ANNUAL REPORT

EXPLORATION LICENCE 8520
"Surprise"

16th October, 1997 to 15th October, 1998

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
Redfire Resources NL (2 x copies)

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October, 1998
Report Number: 52300
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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 sampling, with six stream and one rock sample being collected from EL 8520. Samples were submitted to Ashton’s Perth laboratory for routine microdiamond and indicator mineral analysis. Processing returned two positive samples, one containing a microdiamond and three chromite grains, and the second reporting two high priority chromite. Results are outstanding for one reconnaissance stream sample and a rock sample, collected to test for other possible indicator sources, such as the chromite bearing sedimentary rock, recognised with adjacent licence EL 9058.

Exploration expenditure for the reporting period amounted to $25,235 against a covenant of $40,000.
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, when granted, covered an area of 30 blocks. A statutory reduction was made on the 4th September 1997 reducing the licence to 15 blocks. A waiver for a further 50% reduction has been submitted to the Department of Mines & Energy, for which approval is awaited. EL 8520 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, 1997 to 15th October, 1998. A statement of expenditure is included in this report.
2.0 DIAMOND EXPLORATION

2.1 Sampling Programmes

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

2.1.1 Stream Sampling

Previous work undertaken by Ashton Mining within EL 8520 was focused in an area where sampling reported a seven chromite positive result (96067-003). Results from follow-up sampling were discouraging, casting doubt on the validity of the original result. Additional sampling was required to locate a source for the chromite.

The first sampling programme was interrupted by rain, restricting sample collection to one sample. The four bag sample (97106-019) was taken in the main creek in an attempt to increase the sample density. A second sampling programme was implemented in May 1998, with five samples collected within the tenement. One sample (98052-001) was collected in the same location as 96067-003 as a check sample, and one 150m upstream (98052-002). Processing of these two samples reported three chromites and a microdiamond from the check sample and a single chromite grain from 98052-002.

The repeat sample confirmed the validity of the initial positive result and the report of a microdiamond raised the priority of the result, which was previously considered low.
ASHTON MINING LIMITED
REDFIRE RESOURCES N.L.
EXPLORATION LICENCE 8520
ANNUAL REPORT
FIGURE 2
SAMPLE LOCATIONS
SEPTEMBER, 1998
Three reconnaissance stream samples were also collected from the tenement. The first sample was collected on the eastern boundary of the licence and reported a negative result. The second sample was taken from a stream located in the south of the tenement. Recent analysis of this sample produced a positive result, reporting two chromite grains considered to be kimberlitic and of high priority. Follow-up of this result will be undertaken in the next reporting period. The third stream sample is still to be processed.

2.1.2 Rock Sampling

The close proximity of Proterozoic volcanic rocks has impeded exploration within EL 8520, and was initially considered a possible source for the chromite. Ground reconnaissance surveys were undertaken in the vicinity of several positive creeks to check for the presence of similar chromite bearing rocks that have been recognised in adjacent tenement, EL 9058. One rock sample (98109-001) was collected and awaits laboratory processing.

2.2 Sampling Method

Stream 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.

2.4 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 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, 1997 to 15th October, 1998 amounted to $25,235 against a covenant of $40,000. A detailed breakdown of expenditure is given in Appendix 2.
4.0 CONCLUSIONS AND RECOMMENDATIONS

Recovery of high priority chromite from sample 98052-031 suggests proximity to source is close. It is recommended that further follow-up sampling be undertaken as results become available, and ground geophysical surveys commence when the indicator anomaly is sufficiently delineated.

5.0 PROPOSED PROGRAMME AND BUDGET

The proposed programme and budget for the period 16th October, 1998 to 15th October, 1999 is as follows:

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

| Geoscientist/Professional Staff | 5,000 |
| Field Support/Office Staff     | 5,000 |
| Travel/Accommodation/Meals     | 2,000 |
| Field Supplies                 | 1,500 |
| Vehicles                       | 1,000 |
| Freight/Storage                | 500   |
| Helicopter Charter             | 3,000 |
| Geophysics                     | 3,000 |
| Drilling                       | 4,000 |
| Laboratory                     | 6,500 |
| Drafting/Computing             | 500   |

$ 32,000
APPENDIX 1

Sample Results
### Sample Results for EL 8520

*Annual Report for the period 16/10/97 to 15/10/98*

<table>
<thead>
<tr>
<th>Sample</th>
<th>Sample Type</th>
<th>Result</th>
<th>Diamond</th>
<th>Micro</th>
<th>Macro</th>
<th>Chromite</th>
<th>Other</th>
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<td>G</td>
<td>NEG</td>
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<td>-</td>
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<td>-</td>
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<tr>
<td>98052-001</td>
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<td>-</td>
<td>3</td>
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<tr>
<td>98052-002</td>
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<tr>
<td>98109-001</td>
<td>R</td>
<td>Not Processed</td>
<td></td>
<td>-</td>
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<td>-</td>
</tr>
</tbody>
</table>

G = Gravel
APPENDIX 2

Statement of Expenditure
### STATEMENT OF EXPENDITURE

#### EXPLORATION LICENCE 8520

**Annual Report**

For the period
16th October, 1997 to 15th October, 1998

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>Geoscientist/Professional Staff</td>
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<td>Field Support/Office Staff</td>
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<td>Laboratory</td>
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<tr>
<td>Other</td>
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</tr>
</tbody>
</table>

**Sub-Total** | **$ 22,941**

**Overheads** | **$ 2,294**

**Total:**     | **$ 25,235**