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EL 24932
ANNUAL REPORT

YEAR 3
Period Ending 16th July 2009

Acacia Gap
Northern Territory

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SUMMARY

Field work by Acacia Minerals on EL 24932 has been of limited success during Year 3. However, in the context of highly encouraging results from contiguous tenements held by Acacia Minerals, additional work is warranted and recommended.

1 INTRODUCTION

This document is the third annual report for Exploration Licence 24932 and covers the period up to 16th July 2009.

2 TENEMENT STATUS

The tenement was initially granted to Imperial Granite and Minerals Pty. Ltd (IMP) on the 17th July 2006 for a period of 6 years. Ownership was transferred to Acacia Minerals Pty. Limited in November 2008.

The 12 block tenement was reduced by 6 blocks to 6 blocks in June 2009 as shown on Fig. 8.

The expenditure covenant for this year was $32,480.

3 LOCATION

EL 24932 is one of a group of tenements held by Acacia Minerals situated approximately 60 kms south of Darwin east of the Stuart Highway near the small community of Acacia. Other tenements in the group are ELs 25027, 26434, 26777 and ELA 27282. EL 24932 location is shown on Fig 1.

The licence falls entirely within Koolpinyah Perpetual Pastoral Lease, PPL 1147.

The EL 24932 centroid is at approximately 12 degrees 45 minutes South and 131 degrees 09 minutes east.

4 GEOLOGY

EL 24932 falls within the geologically designated Rum Jungle Mineral Field (RJMF)/Rum Jungle Uranium Field (RJUF) and is situated 9 kms northeast of the Archaean Rum Jungle Complex and 7 kms west of the Giants Reef Fault.

On the most recent NTGS geological map of the RJMF (Lally 2003) the tenement plots straddling the western limb of the interpreted north plunging Woodcutters Anticline. According to that map EL 24932 is underlain by the Early Proterozoic, Mt Partridge and the South Alligator Groups. Whites Formation, Wildman Siltstone and Acacia Gap Quartzite predominate with some interpreted Gerowie Tuff in the south west corner.
The contact between the Coomalie carbonates and the Whites formation graphitic shales is the stratigraphic position hosting most of the significant uranium and base metal mineralisation of the RJMF.

Of possible other significance is the mapped presence of a faulted, north trending “late dolerite dyke, traced from magnetics” that is mapped within the nose of the anticline within EL 24932 (Lally 2003).

In addition a “Basic dyke or sill, traced from magnetics” is shown within the Whites Formation on the west limb of the anticline within EL 24932.

Reported mineralisation in the vicinity of EL 24932 include:-

- The Frazer Uranium Prospect, 1 kms to the south.
- Zn-Pb mineralization, 3 kms to the east
- Au associated with a dolerite/shale contact, 2 km to the east
- Zn-Pb mineralisation, 6 kms to the south.

All of the above prospects are interpreted to occur within the Whites Formation.

5 PREVIOUS EXPLORATION

Several exploration companies have been active in the regional area around EL 24932 in the last thirty years. Most of this work has been targeting the stratigraphy extrapolating to the north of the discovered Woodcutters Pb-Zn-Ag mine and Woodcutters U prospect.

In 1977/78 Geopeko on EL 384 followed up on the BMR L4 Manton prospect discovery (CRs 1977/126, 1978/64) far to the southwest.

In 1982/83, Mineral Reserves Group Inc carried out exploration over their ELs 2262, 2265, 2266, 2267 and 2280. This included some airborne INPUT survey but not over EL 26434. Their work is reported in CRs 1982/210 and 1983/264.

Northern Gold in 1989 explored their ELs 5854 and 5647 both to the north near Noonamah. Both were dropped after one year.

In 1989/1990, Newmont Australia worked on their EL 6074, far to the north of EL 26434.

During 1992 and 1993 Nicron / Aztec held ELs 6919, 7064 and 7522 in the general area. EL 6919 covered the ground to the west of EL 26434 and their sampling defined several anomalies within the Whites Formation with elevated Cu, Zn and Pb, one of them coinciding with the Frazer Uranium prospect.
More recently, in the 2007/2008 field season, Glengarry Resources Ltd completed their followup drilling on the Au prospect to the east of EL 24932. Earlier drilling had reported 6 metres @ 11.3 g/t gold on a dolerite / shale contact. Glengarry tested this contact over a 1.6 km strike length with 8 RC holes totaling 728 m. Their best intersection was reported at 5 metres @ 1.22 g/t. (Glengarry Resources Ltd - December 2008 Qtrly Report to the ASX)

During the first two years of tenure, this EL was owned by Imperial Granite and Minerals Pty. Ltd (IMP). In that company’s annual reports for 2006 and 2007 mention of rock chip sampling was made but not reported on in detail. Acacia Minerals has obtained some further information on this sampling and assays and results are shown in Fig 5 and Appendices 1 and 2 herewith.

6  EXPLORATION PROGRAM AND TARGETS

Acacia Minerals are targeting base metals, gold and uranium mineralisation primarily associated with the Whites Formation and Coomalie Dolostone.

The company also recognises the significant presence on EL 24392 of the “narrow, magnetically defined dolerite dykes” shown on the NTGS map. These may have a potential for platinum group metals and gold mineralisation.

7  METHODS

7.1  Reconnaissance Rock Sampling

During the soil sample traverse at the east end of line 858950N outcropping gossanous Wildman Siltstone was noted. These gossans were sampled on Dec 8th 2008 producing 7 samples numbered 111227-111233 the locations of which are shown in App 1 and assay results in App 8 as NTEL report 13055.

7.2  Systematic Soil Sampling

Two phases of auger sampling were conducted: Phase 1 on 14th September 2008 and Phase 2 on 20th and 21st November 2008. These were only in part reported on in the Year 2 Annual Report which was due July 16th 2008 but submitted November 2008. This document reports fully on both phases.

Samples were taken using a tractor mounted auger from a maximum depth of 1 metre. The tractor auger was hired through a local freehold land owner. Each site produced one sample sieved to -2mm and one course fraction, each weighing approximately 200 grams and each given the same sample number. The auger hole was backfilled immediately after sampling, that is, within 5 minutes of having been dug.
The fine fraction was sent to a laboratory in Darwin for assay. The course fraction retained for geological examination after assays were received and for possible additional assaying.

Phase 1 of soil sampling comprised of an east-west line extending along 8587000N from the western boundary of contiguous EL 26434. This produced sample nos.110753-110801 totalling 48.

The Phase 2 of soil sampling consisted of an east-west line extending from the southwest corner of contiguous EL 26434 to the northeast corner of contiguous EL 25027. This produced sample nos.111142-111158 totalling 17.

Phase 2 also comprised a soil sample line across the nose of the plunging anticline to the north of contiguous EL 26777. This line followed approximately northing 8589950N and extended across the interpreted Whites Formation in to the Wildman Siltstone either side. This produced sample nos.111159-111204 totalling 45.

Appendix 3 gives details of all soil samples, and Fig 6 shows their location.

7.3 **Ground Magnetics: Orientation Survey**

To test for the presence of the NTGS interpreted “Basic dyke or sill” Acacia Minerals carried out a short ground magnetic survey across that mapped linear feature as shown on the published map. A Scintrex MP-2 magnetometer was used and readings at 25m centres were taken along an east-west line as shown on Fig 4. Actual readings are shown in App 4. A check with the Ionospheric Prediction Service (IPS) website on the day of the survey showed no magnetic storm activity.

7.4 **Assaying**

The fine fraction soil samples were sent to the Northern Territory Environmental Laboratories (NTEL) in Darwin.

The Phase 1 soil samples have been assayed for Au, Ag, Ca, Co, Cu, Fe, Mn, Ni, Pb, S and Zn as shown on NTEL report “EL11916” and “EL11917” and shown in App 5 and 6.

The Phase 2 soil samples were assayed for the same elements and results are shown in NTEL report “EL12805” shown in App 7.

7.5 **Rehabilitation**

As described above all soil sample auger holes were backfilled immediately after drilling. All survey control was by GPS so no grid pegs were used.
8 WORK DONE AND RESULTS

8.1 Prospecting and Gossan Sampling

Fig 5 shows the location of some of the IMP rock chip sampling done in 2007.

Appendices 1 and 2 are assay results as supplied by John Benger of IMP. Those listed in App 1 are of little interest but App 2 shows assays of one sample running 0.32% Co and 0.12% Cu with supporting anomalous Ni and Pb. Unfortunately IMP have not been able to supply the detailed location of this highly anomalous sample other than coming from “ south of EML 26050”. Acacia Minerals is endeavouring to get additional information from the previous holders of the tenement.

Referring to App 8, none of the 7 rock samples returned much of interest. Gold to 4 ppb, Co 130 ppm, Cu 93 ppm, Ni 51 ppm with Mn 2970 ppm suggest possible scavenging.

8.2 Soil Sampling

Assay results for the Phase 1 and 2 soil sampling are shown in App 5, 6 and 7. Results for each element are summarised herewith:-

<table>
<thead>
<tr>
<th>Element</th>
<th>Max (ppm)</th>
<th>Min (ppm)</th>
<th>Average (ppm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>8 ppb</td>
<td>1 ppb</td>
<td>2.4 ppb</td>
</tr>
<tr>
<td>Silver</td>
<td>0.95</td>
<td>0.05</td>
<td>0.08 ppm</td>
</tr>
<tr>
<td>Calcium</td>
<td>2260</td>
<td>60</td>
<td>1125</td>
</tr>
<tr>
<td>Cobalt</td>
<td>84</td>
<td>1.9</td>
<td>17.9</td>
</tr>
<tr>
<td>Copper</td>
<td>1170</td>
<td>7</td>
<td>49</td>
</tr>
<tr>
<td>Iron</td>
<td>20.1%</td>
<td>0.36%</td>
<td>5.67%</td>
</tr>
<tr>
<td>Manganese</td>
<td>4130</td>
<td>21</td>
<td>333</td>
</tr>
<tr>
<td>Nickel</td>
<td>107</td>
<td>4.8</td>
<td>33</td>
</tr>
<tr>
<td>Lead</td>
<td>281</td>
<td>4.8</td>
<td>18.7</td>
</tr>
<tr>
<td>Sulphur</td>
<td>80</td>
<td>20</td>
<td>37</td>
</tr>
<tr>
<td>Uranium</td>
<td>11.8</td>
<td>1.1</td>
<td>3.9</td>
</tr>
<tr>
<td>Zinc</td>
<td>489</td>
<td>4</td>
<td>21.2</td>
</tr>
</tbody>
</table>

Of these samples only sample 110797 from 8587000N, 731800E returned anomalous base metal values of Cu 1170 ppm, Pb 281 ppm and Zn 489 ppm. This sample, from within the interpreted Whites Formation, appears to be on strike with similar values obtained from soil samples on contiguous EL 25027 to the south.
8.3 Ground Magnetics

The short ground magnetic traverse across the interpreted NTGS “magnetic basic dyke” failed to register any obvious anomaly.

8.4 Rehabilitation

As stated earlier, all auger holes were backfilled immediately after drilling. Sites were left rehabilitated to the satisfaction of the freehold landowner.

9 CONCLUSIONS

Neither reconnaissance rock sampling nor first pass soil sampling have returned any significant results except for the minor Cu-Pb-Zn assay from one sample at the western end of the 8587000N traverse.

The attempt to locate the NTGS mapped linear magnetic “dyke/sill” was unsuccessful. Its presence is in doubt pending further checking with geologists at the NTGS.

10 RECOMMENDATIONS

EL 24932 is of continued interest in view of Acacia Minerals’ success on adjoining tenements to the south where very significant base metal soil and rock assays have been obtained.

The following field exploration work is recommended for Year 4 of EL 24932:

- Locate site of IMP anomalous base metal sample as per Appendix 2.
- Detailed ground magnetic and radiometric surveys.
- Infill soil sampling to the north and south of line 8587000N to delineate the anomalous Cu-Pb-Zn mineralisation found in sample 110797.
- Infill soil sampling to test for any uranium anomalous near the contact with the northwest corner of contiguous EL 26434 where an airborne radiometric anomaly similar to the Frazer prospect is known to be present.
- Check with geologists at the NTGS to determine the source of the magnetic survey that was the basis for their mapping of the “Basic dyke or sill”.
- Acacia Minerals to acquire any recently flown GA airborne survey data pertinent to this tenement.
- RAB and/or RC drilling as warranted.
11 EXPENDITURE STATEMENT

Proposed expenditure for the Third year of tenure was $32,480. Actual expenditure was as follows:

1. Research .......................................................... $1,500
2. Geological reconnaissance ............................................... $1,400
3. Rock chip sampling ................................................ $0,800
4. Soil sampling .......................................................... $3,700
5. Geological supervision ................................................. $2,100
6. Geochemical analysis ................................................... $7,500
7. Footborne magnetics .................................................. $2,500
8. Map making ............................................................ $1,900
9. Soil sampling ............................................................. $3,400
10. Geological supervision ................................................... $2,000
11. Shallow RAB drilling ............................................... $8,000
12. Geochemical analysis ................................................. $6,000
13. Land owner liaison .................................................... $0,500
14. Administration and overheads .......................................... $2,600

Total ........................................................................ $24,500

12 PROPOSED PROGRAM AND EXPENDITURE FOR YEAR 4

1. Ground radiometric and magnetic surveys ....................................... $4,500
2. Geophysical interpretation .................................................. $3,500
3. Soil sampling ............................................................. $3,400
4. Geological supervision .................................................... $2,000
5. Shallow RAB drilling ..................................................... $8,000
6. Geochemical analysis ..................................................... $6,000
7. Land owner liaison ......................................................... $0,500
8. Administration and overheads ............................................. $2,600

Total ........................................................................ 31,200

The proposed expenditure for year 3 for EL 24932 was $32,480; actual expenditure was $24,500, a shortfall of $7,980. The principal reason for this shortfall was that a RAB drilling programme and related geochemical analysis did not take place as the results of the other work did not justify drilling.

It is planned to carry out that RAB drilling in year four.

The company apologises for any inconvenience caused by this shortfall.