

SAVANNA MINERAL RESOURCES PTY LTD

ACN 063 921 960

A wholly owned subsidiary of

MT GRACE RESOURCES NL

ACN 060 774 227

**BATCHELOR PROJECT
NORTHERN TERRITORY**

ERL 134

**ANNUAL REPORT
FOR PERIOD**

11th October 2001 to 10th October 2002

8th Year of Tenure

*NB: All co-ordinates quoted are
related to the AGD-66 datum.*

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November 2002

Copies:

- (1) Batchelor
- (2) Perth
- (3) Department of Mines & Energy

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| 1 | Tenement Plan (<i>Bound in Text</i>) | 0235Ba | 1:250,000 |
| 2 | Tenement & Regional Geological Map (<i>Bound in Text</i>) | 0078Ba | 1:250,000 |

SUMMARY

ERL 134 forms part of a block of mining titles centred 6km E of the town of Batchelor. Within this block of titles a resource of in excess of 16mT of high grade magnesite has been located at the Winchester Prospect. The resource is located E.L. 9501 very close to the boundary of E.L. 9253. An application for a mineral lease has been lodged to cover the magnesite resource. This M.L.A. abuts ERL 134.

During the last year work on this tenement has been restricted to a detailed review of the data and concerted efforts to try to joint venture this tenement to a third party in view of Mt Grace's desire to maintain its focus on the magnesium metal project situated on nearby tenements.

1. INTRODUCTION

This report covers the period of tenure of ERL 134 from 11th October 2001 to 10th October 2002 being the 8th year.

ERL 134 is located within a block of titles centred 6km E of the town of Batchelor. The ERL covers Lower Proterozoic rocks of the Mt Partridge and South Alligator Groups on the southern flank of the Rum Jungle Dome. See figures 1 and 2.

The licence is prospective for base metal and gold mineralisation with several significant Pb/Zn intersections being obtained at the White Bomb Prospect during past exploration. The principal locus for mineralisation in the district is however the White's Formation/Coomalie Dolomite contact which is stratigraphically below the rocks covered by the licence.

The title is 100% held by Savanna Mineral Resources Pty Ltd which is a wholly owned subsidiary of Mt Grace Resources NL.

2. TENEMENT STATUS

ERL 134 was granted to Giants Reef Exploration Pty Ltd on 11th October 1994 for a period of 6 years. It covers an irregular shaped area of 971.3 ha which enclose MLNs 512 to 515.

During 1998 Savanna Mineral Resources Pty Ltd, a wholly owned subsidiary of Mt Grace Resources NL became the sole holder of the licence following Savanna's acquisition of the interest held by Giants Reef Exploration Pty Ltd.

An application has been made for a mineral lease (MLN 1984) which abuts the N.W. corner of the ERL. This lease application covers the Winchester magnesite prospect.

3. REGIONAL GEOLOGY

The licence covers rocks of Lower Proterozoic Mt Partridge and South Alligator Groups on the southern flank of the Archaean Rum Jungle Dome. These rocks include, from the bottom, Wildman Siltstone (siltstone and sandstone), Koolpin Formation (siltstone), Gerowie Tuff, Mt Bonnie Formation (siltstone) and Burrell Creek Formation (siltstone). The regional geology is represented on the excellent quality B.M.R. 1:100,000 map entitled "Geology of the Rum Jungle Uranium Field" 1984.

In the area covered by the licence the rocks dip south off the Rum Jungle Dome at moderate angles. The area includes the White Bomb Prospect where significant intersections of Zn mineralisation have previously been made in carbonaceous siltstones.

4. PREVIOUS EXPLORATION

Previous exploration undertaken by Savanna Mineral Resources Pty Ltd has consisted of:

- Construction of a 1:10,000 scale geological map over the entire Central Batchelor tenements including ERL 134.
- Construction of a 1:2,500 scale geological map over the Glen Lucky Prospect area which enclosed the White Bomb Prospect which was mapped at 1:1,000.
- Comprehensive soil sampling at 40 x 100m spacings in part and 40 x 200m spacings in the remainder with multi element analysis and compilation of results.
- Rock chip sampling.
- Detailed evaluation by drilling at the White Bomb Prospect. Significant intersections have been obtained from the prospect. The best of these are:

4m @ 10.9% Pb in WBD-6
2m @ 5.1% Zn and 1.8% Pb in WBP-3
13m @ 4.7% Zn and 13m @ 3.1% Zn in BRC-12
30m @ 3.8% Zn (including 6m @ 11.7% Zn) in WBP-1

All intersections occur in carbonaceous siltstone except that intersection in WBP-1 which is hosted in dolerite.

- Extensive rock chip sampling of gossanous outcrops and floaters at the Occidental Prospect.
- Evaluation of the Occidental Prospect by RC drilling with weakly anomalous base metal results.

5. CURRENT WORK

Work during the past year has included a detailed review of the available exploration data. Mt Grace decided based on the results of this review that It did not consider that further expenditure on exploration was at this time justified for Mt Grace.

It was decided to seek to find a joint venture partner. Two separate third parties have expressed interest and have reviewed the data and made field visits. However no agreement has been reached at this time.

6. CONCLUSIONS & RECOMMENDATIONS

There appears to be limited potential remaining in the two systems tested. There are other geochemical anomalies known within the tenement but these have been previously considered as being of lower priority. Further efforts should be made to locate a joint venture partner.

7. EXPENDITURE

Expenditure during the year is detailed below.

| | |
|---------------------------|---------------|
| | \$ |
| Geologist & management | 7,547 |
| Consultants | 180 |
| Tenements costs | 10,880 |
| Vehicle & Travel | 510 |
| Freight & Field Costs | 1,183 |
| Overhead & Administration | 3,045 |
| | <hr/> |
| Total | 23,345 |
| | <hr/> <hr/> |

8. PROGRAMME FOR 2002 – 2003

Work in the forthcoming year will consist of a further data review and follow up of all opportunities to finalise a joint venture arrangement with a third party. While the details of the exploration will be determined by the incoming party it is likely that expenditure will be incurred in the following way:

| | |
|------------------|----------|
| | \$ |
| Salaries & Wages | 10,000 |
| Drilling | 10,000 |
| Analytical | 7,000 |
| Earthmoving | 2,000 |
| Drafting | 1,000 |
| Overheads | 5,000 |
| | <hr/> |
| | \$35,000 |
| | <hr/> |