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Companies and Intellectual Property Commission
Republic of South Africa

Form CoR 123.1

About this Form

- This form is issued in terms of section 129 and 131 of the Companies Act, 2008, and Regulation 123 of the Companies Regulations, 2011.
- A company resolution to commence business rescue proceedings has no force or effect until it has been filed with this notice.
- This notice must be published to every affected person within 5 business days after -
 - (a) It has been filed, in the case of a resolution; or
 - (b) The date of the court order, in such a case.
- If this Notice is issued following a board resolution -
 - (a) The company must appoint a business rescue practitioner with 5 business days after filing this notice ; and
 - (b) Any affected person may apply to a court in terms of section 130 for an order setting aside the resolution.
- The fee for filing this notice is R0.

Contacting the
Commission

The Companies and Intellectual
Property Commission of South Africa

Postal Address
PO Box 429
Pretoria
0001
Republic of South Africa
Tel: 086 100 2472

www.cipc.co.za

Notice of Beginning of Business Rescue Proceedings

Date: 15 November 2016

Customer Code: NORM05

Concerning

(Name and Registration Number of Company)

Name: Lace Diamond Mines (Pty) Ltd

Registration No: 2005/007856/07

The above named company advises that business rescue proceedings have commenced in terms of Chapter 6 of the Companies Act, as a result of:

The Board of the company having adopted the attached resolution in terms section 129, on 15 November 2016

A Court having made the attached order in terms of section 131, on _____.

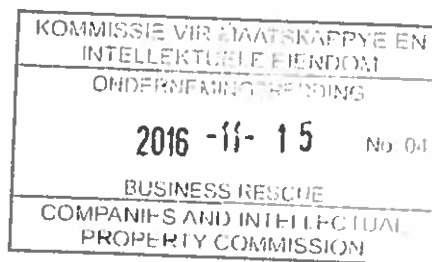
In terms of section 132 (1)(a), the company's business rescue proceedings commenced on 15 November 2016, being the date on which:

This notice was filed with the Commission.

The court issued the attached order.

(Only in the case of a company resolution)

In support of this Notice, the company has attached a sworn statement of the relevant facts upon which the resolution was founded by a director representing the Board.



Name and Title of person signing on behalf of the Company:

Mr Paul Robert Loudon


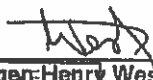

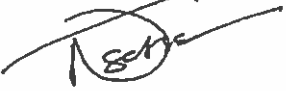

Authorised Signature:

LACE DIAMOND MINES (PTY) LTD
(registration number: 2005/007856/07)
("Company")

WRITTEN RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE COMPANY IN
TERMS OF SECTION 74 OF THE COMPANIES ACT, 2008, DATED 15 NOVEMBER 2016

1 IT IS RESOLVED THAT –

- 1.1 the Company voluntarily begins business rescue proceedings and places itself under supervision in terms of section 129(1) of the Companies Act, 71 of 2008 ("Companies Act"), it being recorded that the board of directors of the Company has reasonable grounds to believe that the Company is financially distressed and there appears to be a reasonable prospect of rescuing the Company;
- 1.2 the Company appoints one or more accredited business rescue practitioners within the next 5 business days and takes all necessary steps in terms of Chapter 6 of the Companies Act in connection with the business rescue proceedings; and
- 1.3 Paul Robert Loudon, or failing him any other director of the Company, be and is hereby authorised to settle, agree, sign and execute all agreements and documents and to take all such steps and do all such things necessary, expedient or desirable to implement or otherwise give effect to the above resolutions, and insofar as any director of the Company has done any of the foregoing prior to the passing of these resolutions, such action be and is hereby ratified and approved.

 Paul Robert Loudon	 KOMMISSIE VIR MAAT: Stephen Henry West INTELLEKTUELE EIGENDOM ONDERNEMINGSRECHTING
 John Hulme Scholes	2016-11-15 Sanette de Wet BUSINESS RESCUE
 Nokuzola Amanda Tsotsotso	 COMPANIES AND INTELLECTUAL PROPERTY COMMISSION Mohammed Sabi

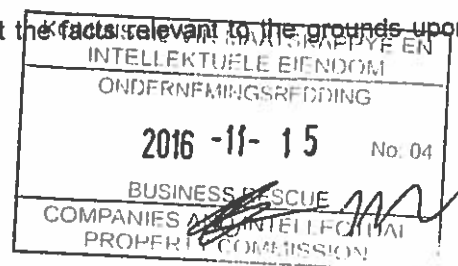
**SWORN STATEMENT IN TERMS OF SECTION 129(3)(a) OF THE COMPANIES ACT, 71
OF 2008**

I, the undersigned,

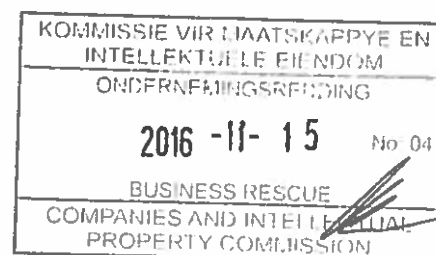
PAUL ROBERT LOUDON

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 The Company's main business is that of diamond mining, development and exploration in the Free State Province.
- 5.2 The Company's main operation is the Lace diamond mine near Kroonstad.
- 5.3 Due to operational difficulties with the commencement of mining activities at the Lace mine over the past 6 months, the Company is behind schedule in achieving positive cashflow.
- 5.4 In the late afternoon of Friday, 11 November 2016, two extreme thunderstorms passed over the Company's lace diamond mine, dropping almost 90mm of rain in just 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 become due and payable within the immediately ensuing 6 months.



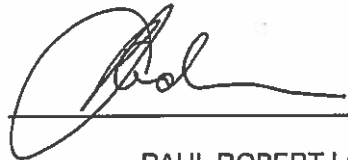
6. The Company has been in discussions with potential funders with the objective of rescuing the Company and the success of these discussions will direct the future financial viability of the Company.

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.

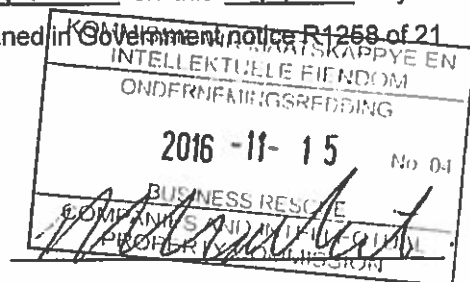
Signed and sworn to this 15th day of November 2016 at Houghton.



PAUL ROBERT LOUDON

I hereby certify that the deponent declares that he knows and understands the contents of this affidavit and that it is to the best of his knowledge both true and correct. This affidavit was signed and sworn to before me at Houghton on this 15th day of November 2016 and the regulations contained in Government notice R1258 of 21 July 1972, as amended, have been complied with.

Matthew van der Want
Ex officio commissioner of oaths
Gaul van der Want Attorneys
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Houghton Estate, Johannesburg 2198
Tel: +27 84 589 6195



COMMISSIONER OF OATHS