SUPERKOLONG DIAMOND PROJECT

7th March 2014 **ASX Release**

Plant activities again adversely affected by water

On 18 February 2014 Superkolong suspended operations. At that time process water was inadequate to operate the plant efficiently and the third party water works, foreshadowed in December, had not been completed.

During the suspension, planned maintenance, clean up and upgrade work was undertaken.

On 5 March the plant was restarted on a limited basis using one of the two scrubbers in the circuit. In this mode the plant can process up to 3,000 tonnes per day (relative to the plant's capacity of 6,000 tonnes per day when both scrubbers are in operation). This mode is intended to continue, water availability permitting, pending completion of the water upgrade works referred to below.

Water supply

As noted in previous announcements, Superkolong has been experiencing problems with water supply on and off since June 2013. The problem has been particularly damaging to the plant and profitability since September 2013. While Superkolong has taken numerous steps to address the situation, the ultimate solution does not lie within Superkolong's control. Superkolong's plan to upgrade the water supply was outlined in the December Quarterly, and, whilst still in place, has been delayed due to the approval process. The date for completion of that upgrade is uncertain but with De Beers' now assisting, influencing and co-ordinating all stakeholders, adequate water supply is expected to be forthcoming by the end of April.

Vendor Payments

As previously announced, the interruption caused by ongoing water supply difficulties has resulted in Superkolong's operations not being self-funding, necessitating cash injections from the holding companies.

The unplanned constraints on production have been and continue to be discussed between the IT 243 shareholders and with the vendor with a view to facilitating compliance with and securing variations to the agreements which govern the sale of Superkolong shares to IT 243. The next payment of R35M is due to the vendor on 1 July 2014 – it is now likely that unless this payment can be rescheduled, it will have to be augmented by shareholder funds as the proceeds of operations may be insufficient to cover that payment.

January/February result

Superkolong sold 8,795 carats in January and February 2014. Revenues were US$1.4 million (R15.29 million). Thus despite the operational impediment, operations for the same period, encouragingly, did better than break even.

Carrying value in respect of the investment in Superkolong

Despite the issues facing Superkolong, Emu's Board has resolved to carry forward the full value of the investment and loans in IT 243.

Background to Superkolong's tailings retreatment operation
Kimberley Miners Forum (Pty) Ltd (**KMF**) has rights to treat certain tailings (**KMF Tailings**) purchased from De Beers.

Superkolong Pty Ltd has a 30.4% shareholding in KMF and, in turn, each of **Emu** and **Batla Minerals (SA)** has an indirect 50% interest in Itakane Trading 243 (Pty) Ltd (**IT 243)** which is the holding company of Superkolong.

Each KMF shareholder is entitled to retreat KMF Tailings in proportion to its shareholding.

Superkolong's tailings retreatment operation is situated on land belonging to or controlled by third parties including De Beers and aspects of that operation must conform to certain De Beers' policies with water and electricity being supplied and controlled by De Beers.

For more information on the company visit www.emunl.com.au

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ASX Code: EMU

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Issued Capital:
Shares - Quoted:
39,693,856 fully paid shares
35,652,856 contributing shares

Options – Unquoted:
841,148 exercisable at $0.5874 by 22.12.2014
82,736 exercisable at $0.4266 by 21.12.2015

Directors:

Peter Thomas
Chairman

Greg Steemson
Managing Director

Gavin Rutherford Non-Executive Directors

AMEC
ASSOCIATION OF MINING AND EXPLORATION COMPANIES
2014 MEMBER

COMPETENT PERSON'S STATEMENT

The details contained in this report that pertain to exploration results, mineral resources and mineral reserves are based upon information compiled by Mr. Greg Steemson, Managing Director of Emu NL. Mr. Steemson is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr. Steemson consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears.

FORWARD LOOKING STATEMENT

This report contains forward looking statements concerning the projects owned by Emu NL. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on management's beliefs, opinions and estimates as of the dates the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.