

COMPETENT PERSON'S REPORT ON DALA DIAMOND PROPERTY IN ANGOLA

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COMPETENT PERSON'S REPORT

Background

CARL LESLIE SLADE has prepared this Competent Person's Report ('The Dala Report') at the request of Moydow Mines International Inc. ('Moydow' or 'the Company') in connection with the Company's application for its shares to be admitted to trading on AIM, a market operated by the London Stock Exchange. We acknowledge and consent that the Dala Report will be included in its entirety on Moydow's website in connection with the Company's AIM application and furthermore we accept responsibility for this report in accordance with the AIM Rules.

The Dala Report has been prepared to provide an independent assessment of the Dala Diamond property in Angola.

Qualifications of Consultants

Carl L Slade is a Director of Geoventures (Pty) Limited. He was awarded the degree of Master of Science in Exploration Geology by Imperial College of Science and Technology, University of London, in 1976. He is a registered Natural Scientist with the SACNAS (the official licensing authority for Natural Scientists in South Africa), and has been active in the Angolan diamond industry for three decades.

Geoventures was established in 1989 with offices in Johannesburg, South Africa and in Angola located at Rua Major Kanhangulu, 12 - 3° Luanda, Telephone: +244-2396027. The core team is supplemented by a network of international associates, together providing technical, due diligence, independent expert and project management services to the international mining industry. The Geoventures team has previously completed Independent Reports and Valuations for several listed companies operating in Africa.

Other than for the purposes of completing the Dala Report described in this document, neither Carl Slade nor any Geoventures staff involved in its preparation have any commercial interest in Moydow or any associated companies. Neither Carl Slade nor any Geoventures staff will receive any interest in Moydow or any associated companies as a result of undertaking the Dala Report. Carl Slade will be paid normal professional rates for completing the Dala Report for Moydow.

Basis of Report

The Dala Report is based on:

- Technical data, documents, reports and information supplied by Moydow, including copies of agreements, copies of the exploration permit documents, exploration sampling and drilling data;
- Published papers on the geology and mineral deposits of the region;
- A 14-day site visit to the property in Angola and review meetings conducted in 2005;
- Reports and data in the public domain;
- Previous experience with exploration and mining projects in Angola.

Subject to normal due diligence, Carl Slade has relied on the accuracy of reports and data supplied by Moydow in the preparation of the Dala Report. Licences and agreements covering the property were viewed by Carl Slade, and full legal verification of documents was therefore not undertaken.

SEPTEMBER 2005

INVESTMENT CLIMATE IN ANGOLA

Economic Reforms

The government of Angola signed an agreement in April 2000 with the International Monetary Fund (IMF) to set up a Staff Monitored Program (SMP) to identify and implement economic reforms which will ease state controls, improve public accounting procedures, reduce poverty and encourage private investment. Both the World Bank and the African Development Bank support the reform program. The Angolan government has been steadily withdrawing from direct participation in the economy in order to facilitate economic activity throughout the country. It has sold 272 companies or small businesses since 1995. It has also announced that it will soon invite private sector participation in the state utility, telecommunications and insurance companies. New regulations will reduce or eliminate business taxation. The government has removed fuel subsidies and pledged to continue the successful floating exchange rate. It is also in the process of revising the 1994 foreign Investment Law to streamline the process and provide additional incentives to foreign investors. These reforms combine to create an improved business climate.

Opportunities

New opportunities for foreign investors include: participation in onshore and downstream oil operations, telecommunications, rehabilitation and reconstruction projects in the power, transport, fishing and agriculture sectors, industrial development, privatization of state-run enterprises, including one public bank, BCI (the Bank of Commerce and Industry).

The 1994 Foreign Investment Law

- Ensures that foreign companies are guaranteed equal treatment. Opens nearly all sectors of the economy to foreign investment, including infrastructure development.
- Permits private commercial banking.
- Allows foreign participation in purchases of state-owned companies.
- Legalizes international participation in the mining sector. Enables foreign investors to transfer abroad dividends, profits and proceeds of the sale of investments out of Angola.

- Offers special fiscal incentives to foreign investors who employ a high proportion of Angolans and provide them with professional training and benefits equal to foreign employees.
- Simplifies and speeds up foreign investment procedures.
- Enables foreign companies to make investments of less than \$5 million without first obtaining full Cabinet approval

OVERVIEW OF DIAMOND MINING IN ANGOLA

All aspects of the legal diamond industry in Angola are controlled by Endiama, the state-owned diamond mining company. Virtually all of the country's legal diamond production is through foreign-financed companies operating in joint venture with Endiama. In most instances, the joint ventures also include private Angolan participation.

Angola has extensive diamond reserves (estimated at 180 million carats), principally in the provinces of Lunda Norte and Lunda Sul in the central and northeastern parts of the country. To date, approximately 700 kimberlites have been discovered in the country. Most of the diamond rich kimberlites are located along a north east - south west trend that extends in to neighbouring DRC. Diamond production generates over \$650 million annually, although exact numbers are uncertain due to the extent of illegal diamond mining and smuggling.

In 2003, Angola sold between 5.3 Mct and 6 Mct worth of diamonds, at a value of about US\$1 billion, through Sociedade de Comercializacao de Diamantes de Angola (Sodiam). Angola produced an estimated 5.5 million carats in 2002 (officially). Almost all of this production was from deposits in the Catoca, N'Zagi, and Lucapa regions. Developing projects that also produced diamonds include the Calonda, Mufuto, Luo and Cuango areas.

With the exception of the Catoca kimberlite mine, all of the working diamond mines in Angola are alluvial. Kimberlite mining has significant advantages over alluvial mining with regard to the control of smuggling and illicit digging. However, capital outlays for the development of a kimberlite mining operation are extensive. Only foreign investment can provide such capital.

Kimberlite mining in Angola commenced in the late 1960's but was suspended a few years later when the diamond areas were affected by the civil war. The Catoca kimberlite mine was reopened in 1997 by a Russian-Angolan-Brazilian consortium. Government approved the opening of Angola's second kimberlite mine, Camafuca, in 2002. A licence for the development of a third kimberlite mine on the Camatchia pipe was granted to a joint

venture with similar equities as Sociedade Miniera de Catoca. In 2003 Petra Diamonds Ltd and its Angolan partners, Endiama and Organizacoes Moyoweno, resumed drilling diamondiferous kimberlite targets on their Alto Cuilo project in the Lunda Sul province, in joint venture with BHP-Billiton.

In an attempt to regulate its diamond market, the Angolan government introduced several steps to control diamond trade. Legislation was passed stating that all buying and selling of Angolan diamonds was to go through state owned company Sodiam (part of the Ascorp joint venture with Israeli businessman Lev Leviev). Attempts were also made to license the estimated 350 000 artisanal miners. Lev Leviev has had a long history in Angola's diamond sector. He began by part financing Catoca, Angola's largest producing kimberlite mine, whose owners (Endiama, Odebrecht and Alrosa) required an additional \$25 million financing. At that stage, the only person who was brave enough (in light of the imminent collapse of the Lusaka Peace accord) to put up the money was Leviev.

There was widespread dissatisfaction throughout the industry with the Sodiam marketing monopoly, and a sharp increase in diamond smuggling across Angola's borders. Steps have since been taken to open diamond buying and selling to a small number of independent dealers.

There is also scope for developing small business in the diamond-cutting industry, and in the artisanal production of gem-stones or industrial diamonds.

Alluvial Diamond Mining In Angola

Apart from the numerous artisanal workings scattered throughout the Lundas, several commercial alluvial operations are producing good quality stones, despite extensive smuggling and security threats.

Sociedade de Desenvolvimento Mineiro de Angola, S.A.R.L. (SDM) is a joint venture with Endiama (50%) and Odebrecht (50%) to exploit the Tazua deposit at its Luzamba project. Bulk sampling of river terrace gravels in the vicinity of the Ganzo, Tázua and Ginge river diversions have revealed economic diamond grades. SDM produced a total of 419 000 ct in 2001.

America Mineral Fields holds the Luremo and Cuango licenses with Endiama. These two licenses cover the northern half of the Cuango Basin, historically a major producer of Angola's diamonds.

Sociedade Mineira do Lucapa (SML) was formed in 1992 as a company representing Endiama (51%) and Sociedade Portuguesa de Empreendimentos (49%). SML has invested significantly in the

development of several projects in Angola, including exploration concessions totalling 35 000 km². SML, along with contract miners ITM Mining operate several alluvial concessions in the Lundas. These include the Calonda project that produced 199,000 ct, the Mufuto project that yielded 244,000 ct and the Lucapa project 69,000 ct in 2001. SML also holds a 15% interest in Southern Era's Camafuca project and 50% of the Yetwene project.

Another major alluvial diamond producer is Associacao Chitotolo that is owned by Sociedade Miniera de Lumanhe (15%), ITM Mining (50%) and Endiama (35%). Chitotolo produced 232 000 ct in 2001.

In 2001-2, Transhex Ltd (the largest South African alluvial diamond producer) established two new alluvial mines in joint venture with Endiama and private Angolan interests. Both of these mines are situated in the Chiumbe river valley, Lunda Norte province. The Luarica Mine currently produces approximately 100,000 carats annually, with an average value of \$300 per carat. The average grade at Luarica is 0.15 ct/cubic metre, and production cost is \$242 per carat. When the Fucauma mine reaches full capacity, it is expected to produce 10,000 ct/month, at an average value of \$200 per carat.

Southern Era has discontinued its alluvial mining programs along the Cuango River, which produced 144 300 carats in 1998.

Kimberlite Production In Angola

Although at least six economically viable kimberlite pipes have been discovered and evaluated to date in Angola, only the **Catoca** pipe has so far been brought into production. The Catoca kimberlite pipe has a surface area of 60 hectares, and an average grade of 1.1ct/m³. Catoca is the world's 4th largest kimberlite mine and is currently being operated by SMC (Sociedade Miniera de Catoca), which is in turn owned by Endiama (32.8%), Russia's Alrosa (32.8%), Brazil's Odebrecht Mining (16.4%) and the Diamond Finance CY BV Group (18%). The mine produced just over 2.6 Mct in 2001. The kimberlite yields quality diamonds, of which 35% is gem quality, fetching prices of around \$75 - \$100/carat. Reserves are estimated at 60 million carats. SMC intends increasing production to as much as 5 Mct per year.

Southern Era is currently investigating the **Camafuca - Camazambo** kimberlite pipe in the Calonda area of the Lunde Norte province. Camafuca is thought to be the world's largest undeveloped diamondiferous pipe with a surface area of 160 hectares. The pipe is approximately 3.3 kilometres in length and 500 metres in width, and lies 40 kilometres north of the Luo concession on the Chicapa River. Camafuca was the first kimberlite pipe to be discovered in Angola. Recent sampling of the Camafuca pipe

yielded just over 1000 carats from a bulk sample of 3 500 m³ treated. This represents a significant increase from previous historical estimates. Stone value estimates ranged from \$126 - \$140/carat, with 32% of the diamonds being greater than 1 carat in size and 21% greater than 2 carats. A feasibility study to evaluate the technical and economic viability of the project was completed and presented to the Camafuca partners in April, 2000. Plans are to develop the higher grade portions of the pipe first - an exercise that is estimated to cost \$14 million. The partners have accepted the feasibility study and now plan to move ahead with the development of Phase 1 that intends developing the southeastern part of the kimberlite that contains 6.1 million cubic metres of material at an average grade of 0.18 carats per cubic metre. Mining of the Camafuca pipe is seriously complicated by a major river that dissects the kimberlite - initial mining will probably utilise dredging methods. Ownership of the project is as follows: SouthernEra Angola LDA 32%, Endiama 20%, SML 15% and the Welox Limited (part of the Leviev group of companies) 33%. In mid 2002, the Angolan Government formally approved the operating agreement and formation of an operating company, to be called Sociedade Mineira do Angola, Lda (SMC).

Three other kimberlites with good diamond potential are at different stages of evaluation and/or trial mining. These include the **Camatchia** project in the Lunda Norte province, a 36-hectare pipe with grades in the region of 0.30 ct/m³, the **Camutue** project in the Lunda Norte province, 20-hectare pipe that contains diamonds of exceptional quality (\$350-400 per ct), and the very large **Alto Cuilo** pipe in the Lunda Sul province.

Foreign Involvement In Angolan Diamond Exploration

A number of foreign companies have been carrying out exploration programs in Angola since the cessation of hostilities in 2002. Some of the more prominent amongst these are described below.

De Beers was given approval by the Angolan council of ministers to prospect for five years on three concessions covering a total of 63,000 km² in the Quela, Mavinga and Lunda Norte areas of the country. The company plans to spend \$ 75 million on this venture. In June 1996, De Beers and Endiama signed new prospecting agreements, and drilling commenced for kimberlites on its concession near Saurimo in Lunda Norte province (this was the first drilling De Beers has done for diamonds in Angola since the country's independence from Portugal in 1975). The drilling program led to the discovery of kimberlites north of Saurimo near the Catoca mine, below a considerable depth of tertiary and quaternary sediments. Despite these successes, De Beers decided to pull out of Angola, following a disagreement with Angolan authorities. This dispute has since been resolved through

arbitration, and De Beers resumed its exploration activities in Angola in 2005.

Botswana Diamondfields Inc, a subsidiary of the Crew Development Corporation of Canada, has entered a joint venture with Gema Dourada Ltd. (GDL) to explore a 13,230 sq km concession in the northern parts of Lunda Norte province. A pre-feasibility study indicates a resource of 1,000,000 ct at a grade of 0.4 - 0.7 ct/cubic meter.

AmCan purchased 100% of Oriole Marketing Limited, whose holdings include four major diamond-bearing properties:

- Tejok Diamond Concession, covering 114 km²;
- Grupo W Concession, covering 64 km²;
- Four River Diamond Concession, covering 8,200 km²;
- Quilemba Property, covering 15,000 km².

All of these concessions are located within the Lunda Norte Province.

American Mineral Fields' Angolan subsidiary Idas Resources, has announced a joint venture with Endiama over two concessions located in the Provinces of Lunda Norte and Malange. Licences cover areas of the Cuango River floodplain up to the border with the DRC as well as ground to the north of the town of Cafunfo. These concessions contain defined alluvial occurrences, as well as good potential for primary kimberlite deposits.

Trans Atlantic Enterprises has reached an agreement for 50% of the Camuanzanza kimberlite pipe in the Lunda Norte province. The company is required to spend \$5 million on the project.

Majestic Resources of Australia have an option to acquire two concessions on the Luachimo River. Following an evaluation of the alluvial resources on the river in 2000, Majestic suspended work on the project until the Angolan operating company, Opala Majestic Diamonds, has been granted a diamond selling licence. South African based.

Petra Diamonds Limited are evaluating the Alto Cuilo concessions for alluvial and kimberlitic potential, in joint venture with BHP-Billiton and Angolan parties. Major kimberlite discoveries have resulted to date.

Almazy Rossii-Sakha (Alrosa) has a 32.8% interest in SMC that operates the Catoca kimberlite mine, and is involved in the evaluation of other kimberlite deposits.

Afgem, the South African tanzanite mining company, are developing the alluvial resources and testing kimberlite deposits in the Bapsil concession north of the Alto Cuilo pipe, Lunda Sul province.

New Millennium Resources NL is developing the Lapi alluvial project situated between the Catoca kimberlite cluster and the Camatchia kimberlite cluster.

Odebrecht Angola Ltd has a 32.8% interest in SMC that operates the Catoca kimberlite mine, and is involved in alluvial exploration in the Cuango valley.

Southern Platinum Corporation has a 32% interest in the developing Camufuca kimberlite mine.

COMPETENT PERSON'S REPORT ON THE DALA PROPERTY

INTRODUCTION

The writer is a geologist who has been working in the Angolan diamond industry since the 1970's. Much of this work has been on exploration projects adjacent to Moydow's Dala Concession, including the Muriege concession, the Alto Cuilo concession and the Tutelama concession - respectively East, West and Northeast of the Dala block. In addition to having a thorough knowledge of the Dala region, the writer has first-hand experience of all of the important known kimberlites and most of the larger alluvial diamond deposits in Angola.

A good understanding of the specific conditions and diamond potential of the Dala project was gained during the course of an extended site visit (14 days during September 2005) in the company of the project exploration team. A fixed wing aircraft was used to investigate the less accessible areas of the concession.

It should be noted that the Dala Diamond Project is still in the early stages of exploration, and that whereas diamonds are known to be present in significant quantities in a number of places, no diamond mineralization has yet been identified that could be classed as Reserves or Resources of any category.

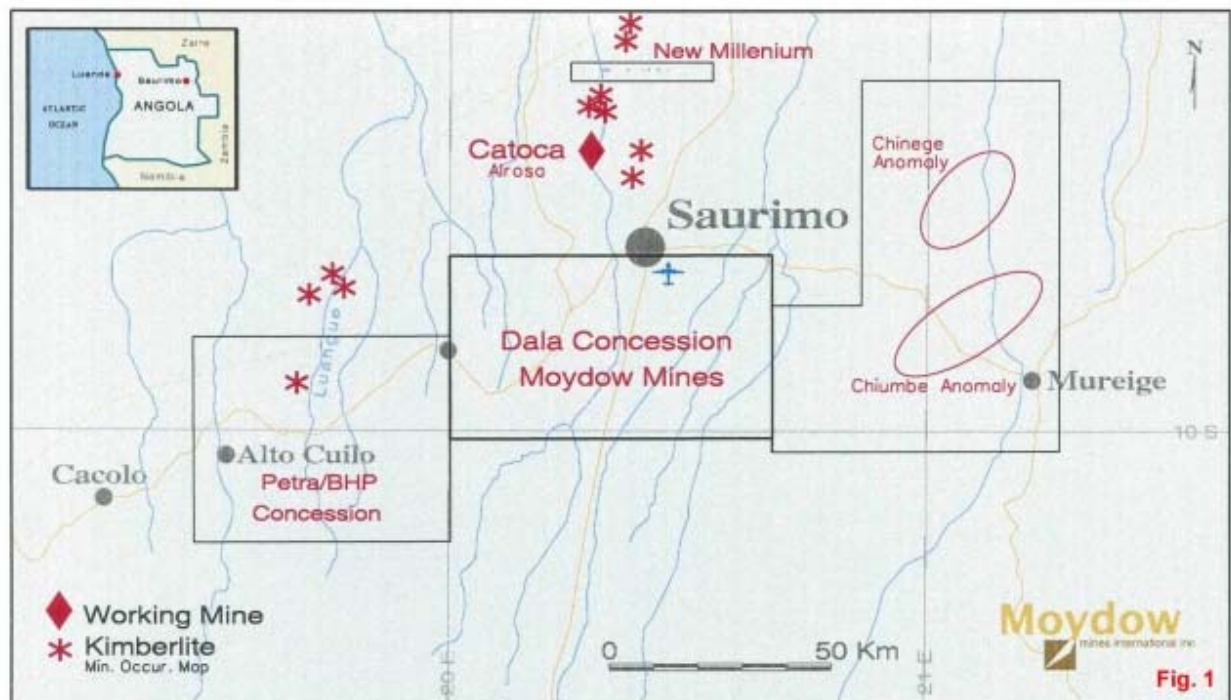
PROJECT DESCRIPTION AND LOCATION

Project area

The Dala diamond concession covers an area of 2,800 km², situated in the Lunda Sul province of Angola, between the Luachimo and Luangue rivers (Figure 1). The provincial capital Saurimo is situated close to the northern boundary of the concession. The village of Mona Quimbundo is situated near the southwestern boundary. The following geographic coordinates delimit the concession area:

9° 39' S	19° 58' E
9° 39' S	20° 38' E
10° 01' S	20° 38' E
10° 02' S	19° 58' E

The "Contract for Prospecting of Diamond Secondary Deposits" referring to the Dala Project was published on December 7, 2004 in the Angolan Diário da República, (Decreto n.º 143/04). All legal conditions to start exploration on the concession were in place from that date.



Title and Obligations

Cimader Lda is a private Angolan mineral exploration and mining company, which was established specifically to obtain and hold the Dala prospecting permit. In January 2005, negotiations were conducted between Cimader and Endiama to establish the terms under which the diamond potential of this concession area might be developed in joint venture. The agreement came into effect after ratification by the Council of Ministers (i.e. the national Cabinet).

On October 1, 2004, Moydow Mines International Inc ("the company") and partner Concord Minerals LLC (Concord), a private Nevada company, signed an agreement with Empresa Nacional De Diamantes De Angola (Endiama), the Angolan state diamond mining company and Cimader-Comercio Geral Limitada (Cimader), a private Angolan company, to explore for alluvial diamonds on the Dala concession located near the town of Saurimo, north-east Angola. Under the terms of the agreement, the company and Concord each have a 16.50% interest in the concession with the remaining percentages held by Endiama and Cimader. To maintain their interest, the company and Concord will have to incur expenditures of not less than \$5,000,000 on or before October 1, 2007. Cimader and Endiama have a free carried interest in the project.

Moydow will act as operator of the project, reporting to a management committee comprising representatives of Moydow International, Cimader and Endiama. In its role as operator, Moydow International is required to prepare work programmes and budgets for consideration by the management committee.

The writer has not had sight of the Dala Concession Agreement(s). If the Dala Agreement adheres to the standard terms and wording favoured by Endiama in other concession areas, the essential terms would be as follows:

- Duration of Prospecting Agreement: 3 years, with a right to extend for a further two years, conditional upon relinquishing 50% of the concession area
- Expenditure Commitment over the 3-year Period: USD5,000,000
- Equity Distribution:

Moydow	16.5 %
Concord	16.5%
Cimader	33 %
Endiama	34 %
- The Agreement would initially apply to 'secondary' (i.e. alluvial or palaeo-alluvial) diamonds only. The right to develop 'primary' (i.e. kimberlitic) resources may be awarded at a later date. In the awarding of the kimberlite rights, the existing joint venture would be considered favourably.

Environmental liabilities and Permits

The Company is not aware of any environmental issues, which - without proper care - could create a liability for the Company. The Company has no reason to believe that necessary permits, once applied for, will not be granted.

In recent years, the Angolan environmental legislation and enforcement practices have tended to adhere quite closely to internationally accepted norms for open pit mining. In the case of alluvial mining, rehabilitation is an integral part of the earth-moving procedure and is conducted simultaneously.

Mineralization

Exploration activities in the Dala project are still at the reconnaissance stage. Whereas previous exploration and illicit artisanal mining activity have demonstrated the presence of diamonds at several locations in the concession area, these occurrences have not yet been delimited or evaluated.

All of the known diamond occurrences appear to be alluvial in character. The presence of kimberlitic indicator minerals in

geologically favourable settings, testify to the possible presence of kimberlitic occurrences in addition to the known alluvial occurrences.

Discussion of Reserves, Recoveries, Grades, Valuation Methods, Extraction Rates, Costs etc (as is required in Competent Person's Report for mining and advanced exploration projects) are not applicable in this case.

Plant and Equipment

Equipment acquired for the reconnaissance stage of the Dala Project is as follows:

- Four light 4x4 vehicles
- One JSB tractor-loader-backhoe
- Diverse camping, office and communications equipment
- Water pumps, generators
- Mechanical workshop
- Mineralogical laboratory equipment
- Diverse geological equipment

Until a significant discovery has been made, any heavier equipment needed (drilling rigs, bulldozers etc) will be acquired on a temporary hire basis.

Accessibility, Infrastructure and Local Resources

As the provincial capital lies within the Dala concession, the area is relatively well endowed with general services (by Angolan standards). There are virtually no social services or commercial activity in the outlying areas, where the only industry is subsistence farming and illicit diamond mining.

Saurimo boasts the second longest all-weather landing strip in Angola, capable of handling the largest cargo aircraft in current use in this region (Ilyushin IL-76). The city is linked to Luanda and other regional capitals by tarred roads: three such roads traverse the project area.

While equipment and general supplies are transported into the region by road, movement of personnel and perishable goods from Luanda and abroad is normally done by air. The principal roads within the concession area are in relatively good condition, but poor maintenance and excessive use by heavy vehicles have led to the disintegration of the principal supply route through Mona Quimundo to Luanda. Although most of the major bridges in the region were demolished during the course of the civil war, temporary repair work has been effected. The movement of traffic

is much slower in the rainy season (October to April) when the 950km trip to Luanda can take up to 4 days.

While there is at present no electrical grid in the region, a hydro-electric scheme is under construction on the Chicapa river, 20 km north of Saurimo. Delivery of electricity is scheduled for 2008. In the meantime, all projects and settlements have to rely on diesel-generated power.

Drinking water is readily available from natural springs throughout the region. Larger volume water requirements (for irrigation, diamond recovery plants etc) can easily and freely be satisfied from any of the larger rivers.

All telecommunications in this region (public and private) are via satellite.

Tropical diseases such as malaria and typhoid are endemic in the region. While basic medical services (public and private) are available in Saurimo, any serious health problems would require evacuation by air.

Primary and secondary schooling is provided by the State in Saurimo, but there are effectively no education facilities available outside of the provincial capital.

Competent and experienced personnel and contractors for exploration and drilling can be found in Angola. Skilled and unskilled labourers are readily available from towns or from nearby villages.

Climate

The only information available for this region are historic records obtained from the weather station at Dundo (270km north of the project area), for the period 1952-1957. Those records may be summarized as follows:

- Annual rainfall: 1662mm (max 1928mm in 1952, min 1373mm in 1955).
- Wet season: October to April, the heaviest rainfall occurring in November, December, March and April. January and February are relatively dry.
- Dry season: May to September, July, and August being the driest months.
- Average annual temperature: 24-25°C (max daily average 33°C, min daily average 13°C).
- Daily temperature fluctuation: 14.5°C January-April; 20.0°C May-August; 13.0°C October-December.

While the climatic pattern is identical, there is a significant difference in elevation between Dundo (780m), and the Dala project area (1080m). The rainfall figures are similar, but the prevailing temperatures are 2-3° C cooler on average in the Dala area.

Field conditions are good during the dry season (April to October), but deteriorate rapidly with the onset of the rains. It is, however, generally possible to conduct fieldwork throughout the year, accepting seasonal fluctuations in productivity.

Physiography

There are two distinct geomorphological regimes in the project area: the Tertiary land surface and the Quaternary land surface. The former comprises a flat, smooth plateau that is gently inclined towards the north (regional slope approximately 0.1-0.2° from the horizontal). This plateau covers most of the interfluvial areas between the larger rivers (Chicapa, Luele and Luachimo), with elevations in the range 1150 metres above sea level (in the south of the concession area) to 1100 metres (in the north).

The Quaternary surface is restricted to the active river valleys and is consequently narrow and sinuous in form. Elevations range between 1020m in the south, and 1000m in the north.

Hydrographically, the concession area is dominated by the perennial Chicapa, Luachimo, and Luele rivers, which flow from south to north. The tributary drainage pattern is dendritic, with headwater areas exhibiting the form of steep-sided amphitheatres. The influence of bedrock structure is evident in the regional drainage pattern.

Exploration History

Diamang Alluvial Exploration Programme, 1969-73

The Dala project area covers the southern portion of the catchment of the Chicapa and Luachimo rivers, which have been among the most prolific sources of alluvial diamonds in Angola. During the late 1960's, the Angolan diamond mining monopoly Diamang (later renamed Endiama) targeted these drainages as focal points of its exploration programme aimed at proving up mineable reserves ahead of its then current mining activities.

The reconnaissance exploration procedure was to excavate rows of pits manually at 600m intervals along the banks of the main

rivers. Pits were usually 2-3 m² in surface area, and penetrated to bedrock where possible. All gravel intersected would be washed and the heavy mineral fraction examined for diamonds and kimberlitic indicator minerals. Sample volumes would usually have been in the order of 1-3 m³. Diamond content was reported in carats/m³. Bedrock lithology was reported where recognized.

Anomalous areas discovered in the course of reconnaissance work were followed up by infill pitting, starting at 200m spacing. Pitting at 40m intervals finally proved reserves up. Operating within the comfort zone of a total monopoly (and also for reasons of industrial security), Diamang was seldom if ever under any pressure to follow up or evaluate positive areas identified in the reconnaissance phase. (The sudden advent of independence from Portugal in 1974 appears to have caused a change in the hitherto relaxed attitude of Diamang in this regard. See Condiama 1975 below).

In what is now the Dala exploration area, the reconnaissance sampling programme was planned to cover the entire catchment of the Chicapa and Luachimo rivers, to approximately latitude 11°S. However, it appears that sampling had not advanced much to the south of Saurimo when regional exploration work was suspended. Mineralized alluvial terraces were identified by Diamang in the Luachimo valley east of Saurimo. No other drainages were tested by Diamang in the Dala concession area.

Condiama Exploration Programme, 1971-74

Condiama was a consortium managed by De Beers (but funded equally by De Beers and Diamang), set up in 1970 to conduct a nationwide sampling programme aimed at locating all of the kimberlite provinces in Angola, in anticipation of the possible termination of Diamang's monopoly on diamond exploration. In the course of four years, blanket loam- and stream sampling coverage was achieved over most of the country (except for the eastern and south-eastern theatres of the war). Approximately 2 million samples were collected, and several hundred kimberlite pipes were identified, located in a dozen or more kimberlite provinces.

During the course of the work programme, Condiama sampled the greater part of the Dala project area. The results of the regional reconnaissance sampling completed in 1970-71 revealed several kimberlitic indicator mineral anomalies in and around the Dala concession area.

Condiama Exploration Programme, 1975

During the period immediately following the departure of the Portuguese colonial administration, there was a change of focus in the activities of Condiama in the Lunda region. Whereas their work had hitherto been directed specifically towards the search for kimberlites, reports from mid-1974 to mid-1975 refer to extensive sampling for alluvial diamonds. Nothing is known of the reason for the sudden change of strategy. It is, however, evident that sampling coverage was directed specifically at areas with strong alluvial potential that had been left unsampled by Diamang. It is inferred from this that Condiama was working in cooperation with (or perhaps under contract to) Diamang.

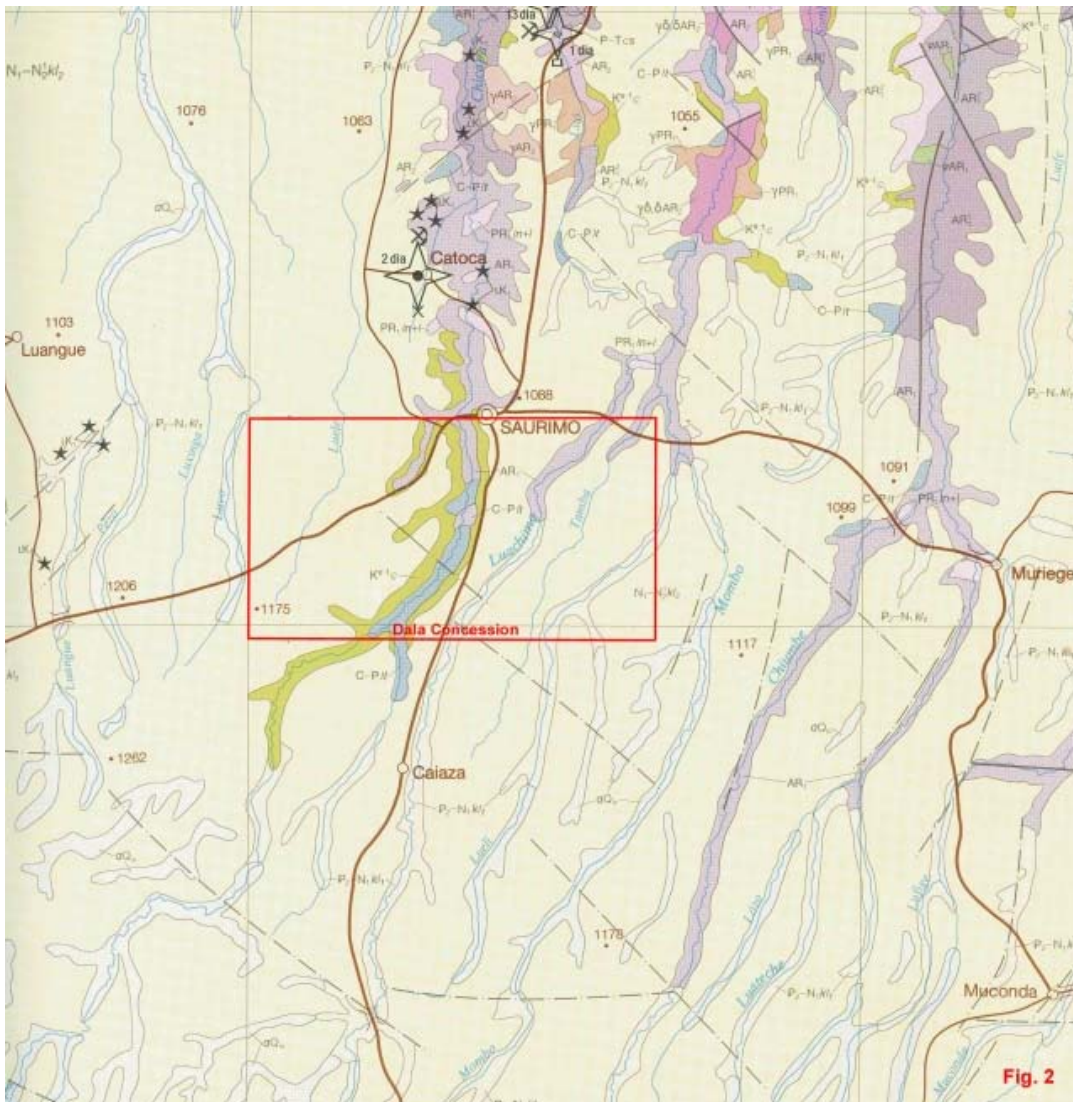
The valleys of the larger rivers in the Dala concession area were sampled for alluvial mineralization by Condiama, where they had not been previously investigated by Diamang. Alluvial terraces capable of hosting diamondiferous alluvial gravels were identified and sampled by Condiama in the Chicapa and Luachimo valleys. Diamonds were recovered at several localities.

The rate of progress achieved by Condiama was phenomenally quick by comparison with that of Diamang, and it must be concluded that their work was probably less thorough than that of Diamang. No record could be found describing the sample spacing, or of the sampling procedure adopted by Condiama. It is, however, very likely that Condiama would have adhered to the operational principles previously established by Diamang.

Geological Setting of the Dala Concession

The upper Luachimo- and Chicapa hydrographic basins are covered in large part by unlithified Tertiary sand cover of the Kalahari Supergroup. Older rocks are only encountered in the more deeply incised river valleys. The latter valleys are partially filled with Quaternary sediments.

The relevant extract from the published 1:1,000,000 scale geological map of Angola is shown in figure 2. As systematic ground checking was rarely conducted, the reliability of the published geological map is sometimes questionable (particularly in the case of correct identification of supracrustal terrestrial strata).



The stratigraphic column of the Lunda region is as follows:

Precambrian: Gabbro-Norite-Charnockite

The oldest rocks in the region are mafic and intermediate products of high grade metamorphism of the older granitoid rocks. The age of the older granitoids is thought to be 3100-3400 Ma. The charnockitization occurred during the Musefu episode, 2820 Ma.

These rocks are usually intensely weathered and decomposed in the surface environment. Outcrop is generally very poor, and is usually confined to the most deeply incised valleys.

Precambrian: Undifferentiated granite gneiss

These banded rocks are migmatitic in character, and range in composition from granodiorite to tonalite. They are normally leucocratic, and fine to medium grained. The gneissic fabric is most predominantly orientated E-W. They are commonly characterized by pervasive quartz veining.

Younger intrusives

Boulders of doleritic composition are encountered in the Quaternary gravels. Their provenance is uncertain. These are similar in appearance and composition to the Cretaceous pigeonitic dolerites encountered in the Luô diamond field 100km to the north.

Karoo Supergroup

Sedimentary rocks of Permian age belonging to the Lutoe group are known to occur in the region. These rocks are friable, arenaceous to argillaceous red beds.

It should be noted that terrestrial red beds are often incorrectly identified in the published 1:1,000,000 geological map. Where exposure is poor confusion may exist between Karoo, Calonda, Kalahari -- and sometimes kimberlitic crater-fill sediments.

Calonda Formation

The Calonda Formation is known to be present within the project area. The Calonda consists of rudaceous continental red beds of late Cretaceous age. The thickness of the formation varies considerably: in the Luaco mine it attains a thickness of 30 m, but in areas such as Chitotolo it occurs as pockets of sediment preserved from erosion in basement depressions. The Calonda succession usually consists of a poorly sorted basal gravel unit (0.3m to 4.0m thick), overlain by gritty, cross-bedded sandstone.

The Calonda Formation is essentially a continental redbed sequence of feldspathic sandstone (arkose) and basal conglomerates, with argillites appearing in the upper part of the sequence. The sediments accumulated as fan deposits and braided stream washes of alluvial affinity, in SW-NE trending graben-like valleys. The prevailing climatic regime at the time of deposition was arid.

The sediments vary in colour from brown-red to light purple due to the presence of iron and manganese oxides. Clasts found in the Calonda Formation basal conglomerate include quartzite, agate, chalcedony, vein quartz, granite gneiss, and schist. The size of the clasts and composition of the basal conglomerate varies greatly. At Luaco mine, agates and Luana quartzite clasts

often reach cobble size. In the Chitotolo and Nzargi areas, fragments of decomposed granite gneiss and schists are predominant. At Nzargi and Luarica, the conglomerate consists of readily-weathered granitic clasts which tend to break down in the pre-treatment plant and only about 25% of product is sent to the DMS plant.

At a number of localities in the Lunda region, the basal gravels of the Calonda are known to be diamondiferous and may constitute viable ore bodies.

Wherever the Calonda has been studied, the overall direction of transportation was found to be from south to north. As a general rule, therefore, diamonds in the basal Calonda point to a primary source located to the south of the occurrence.

Kalahari Supergroup

The Kalahari in the Lunda region is divided into an Upper and a Lower unit, the maximum combined thickness reported from drilling records being in the order of 180 metres.

The Lower unit is commonly intensely silicified, exhibiting the following characteristics:

- Cream- to yellow coloured conglomerate. The pebbles consist of quartz, chert, and siltstone, and tend to be well-rounded. The matrix is gritty sand and is frequently indurated by secondary silica.
- White to yellow sandstone
- Amorphous chalcedonic silica, white to yellow in colour. This material commonly takes the form of large angular boulders (up to 1 metre in diameter), and is designated 'Gres Polymorph'.

The upper Kalahari forms the Tertiary peneplain. The sedimentary units are red to brown in colour, and sand- to silt-stone in composition.

Recent (Quaternary) deposits

The Quaternary sediments of the Lunda region have been intensively studied over several decades by Diamang geologists. The sediments vary in character according to the environment of deposition and economic potential. Some of the more important distinctions made by the Diamang geologists are listed below.

Diamondiferous deposits of Quaternary age include the so called "hillslope" deposits and the terraces of the major rivers; the flood plain and fluvial deposits are classified here as Recent, as they are being formed and transformed at the present time.

Hillslope deposits

As their name suggests, these gravel deposits are located on the flanks of the valleys of the major rivers. The gravels

may outcrop or may be covered by several metres of brown silt/clay overburden.

The gravels consist of well-rounded quartz pebbles and locally derived angular fragments of vein quartz and quartzites in a dark brown clay/sand matrix. Blocks of grés polymorph, agates and nodules of laterite are commonly present. The diamonds these gravels contain are derived by erosion from primary (kimberlite) or secondary (Calonda and Tertiary) sources in the vicinity of the deposit.

Hill-slope gravel deposits are known to exist along the northern reaches of the Luachimo river (and possibly elsewhere) in the Dala concession. The extent and diamond potential of these deposits have not yet been determined.

Terrace deposits

The main terrace deposits are found along the outer margins of the floodplains of the major rivers. In the valleys of the large rivers of the Lunda, several terrace levels are known to exist. They represent former floodplains, recently incised, and correspond to the successive stages of deepening of the valley.

Due to their similar origin, they resemble current floodplain gravels in many respects. However, overburden and gravel are often partially consolidated and lateritised. The gravels consist of rounded quartz pebbles and angular granite-derived quartz grit. Blocks of grés polymorph, agates, and laterite nodules are often present, in a brown silt or sand matrix.

The gravels may outcrop or may be covered by up to 6m of brown silt or sand overburden. The higher and older terraces of the major rivers are often heavily lateritised. This, in conjunction with their similar composition, makes them difficult to distinguish from hillslope gravels. In some areas, the terrace deposits are so heavily lateritised that they form duricrusts, and crushing is needed to release the diamonds. Where sampled (e.g. at Luô), these indurated gravels have often been found to be well mineralised: it would be advisable to install a small crusher at any processing facility where alluvial terrace gravel is to be treated.

Terraces of the minor rivers are more limited in extent and are usually lateritised to a lesser degree compared to the older terraces of the major rivers.

Alluvial terraces have been recognised at a number of locations in the Dala concession. Small scale artisanal mining on some of these testify to the probable presence of

mineralised gravel. The extent and potential of these occurrences have yet to be established.

Alluvial flat gravels

These gravels occur at the base of the present floodplains of the major and minor rivers. The riverbanks are periodically flooded during the wet season and are underlain by gravel. The gravels are unconsolidated and consist of medium to coarse, rounded quartz pebbles in a loose sandy matrix. Overburden may reach 4 to 5 m and comprises loose sand and clay, with a high content of vegetable matter. Diamond grades in these gravels are frequently good and the flat deposits of the major and minor rivers were some of the first diamond deposits exploited in the Lunda region.

The floodplains of the major rivers in the Dala concession area are fairly broad, in places exceeding 500 hundred metres. The water table on the floodplain is seldom more than 50cm below the surface, making mining difficult and costly.

Despite the difficulties experienced with groundwater influx, artisanal miners have exploited fairly extensive areas on the floodplain of the Chicapa river towards the centre of the Dala concession.

River channel gravels

The distribution of these deposits which occur on the beds of the present day rivers is controlled by structural and compositional variations in the bedrock, which may in turn produce extreme variations in gravel thickness and diamond content.

In the Cuango River where greater compositional and structural variations occur, many deep pools and scour channels are formed in which high concentrations of diamonds may occur. The north flowing rivers of the N.E.Lunda (Chicapa, Luembe, Luachimo) flow for the most part over decomposed granite and schist bedrock. Bedrock compositional differences here are few and the gravels are more evenly spread over the riverbeds, but some diamond-enriched pools do exist.

The gravels are "free wash" gravels and are deficient in clays. Resistant, rounded quartz pebbles make up the major part of the gravels. The gravels may reach a thickness of several metres in pools and scour channels where high diamond concentrations may exist at the gravel/bedrock contact. The upper part of the gravel is usually also mineralised though of lower grade.

Detailed evaluation of river channel gravels prior to mining is difficult. The major rivers are 4m or more in depth and are often fast flowing.

There are no known records of river-bed sampling in the Dala concession area. However, diamonds of good quality are known to have been recovered by divers working the Luachimo river immediately north of the Dala block.

Penetration deposits

These consist of decomposed bedrock which is not genetically related to diamonds but into which appreciable quantities of alluvial diamonds have penetrated to a depth of a few tens of centimetres. In places, penetration of decomposed bedrock by alluvial diamonds has been observed to depths of 60cm.

In standard evaluation and mining procedures, 20 to 30 cm of decomposed bedrock is included in the mining depth. In terrace and hillslope deposits, diamonds are often recovered from the lateritised and broken material below the gravel layer which represents the former bedrock of the deposit.

Diamonds occurring in bedrock in these circumstances are normally treated as part of the overlying gravel deposit.

Geological Structure

Due to the paucity of outcrop (and of technical expertise), little is known of the geological structure of the basement rocks south of Saurimo.

The gneissic fabric of the migmatites are thought to have a general E-W trend.

Broad structural analysis performed by De Beers in the 1960's led to the conclusion that the Lunda province was subjected to tectonic tension during the late Cretaceous period, in sympathy with the Atlantic rifting. This tensional regime resulted in a series of SW-NE trending grabens and half-grabens.

The distribution of kimberlite occurrences across the Angolan craton reflects this structural trend. The same trend is also believed to control the principal zones of accumulation and preservation of the Calonda sediments.

A system of N-S trending faults beneath the Kalahari cover is thought to govern the orientation of many of the major rivers in the region.

Current Exploration Programme

Due to the poor access to supplies and services in the Dala concession area, the start-up period has been focused on establishing of adequate operational and camp facilities, and creation of access routes into the less accessible parts of the concession. As operational conditions improved, it has become possible to devote more time and effort to exploration work. The work done to date is as follows:

Geophysical Survey

A detailed airborne magnetometric and topographic survey was conducted over the entire Dala concession area during September 2005. Flight-line spacing was 200 metres and average flight elevation 80 metres above the ground. Data processing and interpretation are currently in progress.

Geological Mapping

Geological outcrop mapping has been conducted over much of the concession area during the course of regional reconnaissance.

Drilling

The Company has done no drilling on the leases yet.

Sampling and Analysis

The Company has commenced a programme of systematic stream sediment sampling, focusing initially on portions of the concession area where historic sampling results were favourable. Sample concentrates are to be examined on site once mineralogical facilities have been installed. No analytical results are yet available.

Security of Samples

Project geologists Andrew Fleming and Iouri Deriouguine supervise the handling of all samples.

Mineral Resource and Mineral Reserve Estimates

No resource estimates have been made yet.

Mining Operations

No alluvial or hard rock mining operations have been done or are planned yet.

Exploration and Development Strategy

The exploration strategy of the Cimader/Moydow joint venture will have four general objectives:

1. The search for kimberlites in the established target areas
2. The evaluation of the identified alluvial terrace targets in the Chicapa and Luachimo basins
3. The evaluation of the "fluvial" diamond potential of the larger rivers
4. The assessment of kimberlite potential of the remainder of the concession area.

Moydow has established a small office and residence in Luanda, through which the logistical requirements of the project are to be obtained.

The first phase of exploration involved completion of an aeromagnetic survey with digital terrain modelling over the entire concession area, to define drilling targets and to assist with measurement and correlation of alluvial terraces. The aerial survey was completed in September 2005. Data processing and geological interpretation of the results are currently being conducted.

Magnetic targets will be followed up by grid soil sampling and gravimetry.

Alluvial exploration work will commence with analysis of the digital terrain model to determine areas of extensive terrace development. Well developed terrace areas will be sampled using a tractor-mounted mechanical excavator. Sample reduction would be by means of technologically-simple, mobile equipment. Enquiries are currently being made into the availability of suitable equipment for this purpose.

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