

PARTIAL RELINQUISHMENT REPORT

EXPLORATION LICENCE 9198

"Four Mile Creek"

16th May, 1996 to 15th May, 1998

Licensee: Ashton Mining Limited

Operator: Ashton Mining Limited

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

Submitted to: Department of Mines and Energy, Darwin

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

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August, 1998
Report Number: 52260

CR98/549.

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SUMMARY

During the period 16th May, 1996 to 15th May, 1998, Ashton Mining Limited, on behalf of the Australian Diamond Exploration Joint Venture (ADE JV) carried out an exploration programme over Exploration Licence 9198. In March 1998, the licence was reduced from 16 blocks to 8 blocks. This report provides details of work undertaken on the relinquished portion of the licence.

Work undertaken by the ADE Joint Venture included data review and reconnaissance and follow-up stream sampling. A total of seven samples were collected in the relinquished portion of the licence. Samples were dispatched to Ashton's Perth laboratory for routine microdiamond and indicator mineral analysis. Processing of these samples returned one positive result, reporting chrome diopside and olivine. Follow-up of this result produced a negative result. As a consequence, relinquishment of the ground was recommended.

Exploration expenditure for the relinquished area amounted to \$ 10,679.

1.0 INTRODUCTION

This report details exploration activities carried out by Ashton Mining over the relinquished portion of Exploration Licence 9198 for the period 16th May, 1996 to 15th May, 1998. Ashton Mining Limited is manager of the licence on behalf of the Australian Diamond Exploration Joint Venture (ADEJV). Parties to the ADEJV are Ashton Mining Limited and Aberfoyle Resources Limited.

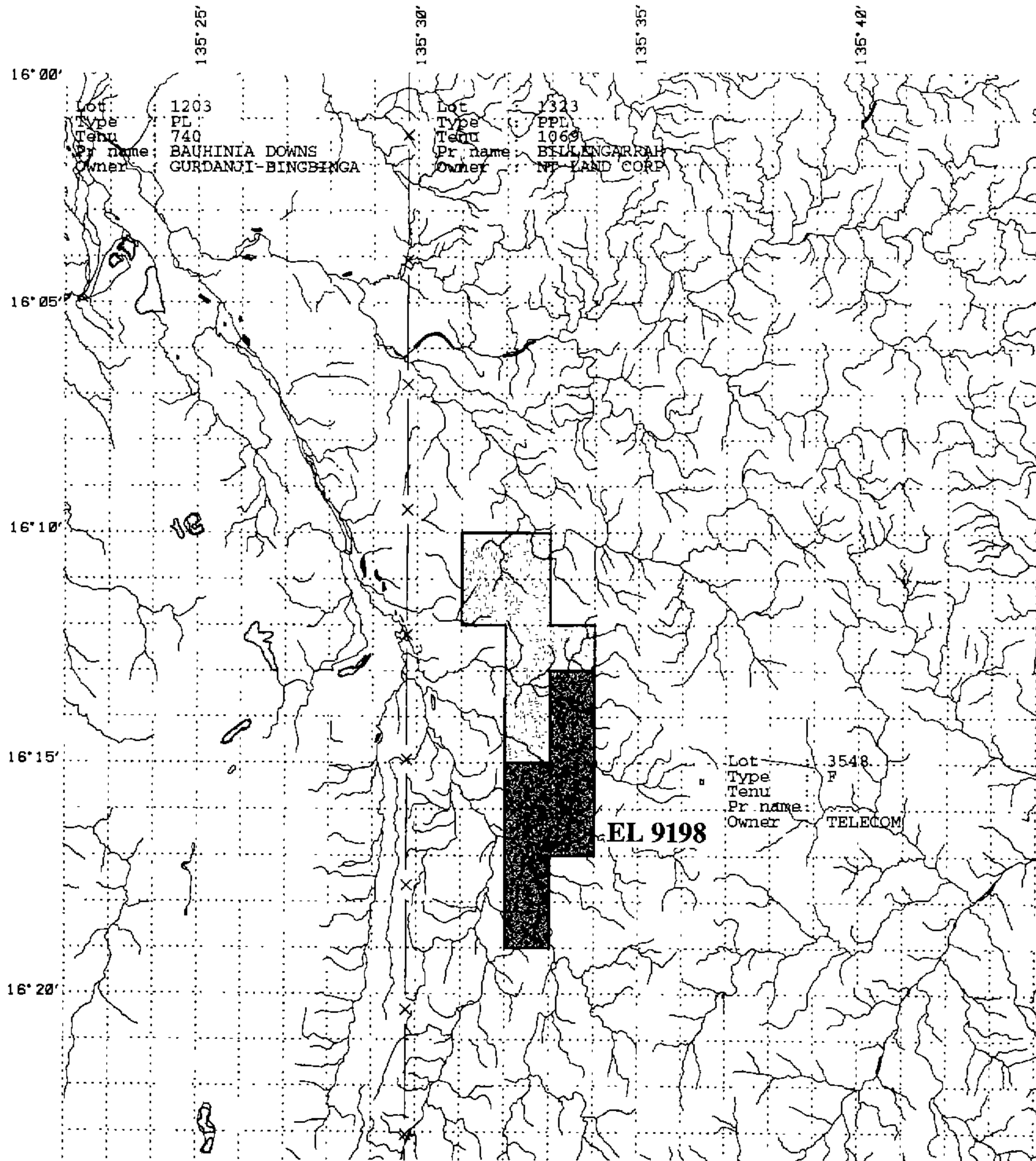
Exploration Licence 9198 was granted to Ashton Mining Limited on the 16th May, 1996 for a period of six years. The licence, originally covered an area of 16 blocks, however in March 1998, a 50% reduction was made reducing the licence to 8 blocks. The licence is located on the Bauhinia Downs (SE53-03) 1:250,000 map sheet and the Batten and Bauhinia Downs 1:100,000 map sheets. A tenement location map showing the relinquished and retained areas is shown in Figure 1.



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 previous exploration and open file results in the tenement area was undertaken. This highlighted areas that had not been adequately explored. Proposed sample locations were selected and plotted in the office on the Batten and Bauhinia Downs 100,000 map sheets.

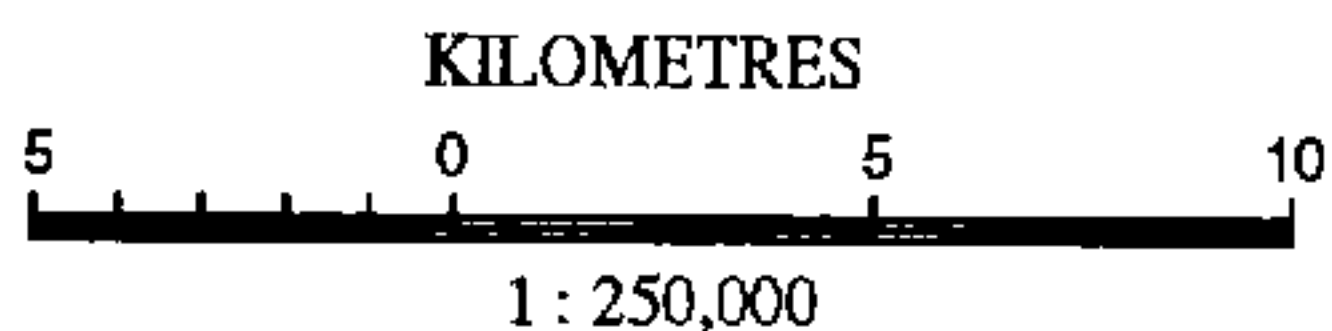


-  Retained portion
-  Relinquished portion

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**FIGURE 1
LOCATION MAP**



AUGUST, 1998

2.2 Sampling Programme

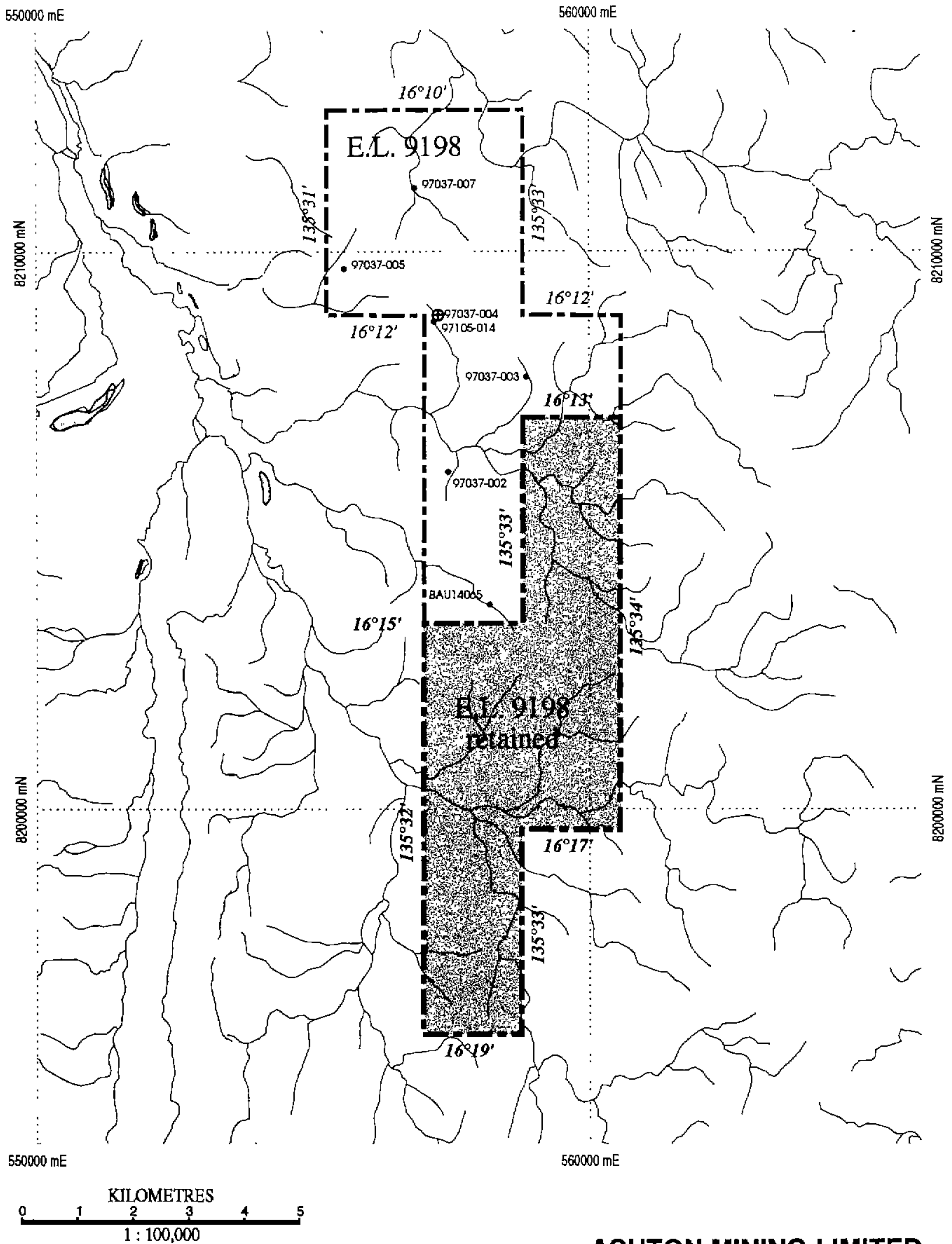
Following review of available data, a reconnaissance sampling programme was implemented within EL 9198 in the first year of tenure. Six stream samples were collected from the relinquished area, and dispatched to Ashton's Perth laboratory for routine indicator and microdiamond analysis. Processing of these samples was undertaken in the following reporting period, with one sample (97037-004) reporting chrome diopside and olivine.

In the second year of tenure, follow-up sampling was undertaken of 97037-004 to check the validity of the original result. A 2 bag stream sample was collected from the same site and forwarded to Ashton's Perth laboratory for processing. A negative result was returned, providing confirmation that the original result was spurious, possibly due to laboratory contamination.

Sample locations are shown in Figure 2. A full listing of sample results is provided in Appendix 1.

2.3 Sampling Method

Sampling was completed using helicopters as they are the most practical mode of transport with the advantage of ease of access and navigation. They also enable the geologist to scan the area for prospective trap sites. The best quality heavy mineral trap in the vicinity of the pre-selected site was chosen for sampling.



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FIGURE 2
SAMPLE LOCATIONS**

JULY, 1998

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.

2.4 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 tetrabromethane 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

Diamond exploration expenditure for the period 16th May, 1996 to 15th May, 1998 over the relinquished area amounted to \$ 10,679. A detailed breakdown of expenditure is given in Appendix 2.

4.0 CONCLUSIONS

Results from the reconnaissance samples collected within the relinquished blocks of EL 9198 were considered poor, despite one sample reporting both chrome diopside and olivine. Duplication of this result was unable to be obtained from follow-up sampling, providing doubt as to the legitimacy of the original result. Further work was not warranted, and as a result, relinquishment was recommended.

5.0 REFERENCES

- Thompson, B.J. (May 1997) Annual report, Exploration Licence 9198, "Four Mile Creek", 16th May, 1996 to 15th May, 1997. Ashton Mining Limited. Report No.52090.
- Thompson, B.J. (May 1998) Annual report, Exploration Licence 9198, "Four Mile Creek", 16th May, 1997 to 15th May, 1998. Ashton Mining Limited. Report No.52234.

APPENDIX 1

Sample Results

Sample Results for EL 9198

Relinquishment Report for the period 16/05/96 to 15/05/98

Sample	SampleType	Result	Diamond		Chromite	Other
			Micro	Macro		
BAU 14065	G	NEG	-	-	-	-
97037-002	G	NEG	-	-	-	-
97037-003	G	NEG	-	-	-	-
97037-004	G	POS	-	-	-	4 x chrome diopside 6 x olivine
97037-005	G	NEG	-	-	-	-
97037-007	G	NEG	-	-	-	-
97105-014	G	NEG	-	-	-	-

G = Gravel

APPENDIX 2

Statement of Expenditure

STATEMENT OF EXPENDITURE

EXPLORATION LICENCE 9198

Relinquishment Report

For the period
16th May, 1996 to 15th May, 1998

Geoscientist/Professional Staff	2,425
Field Support/Office Staff	1,633
Travel/Accommodation/Meals	628
Field Supplies	353
Equipment	312
Vehicles	735
Freight/Storage	134
Helicopter Charter	1,056
Laboratory	2,104
Drafting/Computing	216
Other	113
Sub-Total	9,709
Overheads	970
Total:	\$ 10,679