ANNUAL REPORT

Tanami Granites Prospect

EL24178

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SUMMARY

This report describes the work undertaken by Washington Resources Limited (WRL) in assessing the granted exploration licence, EL24178 located 600km northwest of Alice Springs.

WRL has completed a literature search and compiled all available open file data on the tenement. The Company recently announced plans to form a joint venture with Polaris Metals NL to advance the uranium assets of both groups in the Gardiner Range and Tanami-Granites areas of Western Australia and the Northern Territory. EL24178 will be a part of this agreement.

1 LOCATION AND ACCESS

The tenement covers an area of 204 km² in the Tanami region of the Northern Territory, (Figure 1). It is located some 600km northwest of Alice Springs.

Primary access is by way of the gravel Tanami Road from Alice Springs to the Northern Territory/Western Australian border.

2 TENEMENT DETAILS

The tenement was granted to Norman McCleary on 13 February 2004. WRL is now the registered holder having purchased a 100% interest following listing of the Company on the ASX on 14 November 2005.

3 GEOLOGICAL SETTING

In the Tanami Region, one of the most important tectonic units is the North Australian Craton, the stratigraphic succession of which shows similarities with the Pine Creek and Halls Creek Orogens, other Palaeoproterozoic successions in northern Australia.

Within the region, the MacFarlane Peak Group, which is interpreted to be the basal unit of the Palaeoproterozoic sequence, is dominated by volcanic and volcaniclastic rocks, along with elastic and calc-silicate sediments. These are overlain by siltstone, carbonaceous shale, calc silicates and BIF of the Dead Bullock Formation. This in turn is overlain by a thick sequence of turbidites, the Killi Killi Formation. Interbedded siltstone, greywacke and chert west of Tanami are included in the Twigg Formation. The latter three units are grouped together in the Tanami Group.

The Pargee Sandstone and the Mount Charles Formation occur in small extensional basins. A period of wider extension follows, accompanied by felsic volcanism in the Mount Winnecke Group and Nanny Goat Volcanics. Five main granitic suites are recognised in the Tanami Region, the most important being the Coomarie and Frederick Suites. The youngest granites in the area belong to The Granites Suite. Archaean rocks identified from drilling comprise the Browns Range Metamorphics and the Billabong Complex.
Mineralisation in the most significant gold prospects is hosted by the McFarlane Peak and Tanami Groups, Mount Charles Formation and Nanny Goat Volcanics, as well as the Winnecke and Granite Suites. Recent drilling by the NTGS indicates that the Coomarie Suite is also anomalous in gold.

The most common controls for gold localisation in the Tanami/Granites areas are brittle faults and late shear zones within favourable host units and rock contacts; for example, the Callie Host Unit, Tanami Mine Basalts, basalt/sediment contacts (Tanami) and reactivated fault contacts (The Granites). Iron-rich horizons (BIF) and carbonaceous shales are also important hosts.

EL24178 is located in the central-east portion of the Tanami/Granites area. Clastic sediments of the Proterozoic Birrindudu group underlie the greater portion of the tenement. The northeast corner laps onto Coomarie Suite granites whilst McFarlane Peak metamorphics border the northern boundary.

4 PREVIOUS EXPLORATION

Gold was first discovered in 1900, at both The Granites and Tanami, in small, rich, transgressive quartz veins. From 1947 to 1948, a program of costeasing and drilling by Anglo Queensland Mines Ltd outlined a probable resource of 250,000 t grading 11.5 g/t Au. In 1960, New Consolidated Gold Fields (Australia) Pty Ltd discovered uranium in the Killi Killi Hills area, near the Western Australian/Northern Territory border. The uranium was hosted in radioactive sediments of the Middle Proterozoic Gardner Sandstone.

During the 1970s, exploration involved the search for vein-unconformity type uranium mineralisation, with a number of companies active on the Northern Territory border. However, no deposits of note were located during this period.

In 1980-81, the ‘Mineral Reserves Group’ of Canada undertook a major evaluation of the Tanami/Granites region, with most of the work performed on tenements in Western Australia. Of special significance was their discovery of polymetallic, vein-related uranium, gold, nickel and cobalt minerals in the Gardner Range, within an area now covered by Washington’s ELA 23932.

During 1983-84, Otter and Cultus Pacific NL held title to large areas of land in the Northern Territory but did very little work prior to relinquishment in 1984.

In 1983, North Flinders carried out drilling in The Granites area, delineating a reserve of 718,000 t averaging 5.4 g/t Au. The gold occurred in transgressive quartz veins and as strata-bound, layered disseminations within the mineralised host unit, which comprised Lower Proterozoic metamorphosed sediments of the Mount Charles Formation.

Between 1985 and 1992, detailed exploration of the Tanami area was carried out by Western Mining Corporation Limited (“WMC”) and PNC Exploration (Australia) Pty Ltd (“PNC”). Their work covered a relatively small portion of Washington’s Northern
Territory project area, close to the Western Australian/Northern Territory border within ELAs 24174, 24177 and 23932.

Exploration by PNC involved regional studies of aeromagnetic and radiometric data, followed by lineament studies related to uranium and, to a lesser degree, gold mineralisation.

WMC’s exploration, which was primarily for gold, included regional studies and compilation of all available published and open-file data, regional and detailed geochemical and geological surveys and limited ground geophysical studies. This exploration program resulted in the discovery of gold geochemical lag anomalies that, at the time, were not drill-tested. Other areas of interest were defined on the basis of geophysical data integration and interpretation.

WMC reported that the most significant analytical results to emerge from the area were the presence of abundant, low-level auriferous anomalies; namely, 47 samples with greater than or equal to 0.01 ppm Au and 20 samples greater than or equal to 0.05 ppm Au. The maximum assay was 1.05 ppm Au from a vuggy quartz vein, while the average assay value for all samples was 0.08 ppm Au.

In 1991, Zapopan NL (“Zapopan”) acquired the Tanami joint venture and continued mining until 1994. Total production was reported as 26.54 tonnes Au. In 1995, Zapopan’s tenements and plant were transferred to the Central Desert Joint Venture, comprising Acacia Resources Ltd and Otter Gold Mines Limited (“Otter Gold”). By 1994, a resource of 3.4 Mt grading 3.2 g/t Au had been identified at the Jims Find, Dog Bolter and Redback Rise deposits. Mining, which commenced in 1995, produced 11.8 tonnes of gold from 3.87 Mt of ore.

Since 2003, under the control of Newmont Australia Limited (“Newmont”), the gold resources at the Tanami operation – including Groundrush, Callie and Dead Bullock Soak – were 17.87 Mt at 4.8 g/t Au Proved/Probable Reserves for 2.72 Moz Au, 1.18 Mt at 2.9 g/t Au Measured/Indicated Resources and 3.54 Mt at 5.8 g/t Au Inferred Resources.

WRL has completed a literature search and compiled all available open file data on the tenement. This has been subject to due diligence and review by an independent geologist and will be used to plan future exploration on the tenement.

5 CURRENT EXPLORATION

WRL had planned to undertake programmes of geological mapping and aerial geophysics in the current reporting year. However delays in the listing process meant that funds allocated for exploration did not become available until November 2005. The Company has been unable to complete the planned exploration for the current year.

WRL is in the process of negotiating a joint venture agreement with Polaris Metals NL to jointly explore tenements held by the Company in the Tanami – Granites region. The focus of the joint venture will be to explore for unconformity style
uranium deposits along the contact between the Killi Killi beds and the Birrindudu sandstone units. EL24178 is part of the WRL/Polaris JV.

It is planned to target areas that have a structural and stratigraphic fit with accepted uranium deposit models that have been shown to host mineralisation in other areas. Targets will be further investigated using airborne electromagnetic and magnetic techniques and high-resolution gravity imaging to define drilling targets associated with the sandstone unconformity.