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EXCLUSIVE PROSPECTING LICENCE NO 3761, SPERRGEBIET DIAMOND AREA NO. 1, SOUTHERN NAMIBIA

1. LOCATION

The Exclusive Prospecting License (EPL) No. 3761 covering a total area of 100 000.00 Ha is located southern part of the Sperrgebiet Diamond Area No.1, Southern Namibia (Fig. 1). The EPL area is linked to the main national road network and has access to the energy, water and related infrastructures and resources.

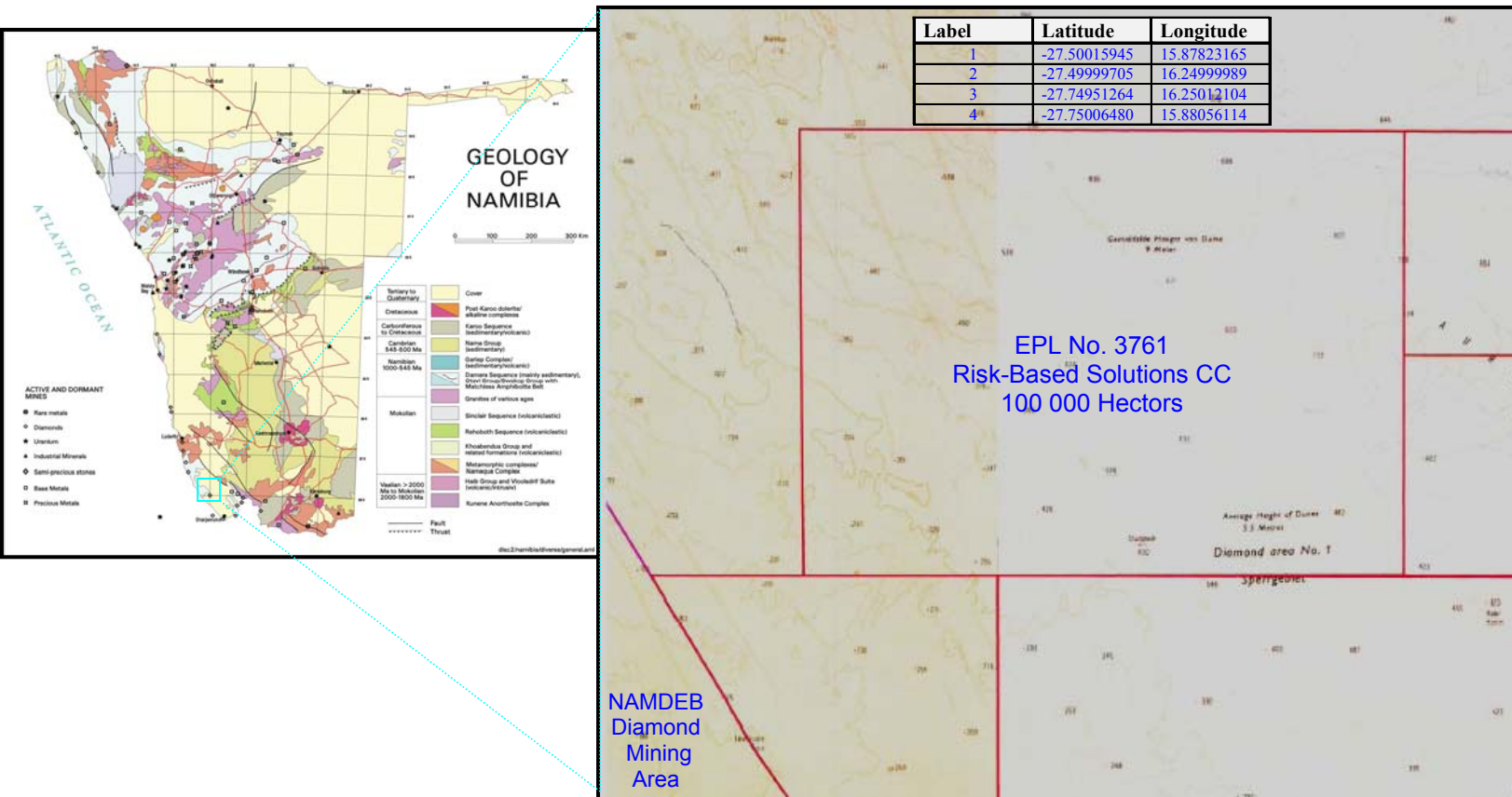


Figure 1: Location of the EPL 3760.

2. Summary of Geology

The EPL 3761 Area falls in the Sperrgebiet Diamond Area No.1, Southern Namibia, not far from the Atlantic Ocean. The geological shaping of the Atlantic coastal region started with intense erosion of the continental margin following the break-up of West Gondwana some 130 million years ago and culminated in the development of the bedrock bevel of the Namib Desert towards the end of the Cretaceous.

The Namaqualand Metamorphic Complex represents the oldest rocks in the Sperrgebiet and occurs in the Lüderitz area in the northwestern part, as well as in the Aus area in the north-east. The regional geological setting of the EPL area and in particular the basement rocks falls within the western part of the Gariiep Complex. The Grootderm Suite forms the basal unit of this western succession and consists of basic lava (now mainly chlorite schist) with minor interbedded dolomite and ferruginous schist as well as basic intrusive. Unconformably above this are interbedded quartzite, dolomite, carbonaceous shale and iron-formation of the Oranjemund Suite. The Bogenfels Formation, consisting of basal conglomerate overlain successively by interbedded dolomite and marl, arkose, quartzite, shale, limestone and dolomite, forms the uppermost unit (SACS, 1980). Grade of metamorphism is low; a high pressure facies may exist in the west. Deformation has been intense complicating recognition of facies relationships and there has been large-scale eastward thrusting of the succession.

Since the late Cretaceous, several sedimentary deposits have accumulated on this bedrock bevel under varying climatic conditions. The present arid stage was reached with the full establishment of the cold water Benguela Current some 11 million years ago. The marine deposits of the coast, in places reworked by fluvial and aeolian action, host the diamond deposits (Ward and Corbett, 1990).

3. COMMODITIES TARGETED

The exploration targets the following:

1. Raised beaches associated with the marine transgression and regression targeting diamonds;
2. Localised Aeolian depositional corridors targeting diamonds;
3. Local country rocks and basement rocks targeting base and rare metals, precious and semi precious metals as well as all other related commodity groups.

The diamonds are believed to have been distributed and concentrated during the repeated Cenozoic sea level movements, becoming less influenced as sea level rose.

The original source of the diamonds is considered to be Kimberly. Riverine transport mechanism transported the diamonds to the coast followed by continual northward migration through surf zone action. During times of lowered sea level, subaerial agents modified the effects of the previous marine transgressions.

In terms of other mineral commodities such as rare and base metals, several features of the Namaqualand Metamorphic Complex are of economic interest. In South Africa, large massive sulphide deposits occur in association with magnetite quartzites; the iron formation in the Aus area could be of similar origin. The pre-tectonic succession has potential for metamorphosed syn-sedimentary volcano-exhalative and porphyry copper deposits and there is no reason why the same deposits could be found in this part of Namibia.

4. Environment

As part of the exploration programme, full Environmental Impact Assessment will be implemented and an Environmental Management Plan will be developed all in accordance with the provisions of the Namibian Environmental Regulations. Overall, the EPL Area fall within the great Sperrgebiet area which dominate the southern part of the Namib Desert. This area receives less than 100 mm of rainfall per annum, which is very variable from year to year and area to area, e.g. the mountain ranges and inselbergs tend to attract slightly more precipitation than the surrounding plains due to the orographic effect. The Sperrgebiet lies in the transition zone between the winter and summer rainfall regimes of southern Africa: the northern areas fall mostly within the summer rainfall zone and the southern parts generally receive rainfall in winter.

The Southern Namib which is an expansive area of large, shifting dunes. This area is botanically unexplored but is believed to be largely devoid of vegetation (Giess 1971, White 1983, Lovegrove 1993). The few species known to sparsely vegetate the dunes are the perennial grasses *Stipagrostis sabulicola* and *S. gonostachys* as well as *Monsonia ignorata* and the succulent *Trianthema hereroensis*. These perennial plants are found dotted on the lower slopes of the dunes and have adapted to the constantly shifting sands. Hummocks are formed between these sand dunes and the coast. These are formed by the pencil plant (*Arthroerua leubnitziae*) and the dollar plant (*Zygophyllum stapfii*) (Giess 1971, Werger 1978, White 1983). The complex geology and the unique geomorphological and climatological conditions have resulted in substrates which vary considerably across the Sperrgebiet. A number of vegetation zones have been identified, each with its unique characteristics and function.

The EPL area falls within the coastal zone. The coastal zone is dominated by the hummock vegetation is typified by tough, woody shrubs such as *Salsola nollothensis*, *Brownanthus namibensis* (endemic), *Amphibolia rupis-arcurtae* (endemic) and *Othonna furcata*. These stabilised hummocks also provide habitat for rare and endangered species such as the Namaqua dwarf adder (*Bitis schneideri*) and the desert rain frog

(*Breviceps macrops*). Much of the vegetation along the seaward edge of this zone has been disturbed by diamond mining activities and only remnants of undisturbed hummock vegetation remain. The sparse vegetation provides a degree of stability to the substrate, but where wind corridors have developed, the bare bedrock has been exposed and very little plant life occurs.

According to Pallett, (1995), lichens thrive in the cool misty conditions of the coastal zone and occur in sheltered locations, growing on a variety of substrates, such as wood, rocks and soil, while some are entirely unattached and free-living, being blown about by the wind and collecting in depressions where they respond to moisture. Although the main lichen fields occur south of Chameis and on Boegoeberg, patch occurrences are expected in the EPL area. Although knowledge about Namibia's lichens is patchy, it is internationally agreed that Namibia's lichens are unique with regard to their species richness, community diversity, fog dependence in coastal areas and the presence of unusual restricted range species (Barnard, 1998). Lichens are easily destroyed by off-road driving and even excessive pedestrian pressure and therefore, any developments in lichen fields will be avoided as far as it's possible.

5. CURRENT EXPLORATION ACTIVITIES

With a very limited total exploration budget for the EPL No. 3761 of N\$5 million (US\$800 000.00), the following is summary of the proposed exploration programme:

Overall the exploration programme is divided into three phase and these are:

1. Scoping;
2. Pre-feasibility; and
3. Feasibility.

The activities that will be covered in the three years of exploration will include all the activities relevant to the scoping, pre-feasibility and feasibility phases. The following is the summary of the relevant components to the exploration programme for the EPL 3761:

1. Exploration Project Management;
2. Geological Work;
3. Initial Reserve Estimation;
4. Field work support and logistic assessments;
5. Initial Field Investigations;

6. Geologic Data Compilation and Database Management;
7. Mineral Rights Management;
8. Legal and Regulatory;
9. Exploration and Subsurface Sampling;
10. Other Services.

4. PARTNERING / NEGOTIATIONS

Currently we have not signed any agreement with any of the various parties who are interested in the EPL No. 3761. We are open for negotiations and offers to take part the development of the EPL No. 3761. We try to avoid exclusive negotiations as much as possible and adopted the open approach with the best offer to be the winners. However, knowing what is likely to be and the metal economic potential in this property and surrounding areas, we are also very much interested to continue playing a significant role in the development of potential deposits found in the EPL No. 3761.

We look forward to your contact and expression of interest.

Yours Sincerely,



Dr. Sindila Mwiya
Technical Consultant
Risk-Based Solutions CC