Relinquishment REPORT

EXPLORATION LICENCE 28878

WINGATE

For the period
14/03/2012-13/03/2014

CHINA AUSTRAL LAND RESOURCES PTY LTD

ACN 154 511 298

May. 2014
MEMORANDUM

Date: 04/05/2014

To: 

RE: RECOMMENDATION TO PARTIALLY SURRENDER TENEMENT EL28878

From: CHINA AUSTRAL LAND RESOURCES PTY LTD

1. SUMMARY

Tenement(s): EL28878 (“Tenement”)  
Tenement Holder(s): CHINA AUSTRAL LAND RESOURCES PTY LTD  
Joint Venture: No  
Action: Partial Surrender  
Location: Litchfield Project  
Geology: Transported regolith over granite, sporadic Chilling Sandstone  
Exploration Completed: surface geochemistry, aerial photo, historical review  
Results: Significant Gravity anomalies over portions of tenement

Prospectivity: Significant prospectivity in the western regions of the tenement.  
Recommendation: Partial Surrender of the northern portion of the tenement

2. BACKGROUND

EL28878 was transferred from Outback Metals Limited “ACN 126 797 573” to China Australia Land Resources Pty Ltd (CALR) in August 2012. Limited work has been completed.

The Main target is Proterozoic iron oxide-breccias hosted mineralisation within the Soldier Creek Granite (Olympic Dam type). During the year the project focused on research including; literature searches, reprocessing of previous data, general research, report preparation and geological surveying.
3. LOCATION AND CLIMATE

EL28878 is located in the Wingate Mountains area, approximately 210km due south of Darwin (Fig 1). Vehicle access is via Adelaide, the south along station tracks to fish river. Some disused tracks in the eastern part of the tenement put in when the area was held under pastoral leases by Tipperary Station were regarded to provide access, along with some short sections of new track. Vehicle access to the western part of the tenement is denied by an escarpment along the edge of the Wingate plateau. Helicopter must be used for access in this area.

The climate is hot, monsoonal with most of the year's rainfall occurring during the months of December to April. Vegetation is characterised by open eucalypt woodland and savannah grasses, with stands of red river gum and pandanus plam growing near perennial water or sandy creeks.

4. JOINT VENTURE/ENCUMBRANCES

The Tenement is not part of a joint venture, no royalties attached, nor prospecting or Base metal rights.

5. GEOLOGY

Regional Geology

EL 28878 is located in the SW margin of the Pine Creek Geosyncline, adjacent to the SE extremity of the Litchfield Province and it within the Wingate Mountains 1:100,000 sheet, the geology of which was published by the N.T.G.S. in 1989(Edgoose et. Al, 1989). The boundary between the Litchfield Province and the PINE Creek Geosyncline is marked by the Giants Reef Fault, a major structure which is spatially related to uranium and base metal deposits to the north at Rum Jumgle. Immediately to the north of EL28878 the Wingate bend.(Findlay et. al., 1985) . This is an area of some structural complexity with several spays and sympathetic faults, including the Collah and Fish River Faults which extend into EL28878 (Fig. 2).

The oldest rock exposed in the Wingate Mountains area belong to the Palaeoproterozoic Finnis River Group consists of the the Burrell Creek Formation and overlying chilling sandstone, with minor acid volcanic present in both formations.

The Burrell Creek Formation consists of interbedded pelites, greywacke and conglomerate (Edgoos et. al., 1989). Minor carbonaceous laminae are present( Stuart-Smith et al., 1993). Lower greenschist facies metamorphis in the Wingate Mountains area during the Top End Orogeny(1870-1780Ma)had
phyllite and fine grained schist from the pelites. Contact metamorphism around
the margins of the Soldiers Creek and Allia Creek Granites has resulted in the
formation of coarse knotted andalusite schist(Edgoose et.al., 1989).

LOCAL GEOLOGY

Exploitation Licence 28878 is in the southeast corner of the Wingate
Mountains 1:100,000 sheet, published by the Northern Territory Geological
Survey(Edgoose et al,1989). The metasediments are schistose on genesisc
in texture and are interted to be contact metamorphosed sandstones and
shales of the Burrell Creek Formation. The rafts of metasediment indicated
close proximity to the roof of the intrusion ,which is positive feature in the
exploration model. Part of the tenement is covered with granited derived
colluviums. Outcrops of granite vary from fresh to strongly altered or
weathered. There are a number of prominent ridge within the granite
trending 80 to 20 degree which are intensely silicified and quartz veined.
Bucky quartz and pegmatic vein also travers the granite along with the
uraniferous hematite-quartz veins on which the tenement center.

6. EXPLORATION AND RESULTS

Exploration activities on the tenement since 2012 have consisted of an
external data review and field reconnaissance. Below is a summary of
exploration activities.

Pre-2012
External data review

The previous exploration over the area was initially assessed Falconbridge
and its consultants. Prospecting and small scale mining in the Litchfield area
commenced in the late 1800s to early 1900s. Small gold, copper and tin
prospects were worked during these times. The largest known base metal
prospects occur in the Daly River area. This mine has a past production of
~6000 tonnes of ore at 20% Cu, extracted between 1884 and 1918. The
workings at the mine consist of 22 shafts and an opencut. Other Pb, Zn, Ag
prospects also occur in the area, hosted within the same Proterozoic
submarine volcanic rocks along strike.

Larger exploration programs for base metals, diamonds and uranium
were undertaken in the late 1970s to 1980s by companies such as Suttons
in JV with Mobil Energy, Urangasellschaft, Carpentaria, BHP, Stockdale,
Geopeko, PNC, Total and Idemitsu. Mobil (in JV with Suttons), and also
Carpentaria (MIM) carried out widespread regional stream sediment sampling
programs across the region. These two companies worked the region for
many years and identified several key areas in which they focused their
detailed follow-up work. These exploration efforts included widespread
regional stream sediment programs (with Ni assays) which have been digitally
captured. Mobil recognised the significant Ni anomaly over the Sandy Creek
Mafic Complex previously identified by Planet.
2012-2013
Gravity and aeromagnetic anomaly photography

CALR acquired Gravity and aeromagnetic anomaly photos of NT Australia. These high quality images of the tenements enabled the Company to better direct exploration by being able to identify geologically significant areas, past workings, and gain knowledge of tracks and general accessibility of our tenements.

Through the collection of gravity anomaly and aeromagnetic anomaly map analysis, the western mining area has obvious anomaly, while the eastern is mostly covered with quaternary, this area is not conducive for exploration, and also is not favorable metallogenic.

7. ENVIRONMENT

There has been no disturbance from exploration activities by KNGM over this tenement thus no rehabilitation required.

8. RECOMMENDATION

As a result of the intensive low-impact exploration activities, data collection and analysis that have been carried out over the past two years on EL28878, CALR is now in a position to more clearly define targets and refine exploration efforts on the tenement. There remains scope for continued rigorous exploratory data analysis. The findings that have emerged to date suggest that CALR should relinquish the eastern portion of the tenement and intensify exploration in the north portions of the tenement (Figure 3).

Reducing the size of EL28878 by relinquishing the eastern portion of the tenement would reduce expenditure commitments for both rental and exploration costs. This would free up CALR for exploration activities in more prospective areas of the tenement. This area should be surrendered because it is not considered prospective for U. The reasons for this are:

- Via the route survey most of the east area is covered with soil and sands but the west area had been found Chilling sandstone and granite.
- Most of the Gravity and aeromagnetic anomaly is located in the west of the tenement.

Future exploration activities on EL28878 should focus on the west areas that have been identified as being prospective. Initially, exploration should include soil geochemical survey or stream geochemical survey. Once the surface anomalies are constrained at a higher resolution exploration should then target subsurface geology using RAB drilling.
Figure 1: LOCATION of EL28878
Figure 2: Regional geology of EL28878
**Figure 3. Retain and Relinquish area of EL28878**