



**EL 23771 'Cox River West'
COX RIVER DISTRICT, NT**

**RELINQUISHMENT REPORT
ON BLOCKS RELINQUISHED AT THE CONCLUSION OF
YEAR 4 OF TENURE
19 AUGUST 2006 – 18 AUGUST 2007**

GRAVITY DIAMONDS LIMITED
(ABN - 72 009 178 689)
Level 7, Exchange Tower
530 Little Collins Street, Melbourne, Victoria, 3000

EL 23771
Holder: Gravity Diamonds Limited
Grant Date: 19 August 2003
1:250,000 Sheet : **Hodgson Downs SD 53-14,**
Minerals Sought: Diamonds, Base metals

SUMMARY

EL 23771 “Cox River West” was granted to Gravity Capital Limited on the 19 August 2003. During the first year of tenure, on the basis of encouraging diamond sampling data from nearby tenements, a Falcon® airborne gravity gradiometer survey was flown over a substantial part of the Mt Young tenement and also over neighbouring tenements.

Detailed interpretation, anomaly ranking and exploration targeting from the Falcon survey by Gravity Diamonds was completed during 2004. No priority targets were identified within EL 23771 but targets in adjacent EL's currently being explored by Gravity were rated highly with the possibility of kimberlite pipes or alluvial diamonds occurring on EL 23771 being highlighted.

Gravity Capital Limited changed its name to Gravity Diamonds Limited in October 2004 to reflect its exclusive focus on diamond exploration.

During 2005, helicopter-supported heavy mineral sampling was carried out on ELs adjacent to EL 23771 focused on priority Falcon® target areas. Field reconnaissance was carried out at this time on EL 23771 but no appropriate sample sites were located.

Exploration in the district during 2006 and 2007 was delayed by an extraordinarily late wet season. During late 2006 the original Falcon™ gravity data was reprocessed by BHPB Falcon operation with updated noise suppression algorithms that lowered the noise in the original data set from approximately 10 Eotvos to 3 Eotvos. Small kimberlites discovered by Gravity Diamond at Abner Range had a negative gravity response of 22 Eotvos.

There were four (4) blocks relinquished from EL 23771 at the conclusion of Year 4 comprising the three (3) northern blocks and the southern block.

CONTENTS

1. Introduction
2. Location and Access
3. Geological Setting and Economic Potential
4. Previous Exploration
5. Work in Years 1, 2 and 3 on Relinquished Blocks
6. Work in Year 4 on Relinquished Blocks
7. Conclusions and Recommendations

FIGURES

1. EL 23771 - Tenement Location
2. EL 23771 – Blocks relinquished and Retained at conclusion of Year 4
3. Falcon GDD over relinquished block areas
4. RTP_1VD Magnetics over relinquished block areas

INTRODUCTION

EL 23771 “Cox River West” was granted to Gravity Capital Limited (“Gravity”) on the 19 August 2003. Gravity was at that time in advanced negotiation with BHPB concerning the deployment of the Falcon™® airborne gravity gradiometer system. The Falcon® system is a unique exploration tool developed by BHPB and it has particular application in diamond exploration.

BHPB and Gravity concluded the arrangement on Falcon® deployment during 2003 (ASX announcement 01/07/2003) and also formed a joint venture, through its 100% owned associated company, Diamond Mines Australia Pty Ltd (“DMA”) with Rio Tinto Exploration, concerning the diamond and base metal exploration over a large number of Rio Tinto-controlled tenements in the Northern Territory) (ASX announcement 25/07/2003).

On the basis of the agreements, Gravity (on behalf of DMA) commenced diamond exploration in the Northern Territory during July 2003.

In essence, the agreements provide for DMA to deploy the Falcon® system and earn an interest in any discovery. BHP Billiton retains a right to buy into DMA’s interest in any discovery. Gravity is managing all exploration for DMA.

The flying program which covered parts of EL 23771 also included coverage of Exploration licenses controlled by Rio Tinto (and included in the Rio Tinto – Gravity Capital – DMA joint venture) and other EL application areas by Gravity. Gravity Capital Limited changed its name to Gravity Diamonds Limited in October 2004 to reflect its focus on diamond exploration.

The principal target in the area is diamonds with some interest also directed toward base metal deposits.

LOCATION AND ACCESS

EL 23771 is located 45 kilometres west of Nathan River homestead in the Gulf Region of the Northern Territory. The tenement lies in the south west portion of the Nathan River Pastoral Lease, managed by NT Parks and Wildlife, and is now accessible following rehabilitation of station tracks from the adjoining Broadmere Station (Figure 1).

GEOLOGICAL SETTING

The northern part of EL 23771 comprises gently deformed mid Proterozoic Roper River Group sediments of the McArthur Basin. In the southern part, the Roper River Group is overlain by the Bukalara Sandstone, which forms the basal part of the Cambrian Georgina Basin sequence. The area is of low relief, being drained by the Cox River and exposure is relatively poor.

The principal exploration target in the area is diamonds. The area lies within the northern Australian Craton “microdiamond field” which extends from the Camooweal region of NW Queensland to the East Kimberley district in north west WA. The diamondiferous “Packsaddle” kimberlite dykes area located 120km to the northwest of the tenement and the Merlin diamond field lies approximately 190 kilometres to the southeast. Gravity has recently announced the discovery of new diamondiferous kimberlites at the Abner Range 150 kilometres southeast of the tenement area. These kimberlites were discovered utilising the

same Falcon™ airborne gravity gradiometer system that has been flown over EL 23771 and has provided a template for kimberlite discovery within the tenement.

While the McArthur Basin is known for its base metal potential, known occurrences are rare in the Roper River Group and exploration for lead, zinc and copper are a low priority.

PREVIOUS EXPLORATION ON RELINQUISHED BLOCKS

Two small, low grade kimberlitic dykes (Packsaddle and Blackjack) were discovered by Stockdale in the late 1980's northeast of the Project area. These small dykes contain diamonds with low grades and shed kimberlitic chromite into drainages.

Surface sampling by CRAE and Ashton was completed surrounding the licence area during the 1980's with some subsequent infill sampling during the 1990's. However few samples were actually reported within the licence. The regional sampling by the historic companies identified widespread macrodiamonds, microdiamonds and indicator minerals, mainly chromite from drainages surrounding the project area. The geochemistry of the chromite suggests they are derived from both kimberlitic and non-kimberlitic sources

WORK IN YEARS 1, 2 AND 3 ON RELINQUISHED BLOCKS

As mentioned above, an agreement covering much of the Rio Tinto-controlled diamond exploration tenements in northern Australia was finalised in July 2003 between Rio Tinto and DMA. A review of available geophysical and sample data was carried out by Gravity (managing the project on behalf of DMA) during the current reporting period and this confirmed the potential for diamondiferous kimberlites to be located within the Arnold River tenement block.

On this basis, a Falcon™ airborne gravity gradiometer survey was planned and acquired in August and September, 2003.

The survey was completed in 2003 and with 5153 linear kilometres of gravity gradiometer, magnetics, and laser scanner data collected and interpretation completed during 2004. Falcon™ coverage within the relinquished blocks was approximately 75%. Targeting and sampling was planned for the 2006 and 2007 field seasons, however few targets were identified.

WORK IN YEAR 4 ON RELINQUISHED BLOCKS

Data processing and interpretation from the 2003 Falcon survey was completed during 2004, however advances in noise suppression techniques developed by the BHPB Falcon Team during 2006 have been applied to the entire dataset – including the data within licence EL 23771. Several 2nd order targets were identified as a result during Year 4 and site visits were made to the proposed sampling areas. No suitable sample sites were identified within the relinquished blocks.

Four (4) blocks were relinquished from EL 23771 at the conclusion of Year 4 comprising the three (3) northern blocks and the southern block.

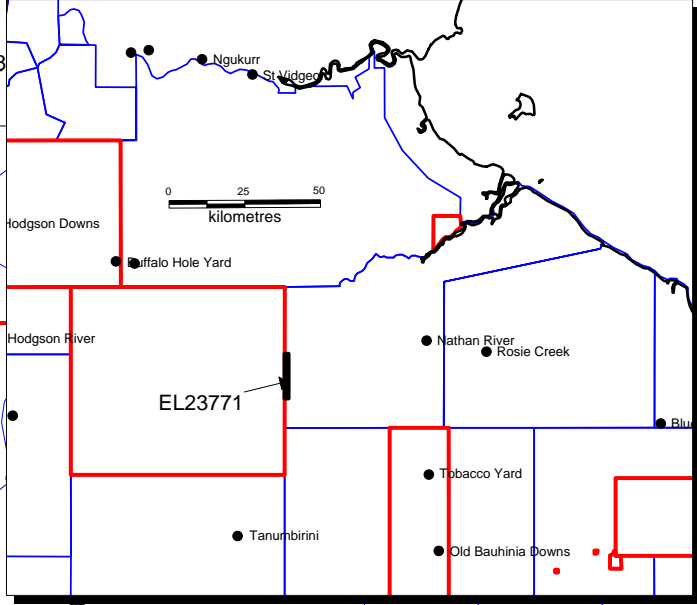
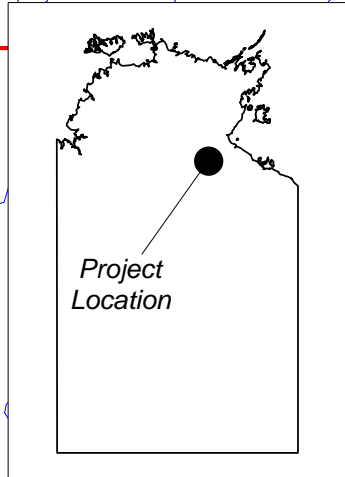
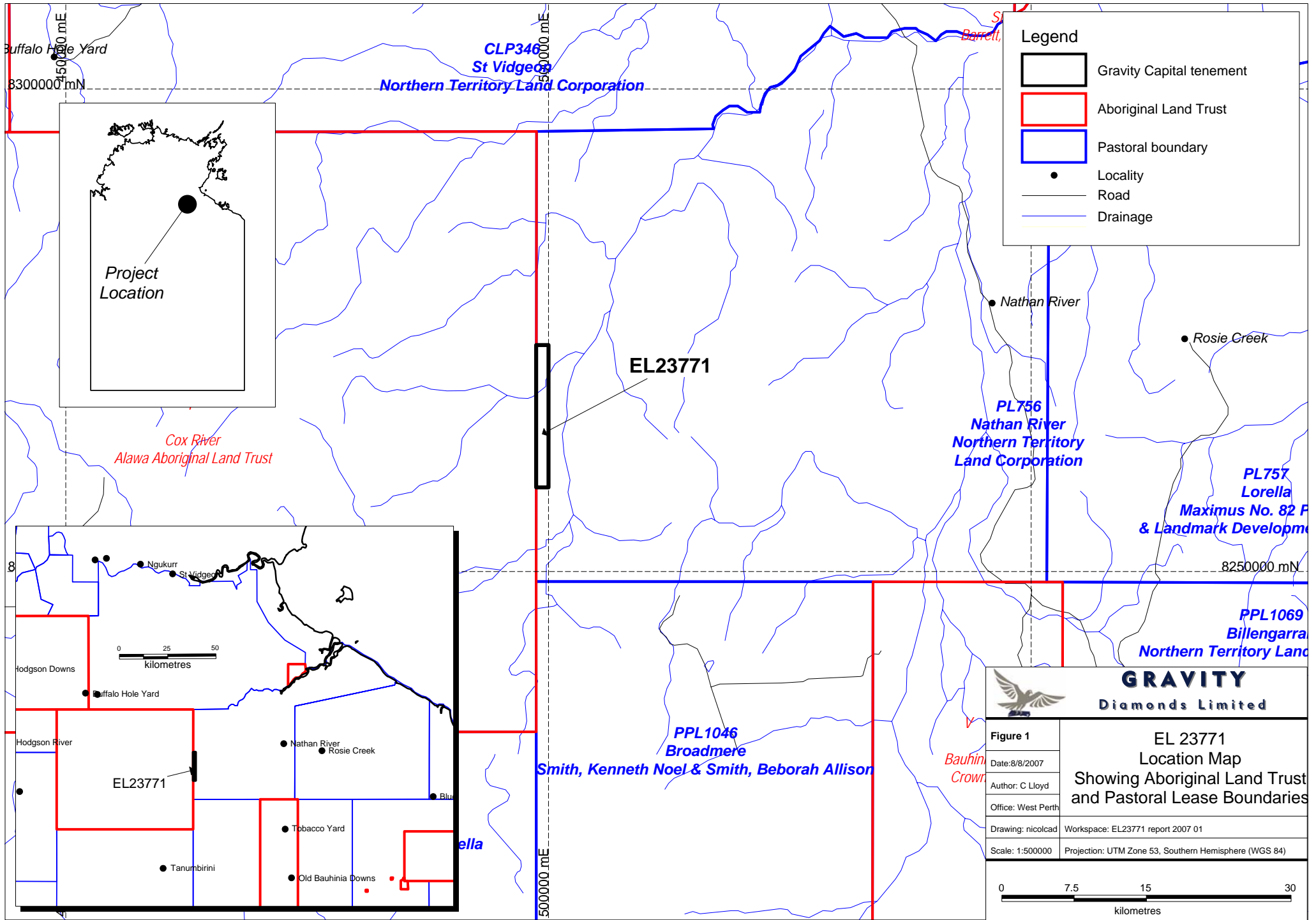
CONCLUSIONS AND RECOMMENDATIONS

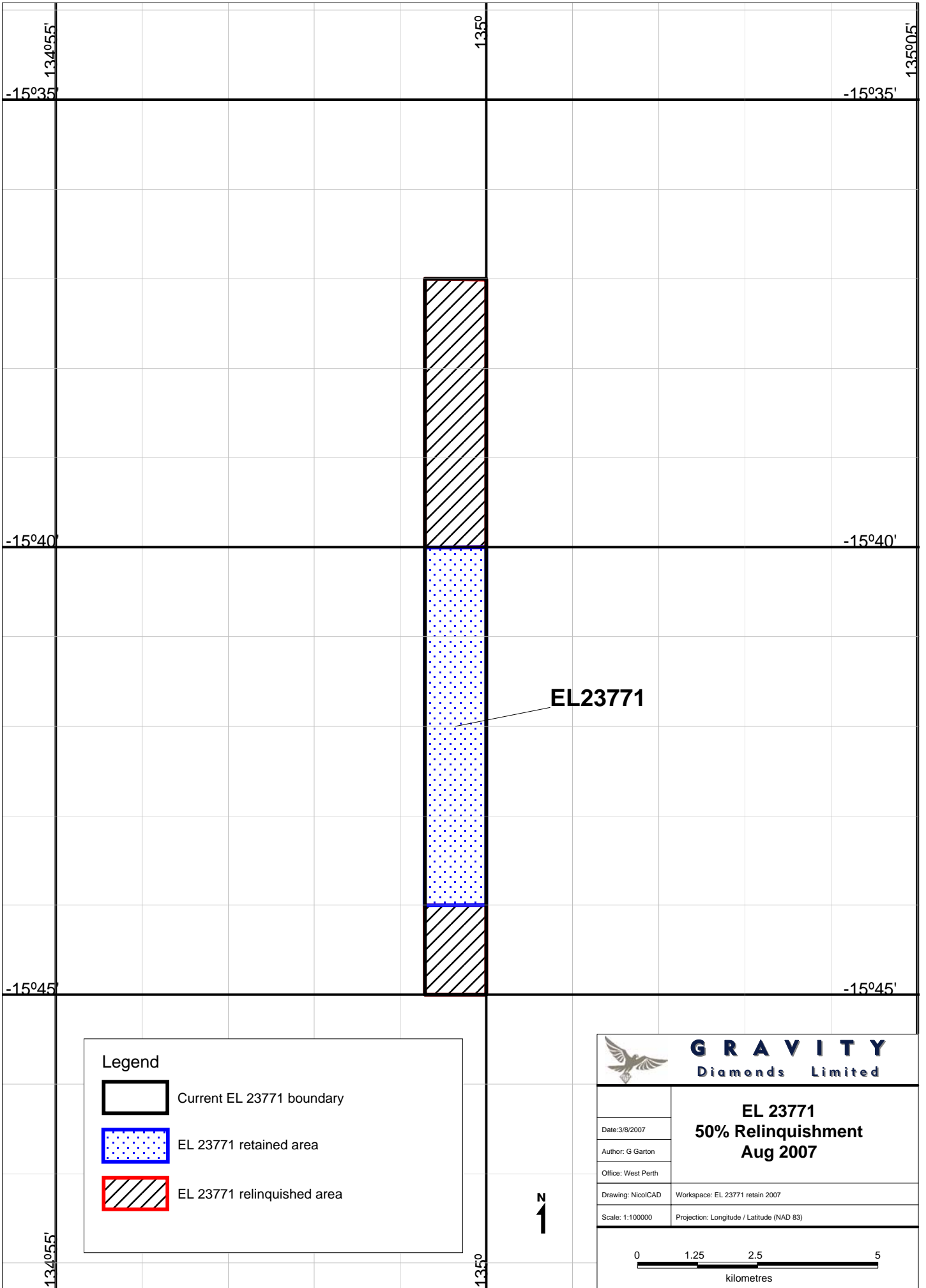
Exploration License 23771 occurs in an area that is considered prospective for diamonds as anomalous kimberlitic indicator mineral results have been recovered nearby from recent

sampling programs carried out by Gravity Diamonds. These recoveries are at odds with historic sampling results carried out by CRAE and Ashton Diamonds in the 1980's and 90's as both companies recovered small counts of indicator minerals from samples in the area, pointing to enhanced sampling and processing techniques carried out by Gravity Diamonds.

A Falcon airborne gravity gradiometer survey has been flown over the southern relinquished block within the EL area, which has been substantially reprocessed. No adequate sample sites or targets were identified within the relinquished blocks.

Four (4) blocks relinquished from EL 23771 at the conclusion of Year 4 comprising the three (3) northern blocks and the southern block.





134°55'
-15°35'

135°

135°05'

-15°35'

-15°40'


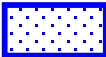

-15°40'

EL23771

-15°45'

-15°45'

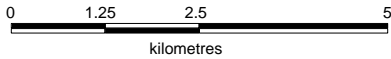
Legend

-  Current EL 23771 boundary
-  EL 23771 retained area
-  EL 23771 relinquished area



GRAVITY
Diamonds Limited

EL 23771	
50% Relinquishment	
Aug 2007	
Date: 3/8/2007	
Author: G Garton	
Office: West Perth	
Drawing: NicolCAD	Workspace: EL 23771 retain 2007
Scale: 1:100000	Projection: Longitude / Latitude (NAD 83)



134°55'

135°

