

Via Email

23 August 2006

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**Attention: Alan Holland
Mineral Titles**

Dear Alan,

**VARIATION OF COVENANT SUBMISSION
EXPLORATION LICENCE 23999, HUKITTA JV.**

In response to your letter dated 1 August 2006, we submit the following information for your consideration:

Exploration Licence 23999 ("the EL") is part of an exploration project called the Huckitta JV and includes Exploration Licences 22515 to 22517, 23996 to 24000 and 24103 to 24105 ("the Project"). These Licences are adjacent to or within a short distance from each other. Combined Reporting has also been arranged for this project in two groups. Please see the attached location map (pdf) which shows the two reporting groups and the relative position of the EL.

Between May and July 2006 we completed six diamond drill-holes on Exploration Licences 23997, 24000 and 22516 for a cost in excess of \$500,000 (final cost yet to be established). The six highest priority targets generated during the 2004 Falcon airborne gravity survey were tested during this program, after which the other areas were to be targeted. This program presented extremely difficult logistical issues (e.g. access in desert dune fields) which resulted in very high costs and delays due to difficulty sourcing drilling contractors. Following the evaluation of results, these targets will be re-assessed and other areas within the Project will be ranked. A work program will then be planned and proposed.

Some important observations are:

- That the expenditure from the above drilling program (at least \$500,000) exceeds the sum of the entire Project expenditure requirement for the current expenditure year (\$499,300).
- Being within the Simpson Desert, the remote location means that any ground work on this Project creates extreme logistical difficulties which also lead to time delays.

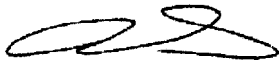
A possible work program for the EL will include geological reconnaissance and surface gravity;

Geological Reconnaissance

Helicopter Support	\$ 30,000
Salaries	\$ 15,000
Surface Gravity	\$ 20,000
Travel and Accom.	\$ 6,000
Admin, etc	\$ 5,000
Total	\$ 76,000

We trust that the information provided above will be sufficient for you to make a positive determination, however, should you require any further information or clarification, please do not hesitate to contact me directly on (08) 6274 1331.

Yours faithfully
Land Services



TJ RICHARDS
SENIOR LAND OFFICER