
**SWORN STATEMENT IN TERMS OF SECTION 129(3)(a) OF THE COMPANIES ACT, 71
OF 2008**

I, the undersigned,

PAUL ROBERT LOUDON

do hereby make oath and state that:

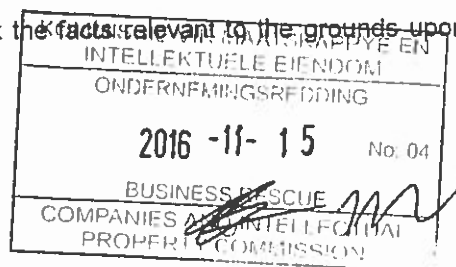
1. The content of this statement is within my own knowledge, unless the context otherwise indicates, and is true and correct.

2. I am a director of Lace Diamond Mines (Pty) Ltd, a private company incorporated in terms of the company laws of South Africa, registration number 2005/007856/07, with its registered address at Ruby Farm 691, Kroonstad ("Company"). The Company has five other directors, namely Stephen Henry West, John Hulme Scholes, Sanette de Wet, Nokuzola Amanda Tsotsotso and Mohammed Sabi.

3. The Company has authorised me to depose to this statement.

4. On 15 November 2016 the Company's board of directors ("Board") adopted a resolution for the Company to voluntarily begin business rescue proceedings and place itself under supervision in terms of section 129(1) of the Companies Act, 71 of 2008 ("Companies Act"). As appears from that resolution, I am authorised to represent the Company and sign all documents required to give effect thereto.

5. I make this sworn statement in order to set out the facts relevant to the grounds upon which the Board founded the resolution –



5.1

5.2

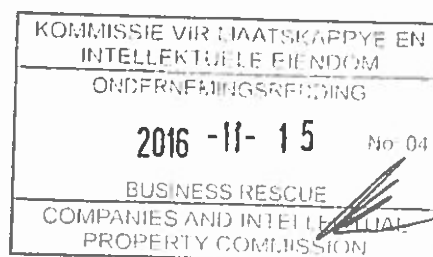
5.3

5.4 In the late afternoon of Friday, 11 November 2016, two extreme weather systems passed over the Company's lace diamond mine, dropping almost 100mm of rain over an hour, which equates to almost one-third of the mine's annual rainfall.

5.5 This overwhelmed the mine's pumping systems and flooded the 310m production level to the hanging wall. In total, more than 10,000 cubic metres of water is estimated to have entered the mine through the open pit and access ramps.

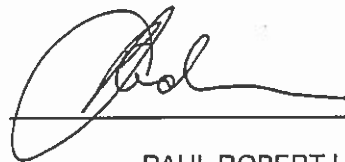
5.6 To pump the production level dry will take at least a week, assuming there is no further material rainfall. However, once the level is dry no production will be possible in the short-term as the longhole drill rig which was operating at the time of the flood will need to be recovered and the electrics rebuilt, which process could take up to 12 weeks from the time of recovery.

5.7 In the absence of any production from the mine, the Company will be further delayed in achieving positive cashflow. As a consequence, the Board believes that it is reasonably unlikely that the Company will be able to pay all of its debts as they fall due.



6. The Company has been in discussions with potential funders with the objective of rescuing the Company and the success of these discussions will direct the future financial viability of the Company.
7. The Board is of the opinion that business rescue proceedings will allow the Company to restructure its affairs, debt, and other liabilities and to raise funding, and thereafter continue in existence on a solvent basis, or, if it is not possible for the Company to so continue in existence, will result in a better return for the Company's shareholders and creditors than would result from the immediate liquidation of the Company.
8. In light of the above facts, the Board believes there is a reasonable prospect of rescuing the Company.
9. The Company is presently not involved in any legal proceedings.

Signed and sworn to this 15th day of November 2016 at Houghton.



PAUL ROBERT LOUDON

