Eighth Annual Report for
‘BORDER DIAMONDS’
EL 9742

For the period
16/6/2008 to 15/6/2009

Author: Michael Green (Remote Area GeoScience – remote.geo@bigpond.com)
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Statistics & Solutions Pty Ltd
Imperial Granite & Minerals Pty Ltd

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1.0 Summary

An ovoid photo-geological feature on EL 9742 does not appear to be a simple drainage or regolith landform and may outline a collapsed kimberlite or carbonatiite volcanic vent. If so, it would be highly prospective for diamonds. Within the ovoid feature there are undisturbed outcrops of Jurassic DeSouza Sandstone, and so the ovoid feature must be even older. No units beneath the De Souza Sandstone, such as basement, have been identified within the ovoid feature; the nearest exposed basement (granite) is 4 km west. Two previous heavy mineral samples within the ovoid feature returned garnet: one had strong kimberlitis affinities.

Previous work also revealed a number of gold anomalies within EL 9742, including an ironstone rockchip which returned 24 g/t Au (putative basement). This ironstone has never been re-identified, but widespread elevated Au values in soil samples suggest high gold prospectivity. Gold anomalism was found in a variety of regolith environments, including gravel sheetwash adjacent to outcrop and sandy sheetwash distal from outcrop. Follow-up detailed soil sampling of these previous soil anomalies has been completed. Results are pending.

2.0 Introduction

EL 9742 Border Diamonds is located on the southern edge of the FINKE (SG5306) 1:250,000 mapsheet and abuts the Northern Territory - South Australian border (Figure 1). EL 9742 is within NT Portion 2869, PPL 999 Umbeara. The report here presents the work for the eighth year of tenure.

3.0 Tenure

EL 9742 was granted to Statistics & Solutions Pty Ltd (50 %) and Imperial Granite & Minerals Pty Ltd (50 %)on 16 May 2001 for a period of six years and originally covered 64 sub-blocks (206 km²). Waivers of reduction were granted in 2003 and 2004. The area was reduced on 16 May 2005 (32 sub-blocks, 97.52 km²) and again on the 16 May 2006 with (16 sub-blocks, 49.41 km²). A renewal for two years was approved in 2007. A further reduction to 6 blocks was submitted at the end of the eighth year (Figure 1).

<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>
<tbody>
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<td>Border Diamonds</td>
<td>9742</td>
<td>64</td>
<td>48</td>
<td>16</td>
<td>16 May 2001</td>
<td>15 May 2007</td>
</tr>
<tr>
<td>Border Diamonds</td>
<td>9742</td>
<td>16</td>
<td>10</td>
<td>6</td>
<td>16 May 2007</td>
<td>16 May 2009</td>
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**Table 1:** Tenement details
4.0 Previous Work

4.1 First Year
- Interpretation of satellite imagery revealed a large ovoid structure (>400 hectares) just north of the Northern Territory – South Australian border.
- 50 m-spaced aeromagnetic survey was conducted over EL 9742 by Kevron Geophysics Pty. Ltd. The survey failed to identify any magnetic features coincident with the ovoid photo feature.
- Field reconnaissance concluded that effective surface sampling in the area was unlikely due to the large amount of transported material covering the region. Five drill holes were proposed to test the ovoid structure, but were not completed.

4.2 Second Year
- One 14.4 kg bulk soil sample (SANT001) was collected from the southern margin of the ovoid feature (Figure 2) and returned a single >0.4 mm pale eclogitic orange pyrope garnet of possible kimberlitic origin (Independent Diamond Laboratories). Its remnant primary frosted surface indicated only minor abrasion and it is interpreted to have travelled <3 km from its source. Given the relatively subdued topography of the area and the southerly sheetwash flow direction at the sample site, it is interpreted that this garnet came from within the ovoid feature.

4.3 Third Year
- 15 bulk soil samples were collected across the ovoid feature (Figure 2). Analysis was undertaken by Diatech, Perth, and all returned no diamond indicators.
- One ironstone sample was collected during the above soil sampling and returned 24 ppm Au, 35% Fe and 100 ppm Bi. The outcrop was 3 m x 150 mm x 150 mm in sandy sheetwash. No GPS location was recorded and numerous foot, vehicle and helicopter surveys have since been deployed to re-locate the outcrop.
- Two bulk soil samples were collected by Flinders Diamonds NL near the southern margin of the ovoid feature (Figure 2). One pale orange, freshly worn, angular pyrope garnet was identified (SANT003), but it was not considered to be kimberlitic (Independent Diamond Laboratories).

4.4 Fourth Year
- Three field trips were undertaken to re-locate the lost gold prospect.
- 307 soil samples were taken over a 100 x 200 m grid covering an area greater than the ovoid feature (Figure 3). Unsieved samples were collected from various regolith settings. Analysis was undertaken by NTEL using fire assay with ICP-MS for Au, Pd and Pt and 3 acid digest with ICP-OES for other elements. Detectable Au was widespread; the best result of 12 ppb Au did not correlate with elevated values for the other tested elements (Pd, Pt, Ag, Bi, Co, Fe, Ni, Pb, Zn). There were also single elevated Pd (JB053 = 8 ppb Pd) and Pb (JB043 = 20 ppm Pb) values and a grouping of very modest Ag anomali sm (JB211-215 = 1-3 ppm Ag). However, the main aim of identifying the lost gold prospect was not achieved.
4.5 Fifth Year

- Eleven unsieved soil samples were collected over a weak magnetic high to the southwest of the ovoid feature with the hope that this magnetic feature may be related to the lost Au-bearing ironstone (Figure 4). A further seven samples were taken from near the previous 12 ppb Au anomaly (Figure 4). Analysis was undertaken by NTEL using total ore-grade digestion with ICP-MS finish (G421M). No elevated values were returned, but detection limits were quite high.

4.6 Sixth Year

- Two further grid surveys were undertaken looking for the lost gold prospect. Both surveys were unsuccessful.
- A sacred site clearance was submitted with the CLC to make a 12 km road from the Kulgera-Finke Road south into the ovoid feature. The clearance would permit building this access track and drilling within EL 9742. The clearance was not finalised by the CLC. Moreover, discussions with drilling companies to obtain a suitable rig was fruitless for such a small programme.

4.7 Seventh Year

- The best track access from the Kulgera-Finke Road was identified and flagged.
- No effective exploration was undertaken as CLC clearance had not been obtained.

4.8 Eighth Year and expenditure

- The proposed access track and drill sites were approved by the CLC.
- Upon revisiting the site to prepare for clearing the access track it was found that the station owner had since repaired the track along the southern boundary fence (25 km from Tieyon Road), such that it is now suitable for a drill-rig. Hence, access to the drilling area could be obtained by clearing a <1 km access track (cf. 12 km previously). Given the better environmental outcomes and reduced costs, a new submission was lodged with the CLC to request permission to clear a line from the southern boundary fence to the ovoid feature. This request is still pending, but is expected to be finalised without further anthropological work.
- A geological consultant (Remote Area GeoScience) was hired to manage the project.
- A regolith-outcrop map was produced covering the ovoid feature (see attached). This mapping revealed that flat-lying Jurassic De Souza Sandstone is exposed in the middle of the ovoid feature and thus the ovoid feature must be older. Moreover, the ovoid feature is not a simple drainage or regolith landform and is consistent with a buried Kimberlite or carbonatite pipe. Most of the area is covered by sandy sheetwash. Previous gold anomalies were found in various regolith environments.
- 64 soils samples were collected from around previous gold anomalies (Figure 5).
- Drilling contractors (Bostech) have been approached and have agreed to undertake the RAB programme.
In the ninth year of tenure, RAB drilling will be undertaken to identify basement within the ovoid feature. An access road into the area will be cleared. A number of RAB holes are required to ensure that the ovoid feature is effectively covered. Given positive results, then diamond drilling will be used. Subject to the results of the latest soil samples, RAB drilling will also be extended to around the known gold anomalies.

<table>
<thead>
<tr>
<th>Item</th>
<th>Expenditure</th>
</tr>
</thead>
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<tr>
<td>Assays</td>
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</tr>
<tr>
<td>RAB drilling (~2500 m)</td>
<td>$40,000</td>
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<tr>
<td>Diamonds drilling (1 x 200 m)</td>
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<tr>
<td>Consultant fees</td>
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<td>Field staff wages</td>
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<tr>
<td>Vehicle costs (includes diesel)</td>
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</tr>
<tr>
<td>Field costs (camp, food, etc)</td>
<td>$10,000</td>
</tr>
<tr>
<td>Access track clearing</td>
<td>$10,000</td>
</tr>
<tr>
<td>Airfares &amp; Accommodation</td>
<td>$5,000</td>
</tr>
<tr>
<td>Administration</td>
<td>$20,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$200,000</strong></td>
</tr>
</tbody>
</table>

Table 3: Proposed expenditure for third year of tenure.

5.0 Environmental

No ground disturbing work has been undertaken on EL 9742.
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Figure 1: Location map showing reduced tenure. Background: Finke 250k geology

15 June 2009
Figure 2: Location of bulk soils samples collected for diamond indicators. Background: Regolith-outcrop map.

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15 June 2009 1:19000
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Figure 3: Location of 2004 soil samples (307 samples).
Background: Regolith-outcrop map
15 June 2009 1:220000
Remote Area GeoScience

Figure 4: Location of 2005 soil samples (18 samples).
Background: 50 m spaced-aeromag TMI draped over regional colour IVD

15 June 2009 1:57000

Outline of photo anomaly

- Unsieved soil samples
- Retained
- Relinquished
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Figure 5: Location of 2009 soil samples (64 samples). Results pending.
Background: Regolith-outcrop map

15 June 2009  1:17000