

**ANNUAL REPORT ERL 128 FOR THE PERIOD 06/04/05- 05/04/06**

**ANNUAL REPORT FOR MCNs 4493-4494 FOR THE PERIOD 01/01/06-05/04/06**

No exploration or other investigations were carried out on the Huandot deposit during the final year of grant of the titles. As a consequence the pro rata expenditure covenant for the final three years of grant of ERL 128 (\$96,600) was not satisfied. We therefore request the Minister to approve a reduction in expenditure to \$80,843 being the amount estimated to have been spent on geological, mining, metallurgical and marketing investigations plus administration since 6 April, 2003, as detailed below. Our cheque for \$50 being the applicable fee is attached.

<b>HUANDOT ACTIVITY 2006-2006</b>	<b>\$</b>
Consulting geologist Geological advice, tenement maintenance, sample collection	15783
Mining consultant Resource modelling, mine planning, scheduling, cost estimation	15,515
Metallurgical consultants Metallurgical investigations, chemical analyses	21,000
Employees Salaries, travel expenses	18,000
Administration	10,545
<b>TOTAL</b>	<b>80,843</b>

## FINAL REPORT

ERL 128 (to 5 April, 2006), MCNs 4493-4494 (to 24 May, 2006)

### Details of Work Completed, Years 1-5 (Initial Term, 1993-1998)

Expenditure \$2,562,764

Diamond drilling undertaken in 1993 was reported by Nicron Resources/Aztec Mining, the then operators of the adjacent Woodcutters Mine. The results of that drilling are also incorporated in the resource estimate report which constitutes the Annual Report for 1996-1997.

A bulk sample comprising 25,500 tonnes of high grade magnesite was extracted in 1995 and shipped to Canada for processing. Results of geological studies undertaken during the bulk sampling in 1995 and results of subsequent resource drilling were described in the Annual Reports for 1995-1996 and 1996-1997.

Technical information relating to these activities remains on closed file with your Department and is included in the following key reports:

**BARNES, L C**, 1994. Notice of intent to conduct a bulk sampling program at Huandot magnesite deposit, Woodcutters, Northern Territory, Exploration Retention Licence No 128. *Commercial Minerals Limited, unpublished report 30043*. – MINING/ENVIRONMENTAL STUDIES

**BARNES, L C**, 1995. Annual report for the period 6 April, 1994 to 5 April, 1995, ERL 128, Huandot magnesite deposit. *Commercial Minerals Limited, unpublished. (NTGS CR1995-0413)* – LABORATORY INVESTIGATIONS

**BUTLER, I K**, 1994. Annual report for ERL 128 Huandot area 6/4/93-5/4/94. *Nicron Resources Ltd unpublished report. (NTGS CR1994-0318)* – CORE/RC DRILLING

**NICHOLSON, P M**, 1993. Huandot magnesite reserve and cost estimation. *Eupene Exploration Enterprises Pty Ltd unpublished report. (NTGS CR1993-0796)*.

**POWELL, S G**, 1996. Annual report for the period 6 April, 1995 to 5 April, 1996, ERL 128, Huandot magnesite deposit. *Commercial Minerals Limited, unpublished report CR 20290. (NTGS CR1996-0407)* – BULK SAMPLE EXTRACTION

**POWELL, S G**, 1997. Annual report for the period 6 April, 1996 to 5 April, 1997, ERL 128, Huandot magnesite deposit. *Commercial Minerals Limited, unpublished report CR 20290. (NTGS CR1997-0476)* – RC DRILLING, RESOURCE DEFINITION

### Details of Work Completed, Years 6-10 (Second Term, 1998-2003)

Expenditure \$125,926

Apart from rehabilitation of mining and exploration disturbance around the bulk sample pit in 2000 and limited geological reconnaissance during supervision of that work, no other on-ground exploration or mining activity was conducted on the titles in this period

As a result of other land-use being undertaken on the underlying freehold title (Sec. 163 Hundred of Howard) on-going discussions were held throughout 2000-2002 with the landowner (Savvas Christodoulou) and lessee (Exotic Timbers of Australia), and with relevant NT Government Departments, to minimise the potential for conflict between the activities of ETA and the long term development aspirations of MDL. **The application for ML 23292 was lodged in 2001 as a result of these discussions.**

A sacred sites clearance certificate issued in respect of ERL 128 by the Aboriginal Areas Protection Authority to Normandy Industrial Minerals Limited in 1995 (1995/136) was re-issued to MDL in 2001 as Certificate 2001/067. The new certificate included an additional condition relating to “white stone outcrops within the lease area”. Further inquiry of AAPA established that this was a reference to white quartz but field investigation has failed to locate any such material inside the boundaries of the ML application. Some minor quartz outcrops are present to the south of ML application 23292, but within ERL 128.

Another clearance certificate (2001/097) issued by AAPA to ETA in respect of their development on Section 163 included a condition that “No damage occur to the rocks (5171-149)” which is a reference to a reasonably large outcrop of high grade magnesite in the centre of the Huandot deposit. This outcrop occurs within metres of the top of the ramp which provided access to the bulk sample pit mined in 1995. The outcrop is not mentioned in either of the earlier certificates issued to NIML and MDL despite a thorough inspection of the area of the proposed pit and surrounding area by Aboriginal custodians before Certificate 1995/136 was issued. Investigations into this possible new “site” are being conducted by AAPA who had no progress to report on this matter at the date of the 2002 Annual Report.

Additional technical information emanating from the bulk sampling operation carried out in 2005 was included in the annual report for the Y/E 05/04/02:

**GOULEVITCH, J, 2002. ERL128 Huandot magnesite deposit annual report 6/4/01-5/4-02. *Exploremin Pty Ltd unpublished report EPL-02-136 - (NTGS CR2002-0088). ALTERNATIVE RESOURCE ESTIMATE, MAGNESITE CHEMISTRY***

### **Details of Work Completed, Years 11-13 (Current Term, 2003-2006) Expenditure \$80,843**

In 2004-2005 additional geological, mining and metallurgical studies were commissioned mainly using historical technical data. These failed to establish operational viability in the then current economic climate and, as a consequence, project development has been deferred indefinitely. None of these investigations resulted in any new on-ground activity.

### **Closure Activities**

All rehabilitation work associated with the bulk sampling and RC drilling has been completed to the satisfaction of the landowner who requested that the trial pit be left open to provide a supply of high quality groundwater for use in his other ventures on the land. The corner pegs for the mineral claims will be removed in the near future and we will advise you when that is completed.