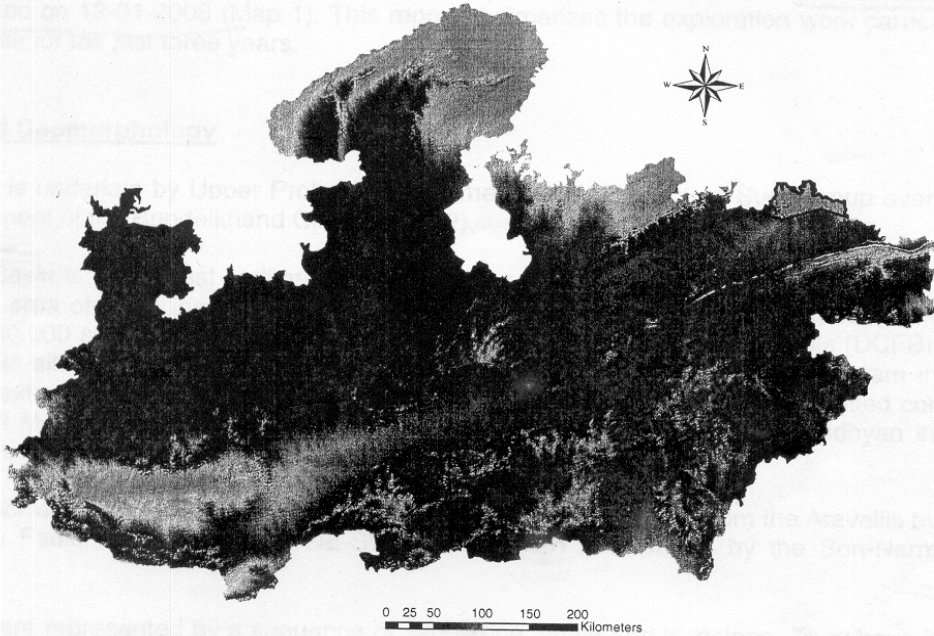


MP-12

**Closing Report of Reconnaissance Permit
Mining/ RP-40/2002/2543 Madhya Pradesh**

**Report for the period
13/01/05 to 12/01/08**



In terms of the relevant legislation, the information reported in this document is to be kept strictly confidential by the Madhya Pradesh State Government for a period of two years from the date of expiry of the license.



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**Closing Report on Reconnaissance Permit
Mining/ RP-40/2002/2543 Madhya Pradesh**

Report for the period
13/01/05 to 12/01/08

1. Reconnaissance Permit (RP) Status

The RP is 1590 km² in extent and was executed at Bhopal on 13th January 2005. As per rule 7(i) (a) of MCR 1960, it is scheduled to be reduced by 50% on or before 12th January 2007. On 12th January 2007 an area of 795 km² has been relinquished and retained an area of 795 km². The total area has been relinquished on 12-01-2008 (Map 1). This report summarizes the exploration work carried out in the permit area for the last three years.

2. Geology and Geomorphology

Most of the RP is underlain by Upper Proterozoic sediments of the Vindhyan Supergroup overlying Archaean basement of the Bundelkhand Craton (Map 2).

The Vindhyan Basin is the largest sedimentary basin of the continental part of the Indian plate. It is spread over an area of more than 100,000 sq. km out of which 60,000 sq. km is exposed and remaining about 40,000 sq. km area hidden below the Deccan Continental Flood Basalts (DCFB) and the indo-gangetic alluvium. Exposures of the Vindhyan Supergroup are seen up to Sasram in the east, where its extension is covered by alluvium. The western part of the basin is in faulted contact with the Aravalli Mountain Belt near Chittorgarh. Dholpur is the last exposure of Vindhyan in the north beyond which the Vindhyan sediments are covered by alluvium.

The basin is a sickle shaped synclinorium, separated towards the Northwest from the Aravallis by the Great Boundary Fault, trending roughly NE-SW and in South is bounded by the Son-Narmada confluence.

The Vindhyan are represented by a sequence of sandstone, shale and limestone. They have been divided into the Semri, Kaimur, Rewa and Bhandar groups.



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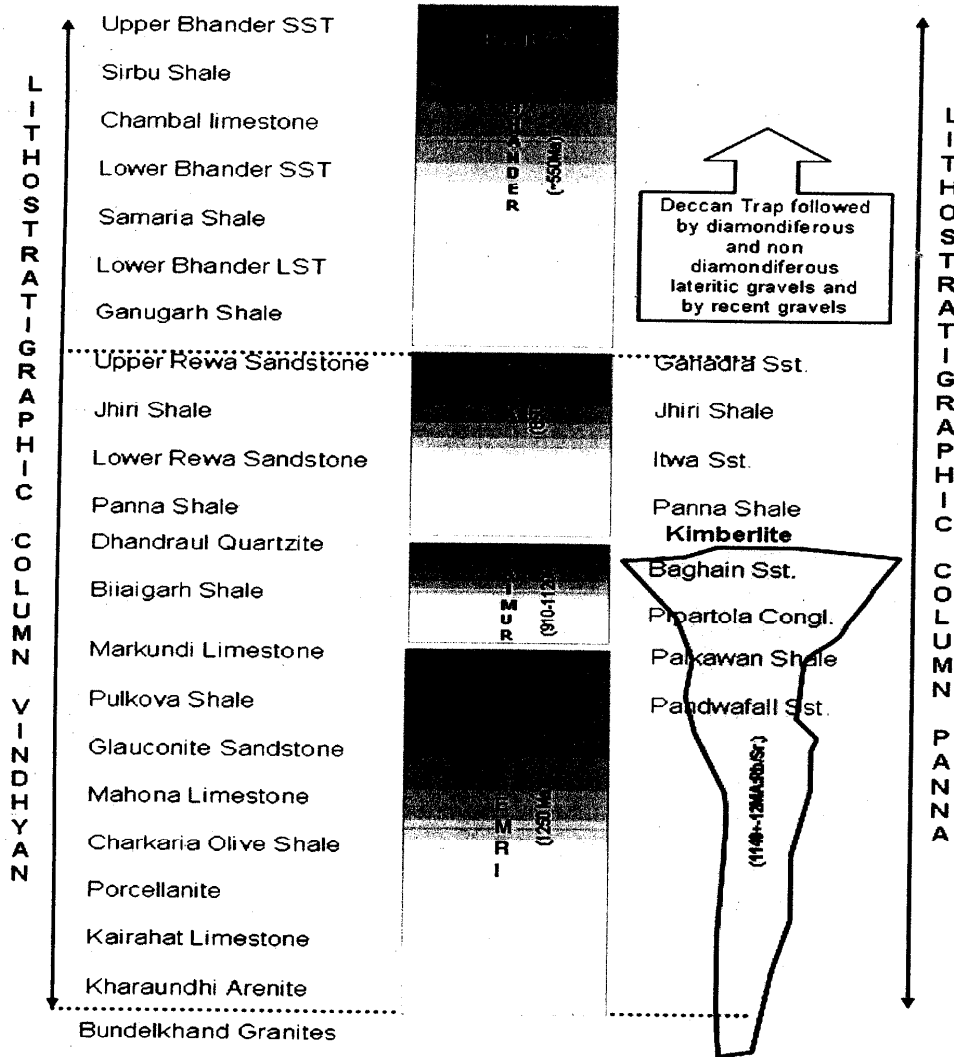
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Lithostratigraphy of the Vindhyan Supergroup



The Panna diamond belt occurs on the northern fringe of the Vindhyan (Map-2). The area is 80 km long, 6-10 km wide and trending ENE-WSW. Sporadic diamond mining activities have occurred in recent gravels, lateritic soil/cap rocks and conglomerates. Two primary sources have been located to date at Majhgawan (~10cpt) and Hinota (< 5 cpt).



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The geomorphology of the RP area is well drained with moderate to gentle slope. However the centre of the RP area is poorly drained with gentle slopes (Map 3 and 4). The geomorphologic control over the region is dominated by the subdued Vindhyan ridges in the south and the large tracts of flat land. Streams originating over the mountainous area have a high gradients in their upstream course and low gradients in the lying tracts downstream to the north.

3. Activity during the period from 13th January 05 to 12th January 08

The entire area has been investigated with 342 reconnaissance samples. Result of kimberlitic indicator mineral samples have been received and interpreted. Carried out airborne magnetic survey over an area of 795 sq km and examined for the anomalies.

3.1 Reconnaissance Sampling

Reconnaissance stream and loam sampling was completed with a total of 240 stream and 102 soil samples being collected with an average sample density of 1 sample per 4 km². All the samples have been processed, analysed and results received (Map 5 and Table 1).

Stream samples comprise 75 litres of material screened through 10 mm mesh from a natural heavy mineral trap sites. This – 10 mm fraction material is further screened to 2 mm. Loam samples comprise 30 litres of – 10mm material and for further processing all the samples were transported to the De Beers India Sample Treatment Centre in Peenya (PSTC), Bangalore.

All the samples received from the field passed through a series of treatment processes to produce heavy mineral concentrates at PSTC. The raw sample collected from the field was wet screened to -2mm where the sample weight was reduced by up to 80%. The screened fraction from wet screening was then sent to a dense media separator to reduce the sample weight by ~95% which was followed by acidization where samples were boiled with 20% sulphuric acid and 80% water for one hour to remove the surface coatings of the concentrate to make mineral identification possible. After acidization, the samples were sent for ultrasonic cleaning, to get a clean concentrate which was sent for either low or high intensity magnetic separation based on the nature of the sample. Large samples containing a significant proportion of minerals denser than 2.95 gm/mL then pass through lithium hetero- polytungstates mixed with water at a density of 3.1 gm/ml. The sinks and floats were separated, the sink portion dried and sent to Bangalore Mineralogical Laboratory (BML) for visual examination.

The concentrate received from PSTC was visually examined under microscope at BML to recover kimberlitic indicator minerals. These grains were then sent to De Beers Analytical Services in Johannesburg, South Africa for electron micro-probe analysis.



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3.2 Reconnaissance Sampling Results

Results were received for all reconnaissance samples in the RP (Map 6 and Table 2), and 6 samples were reported positive with respect to kimberlitic indicator minerals. Total 15 spinels were reported. No garnet, ilmenite or clinopyroxene were recovered.

3.3 Mineral Chemistry

Mineral Chemistry plots are shown in Figures 1 – 8. Note that additional grains were probed, so totals reported as visual recovery and numbers of grains probed do not necessarily correspond.

The spinel chemistry is of low interest and most of the spinel probably derives from unrelated ultramafic rocks.

4. Interpretation

Mineral chemistry of the indicator minerals recovered from this area suggests low interest ultramafic and/or unrelated rocks.

5. Remarks

During the reporting period, ground follow up work could not be carried out because of the banditry activity in the RP area. Hence an Airborne Geophysical Survey has been planned in the retained RP and completed flying during May-June 2007. Government of India retained the data for want of security clearance and released the data on 3rd January 2008 to De Beers India Private Limited., just a few days before the complete relinquishment date.

6. Airborne Geophysical Survey

Airborne Geophysical Survey was conducted with the following specification. The data is yet to be cleared by the Ministry of Defence after which further work will be taken up based on the interpretation of the data. The flight plan of the survey has been attached (Map 7).

Survey Specification

- Survey Type: Stinger mounted sensor on Fixed Wing Survey Aircraft
- Aircraft: Shrike Aero commander 500S, owned and operated by Fugro Airborne Surveys
- Line Spacing: 200m
- Survey line direction: North-South



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- Tie Line Spacing: 2000m
- Tie Line Direction: East-West
- Aircraft Flight Height: 120m

Physical Property being measured

- The cesium vapor magnetometer sensor measures the total intensity of the earth magnetic field
- The end result of the survey is a map which can be interpreted to reveal the special distribution and relative abundance of magnetic minerals in the rocks at the surface of the earth (top 10km).

The airborne geophysical data released from Government of India on 3rd Jan 2008 was studied (Map 8) and found no interesting anomalies to follow up or to drill.

7. Personnel

De Beers maintains high operating standards including Environmental, Community, Occupational Health & Safety and Environmental (ECOSH) awareness. Through effective management practices the group aims to ensure the health and safety of its employees, to minimise any adverse impacts its activities may have on the environment and to make a positive contribution to local community life (Photographs 1 & 2).

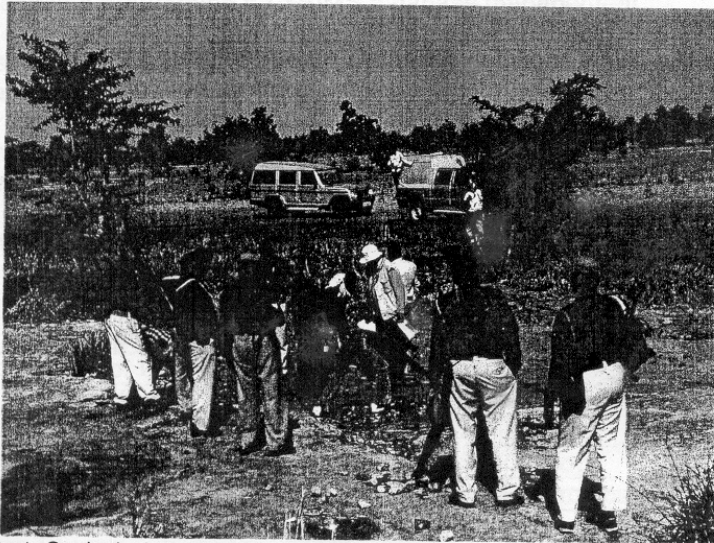


Photo 1: Geologist is sampling with the help of police protection and rehabilitating the sample site after the sampling



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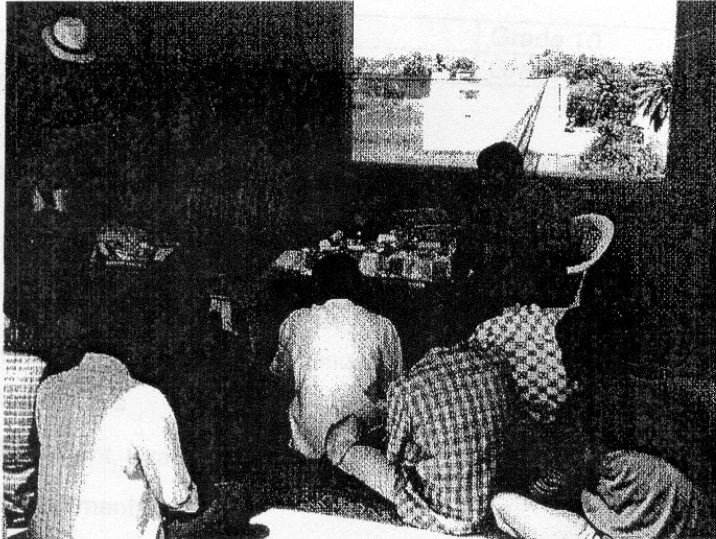


Photo 2: First Aid training to the local field workers.

The following is a short summary of training completed by De Beers's employees during reporting period.

Earth Scientists attended a programme on XSIMS database management.

Earth Scientists also attended a programme on Datamine solutions which will enable them to effectively organize data from drilling programmes.

GIS Manager attended a conference on G.I.S data standard and interoperability at map India 2006 conference, New Delhi, India.

Earth Scientist completed a sort time assignment for drilling and petrology training in Canada and South Africa.

Name	Designation	Education
Tarun Rautela	Senior Geologist	M.Sc. Tech – Applied Geology
Gargi Mishra	Petrologist	M.Sc. – Applied Geology
Rekha K.R.	Kimberlitic Mineral Analyst	M.Sc Geology
Shobha N.	Kimberlitic Mineral Analyst	M.Sc. Geology
Sanjay Deogiri	ICT Manager	B.Sc. Electronics, MCSE
Girish Menon	Security Adviser	Graduate
Gajanana Naik	Treatment Plant Supervisor	Graduate
Venu Kumar	Field Driver	Grade 12



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B Srinivas	Field Driver	Grade 10
B S Dinesh	Field Driver	Grade 10

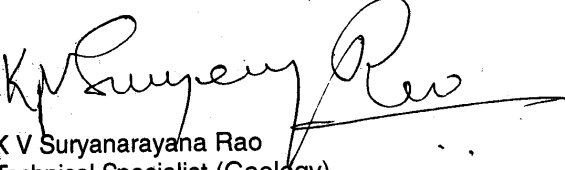
7. Expenditure

Total expenditure of Rs. 28, 613, 440/- has been incurred for the Reconnaissance Permit during the reporting period. The expenditure was incurred in the different hats, as follows:

- Exploration Expenditure
- Permit Fees
- Liaison Costs, including the costs associated with obtaining DGCA permits
- Geological Analysis
- Sample Treatment, Examination and Analysis
- Project Management
- ECOHS Costs
- Office Overheads
- Others (like security assessment cost)

8. References

- Detailed Information on Diamond in Madhya Pradesh (India) by Geological Survey of India (1994 report).
- GEOLOGY AND EVOLUTION OF THE INDIAN PLATE by S.M. Naqvi.
- Recent Advances in VINDHYAN GEOLOGY by Geological Society of India.


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