

ANNUAL REPORT
EXPLORATION LICENCE 9199
"Fish Creek"

16th May, 1996 to 15th May, 1997

Licensee: Ashton Mining Limited

Operator: Ashton Mining Limited

Sheet Reference: 1:250,000 Bauhinia Downs (SE53-03)

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SUMMARY

During the period 16th May, 1996 to 15th May, 1997, Ashton Mining Limited, on behalf of the Australian Diamond Exploration Joint Venture (ADE JV), carried out an exploration programme over Exploration Licence 9199. This report provides details of work undertaken on the licence during the reporting period.

Following review of available data, reconnaissance stream sampling was undertaken on EL 9199 during the first year of tenure. Fourteen samples were collected and forwarded to Ashton's Perth laboratory for analysis. One sample has been processed returning a negative result. Further results are awaited.

Exploration expenditure for the reporting period amounted to \$8,289 against a covenant of \$15,000.

1.0 INTRODUCTION

Exploration Licence 9199 was granted to Ashton Mining Limited on 16th May, 1996, for a period of six years. Ashton Mining Limited is manager of the licence on behalf of the Australian Diamond Exploration Joint Venture (ADEJV). Participants of the ADEJV also include Aberfoyle Resources and Australian Diamond Exploration NL (ADEX).

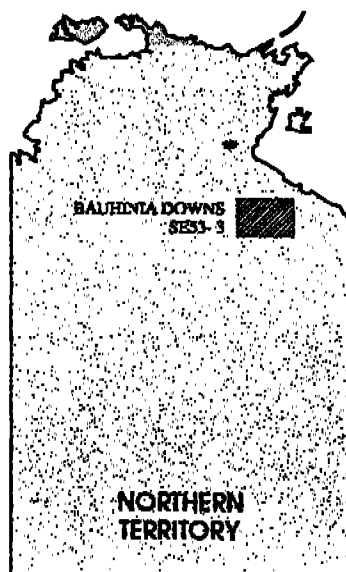
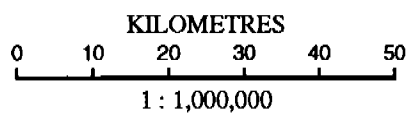
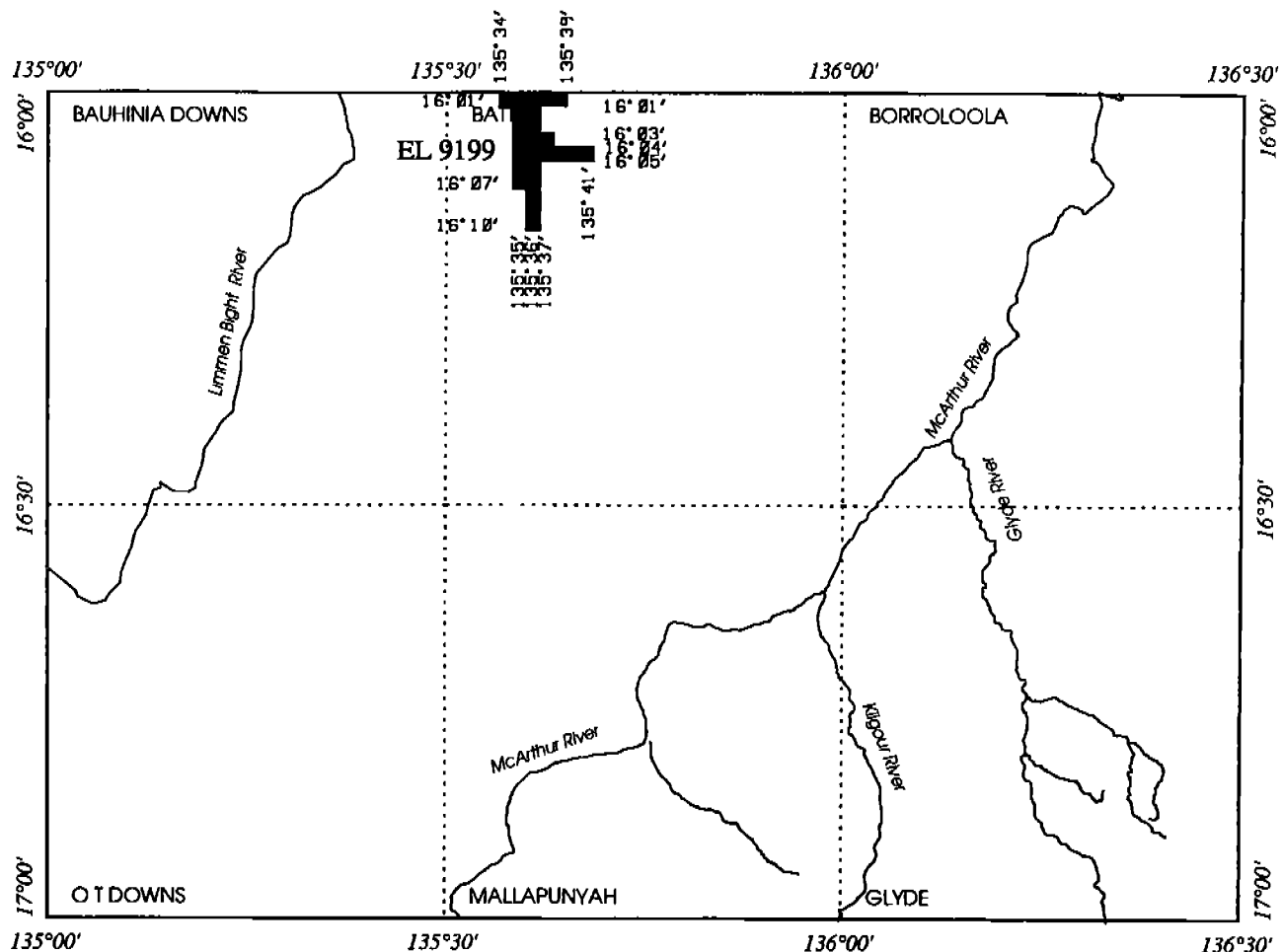
The licence covers an area of 25 blocks and is located on the Bauhinia Downs (SE53-03) 1:250,000 map sheet and the Batten 1:100,000 map sheet. A tenement location map appears as Figure 1. The target for exploration within this licence is diamond bearing kimberlitic intrusives.

This report provides a summary of work undertaken by Ashton Mining during the reporting period, 16th May, 1996 to 15th May, 1997. A statement of expenditure is included in this report.

2.0 DIAMOND EXPLORATION

2.1 Data Review

Prior to commencing field work, a comprehensive data review of results and previous exploration in the tenement area was undertaken. This highlighted areas which had not been adequately explored. Proposed sample locations were selected and plotted in the office on the Batten 1:100,000 map sheet.



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FIGURE 1
LOCATION MAP**

JUNE, 1997

2.2 Sampling Programme

Following review of available data, a reconnaissance sampling programme was implemented within the boundaries of EL 9199. A total of fourteen samples were collected for indicator and microdiamond analysis. All samples were forwarded to Ashton's Perth laboratory. Processing of one sample has been completed, reporting a negative result. Further results are awaited.

Sample locations are shown in Figure 2. A listing of samples is provided in Appendix 1.

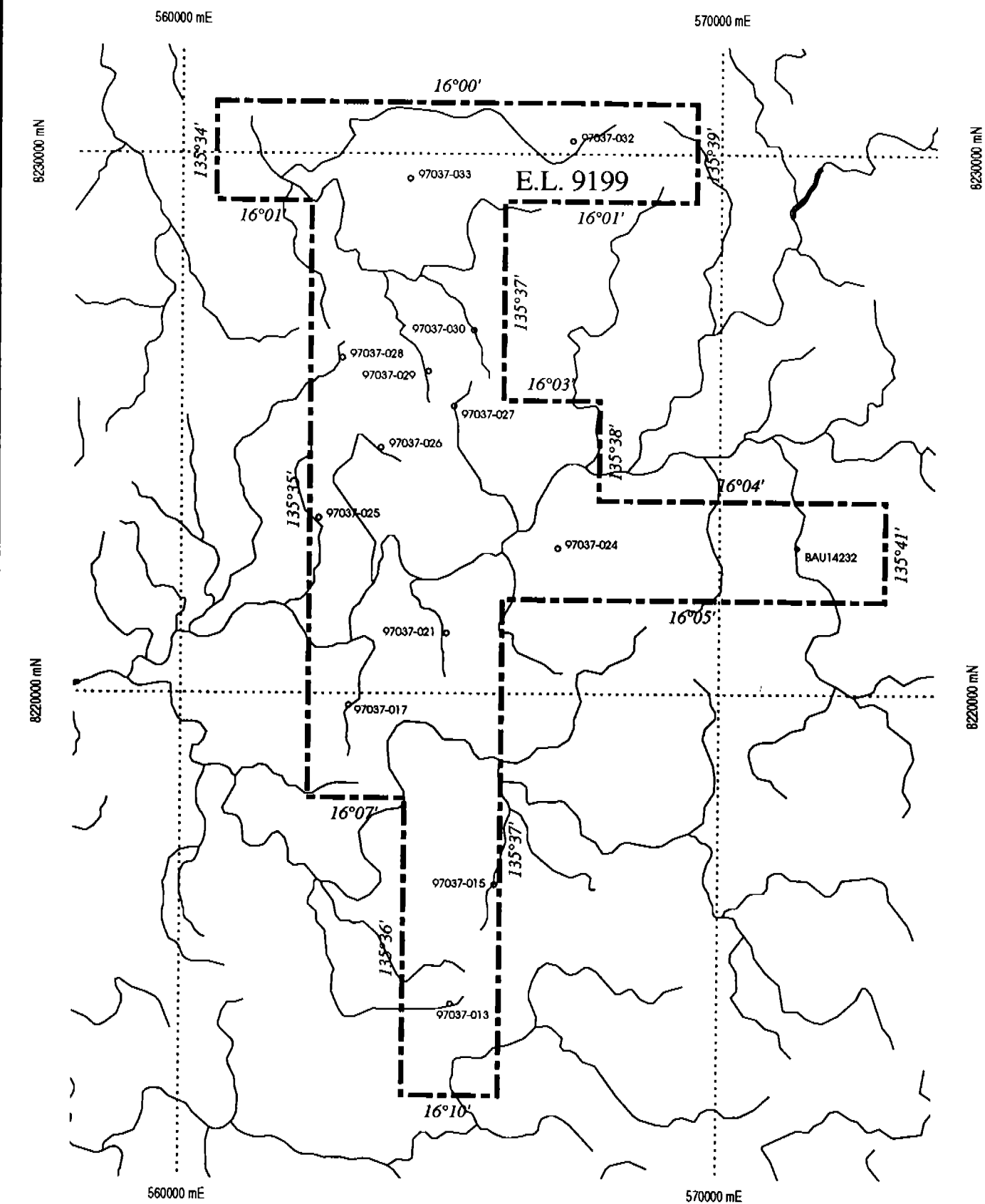
2.3 Sampling Method

Access to the sample sites was gained by vehicle, due to the licence's proximity to Ashton's base camp. The area was scanned for prospective trap sites, with the best quality heavy mineral trap in the vicinity of the pre-selected site being chosen for sampling.

Once a suitable site was located, approximately 40kg of gravel was gathered, sieved and the minus 4mm fraction collected in calico bags for laboratory examination. This fraction generally weighs between 25 and 30kg and is usually contained within two bags. The bags were sent to Ashton's Perth laboratory for diamond and indicator analysis.

2.6 Laboratory Procedure

The samples will be processed by the Ashton Mining Limited Laboratory in Perth, where they will be concentrated by Wilfley Table and heavy liquid separation techniques.



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FIGURE 2
SAMPLE LOCATIONS**

JUNE, 1997

- Sample - not yet processed
- Sample - negative
- ◆ Sample - chromite positive
- ◇ Sample - diamond positive
- ⊕ Sample - other indicators
- × Geochemical sample location
- ⊗ Drill hole location

The heavy liquid used is tetrabromethane with a specific gravity of 2.96. The concentrates will then be screened into various size fractions, further concentrated by magnetic and electrostatic separation techniques and a comprehensive grain by grain examination carried out on the minus 1.0mm plus 0.425mm fractions.

3.0 EXPLORATION EXPENDITURE

Exploration expenditure for the period 16th May, 1996 to 15th May, 1997 amounted to \$8,289 against a covenant of \$15,000. A detailed breakdown of expenditure is given in Appendix 2.

4.0 CONCLUSIONS AND RECOMMENDATIONS

Processing of the reconnaissance samples collected in this reporting period is yet to be completed. Future work will be dependent on the outcome of these results.

5.0 PROPOSED PROGRAMME AND BUDGET

The proposed programme and budget for the period 16th May, 1997 to 15th May, 1998 is as follows:

1. Laboratory processing and assessment of sample results.
2. Follow-up sampling of any positive results.

Geoscientist/Professional Staff	3,000
Field Support/Office Staff	2,000
Travel/Accommodation/Meals	1,500
Field Supplies	2,000
Vehicles	1,500
Freight/Storage	500
Helicopter Charter	2,500
Geochemistry	500
Laboratory	4,000
Drafting/Computing	500
	<hr/>
	\$ 18,000
	<hr/>

APPENDIX 1

Sample Results

SAMPLE RESULTS

EXPLORATION LICENCE 9199

Sample No.	Type	Result	Diamond		Chromite	Other
			Macro	Micro		
BAU 14232	G	N	-	-	-	-
97037-013	G	Not Processed				
97037-015	G	Not Processed				
97037-017	G	Not Processed				
97037-021	G	Not Processed				
97037-024	G	Not Processed				
97037-025	G	Not Processed				
97037-026	G	Not Processed				
97037-027	G	Not Processed				
97037-028	G	Not Processed				
97037-029	G	Not Processed				
97037-030	G	Not Processed				
97037-032	G	Not Processed				
97037-033	G	Not Processed				

G = Gravel

APPENDIX 2

Statement of Expenditure

STATEMENT OF EXPENDITURE

EXPLORATION LICENCE 9199

Annual Report

For the period
16th May, 1996 to 15th May, 1997

Geoscientist/Professional Staff	1,877
Field Support/Office Staff	1,344
Travel/Accommodation/Meals	551
Field Supplies	659
Equipment	469
Vehicles	1,103
Freight/Storage	247
Helicopter Charter	293
Laboratory	499
Drafting/Computing	324
Other	170
Sub-Total	7,536
Overheads	753
Total:	\$ 8,289