EL 23931 BATTEN
McARTHUR RIVER REGION, NT

RELINQUISHMENT REPORT

ON BLOCKS RELINQUISHED
AT END OF YEAR 4
OF TENURE

Submitted by

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EL 23931 Batten
Holder: Gravity Diamonds Ltd
Grant Date: 3\textsuperscript{rd} Feb 2004
1:250,000 Sheet: \textbf{Bauhinia Downs SE 53-03}
Minerals Sought: Diamonds, Base metals
SUMMARY

EL 23931 “Batten” was granted to Gravity Diamonds Ltd (“Gravity”) on 03 February 2004. The EL lies within a general area where Gravity is operating a diamond exploration program, much of which is under an exploration agreement with Rio Tinto group companies and Diamond Mines Australia (DMA), which is a 100%-owned subsidiary of Gravity.

During 2003 and 2004, DMA had an exclusive arrangement with BHP Billiton to deploy the Falcon® airborne gravity gradiometer system in diamond exploration in Australia. The Falcon® system has proved effective in diamond exploration since its development by BHP Billiton in the late 1990’s. During the first year of tenure Falcon® data was acquired over the entire area of EL 23931 which included gravity gradient data, high resolution magnetics and accurate elevation data. Coverage was obtained over the entire tenement, an area of 23 km².

Reconnaissance mapping within the tenement indicated that historic samples containing indicator minerals reported by Ashton Mining and Rio Tinto were derived from mafic volcanics and of no prospectivity for kimberlites. No sampling has taken place within the relinquished portions of the tenement.
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1. EL 23931 Tenement Location
2. EL 23931 Relinquished Blocks
INTRODUCTION
EL 23931 “Batten”, which lies approximately 75 kilometres west of Borroloola in the Gulf Region of the Northern Territory, was granted to Gravity Diamonds Ltd (“Gravity”) on 03 February 2004. The EL lies within an area where Gravity is operating a large diamond exploration program, much of which is under an exploration agreement with Rio Tinto group companies and Diamond Mines Australia (DMA), which is a 100%-owned subsidiary of Gravity.

During 2003 and 2004, DMA had an exclusive arrangement with BHP Billiton to deploy the Falcon® airborne gravity gradiometer system in diamond exploration in Australia. The Falcon® system has proved effective in diamond exploration since its development by BHP Billiton in the late 1990’s.

The area of EL 23931 was included in the 2003/04 flying program which covered seven separate areas in the Northern Territory and focused on areas of strongly anomalous diamond indicator mineral sampling results, obtained from prior work by Rio Tinto and others.

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

LOCATION AND ACCESS
EL 23931 is located near old Bauhinia Downs homestead, approximately 75 kilometres west of Borroloola in the Gulf Region of the Northern Territory (Figure 1). The tenement lies in the central part of the Billengarrah pastoral lease (administered by the Northern Territory Land Corporation) and is accessible via station tracks.

GEOLOGICAL SETTING and ECONOMIC POTENTIAL
EL 23931 lies within the Batten Trough of the Mesoproterozoic McArthur Basin. The N-S trending Tawallah Fault Zone is the largest scale structure in the district and it is regarded as having similar significance to the Emu Fault, which lies 40km east of the tenement and is associated with McArthur River Zn-Pb mine and the Merlin diamond mine, which lies 75km to the south east of the tenement.

The 1800-1400Ma stratigraphy and mineralisation of the Batten Trough, from youngest to oldest, can be summarised as follows:
• Roper Group arenites, shales, iron formations and dolerite sills.
• Nathan Group (or Mt Rigg Group) carbonates that host Zn-Pb mineralisation, eg, the Bulman Zn-Pb deposits.
• McArthur Group fine clastics and carbonates that host strata bound Zn-Pb-Ag and Cu deposits, eg, the HYC (McArthur) Zn-Pb-Ag mine, Batton Zn-Pb and Sly Creek Cu deposits.
• Tawallah Group arenites, black shales and basalts hosting Cu in the Redbank district and U at Westmoreland. There are also a number of Cu occurrences hosted within Tawallah Group proximal to the McArthur Project area.

Proterozoic outcrops within the project area are predominantly McArthur Group however significant areas of the tenement are covered by recent alluvia and possibly Cretaceous or Tertiary laterite cover.

PREVIOUS EXPLORATION
A number of strata-bound and vein-hosted base metal occurrences hosted by Proterozoic sediments are located near the Scrutton Range which lies adjacent to EL 23931.

A substantial amount of historical diamond exploration work has been carried out in the general vicinity of the tenement. The main diamond prospect identified to date is the Tanaburs Prospect (also known as Leila Creek) which was identified by Ashton in the 1990s.

Tanaburs is centred on a 6km by 1.5km outlier (plateau) of Cretaceous sediments overlying Tawallah Group and McArthur Group sediments. It should be noted that the Tawallah Group rocks in the tenement area include dololutites, dolarenites, feldspathic sandstones, shales and basaltic to doleritic lavas. The prospect overlies the major, N-S trending Four Archers Fault Zone. Stream sediment, loam and bulk sampling for diamonds, geomorphological studies, detailed airborne magnetics and drilling have been completed around the Tanaburs area. Macrodiamonds, microdiamonds and indicator minerals (chromite) have been reported from drainages within the region.
WORK COMPLETED IN YEAR 1

On the basis of historic anomalous diamond and base metal results, the area of EL 23931 was included in the 2003/2004 Falcon™ airborne gravity gradiometer survey program. In addition to the gravity gradiometer data, the Falcon™ system records total magnetic intensity and laser scanner data, which is used to construct a very accurate (1m vertical resolution) digital elevation model.

The survey was flown on north-south oriented lines, 100m apart at a height of 80m above ground level. It covered the entire area (~23km²) of the tenement, amounting to a total of approximately 250 line kilometres of survey data. A number of second order Falcon features were noted within the survey area but no priority targets were identified for field follow up.

WORK COMPLETED IN YEAR 2

Although no priority Falcon anomalies were identified within the area covered by EL 23931, previous sampling has recovered numerous, repeatable chromite results from a small tributary within the headwaters of Ten Mile Creek. The origin of these chromite results has not been resolved. Previous explorers have suggested the chromites are non-kimberlitic. Given that chromites from the Abner Range, some 70km to the south, where DMA discovered the ABN021 kimberlite in 2004, were similarly described, Gravity maintained the view that EL 23931 could host kimberlites. A brief field reconnaissance program was conducted during the 2005 field season, but owing to deployment priorities being focused on the Abner Range discovery, access to desired sample sites was not achieved.

WORK COMPLETED IN YEAR 3

No work was carried out on the relinquished blocks during Year 3.

WORK COMPLETED IN YEAR 4

No work was carried out on the relinquished blocks during the Year 4

ENVIRONMENT AND REHABILITATION

On-ground exploration activities have been of low impact with negligible impact on the environment and hence requiring no rehabilitation.
CONCLUSIONS AND RECOMMENDATIONS
The blocks relinquished in EL 23931 lie within an area of anomalous indicator mineral sampling results in addition to potential base metal prospects. Historic sampling in the area has recovered numerous, repeatable chromite results – however the provenance of many of these chromites appears to be from doleritic units within the Settlement Creek Volcanics of the mid Proterozoic Tawallah Group

Modelling of the airborne gravity and magnetic data failed to identify major targets for exploration within the relinquished blocks.