EL 9964  DEPOT CREEK  
VICTORIA RIVER REGION, NT  

ANNUAL REPORT  

ON EXPLORATION ACTIVITIES  
YEAR TWO OF TENURE  
PERIOD ENDING 20 May 2004  

submitted by  

GRAVITY CAPITAL LIMITED  
(ABN - 72 009 178 689)  
Level 7, Exchange Tower  
530 Little Collins Street, Melbourne, Victoria, 3000  

on behalf of  
Diamond Mines Australia Pty Ltd  
and  
Ashton Mining Ltd  
(a wholly owned subsidiary of the Rio Tinto Group)  

EL 9964 ‘Depot Creek’  
Holder: Ashton Mining Ltd  
Grant Date: 21 May 2002  
1:250,000 sheet : Limbunya SE52-07  
Minerals Sought: diamonds, base metals
SUMMARY

EL 9964 forms part of a farmin agreement between Rio Tinto Exploration Pty Ltd (“Rio Tinto”) and Diamond Mines Australia Pty Ltd (“DMA”) covering numerous Rio Tinto-controlled tenements and applications in the Northern Territory. Under this agreement, DMA will conduct predominantly diamond exploration over the tenements and will utilise the newly-developed Falcon™ airborne gravity gradiometer system, which has been shown to be very effective in detecting kimberlite pipes.

Gravity Capital Ltd is managing the farmin arrangement for Diamond Mines Australia and owns 40% of DMA.

During the first year of tenure, Rio Tinto conducted a thorough review of historic exploration data, including considerable surface sampling focused on diamonds, and recommended divestment of the tenement. The timing of the divestment arrangement with DMA during year two of tenure precluded the instigation of field exploration activities during 2003.

Expenditure on the tenement during the reporting period totalled $6,663.
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1. EL 9964 Tenement Location
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INTRODUCTION

EL 9964 was granted to Ashton Mining Ltd, a wholly owned subsidiary of the Rio Tinto Group ("Rio Tinto"), on 21 May 2002. Rio Tinto was at that time in negotiation with Gravity Capital Limited ("Gravity") concerning the deployment of the Falcon™ airborne gravity gradiometer system over Rio Tinto’s diamond tenements in northern Australia. The Falcon™ system is a unique exploration tool developed by BHPB and it has particular application in diamond exploration.

BHPB and Gravity concluded an arrangement on Falcon™ deployment in Australia during the year (ASX announcement 01/07/2003) and then formed a farmin joint venture, through its 40% owned associated company, Diamond Mines Australia Pty Ltd ("DMA") with Rio Tinto Exploration, concerning the diamond and base metal exploration over a large number of Rio Tinto-controlled tenements in the Northern Territory (ASX announcement 25/07/2003).

On the basis of these agreements, Gravity (on behalf of DMA) commenced diamond exploration in the Northern Territory during July 2003.

In essence, the agreements provide for DMA to deploy the Falcon™ system and earn an interest in any discovery. BHP Billiton retains a right to buy into DMA’s interest in any discovery. Gravity is managing all exploration for DMA.

The flying program carried out in 2003 was focussed on areas of strongly anomalous diamond indicator mineral sampling results, obtained from Rio Tinto and surveys were conducted in the McArthur, Hodgson and Arnhem Land regions of the NT as well is in the Victoria River region which is the general locality of EL 9964. EL9964 was not covered in the Victoria River survey, the closest flying being at Tee Dee Hill some 90 kilometres to the northwest.

While the principal target in the area is diamonds, some interest was also directed toward base metal deposits.

LOCATION AND ACCESS

EL 9964 Depot Creek is located on the Limbunya SE 52-07 1:250,000 map sheet, 350 km SW of Katherine, western Northern Territory, Australia (Figure 1). Access is via the Victoria and Buchanan Highways. The Buchanan Highway passes through the southern tip of the EL. Access to the northern parts of the EL is via station tracks.

The EL is located immediately to the east of the Daguragu Aboriginal Freehold Land and lies on the Victoria River Downs pastoral lease (PPL1154). It is one of a group of contiguous granted EL’s and EL applications controlled by Rio Tinto Exploration Pty Ltd (RTE) in the region and referred to as the Victoria Diamonds Project.

The nearest diamond-bearing kimberlite/lamproite occurrences are Argyle (AK1) and Timber Creek, approximately 190 km to the NW and 170 km to the NNE, respectively.
The broad stratigraphic sequence on the Limbunya 1:250,000 sheet is presented in the table below.

The Precambrian-Cambrian geology of EL 9964 remains poorly known because the blanket of Tertiary laterite obscures most of the underlying Proterozoic and Cambrian rock. EL 9964 is located over a broad syncline of Victoria Basin sediments, represented by the sandstone-dominated Wattie Group. In the far south of the EL, there are a number of sinkholes developed in the Wickham Formation of the Wattie Group. These sinkholes are of interest as they could be developed over kimberlitic diatremes. Cambrian Antrim Plateau Volcanics basalt outcrop in the far north of the EL. Immediately to the east of the EL, Limbunya Group outcrops along a line of anticlinoria trending approximately NNW-SSE. Major faults are developed either side of the anticlinorial zone. Some 180km to the north west the 179Ma Timber Creek kimberlites are hosted by the lower Bullita Group that stratigraphically overlies the Wattie Group in that part of the Victoria Basin.

<table>
<thead>
<tr>
<th>Age</th>
<th>Basin</th>
<th>Stratigraphy</th>
<th>Major Lithologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quaternary</td>
<td>Regolith</td>
<td></td>
<td>Alluvium, sheetwash, colluvium</td>
</tr>
<tr>
<td>Tertiary</td>
<td>Regolith</td>
<td></td>
<td>Laterite, colluvium, black soil, silcrete, duricrust</td>
</tr>
<tr>
<td>Cretaceous</td>
<td>Dunmarra Basin?</td>
<td>Mullamen Beds</td>
<td>Sandstone, conglomerate</td>
</tr>
<tr>
<td>Middle Cambrian</td>
<td>Ord Basin</td>
<td>Goose Hole Group</td>
<td>Limestone, sandstone</td>
</tr>
<tr>
<td>Lower Cambrian</td>
<td>Wiso Basin</td>
<td>Antrim Plateau Volcanics</td>
<td>Basalt, sandstone, limestone</td>
</tr>
<tr>
<td>610 Ma</td>
<td>Wolfe Creek Basin</td>
<td>Duerdin Group</td>
<td>Sandstone, conglomerate, siltstone, diamicite</td>
</tr>
<tr>
<td>800 Ma</td>
<td>Victoria Basin</td>
<td>Auvergne Group</td>
<td>Sandstone, siltstone, dolostone, conglomerate, dolomarenite</td>
</tr>
<tr>
<td>1610 Ma</td>
<td>Wattie Group</td>
<td></td>
<td>Siltstone, sandstone, dolostone</td>
</tr>
<tr>
<td>1660-1620 Ma</td>
<td>Birrindudu Basin</td>
<td>Limbunya Group</td>
<td>Dolostone, siltstone, sandstone, tuff</td>
</tr>
<tr>
<td>1880-1850 Ma</td>
<td>Basement</td>
<td>Inverway Metamorphics</td>
<td>Schist, acid volcanics</td>
</tr>
</tbody>
</table>

EL 9964 is located over the poorly drained, lateritised “Limbunya plateau” that is interpreted to have been associated with the Cretaceous Dunmarra Basin and probably also served as a palaeodrainage valley during the Cretaceous-early Tertiary. Microdiamonds and other indicator minerals have been found in existing creeks draining the plateau and on the plateau surface. The distribution of the indicator minerals on the plateau strongly suggests multiple geographic sources but the source rocks remain enigmatic.
The lateritised Limbunya plateau obscures the underlying Proterozoic-Cambrian geology. EL 9964 mainly overlies Wattie Group sediments of the Victoria Basin. Some Antrim Plateau Volcanics occur in the far north of the EL. A WNW-ESE lineament/fault associated with the diamond-bearing Gill Creek parallels the regionally significant Limbunya Fault. The source(s) of the microdiamonds and other indicator minerals within, and around, Gill Creek remain enigmatic. The remnant outcrops of Cretaceous sandstones and conglomerates preserved adjacent to the Limbunya Fault may represent the deepest part (and last to be eroded) of the Cretaceous Basin in the region. The Cretaceous Basin (palaeochannel?) may have been deepest over the apex of the hinge of the Proterozoic anticline (dome?). There may be, however, more Cretaceous conglomerates/sandstones in the Limbunya region that have yet to be identified, e.g., forming part of the lateritised Limbunya plateau. These have potential to be a source of diamonds and other indicator minerals. At least one diamond occurrence in the Limbunya region is downstream from tributaries eroding the Cretaceous sediments.

Tertiary laterite and black soil are the most widespread and dominant Cenozoic regolith types. Black soils remain an enigmatic regolith type and might, like alluvium, be reworked within drainage catchments allowing for the concentration and, possibly, dispersion of diamond and indicator mineral occurrences. Quaternary alluvial deposits (some of which contain diamonds) are largely confined to the margins of rivers and creeks.

On the basis of previous sampling and the geological environment, the EL is regarded as having potential for diamondiferous kimberlites.

PREVIOUS EXPLORATION

Ashton Mining had previously collected gravel and loam samples from 71 sample sites exploring for diamonds within the area now covered by EL 9964. Eight sample sites (six gravel and two loam) in the south of the EL returned a total of nine microdiamonds. One sample site in the south of the EL returned two pyropes. Most of the microdiamond- and pyrope-bearing samples in the south were collected from, or adjacent to, Gill Creek. Only one diamond-bearing sample site lies adjacent to the tributary that drains northwards into Depot Creek. Geopeko (which became North Mining, subsequently taken over by Rio Tinto) explored for base metals in the Limbunya region during the early 1990’s. To the west of EL 9964, drilling in the vicinity of the Limbunya Fault produced some weakly anomalous base metal values associated with various sedimentary units aged around 1640 Ma. Not far to the east of EL 9964 and just south of Depot Creek, CRA Exploration drilled a diamond drill hole (DD90VRB01) in 1990 to assess the susceptibility of the basin’s stratigraphic units for base metal mineralisation. The assessment did not provide sufficient encouragement to pursue the project further.

Ashton Mining collected mainly gravel but also loam and some rock samples from 71 sites from the area now covered by EL 9964 during several previous diamond exploration campaigns in the region. The most intense sampling was concentrated within, and around, Gill Creek in the south of the EL. Elsewhere the gravel sampling tested catchments of 10-25 km².
During the first reporting period, RTE reviewed the regional geology, geophysics, geomorphology and historical exploration data for EL 9964. A thorough account of these topics is presented in Rio Tinto’s 2003 annual report for the EL. The review formulated a variety of models and identified several areas that might be the source of indicator mineral occurrences within the EL. This review confirmed the prospectivity of the EL 9964 for diamond-bearing kimberlite/lamproite diatremes.

WORK COMPLETED IN YEAR 2

Gravity Capital completed an assessment of the compilation work carried by Rio Tinto and concluded that the area was not of sufficient priority to warrant a Falcon™ survey in the initial stages of the DMA-Rio Tinto farmin arrangement. No field work was carried out and the area will be reviewed when results from the Falcon™ survey completed some 75 kilometres to the northwest, are finalised.

ENVIRONMENT AND REHABILITATION

No requirement for rehabilitation arose during the second year of tenure as no field work was carried out.

CONCLUSIONS AND RECOMMENDATIONS

9964 lies within an area generally held to be prospective for diamonds. Results of the Falcon™ survey carried out to the northwest of the tenement in 2003 will determine the degree of exploration during the forthcoming year of tenure.
PROPOSED EXPLORATION AND BUDGET

Aerial Photography and satellite imagery $2,500
Interpretation costs $2,500
Field reconnaissance $10,000
Sampling and sample analysis costs $10,000

TOTAL $25,000

EXPENDITURE STATEMENT

Legal/Tenement administration costs $2,851
Professional personnel costs $2,432
Data processing / computing costs $325
Cartography $300
Travel and accommodation costs $150
Administration/overhead $605

Total $6,663