ANNUAL EXPLORATION REPORT EL 24984

FOR PERIOD ENDING 19th August 2011
‘REYNOLDS RIVER’ LITCHFIELD
PROJECT NT

Cape Scott SD5207  1:250,000
Pine Creek SD5208  1:250,000
Anson 4971    1:100,000
Reynolds River 5071  1:100,000

Titleholder: Australia Mining and Gemstone Co. Pty. Ltd

Report No. 2011-006
By Mingjin HOU
Australia Mining and Gemstone Co. Pty. Ltd
10th August 2011
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1. SUMMARY

EL 24984 is around 100km southwest of Darwin, within the Litchfield area. EL24984 was granted to Pavalina Henwood on 21st July 2006, was transferred to Territory Uranium Company (TUC) on 21st September 2006 and transferred to Australia Mining and Gemstone Company Pty. Ltd (AMG) on 18th September 2009. Territory Uranium is exploring EL24984 for its uranium potential, and Ni / PGE potential. AMG is exploring EL24984 for Ni/PGE potential. In 2006, Chris Carson of the NTGS presented findings on the economic potential of mafic intrusions in the Litchfield Province. Carson (2006) stated that ‘the moderate abundance of PGEs may indicate that an early S-saturation event did not occur, enhancing the prospectivity for PGE and Ni mineralisation within the Murrenja Dolerite, west of the Tom Turners Fault.’ This area is within EL24984.

Work during Year 1 by TUC consisted of;

a) data compilation and review of previous data, with the aim of highlighting radiometric, geological and geochemical anomalies that require further work.
b) sampling of De Beers drillcore to determine whether Ni and PGE data obtained by the NTGS occurred over a larger interval.
c) sending thin-sections for SEM analysis
d) obtaining helimag survey data by Normandy for modelling of magnetic anomalies
e) geophysical data compilation (helimag data and regional data); data levelling of helimag data and 3D modelling using Potent software to highlight magnetic anomalies that are shallow and with a strong response.
f) vehicle reconnaissance and rock chip sampling around the Tom Turners fault and outcropping Murrenja Dolerite on the northern boundary of EL24984
g) helicopter reconnaissance of magnetic anomalies to determine access, topography, vegetation and regolith – and to plan for further exploration.

Work carried out by TUC during Year 2 included:
a) Rock Samples and drill core used for petrographic analysis.

b) Ground magnetometer lines

c) Stratigraphic drilling of magnetic anomalies for lithological data, and to test the basal contact of the ultramafic for Ni sulphides.

Work done during the four year and year 5 consisted of investigation in the field, all data compilation in clouding airborne geophysics image, reconnaissance, all drilling cores review and analyzed data of the core.

At the end of year four 199 blocks and at the end of year five 36 blocks were relinquished (Figure 1) as part of the fourth and fifth year compulsory relinquishment required by the act.

Work preparing to take for Year 6 included:
   a) Some IP sections
   b) Diamond drilling of all geophysical anomalies detected.
   c) Ground geological lines survey.

2. LOCATION AND ACCESS

EL24984 is approximately 100km SW of Darwin (Figure 2). Access is via the sealed Litchfield Park road. The Labelle Station turnoff is 6km past Wangi Falls, and access to Labelle Station from Litchfield National Park is along the well-graded Channel Point Road. Labelle Station is in the NE corner of EL24984. Access within EL24984 is either along Channel Point Road, which runs along the northern boundary of EL24984 to the coast, or along station tracks. Access within the tenement is only possible during the mid-late dry season due to swampy conditions.
Figure 1 Relinquished blocks (yellow) and reserved blocks (green) of EL24984
Figure 2 Tenement Location Map of EL 24984
Another access to Labelle Station is along 4WD gravel road which turns off Cox Peninsula Road past Berry Springs. This road is only accessible during the dry season. It is a shorter distance from Darwin, but is more difficult and time consuming.

Topography for most of the tenement is low relief, with some floodplains. Murrenja Hill (along the Channel Point Road on the northern boundary of EL24984) is approximately 120m above the plain. Towards the south, the area is very low lying and swampy. Vegetation is sharply variable, with topographic highs covered in thick palms and undergrowth, and other open areas have pockets of eucalyptus woodland and melaleuca woodland. Much of the area is covered by Oryza tall closed tussock grasslands which overlie dark grey/black cracking clays.

3. TENEMENT STATUS AND OWNERSHIP

EL 24984 was granted to Pavalina Henwood on 21st July 2006 and expires on 20th July 2012. Territory Uranium acquired the tenement on 21st September 2006 under an agreement with Pavalina Henwood, and TUC transferred to Australia Mining and Gemstone Company Pty. Ltd (AMG) on 18th September 2009. It comprises 288 graticular blocks (894.2 sq km) that are reduced in size to less than the full block along the river and coast boundaries and relinquished 199 blocks at the fourth year and it comprises 89 graticular blocks (287.48 sq km) that are reduced in size to less than the full block along the river and coast boundaries and at the fifth year are reduced to 45 blocks and relinquished 44 blocks again (Figure 1). There are no other mining leases or mineral claims shown within the Licence boundaries.

Underlying cadastre is mainly perpetual pastoral lease; held by Peter Camm over Labelle Downs Station, and Welltree Station. To the south, Perpetual Pastoral Lease is held by Branir Pty Ltd over Litchfield Station.
The expenditure covenant set for the fifth year was $200,000.

4. GEOLOGY

Regional geology is outlined in Fahey and Edgoose (1986) and Pietsch (1989), which gives a description of the main rock units within EL24984. Pietsch and Edgoose (1988) discuss the regional correlations of the Litchfield Province.

EL 24984 is situated within the Litchfield Province, on the western margin of the Pine Creek Orogen. Most of the Licence has limited outcrop and swampy muds cover the underlying geology. Stratigraphic drilling on the western coast of EL24984 intersected Permian Kulshill Formation sediments that form part of the Bonaparte Basin, overlying Proterozoic Wagait Granite.

Along the northern boundary of EL24984, Wagait Granite crops out on low ridges and hills (Figure 3). The Tom Turners fault transects the central portion of the Licence, with several fault splays hosting ferruginous quartz stockworks. The Tom Turners Fault is a significant structure; on the western side lies the Proterozoic Wagait Granite and Murrenja Dolerite, and the Proterozoic Moyle River Formation is on the eastern side of the Fault. The Wagait Granite is an I-type granite of the Kalkadoon Association (Wyborn 2002) with little fractionation and no association with significant mineralisation. The Murrenja Dolerite is in faulted contact with the Proterozoic Moyle River Formation quartzites along the northern boundary of EL24984, and Moyle River Formation sandstones form 'Bobs Knob' along the Tom Turners fault further south in the Licence. The eastern part of the Licence around Labelle Station is underlain by schists and gneisses of the Welltree Metamorphics. Cambrian sediments have been intersected in drilling by previous explorers in the SE of EL24984.

An ultramafic rock that may be associated with the Murrenja Dolerite has been intersected in drilling in the central portion of EL24984. Carson et al., (2006)
reassessed the prospectivity of the Murrenja Dolerite based on examination of drillcore and geophysics within EL24984. NTGS assayed drillcore within EL24984 with results of 2000-3000ppm Cr, up to 1000ppm Ni, 13ppb Pd and 20ppb Pt. Carson et al., (2006) noted the moderate abundance of PGE’s may indicate an early S-saturation event did not occur, enhancing the prospectivity for PGE and Ni mineralisation within the Murrenja Dolerite. Geophysical interpretation by Carson (2006) indicated the Murrenja Dolerite may be extensive under colluvial sediments west of the Tom Turner’s fault.

There are no recorded MODAT occurrences within EL24984.

5. PREVIOUS EXPLORATION

5.1 Exploration by Other Companies

The following is a summary of the work done by other exploration companies on the land which forms EL 24984. To see the extent of the previous tenure within EL 24984 please use Figure 3 and also Appendix 1. Figure 1 shows the extent of the graticular block numbers within EL 24984, and Appendix 1 contains the list of previous tenure, plus the graticular blocks within EL 24984, and significant reports from previous tenure.

AP 1873 covered most of EL 24984, except for blocks on the eastern and northeastern boundaries. Tipperary Land Corporation were prospecting AP 1873 (along with AP 1773) for ‘bauxite, phosphate and other minerals’ but received ‘no encouraging results’. Airborne radiometric anomalies identified from the 1954 BMR survey were traversed with a ground scintillometer but did not locate any anomalous areas. Areas traversed were granitic, so it is surmised that the anomalies may be caused by potassium or thorium in the granite. Three soil and drainage samples collected around Murrenja Hill and assayed for base metals showed no anomalism.
Figure 3 Geology of EL24984
The western side of EL 24984 was explored for a year by Devex Limited in 1972 on AP 3333. Devex drilled 13 auger holes into beach sands while exploring for heavy mineral sands. Results from the auger drilling produced an average rutile content of 0.004% and 0.008% zircon.

Dampier Mining Co (BHP Ltd) explored **EL 71** for massive sulphide mineralisation. EL 71 covered the north and east of EL 24984, and most of EL 71 is outside of Territory Uranium’s Licence. Dampier Mining targeted 5 aeromagnetic anomalies identified from the 1956 BMR aeromagnetic survey – all of which are outside EL 24984. Mapping during Year 2 showed quartz vein breccias outcropping within EL 24984 in the SW of La Belle Station. A combined aerial spectrometer/magnetometer survey was flown on 400m EW lines, and 19 uranium channel anomalies were identified and tested. Of these, anomalies 56, 36, 10 and 15 were within EL 24984 (Figure 4; CR19750035_EL71_DATA). Anomalies 10, 15 and 36 were explained as lateritic enrichment over Cambrian sediments, and not of economic value. Anomaly 56, which recorded a max value of 7ppm in Cambrian sediments from bedrock drilling to 15.8m, had instrument failure and there is a lack of correlation between soil sample results and ground spectrometer results. BHP concluded that the source of the anomaly was not identified, but was probably uneconomic. It is worth noting that Anomaly 56 has a coincident magnetic anomaly, and is interpreted in NTGS mapping (2007) as being on a lithological contact within the Welltree Metamorphics.

Esso conducted a 52 hole/2000ft auger drilling programme to explore the bedrock within **EL 878** in 1974. The target area was a NS-trending aeromagnetic high along the central eastern portion of EL 24984. The auger holes were drilled to bedrock and bedrock samples were taken. Holes were drilled on an EW grid at 0.1 mile spacings along lines approximately 1 mile apart (Fig 4; CR19740066_Augerholes). There are no drill logs or BOH depths noted. There were no anomalous values of U, Cu, Zn, Ni or Co, with a max
value of 5ppm U at approximately MGA52 660 000E / 8538900N. Most of the BOH cuttings were quartz mica schist, probably from the Welltree Metamorphics. There was also amphibolite – Esso surmised it could be from a dolerite dyke which would explain the magnetic linear. Another explanation for the magnetic linear is the contact between the Litchfield Complex and Hermit Creek Metamorphics (now reclassified Welltree Metamorphics in this area?). Esso also noted not enough data was collected to verify the hypothesis. Plotting the regional TMI/1VD shows that Esso may have been too far west to test the targeted magnetic linear.

Another note from Esso was the lack of accessibility – the area is black soil plains, and unseasonal dry season rains stopped access until October, when wet season rains cut short the exploration programme.

Work on **EL 1356** concentrated further south of EL 24984. However, it was noted that there was ‘a zone of magnetic disturbance’ within the SE corner of EL 24984. The Suttons airborne survey with filtering to take out laterite effects indicated that ‘there are underlying magnetic sources and hence the presence of Lower Proterozoic rocks is a possibility”. Work was planned for the 1980 field season but not carried out. Most of the work on EL 1356 concentrated on the Noltenius (Kilfoyle Creek) U prospect.

AOG Minerals carried explored for uranium on **EL 1408**. Work included;

a) Petrographic analysis of hand specimens Fig 4;

EL_1408_ROCKCHIP_PETROLOGY) which gives an indication of lithology under alluvial/colluvial cover 10 stratigraphic drillholes in NE corner of EL 24984 (Fig 4; EL_1408_DrilldataCapture), which showed increasing metamorphic grade from east-west;

Airborne radiometric-magnetic survey by Geometrics International Corporation Inc in Oct 1978 (250m spacing in eastern part; 750m spacing elsewhere) with
90m terrain clearance. Ground reconnaissance of anomalies using a Geometrics G310 spectrometer, and a G816 proton precession magnetometer, plus soil samples were carried out. Twelve anomalies were found (Figure 4; EL1408_RadiometricAnomaliesDes), of which 5 were in areas photointerpreted to be on transported soils, and in areas not accessible due to swampy conditions. Track Etch cups gave an anomalous pattern broadly corresponding to radioactive highs at Glasswater (MGA52 661500E / 8527300N). Three anomalies within EL 24984 had were drilled and probed downhole. Five holes were drilled into ‘Glasswater’; 5 holes into ‘Palm Island’ and 4 holes into ‘Keiri’ anomalies. Holes mainly intersected siltstones overlying dolomites of the Cambro-Ordovician Daly River Group and had an average depth of 40m, on 100m spacings. No sulphides were noted in the cuttings, and downhole radioactivity averaged 5-30cps.

215 RAB holes for 4646m in a 1000m x 400m grid covering the NE corner of EL 24984 (around Labelle downs homestead). The target was chloritic/graphitic schists identified from previous drilling, soil sampling, and the ground radiometric survey. Downhole radiometric logging, and bottom of hole geochemical samples were collected and assayed for Cr, Ni, Co, Zn, Pb, and Cu. There were no statistically anomalous geochemical values, and no significant levels of radioactivity were detected from radiometric logging.

AOG Minerals concluded that the airborne radiometric anomalies could be explained by minor variations in radioactivity in parent lithology, with some slight scavenging of U in the ferruginous laterite horizons. Furthermore, the Daly River sediments are at least 100m thick (possibly in a downthrown block) which makes the exploration of U in Proterozoic sediments >100m depth expensive. The graphitic schists in the NE corner of EL 24984 were less extensive than previously believed. No other work was carried out within EL 24984.

Urangesellschaft saw similarities in the tectonic setting of the Alligator Rivers area, and EL 1731. Magnetic patterns from work done by the BMR and BHP
suggested the presence of Fe sulphidic horizons with similarities to the Rum Jungle area. Urangesellschaft started with a ground magnetometer survey to identify airborne anomalies outlined by the BMR and BHP surveys. The anomalies were east of EL 24984. Seven vertical holes were drilled within EL 24984:

General findings / comments of interest from Urangesellschaft’s work were;

a) main structural feature are NE-trending faults
b) Cambrian cover is down-faulted against Lower Proterozoic rocks. This fault could be an important structural control for water migration could concentrate U at the fault boundary
c) Water sampling showed high U values around 8548200N, but there appear to be some sample quality issues and the results could not be duplicated
d) U3O8 content in granitic and basic rocks was very low
e) U3O8 content was highest in the pyritic carbonaceous schists, and associated with some elevated Cu, and some elevation within the laterised zone
f) Graphitic schist horizons (east of EL 24984) were found to be thin and discontinuous, and no significant U mineralisation was found to be associated with them, although elevated U (to 20ppm) Cu, Pb and Zn were intersected.

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<td>EOH 30m in Daly River seds</td>
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<td>665100</td>
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<tr>
<td>54K</td>
<td>665300</td>
<td>8532200</td>
<td>Cambrian &amp; Daly River seds to EOH 218.4m</td>
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Other work during the final year of tenure was east of EL 24984. AOG Minerals offered EL 2407 to the Australian Diamond JV as it had perceived diamond potential. The JV conducted an airborne magnetic survey (300m spacings; presented as stacked magnetic profiles) with follow-up helicopter-borne magnetics and some loam sampling. The results are not presented clearly, and only one year’s work was done, with negative results. Although no diamond pipes were found ‘a number of anomalies suggestive of a bedrock source remain.’

The Mobil–Suttons JV continued with the Urangesellschaft work on locating U mineralisation in a tectonic setting analogous to the Alligator Rivers uranium on EL 2562. Initial work by Urangesellschaft (on EL 1731) showed that the Lower Proterozoic stratigraphy in the area trended N-S and extended below flat-lying Cambrian cover. Geophysical interpretation showed a broad circular magnetic feature could be an Archaean basement high. The JV carried out a ground EM/magnetic survey to test for conductive horizons within EL 2562, but the Cambrian cover of around 150m thickness gave inconclusive geophysical results.

Similarly, EL 3101 was explored by the Mobil-Suttons JV for graphitic sediments under Cambrian cover (the same rationale as exploration on EL 2562). A review of previous geophysics showed no radiometric anomalies within the area, and the lithologies are higher in the sequence than the lithologies being targetted for U mineralisation.

The Australian Diamond JV (comprising AOG Minerals, Aberfoyle Exploration and Ashton Minerals) explored EL 3188 for kimberlite pipes. An airborne magnetic survey was carried out with results presented as stacked profiles. No comments or other data was presented, but it appears that kimberlite pipes were not found as the ground was dropped after one year.
Figure 4 Interpreted layered, folded and faulted intrusive complex (shown on aeromagnetic and gravity images) containing drill intersected ultramafic units (prospective for Ni & PGE mineralization)
Stockdale Prospecting carried out exploration for diamonds on several contiguous EL’s (including EL 6652) mainly south of EL 24984. Seven heavy mineral samples were collected within EL 24984, and no diamonds or kimberlitic indicator minerals were found in any of them.

Normandy Exploration carried out a helimag survey on EL 8258 (over the central portion of EL 24984) covering the area with dipole magnetic anomalies outlined from Ashton’s survey on EL 3188. Normandy viewed the data quality as ‘excellent’ and modelling of anomalies gave an average depth to magnetic source of >40m. Drilling was planned but a rig was not available before the onset of the wet season. Normandy noted the area was blanketed by black soil plains, which renders the loam sampling done by Ashton as ‘inadequate’ for testing the bedrock. Although sampling was apparently carried out and drilling planned, no record of further work has been found.

De Beers followed on from Normandy’s work on EL 23110. De Beers used Normandy’s helimag data, stating “the survey though at a good line spacing is of poor quality.” De Beers selected 3 of the 9 anomalies for further work, carrying out ground magnetics to provide better control on proposed hole positions, but this data was not presented. Two holes drilled into anomaly ANN20 (approx MGA 647500E / 8538 200N) intersected crystalline granodiorite (Wagait Granite) at around 35m. A hole into ANN06, and another into ANN21 intersected crystalline ultramafic rock. De Beers intended to carry out petrographic work but did not proceed with further exploration as the holes intersected material not of interest for diamond exploration. Carson et al., (2006) assayed some of the ultramafic core from ANN06 and ANN21, with maximum values of 3050ppm Cr and 1000ppm Ni in ANN21/03 at 46.5-47.1m.

BHP Billiton explored for magmatic Cu-Ni deposits (Sally Malay style) on EL 23146, which is the eastern side of EL 24984. In particular, BHPB were chasing mineralisation hosted in the Wangi Basics, and interpreted the strong magnetic
signature to being ‘early oxidation through significant crustal contamination’.
Further ‘technical due diligence’ noted that the host rocks in this area were
metasediments and not mafic-ultramafic bodies, and so the area was
downgraded and the tenement relinquished with no field work carried out.

5.2 Exploration by Territory Uranium

Work during Year 1 consisted of;

a) data compilation and review of previous data, with the aim of highlighting
radiometric, geological and geochemical anomalies that require further work
b) sampling of De Beers drillcore to determine whether Ni and PGE data
obtained by the NTGS occurred over a larger interval
c) sending thin-sections for SEM analysis
d) obtaining helimag survey data by Normandy for modelling of magnetic
anomalies
e) geophysical data compilation (helimag data and regional data); data levelling
of helimag data and 3D modelling using Potent software to highlight
magnetic anomalies that are shallow and with a strong response
f) vehicle reconnaissance and rock chip sampling around the Tom Turners
fault and outcropping Murrenja Dolerite on the northern boundary of
EL24984
g) helicopter reconnaissance of magnetic anomalies to determine access,
topography, vegetation and regolith – and to plan for further exploration.

6. EXPLORATION DURING YEAR 2

Work done by Territory Uranium Co Ltd during Year 2 of tenure consisted of:

a) Ground magnetometer lines carried out over Mag Anomalies 3 and 6 3D
modelling and drillhole planning to test magnetic anomalies in EL24984
b) EOMP for substantial disturbance cause by the drilling program.

c) Drill rig on site; drilled 271.47m in 4 holes. Intersected magnetic ultramafic rock at ANN021 at modelled depth of 97m.

d) Sulphide blebs noted in LB03; ultramafic rock grades into altered pyroxenite alternating with granodiorite and quartz to 179m.

e) Drill rig on site; drilled 328.25m in 5 holes. Intersected magnetic ultramafic (?) rock at Mag Anomaly 3 at XXm.

f) Seven rock samples from ANN21, LB03 and LB04 sent to Australian Petrographis to make polished thin-sections.

g) Drilling results strengthen the exploration model for geological extension of the Halls Creek Orogen which contains Sally Malay Style Terrain.

h) Petrographic and Assay Results confirm ultramafic composition of magnetic target rock.

7. EXPLORATION FOR YEAR 3 and 4

The recent drilling by Territory Uranium adds further evidence that this part of the Litchfield Province is geologically and structurally diverse. This strengthens the exploration model for geological extension of the Halls Creek Orogen, with potential for Sally Malay style intrusions (Sally Malay Resource as at June 2002, prior to commencement of mining activities was 3.7Mt @ 1.74% Ni, 0.72% Cu containing 64,000t Ni). Figure 4 presents an updated geological interpretation of EL24984, showing a layered and faulted intrusive complex.

Because the EL transfers between TUC and AMG from the early of year of 2009 until 18th September of 2009, TUC or AMG have not done the exploration according to the plan. But we did some work, such as ground survey by helicopter, review the drill core and assayed results of all taken by TUC and previous, and review a lot of data and references concerning this areas and regional geological and geophysical data.
After detailed review the data, we decided to reduce the blocks, and relinquish the blocks which no geophysics abnormal, and plan to take high precision geomagnetism survey, some IP sections, and then drilling in next year.

8. EXPLORATION FOR YEAR 5

During the fifth year, we did some filed geological survey, and then reviewed all of the data including geological, geophysical and drill core analysis results. Concerning the topography and climate condition of the tenement, it is nearly wet all seasons and it is too wet and difficult to enter to do some ground geophysical survey such as high precision geomagnetism survey, so we decided just take some IP section and then drilling.

Due to the climate and the wet surface of the tenement, we delayed to take the geophysical survey and drilling, they will be taking in next year.

9. PLANNED EXPLORATION FOR YEAR 6

Work preparing to take for Year 6 included:

a) IP ground survey and section to confirm the occurrence
b) Diamond drilling of electromagnetic anomalies detected by IP survey if possible.

Expenditure is expected to be at least $66,250.

10. REFERENCES


11. EXPENDITURE

Expenditure (as supplied by Australia Mining and Gemstone) consisted of:

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