KAJEENA MINING PTY LTD

ANNUAL REPORT FOR THE PERIOD ENDING
12TH DECEMBER 2005

EXPLORATION LICENCE 10097

MISTAKE CREEK AREA, NT

by

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EXECUTIVE SUMMARY

This annual report describes the work carried out in EL 10097, Mistake Creek during the period ending 12 December 2005. Exploration work consisted of;

• Conclusion by Admiralty Resources NL not to continue with Joint Venture negotiations with Kajeena Mining Ltd for Admiralty to farm-in to the project
• Interpretation of magnetics data
• Identification of numerous anomalies in the magnetics data which may represent kimberlites or lamproites
• Submission of a proposed work program to the Central Land Council to gain clearance permission to commence drainage sampling for diamonds
• A reconnaissance field visit

Several gold and base metal anomalous drainage areas, defined by previous workers, were field checked. No obvious source to the anomalous gold, zinc and magnetic units are evident in the upper parts of the Swan Creek area or in the zone identified in the northwest of EL10097.

The area remains prospective for diamonds and a proposed program of drainage sampling is currently with the CLC for clearances before work can commence. Unfortunately, this clearance was not received before year-end and it is now scheduled to commence early 2006.
1 INTRODUCTION

Kajeena Mining Company Pty Ltd is the owner of EL 10097 at Mistake Creek in the northwestern part of the Northern Territory. Negotiations with Admiralty Resources NL failed to form a Joint Venture on the project area in early 2005. Assessment of previous strategy, exploration data and a preliminary review of the mineral potential for EL’s 10097 were undertaken by Pacific Consulting Services on behalf of Admiralty resources NL in 2004.

This annual report describes all the exploration work carried out within EL 10097 during the reporting period. For work undertaken in prior years the details are presented in the previous reports written by Duncan and Hall and are listed in Section 10 (REFERENCES).

EL 10097 is part of the Mistake Creek Project, which also includes EL’s 10096 & 10098. The work during 2005 was directed at identifying targets for follow-up in the field. Fieldwork on the project was initiated but the proposed sampling program has not yet been carried out due to delays in obtaining clearances from the Central Land Council.

2 LOCATION & ACCESS

EL 10097 is located near the border between Western Australia and Northern Territory (Figure 1). The centre of the area is approximately 125 kilometres west of Kalkaringi and 200 kilometres southeast of Kununurra. Access is via the Buchanan/Buntine Highway approximately 500km from Katherine, then via station tracks through Inverway, Riveren and Limbunya Stations.

The region is sub-tropical with long hot summers reaching 40°C + for much of January and February, winters are milder with temperatures ranging from 5°C to high 20°C’s. Tropical monsoon rains occur during January to March making access to all areas difficult and averaging 400-500mm per year.
3 TENURE DETAILS

EL 10097 is held by the Kajeena Mining Company Pty Ltd.

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<th>Exploration Licence No.</th>
<th>No. Blocks (Area km²)</th>
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<td>12/12/2007</td>
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Figure 1. Location Map
4 REGIONAL GEOLOGY

EL 10097 is located east of the Halls Creek Mobile Zone and to the south of the Pine Creek Orogen. It encompasses elements of the Palaeoproterozoic Birrindudu Basin and overlying Mesoproterozoic Victoria Basin, which comprise platform cover to the underlying Tanami Region basement, elements of which are interpreted outcrop in the tenement area. Flood basalt of the Cambrian Antrim Plateau Volcanics also outcrop within the area (Figure 2).

Antrim Volcanics

Figure 2. Regional geology with EL outlines

4.1 Orogenic Basement

The Palaeoproterozoic Inverway Metamorphics are correlated with the Tanami Complex pre Barramundi Orogen (1880 –1840) flysh sedimentation. Regional gravity and magnetics interpretation indicates continuity beneath the later sedimentary basins and basalt cover. Two small inliers on the Inverway Metamorphics are exposed along the core on a NE trending anticline within the middle of EL10097. The exposures are comprised of steeply dipping muscovite schist, which has at least two cleavages, grey to reddish – grey volcanics and minor siltstone. Metamorphic grade is sub – greenschist to greenschist facies. Concordant quartz veins are common and form massive 2-4m thick reefs of white quartz, which cut the schist and volcanics.

Detailed geology of EL10097 is shown in Figure 3.
4.2 Birrindudu Basin

The Birrindudu Basin contains Paleo-Proterozoic sandstone, mudstone and shallow water evaporitic carbonate rocks. These rocks are widespread throughout EL 10097. The Limbunya Group has eleven formations some 1300m thick, is dated at 1.7 – 1.6 Ga and is a time equivalent of host sediments to the extensive syn – epigenetic lead-zinc province of the eastern part of the North Australian Craton. The group is a succession of cyclic carbonate and siliciclastic, unmetamorphosed sediments.

The Mt Isa Group sediments of the Mt Isa Trough, the McNamara Group of the Lawn Hill Platform and the McCarthur Group of the Batten Trough were deposited during the period 1700 – 1600 Ma. This period of widespread lead – zinc mineralisation was generated via circulation of basinal brines and deposition into chemically active sediments. Fluids were focussed on the intersection of NW – WNW pre-Barramundi extensional basement faults and later (post Barramundi) N – NNW trending growth faults.

4.3 Victoria Basin

Unconformably overlying the Birrindudu Basin, the mesoproterozoic Victoria Basin contains several thousand metres of sedimentary material divided into four groups. The Wattie Group and Auvergne Group outcrops in EL 10097 and represent this package in the tenement area.

The Wattie Group is a dominantly siliciclastic succession with subordinate carbonates with a total thickness >400m and contains seven identified formations. It overlays the Limbunya Group with a marked angular unconformity. Of the seven formations only the basal Wickham Formation is well exposed in the area. The others are mainly recessive and form low ridges.

The Wickham Formation is characterised by fine to medium, well-sorted sandstone; minor inter-bedded sandstone, conglomerate and chert; and rare siltstone. Significant exposures are present with the tenement areas. Sedimentary structures may be readily seen. The Wickham formation is interpreted to have been deposited during a shallow marine transgression, with some sub-aerial exposure. The Auvergne Group contains seven formations, of which only two are preserved or exposed in the area. It unconformably overlays the Wattie Group and the Limbunya Group.

4.4 Cambrian Antrim Plateau Volcanics

The Antrim Plateau Volcanics are assigned a Cambrian age and outcrop over the tenement area. They comprise part of the largest Phanerzoic flood basalt province in Australia. The flows consist of 20-60m thick lava flows, mostly of massive fine basalt with vesicular flow tops; less commonly of plagioclase-phyric basalt. The eruptive centres are difficult to determine. Cherts have been mapped within the sequence in EL10097.

4.5 Cenozoic Cover.

Cenozoic units cover a portion of the tenement area. A unit of Cenozoic duricrust is mapped on the upper unit of the Fraynes Formation of the Limbunya Group. Ferruginous laterite is
particularly developed over the Antrim Volcanics. A thin lateritic horizon is also present over the Limbunya Group lithologies. Grey clay rich soil is noted along Sturt Creek and tributaries and overlying basalt areas of low relief. Superficial sand, soil, eluvium and calcrete occur through the Limbunya area. The majority of rivers and streams are entrenched in alluvium.

4.6 Structural Elements & Tectonic History.

The Birrindudu and Victoria Basin lithologies display evidence of mild deformation and no tectonic related metamorphic history. The Birrindudu Group sediments are folded and distinctly unconformable with the Limbunya Group. In its current configuration the Limbunya Group sediments in the tenement area present as an inverted basin with stratigraphy younging toward the basin margins attributed to a compressional event, which was in part transgressive and initially focussed on this area.

The tectonic history evident in the stratigraphy is summarised as follows:
- The post Barramundi Birrindudu Gp – Birrindudu Basin are folded and eroded but unmetamorphosed and unconformable with the overlying Stirling Sandstone – Birrindudu Basin.
- Following folding and uplift of the Birrindudu Group a marine transgression resulted in deposition of the Stirling Sandstone that was followed by a shallow water carbonate dominated sequence.
- Tectonic down warp is indicated by a change to deep water sedimentation of the Kunja Silstone comprising siltstone & shale with minor tuffite (1640 Ma).
- Tectonic uplift saw a reversion to shallow marine conditions.
- Minor tectonism is indicated by mild folding of the Limbunya Group Deposition of the Wattie Group.
- Uplift – erosion.
- Deposition of the Auvergne Group.
- Victoria Basin. 810 – 750 Ma.
- Reactivation of strike - slip faults and uplift circa 560 Ma was associated with the King Leopold Orogeny and extensive flood basalts –Antrim Plateau Volcanics.

The distinct structural elements observable in outcrop, gravity and magnetic data are:
- The north west trending structural corridor bounded by the Limbunya fault to the north and in part by the Negri Fault to the south.
- The discontinuity between the distinct gravity low to the south west of the tenement area and the generally high gravity readings through the tenement area. This discontinuity is coincident with a northerly trending zone of folding and faulting which trends to the north west into the Negri fault.
- The west south west trending Neave Fault to the south of the tenements which is discriminated by the abrupt break in magnetic signature of the Antrim Plateau Volcanics which abut the fault from the southern side.
- A regional monoclinal synform which trends north to north north west into the Limbunya Fault Zone and is interpreted as indicative of a regional basement fault. The north-north west trending folds and faults to the south of the Limbunya fault. The north east trending faults to the north of the Limbunya Fault.
5 SUMMARY OF PREVIOUS WORK

Details of previous exploration have been presented in the 2002 annual report and are included in the reports by Duncan (2002) and Hall (2002). In summary, the Limbunya area has been explored sporadically since the late 1960’s/early 1970’s, primarily for diamonds and base metals.

AMAD NL exploration was limited to a 2-day field trip involving regional geological traverses.

Dampier Mining (BHP) undertook a program of ground gravity and magnetics to investigate a magnetic and associated gravity feature, with a Zambian Copperbelt model in mind. A small stream sediment and rockchip sampling ensued but the area was dropped as the geophysical features were interpreted not to be coincident with a basement high.

WMC acquired tenure after a regional stream sediment sampling program targeting stratiform copper, located anomalous Pb/Zn near Swan Yard. Follow-up blanket sampling located further anomalous areas but work was curtailed as the group began to rationalise base metal programs for gold.

Geopeko conducted the most extensive program including soil and stream geochemistry, Questem, ground EM plus substantial drilling in search of stratiform, sediment hosted base metals mineralisation similar to McArthur River.
Ashton Mining explored the southern part of the area for diamonds, while Stockdale/MIM explored a larger area.

Best results include:

- Anomalous values of gold in stream sediment samples (+80# BCL) in the SW of EL10097 along Swan Creek and in the NW, several kilometres from Swan Yard
  - four samples >1ppbAu, with a max of 6.73ppb Au, define an area ~3 x 5km along Swan Creek. Geopeko identified silicified dolomite and laterite within this area. One line of soil sampling failed to explain the gold anomalism.
  - four samples >1ppb Au, with a max of 31ppb Au, define a smaller area of ~1.3 x 0.7km NW of Swan Yard
  - both areas are coincident with significant magnetic stratigraphy which does not outcrop

- High values of Pb and Zn in stream sediments in the northwest
  - Geopeko identified a 20m thick black shale unit in the Mallabah Formation (within Lumbunya Group and equivalent to rocks of the McArthur Group) containing anomalous levels of Pb and Zn and EM anomalies
  - Best intersection (LMDH8) of 6m @ 0.42% Cu (incl. 2m @ 0.93% Cu) in carbonate breccia and black graphitic shale, basement to Limbunya Group

- High values for Cu in stream sediments in the east
  - No mention is made of this by Geopeko

- Ashton discovered a weak but distinct microdiamond anomaly covering ~1000km2 just south of EL10097 on the Birrindudu Sheet. The anomaly is located on a splay fault associated with a major NW-trending lineament which is thought to be one of the structures controlling the emplacement the Argyle orebody. Stockdale recovered abundant basaltic chromites, some with characteristics considered possible derivatives of kimberlites.

6 WORK COMPLETED DURING THE PERIOD

6.1 Summary of Work Done

Work completed during the reporting period to 12 December 2005 consisted of:

- Cessation of negotiations between Kajeena Mining Pty Ltd and Admiralty Resources NL regarding Admiralty farming into the project area
- Interpretation of magnetics data and identification of discrete anomalies, resembling kimberlites or similar, warranting ground follow-up
- Planning of a drainage sampling program for diamonds to test the identified anomalies
- Submission of the proposed work program to the Central Land Council to gain clearances before ground work could be carried out
Initial reconnaissance field visit to gain familiarity with the geology and geography plus check areas of anomalous base metals and gold in drainages, as defined by previous explorers. Appendix 1 is a detailed report on field investigations.

6.2 Rationale

Kajeena Mining Pty Ltd is exploring EL10097 based on a primary diamond search and secondary gold or copper search.

Significant recent exploration activity immediately adjacent to the areas by Ashton Mining and Ausquest for diamonds and nickel respectively suggests the area attracts considerable interest from respected players.

6.3 Magnetics

The magnetics for the area around EL 10097 is shown in Figure 4.

An interpreted major northwest-trending structural zone occurs in the central portion of EL 10097 and extends NW to the Argyle diamond deposit. The majority of EL 10097 is interpreted to have magnetic signature devoid of flood basalt as indicated by the widespread occurrence of the Antrim Volcanics elsewhere. The western, and southwestern, edge of EL10097 has magnetic signature typical of tightly folded metasediments, perhaps iron formations that may belong to either the Halls Creek, Pine Creek or Tanami Orogen. A large
buried magnetic unit immediately to the north of the area may be iron formation, mafic unit or altered carbonates. A substantial gravity response is associated with this unit also.

7 CONCLUSIONS

Stream sediment sampling in EL10097 by previous explorers has highlighted several areas with moderate-level anomalous gold, copper, zinc and lead. Previous diamond exploration has resulted in the recovery of indicator minerals and diamonds, especially to the south.

No metal mineral occurrences are known within the areas of EL10097. Major faults occur within the tenement areas, but none of these have associated Zn or Pb occurrences along them as an indication of large base-metal deposits in the tenements.

Interpretation of magnetic data together with geological field evaluation found that the tenement has concealed folded units of moderate to strong magnetic intensity. These units maybe Lower Proterozoic iron formations prospective for gold or copper, such as in the Tanami Province.

The prospectivity of the EL’s10097 is considered low for large base metal deposits however, a search primarily for diamonds and secondary for gold and copper is considered warranted.

8 EXPENDITURE FOR YEAR 4 (2005)

Expenditure for Year 4 (2005) of EL10097 was as follows:

- Geoscience Consultants. $ 10,429
- Other Consultants $ 17,400
- Field Support $ 1,386
- Meals & Accomodation $ 463
- Vehicles (incl fuel) $ 1,455
- Airfares & travel (incl taxis) $ 382
- Field supplies $ 144
- Equipment $ 73
- Consumables & Comms $ 18
- Tenement maintenance $ 1,000
- General (incl maps) $ 25
- Administration $ 4,916

TOTAL $ 37,689
9 FORWARD PROGRAM FOR YEAR 5 (2006)

The proposed forward program for year 5 of EL10097 for 2006 is anticipated to involve the following major work:

- Drainage sampling program for diamonds
- Surface lag and/or soil sampling for gold along Swan Creek and NW of Swan Yard

Proposed sample locations are shown in Figure 5.

![Figure 5. Proposed drainage sample locations.](image)

The costs estimated to achieve this work are in Table 1;
Table 1. Forward Program Costs, Year 5 (2006)

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10 REFERENCES


