ANNUAL REPORT

EXPLORATION LICENCE 8520

"Surprise"

16th October, 1996 to 15th October, 1997

Licensee: Redfire Resources NL

Operator: Redfire Resources NL
Ashton Mining Limited

Sheet Reference: 1:250,000 Bauhinia Downs (SE53-03)
1:250,000 Robinson River (SE53-04)
1:250,000 Calvert Hills (SE53-08)

Submitted to: Department of Mines and Energy, Darwin

Copies to: Ashton Mining Limited - Perth Office
Ashton Mining Library

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November, 1997
Report Number: 52161
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SUMMARY

On the 12th September, 1996, Ashton Mining Limited, on behalf of the Australian Diamond Exploration Joint Venture (ADE JV), entered into a joint venture agreement with Redfire Resources NL, which enabled Ashton to investigate tenements held by Redfire in the Batten region of the Northern Territory, including EL 8520. This report provides details of work undertaken by the ADE Joint Venture during the reporting period.

Ashton’s work programme involved reconnaissance and follow-up stream sampling, with eleven samples being collected from EL 8520. Samples were submitted to Ashton’s Perth laboratory for routine microdiamond and indicator mineral analysis. Processing returned four positive samples, one containing a single microdiamond and three reporting chromite.

Exploration expenditure for the reporting period amounted to $30,102 against a covenant of $30,000.
1.0  INTRODUCTION

On the 12th September, 1996, Ashton Mining Limited, on behalf of the Australian Diamond Exploration Joint Venture (ADE JV), entered into a joint venture agreement with Redfire Resources NL, which enabled Ashton to undertake exploration for diamonds within Exploration Licence 8520.

Exploration Licence 8520 was granted to Redfire Resources NL on the 16th October 1995, for a period of six years. The licence covers an area of 30 blocks and is located on the Bauhinia Downs (SE53-03), Robinson River (SE53-04) and Calvert Hills (SE53-08) 1:250,000 map sheets. 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 October, 1996 to 15th October, 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 relevant 1:100,000 map sheets.
2.2 Sampling Programme

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

2.2.1 Reconnaissance Sampling

Following review of available data, a reconnaissance sampling programme was implemented within the boundaries of EL 8520. A total of five gravel samples were collected and submitted to Ashton's Perth laboratory for routine indicator and microdiamond analysis. Processing of these samples returned two positive results, one containing a single microdiamond and two reporting chromite, including one with seven grains.

2.2.2 Follow-up Sampling

Follow-up of the positive samples was undertaken with three gravel samples being collected in the vicinity of the 7 chromite sample. Processing of these samples returned one positive result, reporting two chromite. A fourth sample was collected in the north of the tenement, reporting a negative result.

Additional follow-up was undertaken in August 1997, with two gravel samples being collected. Both samples reported negative.
2.3 Sampling Method

Sampling was completed using helicopters as they are the most practical mode of transport with the ease of access and navigation. 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 were processed by the Ashton Mining Limited Laboratory in Perth, where they were concentrated by Wilfley Table and heavy liquid separation techniques.

The heavy liquid used is tetrabromomethane with a specific gravity of 2.96. The concentrates were then 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 October, 1996 to 15th October, 1997 amounted to $30,102 against a covenant of $30,000. A detailed breakdown of expenditure is given in Appendix 2.

4.0 CONCLUSIONS AND RECOMMENDATIONS

It is recommended that follow-up sampling continues, aimed at locating the source of the chromite.

5.0 PROPOSED PROGRAMME AND BUDGET

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

1. Follow-up stream and loam sampling.
2. Ground geophysical surveys.
3. RAB drilling of any identified targets.
4. Bulk drainage sample.

| Geoscientist/Professional Staff | 6,000 |
| Field Support/Office Staff     | 5,000 |
| Travel/Accommodation/Meals     | 3,000 |
| Field Supplies                 | 1,500 |
| Vehicles                       | 2,000 |
| Freight/Storage                | 500   |
| Equipment Hire                 | 6,000 |
| HMS Operations                 | 6,500 |
| Helicopter Charter             | 3,000 |
| Laboratory                     | 6,000 |
| Drafting/Computing             | 500   |

$40,000
APPENDIX 1

Sample Results
Sample Results for EL 8520  
*Annual Report for the period 16/10/96 to 15/10/97*

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<th>Sample</th>
<th>SampleType</th>
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G = Gravel
APPENDIX 2

Statement of Expenditure
# STATEMENT OF EXPENDITURE

**EXPLORATION LICENCE 8520**

Annual Report

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

<table>
<thead>
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<th>Item</th>
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<td>Field Support/Office Staff</td>
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<td>Drafting/Computing</td>
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Sub-Total: 27,366

Overheads: 2,736

Total: $30,102