EL 22333  Mucka Waterhole
Victoria Basin Region, NT

ANNUAL REPORT
ON EXPLORATION ACTIVITIES

YEAR TWO OF TENURE
PERIOD ENDING 24 JULY 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 22333  Mucka Waterhole
Holder: Ashton Mining Ltd
Grant Date: 25 July 2002
1:250,000 sheet : Limbunya SE52-07
Minerals Sought: diamonds, base metals
SUMMARY

EL 22333 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.

EL 22333 is included in a large group of Rio Tinto controlled tenements in the Victoria River region in the northwest of the Northern Territory referred to as the ‘Victoria Diamond Programme’.

During the first year of tenure, Rio Tinto conducted a review of historic exploration data, including considerable surface sampling focussed 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 $6,376.
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1. EL 22333 Tenement Location
2. Regional Geology and Sampling
INTRODUCTION

EL 22333 was granted to Ashton Mining Ltd, a wholly owned subsidiary of the Rio Tinto Group (“Rio Tinto”), on 25 July 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 NT as well as in the Victoria River Basin which is the general locality of EL 22333. EL 22333 was not covered in the Victoria River survey, the closest flying being at Tee Dee Hill some 120 kilometres to the north.

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

LOCATION AND ACCESS

EL 22333 “Mucka Waterhole” is located in the south east corner of the Limbunya SE 52-07 1:250,000 map sheet, 400 km SW of Katherine, western Northern Territory, Australia (Figure 1). Access is via the Victoria and Buchanan Highways. The Buchanan Highway passes by the northwest corner of the EL. A cattle station access road from Inverway to Kalkaringi passes through the center of the EL. Station tracks provide access to all other areas within the EL.
GEOLOGY and ECONOMIC POTENTIAL

Cutovinos et al. (Limbunya SE 52-07 1:250,000 Geological Map Series Explanatory Notes 2nd Edition, 2002) provide a comprehensive description and map of the regional geology of the Limbunya 1:250,000 map sheet. The following summary of the geology is mainly based on information provided by this reference as well as Rio Tinto’s observations and knowledge of the area. The broad stratigraphic sequence on the Limbunya 1:250,000 sheet is presented below.

EL 22333 is mainly located over Cambrian Antrim Plateau Volcanics represented by flood basalts. The flood basalts fill a broad, NE-SW trending basinal structure (syncline or palaeovalley) that separates Palaeoproterozoic metamorphics and Cambrian sediments to the south from Mesoproterozoic-Neoproterozoic sediments to the north. Mesoproterozoic sediments are found in the north of the EL.

The EL area is known from previous exploration to contain microdiamonds and chromites and its regional location is generally regarded as prospective for diamond-bearing kimberlite pipes.

<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>Alluvium, sheetwash, colluvium</td>
<td></td>
</tr>
<tr>
<td>Tertiary</td>
<td>Regolith</td>
<td>Laterite, colluvium, black soil, silcrete, duricrust</td>
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<tr>
<td>Cretaceous</td>
<td>Dunmarra Basin?</td>
<td>Mullamen Beds</td>
<td>Sandstone, conglomerate</td>
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<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, doloarenite</td>
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<tr>
<td>1610 Ma</td>
<td>Wattie Group</td>
<td></td>
<td>Siltstone, sandstone, dolostone</td>
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<tr>
<td>1660-1620 Ma</td>
<td>Birrindudu Basin</td>
<td>Limbunya Group</td>
<td>Dolostone, siltstone, sandstone, tuff</td>
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<td>1880-1850 Ma</td>
<td>Basement</td>
<td>Inverway Metamorphics</td>
<td>Schist, acid volcanics</td>
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PREVIOUS EXPLORATION

During previous diamond exploration campaigns in the region Ashton collected a substantial number of reconnaissance and infill stream gravel samples from within the area now covered by EL 22333. There is a fairly even distribution of gravel sample sites across the EL that tested catchments in the order of 5-15 km². One sample central to the EL returned a single microdiamond. The sample is located just downstream of three adjacent tributaries that each have an associated gravel sample containing chromite. Twelve sample sites containing chromite cluster into 6 different areas within the EL. None of the indicator mineral occurrences have been followed up in any detail.

During year one of the current tenure, Rio Tinto completed a thorough review of the geology, geomorphology and sampling data and this is documented in Rio’s 2003 report to the Department of Business, Industry & Resource Development.

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 Tee Dee Falcon™ survey 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

EL 22333 lies within an area generally held to be prospective for diamonds. The presence of microdiamonds and kimberlitic indicator minerals within the EL make it worthy of further exploration work.

Recommendations for further exploration will be largely based on the interpretation of the Falcon™ data at Tee Dee, to the north of EL 22333.

PROPOSED EXPLORATION BUDGET

<table>
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<tr>
<th>Description</th>
<th>Cost</th>
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<tr>
<td>Aerial Photography and satellite imagery</td>
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<tr>
<td>Interpretation costs</td>
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<tr>
<td>Field reconnaissance</td>
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<tr>
<td>Sampling and sample analysis costs</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$15,000</strong></td>
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EXPENDITURE STATEMENT

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<tr>
<th>Description</th>
<th>Cost</th>
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<td>Legal/Tenement maintenance costs</td>
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<td>Professional personnel costs</td>
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<td>Data processing / computing costs</td>
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<tr>
<td>Cartography</td>
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<td>Travel and accommodation costs</td>
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<tr>
<td>Administration/overhead</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$6,376</strong></td>
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Victoria Project - EL22333
Location Map
Showing Aboriginal Land Trust and Pastoral Lease Boundaries

Legend
- Rio Tinto Tenement
- Aboriginal Land Trust
- Pastoral Lease
- Locality
- Road
- Drainage

Figure 1

G A R V I T Y C a p i t a l L i m i t e d

Victoria Project - EL22333
Location Map
Showing Aboriginal Land Trust and Pastoral Lease Boundaries

Date: 15/3/2004
Author: D Isles
Office: West Perth
Drawing: nicolcad
Workspace: EL23229 report 2004-02
Scale: 1:500000
Projection: UTM Zone 55, Southern Hemisphere (WGS 84)