



SVC Group Limited

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Company Announcements Supervision
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Attention: Companies Officer

Zambia Resource Ventures Pty Ltd gains Option to Joint Venture - Zambian Emerald Mining Licence Area.

Background

Having reviewed a number of opportunities and conducted early technical evaluation on Emerald Mining Licences in the Kafubu Emerald Area of Zambia, Zambia Resource Ventures Pty Ltd (ACN 156 602 487) (ZRV), a company which is 77% owned by SVC Group Limited, has entered into an Option to Joint Venture with Cannan Oil Exploration Mining Limited, a Zambian company which holds an emerald mining licence.

The Option allows ZRV six months to conduct further exploration work to evaluate the probability of commercial extraction of emeralds from the licence area which covers approximately 400 hectares. At the end of the exploration/evaluation period ZRV must decide either to exercise its right to enter a Joint Venture Agreement (JVA) or withdraw.

If the Option is exercised the JVA will become an executed agreement that will require ZRV to propose a trial mining programme and supervise the execution of the mining and processing of the emeralds. The costs would be born by ZRV alone in return for 65% of the net profit from the sale of emeralds.

Kafubu Emerald Area

In the past three decades Zambia has become a significant gem-producing country. The Kafubu Emerald Restricted Area in the Lufwanyama District (Fig. 1) has supplied up to 20 per cent of the world's emerald production, and is believed to be second in value only to Colombia. The Kafubu area has become a significant producer of good-quality emeralds with high economic potential. Because of new discoveries (such as at Kamakanga, Pirala, Mitondo, Fwaya-Fwaya, Kabashila, Dabwisa, Libwente, and Fibolele) and extensive illegal mining, the area has been declared by the government as a restricted zone. All access routes are patrolled and entry is by permit only.



Fig.1 Location of the Kafubu Emerald Field

Geology

The schist-hosted emerald deposits have been interpreted in the literature as the result of interaction between intruding granitic pegmatites and/or their accompanying fluids, and pre-existing ultramafic rocks. The emeralds form in a biotite-phlogopite mica rich contact metamorphic zone at the borders of pegmatites or hydrothermal quartz veins and the surrounding ultramafic rocks. Beryl from the pegmatites is converted to the characteristic green gemstone emerald by absorbing chromium from the ultramafic rocks that are characteristically present as talc-magnetite schists.

Exploration in the Kafubu field has often occurred by trial pit excavation on a random basis. While pegmatites are common the location of the required ultramafic lithologies is more problematic and many of the pits are abandoned at an early stage. An example is shown below at the Lubweta pit, excavated several years ago. A flat lying pegmatite can be seen above the water line, but no talc-magnetite was present.



Lubweta Pit, Kafubu

In contrast, the Grizzly Mine (below) clearly shows the ultramafic rocks hosting the chromium, evident by their dark green colour.



Grizzly Mine, the deepest mine in Kafubu Restricted Area

The Zambian Government has flown aeromagnetics over the district to provide a guide to the location of the various lithologies. It is evident from this data that there is a good probability that the requisite ultramafics are present in the licence areas subject to the ZRV Option.

Exploration by ZRV

Initially ZRV intends to conduct a ground level magnetic survey to confirm the mapping produced by the Zambian Government and that will assist in the development of a drilling plan. At this stage ZRV estimates that approximately 400m of core drilling will be sufficient to confirm the presence or otherwise of the talc-magnetite schists and pegmatites, and to identify a suitable location for an initial trial pit to target the shallow depth of mineralization expected in the area.

ZRV Capital Requirements

ZRV has proposed a subscription agreement to a Chinese high net worth investor to fund the initial exploration and any subsequent trial pit. An agreement has been reached in principle, and further details will be made available as and when matters are concluded.

Please do not hesitate to contact the Company for any further information or clarification on the matters addressed in this update.

Yours faithfully,



Richard Pritchard
Chairman and joint Company Secretary
SVC Group Limited