SINOSTEEL AUSTRALIA PTY LTD

ACN 009 277 230

Exploration License 26535

Final Surrender Report

for the period ending 31st July 2014

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Submitted to:    Geoscience Information, NTGS

Tenement Holder:    SinoSteel Australia Pty Ltd

Exploration Operator:    SinoSteel Australia Pty Ltd

Tenement:    EL26535

Commodities sought:    Mn, Cu

Map Sheets:    1:250K Robinson River

1:100K, Robinson River

Datum:    GDA94, projected to MGA53

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**SUMMARY**

Exploration License 26535 forms part of the “Carpentaria Project”, along with tenements EL26539, EL26556 and EL26557. The tenements are held in the name of Sinosteel Australia Pty Ltd, who are also the operator of the tenements. Sinosteel were granted tenement EL26535 in July 2008.

Tenement EL26535 was surrendered on the 26th of September 2014, soon after the completion of the 6th exploration year. An annual Group Technical Report (GR154) was submitted to the NT Department of Mines and Energy for the Carpentaria Project during October 2014, providing details of the exploration work carried out over each of the tenements at the project during the 2013/2014 exploration year. The expenditure report for tenement EL26535 for the 2013/2014 exploration year has been submitted to the Department already. Therefore, this report is a Final Surrender Report which only provides a summary of the work carried out for tenement EL26535 over the life of the title.

In the first year of the title (2008/2009), a regional scale desktop study of the Carpentaria Project was completed by geological and geophysical consultant’s Resource Potentials Pty Ltd. This study identified that the greatest potential for economic mineralisation at the project was for “Groote Eylandt style” Mn mineralisation, and hydrothermal Mn and/or Cu mineralisation, below relatively thin Quaternary and Cretaceous cover. A helicopter electromagnetic (EM) survey was promoted as the best geophysical method to explore for conductive Mn and sulphide mineralisation below cover, and areas suitable for helicopter EM surveying were identified.

A VTEM helicopter EM survey was carried out over portions of the Carpentaria Project during the 2nd exploration year (2009/2010). Greater than 50% of the tenement area was relinquished at the completion of the 2nd year, as required.

The VTEM survey data were processed, modelled and interpreted during the 3rd exploration year (2010/2011). Regional 1:50,000 scale maps of the VTEM data, geology, airborne magnetic and radiometric data, and satellite data were generated to assist targeting. A set of preliminary exploration targets were generated, some of which were located within tenement EL26535. However, these were considered to represent only low to moderate rank exploration targets.

Geological consultant’s CSA Global Pty Ltd were then contracted to organise and complete a helicopter reconnaissance of the preliminary exploration targets during the 4th exploration year (2011/2012). A helicopter landing was made within tenement EL26535 during this site visit, but no rock samples were collected. No exploration work was completed for tenement EL26535 during the 5th exploration year (2012/2013), as Sinosteel focussed exploration efforts and funds on completing a Reverse Circulation (RC) drilling program at the other tenements at the project: EL26539, EL26556 and EL26557.

New regional and project scale desktop studies were commissioned during the 6th and final exploration year (2013/2014) to inform future exploration work. During this period, Sinosteel also updated a Mining Management Plan (MMP) and completed a second helicopter reconnaissance of
exploration targets in preparation for a second round of RC drilling at the other tenements at the project: EL26539, EL26556 and EL26557. This drill program was started early in the 2014/2015 exploration year.

Tenement EL26535 was surrendered at the end of the 2013/2014 exploration year, as no significant new exploration targets were identified by Sinosteel Australia within the tenement, and the tenement is considered by the company to have very low mineral prospectivity. In addition, the tenement is wholly contained within the boundaries of the Seven Emu pastoral lease, and the owner and manager of this station has made land access difficult.
1 LOCATION AND TOPOGRAPHY

Tenement EL26535 is located approximately 110 km to the east of Borroloola, within the boundaries of the Seven Emu pastoral station. Vehicle access is via the Savannah Way dirt road to Seven Emu Station, and then by taking a dirt track to the northeast into the tenement area. However, the tenement area can really only be accessed by vehicle during the dry season, as there are several river crossing’s in between Borroloola and the tenement area that are impassable during the wet season.

The northern limit of tenement EL26535 (tenement area after partial relinquishment in 2011) is located approximately 15 km south of the coastline of the Gulf of Carpentaria (Figure 1). There are a large number of rivers and drainage channels that trend southwest to northeast through the tenement towards the coastline and empty into the ocean. The topography is fairly flat and mostly covered by Quaternary sediments, with vegetation consisting of low grasses, Melaleuca and gum trees.

2 GEOLOGICAL SETTING

Tenement EL26535 is located within the “Robinson River” 1:250,000 and 1:100,000 scale geological map sheets. Pre-Quaternary outcrop from 1:250,000 geological mapping is restricted to the southern limits of the tenement only. Outcropping geology consists of dolomitic siltstones and sandstones of the Palaeoproterozoic Talwallah Group (Figure 2).

3 PREVIOUS EXPLORATION

There are no existing or historical mines within the Carpentaria project area, and there has been little to no previous exploration work due to the Cainozoic cover in most of the project area. There are two known manganese occurrences named Robinson River 1 and Robinson River 2 which are located along the banks of the Robinson River within tenement EL26556, to the west of tenement EL26535.
Figure 1: EL26535 tenement outline over topographic map. There are many rivers and drainage channels trending southwest to northeast through the tenement towards the coastline.
Figure 2: EL26535 tenement outline over 1:250,000 scale geological map. The tenement area is mostly covered by Quaternary cover (yellow). Talwallah Group siltstones and sandstones (brown) outcrop at the southern margins of the tenement.
4 WORK CARRIED OUT OVER THE LIFE OF THE TITLE

2008/2009 (Exploration Year 1)

In the first year of the title, a regional scale desktop study was carried out by geological and geophysical consultant’s Resource Potentials Pty Ltd on the block of 5 tenements comprising the Carpentaria Project at that time: EL26533, EL26535, EL26539, EL26556 and EL26557. This study compiled open-file geophysical and geological data, topography and DEM data, land information, and data from open-file reports. This study concluded that the greatest mineral exploration potential would be for “Groote Eylandt style” Mn mineralisation, and hydrothermal Mn and/or Cu mineralisation, below relatively thin Quaternary and Cretaceous cover in certain portions of the project area, and that airborne electromagnetic (EM) surveys would be the most suitable geophysical method to detect any EM conductivity responses associated with Mn and sulphide mineralisation. Prospective areas for helicopter electromagnetic (EM) surveying were identified. The summary report and associated data products for this regional desktop study are provided in digital format as Appendix 1.

2009/2010 (Exploration Year 2)

The regional desktop study completed over the 2008-2009 exploration period was reviewed and the associated recommendations for further work were evaluated. A VTEM helicopter EM survey was commissioned to cover portions of each of the following Carpentaria Project tenements: EL26535, EL26539, EL26556 and EL26557. The start of the VTEM survey was delayed due to the wet season and then the survey was undertaken in the period 24th May to 28th June 2010. The VTEM survey was competed with 200m flight line spacing for a total of 6,374 line-km. A total of 846 line-km was flown within tenement EL26535 (Figure 3). The final VTEM survey data have been subset to the EL26535 tenement area and are provided in digital format as Appendix 2.

Greater than 50% of tenement EL26535 was relinquished at the completion of the 2nd exploration year (see Figure 1).
Figure 3: VTEM airborne EM survey outline (blue) and flight path (black lines) are shown within the tenement EL26535.
2010/2011 (Exploration Year 3)

The VTEM helicopter EM survey data acquired in the previous reporting period were processed, modelled and interpreted. Regional 1:50,000 scale maps of the VTEM data, geology, airborne magnetics and radiometrics, and satellite data were generated to assist targeting. The maps containing the EL26535 tenement area are provided in digital format as PDF files in Appendix 3. A few preliminary exploration targets were identified within tenement EL26535.

2011/2012 (Exploration Year 4)

Sinosteel contracted geological consultants CSA Global Pty Ltd to organise and complete a helicopter-based reconnaissance of preliminary exploration targets identified via integration and interpretation of the VTEM helicopter EM survey data and other geoscientific information. One helicopter landing was made within tenement EL26535. However, no rock samples were collected and no other significant field work were completed within this tenement. CSA Global provided a summary report about the helicopter reconnaissance, which is provided in digital format as Appendix 4.

2012/2013 (Exploration Year 5)

No work was completed within tenement EL26535 during this exploration period.

Sinosteel focussed their exploration efforts on their maiden RC drilling program to test higher rated exploration targets at the other tenements at the Carpentaria Project: EL26539, EL26556 and EL26557.

2013/2014 (Exploration Year 6)

During this exploration period, Sinosteel commissioned new regional and project scale desktop studies to inform future exploration work. The regional scale desktop study completed by Resource Potentials Pty Ltd is provided in digital format as Appendix 5. This work included data processing and 3D modelling of airborne magnetic data, and also the Southern McArthur Basin gravity survey data, which was acquired for the NT Department of Mines and Energy and released to open-file early in 2014.

The project scale desktop study completed by Beijing Longterm Mining Company (a company based in China) is provided as Appendix 6. This study focussed on analysis of patterns in the VTEM airborne EM survey data and satellite datasets to interpret exploration targets, and promoted exploration for bauxite in other parts of the project area. The summary report is written in Chinese but Sinosteel are planning to have this converted to English.
The new desktop studies informed exploration targeting at the Carpentaria Project and a drill program was designed to test the higher rated exploration targets within tenements EL26539, EL26556 and EL26557. The drilling program was started early during the 2014/2015 exploration year.

Tenement EL26535 was included in the regional and project scale studies. However, no significant new exploration targets were identified within tenement EL26535 by these studies. Therefore, it was decided to surrender the tenement in its entirety.