CAMFIELD AMETHYST EXPLORATION – YEAR 6

Annual Report

EXPLORATION LICENCE 10416

For the period: 13 June 2011 to 12 June 2012

Tenement Holder: Barry Kayes

Prepared by: Barry Kayes
June 2012
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Attachment #1  Blocks relinquished/retained – EL10416.
INTRODUCTION

This report documents the exploration programme completed on Exploration Licence 10416 during the period 13 June 2011 to 12 June 2012.

1.1 Location and Access

The Exploration Licence is now wholly within Camfield Station, approximately 380 km south west of Katherine. The tenement is accessed along the Buntine Highway, which diagonally bisects the tenement.

1.2 Tenure

Exploration Licence 10416 was granted on 13 June 2006 for a period of 6 years. The original tenement covered an area of approximately 246 sq.km or 75 graticular blocks. This was reduced to 28 graticular blocks in May 2009. In August 2010 it was reduced further to 14 blocks and in August 2011 to 6 blocks. The tenement is held by Barry Kayes and operated by Aradon Pty Ltd, of which Barry Kayes is a Director.

2.0 GEOLOGY

2.1 Regional Setting

The tenement lies within the Wave Hill 1:250 000 Map Sheet in the Victoria River District. The area of the tenement lies on the Victoria River Plateau and Benches and is overlain by the Lower Cambrian aged Antrim Plateau Volcanics, which consist of a series of flood basalt lava flows with thin interbeds of sandstone, chert, silicified carbonate rocks, limestone and pyroclastic rocks.

2.2 Local Geology

There has been limited detailed mapping undertaken in the tenement area. The topography is mostly undulating plains with rounded hills and mesas. The Antrim Plateau Volcanics are dominant across the tenement and consist of massive and amygdaloidal basalts. The amygdales are frequently filled with Quartz, Amethyst and to a lesser extent Agate, all of which can be in geode form. In many areas, the geodes and nodules have been weathered from the basalt and can be found lying exposed on the surface. Less common is the evidence of vents or veins of Quartz and Amethyst which were the main focus of our exploration.

In the north eastern part of the tenement, outcroppings of Red Chert are prominent and were again examined during this reporting period. Further sampling and marketing were undertaken during this reporting period to gauge the stones suitability for the lapidary market, with some success. Further work will be required in these areas to prove the stone commercially viable.
3.0 PREVIOUS MINING AND EXPLORATION

Amethyst and Quartz was mined previously within the tenement from Mineral Claims 4490 and 4491, by Kajar Pty Ltd.

The main focus was on MC4490, where Amethyst of good colour and quality was extracted. The material was best suited for lapidary purposes, but was found in large, solid pieces suitable for fashioning into ornaments and beads. Good tonnages were found, but the extraction became difficult as the vein dipped deeper under a small hill (personal communication with previous tenement holder).

Kajar Pty L.t.d and others have performed other exploration in the general area previously, but little is known of the results.

Recent communications with prospectors familiar with the area have indicated some possible new targets to be followed up in future programs.

4.0 EXPLORATION

The intention for this reporting period was to begin conversion of the tenement to one or more Mining Leases. The continued deterioration of the world gemstone market, a direct result of the GFC, has had an ongoing impact on our ability to fund exploration and mining activities in the past few years. It was decided to delay the conversion process in the hope conditions may improve. To date this has not happened and the future remains uncertain.

As with the previous year, most of the work undertaken on EL10416 during the current reporting period was aimed at identifying blocks which were considered the least prospective for commercial gemstone deposits. More focus was also placed on test marketing of samples to potential buyers at major domestic and international gemstone fairs.

A Waiver was applied for in May 2008 to retain all 75 blocks for a further year. This was granted in July 2008. In May 2009, application was made to relinquish 47 blocks, reducing the tenement size to 28 blocks. This was reduced to 14 blocks in August 2010 and 5 blocks in August 2011.

While we cannot assume to have found everything of possible interest, we are confident that the blocks relinquished have the least chance of providing commercial gemstone deposits.

The main focus in this reporting period has been on the sampling, processing and marketing of the various stones found on the tenement. This has provided further important information, as we continue to focus on a few smaller areas of the tenement

4.1 General Prospecting and Marketing

Limited general prospecting work was done on the tenement during the reporting period. 2 people were involved in hand collecting samples for processing and
evaluation work at our workshop in Western Australia. This was mainly focussed on the Red Chert, the Amethyst requiring expensive machinery hire to extract in any significant volumes.

Cutting and polishing of samples collected has shown the material to take a very high polish with an unusual pattern. Most of the rock is relatively crack free. Several samples of the processed stone were shipped to a large gem show in Tucson, Arizona. There was encouraging feedback but insufficient material to get a reliable indication. Larger quantities of rough and processed material will be sent for the next show in January 2013.

Further sampling and marketing will be undertaken in the following reporting period.

4.3 Future Exploration

Future exploration will be centred on the potential amethyst deposits around former MC4490. These areas contain the most prospective deposits on the tenement and require further costeaming, sampling and marketing to determine their viability.

More work will also be done on the Red Chert outcrops located on the north eastern block. Evaluation of samples from this year’s program showed this material had some potential as an ornamental gemstone, though the cost of mining and transport, and the materials low value may make it uneconomic on a commercial basis.

Further domestic and overseas marketing will be undertaken throughout the year, to determine the potential of these stones for the lapidary market, which will be tough assignment given the poor market conditions.

5.0 SUMMARY

Exploration on this tenement continues to be slower, tougher and more expensive than anticipated.

A fly in/ fly out style of travel has been found most suited when accessing this tenement from our bases in eastern and Western Australia. This has led to worthwhile savings in travel, wage and fuel costs.

Overseas markets continue to deteriorate, due to the ongoing effects of the Global Financial Crisis. This has affected the markets confidence and flowed through to suppliers of raw materials. Signs of improvement began to show in late July 2010, but have since declined again. This has had a direct and severe impact on our cash flows and subsequent ability to fund our exploration program.

We continue to focus on identifying and positioning potential Mining Leases, so as to direct our limited resources on smaller, more attractive targets. This should give us better value in time and resources.
Successful overseas trial marketing of the various stone types found on the tenement will determine our ongoing involvement in this tenement.

Signed: [Signature]

Date: 15/10/12
Department of Resources
Minerals and Energy Titles Division
GPO Box 3000
Darwin NT 0801 12 June 2012

SCHEDULE OF BLOCKS TO BE RELINQUISHED – EL10416

The following is a list of blocks I wish to relinquish and those I wish to keep.

I request a further 1 year extension to allow time to finalise my exploration studies on the tenement in preparation for the marking out application for Mining tenements in this current reporting period (2012 – 2013).

Blocks to be relinquished (Shaded in blue on map):

SE521071 – Blocks R & W (2 blocks)
SE521143 – Block B (1 block)

TOTAL BLOCKS TO BE RELINQUISHED – 3

Blocks to be retained (Shaded pink on map):

SE521000 – Block W (1 Block)
SE521072 – Blocks Q & R (2 Blocks)

TOTAL BLOCKS RETAINED – 3

Signed: Barry Kayes
Tenement Holder – EL10416
Date: 12/06/2012
ATTACHMENT #2

EL10416 - MAP SHOWING BLOCKS TO BE RELINQUISHED AND BLOCKS TO BE RETAINED - JUNE 2012

BLUE — TO BE RELINQUISHED
PINK — TO BE RETAINED
Disclaimer: The Northern Territory Government does not warrant this map as definitive, nor free from error and does not accept liability for loss caused by, or arising from reliance upon information provided herein. The information presented on this map is current to 'some date'. Future modifications may be made as new information becomes available.

Legend
- Mineral Occurrences
- Exploration Granted
- Major Roads
- Australia