2003 ANNUAL REPORT FOR

MCC 213, MLC’s 3, 6-14, 19, 43-44, 125-126, 128, 156-157, 507, 509-510, 519, 664-667,

FOR THE PERIOD ENDING 31 DECEMBER 2003

PEKO TENEMENTS

TENNANT CREEK DISTRICT

NORTHERN TERRITORY

TENNANT CREEK 1: 250,000 SHEET SE 53-14

VOLUME 1 of 1

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DATE: JANUARY, 2004
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Appendix 1    Southern Geoscience Proposal of 10 September 2003
1. INTRODUCTION

This report details exploration undertaken by Sitzler Savage Pty Ltd, the holder of the tenements MCC 213, MLC’s 3, 6-14, 19, 43-44, 125-126, 128, 156-157, 507, 509-510, 519, and 664-667. These tenements constitute the Peko tenements for the 12 month period ending 31 December 2003 and form part of the Peko Tailings Project, managed by Peko Rehabilitation Project Pty Ltd. All other non-exploration activities undertaken on the Peko Tailings Project are detailed in the Mining Management Plan, which is submitted annually as a separate report by the operator, Peko Rehabilitation Project Pty Ltd, a subsidiary of Sitzler Savage Pty Ltd.

2. LOCATION, ACCESS AND CLIMATE

The Peko tenements lie approximately 8 kilometres southeast of Tennant Creek Township. Access is via the sealed Peko Road to the Peko mine site. A well-developed network of good gravel tracks provides good vehicular access within and to most of the tenements.

The climate of the Tennant Creek district is mild and dry through most of the autumn, winter and spring months. The summer period is hot, with seasonal heavy monsoonal rainfall in January, February and March making vehicular access off sealed roads very difficult during these months.

3. TENURE

The Peko tenements contains the following mineral claims and leases: MCC 213, MLC’s 3, 6-14, 19, 43-44, 125-126, 128, 156-157, 507, 509-510, 519, and 664-667 totalling 264.15 hectares in area. On 13 October 2000 ownership of these tenements was transferred from Santexco Pty Ltd, a subsidiary of the Normandy Group of Companies, to Sitzler Savage Pty Ltd. These tenements are included in 89 tenements held by Sitzler Savage Pty Ltd, which form part of the Peko Tailings Project. The operator of this project is Peko Rehabilitation Project Pty Ltd (“Peko”), a subsidiary company of Sitzler Savage Pty Ltd.

The Peko tenements are listed in the accompanying Table 1.

4. MINERALISATION

Most of the gold and copper production within the Tennant Creek goldfield has come from ironstone pods and hydrothermally altered metasediments adjacent to and below the ironstones. Of the 700 recorded ironstone occurrences within the field, only 200 contain any significant mineralisation and of these, only 25 have produced more than 100kg of gold.

The following table lists those 8 of those producers that lie within the 89 tenements held by Sitzler Savage Pty Ltd.
<table>
<thead>
<tr>
<th>Mine</th>
<th>Ore (tonnes)</th>
<th>Ore Grades</th>
<th>Metals Produced</th>
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</thead>
<tbody>
<tr>
<td>Nobles Nob</td>
<td>2,140,000</td>
<td>17.0 g/t Au</td>
<td>34,580 Kg Au (1,112,000 ozs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.0 g/t Ag</td>
<td>2,752 Kg Ag</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.4% Cu</td>
<td>1,429 tonnes Cu</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.6% Bi</td>
<td>2,293 tonnes Bi</td>
</tr>
<tr>
<td>Juno</td>
<td>450,000</td>
<td>57.0 g/t Au</td>
<td>26,130 Kg Au (840,000 ozs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.0 g/t Ag</td>
<td>2,752 Kg Ag</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.4% Cu</td>
<td>1,429 tonnes Cu</td>
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<tr>
<td></td>
<td></td>
<td>0.6% Bi</td>
<td>2,293 tonnes Bi</td>
</tr>
<tr>
<td>Peko</td>
<td>3,160,000</td>
<td>3.5 g/t Au</td>
<td>7,481 Kg Au (241,000 ozs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14.0 g/t Ag</td>
<td>44,163 Kg Ag</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4.0% Cu</td>
<td>118,884 tonnes Cu</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.2% Bi</td>
<td>7,350 tonnes Bi</td>
</tr>
<tr>
<td>Rising Sun</td>
<td>10,466</td>
<td>27 g/t Au</td>
<td>284.7 Kg Au (9,153 ozs)</td>
</tr>
<tr>
<td>Rising Sun West</td>
<td>7,000</td>
<td>19 g/t Au</td>
<td>122.5 Kg Au (4,035 ozs)</td>
</tr>
<tr>
<td>Two Blues</td>
<td>500</td>
<td>40 g/t Au</td>
<td>20.2 Kg Au (649 ozs)</td>
</tr>
<tr>
<td>Kimberley Kids</td>
<td>305</td>
<td>50 g/t Au</td>
<td>16.1 Kg Au (517 ozs)</td>
</tr>
<tr>
<td>Weabers Find</td>
<td>10</td>
<td>300 g/t Au</td>
<td>3.0 Kg Au (96 ozs)</td>
</tr>
</tbody>
</table>

The orebodies themselves are not very big in size, so looking for a buried one is like looking for a needle in a haystack. Sophisticated exploration techniques are needed in order to minimise the amount of expensive exploratory drilling that is required to discover any new orebodies. The following illustrates this point:

Peko (119,000 tonnes Cu, 241,000 ozs Au) was a pipelike structure, 450 metres long, 35 metres wide and 430 metres in depth. The surface expression of this orebody was an outcrop of massive magnetite just 30 metres across. An aeromagnetic survey in 1935 led to the recognition that a much larger body lay at depth.

Nobles Nob (1,112,000 ozs Au) was a tabular body, 190 metres long, 40 metres wide and 80 metres in depth. It outcropped at surface but was barren of gold down to a depth of 16.5 metres. If not for the perseverance of prospectors, Nobles Nob would not have been discovered until the arrival of more sophisticated aeromagnetic and computing techniques many years later, which led, showed that the hematite body gave a magnetic response which had been undetectable by earlier surveys.

Juno (840,000 ozs Au) was a tabular body, 200 metres long, 45 metres wide and 60 metres in depth. It had no surface expression and its discovery was the result of drilling a small aeromagnetic anomaly that had been previously overlooked.

As can be seen, such small bodies of hematite-magnetite can be host to quite large gold and copper orebodies. Because thousands of prospectors and geologists have explored every square centimetre of the Tennant Creek district over the last 40 years since the discovery of the first such body, there are no more such deposits to be found by prospecting. Similarly, the most obvious targets have already been identified by numerous aeromagnetic surveys over the years and it is only the smaller, deeper or more hematite altered bodies that have yet to be found by this method. Hence the next Peko or Nobles Nob or Juno orebody must rely on other exploration techniques such as gravity or other geophysical methods.
5. PREVIOUS WORK

Previous exploration and mining history has been presented by Normandy in earlier annual reports.

In 1998 Normandy flew a detailed airborne magnetic and radiometric survey covering the southern Tennant Creek mineral field including the Nobles Nob leases. Survey specifications were 40m-sensor height, 50 m line spacings on a N-S line orientation with a 7m in line sample spacings. Elevation recordings were recorded every seventh sample for digital terrain modelling.

In 1999 Normandy flew airborne Time Domain Electro Magnetics (TDEM), a Normandy propriety system, over the Nobles Nob and Peko leases. The helicopter borne sensor was flown at 30m mean terrain clearance and 100m-line spacing. Analysis of the data was to have been reported to the NTDME in March 2001 but was never submitted.

Whilst Normandy carried out geophysical data interpretation and modelling in 1999 and 2000, Sitzler Savage Pty Ltd has only been provided with the raw data from these surveys. A quotation to carry out reprocessing and reinterpretation of this data, including magnetic modeling of selected targets has been received from Southern Geoscience Consultants in Perth and is included in Appendix 1.

Several ground gravity surveys have been carried out across the Nobles Nob leases and Peko is in possession of the raw data. A re-interpretation of the gravity data utilising the DTM elevation data from the 1998 aeromagnetic survey to produce 3D model as per Southern Geoscience Consultants proposal will readily identify any hematite (as distinct from magnetite) bodies at shallow depth that have not yet been drill tested.

An environmental rehabilitation programme was carried out over the old Peko mine area in which ripping, seeding, analysis of contaminated soils, tailings characterisation studies and monitoring were completed.

6. WORK CARRIED OUT DURING THE 12 MONTH PERIOD ENDING 31/12/2003

(a) Exploration

During the calendar year 2003, a six-month study of company and mine records held at Peko’s Tennant Creek office, open file company and other technical reports held at the Northern Territory Mines Department offices in both Darwin and Alice Springs as well as various digital reports of aeromagnetic, gravity and other geophysical surveys conducted in the Tennant Creek region, was carried out. Extensive use was made of Mapinfo/Discover GIS computer mapping programmes to identify twenty target areas within the Peko, Nobles Nob and Juno tenements.
The following is a discussion of the exploration techniques, which were relied upon in this study to identify target areas.

**Aeromagnetics:**
Following the discovery of copper and gold in massive magnetite at Peko in 1935 and the completion of aeromagnetic surveys by the BMR in 1937, 1956 and 1960 on 1,600 metre spacing, exploration concentrated on drilling aeromagnetic “bulls eye” anomalies. This led to the discovery of the Warrego, Orlando, Ivanhoe and Juno orebodies. Company aeromagnetic surveys at later dates led to the discovery of other deposits, including TC8 and Gecko. The high, near surface magnetite content on the ironstones at these mines allowed their early recognition from the magnetic data. In contrast, the Nobles Nob mine is hosted in non-magnetic hematite ironstone and it is only in the roots of this system that magnetite is present. Proectors sinking a shaft on an ironstone outcrop found gold at 16.5 metres, which led to the opening of the Nobles Nob mine. It was only from later, higher resolution aeromagnetic surveys that a subtle magnetic anomaly over the Nobles Nob deposit was recognised. Interpretation of AGSO’s 1998 high resolution (200 metre line spacing) aeromagnetic survey data over the Tennant Creek district and Normandy’s 1999 higher resolution (50 metre line spacing) aeromagnetic survey data over the Nobles Nob and Juno leases will undoubtedly lead to the recognition of many more subtle magnetic anomalies akin to Nobles Nob and Juno.

**Gravity**
Close spaced gravity surveying is becoming an important exploration tool as a way of detecting heavier mineral masses (caused by magnetite-chlorite and sulphide mineralisation) beneath shallow cover or beneath oxidized and barren (at surface) hematite ironstone bodies. Interpretation of AGSO’s 2001 gravity survey over the Tennant Creek area combined with company acquired data has yielded several target areas for follow-up exploration.

**Electromagnetic Techniques (IP, EM)**
Induced Polarisation (IP) has long been recognized as a fast and cheap exploration tool for the detection of sulphides beneath the surface. Unfortunately, apart from an early survey in 1961/1962 in the Nobles Nob area in which the anomalies found by the survey have not yet been properly followed up, IP has not been used to any useful degree in the Tennant Creek area. Electromagnetic Surveying (EM) is useful in defining conductive bodies at depth and has been most successfully utilized in the search for volcanogenic massive sulphide deposits around the world. Poseidon conducted a trial EM survey across part of the Nobles Nob leases in 1996 but did not properly follow up the results of this survey. Reprocessing and reinterpretation of the original data from this survey utilizing more refined computer techniques will undoubtedly lead to the definition of ready to drill targets at Nobles Nob. Normandy has utilized airborne EM with much success in the Tanami region and elsewhere in Australia and has found that hematite bodies such as Noble Nob were very responsive to this technique. In 1999 Normandy conducted a trial airborne EM survey over Nobles Nob. Whilst Peko has been able to access the raw data from this survey, it has been unable to source any information relating to the processing and interpretation of the results of this survey. A quotation to reprocess and interpret the acquired raw data from this survey has been prepared by Southern Geoscience Consultants in Perth and it is expected that this work will be carried out during the year 2004.

**Other Geophysical Techniques**
In 2001, Fugro Airborne Surveys Pty Ltd carried out an airborne aeromagnetic and mineral mapper survey over the Peko and Nobles Nob leases on behalf of the NT Department of Mines and Peko Rehabilitation Project Pty Ltd. The survey did not cover the Juno leases. Only processed data in the form of coloured maps and computer images was provided to Peko and the NT Mines Dept. and is of little use in this form. Enquiries are continuing into the usefulness and cost of acquiring the raw data and whether it can be used to prepare distribution plans for key alteration minerals such as hematite, dolomite, talc, chlorite and silica.

**Geology**
(a) Structure
Structures can also be favoured loci for ironstone replacement with gold-copper mineralisation being hosted in anticlinal structures at Juno, White Devil, Gecko, Peko and Argo. The east-west trending brittle-ductile shear zones and faults also contain many smaller deposits. Within the Nobles Nob
leases, north-south faults are intimately associated with the Nobles Nob, Kimberley Kids, Weabers Find and Rising Sun deposits. A great deal of structural information can be derived from aeromagnetic data and Landsat imagery. One aspect of structure that has not received much attention to date is the role of re-activated deep-seated basement structures in mobilizing mineralising fluids into favourable structures and lithologies. Landsat 7 imagery clearly shows one such structure just west of Peko (between Peko and Peko West) passing in a NE-SE direction through Juno. The intersection of this structure with stratigraphic horizons hosting known mineral deposits gives rise to several target areas for follow-up exploration and drilling.

(b) Lithology
The ironstones are developed in close association with hematite shale units, lying on and partly replacing these units (Nobles Nob, Juno, TC8) or may be found as replacement bodies along contacts between sedimentary rocks and quartz porphyry intrusions (Warrego) or within intraformational slump breccias (Gecko and Peko). During the course of this study, an untested area of hematitic shales in the vicinity of IP anomalies has been recognized as a target area to be followed up.

(c) Alteration
Recent studies have shown distinct lateral and vertical distribution of alteration and mineralogy away from the massive magnetite-chlorite inner core of some of the ironstone bodies. Figure 40 of Gold Deposits of the Northern Territory, Report 11, NTGS, 1999 demonstrates very well these zonation patterns, which are important vectors for future exploration in the Tennant Creek district. A study of past exploration drillhole data has indicated areas of alteration or suitable lithological units (hematitic shales, porphyry intrusions, sedimentary breccias) that have been overlooked in the past and represent valid target areas for follow-up exploration and drilling.

(d) Base of Oxidation
The Tennant Creek region has been subjected to very strong leaching, with the base of oxidation extending down to 80 metres on average. Surface geochemistry (soil sampling) has been ineffective although vacuum geochemistry has been used successfully by Normandy-Poseidon to identify anomalous areas for follow-up RAB and RC drilling. Supergene enrichment of gold at the base of oxidation can be quite pronounced. At Nobles Nob, gold was depleted to 16.5 metres, supergene enrichment produced grades in excess of 1,550 g/t (50 oz/t) between the 30m and 60m levels, and the base of oxidation was at 82 metres. At Peko, whilst the host magnetite body only contains on average 3.5 g/t Au, a zone of supergene enrichment at the 120 to 170 levels (35-50m) contains grades averaging 20g/t Au. During the course of this study it became quite obvious that much of the drilling to date on the Nobles Nob leases has been ineffective in failing to test below the base of oxidation. Conversely at Juno, most of the drilling has targeted to test below 250 metres whilst there appears to have been very little drilling undertaken to test for supergene enrichment zones above the main bodies, especially in the 50-150 metre level below surface. Hence it is important to recognize what level is to be targeted (i.e. oxide zone, supergene zone, primary zone) when designing future exploration and drilling programmes.

Within the Peko leases, three target areas have been identified: West Peko, Peko Underground Orebody #7 and East Peko as shown on Figure 2 and Table 2. These are additional to the Peko Oxide Gold Orebody and the Peko Tailings Dams that are not discussed here. The exploration potential for near surface gold resources of any significance is quite low although the potential for Peko-style copper mineralisation at depth is quite high. It should be pointed out that the dominant mineralisation within the Peko leases is copper. With the exception of the number 7 orebody and the supergene enriched gold zone within the Number 1 body (also known as the Peko Oxide Gold Orebody), gold mineralisation only occurs as an accessory to the copper mineralisation on the leases. A total of 12,000 metres of RAB and RC drilling at a total exploration cost of $ 477,500 will be required to test the three target areas.
(i) West Peko

This target area contains a drill tested aeromagnetic anomaly shown to have been caused by two ironstone bodies. These bodies contain several hundred thousand tonnes of mineralisation, with drillhole intercepts of 1-10% copper and up to 10 g/t gold. The easternmost pod lies wholly within Peko’s leases and contains a drill tested resource of 180,000 tonnes @ 3.4% Cu and 2.1 g/t Au (41,688 ounces of Gold Equivalent). Because of the low gold grades and their depth (500-600 metres below surface), these bodies are of academic interest only at this point of time.

However, potential for similar mineralisation lying at a much shallower depth in the area between the West Peko and Peko deposits is quite high. It is in this area that a major deep-seated structure, observed on Landsat imagery, passes through. It is postulated that the mineralising fluids, which gave rise to the Peko and West Peko deposits flowed up and along this structure. The intersection of this structure with the favourable stratigraphy hosting the West Peko and Peko deposits is a highly prospective zone for structurally controlled copper-gold mineralisation. Enhancing the prospectivity of this area is anomalous copper vacuum geochemistry at surface. A budget of $212,500 has been proposed to test this area with 16 RC drillholes totalling 4,000 metres.

(ii) Peko Underground Orebody #7

The Number 7 orebody, lying between the 1130 and 1260 levels (360-400m below surface) was the last orebody mined at Peko and although the grade was high (+20 g/t Au), production only commenced in July 1974 and complete extraction was not possible by the time of closure in September 1975. A study of mine production records indicates that there remains a remnant resource of 26,400 tonnes grading 11.4 g/t Au and containing 9,702 ounces of gold and 132 tonnes of bismuth (average Bi grade of 0.5%) remaining unexploited.

Whilst such a resource is clearly uneconomic at this depth (400 m) at this time, it should not be overlooked when considering development options for the higher grade sections of the Number 1 between Levels 120 and 170 and containing 10,000 tonnes @ 19 g/t Au (6,000 ounces) or for development of any new resource yet to be discovered by further exploration at East Peko and West Peko.

A 1966 report on the ore reserves discusses the similarity in geology, alteration and mineralisation of the Number 7 orebody to the Juno orebody. Consideration should be given to further geophysical surveying and modelling of the Peko area after the mine dumps have been removed to see if there is remaining exploration potential at depth for a Juno style and Juno size body adjacent to, or at a deeper level to the Number 7 body.

A budget of $ 5,000 has been proposed for scoping studies into the minimum tonnage and grade needed for economic viability of mining 400 metres below the surface and also to look into the viability of reopening the main shaft (possibly backfilled?) to exploit the Number 1 body between the 120 and 170 levels.
(iii) East Peko

The East Peko target area was first identified during the 1935 BMR aeromagnetic survey of the Tennant Creek area as a large magnetic anomaly one kilometre to the east of the Peko orebody. It figures prominently on the recent Fugro aeromagnetic survey. This anomaly was drill-proven to contain a resource of 59,000 tonnes at 3.41% Cu, 0.5 g/t Au and 0.05% Bi to a depth of 550 feet (175m). This anomaly lies outside Peko leases and is contained wholly within Giants Reef’s. However, good potential exists for the western down-plunge extension of the East Peko bodies mapped at surface and intersected by drilling to continue onto Peko’s leases. Continuity with the most eastern body (Number 11) mined underground at Peko is also a possibility.

The East Peko areas also hold the best exploration potential for the discovery of up-plunge and along strike extensions of similar sized orebodies to those worked at Peko underground. Because of the westerly plunges of the Peko orebodies, it is felt that any repetitions or up plunge extensions of these bodies will be at shallower depths of 100-250 metres and may possibly be amenable to open cut mining. Anomalous Cu-Bi-Au vacuum geochemistry at surface supports this hypothesis.

There is also the potential for high grade structurally controlled copper-gold mineralisation to occur at the intersection of a possible NE trending shear zone (as shown on Landsat imagery and suggested by aeromagnetic data) passing between the Peko and East Peko magnetic anomalies and the along strike continuation of the favourable Peko stratigraphy to the east.

A budget of $ 260,000 to carry out geological mapping, 2,000 metres of RAB drilling (40 holes) and 4,000 metres of RC drilling (16 holes) has been proposed.

(b) Other

The Peko leases form an integral part of the Peko Tailings Project, managed by Peko Rehabilitation Project Pty Ltd. All non-exploration activities carried out on the Peko leases are reported in the Mining Management Plan, which is submitted, on an annual basis. Peko Rehabilitation Project Pty Ltd submitted the most recent Mining Management Plan in October 2003.

7. EXPENDITURE FOR THE 12 MONTH PERIOD ENDING 31/12/2003

Approximately $100,000 has been spent on data review, travel and fieldwork on the 89 Sitzler Savage Pty Ltd tenements of which the 27 Peko tenements form part. This equates to approximately $1100 per tenement (or $30,000 for the 27 Peko tenements), exclusive of administration and tenement holding costs. These costs are exclusive of costs associated with the Peko Tailings Project, of which the Peko tenements form an integral part of the tenement package. This expenditure is reported separately within the Annual Reports for the Peko Tailings Project as prepared and submitted by Peko Rehabilitation Project Pty Ltd for the years 2001-2003. Tenement rental for the 27 Peko tenements for the year ended 31 December 2003 was $ 2,915.
8. RECOMMENDED WORK PROGRAMME & EXPENDITURE

Proposed exploration activities for the 12-month period ending 31 December 2004 include the following:

- Geophysical reprocessing and modelling of the 1999 Normandy aeromagnetic and radiometric survey.
- Geophysical reprocessing and 3D modelling of gravity data acquired by Poseidon and Normandy.
- RC drilling of at least 5-10 holes totalling up to 2,000 metres on the most prospective target areas identified on the lease. Table 3 summarises the total drilling meterage and budget required to test all 3 target areas, although it is not proposed to carry out all of this drilling in 2004. Table 4 is a risk/reward table showing which target areas offer the greatest reward for the lowest exploration risk. It is anticipated that these will be the targets first drilled in 2004.

The following table summarises the estimated proposed expenditure on the leases for the 12 month period ending 31 December 2004.

<table>
<thead>
<tr>
<th>EXPENSE</th>
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<tr>
<td>Geological</td>
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<tr>
<td>Geophysical</td>
<td>$10,000</td>
</tr>
<tr>
<td>Drilling</td>
<td>$30,000</td>
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<tr>
<td>Assay</td>
<td>$20,000</td>
</tr>
<tr>
<td>Tenement Costs</td>
<td>$ 3,600</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$73,600</strong></td>
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APPENDIX 1