First Annual Report
September 4, 2006 – September 5, 2006

Licensee
Sitzler Savage Pty Ltd

Author
Laurie Whitehouse
September 2006
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1. INTRODUCTION

Sitzler Savage Pty Ltd lodged an application for EL 24158 on 9/2/04 following the expiration of a 30-day moratorium period pertaining to the area covering SEL 9214, previously held by Giants Reef Exploration Pty Ltd, which expired on 21/12/03. Applications for the same area were lodged on the same date (9/2/04) by Wirraminna Gold NL (EL 24162) and Giants Reef Exploration Pty Ltd (EL 24163). In accordance with Section 164 (2) of the Mining Act, the applications for the three overlapping EL applications, EL’s 24158, 24162 and 24163 were to be assessed at the same time.

By a letter dated 15 July 2004, the Department of Mines and Energy advised that the proposed on-ground work programmes and budgets for each overlapping application were considered to be insufficient to make an informed judgment on the three competing applications. A request to submit an amended program and expenditure with particular emphasis on the field component was made. Accordingly, Sitzler Savage Pty Ltd submitted an amended exploration program and budget for the area applied for as EL 24158. A multi-phase exploration program was proposed, with successive phases being dependent upon the results being obtained during the preceding phase. During the first year of exploration a first phase of past exploration data review, reprocessing and re-interpretation of airborne geophysical data, gridding and close spaced gravity surveying at a total cost of $58,000 was proposed.

EL 24158 was subsequently granted to Sitzler Savage Pty Ltd on 5 September 2005 for a 6 year term expiring on 4 September 2011.

This report covers the exploration activities carried out during the period 5 September 2005 – 4 September 2006.

2. GEOLOGY

Reference to the Flynn 5759 1:100,000 Geological Map of 1995 shows that the area covered by EL 24158 consists mostly of alluvial deposits in active channels and floodplains (Qa), colluvium and scree (Qc), and colluvial fan deposits (Czc, Czq). Prospective Warramunga Formation rocks only outcrop along the western boundary of the EL area as shown on Figure 4.

EL 24158 lays within a very prospective geological belt that hosts the Warrego copper-gold mine to the west and the Orlando gold and Gecko copper mines to the east. Figure 1 shows the locations of the many gold and copper occurrences in the immediate vicinity. The following table summarises the past production from some of the mines in the immediate vicinity of EL 24148 as taken from MODAT.

<table>
<thead>
<tr>
<th>Name</th>
<th>Year Mined</th>
<th>Tonnes of Ore</th>
<th>Gold</th>
<th>Copper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Western</td>
<td>1935-1941</td>
<td>1,890</td>
<td>8g/t, 0.0156t</td>
<td></td>
</tr>
<tr>
<td>Orlando</td>
<td>1961-1975</td>
<td>322,060</td>
<td>11.5g/t, 3.772t</td>
<td>1.8%, 4,852t</td>
</tr>
<tr>
<td>Orlando East</td>
<td>1994-1997</td>
<td>411,300</td>
<td>4.8g/t, 1.974t</td>
<td>1.5%, 6,170t</td>
</tr>
<tr>
<td>Gecko</td>
<td>1973-1997</td>
<td>2,320,000</td>
<td>4.1g/t, 93,300t</td>
<td></td>
</tr>
</tbody>
</table>
EL 24158 falls within the area covered by the joint NTGS-AGSO Tennant Inlier Project over which aeromagnetic and radiometric surveying at 200-metre line spacing (1998) and regional gravity data collection (2001) has been carried out.

Figure 3 shows the location of the six gravity stations falling within EL 24158 whilst Figure 4 is a 1m contour plan prepared from the gravity data. It is quite obvious that the sample density is too low to be of use in pinpointing sites of mineralisation.

Figure 5 and Figure 8 show very clearly the distribution of Warramunga Formation rock units (shown as yellow, yellow green and green colours) and the distribution of gold prospects overlain on a thematic map of the 1st Derivative of the Total Magnetic Intensity data. As can be clearly seen, prospective Warramunga formation geological units lay at shallow depth beneath the alluvial and colluvial deposits covering most of EL 24158.

Figures 6 and 7 show the positions of EL 24158 and Sitzler Savage granted EL 23846 overlain on potassium and uranium radiometric thematic imagery. Potassium radiometric anomalism can be associated with potassic alteration surrounding mineralisation and uranium anomalism can be associated with trace uranium mineralisation, which is characteristic of some of the Tennant Creek base metal deposits.

3. EXPENDITURE – CURRENT YEAR

During the period September 5, 2005 – September 4, 2006 the company has expended $ 8,933 broken down as follows;

Geological Consultants $ 5,900
Geophysical Consultants $ 1,000
Tenure Maintenance $ 33
Administration and Overheads $ 2,000

TOTAL $8,933

The actual expenditure incurred during this period was significantly less than the Year 1 exploration expenditure commitment specified in the EL licence being $ 58,000. Application has been made for a Variation of Covenant.

4. PROPOSED EXPLORATION PROGRAM AND EXPENDITURE FOR THE PERIOD 5 SEPTEMBER 2006 – 4 SEPTEMBER 2007

It is proposed to immediately carry out a field based exploration program over the EL to better define targets for future drilling in subsequent years. Because most of the tenement is covered in alluvium, most of the initial work will be of a geophysical nature.

Planned geophysical work is as follows:

- Take gravimetric readings over the tenement on a 200m square grid with infill on a 50m x 50m grid across anomalous areas and gravity inflections as shown on the figure below.
- Image and model gravity and aeromagnetic data.
Planning for this work is well advanced and it is expected that gravity surveying across the whole tenement will commence during the month of October 2006. Copies of correspondence relating to this survey are included in Appendix 2.

The budget for this proposed exploration program is as follows:

- Geological Contractors and Consultants $5,000
- Geophysical Consultants $10,000
- Geophysical Equipment Hire and data collection $40,000
- Field Costs (vehicle hire, accommodation etc) $5,000
- Tenure Maintenance $100
- Administration and Overheads $5,000

**TOTAL $65,100**
APPENDIX 1
Northern Territory Government
Department of Primary Industry, Fisheries and Mines

Our Ref: EL 24158

Mr Jack Savage
Sitzler Savage Pty Ltd
Unit 7, 14 King Edward Road
OSBORNE PARK WA 6017

Dear Mr Savage

I am pleased to advise that I, as Delegate of the Minister for Mines and Energy, have granted Exploration Licence 24158 for a period of six (6) years. The relevant licence document is enclosed. This licence is granted subject to the Mining Act, the Regulations thereunder and all other laws of the Northern Territory as are applicable. In particular, your attention is drawn to the Northern Territory Aboriginal Sacred Sites Act which may require you to consult with the Aboriginal Areas Protection Authority prior to any ground disturbance.

This licence is granted with the expectation that you will diligently explore for minerals on the licence area and that the annual expenditure commitments will be met. Failure to do so may result in the initiation of licence cancellation proceedings.

Before any field work is commenced it is important that the conditions attached to this licence are read and understood including clause 6 of the Second Schedule. These are included in the licence document and in section 24 of the Mining Act. All persons employed on the licence area should be fully conversant with these conditions.

Your attention is drawn to section 166 (1A) of the Mining Act and of Part 4, Division 2 of the Mining Management Act, which requires you to hold an Authorisation issued under the Mining Management Act before carrying out, on the licence area, any exploration operations or works including substantial disturbance. Further information, including the latest guidelines and forms, for applying for an Authorisation, may be obtained by phoning 8999 6528 or through the DBIRID website at http://www.minerals.nt.gov.au/mop.

I also draw your attention to the enclosed 'Code of Conduct' provided by the Northern Territory Minerals Council. In the interest of maintaining good working relationships with landholders, you are encouraged to comply with the attached 'Code'.

Your attention is also drawn to clause 4 of the First Schedule in the licence document relating to compensation that is payable to the native title holder by the holder of the mining interest to which the prescribed mining act relates.
Please note that this licence is granted in your favour after comparison of your technical qualifications and financial commitments with that of competitors for the same area. Continuation of this licence will depend on proven compliance with the conditions of the licence, particularly the expenditure covenant and your programme.

Pursuant to sections 32 and 34 of the Act, you have a statutory obligation to lodge reports. Explanatory notes concerning the submission of the reports are attached. Should you transfer the licence, you are to ensure that the transferee is provided with a report on your activities such that the new licensee will be able to comply with these provisions. Please note item 3 in the Explanatory Notes on Reporting, whereby transparencies must be provided for any plans larger than A3 size. Transparencies are less susceptible to damage or fading and are easier to reproduce for future records.

You should be aware that, should any portion of this licence be taken up in any form of mining tenure and subsequently transferred, all geological information in relation to this area must also be passed on to the transferee.

I wish you well with your exploration.

Yours sincerely

[Signature]

J P WHITFIELD
Principal Registrar
as Delegate of the Minister for Mines and Energy

21/9/2005
NORTHERN TERRITORY OF AUSTRALIA

Mining Act

EXPLORATION LICENCE

EL No. 24158

Sitzler Savage Pty Ltd, ACN 089 842 875, (hereinafter referred to as the "licensee") is hereby licensed, for a period of six (6) years to expire on 4 September 2011, to explore in accordance with the provisions of the Mining Act, the regulations thereunder and the terms and conditions specified in the First Schedule and the Second Schedule, all the area of land delineated in the Third Schedule excluding therefrom all land vested in the Commonwealth and all radio telecommunication repeater sites.

J P WHITFIELD
Principal Registrar
as Delegate of the Minister for Mines and Energy

2/9/2005

FIRST SCHEDULE

1. The licensee shall ensure that a minimum amount of $58,000.00 is expended in carrying out exploration on the licence area during year one (1) of the licence.

2. The licensee shall comply with the provisions of, and directions lawfully given under, the Act and all other laws in force in the Territory, as are applicable in relation to its activities on the licence area.

3. Not later than one (1) month after the expiration of each 12 month period of this licence, the licensee shall submit in writing a statement specifying the details of the exploration programme reflecting expenditure for the next year of the licence.

4. Compensation for the effect if any of a prescribed mining act on native title is payable to the native title holder by the holder of the mining interest to which the prescribed mining act relates; includes compensation for the effect if any on native title of activities done under the mining interest as a result of the prescribed act.

5. The Licensee shall indemnify and hold indemnified at all times the Territory and its servants and agents from claims, actions, suits and demands whether debt damages, costs or otherwise arising out of a breach of the duties and obligations, whether expressed or implied, of the Licensee at common law, or of the Claim or of any law in force in the Territory that is applicable and whether such breach shall be that of the Licensee or any of its subcontractors, servants, employees or agents.

6. Exploration shall not take place within one hundred and twenty-five (125) metres of the centreline of any road or railway, unless specific approval is given by the Director of Mines.
SECOND SCHEDULE CONDITIONS
(Section 24A Mining Act)

General Principles

1. The Licensee shall carry out its activities in such a way as to minimise any impact to any extant native title rights and interests in the licence area, in particular, by ameliorating:
   (a) any interference directly with the carrying on of community or social activities of registered native title claimants or holders; or
   (b) any interference with areas or sites of particular significance, in accordance with the traditions of registered native title claimants or holders.

2. The Licensee shall carry out its activities in such a way as to minimise disturbance to the environment of the licence area, in particular, by minimising:
   (a) interference with the use of the land by other persons;
   (b) the disturbance of flora, fauna and other natural resources;
   (c) pollution, including soil, water and atmospheric pollution;
   (d) the incidence and effects of soil erosion.

3. Subject to the provisions of the Mining Act and the Mining Management Act, the Licensee shall in the course of their operations remain subject to the provisions of other relevant legislation. The Licensee shall ensure that all exploration personnel and their contractors and agents are familiar with such legislative requirements.

4. If and when the Licensee applies to the Minister for a lease which would allow productive mining, any registered native title claimants or holders are to be informed of this fact in writing so as to signal that another future act process may follow which allows them to exercise procedural rights.

5. To the extent possible the Licensee should employ persons and contractors resident in or around the licence area and give them the opportunity of quoting or tendering for contract work.

Consultations with Native Title Parties

6. (a) The Licensee shall, prior to the commencement of exploration activities other than reconnaissance, convene a meeting on the licence area (or the nearest convenient locality) with registered native title claimants or holders to explain the exploration activities. The Licensee may also invite the relevant pastoral lessee(s) or landholders to this meeting.

   This provision does not apply where the Holder is required to consult with registered native title claimants or holders because of the existence of a separate agreement.

   (b) Notice of the meeting shall be by letter and shall be posted to the registered native title claimants or holders and the representative body not less than 17 days before the meeting and shall nominate the date, time and place of the meeting.
(c) The Licensee must have regard to representations made to it at the meeting regarding any aspect of the exploration activities which raises concerns. These representations may deal with access procedures to particular areas of land within the licence area.

Site Protection

7. All exploration personnel and their contractors and agents shall be instructed on the legal necessity to protect sacred sites and other significant archaeological sites and structures which may exist within the licence area.

8. Prior to carrying out any work in the licence area the Licensee must consult with the Aboriginal Areas Protection Authority and inspect the Register of Sacred Sites. A Licensee wishing to carry out work may apply for an Authority Certificate.

Authorisation - Substantial Disturbance

9. Pursuant to s.166(1A) Mining Act, all exploration licences are granted subject to the condition that the holder of the licence or the holder's agent must also hold the relevant Authorisation in accordance with the Mining Management Act before carrying out on the licence area any exploration operations or works involving substantial disturbance (such as drilling, costeaming, gridding, bulk sampling, camp establishment or road construction).

10. Pursuant to s.35 & 37 Mining Management Act, an application for such Authorisation is required prior to the commencement of activities and is to be accompanied by the Mining Management Plan for the activity.

   (a) The Mining Management Plan is to include particulars on the management of environmental issues.

   (b) The Minister may refuse grant of an Authorisation.

   (c) A granted Authorisation is subject to the condition that the operator must comply with the current Mining Management Plan, submit a security bond and any additional conditions that the Minister may determine.

11. Notwithstanding the conditions of an Authorisation in accordance with the Mining Management Act, the Licensee shall in addition adhere to the conditions stated herein.

Minimising of Environmental Impact

12. The Licensee shall not bring firearms or traps onto the licence area and shall not take or kill any wildlife.

13. All structures, facilities, survey markings or other related infrastructure shall be of a temporary nature and shall be removed from the area at the completion of the exploration programme unless approved otherwise in writing by the Minister.

14. The Holder shall not use fire, unless in accordance with the Bushfires Act.

15. The Licensee shall not construct new vehicle tracks unless unavoidable. New tracks should be constructed at the minimum width possible to conduct the exploration programme, avoid long straight stretches, and be constructed with sufficient furrows to provide appropriate drainage.

16. The Licensee shall keep clearing and/or disturbance of vegetation to a minimum; with particular care taken in regard to preserving mature trees and vegetation along watercourses.
17. The Licensee shall take such steps as are reasonably practical to prevent the spread of noxious weeds, including the washing down of vehicles and removal of grass seeds before moving vehicles and equipment to a new area.

18. No sites or structures that may have historic significance shall be disturbed or interfered with in any way unless prior written approval has been given by the Minister.

19. The Licensee shall take such steps as are practical to minimise disturbance to the soil, rocks, rock formations, creeks and watercourses.

20. The Licensee shall take all precautions necessary to prevent contamination of underground and surface waters in the licence area.

21. Where artesian groundwater is encountered during drilling, the Licensee shall advise the Minister of its occurrence and protect the water from wastage, pollution, deterioration or undue depletion.

Environmental Rehabilitation

22. Following any soil disturbance, and subject to the Mine Management Plan, the Licensee shall replace topsoil as near as possible to its original profile and contour.

23. The Licensee shall remove all rubbish and waste from the licence area and shall comply with directions of the Minister regarding disposal.

24. To the extent possible the Licensee should choose drillhole and excavation sites to minimise environmental impact and, subject to the Mine Management Plan, after completion of drill holes, the collar should be sealed off and casing plugged. Guidelines for this activity are at item 15. of the Mining Operation Pack.

Complaint Mechanism

25. Should any native title claimant or holder lodge a written complaint with the Minister that exploration activities are being conducted in a manner that adversely affects native title rights and interests in the licence area, the Minister may do one or more of the following:

(a) seek an explanation in writing about the matter from the Licensee;

(b) request the Licensee attend a meeting with the Minister to discuss the matter;

(c) request the Licensee attend a conference with the Minister and the complainant with a view to resolving the matter;

and, having done one or more of the foregoing, may do one or more of the following:

(d) direct the Licensee to carry out rectification work;

(e) carry out rectification work at cost to the Licensee in accordance with s.166(3) of the Mining Act;

(f) subject to the Mining Act, take any other action, including the cancellation of the licence, as the Minister considers appropriate.

Definitions

"Licensee" means the grantee of the exploration licence and includes its workers, employees, contractors, agents and any person appointed by the Licensee as operator of the site pursuant to s.10 of the Mining Management Act.

"Minister" means the Northern Territory Minister for Mines and Energy or Delegate.
Second Schedule
(Plan of Area)

EL24158
3 Blocks
9.59 sq kms
Laurie Whitehouse

From: Kim Frankcombe [kim@sgc.com.au]
Sent: Wednesday, 20 September 2006 5:17 PM
To: Laurie Whitehouse
Subject: tennant creek gravity

Laurie

Got a follow up email from Haines to say they could have 2 crews there 1st week of Oct if we were quick. It doesn't change much just a week or two in spending the money.

--

Cheers

Kim

Kim Frankcombe

Senior Consulting Geophysicist
Southern Geoscience Consultants
8 Kearns Cres
Ardross 6153 WA
e-mail kim@sgc.com.au
ph 08-9316 2074
dax 08-9316 1624
web www.sgc.com.au

22/09/2006
Laurie Whitehouse

From: Kim Frankcombe [kim@sgc.com.au]
Sent: Wednesday, 20 September 2006 8:29 AM
To: Laurie Whitehouse
Subject: Tennant creek gravity

Laurie

Attached quotes for the Tennant Creek gravity survey along with a comparison spreadsheet. There is not a lot in it. I have used Haines quite a bit in the past without problems. Although I have not used Daishsat, I have not heard anything negative about them. I'd probably give them a go and see how they do but I'm happy for you to make the final call if you want. You might want to check my best guess as to daily accommodation & meal expenses for the Daishsat crew as it has been a while since I paid for a room in Tennant Creek.

The quotes are higher than I budgeted because of the lower than expected production rates. However both contractors quote the same rate and both have plenty of Tennant Creek Experience so I defer to them. Given that, do you still want us to handle all payments? It would mean handing over $13k for little reward. If you want to keep the overall budget down to closer to $100k we can drop the EM component. I'd recommend we keep the drill hole database generation in so we would now be looking at ~$116k if you pay the gravity contractor directly or ~$130k if we do.

--

Cheers

Kim Frankcombe

Senior Consulting Geophysicist
Southern Geoscience Consultants
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Ardross 6153 WA
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ph 08-9316 2074
fax 08-9316 1624
web www.sgc.com.au

22/09/2006
15th September 2006

Kim Frankcombe
Senior Consulting Geophysicist
Southern Geoscience Consultants
8 Kearns Cres
Ardross 6153 WA

Attention: Kim Frankcombe

re: Gravity Survey north west of Tennant Creek, NT

Dear Kim,

Haines Surveys are GPS/gravity acquisition specialists having been in business since 1991. In this time we have built an impeccable reputation for providing clients with professional, reliable, high quality and safe gravity operation. We operate 9 gravity crews mainly in Australia but over the years we have completed many challenging overseas projects from the tropics of West Africa to minus 30 degree temperatures in Northern Finland and the Rocky Mountains in Nevada. In 2000 WMC Exploration spent 10 hours auditing our office and field systems mainly in relation to safety and quality control of our company’s operation. To my knowledge we were the only ground geophysical contractor to pass every aspect of this audit and attain preferred supplier status.
The following outlines gravity operations and costs.

1. METHODOLOGY

The following operations are conducted at the same instant of time with a quad bike traversing the gravity line only once.

Grid Set Out

Real Time Kinematic GPS accuracy for detailed projects. Accuracy +/- 0.5 m.

Accurate heights and horizontal coordinates from Kinematic GPS

Real Time Kinematic GPS would be used which has an accuracy the order +/- 3 cm is generally achieved relative to the local AMG and Australian Height Datum (AHD). The Kinematic GPS roving receiver is lightweight and backpackable and can be easily removed from the vehicle if necessary. An accuracy the order +/- 3 cm is generally achieved relative to the local AMG and Australian Height Datum (AHD). The survey would be setup in local mine grid coordinates which will be displayed on the GPS data controllers screen.

Gravity Observations

Haines Surveys use a Scintrex CG-3 Autograv Gravity Meter which can read to better than 0.01 milligals. All gravity surveys are read in closed loops as regularly as possible although for this survey whole day loops would meet the required accuracy which greatly increases production by not doing a midday tie. All downloading and processing of the gravity data is highly automated and fully integrated with the GPS solutions. All observations are reduced to Bouguer Anomalies at 2.67 density and connected to the Australian National Gravity Grid. Data is checked and plotted using GEOSOFT.

2.0 PROCESSING

All processing to bouguer anomalies is completed each evening. Bouguer and elevation line profiles are produced together with station location maps, contour maps and images. The ability to completely process all data each evening allows decisions to be quickly made with regard to newly discovered anomalies. It is important to note that results attained each evening are “first pass” results which may need additional data adjoining the current days data to allow a full error analysis to be undertaken.

3.0 PRODUCTION

With a line and spacing spacing of 200m our estimated production rate is 60 stations per day.
4.0 REPEAT OBSERVATIONS

Haines Surveys will repeat 2% of gravity stations to verify the quality of the collected data. Repeat observations are the only way to truly check on the quality control. As a minimum the last observation of the previous days work is repeated to allow a build up of checks on a daily basis. Additional repeats will be taken where practically convenient. This form of operation does not hinder production but provides a robust check on quality.

5.0 STATION MARKING

Gravity base stations directly connected to the local survey and gravity control will comprise of metal pins driven into the ground. This provides a stable reference mark for future surveys. These marks would be referenced by a star iron picket with an aluminium tag attached. Pink flagging would be placed at each gravity station (subject to Landholder approval). The line number and station number is always written on the flagging. Although pink flagging is not a stable grid marker it usually remains visible for about 12 months.

6.0 ENVIRONMENT

Haines Surveys operations are environmentally accepted since no line clearing is necessary. Existing tracks will always be used wherever possible. Where a line is cleared Haines Surveys will use this line even if slightly off from the nominal grid coordinate. This will increase production and limit damage to the environment.

7.0 SAFETY

The company has an impeccable safety record as noted in the extract from our Safety Policy.

After fifteen years of operation Haines surveys have had zero accidents and enjoy the highest Workers Compensation bonus rating possible. (Not one Workcover claim has been made.) The prevention of injuries is our first goal. We strongly believe that all accidents are preventable and that our 'Zero Accident' record will be maintained.

This safety record is a result of the careful dedication of all team members having a responsibility to themselves and each other and a deep respect for the harsh environment they are required to work in.

The Haines Surveys directors are committed to maintaining this record by utilising safe work practices and only engaging employees who are experienced in working in remote areas. All employees show initiative and are prepared to work and live in a team environment in remote areas. All staff are trained in first aid.
Safety of crew and equipment is an integral of Haines Surveys operation. All vehicles are fitted with the appropriate survival, first aid, fire fighting, recovery, communications and navigation equipment. The crew is instructed on the correct procedures to be followed in the event of a problem.

All HF radios have the appropriate Royal Flying Doctor Service RFDS channels and all airstrips in which the RFDS planes can land will be marked on all 1:250,000 maps (for remote area operation).
Safety Manuals used are:
(a) The "Arid Zone Field Environmental Handbook"
(b) "Safety Manual for Land Geophysical Field Operators"
IAGC 7th Edition

8.0 PROFESSIONAL FEES AND CHARGES

Daily Survey Rate (one crew) $2,500 per day

Personnel
1 GPS Surveyor (field operator/processing)
1 Survey Technician (field operators)

Equipment
2 Trimble 4000SSI Geodetic GPS receivers (RTK)
1 Trimble Scoutmaster Navigation GPS Receivers
1 Laptop computer and Printer
1 UHF radios
1 CG3 gravity Meter

Vehicle
1 4WD vehicles

Processing
All processing, data reduction, reporting.

Meals and Accommodation $190 per day

Diesel fuel $60 per day

Hire of Quad Bike (if used) $80 per day

Standby Rate $1,500 per day

This cost is only charged if Haines Surveys cannot perform due to circumstances beyond their control eg. poor weather restricting access. It is also charged for whole days spent on inductions, travelling between project areas and rostered days off.

Mobilisation/Demobilisation (per crew) $5,900.00

A minimum of TWO days standby is charged if the project is unexpectedly ended due to circumstances beyond our control and Haines Surveys is asked to demobilise. This cost covers wages, equipment hire while gathering field equipment, base stations left on site.
Minimal Daily Charges

Haines Surveys rates are charged at a minimum half daily basis consisting of 5 hours work which commences with the crews morning preparation (ie taking batteries off charge) to when the crew leader has finished for the day. Anything over 5 hours is charged as a whole day.

THE ABOVE RATES DO NOT INCLUDE GST.

9.0 INSURANCE
Haines Surveys has all necessary insurances to carry out the above work.

10.0 PROJECT COST ESTIMATE
Estimate of cost for 1700 stations at a line and station spacing of 200m (60 stations per/day)
Assumes dry weather.

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilisation</td>
<td>$5,900</td>
</tr>
<tr>
<td>29 days GPS/Gravity (@ $2500)</td>
<td>$72,500</td>
</tr>
<tr>
<td>Meals and Accomodation (@$190 per day)</td>
<td>$5,510</td>
</tr>
<tr>
<td>Diesel/Fuel (@$60 per day)</td>
<td>$1,740</td>
</tr>
<tr>
<td>Quad Bike (@$80 per day)</td>
<td>$2,320</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 87,970</strong></td>
</tr>
</tbody>
</table>

The above estimate does not include the GST.
If you have any queries please do not hesitate to contact me.

Regards,
Richard Haines
Haines Surveys Pty. Ltd.
PROPOSAL FOR:

GRAVITY SURVEY
Punt Hill Area in SA

Prepared For:
Southern Geoscience Consultants Pty Ltd

Attention: Kim Frankcombe

Submitted by:

DAISHSAT Geodetic Surveyors
14 Carter Road
P.O. Box 766
Murray Bridge
SA 5253
AUSTRALIA

Tuesday, 19 September 2006
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Base station establishment

Gravity and GPS base stations would be established in the survey area. The survey would be conducted using precision GPS techniques and using geodetic principles to allow first order accuracy in easting, northing and height on the established bases.

As an alternative to connecting to local geodetic horizontal and vertical control (which is often in inaccessible places on tops of hills and ranges) the company can, in certain instances, use the GPS data logged at the base station during the survey. This data can be submitted to AUSLIG (AUSTRalian Land Information Group) and post processed to give highly accurate horizontal and vertical coordinates in the new Geocentric Datum of Australia (GDA). This technique has the economic advantages of eliminating much of the field work and associated costs in connecting to old established control.

Gravity base station values will be derived through use of ABABA ties to local AGSO AFGN stations if required.

Base station location and design

Unless otherwise requested, we normally locate the GPS and gravity bases next to each other to make occupation easier. The GPS ground mark usually consists of a short star picket driven to refusal. A star picket witness post with Daishsat plaque is placed adjacent the ground mark. For the gravity observations, we use a round flat concrete monument about 30cm in diameter next to the witness post. A recovery diagram, map location, photographs and coordinates are produced on our standard station summary sheets for each base station established.

Photo 1. Typical Daishsat GPS/Gravity Base Station
Set out and survey of each station

Set out of each station can be completed with RTK GPS, giving a set out accuracy better than 10 m (where terrain allows). Set out accuracy is often dictated by the nature of the terrain and the station spacing of the survey. Appropriate set out limits will be decided upon at the start of the survey in consultation with the client.

At the time of set-out, each station is surveyed by either RTK or post-processed GPS to an accuracy of better than 30mm for the easting, northing and elevation. The company own and operate the latest precision GPS survey equipment made by Leica Geosystems such as the System 1200 RTK GPS system. The GPS1200 surveying system offers superior performance over all other receiver brands, with the system capable of 1cm accuracy for x, y and z observables, even at low elevation angles and in thickly vegetated areas.

Daishsat are the first surveying company to operate these receivers in Australia.

A copy of the 1200 brochure is included overleaf.
LEICA GPS1200
Fast, accurate, rugged and reliable
Everything you need for all GPS applications

SMARTTRACK
SmartTrack GPS technology:
GPS1200's SmartTrack measurement engine acquires all visible satellites within seconds. Tracks to low elevations and measures under trees and in areas of interference where other receivers often fail. Strong signals, highly effective multipath mitigations and advanced anti-jamming guarantee top GPS performance.

- A further advantage is that GPS1200 receivers with SmartTrack technology are designed so that they can be upgraded to support future GPS satellite system developments. Your investment is secure.

Exceptionally rugged
Don't worry about how you carry this device (GPS1200). It is built to MIL specs to withstand the roughest use. With its strong, precision-machined magnesium housing, GPS1200 stands up to drops and falls and the jolts and vibrations of machines. Even the RTK pole equipment survives falls.

Immune to bad weather
Designed for temperatures from -80°C to +65°C (storage +80°C), GPS1200 shrugs off arctic cold and blistering heat. Fully waterproof B withstands immersion to 1 m B and dustproof. It operates perfectly in any conditions from tropical rainfall (up to 100% humidity) to desert sandstorms. GPS 1200 just keeps on working.

High contrast touch screen
The high quality 3½ VGA (11 lines by 32 characters) touch screen guarantees perfect clarity and contrast. Whether in fading light or bright sunshine, you can always read the display perfectly. Operate using the touch-screen or the QWERTY keyboard, whichever you prefer.

With or without controller
Connect the controller to the receiver when you need to input information and make full use of the on-board functions and programs. Use either or without the controller at reference stations and for static surveys. Keyboard illumination
Switch on the display and keyboard illumination when working at night. All the keys light up.

RTK/ODGPS communication
Radio modems, GSM, high-speed wireless and TDMA modules fit in waterproof housings attached to the receiver. Attach either one or two devices for RTK/ODGPS reference and rover applications.

A Bluetooth wireless technology housing is available to enable connectivity with GSP1200 and other compatible wireless products. Use the medium that suits your projects best.

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Gravity data acquisition

Data will be acquired using the company's Scintrex CG5 and CG3M automated gravity meters. A standard deviation of around 0.02-0.03 milligals would be the final accuracy of the gravity observations using the proposed equipment and techniques. The gravity will be read in closed loops not exceeding 10 hours duration where possible. Gravity loops will be structured such that an interlocking loop structure is formed. Local gravity control will be established on site if it does not already exist.

Daishsat have recently purchased the latest in gravity meter technology, the Scintrex CG5. Daishsat are the first in Australia to own and operate a CG5 instrument. We have taken delivery of two new instruments and these should be available for use on this project.

The CG5 offers all of the features of the low noise industry standard CG-3M micro-gravity, but is lighter and smaller, and has a larger screen which gives a superior user interface. The CG-5 can be operated with minimal operator training, and automated features significantly reduce the possibility of reading errors.

Data down load bottlenecks have been eased with the provision of a fast USB interface and flexible data formats. Noise rejection has been improved.

By constantly monitoring electronic tilt sensors, the CG-5 can automatically compensate for errors in gravity meter tilt. Due to low mass and excellent elastic properties of fused quartz, tares are virtually eliminated. The CG-5 can be transported over very rough roads and the residual drift remains low. The CG-5 can withstand a shock of more than 20G and the tare will be no more than 5 micro Gal.

The CG-5 offers the best possible repeatability. Over many 10's of field readings the CG-5 will repeat to within a standard deviation of 0.005mGal.

A copy of the CG5 brochure is included overleaf.

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Processing and reduction

Processing and reduction of the gravity data will be completed using Geosoft GRAVRED reduction software to Bouguer anomaly. Data will be processed daily and provisional results will be available nightly in most instances. Terrain corrections of the data in appropriate areas can be completed at an additional cost using RASTERC. RASTERC produces highly accurate terrain corrections from gridded elevation data. Daishsat can compile a DEM using contour data, spot heights or photogrammetry.

Quality control of the gravity data

Our surveyors are given the freedom to suspend gravity data acquisition if they feel that the conditions are unconducive to good gravity data acquisition. This can include windy conditions and times of high seismic activity. Along with this, the company has developed specific field acquisition and processing techniques to ensure that the best possible accuracy is obtained from our equipment and acquisition procedures. Some of these procedures are listed for your reference:

- Gravity loops of five hours or less (where possible) to control drift and tares.
- Two or more separate observations on each station to detect seismic interference or meter malfunction. These observations are compared and averaged during the data down loading phase to verify and quality control the day’s data.
- Separate repeat of at least 5% of all observations to determine repeatability for the survey.

Access

Daishsat specialises in conducting high quality gravity surveys for clients in the mining, exploration, and environmental industries. The company can offer a range of positioning and surveying solutions to compliment the gravity data acquisition. The company own and operate Scintrex CG-3/CG-5 gravity meters, Leica, Ashtech and Trimble GPS receivers and Leica terrestrial optical survey instruments. The company can complete the planning, acquisition, processing and interpretation of gravity surveys using a variety of techniques in all types of terrain. It is envisaged that walking and vehicle crews will be used almost exclusively on this project. While we have given details of our quad bike capabilities, with the long Spinifex grass termite mounds and sharp fire hardened sticks, in this area it would not prove safe and suitable for quad bikes.

Walking

Our walking crews are highly flexible and able to access most areas where it is possible to walk and carry the equipment. Typically, good access is required both to and through the project as it is not practical to walk long distances to and from the survey area each day with the equipment. Walking crews are only really cost effective in rugged areas that cannot be accessed by quad bike or vehicle. All our staff are young, fit and motivated and we have optimised our equipment and surveying techniques such that our crews are highly efficient on ground surveys, often achieving and sustaining daily production rates of double our competitors.
Quad bike

Quad bikes are an excellent mode of transportation in many areas, being able to transport the gravity surveyor and all his equipment through dunes, scrub and open areas quickly and safely. The company has developed a quad bike gravity surveying system that has been used successfully in heavy dune country, saltbush and gibber plains, thick goldfields woodlands and even over water covered salt lakes. For surveys that were typically completed using walking, vehicles or a mixture of both, our quad bike surveying system can provide a more cost effective and less environmentally intrusive solution. Along with modified quad bikes, the company has also specifically designed and built trailers for transporting and moving the bikes safely and quickly.

Vehicle

The company has completed numerous gravity surveys by vehicle and this can provide a cost effective solution when the surveys are conducted over larger areas or over public roads and tracks. Vehicles are used if the country is very rugged and likely to spike the tyres of the quad bikes, or they are often used in partnership with the quad bikes. We know and appreciate the difficulties of cross country vehicle work in this area. Termite mounds, sharp sticks and Spinifex all affect vehicle operations.
Production rates

We take great pride in completing surveys for our clients. When comparing daily rates between different organizations it is imperative that the production rates of the proposed crew are taken into account. What counts is the quality and reliability of the final data set and the overall price per station. Our crews obtain excellent daily production rates, often double our competitors, particularly in walking and vehicle work. We do this without compromising data quality and reliability and with a minimum of client supervision. How do we obtain such high production rates and quality?

- By excellent management and supervision. We have some of the most experienced gravity surveyors in Australia who complete the surveys and are also in the field with the survey crews. We professionally manage the project for our clients, rather than expect them to organise our teams. Clients can have the utmost faith in the data we provide, along with being assured that we will complete the survey quickly, efficiently and safely.

- From our years of experience in the gravity surveying field we have selected the best GPS, radio data systems and other survey equipment. We look after and maintain our gear well and replace the equipment every couple of years.

- Our staff are our most important asset and almost all our gravity surveyors are young, fit, motivated and have tertiary qualifications in either geophysics or surveying. We respect and look after our staff along with paying wages above industry standards.

- Our philosophy is to constantly improve what we do, and how we do it. We want gravity to be a cost effective, reliable and non-intrusive geophysical technique and we want to be known as the best in the business at doing it.

Rather than taking our word for it, we welcome our prospective clients to contact our references who have often used a variety of gravity contractors, so they are able to give an insight into how we compare to our opposition.

References

The company welcome you to contact some of our recent clients to ascertain our standard of service and safety record.

Ms. Amanda Butt (Geophysicist)
Hamersley Iron Geology
Tel wk. (08) 08 9327 2505 direct or 0419 914 027 mobile

Mr Ned Stolz (Geophysicist)
Gold Fields Australesia Pty Ltd
Tel wk. (08) 90861111

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Envisaged production rates on this project

We have previously conducted gravity surveys throughout Australia on similar spacings. On these surveys, the crews were reliably achieving over 130 stations/day/crew on 250m station spacing. It is envisaged that this area though, the hills and terrain mean that the crew would be able to sustain a rate between 60 and 70 stations/day/crew using a vehicle. Walking crews would most likely obtain slightly less depending on the terrain.

Survey charges

The company submit the following schedule of rates for the proposed survey.

1. Mob and demobilisation to project area – each way/crew $980
2. Cost per day per crew for Gravity/GPS Surveying • $2,450
3. Daily Rate for Standby per crew •• $990
4. Data Processing/Reporting*** $640
5. AUSPOS Connection $240

• Gravity Crew includes geophysicist/surveyor (experienced and generally with university degrees), surveying and computing equipment, 1 Scintrex CG5/CG3M gravity meter and vehicle. Meals, fuel, salphone/data calls and accommodation to be supplied by the client or charged at cost +20% (includes mobilisation/demobilisation).

•• Standby will be charged for inclement weather, client requested inductions for the survey crew, moving to new survey areas at client request and stop work of the survey crew at client request.

*** Data Processing/Reporting includes reduction to Bouguer anomaly, 1VD grids and comprehensive operations report.

Estimates of total time and cost

Production on 200m x 200m grid using two vehicle/walking crews.

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilisation to project area</td>
<td>$1,960</td>
</tr>
<tr>
<td>1700 stations @ 65/day/crew = 13 Days @ $4,900</td>
<td>$63,700</td>
</tr>
<tr>
<td>Report / Imagery</td>
<td>$640</td>
</tr>
<tr>
<td>Demobilisation from project area</td>
<td>$1,960</td>
</tr>
<tr>
<td>1 X AUSPOS Connection</td>
<td>$240</td>
</tr>
<tr>
<td>Estimate of meals, accom, fuel etc</td>
<td>$4,200</td>
</tr>
<tr>
<td>Total estimate*</td>
<td>$72,700</td>
</tr>
</tbody>
</table>

* The above is an estimate only and is based on production in open, flat country with little vegetation, with good access to and throughout the survey area. Note that some areas may need to be walked and this could impact on production rates.

GST

The above prices are GST exclusive (i.e. do not include GST).
Availability

The company will have a vehicle/walking crew available to start the project in early to mid October although we will require about three weeks notice to reserve the crew and plan the survey. We are very busy at the moment so crews for casual are awarded on a first come first served basis.

Company insurances

The company carries substantial insurance cover including:
- Public Liability for Personal Injury or Damage to property (Limit of Indemnity $10,000,000) caused by DAISHSAT personnel or equipment.
- Professional Indemnity.
- Workers compensation cover through Workcover Corporation SA, for all employees.
- All risk insurance for the company's field survey equipment.
- Comprehensive, including Third Party insurance on all DAISHSAT vehicles.

Safety training of the survey crew and the company's safe work practices

The company takes safety of its personnel very seriously and has yet to have a serious incident causing a lost time accident. The company is continually reviewing the way it conducts its field operations to ensure that current practices are safe.

All crew have Senior first Aid certificates, 4wd and defensive driving training certificates and undertaken Bush Survival courses.

The company's safe work methods are described in detail in the company's "SAFE WORKING PRACTICES AND SAFETY RULES MANUAL".

General Terms

These terms and conditions shall be considered a part of any Contract between Daishsat and the Client, unless otherwise agreed upon in writing by Daishsat.

This proposal is valid for a contract signed within a period of sixty (60) days from the date of submission of this bid. If for any reason an extension to the term is required, such an extension must be confirmed by Daishsat in writing.

All schedules of work are subject to confirmation depending on work loading at the time of award. If additional work has been contracted to Daishsat prior to award of this project, and a conflict is likely, Daishsat will so advise the client.

No project will be commenced by Daishsat without a properly authorised written order from the client to proceed.

Progressive invoices are typically submitted fortnightly on large projects or upon the delivery of the final data and report for small projects. Daishsat payment terms are strictly 14 days from the invoice date unless otherwise agreed.
Laurie Whitehouse

From: PT Pasifik Masao Mineral [masupa@rad.net.id]
Sent: Thursday, 31 August 2006 9:39 PM
To: 'Kim Frankcombe'
Cc: 'Gary Artmont'
Subject: RE: Tennant Creek tenements

Jakarta, 31 August 2006

Dear Kim,

Your proposal looks spot on. The Transfer of Tenements Agreement is being finalized for signing within the next couple of days and I hope to be able to give you the go-ahead to start planning this work early next week. In the meantime you may want to give some thought to preparing (although you would probably already have a standard one) a contract to carry out this programme, scope of work, payment schedules etc.

I will be returning to Perth on 12 September 2006 and will probably go to the tenements and on to Darwin the following week. There's a couple of targets that I have already identified that I want to look at on the ground before the work starts in earnest. Gary Artmont will hopefully be coming with me and I will try to get him to come via Perth so that he can catch up with you and his old mate John Ashley. Gary used to work with me at Pelsart in the 80's before working with Freeport in the 90's.

Best Regards,

Laurie Whitehouse

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Email: masupa@rad.net.id
Laurie Whitehouse Direct: +62-21-782 4863
Laurie Whitehouse Cell/HP/Mobile: 081 316 910 060

From: Kim Frankcombe [mailto:kim@sgc.com.au]
Sent: Thursday, 31 August 2006 5:47 PM
To: PT Pasifik Masao Mineral
Cc: Gary Artmont
Subject: Re: Tennant Creek tenements

Laurie

How's this for starters? The second six months is a bit loose and I would hope that we could spend more money drilling targets but just in case we don't have any, I've allowed for more geophysics.

Reading through Phil's notes I saw mention of low level helimag and gravity surveys by Giants Reef. These do not show up in the NTGS listing of open file geophysical data so I talked to the NTGS and they claim to have found something for me and are burning a CD and sending it down. Depending on the extent of nay gravity coverage we may be able to convert some of the Phase 2 gravity to Phase 1 as we may not have to survey the whole Phase 1 polygon.

23/09/2006
Gravity crews are pretty busy at the moment so as soon as you have a firm go-ahead let me know and I'll get some quotes and lock a contractor in.

Cheers
Kim

23/09/2006
MEMORANDUM

TO: Laurie Whitehouse
FROM: Kim Frankcombe
DATE: 31 August, 2006

SUBJECT: Exploration proposal EL 23/846 & EL 24/158 - Tennant Creek

Following our discussions this memo outlines a suggested exploration programme for the above two tenements at Tennant Creek.

August 2006 to January 2007

Gravity: Acquisition of approximately 1700 gravity stations on a 200m x 200m square grid over those parts of the tenement shown in Figure 1. Combined with the existing aeromagnetic data this should provide the basis for a sound structural framework to constrain geological interpretation. The survey may also highlight discrete targets and an allowance should be made for an extra 300 stations on a 50m x 50m grid over three targets.

Magnetics: Obtain the open file company low level aeromagnetic data from the NTGS and process this to merge it with either the regional NTGS, Tennant Creek survey or the earlier Austirex (now-Fugro) multiclient data depending on which offers the best resolution in the area of interest.

Electromagnetics: In the event of either the gravity or the magnetic data suggesting a discrete ironstone target an allowance should be made for limited follow up using electromagnetics - say over two areas.

Database generation: Recovery of all previous drilling with a minimum objective of producing a collar file but with the aim of recovering survey, assay and lithological information as well.
Cost Estimate:

Gravity Acquisition $50,000
Consulting costs associated with gravity $15,000
Aeromagnetic data processing $6,000
Electromagnetics acquisition $20,000
Consulting costs associated with EM including field supervision $10,000
Drill Hole data base generation $10,000

Total $111,000

Figure 1: Proposed gravity coverage for the period August 2006 - January 2007

February 2007 to August 2007

This period should see advanced targets being drill tested. These drill holes should be logged with down hole 3D magnetic surveys controlled with Gyro deviation surveys. The drilling costs have not been included in this geophysical costing.

Gravity: Acquisition of approximately 1400 gravity stations on a 200m x 200m square grid over the remainder of the tenement. The survey may also highlight discrete targets and an allowance should be made for an extra 300 stations on a 50m x 50m grid over three targets.

Magnetics: Depending on targets generated it may be desirable to acquire some detailed ground magnetics over selected area. Allow for two 500m x 500m grids using 20-25m line spacing.
**Electromagnetics:** In the event of either the gravity or the magnetic data suggesting a discrete ironstone target an allowance should be made for limited follow up using electromagnetics - say over two areas.

**Down hole magnetics and gyro:** Allow for 5, 200-300m deep holes to be surveyed with down hole magnetics and gyro tools.

**Cost Estimate:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gravity Acquisition</td>
<td>$43,000</td>
</tr>
<tr>
<td>Consulting costs associated with gravity</td>
<td>$10,000</td>
</tr>
<tr>
<td>Electromagnetics acquisition</td>
<td>$20,000</td>
</tr>
<tr>
<td>Consulting costs associated with EM including field supervision</td>
<td>$10,000</td>
</tr>
<tr>
<td>Ground magnetic acquisition</td>
<td>$6,000</td>
</tr>
<tr>
<td>Processing &amp; Interpretation of magnetic surveys down hole surveys</td>
<td>$5,000</td>
</tr>
<tr>
<td>Down hole surveys</td>
<td>$10,000</td>
</tr>
<tr>
<td>Processing &amp; Interpretation of down hole surveys</td>
<td>$5,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$109,000</strong></td>
</tr>
</tbody>
</table>
Laurie Whitehouse

From: PT Pasifik Masao Mineral [masupa@rad.net.id]
Sent: Friday, 25 August 2006 4:29 PM
To: 'Kim Frankcombe'
Cc: Gary Artmont (garyartmont@yahoo.com)
Subject: RE: Tennant Creek tenements

Jakarta, 25 August 2006

Dear Kim,

Many thanks for getting back to me on this. There needs to be approx $60,000 to be spent on each of the two tenements within the next 6 months to rectify the under-expenditure on these two tenements. I would like to follow your proposal of 1st February 2005 (attached pdf file) as follows:

1. Acquisition and interpretation of Normandy low level aeromags across the current reduced area of EL 23846 and 24158.
2. Ground gravity surveys across those sub-blocks highlighted as black dots on the attached figure Warrego-Orlando Area_ExplorationProposal.jpg.
3. Detailed in-fill ground gravity surveying across 1 known prospect (Explorer 93) and say 2 new areas of interest resulting from 1 and 2 above.

I have also attached the original exploration proposal for EL 24158. Year 1 expires on 5th September 2006 and I believe the Mines Department would be looking to Jack to come good very quickly with the programme contained within that proposal.

Also attached is Phil Jone’s report on EL 23846 which contains a summary of all of the past exploration work done on that EL. Year 3 of this licence expires in February 2007 and we need to have spent at least $50,000 on that tenement by that time.

So in summary Kim, could you see what you can put together for an initial 6 month budget of say $100,000 - 120,000 (call this Phase 1) and a follow-up budget for the following 6 months (Phase 2) to cover the rest of the EL’s with ground gravity surveying.

I have also attached for your interest some images of the two EL areas which I downloaded from Google.

Best Regards,

Laurie Whitehouse

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Email: masupa@rad.net.id
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Laurie Whitehouse Cell/HP/Mobile: 081 316 910 060

From: Kim Frankcombe [mailto:kim@sgc.com.au]
Sent: Friday, 25 August 2006 2:21 PM
To: PT Pasifik Masao Mineral
Subject: Re: Tennant Creek tenements

Laurie

23/09/2006
Before I get too carried away - how much do you need to spend & how much do you want to spend if the two are different? If we go in and cover the whole tenement package with 100m x 100m gravity stations which is about the maximum spacing we would want to look at for a small deposit you would be up for ~$300k by the time I had finished with it. Is that something you would prefer to spend over a number of years by maybe going in at 300m x 300m or 200m x 200m to start with, build up a picture and see if we can find something to do some detailed work over?

I can see a couple of little bulls eye mag features in the old airmag data that we could throw some work at straight away if you prefer that tack. Otherwise perhaps focus our efforts on the bits Normandy didn't.

Has anyone done a summary of previous exploration we can use as a starting point? If not, is that something we should include? We could send someone up to the NTGS for a few days to pull it all apart if necessary.

Cheers
Kim

---

PT Pasifik Masao Mineral wrote:
Jakarta, 23 August 2006

Dear Kim,

As per our telephone conversation the other day, could you please put together a proposal to carry out ground gravity surveying across the whole of EL 23846 and EL 24158 (Current retained area shown in the attached figure) as well as the acquisition and interpretation of low-level aeromagnetic data previously flown by Normandy across these areas. We would be looking to SGC, on a "one-stop shop basis" to coordinate and manage the field data acquisition by its preferred geophysical contractors. Time is of the essence because statutory EL expenditure and work commitments have not been met to date and the EL holder must accelerate and be seen to be carrying out meaningful field activities in order to maintain continuing legal title to these EL's.

I should be in a position within the coming week to advise the name of the new party to whom these EL's will be transferred to and whom will be funding the exploration programme from hereonin.

Best Regards,

Laurie Whitehouse

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Laurie Whitehouse Direct: +62-21-782 4863
Laurie Whitehouse Cell/HP/Mobile: 081 316 910 060

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Cheers

23/09/2006
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23/09/2006