

**KIMBERLEY DIAMONDS ACQUIRES ARGYLE SMOKE CREEK DIAMOND PROJECT  
FROM VENUS METALS CORPORATION**

(ASX: KDL) Kimberley Diamonds Limited (“KDL” or “Kimberley”) is pleased to announce it has acquired the Argyle Smoke Creek Alluvial Diamond Project (“Smoke Creek Diamond Project”) in the Kimberley region of Western Australia from (ASX:VMC) Venus Metals Corporation Limited (“Venus Metals”).

Alex Alexander, Executive Chairman of KDL, commented, “The completion of this acquisition provides a second potential source of rough fancy coloured diamonds for Kimberley, alongside our flagship Ellendale Diamond Mine which supplies approximately half of the world’s fancy yellow diamonds. In addition to this acquisition, we are making positive progress on the completion steps for the acquisition of Mantle Diamonds and the Lerala Diamond Mine which we’ve previously announced to the market. Kimberley Diamonds Limited is well advanced in its strategy of becoming a diversified diamond producer.”

***Argyle Smoke Creek Alluvial Diamond Project***

The Smoke Creek Diamond Project comprises 22 Prospecting Licences and one Mining Lease application covering 11 kilometres of unmined diamondiferous gravels located within the downstream portion of Smoke Creek, a tributary leading from Rio Tinto’s Argyle Diamond Mine, the world’s primary source of rare and highly valuable pink diamonds.

Venus Metals acquired the 22 Prospecting Licences in 2008 following their surrender by Argyle Diamond Mines Pty Ltd (a subsidiary of Rio Tinto) which held them since 1983.

The Smoke Creek Diamond Project has **an Inferred Resource of 21.5 Mt at an average grade of 28 carats per hundred tonnes (cpht) for 6,000,000 carats**, using a cut-off of 10 cpht.

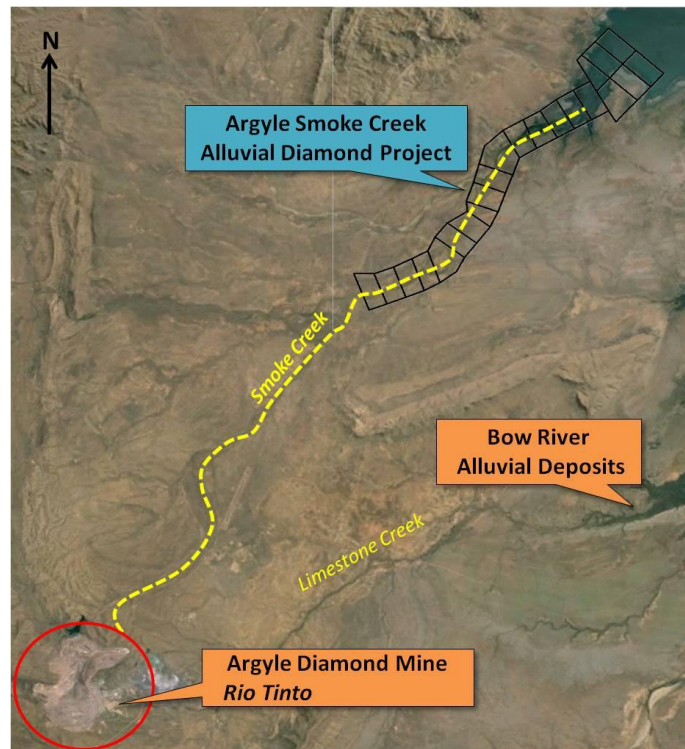


*An example of polished pink fancy diamonds recovered from Rio Tinto’s Argyle Diamond Mine. Source:labios.jp*

The Resource modelling was carried out over 12 of the 22 Prospecting Licences by geological consultants Widenbar and Associates. This information complies with the 2012 Edition of the JORC Code.

The Argyle Diamond Mine, which is 100% owned by Rio Tinto, has been operating since 1983. The mine has produced over 750 million carats of rough diamonds and generated more than US\$6 billion in revenue.<sup>1</sup>

The tenements comprising the Smoke Creek Diamond Project are located approximately 22 kilometres north east of Rio Tinto's Argyle AK1 pipe and cover the downstream section of Smoke Creek to where the creek runs into Lake Argyle.



Map of the Argyle Smoke Creek Alluvial Diamond Project in the East Kimberley region of Western Australia

### **Previous Alluvial Diamond Production in the Area**

Between 1982 and 2000, the Argyle Joint Venture (Rio Tinto [56.8%], Ashton Mining Ltd [38.2%] and the Western Australian Diamond Trust [5%]) processed 54.9 million tonnes of alluvial gravels to produce 42 million carats of diamonds at an average grade of 77 cpht from the upper reaches of Smoke Creek and nearby Limestone Creek.<sup>2</sup>

<sup>1</sup>Source: [http://www.riotintodiamonds.com/ENG/ourmines/argyle\\_diamond\\_diamonds.asp](http://www.riotintodiamonds.com/ENG/ourmines/argyle_diamond_diamonds.asp)

<sup>2</sup> Shigley J E, Chapman J & Ellison R K. 2001. *Argyle Diamond Deposit*. in *Gems and Gemology* V37, No. 1 pp26-41, Spring 2001 Edition.

In 1982 the Freeport of Australia-Gem Exploration JV located an alluvial diamond deposit some 30 kilometres downstream from the Argyle AK1 Diamond pipe at Bow River.

Between 1988 and 1995 mining operations at the nearby Bow River alluvial deposit processed a range of gravel types for a total production of 7 million carats from 27 million tonnes of alluvial gravels at a recovered grade of 27.8 cpht.<sup>3</sup>

### ***Approvals Process and Transaction Details***

Kimberley will now seek to obtain the necessary approvals from the various authorities and stakeholders before it can commence production at the Smoke Creek Diamond Project. An alluvial diamond processing plant already owned by Kimberley will be transported to site as soon as practicable.

Kimberley will pay \$250,000 in cash plus issue 625,000 ordinary shares in KDL at a deemed issue price of \$1.20 per share (worth \$750,000) to Venus Metals for a 100% interest in the Smoke Creek Diamond Project.

Effective 17 February 2014, a quarter of the shares will be held in voluntary escrow for 6 months, a further 25% of the shares will be held for 9 months and the remaining 50% of the shares will be held in escrow for 12 months.

### **Deposit Details**

The Smoke Creek alluvial diamond deposit is located in the lower reaches of Smoke Creek, which drains the nearby Argyle kimberlite pipe. The latter hosts the Argyle Diamond deposit, which is currently mined by Argyle Diamond Mines (ADM).

The resource estimate is based on the ADM-mapped extent of “C Terrace Gravels”, and the published results of ADM’s reconnaissance bulk sampling.

The sample data used in the Resource estimate comprised 26 bulk samples, each of nominal 30 tonne weight. The samples were collected along the C Terrace Gravels at spacings of 400 to 1000 m.

Diamond concentrates were produced using a HMS MK111 bulk sampling plant. Final diamond recovery was achieved using X-ray sorters and hand-picking.

Due to the erratic nature of the distribution of alluvial diamonds, the grade (in cpht) has been averaged for the data at each sample location and these locations have been used as the raw input data to the resource estimate.

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<sup>3</sup> Fazakerley V W 1990 – Bow River Alluvial Diamond Deposit: in Hughes F E (Ed.), 1990 Geology of the Mineral Deposits of Australia and Papua New Guinea The AusIMM, Melbourne, Mono 14, V2 pp1659-1664

Using the ADM interpretation of the alluvial gravels as a guide a series of polygons was defined. The sample locations falling within these polygons have been averaged by length weighting of the gravel thickness to produce an average grade for each polygon. The total resource has been calculated using area weighting for each polygon.

In this way, a total global resource of 48.5 Mt at an average of 15 CPHT has been estimated, using a density of 1.2 t/m<sup>3</sup>.

As a check a simple Inverse Distance squared block model was also constructed; this confirmed the published estimate.

The classification reflects a moderate level of confidence in the nature and location of the alluvial gravels.

#### **Data Quality**

Resource classification is based on information and data compiled by ADM. Descriptions of sampling techniques indicate that data collection and management by ADM conformed to industry standards. The data is considered adequate to support an Inferred Resource status.

#### **Sample Spacing**

There is a sufficient spread of bulk samples along the alluvial course to support the assessment of the deposit as a potentially economic one.

#### **Modelling Technique**

A simple weighted polygonal method has been used for calculation of tonnage and grade.

#### **Final Classification**

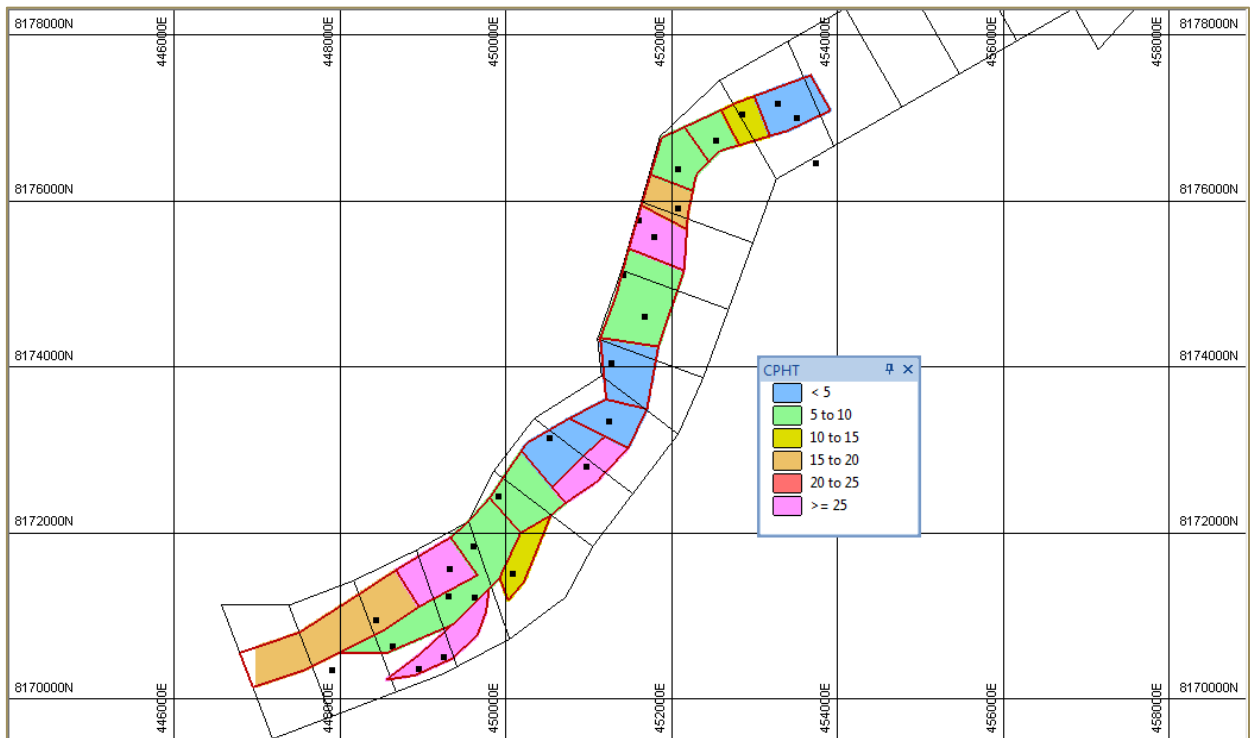
The Smoke Creek Mineral Resource has been classified as an Inferred Resource in accordance with The 2012 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code).

A global resource at no cut-off for all of Smoke Creek has been estimated at 48.5 Mt at an average grade of 15 CPHT for a total of 7,275,000 carats.

**After economic and resource confidence consideration, with a cutoff of 10 CPHT applied the Inferred Resource has been estimated at 21.5 Mt at an average grade of 28 CPHT for a total of 6,000,000 carats.**

The average value of diamonds recovered from the Argyle Diamond Mine in 2011 was US\$16/ct (Bain & Co. Report 2011). Based on previous experience, the Company notes that alluvial deposits are typically 2-3 times higher than that of the source due to the concentration of larger stones through winnowing. It would not be unreasonable to estimate the average

value of diamonds recovered from the Lower Smoke Creek Deposit would be in the order of US\$30/ct based on 2011 diamond prices.



*Resource Polygons – Grade (CPHT)*

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**About Kimberley Diamonds Limited**

*Kimberley Diamonds Limited is the owner and operator of the Ellendale Diamond Mine in Western Australia. The mine is the world's leading source of rare fancy yellow diamonds and contributes around half of the world's supply. Kimberley Diamonds Limited owns eDiamond, an independent online trading platform for rough diamonds and also has interests in a portfolio of other mining tenements in New South Wales, the Northern Territory and Western Australia. Kimberley Diamonds Limited is headquartered in Sydney, has an office in Perth and is listed on the ASX under the code KDL.*

**Compliance Statement:**

*The information in the report to which this statement is attached that relates to Mineral Resources is based on information compiled by Mr Lynn Widenbar, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Widenbar is a full time employee of Widenbar and Associates, an independent geological consultancy. Mr Widenbar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves'. Mr Widenbar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

**Table 1: Smoke Creek Alluvial Diamond Project**

**Section 1: Sampling Techniques and Data**

<b>Criteria</b>	<b>JORC Code explanation</b>	<b>Commentary</b>
<b>Sampling techniques</b>	<ul style="list-style-type: none"> <li>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</li> </ul>	<p>The 26 samples used in the Resource estimate comprised nominally 30 tonne bulk samples collected and processed by ARGYLE DIAMOND MINES.</p> <p>Diamond concentrates were produced using a HMS MK111 bulk sampling plant.</p> <p>Final diamond recovery was achieved using X-ray sorters and hand-picking.</p>
	<ul style="list-style-type: none"> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> </ul>	<p>Samples were taken at semi-regular spacings across the deposit.</p>
	<ul style="list-style-type: none"> <li>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information</li> </ul>	<p>The 30 tonne bulk samples were collected and processed by ARGYLE DIAMOND MINES LIMITED using industry standard methods.</p>
<b>Drilling techniques</b>	<ul style="list-style-type: none"> <li>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</li> </ul>	<p>Not applicable: no drilling has been undertaken</p>
<b>Drill sample recovery</b>	<ul style="list-style-type: none"> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> </ul>	<p>Not applicable: no drilling has been undertaken</p>
	<ul style="list-style-type: none"> <li>Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> </ul>	<p>Not applicable: no drilling has been undertaken</p>
	<ul style="list-style-type: none"> <li>Whether a relationship exists between sample recovery and grade and whether sample bias may</li> </ul>	<p>Not applicable: no drilling has been undertaken</p>

	<i>have occurred due to preferential loss/gain of fine/coarse material.</i>	
<b>Logging</b>	<ul style="list-style-type: none"> <li>• <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i></li> </ul>	Not applicable: no drilling has been undertaken
	<ul style="list-style-type: none"> <li>• <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i></li> </ul>	There was no discrimination of the gravels within the sample pits.
	<ul style="list-style-type: none"> <li>• <i>The total length and percentage of the relevant intersections logged.</i></li> </ul>	Bulk sample pits were generally 6-7 m in depth and were logged and subsampled at nominal 1 m intervals
<b>Sub-sampling techniques and sample preparation</b>	<ul style="list-style-type: none"> <li>• <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></li> </ul>	Not applicable: no drilling has been undertaken
	<ul style="list-style-type: none"> <li>• <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i></li> </ul>	Not applicable: no drilling has been undertaken
	<ul style="list-style-type: none"> <li>• <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></li> </ul>	The sample preparation techniques of ARGYLE DIAMOND MINES were industry standard can be considered appropriate for the deposit type.
	<ul style="list-style-type: none"> <li>• <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i></li> </ul>	No information available but it is a reasonable assumption that ARGYLE DIAMOND MINES used standard industry procedure.
	<ul style="list-style-type: none"> <li>• <i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i></li> </ul>	No information available but it is a reasonable assumption that ARGYLE DIAMOND MINES used standard industry procedure.
	<ul style="list-style-type: none"> <li>• <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></li> </ul>	The sampling techniques of ARGYLE DIAMOND MINES can be considered appropriate for the deposit type.
<b>Quality of assay data and</b>	<ul style="list-style-type: none"> <li>• <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></li> </ul>	The recovery techniques of ARGYLE DIAMOND MINES can be considered appropriate for the deposit type.



<b>laboratory tests</b>	<ul style="list-style-type: none"> <li>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</li> </ul>	Not applicable
	<ul style="list-style-type: none"> <li>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</li> </ul>	QAQC procedures are not recorded as these were large bulk samples.
<b>Verification of sampling and assaying</b>	<ul style="list-style-type: none"> <li>The verification of significant intersections by either independent or alternative company personnel.</li> </ul>	Samples collected by ARGYLE DIAMOND MINES have not been verified.
	<ul style="list-style-type: none"> <li>The use of twinned holes.</li> </ul>	Not applicable
	<ul style="list-style-type: none"> <li>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> </ul>	The exploration data presented in this report is as provided by ARGYLE DIAMOND MINES to the WA Department of Mines and Petroleum
	<ul style="list-style-type: none"> <li>Discuss any adjustment to assay data.</li> </ul>	No adjustments were made to the data received from ARGYLE DIAMOND MINES.
<b>Location of data points</b>	<ul style="list-style-type: none"> <li>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</li> </ul>	Pits were surveyed by ARGYLE DIAMOND MINES; details are not recorded.
	<ul style="list-style-type: none"> <li>Specification of the grid system used.</li> </ul>	AMG 84 grid system was used. Sample locations as per data table and map.
	<ul style="list-style-type: none"> <li>Quality and adequacy of topographic control.</li> </ul>	Not applicable
<b>Data spacing and distribution</b>	<ul style="list-style-type: none"> <li>Data spacing for reporting of Exploration Results.</li> </ul>	Samples were taken at semi-regular spacings along the deposit. See Table 1: Appendix A: Smoke Creek Resource Estimate for full details.
	<ul style="list-style-type: none"> <li>Whether the data spacing and distribution is sufficient to establish the degree of geological and</li> </ul>	Data spacing is considered to be appropriate for the level of confidence in the

	<p><i>grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></p>	resource estimate.
	<ul style="list-style-type: none"> <li><i>Whether sample compositing has been applied.</i></li> </ul>	No information available
<b>Orientation of data in relation to geological structure</b>	<ul style="list-style-type: none"> <li><i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></li> </ul>	Vertical sampling effectively sampled the true thickness of the horizontal gravel horizons
	<ul style="list-style-type: none"> <li><i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i></li> </ul>	Not applicable
<b>Sample security</b>	<ul style="list-style-type: none"> <li><i>The measures taken to ensure sample security</i></li> </ul>	The sample security measures taken for these samples were not recorded, however, it is reasonable to assume the samples were subject to the normal rigorous security measures reported as present at ARGYLE DIAMOND MINES.
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li><i>The results of any audits or reviews of sampling techniques and data.</i></li> </ul>	<p>A comprehensive review of the Smoke Creek Project has been undertaken for Kimberley Diamonds Limited by SRK Consulting.</p> <p>An audit of processing facilities at the Smoke Creek Diamond Project was performed for Venus Metals by MSP Resource Development Consultants in October 2012.</p>

**Section 2: Reporting of Exploration Results**

Criteria	JORC Code explanation	Commentary																																														
<p><b>Mineral tenement and land tenure status</b></p>	<ul style="list-style-type: none"> <li>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> </ul>	<p>The Project is located 22 km north-east of the Argyle diamond mine, approximately 80 km south-southwest of the town of Kununurra in the West Kimberley region of Western Australia.</p> <p>The project comprises 22 Prospecting Licences and one Mining Lease application.</p> <table border="1" data-bbox="1579 614 1836 1212"> <thead> <tr> <th>TENEMENT</th> <th>EXPIRY</th> </tr> </thead> <tbody> <tr><td>P80/1712</td><td>8/11/2014</td></tr> <tr><td>P80/1713</td><td>31/08/2015</td></tr> <tr><td>P80/1714</td><td>31/08/2015</td></tr> <tr><td>P80/1715</td><td>31/08/2015</td></tr> <tr><td>P80/1716</td><td>31/08/2015</td></tr> <tr><td>P80/1717</td><td>31/08/2015</td></tr> <tr><td>P80/1718</td><td>31/08/2015</td></tr> <tr><td>P80/1719</td><td>31/08/2015</td></tr> <tr><td>P80/1720</td><td>31/08/2015</td></tr> <tr><td>P80/1721</td><td>31/08/2015</td></tr> <tr><td>P80/1722</td><td>31/08/2015</td></tr> <tr><td>P80/1723</td><td>31/08/2015</td></tr> <tr><td>P80/1724</td><td>31/08/2015</td></tr> <tr><td>P80/1725</td><td>31/08/2015</td></tr> <tr><td>P80/1734</td><td>8/11/2014</td></tr> <tr><td>P80/1735</td><td>8/11/2014</td></tr> <tr><td>P80/1736</td><td>8/11/2014</td></tr> <tr><td>P80/1737</td><td>8/11/2014</td></tr> <tr><td>P80/1738</td><td>8/11/2014</td></tr> <tr><td>P80/1739</td><td>8/11/2014</td></tr> <tr><td>P80/1740</td><td>8/11/2014</td></tr> <tr><td>P80/1741</td><td>8/11/2014</td></tr> </tbody> </table> <p>Smoke Creek Project site is located within the traditional lands of the Miriuwung Gajerrong peoples. Venus signed a Native Title, Heritage Protection and Mineral Exploration Agreement with the Kimberley Land Council for the Miriuwung Gajerrong Lands on 4 October 2010. Heritage clearance surveys have been conducted in conjunction with the</p>	TENEMENT	EXPIRY	P80/1712	8/11/2014	P80/1713	31/08/2015	P80/1714	31/08/2015	P80/1715	31/08/2015	P80/1716	31/08/2015	P80/1717	31/08/2015	P80/1718	31/08/2015	P80/1719	31/08/2015	P80/1720	31/08/2015	P80/1721	31/08/2015	P80/1722	31/08/2015	P80/1723	31/08/2015	P80/1724	31/08/2015	P80/1725	31/08/2015	P80/1734	8/11/2014	P80/1735	8/11/2014	P80/1736	8/11/2014	P80/1737	8/11/2014	P80/1738	8/11/2014	P80/1739	8/11/2014	P80/1740	8/11/2014	P80/1741	8/11/2014
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		<p>Yawoorroong Miriuwung Gajerrong Yirrgeb Noong Dawang Aboriginal Corporation and prepared reports on the surveys in February 2011 and August 2012.</p> <p>Agreements have been obtained with Energis Australia Pty, Northwestern Energy Pty Ltd and Pacific Hydro Two Pty Ltd for access across their tenement L80/48 for exploration activities. Additional agreements have been obtained with Argyle Diamonds Ltd for access across their tenements L80/24 for exploration activities and in relation to Mineral Lease Application MLA 80/621.</p>
	<ul style="list-style-type: none"> <li><i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i></li> </ul>	<p>Expiry dates for each of the granted Prospecting Licences have been provided in Table A. The company has no reason to believe it will not be able to extend to life of these Licences as necessary.</p>
<b>Exploration done by other parties</b>	<ul style="list-style-type: none"> <li><i>Acknowledgment and appraisal of exploration by other parties.</i></li> </ul>	<p>No prior exploration other than that discussed in this report is deemed material to the Resource estimate.</p> <p>Negative results of recent samples collected by Venus Metals within the project area have been excluded as Kimberley Diamonds Limited believe these results were not representative of the deposit.</p>
<b>Geology</b>	<ul style="list-style-type: none"> <li><i>Deposit type, geological setting and style of mineralisation.</i></li> </ul>	<p>The Project is an alluvial diamond deposit. The primary source of the diamonds is the Argyle (AK1) Diamond Pipe. As this pipe has been eroded over time, the diamonds within the pipe have been shed into adjacent drainage channels such as Smoke Creek. The diamonds within the project area are found in specific gravels associated with specific periods of erosion.</p>
<b>Drill hole Information</b>	<ul style="list-style-type: none"> <li><i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all:</i></li> <li>Material drill holes:</li> <li>easting and northing of the drill hole collar</li> <li>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>dip and azimuth of the hole</li> </ul>	<p>See Table 1: Appendix A: Smoke Creek Resource Estimate for details for the bulk sample pits</p>

	<ul style="list-style-type: none"> <li>• down hole length and interception depth</li> <li>• hole length.</li> </ul>	
	<ul style="list-style-type: none"> <li>• <i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i></li> </ul>	Negative results of limited subsequent exploration by Venus Metals within the project area have been excluded as Kimberley Diamonds Limited believes these results were not representative of the deposit.
<b>Data aggregation methods</b>	<ul style="list-style-type: none"> <li>• <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i></li> </ul>	Due to the erratic nature of the distribution of alluvial diamonds, a weighted average grade in cpht has been calculated at each sample location and these locations have been used as the raw input data to the resource estimate.
	<ul style="list-style-type: none"> <li>• <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i></li> </ul>	See above
	<ul style="list-style-type: none"> <li>• <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></li> </ul>	Not applicable
<b>Relationship between mineralisation widths and intercept lengths</b>	<ul style="list-style-type: none"> <li>• <i>These relationships are particularly important in the reporting of Exploration Results.</i></li> </ul>	Pits dug by ARGYLE DIAMOND MINES were sampled vertically to assess the distribution of diamonds through the gravel profile.
	<ul style="list-style-type: none"> <li>• <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></li> </ul>	The gravel are assumed to be flat lying therefore the samples are an accurate representation of the true thickness of the gravels
	<ul style="list-style-type: none"> <li>• <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i></li> </ul>	See above
<b>Diagrams</b>	<ul style="list-style-type: none"> <li>• <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i></li> </ul>	See Table 1: Appendix A: Smoke Creek Resource Estimate for plan and cross sections of the deposit

<p><b>Balanced reporting</b></p>	<ul style="list-style-type: none"> <li>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</li> </ul>	<p>See Table 1: Appendix A: Smoke Creek Resource Estimate for details of the samples used to calculate the Resource estimate</p> <p>As noted previously, negative results from work conducted by Venus Metals has been excluded on the basis it is deemed immaterial.</p>
<p><b>Other substantive exploration data</b></p>	<ul style="list-style-type: none"> <li>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</li> </ul>	<p>Various geophysical surveys aimed at identifying paleo-channels have been undertaken by ARGYLE DIAMOND MINES with varying degrees of success. The results of these surveys are immaterial to the results presented herein.</p>
<p><b>Further work</b></p>	<ul style="list-style-type: none"> <li>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</li> </ul>	<p>The Company intends to begin mining the deposit as soon as the relevant approvals have been granted.</p>
	<ul style="list-style-type: none"> <li>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</li> </ul>	<p>The location of further work will be dictated by mining results.</p>

**Section 3 Estimation and Reporting of Mineral Resources**

<b>Criteria</b>	<b>JORC Code explanation</b>	<b>Commentary</b>
<b>Database integrity</b>	<ul style="list-style-type: none"> <li>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</li> <li>Data validation procedures used.</li> </ul>	The exploration data presented in this report is as provided by ARGYLE DIAMOND MINES to WA Department of Mines and Petroleum. They have been taken as being correct.
<b>Site visits</b>	<ul style="list-style-type: none"> <li>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</li> <li>If no site visits have been undertaken indicate why this is the case.</li> </ul>	The Competent Person did not undertake a site visit as the sample pits are no longer be accessible.
<b>Geological interpretation</b>	<ul style="list-style-type: none"> <li>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</li> <li>Nature of the data used and of any assumptions made.</li> <li>The effect, if any, of alternative interpretations on Mineral Resource estimation.</li> <li>The use of geology in guiding and controlling Mineral Resource estimation.</li> <li>The factors affecting continuity both of grade and geology.</li> </ul>	<p>Resource polygons have been based on mapping of the prospective C-Terrace gravels by ARGYLE DIAMOND MINES.</p> <p>See Table 1: Appendix A: Smoke Creek Resource Estimate for full details</p>
<b>Dimensions</b>	<ul style="list-style-type: none"> <li>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</li> </ul>	See Table 1: Appendix A: Smoke Creek Resource Estimate
<b>Estimation and modelling techniques</b>	<ul style="list-style-type: none"> <li>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</li> </ul>	<p>Due to the erratic nature of the distribution of alluvial diamonds, the grade (in cpht) has been averaged for the data at each sample location and these locations have been used as the raw input data to the resource estimate.</p>
	<ul style="list-style-type: none"> <li>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</li> <li>The assumptions made regarding recovery of by-products</li> <li>Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).</li> </ul>	<p>Using the ARGYLE DIAMOND MINES interpretation of the alluvial gravels as a guide a series of polygons has been defined</p> <p>The sample locations falling within these polygons have been averaged by length weighting of the gravel thickness to produce an average grade for each polygon. The total resource has been calculated using area weighting for each polygon.</p>

	<ul style="list-style-type: none"> <li><i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i></li> <li><i>Any assumptions behind modelling of selective mining units.</i></li> <li><i>Any assumptions about correlation between variables.</i></li> <li><i>Description of how the geological interpretation was used to control the resource estimates</i></li> <li><i>Discussion of basis for using or not using grade cutting or capping.</i></li> <li><i>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</i></li> </ul>	<p>A total global resource of 48.5 Mt at an average of 15 cpht has been calculated in this way. This compares well with the CRA global resource tonnage quoted in the Final Surrender Report.</p> <p>A density of 1.2 t/m<sup>3</sup> has been used for consistency with previous estimates.</p> <p>As a check a simple Inverse Distance squared block model was also constructed and compared with this resource. The ID2 model produced 47.4 Mt at average of 15 cpht, confirming the initial estimate. A plan of grade distribution in this model is shown below; it should be borne in mind that this is a check model, and the data spacing and nature is insufficient to produce a reliable ID2 model.</p> <p>Tonnes are similar (bearing in mind this is not quite the same area), though grade is lower. This is because grades have been weighted by polygon area rather than simply averaged. Overall, the comparison is reasonable, given the highly variable nature of diamond deposits.</p> <p>See Table 1: Appendix A: Smoke Creek Resource Estimate for full details and figures</p>
<b>Moisture</b>	<ul style="list-style-type: none"> <li><i>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</i></li> </ul>	Tonnages are estimated on a dry basis.
<b>Cut-off parameters</b>	<ul style="list-style-type: none"> <li><i>The basis of the adopted cut-off grade(s) or quality parameters applied.</i></li> </ul>	A cut-off of 10 cpht was used for the Resource Estimate
<b>Mining factors or assumptions</b>	<ul style="list-style-type: none"> <li><i>Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</i></li> </ul>	Alluvial deposits are routinely mined and it is assumed such methods will be applicable to the Smoke Creek deposit. This assumption is regarded as reasonable as ARGYLE DIAMOND MINES has previously exploited other, nearby, areas of the Smoke Creek gravels, which were of a similar grade, using such routine methods.
<b>Metallurgical factors or</b>	<ul style="list-style-type: none"> <li><i>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding</i></li> </ul>	See above



<b>assumptions</b>	<i>metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</i>	
<b>Environmental factors or assumptions</b>	<ul style="list-style-type: none"> <li>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</li> </ul>	Tailings disposal has not been considered in detail at this stage. However it is assumed that tailings can be disposed of using standard procedures and in compliance with environmental regulations.
<b>Bulk density</b>	<ul style="list-style-type: none"> <li>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</li> <li>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.</li> <li>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</li> </ul>	A density of 1.2 t/m <sup>3</sup> has been used for consistency with previous estimates.
<b>Classification</b>	<ul style="list-style-type: none"> <li>The basis for the classification of the Mineral Resources into varying confidence categories.</li> <li>Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</li> <li>Whether the result appropriately reflects the Competent Person's view of the deposit.</li> </ul>	<p>A global resource at no cut-off for all of Smoke Creek has been estimated at 48.5 Mt at an average grade of 15 cpht for a total of 7,275,000 carats.</p> <p>After economic and resource confidence consideration, with a cut-off of 10 cpht applied the Inferred Resource has been estimated at 21.5 Mt at an average grade of 28 cpht for a total of 6,000,000 carats.</p> <p>See Table 1: Appendix A: Smoke Creek Resource Estimate for the full report by Competent Person, Lynn Widenbar of Widenbar and Associates</p>
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>The results of any audits or reviews of Mineral Resource estimates.</li> </ul>	<p>A comprehensive review of the Smoke Creek Project has been undertaken for Kimberley Diamonds Limited by SRK Consulting.</p> <p>An audit of processing facilities at the Smoke Creek Diamond Project was</p>

		<p>performed for Venus Metals by MSP Resource Development Consultants in October 2012.</p>
<p><b>Discussion of relative accuracy/confidence</b></p>	<ul style="list-style-type: none"> <li>• <i>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</i></li> <li>• <i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</i></li> <li>• <i>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i></li> </ul>	<p>The Smoke Creek Mineral Resource has been classified in accordance with The 2012 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code). A range of criteria have been considered in determining this classification including:</p> <ul style="list-style-type: none"> <li>• Geological continuity;</li> <li>• Data quality;</li> <li>• Sample spacing;</li> <li>• Modelling technique.</li> </ul> <p><b>Geological Continuity:</b> The classification reflects a moderate level of confidence in the nature and location of the alluvial gravels.</p> <p><b>Data Quality:</b> Resource classification is based on information and data compiled by ADM. Descriptions of sampling techniques indicate that data collection and management by ADM conformed to industry standards. The data is considered adequate to support an Inferred Resource status.</p> <p><b>Sample Spacing:</b> There is a sufficient spread of bulk samples along the alluvial course to support the assessment of the deposit as a potentially economic one.</p> <p><b>Modelling Technique:</b> A simple weighted polygonal method has been used for calculation of tonnage and grade.</p> <p><b>Final Classification</b></p> <p>The Smoke Creek Mineral Resource has been classified as an Inferred Resource in accordance with The 2012 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code).</p>

**Section 5 Estimation and Reporting of Diamonds and Other Gemstones**

<i>Criteria</i>	<i>JORC Code explanation</i>	<i>Commentary</i>
<b>Indicator minerals</b>	<i>Reports of indicator minerals, such as chemically/physically distinctive garnet, ilmenite, chrome spinel and chrome diopside, should be prepared by a suitably qualified laboratory.</i>	Not applicable. These are pathfinders minerals used in early stage exploration, not mining situations.
<b>Source of diamonds</b>	<i>Details of the form, shape, size and colour of the diamonds and the nature of the source of diamonds (primary or secondary) including the rock type and geological environment.</i>	The diamonds found in Smoke Creek were eroded from the Argyle (AK1) Pipe mined at the Argyle Diamond Mine.
<b>Sample collection</b>	<i>Type of sample, whether outcrop, boulders, drill core, reverse circulation drill cuttings, gravel, stream sediment or soil, and purpose (eg large diameter drilling to establish stones per unit of volume or bulk samples to establish stone size distribution).</i>	Bulk samples averaging 30 tonnes of gravel were taken from discrete locations across the deposit.
	<i>Sample size, distribution and representivity.</i>	
<b>Sample treatment</b>	<i>Type of facility, treatment rate, and accreditation.</i>	Limited information is available however it is a reasonable assumption that ARGYLE DIAMOND MINES used standard industry procedure.
	<i>Sample size reduction. Bottom screen size, top screen size and re-crush.</i>	Samples taken were processed through a HMS MK111 bulk sampling plant operated by ARGYLE DIAMOND MINES LIMITED. Concentrates were sorted by X-ray sorters and diamonds were recovered by hand.
	<i>Processes (dense media separation, grease, X-ray, hand-sorting, etc).</i>	
	<i>Process efficiency, tailings auditing and granulometry.</i>	
	<i>Laboratory used, type of process for micro diamonds and accreditation.</i>	
<b>Carat</b>	<i>One fifth (0.2) of a gram (often defined as a metric carat or MC).</i>	cpht = carats per hundred tonne
<b>Sample grade</b>	<i>Sample grade in this section of Table 1 is used in the context of carats per units of mass, area or volume.</i>	See Table 1: Appendix A: Smoke Creek Resource Estimate for a full list of the

	<p><i>The sample grade above the specified lower cut-off sieve size should be reported as carats per dry metric tonne and/or carats per 100 dry metric tonnes. For alluvial deposits, sample grades quoted in carats per square metre or carats per cubic metre are acceptable if accompanied by a volume to weight basis for calculation.</i></p>	<p>ARGYLE DIAMOND MINES samples and available sample details</p>
	<p><i>In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive sample grade (carats per tonne).</i></p>	
<p><b>Reporting of Exploration Results</b></p>	<p><i>Complete set of sieve data using a standard progression of sieve sizes per facies. Bulk sampling results, global sample grade per facies. Spatial structure analysis and grade distribution. Stone size and number distribution. Sample head feed and tailings particle granulometry.</i></p> <p><i>Sample density determination.</i></p> <p><i>Per cent concentrate and undersize per sample.</i></p> <p><i>Sample grade with change in bottom cut-off screen size.</i></p> <p><i>Adjustments made to size distribution for sample plant performance and performance on a commercial scale.</i></p> <p><i>If appropriate or employed, geostatistical techniques applied to model stone size, distribution or frequency from size distribution of exploration diamond samples.</i></p> <p><i>The weight of diamonds may only be omitted from the report when the diamonds are considered too small to be of commercial significance. This lower cut-off size should be stated.</i></p>	<p>See Table 1: Appendix A: Smoke Creek Resource Estimate for a full list of the ARGYLE DIAMOND MINES samples, available sample details and geostatistical analysis of this data</p>
<p><b>Grade estimation for reporting Mineral Resources</b></p>	<p><i>Description of the sample type and the spatial arrangement of drilling or sampling designed for grade estimation.</i></p>	<p>See Table 1: Appendix A: Smoke Creek Resource Estimate</p>

<b>and Ore Reserves</b>	<i>The sample crush size and its relationship to that achievable in a commercial treatment plant.</i>	
	<i>Total number of diamonds greater than the specified and reported lower cut-off sieve size.</i>	
	<i>Total weight of diamonds greater than the specified and reported lower cut-off sieve size.</i>	
	<i>The sample grade above the specified lower cut-off sieve size.</i>	
<b>Value estimation</b>	<i>To the extent that such information is not deemed commercially sensitive, Public Reports should include:</i>	The average value of diamonds recovered from the Argyle Diamond Mine in 2011 was US\$16/ct (ref.). The average values of diamonds recovered from alluvial deposits are typically 2-3 times higher than that of the source due to the concentration of larger stones through winnowing. It would not be unreasonable to estimate the average value of diamonds recovered from the Lower Smoke Creek Deposit would be in the order of US\$30/ct based on 2011 diamond prices.
	<i>diamonds quantities by appropriate screen size per facies or depth.</i>	
	<i>details of parcel valued.</i>	
	<i>number of stones, carats, lower size cut-off per facies or depth.</i>	
	<i>The average \$/carat and \$/tonne value at the selected bottom cut-off should be reported in US Dollars. The value per carat is of critical importance in demonstrating project value.</i>	
	<i>The basis for the price (eg dealer buying price, dealer selling price, etc).</i>	
	<i>An assessment of diamond breakage.</i>	
<b>Security and integrity</b>	<i>Accredited process audit.</i>	The sample security measures taken for these samples were not recorded, however, it is reasonable to assume the samples were subject to the normal rigorous security measures reported as present at ARGYLE DIAMOND MINES.
	<i>Whether samples were sealed after excavation.</i>	

	<p><i>Valuer location, escort, delivery, cleaning losses, reconciliation with recorded sample carats and number of stones.</i></p>	
	<p><i>Core samples washed prior to treatment for micro diamonds.</i></p>	
	<p><i>Audit samples treated at alternative facility.</i></p>	
	<p><i>Results of tailings checks.</i></p>	
	<p><i>Recovery of tracer monitors used in sampling and treatment.</i></p>	
	<p><i>Geophysical (logged) density and particle density.</i></p>	
	<p><i>Cross validation of sample weights, wet and dry, with hole volume and density, moisture factor.</i></p>	
<p><b>Classification</b></p>	<p><i>In addition to general requirements to assess volume and density there is a need to relate stone frequency (stones per cubic metre or tonne) to stone size (carats per stone) to derive grade (carats per tonne). The elements of uncertainty in these estimates should be considered, and classification developed accordingly.</i></p>	<p>See Table 1: Appendix A: Smoke Creek Resource Estimate for sample statistics</p>

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# Smoke Creek Inferred Resource Estimate

## February 2014

February 2014

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## 1. Smoke Creek Resource Estimate Overview

The Smoke Creek alluvial diamond deposit lies adjacent to the Argyle kimberlite pipe which hosts Argyle Diamond Mines' (ADM) current mine. The project area comprises 22 Prospecting Licences covering the lower reaches of Smoke Creek. The 1979 discovery of alluvial diamonds in Smoke Creek led to the discovery of the world-class Argyle diamond deposit. Prior to mining operations commencing at Argyle in 1985, Argyle Diamond Mines (ADM) mined the upper parts of Smoke Creek.

The Smoke Creek tenements cover the extent of four forfeited ADM's Mining Leases over the lower reaches of Smoke Creek where ADM had only undertaken reconnaissance gravel sampling for diamonds.

ADM reconnaissance gravel bulk sampling diamond grade results record the presence of diamonds within all the bulk samples taken within the Smoke Creek tenements (sample size was typically around 30 tonnes).

The highest grade ADM diamond result was from bulk sample SC24-6 which returned a result of 200 carats/ hundred tonnes (cpht) from the sample depth interval 5-6 metres. Other encouraging results include bulk sample SC22-1 which returned a diamond grade result of 186 cpht from surface to one metre depth, and sample SC31-3 which returned a result of 185 cpht from 2-3 metres.

The resource estimate is based on the ADM-mapped extent of "C Terrace Gravels", and the published results of ADM's reconnaissance bulk sampling.

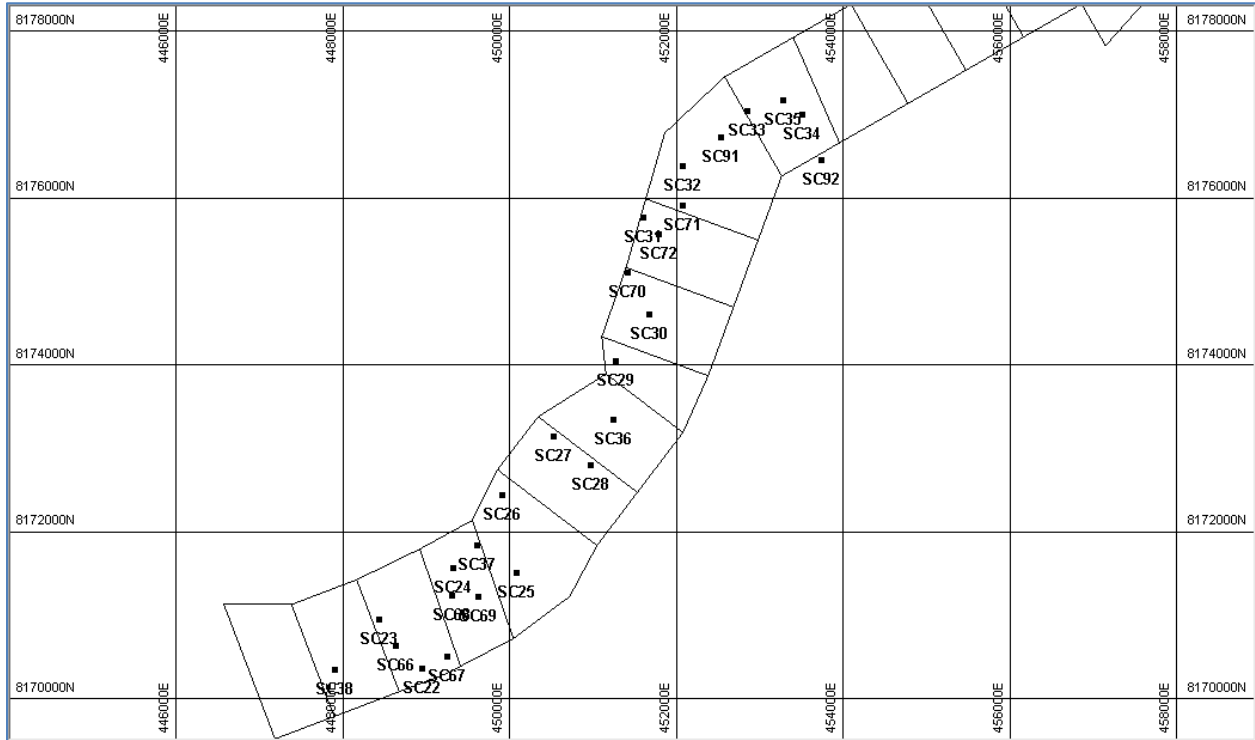
The resource estimate has been classified in the Inferred category as defined by the 2012 Edition of the JORC code. WAA has reviewed the drilling, sampling and assaying data used in the estimate and considers it to be of sufficient quality to support the resource classification applied.

A global resource at no cutoff for all of Smoke Creek has been estimated at 48.5 Mt at an average grade of 15 CPHT for a total of 7,275,000 carats.

**After economic and resource confidence consideration, with a cutoff of 10 CPHT applied the Inferred Resource has been estimated at 21.5 Mt at an average grade of 28 CPHT for a total of 6,000,000 carats.**

## 2. Data

The resource estimate is based on the ADM-mapped extent of “C Terrace Gravels”, and the published results of ADM’s reconnaissance bulk sampling (see Appendix 1). The document produced by ADM at forfeiture of the mining leases is very comprehensive in describing sampling methodologies and it is considered that the data is valid and useable for resource estimation.



**Figure 2-1 Bulk Sample Locations**

There are a total of 26 bulk sample locations and a total of 132 individual one metre samples ranging from 11.3 tonnes to 42 tonnes, for a total of 3,981 tonnes of sample. Data available for each sample includes:

- Total Stones
- Carats
- Mean Stone Size
- Sample Tonnes
- Grade(c/t)
- Grade CPHT
- St Density (st/t)

A typical section and long section through the gravels are illustrated on the following page.

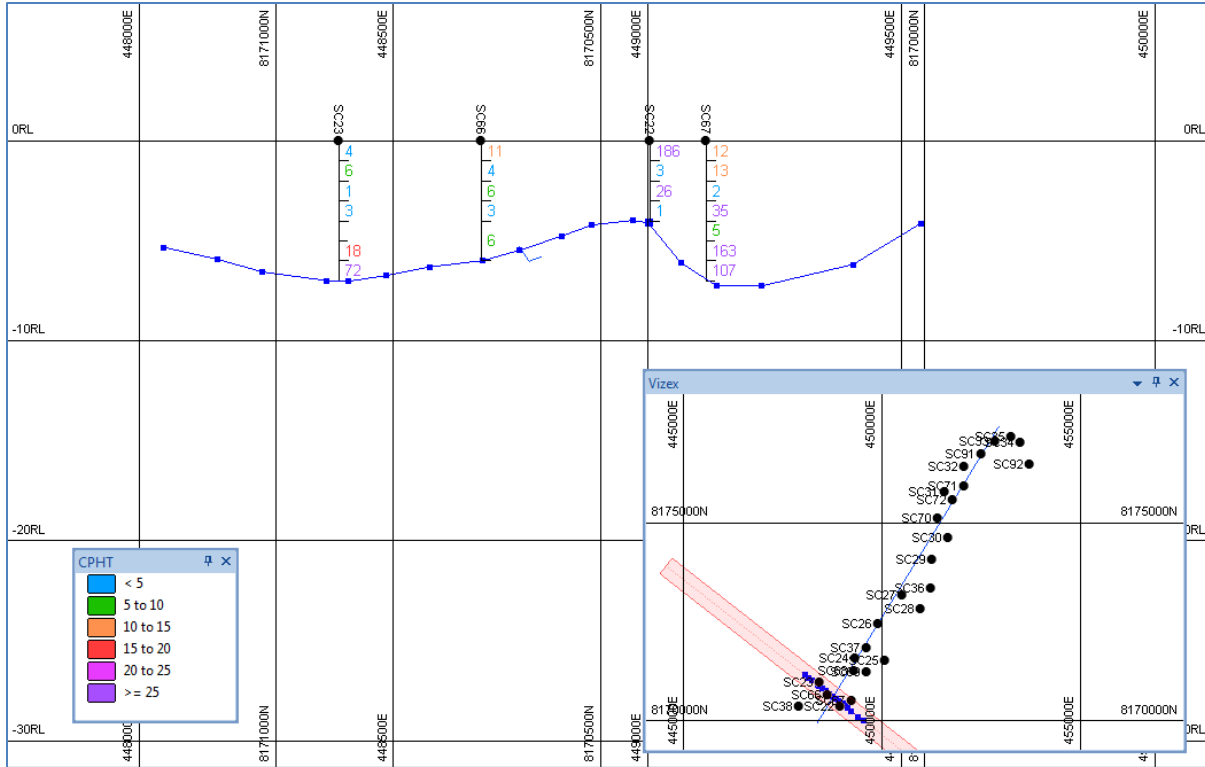


Figure 2-2 Typical Cross Section (CPHT)

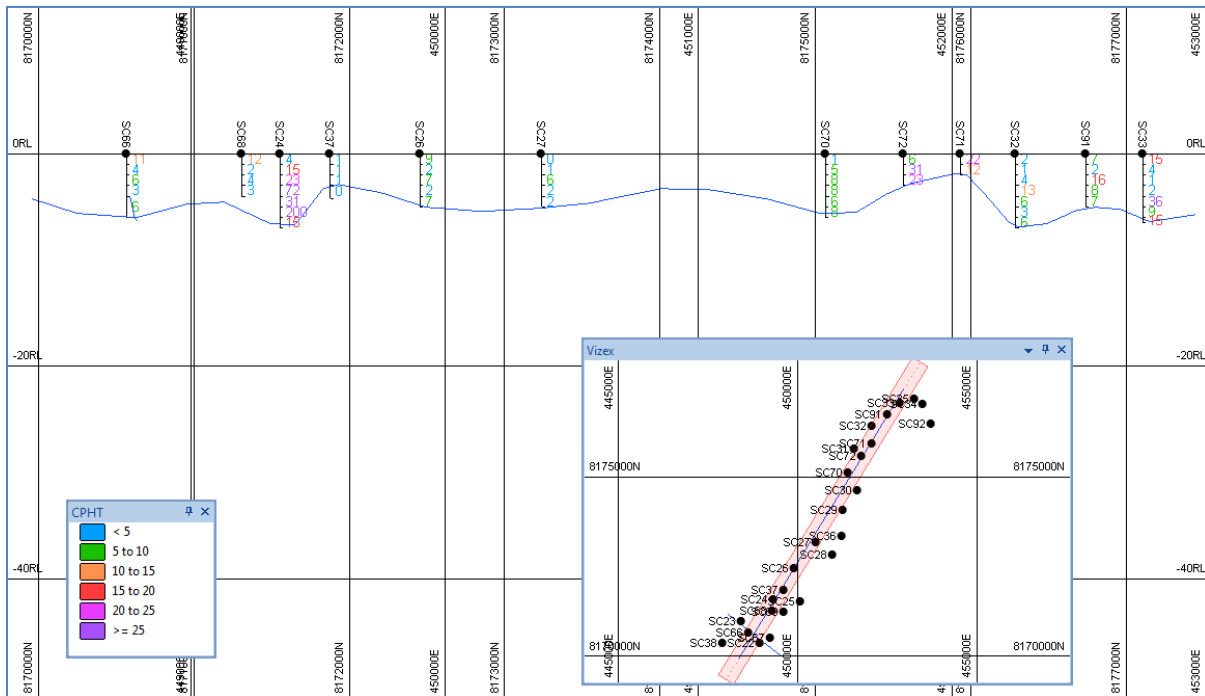


Figure 2-3 Typical Long Section (CPHT)

### 3. Statistical Analysis

Analysis of the sample data has been carried out; distributions of the major variables are shown below.

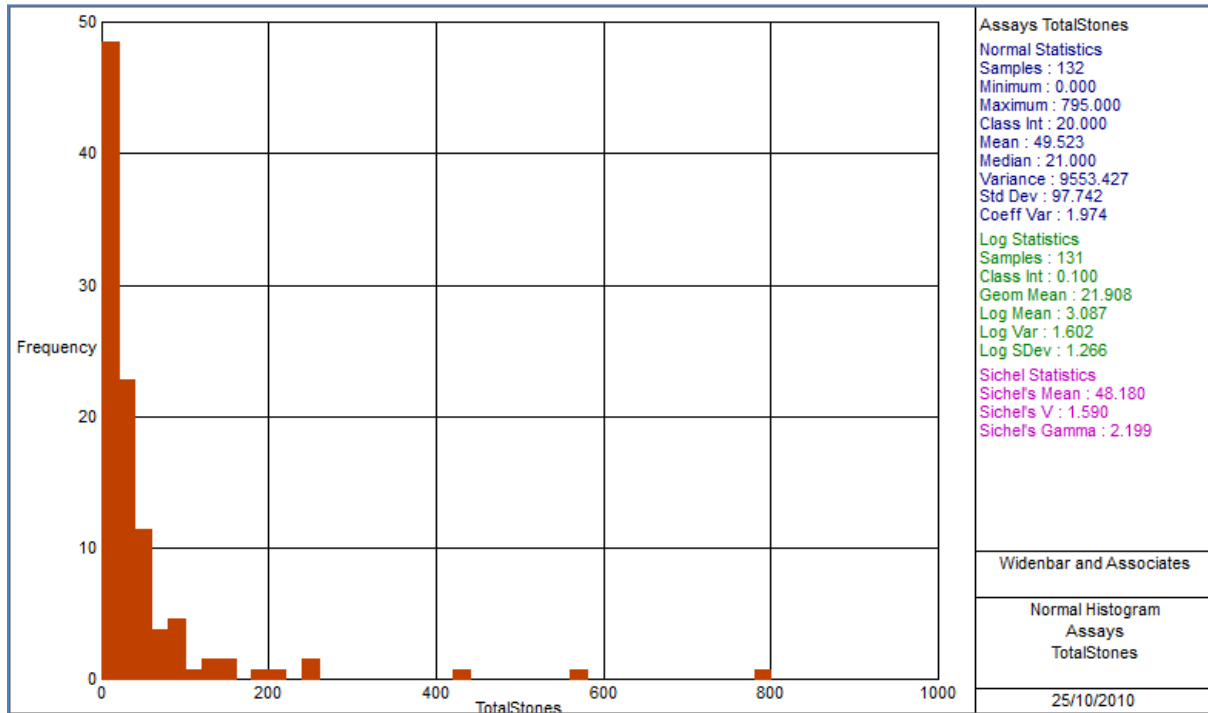


Figure 3-1 Total Stones Histogram

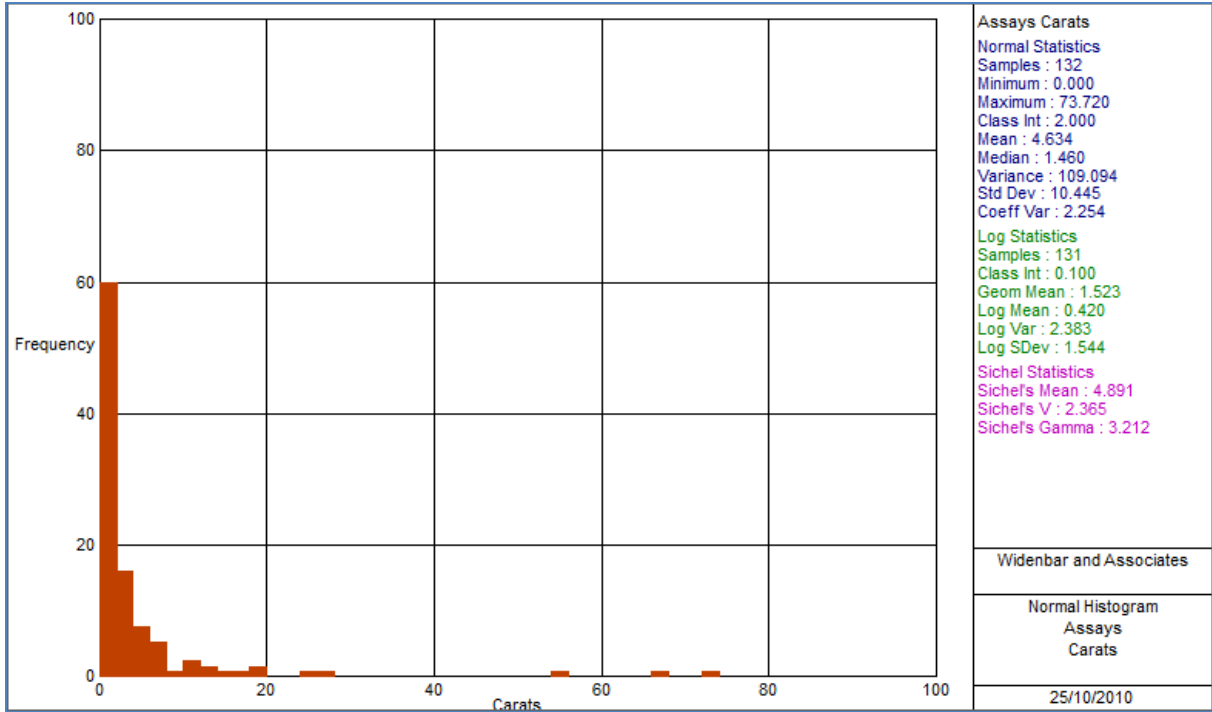


Figure 3-2 Total Carats Histogram

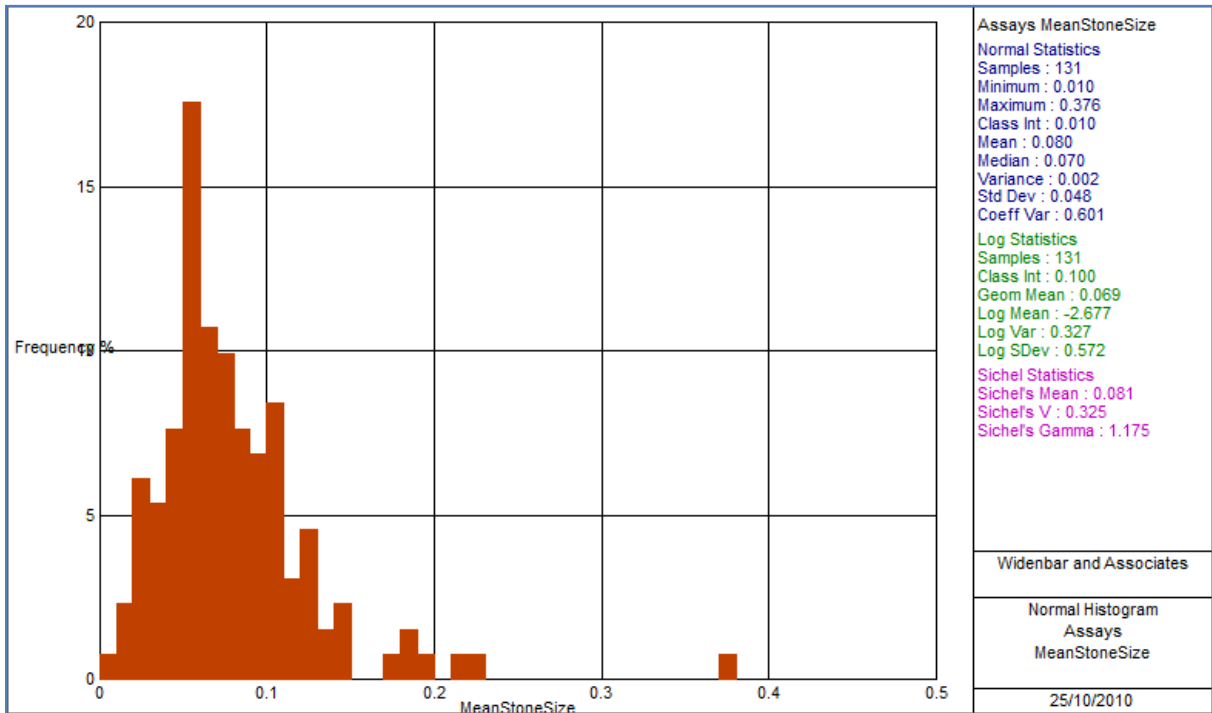


Figure 3-3 Mean Stone Size Histogram

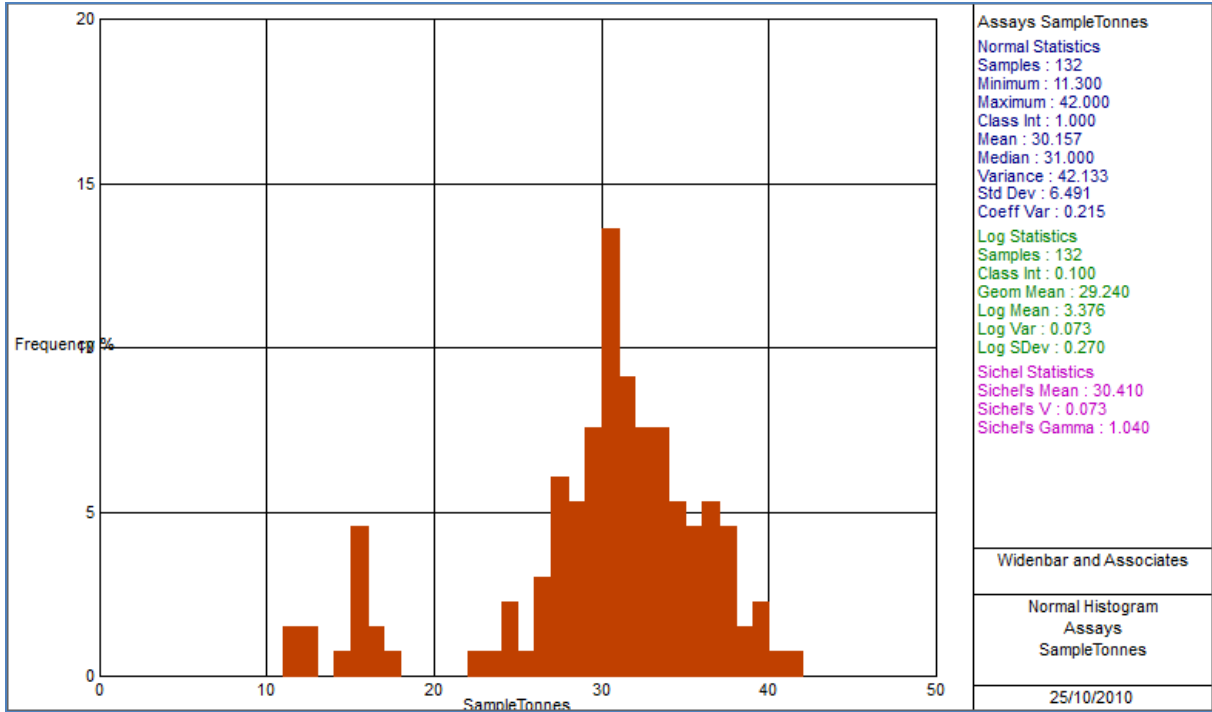


Figure 3-4 Sample Tonnes Histogram

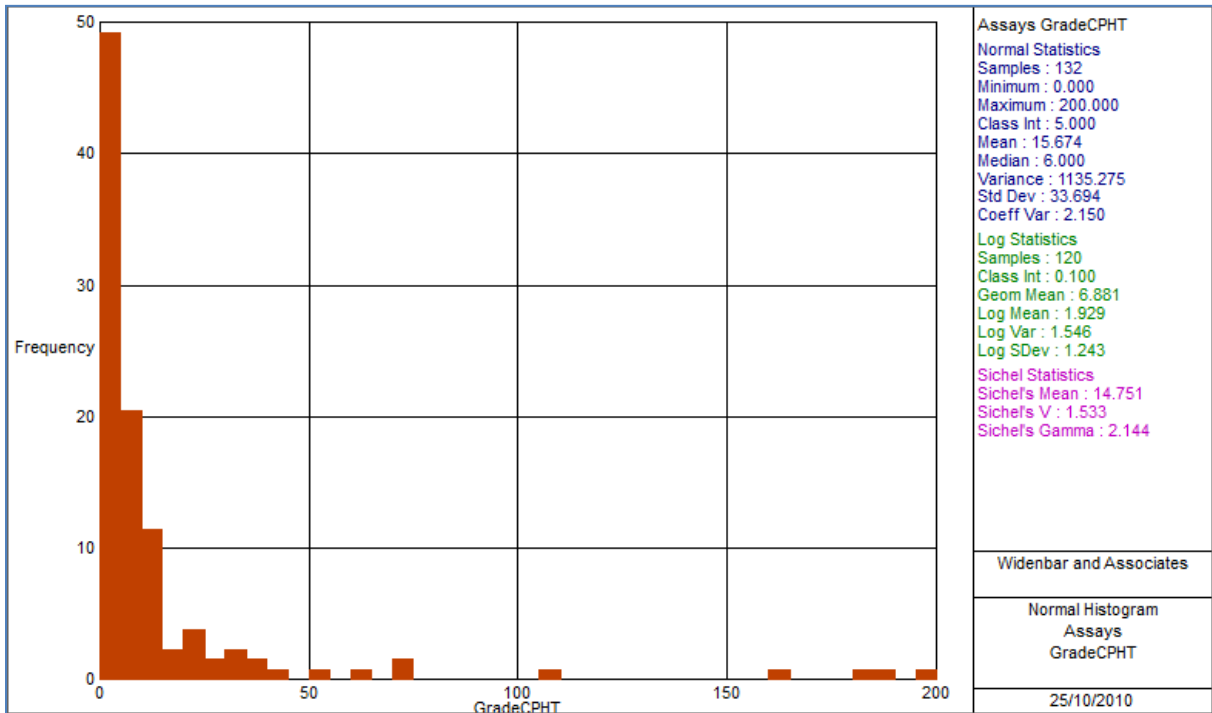


Figure 3-5 Grade (CPHT) Histogram

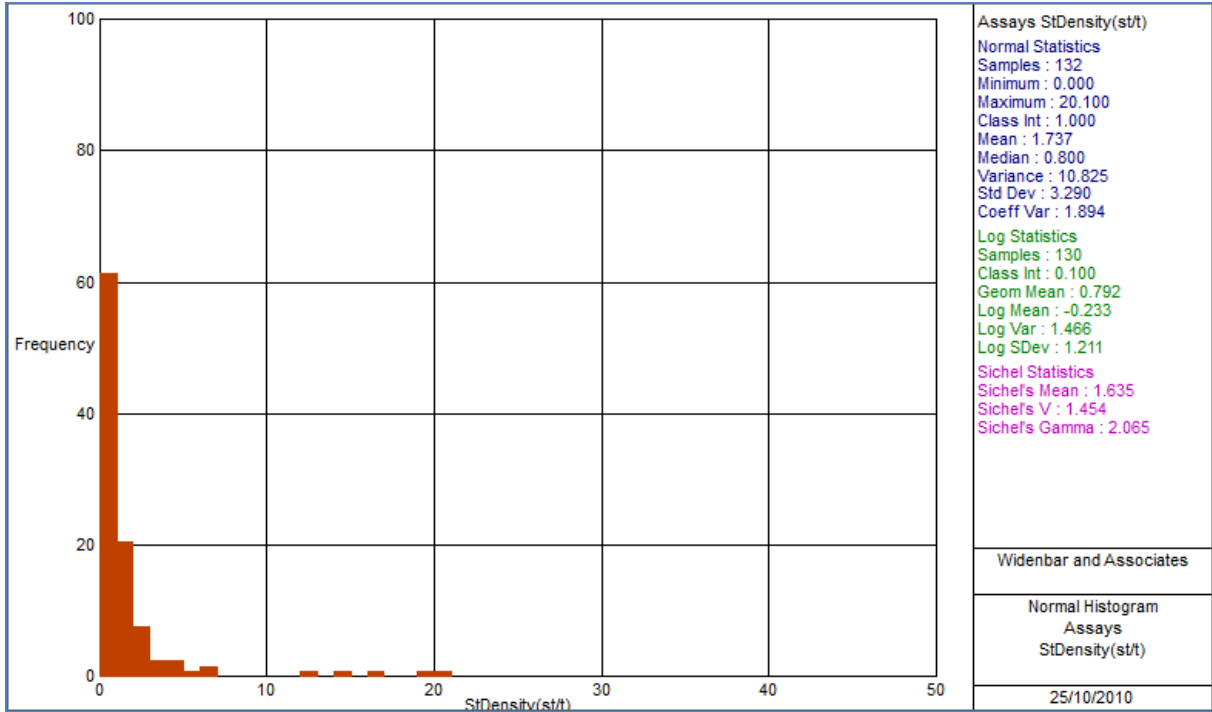
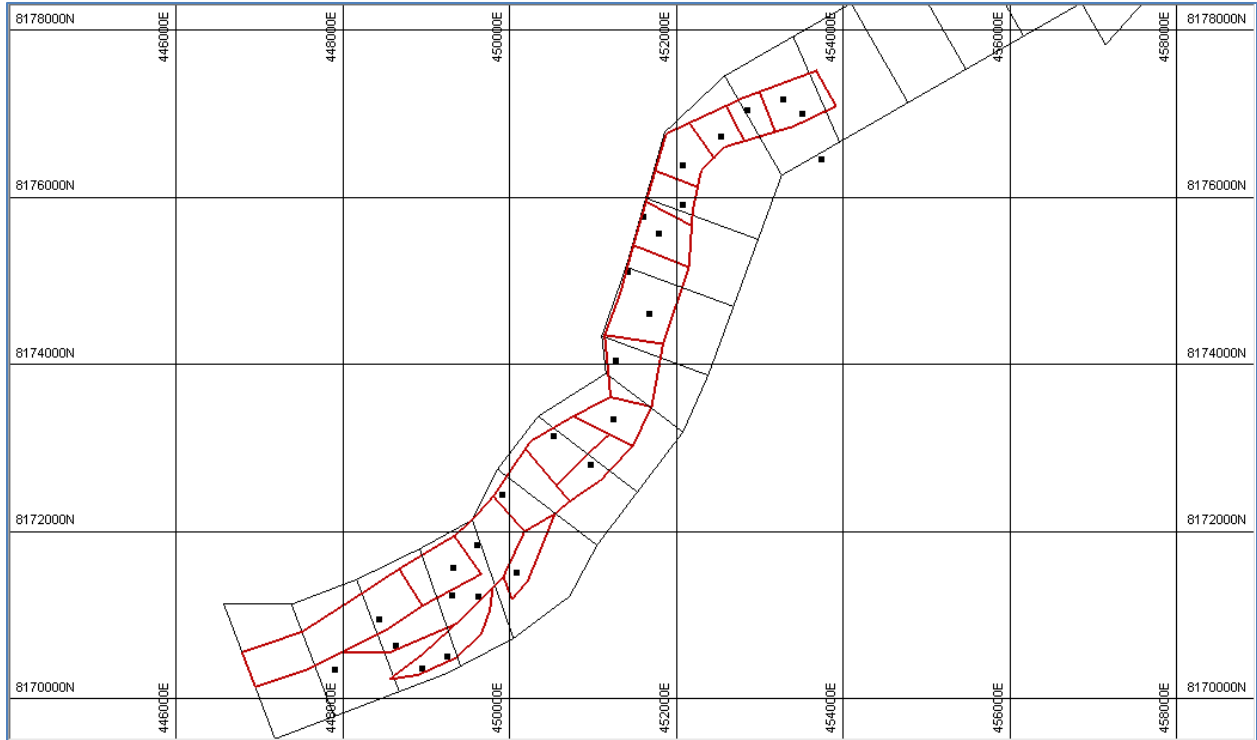


Figure 3-6 Stone Density (st/t) Histogram

#### 4. Resource Model

Due to the erratic nature of the distribution of alluvial diamonds, the grade (in cpht) has been averaged for the data at each sample location and these locations have been used as the raw input data to the resource estimate.

Using the ADM interpretation of the alluvial gravels as a guide a series of polygons has been defined, as illustrated below (in red).



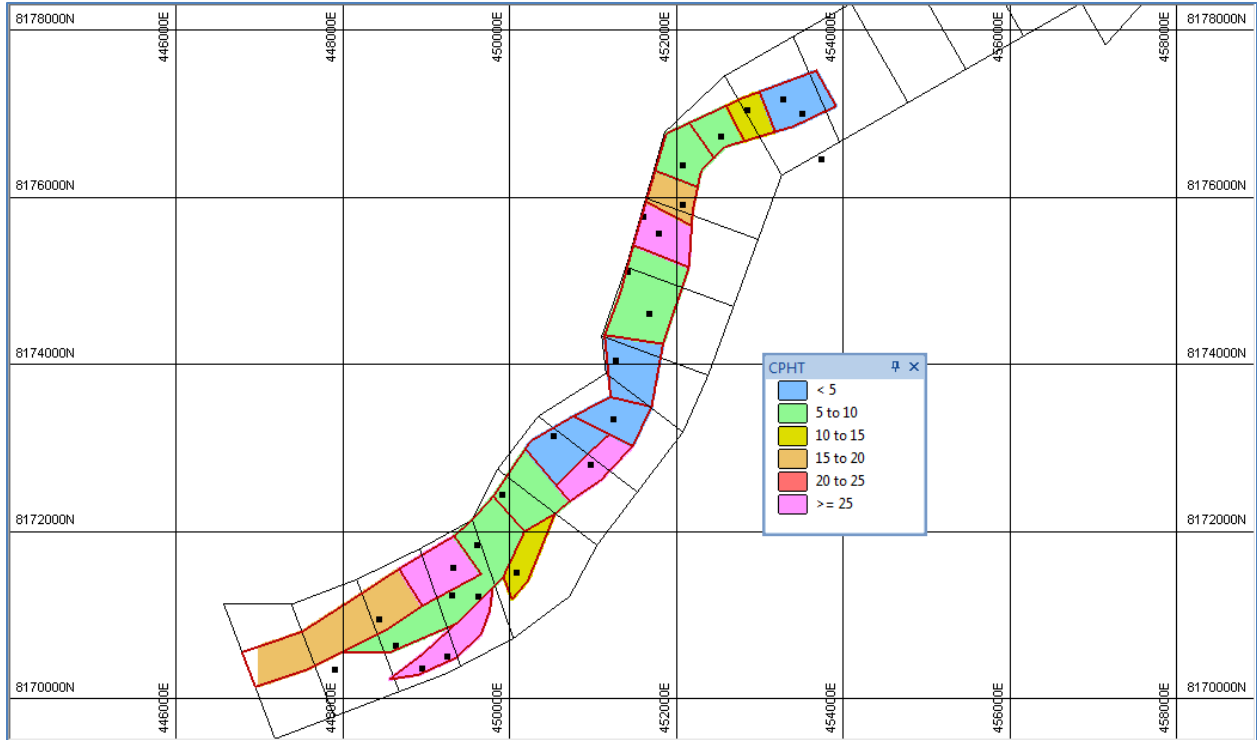
**Figure 4-1 Resource Polygon Locations**

The sample locations falling within these polygons have been averaged by length weighting of the gravel thickness to produce an average grade for each polygon. The total resource has been calculated using area weighting for each polygon.

A total global resource of 48.5 Mt at an average of 15 CPHT has been calculated in this way. This compares well with the CRA global resource tonnage quoted in the Final Surrender Report.

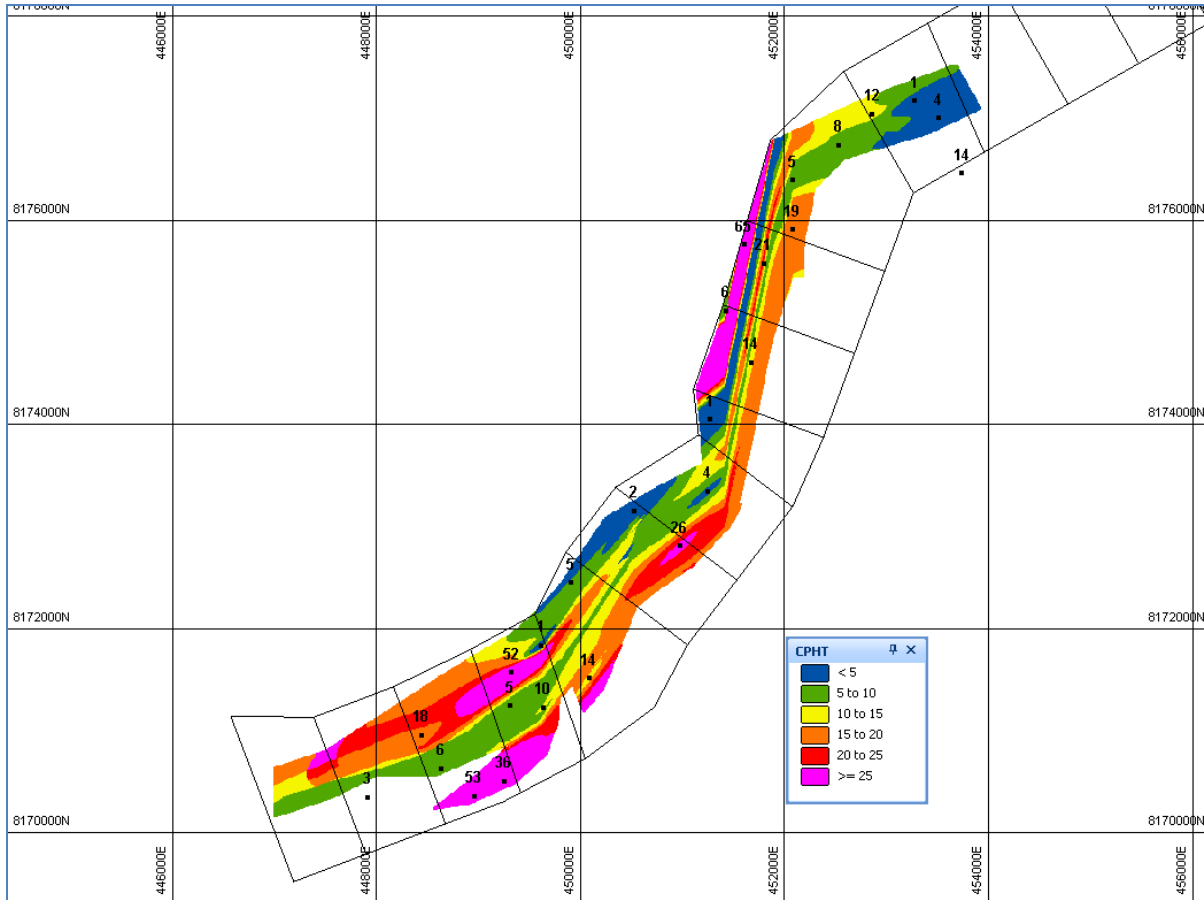
A density of 1.2 t/m<sup>3</sup> has been used for consistency with previous estimates.





**Figure 4-2 Resource Polygons – Grade (CPHT)**

As a check a simple Inverse Distance squared block model was also constructed and compared with this resource. The ID2 model produced 47.4 Mt at average of 15 CPHT, confirming the initial estimate. A plan of grade distribution in this model is shown below; it should be borne in mind that this is a check model, and the data spacing and nature is insufficient to produce a reliable ID2 model.



**Figure 4-3 Check ID2 Model Plan**

As an additional check an area corresponding approximately that previously calculated by Venus was compared :

POLYGON - Comparison Area		
ZONE	TONNES	CPHT
T2	2,379,366	42
T1	11,817,120	28
T4	1,728,000	26
T5	4,685,288	19
T3	1,968,960	14
TOTAL	22,578,734	26

Previous Calculations		
	TONNES	CPHT
T2	2,638,931	44
T1	13,442,344	36
T4	1,115,851	26
T5	5,580,530	34
T3	2,201,115	14
TOTAL	24,978,771	34

**Table 4-1 Comparison with previous estimate**

The location of this area is shown below. Tonnes are similar (bearing in mind this is not quite the same area), though grade is lower. This is because grades have been weighted by polygon area rather than simply averaged. Overall, the comparison is reasonable, given the highly variable nature of diamond deposits.

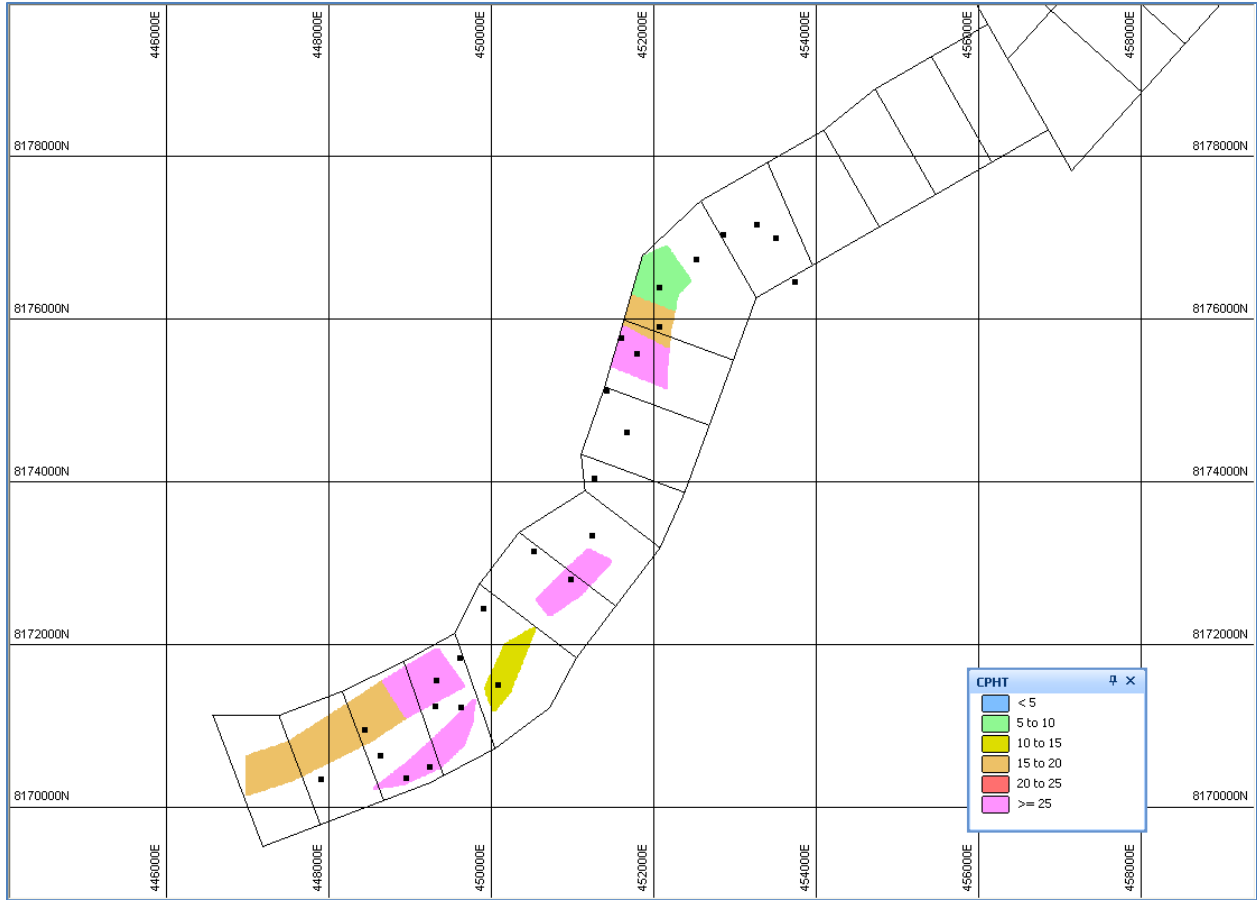


Figure 4-4 Comparison area with previous estimate

## 5. Resource Classification

The Smoke Creek Mineral Resource has been classified in accordance with The 2012 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code). A range of criteria have been considered in determining this classification including:

- Geological continuity;
- Data quality;
- Sample spacing;
- Modelling technique.

### **Geological Continuity**

The classification reflects a moderate level of confidence in the nature and location of the alluvial gravels.

### **Data Quality**

Resource classification is based on information and data compiled by ADM. Descriptions of sampling techniques indicate that data collection and management by ADM conformed to industry standards. The data is considered adequate to support an Inferred Resource status.

### **Sample Spacing**

There is a sufficient spread of bulk samples along the alluvial course to support the assessment of the deposit as a potentially economic one.

### **Modelling Technique**

A simple weighted polygonal method has been used for calculation of tonnage and grade.

### **Final Classification**

The Smoke Creek Mineral Resource has been classified as an Inferred Resource in accordance with The 2012 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code).

## 6. Resource Estimates

A global resource at no cutoff for all of Smoke Creek has been estimated at 48.5 Mt at an average grade of 15 CPHT for a total of 7,275,000 carats.

**After economic and resource confidence consideration, with a cutoff of 10 CPHT applied the Inferred Resource has been estimated at 21.5 Mt at an average grade of 28 CPHT for a total of 6,000,000 carats.**

## 7. Compliance Statement

The information in this report that relates to Mineral Resources is based on information compiled by Mr Lynn Widenbar, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Widenbar is a full time employee of Widenbar and Associates, an independent geological consultancy. Mr Widenbar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves'. Mr Widenbar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



Lynn Widenbar

BSc(Hons), MSc, DIC, MAusIMM, MAIG

Principal Consultant

Widenbar and Associates Pty Ltd

Appendix 1 Sample Data

Sample Number	From	To	Length	Easting	Northing	Total Stones	Carats	Mean Stone Size	Sample Tonnes	Grade c/t	Grade CPHT	Stone Density(st/t)
SC22-1	0.0	1.0	1.0	448957.05	8170362.02	430	55.69	0.130	29.90	1.86	186.00	14.4
SC22-2	1.0	2.0	1.0	448957.05	8170362.02	17	0.94	0.055	29.90	0.03	3.00	0.6
SC22-3	2.0	3.0	1.0	448957.05	8170362.02	37	7.96	0.215	30.50	0.26	26.00	1.2
SC22-4	3.0	4.0	1.0	448957.05	8170362.02	6	0.36	0.060	32.80	0.01	1.00	0.2
SC23-1	0.0	1.0	1.0	448436.12	8170958.99	18	1.15	0.064	31.30	0.04	4.00	0.6
SC23-2	1.0	2.0	1.0	448436.12	8170958.99	20	1.87	0.094	31.40	0.06	6.00	0.6
SC23-3	2.0	3.0	1.0	448436.12	8170958.99	4	0.42	0.105	29.90	0.01	1.00	0.1
SC23-4	3.0	4.0	1.0	448436.12	8170958.99	11	0.84	0.076	32.30	0.03	3.00	0.3
SC23-6	5.0	6.0	1.0	448436.12	8170958.99	49	6.39	0.130	35.00	0.18	18.00	1.4
SC23-7	6.0	7.0	1.0	448436.12	8170958.99	215	24.10	0.112	33.40	0.72	72.00	6.4
SC24-1	0.0	1.0	1.0	449324.50	8171569.25	19	1.05	0.055	29.90	0.04	4.00	0.6
SC24-2	1.0	2.0	1.0	449324.50	8171569.25	46	4.76	0.103	31.60	0.15	15.00	1.5
SC24-3	2.0	3.0	1.0	449324.50	8171569.25	97	7.57	0.078	33.60	0.23	23.00	2.9
SC24-4	3.0	4.0	1.0	449324.50	8171569.25	247	26.21	0.106	36.50	0.72	72.00	6.8
SC24-5	4.0	5.0	1.0	449324.50	8171569.25	80	11.67	0.146	37.90	0.31	31.00	2.1
SC24-6	5.0	6.0	1.0	449324.50	8171569.25	563	66.24	0.118	33.20	2.00	200.00	17.0
SC24-7	6.0	7.0	1.0	449324.50	8171569.25	68	5.17	0.076	33.40	0.15	15.00	2.0
SC25-1	0.0	1.0	1.0	450083.04	8171512.58	154	10.63	0.069	28.70	0.37	37.00	5.4
SC25-2	1.0	2.0	1.0	450083.04	8171512.58	72	1.99	0.028	28.90	0.07	7.00	2.5
SC25-3	2.0	3.0	1.0	450083.04	8171512.58	37	2.09	0.056	35.70	0.06	6.00	1.0
SC25-4	3.0	4.0	1.0	450083.04	8171512.58	27	1.50	0.056	38.00	0.04	4.00	0.7
SC25-5	4.0	5.0	1.0	450083.04	8171512.58	43	4.27	0.099	36.30	0.12	12.00	1.2
SC25-6	5.0	6.0	1.0	450083.04	8171512.58	52	2.83	0.054	37.30	0.08	8.00	1.4
SC25-7	6.0	7.0	1.0	450083.04	8171512.58	70	8.70	0.124	30.70	0.28	28.00	2.3
SC26-1	0.0	1.0	1.0	449907.11	8172451.09	38	3.39	0.089	38.80	0.09	9.00	1.0
SC26-2	1.0	2.0	1.0	449907.11	8172451.09	7	0.60	0.086	36.50	0.02	2.00	0.2
SC26-3	2.0	3.0	1.0	449907.11	8172451.09	56	2.71	0.048	37.20	0.07	7.00	1.5
SC26-4	3.0	4.0	1.0	449907.11	8172451.09	48	0.72	0.015	35.20	0.02	2.00	1.4
SC26-5	4.0	5.0	1.0	449907.11	8172451.09	30	2.38	0.079	34.70	0.07	7.00	0.9
SC27-1	0.0	1.0	1.0	450524.95	8173152.45	4	0.12	0.030	30.30	0.00	0.00	0.1
SC27-2	1.0	2.0	1.0	450524.95	8173152.45	3	0.16	0.053	28.30	0.01	1.00	0.1
SC27-3	2.0	3.0	1.0	450524.95	8173152.45	19	1.74	0.092	29.70	0.06	6.00	0.6
SC27-4	3.0	4.0	1.0	450524.95	8173152.45	4	0.71	0.178	31.20	0.02	2.00	0.1
SC27-5	4.0	5.0	1.0	450524.95	8173152.45	16	0.82	0.051	35.00	0.02	2.00	0.5
SC28-1	0.0	1.0	1.0	450974.89	8172808.23	137	19.28	0.041	31.00	0.62	62.00	4.4
SC28-2	1.0	2.0	1.0	450974.89	8172808.23	122	15.23	0.125	28.60	0.53	53.00	4.3
SC28-3	2.0	3.0	1.0	450974.89	8172808.23	85	3.50	0.041	31.30	0.11	11.00	2.7

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SC28-4	3.0	4.0	1.0	450974.89	8172808.23	13	0.64	0.049	32.70	0.02	2.00	0.4
SC28-5	4.0	5.0	1.0	450974.89	8172808.23	83	2.43	0.029	33.70	0.07	7.00	2.5
SC29-1	0.0	1.0	1.0	451270.26	8174051.78	7	0.31	0.044	31.00	0.01	1.00	0.2
SC29-2	1.0	2.0	1.0	451270.26	8174051.78	5	0.39	0.078	32.60	0.01	1.00	0.2
SC29-3	2.0	3.0	1.0	451270.26	8174051.78	2	0.04	0.020	34.40	0.00	0.00	0.1
SC30-1	0.0	1.0	1.0	451670.56	8174609.57	146	13.36	0.092	30.30	0.44	44.00	4.8
SC30-2	1.0	2.0	1.0	451670.56	8174609.57	3	0.04	0.013	30.60	0.00	0.00	0.1
SC30-3	2.0	3.0	1.0	451670.56	8174609.57	8	0.33	0.041	33.80	0.01	1.00	0.2
SC31-2	1.0	2.0	1.0	451604.13	8175764.16	22	1.39	0.063	40.60	0.03	3.00	0.5
SC31-3	2.0	3.0	1.0	451604.13	8175764.16	795	73.72	0.093	39.90	1.85	185.00	19.9
SC31-4	3.0	4.0	1.0	451604.13	8175764.16	6	0.14	0.023	35.00	0.00	0.00	0.2
SC32-1	0.0	1.0	1.0	452077.07	8176393.85	13	0.62	0.048	31.20	0.02	2.00	0.4
SC32-2	1.0	2.0	1.0	452077.07	8176393.85	3	0.32	0.107	29.10	0.01	1.00	0.1
SC32-3	2.0	3.0	1.0	452077.07	8176393.85	19	1.29	0.068	35.70	0.04	4.00	0.5
SC32-4	3.0	4.0	1.0	452077.07	8176393.85	14	5.26	0.376	39.30	0.13	13.00	0.4
SC32-5	4.0	5.0	1.0	452077.07	8176393.85	18	1.89	0.105	33.80	0.06	6.00	0.5
SC32-6	5.0	6.0	1.0	452077.07	8176393.85	19	1.17	0.062	37.00	0.03	3.00	0.5
SC32-7	6.0	7.0	1.0	452077.07	8176393.85	17	2.25	0.132	35.00	0.06	6.00	0.5
SC33-1	0.0	1.0	1.0	452857.23	8177040.55	55	4.80	0.087	33.10	0.15	15.00	1.7
SC33-2	1.0	2.0	1.0	452857.23	8177040.55	21	1.58	0.075	37.10	0.04	4.00	0.6
SC33-3	2.0	3.0	1.0	452857.23	8177040.55	15	0.38	0.025	36.40	0.01	1.00	0.4
SC33-4	3.0	4.0	1.0	452857.23	8177040.55	27	0.90	0.033	38.10	0.02	2.00	0.7
SC33-5	4.0	5.0	1.0	452857.23	8177040.55	98	13.52	0.138	37.80	0.36	36.00	2.6
SC33-6	5.0	6.0	1.0	452857.23	8177040.55	38	3.66	0.096	39.10	0.09	9.00	1.0
SC33-7	6.0	6.5	0.5	452857.23	8177040.55	24	5.31	0.221	36.40	0.15	15.00	0.7
SC34-1	0.0	1.0	1.0	453507.46	8177002.29	20	1.16	0.058	30.80	0.04	4.00	0.6
SC34-2	1.0	2.0	1.0	453507.46	8177002.29	15	0.84	0.056	30.70	0.03	3.00	0.5
SC34-3	2.0	3.0	1.0	453507.46	8177002.29	10	0.79	0.079	28.00	0.03	3.00	0.4
SC34-4	3.0	4.0	1.0	453507.46	8177002.29	31	1.14	0.037	30.30	0.04	4.00	1.0
SC34-5	4.0	5.0	1.0	453507.46	8177002.29	25	1.33	0.053	42.00	0.03	3.00	0.6
SC34-6	5.0	6.0	1.0	453507.46	8177002.29	13	2.52	0.194	35.40	0.07	7.00	0.4
SC35-1	0.0	1.0	1.0	453276.15	8177169.89	5	0.46	0.092	27.90	0.02	2.00	0.2
SC35-2	1.0	2.0	1.0	453276.15	8177169.89	2	0.38	0.190	27.40	0.01	1.00	0.1
SC35-3	2.0	3.0	1.0	453276.15	8177169.89	2	0.07	0.035	30.60	0.00	0.00	0.1
SC35-4	3.0	4.0	1.0	453276.15	8177169.89	5	0.12	0.024	35.40	0.00	0.00	0.1
SC35-5	4.0	5.0	1.0	453276.15	8177169.89	4	0.14	0.035	33.10	0.00	0.00	0.1
SC35-7	6.0	7.5	1.5	453276.15	8177169.89	1	0.01	0.010	16.80	0.00	0.00	0.1
SC36-1	0.0	1.0	1.0	451248.63	8173348.42	0	0.00		27.20	0.00	0.00	0.0
SC36-2	1.0	2.0	1.0	451248.63	8173348.42	20	1.11	0.056	30.90	0.04	4.00	0.6
SC36-3	2.0	3.0	1.0	451248.63	8173348.42	49	1.39	0.028	35.40	0.04	4.00	1.4
SC36-4	3.0	4.0	1.0	451248.63	8173348.42	39	1.57	0.040	32.70	0.05	5.00	1.2



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SC36-5	4.0	5.0	1.0	451248.63	8173348.42	29	1.32	0.046	31.70	0.04	4.00	0.9
SC36-6	5.0	7.0	2.0	451248.63	8173348.42	14	1.45	0.104	17.70	0.08	8.00	0.8
SC37-1	0.0	1.0	1.0	449614.95	8171838.83	5	0.27	0.054	27.00	0.01	1.00	0.2
SC37-2	1.0	2.0	1.0	449614.95	8171838.83	5	0.27	0.054	27.90	0.01	1.00	0.2
SC37-3	2.0	3.0	1.0	449614.95	8171838.83	6	0.45	0.075	31.20	0.01	1.00	0.2
SC37-4	3.0	4.2	1.2	449614.95	8171838.83	1	0.03	0.030	15.50	0.00	0.00	0.1
SC38-1	0.0	1.0	1.0	447909.08	8170347.51	15	1.61	0.107	27.40	0.06	6.00	0.5
SC38-2	1.0	2.0	1.0	447909.08	8170347.51	2	0.07	0.035	27.00	0.00	0.00	0.1
SC38-3	2.0	3.0	1.0	447909.08	8170347.51	1	0.08	0.080	28.10	0.00	0.00	0.0
SC38-4	3.0	4.0	1.0	447909.08	8170347.51	12	1.26	0.105	30.90	0.04	4.00	0.4
SC38-5	4.0	5.0	1.0	447909.08	8170347.51	25	1.34	0.054	31.20	0.04	4.00	0.8
SC66-1	0.0	1.0	1.0	448633.21	8170633.66	41	2.93	0.071	27.90	0.11	11.00	1.5
SC66-2	1.0	2.0	1.0	448633.21	8170633.66	25	1.30	0.052	29.00	0.04	4.00	0.9
SC66-3	2.0	3.0	1.0	448633.21	8170633.66	13	0.90	0.069	14.80	0.06	6.00	0.9
SC66-4	3.0	4.0	1.0	448633.21	8170633.66	15	0.80	0.053	29.90	0.03	3.00	0.5
SC66-6	4.0	6.0	2.0	448633.21	8170633.66	10	0.74	0.074	12.70	0.06	6.00	0.8
SC67-1	0.0	1.0	1.0	449246.85	8170505.34	33	3.59	0.109	29.80	0.12	12.00	1.1
SC67-2	1.0	2.0	1.0	449246.85	8170505.34	43	2.92	0.068	23.30	0.13	13.00	1.8
SC67-3	2.0	3.0	1.0	449246.85	8170505.34	11	0.72	0.065	29.80	0.02	2.00	4.0
SC67-4	3.0	4.0	1.0	449246.85	8170505.34	28	4.00	0.143	11.30	0.35	35.00	2.5
SC67-5	4.0	5.0	1.0	449246.85	8170505.34	7	0.60	0.086	11.65	0.05	5.00	0.6
SC67-6	5.0	6.0	1.0	449246.85	8170505.34	243	19.73	0.081	12.10	1.63	163.00	20.1
SC67-7	6.0	7.0	1.0	449246.85	8170505.34	190	16.25	0.086	15.25	1.07	107.00	12.5
SC68-1	0.0	1.0	1.0	449304.80	8171244.66	15	2.82	0.188	24.20	0.12	12.00	0.6
SC68-2	1.0	2.0	1.0	449304.80	8171244.66	6	0.53	0.088	24.20	0.02	2.00	0.2
SC68-3	2.0	3.0	1.0	449304.80	8171244.66	18	1.15	0.064	27.68	0.04	4.00	0.7
SC68-4	3.0	4.0	1.0	449304.80	8171244.66	9	0.47	0.052	15.11	0.03	3.00	0.6
SC69-1	0.0	1.0	1.0	449629.91	8171225.52	23	1.46	0.063	30.30	0.05	5.00	0.8
SC69-2	1.0	2.0	1.0	449629.91	8171225.52	12	0.80	0.067	25.10	0.03	3.00	0.5
SC69-3	2.0	3.0	1.0	449629.91	8171225.52	84	7.06	0.084	28.70	0.25	25.00	2.9
SC69-4	3.0	4.0	1.0	449629.91	8171225.52	49	1.94	0.040	15.35	0.13	13.00	3.2
SC69-5	4.0	5.0	1.0	449629.91	8171225.52	19	1.15	0.061	16.85	0.07	7.00	1.1
SC69-6	5.0	6.0	1.0	449629.91	8171225.52	39	2.03	0.052	24.10	0.08	8.00	1.6
SC70-1	0.0	1.0	1.0	451420.18	8175115.45	7	0.40	0.057	26.75	0.01	1.00	0.3
SC70-2	1.0	2.0	1.0	451420.18	8175115.45	19	1.73	0.091	31.55	0.05	5.00	0.6
SC70-3	2.0	3.0	1.0	451420.18	8175115.45	26	1.75	0.067	22.10	0.08	8.00	1.2
SC70-4	3.0	4.0	1.0	451420.18	8175115.45	33	2.70	0.082	32.70	0.08	8.00	1.0
SC70-5	4.0	5.0	1.0	451420.18	8175115.45	21	1.90	0.090	30.50	0.06	6.00	0.7
SC70-6	5.0	6.0	1.0	451420.18	8175115.45	24	1.28	0.053	15.15	0.08	8.00	1.6
SC71-1	0.0	1.0	1.0	452074.60	8175906.86	69	7.61	0.110	34.20	0.22	22.00	2.0
SC71-2	1.0	2.0	1.0	452074.60	8175906.86	18	1.97	0.109	15.82	0.12	12.00	1.1

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SC72-1	0.0	1.0	1.0	451792.19	8175575.38	29	2.04	0.070	32.40	0.06	6.00	0.9
SC72-2	1.0	2.0	1.0	451792.19	8175575.38	99	11.30	0.114	36.70	0.31	31.00	2.7
SC72-3	3.0	3.0	0.0	451792.19	8175575.38	108	7.76	0.072	33.35	0.23	23.00	3.2
SC91-1	0.0	1.0	1.0	452530.47	8176735.02	53	2.22	0.042	29.85	0.07	7.00	1.8
SC91-2	1.0	2.0	1.0	452530.47	8176735.02	11	0.55	0.050	32.55	0.02	2.00	0.3
SC91-3	2.0	3.0	1.0	452530.47	8176735.02	55	4.99	0.091	30.85	0.16	16.00	1.8
SC91-4	3.0	4.0	1.0	452530.47	8176735.02	42	2.42	0.058	30.55	0.08	8.00	1.4
SC91-5	4.0	5.0	1.0	452530.47	8176735.02	27	2.12	0.079	31.00	0.07	7.00	0.9
SC92-1	0.0	1.0	1.0	453739.58	8176460.40	40	5.12	0.128	31.90	0.16	16.00	1.3
SC92-2	1.0	2.0	1.0	453739.58	8176460.40	24	1.45	0.060	31.80	0.05	5.00	0.8
SC92-3	2.0	3.0	1.0	453739.58	8176460.40	39	4.39	0.113	32.30	0.14	14.00	1.2
SC92-4	3.0	4.0	1.0	453739.58	8176460.40	39	5.08	0.130	32.95	0.15	15.00	1.2
SC92-5	4.0	4.5	0.5	453739.58	8176460.40	43	6.39	0.149	26.80	0.24	24.00	1.6