2005 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 2005
PEKO TENEMENTS
TENNANT CREEK DISTRICT
NORTHERN TERRITORY
TENNANT CREEK 1: 250,000 SHEET SE 53-14
VOLUME 1 of 1

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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 2005 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 contain 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 as shown on Figure 1. 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 and 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
Table 1: Peko Tenements

<table>
<thead>
<tr>
<th>Prefix</th>
<th>Number</th>
<th>Name</th>
<th>Status</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Area</th>
</tr>
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<tbody>
<tr>
<td>MCC</td>
<td>213</td>
<td>Peko Central</td>
<td>Renew Retained</td>
<td>17-Jun-87</td>
<td>16-Jun-07</td>
<td>1.15 ha</td>
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<tr>
<td>MLC</td>
<td>3</td>
<td>Peko Extended No. 1</td>
<td>Renew Retained</td>
<td>02-May-51</td>
<td>31-Dec-13</td>
<td>17 ha</td>
</tr>
<tr>
<td>MLC</td>
<td>6</td>
<td>Peko Bushall No. 1</td>
<td>Renew Application</td>
<td>11-May-53</td>
<td>31-Dec-25</td>
<td>12 ha</td>
</tr>
<tr>
<td>MLC</td>
<td>7</td>
<td>Peko North Extended</td>
<td>Renew Application</td>
<td>11-May-53</td>
<td>31-Dec-25</td>
<td>12 ha</td>
</tr>
<tr>
<td>MLC</td>
<td>8</td>
<td>Peko No. 5</td>
<td>Renew Retained</td>
<td>22-Oct-54</td>
<td>31-Dec-30</td>
<td>15 ha</td>
</tr>
<tr>
<td>MLC</td>
<td>9</td>
<td>Peko Bushall No. 4</td>
<td>Renew Retained</td>
<td>24-Jan-55</td>
<td>31-Dec-06</td>
<td>4 ha</td>
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<tr>
<td>MLC</td>
<td>10</td>
<td>Peko Bushall No. 3</td>
<td>Renew Retained</td>
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<td>31-Dec-06</td>
<td>17 ha</td>
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<td>MLC</td>
<td>11</td>
<td>Peko Bushall No. 2</td>
<td>Renew Retained</td>
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<td>31-Dec-06</td>
<td>17 ha</td>
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<tr>
<td>MLC</td>
<td>12</td>
<td>Peko Bushall No. 5</td>
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<td>31-Dec-06</td>
<td>16 ha</td>
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<tr>
<td>MLC</td>
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<td>Peko North Extended No. 2</td>
<td>Renew Retained</td>
<td>10-Aug-55</td>
<td>31-Dec-06</td>
<td>8 ha</td>
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<tr>
<td>MLC</td>
<td>14</td>
<td>Peko West Extended</td>
<td>Renew Retained</td>
<td>26-Nov-56</td>
<td>31-Dec-18</td>
<td>17 ha</td>
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<tr>
<td>MLC</td>
<td>19</td>
<td>West Peko 1A</td>
<td>Renew Retained</td>
<td>06-Mar-01</td>
<td>31-Dec-20</td>
<td>17 ha</td>
</tr>
<tr>
<td>MLC</td>
<td>43</td>
<td>Peko Bushall No. 2 East</td>
<td>Renew Retained</td>
<td>12-Feb-64</td>
<td>31-Dec-09</td>
<td>9 ha</td>
</tr>
<tr>
<td>MLC</td>
<td>44</td>
<td>Peko Bushall No. 3 East</td>
<td>Renew Retained</td>
<td>12-Feb-64</td>
<td>31-Dec-09</td>
<td>13 ha</td>
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<tr>
<td>MLC</td>
<td>125</td>
<td>Peko 6</td>
<td>Renew Retained</td>
<td>07-Apr-72</td>
<td>31-Dec-13</td>
<td>17 ha</td>
</tr>
<tr>
<td>MLC</td>
<td>126</td>
<td>Peko 7</td>
<td>Renew Retained</td>
<td>31-Dec-13</td>
<td>12 ha</td>
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</tr>
<tr>
<td>MLC</td>
<td>128</td>
<td>Peko South Extended No. 2</td>
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<td>07-Apr-72</td>
<td>31-Dec-13</td>
<td>11 ha</td>
</tr>
<tr>
<td>MLC</td>
<td>156</td>
<td>Peko Central</td>
<td>Renew Retained</td>
<td>30-Mar-00</td>
<td>31-Dec-24</td>
<td>8 ha</td>
</tr>
<tr>
<td>MLC</td>
<td>157</td>
<td>Peko Central</td>
<td>Renew Retained</td>
<td>17-Feb-73</td>
<td>31-Dec-24</td>
<td>10 ha</td>
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<tr>
<td>MLC</td>
<td>507</td>
<td>Peko Central</td>
<td>Renew Retained</td>
<td>03-Jun-42</td>
<td>31-Dec-08</td>
<td>5 ha</td>
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<tr>
<td>MLC</td>
<td>509</td>
<td>Peko Central</td>
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<td>27-Jun-49</td>
<td>31-Dec-10</td>
<td>9 ha</td>
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<tr>
<td>MLC</td>
<td>510</td>
<td>Peko Central</td>
<td>Renew Retained</td>
<td>27-Jun-49</td>
<td>31-Dec-10</td>
<td>8 ha</td>
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<tr>
<td>MLC</td>
<td>519</td>
<td>Peko North</td>
<td>Renew Retained</td>
<td>23-Feb-51</td>
<td>31-Dec-13</td>
<td>8 ha</td>
</tr>
<tr>
<td>MLC</td>
<td>652</td>
<td>Peko Central</td>
<td>Application/ATO</td>
<td>19-Jun-57</td>
<td>9 ha</td>
<td></td>
</tr>
<tr>
<td>MLC</td>
<td>664</td>
<td>Peko Housing</td>
<td>Renew Application</td>
<td>19-Jul-54</td>
<td>31-Dec-25</td>
<td>5 ha</td>
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<tr>
<td>MLC</td>
<td>665</td>
<td>Peko Residential 3</td>
<td>Renew Retained</td>
<td>09-Jul-58</td>
<td>31-Dec-20</td>
<td>5 ha</td>
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<tr>
<td>MLC</td>
<td>666</td>
<td>Peko Residential 2</td>
<td>Renew Retained</td>
<td>09-Jul-58</td>
<td>31-Dec-20</td>
<td>5 ha</td>
</tr>
<tr>
<td>MLC</td>
<td>667</td>
<td>Peko Residential 4</td>
<td>Renew Retained</td>
<td>20-Oct-59</td>
<td>31-Dec-20</td>
<td>3 ha</td>
</tr>
</tbody>
</table>

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 of which one, the Peko mine, lies within the Peko tenements. Historical production from this mine is as follows:

<table>
<thead>
<tr>
<th>Mine</th>
<th>Ore (tonnes)</th>
<th>Ore Grades</th>
<th>Metals Produced</th>
</tr>
</thead>
<tbody>
<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>
</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.

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

Several ground gravity surveys and shallow vacuum drilling (average depth 2m) have also been carried out across the Peko leases. A definite gravity high lies over the main Peko orebody, which lies within a pronounced east-west trending gravity corridor. Within this corridor, several other gravity highs exist and have yet to be tested. A re-interpretation of the gravity data utilising the DTM elevation data from the 2001 Fugro aeromagnetic survey to produce a 3D model as per Southern Geoscience Consultant’s proposal dated 28 July 2004 was proposed as a method to readily identify any hematite (as distinct from magnetite) bodies at shallow depth that have not yet been drill tested.
6. WORK CARRIED OUT DURING THE 12 MONTH PERIOD ENDING 31/12/2005

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 dated July 2005 on 11 August 2005 and which was approved on 21 March 2006.

In late 2004, Southern Geoscience Consultants were commissioned to carry out a geophysical data reprocessing and reinterpretation study of the Peko tenements. This study was completed in June 2005 and extracts from this report which are relevant to that area contained within the Peko tenements are included in Appendix 1.

7. EXPENDITURE FOR THE 12 MONTH PERIOD ENDING 31/12/2005

Approximately $30,000 has been spent on data review, geophysical interpretation, travel and fieldwork on the 27 Sitzler Savage Pty Ltd tenements. This equates to approximately $1,000 per tenement 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 2001-2005. Tenement rental for the 27 Peko tenements for the year ended 31 December 2005 was $2,926.

8. RECOMMENDED WORK PROGRAMME & EXPENDITURE

The Peko tenements listed form an integral part of the Peko Tailings Project. Proposed work programme and expenditure for the Peko Tailings Project has been reported in the 2005 Mining Management Plan dated July 2005.

Work and expenditure for subsequent years will be dependent upon targets being delineated during any ongoing exploration programme.
APPENDIX 1
PEKO REHABILITATION PROJECT PTY. LTD.

REPROCESSING AND REVIEW OF GEOPHYSICAL DATA - NOBLE'S NOB, JUNO AND PEKO - TENNANT CREEK

Kim Frankcombe
19 June 2005

Report # 1539

SOUTHERN GEOSCIENCE CONSULTANTS PROPRIETARY LTD.
ACN 067 552 461
8 KEARNS CRESCENT
ARDROSS, WESTERN AUSTRALIA 6153
51 new targets have been generated by a review of historical geophysical data over and around the Noble’s Nob, Juno and Peko deposits. Several are ready for immediate testing however the remainder of these targets require more data to progress them to drill targets. Any deep drilling should also include the acquisition of down hole three component magnetics in order to locate any near miss, off hole, ironstones.

The historical work has focussed on the classic ironstone hosted gold deposits for which Tennant Creek is known. However there is good potential for conventional shear hosted gold deposits, which while not having the spectacular grades associated with the ironstones could contain just as much gold. Although magnetic data is useful for identifying structures it may not be as useful as gravity, TEM and IP in directly locating these shear hosted deposits.
DATA DETAILS AND DATA PROCESSING PROCEDURE

Data provided or recovered for this review consisted of the following:

Regional data sets:

- A merged gravity data set consisting of regional government data and detailed company exploration data sets.
- AGSO - NTGS aeromagnetics over the Tennant Creek Sheet, flown at 200m line spacing and 60m elevation in 1998.
- Multiclient aeromagnetics over the Tennant Creek gold field flown at 200m line spacing and 80m flying height by Austirex in the early 1980s.

Prospect scale data sets:

- Detailed aeromagnetics, radiometrics and hyperspectral imagery (VNIR, SWIR, TIR) over an area including Noble’s Nob and Peko at 50m line spacing and 80m survey height flown by Fugro in 2000.
- Low level helicopter aeromagnetics and radiometrics over the Nob and Juno tenements as well as three small areas between the Nob and New Hope. Flown with 50m line spacing and probably 35m sensor height by Normandy in 1999-2000.
- Helicopter EM (Hoistem) over the Nob and Peko and from Nob West to Kiora Dam, flown with 100m line spacing and 60m sensor height by Normandy in 2000.
- Ground TEM data acquired by Normandy using a moving loop array in 1996. This consisted of 6 lines straddling the Noble’s Nob pit, 3 lines covering the Juno deposit, and total of 10 lines covering three areas at Peko and Peko West.
- Partial geochemical and drilling databases for Noble’s Nob, Juno and Peko.
- Aerial photography coverage for some of the area as well as plans showing cultural
features (roads, waste dumps, tailings etc.)

- 3 reports by Laurie Whitehouse outlining each deposit's prospectivity.

If the provided aeromagnetic data included point located information this was first re-gridded, if not, the supplied grids were used. Various enhancements were then computed to highlight structure and fine detail in the data. A subset of the data over the study area was inverted using a 3D inversion algorithm which breaks the earth up into a series of rectangular blocks and iteratively changes the magnetic susceptibility of each block until a good fit with the observed data is obtained.

The gravity data was first edited to remove bad points. The Northern Territory Geological Survey (NTGS) and Geoscience Australia (GA) both distribute copies of the Tennant Creek gravity data set. Despite the data having the same initial sources the two distributions are different! Although there are only a few stations different between the distributions, neither provide a totally clean set of data. The GA data set was felt to be the better of the two but still required rejection of a couple of outlying readings prior to reduction. This reduction consisted of terrain correction and Bouguer density selection followed by gridding. The highly variable station spacing of the merged company and government data set required special effort when gridding which had to be done iteratively. A subset of the data over the study area was then inverted using the same approach as discussed above for the magnetic data.

The electromagnetic data were processed to produce conductivity depth images (CDIs) using a one dimensional half space approximation. Although crude, this process has the advantage of being very quick. It usually does a good job of mapping large diffuse conductors but although it resolves discrete conductors it fails to adequately portray their geometry. It should locate resistors well although it may overestimate the depth to their top in conductive
environments. The section based conductivity depth images from the Hoistem survey were gridded to generate a 3D block model. Unfortunately the Hoistem survey had very limited penetration and appears to be highlighting areas of outcrop versus cover. It played little role in this review. The ground EM data was however found to be much more useful.

All data sets and their 3D block models were incorporated into a 3D display package along with the drilling and cultural information so as to better visualise the geometry of the data inversions.
DISCUSSION OF RESULTS

The most spectacular finding from this work has been the ability of the ground based EM to map the silicified zones containing the ironstone and gold. An examples of this from a line over the Juno deposit is shown in Figure 1 below.

Figure 1: Conductivity depth image of electromagnetic data over Juno deposit with drill hole traces and orebody outline - Line 250E. Hot colours represent higher conductivity.

The mineralisation coincides with a resistive zone in the CDI which is probably picking up the zone of silicification associated with the mineralisation. Considering the 100m footprint of the loop used in the EM versus the 40m width of the ore zone, this coincidence is impressive. To
the south around station 150N a discrete, weakly apparently conductor at 250m depth is an artefact of the CDI creation process and is due to late time negatives in the EM data. Late time negatives are usually ascribed to IP effects. Similar sections over the Peko orebody (see Figure 2) also have late time negatives and the CDIs also produce apparent conductors. It is possible that the late time negatives are due to IP effects associated with the disseminated sulphides in the Peko ore system. If so the apparent conductor at 150N at Juno may represent a second ore system which is rich in copper sulphides.

![Figure 2: Conductivity Depth Image over the Peko ore body at 450E with a schematic outline of the copper mineralisation from 385E overlain. NB. Horizontal alignment between the two sections is not well controlled.](image)
PEKO

Because mining of this body was completed long before the advent of modern geophysics, the available geophysical database over it is smaller, consisting of the Fugro fixed wing aeromagnetics, Normandy Hoistem and scattered lines of In-loop TEM. Some three component down hole magnetics was undertaken at Peko West and reported on by Hoschke (1991). There is no detailed gravity coverage, something which should be remedied as a priority. Whitehouse identified three areas for follow up in his 2004 review. (2004c) Of these two had a geophysical follow up component, namely re-processing the Fugro magnetic data.

East Peko

The East Peko target was identified in 1935 as a result of the AGGSNA aeromagnetic survey. The magnetic anomalies were drilled by GeoPeko with the result that the larger, western most (AGGSNA Anomaly No2) had the best potential but that even this was found to be sub-economic. The magnetic source was a quartz, magnetite breccia rather than massive ironstone. Unfortunately none of the magnetic anomalies fall within Peko Rehabilitation's tenement package (see Figure 14).

Skirrow and Walshe (2002) highlight the potential for shear hosted, non-ironstone related gold mineralisation at Tennant Creek and accordingly Whitehouse (2004c) selected this target for non-magnetic, sulphide hosted mineralisation, principally to the west of Anomaly No2. Reprocessing the Fugro fixed wing aeromagnetics clearly shows that the bulk of the magnetic material lies outside of the tenement package. There is however a subtle anomaly, apparently on a structure to the west of Anomaly No 2 in tenement MLC3, just to the west of a fence of RAB holes (PKRB16 - 18). This fits the model Whitehouse was targeting and should be investigated with a fence of deeper holes drilled 80m west of the RAB fence. The eastern end
of the East Peko anomaly chain appears to be cut by faults. These inferred faults merge in tenement MLC128 in a poorly explored area. This should be followed up with some deeper holes, targeting small shear hosted mineralised pods.

Normandy acquired a series of trial EM surveys in 1996. Those over Juno and Noble's Nob have already been discussed, however Normandy also collected three data sets over the Peko line of load. One of these data sets was labelled Peko East however the local grid coordinate system used to collect the data does not correspond with any grid system provided for the Peko leases so it has not been possible to locate these lines relative to the remainder of the data base. This is unfortunate as one of the lines has a strong vertical resistor consistent with the response obtained elsewhere over ironstones. Further attempts will be made through Newmont to properly locate these lines.
CONCLUSIONS

The review has lead to a large number of geophysical targets being identified as suitable for drilling, preferably deep diamond holes followed within hours for ironstone bodies. The component hole magnetics forward relative expensive acquire and the data will be available to the entire week of work by the geologists.

The remnant targets will require a larger stage of detailed gravity surveying loop TFM with more detailed aeromagnetics including expensive acquisition and they will be compiled of existing geophysics and chemistry with the necessary.

Most port developments from recognition of utility in-loop TEI magnetising Après iteration and with the mineralisation. Although limited data set available the clear and repeat response over the mineralisation. More needs done to improve the discriminate ability of this approach and reduce the false alarms that will likely occur when limited data sets exist.

The work of Skarr and Wu highlights the potential for hosted iron ore hosted gold mineralisation to loop and modern be stly of deposit where magnet indication.