

SOUTHWESTERN MINING COMPANY PTY LIMITED

A.C.N. 104 649 774

Postal Address: PO Box 4156

Alice Springs NT 0871

Phone: 08 8955 0392

EXPLORATION LICENCE 24993

OORATIPPRA

FIRST ANNUAL REPOR

11 August 2006 - 10 August 2007

LICENSEE:

Southwestern Mining Company Pty Limited

AUTHOR:

N. BYRNE

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

	Page
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 24993 on the 11th August 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 since applied for and been granted Exploration Licence 25019 which adjoins EL 24993 and pre-existing 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 24993 during the first year of tenure from the 11th August 2006 to the 10 August 2007.

Work done includes:

- Research
- Photo interpretation
- Identification of Circular features
- Sampling of Circular features
- 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 24993 on the 11th August 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 24993 during the first year of tenure from the 11th August 2006 to 10th August 2007.

2. LOCATION AND ACCESS

Exploration Licence 24993 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 in relation to the Sandover Highway.

3. TENURE

Exploration Licence 24993 was granted to Southwestern on the 11th of August 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 25019 were granted on the 4th April and 26th July 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 Arrintheta 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 24993, 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 16 anomalies considered to have the potential to be kimberlites.

The locations of these anomalies in GDA 94 are:

	MGA_E	MGA_N
CKA 05	615493	7580180
CKA 06	616242	7578800
CKA 50	603950	7502150
CKA 51	603650	7595200
CKA 52	601950	7592100
CKA 53	602750	7591325
CKA 54	601075	7589475
CKA 55	601360	7588550
CKA 56	601600	7582150
CKA 57	602225	7581475
CKA 58	601500	7581450

CKA 59	624550	7593700
CKA 60	625100	7592000
CKA 61	624750	7591000
CKA 72	602500	7584750
CKA 73	602900	7585650

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 Diatech 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 following reconnaissance work was carried out by geologist Peter Simpson

Helicopter reconnaissance of selected targets.

General

These notes were made following a visit to two sites of interest in Exploration Licence 24993, 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.

7588600N 603200E

Site description

This photo anomaly is a very shallow, roughly circular, depression about 500m across, showing different vegetation colours from the surrounding flat country, and with no obvious drainage inlet or outlet. The vegetation is mostly grass cover with low scrub and sparse small trees. During rainy periods the depression probably becomes swampy. There is no coincident magnetic anomaly.

Work carried out

The helicopter landing was made in the approximate centre of the feature. No suggestion of outcrops was seen when coming in to land and the 1:250,000 geological map indicates sand cover over an extensive surrounding area, so no foot reconnaissance was made.

Two sieved minus-1mm samples weighing 20kg and 2kg, both numbered 163019, were collected from (WSG84 co-ords) 7588427N 603104E. The sample material was slightly clayey red sandy soil.

Comments

The cause of the shallow topographic depression was not determined but may be from weathering of an ultramafic intrusion or subsidence due to the dissolution of underlying carbonate rock.

7590350N 604300E

Site description

The photo anomaly is generally similar in nature to the previous feature about 2km to the south, and is another shallow depression about 500m across, showing differently coloured vegetation from the surrounding flats. There is no obvious drainage inlet or outlet, so the depression is probably a perennial swamp. Vegetation is mainly grass cover with patches of low scrub, bare red sand and thinly spread trees.

Work carried out

Two sieved minus-1mm samples weighing 20kg and 2kg, both numbered 163020, were collected at (WSG84 co-ords) 7590184N 601132E. The sample material was mostly red sandy to clayey soil but included a good proportion of mound material from termite mounds beside the sample site.

Comments

The cause of the shallow topographic depression was not determined but may be from weathering of an ultramafic intrusion or subsidence due to the dissolution of underlying carbonate rock.

The vegetation anomalies at both photographic features are probably of similar origin. Several other smaller features of the same kind were noted while flying around this area.

Results

The results of this work have not yet been received and will be forwarded as soon as they are received from the respective 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 24993 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 24993.

9. YEAR 1 EXPENDITURE

Proposed expenditure for the first year of tenure was \$41,680. Actual expenditure was as follows:

1.	Geophysical interpretation.....	\$8,000
2.	Aerial Photo interpretation	\$5,000
3.	Sampling	\$1,200
4.	Processing for diamonds and key indicator minerals “estimated”	\$4,800
5.	Micro Probing for diamonds and key indicator minerals “estimated”	\$7,800
6.	Helicopter hire	\$9,600
7.	Geochemical analysis “estimated”	\$3,600
8.	Freight.....	\$2,800
9.	Drafting.....	\$1,400
10.	Landowner liaison	\$1,200
11.	Administration and overheads	\$5,400
	Total	\$50,800

10. PROPOSED PROGRAMME AND ESTIMATED EXPENDITURE FOR YEAR 2

1.	Geological mapping.....	\$2,500
2.	Geophysical interpretation.....	\$4,500
3.	Helicopter hire	\$8,000
4.	Anomaly locating and sampling	\$1,500
5.	RAB drilling	\$12,000
6.	Processing for diamond and key indicator minerals.....	\$8,000
7.	Geochemical analysis	\$4,500
8.	Land owner liaison	\$4,500
9.	Administration and overheads	\$5,400
	Total	\$50,900

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