EL 23771 ‘Cox River West’
COX RIVER DISTRICT, NT

ANNUAL REPORT

ON EXPLORATION ACTIVITIES
YEAR 6 OF TENURE
19 AUGUST 2008 – 18 AUGUST 2009

GRAVITY DIAMONDS LIMITED
(ABN - 72 009 178 689)
Level 7, Exchange Tower
530 Little Collins Street, Melbourne, Victoria, 3000

EL 23771
Holder: Gravity Diamonds Limited
Grant Date: 19 August 2003
1:250,000 Sheet : Hodgson Downs SD 53-14,
Minerals Sought: Diamonds, Base metals
SUMMARY

EL 23771 “Cox River West” was granted to Gravity Capital Limited on the 19 August 2003. On the basis of encouraging diamond sampling data from nearby tenements, a FALCON® airborne gravity gradiometer survey was flown over a substantial part of the Cox River West tenement during the first year of tenure as part of a larger survey.

Detailed interpretation, anomaly ranking and exploration targeting from the FALCON® survey was completed, however no priority targets were identified within EL 23771. Targets in adjacent exploration licences also covered by the survey were rated highly and implied the limited possibility that kimberlite pipes or alluvial diamonds could occur on EL 23771.

Helicopter-supported heavy mineral sampling was carried out the adjacent exploration licences focused on priority FALCON® generated targets. Field reconnaissance was carried out at the same time on EL 23771 but no appropriate sample sites were identified.

Reprocessing of the original FALCON® gravity data with updated noise suppression algorithms considerably lowered the final data noise envelope (3 eotvos) and allowed the selection of more subtle targets similar to that associated with the small kimberlite discovered by Gravity Diamonds at Abner Range which had a negative gravity response of 22 Eotvos.

Several small second order anomalies located within the tenement were unable to be assessed by stream sediment sampling through lack of suitable trap sites. They were followed up with geochemical sampling and a grid of samples was taken using station tracks for access.

Equivocal results require further assessment before the tenement may be relinquished.

Year 6 expenditure on the tenement was $4,465.
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1. Tenement Location – EL 23771
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INTRODUCTION

EL 23771 “Cox River West” was granted to Gravity Capital Limited (“Gravity”) on the 19 August 2003. At the time the company had entered into an agreement with BHP Billiton for the exclusive application of the FALCON® airborne gravity gradiometer system in mineral exploration in Australia. The FALCON® system is a unique exploration tool developed by BHP Billiton and has been found to have particular application in diamond exploration where sufficiently large kimberlite pipes may be detected as gravity responses provided they have an adequate density contrast with the surrounding country rock.

Gravity entered into an exploration agreement with Rio Tinto Exploration through its 100% owned company, Diamond Mines Australia Pty Ltd (“DMA”), concerning the diamond and base metal exploration over a large number of Rio Tinto-controlled tenements in the Northern Territory (ASX announcement 25/07/2003). Ground covered by this agreement was supplemented with adjacent tenements that Gravity applied for in its own right as is the case with EL 23771.


The principal target in the area of EL 23771 is diamonds.

LOCATION AND ACCESS

EL 23771 is located 45 kilometres west of Nathan River homestead in the Gulf Region of the Northern Territory. The tenement lies in the southwest portion of the Nathan River Pastoral Lease which is managed by NT Parks and Wildlife, and is now accessible following rehabilitation of station tracks from the adjoining Broadmere Station (Figure 1).

GEOLOGICAL SETTING

The northern part of EL 23771 contains gently deformed mid Proterozoic Roper River Group sediments of the McArthur Basin. In the southern part, the Roper River Group is overlain by the Bukalara Sandstone, which forms the basal part of the Cambrian Georgina Basin sequence. The area is drained by the Cox River and of low relief so that exposure is relatively poor.

The area lies within the postulated northern Australian Craton “microdiamond field” which extends from the Camooweal region of northwest Queensland to the East Kimberley district in northwest Western Australia. The diamondiferous “Packsaddle” kimberlite dykes are located 120 kilometres to the northwest of the tenement and the Merlin diamond field lies approximately 190 kilometres to the southeast. Gravity has previously announced the discovery of new diamondiferous kimberlites at the Abner Range 150 kilometres southeast of the tenement area. These kimberlites were discovered utilising the FALCON® airborne gravity gradiometer system using a similar approach to that taken within the tenement EL 23771.

Although the McArthur Basin is best known for its base metal potential, known occurrences are rare in the Roper River Group and exploration for lead, zinc and copper are a low priority.
PREVIOUS EXPLORATION

Two small, low grade kimberlitic dykes (Packsaddle and Blackjack) were discovered by Stockdale in the late 1980’s northeast of the Project area. These small dykes contain low diamond grades and shed kimberlitic chromite grains into the adjacent drainages.

During the 1980’s surface sampling by CRAE and Ashton was completed in the area surrounding the exploration licence with some infill sampling carried out during the 1990’s. Few samples appear to have been taken within the licence. Historically, regional sampling has recovered macrodiamonds, microdiamonds and indicator minerals consisting mainly of chromite, from drainages surrounding the project area. The geochemistry of the chromite grains recovered suggests they have both kimberlitic and non-kimberlitic sources.

A review of available geophysical and sample data carried out by Gravity confirmed the potential for diamondiferous kimberlites to be located within the Arnold River tenement block of which EL 23771 is a part.

A FALCON® airborne gravity gradiometer survey was carried out during late 2003 and acquired gravity gradiometer, aeromagnetic and digital terrain data. As part of a larger survey in the area, the entire tenement was covered (approximately 21 km²). Several second order targets were identified but because of limited ground access only helicopter borne reconnaissance exploration was carried out. During 2007 an access track was created by rehabilitating old station tracks on Broadmere Station and this allowed vehicular access to the tenement.

Following the re-establishment of access to the area, a small programme of standard soil geochemical samples was undertaken over the targets. As a preference the drainages in this odd shaped tenement would have been sampled however previous helicopter reconnaissance indicated that the tenement drainages had insufficient build up of gravels to allow meaningful Indicator Mineral stream sediment samples to be taken.

Geochemical sampling was carried out over the targets. Samples were obtained from the “B” soil horizon where possible (± 20-30cm depth). Approximately 400 grams of -80# material was sieved from this zone and submitted to Ultratrace Laboratories, Perth for analysis. The survey (n=110 samples) was designed to cover a second order FALCON® / magnetic anomaly Figure 3. Results were reported in the year 5 report and were only weakly anomalous in elements that are typical indicators for kimberlite.

WORK COMPLETED IN YEAR 6

Work planned for year 6 was to evaluate the exploration licence in the context of the total tenement package in the area. In the first half of the year a contract was signed for the sale of the whole tenement package to Legend International Holdings Inc. Further fieldwork in the area is awaiting the completion of the sale.
CONCLUSIONS AND RECOMMENDATIONS

EL 23771 occurs in an area considered to be prospective for diamonds. Sampling programs carried out by Gravity Diamonds in the surrounding area have recovered anomalous kimberlitic indicator minerals. This is at odds with previous sampling results carried out by CRAE and Ashton Diamonds in the 1980’s and 90’s and suggests that the enhanced sampling and processing techniques carried out by Gravity Diamonds has the potential to further upgrade the area in general.

A FALCON® airborne gravity gradiometer survey was flown over much of the EL area. Reprocessing of the original data highlighted two main new targets. Soil sampling of these targets has been carried out and the results are equivocal. Several samples displayed reasonably anomalous Nb assays however corresponding results for other “typical” kimberlitic elements (Ce, La, Ti, and REE) are only weakly anomalous.

EL 23771 is a small oddly shaped licence and will be evaluated in terms of the total tenement package in the area once the sale of the package is completed to Legend International Holdings Inc.

EXPENDITURE STATEMENT

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