SECTION 32 PARTIAL RELINQUISHMENT REPORT UNDER THE NT MINING ACT FOR THE EASTERN BLOCK OF EL9874

TITLE HOLDER and Project Operator: Mr Dehne McLaughlin

Tenement Manager: Dehne McLaughlin

Titles/Tenements EL 9874

Mine/Project: Malbunka Copper Mine

Report title: Relinquishment report for eastern block of EL 9874

Target Commodity or Commodities: Secondary copper minerals, particularly azurite per their specimen value.

Date of report: 22nd February 2011

Datum/Zone GDA94

250 000 K mapsheet

100 000 K: None

Contact details
Postal address
Dehne McLaughlin 5 Tenth Avenue, West Moonah, Tasmania 7009
Phone 03-62735519
Mobile 0402450905

Email for further technical details: dehne.mclaughlin@bigpond.com

Lodgement address:
Geoscience Information Northern Territory Geological Survey Department of Resources (DoR)
GPO Box 3000 3rd Floor Paspalis Centrepoint Building 48-50 Smith Street Mall DARWIN NT 0801

geoscience.info@nt.gov.au
This report follows written advice from the Department on 4th January 2011, that surrender of the easternmost of the two blocks of EL 9874 held by the writer had been accepted by the Department.

Section 32 of the NT mining Act requires there be lodged at the office of the Secretary a comprehensive report in accordance with section 32 on the exploration activities carried out on surrendered block.

The Map below indicates the block that has been dropped/surrendered out of the original two blocks of the EL in accordance with the year 2 halving policy of the Department.

As advised in my 2010 report for EL9874

“No further assessment will be undertaken of the eastern block of the EL. This block contains open cut workings in cuprite rich mineralisation located at the base of a fault. This area was abandoned by the earlier miners in favour of exploration in the adit area. The eastern block will be removed by the department as a part of the two year requirement to half the original EL.”

The mineralisation referred to above was inspected on the first year of exploration in 2009. No sampling, drilling, costeaning or mapping was necessary in this area to demonstrate further mineral specimen potential. Please note the nature of this project is one aimed at value adding to a sub-economic copper occurrence that has failed on standard commercial grounds to be mined simply for the copper metal value held in the secondary copper minerals at the location. There were no observed specimen quality commercial minerals noted at these workings.

Exploration Rational.

The importance of this eastern block to the project was the relationship of underground azurite mineralisation in the adit in the western block and whether mineralisation extended underground into the eastern block. It was determined by sampling the adit in the western block in 2009 and 2010, that specimen quality azurite did not extend into the surrendered eastern block. A shallow groundwater driven alteration front has, and is passing through the eastern extension of a host kaolinite bed that is converting the azurite to malachite and depositing atacamite at a lower stratigraphic level. During that conversion process, the azurite is being dissolved and discoloured. In 2010 exploration shifted to the down dip extension of the deposit where it was noted that no secondary alteration was occurring.

MAP OF EL9874 AND SURRENDERED BLOCK ON FOLLOWING PAGE 3
Third Schedule
(Plan of Area)

EL9874
2 Blocks
6.27 sq kms
EXPENDITURE 2010 for exploration program on EL 9874 from May to August 2010.

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>EXPENDITURE</th>
<th>NOTIONAL EXPENDITURE</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portable 2Kw Honda Generator</td>
<td>$250</td>
<td></td>
<td>maintenance</td>
</tr>
<tr>
<td>Electric Hammer drills (4)</td>
<td>$350</td>
<td></td>
<td>Repairs to older Hammers. New Chisels</td>
</tr>
<tr>
<td>Accommodation costs Darwin-May to July-12*150</td>
<td></td>
<td></td>
<td>Not charged against project.</td>
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<tr>
<td>Food for field camp</td>
<td>1500</td>
<td></td>
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<tr>
<td>Vehicle transport to EL 70 cents Kilometre and 3 round trips from Darwin of 3240K</td>
<td>6804</td>
<td></td>
<td>Cost of moving two vehicles to Darwin From Hobart not included</td>
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<tr>
<td>Specialised field assistant.</td>
<td>$2500</td>
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<td>EL Holder field time input</td>
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<td>$10,000</td>
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<td>Field assistant contract</td>
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<tr>
<td>Sample freighting</td>
<td>$800</td>
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<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$17,104</strong></td>
<td><strong>$15000</strong></td>
<td></td>
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</tbody>
</table>

Expenditure in the eastern surrendered block was ~$500.

**Conclusion**

Surrender of the eastern block is accompanied by application for a mineral claim in the western block to exploit economically viable azurite mineral specimen material in the adit. This is a positive move for the project.

Dehne McLaughlin