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29 March 2007

The Board of Directors
YTC Resources Ltd
36 Clinton Street
ORANGE NSW 2800

Dear Sirs

SOLICITOR'S REPORT ON TENEMENTS

This report is prepared for incorporation by reference in a prospectus to be issued by YTC Resources Ltd (**YTC** or **Company**) on or about 30 March 2007 (**Prospectus**).

1. ASSETS

As at the date of this report the Company has entered into an agreement with Australian Oriental Minerals NL (**AOM**), pursuant to which AOM has agreed to grant to the Company the right to take up an interest in part of Exploration Licence 6389 (**EL 6389**). All other tenements covered are presently owned by the Company or its wholly owned subsidiaries, being Stannum Pty Ltd (**Stannum**) or Defiance Resources Ltd (**Defiance**). All granted mining tenements and all applications are collectively referred to in this report as the **Tenements**.

A schedule of the Tenements is attached to and forms part of this report (**Schedule**). Part I of the Schedule contains a list of the Tenements. Part II of the Schedule contains a summary of the material terms of the agreement relating to EL 6389. Part III of the Schedule contains a summary of the status of the native title claims existing over the Tenements.

4. TENEMENTS

The Tenements comprise exploration licences granted or applied for under the Mining Act 1992 (NSW) (**NSW Mining Act**).

(a) Exploration Licence

The Tenements are exploration licenses, both granted and applications, and are in respect to Group 1 minerals, which are metallic minerals such as gold, silver, tin and copper.

An exploration licence issued under the NSW Mining Act gives the holder exclusive rights to explore for the minerals specified in the area covered by the licence. An exploration licence takes effect on the date on which it is granted and ceases to have effect at the expiration of such period (not exceeding 5 years) as the relevant Minister may determine.

It is necessary to enter into an access agreement with all landholders prior to carrying out exploration (section 140). All landholders are entitled to compensation for all compensable loss caused by exploration (section 263) and mining (section 265). In the event that no agreement can be reached with the landholders, the matter can be referred to arbitration, and if not resolved there, the Mining Warden for determination.

Exploration licences are renewed under the provisions of the NSW Mining Act. If a holder intends to carry out further exploration within an exploration licence after the expiry date, the holder must apply for a renewal of the licence. Applications for renewal must be made no earlier than two months and no later than one month before the expiry date (section 113). If a valid application for renewal is not dealt with before the expiry date, the licence remains in force until the application is dealt with (section 117).

An exploration licence may not be renewed for more than half the area of the licence at the time of lodgement of the renewal application (section 114(6)), unless special circumstances are applicable. On renewal, exploration licences can be any shape but cannot comprise more than 5 individual areas.

An exploration licence may be renewed for a maximum term of five years and may be renewed for further periods not exceeding five years on any one occasion.

An application for renewal of EL6389 has been submitted and in accordance with the NSW Mining Act. The directors of the Company are not aware of any reason why the renewal application for EL6389 will not be approved.

An application for renewal of EL 6392 has been submitted together with a submission on 'extenuating circumstances' in relation to underexpenditure on the tenement. In the event the Company's submission is rejected the Company will be required to reduce the tenement area by 50%. Such an event is not considered material by the directors of the Company and will not impact on the Company's ability to carry out its stated operations.

(b) Generally Applicable Conditions

Mining tenements are granted subject to various conditions prescribed by the NSW Mining Act including compliance with minimum expenditure and reporting requirements.

The Tenements are also subject to statutory requirements of certain other Acts including Aboriginal heritage legislation, environmental protection legislation and rights in water legislation. These standard conditions are not detailed in the notes to the Schedule.

(c) Specific Conditions

Specific conditions applicable to the Tenements are detailed in the notes to Part I of the Schedule.

5. ABORIGINAL HERITAGE

5.1 General

There may be areas or objects of Aboriginal heritage located on the Tenements.

We have not undertaken searches to ascertain if any Aboriginal sites or objects have been registered in the vicinity of the Tenements as there is no obligation under the relevant legislation to register sites or objects. Further, the exact location of Aboriginal sites can not be ascertained from these searches.

The Company must ensure that it is in compliance with the Commonwealth and New South Wales legislation relating to Aboriginal heritage as set out below. To ensure that it does not contravene such legislation, the Company would need to conduct heritage surveys to determine if any Aboriginal areas or objects exist within the area of the Tenements. Any interference with these sites must be in strict conformity with the provisions of the relevant legislation. It may also be necessary for the Company to enter into separate arrangements with the traditional owners of the sites.

5.2 Commonwealth Legislation

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)* (**Commonwealth Heritage Act**) is aimed at the preservation and protection of any Aboriginal areas and objects that may be located on the Tenements.

Under the Commonwealth Heritage Act, the Minister for Aboriginal Affairs may make interim or permanent declarations of preservation in relation to significant Aboriginal areas or objects, which have the potential to halt exploration activities. Compensation is payable by the Minister for Aboriginal Affairs to a person who is, or is likely to be, affected by a permanent declaration of preservation.

It is an offence to contravene a declaration made under the Commonwealth Heritage Act.

5.3 New South Wales Legislation

The *National Parks and Wildlife Act 1974 (NSW)* (**NPWA**) is aimed at the preservation and protection of any Aboriginal places and objects that may be located on the Tenements.

Under the NPWA, the Minister administering the NPWA may declare a place to be protected where that place is deemed to have special significance to Aboriginal culture.

It is an offence to destroy, deface, damage or desecrate, or cause or permit the destruction, defacement, damage or desecration of, an Aboriginal object or Aboriginal place without a heritage impact permit issued by the Director-

General of the Department of Environmental and Conservation pursuant to section 90 of the NPWA. There is a defence to this offence where a party acts with due diligence and reasonable precaution.

6. NATIVE TITLE – LEGISLATION

6.1 General

On 3 June 1992, the High Court of Australia held in *Mabo v. Queensland (no.2)* (1992) 175 CLR 1 (**Mabo #2**) that the common law of Australia recognises a form of native title which reflects the entitlements of Aboriginal people to their traditional lands in accordance with their traditional laws and customs. In order to succeed in a native title claim the persons making such claim must show that they enjoy certain customary rights and privileges in respect of a particular area of land and that by these rights and privileges they have a connection with that land.

In *Mabo #2*, the High Court held that native title could be extinguished through loss of traditional connection with the land or by legislative or executive actions which are inconsistent with the continued right to enjoy native title. In particular, native title may be extinguished by the State:

- (a) granting a title or interest in land, such as a freehold or leasehold title; or
- (b) appropriating or reserving and using land for a public purpose such as public works,

which is inconsistent with the continued right to enjoy native title in respect of the same land. Extinguishment may be whole or partial depending upon the nature of the State's action. The principles concerning extinguishment have been developed in subsequent High Court and Federal Court decisions.

The grant of a mining tenement only partially extinguishes native title rights and interests. Under Section 44H of the NTA and at common law, the rights held under mining tenements will prevail over any inconsistent native title rights. In the case of exploration licences, recent court decisions have held that there is considerable scope for the co-existence of native title rights and the exploration licensee's rights.

The Commonwealth Parliament responded to the *Mabo* decision by passing the *Native Title Act 1993 (Cth)* (**NTA**). This Act enabled a State Parliament to validate any mining tenements granted prior to its commencement which might otherwise have been invalid.

The NTA was extensively amended by the *Native Title Amendment Act 1998 (Cth)*. These amendments include the validation of any titles that may have been invalidly granted over pastoral leases and certain other leasehold interests during the period 1 January 1994 to 23 December 1996. Other significant amendments include a revised threshold test for the acceptance of native title claims, confirmation of extinguishment of native title by the grant of "exclusive possession" pastoral leases and certain other leasehold interests and provisions intended to deal with overlapping claims.

6.2 New South Wales

The New South Wales Parliament has adopted the *Native Title (New South Wales) Act 1994 (NSW)* which adopts the NTA.

Under the NTA, native title is extinguished by grants of private freehold title and exclusive possession tenures such as freehold leases. Validly granted mining tenements that are to be granted solely over such tenures are not subject to native title considerations.

Tenures which may co-exist with native title are generally non-exclusive leases such as pastoral leases, pastoral development holdings, some special leases and term leases for grazing pastoral purposes, occupation licences, permits to occupy, road licences and some others.

We have not researched the underlying land tenure in respect of the Tenements in order to determine the extent of extinguishment for the purposes of this report.

7. NATIVE TITLE – CLAIMS

Persons claiming to hold native title may lodge an application for determination of native title with the Federal Court. The Court will then refer the application to the Native Title Registrar for the registration test.

If the Native Title Registrar is satisfied that the lodged claim meets the registration requirements set out in the NTA (**Registration Test**), it will be entered on the Register of Native Title Claims maintained by the National Native Title Tribunal (**Register**). Claimants of registered claims are afforded certain procedural rights under the NTA including the "right to negotiate".

Claims which fail to meet the Registration Test are recorded on the Schedule of Applications Received. Such claims may be entered on the Register at a later date if additional information is provided by the claimant that satisfies the Registration Test. If a claim fails to meet the Registration Test, this only means that the native title claimants do not have access to the future act procedures under the NTA. It does not mean that the claim has been dismissed or discontinued. An unregistered claim must still be heard and determined by the Federal Court.

One of the Tenements relates to land which is currently the subject of a registered native title claim. This claim is identified in Part III of the Schedule. The fact that a claim has been lodged does not necessarily mean that native title exists over the area claimed, nor does the absence of a claim necessarily indicate that no native title exists over that area.

We have not undertaken the considerable historical, anthropological and ethnographic work that would be required to determine the likelihood that the existing claim may be successful, or the possibility of any further native title claims being made in the future.

In any event, the existence of native title is not the main issue for the Company as the purchaser of the Tenements. The main issue is the existence of a registered native title claim. That effectively requires the Company to observe the provisions of the NTA in proceeding with its applications for Tenements. The reason for this is that an act which affects native title rights such as the grant of a mining tenement may be invalid unless there has been compliance with the provisions of the NTA. Until the native title claim has been determined by the Federal Court the existence of native title will be uncertain. Prudence dictates that native title should be assumed to exist over all claimed land other than freehold, "exclusive possession" leasehold or vested reserve until the claim has been determined.

8. NATIVE TITLE – VALIDITY OF TITLES

8.1 Tenements granted since 23 December 1996

The following Tenements have been granted since 23 December 1996:

Holder	Tenements
AOM NL	EL6389
Stannum Stannum	EL6392, EL6442, EL6449, EL6690, EL6699
Defiance	EL6226, EL6673, EL6697

Mining tenements granted since 23 December 1996 may be invalid if they were granted over land other than freehold, "exclusive possession" leasehold or vested reserve and the applicable processes prescribed by the NTA were not complied with.

So in summary, on the basis that the procedural requirements of the NTA were complied with prior to their grant, each of those Tenements is valid so far as native title is concerned.

9. QUALIFICATIONS

While the status of the Tenements is dealt with in the Schedule, we point out, by way of summary, that:

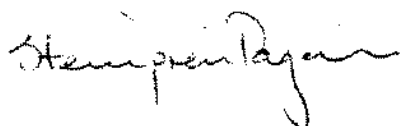
- (a) we have assumed the accuracy and completeness of all tenement searches and other information or responses which were obtained from the relevant department or authority. We cannot comment on any obligations of the Company that may arise from agreements that are not registered as a dealing, encumbrance or otherwise noted on the searches of the Tenements;
- (b) with respect to the Tenements, we have assumed the accuracy and completeness of the information which we have received from the various departments;
- (c) the holding of the Tenements is subject to compliance with the terms and conditions and the provisions of the applicable state mining legislation;
- (d) we have assumed the accuracy and completeness of any instructions or information which we have received from the Company or any of its officers, agents and representatives;
- (e) with respect to any application for the grant of a Tenement, we express no opinion as to whether such application will ultimately be granted and that reasonable conditions will be imposed upon grant, although we have no reason to believe that any application will be refused or that unreasonable conditions will be imposed;
- (f) where compliance with the requirements necessary to maintain a Tenement in good standing is not disclosed on the face of the searches referred to in this report, we express no opinion on such compliance;

- (g) references in the Schedule to any area of land are taken from details shown on searches obtained from the relevant department. It is not possible to verify the accuracy of those areas without conducting a survey;
- (h) where Ministerial consent to any agreement or dealing referred to in Part II of the Schedule is being or will be sought, we express no opinion as to whether such consent will be granted, or the consequences of consent being refused, although we have no reason to believe that any application for consent will be refused; and
- (i) the information in the Schedule is accurate as at the date the relevant searches were obtained. We cannot comment on whether any changes have occurred in respect of the Tenements between the date of the searches and the date of the Prospectus.

10. CONSENT

This report is given solely for the benefit of the Company and the directors of the Company in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document or filed with any government body or other person without our prior consent.

Yours faithfully



STEINEPREIS PAGANIN

PART I

TENEMENT SCHEDULE

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
EL6389	Australian Oriental Minerals NL	100% owned	08/03/2005	07/03/2007	18 Units	Nil	\$29,000	-	A. Part 1, Part II A	-
EL6392	Stannum Pty Ltd	100% owned	11/03/2005	10/03/2007	66 Units	Nil	\$53,000	-	A. Part 2 (except note 48)	-
EL6449	Stannum Pty Ltd	100% owned	15/07/2005	14/07/2007	28 Units	Nil	\$34,000	-	Part 2 (except notes 4, 5 and 48)	NC98/17, Nucoorlma Clon of the Gamilaray Aboriginal People
EL6442	Stannum Pty Ltd	100% owned	08/07/2005	07/07/2007	98 Units	Nil	\$69,000	-	Part 2 (except notes 5 and 48)	-
EL6473	Defiance Resources Ltd	100% owned	5/12/2006	04/12/2008	49 units	Nil	\$44,500	-	Part 2 (except notes 4 and 5)	-
EL6497	Defiance Resources Ltd	100% owned	10/01/2007	09/01/2009	30 Units	Nil	\$35,000	-	-	-
EL6699	Stannum Pty Ltd	100% owned	10/01/2007	09/01/2009	51 Units	Nil	\$45,500	-	-	-
EL 6690	Stannum Pty Ltd	100% owned	20/12/2006	19/12/2008	40 Units	Nil	\$40,000	-	Part 2 (except notes 5 and 48)	-
EL6226	Defiance Resources Ltd	100% owned	06/04/2004	05/04/2008	61 Units	Nil	\$91,000	-	Part 2 (except notes 4, 5 and 48)	-

Key to Tenement Schedule

EL – Exploration Licence

All of the native title claims listed in the Schedule have been accepted and entered on the Register of Native Title Claims. Please refer to Part III of this Report for the status of the Native Title Claims.

Unless otherwise indicated, capitalised terms have the same meaning given to them in the Prospectus.

References to letters in the "Notes" column refers to the agreements summarised in Part II of the Schedule. References to numbers in the "Notes" column refers to the notes following this table.

Notes:

A. Exploration Licence Renewal

An application for renewal of EL6389 has been submitted and in accordance with the NSW Mining Act. The directors of the Company are not aware of any reason why the renewal application for EL6389 will not be approved.

An application for renewal of EL 6392 has been submitted together with a submission on 'extenuating circumstances' in relation to underexpenditure on the tenement. In the event the Company's submission is rejected the Company will be required to reduce the tenement area by 50%. Such an event is not considered material by the directors of the Company and will not impact on the Company's ability to carry out its stated operations.

Part 1

EXPLORATION LICENCE CONDITIONS 2004

1. Environmental Assessment

This Exploration Licence is granted under Part 3 (or renewed if applicable under Part 7) of the Mining Act 1992. After consideration of the environmental impact as required by Section 111 of the Environmental Planning and Assessment Act 1979, it has been determined that the type of exploration activities listed in Category 1 and in certain circumstances Category 2 may be conducted on the licence area provided that:

- the licence holder has consulted the register of critical habitat kept by the Director-General of the Department of Environment and Conservation under the Threatened Species Conservation Act 1995, and considered the significance of any notations in respect of the area of any proposed exploration activity.
- the licence holder has consulted the register of critical habitat kept under the Fisheries Management Act 1994.
- the activities do not contravene Part 6 (Aboriginal objects and Aboriginal places) of National Parks and Wildlife Act 1974.
- minimal impact is caused to the local environment at the activity site and the assessment of this minimal impact takes into account the sensitivity of the local environment to potential disturbance from the activity including potential harm to any threatened species, populations and ecological communities, and their habitats, and critical habitat.
- the activities do not cause other than minimal/nil impact on the features listed in Section 238 of the Mining Act 1992 (i.e. of Aboriginal, architectural, archaeological, historical or geological interests). Where these features are present, an Exploration Protocol acceptable to the Department must be completed prior to exploration commencing to ensure that exploration activities will not have an adverse impact on these features.
- full rehabilitation in accordance with Departmental guidelines/standards is carried out after completion of the exploration activities.
- notice is given (on the Department Notice of Surface Disturbing Exploration Activities pro forma) to an Environmental Officer of the Department if exploration:
 - o is to be carried out in sensitive areas (see page 3 of pro form or Appendix 2 of "Guidelines for Environmental Responsible Mineral Exploration in New South Wales" published by the NSW Minerals Council as a guide); or
 - o may harm any threatened species, populations and ecological communities, and their habitats, and critical habitat.

The type of activity listed in Category 2 requires notification to an Environmental Officer of the Department (on the Notice of Surface Disturbing Exploration Activities pro forma) if exploration:

- is to be carried out in sensitive areas; or
- may harm any threatened species, populations and ecological communities, and their habitats, and critical habitat; or
- where the likely impact is other than minimal.

Such activities may require an additional specific determination under Part 5 of the Environmental Planning and Assessment Act. The program submitted prior to the conduct of such activity must include a description of the activity, a schedule of events and the location of proposed surface disturbance. The sensitivity of the local environment to potential disturbance from the activity must also be included. An Environmental Officer of the Department shall give notice within 3 weeks of receipt if an additional Part 5 determination is or is not required. If an additional specific determination is not required, the provisos listed above apply. Where the proposed activities required an additional determination, operations must not commence until the written approval of the Assistant Director, Environment of the Department is obtained, and subject to any conditions that may be stipulated.

The type of activity listed in Category 3 requires notification to an Environmental Officer of the Department of Mineral Resources (on the Notice of Surface Disturbing Exploration Activities pro forma) and will normally require an additional specific determination under Part 5 of the Environmental Planning and Assessment Act. At least 4 weeks prior to the proposed commencement of any activity listed in Category 3, a Review of Environmental Factors in accord with Clause 228 of the Environmental Planning and Assessment Regulation 2000 must be submitted to the Department to enable a determination under Part 5 of the Environmental Planning and Assessment Act to be made. In these cases the Department will assess any potential impact under Parts 6 or 8A of the National Parks and Wildlife Act 1974. Exploration activities must not commence until the written approval of the Assistant Director, Environmental of the Department is obtained, and subject to any conditions that may be stipulated.

Category 1

- Stream sediment and soil sampling (by hand held equipment)
- Gossan or rock sampling (by hand held equipment)
- Geological mapping
- Airborne Surveys
- Magnetic, Electromagnetic, Gravity, Radiometric Surveys
- Induced Polarisation, Resistivity, Self Potential Surveys
- Auger, reverse circulation and rotary air blast drilling (of a reconnaissance level including access clearing in a non-sensitive areas)
- Percussion and diamond drilling (of a reconnaissance level including access clearing in non-sensitive areas)
- Geophysical downhole logging
- Survey gridding (axe cut line clearing only)

Category 2

- Costeaming and trenching provided any trench or costean does not exceed 50 metres length or, if longer, 60 cubic metres volume
- Surface bulk sampling provided disturbance/removal of greater than 60 cubic metres of material is not exceeded in any one year
- Access tracks or line clearing involving formed construction or significant native vegetation disturbance
- Large diameter boreholes and catwalk drill holes (greater than 360 millimetres diameter)
- Seismic Surveys
- Activities that may harm any threatened species, populations and ecological communities, and their habitats, and critical habitat.

Category 3

- Costeaming or trenching (in excess of 60 cubic metres volume)
- Surface bulk sampling (in excess of 60 cubic metres disturbance/removal in any one year)
- Shaft Sinking

- Adit Driving
- Operations within or from the surface of natural water bodies including dredging/suction operations
- Surface disturbing operations within or close to environmentally sensitive areas such as wetlands
- Closely spaced percussion, reverse circulation, rotary air blast or diamond drilling for delineation of an orebody or for feasibility studies
- Cumulative activities from Category 1 or Category 2 of a concentrated nature.

2. **Native Title**
The licence holder must not prospect on any land or waters on which native title exists without the prior written consent of the Minister.
 3. **Technical Management of Exploration**
Exploration activities are to be conducted, or directly supervised, by the technical manager nominated in the application for this licence. All exploration reports must be prepared by the nominated technical manager. Permission to change the technical manager must be obtained, in writing, from the Assistant Director (Minerals), Geological Survey or the Assistant Director (Coal & Petroleum), Geological Survey, as the case may require.
 4. **Reports (For Groups 1 to 7 and Group 10 Minerals)**
The licence holder must lodge reports to the satisfaction of the Director-General detailing the operations conducted. The reports must comply with Departmental guidelines and be lodged, as specified in this condition, and include all maps, plans and data necessary to satisfactorily interpret and evaluate the reports. Approval is required if the holder wishes to lodge reports at times other than those specified.
 - (a) **Annual Reports** must be lodged within one calendar month after the expiry of each 2 months of the term of the licence and must contain full particulars of:
 - (i) all surveys and other operations, including expenditure thereon, carried out by or on behalf of the licence holder during the 12 month period; and
 - (ii) the results and conclusions of such surveys and other operations; and
 - (iii) the proposed exploration to be conducted during the following 12 month period; and
 - (b) **Interim Reports** must be lodged within one calendar month after the expiry of the first six months of each annual period. They must therefore be lodged after the first six months, and thereafter at 12 monthly intervals. Each report must contain a brief summary of exploration completed in the six months and the proposed exploration to be conducted in the following six months. The reports should be completed on the "Interim Report on Mineral Exploration" form.
 - (c) **Airborne Geophysical Survey Results** must be lodged within 6 calendar months of the completion of any airborne geophysical survey. The results must be in digital form and comply with Departmental Guidelines for the Submission of Digital Exploration Data.
 - (d) **A Final Report** must be lodged on the expiry or earlier termination of the licence and must contain:
 - (i) a summary of all surveys and other operations carried out by or on behalf of the licence holder during the full term of the licence from grant to termination;
 - (ii) detailed data of all surveys and other operations if these have not been provided in previous Annual Reports; and
 - (iii) the main results and conclusions of each phase of operations.
 - (e) **Additional Reports** on surveys and other operations may be required from time to time and must be lodged as instructed.
 6. **Licence to Use Reports**
 - (1) (a) The licence holder grants to the Minister, by way of a non-exclusive licence, the right in copyright to publish, print, adapt and reproduce all exploration reports lodged in any form and for the full duration of copyright.
 - (b) The non-exclusive licence will operate as consent for the purposes of section 365 of the Mining Act 1992.
- Confidentiality**
- (2) (a) All exploration reports lodged in accordance with the conditions of this licence will be kept confidential while the licence is in force, except in cases where:
 - (i) the licence holder has agreed that specified reports may be made non-confidential.
 - (ii) reports dealt with exploration conducted exclusively on areas that have ceased to be part of the licence.

- (b) Confidentiality will be continued beyond the termination of a licence where an application for a flow-on title was lodged during the currency of the licence. The confidentiality will last until that flow-on title or any subsequent flow-on title, has terminated.
- (c) Continued confidentiality is subject to the licence holder lodging a report that covers all exploration conducted on the areas not covered by the flow-on title. This report will be made public.
- (d) The Director-General may extend the period of confidentiality.

Terms of the non-exclusive licence

- (3) The terms of the non-exclusive copyright licence granted under sub-clause (1)(a) are:
 - (a) the Minister may sub-licence others to publish, print, adapt and reproduce but not on-licence reports.
 - (b) the Minister and any sub-licencee will acknowledge the licence holder's and any identifiable consultant's ownership of copyright in any reproduction of the reports, including storage of reports onto an electronic database.
 - (c) the licence holder does not warrant ownership of all copyright works in any report and, the licence holder will use best endeavours to identify those parts of the report for which the licence holder owns the copyright.
 - (d) there is no royalty payable by the Minister for the licence.
 - (e) if the licence holder has reasonable grounds to believe that the Minister has exercised his rights under the non-exclusive copyright licence in a manner which adversely affects the operations of the licence holder, that licence is revocable on the giving of a period of not less than three months notice.

7.

Expenditure

The licence holder must effectively prospect the licence area and unless approved by the Director-General must expend on operations no less than \$29,000.00 per annum whilst the licence is in force.

8.

Safety

Operations must be carried out in a manner that ensures the safety of persons and stock in the vicinity of the operations. All drill holes, shafts and excavations must be appropriately protected, to the satisfaction of the Director-General, to ensure that access to them by persons and stock is restricted. Abandoned shafts and excavations opened up or used by the licence holder must be filled in or otherwise rendered safe to a standard acceptable to the Director-General.

9.

Rehabilitation

- (a) Land disturbed must be rehabilitated to a stable and permeant form suitable for a subsequent land use acceptable to the Director-General so that:
 - there is no adverse environmental effect outside the disturbed area and that the land is properly drained and protected from soil erosion.
 - the state of the land is compatible with the surrounding land and land use requirements.
 - the landforms, soils, hydrology and flora require no greater maintenance than that in the surrounding land.
 - in cases where revegetation is required and native vegetation has been removed or damaged, the original species must be re-established. If the original vegetation was not native, any re-established vegetation must be appropriate to the area and at an acceptable density.
 - the land does not pose a threat to public safety.
- (b) Any topsoil that is removed must be stored and maintained in a manner acceptable to the Director-General.

10. **Drilling**
 - (1) At least twenty eight days prior to commencement of drilling operations the licence holder must notify the relevant Department of Infrastructure, Planning and Natural Resources regional hydrogeologist of the intention to drill exploratory drill holes together with information on the location of the proposed holes.
 - (2) If the licence holder drills exploratory drill holes he must satisfy the Director-General that:
 - (a) all cored holes are accurately surveyed and permanently marked in accordance with Departmental guidelines so that their location can be easily established;
 - (b) all holes cored or otherwise are sealed to prevent the collapse of the surrounding surface;
 - (c) all drill holes are permanently sealed with cement plugs to prevent surface discharge of groundwaters;
 - (d) if any drill hole meets natural or noxious gases it is plugged or sealed to prevent their escape;
 - (e) if any drill hole meets an artesian or sub-artesian flow it is effectively sealed to prevent contamination of aquifers;
 - (f) once any drill hole ceases to be used the hole must be sealed in accordance with Departmental guidelines. Alternatively, the hole must be sealed as instructed by the Director-General; and
 - (g) once any drill hole ceases to be used the land and its immediate vicinity is left in a clean, tidy and stable condition.
15. **Core Samples (For Groups 1 to 8 and Group 10 Minerals)**
 - (a) The licence holder must supply notifications and particulars and preserve any cores and samples as required by Section 42B of the Mines Inspection Act, 1901.
 - (b) On termination of the licence the licence holder must advise the Director, Geological Survey of plans regarding the storage or disposal of core obtained in the course of drilling on or in the licence area. If so directed the licence holder must lodge selected core with the Department's Core Library at Londonderry.
 - (c) Selected core must be lodged with the Department in standard modular metal core boxes, the size specifications of which are obtainable from the Core Library.
17. **Trees and Vegetation**
 - (a) The licence holder must not fell trees, strip bark or cut timber on any land subject of this licence without the consent of the landholder who is entitled to the use of the timber, or if such a landholder refuses consent or attaches unreasonable conditions to the consent, without the approval of a warden.
 - (b) The licence holder must not cut, destroy, ringbark or remove any timber or other vegetative cover on any land subject of this licence except such as directly obstructs or prevents the carrying on of operations. Any clearing not authorised under the Mining Act 1992 must comply with the provisions of the Native Vegetation Conservation 1997.
 - (c) The licence holder must have all necessary approvals or licences before using timber from any Crown land within the licence area.
19. **Erosion and Sediment Controls**

If the licence holder proposes to carry out any costeaning, trenching or bulk sampling operations or any other activity likely to cause significant disturbance to the site, the licence holder must seek advice from the Department of Lands regarding erosion and sediment control before commencing such operations.
20. **Prevention of Soil Erosion and Pollution**

Operations must be carried out in a manner that does not cause or aggravate air pollution, water pollution (including sedimentation) or soil contamination or erosion, unless otherwise authorised by a relevant approval. For the purposes of this condition, water shall be taken to include any watercourse, waterbody or groundwaters. The licence holder must observe and perform any instructions given by the Director-General in this regard.
21. **Transmission Lines, Communications Lines and Pipelines**

Operations must not interfere with or impair the stability or efficiency of any transmission line, pipeline or any other utility on the area without the prior written approval of the Director-General and subject to any conditions he may stipulate.

Roads and Tracks

22. (a) Operations must not affect any road or track unless with the prior written approval of the Director-General and subject to any conditions he may stipulate.
(b) The licence holder must pay to the local council, the Department of Land or the Roads and Traffic Authority the costs incurred in fixing any damage to roads caused by operations carried out under the licence.
23. Access tracks must be kept to a minimum and be positioned so that they do not cause any unnecessary damage to the land. Temporary access tracks must be ripped, lopsided, rehabilitated and appropriately revegetated as soon as possible after they are no longer required for prospecting operations. The design and construction of access tracks must be in accordance with specifications of the Department of Infrastructure, Planning and Natural Resources.
24. During wet weather the use of any road or track must be restricted to prevent damage to the road or track.

25. Aboriginal object or Aboriginal place

The licence holder must not knowingly destroy deface or damage any Aboriginal object or Aboriginal place within the area except in accordance with an authority issued under the National Parks and Wildlife Act, 1974. The licence holder must take every precaution in drilling, excavating or disturbing the land against any such destruction, defacement or damage.

26. National Park or Nature Reserve Proposal

The area within Units x y z Block 1100; Units v w x Block 1101, Units c d e h j k p Block 1172, Units a b c Block 1173, ARMDALE 1:1,000,000 area is a sensitive area for the purposes of Condition No. 1 because of conservation proposals by the Department of Environment and Conservation. Before any surface disturbing activities are carried out in the area the licence holder must lodge a Review of Environmental Factors (REF) with the Assistant Director, Environment of the Department. The REF must address the matters set out in Clause 228 of the Environmental Planning and Assessment Regulation 2000.

The Minister for Mineral Resources may be required to make an additional assessment and determination under Part 5 of the Environmental Planning and Assessment Act 1979 in respect of Category 2 activities and will be required to do so in respect of Category 3 activities.

Miscellaneous

28. The flow of water in any stream or watercourse must not be interfered with.

29. The licence holder must observe any instructions given by the Director-General in connection with minimising or preventing public inconvenience or damage to public or private property.

30. All refuse must be deposited in properly constructed containers. The licence holder must maintain the area in a clean and tidy condition at all times.

35. Control of Operations

(a) If an Environmental Officer of the Department believes that the licence holder is not complying with any provision of the Act or any condition of this licence relating to the working of the licence, he may direct the licence holder to:

- (i) cease working the licence; or
 - (ii) cease that part of the operation not complying with the Act or conditions;
- until in the opinion of the Environmental Officer the situation has been corrected.

(b) The licence holder must comply with any direction given.

39. Security

(a) A security in the sum of \$10,000.00 must be lodged with the Minister by the licence holder for the purpose of ensuring the fulfilment of obligations under the licence, if the licence holder fails to fulfil any one or more of such obligations the said sum may be applied at the discretion of the Minister towards the cost of fulfilling such obligations. For the purpose of this clause the licence holder shall be deemed to have failed to fulfil the obligations of this licence if the licence holder fails to comply with any condition or

provision hereof, any provision of Act or regulations made thereunder or any condition or direction imposed or given pursuant to a condition or provision hereof or of any provision of the Act or regulations made thereunder.

- (b) The licence holder must provide the security required by sub-clause (a) hereof in one of the following forms:-
- (i) cash;
 - (ii) a security certificate in a form approved by the Minister and issued by an authorised deposit-taking institution.

Part 2

EXPLORATION CONDITIONS 2004 (REVISED)

Definitions

1. Categories of Prospecting Operations

Three categories of prospecting operations are defined under this licence, as follows:

Category 1: Reconnaissance and low intensity activities, including:

- (a) geological mapping;
- (b) airborne surveys;
- (c) sampling and coring using hand held equipment;
- (d) geophysical surveys and downhole logging, but not seismic surveys;
- (e) shallow reconnaissance drilling involving no more than minimal site preparation;
- (f) minor clearing or cutting of native vegetation;
- (g) minor excavations excluding costeaning or bulk sampling; and
- (h) vehicle access that does not require construction of new tracks.

Category 2: Operations which have potential for moderate disturbance to the land surface, native vegetation or other environmental value, including:

- (a) operations under Category 1 (c) to (h) within or adjacent to Sensitive Areas*;
- (b) operations under Category 1 (c) to (h) of a concentrated or cumulative nature;
- (c) seismic surveys;
- (d) excavating or bulk sampling not exceeding 60 cubic metres;
- (e) non-intensive drilling involving no more than moderate site preparation, excluding drilling holes exceeding 400 millimetre diameter;
- (f) camp construction; and
- (g) access tracks, drill pads or line clearing involving no more than moderate native vegetation disturbance.

Category 3: Operations which have potential to cause significant environmental impact involving, for example, considerable land surface disturbance or native vegetation clearing, including:

- (a) operations under category 2 (c) to (g) within or adjacent to Sensitive Areas*;

- (b) operations under category 2 (c) to (g) of a concentrated or cumulative nature;
- (c) excavations or bulk sampling in excess of 60 cubic metres;
- (d) shaft sinking or tunnelling;
- (e) drilling holes in excess of 400 millimetre diameter;
- (f) intensive drilling, such as for resource definition purposes; and
- (g) access tracks involving formed construction.

* see definition 2 for Sensitive Areas

2. Sensitive Areas

For the purposes of the licence, Sensitive Areas include the following:

- (a) land reserved as a State Conservation Area under the National Parks and Wildlife Act 1974;
- (b) land declared as an Aboriginal place under the National Parks and Wildlife Act 1974;
- (c) land identified as wilderness under the Wilderness Act 1987;
- (d) land subject to a 'conservation agreement' under the National Parks and Wildlife Act 1974;
- (e) land acquired by the Minister for the Environment under Part 11 of the National Parks and Wildlife Act 1974;
- (f) land proposed to be reserved as a national park or nature reserve under the National Parks and Wildlife Act 1974;
- (g) land within State forests mapped as Forestry Management Zone 1, 2 or 3;
- (h) wetlands mapped under SEPP 14 – Coastal Wetlands;
- (i) wetlands listed under the Ramsar Wetlands Convention;
- (j) lands mapped under SEPP 26 – Littoral Rainforests;
- (k) areas listed on the Register of National Estate;
- (l) areas listed under the Heritage Act 1977 for which a plan of management has been prepared;
- (m) land declared as critical habitat under the Threatened Species Conservation Act 1995;
- (n) land within a restricted area prescribed under the Crown Lands Act 1989 for the preservation of flora, fauna, geological formations or other environmental protection purpose; and
- (o) any other land identified as Sensitive Land by the Department.

It should be noted that some of these areas are also "exempted areas" under the Act.

3. Other definitions

"Act" means the Mining Act 1992 (NSW).

"Department" means the Department of Primary Industries.

"Minister" means the Minister administering the Mining Act 1992 (NSW).

"Wetlands" means wetlands mapped as such under State Environmental Planning Policy No 14 – Coastal Wetlands.

Section A APPROVAL OF PROSPECTING OPERATIONS

1. Prospecting Operations Permitted under the Licence

The prospecting operations listed in Category 1 may be conducted on the licence area provided that:

- (a) the operations do not cause more than minimal impact on the environment, taking into account the sensitivity of the local environment to disturbance;
- (b) the operations do not cause harm to any threatened species, population or ecological community, or their habitats, including critical habitat;
- (c) the operations do not cause damage to Aboriginal objects or Aboriginal places;
- (d) the operations do not cause damage to the values and features listed in section 238 of the Act;
- (e) the requirements of section 30 of the Act are met, if relevant; and
- (f) the requirements of all State conservation, threatened species, environmental protection, heritage and related legislation are met.

2. Prospecting Operations Requiring Further Approval

All prospecting operations not covered by Condition 1 require additional approval. Such operations comprise:

- (a) prospecting operations listed in Category 1 where the provisos listed under Condition 1 cannot be satisfied;
- (b) prospecting operations listed in Category 2 or 3; and
- (c) surface disturbing prospecting operations not listed in Categories 1, 2 or 3.

All such prospecting operations require prior notification on a Surface Disturbance Notice form to the Department.

Approval by the Department requires assessment and determination under Part 5 of the Environmental Planning and Assessment Act 1979 (**EP&A Act**).

In the case of prospecting operations listed in Category 3, a review of environmental factors (**REF**) must be prepared, and must accompany the Surface Disturbance Notice. In respect of prospecting operations not listed under Category 3, the Department, after consideration of the completed Surface Disturbance Notice form, will determine whether a REF must be prepared and notify the licence holder in writing. Any REF must be prepared in accordance with Departmental guidelines. If the impact of prospecting operations on the environment is determined as likely to be significant in terms of Part 5 of the EP&A Act, then the Department will require the licence holder to submit an Environmental Impact Statement (**EIS**).

The licence holder must not commence the operations without prior written approval from the Department.

Section B SPECIAL AREA CONDITIONS

3. Exempted Areas

The licence holder must not commence prospecting operations in an exempted area under the Act without obtaining prior written consent from the Minister.

"Exempted areas" under the Act are lands set aside for public purposes. They include travelling stock reserves, road reserves, water supply reserves, State forests, and public reserves and permanent commons. Under Section 30 of the Act the "exercise of rights" under an exploration licence is subject to the consent of the Minister. The "exercise of rights" includes the right to conduct prospecting operations. The Minister's consent requires assessment and determination under Part 5 of the EP&A Act.

Applications for the Minister's consent to exercise rights under the licence may address Category 1 prospecting operations only, or may also address prospecting operations requiring further approval under Condition 2. If an application for the Minister's consent is submitted in terms of Category 1 prospecting operations only, then if granted it will contain a condition requiring approval of further prospecting operations under Condition 2. If the application also addresses prospecting operations requiring further approval under Condition 2, then it will satisfy the requirements of Condition 2 for prior notification to and approval by the Department of those operations. The Minister's consent may be granted subject to conditions.

Applications for the Minister's consent to exercise rights under the licence are to be submitted to the Titles Program, accompanied by any necessary Surface Disturbance Notice form, REF or EIS (see condition 2). Inclusion of the views and requirements of the agency or council controlling the exempted area will speed up the consent process.

4. State Conservation Areas (SCAs)

The licence holder must not commence prospecting operations in a State Conservation Area without obtaining prior written consent from the Minister and subject to any conditions that may be stipulated.

State Conservation Areas are exempted areas under the Act and, pursuant to the requirements of section 30 of the Act and section 47J(7) of the National Parks and Wildlife Act 1974, the licence holder may not exercise rights under the licence except with the consent of the Minister given with the approval of the Minister for the Environment.

A Review of Environmental Factors (REF) must be prepared and submitted according to Department guidelines at least 6 weeks prior to planned commencement of any prospecting operations.

The REF must be prepared in accordance with the Department's guidelines for completing a review of environmental factors covering exploration in state conservation areas.

5. Sensitive Areas

The area shown by orange tint on the attached diagram is a Sensitive Area for the purposes of this licence. It has been identified as having conservation values requiring protection. The licence holder must comply with Condition 2 before any prospecting operations are carried out in this area.

6. Native Title Areas

The licence holder must not prospect on any land or waters on which native title exists without the prior written consent of the Minister.

Section C ENVIRONMENTAL MANAGEMENT OF PROSPECTING OPERATIONS

10. Environmental Management Conditions

- (a) Conditions attached to any consent or approval given pursuant to the Act or this licence are taken to be conditions of this licence and are enforceable under the Act as such.
- (b) Without limiting the generality of paragraph (a) conditions attached to the following approvals and consents are taken to be conditions of this licence and are enforceable as such:
 - (i) approvals under conditions 2, 6, 9, 16(a), 17, 20(b) and 21(a); and
 - (ii) consents under conditions 3 and 4.
- (c) For the purposes of Sections 125(3) and 374A(1) of the Act, Conditions 1 to 6 and 9 to 32 (if included in the licence) are identified as being related to environmental management.
- (d) For the purposes of Division 3 of Part 11 of the Act, Conditions 1 to 6 and 9 to 28 (if included in the licence) are identified as being imposed under Division 2 of Part 11 of the Act, as well as being imposed under Section 26(1), 114(4) or 121(3) of the Act as the case may be.

11. Environmental Management – General

- (a) Environmental management of operations must be carried out according to current best environmental practice* or, alternately, it must conform to a specific Environmental Management Plan prepared by the licence holder which is acceptable to the Department.

*As a guide see "Onshore Mineral and Petroleum Exploration", 1996 Commonwealth Department of the Environment and Heritage or "Guidelines for Environmentally Responsible Mineral Exploration in NSW" 1998 NSW Minerals Council.
- (b) Approval of Category 3 prospecting operations may be subject to a requirement to prepare an Environmental Management Plan (EMP). When directed in writing by the Department, the licence holder must prepare an EMP for the operations or for a specific aspect of the operations. The EMP must be prepared in a format and with content as specified and to a timetable specified by the Department.

12. Aboriginal Cultural Heritage

- (a) Prior to carrying out any prospecting operations the licence holder must consider potential impacts on Aboriginal Heritage according to Guidelines for Aboriginal Heritage Impact Assessment in the Exploration and Mining Industries (NEWS, October 1997).

(b) Aboriginal Cultural Heritage issues must be satisfactorily addressed in any notification under Condition 2 of this licence.

(c) The licence holder must not knowingly destroy, deface or damage any Aboriginal object or Aboriginal place within the area except in accordance with a consent issued under the *National Parks and Wildlife Act 1974*. The licence holder must take all necessary precautions in drilling, excavating or disturbing the land against any such destruction, defacement or damage.

13. Threatened Species, Populations, Ecological Communities and their Habitats, and Critical Habitat

(a) Prior to carrying out any prospecting operations the licence holder must consider potential impacts on threatened species (of plants, animals and fish), populations and ecological communities and their habitats, and critical habitat, and plan the activities to minimise any such impacts.

(b) Threatened species populations and ecological communities and their habitats, and critical habitat, must be satisfactorily addressed in any notification under Condition 2 of this licence.

(c) The licence holder must comply with legislation relating to threatened species, populations, ecological communities and their habitat, and critical habitat. Should prospecting operations require a licence under the *National Parks and Wildlife Act 1974* or the *Threatened Species Conservation Act 1995* then the licence holder must obtain such a licence.

14. Heritage Items

(a) Prior to carrying out any prospecting operations the licence holder must consider potential impacts on items of heritage significance including old mine relics and workings. The licence holder must take all necessary precautions in drilling, excavating or disturbing the land against causing any damage to or destruction of items of heritage significance.

(b) Heritage items must be satisfactorily addressed in any notification under Condition 2 of this licence.

(c) The licence holder must not disturb any item of heritage significance within the area except in accordance with an approval issued under the *Heritage Act 1977*.

15. Trees and Vegetation

(a) The licence holder must not fell trees, strip bark or cut timber on any land subject of this licence without the consent of the landholder who is entitled to the use of the timber, or if such a landholder refuses consent or attaches unreasonable conditions to the consent, without the approval of the Mining Warden.

(b) The licence holder must not cut, destroy, ringbark or remove any timber or other vegetative cover on any land the subject of this licence other than in accordance with the conditions of this licence and any approval granted thereunder. Any clearing not authorised under the Act must comply with the provisions of the *Native Vegetation Conservation Act 1997*.

(c) The licence holder must have any necessary licence from the Department's State Forests Division before using timber from any Crown land within the licence area.

16. Roads and Tracks

(a) Operations must not affect the public's normal use of any road or track unless with the prior written approval of the Department.

(b) Operations must not affect the availability of existing roads on any land for use for fire fighting.

(c) The licence holder must pay to the designated authority in control of the road or track (generally the local council or the Roads and Traffic Authority) the reasonable costs incurred by the designated authority in fixing any damage to roads caused by operations carried out under the licence.

(d) During wet weather the use of any road or track must be restricted so as to prevent damage to the road or track.

(e) Existing access tracks should be used for all operations where possible. New access tracks must be kept to a minimum and be positioned so that they do not cause any unnecessary damage to the land, watercourses or vegetation.

(f) The design, construction, repair and rehabilitation of constructed access tracks must be in accordance with specifications given in any Review of Environmental Factors required (Condition 2) or an Environmental Management Plan (Condition 11) which has been accepted by the Department.

(g) As soon as possible after they are no longer required for prospecting operations temporary access tracks must be rehabilitated and revegetated to the satisfaction of the Department.

- (h) Rehabilitation activities undertaken in regard to this Condition must be included in reports prepared in accordance with Condition 28 (a).
- 17. Streams and Watercourses**
- The licence holder must not interfere with the flow of water in any stream or watercourse without the prior written approval of the Department, and subject to any conditions that may be stipulated.
- 18. Erosion and Sediment Controls**
- (a) All operations must be planned and carried out in a manner that minimises erosion controls and sediment movement. The licence holder must observe and perform any instructions given by the Department in this regard.
 - (b) For operations requiring approval under Condition 2 the licence holder must document in any Review of Environmental Factors required a plan setting out the proposed methods for minimising erosion and controlling sediment movement.
 - (c) The procedures undertaken to minimise erosion and control of sediment movement must be included in reports prepared in accordance with Condition 28 (a).
- 19. Prevention and Monitoring of Pollution**
- (a) Operations must be planned and carried out in a manner that does not cause or aggravate air pollution, water pollution (including sedimentation) or soil contamination. For the purpose of this condition, water shall be taken to include any watercourse, waterbody or groundwaters. The licence holder must observe and perform any instructions given by the Department in this regard.
 - (b) For operations requiring approval under Condition 2 the licence holder must document in any Review of Environmental Factors required the proposed methods for minimising air pollution, water pollution and soil contamination.
 - (c) The licence holder must carry out environmental monitoring as directed by the Department to assess environmental performance in relation to prevention of pollution and rehabilitation of affected areas.
 - (d) The procedures and results of monitoring of the activities undertaken to minimise air pollution, water pollution and soil contamination must be included in reports prepared in accordance with Condition 28 (a).
- 20. Refuse, Chemicals, Fuels and Waste Materials**
- (a) The licence holder must maintain operations areas in a clean and tidy condition at all times.
 - (b) All refuse and waste materials must be collected, segregated and deposited in properly constructed containers and removed to an approved landfill or buried in an approved manner at an approved location.
 - (c) Sanitation collection should be in accordance with the requirements of the local authority, or the licence holder must make such provisions for sanitation as may be directed by the Department.
 - (d) Precautions must be taken to prevent spills and soil contamination. All chemicals, fuels and oils must be stored in sound containers and kept spill trays or in a bunded area. A supply of appropriate spill and dust prevention and oil absorbent materials must be maintained at drill sites.
 - (e) All drill cuttings and fluids must be contained in above-ground tanks or in-ground sumps. To prevent contamination of the groundwater or soils in-ground sumps must be plastic lined whenever toxic or non-biodegradable drilling fluids are used or when drilling into rock potentially containing high concentrations of toxic metals or metalloids.
 - (f) Any soil contaminated by chemicals, oils and fuels, or drilling mud or drill core containing toxic metals must be collected and remediated or disposed of in an approved manner, and the site rehabilitated with clean soil.
 - (g) Activities undertaken in regard to this Condition must be included in reports prepared in accordance with Condition 28 (a).
- 21. Transmission Lines, Communication Lines, Pipelines and other Public Utilities**
- (a) Operations must not interfere with or impair the stability or efficiency of any transmission line, communication line, pipeline or any other public utility without the prior written approval of the Department and subject to any conditions that may be stipulated.

- (b) If the operation in any way impacts on the utility the licence holder must inform the authority in control of the utility and provide sufficient information for the authority to assess the proposal or its impacts. The licence holder must pay costs for remediation or repair of damage to utilities caused by prospecting operations and associated activities.

22. Public and Private Property

The licence holder must observe any instructions given by the Department in connection with minimising or preventing public inconvenience or damage to public or private property.

23. Drilling

- (a) At least 28 days prior to commencement of drilling operations other than Category 1 drilling, the licence holder must notify the relevant Department of Infrastructure Planning and Natural Resources Regional Hydrologist of the intention to drill exploratory drill holes together with information on the nature and location of the proposed holes.
- (b) If the licence holder drills exploratory drill holes he must satisfy the Department that during and after the activity:
- (i) all holes cored or otherwise are constructed and/or sealed to prevent the collapse of the surrounding surface;
 - (ii) if any drill hole meets natural or noxious gases it is plugged or sealed to prevent their escape;
 - (iii) if any drill hole meets an artesian or sub-artesian flow it is effectively sealed to prevent contamination or cross-contamination of aquifers, and is permanently sealed with cement plugs to prevent surface discharge of groundwater;
 - (iv) potentially hazardous tools or logging equipment dropped in holes and unable to be recovered must be reported to the Regional Inspector of Mines and if directed to do so the licence holder must recover the equipment;
 - (v) waters flowing from any drill holes must be managed and contained. Disposal of any such waters must be in accordance with the ANZECC/ARMCANZ 2000 Water Quality Guidelines so as to meet the environmental values of the receiving watercourse or stock dam or must be disposed of in accordance with a licence issued by the Department of Environment and Conservation;
 - (vi) once any drill hole ceases to be used the land and its immediate vicinity is to be rehabilitated to its former condition; and
 - (vii) activities undertaken in regard to this Condition must be included in reports prepared in accordance with Condition 28 (a).

24. Maintenance of Open Drillholes

Where the licence holder wishes to temporarily maintain a drill hole in an open condition for monitoring purposes, or where a landholder requests that a drillhole be left open for water supply purposes, the licence holder shall inform the Department and provide reasons for leaving the hole open. If leaving the drillhole open at the request of a landholder, the licence holder must produce a signed copy of a document transferring the responsibility of that drillhole and its licensing requirements to the landholder. All drillholes which are maintained in an open condition must be cased to prevent collapse and fitted with a removable cap to ensure the safety of persons and stock.

25. Rehabilitation of Land

- (a) Land disturbed must be rehabilitated to a stable and permanent form suitable for a subsequent land use acceptable to the Department so that:
- (i) there is no adverse environmental effect outside the disturbed area and the land is properly drained and protected from soil erosion;
 - (ii) the state of the land is compatible with the surrounding land and land use requirements;
 - (iii) the landforms, soils, hydrology and flora require no greater maintenance than that in or on the surrounding land;
 - (iv) in cases where native vegetation has been removed or damaged, and where vegetation is required, species endemic to the area must be re-established vegetation must be appropriate to the area or to the satisfaction of the landholder. Any re-established vegetation must be at an acceptable density and diversity; and
 - (v) the land does not pose a threat to public safety.
- (b) Any topsoil that is temporarily removed from an area of prospecting operations must be stored, maintained and returned as soon as possible in a manner acceptable to the Department.

- (c) Any shafts, drill holes and excavations, that remain abandoned from previous mining or exploration, which are opened up or used by the licence holder must be filed in or otherwise rehabilitated to a standard acceptable to the Department.
- (d) All rehabilitation of disturbed areas should be completed before the expiry of the licence or immediately following termination of the licence.
- (e) Activities undertaken in regard to this Condition must be included in reports prepared in accordance with Condition 28 (a).

28. Environmental Reporting

- (a) An **Environmental and Rehabilitation Report** must be submitted to the Department as follows:
 - (i) the reports must be prepared according to Departmental Guidelines for environmental and rehabilitation reporting on exploration licences;
 - (ii) the reports must be lodged within one month of expiry or earlier termination of the licence or whenever part of the licence ceases to have effect; and
 - (iii) the reports must be prepared to the satisfaction of the Department and include information on all surface disturbing prospecting operations and rehabilitation carried out in the licence area or in the part of the licence that has ceased to have effect. They should include sufficient information to demonstrate that the requirements of Conditions 1 to 6 and 9 to 27 or those of them included in the licence have been satisfied.
- (b) An **Incident and Complaints Report** must be submitted to the Department as follows:
 - (i) the report is to be submitted within 24 hours of confirmation of any serious environmental incident, breach of Conditions 1 to 27 or those of them included in the licence or breach of other environmental regulations, or a serious complaint from landholders or the public;
 - (ii) the report must include the details of the exploration licence, contact details for the exploration manager, complainant and landholder, a map showing the area of concern, the nature of the incident or complaint, likely causes and consequences, and a timetable showing actions taken or planned to fix the problems; and
 - (iii) details of all incidents or complaints occurring whilst the licence is in force must be included in reports prepared in accordance with Condition 28 (a).
- (c) Additional environmental reports may be required on specific surface disturbing operations or environmental incidents from time to time as directed in writing by the Department and must be lodged as instructed.

29. Security

- (a) A security in the sum of \$10,000 must be given and maintained with the Minister by the licence holder for the purpose of ensuring the fulfilment by the licence holder of obligations under this licence. If the licence holder fails to fulfil any one or more of such obligations, the said sum may be applied at the discretion of the Minister towards the cost of fulfilling such obligations.
- (b) The licence holder must provide the security required by paragraph (a) in one of the following forms:
 - (i) cash; or
 - (ii) a security certificate in a form approved by the Minister and issued by an authorised deposit-taking institution.

32. Failure to Fulfil Obligations

For the purposes of Condition 29, the licence holder shall be deemed to have failed to fulfil the obligations of this licence if the licence holder fails to comply with:

- (a) any condition or provision of the licence;
- (b) any condition of a consent of approval given pursuant to the Act or the licence;

(c) any provision of the Act or regulations made thereunder; or

(d) any direction or other instruction given by the Department pursuant to paragraphs (a) – (c) above.

Section D GENERAL CONDITIONS

33. Control of Operations

(a) if the Department believes that the licence holder is not complying with any provision of the Act or Regulations, or any condition or provision of this licence, the Department may direct the licence holder to:

(i) cease all prospecting operations and other activities authorised by the licence; or

(ii) cease those prospecting operations and other activities not complying;

until in the opinion of the Department the situation has been corrected.

(b) The licence holder must comply with any direction given under this Condition.

36. Safety of Operations

(a) The licence holder must give notification to the Department of the Department's nearest regional office at least 7 days before commencement of any field exploration activity involving drilling, blasting or other potentially hazardous operation.

(b) Operations must be carried out in a manner that ensures the safety of landholders and members of the public, stock and wildlife in the vicinity of the operations.

(c) The measures put in place to control hazards must comply with the Mines Inspection Act 1901 and the Mines Inspection Act 1901 General Rule 2000. These measures include, but are not limited to, the development of a Safety Management Plan prepared according to Departmental guidelines.

(d) Operations must be carried out and supervised in a manner that ensures the safety of all employees and contractors.

37. Core Samples (For Groups 1 to 7 and Group 10 Minerals)

(a) The licence holder must supply notifications and particulars and preserve any cores and samples as required by Section 42B of the Mines Inspection Act, 1901.

(b) The holder must not dispose of any core obtained during the course of drilling in the licence area without first offering it to the Department for archival storage. On termination of the licence the licence holder must advise the Department of plans regarding the continued storage or disposal of core. If so directed, the licence holder must lodge selected core with the Department's Core Library at Londonderry.

(c) Selected core must be lodged with the Department in standard modular metal core boxes, the size specifications of which are obtainable from the Core Library.

Section E EXPLORATION PERFORMANCE AND REPORTING CONDITIONS

40. Expenditure

The licence holder must effectively prospect the licence area and, unless approved by the Department, must expend on operations no less than (the amount specified in the "minimum annual expenditure" column of the Tenement Schedule for the appropriate tenement) whilst the licence is in force.

41. **Completion of Exploration Program**
The licence holder must satisfactorily complete the work program nominated in the application for this licence or for renewal of this licence. Any change to the proposed program must be approved by the Department.
42. **Technical Management of Exploration**
Prospecting operations are to be conducted, or directly supervised, by the Technical Manager nominated in the application for this licence. The nominated technical manager must prepare or supervise and approve all exploration reports. Any change to the Technical Manager must be approved by the Department.
43. **Exploration Reports (For Groups 1 to 7 and Group 10 Minerals)**
The licence holder must lodge reports to the satisfaction of the Department detailing the operations conducted. The reports must comply with Departmental guidelines for preparation of geological reports and be lodged, as specified in this condition, and include all maps, plans and data necessary to satisfactorily interpret and evaluate the reports. Approval by the Department is required if the holder wishes to lodge reports at times other than those specified.
 - (a) **Annual Reports** must be lodged within one calendar month after the expiry of each 12 months of the term of the licence and must contain full particulars of:
 - (i) all surveys and other operations, including expenditure thereon, carried out by or on behalf of the licence holder during the 12 month period;
 - (ii) the results and conclusions of such surveys and other operations; and
 - (iii) the proposed exploration to be conducted during the following 12 month period.
 - (b) **Interim Reports** must be lodged within one calendar month after the expiry of the first six months of each annual period. They must therefore be lodged after the first six months, and thereafter at 12 monthly intervals. Each report must contain a brief summary of exploration completed in the six months and the proposed exploration to be conducted in the following six months. The reports should be completed on the "Interim Report on Mineral Exploration" form;
 - (c) **Airborne Geophysical Survey Results** must be lodged within 6 calendar months of the completion of any airborne geophysical survey. The results must be in digital form and comply with Departmental Guidelines for the Submission of Digital Exploration Data.
 - (d) A **Final Report** must be lodged on the expiry or earlier termination of the licence and must contain:
 - (i) a summary of all surveys and other operations carried out by or on behalf of the licence holder during the full term of the licence from grant to termination;
 - (ii) detailed data of all surveys and other operations if these have not been provided in previous Annual Reports; and
 - (iii) the main results and conclusions of each phase of operations.
 - (e) Additional Reports on surveys and other operations may be required from time to time and must be lodged as instructed.
44. **Confidentiality of Reports**
 - (a) All exploration reports lodged in accordance with the conditions of this licence will be kept confidential while the licence is in force, except in cases where:
 - (i) the licence holder has agreed that specified reports may be made non-confidential; or
 - (ii) reports deal with exploration conducted exclusively on areas that have ceased to be part of the licence.

- (b) Confidentiality will be continued beyond the termination of a licence where an application for a flow-on title was lodged during the currency of the licence. The confidentiality will last until that flow-on title or any subsequent flow-on title, has terminated.
- (c) Continued confidentiality is subject to the licence holder lodging a report that covers all exploration conducted on the areas not covered by the flow-on title. This report will be made public.
- (d) The Department may extend the period of confidentiality.

46. Licence to Use Reports

- (a) The licence holder grants to the Minister, by way of a non-exclusive licence, the right in copyright to publish, print, adapt and reproduce all exploration reports lodged in any form and for the full duration of copyright; and
- (b) The non-exclusive licence will operate as consent for the purposes of section 365 of the Act.

47. Terms of the Non-Exclusive Licence

The terms of the non-exclusive copyright licence granted under Condition 46 (a) are:

- (a) the Minister may sub-license others to publish, print, adapt and reproduce but not on licence reports;
- (b) the Minister and any sub-licensee will acknowledge the licence holder's and any identifiable consultant's ownership of copyright in any reproduction of the reports, including storage of reports onto an electronic database;
- (c) the licence holder does not warrant ownership of all copyright works in any report and, the licence holder will use best endeavours to identify those parts of the report for which the licence holder owns the copyright;
- (d) there is no royalty payable by the Minister for the licence; and
- (e) if the licence holder has reasonable grounds to believe that the Minister has exercised his rights under the non-exclusive copyright licence in a manner which adversely affects the operations of the licence holder, that licence is revocable on the giving of a period of not less than three months notice.

48. Parkes Radio Telescope

The licence holder must ensure that prospecting operations that will utilize methods, which are likely to cause interference with the Parkes Radio Telescope during its operational hours, are conducted in co-operation and consultation with the CSIRO.

PART II

MATERIAL CONTRACT SUMMARIES

A. HEADS OF AGREEMENT

On 22 March 2005, the Company entered into an agreement (**Heads of Agreement**) with Australian Oriental Minerals NL (**AOM**) to establish the terms for the future drafting of a formal joint venture agreement whereby the Company could earn the right to an 80% interest in a specified area comprising 6 units (**The Area**) of the land contained in Exploration Licence 6389 (**EL 6389**).

The Company is required to spend \$100,000 on exploration within The Area within an 18 month period to earn the right to take up a 70% equity interest in The Area.

The Company can earn the right to a further 10% interest following expenditure of \$200,000 on exploration within The Area within a further 18 month period.

When the Company earns the right to an 80% equity interest in The Area, AOM may elect to contribute to further exploration in The Area at its 20% equity level or sell its remaining interest in The Area for a 5% NSR Royalty with the Company holding first right of refusal.

The Company agrees to provide AOM with appropriate technical reports in regards to its exploration activities as required under the conditions to the tenement.

PART III

STATUS OF NATIVE TITLE CLAIMS

TRIBUNAL NUMBER	FEDERAL COURT NUMBER	APPLICATION NAME	STATUS	RNTC STATUS	IN MEDIATION
NC98/17	NSD6106/98	Nucoorilma Clan of the Gamilaaroy Aboriginal People	Active	Registered	Yes