

SAVANNA MINERAL RESOURCES PTY LTD

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A wholly owned subsidiary of
MT GRACE RESOURCES NL
ABN 36 060 774 227

BACHELOR PROJECT

NORTHERN TERRITORY

E.L. 9253

ANNUAL REPORT

FOR PERIOD

12th September 2001 to 11th September 2002

7th Year of Tenure

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Copy:
1. *Batchelor office*
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CONTENTS

SUMMARY

1. Introduction
2. Tenement Status
3. Current Work
 - 3.1 RAB Drilling
 - 3.2 Environmental Impact Statement
 - 3.3 Site Assessment
4. Expenditure

APPENDICES

- Appendix 1 Geochemical Analyses from RC Drilling
Appendix 2 RAB Drill Logs

LIST OF DRAWINGS

<i>Figure No.</i>	<i>Title</i>	<i>Scale</i>
1	Tenement Plan (<i>Bound in Text</i>)	1:250,000
2	Tenement & Regional Geological Map (<i>Bound in Text</i>)	1:250,000
3	Winchester MLA Location Map (<i>Bound in Text</i>)	1:50,000
4	E.L. 9253 – Geological Map	1:10,000
5	RAB Drill Hole Location Plan	

SUMMARY

The title is part of a number of contiguous titles which cover Lower Proterozoic rocks on the S.E. flank of the Rum Jungle Dome east of the town of Batchelor. The main effort in this district has been to evaluate and prove up the Winchester magnesite resource. Although this resource is located on the adjoining EL 9501 much of the supporting infrastructure for the Batchelor Magnesium Project will need to be located on EL 9253 within the area covered by MLN Application 1984.

Several geochemical anomalies were also followed up and tested during the year with RAB drilling. No significant encouragement has been obtained. A Draft Environmental Impact Statement (EIS) was prepared for the Batchelor Project and lodged in March 2002. Following public display and receipt of submissions an EIS Supplement was prepared and lodged with the Department of Infrastructure, Planning and Environment in October 2002.

1. INTRODUCTION

E.L. 9253 is an irregular shaped title centred 7 km east of the town of Batchelor. The title is part of a block of titles held by Savanna Mineral Resources Pty Ltd which is a wholly owned subsidiary of Mt Grace Resources NL.

This report covers work done in the seventh year of tenure. For details of regional geological setting, exploration undertaken by previous explorers and exploration undertaken in previous years of tenure of this licence reference is made to previous reports on this licence.

Exploration has previously principally been directed towards the location of high quality magnesite and dolomite for use in the manufacture of magnesium metal. Mt Grace has a licence to utilise the Mintek metallothermic process to produce magnesium metal. This process involves the use of a plasma arc furnace which requires good quality magnesite. Exploration on adjoining E.L. 9501 has resulted in the location of a resource of 16.6 Mt of magnesite containing 43.2% MgO. The majority of this resource is assigned to the indicated category. E.L. 9253 covers ground within 80m of the resource and some of the drill holes around the resource are located within E.L. 9253.

The tenement may also have potential for base metal mineralisation similar to that at the recently closed Woodcutters Mine and for gold mineralisation similar to that previously mined at Sundance. Both these styles of mineralisation are located at or very close to the Coomalie Dolomite/White's Formation contact.

All Co-ordinates quoted refer to the AMG-66 datum.

2. TENEMENT STATUS

E.L. 9253 was granted on 12 September 1995 to cover parts of 9 graticular blocks. Applications for waiver of the requirement to partially surrender the E.L. have been granted resulting in the E.L. retaining its original size.

The location of the licence is shown on figures 1 and 2.

The E.L. is now wholly owned by Savanna Mineral Resources Pty Ltd following the acquisition of the rights previously held by Giant's Reef Mining N.L. Savanna is a wholly owned subsidiary of Mt Grace Resources NL.

The licence covers freehold land which is accessed from Crater Lake Road and the Batchelor-Stuart Highway road. The latter is a sealed all weather road.

A mineral lease application has been lodged which partly covers E.L. 9253 and partly covers E.L. 9501. The location of this application, MLN-1984, is shown on figure 3.

3. CURRENT WORK

3.1 RAB Drilling

A programme of 8 RAB drill holes totalling 164 metres were drilled using an Edson rig contracted from Johannsen Drilling. All holes were vertical. The location of the holes is shown on Figure 5. The drill logs are attached to this report as Appendix 2. The holes were composite sampled initially and then any intervals showing even low levels of anomalism were re-sampled in one metre lengths. Geochemical analyses were completed by Genalysis Laboratories in Perth. Analytical results are supplied in Appendix 1 attached and are given in the attached floppy disk.

3.2 Environmental Impact Statement

URS Australia have been contracted to prepare an EIS for the Batchelor Magnesium Project. The area studied includes a significant proportion of EL 9253. The Draft EIS was completed and lodged with DIPE in March 2002. A copy was placed in the DBIRD Library. Since the anniversary date an EIS Supplement has been completed and lodged with DIPE.

3.2 Site Assessment

Many of the waste dumps for the Batchelor Magnesium Project will need to be located on EL 9253 within the confines of MLNA 1984. The Plant Site is also expected to be within EL 9253. During the past year there has been a modest amount of engineering assessment work designed to help select suitable sites. The outcomes from this work were detailed in the Draft EIS.

4. EXPENDITURE

Expenditure for the period 12th September 2001 to 11th September 2002 was comprised of:

	\$
Geologist and management	26,686
Field Technician	3,661
Drilling	8,317
Geochemical Analyses	4,055
Feasibility Engineers	12,085
Travel and vehicles	2,474
Environmental consultants	106,279
Freight and field costs	1,420
Tenement Costs	915
Drafting and plan printing	2,180
Overhead and administration	8,404
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Total	\$176,476

FORWARD WORK PROGRAMME EL 9253

If a source of natural gas becomes available in the Darwin region it is hoped to continue with the development of the Batchelor Magnesium Project. It is not presently known when such a gas project might be committed to. When it is committed to it is planned to undertake further exploration work on sites near the proposed magnesite mine. This will include RAB drilling, pitting, air core drilling, engineering studies, hydrological studies and environmental studies. An estimated budget is:

	\$
Drilling	10,000
Pitting	5,000
Engineering & geotechnical studies	5,000
Hydrology	15,000
Environmental studies	10,000
Overhead & administration	5,000
TOTAL:	\$50,000

APPENDIX 1

Geochemical Analysis Reports

APPENDIX 2

RAB Drill Logs