EXPLORATION LICENCE 10370
BARKLY

SECOND ANNUAL REPORT
20 March 2002 - 19 March 2003

LICENSEE:
GIANTS REEF EXPLORATION PTY LTD
A.C.N. 009 200 346

AUTHORS:
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S C RUSSELL

May 2003
SUMMARY

Exploration Licence 10370 *Barkly*, located approximately 45 kilometres east northeast of Tennant Creek, was granted to Giants Reef Exploration Pty Ltd (Giants Reef) on 20 March 2001 for 6 years.

Under a Strategic Alliance agreement between BHP Billiton and Giants Reef, BHP Billiton are providing funds for Giants Reef to explore EL 10370 and other selected project areas within the Tennant Creek region. Exploration Licence 10370 is explored as the Barkly Project Area.

This report records the exploration work done on EL 10370 during its second year of tenure, from the 20th March 2002 to the 19th March 2003.

The Barkly Project Area is centred over an elongate gravity anomaly trending north north-west to east south-east through the northern part of EL 10370.

Tennant Creek-style orebodies are regarded as secondary targets in EL 10370, as the focus of exploration, under the Strategic Alliance agreement with BHP Billiton, is to find major base metals or base metals/precious metals deposits.

However, assessment of the base metals/precious metals prospect areas within EL 10370 downgraded the potential for this style of minerealisation, and it is evident that there is more potential to discover the traditional Tennant Creek-type ironstone hosted Au-Cu-Bi orebodies.

Two magnetic anomalies relatively close to the peak residual gravity anomaly on the gravity ridge were assessed. The anomaly at 448200E 7846400N appeared to be the shallower, with a modelled depth to top of approximately 200m. Drilling a test hole here is under review, as the anomaly may represent a Warramunga Formation-hosted (Tennant Creek type) body which is not the main target of exploration in EL 10370.

Another magnetic anomaly is noted in the Explorer 16 and Explorer 66 areas in the southern part of EL 10370. This anomaly also offers a chance for the discovery of a typical Tennant Creek type of Au-Cu-Bi occurrence in a locality where little drilling has been done in the past.

At the end of the second year Giants Reef reduced the Licence area from 262 graticular blocks to 131 graticular blocks. The southern portion of the Licence was retained, as this region hosts the most potential to discover traditional Tennant Creek style gold-copper mineralisation within the Licence area.
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FIGURES

1. Location of the Licence area
2. Year 2 Licence area
3. Exploration areas on background of residual Bouger gravity contours
4. Area relinquished
1. INTRODUCTION

Exploration Licence 10370 Barkly, was acquired by Giants Reef Exploration Pty Ltd (Giants Reef) to search for large base metal deposits associated with an elongate gravity anomaly trending west north-west to east south-east through the north-central part of the Licence.

Exploration in EL 10370 is being carried out by Giants Reef under a Strategic Alliance agreement with BHP Billiton, who are funding the program.

This report records the exploration work done on EL 10370 during its second year of tenure, from the 20th March 2002 to the 19th March 2003.

2. LOCATION

EL 10370 covers a wide tract of country, with the centre of the Licence situated approximately 45km east north-east of Tennant Creek township and south of the Barkly Highway. Much of the Licence area is without tracks, and difficult to reach.

The northern parts of EL 10370 can be reached from Tennant Creek township by driving along the Barkly Highway, and then by following the few existing bush tracks to the south.

Access into the central parts of the Licence is possible by driving to the Gigantic mine or to Boundary Bore, along dirt tracks from the Tennant Creek township or from the old Overland Telegraph Station. These routes are not negotiable during or soon after rainy periods.

The southern areas of EL 10370 can be reached from Tennant Creek along the Gosse River road.

Figure 1 shows the location of the Licence area.

3. TENURE

Exploration Licence 10370 was granted to Giants Reef Exploration Pty Ltd on the 20th March 2001, for a period of 6 years.

On the 12th November 1999, Billiton Exploration Australia Pty Ltd (Billiton) entered into an Agreement with Giants Reef whereby Billiton acquired approximately 7% equity in Giants Reef, in return for providing funding for the exploration, by Giants Reef, of four project areas in the Tennant Creek region. Exploration Licence 10370 is explored as the Barkly Project Area.

The Licence area totals 262 one-minute blocks, and covers sections of the Barkly (5859), Gosse River (5858), Tennant Creek (5758) and Flynn (5759) 1:100,000 scale map sheets. At the end of the second year of tenure the Licence was reduced to 131 blocks.

EL 10370 falls within NT Portion 494, Perpetual Pastoral Lease 1142, Tennant Creek Station.

EL 10370 is subject to an Indigenous Land Use Agreement (ILUA), signed in September 2000 between the Native Title holders of the Tennant Creek region, represented by the Central Land Council, and Giants Reef.

Figure 2 shows the Licence area in the second year of tenure.
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 Tennant Creek regional geology and styles of gold-copper mineralisation of the area.

A more recent reference is the 1:250,000 Tennant Creek geology map and Explanatory Notes, published by the Northern Territory Geological Survey in 1999, which includes a revised stratigraphy.

4.2 Local Geology

Outcrop throughout the Licence is patchy and in most areas non-existent. The majority of EL 10370 is covered with Quaternary alluvium and soils, including the extensive flood-out area of the Gosse River, in the eastern part of the Licence. In the large northern area of the EL, flat-lying sediments of the Cambrian Georgina Basin occur, with some restricted outcrops of the Palaeoproterozoic Warramunga Formation. The underlying geology is for the most part unknown.

In the southern extension of the EL, south of latitude 19°38’, some ridges of Warramunga Formation are host to a number of old mines. These include the Perseverance, Golden Mile, New Hope, Plum and Comstock workings (all held under Mineral Leases, as ‘windows’ surrounded by EL 10370), and the Bluebird and Desert Hope mines.

5. WORK DONE DURING THE YEAR

5.1 Targets and Concepts

5.1.1 Base Metals

Exploration Licence 10370 was acquired by Giants Reef Exploration Pty Ltd to search for large base metal deposits under a Strategic Alliance agreement with BHP Billiton.

The main target in EL 10370 is a major base metals or base metals/precious metals deposit associated with a trend of moderately elevated gravity readings (gravity ridge) running in a west north-west to east south-east direction through the wide central part of the EL. Figure 3.

Interpretation of the recent NTGS/AGSO gravity data over the target gravity ridge in EL 10370 during the second year of tenure raised the likelihood that the gravity ridge is caused by the regional lithology of Warramunga sediments rather than by localised masses of anomalously dense rock that might provide drill targets for base metal deposits. This interpretation downgraded the potential of the peak residual gravity anomaly hosing a major base metals or base metals/precious metals deposit.

5.1.2 Tennant Creek-type Ironstone Hosted Au-Cu-Bi Orebodies

EL 10370 also contains a number of areas of Warramunga Formation outcrops. The Warramunga Formation is the host rock to virtually all of the well-known Tennant Creek style of ironstone-associated gold-copper-bismuth orebodies. During the first tenure year a number of Tennant Creek style deposits were identified within EL 10370.

Gravity Ridge Magnetic Anomaly

The 1999 AGSO aeromagnetic data over the target gravity ridge was examined by consulting geophysicist Frank Lindeman of Lindeman Geophysics, Melbourne, in the first tenure year. It was noted that there are two magnetic highs fairly close to the peak residual gravity anomaly at 448000E 7848600N. Of these two magnetic highs, the one at approximately 448200E 7846400N (ADG 84) appeared to be the shallower, with a modelled depth to top of around 200m.
The location of this target gravity ridge is in a gap between two Posgold Limited (Posgold) vacuum/RAB drilling grids, who interpreted the bedrock as Warramunga Formation.

Western Anomaly .1
The western anomaly corresponds with the Perseverance mine and its nearby ironstone ridges.

Western Anomaly .2
The second Western Anomaly is in the same general area as the Perseverance mine. It is located over the regional gravity high centred approximately over the old Perseverance and Golden Mile mines. This remanently magnetised body at AGD84 449894E 7825932N is described as having “an excellent analytic signal response” by Posgold. Literature search showed that little drilling has been done at this locality in the past.

Explorer 16 and Explorer 66
These prospects are about 800m apart, located in the southern part of the EL, approximately 5km east of the Golden Mile mine. Figure 3.

Approximate AGD84 co-ordinates are:

| Explorer 16 | 450300E | 7825500N |
| Explorer 66 | 451100E | 7825400N |

Explorer 16 has no outcrop. A diamond hole by Geopeko in the late 1970’s did not encounter any ironstone, and the magnetic anomaly was not conclusively explained at the time. At Explorer 66, the un-drilled siliceous ironstone outcrop has not yet been located by Giants Reef due to very thick bush and difficult access.

These anomalies offer a chance for the discovery of a typical Tennant Creek type of Au-Cu-Bi occurrence in a locality where little drilling has been done in the past.

5.2 Exploration Focus under the Alliance
Tennant Creek-style orebodies are regarded as secondary targets in EL 10370, as the focus of exploration, under the Strategic Alliance agreement with BHP Billiton, is to find major base metals or base metals/precious metals deposits.

However, assessment of the base metals/precious metals prospect areas within EL 10370 has downgraded the potential for this type of deposit, and it is evident that there is a large scope for exploration for the traditional Tennant Creek-type ironstone hosted Au-Cu-Bi orebodies.

5.3 Exploration
As a result of the downgrading of EL 10370 for base metals or base metals/precious metals deposits, the drill targets proposed in the first year of tenure for EL 10370 were reprioritised. Giants Reef focused their 2002 field season commitments primarily within the Bluebush tenements of EL 8882, 8883 and 10402. These tenements are also under the Alliance with BHP Billiton in which the major targets are base metals and precious metal deposits.
5.4 Tenement Review

An internal review of the Giants Reef tenement portfolio and a classification of exploration opportunities in September 2002 assessed the future exploration potential of EL 10370 and the prospects within the Licence. Assessment of EL 10370 recognised that the Licence contains magnetic anomalies which are indicative of Tennant Creek style gold-copper occurrences (but which were not BHP Billiton targets).

The review recommended that Giants Reef substantially reduce the tenement holding of EL 10370 to retain only the areas covering the targets which may still hold potential for Tennant Creek style shallow or substantial gold mineralisation.

At the end of the second tenure year Giants Reef reduced the EL from 262 graticular blocks to 131 graticular blocks. The southern portion of the tenement was retained being the location of the traditional Tennant Creek style gold-copper anomalies that have been identified within the Licence.

Figure 4 shows the area relinquished at the end of the second year of tenure.

5.5 Alliance Meeting

A technical meeting was held between Giants Reef and BHP Billiton in Melbourne on the 2nd December 2002. The meeting focussed on recent drilling results from the Bluebush Project Area. Information was presented to BHP Billiton representatives.

There was a general agreement at the meeting that the gravity anomalies in the Barkly area did not rate in comparison with the Bluebush area. It was noted that some magnetic anomalies exist in the southern portion of EL 10370. The positions of old workings and ironstone outcrops a few kilometers away suggest that these anomalies are due to ironstone masses of the well-known Tennant Creek style and thus are not considered of interest as targets under the Alliance.

The minutes from the meeting were accepted as accurate, and were signed on the 16th December 2002 by Giants Reef and BHP Billiton.

6. REHABILITATION

None of the work done on EL 10370 so far has required any rehabilitation measures.
7. CONCLUSIONS

Tennant Creek-style orebodies are regarded as secondary targets in EL 10370, as the focus of exploration, under the Strategic Alliance agreement with BHP Billiton, is to find major base metals or base metals/precious metals deposits.

However, assessment of the base metals/precious metals prospect areas within EL 10370 downgraded the potential for this type of deposit, and it is evident that there is a large scope for exploration for the traditional Tennant Creek-type ironstone hosted Au-Cu-Bi orebodies.

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Another magnetic target was noted in the Explorer 16 and Explorer 66 area in the southern part of EL 10370. This anomaly also offers a chance for the discovery of a typical Tennant Creek type of Au-Cu-Bi occurrence in a locality where little drilling has been done in the past.

At the end of the second year of tenure Giants Reef reduced the EL from 262 graticular blocks to 131 graticular blocks. The southern portion of the tenement was retained, being the location of the traditional Tennant Creek style gold-copper anomalies that have been identified within the Licence.
8. EXPENDITURE

The proposed expenditure for the second year of tenure was $16,000. Actual expenditure was as follows:

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<td>Surveying</td>
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<td>Data integration</td>
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<td>Land owner negotiations</td>
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TOTAL $8,435

Total expenditure amounted to $8,435. As the expenditure covenant was not met, an application for variation of the minimum expenditure accompanies this report.

9. PROPOSED PROGRAM AND EXPENDITURE FOR NEXT YEAR

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</tbody>
</table>

TOTAL $10,000

Exploration programs can be affected by results, and while this is the proposed program and expenditure, specific activities may vary according to the results achieved.

J L CAHILL
EXPLORATION GEOLOGIST

S C RUSSELL
SENIOR EXPLORATION GEOLOGIST
REPORT NAME: EL 10370 Barkly SECOND ANNUAL REPORT 20TH MARCH 2002-19TH MARCH 2003

PROSPECT NAMES(s): BARKLY

GROUP PROSPECT NAME: BARKLY

TENEMENT NUMBERS(s): EL 10370

ANNIVERSARY DATE: 19 MARCH 2002

OWNER/JV PARTNERS: GIANTS REEF EXPLORATION PTY LTD (Owners)
BHP BILLITON (Alliance).

AUTHOR(s): J.L. CAHILL
S.C. RUSSELL

COMMODITIES: GOLD, COPPER, LEAD, ZINC, SILVER, BISMUTH

MAPS 1:250 000: TENNANT CREEK SE53-14
MAPS 1:100 000: TENNANT CREEK 5758, FLYNN 5759
GOSSE RIVER 5858, BARKLY 5859

MAPS 1:25 000

TECTONIC UNIT(s): TENNANT CREEK INLIER

STRATIGRAPHIC NAME(s) WARRAMUNGA FORMATION
CAMBRIAN GEORGINA BASIN

AMF GENERAL TERMS: LITERATURE SEARCH

AMF TARGET MINERALS: GOLD, COPPER, BISMUTH, LEAD, ZINC

AMF GEOPHYSICAL: GEOPHYSICAL INTERPRETATION, NTGS & AGSO

AMF GEOCHEMICAL:

AMF DRILL SAMPLING:

HISTORIC MINES: DESERT HOPE, BLUEBIRD, NEW HOPE, PLUM,
COMSTOCK, PERSEVERANCE, GOLDEN MILE

DEPOSITS:

PROSPECTS: EXPLORER 16, EXPLORER 66.

KEYWORDS: BARKLY PROJECT, EL 10370,
EXPLORATION LICENCES 7274, 7690, 7692, 7693,
8005 AND SEL8667.
EL10370
262 BLOCKS
809 sq kms
From NTGS/AGSO gravity survey, 2

Residual Bouguer gravity contours
by Lindeman Geophysics Pty Ltd

Crosses = gravity stations