EXPLORATION LICENCE 23506 McKEDDIES NT

ANNUAL REPORT FOR YEAR TWO OF THE LICENCE

ENDING 7TH MAY 2005

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June 2005

Dept. Business, Industry & Resource Development

07 JUN 2005

Received: Titles Division
Minerals & Energy Group

RECORDED ON COMPUTER
Date: 7/6/05
By: [Signature]
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TABLE 1. SUMMARY OF PREVIOUS COMPANY EXPLORATION.

FIGURE 1. Locality Map.
FIGURE 2. Tenement Map.
FIGURE 3. Regional Geology.
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FIGURE 6. Overlay to Photogeological Map.
1. INTRODUCTION.

Exploration Licence 23506 was granted for a term of six years, commencing 08/05/03, to Mr M D Teelow; subsequently one third interests were transferred to G A Clark and G R Orridge. In January 2005 a ‘Heads of Agreement’ was lodged with DBIRD Titles Division, under which Territory Iron Pty Ltd will explore iron ore resources in the south of the area under an option agreement.

At the time of reporting a second option agreement has been set up with Terra Gold Limited for exploration of the EL area, excluding the designated area of the Territory Iron agreement.

The title includes 52 one minute square graticular blocks having a combined area of 173.7 sqkm. It is located some 200km southeast of Darwin, and 50km northeast of Pine Creek township, and includes portions of the Ban Ban Springs and Mary River pastoral leases (Figures 1 & 2).

The location is within the McKinlay River and Pine Creek 1:100,000 map sheet areas, and the Union Reef and Mount Masson 1:50,000 sheet areas.

Dry season vehicle access is obtained from various pastoral and mining tracks, either from Mt Wells in the north or from the sealed Kakadu Highway in the south.

2. GENERAL GEOLOGY AND MINERALISATION.

The area is largely underlain by Early Proterozoic metasediments assigned by the BMR to an older Namoona Group (Masson Formation) and a younger Mt Partridge Group (Mundogie Sandstone and Wildman Siltstone). Along the eastern edges of the area the metasediments are in contact with various phases of the Proterozoic Cullen Granite Batholith (refer Figures 3 & 4).

The Namoona Group, comprising carbonaceous phyllites and slates with minor quartzite and carbonate horizons, forms a broad central valley with poor outcrop; it is intruded by large sills of metamorphosed mafic rocks (Zamu Dolerite). The dominantly arenaceous Mundogie Sandstone forms hill ranges, with good outcrop, bordering the central valley to the NE and SW. The main regional structure is a broad NW- plunging anticlinorium, with the axial region running centrally along the belt of Namoona Group. Little is known of the detailed structure.
No significant mineral production is recorded from the area included in the current EL. Alluvial gold has been worked on a small scale at McKeddies, just outside the NW boundaries of the Licence; the source of the gold appears to be quartz veining along shear zones in Zamu Dolerite. A minor quartz vein and placer tin deposit occurs at Glenys, close to the granite contact in the NE. Ironstone bodies in Masson Formation, at Dam Paddock in the SE, have had limited testing as potential iron ore resources. A small barite pod at this locality has also been evaluated. Several base metal prospects have been discovered along the eastern granite contact, and some were subjected to RC and diamond drilling without encountering potentially commercial grades of mineralization.

3. PAST COMPANY EXPLORATION.

Table 1 summarises past company exploration within the tenement area. A more detailed account is given in the year one Annual Report.

The most significant result for ongoing exploration was the recognition, by TOTAL, Nicron and others, of a narrow belt, along the granite margin in the east, where uranium, copper, lead and zinc mineralization occurs associated with a succession of black shales, limestones and ironstones. The stratigraphy and mineral association is closely analogous to that of the Rum Jungle Field, and suggests a high potential for significant base metal deposits which so far has been little explored. In particular, the main central belt of Masson Formation is very probably the same sequence as that of the granite margin, but is relatively poorly exposed and almost lacking in systematic exploration for base metals.

Figure 4 illustrates a revised interpretation of the stratigraphy and structure as proposed by Nicron resources.

4. EXPLORATION AND EXPENDITURES DURING YEAR TWO.

Attention was concentrated on the Dam Paddock area, and the granite contact zone, in the east and southeast, with the objective of preparing for detailed field work and drilling in year three, as set out in Section 5.

Work consisted of further review of past company exploration, field inspection of the Dam Paddock ironstones, and photogeological mapping. A number of summary reports, and presentations of data were prepared for interested parties who were negotiating to farm in on the property.
Expenditures are estimated to have been as follows:-

Geological services, 7 days @ $650  
Transport  
Air photography and copying  

Total $ 4,835

5. PROPOSED EXPLORATION AND EXPENDITURE FOR YEAR THREE.

The exploration proposals include three principal programs of work:-

1. Dam Paddock Iron Ores. It is proposed to undertake mapping and surface sampling of the known iron occurrences, to be followed by RC drilling of selected targets. Operator for this work will be Territory Iron Pty Ltd.

2. Dam Paddock Base Metals. Systematic traversing, on 400m-spaced cross sections, over the Masson Formation, with geological mapping, gossan search and sampling, and soil sampling of non-outcrop areas.

3. Northern Areas of Masson Formation. Proposed work here is on a first reconnaissance basis, and includes photogeology, geological ground reconnaissance, gossan search and sampling.

A minimum budget of $15,000 is proposed for these works.
<table>
<thead>
<tr>
<th>Tenement No.</th>
<th>Titleholders/Explorers.</th>
<th>Location</th>
<th>Report Nos.</th>
<th>Exploration Work Carried Out</th>
<th>Results Obtained</th>
</tr>
</thead>
<tbody>
<tr>
<td>AP2213</td>
<td>Wanderoo Mining Corp'n.</td>
<td>Dam Paddock area in SE.</td>
<td>70/34</td>
<td>Mapping, costeaming &amp; percussion drilling at one of several ironstone bodies.</td>
<td>Possible 1.5 million tonnes of low grade iron ore at the body tested.</td>
</tr>
<tr>
<td>EL2094</td>
<td>Australia &amp; New Zealand Exploration Company</td>
<td>Eastern granite contact.</td>
<td>80/166, 81/13</td>
<td>Drainage, soil &amp; rock chip sampling for U, Sn, W, carbone radiometric survey.</td>
<td>Discovered zone of black shales, limestones, and ironstones with anomalous base metals at granite margin.</td>
</tr>
<tr>
<td>EL2996</td>
<td>Greenbushes Exploration.</td>
<td>Covered most of EL23506 area.</td>
<td>83/05</td>
<td>Reconnaissance rock chip sampling for Au in ironstones and Sn-Ta at granite contact.</td>
<td>Discovered anomalous base metals and As in Dam Paddock ironstones.</td>
</tr>
<tr>
<td>EL4279</td>
<td>CSR Limited</td>
<td>Central &amp; western parts of EL23506.</td>
<td>89/683</td>
<td>Airborne geophysics, drainage, soil and rock chip geochemistry, ground magnetics.</td>
<td>Exploration concept of gold mineralisation in Zamu Dolerite proved unproductive.</td>
</tr>
<tr>
<td>EL4414</td>
<td>TOTAL Mining Aust. P/L</td>
<td>Eastern parts of EL23506</td>
<td>86/166, 88/209, 89/151</td>
<td>Helicopter and ground radiometrics, geol. mapping of granite contact zone, drilling at three prospects just outside SE corner of EL23506.</td>
<td>Numerous radiometric anom’s in belt of carbonaceous shale &amp; carbonates along granite contact which correlate with Rum Jungle sequence. Drilling found only narrow zones of U mineralisation.</td>
</tr>
<tr>
<td>EL6010</td>
<td>Woodleigh Nominees.</td>
<td>Central &amp; N parts of EL23506</td>
<td>89/674, 90/673</td>
<td>Auger drilling &amp; panning for alluvial gold and tin.</td>
<td>No results of interest.</td>
</tr>
<tr>
<td>EL’s 6154 6164 &amp;6303</td>
<td>Carpentaria Gold</td>
<td>NW corner EL23506</td>
<td>89/825, 91/026</td>
<td>Drainage BLEG &amp; rock chip sampling.</td>
<td>Only low level anomalies.</td>
</tr>
<tr>
<td>EL6171</td>
<td>Newmont Aust. Ltd.</td>
<td>N &amp; W of McKeddies.</td>
<td>90/037, 90/293</td>
<td>Drainage &amp; rock chip sampling for gold.</td>
<td>Low order anomalies related to known mineralisation or small catchments.</td>
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<tr>
<td>EL's 6232 &amp; 6233.</td>
<td>Wentwell</td>
<td>Granite contact.</td>
<td>90/207</td>
<td>Literature review and air photo interp'n.</td>
<td>Nothing significant.</td>
</tr>
<tr>
<td>EL's 7192, 7877, 8174, 8949 &amp; 9543.</td>
<td>Corporate Developments.</td>
<td>Western and north-western parts of EL 23506.</td>
<td>92/280, 93/176, 94/256, 94/635, 95/606, 95/608, 95/609, 96/280, 96/281, 97/055, 98/150, 98/538.</td>
<td>Drainage BLEG and pan concentrates and rock chip sampling for gold.</td>
<td>Main target was small high grade gold/quartz veins as at Touhey's Mine. No significant discoveries.</td>
</tr>
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<td>EL's 7138</td>
<td>Dominion, Aztec, Normandy Nicon &amp; Northern Gold &amp; farm-in with Teelow/Day/Earthrowl.</td>
<td>Mainly granite contact &amp; central belt of Masson Formation.</td>
<td>93/293, 93/305, 94/082, 95/168, 95/285, 96/625, 95/691, 96/410, 97/130.</td>
<td>drainage, BLEG, rock chip and soil geochemistry, analysis for Cu, Pb, Zn, Ni, Mn, As, geological mapping of granite contact zone. Diamond drilling of four holes at Black Bream, Catfish &amp; Sleepy Cod anomalies. RC drilling at Rainbow Fish and Archer Fish anomalies; 26 holes testing supergene Cu zone. Petrography of drillcore.</td>
<td>BLEG sampling for gold not anomalous. Metasediment/granite contact mainly conformable with stratabound base metal mineralisation associated with black shale, carbonate and ironstone beds. Min'dn found to be sub-economic, gold-poor with no supergene enrichment where tested.</td>
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<tr>
<td>9104</td>
<td>Teelow/Earthrowl.</td>
<td>Dam Paddock area.</td>
<td>96/593, 01/207, 02/108.</td>
<td>Mapping, soil sampling &amp; RAB drilling at granite contact, trenching to test lens of barite.</td>
<td>Carbonate rocks at contact anomalous in base metals.</td>
</tr>
<tr>
<td>9026</td>
<td>Northern Gold.</td>
<td>Mainly granite contact.</td>
<td>97/130</td>
<td>Data acquisition and review.</td>
<td>Nothing new.</td>
</tr>
</tbody>
</table>

n.b. report Nos. quoted are NT Department of Mines Open File Company Reports.
FIGURE 1
EXPLORATION LICENCE LOCALITY MAP
NOTE TO MAP USERS: Mining and Exploration Tenure depicted here are plotted from descriptions supplied by the holders and the Northern Territory Inconsistencies may occur between some information.
INTERPRETED GEOLOGY & PROSPECT LOCATIONS.

Adapted from I. Butler, 1995.

FIGURE 4