ct.	1 ct.	3 ct.	5 ct.	D-IF	F-VVS1	H-VS2	K-SI2
5 years	0%	0%	-4%	-3%	0%	0%	-4%	-3%	0%	-4%	-3%	-4%
10 years	0%	0%	0%	0%	-4%	0%	0%	0%	0%	0%	0%	0%
15 years	0%	0%	44%	53%	4%	8%	8%	10%	8%	8%	0%	4%
20 years	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
25 years	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

* All prices are in hundreds of dollars per carat. ** As of December 8 for the respective year.

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RAPAPORT DIAMOND PRICE STATISTICS/PEAR-SHAPE DISCOUNTS FROM ROUND PRICES

0.30-0.39 as of 12/29/2017 Avg: 27%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	35%	33%	31%	29%	27%	26%	25%	24%	23%	22%	21%
E	33%	31%	30%	28%	26%	25%	24%	23%	22%	21%	20%
F	32%	30%	28%	27%	25%	24%	23%	22%	21%	20%	19%
G	31%	29%	27%	26%	24%	23%	22%	21%	20%	19%	18%
H	29%	28%	26%	25%	23%	22%	21%	20%	19%	18%	17%
I	28%	26%	25%	24%	22%	21%	20%	19%	18%	17%	16%
J	27%	25%	24%	23%	21%	20%	19%	18%	17%	16%	15%
K	26%	24%	23%	22%	20%	19%	18%	17%	16%	15%	14%
L	25%	23%	22%	21%	19%	18%	17%	16%	15%	14%	13%
M	24%	22%	21%	20%	18%	17%	16%	15%	14%	13%	12%

1.50-1.99 as of 12/29/2017 Avg: 27%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	36%	34%	32%	30%	28%	26%	25%	24%	23%	22%	21%
E	34%	32%	31%	29%	27%	25%	24%	23%	22%	21%	20%
F	33%	31%	29%	28%	26%	25%	24%	23%	22%	21%	20%
G	32%	30%	28%	27%	25%	24%	23%	22%	21%	20%	19%
H	30%	29%	27%	26%	24%	23%	22%	21%	20%	19%	18%
I	29%	27%	26%	25%	23%	22%	21%	20%	19%	18%	17%
J	28%	26%	25%	24%	22%	21%	20%	19%	18%	17%	16%
K	27%	25%	24%	23%	21%	20%	19%	18%	17%	16%	15%
L	26%	24%	23%	22%	20%	19%	18%	17%	16%	15%	14%
M	25%	23%	22%	21%	19%	18%	17%	16%	15%	14%	13%

0.40-0.49 as of 12/29/2017 Avg: 25%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	33%	31%	29%	27%	25%	24%	23%	22%	21%	20%	19%
E	31%	29%	28%	26%	24%	23%	22%	21%	20%	19%	18%
F	30%	28%	26%	25%	23%	22%	21%	20%	19%	18%	17%
G	29%	27%	25%	24%	22%	21%	20%	19%	18%	17%	16%
H	27%	26%	24%	23%	21%	20%	19%	18%	17%	16%	15%
I	26%	24%	23%	22%	20%	19%	18%	17%	16%	15%	14%
J	25%	23%	22%	21%	19%	18%	17%	16%	15%	14%	13%
K	24%	22%	21%	20%	18%	17%	16%	15%	14%	13%	12%
L	23%	21%	20%	19%	17%	16%	15%	14%	13%	12%	11%
M	22%	20%	19%	18%	16%	15%	14%	13%	12%	11%	10%

2.00-2.99 as of 12/29/2017 Avg: 25%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	34%	32%	30%	28%	26%	25%	24%	23%	22%	21%	20%
E	32%	30%	29%	27%	25%	24%	23%	22%	21%	20%	19%
F	31%	29%	27%	26%	24%	23%	22%	21%	20%	19%	18%
G	30%	28%	26%	25%	23%	22%	21%	20%	19%	18%	17%
H	28%	27%	25%	24%	22%	21%	20%	19%	18%	17%	16%
I	27%	25%	24%	23%	21%	20%	19%	18%	17%	16%	15%
J	26%	24%	23%	22%	20%	19%	18%	17%	16%	15%	14%
K	25%	23%	22%	21%	19%	18%	17%	16%	15%	14%	13%
L	24%	22%	21%	20%	18%	17%	16%	15%	14%	13%	12%
M	23%	21%	20%	19%	17%	16%	15%	14%	13%	12%	11%

0.50-0.69 as of 12/29/2017 Avg: 24%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	32%	30%	28%	26%	24%	23%	22%	21%	20%	19%	18%
E	30%	28%	27%	25%	23%	22%	21%	20%	19%	18%	17%
F	29%	27%	25%	24%	22%	21%	20%	19%	18%	17%	16%
G	28%	26%	24%	23%	21%	20%	19%	18%	17%	16%	15%
H	26%	25%	23%	22%	20%	19%	18%	17%	16%	15%	14%
I	25%	23%	22%	21%	19%	18%	17%	16%	15%	14%	13%
J	24%	22%	21%	20%	18%	17%	16%	15%	14%	13%	12%
K	23%	21%	20%	19%	17%	16%	15%	14%	13%	12%	11%
L	22%	20%	19%	18%	16%	15%	14%	13%	12%	11%	10%
M	21%	19%	18%	17%	15%	14%	13%	12%	11%	10%	9%

3.00-3.99 as of 12/29/2017 Avg: 25%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	33%	31%	29%	27%	25%	24%	23%	22%	21%	20%	19%
E	31%	29%	28%	26%	24%	23%	22%	21%	20%	19%	18%
F	30%	28%	26%	25%	23%	22%	21%	20%	19%	18%	17%
G	29%	27%	25%	24%	22%	21%	20%	19%	18%	17%	16%
H	27%	26%	24%	23%	21%	20%	19%	18%	17%	16%	15%
I	26%	24%	23%	22%	20%	19%	18%	17%	16%	15%	14%
J	25%	23%	22%	21%	19%	18%	17%	16%	15%	14%	13%
K	24%	22%	21%	20%	18%	17%	16%	15%	14%	13%	12%
L	23%	21%	20%	19%	17%	16%	15%	14%	13%	12%	11%
M	22%	20%	19%	18%	16%	15%	14%	13%	12%	11%	10%

0.70-0.89 as of 12/29/2017 Avg: 19%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	29%	27%	25%	23%	21%	20%	19%	18%	17%	16%	15%
E	27%	25%	24%	22%	20%	19%	18%	17%	16%	15%	14%
F	26%	24%	22%	21%	19%	18%	17%	16%	15%	14%	13%
G	25%	23%	21%	20%	18%	17%	16%	15%	14%	13%	12%
H	23%	22%	20%	19%	17%	16%	15%	14%	13%	12%	11%
I	22%	20%	19%	18%	16%	15%	14%	13%	12%	11%	10%
J	21%	19%	18%	17%	15%	14%	13%	12%	11%	10%	9%
K	20%	18%	17%	16%	14%	13%	12%	11%	10%	9%	8%
L	19%	17%	16%	15%	13%	12%	11%	10%	9%	8%	7%
M	18%	16%	15%	14%	12%	11%	10%	9%	8%	7%	6%

4.00-4.99 as of 12/29/2017 Avg: 23%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	31%	29%	27%	25%	23%	22%	21%	20%	19%	18%	17%
E	29%	27%	26%	24%	22%	21%	20%	19%	18%	17%	16%
F	28%	26%	24%	23%	21%	20%	19%	18%	17%	16%	15%
G	27%	25%	23%	22%	20%	19%	18%	17%	16%	15%	14%
H	25%	24%	22%	21%	19%	18%	17%	16%	15%	14%	13%
I	24%	22%	21%	20%	18%	17%	16%	15%	14%	13%	12%
J	23%	21%	20%	19%	17%	16%	15%	14%	13%	12%	11%
K	22%	20%	19%	18%	16%	15%	14%	13%	12%	11%	10%
L	21%	19%	18%	17%	15%	14%	13%	12%	11%	10%	9%
M	20%	18%	17%	16%	14%	13%	12%	11%	10%	9%	8%

0.90-0.99 as of 12/29/2017 Avg: 25%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	32%	30%	28%	26%	24%	23%	22%	21%	20%	19%	18%
E	30%	28%	27%	25%	23%	22%	21%	20%	19%	18%	17%
F	29%	27%	25%	24%	22%	21%	20%	19%	18%	17%	16%
G	28%	26%	24%	23%	21%	20%	19%	18%	17%	16%	15%
H	26%	25%	23%	22%	20%	19%	18%	17%	16%	15%	14%
I	25%	23%	22%	21%	19%	18%	17%	16%	15%	14%	13%
J	24%	22%	21%	20%	18%	17%	16%	15%	14%	13%	12%
K	23%	21%	20%	19%	17%	16%	15%	14%	13%	12%	11%
L	22%	20%	19%	18%	16%	15%	14%	13%	12%	11%	10%
M	21%	19%	18%	17%	15%	14%	13%	12%	11%	10%	9%

5.00-5.99 as of 12/29/2017 Avg: 22%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	30%	28%	26%	24%	22%	21%	20%	19%	18%	17%	16%
E	28%	26%	25%	23%	21%	20%	19%	18%	17%	16%	15%
F	27%	25%	23%	22%	20%	19%	18%	17%	16%	15%	14%
G	26%	24%	22%	21%	19%	18%	17%	16%	15%	14%	13%
H	24%	23%	21%	20%	18%	17%	16%	15%	14%	13%	12%
I	23%	21%	20%	19%	17%	16%	15%	14%	13%	12%	11%
J	22%	20%	19%	18%	16%	15%	14%	13%	12%	11%	10%
K	21%	19%	18%	17%	15%	14%	13%	12%	11%	10%	9%
L	20%	18%	17%	16%	14%	13%	12%	11%	10%	9%	8%
M	19%	17%	16%	15%	13%	12%	11%	10%	9%	8%	7%

1.00-1.49 as of 12/29/2017 Avg: 27%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	34%	32%	30%	28%	26%	25%	24%	23%	22%	21%	20%
E	32%	30%	29%	27%	25%	24%	23%	22%	21%	20%	19%
F	31%	29%	27%	26%	24%	23%	22%	21%	20%	19%	18%
G	30%	28%	26%	25%	23%	22%	21%	20%	19%	18%	17%
H	28%	27%	25%	24%	22%	21%	20%	19%	18%	17%	16%
I	27%	25%	24%	23%	21%	20%	19%	18%	17%	16%	15%
J	26%	24%	23%	22%	20%	19%	18%	17%	16%	15%	14%
K	25%	23%	22%	21%	19%	18%	17%	16%	15%	14%	13%
L	24%	22%	21%	20%	18%	17%	16%	15%	14%	13%	12%
M	23%	21%	20%	19%	17%	16%	15%	14%	13%	12%	11%

10.00-10.99 as of 12/29/2017 Avg: 15%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	SI3	I1	I2	I3
D	23%	21%	20%	19%	18%	17%	16%	15%	14%	13%	12%
E	21%	20%	19%	18%	17%	16%	15%	14%	13%	12%	11%
F	20%	19%	18%	17%	16%	15%	14%	13%	12%	11%	10%
G	19%	18%	17%	16%	15%	14%	13%	12%	11%	10%	9%
H	18%	17%	16%	15%	14%	13%	12%	11%	10%	9%	8%
I	17%	16%	15%	14%	13%	12%	11%	10%	9%	8%	7%
J	16%	15%	14%	13%	12%	11%	10%	9%	8%	7%	6%
K	15%	14%	13%	12%	11%	10%	9%	8%	7%	6%	5%
L	14%	13%	12%	11%	10%	9%	8%	7%	6%	5%	4%
M	13%	12%	11%	10%	9%	8%	7%	6%	5%	4%	3%

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RAPAPORT DIAMOND PRICE STATISTICS/RAPNET DIAMOND INDEX (RAPI™)

RapNet Diamond Index (RAPI)

Date	0.50 ct.	1 ct.	2 ct.	3 ct.
2012				
2013				
2014				
2015				
2016				
2017				

D-IF prices

Date	0.50 ct.	1 ct.	2 ct.	3 ct.
2012				
2013				
2014				
2015				
2016				
2017				

I-carat prices

Date	D-IF	F-VVS2	G-VS2	H-SI1
2012				
2013				
2014				
2015				
2016				
2017				

RAPI annual price change

Date	0.50 ct.	1 ct.	2 ct.	3 ct.
2013				
2014				
2015				
2016				
2017				

D-IF annual price change

Date	0.50 ct.	1 ct.	2 ct.	3 ct.
2013				
2014				
2015				
2016				
2017				

I-carat annual price change

Date	D-IF	F-VVS2	G-VS2	H-SI1
2013				
2014				
2015				
2016				
2017				

RAPI discounts

Date	0.50 ct.	1 ct.	2 ct.	3 ct.
2012				
2013				
2014				
2015				
2016				
2017				

D-IF price discounts

Date	0.50 ct.	1 ct.	2 ct.	3 ct.
2012				
2013				
2014				
2015				
2016				
2017				

I-carat discounts

Date	D-IF	F-VVS2	G-VS2	H-SI1
2012				
2013				
2014				
2015				
2016				
2017				

RAPI changes

Date	0.50 ct.	1 ct.	2 ct.	3 ct.
1 year				
3 years				
5 years				

D-IF price changes

Date	0.50 ct.	1 ct.	2 ct.	3 ct.
1 year				
3 years				
5 years				

I-carat changes

Date	D-IF	F-VVS2	G-VS2	H-SI1
1 year				
2 years				
3 years				

*As of December 31 for the respective year

Polished-diamond price changes 2017

Size	Rapaport Price List change (RDI)	RapNet price changes (RAPI)	Change in discounts
0.30 ct.			
0.40 ct.			
0.50 ct.			
0.70 ct.			
0.90 ct.			
1 ct.			
1.50 ct.			
2 ct.			
3 ct.			

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RAPAPORT DIAMOND PRICE STATISTICS/RAPNET AVERAGE PRICE DISCOUNTS

Rounds 0.30-0.39 as of 12/31/2017 Avg. -28%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2
D	-30%	-30%	-32%	-33%	-35%	-38%	-39%
E	-31%	-31%	-31%	-31%	-33%	-36%	-36%
F	-31%	-31%	-30%	-30%	-33%	-33%	-37%
G	-32%	-32%	-30%	-31%	-34%	-35%	-35%
H	-32%	-30%	-31%	-34%	-34%	-37%	-37%
I	-32%	-31%	-30%	-31%	-35%	-34%	-34%
J	-32%	-31%	-29%	-29%	-33%	-34%	-33%
K	-34%	-31%	-32%	-33%	-31%	-33%	-34%

Rounds 0.40-0.49 as of 12/31/2017 Avg. -27%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2
D	-27%	-30%	-30%	-29%	-29%	-29%	-30%
E	-27%	-27%	-28%	-28%	-27%	-29%	-30%
F	-28%	-29%	-29%	-28%	-27%	-28%	-27%
G	-28%	-29%	-29%	-27%	-29%	-27%	-27%
H	-30%	-27%	-30%	-30%	-26%	-26%	-28%
I	-27%	-27%	-28%	-28%	-27%	-30%	-30%
J	-28%	-30%	-30%	-29%	-29%	-29%	-29%
K	-27%	-27%	-27%	-29%	-28%	-28%	-29%

Rounds 0.50-0.69 as of 12/31/2017 Avg. -29%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2
D	-30%	-34%	-31%	-31%	-32%	-33%	-33%
E	-30%	-33%	-34%	-31%	-31%	-33%	-33%
F	-31%	-32%	-33%	-32%	-33%	-32%	-33%
G	-32%	-31%	-31%	-31%	-31%	-31%	-31%
H	-31%	-32%	-30%	-31%	-33%	-34%	-33%
I	-30%	-30%	-29%	-31%	-33%	-34%	-34%
J	-34%	-30%	-30%	-31%	-34%	-32%	-34%
K	-31%	-31%	-31%	-31%	-31%	-34%	-32%

Rounds 0.70-0.89 as of 12/31/2017 Avg. -28%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2
D	-29%	-29%	-30%	-28%	-27%	-28%	-28%
E	-30%	-28%	-29%	-28%	-27%	-28%	-29%
F	-30%	-29%	-29%	-27%	-28%	-29%	-27%
G	-30%	-28%	-29%	-29%	-27%	-29%	-29%
H	-29%	-27%	-30%	-29%	-28%	-28%	-30%
I	-30%	-30%	-30%	-28%	-27%	-29%	-29%
J	-30%	-29%	-29%	-29%	-29%	-28%	-29%
K	-30%	-29%	-29%	-28%	-29%	-29%	-29%

Rounds 0.90-0.99 as of 12/31/2017 Avg. -29%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2
D	-29%	-29%	-29%	-28%	-28%	-29%	-29%
E	-28%	-29%	-29%	-28%	-29%	-29%	-29%
F	-29%	-28%	-29%	-28%	-28%	-28%	-30%
G	-28%	-30%	-30%	-30%	-29%	-28%	-30%
H	-28%	-30%	-28%	-28%	-29%	-29%	-28%
I	-29%	-29%	-29%	-28%	-29%	-29%	-29%
J	-29%	-30%	-28%	-28%	-28%	-28%	-28%
K	-28%	-28%	-29%	-29%	-28%	-28%	-29%

Rounds 1.00-1.49 as of 12/31/2017 Avg. -25%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2
D	-25%	-26%	-26%	-25%	-25%	-26%	-25%
E	-25%	-26%	-25%	-25%	-24%	-25%	-24%
F	-24%	-24%	-25%	-25%	-25%	-25%	-25%
G	-26%	-26%	-27%	-26%	-25%	-24%	-25%
H	-26%	-27%	-26%	-25%	-25%	-25%	-25%
I	-26%	-25%	-25%	-24%	-25%	-25%	-25%
J	-24%	-24%	-24%	-24%	-24%	-24%	-25%
K	-25%	-24%	-25%	-24%	-25%	-25%	-25%

Rounds 1.50-1.99 as of 12/31/2017 Avg. -25%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2
D	-26%	-24%	-25%	-26%	-26%	-25%	-26%
E	-25%	-25%	-25%	-25%	-25%	-25%	-25%
F	-24%	-25%	-25%	-25%	-25%	-25%	-26%
G	-24%	-25%	-25%	-25%	-24%	-24%	-25%
H	-25%	-25%	-24%	-25%	-24%	-24%	-25%
I	-25%	-25%	-25%	-25%	-25%	-25%	-24%
J	-26%	-26%	-25%	-25%	-25%	-25%	-24%
K	-25%	-26%	-25%	-25%	-24%	-25%	-24%

Rounds 2.00-2.99 as of 12/31/2017 Avg. -25%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2
D	-24%	-26%	-26%	-25%	-24%	-25%	-24%
E	-25%	-25%	-25%	-25%	-25%	-24%	-25%
F	-26%	-25%	-24%	-25%	-25%	-25%	-24%
G	-25%	-25%	-25%	-24%	-25%	-24%	-25%
H	-26%	-24%	-25%	-24%	-25%	-25%	-24%
I	-25%	-25%	-26%	-25%	-25%	-24%	-25%
J	-24%	-25%	-24%	-25%	-24%	-25%	-25%
K	-25%	-24%	-25%	-25%	-25%	-25%	-25%

Rounds 3.00-3.99 as of 12/31/2017 Avg. -24%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2
D	-24%	-24%	-25%	-25%	-25%	-24%	-25%
E	-25%	-25%	-25%	-25%	-25%	-24%	-24%
F	-25%	-25%	-24%	-25%	-25%	-24%	-25%
G	-24%	-24%	-25%	-25%	-25%	-24%	-25%
H	-24%	-25%	-25%	-25%	-24%	-23%	-24%
I	-25%	-25%	-25%	-25%	-25%	-25%	-25%
J	-25%	-24%	-24%	-25%	-24%	-25%	-25%
K	-25%	-25%	-25%	-25%	-25%	-25%	-24%

Rounds 4.00-4.99 as of 12/31/2017 Avg. -26%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2
D	-25%		-26%	-26%	-26%	-26%	-25%
E	-26%	-26%	-25%	-25%	-26%	-25%	-25%
F	-26%	-25%	-26%	-25%	-25%	-26%	-26%
G	-25%	-25%	-25%	-26%	-25%	-26%	-25%
H		-26%	-25%	-25%	-26%	-26%	-25%
I	-25%	-25%	-25%	-26%	-26%	-25%	-26%
J	-26%	-26%	-26%	-26%	-26%	-26%	-26%
K	-26%	-25%	-25%	-26%	-26%	-25%	-26%

Rounds 5.00-5.99 as of 12/31/2017 Avg. -25%

	IF	VVS1	VVS2	VS1	VS2	SI1	SI2
D	-25%	-26%	-25%	-25%	-26%	-25%	-26%
E	-26%	-26%	-25%	-25%	-26%	-25%	-26%
F	-26%	-25%	-25%	-26%	-25%	-25%	-26%
G	-26%	-25%	-25%	-25%	-25%	-25%	-25%
H	-25%	-26%	-26%	-26%	-25%	-26%	-26%
I	-25%	-25%	-25%	-26%	-26%	-25%	-25%
J	-25%		-25%	-25%	-25%	-25%	-25%
K	-25%		-25%	-25%	-25%	-26%	-25%

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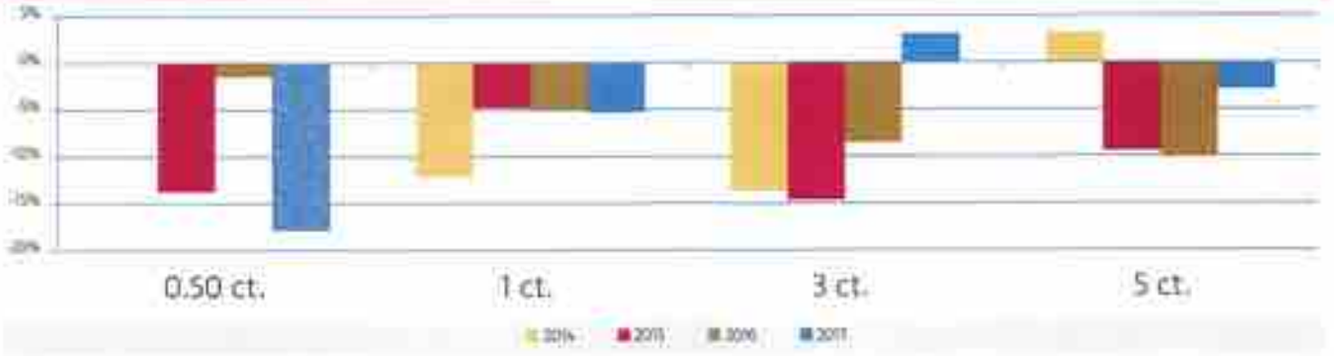
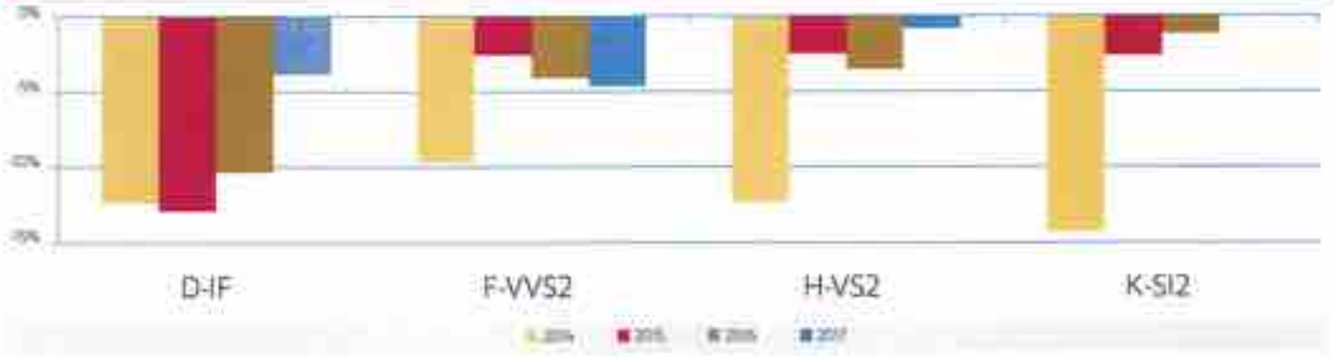
RAPAPORT DIAMOND PRICE STATISTICS/RAPNET DIAMOND PRICE ANALYSIS

Year-on-year RapNet price changes

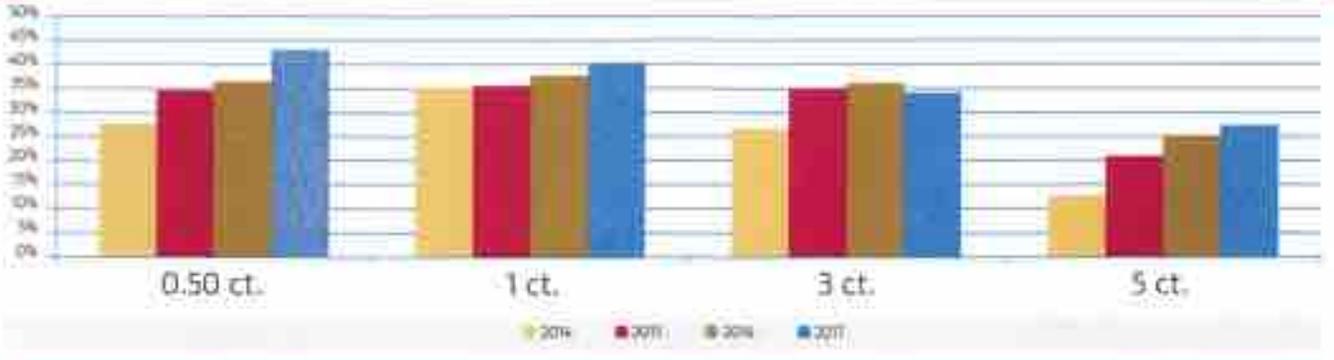


Year-on-year RapNet 1-carat price changes



RapNet Diamond Index (RAPI) changes by size

RapNet discounts over time



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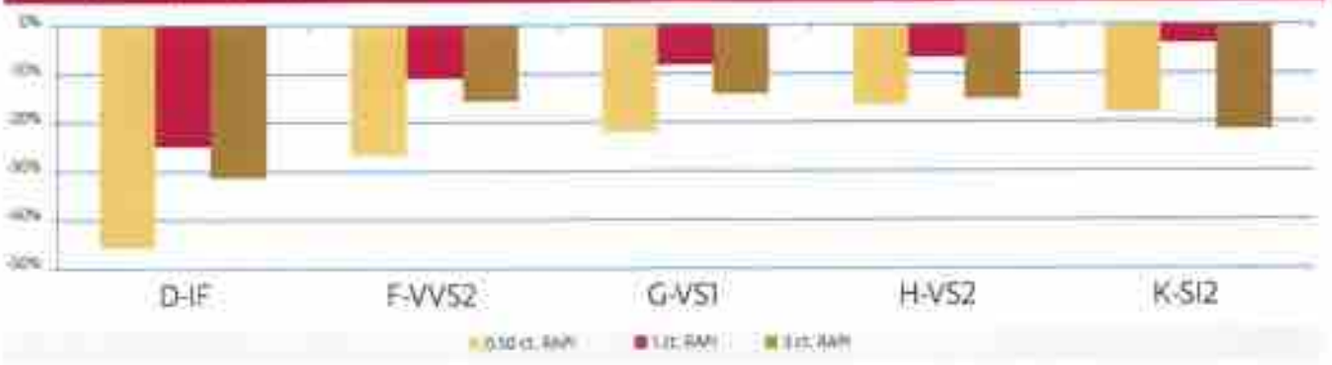
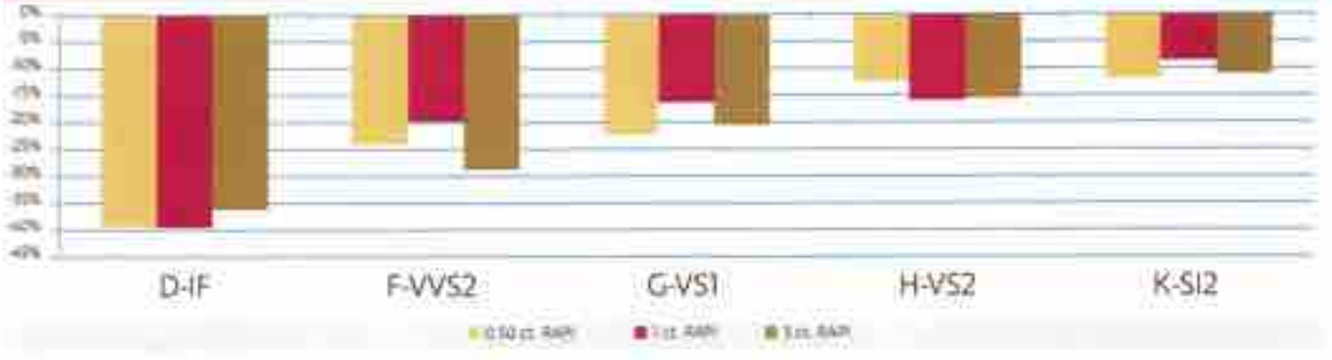
RAPAPORT DIAMOND PRICE STATISTICS/RAPNET DIAMOND PRICE ANALYSIS

Three-year RapNet price performance

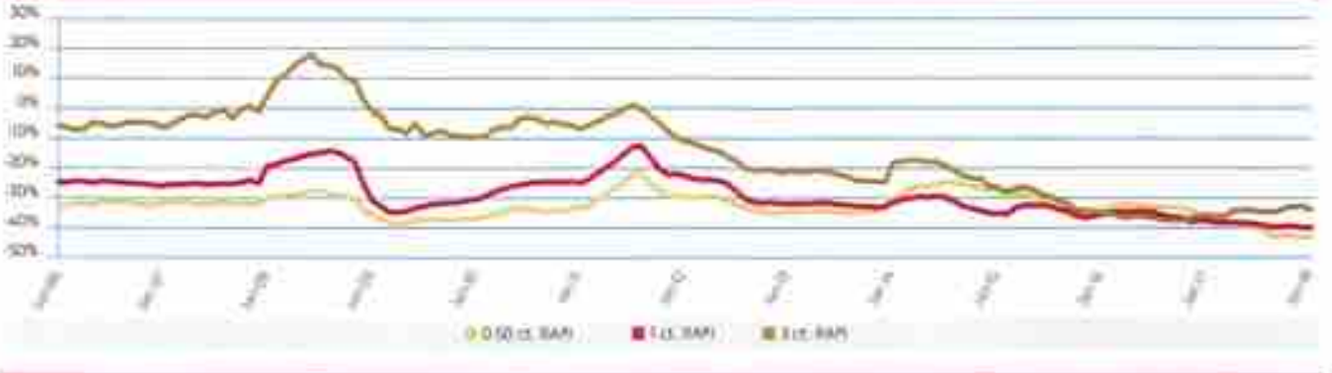


Five-year RapNet price performance



RapNet discounts since 2015

RapNet discounts since 2006



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	Year (AR)	Total Cts	Land Cts	Marine Cts
	2008	25 620	6 411	19 209
	2009	26 059	6 998	19 061
	2010	33 363	6 169	27 194
	2011	37 794	8 746	29 048
	2012	36 547	8 680	27 867
	2013	35 358	5 229	30 129
	2014	46 681	9 698	36 983
	2015	74 387		
SSI ERA	2016	45 492		
	2017	162 172		
	2018	41 941		
	2019	67 724		
	Total	317 329		

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XX4-GJC-588

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DEPARTMENT: PUBLIC ENTERPRISES
REPUBLIC OF SOUTH AFRICA

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO.: 687

687. Ms N W A Mazzone (DA) to ask the Minister of Public Enterprises:

(1) Whether Alexkor SOC Ltd concluded any contracts with a certain company namely Scarlet Sky Investments (a) in each of the past five financial years and (b) since 1 April 2017; if so, (i) what are the relevant details and (ii) what is the purpose of each contract concluded with the specified company;

(2) whether Alexkor SOC Ltd ensured that the company complied with all relevant black economic empowerment legislation before contracting any services from the company; if not, why not; if so, what are the relevant details? NW761E

REPLY:

Response is based on information received from Alexkor and cannot at this stage be verified by the Department.

ALEXKOR SOC LIMITED

(1) (a) Alexkor SOC did not concluded a contract with a company namely Scarlet Sky Investments (SSI). The pooling and sharing joint venture (PSJV) between Alexkor SOC and the Richtersveld Mining Company (RMC) who in terms of Clause 13.3 of the Unanimous Resolution is responsible for the marketing of the diamonds concluded a contract with a company Scarlet Sky Investments 60 PTY LTD, since 2015.

GC45

(b) See responses below:

(i) And (ii) SSI is responsible for the marketing, valuation, beneficiation and the selling of diamonds produced by the PSJV. The selling of the diamonds is conducted through a tender system where the diamonds are sold to the highest bidding companies. Diamonds selected for beneficiation are paid for by SSI upfront based on the tender price.
SSI in terms of the contract is receiving 1.5% commission based on the value of all diamonds sold on tender after each production cycle.

(2) (a) The PSJV has confirmed that SSI complied with BEE legislation, as the black shareholding of SSI was 60%, the investigation into Alexkor called by the Minister of Public Enterprises will, amongst others be looking into the SSI contracting and the integrity of the chain of custodianship of the diamonds, their marketing and sale, including the credential of all entities involved in the value chain.

GG45

DEPARTMENT OF PUBLIC ENTERPRISES
REPUBLIC OF SOUTH AFRICA

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

DATE OF PUBLICATION: 02 MARCH 2018

519. Ms V van Dyk (DA) to ask the Minister of Public Enterprises:

(1) Whether, with reference to the reply to question 4012 on 02 January 2017, he is aware that Environmental Management Programme Report of Alexkor expressly forbids the building of seawalls in the manner that is currently being used extensively along the Namaqualand coastline;

(2) whether he will launch an investigation into the cofferdam mining method used by Alexkor in Namaqualand that has environmental consequences for the local fishermen and diamond divers; if not, why not; if so, what are the relevant details? NW587E

REPLY:

Response is based on information received from Alexkor.

ALEXKOR SOC LIMITED

(1) The Department notes that the approved EMPR was based on the utilisation of sand material as opposed excavated material to construct the coffer dams. In 2013 Department of Environment and Nature Conversation gave Alexkor permission to continue with the coffer dam operations whilst the application of Section 24 (g) of NEMA Act 107 of 1998 is being assessed.

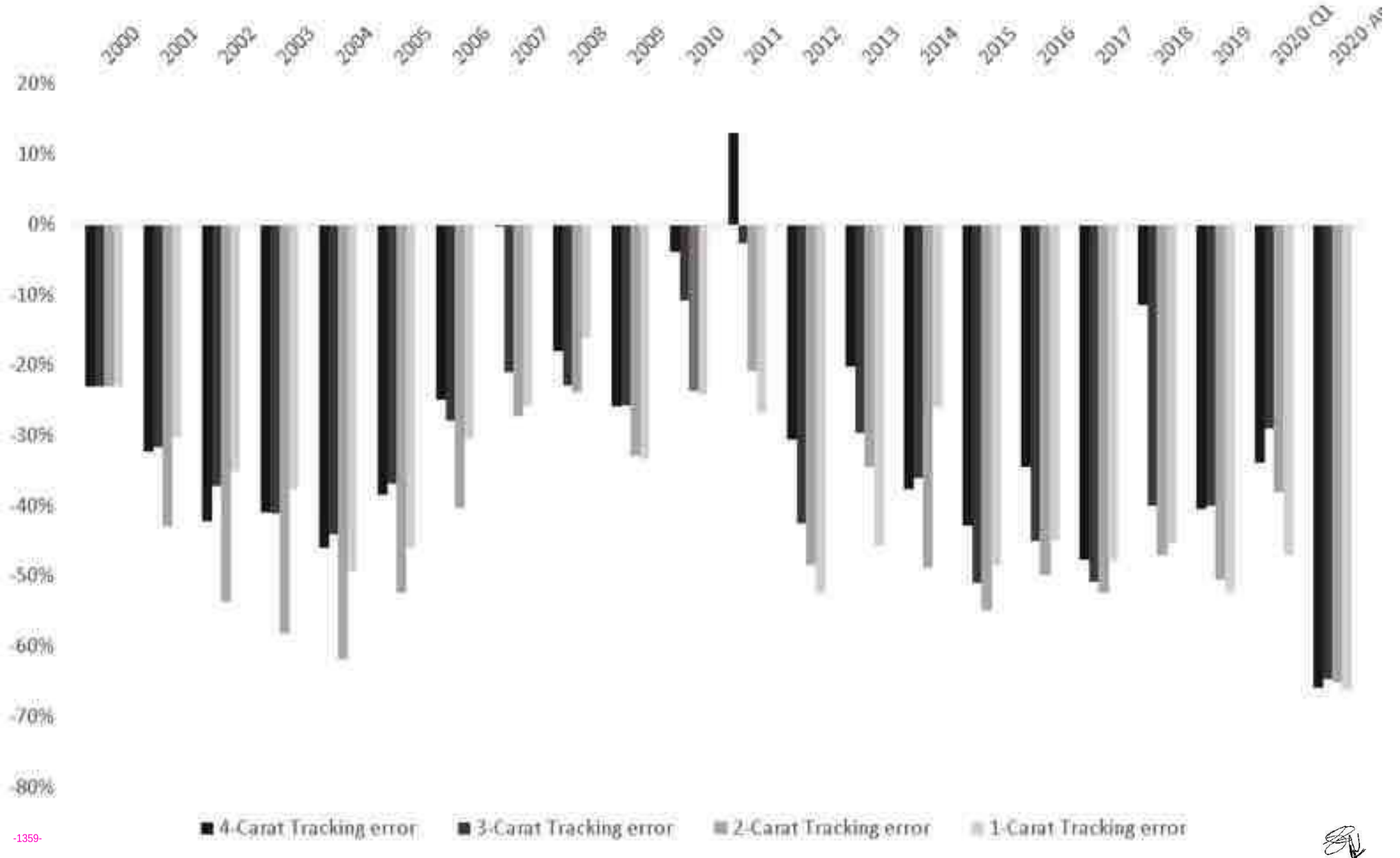
Subsequently Alexkor was required to revise the EMPR and this was submitted to the Northern Cape Mineral Resources (Regional Offices) on 4 May 2018.

(2) The Department noted the concerns raised with regards to the coffer dam operation at the Alexander Bay operations. The Department has commissioned an investigation into the legality of the operations to determine whether the processes followed in assessing and evaluating the likelihood of environmental impacts on socio economic, community and marine life, were considered.

GC45

The Department intends to conclude the investigation during the 2018/19 financial year.

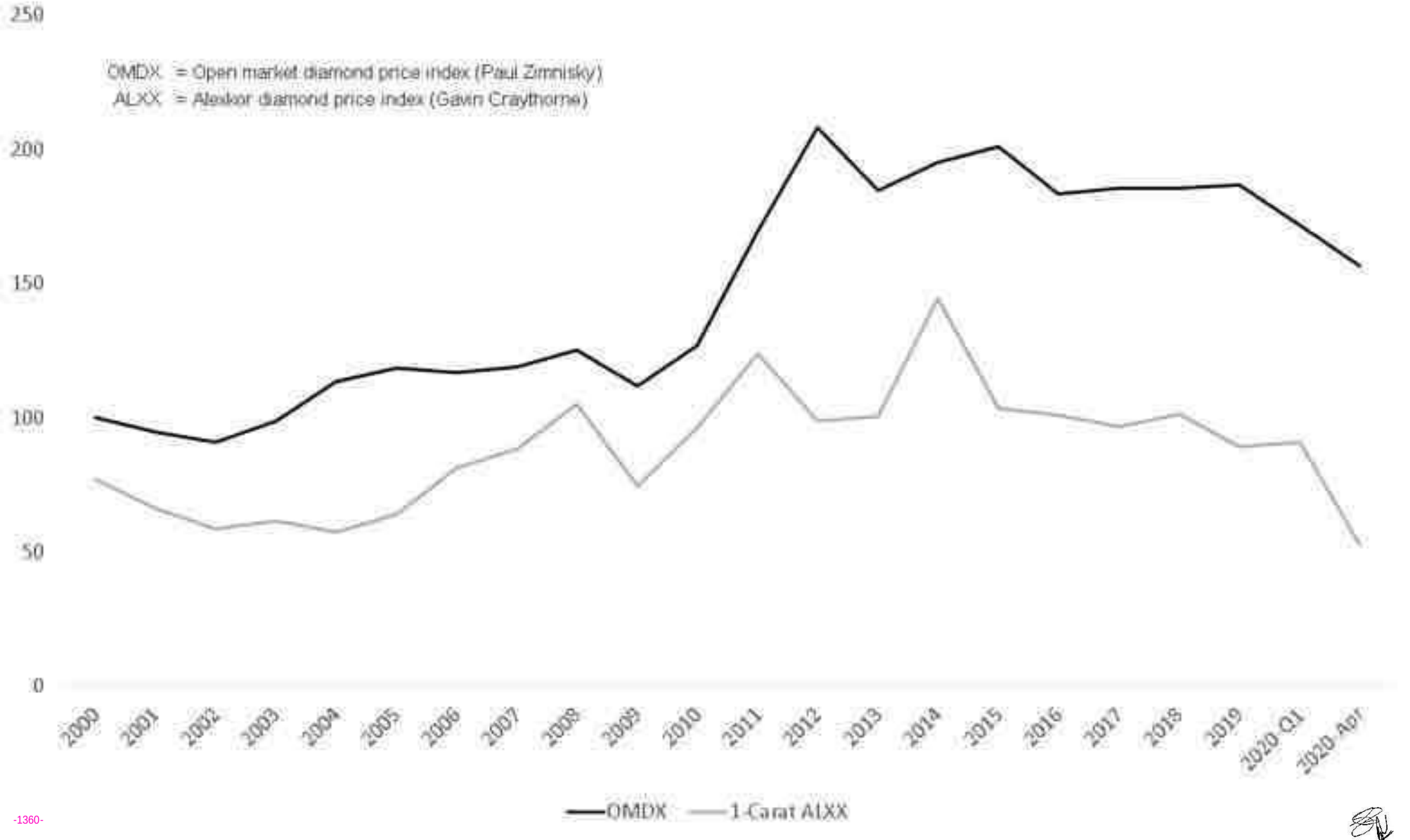
Alexkor's 1 to 4-Carat Diamond Price Tracking errors



MINING-04-595

XX4-GJC-593

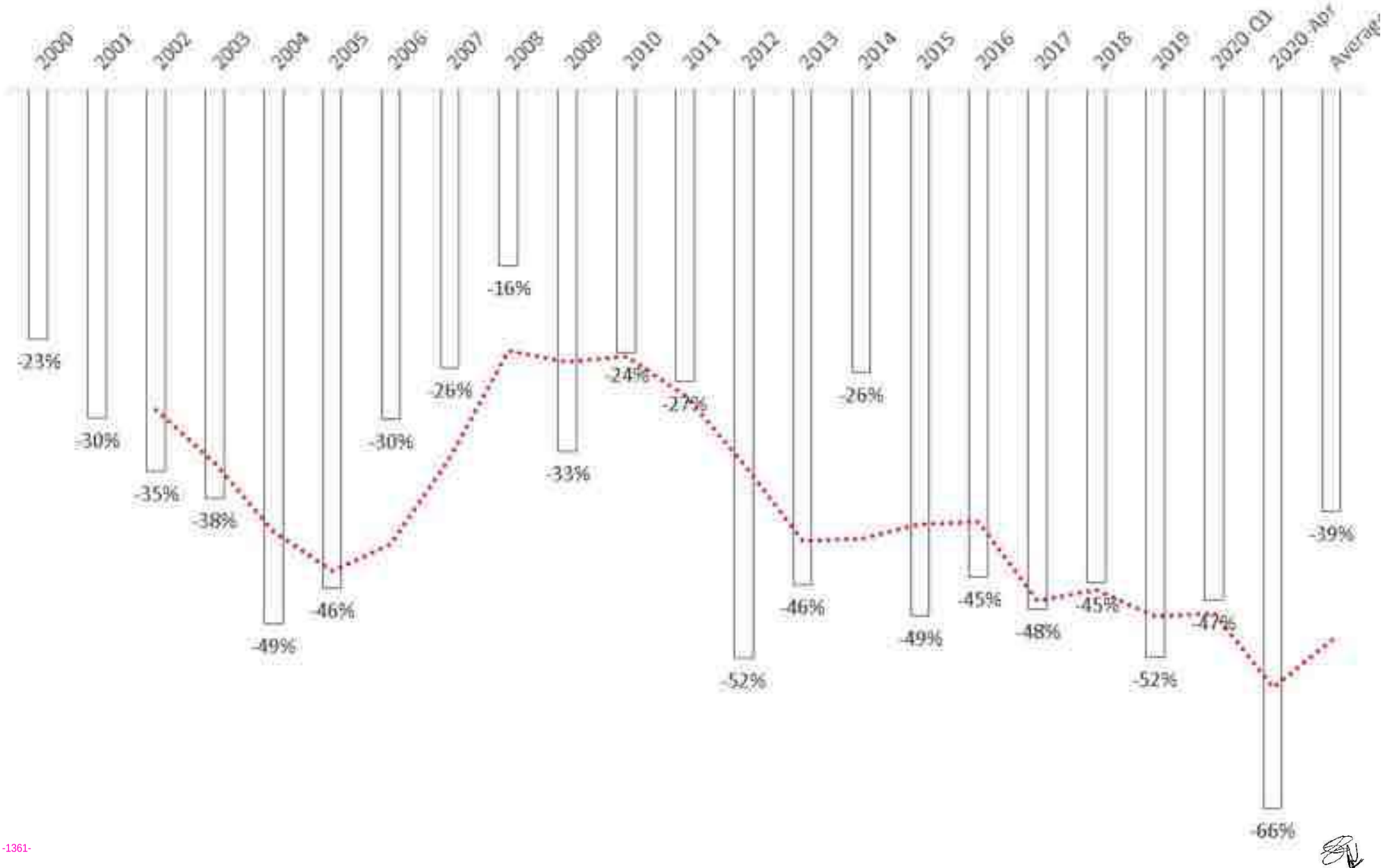
Alexkor's 1-Carat Diamond Selling Price Performance Relative to the Open Market Benchmark Index



MINING-04-596

XX4-GJC-594

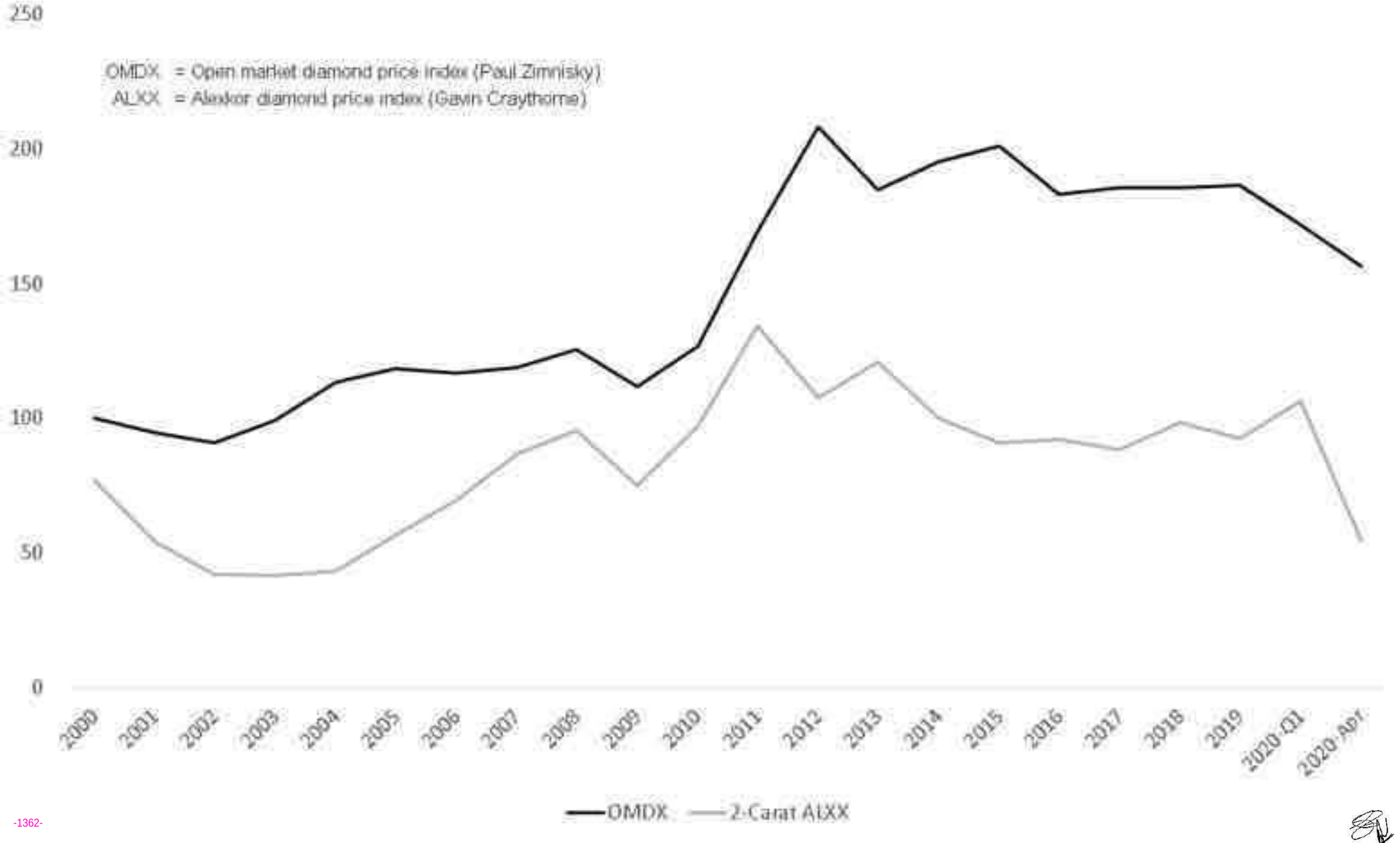
Alexkor's 1-Carat Diamond Tracking error



MINING-04-597

XX4-GJC-595

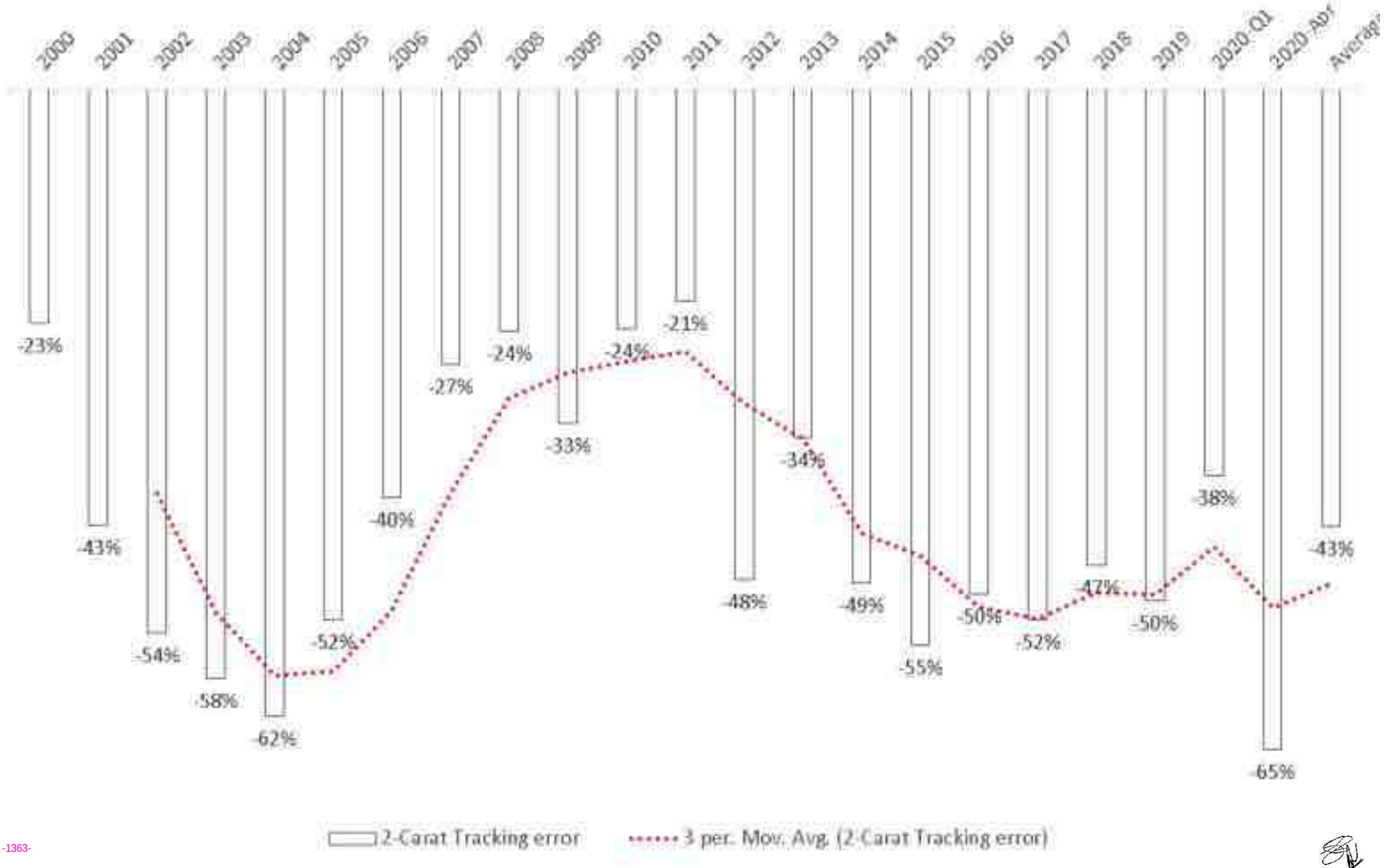
Alexkor's 2-Carat Diamond Selling Price Performance Relative to the Open Market Benchmark Index



MINING-04-598

XX4-GJC-596

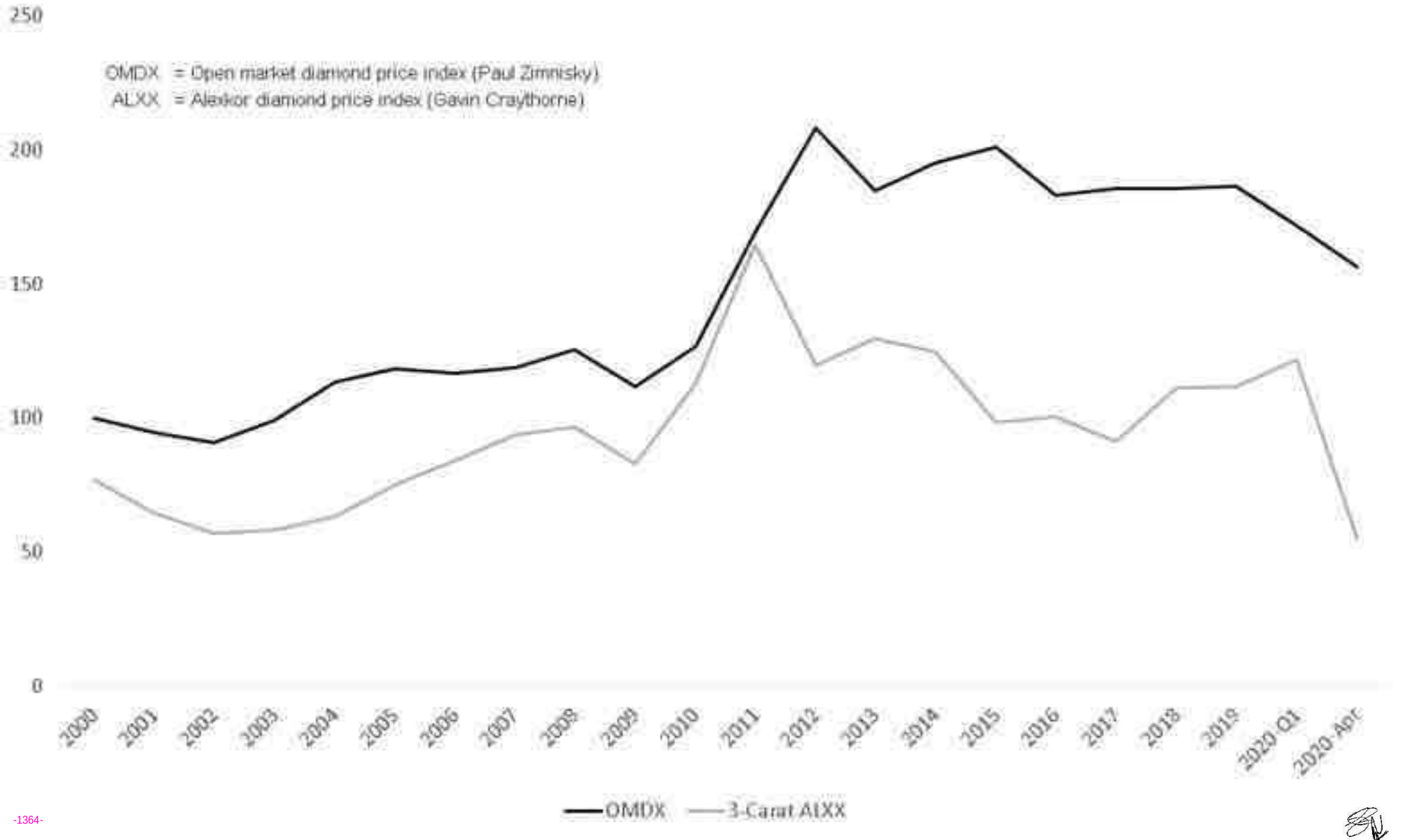
Alexkor's 2-Carat Diamond Tracking error



MINING-04-599

XX4-GJC-597

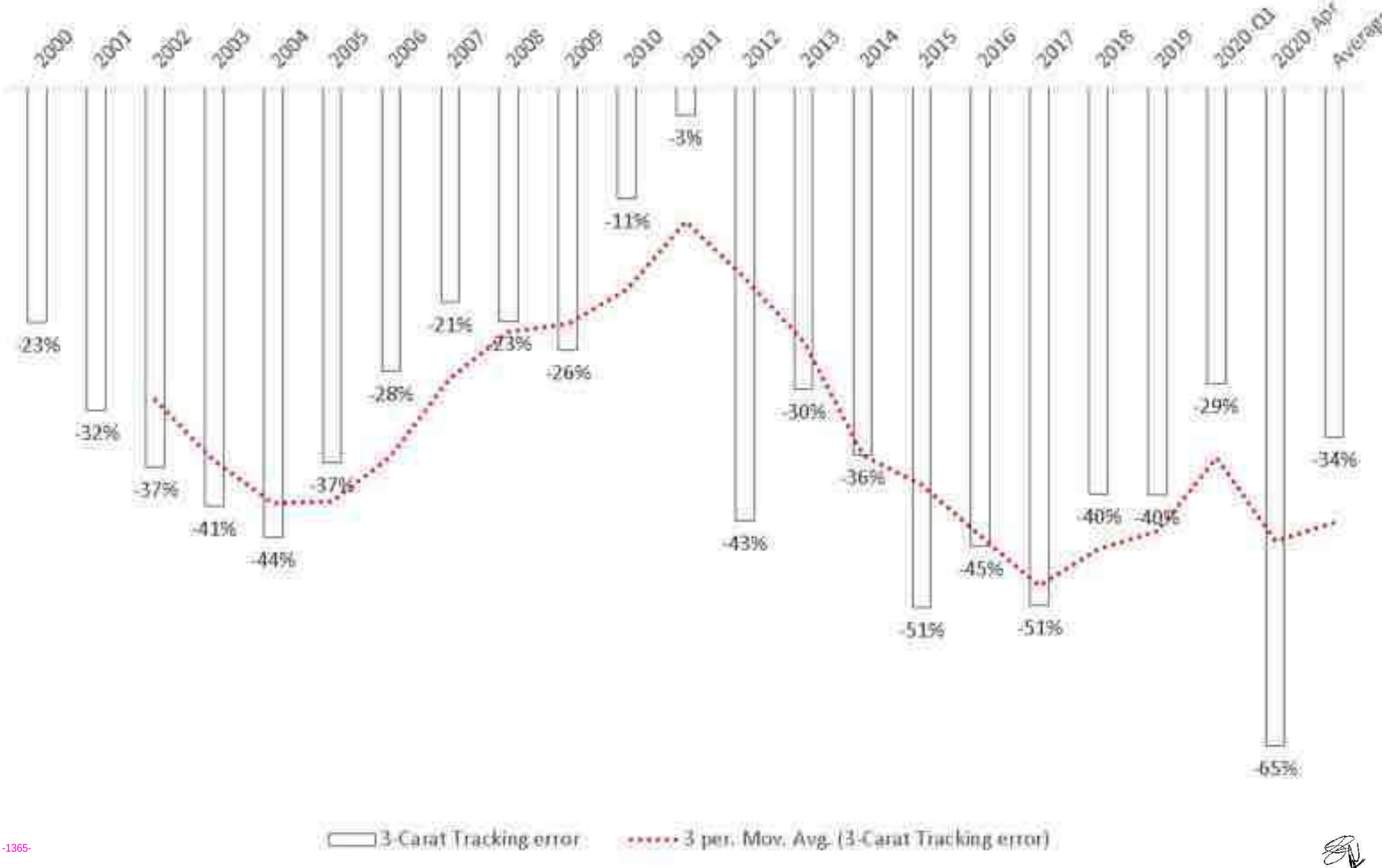
Alexkor's 3-Carat Diamond Selling Price Performance Relative to the Open Market Benchmark Index



MINING-04-600

XX4-GJC-598

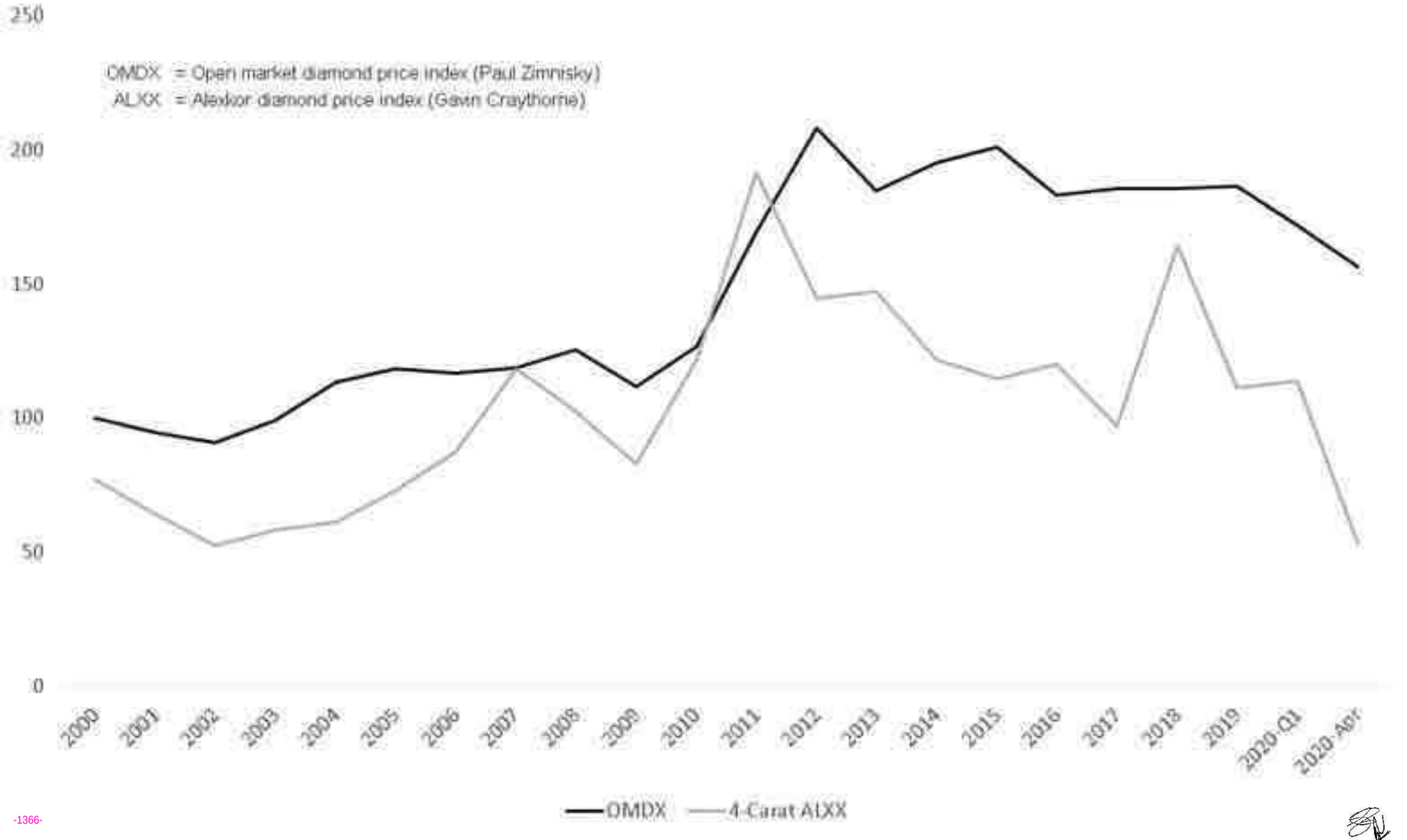
Alexkor's 3-Carat Diamond Tracking error



MINING-04-601

XX4-GJC-599

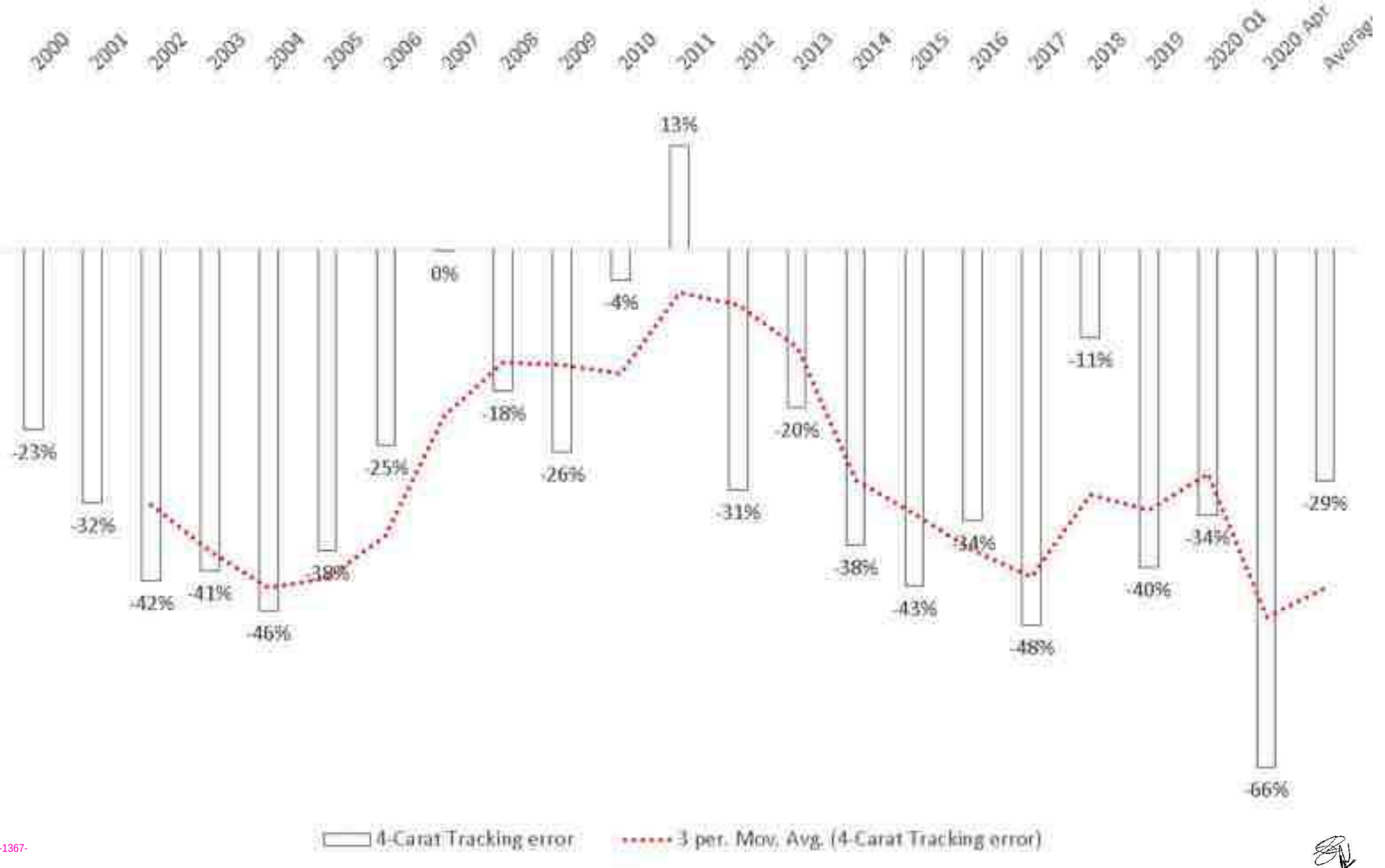
Alexkor's 4-Carat Diamond Selling Price Performance Relative to the Open Market Benchmark Index



MINING-04-602

XX4-GJC-600

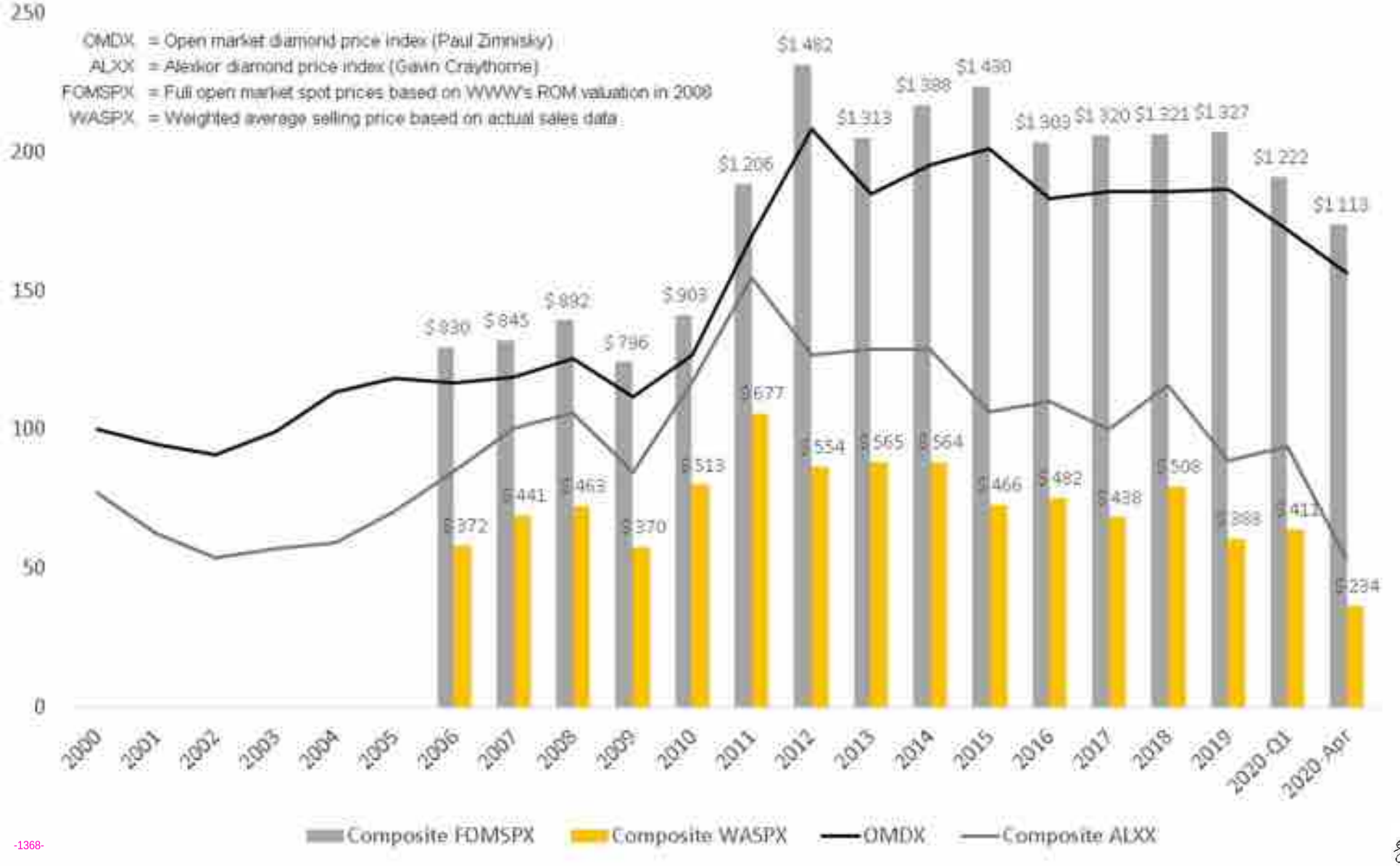
Alexkor's 4-Carat Diamond Tracking error



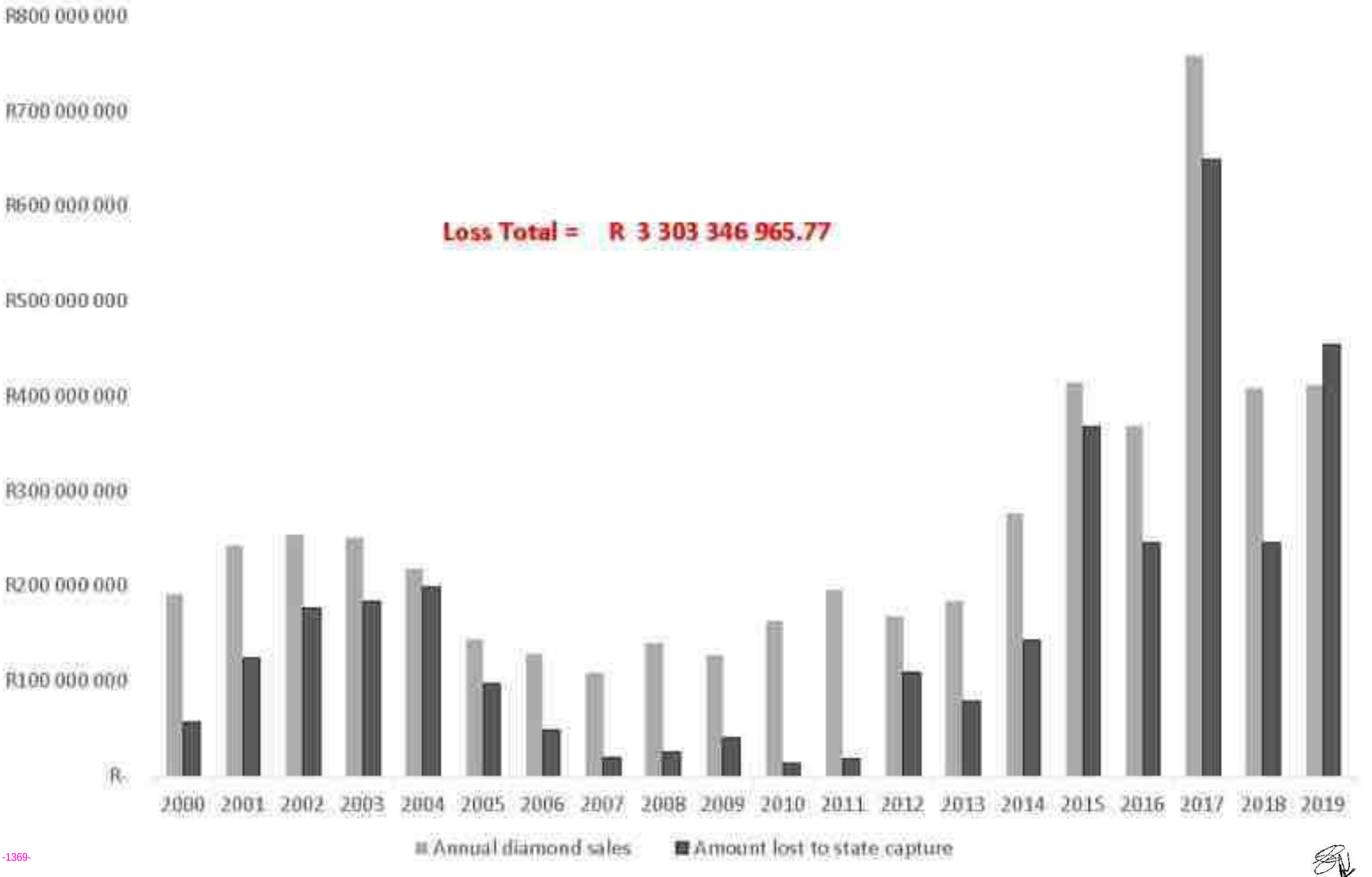
MINING-04-603

XX4-GJC-601

Alexkor's Composite Weighted Average Diamond Selling Price Performance Relative to the Open Market Benchmark Index

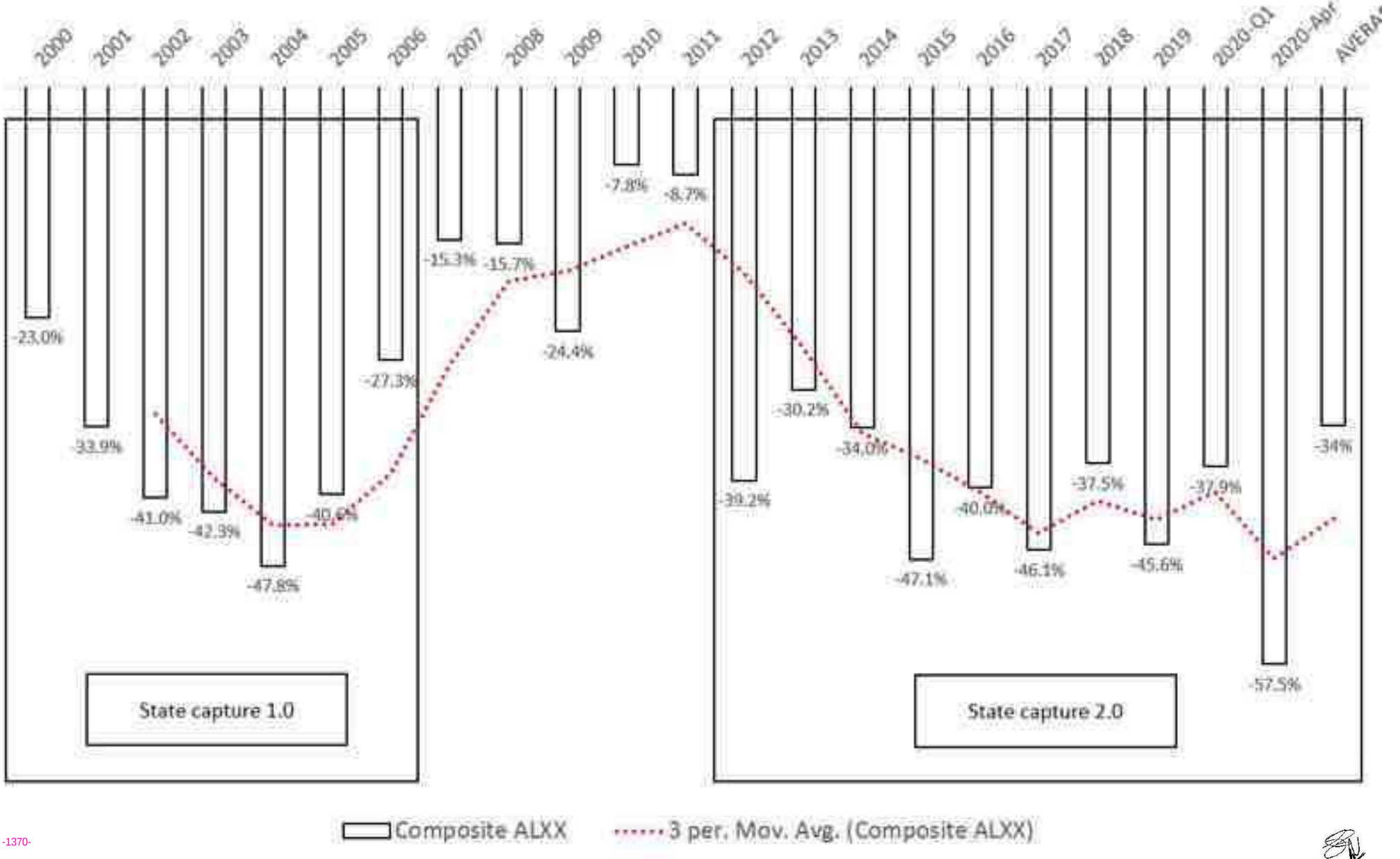


Alexkor's Annual Losses On Diamond Sales Due to State Capture



MINING-04-605
XX4-GJC-603

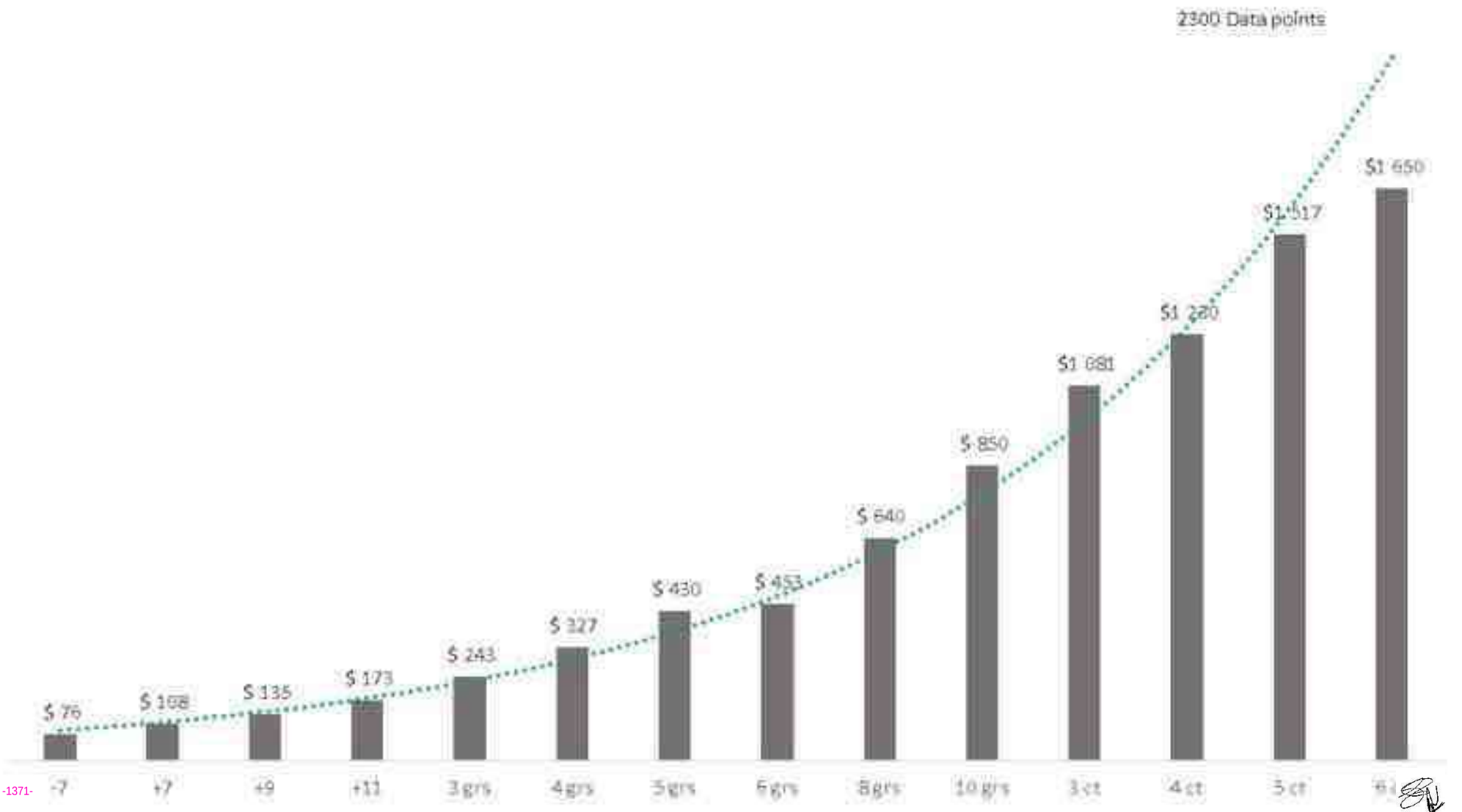
Alexkor's Composite Weighted Average Diamond Selling Price Tracking Error



MINING-04-606

XX4-GJC-604

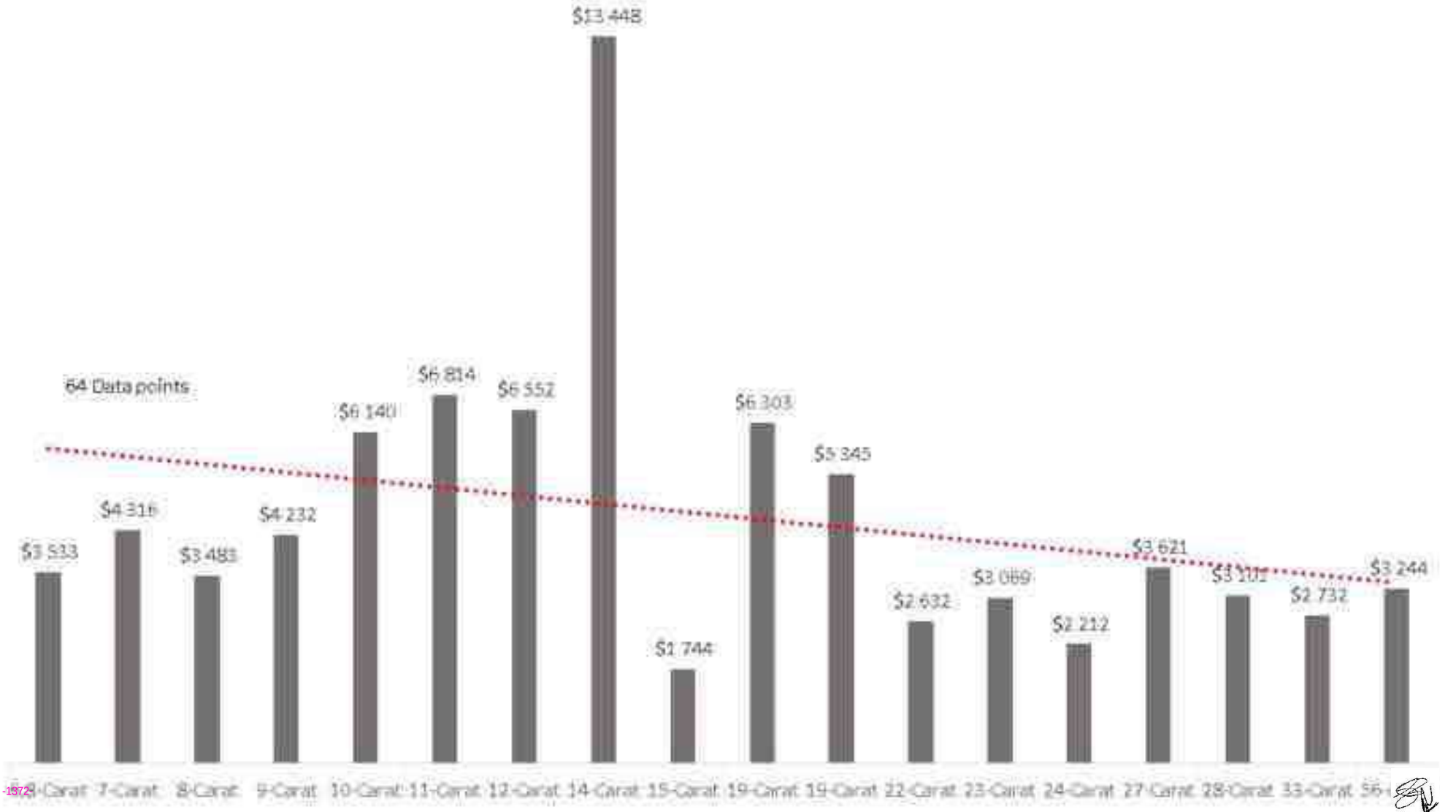
Alexander Bay Diamond Size v Price in $ / carat



MINING-04-607

XX4-GJC-605

Alexander Bay Diamond Size v Price in $ / carat



MINING-04-608

XX4-GJC-606

GC47

ALEXKOR

SOC LIMITED
(Reg. No. 1992/000368/30)
Incorporated by Act No 116 of 1992

ALEXKOR RMC JV

Orange Road
Private Bag X5
ALEXANDER BAY
8290

Tel. : +27 (027) 831 8300
Fax : +27 (027) 831 1910

RMC
(Reg. No. 2006/015480/07)

FLAWLESS DIAMOND TRADING HOUSE (PTY) LTD
SUITE 515
SA JEWELERY CENTRE
225 MAIN STREET
JOHANNESBURG
2010

16 December 2015

Via E-mail: JeffreyB@fdth.co.za

Dear Mr Brenner

SERVICE LEVEL AGREEMENT

We refer to the Service Level Agreement with Flawless and herewith inform that the Agreement has expired and that it will not be extended.

We would like to thank you for the services you provided to the mine since 1 April 2015.

Yours sincerely

MR MERVYN CARSTENS
CHIEF EXECUTIVE OFFICER

Directors: II Mayesa (Chairperson), MJ Carstens (Chief Executive Officer), V Banzi, R Paul, W Vries
Company Secretary: RE Phillips

GC48

WEBBER WENTZEL
in alliance with > Linklaters

Attention: **Mr Craythorne**

Email: **gavinjohn@outlook.com**

15th Floor, Convention Tower
Heerengracht, Foreshore
Cape Town, 8001

PO Box 3667, Cape Town
8000, South Africa

Docex 34 Cape Town

T +27 21 431 7000
F +27 21 431 8000

www.webberwentzel.com

Your reference	Our reference	Date
	S Hockey 3022052	20 November 2017

Dear Mr Craythorne

re: YOUR EMAIL DATED 19 DECEMBER ADRESSED TO MR MERVYN CARSTENS

We refer to your email addressed to Mr Mervyn Carstens dated 19 November 2017, as well as on behalf of Alexkor (SOC) Limited and the Alexkor/RMC Pooling and Sharing Joint Venture ("the PSJV") ("our clients").

In your aforesaid email, you raise serious allegations against Scarlet Sky Investments 60, which call for a response from them. Our clients will consider this further and will communicate with you in due course to the extent that it may become necessary.

You also make serious allegations and/or innuendos against Mr Carstens which is defamatory of him, as well as allegations/innuendos against the PSJV and by implication, the parties to the joint venture. We have been instructed to place on record that these allegations/innuendos are rejected and to advise you that your email will be referred to the Joint Board of the PSJV for consideration, whereafter we will respond further, depending on instructions.

In the interim, all of our clients' rights are reserved.

Partners in office at Cape Town: RB Africa AR Bowley SJ Chong KM Colman JJ Daniels MA Diemont HJ du Preez AE Esterhuizen MJR Evans G Fitzmaurice C Gabriel S Hockey PM Holloway AV Ismail KA Jarvis S Jooste LA Kahn A Keyser CS Meyer LE Mostert RA Nelson Z Rawoot H Samsodien J Smit L Stein O Tobias A Toefy PZ Vanda DM Visagie

Senior Partner: JC Els **Managing Partner:** SJ Hutton **Partners:** RB Africa NG Alp AE Bennett DHL Booysen AR Bowley PG Bradshaw MS Burger RS Coelho KM Colman KE Coster K Couzyn JH Davies JHB de Lange MA Diemont DA Dingley HJ du Preez CP du Toit AE Esterhuizen MJR Evans GA Fichardt JB Forman C Gabriel JP Gouws PD Grealy VW Harrison JM Harvey MH Hathorn NA Hlatshwayo S Hockey PM Holloway AV Ismail KA Jarvis S Jooste LA Kahn M Kennedy A Keyser L Marais S McCafferty MC McIntosh SI Meltzer SM Methula CS Meyer AJ Mills JA Milner D Milo VM Movshovich M Mtshali RA Nelson ZN Ntshona MB Nzimande N Paige AMT Pardini AS Parry GR Penfold NJA Robb DC Rudman JW Scholtz KE Shepherd AJ Simpson N Singh L Stein PS Stein LJ Swaine O Tobias A Toefy PZ Vanda N van Dyk D Venter MG Versfeld TA Versfeld DM Visagie RH Wilson M Yudaken
Chief Operating Officer: SA Boyd

Webber Wentzel is associated with ALN

GC48

WEBBER WENTZEL
in alliance with > Linklaters

Yours faithfully

WEBBER WENTZEL
Selwyn Hockey
Partner

Direct tel: +2 721 4317391
Direct fax: +27 21 431 8391
Email: Selwyn.hockey@webberwentzel.com

Please note, this letter is sent electronically and therefore not signed. A signed copy will be provided on request.

GC49

AFFIDAVIT

1.

I, George Travis John Nicolaai solemnly declare in English:

2.

I am an adult male, ID 5809185157087, 60 years old, residing at 617 Malherbe Street Port Nolloth, cellphone 0645297384 and unemployed.

3.

I became unemployed as of 4th January 2018, when our contract was not renewed by Alexkor end of November 2017 when I became a whistleblower.

4.

I entered the Marine Diamond Industry in 1980 and qualified myself as a Diving Supervisor, Grade 4 Skipper and completed a Diamond Evaluation Course.

5.

I have been an active diver producing Marine and Riverine Diamond Bearing Gravels for 34 years on multiple concessions in South Africa, Angola and the Central African Republic.

6.

Throughout my 38-year career (not diving for the past 4 years) I have been closely involved in all phases of the recovery process including primary separation, final recovery, sorting, weighing and registering diamond production. I have also attended numerous diamond sales over the course of my career.

GC49

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GC49

7.

I, George Travis John Nicolaai solemnly further declare in English:

8.

I have produced numerous so called "Jackpots" with the most memorable being Alexkor's famous 111,52 carat yellow diamond mined at block 60 on sea concession 1a adjacent to the mouth of the Orange River. This record stands to this day as the largest diamond retrieved from the sea, both in South Africa and Namibia, beating De Beers Marine's record of an 88-carat stone.

9.

I started contracting with Alexkor in September 1999 and have always been on the committees of the bodies who represented the contractors, with position of Chairperson of the CRB (Contractors Representative Body).

10.

On 9 September 2017 my dive team and I, of the company PL Marine (Pty) Ltd, left Alexander Bay harbour to work in the Block 60 area. Unfortunately, due to a beach mining contractor's illegal cofferdam mining activity in the area, the conditions were very bad and our high-grade area inshore was buried under a thick layer of mud overburden which we had to try and excavate our way through using the gravel suction pump system.

11.

This was unsuccessful and caused our entire twin 8" suction line system to "sausage" with the mud blocking it from the nozzle to the vessel and we had to steam slowly back to the harbour, dragging our mud-clogged pipes over the seabed, in order to clear the system which took four days.

GC49

18.

I, George Travis John Nicolaai solemnly further declare in English:

19.

Because of the extremely high value of these diamonds and the deep concerns that the entire contractor fraternity has regarding the integrity of Scarlet Sky and Alexkor's lack of transparency with regard to sales data, I contacted the Alexkor PSJV management to arrange a viewing of the diamonds so I could catalogue them each by weight and photographically as I was very alive to the fact that Alexkor do not value our diamonds before they leave the mine which I believe is a deliberate omission in pursuit of facilitating theft downstream in the value chain

20.

I sent a letter via email to the mine manager, Mr. Gerone Cloete, and copied the CEO, Mr. Mervyn Carstens, the company secretary, Ms. Raygen Phillips, and the head of security, Mr. Jerry Matesela, on 17 November 2017 and again on 18 November 2017, to which I did not receive a response.

21.

On Saturday, 18 November 2017, I tried telephoning Mr. Gerone Cloete unsuccessfully and then sent him a WhatsApp message to which he first responded that he will have to get permission from the CEO and later responded with 4 low resolution photographs sent via WhatsApp.

22.

Thereafter he refused to respond to my further messages, so I attempted to contact the security manager who informed me that he was away from the mine but promised to contact me upon his return on the Sunday.

GC49

12.

I, George Travis John Nicolaai solemnly further declare in English:

13.

On 13 November 2017 we returned to Block 60 but anchored off in a new area in deeper water where over two days we produced 4 tuffbags of gravel.

14.

When the gravel was processed, 216 diamonds were recovered weighing a total of 768,56 carats, making it the biggest "Jackpot" for the past decade.

15.

We also set a record by producing 24 specified diamonds in one wash, all weighing over 6,8carats with the largest weighing in at 60.47carats.

16.

In addition, there were 14 x +6carat stones, 13 x +5carat stones, 14 x +4carat stones and 32 x +3carat stones amongst others.

17.

My partners, Mr. Phillip Lortan and Mr. Livio Newman were present at the processing, sorting and weighing-in of the diamonds as I was tied up with other duties. This process lasted well into the night as Alexkor was working shifts to meet the deadline for the sale.

GC49

23.

I, George Travis John Nicolaai solemnly further declare in English:

24.

When he phoned me on the Sunday, he informed me that the CEO had refused my request.

25.

The following day, Monday, 20 November 2017, I travelled from Port Nolloth to Alexander Bay to meet with management in a desperate attempt to get permission to view our diamonds.

26.

At the meeting, Mr. Carstens refused to allow me to take my own minutes by recording the meeting but gave me an assurance that I would get a copy of the minutes from the company secretary, Ms. Raygen Phillips.

27.

Yet again, I was refused permission to view our diamonds, however I was given an undertaking by the mine manager, Mr. Gerone Cloete, that Alexkor PSJV would invite me to attend the sale.

28.

In the event, I was neither notified nor invited to the sale and neither did I receive the minutes of that meeting. Despite numerous requests to Ms. Phillips there were only excuses as to why it was not completed yet.

GC49

29

I, George Travis John Nicolaai solemnly further declare in English:

30.

When the diamonds were sold the prices they achieved were considerably lower than my expectations based upon my years of experience and the opinions of two independent diamantaires who I consulted and showed the photos I was sent on WhatsApp.

31.

Each of the diamantaires estimated that the price was at least 50% below fair market value based on the apparent quality indicated in the photos.

32.

It is my opinion that I was deliberately denied the opportunity to carefully photograph, weigh and catalogue each of the diamonds to prevent me from obtaining proof of the true quality of the diamonds and thereby strip me of any means by which I could challenge the poor prices.

33.

It is my opinion that the PSJV CEO, Mr. Mervyn Carstens, is part of a criminal racket set up to cheat the small-scale marine miners and Alexkor out of fair market prices by ensuring that all diamond leave the mine without being meaningfully valued and thereby facilitating grand corruption in the diamond value chain.

34.

The 60-carat diamond we produced should have fetched a price around the $17 000,00/carat mark but certainly no less than $14 000,00/carat but to our great dismay we were expected to believe that the stone was sold for $3 161,00/carat.

GC49

35

I, George Travis John Nicolaai solemnly further declare in English:

36.

There were another 13 top quality specified stones with a total weight of 146,51 carats which should have achieved prices around the $10 000,00/carat mark.

37.

My most conservative estimated value of the parcel was R40 million but in a fair and transparent sale the parcel could have fetched a price as high as R50 million and certainly not the R20 million which Scarlet Sky sold the parcel for.

38.

I know and understand the contents of this statement.

I have objection to taking the prescribed oath.

I consider the prescribed oath not to be binding on my conscience.

GEORGE NICOLAAI .....

Port Nolloth 2018-11-18 14 10

CST Cloete

DANIELA WILMA CLOETE

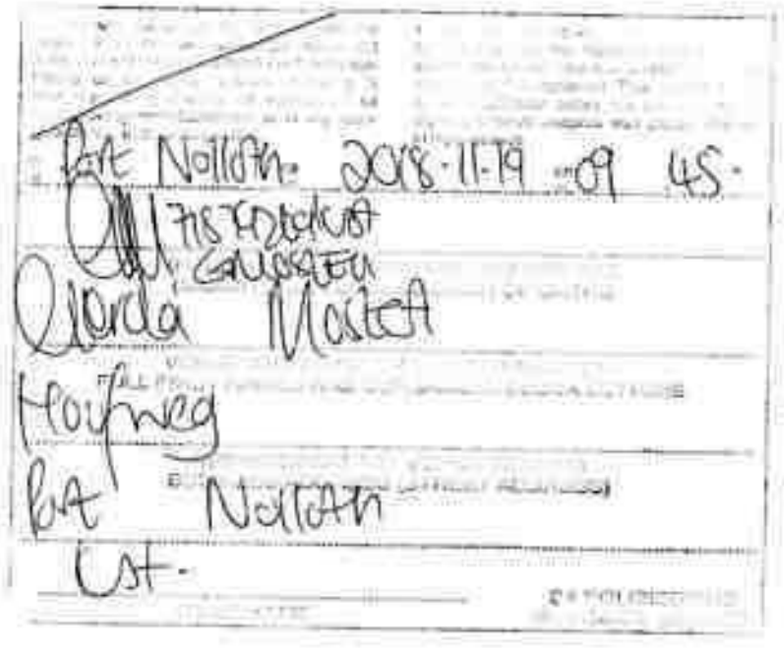
MAINROAD

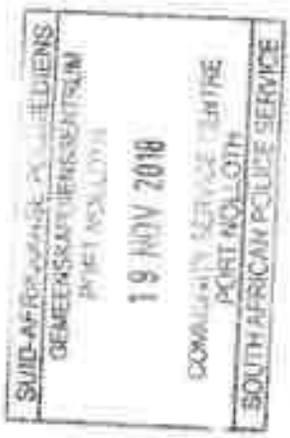
PORT NOLLOTH

CST.

SUID-AFRIKAANSE POLISIEDIENS
COMMUNITY SERVICE CENTRE
PORT NOLLOTH
18 -11- 2018
COMMUNITY SERVICE CENTRE
PORT NOLLOTH
SOUTH AFRICAN POLICE SERVICE

GC49


Port Nolloth. 2018-11-19 09 45.
Ons statement
Glenda Marais
Hoofweg
PA Nolloth
Const.



GC49

gavinjohn@outlook.com

From: Ronélle Cockrell <cockrellronelle@gmail.com>
Sent: 24 May 2018 12:49 PM
To: v.vandyk1@gmail.com; zrantho@parliament.gov.za
Cc: Gavin J. Craythorne; gnicol@live.com
Subject: Namakwaland Gemeenskap

Eerbare Me Daphne Zukiswa Rantho
Eerbare Me Veronica van Dyk

Baie dankie vir die voorreg en geleentheid om my gevoelens en bekommernisse te deel.

Sedert 2002 het ons 'n Shallow Marine kontrak by Alexkor. Ons het tesame met ons Finansierders met groot verwagtinge begin en ons was later in die bevoorregte posisie om ons eie toerusting aan te koop, danksy die goeie diamantpryse op die opemark. Ons kon selfs ons BEE vennoot stuur vir n Supervisor kursus!! Vanaf 2014 het dit al meer afdraande gegaan hoofsaaklik as gevolg van die swak pryse van ons diamant verkope en was ons genoodsaak om terug te val op Finansierders.

Dit is hartseer hoe ons kontrakteurs, werkers en gesinne en gemeenskap al hoe meer verarm. Dit is hartseer dat duikers vis en snoek moet vang om hulle gesinne te voed, dit terwyl ons eintlik moet floreer in ons bedryf.

Kontrakteurs is te bang om op te staan vir dit wat reg is, want ons is bang vir viktimisasie en dit terwyl ons eintlik vennote is van Alexkor.

Ons het by n punt gekom wat ons nie meer kan nie en 'n ander heenkome moet soek. Maar ons lewe met HOOP, HOOP dat iemand tot ons redding sal kom en dit wat nie reg is nie sal reg maak. Ons kan nie verder verarm nie en ten gronde gaan nie.

Ons is afhanklik van goeie pryse vir ons diamante, afhanklik van eerlikheid en integriteit van mense wat moet toesien dat ons almal bevoordeel word. Dit is al bedryf wat soveel van ons ken en op staat maak sodat ons mense voren toe kan gaan.

Dankie dat ek vandag weet diegene wat skuldig is aan enige wanpraktyk in ons bedryf se tyd het aangebreek.....

Groete
Ronelle Cockrell
Darohne Mining

GC50

BELASTINGFAKTUUR / TAX INVOICE

OCEAN DIGGERS
9 KLIPSPRINGER AVENUE
ALEXANDERBAY
8290

Date: 31 Mar 2015
Tax Invoice No. 204116/3.2015
VAT REG. NO: **4680228647**

ALEXKOR RMC JV
Private Bag X5
ALEXANDER BAY
8290
VAT REG NR 4650258157

Special goods

OCEAN DIGGERS			
Diamonds	**Carats**	**$/Carat**	**$ Value**
1	9.25	$1 066.00	9 679.00
1	7.83	$2 723.63	21 326.00
1	13.69	$6 419.87	87 888.00
1	9.69	$7 933.95	76 880.00
1	6.94	$1 491.93	10 354.00
1	14.48	$1 941.02	28 106.00
1	18.15	$4 021.43	72 989.00
1	8.35	$3 423.95	28 590.00
1	9.53	$3 071.04	29 267.00
1	15.08	$8 145.03	122 827.00
1	13.08	$3 675.98	48 081.76
1	6.93	$3 340.69	23 151.00
0	0.00	$1 336.75	0.00
0	0.00	$2 100.87	0.00
0	0.00	$1 679.01	0.00
0	0.00	$1 281.55	0.00
0	0.00	$1 198.21	0.00
0	0.00	$851.50	0.00
0	0.00	$607.50	0.00
0	0.00	$630.00	0.00
0	0.00	$408.60	0.00
0	0.00	$398.11	0.00
0	0.00	$203.88	0.00
0	0.00	$155.36	0.00
0	0.00	$104.87	0.00
0	0.00	$97.10	0.00
12	**133.00**	**$4 205.55**	**559 338.76**

GC50

Standard size categories

SIF NUMBER	OCEAN DIGGERS			
	Diamonds	Carat	$/Carat	$ Value
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
6 ct	2	12.98	$1 336.75	17 350.99
5 ct	6	31.67	$2 100.87	66 534.53
4 ct	6	24.83	$1 679.01	41 689.88
3 ct	16	52.32	$1 281.55	67 050.63
10 grs	7	19.03	$1 198.21	22 801.86
8 grs	17	36.55	$851.50	31 122.42
6 grs	11	16.80	$607.50	10 206.00
5 grs	3	4.08	$630.00	2 570.40
4 grs	12	12.24	$408.60	5 001.26
3 grs	12	9.42	$398.11	3 750.20
+11	14	7.65	$203.88	1 559.71
+9	8	2.68	$155.36	416.36
+7	12	3.03	$104.67	317.75
-7	13	1.95	$97.10	189.35
TOTAL	**139**	**235.23**	**$1 150.20**	**270 561.35**

Exchange rate - R/$ R/$		12.011
Amount in Rands(100%)		3 249 627.56
Less royalties (2%)		64 992.55
Less sorting & valuation		646.88
GROSS AMOUNT		3 183 988.13
CONTRACTORS SHARE	70%	2 228 791.69
LESS CSI CONTRIBUTION	1%	22 287.92
AMOUNT DUE (Excluding VAT)		2 206 503.77
VAT @ 14%		308 910.53
TOTAL		**2 515 414.30**

MINING-04-623

XX4-GJC-621

GC51

Raw diamond sales data

SIZE CAT.	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2001	JAN
6 ct	$ 651	$ 868	$ 1 606	$ 1 684	$ 1 684	$ 520	$ 690	$ 784	$ 838	$ 790	$ 801	$ 783	$ 975	$ 865
5 ct	$ 1 174	$ 1 089	$ 901	$ 1 114	$ 1 114	$ 705	$ 640	$ 785	$ 866	$ 760	$ 725	$ 718	$ 883	$ 751
4 ct	$ 846	$ 1 123	$ 987	$ 961	$ 961	$ 664	$ 540	$ 620	$ 810	$ 648	$ 773	$ 824	$ 813	$ 968
3 ct	$ 874	$ 860	$ 902	$ 843	$ 815	$ 806	$ 740	$ 662	$ 659	$ 714	$ 730	$ 794	$ 783	$ 785
10 grs	$ 528	$ 576	$ 592	$ 531	$ 588	$ 480	$ 550	$ 558	$ 445	$ 453	$ 392	$ 507	$ 517	$ 573
8 grs	$ 492	$ 530	$ 516	$ 515	$ 522	$ 442	$ 430	$ 380	$ 405	$ 355	$ 468	$ 432	$ 457	$ 361
6 grs	$ 400	$ 390	$ 405	$ 387	$ 358	$ 407	$ 300	$ 300	$ 305	$ 319	$ 271	$ 238	$ 340	$ 258
5 grs	$ 390	$ 383	$ 389	$ 370	$ 375	$ 347	$ 280	$ 316	$ 303	$ 308	$ 316	$ 235	$ 334	$ 255
4 grs	$ 278	$ 290	$ 288	$ 277	$ 270	$ 275	$ 220	$ 246	$ 220	$ 229	$ 243	$ 201	$ 253	$ 235
3 grs	$ 198	$ 215	$ 203	$ 188	$ 171	$ 191	$ 160	$ 166	$ 143	$ 170	$ 156	$ 138	$ 175	$ 139
+11	$ 137	$ 135	$ 131	$ 133	$ 128	$ 132	$ 100	$ 108	$ 103	$ 97	$ 104	$ 106	$ 118	$ 104
+9	$ 98	$ 93	$ 102	$ 96	$ 82	$ 89	$ 80	$ 76	$ 80	$ 67	$ 80	$ 72	$ 85	$ 79
+7	$ 70	$ 68	$ 78	$ 74	$ 65	$ 69	$ 50	$ 57	$ 62	$ 45	$ 58	$ 46	$ 62	$ 63
-7	$ 44	$ 43	$ 47	$ 39	$ 39	$ 37	$ 30	$ 35	$ 34	$ 31	$ 34	$ 29	$ 37	$ 32

XX4-GJC-622

GC51

FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2002	JAN	FEB	MAR	APR
$ 649	$ 771	$ 881	$ 893	$ 710	$ 483	$ 1 025	$ 430	$ 721	$ 715	$ 820	$ 747	$ 913	$ 892	$ 960	$ 646
$ 642	$ 788	$ 642	$ 584	$ 426	$ 879	$ 910	$ 962	$ 714	$ 755	$ 850	$ 742	$ 660	$ 684	$ 902	$ 827
$ 685	$ 701	$ 582	$ 690	$ 596	$ 586	$ 714	$ 515	$ 602	$ 528	$ 833	$ 667	$ 665	$ 689	$ 873	$ 760
$ 666	$ 773	$ 687	$ 593	$ 838	$ 672	$ 723	$ 619	$ 623	$ 628	$ 690	$ 691	$ 728	$ 725	$ 890	$ 651
$ 457	$ 600	$ 493	$ 496	$ 537	$ 564	$ 537	$ 532	$ 437	$ 557	$ 483	$ 522	$ 479	$ 619	$ 611	$ 589
$ 400	$ 328	$ 389	$ 398	$ 405	$ 359	$ 340	$ 337	$ 265	$ 350	$ 353	$ 357	$ 381	$ 347	$ 432	$ 370
$ 251	$ 298	$ 281	$ 309	$ 303	$ 266	$ 254	$ 329	$ 254	$ 334	$ 320	$ 288	$ 352	$ 257	$ 382	$ 346
$ 243	$ 282	$ 272	$ 278	$ 283	$ 275	$ 252	$ 321	$ 233	$ 347	$ 203	$ 270	$ 365	$ 298	$ 366	$ 341
$ 215	$ 246	$ 222	$ 222	$ 219	$ 223	$ 215	$ 233	$ 179	$ 263	$ 235	$ 226	$ 263	$ 233	$ 278	$ 259
$ 141	$ 159	$ 145	$ 155	$ 144	$ 145	$ 146	$ 145	$ 126	$ 165	$ 155	$ 147	$ 159	$ 143	$ 168	$ 147
$ 113	$ 122	$ 117	$ 112	$ 114	$ 112	$ 111	$ 116	$ 92	$ 126	$ 122	$ 113	$ 127	$ 114	$ 136	$ 125
$ 77	$ 94	$ 84	$ 81	$ 75	$ 76	$ 76	$ 79	$ 62	$ 85	$ 82	$ 79	$ 87	$ 78	$ 92	$ 90
$ 55	$ 68	$ 56	$ 59	$ 55	$ 54	$ 62	$ 69	$ 46	$ 60	$ 66	$ 59	$ 68	$ 58	$ 73	$ 71
$ 33	$ 38	$ 32	$ 31	$ 33	$ 31	$ 32	$ 30	$ 24	$ 33	$ 37	$ 32	$ 36	$ 31	$ 44	$ 40

MINING-04-625

XX4-GJC-623

GC51

MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2003	JAN	FEB	MAR	APR	MAY	JUN	JUL
$ 824	$ 772	$ 1 381	$ 829	$ 921	$ 899	$ 968	$ 566	$ 881	$ 1 114	$ 997	$ 841	$ 1 142	$ 1 003	$ 1 042	$ 1 068
$ 897	$ 786	$ 1 071	$ 808	$ 998	$ 584	$ 897	$ 451	$ 797	$ 941	$ 927	$ 819	$ 780	$ 806	$ 845	$ 974
$ 778	$ 782	$ 646	$ 602	$ 610	$ 778	$ 821	$ 898	$ 742	$ 762	$ 774	$ 645	$ 871	$ 771	$ 656	$ 661
$ 712	$ 716	$ 694	$ 667	$ 744	$ 612	$ 667	$ 687	$ 708	$ 781	$ 786	$ 766	$ 759	$ 714	$ 694	$ 710
$ 471	$ 575	$ 591	$ 600	$ 593	$ 503	$ 488	$ 532	$ 554	$ 580	$ 579	$ 596	$ 706	$ 647	$ 437	$ 503
$ 318	$ 340	$ 338	$ 306	$ 336	$ 328	$ 342	$ 383	$ 352	$ 332	$ 340	$ 348	$ 358	$ 360	$ 323	$ 342
$ 285	$ 302	$ 302	$ 277	$ 263	$ 282	$ 304	$ 309	$ 305	$ 292	$ 295	$ 299	$ 298	$ 298	$ 276	$ 288
$ 284	$ 242	$ 306	$ 270	$ 294	$ 300	$ 309	$ 243	$ 302	$ 287	$ 308	$ 312	$ 299	$ 287	$ 281	$ 284
$ 207	$ 256	$ 220	$ 203	$ 222	$ 215	$ 242	$ 241	$ 237	$ 223	$ 224	$ 230	$ 215	$ 218	$ 202	$ 217
$ 154	$ 136	$ 150	$ 139	$ 162	$ 150	$ 162	$ 168	$ 153	$ 150	$ 151	$ 152	$ 148	$ 147	$ 135	$ 141
$ 130	$ 123	$ 125	$ 115	$ 128	$ 119	$ 135	$ 127	$ 125	$ 133	$ 132	$ 130	$ 124	$ 128	$ 126	$ 131
$ 91	$ 91	$ 83	$ 81	$ 89	$ 86	$ 95	$ 91	$ 88	$ 95	$ 85	$ 94	$ 88	$ 80	$ 89	$ 89
$ 73	$ 71	$ 71	$ 66	$ 71	$ 63	$ 73	$ 58	$ 68	$ 72	$ 66	$ 70	$ 68	$ 65	$ 64	$ 67
$ 36	$ 40	$ 36	$ 39	$ 36	$ 37	$ 41	$ 35	$ 37	$ 38	$ 36	$ 41	$ 36	$ 34	$ 38	$ 39

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XX4-GJC-624

GC51

AUG	SEP	OCT	NOV	DEC	2004	JAN	FEB	MAR	APR	MAY	JUN	JUL	SEP	OCT	NOV
$ 946	$ 1 141	$ 1 089	$ 1 023	$ 1 060	$ 1 039	$ 1 080	$ 1 144	$ 1 065	$ 1 165	$ 1 187	$ 1 119	$ 1 233	$ 1 535	$ 2 300	$ 1 072
$ 852	$ 1 133	$ 1 038	$ 1 032	$ 1 030	$ 931	$ 1 035	$ 957	$ 980	$ 1 060	$ 1 027	$ 1 323	$ 1 461	$ 1 079	$ 1 650	$ 1 045
$ 736	$ 835	$ 912	$ 829	$ 875	$ 777	$ 820	$ 814	$ 858	$ 907	$ 972	$ 784	$ 1 188	$ 1 001	$ 1 150	$ 816
$ 730	$ 809	$ 853	$ 797	$ 823	$ 768	$ 815	$ 780	$ 846	$ 869	$ 875	$ 895	$ 1 022	$ 897	$ 1 080	$ 975
$ 527	$ 635	$ 644	$ 640	$ 670	$ 597	$ 650	$ 571	$ 627	$ 658	$ 670	$ 598	$ 704	$ 714	$ 740	$ 725
$ 348	$ 388	$ 403	$ 428	$ 435	$ 367	$ 425	$ 457	$ 442	$ 475	$ 489	$ 490	$ 404	$ 525	$ 518	$ 517
$ 292	$ 305	$ 290	$ 303	$ 315	$ 296	$ 281	$ 291	$ 319	$ 329	$ 339	$ 342	$ 334	$ 388	$ 380	$ 349
$ 289	$ 298	$ 287	$ 295	$ 310	$ 295	$ 285	$ 297	$ 310	$ 313	$ 319	$ 317	$ 316	$ 370	$ 365	$ 330
$ 215	$ 230	$ 223	$ 226	$ 225	$ 221	$ 220	$ 229	$ 240	$ 243	$ 251	$ 249	$ 250	$ 257	$ 255	$ 248
$ 150	$ 156	$ 163	$ 161	$ 170	$ 152	$ 160	$ 179	$ 184	$ 187	$ 191	$ 195	$ 193	$ 200	$ 198	$ 189
$ 134	$ 132	$ 133	$ 138	$ 140	$ 132	$ 137	$ 138	$ 131	$ 141	$ 148	$ 146	$ 152	$ 159	$ 157	$ 150
$ 91	$ 89	$ 92	$ 91	$ 95	$ 90	$ 92	$ 98	$ 98	$ 102	$ 105	$ 99	$ 98	$ 108	$ 106	$ 104
$ 69	$ 75	$ 74	$ 74	$ 75	$ 70	$ 70	$ 75	$ 72	$ 76	$ 78	$ 76	$ 75	$ 79	$ 78	$ 77
$ 39	$ 39	$ 38	$ 40	$ 40	$ 38	$ 40	$ 45	$ 48	$ 47	$ 46	$ 49	$ 50	$ 52	$ 52	$ 51

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XX4-GJC-625

GC51

DEC	2005	JAN	FEB	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2006	JAN	MAR
$ 1 490	$ 1 308	$ 1 221	$ 1 300	$ 1 908	$ 3 230	$ 575	$ 1 900	$ 1 900	$ 1 798	$ 1 798	$ 1 652	$ 1 798	$ 1 735	$ 2 002	$ 2 067
$ 1 740	$ 1 214	$ 1 108	$ 1 315	$ 1 590	$ 1 175	$ 1 555	$ 1 440	$ 1 390	$ 1 696	$ 1 696	$ 1 500	$ 1 696	$ 1 469	$ 1 714	$ 2 000
$ 867	$ 925	$ 881	$ 1 150	$ 962	$ 1 075	$ 1 175	$ 1 071	$ 1 107	$ 1 185	$ 1 185	$ 1 244	$ 1 185	$ 1 111	$ 1 484	$ 1 515
$ 925	$ 907	$ 946	$ 860	$ 1 005	$ 945	$ 1 138	$ 1 057	$ 1 057	$ 1 031	$ 1 031	$ 1 119	$ 1 031	$ 1 020	$ 990	$ 1 229
$ 710	$ 670	$ 637	$ 700	$ 843	$ 875	$ 922	$ 604	$ 604	$ 721	$ 721	$ 849	$ 721	$ 745	$ 907	$ 970
$ 526	$ 479	$ 519	$ 600	$ 602	$ 597	$ 562	$ 626	$ 626	$ 584	$ 584	$ 611	$ 584	$ 590	$ 605	$ 767
$ 395	$ 341	$ 360	$ 395	$ 380	$ 405	$ 393	$ 393	$ 393	$ 379	$ 379	$ 376	$ 379	$ 385	$ 450	$ 421
$ 390	$ 328	$ 378	$ 389	$ 380	$ 405	$ 393	$ 393	$ 393	$ 379	$ 379	$ 376	$ 379	$ 386	$ 450	$ 421
$ 256	$ 245	$ 249	$ 282	$ 328	$ 330	$ 303	$ 305	$ 305	$ 335	$ 335	$ 318	$ 335	$ 311	$ 323	$ 309
$ 200	$ 189	$ 190	$ 201	$ 239	$ 238	$ 227	$ 225	$ 225	$ 224	$ 224	$ 235	$ 224	$ 223	$ 237	$ 309
$ 152	$ 146	$ 140	$ 150	$ 183	$ 178	$ 168	$ 168	$ 168	$ 176	$ 176	$ 171	$ 176	$ 169	$ 178	$ 199
$ 105	$ 101	$ 107	$ 104	$ 158	$ 130	$ 150	$ 113	$ 113	$ 124	$ 124	$ 134	$ 124	$ 126	$ 155	$ 151
$ 79	$ 76	$ 78	$ 77	$ 117	$ 127	$ 133	$ 113	$ 113	$ 122	$ 122	$ 122	$ 122	$ 113	$ 132	$ 126
$ 50	$ 48	$ 51	$ 52	$ 99	$ 97	$ 100	$ 113	$ 113	$ 104	$ 104	$ 97	$ 104	$ 94	$ 105	$ 102

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XX4-GJC-626

GC51

APR	JUL	OCT	DEC	2007	JAN	MAR	APR	MAY	JUN	AUG	OCT	NOV	2008	JAN	MAR
$ 2 039	$ 1 540	$ 1 379	$ 1 824	$ 1 808	$ 2 030	$ 3 168	$ 1 502	$ 3 215	$ 1 500	$ 2 958	$ 1 365	$ 600	$ 2 042	$ 1 350	$ 1 500
$ 1 825	$ 1 752	$ 1 660	$ 2 126	$ 1 846	$ 1 735	$ 3 168	$ 2 193	$ 1 930	$ 1 492	$ 1 851	$ 1 120	$ 1 000	$ 1 811	$ 1 250	$ 1 200
$ 1 454	$ 1 633	$ 1 343	$ 1 582	$ 1 502	$ 1 491	$ 1 688	$ 1 431	$ 1 600	$ 1 481	$ 1 274	$ 838	$ 617	$ 1 302	$ 850	$ 975
$ 1 133	$ 1 105	$ 1 261	$ 1 102	$ 1 137	$ 1 393	$ 1 385	$ 1 186	$ 1 574	$ 1 407	$ 1 073	$ 740	$ 617	$ 1 172	$ 750	$ 775
$ 903	$ 995	$ 1 135	$ 966	$ 979	$ 1 125	$ 1 205	$ 1 002	$ 916	$ 1 365	$ 935	$ 741	$ 617	$ 988	$ 650	$ 575
$ 690	$ 832	$ 754	$ 752	$ 733	$ 915	$ 919	$ 873	$ 972	$ 854	$ 793	$ 623	$ 525	$ 809	$ 550	$ 566
$ 444	$ 476	$ 475	$ 467	$ 456	$ 584	$ 551	$ 526	$ 619	$ 607	$ 538	$ 456	$ 395	$ 535	$ 350	$ 375
$ 444	$ 476	$ 475	$ 467	$ 456	$ 584	$ 551	$ 526	$ 619	$ 607	$ 538	$ 456	$ 395	$ 535	$ 350	$ 375
$ 313	$ 363	$ 355	$ 368	$ 339	$ 449	$ 472	$ 424	$ 453	$ 448	$ 414	$ 311	$ 250	$ 403	$ 224	$ 250
$ 233	$ 286	$ 244	$ 248	$ 260	$ 285	$ 309	$ 282	$ 311	$ 244	$ 222	$ 205	$ 185	$ 255	$ 160	$ 200
$ 192	$ 196	$ 193	$ 200	$ 193	$ 236	$ 213	$ 204	$ 222	$ 225	$ 199	$ 89	$ 130	$ 190	$ 110	$ 140
$ 160	$ 157	$ 166	$ 170	$ 160	$ 195	$ 178	$ 186	$ 188	$ 191	$ 173	$ 78	$ 95	$ 161	$ 80	$ 95
$ 129	$ 144	$ 141	$ 146	$ 136	$ 170	$ 167	$ 174	$ 178	$ 173	$ 159	$ 73	$ 65	$ 145	$ 70	$ 75
$ 109	$ 108	$ 102	$ 99	$ 104	$ 120	$ 115	$ 112	$ 122	$ 127	$ 126	$ 60	$ 54	$ 104	$ 50	$ 45

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XX4-GJC-627

GC51

MAY	JUN	JUL	SEP	OCT	NOV	2009	JAN	APR	MAY	JUL	OCT	DEC	2010	FEB	MAR
$ 1 553	$ 1 500	$ 1 500	$ 1 900	$ 1 740	$ 1 700	$ 1 593	$ 1 720	$ 2 800	$ 2 780	$ 3 795	$ 2 404	$ 2 600	$ 2 683	$ 2 600	$ 2 000
$ 1 529	$ 750	$ 1 668	$ 1 400	$ 1 740	$ 1 700	$ 1 405	$ 1 500	$ 1 800	$ 2 780	$ 2 716	$ 2 400	$ 2 059	$ 2 209	$ 2 500	$ 3 400
$ 900	$ 1 100	$ 897	$ 1 347	$ 1 200	$ 1 150	$ 1 052	$ 1 500	$ 1 440	$ 1 411	$ 1 568	$ 1 660	$ 1 700	$ 1 547	$ 2 100	$ 3 000
$ 900	$ 1 200	$ 930	$ 1 150	$ 1 200	$ 1 150	$ 1 007	$ 1 400	$ 1 280	$ 1 411	$ 1 368	$ 1 324	$ 1 450	$ 1 372	$ 1 675	$ 2 000
$ 950	$ 1 000	$ 890	$ 960	$ 1 100	$ 1 150	$ 909	$ 1 192	$ 1 100	$ 1 411	$ 1 319	$ 940	$ 1 167	$ 1 188	$ 1 259	$ 1 500
$ 600	$ 765	$ 607	$ 625	$ 650	$ 725	$ 636	$ 735	$ 815	$ 868	$ 832	$ 841	$ 838	$ 821	$ 1 182	$ 1 149
$ 375	$ 386	$ 375	$ 445	$ 460	$ 465	$ 404	$ 460	$ 500	$ 523	$ 533	$ 602	$ 550	$ 528	$ 685	$ 720
$ 375	$ 386	$ 375	$ 445	$ 460	$ 465	$ 404	$ 460	$ 500	$ 523	$ 533	$ 475	$ 550	$ 507	$ 685	$ 620
$ 260	$ 300	$ 287	$ 325	$ 350	$ 290	$ 286	$ 350	$ 400	$ 341	$ 338	$ 374	$ 410	$ 369	$ 382	$ 480
$ 260	$ 240	$ 230	$ 275	$ 295	$ 290	$ 244	$ 300	$ 330	$ 341	$ 338	$ 334	$ 280	$ 321	$ 381	$ 370
$ 155	$ 160	$ 177	$ 135	$ 155	$ 200	$ 154	$ 200	$ 240	$ 341	$ 223	$ 199	$ 222	$ 238	$ 260	$ 290
$ 125	$ 160	$ 135	$ 145	$ 138	$ 150	$ 129	$ 160	$ 190	$ 200	$ 180	$ 171	$ 194	$ 183	$ 205	$ 250
$ 110	$ 103	$ 95	$ 99	$ 114	$ 125	$ 99	$ 110	$ 145	$ 140	$ 138	$ 121	$ 140	$ 132	$ 160	$ 160
$ 75	$ 72	$ 80	$ 77	$ 90	$ 85	$ 72	$ 80	$ 105	$ 100	$ 93	$ 106	$ 92	$ 96	$ 105	$ 110

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XX4-GJC-628

GC51

APR	JUL	SEP	DEC	2011	MAR	JUN	SEP	OCT	DEC	2012	FEB	MAR	APR	JUN	2013
$ 3 055	$ 1 150	$ 2 341	$ 3 000	$ 2 358	$ 4 260	$ 2 487	$ 2 280	$ 2 400	$ 2 837	$ 2 853	$ 3 120	$ 2 091	$ 2 091	$ 2 566	$ 2 467
$ 3 055	$ 3 148	$ 3 000	$ 2 621	$ 2 954	$ 3 870	$ 2 180	$ 2 280	$ 3 000	$ 2 400	$ 2 746	$ 1 550	$ 2 170	$ 2 170	$ 2 433	$ 2 081
$ 2 450	$ 2 851	$ 2 050	$ 2 120	$ 2 428	$ 1 823	$ 1 841	$ 1 975	$ 1 650	$ 1 880	$ 1 834	$ 1 954	$ 1 860	$ 1 860	$ 1 800	$ 1 869
$ 2 100	$ 2 400	$ 1 950	$ 1 875	$ 2 000	$ 1 695	$ 1 486	$ 1 425	$ 1 250	$ 1 400	$ 1 451	$ 1 316	$ 1 640	$ 1 640	$ 1 700	$ 1 574
$ 1 345	$ 1 362	$ 1 267	$ 1 310	$ 1 340	$ 1 360	$ 1 220	$ 1 021	$ 1 150	$ 1 105	$ 1 171	$ 1 270	$ 1 200	$ 1 200	$ 1 100	$ 1 193
$ 1 163	$ 1 350	$ 984	$ 992	$ 1 137	$ 1 061	$ 1 004	$ 826	$ 848	$ 816	$ 911	$ 1 025	$ 1 035	$ 1 035	$ 1 010	$ 1 026
$ 720	$ 841	$ 707	$ 664	$ 723	$ 630	$ 607	$ 550	$ 545	$ 596	$ 586	$ 595	$ 640	$ 640	$ 625	$ 625
$ 720	$ 841	$ 707	$ 663	$ 706	$ 630	$ 606	$ 550	$ 544	$ 571	$ 580	$ 595	$ 640	$ 640	$ 625	$ 625
$ 450	$ 480	$ 424	$ 636	$ 475	$ 379	$ 378	$ 342	$ 400	$ 400	$ 380	$ 350	$ 415	$ 415	$ 360	$ 385
$ 450	$ 483	$ 424	$ 362	$ 412	$ 379	$ 377	$ 342	$ 297	$ 272	$ 333	$ 350	$ 300	$ 300	$ 359	$ 327
$ 320	$ 320	$ 256	$ 242	$ 281	$ 245	$ 229	$ 210	$ 210	$ 201	$ 219	$ 230	$ 235	$ 235	$ 225	$ 231
$ 260	$ 275	$ 205	$ 202	$ 233	$ 225	$ 185	$ 163	$ 175	$ 170	$ 184	$ 190	$ 210	$ 210	$ 191	$ 200
$ 205	$ 220	$ 175	$ 160	$ 180	$ 195	$ 152	$ 131	$ 130	$ 131	$ 148	$ 150	$ 150	$ 150	$ 172	$ 156
$ 145	$ 145	$ 155	$ 110	$ 128	$ 110	$ 98	$ 95	$ 100	$ 110	$ 103	$ 115	$ 95	$ 95	$ 107	$ 103

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XX4-GJC-629

GC51

JAN	FEB	APR	JUN	SEP	SEP	OCT	NOV	2014	JAN	MAR	MAR	JUN	JUL	SEP	OCT
$ 2 410	$ 2 846	$ 2 988	$ 2 869	$ 1 668	$ 1 349	$ 2 379	$ 2 759	$ 2 408	$ 1 183	$ 2 246	$ 1 337	$ 3 289	$ 1 500	$ 1 523	$ 1 500
$ 2 567	$ 2 376	$ 1 684	$ 2 475	$ 2 656	$ 1 986	$ 1 822	$ 1 977	$ 2 193	$ 2 038	$ 1 932	$ 2 101	$ 2 065	$ 275	$ 1 646	$ 1 148
$ 1 390	$ 1 892	$ 1 753	$ 1 997	$ 1 541	$ 1 208	$ 1 347	$ 1 208	$ 1 542	$ 1 288	$ 1 546	$ 1 679	$ 1 445	$ 1 355	$ 1 161	$ 1 491
$ 1 463	$ 1 498	$ 1 352	$ 1 649	$ 1 768	$ 1 483	$ 1 500	$ 1 372	$ 1 511	$ 1 279	$ 1 137	$ 1 282	$ 1 267	$ 1 165	$ 1 254	$ 893
$ 1 489	$ 1 257	$ 1 125	$ 985	$ 1 725	$ 1 238	$ 903	$ 1 010	$ 1 217	$ 971	$ 1 428	$ 1 198	$ 1 100	$ 666	$ 826	$ 760
$ 679	$ 1 000	$ 912	$ 933	$ 815	$ 867	$ 746	$ 837	$ 849	$ 713	$ 843	$ 852	$ 749	$ 809	$ 725	$ 684
$ 651	$ 669	$ 734	$ 752	$ 678	$ 665	$ 659	$ 688	$ 687	$ 641	$ 641	$ 608	$ 536	$ 480	$ 479	$ 504
$ 675	$ 602	$ 698	$ 708	$ 598	$ 612	$ 666	$ 604	$ 645	$ 542	$ 581	$ 630	$ 498	$ 405	$ 428	$ 441
$ 634	$ 506	$ 580	$ 603	$ 526	$ 518	$ 546	$ 511	$ 553	$ 489	$ 451	$ 409	$ 405	$ 333	$ 370	$ 355
$ 387	$ 343	$ 356	$ 368	$ 347	$ 337	$ 336	$ 344	$ 352	$ 323	$ 407	$ 398	$ 366	$ 280	$ 261	$ 278
$ 225	$ 216	$ 225	$ 231	$ 229	$ 206	$ 227	$ 219	$ 222	$ 207	$ 212	$ 204	$ 195	$ 152	$ 175	$ 163
$ 198	$ 167	$ 168	$ 180	$ 171	$ 166	$ 178	$ 174	$ 175	$ 173	$ 183	$ 155	$ 160	$ 148	$ 161	$ 146
$ 197	$ 147	$ 146	$ 149	$ 143	$ 138	$ 143	$ 148	$ 151	$ 154	$ 155	$ 105	$ 132	$ 118	$ 135	$ 121
$ 149	$ 123	$ 125	$ 125	$ 112	$ 116	$ 115	$ 111	$ 122	$ 105	$ 115	$ 97	$ 130	$ 105	$ 120	$ 108

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XX4-GJC-630

GC51

DEC	2015	JAN	MAR	MAY	JUN	JUL	SEP	OCT	2016	FEB	MAY	JUN	AUG	OCT	NOV
$ 1 350	$ 1 741	$ 1 811	$ 2 621	$ 1 882	$ 1 636	$ 1 604	$ 1 437	$ 1 306	$ 1 757	$ 2 217	$ 2 503	$ 1 980	$ 1 607	$ 1 155	$ 2 066
$ 2 272	$ 1 685	$ 1 477	$ 1 807	$ 2 123	$ 2 235	$ 1 469	$ 1 836	$ 1 959	$ 1 844	$ 1 509	$ 1 733	$ 1 226	$ 1 396	$ 1 107	$ 1 784
$ 1 677	$ 1 455	$ 1 168	$ 1 530	$ 1 095	$ 1 791	$ 1 499	$ 1 687	$ 1 884	$ 1 522	$ 1 488	$ 1 592	$ 1 403	$ 252	$ 1 161	$ 1 483
$ 1 267	$ 1 193	$ 1 164	$ 1 235	$ 816	$ 1 502	$ 1 126	$ 1 425	$ 1 275	$ 1 220	$ 1 146	$ 1 358	$ 1 234	$ 719	$ 1 048	$ 1 123
$ 667	$ 952	$ 990	$ 1 012	$ 1 267	$ 1 248	$ 1 263	$ 1 131	$ 1 135	$ 1 149	$ 1 136	$ 1 054	$ 1 018	$ 345	$ 682	$ 955
$ 782	$ 770	$ 784	$ 828	$ 734	$ 798	$ 781	$ 795	$ 737	$ 780	$ 809	$ 815	$ 792	$ 629	$ 702	$ 754
$ 539	$ 554	$ 597	$ 606	$ 580	$ 567	$ 555	$ 596	$ 600	$ 586	$ 577	$ 556	$ 564	$ 477	$ 528	$ 541
$ 450	$ 497	$ 478	$ 528	$ 501	$ 471	$ 459	$ 485	$ 468	$ 484	$ 463	$ 450	$ 455	$ 426	$ 401	$ 472
$ 361	$ 397	$ 371	$ 416	$ 390	$ 382	$ 376	$ 378	$ 396	$ 387	$ 392	$ 386	$ 400	$ 352	$ 327	$ 364
$ 306	$ 327	$ 270	$ 323	$ 330	$ 315	$ 270	$ 300	$ 304	$ 302	$ 290	$ 318	$ 342	$ 287	$ 271	$ 296
$ 193	$ 188	$ 193	$ 247	$ 238	$ 237	$ 207	$ 206	$ 207	$ 219	$ 198	$ 216	$ 222	$ 187	$ 184	$ 210
$ 170	$ 162	$ 168	$ 186	$ 210	$ 198	$ 167	$ 167	$ 174	$ 181	$ 151	$ 175	$ 182	$ 129	$ 144	$ 160
$ 147	$ 133	$ 136	$ 149	$ 151	$ 133	$ 116	$ 133	$ 137	$ 136	$ 131	$ 127	$ 136	$ 110	$ 109	$ 115
$ 111	$ 112	$ 100	$ 112	$ 125	$ 113	$ 89	$ 104	$ 103	$ 106	$ 78	$ 83	$ 83	$ 79	$ 72	$ 87

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XX4-GJC-631

GC51

2017	FEB	MAR	MAY	JUL	AUG	SEP	OCT	2018	FEB	MAR	MAY	JUL	AUG	SEP	2019
$ 1 921	$ 2 052	$ 1 807	$ 2 503	$ 2 329	$ 3 359	$ 1 725	$ 2 530	$ 2 329	$ 2 709						
$ 1 459	$ 1 763	$ 1 700	$ 1 733	$ 2 272	$ 2 137	$ 1 167	$ 2 565	$ 1 905	$ 2 017						
$ 1 230	$ 1 240	$ 1 618	$ 1 592	$ 3 780	$ 1 900	$ 3 333	$ 1 141	$ 2 086	$ 1 237	$ 1 810	$ 1 446	$ 1 225	$ 1 284	$ 1 458	$ 1 410
$ 1 104	$ 1 088	$ 1 369	$ 1 358	$ 1 386	$ 1 712	$ 1 193	$ 1 358	$ 1 352	$ 1 303	$ 1 338	$ 1 289	$ 1 066	$ 1 432	$ 1 713	$ 1 357
$ 865	$ 979	$ 1 046	$ 1 054	$ 1 251	$ 880	$ 1 061	$ 896	$ 1 024	$ 1 107	$ 1 105	$ 1 211	$ 974	$ 992	$ 1 010	$ 1 066
$ 750	$ 788	$ 853	$ 815	$ 900	$ 847	$ 830	$ 814	$ 835	$ 776	$ 750	$ 745	$ 726	$ 747	$ 960	$ 784
$ 540	$ 622	$ 607	$ 556	$ 610	$ 620	$ 587	$ 525	$ 589	$ 604	$ 596	$ 540	$ 485	$ 462	$ 467	$ 526
$ 444	$ 529	$ 504	$ 450	$ 538	$ 542	$ 534	$ 509	$ 515	$ 550	$ 493	$ 515	$ 448	$ 417	$ 438	$ 477
$ 370	$ 420	$ 415	$ 386	$ 366	$ 387	$ 384	$ 361	$ 389	$ 377	$ 341	$ 323	$ 345	$ 315	$ 347	$ 342
$ 301	$ 322	$ 304	$ 318	$ 298	$ 216	$ 212	$ 200	$ 267	$ 253	$ 234	$ 196	$ 189	$ 218	$ 198	$ 215
$ 203	$ 240	$ 204	$ 216	$ 211	$ 184	$ 194	$ 175	$ 203	$ 172	$ 189	$ 152	$ 162	$ 149	$ 158	$ 164
$ 157	$ 175	$ 169	$ 175	$ 180	$ 157	$ 146	$ 130	$ 162	$ 147	$ 150	$ 119	$ 116	$ 129	$ 130	$ 132
$ 121	$ 124	$ 114	$ 127	$ 124	$ 124	$ 125	$ 110	$ 121	$ 144	$ 117	$ 89	$ 79	$ 85	$ 99	$ 102
$ 80	$ 102	$ 91	$ 83	$ 93	$ 92	$ 90	$ 67	$ 88	$ 81	$ 89	$ 66	$ 70	$ 67	$ 67	$ 73

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XX4-GJC-632

FEB	MAR
$ 1 442	$ 678
$ 1 477	$ 671
$ 1 099	$ 446
$ 902	$ 463
$ 487	$ 367
$ 415	$ 356
$ 349	$ 203
$ 305	$ 179
$ 173	$ 118
$ 129	$ 94
$ 88	$ 58
$ 64	$ 46

MINING-04-635

XX4-GJC-633

ALEXKOR SALE #225 AT DEEC - June 2012				Sale =	#225				
100% Combined Sale				DMC Reserve		DMC Valuation		SOLD	SOLD
Category	Aver Size	Stones	Carats	$ p.c.	US $	$ p.c.	US $	$ p.c.	TOTAL US$
FCY	4.84	5	24.21	3 000	72 630.00	2 212	53 555	2 212.10	53 555.00
FCY	2.61	6	15.63	2 000	31 260.00	1 744	27 260	1 744.08	27 260.00
Specials Stones	6.92	1	6.92	1 350	9 342.00	1 500	10 380	1 814.31	12 555.00
Specials Stones	11.23	2	22.45	1 800	40 410.00	2 219	49 825	2 631.98	59 088.00
Specials Stones	8.01	1	8.01	2 500	20 025.00	2 528	20 249	2 852.43	22 848.00
Specials Stones	11.53	1	11.53	3 000	34 590.00	4 000	46 120	5 806.33	66 947.00
Specials Stones	8.36	4	33.43	1 950	65 188.50	2 101	70 236	2 490.25	83 249.22
Specials Stones	7.64	1	7.64	6 000	45 840.00	6 000	45 840	6 377.88	48 727.00
Specials Stones	11.23	5	56.13	2 200	123 486.00	2 506	140 662	3 243.58	182 062.02
Specials Stones	6.94	1	6.94	2 500	17 350.00	3 250	22 555	4 409.22	30 600.00
Specials Stones	19.18	1	19.18	2 250	43 155.00	4 500	86 310	6 302.82	120 888.00
Specials Stones	9.47	3	28.40	2 500	71 000.00	2 500	71 000	3 100.91	88 065.78
Specials Stones	10.12	1	10.12	6 000	60 720.00	9 000	91 080	13 235.87	133 947.00
Specials Stones	9.98	1	9.98	2 500	24 950.00	3 000	29 940	3 505.91	34 989.00
Specials Stones	10.73	1	10.73	2 500	26 825.00	3 000	32 190	4 006.99	42 995.00
Specials Stones	8.35	4	33.40	1 700	56 780.00	2 192	73 213	2 812.78	93 947.00
Specials Stones	7.61	1	7.61	1 250	9 512.50	2 200	16 742	2 697.24	20 526.00
Specials Stones	8.07	1	8.07	3 500	28 245.00	4 500	36 315	5 569.64	44 947.00
5 - 6 ct (Comb)	5.61	34	190.68	1 800	343 224.00	2 000	381 360	2 263.24	431 555.00
2.5 - 4 ct	3.33	137	456.54	1 254	572 693.87	1 350	616 329	1 521.40	694 580.50
2 ct (8 gr)	2.05	197	404.59	900	364 131.00	900	364 131	989.75	400 441.00
6/5 grn	1.45	432	627.46	500	313 730.00	525	329 417	606.46	380 530.00
3 - 4 grn	0.87	1300	1 132.64	325	368 108.00	350	396 424	377.43	427 494.25
Melee (Mixed)	0.32	4891	1 545.64	175	270 487.00	175	270 487	190.23	294 034.00
Total Weight		7 031	4 677.93	644.23	3 013 682.87	701.51	3 281 619.56	811.43	3 795 830.77
Alexkor	weight	7 027	4 677.93						
		-4	0.00						
Sale Total =		$3 795 830.77		@	8.2110			=	R 31 167 598.29

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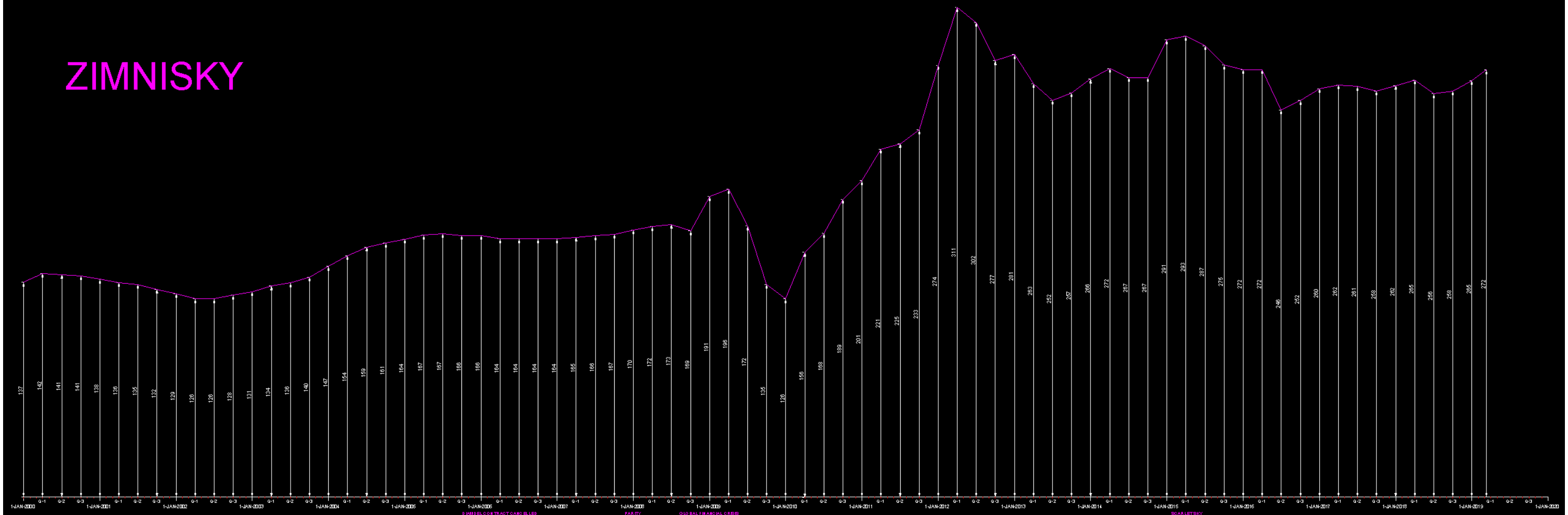
BLOOMBERG

ZIMNISKY



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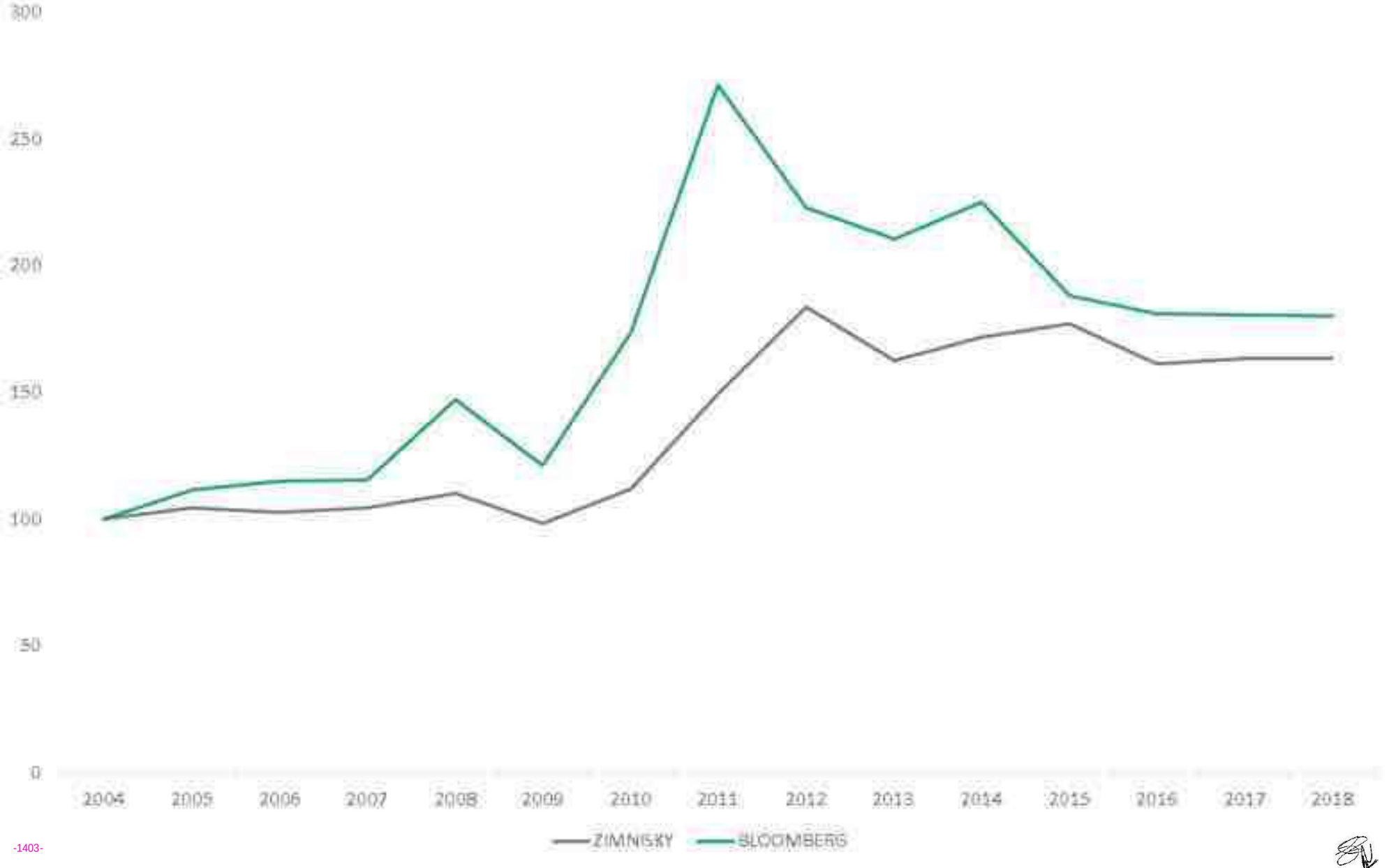
ZIMNISKY v BLOOMBERG: GLOBAL ROUGH DIAMOND PRICE INDICES



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GC55

EXTRACT FROM OCEAN DIGGERS BROKER'S NOTE FOR 31 MARCH 2015

TABLE - A	
Stone Size	**Price / ct**
9.25 ct	$ 1 068.00
7.83 ct	$ 2 723.63
13.69 ct	$ 6 419.87
9.69 ct	$ 7 933.95
6.94 ct	$ 1 491.93
14.48 ct	$ 1 941.02
18.15 ct	$ 4 021.43
8.35 ct	$ 3 423.95
9.53 ct	$ 3 071.04
15.08 ct	$ 8 145.03
13.08 ct	$ 3 675.98
6.93 ct	$ 3 340.69
6 ct	$ 1 336.75
5 ct	$ 2 100.87
4 ct	$ 1 679.01
3 ct	$ 1 281.55
10 grs	$ 1 198.21
8 grs	$ 851.50
6 grs	$ 607.50
5 grs	$ 630.00
4 grs	$ 408.60
3 grs	$ 398.11
+11	$ 203.88
+9	$ 155.36
+7	$ 104.87
-7	$ 97.10
Average	**$ 2 242.69**

TABLE - B	
Stone Size	**Price / ct**
6 ct	$ 1 336.75
5 ct	$ 2 100.87
4 ct	$ 1 679.01
3 ct	$ 1 281.55
10 grs	$ 1 198.21
8 grs	$ 851.50
6 grs	$ 607.50
5 grs	$ 630.00
4 grs	$ 408.60
3 grs	$ 398.11
+11	$ 203.88
+9	$ 155.36
+7	$ 104.87
-7	$ 97.10
Average	**$ 789.52**

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Alexkor 2017/18 Annual Report

Public Enterprises

07 November 2018

Chairperson: Ms L Mnganga-Gcabashe (ANC)

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Meeting Summary

Annual Reports 2017/18

Alexkor affirmed a slightly positive financial result because of a small accounting (not cash) profit nd it obtained an unqualified audit opinion. However, Alexkor is still beset with difficulties such as managing its operational cash flow challenge. There is the potential of a going concern challenge by the end of March 2019 and the risk that Alexkor could be placed under business rescue. There is insufficient traction to fast track the implementation of the diamond beneficiation projects and a lack of adequate working capital due to poor carat production which is resulting in lower loan repayments.

Members asked about the relationship between the Richtersveld community and Alexkor and why it is so difficult for the community to form a communal property association (CPA) that will fast track the disbursement of the R45m. Other wanted to know the process undertaken by Alexkor to benchmark its rough diamonds. How could it be that Alexkor diamonds lagged behind its international counterparts by a whopping 70 points? Was there tender rigging to sell the rough diamonds at a lower price to a preferred bidder? There was concern about allegations of state capture.

Meeting report

The Chairperson reiterated that the Committee is open to the public who wished to observe proceedings. The agenda is a briefing by Alexkor on its 2017/18 Annual Report. After the meeting adjourns, members should remain behind for a party caucus that members had requested.

Mr Kgathatso Tlhakudi, DPE Deputy Director General, Manufacturing Enterprises, informed the Committee that Alexkor's Board Chairperson and some of its board members are present.

Mr Tshediso Matona, Alexkor interim board chairperson, noted that there is a transition currently underway at Alexkor and the board's first tenure has already ended in September. However, Minister Gordhan requested more time to finalise the appointment of the new board; in a sense he is an interim board chairperson now. The intention of the Minister is to appoint a new board soon. The board is pleased to report slightly positive financial results because of a small accounting profit though not a cash profit. This means that the company is still in the black, though the situation still requires attention. Alexkor obtained an unqualified audit opinion this financial year and this is positive news. The issue at the top of agenda at Alexkor now is financial sustainability and it requires urgent attention. The company has no government guarantees and has never requested a bail out from the state. Urgent intervention will therefore be needed to ensure the company does not fall into the abyss.

Alexkor Annual Report 2017/18
On board strategy, it was noted that diversification into alternative revenue generating models was not moving forward as Diamond beneficiation was under a moratorium and other commodities such as coal had since been declined by DPE.

Ms Adila Chowan, Alexkor CFO, in her presentation noted the performance of the investment in the Pooling and Sharing Joint Venture (PSJV). The state's capital investment is R200 million, which is an interest free loan and in 2017/18 R10 million was repaid. Due to decreased production the PSJV has a financial challenge and a potential going concern problem.

Marine carats achieved an average record price of $854.69 (2017: $744) per carat. Production for the year was 41 941 carats compared to 2017 which was162 172 carats. In 2016/17, a vessel from International Mining and Dredging South Africa (IMDSA) caught fire and was not available for mining in 2017/18 which impacted the PSJV performance negatively.

Alexkor achieved an unqualified audit opinion with significant progress in improving SCM processes with improved quality of annual financial statements and timeous reporting to stakeholders. It reported a consolidated profit of R34m (2017: R6m) primarily driven by recognition of government grants and interest earned.

The key performance indicators were discussed (see document) such as:

- EBITDA margin target was not achieved due to sea days being affected by bad weather
- Carats produced target was not achieved due to sea days being affected by bad weather
- Exploration and mining of shallow water channels target achieved.

The external auditor's opinion was an unqualified opinion. The matters noted were to do with procurement and increase in the scope of work for a contract. Irregular expenditure was mainly as a result of:
- Increase in scope of work of R6.9m (although there was a dispute on interpretation).
- In 2017 the Minister condoned the lease rental however the amount that was ratified was only for 2016/17 and not for the remaining contract value.
- Legal services of R2m procured based on single source which should have been approved by Treasury.
- Company secretary services procured in 2016, prior to the of National Treasury instruction note 3 becoming effective, however auditors classified cost as irregular as procured through single source basis (R1m). All irregular expenditure has been identified and recorded in the AFS.

All irregular expenses incurred have been submitted to Treasury for condonement. Two cases have been lodged with Business Crime Unit – relating to 2016/17 audit finding. These relate to tender documents which have been lost or misplaced when Alexkor relocated offices. Two verbal warnings have been issued as a result of incorrect interpretation of Treasury Instruction note 3. There is an action plan to address findings.

Way forward
- Managing the operational cash flow challenges for 2018/19
- Potential going concern challenge and risk of placing Alexkor under business rescue
- Lifting of moratorium on Alexkor investments (acquisition and disposal of assets)
- Appointment of Audit committee chairperson and filling of vacancies within the Alexkor Board

The year under review
Mr J Bonnet resigned as the Acting CFO effective 31 October 2017 and Ms A Small was appointed to act as CFO until Ms Chowan was appointed on 8 January 2018. Mr V Bansi the Acting CEO resigned 7 November 2017 and Mr L Pitsoe was appointed 01 December 2017 as the CEO. The audit committee chairperson, Ms M Lehobye, resigned with effect May 2018 and Mr T Matona has been appointed as the interim audit committee chairperson. The Alexkor board in conjunction with the Minister is in the process of filling the two vacancies on the Board and the position of Audit Committee chairperson.

Challenges for the year to come
▪ The Alexkor board and management have a number of challenges to overcome in the year ahead: Insufficient traction to fast track the implementation of the diamond beneficiation projects (due to the recent moratorium placed on Alexkor);
▪ Lack of adequate working capital due to poor carat production that resulted in lower ICC loan repayments;
▪ Lack of resource capacity following board resignations;
▪ Full and final implementation of the Deed of Settlement (township handover and handover of properties together with the R45m);
▪ Properties identified to be transferred to the Richtersveld municipality.
▪ Certain services provided by Alexkor to be under Richtersveld municipality going forward;
▪ Illegal occupation of properties in Alexander Bay.
▪ CPA not properly constituted which has resulted in the delay of the R45m payment.

PSJV Challenges
▪ Poor land carat production which has had a negative impact on the income statement. In mitigation thereof, a high level exploration program has been implemented which will drive the mining process. It is also planned to complete an airborne geophysical survey. No funds to execute land exploration resulting in mining blind. A desktop study was co-funded by DPE to evaluate potential reserves, this led to understanding that more resources were needed to confirm reserves.
▪ Optimal marine carat production is unpredictable as the Atlantic ocean weather conditions influences the number of production days.

Discussion
Dr Z Luyenge (ANC) appreciated the simplified and easy to follow nature of the presentation unlike that of the previous years. He praised the positive changes in the administration and governance at Alexkor. He asked what the relationship is like between the Richtersveld community and the company. The R45m for the community - how did Alexkor deal with it? He remembers that the community was revolting against the Pooling and Sharing Joint Venture (PSJV) method. Has the company come up with another method of mining that will complement what Alexkor is presently doing? Is the company working well with the municipality? Is there any service the company is rendering within the scope of the municipality that is lessening the burden on the municipality?

Ms N Mazzone (DA) thanked the board for the presentation and said she understands that this is a new board, and it might not be responsible for everything that took place at Alexkor in the past. There is overwhelming evidence coming to the fore of possible state capture at Alexkor. A dossier may be created to present to this Committee for an investigation at the company. It will go along the lines of shelf companies created and tender processes approved within three days of opening the shelf companies and all evidence points to the Gupta family. Most disturbing is the process of benchmarking rough diamonds. If comparisons were done comparing rough diamonds in the various indexes, one would find that a crash occurred in the rough diamond markets in 2008 worldwide. The problem is that Alexkor started to lag behind when the price started to recover in 2013; it amounted to a 40-point lag in international standards, and increased to a 50-point lag in that same year. The question is, was there a tender rigging to intentionally sell the rough diamonds at a lower price to the preferred bidder? It is worrying to see a differential of 40 points. Compared to international standards, in 2015 the lag increased to 70 points and slightly to 65 points this year in comparison to

international benchmarks. We know that Alexkor went through a rough patch in terms of carat quantity, undercapitalisation and community restlessness and its relationship with them but something is not right here. How can the company lag 65 points behind the international benchmark in the price for diamonds? We also want an update on how the company is attending to host community concerns because this Committee does not take lightly seeing people coming all the way from Namaqualand to Parliament to voice their trepidation.

Mr M Dlamini (EFF) said one the things being dealt with in the Eskom inquiry is the proposition put forward by Mr Matona that some of his reasons for leaving was interference by the board, deterioration in governance and all other concerns. What was uncovered too was that board members were appointed as hired guns to serve the interest of those that appointed them especially the politicians. After leaving Eskom, Mr Matona pointed out that he wanted to continue with his life but he is now back at another SOE. This Committee does not want to see this continuous rotation of individuals from one SOE to another and to replace one capture with another. How did he become the interim chair of Alexkor? Who appointed him? We are beginning to see similar things happening in other SOEs now. There is also the illegal of occupation of the company's property because our people are in need of land. Why is the company failing to deliver what was promised to our people until they take it by force. What were the timelines for the handover of these properties? Incompetent company officials cannot hold our people to ransom.

The Chairperson said that in all fairness no board member could appoint himself or herself. The Minister appoints and then takes the names to cabinet for approval. If any member of the Committee wants to know how and who appoints board members, that question should be directed to the Minister. The Minister is expected in this Committee before the end of November, so prepare to ask him this question.

Mr R Tseli (ANC) was happy with the unqualified audit the company obtained, the R34m profit it made and that no state guarantees were needed. However, the way forward says that there is risk of placing the company under business rescue. Why is this beautiful picture that is painted have to end in the company being maybe placed under a business rescue? This contradiction is confusing. This has to be clarified.

He noted the company said it is having difficulties in identifying persons with disability and youth led companies; are women also in the mix? Why is it hard for the Central Supplier Database to identify companies led by people from these designated groups? It is worrying that you do not state in the presentation the interventions put forward for unachieved targets. There is R1m irregular expenditure as a result of the procurement of the services of a company secretary. What led this? There is no corporate social responsibility mentioned in your presentation? What progress has the company with the challenges noted in your previous appearance before the Committee? When will the R45m for the community be resolved?

Mr E Marais (DA) asked why the ongoing challenge of who is representing the community is not resolved after all these years. Leadership is seriously needed to solve this longstanding problem to get this R45m transferred to them. The underselling of diamonds under benchmark prices is a serious matter and an inquiry is needed and those held accountable must face the full might of the law.

The Chairperson asked why the company is not able to attract youth, the disabled and women owned businesses. This Committee keeps seeing community members and the contractors attending our meetings and raising their concerns – why are they not addressed? Timelines were even given by the Select Committee to sort out these challenges. Why were these not adhered to? The community representatives that met the chair before this meeting began have confirmed that when the meeting that elected members of the community to represent them was held, it was contrary to the court order, no report was given to the community, the community contractors were not consulted and the contracts with PSJV were unilaterally awarded without consultation. A copy of the community's grievances will be given to the Department and the company today. These must be attended to, and the Committee briefed before the end of November.

Response
Mr Lemogang Pitsoe, CEO of Alexkor, replied that the township handover has been segmented into phases. The phase comprising the graveyard, hospital, schools, police stations and all properties owned by the government is in the process of being transferred to the relevant departments. The delay is emanating from the State Attorney's Office presently doing the conveyancing. All documents are being converted into a new system because of non-alignment. However, the MOU should be finalised with the municipality and the provincial government by 22 November. The phase one is in process as we speak.

As for the question posed by Ms Mazzone, Mr Pitsoe replied that the sales contract is not with Alexkor but with PSJV. We welcome the comparison made with other indexes. The shareholder is also escalating this issue after the last AGM meeting. On the R45m community funds, Alexkor is a state owned entity and has to abide and comply with the PFMA. As accounting officer, we have the responsibility of following the prescripts with funds coming from the fiscus despite all the emotions. However, we would like to transfer the money quickly but we cannot break the rules as the money is in a dedicated account and processes have to be followed. Alexkor has the willingness to meet with the community but there is an investigation by DPE that will precede this meeting. On procurement for the disabled and women, the company is 200km away from Springbok, 600km from Uppington and 1000km from Kimberley. The company has to use the Central Supplier

Database and to travel this distance to access a tender is not possible. We are now trying to localise certain services to benefit local companies. The cash constraints are affecting the CSI projects as well.

Ms Adila Chowan, CFO of Alexkor, clarified the R1m irregular expenses made on procuring a secretary. Due to the high turnover of staff, when the previous secretary left, another secretary had to be appointed because the position is a strategic one. The board was not informed of the new treasury regulation that curbs the amount that can be used to single source or appoint someone. It should have gone to Treasury for approval as a single source. That was why it was classified as irregular.

On the challenges that might lead to the company going under business rescue, the single biggest investment of the company is the PSJV with R200m allocated to this investment. Alexkor has been facilitating the process in terms of releasing the funds when required for its operation. The company has certain projects in the pipeline one of which is the coal project, which was not approved by the DPE, and the diamond beneficiation project, which is also now put on hold. These projects were supposed to generate an income for Alexkor. The non-flow of revenue because these projects not being in operation have put the company in a precarious position. Alexkor needs sustainable income streams urgently. The PSJV has also not been performing well as reported and there is no way of getting any returns from this investment.

Mr Sembie Danana, Alexkor board member, said that when the board came in 2015, there were prospects that the R45m would be paid out. However, suddenly a court order was brought to the board disputing the settlement agreement. Various organs of state such as DPE, the Department of Rural Development and Land Reform (DRDLR) and Alexkor itself have addressed the challenges behind forming the CPA but somehow solving it has been an unattainable goal. The community must be assisted to solve this problem and not left for the company alone otherwise it can be accused of taking sides. On a positive note, this present board during its tenure has ensured that a chamber of business is formed. Local business both on the marine and land side have received many contracts and been paid as well. Alexkor pays for all the maths teachers in the area through our CSI portfolio.

Mr Trevern Haasbroek, Alexkor board member, said that the relationship between the community and Alexkor is very cordial but with the PSJV, there is some animosity. This stems from the factions within the community. Whenever the community formalises to get into electing persons to represent them, they always are interdicted. The community cannot organise themselves. The board has also considered projects like fish farming that would be good to do in the area.

Mr Haasbroek replied that our investigations found no evidence of state capture. The diamond project was a big concern of the Minister in the AGM. The diamonds from the South fetch a lower price than those from the North. Diamonds on land fetch $130-$250 a carat, the diamonds from the beach fetch $450-$550 a carat while diamonds from the deeper sea fetch $160 and best we ever got in an auction was $330. All these auctions are well attended by international buyers. For diamonds, the geography, size and quality determine the price. It is difficult to benchmark these prices and we shall welcome any investigations. On its sustainability, the company needs help otherwise it will run out of money by 31 March 2019.

Ms Morongwa Mothengu, DPE Director of Mining, said that the Department is committed to ensuring that the community is stabilised. DRDLR attempted to convene a meeting with the various community factions, about four of them. Some want the money to be paid to beneficiaries while others want it paid via a deed of settlement. Due to these challenges, DRDLR could not complete that task as the factions could not agree on a way forward. In September, the Department met with the DRDLR Director General to elevate the discussions. The CPA Act gives powers to the DG to intervene decisively on CPA challenges. We are hoping to get direction at month end on the way forward from DRDLR.

Mr Tlhakudi confirmed that Ms Mothengu has spent quite some time with DRDLR in the Northern Cape trying to resolve this issue. The overwhelming decision of the community is that the R45m should be paid directly to each beneficiary and this will require that the deed of settlement will have to be amended. There is a joint team working together with CoGTA to facilitate the handover of the township. By the next municipal finance cycle in June 2019, funds will be made available for the municipality to take over the township. The investigation started on the recommendation of the Department to the Minister because of the concerns raised by various stakeholders such as contractors on the appointment of a company (SSI). Issues to be looked at are how diamonds are being sold and the entanglement of service providers in state capture. A law firm that was initially appointed to investigate these allegations was cited in a matter at PRASA, so to protect the integrity of the investigations, that law firm was terminated and another will have to be appointed in its place. This now means that a lot of time will be lost.

Mr S Swart (ACDP) asked if Alexkor values the diamonds before they leave the mine at Alexander Bay and if so who does that valuation? Looking at the irregular expenditure, has the new board embarked on going through irregular tenders, contracts and other irregular expenditure? Is it something the board will be doing?

The Chairperson said that the Committee needed to meet more frequently with the entities even though the parliament schedule is tight. The Committee would have loved to visit the areas Alexkor operates but time is not on parliament's side because of the forthcoming elections. The Committee requests DPE put in writing a progress report at the end of November on what is being done about the Richtersveld community constituting a CPA and the efforts by the Department of Rural Development and Land Reform towards that end. If need be a joint meeting with other the Portfolio Committee overseeing Rural Development will be held to ascertain progress.

Mr Matona clarified the irregular expenditure for hiring a company secretary. When the vacancy for that position arose, the company went to companies that provide that service. The only problem was that the company did not comply with Treasury's rule that there must be three quotes and that led to the classification of this transaction as irregular expenditure. Value though was gained in this deal because a very good, capable and knowledgeable person was hired.

Mr Tlhakudi recapped about the municipality that DPE has a joint committee with province and the municipality working on ensuring that the municipality takeover is smooth. Feasibility is been done to ascertain the skills required to run the systems that has been installed. The report will be provided as well as the one requested by the Committee on progress made by the Department of Rural Development by the end of this month.

In summation, the Chairperson thanked the delegation. This Committee hopes that the board and Alexkor will keep to their word on their assertion that they will strive to have a very good working and cordial relationship with the community. The Committee looks

forward to getting an update on progress being made by the Department and DRDLR in breaking the impasse faced by the community in the formation of a CPA.

The minutes of the last meeting was adopted without amendments.

The meeting was adjourned.

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MINING-04-646

STATE DIAMOND TRADER 2016/17 ANNUAL REPORT

Presentation to Parliamentary Portfolio Committee on Mineral Resources

04 October 2017

XX4-GJC-644

MINING-04-647

PRESENTATION OUTLINE

- Legislative Mandate
- Vision, Mission and Outcomes
- Operating Model
- Global Operating Environment
- Key Performance Metrics
- Strategic Constraints
- The Next 10 Years – Unlocking Constraints
- Concluding Remarks
- Questions

XX4-GJC-645

MINING-04-648

LEGISLATIVE MANDATE

- SDT established in terms of section 14 of the Diamonds Act, 1986 as amended
- To promote equitable access to and local beneficiation of the Republic's diamonds

XX4-GJC-646

MINING-04-649

VISION

Be a catalyst for

transformation and growth

of the local

diamond beneficiation industry

XX4-GJC-647

MINING-04-650

MISSION

- Ensure acquisition of and equitable access to rough diamonds with particular focus on HDSAs
- Promote the growth of the diamond beneficiation industry through relevant interventions
- Establish and maintain a transformed client base of local diamond beneficiators

XX4-GJC-648

STRATEGIC OUTCOMES

- A sustainable, globally competitive and transformed diamond beneficiation industry
- Diamond industry enterprise development
- Be an efficient innovative and development orientated organisation (continuous learning environment)

Alignment to National Outcomes

National Outcome	DMR Programme	SDT Strategic Objectives
Decent employment through inclusive economic growth	Equitable & Sustainable benefit from Mineral Resources	Promote the growth of the local diamond beneficiation industry
An efficient, competitive and responsive economic infrastructure network		Implement the outcomes of the South Africa Diamond Indaba (SADI) 2016
Environmental assets and natural resources that are well protected and continually enhanced		
Create a better South Africa and contribute to be a better Africa and a better world	Equitable & sustainable benefit from Mineral Resources	Contribute towards youth skills development including youth from diamond mining host communities
Efficient, effective and development-orientated Public Service		Ensure development and alignment of internal resources

OPERATING MODEL

- SDT is a Government Business Enterprise, listed as a schedule 3B entity in terms of the PFMA, 1999 as amended
- It is not funded by Government and has to generate income from margin applied on rough diamonds sold to clients
- Margin kept at 4%

GLOBAL OPERATING ENVIRONMENT

- In full-year 2016, rough and polished were both up, 13.2% and 2.1%, respectively, if not down in some categories and there are indications that excess polished inventory is building.
- In U.S.A, retail diamond jewellery demand is underwhelming as large national retailers have underperformed.
- In China, the industry's second largest market, demand is improving but the market is not thriving.

GLOBAL OPERATING ENVIRONMENT

- Manufacturers felt the disparity between rough and polished diamond prices resulted in profitability being squeezed
- The beneficiation industry continued to look for innovative ways to survive (i.e. cutting edge technology)
- Market favourable for traders and driven by speculation

MINING-04-656

KEY PERFORMANCE METRICS: TRADING

Year-on-year comparison of inspections, purchases and sales

State Diamond Trader Trading Performance

	US$'000 000		
	2014/15	2015/16	2016/17
SDT inspections US$*	1 317	970	1 144
Carats inspected	7 885 296	7 726 650	6 994 894
US$ per carat	167 14	125 60	127 24
Number of producers	12	14	12
Number of inspections	145	136	117
	R'000 000		
SDT purchases ZAR	396	450	694
Percentage purchased **	3%	3%	4%
Number of purchases	69	61	60
	R'000 000		
SDT sales ZAR	394	460	722
Cost of goods sold ZAR	381	447	698
Gross margin ZAR	13	13	24
Gross margin percentage	3%	3%	3%
Carats	85 426	158 128	176 052
Number of clients sold to	50	47	46
	R'000 000		
SDT stock ZAR (31 March)	20	24	20
Average of stock (days)	77	>200	>300

* At producer values
** % purchased of goods

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KEY PERFORMANCE METRICS: SALES TO CLIENTS

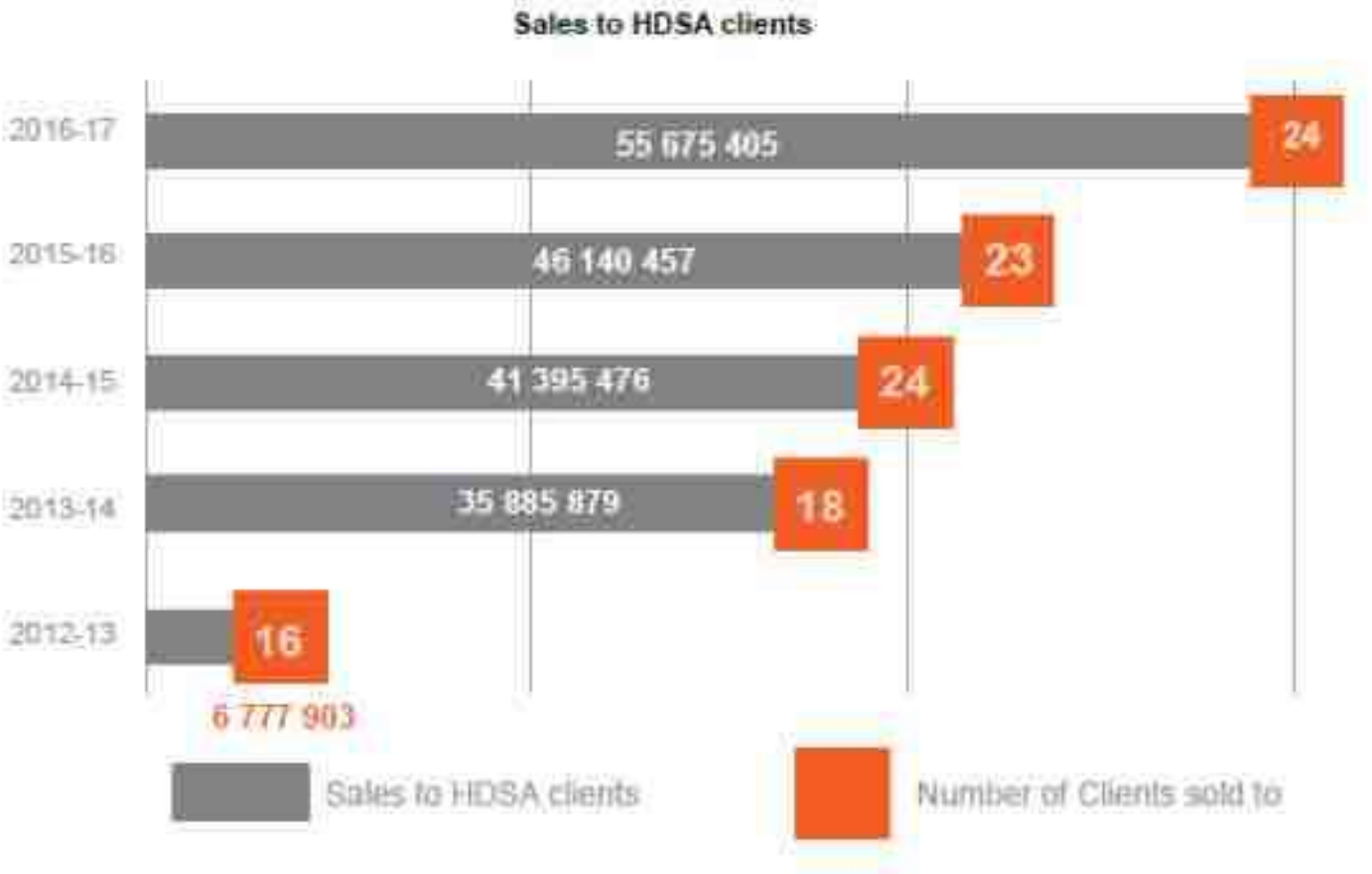
Sales by client segment 2016/17

Segment	Number of Clients	Carats	ZAR sales	ZAR cost	Gross margin	Gross margin percentage	Percentage of sales (ZAR)
Growth and transformation	6	9 188	50 484 904	48 465 530	2 019 374	4%	7%
Equitable access	18	682	5 190 501	4 968 553	221 948	3%	1%
Niche and large/medium beneficiators	18	103 275	605 040 942	584 093 251	20 947 691	4%	83%
Other	4	64 907	62 007 088	60 750 216	1 256 872	2%	9%
Total	46	178 052	722 723 434	698 277 550	24 445 884	3%	

* ZAR cost excludes shipping costs

Sales to 100% black owned companies increased by 20% to R55m compared to previous financial year

KEY PERFORMANCE METRICS: SALES TO HDSA CLIENTS



KEY PERFORMANCE METRICS: TRAINING FOR CLIENTS

- 13 HDSA clients participated in an ABSA bank enterprise development workshop facilitated by State Diamond Trader
- 10 HDSA clients participated at a workshop with SEDA focussing on business development
- SDT continues to invite clients, in particular HDSA clients, to participate in various promotional activities

MINING-04-660

KEY PERFORMANCE METRICS: FACILITATING MARKET ACCESS

- Continued promotion of access to international markets through
- The 4th Hong Kong National Pavilion,. In total 16 companies participated, 11 of these being State Diamond Trader clients participated

XX4-GJC-658

KEY PERFORMANCE METRICS: FACILITATING MARKET ACCESS

- Japan International Jewellery Show saw 5 clients of State Diamond Trader participating
- Through partnership with SA Jewellery Council, implemented ideal and plan of expanding SA's premier Jewellery Show, Jewellex, over 18 clients participated
- Promoted diamonds and diamond industry in various provinces (NW, KZN, NC, FS) through its Provincial Promotions Activities plan

KEY PERFORMANCE METRICS: ENTERPRISE DEVELOPMENT PROGRAMME

- 17 young people participating in this programme
- MQA providing financial support and industry partners factory based training

KEY PERFORMANCE METRICS: FINANCIALS

	Notes	2017 R	2016 R
Revenue		722 723 434	460 417 568
Cost of sales	13	(698 676 269)	(447 472 306)
Gross profit		**24 047 167**	**12 945 262**
Other income	14	1 265 930	3 790 557
Administrative expenses		(19 883 038)	(20 000 354)
Profit/(loss) from operating activities	15	**5 420 059**	**(3 264 535)**
Finance income	16	2 276 840	1 416 778
Finance expenses	17	(549 058)	(1 221 298)
Profit before income tax		**7 147 841**	**(3 067 055)**
Profit/(loss) for the period		**7 147 841**	**(3 067 055)**
Total comprehensive income		**7 147 841**	**(3 067 055)**

MINING-04-664

KEY PERFORMANCE METRICS: AUDIT REPORT

- No material audit findings were identified hence State Diamond Trader managed to achieve clean audit.
- Unqualified audit opinion was achieved both on Financial and Predetermined objectives.

XX4-GJC-662

MINING-04-665

STRATEGIC CONSTRAINTS

The State Diamond Trader continues to face these challenges in its operations:

- Trading in Run of Mine means selling to clients a mix of what economically can beneficiate and what they deem uneconomical to beneficiate locally
- No demand for certain types of goods means the State Diamond Trader bears the risk of holding onto the goods until it is able to sell
- The disparity between rough and polished prices

-1429-

XX4-GJC-663

MINING-04-666

STRATEGIC CONSTRAINTS

- Volatile Rand/Dollar exchange rate is a major challenge when selling diamonds as clients negotiate in dollars and the entity sells at the rate it purchased at.
- The "price-taker" position, in the purchasing of diamonds from producers in terms of section 59B of the Act.

XX4-GJC-664

THE NEXT 10 YEARS – UNLOCKING CONSTRAINTS

- Key undertakings this financial year
  - Board has mandated Management to review SDT strategy to better achieve developmental mandate of transformation and growth of local diamond beneficiation
  - Including exploration of alternative sources of funding that will enable achievement of developmental mandate
- Most importantly continued implementation of sound internal controls aimed at achieving a clean audit

MINING-04-668

CONCLUDING REMARKS

- SDT continues to remain a key source of rough in a highly competitive diamond beneficiation environment
- Review of strategy seeks to build on previous work whilst seeking innovative means of better achieving the mandate within a challenging environment
  - Security of supply
  - Transformation

XX4-GJC-666

MINING-04-669

THANK YOU

XX4-GJC-667

GC58

memo
POWERED BY TACY NEWS - SERVICE

< THURSDAY, JUNE 1ST, 2006, CHAIM EVEN-ZOHAR >

Did Diamdel Lose the Alexkor Production – or Just Give it Away?

Did President George W. Bush initiate a major diplomatic change in policy vis-a vis Iran, or did he reluctantly agree to a diplomatic u-turn because he was "forced" to do so by his European partners? The answer depends on whom you ask - and from where you sit. The same question could be asked about Diamdel South Africa's dramatic loss of the Alexkor (state-owned) mine and its diamond production. The

circumstances of that loss were so extraordinary – even weird – that it prompted the minister of minerals to call in Diamdel South Africa's Chief Athol Methven to express displeasure with the state of affairs.

De Beers insists that it is all a lot of to do about nothing, because there was never a contract, and for the last three years, the Diamdel purchase of production was purely on a "willing buyer - willing seller" basis (They also use this expression in respect to purchases from Alrosa). The only thing that is certain now is that the Alexkor goods will no longer be available to Diamdel.

All of this happened two months ago, but the South African diamond dealers still talk and chuckle about it while the government remains upset. So what actually happened?

The way we understand it is as follows: the selling price of the regular Alexkor sales were set by an elderly gentleman, an experienced valuator, in the employ of Alexkor. The valuator retired earlier this year. In April, Alexkor asked the government diamond valuators in South Africa (Diamond Marketing Consultants (Proprietary) Limited (DMC), which is a company headed by Menachem Pelleg)) to valuate the production for the purpose of negotiations at the next periodic sale.

The DMC valued a parcel of 3,451 carats of run-of-mine production as having an average per-carat value of $522. These are truly nice goods. That price was considered "full-spot market value." However, when a run of mine is sold to a dealer that needs to re-sort and sell, the dealer must also be allowed a margin; so the realistic sales price for that parcel would be in the range of $460-$470 per carat. This was suggested by DMC to Alexkor management.

GC58

When Diamdel's Athol Methven and his colleagues sat down to negotiate the purchase, they looked at the parcel and made an offer for $378 per carat. Here comes the surprising part: When Alexkor gave its valuation, fully expecting to enter into some negotiations and finalize the sale around $460 per carat, the Diamdel chief said something along the lines of, "Our offer of $378 per carat is final. We are not willing to negotiate or purchase above this price." Then he stood up, closed his briefcase, and left the room. The Alexkor people were speechless from the fact that there were no negotiations and no discussions.

It was then decided to tender the goods to the local industry at the Johannesburg diamond bourse. Virtually every dealer used the six-day tender period to view the parcel, but only nine offers actually came in.

Five of these offers were in the range between $460 and $470 per carat. The lowest offer was $425 per carat, and the highest was $498 per carat. Needless to say, the highest bid won the parcel.

It was obvious to Alexkor management that a sales price per carat in the $460-$470 range, as had been recommended by DMC, was the correct selling price for a sale to a dealer.

The actual price realized by Alexkor was more than 30 percent above the initial offer by Diamdel. It was the sudden refusal by Diamdel to enter even into negotiations that sparked all the talk in town.

Was it that Diamdel realized that with a new valuator the party was over and that they could no longer buy at the margins they were used to,? Or, as one major dealer suggested, Diamdel used the Alexkor goods to subsidize the higher priced diamonds it gets from the DTC?

The market jumped to the conclusion, which we can neither verify nor confirm, that Alexkor had consistently received prices far below fair selling values. This, apparently, was also the reason the minister questioned what happened. Whatever the truth, from now on, Alexkor will tender its goods 10 times a year on the South African market. Every interested party can make a bid.

After three years, Diamdel lost access to these goods.

De Beers, in response to our questions, noted that, Diamdel began purchasing on a willing buyer willing seller basis from Alexkor in January 2000, and stopped purchasing around two months ago. No formal agreement has ever existed between the two companies, so Diamdel has never had a right to purchase goods from Alexkor. Indeed, how do you lose a right it never had.

De Beers spokesman James Nicholson states that, n the last few years, Alexkor has expressed an interest in tendering production on the S.A. Bourse with a view to increasing dollar returns, which it has now done. While disappointed that Alexkor has chosen this route to the international market as opposed to selling locally through Diamdel South Africa, we respect their decision in the interest of a

GC58

free and open diamond market.

Diamdel purchases a small volume of rough on the open market in order to satisfy specific client requirements and to compliment those goods purchased from the Diamond Trading Company (DTC). The cessation of supply from Alexkor has had an impact on the range of goods that Diamdel South Africa is able to offer local clients, however we are looking into the ways in which this can be best managed. Regularity of supply is of course vitally important to our client base of small to medium sized manufacturers. It is important to state however that volume, price and volatility of supply are issues for the entire industry and therefore we have always remained extremely careful to set expectations realistically of what we can and cannot deliver to our customers. None of this explains, however, why Diamdel announced that they were not prepared to negotiate on the purchase price above their offer and consequently left the room. It is like the George Bush decision on Iran. We don know what prompted it - and everybody has a different story. In a period in which business is bad and nobody is overly busy trying to find goods for clients that are lining up to make purchases, traders have time for stories. This is one of them.

Apparently, there was no objective reason for Diamdel to lose that production. De Beers needs every carat it can get especially of nice goods. But De Beers will survive perfectly without them and so will everybody else.

Have a nice weekend.

GC59

BELASTINGFAKTUUR / TAX INVOICE

OCEAN DIGGERS
9 KLIPSPRINGER AVENUE
ALEXANDERBAY
8290

Date: 31 Mar 2015
Tax Invoice No. 204116/3.2015
VAT REG. NO: **4680228647**

ALEXKOR RMC JV
Private Bag X5
ALEXANDER BAY
8290
VAT REG NR 4650258157

OCEAN DIGGERS

Diamonds	Carats	$/Carat	$ Value
1	9.25	$1 066.00	9 679.00
1	7.83	$2 723.63	21 326.00
1	13.69	$6 419.87	87 888.00
1	9.69	$7 933.95	76 880.00
1	6.94	$1 491.93	10 354.00
1	14.48	$1 941.02	28 106.00
1	18.15	$4 021.43	72 989.00
1	8.35	$3 423.95	28 590.00
1	9.53	$3 071.04	29 267.00
1	15.08	$8 145.03	122 827.00
1	13.08	$3 675.98	48 081.76
1	6.93	$3 340.69	23 151.00
0	0.00	$1 336.75	0.00
0	0.00	$2 100.87	0.00
0	0.00	$1 679.01	0.00
0	0.00	$1 281.55	0.00
0	0.00	$1 198.21	0.00
0	0.00	$851.50	0.00
0	0.00	$607.50	0.00
0	0.00	$630.00	0.00
0	0.00	$408.60	0.00
0	0.00	$398.11	0.00
0	0.00	$203.88	0.00
0	0.00	$155.36	0.00
0	0.00	$104.87	0.00
0	0.00	$97.10	0.00
12	**133.00**	**$4 205.55**	**559 338.76**

Special goods

For account of: ALEXKOR RMC JV
Private Bag X5
ALEXANDER BAY
8290
VAT REG NR 4650258157

GC59

Mixed goods

SIF NUMBER	OCEAN DIGGERS			
	Diamonds	Carats	$/Carat	$ Value
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
6 ct	2	12.98	$1 336.75	17 350.99
5 ct	6	31.67	$2 100.87	66 534.53
4 ct	6	24.83	$1 679.01	41 689.88
3 ct	16	52.32	$1 281.55	67 050.63
10 grs	7	19.03	$1 198.21	22 801.86
8 grs	17	36.55	$851.50	31 122.42
6 grs	11	16.80	$607.50	10 206.00
5 grs	3	4.08	$630.00	2 570.40
4 grs	12	12.24	$408.60	5 001.26
3 grs	12	9.42	$398.11	3 750.20
+11	14	7.65	$203.88	1 559.71
+9	8	2.68	$155.36	416.36
+7	12	3.03	$104.67	317.75
-7	13	1.95	$97.10	189.35
TOTAL	**139**	**235.23**	**$1 150.20**	**270 561.35**

Exchange rate - R/$ R/$		12.011
Amount in Rands(100%)		3 249 627.56
Less royalties (2%)		64 992.55
Less sorting & valuation		646.88
GROSS AMOUNT		3 183 988.13
CONTRACTORS SHARE	70%	2 228 791.69
LESS CSI CONTRIBUTION	1%	22 287.92
AMOUNT DUE (Excluding VAT)		2 206 503.77
VAT @ 14%		308 910.53
TOTAL		**2 515 414.30**

SIZE CAT.	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2001
6 ct	$ 651	$ 868	$ 1 606	$ 1 684	$ 1 684	$ 520	$ 690	$ 784	$ 838	$ 790	$ 801	$ 783	$ 975
5 ct	$ 1 174	$ 1 089	$ 901	$ 1 114	$ 1 114	$ 705	$ 640	$ 785	$ 866	$ 760	$ 725	$ 718	$ 883
4 ct	$ 846	$ 1 123	$ 987	$ 961	$ 961	$ 664	$ 540	$ 620	$ 810	$ 648	$ 773	$ 824	$ 813
3 ct	$ 874	$ 860	$ 902	$ 843	$ 815	$ 806	$ 740	$ 662	$ 659	$ 714	$ 730	$ 794	$ 783
10 grs	$ 528	$ 576	$ 592	$ 531	$ 588	$ 480	$ 550	$ 558	$ 445	$ 453	$ 392	$ 507	$ 517
8 grs	$ 492	$ 530	$ 516	$ 515	$ 522	$ 442	$ 430	$ 380	$ 405	$ 355	$ 468	$ 432	$ 457
6 grs	$ 400	$ 390	$ 405	$ 387	$ 358	$ 407	$ 300	$ 300	$ 305	$ 319	$ 271	$ 238	$ 340
5 grs	$ 390	$ 383	$ 389	$ 370	$ 375	$ 347	$ 280	$ 316	$ 303	$ 308	$ 316	$ 235	$ 334
4 grs	$ 278	$ 290	$ 288	$ 277	$ 270	$ 275	$ 220	$ 246	$ 220	$ 229	$ 243	$ 201	$ 253
3 grs	$ 198	$ 215	$ 203	$ 188	$ 171	$ 191	$ 160	$ 166	$ 143	$ 170	$ 156	$ 138	$ 175
+11	$ 137	$ 135	$ 131	$ 133	$ 128	$ 132	$ 100	$ 108	$ 103	$ 97	$ 104	$ 106	$ 118
+9	$ 98	$ 93	$ 102	$ 96	$ 82	$ 89	$ 80	$ 76	$ 80	$ 67	$ 80	$ 72	$ 85
+7	$ 70	$ 68	$ 78	$ 74	$ 65	$ 69	$ 50	$ 57	$ 62	$ 45	$ 58	$ 46	$ 62
-7	$ 44	$ 43	$ 47	$ 39	$ 39	$ 37	$ 30	$ 35	$ 34	$ 31	$ 34	$ 29	$ 37

MINING-04-675

XX4-GJC-673

SIZE CAT.	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020-Q1	2020-Apr
6 ct	$ 1 317	$ 975	$ 747	$ 881	$ 1 039	$ 1 308	$ 1 735	$ 1 808	$ 2 042	$ 1 593	$ 2 683	$ 2 358	$ 2 853	$ 2 467	$ 2 408	$ 1 741	$ 1 757	$ 1 921	$ 2 329	$ 1 937	$ 1 986	$ 2 044
5 ct	$ 1 100	$ 883	$ 742	$ 797	$ 931	$ 1 214	$ 1 469	$ 1 846	$ 1 811	$ 1 405	$ 2 209	$ 2 954	$ 2 746	$ 2 081	$ 2 193	$ 1 685	$ 1 844	$ 1 459	$ 1 905	$ 1 723	$ 1 733	$ 1 705
4 ct	$ 976	$ 813	$ 667	$ 742	$ 777	$ 925	$ 1 111	$ 1 502	$ 1 302	$ 1 052	$ 1 547	$ 2 428	$ 1 834	$ 1 869	$ 1 542	$ 1 455	$ 1 522	$ 1 230	$ 2 086	$ 1 410	$ 1 442	$ 678
3 ct	$ 933	$ 783	$ 691	$ 708	$ 768	$ 907	$ 1 020	$ 1 137	$ 1 172	$ 1 007	$ 1 372	$ 2 000	$ 1 451	$ 1 574	$ 1 511	$ 1 193	$ 1 220	$ 1 104	$ 1 352	$ 1 357	$ 1 477	$ 671
10 grs	$ 687	$ 517	$ 522	$ 554	$ 597	$ 670	$ 745	$ 979	$ 988	$ 909	$ 1 188	$ 1 340	$ 1 171	$ 1 193	$ 1 217	$ 952	$ 1 149	$ 865	$ 1 024	$ 1 066	$ 1 099	$ 446
8 grs	$ 652	$ 457	$ 357	$ 352	$ 367	$ 479	$ 590	$ 733	$ 809	$ 636	$ 821	$ 1 137	$ 911	$ 1 026	$ 849	$ 770	$ 780	$ 750	$ 835	$ 784	$ 902	$ 463
6 grs	$ 454	$ 340	$ 288	$ 305	$ 296	$ 341	$ 385	$ 456	$ 535	$ 404	$ 528	$ 723	$ 586	$ 625	$ 687	$ 554	$ 586	$ 540	$ 589	$ 526	$ 487	$ 367
5 grs	$ 387	$ 334	$ 270	$ 302	$ 295	$ 328	$ 386	$ 456	$ 535	$ 404	$ 507	$ 706	$ 580	$ 625	$ 645	$ 497	$ 484	$ 444	$ 515	$ 477	$ 415	$ 356
4 grs	$ 295	$ 253	$ 226	$ 237	$ 221	$ 245	$ 311	$ 339	$ 403	$ 286	$ 369	$ 475	$ 380	$ 385	$ 553	$ 397	$ 387	$ 370	$ 389	$ 342	$ 349	$ 203
3 grs	$ 192	$ 175	$ 147	$ 153	$ 152	$ 189	$ 223	$ 260	$ 255	$ 244	$ 321	$ 412	$ 333	$ 327	$ 352	$ 327	$ 302	$ 301	$ 267	$ 215	$ 305	$ 179
+11	$ 126	$ 118	$ 113	$ 125	$ 132	$ 146	$ 169	$ 193	$ 190	$ 154	$ 238	$ 281	$ 219	$ 231	$ 222	$ 188	$ 219	$ 203	$ 203	$ 164	$ 173	$ 118
+9	$ 92	$ 85	$ 79	$ 88	$ 90	$ 101	$ 126	$ 160	$ 161	$ 129	$ 183	$ 233	$ 184	$ 200	$ 175	$ 162	$ 181	$ 157	$ 162	$ 132	$ 129	$ 94
+7	$ 70	$ 62	$ 59	$ 68	$ 70	$ 76	$ 113	$ 136	$ 145	$ 99	$ 132	$ 180	$ 148	$ 156	$ 151	$ 133	$ 136	$ 121	$ 121	$ 102	$ 88	$ 58
-7	$ 45	$ 37	$ 32	$ 37	$ 38	$ 48	$ 94	$ 104	$ 104	$ 72	$ 96	$ 128	$ 103	$ 103	$ 122	$ 112	$ 106	$ 80	$ 88	$ 73	$ 64	$ 46
Composite WASP*	**$ 337**	**$ 274**	**$ 235**	**$ 250**	**$ 260**	**$ 308**	**$ 372**	**$ 441**	**$ 463**	**$ 370**	**$ 513**	**$ 677**	**$ 554**	**$ 565**	**$ 564**	**$ 466**	**$ 482**	**$ 438**	**$ 508**	**$ 444**	**$ 468**	**$ 291**

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XX4-GJC-674

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NEWS / SOUTH AFRICA

Richtersvelders happy with land settlement

Oct 19, 2006

The Richtersveld community are glad at the out-of-court settlement that has been reached in their marathon land claim, spokesperson Willem Diergaardt said on Thursday.

At a series of meetings this week, members of the community gave their approval to a draft memorandum of understanding, expected to be formalised within weeks when it is signed by Public Enterprises Minister Alec Erwin and community representatives.

It is understood that the agreement, which will be made an order of court, restores the 84 000 hectares of diamond-bearing land to the community, with a R190-million payment spread over three years as compensation for diamonds that have been removed by Alexkor over decades.

Diergaardt, who chairs the Richtersvel

"I'm relieved it's been finalised. It wasn'

negotiations involve give and take.

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"We can get out land back more quickly (this way) than through the court.

"We are happy, we are glad. It was exactly a year ago that we began these negotiations, and now we are reaping the fruits of our patience."

He said the community had already planned what it would do with its hard-won assets, and would now begin implementing those plans.

The community's attorney, Henk Smith of the Legal Resources Centre, said the agreement was "a done deal". "There's going to be a settlement: we're not going back to court," he said.

Erwin's spokesperson Gaynor Kast said the government was "very excited" about the development.

"We believe that the offer is reasonable and in the community's best interests," she said.

"We're thrilled that we don't have to go back to the court and that we are able to finalise this sooner rather than later."

ADVERTISING

The State, and the and State-owned diamond mining company Alexkor, which together opposed the claim, have spent an estimated R50-million on legal fees

in various courts.

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It is understood that in addition to the million payment, the agreement also provides for a joint mining venture with Alexkor which gives the community the option of buying out the Alexkor share if it chooses to find a private sector partner instead.

Cyril Ramaphosa, executive chairperson of investment group Shanduka, told the Land Claims Court last year that Shanduka and the community had concluded a draft agreement on a post-settlement joint venture to exploit the diamonds.

This week's draft memorandum of understanding reportedly also contains a State guarantee for rehabilitation of the areas devastated by Alexkor's mining operations, including massive trenches, slimes dams which give rise to plumes of fine wind-blown sand, and tips.

It is understood that the company town of Alexander Bay is to be effectively transferred to the Richtersvelders, to be run by the Richtersveld local municipality, and that Alexkor will pay rent for accommodation used by its employees.

The community had been seeking the restitution of the land, which lies in a strip along the arid the Northern Cape coast, including the town, plus compensation of up to R2.5 billion for diamonds removed and environmental damage.

It lodged its claim in 1997, and lost an initial round in the Land Claims Court.

However it subsequently won a Constitutional Court ruling that it was in fact entitled to restitution.

The case then went back to the Land Claims Court for evidence on the nature and amount of the restitution and compensation.

The court heard extensive evidence from community members and environmental and mining experts.

The last hearing of the case was in November last year. Due to resume in May, it was instead postponed to allow for settlement talks.

The Richtersvelders' claim, and the sett

mining operations. - Sapa

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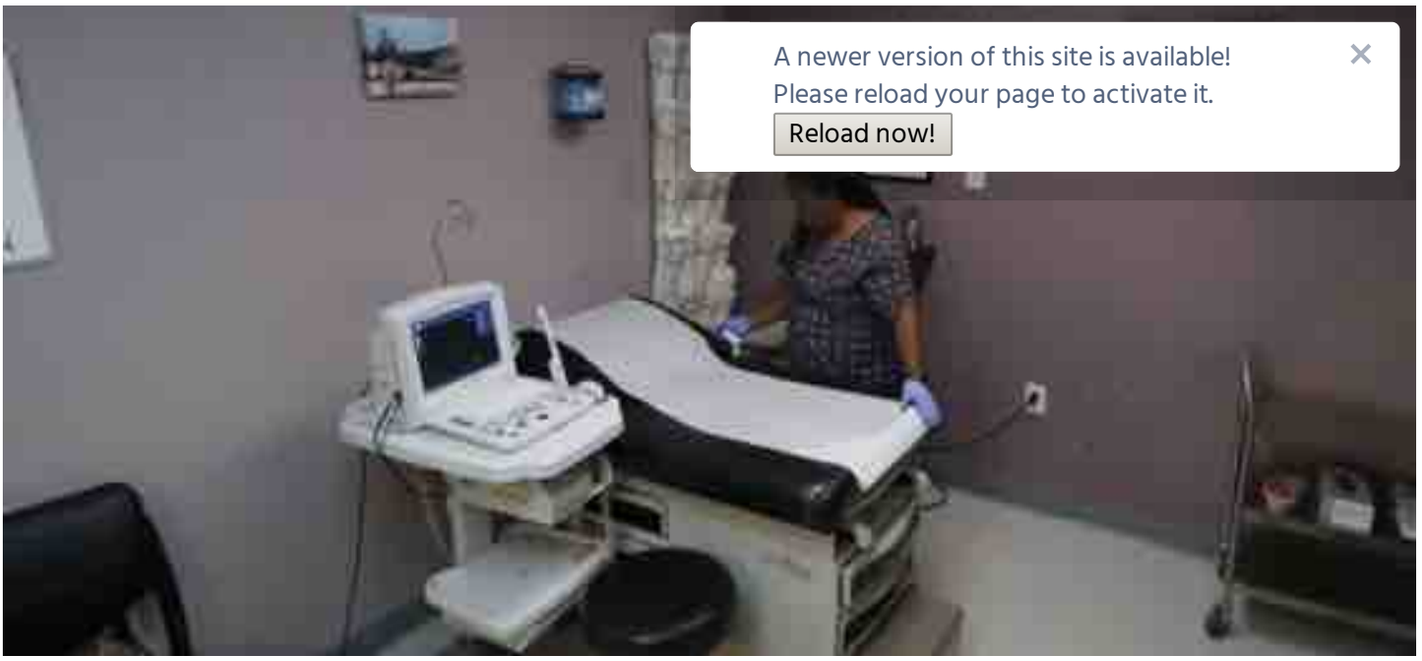

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Please visit the official Government information portal for Coronavirus by clicking HERE

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4/27/2020 Richtersvelders happy with land settlement

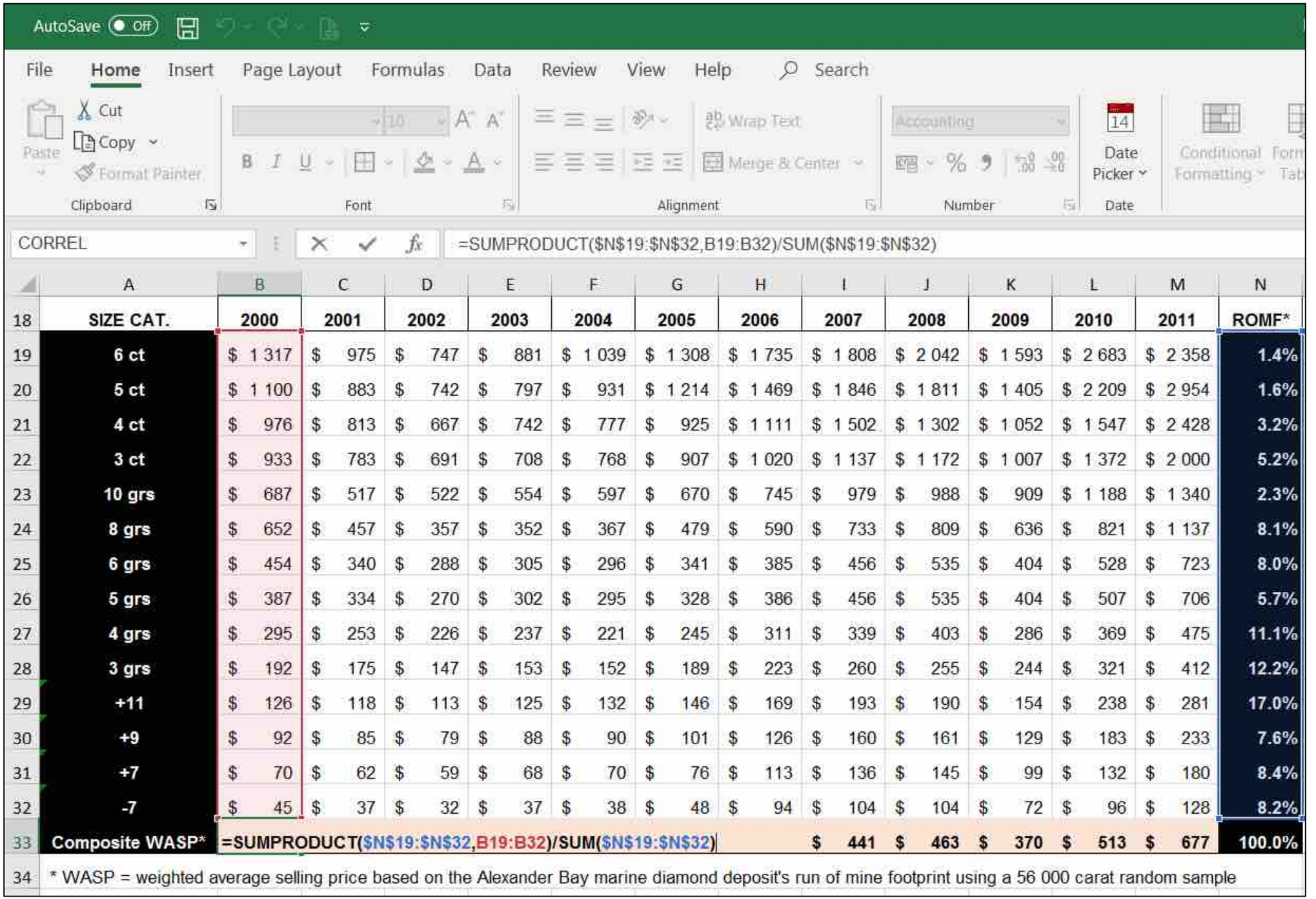
LAND CLAIM COURT DOCUMENTS

Sum of CARATS	
ASSORTMENT	Total
10GRS	1279.09
11 +	9503.78
3CT	2907.82
3GRS	6854.43
4CT	1771.42
4GRS	6219.67
5CT	921.11
5GRS	3185.703
6CT	805.23
6GRS	4492.82
7 -	4582.02
7 +	4726.86
8GRS	4524.78
9 +	4282.74
Grand Total	56057.473

FULL ROM BREAKDOWN		
SIZE	QUANT.	FREQUENCY
6CT	805.2	1.44%
5CT	921.1	1.64%
4CT	1771.4	3.16%
3CT	2907.8	5.19%
10GRS	1279.1	2.28%
8GRS	4524.8	8.07%
6GRS	4492.8	8.01%
5GRS	3185.7	5.68%
4GRS	6219.7	11.10%
3GRS	6854.4	12.23%
11 +	9503.8	16.95%
9 +	4282.7	7.64%
7 +	4726.9	8.43%
7 -	4582.0	8.17%
TOTAL	56057	100.00%

MINING-04-687

XX4-GJC-685



	A	B	C	D	E	F	G	H	I	J	K	L	M	N
18	SIZE CAT.	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	ROMF*
19	6 ct	$ 1 317	$ 975	$ 747	$ 881	$ 1 039	$ 1 308	$ 1 735	$ 1 808	$ 2 042	$ 1 593	$ 2 683	$ 2 358	1.4%
20	5 ct	$ 1 100	$ 883	$ 742	$ 797	$ 931	$ 1 214	$ 1 469	$ 1 846	$ 1 811	$ 1 405	$ 2 209	$ 2 954	1.6%
21	4 ct	$ 976	$ 813	$ 667	$ 742	$ 777	$ 925	$ 1 111	$ 1 502	$ 1 302	$ 1 052	$ 1 547	$ 2 428	3.2%
22	3 ct	$ 933	$ 783	$ 691	$ 708	$ 768	$ 907	$ 1 020	$ 1 137	$ 1 172	$ 1 007	$ 1 372	$ 2 000	5.2%
23	10 grs	$ 687	$ 517	$ 522	$ 554	$ 597	$ 670	$ 745	$ 979	$ 988	$ 909	$ 1 188	$ 1 340	2.3%
24	8 grs	$ 652	$ 457	$ 357	$ 352	$ 367	$ 479	$ 590	$ 733	$ 809	$ 636	$ 821	$ 1 137	8.1%
25	6 grs	$ 454	$ 340	$ 288	$ 305	$ 296	$ 341	$ 385	$ 456	$ 535	$ 404	$ 528	$ 723	8.0%
26	5 grs	$ 387	$ 334	$ 270	$ 302	$ 295	$ 328	$ 386	$ 456	$ 535	$ 404	$ 507	$ 706	5.7%
27	4 grs	$ 295	$ 253	$ 226	$ 237	$ 221	$ 245	$ 311	$ 339	$ 403	$ 286	$ 369	$ 475	11.1%
28	3 grs	$ 192	$ 175	$ 147	$ 153	$ 152	$ 189	$ 223	$ 260	$ 255	$ 244	$ 321	$ 412	12.2%
29	+11	$ 126	$ 118	$ 113	$ 125	$ 132	$ 146	$ 169	$ 193	$ 190	$ 154	$ 238	$ 281	17.0%
30	+9	$ 92	$ 85	$ 79	$ 88	$ 90	$ 101	$ 126	$ 160	$ 161	$ 129	$ 183	$ 233	7.6%
31	+7	$ 70	$ 62	$ 59	$ 68	$ 70	$ 76	$ 113	$ 136	$ 145	$ 99	$ 132	$ 180	8.4%
32	-7	$ 45	$ 37	$ 32	$ 37	$ 38	$ 48	$ 94	$ 104	$ 104	$ 72	$ 96	$ 128	8.2%
33	Composite WASP*	=SUMPRODUCT($N$19:$N$32,B19:B32)/SUM($N$19:$N$32)							$ 441	$ 463	$ 370	$ 513	$ 677	100.0%
34	* WASP = weighted average selling price based on the Alexander Bay marine diamond deposit's run of mine footprint using a 56 000 carat random sample													

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ROCK AND A HARD PLACE

Alexkor contractors want better deal; operator says its hands are tied

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that Alexkor would not go out on tender and instead renew those agreements where there was 50% BEE and dispense with the requirement for retrenchees to be accommodated.

While the new proposed percentage split will go a long way to improving the profitability of the contractors, the DCCOB says it does little to alleviate their exposure to risk arising from the inherent uncertainties associated with shallow-water marine mining.

The DCCOB believes that this risk can be managed using a cost-recovery mechanism which allows them to first recover their costs by a high initial percentage split which drops down to the basic deal once costs have been recovered.

The chamber proposes that the deal be set at 80% for the first R50 000 in income, after which it switches back to the basic deal.

Alexkor says it is prepared to consider this proposal and that the parties need to workshop around the practical implications of such a proposal.

Apart from reopening Mussel Bank, the DCCOB has several other proposals for growth, including water depth and coastwise segmentation.

"The experiences of two of the industry's most experienced contractors, the African Bounty and Sea Hawk, have shown that the profitability of the deeper water is sub-economic based on the existing deal split," says Craythorne.

"They have left Alexkor.

"This deeper segment of the concession represents a vast untapped source of diamond production, but will remain so until a sustainable deal split is offered to contractors to start working there in large numbers," he says.

The chamber proposes a one-year pilot programme during which an 80% deal for contractors operating in depths between 15 m and 18 m is struck.

Similarly it would like to see a better deal for shore operators working in the far-south reaches of the northern concession where the diamond sizes are smaller and the operating costs higher.

"We have not closed the door on the proposal for water depth and coastwise segmentation, but it requires further detail and analysis," says Williams.

"It will be difficult to manage and is open to abuse by those contractors which are corrupt, for example a contractor can mine the bulk of his gravel in the (a) concession where a 45% split applies and claim to have mined it in the (b) concession where, for example, a 75% or 80% split applies and it is difficult to monitor this.

"A 75% split already applies to contractors operating in the far south and this cannot be changed further," he says.

Pink fancy recovered by small mining company Gralta Diamonds

DIAMDEL PROBLEM

It says that while it respects Alexkor's rights to choose the method of selling its diamonds, it is at a loss to understand how the giving of an anticompetitive monopoly to one buyer can be in the interests of achieving the best prices for the world-class diamonds produced by Alexkor's contractors.

The business chamber sees no justification in the exclusive arrangement with De Beers' subsidiary Diamdel and firmly believes that it is costing the contractors and Alexkor material losses amounting to millions over time by virtue of the total lack of competition.

"When Alexkor's management explained the possible disadvantages of another system to the DCCOB at a meeting, some of its members were clearly nervous, because it means that some of their products (especially the smalls) may not be sold, resulting in no revenue to certain contractors and leading to their demise," says Williams.

"Alexkor is at present engaging in internal discussions about its sales methods and it would welcome input from the contractors," he says.

Two representatives from the contractors are allowed to sit in during diamond-sales negotiations and have access to relevant company information.

The contractors also have a marketing plan up their sleeve.

Alexkor is apparently unmatched in the diamond-mining industry in that it manages the largest and most sophisticated diamond-diving operation in the world.

DCCOB believes that an exciting marketing opportunity exists for the contractors and Alexkor to partner with a premium international diamond polisher to add significant value using the mystique of a diamond that has been dived from the sea by an individual using his hands versus the anonymity of the pipe or opencast diamond.

De Beers is certainly encouraging this type of 'brand' thinking and it can be used for Alexkor by setting up two exit channels for its diamonds.

The first is a tender basis, the method of choice in the industry, and the only means that guarantees that the best price is consistently attained.

The bulk of the diamond production could be sold through this channel.

The second is a retail outlet.

By withholding a small percentage of the production a retail outlet could be supported and opportunity to market the Alexkor brand created.

This will require the cooperation of the contractors which produce the diamonds to share in the holding costs.

In conclusion, the DCCOB says it wants to responsibly seek solutions with Alexkor for the problems its members are facing and for the long-term sustainability of the resource.

"The perversity is that one of the poorest communities in the country is sitting next to one of the richest resources, and if its utilisation could be structured appropriately the community could be one of the wealthiest," says Craythorne.

"The illusion of scarcity must be replaced by a reality of broad-based upliftment through equitable access to this resource for the regional community," he says.

Alexkor says it has realised that the over-reliance on shallow marine contractors is risky. Few sea days and the strengthening of the rand posed additional challenges to the mine.

Its operating profit has decreased from R58,8-million in 2003 to R35,7-million in 2004. The company has, therefore, invested R17,7-million in an exploration programme.

The aim of this is to prove up a sufficiently large reserve with a long life of mine.

Mining on land has begun and the company plans to expand its land-based mining operations.

Alexkor is due to release its 2004 results by the end of this month.

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13 Dec 2017 - amaBhungane and Scorpio

#GuptaLeaks: A tale of two captures – Alexkor, Gupta Inc and 'WMC'

The diamond-rich desert area of the Richtersveld, on South Africa's north-west coast, seems unable to escape the clutches of colonisation.

The diamond-rich desert area of the Richtersveld, on South Africa's north-west coast, seems unable to escape the clutches of colonisation.

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There's a legendary creature that inhabits the Richtersveld, the land of deserts and diamonds along South Africa's north-west coast.

The Grootslang, a primordial cross between an elephant and a snake, is both wily and deadly and guards a cave filled with gems, dispatching unwary treasure-hunters either with guile or overwhelming power.

The myth might be a metaphor for Alexkor and the "resource curse" that the state-owned diamond company presides over.

In 2007, the Land Claims Court awarded the Richtersvelders land and mining rights expropriated by the state during the colonial era – including the diamond-rich area controlled by Alexkor.

Under a settlement agreement with the state, the assets were consolidated in a community trust structure for the Richtersveld Sida !Hub Communal Property Association (CPA).

The community acquired rights to mine diamonds on the land while Alexkor retained its rights to diamonds on the seabed. Both onshore and offshore rights were pooled in a joint venture company, owned 51% by Alexkor and 49% by the Richtersveld Mining Company (RMC).

In the Grootslang legend, the Gods realised the beast was too powerful and split it in two to create the elephant and the snake.

Now the Richtersveld seems still beset by the massive dominance, on the one hand, of the Alexkor elephant and, on the other, by a shelf-company whose corporate coils seem to lead back inexorably to the Guptas.

And in the background lurks the presence of a Grootslang that survived: Trans Hex, the company controlled by that old giant of White Monopoly Capital, Christo Wiese (the billionaire currently embroiled in the Steinhof saga).

Christo Wiese (MG, David Harrison)

The set up – primed for capture

Our story begins in October 2014, when the Alexkor RMC joint venture issued a tender to sell Alexkor's diamonds.

While the joint venture is supposed to balance the interests of Alexkor with those of the Richtersveld community, the reality is that the community is fractured and dominated by its big corporate brother. Alexkor is effectively the biggest employer in the Richtersveld.

The promise of access to jobs and influence in poor communities ensures that such structures remain beset by competition and strife: at best easy to manipulate, at worst dysfunctional.

The Richtersveld Mining Company, through which the community exercises its interest in the joint venture with Alexkor, was no exception.

Indeed, in September 2014, a month before the diamond marketing tender was issued, the Western Cape high court issued a judgment removing all the RMC directors who purported to act on its behalf, though the ruling was suspended by the lodging of an appeal.

Although structures like the RMC were supposed to be answerable to the CPA, in practice they served their own interests or were satellites of Alexkor.

In May 2016, citing the infighting, Alexkor applied successfully to have a court appoint three temporary RMC directors – chosen by Alexkor – to represent the community.

As recently as November this year, a report to parliament by the office of the chief land claims commissioner noted: "It is also clear that Alexkor continues to play a major role in the continuous in-fighting between the community members and the CPA leadership."

The Alexkor side of the joint venture with the RMC was also somewhat bizarre, given that the joint venture agreement assigned the Alexkor chair to also be the chair of the joint-venture, while denying any Alexkor executive director a seat on the board.

In effect, the chief executive of Alexkor was accountable for the 51% held joint-venture, but had no formal influence over its operations, worth R758-million in the 2016/17 financial year.

In part this stems from the legacy of the 2007 land restitution settlement, which provides for Alexkor to exit its 51% holding in the joint venture at some future point should the community exercise its "call option" to purchase Alexkor's share.

This has led Alexkor to cast around for some reason to justify its continued existence – and the ludicrous situation whereby it maintains an expensive corporate headquarters in Johannesburg, 1,400 kilometers away from its only operating division at the mouth of the Orange river.

One option was for Alexkor to explore branching out into coal, potentially via a sweetheart deal with Eskom – a decision that necessitated expanding the Johannesburg office and drafting in a chief executive with coal experience.

Around this fat beast, hobbled by its tangled governance, circled at least two predators: Trans Hex and Gupta Inc.

Dramatis Personae

Before we get to the Guptas and their associates, it is worth taking a moment to introduce the key players involved at the time the diamond marketing contract was put up for grabs at the end of 2014.

The chair of Alexkor – and of the Alexkor RMC joint venture – was Rafique Bagus.

Rafique Bagus

Bagus is an accomplished corporate operator, a devout Muslim and a serious surfer.

He was previously the chief executive of Trade and Investment South Africa, deputy director general of the Department of Trade and Industry, and special adviser to Alec Erwin when he was public enterprises minister.

Bagus came to public attention in 2011 when he was linked to making political introductions for Uruguayan businessman Gaston Savoi (http://amabhungane.co.za/article/2011-01-21-fraud-suspect-gave-anc-r36million), who is still battling corruption charges relating to government tender awards.

He was appointed chair of Alexkor by Malusi Gigaba in September 2012.

Bagus was central to the events, but his role is shrouded in contradictions. .

At his side was advocate Zarina Kellerman, Alexkor's chief legal officer, of whom also more later.

Zarina Kellerman (LinkedIn)

The chief executive of Alexkor was Percy Khoza, a seasoned mining executive with both diamond and coal experience. He was hired, in part, to pursue the "coal strategy" approved by Gigaba.

Percy Khoza

All three would depart amidst changes to the board made by a new minister, Lynne Brown, in August 2015 – but by that time, round-one of the diamond marketing contract was sealed.

The Alexkor-RMC joint venture had its own chief executive, Mervyn Carstens, a 16-year veteran of Trans Hex, where he rose to serve as executive director of land operations until his departure in April 2012.

Mervyn Carstens

In August 2012 he was appointed to manage the joint venture, reporting to Bagus.Of perceptions raised by his long association with Trans Hex, Carstens says: "I deny that I am aligned with Trans Hex or Mr Christo Wiese.

"I have never met Mr Wiese nor had any dealings with him. Since my departure from Trans Hex, I have had no further business connections or dealings with that company."

One more figure is key: Duncan Korabie, an attorney based in Wellington in the Western Cape and a feisty combatant in the factional battles that have plagued the community.

During 2014, Korabie was accepted by Alexkor as one of the independent RMC directors representing the community on the board of the joint-venture.

Since then, he has fallen out with Alexkor.

Duncan Korabie (Photo: Garnett Wicomb)

The joint venture board now rubbishes his credibility, claiming he "only represents a few members" of the Richtersveld community and pointing to a recent high court judgment that criticised Korabie's conduct, saying it was "opportunistic... borders on unethical" and "unbecoming of an officer of court".

The contract factory

Alexkor is a small operation that in some ways exists to award and manage contracts.

Its shallow ocean concessions (up to 30 meters in depth) are mined by about 60 small-scale marine contractors, who use divers to manhandle large vacuum hoses to suck up the diamond-baring gravel and sand for processing.

The companies bare the costs and risks – and for that they get a 50% share of the diamond revenue.

The more shy bearing onshore excavations are handled by another, much smaller group of contractors, while the deeper ocean excavation is handled by a specialised company, International Mining and Dredging South Africa (IMDSA).

IMDSA is responsible for the major portion of diamond recoveries. In the last financial year 112,047 carats came from deep-sea operations, whereas 50,125 carats were produced from the other concession areas.

The deep ocean mining requires expensive, specialised vessels, and because of the atrocious sea conditions on the Richtersveld coast, sea days can be severely limited. IMDSA keeps about 85% of the diamond revenue.

From 2000 until 2006 Alexkor's production was sold via the De Beers company Diamdel.

Unhappiness about the prices fetched was reportedly behind the termination of this arrangement.

Then the sales were handled by Diamond Marketing Consultants, whose principal, Menachem Pelleg, was a diamond valuator for the South African government. In January 2014 Pelleg's contract was abruptly terminated – and is still subject to his legal claim for compensation.

A new marketing company called Diamond Realisations was appointed on a temporary basis, and by all accounts performed well. Marketers generally take a 1,5% commission on sales, but the prices they get also determine what the contract miners get, so in theory everyone wins.

Then, in October 2014, came the formal marketing tender.

Enter the Guptas – or do they?

Circumstantial evidence suggests that in 2014 the Guptas opened up a new front in their state capture project via Alexkor. The fingerprints of the family and their fellow-travellers are faint, but they are visible.

There is almost nothing about Alexkor in the #Guptaleaks (http://amabhungane.co.za/article/2016-09-23-two-to-tango-the-story-of-zuma-and-the-guptas), bar one strange email from March 2013.

The email to Gupta factotum Ashu Chawla is from a Gupta associate in Saharanpur, who is purporting to relay a message from one Deepak Mittal.

He asks that Chawla forward the mail to "the Chairman".

It states: "Hi Mr. Bagus... as I had words with you before (to bid in Diamond tender auction of your company) we are a global company from India, I gave you an introduction about ourselves and the work we do."

Bagus does not recall ever receiving such a mail or the alleged contact.

In response to the allegation that he knew the Guptas and had been a frequent visitor to their Saxonwold home, Bagus stated: "During my time as CEO of Trade and Investment SA and DDG of DTI, I served on the International Marketing Council (IMC) where I met Mr Ajay Gupta."

Evidence of the Gupta connection to the diamond marketing contract has emerged slowly, but the award of the contract was controversial, almost from day one.

Bagus himself says the award was above board, but his assurances are undermined both by documentary evidence and by some sources close to the process, including the activist lawyer Korabie.

Alexkor points to an investigation carried out in 2015 by the Alexkor audit and risk committee at the behest of minister Brown which could not find "any fundamental breach of procurement procedures".

But the report to Brown, which was made public by Alexkor for the first time in response to our questions, itself discloses red flags about the process – and the company that won the contract: Scarlet Sky Investments 60, which is now the sole agent to sell Alexkor's diamond production.

Firstly, Carstens, the chief executive of the joint venture, outsourced the shortlisting of bids.

Given that there were only seven bids, this seems unnecessary – and some of the scoring for the short-listing appears inconsistent.

Carstens told us:

"A company called Gamiro Advisory Services was appointed to conduct an evaluation of the proposals and to do the shortlisting. They shortlisted three companies, namely [Scarlet Sky], CS Diamonds and Diamond Realisations, who were all invited to make further presentations to the tender committee."

Gamiro is part of the Gamiro group, controlled by Heather Sonn.

Sonn is a director in Steinhof with Wiese, although there was no apparent conflict of interest in 2014 because Wiese took control of Trans Hex only in August 2016.

Trans Hex bid for the Alexkor marketing contract in 2014, but was not short-listed, mainly because of scoring zero in the category: Richtersveld community economic development, which was worth 30 points out of 100, for which they rather carelessly made no commitment at all, according to Gamiro.

On the shortlist, Diamond Realisations – the company that held the interim contract – scored the highest with 75 points, Scarlet Sky came in second with 71,5 and CS third with 67.

But there were already red flags for Scarlet Sky, for anyone who cared to look more closely.

The company sent an expression of interest on 6 November 2014 on a letterhead that indicated the directors were Daniel Nathan and Kuben Moodley.

At that date, however, the directors were actually still shelf company stand-ins.

Online company records reflect that Nathan and Moodley only became directors on 4 December, while Scarlet Sky's own share register, obtained by amaBhungane, shows that they became shareholders on November 20 (through their respective companies Daniel Nathan Trading and Kimomode).

Scarlet Sky also held no diamond license, though one of Nathan's companies did.

Moodley, the purported 60% BEE shareholder, had no diamond industry background at all.

When it came to the final selection on 11 December 2014, only three people sat on the panel at Alexkor's Rosebank, Johannesburg head-office: Bagus, Korabie and a veteran Alexkor director, Dr Roger Paul.

The scoring should also have raised red flags, given that Korabie awarded Scarlet Sky a full 100% mark, which is normally regarded as an attempt to skew a panel score in favour of one bidder.

That 100% score gained greater significance when Korabie later turned on Alexkor – as we shall see.

Despite all three adjudicators awarding Scarlet Sky the highest points, it appears there was a significant lack of clarity about their proposal.

After significant to-ing and fro-ing about what exactly Scarlet Sky had committed to in terms of funding, pricing, beneficiation and community investment the final award was made at the end of February 2015.

Korabie's unguided missile

By March 2015, there was already some consternation among the Contractors Representative Body, representing the small miners whose returns would be based on the prices achieved by Scarlet Sky.

By September 2015 Korabie had sent a letter of complaint to then public protector Thuli Madonsela about the award process. He copied it to Alexkor management and the Department of Public Enterprises.

It made a clear allegation that Bagus had influenced the process, noting:

"On the 11th of December [2014] the chief legal officer [Kellerman] and chairperson at the time [Bagus] took Korabie and Dr. Roger Paul, an Alexkor representative, into his office and discussed what he viewed as the new direction the [joint venture] must take in appointing the service provider.

"He mentioned that only one candidate that will be interviewed met the new direction he proposes. He then mentioned [Scarlet Sky]."

The committee reporting to minister Brown said Bagus told them "that he has no recollection of the meeting taking place".

Korabie has expanded on this allegation, telling amaBhungane and Scorpio that during a separate private conversation, Bagus told him that the instruction to appoint Scarlet Sky came "right from the top".

Bagus told us:

"I have never had a conversation with Mr Korabie regarding the appointment of [Scarlet Sky] as the marketing company... The appointment of all service providers is done via a tender committee, which is a subcommittee of the board. This committee has both community representatives and Alexkor board representatives."

Bagus did confirm to us that the tender committee had been given "guidelines".

He noted:

"Historically the relationship with the marketing companies and the [joint venture] was purely transactional. They sold the diamonds... and paid the company less the commission. Neither the [joint venture] nor the community derived any other benefit from this relationship.

"The board requested the tender committee explore the opportunity to ensure the training and upskilling of young community members in the art of diamond cutting... The company selected complied with all these objectives."

Nevertheless, Korabie's 100% score is consistent with an understanding, misguided or not, that Scarlet Sky had to be appointed.

And there is one source close to Bagus who tells a story that supports Korabie's version.

The source, who asked not to be identified, told amaBhungane: "Look, [Gupta business partner Salim Essa] went to Bagus and said [Scarlet Sky] must get the tender... They said, this comes from the very top... He said, no ways. So they said, then you must go."

Bagus did go.

He told us: "For the record, I resigned from my position chairman of the Alexkor board... I was requested to stay on and extend my tenure but declined."

Kellerman, the legal adviser, told us:

"I recall a [joint venture] tender committee meeting, which took place late in 2014. I was present at the meeting as an Alexkor management observer. I recall completing a score card, but this score card was not included in the scoring of the candidates... I did not score the candidates and I was not involved in the discussion or recommendation of any of the candidates... I did not have a private meeting with Dr Paul, Mr Korabie and Mr Bagus."

Paul did not respond independently except to identify himself with Alexkor's response, which disclosed the audit and risk committee report compiled after a "detailed investigation" and which found no irregularities in the tender award.

Carstens, the joint venture chief executive, noted: "Ironically, Mr Korabie, who is now raising objections to [Scarlet Sky's] appointment, allocated the highest score (100%) to [Scarlet Sky]."

Korabie's 2015 complaint further alleged that the award to Scarlet Sky was supposed to have been subject to the completion of a due diligence.

He wrote:

"The CEO [Carstens] never reported to the tender committee on the due diligence he was directed to conduct... It is clear to us that [Scarlet Sky] was created specifically for this tender. We do not know who the shareholders are of [Scarlet Sky] and their relationship, if any, with any of the... board members."

Korabie's complaint was turned away by the public protector's office, ostensibly due to a combination of doubts about its jurisdiction and a commitment from Alexkor that the matter would be investigated.

Korabie fell from grace and the matter sank from view – until the #Guptaleaks.

The fingerprints of Gupta Inc.

In November 2014, when Scarlet Sky responded to the diamond marketing tender, their expression of interest noted that all communication should flow through their "corporate advisors", addressed to one Marc Chipkin of Integrated Capital Management.

Alexkor was not to know it then, but Integrated Capital was later intimately involved with Essa, the Gupta luitenant, and the establishment of Trillian, the consulting firm used to capture consulting work from Transnet and Eskom (http://amabhungane.co.za/article/2017-09-14-how-mckinsey-and-trillian-ripped-r16bn-from-eskom-and-planned-to-take-r78bn-more) from the end of 2015.

By November 2014, Chipkin was already a co-director with Essa in another company, Antares Capital.

When joint venture chief executive Carstens demanded that Scarlet Sky provide a R50-million funding guarantee, it was Integrated Capital chairman Selwyn Nathan who submitted a letter of comfort, committing Integrated Capital to secure the guarantee, should Scarlet Sky win the bid.

Daniel Nathan, the 40% shareholder of Scarlet Sky, is the son of Selwyn Nathan.

Daniel told us:

"I have no personal involvement in Integrated Capital, only utilising them for admin assistance at the time of the tender submission. This included a letter signed by my father, which agreed to source the necessary funding, if required. The funds were never required."

"I am not connected to either Integrated Capital Management or Salim Essa. I have never met with him and he played no role in setting up Scarlet Sky. Mr Moodley's 60% shareholding was disclosed in the 2014 tender."

Moodley was supposedly the majority shareholder via a company called Kimomode, though Daniel Nathan told amaBhungane that Moodley never contributed a cent to the business, nor derived any benefit whatsoever, suggesting he was merely a place-holder.

Daniel told us:

"Mr Moodley was not a front. He genuinely intended to be involved in Scarlet Sky, but left when he realised that he could not contribute in a meaningful way to it... Scarlet Sky has never had any relationship to the Guptas."

Moodley, though, is deeply enmeshed in the Gupta scandal (http://amabhungane.co.za/article/2017-08-01-guptaleaks-how-the-family-encircled-lynne-brown).

Moodley refused to engage with us about his role at Scarlet Sky, but evidence flowing from recent litigation, the #Guptaleaks and former public protector Madonsela's State of Capture report all portray him as a cat's-paw of Gupta lieutenant Essa and the Gupta family.

Moodley was a business associate and sometime golfing partner of Essa.

Neither Essa nor the Guptas responded to requests for comment.

By March 2015 – the same month Scarlet Sky was awarded the Alexkor contract – Moodley was entangled in what appears to be a R122-million simulated transaction with the Guptas' Sahara Computers.

Moodley previously told the *Sunday Times* that the payments would have been for "the procurement of IT equipment and services", but the #Guptaleaks suggest otherwise.

Leaked emails show that on 27 June 2015, Sahara chief executive and the Gupta factotum Ashu Chawla sent an email to Moodley with a single line, stating: "Hi Kuben here is the invoice for your reference".

The attached invoice to Moodley's company Albatime simply stated it was for "Admin IT services... contract 2012-2014" -- but the figures were simply too large and got cut off, so the R122-million was reflected as R22-million.

Moodley wrote back, saying, "Please call me, your invoice does not make sense to me."

Eventually, on 3 July, the invoice was sorted out to reflect R122-million, plus R17-million VAT, "payable quarterly" for a supposed contract due to run March 2015 to February 2017.

Moodley paid over R52 155 000 the same day, Sahara's bank records show.

Only on 8 July did Sahara director Ronica Ragavan think to create an underlying contract.

On that day she emailed a document titled "Service Level Agreement – Albatime – March 2015" for everyone to sign.

That this contract was merely a figleaf to disguise a commission payment is suggested by another leaked document, a spreadsheet tracking gross profit in the Sahara business, which booked the R122-million as income at zero cost to the business.

There is nothing to show this transaction relates to the award of the Alexkor marketing contract to Scarlet Sky, but the timing is intriguing.

Moodley resigned as a director of Scarlet Sky when he was appointed as a special adviser to Mineral Resources Minister Mosebenzi Zwane in October 2015, but he retained his shareholding in until April 2017 – long enough for Scarlet Sky to be reappointed for five years in a new Alexkor-RMC tender in 2016.

Kellerman also joined Zwane's office.

When Bagus departed and the new board was appointed by minister Brown in August 2015, Kellerman resigned from Alexkor, emerging this year as the secretary to Zwane's so-called interministerial committee inquiry into banks' withdrawal of services to the Gupta group.

Kellerman told us:

"After my resignation [from Alexkor], I met with the new chairperson who asked me to reconsider. Whilst I was giving thought to this request, late in September 2015, I received a call from Kuben Moodley, who I had met through the [Scarlet Sky] negotiations, who asked if I would be interested in interviewing for a position as an advisor to the newly appointed minister of mineral resources [Zwane]... However, I only officially joined the minister's team in April 2016.

"As the minister's advisor, with company secretarial and corporate governance experience, I assisted as the secretary to the [interministerial committee]. There is nothing sinister about this."

Carstens, on behalf of the Alexkor-RMC joint venture told us: "The [joint venture] is not aware of any connection between Kuben Moodley and/or [Scarlet Sky] on the one hand and the Gupta family on the other."

Continuity and consolidation

A former close associate of the Guptas told us the family tried to capture Alexkor in order to take their money out in diamonds: "They wanted the sole marketing rights for [Alexkor] diamonds... They wanted the mobility of diamonds."

(A suggestive hint of this came when amaBhungane reported (http://amabhungane.co.za/article/2017-02-19-exposed-the-guptas-and-the-box-of-gems) that shortly after the Gupta family infamously "fled" South Africa in 2016, a second Gupta plane tried to leave with a box believed to have been full of diamonds. The Gupta family later claimed the items were "nuts".)

The former associate said Bagus fell from favour and was pushed out.

Brown appointed Hantsi Matseke as the new Alexkor chair. Matseke also became chair of the Alexkor-RMC joint venture.

Like other boards appointed under Brown, the August 2015 Alexkor board added to an emerging impression of an approach of cynical accommodation.

Matseke is married to K.O.P. (Peter) Matseke, an Essa associate who was going to be part of Moxisign, an Essa-linked company that was going to sell drugs to the department of health. The company never got off the ground.

She is also the chair of the Free State Development Corporation. She is regarded as close to Ace Magashule, and through him to a Free State axis that includes mining minister Zwane and public enterprises director general Richard Seleke.

Magashule, Zwane and Seleke have all been linked to the Guptas, who also reportedly put forward Matseke's name when they sought (unsuccessfully) to restructure the boards falling under then transport minister Ben Martins.

Matseke told us:

"To my knowledge Dr Matseke does not have any existing business relationship with Mr Essa; I am a board member of the Free State Development Corporation and thus have various associations with various individuals in the Free State and South Africa in general; I am not aware of any board nominations made by the Guptas."

Through her spokesperson, Brown defended her board appointments and told us:

"The present climate of allegations and contentiousness surrounding the boards has a negative effect on business and public confidence, and the economy."

A former Alexkor director, who asked not to be named, said the new board seemed to have a mandate to remove the Alexkor chief executive, Percy Khoza:

"They made it clear they were not prepared to work with Percy although he was an experienced mining engineer."

Alexkor says Khoza took a voluntary retrenchment package and the parting was amicable.

Khoza has declined to comment, though it is known that he raised concerns about the appointment of Scarlet Sky and had delivered a detailed memorandum to minister Brown's advisor, Annelize van Wyk.

But, significantly, he was also seen as an impediment to the plans of other powerful interests.

It is an open secret that a consortium led by Wiese wanted to consolidate the west coast mining industry. Wiese said so himself when he bought into Trans Hex in 2016.

Marine miner Gavin Craythorne, who is something of a spokesman for the Alexkor contractors, believes Khoza was an obstacle to Wiese's plans.

In a recent memorandum to parliament setting out his concerns, Craythorne wrote:

"The audacious ambitions of this [Wiese] consortium were set out in a presentation dated 8 August 2014, prepared by Questco, a corporate advisory firm based in Johannesburg, wherein a bold plan was unveiled to monopolise the entire Namaqualand Diamond Industry under the control of white monopoly capital..."

Craythorne said an incident in February 2016 seemed to confirm his suspicions. At a meeting with Khoza and others, Khoza informed them that he would be leaving Alexkor shortly.

Gavin Craythorne

Craythorne wrote: "He [Khoza] then offered that the Richtersveld community has some very powerful partners and as the community has a first option to purchase the whole of Alexkor, these powerful partners are trying to drive Alexkor's value down in order that they can purchase Alexkor for a bargain through the community.

"He further said that he has not allowed this and has opposed the efforts of these very powerful partners and that he was leaving 'before things get very difficult or nasty'."

Khoza confirmed the meeting but said he could not recall the exact conversation.

Wiese did not respond to questions.

Although the Steinhof collapse might have put paid to Wiese's Trans Hex ambitions, it's notable that as recently as October, Trans Hex increased its stake in West Coast Resources, a diamond mining company with operations adjacent to Alexkor.

It seems even the Guptas perceived the threat.

In June this year, the then Gupta-owned *ANN7* television channel (the Guptas financed a buy-out by spin-doctor Mzwanele Manyi in August) broadcast a surprisingly solid piece of reportage, headlined: "Namaqualand: A coastline 'raped'".

The accompanying print story (http://www.thenewage.co.za/namaqualand-a-coastline-raped/) noted: "A mining company operating along the ecologically sensitive west coast started building massive sea walls before the environmental impact assessment had been approved, an *ANN7* investigation has found.

"Trans Hex... along with its mining partner West Coast Resources, started the process of building the walls in the Hondeklipbaai area in 2016... The area, which has the highest unemployment figures for South Africa, has pitifully few job opportunities, mainly in diamond mining, fishing and a small tourism business. The sea walls, or cofferdams as they are technically known, will destroy opportunities in all of these sectors, community activists said..."

AmaBhungane has also reported on the environmental battle over cofferdam mining (http://amabhungane.co.za/article/2017-12-06-shortcomings-of-sa-laws-exposed-through-controversial-shoreline-mining-on-west-coast), a technique which Alexkor pursues with equal vigour.

The bite of the Grootslang

Meanwhile the triple coils of Alexkor, Transhex and Scarlet Sky have allegedly been squeezing the life out of small Richtersveld mining business, to the extent that, on 19 November this year, Craythorne sent an impassioned email to Carstens and the Alexkor-RMC joint venture.

In the email, Craythorne states:

"Since November last year, I have been trying in vain, to engage meaningfully with Alexkor... to raise awareness regarding legitimate concerns that many [in] the local marine miner community...

"The members of the local community who provide the courage, skill, experience, investment, risk tolerance, determination and exceptional hard work that constitutes Alexkor's most valuable operating segment are now in a de facto state of servitude as the triple challenges of climate change, resource depletion and a lack of equitable access destroy the business case for the industry.

"Wedged between an apparent state capture project depriving us of fair diamond prices on one side, and an apparent white monopoly capital project depriving us of equitable access on the other, we feel we are being exploited in the most cynical way under your stewardship.

"Having lived in this special town for almost 20 years and [being] quite intimate with the spiritual, social, economic and infrastructural character, I can say that this community is at an all-time low at this point.

"This state of affairs has led me into a desktop study into the state capture phenomenon and what I have uncovered has given me much reason to be deeply troubled. It is now clear to me that Scarlet Sky and Daniel Nathan are the Alexkor equivalent of Trillian Capital Partners and Mr Eric Wood...

"As before, in the case of Diamdel, I have conducted a thorough analysis of the price data and the results are clearly indicative of a criminal racket set up to deprive Alexkor and the small-scale marine miners of a fair diamond price.

"In the circumstances, I strongly advise you to suspend the agreement with Scarlet Sky with immediate effect pending a thorough forensic investigation."

Attached to this email was an analysis by Craythorne which shows, since transferring the sales to Scarlet Sky, the value returned to Alexkor and the miners has deteriorated.

He also attached an anonymous poll of 39 of the local marine mining contractors who reported overwhelmingly their dissatisfaction with the transparency, prices and fairness of Alexkor's diamond marketing and sales process.

Craythorne argued that, relative to global diamond prices, "Alexkor's prices... now in 2017... are back where they were 2006 when Diamdel were ripping us off."

Scarlet Sky's Nathan told us:

"I deny that the appointment of Scarlet Sky has been negative for Alexkor and the local mining community. The quotes attributed to Mr Craythorne are incorrect and do not apply to the diamond industry in general. His comments are misplaced and limited to only one particular size of diamonds."

In response to questions about prices, Cartens noted:

"Diamond prices are influenced by numerous factors including but not limited to supply and demand, quality and size of production. The [joint venture] production is sold on a tender basis eight times a year [via] a competitive bidding system which is attended by an average of 60 to 80 potential buyers at each sale cycle... The diamonds are at all times sold to the highest bidder. We are price takers and the tender process cannot be manipulated by anyone."

He said onshore production had increased substantially since 2013. These diamonds were smaller and of a lesser quality of those produced from the sea, influencing the price of diamonds in all categories.

In response to Craythorne himself, his company received the following notification 10 days later: "We regret to inform you that the board of the Alexkor/ RMC joint venture has decided that your contract with the joint venture will not be renewed."

At least four other companies seen as 'trouble-makers' have received similar notifications.

The *Grootslang* may be an imaginary beast, but for Craythorne – and the broader Richtersveld community – the bite is real.

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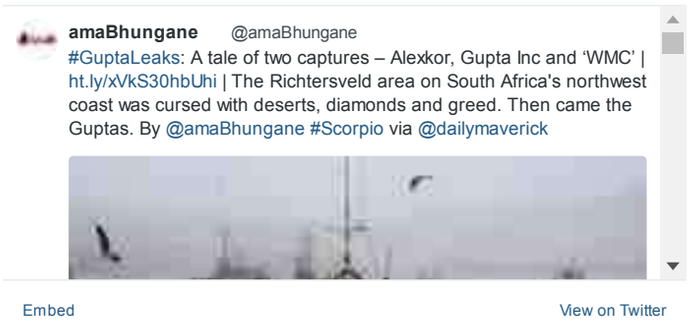

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Last Value: 126.86 • 52-week High: 149.25 • 52-week Low: 126.81
Weekly Change ▼ 0.11 On 4/6/19 On 4/4/20

Change in Pct.	1 Week	1 Month	3 Month	6 Month	52 Week	5 Year	10 Year
	-0.09%	0.18%	-10.93%	-9.07%	-14.65%	-20.73%	-2.41%

Based on weekly data updated as of April 25, 2020 © PaulZimnisky.com, 2020

Index Value - 52 Weeks

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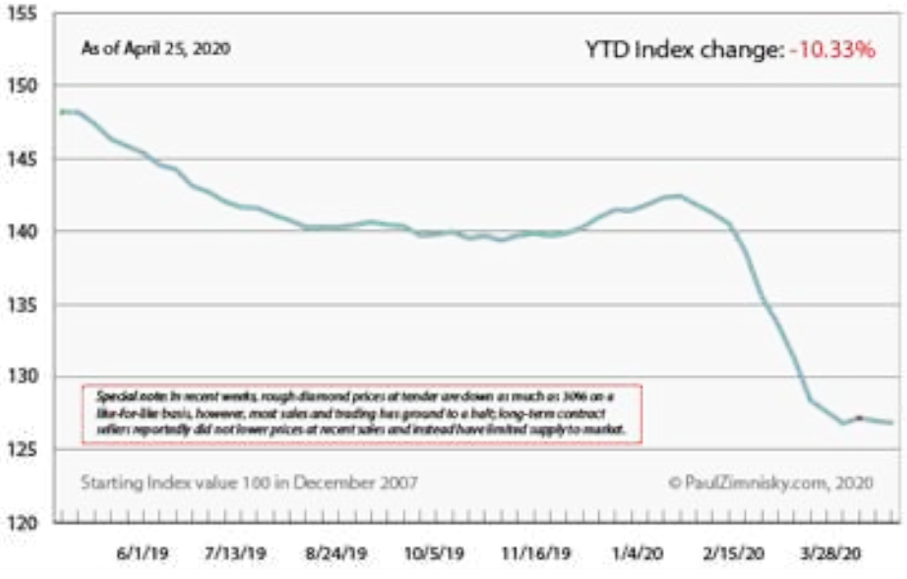

Notes:

1) The Index aims to track the like-for-like price change of natural rough diamonds priced in U.S. dollars weighted according to the global product mix.
2) The Index is based on an initial value of 100 starting on December 31, 2007.
3) The Index is updated on a weekly basis, typically on Saturday.
4) *The Index is subject to revision*, typically as far back as the most recently completed calendar quarter.

More information can be found at RoughDiamondIndex.com.
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Special note:

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In recent weeks, rough diamond prices at tender are down as much as 30% on a like-for-like basis, however, most sales and trading has ground to a halt; long-term contract sellers reportedly did not lower prices at recent sales and instead have limited supply to market. Read more here.

About the Index:

Given the highly concentrated state of the global diamond mining industry, the relatively opaque nature of rough diamond trading and the lack of fungibility of diamonds, reliable, easily-assessable rough diamond price information has traditionally been difficult to source. Thus, the Zimnisky Global Rough Diamond Price Index was created to consolidate reliable natural rough diamond price information and publish the current price change of natural rough diamonds on a weekly basis in the form of an index. More specifically, the aim of the Index is to track the like-for-like price change of natural rough diamonds priced in U.S. dollars weighted according to the global product mix.

The proprietary index methodology primarily incorporates price data from rough diamond transactions in the primary market, e.g. sales via long-term contract, tender, and auction by commercial miners. The Index also includes a minor sensitivity to polished diamond prices; given the symbiotic nature of rough and polished, some miners utilize the current polished market as a model factor when setting contract pricing of rough. In addition, the Index includes a minor sensitivity to stand-alone diamond mining equities, as the relative liquidity that equities provide can imply the current profitability and revenue generation ability of diamond miners, which is directly influenced by the current rough diamond market.

Note: the value of the Index is not meant to reflect the average price per carat of a diamond, instead the current Index value represents the percentage change in the price of rough diamonds from the initial Index value set at 100 on December 31, 2007. The Index exclusively tracks natural diamond prices and thus does not include lab-created or synthetic diamond prices, whether gem-quality or industrial. However, extensive analysis has been performed on the pricing differential of natural and lab-created diamonds and related trends and is available for purchase. Please inquire for more information.

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Charles Wyndham

My Current Work is all done through:

WWW Group of Companies:
The WWW group of companies which were founded by Richard Wake-Walker and Charles Wyndham in 1996. The group includes WWW International Diamond Consultants, WWW Diamond Tenders and WWW Diamond Forecasts, all companies are incorporated in the UK. WWW is a 49% shareholder in Diamonds International Canada (DICAN) with its local Inuit partners in Canada through which it does its government diamond valuation work. Through its management contract with DICAN, WWW has full management control over the valuation and supporting services to Government. A full list of WWW clients may be found on its website www.diamondwww.com.

U2 Diamonds Ltd
This company which was formed in 2001 owns PolishedPrices.com. As founder and principle shareholder of this company involvement apart from the general overseeing of the project and discussions with data providers and those financial institutions which may wish to use the prices / indices, is writing commentaries which are published on the web site. The index is published on both Reuters and Bloomberg. In December 2015 the Swiss regulator gave approval to GAM acting on behalf of Julius Baer for a diamond physical fund on the condition that it used Polishedprices.

RoughPrices Ltd
The principle shareholders in this company formed in 2012 are Richard Wake-Walker, Neil Buxton and myself, all part of WWW. RoughPrices.com publishes a rough diamond website and price book. The index is published by Bloomberg.

CFPW Ltd
This is Charles Wyndham personal company and is currently investing in various projects in Burma.

WWW :
This work is best broken down into some broad bands:

Government Diamond Valuating:

1998 to present:

WWW, through DICAN, has acted, through three competitive tenders, as the Government Diamond Valuators for DIAND who has responsibility for royalty collection for all mines in the NWT and Nanavut in Canada. This now covers Ekati, Diavik, Snap Lake, and, for the first time this month, Guacho Kue mines and when it was operational the Tahera mine. DICAN also won the first competitive tender for valuing the Victor Mine production in Ontario and has continued this work through competitive tenders. WWW through DICAN has valued all Canadian commercial productions. WWW has

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also valued and modeled all bulk samples for prospective mines, except the De Beers Victor Mine.

Diamond Tendering:

2003 – 2010

WWW tendered all the production of the Letseng Mine whose production uniquely focuses on the highest value large stones. WWW also tendered a range of other production during this period including for the first time some successful polished tenders.

Other Diamond and General Experience

2000 – present

Formed U2 Diamonds Limited which owns PolishedPrices.com, the only independent polished diamond price list based on multiple sourced actual transactions. PolishedPrices has been published by Bloomberg and Reuters since 2006.

1996 to 2001

Formed R-W (Diamond Brokers) Ltd with Gerald Rothschild to act as brokers to DTC. Sold shareholding in this company back to Gerald Rothschild as of 31st December 2001.

1995 to 1996

As director of Consolidated African Mining (Vancouver Listed) responsible for potential diamond projects in Africa appraised various 'samples' in Sierra Leone, Guinea and Cote d'Ivoire.

1995 Decided to leave De Beers after 20 years in its employ to create own businesses.

1993 to 1995

As the Diamond Consultant to the Chairman's office of De Beers in South Africa was responsible for the sorting offices in Kimberley and Windhoek. Was director of BDVC the sorting operation in Botswana.

1990 to 1995

Director responsible for security and group diamond insurance for De Beers. Also, responsible for diamond administration in London.

1990 to 1993

Secretary to the Executive Committee of the CSO in London, also secretary to the Diamond and Administrative Committees. [CSO means the Central Selling Organization of De Beers that

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organized the diamond market worldwide during most of the 20th Century. It was succeeded by DTC, the Diamond Trading Company.]

Also, responsible for the Sights (sales) in Johannesburg of approximately $300 million per annum. This included agreeing the offer prices for all special stones, those above 10.8 carats and any fancy colour stones. Also, was responsible for agreeing the final selling price for such stones. [Sights were monthly sale events by which De Beers sold boxes of diamonds to about 100 persons or entities selected to resell the diamonds within rules De Beers set.]

Director of Teemane Cutting factory in Botswana. Had overall responsibility for this De Beers factory, looking at and discussing the purchase shipments from London.

1985 to 1990

Manager of De Beers Diamond Control. Responsible for setting up a new computer management system for the CSO stocks and responsible for general diamond administration

1983 to 1985

Responsible for the Industrial Aid department in London. This was the key De Beers sorting and valuing department in London through which a very high proportion of the goods set aside for deals to large clients were channelled. The responsibility included verifying the final sorting monthly.

1980 to 1985

Sales Department of the CSO (now DTC) in London. Covered the American, Belgium, and Industrial desks. In addition was responsible for Special Deals, which became the most significant conduit for sales through the recession during the early 80s. This work included agreeing mixtures and prices for these deals. Also put the selling prices on all special stones and negotiated a large proportion of the sales of those stones to specific clients.

1976 to 1978

Buyer in London, Antwerp and Africa. Was manager of Tshikapa buying office, which at the time was the most significant buying office for De Beers in Africa. As manager was responsible for one's own purchases as well as the other four or five buyers.

1975

Went through an accelerated diamond programme by DTC (which became the CSO and later changed by De Beers back to the DTC name), working in all rough sorting departments for a minimum of one cycle, concluding with a five month diamond manufacturing course in Antwerp with a major DTC Sightholder.

1972 to 1975

Articled clerk to Thomson Mclintock & Co, chartered accountants London.

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Qualifications: MA in jurisprudence from Oxford University 1969 – 1972
Poitiers University, France 1969
Manchester Business School 1990

December 2016

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ALEXKOR

A Marketing Proposal

Prepared

By

Charles Wyndham

May 1998

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SUMMARY

- **Alexkor's is a premium production which is by definition extremely saleable**

- **Despite current difficulties, Alexkor's offshore concessions provide it with enormous potential.**

- **The current marketing contract with De Beers is inequitable, fatally flawed and immensely costly.**

- **Conservatively Alexkor should be receiving at least another R36.5 million per annum on its current production, subject to any price decreases that De Beers may announce. Even then the differential in percentage terms between what is received from De Beers and the market of approximately 16% would remain.**

- **There are no commensurate advantages to Alexkor of selling through the 'single channel'.**

- **Alexkor should immediately start positioning itself to renegotiate with De Beers whilst searching for alternatives.**

- **It will not be difficult to find alternatives. This should be done within a framework of involving Government, the Province, the Company, Labour and its chosen partners.**

- **The aim of any renegotiation with De Beers and others should be to enable the beneficiation of the production by adding value, in particular by cutting.**

- **Alexkor should be used by Government as a window on the market.**

- **Training of small a cadre of people should start immediately to provide Government and Alexkor with its own source of independent advice for now and the future.**

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Introduction

The context for this marketing proposal following a visit by Adv. Nono Goso, Chairperson and Thian Combrinck, Chief Executive Officer, to London, Antwerp and Moscow is as follows:

Alexkor is at present a very marginal and small mine, producing about 180,000 carats a year for which it receives about $300 per carat from De Beers to whom it has been selling for the last 67 years.

Whilst the current Life of Mine (LOM) plan for onshore resources is dire, this is being seriously questioned by current management. It appears that the current prediction of 2 years could be as much as 20 years and comfortably in excess of 10 years.

Management is addressing the issues of productivity and security.

- Production for the last two months has shown a most encouraging increase of 20,000 carats a cycle.
- An international team of security experts has been engaged in an attempt to reduce what is believed to be a minimum loss of 20% through theft.

The third key issue in addressing the mines viability is the issue of marketing. This has been approached not only on the basis of how to maximise the cashflow of the mine in regards to its immediate difficulties, but also in the context of how best to take advantage of the mines undoubted potential.

The offshore potential that Alexkor has cannot be exaggerated. There can be no better address than Alexkor has immediately adjacent to the De Beers concessions which have proved to be so successful. The question is why is there so much commercial interest being expressed in such an unprofitable and small mine which is supposedly coming close to exhausting its resources?

The aim of this proposal is first of all to address **the** priority of achieving the maximum price for Alexkor's production in order to remove any immediate threats to its existence and provide the necessary oxygen to allow the correct long term decisions to be taken. At the same time the proposal will offer suggestions as how to achieve this in the context of maximising the direct and indirect potential of Alexkor.

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Sales to the CSO.

As already mentioned Alexkor, which is owned by government, has been selling to the CSO for the past 67 years. The CSO is the selling arm of De Beers. The contract that government has with De Beers is said to be a standard contract, whatever standard is meant to be. Under the terms of the Alexkor agreement it is paid 86% of the price for which the CSO itself sells the diamonds (what is called the SSV). This raises the following issues:

- The appropriateness of the size of the margin.
- The basis upon which the margin is calculated, the price.

The Margin.

The margin is made up of 10% as a handling fee to the CSO including its profit and the 4% is the mines contribution to the world wide advertising campaign conducted by De Beers to encourage the sale of polished.

As a marginal mine it appears ridiculous for Alexkor to be paying a 4% levy for world advertising. This R10 million a year should go straight to the bottom line. The question should be asked if all producers pay the same 4% on the same terms. The answer is no. There is a strong argument that producers should contribute to the world wide advertising but to liken Venetia or the Botswanan mines to such a small and marginal producer is absurd. That is on the assumption that all are treated equally, the case becomes even more ridiculous if there are exceptions.

Alexkor has already received offers to handle the sale of its production for 4% and less. Each percent represents at least R2.5 million to the company. On this basis, i.e. a differential of 6%, for what is the normal term of a De Beers contract of five years and taking a most conservative production estimate at $50 million per annum this amounts to an additional fee of at least R75 million (R5 to $1) for the full term or R15 million per annum. It will be shown later in this document that even a straight 4% is too high.

The fee charged by De Beers is reduced by the variable additional price (AP) which is paid out of 'any surplus arising from the sale of diamonds by Ditra …' This has recently been running at 4% to 5%. Therefore the net differential in one sense is reduced by this percentage. Taking what has been the 'normal' AP recently at 4.5% and increasing the value to Alexkor by this amount, namely $52.25 million, the net percentage charge by De Beers is reduced to 13.4% or 0.6%.

It has to be asked just how equitable the system is, whatever the margin. As explained later Alexkor's production is a premium production and by definition an easily saleable production. Why should such a mine pay the same margin to sell its production as a Finsch or Venetia mine, both of which produce large quantities of small and cheap goods which require much more work to sell. It is a nonsense and plainly inequitable even within the 'standard system.'

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The Price.

De Beers does not claim to buy diamonds at market price. It buys **most** individual productions against samples which are meant to represent its selling assortment and therefore price. De Beers buys at an agreed discount to its selling price which in the case of Alexkor is 14% (10% margin and 4% advertising contribution). Therefore apart from any discussion on margin the basis of the price is critical.

In Alexkor's case, as with all other South African productions bought by De Beers, the production is valued at Harry Oppenheimer House (HOH) in Kimberley. **At the time of sending each cycles diamonds to HOH, Alexkor has absolutely no idea as to the value of the diamonds.**

The diamonds are sorted in HOH. Sorted means agreed to a sample which is meant to represent the master selling sample in London. Under the current agreement the only information that Alexkor receives about the value of its diamonds is a Valuation Certificate which states the total carats of gem and near gem goods and a total value for each category. There is no detailed break down.

Therefore the company which is buying the diamonds is also valuing the diamonds.

The protection that is offered to Alexkor is provided by Proval the Government Diamond Valuator.

Proval

Proval is a company contracted by the South African Diamond Board. The last agreement was signed in 1994, before the reconstitution of the Diamond Board under a new Chairman and CEO. The agreement runs to the end of 1998.

The issue of Proval received extensive coverage at the recent Commission of Inquiry, where the possibility that the structure within which Proval works is fatally flawed was openly discussed. It is not the purpose of this paper to go into details about Proval but suffice it to say that in my opinion the practice is in fact worse than the theory of the situation. The theory is that the company who buys the diamonds and values them also had a controlling say in the very body which is used to assuage Alexkor that the process is being independently verified.

Alexkor's Production.

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Alexkor premium should be at least 10%

Alexkor's is a most attractive alluvial production. It has a large average stone size. The quality is remarkably good as is the consistency of the shape of the diamonds within the production which explains it being referred to within the trade as 'A B C goods', i.e. easy to manufacture with high yields. As a production it is weighted in the medium colours or commercial colours. This last point is significant in regards to the current market and will be discussed later.

Alexkor's is a premium production. There is absolutely no doubt that carat for carat and quality for quality that it would command a premium. By definition being a premium production it is an extremely saleable production.

The minimum premium that should be anticipated in relation to a standard De Beers contract at any one time for such a production as Alexkor's should be considered to be at least 10%. The one time that Alexkor did get an independent valuation prior to shipment to De Beers there was a difference of 23%.

Opportunity Cost of Selling to De Beers.

Therefore on the basis of the above and looking at the simple financial implications of the current contract arrangements the 'cost' to Alexkor could and should be viewed as follows:

	De Beers $m	Market $m
Current sales to De Beers at SSV	**50**	**50**
Add 10% for premium production Sold to market	**Nil**	**5**
	50	**55**
Less Marketing cost	**7 (at 14%)**	**2.2 (at 4%)**
	$43	
Add AP at 4.5% on $50m	**2.5**	

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Net payment to Alexkor.	**$45.5**	**$52.8m**
Net $ Difference per annum		**$7.3m (R 36.5 m)**
% Difference.	**16%**	

If the premium is doubled to 20%, remembering the only empirical evidence available to Alexkor was a difference of 23%, the difference in actual revenue increases to $12.1 million (R60.5 m) or 26.6% on a total net payment of $57.6 million.

Other Possible Advantages of Selling to the CSO

Clearly from the above there is no financial advantage to Alexkor selling through De Beers, indeed there is a very substantial cost. The issue is how much is the cost? Until Alexkor starts to take its own future into its hands the size of the cost will never be known. Various arguments are put forward to support the CSO or single channel marketing:

The Single Channel:
What is the single channel? **De Beers is remarkably adept at blurring its own interests with those of the industry.** An enormous amount of time and money has been spent to make the words De Beers and diamonds synonymous. De Beers is a public company whose correct aim is to maximise **its** profits. It only acts in the interests of the industry in so far as they coincide with its own. The business is referred to as a cartel. The correct word should be monopoly. Cartel assumes the producers are all part of the same decision making process. They are not. They are part of the process but not the decision making, as in OPEC or the failed tin cartel. There are benefits to the industry from 'single channel' marketing. But these are more psychological than practical except for the direct benefits to De Beers profit. Of course the other interesting point is that single channel marketing is in fact inherently illegal in most countries.

The fact is that over the past few years, Argyle has left the system. The CSO has the contractual right to purchase less than 50% of Russian production. The Democratic Republic of the Congo no longer sells directly to De Beers, it sells by tender. It appears most unlikely that BHP and its mine in Canada with an anticipated turn over of $450 million per annum will sell more than 50% if any through the single channel. Angola…

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Two other Southern African producers of similar goods and comparable size, Transhex and Namco do not sell through the single channel, why?

The fact is that De Beers is fighting a rear guard action to preserve single channel marketing. Reality has moved on. Governments and companies are increasingly unwilling to be dictated to by a company which at the end of the day is only interested in its own power which it can convert into profits by stifling competition.

It is absolutely preposterous to contend that a company with sales of about $50 million would have any serious effect on a company or the single channel whose sales last year were well in excess of $4 billion.

Pricing.

Within the industry and well known to the South African Government rough diamond prices do go down as well as up. No one, including De Beers, can buck the market. **Where De Beers does make a most valuable contribution is that it helps even out the volatility of the market, through its ability and willingness to stock diamonds**. However this is done through no altruistic reason but for its own benefit. When it suits, De Beers is more than willing to drop prices, the conflict between it and Argyle when the latter decided to leave the CSO is clear proof of De Beers willingness to defend its control, not prices. Interestingly in the presentation given by Mr Ralfe he said one of the main reasons for the surge in diamond sales to Japan in the seventies and eighties was the appreciation of the Yen to the dollar, effectively a price decrease in real terms in the local market.

Any statistics must be used cautiously. But at the presentation given to Alexkor in London the base for most of the graphs chosen to show the role of the CSO was 1985, the absolute bottom of one of the most severe recessions known to the industry. The fact is that a 4 grainer or 1 carat 'D' Flawless polished stone reached over $60,000 in 1980, to day the figure is less than $15,000. Another diamond dealer to whom Alexkor spoke to in Antwerp was adamant that in real terms prices of rough have still not recovered to the 1980 level. As Mike Mitchell said at the Financial Times Conference in October 1997:

> **'We at Argyle have developed the understanding that a CSO contract does not buffer you from market realities.'**

However powerful De Beers is, and it is very powerful, the market will always be the determining factor. The Bank of England found this out when it tried to control the price of Stirling in the early 90's and is finding exactly the same problem in the other direction to day.

Again at the meeting with Alexkor in London Gary Ralfe in discussing the current market made it clear that any organisation would have to take note of the market reality following on from the Asian crisis. There was the strongest possible hint that prices for Asian polished, which is exactly the area within which Alexkor's production lies, may have to fall. De Beers will of course still be charging the same 14% margin.

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Just as the slogan of ‘ a diamond is forever’ has sunk deeply into the subconscious, so is the idea of De Beers never reducing prices. Both are catch phrases that trip off the tongue easily, both are useful propoganda, both are incorrect.

Quota

Though quota does not affect Alexkor at the present if it reached its potential under a CSO contract it would become ensnared in this arrangement. It should not be forgotten that not only would it be subject to quota but as a South African producer it could become a swing producer, ie be affected even more adversely than its ‘poor’ neighbours in Botswana for instance.

Advertising

De Beers organises a world wide polished advertising campaign. In 1997 it spent $200 million. This campaign is presented as solely De Beers. What is interestingly forgotten in attributing the benefits is that it is the producer who also makes a substantial contribution.

De Beers a public company is actually using producer cash to strengthen its hold on the market over the producers. The latest branding exercise is another interesting potential control mechanism whose motives should be examined carefully by all independent producers.

The Proposal

The proposal is going to be divided into two. Firstly goals and secondly specific recommendations to start the process.

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Goals

A Preeminent Diamond Producer.

As already mentioned Alexkor has one of the most attractive productions in the world. Whilst there are current problems it also has in the offshore an asset of tremendous potential. I do not believe that the on shore should be written off yet either. It should be the goal of Alexkor to be a first class and significant producer that maximises the value of such production.

Maximising value should not be limited to the direct value of the diamonds but also include the possibilities of providing added value through the benefication of the production through encouraging cutting in the Northern Cape, and other related activities.

The best way of achieving this will be to treat the diamond assets as a single entity. Dividing the diamond interests would be damaging. The sum of the parts of Alexkor as a producer is greater than its parts. The jewel in the company's crown is the offshore. This is a form of mining that is highly capital intensive with minimal labour requirement. A holistic approach will prevent significant future problems.

Acquire Skills / Knowledge

The absolute key to achieving the long term control of its own destiny and maximising profits to be used as the company / government see fit is the aquisition of its own independent knowledge. As Mike Mitchell said at the FT Conference, ' Total reliance on a third party…will limit your ability to maximise your prices.' It is essential to go out into the market and acquire the skills, knowledge and contacts.

Window on the Market

Alexkor is a state owned mine. It is strongly recommended that it is used by Government as a window on the market. This could once and for strip away once and for all the myths that shroud the industry and make it so difficult for the Government, Alexkor or any outsider to understand it. The interests of the Government and Alexkor clearly coincide.

This would allow an accumulation of knowledge about rough prices, polished prices and the reality of beneficiation. The diamond industry is important to South Africa. This will be possible without any capital cost to the Government. As is clear from this paper

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the current role of Government Diamond Valuator is woefully inadequate. The Diamond Board are in the process of addressing this when the current contract comes up for renewal at the end of the year. Using Alexkor would provide an immediate medium for acquiring knowledge for the company and the Diamond Board. This would be of great value when structuring and monitoring the new GDV contract.

A window would once and for all break the uncomfortable and unjustifiable reliance of Government on one commercial company who is acting for its best interests, not necessarily those of Government. It would send the most uncompromising message. This message does not have to be negative. Any discussion is better served if it is between parties that are both informed. If it is taken as being negative it says a great deal about the reality of the current situation in South Africa.

There are parallels. Russia the second largest producer after Botswana insists on a window. It claims to have made a great difference to its revenues. Argyle had a window. In fact it was the State Government that insisted that there was a window to protect its revenues.

Marketing Alternative

The strength of any possible negotiating stance depends in the end on the strength of any realistic alternative. Alexkor should start immediately searching for the best marketing solution that meets its aims. The possibility of continuing business with De Beers should not be discounted, however it would have to be on totally different terms. Just as discussing with others will strengthen the hand of Alexkor when negotiating with De Beers, so the option of using De Beers should be used as leverage in discussion with other parties.

The issue will not be one of searching for alternatives but sifting through a myriad of options. Handled correctly and with proper support from its shareholder, Alexkor is in a strong position.

The marketing should be viewed as generating win win situations for all participants. Using the model of ARS in Russia the idea of involving Government, the Province, private capital and expertise and labour really can produce win win situations of great excitement and potential.

The aim apropos of the cost of marketing should be to reduce it to as near to 2% as possible and an absolute maximum of 4%.

Specific Recommendations.

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- **Get at least three independent people to put a value on Alexkor's next shipment prior to sending to HOH.**
- **Give notice to De Beers on 1st June.**
- **Immediately start negotiations with De Beers by inviting them to come forward with suggestions as to how they intend to meet the immediate and long term needs of Alexkor.**
- **Select a small cadre of people for training, say two from Alexkor and two from the Diamond Board.**
- **Budget for costs of travel and subsistence for training.**
- **Open negotiations with other interested parties to provide a holistic and long term relationship to maximise Alexkor's undoubted potential.**
- **As part of this document is attached a training proposal that has been accepted in principle by the Government of the North West Territories of Canada. The same proposal has been put to the Federal Government as part of WWW International Diamond Consultants' tender documentation for the Canadian Government Diamond Valuator.**

CW.
May 1998

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PUBLIC ENTERPRISES PORTFOLIO COMMITTEE
5 September 2001
ALEXKOR LIMITED AMENDMENT BILL: HEARINGS

Documents handed out:
Richtersveld compilation document
Richtersveld 1998 proposal to inter-ministerial Committee
Cosatu submission
Alexkor Limited Amendment Bill [B29-01]
Amalgamated Services for Concerned Residents Association (ASCORA) [see Appendix]
Udasa submission

Acting Chairperson: Mr B Martin

SUMMARY
The Richtersveld Vereniging vir Gemeenskaps Eiendom presented their grievances to the Committee about the privatisation of Alexkor and the negative impact that it would have on their community. They felt that the Bill exacerbates matters by allowing the government to sell off portions of Alexkor without fulfilling the legislative requirements for selling off a shareholding in the company. The major concern was the direct effect that the sale would have on the livelihood of the community in the region as most if not all incomes are in some or other way derived from the Alexkor mining industry. The community also expressed its disappointment in the lack of transparency in the process as a whole and called for greater co-operation from the Department and Alexkor.

The Congress of SA Trade Unions and the National Union of Mineworkers rejected the Bill entirely. Their argument was that the problems of Alexkor could be solved by the State itself without resorting to privatisation. The government's shortsightedness on the issue was unacceptable given the negative impact that privatisation would have on the surrounding communities. They presented seven key proposals for a turn-around strategy for the loss-making Alexkor. They concluded that the private sector's great interest in buying the shareholding in Alexkor speaks volumes about the company's profitability potential.

The United Diamond Association of South Africa asserted that both the value of the diamonds and the land was being purposely undervalued and that the demise of this mine was as a direct result of a lack of transparency and security. It claimed that South Africa produces about 70% of the world's gem diamonds yet polishes less than 1%. It believed that Alexkor could become profitable again. Udasa could play a significant role in the marketing of Alexkor's products and adding value to it in the form of a co-op model.

MINUTES
Richtersveld Vereniging vir Gemeenskaps Eiendom
Mr P Strauss (Chairman), Mr W Louw and Mr H Smith (Legal Adviser) made the submission accompanied by a delegation comprised of many individuals.

Mr Louw dealt with the concerns of the community as that one of the unintended consequences of the Bill is that it will adversely affect the Richtersveld community. The issue was why privatise Alexkor? Especially since it is the hub of all economic activity in the Richtersveld and Namaqualand area. It was feared that the consequence of privatisation would be huge job losses. This would drastically exacerbate the existing unemployment crisis in the area.

Another concern was the loss of the developmental role that Alexkor was playing in the area. Thirty percent of Alexkor's profits are paid into a fund to assist the community in its developmental needs. It was feared that the community would lose this benefit when Alexkor is privatised.

Mr Louw stated that the timing of the proposed privatisation of Alexkor could not have been worse as the community is currently embroiled in land claims issues. Why not wait till the land claims issues are

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resolved?

A sore point for the community was the lack of consultation with them on the privatisation issue. The community was disappointed with the manner in which government had dealt with the process. Their continual requests for information such as feasibility reports from Alexkor fell on deaf ears. It was pointed out that it is difficult for the community to state their case to Parliament without having the relevant information at hand.

The Bill had made no provision for community equity, which is supposed to be a responsibility of the government. What is the Richtersveld community getting out of the privatisation process?
In the past Alexkor had had its fair share of problems and as a result a management contract had been awarded to a company called Nabera for the duration of three years to try to get the company back on track. Nabera had not faired as well as was expected and yet it is rumoured that their management contract is to be renewed. Mr Louw felt this state of affairs to be totally unacceptable.

Mr H Smith emphasised that from a legal standpoint it was difficult to prepare an argument when Alexkor continually stonewalled him in his efforts to obtain information from them. Firstly, it should be clarified as to what is being privatised. How is the privatisation of mining leases going to be reconciled with the interests of the community? If the area is to be reaped of its mineral deposits, should the locals not benefit from it?

Mr Smith made the point that government's position on unused state land is that it should be used and occupied by people who had previously occupied it. Therefore if the Richtersveld land is not to be used by the state for state purposes, it should be returned to the people who had owned it before dispossession. The implication of successful land and mineral claims is therefore something that needs to be considered.

The information that they do have about how much of Alexkor is to be privatised and how it is to take place is merely speculation by the press. It is rumoured that 50% of Alexkor is to be put up for sale. The value attached to the sale is in the region of R50 – R80m.

Mr Smith stated that the manner in which the privatisation is to take place is paramount. In the Act, the requirement was that in order for a sale to take place, Alexkor needs to be listed. The listing in itself opens up a whole array of requirements that encourages transparency. Amongst the requirements is that a prospectus should be issued that would allow the public to scrutinise the particulars of the sale. In the proposed Bill listing is no longer required and the sale is purely at the discretion of the Minister. Mr Smith stated that there is a definite need for listing as it relates to the opening up of the financial records of Alexkor to the public. It is this transparency that would allow the residents of Richtersveld to deliver a much more constructive submission to the Committee. At present, the best that the community is able to do is to put forth their proposals as outlined in 1998.

Discussion
- Mr M Nonkonyana (ANC) stated that the object of the Bill is to make provision for Alexkor to become a profit-making company once again by bringing in new investment. What are the fears about making Alexkor profitable once again?
- Mr J Louw (ANC) asked what proposals are being made in response to the concerns that were highlighted to the Committee.
- Mr A Van Jaarsveld (NNP) asked for concrete proposals on what should be done. Further, what seems to be the problem with Nabera?

Mr Smith replied that the problem lies in the fact that the process is being fast tracked. On the one hand government is trying to foster investment in Alexkor but on the other hand the needs of communities are being ignored. At present the only proposals that the people of Richtersveld can offer to the Committee is those that were outlined in 1998, given the lack of information at their disposal. Further, the government's policy framework is not sufficient in guiding the process. The sale should be open to the requirements of a listed company. The obvious problem with Nabera is that

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Alexkor is still suffering losses under their management. In light of this, is it feasible to renew their management contract? Mr Smith noted that he does however appreciate the complexities of managing a mine.

Mr Q Kgauwe (ANC) asked if it was correct that community profit sharing would not work given the fact that Alexkor had not made substantial profits since 1995.

Mr Smith stated that it was correct. He pointed out that Alexkor had not made contributions to the Alexkor Fund since 1995. They have therefore not been fulfilling their obligation of developing the community. The Fund has been surviving off its reserves.

An ANC member asked what attempts had been made to obtain information from Alexkor and the Department.

Mr Louw stated that many letters had been written to Alexkor requesting information but thus far nothing has been received. He added that they have tried to engage with the Department as well.

The Chair stated that the Committee takes cognisance of the fact that the Richtersveld community was limited in its efforts due to the lack of information. He nevertheless congratulated them on their effort as their presence before the Committee speaks for itself. He asked the Department to comment on the issues that were raised.

Mr Andile Nkuhlu, Chief Director of State Owned Enterprises (Department) stated that Nabera is a private company and does not have a shareholding in Alexkor. He emphasised that Nabera is at present only responsible for the management of Alexkor and that discussions are ongoing as to whether their management contract is to be extended. The Department was however not at liberty to discuss the issue in detail.

Mr Nkuhlu conceded that there are disputes between the government and the residents of Richtersveld over land claims. The government has however had success in opposing the claims in the courts, but the residents have taken the matter on appeal.

He said that the government had made provision for an equity community stake for the residents of Richtersveld in Alexkor. It is only the quantum that must still be decided. Mr Nkuhlu pointed out that the Department had not had any discussions with the Richtersveld community in the past six months. As far as the policy framework guiding the sale, it does make provision for corporate plans to be furnished to the Minister of Finance. He added that the residents have not requested any reports in this respect. If the residents wish to be briefed, the Department would be pleased to oblige. Mr Nkuhlu confirmed that Alexkor have not been making contributions to their fund because they have not been making a profit. In closing, he stated that the residents should not be alarmed, as discussions on the issues would continue.

The Chair agreed that the process is only starting and encouraged all stakeholders including the Department to continue discussions.

Congress of SA Trade Unions (COSATU)/ National Union of Mineworkers (NUM)
In their combined submission, Cosatu was represented by Ms F Tregenna and Mr Neil Coleman and Mr Noel Coetzee and Mr Edward Mlondobozi were the NUM representatives. from NUM.

Ms Tregenna noted that Alexkor is currently experiencing a range of problems, including ineffectual management, abysmal industrial relations, poor mining strategy, and ongoing theft, which clearly have a significant negative effect on Alexkor’s bottom line. The bulk of the problems are avoidable, and addressing them would be the basis for a turnaround strategy.

Transforming Alexkor and addressing its problems does not require a jettisoning of state ownership and a takeover by the private sector. It requires a turnaround and thoroughgoing transformation,

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which is not only possible under continued public ownership, but can best be achieved under government control. COSATU and NUM reject the Bill and the privatisation of Alexkor. They believe that Alexkor has a significant contribution to make to both the regional and broader economies, and that continued state ownership will best position it to play such a role.

They were also concerned that the Bill has neither gone through the process specified in the National Framework Agreement on the Restructuring of State Assets (NFA) nor through Nedlac, as should have been the case.

The significant private sector interest in buying into Alexkor is indicative of its future profit-generating potential. It is unions' strong suspicion that Nabera has deliberately downplayed the financial viability of Alexkor in order to convince government of the urgent need to proceed with privatisation, to be prepared to sell Alexkor at a discounted price, and even to discourage other prospective private buyers. Alexkor has a critical developmental role to play in the Namaqualand region, and any downscaling would have devastating socio-economic effects.

Their key proposals, the "Seven-point Plan", for the turnaround of Alexkor as a state asset are:
• Improving mining methods;
• Transforming and upgrading management;
• Human resource development;
• Crackdown on theft, wastage and corruption;
• Capital injection;
• Improvement of non-mining activities;
• Integration in a regional industrial strategy.

They called on the Committee to reject the Bill, and the proposed privatisation of Alexkor, so that viable alternatives can be explored. Even if the Bill goes through, they call on the Committee to support their proposals for the turnaround of Alexkor. It is recommended that the Committee sets a timeframe for a progress report-back in this regard.

The Committee should also initiate the setting up of a Joint Operational Team comprising labour, Alexkor management, the Departments of Public Enterprises and Minerals and Energy, and local and provincial government, which could generate a short, medium and long-term plan for Alexkor which meets the various stakeholder needs.

Discussion
Mr Frolick (UDM) asked how much money would the state have to contribute to turn Alexkor into a profit-making entity given the fact that the government has already been contributing money into this parastatal for a long period?

Mr Nkosi (ANC) inquired about Cosatu's proposal regarding capital injection. Where would this injection come from and for how long? Was there any viability study that Cosatu had conducted in order to support its claim that Alexkor has a potential?

Mr Mohlala (ANC) remarked that their submission fails to deal with the specific issues and clauses in the Bill except to say that the Bill must be entirely rejected. Further, the Committee is requested to follow through on proposals such as capital injection and other transformation methods, the results of which they were not sure.

He criticized the speculative nature of Cosatu's statement that neither the government nor other stakeholders have an accurate picture of the real state of affairs at Alexkor especially in terms of its financial situation. He said that this was quite a serious statement to make and asked for clarity. He maintained that there does not appear to be anything wrong with the Bill.

Ms Tregena replied to the complaint that Cosatu's proposals are not linked to the Bill, by pointing out that the Bill only has two paragraphs. The real purpose of the Bill is to make it easy for the

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government to privatize Alexkor. The Memorandum to the Bill mentions the removal of those obstacles to the privatization. This gives the government carte blanche to privatize Alexkor as it sees fit. Thus this is not a submission suggesting that certain changes have to be effected to the wording of the Bill because the Bill has only one purpose which is to aid the government to privatize Alexkor. Even if the Bill went through, which is certainly not Cosatu's preference, this would not rule out the turnaround strategies that Cosatu has proposed.

She continued that in government's own briefing to the Committee it has been unable to say exactly what Alexkor's current financial situation is. The government has stated that an investigation still needs to happen to find out whether or not Nabera has added value. It would be suicidal for any restructuring to go ahead when government is not clear about what is the actual financial situation. She concluded that Cosatu does know that the company is making a profit at the moment.

Ms Hloane (ANC) did not think that the problems raised by Cosatu were sufficient to create a need to reject the Bill. She asked what had Cosatu done to address the lack of transformation at Alexkor and what would be the terms of reference for the "joint operational team" mentioned in Cosatu's turnaround strategy?

Mr Noel Coetzee (NUM) replied that it was clear that it is not the role of the government to get involved with the actual operations of Alexkor. Clearly, government together with the labour force has to find a way to solve the problems at Alexkor and see whether it is possible to get out Alexkor out of the crisis situation it is in.

Mr Neil Coleman (Cosatu) added that the government has more access to information and a joint task team will be able to make an appropriate assessment – this would be an issue for the Committee to apply its mind based on the suggestion made in the submission. It would be unfortunate if news was to spread out to the society at large that the government is only interested in one issue which is finance. Cosatu has clearly stated the potential of Alexkor, both its developmental potential and the returns it can bring to the state. There is a need to look at the impact of privatization on the community such as the loss of jobs and the impact of privatizing and selling to private sector owners

Mr Andile Nkuhlu replied that Cosatu's submissions are welcomed by the Department but that this submission had very little to do with the Bill. He quickly pointed out some inaccuracies in Cosatu's statements:

Firstly, the Department is fully aware of the detailed financial status of the mine. Alexkor has undergone a recent audit and financial reports reflect that the financial status has deteriorated from bad to worse. The Board of directors is battling to pay salaries and has only enough to pay salaries up to December this year.

When Nabera was commissioned to assume Alexkor's administration, the government took a loan and guaranteed the debt that was used for exploration up to R72 million. Only R25 million has been utilized in exploration and operations and Alexkor is not in a position to pay back the bank loan. Therefore, the perceived potential of Alexkor is not borne by fact. The future of the mine is not in the land but is in the sea – which would be the most expensive type of exploration. Research has been made in this regard.

Secondly, the government is not talking about carte blanche privatization of Alexkor. This is a misnomer.

Thirdly, the Department concurs with the issue of industrial strategy in terms of beneficiation. Discussions are currently afoot with the Northern Cape's provincial government and the Minister to look at these strategies. There are not innocent approaches as there has been a lot of "raping" of resources of the Northern Cape which makes the government very wary of the use of some of the approaches.

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Fourthly, on the issue of financial resources to turn the company around, the financial resources would not come from the state. The future of Alexkor is not in the land where the majority of its employees are. The future lies in deep sea exploration.

Lastly, what the Bill seeks to achieve is flexibility. Government may list Alexkor if it becomes profitable again and the only way in which this could be done is through privatization. Thus, this is not a carte blanche power given to Cabinet.

Ms Tregenna posed the question: if the situation at Alexkor is as gloomy and hopeless as the Department is portraying, then why is Nabera, which knows the company inside out, as well as other private sector interests queuing up to buy into Alexkor?

She criticised the Department's assertion that the future of Alexkor is at sea stressing that she did not know what the relevance of that was because the majority of Alexkor's reserves are actually offshore. She conceded that there might be cost implications but to say that its operations are onshore and its reserves offshore has no bearing on one restructuring option or the other.

She stressed that Cosatu's entire submission is a response to the Bill. The objective that the Bill is steering towards is neither desirable nor necessary.

Mr Coetzee referred to the notion that Alexkor's future is in offshore mining. NUM had had a meeting with the representatives of the Board on 3 September 2001. It emerged that there is extensive potential onshore. It is a lack of capital that prevents Alexkor from carrying on its activities. Therefore, it was wrong to state that there is no potential onshore and nothing to be done except offshore exploration. This needs to be corrected.

Mr Coleman added that it was easy to look at balance sheets and throw figures and numbers around. There was a concrete need to look at "social balance sheets". He appealed to the Committee to look at a much broader cost benefit analysis and the implications of throwing people out of work in economic terms - the unemployment insurance payments, the social security benefits and the costs of creating new jobs to replace the existing jobs as well as the social costs to the community concerned. This is the analysis that needs to be made.

Mr Nkuhlu replied to Ms Tregenna's question and said that the reason behind other stakeholders interest at Alexkor is because of the quality of the jewel in the seabed lining in the Namaqualand. This has been confirmed by various studies that Alexkor's future will be under the sea. There are currently negotiations at the mine aimed at significantly reducing the workforce due to the problems at Alexkor. These have been put on hold in consideration of the social impact this may have. He said that he does not understand why Cosatu believes that the restructuring of the mine would be the cause of job losses because even if government does not restructure the mine, it faces job cuts which will reduce the workforce by 50%. The only thing that makes Alexkor survive on a month to month basis is the contracts that Alexkor has to mine and explore in the sea. This comes to an end at the end of September. These facts are not conjured up by the Department.

Mr Martin concluded that the Committee has an oversight role and a duty to question the Department and stakeholders without fear or favour in order to carry out the terms of its mandate and to serve the people of the Republic of South Africa.

Udasa

Mr Vuyisile Mdleleni noted that Udasa is an SMME based in Johannesburg with a cross section of representation by previously disadvantaged persons. . Udasa embraces the restructuring of Alexkor from a loss to a profit-making entity. The focus of the submission was Udasa's suggestion that it market Alexkor's products in to improve Alexkor's productivity so that a worse situation could be avoided. Udasa is not in a position to offer a solution to Alexkor from a production point of view. Issues of ownership and management of Alexkor should be decided carefully weighing up the collective interests of the state, local people and national economy . Udasa can however, play a vital

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role in the marketing of the product adding value to it and creating a significant number of jobs. It was therefore in the national interest that a bond be formed between the two entities.

Mr Abe Sher stated that he had been involved with Alexkor in the past and is familiar with the diamond mining industry in terms of buying and polishing diamonds. He visited the mine for the first time in 1996 and the diamonds that he was shown as part of the investigating crew, had not been cleaned. It appeared that none of the diamonds were cleaned at Alexkor but were immediately transferred to De Beers. He mentioned that he was not allowed to take his tools with him in order to make an assessment. He is of the opinion that this is part of the scam. The only assessment that he made was that the diamonds were totally undervalued. De Beers took 14% for the privilege of marketing the diamonds. This was on an undervalued basis. It appeared that De Beers was buying uncut diamonds at a greatly undervalued rate. He refused access to the mine's archives and the contract between Alexkor and De Beers. It was clear that there were cover-ups and that there was no transparency. The identical situation occurred in 1999. The sale of diamonds at an undervalued rate has created significant losses for Alexkor Ltd. He said that this is iniquitous. He concurred with Cosatu's submission that Nabera has been selling at a loss in order to underplay the value of Alexkor Ltd. People have also been misinformed about the land value of Alexkor. There is generally a lack of transparency.

He referred to the ostrich farming, one of the non-mining activities undertaken by Alexkor Ltd. He pointed out that there is a big demand for ostrich meat in European countries and surely this could generate revenue on Alexkor's behalf.

Discussion
Mr Mohlala (ANC) remarked that Udasa's input was very informative. However he doubted whether the Portfolio Committee was an appropriate platform for the issues raised by Udasa as they have no direct bearing on the Bill before the Committee. Udasa's presentation was merely an opportunity for this organization to inform the Committee about Udasa and its expertise and how they could assist in the restructuring process of Alexkor Ltd.

Both Mr Nkosi (ANC) and Mr A Van Jaarsveld (NNP) also if Udasa had any comments on the proposed amendment Bill.

Mr Sher replied that it was of no consequence to Udasa whether the Alexkor project was privatized or whether one followed Cosatu's proposals and stopped privatization and let the mine be developed. However, the two main aspects that contributed to the demise of this mine was lack of transparency and security. This had a direct impact on the profitability of the mine.

The meeting was adjourned.

Appendix
ASCORA (Amalgamated Services for Concerned Residents Association)
Lentswe La Setshaba

ALEXKOR LIMITED AMENDMENT BILL (B29-2001)
As a community based organisation and, members of the civil society we felt obliged that the closure of the Alexkor Limited or rather the diamond mining company cannot be left alone without comments and fair and constructive criticism applied.

We understand the position of the Ministry of Public Enterprise on the matter and, we do sympathise with the government on the matter as disposal and selling is envisaged.

But we feel the Ministry of Public Enterprise and the Government should also understand and sympathise with all those who will be affected by the disposal and selling of shares and, who will become victims of problems of the socio-economic and political intransigence, created the Public Enterprise's position.

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Because the Public Enterprise's position is inevitable, we would like the following matter to be considered:

1. ECONOMIC EMPOWERMENT
Because of the unfortunate situation that will prevail, we urge the Ministry concerned on humanitarian grounds to consider providing those who will lose jobs with economic empowerment training and skills and allow them self-development in the different fields they were involved in.

This is imperative as Alexkor Limited and the Public Enterprise would have done a great accountability and responsibility and also it would have ploughed back to those who have made it become what it is today.

It will be a sorry state of affairs for Alexkor Limited to close shop and ignore inputs and requests from all spheres and walks of life.

2. MINISTRY OF FINANCE
Since we are all living in a world of profit making, it would be a very sad day to see our government and the Ministry of Finance going broke because of serious losses experienced at Alexkor.

We concur with the Ministry of Finance because of the inevitability of the position, to sell and/or otherwise dispose of shares in the company but we also urge that when shares are disposed of and sold, people who were involved in the company at labour and managerial levels should be taken into consideration for shareholding. This opportunity must be accorded to them.

Our organisation (ASCORA) supports the Alexkor Limited Amendment Bill to amend the Alexkor Limited Act, 1992 (ActNo. 116 of 1992) by the substitution for Section 4(3) of the Act of provisions, enabling the Minister of Public Enterprises to sell Alexkor Limited shares held by the State.

3. ECONOMIC EXCLUSIVISM
From our political perspective and point of view we believe Section 4(3) of the Act, which imposes restrictions on the sale of disposal of shares held by the State, is the work and creation of the architectures of the previous economic and political systems which were based on the exploitation and economic exclusivism and shut out.
A mechanism and way should be found out by the Ministry of Public Enterprise, members of civil society, trade unions, church bodies and political organisations, to encourage the relevant Ministry to remove the stumbling block (Section 4(3) and change Alexkor into a profit making organisation for the benefit and betterment of our developing country and people.

We hope our contribution and input will be suffice enough to the amelioration of our economy and Alexkor.

We hope you will find this in order.
Thanking you.

THEMBA NCALO
SECRETARY GENERAL

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Marine-based operations

Description	Units	'a' Concess. South	'a' Concess. North	Sub-total 'a' Concess.
Shallow Water Marine Units				
Contractor Units	(no)	15	25	40
Annual Operating Time	(days)	56	56	56
Total Pumping Time	(days)	833	1,389	2,222
Average Production Rate	(ct/day)	13.0	11.5	12.1
Contractor Efficiency Factor	(no)	1.2	1.2	1.2
Carat Production	(ct)	12,997	19,162	32,159
Average Stone Size	(cts)	0.34	1.02	0.75
Average Diamond Price	(US$/ct)	170	588	419
Exchange Rate	(ZAR:US$)	6.0	6.0	6.0
Royalty	(%)	5%	5%	5%
Net Revenue	(zar/ct)	13	84	77
Revenue Split	(%)	69%	48%	51%
Operating Costs	(zar/ct)	9	31	39
Shallow Water Shore Units				
Contractor Units	(no)	5	25	30
Annual Operating Time	(days)	84	84	84
Total Pumping Time	(days)	419	2,099	2,508
Average Production Rate	(ct/day)	8.8	8.8	8.8
Contractor Efficiency Factor	(no)	1.2	1.2	1.2
Carat Production	(ct)	4,414	22,068	26,481
Average Stone Size	(cts)	0.34	0.75	0.69
Average Diamond Price	(US$/ct)	170	407	369
Exchange Rate	(ZAR:US$)	6.0	6.0	6.0
Royalty	(%)	5%	5%	5%
Net Revenue	(zar/ct)	4	51	55
Revenue Split	(%)	66%	46%	48%
Operating Costs	(zar/ct)	3	24	26
Total Annual Production				
Contractor Units	(no)	20	50	70
Annual Operating Time	(days)	63	70	68
Total Pumping Time	(days)	1,251	3,478	4,728
Average Production Rate	(ct/day)	11.6	9.8	10.3
Contractor Efficiency Factor	(no)	1.2	1.2	1.2
Carat Production	(ct)	17,411	41,230	58,641
Average Stone Size	(cts)	0.34	0.97	0.72
Average Diamond Price	(US$/ct)	170	491	396
Exchange Rate	(ZAR:US$)	6.0	6.0	6.0
Royalty	(%)	5%	5%	5%
Net Revenue	(zar/ct)	17	115	132
Revenue Split	(%)	67%	47%	50%
Operating Costs	(zar/ct)	11	54	66
Overhead Costs				7

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Net Present Value Calculations:

Earnings from future mining activities Alexkor/ABM

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Introduction

1. The object of this memo document is to provide a basis for evaluating the possible future earnings derived from future mining activities by Alexkor and ABM. It also attempts to provide a reference to evaluate the future royalty earnings for the Richtersveld Community.
2. WWW was tasked to provide a current independent valuation of Alexkor diamond production. It valued three Alexkor production parcels. The three parcels were valuated by Charles Wyndham at the offices of Diamdel in Johannesburg and consisted of production from the land operation received byDiamdel in early January 2006 and production from the land and marine operations received in February 2006.
3. Using the information provided in the Standard Bank Report of 2005, the valuation results obtained by WWW and the economic forecasting of WWW, WWW modelled various scenarios for the future and calculated the possible future earnings for the company and possible royalty earnings for the Richtersveld community.
4. In order to model the various scenarios different assumptions were used to provide the basis for the calculations. The assumptions and the different scenarios will be explained in the following paragraphs.

Scenarios

5. Standard Bank in its 2005 Valuation report described three land mining scenarios. It considered the third scenario as the most appropriate.[1]
6. The Option C in the Standard Bank Report[2] indicates that approximately 3.4 million carats will be mined over a 20-year period. Standard Bank therefore proposed that it is reasonable to accept a production of 170 000 carats per year[3] for the 20 year period.
7. Standard Bank further projected that the marine concessions [only the a-concessions were considered] will be capable of producing approximately 58 641 carats per year for a period of 5 years. Production from the marine cconcessions will stop after year 5 according to the Standard Bank report.[4]
8. Standard Bank further estimated the average price to be achieved for future diamonds sold at $195 and $396 per carat for the Land and Marine operations respectively.[5] These average diamond prices were derived from a statistical analysis of historical diamond revenue achieved during 2003 and 2004.[6] The statistical analysis resulted in a polynomial equation making it possible based on historical data to calculate the average diamond price per carat if the average stone size of the production is known.**WWW strongly recommend that this model is updated based on WWW'S latest valuations.**
9. During January and February 2006 WWW conducted an independent valuation on the Alexkor production and derived an average of $350 per carat for the production from the Land Operations and $830 per carat for the Marine production.
10. Standard Bank's Economic Divisions forecasts for February 2005 were used for the inflation rate and exchange rate until 2008. Thereafter a flat rate was used for the inflation and differential between the USA inflation rate and the RSA inflation rate were used to adjust the exchange rate on a year-to-year basis.[7]
11. Diamond prices were adjusted in the Standard Bank report by using the inflation rate change as predicted by Standard Bank's Economic Division, ie by 2% per year.[8]

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[1] Standard Bank Alexkor Valuation Report 2005 pg 21
[2] Standard Bank Alexkor Valuation Report 2005 Table 4 pg 15
[3] Standard Bank Alexkor Valuation Report 2005 Table 4 pg 15
[4] Standard bank Alexkor Valuation Report 2005 Annexure 3 pg 49
[5] Standard Bank Alexkor Valuation Report 2005 Annexure 3 pg 49
[6] Standard Bank Alexkor Valuation Report 2005 pg 23.
[7] Standard Bank Alexkor Valuation report 2005 pg 32
[8] Standard Bank Alexkor Valuation report 2005 pg 32

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12. WWW used a forecast of the expected rough diamond production and a conservative economic outlook. Diamond price change forecast is included in Table 1. This forecast has been used in the WWW NPV models.

Table 1
Price Increases

	Land	Marine
2006	5.2%	5.3%
2007	9.0%	8.7%
2008	0.5%	0.4%
2009	3.6%	3.4%
2010	2.0%	2.1%
2011	3.3%	3.5%
2012	5.8%	5.9%
2013	4.1%	4.2%
2014	4.0%	4.1%
2015	4.2%	4.2%
2016	6.2%	6.1%
2017	4.7%	4.7%
2018	7.7%	7.8%
2019	7.9%	8.2%
2020	4.9%	5.2%
2021	11.3%	11.0%
2022	10.6%	10.5%
2023	7.9%	8.2%
2024	4.9%	5.2%
2025	5.0%	5.0%

13. WWW used the forecast of Global Insight with regard to the fluctuation in inflation rate in the USA and RSA and also the fluctuation in the ZAR/$ exchange rate. These economic parameters were applied in the WWW NPV models. See Table 2.

Table 2

	Real GDP		CPI		Ex Rate
	US	SA	US	SA	ZAR/$
2005	3.6%	4.0%	3.0%	3.9%	6.78
2006	3.1%	3.9%	1.9%	4.6%	6.78
2007	3.2%	3.8%	1.6%	4.1%	7.14
2008	3.3%	3.6%	1.9%	4.3%	7.58
2009	2.9%	3.5%	2.1%	4.2%	7.75
2010	2.9%	3.5%	2.2%	4.3%	7.93
2011	2.9%	3.0%	2.6%	4.3%	8.10
2012	2.9%	2.9%	2.7%	4.3%	8.27
2013	3.0%	2.8%	2.7%	4.6%	8.45
2014	3.2%	3.0%	2.6%	3.5%	8.63
2015	3.3%	2.8%	2.6%	3.0%	8.81
2016	3.2%	3.2%	2.6%	4.2%	9.00
2017	3.1%	3.0%	2.6%	4.0%	9.19
2018	3.1%	3.1%	2.7%	4.0%	9.39

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2019	3.0%	3.1%	2.7%	4.0%	9.59
2020	3.0%	3.1%	2.7%	4.0%	9.79
2021	2.9%	3.1%	2.7%	4.0%	10.00
2022	2.9%	3.1%	2.7%	4.0%	10.21
2023	2.9%	3.1%	2.7%	3.9%	10.43
2024	2.9%	3.1%	2.7%	4.0%	10.65
2025	2.9%	3.1%	2.7%	3.8%	10.88

14. Standard Bank proposed that all marine production would stop after 5 years. This could be seen as unrealistic as it is foreseen that marine production will continue after 5 years albeit on an ever-decreasing scale. For this reason some of the models [ie NPV2; NPV4; WWW NPV2] demonstrate marine production continuing after year 5 but production decreasing with 10% every year until year 20.
15. Standard Bank in its report used a WACC of 13.13% and explained in detail why and how the WACC[9] was calculated. The government in its proposal[10] used a discount rate of 10% in its calculations.
16. With the above parameters the following 7 scenarios were developed:

NPV1	**Production**	**Land**	3,400,000	Carats
		Marine	293,205	Carats
	LOM	**Land**	20	Years
		Marine	5	Years
	Average Diamond price	**Land**	195	$/cts
		Marine	396	$/cts
	Exchange Rate	**Land**	As per Standard Bank till 2008 thereafter depreciated @ 2.5% per year	
		Marine	As per Standard Bank till 2008 thereafter depreciated @ 2.5% per year	
	Price Escalation	**Land**	Escalation of 2%	
		Marine	Escalation of 2%	

NPV2	**Production**	**Land**	3,400,000	Carats
		Marine	712,311	Carats
	LOM	**Land**	20	Years
		Marine	20	Years
	Average Diamond price	**Land**	195	$/cts
		Marine	396	$/cts
	Exchange Rate	**Land**	As per Standard Bank till 2008 thereafter depreciated @ 2.5% per year	
		Marine	As per Standard Bank till 2008 thereafter depreciated @ 2.5% per year	
	Price Escalation	**Land**	Escalation of 2%	
		Marine	Escalation of 2%	

NPV3	**Production**	**Land**	3,400,000	Carats
		Marine	293,205	Carats
	LOM	**Land**	20	Years
		Marine	5	Years
	Average Diamond price	**Land**	350	$/cts
		Marine	830	$/cts
	Exchange Rate	**Land**	As per Standard Bank till 2008 thereafter depreciated @ 2.5% per year	

[9] Standard Bank Report Valuation Report 2005 Section 3.2 pg 29 and Annexure 1
[10] RGV Raamwerk Section 8.2.1 pg 14

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		Marine	As per Standard Bank till 2008 thereafter depreciated @ 2.5% per year
	Price Escalation	**Land**	Escalation of 2%
		Marine	Escalation of 2%

NPV4	**Production**	**Land**	3,400,000	Carats
		Marine	712,311	Carats
	LOM	**Land**	20	Years
		Marine	20	Years
	Average Diamond price	**Land**	350	$/cts
		Marine	830	$/cts
	Exchange Rate	**Land**	As per Standard Bank till 2008 thereafter depreciated @ 2.5% per year	
		Marine	As per Standard Bank till 2008 thereafter depreciated @ 2.5% per year	
	Price Escalation	**Land**	Escalation of 2%	
		Marine	Escalation of 2%	

WWW NPV	**Production**	**Land**	3,400,000	Carats
		Marine	293,205	Carats
	LOM	**Land**	20	Years
		Marine	5	Years
	Average Diamond price	**Land**	350	$/cts
		Marine	830	$/cts
	Exchange Rate	**Land**	As per WWW	
		Marine	As per WWW	
	Price Escalation	**Land**	As per WWW	
		Marine	As per WWW	

WWW NPV 2	**Production**	**Land**	3,400,000	Carats
		Marine	293,205	Carats
	LOM	**Land**	20	Years
		Marine	20	Years
	Average Diamond price	**Land**	350	$/cts
		Marine	830	$/cts
	Exchange Rate	**Land**	As per WWW	
		Marine	As per WWW	
	Price Escalation	**Land**	As per WWW	
		Marine	As per WWW	

NPV State	**Production**	**Land**	3,400,000	Carats
		Marine	293,205	Carats
	LOM	**Land**	20	Years
		Marine	5	Years
	Average Diamond price	**Land**	195	$/cts
		Marine	396	$/cts
	Exchange Rate	**Land**	Constant R/$	
		Marine	Constant R/$	
	Price Escalation	**Land**	No price escalation	
		Marine	No price escalation	

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17. The above can be summarised as follows:

Model		NPV1	NPV2	NPV3	NPV4	WWW NPV	WWW NPV 2	NPV State
Production	**Land (Carats)**	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000
	Marine (Carats)	293,205	712,311	293,205	712,311	293,205	712,311	293,205
LOM	**Land (Years)**	20	20	20	20	20	20	20
	Marine (Years)	5	20	5	20	5	20	5
Average Price	**Land ($/Carats)**	195	195	350	350	350	350	195
	Marine ($/Carat)	396	396	830	830	830	830	396
Exchange Rate	**Land**	1	1	1	1	3	3	4
	Marine	1	1	1	1	3	3	4
Price Escalation	**Land**	2	2	2	2	3	3	5
	Marine	2	2	2	2	3	3	5

Exchange Rate and Price Escalation Key

1	**As per Standard Bank till 2008 thereafter depreciated @ 2.5% per year**
2	**Escalation of 2% as per Standard bank**
3	**As per WWW**
4	**Constant R/$**
5	**No price escalation**

Results

18. Using the 7 different scenarios the results of the Net Present Value calculations can be summarised as follows:

Discount Rate	NPV1	NPV2	NPV3	NPV4	WWW NPV	WWW NPV 2	NPV State
10.00%	R257.1	R306.8	R476.5	R580.7	R625.6	R767.3	R178.3
13.13%	R209.2	R246.7	R389.4	R467.9	R499.0	R604.0	R150.5

The Net Present Values for the royalty earnings vary between R257m and R767m for the different scenarios at a discount rate of 10%.

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UDASA'S VERBAL SUBMISSION PRESENTED BY VUYI MDLELENI

PRELUDE/PREAMBLE TO THE PRESENTATION ON ALEXKOR

Since 1913 there has been various initiatives by government and other interest groups to develop a strong diamond manufacturing industry in South Africa. De Beers being the main producer in the RSA (+93% of total output) has always been a forceful proponent of strict control over the flow of rough diamonds into the Market.

This policy on the one hand has been of great benefit to the RSA and the diamond industry globally. On the other hand it has together with geo economical and political factors resulted in the manufacturing industry growing largely in Belgium, Israel, India, Thailand etc. instead of locally. Today Southern Africa produces about 70% of the world's gem diamonds yet polishes less than 1%. Up and until 1979 manufacturing licenses in the RSA were only issued to De Beers Sightholders (16 in total presently). A few dozen were issued over the next 15 years by the Diamond Board on the pretext that these licensees should seek its supply from the uncontrolled or so-called open market. This being such an erratic source not so conducive to permanent job creation a very few of the new entrepreneurs actually succeeded. With the advent of the new South Africa hundreds of licenses were issued to mostly the "previously disadvantaged". Facing the same plight with regard to supply on top of other barriers i.e. access to finance and polished markets this strategy did not really spark a dramatic growth in the SMME sector of the industry either. Today probably only 30% of all licensees are actually active in the industry.

REPRESENTATION IN ORGANISED INDUSTRY

The Master Diamond Cutters Association MDCA traditionally represented almost the entire manufacturing industry at all levels including the diamond board. As new licenses were issued to "Non-Sight Holders" since 1980 most of them joined the membership with the hope that somehow the organisation will further their needs and problems. Understandably the Sightholders (big business sector) not only had very little insight in the peculiar problems facing the SMME sector but found their presence somewhat irritating in more ways than one. Sensing this Frustration IDMASA (Independent Diamond Manufacturing Association of Southern Africa) was formed in 1998. The membership mostly consisted of those non-sight holding licensees that seemed to have survived the eighties and early nineties. More the less concurrently the Rainbow Association (RA) was formed mostly consisting of the new licenses since 1994 (the previously disadvantaged) who understandably surmised that they have a more unique set of challenges facing them.

FORMING OF UDASA

Inspired by our new national motto ultimately members from both IDMSA and RA faced up to the fact that we are truly living in a new South Africa and that we all need each other to overcome the obstacles of participating in the African Renaissance. UDASA (United Diamond Association of South Africa) was formed in May 2000 with the two organisations merging into one. The newly elected executive committee immediately set out defining its mission, vision and identified some key goals in the short and longer term. In order to pursue these goals eight sub committees were formed each chaired by a member of the executive and staffed by others or co-opted members of UDASA.

VISION

To develop the diamond cutting industry in Southern Africa as part of the African Renaissance by beneficiating the continents raw materials.

MISSION

To build on the extensive and modern infrastructure existing in the Republic of South Africa by developing the SMME sector of the industry into a significant contributor to the total output of polished diamonds of the region and become a major employer by constructively challenging all barriers to growth and enhancing the business environment to attract new entrepreneurs to the industry.

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GOALS

- To negotiate a regime of consistent and sustainable supply of rough diamonds at fair market prices for all members.
- To negotiate a system of financial support for members struggling to finance rough purchases.
- To create a unified marketing platform from where members can market their goods at competitive prices internationally.
- To co-ordinate training services in both technical and managerial skills with all authorities and institutions concerned to upgrade the productivity levels of all members and their employers.
- To interact with local and national government departments in order to motivate the re-regulation of the industry and the adjustment of the legal framework of the country to encourage growth and incentives development.
- To interact with organized Labour in order to eradicate all hindrances in the way of job creation and manpower development.
- To seek representation on every forum where decisions are taken influencing our future.
- To recruit all active licensees to the membership of UDASA and unite them in a disciplined commercial force acting with integrity and on the highest ethical standard possible.
- To maintain an open relationship both internally and externally by regularly issuing newsletters to members and press releases to the media.

UDASA AND ALEXCOR

UDASA identified the regular and consistent supply of raw materials at manufacturable prices as the most serious limiting factor to growth in the SMME sector.

Alexcor on the other hand can only benefit from selling their product in a competitive and transparent manner whilst simultaneously contributing to government's stated policy of beneficiation and job creation.

Surely there is a lot of synergy in combing these interested particularly so as long as the state maintains any kind of interest in this mining venture.

The mechanism to be employed in order to direct and distribute the raw material to individual cutters can take on many different formats. This surely should be thrashed out by all the role players concerned. It is imperative however, that certain basic principles are observed in the process i.e. transparency. The current arrangement (a legacy from the previous regime) that the product is sold to one buyer at his price without any check is completely unacceptable in fact it is tantamount to fraud.

THE CO OP MODEL

Following on the Indaba 2000 where UDASA made some significant inputs into debating the role of the SMME sector in the future development of the gold and diamond industry in the Republic of South Africa we developed a new model to expedite and facilitate the forceful growth of this sector.

It is quite evident from all industry deliberations, studies, workshops etc. that South Africa currently only has a dismal share of the world jewellery market completely disproportionate to the abundance of raw materials found in its soil.

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The Labour intensive nature of this industry and the traditional family business type format augers well for a dramatic growth in this sector.

On the other hand however, the negative and limiting factors inherent in this kind of set p must be overcome. The availability of finance and marketing capacity for instance are distinct weaknesses in the SMME sector. These and other obstacles can best be overcome by organizing the SMME sector into a co-operative manner. (We can still take some lessons from ants and bees). Annexure B attempts to summarise a possible scenario for such an outcome as a final solution to the future prosperity of this lucrative business sector.

CONCULSION

UDASA is NOT in a position financially or expertise-wise to offer a solution to Alexcor from a production point of view. Issues of ownership, and management of this wonderful state asset should be decided carefully weighing up the collective interests of the State, local people, and the national economy.

UDASA can however, play a vital role in the marketing of the product adding value to it (+-30%) and creating a significant number of jobs. (+-3 jobs for every 1000 carats produced per annum). Therefore, it is only in national interest that a bond be formed between the two entities and that the current almost scandalous situation is not allowed to continue. The link between the two entities can take on various shapes but the ultimate in our opinion would be the formation of a national diamond and jewellery finance and marketing Corporation. In such a format the State and the private sector together, can find the optimum solution for the benefit of all people concerned. This will bring prosperity not only to diamond miners and polishers but also those who create and manufacture the jewellery that the world market is begging for.

UDASA'S VERBAL SUBMISSION PRESENTED BY ABE SHER

In October 1996 a mandate was given by G.H. Akharwaray the MEC of Economic Affairs of Northern Cape to Gibb Africa to investigate the establishment of a diamond cutting works to beneficiate the diamonds of Alexkor.

I was invited by Gibb Africa to assist them in their investigation and to possibly become involved as an investor in a cutting works.

I am a Civil Engineer by Profession and have been involved in the diamond industry for the past 23 years as a major player in virtually all aspects of the industry from mining, polishing and rough diamond buying as well as numerous aspects of the jewellery industry.

Over the past 8 years I have been involved in the establishment of Jewel City which is the centralisation of the Diamond and Gold Industry in South Africa which presently houses some 70% of the diamond industry and a larger portion of the jewellery industry under one roof. I have also been instrumental in the establishment of the Diamond Bourse and the Diamond Training School.

In November 1996 I was privileged to be part of a delegation that visited the mine and was given access to the final recovery plant. It was during this visit that I realised just how little transparency there was in the marketing of the diamonds of Alexkor and how completely dependant the Mine was on the integrity of De Beers which came under scrutiny during the Commission of Inquiry into the Diamond Industry in 1997. I will not elaborate on my visit to the Mine, a report on which is incorporated in the Gibb Africa submission, except that it was easy to conclude that there was nobody at the Mine at that stage who had any knowledge of diamond valuation or marketing skills and that there was a conspiracy not to change the status quo.

It appears that there is collusion between certain interested parties who are determined to preserve the lack of transparency with regard to marketing of the mines production by hindering and frustrating prospective buyers of the rough diamonds. The delegation consisting of Charles Wyndham, Joe De Decker, Macdonald Temane, and Richard Tyrell, experienced the same obstructive treatment at

MINING-04-740

premier airport, recreation clubs, schooling, a museum and external transport services. Alexkor recognises the need to empower historically disadvantaged South Africans (HDSA), particularly those residing in the Northern Cape. Companies of the HDSA, or those with strong empowerment programmes are looked upon favourably during the tender process. Preference is given to those companies employing retrenched Alexkor employees.

Alexkor has a post-mining programme in place, which has as an objective the economic development of the entire Namaqualand region. Alexkor has always taken the interests of the surrounding communities at heart. For that reason a member of the

XX4-GJC-738

was saved by the company. There are several other cases which would have resulted in litigation if these two gentlemen did not intervene immediately and take the steps that they have taken.

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Query by the European Union

The European Commission has notified Alexkor that the Diamdel Agreement dated 1 July 2000 between De Beers and Alexkor is an agreement between two competing businesses. The Diamdel Agreement is an exclusive distribution agreement whereby Alexkor commits to De Beers and agrees to sell and Diamdel agrees to purchase on an ongoing basis all diamonds produced by Alexkor.

-1510-

MINING-04-741
XX4-GJC-739
GC73

		• Appeal still pending CC
NUMSA vs Alexkor	R483 172	• 2001 retrenchments • R483 172 expensed in FY'03 • Labour Court judgment still pending
European Competition Commission vs Alexkor	R159 855	• Diamdel Sales Agreement • Pending
Truter Wouda Marais NO vs Alexkor and another	R70 340	• Completed • O'Beep plant • R40 000 expensed in FY'03
SECPROP 120 Investments (Pty) Ltd vs Alexkor	R22 107	• Muisvlak integrated video management • R150 000 expensed in FY'03
Namaqua Crushers vs Alexkor	R26 401	• Completed • R26 401 expensed in FY'03 • Completed
Nabera vs Alexkor and the Government of the RSA	R44 615	• Value Add/Destroy • R44 615 expensed in FY'03 • Still pending
DDFK Diamonds vs Alexkor	R55 384	• R35 565 expensed in FY'03 • Appeal still pending
David Lurie CC vs Alexkor	R17 100	• Completed
Port Nolloth Boumark vs Alexkor	R4 200	• Completed
Total	**R4 980 793**	**R2.9 million expensed in FY'03**

The European Commission considers the Diamdel Agreement to be a dominant undertaking on the market of the supply of rough diamonds. By selling its products to competitors, De Beers may eliminate a large part of the residual competition in the market and therefore hinder the competition still existing in the market or the growth of that competition. The European Commission further notified Alexkor that this agreement seems to be in breach of Articles 81(1) and 82 of the Treaty establishing the European Community and further that it will initiate formal proceedings.

The European Commission is investigating whether to lay formal charges against Alexkor. Alexkor has given De Beers notice to cancel the Diamdel Agreement with effect from 1 December 2002. Subsequent to this, it was extended from time to time and is terminable by either party giving one month's notice to the other.

It is anticipated that the cancellation of the initial Diamdel Agreement will remove the cause of the complaint. However, at this stage it is not certain whether the European Commission will withdraw the investigation.

-1511-

APPENDIX C.

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BUSINESS DAY
LETTER PAGE
15 JULY 2005.

Letters t

Odd gem figures

SIR — In, State soothes De Beers' fears over diamond law (July 12), De Beers CE designate Gareth Penny said the company was supplying between 8% and 20% more cuttable diamonds to South African customers than are produced in SA.

I am a diamond manufacturer struggling for survival because of a lack of rough diamonds supplied by De Beers to smaller manufacturers.

Last year De Beers mined almost 14-million carats of rough diamonds from SA, at an average price of $76 a carat, earning about $1bn.

If De Beers supplied 20% more than they produced, they would have to supply more than 14-million carats to SA. Hardly!

They supplied 20% more by value, but what De Beers does not specify is that they only have to supply less than 5% of 14-million carats back to SA, 600 000 carats, at $1 800 a carat to reach this figure.

As a client of Diamdel (a De Beers company set up to supply rough diamonds to smaller South African manufacturers) I have been continuously shown rough diamonds between two and three carats — each priced at between $1 500 and $2 000 a carat.

This despite the fact that the declared value of the total production is less than $80 a carat.

The majority of rough diamonds supplied to South African manufacturers by De Beers are again re-exported by utilising loopholes in the current minerals and energy act.

This has necessitated amendments to the act and I eagerly await its implementation.

Eugene Roos
by e-mail

ALEXKOR IS ONLY RECIEVING BETWEEN $500 AND $950 / CARAT! MORE THAN 50% LESS.

GC76

EXECUTIVE COMMITTEE: **CELL:**
JOSEPH KLAASE (CHAIRPERSON) - 072-590 8193
CLIVE JACKSON (VICE-CHAIRPERSON) - 082-535 9411
MARINDA THERON - 083-630 8935
GAVIN CRAYTHORNE - 083-630 1380
DANIEL VANDEN HEEVER - 082-806 6546

P.O. BOX 330, ALEXANDER BAY, 8290

THE CHIEF EXECUTIVE OFFICER 06 June 2004
ALEXKOR LIMITED
PRIVATE BAG X5
ALEXANDER BAY
8290

Dear Mr. Zihlangu,

PROPOSED RESCUE PACKAGE FOR MARINE DIAMOND CONTRACTORS:

Following on from our meeting held recently, the committee has formulated the following rescue package which we feel will head off the impending business failures looming amongst the contractors while limiting the cost thereof to Alexkor.

The Business Chamber acknowledges that Alexkor has limited latitude in assisting the contractors in this pursuit and has therefore been mindful of this fact during the process in order to arrive at an array of solutions that go beyond just an increase in the deal but to include proposals such as growth vectors and business process improvements which do not involve a cost to Alexkor, just an improvement in the revenue line to offset an adjustment to the current deal split and a right to recover costs.

- PERCENTAGE SPLIT IMPROVEMENT
  In respect of:
  - The Basic Deal-
    Using the income drivers (approved by the Mineral Resources Manager at the meeting) for a mining vessel, it is clear that a deal of at least 55% is required to break even after the average number of sea days for this type of operation. It needs to be stressed that this does not make provision for the contractor's opportunity costs and leaves the contractor with a net profit equivalent to 2% of the value of the diamonds he produces and a ROI of 4.44% while bearing all the risk both operationally and financially.

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When one considers that a contactor can go to the local Post Office and get a risk free ROI of 10% with RSA Government Retail Bonds it becomes clear that he is not being compensated fairly for the risk he bears on Alexkor's behalf. We make reference to Alexkor's own investment policy ie. **Alexkor projects should always be evaluated against the rate of return achieved through normal investing activities.**

The average investment for a boat operator is around R800 000,00 which in most cases, when measured against his net worth, amounts to him being super invested in Alexkor with the prospect of being totally wiped out financially in the event of his small business failing. In addition to the unfavourable deal split, Alexkor has mitigated what little risk it does have by "carpet bombing" the resource property with contractor effort and thereby simultaneously amplified the risk of the contractor going forward. The high frequency and bitterness of area disputes is a function of this contractor density. The long term prospects for the contractors on the concession are also in jeopardy from this level of intensity.

Against this dismal benefit for the contractor, Alexkor is still enjoying a net profit of 43% in a **risk-free production environment** when splitting the revenue 55% / 45% in favour of the contractor.

The current state of affairs is a source of great disappointment to the contractors.

SEE CHARTS 1, 2 AND 3.

The contractor bears all the production costs which are in rands against production income which is in USD. This fact together with the weakening of the USD and the strengthening of the rand has played havoc on the contractors net profit which has fallen from 10% of diamond value at an exchange rate of R12 / $ down to 0% at an exchange rate of R6.5 / $.

Alexkor's net profit at this time remains unchanged at 49%.

SEE CHARTS 4 AND 5.

Many analysts including ABSA's chief economist feel that the rand is not overvalued and the prospects for relief in the form of a more favourable exchange rate seem remote at this time.

- A Cost Recovery-

  While the above will go a long way to improving the profitability of the contractor it does little to alleviate his exposure to risk arising from the inherent uncertainties associated with shallow water marine mining which

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are well documented and understood by everyone. This unfortunate reality facing the contractor can be managed using a cost recovery mechanism which allows him to at least first recover his costs by virtue of a high initial percentage split which drops down to the basic deal once he has covered his costs. To this end we propose that the deal be set at 80% in favour of the contractor for the first R50 000,00 in income, where after it switches to the basic deal.

We acknowledge that this arrangement holds risks for Alexkor in that certain contractors may be inclined to slack off once the cut-off point has been reached.

However this risk can be adequately managed using the high level of situational awareness achieved through AIMS to identify and penalise such contractors by withdrawing their right to recover costs.

A positive spin-off arising from this is that a very real and very fair method of penalising bad performance comes into existence.

In addition to easing the risk for the contractor, the inclusion of this measure enables the contractor to enjoy the same level of benefit the state does for doing nothing ie. 5% royalty (excluding taxes) and **still Alexkor's derived benefit is seven times that of the contractor.**

SEE CHARTS 6, 7 AND 8.

- GROWTH VECTORS
    - Re-open Muisvlak-

      While one can debate whether this is technically a growth vector it can certainly be acknowledged that those contractors who would choose to go back to Muisvlak would not be doing very well in the north and the loss to the north's output would not be high at all while the increase in total carat production would be significant from brining the south on stream again.

      The obstacle to this measure is agreed to be the poor security which increases Alexkor's exposure to theft greatly.

      It is our view however that this risk can be managed effectively without prejudicing Alexkor's right to security while at the same time being fair to the contractor.

      We envisage this being achieved by re-introducing the use of polygraphs under the following rules:

      - A contractor wishing to go back to Muisvlak must submit to voluntary polygraphs at reasonable intervals.

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- The interrogation must be structured in such a way that it only seeks to establish whether the subject has been involved in any way with the theft of diamonds from Alexkor since returning to Muisvlak and not to go on fishing expeditions into his past or any knowledge he may have regarding the activities of others as this exposes both himself and his family to harm.
- The examiner is to be someone with verifiable qualifications, no personal links to any instances in Alexkor security and no commercial links to Alexkor itself.
(With regard to the last point above we make reference to page 77, item 17 of the Alexkor 2003 annual report.)

Clearly, a contractor who abuses the above opportunity does not deserve any sympathy or second chance and clearly an honest contractor who is prepared to cooperate in order to improve his productivity deserves the chance to do so.
A contractor who fails a polygraph test under the above conditions must agree to return to the north where he is less of a security risk and forfeit his right to operate in the south. If use of the polygraph leads to conclusive evidence that the contractor has indeed been steeling then he should be criminally charged and immediately have his contract terminated.

- Water Depth Segmentation-
  As has been learnt from the experiences of the African Bounty and Sea Hawk, the profitability of the deeper water on the A concession is sub-economic based on the current deal split. This deeper segment of the concession represents a vast untapped source of diamond production and will remain so until a sustainable deal split is offered to contractors to start working there in large numbers.
  The Business Chamber would like to propose the following:
  1. An 80% deal for contractors operating in depths between 15m and 18m.
  2. This opportunity to be used only on non-standard sea days so as not to create an opportunity cost to Alexkor.

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3. Spot checks to be carried out by Pottie from time to time and any contractor who is violating the depth rule is to have his contract terminated.
4. A one year trial period during which the above is run as a pilot programme and re-evaluated at the end of the year.

- Coastwise Segmentation-
  As is the case for boat operators working in the deep there is a similar argument for shore operators with respect to the far reaches of the concession where the diamond sizes are smaller and the operating costs higher. The idea to bring in a better deal for the far reaches of the concession has been mooted before but this has never gone beyond the discussion stage. There are risks involved with respect to abuse by contractors misstating the source of production and this can be addressed by contractors who utilize the opportunity doing so on the understanding that if they are caught cheating there contract will be terminated.
  A possible method to use in defining the deal split could be to base it upon the average size of the contractor's non-specified stones irrespective of where he has been working. This would be definitive and easy to implement without the need for policing.

The essential benefits to segmentation of the concessions according to economic viability are a relief of the pressure that is currently being brought to bear on one relatively small segment of the resource property and a broadening of production opportunity to the contractors. A more even distribution of effort across the concessions is more conducive to the responsible management of the resource and long term viability of the contractors and Alexkor's shallow water operations. At present we estimate that more than 90% of contractor effort is being concentrated on less than 10% of the resource area under 10m in depth. If one includes water deeper than 10m it would bring this down to less than 5%.
What are we going to do when this segment is worked out?
One cannot escape the realization that Alexkor is making the same resource management mistakes of the past with respect to the land but now with the sea.

- BUSINESS PROCESS IMPROVEMENT
  - Diamond Sales Channel-
    While the contractors respect Alexkor's rights in determining it's choice of

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method in the selling of it's diamonds, we are none-the-less at a loss to understand how the giving of what we view as an anti-competitive monopoly to one buyer, can be in the interests of achieving the best prices for the world class diamonds produced by Alexkor's contractors. Section 8(d)(i) of the Competition Act prohibits the **inducing or requiring of exclusivity** if it is not justified. This refers to a dominant firm incentivising or requiring customers or suppliers not to deal with competitors of the dominant firm.

The Business Chamber sees no justification in the current exclusive arrangement with Diamdel and firmly believes that it is costing both the contractors and Alexkor material losses amounting to millions over time.

- Marketing-
  Alexkor has a unique point of differentiation in the diamond mining industry in that it operates the largest and most sophisticated diamond diving operation in the world.
  There is a distinct move by the industry's big players to vertically integrate and to develop there own distinctive marketing brands. The unique manner in which Alexkor's diamonds are recovered offers a marketing guru's dream come true. Surely a woman would prefer to wear a diamond that was dived from the sea by hand than a diamond that was bulldozed out of the ground? All things being equal.

  We believe an exiting marketing opportunity exists for the contractors and Alexkor to partner with a premium international diamond buyer to add significant value using the mystique of a diamond that has been dived from the sea by an individual using his hands verses the anonymity of the kimberlitic diamond or open cast diamond.
  De Beers are certainly encouraging this type of thinking and this thinking can be brought into effect by setting up two exit channels for Alexkor's diamonds:

  1. A closed tender basis.
     This is the method of choice in the industry and the only means of ensuring that the best price is consistently attained. The bulk of the diamond production would be sold through this channel.

  2. A retail outlet.
     By withholding a small percentage of the production a retail outlet

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could be supported and the opportunity to market the Alexkor brand created. This would require the cooperation of the contractors who produced the diamonds to share in the holding costs.

The Executive Committee of the Business Chamber would like to thank you for affording us the opportunity to make the above recommendations and to re-affirm our commitment to responsibly seeking solutions with Alexkor to the problems we face.

Yours sincerely,

Joseph Klaase
Chairperson.

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STATEMENT TO THE INDEPENDENT DEMOCRATS PARTY

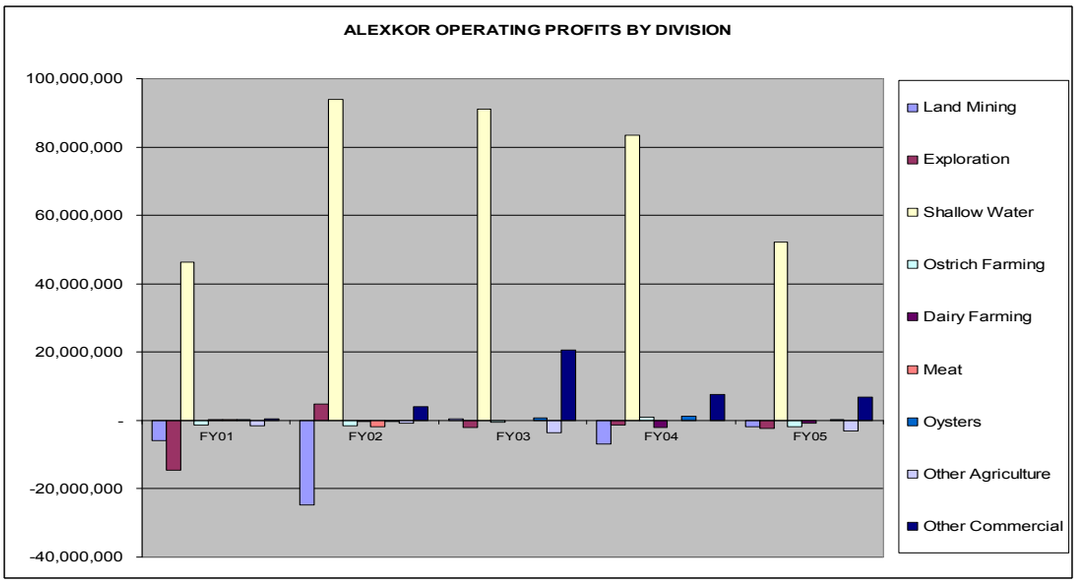
DATE: 22 JULY 2006

SUBJECT: CORRUPTION AT ALEXKOR.

ATTENTION PLEASE: MRS. PATRICIA DE LILLE.

STRICTLY CONFIDENTIAL

As small miners, the Alexkor inshore diamond contractors have just emerged from a period of seven years during which they have been systematically and grossly under paid for the value they have added to the parastatal in the form of diamonds delivered. These diamonds have formed the support base which has prevented Alexkor from sliding into financial ruin. Contrary to the self congratulatory spin published by the DPE, Alexkor management and Mr. Rain Zihlangu, the mine was not turned around during his stewardship by his “dynamic leadership” but in fact by the outsourcing of shallow water mining to independent small miners prior to his arrival. Since the commencement of operations in 1999, the small marine contractors have ensured that the company experienced seven years of fat during which management and the board had a golden opportunity to carry out a process of common sense restructuring that would have positioned Alexkor to ride out the lean times now being experienced in the shallow water mining division. (As Alexkor only introduced segment reporting in FY2001, figures are only available for the past five years)



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Unfortunately, they failed to do so and consequently all stakeholders are now suffering, none more so than the small miners who are paid on a “no diamonds, no pay” basis, unlike management.

The under payment referred to at the outset of this report was facilitated by a stubborn and extremely prejudicial refusal by the chairman and the board to use an open market sales channel. Countless times the contractors objected to this lack of transparency and competition and countless times the contractors were told that the board was “exploring alternatives”. Despite these vigorous objections, no change ever came, until by accident. In April this year, a new diamond valuator was brought in to value the March production after the previous valuator had retired. The new valuator placed a value 37% higher than the offer from Diamdel (DeBeers trading company). After refusing to match the valuators price, the diamonds were placed on the SA Diamond Bourse and sold very successfully, where after Alexkor has continued selling on the open market with sustained better prices.

To illustrate this point, one must look at the improvement in sales prices since the switch over in sales methods. Alexkor’s diamonds have two main classes which are respectively the specified stones and the aggregated stones. If a diamond is equal to or greater than 6.8 carats then it qualifies as a specified stone and is sold individually. The contractor who produced the stone is paid a percentage of this value. All diamonds less than 6.8 carats are thrown together and sorted according to different sieve classes numbering fourteen in total.

Each small miner is paid according to the average price of each class and the quantity of diamonds he produced in that class. Please see APENDIX-A for a sample of a monthly brokers note issued to an Alexkor contractor. Below is a table showing the average price paid per class in the twelve months preceding the switch and the average prices paid since the switch.

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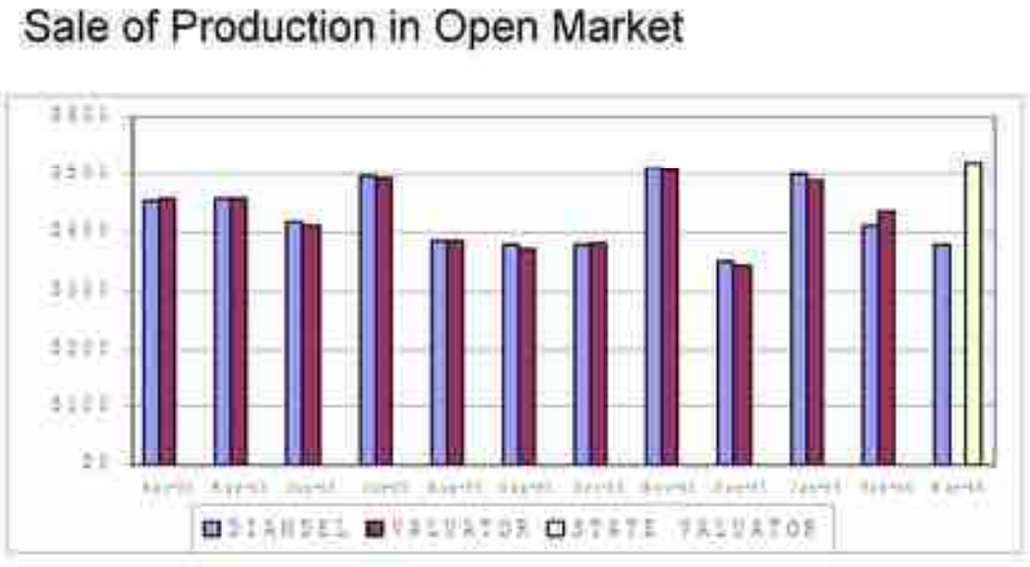
DIAMOND SELLING PRICES			
Diamond Sieve Classes	**Avrge. Mar.2005 to Feb.2006**	**Avrge. Mar.2006 to May.2006**	**Percentage Price Increase**
6ct	$ 1,319.00	$ 2,569.00	95%
5ct	$ 1,256.00	$ 1,382.00	10%
4ct	$ 979.00	$ 1,018.00	4%
3ct	$ 934.00	$ 975.00	4%
10grs	$ 679.00	$ 859.00	27%
8grs	$ 501.00	$ 599.00	20%
6grs	$ 358.00	$ 392.00	9%
5grs	$ 347.00	$ 392.00	13%
4grs	$ 252.00	$ 329.00	31%
3grs	$ 193.00	$ 238.00	23%
+11	$ 148.00	$ 180.00	22%
+9	$ 103.00	$ 144.00	40%
+7	$ 77.00	$ 122.00	58%
-7	$ 50.00	$ 98.00	96%

When one considers the fact that Alexkor concluded more than 1.1 billion rands worth of transactions with Diamdel over the past five years, the above comparisons are extremely alarming.

What is also of great concern to the contractors is the fact that the figures for the previous 11 months show a near 100% correlation between Diamdel's evaluation and the former valuator and this is clearly illustrated in the graph below.



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Furthermore, this valuator was a part time lecturer at the Harry Openheimer Diamond Training School which has a close relationship with Diamdel.

However, the most disturbing aspect concerning the sale of Alexkor's diamonds are allegations which have been made to myself and a colleague, Mr. George Nicolai, that the Chairperson, Mr. Nchakha Moloi had a vested interest in ensuring that Diamdel retained its unfair access to Alexkor's diamonds. This alleged vested interest took the form of an alleged scheme of arrangement as follows:

1. Mr. Moloi facilitated the entry into the diamond trade of ten black empowerment companies by securing positions for them as Diamdel clients.
2. Diamdel would favour these clients by supplying them discounted rough.
3. The Moloi clients would sell their rough on to a specific Belgium cutting firm in Antwerp, again at discount prices.
4. The Belgium firm would pay kickbacks to Mr. Moloi.
5. Mr. Moloi would use his position of influence as Chairman of Alexkor to ensure that Diamdel continued to enjoy exclusive rights to Alexkor's diamonds.

The above allegations were made to me on two occasions, once on or about the evening of the 8th December 2005 and a second time in the presence of Mr. Nicolai, shortly thereafter.
In both cases the allegations were made by Mr. Bernie O'Neill at his apartment in the Spinnakers complex, Lagoon Beach, Milnerton. Mr. O'Neill is a director of Fintrust, a company involved, inter alia, in the diamond industry.

Given the levels of corruption in business and politics in this country, which are so high as to have been lamented by the president, the governor of the reserve bank and the finance minister, we are not at all shocked by the allegations, particularly in light of the picture portrayed by the figures and the irrational refusal by Mr. Moloi to use the open market channel. Furthermore, Mr. Moloi's stated intention of using Alexkor as "the base load supplier to the State Diamond Trader" identifies him as a champion of the cutting industry rather than Alexkor and the mining community

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within which it operates and raises serious concerns regarding the use of the State Diamond Trader for furthering corrupt agendas. We have noted with great cynicism, the attempt by DeBeers to offer the government a 50% stake in Diamdel so that Diamdel could transform itself into the State Diamond Trader and consequently find Mr. Oppenheimer's comments recently a bit rich coming from him. Please see APPENDIX-B.

In closing, Mr. Nicolai and I would like to stress that we are extremely concerned about the possibility of being victimized as a result of blowing the whistle on this matter as our livelihoods depend on our contracts with Alexkor, over which Mr. Moloi exerts great power and influence. It is for this reason that we decided not to act earlier on the information we were given. However, we have been inspired and encouraged by the fearless position that Mrs. De Lille and the Independent Democrats have taken on the issue of corruption and therefore decided to come forward with this information in the belief that you will not ignore this matter and will pursue the truth, no matter what.

In closing, we would like to stress that due to the vital importance of the diamond industry in our community, any corruption preventing the maximization of mining benefits equates to a hollowing out of the local economy and prevents it making the transition from one characterized as weak and backward to one characterized as strong and modern. The clear indication and allegation that corruption has indeed been taking place on a prolonged and grand scale is a source of immense anger to us both. Our community's hope for justice and prosperity is in your hands.

_____ _____

Gavin Craythorne
22 July 2006
Springbock

George Nocolai
22 July 2006
Springbock

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APPENDIX A.

NUMBER	Diamonds	Carats	$/Carat	$ Value
Specified Diamonds	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
	0	0.00	$0.00	0.00
6 ct	0	0.00	$1,908.00	0.00
5 ct	0	0.00	$1,590.00	0.00
4 ct	0	0.00	$962.00	0.00
3 ct	1	3.44	$1,005.00	3,457.20
10 grs	0	0.00	$843.00	0.00
8 grs	1	2.21	$602.00	1,330.42
6 grs	0	0.00	$380.00	0.00
5 grs	0	0.00	$380.00	0.00
4 grs	0	0.00	$328.00	0.00
3 grs	1	0.87	$239.00	207.93
+11	1	0.51	$183.00	93.33
+9	0	0.00	$158.00	0.00
+7	0	0.00	$117.00	0.00
-7	1	0.10	$99.00	9.90
TOTAL	**5**	**7.13**	**$715.12**	**5,098.78**

Exchange rate - R/$ R/$		**6.224**
Amount in Rands(100%)		31,734.81
Less royalties (5%)		1,586.74
Less sorting & valuation		19.61
GROSS AMOUNT		30,128.46
CONTRACTORS SHARE	48%	14,461.66
LESS FAMDA CONTRIBUTION		0.00
AMOUNT DUE (Excluding VAT)		14,461.66
VAT @ 14%		0.00
TOTAL		**14,461.66**

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APPENDIX B.

QUOTES OF THE WEEK

'Whether we like it or not, true or not, the public perception of the diamond industry remains one of secrecy, of hidden dealings, of tax evasion, of political intrigue, of money laundering, of undisclosed treatments and substitution, of false certification, of willfully misleading the consumer and, indeed, even connections with the funding of terrorism'

— De Beers chairman Nicky Oppenheimer in an address to the World Diamond Congress in Tel Aviv

Bus Times 2/7

'It would be a major error to suggest a further opening in [EU] market access'

— French Agriculture Minister Dominique Bussereau at the WTO talks

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REPORT TO THE NAMAQUALAND ACTION GROUP

FOR SUBMISSION TO THE DE BEERS GROUP:

TRANSFORMATION & SUSTAINABILITY

in the

NORTHERN CAPE SMALL-SCALE MARINE

DIAMOND MINING INDUSTRY.

REVEALING THE COST OF THE FAILURE TO PROVIDE EQUITABLE ACCESS TO THE NORTHERN CAPE SHALLOW WATER DIAMOND RESOURCE AS PROVIDED FOR IN THE MINING CHARTER AND THE MINERALS & PETROLEUM RESOURCES DEVELOPMENT ACT, No. 28 of 2002.

PLACING THE NAMAQUALAND MINES TRANSACTION INTO THE CONTEXT OF BUILDING A TRANSFORMED AND SUSTAINABLE SHALLOW WATER MINING INDUSTRY.

JANUARY 2012

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights

of

Small-scale Marine Diamond Miners

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Equitable Access Campaign

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Transformation & Sustainability in Shallow Water Mining

INTRODUCTION

At the De Beers offices in Pinelands on the 15th of December 2011, a meeting was held between representatives of the Namaqualand Action Group (NAG) and representatives of De Beers Consolidated Mines (DBCM). The meeting was chaired by Mr. Barend Petersen, the executive chairperson of DBCM.

The purpose of the meeting was to address the grievances of various stakeholders from the Namaqualand Mines region at the highest level possible and our thanks to Mr. Petersen for taking the trip to Cape Town with his team to make this possible.

The purpose of the EAC's presence at the meeting was to represent the small-scale marine diamond miners of the Northern Cape. The EAC is a member of the Namaqualand Action Group.

While the team from NAG had hoped for a measure of concrete progress towards resolving the issues of concern, Mr. Petersen made it clear that he was only there to "listen" and requested that the various stakeholders submit written accounts of their grievances to which he will apply his mind and then give a written response as a precursor to a meeting for deeper discussion.

This document is a response by the EAC to that request.

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UDASA'S VERBAL SUBMISSION PRESENTED BY VUYI MDLELENI

PRELUDE/PREAMBLE TO THE PRESENTATION ON ALEXKOR

Since 1913 there has been various initiatives by government and other interest groups to develop a strong diamond manufacturing industry in South Africa. De Beers being the main producer in the RSA (+93% of total output) has always been a forceful proponent of strict control over the flow of rough diamonds into the Market.

This policy on the one hand has been of great benefit to the RSA and the diamond industry globally. On the other hand it has together with geo economical and political factors resulted in the manufacturing industry growing largely in Belgium, Israel, India, Thailand etc. instead of locally. Today Southern Africa produces about 70% of the world's gem diamonds yet polishes less than 1%. Up and until 1979 manufacturing licenses in the RSA were only issued to De Beers Sightholders (16 in total presently). A few dozen were issued over the next 15 years by the Diamond Board on the pretext that these licensees should seek its supply from the uncontrolled or so-called open market. This being such an erratic source not so conducive to permanent job creation a very few of the new entrepreneurs actually succeeded. With the advent of the new South Africa hundreds of licenses were issued to mostly the "previously disadvantaged". Facing the same plight with regard to supply on top of other barriers i.e. access to finance and polished markets this strategy did not really spark a dramatic growth in the SMME sector of the industry either. Today probably only 30% of all licensees are actually active in the industry.

REPRESENTATION IN ORGANISED INDUSTRY

The Master Diamond Cutters Association MDCA traditionally represented almost the entire manufacturing industry at all levels including the diamond board. As new licenses were issued to "Non-Sight Holders" since 1980 most of them joined the membership with the hope that somehow the organisation will further their needs and problems. Understandably the Sightholders (big business sector) not only had very little insight in the peculiar problems facing the SMME sector but found their presence somewhat irritating in more ways than one. Sensing this Frustration IDMASA (Independent Diamond Manufacturing Association of Southern Africa) was formed in 1998. The membership mostly consisted of those non-sight holding licensees that seemed to have survived the eighties and early nineties. More the less concurrently the Rainbow Association (RA) was formed mostly consisting of the new licenses since 1994 (the previously disadvantaged) who understandably surmised that they have a more unique set of challenges facing them.

FORMING OF UDASA

Inspired by our new national motto ultimately members from both IDMSA and RA faced up to the fact that we are truly living in a new South Africa and that we all need each other to overcome the obstacles of participating in the African Renaissance. UDASA (United Diamond Association of South Africa) was formed in May 2000 with the two organisations merging into one. The newly elected executive committee immediately set out defining its mission, vision and identified some key goals in the short and longer term. In order to pursue these goals eight sub committees were formed each chaired by a member of the executive and staffed by others or co-opted members of UDASA.

VISION

To develop the diamond cutting industry in Southern Africa as part of the African Renaissance by beneficiating the continents raw materials.

MISSION

To build on the extensive and modern infrastructure existing in the Republic of South Africa by developing the SMME sector of the industry into a significant contributor to the total output of polished diamonds of the region and become a major employer by constructively challenging all barriers to growth and enhancing the business environment to attract new entrepreneurs to the industry.

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GOALS

- To negotiate a regime of consistent and sustainable supply of rough diamonds at fair market prices for all members.
- To negotiate a system of financial support for members struggling to finance rough purchases.
- To create a unified marketing platform from where members can market their goods at competitive prices internationally.
- To co-ordinate training services in both technical and managerial skills with all authorities and institutions concerned to upgrade the productivity levels of all members and their employers.
- To interact with local and national government departments in order to motivate the re-regulation of the industry and the adjustment of the legal framework of the country to encourage growth and incentives development.
- To interact with organized Labour in order to eradicate all hindrances in the way of job creation and manpower development.
- To seek representation on every forum where decisions are taken influencing our future.
- To recruit all active licensees to the membership of UDASA and unite them in a disciplined commercial force acting with integrity and on the highest ethical standard possible.
- To maintain an open relationship both internally and externally by regularly issuing newsletters to members and press releases to the media.

UDASA AND ALEXCOR

UDASA identified the regular and consistent supply of raw materials at manufacturable prices as the most serious limiting factor to growth in the SMME sector.

Alexcor on the other hand can only benefit from selling their product in a competitive and transparent manner whilst simultaneously contributing to government's stated policy of beneficiation and job creation.

Surely there is a lot of synergy in combing these interested particularly so as long as the state maintains any kind of interest in this mining venture.

The mechanism to be employed in order to direct and distribute the raw material to individual cutters can take on many different formats. This surely should be thrashed out by all the role players concerned. It is imperative however, that certain basic principles are observed in the process i.e. transparency. The current arrangement (a legacy from the previous regime) that the product is sold to one buyer at his price without any check is completely unacceptable in fact it is tantamount to fraud.

THE CO OP MODEL

Following on the Indaba 2000 where UDASA made some significant inputs into debating the role of the SMME sector in the future development of the gold and diamond industry in the Republic of South Africa we developed a new model to expedite and facilitate the forceful growth of this sector.

It is quite evident from all industry deliberations, studies, workshops etc. that South Africa currently only has a dismal share of the world jewellery market completely disproportionate to the abundance of raw materials found in its soil.

take on various shapes but the ultimate in our opinion would be the formation of a national diamond and jewellery finance and marketing Corporation. In such a format the State and the private sector together, can find the optimum solution for the benefit of all people concerned. This will bring prosperity not only to diamond miners and polishers but also those who create and manufacture the jewellery that the world market is begging for.

UDASA'S VERBAL SUBMISSION PRESENTED BY ABE SHER

In October 1996 a mandate was given by G.H. Akharwaray the MEC of Economic Affairs of Northern Cape to Gibb Africa to investigate the establishment of a diamond cutting works to beneficiate the diamonds of Alexkor.

I was invited by Gibb Africa to assist them in their investigation and to possibly become involved as an investor in a cutting works.

I am a Civil Engineer by Profession and have been involved in the diamond industry for the past 23 years as a major player in virtually all aspects of the industry from mining, polishing and rough diamond buying as well as numerous aspects of the jewellery industry.

Over the past 8 years I have been involved in the establishment of Jewel City which is the centralisation of the Diamond and Gold Industry in South Africa which presently houses some 70% of the diamond industry and a larger portion of the jewellery industry under one roof. I have also been instrumental in the establishment of the Diamond Bourse and the Diamond Training School.

In November 1996 I was privileged to be part of a delegation that visited the mine and was given access to the final recovery plant. It was during this visit that I realised just how little transparency there was in the marketing of the diamonds of Alexkor and how completely dependant the Mine was on the integrity of De Beers which came under scrutiny during the Commission of Inquiry into the Diamond Industry in 1997. I will not elaborate on my visit to the Mine, a report on which is incorporated in the Gibb Africa submission, except that it was easy to conclude that there was nobody at the Mine at that stage who had any knowledge of diamond valuation or marketing skills and that there was a conspiracy not to change the status quo.

It appears that there is collusion between certain interested parties who are determined to preserve the lack of transparency with regard to marketing of the mines production by hindering and frustrating prospective buyers of the rough diamonds. The delegation consisting of Charles Wyndham, Joe De Decker, Macdonald Temane, and Richard Tyrell, experienced the same obstructive treatment at

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Alexcor in September 1999 as I had experienced three years earlier when inspecting the mines production. The Charles Wyndham Consortium inspected the production at the request of Nabera who were taking over the management of Alexcor. That delegation valued a parcel of rough diamonds consisting of 11,000 carats at approximately $300 per carat and it appears that the parcel was sold to De Beers at approximately $200 per carat. If this is correct, it means that Alexcor was deprived of some R9m of extra income on that particular parcel.

As a further illustration of the lack of transparency regarding the marketing of the mines production, I noticed that there were no Alexcor goods at the layout of De Beers production in Kimberley in April last year. When I raised the issue at the Section 59 Agreement Committee meeting after the inspection, I was told by Warren Simcox of De Beers that they no longer handled the Alexcor goods and he was not aware of who was marketing the mines production. It was subsequently found that Diamdel, a marketing arm of De Beers, was in possession of the goods. There were two Diamdel members at the Committee meeting who I am sure had knowledge of the Alexcor goods in their possession.

I have written numerous papers on the mine at the request of my associates at Letuli House regarding the marketing of the diamonds from Alexkor and the establishment of a cutting works, once the situation at Alexkor had been stabilised.

The first misconception regarding the marketing of the Alexkor diamonds is that the large quantity of goods produced can only be handled by the C.S.O. This is not correct, as there are a few local diamond concerns that do a larger turnover than Alexkor's production. In fact the diamond cutting works that I assisted in establishing, does a larger turnover than that of Alexkor.

In studying the limited information supplied to us regarding the diamonds recovered from Alexkor, it appears that the goods have been undervalued, especially with regard to the larger stones.

The only way of getting rid of these accusations and perceptions which have been damaging to De Beers as well as to the staff in the employ of Alexkor, is by introducing a system of marketing, whereby all concerned have a vested interest to ensure that the maximum value is attained for the goods mined.

We are all aware of how expensive and difficult it is to recover diamonds from the earth, and then only to find that others are reaping the real benefits from the Mines efforts. It is sad that Alexcor personnel have been excluded from participating in the marketing of the mines production which in this case appears to be the most profitable part of the mining process.

Unless one is exposed to the diamond world one will never get a feel of the true value of a diamond. In the past this was very difficult, as the business was a closed shop. With the establishment of the Training Schools and the Bourse, new entrants to the industry can receive the necessary education. This education, together with the knowledge, which some people in the industry are prepared to part with, new entrants to the industry, can gain the necessary experience to become true diamantaires.

There are numerous instances where dealers have made a great deal more money by cutting stones and selling them off as polished stones instead of in their rough state. This is particularly the case when dealing with speculative larger stones. A person who has a true knowledge of diamonds, which under the proper supervision can be gained within one or two years, can only make these decisions.

My recommendation has always been that the Mine should embark on a new and aggressive strategy to market its diamonds. This can be done by forming a Company in which the Mine and the community will have a vested interest together with members of the industry, who will provide the expertise to train the Mine personnel in becoming proper valuators as well as providing the finance to defend the Mines goods with a view to obtaining the best price for the Mines production.

The Company will have to establish an infrastructure whereby the Mine will have a close interaction with the industry in Jewel City. This can be done by chartering aircraft that will fly between

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Johannesburg and Alexander Bay at least once a week and establishing an Alexcor sales office in Jewel City.

Personnel from the Mine should be selected and sent to one of the Diamond Training Schools in Jewel City and thereafter tutored, so that they can actively become involved in the marketing of the Mines production. This will be done together with the personnel representing the interest from the private sector investor. This is the only way to ensure transparency and that the best price is being obtained for the Mines production.

The Company could provide these services at a fee based on 3-5% of the Sales Value of the diamonds. This fee should be sufficient to pay for the charter flight contract between Johannesburg and Alexcor, besides the normal running costs of a marketing operation.

One of the objectives of the Company should be to establish a program so that a fair proportion of the production could eventually be beneficiated in a local diamond cutting works and by so doing create jobs in Alexander Bay. Another important spin off in the initial stages would come about by marketing most of the production through the South African Diamond Bourse or some other entity in Jewel City and by so doing, give local small cutters an opportunity of purchasing the high quality goods from Alexcor.

The United Diamond Association of South Africa represents the SMME Sector of the industry and a large portion of its membership consists of PDI's whose rights are entrenched in our constitution. Our organisation is eager to participate in a joint venture marketing initiative with Alexcor and has the expertise amongst our members to undertake the task as facilitators.

Our submission on Alexcor, submitted to the Minister of Mineral & Energy Affairs at her request in November last year, formed the basis of our written submission to this public hearing. The marketing proposal by Transformation Diamonds which was attached to the submission to the Minister, was drawn up in 1998 and submitted to Alexcor, to which there was no response. The proposal sets out the modus operandi of a marketing strategy which we as an organisation would be happy to adopt by assuming the role to be played by Transformation Diamonds in the report.

This strategy fits in with our organisations intentions to establish a National Diamond and Jewellery Marketing and Finance Corporation. The proposed Corporation is in line with Government policy with regard to beneficiation of our Countries raw materials and is a holistic approach to the Jewellery industry.

There is a perception that a large portion of Alexkor's production cannot be economically polished in South Africa. This is not correct, as even when comparing our polishing costs against India, who have over a million polishers, we are competitive especially with diamonds above a quarter of a carat in size. We have done a comparative study, which shows that depending on the quality and size of diamonds above a quarter carat, India has only a 1.5% to 7% advantage on their bottom line profits against polishing the same goods in South Africa. This is an insignificant advantage especially when taking into account our preferred nation status with regard to exports to the USA, which in the case of jewellery gives us a 5% advantage over India.

With the partial privatization of Alexcor, the marketing operation should be separated from the mining operation to keep everyone honest. We as an organisation are confident that we can play a part in improving the profitability of the mine by ensuring that the highest prices are obtained for the mine production and at the same time provide jobs for many South Africans.

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The Chief Executive Officer
Alexkor Limited
Private Bag X5
ALEXANDER BAY
8290

DATE: 05/04/2006

Sir

VALUATION OF PARCEL 115 **LAND AND SEA: WEIGHT** 3,451 75 **CARATS**

The average value of the parcel in US $ 522 60 per carat

The total value of the parcel amounts to US $ 1,803,890 85

SEA

Weight 2,582 59 carats

37% HIGHER VALUATION BY INDEPENDANT VALUATOR

The average value of the parcel is US $ 578 84 per carat 421.59 Diamdel

The total value of the Parcel amounts to US $ 1,494,906 95

LAND

Weight 837 49 carats

42% HIGHER VALUATION BY INDEPENDANT VALUATOR

The average value of the Parcel is US $ 351 59 per carat 247.99 Diamdel

The total value of the Parcel amounts to US $ 294,453 40 ~~per carat~~

KOTDORING

Weight 31-67 carats

36% HIGHER VALUATION BY INDEPENDANT VALUATOR

The average value of the Parcel is US $ 458 80 per carat 338.44 Diamdel

The total value of the parcel amounts to US $ 14,530 50

Yours faithfully

P.P. M. PELLEG.

ALEXKOR INDEX v ZIMNISKY INDEX: INFLECTION POINTS & TREND REVERSALS

SAIDEX OPEN TENDER PERIOD

ALEXKOR'S PERIOD OF PRICE NORMALIZATION DURING EXPOSURE TO PRICE-DISCOVERY ON THE OPEN MARKET & INTERNATIONAL BUYER COMPETITION

Alexkor signs Diamdel agreement

Diamond Contractors expose Alexkor's deal with Diamdel to Mining Weekly

European Commission withdraws complaint

Government Diamond Valuator pursuades Alexkor to cancel the Diamdel agreement & sell on the open market

SAIDEX loses Supreme Court of Appeal against S20A of Second Diamonds Amendment Act preventing local buyers using international consultants. BARBARA HOGAN is replaced by MALUSI GIGABA

Global Financial Crisis

Alexkor concludes a tender process at the end of 2014 and appoints SSi in January 2015 - Kuben Moodley is a 60% shareholder in SSi via his company KIMOMODE. The GUPTA FAMILY hosts the DMR top structure at the Mining Indaba in Cape Town

Alexkor's Audit and Risk Committee produce a white-wash report for Minister Lynne Brown on 29 February 2016

During the course of 2017, as prices decline even further in the wake of the ARC report, numerous attempts are made by the EAC to address the burning issue of diamond prices with Alexkor but to no avail. The EAC contacts AMABHUNGANE and blows the whistle. On 13 December 2017, AMAGHUNGANE and SCORPIO publish an expose' on SCARLET SKY in the DAILY MAVERICK

Alexkor disregard the concerns of its stakeholders about SSi

Alexkor fires the Government Diamond Valuator & begins the process to appoint a new marketing & sales agent

Richtersveld Community's attorney lodges a complaint against SSi with the Public Protector on 23 March 2015

On 11 February 2016, after no response to the complaint is forthecoming , the Chairperson of the Richtersveld Self Development Company, Mr Pieter de Wet, writes to the Alexkor Chair, the Alexkor CEO and the Minister of Public Enterprises to complain about the lack of progress with an investigation into the irregularities surrounding Scarlet Sky's appointment

250
200
150
100
50
0
-50
-100

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019-FEB 2019-MAR 2019-MAY 2019-JUL

(ISE = INITIAL SALES EFFICIENCY) — ALEXKOR (100% ISE) — ZIMNISKY — PRICE SPREAD

MINING-04-766

XX4-GJC-764

Presentation to the Parliamentary Portfolio Committee

Results for the Year Ended 31 March 2009

ALEXKOR LIMITED

MINING-04-767

XX4-GJC-765

MINING-04-768

Contents

- Operational Overview - ABM
- Financial Overview
  - Consolidated Income Statement
  - Consolidated Balance Sheet
  - Consolidated Cash Flow Statement

XX4-GJC-766

MINING-04-769

Operational Overview

- **Alexander Bay Mining**
- At the beginning of the financial year the Company's land mining operations were restructured with the **closure of Alexkor's own mining teams**. The mine's production is now solely sourced from small locally based contracted mining companies, **3** operating on land and **27** in the shallow-water environment.
- The contracted companies recover diamondiferous gravel along the coastal strip from the mouth of the Orange River for a **distance of 140 km** to the south. This gravel is delivered to an **Alexkor plant** for processing and the recovery of diamonds which are subsequently sold on tender at the **Johannesburg Diamond Exchange**. The proceeds of the sale are shared between the contractor and Alexkor.

XX4-GJC-767

MINING-04-770

Operational Overview

- Diamond recoveries **increased** from **25,620** carats in 2008 to **26,059** in 2009. The variance against the 2009 **budget of 19 429** carats was positive **34%**, a result of improvements in productivity levels both on land and at sea.
- The global economic crisis negatively affected the diamond prices in the second half of the year, **reducing** sale prices by as much as **50%**. The average diamond price received **declined** from **US$763** for 2008 to **US$617** for 2009. The variance against the 2009 budget price of **US$803** was negative **23%**.
- Whilst a weaker rand/dollar exchange rate was received in 2009 than in 2008, it was insufficient to compensate for the low diamond prices and the rand diamond revenue **decreased** from **R139.8 million** in 2008 to **R127.5 million** in 2009. The 2009 revenue however **exceeded** the year's **budget** by **R20.6 million** due to the higher than budgeted carat production.

XX4-GJC-768

Operational Overview

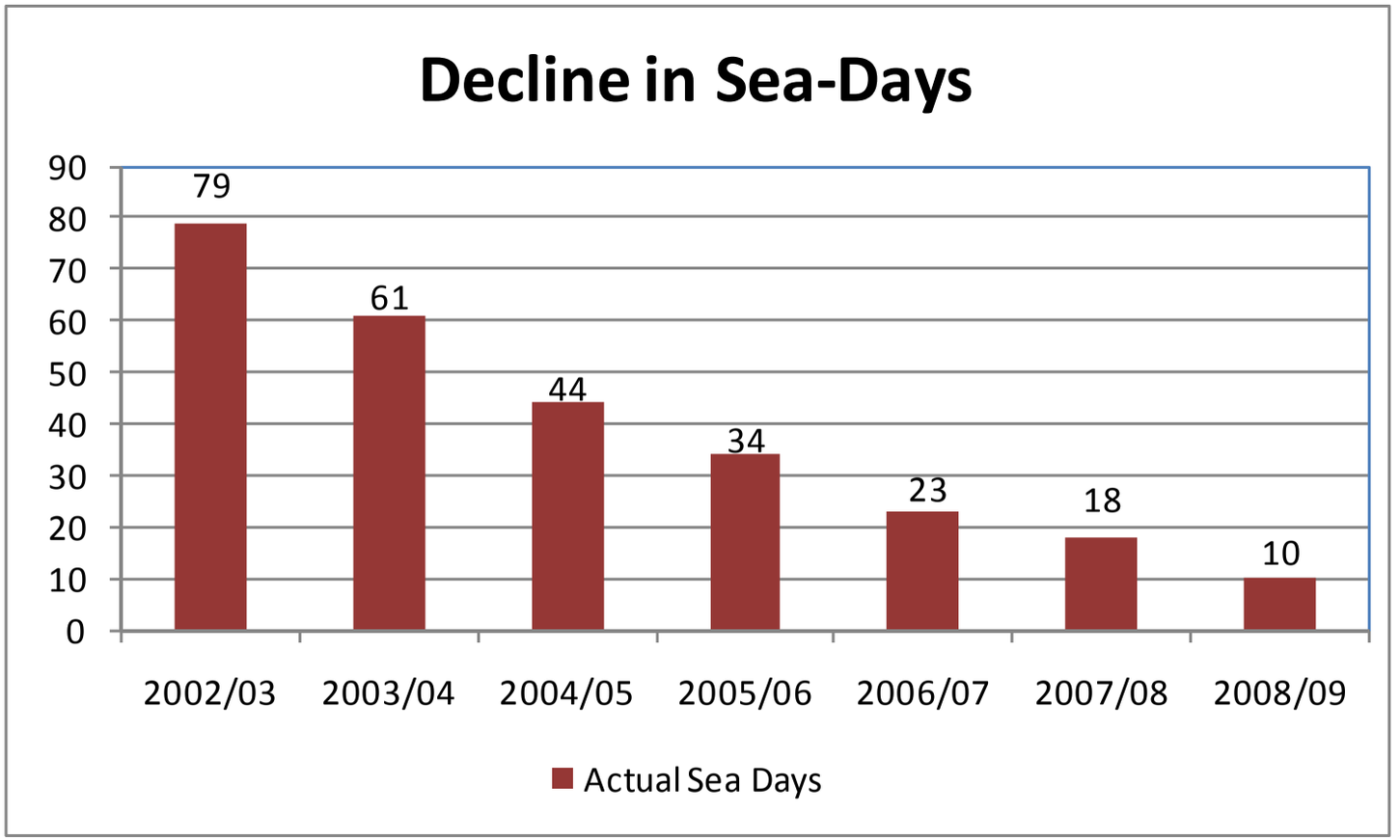
	ACTUAL 2008	ACTUAL 2009	VARIANCE	%
CARATS	**25,620**	**26,059**	**439**	**2%**
REVENUE	**139,824,507**	**127,517,726**	**12,306,781**	**-8.8%**
$ / Ct	**762.61**	**617.24**	**-145.37**	**-23%**
Exchange Rate	**7.14**	**8.07**	**0.93**	**13%**

MINING-04-771
XX4-GJC-769

Operational Overview

- The **bulk** of the carat production was **sourced** from the **marine operations** which contributed 74% of the total carats mined, a similar figure to last year. The **revenue contribution** from the marine production decreased from **73%** in 2008 to **60%** in 2009. This was due to an increase in production from the l**ower stone value south of the mine** which was **forced on** operations by **adverse sea conditions** in the north.
- The land operations **increased** carat production from **6 411** carats in 2008 to **6 998** carats in 2009, whilst the marine carat production **decreased slightly** from **19 209** carats to **19 061** carats. The decrease was minimal given the continued deterioration in sea conditions that resulted in **only 10 safe diving days** being achieved in 2009 against 18 in 2008.

MINING-04-773



ALEXKOR LIMITED

XX4-GJC-771

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Saidex (Pty) Ltd and Others v Minister of Minerals and Energy NO and Others (49/10) [2011] ZASCA 102 (1 June 2011)

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THE SUPREME COURT OF APPEAL OF SOUTH AFRICA

JUDGMENT

Case No: 49/10

In the matter between:

Saidex (Pty) Ltd ..... First Appellant

Frits Stephanus Visser ..... Second Appellant

Este Minerals CC ..... Third Appellant

D & R Diamonds CC ..... Fourth Appellant

CS Diamonds CC ..... Fifth Appellant

Platinum Shadow Trade 101 (Pty) Ltd ..... Sixth Appellant

and

The Minister of Minerals and Energy NO ..... First Respondent

The Department of Minerals and Energy ..... Second Respondent

SA Diamond & Precious Metal Regulator ..... Third Respondent

Martinus Mamphenyane Mononela NO ..... Fourth Respondent

Neutral citation: *Saidex v The Minister of Minerals and Energy* (49/10) **[2011] ZASCA 102** (1 June 2011)

Coram: LEWIS, SNYDERS, SHONGWE, THERON AND MAJIEDT JJA

Heard: 19 May 2011

Delivered: 1 June 2011

Summary: Interim interdict – requirements – nature of business permitted by Diamonds Act 56 of 1986.

ORDER

On appeal from: North Gauteng High Court (Pretoria) (Sapire AJ sitting as court of first instance).

The appeal is dismissed with costs, including the costs of two counsel.

JUDGMENT

SNYDERS JA (Lewis, Shongwe, Theron, Majiedt JJA concurring)

[1] The appellants were refused an interim interdict in the North Gauteng High Court, Pretoria (Sapire AJ) and are before this court with the leave of the court below.

[2] The appellants conduct business in the diamond industry subject to and in terms of the provisions of the Diamonds Act 56 of 1986 (the Act). During 2005 the Act was amended twice and the amendments came into effect on 1 July 2008 (the amended Act).[1] The appellants allege that, save in so far as the transitional provisions protect their rights, the amended Act has deprived them of the business which they have been conducting in terms of the Act. They seek to preserve their rights under the Act pending an application by the South African Diamond Producers Organisation ('**SADPO**'), of whom they are all members, aimed at obtaining an order declaring certain provisions of the amended Act to be unconstitutional.

[3] The respondents are, respectively, the Minister, the department, the SA Diamond & Precious Metal Regulator established in terms of the Act and the official in the employ of the third respondent, tasked with the implementation of the Act and the amended Act. Only the second and third respondents opposed both the application and this appeal and I will refer to them, for the sake of convenience, as the respondents.

[4] At the outset the respondents contested the appealability of the order of the court below. The refusal of an interim interdict is, in principle, appealable.[2] The question of appealability is, however, by no means a simplistic one.[3] The facts of this case suggest that the relief sought in the court below was aimed at preserving the status quo of the vested business interests of the appellants, pending the determination of the main application that would definitively decide the rights of the parties. The effect of the refusal of the interim interdict is, therefore, final in declining to preserve the status quo. A consideration of this issue on appeal does not constitute an undesirable piecemeal approach to the matter. Without delving too deeply into the issue I accept in favour of the appellants that the order by the court below is appealable.

[5] The respondents also submitted that the appellants' notice of appeal is defective because it does not 'state in what manner the variation of the order of the Court a quo is sought'.[4] The appellants' notice of appeal may strictly fall short of the rule, but as the relief sought in the court below was refused and the appeal is noted against 'the whole of the judgment and costs order', it is obvious that the appellants seek the reversal of the refusal and the granting of the relief contained in the notice of motion. Although sloppiness and a lack of discipline is by no means encouraged, the notice of appeal has not caused prejudice and the matter should be decided on its merits.

[6] To have achieved success the appellants would have had to persuade the court below that if their factual allegations were accepted, together with the respondents' allegations that could not be disputed by the appellants, and if regard was had to the inherent probabilities, they could have obtained final relief in the main application. Once that exercise produced an answer in the appellants' favour, only serious doubt cast on the appellants' case by the respondents' allegations could have prevented the granting of interim relief.[5] In addition the appellants had to have persuaded the court below that they had a well grounded apprehension of irreparable harm if interim protection was not afforded, that the balance of convenience favoured them and that they had no other adequate remedy.[6]

[7] Integral to an interim interdict is the need to show that proceedings which address the principal dispute between the parties are intended or pending. In the founding affidavit this aspect is addressed as follows:

'On 20 December 2007 **SADPO** issued an application out of the above Honourable Court under case number 98085/07 against the first and second respondents herein ("the main application") to –

24.1 set aside the coming into operation by proclamation published on 12 July 2007 in Government Gazette No. 30071, Volume 505, No. R17 of 2007 of the First and Second Amendment Acts respectively;

24.2 declare as unconstitutional

24.2.1 certain sections of the Acts;

24.2.2 the arbitrary deprivation of the rights accrued to tender houses in consequence of certain sections of the Second Amendment Act; and

24.2.3 set aside the Regulations made under that Act.'

The appellants do not refer to the specific provisions of the amended Act that are being attacked in the main application. That failing is repeated in the present proceedings.

[8] The first appellant is the holder of a valid certificate issued by the South African Diamond Board (SADB) in terms of s 26 of the Act which entitles it to operate a diamond exchange at designated premises. The second appellant is a shareholder and director of the first appellant and the holder of a licence as a diamond dealer in respect of the same premises. The third to fifth appellants are all diamond dealers on the strength of similarly issued diamond dealers' licences. The sixth appellant is a newly formed company and has applied for a licence as a diamond dealer in terms of the amended Act, which has not yet been issued. The sixth appellant therefore has no rights that require protection and can, for that reason, be ignored for purposes of this judgment.

[9] The appellants place much reliance in their founding affidavit on a judgment granting an interim interdict in the same division of the high court, by the same judge and, seemingly, on the same issue and against the same respondents in favour of one *Meyer Diamonds CC* which held a diamond exchange

certificate. The only value of the judgment in the *Meyer* matter is that it may have constituted a precedent for the court below. However, it was distinguished by the court below and not followed. (Whether the distinction was justified is not something I need decide.) In fact the only significance of *Meyer* for this court is that a large portion of the founding affidavit incorporates allegations made in the *Meyer* papers. The incorporated allegations describe the details of what is called 'the tender business' and in the present application all the applicants align themselves with the *Meyer* matter in this regard.

[10] The appellants allege that they have established, in terms of the Act prior to the amendments, a business described by them as a 'tender business' which is made unlawful by the amendments. The explanation in the founding affidavit of the tender business is given by quoting several paragraphs from the *Meyer* matter. In summary, local licensed diamond dealers are assisted by unlicensed foreigners in the purchase of unpolished diamonds from other local licensed dealers like themselves. This practice, so they allege, ensures that they come into contact with international traders and obtain the best possible price commensurate with international, as opposed to local, markets. It also ensures a commission for the local licensed dealers involved that are not the sellers in the transaction. Significantly, the appellants refer to this as a 'de facto' practice and distinguish it from the 'de jure' position. This distinction illustrates the fundamental flaw in the appellants' case.

[11] The appellants do not refer to a single provision in the Act that suggests that a practice such as their tender business is or ever has been legitimate. On the contrary the Act is aimed at the prevention of all dealing in, possession of and the purchase and sale of unpolished diamonds at premises not licensed and by persons not licensed to do so.[7] The tender business described involves the dealing in unpolished diamonds by unlicensed foreigners. To refer to assistance by unlicensed foreigners distorts the truth in that it identifies the unlicensed foreigner as the one who 'assists' the licensed dealers whereas it is the licensed dealers who assist the unlicensed foreigner and earn commission by doing so.

[12] The appellants rely solely on a letter from the SADB for the legitimacy of the tender business. They do not attach the letter to their papers, but allege that it is dated 21 March 1993, was written by the SADB, and was addressed and sent to every licensed rough diamond dealer and cutter in South Africa. Reliance on the letter is explained as follows in the founding affidavit:

'7.2 According to this letter, licensees were no longer permitted to be assisted, when viewing and purchasing diamonds, by anyone who was not a licensee or the Authorised Representative of a licensee.

7.3 The letter made it very clear that this condition applied to **selling offices** (section 48(1)(d)) and **buying offices** (section 48(2)(d)) exclusively.

7.4 The letter went on to state categorically and unequivocally that (and I quote for convenience of the court from the letter as follows):

> "Please note, however, that the Board's decision **does not apply** to the viewing or purchasing of diamonds on any of the following premises:

7.4.1 the premises of the Diamond Bourse of S A;

7.4.2 **the business premises of a licensed cutter or dealer (the particulars of such a premises are reflected on a cutter or dealer's license)**; and

7.4.3 the premises of Trans Hex in Parow."' (Their emphasis)

[13] These allegations contain an apparent conflict between para 7.4.2 of the quoted letter and para 7.2 of the excerpt from the founding affidavit that purports to contain a summary of part of the letter. It is extraordinary that the appellants seek to establish a prima facie right on the contents of a letter which is not placed before the court. The court is not put in a position to interpret the letter for itself and assess the cogency of the allegation that it gave rise to a legitimate practice. The respondents also do not deal conclusively with this letter. They do not deny the letter or the rendition of its contents by the appellants but allege that the letter has been superseded by the licence conditions of each of the appellants. I will return to this aspect.

[14] The exclusion in para 7.4.2 of the letter relied upon by the appellants is contrary to the provisions of the Act even before the amendments were passed. Although the applicants do not allege that the letter had been written in terms of the provisions of s 30 of the Act, which gives the SADB the power to determine, cancel, vary or impose conditions in respect of licenses issued, this is the only provision that they could possibly rely on for the legitimacy of the exclusion.[8] However, it goes without saying that the SADB could not possibly allow exemptions contrary to the Act. But even if that is ignored, s 30(3), in peremptory terms, obliges the executive officer of the SADB to endorse 'on the licence any cancellation, variation or condition referred to' in s 30(2). Section 30(4) gives the executive officer the necessary powers to require that a licensee submits a licence to be endorsed. The appellants are silent as to whether this was done or had to be done in consequence of the letter. Their case does not contain the necessary averments required to establish the alleged exclusion in the letter that legally entitled them to develop the 'de facto' tender business that they rely on. A fortiori, they have not established even a prima facie right.

[15] I return to the respondents' answer to the letter. All the dealers' licences, except that of the fourth appellant, attached to the founding affidavit are dated after 21 March 1993. It is inconceivable that the licences would not have been endorsed with the exemption relied on by the appellants, if it legitimately existed. Section 29 of the Act compels the endorsement of any licence with the conditions determined by the SADB.[9] When the licences were issued without this all important exemption the appellants were within their rights to seek endorsement in terms of s 30. They make no allegations to this effect nor do they make out a case that their licences were issued reflecting the incorrect conditions. The conditions reflected on all licences attached to the papers are in direct conflict with the exemption relied upon by the applicants. Each one includes the following condition:

'The licensee's authorised representative(s) may when viewing or purchasing unpolished diamonds on a premises approved in terms of Section 48(1)(d) (selling office) or a premises approved in terms of section 48(2)(d) (buying office), only be assisted by another licensee or a natural person registered as an authorised representative in terms of section 54 of the Diamonds Act, 1986'.

[16] The fourth appellant is affected in precisely the same manner as all the others despite the fact that its licence was issued in 1988, because there is no endorsement on the licence consistent with the alleged exemption and no attempt to explain why the provisions of s 30(3) and (4) were not employed to have it endorsed to reflect the alleged true conditions of its licence.

[17] The respondents' answer to the appellants' allegations is a persistent and unequivocal denial that the tender business described and relied upon by the appellants is legal in terms of the Act. They contend that the amended Act does not bring about anything new in this regard. This view accords with the provisions of the Act. The allegations by the appellants provide a context to the amended Act which

reveals that the amended Act seeks to root out, in express terms, an illegal practice that has developed contrary to the provisions of the Act.

[18] The second to fifth appellants have not established a case in respect of the first requirement of an interim interdict and rightly failed to obtain relief in the court below.

[19] The second appellant, as the shareholder and director of the first appellant, deposed to the founding affidavit. As already mentioned the founding affidavit contains an extensive quotation from the founding affidavit in the *Meyer* matter. The applicant in *Meyer* was the holder of a diamond exchange certificate, like the first appellant. At first blush it seems strange that the holder of a diamond exchange certificate would place so much emphasis in its founding affidavit on the case for the holder of a diamond dealer's licence. A closer look reveals that the first appellant has an interest that is closely linked to and dependent upon the second appellant's diamond dealer's licence. It is that close link which puts another perspective on the first appellant's case as a diamond exchange: it is not a mere complaint that the amended Act does not provide for a certificate to operate as a diamond exchange. If the first appellant's case was as simple as that, there was no need for it to pay any attention to the tender business of the diamond dealers in its founding affidavit and likewise in the *Meyer* matter. The identity of interest is, however, clear if the case of the diamond dealers and the diamond exchange is read together, as it is presented in this matter. It is the access to and contact with unlicensed persons, primarily foreigners, that creates the first appellant's export market.

[20] The explanation in the founding affidavit as to how a diamond exchange operates confirms this conclusion:

'Anyone wishing to export a rough diamond (eg the South African Licensee in consortium with the foreigner who had won a parcel on a "tender") may place it on a Diamond Exchange duly registered as such in terms of section 47 of the Act.'

The export business of the first appellant stems from dealing with unlicensed foreigners, an illegal practice in terms of the Act that the amended Act seeks expressly to forbid.

[21] Although it is technically correct that there no longer exists a diamond exchange certificate in terms of the amended Act, the implication argued for by the first appellant – that it would no longer be able to export diamonds - is not correct. The certification of premises as a diamond exchange in terms of the Act has been replaced by the certification of premises as a diamond trading house. The first appellant has already applied in terms of the amended Act for its premises to be certified as a diamond trading house and that application is pending. The procedures for the export of diamonds in terms of the Act as amended are similar to those in place previously, with two important differences. First, diamond trading houses would not be entitled to make contact and enter into transactions with unlicensed foreigners that would lead to the export of unpolished diamonds to them; and second, export duty exemption has been abolished by s 115 of the Taxation Amendment Laws Act 8 of 2007. The abolition of the export duty exemption is not attacked by the appellants. In so far as the first difference is concerned, contact with unlicensed foreigners in terms of the express terms of the amended Act has to take place at prescribed premises and export of unpolished diamonds to them occurs in terms of the same procedure as operated in terms of the Act and as described in the founding affidavit.[10]

[22] In the appellants' eagerness to align themselves with *Meyer* as a consequence of the success obtained in that matter, they have not made allegations pertinent to any imminent threat which they are facing or the extent of the harm they may suffer if an interim interdict was not granted. The extensive quote from *Meyer* in the founding affidavit contains allegations of threats leveled by the respondents to

close down *Meyer Diamonds'* business. It also contains details of the income that could be earned as a tender business and a diamond exchange. In this matter the appellants have made only vague allegations of threats resulting from a refusal by the respondents to agree to extend to them the same protection obtained in *Meyer*. No allegations are made of the extent of income that would be lost, relative to their total income, as a result of the implementation of the amended Act.

[23] The second amendment to the Act introduced transitional provisions to the effect that if application is made for a licence or certificate in terms of the amended Act within one year of the coming into operation of the amended Act, the licence or certificate in existence in terms of the Act remains operative until the applications in terms of the amended Act are decided.[11] It is common cause that all the appellants had applied within the required one year period for the comparable licences and certificates in terms of the amended Act and that no decision has yet been made on those applications. They can therefore continue their legitimate trade in terms of the provisions of the Act.

[24] Assuming, however, in favour of the appellants, that the appropriate official could at any stage, without notice, take a decision on the new applications and that a threat is constituted in that way, the appellants face the difficulty that they have not disclosed what harm such a decision would cause them, if any.

[25] The appellants submitted in their founding affidavit, and persisted with that stance during the hearing, that s 31(9) is 'void for uncertainty' because it refers to a date before 'section 4 of this Act takes effect' and that this reference is incomprehensible as s 4 deals with the 'objects of the Regulator'. The date referred to is 1 July 2008, the date the amended Act came into operation, because the reference to s 4 in s 31(9) seeks to inform licensees that licences in terms of the Act would continue in operation for a limited period, namely, one year after the coming into operation of the amended Act. This is clearly how s 31(9) has been understood by all parties in this matter and reflects the obvious intention of the legislator.

[26] For the reasons stated the appeal is dismissed with costs, including the costs of two counsel.

S SNYDERS
JUDGE OF APPEAL

APPEARANCES:

For appellants: J J Gauntlett SC (with him N Jagga)
Instructed by David Kotzen Attorneys, Edenvale
Lovius- Block, Bloemfontein.

For respondents: I Semenya SC (with him T Machaba)
Instructed by The State Attorney, Pretoria,
The State Attorney, Bloemfontein.
(On behalf of the 1st & 2nd Respondents)

1The amendments were introduced by the **Diamonds Amendment Act 29 of 2005** and the **Diamonds Second Amendment Act 30 of 2005**.

2*African Wanderers Football Club (Pty) Ltd v Wanderers Football Club* **1977 (2) SA 38** (A) at 47C-48H; *Cronshaw & another v Coin Security Group (Pty) Ltd* **[1996] ZASCA 38**; **1996 (3) SA 686** (A) at 690B-691G; *Knox D'Arcy Ltd & others v Jamieson & others* **[1996] ZASCA 58**; **1996 (4) SA 348** (A) at 356H-360D.

3*Health Professions Council of South Africa v Emergency Medical Supplies and Training CC t/a EMS* **2010 (6) SA 469** (SCA) paras 14-19.

4SCA **rule 7(3)(b)** requires an appellant to 'state the particular respect in which the variation of the judgment or order is sought'.

5*Webster v Mitchell* **1948 (1) SA 1186** (A) at 1189; *Gool v Minister of Justice* **1955 (2) SA 682** (C) at 688E. This case having originated as an urgent application, I will accept in favour of the appellants, the lesser test stated in *Webster* on the strength of *Sing & Co (Pty) Ltd v Pietermaritzburg Local Road Transportation Board* **1959 (3) SA 822** (N) at 824C.

6*Setlogelo v Setlogelo* **1914 AD 221.**

7Sections 18, 19, 20, 21, 31 and 48 of the Act.

8Section 30 reads: '(1) A licence shall be subject to such conditions as the Board may determine at the time of the granting of the application in question.

(2) The Board may at any time-(a) cancel or vary any condition to which a licence is subject; or (b) impose any condition or any further condition in respect of a licence.

(3) The executive officer shall endorse on the licence any cancellation, variation or condition referred to in subsection (2).

(4) In order to give effect to subsection (3), the executive officer may request a licensee in writing to submit his licence to the executive officer within the period specified in the request.'

9Section 29 reads: '(1) If the Board grants an application for a licence, the executive officer shall against payment of the prescribed fee issue to the applicant the licence on the prescribed form.

(2) The executive officer shall endorse on such licence – (a) any condition determined by the Board under section 30(1); and (b) particulars of the location of the premises approved by the Board under section 31(1).'

10Sections 60-69

11**Sections 31(9)**, (10) and (11) of the **Diamonds Amendment Act 29 of 2005**.

[**Context**] [**Hide Context**]

GC86

Government Gazette

REPUBLIC OF SOUTH AFRICA

Vol. 488 Cape Town 14 February 2006 No. 27513

THE PRESIDENCY

No. 130 14 February 2006

It is hereby notified that the President has assented to the following Act, which is hereby published for general information:–

No. 30 of 2005: Diamonds Second Amendment Act Act, 2005.

AIDS HELPLINE: 0800-123-22 Prevention is the cure

GC86

GENERAL EXPLANATORY NOTE:

[ ] Words in bold type in square brackets indicate omissions from existing enactments.

Words underlined with a solid line indicate insertions in existing enactments.

(English text signed by the President.)
(Assented to 10 February 2006.)

ACT

To amend the Diamonds Act, **1986,** so as to define certain expressions; to prohibit assistance to licensees by non-licensed persons at any place where unpolished diamonds are offered for sale; to provide anew for the kinds of licences that may be issued by the South African Diamond and Precious Metals Regulator; to provide for the issue of temporary diamond buyers' permits and certificates which entitle holders thereof to be in possession of unpolished diamonds under certain circumstances; to make fresh provision for the premises on which unpolished diamonds may be dealt in; to require that unpolished diamonds intended for export purposes must first be offered at a diamond exchange and export centre; to extend the powers of the Regulator and of the State Diamond Trader; to require diamond producers to offer a percentage of all diamonds produced in a production cycle to the State Diamond Trader; to require a licensee to retain a register in respect of unpolished diamonds for five years and not only two years; and to repeal certain obsolete provisions; and to provide for matters connected therewith.

BE IT **ENACTED** by the Parliament of the Republic of South Africa, as follows: —

Amendment of section **1** of Act **56** of **1986, as** amended by section 1 of Act 28 of **1988,** section **1** of Act **22** of **1989** and section **1** of Act **10** of **1991**

1. Section *1* of the Diamonds Act, *1986* (hereinafter referred to as the principal Act), **is** hereby amended —

(a) by the insertion after the definition of "dealer" of the following definition:
" 'diamond beneficiator' means a person who holds a licence contemplated in section 26*(b)* or *(c)*;"; and

(b) by the insertion before the definition of "diamond powder" of the following definition:
" 'diamond exchange and export centre' means a diamond exchange and export centre contemplated in section 59*(b)*;".

Substitution of section **19** of Act **56** of **1986**

2. The following section is hereby substituted for section 19 of the principal Act:

MINING-04-784 XX4-GJC-782

"Sale of unpolished diamonds prohibited

19. (1) No person shall sell any unpolished diamond unless —

(a) he or she is a producer;

(b) he or she has manufactured that diamond, if it is a synthetic diamond; or

(c) he or she is a dealer; or

(d) he or she is the holder of a permit referred to in section **[40(1)(a) or (2)]** 26*h*.

(2) The provisions of subsection (1) shall not be construed so as to authorize such producer[,] or dealer or holder of a permit to sell any unpolished diamond which has come into his or her possession in an unlawful manner.".

Substitution of section 20 of Act 56 **of** 1986

3. The following section is hereby substituted for section 20 of the principal Act:

"Purchaseof unpolished diamonds prohibited

20. No person shall purchase any unpolished diamond unless —

(a) he or she is a licensee; or

(b) he or she is the holder of a permit referred to in section **[40(1)(b)]** 26*(e)*.".

Insertion of section 20A in Act 56 of 1986

4. The following section is hereby inserted in the principal Act after section 20:

"Assistance by non-licensed persons prohibited

20A. (1) No licensee may be assisted by a non-licensee or holder of a permit referred to in section 26*(e)* during the viewing, purchasing or selling of unpolished diamonds at any place where unpolished diamonds are offered for sale in terms of this Act, except at a diamond exchange and export centre.

(2) No holder of a diamond trading house licence referred to in section

Substitution of section 22 of Act 56 **of** 1986

5. The following section is hereby substituted for section *22* of the principal Act:

"Processing of diamonds prohibited

22. No person shall polish any diamond or crush or set any unpolished diamond in any tool, implement or other article unless —

(a) he or she is a **[cutter, tool-maker]** diamond beneficiator or researcher;

(b) he or she is an employee acting in the course of his or her employment with that **[cutter, tool-maker]** diamond beneficiator or researcher; or

(c) he or she is authorized thereto in writing by the **[Board]** Regulator.".

Substitution of section 23 of Act 56 **of** 1986

6. The following section is hereby substituted for section *23* of the principal Act:

"Erection and operation of machinery prohibited

23. No person shall erect or operate any machine designed or adapted for the polishing of diamonds unless —

(a) he or she is a **[cutter, tool-maker]** diamond beneficiator or researcher;

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South African Diamond Producers Organisation v Minister of Minerals and Energy N.O. and Others (CCT234/16) [2017] ZACC 26; 2017 (10) BCLR 1303 (CC); 2017 (6) SA 331 (CC) (24 July 2017)

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CONSTITUTIONAL COURT OF SOUTH AFRICA

Case

CCT 234/16

In the matter between:

SOUTH AFRICAN DIAMOND PRODUCERS ORGANISATION Applicant

and

MINISTER OF MINERALS AND ENERGY N.O. First Respondent

DEPARTMENT OF MINERALS AND ENERGY Second Respondent

MINISTER OF FINANCE

Third Respondent

DEPARTMENT OF FINANCE Fourth

Respondent

SOUTH AFRICAN DIAMOND, MINERALS

AND PRECIOUS METALS REGULATOR Fifth

Respondent

STATE DIAMOND TRADER

Sixth Respondent

Neutral citation: *South African **Diamond** Producers Organisation v Minister of Minerals and Energy N.O. and Others* **[2017] ZACC 26**

Coram: Mogoeng CJ, Nkabinde ADCJ, Cameron J, Froneman J, Jafta J, Khampepe J, Madlanga J, Mhlantla J, Mojapelo AJ, Pretorius AJ and Zondo J

Judgments: Khampepe J (unanimous)

Heard on: 11 May 2017

Decided on: 24 July 2017

Summary: **Diamonds** Act 56 of 1986 — constitutionality of section 20A — section is constitutional

Section 25 of the Constitution — right not to be deprived of property arbitrarily — deprivation analysis — no deprivation by section 20A — interference not substantial

Section 22 of the Constitution — right to choose trade, occupation or profession — no limitation on choice by section 20A — rational regulation of practice

ORDER

On appeal from the High Court of South Africa, Gauteng Division, Pretoria:

The following order is made:

1. The late filing of the notice of appeal and the notice of cross-appeal is condoned.

2. The cross-appeal is dismissed.

3. The appeal against the declaration of invalidity of section 20A of the **Diamonds** Act 56 of 1986, made by the High Court of South Africa, Gauteng Division, Pretoria, succeeds.

4. The declaration of invalidity is not confirmed.

5. The order of the High Court is set aside and replaced with the following:

"The application is dismissed. No order is made as to costs."

6. There is no order as to costs in this Court.

JUDGMENT

KHAMPEPE J (Mogoeng CJ, Nkabinde ADCJ, Cameron J, Froneman J, Jafta J, Madlanga J, Mhlantla J, Mojapelo AJ, Pretorius AJ and Zondo J concurring):

Introduction

[1] These are proceedings in terms of section 172(2)(a)[1] of the Constitution for the confirmation of an order of constitutional invalidity of section 20A of the **Diamonds** Act[2] (Act), granted by Van der Westhuizen AJ in the High Court of South Africa, Gauteng Division, Pretoria (High Court). The High Court declared section 20A to be unconstitutional insofar as it infringes on the rights of persons embodied in sections 22[3] and 25(1)[4] of the Constitution.[5]

[2] The first, second and fifth respondents (respondents) oppose the confirmation of the High Court's order of constitutional invalidity. The fifth respondent noted an appeal in terms of rule 16(2) of the Rules of this Court against the whole of the judgment of the High Court, and joint submissions were made on behalf of the respondents. The fifth respondent has also applied for condonation for the late filing of the notice of appeal.

[3] The applicant noted a cross-appeal against the costs order handed down by the High Court. The applicant has also applied for condonation of the late filing of its cross-appeal.

Parties

[4] The applicant is the South African **Diamond** Producers Organisation (SADPO), a voluntary association whose aims include the streamlining of the **diamond** producers' industry and acting in concert with other structures in the **diamond** industry. Its members include **diamond producers and diamond** dealers.

[5] The first to sixth respondents are: the Minister of Minerals and Energy N.O., the Department of Minerals and Energy, the Minister of Finance, the Department of Finance, the South African **Diamond**, Minerals and Precious Metals Regulator (the Regulator),[6] and the State **Diamond** Trader,[7] respectively.

[6] The State **Diamond** Trader, the sixth respondent, has filed a notice of intention to abide the decision of this Court. Only the first, second and fifth respondents participated in the proceedings in this Court.

Background

[7] The **diamond** trade in South Africa is regulated in terms of the Act and regulations published under it. The purposes of the Act include controlling the possession, purchase, sale, processing, local beneficiation and export of **diamonds**.[8] The Act regulates, amongst other things, the possession, sale, purchase, import and export of unpolished **diamonds**; the premises where the sale and purchase of unpolished **diamonds** may take place; and the processes to be followed in order to export unpolished **diamonds**.

[8] Before the Act was amended in 2007,[9] a number of SADPO members, who were licensed dealers, had developed a mode of operation at their licensed business premises.[10] In terms of this practice, unpolished **diamonds** from local producers were offered on an anonymous tender basis to other South African licensed dealers for purchasing parcels of unpolished **diamonds** on offer. Non-licensed "experts", who attended on behalf of prospective foreign buyers, "assisted" the licensed purchasers. The experts were themselves often from abroad. The ultimate sale was concluded between the producer or licensed dealer and the South African licensed purchaser. This mode of operation allegedly not only assisted in determining the correct "international" market value, but also enabled local producers to mingle with prospective foreign purchasers.

The result was that a prospective foreign purchaser was already lined up, should the decision be made that parcels purchased be exported and sold on. The business premises upon which this mode of operation took place became known as "tender houses". The term "tender house" is not used in the Act, and no specific provision is made for this practice. Those who participated in this practice submit that it is simply a business practice that evolved within the industry.

[9] Whether the conduct of business at the tender houses was lawful is the subject of dispute between the parties. While SADPO takes the view that this practice was lawful, as the pre-amendment Act did not prescribe the manner in which unpolished **diamonds** had to be bought and sold, the respondents argue that this practice has never been lawful and exploits a loophole in the regulatory framework in order to allow unlicensed persons to participate in the **diamond** trade.

[10] The First and Second **Diamonds** Amendment Acts came into operation on 1 July 2007. They amended the Act in material respects, including by providing for: the establishment of the Regulator;[11] the establishment of the State **Diamond** Trader;[12] the restructuring of the licensing regime;[13] and the establishment of **diamond** exchange and export centres (DEECs).[14]

[11] The Amendment Acts inserted section 20A – the impugned provision – into the Act. This section provides:

> "(1) No licensee may be assisted by a non-licensee or holder of a permit referred to in section 26(e) during the viewing, purchasing or selling of unpolished **diamonds at any place where unpolished diamonds** are offered for sale in terms of this Act, except at a **diamond** exchange and export centre.
>
> (2) No holder of a **diamond** trading house licence referred to in section 26(f) or any person authorized in terms of this Act to sell unpolished **diamonds** may allow the assistance prohibited in subsection (1)."

[12] Aggrieved by certain of the amendments, SADPO approached the High Court to have various provisions of the Act, as amended, set aside.

In the High Court

[13] Initially, SADPO raised various constitutional issues relating to a number of amendments to the Act.[15] These were ultimately narrowed down to relate only to section 20A of the Act.[16]

[14] SADPO argued that section 20A offends against sections 22 and 25 of the Constitution.[17] On the section 25 challenge, SADPO argued that the prohibition on unlicensed assistance in section 20A deprived SADPO's members of their property – the right to receive full market value for the unpolished **diamonds** they owned – without sufficient reason.[18] On the section 22 challenge, SADPO argued that section 20A is arbitrary and deprives members of their right to conduct their business in the manner they deem fit.[19] Further, SADPO argued that there is insufficient reason for section 20A; there is no rational connection between section 20A and a legitimate government purpose; and section 20A goes much further than necessary to achieve the legislative purpose.[20]

[15] The respondents argued that the High Court was bound by the decision of the Supreme Court of Appeal in *Saidex*[21] to find that the tender house practice had always been unlawful. If this practice was unlawful pre-amendment, SADPO's members could have accrued no legally protectable rights through the tender house practice. The respondents further argued that no property was deprived through the alleged loss of income, and that in any event there was no arbitrariness.[22] Further, section 20A does not limit the freedom of choosing a trade or occupation and in any event is not arbitrary.[23] According to the respondents, the rationale for section 20A was three fold: first, to promote local beneficiation of South African **diamonds**; second, to tighten the regulation of unpolished **diamonds** and eliminate illegal practices that were taking place in the **diamond** trade; and third, to ensure compliance with the Kimberley Process Certification Scheme.[24]

[16] The High Court held that it was not bound by the decision in *Saidex* and that the business of tender houses was not unlawful pre-amendment.[25] The Court went on to consider the mischief section 20A was intended to address. It held that the first object – the promotion of the local beneficiation of unpolished **diamonds** – is sufficiently addressed in sections 59, 59A and 59B of the Act, which provide for the State **Diamond** Trader.[26] The Court held that the second object was premised on the view that the tender houses were unlawful (hence necessitating amendment by section 20A).[27]

However, the High Court found that tender houses were lawful pre-amendment, rendering this aim nugatory. The High Court also appears to have accepted the argument that the monitoring of the movement of unpolished **diamonds** from South Africa is adequately dealt with in numerous sections of the amended Act, and that section 20A is unnecessary for this object.[28]

[17] The High Court held that section 22 of the Constitution "warrants the freedom of choosing of a trade, occupation or profession and thereby obtaining the maximum benefit and advantage accruing therefrom within the four corners of the law".[29] As a result, it held that prohibiting assistance other than at DEECs constitutes a limitation of the rights entrenched in section 22.[30] The Court also accepted that there was a deprivation of property, which it held was "irrational, arbitrary and disproportional".[31] It held that the respondents had failed to discharge their onus to prove the limitations justified in terms of section 36 of the Constitution.[32]

[18] The High Court declared section 20A of the Act to be unconstitutional insofar as it infringes on the rights embodied in section 22 and also declared the arbitrary deprivation in terms of section 25(1) of the Constitution of the rights accrued by persons who perform the functions of tender houses to be unconstitutional.[33] The Court also ordered that, pending confirmation of the declaration of invalidity, the respondents be interdicted from implementing section 20A, and ordered the six respondents to pay the costs of the application.[34]

In this Court

[19] The matter was then referred to this Court in accordance with section 172(2)(a) of the Constitution for the confirmation of the order of constitutional invalidity. As explained above, the respondents appeal against the entire judgment and order of the High Court.

Applicant's submissions

[20] First, SADPO argues that section 20A allows for the arbitrary deprivation of "the rights" of those SADPO members who are producers of **diamonds**, who had conducted business as tender houses, and who were holders of **diamond** exchange certificates. SADPO argues that producers have been deprived of the right to realise the full market value of the **diamonds** they own as a result of the prohibition on unlicensed

assistance.[35] This right forms part of their *ius disponendi* (right to alienate their property). Additionally, dealers have been deprived of their right to receive full market value for their **diamonds** when selling, as they can only market to local licensees.[36] Similarly, previous holders of **diamond** exchange certificates have been deprived of the right to sell to the export market. The Amendment Acts abolished **diamond** exchanges; under the new regime, previous holders of **diamond** exchange certificates may apply for a trading house licence under section 26(f). SADPO argues that the trading house licence affords far fewer rights than the **diamond** exchange certificate did, as a trading house can only market to a local licensee; no foreign assistance is allowed; and trading house licensees may no longer export. Further, SADPO submits that the alleged deprivations are arbitrary as the law does not provide sufficient reason for the deprivation.

[21] Second, SADPO submits that section 20A infringes the rights of its members under section 22 of the Constitution in that it limits their right to choose and practise their trade freely, without sufficient reason or a rational basis having been shown by the respondents.

[22] Third, on the cross-appeal on costs, SADPO submits that the High Court should have awarded costs "including the costs of two counsel" (as opposed to simply ordering costs). In addition, SADPO argues that the High Court should have ordered that the costs be paid by the respondents jointly and severally.

Respondents' submissions

[23] The respondents argue that there is no legal right from which the practice of tender houses arose. The practice of tender houses was illegal, and therefore could not have produced anything close to a legal right. As a result, SADPO's members do not have protectable rights in terms of section 25(1) of the Constitution.

[24] The respondents further submit that the purpose of section 20A is to prohibit assistance by unlicensed persons in the dealing of unpolished **diamonds**. They had identified the practice of tender houses as unlawful, which resulted in the prohibition in section 20A. The "nuisance" sought to be dealt with was unlicensed persons assisting local licensed dealers when viewing and buying unpolished **diamonds** in South Africa, and the resulting export of unpolished **diamonds** to these "experts" whose identities remained unknown to government.

[25] On the challenge based on section 22 of the Constitution, the respondents submit that the opportunity to earn an additional 30% from the tender house practice has no basis in law. They also submit that, even if that opportunity is a legally protectable right, government has the power in terms of section 22 to regulate the trade of a **diamond** dealer.

[26] The respondents submit that section 20A is intended to play an important role in the regulation of trading in unpolished **diamonds**. They state that the purposes of section 20A are: to promote the local beneficiation of South African **diamonds**; to tighten the regulation of the **diamond** trade and eliminate illegal activities that were occurring in the **diamond** trade; and to comply with the Kimberley Process Certification Scheme. As a result, the respondents submit that there are legitimate purposes behind section 20A, and that that section is rationally related to those purposes.

[27] In the event that this Court decides that section 20A does limit any of SADPO's members' rights, the respondents submit that any limitation is reasonable and justifiable in terms of section 36(1) of the Constitution.

Issues

[28] This matter raises two principal issues—

(a) whether section 20A of the Act arbitrarily deprives SADPO's members of property, as envisaged in section 25 of the Constitution; and

(b) whether section 20A of the Act violates the right of SADPO's members to choose their trade, occupation or profession freely, as enshrined in section 22 of the Constitution.

[29] I deal with each of these issues below. Though much is made of it in the papers, the issue whether the tender house practice was lawful before the Act was amended is not relevant to determining the matter. I proceed on the assumption that the practice was previously lawful.

Preliminary issues: jurisdiction and condonation

[30] As these are confirmation proceedings in terms of section 167(5) of the Constitution, this Court's jurisdiction is necessarily engaged.

[31] The fifth respondent has applied for condonation of the late filing of its notice of appeal. The notice was filed one day late, on 28 September 2016. The reason for the delay was that, when the candidate attorney attempted to file the notice on 27 September 2016, the Registrar quite properly declined to accept the document as there was no proof of agreement between the parties for service by email; nor was there acknowledgement of receipt from all of the respondents. The defect was remedied and the notice was filed on the following day. This explanation is satisfactory and the delay is minimal. This matter engages important constitutional issues and involves a declaration of invalidity of a legislative provision. Moreover, there has been no prejudice to the applicant, particularly as service was effected timeously. It is in the interests of justice that condonation be granted.[37]

[32] The applicant has applied for condonation for the late filing of its notice of cross-appeal. The applicant states that it assumed that it had 10 days after the date of the fifth respondent's notice of appeal to file its cross-appeal, as an application for leave to cross-appeal in terms of rule 19 of the Rules of this Court must be filed within 10 days of the filing of the application for leave to appeal. In this instance, however, there was no application for leave to appeal filed in terms of rule 19, as the notice of appeal was lodged in terms of rule 16, which does not require an application for leave to appeal. Rule 16 does not specify time-limits for the noting of a cross-appeal. The applicant notes that the reference to an appeal in rule 16 may include a cross-appeal, which would mean that the notice of cross-appeal was required to be lodged by the same date as the fifth respondent's notice of appeal – 27 September 2016. The applicant therefore requests condonation for the late filing of the notice of cross appeal to the extent necessary.

[33] The applicant's cross-appeal is in effect an appeal against the order of the High Court, and is governed by rule 16. The time periods in rule 16 therefore apply, and the notice was required to be filed by 27 September 2016. The applicant's notice of cross-appeal was filed on 14 October 2016 – two and a half weeks late. Again, the delay is not significant, and there has been no prejudice to the respondents. Given the narrow issues raised by the cross-appeal, which deals only with the costs award, it is in the interests of justice that condonation be granted.

The challenge based on section 25

[34] Section 25(1) provides that "no one may be deprived of property except in terms of law of general application, and no law may permit arbitrary deprivation of property". In

order for there to be an infringement of section 25(1), (1) the thing in question must be property; (2) there must be a deprivation; and (3) the deprivation must be arbitrary.[38] The test was enunciated by this Court in *FNB*:

> "(a) Does that which is taken away from FNB by the operation of section 114 amount to 'property' for purpose of section 25?
>
> (b) Has there been a deprivation of such property by the Commissioner?
>
> (c) If there has, is such deprivation consistent with the provisions of section 25(1)?
>
> (d) If not, is such deprivation justified under section 36 of the Constitution?
>
> (e) If it is, does it amount to expropriation for purpose of section 25(2)?
>
> (f) If so, does the deprivation comply with the requirements of sections 25(2)(a) and (b)?
>
> (g) If not, is the expropriation justified under section 36?"[39]

[35] SADPO argues that the property rights in issue are twofold: the ownership of the ***diamonds*** won by the producers and bought and sold by the dealers; and the ownership of the **diamond** dealer *licences* and concomitant ownership of their businesses.

[36] In relation to the **diamonds**, SADPO contends that producers and dealers are deprived of 30% of the market value of the **diamonds** they sell, because section 20A prohibits a key part of the price-forming mechanism – unlicensed expert assistance. Without this assistance, producers and dealers are unable to obtain the prices they were previously able to obtain, and suffer a loss of 30% compared to the prices they were previously able to obtain. On SADPO's argument, this constitutes interference with their members' *ius disponendi* which, they argue, includes the right to obtain the highest possible price for that property. In relation to the licences, SADPO contends that **diamond** dealers have been deprived of property in that the activities they were previously entitled to engage in under their licences have been limited.

[37] The test laid down by this Court in *FNB* requires us to ask, first, whether the things at issue here constitute property; second, whether there has been a deprivation; and third, whether the deprivation is contrary to section 25(1) (in that it is arbitrary).[40]

SADPO's contention is that its members have been deprived of (1) 30% of the value of the **diamonds** they purchase and sell; and (2) the right to engage in activities they were previously entitled to engage in in terms of their licences. When approaching the *FNB* enquiry on these facts, there appear to be two possible ways to approach the first two legs of the test ("property" and "deprivation").

[38] On one approach, we could proceed on the basis that the "property" in issue is the **diamonds** and the licences, and then, at the "deprivation" stage of the enquiry, consider whether what has been taken away from licensees (30% of the previous market value, and the entitlement to engage in business in a particular way) constitutes a right or interest worthy of protection, and is substantial enough that its removal constitutes "deprivation". From there, if there is a deprivation of property, we would proceed to the arbitrariness analysis. An alternative approach would be to begin by enquiring what it is that has been taken away (30% of the previous market value, and the entitlement to engage in business in a particular way), and consider whether those "rights" or interests constitute "property" for the purposes of section 25. Only if those rights or interests constitute property would we move on to the next stages of the test.

[39] The former approach is preferable in this instance. The "property" at issue here is the ownership of the **diamonds**, and the ownership of the licences (assuming the licences are property). That ownership brings with it certain rights and entitlements. SADPO alleges that these include the interests it seeks to protect on behalf of its members.

[40] Below, I consider the ownership of the ***diamonds*** won by the producers and bought and sold by the dealers and the purported ownership of the **diamond** dealer *licences* in turn, in order to determine whether section 20A permits the arbitrary deprivation of property.

Ownership of ***diamonds***

[41] The ownership of a corporeal movable object has long been recognised as property, both under common law and for the purpose of section 25.[41] That SADPO's members hold constitutionally protectable property in the physical **diamonds** they buy and sell is uncontroversial: the **diamonds** are clearly property for the purposes of section 25.

[42] The more complex question is whether section 20A deprives producers and dealers of ownership of their **diamonds**. The deprivation enquiry was first encapsulated by

this Court in *Mkontwana*:

> "Whether there has been a deprivation depends on the *extent of the interference* with or limitation of use, enjoyment or exploitation. It is not necessary in this case to determine precisely what constitutes deprivation. No more need be said than that at the very least, *substantial interference* or limitation that goes beyond the normal restrictions on property use or enjoyment found in an open and democratic society would amount to deprivation."[42]

[43] The Court in *Mkontwana* thus did not delineate the precise ambit of what constitutes "deprivation", but noted that a substantial limitation, beyond the normal expected restrictions on property, would constitute deprivation.

[44] This Court again had occasion to comment on the deprivation analysis in *Offit*. It affirmed that there must be a "substantial interference", and developed the enquiry:

> "Our jurisprudence is clear that the physical taking of property is not required to constitute a deprivation, and it suffices for one or more of the entitlements of ownership to be impacted upon. Whilst direct or physical interference is not necessary, the impact must be of *sufficient magnitude to warrant constitutional engagement*. A court must give consideration to the extent to which the use and the enjoyment of land have been diminished."[43]

[45] The Court in *Offit* rejected an argument that the continued threat of expropriation, which could have a negative effect on the market value of the property, was sufficient to constitute a deprivation of property as envisaged in section 25(1).[44]

[46] This Court also had occasion to consider its approach to the deprivation analysis in *Link Africa*.[45] Dealing with section 22 of the Electronic Communications Act,[46] which permitted electronic communications network service licensees to enter onto municipal land and install and maintain communications infrastructure, the Court set out the enquiry as follows:

> "Does section 22 inflict a deprivation? This *depends on the extent of the intrusion* in the property or limitation of its use or enjoyment. There must be interference with property that is significant enough to 'have a legally relevant impact on the rights of the affected party before deprivation of property under section 25 is established'."[47]

[47] In that case, it was held that there was no deprivation, as it had not been shown that Link Africa's intended actions amounted to substantial interference with the City's infrastructure:

> "In this court the City has equally shown no harm. . . . There is no iota of evidence that installing Link Africa's electronic communications network damages or impairs City infrastructure. Nor is there any evidence that it could cause harm or prejudice to the City or its people. Precisely put, the City has provided no evidence that Link Africa's installation of fibre-optic cables is beyond normal restriction of use and enjoyment of the property where the cables are installed."[48]

[48] This Court's approach to the deprivation enquiry may be summarised thus: there will be a deprivation only where the interference is "substantial" – meaning that the intrusion must be so extensive that it has a legally relevant impact on the rights of the affected party.

[49] In order to consider whether there has been a deprivation in this instance, we must consider what it is that section 20A takes away from producers and dealers. As explained above, SADPO contends that producers and dealers are deprived of 30% of the market value of the **diamonds** they sell. This constitutes interference with their members' right to alienate their property, which they argue includes the right to obtain the highest possible price for that property.

[50] Does section 20A interfere with producers' and dealers' right to alienate their **diamonds** in a legally relevant way? Surely not. The first hurdle for SADPO is that the deprivation analysis requires an enquiry into the extent of the interference with the right in question. Even assuming that the involvement of an unlicensed foreigner is necessary to determining, and thus obtaining, the full market value of unpolished **diamonds**, on the facts before the Court it is impossible to quantify the "loss" SADPO's members have suffered as a direct result of section 20A. SADPO argues that the price of **diamonds** has dropped by 30% since the presence of unlicensed persons has been prohibited by section 20A. As a result, it contends that producers and dealers are deprived of 30% of the value of their **diamonds**. The respondents, however, allege that the 30% referred to is actually the lost commission opportunity, rather than the fair market value of the **diamonds**. Nothing in the way of empirical evidence for this alleged drop in price is included in the papers. SADPO's argument on this score is vague and speculative. As was the case in *Link Africa*, no loss has been proved. It is not clear how the Court can, ir

So DMR agrees that 30% is lost but has a different name for it

the circumstances, make a finding that there has been interference to the extent that constitutes a "deprivation". It is not even clear on the facts whether the interference has any impact on the value of SADPO's members' property at all.

[51] Further, an attempt to calculate the alleged loss in value is beset by the difficulty of locating the point in time at which the "loss" is to be measured. Measuring the extent of the loss entails comparing the price of unpolished **diamonds** at a past point in time, to the price sometime after the amendments were effected. But which future price are we to use for purposes of comparison? Should this be the price directly after the amendments were effected? The price a year later, once the market has adapted to the new regulations? The price at the time papers were filed? In any market, business adapts to new regulation and creates new business practices around that regulation. A market is an ever-changing place, with the market value of goods similarly fluid. It is not possible to consider the effect of section 20A as though the market would not otherwise have changed. Again, it seems it is not possible on the facts before us to assess whether the interference in question is sufficiently substantial to constitute a "deprivation".

[52] Moreover, even if the loss were proved to our satisfaction, there would still be no deprivation, as no legally protectable interest or entitlement is removed by section 20A. Producers and dealers are still permitted to sell their **diamonds**, and to realise full market value for them. Section 20A does not prohibit sale, nor does it require that a portion of the proceeds be donated to the state. What is limited is the way in which producers and dealers are to conduct sales – not the right to sell itself. Producers and dealers still have the same right as before to obtain the highest possible price for the **diamonds** they sell. What has changed is (1) the *manner* in which they may alienate their **diamonds**; and (2) the market conditions that determine what the *highest price* will be, as producers and dealers are no longer entitled to obtain the assistance of unlicensed persons when determining the price of their **diamonds**, except at a DEEC.

[53] The limitation on the manner in which producers and dealers may alienate their **diamonds** is not sufficiently substantial to constitute a "deprivation" of property in those **diamonds**. Producers and dealers do not generally have a legally protectable interest in conducting a sale according to a particular practice. And, a market is an inherently regulated space, and prices obtainable in that market are necessarily impacted by government regulation. A property holder does not generally have a legally

protectable interest either in obtaining a specific value for his goods, or in valuing his goods according to a particular method.

[54] As a result, the limitation imposed by section 20A clearly does not constitute a substantial interference with licensees' rights of ownership in their **diamonds**, and there is no deprivation of property.

[55] In the result, the test laid down in *FNB* has not been met: **diamond** producers and dealers have not been deprived of property in their **diamonds** and there is accordingly no infringement of section 25(1).

"*Ownership" of licences*

[56] SADPO also submits that its members are deprived of property in their **diamond** dealer's licences.

[57] Do these licences constitute "property" for the purposes of section 25? This Court in *Shoprite* held that licences may, in some instances, be considered property.[49] In that case, the majority[50] held that a grocer's wine licence is property. However, it is not necessary to answer this question in this matter.[51] Assuming that the licences in issue do constitute property, I am nevertheless of the view that there is no deprivation.

[58] SADPO contends that **diamond** dealers have been deprived of property in that the activities they were previously entitled to engage in under their licences have been limited. Again, the question is whether there is a substantial interference: is the extent of the intrusion such that it has a legally relevant impact on the rights of the affected party?

[59] How does section 20A interfere with dealers' licences? These licences entitle dealers to buy, sell, import and export unpolished **diamonds**. None of those entitlements is removed by section 20A. What is removed (assuming the tender house practice was previously lawful) is their entitlement to be assisted in these activities by unlicensed foreigners at locations other than a DEEC. This entitlement was never subject to a licence, but was rather a business practice that grew up in relation to the permissions granted in terms of the licence. This may be contrasted to the situation in *Shoprite*, where a legal entitlement previously conferred by the licence in question was removed.[52]

[60] What SADPO seeks to protect is their members' interest in conducting their business in terms of their licences according to a particular preferred strategy. There can be no deprivation in a change of regulation that alters the strategies licensees are entitled to pursue in the course of conducting licensed activities. Favourable business conditions, including favourable regulatory conditions, are transient circumstances, subject to inevitable changes.

[61] It cannot be that, every time a government decision or regulation makes a particular business strategy unlawful, persons who preferred to conduct their business in accordance with that strategy have been deprived of property. As explicated above, a market is an inherently regulated space, and it cannot be that any alteration to the way in which market forces play out constitutes a deprivation of property. To the extent that the licences in issue are in fact property, the limitation imposed by section 20A is not substantial, as it does not have a legally relevant impact on the rights of the affected party.

Diamond *exchange certificates*

[62] SADPO also argues that holders of **diamond** exchange certificates have been deprived of property. The argument is that, because the First and Second **Diamonds** Amendment Acts abolished **diamond** exchanges and replaced them with trading house licences, previous exchange licensees who paid R500 000 for their licences have been deprived of property. SADPO argues that the trading house licence affords far fewer rights. However, it is not clear how the rights of these licensees are affected by section 20A in particular. If the complaint is with the change in the licensing regime, the attack should have been brought against the relevant provisions. Section 20A neither abolishes **diamond** exchange licences nor establishes trading house licences.

[63] In the result, there is no limitation of the rights of SADPO's members under section 25 of the Constitution. The order of invalidity based on section 25 of the Constitution cannot be confirmed.

The challenge based on section 22

[64] Section 22 provides:

> "Every citizen has the right to choose their trade, occupation or profession freely. The practice of a trade, occupation or profession may be regulated by law."

[65] Section 22 comprises two elements: the right to *choose* a trade, occupation or profession freely, and the proviso that the *practice* of a trade, occupation or profession may be regulated by law. Though both the "choice" of trade and its "practice" are protected by section 22,[53] the level of constitutional scrutiny that attaches to limitations on each of these aspects differs. If a legislative provision would, if analysed objectively, have a negative impact on choice of trade, occupation or profession, it must be tested in terms of the criterion of reasonableness in section 36(1). If, however, the provision only regulates the practice of that trade and does not affect negatively the choice of trade, occupation or profession, the provision will pass constitutional muster so long as it passes the rationality test and does not violate any other rights in the Bill of Rights.[54] In that case, there is no limitation of section 22 and no section 36 analysis is required. As this Court held in *Affordable Medicines*, "restrictions on the right to practise a profession are subject to a less stringent test than restrictions on the choice of a profession".[55]

[66] The first question, then, is whether section 20A imposes restrictions on the choice of a trade, occupation or profession, or only on its practice. This Court has not yet laid down specific guidance for determining when a legislative provision "is likely to impact negatively on the choice" of profession, trade or occupation, as opposed to simply regulating the practice of that trade, occupation or profession. However, some guidance may be sought from *Affordable Medicines*, the leading judgment on the interpretation of section 22.

[67] In *Affordable Medicines*, this Court held that a law requiring medical practitioners who wished to dispense medicines to obtain a licence, did not have the effect of influencing negatively a person's decision whether to become a medical practitioner. This was because the provision did not purport to regulate entry into the medical profession, nor did it affect the continuing choice of practitioners as to whether to remain medical practitioners or not.[56] It merely regulated the specific circumstances in which medical practitioners may, if they choose, dispense medicines. The Court further held that it was "difficult to fathom" how a person who has chosen to pursue a medical profession could be "deterred from that ambition by the requirement that, if, upon qualification, he or she wishes to dispense medicine as part of his or her practice, he or she would be required, among other things, to dispense medicines from premises that comply with good dispensing practice."[57]

[68] Clearly, then, a law prohibiting certain persons from entering into a specific trade, or providing that certain persons may no longer continue to practise that trade, would limit the choice element of section 22; in these cases there is a *legal barrier* to choice. This would be the case where, for instance, a licence is necessary to conduct a particular trade, and that licence is withdrawn. However, one may also conceive of legislative provisions that, while not explicitly ruling out a group of persons from choosing a particular trade, does so in effect, by making the practice of that trade or profession so undesirable, difficult or unprofitable that the choice to enter into it is in fact limited.

[69] These provisions must also fall within the ambit of provisions that limit choice, as they create an *effective limit* on choice. Indeed, this Court in *Affordable Medicines* seems to have taken into account both the fact that the legislation in issue did not present a legal barrier to entry into the profession, and that it did not impose an effective limit on that choice in that it would not "deter" persons from entering into the profession.

[70] On this understanding of what it means to limit choice for the purposes of section 22, does section 20A limit the right of SADPO's members to choose their trade, profession or occupation? No. Not only does section 20A not impose a formal legal bar to choosing to practise the trade of **diamond** dealer or producer, but no case has been made out that section 20A presents an effective bar to choosing to practise these trades. All section 20A does is prohibit licensees from being assisted by unlicensed persons when viewing, purchasing or selling unpolished **diamonds**, except at a DEEC. Producers and dealers are still able to obtain assistance if they so wish, but that assistance must either be rendered by a licensed person (outside a DEEC) or, if they specifically seek the assistance of a person who is not licensed, this assistance may be rendered only at a DEEC. This cannot, without more, render trading as a **diamond** producer or dealer so unprofitable as to obviate choice.

[71] Accordingly, the freedom to choose one's trade, occupation or profession is not limited by section 20A. The impugned provision simply regulates the practice of the trades of **diamond** producing and dealing.

[72] The next question is then whether section 20A regulates these trades within constitutionally permissible limits. The test is one of rationality. This test was first proposed in *Lawrence*[58] in the context of section 22's predecessor, section 26 of the Interim Constitution. In that case, this Court stated the test as follows:

> "The requirement that the measures be justifiable in an open and democratic society based on freedom and equality means that there must be a rational connection between means and ends. Otherwise the measure is arbitrary and arbitrariness is incompatible with such a society."[59]

[73] The rationality test was also accepted in relation to section 22 of the Final Constitution in *Affordable Medicines*, where the Court rejected the suggestion that a reasonableness test applied.[60] The Court held that the standard for determining whether the regulation of the practice of a profession falls within the purview of section 22 is whether the regulation of the practice of a profession is rationally related to a legitimate government purpose and does not infringe any of the rights in the Bill of Rights.

[74] The rationality standard is aimed at achieving a proper balance between the role of the legislature on the one hand, and the role of the courts on the other.[61] As this Court held in *Affordable Medicines*:

> "The rational basis test involves restraint on the part of the Court. It respects the respective roles of the courts and the Legislature. In the exercise of its legislative powers, the Legislature has the widest possible latitude within the limits of the Constitution. In the exercise of their power to review legislation, courts should strive to preserve to the Legislature its rightful role in a democratic society. It is this guiding principle that should inform the test for determining whether legislation that regulates practice but does not, objectively viewed, impact negatively on choice, passes constitutional scrutiny."[62]

[75] This means that the question is whether there is a rational basis for section 20A; whether another measure may have been more effective, or less disruptive, is not relevant. In *Lawrence*, this Court held that legislation should not be set aside by a court as infringing economic freedom "simply because it may consider the legislation to be ineffective or is of the opinion that there are other and better ways of dealing with the problems".[63]

[76] Is there a rational basis for section 20A? First, we must look to its purpose. Some guidance is found in the preamble to the Second **Diamonds** Amendment Act, which introduced section 20A. It provides that the Second **Diamonds** Amendment Act seeks, amongst other objects, "to prohibit assistance to licensees by non-licensed persons at an

place where unpolished **diamonds** are offered for sale". Section 20A achieves this object, by prohibiting unlicensed assistance at all places where unpolished **diamonds** are offered for sale, with the exception of the DEECs. This does not, however, assist in ascertaining the purpose of section 20A – *why* this prohibition was put into effect.

[77] The respondents submit that the prohibition on assistance from unlicensed persons in places other than the state's DEECs serves two key purposes: promoting local beneficiation of unpolished **diamonds**, **thereby regulating the diamond** trade in the public interest; and ensuring that the movement of unpolished **diamonds** is properly monitored and recorded, in furtherance of the country's obligations under the Kimberley Process Certification Scheme. That these were the purposes sought to be achieved by the First and Second **Diamonds** Amendment Acts is clear from the Memorandum on the Objects of the **Diamonds** Amendment Bill that was published at the time the amendments were first proposed.

[78] These are clearly legitimate government purposes, and SADPO does not argue that they are not. Its complaint, however, is that section 20A does not achieve these purposes; as a result, it is irrational. On local beneficiation, SADPO argues that this purpose is sufficiently achieved through other provisions of the Act. On monitoring, it argues that the previous system provided for adequate monitoring of unpolished **diamonds**, and that section 20A adds nothing to the system that was already in place.

[79] This argument is unsustainable. It is not difficult to imagine that creating a one-stop shop, in the form of state-run DEECs, for exports of all unpolished **diamonds**, and prohibiting unlicensed persons from being involved in trade except at these centralised locations, is rationally related to the legitimate purpose of monitoring the movement of unpolished **diamonds**. The more involvement unlicensed persons are permitted to have in the process of buying, selling and exporting unpolished **diamonds**, the greater the risk of illegal transactions going unnoticed. It is plausible that it would be easier for the state to control and monitor **diamond** trading if all persons who engage in the trading process outside the DEECs are at least known to the state through a licensing process. Based on this purpose alone, section 20A is not irrational in the manner in which it seeks to regulate the trade of **diamond** producing and dealing. As a result, there is no limitation of section 22 of the Constitution, and the order of invalidity based on that section cannot be confirmed.

[80] Accordingly, I decline to confirm the declaration of invalidity and uphold the appeal of the first, second and fifth respondents.

Costs

[81] According to *Biowatch*,[64] no costs ought to be awarded.

[82] As I decline to confirm the High Court's order, including its order on costs, it follows that SADPO's cross appeal on costs fails.

Order

[83] The following order is made:

1. The late filing of the notice of appeal and the notice of cross-appeal is condoned.

2. The cross-appeal is dismissed.

3. The appeal against the declaration of invalidity of section 20A of the **Diamonds** Act 56 of 1986, made by the High Court of South Africa, Gauteng Division, Pretoria, succeeds.

4. The declaration of invalidity is not confirmed.

5. The order of the High Court is set aside and replaced with the following:

"The application is dismissed. No order is made as to costs."

6. There is no order as to costs in this Court.

For the Applicant: J L Gildenhuys instructed by Cranko Karp & Associates Inc

For the First, Second and Fifth Respondents: I A M Semenya SC and T J Machaba instructed by Mkhabela Huntley Adeyeke Inc

[**Context**] [**Hide Context**]

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[1] This section provides:

"The Supreme Court of Appeal, the High Court of South Africa or a court of similar status may make an order concerning the constitutional validity of an Act of Parliament, a provincial Act or any conduct of the President, but an order of constitutional invalidity has no force unless it is confirmed by the Constitutional Court."

[2] 56 of 1986, as amended by the First and Second **Diamonds** Amendment Acts 29 and 30 of 2005, respectively.

[3] Section 22 provides:

"Every citizen has the right to choose their trade, occupation or profession freely. The practice of a trade, occupation or profession may be regulated by law."

[4] Section 25(1) provides:

"No one may be deprived of property except in terms of law of general application, and no law may permit arbitrary deprivation of property."

[5] *South African* ***Diamond*** *Producers Organisation v Minister of Minerals and Energy N.O.* [2016] ZAGPPHC 817 (High Court judgment).

[6] The Regulator is an entity established in terms of section 3 of the Act. Its objects are to ensure that the **diamond** resources of South Africa are exploited and developed in the best interests of the people of South Africa; to promote equitable access to and local beneficiation of South Africa's **diamonds**; and to ensure compliance with the Kimberley Process Certification Scheme (see section 4 of the Act).

[7] The State **Diamond** Trader is an entity established in terms of section 14 of the Act. The objects of the State **Diamond** Trader are to promote equitable access to and local beneficiation of South Africa's **diamonds** (see section 15 of the Act). One way in which it does this is to acquire unpolished **diamonds** from producers and supply them to local beneficiators. All producers are required, in terms of section 59B of the Act, to offer the unpolished **diamonds** they produce in a particular cycle to the State **Diamond** Trader, who may purchase up to a specified percentage of those **diamonds** and supply them to local beneficiators.

[8] See the preamble to the Act.

[9] The First and Second **Diamonds** Amendment Acts 29 and 30 of 2005 came into effect on 1 July 2007.

[10] These premises were either the business premises of a licensed **diamond dealer or a licensed diamond** exchange.

[11] Section 3.

[12] Section 14.

[13] Section 26.

[14] Section 59(b). This section provides that the Regulator shall establish DEECs, which shall facilitate the buying, selling, export and import of **diamonds**. Section 48A provides that all unpolished **diamonds** intended for export purposes must first be offered for local sale at a DEEC in the prescribed manner. Previously, **diamonds could be exported through diamond** exchanges, run by **diamond** exchange licensees. The DEEC alters this position, and is intended to be a "one-stop shop" for the export of unpolished **diamonds**. Any producer who exports unpolished **diamonds** must export from a DEEC and pay the relevant export duty. Temporary licensees may also purchase and export unpolished **diamonds** at the DEEC and pay the relevant export duty.

[15] Challenges were initially raised to sections 19, 20, 20A, 48(a), 59, 59A and 59B of the Act, as amended.

[16] High Court judgment above n 5 at para 6.

[17] Id at para 7.

[18] Id at para 38.

[19] Id at para 43.

[20] Id at para 8.

[21] *Saidex (Pty) Ltd v Minister of Minerals and Energy* **[2011] ZASCA 102**; 2011 JDR 0593 (SCA) (*Saidex*). The applicants in that case had sought an interim interdict to preserve their rights under the Act pending the finalisation of SADPO's application to have certain provisions of the Act declared unconstitutional. The Court held that the

requirements for an interim interdict had not been met, as no *prima facie* right to conduct the tender houses had been established, and held that the practice was unlawful.

[22] High Court judgment above n 5 at para 45.

[23] Id at para 46.

[24] Id at para 27. The Kimberley Process Certification Scheme is an international certification scheme for the international trade in unpolished **diamonds**, negotiated in the Kimberley Process. It aims to eradicate the circulation of conflict **diamonds**.

[25] High Court judgment above n 5 at paras 21-5.

[26] Id at paras 29 and 40.

[27] Id at para 31.

[28] Id at paras 41-2.

[29] Id at para 47.

[30] Id at para 48.

[31] Id at para 49.

[32] Id at para 50.

[33] Id at para 51.

[34] Id.

[35] "Producer" is defined in section 1 of the Act as "any person entitled to win or recover **diamonds** in terms of sections 19, 25 and 27 of the Mineral and Petroleum Resources Development Act". These sections of the **Mineral and Petroleum Resources Development Act 28 of 2002** deal with prospecting rights, mining rights and mining permits respectively.

[36] "Dealer" is defined in section 1 of the Act as "the holder of a **diamond** dealer's licence contemplated in section 26(a)". This licence entitles the holder to "carry on business as a buyer, seller, importer or exporter of unpolished **diamonds**".

[37] *Head of Department, Department of Education, Limpopo Province v Settlers Agricultural High School* **[2003] ZACC 15**; **2003 (11) BCLR 1212** (CC) at para 11 and *S v Mercer* **[2003] ZACC 22**; **2004 (2) SA 598** (CC); **2004 (2) BCLR 109** (CC) at para 4.

[38] *First National Bank of SA Ltd t/a Wesbank v Commissioner, South African Revenue Service; First National Bank of SA Ltd t/a Wesbank v Minister of Finance* **[2002] ZACC 5**; **2002 (4) SA 768** (CC); **2002 (7) BCLR 702** (CC) (*FNB*) at para 46.

[39] Id.

[40] In *FNB* id, this Court set out a sliding scale for determining whether a deprivation of property is arbitrary: the standard can range from rationality, to something more akin to proportionality, depending on the circumstances. At paras 65-6, this Court held:

> "In its context arbitrary, as used in section 25(1), is not limited to non-rational deprivations, in the sense of there being no rational connection between means and ends. It refers to a wider concept and a broader controlling principle that is more demanding than an enquiry into mere rationality. At the same time it is a narrower and less intrusive concept than that of the proportionality evaluation required by the limitation provisions of section 36. This is so because the standard set in section 36 is reasonableness and justifiability, whilst the standard set in section 25 is arbitrariness. This distinction must be kept in mind when interpreting and applying the two sections.
>
> It is important in every case in which section 25(1) is in issue to have regard to the legislative context to which the prohibition against arbitrary deprivation has to be applied; and also to the nature and extent of the deprivation. In certain circumstances the legislative deprivation might be such that no more than a rational connection between means and ends would be required, while in others the ends would have to be more compelling to prevent the deprivation from being arbitrary."

[41] This Court in *FNB* above n 38 at para 51 held that "ownership of a corporeal movable must – as must ownership of land – lie at the heart of our constitutional concept of property".

[42] *Mkontwana v Nelson Mandela Metropolitan Municipality* **[2004] ZACC 9**; **2005 (1) SA 530** (CC); **2005 (2) BCLR 150** (CC) at para 32. My emphasis.

[43] *Offit Enterprises (Pty) Ltd v Coega Development Corporation (Pty) Ltd* **[2010] ZACC 20**; **2011 (1) SA 293** (CC); 2011 (2) BCLR 189 (CC) (*Offit*) at para 41. My emphasis.

[44] Id at para 44.

[45] *Tshwane City v Link Africa* **[2015] ZACC 29**; **2015 (6) SA 440** (CC); **2015 (11) BCLR 1265** (CC) (*Link Africa*) at paras 166 73.

[46] 36 of 2005.

[47] *Link Africa* above n 45 at para 167. Footnotes omitted. My emphasis.

[48] Id at para 172.

[49] *Shoprite Checkers (Pty) Ltd v MEC for Economic Development, Eastern Cape* **[2015] ZACC 23**; **2015 (6) SA 125** (CC); **2015 (9) BCLR 1052** (CC) (*Shoprite*).

[50] Comprising the judgments of Froneman J and Madlanga J.

[51] This is because I do not consider the question of whether the licences constitute property to be of relevance to determining the matter: even assuming they are property for the purposes of section 25 of the Constitution, there is no deprivation. To decide whether the licences here are property would require an analysis of whether the conditions set out in *Shoprite* as underlying a finding that the licence was property, have been met. But, although the majority in *Shoprite* above n 49 did find that the licence in issue there was property, the two judgments comprising the majority on this issue based their findings on different reasons. To determine whether the licences here are property would require the Court to decide which approach to the enquiry – that set out in the judgment of Froneman J, or that in the judgment penned by Madlanga J – is to be preferred. That is an important issue, on which we have had the benefit neither of the parties' views, nor those of the High Court. As this is not a case where the question whether the licence is property has any impact on the outcome, it is not an appropriate matter for this Court to pronounce authoritatively on which of the two approaches to determining when a licence constitutes property set out in the judgments comprising the majority in *Shoprite*, ought to be preferred. This must be left for a more apposite case.

[52] Compare *Shoprite* above n 49 at paras 74-6, where Froneman J held that grocer's wine licences had conferred on their holders certain legal entitlements, including the

ability to sell wine and groceries on the same premises. The relevant regulatory changes, providing that liquor could only be sold from premises selling liquor exclusively, meant that holders of grocer's wine licences in the position of Shoprite lost a legal entitlement. Froneman J held that the fact that a legal entitlement was lost meant that there was a deprivation under section 25(1).

[53] *Affordable Medicines Trust v Minister of Health* **[2005] ZACC 3**; **2006 (3) SA 247** (CC); **2005 (6) BCLR 529** (CC) (*Affordable Medicines*) at para 63.

[54] Id at para 92.

[55] Id at para 93.

[56] Id at para 69.

[57] Id at para 71.

[58] *S v Lawrence, S v Negal, S v Solberg* **[1997] ZACC 11**; **1997 (4) SA 1176** (CC); **1997 (10) BCLR 1348** (CC) (*Lawrence*).

[59] Id at para 41.

[60] The Court in *Van Rensburg v South African Post Office Ltd* **1998 (10) BCLR 1307** (E) applied a reasonableness test. This Court in *Affordable Medicines* above n 53 discusses this finding at para 81:

> "If the Court intended to adopt reasonableness as a standard for reviewing legislation that regulates the practice of a profession, I am, with respect, unable to agree."

[61] *Affordable Medicines* above n 53 at para 86.

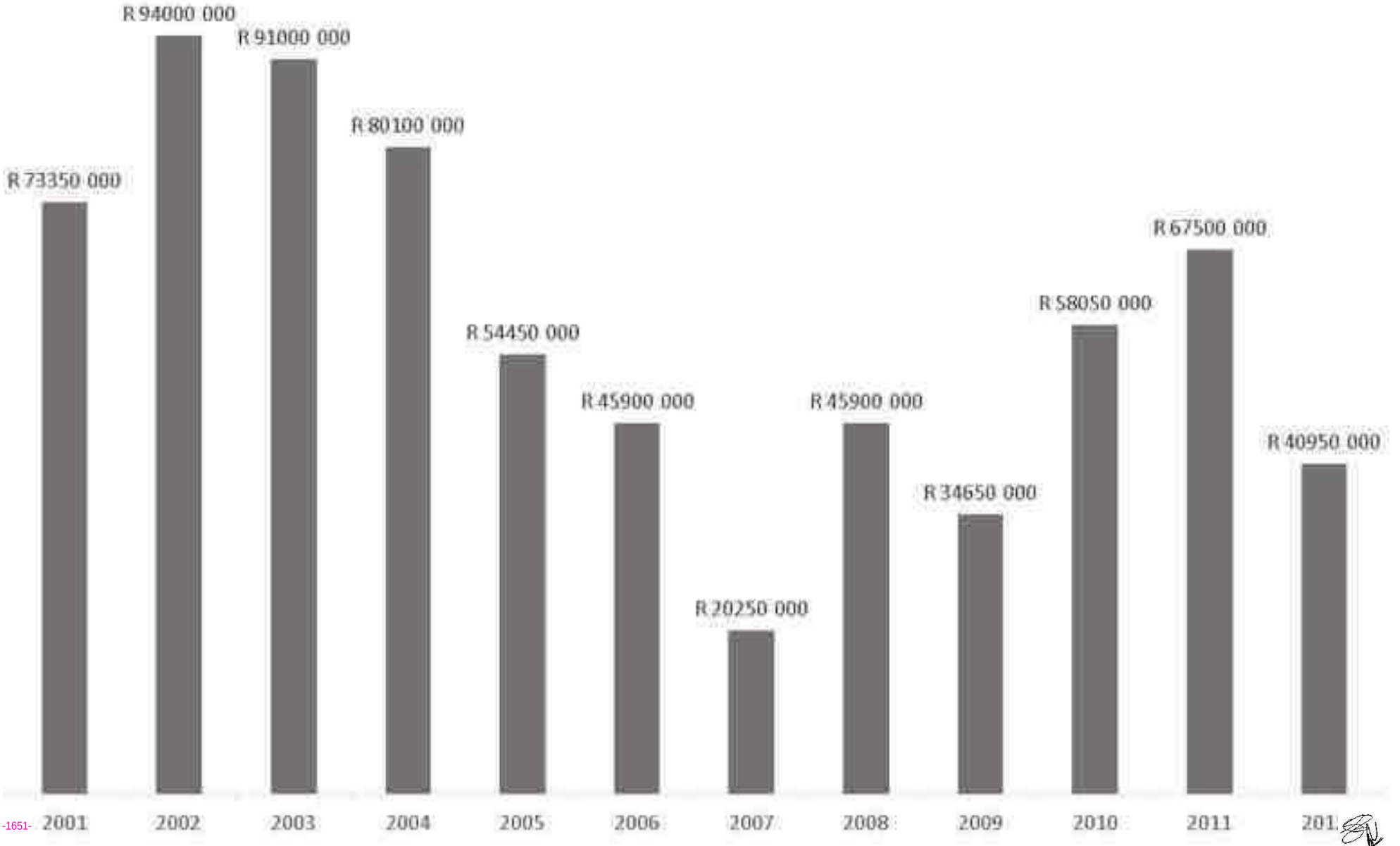
[62] Id.

[63] *Lawrence* above n 58 at para 44.

[64] *Biowatch Trust v Registrar, Genetic Resources* **[2009] ZACC 14**; **2009 (6) SA 232** (CC); **2009 (10) BCLR 1014** (CC) (*Biowatch*).

[**Context**] [**Hide Context**]

Alexkor's Marine Operating Segment Gross Profit



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XX4-GJC-812

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RICHTERSVELD MINING COMPANY

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ALEXANDER BAY
8290

Tel/Phone: 027 8311 648
Sel/Cell: 078 188 6760
rmc034807@gmail.com
Wjvriss@gmail.com

THE PUBLIC PROTECTOR
Ms. Winnie Manyathela
Email: winniem@pprotect.org

RE: COMPLAINT: IRREGULAR AWARDING OF CONTRACT TO SCARLET SKYE INVESTMENTS 60 (PTY) LTD AND FLAWLESS DIAMONDS

The above matter refers.

On 11 December 2014 the tender committee of the Alexkor RMC Pooling and Sharing Joint Venture (PSJV) conducted interviews with the aim of appointing a service provider to the PSJV to attend to the sale of the diamonds from the joint venture. We were represented by Duncan Korabie (Korabie).

On the 17th of December 2014 the previous chairperson contact Korabie and required Korabie to approve the conditional appointment of Scarlet Skye Investments 60 (Pty) Ltd (SSI). I raised certain queries with him surrounding the appointment and he persisted that a conditional appointment be done. A, *inter alia*, condition of the appointment of SSI was that the PSJV CEO (CEO) should conduct a due diligence on SSI and report back to the committee on such due diligence.

It would appear that there could not have been much of a due diligence. SSI was preciously owned by Legal Frontiers (Corporate Services) CC (LF). LF is a company that trades in shelf companies. It would appear that from 2009 – 2014 SSI was a shelf company owned by LF. LF sold SSI and its new director were registered on 20 November 2014. We do not know who the shareholders are.

The CEO never reported to the tender committee on the due diligence, he was directed to conduct. Our investigation shows that the former chairperson,

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the CEO and Alexkor SOC Limited (Alexkor) Chief Legal Officer (CLO) appointing another director of the RMC, John Bristow (Bristow) to the tender committee instead of Korabie. The RMC never appointed Bristow as its representative to the tender committee nor did the PSJV Board. The chairperson of the Board of the RMC appointed Korabie.

The CLO and the former chairperson presented Bristow as an independent director for the RMC. During June 2015, it was discovered that Bristow holds a 5% interest in a company only known as Flawless Diamonds (FD). FD operates as an evaluator of diamonds before SSI sells off the diamonds.

Prior to the sitting of the tender committee, no documents were made available related to the candidates who will be considered to Korabie. Prior to the interview of the shortlisted candidates, the tender committee did no shortlisting and the tender committee had no insight into methodology and process used in the shortlisting process. In an email response Raygen Phillips the Secretary of the PSJV (Phillips) mentioned that the CEO will speak with Korabie prior to the meeting. No such discussion took place. Individuals in the PSJV did the shortlisting, amongst other we discovered the CEO and the Secretary. The CEO also sat in on the shortlisting interview process on the 11th of December 2014.

The PSJV subscribes to the Public Finance Management Act 1 of 1999 at least according to the CLO.

On the 11th of December 2015 the CLO and chairperson at the time took Korabie and Dr. Roger Paul (Paul) a Alexkor representative into his office and discussed what he viewed as the new direction the PSJV must take in appointing the service provider. He mentioned that only one candidate that will be interviewed met the new direction he proposes. He then mentioned SSI.

On the 17th of December 2014 the previous chairperson contacted Korabie and required Korabie to approve a conditional appointment of Scarlet Skye Investments 60 (Pty) Ltd (SSI). Korabie raised certain queries with him surrounding the appointment and he persisted that a conditional appointment be done. Korabie also received a call from the CLO of Alexkor in this regard.

During March 2015 the appointment of SSI reaches a boiling point with the sole shareholder of the RMC challenging the regularity of the appointment.

Various requests were sent to Phillips to provide certain information to the RMC and its shareholder. The first response from Phillips was on 23 March

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2015 where she indicated that the request would be forwarded to the Board of the PSJV. This request never reached the Board who met on the 27th of July 2015. Amongst those requests were the minutes of the tender committee of 11 December 2015 and the resolution of the Board following the tender committee of the 11th of December 2014. We are not aware of any further meetings of the tender committee.

This information is outstanding to date. In fact any request the RMC makes to the PSJV related to information is met with the answer that the request must or will be directed to the PSJV board.

On the 27th of July 2015 a further startling discovery was made at the PSJV board meeting. The CEO report directly to the chairperson of the Board of the PSJV on the day to day running of the PSJV in contravention of the Unanimous Resolution that stipulates he reports to the Board of the PSJV. The CEO claims that it is in accordance with his employment agreement.

The RMC sought a copy of this agreement. Again the response was that the request would be referred to the PSJV Board. It is not clear what other business the previous chairperson and CEO conducted in contravention of the Unanimous Resolution.

We have discovered that at least 2 days before the tender closed the directors in SSI were registered with the Companies Office in Pretoria.

You will note from the attached correspondence by Phillips that SSI was chosen because they were they "had a good track record in the diamond industry", that they were the only entity willing to sign a beneficiation agreement. To the best of our knowledge none of the contractors were offered this proposal by the tender committee. SSI has no track record in the diamond industry prior to its appointment. Since the appointment of SSI no beneficiation for the community has taken place.

It is clear to us that SSI was created specifically for this tender. We do not know who the shareholders are of SSI and their relationship if any with any of the tender committee board members or the PSJV Board Members. We do not know if SSI complies with the PFMA. We do not know if SSI complies with the BBBEE legislation. We do not know if the other requirements set that led to their conditional appointment have been met.

When the Board considered the appointment of SSI, the tender committee had not made a recommendation. It could not have made a recommendation

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as it would not have been correctly constituted with John Bristow not being appointed by RMC and having an indirect interest through FD.

At the Board Meeting approving the appointment of SSI, our representative Willem Vries was misled by the rest of the board members and the CLO that Korabie had already approved the appointment of SSI and that it was a mere formality. They did not disclose to him that Bristow was involved. The Board at the time was irregularly constituted, as it required 2 independent directors from the RMC and a community director to constitute a quorum for that meeting. This was the requirement set by Alexkor and the RMC.

No agreement was ever presented to the Board to consider and approve. The board to enter into the agreement and represent the PSJV in the agreement approved no person. We have requested this information and we have been refused

It is still not clear what the outcome of the due diligence was.

The appointment of both FD and SSI was in our opinion in violation of the PFMA and we seek your assistance in investigating the complaint and take such remedial action as allowed by the Constitution of the Republic of South Africa.

YOUR MINING PARTNER
RICHTERSVELD MINING COMPANY (PTY) LTD

Per D KORABIE
(Independent Director)

GC89

Gmail

Richtersveld GEV/CPA <rgevcpa@gmail.com>

Fwd: COMPLAINT BY THE RICHTERSVELD MINING COMPANY (PTY) LTD IRREGULAR AWARDING INF CONTRACT TO SCARLET SKYE INVESTMENTS 60 (PTY) LTD AND FALWLESS DIAMONDS

3 messages

Duncan E. Korabie <duncan@korabie.co.za> Fri, Sep 11, 2015 at 1:44 PM
To: percyk@alexkor.co.za
Cc: Kgathatso.Tlhakudi@dpe.gov.za, Mervyn Carstens <mervync@alexkor.co.za>, Zarina Kellerman <zarinak@alexkor.co.za>, DR PAUL <rlpaul.rs@gmail.com>, Richtersveld GEV/CPA <rgevcpa@gmail.com>, WILLEM VRIES <wjvries@gmail.com>, dennis farmer <dennisfarmer769@gmail.com>, Pieter De Wet <pieterdewet099@gmail.com>, Mr Joshau De Wet <joshuadw@alexkor.co.za>, Cathrene Slander <sanddrift@richtersveld.gov.za>

Dear Mr Khoza;

Please find attached the RMC complaint to the public protector related to the appointment of Scarlet Skye Investments 60 (Pty) Ltd. I apologise for not forwarding the document to you yesterday but I only returned from a business trip yesterday evening and could only attend to finalising the complaint today.

It is unfortunate that we have to refer the matter to the public protector, but we do not have the cooperation of the executive committee on this matter and we are stained in our access to the information.

We trust the above is in order.

Begin forwarded message:

From: "Duncan E. Korabie" <duncan@korabie.co.za>
Subject: **COMPLAINT BY THE RICHTERSVELD MINING COMPANY (PTY) LTD IRREGULAR AWARDING INF CONTRACT TO SCARLET SKYE INVESTMENTS 60 (PTY) LTD AND FALWLESS DIAMONDS**
Date: 11 September 2015 at 13:35:57 SAST
To: winniem@pprotect.org

Dear Madam;

Please find attached the complaint of our client the Richtersveld Mining Company (Pty) Ltd against the irregular awarding of a tender to a company named Scarlet Skye Investments 60 (PTY) LTD and Flawless Diamonds.

We trust you find the above in order.

Yours Faithfully.

3 attachments

PastedGraphic-2.tiff
29K

PastedGraphic-2.tiff
29K

RMC COMPLAINT TO PP 11.9.15.pdf
3867K

Duncan E. Korabie <duncan@korabie.co.za> Sun, Jul 22, 2018 at 10:09 PM
Reply-To: Ms Melanie Groenewald <admin@korabie.co.za>
To: Charmaine Yssel <charmaine.yssel@dpe.gov.za>
Cc: Richtersveld CPA <rgevcpa@gmail.com>

Dear Charmaine;

Please find attached the original referral of the complaint.

there was some additional information sent, let me know if you want that.

The complaint was registered with the Public Protector under ref.: Our Ref:7/2-011497/15. Mr D Korabie

In November 2015 we agreed following a meeting between The CPA and the Minister for Public Enterprises, not to proceed with complaint to allow her to investigate the matter internally. We agreed that the ARC Committee of the PSJV would investigate the matter. Later I discovered that Zarina Kellerman tried to investigate the matter herself. To the best of my knowledge the matter was never investigated.

There was a separate complaint against Kellerman. let me know if you would like that as well.

Regards
Duncan Korabie

Begin forwarded message:

From: "Duncan E. Korabie" <duncan@korabie.co.za>
Subject: Fwd: COMPLAINT BY THE RICHTERSVELD MINING COMPANY (PTY) LTD IRREGULAR AWARDING INF CONTRACT TO SCARLET SKYE INVESTMENTS 60 (PTY) LTD AND FALWLESS DIAMONDS
Date: 11 September 2015 at 13:44:11 SAST
To: percyk@alexkor.co.za
Cc: Kgathatso.Tlhakudi@dpe.gov.za, Mervyn Carstens <mervync@alexkor.co.za>, Zarina Kellerman <zarinak@alexkor.co.za>, DR PAUL <rlpaul.rs@gmail.com>, Richtersveld GEV/CPA <rgevcpa@gmail.com>, WILLEM VRIES <wjvries@gmail.com>, dennis farmer <dennisfarmer769@gmail.com>, Pieter De Wet <pieterdewet099@gmail.com>, Mr Joshau De Wet <joshuadw@alexkor.co.za>, Cathrene Slander <sanddrift@richtersveld.gov.za>
[Quoted text hidden]

GC89

2 attachments

PastedGraphic-2.tiff
29K

RMC COMPLAINT TO PP 11.9.15.pdf
3867K

Charmaine Yssel <Charmaine.Yssel@dpe.gov.za> Mon, Jul 23, 2018 at 8:00 AM
To: "duncan@korabie.co.za" <duncan@korabie.co.za>
Cc: Richtersveld CPA <rgevcpa@gmail.com>, Ms Melanie Groenewald <admin@korabie.co.za>

Good morning Mr Korabie

This serves to acknowledge with thanks receipt of the copy of the complaint; the contents of the communication have been noted.

Kindly may you also supply the additional information with regard to the SSI complaint as well as details of the separate complaint against Ms Kellerman.

Your assistance is appreciated; thank you.

Kind regards,

Ms. Charmainé Yssel:

Operations Coordinator to Mr Kgathatso Tlhakudi, DDG: MANUFACTURING ENTERPRISES (Denel, Alexkor & SAFCOL)

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DEPARTMENT: PUBLIC ENTERPRISES
REPUBLIC OF SOUTH AFRICA
NATIONAL ASSEMBLY

QUESTION NO.: 1204

DATE OF PUBLICATION: 23 April 2018

1204. Ms S V Kalyan (DA) to ask the Minister of Public Enterprises:

(1) Whether complaints about certain persons namely Mr Bagus and Ms Kellerman, and also about the appointment of a certain company namely Scarlet Sky Investments were lodged with the Public Protector by a certain person namely Mr Duncan Korabie, and later withdrawn; if so,

(2) whether one of the specified persons namely Ms Kellerman was thereafter appointed to do an internal investigation into the affairs of Alexkor; if not, what is the position in this regard; if so, what was the outcome? NW1298E

REPONSE BASED ON INFORMATION RECEIVED FROM ALEXKOR SOC LIMITED:

(1) Alexkor were informed by Mr Korabie about the complaint he lodged to the Office of the Public Protector during 2015.

The complaint was withdrawn by Mr Korabie subsequent to a meeting between DPE and the Alexkor-CPA during November 2015, to allow the Department to investigate the matter internally. The investigation was done by the ARC Committee of the PSJV and the outcomes have been communicated with the Department.

(2) Alexkor is not aware that Ms Kellerman was appointed to investigate the internal matters of Alexkor SOC. However, Ms Kellerman, as Chief Legal Officer at the time was instructed by the then Board of Directors to institute the forensic investigation into allegations made against the then CEO, Mr Percy Khoza. SizweNtsalubaGobodo (SNG) was appointed as an independent entity to conduct the said forensic investigation.

The technical nature of the irregularities were such that it was not obvious to the current Board whether it was appropriate, or not, to initiate any disciplinary action against the CEO. The Board subsequently commissioned Mkhabele Huntley Adekeye Inc. (MHA) to evaluate the SNG report in terms of the possible disciplinary actions available to Alexkor.

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The finding of Mkhabele Huntley Adekeye Inc was that the CEO took “a cavalier approach to financial management of the entity, which exposes the entity to risk”. The report continues that: “based on the evidence before us, we are of the view that the Accounting Authority has reasonable prospects of securing a dismissal at arbitration”. The Board considered the Mkhabele Huntley Adekeye Inc reports and decided that a “reasonable” prospect of a successful dismissal was insufficient to warrant further action. Furthermore, the Company had embarked on a restructuring process during which the CEO put himself forward for voluntary retrenchment, which offer the Board accepted, as a simpler and more cost-effective option to disciplinary action.

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RICHTERSVELD

SELF ONTWIKKELINGS MAATSKAPPY (EDMS) BPK
SELF DEVELOPMENT COMPANY (PTY) LTD

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Alexanderbaai 8290
Tel (+27) 27 8311 648
Epos/Email:
liesl.devco@gmail.com
pieterdewet099@gmail.com

FOR ATTENTION:

THE CHAIRPERSON OF THE BOARD OF DIRECTORS
ALEXKOR
Mrs H Mayeza hansim@gmail.com

THE DIRECTOR GENERAL
DEPARTMENT OF PUBLIC ENTERPRISES
Mr Mogokare Richard Seleke info@dpe.gov.za

THE MINISTER OF PUBLIC ENTERPRISES
Ms. L. Brown kim.davids@dpe.gov.za

THE CHIEF EXECUTIVE OFFICER
ALEXKOR
Mr. P Khoza percyk@alexkor.co.za

Direkteure/Directors: P. de Wet (Voorsitter/Chairperson); L. Fortuin; N. Phillips

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RICHTERSVELD

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Epos/Email:
liesl.devco@gmail.com
pieterdewet099@gmail.com

RE: SSI INVESTIGATION

The above matter refers.

During November 2015 in a meeting with the Minister for the Department of Public Enterprises an agreement was reach that the complaint of the Richtersveld Community to the Public Protector on the illegal awarding of the contract to SSI was to be investigated by the ARC Committee of the Alexkor RMC Pooling and Sharing Joint Venture agreement.

These were all concessions made by the community in order to allow the restoration of a normal business relationship in the PSJV and to smooth the payment of the R 45 million to the community as determined by the deed of settlement.

Instead of trying to resolve the issues that existed between the Richtersveld Structures and Alexkor, you proceeded to once again divide the community and its structures. Spearheading this is the CEO of the PSJV and the chairperson and board members of the Alexkor. Simple examples of this are that you do not recognize the representatives of the Richtersveld Property Holdings Company but accept the only the community directors on the RMC and the appointed independent directors put forward by us. You use money to pay preference to certain individuals in the community with the aim of dividing the community. You refuse to accept the Richtersveld Communal Property Association (CPA) committee 2 members and instead accept 2 members who are known to have been paid by the previous Alexkor board to divide the committee of the CPA.

Direkteure/Directors: P. de Wet (Voorsitter/Chairperson); L. Fortuin; N. Phillips

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RICHTERSVELD

SELF ONTWIKKELINGS MAATSKAPPY (EDM5) BPK
SELF DEVELOPMENT COMPANY (PTY) LTD

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Epos/Email:
liesl.devco@gmail.com
pieterdewet099@gmail.com

There is no good faith in your action towards the community and we are sceptical about your handling of this matter.

It has been almost 6 months with no indication why the ARC Committee of the PSJV has not begun to investigate this matter.

We have learnt that Alexkor is possibly trying to investigate the matter. You know this is highly irregular as the Board of Alexkor was instrumental in the irregular appointment of SSI.

We have also learnt that the Indian investor brought to the mine to investigate the matter is in fact a representative of the GUPTA family and their aim is to run down the mine to purchase it. We have further learned that your previous board chairperson acts as the intermediary in this transaction between the GUPTA Family and Alexkor.

In light of the fact that you have mislead the community on this matter and had no intention to investigate the matter we herewith notify you that we will now ask the public protector to reinvestigate the matter. We will now also report the matter to the HAWKS, the investigatory unit of SARS, the department of Justice and the Minister of Finance.

We have also referred the matter to an investigative journalist who will now make your conduct public.

We will forward copies of these referrals to you during the course of today and tomorrow.

We now question the good faith of the Minister for Public Enterprises on this matter.

Direkteure/Directors: P. de Wet (Voorsitter/Chairperson); L. Fortuin; N. Phillips

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RICHTERSVELD

SELF ONTWIKKELINGS MAATSKAPPY (EDMS) BPK
SELF DEVELOPMENT COMPANY (PTY) LTD

Reg.no.2006/034315/07
Frikkie Snymanlaan 7 Frikkie Snyman Avenue
Posbus /PO Box 85,
Alexanderbaai 8290
Tel (+27) 27 8311 648
Epos/Email:
liesl.devco@gmail.com
pieterdewet099@gmail.com

We trust the above is in order.

Yours Faithfully.

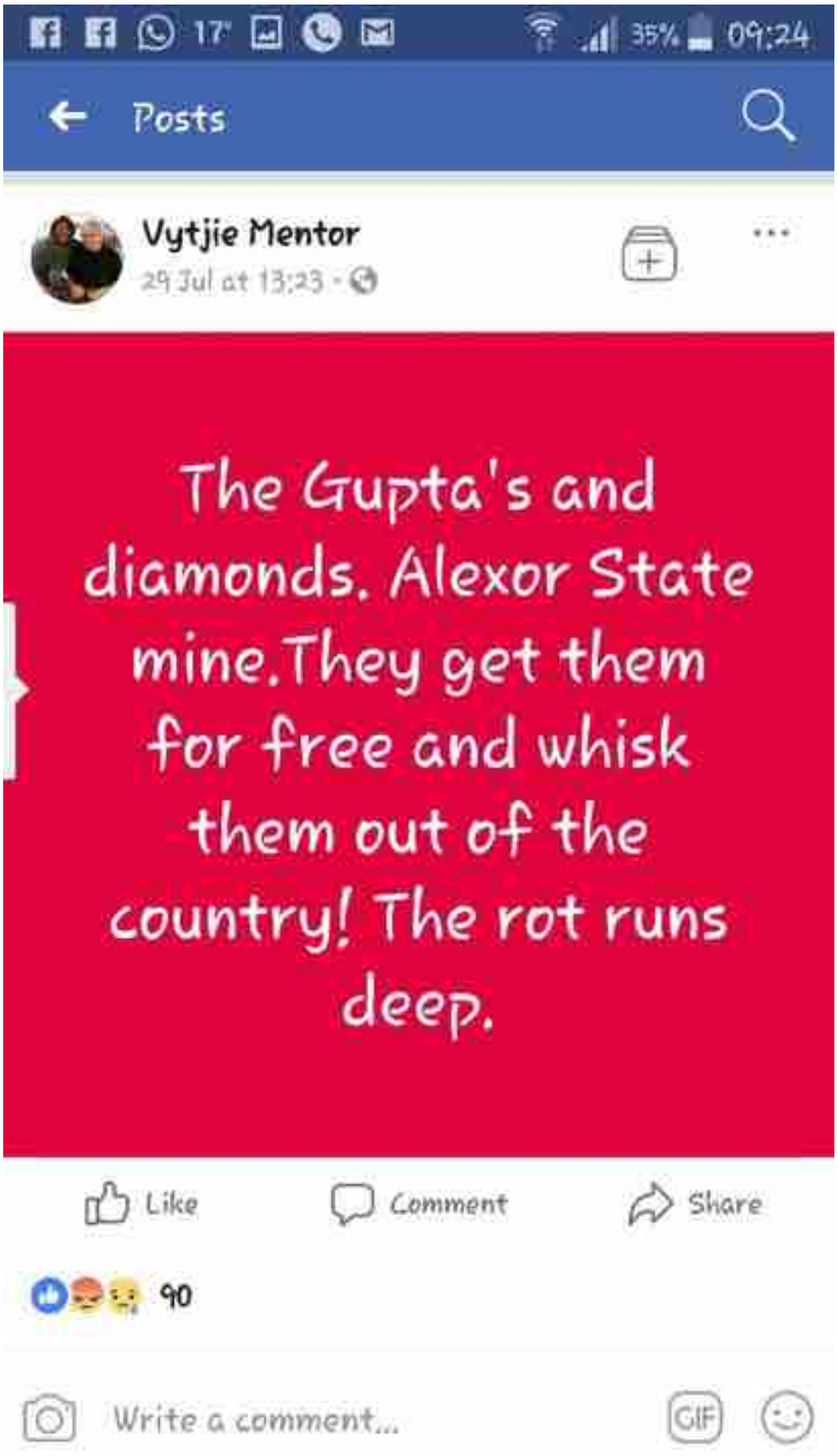
Pieter De Wet

(Voorsitter)

11 February 2016

Direkteure/Directors: P. de Wet (Voorsitter/Chairperson); L. Fortuin; N. Phillips

GC92


17°
35%
09:24
Posts
Vytjie Mentor
29 Jul at 13:23
The Gupta's and diamonds. Alexor State mine.They get them for free and whisk them out of the country! The rot runs deep.
Like
Comment
Share
90
Write a comment...
GIF

GC92

17°
36%
09:24
Posts
Vytjie Mentor
30 Jul at 08:36
They flew Board members of Alexor and some community trust members to Dubai...
Like
Comment
Share
58
Brenda Madumise-Pajibo
The chair of the board worked in FS and is Dr Matseke wife
30 Jul at 08:41 · Like · Reply
Write a comment...
GIF

GC92

17' 2% 35% 09:26
Posts
Vytjie Mentor
1 Aug at 14:50
Rather Phillips, Alexor State Diamond Company Secretary, CURRENTLY I DUBAI on holiday, (read: thanks to, and to consult with the GUPTA'S)
Like
Comment
Share
19
Sindi Lingela
I need to go to this Oberoi Hotel in Dubai
1 Aug at 15:55 · Like · Reply · 1
Write a comment...
GIF

GC92

09:25
Posts
Vytjie Mentor
11 Aug at 09:37
Diamonds are openly smuggled out of Richtersveld. Namibia border is now used to exit diamonds illegally. The powers that be at Alexor are reportedly NOT innocent in all these matters.
Like
Comment
Share
42
Nelly Vermaak
Its fine STEAL TILL YOU CAN STEAL NO MORE.... SOUTH AFRICA YOURE A JOKE
11 Aug at 10:20 · Like · Reply · 1
Mpherefere Lavor Mocwaledi
It make sens
13 Aug at 08:33 · Like · Reply
Write a comment...
GIF

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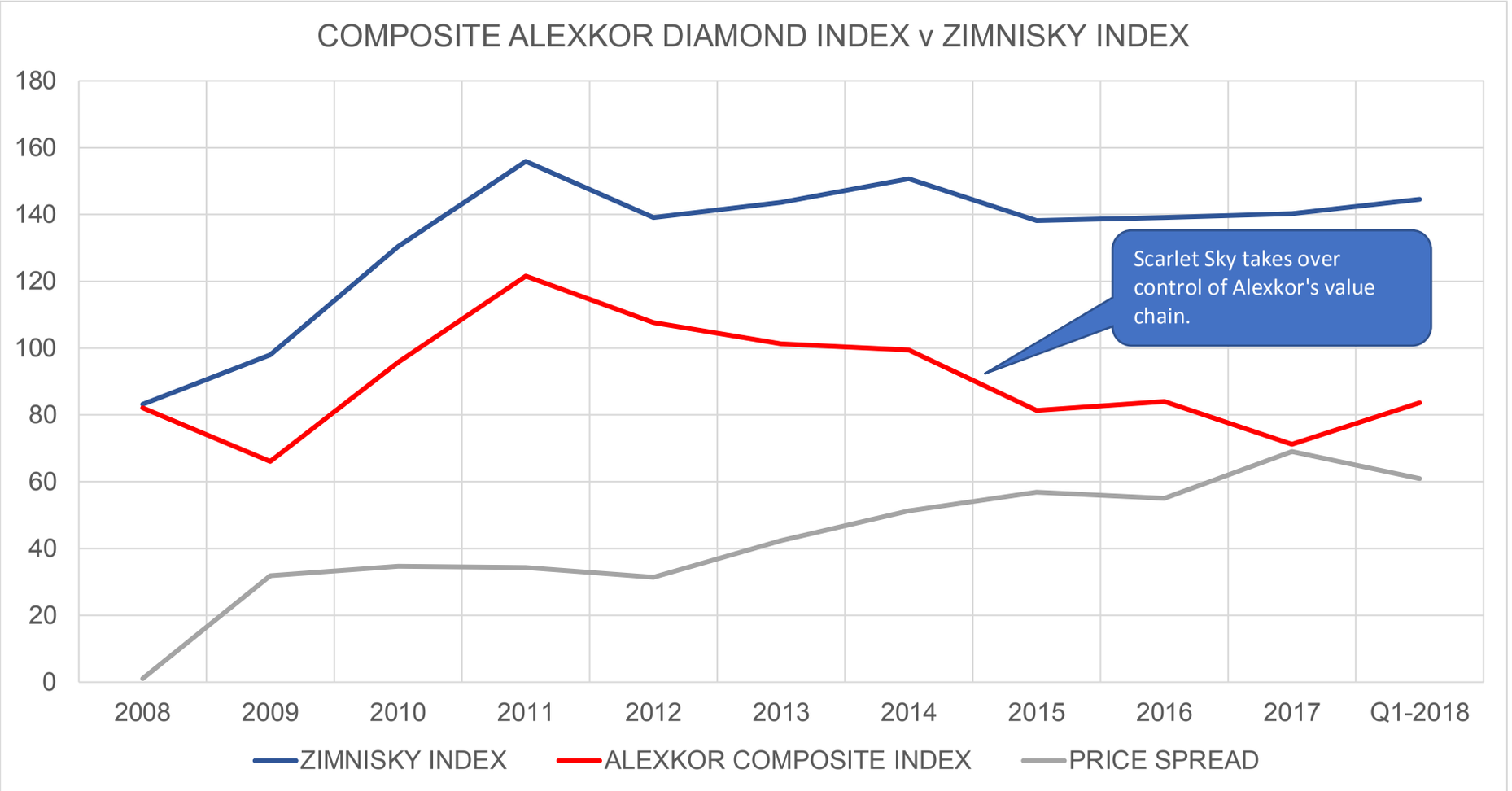
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Q1-2018
ZIMNISKY INDEX	83	98	130	156	139	144	151	138	139	140	145
ALEXKOR COMPOSITE INDEX	82	66	96	122	108	101	99	81	84	71	84
PRICE SPREAD	1	32	35	34	31	42	51	57	55	69	61



MINING-04-832

XX4-GJC-830

GC94

MINUTES OF THE MEETING OF THE ALEXKOR RMC JV BOARD OF DIRECTORS (the Board) HELD ON WEDNESDAY, 12 APRIL 2017 AT 11:00 AT THE GARDEN COURT HOTEL, KIMBERLEY

PRESENT:	Ms Hantsi Matseke	HM	Chairperson
	Ms Patience Mokhali	PM	Member of the Interim Board
	Mr Augustin Maarman	AM	Member of the Interim Board
	Mr Gideon Oliphant	GO	Member of the Interim Board
	Mr Trevern Haasbroek	TH	* Member of the Interim Board
BY INVITATION:	Mr Mervyn Carstens	MC	CEO - _PSJV
	Mr Vimal Bansi	VB	CEO – Alexkor
	Mr Frederick Strauss	FS	Financial Manager – PSJV
	Ms Raygen Phillips	RP	Company Secretary – PSJV
			*via teleconference
APOLOGIES:	Mr John Danana	JD	Member of the Interim Board

ITEM DESCRIPTION

1. WELCOME AND APOLOGIES

The Chairperson opened the meeting and welcomed all present. The meeting was quorate and was declared duly constituted.

The apology of Mr Danana was noted.

The agenda and Board pack, which had been circulated prior to the meeting, were taken as read and were deemed to form an integral component of the minutes of the meeting.

2. DECLARATION OF INTERESTS

The Board Members and invitees confirmed that they had no interests to declare.

3. ADOPTION OF THE AGENDA

The agenda was adopted with the following additions:

Item 9.1.1: IMDSA
Item 9.1.2: Midwater Revenue Split
Item 9.1.3: Equal Access Campaign

9.1.3 Equal access campaign

Mr Craythorn presented the equal access campaign. Background information on his experience, training and education was provided. He was a resident of Alexander Bay. Due to his technical background, he was involved in the designing and development of equipment, and had recently been focussed on mechanisation. He is a sub-contractor to his wife's company Ocean Diggers and manage all technical aspects, He was of the view that it is a strategic misstep for Alexkor to venture into goal and not invest more in the marine operations. The Chairperson highlighted that Alexkor SOC has its own strategic role and plans, the responsibility of the marine asset is under the sole discretion of the PSJV Board. Alexkor needs to generate is own revenue stream as it do not rely on the PSJV for financial assistance. The governance and separation of Alexkor and the PSJV was discussed. It was noted that the two entities were operated on an

GC94

independent basis.

History of Mr Craythorn's engagements with Alexkor and the associated developments were discussed. The relationship with PSJV was good and a Service Level Agreement ("SLA") was in place whereby Mr Craythorn provided a vessel to a company that contracted directly with Alexkor.

The utilisation of the Alexkor asset, being the largest marine diamond field in the world, and the need to accelerate the extent of marine mining was discussed. There was a feeling amongst contractors that Alexkor does not afford optimum attention to the marine mining section, especially when you take into consideration the kind of employees such as Ms Leilani Swartbooi that is appointed to oversee the marine operations. Contractors cannot discuss their operations or concern with her due to her lack of knowledge in the industry.

The solution was not to appoint more contractors but to assist the current contractors and to invest in research. Mr Craythorm indicated that Alexkor had had 105 contractors in place in 2004, compared to the 80 in place at present. It could thus be deduced that a higher level of contractors would not necessarily increase production, as could be evidenced by the reduction in contractors.

The Chairman indicated that the primary focus of this interaction should be on how to improve the utilisation of the asset and its yield for the PSJV and how this would also beneficially impact the community. Improvements were to be identified that could improve performance.

The following matters were suggested as means to improve marine operations performance:
1. Increased investment into support services to contractors.
2. Personnel who are experienced in the industry are required to oversee the support function.
3. Transparency should be increased with regard to the diamond sales channel, processes and data.
4. The Board should engage more with the local community, which included the contractors.

It was noted that the concerns would be considered but that the Board should not be involved on an operational basis.

The contractor's satisfaction survey was discussed, and it was noted that limited response had been received. The marine mining contractors were nervous of losing their contracts and therefore would not easily voice their concerns. Fourteen of fifty-six marine contractors had responded to the survey and the feedback had been largely negative. The survey should be recirculated and contractors engaged with to improve the relationship. It was suggested that Mr Carstens empower the contractor community and encourage open communication.

A full-time metallurgist was in the process of being appointed and that the Plants was now being maintained, which would improve relations. The PSJV in the process to refurbish the new final recovery, money are being invested in the mine by the PSJV. All records of previous diamond sales were in place. Sensitive information was to be handled in a confidential manner. A meeting could be scheduled on a regular basis with the contractors community, and if individual contractors wanted their specific data and value chain information then this could be provided. The PSJV always had an open door policy where contractors can voice their concern or give advice on how to improve the business for all concerned. This is also noted in the increase of production amongst marine mining contractors as management is now aware of the problems faced by contractors and in better position to assist contractors. Additionally, the value chain should be verified according to the diamond index and bidding spreads for sales.

The building of coffer dams would continue in line with the current EMPA. The building of dams would be reconsidered in the updating of the EMPA upon which new legislation would have an impact.

It was noted that the local municipality had implemented an integrated development plan and that the plan complimented the social initiatives that were in place for the PSJV. Contractors should attend the municipality meetings, as this would improve the collaboration between all parties and would be beneficial to the community. Ms Phillips will request the municipality to

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register the contractors as an interested group and to invite them to meetings. She will also give the relevant people at the municipality's details to Mr Craythorn.

10. NEXT MEETING

21 July 2017.

Approved as a true reflection of the meeting

_____ _____

Chairperson ***Date***

_____ _____

Company Secretary ***Date***

GC95

gavinjohn@outlook.com

From: Tshediso Matona <Tshediso@dpme.gov.za>
Sent: 15 November 2017 02:24 PM
To: Gavin J. Craythorne
Subject: Re: ALEXKOR / KUBEN MOODLEY.

Thank you. The name rang a bell, but I could not contextualise it.
I think SSI was already there when the current board arrived, if I'm right? I believe they were engaged at PSJV-level, and I'm not aware that there are issues with the way they were engaged. I was told there was a media question, but not much since.

What does 'Gupta incorporated' mean?

As I said, if you know of any wrongdoing by anyone please go report it somewhere, and I'm sure you know better than I do where to go?

Sent from my iPhone

On 15 Nov 2017, at 14:06, Gavin J. Craythorne <gavinjohn@outlook.com> wrote:

> Dear Mr Matona,
>
> Kuben Moodley features prominently in the Public Protectors STATE OF CAPTURE REPORT. He is the owner of a company called Albatime that contributed R10 million rand towards the purchase by the Guptas of Optimum Coal.
>
> He was also mentioned on several occasions today during the proceedings of the Eskom Enquiry while Dr David Fine, of Mc Kinsey, was giving evidence in relation to the Trillion matter.
>
> He is a well-documented associate and business partner of the Guptas and the attachment I sent you is the company search I did confirming his involvement in the initial establishment of the company that is now being handed the entire production that Alexkor produces every month and furthermore, without any chain of custody that I am aware of.
>
> Kind regards,
>
> Gavin Craythorne.
> Mobile: 083 630 1380.
>
> <image003.jpg>

From: Tshediso Matona [mailto:Tshediso@dpme.gov.za]
Sent: 15 November 2017 01:54 PM
To: Gavin J. Craythorne <gavinjohn@outlook.com>
Subject: Re: ALEXKOR / KUBEN MOODLEY.

Dear Mr Craythorne,
Who is Mr Kuben Moodley, by the way? Your attachment reads 'Gupta Incorporated'; what does that mean?

GC95

Sent from my iPhone

On 15 Nov 2017, at 12:45, Gavin J. Craythorne <gavinjohn@outlook.com> wrote:

> Dear Mr Matona,
>
> Are you aware that Mr Kuben Moodley was involved in establishing Scarlet Sky Investments 60 as the marketing service provider for Alexkor's diamond production?
>
> Kind regards,
>
> Gavin Craythorne.
> Mobile: 083 630 1380.
>
> <image001.jpg>
>
> <20171011_SCARLET SKY INVESTMENTS 60_GUPTA ENCORPORATED ENTITY.pdf>

GC96

gavinjohn@outlook.com

From: Gavin J. Craythorne
Sent: 19 November 2017 11:33 PM
To: 'Hantsi Matseke'
Cc: 'Tshediso Matona'; 'Zuki Ntlangula'; Zukiswa Rantho; Pravin Gordhan (pgordhan@parliament.gov.za); 'Morongwa Mothengu'; 'gnicol@live.com'; pieter.swart@dmr.gov.za; 'nbhengu@parliament.gov.za'; 'sluzipo@parliament.gov.za'; 'lmnganga-gcabashe@parliament.gov.za'; 'fadams@parliament.gov.za'; 'ngodi@parliament.gov.za'; 'ycarrim@parliament.gov.za'; josephklaasse@gmail.com
Subject: FOR ATTENTION PLEASE: THE CHAIRPERSON OF ALEXKOR SOE.
Attachments: RESPONSE SUMMARY_20171118_2245.pdf; 20171031_ALEXKOR DIAMOND PRICES_(charts).xlsx; 20171031_ALEXKOR DIAMOND PRICES_(spreadsheets).xlsx

Dear Chairperson,

CORPORATE GOVERNANCE & PUBLIC ACCOUNTABILITY AT ALEXKOR STATE OWNED ENTERPRISE.

We are forwarding you the following which is self-explanatory together with the attached initial responses from an online survey that went live at 08:30am this morning and price data analytics.

Furthermore, we appeal to you not to permit the current production cycle's goods to leave Alexander Bay tomorrow as this would expose Alexkor and the contractors to a high level of risk due to the lack of fidelity in terms of the chain-of-custody system that Alexkor has been operating as we understand it given the lack of transparency.

Sincerely,

Messrs. Craythorne, Klaasse and Nicolaai.

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights of Small-scale Marine Diamond Miners

---

From: Gavin J. Craythorne
Sent: 19 November 2017 07:21 PM
To: mervync@alexkor.co.za
Subject: CORPORATE GOVERNANCE & PUBLIC ACCOUNTABILITY AT ALEXKOR STATE OWNED ENTERPRISE.

Dear Mr Carstens,

Since November last year, I have been trying in vain, to engage meaningfully with Alexkor at both management and board levels in an attempt to raise awareness regarding legitimate concerns that many of the local marine miner community have regarding operational and governance problems at this State Owned Enterprise.

GC96

Prior to this, I worked hard for a number of years with my colleagues in the Equitable Access Campaign, to raise awareness among all of the stakeholders of the Small-scale Marine Mining Industry about the growing challenges and the declining sustainability that was placing ever harsher socio-economic burdens on the people who work in it and those who service it.

These efforts have been a model of responsible campaigning for economic justice, relying on democratic tools and constructive engagement with concession owners as apposed to the more common approach adopted by so many other sectors of society like taxi-drivers and students who take to the streets, sometimes violently so. Furthermore, we have never withheld our productive capacity or held Alexkor hostage to our demands.

The members of the local community who provide the courage, skill, experience, investment, risk tolerance, determination and exceptional hard work that constitutes Alexkor's most valuable operating segment are now in a de facto state of servitude as the triple challenges of climate change, resource depletion and a lack of equitable access destroy the business case for the industry.

With the entire industry controlled by an incestuous duopoly, the hardworking men and woman of this industry are left with no choice but to endure brute exploitation in contravention of their constitutional rights as stated in section 13 of the Bill of Rights.

Wedged between an apparent State Capture project depriving us of fair diamond prices on one side and an apparent White Monopoly Capital project depriving us of equitable access on the other, we feel we are being exploited in the most cynical way under your stewardship.
Having lived in this special town for almost twenty years and quite intimate with the spiritual, social, economic and infrastructural character, I can say that this community is at an all time low at this point.

It has been forty days now since you unfairly accused me of being responsible for the anonymous death threats made against Alexkor management (not the first I believe), on the most spuriously devised causality which your council admitted was in fact based on nothing more than correlation, one of the most common logical fallacies.

Soon thereafter, and despite my willingness to seek a solution, you disingenuously siezed the opportunity to justify your weaponization of the access controll system to victimise me, my business, my family and all those innocent people who must now suffer the consequences thereof.

This state of affairs has led me into a desktop study into the STATE CAPTURE phenomenon and what I have uncovered has given me much reason to be deeply troubled. It is now clear to me that Scarlet Sky Investments 60 and Daniel Nathan are the Alexkor equivelant of Trillion Capital Partners and Mr Eric Wood.

GC96

The fact that Mr Kuben Moodley has since resigned from Scarlet Sky Investments 60 does not erase the fact that he was instrumental in setting it up as part of the Gupta network in precisely the same way that Trillion Capital Partners was allegedly set up to loot Eskom. The cost of this project to the South African tax payer, according to Parliament's Eskom enquiry, is in the order of R600 million.

I have no way of knowing whether you were aware of this when you contracted Scarlet Sky Investments 60, time will tell, and if you were trying to prevent me from uncovering this evidence when you refused to engage with the EAC but as of now you are hereby informed that the contract you entered into with this company has every hallmark of a state capture project.

As before, in the case of Diamdel, I have conducted a thorough analysis of the price data and the results are clearly indicative of a criminal racket set up to deprive Alexkor and the small-scale marine miners of a fair diamond price.

In the circumstances, I strongly advise you to suspend the agreement with Scarlet Sky Investments 60 with immediate effect pending a thorough forensic investigation, cancel the handover of the current production run and set up a joint committee with the contractors to appoint an alternative service provider with impeccable credentials to conduct the sales and marketing of Alexkor's production.

It is certain now that there will be a judicial enquiry into state capture at the SOE's and the truth will all come out no matter how much political interference is brought to bear on preventing it. Prosecutions under POCA will follow.

It is not too late to change sides Mervyn, help us to exercise our legitimate rights that have been withheld for so long.

You have until 9pm to give us your answer, failing which we will initiate alternative action to secure our property and human rights.

Je suis Alexkor,

Messrs Craythorne, Nicolaai and Klaasse.

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights
of
Small-scale Marine Diamond Miners

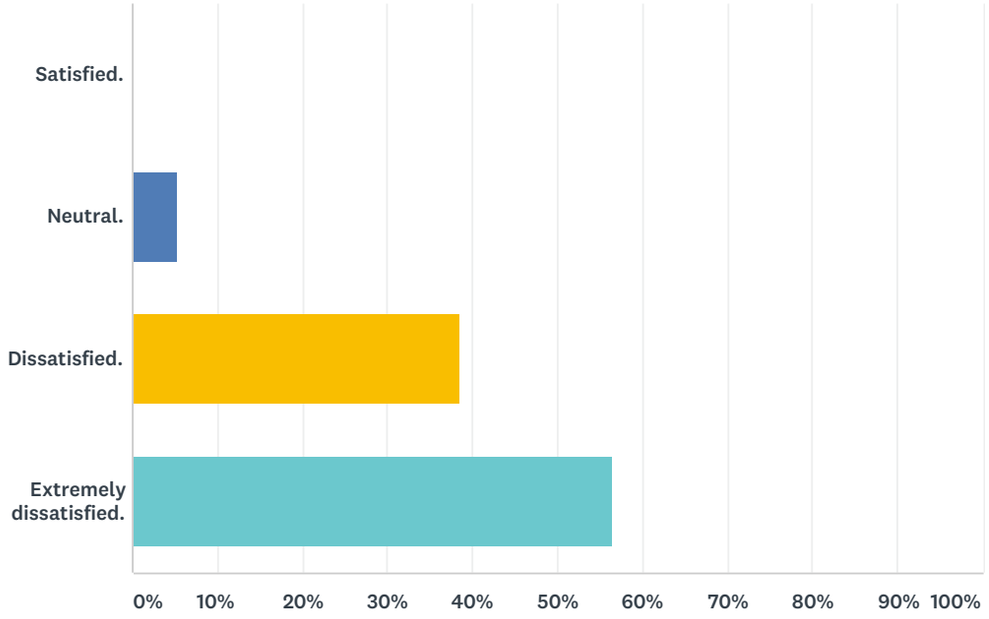
CURRENT LEVEL OF SATISFACTION AMONG ALEXKOR'S LOCAL MARINE MINING COMMUNITY

SurveyMonkey

GC98

Q1 How satisfied are you with the fairness, transparency, equality and sustainability of Alexkor's deal splits for the shallow water contractors?

Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	5.13%	2
Dissatisfied.	38.46%	15
Extremely dissatisfied.	56.41%	22
TOTAL		39

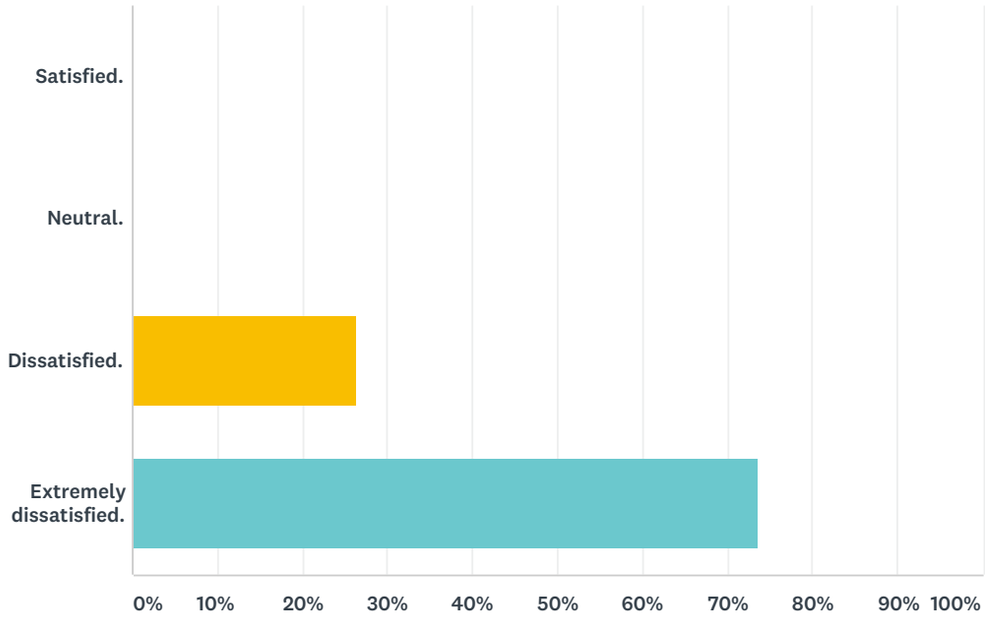
CURRENT LEVEL OF SATISFACTION AMONG ALEXKOR'S LOCAL MARINE MINING COMMUNITY

SurveyMonkey

GC98

Q2 How satisfied are you with the process, transparency, prices and fairness of Alexkor's diamond marketing and sales process?

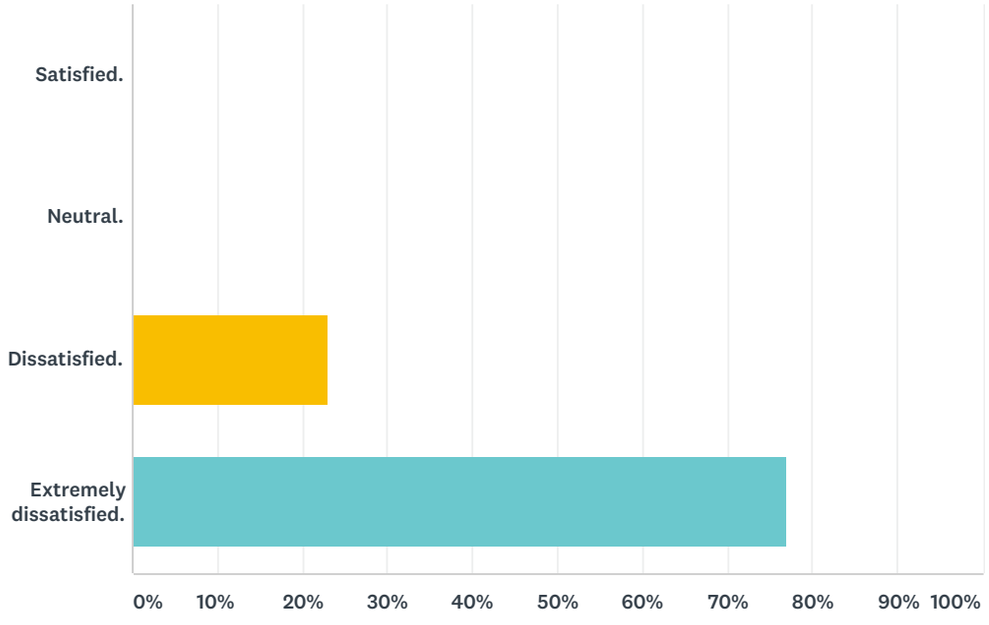
Answered: 38 Skipped: 1



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	0.00%	0
Dissatisfied.	26.32%	10
Extremely dissatisfied.	73.68%	28
TOTAL		38

Q3 How satisfied are you with the shared value added, transparancy and feedback on your diamonds that are selected for cutting and polishing?

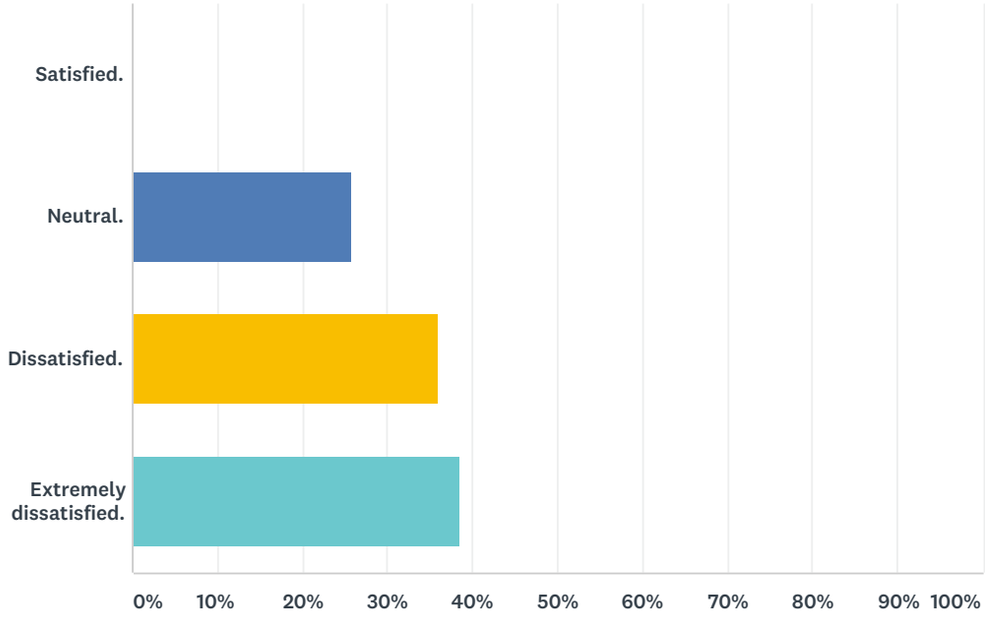
Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	0.00%	0
Dissatisfied.	23.08%	9
Extremely dissatisfied.	76.92%	30
TOTAL		39

Q4 How satisfied are you with the processing of your gravel and the security of your diamonds?

Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	25.64%	10
Dissatisfied.	35.90%	14
Extremely dissatisfied.	38.46%	15
TOTAL		39

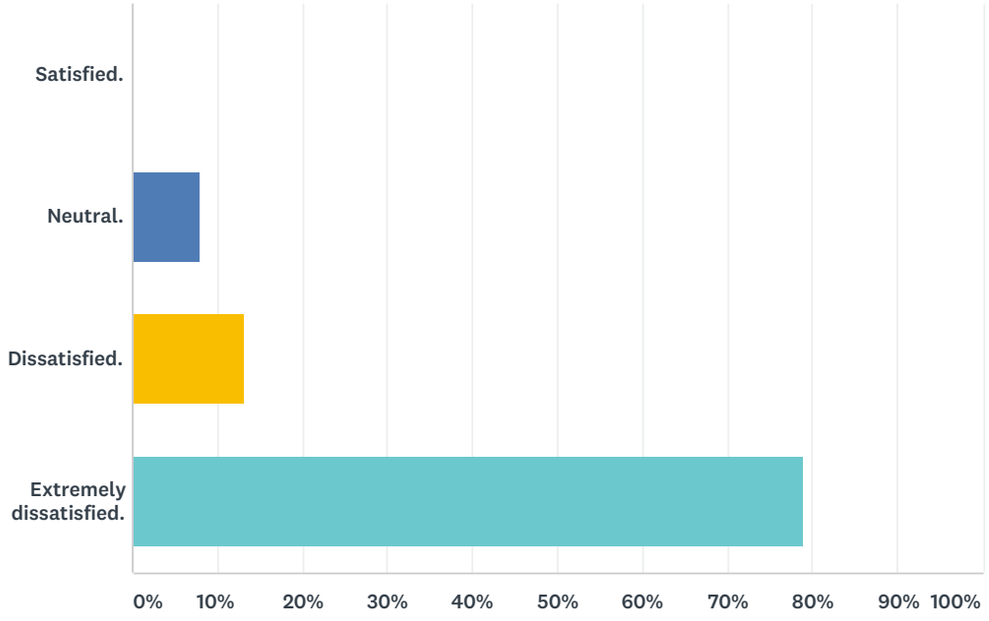
CURRENT LEVEL OF SATISFACTION AMONG ALEXKOR'S LOCAL MARINE MINING COMMUNITY

SurveyMonkey

GC98

Q5 How satisfied are you with the transparency and fairness of Alexkor's policy regarding your tailings?

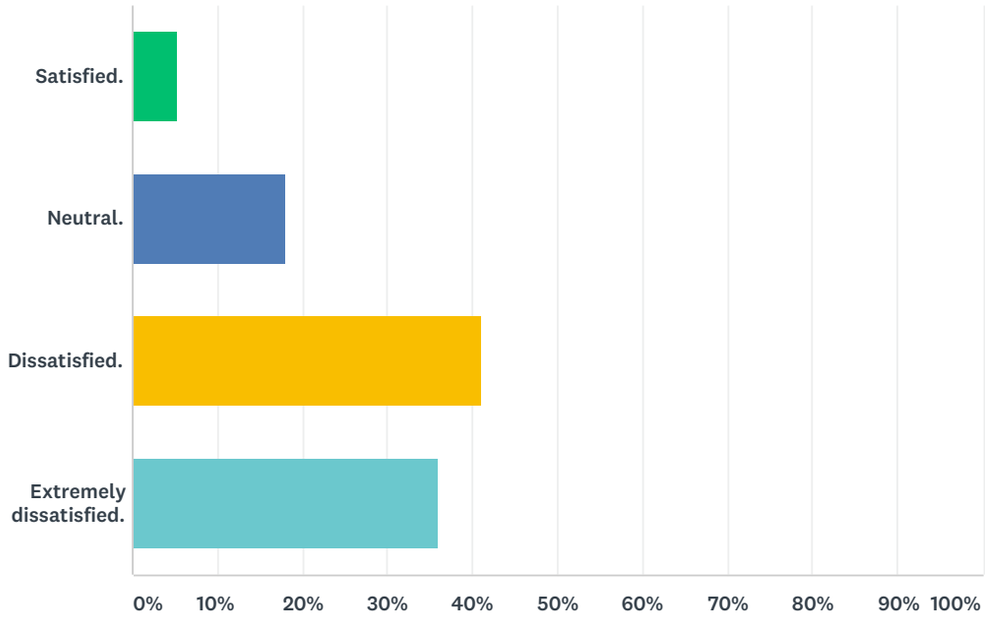
Answered: 38 Skipped: 1



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	7.89%	3
Dissatisfied.	13.16%	5
Extremely dissatisfied.	78.95%	30
TOTAL		38

Q6 How satisfied are you with the maintenance, condition and reliability of Alexkor's support infrastructure?

Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	5.13%	2
Neutral.	17.95%	7
Dissatisfied.	41.03%	16
Extremely dissatisfied.	35.90%	14
TOTAL		39

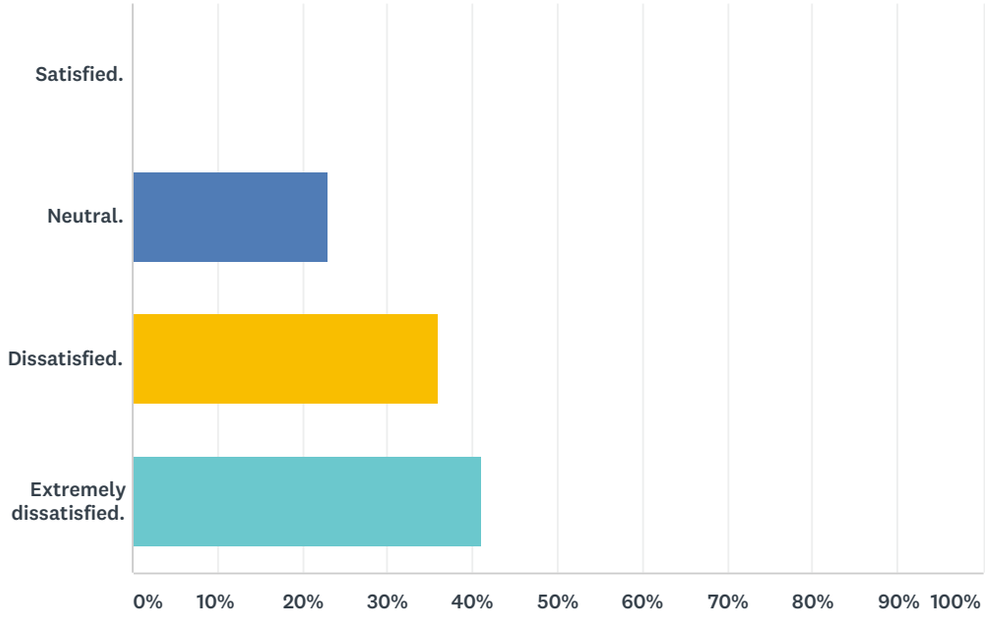
CURRENT LEVEL OF SATISFACTION AMONG ALEXKOR'S LOCAL MARINE MINING COMMUNITY

SurveyMonkey

GC98

Q7 How satisfied are you with the level of professionalism and operational support from Alexkor?

Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	23.08%	9
Dissatisfied.	35.90%	14
Extremely dissatisfied.	41.03%	16
TOTAL		39

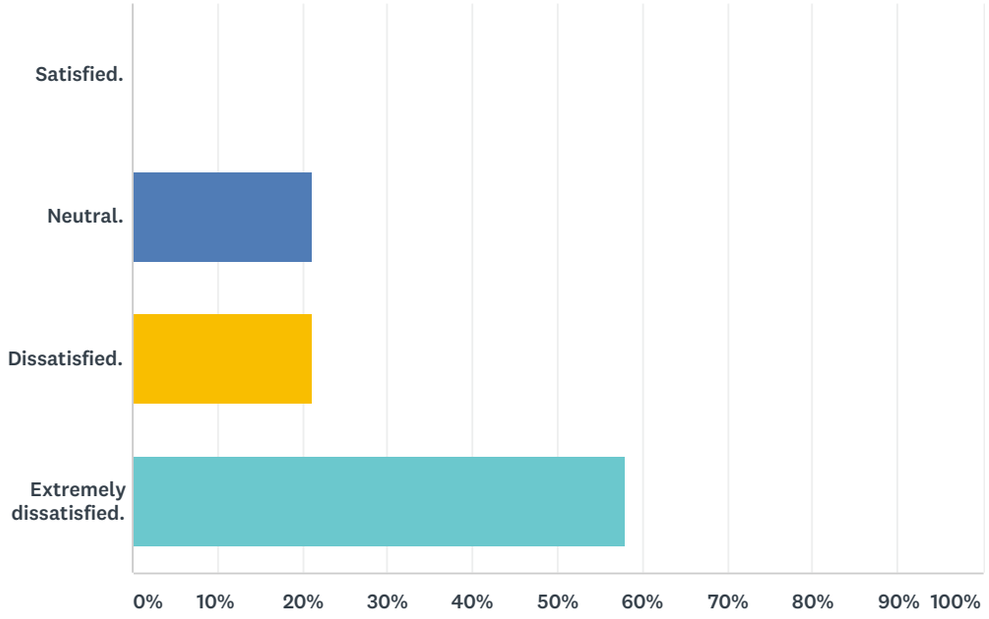
CURRENT LEVEL OF SATISFACTION AMONG ALEXKOR'S LOCAL MARINE MINING COMMUNITY

SurveyMonkey

GC98

Q8 How satisfied are you with the degree to which the local mine community benefits from the diamonds that are produced locally?

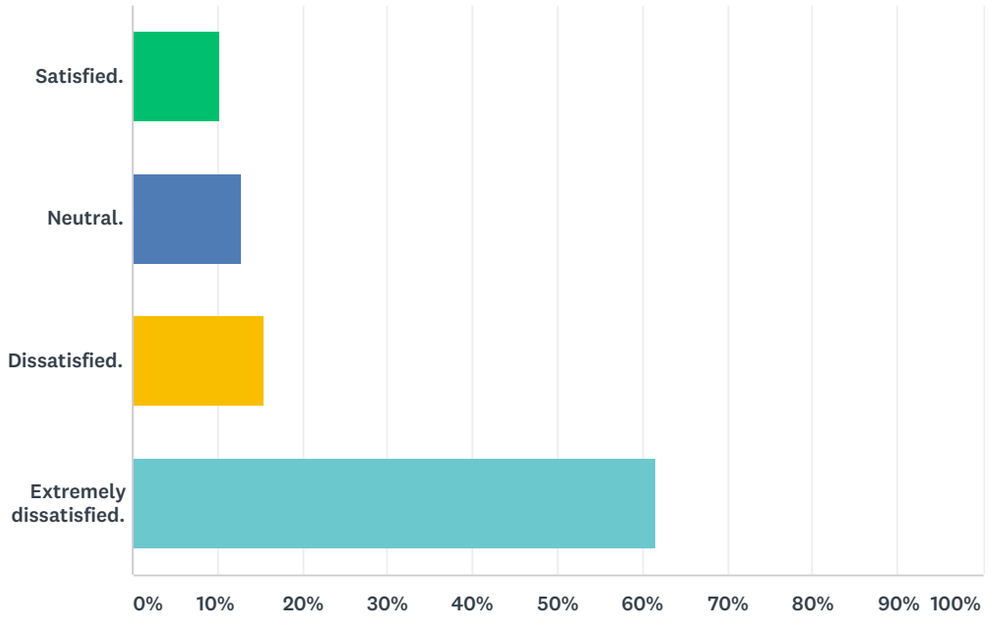
Answered: 38 Skipped: 1



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	21.05%	8
Dissatisfied.	21.05%	8
Extremely dissatisfied.	57.89%	22
TOTAL		38

Q9 How satisfied are you that you will not be victimized by Alexkor management for lodging complaints against Alexkor management?

Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	10.26%	4
Neutral.	12.82%	5
Dissatisfied.	15.38%	6
Extremely dissatisfied.	61.54%	24
TOTAL		39

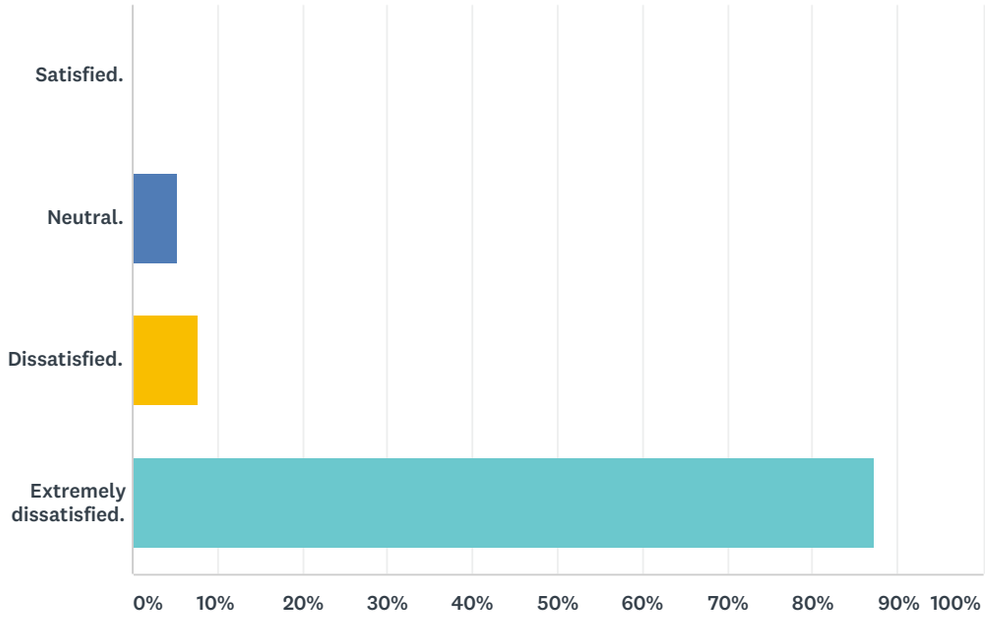
CURRENT LEVEL OF SATISFACTION AMONG ALEXKOR'S LOCAL MARINE MINING COMMUNITY

SurveyMonkey

GC98

Q10 How satisfied are you with the fairness, socio-economic impact, environmental impact and resource sterilization in regards to Alexkor's large-scale seawall mining operations and management's consultations in that regard?

Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	5.13%	2
Dissatisfied.	7.69%	3
Extremely dissatisfied.	87.18%	34
TOTAL		39

GC99

gavinjohn@outlook.com

From: Gavin J. Craythorne
Sent: 29 July 2018 08:58 AM
To: 4C MINING; ABUTI; ADAMAS RCV 1; ADAMAS RCV 2; addedtransport@gmail.com; AFRICAN ATLANTIC; allan.rms@vodamail.co.za; ALLUVIAL MINING 1; andrefarmer7211@gmail.com; asgemstonepty@gmail.com; Assie van der Westhuizen (assievanderwesthuizen@gmail.com); BBC DIAMONDS 1; BDC DIAMONDS 2; BIGSNAKE; BLUE WHITE DIAMONDS; BOC MARINE; byleveldw@gmail.com; C CEAL; CCHR MARINE 1; CFM EHRKE 1; CFM ERKHE 2; CIVITATUS 1; daisylogisticsza@gmail.com; daisymining@gmail.com; DAROHNE MINING; DEECOR MILLION MINING; DITSU; DKV DIAMONDS; driaand2@gmail.com; DUP MARINE; esroffshore@gmail.com; FLAT SEA MINING; goalfin@telkomsa.net; goldenrewards1476@gmail.com; gpswarts@webmail.co.za; GWT; hermanangelo1@gmail.com; HORIZON SHINE MARINE; IMJV MINING; JAE MINING; JETVEST 1; johncloete@yahoo.com; JT DIAMONDS; kmohan@linkfields.co.za; LENCAVIC; LV MEG; MALAKAZA DIAMONDS 1; MALAKAZA DIAMONDS 2; mcdougallenterprizes@gmail.com; NJORD; NXANTATHU 1; NXANTATHU 2; OCEAN DIGGERS; OXFORD 1; OXFORD 2; PAN AFRICAN DIAMONDS; paulo@xsinet.co.za; PL MARINE; PN DELWERS; RABSOL MARINE 1; RABSOL MARINE 2; RAURITA; REDNEB; rudolf@tiscali.co.za; SANTA MARIE; shapiro4000@gmail.com; SIKELELA 1; SIKELELA 3; solrae@intekom.co.za; SOUTHERN DEEP HOLDINGS; thomasmarkus4y@gmail.com; TKT; tuffarsi@telkomsa.net; UNCLE VINCE DIAMONDS; warrens846@gmail.com; WCD; WEST COAST BEACH MINING; WEST COAST MARINE MINERALS 1; WEST COAST PROSPECTING; WHM; wpmining@gmail.com; ZANZIBAR DIAMONDS 1; ZANZIBAR DIAMONDS 2
Cc: Peter Hendrickse (peter.hendrickse@dpe.gov.za)
Subject: ROLLING RE-CAPTURE AND SUPPORT FOR MINISTER PRAVIN GORDHAN.
Attachments: 20180416_DUNCAN KORABIE_SSi60_CARSTENS.pdf; ALEXKOR DECODED_ROM-MODEL.v2.xlsx; 20171122_SURVEY RESULTS.pdf

Fellow Contractors,

The attachments and correspondence below make it clear that we have all become victims of state capture under the tenure of Mervyn Carstens.

Alexkor, the local small-scale diamond mining industry and Alexander Bay are being destroyed right in front of our eyes and we can turn a blind eye no longer – the time for united action has come.

We appeal again to those who do not share our concerns and who are not committed to the re-capture of State Owned Enterprises to notify us by return email so that we can remove you from our support database, WE DO NOT WANT TO CLAIM SUPPORT WE DO NOT HAVE!

As of this moment, we are pleased to report that not one contractor has done so.

As of 10:00 am tomorrow morning (Monday) the UNITED CONTRACTOR BODY (UCB) will regard all contractors and sub-contractors, who have not removed themselves from this mailing list, as loyal supporters and committed partners in rolling re-capture.

Je suis Alexkor,
RCF – EAC UNITED.

GC99

From: Gavin J. Craythorne
Sent: 19 November 2017 11:33 PM
To: 'Hantsi Matseke' <hantsim@gmail.com>
Cc: 'Tshediso Matona' <Tshediso@dpme.gov.za>; 'Zuki Ntlangula' <zuki@ntlangulainc.co.za>; Zukiswa Rantho <zrantho@parliament.gov.za>; Pravin Gordhan (pgordhan@parliament.gov.za) <pgordhan@parliament.gov.za>; 'Morongwa Mothengu' <Morongwa.Mothengu@dpe.gov.za>; 'gnicol@live.com' <gnicol@live.com>; pieter.swart@dmr.gov.za; 'nbhengu@parliament.gov.za' <nbhengu@parliament.gov.za>; 'sluzipo@parliament.gov.za' <sluzipo@parliament.gov.za>; 'lmnganga-gcabashe@parliament.gov.za' <lmnganga-gcabashe@parliament.gov.za>; 'fadams@parliament.gov.za' <fadams@parliament.gov.za>; 'ngodi@parliament.gov.za' <ngodi@parliament.gov.za>; 'ycarrim@parliament.gov.za' <ycarrim@parliament.gov.za>; josephklaasse@gmail.com
Subject: FOR ATTENTION PLEASE: THE CHAIRPERSON OF ALEXKOR SOE.

Dear Chairperson,

CORPORATE GOVERNANCE & PUBLIC ACCOUNTABILITY AT ALEXKOR STATE OWNED ENTERPRISE.

We are forwarding you the following which is self-explanatory together with the attached initial responses from an online survey that went live at 08:30am this morning and price data analytics.

Furthermore, we appeal to you not to permit the current production cycle's goods to leave Alexander Bay tomorrow as this would expose Alexkor and the contractors to a high level of risk due to the lack of fidelity in terms of the chain-of-custody system that Alexkor has been operating as we understand it given the lack of transparency.

Sincerely,

Messrs. Craythorne, Klaasse and Nicolaai.

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights of Small-scale Marine Diamond Miners

From: Gavin J. Craythorne
Sent: 19 November 2017 07:21 PM
To: mervync@alexkor.co.za
Subject: CORPORATE GOVERNANCE & PUBLIC ACCOUNTABILITY AT ALEXKOR STATE OWNED ENTERPRISE.

Dear Mr Carstens,

GC99

Since November last year, I have been trying in vain, to engage meaningfully with Alexkor at both management and board levels in an attempt to raise awareness regarding legitimate concerns that many of the local marine miner community have regarding operational and governance problems at this State Owned Enterprise.

Prior to this, I worked hard for a number of years with my colleagues in the Equitable Access Campaign, to raise awareness among all of the stakeholders of the Small-scale Marine Mining Industry about the growing challenges and the declining sustainability that was placing ever harsher socio-economic burdens on the people who work in it and those who service it.

These efforts have been a model of responsible campaigning for economic justice, relying on democratic tools and constructive engagement with concession owners as apposed to the more common approach adopted by so many other sectors of society like taxi-drivers and students who take to the streets, sometimes violently so. Furthermore, we have never withheld our productive capacity or held Alexkor hostage to our demands.

The members of the local community who provide the courage, skill, experience, investment, risk tolerance, determination and exceptional hard work that constitutes Alexkor's most valuable operating segment are now in a de facto state of servitude as the triple challenges of climate change, resource depletion and a lack of equitable access destroy the business case for the industry.

With the entire industry controlled by an incestuous duopoly, the hardworking men and woman of this industry are left with no choice but to endure brute exploitation in contravention of their constitutional rights as stated in section 13 of the Bill of Rights.

Wedged between a State Capture project depriving us of fair diamond prices on one side and a Monopoly Capital project depriving us of equitable access on the other, we feel we are being exploited in the most cynical way under your stewardship.
Having lived in this special town for almost twenty years and quite intimate with the spiritual, social, economic and infrastructural character, I can say that this community is at an all time low at this point.

It has been forty days now since you unfairly accused me of being responsible for the anonymous death threats made against Alexkor management (not the first I believe), on the most spuriously devised causality which your council admitted was in fact based on nothing more than correlation, one of the most common logical fallacies.

Soon thereafter, and despite my willingness to seek a solution, you disingenuously siezed the opportunity to justify your weaponization of the access controll system to victimise me, my business, my family and all those innocent people who must now suffer the consequences thereof.

GC99

This state of affairs has led me into a desktop study into the STATE CAPTURE phenomenon and what I have uncovered has given me much reason to be deeply troubled. It is now clear to me that Scarlet Sky Investments 60 and Daniel Nathan are the Alexkor equivelant of Trillion Capital Partners and Mr Eric Wood.

The fact that Mr Kuben Moodley has since resigned from Scarlet Sky Investments 60 does not erase the fact that he was instrumental in setting it up as part of the Gupta network in precisely the same way that Trillion Capital Partners was set up to loot Eskom. The cost of this project to the South African tax payer, according to Parliament's Eskom enquiry, is in the order of R600 million.

I have no way of knowing whether you were aware of this when you contracted Scarlet Sky Investments 60, time will tell, and if you were trying to prevent me from uncovering this evidence when you refused to engage with the EAC but as of now you are hereby informed that the contract you entered into with this company has every hallmark of a state capture project.

As before, in the case of Diamdel, I have conducted a thorough analysis of the price data and the results are clearly indicative of a criminal racket set up to deprive Alexkor and the small-scale marine miners of a fair diamond price.

In the circumstances, I strongly advise you to suspend the agreement with Scarlet Sky Investments 60 with immediate effect pending a thorough forensic investigation, cancel the handover of the current production run and set up a joint committee with the contractors to appoint an alternative service provider with impeccable credentials to conduct the sales and marketing of Alexkor's production.

It is certain now that there will be a judicial enquiry into state capture at the SOE's and the truth will all come out no matter how much political interference is brought to bear on preventing it. Prosecutions under POCA will follow.

It is not too late to change sides Mervyn, help us to exercise our legitimate rights that have been withheld for so long.

You have until 9pm to give us your answer, failing which we will initiate alternative action to secure our property and human rights.

Je suis Alexkor,

Messrs Craythorne, Nicolaai and Klaasse.

GC99

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights
of
Small-scale Marine Diamond Miners

GC100

gavinjohn@outlook.com

From: Gavin J. Craythorne
Sent: 29 July 2018 08:02 PM
To: 4C MINING; ABUTI; ADAMAS RCV 1; ADAMAS RCV 2; addedtransport@gmail.com; AFRICAN ATLANTIC; allan.rms@vodamail.co.za; ALLUVIAL MINING 1; andrefarmer7211@gmail.com; asgemstonepty@gmail.com; Assie van der Westhuizen (assievanderwesthuizen@gmail.com); BBC DIAMONDS 1; BIGSNAKE; BLUE WHITE DIAMONDS; BOC MARINE; byleveldw@gmail.com; C CEAL; CCHR MARINE 1; CFM EHRKE 1; CFM ERKHE 2; CIVITATUS 1; daisylogisticsza@gmail.com; daisymining@gmail.com; DAROHNE MINING; DEECOR MILLION MINING; DITSU; DKV DIAMONDS; driaand2@gmail.com; esroffshore@gmail.com; FLAT SEA MINING; goalfin@telkomsa.net; goldenrewards1476@gmail.com; gpswarts@webmail.co.za; GWT; hermanangelo1@gmail.com; HORIZON SHINE MARINE; IMJV MINING; JAE MINING; JETVEST 1; johncloete@yahoo.com; JT DIAMONDS; kmohan@linkfields.co.za; LENCAVIC; LV MEG; MALAKAZA DIAMONDS 1; MALAKAZA DIAMONDS 2; mcdougallenterprizes@gmail.com; NJORD; NXANTATHU 1; NXANTATHU 2; OCEAN DIGGERS; OXFORD 1; OXFORD 2; PAN AFRICAN DIAMONDS; paulo@xsinet.co.za; PL MARINE; PN DELWERS; RABSOL MARINE 1; RABSOL MARINE 2; RAURITA; REDNEB; rudolf@tiscali.co.za; SANTA MARIE; shapiro4000@gmail.com; SIKELELA 1; SIKELELA 3; solrae@intekom.co.za; SOUTHERN DEEP HOLDINGS; thomasmarkus4y@gmail.com; TKT; tuffarsi@telkomsa.net; UNCLE VINCE DIAMONDS; warrens846@gmail.com; WCD; WEST COAST BEACH MINING; WEST COAST MARINE MINERALS 1; WEST COAST PROSPECTING; WHM; ZANZIBAR DIAMONDS 1
Cc: sam sole; 'David Pells'; Henk Smith; Keith Sayster (keith.sayster@gmail.com)
Subject: FOR THE URGENT ATTENTION PLEASE OF HON. MINISTER PRAVIN GORDHAN. (DRAFT)

Fellow Contractors,

The message below will be sent to Minister Pravin Gordhan at 10:00 am sharp tomorrow morning.

Once again we appeal to any contractor or sub-contractor who does not agree with the contents thereof, and in particular the text highlighted in red, to remove themselves from the mailing list by way of return email requesting to be removed.

The RCF–EAC UNITED CONTRACTOR BODY is pleased to report that as of this moment, not one contractor has chosen to opt out.

Dear Minister Gordhan,

While your difficult task of cleaning up our SOE's is particularly vexing at the large entities due to the deep propagation of state capture, we would like to inform you that the unique dynamics of Alexkor are sure to make your re-capture efforts here far less problematic.

The reason we say this is due to the fact that the people who form the economic engine room of this SOE, ie the specialised local producers, have not been captured and are now rallying behind your courageous efforts to rid South African society of this destructive phenomenon.

We have produced vast amounts of prima facie evidence over the past year to convincingly demonstrate that Alexkor has not been immune to capture and in fact has been subjected to a highly toxic and cynical form thereof.

However the entire body of evidence against the CEO, Mr Mervyn Carstens, can be summarized in the following statistics:

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1. 2013 – 2018 (FY) DIAMOND SALES REVENUE- R 2 370 000 000,00.
2. REVENUE CONTRIBUTION BY SMALL-SCALE MARINE MINERS- 70%
3. BIG MINERS AND ALEXKOR SHARE OF REVENUE- R 1 453 865 000,00.
4. BIG MINERS AND ALEXKOR PERCENTAGE SHARE- 61.34%.
5. SMALL-SCALE MARINE MINERS' SHARE OF REVENUE- R 916 135 000,00.
6. SMALL-SCALE MARINE MINERS' PERCENTAGE SHARE- 38.66%.
7. 2013 ALEXKOR CASH & EQUIVALENTS ON HAND- R 556 000 000,00.
8. NOW IN 2018 AFTER SIX YEARS WITH MR CARSTENS AT THE HELM- ALEXKOR IS BANKRUPT AND THE TOWN AND MINE ARE FALLING APART.
9. THE SMALL-SCALE MINERS PRODUCE 70% OF THE REVENUE BUT ONLY RECEIVE 38.66%, WHAT HAS HAPPENED TO THE REST AND THE MTEF FUNDING?
10. ON TOP OF THE ABOVE, THE GUPTA-LINKED COMPANY SCARLET SKY INVESTMENTS 60 HAS CHEATED ALEXKOR AND THE MINERS OUT OF HUNDREDS OF MILLIONS OF RAND BY CAPTURING AND CORRUPTING ALEXKOR'S DIAMOND MARKETING AND SALES CHANNEL. THAT THEY ARE PERMITTED TO CONTINUE DESPITE BEING EXPOSED AS A GUPTA FRONT IS BEYOND OUR COMPREHENSION.

Minister Gordhan, we heeded our President and your calls to expose STATE CAPTURE , (your appearance on stage with Dr Iraj Abedian at Wits was particularly moving) and some of us have paid a high price in doing so, but now we realise that to expose the corruption was not enough as you yourself battle against powerful political enemies that remain entrenched in positions of power.

In our community here in Alexander Bay and further afield in Port Nolloth and the Richtersveld, ordinary people with no political top-cover are fighting with you and will keep on fighting until good corporate governance, transparency and public accountability are established in Alexkor and in our local municipal government. THE SENTIMENTS OF EVERY SMALL-SCALE MINING CONTRACTOR AND SUB-CONTRACTOR AND THEIR 450 PLUS EMPLOYEES AT ALEXKOR, BAR NONE, ARE EXPRESSED IN THE PARAGRAPHS OF THIS EMAIL.

We have no faith in the forensic investigation launched by your department as not one single whistle blower at Alexkor has been contacted by the un-named organisation contracted in to conduct the investigation and credible reports that no fewer than two of the ANC's Top Six are implicated in state capture at Alexkor give us no comfort, to say the least.

On Wednesday, subject to SAPS approval and in observance with all statutory requirements, the un-captured, hard working local mining community will march to the offices of Alexkor PSJV to demand the suspension of the CEO, Mr Mervyn Carstens and the company secretary, Ms Raygen Phillips. It is lamentable that professional business men and woman with admirable entrepreneurial achievements and impeccable BEE credentials have to take to the streets in protest but unfortunately all other forms of legitimate protest have been exhausted.

Combined with the deployment of an experienced and independent interim CEO supported by professional and independent trouble-shooters, this is the only appropriate intervention to deal with the depth and breadth of state capture at Alexkor.

Yours in rolling re-capture.

Je suis Alexkor,
RCF – EAC UNITED.

GC101

*Combined Summons

ORIGINAL

IN THE HIGH COURT OF SOUTH AFRICA
(NORTHERN CAPE DIVISION, KIMBERLEY)

CASE NO 2252/18

In the matter between:

MERVYN CARSTENS Plaintiff

and

NORTHERN CAPE HIGH COURT
PRIVATE BAG X5043
2018 -09- 12
KIMBERLEY 8300

GAVIN GRAYTHORNE First Defendant
JOSEPH KLAASSE Second Defendant
GEORGE NICOLAAI Third Defendant

COMBINED SUMMONS

To the Sheriff or his Deputy:

Inform:

GAVIN GRAYTHORNE, an adult male residing at 7 Klipspringer Avenue, Alexander Bay (**"the first defendant"**)

and

JOSEPH KLAASSE, an adult male residing at 9 Klipspringer Avenue, Alexander Bay (**"the second defendant"**)

and

GEORGE NICOLAAI, an adult male residing at 624 Malherbe Street, Port Nolloth (**"the third defendant"**)

GC101

that

MERVYN CARSTENS, an adult male residing at 5 Orange Road, Alexander Bay, being by occupation the Chief Executive Officer of the Pooling and Sharing Joint Venture between Alexkor SOC Limited and Richtersveld Mining Company (Pty) Ltd, and his employment address at Administration Building, Orange Road, Alexander Bay (**"the plaintiff"**)

hereby institutes action against the defendants, in which action the plaintiff claims the relief on the grounds set out in the particulars annexed.

Inform the defendants further that if the defendants dispute the claim and the defendants wish to defend the action, the defendants shall:

1. within one month of the service on the defendant of this summons, file with the Registrar of this Court, at Sol Plaatjies Drive, Kimberley, notice of the defendants' intention to defend and serve a copy thereof on the plaintiff's attorneys, which notice shall give the defendants' full residential or business address, and also an address (not being a post office box or poste restante) referred to in Rule 19(3) for the service on the defendant of all notices and documents in the action; and

2. thereafter, and within 20 days after filing and serving such notice of intention to defend, file with the Registrar and serve on the plaintiffs a plea, exception, notice to strike out, with or without a counterclaim.

Inform the defendants further that if the defendants fail to file and serve such notice, judgment as claimed may be given against the defendants without

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further notice, or, if having filed and served such notice, the defendants fail to plead, except, make application to strike out or counterclaim, judgment may be given against the defendants.

Immediately thereafter serve on the defendants a copy of this summons and return the original to the Registrar with whatsoever you have done thereon.

Dated at **KIMBERLEY** on this 12TH day of September 2018

REGISTRAR OF THE HIGH COURT

NORTHERN CAPE HIGH COURT
PRIVATE BAG X5043
2018 -09- 12
KIMBERLEY 8300
REGISTRAR : 10

DUNCAN & ROTHMAN ATTORNEYS
(Instructed by WEBBER WENTZEL)
Plaintiff's attorneys

WEBBER WENTZEL
Per: Selwyn Hockey
15th floor, Convention Tower
Heerengracht Street, Foreshore
Cape Town
Tel: 021 431 7000
Fax: 021 431 8000
Email: Selwyn.hockey@webberwentzel.com / Almaaz.mohamed@webberwentzel.com
Ref: Mr S Hockey / Ms A Mohamed
3022052

GC101

JG STEYN
ATTORNEY OF PLAINTIFF(S)
WITH RIGHT OF APPEARANCE
DUNCAN & ROTHMAN INC
OFFICE 69, SUITE 1
NORTH CAPE MALL
31 JACOBUS SMIT STREET
KIMBERLEY

DUNCAN & ROTHMAN INC
PLAINTIFF'S ATTORNEYS
OFFICE 69, SUITE 1
NORTH CAPE MALL
31 JACOBUS SMIT STREET
KIMBERLEY

GC101

IN THE HIGH COURT OF SOUTH AFRICA
(NORTHERN CAPE DIVISION, KIMBERLY)

CASE NO:

In the matter between:

MERVYN CARSTENS	Plaintiff
and	
GAVIN CRAYTHORNE	First Defendant
JOSEPH KLAASSE	Second Defendant
GEORGE NICOLAAI	Third Defendant

PLAINTIFF'S PARTICULARS OF CLAIM

PLAINTIFF

1. The Plaintiff is Mervyn Carstens, an adult male residing at 5 Orange Road, Alexander Bay.

2. The Plaintiff is the Chief Executive Officer (CEO) of the Pooling and Sharing Joint Venture ('**PSJV**') between Alexkor SOC Limited ('**Alexkor**') and Richtersveld Mining Company (Pty) Ltd. The PSJV conducts marine mining and land mining activities in and around Alexander Bay.

GC101

DEFENDANTS

3. The First Defendant is **GAVIN CRAYTHORNE ('Craythorne')**, an adult male residing at 7 Klipspringer Avenue, Alexander Bay.

4. The Second Defendant is **JOSEPH KLAASSE ('Klaasse')**, an adult male residing at 9 Klipspringer Avenue, Alexander Bay.

5. The Third Defendant is **GEORGE NICOLAAI ('Nicolaai')**, an adult male residing at 624 Malherbe Street, Port Nolloth.

6. Craythorne, Klaasse and Nicolaai are referred to collectively **'the Defendants'**.

RELIEF SOUGHT

7. In Part A of this action, the Plaintiff seeks to hold the Defendants liable, jointly and severally, for damages for defamation of character. In respect of certain publications, the Plaintiff seeks to hold only Craythorne liable.

8. In Part B of this action, the Plaintiff seeks a final interdict, restraining the Defendants from publishing further defamatory statements of and concerning the Plaintiff.

GC101

PART A: DEFAMATION

9. Craythorne published two defamatory statements of and concerning the Plaintiff.

10. The Defendants published six further defamatory statements of and concerning the Plaintiff.

11. The particulars of each defamatory statement are set out chronologically below.

FIRST PUBLICATION: 21 NOVEMBER 2017

12. On 21 November 2017 at 06h21, Craythorne sent the attached email correspondence (Annexure **"POC1"**) to the following persons, who are, to the best of the Plaintiff's knowledge, resident in South Africa:

12.1. Sam Sole, Sonja Parsons, David Pells, Glenn Ashton, Sarah Frazee, Charlotte Matthews; and

12.2. those recipients, whose email addresses were included in Annexure "POC1", but whose further particulars are unknown to the Plaintiff.

13. Craythone's email stated of and concerning the Plaintiff:

> *'Alexkor never was and never will be fair to us because it is controlled by strangers from far places. Alexkor, Mervyn and Raygen are captured and the EAC is going to expose them.'*

GC101

14. The statement was understood by the addressees, and was intended by Craythorne, to mean – *alternatively* to convey the innuendo – that the Plaintiff—

14.1. as CEO of the PSJV, is beholden to the Gupta family, who are alleged to exercise improper influence over certain state-owned enterprises unlawfully ('**State Capture**'), including the PSJV.

15. The statement carries the additional sting that the Plaintiff—

15.1. is corrupt or corruptible;

15.2. knowingly caused the PSJV to act in breach of the law and the Constitution, and intends to continue to do so; and

15.3. abused his position as CEO of the PSJV, to the detriment of the Defendants and other marine mining contractors, and for his own benefit.

16. Craythorne's statement is wrongful and defamatory of the Plaintiff.

17. Craythorne made the statement with the intention to defame the Plaintiff and to injure his reputation.

18. As a result of the defamation, the Plaintiff has been damaged in his reputation and has suffered damages, in the amount of R500,000.

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SECOND PUBLICATION: 29 JANUARY 2018

19. On or about 29 January 2018, the Defendants sent the attached letter (Annexure **"POC2"**) to Jasper Niewoudt of the Department of Mineral Resources, Northern Cape.

20. The Defendants' letter stated of and concerning the Plaintiff:

20.1. On page 2:

> *'As things now stand, Trans Hex controls all the Northern Cape's shallow water diamond concessions, either by **outright ownership, collusion or state capture**.*
>
> ...
>
> *The proxy they deployed to capture the Alexkor-RVC-PSJV using corrupt political influence has kicked the entire leadership of the EAC off Alexkor's concessions, which due to the monopoly mining control of the Namaqualand Shallow Water Diamond Concessions, leaves us stranded like fish out of water, our businesses being asphyxiated to death and the fifty jobs we created thrown into the bin of defiant victimization together with hundreds of years of irreplaceable industry experience.'*

20.2. On pages 2 and 3:

> *'**Alexkor has been captured by Trans Hex** and is under the de facto control of Dr Christo Wiese and his board of parasites in Parrow who know nothing about us or our tradecraft. The only reason the Guptas got their tentacles into Alexkor is because Mr Carstens is a weak and venal leader who sold us out to them in fear and reverence of their political cronies Premier Ace Magashule and Minister Mosebenzi Zwane.*

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Mr Carstens, who as you might recall, we encountered previously as a hostile senior executive of Trans Hex when we opposed the Namaqualand Mines/Emerald Panther transaction and who was subsequently deployed by Parrow to head up the Alexkor PSJV, has abused his power by weaponizing Alexkor's access control systems against all three of us, in the most blatant display of whistle-blower victimization Alexkor has ever seen, which is quite a feat.

Furthermore, he has destroyed the Richtersveld Community's dreams of a better life by deliberately sowing discord in their midst, openly undermining their leadership structures and discrediting their leaders in order to shift the blame he deserves for sabotaging the Deed of Settlement in diligent execution of the Questco Plan to acquire Alexkor's diamond assets for gaal.

If that were not enough, he has stripped them of any power to participate in the governance of their own affairs by using the disarray he engineered in the CPA Committee as an excuse to approach the courts to get control of the PSJV Board.'

20.3. On page 4:

'Alexkor PSJV is still handing over millions of rands worth of hard-won diamonds produced by local diamond divers to the Gupta's Trillian sister company called Scarlet Sky Investments 60 on a monthly basis with no valuation prior to handover and no chain of custody.'

20.4. On page 5:

'The criminal Gupta network has been fraudulently conducting our diamond sales now for three years, resulting in hundreds of millions of rands in losses for Alexkor and the humble people of the Richtersveld and Namaqualand. Now they are destroying

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the livelihoods of many innocent peoples as they desperately try to protect their racketeering profits by destroying our diamond diving businesses that we have built up over thirty years of honest toil, hoping to silence us. More than fifty jobs have been destroyed.'

21. The Defendants' statements were understood by the recipients, and were intended by the Defendants, to mean – *alternatively* to convey the innuendo – that the Plaintiff—

21.1. is a proxy of Trans Hex, where is true allegiance lies, despite bearing a fiduciary duty to the PSJV as its CEO;

21.2. has not honoured, and does not intend to honour, his fiduciary duties to the PSJV;

21.3. is complicit in, and the sole cause of, the alleged State Capture of the PSJV;

21.4. is corrupt, open to bribery and lacks moral fibre;

21.5. abused his position as CEO of the PSJV by victimising the leadership of the EAC;

21.6. sabotaged the Deed of Settlement concluded between the Richtersveld Community and Alexkor;

21.7. through deceit and subterfuge, fomented discord and distrust among the leadership of the Richtersveld Community for the purposes of—

GC101

21.7.1. undermining and disempowering the Richtersveld Community and its leaders;

21.7.2. concealing his alleged sabotage of the Deed of Settlement; and

21.7.3. advancing State Capture and the interests of Trans Hex;

21.8. regularly permits the transfer of valuable diamonds to an alleged Gupta-linked company for less than fair value and without following proper procedures; and

21.9. is part of an organised criminal network under the control of the Gupta family.

22. The statement carries the additional sting that the Plaintiff—

22.1. is corrupt or corruptible;

22.2. deceitful and dishonest; and

22.3. is a dishonourable businessman.

23. The Defendants' statements are wrongful and defamatory of the Plaintiff.

24. The Defendants made the statements with the intention to defame the Plaintiff and to injure his reputation.

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25. As a result of the defamation, the Plaintiff has been damaged in his reputation and has suffered damages in the amount of R500,000.

THIRD PUBLICATION: 1 FEBRUARY 2018

26. On or about 1 February 2018, the Defendants sent the attached letter (Annexure **"POC3"**) to the following persons, who are, to the best of the Plaintiff's knowledge, resident in South Africa:

26.1. Wynand Hendrikse; and

26.2. those recipients, whose email addresses are included in the covering email contained in Annexure "POC3", but whose further particulars are unknown to the Plaintiff.

27. The Defendants' letter is *per se* defamatory of the management of PSJV, in that it makes the following allegations:

27.1. On page 1:

> *'It must also be clear by now that the management and boards of Alexkor SOC and Alexkor-RMC PSJV have lost any semblance of good corporate governance, having discarded any attempt at being transparent and accountable while viciously victimising those who dare to question their actions.*
>
> *The only reason the leadership of the EAC has been cut-off from the sea and its diamonds is because we refused to offend our consciences by remaining silent while witnessing naked criminal behaviour, shear (sic) incompetence and the deliberate destruction of the diamond diving industry. The*

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effect of this on our community is self-evident in the decaying infrastructure of the town and the mine.

We could provide you with a mountain of evidence against this corrupt leadership but there will be ample opportunity when the Zondo Commission of Enquiry turns its focus onto Alexkor's state of capture.'

27.2. On page 2:

'This era of State Capture is over and the culprits, including the boards and management of Alexkor and the PSJV, will have to account to the people of South Africa. There will be nowhere to hide themselves or what they stole.'

27.3. On page 3:

'Unfortunately, there will also still be those who sit on the fence while we put ourselves, our families and our businesses on the line for them or even worse, betray their fellow contractors just to ingratiate themselves with this corrupt management in the hope of getting special treatment.'

28. As its CEO, the Plaintiff is a member of the management of the PSJV, which is a matter of common knowledge.

29. The Defendants' reference to the group was intended to include a reference to the Plaintiff, and would be so understood by the ordinary reader.

30. The statements were understood by the addressees, and were intended by the Defendants, to mean that the Plaintiff—

30.1. engaged in criminal activities, including theft;

GC101

30.2. intends to destroy the diamond diving industry in Alexander Bay; and

30.3. is corrupt.

31. The Defendants' statements are, accordingly, wrongful and defamatory of the Plaintiff.

32. The Defendants made the statements with the intention to defame the Plaintiff and to injure his reputation.

33. As a result of the defamation, the Plaintiff has been damaged in his reputation and has suffered damages in the amount of R500,000.

FOURTH PUBLICATION: 10 FEBRUARY 2018

34. On 10 February 2018, Craythorne published the following message to Erik Johannes Marais MP on the People's Assembly website:

> *'Dear Hon. Marais,*
>
> *The visits, by stakeholders to the diamond sales, serves no purpose as without detailed pricing data and traceability in the diamond value chain the diamond divers who produce 70% of Alexkor's diamonds, have absolutely no way of knowing that the prices they achieve are for the diamonds they produced and not lower quality conflict diamonds from the Central African Republic that have been exchanged for Alexkor's exceptionally high quality goods.*
>
> *Alexkor is in gross breach of the Kimberley Process Protocols as there is no system of warranties, no valuation before leaving the mine and no chain of custody.*

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For all we know, the Guptas could be using our diamond pipeline to launder blood diamonds from any conflict zone in Africa while at the same time paying only a fraction of what the true value of our efforts deserve. Where did the alleged bag of diamonds come from that the Gupta's were trying to smuggle out the country at the Oppenheimer Fireblade Terminal?

Alexkor, the Richtersveld Community and the local diamond divers are being ripped off big-time and nobody is doing anything to stop this criminal enterprise. Alexkor has been converted into a laundromat by the Guptas, Hantsi Matseke, Mervyn Carstens and Raygen Phillips.'

A printed version of the publication is attached (Annexure **"POC4"**).

35. The People's Assembly website is accessible to the general public.

36. Craythorne's statement was understood by readers of the publication, and was intended by Craythorne, to mean that the Plaintiff—

36.1. is part of a criminal syndicate; and

36.2. could be complicit in laundering illicit diamonds.

37. Craythorne's statement is wrongful and defamatory of the Plaintiff.

38. Craythorne made the statement with the intention to defame the Plaintiff and to injure his reputation.

39. As a result of the defamation, the Plaintiff has been damaged in his reputation and has suffered damages in the amount of R500,000.

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FIFTH PUBLICATION: 30 JULY 2018

40. On 30 July 2018, the Defendants sent the attached email (Annexure **"POC5"**) to the Minister of Public Enterprises, Pravin Gordhan MP and included the following recipients, who are, to the best of the Plaintiff's knowledge, resident in South Africa:

40.1. Peter Hendrickse, Sam Sole, Allan Rhoda, Andrew Farmer, Assie van der Westhuizen, Peta Krost Maunder; and

40.2. those recipients, whose email addresses are included in the covering email contained in Annexure "POC5", but whose further particulars are unknown to the Plaintiff.

41. The Defendants' email stated of and concerning the Plaintiff:

> *'The Richtersveld Community which was dispossessed by Alexkor's predecessors of its land and minerals and won its restitution claim, is entitled to reparation and had not benefitted from Alexkor's revenue since 2007. Instead Alexkor, as majority shareholder and under the management of the CEO Mr Mervyn Carstens, squandered the State's contribution on behalf of the Richtersveld Community to the joint venture with Alexkor.'*

42. The Defendants' statements were understood by the addressees, and was intended by the Defendants, to mean that the Plaintiff—

42.1. was instrumental in misspending and/or misusing state funds that were intended to benefit the Richtersveld Community.

GC101

43. The statement carries the additional sting that the Plaintiff—

43.1. lacks integrity and is unethical; or

43.2. is incompetent as a businessman.

44. The Defendants' statements are wrongful and defamatory of the Plaintiff.

45. The Defendants made the statements with the intention to defame the Plaintiff and to injure his reputation.

46. As a result of the defamation, the Plaintiff has been damaged in his reputation and has suffered damages in the amount of R500,000.

SIXTH PUBLICATION: 31 JULY 2018

47. On 31 July 2018, the Defendants sent via email the attached bulletin (Annexure **"POC6"**) to the following persons, who are, to the best of the Plaintiff's knowledge, resident in South Africa:

47.1. Allan Rhoda, Andre Farmer, Assie van der Westhuizen, Peta Krost Maunder, Henk Smith; and

47.2. those recipients, whose email addresses are included in the covering email contained in Annexure "POC6", but whose further particulars are unknown to the Plaintiff.

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48. The Defendants' bulletin contained the following statement of and concerning the Plaintiff:

> *'These goals are unambiguously provided for in the Deed of Settlement and the Mineral & Petroleum Resources Development Act and we have every right to pursue them without being treated like children or worthless outcasts by corrupt and incompetent management who have bankrupted the mine and impoverished Alexander Bay.'*

49. As its CEO, the Plaintiff is a member of the management of the PSJV, which is a matter of common knowledge.

50. The Defendants' reference to the management of the PSJV was intended to include a reference to the Plaintiff, and would be so understood by the ordinary reader.

51. The statements were understood by the addressees, and were intended by the Defendants, to mean that the Plaintiff—

51.1. is corrupt;

51.2. is incompetent as a businessman; and/or

51.3. is unfit to hold the position of CEO of the PSJV.

52. The Defendants' statements are, accordingly, wrongful and defamatory of the Plaintiff.

53. The Defendants made the statements with the intention to defame the Plaintiff and to injure his reputation.

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54. As a result of the defamation, the Plaintiff has been damaged in his reputation and has suffered damages in the amount of R500,0000.

SEVENTH PUBLICATION: 9 AUGUST 2018

55. On 9 August 2018, the Defendants sent the attached email (Annexure "**POC7**") to Henk Smith and included the following recipients, who are, to the best of the Plaintiff's knowledge, resident in South Africa:

55.1. Gert Cloete, Christo Slander, Allan Rhoda, Andre Farmer, Assie van der Westhuizen, Peta Krost Maunder; and

55.2. those recipients, whose email addresses are included in the covering email contained in Annexure "POC7", but whose further particulars are unknown to the Plaintiff.

56. The Defendants' email contained the following statements of and concerning the Plaintiff:

> '*Mervyn Carstens was lying to Parliament on 21/02/2018 when he told the Chair that he knew of no Gupta involvement in Alexkor. I wrote and told him so on 19/11/2017, see attached. I also forwarded the same email to the Alexkor Chair on the same day. Is it not a criminal offence to lie to Parliament?*
>
> *But Carstens is still in his job and my EAC colleagues and I are still being victimised for taking a stand against state capture and the company the Gupta's set up is still in control of Alexkor's diamonds. How many millions of rand have the small-scale miners, Alexkor and taxpayers lost since Carstens and Matseke got that email and simply*

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ignored while report after report hit the media about how the same people had ripped Eskom and all the other parastatals off.'

57. The statements were understood by the addressees, and were intended by the Defendants, to mean that the Plaintiff—

57.1. is a liar;

57.2. endeavoured to mislead Parliament; and

57.3. was guilty of criminal conduct by allegedly lying to Parliament.

58. The Defendants' statements are wrongful and defamatory of the Plaintiff.

59. The Defendants made the statements with the intention to defame the Plaintiff and to injure his reputation.

60. As a result of the defamation, the Plaintiff has been damaged in his reputation and has suffered damages in the amount of R500,000.

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PART B: FINAL INTERDICT

CLEAR RIGHT

61. The Plaintiff has a constitutional right to human dignity, enshrined in section 10 of the Constitution, and a clear right to his reputation.

REASONABLE APPREHENSION OF IRREPARABLE HARM

62. The Defendants breached the Plaintiff's right to human dignity and to his reputation by publishing the defamatory statements on—

62.1. 29 January 2018, as detailed in paragraph 20 above;

62.2. 1 February 2018, as detailed in paragraph 27 above;

62.3. 30 July 2018, as detailed in paragraph 41 above;

62.4. 31 July 2018, as detailed in paragraph 48 above;

62.5. 9 August 2018, as detailed in paragraph 56 above.

63. Craythorne, additionally, breached the Plaintiff's right to dignity and to his reputation by publishing the defamatory statements on—

63.1. 21 November 2017, as detailed in paragraph 13 above; and

63.2. 10 February 2018, as detailed in paragraph 34 above.

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64. On 3 April 2018 the Defendants' attorneys of record, Lionel Murray Schwormstedt, gave a written undertaking on behalf of the Defendants not to make any unlawful defamatory statements about the Plaintiff. A copy of the written undertaking is attached (Annexure "**POC8**").

65. Notwithstanding this undertaking, the Defendants published the defamatory statements on 30 July 2018, 31 July 2018 and 9 August 2018.

66. The Plaintiff, therefore, reasonably apprehends that the Defendants, either jointly or individually, intend to continue to defame the Plaintiff in the same manner.

NO SUITABLE ALTERNATIVE REMEDY

67. An award of damages would not provide and appropriate and effective remedy for the continuing violation of the Plaintiff's rights by the Defendants, which the Plaintiff reasonably anticipates.

68. There is no other remedy that would prevent the Defendants, or any one of them, from making defamatory statements of and concerning the Plaintiff in future.

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WHEREFORE the Plaintiff prays for the following orders:

CLAIM A:

1. Payment of damages in the amount of R2,500,000 by the First, Second and Third Defendants, any one paying the others to be absolved;

2. Payment of damages in the amount of R1,000,000 by the First Defendant;

3. Interest on the abovementioned sum at the prescribed rate;

4. Further and/or alternative relief; and

5. Costs of suit.

CLAIM B:

1. The First, Second and Third Defendants are interdicted from publishing further defamatory statements of and concerning the Plaintiff;

2. Further and/or alternative relief; and

3. Costs of suit.

DATED at KIMBERLEY on this the 12th day of **SEPTEMBER 2018**

GC101

U K NAIDOO
Plaintiff's counsel

WEBBER WENTZEL

Per **SELWYN HOCKEY**
Plaintiff's attorneys
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JG STEYN
ATTORNEY OF PLAINTIFF(S)
WITH RIGHT OF APPEARANCE
DUNCAN & ROTHMAN INC
OFFICE 69, SUITE 1
NORTH CAPE MALL
31 JACOBUS SMIT STREET
KIMBERLEY

GC102

IN THE HIGH COURT OF SOUTH AFRICA
NORTHERN CAPE DIVISION, KIMBERLEY
CASE NUMBER: 2463/18

In the matter between:

ALEXANDER BAY DIAMOND COMPANY (PTY) LTD (previously known as)
SCARLETSKY INVESTMENTS 60 (PTY) LTD FIRST APPLICANT
DANIEL MARK NATHAN SECOND APPLICANT

NORTHERN CAPE HIGH COURT
PRIVATE BAG X5043
2018 -10- 08
KIMBERLEY 8300
REGISTRAR : 17

And

GAVIN CRAYTHORNE RESPONDENT

NOTICE OF MOTION

BE PLEASED TO TAKE NOTE THAT Application will be made to the Honourable Court on the 30th day of November 2018 at **09:30** or so soon thereafter as counsel for the Applicants may be heard for an order an order in the following terms:

a) Interdicting and Restraining the Respondent from disseminating any form of communication, including but no limited to, email, and/or any electronic form, which is defamatory against the Applicants pending the institution of action proceedings by the Applicants against the Respondent;
b) Ordering the Respondent to issue an apology to the Applicants;
c) Costs of the Application;
d) Further alternative relief.

TAKE FURTHER NOTICE THAT the attached affidavit of **DANIEL MARK NATHAN** as well as various annexures will be used in support of this application.

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TAKE FURTHER NOTICE THAT the Applicants have appointed Victor Nkhwashu Attorneys, c/o Engelsman Magabane Inc., situated at the address below, at which address they will accept notice and service of all process in these proceedings.

TAKE NOTICE FURTHER NOTICE that if any of the Respondent intends to oppose the Application he is required to notify Applicants' attorney, in writing, within **5 (five)** days of being served with this Application and within **10 (ten)** days of filing their notice of intention to oppose the Application, to file their answering affidavit, if any; and further in said notification appoint an address referred to in Rule 6(5)(b) at which they will accept notice and service of all documents in these proceedings.

DATED AT SANDTON ON THIS THE 8th DAY OF OCTOBER 2018.

VICTOR NKHWASHU ATTORNEYS INC
Applicants' Attorney
1ST Floor, Building 1
Liberty Life Office Park
171 Katherine Street
Sandton
Tel: 011 333 0229
Fax: 0865 959 8172
Email: info@vnainc.co.za
Ref: VNA/VN/230/08/18

C/O ENGELSMAN MAGABANE INC.
80 Du Toitspan Road
Kimberley
Tel: 053 832 8134
Fax: 086 270 6317
Ref: JA SNYDERS/VIC22/0001/S.335

GC102

TO:

THE REGISTRAR OF THE HONOURABLE COURT

KIMBERLEY

NORTHERN CAPE HIGH COURT
PRIVATE BAG X5043
2018 -10- 08
KIMBERLEY 8300
REGISTRAR : 17

AND TO:

GAVIN CRAYTHORNE

RESPONDENT

7 Klipspringer Avenue

Alexander Bay

Northern Cape

SERVED VIA SHERIFF

GC102

IN THE HIGH COURT OF SOUTH AFRICA
NORTHERN CAPE DIVISION, KIMBERLEY
CASE NUMBER:

In the matter between:

ALEXANDER BAY DIAMOND COMPANY (PTY) LTD (previously known as)	
SCARLETSKY INVESTMENTS 60 (PTY) LTD	FIRST APPLICANT
DANIEL MARK NATHAN	SECOND APPLICANT

And

GAVIN CRAYTHORNE	RESPONDENT

FOUNDING AFFIDAVIT

I, the undersigned,

DANIEL NATHAN

Do hereby state under oath;

1. I am a major male businessman and a Director of the First Applicant.

2. The facts contained herein are within my own personal knowledge and to the best of my belief both true and correct.

3. Where I make submissions of a legal nature, I do so on the advice of my legal representatives, which advice I accept as correct.

4. I wish to deal with this affidavit in the following manner;

4.1 Parties;

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4.2 Background;

4.3 Defamatory statements;

4.4 Relief sought and grounds for an Interdict;

PARTIES

5. The First Applicant is Alexander Bay Diamond Company (Pty) Ltd (previously known as) Scarletsky Investments 60 (Pty) Ltd, a company duly registered in terms of the company laws of South Africa with registration number: 2009/002967/07 and place of business situated at 1 River Street, Houghton, Johannesburg, Gauteng.

6. The Second Respondent is Daniel Mark Nathan, an adult male businessman with place of business at 1 River Street, Houghton, Johannesburg, Gauteng.

7. The Respondent is Gavin Craythorne, an adult male businessman currently residing at 7 Klipspringer Avenue, Alexander Bay, Northern Cape.

BACKGROUND

8. During 2014, Alexkor / Richtersveld Mining Company Pooling and Sharing Joint Venture, issued a Request for Proposal (RFP) under Tender Number: RFP 03/14.

9. In terms of the RFP, Alexkor and the Richtersveld Mining Company (Pty) Ltd were engaged in a Pooling and Sharing Joint Venture, more commonly referred

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to as "RMC/ RMC JV", which would combine the sea and land diamond mining rights of Alexkor and the Richtersveld Mining Company.

10. The RFP required bidders to illustrate their ability to;

10.1 Provide all resources including premises, legal entities including permits and licenses to conduct the business of trading in and/or processing of rough diamonds and/or polished diamonds, technical personnel, administrative personnel and/or financial administration personnel to facilitate the sorting, valuation, transportation, safe custody, secure viewing and insurance of the produce and payment of proceeds from sales;

10.2 Implement processes that mitigate any risk of conflicts of interest in terms of achieving maximum pricing for Alexkor RMC JV produce;

10.3 Implement processes that achieve continuous improvements of prices for Alexkor RMC JV produce;

10.4 Originate all funding for capital investments required to implement a Proposal.

11. A copy of the Tender advertisement is annexed hereto as Annexure **"DN 1"**.

12. Following the tender process, the First Applicant was awarded, by the Alexkor RMC JV, the tender for the provision of the services stated above.

13. In line with the agreement between First Applicant and the Alexkor RMC JV, we set up an online platform where companies and/or individuals would anonymously and safely bid for the produced diamonds.

14. We thereafter inform the successful bidder that their bid has been accepted and it is only then that a sale has been concluded. As per our agreement with Alexkor RMC JV, we then receive a commission of 1.5% (one point five per centage) of the total sales revenue received per cycle.

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DEFAMATORY STATEMENTS

15. The First Applicant was initially formed by myself, in partnership, with a certain Mr. Kuben Moodley in order for us to be Broad-Based Economic Empowerment (B-BEE) compliant.

16. During 2015, there was a lot of media reports around the Gupta Family and state capture. In some of the reports there was also mention of my then partner, Mr. Kuben Moodley allegedly being a Gupta ally and thus also somewhat allegedly involved in state capture.

17. Due to the mining industry being so small and trying to ensure that the First Applicant, and myself, retain our good name and reputation, I then asked Mr. Moodley to step down as a Director and to further transfer to the First Applicant his shares, which he did.

18. With Mr. Moodley resigning, this meant that the First Applicant had 60% (sixty percent) of its shares available and we are in the process of ensuring that the new shareholders come from the Richtersveld Community.

19. The Respondent first started with making allegations in the media that Alexkor/ RMC JV, the Board of Alexkor/ RMC JV as well as the Management of the Alexkor/ RMC JV was "captured", a term commonly used to refer to corruption and unethical conduct in favour of a particular group of people. In this case it referred to unethical business conduct in favour of the Gupta family. He initially accused certain committees within Alexkor of having internal conflicts of interest and infighting.

20. The Respondent then moved on to casting aspersions on the contract awarded to the First Applicant through the tender process. I was unable to respond to those allegations as I did not award the First Applicant the tender and always felt

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that the Respondent and/or Alexkor /RMC JV would approach the courts for adequate relief should they feel aggrieved by the tender process.

21. On or about 19 November 2017, the Respondent addressed a letter to Alexkor's RMC JV Mervyn Carstens stating that;

21.1 I and the First Applicant were the Alexkor equivalent of Trillian Capital Partners and Mr. Eric Wood, and;

21.2 Referred to myself as the "Eric Wood of Alexkor", and;

21.3 He had conducted his own analysis of the price data and the results were indicative of a *"criminal racket set up to deprive Alexkor and the small-scale marine miners of a fair diamond price"*.

22. The said letter was subsequently published in the Fin24 article entitled: *"Guptaleaks: A tale of two captures: Alexkor, Gupta Inc. and WMC"*. A copy of the article is annexed hereto as Annexure **"DN 2"**.

23. The statement made by the Respondent could not be further from the truth.

24. Further, on or about 3 August 2018, the Respondent circulated an email to Minister Pravin Gordan and carbon copied over 160 (one hundred sixty) recipients in which he stated;

24.1 *"10. ON TOP OF THE ABOVE, THE GUPTA-LINKED COMPANY SCARLET SKY INVESTMENTS 60 HAS CHEATED ALEXKOR AND THE MINERS OUT OF HUNDREDS OF MILLIONS OF RAND BY CAPTURING AND CORRUPTING ALEXKOR'S DIAMOND MARKETING AND SALES CHANNEL. THAT THEY ARE PERMITTED TO CONTINUE DESPITE BEING EXPOSED AS A GUPTA FRONT IS BEYOND OUR COMPREHENSION"*

25. A copy of the email is attached hereto as Annexure **"DN 3"**.

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26. The Respondent's statements were understood by the addressees, and were intended by the Respondent's, to mean that the Applicants;

26.1 Were unethical;

26.2 Had cheated Alexkor and the Richtersveld Community out of millions of rand;

26.3 Were involved in state capture.

27. The Respondent's statements were wrongful and defamatory of the Applicants.

28. The Respondent's statements were made with the intention of defaming the Applicants and to injure their reputation.

RELIEF SOUGHT AND GROUNDS FOR AN INTERDICT

Prima Facie Right

29. Section 10 of the Constitution states;
"Everyone has inherent dignity and the right to have their dignity respected and protected."

30. Section 22 of the Constitution further states;
"Every citizen has the right to choose their trade, occupation or profession freely. The practice of a trade, occupation or profession may be regulated by law"

31. I have a right to human dignity as enshrined in the Constitution as well as right to my good name and reputation.

32. I further have a right to choose my trade and occupation freely.

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33. The First Applicant has a right to a good name and reputation.

34. The Respondent is currently breaching my human dignity and the First Applicant's good name and reputation.

35. The Respondent's actions may infringe upon my right to choose my trade and occupation freely.

Reasonable Apprehension of Irreparable Harm

36. On 27 August 2018, I instructed our attorneys, Victor Nkhwashu Attorneys, to draft a letter to the Respondent instructing him to make an undertaking that they will desist from making further defamatory statements in relation to myself or the First Applicant. The Respondent was meant to make this undertaking before close of business on 30 August 2018 and has since failed and/ or refused to do so.

37. I have no other alternative but to approach the courts for relief. The Respondent has made no undertaking that he will desist from making defamatory statements about myself and the First Applicant.

38. I, and the First Applicant, will suffer irreparable harm should the Respondent be left to continue making these defamatory statements.

39. I have over twenty years' experience in the diamond industry and I have worked very hard to grow my reputation and good name. In the same breath, I have ensured that whichever entity I create or associate myself with also has a good name and reputation. It is this good name that I am fighting to protect and uphold. I thus cannot allow the Respondent to continue like this with his unsubstantiated claims that have the result of ruining my, and the First Applicant's, reputations.

Balance of Convenience

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40. The balance of convenience clearly favours the granting of the interdict.

41. Should the interdict not be granted then the Respondent will proceed with his actions which will result in the Applicants suffering harm as stated above.

42. The Respondent will not suffer any prejudice should the interdict be granted in Applicants' favour. In the event that the Respondent claim that they will suffer any prejudice, such prejudice will not outweigh the prejudice the Applicants' will suffer should the interdict not be granted.

43. It is our submission that the orders prayed for in the notice of motion ought to be granted in the Applicants' favour.

Absence of an adequate and alternative remedy

44. The issuing of action proceedings will not be sufficient to prevent the Respondent from making the defamatory statements he currently makes regarding the Applicants.

45. The Applicants require the courts protection pending the issuing of the action proceedings and the finalisation of those action proceedings.

46. I have been informed that matters of this nature may take up to three years for them to be ripe and ready to proceed on trial. It is my respectful submission that the Respondent would need to be interdicted pending such finalisation.

47. In the circumstances, the Applicants have no alternative remedy available at heir disposal at this stage.

WHEREFORE I pray for an order as per the Notice of Motion.

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Deponent

I hereby certify that the Deponent has acknowledged that he knows and understands the contents of this affidavit, which was signed and sworn to before me at Johannesburg on this 1ST day of October 2018 and that the provisions of the regulations in respect of commissioning an oath have been compiled with.

Commissioner of Oaths

Full Name: NOKULUNGA MTHEMBU

Designation: EX OFFICIO COMMISSIONER OF OATHS
PRACTISING ATTORNEY R.S.A.

Address: 171 KATHERINE STREET
LIBERTY LIFE OFFICE PARK
BLOCK 2, 2ND FLOOR
STRATHAVON SANDTON 2090

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Alexkor 2017/18 Annual Report

Public Enterprises

07 November 2018

Chairperson: Ms L Mnganga-Gcabashe (ANC)

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Meeting Summary

Annual Reports 2017/18

Alexkor affirmed a slightly positive financial result because of a small accounting (not cash) profit nd it obtained an unqualified audit opinion. However, Alexkor is still beset with difficulties such as managing its operational cash flow challenge. There is the potential of a going concern challenge by the end of March 2019 and the risk that Alexkor could be placed under business rescue. There is insufficient traction to fast track the implementation of the diamond beneficiation projects and a lack of adequate working capital due to poor carat production which is resulting in lower loan repayments.

Members asked about the relationship between the Richtersveld community and Alexkor and why it is so difficult for the community to form a communal property association (CPA) that will fast track the disbursement of the R45m. Other wanted to know the process undertaken by Alexkor to benchmark its rough diamonds. How could it be that Alexkor diamonds lagged behind its international counterparts by a whopping 70 points? Was there tender rigging to sell the rough diamonds at a lower price to a preferred bidder? There was concern about allegations of state capture.

Meeting report

The Chairperson reiterated that the Committee is open to the public who wished to observe proceedings. The agenda is a briefing by Alexkor on its 2017/18 Annual Report. After the meeting adjourns, members should remain behind for a party caucus that members had requested.

Mr Kgathatso Tlhakudi, DPE Deputy Director General, Manufacturing Enterprises, informed the Committee that Alexkor's Board Chairperson and some of its board members are present.

Mr Tshediso Matona, Alexkor interim board chairperson, noted that there is a transition currently underway at Alexkor and the board's first tenure has already ended in September. However, Minister Gordhan requested more time to finalise the appointment of the new board; in a sense he is an interim board chairperson now. The intention of the Minister is to appoint a new board soon. The board is pleased to report slightly positive financial results because of a small accounting profit though not a cash profit. This means that the company is still in the black, though the situation still requires attention. Alexkor obtained an unqualified audit opinion this financial year and this is positive news. The issue at the top of agenda at Alexkor now is financial sustainability and it requires urgent attention. The company has no government guarantees and has never requested a bail out from the state. Urgent intervention will therefore be needed to ensure the company does not fall into the abyss.

Alexkor Annual Report 2017/18
On board strategy, it was noted that diversification into alternative revenue generating models was not moving forward as Diamond beneficiation was under a moratorium and other commodities such as coal had since been declined by DPE.

Ms Adila Chowan, Alexkor CFO, in her presentation noted the performance of the investment in the Pooling and Sharing Joint Venture (PSJV). The state's capital investment is R200 million, which is an interest free loan and in 2017/18 R10 million was repaid. Due to decreased production the PSJV has a financial challenge and a potential going concern problem.

Marine carats achieved an average record price of $854.69 (2017: $744) per carat. Production for the year was 41 941 carats compared to 2017 which was162 172 carats. In 2016/17, a vessel from International Mining and Dredging South Africa (IMDSA) caught fire and was not available for mining in 2017/18 which impacted the PSJV performance negatively.

Alexkor achieved an unqualified audit opinion with significant progress in improving SCM processes with improved quality of annual financial statements and timeous reporting to stakeholders. It reported a consolidated profit of R34m (2017: R6m) primarily driven by recognition of government grants and interest earned.

The key performance indicators were discussed (see document) such as:

- EBITDA margin target was not achieved due to sea days being affected by bad weather
- Carats produced target was not achieved due to sea days being affected by bad weather
- Exploration and mining of shallow water channels target achieved.

The external auditor's opinion was an unqualified opinion. The matters noted were to do with procurement and increase in the scope of work for a contract. Irregular expenditure was mainly as a result of:
- Increase in scope of work of R6.9m (although there was a dispute on interpretation).
- In 2017 the Minister condoned the lease rental however the amount that was ratified was only for 2016/17 and not for the remaining contract value.
- Legal services of R2m procured based on single source which should have been approved by Treasury.
- Company secretary services procured in 2016, prior to the of National Treasury instruction note 3 becoming effective, however auditors classified cost as irregular as procured through single source basis (R1m). All irregular expenditure has been identified and recorded in the AFS.

All irregular expenses incurred have been submitted to Treasury for condonement. Two cases have been lodged with Business Crime Unit – relating to 2016/17 audit finding. These relate to tender documents which have been lost or misplaced when Alexkor relocated offices. Two verbal warnings have been issued as a result of incorrect interpretation of Treasury Instruction note 3. There is an action plan to address findings.

Way forward
- Managing the operational cash flow challenges for 2018/19
- Potential going concern challenge and risk of placing Alexkor under business rescue
- Lifting of moratorium on Alexkor investments (acquisition and disposal of assets)
- Appointment of Audit committee chairperson and filling of vacancies within the Alexkor Board

The year under review
Mr J Bonnet resigned as the Acting CFO effective 31 October 2017 and Ms A Small was appointed to act as CFO until Ms Chowan was appointed on 8 January 2018. Mr V Bansi the Acting CEO resigned 7 November 2017 and Mr L Pitsoe was appointed 01 December 2017 as the CEO. The audit committee chairperson, Ms M Lehobye, resigned with effect May 2018 and Mr T Matona has been appointed as the interim audit committee chairperson. The Alexkor board in conjunction with the Minister is in the process of filling the two vacancies on the Board and the position of Audit Committee chairperson.

Challenges for the year to come
▪ The Alexkor board and management have a number of challenges to overcome in the year ahead: Insufficient traction to fast track the implementation of the diamond beneficiation projects (due to the recent moratorium placed on Alexkor);
▪ Lack of adequate working capital due to poor carat production that resulted in lower ICC loan repayments;
▪ Lack of resource capacity following board resignations;
▪ Full and final implementation of the Deed of Settlement (township handover and handover of properties together with the R45m);
▪ Properties identified to be transferred to the Richtersveld municipality.
▪ Certain services provided by Alexkor to be under Richtersveld municipality going forward;
▪ Illegal occupation of properties in Alexander Bay.
▪ CPA not properly constituted which has resulted in the delay of the R45m payment.

PSJV Challenges
▪ Poor land carat production which has had a negative impact on the income statement. In mitigation thereof, a high level exploration program has been implemented which will drive the mining process. It is also planned to complete an airborne geophysical survey. No funds to execute land exploration resulting in mining blind. A desktop study was co-funded by DPE to evaluate potential reserves, this led to understanding that more resources were needed to confirm reserves.
▪ Optimal marine carat production is unpredictable as the Atlantic ocean weather conditions influences the number of production days.

Discussion
Dr Z Luyenge (ANC) appreciated the simplified and easy to follow nature of the presentation unlike that of the previous years. He praised the positive changes in the administration and governance at Alexkor. He asked what the relationship is like between the Richtersveld community and the company. The R45m for the community - how did Alexkor deal with it? He remembers that the community was revolting against the Pooling and Sharing Joint Venture (PSJV) method. Has the company come up with another method of mining that will complement what Alexkor is presently doing? Is the company working well with the municipality? Is there any service the company is rendering within the scope of the municipality that is lessening the burden on the municipality?

Ms N Mazzone (DA) thanked the board for the presentation and said she understands that this is a new board, and it might not be responsible for everything that took place at Alexkor in the past. There is overwhelming evidence coming to the fore of possible state capture at Alexkor. A dossier may be created to present to this Committee for an investigation at the company. It will go along the lines of shelf companies created and tender processes approved within three days of opening the shelf companies and all evidence points to the Gupta family. Most disturbing is the process of benchmarking rough diamonds. If comparisons were done comparing rough diamonds in the various indexes, one would find that a crash occurred in the rough diamond markets in 2008 worldwide. The problem is that Alexkor started to lag behind when the price started to recover in 2013; it amounted to a 40-point lag in international standards, and increased to a 50-point lag in that same year. The question is, was there a tender rigging to intentionally sell the rough diamonds at a lower price to the preferred bidder? It is worrying to see a differential of 40 points. Compared to international standards, in 2015 the lag increased to 70 points and slightly to 65 points this year in comparison to

international benchmarks. We know that Alexkor went through a rough patch in terms of carat quantity, undercapitalisation and community restlessness and its relationship with them but something is not right here. How can the company lag 65 points behind the international benchmark in the price for diamonds? We also want an update on how the company is attending to host community concerns because this Committee does not take lightly seeing people coming all the way from Namaqualand to Parliament to voice their trepidation.

Mr M Dlamini (EFF) said one the things being dealt with in the Eskom inquiry is the proposition put forward by Mr Matona that some of his reasons for leaving was interference by the board, deterioration in governance and all other concerns. What was uncovered too was that board members were appointed as hired guns to serve the interest of those that appointed them especially the politicians. After leaving Eskom, Mr Matona pointed out that he wanted to continue with his life but he is now back at another SOE. This Committee does not want to see this continuous rotation of individuals from one SOE to another and to replace one capture with another. How did he become the interim chair of Alexkor? Who appointed him? We are beginning to see similar things happening in other SOEs now. There is also the illegal of occupation of the company's property because our people are in need of land. Why is the company failing to deliver what was promised to our people until they take it by force. What were the timelines for the handover of these properties? Incompetent company officials cannot hold our people to ransom.

The Chairperson said that in all fairness no board member could appoint himself or herself. The Minister appoints and then takes the names to cabinet for approval. If any member of the Committee wants to know how and who appoints board members, that question should be directed to the Minister. The Minister is expected in this Committee before the end of November, so prepare to ask him this question.

Mr R Tseli (ANC) was happy with the unqualified audit the company obtained, the R34m profit it made and that no state guarantees were needed. However, the way forward says that there is risk of placing the company under business rescue. Why is this beautiful picture that is painted have to end in the company being maybe placed under a business rescue? This contradiction is confusing. This has to be clarified.

He noted the company said it is having difficulties in identifying persons with disability and youth led companies; are women also in the mix? Why is it hard for the Central Supplier Database to identify companies led by people from these designated groups? It is worrying that you do not state in the presentation the interventions put forward for unachieved targets. There is R1m irregular expenditure as a result of the procurement of the services of a company secretary. What led this? There is no corporate social responsibility mentioned in your presentation? What progress has the company with the challenges noted in your previous appearance before the Committee? When will the R45m for the community be resolved?

Mr E Marais (DA) asked why the ongoing challenge of who is representing the community is not resolved after all these years. Leadership is seriously needed to solve this longstanding problem to get this R45m transferred to them. The underselling of diamonds under benchmark prices is a serious matter and an inquiry is needed and those held accountable must face the full might of the law.

The Chairperson asked why the company is not able to attract youth, the disabled and women owned businesses. This Committee keeps seeing community members and the contractors attending our meetings and raising their concerns – why are they not addressed? Timelines were even given by the Select Committee to sort out these challenges. Why were these not adhered to? The community representatives that met the chair before this meeting began have confirmed that when the meeting that elected members of the community to represent them was held, it was contrary to the court order, no report was given to the community, the community contractors were not consulted and the contracts with PSJV were unilaterally awarded without consultation. A copy of the community's grievances will be given to the Department and the company today. These must be attended to, and the Committee briefed before the end of November.

Response
Mr Lemogang Pitsoe, CEO of Alexkor, replied that the township handover has been segmented into phases. The phase comprising the graveyard, hospital, schools, police stations and all properties owned by the government is in the process of being transferred to the relevant departments. The delay is emanating from the State Attorney's Office presently doing the conveyancing. All documents are being converted into a new system because of non-alignment. However, the MOU should be finalised with the municipality and the provincial government by 22 November. The phase one is in process as we speak.

As for the question posed by Ms Mazzone, Mr Pitsoe replied that the sales contract is not with Alexkor but with PSJV. We welcome the comparison made with other indexes. The shareholder is also escalating this issue after the last AGM meeting. On the R45m community funds, Alexkor is a state owned entity and has to abide and comply with the PFMA. As accounting officer, we have the responsibility of following the prescripts with funds coming from the fiscus despite all the emotions. However, we would like to transfer the money quickly but we cannot break the rules as the money is in a dedicated account and processes have to be followed. Alexkor has the willingness to meet with the community but there is an investigation by DPE that will precede this meeting. On procurement for the disabled and women, the company is 200km away from Springbok, 600km from Uppington and 1000km from Kimberley. The company has to use the Central Supplier

Database and to travel this distance to access a tender is not possible. We are now trying to localise certain services to benefit local companies. The cash constraints are affecting the CSI projects as well.

Ms Adila Chowan, CFO of Alexkor, clarified the R1m irregular expenses made on procuring a secretary. Due to the high turnover of staff, when the previous secretary left, another secretary had to be appointed because the position is a strategic one. The board was not informed of the new treasury regulation that curbs the amount that can be used to single source or appoint someone. It should have gone to Treasury for approval as a single source. That was why it was classified as irregular.

On the challenges that might lead to the company going under business rescue, the single biggest investment of the company is the PSJV with R200m allocated to this investment. Alexkor has been facilitating the process in terms of releasing the funds when required for its operation. The company has certain projects in the pipeline one of which is the coal project, which was not approved by the DPE, and the diamond beneficiation project, which is also now put on hold. These projects were supposed to generate an income for Alexkor. The non-flow of revenue because these projects not being in operation have put the company in a precarious position. Alexkor needs sustainable income streams urgently. The PSJV has also not been performing well as reported and there is no way of getting any returns from this investment.

Mr Sembie Danana, Alexkor board member, said that when the board came in 2015, there were prospects that the R45m would be paid out. However, suddenly a court order was brought to the board disputing the settlement agreement. Various organs of state such as DPE, the Department of Rural Development and Land Reform (DRDLR) and Alexkor itself have addressed the challenges behind forming the CPA but somehow solving it has been an unattainable goal. The community must be assisted to solve this problem and not left for the company alone otherwise it can be accused of taking sides. On a positive note, this present board during its tenure has ensured that a chamber of business is formed. Local business both on the marine and land side have received many contracts and been paid as well. Alexkor pays for all the maths teachers in the area through our CSI portfolio.

Mr Trevern Haasbroek, Alexkor board member, said that the relationship between the community and Alexkor is very cordial but with the PSJV, there is some animosity. This stems from the factions within the community. Whenever the community formalises to get into electing persons to represent them, they always are interdicted. The community cannot organise themselves. The board has also considered projects like fish farming that would be good to do in the area.

Mr Haasbroek replied that our investigations found no evidence of state capture. The diamond project was a big concern of the Minister in the AGM. The diamonds from the South fetch a lower price than those from the North. Diamonds on land fetch $130-$250 a carat, the diamonds from the beach fetch $450-$550 a carat while diamonds from the deeper sea fetch $160 and best we ever got in an auction was $330. All these auctions are well attended by international buyers. For diamonds, the geography, size and quality determine the price. It is difficult to benchmark these prices and we shall welcome any investigations. On its sustainability, the company needs help otherwise it will run out of money by 31 March 2019.

Ms Morongwa Mothengu, DPE Director of Mining, said that the Department is committed to ensuring that the community is stabilised. DRDLR attempted to convene a meeting with the various community factions, about four of them. Some want the money to be paid to beneficiaries while others want it paid via a deed of settlement. Due to these challenges, DRDLR could not complete that task as the factions could not agree on a way forward. In September, the Department met with the DRDLR Director General to elevate the discussions. The CPA Act gives powers to the DG to intervene decisively on CPA challenges. We are hoping to get direction at month end on the way forward from DRDLR.

Mr Tlhakudi confirmed that Ms Mothengu has spent quite some time with DRDLR in the Northern Cape trying to resolve this issue. The overwhelming decision of the community is that the R45m should be paid directly to each beneficiary and this will require that the deed of settlement will have to be amended. There is a joint team working together with CoGTA to facilitate the handover of the township. By the next municipal finance cycle in June 2019, funds will be made available for the municipality to take over the township. The investigation started on the recommendation of the Department to the Minister because of the concerns raised by various stakeholders such as contractors on the appointment of a company (SSI). Issues to be looked at are how diamonds are being sold and the entanglement of service providers in state capture. A law firm that was initially appointed to investigate these allegations was cited in a matter at PRASA, so to protect the integrity of the investigations, that law firm was terminated and another will have to be appointed in its place. This now means that a lot of time will be lost.

Mr S Swart (ACDP) asked if Alexkor values the diamonds before they leave the mine at Alexander Bay and if so who does that valuation? Looking at the irregular expenditure, has the new board embarked on going through irregular tenders, contracts and other irregular expenditure? Is it something the board will be doing?

The Chairperson said that the Committee needed to meet more frequently with the entities even though the parliament schedule is tight. The Committee would have loved to visit the areas Alexkor operates but time is not on parliament's side because of the forthcoming elections. The Committee requests DPE put in writing a progress report at the end of November on what is being done about the Richtersveld community constituting a CPA and the efforts by the Department of Rural Development and Land Reform towards that end. If need be a joint meeting with other the Portfolio Committee overseeing Rural Development will be held to ascertain progress.

Mr Matona clarified the irregular expenditure for hiring a company secretary. When the vacancy for that position arose, the company went to companies that provide that service. The only problem was that the company did not comply with Treasury's rule that there must be three quotes and that led to the classification of this transaction as irregular expenditure. Value though was gained in this deal because a very good, capable and knowledgeable person was hired.

Mr Tlhakudi recapped about the municipality that DPE has a joint committee with province and the municipality working on ensuring that the municipality takeover is smooth. Feasibility is been done to ascertain the skills required to run the systems that has been installed. The report will be provided as well as the one requested by the Committee on progress made by the Department of Rural Development by the end of this month.

In summation, the Chairperson thanked the delegation. This Committee hopes that the board and Alexkor will keep to their word on their assertion that they will strive to have a very good working and cordial relationship with the community. The Committee looks

forward to getting an update on progress being made by the Department and DRDLR in breaking the impasse faced by the community in the formation of a CPA.

The minutes of the last meeting was adopted without amendments.

The meeting was adjourned.

Share this page:

Hi Louis, thanks. I am still on the boat but will respond when back in office.

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GC107

From: Louis Tuffarsi <tuffarsi@gmail.com>
Sent: Thursday, June 20, 2019 8:51:13 AM
To: Gavin J. Craythorne
Subject: Re: FW: FEEDBACK BRIEFING ON DIAMOND SALES BY LOUIS KOTZE.

Hi Gavin,

Let me first complete the third information gathering trip to Tender #281. Afterwards I will present all information to the Contractors and then you can present your case to them.

Regards

Louis

On Tue, 18 Jun 2019 at 12:46, Gavin J. Craythorne <gavinjohn@outlook.com> wrote:

> Hi Jennifer,
>
> I have just spoken to Louis and will take the matter up with him directly.
>
> Louis, could you attend then to the baseline risk assessment and also check the points from your briefing last Wednesday?
>
> Thanks.
>
> Warm regards,

GC107

Gavin Craythorne.

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Web: www.rapidmining.com

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From: Jennifer Gentle <klimpt.jen@gmail.com>
Sent: 18 June 2019 12:24 PM
To: Gavin J. Craythorne <gavinjohn@outlook.com>
Cc: Louis Kotze <tuffarsi@mail.com>
Subject: Re: FW: FEEDBACK BRIEFING ON DIAMOND SALES BY LOUIS KOTZE.

Good day Gavin

I have communicated with Louis regarding your email and forwarded to him as well.

As I said yesterday, we are in a process and do not have a final document as yet.

Please will you meet up with him to find clarity on the process from start to finish as we have it now.

Best regards

Jennifer Gentle

On Tue, 18 Jun 2019, 11:40 AM Gavin J. Craythorne, <gavinjohn@outlook.com> wrote:

> Dear Jennifer,

GC107

Thank you for discussing the diamonds sales with me.

Below, please find the notes I made for Louis.

As I mentioned, I think it is important to map out the process detailing the following to establish a baseline risk assessment:

1. Product preparation on the mine before leaving the gate.
2. Security and insurance.
3. Chain of custody for transportation.
4. Chain of custody at the tenders.
5. Sorting, assortments and valuation for the SDT's 10%.
6. Sorting, assortments and valuation for Daniel Nathan's 5%.
7. Sorting, assortments and valuation for the tenders.
8. Alexander Bay Diamonds' terms and conditions for buyers.
9. Alexander Bay Diamonds' tender rules for the tender house operator, the seller and the buyers.
10. Alexander Bay Diamonds' independent audits if any.

It would be a great help if you could attend to the above.

Thanks.

Warm regards,

Gavin Craythorne.

GC107

From: Gavin J. Craythorne
Sent: 12 June 2019 03:52 PM
To: tuffarsi@telkomsa.net
Cc: ORD <thomasmarkus4y@gmail.com>; warrens846@gmail.com; DITSU <mogopedi.ditsu@gmail.com>; premier.rose@kingsley.co.za; rednaxtrading253@gmail.com; willemjoseph203@gmail.com; ADAMAS RCV 2 <carelwza@telkomsa.net>
Subject: FEEDBACK BRIEFING ON DIAMOND SALES BY LOUIS KOTZE.

Hi Louis,

Thank you for the feedback session on the diamond sales process today.

To establish a clear understanding of what was presented by you I have listed the salient points below.

1. All contractors diamonds are valued for insurance purposes on the mine by Michelle solely on the basis of carat weight and stone quantity before transport to Daniel Nathan.

2. The diamonds are transported in a sealed tamper-proof container.

3. No information currently available regarding the transporter of the diamonds and the integrity of the chain-of-custody.

4. On arrival at the premises of Daniel, the tamper-proof seal is broken and the diamonds removed from the tamper-proof container in the presence of Jennifer Gentle who is currently the contractor's independent valuator.

5. Prior to the engagement of Jennifer, the seal would be broken by Daniel and the diamonds removed from the tamper-proof container without the presence of any independent observer.

6. The diamonds are deep-acid boiled and then sorted and valued by Daniel.

7. I presume that Jennifer also does her valuation at this point.

GC107

8. Daniel selects a 10% representative assortment of the production excluding any single stones which is then offered to the State Diamond Trader.

9. The SDT purchases all or a portion of the 10% assortment offered at the price set by Daniel Nathan or an alternative lower price negotiated between himself and the SDT.

10. If a price cannot be negotiated between Nathan and the SDT, the GDV (Government Diamond Valuator) is engaged to settle the matter.

11. Daniel selects a 5% assortment by value of the remaining 90% post the sale to the SDT.

12. This assortment is not a representative sample and ranges between 2-4 carats.

13. The price he pays for his assortment is unclear – please provide clarity on this point.

14. The remaining 85% of the diamond production is placed on tender at his premises at 1 River Street, Houghton Estate, Johannesburg.

15. The tender is a closed system and Daniel determines who will be given an opportunity to view the production and get access to the online tender platform.

16. The bids are made electronically by approved buyers through an online diamond tender platform developed by Daniel exclusively for Alexkor's production.

17. Approximately 80 buyers attend the auction viewing and compete on the bidding platform.

18. The bidding period closes at 14:30 sharp and no further bids can be made.

19. Buyers are able to change or cancel their offers during the bidding period up until the last minute.

20. During the bidding period Daniel is able to monitor all offers made by buyers, live and in real-time.

21. When he suspects that a buyer has made a bidding error he makes contact with the buyer to check with him/her.

22. When the bidding period closes, the system automatically awards the tender to the highest bidder and also publishes the top three bids for each lot on tender to all participants.

I would appreciate you providing guidance or corrections where necessary.

I also think it would help your meeting tomorrow if you could check the above and distribute it amongst the attendees before the briefing starts.

PS, please request a copy of the minutes from the initial meeting with Alexkor that led to the establishment of the Diamond Sales Committee and the Diamond Processing Plant Committee.

Thanks again for your efforts.

Warm regards,

Gavin Craythorne.

GC108

Observations and Concerns raised on current Marketing and Sales Process

1. **The work back calculations**

The formula's and spreadsheets used to calculate final brokers notes was unclear, i.e. calculations from valuated prices on all lots, 5% beneficiation selection by AB Diamonds, the 10 % SDT and the Tender of the remaining 85% to Brokers note. This was confirmed with an under allocation to Sea and over allocation to land, which had a negative effect (direct loss of income) to both the Sea miners and the PSJV.

Recommendation:

All calculations of AB Diamonds After Sales Report to be understandable and transparent to ensure reconciliation is easy. Misallocations cannot occur.

Success:

Unfortunately, after observing 3 sales cycles, there are simple mistakes still been made in these calculations, either by AB Diamonds or by the PSJV. The result is neither the contractors nor the PSJV is receiving full, honest return on the sale. In this last sale the prices achieved at the sale of the 10% to the SDT were not calculated back.

2. **Mixing of land and sea goods**

It was very apparent that the mixing of land and sea goods was negatively affecting the overall parcel price at different sales. It was agreed that each contractor must receive true value for their goods, sea-beach and land.

Recommendation:

The Beach Mining goods must be sold with the Sea goods indefinitely. The two parcels complement each other better, resulting in an improved return. Sea production and Land production be kept separate, from sort to Tender. Sea and Land sieve sizes must be kept separate and sealed separately at the mine, it will be more efficient to re-conciliate size for size to the weight and count.

Success:

Unfortunately, after the recommendation, the land and beach goods were mixed once again, again resulting in a loss to both the contractor and the PSJV. Sadly, these goods were not only mixed by the PSJV, but they were not valuated before removal from parcel, so to calculate the work back to the brokers note was a challenge. The separate handling/sales of the different lots, SDT, 5 % beneficiation and Tender does not appear to be clear and must be continuously monitored by Jennifer.

3. **[illegible] goods: 5 & 6 stones goods**

The cherry picking of the better-quality stones from these categories for beneficiation and the SDT, had [illegible] overall impact on the final parcel price. Contractors were not receiving fair value for their stones.

Recom[illegible]

Remove 5 & 6's from goods offered to both AB Diamonds(beneficiation) and the SDT and sell them as individual stones at Tender.

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Success:
The 5's and 6's to continue to be sold as singles, regardless of characteristics. The return to the PSJV and the contractors has been exceptionally positive.

4. **The 5% Beneficiation process**
This entire process is done at the sole discretion of AB Diamonds. Stones removed for beneficiation were not valuated. The price paid was simply calculated by the price achieved for the category size of that stone at the main Tender. Removing top quality stones from a parcel, has a major impact on the overall valuation and sales price achieved on tender. The contractors and PSJV have incurred big losses in this shortfall. Contractors are not receiving fair value for their diamonds.

Recommendation:
The independent evaluator to participate in the process of the 5% beneficiation election/evaluation/purchase of goods to ensure it is market related and that the process does not compromise the value of the parcel, ex. average goods only.

Success:
AB Diamonds continue to remove top quality stones from the parcel before tender, negatively impacting the overall parcel price in those categories and then paying the average price of these size goods achieved on tender, this is not a fair calculation. AB Diamonds continue to obtain top quality rough at discounted prices. This process automatically removes any possible spikes expected in the relevant categories.

Concerns:
This process is the single biggest contributing factor to the contractors not receiving full value for their production. The beneficiation process benefits only AB Diamonds and the PSJV. **Louis to add his presentation on how these losses have been identified. See attachments: Summary #279, #280, #281, #282 and Comparison 85,10 & 5%.**

Our recommendation is that either the beneficiation stops altogether or alternatively the stones selected by AB Diamonds is parcelled and put on tender. As the appointed marketer, AB Diamond's focus should be on achieving the best price for the PSJV, this process is in direct conflict of that.

5. **Mixing of goods**
The mixing of goods 10grs, 3's and 4's not only made the work back calculation exceptionally ambiguous, it also created very large parcels and poor mixes. This resulted in the attraction of only larger buyers, cutting out the smaller buyers, creating a smaller pool and a dull impact to the competitiveness at Tender.

Recommendation:
Market and sell these categories separately.

Success:
These smaller parcels are preferred in current market conditions. Further, no more complicated workback calculations. True tender price for every category are known.

GC108

6. **Marketing process and tender process**

The marketing of the tender needs to be more aggressive to attract more buyers and more specialized buyers, yellow goods were achieving higher prices at other Tenders. It is imperative to communicate any changes of the tender process to the Market, to ensure the right buyers attend to compete for best prices. The online monitoring of the progress of the live tender and open communication to buyers during the tender was also a major concern.

Recommendation:

These concerns were raised with management in a report submitted and during a meeting. Management was to engage with AB Diamonds direct in this regard.

Success:

We have not received feedback to this or as to any changes that have been made.

7. **The importance of valuations**

It was noted that the small goods were valuated, but not counted on arrival at AB Diamonds. This raised major concerns for the control and accountability of rough. It was also noted that diamonds removed from the main parcel for beneficiation were also not valuated. In addition, the valuated prices as determined by AB Diamonds were not presented to the PSJV prior to the tender, only after. It was noted that the valuated price was in one instance amended by AB Diamonds after the valuated prices by the independent valuator was communicated and the Tender had started. It was noted that the valuated prices from the first sales report studied were exceptionally lower than the tender price, up to 60% for the bulk of the 10grs to 4's. This is of major concern as this valuation is what is used to determine the sales prices to AB Diamonds for beneficiation rough removed.

Recommendation:

A detailed valuation of the parcel from both AB Diamonds and the independent evaluator must be sent through to the PSJV before the tender starts.

Success:

Our independent valuator has supplied this information as requested, but we did not receive accurate feedback from the PSJV or AB Diamonds if they have done the same.

8. **The SDT 10%**

It was noted that these negotiations were not proactive and after studying the first sales report, it was noted that all prices agreed to was always lower than the valuated price.

Recommendation

The independent valuation must be combined with AB Diamonds valuation to ensure accurate base to negotiate from with SDT. The independent valuator to attend these negotiations and that AB Diamonds be more aggressive to obtain prices as close to the fair valuated prices as possible

Success

Unfortunately, at Tender #280, goods from land and sea for SDT were mixed before independent valuation could be done. This happened despite direct instruction from the PSJV. This was finally rectified at Tender#281 and onwards. The prices achieved at Tender#282 was the best compared to valuation prices since Tender #279. See attachment: **SDT sales**

GC108

9. **Control and record of seals**

It was noted by the independent valuator that there was no control or record keeping of seals opened on arrival at AB Diamonds. This was in direct contravention of acceptable industry practice.

Recommendation:

That seals used, should and will be recorded on arrival and should be checked with the Mine's recorded numbers. A photo of the seal should be taken before goods depart Alexander Bay. This procedure is industry standard.

Success:

The independent valuator has ensured that she is present at the opening of these seals and that seal numbers are checked and compared.

GC109

Marketing and Sales Group Report: 12 September 2019.

1. **Valuations and the work back calculations**
   The formula's and spreadsheets used to calculate final broker's notes are now clear.
   AB Diamonds and the independent valuator to valuate the 85%, the 10% SDT and beneficiation selection separately. These valuations to be submitted to the PSJV BEFORE the tender starts. For accurate work back calculations from valuated prices, all lots to be worked back i.e beneficiation goods + 10 % SDT and the 85% Tender.. There is no room for error or misallocations. Gerone to continue to submit these reports to the Working Group ASAP after tender has concluded.

2. **Mixing of goods.**
   The Beach Mining goods are now sold with the Sea goods. The two parcels complement each other better, resulting in an improved return. Sea production and Land production are kept separate, from sort to tender. Sea/beach and Land sieve sizes are kept separate and sealed separately at the mine.

3. **Sale of higher end of category goods**: **5kt & 6kt stones goods**
   The 5's and 6's are sold as separate singles and are not available for SDT selection or beneficiation. The return to the PSJV and the contractors has been exceptionally positive.

4. **The 5% Beneficiation process**
   We propose that given the time frame and poor production that no beneficiation takes places for Tender 283

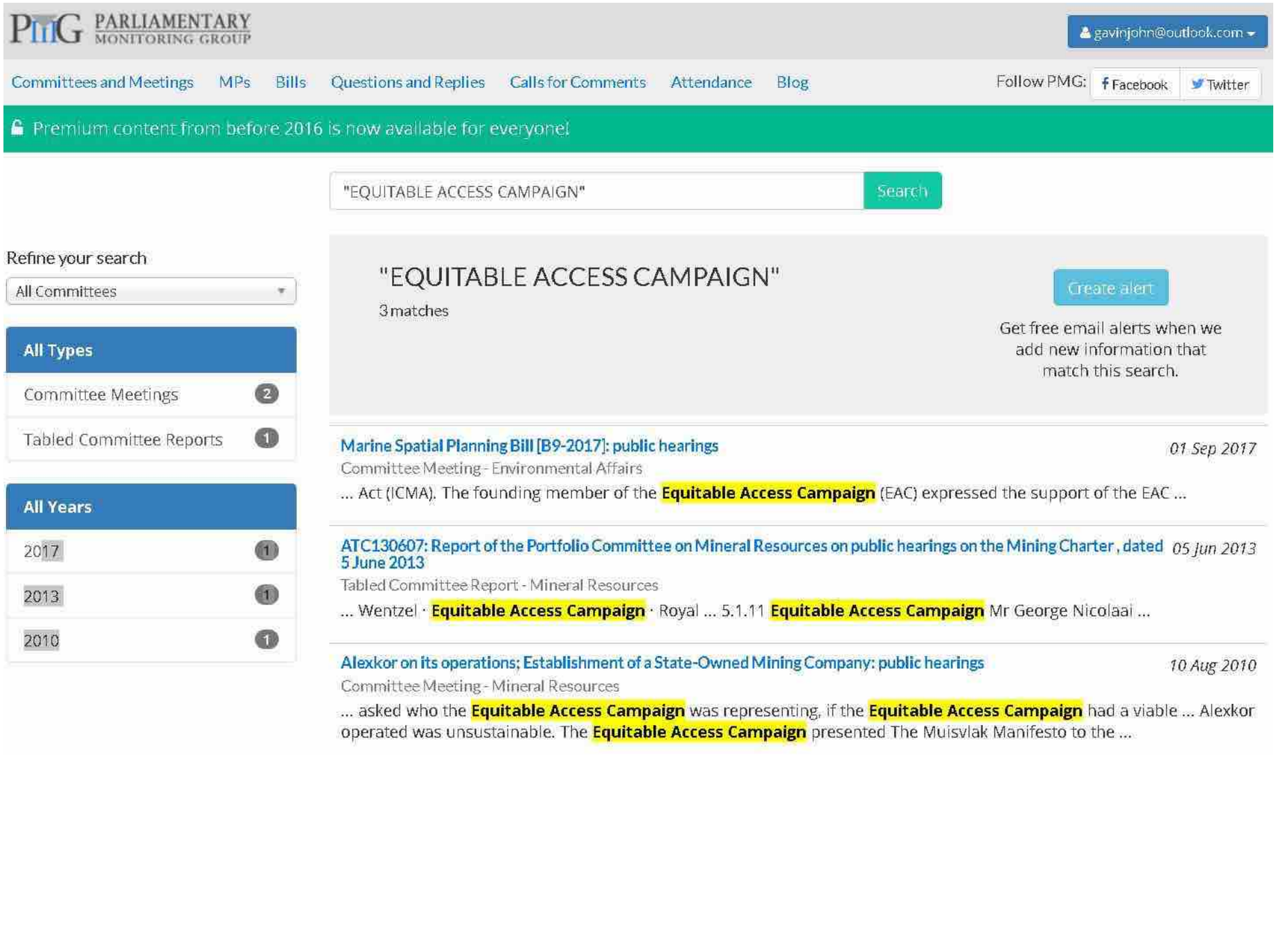
5. **Mixing of goods**
   8grs, 10grs, 3's and 4's are sold separately. This has resulted in the attraction of smaller buyers and make the parcels more accessible.

6. **Marketing process and tender process**
   The marketing of the tender will be more aggressive to attract more buyers and more specialized buyers, i.e. yellow goods. Marketing Working Group in conjunction with AB Diamonds to increase on invitation database where possible.

7. **The importance of valuations**
   A detailed valuation of the parcel, 85%, 10% and 5% from both AB Diamonds and the independent evaluator must be sent through to the PSJV before the tender starts.

8. **The SDT 10%**
   The independent valuator will participate in the selection of SDT goods and attend all SDT negotiations. Selection of 10% SDT goods may not compromise the parcel, both in value and number, i.e, if there are only 4 x 3's, no selection may take place, not to remove the top quality stones.

9. **Control and record of seals.**
   Goods are valuated and sealed separately, i.e sea/beach and land prior to departure from Alexander Bay. Numbers and Photo's of seals are sent through to AB Diamonds. On arrival at AB Diamonds, seals are recorded and opened by AB Diamonds and the independent valuator.



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... Act (ICMA). The founding member of the **Equitable Access Campaign** (EAC) expressed the support of the EAC ...

ATC130607: Report of the Portfolio Committee on Mineral Resources on public hearings on the Mining Charter , dated 5 June 2013 *05 Jun 2013*

Tabled Committee Report - Mineral Resources

... Wentzel · **Equitable Access Campaign** · Royal ... 5.1.11 **Equitable Access Campaign** Mr George Nicolaai ...

Alexkor on its operations; Establishment of a State-Owned Mining Company: public hearings *10 Aug 2010*

Committee Meeting - Mineral Resources

... asked who the **Equitable Access Campaign** was representing, if the **Equitable Access Campaign** had a viable ... Alexkor operated was unsustainable. The **Equitable Access Campaign** presented The Muisvlak Manifesto to the ...

MINING-04-913

EQUITABLE ACCESS CAMPAIGN

SUBMISSION TO PARLIAMENT ON THE MARINE SPATIAL PLANNING BILL

PRESENTATION BY

GAVIN CRAYTHORNE

FOUNDING MEMBER OF THE EAC

Friday, 1 September 2017

XX4-GJC-911

MINING-04-914

EQUITABLE ACCESS CAMPAIGN

ANOTHER LIFELESS PIECE OF LEGISLATION FOR THE PEOPLE OF THE NORTHERN CAPE LITTORAL OR GOOD GOVERNANCE AND EQUITABLE ACCESS AT LAST?

EAC CREDENTIALS AND BACKGROUND

- The voice of the small-scale marine diamond mining industry.
- Established at Muisvlak on 28 April 2010 where the Muisvlak Manifesto was recorded.
- Shortly thereafter signed by all of the small-scale marine miners of Port Nolloth and Alexander Bay at a town hall meeting in Port Nolloth.

XX4-GJC-912

MINING-04-915

THE MUISVLAK MANIFESTO

PREAMBLE:

The Northern Cape small-scale marine diamond industry should be structured in a manner that gives effect to the principle of equitable access.

This is a rational and legitimate expectation for the community to hold and it is also our government's overarching policy objective in terms of the BEE Mining Charter and MPRDA. Furthermore, the community's right to equitable access is enshrined in the Bill of Rights.

The reality is that many of the marine diamond concessions in the Northern Cape are either dormant or moribund due to the absence of equitable access for the Diamond Diving Community which owns the means of production whilst the rights holders themselves have no extractive capacity of their own, choosing rather to outsource the risk and effort or close their mines. This wide spread lack of commitment on the part of most concession holders is made possible by the fact that shallow water mining is not their core business and their focus lies elsewhere in distant locations.

It is profoundly harmful to our community that such a vast and valuable national asset can be rendered largely useless by the actions of a small stubborn group who refuse to accept the harsh new reality facing the industry.

The EQUITABLE ACCESS CAMPAIGN was established by members of the Diamond Diving Community on the 28th of April 2010 at the Muisvlak Convention Centre, situated between Port Nolloth and Alexander Bay, in order to restore the fortunes of the Northern Cape Diamond Diving Industry by fighting for equitable access to the diamond heritage located beneath the waves of the adjacent Atlantic Ocean.

XX4-GJC-913

MINING-04-916

We will strive to bring this about by undertaking the following.

COMMITMENTS:

1. Uniting all Northern Cape small-scale marine mining businesses in pursuit of equitable access to the province's marine diamond resource.
2. Identifying and targeting marine concessions that are not being utilized and developed in accordance with the BEE Mining Charter and MPRDA.
3. Engaging with the rights holders of these concessions in good faith in the hope of bringing about a friendly and orderly transformation and revival of the industry.
4. Where unsuccessful in this approach, using any and all means of lawful and ethical leverage to bring about transformation in the spirit of nation building.
5. Encouraging the return of skilled miners that have left the industry due to the decline in profitability and lack of equitable access and inviting newcomers to the industry by lowering the barriers to entry and offering mentorship programs.
6. Ensuring that the principle of equitable access extends down the value chain to small beneficiators by providing the State Diamond Trader with a constant supply of appropriate, high quality rough.
7. Ensuring that the unique diamond diving heritage of our community is promoted globally by partnering with the tourism and cutting industries in order to take advantage of the compelling synergies that exist between the three industries.

CONCLUSION:

The local diamond diving industry has been the bedrock of the Northern Cape coastal region's small business economy for decades. The lack of equitable access has resulted in the decimation of a once vibrant and unique seafaring heritage.

The Diamond Diving Industry should belong to those who built it. **Muisvlak - 28th April 2010.**

XX4-GJC-914

-1914-

GC112

DECLARATION

We, the undersigned small scale marine mining businesses, support the Munvlak Manifesto in full.

Small Mining Business	Black Ownership		Company Representative		Contact Number	Signature
ABUTI 1103	100%		Anita	Panizza	078-428 3017	
ALE VINCE DIAMONDS 1	100%		Vincent	Young	082-8060 814	
ALE VINCE DIAMONDS 2	100%		Vincent	Young	082-806 0814	
ALE VINCE DIAMONDS 3	100%		Vincent	Young	082-806 0814	
ALLUVIAL MINING 1		50%	Hermien	Bossouw	082-414 0008	
ALLUVIAL MINING 2		50%	Bonita	van der Berg	082-472 2487	
ALLUVIAL MINING 3		50%	Johan	Strauss	072-337 2050	
BBC DIAMONDS 1	100%		Ronny	Coralzin	083-612 2307	
BBC DIAMONDS 2	100%		Franscious	Bekker	082-788 5053	
BDC DIAMONDS 1	100%		Bobby	Cloete	078-210 2933	
BDC DIAMONDS 2	100%		Fabian	Panizza	083-674 4750	
CCHR MARINE 1	100%		Roland	Saar	082-805 7089	
CCHR MARINE 2	100%		Freddie	Van Niekerk	073-782 6048	
CDH SEA DIAMONDS	100%		Fanie	Cupido	073-654 8169	
CIRRUS DIAMONDS 1	100%		Derek	Uys	083-633 5970	
CIRRUS DIAMONDS 2	100%		Calvin	Looper	072-173 1956	
CIVITATUS 1	100%		Tiennie	Daniels	083-639 6465	
CIVITATUS 2	100%		Gerald	Thomas	071-432 4662	
CIVITATUS 3	100%		Victor	Gamble	072-313 8794	
CIVITATUS 4	100%		Edward	Smith-Fielding	082-627 1257	
DESERT DREAM 1		50%	Ronel	Cockrell	083-232 1755	
DESERT DREAM 2		50%	Ronelle Cockrell	Uitspanning	083 325 1178 083 324 4547	
GRAYSTONE TRADING 1		50%	Jaco	van Niekerk	074 116 9318	
GRAYSTONE TRADING 2		50%	Jaco	Van Niekerk	074-116 9318	
GRAYSTONE TRADING 3		50%	Jeanette	Kotze	079-499 2120	

Agemlin 2000cc M Nicholson (Budgie) 0829165964

GC112

GRAYSTONE TRADING 5		50%	Kobus	Kotze	079-499 4119	
HENQUE 2885	100%		Rensie	Heever	082-364 7858	
JBDE DIAMANTE	100%		Eggy	Farmer	083-245 2761	
JETVEST 1	100%		Neville	Cornberg	082-951 6601	
JETVEST 2	100%		Deon	van Wyk	073-573 8688	
JOFERO DIAMONDS 1	100%		Cavin	Cloete	083-622 8225	
JOFERO DIAMONDS 2	100%		Daniel	den Heever	073-648 5153	
KANIVEST 3250		50%	John	Basson	083-234 6304	
LENCAVIC VENTURES		50%	Len	Schreuder	082-803 6925	
MULTI FACET 1		50%	Simon	James	084-250 8909	
MULTI FACET 2		50%	Simon	James	084-250 8909	
NXANTATHU		50%	Kobus	Kriel	082-576 6118	
OCEAN DIGGERS	100%		Gavin	Craythorne	083-630 1380	
ORANGE RIVER MINING		50%	Wayne	Cooke	082-574 9092	
QUADRO RATS MARINE	100%		Archie	Ovies	083-225 5027	
SEA RAVEN 1	100%		Reagan	Jacobs	076-885 9701	
SEA RAVEN 2		50%	Louwrence	Botha	079-510 9790	
SEASONS FIND 1		60%	Barend	Cronje	083-285 7543	
SEASONS FIND 2	100%		Thompie	van Wyk	083-490 4982	
SEASONS FIND 3	100%		Gerald	Arendse	083-411 4842	
SHARP MINDS 2		50%	Harry	Burnett	083-632 6357	
SUNGLIDE 39		50%	Blas	Hanekom	083-628 8909	
WEST COAST MARINE MINERALS 1		50%	Victor	Haynes	083-378 7913	
WEST COAST MARINE MINERALS 2		50%	Geoff	Lorentz	071-243 9778	
ZANZIBAR DIAMONDS 1	100%		Quinton	Cloete	072-172 9566	
JOFERO DIAMONDS 3	100%		GERT OPPERMAN		0765603822	

TOTAL BUSINESSES: 51

TOTAL BLACK OWNERSHIP: 79.41%

ARENDGROBBELAAR ALABAMA 027854 7733

MINING-04-919

EQUITABLE ACCESS CAMPAIGN

PAST EAC PARLIAMENTARY ENGAGEMENTS

- Made written and oral submissions to Parliament during public hearings on the establishment of a State Owned Mining Co. on 11 August 2010.
- Made written and oral submissions to Parliament during the public hearings for the Mining Charter Review on 14 September 2011.
- Submitted a detailed report to the Mineral Resources Portfolio Committee on the dire situation in the diamond diving industry on 28 July 2013.
- The DMR is the biggest obstacle to the objectives of the MSP Bill becoming a reality for the Northern Cape Coastal Community.

XX4-GJC-917

MINING-04-920

EQUITABLE ACCESS CAMPAIGN

THE MPRDA – A PROMISE BROKEN IN SO MANY WAYS

- The MPRDA'S primary purpose of equitable access to South Africa's mineral resources is meaningless to the diamond diving industry and the rural communities within which it operates.

- The division of effort and reward is in no way calibrated on the principle of equitable access. The entire industry is controlled by Trans Hex and Alexkor so with no where else to go the diamond divers must take it or leave it.

- Archie Owies echoed the despair of the industry during the first EAC town hall meeting in Port Nolloth:

  "Julle beteken absoluut niks en die Charter beteken ook niks want julle het geen politieke mag nie"

- I made a promise then to Boeta Archie that we will get our professional freedom and I am here today honouring that promise by telling the truth about our industry.

XX4-GJC-918

MINING-04-921

EQUITABLE ACCESS CAMPAIGN

SOME PERSONAL BACKGROUND

- Joined the South African Navy at the age of seventeen after matriculating at Pinelands High School in 1980 and qualified as a Class II Clearance Diver.

- Active in the diamond diving industry since 1985 specializing in diamond diving operations and marine mining engineering.

- 4000 plus hours diamond diving time logged, 300 hours thereof in Angola's Chikapa River in Lunde Sul.

- Successfully completed a total of 70 turn-key diamond mining vessels, barges and shore units on behalf of 46 different local and international clients, including Alexkor, Transhex, ODM, Benco, SouthernEra, Petra Diamonds, The Mineral Services Group, Gem Diamonds, Jindal Minerals, The Lev Leviev Group and 23 individual small-scale marine mining contractors in the west coast diamond industry.

- More than half of the current Northern Cape Diamond Diving Fleet has been produced by me.

XX4-GJC-919

EQUITABLE ACCESS CAMPAIGN

MINING-04-922

- In 2011 I experienced the best that diamond diving can bring when my wife and I wrote our daughter's name in diamonds weighing over a thousand carats.

XX4-GJC-920

EQUITABLE ACCESS CAMPAIGN

MINING-04-923

- In January 2006 I experienced the second worst that diamond diving can bring when I recovered the crushed body of fellow diamond diver Derek Du Plooy from beneath a five tonne rock a few hours after we had shared a conversation on the quay of Alexander Bay harbour.

Still capture from video taken of accident scene for the official enquiry into the fatality

XX4-GJC-921

MINING-04-924

EQUITABLE ACCESS CAMPAIGN

SOME INDUSTRY BACKGROUND

- In the early years during a period of abundance in diamonds and a highly favourable climate, diamond diving operations were performed in-house by the large corporate concession owners.

- The mining methods and equipment developed for mining in the surf-zone have remained unchanged for 40 years.

- Consequently the mining efforts of the industry have been confined to the relatively small portion of the total resource for which it is equipped.

- The lack of technical innovation, depletion of the technically accessible diamonds and the devastating impacts of climate change have brought the diamond diving industry to its knees.

- By the turn of the millennium both concession owners had found it impossible to operate profitably so they outsourced the challenge to the local diamond diving community who are expected to be profitable while giving off 50% to the concession holder.

XX4-GJC-922

MINING-04-925

EQUITABLE ACCESS CAMPAIGN

IN OTHER WORDS

The same people who know that they could not make a profit with the comparative advantage of a 100% beneficial interest expect the under resourced local small-scale marine miners to do it on a 50% beneficial interest.

How is this possible in full view of parliament?

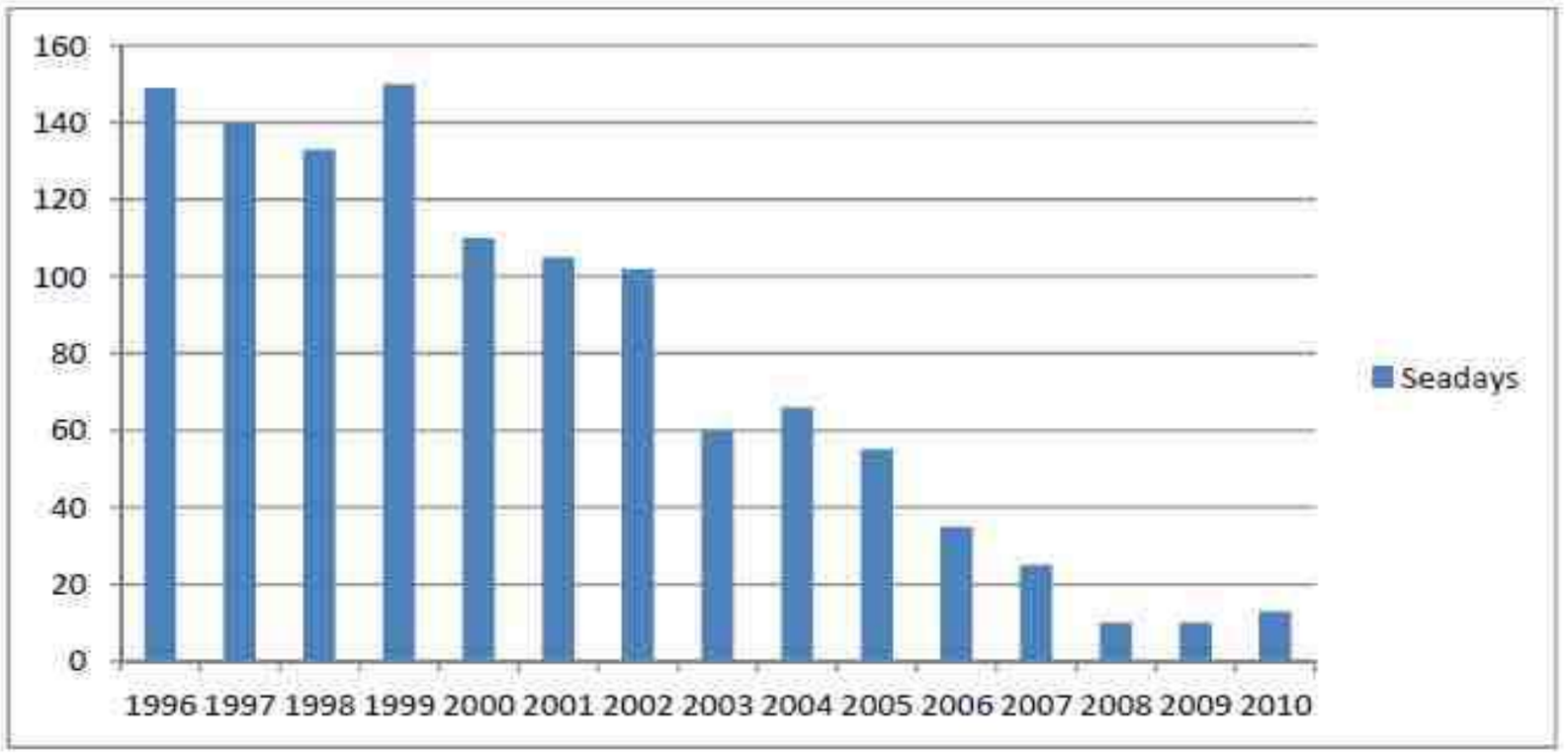
XX4-GJC-923

EQUITABLE ACCESS CAMPAIGN

MINING-04-926

EXTRACT FROM EAC REPORT SUBMITTED TO THE PC. MINERAL RESOURCES

Source: Alexkor Annual Report



XX4-GJC-924

MINING-04-927

EQUITABLE ACCESS CAMPAIGN

CURRENT STATE OF THE INDUSTRY

- STRENGTHS
  - World leaders in diver-based mining
    - Alaska's gold diving industry is decades behind.
    - Africa's riverine diamond mining industry totally reliant on South African expertise.
  - Pristine world-class diamond reserves
    - The Orange River Delta Mega Placer is the most important diamond deposit on earth.
    - The four terrestrial terraces extending inland from the coast in a narrow strip supported 90 years of intensive mining and provided millions of carats of high quality diamonds.
    - This however is a minor portion of the overall deposit, the major portion of which is deposited along submerged ancient beach terraces that echo the terrestrial terraces more than 20km into the Atlantic ocean and beyond.

XX4-GJC-925

MINING-04-928

EQUITABLE ACCESS CAMPAIGN

- WEAKNESSES
  - No shallow water remote mining technology available for small-scale marine miners to transition from diver-based operations to mechanised operations.
  - No incentives to off-set the risk of developing new technology.
  - No political will to enable the development of the inshore diamond industry notwithstanding the Phakisa and Ocean Economy policy drives.
  - The industry is extremely concentrated in the hands of two outsiders with no inshore mining credentials and no sense of the developmental imperative.
  - No opportunity for local beneficiation and participation in the value chain.
  - Dispossession and loss of critical harbour infrastructure.
  - Total exclusion from the Local Government's IDP and its local economic development strategy.
  - Over regulation but no Charter enforcement.
  - No access to funding.
  - No defense against monopoly control.
  - Loss of cohesion due to divide and rule approach from monopoly control.
  - Lack of active citizenship due to fear of victimization.
  - And many more.

XX4-GJC-926

-1926-

MINING-04-929

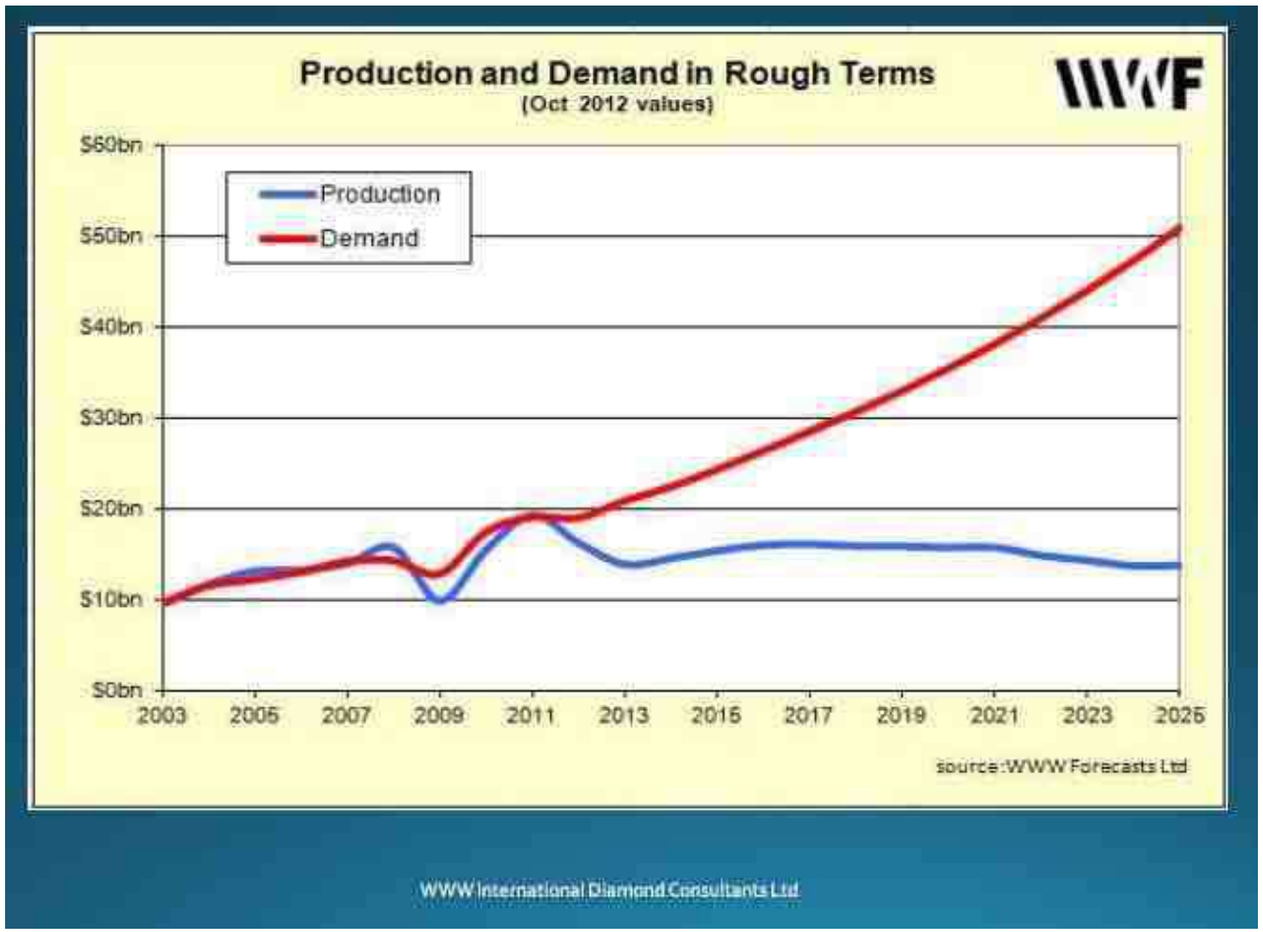
EQUITABLE ACCESS CAMPAIGN

- OPPORTUNITIES
  - Many big/fast wins possible with immediate interventions. If only Phakisa new of our existence.
  - Heavy industrialization and a total makeover of the littoral's socio-economic landscape in the medium to long term.
  - The scale of the Namaqualand diamond deposit offers an opportunity to build out a world-class marine mining industry that can flourish for the next hundred years.
  - The market fundamentals for diamonds are robust in the short, medium and long term.
  - The IIOT and Industry 4.0 have already given birth to the technologies needed to unlock the immense value of Namaqualand's marine diamond endowment but the integration of those technologies into new cost effective mining solutions, while urgently required, is hamstrung due to a severe lack of incentives, funding and effort but most of all equitable access.
  - The technically demanding nature of heavy underwater intervention implicit in the build out of Marine Diamond Mining 2.0 provides a platform on which to profoundly transform our community and create a prosperous modern economy, in much the same way that offshore oil and gas did for Aberdeen.

XX4-GJC-927

EQUITABLE ACCESS CAMPAIGN

MINING-04-930



Market fundamentals for the rough diamond market – with acknowledgement to Richard Wake-Walker

XX4-GJC-928

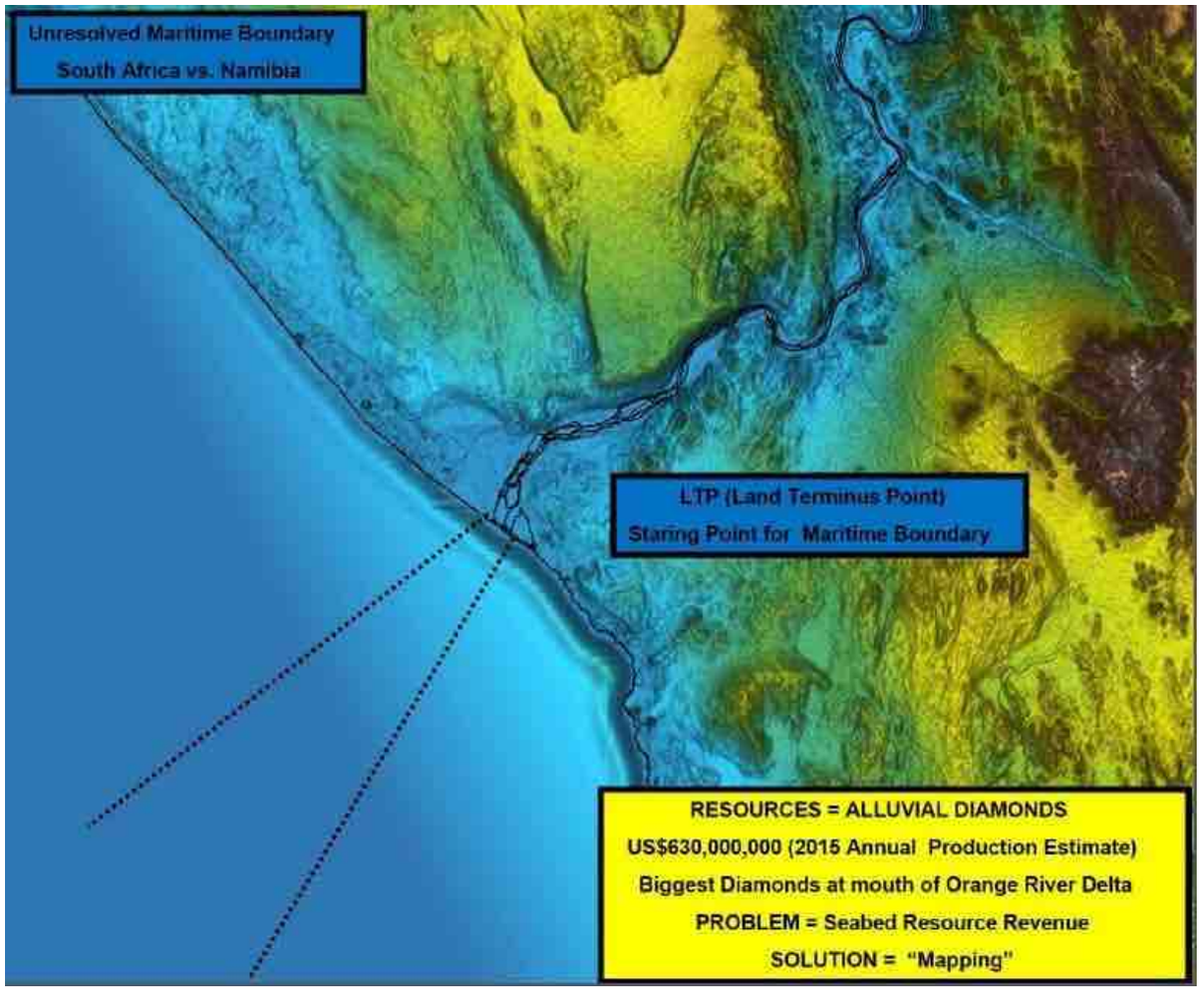
MINING-04-931

EQUITABLE ACCESS CAMPAIGN

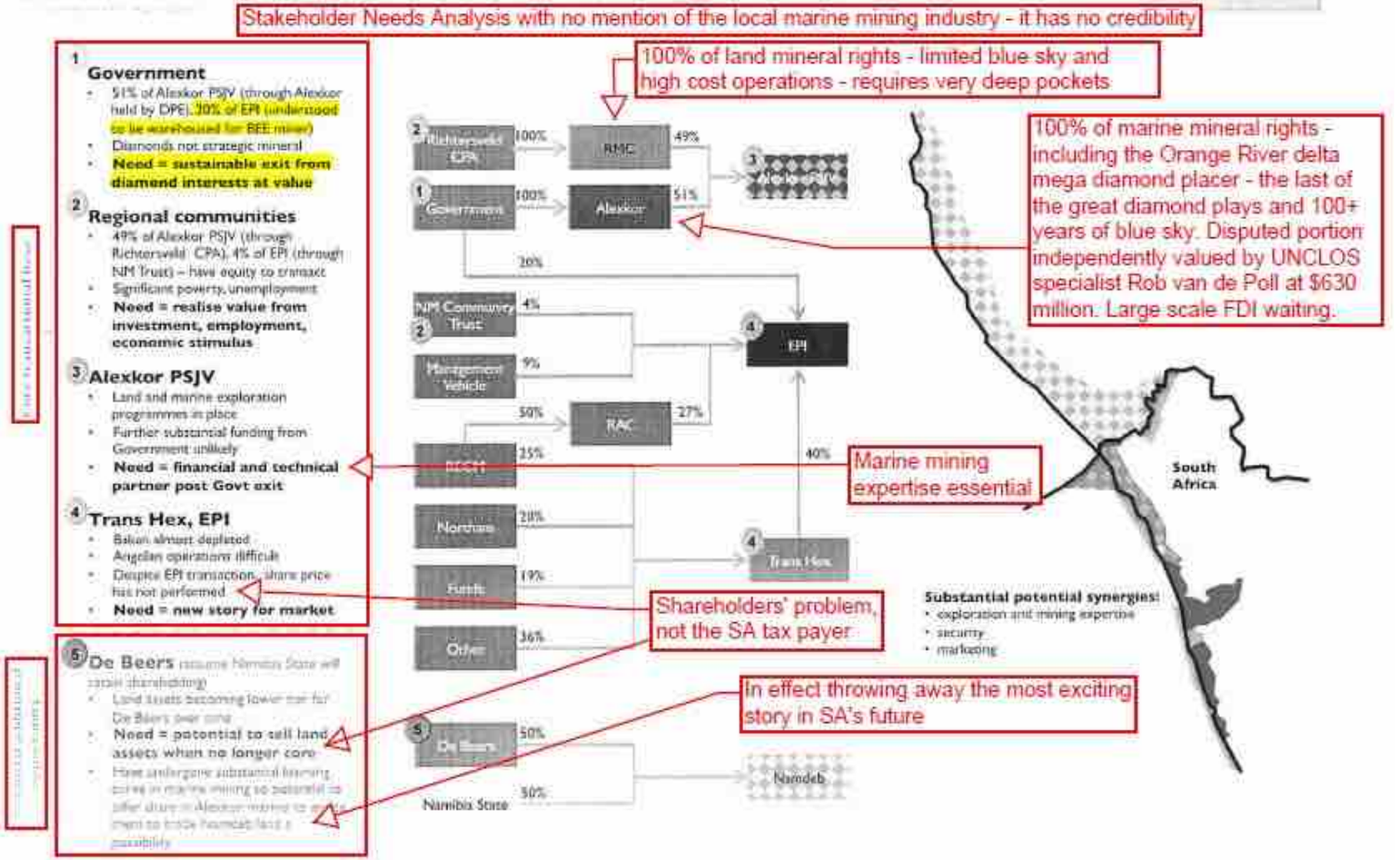
- THREATS
  - NAM/ZAR Maritime boundary dispute.
  - Transhex's ambitions to consolidate and place the entire Namaqualand marine diamond industry under its monopoly control.
  - Sweetheart mining contracts for politically connected newcomers.
    Alexkor has signed over exclusive rights to mine the mid-water and deep-water concessions on terms which are far more favourable than that granted to the local SSMME's who have kept the SOE going for almost 20 years.
    - This is the moral equivalent of the deal between the SABC and Multichoice for the rights to the broadcaster's archives.
    - Hollows out the value of the land claim settlement for the Richtersveld Community.
    - Limits the future options for the local miners.
  - Ongoing internecine disputes between Alexkor and the Richtersveld Community as well as internal disputes between rival factions within the successful land claimant.

XX4-GJC-929

EQUITABLE ACCESS CAMPAIGN



Slide from the key-note address by Mr Rob van der Poll, head of UNCLOS - Fugro, at the International Hydrographic Society Conference on 23 November 2015, highlighting the boundary dispute between Namibia and South Africa.



Transhex's master plan to monopolise the entire west-coast diamond industry

MINING-04-934

EQUITABLE ACCESS CAMPAIGN

Equitable Access Campaign

"TO MAKE PROVISION FOR EQUITABLE ACCESS TO AND SUSTAINABLE DEVELOPMENT OF THE NATION'S MINERAL AND PETROLEUM RESOURCES"

The presence or absence of equitable access will determine the success or failure of the entire mining industry in South Africa. Without it there can be no transformation and therefore no sustainability. The insiders would be wrong to think that their monopolies are unassailable. One way or another, they will pass on. Only the time and manner thereof remains uncertain.

Perhaps the first hint of this took place in 2004 when President Thabo Mbeki was outraged at the comments made by Mr. Tony Trahar on the political risks in South Africa. The ANC Government had given South Africa's powerful monopolies their best years ever and they had the least reason of all to be negative about South Africa's future. We believe he felt betrayed.

The irony is that much of the political instability in South Africa today is due to a lack of shared growth for which those who wield monopoly power must accept their share of responsibility. Consider the heavy case load of the Competition Commissioner.

Extract from EAC's appeal to De Beers against the transfer of diamond diving mineral rights to Transhex as part of the sale of Namaqualand Mines in 2011.

XX4-GJC-932

EQUITABLE ACCESS CAMPAIGN

- The rapid spread of large-scale indiscriminate seawall mining.
  - Seawall material is defined as RESIDUE STOCKPILE in terms of Section 2 of the MPRDA and is therefore the responsibility of the DEA to monitor as provided for in the NEMA: Waste Act, not the DMR who have no authority over the matter.
  - The practice is extremely harmful to the diamond diving industry and the environment of the littoral.
  - Right now as we sit here, hundreds of tonnes of residue stockpile are being dumped into the ocean every hour, destroying habitat, sterilizing large areas of valuable diamond diving resource, turning the water column into a black slurry and driving the final nail into the coffin of the diamond diving industry.
  - Poses a serious navigation hazard as significant changes in the geometry of the coastline and bathymetry of the ocean are caused.

MINING-04-936

EQUITABLE ACCESS CAMPAIGN

"SCHEDULE 3: DEFINED WASTES

CATEGORY A: Hazardous Waste

"hazardous waste" means any waste that contains organic or inorganic elements or compounds that may, owing to the inherent physical, chemical or toxicological characteristics of that waste, have a detrimental impact on health and the environment and includes hazardous substances, materials or objects within business waste, residue deposits and residue stockpiles as outlined below:

"residue stockpile" means any debris, discard, tailings, slimes, screening, slurry, waste rock, foundry sand, mineral processing plant waste, ash or any other product derived from or incidental to a mining operation and which is stockpiled, stored or accumulated within the mining area for potential re-use, or which is disposed of, by the holder of a mining right, mining permit or, production right or an old order right, including historic mines and dumps created before the implementation of this Act. **[and]**

In terms of the National Environmental Management: Waste Amendment Act – 2014, seawall material is defined as a CATEGORY A: HAZARDOUS WASTE.

XX4-GJC-934

EQUITABLE ACCESS CAMPAIGN

MINING-04-937

Seawall mining operation on the border of the Orange River Ramsar wetland sight – 2016
The workings of small-scale marine miners in close proximity have been severely compromised.

XX4-GJC-935

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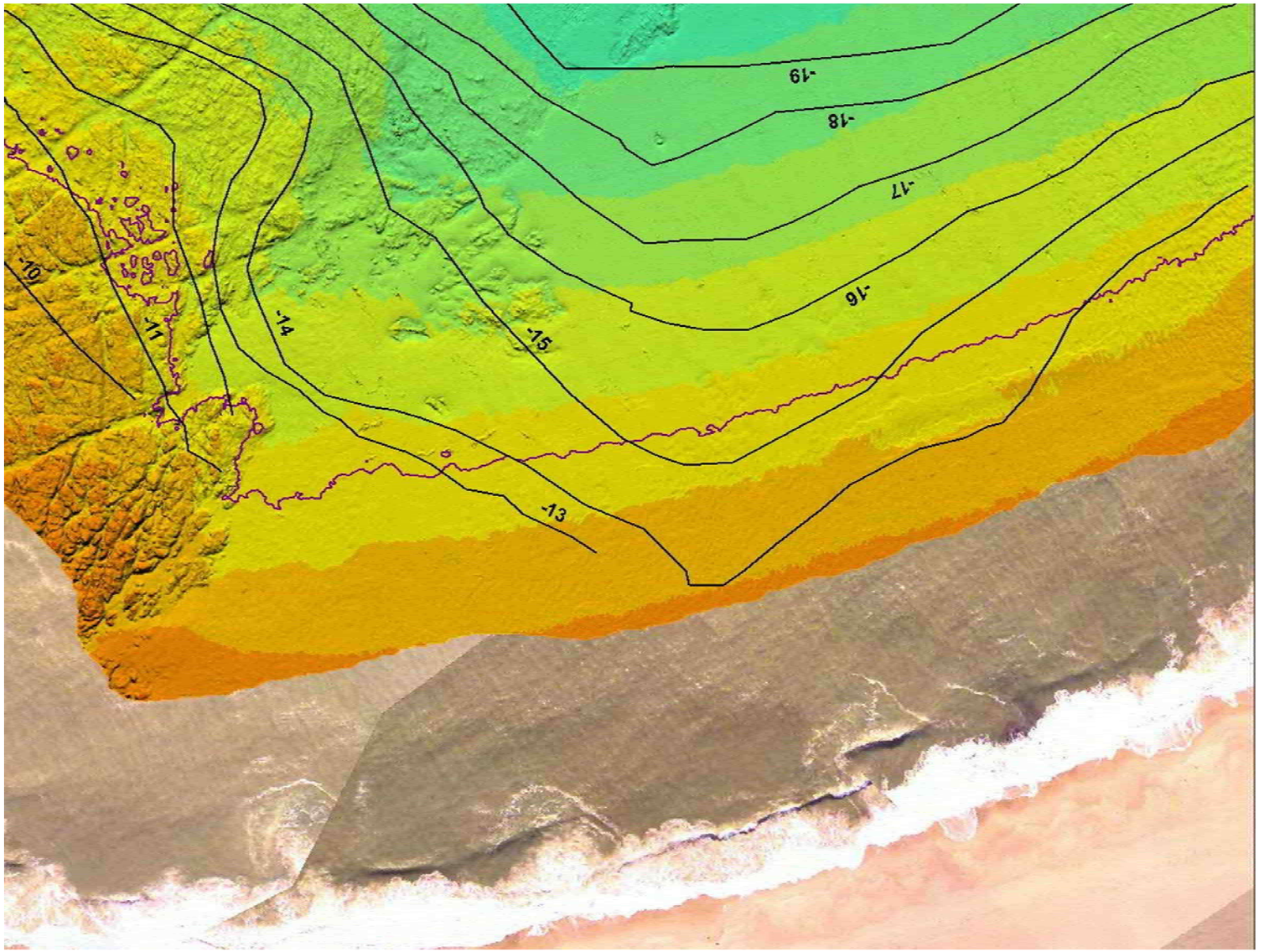

Pristine bathymetry of Geeldoring Bay in black overlaid on current multibeam bathymetry with the 10m contour in red. This bay was historically a natural anchorage for small vessels, clearly this can no longer be the case.

MINING-04-938
XX4-GJC-936
-1936-

MINING-04-939

EQUITABLE ACCESS CAMPAIGN

- Massive skills deficit compounded by over-regulation.
- Loss of the diamond diving ecosystem.
  - In the past, the industry was supported by a range of prosperous local trading and engineering businesses that played an important role in ensuring that the diamond diving fleet was properly maintained. These businesses have fallen by the wayside along with the many SSMME's that have failed to cope with the increasing hardship.
  - This has resulted in the added burden of SSMME's having to equip themselves to carry out light engineering themselves or grind to a halt when faced by breakdowns which are a common occurrence due to the harsh operating environment and the old age of the mining fleet.
- A very inequitable share of the national revenue collected and of the infrastructure spend. Of a total of 19 ports and commercial harbours around South Africa's coastline, the Northern Cape has none.
- No security of tenure.
- Fear of victimization.
- Arbitrary decisions with highly negative impacts.
- Weak to non-existent political top cover. Hellloooooo, can anyone hear us this time?

XX4-GJC-937

EQUITABLE ACCESS CAMPAIGN

MINING-04-940

THE EAC SUPPORTS THE MARINE SPATIAL PLANNING BILL AND SINCERELY WISHES THE DEPARTMENT AND THE PORTFOLIO COMMITTEE WELL IN TAKING IT FORWARD

Thank you.

XX4-GJC-938

PMG PARLIAMENTARY MONITORING GROUP

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ATC130607: Report of the Portfolio Committee on Mineral Resources on public hearings on the Mining Charter , dated 5 June 2013

Mineral Resources

Report of the Portfolio Committee on Mineral Resources on public hearings on the Mining Charter , dated 5 June 2013

The Portfolio Committee on Mineral Resources, having conducted public hearings on the Mining Charter, reports as follows:

1. Introduction

The Department of Mineral Resources published the Amended Mining Charter on 20 September 2010. Consequently, the Portfolio Committee on Mineral Resources undertook the public hearings with the purpose of listening to the mining industry stakeholders, organised formations, mining communities and mine workers, so as to ascertain whether they are aware of the revision of the Charter and if they were satisfied with the amendments. The public hearings were conducted in Carltonville, Gauteng Province, Klerksdorp, North West Province on 30 and 31 March respectively, and also in parliament on 24, 26, 31 August and 14 September 2011. The Committee also conducted hearings on the implementation of the Mining Charter by the top 10 mining companies on 02, 09 and 16 November 2011. This report therefore seeks to summarize the key issues raised by the organisations during the public hearings.

2. Background

The Mineral and Petroleum Resources Development Act (Act 28 of 2002) stipulates that the Minister must within six months from the date on which the Act took effect develop a broad-based socio-economic empowerment Charter that would set the framework, targets and time-table for effecting the entry of historically disadvantaged South Africans into the mining industry, and allow such South Africans to benefit from the exploitation of mining and mineral resources.

Accordingly, in 2002, the erstwhile Department of Minerals and Energy (now Department of Mineral Resources) together with mining industry stakeholders, including the Chamber of Mines, South African Mining Development Association (SAMDA) and the National Union of Mine Workers (NUM) signed the Mining Charter. The stakeholders agreed to meet after five years to review the progress and to determine what steps, if any, need to be taken to achieve the objectives of the Mining Charter. In accordance with the objective of the agreement by stakeholders, the DMR undertook an assessment to determine the extent to which the objectives of the Mining Charter have been achieved. The Mining Charter Impact Assessment Report was published in October 2009.

Subsequent to the report, the Amended Mining Charter was published on the 20 th September 2010 with the 13 th September 2010 as the effective date. In a statement issued by the DMR in response to accusations of lack of consultation, it reported that the relevant aspects of the *Stakeholder's Declaration on Strategy for the Sustainable Growth and Meaningful Transformation of South Africa's Mining Industry* were effectively migrated to constitute the bulk of the amendments of the Mining Charter. The declaration document was signed by all stakeholders represented in MIGDETT, which include the Chamber of Mines, SAMDA, NUM, UASA and Solidarity.

3. Composition of Delegation

3.1 Portfolio Committee on Mineral Resources

The delegation to the Provinces comprised of the Chairperson of the Committee and Leader of the delegation, Mr MF Gona (ANC) , Ms FC Bikani (ANC), Mr C Gololo (ANC), Ms DH Mathebe (ANC), Ms N Mdaka (ANC), Ms LN Mjobo (ANC), Mr MR Sonto (ANC), Adv HC Schmidt (DA).

Support staff

Ms N Skaka (committee secretary), Mr S Ngcobo (committee researcher), Mr V Mfuniselwa (committee assistant), Mr J van der Westhuizen (committee assistant), Mr A Sheldon (technician), Mr T Sithole (technician), Mr G Ntshane (language practitioner), Ms L Molopyane (language practitioner), Mr K Gorata (language practitioner), Mr BG Mani (language practitioner), Mr A Groener (language practitioner), Ms CT Hartogh (language practitioner) and Mr L Namzi (media unit).

4. Stakeholder and Interest Group Participation in the Provinces

The participation in the public hearings varied amongst mining industry stakeholders that were part of the drafting of the charter, organised formations that were not part of the drafting and interested or affected individuals. The list of organisations that participated is as follows:

4.1 Organisations

- Chamber of Mines
- National Union of Mine Workers (NUM)
- Merafong Mining Community Forum
- Merafong Youth Forum
- Wendela Consortium
- Merafong Construction Forum
- Merafong Youth Business Chamber
- South African Women in Mining Association (SAWIMA)
- International Alliance on Natural Resources in Africa-South African Chapter
- Taung Traditional Leadership

4.2 The State

- Municipal representatives
- Gauteng and North West Provincial legislatures representatives

4.3 Analysis of submissions

The submissions, majority of which were oral, were explored in detail for common themes and these were established into units of meaning.

4.3.1. Chamber of Mines

- The mining companies represented by the Chamber of Mines support the New Mining Charter and are currently planning how to implement it.
- The mining companies acknowledge the shortcomings of the Old Mining Charter, which include lack of clarity on targets, gaps on health and safety as well as poor consultation.

- Parliament must propose the introduction of Minerals Beneficiation Commission to be under DTI and composing the following stakeholders: Department of Health, Department of Mineral Resources, Mintek, Council of Scientific and Industrial Research, DTI, Department of Science and Technology, Organised Business and Organised Labour in Mining;
- Parliament should call on the Cabinet to finalize and call for public hearings on State Owned Mining Company;
- Parliament should request the Ministers of Mineral Resources, Economic Development, COGTA, and Rural Development and Land Reform, to consider the development of policy perspectives in the following:
    - Social labour plan,
    - Traditional authority or community ownership, and
    - Community development;
- Parliament must develop a resolution to exclude white women as employment equity beneficiaries but allow them only on underground employment and must also oppose employing black women for menial and less rewarding jobs while white women were employed for senior administration, management, costing, and finance, or, if underground, only for skilled work;
- Parliament must institute an implementation mechanism for the previous Parliament's resolution on the need to investigate both living and working conditions of mineworkers; and
- Parliament must discourage any attempt by employers to enter into home ownership ventures as a means of alternative income. Home ownership programmes remained a social responsibility for companies towards their employees.

5.1.9 Congress of South African Trade Unions

Ms Prakashnee Govender, the Parliamentary Liaison Officer for the Congress of South African Trade Unions (COSATU) gave the input and began by giving a brief introduction of the organisation's submission. She noted that the Mining Charter (the Charter) had only recently been amended and asked for clarity on the role of the Committee in relation to any substantive concerns that might be raised regarding the text of the new Charter. She stated that the mineral wealth of South Africa had been exploited with no benefit to the majority of the country and this was overdue for change. According to COSATU, the needs of those directly impacted by the mining industry required emphasis and the mineral-dependent nature of the economy needed to be addressed with the creation of local value-adding industries. Compliance with the Charter needed to be ensured. Ms Govender emphasized the need for social ownership and local value-adding industries needed to get priority over import companies. She indicated that ethnographic consultation with communities needed to be implemented in meaningful ways. She further said that skills development should allow for long-term security, given the finite life-span of mining operations and that provision should be made for the needs and security of foreign migrant workers.

5.1.10 Solidarity

Mr Gideon Du Plessis, the Deputy Secretary General for Solidarity made the presentation and began by emphasizing Solidarity's strong belief that transformation was a crucial requirement for the stability of the mining industry. He informed the Committee that Solidarity supported the revised Charter and favoured Employee Share Ownership Plans as a model for community ownership and wealth distribution. He further indicated that the average community share ownership should be increased to five per cent and wherever possible, Black Economic Empowerment Service Providers should be used. Furthermore, a National Beneficiation Agency needed to be established and the funding and development of technical colleges to combat the mining skills shortage was urgently required with greater emphasis being needed on the development of transferrable skills so that workers could cope with the closure of mining operations. He emphasized the fact that the Mining Health and Safety Council needed to meet objectives for the Tripartite Action Plan.

5.1.11 Equitable Access Campaign

Mr George Nicolaai, the Spokesman for Equitable Access Campaign (EAC) presented and began by informing the Committee that to date there had been a serious lack of compliance with provisions of the Charter and a lack of action on this matter from the Department of Mineral Resources. He indicated that the EAC was providing an input on behalf of the small-scale marine miners of the Northern Cape. He then gave a brief background on the marine mining sector and the severe lack of compliance and transformation in that sector. He stated that in every element of the Charter, all mines were not meeting the provisions of the Charter except Alexkor.

5.1.12 Royal Hlangwana House

Mr Mamphye Jan Moima, a representative of the Royal Hlangwana House made the submission and informed the Committee that he wished to emphasize two issues. He stated that the land restitution process was lengthy and prospecting rights would not be issued on land that would be reclaimed by a community and mined without their consent. He further indicated that there was no information given to the communities and while policy development was valuable, compliance urgently needed to be upheld.

5.1.13 Sydney on Vaal Beneficiaries

Mr Kabelo Bontsi, the spokesperson for Sydney on Vaal Beneficiaries gave the input and expressed the beneficiaries' total support for the review of current Charter, stating that the previous one had not served its purpose. He stated that there was a need for community interviews and information sessions before prospecting rights were approved and that areas involved in land claims should no longer be mined. He further indicated that historically disadvantaged people should be given the advantage in benefitting from mineral profits. He also informed the Committee that the community at Sydney on Vaal remained extremely poor and were excluded from the profits and benefits of mining. He then outlined that the new Charter should serve the objectives of mineral beneficiation and Black Economic Empowerment (BEE) in order to ensure the empowerment of mine workers and black people, and that social labour plans should be monitored carefully and should be geared towards infrastructure development.

5.1.14 Merafong Community Forum

Mr Thabiso Monyatsi, the Spokesperson for the Merafong Community Mining Forum (the Forum) gave the input and began by expressing the Forum's gratitude for the opportunity to contribute to the hearings. He then informed the Committee that the Forum was concerned at the emergence of economic ghost towns in the wake of mine operation closures. He gave a brief background of Merafong City and its economic dependence on mining. He suggested that a national Mines Closure Fund should be set up for community development and that infrastructure investment was needed as well as more focus on local skills development. He further submitted that beneficiation industries should be developed in mining communities and a Minerals Regional Development Agency for the West Rand should be established to develop strategy for the region. He emphasized the fact that strong punitive measures were needed to enforce compliance. Furthermore, mining communities would always have particular needs and this required long term planning and clarity.

5.1.15 Bravura Consulting

Ms Alana Bond, the Head of Sustainable Development for Bravura Consulting (Bravura) made the submission and began by giving a brief overview of the Company and made several recommendations on how to improve the Mining Charter. She mentioned key challenges relating to the review of the Charter and these included the following:

- The procurement measurement in the Charter was not broad-based or focused on sustainable transformation and was open to abuse and fronting;
- Enterprise Development was barely mentioned and not measured; and
- Ownership did not deliver broad based benefits.

Ms Bond noted that Bravura recommended that the beneficiation element of the Charter be divorced from it and that a holistic, nationwide strategy be agreed on by government, the mining industry and other key stakeholders to ensure that it is done properly and in a way that will create real value and economic growth. With respect to Mine Community Development, Ms Bond recommended that mining companies had large community involvement and initiatives needed to be driven by communities. She further recommended that external bodies for verification of annual reports be created to help create a more standardized approach and take some of the pressure off DMR. Ms Bond noted that a high value creation opportunity for the mining industry to promote holistic approaches that include all the different elements of its operations, including

7. *Findings and Observations*

7.1 Summary of salient issues raised by different stakeholder groupings

The Portfolio Committee on Mineral Resources, having met with all stakeholders as mentioned above made the following observations:

7.1.1 Mining Companies/ Business

- Some mining companies supported the revised Mining Charter while other companies supported the amendments with some reservations.
- The mining companies represented by the Chamber of Mines (COM) were aware of and expressed support for the amendment of the Mining Charter. They also expressed appreciation of the reasons behind the amendments.
- The mining companies represented by the South African Mining Development Association (SAMDA) were aware of the amended Charter but concerned about the failure of the majority of the mining industry to meet the transformation targets. They pointed to what they described as "disturbingly low targets" for employment equity. There is a lack of clear targets for black women in the revised Charter. SAMDA recommended that new targets for black people, black women and black disabled employees should be set. These targets should be in line with representation in the economically active population.
- Business represented by BUSA was concerned about non-alignment between the Mining Charter and the Broad-Based Black Economic Empowerment Codes of Practice, which resulted in some companies having to double report. This concern was also shared by SAMDA. BUSA drew attention to an important weakness in the Mining Charter: there is no requirement for verification of the scorecard by an independent body

7.1.2 Organised Labour

- All unions were aware of the amendments to the Charter.
- The National Union of Mine Workers (NUM) was dissatisfied with the slow pace of transformation in the mining industry and recommended that section 47 of the MPRDA be applied to non-compliant companies.
- The NUM also pointed out that the designation of all women as Historically Disadvantaged South Africans (HDSAs) had an unintended consequence of the promotion of white women to key positions at the expense of other HDSAs.
- National Union of Metal Workers of South Africa (NUMSA) was in favour of alignment of the Charter with the Industrial Policy Action Plan.
- Solidarity favoured Employee Share Ownership Schemes as a model for community ownership and wealth distribution.

7.1.3 Youth Organisations

- Youth organisations that presented were aware of the amended Charter and were in support of it.
- Merafong Youth Forum was concerned about skills development issues and said that bursaries should be provided to all deserving students.
- National Youth Development Agency (NYDA) proposed the inclusion of the youth as a designated group with a five per cent compliance target for all elements of the Charter.

7.1.4 Traditional Leaders

- The Taung Traditional Leadership was aware of and supported the revised Charter while the Royal Hlangwana House was unhappy about not being consulted.
- The Taung Traditional Leadership wanted clarity on the administration of the social development fund to which multinational suppliers of capital goods for mines are required to contribute.

7.1.5 Mining Communities

- Some mining communities e.g. Merafong Mining Community, were not aware of the Charter and complained of lack of consultation.
- Communities also complained that the mining companies favoured non-South Africans over local persons.
- The small-scale marine miners of the Northern Cape were concerned that, with the exception of Alexkor, none of the major mines were meeting the provisions of the Charter .

7.1.6 Women in Mining

- SAWIMA was aware of the amended Charter.
- SAWIMA pointed out the inconsistencies with regard to criteria for issuing mining permits e.g. some provinces use locality while others use BEE status as a criterion.
- SAWIMA also recommended the establishment of a specific body/ tribunal to monitor compliance to the Charter.

7.1.7 Businesses related to mining

- Bravura Consulting noted that there was no requirement for verification of the completed score card by an independent agency. This observation was shared by BUSA. Bravura Consulting also wanted compliance to be clearly defined.
- The Capital Equipment Export Council wanted the Charter to be amended to give preference to South African manufactured products in mine procurement policy. COSATU was also in favour of this view.
- Webber Wentzel (Law firm) was concerned about the legal status of the Charter and "inadequate" definition of terms. Concerns about the vagueness of the wording of aspects of the Charter were also raised by Eskom and Bell Dewar.
- Rocha Consulting wanted clarity on how beneficiation offsets would promote the ownership of and participation in beneficiation by HDSAs.

7.2 General observations

The slow progress of transformation in the mining industry was the dominant theme in the hearings. [97] Disappointment with the pace, depth and scope of change was voiced most strongly by people from the mining communities who gave evidence in the hearings. In most cases, their comments were not directly about the Mining Charter, but about the mining industry, about the Department of Mineral Resources and about why such meagre benefits are seen to flow to ordinary citizens and mining communities from South Africa's much vaunted mineral wealth.

All stakeholders support the transformation of the mining industry in principle.

The Chamber of Mines, representing some ninety per cent of the industry, acknowledged that the mines could have done more in the way of promoting transformation under the original Charter, but felt that the revised Charter should be given an opportunity to show results. The Chamber made specific suggestions on how implementation efforts could be more intensive. These included clear guidelines and feedback from the DMR and the independent verification of compliance claims. [98]

Submissions by the department (DMR), the South African Mining Development Association (SAMDA) and the National Union of Mineworkers (NUM), for example, all signalled a view that transformation could be accelerated by attaching strong punitive measures to non-compliance with the Mining Charter. This could include the suspension or cancellation of rights under Section 47 of the MPRDA and other penalties under section 99.

There were many suggestions for further amendments to the Mining Charter – to include clearer targets for the employment of women, youth and people with disabilities; to improve the quality of consultation with mining communities and to create procurement incentives so that mines would buy more local and South African manufactured products.

The most striking feature of the hearings was the total lack of agreement on whether mines had complied with the Mining Charter or not.

- The Mining Charter Impact Assessment produced by the DMR in 2009 presented figures that differed drastically from those relied upon by the Chamber and by the ten mining major companies in 2011.
- The differences in judgements on compliance are apparently due to the use of different formulas and assumptions to calculate the measures. This view was shared by the NUM.

Possible questions for the workshop

- Many of the people who participated in the hearings said that the reason for the slow pace of transformation in the mining sector was the non compliance by the mining companies with the terms of the Mining Charter. The major mining companies on the other hand, said that they had largely complied with the Charter. It was not possible, from the available evidence, to disprove this claim.
- The question then becomes a different one. If the mining companies have complied with the Mining Charter and if transformation in the industry has still been weak, does that not mean that another avenue for hastening transformation in the mining sector is called for?
- Is the Mining Charter really an effective tool for transformation? The hearings on the Mining Charter suggest that it has clearly failed this test. Calling for more intense implementation of the Charter is not going to lead to more transformation than what has been experienced since 2004.

8. *Recommendations*

The Portfolio Committee on Mineral Resources having heard evidence from all stakeholders listed above, recommends the following:

The Minister of Mineral Resources should ensure that:

- The DMR considers conducting road shows to inform the mining communities about the revised mining Charter;
- The DMR and relevant stakeholders develop a common formula to be used when assessing ownership in the mining industry and all parties should be compelled to use the same formula;
- The DMR strengthens its compliance monitoring capacity or consider appointing an independent agency to verify the completed scorecards;
- The DMR submits summary of bi-annual reports submitted to the department by the mining companies to determine the level of compliance and transformation by 05 July 2013 and also make presentation to the Portfolio Committee on Mineral Resources;
- The DMR should report back to the Committee on all recommendations submitted; and
- The Mining Industry Growth, Development and Employment Task Team (MIGDETT) makes a presentation to the Committee on their role and activities at the envisaged workshop pertaining to Mining Charter.

9. *Conclusion*

The public hearings on the Mining Charter and the "transformation process in the mining industry" [99] were held just one year before the Marikana tragedy brought into sharp focus the socio-economic problems that confront the mining industry, quite apart from business difficulties. The phrase "ticking time bomb" was used several times in evidence to the Committtee. And the Chairman repeatedly voiced concerns well known to all members of the Committee:

"When we conduct oversights, we come back depressed. Because before you enter into a mine, you walk through a sea of poverty. ... In our own experience these Social and Labour Plans are indeed not implemented...Mining communities lament that here, within our area we extract the wealth of the country but there is no drop that comes back to us as the mining community." [100]

To the first set of hearings with the 'top ten mining companies', the Chair said:

"The Portfolio Committee has had oversight visits across the country...where we would be overseeing the compliance on the mining laws but also the mining charter as well as the social and labour plans implementation. What we have found, which is in our reports that are in the public domain, is an appalling situation. Mining communities specifically are trapped in abject poverty. What we have seen is a picture that is not good at all. It does not auger well for the future of the country... Your words will not speak more than what we have seen in the actual situation" [101]

The Marikana tragedy – and the ongoing lack of peace in the mining sector in 2013 – provides an even more urgent context for the workshop that will consider the findings and recommendations that emerged from the 2011 public hearings on the Mining Charter.

Report to be considered.

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[1] DMR (2012). Minister's Statement.

[2] [Minutes of the PC on Mineral Resources, 13 March 2013 – yet to be adopted].

[3] DMR 2010 b and c)

[4] See, for example, Bell Dewar Inc. (2011); Eskom (2011); Webber Wentzel (2011).

[5] BUSA (2011)

[6] Section 100 (2)

[7] See this report, section 5.1.3 above.

[8] DMR (2010b)

[9] DMR (2010:17)

[10] Moodley (2011)

[11] Exxaro Resources (2011).

[12] Turner (2011).

[13] Ibid. In February 2013, Gold Fields unbundled its Kloof-Deelkraal Complex (KDC) and Beatrix mines in South Africa into a separately listed company, Sibanye Gold (formerly the unlisted GFIMSA). <www.goldfields.co.za>.

[14] Anglo Gold Ashanti (2011).

[15] Farmer (2011)

[16] Gomwe and Zikhali (2011) Details given on pages 59 to 62.

[17] Ibid.

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Mineral Resources

30 August 2011

Chairperson: Mr F Gona (ANC)

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Meeting Summary

The Committee continued with the public hearings on the revised Mining Charter (the Charter).Solidarity supported the revised Charter and favoured Employee Share Ownership Plans as a model for community ownership and wealth distribution. Average community share ownership should be increased to 5%. Wherever possible, Black Economic Empowerment Service Providers should be used. A National Beneficiation Agency needed to be established. The funding of and development of technical colleges to combat the mining skills shortage was urgently required, and greater emphasis was needed on the development of transferrable skills so that workers could cope with the closure of mining operations. The Mining Health and Safety Council needed to meet objectives for the Tripartite Action Plan. Committee members expressed concern that training offered by Solidarity was too brief, and asked for clarity around the role and use of Employee Share Ownership Plans. The need for refinement of beneficiation policy was raised. The Chairperson asked for an estimation of current levels of community ownership in the industry and the issue of skills saturation and transferability was discussed. Job creation was also discussed.

Congress of Allied Trade Unions (COSATU) submitted that the mineral wealth of South Africa had been exploited with no benefit to the majority of the country and this was overdue for change. The needs of those directly impacted by the mining industry required emphasis. The mineral-dependent nature of the economy needed to be addressed with the creation of local value-adding industries. Compliance with the Charter had to be ensured. There was a need to emphasise social ownership, and local value-adding industries needed to get priority over import companies. Ethnographic consultation with communities needed to be implemented in meaningful ways. Skills development should allow for long-term security, given the finite life-span of mining operations. Provision should be made for the needs and security of foreign migrant workers. Members asked for clarity on COSATU's concerns around Employment Equity and their opinion on different forms of community ownership. The distinction between foreign workers and South African workers was questioned. The Committee recognised that there were serious problems around implementation and compliance with Charter objects. Royalty and corporate taxes were also discussed.

The Taung Community Leadership emphasised the need for mineral wealth to be used for the eradication of poverty. This need to be done through mining community development and co-operative planning with communities. The proposed multinational mining community development fund needed to have clear objectives. The issue of mining on traditional land needed further attention. Government and industry needed to develop skills in these communities. A fund should offer loans to allow for rights acquisition and the development of skills so that communities could mine their land and manage the funds generated to ensure poverty alleviation. Traditional leaders wished to work with government to end poverty. Prospecting rights in the Taung community had been attained.

Tidimalo Minerals supported the Charter review, saying that the previous Charter had not served its purpose. Beneficiation and Black Economic Empowerment required focus in order to empower mine workers and poor mining communities. Social labour plans needed careful monitoring and there was a need also for them to focus on infrastructure development.

Royal Hlangwana House submitted that land court status and restitution concerns needed to receive more focus in the Charter. Compliance and implementation of policy required urgent attention.

Marefong Community Mining Forum expressed concern at the emergence of economic ghost towns in the wake of mine operation closures. A background on Marefong City and its economic dependence on mining was given. It was suggested that a national Mines Closure Fund should be set up for community development. Infrastructure investment was needed, as well as more focus on local skills development. Beneficiation industries should be developed in mining communities. A Minerals Regional Development Agency for the West Rand should be established to develop strategy for the region. Strong punitive measures were needed to enforce compliance. Mining Communities would always have particular needs and this required long term planning and clarity.

The Equal Access Campaign presented a brief background on the marine mining sector and the severe lack of compliance and transformation in the sector. In every element of the Charter, all mines but one were not meeting the provisions of the Charter.

Time constraints shortened the discussion, but all Members acknowledged the neglect of the marine sector and resolved to give this more focus. The input of presenters had been valuable and needed to be taken seriously, and the Committee looked forward to engaging on the issues raised.

Meeting report

Revised Mining Charter (the Charter) : Continuation of public hearings
Solidarity submission
Mr Gideon Du Plessis, Deputy Secretary General, Solidarity, emphasised Solidarity's strong belief that transformation was a crucial requirement for the stability of the mining industry. He then gave input on the new Charter, dealing with each of its nine elements.

Ownership
Solidarity agreed with comments by the Minister of Mineral Resources that mining directors and owners should have an interest in the industry and its growth. Solidarity suggested that Employee Share Ownership Plans (ESOPs) needed stronger focus in the revised Charter. The model created real ownership, wealth and lead to employee retention. In one example, Kumba Iron Ore would pay out R500 000 to each of its 5 000 employees. Exxaro would pay out approximately R117 000 to 9 000 employees. Solidarity favoured "free shares" and "profit shares" over loan shares. A recent study showed that shareholding through ESOPs currently ranged from 0.5 to 3%. This should be increased to at least 5%. Penalties should be enforced for companies that do not comply with the ESOP model.

Procurement
Solidarity suggested that Black Economic Empowerment (BEE) service providers should be used in local government wherever possible in order to encourage sustainable empowerment. Mining companies' tenders should be clear and meet requirements in respect of recruitment of local and retrenched mineworkers, decent employment conditions and benefits, development and learnership programmes, management mentorship programmes and joint venture partnerships that would empower people to take over businesses. Local skills transfer and development was recognised as crucial for the industry and beneficiation. Solidarity was committed to the creation of 140 000 jobs and believed this could be done through beneficiation. A national Beneficiation Agency needed to be established.

Employment Equity
Solidarity suggested that a "Mining Transformation CODESA" was required to deal with sensitive matters in order to avoid repeating debates on issues in 2014.

Human Resource Development
Solidarity believed that this was a crucial aspect, given the need for skills development in a people-driven industry. Without skilled labour the growth of the industry would be significantly hampered. One reason for the major skills shortage in the industry was that technical colleges were dysfunctional. There was a tendency to simply give out certificates without preparing workers for the full extent of their jobs. The Charter made provision for money to be deducted from payroll and to be reinvested in training. The same was done at Solidarity, with all members contributing R10 per month, and, given that Solidarity had 130 000 members, this was a useful amount to be invested in technical colleges. The skills shortage in South Africa was serious, and this was becoming an international issue. The funding and development of technical colleges required focus.

Mine Community Development
Solidarity pointed out that where mines had been closed, facilities such as schools and clinics, which were built in accordance with the Social Labour Plan, were now left disused and empty. Parts of these areas were becoming ghost towns. There needed to be greater emphasis on developing transferrable skills that would make unemployed miners employable in other industries. International investors had indicated that they would, when investing in empowerment, prefer to target the upliftment of communities, and this was therefore suggested as an area for particular focus. It could be coupled with the suggested use of BEE service providers. The motto of 'Once empowered, Always empowered' could be achieved through training.

Housing and Living Conditions
Solidarity noted that there was a need to change the hostel system, as overcrowding remained a major issue. Photographs illustrated the problems and the need for improvement.

Sustainable Growth and Development
There was a tension between growth and sustainability. Adequate environmental management should be an area of focus for the industry, particularly due to its impacts on job security. Health and safety was also crucial for a sustainable and profitable mining industry. The Charter indicated that a Mining Industry Tripartite Action Plan should be used to measure achievements against objectives. Implementation of objectives was a serious issue. The Charter had an objective to promote learning in the mining industry, through development of an autonomous centre of excellence. This was to be fully operational by 2010 but had not yet been implemented. Companies would be measured against this objective, while the Mine Health and Safety Council (MHSC) still had not done their part. However other aspects had been dealt with in the MHSC, such as the improvement of occupational health and skills capacity.

Reporting
Solidarity emphasised that it would be crucial to have ongoing monitoring of compliance to the Charter. Consideration should be given to making MIGDETT a statutory advisory body under the Mineral Resources and Petroleum Development Act (MRPDA). There was a need ensure that transformation did not simply create a new 'elite'.

Discussion
Mr E Marais (DA) gave his support to the suggested increase in average ESOP ownership to 5%.

Ms J Ngele (ANC) asked for clarity about the ten-month training offered by Solidarity. She pointed out that the comparable Further Education and Training College (FET) courses lasted three years, and questioned if students could reach a comparable level in ten months.

Mr E Lucas (IFP) added that when training was fast-tracked, graduates' knowledge tended to be limited to only one aspect of an industry, making this an impermanent "quick-fix".

Mr Du Plessis responded that the training had an intensive ten-month theory component, stretched over a year-and-a-half. Students spent the next year-and-a-half in industry, receiving practical training while earning a salary.

Mr Lucas commented that mistakes were often made in deciding upon the needs of a community without adequate consultation with the community. Schools and clinics were built without communication. When communities were included in decisions they felt a sense of ownership and involvement, and were interested in maintaining the infrastructure.

Mr H Schmidt (DA) asked why ESOPS were not more widely implemented, and what the counter arguments were against the model. It appeared to be the most direct method of beneficiation possible.

Mr Du Plessis responded that the small numbers of ESOPs established was most likely due to the fact that mines were required to give a portion of their profits away if they entered into a shared ownership model.

Mr Schmidt commented that when skilled labourers were laid off from mines, the market for their skills outside the mining industry was already often saturated. He asked how workers could be re-skilled to cope in the market outside of the industry, and how the necessary market skills were determined.

Mr Du Plessis agreed that this was a serious problem. For this reason mines were required to invest in portable-skills development. Many mines were, however, not complying with this. Solidarity tried to keep its training closely aligned with the scarce-skills list, to avoid saturation.

Mr Schmidt commented that beneficiation sounded great as a policy, but in practice it could not be done in industries where South Africa was at a competitive disadvantage. Beneficiation policy should be refined, to concentrate on those areas of industry that did have a competitive advantage.

Mr M Sonto (ANC) commented that he was not clear on whether Solidarity saw the new Mining Charter as a relevant tool or not.

Mr Du Plessis responded that Solidarity was firmly committed to the Charter and to transformation.

Mr Sonto thanked Solidarity for alerting the Committee to the bleak conditions for housing, health and safety on many mines. He asked for clarity on what the Committee should monitor in this area.

Mr Du Plessis answered that housing was dealt with in number of ways that could be seen on the scorecard.

Mr Sonto commented that transformation required that skills must be developed in those who were not skilled in the past. He commented that it was important that this was applied in the context of race. He was concerned that training white woman should not be understood as transformation.

Mr Du Plessis responded that Solidarity was firmly committed to transformation, and had a target of 40% black senior employment. At the level of miners and artisans in the industry, there were not many women, either black or white.

Mr E Mtshale (ANC) asked for clarity on the figures relating to payouts from mines to employees.

Mr Du Plessis answered that in accordance with the ESOP agreement, Exxaro mine was paying out between R100 000 and R117 000 to each of their 9 000 employees. Kumba Iron Ore would pay out approximately R500 000 to each of their 5 000 employees who were part of the ESOP scheme.

Mr Mtshale asked what percentage of the total value of the mine this represented. It could sound like a lot if the larger context was not known.

Ms F Bikani (ANC) asked if Solidarity had a relationship with the Department of Mineral Resources (DMR) and the National Qualifications Authority (NQA). She said that not enough was known about the funding of the plans. She wondered if Solidarity's training was aligned with NQA requirements.

Mr Du Plessis answered that Solidarity did liaise with the NQA and all the different Sector Education and Training Authorities (SETAs) to ensure that it was meeting the needs of the industry. The training was SETA-accredited. Mines should be encouraged to set up their own training initiatives, as they would be well equipped to offer relevant and effective training. The Solidarity training was all membership-funded; as R10 of every member's fee was put toward training.

The Chairperson asked what Solidarity estimated the current levels of ownership in the industry to be. The Committee had been given a particular picture by industry and the Chamber of Mines, whilst the DMR and the regulators had suggested something different.

Mr Du Plessis responded that Solidarity did not have figures on the matter, but believed that the truth lay somewhere in the middle of the two sets of figures that been presented to the Committee. An external audit on the matter would be advisable.

The Chairperson commented that Solidarity seemed to have emphasised growth and development, on the assumption that this would lead to job creation. There had, however, been a lot of jobless growth in the South African economy and this was often the same in the mining industry. Commodity prices would rise while employment levels would decline. This suggested that growth did not necessarily correlate with employment creation.

The Chairperson expressed interested in the discussion around ESOPs and appreciated the emphasis on this. He asked for further clarity on the payouts and asked whether, in the examples mentioned, these would be the first payouts under the schemes. He also asked if the amounts were based on the estimated life of the mines, or over a defined period, and said that there could be problems with a "once-off" windfall.

Mr Leigh McMaster, SHE practitioner at Solidarity, answered that ESOPs could be structured according to different models. These offered different options such as mixed shares or loan shares. The best way to spread ownership was to increase the percentage of ESOPs. The scheme was usually not set up in relation to the life of mine, but rather a defined time-period (usually five to ten years), after which the scheme would restart. The amount paid out was usually dependent on the share-price, though some were calculated on profits.

Mr Lucas commented that it was important that the employees participating in the scheme understood the process.

The Chairperson commented that there seemed to have been an emphasis on services and consumer goods in terms of procurement and little discussion of capital goods. He added that he liked the suggestions with regard to tenders in the mining industry.

Mr Du Plessis responded that Solidarity had focussed entirely on services and not capital goods.

The Chairperson asked for clarity on what Solidarity would like to see covered in another "CODESA".

Mr Du Plessis responded that the aim would be to find a way to diffuse certain sensitivities and work together to meet the targets and objectives of the Charter.

The Chairperson asked if there were any strategies for developing alternative economies in ghost towns connected with the closure of mines.

Mr Du Plessis responded the University of Pretoria offered an entrepreneurship course, in partnership with the National Union of Mines. Mine workers were trained and given help to start their own businesses. The partnership had also put together a database of all unemployed mine workers and distributed it to all the mining companies.

The Chairperson asked for clarity on what was meant by the statement 'Once empowered, Always empowered'.

Mr Du Plessis responded that this expressed the idea that once a person had skills s/he would always have those skills.

The Chairperson asked if new ventures would make up for the jobs lost due to the closure of the Aurora mines.

Mr Du Plessis responded that 2 500 jobs had been lost from Aurora. 2 000 new jobs were being created, if all targets were met.

The Chairperson suggested that Solidarity should give input during the future beneficiation hearings.

Congress of South African Trade Unions (COSATU) Submission

Ms Prakashnee Govender, Parliamentary Liaison Officer, COSATU, noted that the Mining Charter had only recently been amended and asked for clarity on the role of the Committee in relation to any substantive concerns that might be raised regarding the text of the new Mining Charter.

She said that, historically, the mining industry had played a significant role in the growth of the economy. The country's natural resources had been exploited, creating immense wealth for a concentrated elite few, without benefitting the majority of the country. Change was therefore long overdue. The needs of those directly affected by mining operations needed to be emphasised, and this would include needs of mining communities, labour-sending communities from which migrant workers originated, and the mineworkers themselves, whose labour had generated wealth for others.

The role of the mining sector in the economy as a whole needed to be addressed. The economy remained mineral-dependent and relied on mineral exports for foreign exchange earnings. Whilst there had supposedly been an increase in manufactured exports, these had in fact added minimal value, and sophisticated items such as machinery and equipment continued to be imported, at the expense of local job creation (see page 3 of the submission for further details). Black Economic Empowerment (BEE) needed to be viewed in this context. Transformation needed to address the racially skewed nature of the economy, and ensure equitable access to the benefits of mineral resources.

There was a need to ensure further compliance on transformation within the mining sector.

Ms Govender noted that COSATU wished to comment specifically on six aspects of the revised Charter.

Ownership

COSATU noted that the original target of 15% of ownership by 2009 had not been met. The revised Charter set a requirement of 26% ownership by historically disadvantaged South Africans (HDSAs) by 2014. COSATU expressed concerns around the definition of HDSAs, but supported the principle of the de-racialisation of a key sector of the economy. There should be an emphasis on the broader elements of transformation of the sector as a whole. There was a need for social forms of ownership to give real meaning to broad-based empowerment.

Procurement

COSATU suggested that the Charter's provisions on procurement should be refined in order to promote the growth of local manufacture and content. There was a considerable problem in that BEE companies were set up as "fronts", supplying imported goods at the expense of local suppliers. Local manufacture needed to be promoted rather that the narrow BEE. Full diversification of the economy and value chain needed to be ensured, with an emphasis on BEE empowerment for local manufacturers and industries over importers.

The Revised Charter also emphasised the term 'Enterprise Development' and not only 'Procurement'. COSATU supported this amendment and would like to see emphasis given to enterprises engaged in substantial value-add, as these would have benefits for the economy as a whole. The Charter had set targets for the procurement of a minimum of 40% of capital goods and 50% of consumer goods from BEE entities by 2014. There was a need to distinguish between importing "Front" companies, and those who produced goods locally. Preference should be given in proportion to the extent that local content was demonstrated. There was a requirement for multinational suppliers of capital goods to annually contribute

0.5% of income generated toward a fund for local community development. COSATU was not opposed to this provision, but was concerned that this would not translate into a meaningful contribution toward community development. Emphasis should be placed on localisation and job creation and skills transfer specifically in communities affected by mining operations. The inevitable finite life-span of mines should be considered.

Beneficiation
COSATU noted that the Revised Charter set a maximum threshold of 11% against HDSA ownership. This could be used to avoid accelerating local industry development and the growth of local employment. The provision should be refined to avoid liberal interpretations (see page 6 of submission for further expansion on this).

Employment Equity and Human Resource Development
COSATU supported the targets in the Revised Charter and was concerned at the lack of progress in ensuring employment equity at all levels and occupations. Access to education was crucial for employment equity. The kinds of skills that needed to be developed should take the finite life-span of mines into account, allowing for long-term security.

Mining community development
COSATU supported the provisions requiring mining companies to invest in ethnographic consultation processes and to conduct an assessment of the developmental needs of mining communities, in order to identify projects for investment. There was concern, however, over how this would be implemented in meaningful ways. COSATU suggested the need to enforce a requirement that the processes had demonstrable results. Issues such as language barriers would also present considerable challenges to the process. There should also be emphasis on the enforcement of social investment undertakings.

Migrant Labour
COSATU noted that the original Charter contained a minimal provision on migrant labour that protected foreign labourers from discrimination. The revised Charter did not mention foreign migrant labour. The hardships facing these labourers needed to be addressed, particularly in the face of rising levels of xenophobia. The needs of foreign migrant workers should be identified, including the provision of social security.

Ms Govender noted that time constraints had limited COSATU's input and therefore these comments were not comprehensive. COSATU was available for further engagement.

Discussion
Mr Sonto asked for further examples to clarify what was meant by social forms of ownership.

Mr Sonto asked for further clarity on COSATU's concerns around employment equity and human resource development.

Ms Govender answered that across all industries, statistics were often manipulated to demonstrate Employment Equity compliance where this in fact was not present. There might be a concentration of a certain group in junior positions rather than senior positions, or concentration in "soft occupations" like Human Resource Development, whilst there was little in the "hard occupations".

Mr Sonto asked if the question on the Committee's role had intended to suggest that the Committee had no jurisdiction over the process of revision of the Charter.

Ms Govender responded that COSATU was not questioning whether the Committee should be enquiring into this. It appreciated that the Charter fell under the domain of the Minister. Concerns regarding the substance of the Charter had been indicated, and COSATU would like to have some engagement on these matters in the hopes of strengthening the Charter. It wished to have clarity as to whether there would be space to do this.

Mr Lucas commented that the mining industry was working toward minimum targets for 2014, but should encourage companies to go beyond these wherever possible. Targets should not be seen as restrictive.

Ms Govender agreed that targets should be seen as a starting point, not as the ideal.

Mr Lucas commented that the issue of BEE fronting was a difficult one to solve, particularly as many people did not realise they were being abused. A small amount of money could have a great value to people struggling to feed themselves, but this could lead, in the future, to people reconsidering their positions and suggesting that they had been exploited, thus threatening South Africa's successful transition. Procurement would seem to be the easiest way to redistribute wealth, but it was difficult for small companies to compete economically with large companies, and produce items at a similar cost.

Mr Lucas commented that beneficiation was an important subject. The country had raw materials that were exported for less than their purchase price in South Africa, which then had to be bought back for a higher price as processed goods. This needed to be urgently addressed with the creation of a price advantage for local buying.

Ms N Mathibela (ANC) agreed with the input on education, set out on page 6 of the submission. She asked for further elaboration on the issue of migrant labour.

Mr Schmidt commented that there was another side to the assertion that monopolies had been created off the backs of mineworkers. This was a very broad statement, particularly given the input earlier in the meeting detailing large payouts to mine workers. It was important to acknowledge that, at times, the mining industry had run at huge losses, which were absorbed by the mining companies and not the employees. He acknowledged that at other times there were larger profits and growth, but suggested that it was necessary to adopt a balanced view.

Ms Govender responded that this was a matter of disagreement and that COSATU would maintain its position that that the concentration of wealth was far too unequal and needed to change.

Mr Schmidt commented that mining only contributed 5% of GDP and therefore could not be expected to contribute to 95% of social re-engineering. Other enterprises, as well as government, needed to do more too. 80% percent of corporate tax, in addition to a royalty tax, was paid by the mining industry. It was important to ask what benefit communities were seeing from this.

Ms Govender responded that this was not the role COSATU believed the mining industry should have in the economy, but that currently that was seen to be the case. An examination of the manufactured exports showed that these were still dominated by mineral / energy / complex exports which were in the mining sector. COSATU argued that this dominance was not sustainable in the long term and therefore there was a need to diversify. One way to do this would be to look at other industries that linked with the mining industry. She added that in the majority of countries world-wide, mineral wealth was not vested in private hands but was a national commodity. When minerals were extracted the nation needed to be compensated for that natural resource. Therefore COSATU did not consider the royalty tax to be a tax, but a form of compensation. That compensation should go toward social delivery.

The Chairperson commented that a considerable amount of tax collected went into dealing with the immense socio-economic backlog, particularly in infrastructure, facing the country. These funds were channelled into the upgrading of roads, the building of houses and many such projects. A portion of these funds was also channelled back to entities in the form of tax rebates, a controversial system in itself.

Mr Schmidt stated that in his view there should be no distinction between a foreign migrant labourer and a South African labourer. All should have the same rights. The responsibility of dealing with the social consequences of xenophobia, for instance, should not fall solely upon the mining industry.

Ms Govender responded that COSATU was not requesting a discrimination between South African and foreign workers. Equal protection was required for both and even

undocumented labourers were entitled to remuneration. There were instances where provision needed to be made for foreign workers who, through circumstances, were not entitled to claim the same benefits as South African workers, such as when a worker was in the country temporarily with the intention of returning to his country of origin.

The Chairperson asked for further information on the suggestion for other forms of social ownership.

Ms Govender answered that aside from ESOPs there was the option of nationalisation. COSATU was in the process of developing a detailed response in relation to that. COSATU had resolved to re-affirm nationalisation and this should be done on a sector-by-sector basis.

The Chairperson commented that it was becoming clear that implementation was a significant problem. This would need to be addressed in the revised Charter. He assured COSATU that there would be provision for further amendments.

Submission from Taung Leadership

Mr Dikgosi Motihabane, Representative, Taung Community Leadership, said that the Taung Community welcomed the revision of the Charter, but felt that more could be done to achieve its objectives, particularly for rural communities. Taung was an area rich in minerals, particularly diamonds, yet its people were amongst the poorest in South Africa. Following the 1994 elections, there was an expectation that mineral wealth would be used to end poverty. In 2006 prospecting rights were granted to an outside company, with no consultation with the community. In 2009, five-year rights were granted. The people of Taung had received nothing from this. In August 2010 it was announced that the government had suspended the permits issued and a review process would take place. In September 2010, Taung leadership met with the DMR. In February 2011, Deputy President Kgalema Motlanthe had visited the area and promised that the Taung people would receive prospective rights. This process had now been finalised and the Taung people looked forward to the launch of their mining operations.

In many parts of South Africa rich mineral resources existed on tradition land, the home of South Africa's poor. Taung supported the provision for mining community development and co-operative planning with local communities. It also agreed with the requirement that multinational suppliers of capital goods to the mining industry must contribute to development. However, clarification was required on the development fund from multinationals, especially its function and management.

One issue not receiving enough attention concerned mining on traditional land. Government needed to play a developmental role in communities who were new to mining and had limited technical knowledge and experience. Traditional communities had provided workers to the mining industry for many generations, and the industry had a responsibility to these communities. Government should not keep information about resources secret from traditional leaders. Government and industry should establish a fund to provide loans and technical assistance to communities, to aid them in obtaining prospecting and mining rights, mining and skills development, and to create and manage trust funds to ensure that mining profits benefited the whole community.

He noted that in Taung, studies had been conducted on development needs, and this had led to the formation and implementation of a strategy. Profits from mining would be re-invested in the community. Many traditional leaders were prepared to work with government in the fight against poverty.

Tidimalo Minerals, Sydney on Vaal Beneficiaries submission

Mr Kabelo Bontsi, spokesperson for Tidimalo Minerals, expressed total support for the review of current Charter, stating that the previous Charter had not served its purpose. There was a need for community interviews and information sessions before prospecting rights were approved, and areas involved in land claims should no longer be mined. Historically disadvantaged people should be given the advantage in benefitting from mineral profits. The community at Sydney Vaal remained extremely poor and were excluded from the profits and benefits of mining.

He then outlined that the new Charter should serve the objectives of mineral beneficiation and BEE, in order to ensure the empowerment of mine workers and black people. Social labour plans should be monitored carefully, and should be geared towards infrastructure development.

Royal Hlangwana House submission

Mr Mamphye Jan Moima, Representative, Royal Hlangwana House, wished to emphasise two issues. The first was the issue of land court status and restitution. The restitution process was lengthy and prospecting rights would not be issued on land that would be reclaimed by a community and mined without their consent. There was no information given to the communities. While policy development was valuable, compliance urgently needed to be upheld.

Merafong Community Mining Forum submission

Mr Thabiso Monyatsi, Spokesperson, Merafong Community Mining Forum (MCMF), expressed gratitude for the opportunity to contribute to the hearings. In Merafong, the gold mining sector and service providers to the industry accounted for more than 60% of local gross domestic product and employment. However, mineral production was an industry in decline, with mines already having closed in Marefong City, and further closures were imminent. The community feared that when the exploitable ore resources were depleted, Marefong City would become an economic ghost town. Other threats facing mining communities included health problems, acid mine drainage and skills deficits (more fully outlined on page 2 of the submission).

He noted that the voice of these communities had largely been consigned to the periphery of the minerals policy development framework. Mineral deposits should be the wealth of all South Africans and exploitation must serve shared developmental aspirations. The persisting negative impacts of mining on local communities required targeted interventions, to avoid the emergence of socio-economic ghost towns when operations closed. The ambiguous investment targets in the previous Charter had undermined accountability. Broad-Based Black Economic Empowerment (BBBEE) had failed Merafong's Community and benefited only a few wealthy black elites.

Mr Monyati suggested that a National Mines Closures Fund should be set up for socio-economic development in mining and labour-sending communities. Mining companies should invest in infrastructure such as schools, clinics and youth development facilities; a mandatory percentage of mineral profits should be reinvested into mining communities. Technical skills development training centres run by mines should focus on local skills development. Land should be made available by mining companies for medium and small-scale farming to ensure the development independent of mining. The people of Merafong City should be beneficiaries of the BBBEE initiatives in the next phase of the Charter implementation, and this could be done through community share schemes. 50% of the revenue from mining royalties should be used to develop mining communities. Beneficiation strategies should be implemented and value-adding industries developed in mining communities. A Minerals Regional Development Agency for the West Rand should be established, to develop a sustainable integrated development strategy for the region. There needed to be strong punitive measures enforced for non-compliance.

In closing, Mr Monyati commented that it was important to maintain a larger perspective when discussing specific details of transformation. The Community supported State ownership, which could aid beneficiation because non-export quotas could be imposed on raw materials. Whether the mines were privately owned or nationalised, mining communities would still have particular challenges and needs. For this reason long-term strategic planning was required in order to have clarity on issues. He suggested that five-year plans were not adequate.

Equal Access Campaign submission

Mr George Nicolaai, Spokesman, Equal Action Campaign (EAC), noted that to date there had been a serious lack of compliance with provisions of the Charter and a lack of action on this matter from the DMR. The EAC would provide input on behalf of the Northern Cape Small-Scale Marine Miners. Figures were presented demonstrating the economic contributions from the members of the EAC (see slides 5 and 6 of presentation). Marine Miners were the largest mining economic contributors in the area. Mr Nicolaai then gave a brief background on the Marine Diamond Mining Industry and its sectors, namely: Shallow Water, Mid Water and Deep Water (see attached presentation for full details). The input given would apply to the shallow water sector.

In respect of Ownership, EAC submitted that no shallow water mines had any community ownership, despite the provisions of the Charter. This would only be further consolidated if the sale of the Namaqualand Mines were to be approved, with Trans Hex's shallow water holdings increasing from 35% to 62%.

In respect of Procurement and Enterprise Development, he indicated that 73% of all shallow water mines had no BEE enterprise development implemented.

In respect of Beneficiation, he noted that there was no beneficiation or branding of shallow water diamonds in local mining towns, nor any attempt to link the industry to the local tourism industry.

With regard to Employment Equity and Human Resource Development, he noted that mine workers were employed by outsourced contractors and not mine owners. Therefore human resource development did not take place.

Only one marine mine in the Northern Cape, Alexkor, offered any form of community development. Alexkor was also the only mine that provided housing. Only Alexkor promoted sustainable development of the marine diamond resource. This was achieved by sub-dividing its concessions and offering deal splits that match economic viability. This promoted the blending of high and low grade ores and acted as an effective deterrent against high-grading.

Finally, he reported that accurate and adequate monitoring were not being done, resulting in a dismal state of transformation and collapse in the industry. In the 1980s more than twenty diamond vessels operated out of Port Nolloth, but this had now decreased to less than five.

Discussion

The Chairperson commented that time was short and that some of the presentations had given very clear recommendations.

Mr Schmidt commented that there seemed to be no alternative economic drive for the Merafong area and that the suggestions offered had been accurate. He questioned the validity of the conclusions drawn by the EAC.

Mr Nicolaai's response was cut short, due to time constraints.

Ms Bikani commented that the Committee needed to have further debate on the issues raised and how to approach them. An action plan would be required. There tended to be a focus on inland mining at the expense of coastal mining. It seemed that these mine workers were not getting the attention they needed and that the Committee should focus on this issue the revised Charter. She added that the Committee should visit a marine mine.

Mr Mtshale thanked the presenters and asserted that the Committee needed to take these issues seriously.

The Chairperson thanked the presenters for their input and commented that while time had been short for discussion, it was important that the Committee had heard all the submissions. The Committee looked forward to the commencement of mining at Taung.

The meeting was adjourned.

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GC115
THE MUISVLAK MANIFESTO

PREAMBLE:

The Northern Cape small-scale marine diamond industry should be structured in a manner that gives effect to the principle of equitable access.

This is a rational and legitimate expectation for the community to hold and it is also our government's stated intention in terms of the BEE Mining Charter and MPRDA which are emphatic in this regard. The community's right to equitable access is also enshrined in the Bill of Rights.

The reality is that many of the marine diamond concessions in the Northern Cape are either dormant or moribund due to the absence of equitable access for small-scale miners who alone possess the means of extraction whilst the rights holders themselves have no extractive capacity of their own, choosing rather to outsource the risk and effort and collect rent or suspend operations. This extravagant laissez-faire approach is made possible by the fact that shallow water mining is not the core business of the concession holders who have access to robust alternative revenue streams.

It is profoundly harmful to our community that such a vast and valuable national asset can be rendered inaccessible by the refusal of the rights holders to accept the harsh new reality facing marine mining SME's. A reality in which seadays have declined steadily from one hundred and fifty in 1999 to ten in 2009.

The EQUITABLE ACCESS CAMPAIGN was established by members of the small-scale mining community on 28th April 2010 at the Muisvlak Convention Centre, situated between Port Nolloth and Alexander Bay, in order to pursue the right of equitable access to the diamond resource located beneath the waves of the adjacent Atlantic Ocean.

We will strive to bring this about by undertaking the following.

COMMITMENTS:

1. Uniting all Northern Cape small-scale marine mining businesses in pursuit of equitable access to the province's marine diamond resource through the acquisition of marine mining rights.
2. Identifying and targeting marine concessions that are not being utilized and developed in accordance with the BEE Mining Charter and MPRDA.
3. Engaging with the rights holders of these concessions in good faith in the hope of bringing about a friendly and orderly transformation and revival of the industry.
4. Where unsuccessful in this approach, using any and all means of lawful and ethical leverage to bring about transformation in the spirit of nation building.
5. Establishing the Small-scale Marine Diamond Miners' Co-operative as a commercial entity to hold mineral rights on behalf of the community and to facilitate the professional and optimal exploitation of the resources accessible under those rights.
6. Bringing back skilled miners that have left the industry due to the decline in profitability and lack of equitable access and encouraging newcomers to the industry by lowering the barriers to entry and offering mentorship programs.
7. Ensuring that the principle of equitable access extends downstream in the value chain to small beneficiators by ensuring a constant supply of high quality rough in small, affordable parcels.
8. Ensuring that the unique diamond diving heritage of our community is shared with the world by partnering with the tourism and cutting industries in order to take advantage of the compelling synergies that exist between the three industries. It is unacceptable that our tourists must drive to Johannesburg to buy a diamond from the sea.

CONCLUSION:

The small-scale marine diamond industry has been the bedrock of the Northern Cape coastal region's economy for decades. The lack of equitable access has resulted in the effects of climate change, resource depletion and prohibitive operational costs bringing about the decimation of a once vibrant and unique seafaring heritage.

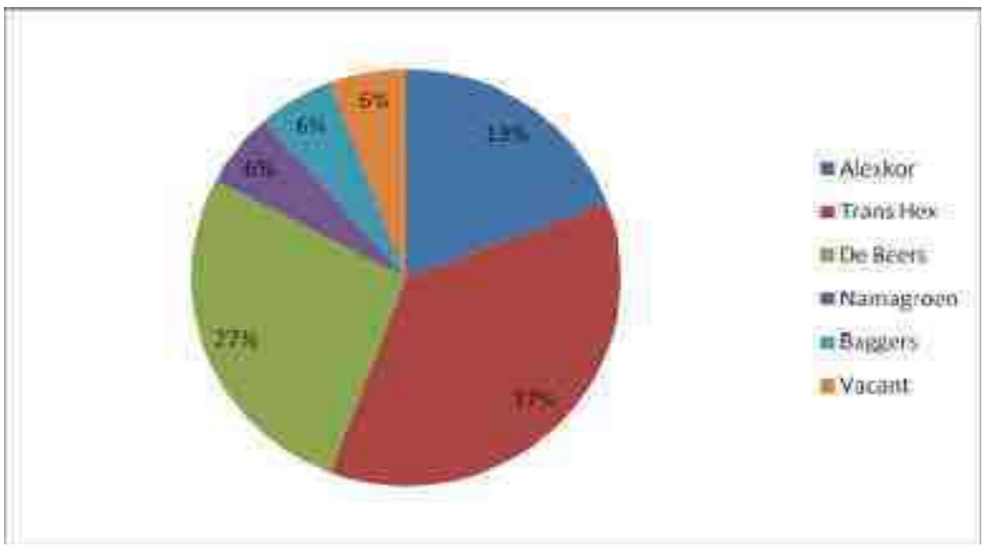
It is time to lead our industry into The New South Africa. **Muisvlak - 28th April 2010.**

GC115

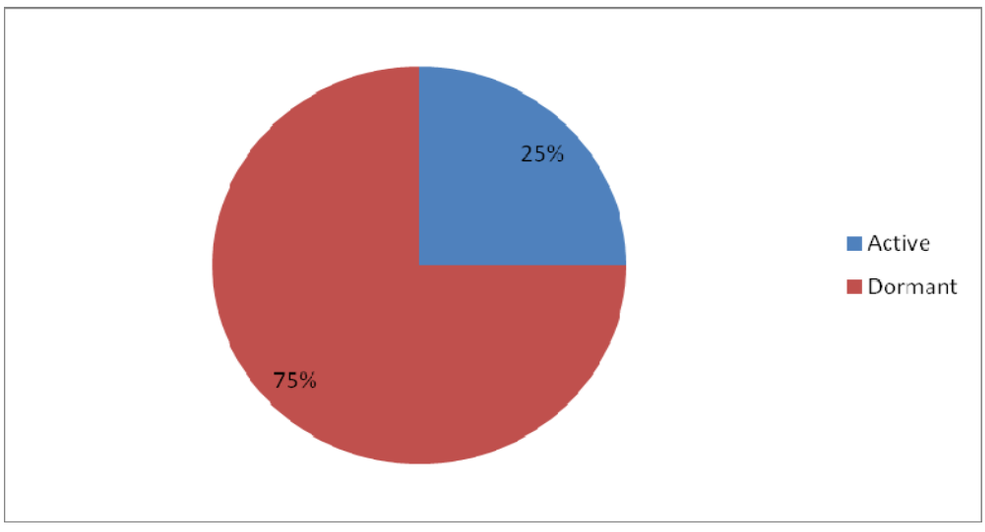
FACT SHEET:

1. There are a total of 52 marine concessions stretching from the Orange River mouth to Doornbaai.
2. Of these 52, 43 are held between Alexkor, Trans Hex and De Beers while 6 are held by private companies and 3 are vacant.
3. Not one single west coast concession is owned by the **Host Communities**, who ironically are the only people with the experience, expertise and equipment to carry out the mining of the inshore concessions.
4. Of these 52 concessions only 13 are active with 39 dormant ie a 75% dormancy rate.
5. Unemployment in 2001 before the collapse of the diamond industry was in excess of 47%.
6. Climate change has ravaged the industry by reducing the annual sea days from 150 in 1999 to 10 in 2009.

CONCESSION HOLDERS. (Data sourced from Council of Geoscience)



DORMANCY RATE.



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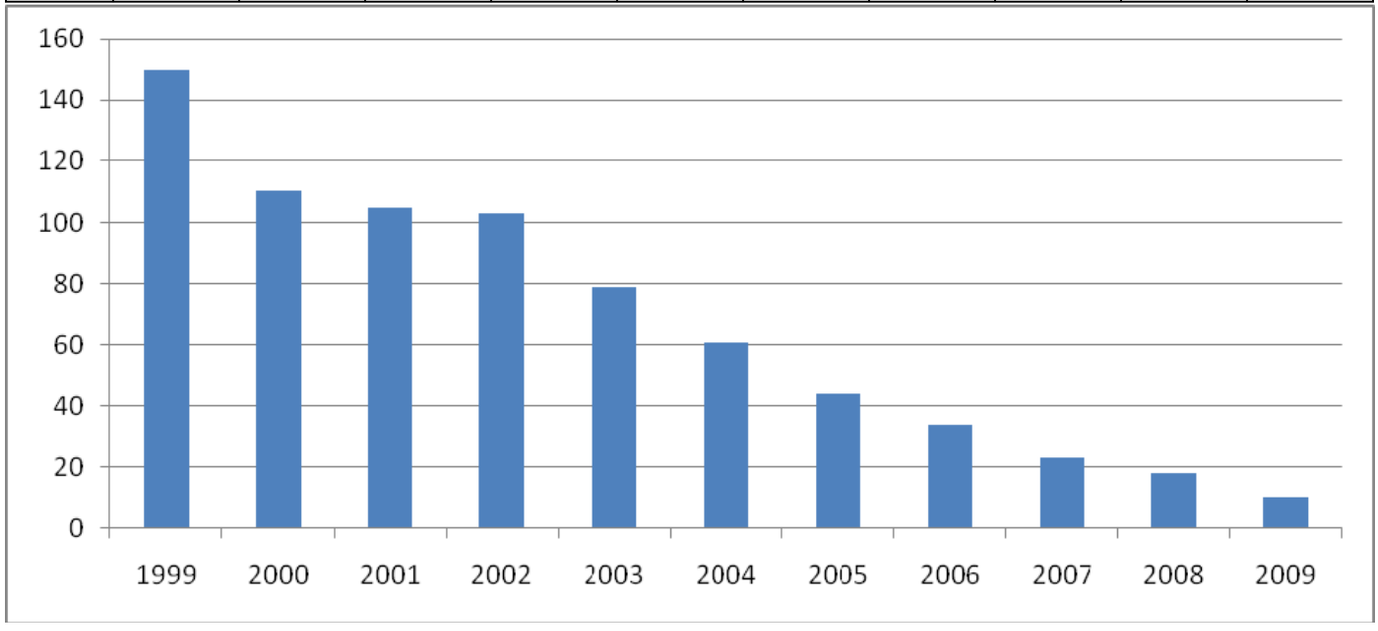
SEA DAYS.

DECLINE IN SEA DAYS OVER THE PAST DECADE										
1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
150	110	105	103	79	61	44	34	23	18	10



In closing, we would like to draw the committee's attention to the objectives set out in the BEE Mining Charter to which the concession holders are all signatories:

1. Promote equitable access to the nation's mineral resources to all the people of South Africa.
2. Substantially and meaningfully expand opportunities for HDSA's including women, to enter the mining and minerals industry and to benefit from the exploitation of the nations mineral resources.
3. Utilize the existing skills base for the empowerment of HDSA's.
4. Expand the skills base of HDSA's in order to serve the community.
5. Promote employment and advance the social and economic welfare of mining communities and the major labour sending areas.
6. Promote beneficiation of South Africa's mineral commodities.

We are sad to report that with regard to 75% of the marine diamond resource, not one of the above objectives is being met or even pursued.

Finally, we would like to state that the establishment of a state mining company will make the objectives of the BEE mining charter a reality for the Namaqualand coastal communities; the Equitable Access Campaign will give its full support.

Joseph Klaase.

(Chairman)

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Mineral Resources

10 August 2010

Chairperson: Mr F Gona (ANC)

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Meeting Summary

Alexkor briefed the Committee on its current operations and performance and its relationship with contractors. Alexkor had been in existence since 1927 and in the past ten to 20 years had been more actively involved in shallow water marine mining and to a small extent deep marine mining. There had been a dramatic drop in production in 1996 due to a decline in Alexkor resources and again in the middle of 2000, due to the Pooling and Sharing Joint Venture and when lands claims and uncertainty as to ownership of those resources caused Alexkor to stop mining altogether on-shore. After 2002 marine production declined due to the insufficiency of sea days available. Alexkor's operational constraints included: variation of the diamond price; dollar exchange rate and the strength of the rand; environmental conditions – declining sea and diving days due to global warming; depleting resource; rehabilitation liability of mines; and post-retirement medical aid liability.

It was critical for Alexkor to increase diamond mining opportunities and assets in the following two to three years, ideally in South Africa or in neighbouring countries. Alexkor was attempting to introduce new technology, move contractors to more sound portions of the mines and explore deeper areas.

The Richtersveldt community had expressed discontent about the delays in the establishment of the Government-funded Pooling and Sharing Joint Venture in which Alexkor held 51% and the community 49% of marine mining rights. The land and marine mining rights process was expected to be finalized within the following few weeks, but the mining plan by the Interim Joint Board had not yet been finalized. Phase I of the township establishment in Alexander Bay and township upgrades was in process. Alexkor aimed to complete Phase I (civil engineering services) and Phase II (electrical reticulation phase) by June 2011, at which time it would be handed over to the municipality.

Alexkor was not mining on any areas to be mined by the Pooling and Sharing Joint Venture except at Witverkop, which had very low grade diamonds. This concession was contracted to the Alexkor Development Foundation and The Women's Group. Other mining on Pooling and Sharing Joint Venture land had been reduced to sweeping, enlarging and cleaning up of old mine blocks. In the interim, Alexkor had extended a benefit for the community beyond the Pooling and Sharing Joint Venture requirements by offering a 5% revenue split from proceeds from the marine area mining where sweeping was taking place.

Members asked for an organogram of Alexkor's management structure and if the Chief Executive Officer was located in the Alexander Bay area. They noted that the Pooling and Sharing Joint Venture was effected in 2007 and yet nothing had happened since then. They asked when the procedure for establishment of the Pooling and Sharing Joint Venture would be finalized, for clarity on the grant from Government, whether the R100 million rand grant had resulted in Alexkor making a profit and what the Government had paid to Alexkor annually from 2005 to 2010 and what the average percent offering to the State Diamond Trader was since the onset of trade. Members asked if the Committee could be supplied with Alexkor's financial statements, where the profits were invested during Alexkor's 'good' years, what the contribution to the State fiscal year was and if Alexkor could recall when last a dividend was paid back to the state. Members wished to probe deeper to understand the exact agreement between Alexkor and the Alexkor Development Fund and the output to the communities and asked for audited financial statements from the Fund.

Members asked whether the fatalities listed included contractors and subcontractors, about training of labourers, for clarity on the beneficiation strategy to which Alexkor had aligned itself, who had been appointed to monitor whether standards for the phase I of the township upgrade were sufficient, if phase I included building of schools and for more detail on the Social and Labour Plan and background on the medical aid fund and pensioner's subsidy. Members asked what synergies Alexkor explored between itself and other diamond traders which were either state- established or operating on their own, as well as Alexkor's relationship with research, science and mining technology bodies. Members asked why Alexkor concessions should be renewed in areas where the life span of the existing concessions was described as depleted or no longer profitable. The Committee's view was that the 100% state owned enterprise was expected to apply its expertise in land and marine mining in a way which led to upliftment and alleviation of poverty in the Namaqualand community. Members asked how Alexkor saw its role going forward as it could not take resources from the state without returns and the manner in which Alexkor operated was unsustainable.

The Equitable Access Campaign presented The Muisvlak Manifesto to the Committee. The Equitable Access Campaign was established by members of the small-scale mining community on 28th April 2010 at the Muisvlak Convention Centre, situated between Port Nolloth and Alexander Bay, in order to pursue the right of equitable access to the diamond resource of the adjacent Atlantic Ocean. Equitable Access Campaign members explained that lack of equitable access was infringement on the small mining enterprises and their dependent communities' rights as enshrined in the Bill of Rights, the Black Economic Empowerment Mining Charter and Mineral and Petroleum Resources Development Act.

Concession rights were allocated to holders on the understanding that they would conduct optimal mining with their expertise and equipment. However, of all the marine diamond concessions in the Northern Cape, 75% were either dormant or moribund. The concession holders chose rather to outsource the risk and effort to contractors and collect rent or, when necessary, suspend operations.

Equitable access was included in the Mineral and Petroleum Resources Development Act but the implementation of the Act appeared to be manipulated for the benefit of certain groupings and companies. The establishment of a state owned small-scale marine diamond mining company would make the Black Economic Empowerment charter a reality for the Namaqualand area.

Committee Members asked who the Equitable Access Campaign was representing, if the Equitable Access Campaign had a viable business plan and if the community would in fact benefit from it, what the Equitable Access Campaign's view was on having a state-owned mine; if the small-scale marine diamond miners were part of the Pooling and Sharing Joint Venture and if small-scale mining companies mined in shallow or deep sea water. Members asked if, given a scenario where small-scale mining replaced the larger mining companies, small-scale miners would have the expertise, equipment and manpower to conduct a viable business. The Committee concluded that it would collate the informative presentation with that of Alexkor and engage with the Department on mining rights and amendment to the Mineral and Petroleum Resources Development Act.

Meeting report

The Chairperson said that after Members' recent oversight visit to Namaqualand, it was clear that the mineral wealth of the country was not equitably shared. The Committee's resolve to embark on a process of decisive intervention into mining by the state on behalf of the poor and marginalized communities in the country had been strengthened.

Alexkor presentation
Ms Khetiwe Mc Clain: Chief Executive Officer (CEO), Alexkor Ltd, gave a detailed presentation on the only operational state-owned diamond mining company in South Africa, Alexkor.

Alexkor marine mining operations were conducted by 27 contractors and 17 subcontractors which involved employment of approximately 489 persons. The revenue percent split in the Northern offshore sea units was Alexkor 52% and Contractor 48%. Southern sea unit split was Alexkor 30% and Contractor 70%. The far south split was Alexkor 25% and Contractor 75%. The split varied according to the kind of stones mined, with the north being the most advantageous mining area.

Alexkor and the Richtersveld mining community had entered into the Pooling and Sharing Joint Venture (PSJV) for mining in the Alexander Bay by virtue of order of the court in 2007. Rights were pooled and mined jointly with Alexkor holding 51% and the community 49% of marine mining rights. Land and marine mining rights had been converted and a mining plan was still to be finalized. The PSJV conditions also included establishment of a township in Alexander Bay and upgrades of the township to municipal standards.

The bulk of carat production was from marine mining (over 70%) and the gravel was delivered to Alexkor for processing and recovery of diamonds. The diamonds were sold on tender at the Johannesburg Diamond Exchange. As per legislation, 10% of Alexkor's production was offered to the State Diamond Trader.

Marine mining production had dropped significantly since 2002 but had picked up slightly over the past few years. Diamond sales in 2010 equalled R163.9 million compared to R127.5 million in 2009. Government funds to the value of R129 million for the year were received for PSJV purposes. Of this amount R29 million was allocated to the township establishment. Post-retirement medical aid (PRMA) decreased from R135 million to R90 million due to changes within the Bonitas medical aid fund when Alexkor dropped their pensioners to a lower subsidy level. This resulted in an actuarial gain of R45 million.

Operational constraints included: variation of the diamond price and dollar exchange rates - the strength of the rand; environmental conditions – declining sea days due to global warming; depleting resource; rehabilitation liability of mines; and PRMA liability needed to be reduced more extensively. Diving days had declined from 79 days in 2003 to 13 days in 2010.

Mr Wiaan Basson, Acting Mine Manager, Alexkor Ltd, explained that the definition of a diving day was when on any particular day 50% or more mining vessels went out to sea to retrieve gravel from the

sea bed.

Ms Mc Clain said that bearing in mind the life of mine being ten years as well as rehabilitation liabilities incurred and contributions to economies of the surrounding region, it was critical for Alexkor to increase diamond mining opportunities and assets in the following two to three years, ideally in South Africa or in neighbouring countries. Alexkor was not being subsidized and was funding itself in terms of operations. She further suggested that pooling of state-owned diamond assets under Alexkor would increase longevity and sustainability of Alexkor and contribute to the development of the region.

Alexkor strengths were technical know-how, sound alluvial expertise, extracting and processing expertise, knowledge of the market, a good database and vessel tracking system and 99% gem quality stones.

Mr Basson concluded that Alexkor had been in existence since 1927 and in the past ten to 20 years had been more actively involved in shallow water marine mining and to a small extent deep marine mining. It had built a sound database and expertise in the mining processes and understanding of the geology of the West Coast and Southern Africa. Alexkor's good quality stones were sought after world-wide.

Mr Mike Mpanza: Engineering Manager, Alexkor Ltd, said that safety at Alexkor had improved but had not yet met its target. There had been two underwater fatalities in the past five years.

The township upgrade was in phase I - civil engineering services - and was 0.4% behind schedule. Phase I involved the sewerage and water network, construction of the half mega litre reservoir, road repairs and upgrade of the storm-water control system. Phase II - the electrical reticulation phase - would begin in October 2010 and would include rewiring of houses in December 2010. Alexkor aimed to complete the project in June 2011, at which time it would be handed over to the municipality as it would then be up to municipal standard as required by the PSJV.

Discussion

Ms J Ngele (ANC) asked if the PSJV split where Alexkor held 51% and the community 49% of marine mining rights existed presently or was the plan for the future.

Ms Mc Clain said that the PSJV was not yet fully established due to delays in finalization of certain precedent conditions. Land and marine mining rights had been converted and executed and the process was expected to be finalized within the following few weeks. Another condition, the mining plan, had not yet been finalized. Phase I of the township establishment was in process.

Ms Ngele asked if PSJV phase I included the building of schools and clinics.

Mr Mpanza said that phase I included the sewerage and water network, road repairs, construction of the reservoir and rewiring of houses.

Ms Mc Clain said that there were existing schools built by Alexkor in the past which were now under the Department of Education. The hospital was under the Department of Health. Alexkor contributed to the presence of a medical practitioner on the mine premises.

The Chairperson said that during their oversight visit, the community had expressed discontent about the delays in the establishment of the PSJV while Alexkor continued to mine in the areas where the concessions were suppose to go to the community.

Ms Mc Clain said that there were no intentions from Alexkor to delay the PSJV. The processes of conversion, amendments and the mining plan by the Interim Joint Board (*IJB*) of Alexkor took time. Alexkor was not mining on any areas to be mined by PSJV except for Witverkop which had very low grade diamonds. This concession was being mined by the Alexkor Development Foundation and The Women's Group. Other mining on land had been reduced to sweeping, enlarging and cleaning up of old mine blocks. In the interim, Alexkor had extended a benefit for the community beyond the PSJV requirements by offering a 5% revenue split from proceeds from the marine area mining where sweeping was taking place.

Mr H Schmidt (DA) asked when the procedure for PSJV would be finalized.

Ms Mc Clain said that Alexkor was not responsible for putting together the mining plan. This was done by an IJB. The mining plan had not yet been approved.

Mr Schmidt asked what the average percent offering to the State Diamond Trader was since the onset of trade.

Mr Basson said that ten percent was sold to the State Diamond Trader on a regular basis.

Mr Schmidt asked if diamond production had declined so dramatically due to the decline in resources which declined from 4.6 million carats in 2008 to 641 000 in 2009 or if it was affected by the PSJV allocation to the Rugtersveldt community.

Mr Basson said that there was a dramatic drop in production in 1996 due to a decline in Alexkor resources and very little exploration continued after that. In the middle of 2000 due to the PSJV and when lands claims started to kick in, there was uncertainty as to ownership of those resources. At that time Alexkor stopped mining altogether onshore. After 2002 marine production declined due to sea days available. Alexkor was trying to introduce new technology, move contractors to more sound portions of the mines and explore deeper areas.

Mr Schmidt asked for clarity on whether the grant from Government of R100 million rand resulted in Alexkor making a profit.

Mr Berno Lategan, Acting Chief Financial Officer (CFO), Alexkor Ltd said that the R100 million Government grant had zero effect on the profit and that this amount did not go through the income statement.

Ms N Mathibela (ANC) asked if persons were employed from the rural areas and if there were any communities in the rural areas who would benefit from phase I.

Ms Mc Clain said that detail on other projects had been made available to the Committee at the previous visit. The social and labour plan (SLP) report would outline social and labour commitments.
Ms Mathibela asked how many people were employed by Alexkor.

Ms Mc Clain said that there were 114 permanent employees and 489 persons were employed by contractors and subcontractors.

Ms Mathibela asked if it was possible that the employee who had contracted silicosis 'outside of Alexkor' could have been affected by dust from the mine.

Mr Mpanza said that silica dust had not been picked up in the mine.

Mr E Marais (DA) asked if ALexkor's CEO was located in the Alexander Bay area.

Ms Mc Clain said that most CEOs were not based at the mines. The Alexkor CEO was based in Johannesburg and traveled to the area frequently. Many meetings on the transformation processes had to be attended and it made sense for Alexkor to have a small office in Johannesburg.

Mr Marais noted that the northern concessions appeared to be the most rich area for diamond mining yet the land production had stopped. He asked if the life span of the existing concessions were down and out, or if it was no longer profitable to mine there, why Alexkor concessions would be renewed in those areas.

Mr Marais also asked for the total fatalities in the past three years and clarity as to whether the fatalities listed included contractors and subcontractors.

Mr Mpanza said that the statistics did indeed include both contractors and subcontractors. There had been two underwater fatalities in the past six years. These persons were subcontractors.

Mr Marais asked who had been appointed to monitor whether the phase I standards were sufficient.

Mr Mpanza said that KV3 Engineers (KV3) was appointed in 2005 for technical investigation into the township upgrade. The Implementation Committee included the findings of the investigation in a report before finalization for tender purposes. KV3 was project managing and a permanent resident engineer appointed by KV3 was on sight to ensure that phase I went according to plan. Alexkor had followed the tender process and performed sight visits to the three companies that were short listed. In February 2010, Brink & Heath was awarded the tender to manage the first phase of the PSJV upgrade after successfully meeting the tender criteria.

Mr Marais commented that he supposed that Brink & Heath were instructed to employ as many skilled labourers from the community as possibly but it seemed that only the lower positions of labourers were contracted to work.

Ms McClain clarified that the condition was that all local community labourers who could perform the work would be employed. Only where the skills could not be found locally would labourers be sought elsewhere.

Mr Marais asked for clarity on the change in the medical aid fund and reduction in the pensioner's subsidy.

Mr Lategan said that up to 2008, employees were part of the Renaissance Fund. When this fund liquidated, all employees who qualified for medical aid were fast-tracked onto the Bonitas comprehensive medical aid scheme. However Alexkor soon realized that it could not take on the financial risk of having all employees on the comprehensive plan and dropped all employees to the standard plan, which also covered 100% of the subsidy level. This drop in level was on a voluntary basis by the employees. This change in plan caused liability to drop from R135 million to R90 million which was reflected as the R45 million movement on the income statement.

Mr R Sonto (ANC) said that the intention of a public hearing was to understand whether a state-owned mining company was uplifting communities from poverty and whether it should still exist. Communities were not thriving from the existence of Alexkor. PSJV was effected in 2007 and yet nothing had happened since then. She asked what the output to the communities by the Alexkor Development Fund (ADF) was since its establishment in 1992.

Ms McClain said that some of the questions would be covered in the SLP documentation. Alexkor had requested annual reports and financial statements from the ADF for the past few years. Presently the ADF had requested a week of time in order to compile the information. ADF had been started in the early 90's to assist with bursaries and education and would receive 30% of profits after tax. Since Alexkor was not making profits, a discussion was initiated around ADF taking 10% of equity of Alexkor. This was put on hold due to negotiations with the community. An agreement was reached between the former Alexkor management and ADF Trust Fund that in exchange for equity it would give the ADF one of the concessions at Witverkop, to generate income as a subcontractor to Alexkor. When the reports were received by ADF, they would be made available to the Committee.

The Chairperson asked if Alexkor had requested audited financial statements from the ADF. The Committee wished to probe deeper in order to understand the exact agreement between Alexkor and the ADF Fund.

Ms McClain replied that indeed audited financial statements had been requested and that the report from ADF would give clarity on how ADF was currently operating.

Mr Basson added that the ADF was established to provide funding for bursaries, education and projects to the disadvantaged communities in the Namaqualand region.

Mr Sonto asked given the strengths and age of Alexkor as a state-owned enterprise, if Alexkor had explored synergies between itself and other diamond traders which were either state-established or operating on their own, as well as Alexkor's relationship with research, science and mining technology bodies.

Ms McClain said that her understanding was that Alexkor had not undertaken partnerships in this regard in the past. In the past year, interested parties had been invited to enter into contracting arrangements with Alexkor with the objective of increasing productivity. In terms of direct relationships with other mining companies, Alexkor had engaged in information sharing and other exercises. Alexkor had received input and been managed by Mintek for a period of time in previous years and had received informal data assistance from Geoscience.

Mr Sonto asked if Alexkor was a 'success story'.

Mr Basson said that this was a difficult question to answer. In 1992, Alexkor Limited began operating and during the 90's began expanding. Marine mining expanded more seriously into shallow, middle and deep water mining and land operation also expanded. At one stage the company was producing more than 200 000 carats per annum. Towards the late 90's the profits became marginal or non existent and in the 2000 the company found it difficult to expand due to the declining status of the resource base. Further, in 2005 the uncertainty with regards lands claims provided additional problems to the company. Alexkor had quality assets and could provide to the community infrastructural and economic well being of the sector. Company revenue of the past year was approximately R160 million of which 60% was paid to the contractors. Alexkor's salary bill was approximately R30 million per annum. From that point of view, approximately R120 million was paid to employees and communities around them.

The Chairperson asked where the profits were invested during Alexkor's good years.

Mr Basson said that offhand he could not recall all the information. Certainly, during the good years in the 90's, 30% of the profits had been paid to the ADF and some of the profits had been retained for expansion and for sustaining company operations.

The Chairperson asked if Alexkor could recall when last a dividend was paid back to the state.

Mr Basson said that Alexkor would have to check on that information.

Mr E Mtshali (ANC) asked if the Committee could be supplied with Alexkor's financial statements.

Mr Basson said that the financial statement had been signed off by the auditors and would be published in the annual report as per usual. The Committee would certainly be supplied with the financial statements.

The Chairperson asked what the contribution to the State fiscal year was.

Mr Lategan said that regarding taxes, Alexkor was sitting with R56 million assessed tax loss. This meant that in future, the first R56 million in profit before tax would be absorbed against the present loss. Thus Alexkor had not paid tax over the past few years due to fact that Alexkor was in a loss-making position.

Mr Basson added that Alexkor had been paying 5% royalties for all diamonds mined from the marine sector.

Mr Schmidt asked what the Government had paid to Alexkor annually from 2005 to 2010.

Mr Lategan said that in the financial statements the Government funded obligations to the township establishment, costs relating to the deed of settlement fund and the PSJV recapitalization funds were disclosed. Government funds were ring-fenced and utilized for their specific projects only. On 1 April 2009, the opening balance of the accumulated funds was R171 million. During the year, R29 million was received for the township development and R100 million for PSJV recapitalization. Of all these funds, only 5.8 million was used for projects to date, and R14.1 million interest was gained. At the end of March 2010, R209 million of Government funds were received in total and were waiting to be applied to their specific projects.

Mr Sonto suggested that if labourers were trained correctly and adequately in the past, by now the coastal belt would have adequate miners from Alexander Bay.

Mr Basson said that Alexkor performed organized health and safety training and operational leads, where required, for contractors and also health and safety training for Alexkor's own employees. Alexkor also provided training towards operators such as earth moving vehicle and plant operators. In the past, Alexkor had a diving school to ensure that Alexkor had a base of divers which could feed into the operations of Alexkor. This school had subsequently closed. A concern from the community may be that Alexkor did not train mining specific.

Mr C Gololo (ANC) asked what Alexkor's take was on the feasibility of establishing a state-owned company and if Alexkor had a long term plan for marine mining since it appeared that the diamond resources were depleting.

Ms F Bikani (ANC) asked for an organogram of Alexkor's management structure.
Ms Mc Clain said that Alexkor had a very small management team. It consisted of the CEO, CFO, Mine Manager, Engineer and recently a human resources (HR) officer was appointed. A security consultant was currently outsourced.

Ms Bikani asked for clarity on the beneficiation strategy to which Alexkor had aligned itself.
Ms McClain said that Alexkor supported the idea of beneficiation and had been compliant with the State Diamond Trader. Although the strategy had not been signed off, Alexkor wanted to ensure that it added value to the mineral sector within the country.

Ms Bikani asked for an indication of shareholder percentages at Alexkor.
Some questions posed in the meeting were not answered due to time constraints.

The Chairperson said that further engagement with Alexkor was necessary. Alexkor was 100% state owned by the Department of Public Enterprises. The only shareholder was Government. He envisaged that Alexkor would use its expertise in land and marine mining in a way which led to upliftment of the Namaqualand community. However, no business survived without dividends to the shareholder and Alexkor could not continue to play the role of a state owned enterprise in Namaqualand, taking resources from the state, without returns. in the manner in which it was operating. He asked how Alexkor saw its role going forward.

Ms McClain said that challenges of poverty on the ground were a conscious part of Alexkor's business. If Alexkor could start with a clean slate, without rehabilitation and PRMA liabilities, it would be a very profitable company. However, the responsibility was to cover those liabilities. Although the PSJV model had taken longer than Alexkor had hoped, it was a good model for community involvement in a partnership of sharing of expertise. This model could be applied around the country at other diamond bases. Alexkor did not want to exist to merely cover its liabilities and it was well understood that any business investment expected dividends.

The Chairperson said that the Committee's view was that the manner in which Alexkor operated was unsustainable. Alexkor was expected to plough back either to the state or to the community to alleviate poverty. Mandates may have shifted from time to time, but the Fourth Parliament's concern around Alexkor was that international bodies, such as Citigroup, had declared South Africa was the world's wealthiest mineral country. In short, Alexkor owned mineral rights and concessions but was taking no risk. The challenge was that communities were being plunged into poverty at the same time that minerals could be mined. The Committee envisaged Alexkor playing a role in the future, but the outstanding question was how Alexkor wished to play its role.

The meeting was adjourned for tea.

Equitable Access Campaign. The Muisvlak Manifesto
Mr George Nikolaai, Small-Scale Mining, Equitable Access Campaign (EAC) member, then outlined the Muisvlak Manifesto and briefed the Committee on the challenges experienced by Shallow Water Miners in the Northern Cape.

The small-scale marine diamond industry had been the bedrock of the Northern Cape coastal region's economy for decades but in the past ten years, the lack of equitable access, effects of climate change, resource depletion and operational costs had brought about decimation of the once vibrant sea-faring community.

Marine diamond concessions in the Northern Cape were either dormant or moribund. The small-scale marine miners alone possessed the means of extraction whilst the mining rights holders themselves, Transhex, De Beers and Alexkor, had no extractive capacity of their own. The rights holders chose rather to outsource the risk and effort to contractors and collect rent or when necessary, suspend operations, as shallow water mining was not their core business and they had access to other robust revenue streams.

The EAC was established by members of the small-scale mining community on 28 April 2010 at the Muisvlak Convention Centre, situated between Port Nolloth and Alexander Bay, in order to pursue the right of equitable access to the diamond resource of the adjacent Atlantic Ocean. The community's right to equitable access was enshrined in the Bill of Rights.

The EAC strove to hold the Government accountable in terms of the BEE Mining Charter and MPRDA for the sake of saving the small-scale marine mining businesses and their dependent communities in this region.

The EAC was committed to uniting the NC small-scale marine businesses and encourage the return of skilled miners to the industry; establishing the Small-Scale Marine Diamond Miners Co-operative; identifying and targeting marine concessions not fully utilized; engaging with mining rights holders;
using lawful and ethical leverage where necessary to force transformation in the spirit of nation building;
ensuring that equitable access extended down the value chain; and ensuring that the diamond diving heritage of the community was shared by partnering with tourism and cutting industries.

There were a total of 52 marine concessions stretching from the Orange River mouth to Doornbaai of which 43 were held between Alexkor and De Beers; six were held privately and three were vacant. Only 13 were active and 39 (75%) were dormant. Unemployment in 2001 before the collapse of the diamond industry was 47% and was expected to be far higher today. Climate change had reduced sea days from 150 in 1999 to 13 in 2009.
The establishment of a state mining company would make the BEE charter a reality at least for the Namaqualand area.

The EAC believed that there was no longer place for the middle men, Alexkor, De Beers and Transhex, which were license holders of the marine concessions, especially in the shallow waters.

Mr Nikolaai added that personally he felt that the previous presentation by Alexkor had not sufficiently explained to the Committee the challenges in the Richtersveld community where the PSJV had not partnered the broader community as intended in the tender requirements. Also, the Social and Labour Plan (SLP) had not been furnished by Alexkor to the EAC members despite requests.

Mr Gavin Craythorne: Small-Scale Mining; EAC member, said that, in the West Coast, all current concession holders were given concession rights on the understanding that they would conduct optimal mining with their expertise and equipment. Around the 1980s, concession holders realized that mining of diamonds in the inshore surf zone of the West Coast was a risky and expensive business and therefore changed their business model from a centric controlled model to outsourcing. Today all concession holders on the West Coast outsource the mining of the gravel for diamonds. Contractors believed that this was not with the spirit of the original undertaking. Dormant mines did not affect the large miners. Further, a rental model rather than a developmental model existed, whereby the concession holders extracted rent from the very people who did the work. While not much that could be done about climate change and operating costs, much could be done about equitable access. Many colleagues had left to pursue off-shore oil and gas and many had become bankrupt. It was estimated that 70% of productivity had been lost. The EAC wished to avoid the total collapse of the industry.

Discussion
Mr Schmidt said that it would be worth investigating if the MPRDA was part and parcel of the problem. The problem had not only occurred in the coastal region but in the North West Province where diggers did not have access to diamonds. The basis of the regulation of mining had changed. Equitable access was included in the Mineral and Petroleum Resources Development Act (MPRDA) but the implementation of the Act appeared to be manipulated for the benefit of certain groupings and companies.

Mr Nikolaai said that the handing of concessions to various individuals during the old regime also contributed to the present decline of the industry. These individuals had made weak attempts to mine the shallow water areas with divers. Once the resource started to deplete, these companies began to outsource which gave birth to small marine operators and diving contractors. These operators had the expertise and took the risk but were without equitable access which was causing the communities who were directly reliant on diamond mining to suffer.

Mr Craythorne said that, with respect to the MPRDA, implementation was indeed a problem. The Government had been proactive with inspecting compliance with the Health and Safety Act but the concession holders themselves had not been subjected to compliance inspection. He added that Alexkor was the only concession holder which came anywhere close to compliance with the MPRDA and the BEE Mining Charter and was actively involved with operation of their concessions. The concessions which were of concern to the EAC were those which lay dormant. Concessions offered viable opportunity for small-scale marine businesses if there was no rent collector in the equation. The concession holding system was essentially a gatekeeper system which decided who would have access and on what commercial terms.

Ms Bikani said that in order to offer greater support to the EAC, it would be necessary to know who EAC was representing.

Mr Craythorne said that the EAC constituted all small-marine mining contractors in the Port Nolloth and Alexander Bay area. The Manifesto had been signed by around 90 of the contractors and thus the manifesto had the support of the small marine-mining community, as this was their only potential source of income and no other type of industries were in the area.

Ms Bikani asked if EAC had a viable business plan for the outcome of the exercise and if there had been a feasibility study to determine if the communities would in fact benefit.

Mr Schmidt agreed that an economic model was required. It appeared that the meeting point of economic finance and accessibility was at the heart of the problem. A proposal for the Northern Cape small diamond miners had to include a workable model in order to individually, or collectively, as a viable entity with security of tenure, approach a bank for surety for equipment.

Mr Craythorne said that small business development companies would no longer fund small-scale marine businesses as they had in the past lost money due to sales and execution of the regional boats which they funded. Banks were also not likely to fund small-scale miners unless they had serious capital. He highlighted that the 30% which concession holders claimed from concessions was the difference between having a bankable business plan and not having one. It was a matter of mathematics. Within the diamond mining industry there were artisanal miners who mined diamonds in rock pools and these miners could easily survive with the basic diamond mining equipment. There were also high-end small-scale diamond miners who operated with sophisticated global positioning system (GPS)-guided mining. It was well within the capability, particularly of the sea-faring community in Hondeklip Bay and other areas, for small-scale marine miners to survive economically, if given access to concessions.

Mr Nikolaai added that small contractors who applied for contracts had to incorporate and train unskilled labour without assistance from the large companies. This had led to failure of a number of businesses.

Mr Marais asked if he understood correctly that the three large mines of the Rugtersveldt were not equipped to handle the marine operations – they were more equipped to handle land operations - and that concessions should not be given to the large mining companies but the contractors who carried all the risk. He asked how the broader community would benefit and if the contractors were equipped to handle the business and logistics side of the industry.

Ms N Mathibela (ANC) asked what the EAC's view was on having a state owned mine.

Mr Craythorne said that the state was the owner of the minerals and mineral rights and the middle man was the concession holder. Operating as a state-owned enterprise would give the small-scale marine miners the opportunity to transact directly with the state. Although 75% of concessions were silent partner middle-men, Alexkor was considered an active partner, not a silent partner. The West Coast small-scale marine miners would have a viable business case if the middle man was removed.

The Chairperson summarized that three companies had almost all mineral rights and this was part of the challenge to the MPRDA. The question for the Committee was why these companies were not sharing access to mineral rights with the formerly disadvantaged people. It appeared that the big companies were renting out their mineral rights to contractors who had to bear risks of employment, equipment costs and running of operations. The MPRDA and Constitution did not envisage this when it came to optimal utilization of mineral rights for the benefit of the people of the country. The Committee was aware that the EAC aimed to unify the small-scale mining companies and establish a state-owned mining company.

Ms Ngele asked if the small-scale marine diamond miners were part of PSJV and what was actually meant by 'a very small area of the community involved in PSJV'.

Mr Craythorne said that small-scale marine miners were not part of the PSJV. When the PSJV referred to the community, they were referring to a specific sub-set of the community who were the Rugtersveldt community who were involved in the lands claim. It did not include the broader community.

Mr Sonto asked if small-scale mining companies mined in shallow or deep sea water and if small-scale mining replaced the large mining companies, they would have the expertise, equipment and manpower to do so.

Mr Craythorne said that sea concessions lay in depths beyond the reach of small-scale marine miners. Decompression constraints became severe as the depth increased. Small-scale marine mined in depths from 0 – 27 metres, which were 'a' and 'b' concessions. There was no mining tool that had been developed which had the dexterity of a diver who manually controlled a nozzle underwater. In the past ten years R60 million had been invested to develop remote mining technology for shallow waters, with no success. Thus, with the current technology, the diver in shallow water was unassailable.

The aim was not to replace the large mining companies but to gain equitable access. The EAC believed that where concession holders were not developing their concessions and where concessions lay dormant, those concessions should be withdrawn from those concession holders. From an operational point of view, not one concession holder was a shallow water miner. They employed contractors to do the mining from beneath the sea and were involved to varying degrees from the point from where the mineral was mined, the sorting process or by issuing contracts.

Mr Craig Cooke, EAC member, said that it was important to understand that mining rights were allocated only after an Environmental Impact Analysis and SLP were in place. Alexkor was required to have an accessibly SLP at all times and it was unacceptable for a rights owner not to have their SLP in place. Until unethical manipulation for mining rights was removed and direct access was granted to small-scale marine miners, the spin-off to the community would not be felt and concessions would remain dormant. It was up to the Committee to understand that the companies themselves did not have expertise for marine mining.

Ms Bikani said that the issue of mining rights, the marine mining industry and their community was on the Committee table. The enlightening information received that day would be correlated with the information received from Alexkor and this would be a focus for the Committee.

The Chairperson said that the Committee was aware of the challenges presented and would engage with the Department on MPRDA amendments. The fact that 75% of concessions lay dormant was

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REPORT TO THE PARLIAMENTRY PORTFOLIO COMMITTEE ON MINERAL RESOURCES:

TRANSFORMATION & SUSTAINABILITY

in the

NORTHERN CAPE

DIAMOND DIVING INDUSTRY.

REVEALING THE COST OF FAILURE TO PROVIDE EQUITABLE ACCESS TO THE NORTHERN CAPE SHALLOW WATER DIAMOND RESOURCE AS PROVIDED FOR IN THE MINING CHARTER AND THE MINERALS & PETROLEUM RESOURCES DEVELOPMENT ACT.

JULY 2013

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights

of

Small-scale Marine Diamond Miners

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Equitable Access Campaign

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Transformation & Sustainability in Shallow Water Mining

INTRODUCTION

At Parliament on Tuesday the 23rd of July 2013, a brief meeting was held between representatives of the Equitable Access Campaign and the Acting Chairperson of the Portfolio Committee on Mineral Resources, Honourable Ms Faith Bikani and Ms Ayanda Boss. George Nicolaai, Joseph Klaasse and Gavin Craythorne had travelled from Alexander Bay to Cape Town in response to an invitation by the Portfolio Committee to attend a two day workshop scheduled for the 23rd and 24th of July 2013.

The purpose of this ad-hoc meeting was to register our deep disappointment after the workshop had been cancelled at 18h30 upon our arrival in Cape Town on the eve of the workshop and to make an appeal to Honourable Bikani regarding the plight of our industry for which the EAC has been struggling patiently over three years to get attention.

We would like to express our sincerest gratitude to Honourable Bikani for her patience and empathy in listening to our concerns and hereby present this report in response to her request for further information.

EXECUTIVE SUMMARY

The diamond diving industry is a unique sector of the global diamond mining industry and is indigenous to South Africa and Namibia. There are no other places on our planet where diamonds are mined from the seabed by divers. These diamonds are amongst the most sought after gems in the world, having survived the process of natural selection during the arduous journey from their source to the sea which destroys all but the highest quality diamonds.

One would think that the seaside towns and villages where these diamonds are found would be thriving with successful diamond divers, cutters and polishers, jewellery craftsman and tourism entrepreneurs. Tragically they are not.

The towns and villages along the Northern Cape littoral are among the poorest in South Africa with unemployment at unbearably high levels and Hondeklipbaai at a staggering 60% unemployment. The diamond diving industry is a shadow of its former self and what remains of it today is so structurally imbalanced that practically the entire mining work force is concentrated on only 27% of the concessions. More than two thirds of the concessions are effectively dormant with no job creation, skills development or any other form of mining benefits for the community.

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In order for the exceptional economic potential in the diamond diving industry to be unlocked there has to be enforcement of compliance to the Mining Charter and the MPRDA. It is clear to all reasonable people that the objectives of the Charter and the Act are entirely appropriate for combating poverty, inequality and unemployment in South Africa.

Why then, in an industry wherein the Charter and the Act could make such a dramatic improvement in the socio-economic conditions of so many people, is there such an obvious lack of compliance? The EAC believes that the answer lies in a complete lack of merit on the part of most concession owners, a lack of interest on the part of the Department of Mineral Resources and a lack of awareness on the part of Parliament.

The unique specialised technology and inner workings of our industry are simply not understood by those in whose hands the development thereof has been placed. Companies and individuals with no experience, no qualifications, no technical expertise and no aptitude cannot comply with the conditionalities of shallow water mineral rights ownership, perform the optimal exploitation of the resource and deliver sustainable economic development without the collaboration of the diamond diving community.

This dynamic has led to the decline mentioned above as the non-performing concession owners simply hoard their shallow water diamond concessions. There is currently only one shallow water concession owner who enjoys such collaboration and that is Alexkor.

Any concession holder that is unable to execute its mine works program or deliver on its SLP commitments has a moral obligation to the country to surrender its mineral rights or lose same under section 47 of the MPRDA.

The purpose of this document is to highlight the following:

1. The plight of the diamond diving industry.
2. The lack of Charter compliance by non-performing concession owners with particular emphasis on their failure to provide equitable access and thereby causing the decline of the diamond diving industry with the destruction of numerous small scale mining businesses and jobs.
3. Their failure to transform, failure to utilise the resource and failure to deliver meaningful mining benefits to the mine communities.

4. The lack of respect for the dignity of the mine communities of Alexander Bay, Port Nolloth and Hondeklipbaai as demonstrated in the unwillingness of concession owners and government officials to engage meaningfully with the EAC to address the plight of the diamond diving industry.
5. The massive structural imbalance and absolute necessity for structural reform in the diamond diving industry.

OVERVIEW

The EAC is presenting herein an in depth view of the diamond diving industry taking into account its recent history, the current state and the future prospects. The lens through which we take this view is the Mining Charter.

The formation of the EAC was a response to the decline of the diamond diving industry by people from within the industry with many years of dedication to it and a deep understanding of its unique inner workings.

Over the years, many people have come and gone in the diamond diving profession, some more than once but the depletion of the low hanging fruit coinciding with the arrival of climate change has brought about a harsh new reality in which a steep decline in seadays coupled with extreme weather events make diving for diamonds a very challenging and high risk enterprise with success unsure, even for those with the “right stuff” ie.

- Highly experienced.
- Highly dedicated.
- Highly professional.
- Well equipped.
- Highly risk tolerant.

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The graph below is based on official data collected by Alexkor since 1996 and illustrates the extent to which our industry, with arguably the smallest carbon-per-carat footprint in diamond mining, has been impacted by climate change.

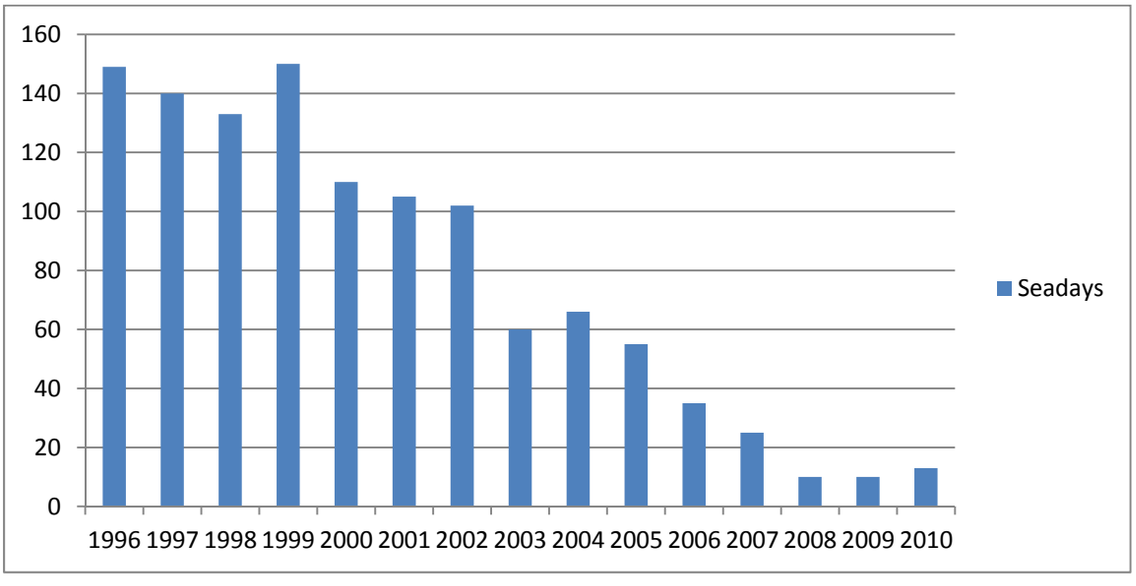

Figure 1. Climate change impact on seaday frequency.

As a consequence our industry has declined dramatically as it lost many mining vessels in storms and diving professionals who migrated to the offshore oil industry. The cost to South Africa is not just the loss of highly skilled professionals, but also the loss of tax revenue as they are exempted from paying tax.

The lost productive capacity has not been replaced due to a lack of interest by investors and young divers for whom the industry appears to be a lost cause.

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Transformation & Sustainability in Shallow Water Mining

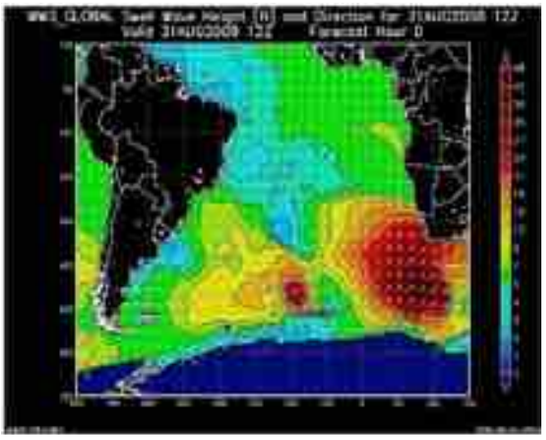

Plate 1. Extreme weather system in September 2008 which destroyed 8 vessels in Port Nolloth harbour.

Plate 2. 2 of the 8 vessels destroyed in 2008. A further 3 were lost in 2009, and 1 more in 2011.

What gives the EAC cause for alarm is the lack of concern on the part of the Northern Cape shallow water concession holders and the Department of Mineral Resources who continue to ignore the impacts of climate change and resource depletion on diamond diving contractors in the face of alarming evidence-based information flowing from the EAC.

Our belief is that the only intervention which has the power to overcome the negative impacts of climate change and resource depletion is the establishment of full and equitable access to the Northern Cape marine diamond resource.

The BROAD BASED BLACK ECONOMIC EMPOWERMENT MINING CHARTER (Mining Charter) and the MINERALS & PETROLEUM RESOURCES DEVELOPMENT ACT (MPRDA) are emphatic on the urgency for South Africa to prioritise transformation and sustainability in the mining sector through equitable access to mineral resources while the imperative for shared economic growth within a developmental economy to combat inequality, unemployment and poverty is prioritised in the NATIONAL DEVELOPMENT PLAN.

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PROFILE OF THE EAC

Where it started

"Julle beteken absoluut niks nie en die charter beteken ook niks nie want julle het geen politike mag nie!"

The Equitable Access Campaign is an organisation that came into existence on 28th April 2010 at a meeting of concerned members of the Northern Cape diamond diving community. The event was an overdue response to the troubling state of the industry and the decline that has taken place over the past decade.

The purpose of the meeting was to set in motion an intervention to prevent further decline and to rebuild the industry in such a way so as to take full beneficial advantage of Namaqualand's marine diamond endowment in the best interests of the diamond diving community, the broader mine community, the public good and of nation building.

This intervention took the form of a humble but determined undertaking to bring about the establishment of equitable access right across our remote sector of the mining industry by taking our government at its word and using, to the full extent possible, the powers available to us through the BEE Mining Charter and the Minerals & Petroleum Resources Development Act.

Our founding principles were set out in a document called the MUISVLAK MANIFESTO, a copy of which is appended hereto as Appendix 1.

At a series of special town hall meetings held in Port Nolloth shortly thereafter, the EAC introduced itself to the rest of the shallow water mining community and presented the Muisvlak Manifesto which was duly endorsed in full by all of the BEE small scale marine mining companies of the Northern Cape, proof of which is appended hereto as Appendix 2.

The words in quotation marks at the start of this section are those of Mr Archie Ovies, a coloured diamond diving contractor who, after many years of struggle and financial losses in our industry, has become disillusioned. His statement, in our view, is the most profound demonstration that the diamond diving industry is being failed by those charged with its regulation and compliance. The EAC gave all of those present at the meeting an undertaking to strive for the transformation and sustainability of our industry, giving our best efforts at all times and to go the distance.

A noble principle arrives in South Africa

All of us, who struggle to win diamonds from beneath the sea, know instinctively that we are on the sharp end of an unjust system. We are a seafaring mine community with highly specialised expertise, impeccable BEE credentials, an impressive track record, living next to a diamond resource which only we are capable of mining, yet which resource is rendered largely worthless by lay outsiders from afar who hold the mining rights. And what are we to make of the spectacles involving ex-convicts who now ride around in Lamborghinis because they "can organise mineral rights"?

It was only with the promulgation of the MPRDA and the opportunity to study it that we would find the words we needed to properly describe what it is about our industry that makes it unjust and they are on the front page of the Act in the very first sentence.

"TO MAKE PROVISION FOR EQUITABLE ACCESS TO AND SUSTAINABLE DEVELOPMENT OF THE NATION'S MINERAL AND PETROLEUM RESOURCES"

The presence or absence of equitable access will determine the success or failure of the entire mining industry in South Africa. Without it there can be no transformation, therefore no stability and therefore no sustainability.

Membership

The EAC has a membership of fifty-three diamond diving contractors, all of whom have a minimum BEE shareholding of 50%. A break-down of the black ownership of our members is given in Appendix 2.

All of our members are bona fide diamond diving contractors who have been active in the industry for periods ranging from 10 to 30 years but none of whom have their own mining right. Consequently they must mine on behalf of a small elite group of concession holders, most of whom are resident either in Kimberly or Cape Town and none of whom are diamond divers.

There are no membership fees and the only requirement for membership is that you share the vision for rebuilding the Northern Cape diamond diving industry into one that is transformed and sustainable in accordance with the objectives set forth in the Mining Charter. The EAC's membership base consists in 100% of the BEE diamond diving contractors active in the Northern Cape and serves as their industry voice.

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Operations

The EAC has a chairman in the person of Mr Joseph Klaasse, a secretary in the person of Mr George Nicolaai and a technical adviser in the person of Mr Gavin Craythorne. All three are volunteers who offer their time, effort and personal finances in service to the diamond diving community in pursuit of rebuilding a prosperous industry with shared mining benefits for all. All three are local residents and operationally involved in diamond diving with many years of experience.

Contribution to Transformation& Economic Development

The economic value added by our members to the Northern Cape's shallow water diamond resource is confined to the concessions owned and operated by Alexkor, for the indefensible reason that there is no equitable access to the other concessions that are owned by Trans Hex and Mrs Ina Visser.

To our knowledge, there is only a small group of three white-owned diamond diving companies who contract to the above concessions owners and consequently they have more than 70% of the entire Northern Cape diamond resource to themselves. It is possible that they choose to mine for these concession owners in order to avoid Alexkor's Charter aligned BEE requirements. Diamond diving contractors wishing to mine for Alexkor must submit copies of CK1 forms, partnership agreements, employment contracts and audited financial statements before being awarded a contract and this may be the only reason why these contractors avoid Alexkor.

It is of concern to the EAC that the outcome of this difference in approach to transformation by our concession owners may have produced the racial split that now defines the difference between contractors who mine for Alexkor and those who don't.

In addition to our members' achievement of a transformed group within the mining sector they have made a meaningful economic contribution to the local economy and provided the considerable profits that have kept Alexkor solvent during the hiatus in land mining.

Taking a ten year review from 2001 to 2010 our members delivered the following performance:

- Produced R1.35 billion worth of diamonds at the mine gate.
- Provided an operating profit of R581 million to Alexkor.
- Provided R90 million in royalties to the Department of Minerals and Energy.
- Provided approximately R6.5 billion worth of diamonds at the retail level.

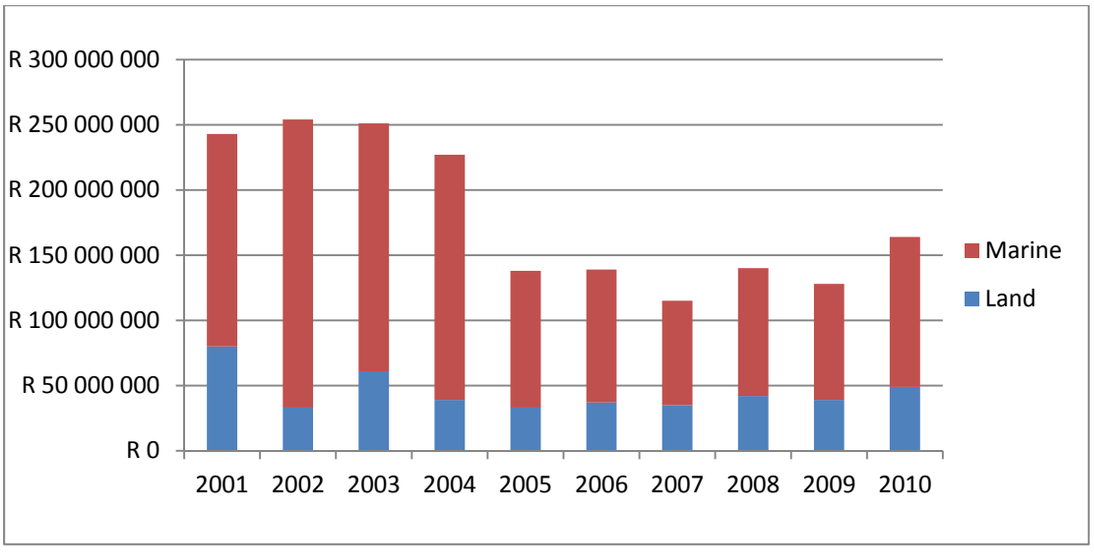

Figure 2. Diving Contractor production v. Terrestrial.

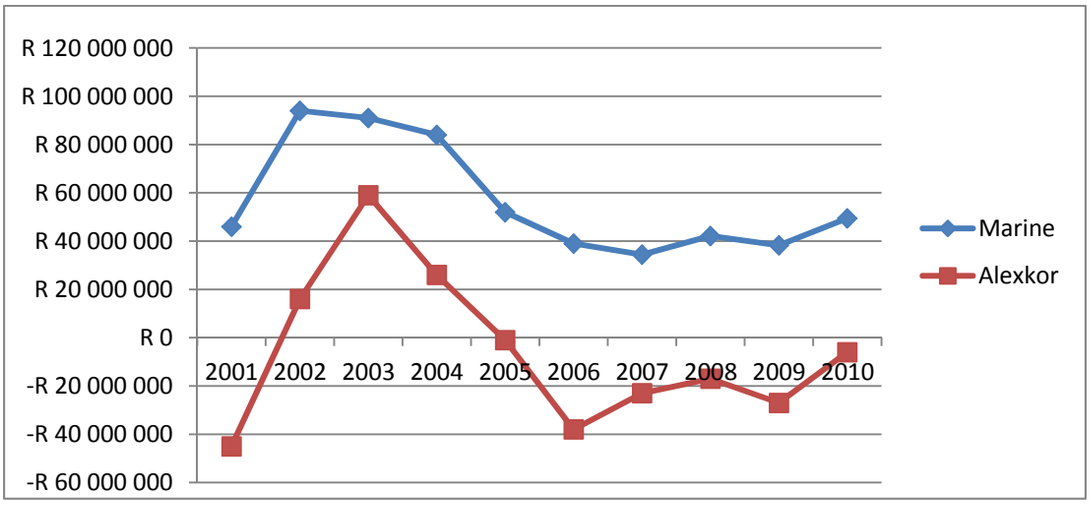

Figure 3. Alexkor's Diving Division operating profit v. the company's overall operating profit.

In addition to the above, the EAC members as a group are the largest employer in the region, employing approximately 450 people from the mine community.

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MINING CHARTER REVIEW

In August 2011, the Parliamentary Portfolio Committee on Mineral Resources, chaired by Hon. Fred Gona, conducted public hearings in order to review the Mining Charter. The big question the review asked was:

WHAT PROGRESS HAS BEEN MADE TOWARDS THE ATTAIMENT OF THE OBJECTIVES OF THE MINING CHARTER AS MEASURED AGAINST THE NINE CHARTER ELEMENTS?

The entire diamond diving industry is structured in two tiers. There are the concession owners who hold the mining rights and there are the diamond diving contractors who do the mining. The Charter review was primarily aimed at those who own the mineral rights, as in the normal course of things they are naturally also the miners. However, no shallow water diamond concession holders attended the proceedings to give an account of their progress in terms of Charter compliance.

As a result, the EAC was the only organisation from the diamond diving industry to have attended and indeed to have made a submission. The following is the EAC's assessment of our industry as measured against the nine Charter elements.

Charter Element 1: Ownership

BEE OWNERSHIP

As mentioned previously, the diamond diving industry is a two tier model with the sparsely populated top tier holding all of the mining rights. To the extent that those entities reclining in the top tier are themselves transformed, it could be argued on a purely technical level, that ownership of the shallow water mining industry has been transformed and the diamond diving contractors would have no quarrel with that if they were complying with the Mining Charter and the Act.

Unfortunately this is not the case and the result is a significant lack of development on the concessions outside of Alexkor's portfolio which differentiates them quite markedly from those within. Whatever the current state of BEE ownership in the top tier may be, there is no ownership within the bottom tier which is populated with all of the miners who do the actual mining.

CONCENTRATION OF OWNERSHIP

The Northern Cape diamond diving industry's mineral rights are concentrated between Alexkor, Trans Hex and Mrs Ina Visser. Our entire industry is therefore owned by one state owned enterprise, one listed company and one retired individual, none of whom are even diamond diving companies and only one of whom is actually a resident of the region.

Alexkor	Trans Hex	Mrs Ina Visser	Total
4 A-concessions	3 A-concessions 6 Admiralty strips	2 A-concessions	15
27%	60%	13%	100%

Table 1. Concentrated ownership pattern of diamond diving mineral rights in the Northern Cape.

It is important to note too, that Trans Hex also is the holder of a further four shallow water concessions in the Western Cape and ten deep water concessions across both provinces.

Charter Element 2: Procurement & enterprise development

Alexkor is the only procurer of BEE contract diamond diving services in our industry and by far the greatest enterprise developer. It is already well within the 2014 Charter requirements. The other concession holders have failed abysmally in terms of this Charter element as illustrated in the table below.

Concession holder	Small-scale miners	Percentage of SSM's	Black ownership
Alexkor	53	93%	80%
Trans Hex	2	5.3%	0
Mrs Ina Visser	1	1.7%	0

Table 2. BEE procurement & enterprise development by concession owners in the Northern Cape.

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A staggering ninety-three per cent of the Northern Cape diamond diving industry's productive capacity is concentrated on only 27% of the resource area while a mere 7% enjoys the remaining 73%. This incredible structural imbalance is the largest obstacle in the path of rebuilding a sustainable diamond diving industry.

In less than six months' time, at least 70% of every mine's service providers, including diamond diving contractors, must consist in qualifying BEE companies as per the revised Charter. We are of the view that the current situation on the Trans Hex and Ina Visser concessions cannot change materially without a structural reformation based on the objects of the MPRDA and the nine elements of the Mining Charter.

This will, in addition to enabling equitable access, clear one of the major blockages to enterprise development in the diamond diving industry and that is funding. It is extremely difficult for SME's to raise project finance in an industry that is unstable, unbalanced, uncoordinated and unsustainable.

Charter Element 3: Beneficiation

Beneficiation could be a powerful driver for economic development in our coastlands because of the excellent marketing synergies waiting to be exploited between the diamond diving industry and the tourism & hospitality industry. Diamond diving is a unique and fascinating industry to the outside world. As such, the economic development case for special interest tourism based on the diamond diving industry is compelling.

There is great interest across the globe to learn about unique and interesting professions and diamond diving has its fair share of mystique and human interest potential.

Unfortunately there can be no exploitation of this potential without a prosperous diamond diving industry. Currently, no beneficiation takes place anywhere along the west coast and no retail diamonds are available to boost tourism. The incongruity of not being able to buy a diamond in a diamond producing town was commented on by the columnist Ben Trovato in his column of 6 July 2006. A copy of which is appended as Appendix 3.

The tourist-drawing power of marketing the industry as a specialist tourism package based on a diamond diving route from Hondeklipbaai through Port Nolloth to Alexander Bay has immense job creation potential for the region. To make this a reality will require a healthy and vibrant diamond diving industry fused to a healthy and vibrant local cutting and polishing industry in order for tourists to be able to learn about the complete value chain from seabed to finger and to have access to buy our unique and high quality diamonds.

Plate 3. Diamond diver at work on concession 2(a)

Plate 4. 1200 carats of gem stones mined on concession 2(a) in October 2011.

An important "soft" dimension to this Charter element is the capacity it has to inject a higher sense of pride with greater levels of motivation and morale into the diamond diving community which is deprived of the opportunity to sort, beneficiate, market and sell their diamonds. It is akin to a surrogate mother who has to give up her children at birth every time diamonds spill across the sorting table only to be taken away by the concession owner's product handler, never to be seen again. The current setup kills a lot of the thrill of diamond diving.

Charter Element 4: Employment equity

As an SOE, Alexkor has been very progressive with respect to this element as one would expect. With regard to what is taking place in the top tier of the industry to the south, we are not privy to those matters; suffice to say that within the bottom tier it seems to be non-existent as we are unaware of any HDSA diamond diving contractors, divers, skippers or supervisors working there at the present time. On the Alexkor concessions the converse is true.

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Charter Element 5: Human resource development

The extreme lack of human resource development in the diamond diving industry is the second largest obstacle to restoring its sustainability and requires immediate attention in order to up-skill the work force to be able to take advantage of the highly sophisticated new technologies being developed locally and internationally.

Phenomenal advances in the fields of underwater survey, underwater excavation, non-contact mechanized mining, precision GPS guided mining, diver dredging systems, hydraulic systems, diesel engine technology, ship building, mixed gas diving, geographical information systems and computer technology are providing our industry with tools capable of rebooting it and overcoming the challenges of climate change, lower grades, deeper water and deeper overburden.

SEAGOING PERSONNEL

The industry's focus for the past three decades has been on the low-hanging fruit, the easy diamonds that are located in shallow water, with little or no overburden and in rich concentrations. These shallow high-grade/low-volume deposits are coming to an end now and a long term sustainable future for the industry can only be achieved by economically mining the low-grade/high-volume deposits lying in deeper water and under many metres of sand overburden.

Our industry to date has primarily utilised two types of low-technology vessels in the form of ski-boats and under 25 tonne deck-boats. These vessels are highly effective in mining low-hanging fruit under environmental conditions where the operational requirement is agility and minimal draft. They are cheap to build, cheap to operate, cheap to maintain and require no specialist technical expertise on the part of operators.

Plate 3. Two 35 foot ski-boats working outside of Alexander Bay

Plate 4. An under 25 tonne deck-boat working on concession 1 (a)

The focus has now begun shifting towards the deeper low-grade/high-volume gravel deposits which require large, highly sophisticated excavator vessels capable of penetrating the sand overburden, mining and screening large volumes of ore, handling high gravel flow rates and transporting large volumes of heavy material over long distances, often in adverse weather.

Plate 5. The 50 tonne excavator vessel Ocean Heritage being launched at the Tallie Marine boat yard in St. Helena Bay in January 2012.

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In 2003, Alexkor in an industry first, conducted an underwater high-resolution multi-beam sonar survey. The impressive results of that survey clearly indicated that the shallow water deposit we have relied upon for over three decades is only the tip of the ice berg and that most of the ore-body is actually lying beneath sand.

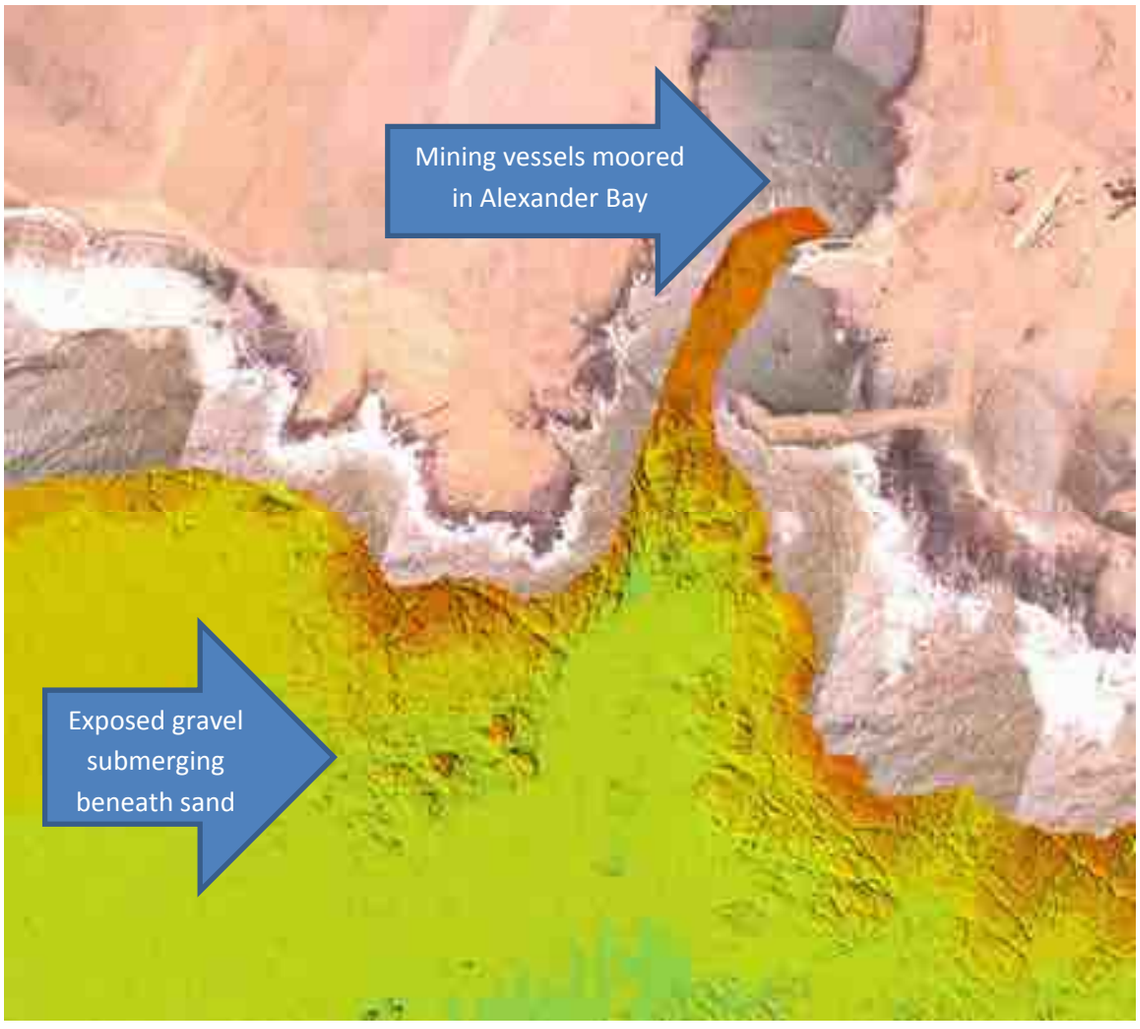

Plate 6. Multi-beam sonar survey of entrance to Alexander Bay harbour showing exposed shallow water gravel deposit submerging beneath sand.

The sustainability imperative for a shift to deeper water to mine deposits buried under sand poses a dilemma for the industry. The exodus of professional diving personnel to the booming offshore oil & gas industry in West Africa has created a severe shortage of qualified divers, diving supervisors and skippers. This problem is greatly compounded by the fact that diamond diving contractors have to run extremely lean teams of personnel to keep costs low. This can only be achieved by employing multi-skilled individuals who have the qualifications and ability to take on multi-rolled positions as we cannot afford dedicated skippers, supervisors and divers and therefore need to fuse these responsibilities together.

This situation becomes far more of a challenge going forward into an industry as described above wherein much higher levels of maritime training standards need to be met together with the simultaneous introduction of a whole new range of highly technical skills that diamond diving contractors will have to acquire.

It is an understatement to say that our industry has a massive technical skills deficit which will require an extraordinary and coordinated joint intervention from the contractors, Alexkor, government and training institutions to address appropriately.

SHORE-BASED PERSONNEL

The vision the EAC has for the future of diamond diving is one in which our entire resource endowment is mined optimally in a safe, responsible and scientifically coordinated way that ensures its long term sustainability. The only way to achieve this is with a high level of situational awareness over many diverse sources of mine enterprise information.

This requires the implementation of a good, robust mine data solution for resource management, map datasets, GPS location tracking, gravel production, carat production, regulatory compliance, health & safety and emergency rescue planning and coordination.

Alexkor is the only concession holder to implement such a system and train the personnel to manage it.

Charter Element 6: Mine community development

The lack of mining development on most Northern Cape diamond diving concessions over the past decade has severely retarded mine community development in Port Nolloth and devastated Hondeklipbaai. They are diamond diving harbours that have lost their diamond

boats and diamond jobs. Alexander Bay has fared much better as it has become the beneficial host of an industry that has relocated its centre from Port Nolloth.

The EAC is convinced that a structural reform of the diamond diving industry will lead to a dramatic improvement in the socio-economic conditions for people living in Port Nolloth and Hondeklipbaai as it is inconceivable that the shared growth from a prosperous new mining industry would have no impact.

Charter Element 7: Housing and living conditions

The Alexkor diving contractors are divided between those that choose to stay in Alexander Bay and those that choose to stay in Port Nolloth. Those that stay in Alexander Bay are provided housing that is modest but adequate and have to pay rent that is very competitive while those that live in Port Nolloth either own houses or rent from the public sector at rates which are more market related.

Charter Element 8: Sustainable development and growth of the mining industry

"Sustainability considerations are rooted in the South African Constitution which is the basic social contract that South Africans have entered into." King III Code of Corporate Governance.

It was the loss of the sustainability of the diamond diving industry that was the catalyst for the formation of the EAC in April 2010, one year before the announcement by Trans Hex of the Namaqualand Mines transaction.

In the period between the formation of the EAC and the announcement of the deal, the EAC made a concerted effort to engage meaningfully and in good faith with all three holders (at the time De Beers was still the holder of various sea concessions) of the concessions between Kleinzee and Groenrivier and was unsuccessful on all three accounts due to a refusal by the concession owners to engage.

The fact that the shallow water mining industry has been in decline is well known by all of the stakeholders. The only organization to have stood up and set about doing anything is the EAC. For more than three years we have been politely and diligently trying to land the message that the combined effects of climate change and resource depletion are an existential threat to our industry and that the option of doing business as usual is not sustainable. Time and time again, we have been dismissed.

In contrast, the Alexkor Contractor Representative Body which liaises with Alexkor on behalf of the land and marine diamond contractors successfully negotiated a recalibration of the deal splits on diamond revenues in order to align them with the different economies across the different mining areas. This was essential to relieve the pressure on high grade marine areas and bring about a more evenly spaced mining effort with a blend of high and low grade ores which avoided a repeat of the disastrous high grading that took place on the land.

Diamond diving is a unique, almost arcane profession. The resource memory and specialist expertise needs to be passed on to the next generation of diamond divers as a matter of urgency in order to preserve it. This is not currently possible as there is no interest from rookie divers, all of whom want to pursue a career offshore in the oil and gas industry. This knowledge, if lost, cannot be replaced as it will not be found in the text books of mining engineering students at Wits or geology students at UCT. It is not recorded anywhere. The importance of knowledge management to sustainability is obvious.

The evidence of decline cannot be denied, nor can it be claimed in the future that “we did not know”. It is right here in this document, in the empty harbours of Port Nolloth and Hondeklipbaai, on the beaches where the wrecks of mining boats lie after severe storms and in the poverty, inequality and unemployment within our mine communities.

The jetty infrastructure at Hondeklipbaai harbour has been totally destroyed by the extreme weather of the past few years and has not been rebuilt. Instead of investing millions of rand in dead-end projects like the mariculture park in Port Nolloth, investments should be directed at infrastructure that supports the diamond diving industry, such as replacing the condemned crane at Port Nolloth harbour and rebuilding the jetty in Hondeklipbaai.

Such modest infrastructure could have been funded by reinvesting a small portion of the mining royalties generated by the diamond diving contractors back into the industry.

The shallow water mining potential for vessels operating out of Hondeklipbaai harbour is exceptional with the potential to create many jobs for unemployed crewmen living in the town due to its strategic location in relation to concessions 6(a), 7(a), 8(a) and 9(a) (See figure 4). At present though only one ski-boat is operating on concession 7(a) which has to run gravel onto the beach with a rubber duck and then carry the gravel by hand up to the road for loading onto

a truck. This truck then has to travel approximately 250km to De Punt to deliver the gravel for processing at the Trans Hex plant.

There are no vessels operating currently on concessions 6(a) and 8(a) while one vessel is steaming up from Lamberts Bay to concession 9(a), a distance of 155km taking 11 hours. During rare periods of good diving weather when seadays arrive in series of three or more, this vessel has to travel back to Lamberts Bay to offload and then misses the remainder of the flat spell. The absence of any harbour facilities in Hondeklipbaai will prevent any meaningful development of concessions 6(a), 7(a), 8(a) and 9(a) which amounts to 45% of the (a) concessions.

The diamond diving industry is not sustainable with 93% of the productive capacity concentrated on 27% of the resource.

Charter Element 9: Reporting, monitoring and evaluation

When one looks at the magnitude of the structural imbalance in our industry as revealed in table 2, the two questions which beg asking are:

- Who has been reporting, monitoring and evaluating?
- What have they been reporting?

It seems to us that our industry has been unfairly neglected. Perhaps this is due to our remote location or our lack of headline-grabbing activism. There is also a perception, not unfounded we believe, that the DMR pays to much attention to matters that involve politically connected people and ignores those that don't. This perception is what gives rise to the type of disillusionment expressed by Mr Ovies which we quote again here in closing.

"Julle beteken absoluut niks nie en die charter beteken ook niks nie want julle het geen politike mag nie!"

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Transformation & Sustainability in Shallow Water Mining

Figure4. Diagram of concessions and key harbour towns.

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THE MUISVLAK MANIFESTO

PREAMBLE:

The Northern Cape small-scale marine diamond industry should be structured in a manner that gives effect to the principle of equitable access.

This is a rational and legitimate expectation for the community to hold and it is also our government's overarching policy objective in terms of the BEE Mining Charter and MPRDA. Furthermore, the community's right to equitable access is enshrined in the Bill of Rights.

The reality is that many of the marine diamond concessions in the Northern Cape are either dormant or moribund due to the absence of equitable access for the Diamond Diving Community which owns the means of production whilst the rights holders themselves have no extractive capacity of their own, choosing rather to outsource the risk and effort or close their mines. This wide spread lack of commitment on the part of most concession holders is made possible by the fact that shallow water mining is not their core business and their focus lies elsewhere in distant locations.

It is profoundly harmful to our community that such a vast and valuable national asset can be rendered largely useless by the actions of a small stubborn group who refuse to accept the harsh new reality facing the industry.

The EQUITABLE ACCESS CAMPAIGN was established by members of the Diamond Diving Community on the 28th of April 2010 at the Muisvlak Convention Centre, situated between Port Nolloth and Alexander Bay, in order to restore the fortunes of the Northern Cape Diamond Diving Industry by fighting for equitable access to the diamond heritage located beneath the waves of the adjacent Atlantic Ocean.

We will strive to bring this about by undertaking the following.

COMMITMENTS:

1. Uniting all Northern Cape small-scale marine mining businesses in pursuit of equitable access to the province's marine diamond resource.
2. Identifying and targeting marine concessions that are not being utilized and developed in accordance with the BEE Mining Charter and MPRDA.
3. Engaging with the rights holders of these concessions in good faith in the hope of bringing about a friendly and orderly transformation and revival of the industry.
4. Where unsuccessful in this approach, using any and all means of lawful and ethical leverage to bring about transformation in the spirit of nation building.
5. Encouraging the return of skilled miners that have left the industry due to the decline in profitability and lack of equitable access and inviting newcomers to the industry by lowering the barriers to entry and offering mentorship programs.
6. Ensuring that the principle of equitable access extends down the value chain to small beneficiators by providing the State Diamond Trader with a constant supply of appropriate, high quality rough.
7. Ensuring that the unique diamond diving heritage of our community is promoted globally by partnering with the tourism and cutting industries in order to take advantage of the compelling synergies that exist between the three industries.

CONCLUSION:

The local diamond diving industry has been the bedrock of the Northern Cape coastal region's small business economy for decades. The lack of equitable access has resulted in the decimation of a once vibrant and unique seafaring heritage.

The Diamond Diving Industry should belong to those who built it. **Muisvlak - 28th April 2010.**

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DECLARATION

We, the undersigned small-scale marine mining businesses, support the Muisvlak Manifesto in full.

Small Mining Business	Black Ownership		Company Representative		Contact Number	Signature
ABUTI 1103	100%		Anita	Panizza	078-428 3017	
ALE VINCE DIAMONDS 1	100%		Vincent	Young	082-8060 814	
ALE VINCE DIAMONDS 2	100%		Vincent	Young	082-806 0814	
ALE VINCE DIAMONDS 3	100%		Vincent	Young	082-806 0814	
ALLUVIAL MINING 1		50%	Hermien	Rossouw	082-414 0008	
ALLUVIAL MINING 2		50%	Bonita	van der Berg	082-472 2487	
ALLUVIAL MINING 3		50%	Johan	Strauss	072-337 2050	
BBC DIAMONDS 1	100%		Ronny	Coraizin	083-612 2507	
BBC DIAMONDS 2	100%		Franscious	Bekeur	082-788 5053	
BDC DIAMONDS 1	100%		Bobby	Cloete	078-210 2933	
BDC DIAMONDS 2	100%		Fabian	Panizza	083-874 4750	
CCHR MARINE 1	100%		Roland	Saal	082-805 7089	
CCHR MARINE 2	100%		Freddie	Van Niekerk	073-782 6048	
CDH SEA DIAMONDS	100%		Fanie	Cupido	073-654 3169	
CIRRUS DIAMONDS 1	100%		Derek	Uys	083-633 5970	
CIRRUS DIAMONDS 2	100%		Calvin	Losper	072-173 1956	
CIVITATUS 1	100%		Tiemie	Daniels	083-639 6465	
CIVITATUS 2	100%		Gerald	Thomas	071-432 4662	
CIVITATUS 3	100%		Victor	Gansie	072-313 8794	
CIVITATUS 4	100%		Edward	Smith-Fielding	082-627 1257	
DESERT DREAM 1		50%	Ronel	Cockerel	083-232 1735	
DESERT DREAM 2		50%	Ricky	Labuschagne	Ronelle Cockrel 083 232 1735 082-374 4117	
GRAYSTONE TRADING 1		50%	Jaco	van Niekerk	074-116 9318	
GRAYSTONE TRADING 2		50%	Jaco	Van Niekerk	074-116 9318	
GRAYSTONE TRADING 3		50%	Jean	Kotze	079-499 2120	

Agenlin 2000cc M Nicholson (Budgie) 0829516594

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GRAYSTONE TRADING 5		50%	Kobus	Kotze	079-499 4119	
HENQUE 2885	100%		Rensie	Heever	082-364 7858	
JBDE DIAMANTE	100%		Eggy	Farmer	083-245 2761	
JETVEST 1	100%		Neville	Cornberg	082-951 6601	
JETVEST 2	100%		Deon	van Wyk	073-573 8688	
JOFERO DIAMONDS 1	100%		Cavin	Cloete	083-622 8225	
JOFERO DIAMONDS 2	100%		Daniel	den Heever	073-648 5153	
KANIVEST 3250		50%	John	Basson	083-234 6304	
LENCAVIC VENTURES		50%	Len	Schreuder	082-803 6925	
MULTI FACET 1		50%	Simon	James	084-250 8909	
MULTI FACET 2		50%	Simon	James	084-250 8909	
NXANTATHU		50%	Kobus	Kriel	082-576 6118	
OCEAN DIGGERS	100%		Gavin	Craythorne	083-630 1380	
ORANGE RIVER MINING		50%	Wayne	Cooke	082-574 9092	
QUADRO RATS MARINE	100%		Archie	Ovies	083-225 5027	
SEA RAVEN 1	100%		Reagan	Jacobs	076-885 9701	
SEA RAVEN 2		50%	Louwrence	Botha	079-510 9790	
SEASONS FIND 1		60%	Barend	Cronje	083-285 7543	
SEASONS FIND 2	100%		Thompie	van Wyk	083-490 4982	
SEASONS FIND 3	100%		Gerald	Arendse	083-411 4842	
SHARP MINDS 2		50%	Harry	Burnett	083-632 6357	
SUNGLIDE 39		50%	Bias	Hanekom	083-628 8909	
WEST COAST MARINE MINERALS 1		50%	Victor	Haynes	083-378 7913	
WEST COAST MARINE MINERALS 2		50%	Geoff	Lorentz	071-243 9778	
ZANZIBAR DIAMONDS 1	100%		Quinton	Cloete	072-172 9566	
JOFERO DIAMONDS 3	100%		GERT OPPERMAN		0765603822	

TOTAL BUSINESSES: 51

TOTAL BLACK OWNERSHIP: 79.41%

AREND GROBBELAAR ALABAMA 027854 7738

MINING-04-984

-2012-

It should be legal to pursue diamonds, as long

FINDING diamonds for Brenda in Port Nolloth proved more difficult than I imagined. Reluctant to disappoint her, I said it might be easier to find desperate people willing to trade gems for alcohol in Kleinzee.

The turnoff on to a dirt road was a few kilometres out of town and I braced my drinking arm for a long and bumpy drive. I needn't have bothered. Twenty metres down the road was a sign. It had a skull and crossbones and a warning from De Beers. Entry By Permit Only.

I geared down and floored the accelerator. Brenda yanked the handbrake; the brat Clive began screaming like a wounded animal and the car spun out of control.

The centrifugal force left everyone coated in a film of beer, and, much like the little dog, I laughed to see such sport. Sadly, not everyone felt the same way. Brenda demanded that we turn back, saying that we would be arrested or maybe even shot if we carried on driving. Clive had his head out of the window, mewling and puking like it was the end of the world.

BEN TROVATO

I said it must be some kind of mistake, that a mining company couldn't stop people from driving on a public road. Brenda insisted that we drive back to Port Nolloth and get a permit from De Beers.

If there is one thing I cannot abide, it's having to get permission for something that should be legal. Which in my book pretty much covers everything except paedophilia and Speedos.

Back in town, we found the De Beers office at the harbour where hawk-eyed men keep a close eye on the diamond boats. I walked inside and immediately felt the atmosphere stiffen.

People stopped what they were doing and eyed me suspiciously. I eyed them back, even more suspiciously. After all, I wasn't the one keeping an iron grip on the world diamond market. I wasn't the one ruthlessly manipulating the diamond price by controlling both supply and demand. I don't hire people and send them to work in appalling conditions while paying them a pittance. Well, there is this one person, but she only comes in on Mondays and Fridays.

A woman with a two-way radio in one hand and what looked like a rectal probe in the other came up to me and asked what I wanted.

I told her that I wanted to go to Kleinzee and she laughed the kind of laugh that De Beers employees develop once they have been in the cartel long enough to realise that the marketing slogan "Diamonds are forever" was aimed specifically at discouraging women from selling their diamonds. De Beers are highly agitated if anyone but them sells diamonds.

Back in the car, I told Brenda that we weren't allowed to visit Kleinzee or even pass through it at high speed. "I told you to shave," said Brenda, and refused to talk to me all the way to Lambert's Bay.

Clive seemed to have recovered because he started telling us that the town was named after a former

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ATTENTION: PARLIAMENT

PROTECTING THE INHERITANCE

A SITUATIONAL REPORT ON ALEXKOR

ABSTRACT

This report is dedicated to the honest, hard-working men and woman of the Namaqualand Littoral who have given their all to Alexkor's Shallow Water Mining Segment. It is a thorough, fact-based account of who the profit makers are and who the profit takers are within Alexkor State Owned Company. It is also an insider account of the decades of inequitable exploitation of the Diamond Diving Community and the Coastal Community's diamond resources, from the land and from the sea. Je suis Namaqualand.

Gavin J. Craythorne

26 November 2017

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights of Small-scale Marine Diamond Miners

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The title of this report was borrowed from the book of the same title edited by **Daniel Plaatjies**, sub-titled ***"GOVERNANCE & PUBLIC ACCOUNTABILITY IN DEMOCRATIC SOUTH AFRICA".***

My thanks to the editor and to all those who contributed to a volume of work that has provided me with the intellectual foundation upon which I could dare to think differently about the structure and governance of South Africa's unique Diamond Diving Industry.

On 16 November 2016 I attended Alexkor's briefing to the Portfolio Committee on Public Enterprises in Parliament where I was introduced to the Alexkor Corporate board and the Acting Chair, Ms Zukiswa Ntlangula. I was also introduced to the members of the Portfolio Committee and their Acting Chair, Hon. Zukiswa Rantho.

I had attended the briefing with the purpose of finding clarity on the strategic plan for Alexkor as the board's decisions seemed to be contradictory as communicated by the Chair and CEO in the then-current and preceding annual reports dating back to FY2012 (cf. exhibit-001).

On the one hand the board made it clear that Alexkor was legally and ethically responsible for and committed to ensuring the success of the PSJV as set out in the Land Claim Deed of Settlement. Yet on the other hand, it was also committed to finding a future independent of the PSJV despite having no funding at all to do so as all government funding and diamond revenue were to be strictly directed at rebuilding the core operations in Alexander Bay (cf. exhibit-002).

The costs of duplicating the administrative functions of Alexkor and establishing an office in Gauteng was identified as problematic by the shallow water miners as far back as June 2010 in a letter to the Acting Mine Manager, Mr Wiaan Basson (cf. exhibit-003).

It is extremely inequitable to expect the struggling people of Alexander Bay to fund a large, Gauteng based corporate business structure that is focused entirely on developing projects specifically intended to exclude them, at a cost of more than R40 million each year.

Furthermore, the board demonstrated poor judgement, a lack of industry knowledge and a recklessness regarding its duty of care in exercising custodianship of Alexkor's world class marine diamond assets which I unsuccessfully attempted to counter by providing a report on the Orange River Delta Mega Diamond Placer on 25 January 2016 (cf. exhibit-004).

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The board's reaffirmations over consecutive years of reporting that Alexkor would continue to drive the breakaway strategy by focusing elsewhere geographically and on the coal mandate, despite the increasing financial strain these efforts were placing on the core operations in Alexander Bay, was indicative of a board that was not structured in the interests of the company and its locked-in local stakeholders but rather, in the interests of a special interest group somewhere else.

The emergence of the coal mandate (cf. exhibit-005) theme and the apparent loss of interest in the marine mining assets coincided with the emergence of a countertheme, one of great interest in the marine diamond assets but from outside in the form of a consortium led by Dr Christo Wiese with the Trans Hex Group at its core.

The audacious ambitions of this consortium were set out in a presentation dated 8 August 2014 prepared by Questco, a corporate advisory firm based in Johannesburg, wherein a bold plan was unveiled to monopolise the entire Namaqualand Diamond Industry under the control of white monopoly capital based in Parow, Cape Town (cf. exhibit-006).

Furthermore, the reading together of these two opposite but complementary themes, not unreasonably, gave me the impression that the boards of Alexkor and Trans Hex are, and have been, secretly conspiring to loot the people of South Africa and Namaqualand out of a national asset of strategic importance.

The following account of an incident that occurred sometime afterwards, seemed to confirm my suspicion.

On the afternoon of 12 February 2016, I received a phone call from Mr Mzamani Mdaka who requested a meeting between himself, Mr Percy Khoza, who was the Alexkor CEO at the time and Mr Peter Schroeder, who at the time was exploring a partnership between myself and Mzamani to help my company Rapid Mining develop new underwater mining technology for which a provisional patent had been issued.

The meeting took place later the same afternoon at the Cape Grace Hotel at the Waterfront and during this meeting Mr Khoza informed Peter and I that he would be leaving Alexkor shortly for the coal industry.

He then offered that the Richtersveld Community has some "very powerful partners" and as the Community has a "first or exclusive option to purchase the whole of Alexkor", these "powerful partners" are trying to drive Alexkor's value down in order that they can purchase Alexkor for a bargain through the Community.

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He further said that he has not allowed this and has opposed the efforts of these “very powerful” partners and that he was leaving “before things get very difficult or nasty”.

A time is coming I believe, in two-to-three decades or so, when virtually every natural diamond produced in the world will be mined from the sea off the coast of Southern Africa, thereby establishing South Africa and Namibia jointly, as the last and greatest of the diamond producing nations.

I care very much that Namaqualand should share equitably in this world class diamond play developing off its shores and avoid the exclusion and environmental harm that defined the previous one which took place on its land.

The current moribund state of the South African marine diamond industry belies the astonishing magnitude and economic significance of the pristine diamond placer resource buried beneath the sediment lens of the Orange River Delta and the extended mud-belt.

To illustrate my point, in November 2015, South Africa hosted the Hydro2015 - International Federation of Hydrographic Societies (IFHS) conference at the Cape Town International Convention Centre.

As a delegate, I was present during the key-note address delivered by Mr Rob van der Poll of Fugro Canada who is the head of UNCLOS (United Nations Convention on the Law of the Sea). A segment of his lecture dealt with the maritime boundary dispute between South Africa and Namibia.

Unbeknown to most, this is a highly sensitive diplomatic issue which the two countries have been trying to resolve for decades to no avail. The reason for the difficulty in resolving this dispute is because of the massive diamond reserves through which the boundary must pass.

The stakes at play in this diplomatic drama are easy to grasp by looking at the slide from Mr van der Poll’s presentation in which he maps out the notional monetary value of the disputed territorial wedge (cf. exhibit-007).

The Alexkor board’s ill-conceived strategic objectives and the profound consequences thereof troubled me, and I developed a sense that the members were unaware of the magnitude of the strategic risks they were creating for Alexkor and the mine community.

At the Parliamentary briefing on 16 November 2016, it became apparent that my attempt to redirect the board’s focus to the marine diamond assets had failed and they continued to lobby the Portfolio Committee for support of the exit strategy (cf. exhibit-008).

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Shortly thereafter, I wrote to the Acting Chairperson of Alexkor to share my concerns and undertook also to provide a report detailing these concerns. I had hoped to be able to address my concerns in a friendly but frank way, this being the most efficient approach and the initial engagements seemed to indicate that this would not be a problem (cf. exhibit-009).

At the time, I believed that the Alexkor board was being manipulated by the PSJV board into underrating the potential for the marine diamond assets and said as much in my first email to Ms Ntlangula, in the hope that I could still get the primary board to take more interest in the core business of the SOC.

However, on Monday 12 December 2016, I was summoned to a meeting with the CEO and the company secretary of the PSJV during which it became clear that my concerns were simply being redirected to the very people my concerns were about. I was threatened with the cancellation of the contract under which I operated and civil action if I continued to interfere in the strategic affairs of the SOC.

I responded that I was entitled to question matters impacting on public interests especially in the case of Alexkor as I was a significant investor in the operations of the SOC and furthermore a permanent resident and member of the mine community with eighteen years of good standing.

Despite the hostility at the end of 2016, I again reached out to Ms Ntlangula on 11 January 2017 by way of an email to which I did not get a response (cf. exhibit-010).

At this point I strongly suspected that the members of the primary board were not ignoring the potential of the marine assets due to disinformation, which certainly did not help, but mainly due to conflicted interests arising from their coal connections within Eskom which they seemed determined to exploit, no matter the cost to Alexkor or the people of Alexander Bay.

To my knowledge, the Alexander Bay Mine Community is the only mine community in South Africa that is fully equipped and fully empowered to execute the physical mining while the “mining company” remains ensconced in plush offices 1 200km away from the mining operations.

Furthermore, in a perverse inversion of the principle whereby mining companies must obtain social licences to mine from mine communities in accordance with the Mining Charter, our marine mining community must obtain contracts to mine in our ocean from a Gauteng based mining company.

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The unhealthy dynamics of a primary board and executive team that is conflicted by a coal agenda and a PSJV board and executive team that is conflicted by a west coast diamond consolidation agenda quickly began to impact very negatively on the operations.

Infrastructure has been neglected with scarce financial resources being diverted to fund the corporate headquarters in Johannesburg. The state of the mine and of the town itself has been deteriorating at a rapid rate, while adventures into cutting and polishing and coal beneficiation are given spending priority.

As I sit writing the closing paragraphs of this report, you (Parliament) are debating how to debate the subject of State Capture, the scourge of our land and the oppression of Alexander Bay where Alexkor has radically transformed itself, not into an economic beacon of light for the region but into an enemy of the people.

My community is being terrorised by the abuse of the power given to Alexkor and Trans Hex by the MPRDA, the very legislation that was so carefully crafted for the primary purpose of securing equitable access to our mineral resources.

My family, my employees and my business are suffering because I am being victimised for daring to take the Government and Parliament at its word. It would have been better for this community if we were never promised equitable access if it turns out that the promise was only intended for insiders because even in our home town of Alexander Bay, we are outsiders.

The town's rapid decent over the past few months into a state of fear, uncertainty, anger, distrust and a general condition of dysphoria has been tragic for me to witness and experience.

Alexander Bay is not foremost a mine with a community that has been given the privilege to live in, it is foremost a community that has given Alexkor the privilege to mine adjacent to and until a management team arrives here that can grasp that simple reality, the flood of dissipation will continue.

We believe the accompanying database of documents and correspondence provide the factual basis upon which the EAC can credibly claim that Alexkor is captured and furthermore, that it was captured long before the Gupta family came on the scene and took it to a whole new level.

The small-scale marine mining community respectfully requests that you unleash the economic potential of Namaqualand's Ocean Economy by enforcing the legislation you craft in Parliament.

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After all, it is mere equitable access to our region's marine diamonds that we seek, so that our small businesses, our unique diamond diving heritage, our community and our families may flourish.

Please consider that our place of work is not climate-controlled. It is a hostile, dark, cold and dangerous place where ambient temperatures commonly drop below 10 degrees Celsius and where visibility is restricted to a lozenge of light no larger than a mouse pad.

On a calm sunny morning on 12 January 2006 in Alexander Bay harbour, I stood at the edge of the quay-side talking to Derick Du Plooy, a fellow diamond diver about the day's possibilities. At 4pm that same day, fellow EAC founding member George Nicolaai and I were recovering his crushed body from beneath a 5-tonne rock that had rolled onto him while he was working alongside it (cf. exhibit-011).

My comrades and I have no quarrel with these conditions, we chose this profession and thrive in it, but we have a profound sense of the inequity of working in such conditions knowing that we are being exploited by those who have been entrusted with our economic development.

Knowing that we have no assurance that our efforts will produce diamond bearing gravel (that's just the nature of the game), knowing that we have no assurance that if we do, the dysfunctional plant will extract those few grams of diamond from the tonnes of gravel we offload.

Knowing that if it does, **we will not get a fair market value** for those diamonds that cost so much, in so many ways, to produce (cf. exhibit-012).

Knowing that the deal upon which we invested everything we owned into building our businesses was arbitrarily cut without any consideration for the hardship it would inflict on us and wondering when the knife would drop again.

The overwhelmingly negative responses from the small-scale marine mining community to a recent online satisfaction survey conducted by the Equitable Access Campaign is a reliable and credible message we are conveying to Parliament about the hardship brought about by **state capture**. (cf. exhibit-013 / exhibit-014)

However, in closing off this report, the members of the EAC would like to stress that it will be a grave error on the part of Parliament to dismiss the notion of **white monopoly capital** as being fallacious. It is a very real phenomenon in South Africa and the West Coast Diamond Diving Industry has been captured by it for more than three decades.

Je suis Alexander Bay.

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FINANCIAL LOSSES FOR ALEXKOR

All operational activities were transferred to the PSJV from 7 April 2011, and therefore Alexkor had no operational activities under its control to generate any significant trading income after this date. Alexkor remained with most of its costs and obligations, and therefore incurred losses for the year. Alexkor budgeted for a loss in excess of R20 million for the 2012 year, which included its corporate structure, town maintenance, rehabilitation and other obligatory costs. Alexkor incurred an actual loss of R16.7 million for the year. Due to Alexkor's unique position of not generating any income, management had to implement stringent cost-cutting procedures to ensure Alexkor's solvency and commercial survival with limited cash resources. The material items contributing to the loss included the following:

- Alexkor pooled its mining assets into the PSJV as required by the DoS. Alexkor recognised a loss as a result of this derecognition of assets to the value of R7.8 million (R3.8 million for consolidation purposes). Alexkor simultaneously transferred control over these assets to the management of the PSJV;
- Alexkor forfeited 49% of its profits due to the establishment of the PSJV resulting in a consequent loss in profits of R7.1 million;
- Bad debt arising from the Alexander Bay residents' non- payment of rent and electricity bills amounted to R2.2 million. This points to a potential social problem that will require assistance from provincial authorities to resolve. Alexkor and the Alexkor RMC JV have initiated discussions in this regard.

IMPLEMENTATION OF THE PSJV DURING THE YEAR

Alexkor encountered many challenges during the year relating to the split of the operations, especially in implementing the provisions of the DoS to ensure a practical yet effective solution to the terms of this founding document for the PSJV. New positions and responsibilities had to be filled, new reporting and communication lines configured and a new mind-set by all stakeholders had to be developed to ensure that both the PSJV and Alexkor were able to operate independently from each other.

The PSJV is now operated and managed independently from Alexkor, the split of the accounting records was done successfully and therefore many of the challenges encountered during the entire implementation process have been satisfactorily resolved in line with the requirements of the DoS.

NEW BUSINESS DEVELOPMENT

Alexkor's only viable option to ensure profitability and sustainability into the future is to acquire other means of generating income, i.e. new diamond mining opportunities. Alexkor's 51% investment in the PSJV will be relatively passive in the next three to five years due to the exploration activities planned on the land mining concessions. It is therefore imperative that new potential deposits are explored. The board agrees with this view and received the mandate from the shareholder to start exploring such opportunities. Alexkor has in the past year been assessing new opportunities with its efforts predominantly focused on the Northern Cape and North West provinces.

Our objectives are to expand diamond operations, especially into the Northern Cape region where we believe lucrative diamond deposits still exist. The benefits from these new business opportunities will be the creation of more job opportunities and social upliftment in the surrounding regions, the training of employees and improving their skills, increased revenues and profits and the distribution of dividends to the shareholder. Alexkor would like to create a new mining environment, new opportunities and challenges outside the Alexander Bay area to ensure a brighter and more sustainable future for Alexkor as a state-owned company.

Alexkor is in the final stages of negotiations with some of the identified opportunities and is expected to submit its section 54 application to the Minister in the near future. These opportunities are greenfield operations and promise to provide attractive returns in future.

ALEXKOR'S FINANCIAL POSITION AND PROSPECTS FOR THE 2013 FINANCIAL YEAR

Alexkor's net asset value on 31 March 2012 was R20.1 million (2011: R16.9 million). It was allocated an amount of R350 million through its MTEF application. The amount is for the settlement of statutory obligations in terms of VAT, CGT and a rental lease as a result of the requirements of

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No land-based mining has taken place since the court settlement. We need to intensify our focus on land mining to mitigate declining marine production. We have appointed a contractor to conduct comprehensive land-based exploration in order to determine the true potential of our diamond resource. This will provide mining operations with a firm indication of the reserve and potential within all concession areas. Future mining operations can thus be planned in a methodical manner to ensure maximum throughput at optimum efficiency levels.

> *"Therefore, in 2030, we experience daily how: We participate fully in efforts to liberate ourselves from conditions that hinder the flowering of our talents."*
>
> *National Development Plan - 2030*

Land-based mining operations at Muisvlak and the commissioning of a new plant between December 2013 and January 2014 will create an additional 200 jobs and will contribute 40 000 carats per annum to our target. The utilisation of new optical sorting technology, which is significantly more efficient than current processes, will unlock additional value from existing mine dumps and will contribute a minimum of 2 500 carats per annum.

AFRICAN DIAMOND MINING OPPORTUNITIES

It is a strategic imperative for Alexkor to develop long-term revenue sources beyond Alexander Bay's expected life-of-mine (LOM). The best practice is to hedge revenues against the cyclical nature of the diamond industry and reduce the effects of price volatility. Geographical diversification, underpinned by higher grade resources, is one of the most effective strategies to reduce the effects of market volatility.

DIVERSIFICATION STRATEGY

Alexkor will actively seek new mining opportunities that will deliver revenue streams beyond diamonds independently of PSJV operations. This will secure future growth and sustainability and will enable the company to effectively address its legacy obligations and liabilities.

We will actively explore mining opportunities for downstream beneficiation that will broaden economic participation, contribute to job creation, develop mining skills, and ensure the sustainable development of the communities and stakeholders we serve.

The Alexkor board has been given the mandate to qualify and quantify mining opportunities for investment consideration. An immediate and urgent opportunity exists to focus on securing thermal coal supply for power generation.

Eskom faces a critical and significant shortfall in strategic coal supply that will jeopardise efforts to ensure energy supply to our industries. It is estimated that significant new coal capacity will be required by 2019 to offset energy demand.

The major mining companies are currently reluctant to commit resources and capacity to supply Eskom with perceived low value thermal coal. Although global demand generates much needed export revenue and profits for their shareholders, it also substantially increases Eskom's long-term coal supply risk.

We can significantly contribute to the development of new coal supply sources by utilising mining methods, processes, technologies and skills that are well within our current core capability. This initiative can effectively focus on supplying coal grades that are suitable for power generation within a win-win commercial model with Eskom.

DEVELOPING EMERGING MINERS

Estimated coal requirements for power generation will reach 2 billion tons by 2033, of which about half is still unsecured. There is no option for any back-up plan to secure future coal requirements. Eskom will have to ensure that new mines are opened with a preference to procure coal from emerging black miners. Investment requirements for new coal mines will be obtained from an established mining fund and the consolidation of existing junior coal mining companies.

Alexkor's diversification strategy supports these initiatives that will broaden economic participation, secure employment, stimulate local investment, and unlock underutilised resources. We will provide market

-2021-

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CONTRACTOR REPRESENTATIVE BODY

P.O Box 2
Alexander Bay
Fax: 0866898704
Tel: 0825736740
contractors@mweb.co.za

2nd June 2010

Attention: Wiaan Basson
Acting Mine Manager
Alexkor
Private Bag X5
Alexander Bay
8290

Dear Sir

The meeting with Alexkor on 31May 2010 has reference.

1. According to the 2009 annual report, the CEO's basic salary was R1 646 329,00 in FY2008 and R2 366 171,00 in FY2009 which translates to an absolute increase of R719 842,00 or a relative increase of 43.72%. At a recent meeting a statement was read in which the CRB expressed its view that this was an application of double standards as Alexkor has repeatedly proclaimed a necessity for austerity in denying the contractors an improved deal to offset the negative impacts of climate change. Clearly an increase of this magnitude is not austere.

   We stated further that the increase in salary is particularly puzzling as the previous CEO was better qualified, involved in the day to day running of Alexkor and personally attended every CRB meeting while the current CEO's unwillingness to live in Alexander Bay necessitated the opening of a dedicated office in Johannesburg which greatly increases the CEO's cost to Alexkor.

   It was pointed out at the meeting by the CEO that the figure quoted by the CRB was incorrect where upon the CRB responded that we would review our position in this regard if more information was made available as our source is limited to what is disclosed in the annual report. Until we are furnished with information to the contrary our position remains unchanged.

   Regarding the acting mine manager's salary, the CRB does not know what the quantum is and makes no complaint in this regard.

UW.

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2. In a General Contractors Meeting held on the 10th of May 2010, the CRB was given a mandate by the contractors to support Adamas RCV's endeavours to obtain their diamond sales information from the Diamond Regulator. The CRB therefore did not act in bad faith.

3. The CRB wishes to clarify that any statements with regards to Mr Basson having any interest in other companies was made by an individual in an open general meeting and not by the CRB. The CRB therefore has no position on the matter and the individual who made these statements has agreed to follow up the matter with Mr Basson direct.

Yours Sincerely

Joseph Klaase
THE CHAIRMAN
THE CONTRACTOR REPRESENTATIVE BODY
2nd June 2010

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THE ORANGE RIVER DELTA

MEGA DIAMOND PLACER

ALEXKOR'S FUTURE IN THE MARINE DIAMOND MINING INDUSTRY AS OWNER OF THE LARGEST & MOST STRATEGIC PORTION OF THE RICHEST KNOWN ALLUVIAL DIAMOND DEPOSIT IN THE WORLD:

A SITUATIONAL REPORT

Compiled by:

G. Craythorne

Date: 25 January 2016

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1. INTRODUCTION.

The writer is a contract marine miner with over three decades of experience in underwater diamond mining and technology development. Half of this has been focused exclusively on Alexkor's sea concessions 1a and 2a. Operational experience spans diamond diving on concessions 13a, 12a, 11a, 9a, 7a, 5a, 4a, 3a, 2a, 1a and Angola's Chikapa River with diving time logged at the end of a nozzle exceeding four thousand hours.

Turnkey engineering projects completed for clients include Benguela Concessions, Trans Hex, ODM, Alexkor, the Angolan Government, the Mineral Services Group, Southern Era, Namco, Gem Diamonds and numerous contract miners operating in South Africa, Namibia, Angola, DRC, CAR, Liberia, Sierra Leone and Guinee.

The engineering projects concluded a total of thirty-three turnkey marine mining vessels, eleven of which were commissioned by Alexkor contractors and forty-one turnkey riverine mining systems constituting a total project portfolio value in excess of one hundred million rand. The systems built for the joint SAA Distributers - Southern Era 1997 Cassanguidi project in Angola produced 127 000 carats.

The latest project involved the design, build and commissioning of a turnkey 47 gross registered tonnage diamond mining vessel equipped with a 450hp mass flow excavation system for client Remote Drilling Services which has been deployed on Trans Hex's sea concession 12a. This vessel is successfully excavating through sediments in excess of 5m and water depths reaching 20m. The project value was R8.5 million.

The writer has also, on two occasions, given oral and written submissions to Parliament in response to calls from the Minerals Portfolio committee and on the occasion of the public hearings held for submissions regarding the level of charter compliance in the mining industry, was the only person from South Africa's marine mining industry to respond with a written and oral submission.

Specialist consulting services have been provided to a range of clients **and in April 1998 the writer was engaged by the erstwhile Chairperson of Alexkor, Adv. Nona Goza on the merits of outsourcing Alexkor's inshore mining operations.**

By the end of the year, Alexkor had introduced the outsourcing model for the first time in the SOE's history and the inshore operations showed an immediate improvement, increasing steadily as the new model was bedded down until the effects of climate change brought about a trend reversal post 2002. Notwithstanding the severe negative impact on diving operations brought about by climate change, Alexkor's inshore mining business has consistently provided the performance to sustain the SOE.

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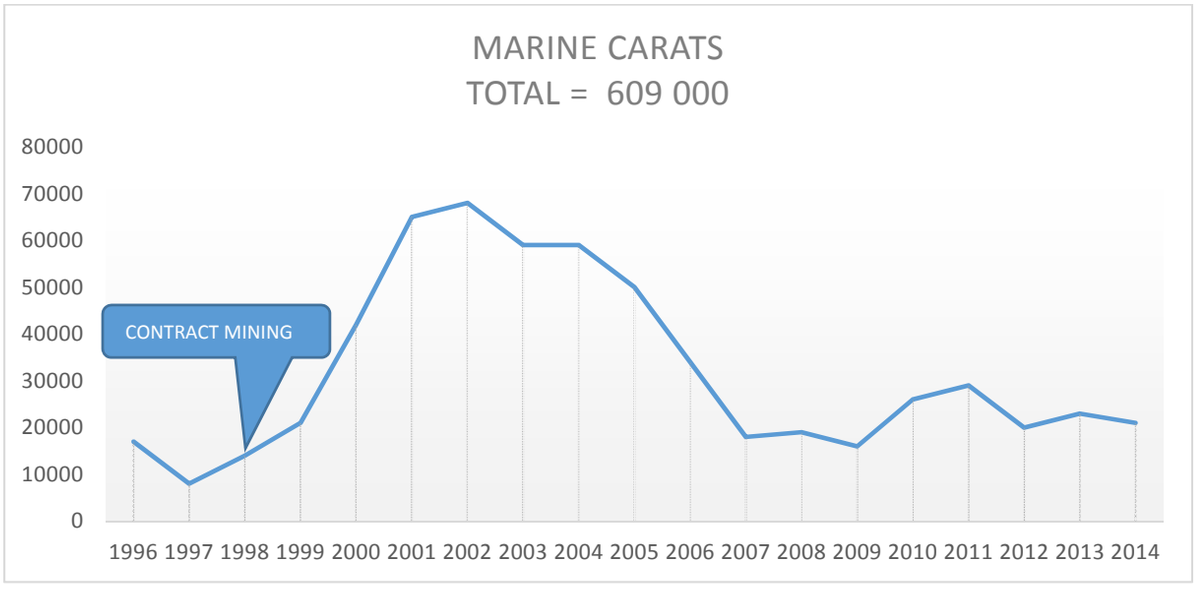
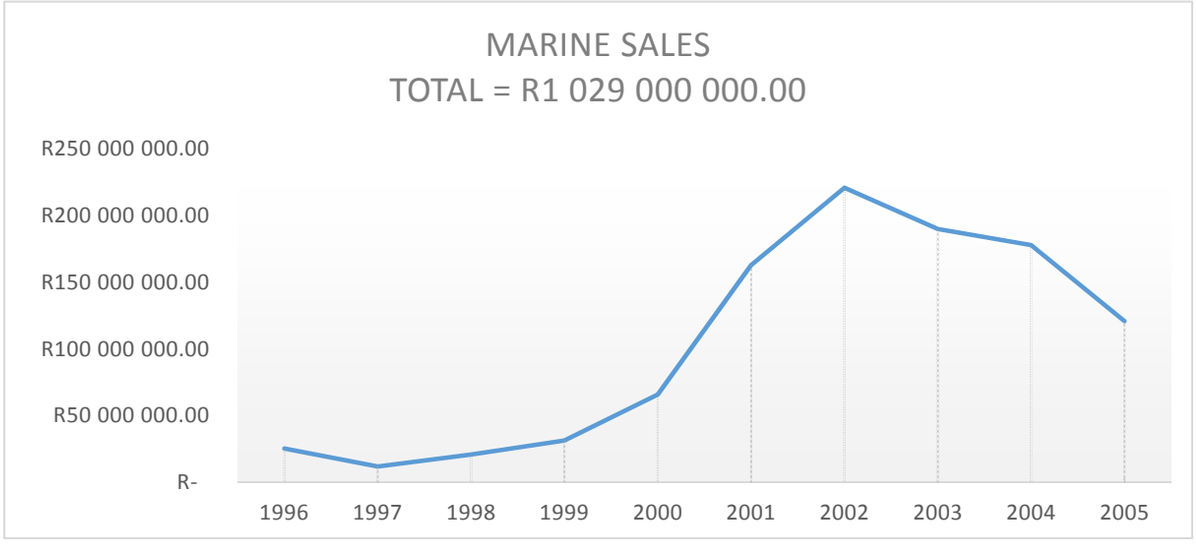
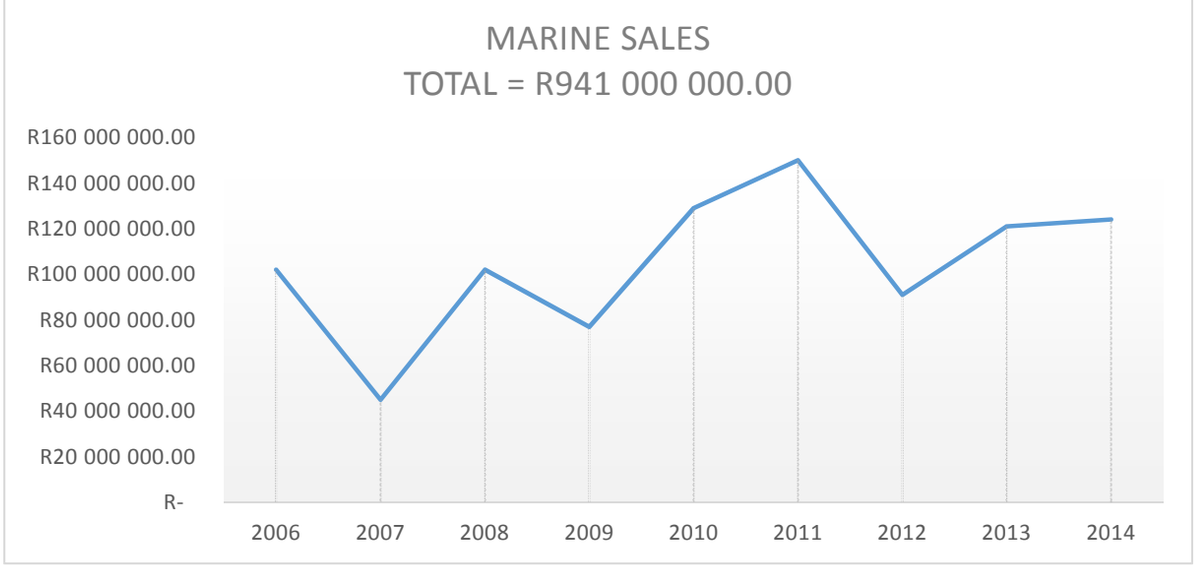

MARINE CARATS
TOTAL = 609 000
80000
70000
60000
50000
40000
30000
20000
10000
0
CONTRACT MINING
1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014


MARINE SALES
TOTAL = R1 029 000 000.00
R250 000 000.00
R200 000 000.00
R150 000 000.00
R100 000 000.00
R50 000 000.00
R-
1996 1997 1998 1999 2000 2001 2002 2003 2004 2005


MARINE SALES
TOTAL = R941 000 000.00
R160 000 000.00
R140 000 000.00
R120 000 000.00
R100 000 000.00
R80 000 000.00
R60 000 000.00
R40 000 000.00
R20 000 000.00
R-
2006 2007 2008 2009 2010 2011 2012 2013 2014

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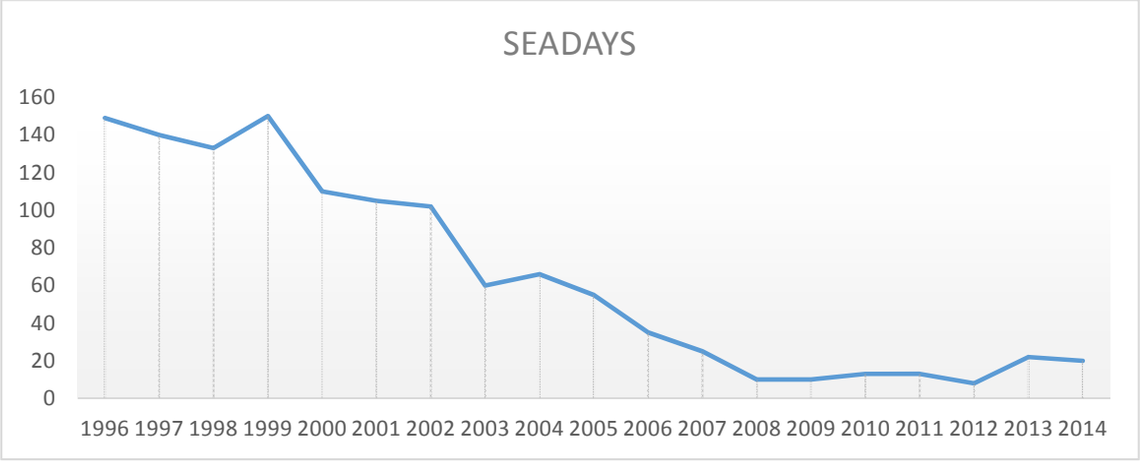
Initially, the industry believed the change in the weather pattern was cyclical and would soon snap back to the long term average and indeed this seemed to be the case in 2004. Unfortunately the negative trend returned in 2005 and today there is acceptance of the reality that high seaday frequencies are in the past.



Two Alexkor contractors responded strategically in 2005 to the existential threat climate change posed for diver-based mining. The one, Jaco Van Niekerk, disposed of his two mining vessels, one of which was built by Rapid Mining in October 2002, and concentrated on beach mining as a means of reducing seaday-dependence. The other was myself.

I began building a new purpose designed mass flow excavation mining vessel in St. Helena Bay using Tallie Marine Boat Builders and completed the project in time to arrive in Alexander Bay harbour on New Year's Eve and began mining operations on the 11th of January 2006 followed by three diving days in a row.

Tallie Marine Boat Yard – 2005

Peacock Bay – 2007

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The first attempt at mining through sand took place at Noordkop in block 74 and produced a total of 87.1 carats including one stone of 6.86 carats, one of 5.62 carats and one of 12.14 carats.

In the decade following that successful maiden trip I have dedicated myself to building a sustainable future in marine mining by developing expertise and technology capable of overcoming the challenges that are steadily becoming insurmountable to operators of conventional mining units using traditional methods.

The effort and R&D investment during the past ten years has led to the successful completion of the proof of concept phase, concluded late last year with two provisional patent registrations for a novel new mining method and technology that is eminently scalable towards providing the capability to mine the ancient wave cut terraces and mega paleo river channel beneath the mud belt of the Orange River delta.

This situation, together with Alexkor's legally unassailable right to the delta and the primary submarine paleo channel of the Orange River sets the scene for the most significant diamond play since the kimberlite discoveries in Canada's Northwest Territories. Alexkor is in my view, God willing, about to become the next Ekati of the diamond mining industry.

Ocean Digger and Ocean Heritage operating at Cliffs on sea concession 2a.

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2. THE GEOPOLITICS OF THE DELTA PLACER.

The 1890 English–German Helgoland Boundary Treaty which was reaffirmed by the OAU in the Cairo Declaration of 1964 defines the boundary between Namibia and South Africa as a line commencing at the mouth of the Orange River and ascending the north bank of that river to the point of its intersection by the 20th degree of east longitude.

Therefore the border between Namibia and South Africa is not, as many think, located in the middle of the Orange River's Thalweg (main channel) but actually along the northern bank of the river.

In a recent court case reported on by Carmel Ricard on the 26th of November 2015, the matter came into stark relief when a Namibian farmer tried to evict a small community off what he believed to be his property. His farm is situated on the northern bank of the Orange River and he wanted to develop a waterfront tourist attraction.

The farmer, a Mr Willem Agenbach, had to withdraw his case when it became apparent that he had no locus standi by virtue of the fact that the community was living in South Africa and may even be SA. Citizens.

Illustrated in the image above are (1) a white line representing Namibia's proclaimed boundary, (2) Google Earth's incorrect placement of SA's northern border, (3) the position of Alexkor's concession 1a northern boundary as reflected on Fleximine and (4) a survey beacon identifying the international and AU recognised South Africa / Namibia border boundary.

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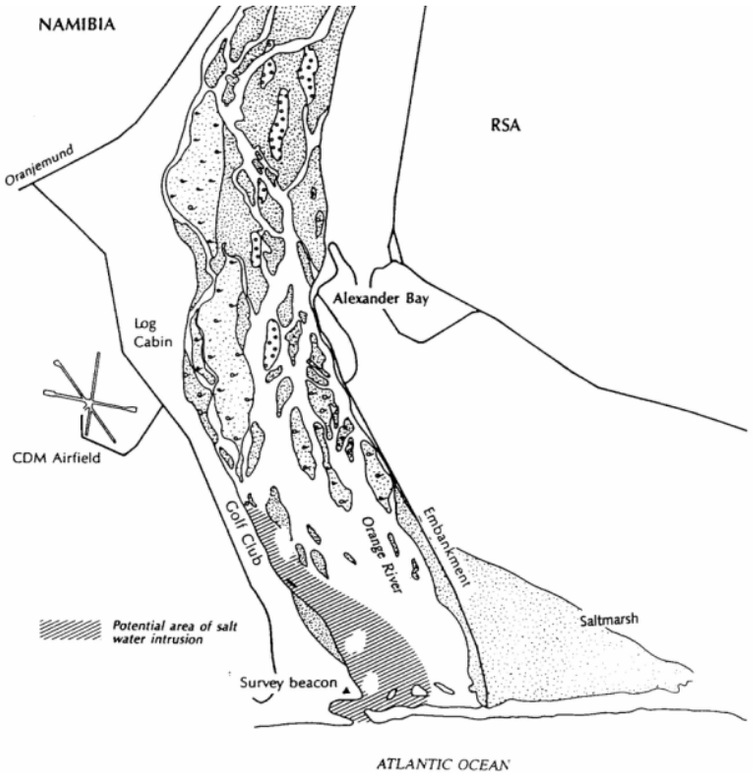
I personally ground truthed the beacon on the 3rd of January 2016 and while the mast and top have been removed the base and pedestal are still in existence.

Survey beacon for identifying the LTP of the border between Namibia and South Africa.



Map indicating the location of the survey beacon.

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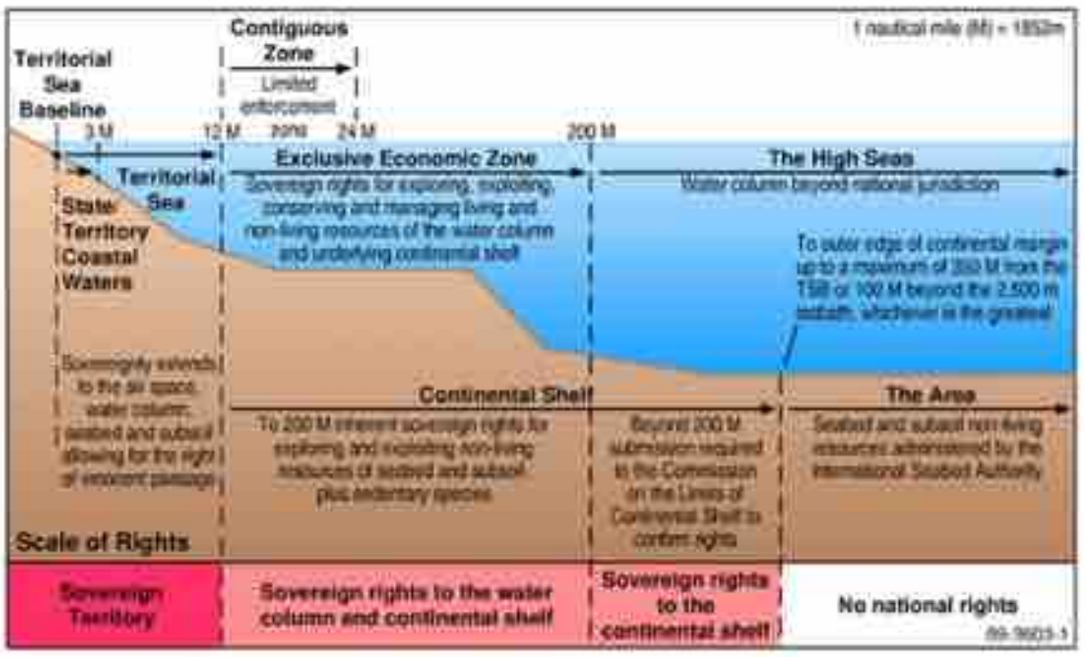
According to the United Nations Convention on the Law of the Sea (UNCLOS), the Maritime Boundary begins at the LTP (land terminus point), which is where the terrestrial international border terminates at the coast.

As mentioned above, according to the Anglo-German Helgoland Treaty of 1890 and the Organization of African Unity Cairo Declaration of 1964, the border between South Africa and Namibia runs along the northern bank of the Orange River, not the middle. This has not changed nor can it change without an Act of Parliament.

Therefore, while Namibia and De Beers want the Maritime Boundary shifted 2 250m south-east down the coast, Alexkor and South Africa actually have the right to move it 650m north-west up the coast from where it is currently located.

This puts at risk a total of 1073 km^2 of South Africa's sovereign territory across the EEZ within which the richest diamond placer in the world is located and which I believe gives rise to a matter of national strategic importance that should immediately be brought out into the open for all South Africans to debate and express views upon.

This figure is calculated by adding the differences of 2250m (Namibia's ambition) and 650m (South Africa's lawful claim) and multiplying by the 200 nautical mile (370km) EEZ distance as illustrated below.



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The Orange River Delta Mega Diamond Placer is **literally a national treasure of strategic economic importance** and a matter to which all stakeholders, but most importantly Alexkor and its shareholder as developer and custodian respectively, must give attention to with the appropriate levels of concern commensurate with the scale of the negative economic consequences South Africa and in particular the Northern Cape Coastal Community could suffer if not dealt with wisely.

After decades of land mining in Namaqualand, the extraction of millions of carats of diamonds and nothing to show but massive unemployment, poverty, inequality and environmental devastation, we should be paying very close attention.

3. THE GEOLOGY.

The land and marine portions of the diamond placer located at the mouth of the Orange River between Alexander Bay and Oranjemund have been the richest source of alluvial diamond production in the world for almost a century. The run of mine quality is unsurpassed by any other deposit known to man.

Alexkor is in the process (according to the latest available annual report) of shifting its strategic focus away from diamonds to coal just as the global economy is reducing its dependence upon fossil fuels. At the same time coal, natural gas and oil supply is becoming over-abundant.

In contrast, the mid to long term market fundamentals for diamond producers has never looked better and those with good assets are preparing for the future with a great sense of enthusiasm and urgency.

On Saturday the 9th of January 2016, De Beers launched their new diamond sampling and exploration vessel SS. Nujoma from the slipway at Kleven Verft Norway, for the sole purpose of collecting seismic data and sediment samples in order to build an intelligent 3d digital model of what predominantly belongs to the people of South Africa.

The cost of the vessel was £150 million and constitutes a R3 billion investment in merely understanding (not mining), this world class marine alluvial placer. The only sector of the diamond resource on the west coast of Southern Africa that has not been surveyed by De Beers and modelled is the delta.

The reason for this is that the mud overburden not only places the underlying ore beyond reach of the current state of their mining art, it has also been, until now, beyond the reach of De Beers' underwater survey capability.

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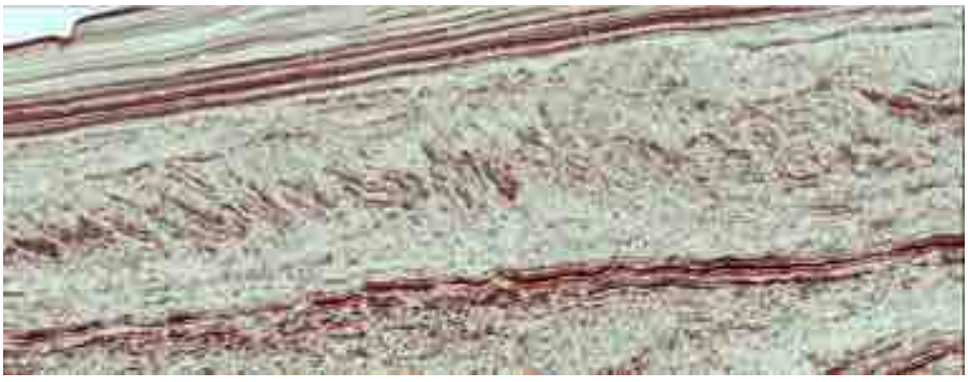
There can be no doubt, notwithstanding the boundary dispute between Namibia and South Africa, that **De Beers has begun a multi-billion dollar play for the Orange River delta placer**. It is perhaps worth noting that De Beers has closed down the South African Sea Area's and no longer operates anywhere in our waters with the only exception of its supply vessels that operate out of Port Nolloth in order to provide a service to the Namibian mining fleet.

Their first phase in modelling the delta placer was concluded last year by SpectrumGeo using airborne seismics. The image below, provided by Debbie Sewell of SpectrumGeo, Multi-Client Sales Manager EAME based in the UK, is a sample of the data collected.

The sample is a screen grab without any intelligence, scale or metadata so there is no way of determining the identity of the channel in the top left hand side of the data. Both De Beers and IMDSA are quite guarded over their data covering paleo river channels.



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4. THE TECHNOLOGY.

4.1. Past Art.

A number of companies have attempted to develop a shallow water remote mining solution, among them ODM and Transhex. These efforts were well resourced financially, commercially and technically yet still failed in their mission.

For a decade or so from the late eighties a number of airlift vessels were operating in the (b) concessions and it appeared that a sustainable mid-water industry had taken root. Companies were listed on the JSE and the outlook was positive.

With time though it proved to be unsustainable and the mid-water remote mining vessels joined the shallow-water remote mining vessels in the annals of history. In the writer's opinion, in all cases the fatal flaw was the one design approach common to all of the systems developed i.e. **the tool had to make contact with the seabed**. **Without physical contact with the seabed, the mining tool was idle and unproductive.**

Seabed mining takes place in a highly dynamic and hostile environment wherein a contact mining tool is separated from its support platform by a column of water that is incompressible and irresistible. The problem of tool tethering in such conditions results in extremely haphazard and inefficient mining outcomes that are not viable.

4.2. Current Art.

4.2.1. Namibian Technology.

In deep-water remote mining, the industry leader De Beers Marine, is evolving towards horizontal crawler-type tools with flexible risers and away from the vertical Wurth drills and the associated problems of swell compensation inherent with a hard connection between the support platform and the mining tool that is in contact with the seabed.

The Orange River Mega Diamond Placer is an enormous deposit extending down the west coast from north of Luderitz in Namibia down to Doringbaai in South Africa and east to west from terraces as high as elevations of +65m out into the Atlantic ocean to elevations as low as -120m.

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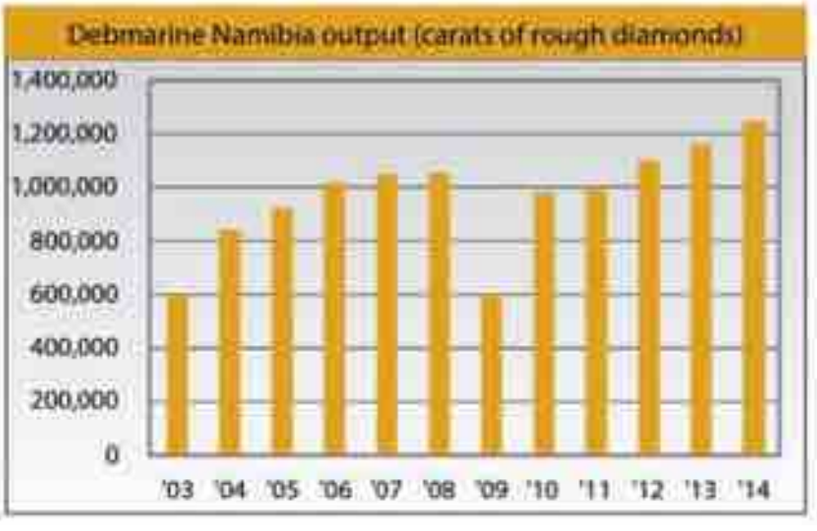
The two seabed mining methods in use by De Beers, the so-called horizontal and vertical technologies, do not provide the mining giant with the TRL (technology readiness level) required for mining through the more central portions of the alluvial fan lens of the Orange River Delta as this demands a fundamentally new mining method, one which De Beers do not possess. For this reason the vessels operate well away from the coastline, 20km offshore where the lens-shaped fan is considerably thinner and the risk of losing a multi-million dollar tool is limited.

In the extract below, the Namibian Chamber of Mines' annual report for 2000 highlights the risks of venturing too far into the mud belt with the wrong technology.

Whilst the mv Kovambo and Namibian Gem operated satisfactorily throughout the year, work-up trials on both the Ya Toivo and Zacharias occupied a considerable portion of the year. A new mining system, NamSSol II, (as reported last year) has been successfully introduced, on-board the mv Ya Toivo and the commissioning phase is well underway. The new sampling tool, developed at an estimated cost of some US $ 1,5 million, has been installed on mv Zacharias.

Unfortunately, at the end of 2000, an operational accident occurred, involving the NamSSol unit on mv Kovambo. Due to a collapse of the underwater mining face, the unit was buried. Extensive recovery operations only managed to recover the upper structure but it proved to be impossible to pull out the undercarriage. The manufacturing time to complete a new undercarriage and commission it is estimated to be between four and five months, during which time production will obviously not take place.

The land terraces have been mined out now after more than a century of intensive, highly mechanised operations. While these terraces occupy a narrow strip of land about 5km wide at the most, we know that the marine terraces extend at least 20km offshore where De Beers Marine Namibia are producing double the carats produced by Namdeb on the shore.



Source: Namibian Chamber of Mines.

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Source: Namibian Chamber of Mines.

In fact Namdeb's land operations are technically marine operations as they are conducted well below sea level by pushing back the sea using the beach accretion method of building seawalls.

In 2005 De Beers Marine Namibia's production drew level with Namdeb's production and from 2009 has been roughly double. It is obvious that the future of diamond mining in Namibia will be seaborne and it is just as obvious that **South Africa urgently needs to develop a strategic plan for its own moribund marine diamond industry**.

We have a reasonable estimate of how many terraces there are as they are wave-cut phenomena and correlate with the changes in sea levels and sea level still-stands over the millennia which sedimentologists have models of.

The two Phakisas, Marine and Mining, **need to place the west coast marine diamond industry front and centre of their dash-boards** or South Africa will squander the greatest opportunity it has right now for a Big Fast win.

It is nigh impossible to exaggerate the potential of our resource and to not imagine that we are on the cusp of the **most exciting era yet in Namaqualand's mining history.**

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4.2.2. South African Technology.

4.2.2.1. First Generation **Mass Flow Excavation** Mining Vessels.

Mass flow excavation in South Africa's marine diamond industry began with the retrofitting of diamond diving vessels by diamond divers building homemade blowers.

It is a process whereby a large diameter column of water flowing at low pressure is used to displace seabed materials with particle sizes ranging from that which is typical of fine clay up to boulders. I have personally seen evidence of boulders over one tonne having been rolled around like marbles on bedrock.

The concept was first introduced to the industry in 1994 after South African diamond divers returned from Cuba where they participated in a wreck diving project that involved excavation of seabed sand using devices based on the concept.

The devices they observed consisted of ninety degree ducts mounted onto the stern of the diving vessels by means of a swing arm launch and recovery system as illustrated in the photo below of a wreck hunter's vessel. The ducts would be swung down into position and located with the inlet directly behind the vessels propellers such that the water flowing from the motive force of the propellers would be captured and vectored through ninety degrees, thereby creating the equivalent of an artificial current flowing down onto the seabed.

Two examples of Florida based wreck diving vessels.

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This current billows horizontally outwards as it engages with the seabed, lifting sediment into suspension and transporting it radially outwards from the point of ground engagement thereby creating an excavation pit which provides access to buried targets i.e. wrecks in the case of treasure hunting and diamondiferous gravel in the case of marine diamond mining.

Soon after the concept was introduced it was rapidly adopted by many marine diamond miners with vessels that were suitable for retrofitting of the device. The devices became commonly referred to in the diamond diving industry as “blowers”.

The most successful of these vessels has been the DMV. Gega, built originally by Gal Marine to operate out of Luderitz but later bought by west coast diamond veteran Joe Retief of Doringbaai who retrofitted the vessel with a homemade blower.

DMV. Giga operating on concession 12 (a) and close up of her homemade blower.

These “blowers” were not engineered, just simply fabricated in back yards using fibre-glass and resin. In spite of the remarkable success of these primitive blowers, the state of the art did not progress any further for the next decade.

The water colour painting below of an underwater mining scene provides an illustration of the mine pit environment and is followed by actual underwater photography taken of the scene.

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“The Last Dive” in memory of Dave Baker.

Photographic composite of an underwater mining pit excavated by DMV. Giga.

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4.2.2.2. Second Generation **Mass Flow Excavation** Mining Vessel.

In early 2005, following a rigorous planning process in 2004, Rapid Mining commenced production of the marine diamond industry's first **purpose built** mass flow excavation diamond mining vessel.

The DMV. Ocean Digger was completed by the end of the year and became operational in January 2006, operating under contract to Alexkor out of Alexander Bay harbour.

This resulted in a significant competitive advantage with increased excavation capacity, increased productivity and greater consistency within an industry that was in drastic decline due to depletion of the coastal terrace's diamonds and climate change impact.

It is worth noting that the diamond diving industry has been mining the same shoreline terrace for over four decades and continues to do so using the same basic method. The industry has hardly begun exploiting the next terrace lying at an elevation of -12m. In terms of the whole marine diamond placer we have made no meaningful impact at all. (Yet!)

4.2.2.3. First Generation **Mass Flow Mining** Vessels.

While the industry continued to decline, Rapid Mining's expertise grew exponentially on the back of rigorous research and development, continuous improvements, rapid prototyping and a three million rand capital investment into setting up an advanced engineering workshop in Alexander Bay.

The very large hydrodynamic forces to which our excavators are subjected to internally by turbo-flows and externally by swell-flows under the boat place enormous loads upon them. To withstand these loads we have to use very high grade duplex stainless steel alloy imported from Finland that requires a dedicated workshop to prevent contamination from mild steel.

In 2012 the company built the **DMV. Ocean Heritage, a new 47 gross registered tonnage motor fishing vessel** incorporating an integrated 450hp mass flow excavation system that brought about a step change in shallow water mining's evolution **by progressing from mass flow excavation to mass flow mining.**

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Again the design cues were focused on maximising excavation power but the size of the propulsion package was too large for the hull and structural modifications had to be made to accommodate the large propeller, gearbox and main engine that are more than double the standard specification for the vessel's size.

The photo below shows the boat builder carrying out hull modifications to the engine room of Ocean Heritage followed by photos of the propulsion package which was the largest ever built into a fifty foot vessel.

Hull modifications required for the 450hp propulsion package.

Ocean Heritage's 12L Scania main engine and Twin-Disc gearbox prior to custom fitting.

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Ocean Heritage's 1.3m diameter propeller imported from Teignbridge UK.

Outokumpu 2205 duplex alloy propeller duct prior to installation.

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Installation of the 1.4m diameter MFM duct.

Launching of Ocean Heritage at Tallie Marine Boat Yard on 24th January 2012.

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DMV. Ocean Heritage provided a further gain in competitive advantage and resulted in the acquisition of a capability to mine hitherto sterilised deposits that lie in close proximity to the mouth of the Orange River where overburden sediment is progressively thicker due to the delta's alluvial fan but which also provide progressively larger diamonds with exponentially higher $/carat value.

With the pioneering capability of Ocean Heritage to mine through overburden over five metres thick it became apparent that the excavation process could **be extended beyond the conventional excavation modality applied to the task of stripping overburden and into the actual mining process itself.**

On land, alluvial diamond gravel deposits on ancient terraces are traditionally mined using a process incorporating four discreet steps.

- First, the barren overburden material is stripped away by mechanised excavation to gain access to the diamond bearing ore using hydraulic excavator machines.
- This is followed by mechanised mining of the ore layer down to bedrock using the same machines.
- Thirdly, the bedrock is manually swept by teams of bedrock sweepers using pneumatic vacuum systems.
- Finally, the collated heaps are picked up with digger/loaders and transported to processing locations either in the field or at centres.

In the ocean, the same basic process takes place but due to the inshore mining industries dependence upon manually operated dredging systems, the mining and elevation of the gravel ore to the vessel on the surface is fused into a single, seamless operation as the diver drives the suction hose nozzle into the interstitial gravel packed tightly between the boulders.

Consequently, the productive capacity of the mining system has been limited to the physical capacity of the diver on the suction nozzle. The practical effect of this is that the amount of power that can be brought to bear on the physical mining of the ore has been limited to about 0.2kw and even then only in the case of a diver in peak physical condition. Put differently, the equivalent power of a kitchen light bulb at best.

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The manual and low powered diamond diving method is rendered extremely slow and painstaking due to the physical structure of marine diamond gravel deposits that are continuously subjected to the geological process of compaction and cementation.

This phenomenon typically results in a composition that is highly resistant to shear forces and which requires a lot of effort to transform it into a free-flowing aggregate that can be effectively dredged.

The semi-cemented structure of marine alluvial diamond deposits is the greatest productivity constraining factor governing the rate at which these gravels can be broken out of the ore face and hoisted to the surface using centrifugal pump dredging systems on concessions that have been mineralised by alluvial processes. **(Namibia's aeolian deposits are different)**

The problem of shear strength has been attacked many times over the past few decades by the mechanisation attempts described in section 4.1 above. None succeeded due to the complexities arising from an approach based upon physical contact between the tool and the ore body.

The picture below of a conglomerate sample containing a 3.7 carat diamond mined from the -12m terrace off Alexander Bay, illustrates the **refractory nature of Alexkor's marine diamond ore**.

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By adopting a fundamentally different approach, that **of non-contact ground engagement**, the barriers to mechanised underwater mining are removed thereby opening the way for introducing **industrial scale levels of power** matching or exceeding earth moving machines like the Bucyrus RH400 shovel that can excavate 45m³ of rock in a single scoop.

This is achieved **by extending the power and efficiency of mass flow fluid dynamics** beyond the functionality of excavation and into the mode of **fluid-based mining** during which the ore is disaggregated into a state of good dredgeability by increasing the velocity of the water flowing from the excavation tool.

The same principle was discovered by Californian gold miners in 1853 who called the process hydraulic mining. The new technology revolutionised the industry and increased production by orders of magnitude.

Californian gold miners cutting away hundreds of feet of hillside using hydraulic mining.

At this point of the mining cycle the gravel is well disaggregated and highly dredgeable but not feasible due to the overwhelming number of obstructions posed by large cobbles, rocks and boulders amongst which it is lying. As soon as the dredge-head comes into close proximity with these objects they pack the front grid of the nozzle and block the flow of size gravel.

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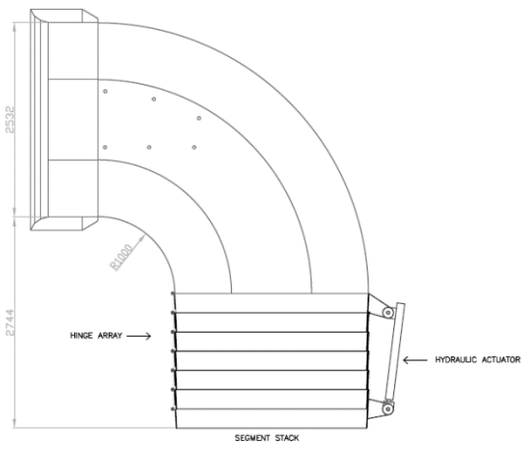
As discussed in section 4.1 above, for a period between the late 1980's up until about the middle of the first millennial decade, it seemed that a successful remote mining method had been developed by companies mining the (b) concessions lying 1km offshore in water depths over 30m.

That approach was simply one of brute force. By engineering airlift systems that had long heavy duty steel suction pipes weighing between ten to twenty tonnes, the ships movement under influence of ocean swell was used to generate kinetic energy to drive the suction-head between the boulders with enough force to knock blockages off or through the grid.

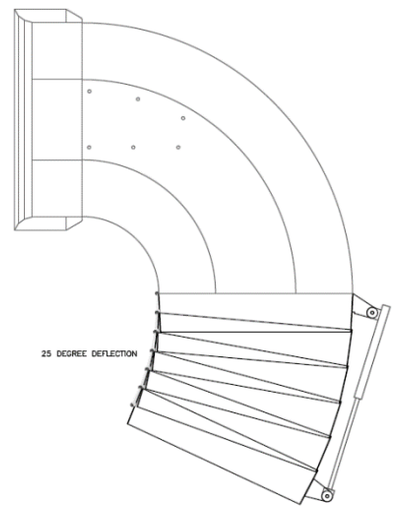
In time the method proved to be unsustainable due to extreme inefficiencies in terms of energy consumption and bedrock cleaning ability akin to excavating archaeological sites with jackhammers. Consequently, all mid-water operations were decommissioned and by the end of the first decade the entire fleet had been disposed of.

As before, the answer is to be found by the adoption of a new approach in attacking the problem. Rather than attempting to bulldoze boulders out of the way by force, thrust vectoring of the mass flow stream is applied to the solids in the mine pit as a means of providing **hydrodynamic sizing**, thereby achieving the **sub-sea equivalent of in-field screening**, which proved to be a game-changer for land mining.

The enabling thrust vector technology for this capability is the **patented nozzle geometry developed by Rapid Mining** as illustrated below.



Excavation mode



Hydrodynamic sizing mode

GC118

4.2.3. Future Art.

The lack of a competent mining method to develop the delta placer was recognised as a phenomenal opportunity for Rapid Mining **when the R&D investment into optimising mass flow excavation progressed beyond the original design intent and into the development of the mass flow mining method**.

In hindsight this was an inevitable progression brought about by the field work exposure to the physics of mass flow fluid dynamics and the opportunity, as a diver, designer and fabricator, to build prototypes and immediately test them in the ocean while **observing the fluid/seabed interaction in real-time and full scale**.

The rapid prototyping and high rate of design iteration cycles provided a rich learning environment for knowledge accretion and build-up of competitive advantage.

5. THE WAY FORWARD.

5.1. Next Generation Mass flow Mining Vessel.

Rapid Mining has the expertise to successfully design, build and operate vessels substantially larger and more complex than Ocean Heritage, however careful consideration must be given to lead time.

The larger and more complex a project, the longer the lead time and the longer the delay in generating income. Furthermore I believe it is strategically vital to continue demonstrating South Africa's technical superiority for delta placer mining operations due to the threat of litigation from Namibia at the International Court of Justice, before which Namibia partitioned against the Helgoland Treaty's favourable wording towards Botswana in regard to the sovereignty of the Sududu Islands.

However, it is also no longer prudent for one individual to continue the journey into the future of South Africa's marine mining development alone and without external sources of funding. Therefore the next phase of development must also provide sufficient scale to attract investor interest and accommodate new equity and expertise partners for Rapid Mining.

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Therefore the choice of vessel type, gross registered tonnage, deck mining plant and mass flow mining tool **must not only be a game changer for both Alexkor and Rapid Mining but also realistically executable within twelve months.**

The vessel must, as a game changer, be able to achieve the following with ease.

- Intersect all marine terraces with elevations higher than 30m bmsl.
- Competently mine all of these terraces chasing them right into the heart of the delta regardless of sediment overburden thickness. It is worth noting that the marine terraces buried deep beneath sand will also be well preserved like the land terraces were prior to 1927 when there was no sign of them except for fine traces of oyster shells in the top-soil.

1937 Aerial photo showing the excavation of Marensky's oyster line terraces. Note that beyond the diggings, there is no sign of them.

GC118

Recent photo of the same area taken at ground level.

- Collect accurate data and provide high quality geological, mine plan and mine works reports to Alexkor.
- Comfortably operate out of Alexander Bay harbour.
- Work in adverse conditions and achieve a minimum of 20 seadays per month.
- Produce, hold and deliver large volumes of gravel safely.
- Swiftly offload gravel, return to site and re-commence with mining.
- Not exceed the safe manning requirements for 200GRT vessels.

5.2. **A Fast Track Proposal to Alexkor.**

With the above key criteria established as the basis for selection of the primary design cues the following vessel specification emerges.

- Total Build Time – **12 months to first carats**.
- Basic Vessel Make and Type – 63 foot Tallie fishing vessel with 90 tonne gravel capacity.

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- Propulsion/Excavation Package.
    - Scania main engine – 1200Hp.
    - Wartsila two speed marine gear – 1:4.5/2.25.
    - Teignbridge 6 bladed propeller – 80” x 74”.
    - Cruising speed – 12kts.
    - **Mass flow rate – 29 tonnes per second.**
    - **Overburden displacement rate – 6.5 tonnes per second.**

- Positioning, navigation and remote sensing.
    - Real-time kinematic centimetric GNSS.
    - Survey grade pitch, roll, yaw and heave motion referencing.
    - Real-time 3D sonar visualization and multi-beam bathymetry.
    - Low frequency sub-bottom profiling capable of penetrating the sediment at the mouth of the Orange River.
    - Custom built code for GIS information management system.
- Deck plant.
    - Twin 10” diver dredging system.
    - Single 14” remote dredging system.
    - Hydraulic LARS (launch and recovery system).
    - Hydraulic anchor handling system.
    - Hold gravel handling capacity to manage production rates up to 15T/hr.
    - Submersible pump for high-speed evacuation of gravel hold.

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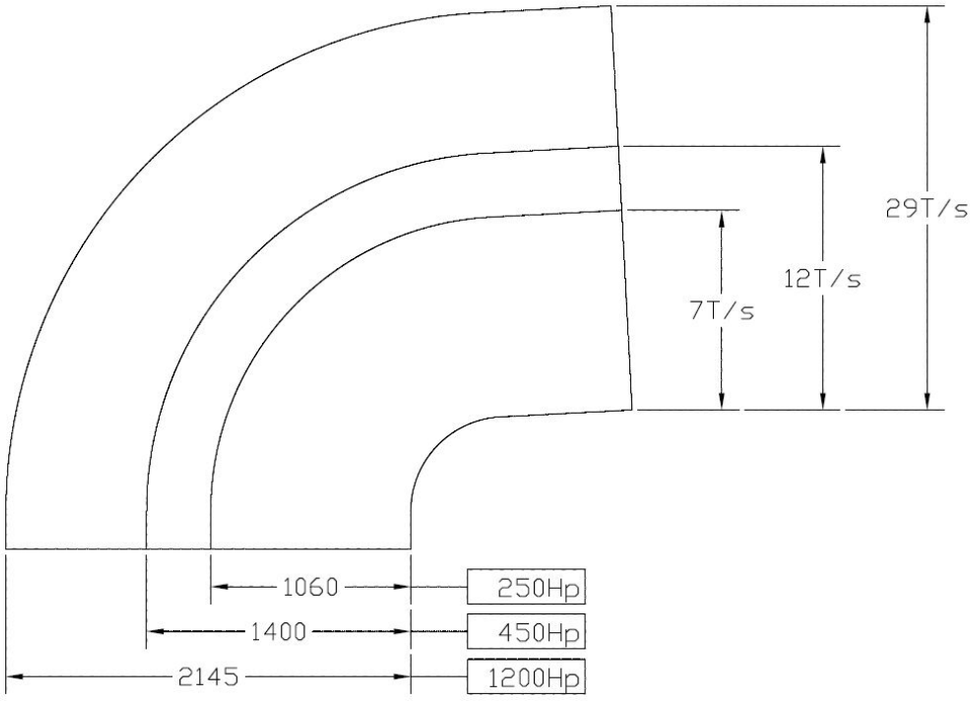
6. TECHNICAL COMPETENCE.

With thirty years of experience in designing, building and operating waterborne diamond mining systems and ten years as the leading innovator of mass flow excavation technology for the marine diamond industry, Rapid Mining has evolved to become the world leader in this unique domain of expertise.

The line drawings that follow illustrate the steady technical progress that Rapid Mining has achieved since arriving in Alexander Bay in the summer of 1998 and the projection forward to the next generation of design.

Details of earlier projects dating back to 1988 are available on our website: www.rapidmining.com



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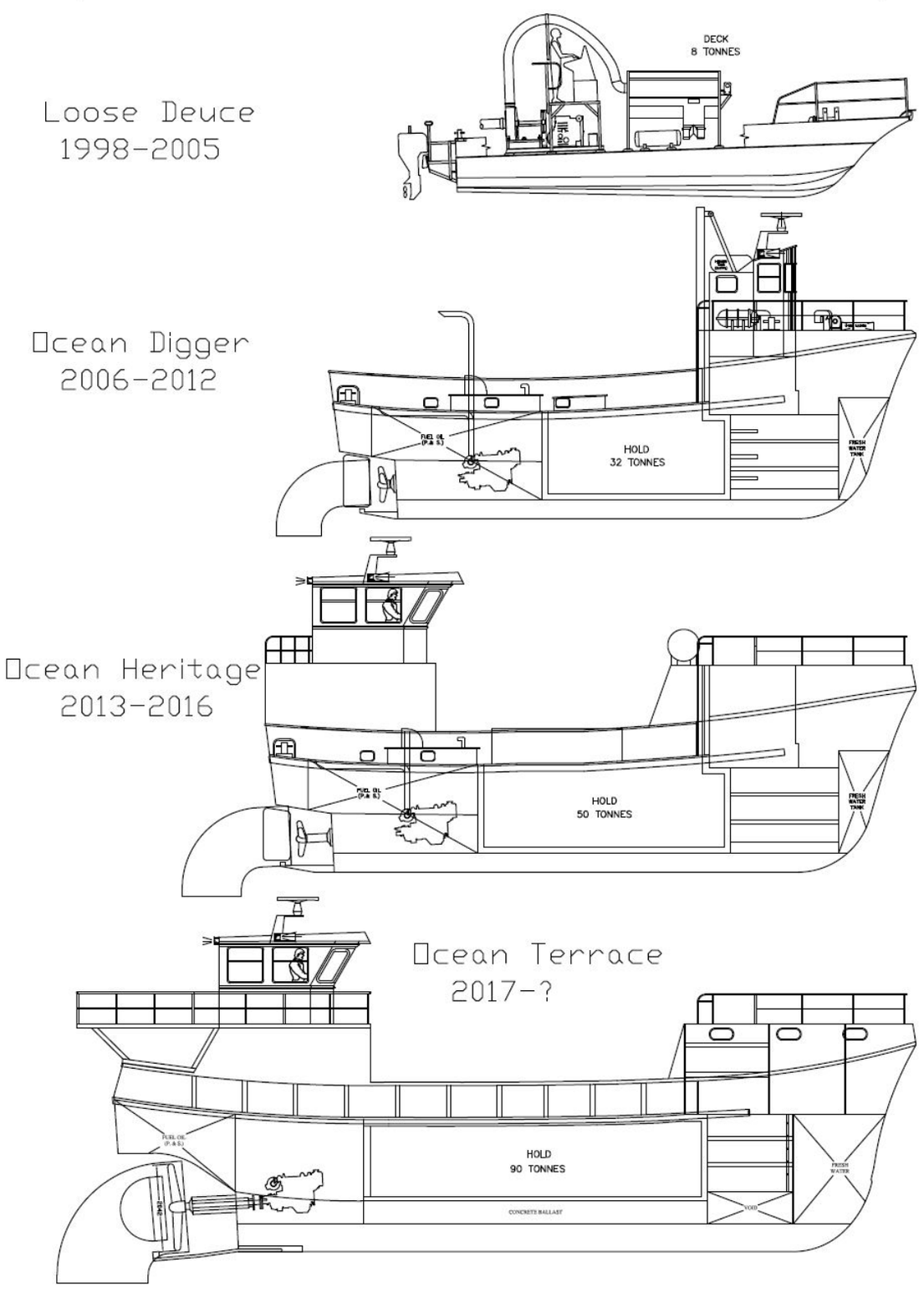
Loose Deuce
1998-2005
DECK
8 TONNES
Ocean Digger
2006-2012
HOLD
32 TONNES
Ocean Heritage
2013-2016
HOLD
50 TONNES
Ocean Terrace
2017-?
HOLD
90 TONNES

GC118

7. CONCLUSION.

When requested by Adv. Goza many years ago to advise on the merits of introducing independent contractors and to give a technical presentation to the board in Cape Town, the event was hosted by Alexkor's auditing firm in a board room located in a building called "THE TERRACES" situated at 34 Bree St. One cannot easily miss the irony.

The truth regarding Alexkor's real value will not be found in the SOE's balance sheet but in the minds of those who understand the business of mining diamonds from the sea and Alexander Bay's unique heritage as "Die Baai Van Diamante".

Rapid Mining has sustained meaningful technical progress with very limited resources in terms of finance, manpower, infrastructure and support while operating on a concession that is heavily sterilised by other contractors who lack the level of technical ability to compete with Ocean Digger's vessel, the DMV. Ocean Heritage.

With the support of Alexkor and my highly experienced new partners this progress could be rapidly accelerated into a project of local, regional and indeed national strategic importance. Alexkor's support could take the form of a partnership, financial assistance or contractual instruments or a combination thereof.

My partners and I are highly motivated by a profound faith in the future and it is our sincerest hope that we have succeeded in igniting the same level of enthusiasm at Alexkor and the PSJV for the marine potential in the region.

source treatment, pump stations and reservoirs, solid waste, electricity and telecommunications.

In addition, the Deed of Settlement required the transfer of several properties to the community, the municipality, church institutions, provincial government and various other government departments. All of these transfers have been effected with the exception of one final property, which transfer is currently being finalised.

As part of its social responsibility, the company is capacitating the municipality to ensure that the municipality can take over its duties for these municipal services by concluding a transitional agreement which will put in place a transitional period for the handover of these services to the municipality.

By the establishment of the first property on 22 November 2013, a formal township had come into existence.

The community stands to benefit significantly in 2014/15 from some non-mining related activities that the company is undertaking as part of its sustainability endeavours in the region.

THE COAL-MINING MANDATE

The Deed of Settlement requires of Alexkor to exit its 51% equity holding in the PSJV but needs to do so in a socially responsible manner.

Already in December 2012 the DPE and the Deputy Minister indicated to the Board that it needed to broaden its focus within the context of its statutory mandate.

This prompted the Board's decision to enter into coal and limestone mining to supply Eskom to help alleviate the energy crisis and to give effect to the emerging miners strategy.

Part of the underlying reasons for the energy crisis is the shift in focus by private sector mining companies towards exporting high value thermal and coking coal.

Studies show that Eskom will experience a shortage of coal of approximately 60 million tons by 2018. At present the mining environment has seen a reduction in investment, with accompanying job losses and a general decline in the sector. Whereas the private sector is likely to mechanise many of its operations in line with international trends, Alexkor is focused on increased investment, creating jobs and improving output and profitability.

This is in line with SOCs' fiduciary responsibility to the Shareholder and the State, to contribute directly to the developmental and transformational agenda of the country. Collaboration between Alexkor and Eskom therefore not only ameliorates the effects of the energy crisis but also makes a positive contribution to the investment climate for the South African economy.

In becoming involved in the coal-mining sector in this manner, Alexkor can ably contribute to South Africa's developmental and transformational agenda whilst remaining a commercially viable entity.

FUTURE OUTLOOK

The long-term outlook for diamonds is positive and the world's largest diamond producers are confident that the next few years will see a return to robust demand growth, notably from the BRICS nations.

It is likely that 2014 will see a stable balance between demand and supply on the rough diamond market, and the diamond

MINING-04-1029

questco
CORPORATE ADVISORY

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WEST COAST DIAMOND CONSOLIDATION

Discussion document

1 YEAR AFTER THE EAC MET WITH MERVYN TO DISCUSS THE CONSOLIDATION OF THE NAMAQUALAND SHALLOW MARINE DIAMOND CONCESSIONS AND TO PUT AN END TO THE HOARDING OF THESE VITAL COMMUNITY OPPORTUNITIES.

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THIS SUGGESTS THAT IT IS ALEXKOR EXEXUTIVES THAT ARE PROMITING THE EXIT STRATEGY AND NOT THE DOS AS SUGGESTED IN AR14
WHO GAVE QUESTCO THIS "UNDERSTANDING"

- Questco understands that Alexkor has recommended that the Government of South Africa ("Government") exits from all diamond mining interests and pursue opportunities relating to strategic minerals
- This presentation proposes mechanisms by which this exit may be achieved in an orderly manner and sustainable value created for all stakeholders
- This presentation follows initial meetings with Percy Khoza and his team, and provides more detail in respect of the concepts discussed at this meeting THE MINUTES OF THIS MEETING MUST BE PROVIDED AS WELL AS DETAILS OF ALL MEETINGS THAT TOOK PLACE AT WHICH THE SUBJECT MATTER WAS DISCUSSED. MERVYN CARSTENS ATTENDED AT LEAST ONE SUCH MEETING THAT I AM AWARE OF AND WHICH TOOK PLACE AT MELROSE ARCH.
- The concepts set out in this presentation are high level in nature and assumptions made are subject to further discussion and verification – we look forward to further engagement in this regard

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1 **Government**

- 51% of Alexkor PSJV (through Alexkor held by DPE), 20% of EPI (understood to be warehoused for BEE miner)
- Diamonds not strategic mineral
- **Need = sustainable exit from diamond interests at value**

2 **Regional communities**

- 49% of Alexkor PSJV (through Richtersveld CPA), 4% of EPI (through NM Trust) – have equity to transact
- Significant poverty, unemployment
- **Need = realise value from investment, employment, economic stimulus**

3 **Alexkor PSJV**

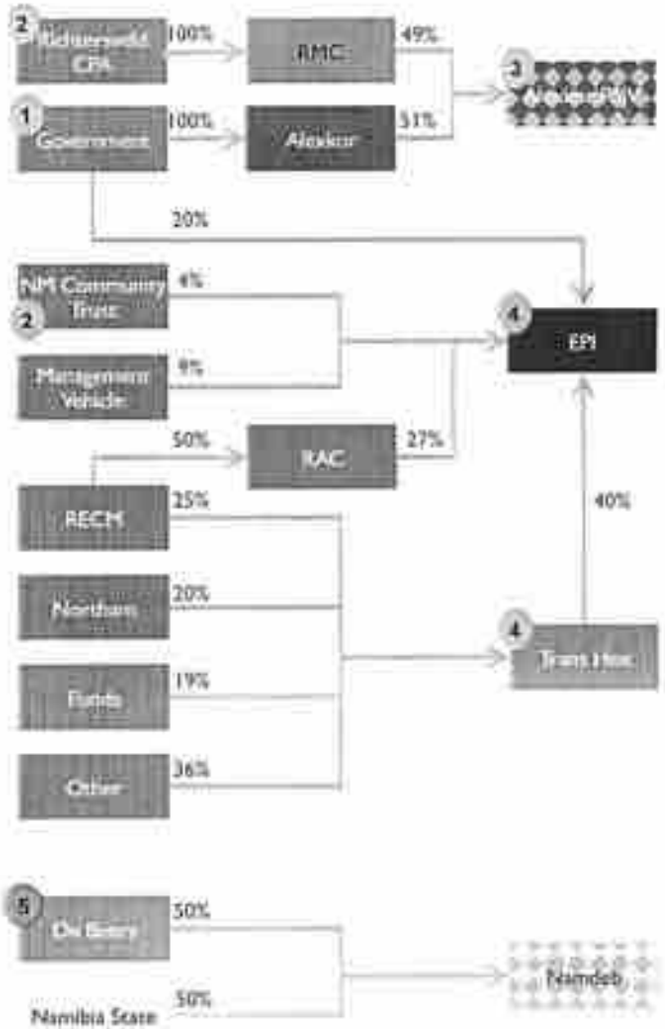
- Land and marine exploration programmes in place
- Further substantial funding from Government unlikely
- **Need = financial and technical partner post Govt exit**

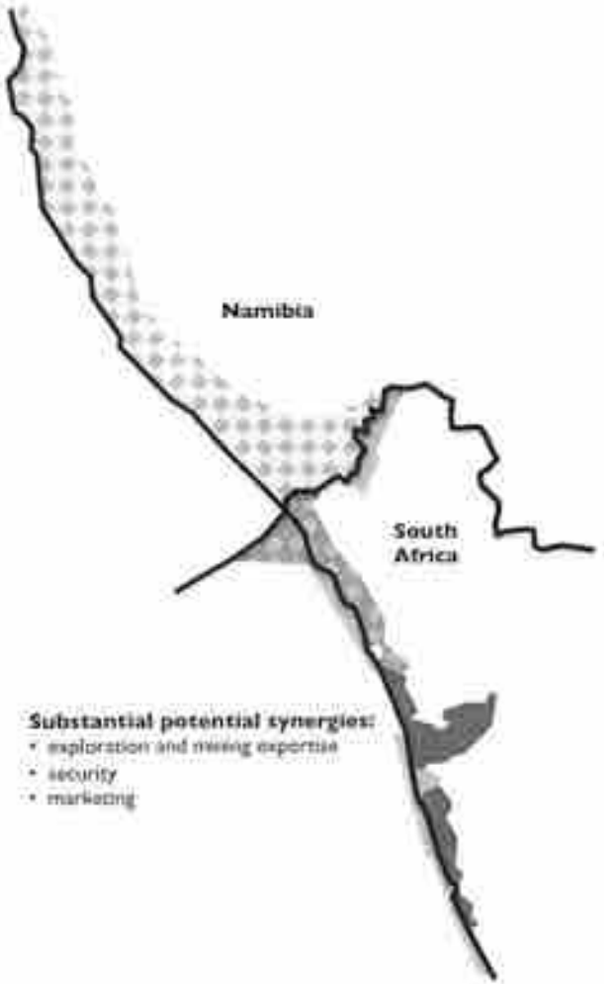
4 **Trans Hex, EPI**

- Baken almost depleted
- Angolan operations difficult
- Despite EPI transaction, share price has not performed
- **Need = new story for market**

5 **De Beers** (equity Namibia State will retain shareholding)

- Land assets becoming lower cost for De Beers over time
- **Need = potential to sell land assets when no longer core**
- Have undergone substantial learning curve in Alexkor mining to potentially offer share in Alexkor mining to entice them to trade Namdeb (and a possibility)





Substantial potential synergies:

- exploration and mining expertise
- security
- marketing

WHO IS THIS BEE MINER?

DIAMONDS ARE STRATEGIC TO ALEXANDER BAY AND NM.

WHO DECLARED THIS NEED?

WHAT LEGACY HAS THX AND DBRS GIVEN NAMAQUA-LAND FROM THE LAND MINING OPERATIONS? ENVIRONMENTAL DESTRUCTION.

THE REAL NEED LACKING IN THE MARINE INDUSTRY IS EQUITABLE ACCESS- NO INDUSTRY CAN FLOURISH UNDER OPPRESSION.

THIS IS THE REAL AGENDA

REAL NEED IS TO RUN AWAY FROM ENVIRONMENTAL LIABILITY A'LA NAMAQU-ALAND MINES

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Entity	Identified need	Proposed fulfilment of need
Government	AGAIN, WHO IDENTIFIED THIS "NEED" IT IS IMPORTANT TO IDENTIFY THE PEOPLE WHO PROMOTED THIS FALLACY. Exit from diamond interests for value in positive and sustainable manner	• Winding up of PSJV and exit by Government in exchange for cash and/or shares which would ultimately be listed (shares would allow for participation in potential transaction upside and liquidity to trade out as required)
Regional communities	THIS IS NOTHING OTHER THAN GREEDY CORPORATE PROPAGANDA AND CONTEMPTABLE. Realise value from investment, employment, economic stimulus	• Meaningful shareholding in well capitalised mining company with experienced management team, cash realisation if possible • Consequential stimulus to regional economy from mining procurement • Potential to create diamond beneficiation hub if sufficient scale exists post consolidation
Alexkor PSJV	WHAT TECHICAL EXPERTISE DOES TRANS HEX HAVE IN MARINE MINING? ANYONE CAN RAISE FINANCE ON THE BACK OF EQUITABLE ACCESS AND THIS INDUSTRY WOULD BE BOOMING IF NOT FOR THE LACK OF EA. Financial and technical partner post Government exit	• Introduction of appropriately skilled and adequately financed partner with the vision to realise maximum value from operations for all stakeholders and facilitate Government exit • Creation of management incentive/shareholding structure to provide for sustainable operations
Trans Hex, EPI	THIS IS THE TRUE AGENDA, A VIEW TO A KILL. New story for market	• Regional consolidation – expanded resource base and associated synergies • Introduction of new anchor partner to take Trans Hex to next level • Enhanced growth prospects
De Beers	READ: TO ESCAPE ENVIRONMENTAL LIABILITY - SAME M.O. AS N.M. Potential to sell land assets when no longer core	• Ability to trade out of land mining (as it has done in respect of other older assets such as Cullinan, Kimberley, Finsch, Koffiefontein, Jagersfontein) • Further potential to trade into attractive marine assets such as the Alexkor 1c concession provided with due regard to the current Alexkor marine partnership

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Important notes:

The complete suite of potential transactions is set out alongside

Not all elements are vital to the success of the overall transaction

Interdependence of transaction elements increases transaction risk

Given the similar shareholder base, A and B are likely to happen together – conversely, if A doesn't happen, B is unlikely

C is important for regional community sustainability irrespective of suite of transactions completed

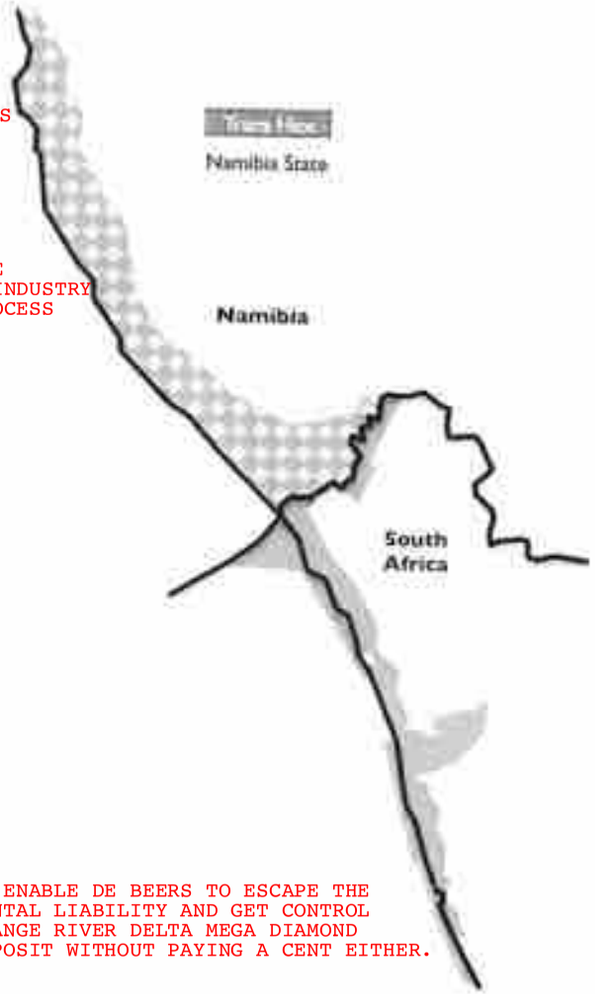
D is complex – would substantially enhance critical mass, but is a "nice to have". Would also likely take a long time to close so not a short term exit solution for Government

Possible scenarios are:

- A+C
- A+B+C
- A+B+C+D

Transaction Element	Mechanics of Transaction Element	Comments
A **Alexkor and RMC reverse diamond operations into Trans Hex**	• Alexkor and RMC receive shares in Trans Hex in exchange for vending their diamond interests into Trans Hex • PSJV is wound up • Management incentive/ ownership structure introduced for sustainability • Technical/financial partner introduced • Trans Hex holds 100% of Alexkor land and marine assets	GOVERNMENT WILL NOT GET A CENT IN THIS PAPER TRANSACTION THAT WILL UNDERVALUE ALEXKOR'S ASSETS AND OVER-VALUE TRANS HEX'S ASSETS • Government would now have a tradeable instrument – option to place or participate in potential upside TRANS HEX'S AIM IS TO MONOPOLIZE THE ENTIRE NAMAQUALAND DIAMOND INDUSTRY WITHOUT PAYING A CENT IN THE PROCESS VICTORY FOR PAROW AND STELLENBOSCH
B **EPI reverses into Trans Hex**	• EPI shareholders receive shares in Trans Hex in exchange for EPI • Trans Hex holds 100% of Namaqualand Mines	CLASSIC CASE OF JAVELLIN THROWING • Government's 20% warehoused shareholding in EPI becomes tradeable Overall structure simplified
C **Restructuring of BBBEE shareholding**	• Consortium shareholding structure consolidated and structured to preserve BBBEE control to the extent possible	• Key final step for BBBEE consortium
D **Acquire 50% of Namdeb land operations from De Beers**	• Acquisition of De Beers' interest in Namdeb's land assets for cash	• Cross border transaction, more complex, so lower priority initially • The potential offer of a share of the marine assets may entice De Beers to trade out of land assets THIS WILL ENABLE DE BEERS TO ESCAPE THE ENVIRONMENTAL LIABILITY AND GET CONTROL OF THE ORANGE RIVER DELTA MEGA DIAMOND PLACER DEPOSIT WITHOUT PAYING A CENT EITHER.

Ownership of operations assuming all transactions implemented



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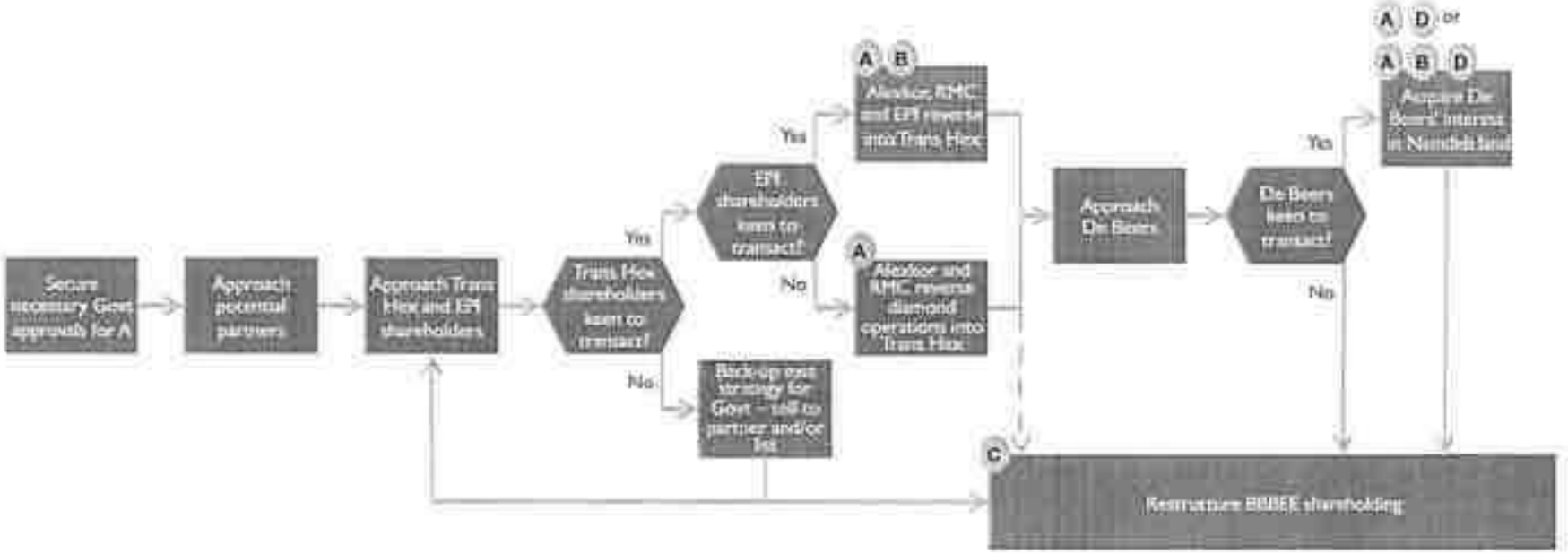

Key transaction considerations:

- Approval to transact should ideally be:
  - sufficient to convince a potential partner to enter into negotiations; and
  - sufficiently discreet so as to not alert other stakeholders prior to securing the partnership arrangement
- Back up exit strategy for Government in the event that engagements with Trans Hex / EPI shareholders fail (likely due to perceived value gap) would entail purchase by partner of Alexkor's share of the Alexkor diamond operations and/or listing of the Alexkor diamond operations. The listing and/or further development of the Alexkor diamond operations would then provide the basis for a more informed relative value discussion with the Trans Hex / EPI shareholders
- Ideally the partner should be comfortable to commit upfront to only implementing this back up strategy in the short term

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MINING-04-1035

EPI

- CPR of Namaqualand Mines on Trans Hex website quotes value of R478m
- NPV value often at premium to market value in current market conditions
- **Assumed value of EPI = R400m**

Alexkor PSJV

- Assumed Alexkor operations have similar value to EPI
- Assumed land and marine value split 51/49 as per PSJV shareholding
- **Assumed value of Alexkor land operations = R196m**
- **Assumed value of Alexkor marine operations = R204m**

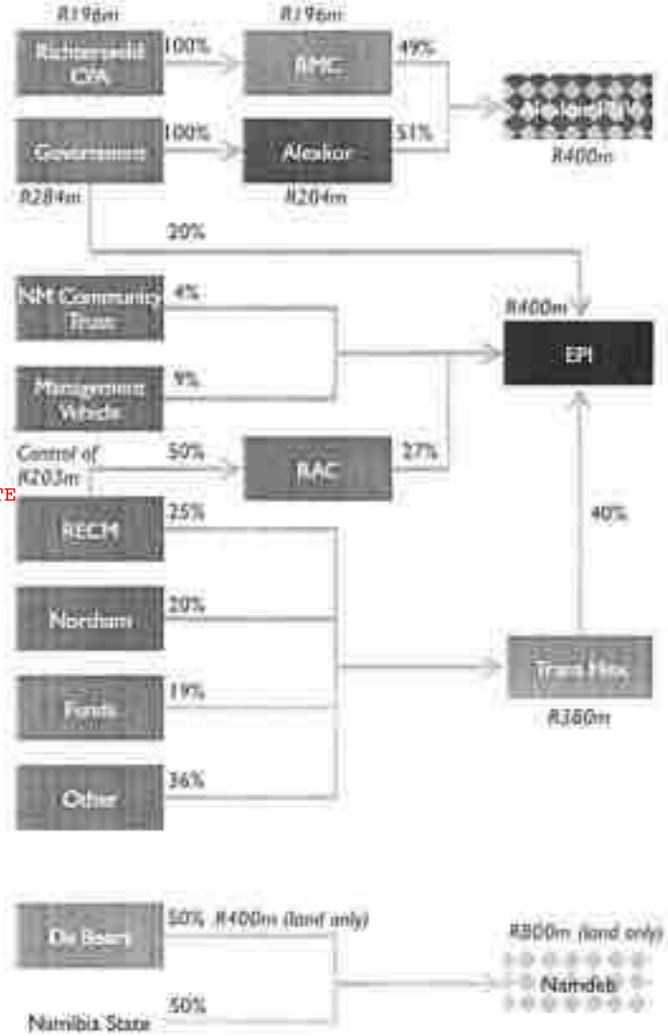
R204m IS LESS THAN THE FRUITLESS EXPENDITURE SO FAR OF ALEXKOR CORPORATE

Trans Hex

- **Market capitalisation approx. R380m**

Namdeb land

- Much larger surface area than Alexkor and Namaqualand Mines but lacking lower tier
- Assumed double the value of EPI
- Assumed value of Namdeb land = R800m



SO DE BEERS' ASSETS ARE VALUED AT DOUBLE THAT OF THE OTHER PLAYER'S ASSETS IE THEIR STAKE IN A CONSOLIDATED ENTITY WOULD BE 2/5 OR 40% AND THEY WOULD ONLY NEED ANOTHER 10% PLUS 1 SHARE TO CONTROL THE LOT.

XX4-GJC-1033

MINING-04-1036

Trans Hex gains synergistic asset portfolio; additional life of mine; BBBEE control status and a new anchor partner to take it forward in its next chapter

THIS IS THE ATTRACTION FOR DR. WIESE

Compelling value story for Trans Hex to take to market, especially in light of non-performing share price

Liquid market for Government to place its remaining exposure if required

BBBEE consortium created to facilitate BBBE empowerment or if possible, control

WHERE DOES THE SMALL-SCALE MINING COMMUNITY FIT IN?

Substantial value realisation for Richtersveld Community

READ: MERVYN CARSTENS AND HIS TEAM

Manco consists of key current Alexkor PSJV leadership (BBBE controlled) – funded into transaction to secure sustainability of RMC operations

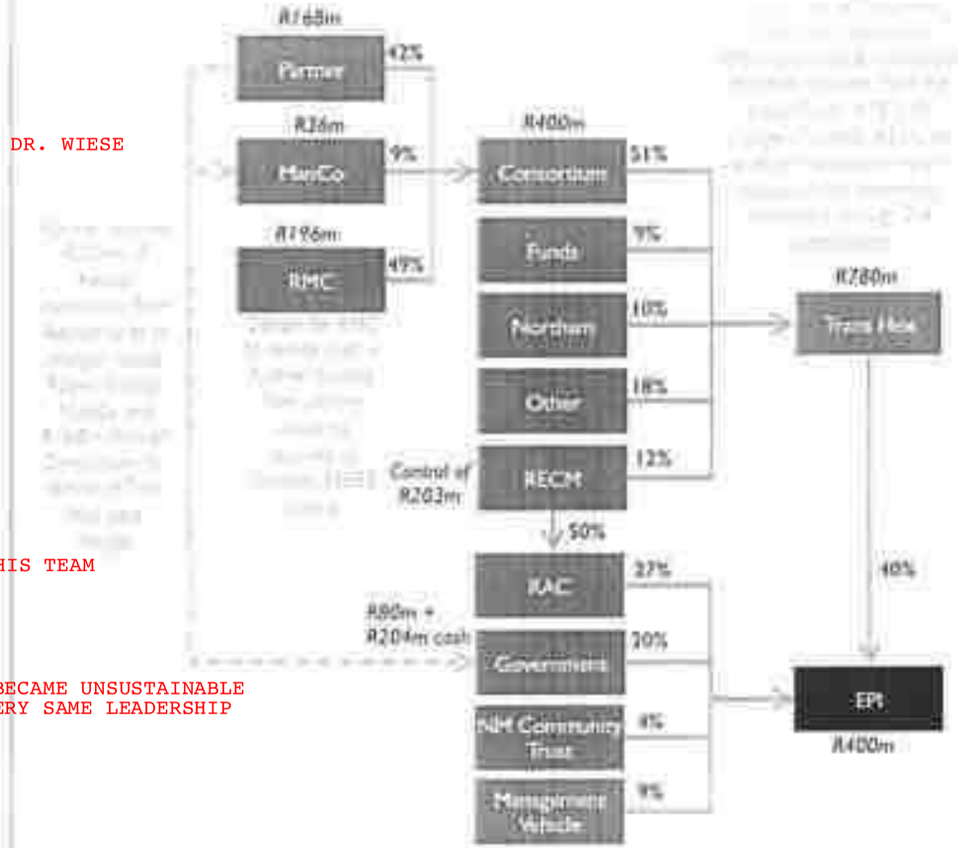
AFTER THEY BECAME UNSUSTAINABLE UNDER THE VERY SAME LEADERSHIP

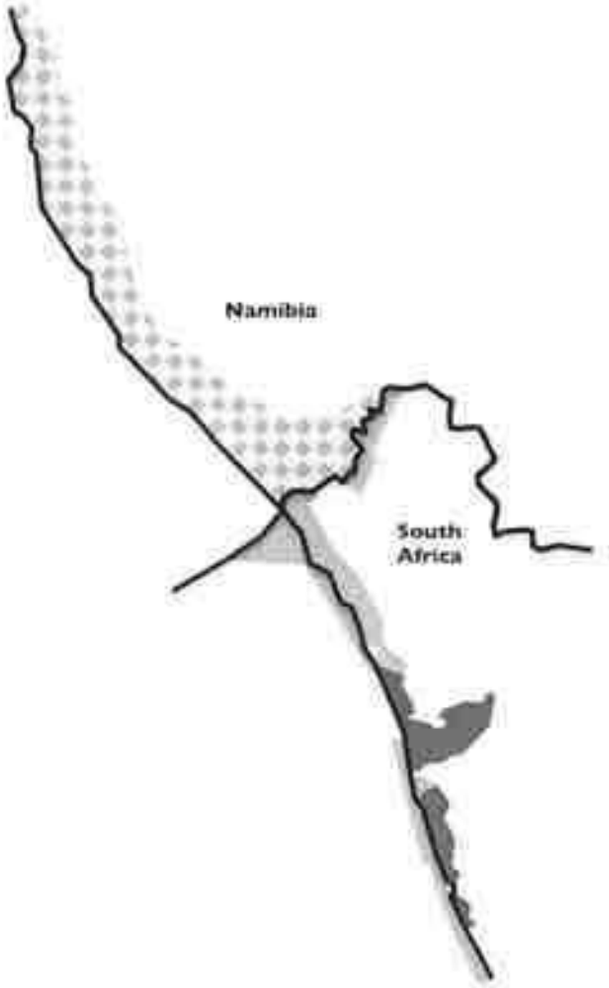
Total partner funding = R168+36 = R204m, potential for a portion of this to be funded through debt

RECM/RAC given the opportunity to supplement the incumbent partner

Manco could seek further gearing to increase participation

Transaction C (restructuring of BBBEE shareholding) also depicted in respect of this Transaction A





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READ: TOTAL MONOPOLY CONTROL

Trans Hex further entrenches its regional presence and retains its BBBE control status

MASSIVE RERATING ACTUALLY

Additional likelihood of rerating of share price

Total partner funding = R204+80= R284m, potential for a portion of this to be funded through debt

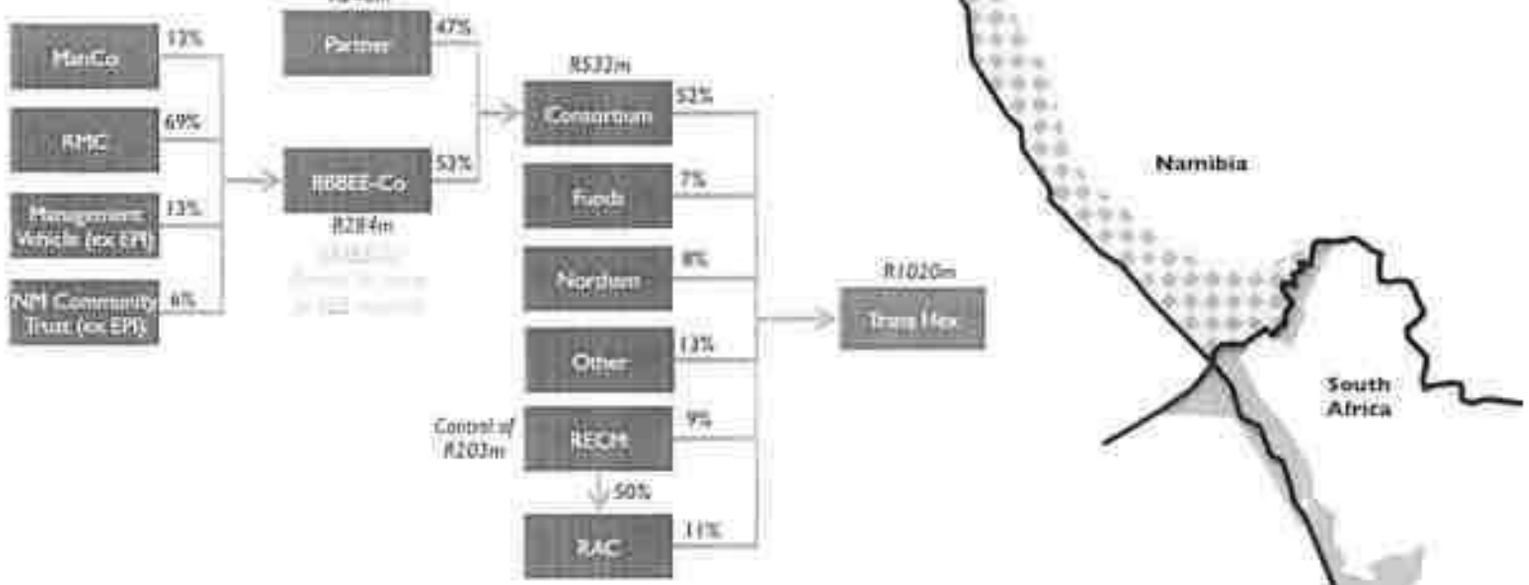
THIS WOULD KEEP THE CORPORATE OFFICE GOING FOR A FEW YEARS

Government exits all of its diamond interests for a total of R284m in cash

RECM/RAC given the opportunity to supplement the incumbent partner

Manco could seek further gearing to increase participation

Transaction C (restructuring of BBBEE shareholding) also depicted in respect of this Transaction B



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Trans Hex extends its operations into Namibia – 350km of coastline under one umbrella MONOPOLY UMBRELLA

Further rerating of share price likely DISENGENEOUS UNDER-STATEMENT

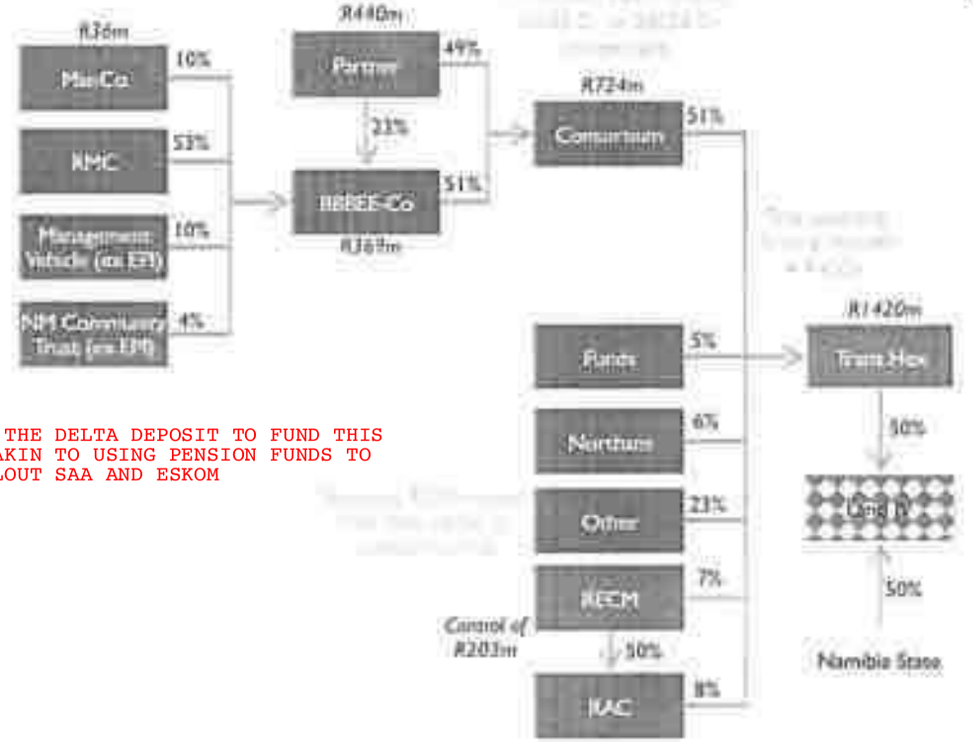
Total partner funding = R284+192 + R476m; potential for a portion of this to be funded through debt

Third party funding sourced to increase free float so as to enhance liquidity of the share

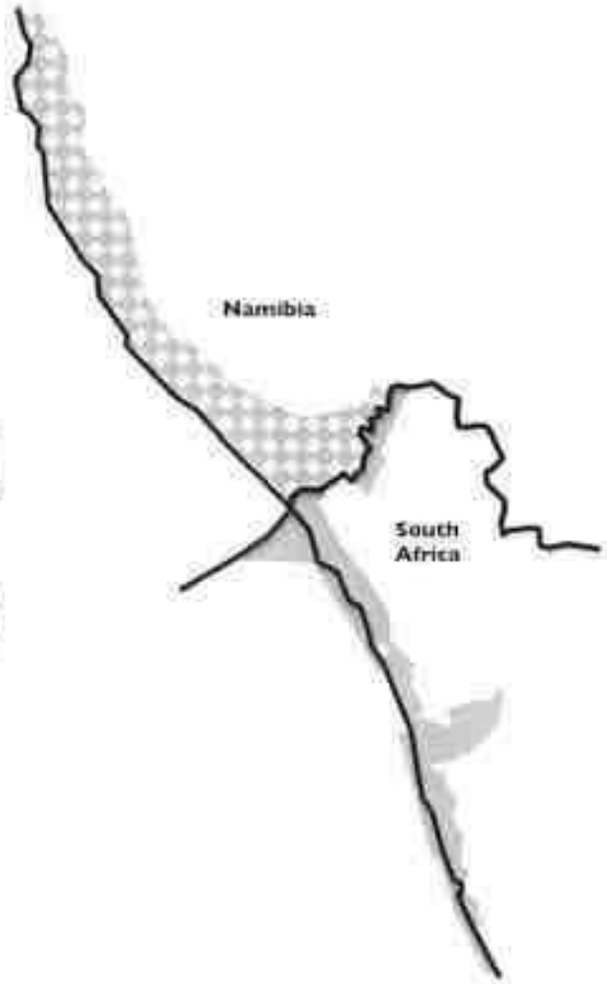
Manco could seek further gearing to increase participation

Potential to reduce funding requirement by selling a share of the Alexkor marine operations to De Beers (due regard given to current partnership arrangements)

Transaction C (restructuring of BBBEE shareholding) also depicted in respect of this Transaction D



USE THE DELTA DEPOSIT TO FUND THIS IS AKIN TO USING PENSION FUNDS TO BAILOUT SAA AND ESKOM



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WHY IS BENEFICIATION SO IMPORTANT TO GOVERNMENT WHILE EQUITABLE ACCESS FOR THE LOCAL MINERS IS OF NO INTEREST AT ALL?

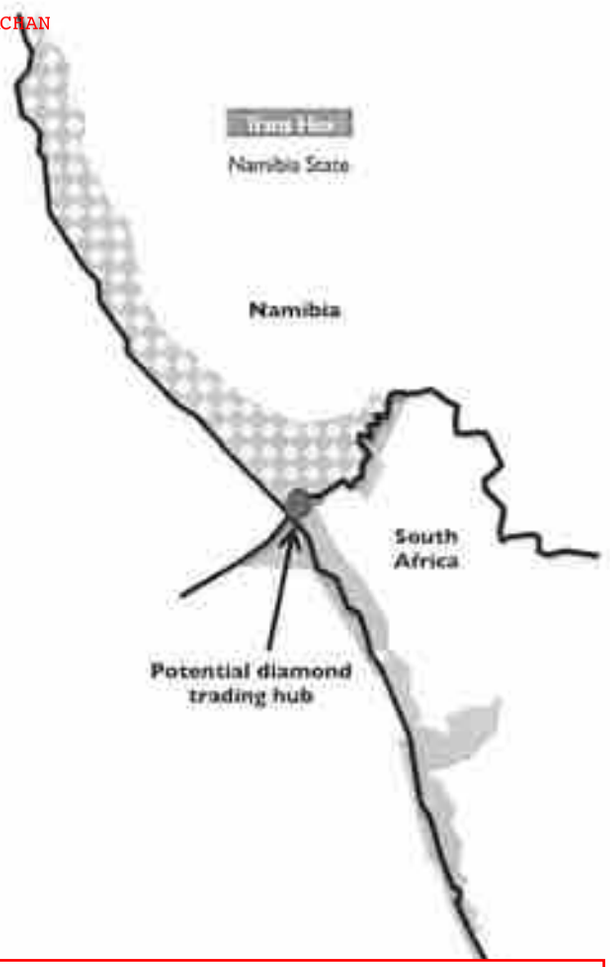
THE EAC HAS LOBBIED FOR MANY YEARS TO RELOCATE THE VALUE CHAIN OF OUR DIAMONDS HERE TO NAMAQUALAND SO THAT WE CAN OBTAIN THE FULL RESOURCE BENEFIT OF OUR ONLY MAJOR WEALTH CREATING OPPORTUNITY

THIS WAS THE EAC'S IDEA AND IS RECORDED IN CORRESPONDENCE TO DG. GARTH STRACHAN

- Beneficiation (and its consequential economic benefits) is a key imperative for the South African Government, with the **local beneficiation of diamonds** being a focus area
- The development of a West Coast diamond trading hub would provide additional **employment** in the region and create economic stimulus for **secondary businesses** in the region
- The Botswana Government, as a major De Beers shareholder, has recently negotiated the relocation of all De Beers diamond trading operations to **Gaberone** for similar reasons
- Given the **scale** of the De Beers and Botswanan operations, diamond traders will have no choice fly to Gaborone on a regular basis
- The success of a West Coast diamond trading hub would require sufficient **scale** to attract diamond traders to make regular specific trips to the region
- Research is needed to determine the **feasibility** of a West Coast diamond trading hub for Transaction A in isolation. Adding Transactions B, C and D increases the likelihood of such a trading hub being feasible
- Given its under-utilised landing strip and available facilities to underpin development, **Alexander Bay** may be a potential site for such a trading hub
- In the event that Transaction E is concluded, a cross border trading hub spanning **Alexander Bay and Oranjemund** could be an exciting consideration
- **Trans Hex's current cutting works** (75% held by Trans Hex, 25% by a BEE partner) could form the foundation of this trading hub
- **Further studies** would be required to progress the abovementioned concepts

A West Coast diamond trading hub would provide much needed employment and economic stimulus in the region

THIS PROMISE WILL BE LIKE THE ARMS DEAL OFF-SETS



WHY IS IT THAT THESE GUYS BELIEVE THAT THE PEOPLE OF NAMAQUALAND ARE INCAPABLE OF DEVELOPING THEMSELVES ECONOMICALLY?
WHAT TYPE OF "ISM" IS AT PLAY HERE? PROVINCIALISM, INSIDERISM, CLASSISM, CORPORATISM?

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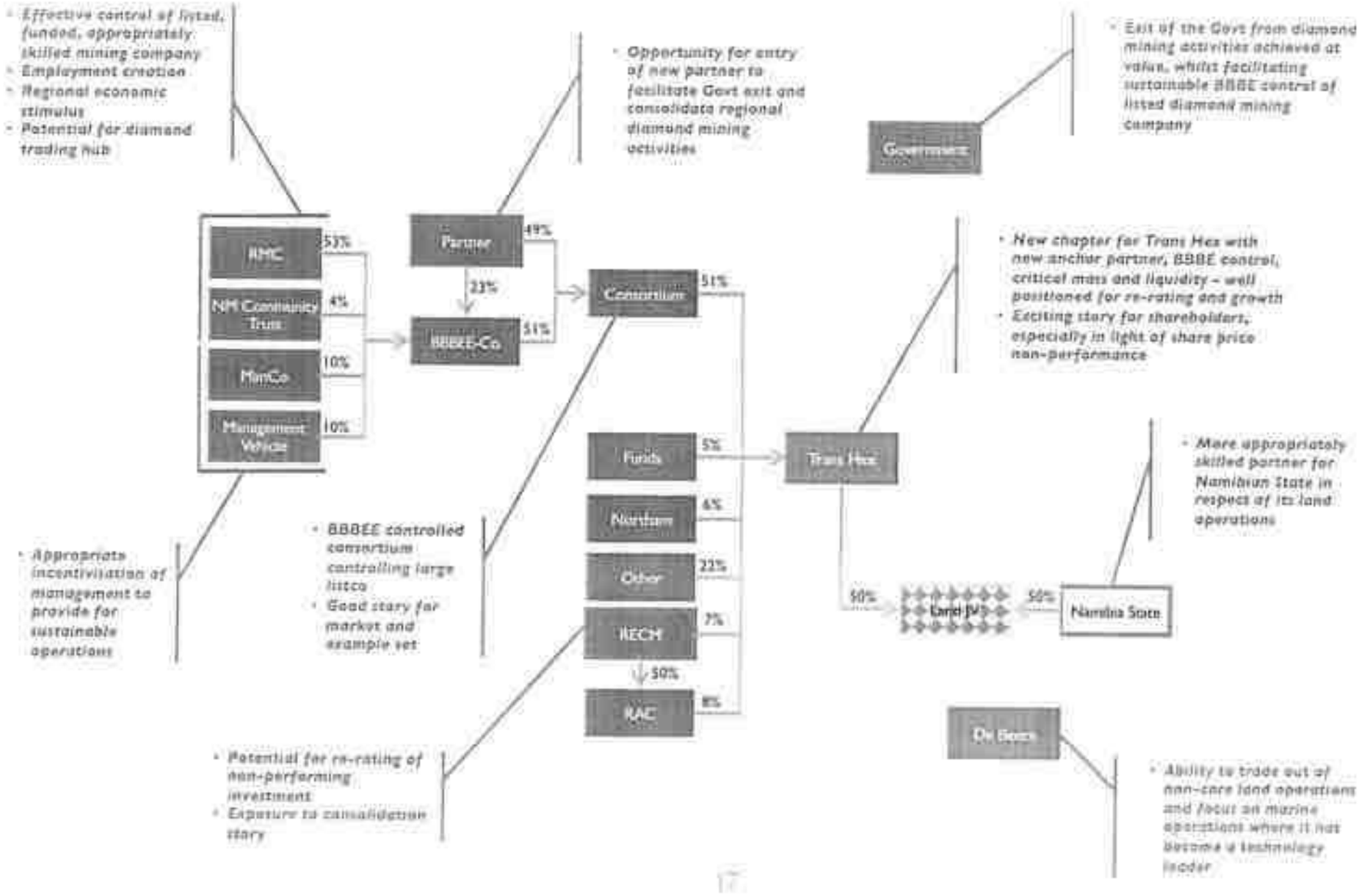
A BIG, COMPLEX WEB OF FINANCIAL ENGINEERING AND SLITE-OF-HAND



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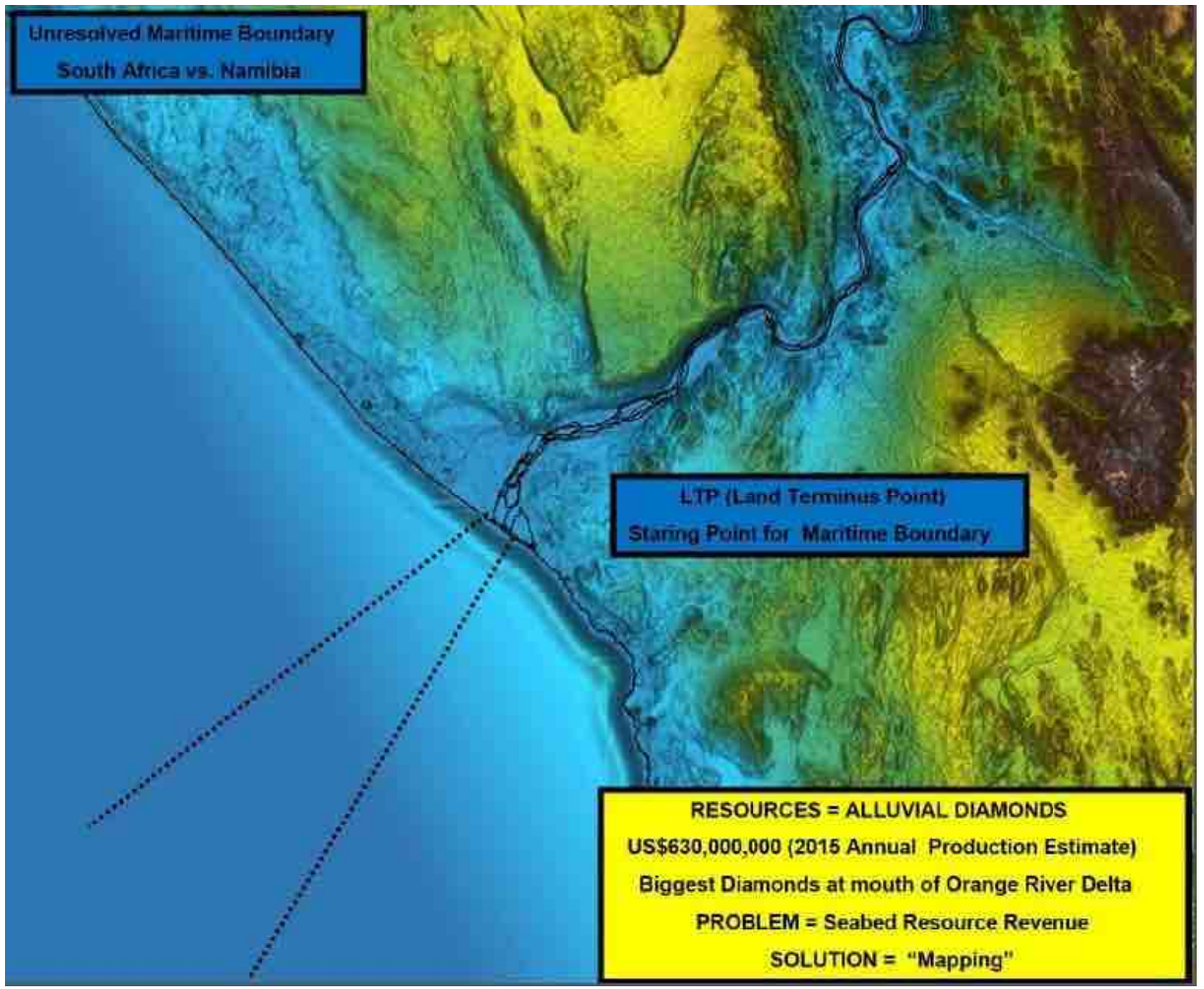

Slide from the key-note address by Mr Rob van der Poll, head of UNCLOS - Fugro, at the International Hydrographic Society Conference on 23 November 2015, highlighting the boundary dispute between Namibia and South Africa.

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PMG

PARLIAMENTARY MONITORING GROUP

Portfolio Committee on Public Enterprises
16 November 2016
Alexkor on its 2015/16 Annual Report

Chairperson: Ms D Rantho (ANC) (Acting)

Audio
Alexkor on its Annual Report 2015/16

Documents
Alexkor Board briefing on Annual Report, Financial Statements and General Feedback for 2015/16

Summary
It was evident that Alexkor is under a great deal of financial strain and pressure. The key challenges were: Alexkor's lack of an adequate working capital; low carat production which resulted in a 7% diamond revenue decrease; the full and final implementation of the Deed of Settlement, and community issues related to the delay of a R45 million payout to community beneficiaries.

The Committee was unhappy that the Minister and Deputy Minister were absent as it was of great importance for them to be present so they could be interrogated as political heads, as to what they were doing to support state owned entities to ensure that they have the capacity to reach their targets. The Committee asked Alexkor for a comprehensive breakdown of its Corporate Social Investment initiatives and its beneficiaries and stressed the need for Alexkor to conclude the Deed of Settlement. The Committee questioned Alexkor's plan to expand into coal beneficiation; how Alexkor would achieve this with inadequate resources and capital; the low carat production; whether previously disadvantaged contractors developed transferable skills from the work they were doing, and if Alexkor was contributing to the socio-economic development of the communities.

Minutes
As the Chairperson was abroad for official business, Ms Rantho was elected as Acting Chairperson.

Ms D Rantho (ANC), Acting Chairperson, gave the Committee's condolences to the Alexkor Acting CEO for the loss of his father. as much as the Committee was sympathetic and understanding, what happened at the 2 November Alexkor meeting was unacceptable. The Committee was dissatisfied that the Department did not inform the Committee that the CFO had resigned, and it was offended by the COO's negligence and arrogance as the COO did not make an apology to the Committee for not attending the meeting.

The Chairperson explained that the Committee has been trying to have a meeting with the Minister but the Minister is nowhere to be found. The Director-General was also aware of what was going on but was not doing anything about it. The Minister had just come out of surgery and that the Committee was trying its best to organize a meeting with the Minister.

Mr N Singh (IFP) stated that it was of great importance that the Director-General and Minister be present for such meetings and that they needed to meet with the Committee before it met with any other enterprises.

Alexkor briefing on 2015/16 Annual Report
Ms Zukiswa Ntlangula, Non-Executive Director on the Alexkor Board, stated that she was there on behalf of the Board chairperson. She apologized on behalf of the COO and explained that their absence was due to restructuring. She explained that the company was experiencing a high turnover in their senior management positions, specifically with CEO and CFO. The restructuring has brought about great uncertainty and as a result Alexkor is experiencing resignations, as people feel that they need more certainty with regards to their career and future. At the moment Alexkor cannot afford to retain a CFO.

Mr Vimal Bansi, Alexkor Acting CEO, stated that Alexkor is a listed schedule 2 public entity wholly owned by

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the government through the Minister of Public Enterprises, Lynne Brown, as the shareholder representative. The Company has two divisions: Alexander Bay Mining Operations (Alexkor RMC Joint Venture) and the Alexkor corporate unit. The core business of Alexkor is the mining of diamonds on land, along rivers, on beaches and in the sea on the north-west coast of South Africa. These activities are complemented by geology, exploration, ore reserve planning, rehabilitation and environmental management. Alexkor has significant importance for the Namaqualand-Richtersveld region. Alexkor's distinctive competencies are its quality of diamonds and its unique land and mineral resources. Over the life of the mine, approximately 10 000 000 carats of gemstone quality diamonds have been recovered.

The Deed of Settlement (DoS) is a binding agreement between the Richtersveld Community, Alexkor, and the government of South Africa, which emanated from the land claim filed by the Richtersveld Community. The DoS principles are that Alexkor's land mining rights are transferred to the RMC and Alexkor is to retain its marine mining rights. Alexkor and RMC will form a "Pooling and Sharing Joint Venture" (PSJV) and put the land and marine mining rights under the control of a joint venture for purposes of mining the diamond resources. Participation interest is Alexkor 51% and RMC 49%. Alexkor movable assets relating to its agricultural and multicultural businesses are to be transferred to the Richtersveld Community

When the previous Board was appointed in September 2012, the commercial and socio-economic mandate given to it was: stabilize the mine; increase carat production; job creation; explore and invest in non-mining opportunities; continuous engagement with the community; training and development.

Achievements of the Board with regards to the PSJV
- Development of the Muisvlak Plant
- Extracting value by the introduction of coffer dams and an optical sorter
- 10 million investment in a mobile prospect plant to complement the exploration program
- Expansion into mining nodes 2 and 3
- Mid-water mining desktop study completed to be followed by survey of the sea bed
- IMDSA, a deep sea mining company, commenced on 18 April 2016 in concessions 1C and 1B
- Office restructuring and voluntary severance packages (VSPs) were successfully concluded
- There are now only five permanent staff members employed at Alexkor head office
- Corporate offices have moved to a significantly lower rental

Alexkor SOC – mandate and challenges

THIS CREATES THE IMPRESSION THAT THE COAL IDEA WAS THE MINISTER'S WHICH IS INCORRECT

The Minister had requested, at the Special AGM of August 2015, that the company prepare a business case for a coal beneficiation strategy. Management has embarked on a due diligence study on a coal beneficiation company, scheduled for completion by end January 2017. However, Alexkor will continue to sweat its existing assets as well as identify other diamond opportunities outside of the Richtersveld. Diamond beneficiation (the art of cutting and polishing) is severely lacking in South Africa and Alexkor sees this as an ideal opportunity to enter into this space. Alexkor, together with its marketer, SSI, will investigate opportunities to establish a diamond beneficiation factory in Kimberley.

The immediate challenges for the company lie in the fact that it has operational cash on for the next eight months, commencing November 2016. However, the mining of the mid-waters is expected to commence in Quarter 4 and the company is expected to change its bottom line figures from red to black.

Alexkor Annual Financial Statements

Ms Tsundukani Mhlanga, Alexkor: Acting CFO, made the following points in her presentation:
- Alexkor had 19 approved targets for the year, with 5 KPIs subsequently being deferred. Of the 14 remaining KPIs, only 11 (79%) were fully achieved.
- Diamond revenue decreased by 7% from R414 million (2014/5) to R387 million in 2015/16.
- Production achieved was 45 492 as opposed to the 80 320 carats target for 2015/16.
- A net profit of R6 million (2016) was achieved for the year, compared to R18 million (2015).
- EBIDTA of R24 million (2016), compared to EBIDTA of R37 million (2015).
- AFS for both Alexkor SOC and PSJV have been prepared on a going concern basis. The external auditor's opinion was unmodified. An emphasis of matter paragraph included non-compliance with PFMA in the following areas: Irregular expenditure of R6.9 million; Non-effective management of fruitless and wasteful expenditure of R200 000.
- Cash and Cash Equivalents: Cash has reduced due to deployment of restricted cash to its intended use, and operational cash was not replenished by cash distribution from PSJV
- Value Added Statement: Despite sustaining losses, value created for suppliers, employees and government entities.
- Contingent Liabilities: No provision has been made should legal action be pursued by Nabera Mining.
- The company has no borrowings nor does it have guarantees from the shareholder.

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• No dividends declared.
• Supply Chain Enterprise Development: In 2015/6, 71 Mining contracts were awarded, of which 43 (60.5%) were to historically disadvantaged individuals. The contractors are from the Richtersveld and the surrounding towns within the Northern Cape. Contract revenue paid out to BEE compliant companies was R195 million, which includes R51 million to 100% Black-owned companies.
• Dealing with the operational cash flow challenges for 201617:
- Excess amount of R45 million MTEF allocation earmarked for Rehabilitation Liability was released for operations as approved by the Board
- Cash distribution agreement has been entered into with PSJV to regulate loan repayment and cash distribution
- Medium-term funding options are being explored
- Appointment of three independent directors on RMC board to ensure that the business and functioning of the PSJV is unencumbered.

Chief Operations Officer report
Mr Humphrey Mokwena, Alexkor COO noted Corporate Social Investment was R2 542 507 for 2015/16.

Cost containment measures were implemented to ensure sustainability of the business. There was restructuring at Head Office and new appointments. All policies and procedures been updated to ensure alignment with best practice and latest developments in all relevant legislation and industry norms. During the current financial year we will focus on developing and retaining our talent and create an environment that will maximize the potential of employees and the company. In line with the cost containment measures, through a process of Voluntary Severance Packages (VSP), the following positions were made redundant and/or personnel replaced: CEO; 2 x Executive PA; GM HR; GM Technical.

Alexkor was required, as per the DoS, to rehabilitate all areas that were disturbed and which require rehabilitation, prior to the formation of the PSJV. A female, Black-owned consulting company was contracted to draft a legacy rehabilitation implementation plan. The rehabilitation implementation plan has been completed. The plan includes the removal of asbestos-contaminated material from Alexander Bay and also demolition of old and dilapidated buildings. An open tender was advertised ending 11 November 2016.

Challenges for the year to come
Mr Bansi, Alexkor Acting CEO, outlined the challenges to be overcome by board and management:
• Lack of adequate working capital as a result of poor carat production BUT CASH FOR BENEFICIATION
• Lack of resource capacity following corporate office restructuring
• Full and final implementation of the DoS
• Resolution of community issues
• IMDSA experiencing technical difficulties which has negatively impacted on marine carat production.

The PSJV challenges:
• Community issues exacerbated by the delay of the payment of the R45 million to community beneficiaries
• RMC/CPA/Propco not properly constituted which has resulted in the delay of the R45 million payment
• Poor land carat production, which has had a negative impact on the income statement. In mitigation thereof, a high level exploration program has been implemented to drive the mining process
• Optimal marine carat production is never guaranteed as the Atlantic ocean influences the number of boat days (formerly known as “sea days”)
• The OHMS plant had to be de-commissioned due to it being operationally unsafe. IT WAS RUNNING FAR INTO 2017 IN AN OPERATIONALLY UNSAFE CONDITION

Discussion
The Acting Chairperson said that the Minister and the Deputy Minister have made the Committee’s job very difficult, and that their absence has placed the Committee at a great disadvantage. There are KPIs that have not been achieved by entities and the Department itself, but the Committee cannot ask the Ministers, the political heads and overseers of the Department, what they are doing, and whether there are any strategies or mechanisms in place to help support entities and the Department to ensure that they reach their goals and objectives. it was very important that the Minister, Deputy Minister and Director-General to be present for such meetings. She explained that the Committee was trying their best to have them come before the Committee.

Ms T Stander (DA) thanked the Alexkor team for the presentation. She explained that public entities should be sustainable and commercially viable while fulfilling the mandate of socio-economic development. She asked whether the high turnover in senior positions, especially the position of CFO, was related to the fact that those individuals did not see the company as being sustainable. She specifically spoke of the case of the CFO that recently resigned. The CFO had eight months of cash flow left when she resigned. She asked

WHY ALLOW THE FRUITLESS CORPORATE EXPENDITURE THEN?

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Alexkor to elaborate on the resignation of the CFO, if there were any specific reasons she gave for her resignation in her exit interview, other than her career. She asked if she resigned or took a severance package.

IT SHOULD HAVE BEEN OBVIOUS AT THIS POINT THERE WAS NO BUSINESS CASE

Mr Bansi explained that the CFO's reasons for resigning were two fold. Firstly, it was related to the coal case business. Her skills and expertise lay in the beneficiation of coal and coal diversification, but because of all the changes taking place it has become of lesser importance. Although there are efforts to go into the beneficiation of coal at the moment it is not the focus, so the job was no longer enjoyable or challenging for her. Secondly, the job was incurring reputational damage for her as she was the CFO of a company that was struggling financially and one that did not have enough operational cash. It was a full resignation and that she took no severance package.

ALEXKOR CONTINUED WITH THE FRUITLESS EXPENDITURE – WHY WAS IT NOT STOPPED?

Ms Stander asked whether Alexkor had hired a service provider for geological data, whether they had to pay for the data and if they did, whether they were in the process of getting their money back since the geological data that was provided was inaccurate.

Mr Bansi explained that the data given by the service provider was inaccurate and that it made projections that were not true. Alexkor could not get the money back, and that the team used the data the best way that they could and tabled a report. MUISVLAK WAS MISMANAGED – THERE ARE CREDIBLE WITNESSES

Ms Stander stated that it was very concerning that the company had only reached almost half of its target when it came to carat production. That was very concerning because of the cash position the company finds itself in. She asked what the company planned to do about this.

Ms Stander asked about the Deed of Settlement. It was mentioned that it is currently in the court process and that it was improperly constituted. She asked where it was in the court process and when this matter would be resolved. This matter needed to be concluded.

Ms Stander asked that Alexkor elaborate on the socio-economic measures mentioned, such as cattle ranching.

Ms Ntlangula explained that ensuring the development of black industrialists was in the company's requirements when reviewing and selecting contractors.

Ms Stander stated that Alexkor has spoken about plans to go into the dispatching of coal since 2013. She asked what their plans were around this, and how they would manage such a project when they are struggling to manage their current mining. She asked where they would mine coal and with what resources they would do it with as they had very little resources.

Mr Bansi explained that they have identified a potential company, which is part of the Woodbank and Middleburg coal hub but it does not have a Broad-Based Black Economic Empowerment (BBBEE) certificate. They have hired a consulting company to complete due diligence on the potential company that they have identified. The company planned on getting coal from small emerging miners, and these miners would be paid according to the quality of their coal. The company would beneficiate the coal through Eskom.

WHY IS THE TARGET A WHITE OWNED COMPANY AND WHO ARE CONSULTANTS?

Ms Ntlangula explained that the company had presented the idea to the Department but it had experienced delays in getting approval. The Minister told Alexkor that it needed to develop a coal business proposal that would inform their plan and strategy, but that in the mean time it needed to focus on stretching its current asset and resource. The resolution the company had reached is that while it works on its coal business plan, it will concentrate on diamond beneficiation and not extend itself to anything else until it gets diamond beneficiation right.

HOW WILL THE LOCAL COMMUNITY BENEFIT FROM THE MONEY INVESTED INTO THE COAL AND BENEFICIATION PROJECTS?

Ms Stander suggested that Alexkor be more tactful in their strategy when it came to community engagement. She understood that communities are passionate and divided but there had to be a way to get them on board and make them understand why the money cannot just be paid over. The Committee did not want anyone running away with the R45 million.

Ms Stander asked whether Alexkor had plans to borrow or apply for a government guarantee.

Mr Bansi explained that they have not considered it because they already know that the answer will be no. As a result, the company was trying its best to be self-sustainable and move forward.

Ms Stander asked how the company's legacy rehabilitation programme was going to affect the company's

THEREFORE IT IS CLEARLY UNDERSTOOD THAT THE LOCAL COMMUNITY OF ALEXANDER BAY IS PAYING FOR THESE PROJECTS.

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cash flow, she asked what the cost projection was.

Mr Mokwena explained that the company has set aside money for the legacy rehabilitation programme. The amount set aside is currently R245 million, so it will not affect the company's cash flow.

Ms Stander asked whether temporary employees that became permanent employees were double counted.

Ms Ntlangula explained that the company did not double count. If a temporary becomes permanent then they are removed from the temporary employer list.

Mr R Tseli (ANC) thanked Alexkor for the presentation. He echoed the concern about the absence of the Minister and Deputy Minister. This was a matter of serious concern and that it was not right. The Committee relied on the Chairperson to take this matter up with the Minister and Deputy Minister.

Mr Tseli wanted to know the community progress in relation to the R45 million.

Mr Tseli drew attention to the KPI that was not achieved due to a lack of geological information. He asked how the lack of geological information contributed to Alexkor not achieving their KPI.

Mr Bansi explained that this was due to the lack of quality data. EVERYONE IN ALEXANDER BAY KNOWS THAT THE PROJECT WAS MISMANAGED

Mr Tseli asked how having operational cash available for the next eight months was a challenge, and how the company planned on resolving this challenge.

Mr Tseli asked how much the reduced rental was compared to the previous offices.

Mr Bansi replied that the company had been paying R230 000 per month and that has been significantly reduced to just over R90 000 per month. HOW IS THIS JUSTIFIED WHILE OUR MINE AND TOWN ARE FALLING INTO STATES OF DISREPAIR?

Mr Tseli asked for a detailed progress report on CSI the next time Alexkor came before the Committee. He wanted to know what the company had done, where it was active, and who was benefitting from these initiatives. He explained that this was important to ensure that people were benefitting from these initiatives, and that it was also important for oversight. The Committee could visit one of the communities Alexkor was active in for oversight to see what progress was being made and whether there was community impact.

THE SAD IRONY IS THAT THE TOWN WOULD BE BOOMING IF THERE WAS E.A.

Ms Ntlangula said that the company had all this information and it would be sent to the Committee.

Dr Z Luyenge (ANC) asked if the Board had the capacity to fast track the process of employing a CEO and CFO and if they could attach a time frame to this. He asked how many employees it has at the ground level. He asked what other projects Alexkor had beyond mining. He asked for an explanation of the partnerships Alexkor has with community stakeholders. FOR WHAT GAIN DOES ALEXKOR NEED A CEO AND A CFO BASED IN GAUTENG?

Ms Ntlangula replied that the board did have the capacity to fast track this process. She explained that the company had combined the CFO and CEO role and were looking for a candidate who could fulfill both roles and functions. The vacancy would be advertised this week.

Ms Rantho, the Acting Chairperson, thanked Alexkor for the presentation. She echoed Mr Tseli's remarks about a CSI progress report. The Chairperson asked for a breakdown of CSI in order to understand the R800 000 overspending that was found. She asked Alexkor to elaborate on this matter and to justify that overspending. She did not understand how the company spent money it did not have.

Ms Rantho noted that a lack of compliance was reported by the independent auditors. She asked if the people found guilty of non-compliance were still part of the company, and if yes whether they were still there because of the law or because leadership felt that these people could learn to be compliant. She felt that the leadership and management were not taking control or making efforts to put mechanisms in place to combat such behavior.

Ms Ntlangula explained that non-compliance in the company has been extensively investigated. The problem that became evident was that of the function of controls. Since then efforts and changes have been made to tighten these controls. She explained that the non-compliance was irregular expenditure and not wasteful expenditure, so the company did benefit from the services it paid for.

Ms Rantho was very worried about the Deed of Settlement. She felt that Alexkor's resolution on the matter

THE FRUITLESS EXPENDITURE RELATED TO ALEXKOR CORPORATE AND THE MUISVLAK PROJECT EXCEEDS R300 MILLION AND NEEDS SCRUTINY AS A MATTER OF THE UTMOST URGENCY. HOW CAN A SMALL STRUGGLING COMMUNITY AFFORD SUCH ENORMOUS WASTAGE?

ALEXKOR HAS BECOME DISFUNCTIONAL BECAUSE IT DID NOT COMMIT ITSELF TO THE SUCESS OF THE PSJV, FOCUSING RATHER ON ILL-CONCIEVED SIDE-SHOWS WHILE CONTINUING TO DRAIN THE HIGHLY CASH-GENERATIVE SEGMENTS OF THE BUSINESS DRY. THIS BEGAN IN 2000 WHEN THE SHALLOW WATER MINING OPERATIONS WHERE OUTSOURCED TO LOCAL MARINE CONTRACTORS.

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was not clear or certain. She felt that Alexkor did not understand the challenges surrounding this matter. One of the major challenges of this matter is that if this is not resolved soon enough the original beneficiaries of the money would not be the ones who received the money, instead it would be residents who have moved to the area and become permanent residents. As it currently stood, anyone could claim the money. She asked whether Alexkor would be able to state who filed for the claim and whose families are the beneficiaries. The Committee needed to help Alexkor resolve this matter within the next five years, especially since this matter threatens to tamper with the Committee's integrity. At this rate Alexkor would end up having to give the money away to a non-governmental organization instead of its rightful owners.

Ms Bansi explained that the company was in constant engagement with its attorneys on how to deal with this matter. The company was trying its best, and that it was a constant back and forth that was costing the company and the people a lot of money. They could not say when it would all come to an end. He asked that the Committee assist Alexkor in getting traction from the Department of Rural Development and Land Reform, as they were a key player in this matter.

BETWEEN GAUTENG AND NAMAQUALAND?

The Chairperson asked if the company would be viable over the next few years and what their strategy would be for the next few years

THE COMMITTEE HAS STILL NOT MET WITH THESE PEOPLE AND THE SITUATION IS DESPERATE

The Chairperson asked whether the 43 previously disadvantaged business owners given contracts were building and developing their skills and their employees' skills. The Committee needed to meet with these business owners in their communities in order to interrogate and see whether they are benefitting from these contracts and whether they are playing a role in developing the community, moving it forward and contributing to its socio-economic development. The Committee also wants to know whether the skills that are being developed through these contracts are relevant and transferable to other work opportunities.

THEN WHY HAS THIS NOT HAPPENED?

Ms Ntlangula replied that all contractors are local, and that the skills that they gained were transferrable. She said the Board would be more than happy to avail themselves to accompany the Committee for oversight.

Ms Stander thanked Alexkor. She said that the team's answers were very encouraging because they were full and transparent. There was still hope for this public entity and she encouraged them to not to be captured by the state.

ALAS, ALEXKOR WAS ALREADY CAPTURED

Dr Luyenge asked about the number of employees at the ground level. He asked how many people were hands on, on the ground.

BY WHOM, WHERE AND WHEN?

Ms Ntlangula and Mr Bansi explained that mining took place at different levels. With land mining, contractors are hired to physically dig out diamonds. With shallow water, contractors are hired to use divers to extract diamonds. With the deep sea, an IMDSA contract is given where large boats are contracted with very specific machinery to sweep the floor of the sea and extract diamonds. They explained that they were unable to give the number of workers on the ground, and that they would send this in writing to the Committee later.

The Chairperson thanked Alexkor for the presentation. There needed to be a meeting by the end of this year where the Minister, Deputy Minister and Director-General were present.

DID THE MEETING TAKE PLACE?

Committee minutes of 2 November 2016

The Committee reworded the resolution as it currently appeared as if the Committee was attacking the board chairperson and that the board chairperson was in the wrong. The Committee wanted it to be clear that Alexkor was in the wrong and that the resolution was talking about Alexkor. The minutes were adopted.

Meeting was adjourned.

GC118

-------- Original message --------
From: "Gavin J. Craythorne" <gavinjohn@outlook.com>
Date: 2016/11/22 1:28 PM (GMT+02:00)
To: Zuki Ntlangula <zuki@ntlangulainc.co.za>
Cc: Ms Daphne Zukiswa Rantho <zrantho@parliament.gov.za>, Ms Terri Stander <tstander@parliament.gov.za>
Subject: ALEXKOR BRIEFING TO THE PORTFOLIO COMMITTEE.

Dear Zukiswa,

Thank you for the pleasure of making your acquaintance last week in Parliament and for the warm welcome you gave me. As promised, I am sending you some information that provides a very different perspective to that which you are accustomed to, coming as it does from someone at the "coal face" so to speak and who has been living in Alexander Bay since 1998.

In addition to the views I express therein please allow me to make a few comments on two observations that struck me during the course of the briefing.

1. It is evident that the Board is dangerously misinformed regarding Alexkor's SWOT situation. I will even go so far as to suggest that you have been deliberately misled by Trans Hex's proxies who have given de facto control of the SOE to a boardroom in Parrow.

2. The non-partisan passion displayed by the members of the Portfolio Committee for the interests of my community and the grace and humility with which you responded moved me deeply.

For South African civil society to imagine that state capture is a new phenomenon that began and ends with those who feature in the Public Protector's State of Capture Report would be a grave error. The most informed treatise of this evil in my view, is the book Lost in Transformation by Professor Sampie Terreblanche and it informs much of my thinking about my role in making our country better for all.

If you will allow me, I will help you and your fellow board members build Alexkor into a world class marine diamond mining company.

Please let me know if and when we can start.

Sincerely yours,

Gavin John Craythorne.

PS. FURTHER DOCUMENTS TO FOLLOW.

GC118

gavinjohn@outlook.com

From: Gavin J. Craythorne
Sent: 11 January 2017 04:48 PM
To: 'Zuki Ntlangula'
Cc: 'Ms Daphne Zukiswa Rantho'; 'Ms Terri Stander'
Subject: RE: CORPORATE GOVERNANCE AND PUBLIC ACCOUNTABLILITY AT ALEXKOR.

Dear Zukiswa,

The new year has arrived and I hope it brings you life in abundance. I trust too that you had a good break.

I realise that protocol would require of me to rather address the contents of this email to the Chairperson of the Alexkor board, however in the circumstances I feel that the good rapport we have established may be a suitably mitigating factor and I trust that this departure from business etiquette won't find offense.

Some six weeks have passed since my reaching out to you on the concerns I have in relation to matters of governance at Alexkor and while I have had an unwelcome response from the CEO and Company Secretary of the PSJV in the form of a summons to a rather disconcerting meeting on Monday, 12 December, I have yet to receive a response from you or the members of the board to whom my correspondence was directed.

As you are aware, by way of copy in my email to Hon. Rantho dated 6 December, I have given an undertaking to the Portfolio Committee to provide detailed reasons for my comments regarding the subject of this email. Before doing so however, I would appreciate an opportunity to engage meaningfully with the board over the contents of my draft report as there are matters that impact negatively on both the current board as well as past board members.

I would be happy to travel to Johannesburg at my own expense to do so if you could kindly provide me with one weeks' notice to avoid a clash with seaborne mining operations.

Sincerely,
Gavin.

From: Zuki Ntlangula [mailto:zuki@ntlangulainc.co.za]
Sent: 22 November 2016 01:38 PM
To: Gavin J. Craythorne <gavinjohn@outlook.com>
Cc: Ms Daphne Zukiswa Rantho <zrantho@parliament.gov.za>; Ms Terri Stander <tstander@parliament.gov.za>
Subject: Re: ALEXKOR BRIEFING TO THE PORTFOLIO COMMITTEE.

Dear Gavin

It was an absolute pleasure meeting you.

Thank you, I will liase with the Board Chairman and revert.

Rgds
Zukiswa
0827759441

Sent from my Samsung Galaxy smartphone.

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MINING ACCIDENT REPORT:	MR. DEREK DU PLOOY
NATURE OF ACCIDENT:	UNDERWATER ROCK FALL.
DATE:	THURDAY, 12 JANUARY 2006
PLACE:	BLOCK 60, SEA CONCESSION 1A
PRODUCED BY:	GAVIN CRAYTHORNE.

On the above date and at the above place, I left the surface at 17:00 hrs to begin a dive to help recover the body of a diamond diver who had been fatally injured by a large rock falling on him. On arrival at the accident scene in approximately six metres of water, I saw a large rock lying on top of the deceased with only his feet and right arm exposed while the rest of his body was beneath the rock with his face visible only by looking beneath the south-eastern side of the rock. His body was lying stomach down in an east / west orientation with the rock lying on his back. His face which had been partially crushed by the rock forcing his face down onto the bed rock was twisted to his right and in a southerly direction. His right arm was protruding from beneath the southern side of the rock. His mask was still in position while his demand valve had been crushed leaving only the rubber mouth piece in his mouth which had bitten down hard due to the pressure of the rock upon his head and bed rock beneath his chin. The end of the demand valve whip lay approximately 30cm from his head with the broken parts near by. His lips were cyanotic and his eyes were closed.

I encountered two un-identified divers attempting to lift the rock off the deceased using a lift bag which I could see did not have the capacity to lift the rock. In addition, they did not have a dedicated air supply to fill the lift bag and were attempting to do so using their demand valves which is a very time consuming method. I returned to the surface and fetched my spare diving cylinder which I took back down and gave to one of the other divers to use to inflate the lift bag. I then returned to the surface to fetch an additional lifting bag with a three ton capacity. On my return to the sight of the accident, I found the first lifting bag had been filled with air and no movement of the rock. I then gave the second lift bag to the diver who had filled the first, retrieved the empty diving cylinder and then indicated to him to rig up the second lifting bag. I then returned the empty diving cylinder to the surface. On arrival back at the scene, the two divers were again using their demand valves to fill the second lift bag. I again surfaced to fetch a knife and returned to the accident site and proceeded to cut the deceased divers airline from his harness which I gave to the same diver to fill the second lifting bag. As there was very little air coming from the open end of the airline, I surfaced again and instructed the crew aboard the deceased's vessel to increase the flow of air to speed

GC118

up the process of lifting the rock. I was mindful of the fact that the deceased's body would be further badly damage by a slow extraction as a rock of that size tends to bounce on the sea bed a lot before rising enough to remove the body and the slower the air supply the more prolonged this bouncing phase.

When the second lifting bag was approximately three quarters full, the rock began to bounce and after approximately thirty seconds bounced high enough for me to pull the deceased from beneath the rock. I removed his diving harness and swam to the surface with him. Myself and a fellow diamond diver, Mr. Dirk Huysamen, proceeded to transport the body to the slipway at Alexander Bay harbour where an ambulance was waiting to take the body. During this trip, blood from the deceased's mouth flowed onto the deck of the semi-rigid. Based on the capacities of the two lifting bags, 2.5T and 3T respectively, I estimate the submerged weight of the rock to be approximately four tons.

Findings from inspection dive the following day:
The decease had been mining a gulley that ran in an east / west direction. The work face was towards the shore and he had mined approximately half of the gulley which was approximately twenty metres long. Close inspection of the area around the rock which killed Mr. Du Plooy, revealed that he had mined up to the western side of the rock before proceeding to mine the southern side. He had just completed mining between the southern side of the rock and the southern wall of the gulley when the rock rolled away from the northern wall down onto the exposed bed rock and gulley wall on the southern side. His body was compressed between the rock and the southern corner of the gulley.

GAVIN CRAYTHORNE
SUNDAY, 16 JANUARY 2006.

GC118

View from the west showing the southern side of the rock lying against the southern wall of the gulley. This is the space from which the body was extracted. His feet were protruding from this end.

GC118

View from the west showing the northern side of the rock and the northern wall of the gulley from where the rock had dislodged itself.

GC118

View from the west showing the entire rock.

ALEXKOR INDEX v ZIMNISKY INDEX: INFLECTION POINTS & TREND REVERSALS

250
200
150
100
50
0
-50
-100

SAIDEX OPEN TENDER PERIOD

ALEXKOR'S PERIOD OF PRICE NORMALIZATION DURING EXPOSURE TO PRICE-DISCOVERY ON THE OPEN MARKET & INTERNATIONAL BUYER COMPETITION

Alexkor signs Diamdel agreement

Diamond Contractors expose Alexkor's deal with Diamdel to Mining Weekly

European Commission withdraws complaint

Government Diamond Valuator pursuades Alexkor to cancel the Diamdel agreement & sell on the open market

SAIDEX loses Supreme Court of Appeal against S20A of Second Diamonds Amendment Act preventing local buyers using international consultants. BARBARA HOGAN is replaced by MALUSI GIGABA

Global Financial Crisis

Alexkor fires the Government Diamond Valuator & begins the process to appoint a new marketing & sales agent

Alexkor concludes a tender process at the end of 2014 and appoints ISI in January 2015 - Ruben Moodley is a 60% shareholder in ISI via his company KIMOMODE. The GUPTA FAMILY hosts the DMR top structure at the Mining Indaba in Cape Town

Richtersveld Community's attorney lodges a complaint against ISI with the Public Protector on 23 March 2015

Alexkor's Audit and Risk Committee produce a white-wash report for Minister Lynne Brown on 29 February 2016

On 11 February 2016, after no response to the complaint is forthcoming, the Chairperson of the Richtersveld Self Development Company, Mr Pieter de Wet, writes to the Alexkor Chair, the Alexkor CEO and the Minister of Public Enterprises to complain about the lack of progress with an investigation into the irregularities surrounding Scarlet Sky's appointment

During the course of 2017, as prices decline even further in the wake of the ARC report, numerous attempts are made by the EAC to address the burning issue of diamond prices with Alexkor but to no avail. The EAC contacts AMABHUNGANE and blows the whistle. On 13 December 2017, AMAGHUNGANE and SCORPIO publish an expose' on SCARLET SKY in the DAILY MAVERICK

Alexkor disregard the concerns of its stakeholders about ISI

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2018-FEB 2018-MAR 2018-MAY 2018-JUL

USE = INITIAL SALES EFFICIENCY) — ALEXKOR (100% ISE) — ZIMNISKY — PRICE SPREAD

GC118

gavinjohn@outlook.com

From: Gavin J. Craythorne
Sent: 23 November 2017 08:41 AM
To: 'Wayne Cooke'; kobuselsa@gmail.com; apanizza@kingsley.co.za; adamasrcv@yahoo.co.uk; alluvialmine@mweb.co.za; vernacloete@gmail.com; bluewhite659@gmail.com; czarinabock@gmail.com; ruthleibrandt@telkomsa.net; rolandsaal@gmail.com; simonrhogg@gmail.com; timmyjjd@yahoo.com; martin.ehrke@yahoo.co.uk; daisylogisticsza@gmail.com; daisymining@gmail.com; fwcyoung@gmail.com; pietman0011@gmail.com; rcockrell@telkomsa.net; pieterdewet099@gmail.com; goalfin@telkomsa.net; mogopedi.ditsu@gmail.com; driaand2@gmail.com; esroffshore@gmail.com; rudolf@tiscali.co.za; simonjames@telkomsa.net; willemgewers444@gmail.com; byleveldw@gmail.com; gerticoraizin@yahoo.com; gnicol@live.com; shapiro4000@gmail.com; johncloete@yahoo.com; nevillecornberg@gmail.com; stvanwyk58@gmail.com; hermanangelo1@gmail.com; schreuderfpa@telkomsa.net; kmohan@linkfields.co.za; carelwza@telkomsa.net; tuffarsi@telkomsa.net; auburnmalakaza@gmail.com; jacobfredericks23@gmail.com; moyses@telkomsa.net; premier.rose@kingsley.co.za; adeleblom1982@gmail.com; el-marie.craythorne@outlook.com; gpswarts@webmail.co.za; thomasmarkus4y@gmail.com; sue@suecarlstein.com; phillip@pikwanediamonds.co.za; joffiecloete1@gmail.com; josephklaasse@gmail.com; redneb71@gmail.com; riaritasweiswerke@gmail.com; andrefarmer7211@gmail.com; huysamen.dirk@gmail.com; burnett.h@telkomsa.net; rudolf@tiscali.co.za; vanniekerk.alma@gmail.com; vmyoung@telkomsa.net; cml@carlosteixeira.net; accomodation@countryclubpn.net; warrens846@gmail.com; wpmining@gmail.com; qjcloete@yahoo.com; paulo@xsinet.co.za; assievanderwesthuizen@gmail.com; allan.rms@vodamail.co.za; njordmarinecc@gmail.com; asgemstonepty@gmail.com; goldenrewards1476@gmail.com; mcdougallenterprizes@gmail.com; solrae@intekom.co.za; addedtransport@gmail.com
Cc: 'colin.cruywagen@dpe.gov.za'
Subject: RE: ONLINE SURVEY.
Attachments: Data_All_171123.pdf

Good morning Folks,

Here is the final data analysis.
The question it raises is this:

WHO IS ALEXKOR SERVING?

Because it clearly is not the people of Namaqualand.

Kind regards,

Gavin Craythorne.
Mobile: 083 630 1380.

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights of Small-scale Marine Diamond Miners

GC118

From: Wayne Cooke [mailto:cooke@lando.co.za]
Sent: 22 November 2017 09:51 PM
To: 'Gavin J. Craythorne' <gavinjohn@outlook.com>; kobuselsa@gmail.com; apanizza@kingsley.co.za; adamasrcv@yahoo.co.uk; alluvialmine@mweb.co.za; vernacloete@gmail.com; bluewhite659@gmail.com; czarinabock@gmail.com; ruthleibrandt@telkomsa.net; rolandsaal@gmail.com; simonrhogg@gmail.com; timmyjjd@yahoo.com; martin.ehrke@yahoo.co.uk; daisylogisticsza@gmail.com; daisymining@gmail.com; fwcyoung@gmail.com; pietman0011@gmail.com; rcockrell@telkomsa.net; pieterdewet099@gmail.com; goalfin@telkomsa.net; mogopedi.ditsu@gmail.com; driaand2@gmail.com; esroffshore@gmail.com; rudolf@tiscali.co.za; simonjames@telkomsa.net; willemgewers444@gmail.com; byleveldw@gmail.com; gerticoraizin@yahoo.com; gnicol@live.com; shapiro4000@gmail.com; johncloete@yahoo.com; nevillecornberg@gmail.com; stvanwyk58@gmail.com; hermanangelo1@gmail.com; schreuderfpa@telkomsa.net; kmohan@linkfields.co.za; carelwza@telkomsa.net; tuffarsi@telkomsa.net; auburnmalakaza@gmail.com; jacobfredericks23@gmail.com; moyses@telkomsa.net; premier.rose@kingsley.co.za; adeleblom1982@gmail.com; el-marie.craythorne@outlook.com; gpswarts@webmail.co.za; thomasmarkus4y@gmail.com; sue@suecarlstein.com; phillip@pikwanediamonds.co.za; joffiecloete1@gmail.com; josephklaasse@gmail.com; redneb71@gmail.com; riaritasweiswerke@gmail.com; andrefarmer7211@gmail.com; huysamen.dirk@gmail.com; burnett.h@telkomsa.net; rudolf@tiscali.co.za; vanniekerk.alma@gmail.com; vmyoung@telkomsa.net; cml@carlosteixeira.net; accomodation@countryclubpn.net; warrens846@gmail.com; wpmining@gmail.com; qjcloete@yahoo.com; paulo@xsinet.co.za; assievanderwesthuizen@gmail.com; allan.rms@vodamail.co.za; njordmarinecc@gmail.com; asgemstonepty@gmail.com; goldenrewards1476@gmail.com; mcdougallenterprizes@gmail.com; solrae@intekom.co.za; addedtransport@gmail.com
Subject: RE: ONLINE SURVEY.

Hi All it is a difficult time for us all and my heart goes out to the people who continue to suffer due to the situation that is continuing on the west coast. Thanks to all that had the decency to do the survey. To those that did not, I truly believe you will realize that if we don't stand up as one and demand what is truly ours we will always continue to be trodden on.

Thanks George, Gavin and Joseph

Regards

Wayne

From: Gavin J. Craythorne [mailto:gavinjohn@outlook.com]
Sent: Wednesday, November 22, 2017 7:18 PM
To: kobuselsa@gmail.com; apanizza@kingsley.co.za; adamasrcv@yahoo.co.uk; alluvialmine@mweb.co.za; vernacloete@gmail.com; bluewhite659@gmail.com; czarinabock@gmail.com; ruthleibrandt@telkomsa.net; rolandsaal@gmail.com; simonrhogg@gmail.com; timmyjjd@yahoo.com; martin.ehrke@yahoo.co.uk; daisylogisticsza@gmail.com; daisymining@gmail.com; fwcyoung@gmail.com; pietman0011@gmail.com; Gavin J. Craythorne <gavinjohn@outlook.com>; rcockrell@telkomsa.net; pieterdewet099@gmail.com; goalfin@telkomsa.net; mogopedi.ditsu@gmail.com; driaand2@gmail.com; esroffshore@gmail.com; rudolf@tiscali.co.za; simonjames@telkomsa.net; willemgewers444@gmail.com; byleveldw@gmail.com; gerticoraizin@yahoo.com; gnicol@live.com; shapiro4000@gmail.com; johncloete@yahoo.com; nevillecornberg@gmail.com; stvanwyk58@gmail.com; hermanangelo1@gmail.com; schreuderfpa@telkomsa.net; kmohan@linkfields.co.za; carelwza@telkomsa.net; tuffarsi@telkomsa.net; cooke@lando.co.za; auburnmalakaza@gmail.com; jacobfredericks23@gmail.com; moyses@telkomsa.net; premier.rose@kingsley.co.za; adeleblom1982@gmail.com; el-marie.craythorne@outlook.com; gpswarts@webmail.co.za; thomasmarkus4y@gmail.com; sue@suecarlstein.com; phillip@pikwanediamonds.co.za; joffiecloete1@gmail.com; josephklaasse@gmail.com; redneb71@gmail.com; riaritasweiswerke@gmail.com; andrefarmer7211@gmail.com; huysamen.dirk@gmail.com; burnett.h@telkomsa.net; rudolf@tiscali.co.za; vanniekerk.alma@gmail.com; vmyoung@telkomsa.net; cml@carlosteixeira.net; accomodation@countryclubpn.net; warrens846@gmail.com; wpmining@gmail.com; qjcloete@yahoo.com; paulo@xsinet.co.za; assievanderwesthuizen@gmail.com; allan.rms@vodamail.co.za; njordmarinecc@gmail.com; asgemstonepty@gmail.com;

GC118

goldenrewards1476@gmail.com; mcdougallenterprizes@gmail.com; solrae@intekom.co.za; addedtransport@gmail.com
Subject: ONLINE SURVEY.

Hi Folks,

Thank you to all of you who responded to the call of the EAC to participate in this survey.
The data will be made available tomorrow and the report based upon the data will be completed and submitted to the relevant authorities on Monday morning.

The survey is now closed.

Kind regards,

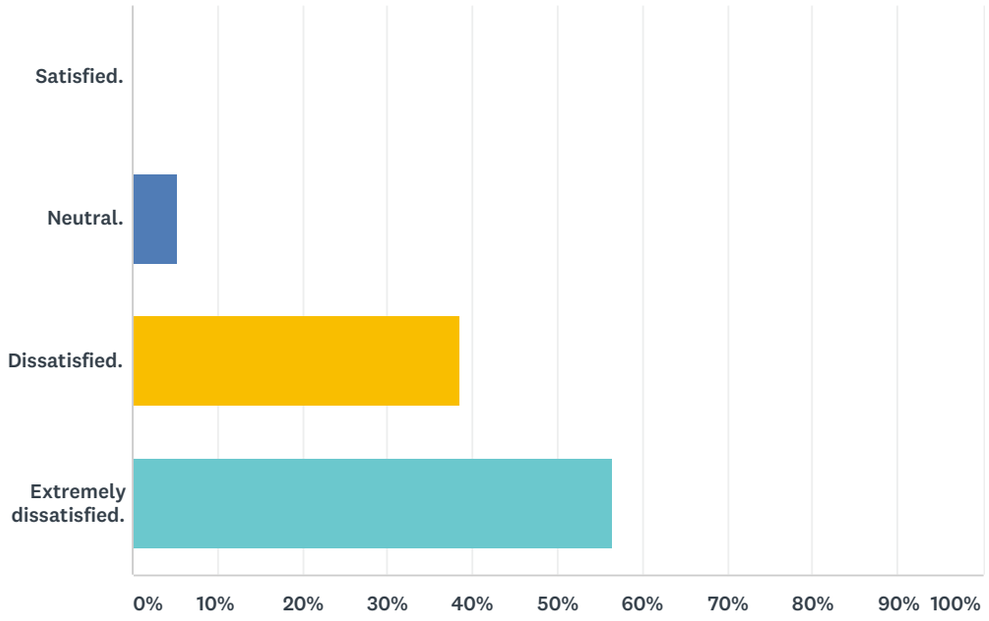
Gavin Craythorne.
Mobile: 083 630 1380.

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights
of
Small-scale Marine Diamond Miners

Q1 How satisfied are you with the fairness, transparency, equality and sustainability of Alexkor's deal splits for the shallow water contractors?

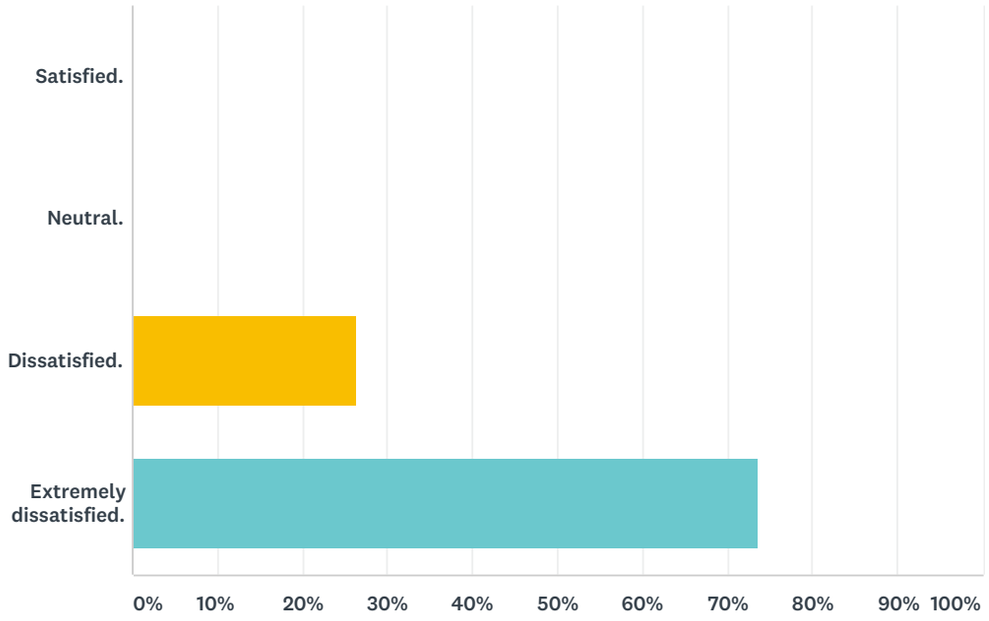
Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	5.13%	2
Dissatisfied.	38.46%	15
Extremely dissatisfied.	56.41%	22
TOTAL		39

Q2 How satisfied are you with the process, transparency, prices and fairness of Alexkor's diamond marketing and sales process?

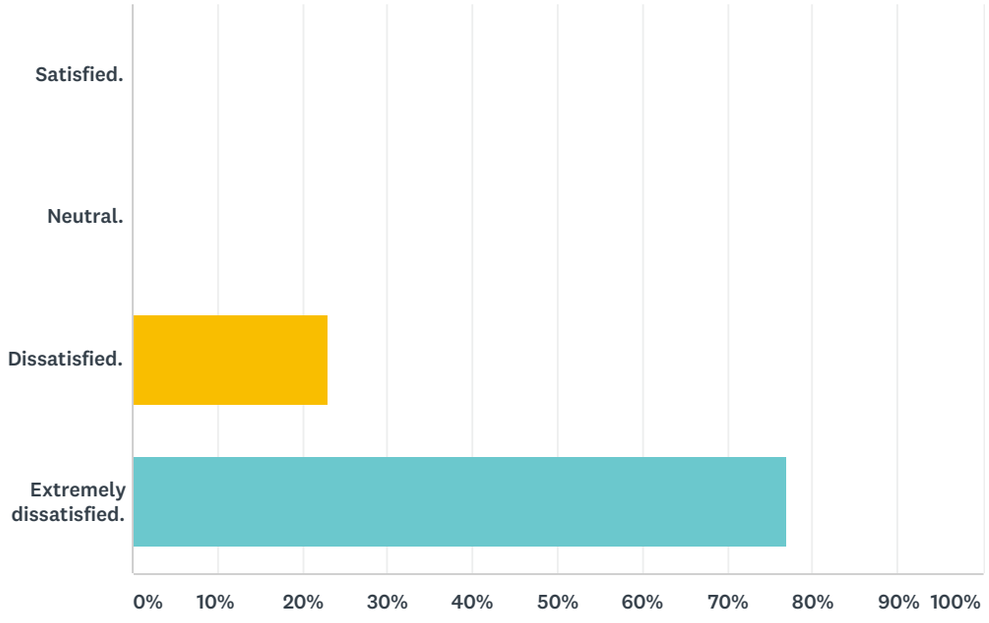
Answered: 38 Skipped: 1



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	0.00%	0
Dissatisfied.	26.32%	10
Extremely dissatisfied.	73.68%	28
TOTAL		38

Q3 How satisfied are you with the shared value added, transparancy and feedback on your diamonds that are selected for cutting and polishing?

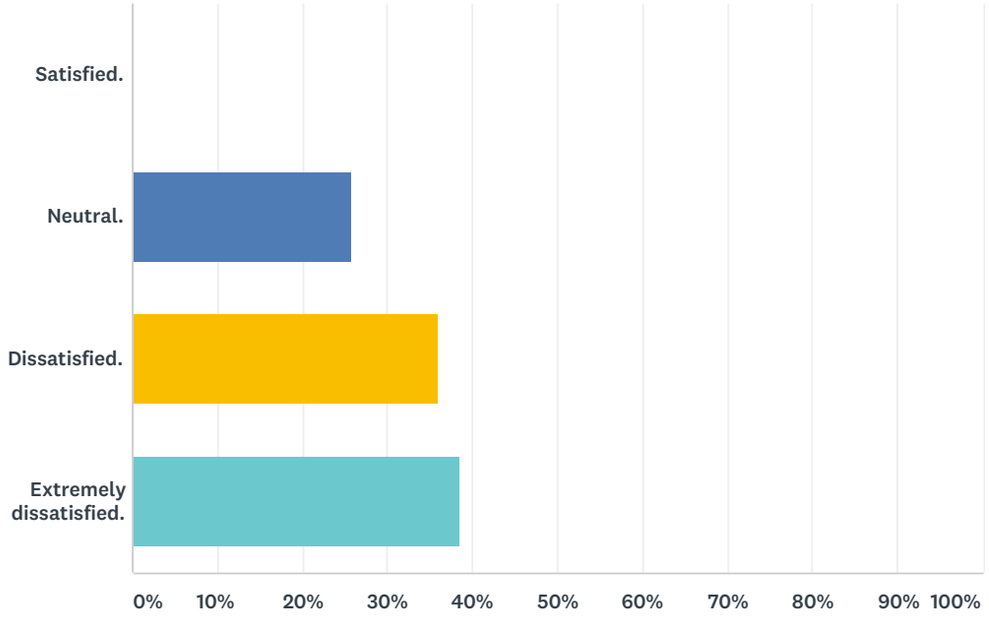
Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	0.00%	0
Dissatisfied.	23.08%	9
Extremely dissatisfied.	76.92%	30
TOTAL		39

Q4 How satisfied are you with the processing of your gravel and the security of your diamonds?

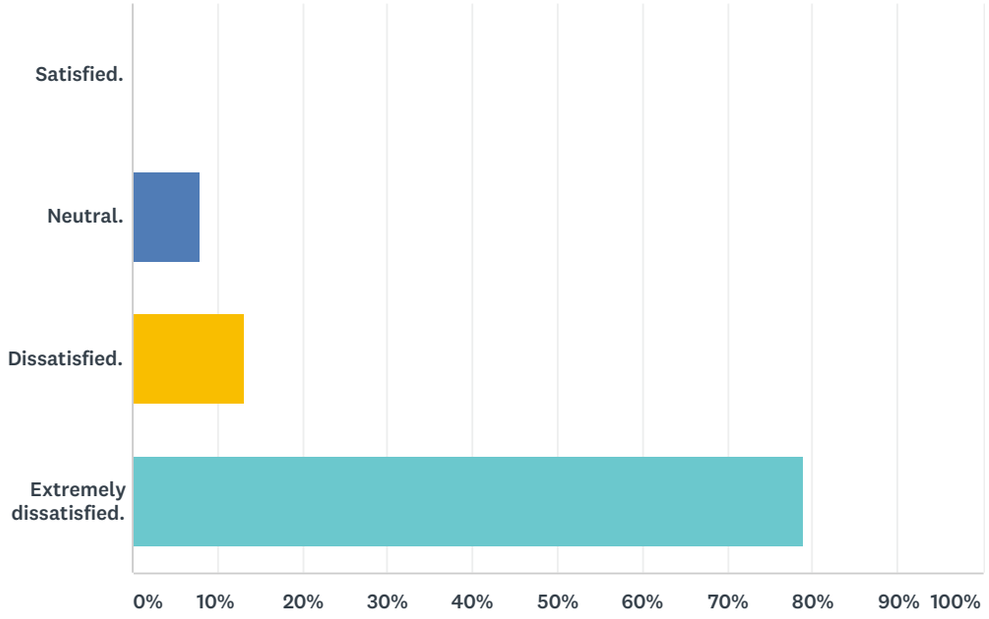
Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	25.64%	10
Dissatisfied.	35.90%	14
Extremely dissatisfied.	38.46%	15
TOTAL		39

Q5 How satisfied are you with the transparency and fairness of Alexkor's policy regarding your tailings?

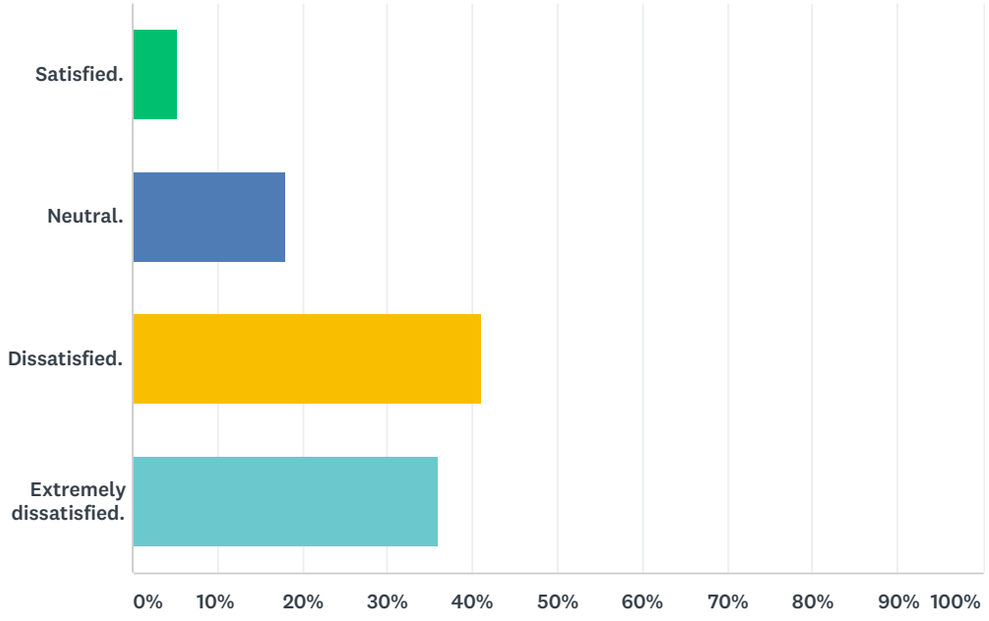
Answered: 38 Skipped: 1



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	7.89%	3
Dissatisfied.	13.16%	5
Extremely dissatisfied.	78.95%	30
TOTAL		38

Q6 How satisfied are you with the maintenance, condition and reliability of Alexkor's support infrastructure?

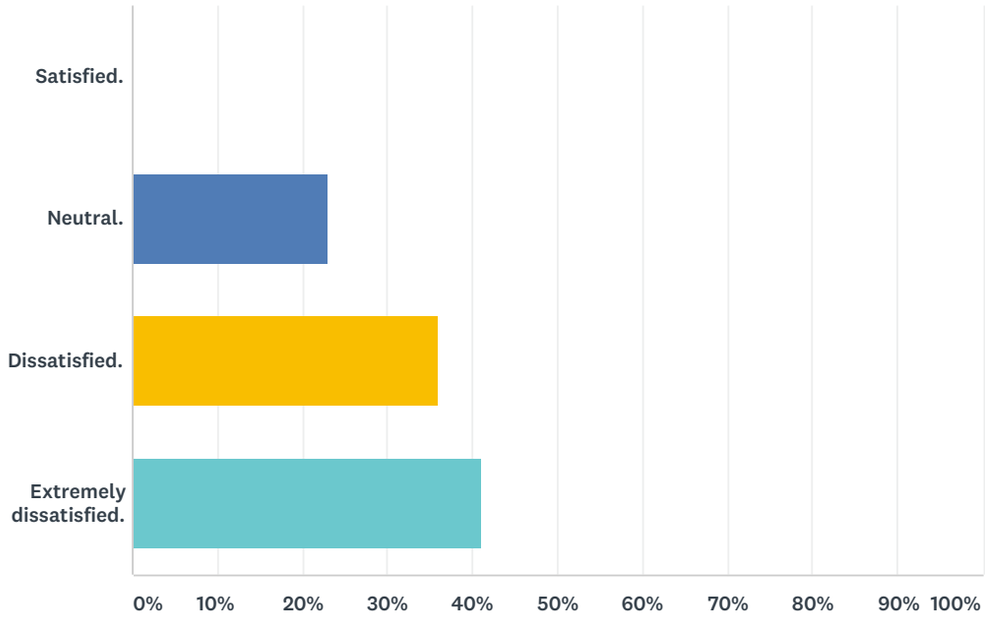
Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	5.13%	2
Neutral.	17.95%	7
Dissatisfied.	41.03%	16
Extremely dissatisfied.	35.90%	14
TOTAL		39

Q7 How satisfied are you with the level of professionalism and operational support from Alexkor?

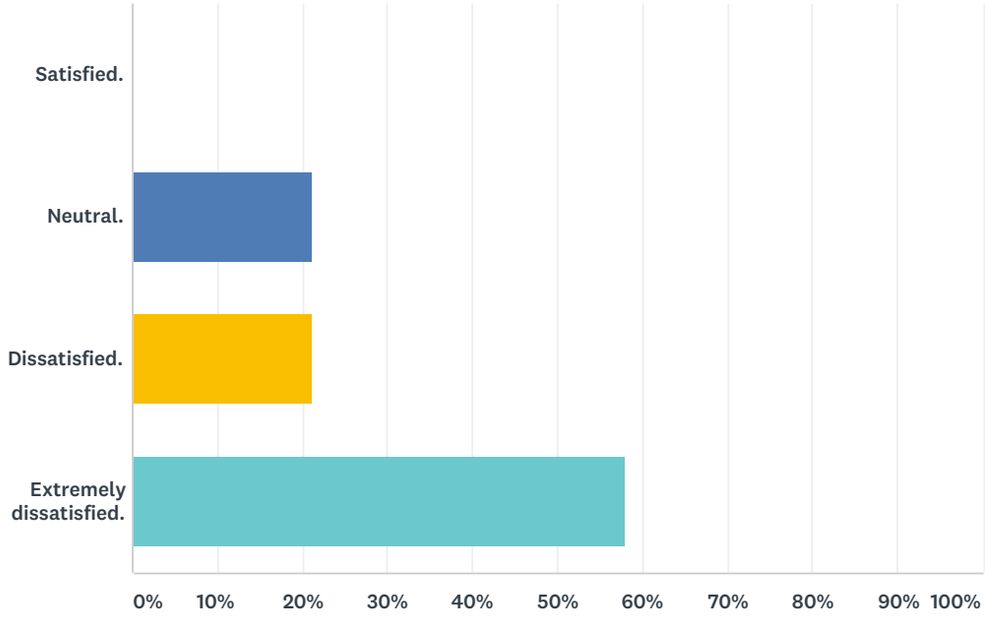
Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	23.08%	9
Dissatisfied.	35.90%	14
Extremely dissatisfied.	41.03%	16
TOTAL		39

Q8 How satisfied are you with the degree to which the local mine community benefits from the diamonds that are produced locally?

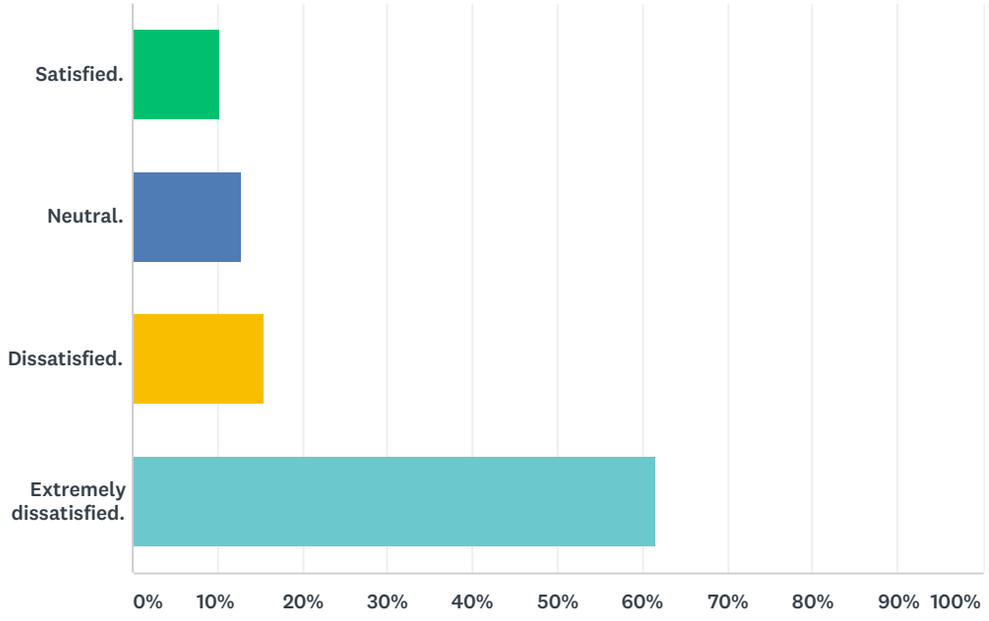
Answered: 38 Skipped: 1



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	21.05%	8
Dissatisfied.	21.05%	8
Extremely dissatisfied.	57.89%	22
TOTAL		38

Q9 How satisfied are you that you will not be victimized by Alexkor management for lodging complaints against Alexkor management?

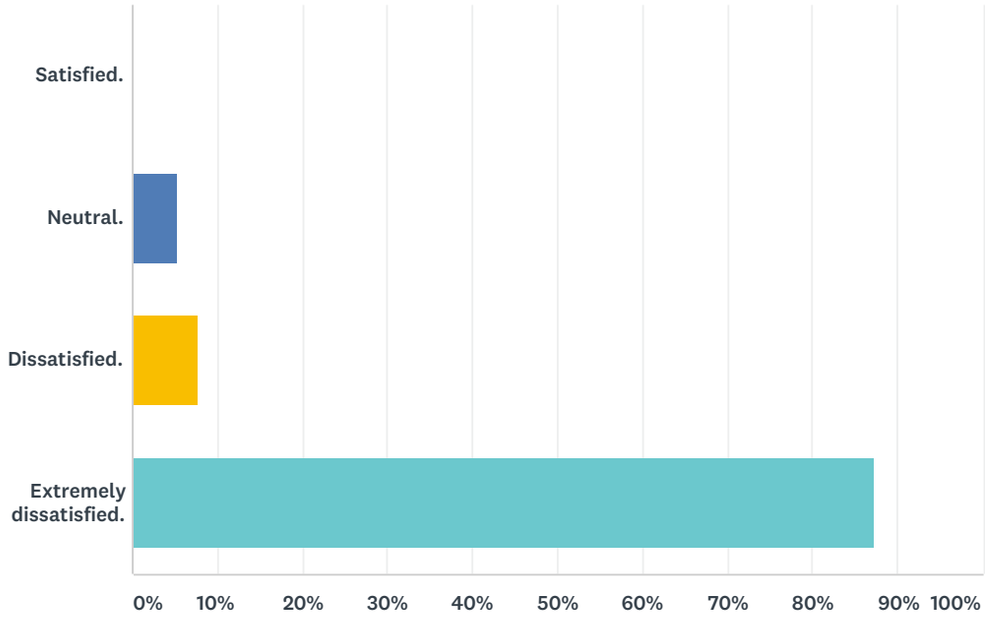
Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	10.26%	4
Neutral.	12.82%	5
Dissatisfied.	15.38%	6
Extremely dissatisfied.	61.54%	24
TOTAL		39

Q10 How satisfied are you with the fairness, socio-economic impact, environmental impact and resource sterilization in regards to Alexkor's large-scale seawall mining operations and management's consultations in that regard?

Answered: 39 Skipped: 0



ANSWER CHOICES	RESPONSES	
Satisfied.	0.00%	0
Neutral.	5.13%	2
Dissatisfied.	7.69%	3
Extremely dissatisfied.	87.18%	34
TOTAL		39

Sincerely,

MINING-04-1069

Gavin.

XX4-GJC-1067

GC119

From: Zukiswa Rantho <zrantho@parliament.gov.za>
Sent: 23 November 2016 07:05 PM
To: zuki@ntlangulainc.co.za
Cc: gavinjohn@outlook.com; Terri Stander
Subject: Re: ALEXKOR BRIEFING TO THE PORTFOLIO COMMITTEE.

Good evening

GC119

I will wait for the documents. And if you think we need to know more and you want to meet us. We are more then willing. Parliament rise on the 08/12

If you think the committee has wrong info. We would want to hear the honest information

Thank you in advance
Zukiswa

Sent from my iPhone

GC119

gavinjohn@outlook.com

From: Gavin J. Craythorne
Sent: 14 May 2018 10:34 AM
To: Zukiswa Rantho; Peter Hendrickse (peter.hendrickse@dpe.gov.za)
Cc: 'gnicol@live.com'; josephklaasse@gmail.com; kobuselsa@gmail.com; apanizza@kingsley.co.za; adamasrcv@yahoo.co.uk; alluvialmine@mweb.co.za; vernacloete@gmail.com; bluewhite659 @gmail.com; czarinabock@gmail.com; ruthleibrandt@telkomsa.net; rolandsaal@gmail.com; simonrhogg@gmail.com; timmyjjd@yahoo.com; martin.ehrke@yahoo.co.uk; daisylogisticsza@gmail.com; daisymining@gmail.com; fwcyoung@gmail.com; pietman0011 @gmail.com; gavinjohn@outlook.com; rcockrell@telkomsa.net; pieterdewet099@gmail.com; goalfin@telkomsa.net; mogopedi.ditsu@gmail.com; driaand2@gmail.com; esroffshore@gmail.com; rudolf@tiscali.co.za; simonjames@telkomsa.net; willemgewers444@gmail.com; byleveldw@gmail.com; gerticoraizin@yahoo.com; gnicol@live.com; shapiro4000@gmail.com; johncloete@yahoo.com; nevillecornberg@gmail.com; stvanwyk58@gmail.com; hermanangelo1 @gmail.com; schreuderfpa@telkomsa.net; kmohan@linkfields.co.za; carelwza@telkomsa.net; tuffarsi@telkomsa.net; cooke@lando.co.za; auburnmalakaza@gmail.com; jacobfredericks23 @gmail.com; moyses@telkomsa.net; premier.rose@kingsley.co.za; adeleblom1982@gmail.com; el-marie.craythorne@outlook.com; gpswarts@webmail.co.za; thomasmarkus4y@gmail.com; sue@suecarlstein.com; phillip@pikwanediamonds.co.za; joffiecloete1@gmail.com; josephklaasse@gmail.com; redneb71@gmail.com; riaritasweiswerke@gmail.com; andrefarmer7211 @gmail.com; huysamen.dirk@gmail.com; burnett.h@telkomsa.net; rudolf@tiscali.co.za; vanniekerk.alma@gmail.com; vmyoung@telkomsa.net; cml@carlosteixeira.net; Henk Smith; accomodation@countryclubpn.net; warrens846@gmail.com; wpmining@gmail.com; qjcloete@yahoo.com; paulo@xsinet.co.za; assievanderwesthuizen@gmail.com; allan.rms@vodamail.co.za; njordmarinecc@gmail.com; asgemstonepty@gmail.com; goldenrewards1476@gmail.com; mcdougallenterprizes@gmail.com; solrae@intekom.co.za; addedtransport@gmail.com; Wynand Hendrikse; David Pells
Subject: OVERSITE VISIT TO ALEXANDER BAY.

Dear Zuki,

On behalf of the EAC, the Richtersveld Community, the Namaqualand Community and the Marine Mining Industry, I would like to express our sincere appreciation for your courageous efforts within the Public Enterprises Portfolio Committee in holding Alexkor's top structures to account.

Our thanks too for the warm reception you gave the EAC leadership last Thursday following Alexkor's briefing on Wednesday and for granting us the opportunity to share our concerns regarding what was presented and the general state of corporate governance at Alexkor and the PSJV.

I would like to place on record, for the benefit of the people of this community, that you have been trying without success since 2014 to arrange an oversite visit to Alexander Bay in order to be able to assess the truth of conditions within the mine, the town and the community but that on every occasion you attempted to do so, the request was denied on the basis that "it is too dangerous to visit Alexander Bay and the safety of the members of the Portfolio Committee can not be guaranteed".

That an institution of our constitutional democracy charged with protecting it by exercising oversight can be so easily thwarted by criminals bent on the capture of our SOE's is deeply disturbing but we would like to assure you that contrary to what you have been led to believe, Alexander Bay is one of the safest towns in South Africa (if not the world) and its people among the most humble and hospitable you will ever meet.

It was profoundly encouraging for us to hear that Minister Gordhan is contemplating a visit to Alexander Bay to meet with the Richtersveld Community who we are sure will give him a warm welcome and a much-needed new perspective.

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In closing allow us please to extend a warm invitation to you and the Portfolio Committee to visit Alexander Bay anytime and to experience our hospitality while learning the truth that some have tried so hard to hide.

Warm regards,
The EAC.

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights
of
Small-scale Marine Diamond Miners

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BETRAYAL OF THE PROMISE: HOW SOUTH AFRICA IS BEING STOLEN

May 2017

State Capacity Research Project
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Preface

The State Capacity Research Project is an interdisciplinary, inter-university research partnership that aims to contribute to the public debate about 'state capture' in South Africa. This issue has dominated public debate about the future of democratic governance in South Africa ever since then Public Protector Thuli Madonsela published her report entitled *State of Capture* in late 2016.[1] The report officially documented the way in which President Zuma and senior government officials have colluded with a shadow network of corrupt brokers.

Calls for Zuma to resign have intensified (including from within his own party) and the largest protest marches since the advent of democracy in 1994 have taken place in support of this demand. However, the academic community has contributed little to this discussion. To remedy this, the State Capacity Research Project was initiated to achieve two objectives:

1. Provide a conceptual framework that draws from the literature on the political economy of development, neopatrimonialism in Africa and democratic governance that can help to make sense of what we describe in our first chapter as a 'silent coup'.
2. Collate a vast quantity of published and unpublished empirical material on the extensive 'repurposing' of state institutions to redirect rents away from development and into the hands of an increasingly confident power elite that intentionally operates in extra-legal and anti-constitutional ways.

We agree with the intentions of the governing party's commitment to 'radical economic transformation', but in our view this is being used as an ideological smokescreen to mask the rent-seeking practices of the Zuma-centred power elite.

One of our aims is to change the popular discourse from a focus on corruption to a focus on the systemic nature of state capture as the political project of a well-organised network that strives to manage what we call the symbiotic relationship between the constitutional state and the shadow state. To this end, this is not only a collaboration between University research institutions, we also aim to collaborate with various stakeholders, social movements and organisations engaged in similar work. This is why we have collaborated with the South African Council of Churches (SACC), who mounted their own independent process called the Unburdening Panel. The results of this work by the SACC were merged with some of our research and presented by the Secretary-General of the SACC at a public meeting at Regina Mundi, Soweto, on 18 May 2017.[2] Although the SACC's Unburdening Panel and the State Capacity Research Project (SCRP) were totally independent processes using very different methodologies, the SACC concluded that the individual confidential testimonies they were receiving from Church members matched and confirmed the arguments developed by the SCRP using largely publicly available information. This triangulation of different bodies of evidence is of great significance.

The State Capacity Research Project is an academic research partnership between leading researchers from four Universities and their respective research teams: Prof. Haroon Bhorat from the Development Policy Research Unit, University of Cape Town; Prof. Ivor Chipkin from the Public Affairs Research Institute, University of the Witwatersrand; Prof. Mzukisi Qobo, part of the South African Research Chair Initiative – African Diplomacy and Foreign Policy, University of Johannesburg; Mr Lumkile Mondi, Department of Economics, University of the Witwatersrand; Professor Mark Swilling, Centre for Complex Systems in Transition, Stellenbosch University.

Our programme, with funding from the Open Society Foundation of South Africa, is as follows:

1. Produce this, our first report, by May 2017.
2. Release detailed case study reports of the state-owned enterprises that have been captured by the Zuma-centred power elite over the past decade.
3. Possibly by early 2018 produce a book manuscript and some journal articles.

In our view the South African case is just one quite typical example of a global trend in the growth of increasingly authoritarian, neopatrimonial regimes where a symbiotic relationship between the constitutional and shadow states is maintained, but with real power shifting increasingly into the networks that comprise the shadow state. Understanding the South African context and challenge, therefore, is an important contribution to our understanding of this global phenomenon. It is also our contribution to the broad struggle to save South African democracy and development practice from a power elite that pursues its own interests at the expense of South African society, in particular the poorest people who will suffer first and most from the consequences of what is in reality a de facto silent coup.

An advisory panel of international experts will act as a sounding board to ensure that we achieve a balance between academic rigour and doing what is required to make an impact on the public discourse. They will be expected to peruse reports and publications prior to publication, but not to attend meetings. Their comments and suggestions will be addressed in the most responsive and appropriate way.

1. Public Protector South Africa. 2016. *State of Capture*. [Online] Available: http://cdn.24.co.za/files/Cms/General/d/4666/3f63a8b78d2b495d88f10ed060997f76.pdf.
2. http://www.enca.com/south-africa/catch-it-live-south-african-council-of-churches-releases-corruption-report

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Executive Summary

This report suggests South Africa has experienced a silent coup that has removed the ANC from its place as the primary force for transformation in society. Four public moments define this new era: the Marikana Massacre on 16 August 2012; the landing of the Gupta plane at Waterkloof Air Base in April 2013; the attempted bribing of former Deputy Minister of Finance Mcebisi Jonas to sell the National Treasury to the shadow state in late 2015; and the Cabinet reshuffle in March 2017. Resistance and capture is what South African politics is about today.

Commentators, opposition groups and ordinary South Africans underestimate Jacob Zuma, not simply because he is more brazen, wily and brutal than they expect, but because they reduce him to caricature. They conceive of Zuma and his allies as a criminal network that has captured the state. This approach, which is unfortunately dominant, obscures the existence of a political project at work to repurpose state institutions to suit a constellation of rent-seeking networks that have been constructed and now span the symbiotic relationship between the constitutional and shadow state. This is akin to a silent coup.

This report documents how the Zuma-centred power elite has built and consolidated this symbiotic relationship between the constitutional state and the shadow state in order to execute the silent coup.

At the nexus of this symbiosis are a handful of the same individuals and companies connected in one way or another to the Gupta-Zuma family network. The way that this is strategically coordinated constitutes the shadow state. Well-placed individuals located in the most significant centres of state power (in government, SOEs and the bureaucracy) make decisions about what happens within the constitutional state. Those, like Jonas, Vytjie Mentor, Pravin Gordhan and Themba Maseko who resist this agenda in one way or another are systematically removed, redeployed to other lucrative positions to silence them, placed under tremendous pressure, or hounded out by trumped up internal and/or external charges and dubious intelligence reports. This is a world where deniability is valued, culpability is distributed (though indispensability is not taken for granted) and where trust is maintained through mutually binding fear. Unsurprisingly, therefore, the shadow state is not only the space for extra-legal action facilitated by criminal networks, but also where key security and intelligence actions are coordinated.

It has been argued in this report that from about 2012 onwards the Zuma-centred power elite has sought to centralise the control of rents to eliminate lower-order, rent-seeking competitors. The ultimate prize was control of the National Treasury to gain control of the Financial Intelligence Centre (which monitors illicit flows of finance), the Chief Procurement Office (which regulates procurement and activates legal action against corrupt practices), the Public Investment Corporation (the second largest shareholder on the Johannesburg Securities Exchange), the boards of key development finance institutions, and the guarantee system (which is not only essential for making the nuclear deal work, but with a guarantee state entities can borrow from private lenders/banks without parliamentary oversight). The cabinet reshuffle in March 2017 has made possible this final control of the National Treasury.

The capture of the National Treasury, however, followed five other processes that consolidated power and centralised control of rents:

- The ballooning of the public service to create a compliant politically-dependent, bureaucratic class.
- The sacking of the 'good cops' from the police and intelligence services and their replacement with loyalists prepared to cover up illegal rent seeking (with some forced reversals, for example, Robert McBride)
- Redirection of the procurement-spend of the SOEs to favour those prepared to deal with the Gupta-Zuma network of brokers (those who are not, do not get contracts, even if they have better BEE credentials and offer lower prices).
- Subversion of Executive Authority that has resulted in the hollowing out of the Cabinet as South Africa's pre-eminent decision-making body and in its place the establishment of a set of 'kitchen cabinets' of informally constituted elites who compete for favour with Zuma in an unstable crisis-prone complex network;
- The consolidation of the Premier League as a network of party bosses, to ensure that the National Executive Committee of the ANC remains loyal.

At the epicentre of the political project mounted by the Zuma-centred power elite is a rhetorical commitment to radical economic transformation. Unsurprisingly, although the ANC's official policy documents on radical economic transformation encompass a broad range of interventions that take the National Development Plan as a point of departure, the Zuma-centred power elite emphasises the role of the SOEs, particularly their procurement spend. Eskom and Transnet, in turn, are the primary vehicles for managing state capture, large-scale looting of state resources and the consolidation of a transnationally managed financial resource base, which in turn creates a continuous source of self-enrichment and funding for the power elite and their patronage network.

In short, instead of becoming a new economic policy consensus, radical economic transformation has been turned into an ideological football kicked around by factional political players within the ANC and the Alliance in general who use the term to mean very different things.

The alternative is a new economic consensus. Since 1994 there has never been an economic policy framework that has enjoyed the full support of all stakeholders. A new economic consensus would be a detailed programme of radical economic transformation achieved within the constitutional, legislative and governance framework. The focus must be a wide range of employment- and livelihood-creating investments rather than a few 'big and shiny' capital-intensive infrastructure projects that reinforce the mineral-energy-complex. For this to happen, an atmosphere of trust conducive for innovation-oriented partnerships between business, government, knowledge institutions and social enterprises is urgently required. None of this is achievable, however, until the shadow state is dismantled and the key perpetrators of state capture brought to justice.

The combination of market-oriented macroeconomic stabilisation and development-as-welfarism did not adequately address the problem and consequences of low investment levels caused by the way the South African corporate structure was being transformed by a combination of shareholder value, BEE deals and financialisation.[26]

Critics of the post-1994 market-oriented economic policies argued that international evidence shows that public investment does not in fact displace private investment; but instead it catalyses private investment. Furthermore, international experience shows that lowering tariffs without restructuring by using industrial policy had proven unviable in other contexts (especially where developmental rent management worked well). These critics further argued that capital account stability was a good thing; that a stable well-paid workforce was preferable to an over-indebted underemployed poorly paid workforce; and that the state needed to actively lead corporate restructuring to ensure that investment rather than dividends and rents was prioritised.[27]

Although the adoption of the developmental state discourse in the early 2000s marked a realisation that the state needed to play a stronger leadership role in the economy, this entailed a narrow focus on infrastructure-led growth to draw in private investors rather than strategies to guide corporate restructuring and private-sector investment into strategic industrial sectors.

When Mbeki was forced to resign as president, the ANC was facing the consequences of growing inequalities, persistent poverty and remarkably high unemployment levels. This prompted the ANC Youth League to lead the way in calling for more radical economic transformation. All talk of privatising SOEs fell away as they came to be viewed as key instruments for ratcheting up investment levels in the wake of the ongoing failure of the corporate sector to adopt a long-term dividend-oriented approach to investment. At the same time, there was growing dissatisfaction in the black business sector – the slow pace of accumulation in this sector was blamed on an over-dependence on the white corporate sector.

The radical reformers

The rise of Zuma can be understood in this context. With an economic environment set by the developmental state discourse, infrastructure-led growth, BEE, the emerging significance of the SOEs and state-investment institutions like the Public Investment Corporation, conditions were ripe for an assertive power elite to repurpose state institutions in the name of addressing the contradictions of the Mbeki era. As discussed in Chapter 3, the solution of the Zuma faction was heavy dependence on the use of the procurement systems of the SOEs. Repurposing the SOEs to become the primary mechanisms for rent seeking at the interface between the constitutional and shadow state became the strategic focus of the power elite that formed around Zuma. To facilitate this, they needed brokers to help bypass regulatory controls and shift money around (through local and international financial institutions) to finance deals as well as the transformation of the ANC into a compliant legitimating political machine. The Gupta networks emerged as the anointed brokers of this expanding rent-seeking system.

Repurposing the state

Yet the politics of radical economic transformation, despite the slogan, is not focused on the economy, but on the state. This was most clearly expressed in the National Macro Organization of State (NMOS) Project launched on 4 June 2014 at a NMOS project team workshop attended by all national government departments. The NMOS was established to implement the new Cabinet portfolios announced on 25 May 2014 after the general election. Significantly, the NMOS steering committee, comprising all Director-Generals and chaired by the Director-General in the Presidency, reports directly to the president. The Department of Public Service and Administration (DPSA) acted as the secretariat of the NMOS project team, which reported to the steering committee. The NMOS was ostensibly about the renaming of some departments (e.g., the Department of Water Affairs to the Department of Water and Sanitation), the splitting of existing departments (e.g., the Department of Women was created from the Department of Social Development), creation of new departments (e.g., the Department of Small Business Development), transfer of functions from one department to another, and reorganisation of departments (especially those who received new functions).

The 2014 NMOS built on and reinforced the 2009 NMOS that initiated the proliferation of Cabinet portfolios. However, there was a renewed urgency in the 2014 NMOS with the Department of Government Communication and Information System insisting in its communication strategy for the NMOS that "[t]he reconfiguration of Cabinet and government departments is meant to create a *capable state* that will be able to implement the National Development Plan, respond to the current challenges and *speed up service* delivery to improve the lives of all people who live in South Africa [emphasis added]". As this statement suggests, the emphasis was that the NMOS Project be presented as improving service delivery. However, what 'capable' meant and how to 'speed up' service delivery was never further elaborated. All attention was focused on the operational details, specifically how many departments and who was responsible for what. By this point, Minister of Public Enterprises, Malusi Gigaba, appointed on 1 November 2010, had also taken the first steps towards repurposing the SOEs. Throughout his tenure until 2014 as public enterprises minister, Gigaba was engaged in the restructuring of SOE boards, which became broadly representative of 'Gupta-Zuma' interests.

Over the last 20 years the value of goods and services that government purchases, largely from the private sector, has grown to between R400 and R500 billion a year. This figure is testament to the near complete outsourcing of government's core functions. Ironically, as government does less, there is more and more of it – personnel, ministries, departments, agencies and entities.

26. Mohamed, S. 2010. The State of the South African Economy. In: J. Daniel, P. Naidoo, D. Pillay and R. Southall. (Ed.). *New South African Review 1: Development or Decline?* Johannesburg: Wits University Press.
27. Zalk, N. 2016. op. city.

The appointment of Malusi Gigaba as Minister of Public Enterprises marked the start of the systemic reconfiguring of the SOE boards.

November 2010
Malusi Gigaba – Appointed Public Enterprises Minister.

December 2010
Appoints Department of Trade and Industry official **Iqbal Sharma** to Transnet board.

December 2010
New Age reports that **Brian Molefe** will become Transnet CEO.

February 2011
Appoints **Brian Molefe** Transnet CEO.

July 2012
Anoj Singh becomes Transnet CFO.

This duo sign-off on some of the most contoversial Gupta-Transnet linked contracts, including the work directed to Trillian.

June 2011
Announces wholesale changes to some SOE boards:

Eskom:
Nazia Carrim is the wife of Muhammed Noor Hussain, family member of Gupta business associate Salim Essa.

Romeo Khumalo is a co-director with Essa in a company.

Mark Pamensky is a former director in Gupta company, Oakbay.

Marriam Cassim previously worked for Gupta company, Sahara.

Ben Ngubane was in business with Essa.

Kuben Moodley was in business with Pamensky and advises Gupta-aligned Mines Minister Mosebenzi Zwane.

Viroshni Naidoo is Kuben Moodley's husband.

Transnet:
Tries to make Sharma Board Chair, but Cabinet veto's reportedly based on his proximity to the Gupta family.

Transnet then creates the Board Acquisitions and Disposals Committee to supervise the planned pipeline of future large-scale infrastructure spending (tenders worth more than R2.5billion).

Sharma appointed to chair this committee.

Essentially government has become a massive tender-generating machine. The Public Affairs Research Institute called it a "contract state"[28]. This constitutes the core of what could in theory be a system for allocating beneficial rents to drive development. In reality it has provided many opportunities for entrenching clientelism and patronage networks that become dependent on the favour of those who make the decisions at the top of the pyramid. Seen from this angle, the NMOS can be seen as a framework that enabled the knitting together of the symbiotic relationship between the formalities of bureaucratic governance in the constitutional state and the increasingly significant informal networks of the 'shadow state', reinforced by the Guptas as external brokers (see Chapter 2) and a parallel set of increasingly compliant intelligence and policing apparatuses (see Chapter 3).

The proliferation of government departments at the national and provincial levels from 2009 onwards to extend the political patronage networks followed the decentralisation of financial accountability to departmental heads (defined as chief accounting officers). This process of decentralisation of financial accountability followed the abolition of the State Tender Board in 2000. The rationale for these financial management reforms came from the 'new public management' movement that became popular internationally and in South Africa (via the public management schools) during the 1990s.

Extolling the virtues of 'steering and not rowing', the movement depicted contracting out and decentralisation of financial accountability as institutional reforms for improving the efficiency of the public service. However, lessons from the around the world show that combining the decentralisation of financial accountability with a ballooning of the public service creates ideal conditions for a proliferation of corruption. One without the other is preferable, but together these conditions create a perfect storm. The result in South Africa was the expansion across all levels of government (national, provincial and local) of a competitive kleptocratic culture. By the 2014 election, this culture had been in place for more than a decade.

To substantiate the above argument, we analysed the fraud and corruption cases for the period 2010–2016 that relate directly to procurement by state institutions and SOEs. There were 166 cases involving amounts ranging from R70 000 to R2.1 billion. The total amount at stake for all these cases is a staggering R17 billion. However, some caution is required in understanding this figure. Not all the amounts are known for all the cases, which means it could be an underestimation. Also, the documentation we reviewed sometimes refers to the contract value and sometimes to the amount that has been fraudulently or corruptly misappropriated. What is significant, though, is that the evidence supports the argument that fraud and corruption proliferated during the 10 years leading up to 2014, peaking in 2012.

Figure 1: Number of fraud and corruption cases related directly to state and SOE procurement (2010–2016)

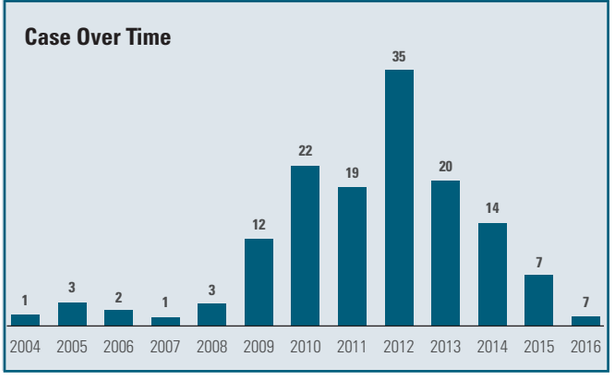

Table 1: Value of fraud and corruption charges against Transnet, Eskom and the South African Social Security Agency (2010–2013)

Region	Date	PC#	Particulars of the case	Charges	Amount
Gauteng	2010	PC027	Transnet Johannesburg CAS 2573/08/2010	Fraud & corruption	R 95,6 mill
Gauteng	2012	PC059	Eskom (emergency coal) Gauteng: SEOU enquiry CAS 04/03/2012	Fraud & corruption	R 121,7 mill
Gauteng	2013	PC082	South African Social Security Agency (SASSA) Payment of Social Grants Net1 Allpay Sunnyside CAS 1274/01/2013	Fraud, corruption and Public Finance Management Act (1999) transgression	Unknown

Signalling that the power elite around Zuma was concerned about increasingly competitive and out of control corrupt practices at the lower levels, Zuma instructed then Minister of Finance Pravin Gordhan to lead an initiative to investigate Malema-linked rent-seeking practices in Limpopo in 2012. Although Limpopo accounted for only 10 percent of the 166 cases analysed, the amounts involved equalled 15 percent of the total amount for all 166 cases.

Gordhan did more than just investigate – he shut these networks down. The political fallout from this episode (including the repercussions of the expulsion of Malema earlier that year) in the context of spreading corruption in all provinces led Zuma and other leading national figures to start calling for the re-establishment of the State Tender Board. This reflected a deeper underlying concern, not with rent seeking per se, but with the fact that there was too much rent seeking competition at the lower levels of the state that was out of control (hence the reference in the ANC 2014 Election Manifesto to the need to centralise tenders).[29]

28. PARI. 2014. The Conract State: Outsourcing and Decentralisation in Contemporary South Africa. Johannesburg: Public Affairs Research Institute.
29. Another example of an action to shut down lower level corrupt rent seeking was the 18-month investigation into corruption in the Nelson Mandela Bay Municipality led by Crispian Olver that started in 2015 (Olver, C. 2016. *State capture at a local level – a case study of Nelson Mandela Bay*. Johannesburg: Public Affairs Research Institute). This investigation, commissioned by Pravin Gordhan when he was Minister of Cooperative Governance and Traditional Affairs, was most likely allowed to proceed to conclusion because the Gupta-Zuma network were not implicated, meaning it was most likely seen as contributing to the reinforcement of the centralisation of control of rent seeking practices.

The Limpopo episode may not have triggered, but it certainly reinforced, what appears from the outside to be a coherent multi-pronged strategy to centralise control of rent seeking by an increasingly confident power elite. In practice, there was a guiding goal to centralise control, but this was achieved via a mish-mash of tactical decisions to exploit opportunities as they came up in opportunistic ways. The absence of strategic coherence and coordination meant there were many contradictory outcomes, mishaps, miscommunications, fall-outs and breakdowns along the way.

With the takeover of the National Treasury now made possible by the appointment of Malusi Gigaba as Minister of Finance, centralisation of rent seeking to consolidate the symbiosis between the constitutional and shadow state has moved into a new implementation phase. The increased confidence and brazenness of the Gupta networks on SOE boards and in senior management since the reshuffle confirms this.

In summary: seven broad areas of capture

The evolution in recent decades of rent management systems within neopatrimonial regimes around the world has taken many forms. In summary, though, they can be characterised within a spectrum that ranges from centralised/coordinated to chaotic. The South African rent-seeking system is a kind of hybrid, partly because of Zuma's personally vulnerable position due to outstanding and unresolved charges against him, the Constitutional Court finding on Nkandla and his embeddedness within a well-structured constitutional order. He aspires to be like Putin or Angola's Dos Santos, but is entangled by constitutional state requirements he cannot dispense with (like reporting to Parliament and subordination – at least for now – to the Constitutional Court) and competitive dynamics within the shadow state that the Gupta networks do not always control (witness the PRASA debacle).

As Chapter 2 outlines in detail, the Guptas managed to position themselves as the key strategic brokers of the networks that connected the constitutional and shadow states. They began with little more than a tight connection to Zuma. Like Schabir Shaik before them, they turned this political capital of having access to the president to their advantage to secure deals in his name in return for a percentage of the contract. The inclusion of Zuma's twin children in Oakbay companies as early as 2009 was used to full advantage. For Zuma and others around him, it was convenient to have a single clearinghouse where deals were brokered and financial transactions managed at a distance, especially if this clearinghouse was managed by non-South Africans with no loyalties to factions within the ANC. The word in black business circles was that without a deal with the Guptas, landing contracts with SOEs would be impossible.

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This raises the question about whether there is in fact a strategic centre of sorts. In general, the answer is no. Nor is there one single powerful network that overrides all others. The clearest and most disturbing indicator that the South African rent-seeking system tends towards the chaotic end of the spectrum is the collapse of the cabinet system as the core of the executive branch of the state (see Chapter 3).

There is evidence that Zuma tends to govern via a set of 'kitchen cabinets' comprising selected groups from different networks. Kitchen cabinets are small informal reference groups that are convened on an as-needed basis. They can also be shell structures that are activated when needed. As will be demonstrated, they have been known to be drawn from the state security establishment, Gupta networks, SOE sector, sub-groups of cabinet ministers and deputy ministers, family networks, international networks (e.g., Angola, Russian intelligence), key black business groups, the ANC (in particular the Premier League and Magashule), and selected loyalists in the public service (usually loyal director generals).

Kitchen cabinets can be once-off consultative events (e.g., with black business), or semi-permanent structures like inter-ministerial committees comprising people from different sectors and environments to tackle a common issue, or regular meetings with key networks (e.g., the Guptas or family networks). They are essentially how the competing nodes within the power elite coalesce and disperse to influence decision-making. Given that it is well known that those with the greatest influence are those who have spoken last to Zuma, it is unsurprising that these kitchen cabinets will lobby hard for face-time and follow-through on the deals they want to see realised. When we refer to the 'power elite' in this report, it is essentially key individuals located in these networks who are united by a sense that they have an historic mission to ensure the emergence of a black business class powerful enough to displace the white business class that remains a dominant force in the economy. How this reconciles with the growing prominence of Gupta-linked/owned companies with limited BEE credentials that win key contracts (e.g. T-systems or Cutting Edge at Transnet) remains somewhat of a mystery.

In summary, this power elite has centralised control within seven broad areas (some of which are elaborated in greater detail in subsequent chapters):

i. Securing control over SOEs by chronically weakening their governance and operational structures (chapters 3 and 5):

The appointment of Gigaba on 1 November 2010 as Minister of Public Enterprises marked the start of a systematic process of reconfiguring the boards of SOEs to ensure compliance, starting with his attempt to get little known DTI official and known Gupta associate Iqbal Sharma appointed as Transnet Board Chairperson in 2011 and the successful appointment of Brian Molefe as Transnet CEO in the same year. Throughout his tenure until 2014 as Minister of Public Enterprises, Gigaba was engaged in the restructuring of SOE boards. This, however, was only the first step in the repurposing of the SOEs. The second was to exploit the loophole

in the Public Finance Management Act that made it possible to use the procurement procedures of SOEs to benefit selected contractors who had been sanctioned by the Gupta network. The loophole is that SOEs are not required to table their budgets and expenditure plans in Parliament, unlike government departments, which means they cannot be scrutinised in the same way as departmental budgets and expenditures. The details of SOE expenditure can, therefore, be hidden from public scrutiny.

ii. Securing control over the public service via, for example, NMOS (Chapter 3).

After the 2014 election, the NMOS project steering committee reported directly to the president creating the opportunity to couple political loyalty and responsibility for specific functions and associated budgets with deals to effectively manage procurement to control the rent-seeking networks.

iii. Securing access to rent-seeking opportunities by shaking down regulations.

Government ministers acting in concert with private interests use regulatory instruments or policy decisions in an arbitrary manner to "shake down" incumbent businesses – including black businesses – and favour particular interests. Instead of prioritising job creation and economic growth, decisions are taken for the benefit of a particular company, faction or group. The Tegeta vs Glencore Optimum deal is an example.

iv. Securing control over the country's fiscal sovereignty.

And then, there is the National Treasury. Gordhan and the National Treasury were regarded as an obstacle to this project of centralising the management of rents. The National Treasury believed in levelling the playing field and good governance. Hence the establishment of the Chief Procurement Officer in 2013. The National Treasury were aware of and opposed the increasingly corrupted and centralised rent management system that Zuma's power elite was setting up. It used the Financial Intelligence Centre to track illicit financial flows in ways that illuminated the workings of the shadow state. Prior to the cabinet reshuffle, the Financial Intelligence Centre was the only intelligence agency not controlled by the Zuma network. And the National Treasury controlled the Industrial Development Corporation and the Public Investment Corporation, which is the second largest investor on the Johannesburg Stock Exchange.

Zuma's power elite realised that to effectively centralise control of rent seeking, they needed control of the Office of the Chief Procurement Officer, the Finance Intelligence Centre, the Public Investment Corporation and the unique power available to the Minister of Finance to issue guarantees. This is only possible if a loyal Minister of Finance is in place.

v. Securing control over strategic procurement opportunities by intentionally weakening key technical institutions and formal executive processes.

Momentous national decisions appear to be taken on the basis of ad-hoc political judgments, without prior consideration of the legal, financial, economic or other public policy implications. Where technical opinions contradict the plans of vested factional interests they are arguably actively suppressed or excluded from consideration. Processes are constructed in a manner that avoids deliberation on basic facts and critical evidence (see The Special Significance of the Nuclear Deal).

vi. Securing the loyalty of the security and intelligence services by appointing loyalists (Chapter 3).

Securing control of the SOE boards went in conjunction with the process of removing key people from the security and intelligence agencies. They were replaced with loyalists who were prepared to use dirty tricks and other means to deal with troublesome individuals, especially if they were key players (see Chapter 3).

vii. Securing parallel government and decision-making structures that undermine the executive. This includes strengthening of the 'Premier League' (those with the apparent power to determine leadership positions).

There appears to be concerted efforts underway that undermine collective political institutions in the Executive, including Cabinet. It appears that critical decisions are delegated to handpicked groups, masked as Inter-Ministerial Committees, that are able to function in an unaccountable manner. Recent examples include:

- The IMC on Banks (purportedly set up to investigate the regulations and legislation that govern them, but strangely chaired by Mines Minister Mosebenzi Zwane and set up after the Bank's closed the Gupta bank accounts);
- The IMC on Communication, unusually chaired by the President;
- The National Nuclear Energy Co-ordination Committee (NNEECC), chaired by President Zuma.

The nature of IMC's is that in and of themselves they lack transparency, in that they do not report to Parliament (which individual members of Cabinet are required to do) and they are not formulated in legislation (as is the case of formal Cabinet Structures).

Additionally, a series of political appointments at Cabinet and provincial government levels reinforced the Premier League, with Ace Magashule emerging as its de facto leader. The rise of Magashule to chief political confidante of the President, with rumours that Zuma views him as the preferred candidate for vice-president, points to the fact that since the 2014 election Zuma

The interesting thing was that Dominion had been on 'care and maintenance' since 2008 with Uranium One chief executive Jean Nortier saying: "We had to close that chapter; we certainly weren't going to try to bring Dominion back into production — it certainly was going to require too much capital."[26] Bringing Dominion back to full production was projected to cost far more than the $37 million purchase price, according to media reports. At time of the purchase, journalist Brendan Ryan wrote:[27]

Who in their right mind would buy one of the most notorious dogs in the entire South African mining sector — the failed Dominion Uranium mine — and do it at a time when uranium prices are still depressed? … It's either the steal of the century — given that developers Uranium One wrote off an investment of $1.8 billion when they shut Dominion down in October 2008 — or it's a classic case of throwing good money after bad.

Unbeknown to Ryan at the time, and certainly in retrospect, the Zuma power elite had their sights set on a large-scale nuclear programme that would create a new and lucrative market for uranium. Molefe, then CEO of the Public Investment Corporation, seems to enter the story at this point in what may have been his first act to ingratiate himself with the Zuma group after being identified for so long as an 'Mbeki man'. Although he denied having a hand in the Gupta's Uranium One deal, there seem to be too many unexplainable coincidences.

The timing is indicative. According to amaBhungane, Molefe's last day as CEO of the Public Investment Corporation would have been 12 April 2010, two days before the Dominion transaction was closed.

However, his contract was extended for three months, to the reported irritation of senior ANC and alliance officials.[28] At the time, the *Sunday Times* reported that Jacob Zuma was "understood to have phoned a senior official in the finance ministry to ask that Molefe remain in the job."[29]

According to amaBhungane, company registration documents show that Atul Gupta and Duduzane Zuma took over as directors of the Dominion holding company on 14 April, the day the sale was finalised. If, as alleged in media reports, Molefe was involved in negotiations to commit Public Investment Corporation funding, his departure at that crucial time might have compromised the negotiations. The investment committee rejected the deal as being too risky, but the Industrial Development Corporation provided the loan.

Brian Molefe gains his foothold

By March 2011, the *Mail & Guardian* was reporting several anomalies associated with the appointment of Molefe as the new CEO of Transnet, which, according to the newspaper, appears to have been pre-determined.[30] The Gupta family denied reports that they influenced the selection of Molefe; however, the media provided circumstantial but compelling information to the contrary. According to the media article, the advert for the position of CEO was published on 26 January 2011 and candidates were given until 1 February 2011 to respond. Former Public Enterprises Minister Malusi Gigaba announced the appointment of Molefe on 16 February. Transnet said 63 applications had been received and nine applicants were interviewed. The board's corporate governance and nominations committee, chaired by Transnet chairperson Mafika Mkwanazi, apparently handled the process. The *Mail & Guardian* reported that: "A senior executive with knowledge of Transnet board operations said the applications had to be vetted and interviews for busy executives and board members arranged. 'Molefe's appointment was miraculously quick', the executive said"[31].

Transnet non-executive director and former CEO of DaimlerChrysler, Juergen Schrempp, who had only been appointed a few months before in December 2010, resigned shortly after Molefe's appointment. While he did not comment, the *Sunday Times* reported that he was unhappy about the handling of Molefe's appointment and because Mkwanazi had submitted three names of candidates to Gigaba without prior board approval.[32]

Interestingly, on 7 December 2010, about three months before his appointment, *the New Age*, without quoting its sources, said: "*The New Age* has it on good authority that Molefe will be appointed CEO by the board."[33] The paper correctly predicted other appointments to the new Transnet board, including Don Mkhwanazi and Ellen Tshabalala.

The Guptas set their sights on the SEOs

In September 2012, most of the SAA board, led by former chair Cheryl Carolus, resigned, apparently over a breakdown in its relationship with then Minister for Public Enterprises Malusi Gigaba.[34] Chief Executive Siza Mzimela and some of her key people followed in early October. This period seems to mark the start of the capture of the parastatal.

It appears that a large SAA tender, worth at least R10 billion, was at the root of the contest. About six months after the resignation of the board, questions emerged in the media about a meeting held

28. Brümmer, S. 2010. *Zuma 'meddled in mine buyout*'. [Online] Available: http://amabhungane.co.za/article/2010-05-14-zuma-meddled-in-mine-buyout.
29. Brümmer, S. 2010. *Zuma 'meddled in mine buyout*'. [Online] Available: http://amabhungane.co.za/article/2010-05-14-zuma-meddled-in-mine-buyout.
30. AmaBhungane Centre for Investigative Journalism. 2011. Going off the rails. [Online] Available: http://amabhungane.co.za/article/2011-03-04-going-off-the-rails.
31. AmaBhungane Centre for Investigative Journalism. 2011. Going off the rails. [Online] Available: http://amabhungane.co.za/article/2011-03-04-going-off-the-rails.
32. Creamer, T. 2011. Transnet, DPE deny outside influence on Molefe appointment. [Online] Available: http://www.engineeringnews.co.za/article/transnet-dpe-deny-outside-influence-on-molefe-appointment-2011-02-28/rep_id:4136.
33. Creamer, T. 2011. Transnet, DPE deny outside influence on Molefe appointment. [Online] Available: http://www.engineeringnews.co.za/article/transnet-dpe-deny-outside-influence-on-molefe-appointment-2011-02-28/rep_id:4136.
34. Sole, S. 2013. R10-billion contract behind SAA dogfight. [Online] Available: http://amabhungane.co.za/article/2013-03-22-r10billion-contract-behind-saa-dogfight

amaBhungane. Their operation centres on a Gupta-controlled shell company called Homix. Shell companies, by virtue of the ownership anonymity that they provide, are classic vehicles for money laundering and other illicit financial activity. According to the Financial Crimes Enforcement Network:[64]

The term 'shell company' generally refers to limited liability companies and other business entities with no significant assets or ongoing business activities. Shell companies – formed for both legitimate and illicit purposes – typically have no physical presence other than a mailing address, employ no one, and produce little to no independent economic value.

Between 2014 and 2015, Homix moved R166 million through its accounts, primarily from five companies.[65] As is characteristic of shell companies, Homix has no discernible office infrastructure or staff commensurate with a company processing such large sums of money, according to amaBhungane, which visited its premises. Bank records obtained by amaBhungane, and other bank records observed by this group of researchers, show that as the money came into the Homix bank account, it immediately went straight out again, to an equally obscure entity called Bapu Trading.

This pattern displays the three classic money laundering characteristics of placement, layering and integration where placement is the movement of cash from its source (the five companies), followed by placing it into circulation (layering) through, among other mechanisms, financial institutions and other businesses (for example Homix), and finally integration, the purpose of which is to make it more difficult to detect and uncover by law enforcement. We shall say more about this in Chapter 4.

Another example of the Gupta's attempts to externalise (placement phase) the proceeds of their operations happened six days after the Gupta family infamously 'fled' South Africa in April 2016 on a late-night flight. On 13 April 2016, a Gupta plane allegedly tried to leave with a box believed to have been full of diamonds.[66] According to an amaBhungane investigation,[67] a Gupta business jet was preparing to depart Fireblade Aviation's VVIP ('very, very important person') terminal at OR Tambo International Airport when X-ray scanners picked up something suspicious inside a suitcase belonging to the departing party. In the suitcase was a box containing diamonds, according to AmaBhungane claims (a claim that has not been refuted by the Gupta family). When Fireblade security asked to look inside, a Gupta security staffer apparently refused, took the bag from the counter and left. Fireblade confirmed to amaBhungane that a "potential security incident" had taken place early one morning in April last year, but would not identify which client was involved.

The Guptas' immense offshore assets are noteworthy and, in money-laundering terms, may indicate the final stage: layering (in which they 'legitimately' realise the value of their questionable gains). These are investments, such as a Hindu Temple they're building in India for R200 million and a villa in Dubai worth R448 million, which is listed as one of the most expensive houses in the United Arab Emirates. This does not include cash, which may be sitting in offshore accounts in, for example, Hong Kong, that can be directed with ease as payoffs into their network (see below).

Returning the focus to Homix, at a point in time, the Reserve Bank became suspicious of money laundering after payments from Homix to accounts in Hong Kong did not match claimed imports (mis-invoicing is a classic money laundering scheme). It froze some of the money. AmaBhungane investigations showed, however, how at least some of the money (R51 million not frozen by the Reserve Bank) that moved through Homix was transferred out of the country into Hong Kong, where long-time Gupta associate Salim Essa is the family's placeholder in several shell companies in that country (the leaking of the Panama Papers in 2016 showed that Hong Kong was the most active centre in the world for the creation of shell companies).[69] This money went to two companies: YKA International Trading Company and Morningstar International Trade. AmaBhungane could not trace YKA's sole director, a Chinese resident. Morningstar's registered director and owner is Mahashveran Govender, a South African, who is untraceable. However, Morningstar's Hong Kong registered address is the same registered address of three other Essa companies, which are linked to the Guptas – Tequesta Group, Regiments Asia and VR Laser Asia.

Homix first emerged when amaBhungane broke a story of how national telecom company Neotel had benefitted, with the assistance of Homix, from multi-million rand Transnet tenders. Homix appeared to have positioned itself as a facilitator of state-owned company contracts. Despite Homix being virtually untraceable, Neotel's top managers had approved paying the Gupta company tens of millions of Rands in 'commissions' – ultimately more than R100-million – for no apparent work other than ensuring that they got the Transnet deal, according to amaBhungane.

In April 2015, Neotel's auditors, Deloitte, reported these unusual payments to Neotel's Board of Directors questioning the 'commerciality' of the 'fees'. The money was billed as being in respect of contracts being secured with Transnet. Deloitte correspondence suggested that Neotel management approved the Homix payments despite not knowing "who this entity is".[70]

64. Department of the Treasury Financial Crimes Enforcement Network. 2006. *The role of domestic shell companies in financial crime and money laundering: Limited Liability Companies*. [Online] Available: https://www.fincen.gov/sites/default/files/shared/LLCAssessment_FINAL.pdf.
65. Brümmer, S., Comrie, S., McKune, C. & Sole, S. 2016. *State capture - the Guptas and the R250 million "kickback laundry"*. [Online] Available: http://amabhungane.co.za/article/2016-10-29-state-capture-the-guptas-and-the-r250-million-kickback-laundry-unpacked-in-full.
66. Comrie, S. 2017. EXPOSED: *The Guptas and the 'box of gems'*. [Online] Available: http://amabhungane.co.za/article/2017-02-19-exposed-the-guptas-and-the-box-of-gems.
67. Comrie, S. 2017. EXPOSED: *The Guptas and the 'box of gems'*. [Online] Available: http://amabhungane.co.za/article/2017-02-19-exposed-the-guptas-and-the-box-of-gems.
67. Price, M. 2017. *Hong Kong takes aim at middlemen in wake of Panama Papers scandal.* [Online] Available: www.reuters.com/article/us-hongkong-regulations-moneylaundering-idUSKBN15T33D?il=0.
69. Brümmer, S., Comrie, S., McKune, C. & Sole, S. 2016. *State capture - the Guptas and the R250 million "kickback laundry"*. [Online] Available: http://amabhungane.co.za/article/2016-10-29-state-capture-the-guptas-and-the-r250-million-kickback-laundry-unpacked-in-full
70. Brümmer, S., Comrie, S., McKune, C. & Sole, S. 2016. *State capture - the Guptas and the R250 million "kickback laundry"*. [Online] Available: http://amabhungane.co.za/article/2016-10-29-state-capture-the-guptas-and-the-r250-million-kickback-laundry-unpacked-in-full.

The contract that appears to have precipitated the relationship between Homix and Neotel was a master service agreement to provide Transnet with a suite of telecom services worth hundreds of millions of Rands a year. Neotel got the contract for an initial five years when it bought Transnet's in-house provider, Transtel, in 2008. At the end of 2013, Transnet put the master agreement out to tender. It was provisionally awarded to a competitor, T-Systems, but the latter withdrew by agreement some months later when it apparently became apparent its solutions were inappropriate. In April 2014, during this hiatus, Neotel paid its first R30-million to Homix, according to documents seen by amaBhungane and this group of researchers. The Deloitte correspondence identifies the payment as relating to routers and other equipment that Neotel sold to Transnet. Transnet is understood to have paid Neotel about R300 million for the equipment. Neotel's payment to Homix equals a 10 percent 'commission'.

Four months later, in August 2014, Transnet notified Neotel that it was the new preferred bidder for the master agreement and that negotiations should be concluded before Christmas. But by early December, individuals close to the negotiations claimed that Transnet became "intransigent without clear reason".[71] A week later, according to these individuals, Neotel's CEO, Sunil Joshi, met Transnet's chief financial officer, Anoj Singh, to whom the SEO's procurement structures reported. After the meeting, Joshi allegedly asked his staff to approach Homix again.

A 'success fee' was agreed with Homix – 2 percent of the R1.8 billion value of the master agreement with Transnet, equating to R36 million, plus R25 million in respect of a related agreement to sell assets to Transnet. Transnet then resumed negotiations and the master agreement was signed before Christmas.

Companies that paid money into Homix's bank account included Cutting Edge Commerce (R3.3 million between October 2014 and February 2015), of which the Guptas' Sahara System owns 51 percent. Cutting Edge's website says it provides information technology and consulting services and lists its public-sector clients as SAA, Airports Company South Africa and Transnet. Other companies are Regiments Capital (R84 million between November 2014 and March 2015) and Burlington Strategy Advisors (R1.8 million in March 2015).

Burlington Strategy Advisors, a subsidiary of Regiments Capital, signed a R5 million contract in March 2015 with German crane maker Liebherr Africa to provide it with market feasibility studies in relation to the supply of cranes to Transnet. Liebherr was a key supplier to Transnet, but the SOE was pressuring suppliers to include local companies in projects. In response, the German company signed the feasibility study agreement with Burlington and made an upfront payment of R2 million, according to amaBhungane. About 90 percent of this was paid straight on to Homix, according to bank records subsequently obtained by amaBhungane. When Burlington failed to provide actual services, Liebherr demanded that the R2 million be repaid, which is yet to happen.

It appears that the Guptas tried to obscure their link to Homix, but they failed. Company records for the company list an unknown individual Yakub Ahmed Suleman Bhikhu as the company's only active director. But when Neotel's board commissioned a law firm in April 2014 to investigate the company's links to Homix (see below), another individual, Ashok Narayan identified himself as CEO of Homix to Neotel's auditors. Narayan was a former managing director of Sahara Systems. He was also a director of Linkway Trading, a Gupta company, which had been a project consultant for the Free State Vrede dairy project in its early stages.

Enter Mosebenzi Zwane

On 22 September 2015, President Zuma – reportedly to the surprise of even top members of the ANC – announced that he would fill a six-month-old vacancy in his Cabinet with the relatively unknown Mosebenzi Zwane, who he appointed to the critically important mineral resources portfolio. Zwane's appointment as a minister escalated him from a backbencher member of parliament who previously had been in the Free State provincial government. He had no experience in mining or in a national portfolio position. His origins in the Free State suggest that this was a move orchestrated by Ace Magashule.

In April 2016, seven months after Zwane's appointment, Gupta-owned Tegeta Exploration & Resources acquired Optimum coal mine from Glencore. Duduzane Zuma owns 12.8 percent of Tegeta. Various members of the Gupta family own 36 percent of the company, Gupta associate Salim Essa owns 21.5 percent and just over 20 percent is owned by two off-shore companies registered in the United Arab Emirates, for which ownership details are unavailable.

The Guptas bought Optimum from Glencore for R2.2 billion. The purchase was, however, riddled with allegations of political interference and bias towards sectional business interests, namely the Guptas. It is now widely accepted that Eskom prejudiced Glencore, by using the full might of the law, to force Optimum into business rescue to enable Tegeta to buy the company on highly favourable terms.[72] Former Public Protector Madonsela's *State of Capture* report found that Eskom may have repeatedly broken the law to accommodate Tegeta. We shall return to this incident in Chapter 3 as it marks a key moment in the radicalisation of the Zuma administration and of the project of radical economic transformation.

But even before Tegeta bought Optimum, there were several red flags raised about the Gupta-owned company in their operation of the Brakfontein mine. In September 2015, a few months after Tegeta began supplying coal from Brakfontein, Eskom's coal scientist and a senior laboratory services manager, Mark van der Riet and Charlotte Ramavhona, were suspended after conflicting lab results raised concerns about the quality of coal Eskom received from Brakfontein mine, through Tegeta. At the time, the two were told they were being suspended as a matter of course following

71. Brümmer, S., Comrie, S., McKune, C. & Sole, S. 2016. *State capture - the Guptas and the R250 million "kickback laundry"*. [Online] Available: http://amabhungane.co.za/article/2016-10-29-state-capture-the-guptas-and-the-r250-million-kickback-laundry-unpacked-in-full.
72. Cape Times. 2016. *Top bosses take to the streets to save SA*. [Online] Available: https://www.pressreader.com/south-africa/cape-times/20161103/281822873357371.

Gordhan, his affidavit shows, sought legal advice on whether there was any basis for him as Minister of Finance to intervene with the banks.

A resulting legal opinion, from advocates Jeremy Gauntlett and Frank Pelser, warned that not only was there no legal way he could intervene, but that the planned meeting between ministers and the banks could have 'unintended consequences' and create 'adverse perceptions' about political interference in the banking sector. This was echoed in a letter Lesetja Kganyago, Governor of the Reserve Bank, sent Gordhan. He wrote: "We caution against the unintended consequences of this being viewed as undue political interference in banks' operations ... This could introduce heightened levels of uncertainty and pose a risk to South Africa's financial stability."

The court case is ongoing.

In March 2017, the media reported that the Bank of Baroda, which appears to be one of the last financial institutions with exposure to the Guptas, were closing their accounts.[84] The status of this is unclear; Oakbay denied the claim. Closing client bank accounts can take up to several months due to administrative and regulatory procedures.

Buying a bank

With the Gupta's access to the domestic and the global financial system increasingly constrained, they engaged in what was perhaps a desperate and last ditch attempt to externalise the proceeds of their deals: an ambitious bid to buy Habib Overseas Bank, through Gupta-linked Vardospan.

On the day, perhaps not coincidentally, that Gordhan and former Deputy Finance Minister Jonas were removed from their positions, Vardospan filed an urgent High Court application in Pretoria to compel regulators to rule on its application for a banking licence. Vardospan owners Hamza Farooqui and Salim Essa were seeking an explanation for why the Reserve Bank, the Registrar of Banks and the Minister of Finance had delayed their application for seven months. Ultimately the application was rejected after the courts ruled it was not an urgent matter.

The attempted purchase of the bank by the Guptas should be viewed for what it is: an attempt to circumvent and evade established financial regulatory requirements designed to protect South Africa from illicit financial behaviour. This group of researchers has been told that Habib Bank became concerned about the identity and modus operandi of Vardospan after the buyer apparently offered to increase the purchase price by a considerable amount on condition that Habib helped to expedite the sale. Habib never accepted this.

Conclusion

This chapter has provided details that were reported in the media, courts and other investigations for some of the more well-known deals executed by the Gupta family over the past decade. These deals would not have been possible without the political leverage they could deploy to engineer these deals that have, in turn, greatly enriched them and their collaborators. To this extent their modus operandi fits the classic model of broker-cum-fixer rather than the image of all-powerful puppeteer. Their aim is to convert political leverage into commercial gain, while simultaneously guarding against overdependence on a political marketplace they cannot directly control. To manage their risk, they either increase control where they can by ensuring others depend on them, or diversify their portfolio beyond their narrow Zuma-centred network (which is, in turn, highly risky). Their aim is to ensure others become increasingly dependent on them, hence the establishment of transnational financial networks. As the Zuma-centred power elite came to depend more and more on a symbiotic relationship between the constitutional and shadow states, they became increasingly dependent on the Gupta networks for getting things done.

The information and reports provided in this chapter makes it possible to identify a specific modus operandi that the Guptas tend to follow when they set out to achieve an outcome. The first step is to create a legitimate commercial vehicle, usually with Zuma family members as key beneficiaries. This enables two things: they can present themselves as BEE compliant, and they can bully those they deal with by claiming – often quite explicitly – that they have political endorsement at the highest level (i.e. 'without us this deal won't go through').

Once they have established a negotiating position for themselves, they then use their access to change the rules of the game (the use of Homix as a facilitator between Transnet and Neotel is a clear example of this – the most obvious question being why Transnet, with one of the biggest and most experienced treasury teams in the country, and Neotel, a national telecoms company with a R4 billion turnover, needed an obscure shell company to broker an information technology contract between the two large companies?) This is either through insider information on forthcoming policy/regulatory changes that they can either anticipate or manipulate to their own advantage or by ensuring that the right decision-makers are in place in the right structure to make decisions that are favourable to them. To achieve any of these moves, they are prepared to offer payments of various kinds – from straight bribes to payments for services rendered and so-called 'commissions'. Having access to large amounts of money in cash makes this all viable. It also ensures future cooperation and pliability as recipients become 'locked in' to their network as a result. Finally, they are masters at fronting, obfuscation, denial, intimidation and lying. That they act with such impunity points to their belief that they enjoy powerful political protection.

84. Mkokeli, S., Bonorchis, R. & Antony, A. 2017. Bank of Baroda beings closing Gupta-linked accounts. [Online] Available: https://mg.co.za/article/2017-03-02-bank-of-baroda-begins-closing-gupta-linked-accounts.

3 Repurposing Governance

Introduction

This section starts by returning to the notion of radical economic transformation as a way of understanding why procurement and SOEs have become so central to the political project of the Zuma-centred power elite. We will then argue that the notion of radical economic transformation has been radicalised by proponents who have started to argue that the constitutional framework and the National Treasury are obstacles to transformation. In this regard, from 2011 onwards the power elite has shown itself to be increasingly prepared to break the law and violate the constitution. We see this clearly at Transnet and Eskom, in both cases under the leadership of Brian Molefe. There is a growing shadow security state emerging, relying on intelligence agencies to destabilise opposition and to neutralise potential threats from those state institutions that have the mandate and capacity to investigate and prosecute wrongdoing, including the Hawks, SARS and the National Prosecuting Authority of South Africa. With a coherent political outcome in mind, the discourse of radical economic transformation increasingly becomes an ideological cover for a small power elite to pursue their personal interests through extra-legal means, using the state as a personal resource.

From conviction to ideology

The Polokwane revolt in the ANC was informed by a conviction that economic transformation as pursued after 1994 had produced an anomaly, if not a perversion: a small black elite beholden to white corporate elites, a vulnerable and over-indebted black middle class and a large, African majority condemned to unemployment and dependent on welfare handouts to survive. The rise in the Gini coefficient between 1994 and 2009 lends credence to this view.

Since the adoption of the GEAR strategy in 1996, most people in the ANC and the Alliance believe that the RDP had been jettisoned. "Few," noted Ben Turok in 2009, "seem to have accepted arguments such as those advanced by Minister of Finance Trevor Manuel, immediately before the [Polokwane] Conference, that 'GEAR was the ANC government's macro-economic programme to implement the RDP")."[1] GEAR was widely slated as a self-imposed programme of structural adjustment. As a Cosatu briefing document from 2002 put it: "The movement [...] sharply warned against the danger of promoting the interests of a new elite over and above that of the majority who stood to benefit from national liberation".[2]

The repudiation of the Mbeki administration at Polokwane was absolute. All six of the most senior ANC and government officials lost their positions. After Polokwane, the earliest expressions of this conviction as a set of policy proposals came from the ANC Youth League.

Articulating a vision of 'Economic Freedom in our Lifetime' – an adaptation of the famous slogan from the 1940s – Malema, then president of the league, recalled the Freedom Charter's categorical imperative: "The national wealth of our country, the heritage of South Africans, shall be restored to the people". At the League's first National General Council in August 2010, he explained that "**Nationalisation of Mines** is but one of the components of realising economic freedom in our lifetime, and we should never compromise on that principle [emphasis added]"[3]

Nationalisation was not the only alternative to the market-friendly approaches pursued after 1994. Cosatu, for example, was exploring how the economy could be reconstructed using an investment strategy that differentiated between six types of capital: publicly owned fiscal resources, publicly owned resources in the hands of parastatals, public sector financial institutions, socially controlled resources, retirement funds, private capital.[4] The first two and especially the second – capital held by parastatals – would come to form the main pillars of what would later be called radical economic transformation. The battle to transform the economy was shifting away from the economy itself to the state and, in particular, to who controlled government's procurement budgets.

Radical economic transformation and public procurement

The idea of using government's procurement budget to realise social and economic outcomes is not a new one.[5] It was the backbone of South Africa's racially exclusive 'developmental state' in the 1930s and formed a key platform of the apartheid project, especially in relation to cultivating a class of Afrikaner capitalists (national capitalists) in relation to English-speaking capitalists (imperial capitalists).[6] Today, moreover, the international development literature frequently extolls the virtue of such a policy. From Turkey to Mexico,[7] governments and development agencies seek ways to leverage their procurement spend to create or nurture local industries. "If developing country governments are shown to possess significant purchasing power in imperfectly

1. Turok, B. 2008. From The Freedom Charter to Polokwane: The Evolution of ANC Economic Policy. New Agenda: South African Journal of Social and Economic Policy.
2. *Cosatu. 2002. Theory of Transition.* [Online] Available: http://amadlandawonye.wikispaces.com/Theory+of+the+Transition%2C+COSATU%2C+Feb+2002.
3. ANC Youth League. 2010. Political report. [Online] Available: http://www.ancyl.org.za/docs/reps/2010/politicalreportk.html .
4. Cosatu. 2002. Theory of Transition. [Online] Available: http://amadlandawonye.wikispaces.com/Theory+of+the+Transition%2C+COSATU%2C+Feb+2002.
5. McCrudden, C. 2004. Using public procurement to achieve social outcomes. *Natural Resources Forum: A United Nations Sustainable Development Journal* 28(4):249-348.
6. See the famous edition of the *Review of African Political Economy*, June 1976.
7. Silva, M. & Scott, G. 2014. E*mpowering small and medium-sized enterprises (SMEs) by leveraging public procurement.* [Online] Available: https://www.iisd.org/sites/default/files/publications/empowering-smes-eight-big-ideas-mexico.pdf

TEGETA / OPTIMUM –

"It appears that the conduct of the Eskom board was solely to the benefit of Tegeta in awarding contracts to them and in doing so funded the purchase of Optimum Coal Holdings and is thus in severe violation of the Public Finance Management Act." State of Capture report, 2016.

July 2013

Owner of Optimum Coal Holdings, Glencore, writes to Eskom to invoke the "hardship clause" in their contract to enable the parties to renegotiate the coal-supply contract, which was leading to losses of about R1-billion for Glencore.

May 2014

They sign a "Co-operation Agreement", which paves the way for a new coal-supply contract to stop Glencore's losses.

March 2015

Eskom's Executive Procurement Committee approves a new contract for Glencore but defers final approval to new Acting CEO Brian Molefe.

April 2015

Brian Molefe becomes Eskom's acting CEO.

May 2015

Molefe informs Glencore that he rejects new terms and he suspends all negotiations

July 2015

Several things happen -

i) Eskom imposes as R2.5-billion fine on Glencore for supplying poor quality coal, penalties are rarely applied by Eskom and appear to have been done selectively in Eskom's case and probably contributed to Optimum's financial difficulties

ii) Glencore then announces that it has to retrench 380 employees because of its financial troubles;

iii) KPMG approach Glencore with an offer from an "anonymous client" – later confirmed to be the Guptas – offering to buy Optimum for R2-billion. Optimum turns the offer down.

August 2015

Glencore announces that they are placing Optimum Coal Holdings and Optimum Coal Mine under business rescue.

According to the Public Protector's report: "The only individuals/entities who stood to benefit from [Optimum] not being awarded a revised contact by Eskom was the subsequent prospective suitors who could now purchase an entity in business rescue."

September 2015

Mosebenzi Zwane is appointed Mines Minister.

November 2015

Two things happen -

i) Department of Mineral Resources places work stoppages on Glencore mines, worsening their financial position.

ii) Zwane travels to Switzerland to meet Glencore's Ivan Glasenberg. Thuli Madonsela's State of Capture report cites an "independent source" saying that **Rajesh Gupta** and **Salim Essa** were present at the meetings.
Days after Zwane's return, Optimum's business rescue practitioners conditionally agree to sell the mine to Tegeta for R2,15-billion.

In her report, Madonsela notes: "It is potentially unlawful for the Minister to use his official position of authority to unfairly and unduly influence a contract for a friend or in this instance his boss's son at the expense of the state. (**Duduzani Zuma** is a shareholder in Tegeta). This scenario would be further complicated if his actions were sanctioned by the President."

December 2015

Glencore agrees to sell Optimum. At the time, several board members are conflicted, according to the Public Protector:

- Ben Ngubane (chair) – co-director at Elgasolve (part-owner of Tegeta)
- Mark Pamensky – interests in entities related to or part-owning Tegeta
- Viroshini Naidoo – director of Albatime which part-funded the Tegeta purchase of Optimum
- Molefe (CEO) was in frequent phone contact with the Gupta family (owners of Tegeta) during the period of the sale, and in contact with Ms Ragavan (director at Tegeta) during the final month.

January 2016:

Two things happen -

i) Tegeta given easier terms for Hendrina
ii) Tegeta given lucrative contracts to supply Arnot

February 2016

i) Tegeta given another lucrative contract to supply Arnot (in total these contracts amount to R1.6-billion).

Public Protector states: "It appears that the conduct of the Eskom board was solely to the benefit of Tegeta in awarding contracts to them and in doing so funded the purchase of [Optimum Coal holdings] and is thus in severe violation of the PFMA."

April 2016

A few things happen -

i) April 11: Tegeta is short of R600million to buy Optimum and banks refuse bridging finance to the company.
ii) April 11: The Eskom board approves another R600-million contract for Tegeta, plus prepayment.
iii) April 13: Eskom makes the payment.
iv) April 14: Tegeta's full funds transferred to buy Optimum.
v) April 21: Eskom give Tegeta another lucrative Arnot contract.
vi) April 24: Tegeta attempt to access mine rehabilitation fund

May - September 2016

Mine rehabilitation funds at a Bank of Baroda account are being used the Public Protector's report shows that once the fund for Optimum and Koornfontein had been moved from Standard Bank to Bank of Baroda, they were not ring-fenced and the interest was not reinvested, suggesting that it may have been used for other purposes, which is illegal.

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4 How the capture of the state is structured: A brief note

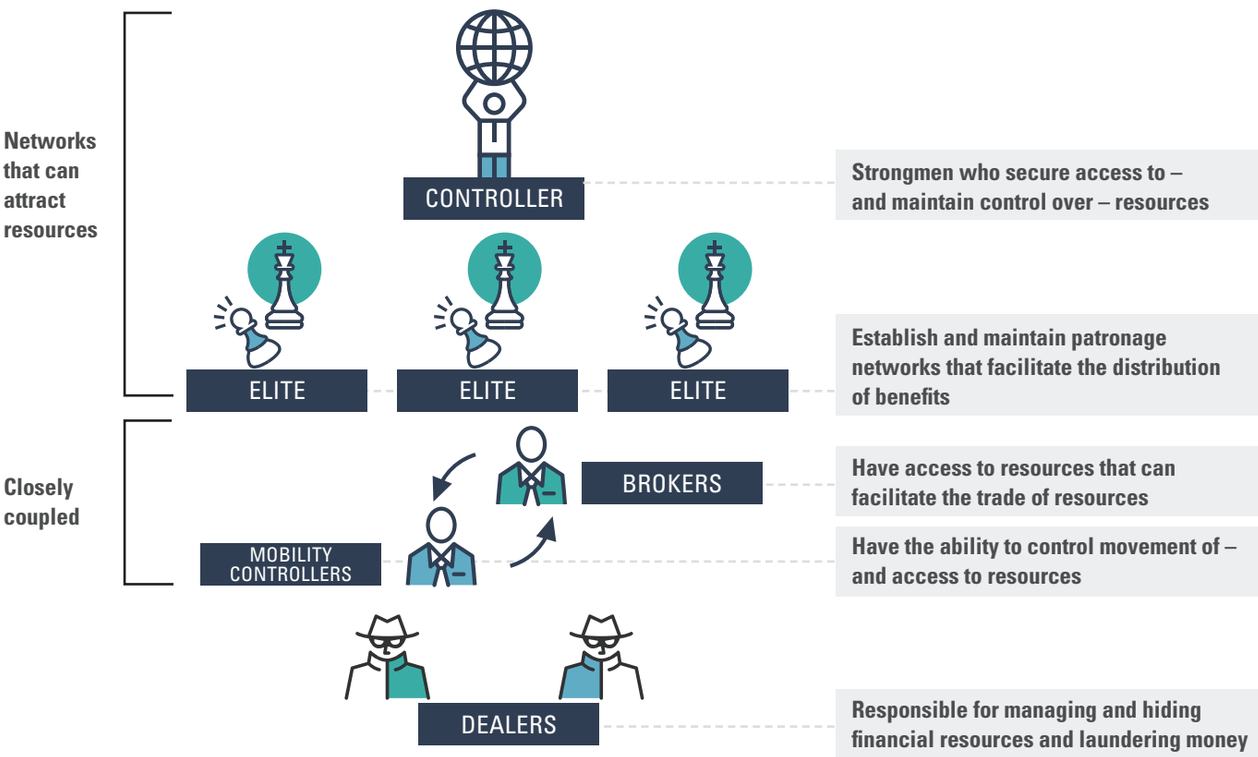
Introduction

The symbiotic nexus between the constitutional and shadow state requires the integration of a range of skillsets similar to what exists in most international corporations. The composition of the Zuma-centred power elite is in many respects highly organised, following the structure of what in academic terms is called a 'war economy'.[1] In a war economy, the 'shadow state' establishes a number of informal structures (see below), which produce systems of "profit, power and protection",[2] and which, in turn, serve to further their operations making it possible to have continued preferential access to resources and power through an exploitative economic system. The cycle can, therefore, continue.

One of the key requirements in establishing these shadow structures is the ability to secure a system of command and control over how the resources are accessed, moved and distributed. At the outset, control must be established over the sources of extraction, including the ability to flexibly respond to any changes in the operating environment.[3] Once access to the source of extraction is secured, networks of middlemen or brokers must be established that can move resources within the network to sustain loyalty (this is critical to ensuring the survival of the network) and externally, usually transnationally. The ability to transact within this network is facilitated through the establishment of political market places, where support is traded through the provision of access to resources.

The skillsets of this patronage network is localised within a number of groups. These are indicated in the following figure and expanded on below.

Figure 2: Generalised model of a patronage network that extracts and administers rents



1. Liebenberg, S. 2014. A proposed theory of war economies and a supporting policy framework for dismantling war economies in Sub-Saharan Africa. Unpublished Doctoral Thesis, Nelson Mandela Metropolitan University. Pg:3.
2. Liebenberg, S. 2014. A proposed theory of war economies and a supporting policy framework for dismantling war economies in Sub-Saharan Africa. Unpublished Doctoral Thesis, Nelson Mandela Metropolitan University. Pg:3.
3. Liebenberg, S. 2014. A proposed theory of war economies and a supporting policy framework for dismantling war economies in Sub-Saharan Africa. Unpublished Doctoral Thesis, Nelson Mandela Metropolitan University. Pg:121.

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- The controllers: These, also known as patrons of resources (e.g. Zuma and the Guptas), sit at the apex and are usually the strongmen directly responsible for predation and exploitation. Their function is to secure access and maintain control over resources.[4] A patron or controller typically favours one group over another (or others), resulting in the exclusion of those out of favour and the inclusion of those within favour. This sets up a competitive set of nodes with the network around the patron or controller, which has the ultimate effect of rendering elites (the next layer down) unable to cooperate effectively as they fear being ousted by their partners, or falling out of favour with the patron.
- The elites: The elites (e.g., Ace Magashule, Faith Muthambi, Malusi Gigaba, Brian Molefe, Mosebenzi Zwane and Anoj Singh) are responsible for establishing and maintaining patronage networks, which facilitate the distribution of benefits.
- The entrepreneurs: These are also known as brokers (e.g., Iqbal Sharma, Eric Wood, Salim Essa and Ashok Narayan). Broker networks consist of middlemen who facilitate the movement of funds, information and/or goods both domestically and across transnational networks, and make use of "recruitment networks, lending networks, remittance networks and smuggling networks" to do so.[5] The following requirements are necessary for broker activity:
  - Networks of brokers are required to secure domestic and cross-border networks through which resources can be moved to international clearing hubs and enter legitimate trade activities.
  - Brokers are often of a different nationality or ethnicity – usually a minority – so that they cannot mount a significant challenge to the controller or patron.
  - Brokers have commercial ties to different clusters of communities through which they are able to achieve networked competence.
  - Brokers have access to ports of entry.
  - Brokers and ports are 'choke points' for intervention in patronage networks.[6] If brokers are identified and their ability to operate is significantly reduced, then the patronage network is weakened and may collapse.
- The dealers: Groups that are able to move the money transnationally (e.g., the professional money laundering syndicates in Hong Kong, the United Arab Emirates and elsewhere).[7]

Securing and establishing cross-border networks is an essential requirement of this network to navigate illicit proceeds into international clearing hubs where it enters the legitimate trade and accrues value to the members of the network.[8] In many instances these networks use clandestine methods to mask the origins of resources in order to protect its members from external scrutiny.[9]

From an operational perspective, these networks of brokers and dealers must perform a number of functions, including:

- Collusion with customs or corrupt officials to create false records pertaining to the types of goods traded, quantities and the identities of parties involved in the transactions.
- Providing licences for others to obtain illicit goods in violation of the law.
- Laundering cash generated from illicit activities in collusion with formal financial institutions in order to establish legitimate business entities that can generate funds.
- Using shell companies in order to hide ownership details and move assets offshore (e.g., the Gupta entities: Homix, Regiments Asia, Morningstar International, etc.)
- Exchanging one potentially traceable commodity, such as oil or timber, for another less traceable one – also known as trade misinvoicing.
- Purchasing legitimate goods outside of the country with the proceeds of illicit activities, and then importing the legitimate goods back into the country to generate 'clean revenues'.[10] The R200 million temple the Guptas are building in India and their R448 million villa in Dubai, reportedly the most expensive house in the United Arab Emirates, may fall into this category.

Ultimately, the key to realising the full potential of control over resources is the ability to strip assets and convert them into monetary resources – typically through money-laundering – that can fund the patronage operations.[11]

The conversion of such assets also requires the existence of an appropriate infrastructure for handling and moving such assets, including banking, "alternative remittance systems … import-export firms that participate in false invoicing schemes, precious metal markets, and the use of trusts, international business companies, and non-transparent jurisdictions as mechanisms to hide funds"[12]

Money-laundering procedures

Money laundering is the process of transforming illicit money into ostensibly legitimate assets. Thus money laundering through formal channels typically follows a three-stage process: placement, layering and integration. Placement involves moving funds into activities or accounts from where they can be legitimised through layering (i.e. blended with legitimate funds, recycled through

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9. Le Billion, P. 2008. Diamond Wars? Conflict Diamonds and Geographies of Resource Wars. *Annals of the Association of American Geographers.* 98(2):361.
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11. Winer, J.M., Roule, T.J. (2003). 'Follow the Money: Finance of Illicit Resource Extraction,' In Natural Resources and Violent Conflict: Options and Actions, Ian Bannon and Paul Collier (Eds), World Bank, Washington.
12. Winer, J.M., Roule, T.J. (2003). 'Follow the Money: Finance of Illicit Resource Extraction,' In Natural Resources and Violent Conflict: Options and Actions, Ian Bannon and Paul Collier (Eds), World Bank, Washington.

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How the capture of the state is structured: A brief note

cash-based operations, moved into 'legitimate companies', or moved around in complex transactions, etc.). These funds are then integrated back into the revenue stream of the money launderer (i.e. often through purchasing property and other goods).

The laundering process often necessitates financial systems with lax regulation and controls. Rents are also often distributed in cash, and indeed this may be preferable in many instances, but there are likely limits to how beneficiaries can make use of cash in formal transactions because large cash dealings can trigger high-risk alerts with banks. The benefit of cash is that it can be moved overseas, through both formal and informal channels, including the use of diplomatic immunity to traffic large sums of cash across borders (which could raise further questions over the Gupta's seeming preferential access to the Waterkloof Airforce Base) and the use of informal money exchange networks such as the hawala network, respectively.

The broker network in action: Transnet and Hong Kong transactional flows

With the patronage network model in mind, the Gupta's apparent access to lucrative Transnet work and the subsequent movement of related funds, both domestically and transnationally, is instructive.

Controller/patron and elite stages

Zuma appointed Gigaba as Minister of Public Enterprises in November 2010 about 18 months after he became president. This was after he had removed Barbara Hogan from the position in October 2010, coincidentally following her pushback against alleged presidential interference in state-owned company board appointments, and after Vytjie Mentor refused an offer for the position thereafter, apparently made to her at the Gupta's Saxonwold home on condition she would drop the SAA flight route to Mumbai.

Brokers established

In December 2010, Gigaba appointed Iqbal Sharma to the Transnet. His proximity to the family is by now, in our view, indisputable (see Chapter 2). In February 2011 Gigaba appointed Molefe as CEO of Transnet. In about June 2011, Gigaba wanted Sharma appointed Transnet Board chair, but the Cabinet apparently vetoed this on the grounds that he was too close to the Guptas. Seemingly to circumvent Cabinet's veto, Transnet later created a new structure, called the Board Acquisitions and Disposals Committee, to supervise the planned pipeline of future large-scale infrastructure spending (all tenders worth more than R2.5 billion). Sharma became chair of this committee. It was at this point that Gupta-linked entities began benefitting from Transnet tender opportunities.

Brokers at work: extracting the resources

- R51 billion locomotives deal: While he chaired the Board Acquisitions and Disposals Committee, Sharma oversaw the adjudication of the R51 billion tender for the purchase of 1 064 locomotives, which was ultimately split between four companies: China North Rail (232 diesel locomotives at R7.8 billion), China South Rail (359 electric locomotives at R14.6 billion), General Electric (233 diesel locomotives at R7.1 billion) and Bombardier (240 electric locomotives at R10.4 billion).

  The Gupta's proximity to China South Rail is documented in former Prasa CEO Lucky Montana's letter (see Chapter 2) in which he lays out how they apparently aggressively represented China South Rail (one of seven bidders then vying to supply Prasa with 600 commuter trains). Such representatives often earn large success fees, sometimes described as commissions. While they were not successful in their bid to position the rail company in this instance, the Chinese company's success in the Transnet locomotives deal appears to have benefitted the Guptas. Transactions seen by this group of researchers suggest that the Chinese company, now called China South Locomotive & Rolling Stock Corporation Limited following a merger with China North Rail, has been paying large sums of money into Gupta-linked entities based in Hong Kong. Our research in this regard is ongoing, but the circumstantial evidence of a triangulated link between China South Rail winning a portion of the tender, the Gupta's apparent brokering of the rail company in South Africa, and the offshore transactional flows from the rail company to Gupta-linked entities, is compelling. Just before the successful bidders of the locomotives tender were announced, Sharma emerged as a buyer of VR Laser Property, which owns the property upon which VR Laser Services is situated (owned by the Guptas and Duduzane Zuma) and which was arguably in a highly advantageous position to benefit from supplying component parts to the successful bidders in the locomotives deal (which were required by state procurement policy to source a large proportion of their components from South African subcontractors). Additionally, the size of the locomotive deal meant that financial arranging and corporate structuring advice was necessary. As explained in Chapter 2, after a series of highly questionable events, a Gupta-linked company, Trillian Asset Management, ultimately benefitted from this opportunity to the value of at least R170 million.
- Information technology: Chapter 2 details how a national multi-billion Rand telecoms company, Neotel, benefitted from significant Transnet work, but seemingly only as a result of an obscure Gupta-linked entity, Homix, which acted as a broker between Neotel and Transnet. Additionally, global software giant SAPS, was strongly encouraged by Transnet to partner with a Gupta entity, Global Softech Solutions, in order to win Transnet work (Chapter 2).
- Procurement: German maker of cranes and Transnet supplier Liebherr Africa was reportedly pressured by Transnet to partner with Burlington Strategy Advisors, which is a subsidiary of Regiments Capital (see Chapter 2), and which also ultimately paid money into a Gupta-linked entity (Homix).

Brokers at work: moving the resources

In July 2015, the first detailed analysis of how the Guptas allegedly launder the proceeds of their business activities was presented by

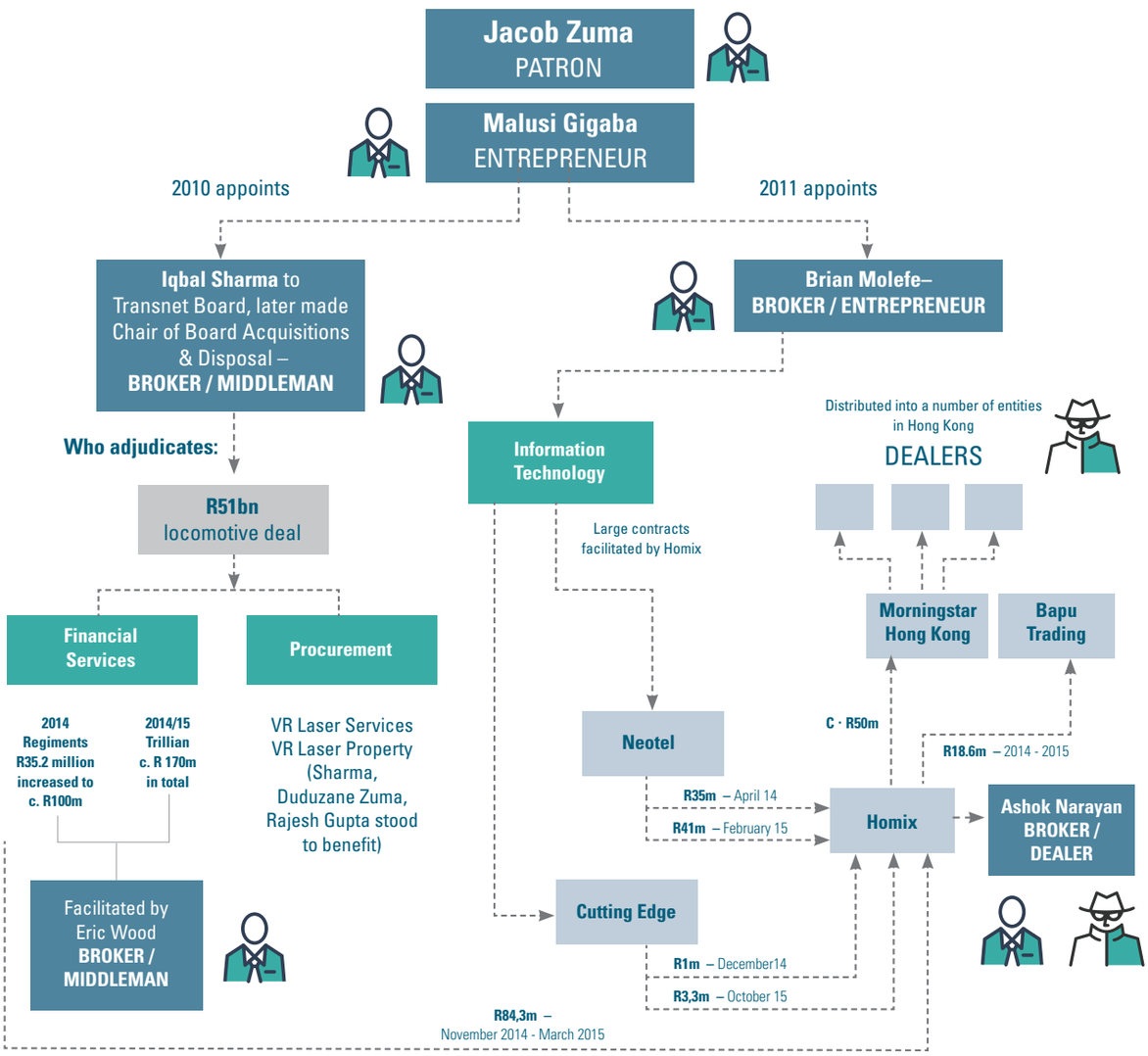
amaBhungane. Their operation in this regard centres on a Gupta-controlled shell company called Homix. Shell companies, by virtue of the ownership anonymity that they provide, are classic vehicles for money laundering and other illicit financial activity. According to the Financial Crimes Enforcement Network:[13]

The term 'shell company' generally refers to limited liability companies and other business entities with no significant assets or ongoing business activities. Shell companies – formed for both legitimate and illicit purposes – typically have no physical presence other than a mailing address, employ no one, and produce little to no independent economic value.

Between 2014 and 2015, Homix moved R166 million through its accounts, primarily from five companies, mostly linked to Transnet work, according to an amaBhungane investigation.[14] As is characteristic of shell companies, Homix has no discernible office infrastructure or staff commensurate with a company processing such large sums of money. Bank records obtained by amaBhungane, and other bank records observed by this group of researchers, show that as the money came into the Homix bank account, it went straight out again, to an equally obscure entity called Bapu Trading.

This pattern displays the three classic money laundering characteristics of placement, layering and integration where placement is the movement of cash from its source (the five companies), followed by placing it into circulation (layering) through, among other mechanisms, financial institutions and other businesses (for example Homix), and finally integration, the purpose of which is to make it more difficult to detect and uncover by law enforcement.

The Broker Network in Action: Transnet



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22 May 2018

Via: E-mail

For attention:

The Honourable Zukiswa Rantho – Member of Parliament – ANC

The Honourbale Veronica van Dyk – Deputy Shadow Minister of Communications
– DA
Constituency Area: Namakwaland (Nama-Khoi/ Khai-Ma/Kamiesberg/Richtersveld)

Mr Donnavan-John Linley - Competition Commission of South Africa

Dear Madam/Sir

Re: Unlawful monopoly capture of the Namaqualand diamond Diving industry – Trans-Hex/Alexkor RMC JV – the subsequent decline of the communities

I am writing this letter to you on behalf of our company, Adamas RCV Diamonds cc, the remaining 14 employees of our company, in respect of the broader community of Namaqualand, which includes the people of Port Nolloth, Alexander Bay, the Richtersveld, their families and their children.

For the past 17 years, myself and most of my family and dear friends, have poured our time, our effort and our expertise into the development and growth of the very unique diamond diving industry on the West Coast of South Africa. We have invested not only our personal funds, time and efforts into an industry which can be very harsh and unforgiving most of the time, but we have as such, invested our whole lives, beliefs and dreams into a community which potentially has the capability to prosper its members and its children into becoming a self-sufficient economically viable source to reckon with in the Northern Cape. Unfortunately, what had transpired in this industry over the last two decades, has led to the complete opposite and has caused its residents to lose all hope of achieving a better and more viable future for their children.

The recent allegations against Alexkor, which now points to them having been part of the era of State Capture in South Africa, have shocked the contractors, who have over the years steadily bled into a state of near bankruptcy. Apart from a handful of contractors who have had the blessing to take out an exceptional stone or a “jackpot” of diamonds

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(like we refer to it), most have in spite of their hard work and effort not shown any significant growth in their businesses and it has albeit become a game of shear survival. We are losing the necessary skills and expertise at an alarming rate, as contractors are forced to lay down employees and others are simply opting to leave the industry. This mostly because the percentage of income from our diamond sales as negotiated by Alexkor RMC JV and the infrequency thereof, as conducted by Alexkor RMC JV, can simply not sustain the companies any longer.

We have such a unique industry which those of us who have worked in it for al these years, have come to love! In spite of putting our lives at risk to face the harsh elements of nature in order to provide for our families, very little of what we do and "how" we do it, is clearly understood by the man on the street - and dare I say, by the very boards and management of the corporate structures that literally govern our livelihood but who never visit our working sites and who have no understanding for the difficulties and obstacles that we are faced with on a daily basis. The contractors are merely seen as a means to and end, miners as such, and not as the competent versatile business people that they have become over the years, administrating their own company costs, finances, human resources, taxes etc. *(As attachment to this letter, I also include our recent Company Profile as was submitted to Alexkor RMC JV in our recent tender – thus giving you a better insight in our competence and expertise in this field.)*

Everywhere that we turn for assistance or help, we are measured and audited under the same regulations as for other more generalized industries, which functions completely different as what we do. Banking entities turn our requests for financial help and support down as our industry is seen as high risk and the income irregular. We are told that our areas have been earmarked as to "having reached its threshold" for any further bonds or loans to the people who live in this area. We are forced to turn to non-banking entities who take our personal property as collateral and then grants us loans with high compounded interest rates over a 12-month period – this in order for us to buy machinery and equipment to further our operations and to grow our companies.

When declaring our Return of Earnings to the Office of the Compensation Commissioner, we are slammed with penalties and interest every year, as we are unable to predict the following year's earnings and subsequent payroll within the prescribed 30% margin allowed by that department. Endless correspondence and declarations under oath to explain the very nature of our business and incomes, are met with silence and or the implication that we are discrepant in our declarations. And so, in order for us to obtain our Letters of Goodstanding, we pay these penalties and interests in order for us to continue working for the state, lest our contracts be cancelled. *(I am attaching correspondence in this regard for your perusal and to further substantiate the unfairness of how we are unjustly penalized in this regard.)*

We face a constant battle of nature's elements over which we don't have any control. Each day we set out to make an honest living and to provide much needed work opportunities in the community, but Adamas RCV Diamonds cc, have also now, after having been in operation for 10 years, reached the point where we had to lay off a whole dive unit which led to the loss of 5 jobs. We find ourselves, in spite of having been one of the shallow water marine shore contractors who endeavoured to work as many days as possible, pioneering new ways to aid production, implementing new work scopes but still complying with safety regulations as stipulated by the mine and the DMR, in a position

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where we are contemplating completely shutting down and laying of the rest of our employees.

This is indeed a very sad day for us, as we know that there are nowhere for these people to turn for other employment opportunities. This is what they have been doing for most of their lives, and it is the very core of their sole work experience gained over years on the West Coast. Those of us with international experience can opt to immigrate and take our skills and expertise to the international commercial field of diving again, but we have grown to love our country, its people and our uniqueness on the West Coast, and I can assure you, that even the thought of going that route, is heart breaking for most of us.

I doubt that you will find the sort of camaraderie, loyal friendship and trust that is brought about by people of different ethnicity working side by side on this coastline, anywhere else in South Africa. Watching out for your buddy-diver's life, line attendants literally holding the "lifeline" (airline) of the diver at work, Dive Supervisors having to make the "right" call when it comes to difficult sea conditions, all the time upholding a fine balance between production and safety.

Ours is an industry that is supposed to capture the imagination of people out there… The tourist visiting Namaqualand, is not supposed to only come here for the viewing of its diverse landscape and seasonal flowering, but also to be able to come to the towns of Port Nolloth and Alexander Bay, in order to view a diamond in its uncut splendour, to see and experience how these marine diamonds are extracted and to appreciate not only the monetary value of a "stone", but the incredulous sacrifices that are made to mine what is called "a lady's best friend….

I believe that if the diamond mining sector along our coast can be revised by the right people in our government that is tasked with overseeing the economic growth of our communities, they will come to see the much broader scope and dimensions of opportunities presented by our unique industry. Hence the lives of people in Namaqualand can be turned around, hope and households can be restored, and the resources will become equitable to those who live in these communities.

I thank you for your time in reading this letter, for your concern about this communities' citizens, and I implore you to take action against corrupt entities, and institute actions that will bring back hope in our midst.

Yours faithfully,

Bonita van der Berg
Managing Member/Site Manager

Adamas RCV Diamonds cc
E-pos: AdamasRCV@yahoo.co.uk

Tel: 0824722487

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National

TOXIC NETWORK: Gigaba and Brown eased Gupta allies in

E-mails add weight to claims they aided state capture

06 June 2017 - 20:52 Kyle Cowan, Graeme Hosken, Sikonathi Mantshantsha and Genevieve Quintal

Finance Minister Malusi Gigaba. Picture: BLOOMBERG/WALDO SWIEGERS

Finance Minister Malusi Gigaba, while he was public enterprises minister, and his successor, Lynne Brown, peppered state-owned companies with Gupta family associates, leaked e-mails show.

The e-mails have trained the spotlight on Gigaba's role — whether witting or unwitting — in the capture of the state during his tenure at the Department of Public Enterprises.

They also appear to add credence to a report by the Public Affairs Research Institute (Pari), released before the e-mail leaks, that painted Gigaba as a central player in state capture.

Gigaba dismissed the claims and declined to comment.

"Since January, minister Brown has repeatedly called for further investigation of allegations raised in the State of Capture report to spare state-owned companies further reputational damage. Recent pronouncements on this matter by the ruling party, the president and the Hawks will come as a great relief to state-owned companies," said Brown's spokesman, Colin Cruywagen.

Koffi Kouakou of the Wits School of Governance said in the Pari report: "It's clear Gigaba and Brown committed serious oversight blunders, breaching rules of ethical governance whose behaviour borders on crimes of governance.

"There were rules they knew of, which they should have followed … they didn't."

The Gupta family benefited from several multibillion-rand power and infrastructure projects launched by entities where their allies had been appointed by Gigaba and Brown.

These projects included the supply of locomotives by China South Rail to Transnet, which led to the Guptas securing R5.3bn in alleged kickbacks.

The door to special favours for the Guptas seems to have been opened from the moment Gigaba was appointed public enterprises minister in November 2010 and continued through to his move to the Department of Home Affairs in 2014.

Gigaba appointed a swathe of directors — now known to be connected to the Guptas — to the boards of arms manufacturer Denel, Eskom and Transnet.

A regular presence in the Gupta linkages to the directors was their associate Salim Essa.

The directors include:

• Iqbal Sharma: appointed to Transnet's board in December 2010 by Gigaba, who then tried to instal him as board chairman in June 2011. However, this was vetoed by the Cabinet because of his links to the Gupta family. Gigaba then created Transnet's acquisitions and disposals board to supervise infrastructure tenders valued at more than R2.5bn and appointed Sharma as chairman to oversee R25bn in tenders awarded to China South Rail;

• Brian Molefe: In February 2011, Gigaba appointed him CEO of Transnet, where he signed off on the China South Rail locomotive tender, among others. When the Guptas acquired Optimum Coal, which supplied Eskom with coal, Molefe was CEO of the utility and oversaw the process;

• Anoj Singh: In July 2012, Gigaba appointed him Transnet chief financial officer. Together with Molefe, he signed off on Gupta-linked Transnet contracts. Brown oversaw his appointment as Eskom finance chief in October 2015;

• Mark Pamensky: Brown appointed him to Eskom's board in March 2014. Until May 2017, he sat on the board of Gupta firm Oakbay. He resigned as Eskom director in November 2016, after the release of the public protector's State of Capture report. He has denied any impropriety;

•Viroshni Naidoo: Gigaba appointed her to the Eskom board in June 2011. Her husband, Kuben Moodley, is special adviser to Mineral Resources Minister Mosebenzi Zwane, whose links to the Guptas have been widely reported;

• Ben Ngubane: appointed by Brown to Eskom's board in December 2014. He was a co-director with Essa of natural resources exploration company Gade Oil and Gas;

•Romeo Khumalo: Brown appointed him to Eskom's board in December 2014. Khumalo resigned from Eskom in April 2016. He was a codirector with Essa at Ujiri Mining;

• Nazia Carrim: appointed by Brown to Eskom's board in December 2014. She is married to a cousin of Essa;

• Thamsanqa Msomi: now adviser to Gigaba. The e-mails showed he was the alleged middle man between Gigaba and Gupta family associates seeking visa application favours. Msomi denies acting irregularly. Brown later appointed him to Denel's board in 2015;

• Colin Matjila: Gigaba appointed him to Eskom's board in June 2011 where he chaired the tender committee and irregularly signed The New Age breakfast sponsorship. This helped the Guptas to start their TV station, ANN7. Matjila allegedly pushed for a "balance sheet optimisation contract" in which Essa's Trillian consulting company stood to score more than R400m.

Gigaba has dismissed the claims and declined to comment further on them when approached on Monday.

Brown’s spokesman Colin Cruywagen said Brown had "repeatedly called for further investigation of allegations raised in the State of Capture report — to spare state-owned companies further reputational damage.

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Media Address by Mr. Malusi Gigaba MP, Minister of Public Enterprises, on the occasion of the Annual General Meeting (AGM) of the Board of Directors of ALEXKOR in Tshwane

7 Sep 2012

The socio-economic impact of the mining sector in South Africa is in the spotlight because the growth of the South African economy over the years has been on the back of the extractive industry. South Africa has amongst the best multi-national mining companies that were developed through this sector. With all that success there's been minimal investment in the standard of living for the majority of South Africans and this will continue to haunt us until we see substantial community re-investments as envisaged, amongst others, in the Mining Charter.

The question we should be asking ourselves today is how we ensure the application of social and economic justice principles in wealth distribution model of this sector. The current unrest in the platinum and gold mining industry could have far reaching implications particularly the diamond sector as well. At the core of the issues, is that the natural resources of the country are not optimally exploited and developed to the benefit of the South African people.

This scrutiny is set to continue on mining operations and their impact to the communities in which they operate. Should we delay in this regard and the unrests are prolonged and become widespread, the first casualty could be the investment appetite in the mining sector and most thus jobs. However, Government is equal to the task and will ensure that the sector is stabilised and we re-gain the confidence and respect of foreign and domestic investors alike in the mining industry and in particular to the country as key investment destination.

The challenge that the Government, the mining sector and the unions alike face is to ensure that we close the space for those who seek opportunistically and through populism to exploit industrial disputes in the mines for political ends. Despite these domestic challenges, the global economy has also placed tremendous pressure on the mining industry. However the fundamentals for the diamond industry remain strong with demand growing slightly and lack of new discoveries is limiting the supply. The competition for economically exploitable resources, green or brown fields, is likely to be intense as result.

I share the view that South Africa can and has the capacity to become an important player in the value chain for the diamonds mined in Southern Africa and to be a mining technology provider to the region. I wish therefore to encourage the Board to explore the role that ALEXKOR can play in beneficiation value chain in pursuance of national strategic objectives. As the Shareholder Representative, the recent challenges have necessitated that we look at the capacity of the Board to execute the new mandate taking cognisance of the latest developments in the mining industry in general and in particular the diamonds sector in which ALEXKOR is a key player.

I have assessed the needs of the company and the capacity of the Board to be able to execute its fiduciary duties over the State-Owned Company. Our annual review of the Board has necessitated that we rotate the Board and include new skills' sets and expertise to give impetus to the new strategic direction that the Shareholder wants ALEXKOR to take.

In this regard, I have appointed, Mr Rafique Bagus as Chairperson of the new Board who will be assisted by Ms Gillian Nonhlanhla Jiyane, Dr Yvonne Nono Mohutsioa-Mathabathe, Ms Zukiswa Ntlangula, and Mr Mohammed Bhabha. I have given the new Board the responsibility to fill the vacancies of CEO and CFO forthwith, by no later than the next 3 months.

The Shareholder has retained Dr Roger Paul to provide for institutional memory and to allow for continuity. During the past financial year, ALEXKOR has managed, to a large extent, to fulfil the developmental objectives of Government by ploughing back to the community in which its operations are based. This is at the core of how the mining industry can contribute positively to the developmental agenda of the State, by ensuring that the benefits of the mining operations are accrued to the communities in which they operate. The Ritchersveld PSJV can provide the country with a best practise on how the mining industry can become good corporate citizens by investing in human settlement for long-term economic and social stability.

The PSJV, which commenced on 7 April 2011, is now the custodian of all operational activities, diamond revenue and related expenses present in Alexander Bay. The PSJV is now operated and managed independently from ALEXKOR, with its own Board, management and accounting records. Communities have been integrated in the business model of the joint venture. Three of the four phases of the upgrade of Alexander Bay town have been completed to date.

The final completion of the township upgrade is expected in December 2012. Turning to the financial results of ALEXKOR: The company had budgeted for a loss in excess of R20 million for the 2011/12 financial year, which included its corporate structure, town maintenance, rehabilitation and other related costs. As a result of effective cost cutting measures implemented, the company only incurred an actual loss of R16.4 million for the year. Material items that contributed to the loss included the following:

- As a 51% shareholder in the PSJV, a loss as a result of the de - recognition of assets to the value of R7.8 million (R3.9 million for consolidation purposes).
- ALEXKOR forfeited 49% of its profits due to the establishment of the PSJV that resulted in a loss in profits of R7.1 million.
- Bad debt due to the Alexander Bay residents' non-payment of rent and electricity bills amounted to R2.2 million, and
- In fairness, until the completion of its obligations in terms of the Deed of Settlement, this company operates as a Municipality.

We anticipate that the ALEXKOR RMC JV will continue to incur losses for at least the next three years as we enter into a phase of exploration. No meaningful exploration has been conducted at the Alexander Bay operations since pre- 2003 due to the land claim instituted by the Richtersveld community, which also led to land mining operations being significantly curtailed whilst the matter was being resolved. However, ALEXKOR is in a position to meet its operating costs during the normal course of business.

In the previous financial year, the state allocated R350 million to ALEXKOR to settle all outstanding liabilities of the company and thus providing the company an opportunity to clean up its balance sheet. I am confident that the new Board will be able to secure significant operating assets in the next 24 months. The company has been exploring the option of acquiring new mining assets outside of Alexander Bay. The Board is expected to ensure that proper due diligence and care is exercised in this process. I am convinced that funding from the open market for viable and sustainable diamond mining assets and operations will be available.

Let me take this opportunity to thank the outgoing Board for their stewardship of the Company during a difficult transitional period and to wish the new Board and its chairperson well and that department stands ready to assist them in any way possible to execute your duties.

I thank you.

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ALEXKOR BOARD PRESENTATION TO PARLIAMENT DURING BRIEFING ON THE 2014 ANNUAL REPORT.

End State of Mining

Exiting the Structure

- DoS envisages the state will exit to a strategic partner. The exit must however be in a responsible manner to ensure long term sustainability
- Options whereby the community can receive cash rather then shares.
- The sale must derive maximum value for the State.
- The only real opportunity for meaningful job creation and economic development in that region is for there to be a consolidation of the various mining companies including De Beers, Transhex and Alexkor.

ALEXKOR BOARD IS FOOLED BY DE BEERS AND TRANS HEX

- Alexkor has to ensure the sustainability of the community post-mining due to the anticipated life of mine of 15 to 20 years. It has therefore taken steps to create non-mining opportunities for the community by putting out a tender for a company to partner with the community and create opportunities.
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ALEXKOR

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Expansion of Mandate (1 of 4)

The need to diversify

- Exit from diamonds and the Richtersveld

- Challenge by the Deputy Minister and the Department at the strategy session in December 2012 to broaden its focus within the context of the mandate specified in the Alexkor Act 116 of 1992 as amended by the Alexkor Act 29 of 2001.

- Alexkor Act is broad and covers all mining.

- To provide a counter-cyclical approach of disinvestment by major companies.

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Eskom inquiry: Malusi Gigaba

Public Enterprises

13 March 2018

Chairperson: Ms Z Rantho (ANC)

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Meeting Summary

Minister Gigaba: I am not particularly aware. I would like to be furnished with the details of that.

Adv Vanara: This is the mine that was going to provide coal to Kusile power station. The information that I have is that Anglo had entered into discussions with Eskom to have a mine that would provide coal to Kusile. That does not ring a bell?

Minister Gigaba: The discussions with regard to specific coal contracts of Eskom, I did not involve myself in those. I hold myself in a broader policy discussion with Eskom. This was predicated on what we were drafting as the emerging miners strategy which we started engaging on around 2012 and we were saying by 2018 we would like the 50% plus 1 of Eskom's coal to be provided by black coal miners. I therefore had that discussion with Eskom. We had several meetings with the board of Eskom. The strategy itself was being drafted by Eskom and spearheaded by the Eskom board including the executive directors. We had two consultative sessions with emerging coal miners at which we had specific discussions around these issues.

Adv Vanara: There appears an outcry even today from black emerging miners to access business. What programmes did you put in place at the time or see to it that the board addresses transformation issues?

Minister Gigaba: The emerging miners strategy eventually was not implemented. I think one of the things we were trying to do at the time was that we implemented a business case where Alexkor would diversify from diamond mining solely to also become a coal mine and supplier to Eskom with Alexkor as the basis to spearhead this emerging miner's strategy and bring on board many other emerging miners. The emerging miners' strategy was the biggest plan we were working on and would have resulted by now in billions of rands being managed by black coal miners. The second one related to audit firms. We took a very firm view that black auditors were to be given space to audit the state owned companies (SOCs). Transnet was the first to move toward that direction when they appointed SizweNtsalubaGobodo (SNG) making them the fifth biggest audit firm in South Africa. They also provided their internal audit work to SekelaXabiso which allowed SekelaXabiso to grow. Eskom wanted to do the same thing but when National Treasury changed the preferential procurement rules that took away the transformation that would have taken place. Other SOEs had given their audit services to black firms. Other black professional service providers also got face during that period. We also focused on the enterprise hub development at Eskom and Transnet which resulted in an oil supply contract of about R5.1 billion to a black female in Limpopo.

Adv Vanara: What was the Minister's view on non-executive directors involvement in procurement within the boards of SOEs?

Minister Gigaba: My understanding is that the non-executive director must not get involved in operational matters. They have responsibility to shield the executive from interference in operations. Where the board gets involved is in receiving and processing the reports and providing them to the shareholder representative, especially when you are talking about huge contracts. The board

gets involved in any of the transactions that state-owned companies involve themselves in.

Mr Shivambu: I think that is your own narrow reading of the law.

Minister Gigaba: It's your own narrow reading. It's your own manipulative reading.

Mr Shivambu: What did you do to end the evergreen contracts at Eskom? What policy directives did you give that the people supplying coal should not do it in the manner they have been doing it? What is your contribution in that regard?

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Minister Gigaba: I was spearheading the establishment of a policy intervention, the emerging miner strategy, which would have resulted in the ending of those evergreen contracts.

Mr Shivambu: So, you are still brainstorming.

Minister Gigaba: I was not brainstorming, I was spearheading the ...

Mr Shivambu (interjecting): What exactly did you do?

Minister Gigaba: I just answered the question.

Mr Shivambu: What does spearheading mean? Did you call a conference, did you write a policy, did you write to state-owned companies to say this is what must happen?

Minister Gigaba: I explained this earlier. The Honourable Member chose either deliberately not to listen or to listen selectively. I explained, Honourable Chair, that we worked with the board to establish the emerging miners strategy which has five pillars. It was quite an extensive strategy. One of the objectives was that by 2018/19, 50%+1 (fifty percent plus one) of coal supply contracts to Eskom must be provided by black emerging miners in South Africa. Part of the consultation process which involved extensive meetings with the board also involved two broad consultative meetings with stakeholders in the emerging miners sector. We agreed with them on the approach to take, and they were supportive of the policy proposal we were creating. That is when we then began discussions between Alexkor and Eskom to diversify Alexkor's asset base to involve not only diamond mining but also coal mining so that we use Alexkor to leverage the involvement of black miners in the coal supply programme.

Mr Shivambu: That's fine. Maybe to avoid again whole elaborate answers, can we get a written submission on what you said you did in ending evergreen contracts?

Minister Gigaba: Realise, Honourable Chair, that extensive responses irritate the Honourable Member.

Mr Shivambu: Adv Vusi Pikoli put in his book that you instructed SizweNtsalubaGobodo (SNG) that they must remove him for SNG to be able to gain access to government tenders especially from state-owned companies. Is that the case?

Minister Gigaba: I rejected that allegation back then and I still reject it now.

Mr Shivambu: That's fine. When Brian Molefe was first appointed as CEO of Transnet, you were the Minister of Public Enterprises?

Minister Gigaba: Yes

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government to adhere to those legislation. And then the local government sphere which are made up of metros and municipalities [illegible] which chose procurement processes and regulations to set aside certain procurement processes for infrastructure that is done by engineering department in a metro and it has been happening for few years and you come to the highest sphere of government and is not able to do that and really why is that in your opinion. For us as representatives in parliament, as Ministers and Department to some extent I think we have failed our people.

Minister Gigaba: Chairperson I agree with Hon. Mnganga-Gcabashe on her assessment of the fact that we could have done more. It's unfortunate that this grandiose plan, very ambitious, was not seen through to fruition after 2014 because it would have transferred significant assets back into black hands. I think if I'm not mistaking, it can from our calculation in 2013-2014, it's around 2.7 and 2.8 billion rand which would have been transferred into black hands had we gone ahead to implement a plan of this nature. We were working together with the Department of Mineral Resources, I think I remember we had several meetings with Minister Susan Shabangu about this issue and they were supportive of the direction we are taking. I think the ball was dropped and having been dropped, it was replaced by wrong doing which did not assist the transformation objectives. Now that having happened, it is necessary to go back to what was initially intended. That's why I earlier mentioned the point that the entire inquiry into the collapse

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of good governance at Eskom and the inquiry into state capture must not result into nation being sacrificed and equated to corruption, we need to bring the attention to transformation. We are not talking here about small supply services, the supply of coal to Eskom would have been a significant move which would have made black people a significant player not only in the mining sector but which would also makes them a significant player at Eskom and Transnet because even the coal fired locomotives in regards to Transnet also need to have this conversation taking place so that we can assist black mining companies to have an opportunity to participate in the supply of coal to our state-owned companies.

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No land-based mining has taken place since the court settlement. We need to intensify our focus on land mining to mitigate declining marine production. We have appointed a contractor to conduct comprehensive land-based exploration in order to determine the true potential of our diamond resource. This will provide mining operations with a firm indication of the reserve and potential within all concession areas. Future mining operations can thus be planned in a methodical manner to ensure maximum throughput at optimum efficiency levels.

> ***"Therefore, in 2030, we experience daily how: We participate fully in efforts to liberate ourselves from conditions that hinder the flowering of our talents."***
>
> ***National Development Plan - 2030***

Land-based mining operations at Muisvlak and the commissioning of a new plant between December 2013 and January 2014 will create an additional 200 jobs and will contribute 40 000 carats per annum to our target. The utilisation of new optical sorting technology, which is significantly more efficient than current processes, will unlock additional value from existing mine dumps and will contribute a minimum of 2 500 carats per annum.

AFRICAN DIAMOND MINING OPPORTUNITIES

It is a strategic imperative for Alexkor to develop long-term revenue sources beyond Alexander Bay's expected life-of-mine (LOM). The best practice is to hedge revenues against the cyclical nature of the diamond industry and reduce the effects of price volatility. Geographical diversification, underpinned by higher grade resources, is one of the most effective strategies to reduce the effects of market volatility.

DIVERSIFICATION STRATEGY

Alexkor will actively seek new mining opportunities that will deliver revenue streams beyond diamonds independently of PSJV operations. This will secure future growth and sustainability and will enable the company to effectively address its legacy obligations and liabilities.

We will actively explore mining opportunities for downstream beneficiation that will broaden economic participation, contribute to job creation, develop mining skills, and ensure the sustainable development of the communities and stakeholders we serve.

The Alexkor board has been given the mandate to qualify and quantify mining opportunities for investment consideration. An immediate and urgent opportunity exists to focus on securing thermal coal supply for power generation.

Eskom faces a critical and significant shortfall in strategic coal supply that will jeopardise efforts to ensure energy supply to our industries. It is estimated that significant new coal capacity will be required by 2019 to offset energy demand.

The major mining companies are currently reluctant to commit resources and capacity to supply Eskom with perceived low value thermal coal. Although global demand generates much needed export revenue and profits for their shareholders, it also substantially increases Eskom's long-term coal supply risk.

We can significantly contribute to the development of new coal supply sources by utilising mining methods, processes, technologies and skills that are well within our current core capability. This initiative can effectively focus on supplying coal grades that are suitable for power generation within a win-win commercial model with Eskom.

DEVELOPING EMERGING MINERS

Estimated coal requirements for power generation will reach 2 billion tons by 2033, of which about half is still unsecured. There is no option for any back-up plan to secure future coal requirements. Eskom will have to ensure that new mines are opened with a preference to procure coal from emerging black miners. Investment requirements for new coal mines will be obtained from an established mining fund and the consolidation of existing junior coal mining companies.

Alexkor's diversification strategy supports these initiatives that will broaden economic participation, secure employment, stimulate local investment, and unlock underutilised resources. We will provide market

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Portfolio Committee on Public Enterprises
16 November 2016
Alexkor on its 2015/16 Annual Report

Chairperson: Ms D Rantho (ANC) (Acting)

Audio
Alexkor on its Annual Report 2015/16

Documents
Alexkor Board briefing on Annual Report, Financial Statements and General Feedback for 2015/16

Summary
It was evident that Alexkor is under a great deal of financial strain and pressure. The key challenges were: Alexkor's lack of an adequate working capital; low carat production which resulted in a 7% diamond revenue decrease; the full and final implementation of the Deed of Settlement, and community issues related to the delay of a R45 million payout to community beneficiaries.

The Committee was unhappy that the Minister and Deputy Minister were absent as it was of great importance for them to be present so they could be interrogated as political heads, as to what they were doing to support state owned entities to ensure that they have the capacity to reach their targets. The Committee asked Alexkor for a comprehensive breakdown of its Corporate Social Investment initiatives and its beneficiaries and stressed the need for Alexkor to conclude the Deed of Settlement. The Committee questioned Alexkor's plan to expand into coal beneficiation; how Alexkor would achieve this with inadequate resources and capital; the low carat production; whether previously disadvantaged contractors developed transferable skills from the work they were doing, and if Alexkor was contributing to the socio-economic development of the communities.

Minutes
As the Chairperson was abroad for official business, Ms Rantho was elected as Acting Chairperson.

Ms D Rantho (ANC), Acting Chairperson, gave the Committee's condolences to the Alexkor Acting CEO for the loss of his father. as much as the Committee was sympathetic and understanding, what happened at the 2 November Alexkor meeting was unacceptable. The Committee was dissatisfied that the Department did not inform the Committee that the CFO had resigned, and it was offended by the COO's negligence and arrogance as the COO did not make an apology to the Committee for not attending the meeting.

The Chairperson explained that the Committee has been trying to have a meeting with the Minister but the Minister is nowhere to be found. The Director-General was also aware of what was going on but was not doing anything about it. The Minister had just come out of surgery and that the Committee was trying its best to organize a meeting with the Minister.

Mr N Singh (IFP) stated that it was of great importance that the Director-General and Minister be present for such meetings and that they needed to meet with the Committee before it met with any other enterprises.

Alexkor briefing on 2015/16 Annual Report
Ms Zukiswa Ntlangula, Non-Executive Director on the Alexkor Board, stated that she was there on behalf of the Board chairperson. She apologized on behalf of the COO and explained that their absence was due to restructuring. She explained that the company was experiencing a high turnover in their senior management positions, specifically with CEO and CFO. The restructuring has brought about great uncertainty and as a result Alexkor is experiencing resignations, as people feel that they need more certainty with regards to their career and future. At the moment Alexkor cannot afford to retain a CFO.

Mr Vimal Bansi, Alexkor Acting CEO, stated that Alexkor is a listed schedule 2 public entity wholly owned by

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the government through the Minister of Public Enterprises, Lynne Brown, as the shareholder representative. The Company has two divisions: Alexander Bay Mining Operations (Alexkor RMC Joint Venture) and the Alexkor corporate unit. The core business of Alexkor is the mining of diamonds on land, along rivers, on beaches and in the sea on the north-west coast of South Africa. These activities are complemented by geology, exploration, ore reserve planning, rehabilitation and environmental management. Alexkor has significant importance for the Namaqualand-Richtersveld region. Alexkor's distinctive competencies are its quality of diamonds and its unique land and mineral resources. Over the life of the mine, approximately 10 000 000 carats of gemstone quality diamonds have been recovered.

The Deed of Settlement (DoS) is a binding agreement between the Richtersveld Community, Alexkor, and the government of South Africa, which emanated from the land claim filed by the Richtersveld Community. The DoS principles are that Alexkor's land mining rights are transferred to the RMC and Alexkor is to retain its marine mining rights. Alexkor and RMC will form a "Pooling and Sharing Joint Venture" (PSJV) and put the land and marine mining rights under the control of a joint venture for purposes of mining the diamond resources. Participation interest is Alexkor 51% and RMC 49%. Alexkor movable assets relating to its agricultural and multicultural businesses are to be transferred to the Richtersveld Community

When the previous Board was appointed in September 2012, the commercial and socio-economic mandate given to it was: stabilize the mine; increase carat production; job creation; explore and invest in non-mining opportunities; continuous engagement with the community; training and development.

Achievements of the Board with regards to the PSJV
- Development of the Muisvlak Plant
- Extracting value by the introduction of coffer dams and an optical sorter
- 10 million investment in a mobile prospect plant to complement the exploration program
- Expansion into mining nodes 2 and 3
- Mid-water mining desktop study completed to be followed by survey of the sea bed
- IMDSA, a deep sea mining company, commenced on 18 April 2016 in concessions 1C and 1B
- Office restructuring and voluntary severance packages (VSPs) were successfully concluded
- There are now only five permanent staff members employed at Alexkor head office
- Corporate offices have moved to a significantly lower rental

Alexkor SOC – mandate and challenges
The Minister had requested, at the Special AGM of August 2015, that the company prepare a business case for a coal beneficiation strategy. Management has embarked on a due diligence study on a coal beneficiation company, scheduled for completion by end January 2017. However, Alexkor will continue to sweat its existing assets as well as identify other diamond opportunities outside of the Richtersveld. Diamond beneficiation (the art of cutting and polishing) is severely lacking in South Africa and Alexkor sees this as an ideal opportunity to enter into this space. Alexkor, together with its marketer, SSI, will investigate opportunities to establish a diamond beneficiation factory in Kimberley.

The immediate challenges for the company lie in the fact that it has operational cash on for the next eight months, commencing November 2016. However, the mining of the mid-waters is expected to commence in Quarter 4 and the company is expected to change its bottom line figures from red to black.

Alexkor Annual Financial Statements
Ms Tsundukani Mhlanga, Alexkor: Acting CFO, made the following points in her presentation:
- Alexkor had 19 approved targets for the year, with 5 KPIs subsequently being deferred. Of the 14 remaining KPIs, only 11 (79%) were fully achieved.
- Diamond revenue decreased by 7% from R414 million (2014/5) to R387 million in 2015/16.
- Production achieved was 45 492 as opposed to the 80 320 carats target for 2015/16.
- A net profit of R6 million (2016) was achieved for the year, compared to R18 million (2015).
- EBIDTA of R24 million (2016), compared to EBIDTA of R37 million (2015).
- AFS for both Alexkor SOC and PSJV have been prepared on a going concern basis. The external auditor's opinion was unmodified. An emphasis of matter paragraph included non-compliance with PFMA in the following areas: Irregular expenditure of R6.9 million; Non-effective management of fruitless and wasteful expenditure of R200 000.
- Cash and Cash Equivalents: Cash has reduced due to deployment of restricted cash to its intended use, and operational cash was not replenished by cash distribution from PSJV
- Value Added Statement: Despite sustaining losses, value created for suppliers, employees and government entities.
- Contingent Liabilities: No provision has been made should legal action be pursued by Nabera Mining.
- The company has no borrowings nor does it have guarantees from the shareholder.

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• No dividends declared.
• Supply Chain Enterprise Development: In 2015/6, 71 Mining contracts were awarded, of which 43 (60.5%) were to historically disadvantaged individuals. The contractors are from the Richtersveld and the surrounding towns within the Northern Cape. Contract revenue paid out to BEE compliant companies was R195 million, which includes R51 million to 100% Black-owned companies.
• Dealing with the operational cash flow challenges for 201617:
- Excess amount of R45 million MTEF allocation earmarked for Rehabilitation Liability was released for operations as approved by the Board
- Cash distribution agreement has been entered into with PSJV to regulate loan repayment and cash distribution
- Medium-term funding options are being explored
- Appointment of three independent directors on RMC board to ensure that the business and functioning of the PSJV is unencumbered.

Chief Operations Officer report
Mr Humphrey Mokwena, Alexkor COO noted Corporate Social Investment was R2 542 507 for 2015/16.

Cost containment measures were implemented to ensure sustainability of the business. There was restructuring at Head Office and new appointments. All policies and procedures been updated to ensure alignment with best practice and latest developments in all relevant legislation and industry norms. During the current financial year we will focus on developing and retaining our talent and create an environment that will maximize the potential of employees and the company. In line with the cost containment measures, through a process of Voluntary Severance Packages (VSP), the following positions were made redundant and/or personnel replaced: CEO; 2 x Executive PA; GM HR; GM Technical.

Alexkor was required, as per the DoS, to rehabilitate all areas that were disturbed and which require rehabilitation, prior to the formation of the PSJV. A female, Black-owned consulting company was contracted to draft a legacy rehabilitation implementation plan. The rehabilitation implementation plan has been completed. The plan includes the removal of asbestos-contaminated material from Alexander Bay and also demolition of old and dilapidated buildings. An open tender was advertised ending 11 November 2016.

Challenges for the year to come
Mr Bansi, Alexkor Acting CEO, outlined the challenges to be overcome by board and management:
• Lack of adequate working capital as a result of poor carat production
• Lack of resource capacity following corporate office restructuring
• Full and final implementation of the DoS
• Resolution of community issues
• IMDSA experiencing technical difficulties which has negatively impacted on marine carat production.

The PSJV challenges:
• Community issues exacerbated by the delay of the payment of the R45 million to community beneficiaries
• RMC/CPA/Propco not properly constituted which has resulted in the delay of the R45 million payment
• Poor land carat production, which has had a negative impact on the income statement. In mitigation thereof, a high level exploration program has been implemented to drive the mining process
• Optimal marine carat production is never guaranteed as the Atlantic ocean influences the number of boat days (formerly known as “sea days”)
• The OHMS plant had to be de-commissioned due to it being operationally unsafe.

Discussion
The Acting Chairperson said that the Minister and the Deputy Minister have made the Committee’s job very difficult, and that their absence has placed the Committee at a great disadvantage. There are KPIs that have not been achieved by entities and the Department itself, but the Committee cannot ask the Ministers, the political heads and overseers of the Department, what they are doing, and whether there are any strategies or mechanisms in place to help support entities and the Department to ensure that they reach their goals and objectives. it was very important that the Minister, Deputy Minister and Director-General to be present for such meetings. She explained that the Committee was trying their best to have them come before the Committee.

Ms T Stander (DA) thanked the Alexkor team for the presentation. She explained that public entities should be sustainable and commercially viable while fulfilling the mandate of socio-economic development. She asked whether the high turnover in senior positions, especially the position of CFO, was related to the fact that those individuals did not see the company as being sustainable. She specifically spoke of the case of the CFO that recently resigned. The CFO had eight months of cash flow left when she resigned. She asked

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Alexkor to elaborate on the resignation of the CFO, if there were any specific reasons she gave for her resignation in her exit interview, other than her career. She asked if she resigned or took a severance package.

Mr Bansi explained that the CFO's reasons for resigning were two fold. Firstly, it was related to the coal case business. Her skills and expertise lay in the beneficiation of coal and coal diversification, but because of all the changes taking place it has become of lesser importance. Although there are efforts to go into the beneficiation of coal at the moment it is not the focus, so the job was no longer enjoyable or challenging for her. Secondly, the job was incurring reputational damage for her as she was the CFO of a company that was struggling financially and one that did not have enough operational cash. It was a full resignation and that she took no severance package.

Ms Stander asked whether Alexkor had hired a service provider for geological data, whether they had to pay for the data and if they did, whether they were in the process of getting their money back since the geological data that was provided was inaccurate.

Mr Bansi explained that the data given by the service provider was inaccurate and that it made projections that were not true. Alexkor could not get the money back, and that the team used the data the best way that they could and tabled a report.

Ms Stander stated that it was very concerning that the company had only reached almost half of its target when it came to carat production. That was very concerning because of the cash position the company finds itself in. She asked what the company planned to do about this.

Ms Stander asked about the Deed of Settlement. It was mentioned that it is currently in the court process and that it was improperly constituted. She asked where it was in the court process and when this matter would be resolved. This matter needed to be concluded.

Ms Stander asked that Alexkor elaborate on the socio-economic measures mentioned, such as cattle ranching.

Ms Ntlangula explained that ensuring the development of black industrialists was in the company's requirements when reviewing and selecting contractors.

Ms Stander stated that Alexkor has spoken about plans to go into the dispatching of coal since 2013. She asked what their plans were around this, and how they would manage such a project when they are struggling to manage their current mining. She asked where they would mine coal and with what resources they would do it with as they had very little resources.

Mr Bansi explained that they have identified a potential company, which is part of the Woodbank and Middleburg coal hub but it does not have a Broad-Based Black Economic Empowerment (BBBEE) certificate. They have hired a consulting company to complete due diligence on the potential company that they have identified. The company planned on getting coal from small emerging miners, and these miners would be paid according to the quality of their coal. The company would beneficiate the coal through Eskom.

Ms Ntlangula explained that the company had presented the idea to the Department but it had experienced delays in getting approval. The Minister told Alexkor that it needed to develop a coal business proposal that would inform their plan and strategy, but that in the mean time it needed to focus on stretching its current asset and resource. The resolution the company had reached is that while it works on its coal business plan, it will concentrate on diamond beneficiation and not extend itself to anything else until it gets diamond beneficiation right.

Ms Stander suggested that Alexkor be more tactful in their strategy when it came to community engagement. She understood that communities are passionate and divided but there had to be a way to get them on board and make them understand why the money cannot just be paid over. The Committee did not want anyone running away with the R45 million.

Ms Stander asked whether Alexkor had plans to borrow or apply for a government guarantee.

Mr Bansi explained that they have not considered it because they already know that the answer will be no. As a result, the company was trying its best to be self-sustainable and move forward.

Ms Stander asked how the company's legacy rehabilitation programme was going to affect the company's

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cash flow, she asked what the cost projection was.

Mr Mokwena explained that the company has set aside money for the legacy rehabilitation programme. The amount set aside is currently R245 million, so it will not affect the company's cash flow.

Ms Stander asked whether temporary employees that became permanent employees were double counted.

Ms Ntlangula explained that the company did not double count. If a temporary becomes permanent then they are removed from the temporary employer list.

Mr R Tseli (ANC) thanked Alexkor for the presentation. He echoed the concern about the absence of the Minister and Deputy Minister. This was a matter of serious concern and that it was not right. The Committee relied on the Chairperson to take this matter up with the Minister and Deputy Minister.

Mr Tseli wanted to know the community progress in relation to the R45 million.

Mr Tseli drew attention to the KPI that was not achieved due to a lack of geological information. He asked how the lack of geological information contributed to Alexkor not achieving their KPI.

Mr Bansi explained that this was due to the lack of quality data.

Mr Tseli asked how having operational cash available for the next eight months was a challenge, and how the company planned on resolving this challenge.

Mr Tseli asked how much the reduced rental was compared to the previous offices.

Mr Bansi replied that the company had been paying R230 000 per month and that has been significantly reduced to just over R90 000 per month.

Mr Tseli asked for a detailed progress report on CSI the next time Alexkor came before the Committee. He wanted to know what the company had done, where it was active, and who was benefitting from these initiatives. He explained that this was important to ensure that people were benefitting from these initiatives, and that it was also important for oversight. The Committee could visit one of the communities Alexkor was active in for oversight to see what progress was being made and whether there was community impact.

Ms Ntlangula said that the company had all this information and it would be sent to the Committee.

Dr Z Luyenge (ANC) asked if the Board had the capacity to fast track the process of employing a CEO and CFO and if they could attach a time frame to this. He asked how many employees it has at the ground level. He asked what other projects Alexkor had beyond mining. He asked for an explanation of the partnerships Alexkor has with community stakeholders.

Ms Ntlangula replied that the board did have the capacity to fast track this process. She explained that the company had combined the CFO and CEO role and were looking for a candidate who could fulfill both roles and functions. The vacancy would be advertised this week.

Ms Rantho, the Acting Chairperson, thanked Alexkor for the presentation. She echoed Mr Tseli's remarks about a CSI progress report. The Chairperson asked for a breakdown of CSI in order to understand the R800 000 overspending that was found. She asked Alexkor to elaborate on this matter and to justify that overspending. She did not understand how the company spent money it did not have.

Ms Rantho noted that a lack of compliance was reported by the independent auditors. She asked if the people found guilty of non-compliance were still part of the company, and if yes whether they were still there because of the law or because leadership felt that these people could learn to be compliant. She felt that the leadership and management were not taking control or making efforts to put mechanisms in place to combat such behavior.

Ms Ntlangula explained that non-compliance in the company has been extensively investigated. The problem that became evident was that of the function of controls. Since then efforts and changes have been made to tighten these controls. She explained that the non-compliance was irregular expenditure and not wasteful expenditure, so the company did benefit from the services it paid for.

Ms Rantho was very worried about the Deed of Settlement. She felt that Alexkor's resolution on the matter

was not clear or certain. She felt that Alexkor did not understand the challenges surrounding this matter. One of the major challenges of this matter is that if this is not resolved soon enough the original beneficiaries of the money would not be the ones who received the money, instead it would be residents who have moved to the area and become permanent residents. As it currently stood, anyone could claim the money. She asked whether Alexkor would be able to state who filed for the claim and whose families are the beneficiaries. The Committee needed to help Alexkor resolve this matter within the next five years, especially since this matter threatens to tamper with the Committee's integrity. At this rate Alexkor would end up having to give the money away to a non-governmental organization instead of its rightful owners.

Ms Bansi explained that the company was in constant engagement with its attorneys on how to deal with this matter. The company was trying its best, and that it was a constant back and forth that was costing the company and the people a lot of money. They could not say when it would all come to an end. He asked that the Committee assist Alexkor in getting traction from the Department of Rural Development and Land Reform, as they were a key player in this matter.

The Chairperson asked if the company would be viable over the next few years and what their strategy would be for the next few years

The Chairperson asked whether the 43 previously disadvantaged business owners given contracts were building and developing their skills and their employees' skills. The Committee needed to meet with these business owners in their communities in order to interrogate and see whether they are benefitting from these contracts and whether they are playing a role in developing the community, moving it forward and contributing to its socio-economic development. The Committee also wants to know whether the skills that are being developed through these contracts are relevant and transferable to other work opportunities.

Ms Ntlangula replied that all contractors are local, and that the skills that they gained were transferrable. She said the Board would be more than happy to avail themselves to accompany the Committee for oversight.

Ms Stander thanked Alexkor. She said that the team's answers were very encouraging because they were full and transparent. There was still hope for this public entity and she encouraged them to not to be captured by the state.

Dr Luyenge asked about the number of employees at the ground level. He asked how many people were hands on, on the ground.

Ms Ntlangula and Mr Bansi explained that mining took place at different levels. With land mining, contractors are hired to physically dig out diamonds. With shallow water, contractors are hired to use divers to extract diamonds. With the deep sea, an IMDSA contract is given where large boats are contracted with very specific machinery to sweep the floor of the sea and extract diamonds. They explained that they were unable to give the number of workers on the ground, and that they would send this in writing to the Committee later.

The Chairperson thanked Alexkor for the presentation. There needed to be a meeting by the end of this year where the Minister, Deputy Minister and Director-General were present.

Committee minutes of 2 November 2016
The Committee reworded the resolution as it currently appeared as if the Committee was attacking the board chairperson and that the board chairperson was in the wrong. The Committee wanted it to be clear that Alexkor was in the wrong and that the resolution was talking about Alexkor. The minutes were adopted.

Meeting was adjourned.

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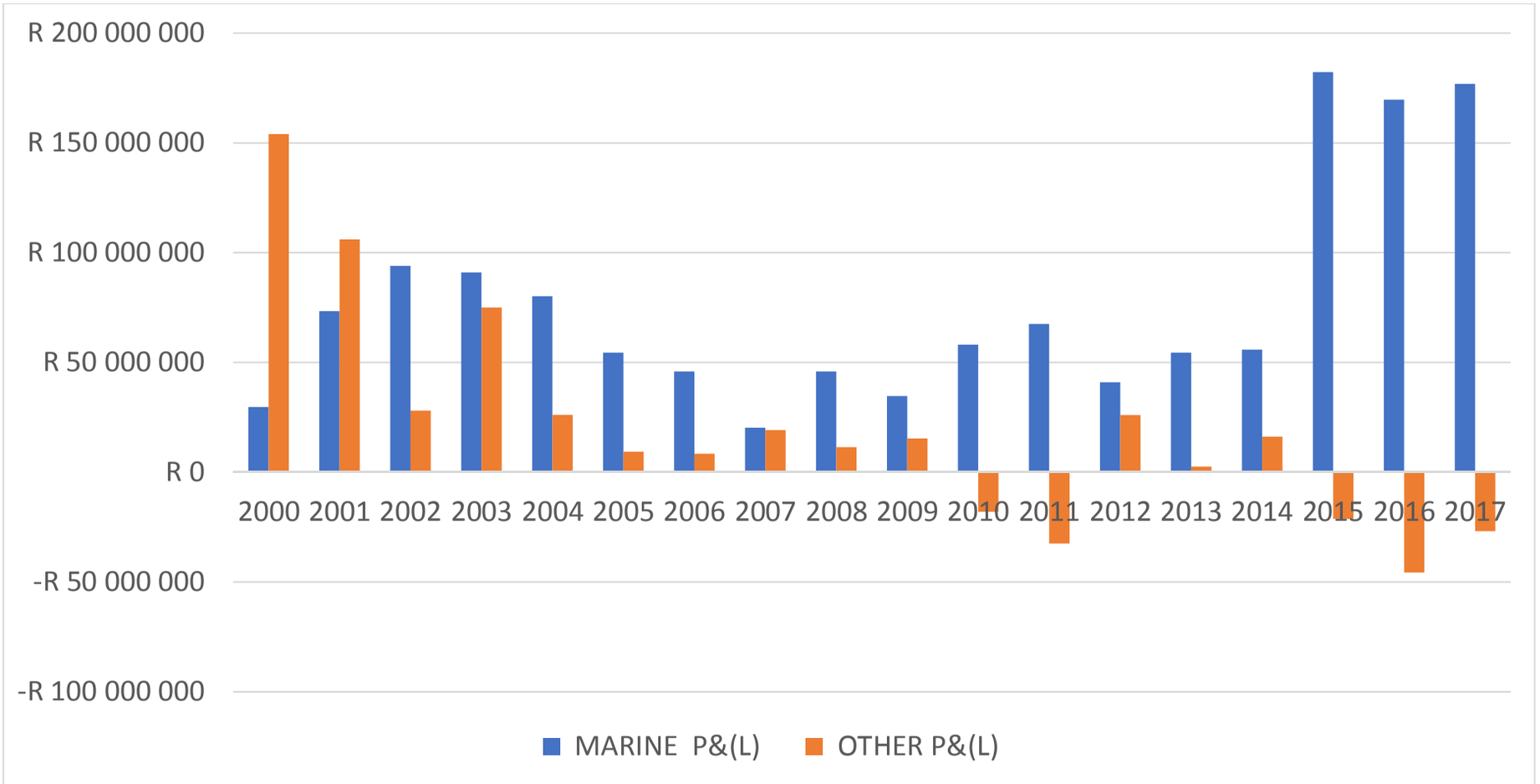

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SOUTHERN AFRICA (/NEWS/SOUTHERN-AFRICA/)

Why Billionaire Christo Wiese is ploughing millions into diamonds

by **Ancillar Mangena** Last Updated: Fri, 23 Dec 2016 09:44:21 GMT

Photo: Jay Caboz

When he talks, people listen; when he moves money, markets react and when he invests, many follow. He is Christo Wiese, Africa's third richest man after Aliko Dangote and Nicky Oppenheimer & family, according to FORBES' list of Africa's 50 richest, and the creator of Africa's largest retail store. He is ever busy as he adds to his $6.5 billion fortune, but his last investment raised a few eyebrows.

As we meet, Wiese is dressed in black pants and a black sweater; you may mistake him for an ordinary bloke on the street in Cape Town, South Africa. But, there is nothing ordinary about this man when it comes to business. His creation, Shoprite, earns revenue of $9.9 billion a year, at a time when retail is struggling. Steinhoff, the parent company of Wiese's retail company PEP, brings in $11.8 billion. Combined, they net almost $2 billion in annual profits, operate more than 9,000 stores in 30 countries and employ over 200,000 people. He made his fortune from smart investments that earned him billions. So, why is he looking to venture into Africa's glittering, but struggling, diamond industry?

The family businesses, Cream Magenta 140 Proprietary Ltd. and Metcap 14 Proprietary Ltd., bought close to 50 million shares (23.54% each) in diamond company Trans Hex. This adds up to a dominant stake of just over 47%.

This isn't entirely new territory for the risk taker. Wiese was in diamond mining in the late 1990s through an investment in Ocean Diamond Mining Holdings (ODM). He sold ODM to Namibian-based diamond miner Namco.

"I used to be in the diamond industry 40 years ago and the opportunity arose to acquire a controlling stake in Trans Hex which is one of the junior diamond mining companies and one I think has potential," says Wiese.

The cold fact is South Africa's once thriving diamond industry is suffering atrophy. It has no more than 200 diamond beneficiators remaining from a historical peak of about 4,500 and a decline in investment, according toMining Weekly.

"Rough-diamond prices are too high for manufacturers, who cannot profitably polish goods at such levels. Polished-diamond prices have declined, in turn, reducing demand for diamonds from South African mines, as well as throughout the world," it says, quoting World Federation of Diamond Bourses president Ernie Blom.

Trans Hex has not been immune. Their 2016 results suffered heavily from a sharp decline in rough diamond prices.

"The diamond market was severely impacted by excess stocks in the polishing industry and a resultant decline in demand for rough diamond. Average prices received for rough thus decline by 23.5% year-on-year. As a result, the Lower Orange River operations, which are earning the end of their reserves, moved into loss overall," says Bernard van Rooyen, Trans Hex Chairman in the company financials.

Piet Viljoen, Alternate Director at Trans Hex, says its share price has come under pressure but the business has tried to ride the storm.

"The problem creates value in a very lumpy way. It earns a lot of money one year and then makes big losses the next year… so its share price doesn't seem to go anywhere ever, that's why it creates the impression that the business is under pressure," he says.

Viljoen says it helps to have shareholders like Wiese who have vision.

"The shareholder reference can act as a provider of capital when the business needs it, do acquisitions or to fund projects."

Trans Hex Group incurred a disappointing loss of R100.8 million ($7.3 million) and Viljoen has called it "a difficult year" but Wiese is optimistic.

"It is going well, except the exchange rate is not in favor of diamond exports because the rand is stagnant. With the diamond industry, you are not running a shop where you always know what your sales are going to be," says Wiese.

Wiese is known for taking risks and smart investments. More than 60% of his wealth is in Shoprite and Steinhoff, while another 30% or so comes from his shares of investment company, Brait. His stock in Tradehold, a real estate firm, accounts for much of the remaining 10%. He has made investments in the United Kingdom (UK) such as clothing retailer New Look and gym chain Virgin Active. He says there is no secret behind the success.

"In this company, we have always had a philosophy, in terms of which we run our group of companies. These are the five pillars as we call it; faith, positive thinking, enthusiasm, compassion and hard work. Hard work is probably important but you've got to be a positive person and able to put teams together and motivate them. I am not a person running the business, I play a different role. The good business leaders like Whitey Basson and Markus Jooste are people who can put teams together, motivate them and steer them in the right direction," he says.

There have been several enormous setbacks like the currency upset in 1985 when the rand lost about 50% of its value in less than a year, Brexit, which badly affected the share price, and great disappointments in people. It is wealth that hasn't come easy.

"Oh yes, plenty [of bad investments]. I can't even remember the worst one but there are many adventurous investments that just didn't work out. I am heavily invested in wine farming and that's not a very big lucrative business but it gives other pleasures such as the beauty of it…"

"A man's true wealth is the good he does in the world," goes the proverb. According to Wiese, success is more than how much money you have, it is about whether you can look at yourself in the mirror and say maybe it's very small but my contribution made life or the world a slightly better place. Following this mantra, he is helping the poor gain title deeds to their homes. He is a sponsor of the Free Market Foundation, which is working with First National Bank to give people land tenure, and gave more than 100 title deeds to residents of Ngwathe, a municipality in South Africa's Free State province.

"The Free Market Foundation looked at South Africa and found that there are between seven and 11 million households where the occupants own the structure on the land by they do not own the land, so they launched an initiative cooperating with the local, provincial governments to give people title to their homes. My family decided to get involved in that to make financial contributions in order to help people to acquire the title deeds to their homes," he says.

"It is an enormously important thing for people to have a sense of ownership. People that are used to owning things do not realize how much it adds to a person's dignity if he can say 'this is my home. It may be a modest little home, but it's my home and I can leave it to my children and be assured they have a roof over their heads.'"

Wiese says positivity rules his life.

"If you are positive about life, you ignore the unfair criticism. A lot of the criticism is totally justified but you don't focus on either the nice things people say to you or about you too much or equally you don't concern yourself too much about the bad things people say…"

"I don't remember anything bad people say. I always say to entrepreneurs, 'if you start rising above the average, you become a target'. People say, 'but that guy is not cleverer than I am, why does he make a success and I'm so clever and I don't make the same financial successes?' You have to know you will have people tear you down; it's part of the game," says Wiese.

We leave him preparing to jet off to the UK for meetings. Some may not understand his decision to dive back into diamonds, but Wiese seems to see money where others don't. Maybe the smart investor should take a look at the diamond business.

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gavinjohn@outlook.com

From: gnicol@live.com
Sent: 08 March 2017 10:44 AM
To: apanizza@kingsley.co.za; adamasrcv@yahoo.co.uk; gpswarts@webmail.co.za; alluvialmine@mweb.co.za; jaco@ambicormining.com; vernacloete@gmail.com; czarinabock@gmail.com; ruthleibrandt@telkomsa.net; rolandsaal@gmail.com; simonrhogg@gmail.com; timmyjjd@yahoo.com; daisymining@gmail.com; daisylogisticsza@gmail.com; rcockrell@telkomsa.net; goalfin@telkomsa.net; rudolf@tiscali.co.za; simonjames@telkomsa.net; charmainejames@telkomsa.net; willemgewers444@gmail.com; moyses@telkomsa.net; byleveldw@gmail.com; gerticoraizin@yahoo.com; johncloete@yahoo.com; nevillecornberg@gmail.com; schreuderfpa@telkomsa.net; auburnmalakaza@gmail.com; premier.rose@kingsley.co.za; gavinc@kingsley.co.za; thomasmarkus4y@gmail.com; qrmarine@gmail.com; josephklaasse@gmail.com; driaand2@gmail.com; qdiergaardt@gmail.com; andrefarmer7211@gmail.com; sue@suecarlstein.com; stvanwyk58@gmail.com; burnett.h@telkomsa.net; fdriver@telkomsa.net; vanniekerk.alma@gmail.com; vmyoung@telkomsa.net; accomodation@countryclubpn.net; wpmining@gmail.com; qjcloete@yahoo.com; adeleblom1982@gmail.com; joffiecloete1@gmail.com; carelwza@telkomsa.net; martin.ehrke@yahoo.co.uk; pietman0011@gmail.com; mike.taemane111@gmail.com; phillip@pikwanediamonds.co.za; heinrichlouw2@gmail.com; riaritasweiswerke@gmail.com; deshni@vmicl.com; namxdiamonds@gmail.com; dtruter@telkomsa.net; jacobfredericks23@gmail.com; 'kmohan'; wiesestefan63@gmail.com; heinrichvanzuy@gmail.com; Gavin J. Craythorne
Subject: RE: EAC Crisis Meeting/ Confirmation of Venue

Dear All

This serves to confirm that this URGENT meeting will be held in the DROP IN Centre in PORT NOLLOTH @ !4h00 for 14h30 today WED 2017/03/08. If are concerned about your and your family's future and cannot be there kindly send a representative who can contact you immediately should the need arise.

Hiermee bevestig ek dat hierdie DRINGENDE vergadering in die DROP IN Sentrum sal plaasvind om 14h00 vir 14h30 vandag WOENS 2017/03/08. Indien U familie se toekoms vir U belangrik is en U nie die vergadering kan haal nie, stuur asb n teenwoordige wie U onmiddelik kan kontak indien wel nodig.

Baie dankie/ Thank you

God bless

George Nicolaai

-----Original Appointment-----
From: George Nicolaai [mailto:gnicol@live.com]
Sent: 07 March 2017 20:21
To: 'apanizza@kingsley.co.za'; 'adamasrcv@yahoo.co.uk'; 'gpswarts@webmail.co.za'; 'alluvialmine@mweb.co.za'; 'jaco@ambicormining.com'; 'vernacloete@gmail.com'; 'czarinabock@gmail.com'; 'ruthleibrandt@telkomsa.net'; 'rolandsaal@gmail.com'; 'simonrhogg@gmail.com'; 'timmyjjd@yahoo.com'; 'daisymining@gmail.com'; 'daisylogisticsza@gmail.com'; 'rcockrell@telkomsa.net';

GC132

'goalfin@telkomsa.net'; 'rudolf@tiscali.co.za'; 'simonjames@telkomsa.net'; 'charmainejames@telkomsa.net'; 'willemgewers444@gmail.com'; 'moyses@telkomsa.net'; 'byleveldw@gmail.com'; 'gerticoraizin@yahoo.com'; 'johncloete@yahoo.com'; 'nevillecornberg@gmail.com'; 'schreuderfpa@telkomsa.net'; 'auburnmalakaza@gmail.com'; 'premier.rose@kingsley.co.za'; 'gavinc@kingsley.co.za'; 'thomasmarkus4y@gmail.com'; 'qrmarine@gmail.com'; 'josephklaasse@gmail.com'; 'driaand2@gmail.com'; 'qdiergaardt@gmail.com'; 'andrefarmer7211@gmail.com'; 'sue@suecarlstein.com'; 'stvanwyk58@gmail.com'; 'burnett.h@telkomsa.net'; 'fdriver@telkomsa.net'; 'vanniekerk.alma@gmail.com'; 'vmyoung@telkomsa.net'; 'accomodation@countryclubpn.net'; 'wpmining@gmail.com'; 'qjcloete@yahoo.com'; 'adeleblom1982@gmail.com'; 'joffiecloete1@gmail.com'; 'carelwza@telkomsa.net'; 'martin.ehrke@yahoo.co.uk'; 'pietman0011@gmail.com'; 'mike.taemane111@gmail.com'; 'phillip@pikwanediamonds.co.za'; 'heinrichlouw2@gmail.com'; 'riaritasweiswerke@gmail.com'; 'deshni@vmicl.com'; 'namxdiamonds@gmail.com'; 'dtruter@telkomsa.net'; 'jacobfredericks23@gmail.com'; 'kmohan'; 'wiesestefan63@gmail.com'; 'heinrichvanzuy@gmail.com'
Subject: EAC Crisis Meeting
When: 08 March 2017 14:30-16:00 (UTC+02:00) Harare, Pretoria.
Where: Either PN Townhall, Drop-in Centre or Library Hall

Dear Fellow Contractors

Kindly urgently attend an EAC Crisis meeting in Port Nolloth tomorrow, Wed 2017/03/08, time and venue will be confirmed via email tomorrow am as soon as venue availability is confirmed.

Kindly spread the word please if you know anyone that does not have email and bookkeepers kindly inform your clientele.

Kindly note it is of no value to telephone me for details please.

Thank you

God bless

George Nicolaai

Alle Mede Kontrakteurs

U word hartlik tog dringend uitgenooi om EAC Krisis vergadering more in Port Nolloth bytewoon. Woens 2017/03/08. Tyd en lokaal sal more te epos bevestig word sodra beskikbaarheid van lokaal bevestig word.

U word vriendelik versoek om die word te versprei aan enige wat nie epos het nie. Alle boekhouers word ook versoek om U klienteel intelig.

Let wel, geen oproepe vir meer inligting is moontlik nie.

Baie dankie

Wees geseend

GC132

George Nicolaai

_____

From:George Nicolaai
To: apanizza@kingsley.co.za; adamasrcv@yahoo.co.uk; gpswarts@webmail.co.za; alluvialmine@mweb.co.za; jaco@ambicormining.com; vernacloete@gmail.com; czarinabock@gmail.com; ruthleibrandt@telkomsa.net; rolandsaal@gmail.com; simonrhogg@gmail.com; timmyjjd@yahoo.com; daisymining@gmail.com; daisylogisticsza@gmail.com; rcockrell@telkomsa.net; goalfin@telkomsa.net; rudolf@tiscali.co.za; simonjames@telkomsa.net; charmainejames@telkomsa.net; willemgewers444@gmail.com; moyses@telkomsa.net; byleveldw@gmail.com; gerticoraizin@yahoo.com; gnicol@live.com; johncloete@yahoo.com; nevillecornberg@gmail.com; schreuderfpa@telkomsa.net; auburnmalakaza@gmail.com; moyses@telkomsa.net; premier.rose@kingsley.co.za; gavinc@kingsley.co.za; thomasmarkus4y@gmail.com; qrmarine@gmail.com; josephklaasse@gmail.com; driaand2@gmail.com; qdiergaardt@gmail.com; andrefarmer7211@gmail.com; sue@suecarlstein.com; stvanwyk58@gmail.com; burnett.h@telkomsa.net; fdriver@telkomsa.net; rudolf@tiscali.co.za; vanniekerk.alma@gmail.com; vmyoung@telkomsa.net; accomodation@countryclubpn.net; wpmining@gmail.com; qjcloete@yahoo.com; adeleblom1982@gmail.com; joffiecloete1@gmail.com; carelwza@telkomsa.net; martin.ehrke@yahoo.co.uk; pietman0011@gmail.com; mike.taemane111@gmail.com; phillip@pikwanediamonds.co.za; jaco@ambicormining.com; heinrichlouw2@gmail.com; riaritasweiswerke@gmail.com; deshni@vmicl.com; namxdiamonds@gmail.com; dtruter@telkomsa.net; jacobfredericks23@gmail.com; jaco@ambicormining.com; kmohan; wiesestefan63@gmail.com; heinrichvanzuy@gmail.com
Subject: EAC Crisis Meeting - EAC Krisis Vergadering

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https://www.avast.com/antivirus

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To : All Contractors

From : Chairperson of the Alexkor Board

9 March 2017

As chairperson of the board of directors of Alexkor SOC Ltd ("Alexkor") acting on behalf of Alexkor, I address this notice to all contractors with the Pooling and Sharing Joint Venture ("the PSJV") between Alexkor SOC Ltd ("Alexkor") and the Richtersveld Mining Company (Pty) Ltd ("the RMC") to all employees of the PSJV and of the contractors, and to all other parties concerned.

It has come to the attention of Alexkor that certain rumours are being spread in Alexander Bay, Port Nolloth and surrounds which are without any factual basis and devoid of any truth. These untrue rumours are,

a) that Alexkor intends to sell off its marine assets;

b) that Alexkor is negotiating with two potential purchasers for the marine assets; and

c) that the potential purchasers will take over all mining activities in the marine area, with the result that all the current marine mining contracts would be terminated.

On behalf of Alexkor, I state categorically that these rumours are false and without any factual basis.

We want to make it clear that the PSJV has been formed in terms of Settlement Agreements which is part of a Court Order. It is not possible, in terms of the agreement and Court Order, for Alexkor to sell off the marine mining assets for as long as the PSJV is in existence. It is also not possible for Alexkor to sell its marine mining assets to any third party.

We believe that the rumours are spread with malicious intentions and has the effect of prejudicing both Alexkor and the PSJV.

Reg No: 1992/005236/30 incorporated by Act No 116 of 1992
Head Office The Woodlands Office Park, Office Block 15, 2nd Floor, 20 Woodlands Drive, Woodmead, Johannesburg, 2191
T: +27 11 ALEXKOR (253 9567) F: +27 11 788 8869
www.alexkor.co.za
Directors: [illegible] Company Secretary: [illegible]

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We are aware of who the persons are responsible for spreading the untrue rumours, and want to remind them that in terms of clause 25.2 of the contract between the PSJV and all contractors, the PSJV is entitled to terminate the agreement of a contractor who acts in a manner that prejudice, or attempt to prejudice the reputation of the PSJV, Alexkor or the RMC.

We call on those responsible for spreading the untrue rumours to cease and desist from doing so. Those individuals, who are also contractors or major shareholders of contractors, may face consequences of their contracts being terminated if they continue to spread the untrue and malicious rumours.

Lastly, we want to assure all concerned parties that the PSJV will continue to operate as a joint venture between Alexkor and the RMC and there is no plan to sell any of the assets of the PSJV.

Yours sincerely,

Ms Hantsi Matseke

Chairperson – Alexkor Board

GC134

gavinjohn@outlook.com

From: Gavin J. Craythorne
Sent: 09 March 2017 09:47 AM
To: 'Kim Davids (kim.davids@dpe.gov.za)'
Cc: 'Zukiswa Rantho'; 'gnicol@live.com'; 'josephklaasse@gmail.com'
Subject: CONCERNS OF THE ALEXKOR LOCAL MINE COMMUNITY.

Dear Kim,

My sincere thanks to you for such a prompt response to my call this morning, the purpose of which was to bring to Minister Brown's attention the fact that there is a great deal of concern and discontent within the small scale marine diamond mining fraternity over issues relating to Alexkor.

The Equitable Access Campaign held a town hall meeting yesterday afternoon in Port Nolloth with the local marine miners to discuss a way forward and we feel that it is a matter of great urgency that we be given an opportunity to engage with Minister Brown to appraise her of the details and nature of these concerns.

Having personally attended the Alexkor briefing to Parliament in November last year, I can assure you that the Hon. Minister is not being accurately informed about Alexkor's true potential for a future in marine diamond mining, which contrary to the Board's opinion, I believe to be very positive in the medium to long term with the correct interventions.

In our view, Alexkor's performance is being greatly constrained by a lack of investment into maintaining the mine's infrastructure which is so important for supporting the efforts of the small marine miners who provide the bulk of the diamond income for the SOE. Compounding matters is the lack of support from Alexkor employees who seem to be highly demotivated and demoralised.

The secret negotiations taking place between Alexkor and Transhex over the future of Alexander Bay, the Board's fervent interest in coal assets juxtaposed with a lack thereof in its world class marine diamond assets and Dr Christo Wiese's recent, high profile corporate activity lead us to conclude that our community is being betrayed in the most egregious manner possible.

To understand why this is so I attach hereto a report prepared for Parliament in July 2013 recording the accurate historical context of our situation and hope this also explains our sense of urgency. Regrettably we received no reply to our submission and sincerely hope that we will be more successful this time.

Je Suis Alexkor.

[redacted]

Kind regards,

Gavin Craythorne.
Mobile: 083 630 1380.

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights
of
Small-scale Marine Diamond Miners

GC134

GC135

gavinjohn@outlook.com

From: Gavin J. Craythorne
Sent: 09 March 2017 09:57 AM
To: 'apanizza@kingsley.co.za'; 'adamasrcv@yahoo.co.uk'; 'gpswarts@webmail.co.za'; 'alluvialmine@mweb.co.za'; 'jaco@ambicormining.com'; 'vernacloete@gmail.com'; 'ruthleibrandt@telkomsa.net'; 'rolandsaal@gmail.com'; 'simonrhogg@gmail.com'; 'timmyjjd@yahoo.com'; 'rcockrell@telkomsa.net'; 'rudolf@tiscali.co.za'; 'simonjames@telkomsa.net'; 'moyses@telkomsa.net'; 'kwikfitpn@mweb.co.za'; 'gerticoraizin@yahoo.com'; 'gnicol@live.com'; 'johncloete@yahoo.com'; 'nevillecornberg@gmail.com'; 'schreuderfpa@telkomsa.net'; 'premier.rose@kingsley.co.za'; 'thomasmarkus4y@gmail.com'; 'qrmarine@gmail.com'; 'josephklaasse@gmail.com'; 'driaand2@gmail.com'; 'ajbender@vodamail.co.za'; 'qdiergaardt@gmail.com'; 'andrefarmer7211@gmail.com'; 'sue@suecarlstein.com'; 'stvanwyk58@gmail.com'; 'vmyoung@telkomsa.net'; 'wpmining@gmail.com'; 'qjcloete@yahoo.com'; 'q.marine@gmail.com'; 'ra.coraizin@gmail.com'; 'cml@carlosteixeira.net'; 'esroffshore@gmail.com'; 'cooke@lando.co.za'; 'warrens846@gmail.com'; 'shapiro4000@gmail.com'; 'fwcyoung@gmail.com'; 'joffiecloete1@gmail.com'; 'carelwza@telkomsa.net'; 'martin.ehrke@yahoo.co.uk'; 'pietman0011@gmail.com'; 'sue@suecarlstein.com'; 'stvanwyk58@gmail.com'; 'britzjumpie@gmail.com'; 'burnett.h@telkomsa.net'; 'fdriver@telkomsa.net'; 'rudolf@tiscali.co.za'; 'riaritasweiswerke@gmail.com'; 'deshni@vmicl.com'; 'qjcloete@yahoo.com'; 'jacobfredericks23@gmail.com'; 'marlonchetty@worldonline.co.za'; 'deshni@vmicl.com'; 'qjcloete@yahoo.com'; 'pieterdewet099@gmail.com'
Cc: Zukiswa Rantho; Kim Davids (kim.davids@dpe.gov.za); 'Ms Terri Stander'
Subject: FW: ALEXKOR BRIEFING TO THE PORTFOLIO COMMITTEE.

Dear All,

Thank you for attending the crisis meeting held yesterday in the Port Nolloth Library and for your show of support.

In late November, last year, I attended the Alexkor Board's briefing to Parliament on the 2016 annual report.

After a brief series of correspondence between myself, the Acting Chairperson of Alexkor and the Acting Chairperson of the Portfolio Committee on Public Enterprises, I was requested by the Acting Chairperson of the Portfolio Committee, Hon. Zukiswa Rantho to provide further information.

That correspondence, in part, is provided below to give context and is self-explanatory. I regret to inform you that what started out as a warm and positive engagement with the Alexkor Board soon proved to be insincere as I tried in vain to engage with the board on the process of drafting the report for Parliament. I am left therefore, with no alternative but to provide a report based solely on the input of the Local Mine Community and my own experiences and observations.

In furtherance of this endeavour I have sent out an online survey through SurveyMonkey to you all for the purpose of providing my report the data necessary to give it credibility. Please take this survey seriously as it will set the tone for all further engagement with Parliament, who I must inform you is only too willing to look very carefully into the affairs of the SOE's given the revelations emanating from the Public Enquiry into the affairs of the SABC and the well documented problems vexing some of the SOE's.

Be aware that the invitation to the survey may be diverted by your SPAM engine into the Junk Mail box. If so then just drag it into the Inbox to access it.

I look forward to your support in fighting for equitable access to our diamond resource and economic justice for the coastal communities of the Northern Cape.

GC135

Je Suis Alexkor.

Sincerely,
Gavin Craythorne.

From: Zukiswa Rantho [mailto:zrantho@parliament.gov.za]
Sent: 23 November 2016 07:06 PM
To: zuki@ntlangulainc.co.za
Cc: gavinjohn@outlook.com; Terri Stander <tstander@parliament.gov.za>
Subject: Re: ALEXKOR BRIEFING TO THE PORTFOLIO COMMITTEE.

Good evening

I will wait for the documents. And if you think we need to know more and you want to meet us. We are more then willing. Parliament rise on the 08/12

If you think the committee has wrong info. We would want to hear the honest information

Thank you in advance
Zukiswa

Sent from my iPhone

_____ Please note:
This email and its content are subject to the disclaimer as displayed at the following url:
http://webmail.parliament.gov.za/disclaimer.html
_____

GC136

gavinjohn@outlook.com

From: Gavin J. Craythorne
Sent: 10 March 2017 12:48 PM
To: 'hantsi@maono.co.za'
Cc: 'Zuki Ntlangula'
Subject: FW: CORPORATE GOVERNANCE AND PUBLIC ACCOUNTABLILITY AT ALEXKOR.

Dear Ms Matseke,

Your missive to the local small-scale marine mining community yesterday has reference.

It is regrettable that my concerns for the wellbeing of my community have been reported to you by persons unknown in a manner that gives the impression that Alexkor deployed spies to a bona fide community-based meeting to secretly record the proceedings. I am very familiar with this type of behaviour having been subjected to it many times in the past while fulfilling my duty of active citizenship.

From bitter experience, long before your tenure, I know that what you have done is to sow distrust and fear among the members of my community thereby harming our social cohesion and socio-economic discourse in a profound way while heaping injustice upon injustice.

I may well be incorrect and your points may well be true, however until you and the board engage with me meaningfully I will have no way of judging whether the distinction is material or purely technical. You and I both know very well that there are commercial mechanisms that could have the practical effect of what you are denying while upholding your assurances.

In any event, it must be obvious to any observer that had the board treated me, and by association my community, with a modicum of respect by not dismissing my friendly approach there would have been no need for this situation to develop.

I have been a loyal and conscientious diamond diver for Alexkor for over 18 years during which time I have sacrificed more than you or anyone else outside my family will ever know in pursuit of a better future for my community built upon a prosperous local marine diamond industry. My technical contribution to marine and riverine mining is also widely-acknowledged, both locally and internationally.

There are burning issues within Alexkor that urgently need your attention Madam Chair and I would sincerely like to work with you and your board in resolving them.

Therefore, I once again and within the same spirit as before, reach out to you.

I look forward to working with you should you accept my offer.

Je Suis Alexkor,
Gavin.

Gavin Craythorne.
Mobile: 083 630 1380.

GC136

EQUITABLE ACCESS CAMPAIGN

Campaigning for the rights
of
Small-scale Marine Diamond Miners

From: Gavin J. Craythorne
Sent: 11 January 2017 04:48 PM
To: 'Zuki Ntlangula' <zuki@ntlangulainc.co.za>
Cc: 'Ms Daphne Zukiswa Rantho' <zrantho@parliament.gov.za>; 'Ms Terri Stander' <tstander@parliament.gov.za>
Subject: RE: CORPORATE GOVERNANCE AND PUBLIC ACCOUNTABLILITY AT ALEXKOR.

Dear Zukiswa,

The new year has arrived and I hope it brings you life in abundance. I trust too that you had a good break.

I realise that protocol would require of me to rather address the contents of this email to the Chairperson of the Alexkor board, however in the circumstances I feel that the good rapport we have established may be a suitably mitigating factor and I trust that this departure from business etiquette won't find offense.

Some six weeks have passed since my reaching out to you on the concerns I have in relation to matters of governance at Alexkor and while I have had an unwelcome response from the CEO and Company Secretary of the PSJV in the form of a summons to a rather disconcerting meeting on Monday, 12 December, I have yet to receive a response from you or the members of the board to whom my correspondence was directed.

As you are aware, by way of copy in my email to Hon. Rantho dated 6 December, I have given an undertaking to the Portfolio Committee to provide detailed reasons for my comments regarding the subject of this email. Before doing so however, I would appreciate an opportunity to engage meaningfully with the board over the contents of my draft report as there are matters that impact negatively on both the current board as well as past board members.

I would be happy to travel to Johannesburg at my own expense to do so if you could kindly provide me with one weeks' notice to avoid a clash with seaborne mining operations.

Sincerely,
Gavin.

From: Zuki Ntlangula [mailto:zuki@ntlangulainc.co.za]
Sent: 22 November 2016 01:38 PM
To: Gavin J. Craythorne <gavinjohn@outlook.com>
Cc: Ms Daphne Zukiswa Rantho <zrantho@parliament.gov.za>; Ms Terri Stander <tstander@parliament.gov.za>
Subject: Re: ALEXKOR BRIEFING TO THE PORTFOLIO COMMITTEE.

Dear Gavin

It was an absolute pleasure meeting you.

Thank you, I will liase with the Board Chairman and revert.

Rgds
Zukiswa
0827759441

GC136

Sent from my Samsung Galaxy smartphone.

-------- Original message --------
From: "Gavin J. Craythorne" <gavinjohn@outlook.com>
Date: 2016/11/22 1:28 PM (GMT+02:00)
To: Zuki Ntlangula <zuki@ntlangulainc.co.za>
Cc: Ms Daphne Zukiswa Rantho <zrantho@parliament.gov.za>, Ms Terri Stander <tstander@parliament.gov.za>
Subject: ALEXKOR BRIEFING TO THE PORTFOLIO COMMITTEE.

Dear Zukiswa,

Thank you for the pleasure of making your acquaintance last week in Parliament and for the warm welcome you gave me. As promised, I am sending you some information that provides a very different perspective to that which you are accustomed to, coming as it does from someone at the "coal face" so to speak and who has been living in Alexander Bay since 1998.

In addition to the views I express therein please allow me to make a few comments on two observations that struck me during the course of the briefing.

1. It is evident that the Board is dangerously misinformed regarding Alexkor's SWOT situation. I will even go so far as to suggest that you have been deliberately misled by Trans Hex's proxies who have given de facto control of the SOE to a boardroom in Parrow.

2. The non-partisan passion displayed by the members of the Portfolio Committee for the interests of my community and the grace and humility with which you responded moved me deeply.

For South African civil society to imagine that state capture is a new phenomenon that began and ends with those who feature in the Public Protector's State of Capture Report would be a grave error. The most informed treatise of this evil in my view, is the book Lost in Transformation by Professor Sampie Terreblanche and it informs much of my thinking about my role in making our country better for all.

If you will allow me, I will help you and your fellow board members build Alexkor into a world class marine diamond mining company.

Please let me know if and when we can start.

Sincerely yours,

Gavin John Craythorne.

PS. FURTHER DOCUMENTS TO FOLLOW.

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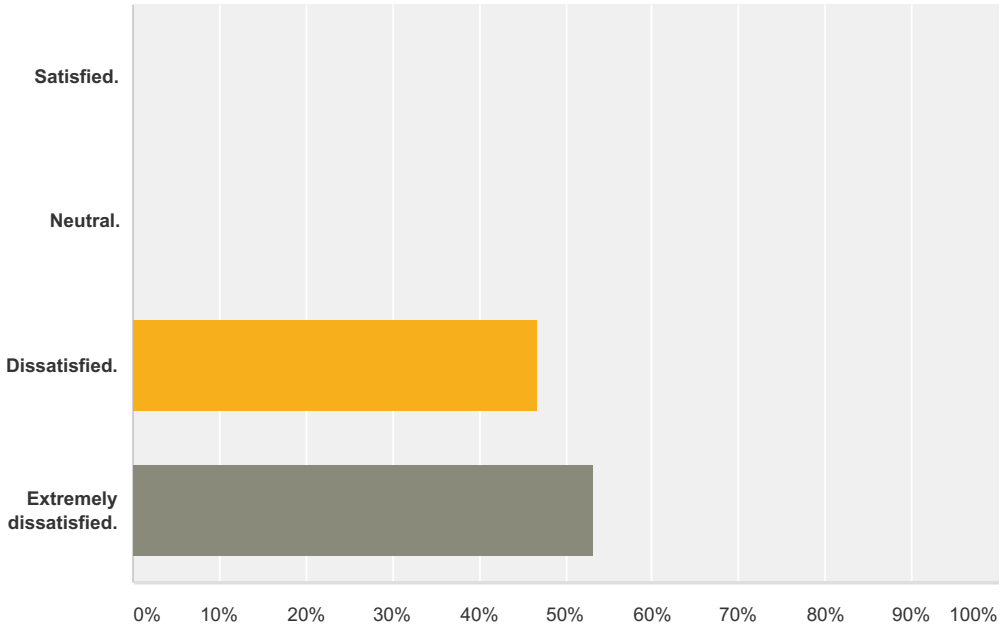
GC137

Q1 How satisfied are you with the prices Alexkor achieves on the sale of your diamonds?

Answered: 15 Skipped: 0

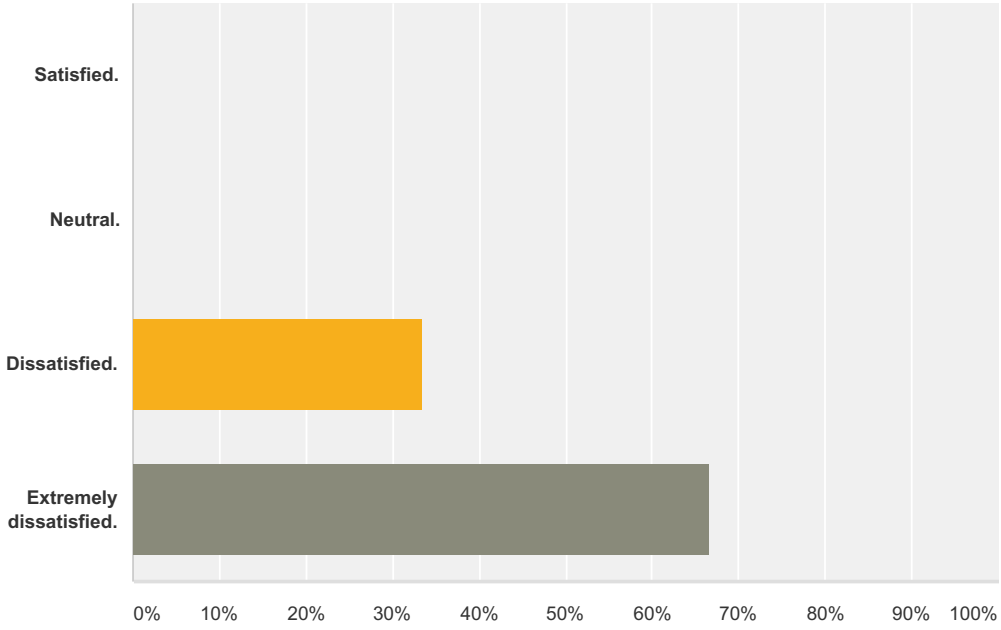


Answer Choices	Responses	
Satisfied.	0.00%	0
Neutral.	0.00%	0
Dissatisfied.	46.67%	7
Extremely dissatisfied.	53.33%	8
Total		15

GC137

Q2 How satisfied are you with the transparency of Alexkor's diamond marketing and sales process?

Answered: 15 Skipped: 0

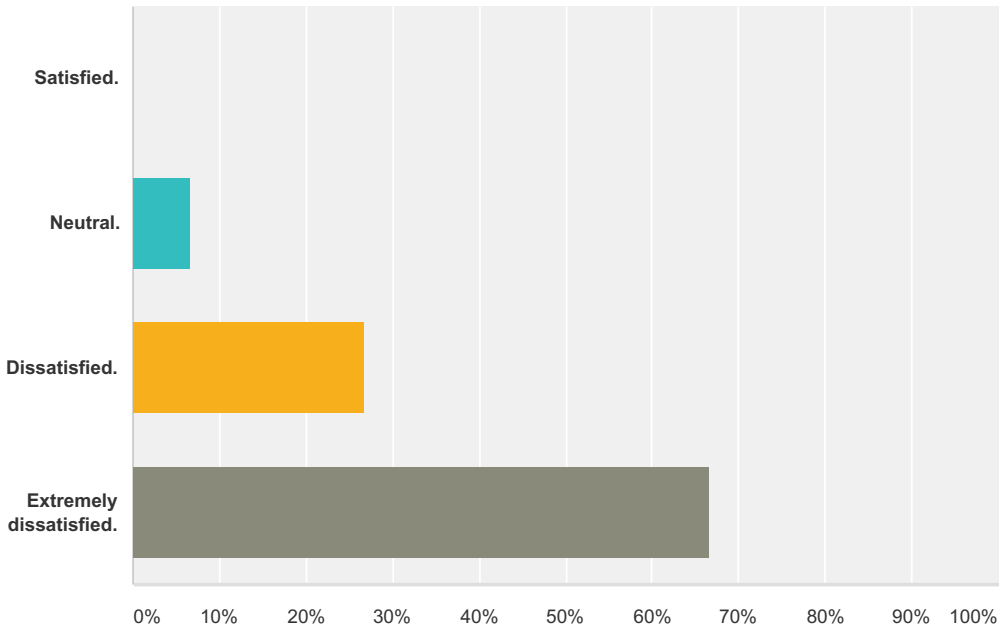


Answer Choices	Responses	
Satisfied.	0.00%	0
Neutral.	0.00%	0
Dissatisfied.	33.33%	5
Extremely dissatisfied.	66.67%	10
Total		15

GC137

Q3 How satisfied are you with the consultation and feedback on your diamonds that are selected for cutting and polishing?

Answered: 15 Skipped: 0

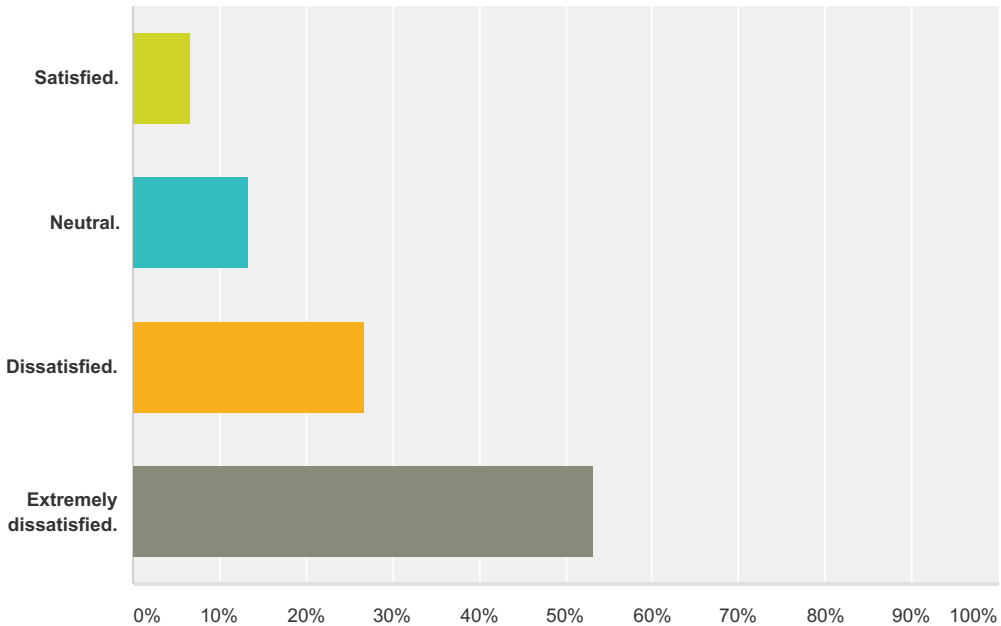


Answer Choices	Responses	
Satisfied.	0.00%	0
Neutral.	6.67%	1
Dissatisfied.	26.67%	4
Extremely dissatisfied.	66.67%	10
Total		15

GC137

Q4 How satisfied are you with the processing of your gravel?

Answered: 15 Skipped: 0

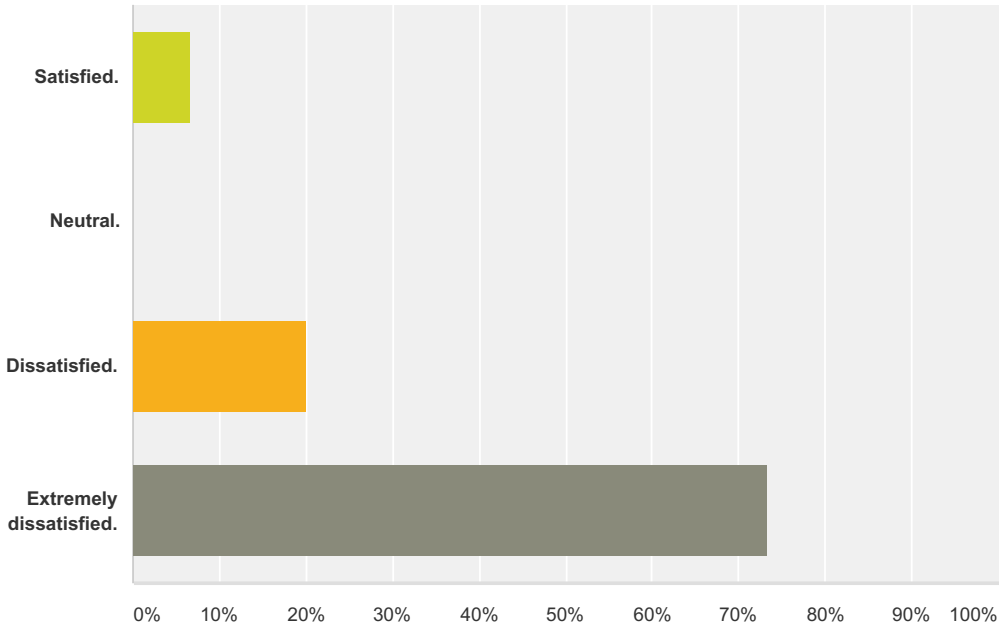


Answer Choices	Responses	
Satisfied.	6.67%	1
Neutral.	13.33%	2
Dissatisfied.	26.67%	4
Extremely dissatisfied.	53.33%	8
Total		15

GC137

Q5 How satisfied are you with the policy regarding your tailings?

Answered: 15 Skipped: 0

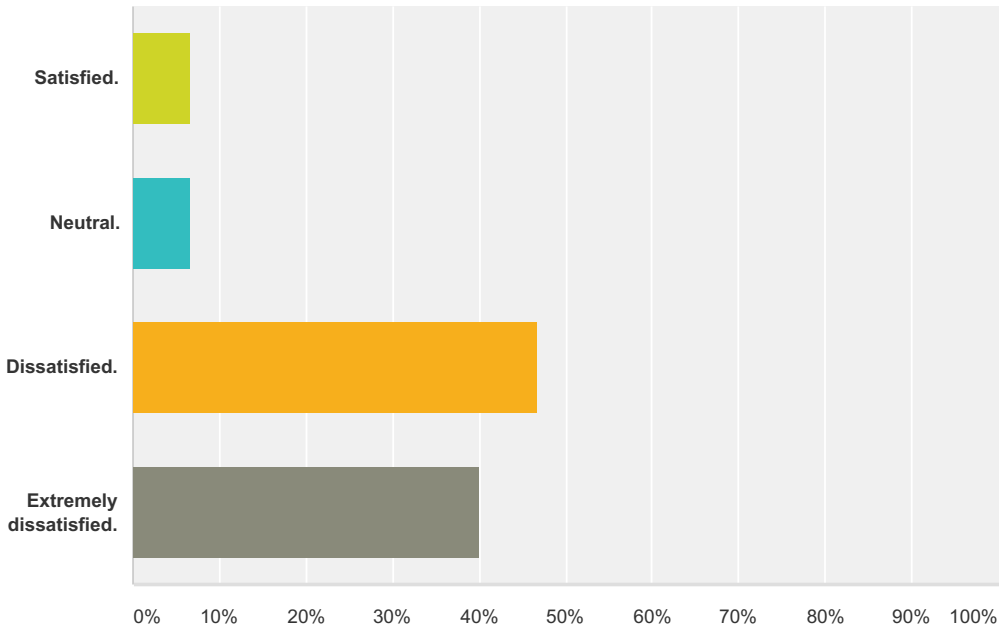


Answer Choices	Responses	
Satisfied.	6.67%	1
Neutral.	0.00%	0
Dissatisfied.	20.00%	3
Extremely dissatisfied.	73.33%	11
Total		15

GC137

Q6 How satisfied are you with the condition of Alexkor's contractor support infrastructure?

Answered: 15 Skipped: 0



Answer Choices	Responses	
Satisfied.	6.67%	1
Neutral.	6.67%	1
Dissatisfied.	46.67%	7
Extremely dissatisfied.	40.00%	6
Total		15

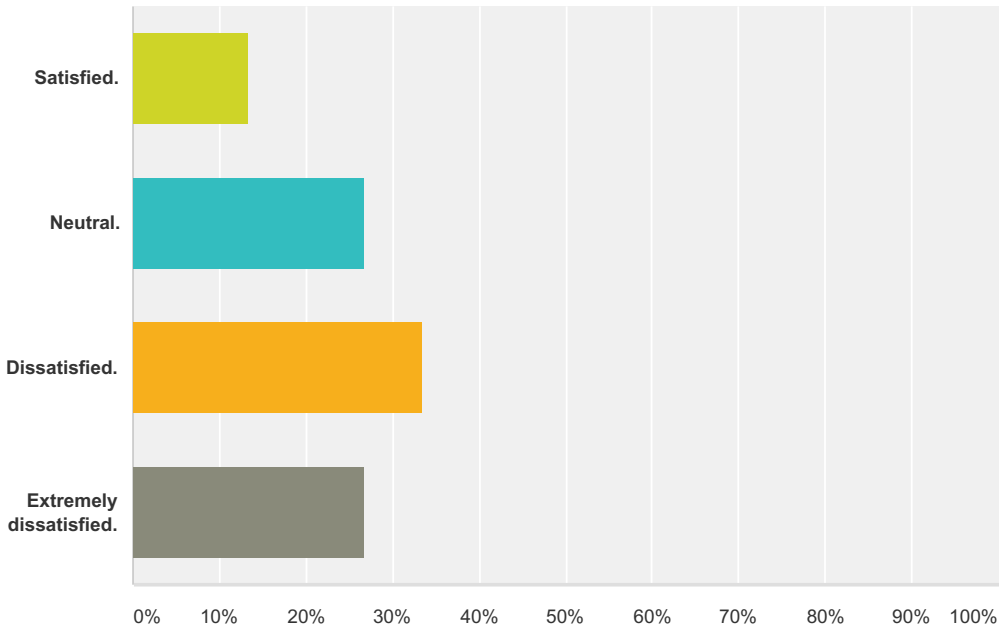
LEVEL OF SATISFACTION AMONG ALEXKOR'S LOCAL MINE COMMUNITY

SurveyMonkey

GC137

Q7 How satisfied are you with the level of support from Alexkor personnel?

Answered: 15 Skipped: 0

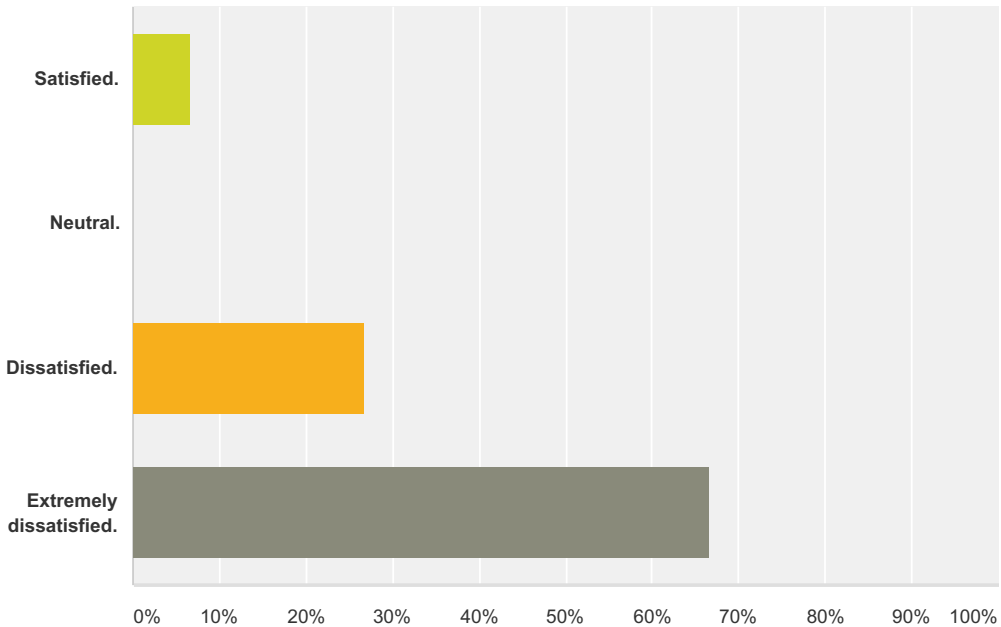


Answer Choices	Responses	
Satisfied.	13.33%	2
Neutral.	26.67%	4
Dissatisfied.	33.33%	5
Extremely dissatisfied.	26.67%	4
Total		15

GC137

Q8 How satisfied are you with the local economic development of Alexander Bay and Port Nolloth?

Answered: 15 Skipped: 0

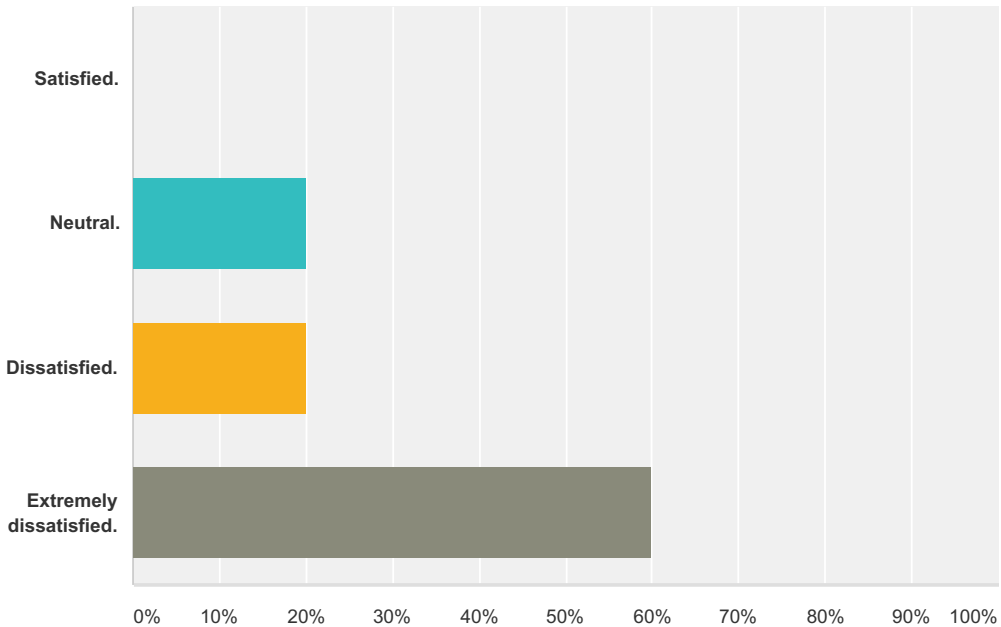


Answer Choices	Responses	
Satisfied.	6.67%	1
Neutral.	0.00%	0
Dissatisfied.	26.67%	4
Extremely dissatisfied.	66.67%	10
Total		15

GC137

Q9 How satisfied are you with Local Government's Integrated Development Plan?

Answered: 15 Skipped: 0

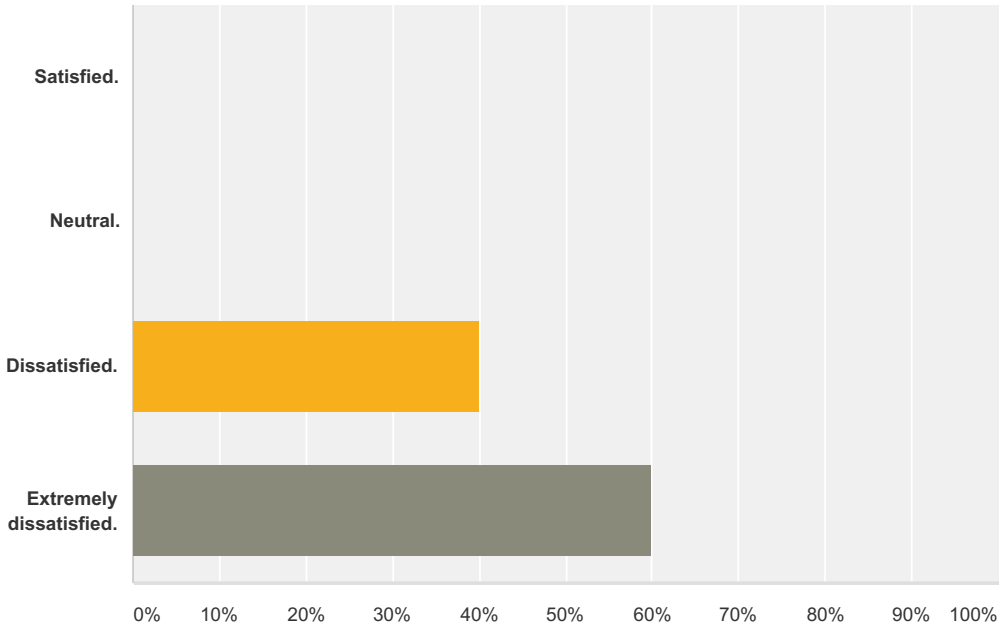


Answer Choices	Responses	
Satisfied.	0.00%	0
Neutral.	20.00%	3
Dissatisfied.	20.00%	3
Extremely dissatisfied.	60.00%	9
Total		15

GC137

Q10 How satisfied are you with the oversight of the Portfolio Committee on Public Enterprises with regard to the good corporate governance of Alexkor on behalf and in the best interests of the local community?

Answered: 15 Skipped: 0



Answer Choices	Responses	
Satisfied.	0.00%	0
Neutral.	0.00%	0
Dissatisfied.	40.00%	6
Extremely dissatisfied.	60.00%	9
Total		15

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MINISTRY
PUBLIC ENTERPRISES
REPUBLIC OF SOUTH AFRICA

Private Bag X15 Hatfield 0028 Tel: 012 431 1118/1150 Fax 012 431 1039
Private Bag X9079, Cape Town 8000 Tel: 021 461 6378/7 Fax 021 465 2381/461 1741

Mr. Gavin Craythorne

Tel: 083 630 1380
Email: gavinjohn@outlook.com

Dear Mr. Craythorne

RE: EAC REPORT TO PARLIAMENT

The e-mail received on 09 March 2017 has reference.

Thank you for bringing the concerns of your group, Equitable Access Campaign, to the attention of the Department. The Department notes and welcomes your Report and the results of the survey undertaken.

The Department will convey the Report to the Department of Mineral Resources (DMR) for review and consideration.

Furthermore, the Department notes the results of the survey undertaken to assess the level of satisfaction amongst the Alexkor Pooling and Sharing Joint Venture (PSJV) contractors. I recommend that you approach the Board of Alexkor and Alexkor PSJV to address your concerns. I have copied the Chairman of Alexkor PSJV, Ms Hantsi Mayeza on circulation of this letter.

Hope you find the above in order and we wish you all the best in your endeavours.

Sincerely

MS LYNNE BROWN
MINISTER OF PUBLIC ENTERPRISES, MP
DATE: 05/04/2017

CC: Chairman of Alexkor and Alexkor PSJV, Ms Hantsi Mayeza
hantsim@gmail.com; zanele@maono.co.za

Confidential

GC139

MINUTES OF THE MEETING OF THE ALEXKOR RMC JV BOARD OF DIRECTORS (the Board) HELD ON WEDNESDAY, 12 APRIL 2017 AT 11:00 AT THE GARDEN COURT HOTEL, KIMBERLEY

PRESENT:	Ms Hantsi Matseke	HM	Chairperson
	Ms Patience Mokhali	PM	Member of the Interim Board
	Mr Augustin Maarman	AM	Member of the Interim Board
	Mr Gideon Oliphant	GO	Member of the Interim Board
	Mr Trevern Haasbroek	TH	* Member of the Interim Board
BY INVITATION:	Mr Mervyn Carstens	MC	CEO - _PSJV
	Mr Vimal Bansi	VB	CEO – Alexkor
	Mr Frederick Strauss	FS	Financial Manager – PSJV
	Ms Raygen Phillips	RP	Company Secretary – PSJV
			*via teleconference
APOLOGIES:	Mr John Danana	JD	Member of the Interim Board

ITEM DESCRIPTION

1. WELCOME AND APOLOGIES

The Chairperson opened the meeting and welcomed all present. The meeting was quorate and was declared duly constituted.

The apology of Mr Danana was noted.

The agenda and Board pack, which had been circulated prior to the meeting, were taken as read and were deemed to form an integral component of the minutes of the meeting.

2. DECLARATION OF INTERESTS

The Board Members and invitees confirmed that they had no interests to declare.

3. ADOPTION OF THE AGENDA

The agenda was adopted with the following additions:

Item 9.1.1: IMDSA
Item 9.1.2: Midwater Revenue Split
Item 9.1.3: Equal Access Campaign

9.1.3 Equal access campaign

Mr Craythorn presented the equal access campaign. Background information on his experience, training and education was provided. He was a resident of Alexander Bay. Due to his technical background, he was involved in the designing and development of equipment, and had recently been focussed on mechanisation. He is a sub-contractor to his wife's company Ocean Diggers and manage all technical aspects, He was of the view that it is a strategic misstep for Alexkor to venture into goal and not invest more in the marine operations. The Chairperson highlighted that Alexkor SOC has its own strategic role and plans, the responsibility of the marine asset is under the sole discretion of the PSJV Board. Alexkor needs to generate is own revenue stream as it do not rely on the PSJV for financial assistance. The governance and separation of Alexkor and the PSJV was discussed. It was noted that the two entities were operated on an

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independent basis.

History of Mr Craythorn's engagements with Alexkor and the associated developments were discussed. The relationship with PSJV was good and a Service Level Agreement ("SLA") was in place whereby Mr Craythorn provided a vessel to a company that contracted directly with Alexkor.

The utilisation of the Alexkor asset, being the largest marine diamond field in the world, and the need to accelerate the extent of marine mining was discussed. There was a feeling amongst contractors that Alexkor does not afford optimum attention to the marine mining section, especially when you take into consideration the kind of employees such as Ms Leilani Swartbooi that is appointed to oversee the marine operations. Contractors cannot discuss their operations or concern with her due to her lack of knowledge in the industry.

The solution was not to appoint more contractors but to assist the current contractors and to invest in research. Mr Craythorm indicated that Alexkor had had 105 contractors in place in 2004, compared to the 80 in place at present. It could thus be deduced that a higher level of contractors would not necessarily increase production, as could be evidenced by the reduction in contractors.

The Chairman indicated that the primary focus of this interaction should be on how to improve the utilisation of the asset and its yield for the PSJV and how this would also beneficially impact the community. Improvements were to be identified that could improve performance.

The following matters were suggested as means to improve marine operations performance:
1. Increased investment into support services to contractors.
2. Personnel who are experienced in the industry are required to oversee the support function.
3. Transparency should be increased with regard to the diamond sales channel, processes and data.
4. The Board should engage more with the local community, which included the contractors.

It was noted that the concerns would be considered but that the Board should not be involved on an operational basis.

The contractor's satisfaction survey was discussed, and it was noted that limited response had been received. The marine mining contractors were nervous of losing their contracts and therefore would not easily voice their concerns. Fourteen of fifty-six marine contractors had responded to the survey and the feedback had been largely negative. The survey should be recirculated and contractors engaged with to improve the relationship. It was suggested that Mr Carstens empower the contractor community and encourage open communication.

A full-time metallurgist was in the process of being appointed and that the Plants was now being maintained, which would improve relations. The PSJV in the process to refurbish the new final recovery, money are being invested in the mine by the PSJV. All records of previous diamond sales were in place. Sensitive information was to be handled in a confidential manner. A meeting could be scheduled on a regular basis with the contractors community, and if individual contractors wanted their specific data and value chain information then this could be provided. The PSJV always had an open door policy where contractors can voice their concern or give advice on how to improve the business for all concerned. This is also noted in the increase of production amongst marine mining contractors as management is now aware of the problems faced by contractors and in better position to assist contractors. Additionally, the value chain should be verified according to the diamond index and bidding spreads for sales.

The building of coffer dams would continue in line with the current EMPA. The building of dams would be reconsidered in the updating of the EMPA upon which new legislation would have an impact.

It was noted that the local municipality had implemented an integrated development plan and that the plan complimented the social initiatives that were in place for the PSJV. Contractors should attend the municipality meetings, as this would improve the collaboration between all parties and would be beneficial to the community. Ms Phillips will request the municipality to

register the contractors as an interested group and to invite them to meetings. She will also give the relevant people at the municipality's details to Mr Craythorn.

10. NEXT MEETING

21 July 2017.

Approved as a true reflection of the meeting

_____ _____

Chairperson ***Date***

_____ _____

Company Secretary ***Date***

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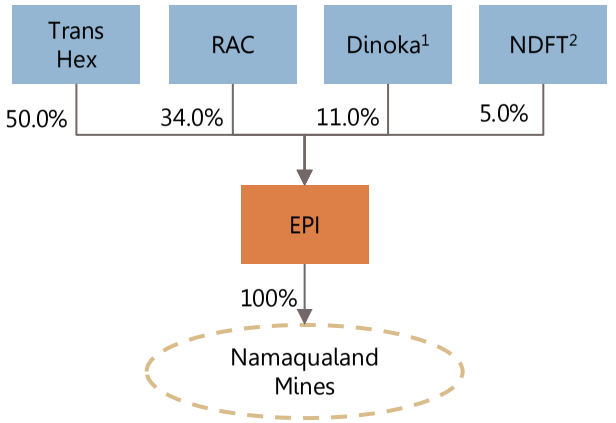
CONCESSION	HECTARES	OWNER
1a	3 255	Alexkor
2a	3 172	Alexkor
3a	3 206	Alexkor
4a	3 169	Alexkor
5a	3 162	Trans Hex
6a	3 320	Trans Hex
7a	3 196	Trans Hex
8a	3 579	Trans Hex
9a	3 258	Trans Hex

TRANS HEX

SHAREHOLDING STRUCTURE OF EPI

Initial Transaction agreements

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



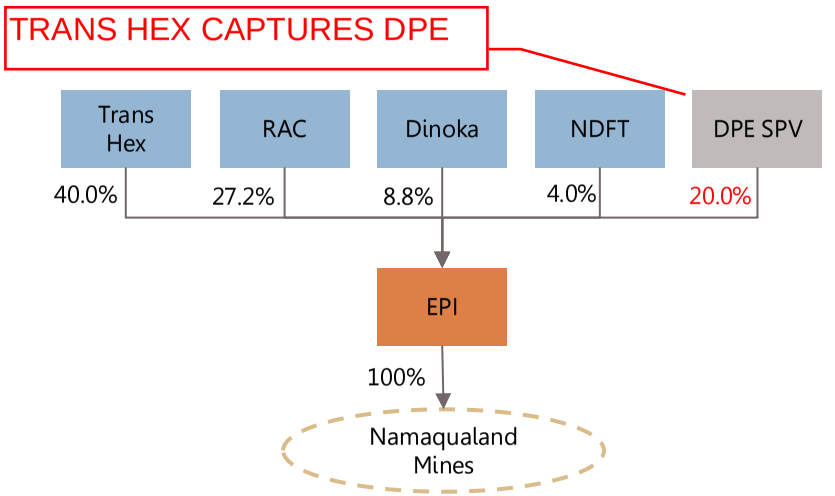
- During 2007 the DMR became entitled to a 20% interest in Namaqualand Mines. Prior to October 2013, the parties had yet to reach agreement on how this interest would be treated for the purposes of the Transaction.

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)

Revised Transaction agreements

- In October 2013, the DMR indicated that 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[3]
- Following the aforementioned, the revised shareholding structure of EPI will be as follows:



MINING-04-1150
XX4-GJC-1148

questco

TRANSACTION AT ALEXKOR OPERATIONS REVERSE

Trans Hex gains synergistic asset portfolio, additional life of mine, BBBE control status and a new anchor partner to take it forward in its next chapter

Compelling value story for Trans Hex to take to market, especially in light of non-performing share price

Liquid market for Government to place its remaining exposure if required

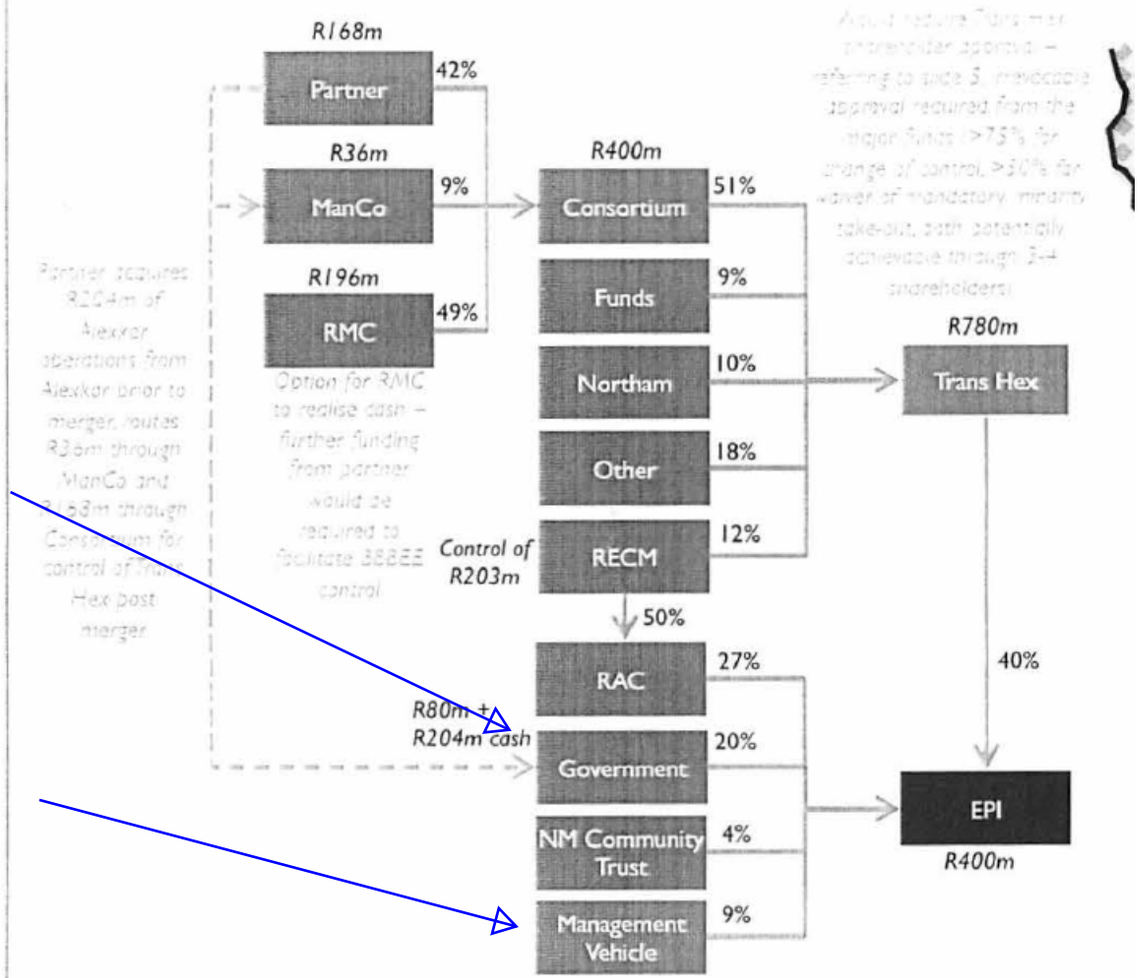
BBBEE consortium created to facilitate BBBE empowerment or, if possible, control

Substantial value realisation for Richtersveld Community

Manco consists of key current Alexkor PSJV leadership (BBBE controlled) – funded into transaction to secure sustainability of RMC operations

Total partner funding = R168+36 = R204m, potential for a portion of this to be funded through debt

RECM/RAC given the opportunity to supplement the incumbent partner



400
350
Trans Hex share price indexed to other listed diamond producers

MINING-04-1151

XX4-GJC-1149

GC143

gavinjohn@outlook.com

From: Gavin Craythorne <gavinjohn@outlook.com>
Sent: 19 November 2015 10:04 AM
To: 'Mervyn Carstens'; 'Mzamani Mdaka'
Cc: peter@helmmaritimeservices.com
Subject: RE: MASS FLOW MINING METHOD AND ASSOCIATED MACHINARY.

Thanks again Mervyn.
Gavin.

From: Mervyn Carstens [mailto:mervync@alexkor.co.za]
Sent: 19 November 2015 10:00 AM
To: Gavin Craythorne ; 'Mzamani Mdaka'
Cc: peter@helmmaritimeservices.com
Subject: RE: MASS FLOW MINING METHOD AND ASSOCIATED MACHINARY.

Hi Gavin
Not to worry I will address the issue with Carel.
Regards
Mervyn

From: Gavin Craythorne [mailto:gavinjohn@outlook.com]
Sent: 19 November 2015 10:00 AM
To: 'Mzamani Mdaka' <mzamanim@vodamail.co.za>
Cc: Mervyn Carstens <mervync@alexkor.co.za>; peter@helmmaritimeservices.com
Subject: FW: MASS FLOW MINING METHOD AND ASSOCIATED MACHINARY.

Hi Mzamani,

How would you like me to respond to Carel's request?

Best,
Gavin.

From: Carel Neethling [mailto:carel@lat.co.za]
Sent: 19 November 2015 09:53 AM
To: Mervyn Carstens <mervync@alexkor.co.za>; Gavin Craythorne <gavinjohn@outlook.com>
Cc: Raygen Phillips <raygenp@alexkor.co.za>; Deon Bowers <deonb@alexkor.co.za>
Subject: RE: MASS FLOW MINING METHOD AND ASSOCIATED MACHINARY.

Good Day Gavin

Can you please clarify the role of Mr Mdaka?

Thanks & Regards

Carel

GC143

Carel Neethling
Cell SA +27 82 451 5760
Land line +27 21 553 1831
Cell Namibia +264 81 264 0734
carel.neethling@placerrm.co.za
www.placerrm.co.za

From: Mervyn Carstens [mailto:mervync@alexkor.co.za]
Sent: 18 November 2015 10:54 PM
To: Gavin Craythorne
Cc: Raygen Phillips; Deon Bowers; peter@helmmaritimeservices.com; Sue Carlstein; Carel Neethling; Lutke von Ketelhodt; Mzamani Mdaka
Subject: Re: MASS FLOW MINING METHOD AND ASSOCIATED MACHINARY.

Hi Gavin
My comments are inserted.
Regards
Mervyn

Sent from my iPhone

On 18 Nov 2015, at 17:02, Gavin Craythorne <gavinjohn@outlook.com> wrote:

> Hi Mervyn,
>
> Thank you very much for accommodating myself and Lutke yesterday at such short notice. We will proceed with the development of a flowsheet with specific attention to the problem of the smaller fraction that is not suitable for XRT sensor based sorting. Lutke and I have looked at possible solutions but the problem needs some detailed investigation before any flowsheet can be generated.

Noted

Following my enquiry earlier today with our patent attorneys (please see below), from the end of this week we will be in a position to progress our project and openly discuss the technical details of our proposed mining method.
Noted

I am attending a three day conference at the CTICC next week. It is the Hydro 2015 International Hydrographic Expo and all of the latest high-end underwater survey, seismic and real-time sonar imaging solutions will be on show.

You did mention that you would like Percy to attend our presentation and I presume you would need some time to investigate that possibility so perhaps the week after next week would be most suitable given this and my absence from Alex next week? Please let me know if that is convenient for you so that I can make arrangements for Peter and Mzamani to attend subject to their availability.
I will discuss with Percy and revert to you soonest

GC143

On a different matter, I have been collaborating with Dr. JJ Jacob and the Namdeb marine survey team on researching a suitable seismic solution for conducting sub-bottom profiling of the mud-belt and in our last meeting at Namdeb on Friday he enquired as to the possibility of using the harbour as a base from which to operate their new survey vessel the MFV. Zaamwani. The problem they are experiencing with running out of the river mouth is the very low availability of appropriate conditions and the high risk of damaging the sensitive and expensive equipment on board.

If at all possible Mervyn, I would be grateful if we could consider their request as they have offered to provide me with access to their RTK GPS base stations which provide the 2cm positioning accuracy needed for high grade survey work flows and precision guidance of remote mechanised mining tools. The tool we are developing incorporates real-time 3d sonar imaging technology with integrated high definition multi-beam data acquisition capability. (Systems like our preferred choice, which is Coda's Echoscope, use acoustic arrays that enable MB surveys to be conducted from a stationary platform while conventional systems like R2Sonic and Reson are intended for vessels making way through the water).

This solution provides not only real-time 3d visualisation of the ground engagement zone but also the ability to capture detailed digital elevation models of the open-cast pit providing the highest level of validation for mining efficiency. The ability to capture DEM's on the fly also provides a means of surveying the different sediment horizons for resource modelling in QPS Qimera which we will be populating with vibracore data as well.

This tentative collaboration could also provide a platform for greater levels of cooperation between Alexkor and Namdeb going forward into this new era of high technology, high capacity mining of the delta. This makes sense I believe as both companies straddle the most important diamond placer in the world.

Please set up a meeting with the Namdeb guys so that we can discuss all the practicalities including security and safety issues.I am sure that we will be able to collaborate with them.

I look forward to hearing from you Mervyn.

Kind regards,
Gavin.

From: Gerntholtz [mailto:info@gerntholtz.com]
Sent: 18 November 2015 01:56 PM
To: Gavin Craythorne <gavinjohn@outlook.com>
Cc: peter@helmmaritimeservices.com; 'Raygen Phillips' <raygenp@alexkor.co.za>
Subject: RE: MASS FLOW MINING METHOD AND ASSOCIATED MACHINARY.

Dear Gavin

Thank you for your e-mail. Apologies for the late response.

Kindly give them the date of 20 November 2015 – by then we should have the application number.

I am finalising the documents for submission.

Kind regards
Otto C. Gerntholtz – Patent Attorney / IP Lawyer
GERNTHOLTZ African IP Consultants
Patents Trademarks Designs Copyright

GC143

Intellectual Property Lawyers - Patent & Trademark Attorneys
Patentanwälte Rechtsanwälte
info@gerntholtz.com
www.gerntholtz.com
Tel: +27 21 551 2650
Fax: +27 21 551 2960

From: Gavin Craythorne [mailto:gavinjohn@outlook.com]
Sent: 18 November 2015 01:38 PM
To: Gerntholtz <info@gerntholtz.com>
Cc: peter@helmmaritimeservices.com; 'Raygen Phillips' <raygenp@alexkor.co.za>
Subject: RE: MASS FLOW MINING METHOD AND ASSOCIATED MACHINARY.

Dear Otto,

I need to give Alexkor RCM PSJV a date for our technical presentation as they want to bring the Alexkor CEO down to Alexander Bay for the occasion.
Could you provide me with a date to work on?

Thanks.

Kindest,

Gavin Craythorne.
Mobile: +27(0)83 630 1380
www.rapidmining.com

From: Gerntholtz [mailto:info@gerntholtz.com]
Sent: 05 November 2015 04:24 PM
To: Gavin Craythorne <gavinjohn@outlook.com>
Subject: RE: MASS FLOW MINING METHOD AND ASSOCIATED MACHINARY.

Dear Mr Craythorne

Thank you for your e-mail.

Herewith the two invoices for filing and preparing two provisional patent applications.

Kindly send us the payment confirmations as soon as possible.

Kind regards
Isabel van Niekerk – IP Administrator
GERNTHOLTZ African IP Consultants
Patents Trademarks Designs Copyright
Intellectual Property Lawyers - Patent & Trademark Attorneys
Patentanwälte Rechtsanwälte
info@gerntholtz.com
www.gerntholtz.com
Tel: +27 21 551 2650
Fax: +27 21 551 2960

GC143

From: Gavin Craythorne [mailto:gavinjohn@outlook.com]
Sent: 05 November 2015 11:30 AM
To: Gerntholtz <info@gerntholtz.com>
Subject: MASS FLOW MINING METHOD AND ASSOCIATED MACHINARY.

FOR ATTENTION PLEASE OF MR OTTO GERNTHOLTZ.

Kindest,

Gavin Craythorne.
Mobile: +27(0)83 630 1380
www.rapidmining.com

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GC144

THE ORANGE RIVER DELTA

MEGA DIAMOND PLACER

ALEXKOR'S FUTURE IN THE MARINE DIAMOND MINING INDUSTRY AS OWNER OF THE LARGEST & MOST STRATEGIC PORTION OF THE RICHEST KNOWN ALLUVIAL DIAMOND DEPOSIT IN THE WORLD:

A SITUATIONAL REPORT

Compiled by:

G. Craythorne

Date: 25 January 2016

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1. INTRODUCTION.

The writer is a contract marine miner with over three decades of experience in underwater diamond mining and technology development. Half of this has been focused exclusively on Alexkor's sea concessions 1a and 2a. Operational experience spans diamond diving on concessions 13a, 12a, 11a, 9a, 7a, 5a, 4a, 3a, 2a, 1a and Angola's Chikapa River with diving time logged at the end of a nozzle exceeding four thousand hours.

Turnkey engineering projects completed for clients include Benguela Concessions, Trans Hex, ODM, Alexkor, the Angolan Government, the Mineral Services Group, Southern Era, Namco, Gem Diamonds and numerous contract miners operating in South Africa, Namibia, Angola, DRC, CAR, Liberia, Sierra Leone and Guinee.

The engineering projects concluded a total of thirty-three turnkey marine mining vessels, eleven of which were commissioned by Alexkor contractors and forty-one turnkey riverine mining systems constituting a total project portfolio value in excess of one hundred million rand. The systems built for the joint SAA Distributers - Southern Era 1997 Cassanguidi project in Angola produced 127 000 carats.

The latest project involved the design, build and commissioning of a turnkey 47 gross registered tonnage diamond mining vessel equipped with a 450hp mass flow excavation system for client Remote Drilling Services which has been deployed on Trans Hex's sea concession 12a. This vessel is successfully excavating through sediments in excess of 5m and water depths reaching 20m. The project value was R8.5 million.

The writer has also, on two occasions, given oral and written submissions to Parliament in response to calls from the Minerals Portfolio committee and on the occasion of the public hearings held for submissions regarding the level of charter compliance in the mining industry, was the only person from South Africa's marine mining industry to respond with a written and oral submission.

Specialist consulting services have been provided to a range of clients **and in April 1998 the writer was engaged by the erstwhile Chairperson of Alexkor, Adv. Nona Goza on the merits of outsourcing Alexkor's inshore mining operations.**

By the end of the year, Alexkor had introduced the outsourcing model for the first time in the SOE's history and the inshore operations showed an immediate improvement, increasing steadily as the new model was bedded down until the effects of climate change brought about a trend reversal post 2002. Notwithstanding the severe negative impact on diving operations brought about by climate change, Alexkor's inshore mining business has consistently provided the performance to sustain the SOE.

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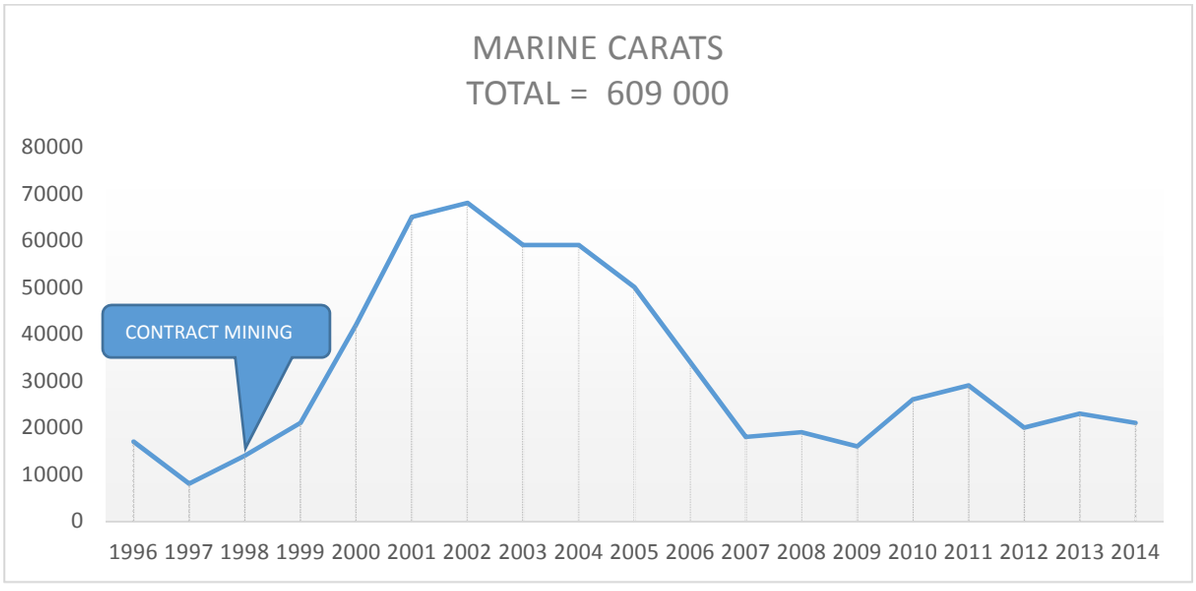
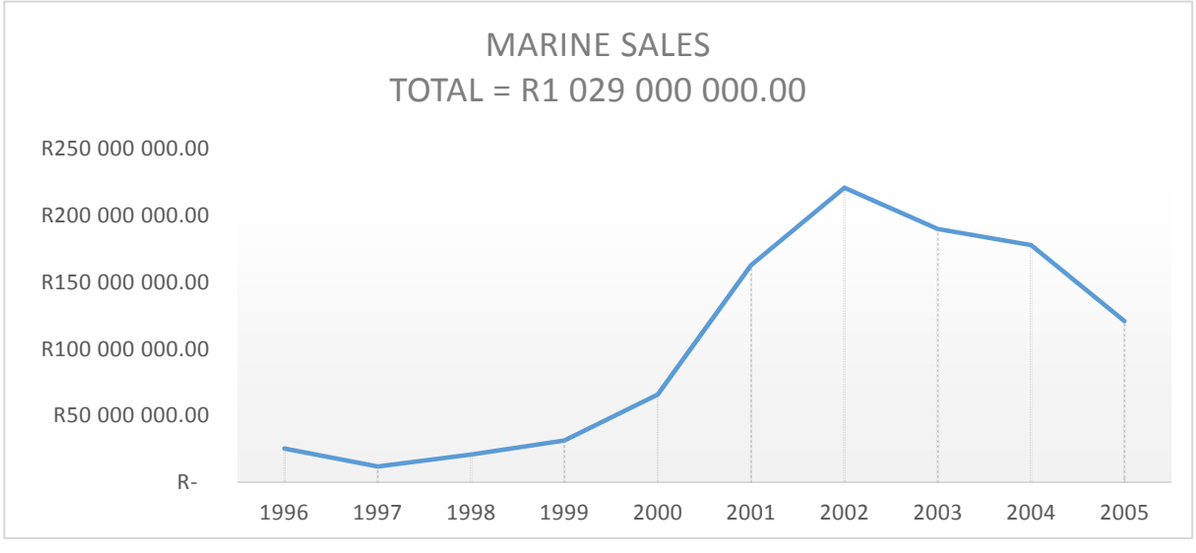
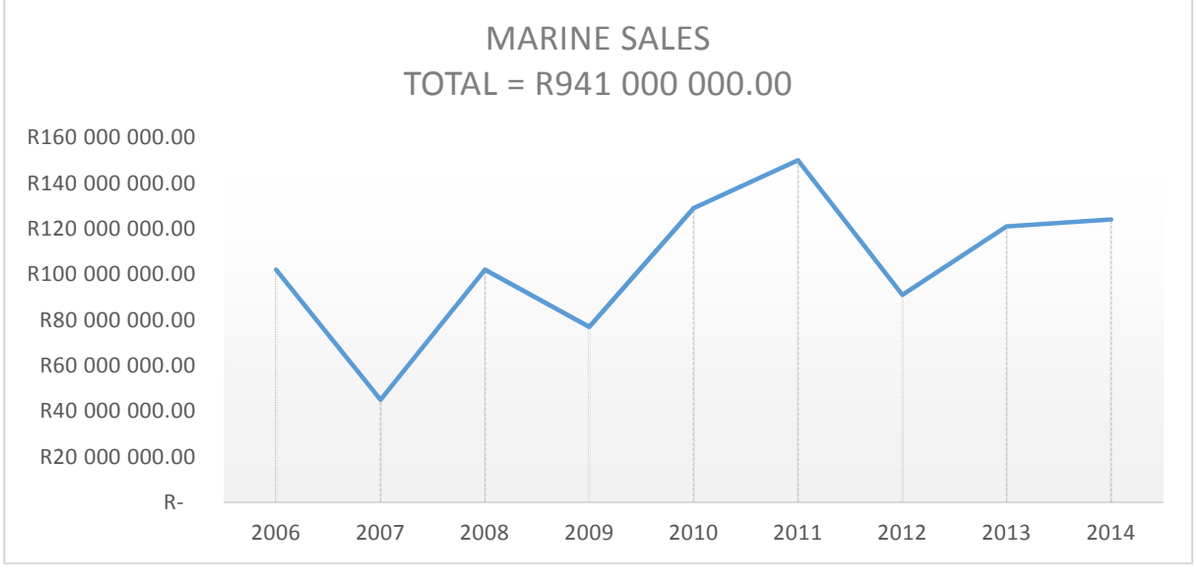

MARINE CARATS
TOTAL = 609 000
80000
70000
60000
50000
40000
30000
20000
10000
0
CONTRACT MINING
1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014


MARINE SALES
TOTAL = R1 029 000 000.00
R250 000 000.00
R200 000 000.00
R150 000 000.00
R100 000 000.00
R50 000 000.00
R-
1996 1997 1998 1999 2000 2001 2002 2003 2004 2005


MARINE SALES
TOTAL = R941 000 000.00
R160 000 000.00
R140 000 000.00
R120 000 000.00
R100 000 000.00
R80 000 000.00
R60 000 000.00
R40 000 000.00
R20 000 000.00
R-
2006 2007 2008 2009 2010 2011 2012 2013 2014

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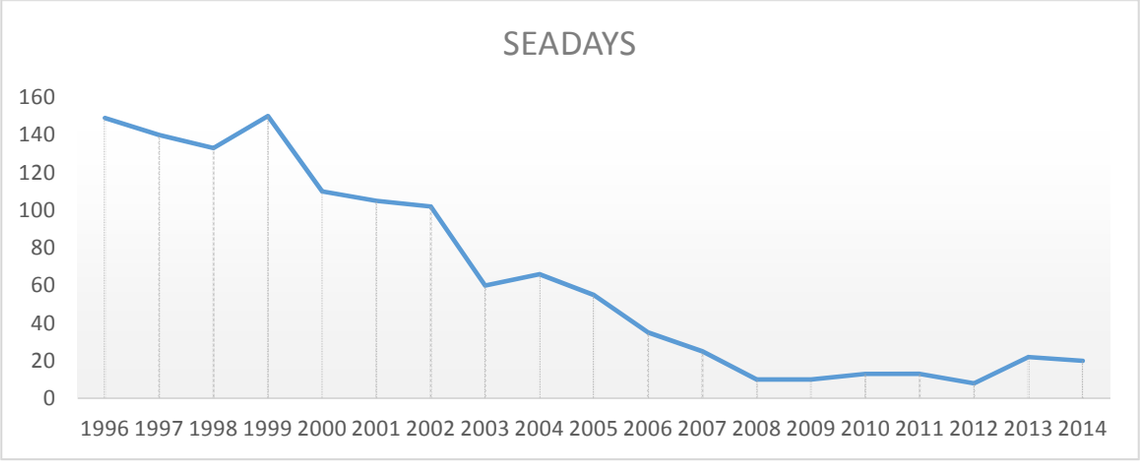
Initially, the industry believed the change in the weather pattern was cyclical and would soon snap back to the long term average and indeed this seemed to be the case in 2004. Unfortunately the negative trend returned in 2005 and today there is acceptance of the reality that high seaday frequencies are in the past.



Two Alexkor contractors responded strategically in 2005 to the existential threat climate change posed for diver-based mining. The one, Jaco Van Niekerk, disposed of his two mining vessels, one of which was built by Rapid Mining in October 2002, and concentrated on beach mining as a means of reducing seaday-dependence. The other was myself.

I began building a new purpose designed mass flow excavation mining vessel in St. Helena Bay using Tallie Marine Boat Builders and completed the project in time to arrive in Alexander Bay harbour on New Year's Eve and began mining operations on the 11th of January 2006 followed by three diving days in a row.

Tallie Marine Boat Yard – 2005

Peacock Bay – 2007

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The first attempt at mining through sand took place at Noordkop in block 74 and produced a total of 87.1 carats including one stone of 6.86 carats, one of 5.62 carats and one of 12.14 carats.

In the decade following that successful maiden trip I have dedicated myself to building a sustainable future in marine mining by developing expertise and technology capable of overcoming the challenges that are steadily becoming insurmountable to operators of conventional mining units using traditional methods.

The effort and R&D investment during the past ten years has led to the successful completion of the proof of concept phase, concluded late last year with two provisional patent registrations for a novel new mining method and technology that is eminently scalable towards providing the capability to mine the ancient wave cut terraces and mega paleo river channel beneath the mud belt of the Orange River delta.

This situation, together with Alexkor's legally unassailable right to the delta and the primary submarine paleo channel of the Orange River sets the scene for the most significant diamond play since the kimberlite discoveries in Canada's Northwest Territories. Alexkor is in my view, God willing, about to become the next Ekati of the diamond mining industry.

Ocean Digger and Ocean Heritage operating at Cliffs on sea concession 2a.

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2. THE GEOPOLITICS OF THE DELTA PLACER.

The 1890 English–German Helgoland Boundary Treaty which was reaffirmed by the OAU in the Cairo Declaration of 1964 defines the boundary between Namibia and South Africa as a line commencing at the mouth of the Orange River and ascending the north bank of that river to the point of its intersection by the 20th degree of east longitude.

Therefore the border between Namibia and South Africa is not, as many think, located in the middle of the Orange River's Thalweg (main channel) but actually along the northern bank of the river.

In a recent court case reported on by Carmel Ricard on the 26th of November 2015, the matter came into stark relief when a Namibian farmer tried to evict a small community off what he believed to be his property. His farm is situated on the northern bank of the Orange River and he wanted to develop a waterfront tourist attraction.

The farmer, a Mr Willem Agenbach, had to withdraw his case when it became apparent that he had no locus standi by virtue of the fact that the community was living in South Africa and may even be SA. Citizens.

Illustrated in the image above are (1) a white line representing Namibia's proclaimed boundary, (2) Google Earth's incorrect placement of SA's northern border, (3) the position of Alexkor's concession 1a northern boundary as reflected on Fleximine and (4) a survey beacon identifying the international and AU recognised South Africa / Namibia border boundary.

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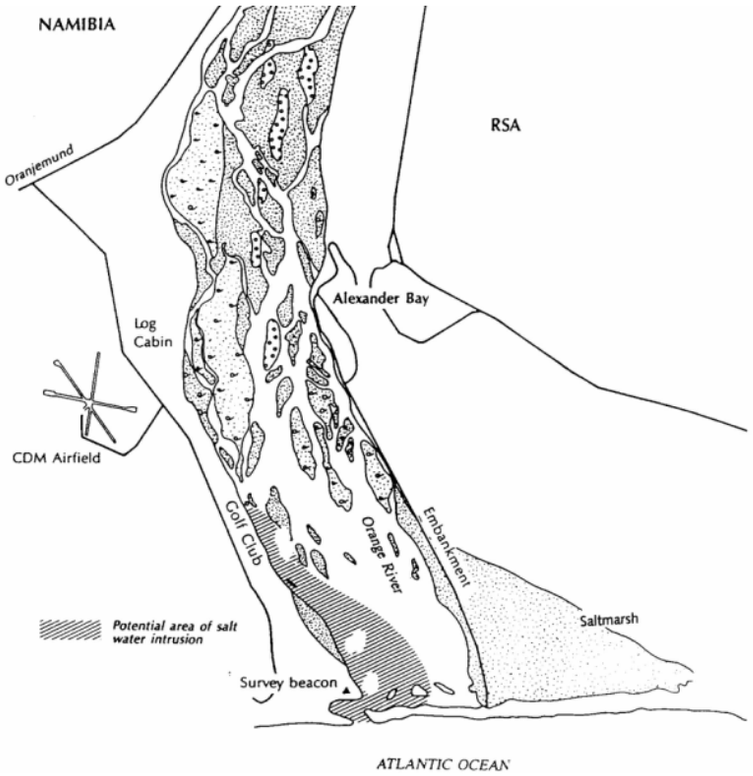
I personally ground truthed the beacon on the 3rd of January 2016 and while the mast and top have been removed the base and pedestal are still in existence.

Survey beacon for identifying the LTP of the border between Namibia and South Africa.



Map indicating the location of the survey beacon.

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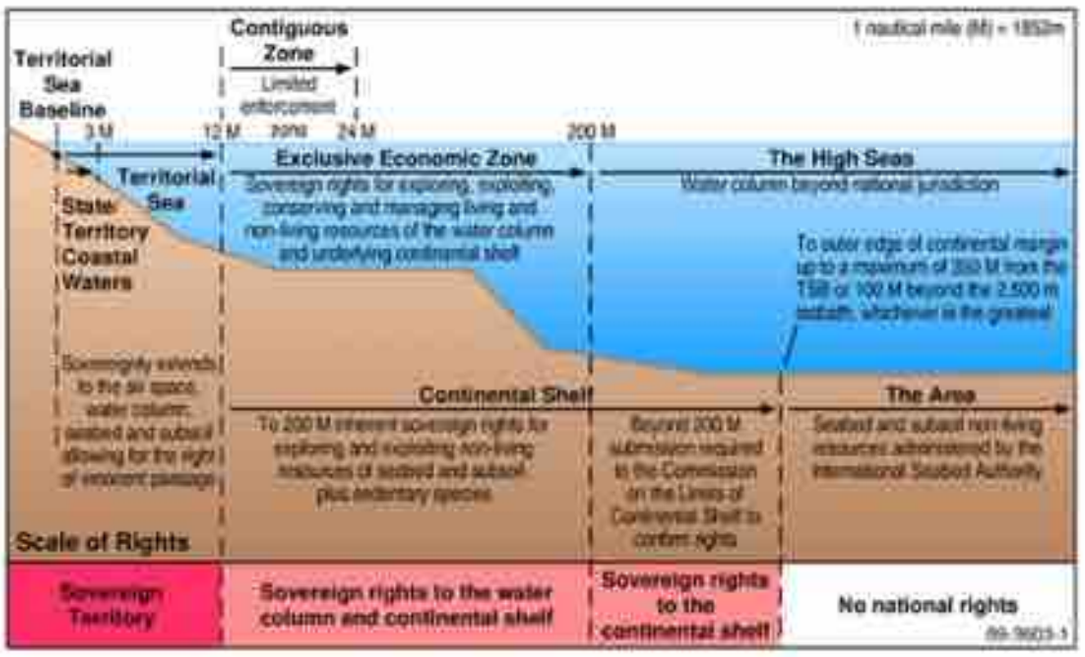
According to the United Nations Convention on the Law of the Sea (UNCLOS), the Maritime Boundary begins at the LTP (land terminus point), which is where the terrestrial international border terminates at the coast.

As mentioned above, according to the Anglo-German Helgoland Treaty of 1890 and the Organization of African Unity Cairo Declaration of 1964, the border between South Africa and Namibia runs along the northern bank of the Orange River, not the middle. This has not changed nor can it change without an Act of Parliament.

Therefore, while Namibia and De Beers want the Maritime Boundary shifted 2 250m south-east down the coast, Alexkor and South Africa actually have the right to move it 650m north-west up the coast from where it is currently located.

This puts at risk a total of 1073 km^2 of South Africa's sovereign territory across the EEZ within which the richest diamond placer in the world is located and which I believe gives rise to a matter of national strategic importance that should immediately be brought out into the open for all South Africans to debate and express views upon.

This figure is calculated by adding the differences of 2250m (Namibia's ambition) and 650m (South Africa's lawful claim) and multiplying by the 200 nautical mile (370km) EEZ distance as illustrated below.



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The Orange River Delta Mega Diamond Placer is **literally a national treasure of strategic economic importance** and a matter to which all stakeholders, but most importantly Alexkor and its shareholder as developer and custodian respectively, must give attention to with the appropriate levels of concern commensurate with the scale of the negative economic consequences South Africa and in particular the Northern Cape Coastal Community could suffer if not dealt with wisely.

After decades of land mining in Namaqualand, the extraction of millions of carats of diamonds and nothing to show but massive unemployment, poverty, inequality and environmental devastation, we should be paying very close attention.

3. THE GEOLOGY.

The land and marine portions of the diamond placer located at the mouth of the Orange River between Alexander Bay and Oranjemund have been the richest source of alluvial diamond production in the world for almost a century. The run of mine quality is unsurpassed by any other deposit known to man.

Alexkor is in the process (according to the latest available annual report) of shifting its strategic focus away from diamonds to coal just as the global economy is reducing its dependence upon fossil fuels. At the same time coal, natural gas and oil supply is becoming over-abundant.

In contrast, the mid to long term market fundamentals for diamond producers has never looked better and those with good assets are preparing for the future with a great sense of enthusiasm and urgency.

On Saturday the 9th of January 2016, De Beers launched their new diamond sampling and exploration vessel SS. Nujoma from the slipway at Kleven Verft Norway, for the sole purpose of collecting seismic data and sediment samples in order to build an intelligent 3d digital model of what predominantly belongs to the people of South Africa.

The cost of the vessel was £150 million and constitutes a R3 billion investment in merely understanding (not mining), this world class marine alluvial placer. The only sector of the diamond resource on the west coast of Southern Africa that has not been surveyed by De Beers and modelled is the delta.

The reason for this is that the mud overburden not only places the underlying ore beyond reach of the current state of their mining art, it has also been, until now, beyond the reach of De Beers' underwater survey capability.

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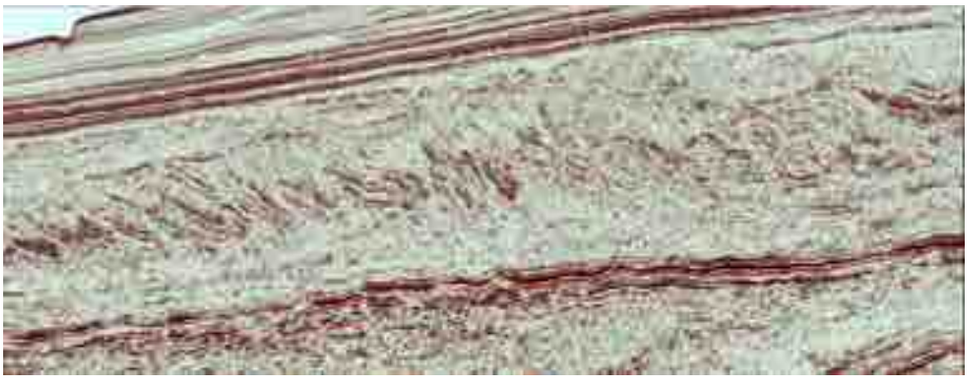
There can be no doubt, notwithstanding the boundary dispute between Namibia and South Africa, that **De Beers has begun a multi-billion dollar play for the Orange River delta placer**. It is perhaps worth noting that De Beers has closed down the South African Sea Area's and no longer operates anywhere in our waters with the only exception of its supply vessels that operate out of Port Nolloth in order to provide a service to the Namibian mining fleet.

Their first phase in modelling the delta placer was concluded last year by SpectrumGeo using airborne seismics. The image below, provided by Debbie Sewell of SpectrumGeo, Multi-Client Sales Manager EAME based in the UK, is a sample of the data collected.

The sample is a screen grab without any intelligence, scale or metadata so there is no way of determining the identity of the channel in the top left hand side of the data. Both De Beers and IMDSA are quite guarded over their data covering paleo river channels.



GC144

4. THE TECHNOLOGY.

4.1. Past Art.

A number of companies have attempted to develop a shallow water remote mining solution, among them ODM and Transhex. These efforts were well resourced financially, commercially and technically yet still failed in their mission.

For a decade or so from the late eighties a number of airlift vessels were operating in the (b) concessions and it appeared that a sustainable mid-water industry had taken root. Companies were listed on the JSE and the outlook was positive.

With time though it proved to be unsustainable and the mid-water remote mining vessels joined the shallow-water remote mining vessels in the annals of history. In the writer's opinion, in all cases the fatal flaw was the one design approach common to all of the systems developed i.e. **the tool had to make contact with the seabed**. **Without physical contact with the seabed, the mining tool was idle and unproductive.**

Seabed mining takes place in a highly dynamic and hostile environment wherein a contact mining tool is separated from its support platform by a column of water that is incompressible and irresistible. The problem of tool tethering in such conditions results in extremely haphazard and inefficient mining outcomes that are not viable.

4.2. Current Art.

4.2.1. Namibian Technology.

In deep-water remote mining, the industry leader De Beers Marine, is evolving towards horizontal crawler-type tools with flexible risers and away from the vertical Wurth drills and the associated problems of swell compensation inherent with a hard connection between the support platform and the mining tool that is in contact with the seabed.

The Orange River Mega Diamond Placer is an enormous deposit extending down the west coast from north of Luderitz in Namibia down to Doringbaai in South Africa and east to west from terraces as high as elevations of +65m out into the Atlantic ocean to elevations as low as -120m.

GC144

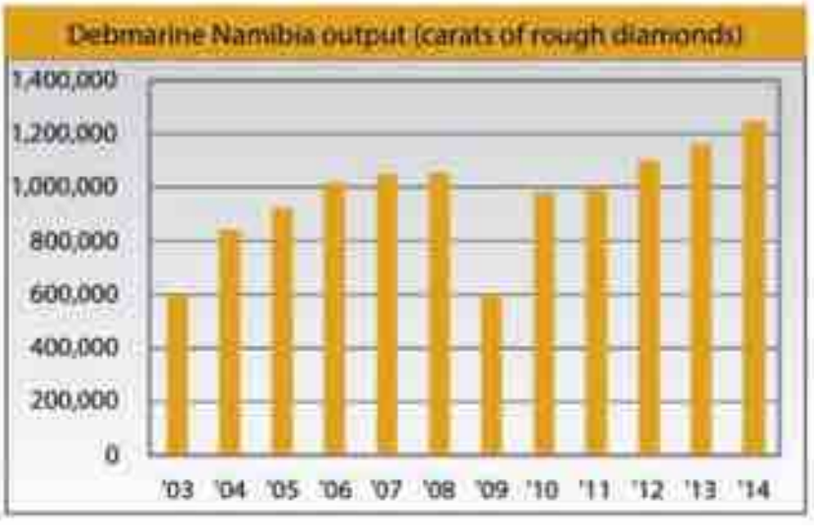
The two seabed mining methods in use by De Beers, the so-called horizontal and vertical technologies, do not provide the mining giant with the TRL (technology readiness level) required for mining through the more central portions of the alluvial fan lens of the Orange River Delta as this demands a fundamentally new mining method, one which De Beers do not possess. For this reason the vessels operate well away from the coastline, 20km offshore where the lens-shaped fan is considerably thinner and the risk of losing a multi-million dollar tool is limited.

In the extract below, the Namibian Chamber of Mines' annual report for 2000 highlights the risks of venturing too far into the mud belt with the wrong technology.

Whilst the mv Kovambo and Namibian Gem operated satisfactorily throughout the year, work-up trials on both the Ya Toivo and Zacharias occupied a considerable portion of the year. A new mining system, NamSSol II, (as reported last year) has been successfully introduced, on-board the mv Ya Toivo and the commissioning phase is well underway. The new sampling tool, developed at an estimated cost of some US $ 1,5 million, has been installed on mv Zacharias.

Unfortunately, at the end of 2000, an operational accident occurred, involving the NamSSol unit on mv Kovambo. Due to a collapse of the underwater mining face, the unit was buried. Extensive recovery operations only managed to recover the upper structure but it proved to be impossible to pull out the undercarriage. The manufacturing time to complete a new undercarriage and commission it is estimated to be between four and five months, during which time production will obviously not take place.

The land terraces have been mined out now after more than a century of intensive, highly mechanised operations. While these terraces occupy a narrow strip of land about 5km wide at the most, we know that the marine terraces extend at least 20km offshore where De Beers Marine Namibia are producing double the carats produced by Namdeb on the shore.



Source: Namibian Chamber of Mines.

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Source: Namibian Chamber of Mines.

In fact Namdeb's land operations are technically marine operations as they are conducted well below sea level by pushing back the sea using the beach accretion method of building seawalls.

In 2005 De Beers Marine Namibia's production drew level with Namdeb's production and from 2009 has been roughly double. It is obvious that the future of diamond mining in Namibia will be seaborne and it is just as obvious that **South Africa urgently needs to develop a strategic plan for its own moribund marine diamond industry**.

We have a reasonable estimate of how many terraces there are as they are wave-cut phenomena and correlate with the changes in sea levels and sea level still-stands over the millennia which sedimentologists have models of.

The two Phakisas, Marine and Mining, **need to place the west coast marine diamond industry front and centre of their dash-boards** or South Africa will squander the greatest opportunity it has right now for a Big Fast win.

It is nigh impossible to exaggerate the potential of our resource and to not imagine that we are on the cusp of the **most exciting era yet in Namaqualand's mining history.**

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4.2.2. South African Technology.

4.2.2.1. First Generation **Mass Flow Excavation** Mining Vessels.

Mass flow excavation in South Africa's marine diamond industry began with the retrofitting of diamond diving vessels by diamond divers building homemade blowers.

It is a process whereby a large diameter column of water flowing at low pressure is used to displace seabed materials with particle sizes ranging from that which is typical of fine clay up to boulders. I have personally seen evidence of boulders over one tonne having been rolled around like marbles on bedrock.

The concept was first introduced to the industry in 1994 after South African diamond divers returned from Cuba where they participated in a wreck diving project that involved excavation of seabed sand using devices based on the concept.

The devices they observed consisted of ninety degree ducts mounted onto the stern of the diving vessels by means of a swing arm launch and recovery system as illustrated in the photo below of a wreck hunter's vessel. The ducts would be swung down into position and located with the inlet directly behind the vessels propellers such that the water flowing from the motive force of the propellers would be captured and vectored through ninety degrees, thereby creating the equivalent of an artificial current flowing down onto the seabed.

Two examples of Florida based wreck diving vessels.

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This current billows horizontally outwards as it engages with the seabed, lifting sediment into suspension and transporting it radially outwards from the point of ground engagement thereby creating an excavation pit which provides access to buried targets i.e. wrecks in the case of treasure hunting and diamondiferous gravel in the case of marine diamond mining.

Soon after the concept was introduced it was rapidly adopted by many marine diamond miners with vessels that were suitable for retrofitting of the device. The devices became commonly referred to in the diamond diving industry as “blowers”.

The most successful of these vessels has been the DMV. Gega, built originally by Gal Marine to operate out of Luderitz but later bought by west coast diamond veteran Joe Retief of Doringbaai who retrofitted the vessel with a homemade blower.

DMV. Giga operating on concession 12 (a) and close up of her homemade blower.

These “blowers” were not engineered, just simply fabricated in back yards using fibre-glass and resin. In spite of the remarkable success of these primitive blowers, the state of the art did not progress any further for the next decade.

The water colour painting below of an underwater mining scene provides an illustration of the mine pit environment and is followed by actual underwater photography taken of the scene.

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“The Last Dive” in memory of Dave Baker.

Photographic composite of an underwater mining pit excavated by DMV. Giga.

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4.2.2.2. Second Generation **Mass Flow Excavation** Mining Vessel.

In early 2005, following a rigorous planning process in 2004, Rapid Mining commenced production of the marine diamond industry's first **purpose built** mass flow excavation diamond mining vessel.

The DMV. Ocean Digger was completed by the end of the year and became operational in January 2006, operating under contract to Alexkor out of Alexander Bay harbour.

This resulted in a significant competitive advantage with increased excavation capacity, increased productivity and greater consistency within an industry that was in drastic decline due to depletion of the coastal terrace's diamonds and climate change impact.

It is worth noting that the diamond diving industry has been mining the same shoreline terrace for over four decades and continues to do so using the same basic method. The industry has hardly begun exploiting the next terrace lying at an elevation of -12m. In terms of the whole marine diamond placer we have made no meaningful impact at all. (Yet!)

4.2.2.3. First Generation **Mass Flow Mining** Vessels.

While the industry continued to decline, Rapid Mining's expertise grew exponentially on the back of rigorous research and development, continuous improvements, rapid prototyping and a three million rand capital investment into setting up an advanced engineering workshop in Alexander Bay.

The very large hydrodynamic forces to which our excavators are subjected to internally by turbo-flows and externally by swell-flows under the boat place enormous loads upon them. To withstand these loads we have to use very high grade duplex stainless steel alloy imported from Finland that requires a dedicated workshop to prevent contamination from mild steel.

In 2012 the company built the **DMV. Ocean Heritage, a new 47 gross registered tonnage motor fishing vessel** incorporating an integrated 450hp mass flow excavation system that brought about a step change in shallow water mining's evolution **by progressing from mass flow excavation to mass flow mining.**

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Again the design cues were focused on maximising excavation power but the size of the propulsion package was too large for the hull and structural modifications had to be made to accommodate the large propeller, gearbox and main engine that are more than double the standard specification for the vessel's size.

The photo below shows the boat builder carrying out hull modifications to the engine room of Ocean Heritage followed by photos of the propulsion package which was the largest ever built into a fifty foot vessel.

Hull modifications required for the 450hp propulsion package.

Ocean Heritage's 12L Scania main engine and Twin-Disc gearbox prior to custom fitting.

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Ocean Heritage's 1.3m diameter propeller imported from Teignbridge UK.

Outokumpu 2205 duplex alloy propeller duct prior to installation.

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Installation of the 1.4m diameter MFM duct.

Launching of Ocean Heritage at Tallie Marine Boat Yard on 24th January 2012.

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DMV. Ocean Heritage provided a further gain in competitive advantage and resulted in the acquisition of a capability to mine hitherto sterilised deposits that lie in close proximity to the mouth of the Orange River where overburden sediment is progressively thicker due to the delta's alluvial fan but which also provide progressively larger diamonds with exponentially higher $/carat value.

With the pioneering capability of Ocean Heritage to mine through overburden over five metres thick it became apparent that the excavation process could **be extended beyond the conventional excavation modality applied to the task of stripping overburden and into the actual mining process itself.**

On land, alluvial diamond gravel deposits on ancient terraces are traditionally mined using a process incorporating four discreet steps.

- First, the barren overburden material is stripped away by mechanised excavation to gain access to the diamond bearing ore using hydraulic excavator machines.
- This is followed by mechanised mining of the ore layer down to bedrock using the same machines.
- Thirdly, the bedrock is manually swept by teams of bedrock sweepers using pneumatic vacuum systems.
- Finally, the collated heaps are picked up with digger/loaders and transported to processing locations either in the field or at centres.

In the ocean, the same basic process takes place but due to the inshore mining industries dependence upon manually operated dredging systems, the mining and elevation of the gravel ore to the vessel on the surface is fused into a single, seamless operation as the diver drives the suction hose nozzle into the interstitial gravel packed tightly between the boulders.

Consequently, the productive capacity of the mining system has been limited to the physical capacity of the diver on the suction nozzle. The practical effect of this is that the amount of power that can be brought to bear on the physical mining of the ore has been limited to about 0.2kw and even then only in the case of a diver in peak physical condition. Put differently, the equivalent power of a kitchen light bulb at best.

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The manual and low powered diamond diving method is rendered extremely slow and painstaking due to the physical structure of marine diamond gravel deposits that are continuously subjected to the geological process of compaction and cementation.

This phenomenon typically results in a composition that is highly resistant to shear forces and which requires a lot of effort to transform it into a free-flowing aggregate that can be effectively dredged.

The semi-cemented structure of marine alluvial diamond deposits is the greatest productivity constraining factor governing the rate at which these gravels can be broken out of the ore face and hoisted to the surface using centrifugal pump dredging systems on concessions that have been mineralised by alluvial processes. **(Namibia's aeolian deposits are different)**

The problem of shear strength has been attacked many times over the past few decades by the mechanisation attempts described in section 4.1 above. None succeeded due to the complexities arising from an approach based upon physical contact between the tool and the ore body.

The picture below of a conglomerate sample containing a 3.7 carat diamond mined from the -12m terrace off Alexander Bay, illustrates the **refractory nature of Alexkor's marine diamond ore**.

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By adopting a fundamentally different approach, that **of non-contact ground engagement**, the barriers to mechanised underwater mining are removed thereby opening the way for introducing **industrial scale levels of power** matching or exceeding earth moving machines like the Bucyrus RH400 shovel that can excavate 45m³ of rock in a single scoop.

This is achieved **by extending the power and efficiency of mass flow fluid dynamics** beyond the functionality of excavation and into the mode of **fluid-based mining** during which the ore is disaggregated into a state of good dredgeability by increasing the velocity of the water flowing from the excavation tool.

The same principle was discovered by Californian gold miners in 1853 who called the process hydraulic mining. The new technology revolutionised the industry and increased production by orders of magnitude.

Californian gold miners cutting away hundreds of feet of hillside using hydraulic mining.

At this point of the mining cycle the gravel is well disaggregated and highly dredgeable but not feasible due to the overwhelming number of obstructions posed by large cobbles, rocks and boulders amongst which it is lying. As soon as the dredge-head comes into close proximity with these objects they pack the front grid of the nozzle and block the flow of size gravel.

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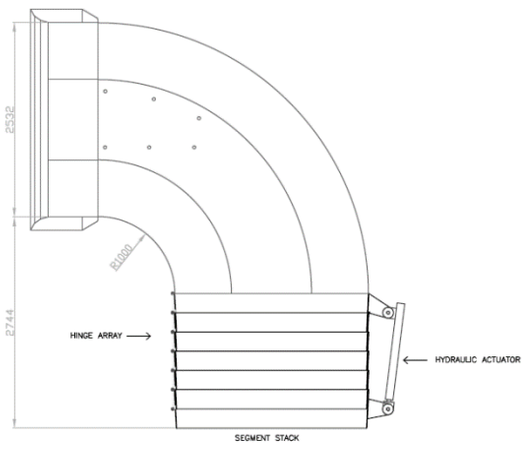
As discussed in section 4.1 above, for a period between the late 1980's up until about the middle of the first millennial decade, it seemed that a successful remote mining method had been developed by companies mining the (b) concessions lying 1km offshore in water depths over 30m.

That approach was simply one of brute force. By engineering airlift systems that had long heavy duty steel suction pipes weighing between ten to twenty tonnes, the ships movement under influence of ocean swell was used to generate kinetic energy to drive the suction-head between the boulders with enough force to knock blockages off or through the grid.

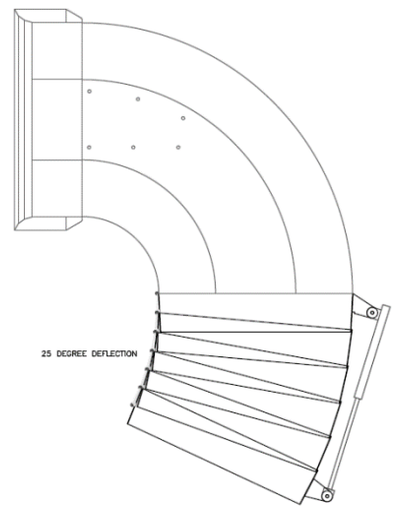
In time the method proved to be unsustainable due to extreme inefficiencies in terms of energy consumption and bedrock cleaning ability akin to excavating archaeological sites with jackhammers. Consequently, all mid-water operations were decommissioned and by the end of the first decade the entire fleet had been disposed of.

As before, the answer is to be found by the adoption of a new approach in attacking the problem. Rather than attempting to bulldoze boulders out of the way by force, thrust vectoring of the mass flow stream is applied to the solids in the mine pit as a means of providing **hydrodynamic sizing**, thereby achieving the **sub-sea equivalent of in-field screening**, which proved to be a game-changer for land mining.

The enabling thrust vector technology for this capability is the **patented nozzle geometry developed by Rapid Mining** as illustrated below.



Excavation mode



Hydrodynamic sizing mode

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4.2.3. Future Art.

The lack of a competent mining method to develop the delta placer was recognised as a phenomenal opportunity for Rapid Mining **when the R&D investment into optimising mass flow excavation progressed beyond the original design intent and into the development of the mass flow mining method**.

In hindsight this was an inevitable progression brought about by the field work exposure to the physics of mass flow fluid dynamics and the opportunity, as a diver, designer and fabricator, to build prototypes and immediately test them in the ocean while **observing the fluid/seabed interaction in real-time and full scale**.

The rapid prototyping and high rate of design iteration cycles provided a rich learning environment for knowledge accretion and build-up of competitive advantage.

5. THE WAY FORWARD.

5.1. Next Generation Mass flow Mining Vessel.

Rapid Mining has the expertise to successfully design, build and operate vessels substantially larger and more complex than Ocean Heritage, however careful consideration must be given to lead time.

The larger and more complex a project, the longer the lead time and the longer the delay in generating income. Furthermore I believe it is strategically vital to continue demonstrating South Africa's technical superiority for delta placer mining operations due to the threat of litigation from Namibia at the International Court of Justice, before which Namibia partitioned against the Helgoland Treaty's favourable wording towards Botswana in regard to the sovereignty of the Sududu Islands.

However, it is also no longer prudent for one individual to continue the journey into the future of South Africa's marine mining development alone and without external sources of funding. Therefore the next phase of development must also provide sufficient scale to attract investor interest and accommodate new equity and expertise partners for Rapid Mining.

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Therefore the choice of vessel type, gross registered tonnage, deck mining plant and mass flow mining tool **must not only be a game changer for both Alexkor and Rapid Mining but also realistically executable within twelve months.**

The vessel must, as a game changer, be able to achieve the following with ease.

- Intersect all marine terraces with elevations higher than 30m bmsl.
- Competently mine all of these terraces chasing them right into the heart of the delta regardless of sediment overburden thickness. It is worth noting that the marine terraces buried deep beneath sand will also be well preserved like the land terraces were prior to 1927 when there was no sign of them except for fine traces of oyster shells in the top-soil.

1937 Aerial photo showing the excavation of Marensky's oyster line terraces. Note that beyond the diggings, there is no sign of them.

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Recent photo of the same area taken at ground level.

- Collect accurate data and provide high quality geological, mine plan and mine works reports to Alexkor.
- Comfortably operate out of Alexander Bay harbour.
- Work in adverse conditions and achieve a minimum of 20 seadays per month.
- Produce, hold and deliver large volumes of gravel safely.
- Swiftly offload gravel, return to site and re-commence with mining.
- Not exceed the safe manning requirements for 200GRT vessels.

5.2. **A Fast Track Proposal to Alexkor.**

With the above key criteria established as the basis for selection of the primary design cues the following vessel specification emerges.

- Total Build Time – **12 months to first carats**.
- Basic Vessel Make and Type – 63 foot Tallie fishing vessel with 90 tonne gravel capacity.

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- Propulsion/Excavation Package.
  - Scania main engine – 1200Hp.
  - Wartsila two speed marine gear – 1:4.5/2.25.
  - Teignbridge 6 bladed propeller – 80” x 74”.
  - Cruising speed – 12kts.
  - **Mass flow rate – 29 tonnes per second.**
  - **Overburden displacement rate – 6.5 tonnes per second.**

- Positioning, navigation and remote sensing.
  - Real-time kinematic centimetric GNSS.
  - Survey grade pitch, roll, yaw and heave motion referencing.
  - Real-time 3D sonar visualization and multi-beam bathymetry.
  - Low frequency sub-bottom profiling capable of penetrating the sediment at the mouth of the Orange River.
  - Custom built code for GIS information management system.
- Deck plant.
  - Twin 10” diver dredging system.
  - Single 14” remote dredging system.
  - Hydraulic LARS (launch and recovery system).
  - Hydraulic anchor handling system.
  - Hold gravel handling capacity to manage production rates up to 15T/hr.
  - Submersible pump for high-speed evacuation of gravel hold.

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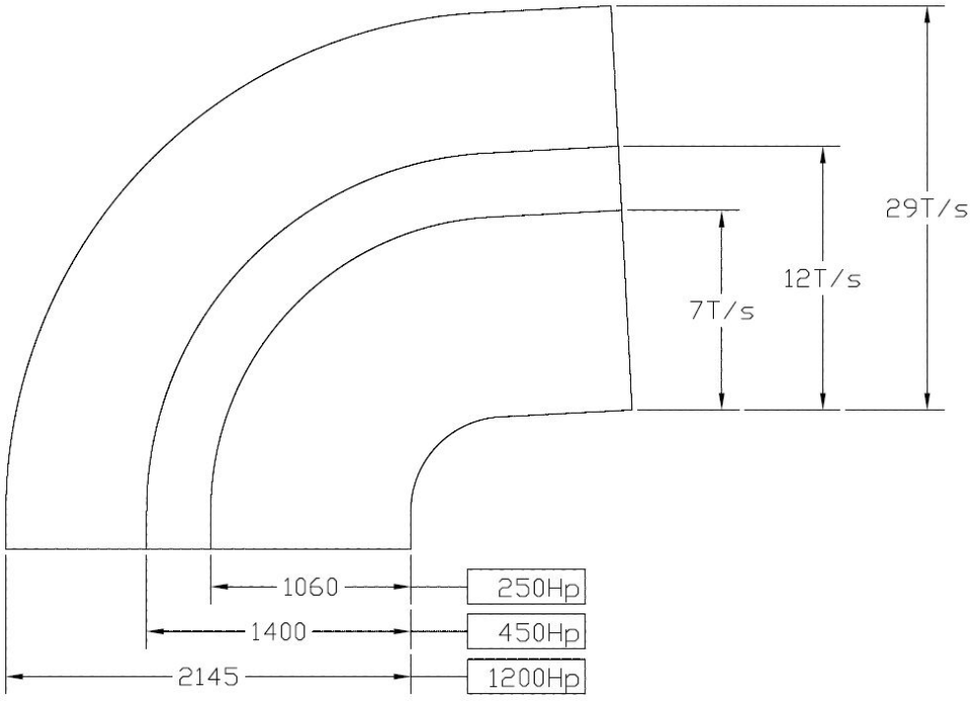
6. TECHNICAL COMPETENCE.

With thirty years of experience in designing, building and operating waterborne diamond mining systems and ten years as the leading innovator of mass flow excavation technology for the marine diamond industry, Rapid Mining has evolved to become the world leader in this unique domain of expertise.

The line drawings that follow illustrate the steady technical progress that Rapid Mining has achieved since arriving in Alexander Bay in the summer of 1998 and the projection forward to the next generation of design.

Details of earlier projects dating back to 1988 are available on our website: www.rapidmining.com



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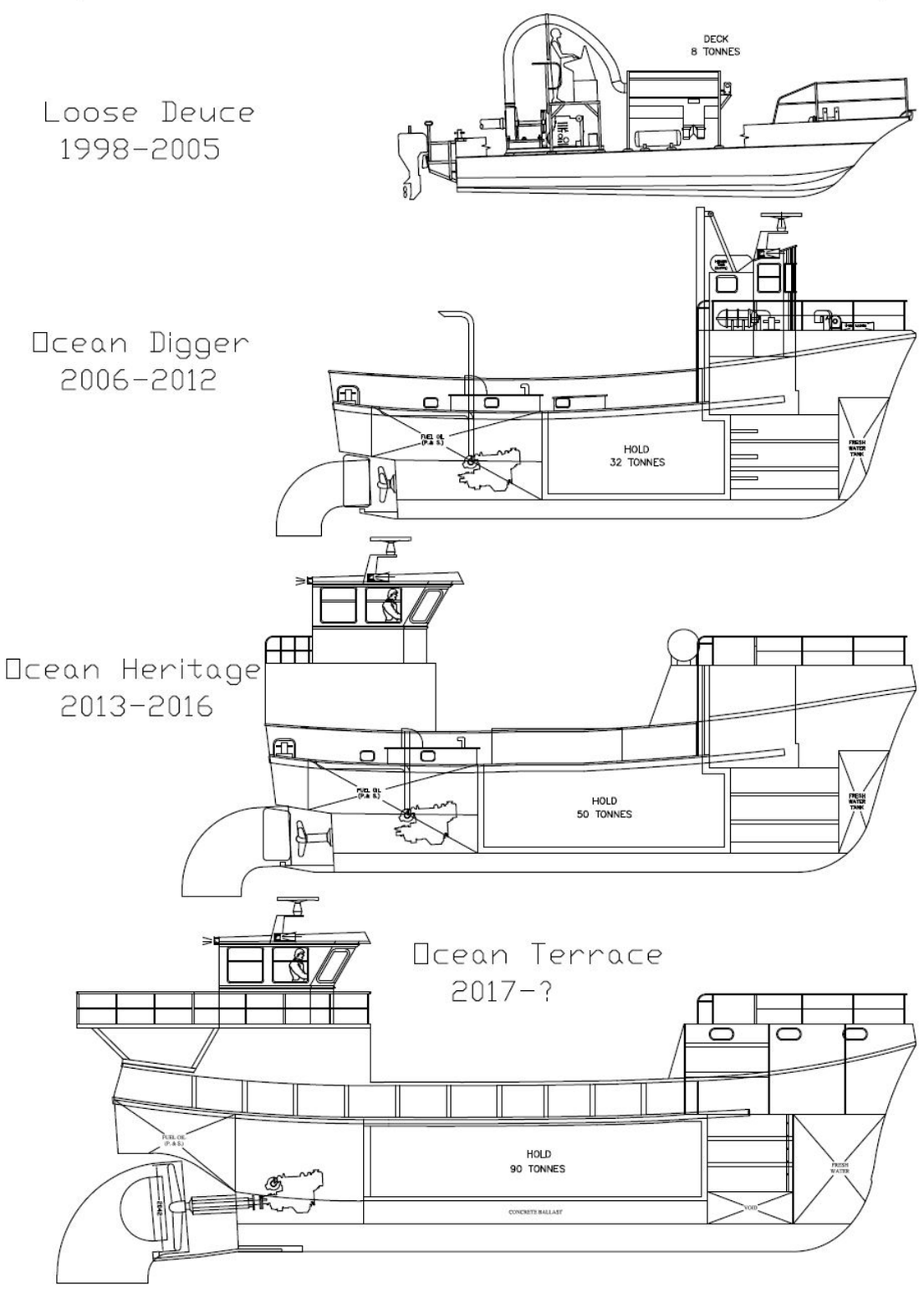
Loose Deuce
1998-2005
DECK
8 TONNES
Ocean Digger
2006-2012
HOLD
32 TONNES
Ocean Heritage
2013-2016
HOLD
50 TONNES
Ocean Terrace
2017-?
HOLD
90 TONNES

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7. CONCLUSION.

When requested by Adv. Goza many years ago to advise on the merits of introducing independent contractors and to give a technical presentation to the board in Cape Town, the event was hosted by Alexkor's auditing firm in a board room located in a building called "THE TERRACES" situated at 34 Bree St. One cannot easily miss the irony.

The truth regarding Alexkor's real value will not be found in the SOE's balance sheet but in the minds of those who understand the business of mining diamonds from the sea and Alexander Bay's unique heritage as "Die Baai Van Diamante".

Rapid Mining has sustained meaningful technical progress with very limited resources in terms of finance, manpower, infrastructure and support while operating on a concession that is heavily sterilised by other contractors who lack the level of technical ability to compete with Ocean Digger's vessel, the DMV. Ocean Heritage.

With the support of Alexkor and my highly experienced new partners this progress could be rapidly accelerated into a project of local, regional and indeed national strategic importance. Alexkor's support could take the form of a partnership, financial assistance or contractual instruments or a combination thereof.

My partners and I are highly motivated by a profound faith in the future and it is our sincerest hope that we have succeeded in igniting the same level of enthusiasm at Alexkor and the PSJV for the marine potential in the region.

GC145

CONTRACTOR REPRESENTATIVE BODY

P.O Box 2
Alexander Bay
Fax: 0866898704
Tel: 0825736740
contractors@mweb.co.za

2nd June 2010

Attention: Wiaan Basson
Acting Mine Manager
Alexkor
Private Bag X5
Alexander Bay
8290

Dear Sir

The meeting with Alexkor on 31May 2010 has reference.

1. According to the 2009 annual report, the CEO's basic salary was R1 646 329,00 in FY2008 and R2 366 171,00 in FY2009 which translates to an absolute increase of R719 842,00 or a relative increase of 43.72%. At a recent meeting a statement was read in which the CRB expressed its view that this was an application of double standards as Alexkor has repeatedly proclaimed a necessity for austerity in denying the contractors an improved deal to offset the negative impacts of climate change. Clearly an increase of this magnitude is not austere.

   We stated further that the increase in salary is particularly puzzling as the previous CEO was better qualified, involved in the day to day running of Alexkor and personally attended every CRB meeting while the current CEO's unwillingness to live in Alexander Bay necessitated the opening of a dedicated office in Johannesburg which greatly increases the CEO's cost to Alexkor.

   It was pointed out at the meeting by the CEO that the figure quoted by the CRB was incorrect where upon the CRB responded that we would review our position in this regard if more information was made available as our source is limited to what is disclosed in the annual report. Until we are furnished with information to the contrary our position remains unchanged.

   Regarding the acting mine manager's salary, the CRB does not know what the quantum is and makes no complaint in this regard.

UW.

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2. In a General Contractors Meeting held on the 10th of May 2010, the CRB was given a mandate by the contractors to support Adamas RCV's endeavours to obtain their diamond sales information from the Diamond Regulator. The CRB therefore did not act in bad faith.

3. The CRB wishes to clarify that any statements with regards to Mr Basson having any interest in other companies was made by an individual in an open general meeting and not by the CRB. The CRB therefore has no position on the matter and the individual who made these statements has agreed to follow up the matter with Mr Basson direct.

Yours Sincerely

Joseph Klaase
THE CHAIRMAN
THE CONTRACTOR REPRESENTATIVE BODY
2nd June 2010

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ALEXKOR

A Marketing Proposal

Prepared

By

Charles Wyndham

May 1998

GC146

SUMMARY

- **Alexkor's is a premium production which is by definition extremely saleable**
- **Despite current difficulties, Alexkor's offshore concessions provide it with enormous potential.**
- **The current marketing contract with De Beers is inequitable, fatally flawed and immensely costly.**
- **Conservatively Alexkor should be receiving at least another R36.5 million per annum on its current production, subject to any price decreases that De Beers may announce. Even then the differential in percentage terms between what is received from De Beers and the market of approximately 16% would remain.**
- **There are no commensurate advantages to Alexkor of selling through the 'single channel'.**
- **Alexkor should immediately start positioning itself to renegotiate with De Beers whilst searching for alternatives.**
- **It will not be difficult to find alternatives. This should be done within a framework of involving Government, the Province, the Company, Labour and its chosen partners.**
- **The aim of any renegotiation with De Beers and others should be to enable the beneficiation of the production by adding value, in particular by cutting.**
- **Alexkor should be used by Government as a window on the market.**
- **Training of small a cadre of people should start immediately to provide Government and Alexkor with its own source of independent advice for now and the future.**

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Introduction

The context for this marketing proposal following a visit by Adv. Nono Goso, Chairperson and Thian Combrinck, Chief Executive Officer, to London, Antwerp and Moscow is as follows:

Alexkor is at present a very marginal and small mine, producing about 180,000 carats a year for which it receives about $300 per carat from De Beers to whom it has been selling for the last 67 years.

Whilst the current Life of Mine (LOM) plan for onshore resources is dire, this is being seriously questioned by current management. It appears that the current prediction of 2 years could be as much as 20 years and comfortably in excess of 10 years.

Management is addressing the issues of productivity and security.

- Production for the last two months has shown a most encouraging increase of 20,000 carats a cycle.
- An international team of security experts has been engaged in an attempt to reduce what is believed to be a minimum loss of 20% through theft.

The third key issue in addressing the mines viability is the issue of marketing. This has been approached not only on the basis of how to maximise the cashflow of the mine in regards to its immediate difficulties, but also in the context of how best to take advantage of the mines undoubted potential.

The offshore potential that Alexkor has cannot be exaggerated. There can be no better address than Alexkor has immediately adjacent to the De Beers concessions which have proved to be so successful. The question is why is there so much commercial interest being expressed in such an unprofitable and small mine which is supposedly coming close to exhausting its resources?

The aim of this proposal is first of all to address **the** priority of achieving the maximum price for Alexkor's production in order to remove any immediate threats to its existence and provide the necessary oxygen to allow the correct long term decisions to be taken. At the same time the proposal will offer suggestions as how to achieve this in the context of maximising the direct and indirect potential of Alexkor.

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Sales to the CSO.

As already mentioned Alexkor, which is owned by government, has been selling to the CSO for the past 67 years. The CSO is the selling arm of De Beers. The contract that government has with De Beers is said to be a standard contract, whatever standard is meant to be. Under the terms of the Alexkor agreement it is paid 86% of the price for which the CSO itself sells the diamonds (what is called the SSV). This raises the following issues:

- The appropriateness of the size of the margin.
- The basis upon which the margin is calculated, the price.

The Margin.

The margin is made up of 10% as a handling fee to the CSO including its profit and the 4% is the mines contribution to the world wide advertising campaign conducted by De Beers to encourage the sale of polished.

As a marginal mine it appears ridiculous for Alexkor to be paying a 4% levy for world advertising. This R10 million a year should go straight to the bottom line. The question should be asked if all producers pay the same 4% on the same terms. The answer is no. There is a strong argument that producers should contribute to the world wide advertising but to liken Venetia or the Botswanan mines to such a small and marginal producer is absurd. That is on the assumption that all are treated equally, the case becomes even more ridiculous if there are exceptions.

Alexkor has already received offers to handle the sale of its production for 4% and less. Each percent represents at least R2.5 million to the company. On this basis, i.e. a differential of 6%, for what is the normal term of a De Beers contract of five years and taking a most conservative production estimate at $50 million per annum this amounts to an additional fee of at least R75 million (R5 to $1) for the full term or R15 million per annum. It will be shown later in this document that even a straight 4% is too high.

The fee charged by De Beers is reduced by the variable additional price (AP) which is paid out of 'any surplus arising from the sale of diamonds by Ditra …' This has recently been running at 4% to 5%. Therefore the net differential in one sense is reduced by this percentage. Taking what has been the 'normal' AP recently at 4.5% and increasing the value to Alexkor by this amount, namely $52.25 million, the net percentage charge by De Beers is reduced to 13.4% or 0.6%.

It has to be asked just how equitable the system is, whatever the margin. As explained later Alexkor's production is a premium production and by definition an easily saleable production. Why should such a mine pay the same margin to sell its production as a Finsch or Venetia mine, both of which produce large quantities of small and cheap goods which require much more work to sell. It is a nonsense and plainly inequitable even within the 'standard system.'

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The Price.

De Beers does not claim to buy diamonds at market price. It buys **most** individual productions against samples which are meant to represent its selling assortment and therefore price. De Beers buys at an agreed discount to its selling price which in the case of Alexkor is 14% (10% margin and 4% advertising contribution). Therefore apart from any discussion on margin the basis of the price is critical.

In Alexkor's case, as with all other South African productions bought by De Beers, the production is valued at Harry Oppenheimer House (HOH) in Kimberley. **At the time of sending each cycles diamonds to HOH, Alexkor has absolutely no idea as to the value of the diamonds.**

The diamonds are sorted in HOH. Sorted means agreed to a sample which is meant to represent the master selling sample in London. Under the current agreement the only information that Alexkor receives about the value of its diamonds is a Valuation Certificate which states the total carats of gem and near gem goods and a total value for each category. There is no detailed break down.

Therefore the company which is buying the diamonds is also valuing the diamonds.

The protection that is offered to Alexkor is provided by Proval the Government Diamond Valuator.

Proval

Proval is a company contracted by the South African Diamond Board. The last agreement was signed in 1994, before the reconstitution of the Diamond Board under a new Chairman and CEO. The agreement runs to the end of 1998.

The issue of Proval received extensive coverage at the recent Commission of Inquiry, where the possibility that the structure within which Proval works is fatally flawed was openly discussed. It is not the purpose of this paper to go into details about Proval but suffice it to say that in my opinion the practice is in fact worse than the theory of the situation. The theory is that the company who buys the diamonds and values them also had a controlling say in the very body which is used to assuage Alexkor that the process is being independently verified.

Alexkor's Production.

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Alexkor's is a most attractive alluvial production. It has a large average stone size. The quality is remarkably good as is the consistency of the shape of the diamonds within the production which explains it being referred to within the trade as 'A B C goods', i.e. easy to manufacture with high yields. As a production it is weighted in the medium colours or commercial colours. This last point is significant in regards to the current market and will be discussed later.

Alexkor's is a premium production. There is absolutely no doubt that carat for carat and quality for quality that it would command a premium. By definition being a premium production it is an extremely saleable production.

The minimum premium that should be anticipated in relation to a standard De Beers contract at any one time for such a production as Alexkor's should be considered to be at least 10%. The one time that Alexkor did get an independent valuation prior to shipment to De Beers there was a difference of 23%.

Opportunity Cost of Selling to De Beers.

Therefore on the basis of the above and looking at the simple financial implications of the current contract arrangements the 'cost' to Alexkor could and should be viewed as follows:

	De Beers $m	**Market $m**
Current sales to De Beers at SSV	**50**	**50**
Add 10% for premium production Sold to market	**Nil**	**5**
	50	**55**
Less Marketing cost	**7 (at 14%)**	**2.2 (at 4%)**
	$43	
Add AP at 4.5% on $50m	**2.5**	

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Net payment to Alexkor.	**$45.5**	**$52.8m**
Net $ Difference per annum		**$7.3m (R 36.5 m)**
% Difference.	**16%**	

If the premium is doubled to 20%, remembering the only empirical evidence available to Alexkor was a difference of 23%, the difference in actual revenue increases to $12.1 million (R60.5 m) or 26.6% on a total net payment of $57.6 million.

Other Possible Advantages of Selling to the CSO

Clearly from the above there is no financial advantage to Alexkor selling through De Beers, indeed there is a very substantial cost. The issue is how much is the cost? Until Alexkor starts to take its own future into its hands the size of the cost will never be known. Various arguments are put forward to support the CSO or single channel marketing:

The Single Channel:
What is the single channel? **De Beers is remarkably adept at blurring its own interests with those of the industry.** An enormous amount of time and money has been spent to make the words De Beers and diamonds synonymous. De Beers is a public company whose correct aim is to maximise **its** profits. It only acts in the interests of the industry in so far as they coincide with its own. The business is referred to as a cartel. The correct word should be monopoly. Cartel assumes the producers are all part of the same decision making process. They are not. They are part of the process but not the decision making, as in OPEC or the failed tin cartel. There are benefits to the industry from 'single channel' marketing. But these are more psychological than practical except for the direct benefits to De Beers profit. Of course the other interesting point is that single channel marketing is in fact inherently illegal in most countries.

The fact is that over the past few years, Argyle has left the system. The CSO has the contractual right to purchase less than 50% of Russian production. The Democratic Republic of the Congo no longer sells directly to De Beers, it sells by tender. It appears most unlikely that BHP and its mine in Canada with an anticipated turn over of $450 million per annum will sell more than 50% if any through the single channel. Angola…

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Two other Southern African producers of similar goods and comparable size, Transhex and Namco do not sell through the single channel, why?

The fact is that De Beers is fighting a rear guard action to preserve single channel marketing. Reality has moved on. Governments and companies are increasingly unwilling to be dictated to by a company which at the end of the day is only interested in its own power which it can convert into profits by stifling competition.

It is absolutely preposterous to contend that a company with sales of about $50 million would have any serious effect on a company or the single channel whose sales last year were well in excess of $4 billion.

Pricing.

Within the industry and well known to the South African Government rough diamond prices do go down as well as up. No one, including De Beers, can buck the market. **Where De Beers does make a most valuable contribution is that it helps even out the volatility of the market, through its ability and willingness to stock diamonds**. However this is done through no altruistic reason but for its own benefit. When it suits, De Beers is more than willing to drop prices, the conflict between it and Argyle when the latter decided to leave the CSO is clear proof of De Beers willingness to defend its control, not prices. Interestingly in the presentation given by Mr Ralfe he said one of the main reasons for the surge in diamond sales to Japan in the seventies and eighties was the appreciation of the Yen to the dollar, effectively a price decrease in real terms in the local market.

Any statistics must be used cautiously. But at the presentation given to Alexkor in London the base for most of the graphs chosen to show the role of the CSO was 1985, the absolute bottom of one of the most severe recessions known to the industry. The fact is that a 4 grainer or 1 carat 'D' Flawless polished stone reached over $60,000 in 1980, to day the figure is less than $15,000. Another diamond dealer to whom Alexkor spoke to in Antwerp was adamant that in real terms prices of rough have still not recovered to the 1980 level. As Mike Mitchell said at the Financial Times Conference in October 1997:

> **'We at Argyle have developed the understanding that a CSO contract does not buffer you from market realities.'**

However powerful De Beers is, and it is very powerful, the market will always be the determining factor. The Bank of England found this out when it tried to control the price of Stirling in the early 90's and is finding exactly the same problem in the other direction to day.

Again at the meeting with Alexkor in London Gary Ralfe in discussing the current market made it clear that any organisation would have to take note of the market reality following on from the Asian crisis. There was the strongest possible hint that prices for Asian polished, which is exactly the area within which Alexkor's production lies, may have to fall. De Beers will of course still be charging the same 14% margin.

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Just as the slogan of ‘ a diamond is forever’ has sunk deeply into the subconscious, so is the idea of De Beers never reducing prices. Both are catch phrases that trip off the tongue easily, both are useful propoganda, both are incorrect.

Quota

Though quota does not affect Alexkor at the present if it reached its potential under a CSO contract it would become ensnared in this arrangement. It should not be forgotten that not only would it be subject to quota but as a South African producer it could become a swing producer, ie be affected even more adversely than its ‘poor’ neighbours in Botswana for instance.

Advertising

De Beers organises a world wide polished advertising campaign. In 1997 it spent $200 million. This campaign is presented as solely De Beers. What is interestingly forgotten in attributing the benefits is that it is the producer who also makes a substantial contribution.

De Beers a public company is actually using producer cash to strengthen its hold on the market over the producers. The latest branding exercise is another interesting potential control mechanism whose motives should be examined carefully by all independent producers.

The Proposal

The proposal is going to be divided into two. Firstly goals and secondly specific recommendations to start the process.

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Goals

A Preeminent Diamond Producer.

As already mentioned Alexkor has one of the most attractive productions in the world. Whilst there are current problems it also has in the offshore an asset of tremendous potential. I do not believe that the on shore should be written off yet either. It should be the goal of Alexkor to be a first class and significant producer that maximises the value of such production.

Maximising value should not be limited to the direct value of the diamonds but also include the possibilities of providing added value through the benefication of the production through encouraging cutting in the Northern Cape, and other related activities.

The best way of achieving this will be to treat the diamond assets as a single entity. Dividing the diamond interests would be damaging. The sum of the parts of Alexkor as a producer is greater than its parts. The jewel in the company's crown is the offshore. This is a form of mining that is highly capital intensive with minimal labour requirement. A holistic approach will prevent significant future problems.

Acquire Skills / Knowledge

The absolute key to achieving the long term control of its own destiny and maximising profits to be used as the company / government see fit is the aquisition of its own independent knowledge. As Mike Mitchell said at the FT Conference, ' Total reliance on a third party…will limit your ability to maximise your prices.' It is essential to go out into the market and acquire the skills, knowledge and contacts.

Window on the Market

Alexkor is a state owned mine. It is strongly recommended that it is used by Government as a window on the market. This could once and for strip away once and for all the myths that shroud the industry and make it so difficult for the Government, Alexkor or any outsider to understand it. The interests of the Government and Alexkor clearly coincide.

This would allow an accumulation of knowledge about rough prices, polished prices and the reality of beneficiation. The diamond industry is important to South Africa. This will be possible without any capital cost to the Government. As is clear from this paper

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the current role of Government Diamond Valuator is woefully inadequate. The Diamond Board are in the process of addressing this when the current contract comes up for renewal at the end of the year. Using Alexkor would provide an immediate medium for acquiring knowledge for the company and the Diamond Board. This would be of great value when structuring and monitoring the new GDV contract.

A window would once and for all break the uncomfortable and unjustifiable reliance of Government on one commercial company who is acting for its best interests, not necessarily those of Government. It would send the most uncompromising message. This message does not have to be negative. Any discussion is better served if it is between parties that are both informed. If it is taken as being negative it says a great deal about the reality of the current situation in South Africa.

There are parallels. Russia the second largest producer after Botswana insists on a window. It claims to have made a great difference to its revenues. Argyle had a window. In fact it was the State Government that insisted that there was a window to protect its revenues.

Marketing Alternative

The strength of any possible negotiating stance depends in the end on the strength of any realistic alternative. Alexkor should start immediately searching for the best marketing solution that meets its aims. The possibility of continuing business with De Beers should not be discounted, however it would have to be on totally different terms. Just as discussing with others will strengthen the hand of Alexkor when negotiating with De Beers, so the option of using De Beers should be used as leverage in discussion with other parties.

The issue will not be one of searching for alternatives but sifting through a myriad of options. Handled correctly and with proper support from its shareholder, Alexkor is in a strong position.

The marketing should be viewed as generating win win situations for all participants. Using the model of ARS in Russia the idea of involving Government, the Province, private capital and expertise and labour really can produce win win situations of great excitement and potential.

The aim apropos of the cost of marketing should be to reduce it to as near to 2% as possible and an absolute maximum of 4%.

Specific Recommendations.

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- **Get at least three independent people to put a value on Alexkor's next shipment prior to sending to HOH.**

- **Give notice to De Beers on 1st June.**

- **Immediately start negotiations with De Beers by inviting them to come forward with suggestions as to how they intend to meet the immediate and long term needs of Alexkor.**

- **Select a small cadre of people for training, say two from Alexkor and two from the Diamond Board.**

- **Budget for costs of travel and subsistence for training.**

- **Open negotiations with other interested parties to provide a holistic and long term relationship to maximise Alexkor's undoubted potential.**

- **As part of this document is attached a training proposal that has been accepted in principle by the Government of the North West Territories of Canada. The same proposal has been put to the Federal Government as part of WWW International Diamond Consultants' tender documentation for the Canadian Government Diamond Valuator.**

CW.
May 1998

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WEST COAST DIAMOND CONSOLIDATION

Discussion document

August 2014

8 August 2014

MINING-04-1203

XX4-GJC-1201

MINING-04-1204

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- Questco understands that Alexkor has recommended that the Government of South Africa ("Government") exits from all diamond mining interests and pursue opportunities relating to strategic minerals
- This presentation proposes mechanisms by which this exit may be achieved in an orderly manner and sustainable value created for all stakeholders
- This presentation follows initial meetings with Percy Khoza and his team, and provides more detail in respect of the concepts discussed at this meeting
- The concepts set out in this presentation are high level in nature and assumptions made are subject to further discussion and verification – we look forward to further engagement in this regard

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Stakeholder Needs Analysis with no mention of the local marine mining industry - it has no credibility

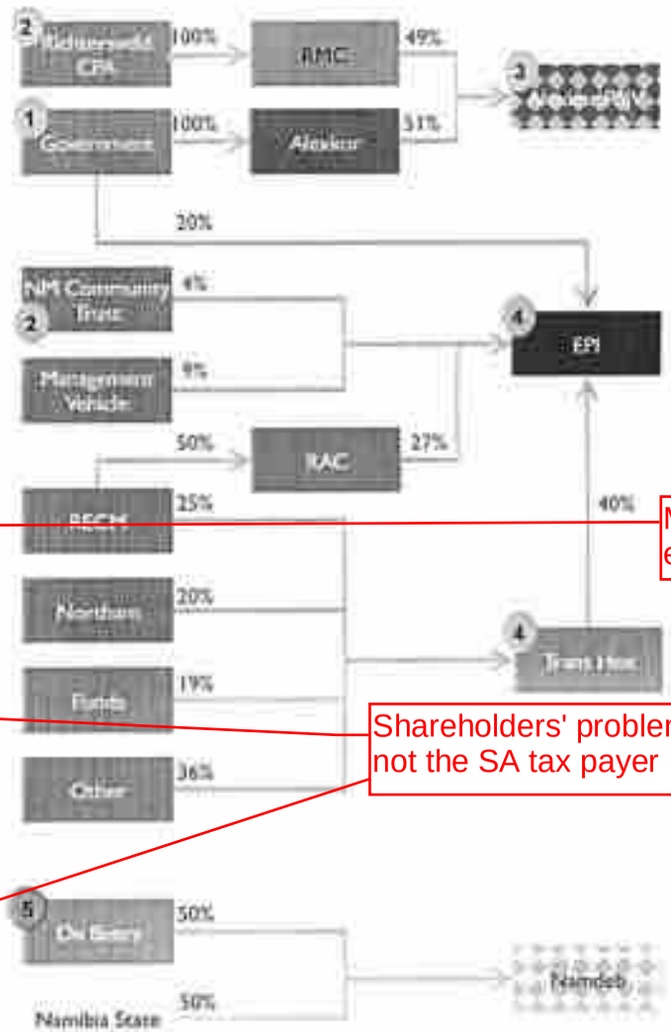
1 **Government**
- 51% of Alexkor PSJV (through Alexkor held by DPE), 20% of EPI (understood to be warehoused for BEE miner)
- Diamonds not strategic mineral
- **Need = sustainable exit from diamond interests at value**

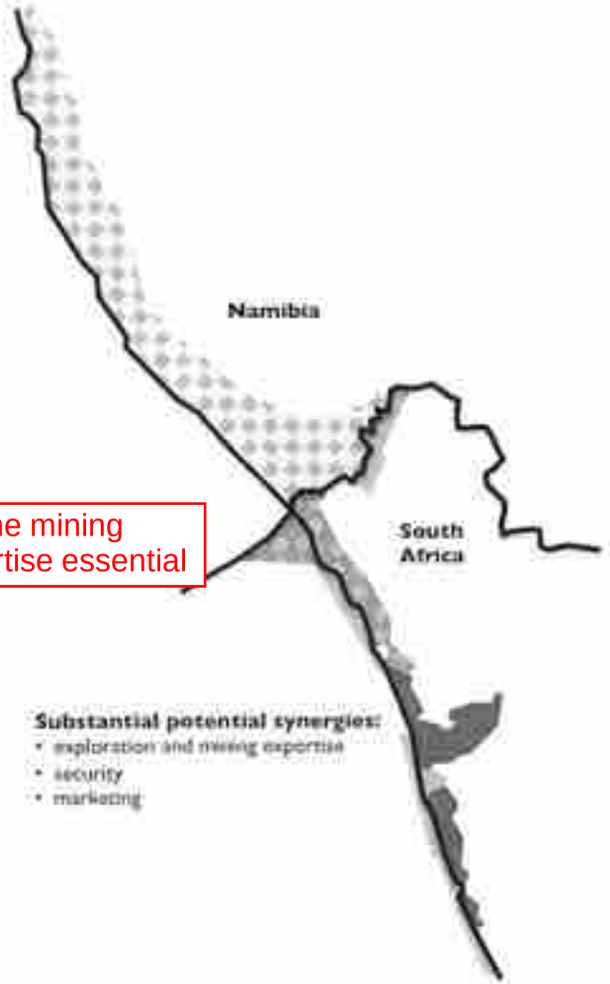
2 **Regional communities**
- 49% of Alexkor PSJV (through Richtersveld CPA), 4% of EPI (through NM Trust) – have equity to transact
- Significant poverty, unemployment
- **Need = realise value from investment, employment, economic stimulus**

3 **Alexkor PSJV**
- Land and marine exploration programmes in place
- Further substantial funding from Government unlikely
- **Need = financial and technical partner post Govt exit**

4 **Trans Hex, EPI**
- Baken almost depleted
- Angolan operations difficult
- Despite EPI transaction, share price has not performed
- **Need = new story for market**

5 **De Beers** (retains Namibia Sea will retain shareholding)
- Land assets becoming lower tier for De Beers over time
- **Need = potential to sell land assets when no longer core**
- Have undergone substantial learning curve in Alexkor mining to potentially offer share in Alexkor marine to attract them to trade Namdeb land (possibility)





Marine mining expertise essential

Shareholders' problem, not the SA tax payer

Substantial potential synergies:
- exploration and mining expertise
- security
- marketing

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Fulfilment of stakeholder needs - without regard for the local marine mining industry

Entity	Identified need	Proposed fulfilment of need
Government	Exit from diamond interests for value in positive and sustainable manner	• Winding up of PSJV and exit by Government in exchange for cash and/or shares which would ultimately be listed (shares would allow for participation in potential transaction upside and liquidity to trade out as required)
Regional communities	Realise value from investment, employment, economic stimulus	• Meaningful shareholding in well capitalised mining company with experienced management team, cash realisation if possible • Consequential stimulus to regional economy from mining procurement • Potential to create diamond beneficiation hub if sufficient scale exists post consolidation
Alexkor PSJV	Financial and technical partner post Government exit	• Introduction of appropriately skilled and adequately financed partner with the vision to realise maximum value from operations for all stakeholders and facilitate Government exit • Creation of management incentive/shareholding structure to provide for sustainable operations
Trans Hex, EPI	New story for market	• Regional consolidation – expanded resource base and associated synergies • Introduction of new anchor partner to take Trans Hex to next level • Enhanced growth prospects
De Beers	Potential to sell land assets when no longer core	• Ability to trade out of land mining (as it has done in respect of other older assets such as Cullinan, Kimberley, Finsch, Koffiefontein, Jagersfontein) • Further potential to trade into attractive marine assets such as the Alexkor 1c concession provided with due regard to the current Alexkor marine partnership

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Proposed transaction elements

Important notes:

The complete suite of potential transactions is set out alongside

Not all elements are vital to the success of the overall transaction

Interdependence of transaction elements increases transaction risk

Given the similar shareholder base, A and B are likely to happen together – conversely, if A doesn't happen, B is unlikely

C is important for regional community sustainability irrespective of suite of transactions completed

D is complex – would substantially enhance critical mass, but is a "nice to have". Would also likely take a long time to close so not a short term exit solution for Government

Possible scenarios are:

- A+C
- A+B+C
- A+B+C+D

Transaction Element	Mechanics of Transaction Element	Comments
A **Alexkor and RMC reverse diamond operations into Trans Hex**	• Alexkor and RMC receive shares in Trans Hex in exchange for vending their diamond interests into Trans Hex • PSJV is wound up • Management incentive/ ownership structure introduced for sustainability • Technical/financial partner introduced • Trans Hex holds 100% of Alexkor land and marine assets	Values Alexkor at less than 1% of its true value • Government would now have a tradeable instrument – option to place or participate in potential upside
B **EPI reverses into Trans Hex**	• EPI shareholders receive shares in Trans Hex in exchange for EPI • Trans Hex holds 100% of Namaqualand Mines	• Government's 20% warehoused shareholding in EPI becomes tradeable Overall structure simplified
C **Restructuring of BBBEE shareholding**	• Consortium shareholding structure consolidated and structured to preserve BBBEE control to the extent possible	• Key final step for BBBEE consortium
D **Acquire 50% of Namdeb land operations from De Beers**	• Acquisition of De Beers' interest in Namdeb's land assets for cash	• Cross border transaction, more complex, so lower priority initially • The potential offer of a share of the marine assets may entice De Beers to trade out of land assets

Ownership of operations assuming all transactions implemented

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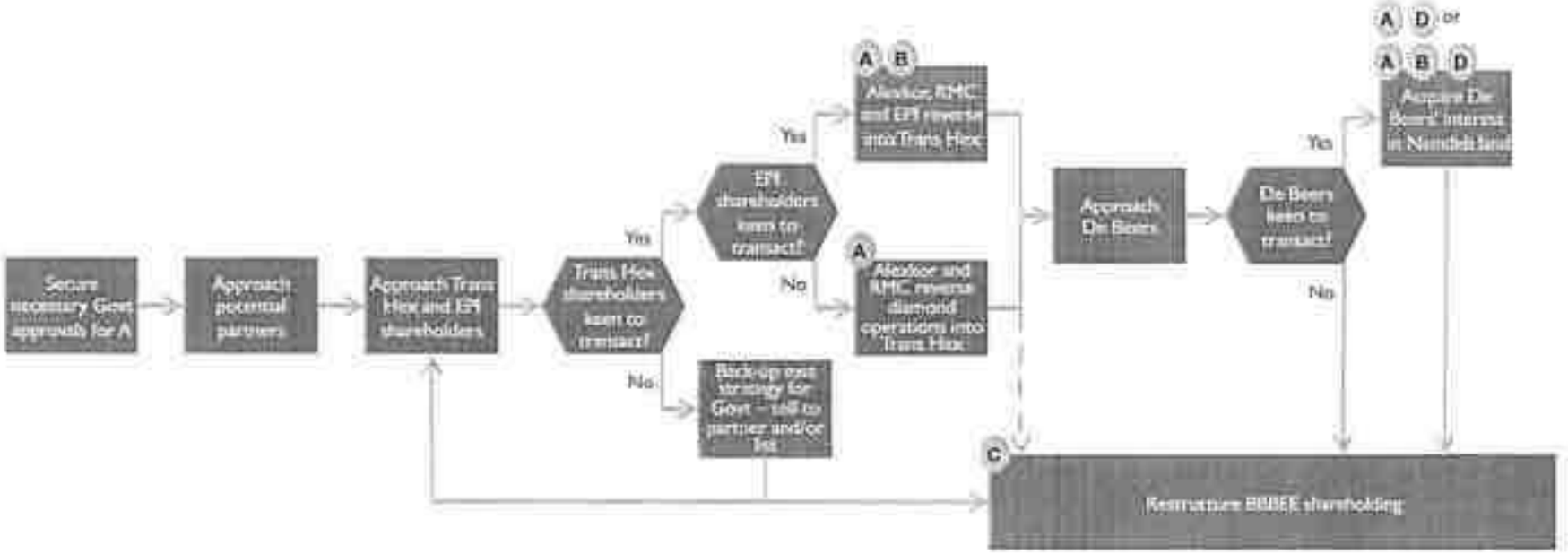

Key transaction considerations:

- Approval to transact should ideally be:
  - sufficient to convince a potential partner to enter into negotiations; and
  - sufficiently discreet so as to not alert other stakeholders prior to securing the partnership arrangement
- Back up exit strategy for Government in the event that engagements with Trans Hex / EPI shareholders fail (likely due to perceived value gap) would entail purchase by partner of Alexkor's share of the Alexkor diamond operations and/or listing of the Alexkor diamond operations. The listing and/or further development of the Alexkor diamond operations would then provide the basis for a more informed relative value discussion with the Trans Hex / EPI shareholders
- Ideally the partner should be comfortable to commit upfront to only implementing this back up strategy in the short term

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EPI

- CPR of Namaqualand Mines on Trans Hex website quotes value of R478m
- NPV value often at premium to market value in current market conditions
- **Assumed value of EPI = R400m**

Alexkor PSJV

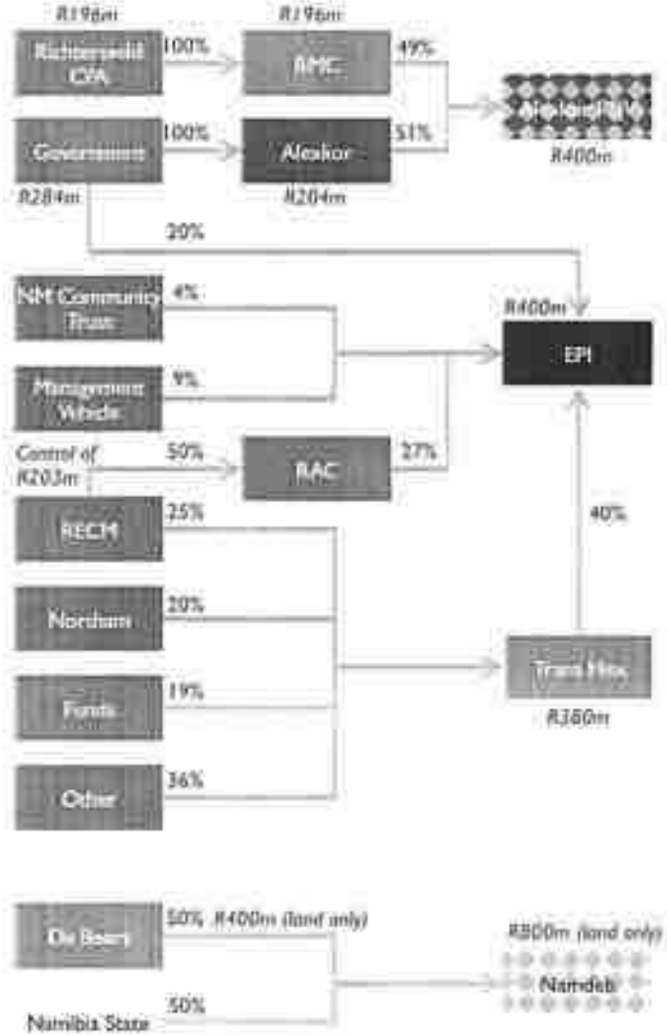
- Assumed Alexkor operations have similar value to EPI
- Assumed land and marine value split 51/49 as per PSJV shareholding
- **Assumed value of Alexkor land operations = R196m**
- **Assumed value of Alexkor marine operations = R204m**

Trans Hex

- **Market capitalisation approx. R380m**

Namdeb land

- Much larger surface area than Alexkor and Namaqualand Mines, but limiting lower grade
- Assumed double the value of EPI
- **Assumed value of Namdeb land = R800m**



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Transaction A: Alexkor operations reversed into Transhex

Trans Hex gains synergistic asset portfolio; additional life of mine; BBBEE control status and a new anchor partner to take it forward in its next chapter

Compelling value story for Trans Hex to take to market, especially in light of non-performing share price

Liquid market for Government to place its remaining exposure if required

BBBEE consortium created to facilitate BBBE empowerment or, if possible, control

Substantial value realisation for Richtersveld Community

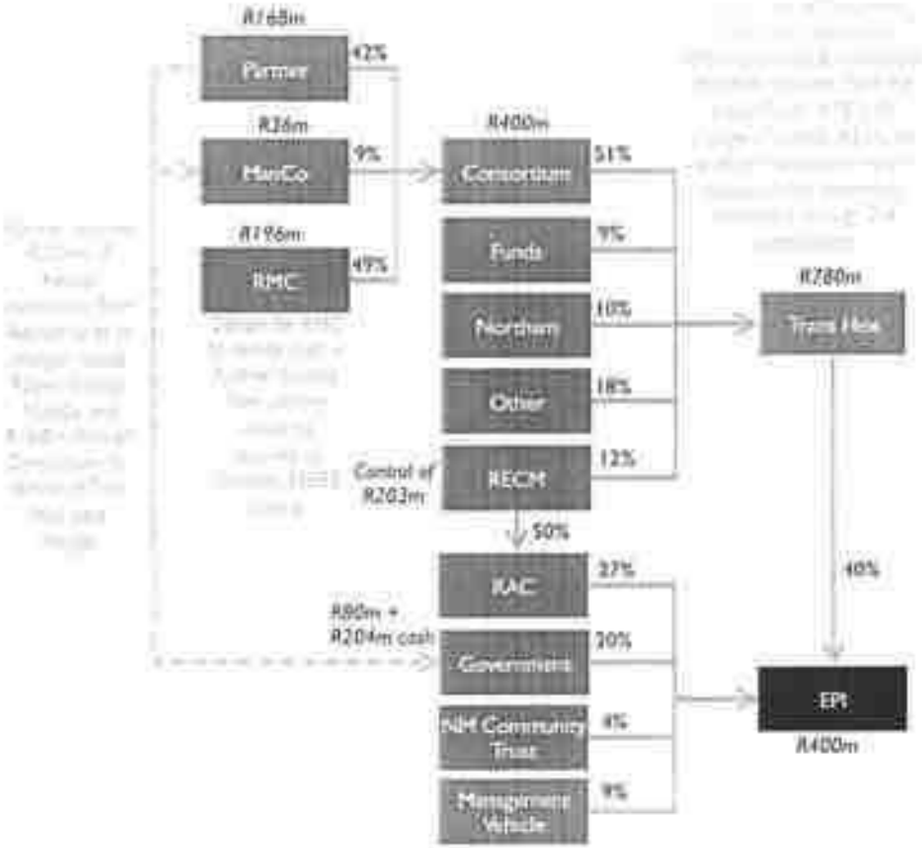
Manco consists of key current Alexkor PSJV leadership (BBBE controlled) – funded into transaction to secure sustainability of RMC operations

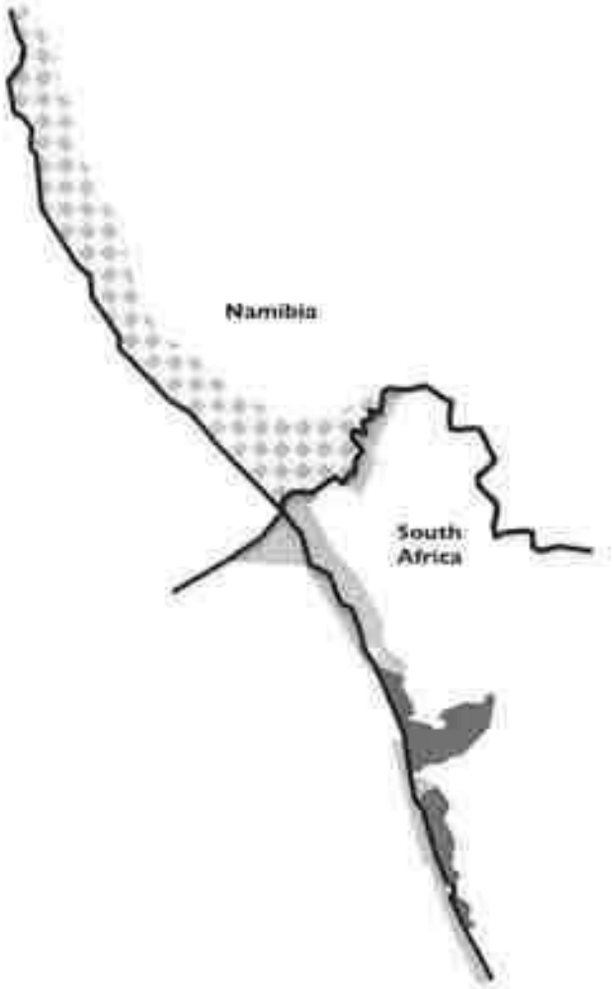
Total partner funding = R168+36 = R204m, potential for a portion of this to be funded through debt

RECM/RAC given the opportunity to supplement the incumbent partner

Manco could seek further gearing to increase participation

Transaction C (restructuring of BBBEE shareholding) also depicted in respect of this Transaction A





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Trans Hex further entrenches its regional presence and retains its BBBE control status

Additional likelihood of re-rating of share price

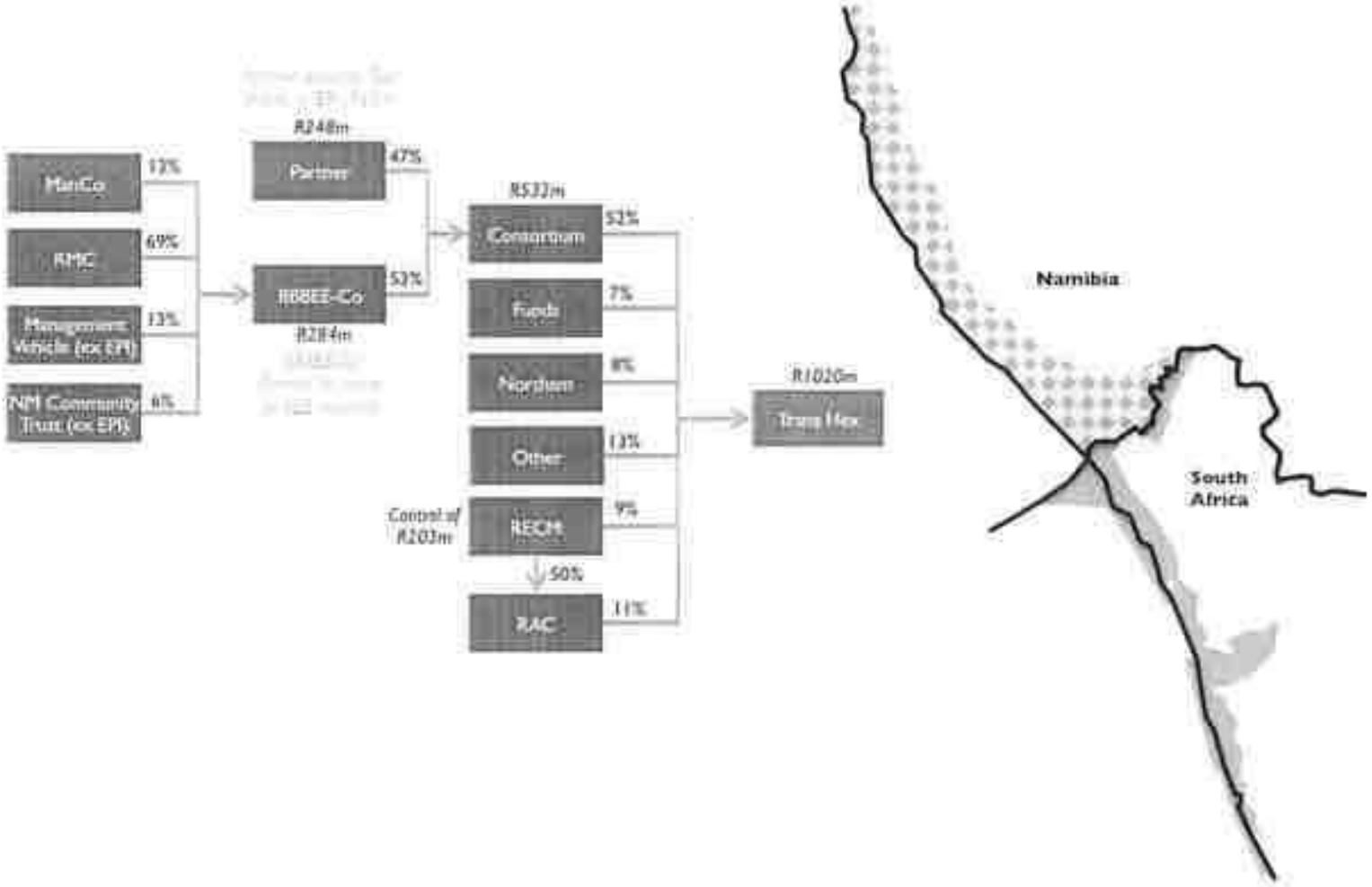
Total partner funding = R204+80= R284m, potential for a portion of this to be funded through debt.

Governance exists all of its diamond interests for a total of R284m in cash

RECM/RAC given the opportunity to supplement the incumbent partner

Manco could seek further gearing to increase participation

Transaction C (restructuring of BBBEE shareholding) also depicted in respect of this Transaction B



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Trans Hex extends its operations into Namibia – 350km of coastline under one umbrella

Further rerating of share price likely

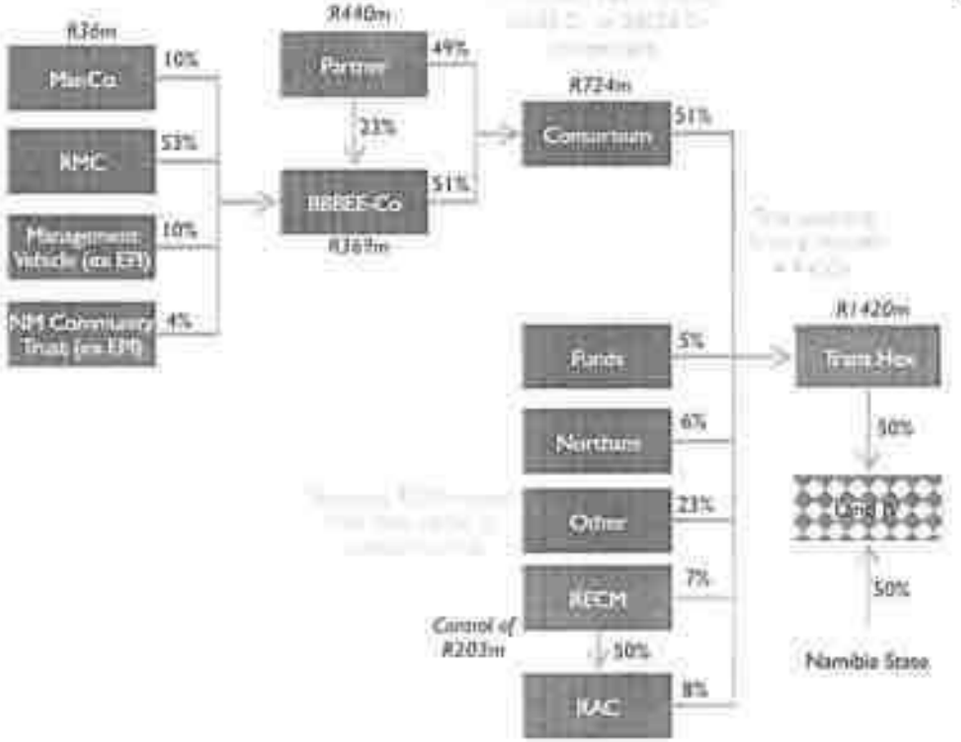
Total partner funding = R284+192 + R476m; potential for a portion of this to be funded through debt

Third party funding sourced to increase free float so as to enhance liquidity of the share

Manco could seek further gearing to increase participation

Potential to reduce funding requirement by selling a share of the Alexkor marine operations to De Beers (due regard given to current partnership arrangements)

Transaction C (restructuring of BBBEE shareholding) also depicted in respect of this Transaction D



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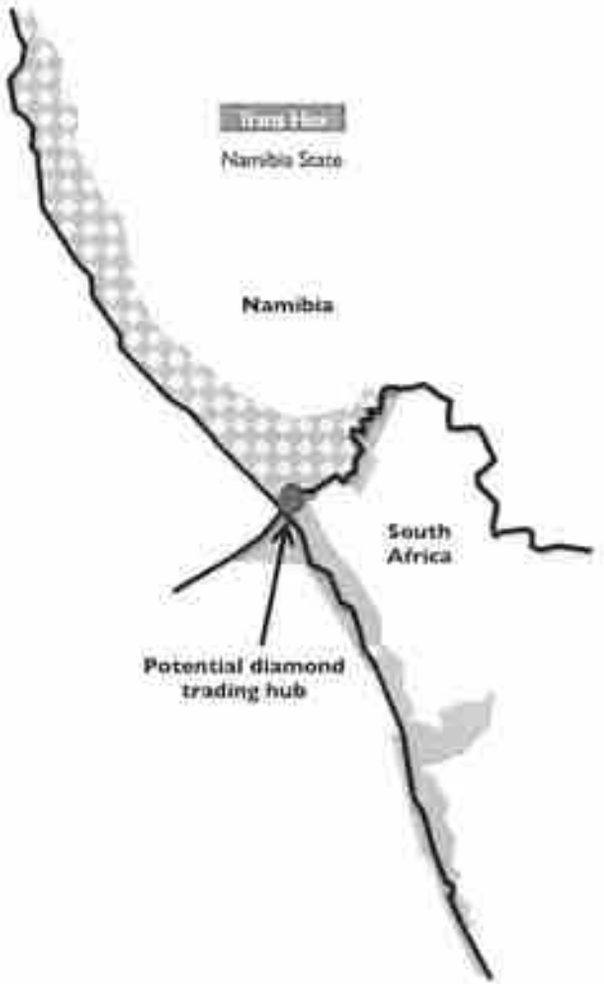
A West Coast diamond trading hub would provide much needed employment and economic stimulus in the region

- Beneficiation (and its consequential economic benefits) is a key imperative for the South African Government, with the **local beneficiation of diamonds** being a focus area
- The development of a West Coast diamond trading hub would provide additional **employment** in the region and create economic stimulus for **secondary businesses** in the region
- The Botswana Government, as a major De Beers shareholder, has recently negotiated the relocation of all De Beers diamond trading operations to **Gaberone** for similar reasons
- Given the **scale** of the De Beers and Botswanan operations, diamond traders will have no choice fly to Gaborone on a regular basis
- The success of a West Coast diamond trading hub would require sufficient **scale** to attract diamond traders to make regular specific trips to the region
- Research is needed to determine the **feasibility** of a West Coast diamond trading hub for Transaction A in isolation. Adding Transactions B, C and D increases the likelihood of such a trading hub being feasible
- Given its under-utilised landing strip and available facilities to underpin development, **Alexander Bay** may be a potential site for such a trading hub
- In the event that Transaction E is concluded, a cross border trading hub spanning **Alexander Bay and Oranjemund** could be an exciting consideration
- **Trans Hex's current cutting works** (75% held by Trans Hex, 25% by a BEE partner) could form the foundation of this trading hub
- **Further studies** would be required to progress the abovementioned concepts



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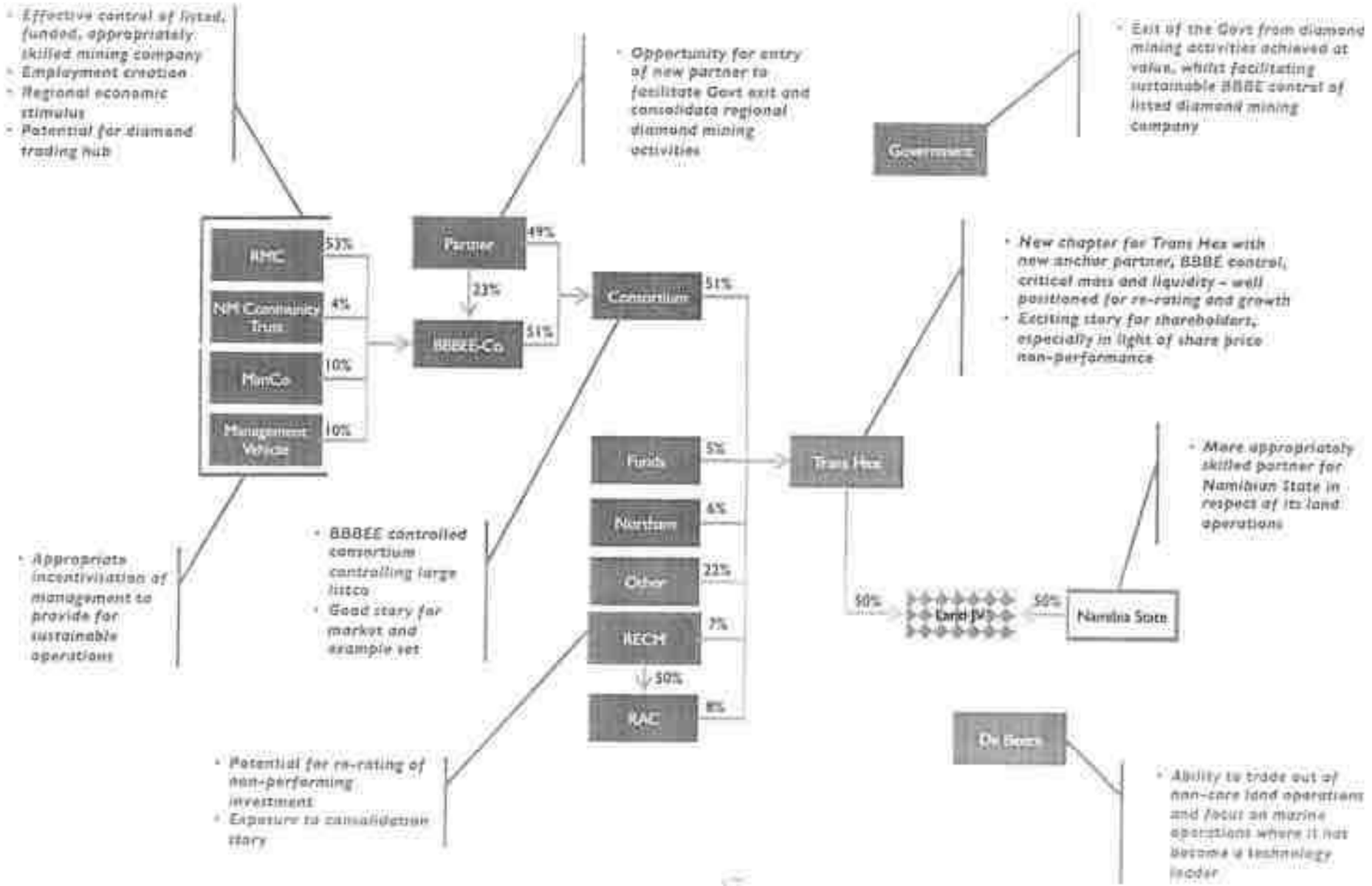

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From: Gavin J. Craythorne
Sent: 18 June 2018 10:37 AM
To: mervync@alexkor.co.za
Cc: kobuselsa@gmail.com; apanizza@kingsley.co.za; adamasrcv@yahoo.co.uk; alluvialmine@mweb.co.za; vernacloete@gmail.com; bluewhite659@gmail.com; czarinabock@gmail.com; ruthleibrandt@telkomsa.net; rolandsaal@gmail.com; simonrhogg@gmail.com; timmyjjd@yahoo.com; martin.ehrke@yahoo.co.uk; daisylogisticsza@gmail.com; daisymining@gmail.com; fwcyoung@gmail.com; pietman0011@gmail.com; rcockrell@telkomsa.net; pieterdewet099@gmail.com; goalfin@telkomsa.net; mogopedi.ditsu@gmail.com; driaand2@gmail.com; esroffshore@gmail.com; rudolf@tiscali.co.za; simonjames@telkomsa.net; willemgewers444@gmail.com; byleveldw@gmail.com; gerticoraizin@yahoo.com; gnicol@live.com; shapiro4000@gmail.com; johncloete@yahoo.com; nevillecornberg@gmail.com; stvanwyk58@gmail.com; jerrym@alexkor.co.za; paull@alexkor.co.za; salvesterj@alexkor.co.za; marianal@alexkor.co.za; georgeh@alexkor.co.za; fredericks@alexkor.co.za; franklinc@alexkor.co.za; jessey@alexkor.co.za; carbyng@alexkor.co.za; hermanangelo1@gmail.com; schreuderfpa@telkomsa.net; kmohan@linkfields.co.za; carelwza@telkomsa.net; tuffarsi@telkomsa.net; cooke@lando.co.za; auburnmalakaza@gmail.com; jacobfredericks23@gmail.com; moyses@telkomsa.net; premier.rose@kingsley.co.za; adeleblom1982@gmail.com; el-marie.craythorne@outlook.com; gpswarts@webmail.co.za; thomasmarkus4y@gmail.com; sue@suecarlstein.com; phillip@pikwanediamonds.co.za; joffiecloete1@gmail.com; josephklaasse@gmail.com; redneb71@gmail.com; riaritasweiswerke@gmail.com; andrefarmer7211@gmail.com; huysamen.dirk@gmail.com; burnett.h@telkomsa.net; rudolf@tiscali.co.za; vanniekerk.alma@gmail.com; vmyoung@telkomsa.net; cml@carlosteixeira.net; accomodation@countryclubpn.net; warrens846@gmail.com; wpmining@gmail.com; qjcloete@yahoo.com; paulo@xsinet.co.za; assievanderwesthuizen@gmail.com; allan.rms@vodamail.co.za; njordmarinecc@gmail.com; asgemstonepty@gmail.com; goldenrewards1476@gmail.com; mcdougallenterprizes@gmail.com; solrae@intekom.co.za; addedtransport@gmail.com; David Pells; henksmith1@outlook.com; jeffreyb@fdth.co.za; nick@selacor.co.za; jacky.molisane@dpe.gov.za; josephklaasse@gmail.com; pieter.swart@dmr.gov.za; Mandisi.Mavata@dmr.gov.za; George.lekorotsoana@dmr.gov.za; Peter.Hendrickse@dpe.gov.za; Nthabiseng.Borotho@dpe.gov.za; Busi.Sokhulu@dpe.gov.za; rgevcpa@gmail.com
Subject: WHAT IS ALEXKOR'S STRATEGIC PLAN FOR THE FUTURE?
Attachments: 20100428_MUISVLAK MANIFESTO & SUPPORT BASE.pdf; 20140808_QUESTCO DOCUMENT.pdf

Dear Mr Carstens,

FURTHER TO YOUR MEMO TO YOUR STAKEHOLDERS ON 13 JUNE 2018.

1. Please confirm or deny the authenticity of the Questco Document, attached.
2. Please refrain from misrepresenting the goals of the EAC, which goals are succinctly captured in the Muisvlak Manifesto, attached, and which has the support of the overwhelming majority of local small-scale marine miners in the Northern Cape.
3. The EAC would like to invite Minister Pravin Gordhan to Alexander Bay to address the people of Richtersveld, Port Nolloth and Alexander Bay about their futures as stakeholders of Alexkor. Should the Minister accept our invitation, would you be prepared to provide the town hall and would you be prepared to participate in a debate on the topic of Alexkor's strategic plan for the future with the EAC?

We look forward to reply.

Your's in nation building
Messrs Nicolaai, Klaasse & Craythorne.

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THE MUISVLAK MANIFESTO

PREAMBLE:

The Northern Cape small-scale marine diamond industry should be structured in a manner that gives effect to the principle of equitable access.

This is a rational and legitimate expectation for the community to hold and it is also our government's stated intention in terms of the BEE Mining Charter and MPRDA which are emphatic in this regard. The community's right to equitable access is also enshrined in the Bill of Rights.

The reality is that many of the marine diamond concessions in the Northern Cape are either dormant or moribund due to the absence of equitable access for small-scale miners who alone possess the means of extraction whilst the rights holders themselves have no extractive capacity of their own, choosing rather to outsource the risk and effort and collect rent or suspend operations. This extravagant laissez-faire approach is made possible by the fact that shallow water mining is not the core business of the concession holders who have access to robust alternative revenue streams.

It is profoundly harmful to our community that such a vast and valuable national asset can be rendered inaccessible by the refusal of the rights holders to accept the harsh new reality facing marine mining SME's. A reality in which seadays have declined steadily from one hundred and fifty in 1999 to twenty in 2009.

The EQUITABLE ACCESS CAMPAIGN was established by members of the small-scale mining community on 28th April 2010 at the Muisvlak Convention Centre, situated between Port Nolloth and Alexander Bay, in order to pursue the right of equitable access to the diamond resource located beneath the waves of the adjacent Atlantic Ocean.

We will strive to bring this about by undertaking the following.

COMMITMENTS:

1. Uniting all Northern Cape small-scale marine mining businesses in pursuit of equitable access to the province's marine diamond resource through the acquisition of marine mining rights.
2. Identifying and targeting marine concessions that are not being utilized and developed in accordance with the BEE Mining Charter and MPRDA.
3. Engaging with the rights holders of these concessions in good faith in the hope of bringing about a friendly and orderly transformation and revival of the industry.
4. Where unsuccessful in this approach, using any and all means of lawful and ethical leverage to bring about transformation in the spirit of nation building.
5. Establishing the Small-scale Marine Diamond Miners' Co-operative as a commercial entity to hold mineral rights on behalf of the community and to facilitate the professional and optimal exploitation of the resources accessible under those rights.
6. Bringing back skilled miners that have left the industry due to the decline in profitability and lack of equitable access and encouraging newcomers to the industry by lowering the barriers to entry and offering mentorship programs.
7. Ensuring that the principle of equitable access extends downstream in the value chain to small beneficiators by ensuring a constant supply of high quality rough in small, affordable parcels.
8. Ensuring that the unique diamond diving heritage of our community is shared with the world by partnering with the tourism and cutting industries in order to take advantage of the compelling synergies that exist between the three industries. It is unacceptable that our tourists must drive to Johannesburg to buy a diamond from the sea.

CONCLUSION:

The small-scale marine diamond industry has been the bedrock of the Northern Cape coastal region's economy for decades. The lack of equitable access has resulted in the effects of climate change, resource depletion and prohibitive operational costs bringing about the decimation of a once vibrant and unique seafaring heritage.

It is time to lead our industry into The New South Africa. **Muisvlak - 28th April 2010.**

GC149

DECLARATION

We, the undersigned small-scale marine mining businesses, support the Muisvlak Manifesto in full.

Small Mining Business	Black Ownership		Company Representative		Contact Number	Signature
ABUTI 1103	100%		Anita	Panizza	078-428 3017	
ALE VINCE DIAMONDS 1	100%		Vincent	Young	082-8060 814	
ALE VINCE DIAMONDS 2	100%		Vincent	Young	082-806 0814	
ALE VINCE DIAMONDS 3	100%		Vincent	Young	082-806 0814	
ALLUVIAL MINING 1		50%	Hermien	Rossouw	082-414 0008	
ALLUVIAL MINING 2		50%	Bonita	van der Berg	082-472 2487	
ALLUVIAL MINING 3		50%	Johan	Strauss	072-337 2050	
BBC DIAMONDS 1	100%		Ronny	Coraizin	083-612 2507	
BBC DIAMONDS 2	100%		Franscious	Bekeur	082-788 5053	
BDC DIAMONDS 1	100%		Bobby	Cloete	078-210 2933	
BDC DIAMONDS 2	100%		Fabian	Panizza	083-874 4750	
CCHR MARINE 1	100%		Roland	Saal	082-805 7089	
CCHR MARINE 2	100%		Freddie	Van Niekerk	073-782 6048	
CDH SEA DIAMONDS	100%		Fanie	Cupido	073-654 3169	
CIRRUS DIAMONDS 1	100%		Derek	Uys	083-633 5970	
CIRRUS DIAMONDS 2	100%		Calvin	Losper	072-173 1956	
CIVITATUS 1	100%		Tiemie	Daniels	083-639 6465	
CIVITATUS 2	100%		Gerald	Thomas	071-432 4662	
CIVITATUS 3	100%		Victor	Gansie	072-313 8794	
CIVITATUS 4	100%		Edward	Smith-Fielding	082-627 1257	
DESERT DREAM 1		50%	Ronel	Cockerel	083-232 1735	
DESERT DREAM 2		50%	Ricky	Labuschagne	Ronelle Cockrel 083 232 1735 082-374 4117	
GRAYSTONE TRADING 1		50%	Jaco	van Niekerk	074-116 9318	
GRAYSTONE TRADING 2		50%	Jaco	Van Niekerk	074-116 9318	
GRAYSTONE TRADING 3		50%	Jean N/E	Kotze	079-499 2120	

Agenlin 2000cc M Nicholson (Budgie) 0829516594

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GRAYSTONE TRADING 5		50%	Kobus	Kotze	079-499 4119	
HENQUE 2885	100%		Rensie	Heever	082-364 7858	
JBDE DIAMANTE	100%		Eggy	Farmer	083-245 2761	
JETVEST 1	100%		Neville	Cornberg	082-951 6601	
JETVEST 2	100%		Deon	van Wyk	073-573 8688	
JOFERO DIAMONDS 1	100%		Cavin	Cloete	083-622 8225	
JOFERO DIAMONDS 2	100%		Daniel	den Heever	073-648 5153	
KANIVEST 3250		50%	John	Basson	083-234 6304	
LENCAVIC VENTURES		50%	Len	Schreuder	082-803 6925	
MULTI FACET 1		50%	Simon	James	084-250 8909	
MULTI FACET 2		50%	Simon	James	084-250 8909	
NXANTATHU		50%	Kobus	Kriel	082-576 6118	
OCEAN DIGGERS	100%		Gavin	Craythorne	083-630 1380	
ORANGE RIVER MINING		50%	Wayne	Cooke	082-574 9092	
QUADRO RATS MARINE	100%		Archie	Ovies	083-225 5027	
SEA RAVEN 1	100%		Reagan	Jacobs	076-885 9701	
SEA RAVEN 2		50%	Louwrence	Botha	079-510 9790	
SEASONS FIND 1		60%	Barend	Cronje	083-285 7543	
SEASONS FIND 2	100%		Thompie	van Wyk	083-490 4982	
SEASONS FIND 3	100%		Gerald	Arendse	083-411 4842	
SHARP MINDS 2		50%	Harry	Burnett	083-632 6357	
SUNGLIDE 39		50%	Bias	Hanekom	083-628 8909	
WEST COAST MARINE MINERALS 1		50%	Victor	Haynes	083-378 7913	
WEST COAST MARINE MINERALS 2		50%	Geoff	Lorentz	071-243 9778	
ZANZIBAR DIAMONDS 1	100%		Quinton	Cloete	072-172 9566	
JOFERO DIAMONDS 3	100%		GERT OPPERMAN		0765603822	

TOTAL BUSINESSES: 51

TOTAL BLACK OWNERSHIP: 79.41%

AREND GROBBELAAR ALABAMA 027854 7738

questco
CORPORATE ADVISORY

Tel 011 011 9200 | Fax 086 0311 0043 | www.questco.com.au

WEST COAST DIAMOND CONSOLIDATION

Discussion document

February 2011

Questco Proprietary Limited | Registration number

MINING-04-1224

XX4-GJC-1222

MINING-04-1225

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- Questco understands that Alexkor has recommended that the Government of South Africa ("Government") exits from all diamond mining interests and pursue opportunities relating to strategic minerals
- This presentation proposes mechanisms by which this exit may be achieved in an orderly manner and sustainable value created for all stakeholders
- This presentation follows initial meetings with Percy Khoza and his team, and provides more detail in respect of the concepts discussed at this meeting
- The concepts set out in this presentation are high level in nature and assumptions made are subject to further discussion and verification – we look forward to further engagement in this regard

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XX4-GJC-1226

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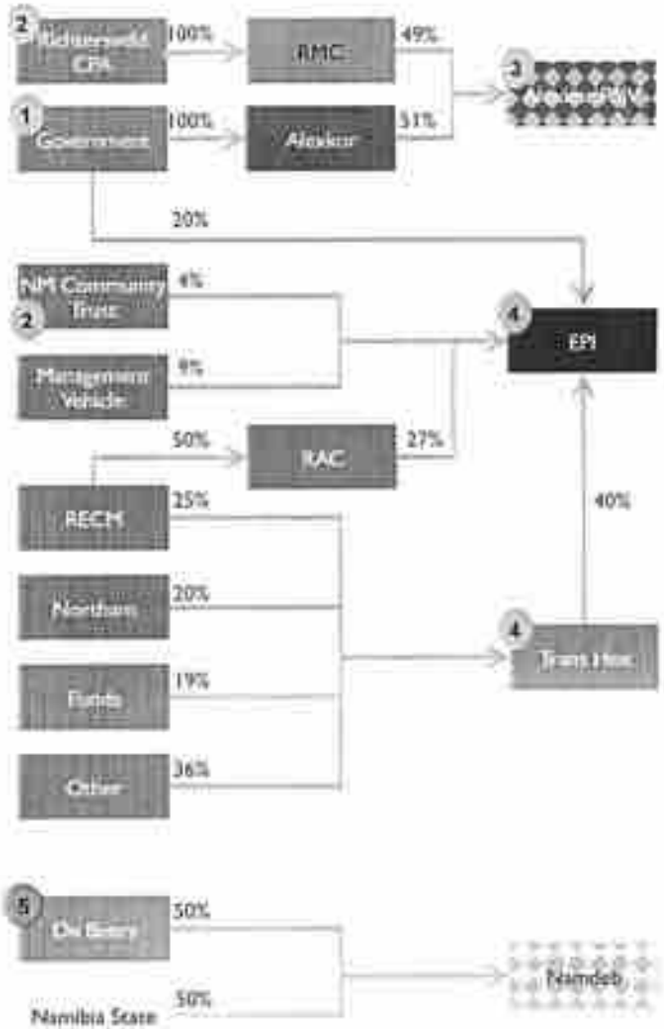
1 **Government**
- 51% of Alexkor PSJV (through Alexkor held by DPE), 20% of EPI (understood to be warehoused for BEE miner)
- Diamonds not strategic mineral
- **Need = sustainable exit from diamond interests at value**

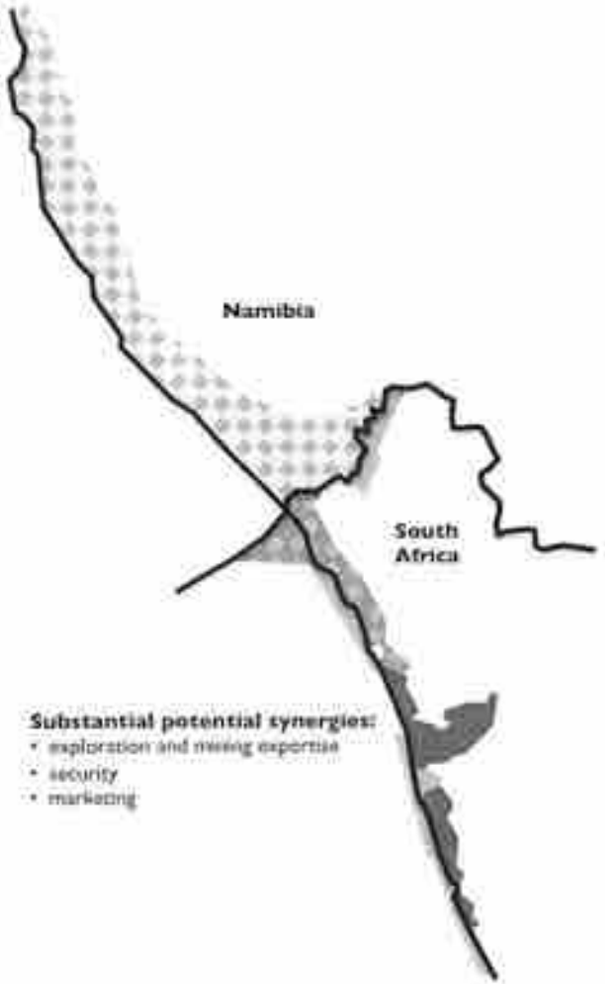
2 **Regional communities**
- 49% of Alexkor PSJV (through Richtersveld CPA), 4% of EPI (through NM Trust) – have equity to transact
- Significant poverty, unemployment
- **Need = realise value from investment, employment, economic stimulus**

3 **Alexkor PSJV**
- Land and marine exploration programmes in place
- Further substantial funding from Government unlikely
- **Need = financial and technical partner post Govt exit**

4 **Trans Hex, EPI**
- Baken almost depleted
- Angolan operations difficult
- Despite EPI transaction, share price has not performed
- **Need = new story for market**

5 **De Beers** (ex Namibia Sea will retain shareholding)
- Land assets becoming lower tier for De Beers over time
- **Need = potential to sell land assets when no longer core**
- Have undergone substantial learning curve in Alexkor, moving to potential to offer share in Alexkor marine to attract them to trade Namdeb land (possibility)





Substantial potential synergies:
- exploration and mining expertise
- security
- marketing

MINING-04-1229

Entity	Identified need	Proposed fulfilment of need
Government	Exit from diamond interests for value in positive and sustainable manner	• Winding up of PSJV and exit by Government in exchange for cash and/or shares which would ultimately be listed (shares would allow for participation in potential transaction upside and liquidity to trade out as required)
Regional communities	Realise value from investment, employment, economic stimulus	• Meaningful shareholding in well capitalised mining company with experienced management team, cash realisation if possible • Consequential stimulus to regional economy from mining procurement • Potential to create diamond beneficiation hub if sufficient scale exists post consolidation
Alexkor PSJV	Financial and technical partner post Government exit	• Introduction of appropriately skilled and adequately financed partner with the vision to realise maximum value from operations for all stakeholders and facilitate Government exit • Creation of management incentive/shareholding structure to provide for sustainable operations
Trans Hex, EPI	New story for market	• Regional consolidation – expanded resource base and associated synergies • Introduction of new anchor partner to take Trans Hex to next level • Enhanced growth prospects
De Beers	Potential to sell land assets when no longer core	• Ability to trade out of land mining (as it has done in respect of other older assets such as Cullinan, Kimberley, Finsch, Koffiefontein, Jagersfontein) • Further potential to trade into attractive marine assets such as the Alexkor 1c concession provided with due regard to the current Alexkor marine partnership

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Important notes:

The complete suite of potential transactions is set out alongside

Not all elements are vital to the success of the overall transaction

Interdependence of transaction elements increases transaction risk

Given the similar shareholder base, A and B are likely to happen together – conversely, if A doesn't happen, B is unlikely

C is important for regional community sustainability irrespective of suite of transactions completed

D is complex – would substantially enhance critical mass, but is a "nice to have". Would also likely take a long time to close so not a short term exit solution for Government

Possible scenarios are:

- A+C
- A+B+C
- A+B+C+D

Transaction Element	Mechanics of Transaction Element	Comments
A **Alexkor and RMC reverse diamond operations into Trans Hex**	• Alexkor and RMC receive shares in Trans Hex in exchange for vending their diamond interests into Trans Hex • PSJV is wound up • Management incentive/ ownership structure introduced for sustainability • Technical/financial partner introduced • Trans Hex holds 100% of Alexkor land and marine assets	• Government would now have a tradeable instrument – option to place or participate in potential upside
B **EPI reverses into Trans Hex**	• EPI shareholders receive shares in Trans Hex in exchange for EPI • Trans Hex holds 100% of Namaqualand Mines	• Government's 20% warehoused shareholding in EPI becomes tradeable Overall structure simplified
C **Restructuring of BBBEE shareholding**	• Consortium shareholding structure consolidated and structured to preserve BBBEE control to the extent possible	• Key final step for BBBEE consortium
D **Acquire 50% of Namdeb land operations from De Beers**	• Acquisition of De Beers' interest in Namdeb's land assets for cash	• Cross border transaction, more complex, so lower priority initially • The potential offer of a share of the marine assets may entice De Beers to trade out of land assets

Ownership of operations assuming all transactions implemented

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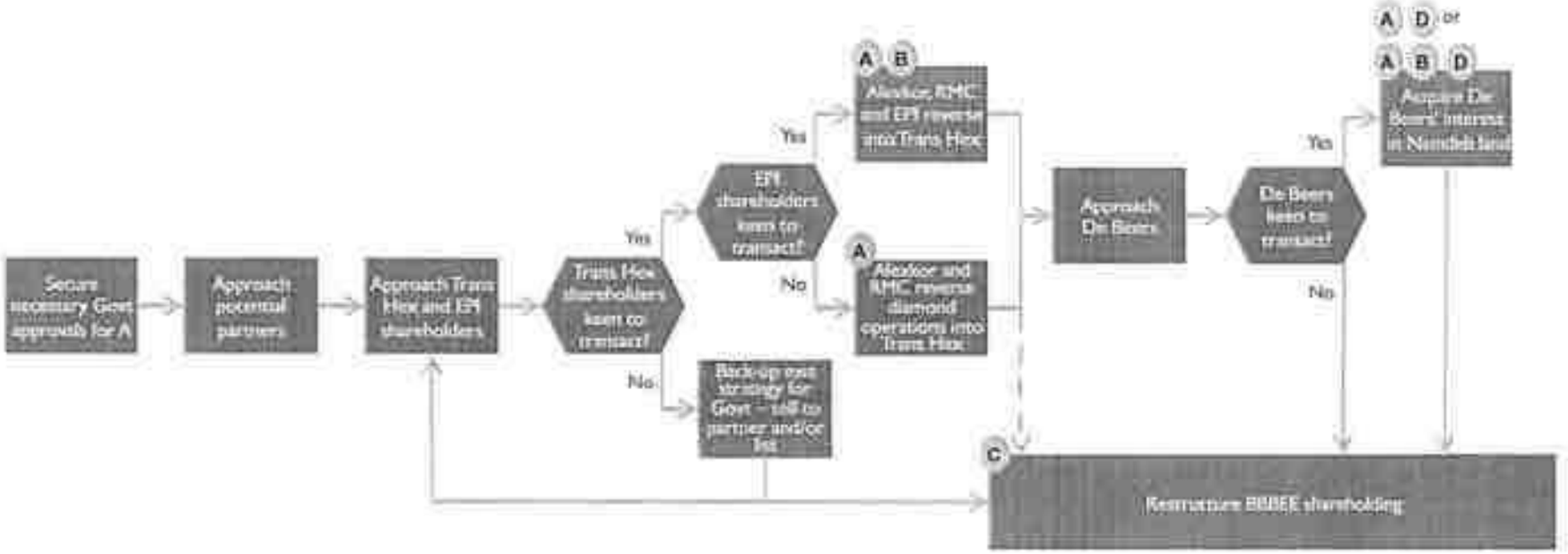

Key transaction considerations:

- Approval to transact should ideally be:
  - sufficient to convince a potential partner to enter into negotiations; and
  - sufficiently discreet so as to not alert other stakeholders prior to securing the partnership arrangement
- Back up exit strategy for Government in the event that engagements with Trans Hex / EPI shareholders fail (likely due to perceived value gap) would entail purchase by partner of Alexkor's share of the Alexkor diamond operations and/or listing of the Alexkor diamond operations. The listing and/or further development of the Alexkor diamond operations would then provide the basis for a more informed relative value discussion with the Trans Hex / EPI shareholders
- Ideally the partner should be comfortable to commit upfront to only implementing this back up strategy in the short term

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Base assumptions for illustrative purposes only – will be firmed up during due diligence and valuation parameters adjusted accordingly. All subsequent figures are derived from and rely on these assumptions.

EPI

- CPR of Namaqualand Mines on Trans Hex website quotes value of R478m
- NPV value often at premium to market value in current market conditions
- **Assumed value of EPI = R400m**

Alexkor PSJV

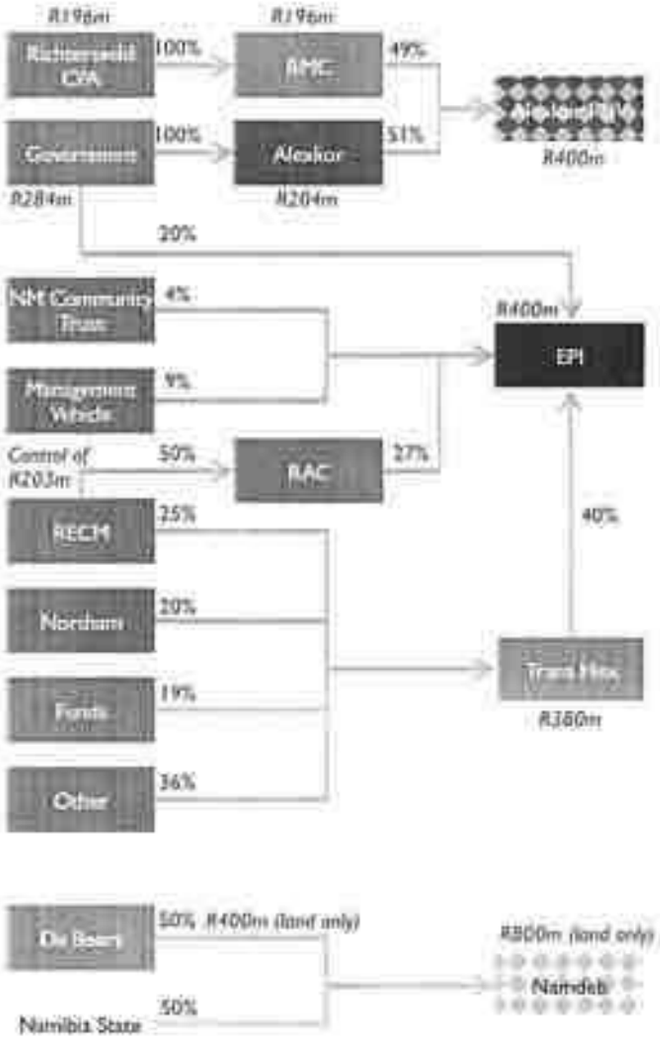
- Assumed Alexkor operations have similar value to EPI
- Assumed land and marine value split 51/49 as per PSJV shareholding
- **Assumed value of Alexkor land operations = R196m**
- **Assumed value of Alexkor marine operations = R204m**

Trans Hex

- **Market capitalisation approx. R380m**

Namdeb land

- More target surface area than Alexkor and Namaqualand Mines, but lacking lower tier
- Assumed double the value of EPI
- Assumed value of Namdeb land = R800m



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MINING-04-1234

Trans Hex gains synergistic asset portfolio; additional life of mine; BBBEE control status and a new anchor partner to take it forward in its next chapter

Compelling value story for Trans Hex to take to market, especially in light of non-performing share price

Liquid market for Government to place its remaining exposure if required

BBBEE consortium created to facilitate BBBE empowerment or, if possible, control

Substantial value realisation for Richtersveld Community

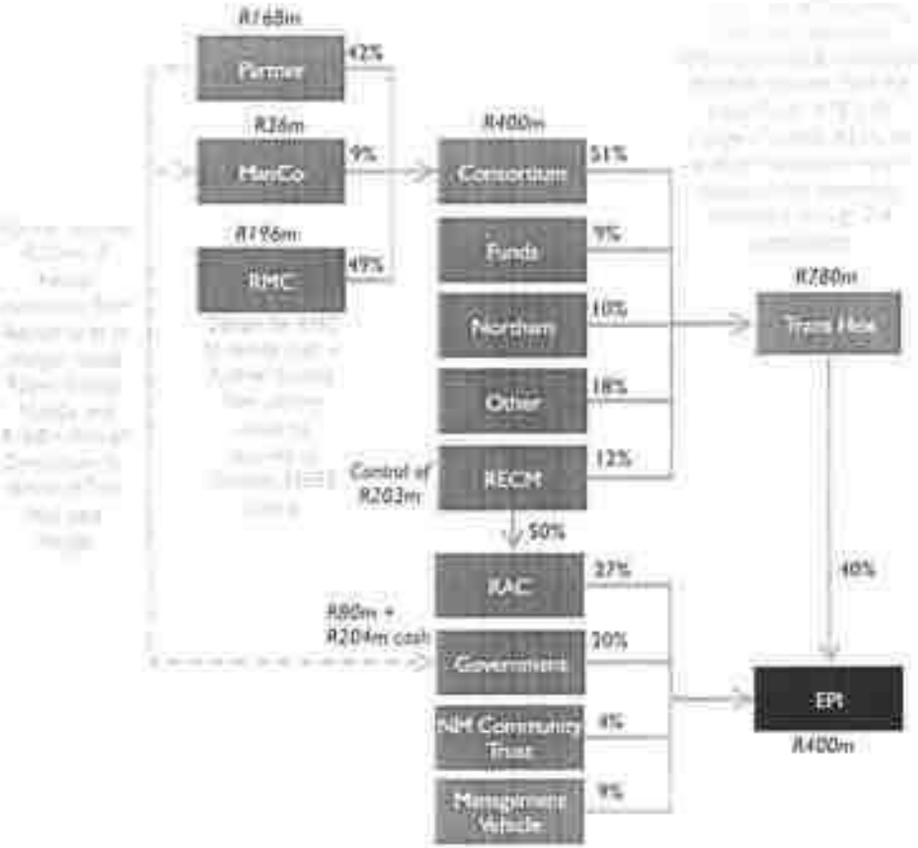
Manco consists of key current Alexkor PSJV leadership (BBBE controlled) – funded into transaction to secure sustainability of RMC operations

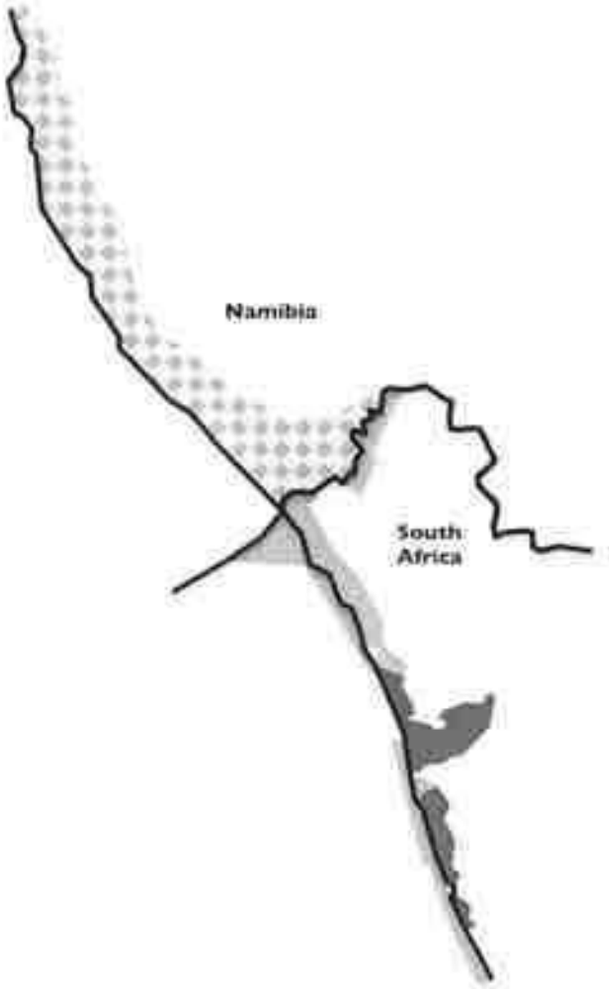
Total partner funding = R168+36 = R204m, potential for a portion of this to be funded through debt

RECM/RAC given the opportunity to supplement the incumbent partner

Manco could seek further gearing to increase participation

Transaction C (restructuring of BBBEE shareholding) also depicted in respect of this Transaction A





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Trans Hex further entrenches its regional presence and retains its BBBE control status

Additional likelihood of re-rating of share price

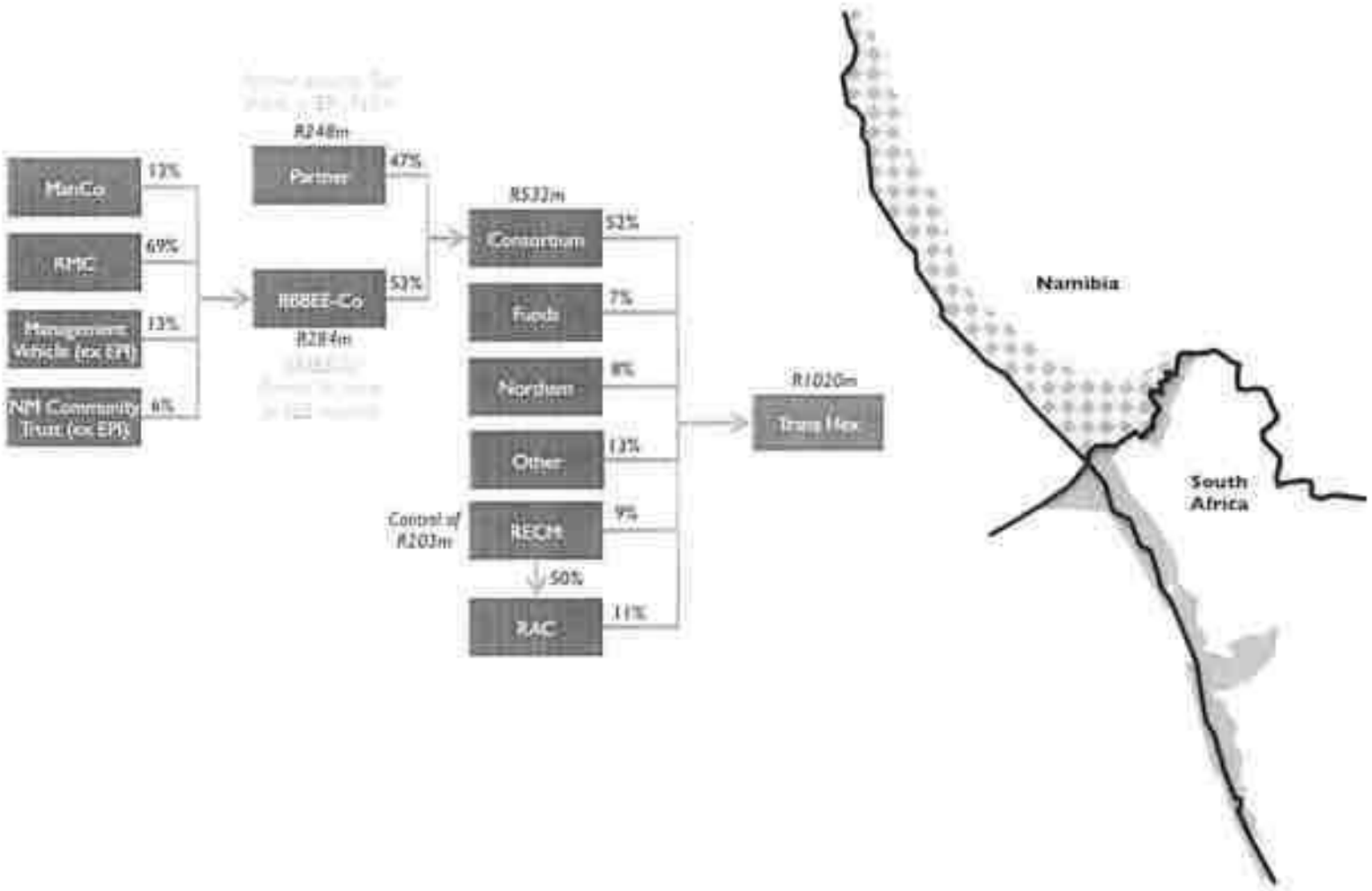
Total partner funding = R204+80= R284m, potential for a portion of this to be funded through debt.

Government exits all of its diamond interests for a total of R284m in cash

RECM/RAC given the opportunity to supplement the incumbent partner

Manco could seek further gearing to increase participation

Transaction C (restructuring of BBBEE shareholding) also depicted in respect of this Transaction B



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Trans Hex extends its operations into Namibia – 350km of coastline under one umbrella

Further rerating of share price likely

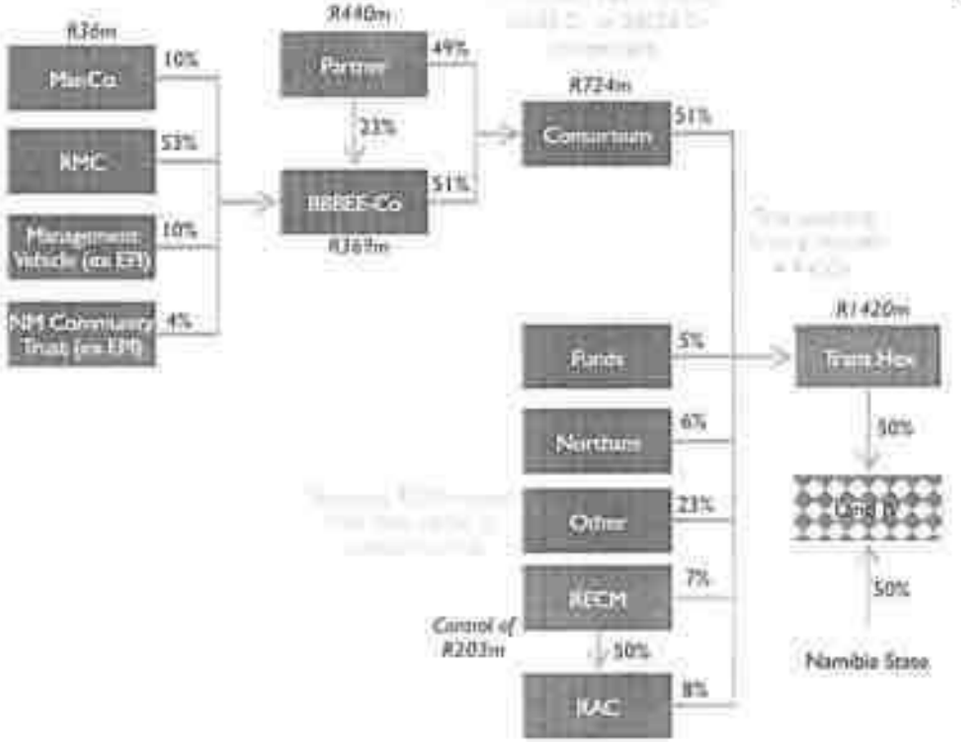
Total partner funding = R284+192 + R476m; potential for a portion of this to be funded through debt

Third party funding sourced to increase free float so as to enhance liquidity of the share

Manco could seek further gearing to increase participation

Potential to reduce funding requirement by selling a share of the Alexkor marine operations to De Beers (due regard given to current partnership arrangements)

Transaction C (restructuring of BBBEE shareholding) also depicted in respect of this Transaction D



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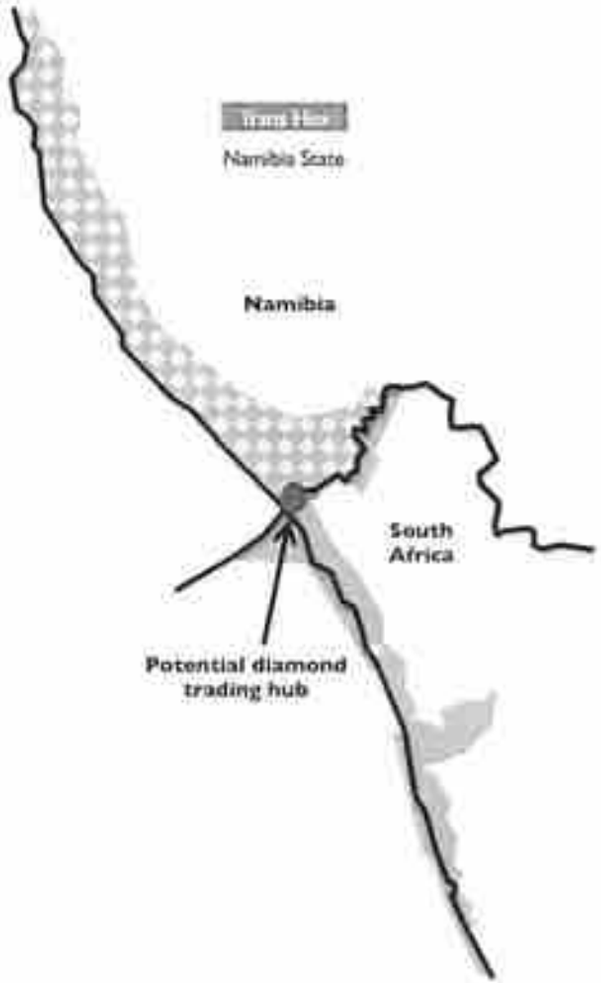
MINING-04-1238

A West Coast diamond trading hub would provide much needed employment and economic stimulus in the region

- Beneficiation (and its consequential economic benefits) is a key imperative for the South African Government, with the **local beneficiation of diamonds** being a focus area
- The development of a West Coast diamond trading hub would provide additional **employment** in the region and create economic stimulus for **secondary businesses** in the region
- The Botswana Government, as a major De Beers shareholder, has recently negotiated the relocation of all De Beers diamond trading operations to **Gaberone** for similar reasons
- Given the **scale** of the De Beers and Botswanan operations, diamond traders will have no choice fly to Gaborone on a regular basis
- The success of a West Coast diamond trading hub would require sufficient **scale** to attract diamond traders to make regular specific trips to the region
- Research is needed to determine the **feasibility** of a West Coast diamond trading hub for Transaction A in isolation. Adding Transactions B, C and D increases the likelihood of such a trading hub being feasible
- Given its under-utilised landing strip and available facilities to underpin development, **Alexander Bay** may be a potential site for such a trading hub
- In the event that Transaction E is concluded, a cross border trading hub spanning **Alexander Bay and Oranjemund** could be an exciting consideration
- **Trans Hex's current cutting works** (75% held by Trans Hex, 25% by a BEE partner) could form the foundation of this trading hub
- **Further studies** would be required to progress the abovementioned concepts



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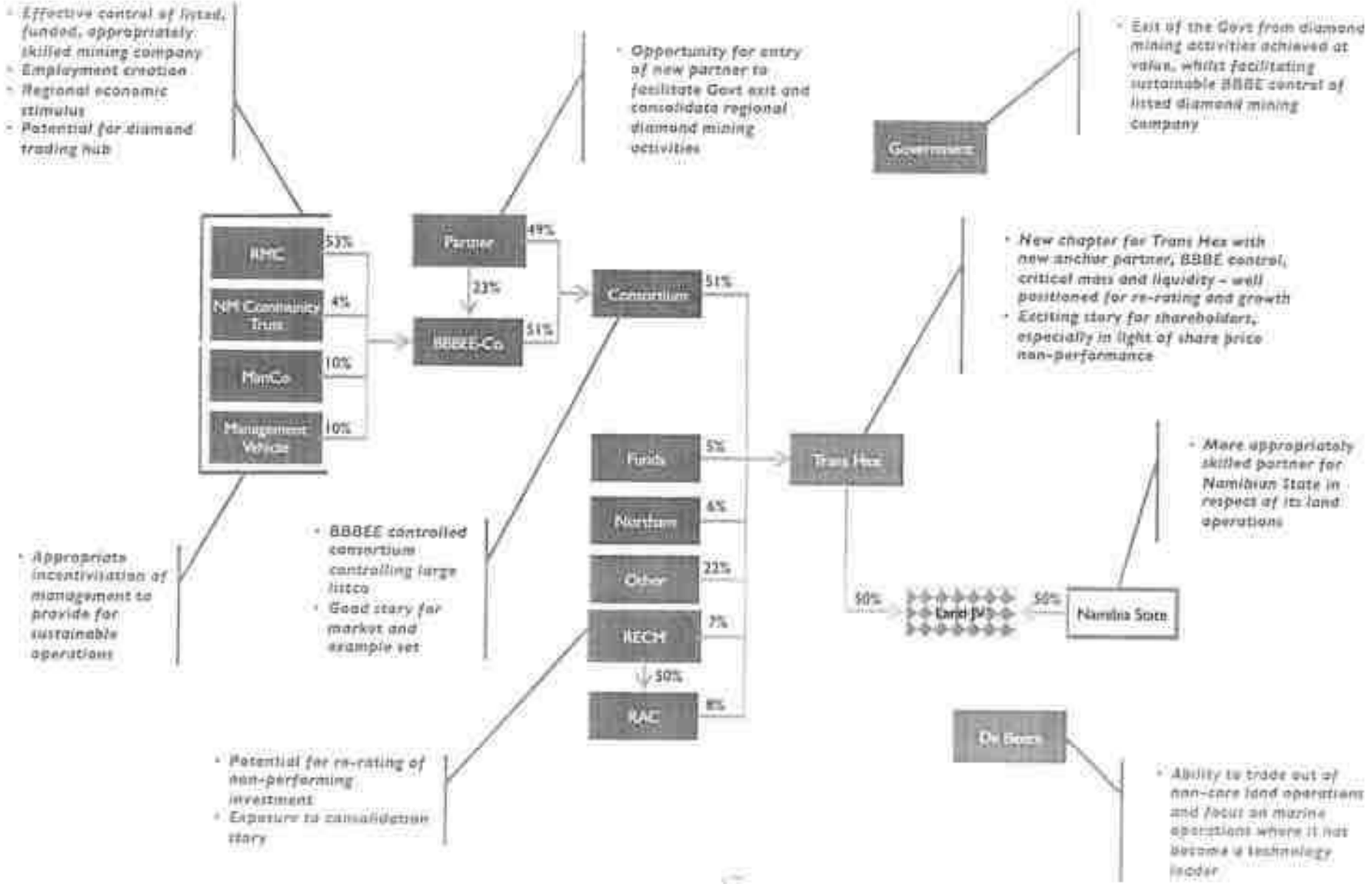

XX4-GJC-1238

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ALEXKOR

26 April 2018

Honourable Minister Pravin Gordhan, MP
The Department of Public Enterprises
1090 Arcadia Street
Info Tech Building
Hatfield
By Email

Dear Honourable Minister

PFMA SECTION 54(2)(b) NOTIFICATION ON THE PROPOSED ESTABLISHMENT OF ALEXCOAL and FEEDBACK ON ALEXKORS 2017/18 THIRD QUARTER REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

We refer to the Honourable Minister's above letters dated 18 April 2018, the contents of which have been noted.

In response to the decision by the Minister to place a moratorium on the acquisition plans of SOCs, the Board of Alexkor will accordingly take no further action on our coal project until instructed to do so. We wish to reply to two statements contained in the Minister's letter:

- **Independent Valuation:** Alexkor did indeed contract an independent technical and financial due diligence of our coal project. The study was undertaken by RSV ENCO Consulting and Mamadi & Company, who made the following recommendation in their 98-page report: "This opportunity is seen as an excellent vehicle through which Alexkor can enter the coal market at minimum capital investment and low post investment mitigation risk..... There is minimal technical risk and the financial model output is robust".

- **Due Diligence of Natural Persons behind the shareholding of IPC:** A due diligence was undertaken of all the shareholders behind IPC.

Details of the independent valuation of the coal project and the due diligence of the IPC shareholders were provided as attachments to the letter which was e-mailed to Minister Brown on 30 October 2017. It appears that critical information regarding Alexkor and its operations are not being brought to your attention by the persons within the DPE who

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are responsible for Alexkor. We would welcome any interaction with the Minister where we might be able to correct these omissions.

Finally, the moratorium does have negative consequences upon Alexkor. The External Auditors have expressed an opinion that Alexkor is not a going concern if its only revenue generating activity is the Alexander Bay diamond operations, due to the implications of the Deed of Settlement.

The timing of the moratorium is unfortunate as Alexkor is in the process of the 31 March 2018 year-end audit and we need to make a detailed assessment of the impact of the moratorium on the following:

1. The budget for the 2018/19 financial year, and any revision that will require Alexkor to present a revised budget to the Minister for consideration.
2. The performance objectives for the 2018/19 financial year, and any amendments that will require the Minister's approval.
3. The shareholder's compact, and any amendments that will require the Minister's approval.
4. The potential risk of the annual financial statements being qualified as Alexkor will not be considered a going concern.

Alexkor will only be in a position to provide the Minister with this detailed assessment after the board meeting scheduled for 22 May 2018 when the draft annual financial statements for the year ended 31 March 2018 will be presented to the Board for consideration.

In the circumstances, we would appreciate an opportunity to engage with the Minister in respect of the above predicament the Alexkor Board finds itself in.

Please confirm receipt.

Yours sincerely

MS HANTSI MATSEKE
ALEXKOR CHAIRPERSON

cc ministry.registry@dpe.gov.za

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Transcript:

The Portfolio Committee on Public Enterprises and the Select Committee on Public Enterprises and Communication were briefed by the Alexkor Administrator on the outcomes of the forensic investigation and the turnaround plan. The Deputy Minister of the Department of Public Enterprises was in attendance.

The presentation highlighted the specific terms of reference by the Department which included, amongst others, an extensive review of and proposed solutions for the mining contract and revenue sharing models between the Alexkor Richtersveld Mining Company PSJV and the contractors. Future contracts should be determined on a scientific basis and be performance based. The Johannesburg office should be closed and the Chief Executive Officer, who is a mining engineer, should be relocated to the mine in Alexander Bay. The sales and marketing contract awarded to Scarlett Sky Investments was found to be irregular and in order to overcome this, an application for a diamond-trading license was made so that the contract can be cancelled. It's anticipated that the license will be issued in mid-June of this year. The Department fell short in providing the Administrator with all available information and data and in rendering assistance without unreasonable delay. It was highlighted that the town of Alexander Bay must be handed over to the Alexander Bay Municipality, the property portfolio in Port Nolloth and Alexander Bay must be sold and a task team must be established to deal with the issue of illegal mining.

Members were also briefed by the Department of Public Enterprises on the state of Alexkor and the proposed future options. The presentation highlighted the inconsistent carat production over the past 5 years due to worsening weather conditions, declining quality of land diamonds resources and no production from deep sea operations. Alexkor is currently not a going concern and is expected to run out of cash by the end of June of this year. The current cash position is insufficient to cover the operating expenses. Government has not supported the request for additional equity primarily because the business model is not sustainable and the Public Finance Management Act doesn't apply which makes it difficult to put public funds into a structure where the funds can't be properly accounted for. The Department's preferred option must still be discussed by the cluster and Cabinet. The preferred option includes the transfer of the remaining Deed of Settlement obligations to the Department, the transfer of municipal functions which are currently being executed by Alexkor, the winding up of Alexkor's head office operations and consultations with the Richtersveld community.

Members raised concern on the issue of heavily armed illegal miners, the trend of mismanagement and theft across state-owned enterprises and that the presentations barely touched upon the role of management and the state in the situation. Members raised concern that the Department failed to provide its information to the Administrator in order for him to perform his work. Members asked whether there are prosecutions against the executive members of Scarlett Sky Investments and how far the process is on handing over responsibility of Alexander Bay to the municipality. Members raised concern that the exploration and mining plan should be done by the company rather than outsourced contractors. It was also asked why the irregular appointment of Scarlett Sky Investments was not referred to the Public Protector, how far the application process is for a trading license, feedback on the disciplinary action case against the Chief Executive Officer and how the Department provides support and socio-economic activity for the community.

Members asked to be provided with the full forensic report, more details and timeframes concerning the Johannesburg office, more information on the usage of fuel cards, more information

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on the investigation into the relationship between Alexkor and the PSJV and for a clear report on the duties of the Administrator, what he was able to execute and how the R17 million is accounted for. Members also raised concern on the capacity of the Department, whether it consulted with the relevant stakeholders when retrenching its employees and whether there are any pending court cases lodged by the Department against those implicated in the investigation. Members raised concern that the issues facing Alexander Bay are as old as 10 years and are yet to be resolved. It was asked whether the factory in Alexander Bay was still using old and outdated equipment, why the local populace do not benefit from the business and to what extent the Gupta family is involved in Alexkor.

Meeting report

Opening remarks

Co-Chairperson Magaxa welcomed Members, the Deputy Minister of the Department of Public Enterprises (DPE) and officials of the Department to the meeting. He asked the Deputy Minister to provide a political overview before the Department begins its presentation.

Mr Phumulo Masualle, Deputy Minister of Public Enterprises, said the Alexkor Administrator should present his report before the Department does. The Department will provide an input on the state of affairs beyond the life of the Administrator. The Administrator was appointed on a fixed term contract with a duration of 6 months. This duration has been exhausted. Where his work was not completed within the fixed term, the Department had to see to the completion of such work.

Co-Chairperson Magaxa asked the Administrator to begin his presentation.

Briefing by the Alexkor Administrator

Mr Lloyd McPatie, Alexkor Administrator, said he wasn't hired to do a forensic report. He was given specific terms of reference by the Department and the presentation will highlight this. He had to fulfil the following 3 roles: Executive Chairperson of Alexkor, Chairperson of the Pooling and Sharing Joint Venture (PSJV) and the Chairperson of the Rehabilitation Trust. All of these positions came with their own challenges. In the first role, Alexkor is not a going concern and has serious financial challenges. In the second role, the Deed of Settlement indicates that the PSJV Board should contain 3 members from Alexkor and 3 members from PSJV. The Administrator was the only one from Alexkor and this created challenges during Board meetings. The 3 court-appointed PSJV Board members were appointed in December 2019. In the third role, Alexkor approached the National Treasury (NT) to do the rehabilitation but this proposal was rejected. The Department was going to renegotiate with the NT on this issue.

Mr McPatie said his terms of reference included an extensive review of and proposed solutions for the mining contract and revenue sharing models between the Alexkor Richtersveld Mining Company (RMC) PSJV and the contractors. The mine uses contract miners and the revenue splits tend to favour the contractors. Future contracts should be determined on a scientific basis, by looking at past geological data, so that it can be more equitable towards the PSJV. The contracts will also be

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performance based. This will help in separating the poor performing contractors from the good ones. At the moment, there are more than 100 contractors at the mine which makes it extremely difficult to manage. There was a negligence of the usage of fuel cards and the Acting Chief Financial Officer (CFO) was instructed to monitor this on a monthly basis. In reviewing duplicated functions at Alexkor head office and at Alexkor RMC PSJV, it was proposed that the Johannesburg office should be closed and the Chief Executive Officer (CEO), as a mining engineer, should be relocated to the mine in Alexander Bay. The current rent is still being paid because the Department hasn't discussed a reduction in the penalty yet.

Mr McPatie said the Sales and Marketing contract awarded to Scarlett Sky Investments (SSI) was found to be irregular. The difficulty with cancelling the contract immediately is because of the financial situation. SSI is selling diamonds on a monthly basis and if the PSJV doesn't sell diamonds, it will have no money to pay its contractors or to pay for water and electricity. It provides electricity for the entire town. The community is poverty-stricken and there will no money to pay salaries if the contract is cancelled immediately. An application for a diamond-trading license has been made and it's anticipated by the CEO that the license will be issued by mid-June of this year. Once issued, the contract can be cancelled and diamonds can be sold on any platform. The Department fell short in providing the Administrator with all available information and data and in rendering assistance without unreasonable delay. A significant portion of Alexkor's monthly operational costs is related to the management of Alexander Bay. This should not be Alexkor's responsibility and the town must be handed over to the Alexander Bay Municipality. During winter its extremely difficult for the PSJV to operate so it is suggested that a winter period shutdown is implemented. There is a whole host of issues concerning the property portfolio in Port Nolloth and Alexander Bay and therefore the properties should be sold. Illegal miners are armed and aggressive so a task team needs to be established in order to deal with this issue.

Briefing by the Department of Public Enterprises

Ms Makgola Makololo, Acting Deputy Director-General: Energy, DPE, said the PSJV carat production has been inconsistent over the last 5 years. The reasons for poor performance include worsening weather conditions, declining quality of land diamonds resources and no production from deep sea operations. Other mining companies have exited the Richtersveld operations due to the decline in the quality of diamonds. Alexkor is currently not a going concern and is expected to run out of cash by the end of June of this year. The current cash position is not sufficient to cover the operating expenses. Government has not supported the request for additional equity primarily because the business model is not sustainable. Even though the Deed of Settlement propels government to put money into the PSJV, the PSJV is not subjected to the Public Finance Management Act (PFMA) and this makes it difficult to put public funds into a structure where the funds can't be properly accounted for. The decreasing revenue trend is likely to continue because there is no clear mine plan, high operating costs and the fact that deep-sea mining is not operational. The Department's preferred option is still being discussed in government and discussions must still occur with the cluster and Cabinet. The preferred option includes the transfer of the remaining Deed of Settlement obligations to the Department, the transfer of municipal functions which are currently being executed by Alexkor, the winding up of Alexkor's head office operations and consultations with the Richtersveld community.

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Deputy Minister Masualle said the forensic investigation report has been provided to members. It includes a summarized table with each of the recommendations and the action steps taken.

Co-Chairperson Matibe asked members to raise questions.

Discussion

Mr S Gumede (ANC) asked for reports to be sent to members earlier. Members are now flooded with reports and it gets confusing as to which reports have been received and which haven't. Some of the reports are thick. This tendency of not submitting reports timeously must be addressed. Is it legally competent, if not ethically correct, to have both financial persons resigning at the very same time and with immediate effect? It's suspicious if they both leave without any prior notification. On the issue of heavily armed illegal miners, what is the Department doing in such an instance? What is the kind of relationship between the Department, Alexkor and the PSJV? Option 6 indicates a rebirth or reincarnation where the entity is seen as a new person that may even be given a new name. Won't the community be troublesome in this process of rebirthing an organisation? Out of all of the options he would have preferred option 5 because it leaves the community with work. The PSJV is technically insolvent, the Administrator states it's not resourced and there is no capacity to run the company. This challenge brings into question whether option 6 is appropriate in this kind of situation.

Mr G Cachalia (DA) said Alexkor's stated intent is to support the national development goals, optimize national resources, promote beneficiation and increase participation in the local and international diamond industry. On all of these parameters, it has failed spectacularly over many years. It's a case study in mismanagement and theft. Every villain in the industry and every player in state capture have been complicit in this demise. The report of the Administrator bears some testament to this sad state of affairs. The Administrator's recommendations concerning the Johannesburg head office, the PSJV and the SSI are sound but other areas such as the role of the Board, management and the state in this debacle is barely touched upon. Places like Botswana, Namibia, Tanzania, Canada and Australia show the viability of either private ownership or an appropriately governed and equal relationship between a private investor and government with proper governance in place enabling the accountability and scrutiny during investments. None of this has been in place in Alexkor. Regardless of whether it was under the stewardship of the previous or current administration, it represents a significant market failure in the hands of state ownership.

Mr Cachalia said the Department's preferred option is to cede mining rights to a SOC reporting to the Department of Mineral Resources and Energy (DMRE) with a new community shareholder. This represents the same situation which has led to a bleeding fiscus, a community sold down the river, gross impropriety and a failure by government. In view of the ongoing debacle, the only credible solution appears to be liquidation or sale to the private sector in the face of insolvency and reckless trading. Purchasers can be found if the price, terms and underlying assets merit it. What are the costs of administration? Is there a schedule of activities, time and associated costs? Are there

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prosecutions in the pipeline for SSI executives and other complicit entities including management and the Board? Have there been expressions of interest from other players in the industry? In looking at the options and wishes of government departments, what are the obligations under the Companies Act given the insolvency and reckless trading which the Administrator has uncovered?

Mr Cachalia said miners are not mining in the dark north of the river. How do you count the success of profitable trading north of the river? Does this not point to management's deficiency over many years? How far is the process of the municipality taking control of Alexander Bay? Should any geological exploration and mining plan rather be done by the company? If it is outsourced to a contractor then the company has no control over it. It will be irregular if it's in the hands of the contractor. In terms of the recapitalization option, who is expected to foot the bill? Is it the tax payer again? Any prospective purchaser of mining rights will do their own due diligence. In terms of a sale option, it is common practice for the purchaser to determine what lies there, what the value is and what they are buying. To put this as an impediment to the sale option is nonsensical. If you can't deliver on your core business then surely you have no business embarking on non-core businesses such as agriculture?

Ms O Maotwe (EFF) said there seems to be a bit of confusion between the Deputy Minister and what he expected the Administrator to present. His opening remark indicated that the Administrator would present the forensic report but this was not part of the mandate. In future, the forensic report should be given to members because it will be very helpful. The Johannesburg office must be closed down because it's not serving any purpose. How far is the Department in negotiating with the estate agent? What has it done so far? If it doesn't agree with the estate agent, why doesn't it take him to court to nullify the contract? On the irregular appointment of the SSI company, is the application for a trading license the only option to nullify the irregular contract? Why doesn't the Department refer the irregular appointment to law enforcement agencies such as the Public Protector? The license is expected in June. How far is the application? Since the Administrator is no longer in place, who is keeping track of the application? Money needs to be set aside to save the mine. The full project life cycle, including feasibility studies, must be done. When are you going to do the feasibility study? What is preventing the Department from starting that process?

Ms J Mkhwanazi (ANC) asked if members can be provided with details and timelines on the current position of the Johannesburg office. Can the Department take members through its capacity to process the Administrator's report? Is the Department able to perform its duties and handle option 6? What is the capacity of the Department itself?

Mr A Arnolds (EFF; Western Cape) said it's concerning that the Administrator struggled to get information from the Department in order to do his work. Can the Department provide reasons for this? Can members receive more information on the investigation into the relationship between Alexkor and the PSJV? The summary provided to members is very short. The disciplinary action case against the CEO is ongoing. The irregular exclusion of appointing miners is a serious matter. Can members receive feedback on the case? The Commission for Conciliation, Mediation and Arbitration (CCMA) case concerning the irregular exclusion of appointments of contractors and tenders is

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another matter. The investigation report contains an allegation that there was only 1 member on the Department's Tender Committee to conduct oversight over the entity. What is the reason for the irregularity not being detected and adhered to? On the usage of fuel cards, can the Administrator provide more information so that members can see what was actually spent, how it was spent and how it was corrected?

Ms W Ngwenya (ANC; Gauteng) said that President Ramaphosa stated in his State of the Nation Address (SONA) in February 2020 that there is a move from establishing state-owned enterprises (SOE's) to repurposing these strategic companies to support growth and development. This sentiment is relevant to Alexkor because members are looking forward to a lasting turnaround plan. Alexkor is planning to retrench about 2 employees. Did the Department consult with the relevant stakeholders such as organised labour, civic society and other relevant structures? If yes, how did the consultation process go with these structures? If no, why not? Are there any pending court or litigation cases lodged by the Department against those implicated by the investigation, apart from the ones already mentioned in the presentation? If yes, what is the nature of the findings against those implicated? Why has the mismanagement of Alexkor proven to be such a difficult challenge to overcome?

Ms Ngwenya said the Select Committee on Public Enterprises and Communication had a meeting the previous day with Minister Gwede Mantashe and the DMRE where members were informed of a decline in the demand of diamonds that may impact the exporting of diamonds. How will Alexkor sustain its own business of producing diamonds if there is decline in the demand of diamonds globally? The Johannesburg office must be moved to Alexander Bay to ensure compliance and work as the oversight office. Staff contracts seem to be a part of the challenge. Staff retention creates the possibility to attract sustainable, qualified and permanent persons in order to avoid CCMA and settlement cases.

Ms C Phiri (ANC) said one of the duties of the Department is to monitor, evaluate and give support to SOE's. It seems like the Department is doing its work and people are assigned to specific SOE's but there is a clear trend of the situation becoming messy. What is the Department doing before things get messy? The Department submits monthly reports. When it immediately finds out there is a challenge, what kind of support is given to the SOE? If such an enterprise is not abiding to the terms and references it's given, what are the steps taken by the Department to ensure the situation changes and a messy situation is avoided? All of the SOE's are in a similar state. Why is the Department even there to give oversight and support? A direction was given by President Ramaphosa at SONA but members don't really see these things happening.

Ms T Modise (ANC; North West) asked whether the representative from the Richtersveld community was engaged on option 6. If there was an engagement, what was the community response?

Ms J Tshabalala (ANC) noted the mandate of the Administrator was to restore governance. What would he say he has managed to do to assist and restore some order in the entity? Was there any

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value for money in the work that he executed? Is he confident with himself? Was there an exchange between himself and the executive where he raised fundamental concerns? What lessons can the Department learn in this? What is being planned for the Department so that it has financial muscles for the Alexkor issue not to fall through the cracks? Can members be provided with a progress update on the future role of Alexkor and the socio-economic outcomes on the Richtersveld and Alexander Bay communities? Members are concerned about those communities. There is opportunity for socio-economic activity. How will the Department provide support to those communities?

Deputy Minister Masualle replied there was no confusion on his side. An impression might have been created that the Administrator would present the forensic report but this report was submitted by the Department. There is no problem in making the entire and full report available to members. The presentation is concise and user-friendly by focusing on key findings and actions on those findings.

Mr Kgathatso Tlhakudi, Acting Director-General, DPE, replied that the resignation of the financial persons raises a red flag. Where funds are running out fast, it creates a risk for these professionals. The funds are expected to run out by June so there is a clear mandate on what the deliverables should be. The issue of diamond theft at Alexkor is an old issue. It was estimated at some point that 25% of diamonds get stolen from Alexkor. A security company was brought in to assist with this. On the question of whether option 5 is preferable, the state of affairs with the community structures make it very hard to engage with them. When option 6 is implemented, a way will be found to make sure the communities are properly empowered. The communities have seen diamonds being taken out of their land since 1988 and have not seen any proceeds from it. Even after the new government has come in to ensure the deeds settlement is implemented, communities have still not seen proceeds coming their way. There is fighting within the community. Those who could get their hands on the resources sowed division within the community. The appointment of people who have sector specific knowledge is very important in the turnaround plan. Some of the capability can come from public-private partnerships. The average salary that mining companies pay their executives is extremely high compared to what is paid to their miners. It's a clear message that the capital system needs to be relooked at. A model is needed that is tailored specifically to the context of South Africa and that empowers communities.

Mr Tlhakudi explained that matters of state capture are referred to the Zondo Commission. In the past, the Administrator provided very concerning responses when asked why irregular contracts were not terminated. The power to affect such a decision lies with the Administrator as the accounting officer. Miners raised concerns that diamonds were getting sold through SSI and an analysis showed they were getting paid 40% below index. The contract was found to be irregular. The Department will step in to make sure diamonds are sold through the proper channels. On the obligations under the Companies Act given the reckless trading, the Department has developed options to ensure the situation is addressed. The Administrator was brought in as a temporary measure. On the difference in performance between the south and north side of the river, the criticism is linked to the quality of management. It was apparent that the suspended CEO of Alexkor was not suited to this particular task. The Board that was overlooking the business decided to

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proceed with him even though he had Human Relations (HR) qualifications and not mining qualifications. The diamonds tend to drift north as a result of the currents in the ocean. The resources have not been fully exploited in the past and this will be addressed going forward. The municipality needs to start taking responsibility over Alexander Bay town. On the issue of using the company instead of outsourcing mining contractors, this is something that needs to be looked at but it essentially boils down to management. If there is a proper team in place, this ideal can be realised.

Mr Tlhakudi informed Members that the buyer will normally conduct due diligence and determine the price instead of the seller. On conducting non-core businesses, Alexkor used to produce agricultural products due to the availability of water from the Orange River. This fed communities and created activities such as breeding shellfish as well as having a dairy farm. These are sustainable businesses that supply communities up the West Coast. On the contract with the landlord, the power to re-negotiate lies with the Board and management of Alexkor. All the Department can do is nudge growth in the right direction. Ultimately the contractual relationship does not involve the Department. On the exploration programme at the mine, exploration requires a lot of money that the Department and Alexkor do not have. It's in the hands of the professional team to come up with an innovative exploration solution because the Department is not in a position to undertake such a task. The Department is properly capacitated and resourced. Alexkor is a small business and the Department has a small team that works very closely with the Administrator. On conducting oversight over entities, the country has just emerged from an era where there has been a systemic breaking down and looting of SOE's. The Department has a very small team that spends long hours engaging in these issues. The damage that has already been done to these entities is quite horrendous and members need to really appreciate that.

Mr Tlhakudi replied that the Department has sorted out the governance issue, public funds have been mobilized to sort out the balance sheets and there is a focus on the operational performance of entities to ensure, with the support of the Board, that competent people are appointed at entities. It will take time to get there. These skills might have to be resourced from private entities. Option 6 is beyond the Department because it needs to be approved by government before it can be implemented. Alexkor has 51% of the shares in the PSJV group. The Administrator would vote on those shares. The Department has addressed the issue of using the Administrator's vote to represent the government's interest. On the decline in the demand of diamonds, it's a difficult economic period to be seeking partners and new markets but Alexkor diamonds are some of the most sought after in the world. There will be a post-Covid-19 period where markets will recover. On lessons learnt, the Department has learnt the significance of having the right team in place. The issue of consolidation in the sector is also important. On Alexkor, the government could have done more in delivering socio-economic projects by working closely with the municipality. The region is unique, has a lot of value and has opportunity to improve the lives of people. The Department has been to the region with the head of the mining sector and conducted community engagements with contract miners. This has been very fruitful because the engagements prompted investigations. Members can assist the Department by getting other departments who have oversight over these areas to produce a joint solution.

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Ms Morongwa Mothengu, Director: Mining, DPE, replied that in 2013/14 the Department gave the PSJV around R200 million to conduct exploration. That money has since depleted and the utilization of it was not properly managed. The Department believes that some of it was mismanaged and should have been used to ensure a better position for the PSJV. The Department has also assisted with a study where it paid half of the costs for a specialist in the diamond industry to conduct an overview of the land assets. That report is available to the PSJV. On illegal mining, the closing of operations in that area has resulted in the increase of Zama Zama's. It's a widespread issue because the goldmine is also experiencing it. The PSJV has established a monitoring security cluster in that area. There are weekly meetings and increased security has been established. In the Department, officials that are on the security cluster have been informed of the situation and have advised on how to assist the PSJV.

Mr Lemogang Pitsoe, CEO, Alexkor, replied that the trading license has been granted and all of the paper work will be received next week. There is a transitional agreement that indicates the handing over of the Alexander Bay town to the municipality with effect from 1 July 2020. Alexkor is currently spending almost R8 million per year on municipality activities.

Mr McPatie replied when he took on the position as Administrator, the PSJV had a debt of R126 million. R13 million of the debt was owed to SSI. In 2019, the Board ratified a loan agreement and backdated it. A focus repayment plan was put together for SSI, Eskom, medical aid and all of the creditors. This plan helped to lower the debt. He realised there was an abuse of garage cards, particularly the vehicle of the CEO. He lives in Cape Town and used the company vehicle on a weekly basis to attend meetings in Cape Town. The current Acting CFO has been instructed to monitor this abuse. He had received good support from management and saw a marked difference in the CEO. The CEO came up with good ideas because he felt like he was being listened to and engaged with. The role of the company secretary is underplayed because the support received from her was fantastic. At the mine, the current Acting CEO is a fantastic geologist. Between him and the CEO of Alexkor, they can create magic because they have fantastic ideas. On terminating the lease agreement, he engaged with the managing agent and it was made adamant that the lease must be paid until the end of the lease period. The Department said it would engage with the managing agent to see if a better deal can be reached. Even if he wanted to cancel the contract, the framework prevents him from doing so. On retrenching staff, there was only 10 staff members when he joined. He wrote to the Minister about the retrenchment and received no response.

Deputy Minister Masualle replied the Department is engaged in the process of consultations. This process will provide the decision on the proposed option to deal with the situation. The recommendations from the Administrator's report have been consolidated into the options. Option 6 is a viable option going forward. The model itself includes the restoring of community dignity. The Department of Land Affairs is also on board with the community aspect. This aspect hasn't worked well in the rest of the partnerships. Part of repurposing SOE's is to relook at the standards and to make them sustainable. On the involvement of the private sector, it's not the time to resell. Other stakeholders need to be drawn into the thinking process and action going forward.

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Co-Chairperson Matibe asked members to raise any follow-up questions.

Mr Cachalia said that mining rights are extremely valuable. It's clear that De Beer's is the only company able to mine the deep waters profitably and responsibly. Once you mine the resource, you have to market and sell the product. You need to ensure that you bypass the middle men and secure the requisite permissions to do so internationally to bypass cozy cartels that are in place locally who have sold diamonds at 30% less value than the index. This can only be explained by underreporting, theft and extreme negligence. If you do it correctly, the valuable properties that communities hold kick in and communities begin to benefit. To do so you need competent management that requires oversight and governance. As soon as it's feasible, members must do an oversight visit to the area and gain information from the horse's mouth.

Ms Maotwe said she is not happy with Mr Tlhakudi's responses. He is the Acting Director-General of all SOE's under the Department. How can he say that some matters are for the management? What has he done? The Administrator has referred matters to the Department. What has the Department done? It should be in the best interest to save money through a simple thing like cancelling lease agreements or taking people to court to nullify contracts. This can't be left unattended if it can save millions. Members must be taken seriously please.

Mr M Nhanha (DA; Eastern Cape) said that some time last year members were briefed by Alexkor and he would like to repeat what he said in that meeting. It's an indictment on government that issues as old as 10 years are yet to be resolved. The issue of who is responsible for service delivery in that township, revamping and dairy farms are the same old issues members heard about 10 years ago. The annual reports of Alexkor speak to this. The kind of community that lives in the Alexander Bay area don't deserve this. They need government more than ever before. On the factory at Alexander Bay, the last time members went there was in 2012 and there was old and outdated equipment. Most of the equipment was broken. What is the state of the equipment that is currently being used in the factory? If there is still old equipment, how do you expect the business to operate optimally while competitors are using cutting edge technology? The diamonds are transported from Alexander Bay to Johannesburg for processing and polishing. How do you expect to develop the area without localising the value add for the local populace? On matters referred to the Zondo Commission, in the fourth and fifth administration, there were 3 ministers reporting to the Gupta family. To what extent has the Gupta family been involved in engaging in the Alexkor business and the diamonds in Alexander Bay?

Ms Tshabalala said members had 2 engagements with Alexkor last year and the issue of the Administrator was at the centre of the meetings. This should be the point of departure. The Administrator and Board of directors have duties to restore normality and stability in order to maximize successful outcomes. What exactly did the Administrator do? What type of corruption was he in a position to root out? Has a right sized model been proposed? R17 million was put into the Department to bring stability into Alexkor. What exactly was the Administrator able to execute? The impediments highlighted in the report don't answer this. Can members be furnished with a clear

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report around the duties of the Administrator, an accounting of the R17 million that was given and what exactly was done besides stating that offices must be closed down?

Ms C Labuschagne (DA; Western Cape) said she has been part of the Select Committee on Public Enterprises and Communication dealing with the Alexkor issues since 2014. The previous Committee called for the appointment of an Administrator and an investigation into the supply chain management. For the first time in 7 years, members are receiving reports and getting an indication of what is going wrong in Alexkor. Since 2014, members have been very worried that the community is not benefitting from the land claim and the contracts being done. The community can only benefit if there are economic options and if the mining is going to be viable. There needs to be some kind of income for the community. The Department must look into all of the options. The reporting of the state capture and corruptive activities to the Zondo Commission can take years. The Administrator's report contains a lot of information and the Department should follow through in laying criminal charges and doing the correct thing. She and the previous Chairperson of the Committee in the previous term received warnings to stay out of these issues. In the last meeting of the Fifth Parliament, the Committee called for the Department to refer these issues to the Zondo Commission. She said she's very glad to hear today that it's been done. The Department must take this further and do the right thing. That community is destroyed as it is and people are going to be further destroyed. She agreed with Mr Cachalia's suggestion for members to do an oversight visit.

Deputy Minister Masualle replied that members are welcome to visit the area. He personally undertook to correct some of the challenges highlighted by the Administrator so that when a matter is being dealt with, it can be taken to its logical conclusion without any delays. It's just a matter of improving communication. On the indictment on government, these are not easy challenges. Some are beyond the Department and involve the community who has not been stable over this period of time. From 1 July, the Department anticipates that all the municipal functions undertaken by Alexkor will be handed over to the local government. The Department is looking to put in place a market-sensitive and relevant mechanism that will see to the continued mining in the area with the necessary expertise. A detailed report will be provided to members relating to the breakdown of the expenses spent during the time of the appointed Administrator. On the issue of equipment, some of the investment decisions really left a lot of unanswered questions. The drawing of expertise to the area will be able to address this issue.

Co-Chairperson Magaxa said members will prioritise an oversight visit after the lockdown.

Mr Nhanha said the connection has been lost with Mr Tlhakudi and some questions were directed to him. The Deputy Minister may not be in a position to respond to those questions.

Co-Chairperson Magaxa said members will meet again, especially when finalising the budget, and be able to raise questions. Mr Tlhakudi can open the next meeting by responding to questions and members can raise follow-up issues. Do members agree with this?

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Ms Maotwe agreed and asked whether there was an apology from the Minister.

Ms Ngwenya also agreed.

Co-Chairperson Magaxa said the Minister had to attend a Cabinet meeting.

The meeting was adjourned.

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Panel of experts needed to oversee future of struggling Alexkor

Photo by Creamer Media
Sable Metals & Minerals CEO James Allan

17TH JUNE 2020

BY: MARTIN CREAMER
CREAMER MEDIA EDITOR

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JOHANNESBURG (miningweeekly.com) – A panel of experts should be formed to properly oversee the future of the struggling State-owned diamond mining company Alexkor, and to unlock the greater long-term potential of northern Namaqualand.

That is the view of Sable Metals & Minerals CEO **James Allan**, following the briefing of the Parliamentary Portfolio Committee on Public Enterprises and the Select Committee

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McPatie was quoted by *Mining Weekly* on May 27 as saying that State-owned diamond mining company Alexkor was trading recklessly and could not meet its financial obligations.

McPatie told the Parliamentary committees that the pooling and sharing joint venture (PSJV) between Alexkor and the Richterveld Mining Company, which comprises the Richtersveld community, was technically insolvent and could not trade itself out of its current financial situation.

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Against the background of the Department of Public Enterprises considering its best options for Alexkor and the PSJV, Allan provided this analysis for publication in *Mining Weekly*:

"The diamond deposits of Namaqualand were discovered by **Jack Carstens** in 1926 and were further delineated by Dr **Hans Merensky**, who identified Oyster shell as being a significant marker for the paleo beach terraces in 1927.

"The State Alluvial Diggings (SAD) were proclaimed in 1928 and mining has taken place along this arid coastline since then for 92 years, with the SAD being transformed firstly into the Alexander Bay Development Corporation in 1989, and then incorporated into a public company, Alexkor Limited, with the State as the sole shareholder in 1992.

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"Subsequent to a Land Restitution Claim the local commun[illegible] rights to the land areas and Alexkor remained with the marine mineral rights. A PSJV was formed between Alexkor (51%) and the Richtersveld Mining Community (49%) to mine and recover diamonds from the land and sea.

"Notably these deposits have been mined for over 90 years and it is becoming increasingly difficult to mine them profitably. Over the last five years there has been a trend of decreasing stone size in diamonds recovered from land operations and a decreasing contribution in diamonds mined from the sea.

"In the recent presentation to Parliament (*Mining Weekly* 27 May 2020) by Mr **Lloyd McPatie**, the Administrator for Alexkor, stated that there should be a more scientific method to splitting the revenue from diamonds between the PSJV and the mining contractors. The current split has been found to be appropriate over a long period of time, and if it does favour the contractors, this is appropriate given they carry all risk, including mining, geology, an old and depleted resource, and decreasing sea-days due to climate change, with ample evidence that the mining contractors themselves do not have highly profitable operations. Alexkor's land and shallow marine operations are increasingly marginal and changing the revenue split could result in some of the contractors leaving for other, better, options.

"The awarding of a tender to Scarlet Sky Investments (SSI) has been controversial since it was awarded the contract to run the tender process on behalf of the PSJV. This award was approved in a PSJV board meeting and premised on the State's drive to beneficiate goods locally, which SSI has done in its joint venture beneficiation facility in Killarney, Gauteng, in spite of most of Alexkor's being too small (60% of production is less than 0.66 carats per stone) to ensure economic local beneficiation.

"An investigation of the mining, recovery and tender process was conducted by the author in early 2019 and comprehensive report showed that while there was room for improvement in certain aspects of the SSI arrangements, the overall tender sale system (sealed auction) was inherently robust, and compatible with the approach followed by most local and international small and medium diamond

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producers. The appointment of an experienced independent diamond [illegible] contractor's interests were taken care of was one of the positive outcomes of this independent investigation.

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"The Department of Public Enterprises appointed Gobodo Forensic and Investigative Accounting (GFIA) to investigate complaints by a group of contractors into the construction of a coffer dam in 2012, the awarding of the marketing contract to SSI, and the conflict between the contractors and the PSJV. The GFIA Report on Alexkor presented to Parliament and referred to in the *Mining Weekly* article is flawed in many respects.

"The report makes a comparison between the prices achieved on tender with the Ziminsky and Bloomberg long term diamond sales indices, which they (Gobodo) show as prices in the various tables. An index is an index, not a price. Significantly, the diamond production from the PSJV is unique in terms of both its alluvial (secondary) origin, size distribution of the diamond sizes, and quality. By comparison the Ziminsky and Bloomberg Indices which purport to reflect global diamond production are based almost exclusively on kimberlite mine goods, bearing in mind that about 96% of world diamond production is from kimberlite (primary) hard rock sources, and hence any comparison of the two distinct populations is erroneous. The PSJV production is furthermore bimodal with approximately 35% of the value derived from single stones over 6 carats in size (5% [illegible] carats) and another 34% from diamonds below 1,5 carats per stone (approximately 80% of carats).

"The GFIA report also analyses the total sales and the values sold to the State Diamond Trader (STD) and for beneficiation. It ignores the fact that there is an agreement with the State Diamond Trader not to buy diamonds over 4 carats in size, because there are few diamonds produced in this size range, and for example it would be impossible to 'remove' 10% of a single 6 carat stone (or for that matter a 30 carat stone)? If the STD were to buy single stones in these categories this would furthermore prejudice the contractor and the PSJV.

"By agreement with the PSJV, the STD has the right to purchase up to 10% of total production from diamonds less than 4 carats per stone. This means that the STD buys a

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higher percentage of diamonds in the lower size ranges. The legislatio [illegible] 10% in terms of carats. However, inspection of annual reports for the STD shows that this percentage has typically been about 4% of local production anyway.

"The GFIA report finds that less than 5% by value of diamonds are sold for beneficiation. The South African cutting and polishing industry can only cut and polish certain sizes profitably. Large single stones and small stones or Melee are typically cut overseas where the expertise and cost structures are better suited to maximising the value from large stones and the smaller diamonds (of which the PSJV has a large proportion of their production). Overall Alexkor goods are too small to be manufactured profitably in South Africa because of high labour costs and the inability to compete with the costs of manufacturing in India. Nine out of every ten (90%) of the world's rough diamond production (which averages about 0.30 carats per stone) are manufactured in India due to their competitiveness, cost structures, and cut quality

"Thus only a small range of sizes is selected for beneficiation, mainly in the 2 to 4 carat range. This size range represents approximately 14% in terms of carats and 24% in terms of the Alexkor value. Taking 5% of total production out for beneficiation would represent a large proportion of the diamonds in this size range and it has been decided by the tender house jointly with the PSJV that withdrawing this proportion of diamonds for beneficiation would be detrimental to the overall tender prices achieved, and hence further directly impact the sustainability of Alexkor. The contract does allow for the quantity to be agreed between the PSJV and the tender house.

"The Goboda report goes on to say that SSI has contravened the Diamond Export Levy Act in that it does not pay any export royalty. GFIA ignores the fact SSI does not sell the diamonds, they facilitate a tender sales process (which is generally acknowledged as the best way for a diamond producer to realise value from production) on behalf of the PSJV. All of the buyers of the PSJV goods are South African based (albeit some of them have foreign holding companies) and therefore the sales are exempt from the export levy. It is only when these local buyers wish to export the diamonds

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that the diamonds are offered on the local bourse, and if they [redacted] port tax is paid.

"Overall the situation facing Alexkor is indeed in need of a positive outcome, most of all for the impoverished communities of the Richtersveld and Northern Namaqualand, and the long term sustainability of the region and its economy. Importantly positive solutions and outcomes need to be achieved on the basis of proper due diligence of the facts by experts, mindful of the need for long term development that will benefit the entire region, and which replace mining which is finite and in decline.

"There may well be some future in the evaluation and development in the longer term of the deeper offshore diamond resources (the 'B' and 'C' Concessions of Alexkor). However, at a rough estimate an initial R500-million would be needed for systematic and detailed evaluation of these deposits, money which Government does not have. These deep water concessions should be sold off to capable and well-resourced private enterprise as a priority, so as to prevent a repeat of Alexkor's recent history.

"Mineral resources are finite, and after some 90 years of exploitation, which included high-grading, and mining without concomitant robust exploration and a mine plan due to lack of financial resources and technical capacity, Alexkor obviously faces declining production and an uncertain future. Added to this is that continual changes in the management team of Alexkor, and a flawed privatisation process in 1997 which was scuppered due to political factors. The inability of Provincial and Central Government departments to recognise and develop the extensive non-mining attributes of the northern Namaqualand region have created a miserable legacy for this unique region.

"Northern Namaqualand is endowed with a wealth of history, other mineral deposits, unique natural resources, game parks, unrivalled plant and flower species, exceptional farming opportunities along the banks of the Orange River, aquaculture options, and tourism potential. Tragically none of the other resources have been properly developed and utilised.

"I trust that the Minister consults with industry experts before making any decisions on the future of Alexkor and that

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the PSJV [illegible] solely on the GIBA report to form his opinion. [illegible] form a panel of experts, all of whom already exist, to properly oversee the future of Alexkor, and to unlock the greater long term potential of Northern Namaqualand."

Mining Weekly can report that South Africa has the people, the skills and the goodwill to address Alexkor's challenges. Political will, foresight and leadership are required to modernise and transform Alexkor, drive job creation and revive economic development.

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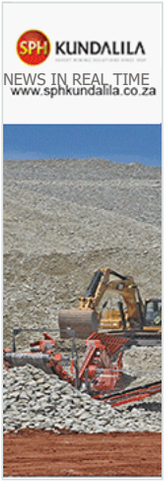

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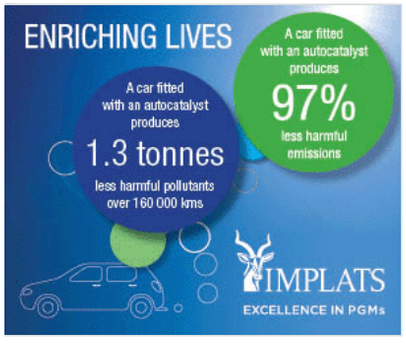

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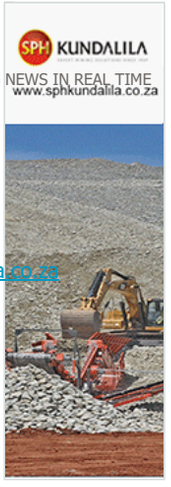

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Charges | Mr Mervyn Carstens: CEO | 31 January 2020

1. Gross Negligence

a. In that you failed to act objectively and in the interest of the PSJV by ignoring recommendations by the Bid Evaluation Committee in respect of the award under tender 2/2017.

b. You neglected to take into account Regulations in respect of the appointment of Service Providers in relation to the minimum requirements for tenders. One of which being the award of tender 3/2014 to Scarlet Sky Investments (Pty) Ltd (SSI).

c. You failed to take relevant and necessary action against SSI for breaching the marketing and sales agreement by not selling 10% of the value of rough diamonds in terms of the Marketing, Value and Beneficiation Agreements.

d. In that you failed to ensure payments to the Employee Pension Fund Administrator was paid over to the relevant Pension Fund Administrator. In doing so bringing the name and reputation of Alexkor and the RMC-PSJV in disrepute by violation and contravening national legislation in respect of how to handle employee pension benefits.

2. Gross Misconduct

a. That you failed to monitor the contract between the PSJV and SSI and thereby allowing the underselling of rough diamonds to Joe Gaddies in contravention with section 8 of the Diamond Export Levy Act.

3. Failure to demonstrate acceptable Conduct

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Charges | Mr Mervyn Carstens: CEO | 31 January 2020

In that you failed, without proper cause to perform your fiduciary duties with proper care required from you by:

a. Placing the PSJV at risk by not ensuring that 15% in value of the rough diamonds were sold for beneficiation.

b. Expressing bias by your failure to disclose information of buyers and misrepresenting SSI as a buyer.

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SOC LIMITED
(Reg No 1992/006368/30)
Incorporated by Act No 116 of 1992

Orange Road
Private Bag X5
ALEXANDER BAY
8290

Tel. : +27 (027) 831 8300
Fax : +27 (027) 831 1910

RMC
(Reg. No 2006/034807/07)

Date: **31 January 2020**

Mr Mervyn Carstens

The Chief Executive Officer

PSJV

Alexander Bay

By: Email

Dear Sir

RE: Suspension

You are hereby informed that you are suspended with immediate effect from your employ and position as Chief Executive Officer RMC-PSJV.

The Suspension follows an investigation conducted into the affairs of the RMC-PSJV.

Please be advised of the following:

1. Your suspension will be on full pay.
2. You are required to vacate the Company's premises immediately.

Directors: MJ Carstens (Chief Executive Officer),A Maarman, P Mokhali, G Oliphant,
Company Secretary: RE Phillips

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Orange Road
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ALEXKOR
SOC LIMITED
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3. You are not required to render any services for and on behalf of the PSJV or be on the premises for the duration of the suspension until further notice.
4. You may not access the company's systems or emails unless you have received expressed permission from the Human Resources Department.
5. You may not make contact with any other employee, contractors or clients of the Alexkor, RMC PSJV unless you have received authorisation to do so and upon arrangements in this regard having been made with your Human Resources Department.
6. You are required to be available and contactable during working hours and in the event that you are to be unavailable during this time, you are required to notify the appointed Administrator, Mr. Lloyd McPatie

In order to maintain contact throughout the process, it is imperative that the Company has updated information regarding address and contact details. Please fill in the required details below. Note that should you fail to fill in the required details, the Company will presume that the details on record are accurate and correct.

Please be further advised that a Notice of Disciplinary Hearing will be served on you at the address indicated below:

Mr M Carstens

Employee

Mr. L. McPatie

Administrator (Alexkor)

Directors: MJ Carstens (Chief Executive Officer),A Maarman, P Mokhali, G Oliphant,
Company Secretary: RE Phillips

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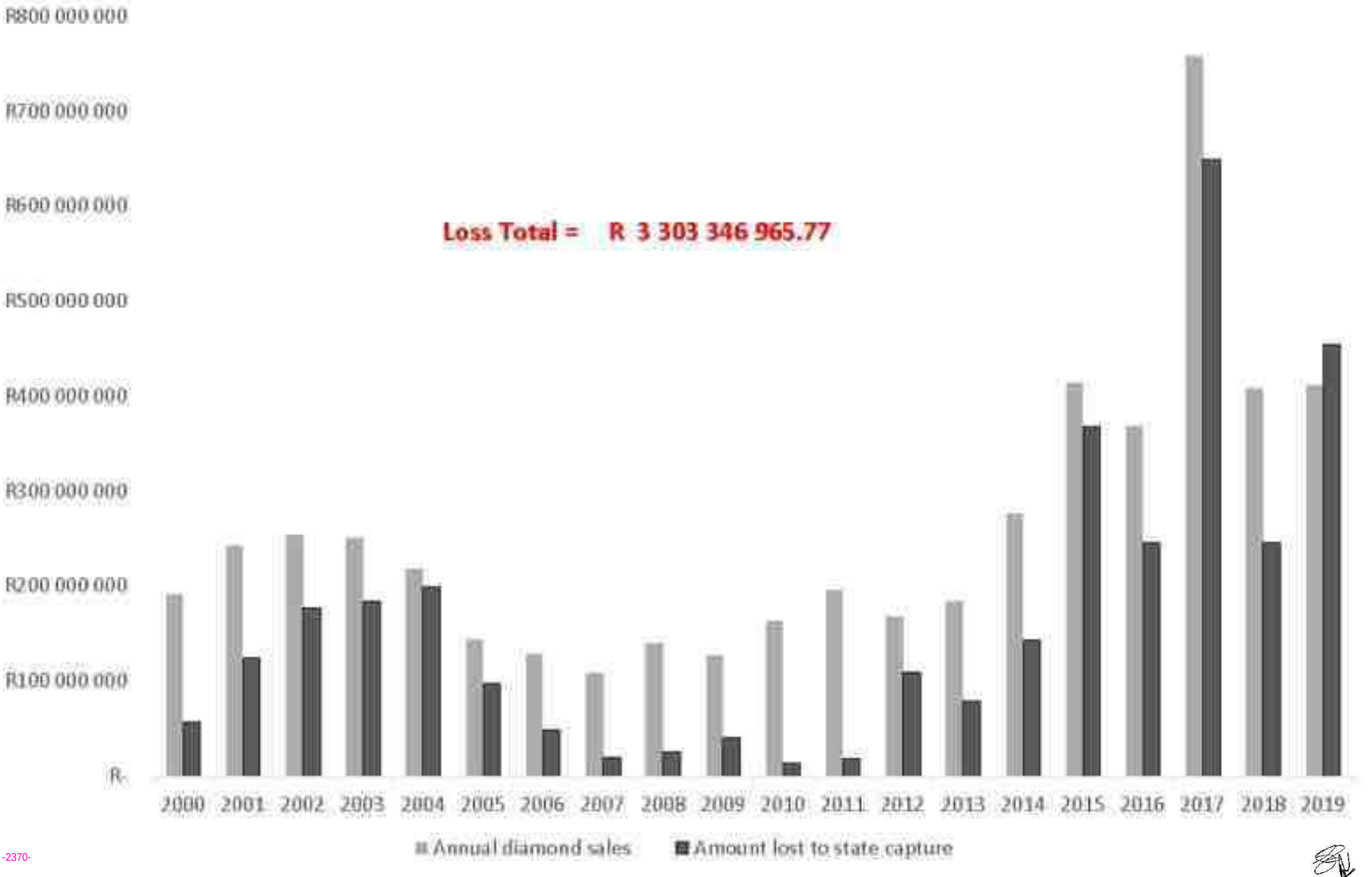
Alexkor's Annual Losses On Diamond Sales Due to State Capture



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Stone Size	**Price / ct**
9.25 ct	$ 1 068.00
7.83 ct	$ 2 723.63
13.69 ct	$ 6 419.87
9.69 ct	$ 7 933.95
6.94 ct	$ 1 491.93
14.48 ct	$ 1 941.02
18.15 ct	$ 4 021.43
8.35 ct	$ 3 423.95
9.53 ct	$ 3 071.04
15.08 ct	$ 8 145.03
13.08 ct	$ 3 675.98
6.93 ct	$ 3 340.69
6 ct	$ 1 336.75
5 ct	$ 2 100.87
4 ct	$ 1 679.01
3 ct	$ 1 281.55
10 grs	$ 1 198.21
8 grs	$ 851.50
6 grs	$ 607.50
5 grs	$ 630.00
4 grs	$ 408.60
3 grs	$ 398.11
+11	$ 203.88
+9	$ 155.36
+7	$ 104.87
-7	$ 97.10
Average	**$ 2 242.69**

TABLE - B	
Stone Size	**Price / ct**
6 ct	$ 1 336.75
5 ct	$ 2 100.87
4 ct	$ 1 679.01
3 ct	$ 1 281.55
10 grs	$ 1 198.21
8 grs	$ 851.50
6 grs	$ 607.50
5 grs	$ 630.00
4 grs	$ 408.60
3 grs	$ 398.11
+11	$ 203.88
+9	$ 155.36
+7	$ 104.87
-7	$ 97.10
Average	**$ 789.52**