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EL22349_2009_A_02_DrillCollar.txt

EL22349_2009_A_03_DrillAssay.txt
SUMMARY

Tungsten and Molybdenum mineralisation was originally discovered at Molyhil in 1973. Fama Mines Pty Ltd selectively mined approximately 20,000 tonnes of ore during 1976 - 1977. Petrocarb Exploration NL acquired the operation in 1978 and production continued until late 1981 when Tungsten prices collapsed. Petrocarb published an indicated open cut reserve of 1.8 million tonnes at 0.6% WO$_3$ and 0.3% MoS$_2$. The reserve ore grade was primarily based on statistical analysis of mining head grades. Mining experience indicated that the drill estimated grades were low, with production head grades significantly higher.

In June and July 2004, Tennant Creek Gold completed 5 diamond drill holes for 675.59 metres and 23 Reverse Circulation (RC) holes for 3,146.7 metres. A JORC compliant drill indicated resource was subsequently calculated at 2,065,009 tonnes grading 0.304% WO$_3$ and 0.182% MoS$_2$. The resource zone remains open at depth and along strike to the south.

In December 2004, 3 trenches were excavated over an 80-metre strike length of the southern orebody and 15 tonnes of ore extracted for metallurgical testwork. An average grade of 0.70% WO$_3$ and 0.58% MoS$_2$ was calculated for the 15 tonne sample and is an almost identical grade to Petrocarb historical mined grade. The bulk sample results were considerably higher than assayed intersections from nearby RC drillholes, and provide further evidence that the drill indicated grade substantially underestimates the true grade of the deposit.

In July 2005 Sunsphere commenced a trial underground mining program to confirm the head grade of the deposit relative to the previous drilling and historical grades. Three shafts and crosscuts were excavated in the Southern Lode and totalled 96 and 102m respectively. The extracted ore was crushed, sampled and assayed. Further samples were used for metallurgical Testwork.

The bulk sampling was used to upgrade the JORC resource to a Measured Resource of 370,000t at 0.52% WO$_3$ and 0.32% MoS$_2$, an Indicated Resource of 1,750,000t at 0.52% WO$_3$ and 0.26% MoS$_2$, and an Inferred Resource of 250,000t at 0.7% WO$_3$ and 0.2% MoS$_2$. This resource has been estimated to a depth of 150m (RL250m). The Measured Resource is to a depth of 45m (RL 355m).

Two RC programmes were completed during year 5 exploration for a total of 56 holes (TMRC024-054 and 07MHRC001-025). The first programme was completed in September and October 2006 (TMRC024-054) and included 14 reconnaissance water bores (TMRC037-050) supervised by KH Morgan and Associates.

The second RC programme was completed in March 2007 (07MHRC001-025). 5,723 metres of RC drilling was completed in total. 3,281 samples were sent to ALS and Genalysis in Perth for assay. The additional drill data led to a revised Measured Resource of 530,000t at 0.42% WO$_3$ and 0.27% MoS$_2$, an Indicated Resource of 2,400,000t at 0.39% WO$_3$ and 0.17% MoS$_2$, and an Inferred Resource of 800,000t at 0.15% WO$_3$ and 0.1% MoS$_2$. This revised resource has been estimated to a depth of 265m (RL135m).

Search Exploration Services of Adelaide were contracted to complete a detailed high power dipole-dipole IP survey over the Molyhil deposit in August 2007. The aim was to outline magnetite skarn lode positions down to a vertical depth of 300m.
The results outlined the down plunge position of the Southern and Yacht Club Lodes at the south end of the deposit and a near surface anomaly to the south on line 19600N at approximately 10250E.

Additional conductors were identified at the north end of the deposit on line 20240N and may represent an additional magnetite skarn body to the north of known mineralisation.

Year 7 Exploration included 16 RC holes completed by McKay Drilling of WA for a total of 2,340m (09MHRC001-016). RC holes drilled to the north and south of the main pit area failed to identify any magnetite skarn associated with the previously identified IP anomalies.

All other holes drilled in and adjacent to the existing pit intersected good widths of mineralised magnetite skarn. The existing model and the notion of two separate lodes (Southern and Yacht Club) will need to be modified when the results have been integrated into revised block model during Year 8.

1.0 INTRODUCTION

This report covers all exploration completed on EL22349 for the period 17 May 2008 to 16 May 2009. The lease contains the Molyhil Mining Leases ML 23825, ML 24429 and ML 25721. Exploration Licence EL 22349 is comprised of 259 graticular blocks (829 km²) and was originally granted to Imperial Granite and Minerals Pty Ltd on May 17, 2002 (IGM).

EL 22349 was subsequently transferred to Tennant Creek Gold (NT) Pty Ltd on 26 March 2004. In 2005 the Molyhil Tenement Package (EL22349, MLA23825 and MLA24429) was transferred 100% to Sunsphere Pty Ltd. In 2007 Sunsphere Pty Ltd had a name change to Molyhil Mining Pty Ltd.

A two year extension and exemption from reduction was granted to Molyhil Mining Pty Ltd in early 2008 regarding EL 22349. The three Molyhil ML’s that cover the Molyhil deposit within EL 22349 (ML 23825, ML 24429 & ML 25721) were granted on 2nd May 2008.

2.0 LOCATION AND ACCESS

EL 22349 is located on the Huckitta 1:250,000 map sheet (SF53-11) 330km northeast of Alice Springs (Figure 2.1). Access is via the Stuart Highway for 70km north of Alice Springs, then east for 230km along the Plenty Highway until the turnoff to Jinka Station is reached. The unsealed station road leads north for approximately 20km to the Molyhil mine site located on the southern boundary of the licence. The area of the licence is well served by station roads and tracks.
3.0 NATIVE TITLE AND SITE CLEARANCE

An Exploration Deed was signed by IGM and the Central Land Council prior to the granting of EL 22349 in 2002.

The Native Title Act requires the transferee (T/C Gold (NT) Pty Ltd) to covenant to comply with and be bound by the provision of the Exploration Deed for EL 22349 and assume all of the obligations there under, consequently a Deed of Assumption was prepared by James Nugent (Lawyer for Central Land Council) which was duly signed and executed in May and ratified by the full Council on 30 June 2004.

Prior to the signing of the Deed of Assumption a meeting was held with senior Traditional Owners at the Molyhil mine site on the 19 April 2004 where the following was agreed;
1. Two sacred sites, the Molyhil Pinnacle and an area of quartz veining 100 metres east of the Pinnacle is excised from the mining lease application. A fence was erected around both sites in early June 2005.

2. Exploration compensation for native titleholders for the 2004 program is set at 5% of in ground expenditure. In the event of a mining start-up the native title holders were offered a 1% gross royalty based on mineral production revenues and a yet to be negotiated annual rent for a mining lease.

3. Sunsphere Pty Ltd ("Sunsphere") will pay forward compensation specified in the Exploration Deed in respect of the 2005 program. It was agreed that the 5% fee be paid within 14 days of receipt by Sunsphere of the CLC work area clearance.

4.0 GEOLOGY

The Molyhil tenement (EL 22349) covers Early Proterozoic rocks with high magnetic relief along and flanking the Delny-Mt Sainthill Fault (Figure 4.1), a feature developed within a wide west-north-west tectonic zone. This structure was active during the 1800Ma Strangways Event, which affected the entire Arunta Orogenic Domain.

Figure 4.1 Prospect Location Map & TMI EL 22349

A second dominant east-north-east trending fracture zone (Oomoomilla Fault) intersects the west-north-west fracture west of Molyhil. This intersection has been the locus for repetitive granite intrusion, including the Marshall and Jinka Granites (Figure 4.2). Faults within this tectonic zone have been periodically reactivated with a major remobilisation during the Carboniferous Alice Springs Orogeny.
Magnetic rocks are variously metamorphosed up to granulite facies and polyphase granitoids intrude Arunta Division One and Two mafic and felsic volcanogenic sequences hosting proportions of pelitic and calcareous sediments.

The basement rocks are unconformably overlain by Adelaidian and Palaeozoic marine and terrestrial sedimentary sequences of the intracratonic Georgina Basin.

Mineralisation is widespread within the Huckitta 1:250 000 sheet with past production from the Jervois deposits (Cu, Pg, Zn, Ag, Bi) the Molyhil "skarn" (Mo, W, Cu) and numerous other Cu and W vein deposits. Resources of barite-fluorite have also been established within huge quartz (carbonate-haematite) veins ("Oorabra Reefs") cutting the Jinka Granite and other basement rocks. These veins also appear to penetrate the basal Adelaidian sedimentary sequence.

The area was subjected to deep weathering and laterisation during late Mesozoic to Miocene time. Most of this old surface has been eroded away with small remnants preserved at the top of Mt Sainthill.

The area was uplifted during the Late Tertiary and erosion continues to the present day. Extensive outwash fans have developed at the base of hills and obscure the basement rocks. A return to arid conditions during the Pleistocene produced sand plains, and loess was deposited throughout the hilly areas. The combination of the effects of deep weathering and extensive younger sedimentary deposits provide for a difficult environment for effective surface geochemical sampling.
5.0 PREVIOUS EXPLORATION

The discovery of the Molyhil scheelite-molybdenite deposit in 1977 stimulated an up surge in mineral exploration within the licence area. Prospector Lindsay Johannsen first discovered scheelite in layered calc-silicate rock at Molyhil Pinnacle in 1973. Subsequently Fama Mines Pty Ltd selectively mined some 20 tonnes of scheelite at the site. Later, additional scheelite was discovered 800 metres east of the Pinnacle at the Yacht Club deposit which produced 20,000 tonnes of ore averaging 0.5% scheelite to yield 100 tonnes of 70% WO$_3$ to 1976 (Barraclough, 1979).

In 1977 the Mines Branch Administration conducted a detailed exploration program over the mine site comprising gridding, ground magnetic surveying and diamond drilling (740 metres). This program led to the discovery of the larger Southern ore body comprising both scheelite and molybdenite (Barraclough 1979). Petrocarb NL acquired the mine site in 1978 and upgraded the processing plant and commenced mining the Southern ore body.

Nicron Resources NL acquired a major shareholding in Petrocarb in late 1980. They injected capital to improve mining and milling operations and completed a 20 hole (2137 metre) percussion-drilling program (Woodhill, 1981).

In 1977 Otter Exploration NL contracted an airborne regional radiometric survey over the southern half of the Huckitta 1:250 000 map sheet area. The initial airborne reconnaissance survey revealed several high amplitude radiometric anomalies. Traces of uraninite (up to 200ppm uranium) were also discovered within mineralised skarn at the Molyhil mine. Airborne radiometric grid surveying of the licence area was completed by August 1977. Significant geochemical results from Otter rock chip and drainage-sampling programs are plotted on Figure 10. Ground follow-up of airborne radiometric anomalies showed they appear to cluster where Adelaidean sediments unconformably overlie Early Proterozoic Arunta Block.

In 1978 Anaconda Australia applied for 78 square kilometres 10km east of Molyhil “an iron-rich scheelite-bearing skarn occurring near the contact of calcareous metamorphic rocks and intrusive granite” to explore for Molyhil analogues.

They surveyed a 7 x 6 km grid centred on Yam Creek over which they conducted a 100 m line space ground magnetometer survey to ascertain if three AMAG anomalies from the AGSO one-mile line space survey could be confirmed. They also collected and analysed 539 soil samples for Cu, Pb, Zn, Ag, Ni, Co, Mn, Cr, V, Fe, Ca, Mg, Al, Ti, Ba, Sr, Mo, U. The above soil data is currently being processed.

High silver values obtained from drainage sampling (12ppm) hand auger and soil sampling (5ppm) indicate several anomalous areas within the old Anaconda grid which require following up.

In 1981 Aerodata flew a 150 m line spaced Aeromagnetic survey over Molyhil for Petrocarb Exploration NL. Fourteen additional magnetic features were delineated by the above survey as possible Molyhil analogues all of which were ground magnetometer surveyed. Only seven anomalies were tested by fences of shallow Air track percussion holes. It is not known which seven Aeromagnetic anomalies were drill tested, or whether any of the fourteen were ever tested by a percussion hole either by Petrocarb or Geopeko?
In March 1982 a joint venture agreement was concluded between Nicron Resources/Petrocarb Exploration and Peko-Wallsend Operations Ltd (Geopeko). “The close association between scheelite and molybdenite mineralisation and the massive magnetite, together with fairly broad geological parameters formed the basis of Geopeko’s exploration programme”. Geopeko embarked on a 1:50 000 scale regional mapping program of the southern half of the Huckitta 1:250 000 map sheet area.

Using the Molyhil deposits magnetic signature as a model to search for additional Molyhil-type mineralised magnetite skarn deposits Geopeko commissioned Austirex International to fly the Eurobra Aeromagnetic and Radiometric survey covering 970km$^2$ centred on the Molyhil mine. Flight line spacing was 150m with a mean terrane clearance of 80m. Flight path recovery was by means of a Range-Range radar positioning and guidance system. TMI contour plans of the survey data were produced at scales of 1:10 000 and 1:50 000. East of Molyhil the Eurobra survey delineated 30 Molyhil – look-alike Aeromagnetic anomalies (Scorpion series) all of which were checked with ground magnetometer surveys. Only 11 were drill tested with disappointing results, i.e. disseminated magnetite in quartz-feldspar-biotite gneiss or granite.

Two untested radiometric anomalies were also delineated. West of Molyhil the Eurobra survey delineated 44 prospective aeromagnetic and 2 radiometric anomalies. 21 anomalies were followed up with ground magnetometer traverses and drill tested either by lines of Air track holes or deeper percussion holes again for disappointing results with no scheelite grains being detected.

In late 1983 Petrocarb/Nicron, Geopeko consortium farmed out the uranium rights to Uranerz Australia.

Ground radiometry traverses across the Delny-Mt Sainthill shear zone 30 km west of Molyhil delineated two areas of elevated cps readings namely Crystal and Yam Dam prospects. In January 1984 the Austirex International Halfway Dam Aeromagnetic and Radiometric survey was flown at a line spacing of 150 m.

At the time Geopeko were about to withdraw from the Petrocarb/Nicron joint venture and Uranerz were losing interest in the area because most radiometric anomalies appeared to be over Thorium-rich granites consequently only the Aeromagnetic data was processed. No ground checking of any Aeromagnetic anomalies was carried out by Geopeko. Yet to be identified radiometric anomalies were not followed up by Uranerz either.

Geopeko withdrew from the Petrocarb/Nicron joint venture in early 1983. Petrocarb resumed control of the Molyhil tenements until final relinquishment in 1989; however the only exploration activity undertaken during this period of low tungsten and molybdenum prices was a drainage sampling program centred on Molyhil. Three drainage anomalies were delineated namely 11182 (Pb), 11096 (Zn, Cu) and 11212 (W-Mo) none of which have been followed up.
Roebuck Resources NL applied for EL’s 8127 and 8144 in 1989. The area applied for covered the eastern two thirds of EL 22349. Roebuck made the following observations with regard to the prospectivity of the area;

1) Molyhil licences are over fundamental intersecting east northeast and west northwest-trending regional fracture zones. The zone of intersection is the site of two or more phases of Proterozoic granite intrusion namely the Marshall and Jinka.

2) A long standing thermal source is evidenced by the Oorabra Reefs intruding Jinka Granite during pre-Adelaidean times followed by a later quartz-fluorite-barite-basemetal sulphide veining event which again intruded basement as well as all levels of Adelaidean sediments over a strike length of 75 km of the Delny-Mt Sainthill Fault zone.

3) The Molyhil skarn deposit occupies a northeast fracture where it intersects the Delny-Mt Sainthill Fault Zone as indicated by a northeast-trending break in the magnetic contour pattern, which is clearly apparent as a photo linear feature.

4) In the Elyuah Range near Gap Bore a Cambrian dolostone contains megacrysts of barite replacing hyoliths along bedding planes for 300 m over a stratigraphic interval of 2-3 metres thus implying a similar replacement mechanism with the gangue of the Pb-Ba Boxhole Bore mineralisation located 55km north of Gap Bore.

5) Black Ridge prospect is a low temperature vein system anomalous in Au, As, Mo, Cu and Pb and occurs at the intersection of a large Oorabra Reef and the east northeast-trending Oomoomilla Fault. There is an underlying small magnetic anomaly at Black Ridge similar to the magnetic highs along the Oomoomilla Fault perhaps indicating more iron-rich vein developments or local concentrations of magnetite within the Oorabra Arkose adjacent to the fault?

6) Several geochemical anomalies are defined north of Mt Sainthill towards Deep Bore and Oorabra Rock Hole. Although underlain by Jinka Granite the area hosts four discrete Aeromagnetic anomalies including one, which appears to underlie quartz-chalcopyrite-barite veined altered granite south of Moppata Water Hole. This area coincides with Anaconda’s 1979 soil grid.

7) An iron formation cropping out near Mt Sainthill requires following up similarly a Cu-Au mineralised ironstone cropping out on the Huckitta track.

In May 1997 Roebuck farmed out EL 8127 to BHP Minerals who identified the Molyhil region as prospective for world-class examples of Iron oxide, copper gold (IOCG) deposits following the completion of AGSO’s “The Metallogenic Potential of Australian Proterozoic Granites” study in 1996 which identified the Alaringela Suite of (1713Ma) granites as being highly prospective for Cu, Pb, Zn and moderately prospective for gold.

The Alaringela Suite includes;

i) Alaringela Igneous Complex on Dneiper 100k sheet
ii) Unca Granite on Jervois Range 100k sheet
iii) Marshall Granite on Jinka 100k sheet.

All these granites are fractionated, oxidised (with red to pink coloration and hematite to magnetite-stable mineralogy) show evidence for a fluid phase, intrude suitable host rocks and appear to be associated with known Cu, Pb, Zn, Ag, Mo & W mineralisation (including the Jervois deposits?).
BHP also believed the Molyhil region to be prospective for world-class examples of Broken Hill Type (BHT) Ag-Pb-Zn (Cu) deposits.

BHP firstly assessed the scope and effectiveness of previous surface geochemical work. Drainage geochemistry is the only technique used extensively on Jinka (the effectiveness of which BHP questioned given the regolith of the area) resulting in a series of minor Cu (Pb-Zn-Ni) drainage anomalies evident in the Mt Sainthill area where Kanandra Granulite gneisses are dominated by quartzo-feldspathic gneiss but also including minor mafic gneiss which could source the 50 – 100 ppm range of Cu values and lesser Pb, Zn and Ni values.

Weak Cu drainage anomalism is also evident along Oomoomilla Fault immediately east of a large (unexplained) magnetic anomaly (Anomaly “A”) near Mappata Waterhole. This area is largely covered, however two occurrences of F-Ba+Cu+Fe veins with several small Jinka Granite surface exposures cropout in the area (previous rock chip sampling returned 0.21% Cu).

BHP decided to complete a regolith interpretation of the area prior to commencing any geochemical sampling program which they found to be dominated by transported alluvial and fluvial material primarily related to the Plenty and Marshall River systems. These deposits comprise a polymictic lag of numerous types of lithic fragments dominated by vein quartz, quartzite, granitoid, mafics and felsic gneiss set within a silt-sand matrix. In cropping out areas a lag of ferruginous saprolite (pisoliths) and weathered rock fragments is developed representing remnant Tertiary weathering surface. BHP decided that systematic 1 km x 1 km regional lag sampling would be the best technique to apply across the entire area given the diversity of regolith environments.

The emphasis of the lag sampling was on;

i) areas of residual Tertiary laterite
ii) areas of eroding Arunta outcrop/subcrop and
iii) intervening areas where abundant lag deposits occur.

Spatial analysis of comprehensive regional lag data sets identified two priority anomalies;

i) A cluster of Cu-Pb-Zn-Ag anomalies occurring near Mt Sainthill.
ii) One coherent Ag anomaly east of Mt Sainthill.

In 2004 Tennant Creek Gold completed a 3,822m drilling program which defined a JORC compliant drill Indicated Resource of 2.065 million tonnes averaging 0.304% Tungsten oxide and 0.182% Molybdenum sulphide.

During 2005 3 shafts and cross cuts were mined for a total of 198m development into the Southern Ore Body. The 1200 tonne bulk sampling program resulted in a JORC compliant upgrade to an estimated Measured Resource of 370,000t at 0.52% WO$_3$ and 0.32% MoS$_2$, an Indicated Resource of 1,750,000t at 0.52% WO$_3$ and 0.26% MoS$_2$, and an Inferred Resource of 250,000t at 0.7% WO$_3$ and 0.2% MoS$_2$. This resource has been estimated to a depth of 150m (RL250m). The Measured Resource is to a depth of 45m (RL 355m).

The Indicated Resource is open at depth and to the south. Magnetic modelling of the Southern and Yacht Club ore bodies indicated the mineralised zone may extend to 500 metres vertical depth; potentially containing 4 - 5 million tonnes of Mo-W ore.
The best result from reconnaissance sampling was obtained from the No.4 Dam ultramafic. Previous explorers had discovered thin veins of anomalous lateritic nickel. This area was visited and confirmed the nickel occurrence (Ni 0.4%, Cu 0.28%). However the small, centimetre scale extent of nickel laterite suggest it is nothing more than isolated surficial scavenging.

Many of the major drainages were examined and rarely exhibited any float samples displaying calc-silicate alteration, sulphides or gossanous textures. Earlier explorers had delineated some uranium hotspots on EL 22349. This warrants some follow up, however due to the sensitive nature of uranium exploration at this point in time no follow up work can be completed.

A gossanous siltstone with anomalous U (170ppm), Mo (150ppm) and Cu (130ppm) close to the Elyua Range unconformity of overlying Georgina Basin Late Proterozoic platform sediments and Early Proterozoic Arunta Block requires further investigation 6 km northeast of Molyhil.

Two RC programmes were completed during the Year 5 reporting period for a total of 56 holes (TMRC024-054 and 07MHRC001-025). The first programme was completed in September and October 2006 (TMRC024-054). The September-October 2006 RC drilling included 14 reconnaissance water bores (TMRC037-050) supervised by KH Morgan and Associates. The programme successfully outlined a suitable aquifer for the mine site water supply along the Oorabra creek drainage approximately 8km north east of the Molyhil mine site near Price’s Bore. RC holes TMRC037-042 were drilled along the Oorabra Creek aquifer.

The second RC programme was completed in March 2007 (07MHRC001-025).

5,723 metres of RC drilling was completed in total. 3,281 samples were sent to ALS and Genalysis in Perth for assay. ALS samples were prepped in Alice Springs and Genalysis samples were prepped in Adelaide.

A total of 162 rock chip samples were collected during Year 6 Exploration. Samples were sent to Genalysis and Ultra Trace in Perth.

Central Pacific Minerals NL previously identified a fluorite resource at the south end of the Oorabra Reefs area on a small ML within the current EL on Vein A, C and E documented in a 1972 report totaling 250,000 short tons at 37% CaF2.

It should be noted that barite which is intimately associated with the fluorite was originally considered as a waste or gangue mineral due to its low price. The two minerals can now be considered together as they are both economically viable and are both present in varying amounts in most veins sampled.

A significant number of the samples collected were on EL22349 and initial reconnaissance work indicates that the barite/fluorite veining is widespread outside the recently acquired Central Pacific ML’s with similar or better grade. Vein widths are typically 2-3m up to 5-6m.

Assays received from the additional sampling covering the northern Oorabra reefs area have returned assays up to 89.36% BaSO4 and 85.48% CaF2.
Additional reconnaissance sampling carried out in February and March 2008 indicated that many of the barite/fluorite veins in the area had not been located and sampled previously and others had not been located properly. The recent phase of work has completed coverage of the majority of significant veins in the area. A total of 52 samples were collected including other mineral occurrences and "prospects" which now completed reconnaissance assessment of EL 22349.

YEAR 6 IP SURVEY

Search Exploration Services of Adelaide were contracted to complete a detailed high power dipole-dipole IP survey over the Molyhil deposit in August 2007. The aim was to outline magnetite skarn lode positions down to a vertical depth of 300m.

Four 100m spaced lines were completed at the south end of the old pit on 19600N, 19700N, 19800N and 19900N. An orientation line was completed adjacent to the north end of the pit on line 20085N. A reconnaissance line to the north of known mineralisation was completed on line 20240N. Transmitter dipoles were at 100m spacing’s, receiver dipoles were at 50m spacing’s along lines.

The results outlined the down plunge position of the Southern and Yacht Club Lodes at the south end of the deposit and a near surface anomaly to the south on line 19600N at approximately 10250E.

Additional conductors were identified at the north end of the deposit on line 20240N and may represent an additional magnetite skarn body to the north of known mineralisation. Reconnaissance RC drilling tested these anomalies during Year 7 Exploration.

6.0 YEAR 7 EXPLORATION – WORK COMPLETED

6.1 RC DRILLING

16 RC holes were completed by McKay Drilling of WA for a total of 2,340m (09MHRC001-016). RC holes drilled to the north and south of the main pit area failed to identify any magnetite skarn associated with the previously identified IP anomalies.

All other holes drilled in and adjacent to the existing pit intersected good widths of mineralised magnetite skarn. The existing model and the notion of two separate lodes (Southern and Yacht Club) will need to be modified when the results have been integrated into revised block model during Year 8.

The drilling encountered a small amount of water flow in the outside return at depths of approximately 30m onwards. All samples were kept dry during the entire programme.

Down-hole surveys were not completed due to the highly magnetic nature of the magnetite skarn. All the recent holes and many older holes remain open due to the hard ground conditions. It is recommended that a gyro down hole survey instrument and crew be hired to complete surveys of all accessible holes.

Weakly oxidised semi fresh rock was encountered in all holes drilled on the natural surface beneath a thin veneer of soil cover. Calcrete development in the top few metres of the profile is common, particularly in the pit area. Fresh rock was encountered at depths of 20m to 30m down hole.
Sampling

Every metre drilled was collected via a cyclone with an adjustable sample door/splitter on the side.

The bulk samples were collected in 450mm x 750mm plastic retention bags and laid out in rows of 20 adjacent to the hole. Samples for assay (2-6kg) were collected in 12” x 15” calico bags and laid out with the bulk sample. The splitter was routinely inspected for cleanliness between rod changes.

Samples for assay were routinely collected at one metre intervals. Samples in, and adjacent to, magnetite skarn mineralization were dispatched for assay to Amdel in Adelaide on via ABC Transport in Alice Springs. A total of 734 samples were consigned on 3 pallets.

**Molyhil RC Intersection Summary January 2009:**

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The remainder of the split samples in calico bags and all 1m retention bags remain on site adjacent to the drill holes until all assay results have been received and any further test work is complete.

Results

The RC drilling completed on lines 20240N at the north end and 19600N to the south west of the pit over previously identified IP anomalies failed to intersect any magnetite skarn. Weak alteration was noted in some areas of the granite on the northern line together with some weakly elevated magnetite.

Drilling at the southern end of the Molyhil mineralisation on line 19895N has confirmed the down plunge continuation of the magnetite skarn exhibiting visible molybdenite in the drill chips. The ore body is open at depth down plunge.

Drilling on section 20010N (holes 09MHRRC007 & 008) have both intersected mineralized magnetite skarn but not where the existing model predicted. The results from the recent drilling make it hard to support the notion of two separate lodes. The ‘Yacht Club’ lode that outcrops in the north eastern corner of the Petrocarb pit is structurally complex and intensely folded. There is also no evidence in the existing pit for any faulting with major displacement. The model will need to be revised when all assays have been received.
All other drill holes located in and around the existing pit area also intersected mineralised magnetite skarn except for 09MHRC004 which closed off the up dip continuation of mineralisation on section 19915N.

7.0 YEAR 8 PROPOSED EXPLORATION

Further infill RC drilling is required on the Molyhil resource prior to mining to convert identified Indicated and inferred ore to measured status. Additional shallow RC drilling is also required to test the near surface mineralisation in the first four levels of the planned pit before mining activity commences.

Additional reconnaissance rock chip sampling and mapping is required to the east of Molyhil in the Oorabra Reefs area. Reconnaissance RC drilling and assessment of previously identified barite/fluorite mineralisation by Central Pacific Minerals NL is also warranted now ownership of the ten QER ML’s have been secured.