ANNUAL REPORT FOR EL’S 25183, 25184, 25185, AMMEROO N.T FIRST YEAR ENDED 18TH APRIL 2008

TENURE

The three EL’s were applied for simultaneously on 2nd February 2006 and were finally granted on 19th April 2007. The applications were made in the names of Finching Pty Ltd (50% interest) and Mundena Holdings Pty Ltd (50% interest). Subsequently Mundena Holdings transferred half its interest (25% interest) to Arc De Triomphe Securities Pty Ltd.

The three partners in the licences are currently transferring their entire interests into a holding company, Territory Phosphate Pty Ltd.

A native title claim was lodged against the applications and an exploration agreement was entered into on 20th September 2007 between the Central Land Council (CLC) and the EL holders.

The EL’s were granted on 19th April 2007 for periods of six years.

Approval has been given for the lodgement of a Combined Report covering all three licences.

LOCATION AND ACCESS

The licences are situated 300 kms north east of Alice Springs and 225 kms south east of Tennant Creek. The Sandover Highway passes through all three licences and provides some access. Several station tracks and roads access Ammeroo Station and the Amperlatwaty Aboriginal Community.
PREVIOUS EXPLORATION

The area was previously explored for phosphate by Vam Limited in 1968 when nine RAB holes were drilled in the vicinity of Limestone Bore, 10km north of Ammeroo Homestead.

Several of the RAB holes encountered economic grades of phosphorite within proximity of the surface. Phosphate was also known to exist in the vicinity of the Ammeroo Turquoise Mine. VAM recommended further exploration within the Arthur Creek Cambrian Limestone Formation within the Ammeroo Embayment for a distance up to 120 Kms from limestone Bore.

Vam’s recommendations were additionally supported by exploration carried out by the NTGS in 2004. This work involved systematic sampling of hundreds of water bores in the Wiso, Daly and Georgina Basins by NTGS geologists (see report). Field testing of rock chips from water bore drilling was conducted using ammonium molybdate solution. Positive reaction from such chips was then quantitatively analysed for phosphate. Most significantly, a water bore, RM 13015 situated on the Sandover Highway within EL 25185 encountered an intersection of 16 metres of phosphate ranging from 2% to 17% P2O5 (See figure 1). The NTGS recommended further sampling of available drill cores from oil wells in the area, currently stored at the Alice Springs core storage facility.
EXPLORATION COMPLETED IN FIRST YEAR OF TENURE

Finching Pty Ltd, as operator of the exploration programme carried out the following:

A complete review of all available company reports in the Mines Department library.

A set of radiometric and aeromagnetic images were prepared from all available data by Southern Geoscience Consultants in Perth. A copy of this data is annexed hereto. A second set of data was prepared by consultant Ian Youles, in Adelaide and comments made on the significance of the radiometric data.

Geoimage in Perth were contracted to provide satellite imagery to assist in planning possible drill sites. A copy of these images is annexed hereto.

A field visit was made to the Sandover River to collect samples to determine the cause of strong radiometric anomalies associated with the drainage systems.

The recommendations by the NTGS to assay core for phosphate in the Alice Springs core library was followed up. The writer visited the core library and obtained the core from oil well Elkedra 3, previously drilled by the BMR. The core was first tested with ammonium molybdate which showed a strong colorimetric response at the top of the anaerobic phase of the Arthur Creek Cambrian limestone. The core was then cut by diamond saw at the facility and the interval from 60 to 114m was sampled in two meter samples and dispatched to AMDL in Adelaide for analyses (See Table 1).
A drill program was designed to test for further occurrences of phosphate, particularly in the area west of Limestone Bore within EL 25184 (figure 2) and along the Sandover Highway within EL’s 25183 and 25185. An air core drill rig was secured from Arinooka Drilling and Arnhem Geological Consultants in Tennant Creek had agreed to manage the sampling programme. Unfortunately, at the time of writing, despite approaches to the Central Land Council in Alice Springs it had not yet been possible to arrange a suitable time to discuss the drill programme for clearance by the CLC. This is now a matter of urgency and the syndicate is now seeking the services of a former head of the CLC to assist in communications with the CLC.

Table 1. ELKEDRA 3 Drill Core Assays
Robert Annells of Arc De Triomphe Securities made an overseas visit to Hong Kong and Korea to meet with representatives of a large Korean fertilizer company. A contingent of these people is scheduled to fly to Darwin once necessary approvals have been obtained from the CLC. This would be to having a view towards an exploration joint venture with Territory Phosphate.

RESULTS OF EXPLORATION

Heavy mineral samples collected from the Sandover river radiometric anomalies proved to be monazite and Zircon no doubt derived from crystalline rocks of the nearby Arunta Complex and Davenport Inlier. The significance of uranium anomalies was therefore downgraded.

The core which was sent to AMDL for assay returned an encouraging four meter intercept of 9% P2O5 from 64 to 68 meters. This hole is situated some 20KM west of water bore RN 13015 (Figure 1). It is also apparent that the phosphatic sediments intersected in the Vam drilling further West occur in the same formation as the intersections recorded in RN 13015 and Elk 3, thereby raising the possibility of a continuous phosphatic horizon extending over at least 60Km and possibly greater. This could contain billions of tonnes of phosphorite and therefore points to the potential of the Ammeroo embayment as being as significant as the Wonarah and Duchess Phosphate areas elsewhere in the Georgina Basin.

PROPOSED EXPLORATION PROGRAM SECOND YEAR

Subject to satisfactory native title clearance it is planned to carry out extensive drilling using air core and reverse circulation drilling of depths up to 80 meters.

The north east corner of EL 25184, west of Limestone Bore, is a priority target due to its proximity to the Central Australian Railhead (70 Km). A total of twenty-four (24) holes are planned to be drilled on a 2km by 1km grid for a total of 1900 metres (See figure 2) subject to clearance by the CLC. Initially a minimum 1000 metres will be drilled in the year under review.

The area south of Ammeroo 1 and Ammeroo 2, drilled by Farm out Drillers in the 1960’s and extending 30km south east to water bore RN13328 (which encountered Arthur Creek Formation under transported alluvials at 32m) offers hope of phosphorite beds extending over a large area in EL 25183. It would be proposed to drill on a 5 sq km grid pattern over an area of 20km east by 30km south involving some 35 RC holes for a total 2500 metres. Initially it would be planned to complete a minimum 1000 metres in the current year.
EL 25185 contains two significant phosphate intersections in Elk 3 and RN 13015 situated over 20km apart in an east-west direction on the Sandover Highway. These encouraging intersections provide scope for an exploration grid north and south of the highway. Initially it is proposed to drill at 2km spacings between the two sites along the highway. It would also be proposed to drill a north-south line of holes proceeding 10km either side of the highway. This could involve a total 30 holes for 2400 metres of RC drilling. A minimum 1000 metres is planned for the current year.

Expenditures for each of the three EL’s is anticipated as follows

**EL 25183**

Site clearances $5000
Preparation of drill access tracks $10000
1000 meters RC drilling $50000
Assaying 4M comps $5000
Geological salaries $20000
Field living Transport and vehicles $20000
Overheads $16500

**TOTAL EXPENDITURE EL 25183** $126,500
**EL 25184**

Site clearances $5000

Preparation drill access tracks $10000

1000 meters RC drilling $50000

Assaying 4m comps $5000

Geological salaries $20000

Field living, transport and vehicles $20000

Overheads $16500

**TOTAL EXPENDITURE EL 25184 $126500**

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**EL 25185**

Site clearances $5000

Preparation drill access tracks $10000

1000 meters RC drilling $50000

Assaying 4m Comps $5000

Geological Salaries $20000

Field Living, transport and vehicles $20000

Overheads $16500

**TOTAL EXPENDITURE EL 25185 $126500**

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4\textsuperscript{th} June 2008