

**Australis Update 4\_  
Notes on Review Meeting\_17 Sep 2008.  
BF 18 September 2008**

**Present:** Simon Pooley [chairperson], Bret Ferris [presenter], Peter Ruzicka, Paul Hogan, Ken Rogers, Keren Paterson, Rob Ramsay, Barry Rattigan, Geoff Russell.

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After a brief overview of the historical background by Ken Rogers, Bret Ferris undertook a powerpoint presentation backed up by maps and a MapInfo Workspace covering the following topics....

Target Commodities & Styles

Target Regions & Geology

Exploration History

Australis Activity to Date

Competitor Activity

Tenement Holdings

Australis Current Activity

Market Economics [Keren Paterson]

Budgets, Programs & Personnel

Future Strategies

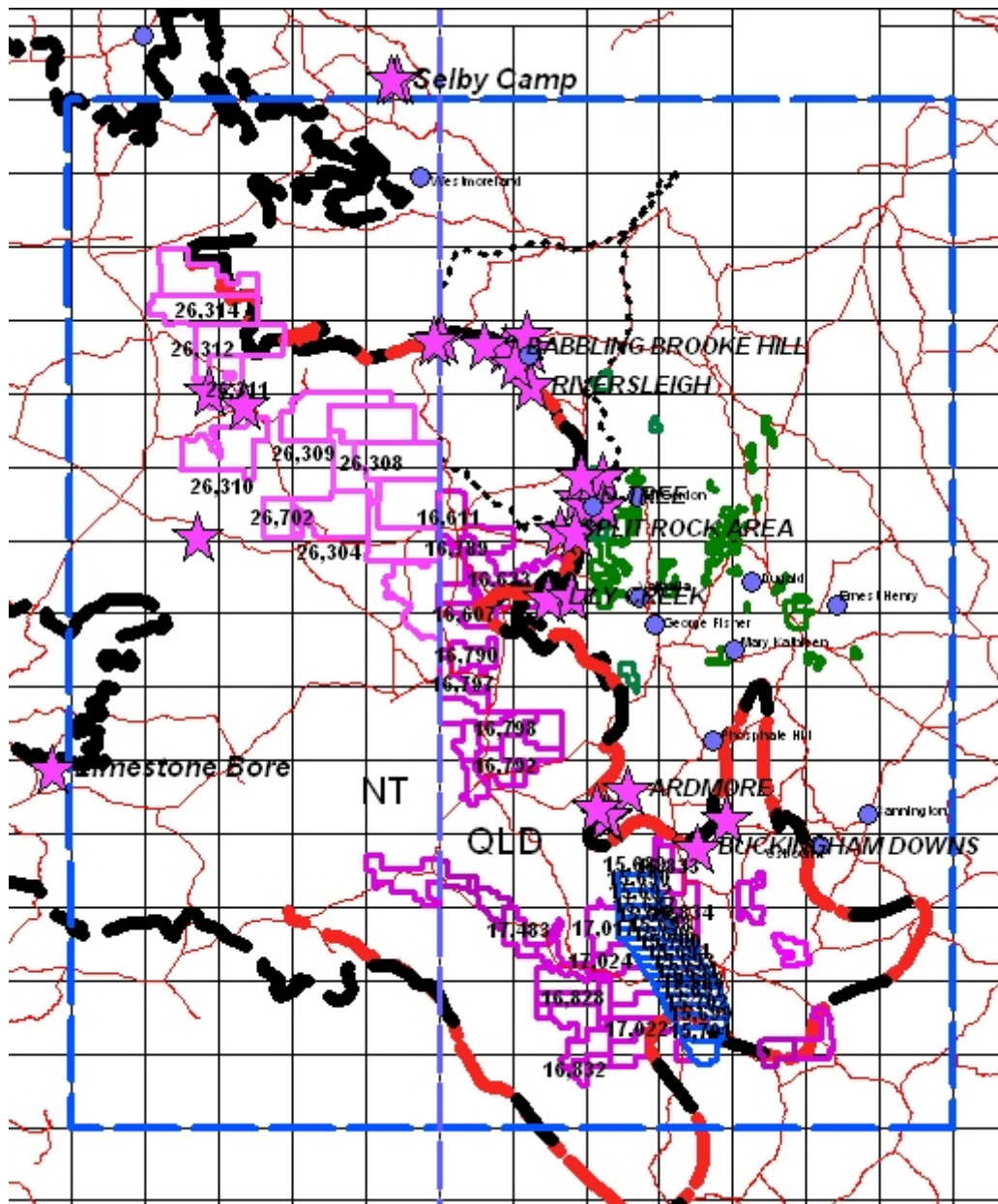
A copy of the Presentation has been filed on Q/PROJECTS/AUSTRALIS

## Summary

Tenement applications have proceeded in 4 phases:-

1. basemetal targets in conjunction with interest from foreign funders
2. uranium targets during resurgent interest
3. phosphate targets – early 2008
4. secondary targets following review of images from Steve Mudge [Vector Research]

A total of 65 applications have been lodged [QLD 41, NT 15 – of which 11 granted].



### *Australis Area of Interest*

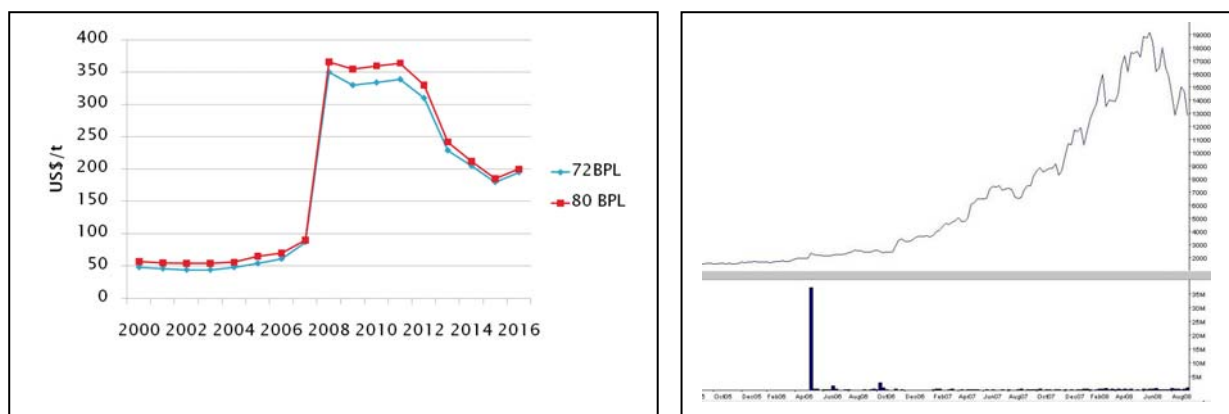
*[phosphate deposits = pink stars; metalliferous deposits blue circles; generalized Georgina Basin outline = bold red/black; Australis tenements = purple; CopperCo tenements = green; Mojo = blue; Wild Rivers = dotted line]*

**Basemetal** targets are mainly located in the Proterozoic basement [but also possibly in the overlying Georgina Basin [MVT styles]. Basement targets are enigmatic due to Palaeozoic cover rocks [Georgina Basin] up to 500m+ thick and additional much despised Mesozoic [Eromanga Basin] cover rocks in the SE of region. Only one significant find has occurred below cover...Osborne in mid-1980s - magnetic anomalies led to the discovery beneath ~50m of cover. Targeting is reliant on geophysicists and interpretation of their images!

**Uranium** deposits may occur in a range of settings, basement hardrock [eg. Mary Kathleen], Georgina sediments, and surficial palaeochannels. Valhalla and satellites are the best regional examples of U<sub>3</sub>O<sub>8</sub> accumulations.

**Phosphate** is restricted to specific strata within the Georgina, notably the Beetle Creek Formation. Exploration for phosphate in the late 1960s resulted in delineation of all the currently known deposits in the Georgina Basin [~18]. Only one has progressed [Duchess, or Phosphate Hill] because of grade and infrastructure advantages. None of the remainder have progressed beyond exploration and resource studies, largely because of flat prices.

Phosphate Hill is the standout deposit, where the 11m Monastery Creek Phosphorite Member within the Beetle Ck Fm is being mined, and forms the basis of an upstream processing operation. [Incitec Pivot Ltd acquired Phosphate Hill from BHPB [WMC-Southern Cross Fertilisers] in 2006, providing the company with a vertically integrated business].



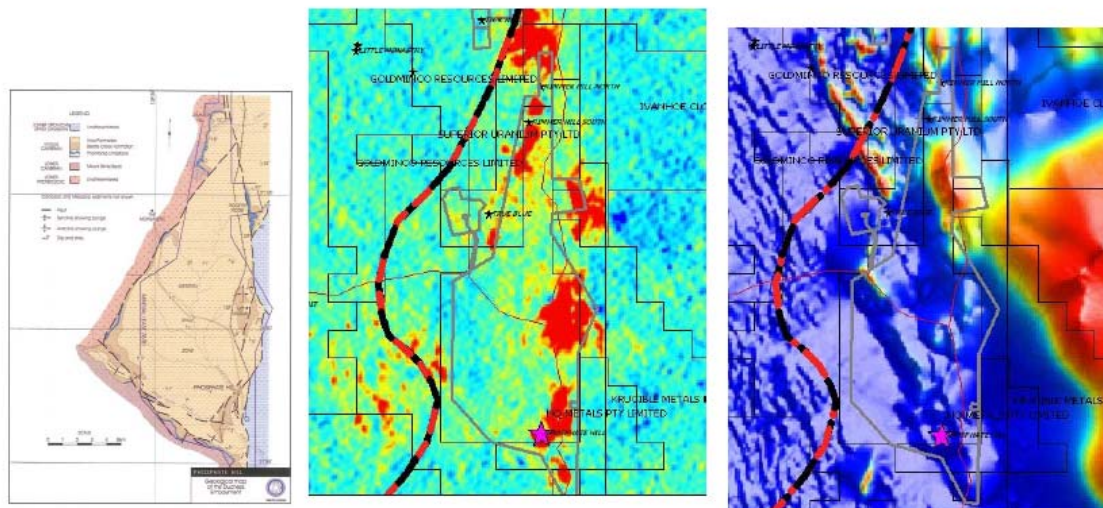
**Phosphate Rock Prices & Incitec Pivot**  
[each showing ~x7 price appreciation since mid-2006]

**Other Commodities.** Rob Ramsay also contributed discussion on keeping a watch for **diamondiferous intrusive pipes** with small footprints and elusive geophysical / geochemical signatures. The barren Coanjula pipe cluster is 23km northeast of granted AX licence EL26314 NT. Merlin is located a further 130km to the north.

Australis has acquired a large collection of relevant **data** consisting of:-

- Historical exploration reports
- Research articles and papers
- State Geophysical data QLD & NT

Compilation work by Steve Mudge produced an excellent set of some 61 magnetic and radiometric images using a range of processing algorithms. Steve also provided detailed notes on ranking of radiometric anomalies. Phosphate deposits have a clear uranium signature. Slides of the collated geophysical signature of some major deposits were shown.



Phosphate Hill  
Detail Geology after WMC, radiometrics [U<sup>2</sup>/Th], TMI

Current **exploration activity** is running at a high level, particularly by companies who have one of the historical deposits as a starting point for exploration. [eg Minemakers – Wonarah; Phosphate Australia – Highland Park [West] . participants in the current exploration “boom’ include:

- Previous explorers for uranium have diversified into phosphorite as a secondary target, using U as a pathfinder
- additional address pegging by a plethora of opportunistic & hopeful juniors
- one new specialised float [Phosphate Australia Ltd – insert ten map & graph] raised \$10M [50M shares @ 20c]. Initial focus on Highland Plains W

Junior explorers have focused on delineation of Direct Shipping Ore [ $>30\%$  P<sub>2</sub>O<sub>5</sub>], whereby mining becomes a simple quarrying operation with minimal beneficiation.

However few companies have progressed beyond surface sampling to actual drilling so far. Encouraging results by any of the current exploration programs close to the Australia tenement package will be positive for future Australia strategies.[ so don't rush to farmout, sell etc]

**Market Economics.** At this point Keren presented economic data sourced mainly from CRU. Current high prices of ~\$400/tonne are expected to remain for several years yet. Beyond ~2012, the analysts have predicted phosphate rock prices softening to ~150-200/t however the underlying assumptions are fairly vague. Management changes in the major West African producing nations are likely to see action to maintain the current high margins [cf. historical margins of ~30/t ie. production costs ~10-15/t and sale prices of \$40-50/t]. There is a conference in Sydney on Oct27 which one of us may attend; to establish relevant contacts and obtain the conference notes and slides.

**Budgets & Programs.** Of the 15 NT applications covering 20,893 km<sup>2</sup>, 11 have been granted with a total expenditure commitment of \$1.6M by April 2008. Scope to vary this downwards is being investigated. On the QLD side, 41 applications covering 20,720km<sup>2</sup> have up to ~12 months to run before grant due to native title processes and departmental work overload. This will allow interim evaluation to progress to the point where reductions area may be considered, reducing the total final annual commitment to <\$4M from ~ start of calendar 2010. [Minimum expenditures in QLD are ~ 5 times greater than in NT, and tenement rents 10 times greater than in NT]. Numerous opportunities are expected for farm-out (and/or farm-in) while the province remains a desirable exploration address.

**Interim Australis activity** includes ongoing collation and review of the massive data set; target generation studies, and refinement of the IM. Quotes have been sought from Steve Mudge to extract further value from the geophysical compilation using proprietary software, and by improving resolution of the magnetic data over basement target areas. All of this will be insufficient to satisfy the current granted commitment on the NT licences. A big ticket item will probably be required to add value to the package and also demonstrate to the NT government Australis' exploration bona fides. To this end consideration is being given to infill airborne magnetic survey, possible airborne EM and other remote techniques; and improvement of the gravity resolution by ground infill.

At this point discussion of **future strategies** for Australis ensued. There was consensus on the general attractiveness of the tenement package, despite the lack of specific targets at this stage. A preference for brownfields over greenfields exploration was expressed, with the recent CopperCo successes in the Lady Annie region a good example of attractive returns for \$\$ spent. A counter suggestion was that some percentage of the total budget would be tolerable for pure "R&D" greenfields exploration eg. 10% of a total \$16M budget would fund the current un-rationalised commitment to Apr09 on the NT licences. Beyond this possible JV opportunities [with clawback options?] may become clearer in preference to float or sale options, both of which involve loss of equity.

**Materiality:** In absence of specific results no materiality issues were considered to arise from the Australis tenements. Closer examination of the radiometric signatures of Lady Annie / Lady Jane / Galah Creek phosphate occurrences showed parts of these deposits and the prospective Beetle Creek formation extend into CopperCo tenements. It was resolved to acquire and evaluate the historical reports to further investigate the significance of these. Analysis for phosphate where prospective has been added to CopperCo geochemical sampling programs.

Meeting closed at ~3pm

BF 18 sep 2008