EL 24158

FLYNN 5759 1:100,000 SHEET
SE 532977 F,L,M

Second Annual Report
September 4, 2006 – September 5, 2007

Licensee
Bungarra Resources Pty Ltd

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TABLE OF CONTENTS

1. INTRODUCTION
2. GEOLOGY
3. EXPENDITURE – CURRENT YEAR
4. PROPOSED EXPLORATION PROGRAM AND EXPENDITURE FOR THE PERIOD 5 SEPTEMBER 2007 – 4 SEPTEMBER 2008

LIST OF FIGURES

Tenement Location Plan

Figure 1 – Prospect Locations
Figure 2 – Gravity Stations
Figure 3 – Gravity Contours
Figure 4 – Geology
Figure 5 – TMI 1VD
Figure 6 – Potassium
Figure 7 – Uranium
Figure 8 – TMI 1VD + Prospect Locations
Figure 9 – Gravity Coloured Contours and Target Generation
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 Wirriminna 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.

Sitzler Savage Pty Ltd transfer of its 100% interest to Bungarra Resources Pty Ltd was approved by the Department of Industry, Fisheries and Mines, Northern Territory Government on the 13 December 2006.

This report covers the exploration activities carried out during the period 5 September 2006 – 4 September 2007.

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></td>
</tr>
<tr>
<td>Orlando East</td>
<td>1994-1997</td>
<td>411,300</td>
<td>4.8g/t, 1.5%, 6,170t</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 shows very clearly the distribution of Warramunga Formation rock units (shown as yellow, yellow green and green colours) and 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 uraninite mineralisation, which is characteristic of some of the Tennant Creek base metal deposits.

Figure 8 shows the distribution of gold prospects overlain on a tenement map showing surrounding tenements.

Figure 9 is the close spaced gravity survey, interpretation and target generated.

3. EXPENDITURE – CURRENT YEAR

During the period September 5, 2006 – September 4, 2007 the company has expended $14,838 broken down as follows;

<table>
<thead>
<tr>
<th>Activity</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenement management &amp; administration</td>
<td>$400.00</td>
</tr>
<tr>
<td>Surveyor costs - Haines Surveys</td>
<td>$6,188.00</td>
</tr>
<tr>
<td>Closed spaced gravity survey</td>
<td>$7,710.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$540.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$14,838.00</strong></td>
</tr>
</tbody>
</table>

The actual expenditure incurred during this period was more than the Year 2 exploration expenditure commitment specified in the EL licence being $10,000. No application has been made for a Variation of Covenant.

4. PROPOSED EXPLORATION PROGRAM AND EXPENDITURE FOR THE PERIOD 5 SEPTEMBER 2007 – 4 SEPTEMBER 2008

Following a field based exploration program over the EL to better define targets for future drilling in subsequent years, most of the initial work has been of a geophysical nature.
Geophysical survey work has occurred:

- Taking 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.

This work has resulted in a target being generated, figure below, that will now require the following for the coming year,

- Interpretation of close spaced gravity programme
- An EM or IP survey to determine depth extent of selected targets
- Follow up RC drilling of Target
- IF encouraged more RC drilling

The budget for this proposed exploration program is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geological Contractors and Consultants</td>
<td>$5,000</td>
</tr>
<tr>
<td>Geophysical Consultants</td>
<td>$2,000</td>
</tr>
<tr>
<td>Geophysical Equipment Hire and data collection</td>
<td>$2,000</td>
</tr>
<tr>
<td>RC Drilling of target</td>
<td>$30,000</td>
</tr>
<tr>
<td>Field Costs (vehicle hire, accommodation etc)</td>
<td>$5,000</td>
</tr>
<tr>
<td>Tenure Maintenance</td>
<td>$100</td>
</tr>
<tr>
<td>Administration and Overheads</td>
<td>$5,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$49,100</td>
</tr>
</tbody>
</table>
**Figure 9:** Close Spaced Gravity Survey and Target Generation by Southern Geoscience Consultants