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2.0 SUMMARY
Flinching Pty Ltd became operator of the joint venture and conducted a review of industrial mineral potential as well as organizing and completing a detailed 5038 line kilometre airborne magnetic, radiometric and digital terrain survey over this EL and EL 24882 (See Report CR 2007-0181)

3.0 PREVIOUS EXPLORATION
Limited exploration has been carried out on the area of the application.
Abundant diamond exploration has been recently completed by CRA, Ashton and Stockdale to the East of the tenement with a resultant discovery of abundant diamond indicator minerals, particularly chromites.
It is apparent that shallow Cretaceous sediments sit unconformably over Cambrian Antrim Plateau basalts to the west of the previous diamond exploration areas essentially covering the McArthur River Basin Proterozoic outcrops that have been intruded by 360 million year old kimberlite such as at Merlin.
These Cretaceous sediments form the Eastern margin of the Dunmarra Basin, and diamond exploration has not been carried out over the shallow cover sequence,
Pacific Oil and Gas conducted seismic surveying across EL 24998 with completion of seismic line 91-600 in 1991 .This work revealed deep seated faulting beneath the shallow cover, which showed penetration through the Cambrian and Proterozoic to the Moho, creating an ideal pathway for possible kimberlitic intrusion post Cambrian .
A subsequent gravity survey also indicated a strong gravity high over the deep-seated fault system.
Mining Project investors (MPI) subsequently drilled a 600m deep diamond core hole to test the gravity anomaly in the McArthur River Formation to test for possible McArthur River style lead zinc mineralization.

4.0 EXPLORATION PHILOSOPHY
The abundance of indicator minerals NEAR THE Eastern margin of EL 24998 led this author to believe that Devonian diamondiferous kimberlitic pipes (such as Merlin) could have intruded up major fault lines located by seismic, and then may have been covered by shallow cretaceous limestone with an average cover thickness of 50 meters. It was therefore decided to fly low level aeromagnetic centred on the seismic fault location and accompanying gravity high. The objective would then be to process data in the hope of identifying pipe like bodies associated with structure.
5.0 WORK COMPLETED YEAR 1

Contact was made with Water Resources at Palmerston. A CD titled Water Resources of the Sturt Plateau Region was obtained which contained valuable data on all the water bores drilled on the surrounding pastoral leases. This information is sufficient to verify the shallow Cretaceous cover overlying Cambrian limestone and Antrim Plateau basalts.

A field visit was made to the area to determine logistics and various station owners and managers contacted to advise of the impending aerial geophysical survey.

There is no meaningful outcrop within the tenement in the area of the geophysical survey.

A 5038 line kilometre survey was completed during the year with approximately half being attributed to EL 24998 and the other half to adjoining Finching EL24882 on the western contiguous boundary. Acquisition of data commenced on 10th January 2007 and was completed on 30th January 2007. A digital copy of all data is provided in a DVD surrendered with CR2007-0181.

A DVD titled A3 Image Atlas by Southern Geoscience Consultants accompanies this report as Appendix 1.

5.0 CONCLUSIONS AND RECOMMENDATIONS

Diamond exploration looks promising. Initial data provided by UTS from a regional airborne survey has revealed complex structures and folding not previously known from previous wide spaced survey lines at higher altitude. An album of geophysical images has been prepared by Southern Geoscience Consultants which is being used at the time of writing to determine whether sufficient dipolar or discreet magnetic anomalies associated with structure should warrant drill investigation in the second year of tenure.

6.0 EXPENDITURE YEAR 1

UTS Geophysical Survey (50%) $43,553
Consulting Geophysicist $4,000
Exploration Manager $15,500
Maps and supplies $2,100
Travelling and accommodation $7,200
Preparation of Geophysical Atlas $7,000
Overheads $8,000
Totals $87,353
7.0 PROPOSED EXPENDITURE YEAR 2
Processing of Data images $2000
Field investigations $10,000
Prepare Drill Access $8,000
Air Core Drilling 2000 Meters $25,000
Geological Salaries $20,000
Assaying and sampling $5000
Total $70,000