ANNUAL REPORT MINERAL CLAIM 24456

BACKGROUND

The Mining Registrar advised by letter of 3 August 2010 that an Annual Report was required to be lodged within 3 months of the anniversary date of MC 24456 that contains information on total expenditure and exploration activities for the year. The tenement was granted on 6th October 2009. A small project Mine Management Plan was approved by the Department of Resources in May 2010. This report is being submitted relatively early as field work has ceased for the current dry season on the tenement while evaluation of trenching outputs is carried out.

Exploration Activity

Exploration was carried out in a quartz filled shear zone containing small pods of lead and zinc sulphide mineralisation in Burrell Creek Formation. The target mineral of potential economic interest was the mineral Pyromorphite, which is common on the old waste rock dumps of the prospect.

An excavator was bought in for a day on the 26th July 2010 with a target of 4 to 5 trenches. Only one trench was dug. There was 2 hours of machine breakdown time and it was found that the iterative process between machine operator and geologist was more time consuming than expected. There was no narrow bucket accompanying the machine at the start of the exercise or a ripper to deal with the hard quartz lenses. This matter will not arise in 2011 when it is aimed to complete the program with appropriate machinery.

The trench that was successfully dug located at a depth of 2 metres a ~1 metre long by 15cm wide lense of lead and zinc sulphide mineralisation enclosed by an iron coloured clay exterior. The lense was encapsulated partly in quartz. Small crystals of Pyromorphite were located in the clay and attached to oxidising parts of the sulphide mineralisation. The near surface sulphide mineralisation is indicative of either a retarded oxidation process of unknown chemistry or a short period of oxidation.

The Pyromorphite mineralisation was not obvious upon initial removal from the trench and was distinguished by the specific gravity of the clay portion. The optimum target is at least a 0.5 cubic metre mass of Pyromorphite. Such a mass could produce sizeable commercial xtyls of Pyromorphite. Hence the target is quite small as far as standard mineralised targets go. The quartz matrix for the sulphide mineralisation and the small size of the sulphide mineralisation suggests that the oxidation process at the site it not likely to produce classic volumes of Pyromorphite such as found in the oxidation system at the Browns project near Batchelor. The mine still has potential for lower value "location" specimens.

One cubic metre of excavated quartz and mineral vein material was placed on a surface of old waste rock dump material beside the rehabilitated trench. It contains some Pyromorphite in thick clay and some primary galena and sphalerite, with minor cerussite. Trace copper was found in the form of small malachite coatings on galena. This rock and some larger coherent pieces on the edge of the excavation provide geological and mineralogical information for the project and any future explorers.
Evaluation

There were no outstanding specimens of Pyromorphite collected from the trench (See Photo 3 of the trench). Nevertheless, for the specimens that were found, laboratory cleaning may be able to remove the iron clay and retain the Pyromorphite xyls on the remaining matrix of siliceous iron oxide, and in some case a matrix of fine Pyromorphite. To this end some 16 specimens will be forwarded to a specialist mineral cleaning laboratory in Texas, USA.

Commercial assessment of the specimens will follow this cleaning exercise which will be viewed by the writer in the USA in February 2011. The second leg of commercial assessment is the completion of the original approved trenching program.

Quarterly Production Return. There is nil production to report as no specimens of commercial value have been produced at this point.

Expenditure

Direct cash costs for the year were $2499 ie:

1. $1848 paid to Ooloo Investments for excavator work;
2. Vehicle costs of $651 –three round trips to the MC from Darwin house rental base to set up excavator access, attend excavator exercise, final site visit to complete rehabilitation.

Indirect costs were the owners time on site, preparation of the Mine Management Plan and the cost of setting up house in Darwin as a base to visit this MC and EL 9874 in the Alice Springs area. These are not provided as they are too difficult to untangle from everything else the writer was doing in the Top End.

Rehabilitation

The trenching operation commenced with removal of an old waste rock dump into an old 30 metre costean cutting across the quartz filled shear zone. The volume of this costean was greater than the total of the old excavations. The excavator trench was filled in late in the afternoon and the surface of the working area rehabilitated. A final visit to the MC in early August spread broken wood pieces across the disturbed area of 20 by 30 metres to provide animal habitat and trap any erosion products. Rehabilitation works were advised to Mr Don Perry of the Department for follow up ground inspection.

Future Exploration and Expenditure. Expenditure next year will most likely involve the same direct cash costs as above ($2500) plus the $500 cost of mineral cleaning by a relevant expert ie $3000.

Dehne McLaughlin (Sole Trader)

30th August 2010
PHOTO 1

MAIN MINE PIT BEFORE EXCAVATION
PHOTO 2

MOVING OLD WASTE ROCK DUMP INTO OLD COSTEAN
PHOTO 3. TRENCHING OPERATION WITH NARROW BUCKET IN AFTERNOON
PHOTO 4

OLD COSTEAN FILLED IN DURING EXCAVATION OF TRENCH
PHOTO 5

REHABILITATED SURFACE FOLLOWING FILLING IN OF THE TRENCH