EXPLORATION UPDATE

HIGHLIGHTS

- Drilling has commenced on the Lagoon Creek Uranium Prospect in the Myally Project area.
- Good phosphate potential exists in the Dajarra and Inca Project areas.

LAGOON CREEK URANIUM PROSPECT

Drilling has commenced at the Lagoon Creek Uranium Prospect in the Myally Project area located 170 km north of Mount Isa (Figure 1).

The Lagoon Creek Uranium Prospect was initially identified from anomalous uranium in an airborne radiometric survey. Soil sampling on the uranium anomaly indicated anomalous uranium and molybdenum values in the soil covering the anomalous areas (Figure 2).
Follow-up rock chip sampling of the limited outcrops in the area showed uranium values in the surface rocks as shown in Table 1.

<table>
<thead>
<tr>
<th>Sample Number</th>
<th>East MGA Zone 54</th>
<th>North MGA Zone 54</th>
<th>$\text{U}_3\text{O}_8$ (ppm) (XRF05)</th>
<th>$\text{U}_3\text{O}_8$ (ppm) (ICP41)</th>
<th>Mo (ppm)</th>
<th>V (ppm)</th>
<th>$\text{P}_2\text{O}_5$ (%)</th>
<th>Cu (ppm)</th>
<th>Zn (ppm)</th>
<th>Rock Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>3002946</td>
<td>363702</td>
<td>7887800</td>
<td>234</td>
<td>212</td>
<td>60</td>
<td>219</td>
<td>6.29</td>
<td>126</td>
<td>613</td>
<td>Limestone</td>
</tr>
<tr>
<td>3002947</td>
<td>363689</td>
<td>7887799</td>
<td>259</td>
<td>247</td>
<td>62</td>
<td>298</td>
<td>4.62</td>
<td>106</td>
<td>549</td>
<td>Limestone</td>
</tr>
<tr>
<td>3002948</td>
<td>363845</td>
<td>7887813</td>
<td>191</td>
<td>188</td>
<td>84</td>
<td>287</td>
<td>4.83</td>
<td>144</td>
<td>713</td>
<td>Limestone</td>
</tr>
<tr>
<td>3002949</td>
<td>363691</td>
<td>7888019</td>
<td>183</td>
<td>176</td>
<td>61</td>
<td>218</td>
<td>5.22</td>
<td>150</td>
<td>728</td>
<td>Limestone</td>
</tr>
<tr>
<td>3002950</td>
<td>363709</td>
<td>7887726</td>
<td>298</td>
<td>283</td>
<td>45</td>
<td>253</td>
<td>7.57</td>
<td>119</td>
<td>458</td>
<td>Limestone</td>
</tr>
<tr>
<td>3002951</td>
<td>361078</td>
<td>7885429</td>
<td>193</td>
<td>165</td>
<td>67</td>
<td>347</td>
<td>7.48</td>
<td>210</td>
<td>894</td>
<td>Calc-sandstone</td>
</tr>
<tr>
<td>3002952</td>
<td>361193</td>
<td>7885433</td>
<td>294</td>
<td>259</td>
<td>215</td>
<td>533</td>
<td>11.31</td>
<td>923</td>
<td>1300</td>
<td>Calc-sandstone</td>
</tr>
<tr>
<td>3002953</td>
<td>361379</td>
<td>7885536</td>
<td>325</td>
<td>259</td>
<td>77</td>
<td>474</td>
<td>10.25</td>
<td>375</td>
<td>1250</td>
<td>Calc-sandstone</td>
</tr>
</tbody>
</table>

Table 1. Lagoon Creek Uranium Prospect – Rock chip sample results.

The first five samples were collected from an area of scattered outcrop and float of a red-brown to grey fossiliferous limestone surrounded by black soil. The last three samples were collected from an area of poorly outcropping red-brown fossiliferous calcareous sandstone in a black soil area. Both rock types appear to belong to the Toolebuc Formation of Cretaceous age. It is likely that both rock types extend under the extensive black soil covering much of the prospect area.
Geological mapping and interpretation of historic airborne EM data indicates that the anomalous uranium values are associated with an ancestral embayment of Cretaceous sediments in the Proterozoic basement. It is thought possible that ancestral Cretaceous streams draining from the Proterozoic basement may have increased the uranium values in the Toolebuc Formation in this area.

The target in the area is a substantial area of uranium mineralisation. The drilling will test both phosphatic units in the Toolebuc Formation as well as any permeable channel deposits which may occur within or below the Toolebuc Formation.

The planned drilling program involves 50 air core and reverse circulation holes for a total of approximately 2000m of drilling. The drilling will target the area of anomalous uranium radioactivity and soil values along four widely spaced traverse lines.

Drilling is expected to take approximately two weeks. However sample assay results may not be available until approximately three months after completion of the drilling program because of the large volume of samples being delivered to the assay laboratories at the present time.

PHOSPHATE

The relatively recent substantial rise in the price of phosphate has led to increasing interest in exploration for phosphate deposits in north-west Queensland where the large Phosphate Hill phosphate operation is located.

The principal known phosphate deposits of north-west Queensland occur within the Beetle Creek Formation which is near the base of the sediments of the Georgina Basin of Cambrian age. Greater thicknesses of Beetle Creek Formation occur where there were depressions (valleys or fault troughs) in the underlying older Proterozoic basement.

A considerable amount of exploration was completed during the 1960s and 1970s for phosphate in north-west Queensland. This resulted in the discovery of a number of deposits. These deposits mostly occur close to the outcropping older Proterozoic rocks which suggests that there is a significant amount of secondary enrichment in these known deposits.

SPQ holds a number of exploration permits for all minerals which includes phosphate in north-west Queensland. Exploration in these permits is targeting base metals in areas of shallow cover (including Cambrian cover) around the Mount Isa Inlier. Based on the factors above some of these permits are considered to have good potential for the discovery of phosphate deposits. The best potential is considered to exist within the Dajarra and Inca Project tenements.

A summary of the situation that exists in the Dajarra and Inca Project areas is shown in Figures 3 and 4 respectively. These diagrams indicate the areas of prospective Cambrian rocks and the previous drilling for phosphate in and around the areas. Note that Cambrian rocks often extend under areas of later Mesozoic and other cover sediments. In the case of the Inca Project area previous drilling intersected medium grade phosphate in three holes in the Whistler Creek area as indicated in Figure 4.

While maintaining a strong focus on the discovery of large copper and lead-zinc-silver deposits SPQ will complete drilling for phosphate in areas where significant potential for higher grade phosphate is considered to exist. In some cases this may be within the cover rocks to areas with base metal potential such as at the Flora Prospect where drilling is planned.

The Toolebuc Formation being drilled for uranium at the Lagoon Creek Uranium Prospect also carries appreciable amounts of phosphate as indicated by the sample results in Table 1.
(above). Potential for phosphate in these rocks is considered reasonable but that for high grade phosphate is considered higher within the Cambrian rocks.

Figure 3. Dajarra Project – Geology showing Cambrian sediments with phosphate potential (in red), SPQ’s tenements and previous drilling completed for phosphate.
ELIZABETH PROSPECT ASSAY RESULTS

Assay results from the drilling of six holes at the Elizabeth Prospect in the Dajarra Project area are expected to be received in the next two weeks.

Figure 4. Inca Project – Geology showing Cambrian sediments with phosphate potential (in red), SPQ’s tenements and previous drilling completed for phosphate.

The information in this report that relates to Exploration Results is based on information compiled by Mr Ken Harvey, a full-time employee of the Company, who is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Harvey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr Harvey consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.