Combined Annual & Relinquishment Report for EL 26433

Year ending 28 April 2010

SUMMARY

During the year, no exploration activity was undertaken on the Exploration Licences as the Company struggled to stay out of administration during the Global Financial Crisis. The unlisted status of the Company meant that all standard avenues for raising funds for exploration were totally closed off.

As recently as November 15th 2009, the Company was faced with the real prospect of a firesale of its assets and or immediate relinquishment of 100% of all tenements held.

The board of the Company was able to navigate these treacherous waters and the outlook is now considerably more positive. The Company is now negotiating with various financial groups to raise significant new capital, likely via a listing on the Australian Stock Exchange (ASX).

With renewed vigour the Company intends to explore its tenements in 2010 as it will have complete funding available, and recent good co-operation with the CLC has resulted in a land access (draft) agreement presented to Red Gum Resources. As a result, the updated Mine Management Plan (MMP), submitted on 4th November 2009, will able to be undertaken. During the previous year, no exploration was possible due to this major issue.

The Company lodged a security payment to the NT Government of $18,000 during the previous permit year, and incurred total costs (excluding rentals), of $5860.46.

Delays in moving forward with the IPO have forced some hard decisions and this has resulted in the relinquishment of the entire area of EL 26433.

EXPLORATION RATIONALE

The Company has four exploration licences in the Amadeus Basin region of the Northern Territory. Exploration of individual licences is logistically difficult and financially unsound. To this end, the Company has attempted to maximise efficiency by combining the proposed exploration program across all four permits. This inevitably leads to much more primary data being collected as excess costs are kept to a minimum.
The proposed exploration program itself was outlined in the MMP accepted by the NT Government in August 2008.

The bulk of the areas are within 100km north and north east of Yulara, or between 250 and 350km south west of Alice Springs. EL 25213 is only 100km south east of Alice Springs. Access to these areas is via all weather sealed roads, either via the Mereenie Loop, Namatjira Highway, or the Stuart Highway, and then via interconnected ‘dry weather’ roads and tracks on stations.

Exploration for base metals within the Amadeus Basin took place over much larger timeframes (1950’s onwards), although has been significantly hindered by issues of Native Title and ALRA (Aboriginal Land Rights Act) land. Historically, copper mineralisation has been found on the contact between the Goyder Formation and Pacoota Sandstone, in hydrothermal sandstone hosted deposits, or on faulted contacts that juxtapose younger sandstones against older source & host sediments (frequently shows noted as ‘sedimentary Cu’). Exploration has yielded a tantalising small copper orebody in the Waterhouse structure and government drilling resulted in assays of up to 2500ppm Cu at the Ringwood prospect, where visual Malachite, Azurite and Chalcocite can be (reportedly) traced in a green dolomitic unit along a strike length of approximately 8km.

Copper-Lead-Zinc-Gold-Silver Exploration Models

In general, there has been very limited exploration for sediment hosted base metal deposits have not been properly explored for in the Amadeus Basin. There are numerous metal shows in workings, generally in the better explored northern, and eastern portions of the basin. The applicable deposit models/exploration concepts are of two main styles-
1. **Fault Controlled** - conventional base metal model whereby sediments adjacent to large basement faults receive metal bearing fluid ‘charge’ and an accumulation results in a suitable host rock (such as those found in the Mt. Isa region). The Amadeus Basin does possess many of the characteristics of other basins that host giant and ‘supergiant’ ore deposits. Elsewhere in the Amadeus, there are numerous polymetallic prospects that have a Pb-Zn-Ag-Cu assemblage, with occasional uranium. Surface iron-gossans are evidence of this. These frequently relate to the presence of a large fault, and the juxtaposition of Amadeus sediments against basement.

2. **Diapir associated base metal deposits** - There is an intimate relationship between diapirism and sedimentation in the Adelaide Geosyncline (AGS). The most recent model for diapirism (Dyson 1996), advocates a strong relationship between unconformities (or sequence boundaries) and diapirism. Many sequence boundaries and disconformities are most pronounced adjacent to diapirs where they are associated with the active and passive stages of diapirism (Dyson 2001). These stratal surfaces are significant with respect to exploration for base metals as they mark potential sites for syngenetic and epigenetic mineralisation. They are found adjacent to both intrusive and extrusive diapiric breccias. Diapiric movements often produce associated withdrawal structures - depressions or mini-basins. The Beltana Diapir represents such a minibasin and this is the site for syngenetic copper and epigenetic zinc mineralisation (Dyson 1999). Sediment hosted base metal mineralisation is found within or adjacent to major diapiric structures that include the Arkaba, Beltana, Blinman, Chambers, Frome, Lock Ness, Mucatooona, Nantawarrinna, Orarapinna, Patawarta, Pinda, Wirrealpa and Worumba Diapirs (Dyson 2001). Recently Dyson (1999, 1996), suggested that syn-sedimentary mineralisation associated with diapirs could be classified as SEDEX and RBT (redbed type) deposits. Salt withdrawal grabens associated with some diapirs are host to RBT copper deposits (Mucatooona Diapir) and, following the effects of the Delamerian Orogeny, others (e.g. Wirrealpa Diapir) were transformed into third order basins during which they were supplied with metalliferous brines from the diapir. The gypsum mineral occurrences in the basin, supports the general knowledge that the Bitter Springs Formation has a thick evaporite unit within it, in turn supporting the possibility of a diapir related metal deposit being present.

Under the proposal, the Company was to acquire a substantial amount of geochemical data via Auger sampling, which is defined as ‘substantial disturbance’ according to the Mining Act, and needs both an MMP and land access agreement. As the land access agreement had not been provided to the Company in a draft form by the end of the permit year, no exploration activity was undertaken.