ANNUAL REPORT

EXPLORATION LICENCES 25331, 25332, 25373, 25402 and 25554

LIMBLA PROJECT

FOR THE PERIOD 9/2/07 to 8/2/08

YEAR 1

by

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1:250000 Illogwa Creek

1:100000 Quartz, Limbla

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INTRODUCTION

BACKGROUND
The Exploration Licences were held by A W Mackie, and A W Mackie and G J Bubner until they were acquired by Western Desert Resources Ltd in May 2007. The tenements cover ground prospective for uranium and base metal mineralisation.

LOCATION AND ACCESS
The tenements are located about 120km east of Alice Springs in the southern part of the Northern Territory (Figure 1).

Access is by the sealed Ross Highway from Alice Springs, and thence by an unsealed road to Ringwood Station. The Ringwood Homestead is located near the southwest corner of the project area. Access within the project area is by station tracks. Some parts of the area are inaccessible to vehicles.

CLIMATE
The climate is arid, sub-tropical with cold winters and hot summers. The average annual rainfall is 230mm with most falls in summer months.

TOPOGRAPHY AND VEGETATION
The project area is located at the eastern end of the Folded Central Ranges geomorphologic division. The Simpson Desert borders the area to the south.

Steep quartzite ridges form topographic highs in the central part of the project area, and are separated by narrow alluvial valleys and grass plains.

The hills and ridges are lightly to moderately wooded with stunted eucalypts, gidgee, mulga and acacia.

TENURE

MINING/MINERAL RIGHTS
ELs 25331, 25332 and 25373 were granted to A W Mackie on 9th February 2007. EL 25402 was granted to A W Mackie on 2nd March 2007. EL 25554 was granted to A W Mackie and G J Bubner on 23rd August 2007. The licences were purchased by WDR Base Metals Pty Ltd, a wholly owned subsidiary of Western Desert Resources Ltd, on May 2nd 2007.

LAND TENURE
The tenements are located within the boundaries of Perpetual Pastoral Leases 995 (Loves Creek), 1011 (Ringwood) and 1124 (Ambalindum).

The Ruby Gorge Nature Park lies on the western boundary of the project area.
NATIVE TITLE
The Burt Plain project does not currently fall within the area of a registered Native Title Claim. Part of the project area is subject to an Aboriginal land claim under the Aboriginal Land Rights (NT) Act.

ABORIGINAL SACRED SITES
There are no known sacred sites within the project area.

GEOLOGY

REGIONAL GEOLOGY
The project area is located over the contact between the Aileron Province of the Arunta Block of Palaeoproterozoic to Mesoproterozoic age to the north and the Amadeus Basin of Neoproterozoic age to the south, see Figure 2. The older rocks have been thrust over the younger rocks along a series of NW-SE trending thrust zones, of which the Oolera Fault Zone (Burt Plain – Albarta Shear Zone) is the most important.

LOCAL GEOLOGY
The northern part of the project area is underlain by metamorphic rocks of the Aileron Province of the Palaeoproterozoic Arunta Block, see Figure 3. The Harts Range Group consists of the Bruna Gneiss of igneous origin and the Riddoch Amphibolite Member; parts of this group are now thought to be of Neoproterozoic to Cambrian in age. These rocks are separated from the Albarta Metamorphics to the south by the Illogwa Schist Zone. The Albarta Metamorphics are a sequence of metasediments, amphibolites and quartzo-feldspathic gneiss. The Illogwa Schist Zone is a major structural zone and contains basement rocks which have been subject to retrograde metamorphism. The Albarta Metamorphics have been intruded by the Atneequa Granitic Complex, which includes the Tourmaline Gorge granite.

Rocks of the Amadeus Basin crop out in the southern half of the project area. The northern boundary of the Basin is marked by the major Oolera Fault Zone (Burt Plain – Albarta Shear Zone) which contains fault blocks of the lower members of the Amadeus Basin and the underlying Arunta Block. The faulting within this zone is reverse or overthrust, and granitoid rocks that occur within the zone are the noses of small nappes preserved as klippen.

The lowest member of the Amadeus Basin is the Heavitree Quartzite which forms steep ridges in the central part of the project area. The Bitter Springs Formation overlies the Heavitree Quartzite and is a sequence of shales, sandstones and carbonates. The Areyonga and Aralka Formations are exposed in the Limbla Syncline, and consist of siltstones, sandstones and carbonates with minor diamicrite of possibly glacial origin. The youngest members of the Amadeus Basin exposed in the area are the Gaylad Sandstone and the Pertatataka Formation which occur within a syncline NE of Ringwood Station.

A Tertiary laterite capping has been preserved in some areas. Quaternary sediments occur within the Illogwa Creek drainage system.
PREVIOUS EXPLORATION

EXPLORATION BY PREVIOUS COMPANIES

**Esso Minerals Australia (1976-78)**
Esso explored the area for uranium between 1976 and 1978. Two airborne radiometric surveys were flown and 56 radiometric anomalies were followed up. Four of these anomalies were found to be due to outcropping uranium mineralisation.

The Alberta prospect is related to a shear zone and associated chloritic alteration. Secondary uranium minerals occurred in outcrop with rock chip assays to 0.9% U₃O₈. Trenching of the shear zone gave results up to 260 ppm U₃O₈. Drilling along the length of the radioactive zone gave results similar to those found in the trenches.

The H41 prospect is located to the north of the Alberta prospect. The anomaly is associated with a shear in leucogranite. Rock chip samples assayed up to 320 ppm U₃O₈, and one drill hole was completed.

The Tourmaline gorge prospect is associated with tourmaline granite which poorly outcrops in a steep sided valley. Secondary uranium minerals were located in association with minor sulphide veins in altered granite. No trenching or drilling was undertaken.

**AGIP Australia (1977-78)**
AGIP explored the Illogwa Creek catchment for channel uranium deposits with little encouragement.

**Stockdale Prospecting Ltd (1979-80)**
Stockdale explored the southern part of the project area for diamonds. No anomalous results were reported.

**Esso Minerals Australia (1980)**
Esso continued exploration on the Alberta prospect during 1980. No drilling was done.

**Afmeco Pty Ltd (1980)**
Exploration for sandstone-type uranium was carried out in the Illogwa Creek area. Drilling did not intersect any uranium mineralisation.

**BHP Minerals (1982-84)**
Exploration for diamonds and base metals was carried out. Activities included geological mapping, stream sediment sampling, rock chip sampling and ground magnetic traverses. The results of the diamond exploration activities were negative for kimberlitic indicators. Some stratiform gossanous units were sampled and found to contain sporadic high Zn values (up to 5500ppm Zn). The gossanous units were thought to be originally quartz-magnetite-pyrite/pyrrhotite bands. BHP did not consider them to be worthy of further exploration.

**Pancontinental Mining (1990)**
The target for exploration was heavy minerals in the Hale River catchment. Surface sampling and widely spaced drilling failed to discover any economic concentrations.
Normandy explored the area for stratiform sediment –hosted base metal mineralisation within the Amadeus Basin succession.

Exploration activities included stream sediment sampling, lag sampling, RAB, RC and diamond drilling. Geophysical techniques used included airborne magnetic, gravity and reconnaissance IP.

Numerous anomalous samples were followed up but no economic base metal mineralisation was discovered.

Roebuck Resources (1993)
Exploration activities including stream sediment and rock chip sampling tested two magnetic anomalies for gold and base metals. Weak gold values (13 and 26 ppb Au) were found in -80# stream sediments draining the southern anomaly. Little follow-up sampling was completed with negative results.

Rio Tinto Exploration (1996-98)
RTE targeted stratiform base metals, unconformity uranium and diamonds in their exploration of the area. The work was concentrated in the Amadeus Basin sediments. Aeromagnetics were flown over the area. Ground magnetic surveys were done to follow-up airborne magnetic anomalies. Stream sediment and rock chip samples were collected.

Regional RAB drilling was undertaken to test the contact between the Heavitree Quartzite and the overlying Bitter Springs Formation. Some of the RAB holes returned anomalous base metal values. RC drilling was undertaken to test the best area of RAB drilling. Further anomalous base metal values were reported (best intersection: 4m at 1500 ppm Cu), however RTE considered the continuity of the mineralisation to be poor.

Gutnick Resources (2001-2003)
Exploration was conducted for Witwatersrand gold mineralisation. Stream sediment samples were collected and analysed for BLEG gold. No anomalous values were found.

EXPLORATION COMPLETED DURING CURRENT YEAR

GEOPHYSICAL SURVEYS

Airborne radiometric and magnetic survey.
An airborne survey was flown by UTS geophysics during November and December 2007. The survey covered two areas within the project tenements as shown on Figure 4. The logistics report for the survey is in appendix 1. The survey had the following specifications:

- Flight line direction: North-South
- Flight line spacing: 100 metres
- Tie line direction: East-West
- Tie line spacing: 1000 metres
- Survey height: 50 metres
The details of the data processing methods used are given in the logistics report. The data are given in appendix 2.

RESULTS AND EXPENDITURE

Discussion of results
The final airborne survey data had not been received by the date of this report. Preliminary radiometric data indicates that there are a number of uranium anomalies that will require ground follow-up, see Figure 5.

Expenditure
The expenditure commitments for the individual ELs are shown below:

- EL 25331 – $30,000 to 8th February 2008.
- EL 25332 - $30,000 to 8th February 2008.
- EL 25373 - $52,000 to 8th February 2008.
- EL 25402 - $67,000 to 1st March 2008.

The expenditure commitment for EL 25554 is $37,000 and this is for the year to 22nd August 2008.

The actual expenditure on each EL is given below and the details are shown on the accompanying exploration expenditure forms. As EL 25554 has an anniversary date in August, an exploration expenditure form will be submitted at that time.

- EL 25331 – $6,307 to 8th February 2008.
- EL 25332 - $9,560 to 8th February 2008.
- EL 25373 - $29,153 to 8th February 2008.
- EL 25402 - $67,000 to 1st March 2008.

The expenditures for these ELs were less than planned because the final payment for the airborne survey occurred after the anniversary dates as shown above.

PROPOSALS FOR FUTURE WORK

Proposed work programme for 2008 – Year 2
The proposed exploration programme for year 2 will include ground follow-up of the airborne radiometric anomalies. Depending on the results of this initial work further exploration of the anomalies by surface sampling, costeaming and drilling may be undertaken.

The proposed expenditures on each of the ELs for year 2 are as follows:

- EL 25331 – $30,000.
- EL 25332 - $30,000.
- EL 25373 - $80,000.
EL 25402 - $70,000.

The proposed expenditure for EL 25554 will be submitted on its anniversary date in August.

References