EXECUTIVE SUMMARY

Drilling at the Kroda prospect returned peak results of 4m @ 198ppb Au and 4m @ 78ppb Au. Both intersections were associated with the northern limb of the “mineralised horizon” with NEWKRC0016 finishing in amphibolite. The drilling confirmed a 2.3km extension to the mineralised system west of previous drilling consistent with results returned from the orientation BLEG sampling carried out prior to drilling.

A small orientation program of BLEG sampling conducted over the Kroda prospect prior to drilling returned a peak value of 269ppb Au.

Reconnaissance sampling northeast of the Jarrah Jarrah Range has defined a 0.3 x 6.0km striking east – west anomaly (>10ppb Au) at Sub-Target D with results of up to 41.1ppb Au.

There remains potential for poddy high grade mineralisation to be identified within the extensive Kroda mineralised system similar to that seen further east in historic drilling at C1-C5. There has been no follow up of the reconnaissance BLEG Au soil anomaly at Sub-Target D.

Newmont has completed the community development projects agreed to in order to gain access to the Kroda prospect.

All drill collars and gridlines at the Kroda prospect have been rehabilitated.
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1. INTRODUCTION

This is the first annual report for SEL26825 for the period 27th January 2009 to 26th January 2010. SEL26825 replaces the tenure covered previously by EL23887 and part of SEL24032. SEL26825 was granted to Newmont Tanami Pty Ltd on 27th January 2009.

2. TENEMENT DETAILS

SEL26825 is 100% held by Newmont Tanami Pty Ltd and covers an area of 1276km² (424 blocks). The licence is subject to the Barrow Creek Indigenous Land Use Agreement.

3. LOCATION AND ACCESS

SEL 26825 is located approximately 300km north of Alice Springs and between 20 to 85km north to northwest of Barrow Creek. Access from Barrow Creek is via the Stuart Highway to the north and then station tracks to Airtrac bore. The tenement is located on the Stirling and Neutral Junction Stations (NT Portion 655 & 3375 respectively).

4. PREVIOUS EXPLORATION

4.1 Other Companies

Exploration at Barrow Creek has historically been largely for base metals, gold and Sn/W/Ta deposits. Within the Crawford, Osborne and Watt Range areas, numerous copper workings can be found, including Home of Bullion and Petricks. The area to the south of the Crawford Range has been the site of the majority of tin, tungsten and tantalum workings, most being small, low tonnage operations.

Kewanee Australia Pty Ltd undertook a broad exploration program between 1970 and 1974 within the Crawford-Osborne Range area. Several targets were delineated by a combination of airborne magnetics, radiometrics and EM survey techniques. Targets generated by this method were followed up with geological mapping, sampling and a combination of percussion, reverse circulation and diamond drilling. This work delineated a sub-economic Cu-Ni resource (Prospect D), but grade was considered too low to warrant further investigation, and the ground was relinquished in 1973. Limited exploration was conducted by Australis Mining NL during 1969, for base metal potential in the Crawford Range area. Pegmatites, granites and metadolerites were targeted with disappointing results. More recently, Aberfoyle Ltd has explored firstly for base metal mineralisation and later gold mineralisation in the Home of Bullion area.

Figure 1 Location and Access
4.2 Previous Exploration by Newmont Tanami Pty Ltd

Newmont and its precursor companies have had an exploration presence in the Barrow Creek area since 1988. Work over this time has included reconnaissance programs comprising soil sampling, and vacuum and RAB drilling as well as detailed aeromagnetic/radiometric surveys, regional ground-based gravity surveys and detailed regional regolith mapping. Detailed prospect evaluation work has also been conducted, including reverse circulation and diamond drilling as well as prospect-based IP surveys. The mineralised gold prospects Kroda (8m @ 11.72g/t Au in RC drilling), NW Petricks (6m @ 1.6g/t Au in RC drilling) and Tiptoe (3m at 2.34 g/t Au in RC drilling) were discovered within the boundaries of SEL 22042 while the Morphett gold mineralised prospect (several metres at several g/t Au in RAB drilling) was found within EL 7928.

In 1999, although no exploration activities were permitted, an extensive program was undertaken to rehabilitate sites of previous exploration drilling activities. Except for a few diamond holes, PVC collars were cut back below the surface and sealed with concrete plugs.

Also in 1999 an independent geological consultant was contracted to estimate a resource for the Kroda C5 prospect. Completed in January 2000 the estimate provided a means to assess the potential of the prospect. The datasets on which the estimate was based did not meet the requirements for the Australasian Code for Reporting of Mineral Resources and Ore Reserves and as such were not released to the public.

During the 2003 field season a limited program of lag and soil sampling as well as aircore drilling was conducted within the EL 10013, SEL 10038 and SEL 22042 tenements (precursors to SEL 24032, which is the licence preceding SEL26825).

Newmont developed the Tanami Regional Framework Study during 2005 / 2006 to identify prospective regions and target areas. The study highlighted the Barrow Creek – Rawlins Range region which partly includes SEL24032. As the prime area of interest within SEL24032 was covered by an extensive exclusion zone, the main emphasis of the framework study was in other areas.

An outcome of the Tanami Framework Study completed during the middle of 2006 was the need for improved gravity and magnetic coverage over the Barrow Creek/Rawlins Range package of tenements. On the 12th November 2006 Daishat began a ground gravity survey assisted by a helicopter. It took 14 days to complete 2923 stations at one kilometre station spacing over the combined Barrow Creek and Lander River tenements.

In July 2007 an aerial magnetic and radiometric survey was flown over much of the western Rawlins Range tenements and EL23887. In addition there were three wide spaced reconnaissance holes drilled into EL23887 testing the nature and depth of regolith cover.

The main focus of Newmont’s exploration in the area during 2008 was to gather regional geochemical data sets. Reconnaissance drilling and interpretation of Landsat data suggest that there is deep cover over a portion of the area that was subsequently relinquished. This deep cover is linked to the Hanson River channel, a second channel parallel and west of the Hanson River and paleodrainage features to the east. The deep cover makes it unlikely for surface sampling to adequately test bedrock and therefore samples were not collected over those areas interpreted to have greater than 15m of cover.
5. LAND ACCESS

Newmont’s activities in the Barrow Creek region are subject to the Barrow Creek Indigenous Land Use Agreement (ILUA) between Newmont and the CLC signed May 8th 2003.

The CLC agreements include provisions for compensation, administration, heritage protection, environmental protection, cultural awareness, Indigenous employment, engagement of Indigenous business and other matters. The contents of the CLC Agreements are strictly confidential.

Access to Aboriginal Freehold Land is restricted and entry permits issued by the CLC will be required before interested parties can view the project area in the field.

There are a number of exclusion zones within the tenement package that protect areas of cultural significance where exploration is not permitted. The exact location of these exclusion zones is confidential.

Of particular significance is the Baxters Well site on the Hanson River near the crossing of the Jarra Jarra outstation access track. This is the site of a 1928 massacre of local aboriginal people by a police party as part of reprisals for the killing of a white dingo trapper at Brooks Soak. A memorial of the event was unveiled in August 2008.

In order for Newmont to gain access to the Kroda prospect area it agreed to assist in several community projects. These included refurbishing a water bore at the Arnerre Outstation, creating a new access track into Arnerre, regrading a track into an exclusion zone west of the main Kroda prospect and establishing a water tank and guttering on a shed within that exclusion zone. All of the projects have been completed.

6. GEOLOGY

6.1 Regional Geology

The oldest exposed basement in Central Australia comprises metamorphic and igneous rocks of the Arunta Inlier (Haines et al., 1991). Rocks of the Arunta Inlier are interpreted as being at least partly correlative with sedimentary and volcanic sequences of the adjacent Tennant Creek and Granites-Tanami Inliers.

The Arunta Inlier (Early-Middle Proterozoic) is characterised by metamorphosed sedimentary and igneous rocks of low to medium pressure facies. Deformation and regional metamorphism to upper greenschist facies took place between 1810-1750 Ma (Black, 1981). Shaw and Stewart (1975) established three broad stratigraphic subdivisions based on facies assemblages and lithological correlations. From oldest to youngest, these subdivisions are named Division 1, 2 and 3. Using this model defined by Shaw and Stewart (1975), the orthogneiss east of Osborne Range, the calc-silicate rocks west of Crawford Range and the Bullion Schist would be included in Division 2, and the Ledan Schist in Division 3 of the Arunta Inlier.

Unconformably overlying these rocks are the Hatches Creek Group sediments and volcanics. Blake et al. (1987) formally subdivided the Group into the Ooradidgee, Wauchope and Hanlon Subgroups, comprising a total of 20 Formations and two Members. The Hatches Creek Group is a folded sequence of shallow-water sediments with interbedded volcanic units which reach thicknesses of at least 10,000 metres.

The sedimentary rocks include ridge-forming quartzites, felspathic, lithic and minor conglomeratic arenites and friable arenite, siltstone, shale and carbonate. The Ooradidgee Subgroup consists mainly of fluvial sedimentary and sub-aerial volcanic...
rocks which partly interfinger. The Wauchope Subgroup is characterised by large volumes of volcanic and sedimentary rocks, probably both marine and fluvial in origin. The Hanlon Subgroup may be entirely marine and lacks volcanic units (Blake et al., 1987).

Deformation and regional metamorphism took place between 1810-1750 Ma (Black, 1981). Folding was about NW trending axes while metamorphism to upper greenschist facies took place. Later intrusion of both the Arunta basement and the Hatches Creek Group by granitoids of the Barrow Creek Granitic Complex took place around 1660 Ma (Blake et al., 1987). Contact metamorphism and metasomatism are often observed.

Sedimentation associated with the Georgina Basin commenced during the Late Proterozoic with the Amesbury Quartzite and was terminated during the Early Devonian after deposition of the Dulcie Sandstone. The Georgina Basin sequence was mildly affected by the Carboniferous Alice Springs Orogeny.

A long erosional period followed with subsequent deep weathering during the Tertiary produced silcrete and ferricrete horizons. A veneer of Quaternary sands and soils overlies much of the area, except where recent and active alluvial sedimentation is present.

6.2 Local Geology

The surface geology within SEL 24032 ranges from outcrop to thick cover in washout areas, and on average comprises 4-5m of soil cover. In the western area thick alluvial sediments are derived from the associated floodplains and palaeo-channels of the northward flowing Hanson River that flows through the licence. Cover in these areas can be in excess of 30m.

The dominant rock types include quartz-biotite schists and quartz arenites to the north, interpreted to be part of the Gwynne Sandstone and Illoquara Sandstone, along with tuffaceous siltstones and arenites of the Strzelecki Volcanics (all formations within the Wauchope subgroup of the Hatches Creek Group). Minor granite intrusions occur throughout the area. A strong NW-SE foliation is observed in the region paralleled by numerous quartz veins.

Dominant rock types of the C1-C5 anomalies at Kroda prospect include quartz mica schist, with andalusite porphyroblasts (interpreted to be Bullion schist) with conformable amphibolite lenses (interpreted to be meta dolerite). Common quartz veining parallels S1 schistosity, veining is chalcedonic and locally gossanous.

Previous drilling at the Morphett Prospect identified isoclinally folded Bullion Schist and amphibolites. The fold axes trend northwest. Numerous cross cutting pegmatite veins were also present.

Sheared quartz-mica schist (Bullion Schist) and conformable locally epidotised amphibolite dominate the NW Petricks Prospect. Granites and diorite sills intrude the area and a highly silicified porphyritic rhyolite with abundant quartz stockwork (Mt Strzelecki Volcanics) is also present.
7. WORK CARRIED OUT DURING THE PERIOD

7.1 RC Drilling

A total of 49 RC holes (NEWKRC0001-0049) for 2322m were drilled at the western end of the Kroda prospect. Holes were targeting interpreted strike extensions of the “mineralised horizon”, a bedding parallel amphibolite unit that appears to host the bulk of the Kroda mineralisation. Two west northwest trending horizons of amphibolite were interpreted with a possible fault closure offset by a large scale northwest trending fault.

Holes were drilled on N-S traverses with all holes inclined to the south. Holes were collared 80m apart on sections 1280m apart. All holes were less than 60m deep with many being stopped at 30-48m due to unfavourable lithologies being encountered. Cover depths were typically less that 2m, the base of weathering was variable but generally much shallower in the amphibolite.

The decision was made to drill with an RC rather than a RAB rig as the greater volume and pressure of air available would make for increased penetration rates. This was of particular concern at the Waldron’s Hill and Harrison prospects further west in the Lander River tenements where RC drilling was planned to follow on from this Kroda drilling program. Drilling at Kroda was comparatively quick through the metasediments, holes into granites were generally stopped short, drilling large amphibolite bodies was slow.

A peak result of 4m @ 198ppb Au was returned from NEWKRC0016 while NEWKRC0030 returned 4m @ 78ppb Au. Both holes were associated with the northern limb of the “mineralised horizon” with NEWKRC0016 finishing in amphibolite. A peak result of 4160ppm As was returned from NEWKRC0010 which was collared immediately north of the southern limb of the “mineralised horizon”. The drilling confirmed a 2.3km extension to the mineralised system west of previous drilling, this was consistent with results returned from the orientation BLEG sampling carried out before drilling.

All drill collars have been cut, plugged and back filled with sample bags emptied and removed. All grid lines were subsequently ripped and access to them barricaded to discourage vehicle traffic and encourage regrowth of vegetation.

7.2 Reconnaissance BLEG Sampling

A primary focus of Newmont’s reconnaissance exploration during the period has been to complete the collection of regional geochemical data sets. A soil (BLEG) sample line spacing of 2,560 m has been shown to readily define mineralised areas. Previously a line spacing of 1,280m had been used, but the wider spacing greatly reduces the number of samples collected. Deep filled palaeo-drainage features meant, that surface sampling was not always suitable, those areas interpreted to contain >15 m of transported cover were not BLEG sampled.

A very slow sample turnaround time was experienced for BLEG samples during the program. The decision was made after some comparison trials to change from BLEG A to BLEG T for samples collected in the eastern half of the project area. BLEG A and BLEG T results are not directly comparable. Both the BLEG A and BLEG T sample prep methods are proprietary to Newmont with the work being carried out at Newmont’s laboratory at Welshpool in Perth WA.
Reconnaissance sampling (73 samples) approximately 3km northeast of the Jarra Jarra range has defined a 0.3 x 6.0km striking east – west anomaly (>10ppb Au) at Sub-Target D with results up to 41.1ppb Au. BLEG T results above 10ppb Au are considered to be anomalous, trials over known mineralisation in the Lander River tenements show that 10ppb defines the systems. There has been no follow up at this prospect.

A small orientation program of BLEG sampling (61 samples) was conducted over the Kroda prospect prior to drilling, sampling was on lines 1,280m apart with samples 320m apart. The sampling returned a peak value of 269ppb Au and coincided well with mineralisation identified in earlier drilling programs. The BLEG anomaly indicates that the mineralisation extends around 2.5km beyond the historical drill defined anomaly.

7.3 Reconnaissance Lag Sampling

Reconnaissance Lag sampling was opportunistic where suitable >5 mm material was found during routine BLEG sampling. Three lag samples were collected north of the Jarra Jarra Range, there were no results over 1ppb Au.

8. CONCLUSIONS

The mineralisation system (>100ppb Au in drilling) defined to date at Kroda extends for up to 10km along strike. The system is not uniform along its length with potentially economic grades confined to comparatively short intervals, labelled C1-C5 by Normandy. The trend has largely been defined by extensive shallow vacuum drilling (<15m) on a 20x200m or 10x100m spacing. Small areas have seen percussion (RAB) drilling on a 15x40m pattern however most holes are <40m in depth. Limited RC and five diamond core tails have been drilled, most of the RC holes are <70m in depth with the deepest hole at 117m.

The 2009 drilling focused on potential extensions to the mineralised system along strike to the west of previous drilling. The drilling confirmed the 2.3km continuation of the mineralised system and amphibolite horizon. The modest results returned from the recent RC drilling suggest there may be some potential for significant mineralisation to be identified between these traverses with infill drilling. The mineralised zones identified in historic drilling on the C1-C5 prospects have only seen shallow drilling and there is some potential for narrow high grade shoots at depth. Historic drilling suggests there is a strong supergene enrichment effect over the C1-C5 prospects.

The Sub-Target D BLEG anomaly coincides with an interpreted mafic sill conformable with the surrounding metasediments. Aside from the large quartz ridge that is the Jarra Jarra range 3km to the south and a small quartz ridge immediately to the northwest there is no outcrop in the vicinity of the prospect. The prospect lies along strike from the Kroda prospect in the same rock units. The same district scale structures pass north and south of the two prospects. The prospect has been covered by detailed airmag surveys and from this data tight isoclinal folding has been interpreted to the north and east.

Historical aircore and vacuum drilling 1.2km along strike to the east of the prospect has returned some elevated gold (<16ppb) and arsenic (<190ppm) results. The drilling also indicates significant cover thicknesses (<40m) in that area such that surface sampling would be ineffective. The prospect would likely be amenable to RAB drilling.
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BARROW CREEK JV

TENEMENT SEL 26825

OPERATOR Newmont Tanami Pty Ltd

HOLDER Newmont Tanami Pty Ltd

REPORT TYPE Annual

TITLE Annual Report for SEL 26825

PERIOD 27th January 2009 to 26th January 2010

AUTHOR(s) P. Pring, M. Eisenlohr

DATE 26th February 2010

1:250 000 SHEET Lander River SF53-01
Mt Peake SF53-05
Barrow Creek SF53-06
Bonney Well SF53-02

TARGET COMMODITY Gold

KEYWORDS BLEG sampling, lag sampling, RC drilling

PROSPECTS DRILLED Kroda

LIST OF ASSAYS (alphabetical) Au, Ag, As, Bi, Ca, Cd, Cr, Cu, Fe, Hg, In, Mn, Mo, Ni, Pb, Sb, Te, Tl, U, Zn

ABSTRACT

Location: 20 to 85km NW of Barrow Creek

Geology: Schists and quartz arenites along with Strzelecki Volcanics within the Hatches Creek Group

Work done: 49 RC drill holes, BLEG sampling and reconnaissance lag sampling

Results: 4m @ 78ppb Au and 4m @ 198ppb Au (RC), 269ppb Au and 41ppb Au

Conclusions: Decision made to divest