Quantum Resources Limited
ACN 006 690 348

EXPLORATION LICENCE 25010

ANNUAL REPORT

FOR THE PERIOD
1 SEPTEMBER 2006 to 31 AUGUST 2007

BY

N. FARRELL

DUE DATE: 1st OCTOBER 2007

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Department of Primary Industry, Fisheries & Mines, Darwin
TENEMENT REPORT INDEX

COMPANY / OPERATOR: Quantum Resources Limited

PROJECT: Ware Range

PROSPECT:

TENEMENTS: Exploration Licence 25010

REPORTING PERIOD: 1 September 2006 to 31 August 2007

AUTHOR: N. Farrell

DUE DATE: 1 October 2007

STATE: N.T.

LATITUDE: 18° 30'

LONGITUDE: 129° 30' E

AMG mN: 7 955 100

AMG mE: 581 200

1:250,000 SHEET: Birrindudu SE52-11

1:100,000 SHEET: Ware 4860 & Nongra 4861

COMMODITY: Au, Pb, Cu, Zn, Ag, U

KEYWORDS: Gold, Base Metals, Uranium
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1. SUMMARY OF EXPLORATION ACTIVITY

This report describes exploration carried out on the Ware Range Project tenement E 25010 between 1 September 2006 and 31 August 2007 (Figure 1). An investigation was undertaken of previous exploration geological data and airborne geophysical data. A preliminary exploration strategy was devised and a Mine Management Plan approved, however, drilling and sampling is yet to commence.

2. TENEMENT STATUS

Exploration Licence EL 25010 was granted to Quantum Resources Limited on 1 September 2006. The licence is managed by Quantum Resources Limited.

<table>
<thead>
<tr>
<th>TENEMENT</th>
<th>DATE OF GRANT</th>
<th>STATUS</th>
<th>AREA (km²)</th>
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<tr>
<td>EL 25010</td>
<td>01/09/06</td>
<td>Live</td>
<td>335.4</td>
</tr>
</tbody>
</table>

3. LOCATION AND ACCESS

The Ware Range project lies on the Birrindudu SE52-11 1:250000 map sheet and the Ware 4860 and Nongra 4861 1:100000 map sheets. Tenement EL 25010 lies approximately 190 km by air from Halls Creek. By road it is accessible along the Duncan and Buchanan Highways and graded station tracks. The project area is accessed by two minor tracks into the north of the tenement from Birrindudu Station which may be difficult to access in the wet. Previous drilling tracks have been cleared in conjunction with traditional owners & anthropologists by other companies, such as Stockdale. However, it appears that the actually tenement has very few existing tracks, with thick scrub exists over some parts of the tenement and it may be necessary to access some areas with helicopter.

4. GEOLOGY

4.1 Exploration Target

The tenement is prospective for base metals and uranium mineralisation. The proposed exploration activities will include a programme of sampling and drilling to investigate the nature of base metal mineralisation associated with the unconformity between the Killi Killi Beds and the Gardiner Sandstone. This mid-Proterozoic sandstone outcrops as a part of the Northern Ware Range in the east of the tenement and the Birrindudu Range, just off the west of the tenement.
Unconformity-Type uranium architecture is characterised by an overlying sedimentary unconformity platform with underlying, ancient metamorphosed basement, inliers of the ancient complexes and regional tectonic structures to act as fluid conduits. These features are reflected in this region, hence the target is Unconformity-Type uranium mineralisation, such as that in the Athabasca Basin, Canada, Rum Jungle and Alligator River, Northern Territory Australia. In addition, the presence of potentially reducing shales is optimistic for the presence of base metals.

4.2 Regional Geology

The two predominant tectonic units in the region are the Archaean to Lower Proterozoic Granites-Tanami Block and the Carpentarian Birrindudu Basin. The Ware Range tenement is situated in the Birrindudu Basin, which overlies the Granite-Tanami Block. Both units have experienced different periods of deformation and metamorphism. The most significant, mapped fault is in the Precambrian basement rocks on the eastern side of the Ware Range. This northerly-trending fault is associated with significant displacement. The Cambrian Antrim Plateau Volcanic overlies both of the tectonic unit and is not metamorphosed or deformed.

The tenement is dominated by the Sturt Plateau, a mainly flat surface from which two residual strike ridges rise. The Birrindudu Range in the south west and the Ware Range in the east together form a large anticlinal structure. These ranges are composed of the basal portion of the mid-Proterozoic Gardner Sandstone of the Birrindudu Group, characterised by medium-grained and medium-bedded quartz arenite, with basal conglomerate in some locations.

The Birrindudu group unconformably overlies the lower-Proterozoic sedimentary Killi Killi Beds of the Tanami Complex, which occur in the core of the anticline. The Tanami complex is thought to contain the oldest exposed rocks in the region. They are tightly folded sediments and lower greenschist metamorphosed volcanics, with the Nongra Beds in the south between the two ranges. Quartz-tourmaline veining provides evidence of granitic intrusions into these rocks at depth.

Some down-faulting is thought to have occurred in the region, resulting in the younger Cambrian Antrim Plateau Volcanics characterised by laterised basaltic flows also occurring in the core of the anticline, just south of the licence.

Short, incised drainage channels pass outwards from the ranges, only to disappear on the alluvial sandy plains or drain into ephemeral lakes in the north. Claypans and laterite capping are common. The licence has a predominately flat-lying to gently undulating land surface covered largely by quaternary Aeolian sands, gravels and laterites.
4.3 Local Geology

Locally, the tenement is dominated by sands, gravels and Aeolian sediments. Alluvial silts from ephemeral drainage, calcrete and laterite are common throughout the centre. Along the western and eastern sides of the tenement lie the two resistant strike ridges, consisting of sub-lithic, quartz-arenite, conglomerate, shale and siltstone.

5. EXPLORATION

5.1 Summary

The proposed exploration activities will include a programme of sampling and drilling to investigate the nature of base metal mineralisation associated with the unconformity between the Killi Killi Beds and the Gardiner Sandstone. The sampling programme will include loam sampling of targets over the defined region and stream sediment sampling of the sparse drainage in the region.

The drilling programme will include approximately 65 RAB/RC holes at 500m spacing, across 7 traverses running east-west. The traverses shall cross cut the strike of the more distinctive magnetic-highs.

5.2 Geological & Geophysical Data Review

Multi-client airborne magnetic data was acquired and analysed. This data was used in conjunction with a full review of Open File Exploration Research to assist in generating an appropriate exploration strategy.

5.3 Program Development

The hole spacing is broad as reducing shales, which may be suitable hosts to mineralization, may be as narrow in places as 20-60m. However, due to the extensive recent alluvium, the lack of definition in the current TMI data and the Greenfields nature of the exploration, this spacing may allow a general idea of stratigraphy. Hence, the potential for mineralizing lithologies and can be followed up with a more intensive program.

5.4 Recommendations

The alluvial cover that dominates the tenement can only be effectively explored using RAB drilling. The Birrindudu group unconformably overlies the lower-Proterozoic sedimentary Killi Killi Beds of the Tanami Complex and both have experienced regional tectonism. Hence, they warrant investigation to determine the extent of any existing mineralization particularly in the context of unconformity-type uranium and shale-hosted base metal
mineralisation.

Analysis of geophysics and historical geochemistry will enable target selection based on geochemical anomalies, structural targets associated with granite intrusives, flexures in the regional magnetics, suitable host lithologies and areas beneath cover. This program, including the attainment of more detailed geophysical data, sampling and drilling will continue in the broader context of the exploration project with a view to acquiring more detailed information about the stratigraphy to assist with delineating appropriate targets for mineralisation.

6. BIBLIOGRAPHY
