EXPLORATION LICENCE
EL22297

COX PROJECT

Partial Relinquishment Report

FOR THE PERIOD

5 AUGUST 2003 TO 4 AUGUST 2008

BY

A. Raza, C. Ashcroft & G. McGoldrick

Date due: 4th November 2008
TENEMENT REPORT INDEX

OPERATOR: Legend International Holdings
PROJECT: Cox
TENEMENTS: Exploration Licence: 22297
REPORT PERIOD: 5 August 2003 to 4 August 2008
DUE DATE: 4 November 2008
AUTHOR: A. Raza, C. Ashcroft & G. McGoldrick
STATE: Northern Territory
LATITUDE: 135° 08' 50"
LONGITUDE: 16° 10' 42"
MGA (easting): 513 431 m
MGA (northing): 8 211 145 m
1:250,000 SHEET: SE53-03 Bauhinia Downs, SD53-15 Mount Young
1:100,000 SHEET: 5965 Bauhinia Downs, 5966 Mantungula
MINERAL FIELD: Merlin Diamond Field
COMMODITY: Diamonds, base metals
KEYWORDS: Diamonds, base metals, data review, target areas, reconnaissance field work
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1 SUMMARY OF EXPLORATION ACTIVITIES

Exploration work carried out over the relinquished blocks of EL22297 during the reporting period included a complete and thorough review of all open files on previous exploration data, reprocessing of data, site visit to confirm historical data and stream sediment sampling. Exploration on the tenement is part of the larger Cox project.

2 TENEMENT STATUS

Astro Diamond Mines NL applied for EL22297 on 9th December 1999. The exploration licence was granted on 5th August 2003 covering an area of 1427.56km², (Figure 1). As of the 30th July 2007 the tenement has been managed by Legend International Holding, Inc.

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Date of Grant</th>
<th>Area (km²)</th>
<th>Holder</th>
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<tbody>
<tr>
<td>EL22297</td>
<td>5th August 2003</td>
<td>Total prior to reduction 708.5</td>
<td>Legend International Holdings, Inc.</td>
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<tr>
<td></td>
<td></td>
<td>Reduced blocks 373.9</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retained Blocks 334.6</td>
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Table 1: Tenement Status

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<th>5 Minute Block</th>
<th>Relinquished 1 Minute Blocks</th>
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<tr>
<td>SD53153421</td>
<td>u &amp; z</td>
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<tr>
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<tr>
<td>SE530338</td>
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<tr>
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</tr>
<tr>
<td>SE5303110</td>
<td>j &amp; k</td>
</tr>
<tr>
<td>SE5303111</td>
<td>f, g, h &amp; n</td>
</tr>
<tr>
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<tr>
<td>SE5303182</td>
<td>v</td>
</tr>
<tr>
<td>SE5303183</td>
<td>p, u, y &amp; z</td>
</tr>
<tr>
<td>SE5303253</td>
<td>a, b, c, d, e, f, g, h, j, k, l, m, n, o, p, q, r, s, t, u, v, w, x, y &amp; z</td>
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<tr>
<td>SE5303254</td>
<td>a, f, g, l, m, q, r, s, v, w &amp; x</td>
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</tbody>
</table>

Table 2: Relinquished Blocks
3 LOCATION AND ACCESS

The Cox Project covers approximately 8,676.9 square kilometers west of the Merlin diamond field. The Cox Project is located between Roper Bar and Cape Crawford, on the north western part of the Bauhinia Downs (SE53-03), eastern half of the Hodgson Downs (SD53-14), the north eastern corner of the Tanumbirini (SE53-02) and the western parts of the Mount Young (SD53-15) 1:250 000 map sheets. The tenement can be accessed from the south by station tracks running north from the Carpentaria Highway, (Figure 2). The relinquished blocks from EL22297 are in the NW corner of the Bauhinia Down sheet and the SW corner of the Mt Young sheet.

4 GEOLOGY

4.1 REGIONAL GEOLOGY

All the economic diamond deposits and other significantly diamondiferous occurrences in Australia occur on the North Australian Craton (“NAC”). The NAC underlies the Kimberley region of northern WA, the northern two thirds of the NT and the north western part of Queensland. It is also host to many significant base metal, gold and uranium deposits. The NAC was formed at about 1850 Ma ago during the Barramundi Orogeny by the amalgamation of Archaean and early Proterozoic rocks which now form the basement rocks to the younger sequence. Proterozoic (1820-1600 Ma ) platform cover sediments, Palaeozoic volcanics and sediments, and Mesozoic sediments cover these basement rocks. The Palaeozoic volcanics comprise the Lower Cambrian Antrim Plateau Volcanics (~550 Ma in age) and its equivalents. The only volcanic activity that has occurred on the NAC for the past 500 Ma has been the intrusion of diamondiferous kimberlite at 367 Ma (the Devonian age Merlin kimberlite field), 179 Ma (Jurassic age Timber Creek kimberlite field), and the 25 Ma (Tertiary age) lamproite field in the Ellendale (West Kimberley) area.

The large time span for the intrusion of diamondiferous rocks makes the NAC very prospective for diamond exploration. It is expected that kimberlites would occur in the central parts of the NAC and lamproites would be favored in the marginal areas and in cross cutting Proterozoic mobile zones.

The kimberlites and lamproites of the NAC tend to occur along major northwest and northeast trending structures. These structures can be seen in the gravity data crossing the NAC and have a strike length of many hundreds of kilometers. These structures are interpreted to be fundamental fractures in the NAC and are potential channel ways for diamondiferous intrusives.
4.2 LOCAL GEOLOGY

The tenement is a part of the middle Proterozoic McArthur Basin. To the east is the Batten Trough which hosts major base metal deposits. The Cretaceous sediments of the Dunmarra Basin and the Cambrian Bukalara Sandstone which cover the McArthur Basin stratigraphy are widely exposed in and the surrounding parts of the tenement, (Figure 3).

The following component formations belonging to the Roper, Nathan and Tawallah Groups are exposed in the project area. The summary of rock units given below has been derived from Pietsch et al, 1991.

*Proterozoic*

**The Roper Group:** Is the youngest group in the McArthur Basin stratigraphy. It consists of a repeated sequence of quartzarenite and recessive mudstone and siltstone deposited in a shallow intracratonic basin. Its sedimentary package is distinct from the underlying rift related carbonate-siliciclastic sequences of the Nathan and McArthur Groups. The following formations belonging to the Roper Group are exposed within the project area.

**The McMinn Formation:** Consists of fine to coarse grained quartzarenite interbedded with siltstone and shale. It is divided into two members; the Moroak Sandstone Member and Kyalla Member. Only the Moroak Sandstone Member is exposed within the tenement.

**The Moroak Sandstone Member:** The basal part of this member consists of white quartzarenite with medium, subrounded to subangular, well sorted grains in medium to thick beds. Planer cross-beds up to 50 cm thick are common. In places recumbent fold structures have been produced.

The basal sequence is overlain by thinly bedded, fine to very coarse grained quartzarenite with minor quartz pebble bands. The grains are well rounded. Mudcracks, mudstone clast imprints and ripple marks are common.

**The Bessie Creek Formation:** The basal part of the Bessie Creek Formation is comprised of red-pink structureless quartzarenite except for rare ripple marks. The upper section consists of white to dirty white, thin to medium bedded, extensively crossbedded, subrounded medium to coarse grained quartzarenite. Its basal contact with the Corcoran Formation is relatively sharp.

**The Corcoran Formation:** The Corcoran Formation consists of interbedded mudstones, siltstones and quartzarenites. The pale purple to pale green mudstones are micaceous, sub-fissile and slightly sandy in places. The siltstones are thinly interbedded with mudstone and are a light grey to brown colour. The white quartzarenites contain slumped and contorted intervals and are fine grained. The Corcoran Formation conformably overlies the Abner Sandstone.
The Abner Sandstone: Is represented by its three members in the project area. These are the Hodgson, Jalboi and Arnold Members. The uppermost Hodgson and the basal Arnold Sandstone Members are lithologically indistinguishable and are separated by the thin Jalboi Member. In fact, where The Jalboi Member is absent it is impossible to differentiate one from other.

The Arnold Sandstone: Consists of generally white to dirty white quartzarenite. The quartz grains in the sandstone are medium, subrounded to subangular and moderately well sorted with minor silty clay matrix in places. It is friable but weathering has silicified and hardened the exposed surface. Its thickness reaches up to 290 m. Cross-bedding and ripple marks are commonly present.

The Jalboi Member: Consists of a fining upward cycle of interbedded conglomerate, sandstone, siltstone and mudstone. Where exposed it is up to 15 m thick. The Jalboi Member was deposited during periods of both alluvial outwash and flood plain deposition and subsequent shallow marine transgression.

The Hodgson Sandstone Member: Consists of white to dirty white, in places iron oxide stained quartzarenite. The quartz grains in the quartzarenite are mainly medium, subrounded to subangular and reach granule- to pebble-size in bands that are repeated commonly throughout the member.

Both the Arnold and Hodgson Sandstone Members are shallow platform sequences deposited in an intertidal to subtidal environment.

The Crawford Formation: The basal section of the Crawford Formation is characterized by thin to medium bedded, finely laminated ferruginous and micaceous siltstone, fine grained sandstone with minor thin interbeds of purple and black mudstone. Low-angle planar, trough and hummocky cross-beds are common. Overlying the basal unit is a sequence of red-brown micaceous sandy siltstones. The uppermost section consists of structureless, clean, white to light grey quartzarenite and thin interbeds of light grey siltstone.

The occurrence of hummocky cross-beds and slumped siltstone beds and ripped up intraclasts in hummocky cross-beds indicates that the Crawford Formation was deposited in a storm dominated near shore environment.

The Mainoru Formation: The basal unit of the Mainoru Formation consists of red-brown micaceous siltstone and fine grained sandstone with minor interbeds of light grey dolomitic siltstone and light purple mudstone. The siltstone is thinly bedded and flaggy with abundant ripple marks and mudcracks.

Overlying the basal unit is the uniformly laminated, flaggy, light green and light purple beds of micaceous siltstone with rare interbeds of pale green very fine grained glauconitic sandstone and siltstone.

The uppermost unit is a light brown micaceous siltstone which becomes arenaceous in places.
The Limmen Sandstone: Is predominantly composed of silicified, light grey to white, fine-grained, moderately to well sorted quartzarenite. It is medium-bedded and weathered to form rounded, blocky, exfoliated outcrops. Clay clast imprints occur commonly although ripple marks and cross bedding are rare. Interbedded with the quartzarenite is a light grey micaceous siltstone which in places has thin fissile to subfissile beds.

The Mantungula Formation: Is a basal non marine section comprises of conglomerate/breccias up to 10 m thick, overlain by a massive organically flecked mudstone. These in turn are overlain by a glauconitic sandstone and a redbed facies consisting of red mudstone/siltstone breccias containing intraformational clasts at the top.

The Nathan Group: Unconformably overlies the McArthur Group and its thickness is variable depending on the extent of pre-Roper Group erosion.

The Balbirini Dolomite: Is a thick dolostone unit consisting of predominantly dolarenite, dololutite and dolomitic shale. As well as rare interclast breccias, ooid dolostone, dolomitic sandstone, dolomitic siltstone and potassium rich mudstone. Stromatolites and pseudomorphs of gypsum, anhydrite and halite are common.

The Smythe Sandstone: Consists of a basal conglomerate up to 3 m thick and comprises subangular to rounded chert clasts up to 15 cm in diameter in a coarse, poorly sorted lithic sand matrix which is often dolomitic. The remainder of the unit comprises sandstone of mainly quartzarenite to litharenite composition. The quartzarenites are medium to thick bedded, usually medium grained, moderate to well sorted and often silicified. The lithic sandstones are medium to thick bedded, poorly sorted, medium to very coarse grained and in places pebbly. Cross bedding and asymmetrical ripples are common.

The McArthur Group: The only out-cropping formation belonging to the McArthur Group is Masterton Sandstone.

The Masterton Sandstone: Comprises pink, medium grained locally pebbly, lithic to quartzose sandstone and minor siltstone with conglomerate units common in the lower part and medium to coarse grained, commonly ferruginous mottled sandstone dominant closer to the top. The sandstone contains large trough and planar cross beds.

The Tawallah Group: Forms the basal part of the McArthur Basin and its sequence is dominantly comprised of ridge-forming sandstones alternating with considerably thinner units of volcanics and fine-grained clastics. The Tanumbirini Rhyolite and Warramana Sandstone out-crop in the project area.

The Tanumbirini Rhyolite: Consists of uniform, massive, pink-brown, deeply weathered, porphyritic rhyolite. It contains phenocrysts of quartz up to 10 mm and altered K-feldspar up to 12 mm in size. The feldspar phenocrysts are subhedral and often altered to clay minerals. Sediments overlying the Tanumbirini Rhyolite are an extensively cross bedded pebble conglomerate and pebbly sandstone which contain abundant rhyolite rubble and detritus.
The Warramana Sandstone: Is mainly a feldspathic to lithic sandstone, thin to medium bedded, fine to coarse grained and poorly sorted. It is dull pink-brown, friable in places and contains cross beds and ripple marks. The basal part occasionally contains conglomerate with cobble size clasts of silicified sandstone, chert and rare weathered volcanics. Thin shale beds and shale clast-rich sandstones are common in the middle of the sequence.

PHANEROZIOC PLATFORM COVER

Cambrian

The Bukalara Sandstone: This unit is extensively exposed in the area and out-crops in the tenement. It is a red-brown, thin to thick bedded, fine to very coarse grained feldspathic quartz sandstone. The cross-bedded layers 2-3 m thick are common, occasionally bearing at their upper part, noticeable horizons of maroon shale pebbles or ripples.

Cretaceous

Thin sequences of flat-lying Cretaceous conglomerate, sandstone, siltstone and mudstone of marine and non-marine origin are widespread in the area. The Cretaceous sediments rarely exceed 20m thickness and form cappings on mesas, ridges and plateau or valley infill.

5 EXPLORATION

5.1 SUMMARY

<table>
<thead>
<tr>
<th>Location</th>
<th>Date</th>
<th>Work Done</th>
<th>Result</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL22297-2008 relinquished blocks, Cox Project, Northern Territory</td>
<td>2003-2005</td>
<td>Review and compilation of published literature and historical company reports</td>
<td>Ashton exploration conducted bulk soil sampling for diamond indicator minerals (Figure 4)</td>
<td>One sample with positive chromite results and 2 with micro diamonds were identified on relinquished area.</td>
</tr>
<tr>
<td>EL22297-2008 relinquished blocks, Cox Project, Northern Territory</td>
<td>2003-2004</td>
<td>Acquisition and processing of multi-client geophysical data</td>
<td>Stacked magnetic profiles and LANSAT TM were used to pipe-like anomalies.</td>
<td>No anomalies were identified over the relinquued areas.</td>
</tr>
<tr>
<td>EL22297-2008 relinquished blocks, Cox Project, Northern Territory</td>
<td>2006-2007</td>
<td>Site visit across Cox Project conducted to verify historical openfile data. Review of results.</td>
<td>No sites on relinquished ground sampled.</td>
<td>Historical chromite and microdiamond occurrences on relinquished ground remain unverified.</td>
</tr>
</tbody>
</table>

Table 3: Exploration Summary
5.2 OPEN FILE DATA REVIEW

The open file reports were examined and diamond exploration sampling data were entered into Excel and a GIS database. Topographic and geological maps were acquired in raster format as a base for plotting the data. The reports revealed that previous work conducted by Ashton identified a chromite and two microdiamonds on the relinquished blocks, (Figure 4). No base metal occurrences were identified.

5.3 GEOPHYSICAL DATA REVIEW

Multi-client airborne magnetic data was processed to produce stacked profile images from which possible pipe-like anomalies were selected. Landsat images acquired from the NTGS were also processed, and anomalies were selected. None were identified on the relinquished areas.

5.4 FIELD WORK

In 2006 the first phase of exploration consisted of ground verification of previous diamond and indicator results across the Cox Project. These site investigations were to examine channel deposits that might be found within the Cretaceous sediments in the areas identified in historical company report, and resample earlier anomalous streams in those areas to recover indicators for probe work. None of sites identified on the relinquished block were sampled.

5.5 DISCUSSION

The presence of only un-sourced diamonds and the lack of either base-metal occurrences or substantial thickness of McArthur Group rocks were the controlling factors in the relinquishment of sub-blocks.

6 BIBLIOGRAPHY