ANNUAL REPORT

EXPLORATION LICENCE 9534

"Mount Lynott"

19th August, 1998 to 18th August, 1999

Licensee: Ashton Mining Limited

Operator: Ashton Mining Limited

Sheet Reference: 1:250,000 Bauhinia Downs (SE53-03)

Submitted to: Department of Mines and Energy, Darwin

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Ashton Mining Library

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SUMMARY

This report details diamond exploration work conducted by Ashton Mining within Exploration Licence 9534 (Mount Lynott) between the 19th August, 1998 and the 18th August, 1999.

The processing results of six gravel samples and one bulk sample became available during the reporting period. A single micro-diamond was recovered from one gravel sample whilst all remaining samples reported negative results. This sample result further confirms the existence of a low-density micro-diamond anomaly within drainages of the south-east portion of the licence.

A thirty tonne bulk gravel sample was collected from EL 9534 in order to evaluate the macro-diamond potential of the positive drainage system. At the time of reporting the sample had yet to be processed and a final result is awaited. It is anticipated that further exploration within the tenement will depend upon the outcome of this sample.

Exploration expenditure for the reporting period amounted to $44,738 against a covenant of $31,000.
1.0 INTRODUCTION

This report details the nature of exploration activities conducted by Ashton Mining in Exploration Licence 9534 (Mount Lynott) between the 19th August, 1998 and the 18th August, 1999. During this period Ashton Mining continued its search for diamond-bearing kimberlite intrusives within the Batten region of the Northern Territory. Exploration techniques employed in EL 9534 involved the analysis and interpretation of outstanding sample result data and the collection of a bulk drainage sample.

Exploration Licence 9534 was granted to Ashton Mining on the 19th August, 1996 for a period of six years. The licence originally covered an area of 41 graticular blocks but was subsequently reduced to 21 blocks following a 50% statutory reduction in the second year of tenure. The tenement is situated on the 1:100,000 Mallapunyah map sheet and the 1:250,000 Bauhinia Downs (SE53-03) map sheet. EL 9534 occurs wholly upon the Macarthur River Station pastoral lease, with access provided by established tracks and fencelines. A tenement location map is included within this report as Figure 1.

A statement of expenditure is also included within this report.

2.0 DIAMOND EXPLORATION

2.1 Outstanding Results

The results of laboratory processing of six x 2-bag gravel samples and one x 50-tonne bulk sample collected during the previous reporting period became available. One gravel sample (98083-008) reported a positive result with a single micro-diamond (<0.3mm) recovered. This result is consistent with previous sample results from the
ASHTON MINING LIMITED
A.D.E. JOINT VENTURE

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FIGURE 1
LOCATION MAP

SEPTEMBER, 1999
area and further confirms the existence of a low-density micro-diamond anomaly within the catchment.

The remaining gravel samples and the bulk sample reported negative results. Sample locations are illustrated on Plan 1 of the annual report submitted for EL 9534 for the period 19th August, 1997 to the 18th August, 1998 (AML Report Number 52276). A listing of these sample results is provided in Appendix 1 of this report.

2.2 Laboratory Procedure

The six gravel samples outstanding from the previous reporting period were processed and observed at the Ashton Mining laboratory in Perth. Processing of the samples initially involved concentration of the heavy mineral fraction by Wilfley Table and heavy liquid separation techniques. The heavy liquid used is tetrabromoethane with a specific gravity of 2.96. The concentrate is then screened into various size fractions and further concentrated by magnetic and electrostatic separation methods. A comprehensive grain-by-grain examination is then carried out on the minus 1.0mm plus 0.3mm fraction and all kimberlitic indicator minerals are identified.

2.3 Bulk Sampling

Recent work in EL 9534 has focussed primarily upon a drainage system in the south-east portion of the tenement where a low-density micro-diamond anomaly has been defined. In order to evaluate the macro-diamond potential of the catchment area a 30 tonne bulk drainage sample was collected (98063-019).
The initial phase of the bulk sampling operation involved the selection of a suitable heavy mineral trap site within the main drainage system. Helicopter-borne reconnaissance of the stream was undertaken and a moderately-good rock/gravel bar site, situated several kilometres downstream of the existing anomaly, was chosen for the operation. Prior to sample collection a substantial disturbance notice was lodged with the Department of Mines and Energy and a check was also made of the aboriginal sacred sites registry.

Access to the selected sample site utilised existing pastoral tracks where possible, although approximately 200m of new access had to be cleared. The rock bar trap site was excavated to bedrock using a Samsung front-end loader, and the collected gravel was then field-screened to the 100mm-size fraction. The screened gravel was then transported in a 6WD Kaiser tip-truck to the Ashton Mining exploration camp at Cape Crawford. Due to extensive refurbishment work undertaken on the Ashton Mark III DMS plant the sample was not fully processed during the reporting period. Final results are awaited and will be reported in the following year. The location of the bulk sample is shown in Figure 2.

3.0 REHABILITATION

Minimal environmental disturbance was caused during the bulk sampling operation. Existing tracks were used to access the area as much as possible, with only 200m of newly cleared access required to reach the sample site. This new section of track was not graded, and compacted areas were ripped after use to promote re-vegetation. After the sample had been screened the oversize gravel was re-distributed into the excavated site and also used to sheet the small access cut that was made into the creek
bank. All large rock piles were also levelled. Following the wet season the sample site was re-visited in order to check on the re-distribution of the gravel and the overall rehabilitation of the site. Natural re-vegetation of the site was well advanced with no permanent environmental scarring evident.

4.0 EXPLORATION EXPENDITURE
Exploration expenditure for the period 19th August, 1998 to 15th August, 1999 amounted to $44,738 against a covenant of $31,000. A detailed breakdown of expenditure is provided in Appendix 2.

5.0 CONCLUSIONS AND RECOMMENDATIONS
Analysis of the outstanding sample results further confirmed that a low-density micro-diamond anomaly occurs in the south-east portion of EL 9534. Repeated attempts to confirm a chromite-positive sample result from the same area have all proven to be unsuccessful. Stand-alone micro-diamond anomalies are notoriously difficult to trace to their source, and further evaluation of the area will depend largely upon the result of the bulk sample that was collected from the drainage. A strong positive result would significantly upgrade the prospectivity of the anomaly as it would indicate the potential of the undiscovered source rock to host commercial-sized diamonds. However, a negative sample result would indicate that the source of the micro-diamonds is not an economically viable exploration target. Therefore, it is recommended that a moratorium be placed on further exploration within the tenement until the bulk sample result is known and assessed.
6.0 PROGRAMME AND BUDGET

The proposed programme and budget for EL 9534 for the forthcoming period 19th August, 1999 to 18th August, 2000 is presented below.

EL 9534 Programme

1. Evaluate result of bulk drainage sample.
2. Complete further in-fill and follow-up drainage/loam sampling.
3. Aerial or ground-based geophysical surveys in prospective areas.
4. Drill testing of generated targets with kimberlitic signatures.

EL 9534 Projected Expenditure

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Labour</td>
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<tr>
<td>Travel/Accommodation/Meals</td>
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<tr>
<td>Field Supplies</td>
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<tr>
<td>Equipment Hire</td>
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<tr>
<td>Freight/Storage</td>
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<tr>
<td>Helicopter Charter</td>
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<tr>
<td>Aerial Photography</td>
<td>500</td>
</tr>
<tr>
<td>Drilling</td>
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</tr>
<tr>
<td>Geophysics</td>
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<tr>
<td>Laboratory</td>
<td>2,000</td>
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<tr>
<td>Drafting/Computing</td>
<td>500</td>
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Total $ 19,000

7.0 REFERENCES


APPENDIX 1

Outstanding Sample Results
## Sample Results for EL 9534

*Annual Report for the period 19/08/98 to 18/08/99*

<table>
<thead>
<tr>
<th>Sample</th>
<th>Easting</th>
<th>Northing</th>
<th>Type</th>
<th>Result</th>
<th>Micro</th>
<th>Macro</th>
<th>Chromite</th>
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<td>98063-001</td>
<td>600978</td>
<td>8162257</td>
<td>BG</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<td>98063-001</td>
<td>602287</td>
<td>8154549</td>
<td>G</td>
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<td>-</td>
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<td>98083-002</td>
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<td>8153836</td>
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<tr>
<td>98083-008</td>
<td>601553</td>
<td>8152778</td>
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<td>-</td>
<td>-</td>
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<td>98083-009</td>
<td>602784</td>
<td>8152619</td>
<td>G</td>
<td>Negative</td>
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<td>-</td>
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G = Gravel  
BG = Bulk Gravel
APPENDIX 2

Statement of Expenditure
STATEMENT OF EXPENDITURE

Exploration Licence 9534

Annual Report

For the Period
19th August 1998 to 18th August 1999

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Geoscientist/Professional Staff</td>
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<tr>
<td>Field Support/Office Staff</td>
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<td>Other Contractors</td>
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<td>Freight/Storage</td>
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<tr>
<td>Helicopter Charter</td>
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</tr>
<tr>
<td>Laboratory</td>
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</tr>
<tr>
<td>Drafting/Computing</td>
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</tr>
<tr>
<td><strong>Sub-Total</strong></td>
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<tr>
<td><strong>Overheads</strong></td>
<td><strong>4,067</strong></td>
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<tr>
<td><strong>Total:</strong></td>
<td><strong>$44,738</strong></td>
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