Northern Territory Evaporites

Annual Exploration Report For Period 1/7/2000 To 30/6/01
Authority 162

Exploration And Development of Brine Water Resource

In our report to you at the conclusion of the year ended June 2000, we indicated an opportunity to interest a consortium of companies in the Brine resource for industrial mineral production consideration.

It was indicated to us that several projects would be put before a group including Thiess, Hatchem, Geo-Processors and Macquarie Bank or Westpac Bank.

This project proposal was for the implementation of a staged development project based as follows:

Stage 1
Feasibility study involved in:
• Brine resource extraction for selected tenement sites.
• Upgrading market demand information to determine scale and design of commercial operation requirement.
• Optimising the engineering design for processing of minerals selected and costing of commercial viability to produce.

Stage 2
To proceed (if viability and market acceptance proven) by the establishment of staged commercial production plants for production of:
• Thenardite Salt (Sodium Sulphate).
• S.O. pm Salt (Sulphate of Potassium Magnesia).
• Halite Salt (Sodium Chloride).

The project offered significant opportunities for expansion in subsequent years, both in terms of increasing production to satisfy demand for import replacement products, and also for introducing new products from bittern stock.

Further support was anticipated from government agencies in the Northern Territory and South Australia, as well as the Commonwealth, because of the import replacement and fertiliser demand in the horticulture industries development of these states, and the benefit potential to the Alice/Darwin Railway and port facility for export product.

At this time we were aware that the consortium established its first project dealing with the Federal development of an environmental Murray / Darling Basin salt mineral production plant based at Kerang in Victoria, where preliminary work has satisfied the requirement of pre-feasibility.
We were hopeful that our contact with Thiess could assist us develop a similar project in the NT, as they had all the essential profession engineers and geo-hydrologists to support any further proposal in the NT.

We realise that the likely hood of any consortium interest required the backing of a full scoping report of the proposal before any funding could be anticipated from outside sources.
To this end we were considering this option in order to raise seed funding to move this project forward.

**Work Undertaken For The Period Ended June 2001**

<table>
<thead>
<tr>
<th>Month</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2000</td>
<td>Report from Geo-Processors. Description of original project proposal for development of Industrial minerals from brine resources in Ro. 162 by a consortium of expertise.</td>
</tr>
<tr>
<td>August 2000</td>
<td>Partnership meetings responding to proposal for formation of consortium, including employment of consultants to prove up resource capabilities resulting in preparation of Memorandum of Understanding. Further exploration was undertaken at Curtin Springs collecting brine waters-crystal formations and soil samples. These sites were pinpointed by use of a hand held GPS unit. A survey of suitable sites was made for drilling or trenching brine resources to intercept sites between lakes. A report of samples is attached but no analysis of brines and samples has been reported to us at this stage.</td>
</tr>
<tr>
<td>September 2000</td>
<td>Further partnership meetings to negotiate a memorandum of understanding with Geo-Processors PTY were initiated in August for funding of the brine resource development. This MOU was to establish a vehicle for reviewing the potential and bringing together a consortium to fund a staged development program to prove brine resource capability and then begin a development strategy. MOU was signed on September 25 2000 for a period ending on December 29 2000, with extensions, as approved by all partners.</td>
</tr>
<tr>
<td>October 2000</td>
<td>Provide updated report to consultant on pilot plant work undertaken to produce Sodium Sulphate product on site with purity of 91.02%. Provide latest mapping and alternate sites suitable for further investigation for brine production program to consultant.</td>
</tr>
<tr>
<td>December 2000</td>
<td>A visit to Alice Springs was proposed to include representatives form a consortium group, including Hatchem, Thiess and possibly Macquarie Bank, to brief the partnership and to inspect the region was delayed by weather and has now stalled indefinitely.</td>
</tr>
</tbody>
</table>
It was anticipated that the consortium would undertake a resource survey and current market report.

No further project work had begun on the brine resource and we were currently seeking to discuss their interest in this general project for year 2000/2001. Alternatively we were to undertake a scoping study to establish the viability options of the brine resource for future consideration and funding.

The proposed expenditure for years 2000-2001 was not funded to proceed, with no agreements arising from the MOU of December 2000. The way forward was seen to have an independent report of the prospect for market consideration.

In December 2000 as indicated, negotiation stalled, not only because of weather conditions, but also due to a disagreement over financial arrangements between members of the consortium and Aro Arakel of Geo-Processors who had signed the MOU in September 2000 with Northern Territory Evaporites. NTE had no part in these discussions with the consortium but was only advised by Arakel of progress. Indeed NTE were not informed of the breakdown and the eventual collapse of the negotiations. The NTE partners were later informed informally by telephone by Mr. Albrecht of Thiess that all contact had ceased. By this action NTE partners saw that the MOU of September 2000 was no longer effective.

The present situation is now as follows:
1. NTE is considering future planning in the light of the previous negotiations for this forth-coming year July 1 2001 – June 30 2002.

2. In this present period further extensive rain fell in the region of authority 162. Access in difficult or impossible. Playa Lakes remain almost full, with the Karinga creek often flowing. Because of this it is not feasible to carry out any significant further exploration, at least until the end of this calendar year 2001. In the meantime NTE is considering its options.

In regard to the development of Gypsum on Authority 162 in the Erldunda /Karinga Creek region, all activity has temporarily ceased because of the heavy rains and flooding in the area. Salt lakes and clay pans and areas considered worthy of development activity are unworkable. This situation is expected to exist until later this year. Because of the present prevailing situation no positive expenditure can be taken until the overall scene improves permitting access and continued trialling.

Northern Territory Evaporites will further report as conditions improve.

[Signatures]

Bernard Kilgariff
Partner NTE

Ian Builder
Partner NTE

28 June 2001
Expenditure for year ended 18 June 2001

Authority 162

Administration of consultancies with Geo processors and others to develop an understanding for a working relationship on the Brine resources. Exploration and sampling conducted in August and dispatch of samples to Geo processors for analysis, for comparison with past sample records. Development and signing of memorandum of understanding between NTE and Geo processors on 25/9/2000 to 31/12/2000 did not proceed further. Report to members on pilot plant work to produce Sodium Sulphate in the field with samples of Mirabilite and dry Thenardite for inspection and testing was also made available.

Costs associated with above

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration for period</td>
<td>$ 5,300.00</td>
</tr>
<tr>
<td>Exploration expenses.</td>
<td></td>
</tr>
<tr>
<td>- Vehicle hire</td>
<td>$ 360.00</td>
</tr>
<tr>
<td>- Fuel and Tyres</td>
<td>$ 490.00</td>
</tr>
<tr>
<td>- Expendables and provisions</td>
<td>$ 600.00</td>
</tr>
<tr>
<td>- Sample preparations and dispatch</td>
<td>$ 160.00</td>
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<tr>
<td>- Staff, 2 men x 4 days</td>
<td>$ 1,200.00</td>
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<tr>
<td>Fax – Phone – Mobile and reporting</td>
<td>$ 930.00</td>
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<tr>
<td>Consultants airfare and accommodation</td>
<td>$ 760.00</td>
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<tr>
<td>Travel and accommodation in Alice Springs</td>
<td>$ 400.00</td>
</tr>
<tr>
<td>Erlundua Gypsum administration and fees</td>
<td>$ 900.00</td>
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<tr>
<td>Authority 162 Licence</td>
<td>$ 1,000.00</td>
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<tr>
<td></td>
<td>$11,200.00</td>
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Expenditure Anticipated year to 18/6/2002

Authority 162

1. Administration, Fees and Communications          $10,000.00
2. Product review – market, supply and demand assessment $30,000.00
3. Development of consortium for stage 1
   Brine resource assessment and resource testing       $30,000.00
4. Re open Gypsum deposit                            $ 5,000.00

$75,000.00

Yours Faithfully,

[Signature]

Ian Builder – Partner
Northern Territory Evaporites                      8/7/2001
GEO-PROCESSORS. PL.
FAX 02 9980 1633

ATTENTION ARD ARAKEL (DIR)

ATTACHED REPORT AND MAP DETAILING
LAKE SAMPLES IN CURTAIN SPRINGS REGION
MAP SCALE 1: 1: 2500

SAMPLES AIRFREIGHT TO
UNIT 3 2A PIONEER AVE THORNLEIGH
NSW 2120

Regards - IHB

5/9/00
SAMPLES TAKEN 30 August 2000
AT CURTAIN SPRINGS, REGION

WATER SAMPLE NO.1 - SPRING LAKE.
TAKEN WITH SHOVEL 160M OFFSHORE 60M
0.30M TO WATER IN GOOD SUPPLY.
BELOW SURFACE. - NO SURFACE WATER.
TEST SG. 1.185

SOIL SAMPLE TAKEN AT SITE
SOUTH 25°18'12" EAST 131°56'33".
2 KILOMETRES TO LASSOTTE HIGHWAY
22 KILOMETRES TO CURTAIN SPRINGS. ACCOM.

WATER SAMPLE NO.2 - LAKE A

SURFACE WATER AT OLD DIG SITE ON LAKE. SG 1.240

WATER SAMPLE NO.3 - LAKE A.
TAKEN FROM OFFSHORE (OUTSIDE) LAKE PERIMETER TRENCH MAINING.
10M X 2M X 3M DEPTH. - WATER STANDING 0.80M BELOW
GROUND LEVEL. SG 1.180

WATER SAMPLE NO.4 - LAKE A.

NEW DIG WITH SHOVEL. - WATER AT 0.40M WITH V/GOOD
FLOW RATE. SG 1.22.

SOIL SAMPLES TAKEN AT SITE - SOUTH 25°15.229'EAST 131°49.408

EXCELLENT SITE TO TRENCH FOR MAJOR WATER SUPPLY

9 KILOMETRES TO LASSOTTE HIGHWAY. - AND CURTAIN
SPRINGS WAYSIDE INN AND ACCOMMODATION.
Glauberite Lake - (Swansons Lake or Lake 1)

Water Sample: No water collected - Trace on shoreline.
This lake very similar in type to Lake Suzie.
Black oozing mud with salt encrustment from 3 to 4 inches (10 cm). Thinning at shoreline and thicker towards lake middle.
Evidence of past salt scrapping and vehicle tracks on lake centre.

Sample of salts taken from surface for I/D inspection.

26 Kms to Curtain Springs - 2 Kms to Lassett's Highway.

Bullett Lake - (Opposite Swansons Lake. AND 1 Km from Lassett's Highway NN.)

Small lake with high brine water productivity which may associate with Spring Lake also within 2 Kms to west. Surrounds include small dam and large quarry.

Water Sample: No 6. Taken from Shove hole 0.70cm with SG of 1.120.

Good lake to excavate for conditioning own and Spring Lake brines. With ample room for infra structure and storage of material.