



**EL 8915 TEE DEE HILL
VICTORIA RIVER REGION, NT**

ANNUAL REPORT

**ON EXPLORATION ACTIVITIES
YEAR FOUR OF TENURE
7 June 2003 – 6 June 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 Limited
(a wholly owned subsidiary of the Rio Tinto Group)**

EL 8915 'Tee Dee Hill
Holder: Ashton Mining Ltd
Grant Date: 7 June 2000
1:250,000 sheet : WATERLOO SE52-03
Minerals Sought: diamonds, base metals

SUMMARY

EL 8915 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 past year of tenure, a review of historic exploration data, including considerable surface sampling focussed on diamonds, was conducted by Gravity and numerous anomalous results were noted.

On this basis, a Falcon™ survey was planned to cover the central part of EL 8915. Flying was conducted in November-December 2003 and results were received by Gravity Capital in May 2004. Interpretation and exploration targeting were in progress at the time of this report.

Expenditure on the tenement during the reporting period totalled **\$299,473**.

CONTENTS

1. Introduction
2. Location and Access
3. Geological Setting and Economic Potential
4. Previous Exploration
5. Work Completed in Year 4
6. Environment and Rehabilitation
7. Conclusions and Recommendations
8. Proposed Exploration and Budget
9. Expenditure Statement

FIGURES

1. EL 8915 Tenement Location
2. Regional Geology showing tenements and historic sampling
3. Falcon™ Vertical Gravity Gradient ('Gdd') image
4. Falcon™ Vertical Gravity ('Gd') image
5. Enhanced Aeromagnetic image
6. Digital Elevation Model image

INTRODUCTION

EL 8915 was granted to Ashton Mining Ltd on 7 June 2000. Since that time, Rio Tinto has taken over Ashton and established the diamond prospectivity of the area with a range of airborne and ground exploration techniques including considerable surface sampling. During 2002, Rio Tinto was entered into 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 BHP Billiton and it has particular application in diamond exploration.

BHP Billiton and Gravity concluded an arrangement on Falcon™ deployment in Australia during the year (ASX announcement 01/07/2003) and then Gravity 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). EL 8915 forms part of the DMA-Rio Tinto joint venture.

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 2003 flying program was planned to cover part of EL 8915 and focused on the area of strongly anomalous diamond indicator mineral sampling results, obtained from Rio Tinto’s prior work.

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

LOCATION AND ACCESS

EL 8915 Tee Dee Hill is located 100 km south west of Timber Creek and 30 km east of the Amanbidji Community, on the Waterloo SE52-03 1:250,000 map sheet, western Northern Territory (figure 1). The tenement is located within the Nagurunguru Aboriginal Land Trust (NALT) and is subject to the Timber Creek Joint Venture and Deed of Exploration with NALT. Access is via the Victoria Highway and thereafter via station tracks in the Kildurk area.

GEOLOGICAL SETTING AND ECONOMIC POTENTIAL

EL 8915 is located over the southern part of the Neoproterozoic Victoria River Basin. The physiography consists mainly of dissected plateaus, ridges and some alluvial plains. Occasional pronounced linear drainage patterns map the location of faults.

The Victoria River Basin consists of marine and continental sediments (mainly sandstone) up to 3500m thick. The Jasper Creek sandstone of the Auvergne Group comprises most of the Neoproterozoic outcrop. In the southwest of the tenement Angalarri Siltstone overlies the Jasper Gorge sandstone. In the southeast and southwest Lower Cambrian Antrim Plateau Volcanics unconformably overlies the Auvergne Group. Deformation consists of minor tilting to broad open folding and minor faulting. Erosion of the basalt in the more recent geological past has exposed sub-circular domes of the underlying Neoproterozoic sediments.

Regional NW-SE and NE-SW trending lineaments, some of which appear to be intruded by dykes, are evident from airborne magnetics data. Traversing immediately to the south the Tee Dee Hill indicator mineral anomaly is a prominent ENE-WSW drainage lineament interpreted to be a major fault that extends west for over 100 km.

Jurassic diamondiferous dykes that have intruded the Victoria River Basin are located about 100 km to the NE near Timber Creek.

PREVIOUS EXPLORATION

Ashton explored the area in the early 1980s and early 1990s for diamonds. This earlier work consisted of reconnaissance gravel sampling, drainage geochemical sampling, loam sampling, airborne and heliborne magnetic surveys, INPUT surveying and photogeological studies. Airborne magnetic anomalies were selected and some were followed up with surface sampling. Photogeological studies, utilising 1:50,000 scale black and white aerial photographs surveyed in 1948, identified a number of circular and linear features that were further assessed in the field or tested with one or two loam samples.

The drainage sampling identified macrodiamonds, microdiamonds and other indicator minerals clustering within a number of drainage catchments within the tenement. One pronounced indicator mineral anomaly, referred to as "Tee Dee Hill", consists of a prominent cluster of macrodiamonds, microdiamonds and other indicator minerals largely confined to a single drainage channel.

The previous work completed by Ashton and Rio Tinto within EL 8915 during the current tenure is summarised in Rio Tinto's 2001 and 2002 Annual Reports to the Mines Department. Work completed during the first reporting period by Ashton/Rio Tinto were as follows:

- Infill drainage sampling around the tenement. This work continued to highlight the drainage channel of the Tee Dee Hill indicator mineral anomaly.
- SEM probing and assessment of chromite geochemistry of chromite grains from one sample. This work indicated that most of the chromite grains were non-kimberlitic but some were possibly kimberlitic.
- A detailed airborne magnetics survey (100m line spacing) over the Tee Dee Hill indicator mineral anomaly. The detailed aeromagnetic survey highlighted four

magnetic anomalies. One of four magnetic anomalies was associated with a 400m by 200m depression with brecciation-silicification, peripheral concentric fracturing and a coincident EM anomaly. Soil and loam sampling over the feature failed to return any significant results. Ground inspection revealed that the feature was probably a basalt vent.

- Ground magnetic and EM-34 traverses over a coincident airborne magnetic and circular geomorphological feature.

Work completed during the second reporting period consisted of a review of available exploration data, including regional topographic and Landsat Thematic Mapper imagery. The following observations were made from the data review:

- The Tee Dee Hill indicator mineral anomaly lies down hill of a prominent ENE-WSW drainage-defined (geomorphological) lineament that extends for +100 km to the west. Landsat Thematic Mapper (TM) image interpretation highlighted a possible circular “clay anomaly”, about 1 km diameter, adjacent to the lineament. The anomaly is immediately up slope of the Tee Dee Hill indicator mineral anomaly and near the base of an outlier of Antrim Plateau Volcanics. A very subtle magnetic feature was identified associated with the clay anomaly.
- Further to the west, two adjacent gravel sample sites containing microilmenite are also located proximal to the +100 km long regional lineament.
- There are other gravel sample microdiamond occurrences within the tenement that could be investigated further.

WORK COMPLETED IN YEAR 4

As mentioned above, an agreement covering much of the Rio Tinto-controlled diamond exploration tenements in northern Australia was finalised in July 2003 between Rio Tinto and DMA. Review of available geophysical and geochemical data was carried out by Gravity (managing the project on behalf of DMA) and this confirmed the considerable potential within EL 8915 for diamondiferous kimberlites. .

On this basis, a Falcon™ airborne gravity gradiometer survey was planned and completed in December 2003. Field survey work was done by Fugro Airborne Surveys under a contract with BHP Billiton, with whom Gravity Capital has the Falcon™ deployment agreement.

The Falcon™ system records gravity gradient data via a system of accelerometers. This gradient data is transformed to produce the vertical gravity gradient (‘Gdd’) which approximates the first vertical derivative of the vertical component of the gravity field. An integral transformation on Gdd is applied to generate ‘Gd’, which approximates the vertical component of the gravity field itself. Conventional total magnetic intensity is also acquired as is laser scanner data, which is used to construct a very accurate (1m vertical resolution) digital elevation model.

The Falcon™ system was developed by BHP Billiton in the late 1990s and has since shown a remarkable ability to detect kimberlite pipes.

The survey was flown on north-south oriented lines, 100m apart at a height of 80m above ground level. Coverage of just over 230 km² within the tenement comprising a total of approximately 2,624 line kilometres was acquired.

Data was processed by BHP Billiton's Falcon Operations Group and delivered to Gravity Capital in March 2004.

Interpretation and exploration targeting from the data is in progress.

Images of the data are presented in figures 3(Gdd), 4(Gd), 5(magnetics) and 6(Digital Elevation Model). The digital data and acquisition/processing report will be lodged with DBIRD in due course.

ENVIRONMENT AND REHABILITATION

No requirement for rehabilitation arose during the reporting period as no on ground field work was carried out.

CONCLUSIONS AND RECOMMENDATIONS

EL 8915 lies within an area of anomalous kimberlitic indicator sampling results. A significant part of the tenement area has been flown with the Falcon™ system airborne gravity gradiometer system and results have recently been received. Interpretation should be complete in time for sampling target areas during the 2004 field season and it is anticipated that target areas warranting ground testing will eventuate.

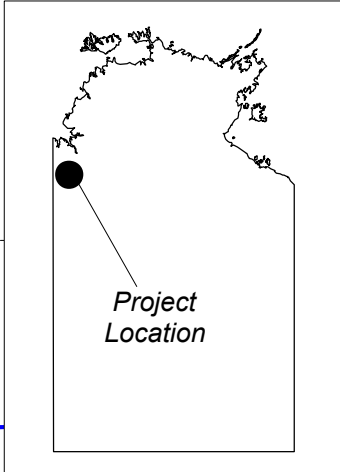
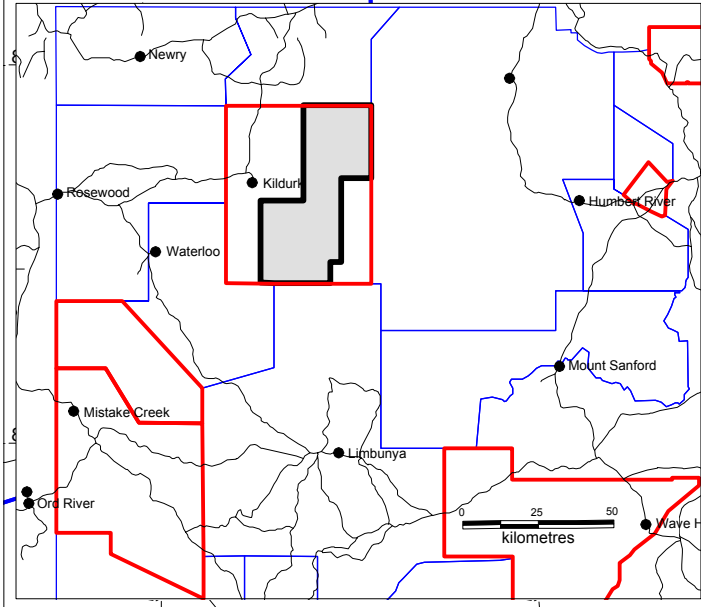
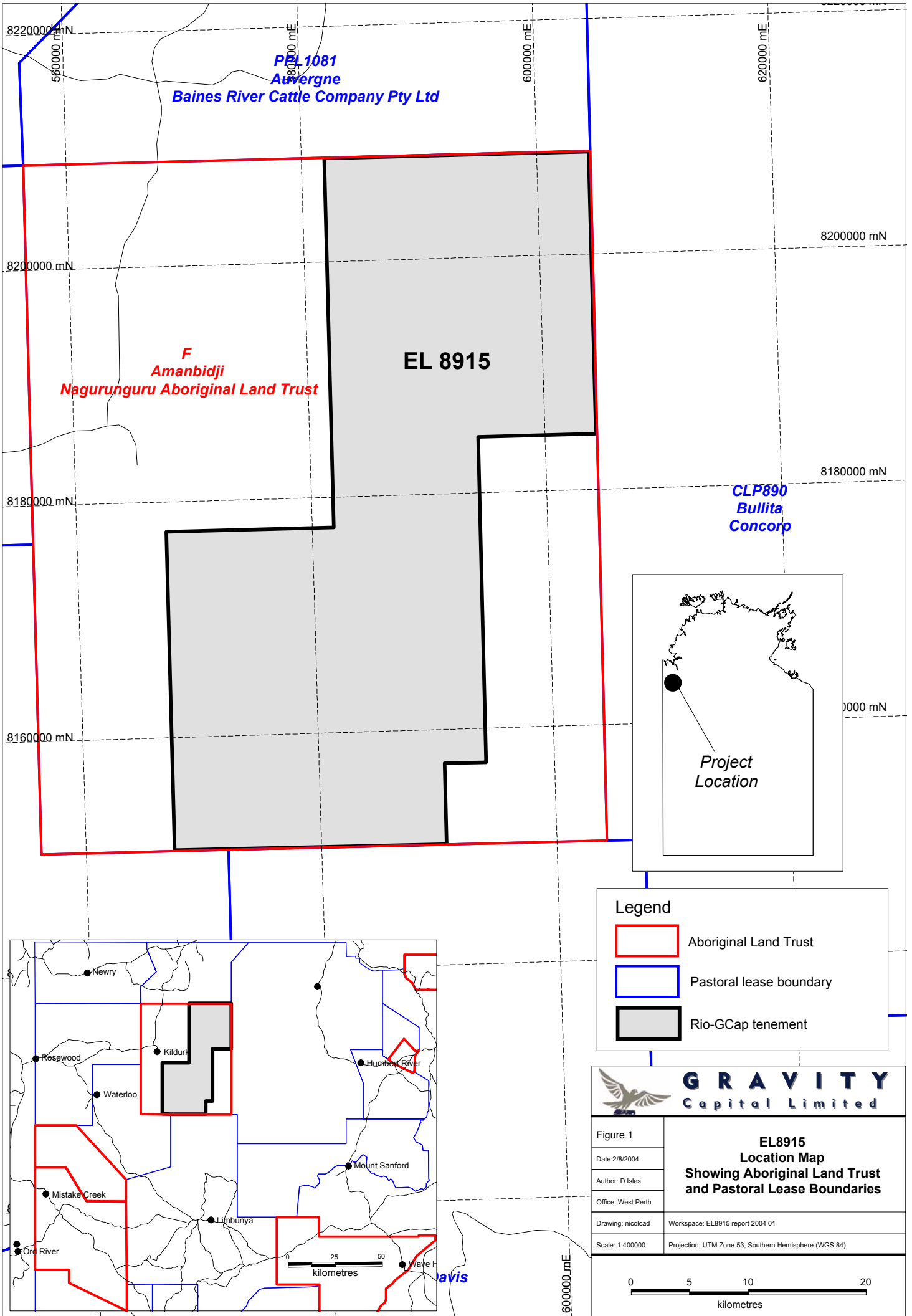
Recommendations for detailed exploration will be based on the interpretation of the Falcon™ data.

PROPOSED EXPLORATION BUDGET

Falcon™ Survey interpretation and processing costs	\$12,000
Field support & logistics	\$16,000
Sampling and sample analysis costs	\$16,000
Personnel costs	\$16,000
Office support, computing, cartography	\$10,000
Administration, legal, overhead	\$20,000
TOTAL	<u>\$90,000</u>

EXPENDITURE STATEMENT

Legal/Tenement administration costs	\$50,642
Professional personnel costs	\$6,186
Falcon™ Survey costs	\$235,136
Data processing / computing costs	\$592
Cartography	\$420
Travel and accommodation costs	\$625
Administration/overhead	\$5,872
TOTAL	<u>\$299,473</u>



Legend

- Aboriginal Land Trust
- Pastoral lease boundary
- Rio-GCap tenement

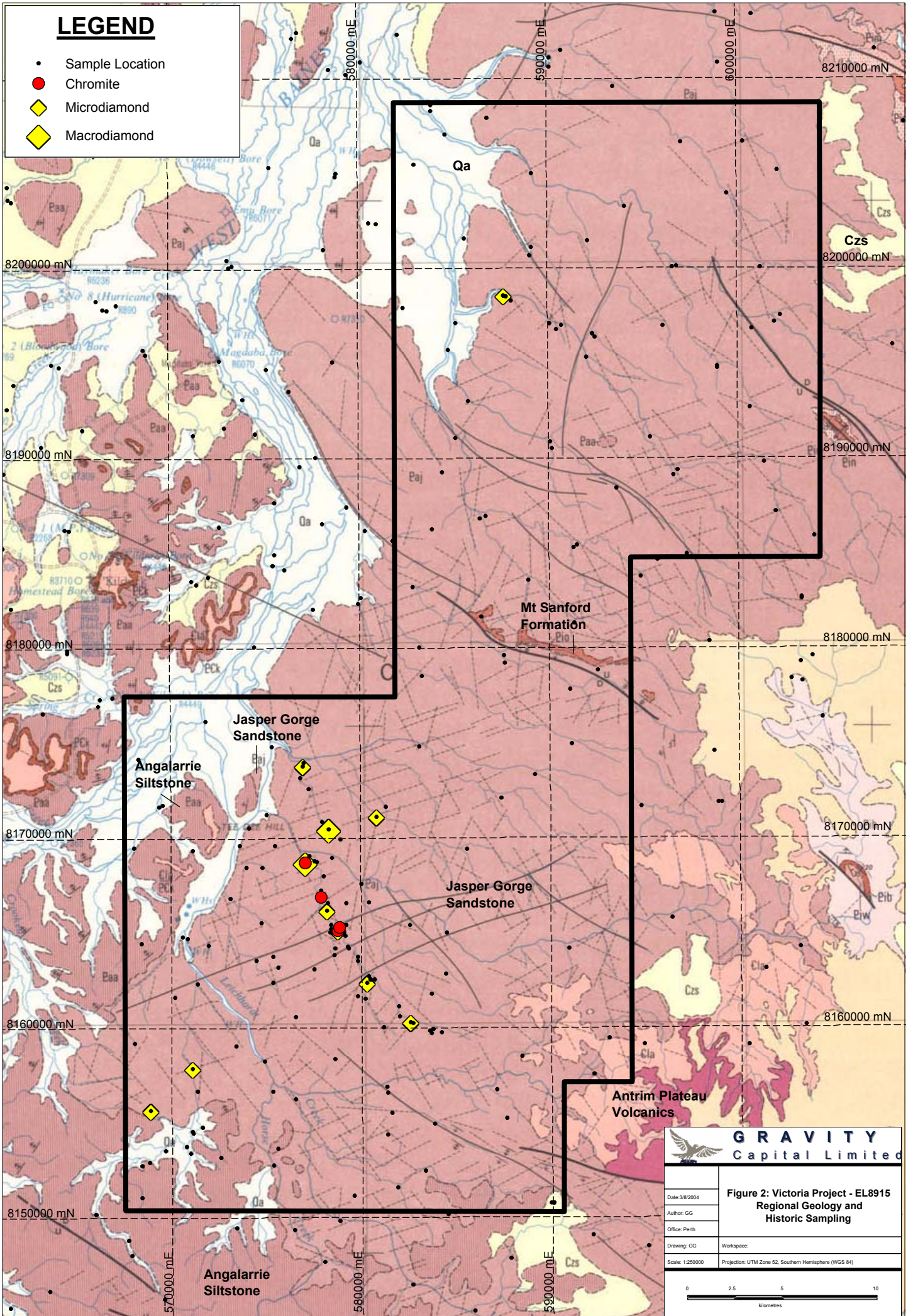
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Figure 1	
Date: 2/8/2004	EL8915 Location Map Showing Aboriginal Land Trust and Pastoral Lease Boundaries
Author: D Isles	
Office: West Perth	Workspace: EL8915 report 2004 01
Drawing: nicolcad	Projection: UTM Zone 53, Southern Hemisphere (WGS 84)
Scale: 1:400000	

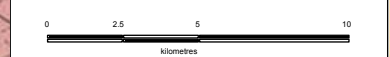
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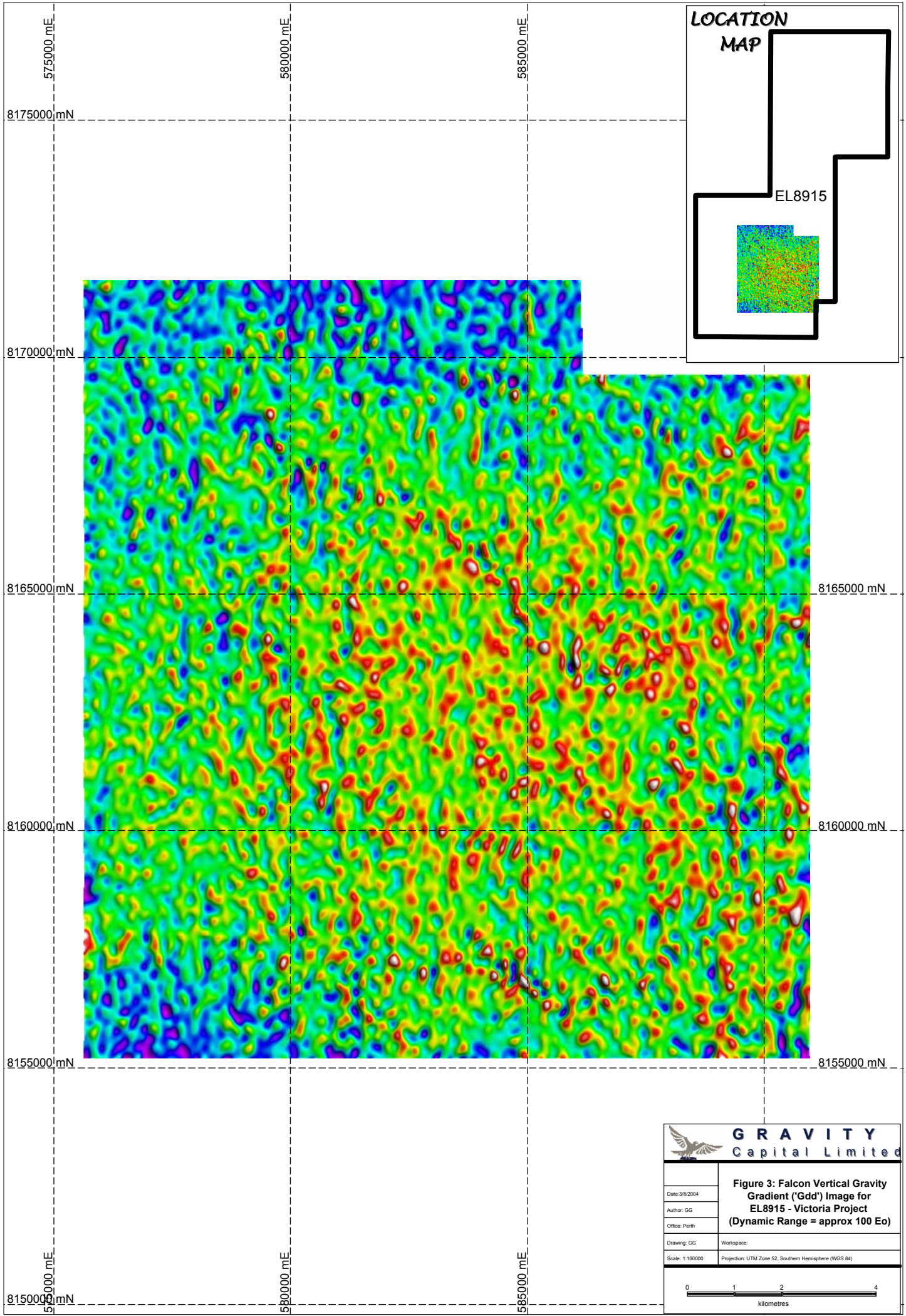
LEGEND

- Sample Location
- Chromite
- ◆ Microdiamond
- ◆ Macrodiamond



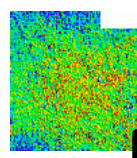
Date: 3/8/2004	Figure 2: Victoria Project - EL8915 Regional Geology and Historic Sampling
Author: GG	
Office: Perth	
Drawing: GG	Workspace
Scale: 1:250000	Projection: UTM Zone 52, Southern Hemisphere (WGS 84)





**LOCATION
MAP**

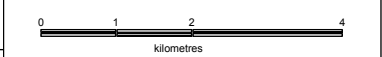
EL8915

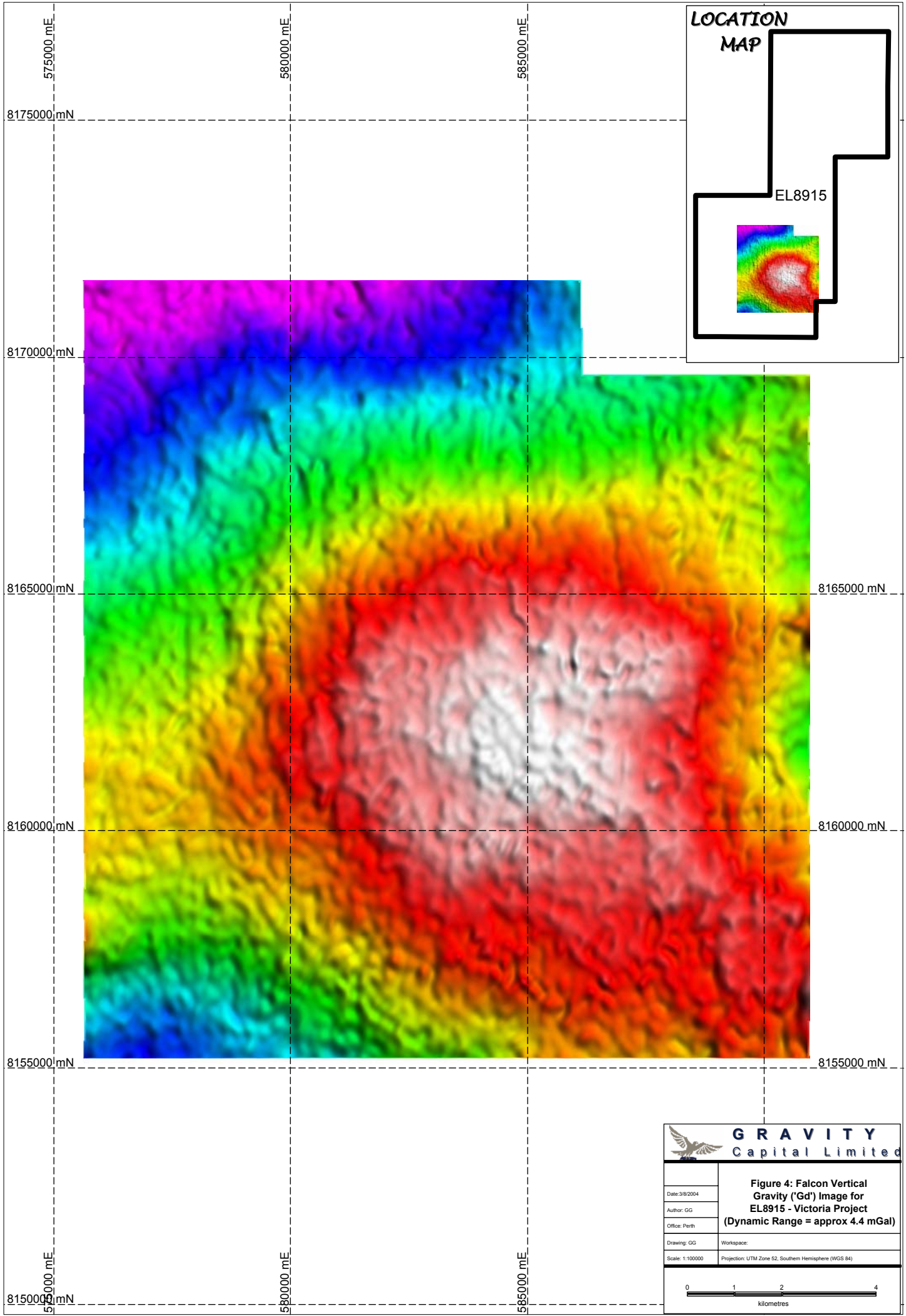


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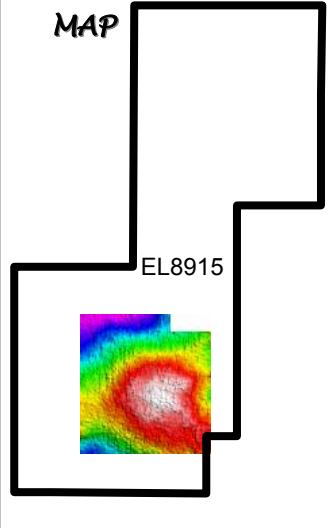
Figure 3: Falcon Vertical Gravity Gradient ('Gdd') Image for EL8915 - Victoria Project (Dynamic Range = approx 100 Eo)

Date: 3/9/2004
 Author: GG
 Office: Perth
 Drawing: GG
 Workspace:
 Scale: 1:100000
 Projection: UTM Zone 52, Southern Hemisphere (WGS 84)

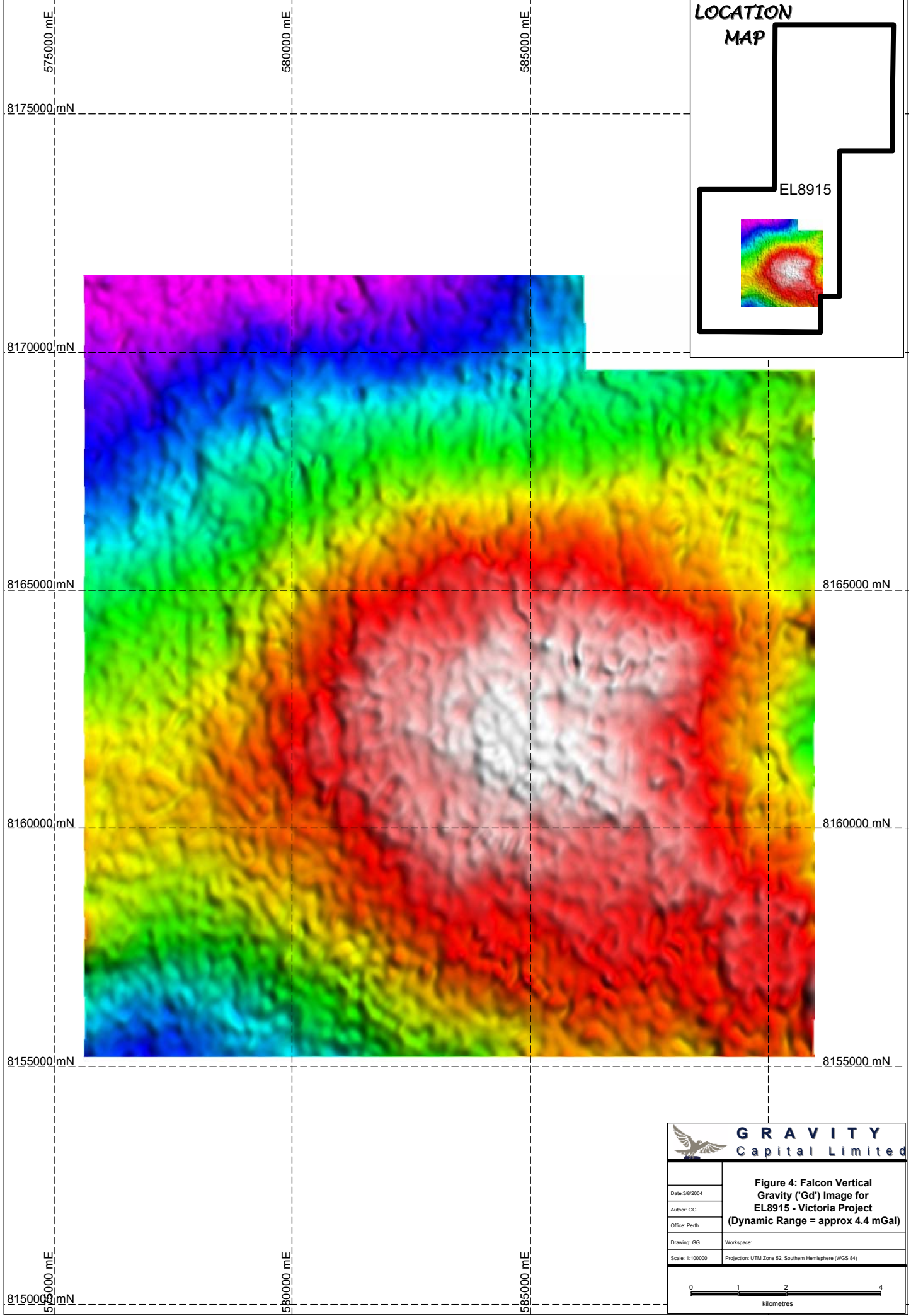



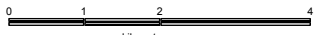


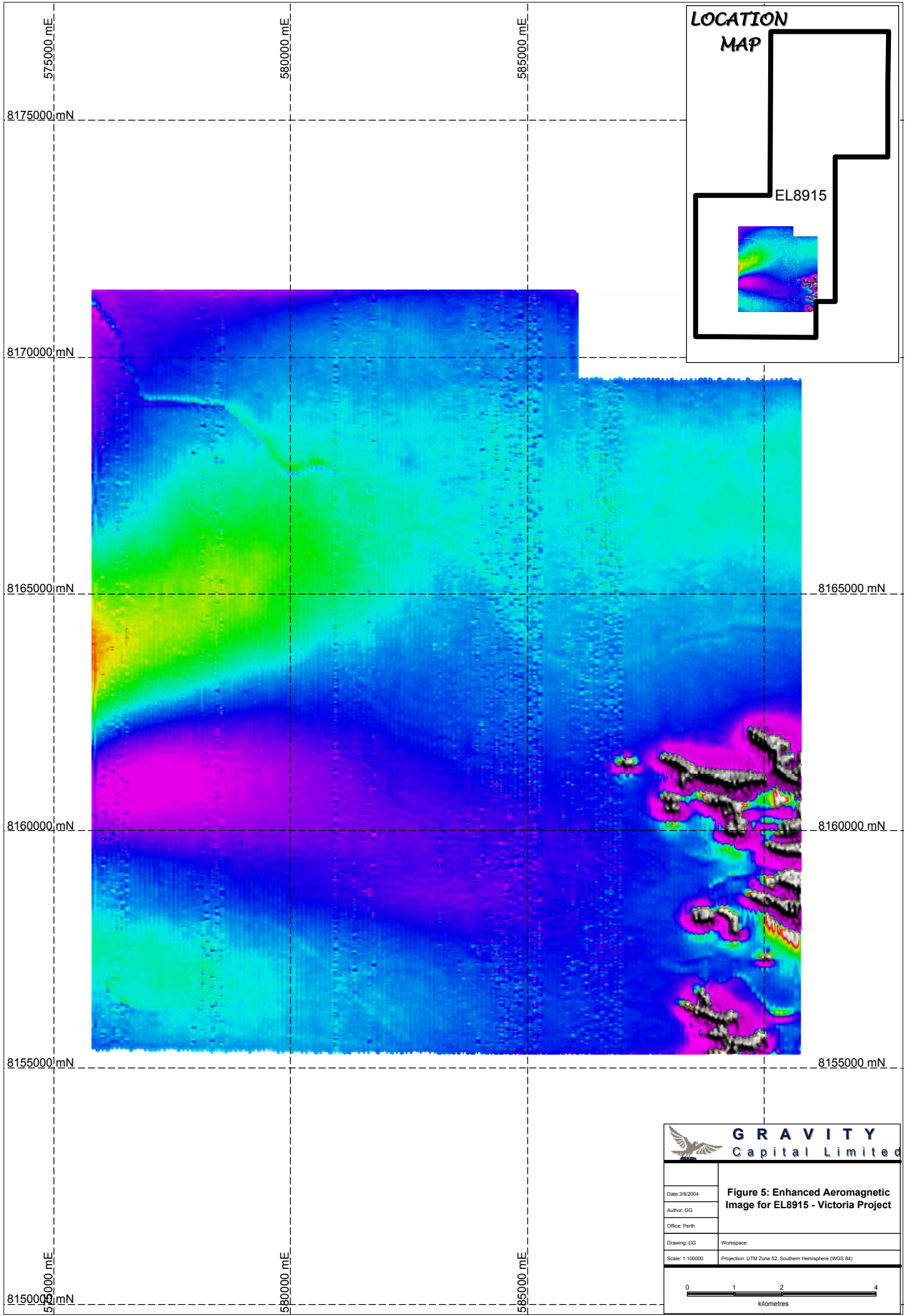
**LOCATION
MAP**

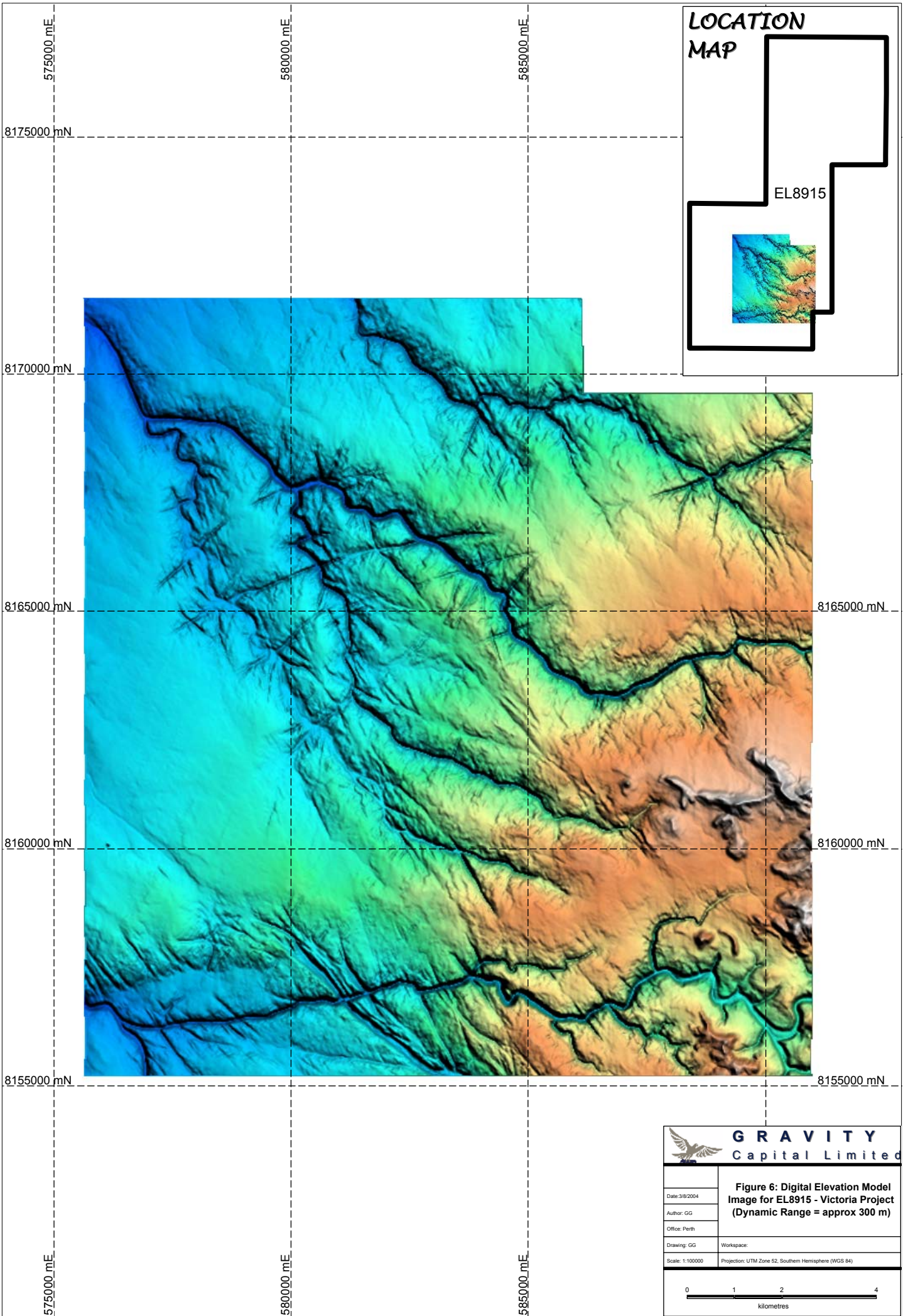


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Figure 4: Falcon Vertical Gravity ('Gd') Image for EL8915 - Victoria Project (Dynamic Range = approx 4.4 mGal)	
Date: 3/9/2004	Author: GG
Office: Perth	Drawing: GG
Scale: 1:100000	Projection: UTM Zone 52, Southern Hemisphere (WGS 84)
	






LOCATION MAP

EL8915

575000 mE
580000 mE
585000 mE

8175000 mN
8170000 mN
8165000 mN
8160000 mN
8155000 mN

8165000 mN
8160000 mN
8155000 mN

 GRAVITY Capital Limited	
<p>Figure 6: Digital Elevation Model Image for EL8915 - Victoria Project (Dynamic Range = approx 300 m)</p>	
Date: 3/8/2004	Author: GG
Office: Perth	Workspace:
Drawing: GG	Scale: 1:100000
Projection: UTM Zone 52, Southern Hemisphere (WGS 84)	
