

**FIRST ANNUAL REPORT
ON MT MICHAEL U-Ta-B PROJECT**

ARUNTA BLOCK, NORTHERN TERRITORY

Mt Michael Projects

Exploration Licence: 26368

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DISTRIBUTION

- 1. Northern Territory Department of Minerals & Energy*
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ANNUAL REPORT ON EXPLORATION ACTIVITIES OVER EL26368

PROJECT NAME: Mt Michael

TENEMENTS: Exploration Licences 26368

MINERAL FIELD: Arunta Mineral Field

LOCATION: ALCOOTA SF5310 1:250 000

Utopia 5853 1:100 000

COMMODITIES: Uranium, Tantalum and Bismuth

CONTENTS.....	Page
1.0 EXPLORATION LICENCES OVER MT MICHAEL PROJECT	3
2.0 LOCATION AND ACCESS.....	3
3.0 TENEMENTS.....	3
4.0 TOPOGRAPHY, VEGETATION AND CLIMATE	4
5.0 REGIONAL GEOLOGY & MINERALISATION	4
6.0 REGIONAL MINERALISATION.....	5
7.0 MT MICHAEL LOCAL GEOLOGY	6
8.0 PREVIOUS EXPLORATION.....	7
9.0 EXPLORATION 2008 TO 2009 – BLUEKEBBLE PTY LTD.....	8
10.0 EXPLORATION POTENTIAL	9
11.0 PROPOSED EXPLORATION	9
12.0 EL26368 – EXPENDITURE STATEMENT.....	10
13.0 EL26368 – PROPOSED EXPENDITURE	11
14.0 REFERENCES.....	11

LIST OF FIGURES

Figure 1: Mt Michael Project Location Map	4
Figure 2: Mt Michael Project Regional Geology Map	7
Figure 3: Mt Michael Project Areas showing Radiometric Anomalies Error! Bookmark not defined.	
Figure 4: Mt Michael Project Areas showing Magnetic Anomalies Error! Bookmark not defined.	

LIST OF TABLES

Table 1: Summary Table of EL26368.....	3
Table 2 : Characteristics of Palaeoproterozoic Zn-Cu-Pb-Ag-Au deposits in the eastern Arunta	6
Table 3: Radioemtric Targets warranted for follow up exploration work over EL26368	8
Table 4: Magnetic Targets warranted for follow up exploration work over EL26368.....	9

1.0 EXPLORATION LICENCES OVER MT MICHAEL PROJECT

Summary

The Mt Michael Project consists of one granted Exploration Licence (EL26368) covering 66.66 square kilometres approximately 270 kilometers north east of Alice Springs in the Northern Territory (Figure 1). The tenement area is situated along the Sandover Highway in the poly-metallic Arunta Mineral Field.

This report describes the results of literature research and target generation based on re-interpretation of magnetic data and exploration target generation carried out during the first and year within the Licence.

In 1982 CRAE undertook helicopter-supported, stream sediment sampling in which they located anomalous values (up to 40 ppm Pb, 48 ppm Zn, 14 ppm Sn, 5 ppm Ag, 15 ppm Cu and 22 ppm U) at Dingo Creek and south Point. Follow up work did not upgrade the anomalous zones. The CRAE geologists found poorly exposed highly weathered ultramafic rock in Dingo Creek which analysed 7.6% and 35.1% Mn in two samples. No gold assays were reported.

During January 2009 consulting geologists Kastellco Geological Consultancy (“KGC”) identified high potential uranium and magnetic exploration targets which resulted in the identification of several targets that warrant further work.

2.0 LOCATION AND ACCESS

Exploration Licence Application 26367 is situated approximately 270 kilometers north east of Alice Springs on the ALCOOTA 1:250,000 geology sheet along the Sandover Highway. Access to the station is provided by graded road suitable for most traffic in the dry season while bush tracks on the alluvial plains give reasonable access within the Exploration Licence. Bouldery and rugged terrain typical of large outcrops of granite limit access to four wheel drive or foot traffic for most of the area. Little natural surface water is available for much of the year, and stock is watered from several large dams and bores.

3.0 TENEMENT

The project area is covered by one Exploration Licence 26367 which cover a total area of 66.66 square kilometers; applied on the 10th August 2007 by Bluekebble Pty Ltd. The whole Exploration Licence area falls within the Perpetual Pastoral Lease 01116 and 01126. The two applications were lodged with the Northern Territory Titles Department on the 10th August 2007. The tenement details summarised in Table 1 and their locations are shown in Figure 1.

Tenement Number	Current Area Blocks	(sq km)	Current Holder	Grant Date	Expiry Date	Exploration Expenditure
EL26368	37	111.1 km ²	Bluekebble Pty Ltd	13/03/2008	12/03/2014	\$10,600.00

Table 1: Summary Table of EL26368

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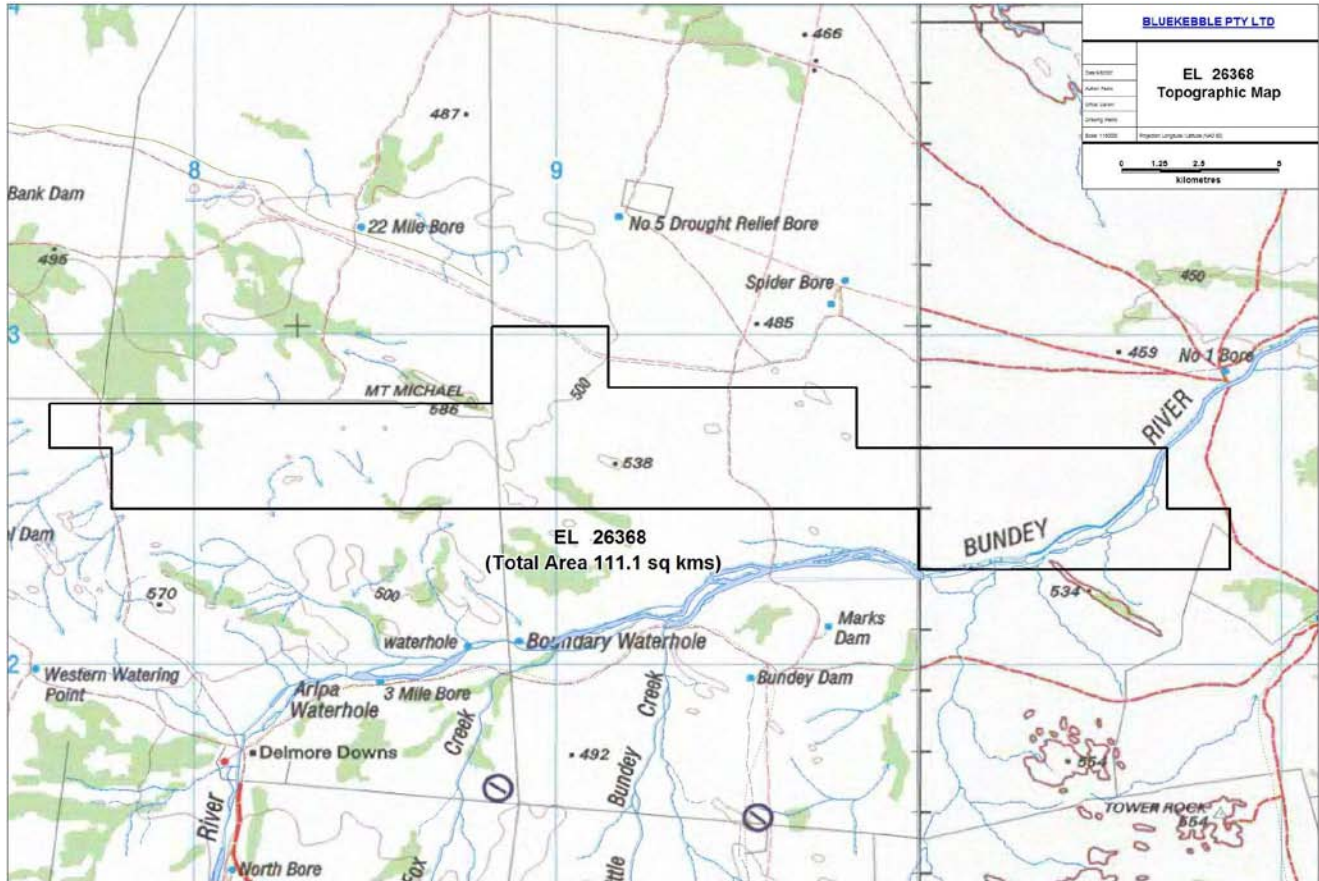


Figure 1: Mt Michael Project Location Map

4.0 TOPOGRAPHY, VEGETATION AND CLIMATE

Relief is generally low to moderate in areas of Delmore metamorphic and Quarternary deposits but steeply dipping outcrops of Ledan schist provide higher relief in the north and western portions of the lease.

Drainage outside the lease area is predominantly to the Bunday River in the east. However, a superimposed drainage pattern is evident with a flow to the north, and this can be explained by uplift in the region of the MacDonnell Ranges with subsidence to the north of the Alcoota 1:250,000 sheet when the present day outcrops were buried by younger sediments.

5.0 REGIONAL GEOLOGY & MINERALISATION

The greater part of the tenement is formed by the supracrustal package in the eastern Arunta region, the Ongeva package. This comprises the lower part of the Strangways Metamorphic Complex (Lower and Middle SMC only, but excludes the Cadney Metamorphics) and Bonya Schist, Deep Bore Metamorphics, Cacklebery Metamorphics, Kanandra Granulite and Mount Bleechmore Granulite further to the east. Geochronological data from the Strangways Metamorphic Complex, Bonya Schist and Deep Bore Metamorphics indicate ages between 1810 and 1800 Ma for this package. Lithologically, the Ongeva package consists of metapelitic and

metapsammitic rocks with subordinate calcsilicate, marble, and felsic and mafic orthogneiss (Huston et al, 2006).

The Cadney package (Upper SMC), which includes marbles and calc-silicates of the Cadney Metamorphics, has been interpreted to have an age of 1780-1760 Ma. However, the age of this unit is poorly known, with its age constrained between ~1800 and ~1730 Ma by the underlying Strangways Metamorphic Complex and the overprinting ~1730 Ma Strangways metamorphic event. It is possible that the Cadney package may have been deposited shortly after the Ongeva package, with a depositional age of ~1800 Ma.

The ~1770-1730 Ma Ledan package includes pelitic and psammitic metasediments that unconformably overlie the Strangways Metamorphic Complex (Scrimgeour, 2003; Maidment et al., 2005). This package is interpreted to contain the Oonagalabi assemblage, which hosts the Oonagalabi deposit. Recent geochronological studies identified a single zircon population age of 1765 ± 4 Ma (Hussey et al., 2005), which was interpreted as a significant volcanoclastic component, implying that this age closely approximates the depositional age of the Oonagalabi assemblage.

The Harts Range Group comprises a complex assemblage of granite gneiss, marble, calc-silicate, amphibolite, psammites and pelites that have been metamorphosed to upper amphibolites - to granulite facies. Detrital zircon data from these rocks indicate that they are the high-grade metamorphic equivalents of sedimentary rocks in the adjacent Amadeus and Georgina basins (Maidment, 2005). Comparison of detrital zircon data from the high-grade metamorphic and unmetamorphosed successions indicates that the Harts Range Group was deposited between ~850 Ma and ~500 Ma.

6.0 REGIONAL MINERALISATION

Mineral deposits in the Arunta region vary in commodity, style and age. Although base-metal and gold deposits in the Arunta are relatively widespread and geologically interesting, these deposits have been generally deemed as being economically insignificant although several abandoned mines are shown on mapping to exist to the north of the tenement area.

The economically most important deposits are industrial minerals: vermiculite associated with the weathered rocks in the Mud Tank carbonatite complex, and garnet-amphibole-rich sands concentrated by aeolian and alluvial processes to the north of the Harts Ranges.

The oldest deposits in the eastern Arunta are base-metal and gold deposits hosted by the Strangways Metamorphic Complex, Bonya Schist and Cadney Metamorphics.

Historically, these deposits have been classed as 'Oonagalabi-type' and were Volcanic-Hosted Massive Sulphide (VHMS) in origin. However, more recent work (Hussey et al, 2005; Huston et al, 2006) has identified systematic differences and has divided the known deposits into three sub-types: (1) the Utnalanama-type, which we interpret as VHMS deposits, (2) the Johnnies-type, which we interpret as IOCG deposits, and (3) the re-defined Oonagalabi-type, which we interpret as either carbonate-replacement or VHMS deposits. Table summarises the characteristics that distinguish these three groups.

Table 2 – Characteristics of Palaeoproterozoic Zn-Cu-Pb-Ag-Au deposits in the eastern Arunta

Type	Metal assemblage	Other elements	Host	Alteration assemblages	Interpreted age (Ma)
Urnalanama	Mineralised marble: Zn-Pb-Cu(Ag-Au)	Mineralised marble: Bi-Cd Calc-silicate:	Marble and calc-silicate after carbonate rocks.	Quartz-cordierite± orthopyroxene rock > massive amphibole± spinel±clinopyroxene rock.	1810-1800 (age of host); calc-silicate may be younger
	Calc-silicate: Pb-Zn	Sn, HFSE, REE		Both are concentrated in the footwall to mineralised marble lens.	
Johnnie's	Lode rock: Cu- Pb(Zn-Ag-Au)	Lode rock: Mn-Ca-HFSE-REE	Lode rock: magnetite diopside-amphibole± quartz rock (after marble).	Quartz-biotite-garnet gneiss in structural footwall to lode rock.	1795-1770 (Pb isotope model age)
	Footwall Garnetiferous zone: Au(Cu)	Footwall garnetiferous zone: Bi±Mo	Footwall garnetiferous zone: Quartz-biotitegarnet±magnetite gneiss.		
Oonagatibi	Zn-Cu-Pb (Ag- Au)	Bi	Marble → calc-silicate→ massive anthophyllite schist.	Quartz-garnet rock symmetrically developed about host marble lens.	1765 (?) (age of host)

Several mineral occurrences in association with Delney-Mount-Saint-Hill Fault Zone have been reported. One of these are the Molyhill Mine (80km ESE of the licence area) where coarse scheelite and clots of molybdenite are observed within a magnetite-chlorite skarn in calc-silicate sediments. In addition to this and the previously mentioned scheelite occurrence, tantalum, tungsten and copper mineralisation is reported.

In the Bunday River prospect small quantities of tantalite occur within pegmatite intruding a boundary between gneiss and microgneiss.

Two tantalum occurrences (Utopia Prospect – 34km WNW of licence area) are reported to be weakly radioactive.

7.0 MT MICHAEL LOCAL GEOLOGY

Reference is made to the Alcoota 1:250,000 geology sheets by the Geological Survey.

West and north-west striking layered early Proterozoic lithologies which were intruded by granites and overlain by the Adelaidean Grant Bluff Formation, are the main outcropping rock units in the Licence area. A brief description of the lithologies is as follows:

Grant Bluff Formation: White and grey quartz sandstone; minor granule and pebble conglomerate; rare white siltstone. Drilling indicates that the unit contains dolomite, anhydrite-

bearing in part; dolomitic sandstone and siltstone, shale, pyritic shale, siltstone and rare sandstone.

Ida Granite: Gneissic biotite granite

Mount Swan Granite: Gneissic biotite granite with microcline phenocrysts in part occurs in the most eastern portion of the licence area.

Over 75% of the Exploration Licence is covered by Quaternary sediments which are mainly composed of alluvium, eluvium, colluvium, soil and scree.

The dominant structural features in the licence area are west-north-west faults. These are in the western extension of the Delney-Mount-Saint-Hill Fault Zone which is a prominent west-north-west trending fault zone characterized by retrograde schist zones up to 5km wide in the Huckitta Sheet. The fault zone has a high angle reverse movement. Lineations in the fault zone indicate that the movement has been essentially vertical. This fault zone is thought to be an older structure which was reactivated several times. The last phase of fault movement is correlated with the Carboniferous Alice Springs Orogeny.

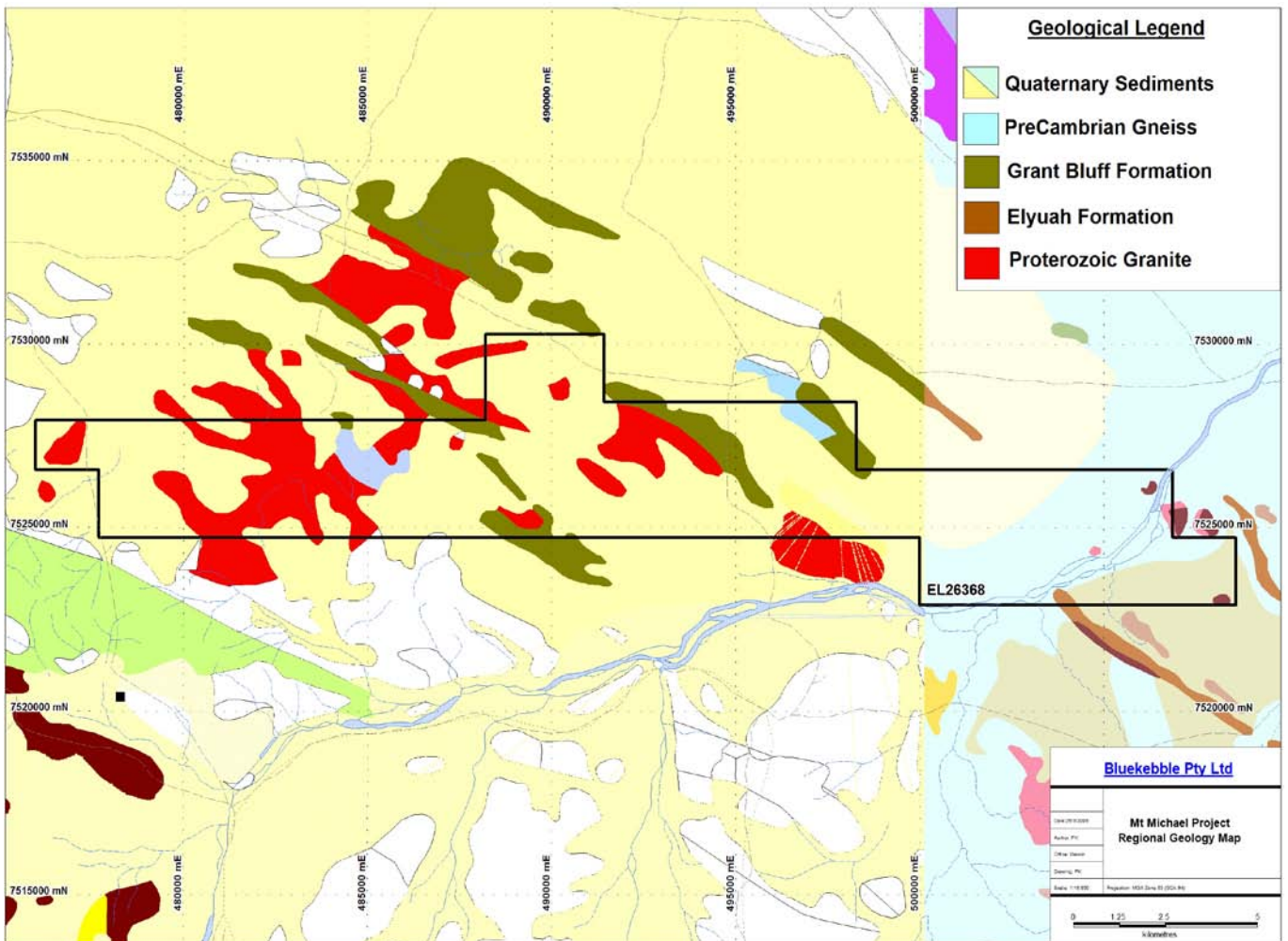


Figure 2: Mt Michael Project Regional Geology Map

8.0 PREVIOUS EXPLORATION

In 1982 CRAE undertook helicopter-supported, stream sediment sampling in which they located anomalous values (up to 40 ppm Pb, 48 ppm Zn, 14 ppm Sn, 5 ppm Ag, 15 ppm Cu and 22 ppm U) at Dingo Creek and south Point. Follow up work did not upgrade the anomalous zones. The CRAE geologists found poorly exposed highly weathered ultramafic rock in Dingo Creek which analysed 7.6% and 35.1% Mn in two samples. No gold assays were reported.

In the north-eastern boundary of the current EL26368 a weathered coarse quartz feldspar pegmatite occurs within a biotite-hornfels schist which assayed 55 ppm U and 24 ppm Th, with manganese nodules found on the surface assaying 250 ppm U and 26 ppm Th.

9.0 EXPLORATION 2008 TO 2009 – BLUEKEBBLE PTY LTD

During January 2007 consulting geologists Kastellco Geological Consultancy (“**KGC**”) conducted a review of existing historical exploration data within the Northern Territory Geological Survey Database. This was conducted for all the Project areas to identify any high potential uranium exploration targets and resulted in the identification of several targets that warrant further work.

The targeting was undertaken at a high level to identify areas of interest that stand out in the regional re-interpreted geophysical data. Historical prospects were reviewed to determine the effectiveness of the previous exploration and evaluate remaining potential within the Exploration Licence area.

On a regional basis the Mt Michael tenement is located in the highly prospective Arunta Mineral Field. Through detail interpretation of airborne magnetic from the Northern Territory Geological Survey, the following magnetic/radiometric anomalies were identified as shown in Tables 3 and 4. The location of the magnetic anomalies targets is represented in Figures 3 and 4.

Table 3: Radiometric Targets warranted for follow up exploration work over EL26368

Tenure Number	Radiometric Anomalies	Strike Length of Anomaly (m)	Width of Anomaly (m)	Geological Setting
EL26368	Anomaly 1 1 First	1,430m Max	630m Max	Proterozoic Granite
EL26368	Anomaly 2 1 First/Second Order	1,720m Max	790m Max	Proterozoic Granite
EL26368	Anomaly 3 1 First/Second Order	1,370m Max	830m Max	Proterozoic Granite
EL26368	Anomaly 4 1 First/Second Order	760m Max	740m Max	Proterozoic Granite
EL26368	Anomaly 5 1 First/Second Order	1,430m Max	630m Max	Proterozoic Granite
EL26368	Anomaly 6 1 First	3,040m Max	750m Max	Edkera Formation

Table 4: Magnetic Targets warranted for follow up exploration work over EL26368

Tenure Number	Magnetic Anomalies	Strike Length of Anomaly (m)	Width of Anomaly (m)
EL26368	Anomaly 1	2,000m Max	1,100m Max
EL26368	Anomaly 2	3,100m Max	1,100m Max
EL26368	Anomaly 3	1,800m Max	1,500m Max
EL26368	Anomaly 4	4,300m Max	1,500m Max

10.0 EXPLORATION POTENTIAL

The project areas has been shown to contain a number of clusters of first and second order magnetic and radiometric anomalies which have never been investigated (Figure 3 and 4). The regional zoning suggest that tantalite mineralisation has been concentrated and ultimately carried by late phase hydrothermal silica solutions, differentiated from the granite pegmatite schist associated to the west.

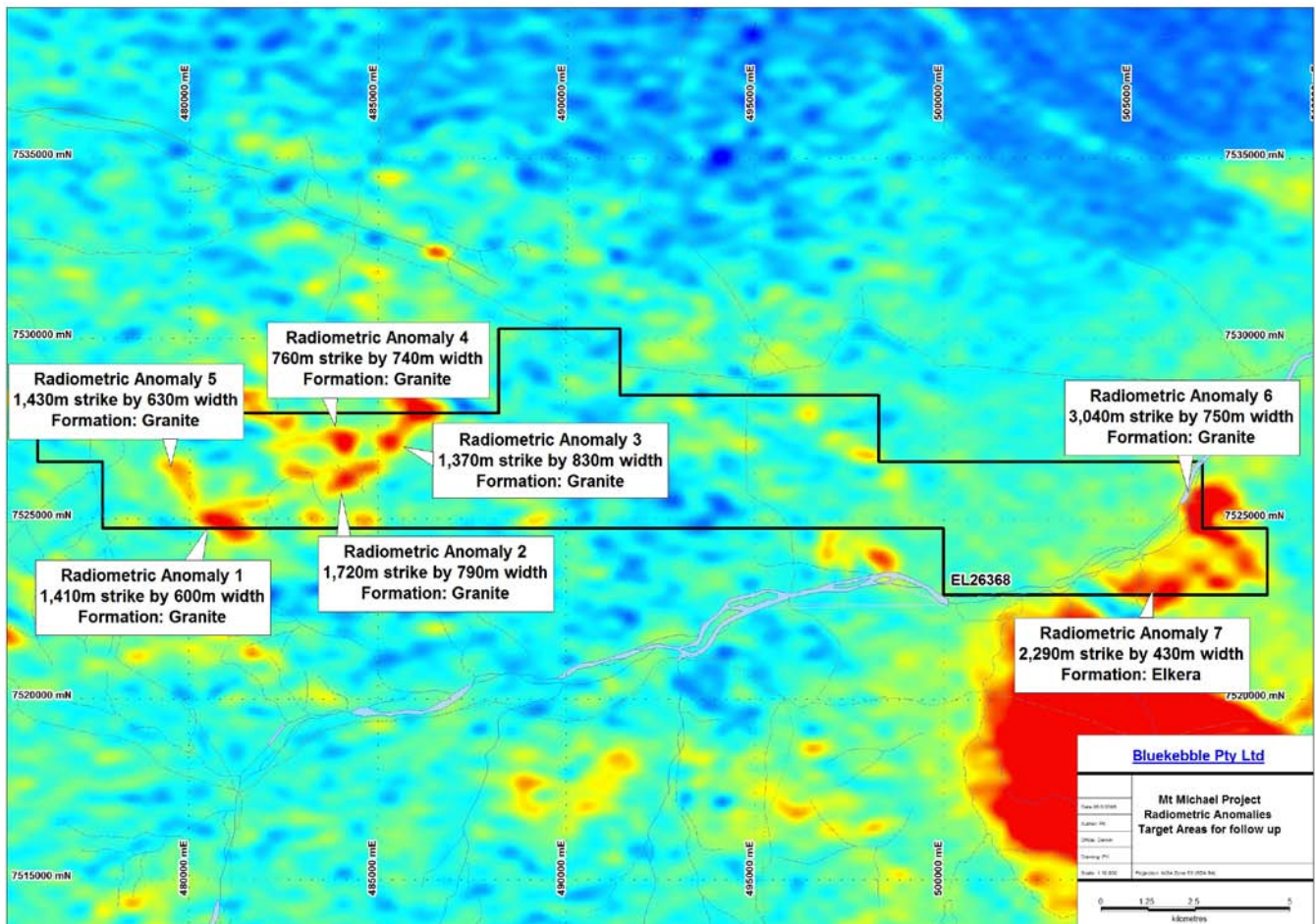


Figure 3: Mt Michael Project Areas showing Radiometric Anomalies

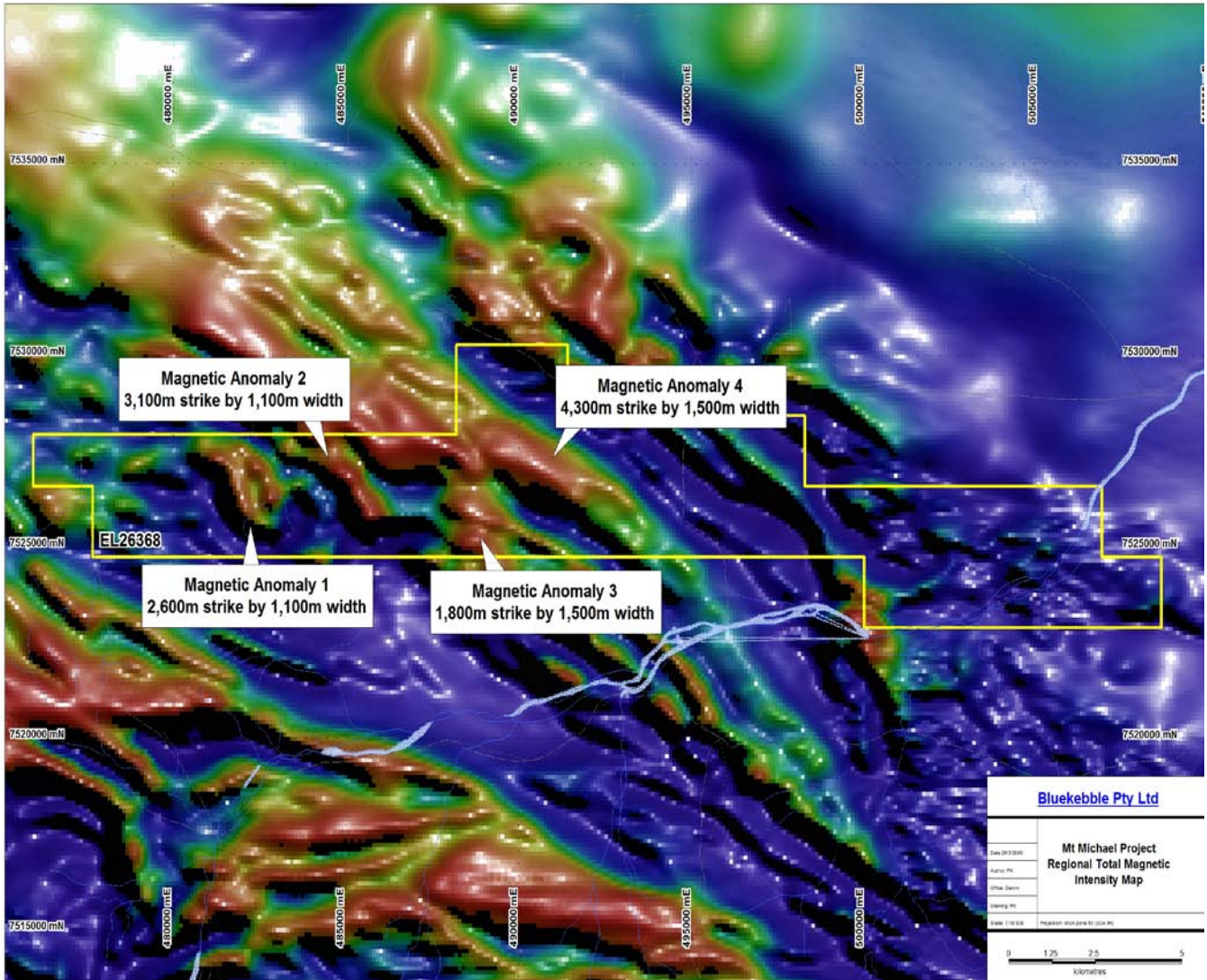


Figure 4: Mt Michael Project Areas showing Magnetic Anomalies

11.0 PROPOSED EXPLORATION

Bluekebble proposes undertaking a soil and rock-chip sampling programme over a 50 m by 200 m grid covering the Spotty Wonder old workings. Geological mapping would run concurrently with the proposed soil sampling in order to help delineate the source of uranium anomalism in the area.

Rock-chip sampling and limited ground geophysics is likely to be undertaken to determine the potential of known areas of shear zone hosted quartz veins. Further exploration will include comprehensive surface sampling and geophysics aimed at preparing for a first-pass RAB drilling programme to test magnetic anomalies outlined by updated geophysics.

12.0 EL26368 – EXPENDITURE STATEMENT

Kastellco Geological Consultancy	
Drafting	\$2,085.00
Reporting	\$3,850.00
Re-Processing of Magnetic/Radiometric Data	\$2,645.00
Administration/Overheads/Management	\$2,030.00
TOTAL	\$10,610.00

13.0 EL26368 – PROPOSED EXPEDITURE

Exploration Budget for Mt Michael Project for 2008-2009		
Project: Mt Michael Exploration Program		Total AUD\$
Rock chip/Soil Sampling Program		
Between 150 surface geochemical samples	\$3,000.00	\$3,000.00
Sub-total		
Assay Laboratories Analysis		
Geochemistry for Rock Chip/Soil Samples (\$20/sample for 1,500)	\$4,000.00	\$4,000.00
Sub-total		
Professionals		
Kastellco Geological Consultancy	\$3,600.00	\$3,600.00
Sub-total		
Total	\$10,600.00	\$10,600.00

10.0 REFERENCES

Cooney, R.G., 1973, Neptune Mineral Exploration Pty Ltd, Final Report on EL32, Northern Territory Geological Survey, Open File Report CR1973-0208.

Otter Exploration NL., 1978, Annual Report for Exploration Licence 1453, Northern Territory Geological Survey, Open File Report CR1978-0048.

Jays Exploration Pty Ltd., 1981, Final Report on Exploration Licence 2390 'Delmore Downs', Northern Territory Geological Survey, Open File Report CR1981-0196.