



DIAMONDS

Superkolong Diamond Operations – South Africa

Nine-month production through 31 December 2016

- Superkolong achieved the following ore processing and carat recovery numbers for the first nine months of the financial year.

Time period	Production (tons)	Carats Recovered
Q1 (end June)	475 694	19 384
Q2 (end Sept)	529 037	19 389
Q3 (end Dec)	452 624	17 682
9 months (end Dec)	1 457 355	56 455

- 56 679 carats were sold in the nine-month period.
- An average price of USD \$112 per carat has been achieved over the last six months.
- The Superkolong operation has seen a significant decrease in recovered grade (carats per hundred tons) in comparison to previous years, which in combination with lower processing tons vs budget has increased operational pressures on site.
- Operating costs per processed ton have been trending upwards over recent quarters.



Letšeng Mine – Lesotho

Nine-month production through 31 December 2016

- Alluvial Ventures (AV) achieved the following ore processing and carat recovery numbers for the first nine months of the financial year.

Time period	Production (tons)	Carats Recovered
Q1 (end June)	237 900	2 325
Q2 (end Sept)	243 245	2 725
Q3 (end Dec)	314 284	3 023
9 months (end Dec)	795 429	8 074



- Third quarter production benefited from the upgrade to the crushing circuit with proven plant capacity comfortably at 100 000 tons per month.
- The installation of the new tertiary crushing circuit was completed.
- AV's two current plants continue to operate at good production levels.
- Seven successful tenders have been held in the financial year to date.
- Operating costs for the year to date are in line with budgets.
- New on-site staff accommodation is established and fully occupied.
- Currently busy with an upgrade to the primary crushing circuit, with installation of new cone crusher to improve diamond liberation and general plant efficiency – target completion end Q4.
- Currently working on improvements to the diamond recovery process.
- Successfully concluded an agreement with Letšeng to extend working contract to end 2018.

Kolo Mine – Lesotho

- After a delayed start due to community issues and additional requirements relating to the EIA, the Kolo project has entered the production stage of its trial mining phase.
- Site preparation and infrastructure has been completed for the 60 000 tons trial mining phase.
- An 11 000 ton sample of the “A” type kimberlite material has been selected, mined and crushed down to a <20mm size – all of which has been treated in the diamond recovery plant.
- The next phase will be to re-crush all this material to a <6mm size for second treatment in the diamond recovery plant. This is expected to be completed in Q1 of the next financial year.
- It is also expected that sampling of the “B” type kimberlite will be done during Q4 to establish grade and value.
- All site accommodation units for the trial phase are on site and occupied.
- Strategic land acquisitions have been completed over the year to secure suitable space for the expanded operations.

CORPORATE ACTION

SUPERKOLONG – KIMBERLEY

Over the past year Batla has experienced increasing operational constraints at its Superkolong (SK) operations in Kimberley, with significant challenges being experienced in relation to its coarse and fines residue disposal and access to sufficient “fit for purpose” water supply for its operations. As a consequence of these challenges, SK has suffered reduced production tonnages, which combined with a reducing recovered grade from the tailings resource being treated and generally poorer diamond prices in the lower areas of diamond recoveries all of which has resulted in SK performing below its operational targets. It is expected that these operational and commercial challenges would be experienced for the remaining term of the processing period allocated to SK under the original sale of assets agreement between De Beers and the Kimberley Miners Forum (KMF), which terminates in April 2018. SK has also been advised that it would need to increase its cash guarantee in relation to rehabilitation liabilities on the fines residue deposition area it was using.

After extensive deliberation and in light of current operational challenges and the prospect of increased rehabilitation cash guarantees, El Nino and Superkolong have agreed to sell their combined 39.4% interest in the Kimberley Miners Forum (KMF) to Ekapa Minerals (Pty) Ltd, an affiliate of the Kimberley Ekapa Mining Joint Venture (KEM). The effective date of the transaction was 15 February 2017 at which time SK stopped all production at its plant. SK must vacate the priority mining areas of KEM and decommission and remove its plant from the current operational site within specified timeframes. SK and El Nino were released of all rehabilitation liabilities related to the KMF as of the effective date and will receive a phased payment for the equity and loans.

SK is currently conducting a staff consultation process, which will hopefully result in a negotiated retrenchment of its staff.

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SOCIAL INVESTMENT

Superkolong Diamond Operations – South Africa

- In partnership with St. Patricks' Christian Brothers College in Kimberley, Superkolong purchased two heavy duty, industrial washing machines and laundry trolleys for Resthaven Old Age Home. Superkolong provided funds for site preparation, purchase of equipment, and installation. Students from St. Patricks will engage with residents in an ongoing manner and will raise funds to purchase the necessary laundry soap for the new machines.



Alluvial Ventures - Lesotho

- Twenty-five smokeless stoves were purchased from [African Clean Energy](#), a Maseru-based manufacturer, for donation to needy families in Mokhotlong, a community near our plant.
- Seventy-three Alluvial Ventures employees also took advantage of a subsidized offer to buy a smokeless stove for their home. In addition to the company subsidy, employees were offered a six-month pay-back program for their share of the stove's cost.
- Touching Tiny Lives works with orphans and vulnerable children across the rural areas of the Eastern Lesotho highlands. Their clients experience numerous barriers to access medical and developmental services. TTL's model brings services to communities, supporting them to ensure children meet the critical developmental and nutritional goals. Alluvial Ventures provided just under 70% of the funding to build a four-room home where caregivers stay for the final week before a child graduates from the TTL program. This allows for monitored training and bonding before the child's graduation. The home is also used for monthly visits to check on children's progress.



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