ANNUAL REPORT

EXPLORATION LICENCE 9110
"Mallapunyah West"

4th July, 1996 to 3rd July, 1997

Licensee: Ashton Mining Limited

Operator: Ashton Mining Limited

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

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July, 1997
Report Number: 52111
CONTENTS

SUMMARY .................................................................................. (i)

1.0 INTRODUCTION ................................................................. 1

2.0 DIAMOND EXPLORATION ............................................... 1
  2.1 Aerial Photography ......................................................... 1
  2.2 Sampling Programme .................................................... 2
  2.3 Laboratory Procedure ................................................... 2

3.0 EXPLORATION EXPENDITURE ........................................... 3

4.0 CONCLUSIONS AND RECOMMENDATIONS ....................... 3

5.0 PROPOSED PROGRAMME AND BUDGET .......................... 3

FIGURES

Figure 1. Tenement Location Map
Figure 2. Sample Location Map

APPENDICES

Appendix 1. Sample Results
Appendix 2. Statement of Expenditure
SUMMARY

During the period 4th July, 1996 to 3rd July, 1997, Ashton Mining Limited, on behalf of the Australian Diamond Exploration Joint Venture (ADEJV), carried out an exploration programme over Exploration Licence 9110. This report provides details of work undertaken on the licence during the reporting period.

In the second year of tenure, follow-up of a six microdiamond positive result was completed, with nine loam samples being collected. The samples have been forwarded to Ashton’s Perth laboratory for microdiamond and indicator mineral analysis. At time of reporting, samples remain to be processed.

Exploration expenditure for the reporting period amounted to $9,603 against a covenant of $12,000.
1.0 INTRODUCTION

This report details exploration activities carried out by Ashton Mining Limited over Exploration Licence 9110 for the period 4th July, 1996 to 3rd July, 1997. 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.

Exploration licence 9110 was granted to Ashton Mining on the 4th July, 1995 for a period of five years. The licence covers an area of 6 blocks and is located on the Bauhinia Downs (SE53-03) 1:250,000 map sheet and the Mallapunyah 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.

A statement of expenditure is included in this report.

2.0 DIAMOND EXPLORATION

2.1 Aerial Photography

An aerial photography survey was flown within the Kilgour/Mallapunyah region, encompassing EL 9110. This survey was undertaken by Qasco Northern Surveys with colour photos being obtained at a scale of 1:10,000. Work was completed in mid 1996 and was omitted in error from the annual report for the period July 1995 to July 1996. The costs relating to this work have flowed through into this reporting period and have
been included in this year’s statement of expenditure.

2.2 Sampling Programme

In the previous year of tenure, loam grid sampling was undertaken, with eighteen samples being collected. Results from this work returned a single positive result, containing six microdiamonds (BAU 4068).

Follow-up of this result was undertaken with infill loam samples being collected on a 100m x 100m grid, centred at the location of BAU 4068. A total of nine 5 bag samples were taken and forwarded to Ashton’s Perth laboratory for microdiamond and indicator mineral analysis. Results are awaited.

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

2.3 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.

The heavy liquid used is tetrabromomethane 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 4th July, 1996 to 3rd July, 1997 amounted to $9,603 against a covenant of $12,000. A detailed breakdown of expenditure is given in Appendix 2.

4.0 CONCLUSIONS AND RECOMMENDATIONS

Exploration licence 9110 lies directly to the north of EL 7642, where significant numbers of microdiamonds and some indicators have been recovered. Evaluation to date has failed to locate a source for these diamonds, and further exploration in the area is warranted.

Recovery of the six microdiamond sample within EL 9110 provides further encouragement that primary kimberlitic source rocks are located within the tenement area. Results, when available, from the infill loam sampling will assist in checking the validity of the previously reported positive, and help to define a source location.

5.0 PROPOSED PROGRAMME AND BUDGET

The proposed programme and budget for the period 4th July, 1997 to 3rd July, 1998 is as follows:
1. Laboratory processing and assessment of sample results.

2. Possible ground EM survey.

| Geoscientist/Professional Staff | 2,000 |
| Field Support/Office Staff     | 1,500 |
| Travel/Accommodation/Meals     | 1,500 |
| Field Supplies                 | 1,000 |
| Equipment Hire                 | 1,000 |
| Vehicles                       | 1,500 |
| Freight/Storage                | 1,000 |
| Laboratory                     | 4,000 |
| Drafting/Computing             | 500   |

$ 14,000
APPENDIX 1

Sample Results
## SAMPLE RESULTS
**EXPLORATION LICENCE 9110**

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<tr>
<th>Sample No.</th>
<th>Type</th>
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L = Loam
APPENDIX 2

Statement of Expenditure
# Statement of Expenditure

**Exploration Licence 9110**

Annual Report

For the period
4th July, 1996 to 3rd July, 1997

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
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<tr>
<td>Geoscientist/Professional Staff</td>
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<td>Drafting/Computing</td>
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Sub-Total: 8,730

Overheads: 873

**Total:** $ 9,603