HARTZ RANGE MINES PTY LTD

ACN: 084 999 413

4th ANNUAL REPORT

EL 10335

FOR THE PERIOD

15 AUGUST 2005 TO 14 AUGUST 2006

Author: Mark R Winterbotham
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CALVERT HILLS SE5308
Northern Territory, Australia

ABSTRACT

Hartz Range Mines Pty Ltd ("HRM") has continued operations on the Wollogorang Project covering the northern part of the EL and on the Branch Creek Project covering the entire EL. Work carried out during this period consists of database compilation of previous exploration activity in the area based on open file company reports and purchase and image processing of SPOT 5 satellite imagery. An extended wet season resulting from cyclone activity has prevented field access. Field activity has been limited to reconnaissance mapping. An airborne magnetometric and radiometric survey designed to join the survey conducted on the Debbil Debbil Uranium Project is currently in progress.

Lagoon Creek Resources Pty Ltd ("LCR") continued operations on the Debbil Debbil Uranium Project in the southern part of the EL. This work has consisted of a review and database compilation of previous exploration activity in the area based on open file company reports, purchase and image processing of Landsat 7 and SPOT 5 satellite imagery, an airborne magnetometric and radiometric survey has been completed, processed and interpreted. Due to an extended wet season resulting from cyclone activity, fieldwork has been limited to mapping and sampling. Planned drilling programmes have been delayed. A total of 140 soil samples and 38 rock chip samples from five areas were submitted by LCR for multi element geochemical analysis.

KEYWORDS: NT, McArthur Basin, Wollogorang Copper Project, Debbil Debbil Uranium Project, Branch Creek Diamond Project, copper, uranium, diamond, soil sampling, rock chip sampling, airborne geophysical survey, Landsat, SPOT

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1. OVERVIEW

Hartz Range Mines Pty Ltd ("HRM") holds three Exploration Licences, EL10335, 22579, and 24358 at Wollogorang Station on the Northern Territory/Queensland border. HRM have divided the three EL's in the area, based on previous work, into three Project areas (see Figure 1). These are the Wollogorang Copper Project, which occupies the northern and western part of the area, the Debbil Debbil Uranium Project, which occupies the southern and southwest part of the area, and the Branch Creek Diamond Project, covering the central portion of all three ELs.

Approval has been granted in August 2006 for non-relinquishment of tenement blocks at this anniversary.

LICENCE	APPLICATION	GRANTED	BLOCKS	AREA (km^2)
EL10335	4 Jan 1999	15 Aug 2002	473	1519

Native Title - Authority Certificate C2005/044 has been amended to include track construction and drill pad construction. While these activities have been approved, issue of the new certificate is pending.

2. DEBBIL DEBBIL URANIUM PROJECT

Activities carried out by LCR on the part of the Debbil Debbil Uranium Project (EL's coloured "yellow" in Figure 1) covered by EL10335 during the year consist of:

- Completion of compilation of the open file digital database has been reached and the data are under analysis.

- Repairs to tracks and airstrip are being completed and the field camp established. (see Figure 2)

- Open file airborne magnetometric and radiometric data have been reprocessed and mosaiced. A new airborne magnetometric and radiometric survey (A719) flown north – south with 100 metre line spacing and 60 metre mean terrain clearance by UTS Geophysics during September 2005 for LCR covering the Debbil Debbil Uranium Project has been processed and interpreted. The survey coverage is shown in Figure 3. Images produced from the data are shown in Figures 4 and 5. As a result of this work, a model for potential untested uranium mineralisation has been established and several target areas have been prioritised. (see Figure 6) A logistics report for the survey has been included in Appendix 1. Digital airborne geophysics data captured over EL10335 has been submitted in ASEG GDF2 format with this report.

- Landsat 7 and SPOT satellite imagery have been purchased by LCR. These data have been processed and interpreted to improve mapping and planning accuracy. (see Figures 7 and 8)

- Soil and rock chip sampling has been undertaken in several target areas. A total of 140 soil samples and 38 rock chip samples were collected from the three southern target areas and a further 180 soil samples were collected from the North Zone. These were submitted to ALS in Townsville for multi element geochemical analysis. Sample locations and assay results for the southern target areas have been submitted with this report as tab delimited text files. Results for the North Zone are not available yet. Assay results in ASCII tab delimited format are included with the report. Soil samples of 500g were collected from B horizon and sieved to –2mm. Analyses performed on 25g splits using Aqua Regia acid digest with graphite and ICPMS (Inductively Coupled Plasma Mass Spectrometry) finish for Au (code Au-TL43) and for multiple elements using ICPAES (Plasma Emission Spectroscopy – code ME-ICP43). Uranium analyses were conducted using the same Aqua Regia digest with ICPMS finish (code ME-MS43). Rock chip samples of between 500g and 2kg were pulverised and a 25g split was analysed for multiple elements using a four acid digest followed by ICPMS (code ME-ICP61). Gold, Platinum and Palladium were analysed using a 30g split for fire assay with ICPMS finish (code PGM-MS23). Uranium was analysed separately by X-Ray Fluorescence (code ME-XRF05). Analysis of the sampling results is in progress. Sample locations are shown on Figures 9, 10 and 11.

- A ground scintillometer survey has been carried out in the North Zone on a 100 metre spaced grid with infill at 50 metres spacing where appropriate. A total of 190 readings were taken using GF Instruments – Multi Channel Gamma Surveyors.

Summary

The project, although in its infancy, has generated numerous exciting targets, many of which were hither to unknown. Mapping and geochemical sampling of these targets has been completed and results are being compiled. Follow up scout drilling will be commenced in September 2006.

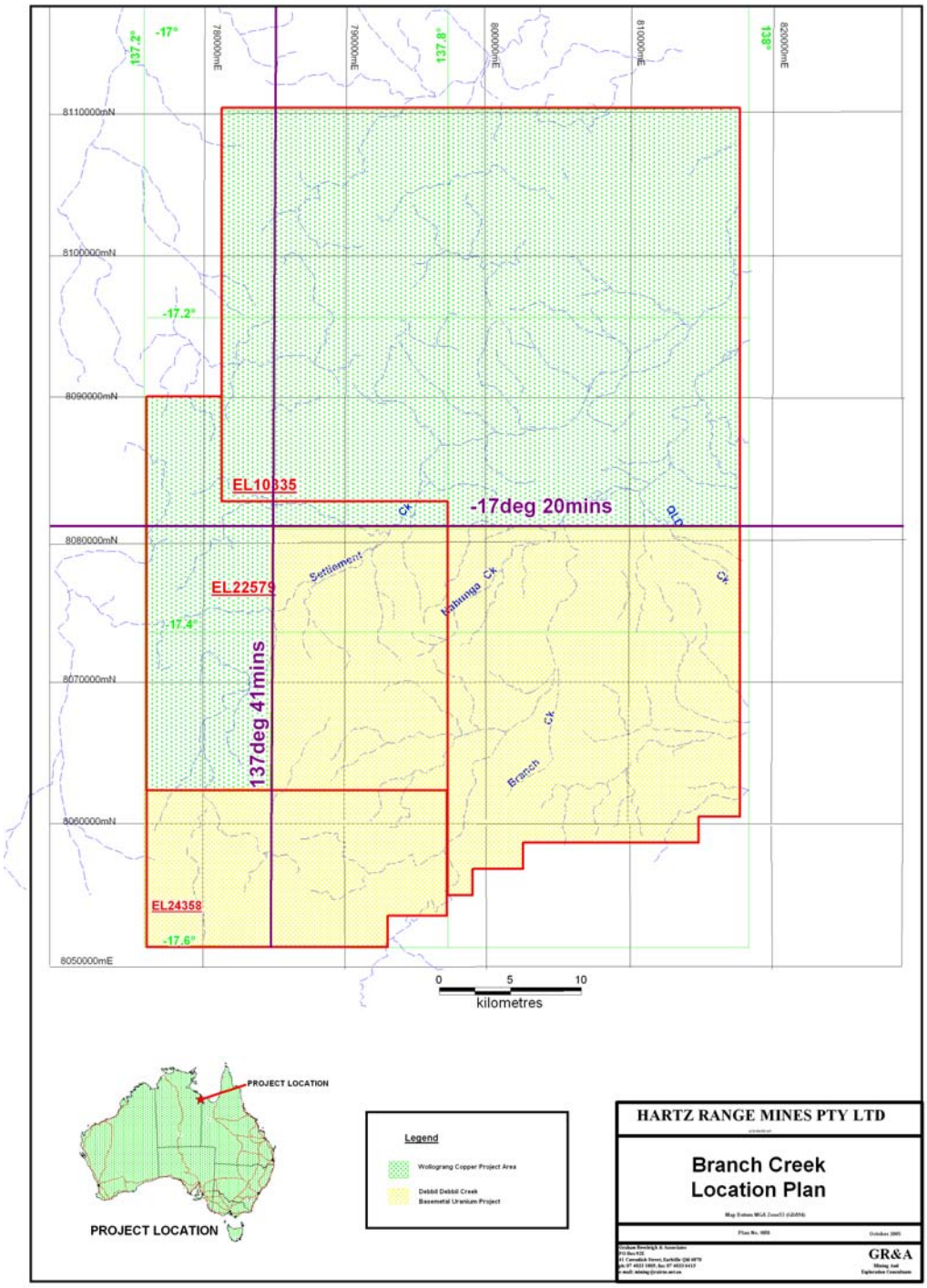

Figure 1. Location Map showing Wollogorang Copper Project Area (green) and Debbil Debbil Uranium Project Area (yellow)

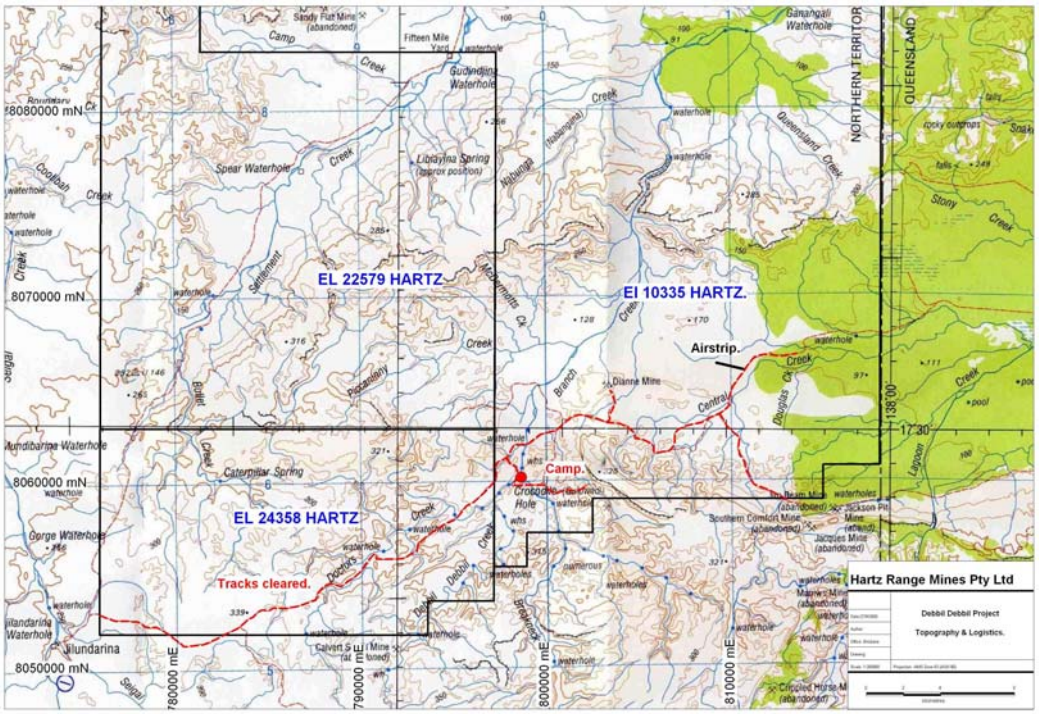

Figure 2. Location of Camp and Refurbished Tracks and Airstrip.

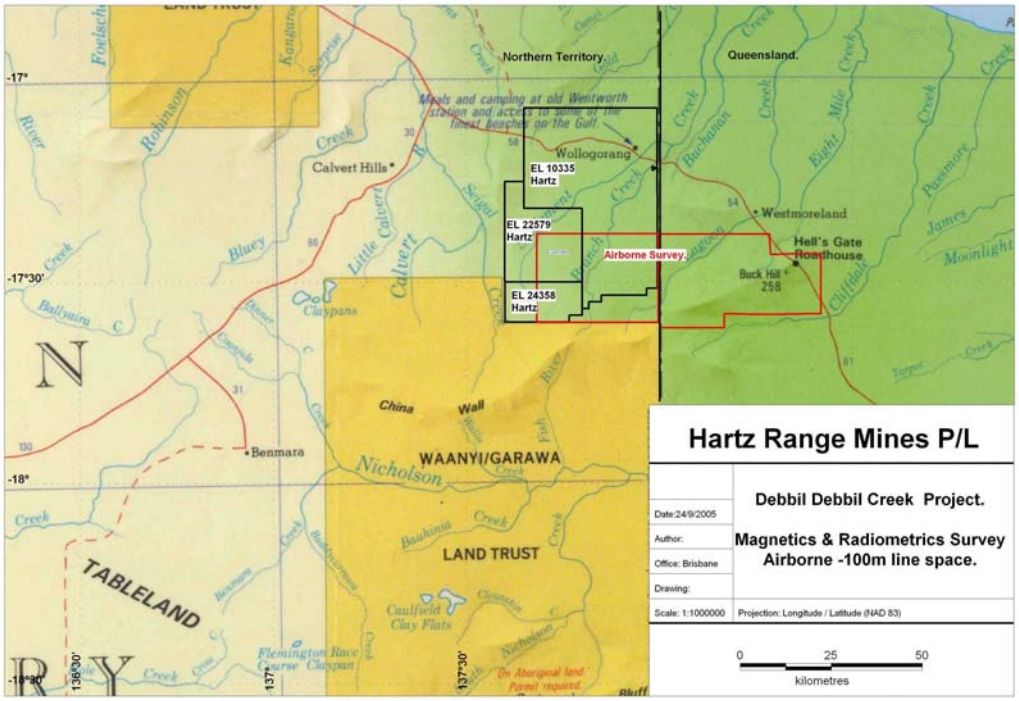

Figure 3. Area covered by Airborne Geophysical Survey

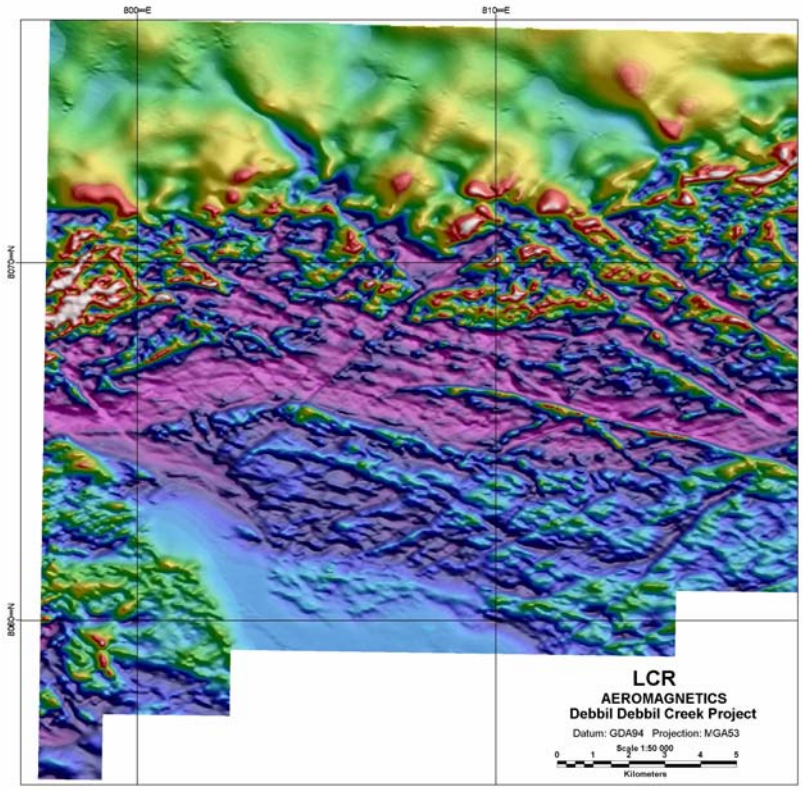

Figure 4. Airborne Magnetics

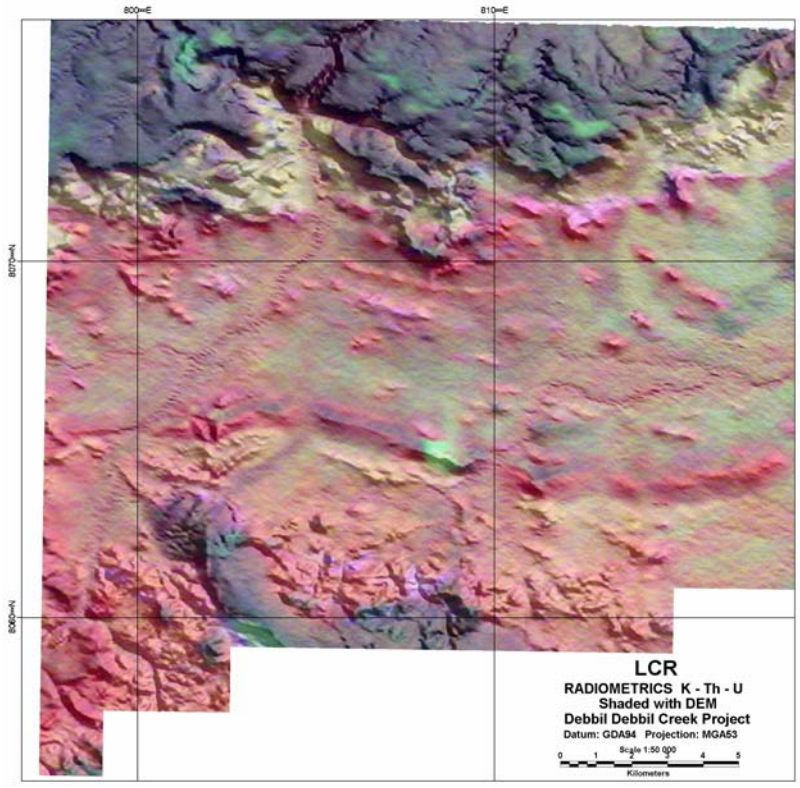

Figure 5. Airborne Radiometrics K – Th – U draped on DEM

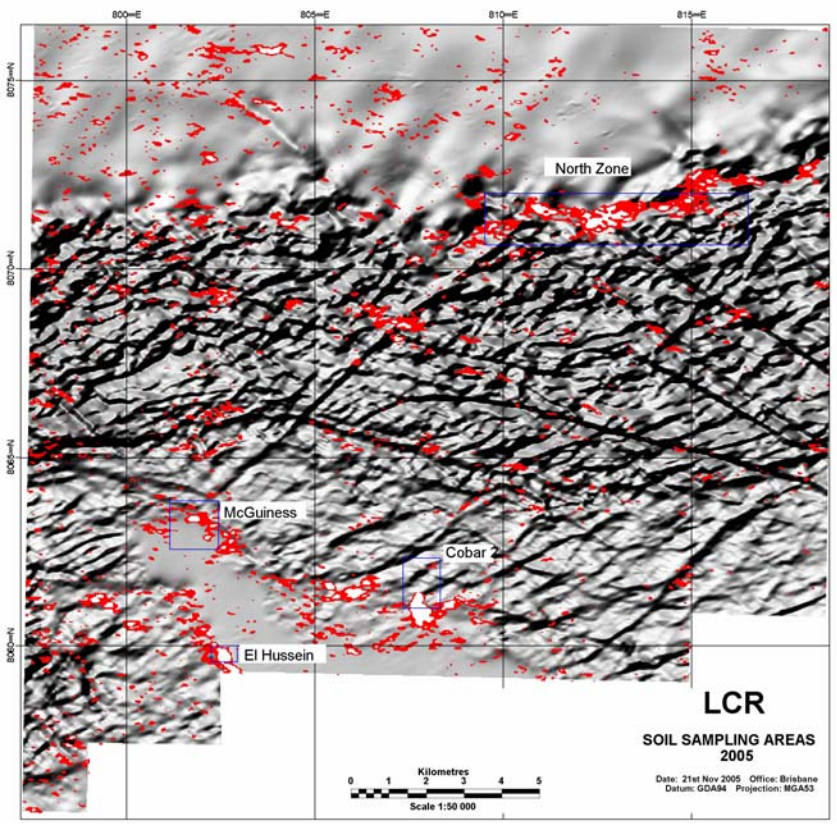

Figure 6. Soil Sampling Areas overlain on Shaded Aeromagnetics with thresholded Uranium on Thorium Ratio in White and Red.

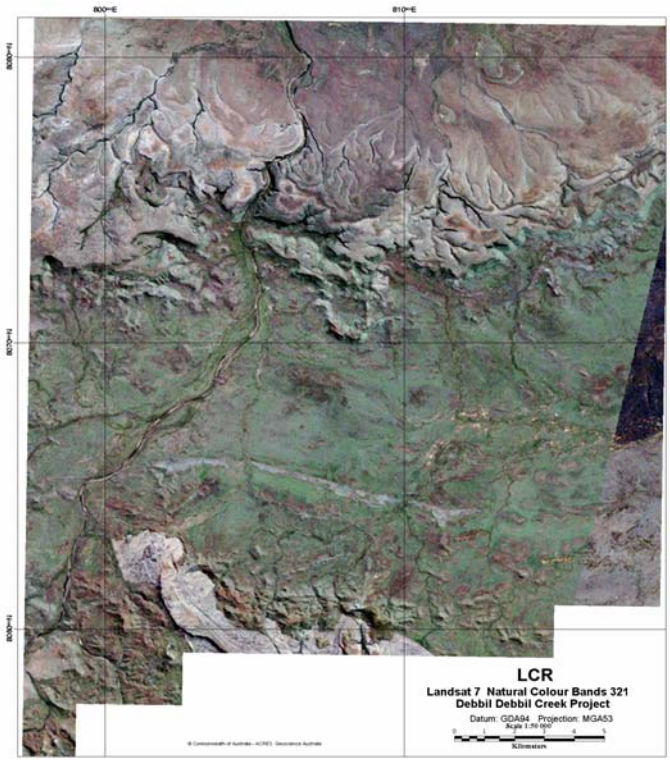

Figure 7. Landsat 7 Natural Colour Bands 321 in RGB

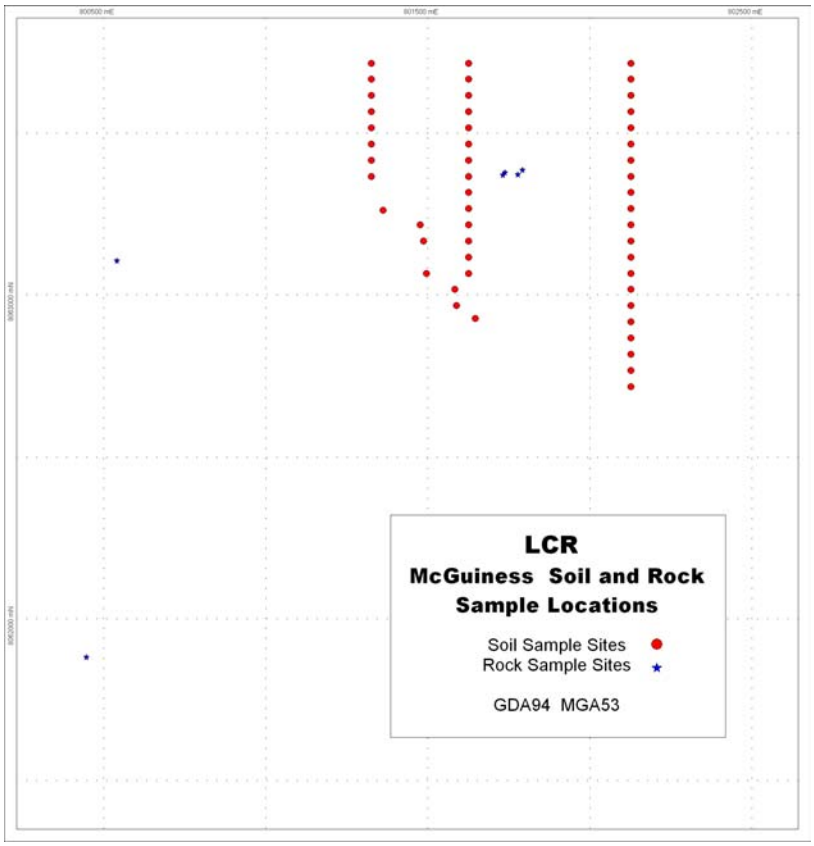

Figure 8. LCR Ltd McGuiness Prospect Sample Locations

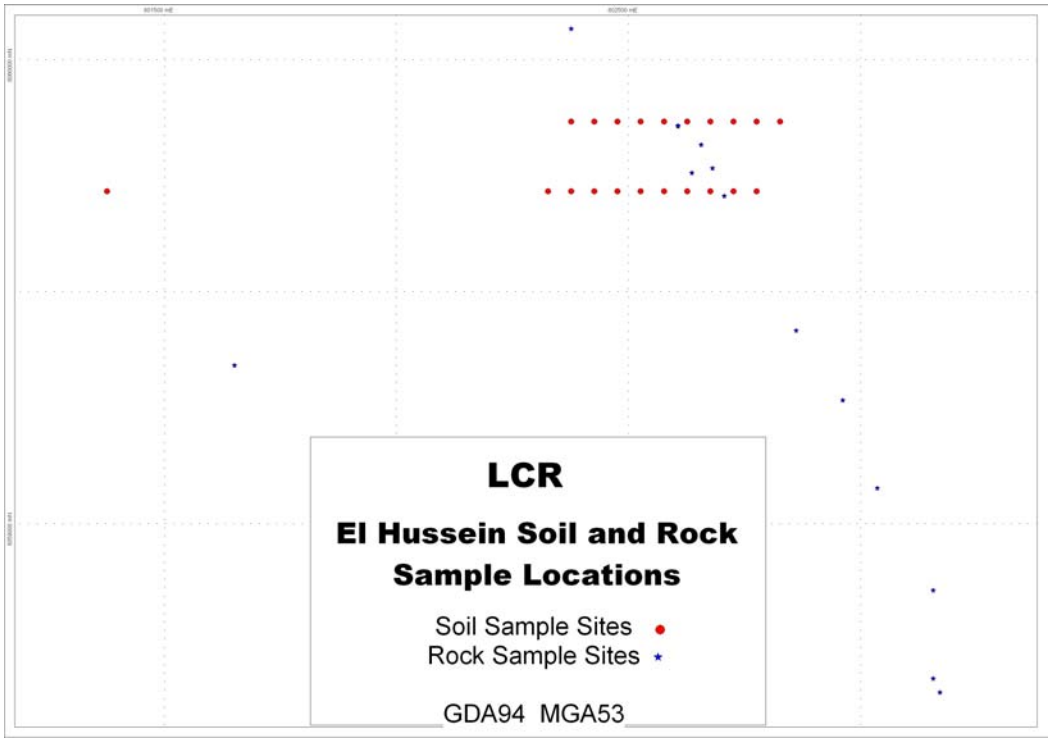

Figure 9. LCR Ltd El Hussein Prospect Sample Locations

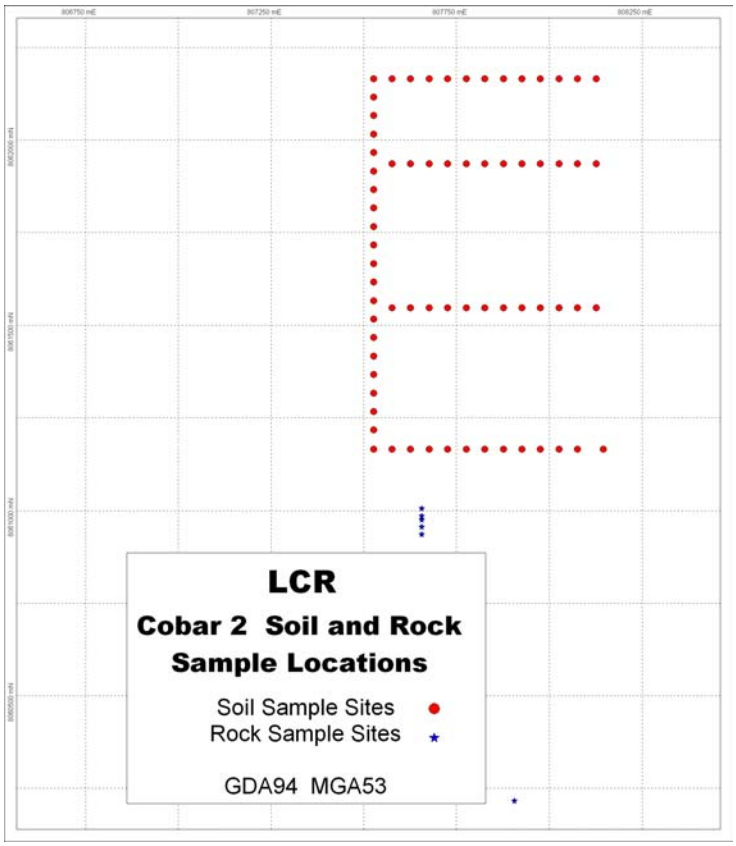

Figure 10. LCR Ltd Cobar II Prospect Sample Locations

3. BRANCH CREEK DIAMOND PROJECT

HRM will continue exploration on the Branch Creek Project with funding being supplied by Gulf Mines Ltd. Work carried out during the period consists of compilation of a digital database of all previous diamond exploration covering the area. At least four targets have been established with one of these being suitable for immediate drill testing. An airborne magnetometric and radiometric survey designed to join the survey flown by LCR over the Debbil Debbil Uranium Project is currently in progress.

4. WOLLOGORANG COPPER PROJECT

Exploration during the past year has been hampered due to an extended wet season resulting from cyclone activity. Activity consisted of compilation of a digital database of all previous exploration covering the area. An airborne magnetometric and radiometric survey designed to join the survey flown by LCR over the Debbil Debbil Uranium Project is currently in progress. After compilation of the digital database was completed, a systematic analysis of all the anomalous base metal areas was undertaken. It has been confirmed that most of the anomalism is stratigraphically controlled.

A review of previous magnetometric survey data has revealed several circular structures that resemble Redbank style mineralisation but of a much larger size. Further review has been halted pending the receipt of the results of the current low level airborne geophysical survey.

5. EXPENDITURE EL10335

Description	$
Consultants, wages	122,189
Database compilation	36,925
Travel	5,047
Accommodation & Food	1,083
Geophysics	4,161
Survey, Maps, Landsat	11,444
Airborne Geophysics	34,311
Heavy Equipment Hire	14,524
Field Supplies	58,045
Vehicles	15,878
Environmental Studies	3,830
Administration	12,635
Assays	4,912
Total	**324,984**

6. WORK PROGRAMME FOR NEXT YEAR.

Wollogorang Copper Project.

- Fly new airborne geophysics to include magnetics, and 4 channel scintillometer, over the entire Wollogorang Formation and north and west to the EL boundaries, at a line spacing of 100m to 150 m. Approx. 10,000 line km @ $10.00 per line km. Complete processing.
- Immediately follow up on any uranium anomalies found, particularly associated with unconformities or carbonaceous horizons of the Wollogorang Formation.
- Examine any geophysical anomalies that coincide with geochemical anomalies. Follow up work on the circular features identified in previous magnetometric survey data
- Review the apparent abrupt termination of the RCF at the western boundary of ERL 94. Determine with the aid of airborne geophysical data whether this is caused by masking of breccia pipes by Masterton Formation cover or perhaps fault offset to zone Cu2.
- Field verification of Rio Tinto drainage and rock anomalies, additional sampling as suggested by initial results
- Detailed structural and lithological mapping and sampling of the anomalous copper zones outlined. This would initially cover approx 350 sq km.
- Assaying.

Debbil Debbil Uranium Project

- Analysis of completed geochemical sampling results.
- Continued testing of new targets
- Commence drilling programme
- Detailed geological mapping
- Assaying

Branch Creek Diamond Project

- Review the compilation of previous exploration data to determine if an indicated Kimberlite pipe can be presented as a drilling target
- Drilling as appropriate
- Assaying

Estimated Expenditure on the EL for the fifth year will be $400,000.