Second Annual Report for
‘MOUNT WATT’
EL 24503

For the period
13/10/2006 to 12/10/2007

Author: Michael Green (Remote Area GeoScience)

Date: 29 November 2007

DISTRIBUTION:

Northern Territory Department of Primary Industries, Fisheries & Mines

Northern Mining Limited

The contents of this report remain the property of NORTHERN MINING LIMITED and REMOTE AREA GEO SCIENCE and may not be published in whole or part without written consent of the Company.
1.0 Summary .................................................. 1
2.0 Introduction .............................................. 1
3.0 Tenure ..................................................... 1
4.0 Geology/prospectivity .................................... 1
5.0 Northern Mining Limited Work ........................ 2
   5.1 Year 1 .................................................. 2
   5.2 Year 2 .................................................. 2
   5.3 Year 3 (proposed) ..................................... 3
6.0 Environmental .......................................... 3
7.0 Bibliography ............................................. 3

Tables
Table 1 Tenement details
Table 2 Expenditure on EL 24503 for second year of tenure
Table 3 Proposed expenditure for third year of tenure

Figures
Figure 1: Locality map
Figure 2: Total Magnetic Intensity draped over first vertical derivative
1.0 Summary

EL 24503 is part of Northern Mining Limited’s Finke project in Central Australia and is considered prospective for massive manganese and sandstone-hosted and Tertiary remobilised uranium mineralisation. In the second year of tenure, no field work was completed on EL 24503, with all expenses related to project reviews and planning.

2.0 Introduction

EL 24503 ‘Mount Watt’ is located 180 km south of Alice Springs, 5 km east of the Adelaide-Alice Springs Railway and 20 km west of the Finke River (Figure 1). It is part of the Finke Project, along with EL 24467, which adjoins to the northeast. The Black Hills Range cuts the tenement diagonally and is the only significant topographical feature within the tenement. This report covers all work completed on EL 24503 in the second year of tenure.

3.0 Tenure

EL 24503 was granted to Lockett Consulting Services Pty Ltd (90%) and Imperial Granite and Minerals Pty Ltd (10%) on 13 October 2005. Agreement to transfer the tenement to Northern Mining Limited was completed during the first year of tenure, although formal transfer of ownership was not completed until the following year. A waiver to relinquish blocks within EL 24503 at the end of the second year of tenure was granted by the NT Government on 10 October 2007.

The tenement comprises 297 blocks within NT Portions 2958, 259 and 659, which are part of the Idracowra, Lilla Creek and Horseshoe Bend perpetual pastoral leases, respectively.

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Ten no.</th>
<th>Blocks Granted</th>
<th>Blocks Relinq.</th>
<th>Blocks Retain</th>
<th>Grant Date</th>
<th>Expiry Date</th>
</tr>
</thead>
</table>

Table 1: Tenement details

4.0 Geology/Prospectivity

The Finke Project covers the southernmost part of the Amadeus Basin; a large intracratonic basin with a complex Neoproterozoic to Carboniferous depositional history, and the northeast margin of the Mesoproterozoic Musgrave Block. In the Finke area, the Musgrave Block probably forms the basement to the Amadeus Basin (Figure 2), although the nearest outcrops of the Musgrave Block - felsic gneiss, granite and dolerite dykes are 25 km south of EL 24503. Interpretation of aeromagnetic data suggests that the Amadeus Basin and other overlying sediments are relatively shallow in the southern part of the project area with large northeast-trending faults, subparallel to the Black Hills Range, controlling basin depth.
The Finke Project area is dominated by Palaeozoic Finke Group sediments and the northeast-trending Black Hill Range (Neoproterozoic Winnall Beds). These sediments have been deformed and eroded, and then unconformably overlain by flat-lying Mesozoic sediments (Jurassic De Souza Sandstone, Cretaceous Rumbalara Shale) and Quaternary alluvial outwash, colluvium and aeolian sand, including abundant north- to northwest-trending sand dunes. Some minor Tertiary sediments have been mapped in the area (Wells et al., 1969), though subsequent mapping by explorers has highlighted a greater extent of these outcrops.

Previous exploration within EL 24503 has been limited and included:
- Groundwater analyses,
- Airborne magnetic and radiometric surveys, and
- Ground reconnaissance of exposed geology.

Anomalous uranium results were obtained from water derived from bores penetrating the Polly Conglomerate (basal Finke Group), and are consistent with other uranium results across the southern Amadeus Basin. RAB drilling east of EL 24503 suggests that the Langra Formation is most prospective for uranium, though no mineralisation was delineated.

In Northern Mining’s First Annual Report (2006) it was reported that in 2004 a rock sample of the Winnall Beds south of Horseshoe Bend Station and within EL 24467 returned 52.45% Mn, 0.8% Fe and 0.68% Pb. This result is incorrect and refers to a sample collected in 1940 by a station worker and analysed by Broken Hill Propriety (BHP) Limited in Newcastle. The sample returned 52.45% Mn, 0.78% Fe, 0.068% P and 11.75% insolubles (see 2nd Annual Report EL 24467 for original correspondence). The sampling site has never been rediscovered and no other manganese mineralisation has been reported in the area.

5.0 Northern Mining Limited Work

5.1 Year 1
In the first year of tenure, work on EL 24503 was limited to producing the prospectus for Northern Mining Limited. This work involved a major desktop study by an independent geological consultant, and included compilation and interpretation of public-domain geophysics.

5.2 Year 2
In the second year of tenure, work on EL 24503 was limited to office-based studies, with no field work completed. The lack of field work was due to a lack of geological staff – an industry-wide problem. Office-based studies of the entire Finke project confirmed the prospectivity of EL 24503. A covenant of $44,000 was proposed for the second year, but only $18,379 was spent.
5.2 Year 3 (proposal)
In the third year of tenure, it is hoped that Northern Mining will be able to recruit sufficient geological staff to undertake extensive field surveying in the Finke Project, including geological and regolith mapping, surface sampling and geochemical testing of water bores. A geophysical survey, probably gravity, will also be undertaken to better define targets under shallow cover. Some metallurgical studies of manganese mineralisation, if delineated, will also be undertaken. The proposed budget has remained unchanged from the proposed second year budget.

<table>
<thead>
<tr>
<th>Item</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rockchip assays</td>
<td>$5,000</td>
</tr>
<tr>
<td>Geophysical survey (gravity)</td>
<td>$15,000</td>
</tr>
<tr>
<td>Metallurgical studies</td>
<td>$5,000</td>
</tr>
<tr>
<td>Vehicles</td>
<td>$7,000</td>
</tr>
<tr>
<td>Wages, consultants</td>
<td>$6,500</td>
</tr>
<tr>
<td>Administration</td>
<td>$5,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$44,000</strong></td>
</tr>
</tbody>
</table>

Table 3: Proposed expenditure for second year of tenure.

6.0 Environmental
No ground disturbing work was undertaken on EL 24503 during the first year of tenure.

7.0 Bibliography


Figure 1: Location of EL24503

29 November 2007

Remote Area GeoScience