KAJEENA MINING PTY LTD

FINAL REPORT FOR THE PERIOD ENDING
12TH DECEMBER 2005

EXPLORATION LICENCE 10098

MISTAKE CREEK AREA, NT

by

Mark Dugmore

January 2006
CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>1</td>
</tr>
<tr>
<td>1 INTRODUCTION</td>
<td>2</td>
</tr>
<tr>
<td>2 LOCATION &amp; ACCESS</td>
<td>2</td>
</tr>
<tr>
<td>3 TENURE DETAILS</td>
<td>4</td>
</tr>
<tr>
<td>4 REGIONAL GEOLOGY</td>
<td>4</td>
</tr>
<tr>
<td>4.1 BIRRINDUDBU BASIN</td>
<td>4</td>
</tr>
<tr>
<td>4.2 VICTORIA BASIN</td>
<td>4</td>
</tr>
<tr>
<td>4.3 CAMBRIAN ANTRIM PLATEAU VOLCANICS</td>
<td>5</td>
</tr>
<tr>
<td>4.4 ORD BASIN</td>
<td>5</td>
</tr>
<tr>
<td>4.5 CENOZOIC COVER</td>
<td>5</td>
</tr>
<tr>
<td>4.6 STRUCTURAL ELEMENTS &amp; TECTONIC HISTORY</td>
<td>5</td>
</tr>
<tr>
<td>5 SUMMARY OF PREVIOUS WORK</td>
<td>8</td>
</tr>
<tr>
<td>6 WORK COMPLETED DURING THE PERIOD</td>
<td>8</td>
</tr>
<tr>
<td>6.1 SUMMARY OF WORK DONE</td>
<td>8</td>
</tr>
<tr>
<td>6.2 RATIONALE</td>
<td>8</td>
</tr>
<tr>
<td>6.3 MAGNETICS INTERPRETATION</td>
<td>9</td>
</tr>
<tr>
<td>7 CONCLUSIONS</td>
<td>10</td>
</tr>
<tr>
<td>8 EXPENDITURE FOR YEAR 4 (2005)</td>
<td>11</td>
</tr>
<tr>
<td>9 REFERENCES</td>
<td>12</td>
</tr>
</tbody>
</table>

FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1</td>
<td>Location Map</td>
<td>3</td>
</tr>
<tr>
<td>Figure 2</td>
<td>Regional geology with EL outlines</td>
<td>7</td>
</tr>
<tr>
<td>Figure 3</td>
<td>Detailed geology EL 10098</td>
<td>7</td>
</tr>
<tr>
<td>Figure 4</td>
<td>Regional Magnetics for EL 10098 (TMI drape)</td>
<td>9</td>
</tr>
<tr>
<td>Figure 5</td>
<td>Detailed magnetics EL 10098</td>
<td>10</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

This final report describes the work carried out in EL 10098, Mistake Creek up to the period ending 12 December 2005. Work has consisted of;

- Conclusion by Admiralty Resources NL not to continue with Joint Venture negotiations with Kajeena Mining Pty Ltd for Admiralty to farm-in to the project
- Interpretation of magnetics data
- A reconnaissance field visit to the region

The area is entirely covered by basalt of the Cambrian Antrim Plateau Volcanics. The basalt has a magnetics signature which makes identification of kimberlites very difficult in the geophysical data. The lack of indicator minerals and microdiamonds within the area of the tenement is a negative.

The prospectivity of EL 10098 is therefore downgraded and the licence was surrendered on 12 December 2005.
1 INTRODUCTION

Kajeena Mining Company Pty Ltd is the owner of EL 10098 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 10098 were undertaken by Pacific Consulting Pty Ltd on behalf of Admiralty resources NL in 2004.

This final report describes all the exploration work carried out within EL 10098 during the reporting period. For work undertaken in prior years the details is presented in the previous reports written by Duncan and Hall and are listed in Section 9 (REFERENCES).

EL 10098 is part of the Mistake Creek Project, which also includes ELs 10096 and 10097. The work during 2005 was directed at identifying targets for follow-up in the field.

2 LOCATION & ACCESS

EL 10098 is located on 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 southwest from Katherine, then via station tracks through Inverway Station.

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.
Figure 1. Location Map
3 TENURE DETAILS

EL 10098 is held by the Kajeena Mining Company Pty Ltd and tenement details for the area are shown below.

<table>
<thead>
<tr>
<th>Exploration Licence No.</th>
<th>No. Blocks (Area km²)</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Expenditure Covenant</th>
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<tbody>
<tr>
<td>EL 10098</td>
<td>27</td>
<td>13/12/2001</td>
<td>12/12/2007</td>
<td>$24,000</td>
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</tbody>
</table>

4 REGIONAL GEOLOGY

The tenement is located to the east of the Halls Creek Mobile Zone and to the south of the Pine Creek Orogen (Figure 2). They encompass elements of the Palaeoproterozoic Birrindudu Basin and overlying Mesoproterozoic Victoria Basin, which comprise platform cover to the underlying Tanami Region basement. These carbonate-dominated basins are in turn partially covered by the flood basalts of the Cambrian age Antrim Plateau Volcanics and the Ord Basin Sediments.

Outcropping rocks within EL 10098 entirely comprise flood basalts of the Cambrian Antrim Plateau Volcanics.

Detailed geology of the area is shown in Figure 3.

4.1 Birrindudu Basin

Paleo-Proterozoic sandstone, mudstone and shallow water evaporitic carbonate rocks of the Limbunya Group within the Birrindudu Basin, occur to the east of EL 10098. 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.

4.2 Victoria Basin

Unconformably overlying the Birrindudu Basin, the mesoproterozoic Victoria Basin contains several thousand metres of sedimentary material divided into four groups. Small areas of the Wattie Group outcrop east of EL 10098.
The Wattie Group is a dominantly siliclastic succession with subordinate carbonates with a total thickness >400m and contains seven identified formations. It overlays the Limbunya Group with a marked angular unconformity.

4.3 Cambrian Antrim Plateau Volcanics

The Antrim Plateau Volcanics are assigned a Cambrian age and outcrop extensively over the tenement area. They comprise part of the largest Phanerozoic 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. Their upper contact with the Headley’s Limestone, Negri Sub-group – Ord Basin is considered prospective for copper mineralisation. Barite vein type mineralisation and copper mineralisation are noted associated with the basalt.

4.4 Ord Basin

The Ord Basin straddles the NT / WA border. It contains three distinct synclines of which only the Hardman Syncline is present in the NT and preserves the most complete stratigraphic succession. The Goose Hole Group contains all the Middle and Late Cambrian Sediments of the Ord Basin; it is split into two subgroups and has a thickness of 700m. This Group is the dominant lithology in the adjacent EL application areas.

The Headleys Limestone is the basal unit of the subgroup, which has a maximum thickness of 530m and unconformably overlies the Antrim Plateau Volcanics. It has limited exposure within the granted areas but the contact is considered highly prospective for copper mineralisation. It is a peritidal carbonate sediment shown at the start of the widespread marine transgression into the Northern Australian Craton. No age diagnostic fossils are present but it is considered to be Ordivican in age. It is predominantly stromatolitic limestone and is expressed as bold ridge like outcrops making access difficult.

4.5 Cenozoic Cover.

Cenozoic units cover only a minor portion of the tenement area. Ferruginous laterite is particularly developed over the Antrim Volcanics. 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.
• Victoria Basin correlative of the Nathan Gp. McCarthur Basin.
• 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.
Figure 2. Regional geology with EL outlines

Figure 3. Detailed geology EL 10098
(refer Limbunya 1:250 000 map sheet for codes)
5 SUMMARY OF PREVIOUS WORK

Details of previous exploration have been presented in the 2002 annual report and are included in the reports by Hall (2002) and Duncan (2003). In summary, the area has sparse coverage by stream sediment sample data from previous explorers.

Ashton discovered a weak but distinct microdiamond anomaly covering ~1000km² south of EL10098 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 in the area, some with characteristics considered possible derivatives of kimberlites.

Small-scale mining activity took place between 1971 and 1972 when South Australian Barytes Pty Ltd produced barite from the Kirkimbie occurrence within the Antrim Plateau Basalt in the adjacent EL10096.

6 WORK COMPLETED DURING THE PERIOD

6.1 Summary of Work Done

Work completed during the tenure period to 12 December 2005 consisted of;

- Negotiations between Kajeena Mining Pty Ltd and Admiralty Resources NL regarding Admiralty farming into the project area
- Assessment of previous strategy, exploration data and a preliminary review of the mineral potential for EL 10098 were undertaken by Pacific Consulting Pty Ltd on behalf of Admiralty resources NL in 2004
- Interpretation of magnetics data by Geodiscovery Group Pty Ltd to determine if discrete anomalies, resembling kimberlites, warranted ground follow-up
- Initial reconnaissance field visit to gain familiarity with the geology and geography

6.2 Rationale

Kajeena Mining Pty Ltd explored EL10098 based on a primary base metal and diamond search. Major structures trending SE from the Argyle diamond deposit, some 200km away, occur through the area based on geophysical interpretation. Microdiamonds and indicator minerals have been found in the region. Geopeko also discovered low-level base metal anomalism to the east of EL 10098.

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

The regional and detailed magnetics for the area around EL 10098 is shown in Figure 4 and Figure 5.

Numerous occurrences of copper occur to the west of EL10098. These occurrences appear to be related to an interpreted major northwest-trending structural zone which extends NW to the Argyle diamond deposit. The majority of EL 10098 is interpreted to have magnetic signature typical of flood basalt as indicated by the widespread outcrop of the Antrim Volcanics.

![Figure 4. Regional Magnetics for EL 10098 (TMI drape).](image)

(circles: yellow=copper, purple=barite occurrence.)

The southeasterly trending magnetic high along which the copper occurrences and discrete magnetic anomalies are located may represent a basement ridge.

Discrete magnetic anomalies occurring throughout the tenement, probably represent basalt and not kimberlites. This ‘noisy’ signature makes it very difficult to identify features which may represent kimberlites.
7 CONCLUSIONS

Stream sediment sampling in EL10098 by previous explorers has not highlighted any areas with anomalous base metals however, previous diamond exploration to the west and south of the area has resulted in the recovery of indicator minerals and diamonds.

No metal mineral occurrences are known within the areas of EL10098 but previously mined barite veins occur to the south of the area. Major faults occur within the tenement areas, but none of these have associated Zn or Pb occurrences along them providing an indication of low prospectivity for large base-metal deposits in the tenement.

Interpretation of magnetic data together with mapped geological data indicates that the tenement is entirely covered by flood basalt of the Antrim Plateau Volcanics with no windows of Proterozoic basement in which kimberlite would be effectively prospected.

The prospectivity of the EL10098 is considered low for diamonds and large base metal deposits and the licence was surrendered on 12 December 2005.
Expenditure for Year 4 of EL10098 was as follows:-

- Geoscience Consultants. $ 991
- Other Consultants $ 4,350
- Tenement Administration $ 500
- Administration. $ 876

TOTAL $ 6,717
9 REFERENCES


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**FINAL REPORT EL 10098**