Annual Report for EL39/2006

Gawler

27th March, 2009

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for

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Summary.

EL 39/2006 was granted on 7th May 2007, following the discovery of promising hematite out crops in ploughed paddocks.

An exploration program was planned but was cancelled in favour of a J/V with Stonehenge Metals to expend $400,000 dollars or prove a viable resource of 20+ million tonnes of high grade hematite.

During the course of the exploration program Stonehenge varied the planned drill program and as a result, the majority of the holes were drilled beyond the inferred mineralized zone. However enough high grade hematite was drilled within the inferred mineralized zone to warrant further exploration.

All of the following catagories are covered in detail in last years annual report by Stonehenge Metals.

Land Tenure

Land within the licence area is mostly privately owned farm land and bush with some areas to the south of the tenement under state forest control.

There are a number of state roads and waterline easements within the licence.

Geology

Geology of the area is mainly decomposed basalt utilized as farmland with some quartzite outcrops to the south of he tenement.

Previous Exploration

The only exploration carried out in the area prior to the McDermott/ Stonehenge joint venture was an investigation by personnel from BHP following up a report by a local prospector who claimed to have excavated an outcrop of hematite. The report wrongly stated that no hematite was indicated in the vicinity and no further exploration was warranted.

Work Completed 2nd Year

Following the proving up of a1.5 million tonne resource of hematite, the joint venture with Stonehenge Metals was dissolved and it was decided to place the property in a proposed IPO. The financial crisis of January 2009 forced the delay of further exploration and no further field work has been carried out pending the inclusion of the tenement into a current IPO.

Conclusions and Recommendations

The Gawler deposit is a hematitic sand and lump hematite formed through the leacing of relevant minerals from the surrounding and overlaying basalt formations. To date approximately 1.5 million tonnes of economically viable hematite have been outlined with the strong possibility of extending the resource both north and south.

Further drilling would certainly extend the size of the resource and comparable grades to those already obtained can be expected. (40% - 70%Fe). The resource is shallow (surface to 40m) and lends itself to relatively easy mining and with transport and deep water port close handy could be a viable mining operation should the proving up of somewhere in the vicinity of 20 million tonnes be achieved.

It is recommended the property be placed in the proposed IPO to raise funds for further exploration and drilling.

Expenditure

In excess of $150,000 has been spent on this tenement to date with a further $10,000 expected to be spent on appraisal and preparation of reports for IPO inclusion during May/June of 2009.