EXPLORATION LICENCE 25019
OORATIPPRA

FIRST ANNUAL REPORT
26 July 2006 - 27 July 2007

LICENSEE:
Southwestern Mining Company Pty Limited

AUTHOR:
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September 2007

SF53-11
ELKEDRA 1:250 000
SF53-07
HUCKITTA 1:250 000
6153
Lucy 1:100 000
6154
Ooratippra 1:100 000
CONTENTS

CONTENTS .............................................................................................................. i.
SUMMARY .............................................................................................................. 1

1. INTRODUCTION .............................................................................................. 2

2. LOCATION ......................................................................................................... 2

3. TENURE ............................................................................................................ 2

4. GEOLOGY ......................................................................................................... 3

5. WORK DONE DURING THE YEAR.................................................................... 3

   LANDOWNER LIAISON ....................................................................................... 6

6. REHABILITATION ............................................................................................ 6

7. CONCLUSIONS ............................................................................................... 6

8. YEAR 5 EXPENDITURE .................................................................................... 7

9. PROPOSED PROGRAMME AND EXPENDITURE FOR YEAR 2 .................... 7

FIGURES

SOU003  1:450,000 EL 26993 PROJECT LOCATION PLAN
SOU005  1:100,000 SAMPLE LOCATIONS
SUMMARY

Southwestern Mining Company Pty Limited (ACN 104 649 774) (Southwestern) was granted EL 25019 on the 26th July 2006. Principal reason for the acquisition was the Company’s belief that the area is highly prospective for diamonds with some prospectivity for base metals.

Southwestern has also applied for and been granted Exploration Licence 24993 which adjoins EL 25019, EL 24822 and the much earlier EL 22488.

The ELs are worked as one project known as the “Ooratippra Diamond Project”.

This Report covers the exploration work carried out on EL 25019 during the first year of tenure from the 26th July 2006 to the 25th July 2007.

Work done includes:
- Research
- Photo interpretation
- Geophysical Interpretation
- Sampling of magnetic anomalies
- Helicopter reconnaissance
- Land-owner liaison
1. INTRODUCTION

Southwestern Mining Company Pty Limited (ACN 104 649 774) (Southwestern) was granted Exploration Licence 25019 on the 26th July 2006. Principal reason for the acquisition was the Company’s belief that the area is highly prospective for diamonds.

Work since granting has revealed that the area is also prospective for base and noble metals.

This Report summarises the exploration work carried out on EL 25019 during the first year of tenure from the 26th July 2006 to 25th July 2007.

2. LOCATION AND ACCESS

Exploration Licence 25019 is situated approximately 350kms southeast of Tennant Creek. The Licence area spans the boundaries of the Elkedra and Huckitta 1:250 000 scale map sheets and is located on the Lucy (6153) and Ooratippra(6154) 1:100 000 scale map sheets.

Access to the Licence area from Tennant Creek is south via the Stuart Highway and then east onto the Ali Curung Aboriginal Community road. This leads to the Sandover Highway which is then followed approximately 80kms east to the northwest portion of the Licence area. Most of the EL has little relief and vegetation, and is quite accessible via good station tracks servicing the water bores in the area.

Alternatively, the Licence area can be accessed via the Sandover Highway from Mount Isa or Alice Springs, and south using the Lucy Creek Station roads.

The Licence can also be accessed by air as Ooratippra Station has a good landing strip capable of being used by twin engined aircraft.

Figure 1 shows the Exploration Licence and the landing strip in relation to the Sandover Highway.

3. TENURE

Exploration Licence 25019 was granted to Southwestern on the 26th of July 2006 for a period of 6 years.

The Licence is worked as part of the Ooratippra Diamond Project and adjoins EL 22488 which was granted on the 3rd December 2001 and ELs 24822, and 24993 were granted on the 4th April and 11th August 2006 respectively.

The Licence lies within NT Portion 2891, being Ooratippra Station, Perpetual Pastoral Lease 921.

Plan SOU003 shows the Licences within the current Project Area.
4. GEOLOGY

4.1 Regional Geology
The reader is referred to AusIMM Monograph 14 (Geology of the Mineral Deposits of Australia and Papua New Guinea), Volume 1, pp. 829-861, to gain a good introduction to the regional geology and styles of gold-copper mineralization of the area.

4.2 Local Geology
The Sandover River flows east through the Project Area, within which are extensive flood-out areas and tributaries. North of the Sandover River, there is little outcrop and much of the area is covered by alluvial outwash cover.

South of the Sandover River, areas of Cambrian outcrop have diverted southerly flowing drainage channels. The outcropping Cambrian Arrinthurunga Formation sediments of the Georgina Basin Sequence are generally flat-lying throughout the central to southern parts of the Licence Area. The Ooratippra fault strikes northwest–southeast throughout the central portion of the Project Area.

5. WORK DONE DURING THE YEAR

Review
An extensive open file research programme was carried out, as well as a review of the results achieved by previous explorers. This work was then correlated with the geophysical and photographic interpretation carried out by Southwestern.

Geophysics
Lindeman Geophysics Pty Ltd were commissioned to carry out a detailed interpretation of NTGS and open file magnetics to identify any magnetic anomalies considered to be possible kimberlites. Additional anomalies were identified by Southwestern.

Each anomaly was given the identification of CKA, followed by sequential numbering.

In EL 25019, a large number of magnetic anomalies were identified from NTGS airborne magnetics and reviewed for those with the potential to be kimberlites. A detailed interpretation located the centre of 6 anomalies considered to have the potential to be kimberlites.

The locations of these anomalies in GDA 94 are:

<table>
<thead>
<tr>
<th>CKA</th>
<th>MGA_E</th>
<th>MGA_N</th>
</tr>
</thead>
<tbody>
<tr>
<td>47</td>
<td>606672</td>
<td>7557408</td>
</tr>
<tr>
<td>64</td>
<td>629100</td>
<td>7558300</td>
</tr>
<tr>
<td>65</td>
<td>629450</td>
<td>7557750</td>
</tr>
<tr>
<td>67</td>
<td>641650</td>
<td>7582750</td>
</tr>
<tr>
<td>68</td>
<td>646850</td>
<td>7570650</td>
</tr>
<tr>
<td>79</td>
<td>620175</td>
<td>7577175</td>
</tr>
</tbody>
</table>

These locations are also shown on the accompanying plan SOU005.
Sampling
A fuel dump was established at number 14 bore, north of the Sandover River, in preparation for the sampling programme. Fuel was delivered by Russell Dehne Enterprises of Alice Springs.

Diamonds
A JetRanger helicopter from Alice Springs Helicopters was used to transport the personnel sampling the anomalies and to drop samples off at pre-determined collection points. A three-man crew from Arnhem Exploration Services carried out the sampling.

From each location, a 20kg sample of surface loam was collected through a 1mm mesh sieve. At the end of the programme, Russell Dehne Enterprises brought the samples to Alice Springs from where they were sent to Diattech Heavy Mineral Services of Welshpool, WA, for processing for diamonds and key indicator minerals.

Northline Freight Management Pty Ltd of Alice Springs were used to transport the samples from Alice Springs to Welshpool.

Other minerals
Also from each location, a 2kg sample of surface loam sieved to 1mm, was collected and sent to North Australian Laboratories, Pine Creek, to be analysed for: copper, lead, zinc, cadmium, nickel, cobalt, chromium, vanadium, molybdenum, arsenic, bismuth, barium, iron, manganese, titanium, thorium, silver, gold (both to one ppb) and uranium. Also, cerium, lanthanum and yttrium to check for rare earths.

ABC Transport Pty Ltd of Alice Springs were used to transport the samples to Katherine, and from there, Nighthawk Couriers took the samples to Pine Creek.

Geological reconnaissance
The reconnaissance work was carried out by geologist Peter Simpson and Nick Byrne and the following report was written by Peter Simpson.

**Helicopter reconnaissance of selected targets.**

General
These notes were made following a visit to one site of interest in Exploration Licence 25019, as part of an exploration program aimed primarily at finding diamonds but including search for base metals.

Co-ordinates are in GDA94 unless otherwise specified.

7557759N 629450E
Site description
This magnetic anomaly (CKA65) is in an area of steep spinifex and scrub-covered orange-brown sandstone ridges. The sandstone is probably the Eurowie Sandstone Member of the Arrinthunga Formation.

Work carried out
The helicopter was set down in spinifex on a ridge top close to the centre of the magnetic anomaly. The local quartz arenite dips to the north and many ripple-marked surfaces were noted. Some large circular chert nodules may have been stromatolites.

No cause of the local magnetic anomaly was seen in the ground inspection. One sample of cherty material was collected by Nick Byrne and sent to Diatech to determine if the embedded garnets are Pyrope.

Comments
The magnetic anomaly at this site may be caused by a non-outcropping intrusive body.

Results
The results of the work carried out have not yet been received and will be forwarded when received from the laboratories.

6. LANDOWNER LIAISON

Prior to commencing field work, the co-ordinates and a 1:100,000 Rasta plan showing the proposed sample locations were given to the Central Land Council to enable them to show the landowners. The detailed topography on the plan enabled the landowners to clearly identify the work areas in relation to sites of significance.

Despite the considerable delays which this process caused, it was a worthwhile exercise as it ensured that unintentional damage to sites could be avoided. A plan showing a small area which the landowners wanted designated as a no-go area was provided by the CLC.

7. REHABILITATION

The scraping up of surface loam samples did not create significant disturbance and consequently no field work carried out by Southwestern on the Project Area during the year requires any rehabilitation measures.

8. CONCLUSIONS

The Project Area appears to be in a significant structural position and geophysical and aerial photographic appraisal suggest that a number of magnetic responses and circular topographical features could represent kimberlites.

Results from the sampling carried out are not yet available, but there are still a number of untested magnetic anomalies and circular features which justify follow-up work. Consequentially Southwestern will continue exploring EL 25019 through Year Two.

Irrespective of the results from the 1st year of exploration, the Company still considers the area to be very prospective and intends to continue exploring Exploration Licence 25019.
9. YEAR 1 EXPENDITURE

Proposed expenditure for the first year of tenure was $34,785. Actual expenditure was as follows:

1. Geophysical interpretation................................................................. $7,000
2. Aerial Photo interpretation ................................................................. $5,000
3. Sampling .......................................................................................... $900
4. Processing for diamonds and key indicator minerals “estimated” ........ $1,600
5. Micro Probing for diamonds and key indicator minerals “estimated” ...... $3,700
6. Helicopter hire .................................................................................. $7,000
7. Geochemical analysis “estimated” ...................................................... $1,000
   Petrology “estimated” ....................................................................... $2,600
8. Freight .............................................................................................. $900
9. Drafting ............................................................................................ $500
10. Landowner liaison .......................................................................... $600
11. Administration and overheads ......................................................... $4,000

Total ...................................................................................................... $34,800

10. PROPOSED PROGRAMME AND ESTIMATED EXPENDITURE FOR YEAR 2

1. Geological mapping ......................................................................... $2,500
2. Geophysical interpretation ................................................................. $3,000
3. Helicopter hire .................................................................................. $6,000
4. Anomaly locating and sampling ......................................................... $1,500
5. RAB drilling ..................................................................................... $12,000
6. Processing for diamond and key indicator minerals ......................... $6,000
7. Geochemical analysis ...................................................................... $4,500
8. Land owner liaison .......................................................................... $3,500
9. Administration and overheads ......................................................... $4,900

Total ...................................................................................................... $45,900

While this is the proposed work programme and estimated expenditure for year two, all exploration is results driven and these could result in a variation of the proposed programme.

Nick Byrne
Principal