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TheDiamondGrader

BASIS OF VALUE DESCRIPTION FOR THIS OFFERING

BASIS OF VALUE:

This document explains the basis of values stated in the 3 page document titled, "ROUGH AND POLISHED MONTANA SAPPHIRE MANIFEST". The descriptions and photographs in this document follow the entries found in the Manifest. Each page with embedded photographs directly corresponds to a sub-category entry or block of the Manifest. The Manifest is divided into two main categories; **1. ROUGH SAPPHIRES; 2. POLISHED SAPPHIRES.**

There are 6 sub-categories of rough sapphires in this offering which totaled \$2,022,130.00 USD wholesale. The rough sapphires are organized by Size, Number, and Color.

There are 3 sub-categories of polished sapphires in this offering which totaled \$464,050.00 USD wholesale. **1.** Larger, Polished Fine Goods, cut by 40 year Master Colored Stone Cutter, Bill Boyce [boyceb88@live.com] [ph. (702) 205-1859]; **2.** Smaller, Polished Fine Goods; **3.** Larger, Medium, and Smaller Heated Goods, Polished in Sri Lanka.

The Basis Of Value comes from the following four factors, which will be described in detail below: **1.** GemGuide Wholesale Price List (see the 9 page ADDENDUM to this document in a separate ".pdf"); **2.** Accurate Sorting and Grading of Stone Size, Color, and Clarity characteristics; **3.** Training & Skill Level of the Gemologist/Appraiser; **4.** History and Facts about the Goods.

GEMGUIDE –

GemGuide is a worldwide professional trade publication made specifically for the practicing Gemologist/Appraiser. It is published every two months and the subscription costs about \$240 per year. The prices in the GemGuide are wholesale trade prices. All values in this Basis of Value document and the Manifest are derived from the GemGuide.

SORTING & GRADING –

All the rough and polished goods in this offering were meticulously sorted, measured, graded, valued, photographed, and documented by a professional Gemologist/Appraiser/Diamond Cutter in his private Gem Laboratory. No stone was left unturned.

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APPRAISER –

The Diamond Grader Lab in Las Vegas, Nevada is owned and operated by Michael Hutton, PG (IGS), GD (GIA). Mr. Hutton has been practicing professionally for 10 years and is a Life Member of the International Gem Society (Reg. # 104840), which was founded by Donald Clark, CSM, IMG (one of approximately 45 Supreme Master Gem Cutters in the World). Mr. Hutton was personally tested by Donald Clark and was awarded the Title of Certified Professional Gemologist [PG (IGS)]. Mr. Hutton attended the GIA and earned his Graduate Diamonds Diploma [GD (GIA)] with a 98% on the Final Exam. Mr. Hutton spent a year in residency in Johannesburg, South Africa attending the Diamond Education College located in the Diamond Center. Mr. Hutton was trained in Rough Diamond Evaluation by Professor Dennis White; Diamond Marking and Planning for Cutting by Mr. Tienie Barnes (formerly of De Beers fame); and was formally trained in Diamond Cutting and Polishing at the DEC by several Master Diamond Cutters. The DEC awarded Mr. Hutton a separate Diploma for each of those specialty skills. Mr. Hutton studied Jewelry Appraisal with The National Association of Jewelry Appraisers and was a past Certified Senior Member in that organization. Mr. Hutton is now a Fully Independent U.S.P.A.P Compliant Appraiser. Mr. Hutton was an Honor Graduate of the USAF School of Applied Aerospace Sciences in 1976, where he studied Metrology (Science of Measurement) and he also attended the Nevada State Military Academy at the Officer's Candidate School for the Nevada Army National Guard. Mr. Hutton also repaired and calibrated advanced electronic, video, and optical systems for over 30 years. Additional areas of formal study were: Business Administration, Law, Acoustical Engineering, Photography, and The Chinese Internal Healing Arts (Advanced Degree Awarded in 2007).

HISTORY AND FACTS ABOUT THE GOODS -

The Montana Sapphires in this offering, originally about 15,000 rough carats, were purchased as the run of the mine located in South West Montana in the Geo-Thermal region. Mr. Hutton is the outright owner of this parcel without exception to any lien holder. The rough sapphires were sorted and separated by Size, Clarity, and Color. The larger fine stones that did not require any heat treatment were cut by Master Cutter Bill Boyce, mentioned above. Approximately 4,000 carats were brought to Sri Lanka for polishing. Those stones required heat treatment to improve Clarity and Cutting Yield ONLY. All the stones exhibit beautiful natural color and there has been NO Color enhancement done to any of the stones in this offering. All the polished goods in this offering came from the original 15,000 carats of rough. So it is known exactly how the stones will perform in any future polishing process on the remaining approximate 9,000 rough carats. This allowed for very high accuracy in the projected valuation outcome of the remaining rough stones being offered. The polished goods were meticulously inspected, graded and valued by Mr. Hutton personally. The polished goods offered can also speak for themselves.

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BASIS OF VALUE: (15) BAGS ROUGH TEAL BLUE-GREEN

(15) Bags of 501 carats of Untreated Rough Montana Sapphires

Color: Teal – Blue Green – Green Blue

Total Rough carats: 7,515 carats

Number of Rough Stones: Approx. 240 Stones per Bag

Average Weight per Stone: 2.08 carats

Calculated Polished Carats per Bag: 175.2 carats

Calculated Average Polished Stone Size: 0.73 carat

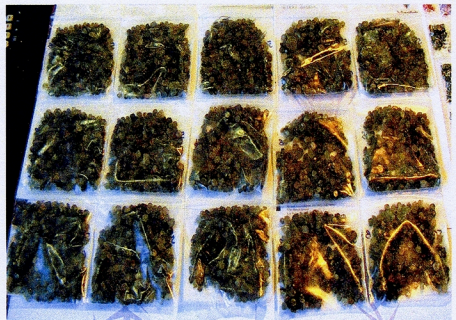
If these stones remain unheated their cutting yield will be 0.20 producing lower clarity smaller polished stones.

If the stones are heated their cutting yield will rise to 0.35 producing clearer and larger sellable stones.

Economics and beauty dictate that these stones be heated before polishing.

VALUE HEATED = 2,628 carats polished at \$600 per carat \$1,576,800 USD

VALUE UNHEATED = 1,500 carats polished at \$500 per carat \$750,000 USD



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BASIS OF VALUE: (1) BAG ROUGH ORANGE – YELLOW ORANGE – RED ORANGE – Larger Stones

(1) Bag of 407.5665 carats of Untreated Rough Montana Sapphires

Color: Orange – Yellow Orange – Red Orange

Total Rough carats: 407.5665 carats

Number of Rough Stones: 140

Average Weight per Stone: 2.911 carats

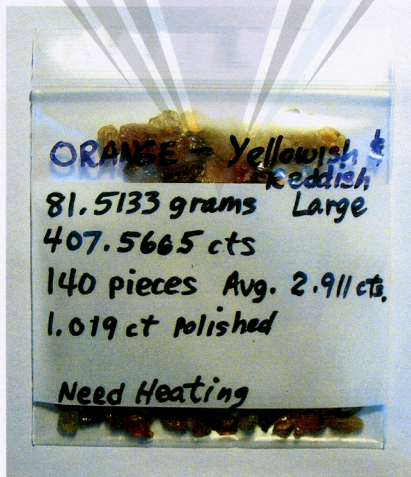
Calculated Polished Carats @ 0.35 Yield Heated: 142.648 carats

Average Polished Stone Size @ 0.35 Yield Heated: 1.019 carat

Economics and beauty dictate that these stones be heated before polishing.

VALUE per carat as Unheated Rough = \$358.70/carat

VALUE HEATED = 142.648 carats polished at \$1,025 per carat \$146,214 USD



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BASIS OF VALUE: (1) BAG ROUGH BLUE-GREEN – Medium Stones

(1) Bag of 505.241 carats of Untreated Rough Montana Sapphires

Color: Blue-Green

Total Rough carats: 505.241 carats

Number of Rough Stones: 200

Average Weight per Stone: 2.52 carats

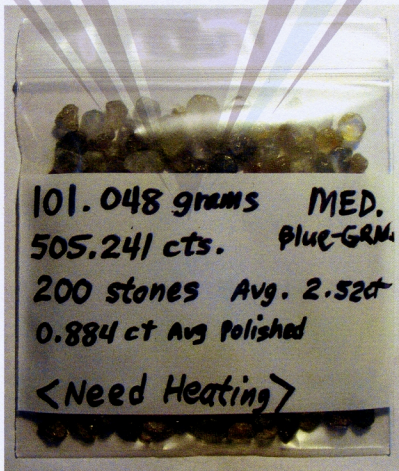
Calculated Polished Carats @ 0.35 Yield Heated: 176.834 carats

Average Polished Stone Size @ 0.35 Yield Heated: 0.884 carat

Economics and beauty dictate that these stones be heated before polishing.

VALUE per carat as Unheated Rough = \$228/carat

VALUE HEATED = 176.834 carats polished at \$650 per carat \$114,942 USD



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BASIS OF VALUE: (1) BAG ROUGH YELLOWISH GREEN – Larger Stones

(1) Bag of 451.286 carats of Untreated Rough Montana Sapphires

Color: Yellowish Green

Total Rough carats: 451.286 carats

Number of Rough Stones: 156

Average Weight per Stone: 2.893 carats

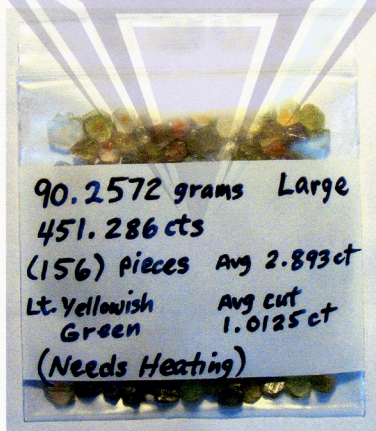
Calculated Polished Carats @ 0.35 Yield Heated: 157.95 carats

Average Polished Stone Size @ 0.35 Yield Heated: 1.0125 carat

Economics and beauty dictate that these stones be heated before polishing.

VALUE per carat as Unheated Rough = \$219/carat

VALUE HEATED = 176.834 carats polished at \$625 per carat \$98,718 USD



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BASIS OF VALUE: (1) BAG ROUGH LT. PINK & PINKISH – Larger Stones

(1) Bag of 208.0995 carats of Untreated Rough Montana Sapphires

Color: Lt. Pink and Pinkish

Total Rough carats: 208.0995 carats

Number of Rough Stones: 71

Average Weight per Stone: 2.9309 carats

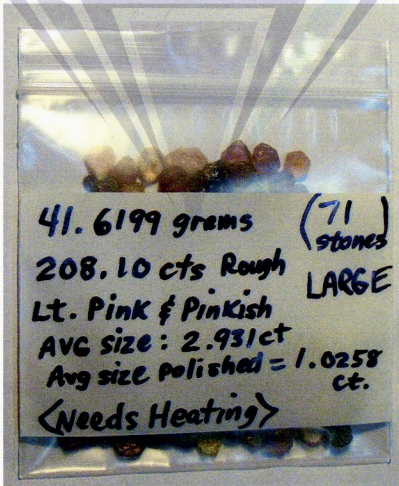
Calculated Polished Carats @ 0.35 Yield Heated: 72.835 carats

Average Polished Stone Size @ 0.35 Yield Heated: 1.0258 carats

Economics and beauty dictate that these stones be heated before polishing.

VALUE per carat as Unheated Rough = \$350/carat

VALUE HEATED = 72.835 carats polished at \$1,000 per carat \$72,835 USD



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BASIS OF VALUE: (1) BAG ROUGH LT. YELLOWISH GREEN – Smaller Stones

(1) Bag of 140.236 carats of Untreated Rough Montana Sapphires

Color: Lt. Yellowish Green

Total Rough carats: 140.236 carats

Number of Rough Stones: 89

Average Weight per Stone: 1.5756 carats

Calculated Polished Carats @ 0.25 Yield Heated: 35.059 carats

Average Polished Stone Size @ 0.25 Yield Heated: 0.3939 carat

Economics and beauty dictate that these stones be heated before polishing.

VALUE per carat as Unheated Rough = \$90/carat

VALUE HEATED = 72.835 carats polished at \$360 per carat \$12,621 USD



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