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2009 ANNUAL REPORT FOR

MLC'S 3, 6-14, 19, 43-44, 125-126, 128, 156-157, 507, 509-510, 519 & 664-667

FOR THE PERIOD ENDING 31 DECEMBER 2009.

&

REPORT IN SUPPORT OF RENAVAL OF MLC 509 & MLC510.

PEKO TENEMENTS

TENNANT CREEK DISTRICT

NORTHERN TERRITORY

TENNANT CREEK 1:250,000 SHEET SE 53-14

VOLUME 1 OF 1

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INTRODUCTION

In accordance with section 79 of the Mining Act, this report is submitted as a combined annual report for all of the Mineral Leases associated with the Peko Tailings Project. This includes MLC 3, 6-14, 19, 43-44, 125-126, 128, 156-157, 507, 509, 510, 519 & 664-667.

This report is also submitted in accordance with section 68 of the Mining Act for renewal of MLC 509 and MLC 510.

TENEMENTS

All tenements are part of the old Peko Mine site and are all now part of the current Peko Tailings Project. (See fig 1).

Title	Purpose / Activity
MLC 3	Access roads & old townsite caravan park
MLC 6	iBo Vats (remnants)
MLC 7	Tailings Dam 4 & iBo Vat (tailings)
MLC 8	Location of proposed new Tailings Dam
MLC 9	Washed magnetite stockpile area
MLC 10	Tailings Dam 4 & Temporary Storage Pond
MLC 11	Tailings Dams 2, 3 & 4
MLC 12	Access roads & washed magnetite stockpile area
MLC 13	Access road & pipeline to Peko water dams
MLC 14	Undisturbed
MLC 19	Undisturbed
MLC 43	Part of Tailings Dam 4
MLC 44	Part of Tailings Dam 4
MLC 125	Undisturbed
MLC 126	Undisturbed
MLC 128	Access road to old magazine
MLC 156	Freshwater Dam for backup water supply
MLC 157	Freshwater Dam for backup water supply
MLC 507	Site of old process plant & open cut pit
MLC 509	Site of old ore stockpiles and ROM Pads
MLC 510	Old townsite, new magnetite plant & offices
MLC 519	Contains Tailings Dam 1 & iBo Vats
MLC 664	Old townsite & access roads
MLC 665	Old townsite & access roads
MLC 666	Old townsite & access roads
MLC 667	Old townsite, caravan park & access roads

HISTORY

The Peko leases were originally pegged in 1933 by prospectors Joe Kaczinski and Bill Bohing. It is said that the name Peko came from the prospector's dog "Peko" named after Pekoe tea. Peko maintained a tradition of ending all mine names in the Tennant Creek field with "o", except for Ivanhoe.

A major magnetic anomaly was discovered by aerial survey in 1936 and 6,080 tonnes of ore was mined from 1935 to 1950 averaging 22 g/t gold. Peko (Tennant Creek) Gold Mines NL was registered in 1949 and in 1950-51 a dome of oxidised copper was encountered on the 200 foot level. A Bureau of Mineral Resources diamond drill intercepted primary copper at 370 vertical feet.

The Peko concentrator was commissioned in 1954 and ran until 1975 producing approximately 115,000 tonnes of copper and 315,000 ounces of gold in concentrates. These processing operations also produced approximately 3.9 million tonnes of tailings, which remain onsite. The mine closed in 1975.

In 1988 it was estimated that approximately 9,000 tonnes of ore averaging 11.7 g/t gold remained between the 120 and 170 foot levels. As the mine and the site had been completely decommissioned, this small tonnage of ore was left unmined.

During the 1980's and early 1990's several companies investigated the reprocessing of the 3.9 Mt of tailings contained on site, but all attempts proved uneconomic.

In the late 1990's, a subsidiary of Sitzler Savage Pty Ltd developed a bacterial oxidation process (iBo process) that was successful in economically extracting the magnetite, gold and base metals from the old tailings.

The Peko tenements were purchased by Sitzler Savage Pty Ltd in 2000. The tenements were purchased for the primary purpose of retreating and processing the 3.9 million tonnes of tailings contained in the tailings dumps at Peko mine to produce magnetite, gold, copper and cobalt.

Several years of laboratory work and research has been conducted on the tailings to develop and refine tailings processing and metal extraction technologies.

Stage 1 of the project was to construct and operate a pilot plant to demonstrate that results obtained in the laboratory could be reproduced in the field. Authorisation number A0046-01 was issued on 24 September 2002 and construction of the pilot plant commenced immediately. A water pipeline was constructed from the Tennant Creek town water supply to the Peko Site. An inoculation generator was constructed to breed the bacteria in sufficient

quantities to dose the trial vats of tailings and remnant ore. Stage 1 proved extremely successful. Results from the iBo pilot plant exceeded those obtained from the laboratory testwork.

Stage 2 of the project was to develop full-scale tailings treatment and processing operations. Stage 2 activities were approved in the 2005 Mining Management Plan. Stage 2 activities were significantly delayed due to financial and marketing constraints.

Although construction of the pilot Magnetite Plant was completed in 2005, commissioning did not commence until August 2006. The first magnetite produced during commissioning operations was bagged and shipped for testing in October 2006.

During commissioning operations a problem was identified with the fine screening process. These screens were causing a bottleneck to production and suffering unexpected damage. Two larger screens were installed to allow the magnetite plant to produce finer grades of magnetite (which were required by various customers within the coal washing industry).

Commissioning of the plant was completed in early 2007.

The Magnetite Plant produced both 35% fine grade, 35% coarse grade magnetite and 30% clays. The fine grade magnetite meets the specifications for a premium grade product and is used for coal washing. Marketing focused on the fine grade magnetite as this product returns premium prices. The coarse grade magnetite was placed in a temporary storage pond for recovery and sale at a later date.

The Magnetite Plant produced parcels of magnetite for export to potential customers for testing purposes. The magnetite produced was packaged into two tonne bulker bags for shipment. Several bulk samples were sent to two coal washing plant in India and to two coal washing plants in Queensland. Further markets in Indonesia were also being investigated.

The magnetite plant operated intermittently producing parcels of magnetite for customers in Queensland and India. From 2007 to 2009, the site produced 19,226 tonnes of fine magnetite for the coal washing market.

In February 2009, the mine owners and operators announced that the workforce was being stood down and the mine placed on "Care and Maintenance". The following reasons were cited for this course of action.

- Mining and processing operations were effectively been halted since mid December 2008 due to heavy rains and local flooding.
- On a number of occasions, the access road to the mine from Tennant Creek was cut by flooding.

- Transport routes (Barkly Highway) to customers in Queensland were cut by flooding and road washouts, preventing transport of product (magnetite) to their current markets. Even during periods when the road reopened, weight limits prevented normal shipments of magnetite.

Approved Mining Management Plans for the Peko Tailings Project also included future development of gold, copper and cobalt processing operations.

REPORT ON ACTIVITIES IN 2009.

No exploration activities were undertaken on the Mineral Leases of the Peko Tailings Project during 2009.

Mining and processing activities were effectively halted in December 2008 due to heavy rains and local flooding.

In February 2009, the Mine was placed on "Care and Maintenance". At the time it was intended to reopen the mine for recommencement of processing operations later in 2009. The mine however remained on "Care and Maintenance" for the rest of 2009.

PROPOSED ACTIVITIES FOR 2010

No exploration activities are proposed to be conducted on the Peko Tailings Project Mineral Leases during 2010.

The Peko Tailings Project is currently in the process of financial and management restructuring and will remain in "Care and Maintenance" until this is completed. Tailings reprocessing operations are anticipated to recommence in late 2010.

Development of the gold, copper and cobalt circuits is still somewhat dependant upon securing further magnetite contracts and providing a positive cash flow for the project.

The design of the gold, copper and cobalt circuits are well advanced but yet to be finalised.

Details of the design and construction layout of the gold, copper and cobalt plants will be submitted to the Department of Resources for approval (as an addendum to the MMP), prior to construction of each stage.

At the end of 2010, MLC509 & MLC510 are due to expire. Renewals for these Mineral Leases will be applied for during 2010 in accordance with the Mining Act.

REHABILITATION WORK UNDERTAKEN

Sitzler Savage Pty Ltd purchased the Peko Project tenements from Normandy Tennant Creek Pty Ltd in October 2000.

Transfer of the tenements was subject to Sitzler Savage Pty Ltd entering into an Agreement with the Northern Territory Government regarding the establishment of a Rehabilitation Trust Fund and lodging a rehabilitation bond.

The Agreement (Deed) was executed on 21 November 2000 and a rehabilitation bond was lodged.

Since purchase of the Peko tenements, Sitzler Savage Pty Ltd has undertaken a general clean up of all of the tenements. This has involved the progressive collection and approved burial of all rubbish, scrap, discarded materials and equipment.

Drainage control works were also reinstated and unrequired hardstand areas, access tracks and roads were ripped and rehabilitated.

An intensive weed control program was undertaken in 2004 and follow up site inspections and control programs have been undertaken annually.

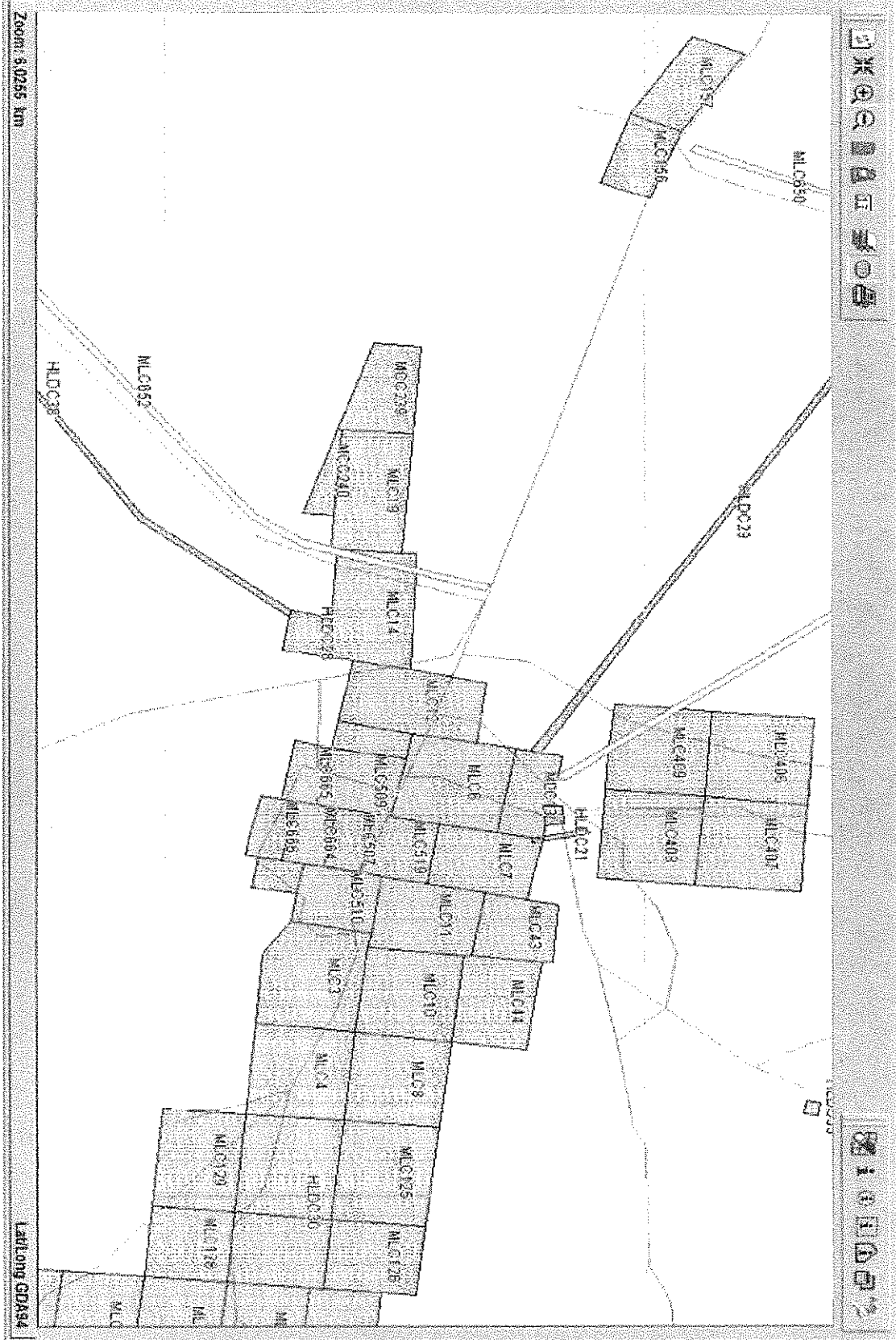
Several thousand tones of remnant ore and contaminated material was collected and removed from the old process plant site, run-of-mine pads and stockpile areas within MLC 507, 509, 510 & 519. This material was placed in a vat constructed on MLC6 and treated through the iBo process.

All disturbance on the Peko leases and rehabilitation works undertaken have been in accordance with approved Mining Management Plans. Security bonds are regularly reviewed and appropriate security bonds are in place to cover rehabilitation of any disturbance created by Sitzler Savage Pty Ltd during the Peko Tailings Project.

RENEWAL OF MLC 509 & MLC 510

Mineral Leases C509 & C510 are due to expire on 31 December 2010. These two leases are critical to the Peko project area and along with MLC 507 and MLC 519 cover the main underground mineralisation. Renewal Application forms are currently being prepared and will be submitted at least 3 month before the expiration of the leases, in accordance with section 68 of the Mining Act.

MLC 507 was renewed in 2008 for a period of 25 years. Renewal applications for MLC 509 & 510 will also be for a period of 25 years for consistency of tenure over the main orebody/mineralisation zone. Renewal applications will be supported by information contained in this report.



Zoom: 6.0285 km

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