Annual Report EL 23726
“801” Project
Barkly Highway, NT
For the Period ending 31 July 2007

Tenement Holder: Conarco Minerals Pty Ltd
Date: August 2007
Author: Peter S Collings, Hancock Prospecting Pty Ltd

Distribution: NT Department of Primary Industry, Fisheries and Mines
Hancock Prospecting Pty Ltd Perth
Conarco Minerals Pty Ltd.
1. SUMMARY

EL 23726, granted to Conarco Minerals Pty Ltd, currently comprises an area of 149 blocks and is located on Dalmore Downs pastoral lease, 260km east of Tennant Creek in the Northern Territory of Australia.

In late 2002, Conarco discovered strongly anomalous geochemical lead (750ppm Pb) and arsenic (150ppm As) in weathered Cambrian sediments at a location named “801” while carrying out a regional reconnaissance geochemical survey. Literature search by Conarco also discovered drill holes previously drilled in the area containing anomalous lead values up to 370ppm Pb.

Follow-up work by Conarco defined a broad area within EL 23726 containing anomalous lead geochemistry with coincident magnetic response defined from interpretation of the NTGS Barkly airborne geophysical survey. Additional magnetic modelling also revealed several magnetic targets for kimberlite bodies. The targets range in depths from 100m to 200m.

In March, 2007, Conarco signed a Memorandum of Agreement to enter into a Joint venture with Hancock Prospecting Pty Ltd in Perth (HPPL), WA to carry out exploration on all Conarco tenements including EL23726.

An MMP for a drilling program, submitted by HPPL subsidiary Minerals Australia Pty Ltd, was approved by DPIFM in June 2007 and Authorisation No. 0367-01 was issued on 28 June 2007. Work completed by the JV during 2006/2007 involved a review of the geophysical modelling and planning for the drilling program to test a number of the magnetic anomalies. A field visit was made to the area by geological consultants for the JV, Bill Fraser and Peter Collings. The purpose of their visit was to;

- attend a meeting on 20 June with Native Title claimants over the EL area, notified in writing to the Northern Land Council,
- carry out geological reconnaissance and collect additional geochemical rock chip samples from the areas in which drilling has been planned,
- locate with GPS and flag proposed drill sites to identify the amount of access clearing which will be required.
2. TENURE
Conarco Minerals Pty Ltd is the registered owner of 100% interest in EL 23726 which is located on the Dalmore Downs pastoral lease owned by Mr. Peter Sherwin. The area of the EL is subject to registered Native Title claims DC02/2 and DC01/30, the claimants being represented by the Northern Land Council.

EL 23726, totalling 500 blocks (1600km²) in area, was granted on the 1 August 2003 for a period of 6 years, expiring 31 July 2009. A portion of EL 23726 has been relinquished and now totals 936km² (298 blocks) following a compulsory reduction of the area in June 2005 (Attachment 1). From 1 August 2006, the area was reduced to 149 blocks. Total exploration commitment for 2006/2007 as designated by the NT Government was AUD$86,000.

An application for a six (6) month deferral of reduction was submitted on 31st July 2007 due to the difficulty encountered in contracting the services of a drilling company to do the planned drilling.

The tenement schedule for “801” is as follows:

<table>
<thead>
<tr>
<th>TENEMENT NUMBER</th>
<th>EL 23726</th>
</tr>
</thead>
<tbody>
<tr>
<td>REGISTERED HOLDER</td>
<td>Conarco Minerals Pty Ltd</td>
</tr>
<tr>
<td>GRANT DATE</td>
<td>01-Aug-03</td>
</tr>
<tr>
<td>EXPIRY DATE</td>
<td>31-July-09</td>
</tr>
<tr>
<td>CURRENT AREA</td>
<td>149 blocks</td>
</tr>
<tr>
<td>ANNUAL RENTAL</td>
<td>$11,200 plus GST</td>
</tr>
<tr>
<td>EXPENDITURE COMMITMENT 2006-07</td>
<td>$86,000</td>
</tr>
</tbody>
</table>

3. GEOLOGICAL SETTING
The “801” tenement is located in the central western Georgina Basin, a large late Proterozoic to early Palaeozoic basin extending across much of eastern Northern Territory and northwest Queensland. The tenement straddles the northeast-southwest trending Alexandria-Wonarah Basement High, an early Cambrian structural ridge separating the Brunette and Undilla Sub-basins.

Basement in this area are Mesoproterozoic sediments and volcanics overlain by Early Cambrian Peaker Piker volcanics. The volcanics are tholeiitic in composition, and comprise amygdaloidal and porphyritic basalts and dolerite. The volcanics cover an east northeast trending basement high throughout the central and western part of the tenement area, and occur beneath thin transported cover in the western tenement area.

The basement high is flanked by on-lapping dolomitic rocks equivalent to the Thorntonia Limestone, and overlain by dolostone, mudstone, and phosphorite of the lower Middle Cambrian Upper Gum Ridge Formation, and mudstone, siltstone and dolostone of the Middle Cambrian Wonarah Beds (Figures 1 & 2). The geological setting for “801” was provided in the 2004 Annual report.
Figure 1: Wonarah Stratigraphy

Figure 2: Diagrammatic Regional Cross Section
4. PREVIOUS EXPLORATION

4.1 IMC
The Wonarah phosphate deposit to the south-east of the “801” tenement was identified in 1967 by the US industrial minerals and chemicals group, IMC Development Corporation (“IMC”). Between 1967 and 1970 IMC undertook regional mapping, geophysical, drilling and test work activities in the Wonarah region, including the area containing EL 23726.

In the period to March 1970, IMC drilled 294 non core holes totalling 11,660m in the region, and delineated a phosphate resource at Wonarah of 669 million short tons of 15.73% P₂O₅ (using a 10% P₂O₅ cut-off) including 532 million short tones at 16.74% P₂O₅ (using a 14% P₂O₅ cut-off) and 307 million short tons at 18.98% P₂O₅ (using a 18% P₂O₅ cut-off). The global resource at Wonarah identified by IMC totalled 1,955 Mt @ 14.4% P₂O₅.

A few holes drilled by IMC within EL 23726 returned anomalous Pb values some up to 370ppm (IMC drill hole W019). Locations of these IMC drill holes were provided in the 2004 Annual Report.

4.2 CRAE
During 1983-1984, CRA Exploration Pty Ltd (“CRAE”) carried out an exploration program for phosphate in an area immediately to the south of the Wonarah deposit. CRAE completed a low level (80m) aeromagnetic survey at 1km line spacings which suggested potential for phosphorite at 20-30m depth. Although tracks and drilling grids were prepared CRAE withdrew from the project due to low prevailing world phosphate prices and the lack of infrastructure at the time in central Australia.

In 1992, CRAE (and later Rio Tinto) explored the area for diamonds south of the Barkly Highway on the Joildung and Barry Caves 1:100,000 map sheets. A total of 21 loam samples were collected over weak magnetic anomalies and one 0.175ct microdiamond and one non-kimberlitic chromite were recovered. The distribution of microdiamonds and kimberlites occurring in the Northern Territory and the location of gravel and loam samples collected in the Barkly region by various explorers for diamond were provided in the 2004 Annual Report.

5.1 Regional Sampling Program – Conarco (2002)
In late 2002, Conarco discovered strongly anomalous geochemical lead (750ppm Pb) and arsenic (150ppm As) in weathered Cambrian sediments at a location named “801” while carrying out a regional geochemical reconnaissance survey. This area was subsequently applied for by Conarco under the application ELA 23726.

Conarco also demonstrated that the Pb anomalism, especially at the 750ppm site, was related to subcropping siliceous breccia. The breccia was interpreted to be a weathered silicified “crackle breccia” typical of MVT, Pb-Zn mineralisation.

5.2 Magnetic Modelling – Conarco (2003)
Following the encouraging sample results, Conarco undertook a review of the NTGS 2001 Barkly Airborne Geophysical Survey which was flown on 400m line spacings.

Magnetic modelling of the geophysical data was undertaken by Conarco using a software package called Quickmag. Conarco’s modelling revealed a large (20km²) magnetic anomaly co-incident with the location of the 750ppm Pb sample anomaly at “801” (Attachment 2). Several magnetic dipole anomalies reflecting possible kimberlite type intrusions were also interpreted within EL 23726 (refer to Annual Report year ending July 2005).

Following the formation of a joint venture between INDO and Conarco, INDO undertook a review of the Conarco data base and commissioned consultant geophysicists, Southern Geoscience, to review the data relating to the NTGS 2001 Barkly Airborne Geophysical Survey.

Southern Geoscience also compared Conarco’s modelling of the magnetic data over EL 23726 using a software package called Potent. The Potent modelling used by Southern Geoscience produced similar depths to that of the Quickmag modelling for just over half of the models (refer to Annual Report year ending July 2005). Magnetic anomalies C2, C4 and E4 are significantly deeper, while E2 and E3 are significantly shallower.

The automated modelling shows no responses within 100m of the surface, but a reasonable scatter of model solutions is in the range of 100m to 200m. The results should be taken as general guide to depths across the area.
In 2005, INDO undertook a review of the magnetic modelling completed in 2004 (refer to Annual Report year ending July 2005). The work undertaken by Southern Geoscience indicated similar depths to that of the Conarco modelling for just over half of the models. Some of the magnetic anomalies were significantly deeper, while some were significantly shallower, however in general, the targets range in depths from 100m to 200m. Work also completed during 2005 involved the plotting of the magnetic targets in suitable format and the compilation of additional maps comparing the magnetic targets against regional gravity and digital elevation (refer to Annual Report year ending July 2005).

5.5 Preparation for Drilling Program – INDO (2005/2006)
Indo commenced preparations in late 2005 and the first half of 2006 for a drilling program to test a number of the magnetic anomalies. The preparations involved native title/site clearance programs by INDO for the proposed drilling program. Ground truthing of specific targets by Conarco were to take place following clearance.

5.6 Preparation for Drilling Program – HPPL/CONARCO (2006/2007)
Minerals Australia, a subsidiary of HPPL, submitted an MMP to the DPIFM in May 2007 for a drilling program of 5 holes, each to a depth of 250m (total 1250m) to test a number of the magnetic anomalies. Authorisation No. 0367-01 was issued by DPIFM on 28 June 2007 in respect of this work. The location of the planned holes is shown in Figure 3.

A field visit was made to the area by geological consultants for the JV, Bill Fraser and Peter Collings. The purpose of their visit was to;

- attend a meeting on 20 June 2 July with Native Title claimants over the EL area, notified in writing to the Northern Land Council,

- carry out geological reconnaissance and collect additional geochemical rock chip samples from the areas in which drilling has been planned. Results of these samples have not been received to date and they will be submitted with the next Annual Report,

- locate with GPS and flag proposed drill sites to identify the amount of access clearing which will be required.

Figure 3 Location of planned drill holes 2006-07
6. EXPENDITURE STATEMENT

Annual expenditure for EL 23726 from 1 August 2006 to 31 July, 2007 was A breakdown is provided below:

- Tenement maintenance costs: $5000
- Geological Consulting Fees: $13,200
- Travel: $2095
- Accommodation: $1214
- Motor Vehicle Expenses – Cairns- Barkly Roadhouse return: $1500
- Geochemical Analyses: $400
- Equipment Hire (scintillometer): $350
- Services: $500

TOTAL: $24,529
7. PROPOSED EXPLORATION PROGRAMME 2006-2007

The planned exploration program for 2007-08 has been provided in the MMP submitted to DPIFM in May 2007. The program consists of the following;

- clearing of access for drilling rigs
- drilling of 5 reverse circulation holes to a maximum of 250 meters per hole (1250 meters total).
- geological logging of all samples over 2 meter intervals
- geochemical analyses of all samples over 2m intervals

Because of the difficulty encountered in obtaining a drilling contractor to complete this program, an application to defer the reduction in area of EL 23726 for 6 months was submitted to DPIFM in July 2007.

PROPOSED EXPLORATION EXPENDITURE 2007-2008

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>RC drilling</td>
<td>$60,000</td>
</tr>
<tr>
<td>Geological/labour cost</td>
<td>$12,000</td>
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<tr>
<td>Consultants</td>
<td>$1,200</td>
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<tr>
<td>Travel</td>
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<tr>
<td>Accommodation</td>
<td>$5,000</td>
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<tr>
<td>Motor Vehicle Expenses</td>
<td>$6000</td>
</tr>
<tr>
<td>Geochemical Analyses</td>
<td>$20,000</td>
</tr>
<tr>
<td>Equipment Hire</td>
<td>$500</td>
</tr>
<tr>
<td>Tenement Services</td>
<td>$500</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$110,200</strong></td>
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</table>

The proposed expenditure does not include the total expenditure shown previously for the 2006-07 year.
8. CONCLUSIONS

The “801” project area includes lower Middle Cambrian sediments of the Georgina Basin that contain anomalous Pb values (of up to 370ppm Pb) recognized at depth in drill holes and at the surface in subcrops of siliceous breccia of up to 750ppm Pb. The breccia is interpreted to be a weathered silicified “crackle breccia” typical of MVT, Pb-Zn mineralisation. Magnetic modelling of the available airborne geophysical data revealed a large (20km²) magnetic anomaly co-incident with the location of the 750ppm Pb sample anomaly at “801”. Several magnetic dipole anomalies reflecting possible kimberlite type intrusions were also interpreted within EL 23726. The estimated depths for the magnetic targets derived from the initial work by consultant geophysicists, Southern Geoscience, suggest depths in the range of 100m to 200m.

The tenement holders are currently preparing for a drilling program to test a number of the magnetic anomalies.