

Namibian Resources Plc – 1st Quarter Progress Report

**Namibian Resources Plc
04 July 2008**

Progress report for period from 1st March to 31st May 2008.

General.

During the period production by Sonnberg Diamonds (Namibian Resources' 100%-owned subsidiary) was derived from the Salzpfanne and the East Salztal North deposits. The screening plant used for the Salzpfanne deposit was moved to immediately adjacent to that deposit in order to reduce operating costs. A small amount of prospecting was carried out in the Annatal SE valley. Total production from all sources was 567 ct at an average diamond size of 0.44 ct/st.

Mining.

Mining continued during the quarter at the Salzpfanne deposit where Block A, the southernmost section, was mined out. A total of 234 ct at an average diamond size of 0.46 ct/st was derived from this source. The southern margin of Block A has been artificially defined where water is encountered in the salt pan. A trench extended into the pan confirmed the continuation of the diamond mineralisation in that direction but mining will not be attempted until a means of handling the highly corrosive, high-salinity water in the pan.

Following completion of Block A, Block B immediately to the north was brought into production. A total of 106 ct at an average diamond size of 0.44 ct/st was produced from there. The slightly smaller diamond size from Block B is expected as prospecting has shown that there is a decline in diamond size northwards through the Salzpfanne deposit.

During May, the screening plant that is used for the Salzpfanne deposit was moved from West Salztal to immediately adjacent to the Salzpfanne deposit. This move could only be undertaken once a sufficient area of the deposit had been mined to provide a working area around the plant. During this move, however, there was loss of production from this source for much of May.

Production continued throughout the quarter from the East Salztal North deposit. This is an extension of the rich East Salztal deposit that had been mined during 2006-7. The northern extension is, however, much sandier and consequently lower in grade. A total of 223 ct at an average size of 0.42 ct/st was produced from this location during the quarter. The production grade to date is significantly in advance of the prospecting grade. The original resource estimate for this deposit of 400 ct is therefore likely to be exceeded.

Prospecting.

Only a limited amount of prospecting was carried out during the quarter. This involved cleaning a thin layer of gravel from around a bedrock ridge that runs across the floor of the Annatal SE valley which lies to the east of the East Salztal valley. It was anticipated that the bedrock ridge would form a trap site against which diamonds would be concentrated. A total of 4.4 ct at an average diamond size of 0.44 ct/st was recovered. The recovered grade was relatively high at 14 cpht but the volumes of the deposit were small. The average diamond size is promising and in the future a sample trench will be excavated across the northern slope of the Annatal SE basin where the deposit is thicker. No estimation of diamond resources for Annatal SE can be based on the current sampling information.

Fuel cost and diamond revenues.

During the last year there has been a steady increase in diesel prices in Namibia. In the year to April 2008 this has been approximately 40%, net of the government rebate for mining companies (which is presently slightly below 10% of the gross). Fuel comprises about 20% of Sonnberg's total operating costs, so this increase is of significance for Sonnberg's operations. However, the transfer of the screening plant to immediately adjacent to the Salzpfanne deposit cuts out a 20-minute haulage cycle for mined deposit, saving on fuel costs.

Sonnberg produces very high quality diamonds (less than 5% industrial quality) at a good average size. Sonnberg's production is sold by Namdeb to the Namibian Diamond Trading Company in Windhoek with diamond prices being established in US dollar terms. Sonnberg's diamond received values in local currency terms have increased by around 25% during the quarter compared with the latter part of 2007. As the quality and size of the diamonds being produced by Sonnberg during the periods of comparison are similar this represents an increase in the real value. It results from both a diamond market increase as well as a change in the Namibian to US dollar exchange rates. This increase in received values more than compensates for the increase in fuel costs.

Prospects.

During June both screening plants were back in operation at their respective deposits. For the June to August quarter it is anticipated to continue with production from both deposits.

Tony Carlton
Chief Executive Director