EL25402

LIMBLA PROJECT

NORTHERN TERRITORY

ANNUAL REPORT

For the period 2 March 2011 to 1 March 2012

Date: 26 April 2012
Period: 2 March 2011 to 1 March 2012 (Year Five of Tenure)
Title Holder: Red Desert Minerals Pty Ltd
Operator: Western Desert Resources Limited
Report No.: Target commodity: Base Metals, Uranium, Gold, REE
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Datum/Zone: GDA94 (Zone 53)
Map Sheets: 1:250,000 Illogwa Creek (SF5315)
1:100,000 Limbla (5950)
1:100,000 Quartz (5951)

Copies: Western Desert Resources Ltd (1)
Department of Resources - Minerals and Energy (1)
SUMMARY

EL25402 is located approximately 120 km east of Alice Springs in the southern part of the Northern Territory.

EL 25402 was granted to A W Mackie on 2nd March 2007. The licences were purchased by Red Desert Uranium Pty Ltd (now Red Desert Minerals Pty Ltd), a wholly owned subsidiary of Western Desert Resources Ltd (WDR), on May 2nd 2007. EL’s 25373 and 25554 were originally part of this tenement package and were surrendered in early 2010 and no longer form part of this reporting group.

The project area is located over the contact between the Palaeoproterozoic Aileron Province of the Arunta Block to the north and the Neoproterozoic Amadeus Basin to the south. The project area has been previously explored for uranium, diamonds, base metals, gold and heavy minerals.

Work in previous years has included ariel radiometrics and magnetics on selected portions of EL25402 and an AEM survey covering the northern portion of the tenement, and subsequent ground follow up of anomalies and rock sampling/assay. From that previous work no significant mineralisation or drill targets were identified. During the 2011-2012 reporting period WDR and historical data were looked at again and a metallogenic map was produced which highlighted highly anomalous nickel, chrome and scandium values reporting from ultramafics. This desktop study, including interpretation of Google Earth satellite imagery, also highlighted the fact that ultramafics are likely to be more common across the northern part of the tenement than is indicated on available government maps. Therefore, WDR now includes nickel and REE as target commodities. Of particular interest is an ultramafic body which coincides with a weak magnetic anomaly, a “noisy” low-order AEM anomaly and with anomalous historical geochemistry. The work for the reporting period also included the enlisting of an expert consultant (Bill Laing) to visit the area with WDR geologists, carry out a structural analysis of the entire EL, and then subsequently to produce a prospectivity map to guide WDR geologists in further exploration. 36 rock samples were collected and assayed for multi-elements and gold. This work highlighted three shear zones, The Illogwa Shear Zone (corresponds to the Illogwa Schist zone), the Leaky Bore Shear Zone and the Albarta Shear Zone, as the most prospective areas to look for mineralisation. Focussing initially on the Illogwa Shear Zone an MMI/ionic leach soil sampling program was planned on widely spaced lines that coincided with 2nd and 3rd order EM anomalies previously identified. The soil sampling work was scheduled to take place in November 2011 but was delayed principally due to rain, with further delays due to rain in the new year. The soil program finally commenced in late January 2012 but was again significantly delayed due to heavy rain in February at the project area.

Work for the next reporting period includes the completion of the MMI/ionic leach soil survey and the analysis of those results, re-analysis of the AEM data, several prospecting/mapping/rock sampling field campaigns, and drilling if adequate targets can be identified.
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Chris Gaughan as author of this report owns the copyright to all of this report, apart from the report included in Appendix 1 by Bill Laing. Chris Gaughan authorises the Minister to publish information contained within this report.

Laing Exploration Pty Ltd owns the copyright to our Report "THE LIMBLA AREA: GEOLOGICAL SYNTHESIS, STRUCTURAL-METASOMATIC ARCHITECTURE, AND EXPLORATION TARGETS". I authorise Chris Gaughan and Western Desert Resources to use this Report in their Annual Report.

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<td>EL25402_12_A_1_Annual_Report_text.pdf</td>
<td>The body of the annual report.</td>
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<tr>
<td>EL25402_12_A_2_surfacegeochem.TXT</td>
<td>Tabular rock assay data in MRT mandatory form.</td>
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<td>Location, description and assay result of 2011-2012 rocks.</td>
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<td>Map of AEM anomalies with planned soil survey lines and soil samples taken up till Feb 2012.</td>
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INTRODUCTION

EL25402 covers ground prospective for uranium, base metals, nickel, tungsten, REEs and gold mineralisation

Location and Access

The tenement is 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 to the Arltunga turnoff, and then by an unsealed road passed Claraville Station homestead. Access within the project area is by station tracks. Some parts of the area are inaccessible to vehicles.

Figure 1: Limbla Project Location – EL 25402 highlighted in blue (EL 25373 & EL 25554 surrendered in 2010 – in green)

Climate

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

EL25402 was granted to A W Mackie on 2\textsuperscript{nd} March 2007. The licence was purchased by Red Desert Uranium Pty Ltd, a wholly owned subsidiary of Western Desert Resources Ltd, on May 2\textsuperscript{nd} 2007. Red Desert Uranium Pty Ltd has subsequently been renamed to Red Desert Minerals Pty Ltd.

EL25331 and EL25332 which originally formed part of the tenement package were surrendered in 2010 and no longer form part of this reporting group.

Land Tenure

The tenement is 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 Limbla 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, refer to Figure 4.

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 Illogwa Schist Zone (Illogwa SZ or ISZ) is a major structural zone (the Illogwa Shear Zone) and contains basement rocks which have been subject to retrograde metamorphism. The ISZ dips to the north and is a thrust structure. The Albarta Metamorphics are a sequence of metasediments, amphibolites and quartzo-feldspathic gneiss. The Albarta Metamorphics have been intruded by the Atneequa Granitic Complex, which includes the Tourmaline Gorge granite.

Recent analysis of the EL25402 area by Laing (2012, see Appendix 1 in this report) has highlighted two more shear zones within EL25402. These are the Leaky Bore Shear Zone in the north-eastern part of the Albarta Metamorphics, and the Albarta Shear Zone (Albarta SZ or ASZ) which trends east-northeast across the southern part of EL25402. The Laing Albarta Shear Zone (not to be confused with the Burt Plain-Albarta Shear Zone) is 21 km long and...
separates the Albarta Metamorphics from the Atneequa Granite Complex, and is terminated in the east against the Illogwa SZ. Laing (2012) concludes that the Albarta SZ is directly related to the thrusting processes responsible for the Illogwa SZ, and that all known mineralisation occurrences are related to these shear zones. These include the Hale River Au-Cu show west of EL25402, the Harding Springs Cu-Au show and a historical W-Cu show which all occur within the Illogwa SZ, while uranium anomalism of the Albarta and H41 prospects are associated with the Albarta SZ and northwest faults. Figure 3 shows Map 4 from Laing 2012, *Major Lithostratigraphic and Structural Elements*.

![Figure 3. Major Lithostratigraphic & Structural Elements from Map 4 in Laing 2012 (The complete report can be found in Appendix 1).](image-url)
Figure 4: Local Geology – outline of the original Limbla tenement package
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 diamictite 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 northeast 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 Albarta prospect is related to a shear zone and with associated chlorite alteration. Secondary uranium minerals were observed in outcrop with rock chip assays recording up to 0.9% U₃O₈. Subsequent trenching of the mineralised shear zone gave results up to 260 ppm U₃O₈, and later 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 Albarta 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 poorly outcropping tourmaline granite in a steep sided valley. Secondary uranium minerals were reported in association with minor sulphide veins in the 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 Albarta prospect during 1980. No drilling was undertaken.

**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 5,500 ppm Zn). The gossanous units were thought to be originally quartz-magnetite-pyrite/pyrrhotite bands. BHP did not consider them to warrant 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. Follow-up sampling was completed with negative results.

**Rio Tinto Exploration (1996-98)**

Rio Tinto targeted stratiform base metals, unconformity uranium and diamonds in their exploration of the area. The work was concentrated in the Amadeus Basin sediments. An airborne magnetic was flown over the area. Ground magnetic surveys were
conducted in follow-up of the 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 1,500 ppm Cu), however Rio Tinto 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 by Western Desert Resources Ltd**

**2007 - 2008**

An airborne radiometric and magnetic survey was flown by UTS geophysics during November and December 2007. The survey covered two areas within the project tenements.

Interpretation of the radiometric data indicated that a number of uranium anomalies required ground follow-up.

**2008 - 2009**

In May 2008 a helicopter was used to visit a number of the radiometric anomalies delineated by the 2007 airborne survey. Sampling within the Tourmaline Gorge area returned anomalous REE, U and Th values.

**2009 - 2010**

In March 2009, Aerosystems P/L were contracted to complete an aeromagnetic and radiometric survey over several areas of the Limbla Project tenements and also a WDR Tennant Creek tenement. Within the Limbla project three surveys were conducted, over the Hale River Prospect, Albarta and Tourmaline Gorge. The airborne survey was conducted using a helicopter at an elevation of 25 metres with line spacing of 25 metres and a tie line spacing of 250 metres.

Helicopter-supported outcrop sampling was conducted of various sites within the project with sixteen samples collected. Assay results from the sampling returned some anomalous base metal and silver values at Sixpence prospect which is adjacent to Mithril’s Bob prospect to the east of EL25402. A grab sample from an airborne radiometric anomaly at the Albarta prospect returned 152.6 ppm U₃O₈.
Electromagnetic Survey

An airborne EM survey was flown by Geosolutions P/L using the RepTEM system, over the northern section of EL 25402 during February 2010, refer to Figure 5. A total of 788.7 line kilometres was completed at a line spacing of 200 metre with the survey traverse flown in a north south orientation. The survey specifications are provided in EL25402, Limbla Project Annual Report for the period 2 March 2010 to 1 March 2011, Appendix 1.

Appendix 1: Geosolutions RepTEM - Limbla Survey Specifications

An interpretation of the AEM survey was commissioned to Montana G.I.S. who provided an interpretation report. The survey established that the area is quite resistive, with a significant amount of the signal reverting to noise within the first 0.32 msec, limiting the depth penetration of the signal to approximately 400 to 500 m. 37 conductors were identified within the area; however none of these are rated as a high priority for follow-up, and only nine were ranked as priority 2. The full interpretation report and list of conductors can be accessed in EL25402, Limbla Project Annual Report for the period 2 March 2010 to 1 March 2011, Appendix 2.

Outcrop Sampling

Helicopter-supported outcrop sampling was conducted across the northern portion of the tenement as part of the electromagnetic survey ground follow up work. Sixteen rock chips
were collected during the program. EL25402, Limbla Project Annual Report for the period 2 March 2010 to 1 March 2011, Appendix 3 tabulates the location of the outcrop samples and

All samples were geochemically analysed at the ALS Global Laboratory in Alice Springs. The samples were analysed for a range of major and trace elements using ICP-MS methods. Assays of the rock chips returned a high chrome and nickel response associated with the samples ultramafics in samples LN001 and LN002. The remaining samples did not return any results above the expected background values.

**EXPLORATION DURING CURRENT REPORTING PERIOD**

**Lithostratigraphic, structural and metasomatic analysis**

Industry expert consultant Bill Laing was engaged to analyse the Limbla project area. This work involved a field trip to the project area with three WDR geologists, followed by a desktop study. Laing’s report is included in Appendix 1. This work highlighted three shear zones, The Illogwa Shear Zone (corresponds to the Illogwa Schist zone), the Leaky Bore Shear Zone and the Albarta Shear Zone, as the most prospective areas to look for mineralisation. This report also supported WDR’s view of placing some degree of focus on competent “host” rocks (i.e. the Heavitree Quartzite and Aremra Granite) adjacent to or within the Illogwa Shear Zone.

**Desktop metallogenic study**

During the 2011-2012 reporting period WDR and historical data were looked at again and a metallogenic map was produced which highlighted strongly anomalous nickel, chrome and scandium values reporting from ultramafics. This desktop study, including interpretation of Google Earth satellite imagery, also highlighted the fact that ultramafics are likely to be more common across the northern part of the tenement than is indicated on available government maps. Therefore, WDR now includes nickel and REE as target commodities. Of particular interest is an ultramafic body at location 505300E/7411500N(GDA94, Map Zone53) which coincides with a weak magnetic anomaly, a “noisy” low-order AEM anomaly and with anomalous historical geochemistry. The metallogenic map produced is included in Appendix 2 (file EL25402_2012_A_5_Metallogenic.jpg). A map showing the locations of all WDR and all historical rock sample locations on which the metallogenic map is partly based can also be found in Appendix 2 (file EL25402_2012_A_7_all_rock_sample_location.jpg).

**Outcrop sampling**

During the reporting period 31 rock samples were collected and assayed for multi-elements and gold. ALS Global (ALS) carried out the analysis. All 31 samples were analysed by the ALS 48 element multi-element method ME_MS61u (4 acid near total digestion with ICP-MS and ICP-AES analysis). 31 samples were tested for gold by the ALS cyanide roll method with ICP-MS finish, AU_CN11. Four samples were tested for gold by ALS fire assay method Au-AA23 with an AAS finish.
Two copper values, though weak overall, were significantly above background at 154 ppm (sample 11LB025 from the northwest) and 386 ppm Cu. The 386 ppm Cu value coincides with anomalous U (161 ppm U) and Ce (58.9 ppm Ce) in sample 11LB020. This sample from the Tourmaline Gorge uranium prospect is of dark red hematitic quartz veining with an elevated radiometric count of 1750 cps relative to the surrounding granite which recorded 450 cps.

Sample 11LB023 from a large quartz vein at the Albarta Prospect returned weakly anomalous As (32.5 ppm), Bi (13.4 ppm) and Co (311 ppm) relative to background.

The anomalies discussed above were based on visual comparison of tabulated results. Duplicate samples of those analysed have not been taken or kept.

The elements analysed in the ALS multi-element method ME-MS61U are as follows:

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Extremely low level gold was recorded in many samples from Tourmaline Gorge area with two samples being an order of magnitude higher in gold content at 0.014 ppm Au and 0.012 ppm Au from samples 11LB013 (a hematitic cherty quartzite) and 11LB019 (a brecciated hematitic siliceous rock) respectively.

A maps which shows the 2011-2012 rock sample locations within EL25402 can be found in Appendix 2 (file EL25402_2012_A_6_WDR_rock_sample_location.jpg).

The original assay data file and assay laboratory certificates can be found in Appendix 3 (folder-file EL25402_2012_A_3_assay_CERT_original_data.rar). The rock data is also supplied in the mandatory format with metadata as file only with no hardcopy. “EL25402_2012_A_2_surfacegeochem_rock.txt”, and as an Excel file (EL25402_2012_A_4_surfacegeochem.xlsx) with no metadata for quick and easy viewing.

**MMI/Ionic Leach soil survey and analysis**

Focussing initially on the Illogwa Shear Zone an MMI/ionc leach soil sampling program was planned on widely spaced lines that coincided with 2nd and 3rd order AEM anomalies. Soil lines were also planned to coincide with the Harding Springs Cu-Au occurrence and an historical W-Cu show. The soil sampling work was scheduled to take place in November 2011 but was delayed principally due to rain, with further delays due to rain in the new year. The soil program finally commenced in late January 2012 but was again significantly delayed due to heavy rain in February at the project area. To date 195 soil samples (out of 400 planned samples) have been collected. The map file “EL25402_2012_A_8_AEM_Anom_and_MMI_soil_plan.jpg” shows the location of AEM anomalies, planned survey lines and samples taken so far.
PROPOSALS FOR FUTURE WORK
Work for the next reporting period includes the completion of the MMI/ionic leach soil survey and the analysis of those results, re-analysis of the AEM data, several prospecting/mapping/rock sampling field campaigns, and drilling if adequate targets can be identified.

REFERENCES
EL25402, Limbla Project Annual Report for the period 2 March 2010 to 1 March 2011.

APPENDIX 1
THE LIMBLA AREA: GEOLOGICAL SYNTHESIS, STRUCTURAL-METASOMATIC ARCHITECTURE, AND EXPLORATION TARGETS
Report by Bill Laing

(This report is supplied in digital form only with this Annual Report 2011-2012)
APPENDIX 3

Surface geochem files (Laboratory certificates, original assay results file, mandatory text file with metadata)