EXPLORATION LICENCE 24253
NEUTRAL JUNCTION PROJECT

PARTIAL SURRENDER REPORT

11TH SEPTEMBER 2009

Barrow Creek, Alcoota
1:250,000 Map Sheets

Registered titleholder: Mithril Resources Limited

Operator: Mega Hindmarsh
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Date: 9th September 2009
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The Neutral Junction Project consists of a single exploration licence EL 24253, located 280 km north of Alice Springs.

In December 2005, Hindmarsh Resources Limited (now Mega Hindmarsh Pty Limited) and Mithril Mining Limited entered into a joint venture agreement.

The primary mineralisation model considered was for unconformity-related uranium at the contact between the basement rocks (metasediments of the Hatches Creek Group) and the overlying sedimentary rocks of the Late Proterozoic Georgina basin sequence. Identification of a potential chemical trap, such as a cross cutting dolerite dyke or graphitic unit, was also used as a targeting criterion.

Assessment of previous exploration data concluded that the target stratigraphy was absent from the area to be relinquished. Apart from an initial data review and a reconnaissance site visit conducted to these parts of EL24253 during August 2006, no other exploration field work has been completed to date within the relinquished area of this tenement.

Consequently, in September 2009, an initial 50% block reduction for EL24253 was completed by Mega Hindmarsh and Mithril in accordance to Section 26 and 28, of the Mining Act (dated 18 September 2007). On 8th September 2008, a waiver of reduction was granted under Section 28 of the Mining Act. A waiver of reduction was deferred on 21st April 2009, with a partial block reduction being completed by Mega Hindmarsh and Mithril in May 2009. On 19th June 2009, a partial waiver was granted under Section 28 of the Mining Act.

In summary, the current active tenement area for EL24253 consists of 140 blocks out of the original 454 blocks that were granted on the 7th April 2005. A final reduction is currently pending on 6th April 2010.

This report details exploration work completed within the block areas relinquished in September 2009 and May 2009.
1. INTRODUCTION

The Neutral Junction Project is located 280 km north of Alice Springs, Northern Territory on the Barrow Creek (SF53-6) and Alcoota (SF53-10) 1:250 000 map sheets (Figure 1). Access to the district is via the Stuart Highway and a network of graded station tracks.

This report details all mineral exploration activities undertaken by Mega Hindmarsh Pty Limited (formerly Hindmarsh Resources Limited) within the relinquished area of tenement EL24253. The main activities included comprehensive interpretation of previous geophysical and geochemical data to define the occurrence of any prospective rocks. Apart from an initial data review and a reconnaissance site visit conducted to these parts of EL24253 during August 2006, no other exploration field work has been completed to date within the relinquished area of this tenement.

2. TENEMENT DETAILS

2.1 Tenure

Mithril Resources Limited is the registered titleholder of the exploration licence as detailed in Table 1. The licence lies within the Neutral Junction, Stirling Downs and Mt Skinner Pastoral Leases.

<table>
<thead>
<tr>
<th>Tenement Name</th>
<th>Tenement Holder</th>
<th>No. of graticular blocks</th>
<th>Date Granted</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL 24253</td>
<td>Mithril Resources Limited</td>
<td>454 (1,433 sq km)</td>
<td>7/4/2005</td>
</tr>
</tbody>
</table>

In April 2006 Hindmarsh Resources Limited and Mithril Resources entered into a Joint Venture arrangement, whereby Hindmarsh was entitled to earn an 80% interest in the Neutral Junction Project by expending $1,000,000 by June 2011. Hindmarsh was appointed Manager and Operator of the Joint Venture.

2.2 Native Title Parties and Aboriginal Heritage

In August 2006, Mega Hindmarsh Pty Limited convened a meeting with Central Lands Council (CLC) representatives and registered native title claimants at Tara Community Hall. Site visits were conducted by local native title representatives and CLC staff (including an anthropologist) and site clearances issued. A number of areas of significance were identified during this visit, combined with sites identified by previous AAPA surveys.

After detailed discussion with native title holders and the CLC, Mega Hindmarsh Pty Limited planned its exploration program so that these sites were avoided.

2.3 Consultation with Pastoralists

The station managers at Neutral Junction and Stirling Downs pastoral stations were informed of Mega Hindmarsh’s field activities and will continue to be consulted on all aspects of access and rehabilitation.
Figure 1: EL 24253 tenement location map (Lennartz, 2006)
3. GEOLOGY & GENERAL DISCUSSION

The tenement is located at the boundary of the Arunta Inlier to the south and the Tennant Creek Inlier/Davenport Province to the north. The contact between the tectonic blocks constitutes a wide northwest-southeast trending corridor which includes intensely folded and faulted rock types of both provinces (Lennartz, 2006). The immediate project area is covered by flat-lying Neo-Proterozoic Georgina Basin sediments (Adelaidean Central Mt Stuart Formation) resting above an unconformity contact with steeply inclined and deformed/metamorphosed Palaeo-proterozoic Hatches Creek Group amphibolite-grade metasediments. Intrusion of radiometrically-anomalous Proterozoic-aged granite bodies are aligned with the northwest-southeast structural trend and outcrop directly north-west (Barrow Creek area) and in the south-east (Mount Skinner and Tomahawk Range) of the tenement.

Modelling of the depth of these sediments by the NTGS indicates that a major fault forms the western margin of the Georgina Basin. The depth of the basin sediments in the southern half of the EL24253 increases from less than 100 m to over 1000 m in less than 500 m. This suggests a major crustal discontinuity, which could provide a pathway for migrating mafic magma. This fault bounds the Hatches Creek Group (HCG) in the northern half of EL 24253 and north of the licence the fault approximately coincides with the Strzeleckie nickel sulphide occurrence.

4. PREVIOUS EXPLORATION

Historically, a small amount of exploration work has been reported in the area. Aerial surveying (magnetics) was completed by NT Geological Survey (1981) on N-S oriented lines 500 metre apart at 100 metres MTC.

Uranium exploration was carried out in the district by Otter Exploration (1977) and C.R.A. Exploration (1978).

In 1977, Otter undertook exploration in the Mt Ida region. Trace amounts of uranium mineralisation (maximum 215 ppm) were discovered in microgneisses adjacent to pegmatite bodies in Lower Proterozoic metasediments and intrusive granite bodies.

In 1978, C.R.A. recognised the potential for uranium occurrence in the Arunta Complex basement and at the unconformity with the overlying Central Mount Stuart Formation. Magnetic and radiometric surveys were completed with ground follow-up (stream sediment sampling) in the northern portion of EL24253.

Exploration for base metals was conducted by Kennecott Exploration (1966), Department of Mines and Water Resources (1968), Alcoa Australia Ltd. (1983) and Otter Exploration (1989). In 1980, CRA Exploration collected approximately 20 samples over the area within the northern part of EL 24253. These samples were analysed for base metals, but not uranium.

Previous work searching for wolfram, tantalum and tin was conducted by BHP Minerals Ltd (early 1980’s) and R.B. Mining (1981).

Exploration for diamonds was undertaken in 1977, by C.R.A. Exploration.
The area is prospective for nickel, copper and cobalt in sulphides hosted by mafic intrusions. Two nickel sulphide occurrences (Prospect D and Strzeleckie) occur to the north-west of EL24253. These occurrences are mapped as being within amphibolites associated with metasediments of the HCG (Fowler, 2006).

Mafic intrusions have not been located by exploration to date, within the tenement area. However, outcrops of the prospective HCG stratigraphy in association with a major fault provided the basis for follow up of the Prospect D and Strzeleckie nickel sulphide occurrences along strike in the south-east direction.

From a continental scale it is apparent that EL 24253 is on major magnetic and gravity breaks as well as major lineament trends. Prospect D and Strzeleckie also occur on or near the regional magnetic break with prospect D occurring at an inflection point.

Mapped outcrops of HCG with amphibolites are restricted to three areas on the Barrow Creek 1:250,000 Sheet. The prospect D and Strzeleckie occurrences are associated with two of the outcrops with the third outcrop occurring in EL 24253 (Main Target zone).

In June 2005, JV partner Mithril Resources conducted a mapping and reconnaissance geochemical survey to look for nickel associated with any extensions of the Hatches Creek Group (HCG) and possible mafic intrusions. Mapping did little, however, to improve the nickel prospectivity of the area. HCG outcrops examined within EL24253 did not contain any mafics and were not found further to the south in the Springs Range area, as was expected. Gabbroic float was identified in one stream draining an escarpment composed of uplifted Georgina Basin sediments, but the source of the float was not successfully located further upstream. This led to the conclusion that the alluvial gravels incised by the current stream may have been deposited by a stream draining a different area.

The reconnaissance geochemical survey collected 27 samples of magnetic lag fractions, returning the highest nickel value of 67 ppm and highest copper value of 24 ppm. None of the elements assayed show any significant trends, which did not encourage further nickel exploration on EL24253 by Mithril Resources.

Whilst assays were not greatly anomalous, the generally elevated concentrations for elements such as Ni and Cr were indicative of the potential occurrence of mafic lithologies in the areas sampled. Mafic rocks may be present at shallow depth below cover in these areas. Hence, there is a possibility of a uranium occurrence associated with a “reducing” trap near mafic rock types.

5. 2006-09 EXPLORATION: MEGA HINDMARSH PTY LIMITED

A reconnaissance geological survey was undertaken in August 2006. Following this, Hawke Geophysics Pty Ltd was contracted to review and interpret geophysical data in order to identify the occurrence of target structures and lithologies that had potential for the occurrence of redox-conditions.

The primary mineralisation model considered was for unconformity-related uranium at the contact between Palaeoproterozoic HCG metasediments Neoproterozoic sediments (Stuarts Range group) of the Georgina Basin sequence. Identification of a potential chemical trap, such as a cross cutting dolerite dyke or graphitic unit, was also used as a targeting criterion.
Assessment of previous exploration data concluded that occurrences of potentially suitable target stratigraphy was largely absent from the areas to be relinquished. No reducing lithology (graphitic units or dolerite dyke) worthy of follow-up exploration were defined in the area.

Apart from the initial reconnaissance visit conducted during August 2006, no other exploration field work was completed within the relinquished areas of EL24253 (Neutral Junction).
10. REFERENCES


Figure 2: EL24253 (Neutral Junction), showing blocks selected for relinquishment.