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**EPM 13973 “Connolly West”
Annual Report**

28th April 2003 to 27th April 2004

Volume 1 of 1

Tenure Holder: Anglo American Exploration (Australia) Pty Ltd

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SUMMARY

EPM 13973 (“Connolly West”) was granted to Anglo American Exploration (Australia) Pty Ltd (AAEA) on 28 April 2003. EPM13973 is comprised of 100 graticular sub-blocks and along with adjacent EPM 13974 comprises the Connolly Project.

The Connolly West tenement is considered to be prospective for SEDEX style Zn-Pb-Ag mineralisation. The tenement is situated within the northern extension of the Mt Isa Inlier. Mesozoic, Tertiary and Quaternary sediments overlie Late Proterozoic units.

Exploration since AAEA acquired the tenement included a review of previous company exploration reports in the area and a geological appraisal of the tenement by consultant Robert Henry of Terra Search Pty Ltd.

Future work planned on this tenement includes compilation of geological data sets, geological mapping and reconnaissance investigations with subsequent ground geophysical surveys (EM and gravity) of prospective areas. RC drilling would be dependant upon identification of prospective targets.

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1. INTRODUCTION

This report summarizes the exploration activities conducted on EPM 13973 (“Connolly West”), during the first year of the tenement, 28th April 2003 to the 27th April 2004.

Connolly West (EPM 13973) is located approximately 80km north-northwest of Lawn Hill and 340km north-northwest of Mt Isa in northwest Queensland on the Westmoreland (SE 54-05) and Lawn Hill (SE54-09) 1:250,000 map sheets and the Hedleys Creek (6562) and Bowthorn (6561) 1:100,000 map sheets. Access to the project is via the Flinders Highway to Mt Isa then north along the Camooweal Burketown Road then station tracks to the prospect area (see Figure 1).

The area was considered to be highly prospective for SEDEX Zn-Pb-Ag mineralisation. The prospective Proterozoic basement rocks in the region are partially covered by South Nicholson Group cover rocks (Constance Sandstone) and Mesozoic, Tertiary and Quaternary units.

2. TENURE

Figure 1 shows the Tenement Location Plan and the table below lists the 100 sub-blocks that comprise the tenement.

BIM & Block	A	B	C	D	E	F	G	H	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
Norm 1516																					X	X	X	X	X
Norm 1587					X					X		X	X	X	X		X	X	X	X	X	X	X	X	X
Norm 1588	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Norm 1659	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Norm 1660	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X				
Norm 1731	X	X	X	X	X		X	X	X	X															

Table 1 Sub-blocks comprising EPM13973

3. REGIONAL GEOLOGY

Anglo American Exploration (Australia) Pty Ltd contracted consultant Robert Henry (Terra Search Pty Ltd) to provide a geological appraisal of the Project area and the following is a synopsis of that report (the full report is included as Appendix 2). The Connolly Project area lies near the northern edge of the Lawn Hill Platform of the Western Succession of the Mount Isa Inlier (Blake and Stewart, 1992). More recent interpretations of the tectonics include those of McConachie et al (1993) suggesting that the term "Lawn Hill Platform" be replaced with the Bowthorn Block and Riversleigh Fold Zone structural provinces of the northern Mount Isa Basin constituting a foreland basin evolution model. Subsequently Scott and Bradshaw (1997) returned to a rift sag model within an intracratonic basin. In 1998 Southgate et al proposed the term the Isa Superbasin for this model.

The various proposed models all show a thick sequence of mid Proterozoic McNamara Group units/equivalents wedging out onto the Murphy Inlier. It is interpreted that the Peters Creek Volcanics, an Eastern Creek Volcanics equivalent (Page, 1997) or a Fiery Creek Volcanics/Bigie Formation equivalent (Scott et al., 1997) that outcrop on the edge of the Inlier extend further south into the northern Mount Isa Basin unconformably underlying the McNamara wedge (Leven et al., 1997).

Sediments of the South Nicholson Group occupy a separate basin that is generally unconformable over the McNamara Group units but with possible conformity in the far northeast (Scott and Bradshaw, 1997). Mesozoic sediments of the Carpentaria basin onlap older rocks from the east.

East-northeast trending faults occur within the Bowthorn Block and include the Fish River, Nicholson, Corinda, Elgilabria and Elizabeth Creek Fault Zones. NW-SE oriented faults, including possible extensions of the Calvert Hills Fault, are also evident. These faults were active at various times during basin development as evidenced by seismic data.

The thick sequence of Proterozoic in the northern Isa Superbasin is seen as an excellent source for Pb/Zn-rich fluids, which could be focused along major faults and delivered to trap sites to produce giant sediment-hosted Pb/Zn deposits. To date, Century has been the only economic deposit of this type found in the region. Sub-economic Pb/Zn deposits have been identified at Walford Creek, Bluebush, Grevillea and Kamarga.

The area covered by the tenement (EPM13973) consists dominantly of Mesozoic and Cainozoic covered Late Proterozoic rocks and lies over the Nicholson Fault. The Proterozoic is represented by the Constance Sandstone; white and reddish-brown, medium quartz sandstone with scattered pebbles and cobble

conglomerate lenses. Units within the Constance Sandstone include the Pandanus Siltstone Member, a purplish-brown and grey micaceous siltstone, shale and fine sandstone, the Wallis Siltstone Member a purplish-brown, micaceous fine sandstone and siltstone with quartz sandstone interbeds and the Bowthorn Siltstone Member, a laminated micaceous siltstone with quartz sandstone interbeds. The Mesozoic is represented by the Mullaman Beds comprised of quartzose sandstone, sandy claystone and siltstone. The overlying Early Tertiary, Floraville Formation contains clayey quartzose sandstone, minor claystone, siltstone and conglomerate with Tertiary to Quaternary ferricrete, laterite, quartzose sand and gravel, colluvium and alluvium also extant. Quaternary silt, sand, clay, quartzose sand, and older alluvial deposits are exposed along drainage systems.

Pb-Zn mineralisation in the Mt Isa Block is hosted by carbonaceous, variably pyritic fine-grained siliciclastic sediments deposited adjacent to faults active between ~1700 and 1595 Ma. Extensional and transtensional faulting formed small, third-order basins that were the loci for deposition of anoxic strata. The faults also provided fluid pathways for the mineralising fluids. All the major ore bodies in the Mt Isa Block are immediately adjacent to major regional structures active between ~1700 and 1595 Ma.

Government mapped geology is shown in Figure 2.

4. EXPLORATION RATIONALE

Following release of the Queensland Department of Mineral Resources' "North-west Queensland Mineral Province Report" in December 2000, an independent regional targeting exercise by AAEA identified a series of target areas throughout the Isa-McArthur region as having potential for SEDEX-style Zn-Pb-Ag mineralisation. EPM13973 was applied for to test the potential of the basement Proterozoic units to host SEDEX style Zn-Pb-Ag mineralisation.

5. PREVIOUS EXPLORATION

Consultant Robert Henry undertook a review of the previous exploration conducted in the Connolly Project area. A list of previous company activity in the area is attached as Appendix 1. The following synopsis is taken from Robert Henry's (2004) study. A considerable proportion of the previous work was conducted on the belt of exposed Fickling Group rocks lying to the north of the Connolly Tenements. WMC discovered the Walford Creek Zn prospect at the edge of this belt in the early 1980's and worked on the prospect during the early

1990's (Rohrlach et al., 1998). Shell, WMC and MIM all flew aeromagnetic surveys that included the Connolly area. WMC defined conceptual Pb/Zn targets at structural intersections based on magnetics and gravity but most targets were left untested (Rohrlach et al., 1993).

Comalco recorded approximately 1000km of seismic reflection in the region and drilled four wildcat wells (McConachie et al., 1993). Approximately 195 km of the seismic survey lines cover the Connolly Project area now held by AAEA and one well, Argyle Creek 1, was also drilled within this area. The locations of faults and mid Proterozoic prospective host units were defined using this data, which also enabled assessment of the younger cover sequences. In addition, the South Nicholson Group sandstone was calculated to range from 200m to 400m in the lower half of the Connolly Project area. MIM conducted exploration in the southern half of the Connolly Project area concentrating on the intersection of the Calvert Hills Fault and the Nicholson Fault.

Aberfoyle Resources Limited undertook exploration work in the area in 1996 utilising aeromagnetic and seismic surveys to identify conceptual Pb/Zn targets under cover. Wide-spaced soil sampling to detect transported metal ion anomalies was conducted over the targeted zones in 1996 (Henry, 1996).

AGSO, in 1995, initiated an evaluation of the region integrating previous exploration to aid their interpretation of the tectonostratigraphic framework of the Mount Isa and McArthur Basins (Scott and Bradshaw, 1997; Leven et al., 1997; Bradshaw and Scott, 1997; and Scott et al, 1997). The final presentation of this study was recorded in AGSO Records in 1999/2000 and in a special volume of the Australia Journal of Earth Sciences (Volume 47, Number 3, June 2000).

6. EXPLORATION CONDUCTED

Since being granted the tenement, AAEA has conducted a review of previous company exploration reports in the area and a geological appraisal of the tenement by consultant Robert Henry of Terra Search Pty Ltd (see sections on Regional Geology and Previous Exploration and Appendix 2). Due to changing exploration priorities within the company, planned fieldwork on EPM13973 was deferred until a later date.

7. FUTURE EXPLORATION PLANNED.

Future work planned on this tenement includes compilation of geological data sets, geological mapping and reconnaissance investigations with subsequent

ground geophysical surveys (EM and gravity) of prospective areas. RC drilling would be dependant upon identification of prospective targets.

8. CONCLUSION

The Connolly West tenement is considered to be prospective for SEDEX style Zn-Pb-Ag mineralisation. Initial work in the first year of the tenement was comprised of a review of previous company reports and a geological appraisal of the Project area by consultant Robert Henry.

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