

GJ Fanning
GPO Box 333
Darwin NT 0801

The Secretary
Department of Primary Industries, Fisheries and Mines
GPO Box 2901
Darwin NT 0801

Dear Sir

In accordance with Section 34(1,2) of the Mining Act 2002 please find accompanying the Group Annual Report for Year 6 ending 9 August 2007 for Exploration Licences 22478, 22479 and 22480 together with an expenditure statement for the period. Group reporting status was approved by the Department on 4 September 2002.

Expenditure incurred during tenure year 6 is tabulated below:

Expenditure Items	EL 22478	EL 22479	EL 22480
Salary and Wages	\$32,500	\$40,062	\$20,500
Company Operational	\$36,949	\$45,171	\$28,880
Contractors	\$0	\$0	\$0
Consultants	\$55,500	\$35,000	\$73,000
Vehicles and helo	\$750	\$5,100	\$2,500
Freight	\$0	\$0	\$0
Field Communications	\$365	\$365	\$365
Tenement man and access	\$1500	\$1500	\$1936
Drilling	\$0	\$0	\$0
Laboratory	\$0	\$0	\$0
Marketing and metallurgical studies	\$5000	\$5000	\$2000
Total	\$132,564	\$132,198	\$129,181

Combined total expenditure for the three EL's is **\$393,943**.

This total exceeded the combined proposed covenants of \$391,000.00 for the three EL's (\$132,000 for EL 22478; \$132,000 for EL 22479 and \$127,000 for EL 22480). EL's 22479 and 22480 are to be surrendered on 09th August

2007 and a partial surrender of EL 22478 will be sought to retain a proven resource. All tenement will be again requested and applied for after moratorium date to allow for a successful completion of the marketing program.. The partial relinquishment report and annual report accompanies this document.

Furthermore, in compliance with Section 34(3), an estimate of proposed expenditure for tenure year 7 on EL 22478 is summarised below:

Year 7 activities will incorporate the following:

- Finalise joint venture agreements for the development of a resource and subsequent mining operations on EL 22478;
- Continuance of negotiations with the NLC for the grant of adjoining tenements to add to the resource.

Estimated Year 7 Expenditure for the 8 remaining blocks of EL22478 as per application documentation is tabulated below:

Item	EL 22478		
Geotechnical Office and Field Support	\$10,000.00		
Operational Overheads	\$15,000.00		
Laboratory	\$0.00		
Travel,	\$0.00		
Mining logistics and methodologies studies	\$25,000.00		
Metallurgical and Marketing Studies	\$0.00		
Totals	\$50,000.00		

The estimated expenditure for EL 22478 is \$50,000.00.

Yours sincerely



GJ Fanning

09th August 2007