HARTZ RANGE MINES PTY LTD

ACN: 084 999 413

EL 10335

Partial Relinquishment Report

FOR THE PERIOD ENDING
14 August 2010

Submitted By

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ABSTRACT

Partial relinquishment of EL 10335 was effected on 15th August, 2010. This report summarises the work carried out by Hartz Range Mines Pty Ltd ("HRM") and Lagoon Creek Resources Pty Ltd ("LCR") during the term of those parts of EL 10335 which are now relinquished.

The thrust of the exploration effort has been for diamonds. The sampling and ground geophysics completed by previous explorers has been followed up by more ground geophysics, and the best anomalies tested by drilling. The results of the drilling are negative.

KEYWORDS: NT, McArthur Basin, Debbil Debbil Uranium Project, Branch Creek Diamond Project, copper, uranium, diamond, airborne geophysical survey, Landsat, SPOT.

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INTRODUCTION

Hartz Range Mines Pty Ltd ("HRM") held three Exploration Licences, EL10335, EL22579, and EL24358 at Wollogorang Station on the Northern Territory/Queensland border. Collectively these are known as the Wollogorang Project. The southern one third of EL10335 is covered by the Debbil Debbil JV. Under this Joint Venture agreement Lagoon Creek Resources Pty Ltd (LCR) are able to explore for uranium, base metals and gold. This area is not relinquished. Gulf Mines Limited has the right to explore for uranium and base metals in the northern one third of the EL, and this area is also not relinquished. The area relinquished, and which is the subject of this report is the middle section of the EL which was prospective for diamonds. Figure 1 shows the location of EL10335, and that part which is relinquished. No ground work was carried out on the "corner blocks" relinquished at the eastern and north western margins of the northern retained block.

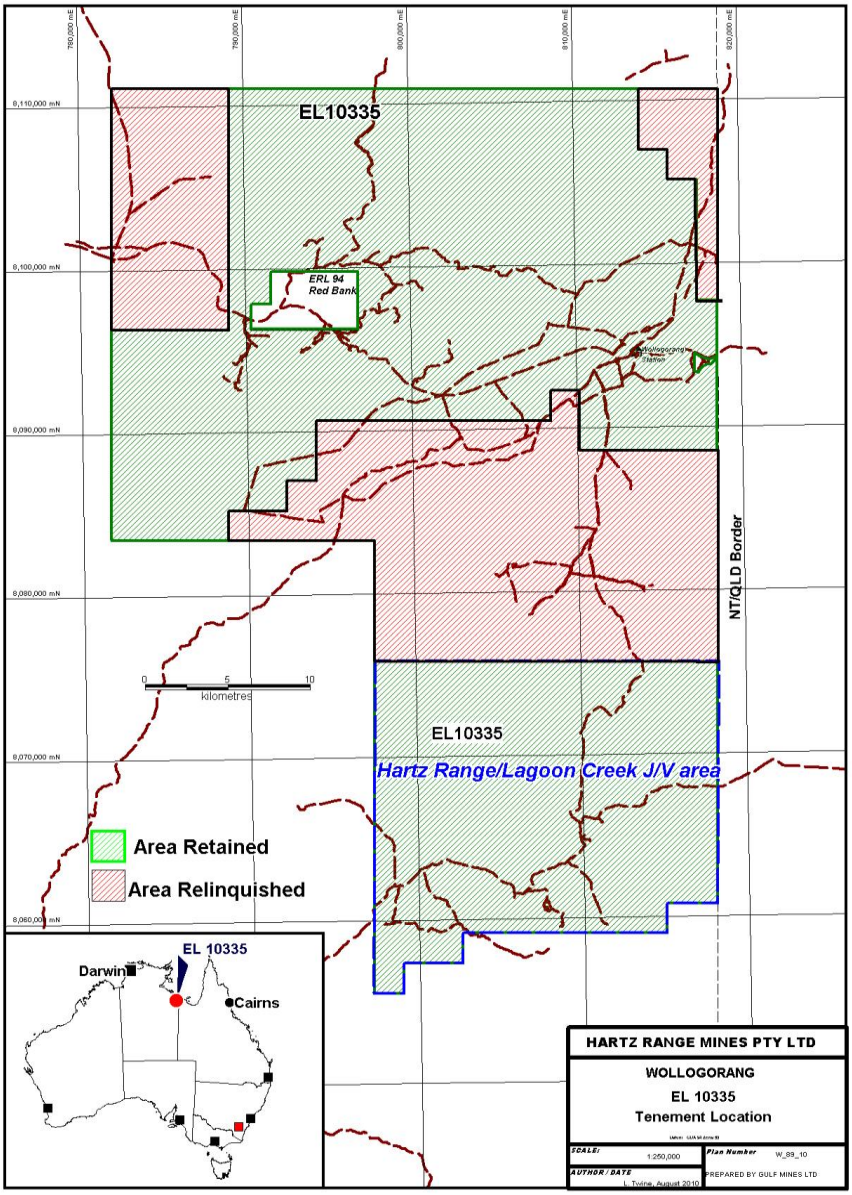

Figure 1. EL 10335 Location

TENEMENT DETAILS

Relinquishment of 31% (148 blocks) was completed in August 2010. Figure 2 shows the area relinquished.

LICENCE	APPLIED	GRANTED	EXPIRY	BLOCKS	AREA (km^2)
EL10335	3 Dec 1998	15 Aug 2002	15 Mar 2011	473	1054

Block	Sub-Blocks
SE53933	YZ
SE53934	VWXYZ
SE53935	VWXYZ
SE53936	VW
SE531005	DEJKOPTUYZ
SE531006	ABCDEFGHJKLMNOPQRSTUVWXYZ
SE531007	ABCDEFGHJKLMNOPQRSTUVWXYZ
SE531008	ABFGHLMNOQRSTVWXY
SE531076	PUZ
SE531077	DEJKLMNOPQRSTUVWXYZ
SE531078	ABCDEFGHJKLMNOPQRSTUVWXYZ
SE531079	ABCDEFGHJKLMNOPQRSTUVWXY
SE531080	ABCDFGHJKLMNOPQRSTUVWXYZ
SE531148	EKPU
SE531149	ABCDEFGHJKLMNOPQRS
SE531150	AF
SE531152	ABCDE
SE531222	TUYZ
SE531223	QRSTUVWXYZ
SE531224	QRSTUVWXYZ
SE531294	DEJKOPTUYZ
SE531295	ABCDEFGHJKLMNOPQRSTUVWXYZ
SE531296	ABCDEFGHJKLMNOPQRSTUVWXYZ
SE531366	DEJKOPT
SE531367	ABCDEFGHJKL
SE531368	ABCDEFGH

Native Title

AAPA Authority Certificate C2006/107 was issued on the 30th October 2006 after amendment to include track and drill pad construction and drilling.

The JV area is affected by Native Title Claim DC02/11, Wollogorang South, made on behalf of the Gudidiwalia and Binanda Garawa People and accepted for registration by the National Native Title Tribunal on 19/07/2002.

The southern and south western boundary abuts Aboriginal Freehold Land (NT Portion 2006) administered by the Waanyi/Garawa Land Trust.

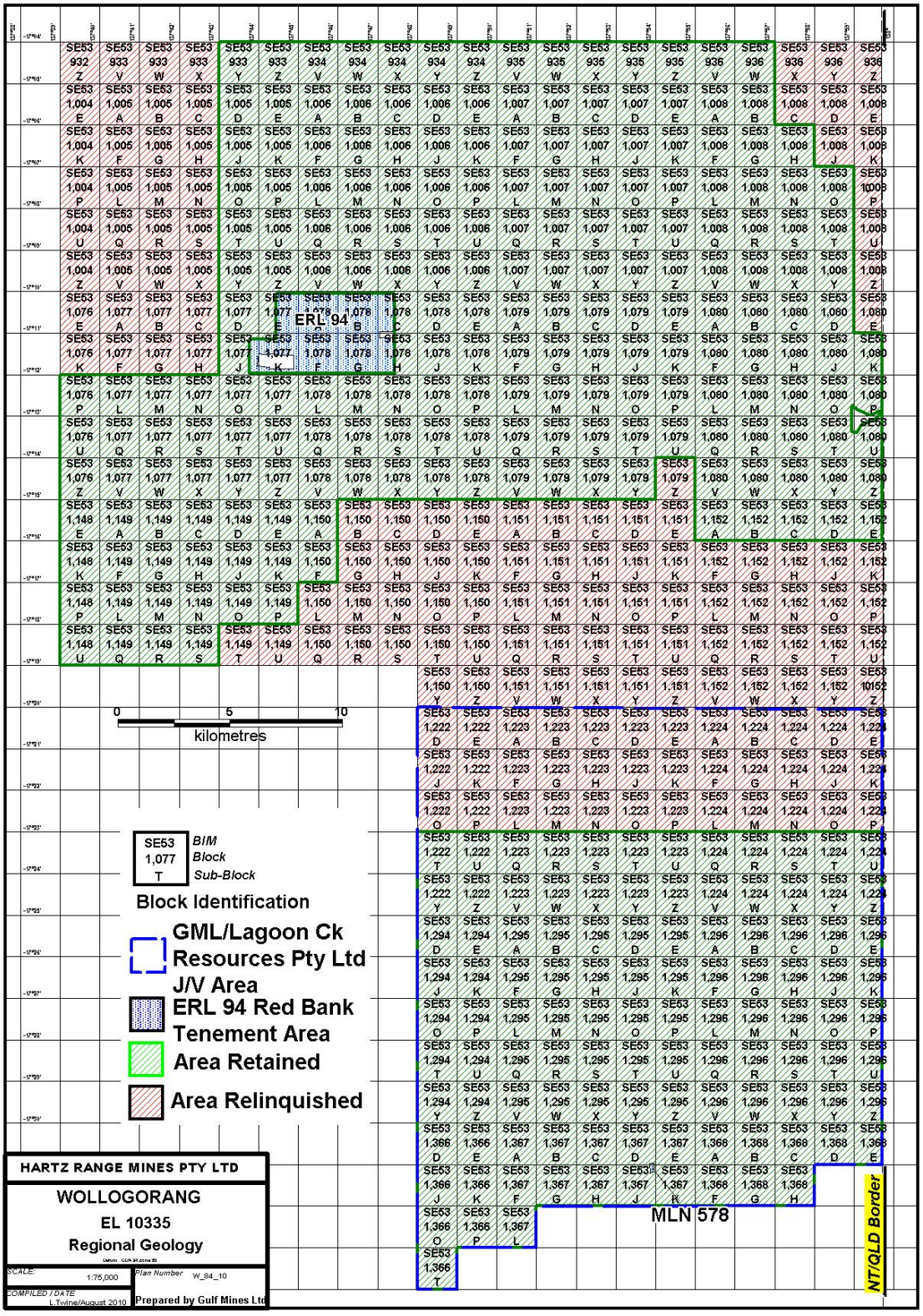

Figure 2. EL 10335_Relinquished sub blocks

REGIONAL GEOLOGY

The project area is located within the Wearyan Shelf tectonic domain of the south eastern parts of the Pelaeoproterozoic McArthur Basin. The McArthur Basin is a succession of essentially unmetamorphosed sedimentary and lesser volcanic rocks, deposited largely in shallow marginal marine and lacustrine settings (see Figure 3).

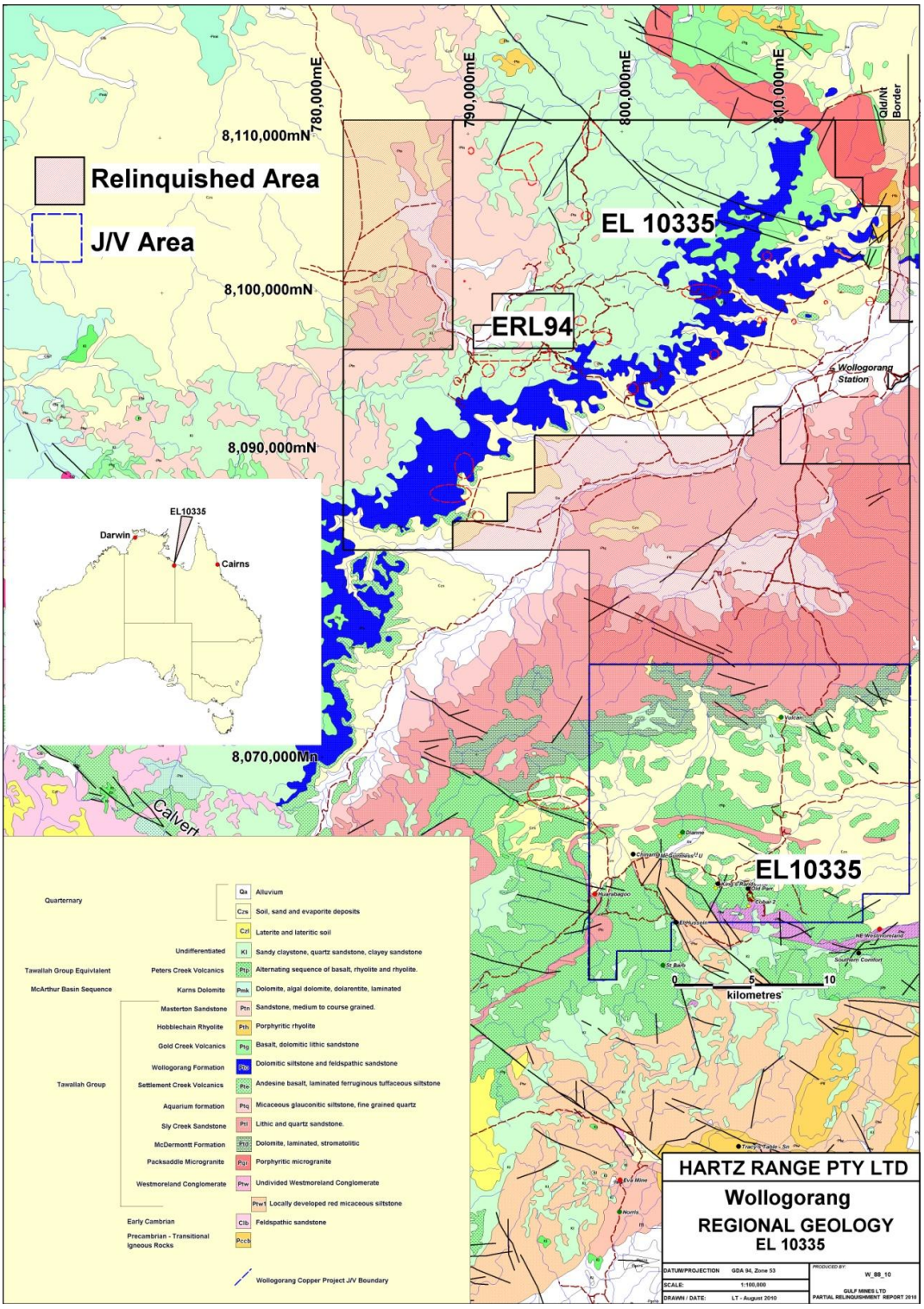

Figure 3. Regional Geological Setting

The tenements cover a sequence of sediments and volcanics of the mid-Proterozoic Tawallah Group which flank the northern margin of the Lower Proterozoic Murphy Inlier. The Murphy Metamorphics are a sequence of isoclinally folded greenschist facies metasediments which are unconformably overlain by a felsic volcanic/pyroclastic sequence (Cliffdale Volcanics), intruded by granite/adamellite of the Nicholson Granite Complex. The Tawallah Group overlies the igneous and metamorphic complexes of the Murphy Inlier with angular unconformity and disconformity. The Tawallah Group is the oldest group of the McArthur Basin sequence. The Westmorland Conglomerate is the oldest unit of the Tawallah Group and consists of a thick sequence (up to 1800m) of fluvial arkosic conglomerate and quartz arenite. The Seigal Volcanics conformably overlie the Westmorland Conglomerate and occurs as a series of tholeiitic basaltic lavas and minor tuffaceous interbeds along the southern margin of the project area. The McDermott Formation conformably overlies the Seigal Volcanics along the southern margin and forms a narrow, poorly outcropping unit characterised by alternating beds of shallow-water marine arenites, shale and dolostone.

The carbonate rocks of the McDermott Formation are conformably overlain by the Sly Creek Sandstone sequence which grades upwards into glauconitic sandstone named the Aquarium Formation. The conformable units encompass the majority of the project area and are characterised by a series of open folds with north-east oriented axes.

The continental Settlement Creek Volcanics conformably overlie the Aquarium Formation and consist of a series of basaltic lava flows, sills and siltstone interbeds. Exposure of the volcanics is limited and is obscured by recent alluvium denoting the Settlement Creek valley.

Minor siltstone and sandstone of the Early Cretaceous Mullaman Beds overlie the Tawallah Group sediments. Soils, alluvium and lateritic deposits of Tertiary and Quaternary age mask the underlying Proterozoic lithologies along the major watercourses. (after Jackson *et al*, 1987 and Ahmad & Wygralak, 1989)

EXPLORATION CONDUCTED

The large central portion of the EL was considered prospective for diamonds, based on the results of previous exploration by Rio Tinto. The bulk of the exploration effort was spent on this area and targeted diamonds. Very little ground work was completed on the north east corner and the north west corner of the EL. The work completed can be summarised as follows.

- Airborne geophysics (magnetics and radiometrics)
- Desktop studies
- Ground TEM geophysics
- Diamond drilling
- Rehabilitation

The results of most of this work is summarised in reports which are appended to this report.

Airborne Geophysical Survey

During August and September 2006 an airborne magnetic and radiometric survey designed to join the UTS survey conducted in 2005 by LCR was completed by Fugro Airborne Surveys Pty Ltd. The survey initially planned for July was delayed substantially due to late wet season weather conditions and delays in completing other surveys. A total of 17,913 km were flown in north – south lines at 100 metre spacing with a nominal terrain clearance of 60 metres. Tie lines were flown east west at 1000 m spacing. Quality control and data interpretation for the survey have been provided by Steve Webster, an independent consulting geophysicist. A quality control report and radiometric calibration report for the Fugro survey and logistics reports for both surveys are appended. Digital airborne geophysics data captured over the relinquished parts of EL 10335 have been submitted. Images produced from the gridded data are shown in Figures 4 and 5.

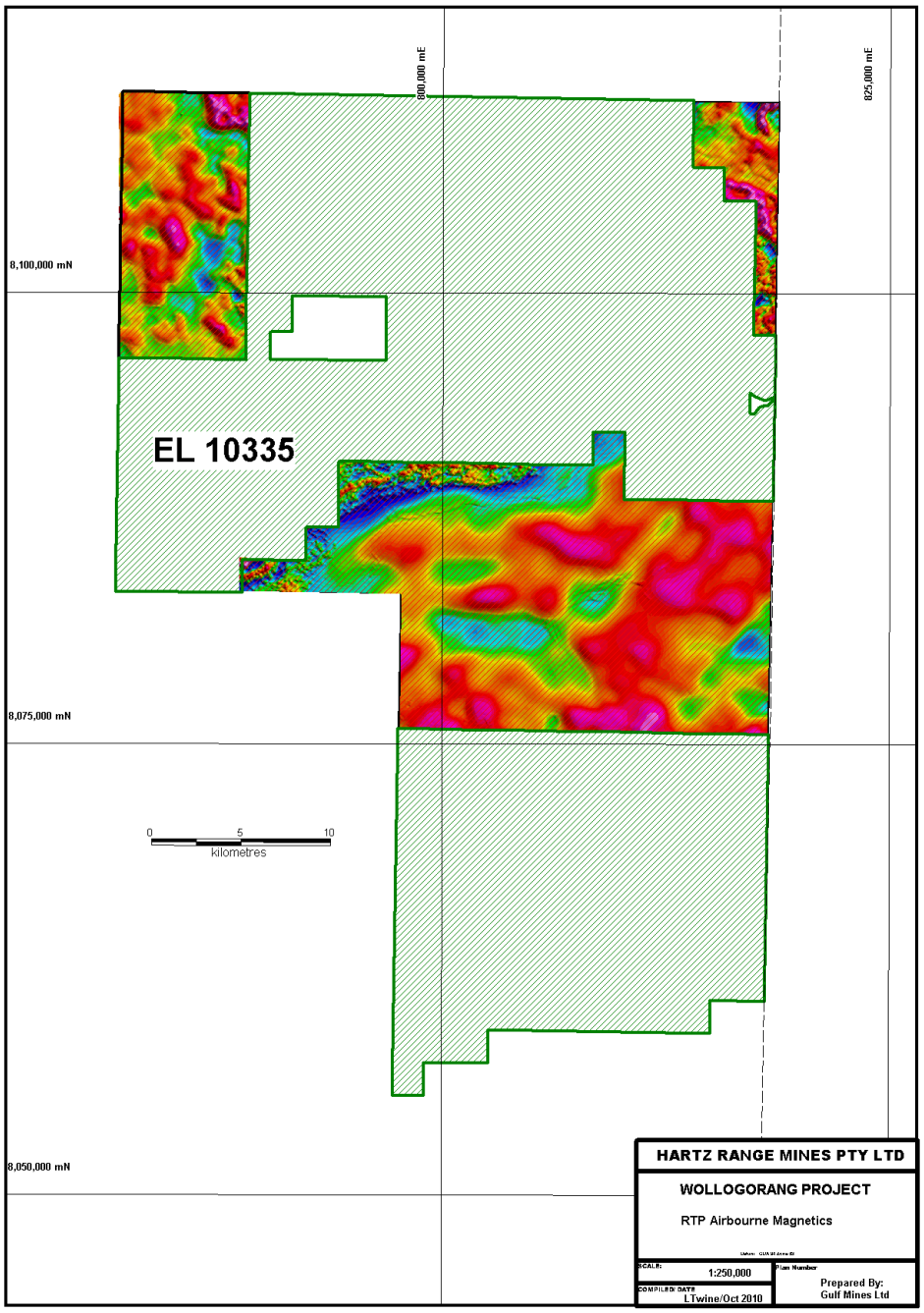

Figure 4. EL 10335 RTP Airborne magnetics

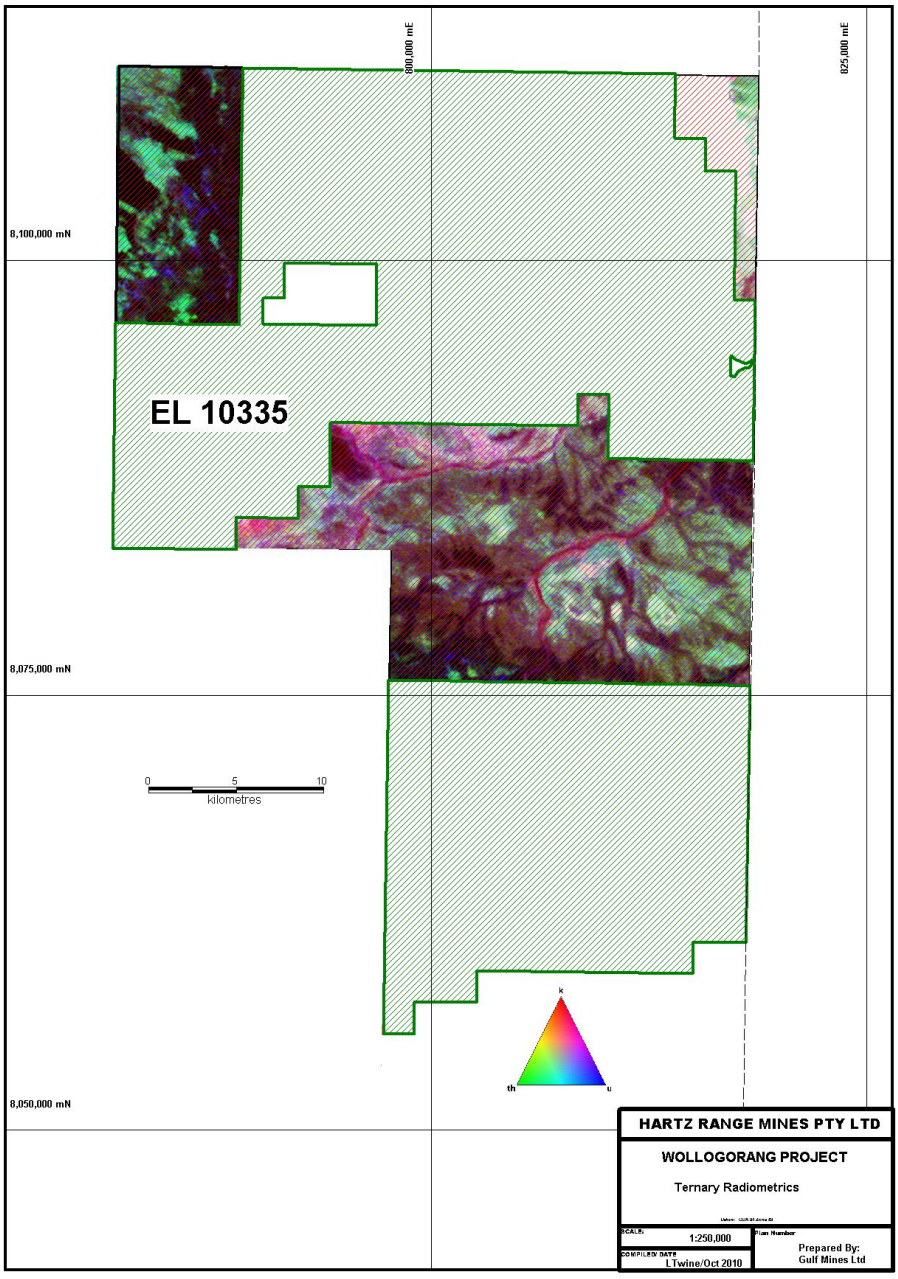

Figure 5. EL 10335 Ternary Radiometrics

Ground Geophysical Surveys

When the proponents of Hartz Range Mines Pty Ltd (HRM) initially took up EL 10335, a review of the Open File literature by HRM revealed that four macro- and approximately 30 micro- diamonds had been recovered from a stream sediment sampling survey by CRAE Pty Ltd. Previous ground geo-physical surveys were conducted by CRAE and others near Queenslander Creek and at Nabunga Creek.

Data from these surveys was reprocessed to give clearer interpretations of possible kimberlite pipes. Several marginal anomalies were found. The results are presented as a report by Steve Webster in the Appendices.

Diamond Drilling

The TEM anomalies occurred in areas where there was little or no outcrop. An inspection of the areas failed to identify and diamondiferous intrusive pipes. A diamond drilling programme was completed to investigate the rock types below the TEM anomalies, and identify and intrusive rocks if present. The drill hole locations are shown in Figure 6.

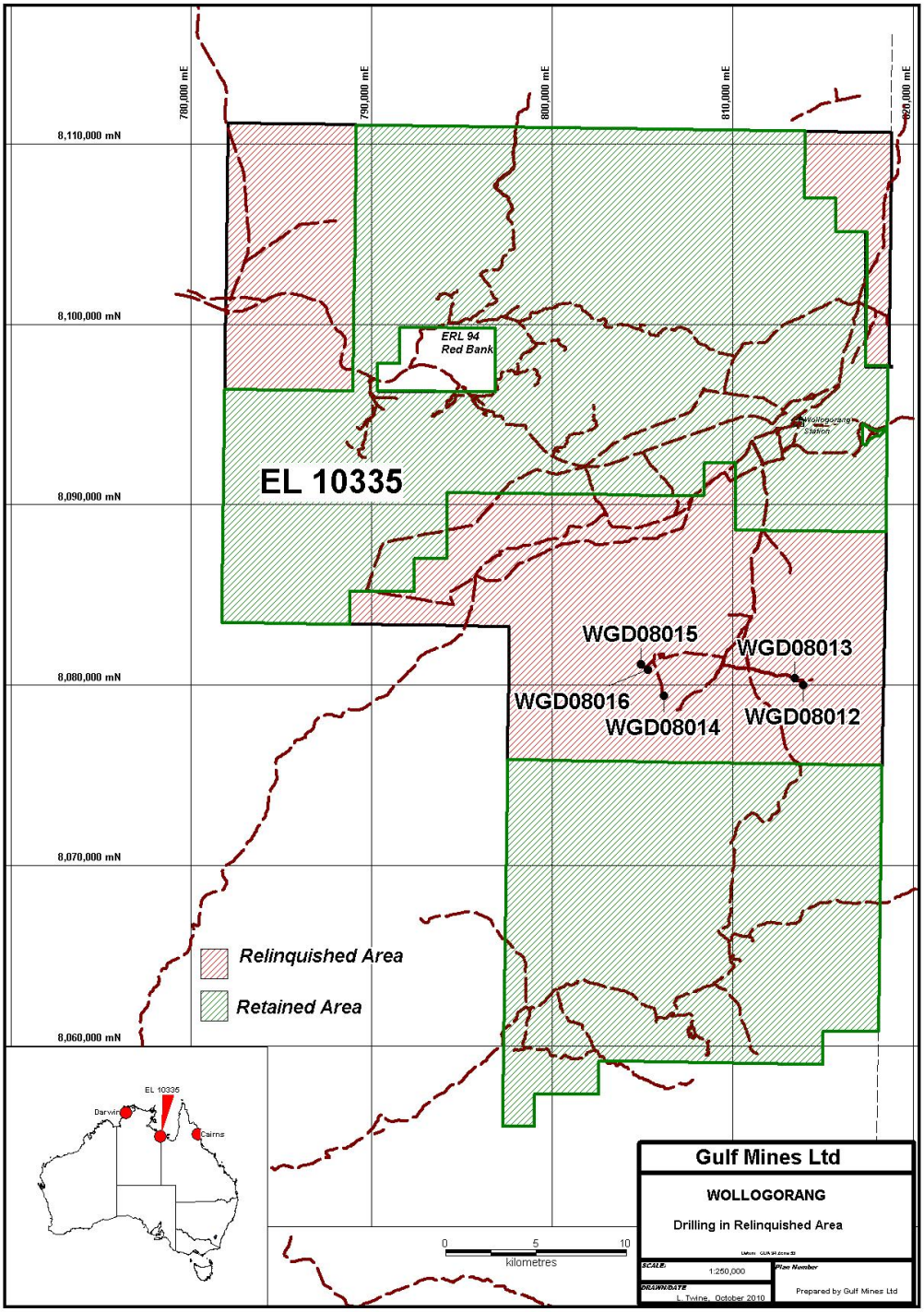

Figure 6. Diamond drill hole locations. Nabunga and Queensland Creek

The drill holes completed are tabulated below. No intrusive rocks were recognised.

ID	GDA94 E	GDA94 N	RL	Azi	Dip	TD (m)
WGD08012	813,897	8,079,999	89	154	89	51.0
WGD08013	813,453	8,080,396	89	86	62	100.0
WGD08014	806,163	8,079,417	93	85	60	98.0
WGD08015	804,891	8,081,143	91	84	60	101.0
WGD08016	805,308	8,080,871	93	354	60	100.0
			Total metreage drilled			450.0

REFERENCES

Ahmad M and Wygralak AS 1989, 1:250000 Metalogenic Map Series. Explanatory notes and mineral deposit data sheets. Calvert Hills SE 53-08, NT.

Jackson MJ, Muir MD and Plumb KA 1987, Geology of the southern McArthur Basin, Northern Territory, BMR Bulletin 220.

Appendix 1

DeBeers Final Report

EL10335_2010_P_02_DeBeers Final Report Branch Creek Hartz Range 2003.PDF

EL10335_2010_P_03_Settlement Creek_dtm, mag, spec.

Appendix 2

Mackie Report

EL10335_2010_P_04_Mackie Report.PDF

Appendix 3

Striker Report

EL10335_2010_P_05_Striker Report Hartz Range June 2005.PDF

Appendix 4

Airborne Geophysical Survey

EL10335_2010_P_06_FAS_1777 Acquisition and Processing Report.PDF
EL10335_2010_P_07_ A719 Logistics Report.PDF
EL10335_2010_P_08_QC Report.PDF
EL10335_2010_P_09_Radiometrics Calibration Report.PDF

Appendix 5

Steve Webster Report Nabunga

EL10335_2010_P_10_SteveWebster_Nabunga.PDF

Appendix 6

Drill Logs & Niton Results

EL10335_2010_P_11_DrillLog_WGD08012.PDF
EL10335_2010_P_12_DrillLog_WGD08013.PDF
EL10335_2010_P_13_DrillLog_WGD08014.PDF
EL10335_2010_P_14_DrillLog_WGD08015.PDF
EL10335_2010_P_15_DrillLog_WGD08016.PDF
EL10335_2010_P_16_NitonResults__WGD08012.TXT
EL10335_2010_P_17_NitonResults_WGD08012.PDF
EL10335_2010_P_18_NitonResults_WGD08013.TXT
EL10335_2010_P_19_DrillLog_WGD08012.TXT
EL10335_2010_P_20_DrillLog_WGD08013.TXT
EL10335_2010_P_21_DrillLog_WGD08014.TXT
EL10335_2010_P_22_DrillLog_WGD08015.TXT
EL10335_2010_P_23_DrillLog_WGD08016.TXT
EL10335_32010_P_24_NitonResults_WGD08013.PDF

Appendix 7

Digital Airborne Data

EL 10335_2010_P_25_ Magnetic & Radiometric Data