GROUP REPORTING GR207/11
EXPLORATION LICENCES 27472 & 27473

LARRIMAH EAST PROJECT

ANNUAL & FINAL REPORT

FOR THE PERIOD 18/02/2013 TO 04/02/2014

BY

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Datum: GDA94, MGA Zone 53

Target Commodities: Gold, base metals and iron ore

1:250,000 Larrimah SD 5313

1:100,000 Larrimah 5566, Gorrie 5567
SUMMARY

The Larrimah East Project comprised two exploration leases, EL27472 and EL27473 (total 692km²) in the Dunmarra Basin region, approximately 80km southeast of the town of Mataranka. Western Desert Resources Limited (WDR) was granted the licences on 18th February 2010 through its wholly owned subsidiary, WDR Base Metals Ltd. These licences were surrendered effective 4 February 2014. This annual and final report summarizes the work completed over the tenure of these licences.

WDR was primarily targeting McArthur River–style base metal deposits in sedimentary rocks of Proterozoic or Cambrian age. The Velkerri Formation of the Roper Group was believed to be a suitable target because of its regional-scale elevated base metal values. The Velkerri Formation is known to occur at shallow depths in the area based on previous exploration drilling, and a complex pattern observed in the magnetic imagery is thought to represent a regional structural target.

There was no significant mineralisation encountered during the previous year’s drill program, comprising two diamond drill holes, and the source of the Airborne EM anomalies have not been explained. The licence is still considered prospective for the targeted mineralisation however due to the company’s increased focus in iron ore and the expense of pursuing this opportunity, the decision was made to relinquish the licences in full. As a result no fieldwork was completed during the final reporting period.
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1. INTRODUCTION

1.1 BACKGROUND

WDR formulated what it called the “Antrim Project” in 2009 with the intention of generating new projects in areas generally defined by little or no outcrop or previous exploration, and commissioned a review of the available geoscientific datasets with a view to defining targets based on interpreted structures and possible shallower depth to basement. The Larrimah East Project was selected as one of two projects (the other being Toudinny Creek-Bundara Creek) because of the presence of a suitable host rock at shallow depths (the Velkerri Formation) and geophysical elements which showed structures possibly related to growth faults and/or basin development.

WDR believed that the Larrimah East Project was prospective for McArthur River style base metal deposits, although there may be potential for other commodities, including iron ore.

1.2 LOCATION AND ACCESS

The Larrimah East Project is located approximately 80km southeast of Mataranka, just east of the Stuart Highway (Figure 1). The Project is located on the eastern edge of the Larrimah 1:250,000 map sheet SD5313. Access to the 2012 drill areas from the Stuart Highway is via station tracks on Vermelha Station.

The Cattle Creek is a major watercourse which flows northward in to the Roper River system, through EL27472. Typically, these watercourses flow during the wet season but are dry for most of the year.

The topographic relief is generally flat, with a gentle slope from about 200m AHD in the south to about 160m in the north of the project.

The climate is monsoonal, with the wet season normally lasting from December through to April. The average rainfall for the nearby settlement of Larrimah is 855mm, almost all of which falls in the wet season. The average maximum temperature is 33.9°C and the average minimum temperature is 19.6°C (source: bureau of meteorology website).
Figure 1: Location of EL 27472 & 27473 – Larrimah East Project
2. TENURE

EL27472 and EL27473 were granted on 18th February to WDR Base Metals Ltd, a wholly owned subsidiary of Western Desert Resources Ltd (WDR). Application for joint technical reporting was submitted in March 2011 and the two exploration titles are now referred to as the “Larrimah East Project Group, GR207/11”.

Table 1: Exploration Licence Details

<table>
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<tr>
<th>EL #</th>
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<td>EL27473</td>
<td>Maryfield East</td>
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<td>90.0</td>
<td>18-Feb-10</td>
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The Larrimah East Project extended over part of two pastoral leases – Vermelha and Maryfield stations.

2 GEOLOGY

2.1 REGIONAL GEOLOGY

The region contains rocks of Precambrian, Lower Palaeozoic, Lower Cretaceous, and Tertiary ages, but much of it is covered by superficial Cainozoic deposits. A lack of outcrop and drilling means the geology is not well known. The tenement area occurs in the north-western McArthur Basin, on the northern edge of the Beetaloo Sub-basin. The regional geology is described in “Larrimah 1:250,000 Geological Series – Explanatory Notes” (Randal, M.A., BMR, 1969), also in Lanigan et al, (1994) and also by Normandy Exploration “Final Report on exploration licences 8463, 8464, and 8465 Velkerri Project” (Price, A.T, 1997, CR1997-0607). The latter report includes a stratigraphic column of the top ca.500 metres based on wide-spaced mineral and petroleum drillholes in the general area. This is reproduced below (Figure 2) as a representative summary of the strata in the area of interest.

Within the McArthur Basin, the McArthur Group which hosts the McArthur River shale hosted Pb-Zn-Ag deposit and the Nathan Group underlies the Roper Group. The Roper Group consists of alternating quartz-rich sandstones, siltstones and mudstones (Figure 2) and is likely to be the dominant Group in the project area. Within the Roper Group, the Velkerri Formation is the primary target for base metal mineralisation. It is mudstone dominated, organic rich, and at its base, is commonly enriched in phosphorous, pyrite and base metals. Gamma logging from petroleum exploration indicates a high gamma count reflecting uranium concentrations up to 15ppm in organic rich layers.
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**VELKERRI PROJECT**

**SUMMARY STRATIGRAPHIC COLUMN**

**BEEATALOO SUB-BASIN**

(after Pacific Oil and Gas).

Note: Informal names used by Pacific are shown in quotation marks.

**FIG 3**

Figure 2: Summary stratigraphy of Beetaloo Sub-basin
2.2 LOCAL GEOLOGY

The local geology is dominated in the Project area by Cainozoic cover. A small occurrence of Tindall Limestone outcrops in Cattle Creek in the far north of EL27472 (Figure 3). The subsurface geology is interpreted to be dominated by the Roper Group, with magnetic trends representing dolerite (Figure 4).

Figure 3: Local outcrop, based on Randal (1969)
Figure 4: Solid Geology interpretation of the Larrimah East Project
3 HISTORICAL EXPLORATION

Most previous exploration involved search for industrial minerals, specifically limestone. Various diamond explorers have been through the area. Collection and analysis of loam and rare drainage samples returned low-order results, and failed to vector possible primary sources or drill targets.

The only program of relevance has been work completed by Normandy Exploration Ltd in the mid 1990’s, targeting shale-hosted Zn-Pb mineralisation in the Roper Group. A summary plan of previous exploration is included as Figure 5. Normandy completed an airborne magnetic and radiometric survey, regional gravity, and drilled 29 shallow RC holes and two deep diamond holes. One of these diamond holes, VDD2, is the only drill hole in the East Larrimah Project area.

Normandy’s aeromagnetic and gravity survey covered the northern third of the current project area. Flight line spacing is 500 metres, which is the same as the public domain GA survey PS27 flown in 1987. Gravity observations are mostly on a two kilometre grid. The magnetic pattern is dominated by responses due to flat-lying volcanics, although numerous breaks and other linear features are evident. This is interpreted to represent variations in thickness of volcanics, which in turn reflects structures and Proterozoic basement topography. The gravity contours show variation of ten milligals across the current tenement area.

The target stratigraphy for Normandy was the Middle Velkerri Shales in the Roper Group. These were intersected at shallow depths in RC drilling 20 kilometres east of EL27472. Drillhole VDD2 intersected the shales at about 100 metres, and hole VDD03 a further ten kilometres to the west failed to hit the shales before the hole was terminated at 332 metres. There were no outstanding assay results, the best being 6m @ 0.2% Zn in VDD02 from 189.1m. The program was terminated in 1997, coinciding with a global downturn in the exploration industry.

A potentially significant outcome from the Normandy work was discovery of one-three metre intervals of iron enrichment at shallow depth in the RC drilling. The assay results were sub-economic at the time of drilling. However, they are now of commercial interest, and the area has potential for iron ore resources. Normandy noted in their report “Iron values in this layer are typically high and range up to 44% and appear to represent iron and base metal enrichment formed by supergene lateritic processes”.

There is only one other mineral drillhole in the general area of interest. Fodina Minerals in Joint Venture with Omega Oil drilled one hole 20 kilometres west of the tenement area in 1993 (CR1994-0263). The hole was drilled to 595.8m to test for syngenetic Zn-Pb mineralisation in Middle Velkerri shales. Modelling of gravity data and interpretation of Pacific Oil & Gas seismic data indicated a second order gravity anomaly (potential sulphide accumulation) adjacent to a major growth fault (feeder system for mineralisation). The hole is estimated to have ended some 600m above Velkerri Formation.

Petroleum well McManus-1 was completed by Pacific Oil & Gas in 1989, and is located 15 kilometres east of the south end of the tenement area. This hole intersected Middle Velkerri Formation at 1,200 metres.
Figure 5: Historical exploration summary
4 PREVIOUS WDR EXPLORATION ACTIVITIES

4.1 1st Year Tenure

During the first year of tenure, WDR completed a compilation of previous exploration, GIS set-up and a 1763.8 line km airborne XTEM and magnetic survey.

4.2 2nd Year Tenure

WDR commissioned Montana G.I.S. to reprocess and interpret the XTEM data. Forty eight separate conductors were identified:

- Two conductors are considered priority 1 (index's 12 and 23).
- Thirteen conductors are considered priority 2.
- With the remaining conductors considered priority 3 and difficult to ascertain from noise.
- Most of the conductors were identified on single traverses, however seven were found to be across more than one traverse.
- Conductor 25 (Priority 2) was found to potentially strike across 4 flight lines.

Two drill holes were designed to test these conductors during the following field season.

4.3 3rd Year Tenure

During the 3rd reporting period exploration centred on EL27472. Two diamond core holes were completed (12LE001 and 12LE002). The drilling was co-funded by the Northern Territory Government as part of the Department of Mines and Energy’s Geophysics and Drilling Collaborations program.

Drilling commenced on 16 September and finished on the 8 October 2012. Processing of the core was completed in early November. A commercial contractor carried out wireline logging of gamma, magnetic susceptibility, density, conduction, resistivity and deviation. A mafic volcanic/dolerite was composite-bulk sampled for chemical assay, as were selected features such as minor chlorite-quartz +/- pyrite veins. No significant assay results were recorded.

One of the aims in the Collaboration funding proposal was to test the suitability of Helicopter-borne XTEM electro-magnetic surveys in the region. The conclusion here is that the presence of conductive overburden associated with unconsolidated or decomposed Cenozoic to recent clay rich sediments would appear to render the survey method inadequate in that the modelling of near surface conductivity can result in a false “Priority 1” anomaly being modelled at depth. Would a “real” conductive source at depth be picked up, or would it be masked by the conductive cover? The downhole conductivity data could be incorporated into further modelling to help resolve the issue.
Figure 6: Drillhole Location Plan
5 EXPLORATION ACTIVITIES – CURRENT PERIOD

Exploration activities as previously planned for the current reporting period did not eventuate due to focus on other operations within the Northern Territory. The decision was subsequently made to relinquish the licence in full.

6 REFERENCES


Craven, E., (2010). Report --Geophysics and Drilling Collaborations Program; Larrimah East Survey, Exploration Licences 27472 and 27473, Antrim Project, For the Period 05/09/2010 to 13/12/2010. (Western Desert Resources Ltd report supplied to the NTGS after completion of an helicopter airborne XTEM electromagnetic survey that was partially funded by the NT government through the Drilling and Geophysics Collaboration program).

Craven E, (2012). Application for Geophysics And Drilling Collaborations, Larrimah East. (Western Desert Resources Ltd report to accompany an application for the partial funding of drilling under the NT government’s Drilling and Geophysics Collaboration program).


