EXPLORATION LICENCE 22240
MORGAN

FIRST ANNUAL REPORT
24 July 2001 - 23 July 2002

LICENSEE:
SANTEXCO PTY LTD
A.B.N. 520 029 102 96

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**SUMMARY**

Exploration Licence 22240 *Morgan* is centred approximately 11 kilometres west of Tennant Creek. The Licence covers a small portion of land (approximately 0.75 km$^2$) north and west of two shallow but concealed mineralised ironstone bodies contained within the Malbec Mineral Claims (C526, C527 and C528), 1.5km west of the Chariot gold deposit.

This report records the exploration work done on EL 22240 during the first year of tenure, from 24 July 2001 to 23 July 2002.

The Licence was granted to Normandy Tennant Creek Pty Ltd (NTC) on 24 July 2001 for a period of six years. In June 2001, Giants Reef Mining Limited purchased NTC and all its assets, including EL 22240. After the purchase, NTC was re-named Santexco Pty Ltd, and is now a wholly-owned subsidiary of Giants Reef Mining Limited.

EL 22240 is subject to the Central Joint Venture 2, covering the Chariot gold deposit and a number of other tenements in the Tennant Creek goldfield. The joint venture is between Giants Reef (managers, holding 57% equity), Sons of Gwalia Ltd (replacing PacMin; 33%) and Newmont NFM (formerly Normandy NFM; 10%).

The Licence is on Tennant Creek Station, within Perpetual Pastoral Lease 1142, and comes under an Indigenous Land Use Agreement (ILUA) entered into between Giants Reef Exploration Pty Ltd and the Central Land Council in September 2000.

There is no outcrop within or near the Licence area, and there are no obvious magnetic targets.

There is a low possibility for the presence of non-magnetic (i.e., haematite-hosted) gold mineralisation within the EL. Extensions of the north-south fault separating the two Malbec ironstone masses may be the controlling factor for any mineralisation of this nature.

Santexco is considering carrying out RC and diamond drilling at Malbec, within MCs C527, C528 and C528, to follow up previous gold intersections in drillholes by Normandy. It may be necessary to collar some of the proposed new drillholes in EL 22240, outside the Malbec Claims.

If the proposed drilling is successful, the three Malbec Claims and parts of EL 22240 will be placed under an application for a Mineral Lease.
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FIGURES

1. Location and Surrounding Tenements
2. EL 22240 Year 1 Licence Area
1. INTRODUCTION

Exploration Licence 22240 Morgan covers a small (approximately 0.75 km$^2$) portion of land in two strips north and west of two shallow but concealed mineralised ironstone bodies (the Malbec prospect) contained within the Mineral Claims C526, C527 and C528, 1.5km west of the Chariot gold deposit.

This report records the exploration work done on EL 22240 during the first year of tenure, from 24 July 2001 to 23 July 2002.

2. LOCATION

EL 22240 is centred approximately 11km west of Tennant Creek, on the Tennant Creek 1:100,000 scale map sheet (5758).

Access to the Licence area from Tennant Creek is via Udall Road to Giants Reef’s TC8 mine, through the TC8 mine compound and over the Darwin to Alice Springs rail line, on to an all-weather unsealed road. This road extends west from TC8 for approximately 5km to the Chariot mine area and continues another 1.5km along a fence-line track to the Licence area.

Figure 1 shows the Licence and surrounding tenements.

3. TENURE

Exploration Licence 22240 Morgan was granted to Normandy Tennant Creek Pty Ltd (NTC) on 24 July 2001 for a period of six years. The Licence covers an area of 1 part graticular block.

In June 2001, Giants Reef Mining Limited purchased NTC and all its assets, including EL 22240. After the purchase, NTC was re-named Santexco Pty Ltd, and is now a wholly-owned subsidiary of Giants Reef Mining Limited.

The Licence lies within Perpetual Pastoral Lease 1142 (Tennant Creek Station) and comes under the terms of an Indigenous Land Use Agreement (ILUA) entered into between Giants Reef Exploration Pty Ltd (Giants Reef) and the Central Land Council, in September 2000.

EL 22240 is subject to the Central Joint Venture 2, covering the Chariot gold deposit and a number of other tenements in the Tennant Creek goldfield. The joint venture is between Giants Reef, (managers, holding 57% equity), Sons of Gwalia Ltd (replacing PacMin; 33%) and Newmont NFM (formerly Normandy NFM; 10%).

Within the central section of the Licence area are three Mineral Claims (MCs C526, C527 and C528), collectively referred to as Malbec Claims. The Claims are subject to the Central Joint Venture 1, covering Malbec and a number of other tenements in the Tennant Creek goldfield. This joint venture is between Giants Reef (managers, holding 57% equity), Sons of Gwalia Ltd (replacing PacMin; 33%) and Newmont NFM (formerly Normandy NFM; 10%).

Figure 2 shows the Licence area held in the first year.

4. GEOLOGY

4.1 Regional Geology

Papers contained in AusIMM Monograph 14 (Geology of the Mineral Deposits of Australia and Papua New Guinea), Volume 1, pp 829-861 provide a good introduction to the regional geology and styles of gold-copper mineralisation of the area. A more recent reference is the 1998 Northern Territory Geological
Survey second edition geological map and explanatory notes on the Tennant Creek 1:250,000 sheet, which include a revised stratigraphy.

4.2 Local Geology
There are no outcrops of Proterozoic basement rocks in EL 22240, which is blanketed by a layer of colluvium, outwash and aeolian sand up to seven metres thick.

The Palaeoproterozoic Warramunga Formation is assumed to underlie all of the Licence area. This formation is host to virtually all the magnetite-haematite (ironstone-hosted) gold-copper-bismuth mineralisation and ore bodies in the Tennant Creek goldfield. The Chariot and TC8 deposits are typical occurrences of this type in the area.

5. WORK DONE DURING THE YEAR
In June 2001, Giants Reef Mining Limited purchased NTC and all its assets, including EL 22240. Work on the Licence by Santexco Pty Ltd during the first year of tenure was limited to a desk-top data evaluation and brief geophysical review of the Licence and surrounding area.

Exploration Licence 22240 appears to have been applied for by NTC to fill a narrow gap between the Malbec Claims (MCs C527, C528 and C528) and nearby ELs to the west and to the north also held by NTC.

The review found that no obvious magnetic targets exist within EL 22240, in contrast to the Malbec Claims, which enclose two very prominent magnetic anomalies. There appears to be little possibility of the Malbec ironstone masses, as presently defined by drilling and magnetics, extending north or south into EL 22240. A low possibility exists for the presence of non-magnetic (i.e., haematite-hosted) gold mineralisation within the EL. If so, extensions into EL 22240 of the interpreted north-south fault that separates the two Malbec ironstone bodies may be the controlling factor for mineralisation of this nature.

Santexco is at present working on a budget that includes provision for carrying out RC and diamond drilling at Malbec, within MCs C527, C528 and C528, to follow up several encouraging gold intersection in drillholes by Normandy several years ago. It may be required to collar some of the new drillholes from outside these Claims, in EL 22240.

If the proposed Malbec drilling program is successful, it will become necessary to place the three Mineral Claims and portions of EL 22240 will be placed under an application for a Mineral Lease.

6. REHABILITATION
No work was conducted within the Licence area to warrant rehabilitation measures.

7. CONCLUSIONS
Exploration Licence 22240 covers only a small area of land, filling a narrow gap between the three Malbec Claims and nearby (Santexco) ELs to the west and to the north.

No obvious magnetic targets exist within EL 22240.

There is a low possibility for the presence of non-magnetic (i.e., haematite-hosted) gold mineralisation within the EL. The north-south fault separating the two Malbec ironstone masses may be the controlling factor for any mineralisation of this nature.
Santexco is considering carrying out RC and diamond drilling at Malbec, within MCs C527, C528 and C528, to follow up previous gold intersections in drillholes by Normandy. It may be necessary to collar some of the proposed new drillholes in EL 22240, outside the Malbec Claims.

If the proposed drilling is successful, the three Malbec Claims and parts of EL 22240 will be placed under an application for a Mineral Lease.

8. EXPENDITURE

The proposed expenditure for the first year of tenure was $6,000. Actual expenditure was as follows:

<table>
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<tr>
<th>Item</th>
<th>Year 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geology</td>
<td>133</td>
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<tr>
<td>Geophysics</td>
<td>210</td>
</tr>
<tr>
<td>Geochemistry</td>
<td>Nil</td>
</tr>
<tr>
<td>Surveying</td>
<td>Nil</td>
</tr>
<tr>
<td>Data integration</td>
<td>55</td>
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<tr>
<td>Analytical</td>
<td>Nil</td>
</tr>
<tr>
<td>Drilling</td>
<td>Nil</td>
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<tr>
<td>Tenure maintenance</td>
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<tr>
<td>Administration and overheads</td>
<td>40</td>
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<tr>
<td>Feasibility &amp; pre-production</td>
<td>Nil</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$438</strong></td>
</tr>
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</table>

Total expenditure amounted to $438. As the minimum expenditure was not met for the first year, an application for variation of covenant accompanies this report.

9. PROPOSED PROGRAMME AND EXPENDITURE FOR YEAR 2

<table>
<thead>
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<th>$</th>
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<tr>
<td>Geology</td>
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</tr>
<tr>
<td>Geophysics</td>
<td>Nil</td>
</tr>
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<td>Geochemistry</td>
<td>Nil</td>
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<tr>
<td>Surveying</td>
<td>400</td>
</tr>
<tr>
<td>Data integration</td>
<td>Nil</td>
</tr>
<tr>
<td>Analytical</td>
<td>Nil</td>
</tr>
<tr>
<td>Drilling</td>
<td>2000</td>
</tr>
<tr>
<td>(RC Hole collar only in EL 22240)</td>
<td></td>
</tr>
<tr>
<td>Tenure maintenance</td>
<td>300</td>
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<tr>
<td>Administration and overheads</td>
<td>500</td>
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<tr>
<td>Feasibility &amp; pre-production</td>
<td>Nil</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>300</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$4000</strong></td>
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</table>
Exploration programs are affected by the results achieved as the work progresses, and while this is the proposed program and expenditure for the coming year, some changes may become necessary.

P G SIMPSON  
EXPLORATION MANAGER

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