<table>
<thead>
<tr>
<th>Title Holder:</th>
<th>NATURAL RESOURCES EXPLORATION PTY. LTD.</th>
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<tbody>
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<td>Operator:</td>
<td>Natural Resources Exploration Pty. Ltd.</td>
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<td>Tenement Manager:</td>
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<tr>
<td>Titles / Tenements:</td>
<td>EL(s): 28580</td>
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<td>Project Names:</td>
<td>Lilla Creek North</td>
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<td>Year 1 Annual Report – Lilla Creek North (EL 28580)</td>
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<td>Report:</td>
<td>Annual Report</td>
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<td>Author(s):</td>
<td>Peter Forder</td>
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<td>Company Ref:</td>
<td>NRE_NT2012: LILLA CREEK NORTH – Year 1 Annual Report</td>
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<tr>
<td>Target Commodity / Commodities:</td>
<td>Uranium, Coal and Base metals</td>
</tr>
<tr>
<td>Date of Report:</td>
<td>19 January 2014</td>
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</tbody>
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Any information included in the report that has been originated or sourced from historical open file reports or other sources is listed in the “Exploration Studies - Historic” section within the document.

The Minister has authority to publish the copyrighted information accordingly.
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Summary

Section 94 of the **Mineral Titles Act** requires the submission of an Annual Report prepared by the titleholder for each exploration licence. The purpose of the following Annual Report for Exploration Licence (EL) 28580 is to provide a summary of the activities carried out over the permit in the past 12 months, including results produced by those activities.

To delineate prospective areas for potential coal, uranium and base metal mineralisation and define the next phase of exploration, Natural Resources Exploration (‘NRE’) has carried out extensive office-based studies of EL28580, known to NRE as its ‘Lilla Creek North’ Prospect. NRE conducted extensive desktop reviews of all previous exploration across the area including review of all previous historical exploration reports.

NRE’s exploration rationale and objectives for its Lilla Creek North Prospect considered the evaluation of potential coal, uranium and base metal mineralisation. Investigations were intended to locate any outcropping of mineralisation and any indicators of any sub-surface mineralisation within the tenement based on desktop reviews.

Prior to the first year of grant, NRE also attended the Alice Springs Core Library for the purpose of conducting XRF and ALS Analysis of cuttings from previously drilled water bores within EL28580 and the surrounding region.
1. Introduction

Natural Resources Exploration (‘NRE’) has conducted extensive office-based studies during the first term of Exploration Licence (EL) 28580, known to NRE as its ‘Lilla Creek North’ Prospect. Prior to the commencement of first term, NRE also attended the Alice Springs Core Library for the purpose of testing water bore cuttings within the Lilla Creek North Prospect and the surrounding region.

EL 28580 was granted to NRE on 31 October 2012, consisting of a total of 250 sub-blocks. EL 28580 is situated in the Pedirka Basin, containing overlapping Amadeus and Eromanga Basin sediments with the Musgrave Province to the West. The region is strongly mineralised with Uranium with a number of other prominent commodities including Copper, Lead-Zinc Silver, Gold, Iron, Phosphate and Diamonds.

NRE’s exploration rationale and objectives for its Lilla Creek North Prospect considered the evaluation of potential uranium and base metal mineralisation. Investigations were intended to locate any outcropping of mineralisation and any indicators of any sub-surface mineralisation within the tenement based on desktop reviews.

Office-based studies have included desktop reviews of all previous exploration across the tenement, assessment of the geology, radiometrics, aeromagnetics, gravity and ASTER imagery within the Lilla Creek North Prospect during the first year of grant.

Prior to grant, NRE also attended the Alice Springs core library with a view to analysing water bore cuttings held at the library. NRE carried out both XRF and ALS Analysis of water bores located within the surrounding region.

NRE looks forward to conducting further exploration activities on EL28580 during the second term.
2. Tenure

NRE’s exploration licence (EL) 28580, is more commonly known by NRE as its ‘Lilla Creek North Prospect’. The Lilla Creek North Prospect was granted to NRE on 31 October 2012. EL28580 consists of 250 sub-blocks in the Pedirka Basin, which underlies Eromanga and Amadeus Basin sedimentary rocks. Table 1 lists the pertinent tenement details.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Tenement Name</th>
<th>Title No. (EL)</th>
<th>Sub-blocks</th>
<th>Sq. Km</th>
<th>Status</th>
<th>Grant Date</th>
<th>Term (Yrs)</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pedirka Basin</td>
<td>Lilla Creek North</td>
<td>28580</td>
<td>250</td>
<td>774.4</td>
<td>Granted</td>
<td>31 Oct 12</td>
<td>6</td>
<td>30 Oct 18</td>
</tr>
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</table>

2.1 Location and Access

The Lilla Creek North Prospect area is located approximately 200 kilometres south of Alice Springs, approximately 40 kilometers north of the border with South Australia. The location of EL28580 is outlined in Figure 1 below.

The tenure is accessible from Alice Springs via the southbound, sealed Stuart Highway and along the unsealed Finke Road east of Kulgura. The road trends east-west across the tenement. Unsealed station tracks can be used to access various locations on the tenement.

An alternative way of reaching the EL would be to access any focus areas via helicopter.

Figure 1. Location Map
Pastoral Leases

NRE’s Lilla Creek North Prospect overlies two (2) Pastoral Leases, namely ‘Lilla Creek’ NT Portion 259 PPL 1041 and ‘Horseshoe Bend’ NT Portion 659 PPL 1070. **Figure 2** shows the leases in relation to the Lilla Creek North Prospect.

**Figure 2. Cadastral Map**

![Cadastral Map](image)

2.2 Topography and Drainage

The topography of the Lilla Creek North Prospect is relatively flat, with the Newland Ranges running though the tenement.

The Finke River runs directly through the center of the tenement and the Lilla Creek runs along the southern portion of the tenement together with several small valleys with unnamed estuaries. The topography can be seen in **Figure 3** below.
3. Geology

3.1 Regional Geology

The Lilla Creek North Prospect lies within three main geological provinces. EL28580 contains Cambrian to Devonian age sedimentary rocks of the Amadeus Basin with overlapping Cretaceous-age sediments of the Eromanga Basin. The western third of EL28580 contains Neoproterozoic age gneiss, granite and dolerite dykes of the Musgrave Province, with the remainder of the license containing Eromanga Basin rocks. Permian age sedimentary rocks of the Pedirka Basin underlie Eromanga Basin rocks. The Regional Geology is depicted in Figure 4 below.

Figure 4. Regional Geology Map
Outcropping rocks of the Musgrave Block within EL28580 are dominated by Proterozoic age gneiss (mostly derived from felsic and minor mafic rocks), granite and dolerite dykes. Mineralisation is not known to occur within the same type of rocks elsewhere in the Musgrave Block, although exploration efforts have generally ignored the granites.

Neoproterozoic to Cambrian age sedimentary rocks of the southern edge of the Amadeus Basin underlie part of EL28580. The northern edge of the Amadeus Basin contains several small occurrences of sediment hosted copper and two major sediment hosted uranium deposits. Oil and gas is produced from three areas to the south and west of Alice Springs.

Pedirka and Eromanga Basins are considered together here because they occupy approximately the same area. The Pedirka Basin is Permian in age and extends into South Australia and Queensland. Coal bearing strata of the Purni Formation are thought to be of equivalent age to major coal deposits of the Bowen Basin in Queensland. Outcrop of Crown Point Formation, the basal unit of the Pedirka Basin, occurs in the southeast of EL28580.

Eromanga Basin rocks are Jurassic to Cretaceous in age. In the EL area there is one main unit mapped at the base of the Eromanga Basin succession, that being Rumbulara Shale.

### 3.2 Permit Geology

NRE’s Lilla Creek North Prospect is situated in the Pedirka Basin with overlapping Eromanga and Amadeus Basins. Over the area, there is a large cover of superficial deposits of Quaternary alluvium and sand in the north east portion of the tenement.

To the west lay Precambrian gneiss and minor dolerite intrusions, these were deposited in the Musgrave Province which has been folded into an anticline trending north-north east to the south-south west.

In the centre and towards the east of the tenement lie Jurassic sandstones and pebbly sandstones from the Da Souza Sandstone Formation. Lower Cretaceous shale and siltstones from the Rumbalara Shale Formation reside in the eastern section of the tenement.

The permit geology is illustrated in **Figure 5** and the changes in the interpreted stratigraphic succession over time are shown in **Table 2**.
4. NRE’s Exploration Activities during the Reporting Period

To delineate prospective areas for coal, base metal and uranium mineralisation and define the next phase of exploration, Natural Resources Exploration (‘NRE’) has carried out extensive office-based studies of EL28580 and a historic review of previous exploration over the tenure area. Prior to grant, NRE also attended the Alice Springs Core Library for the purpose of conducting XRF and ALS Analysis of cuttings from previously drilled water bores in the region.

Our office-based studies and analysis of cuttings at the Alice Springs Core Library have allowed us to delineate prospective areas for base metal and uranium mineralization and in particular, gold mineralisation.
4.1 Exploration Studies

NRE has conducted an extensive review of historic exploration over its Lilla Creek North Prospect. A review of all previous exploration within the EL has been completed including:

- Review of previous exploration data from NTGS open file company reports; and
- Review of aeromagnetics, of radiometrics and gravity survey provided by NTGS; and
- Review of satellite imagery, of ASTER imagery, Google Earth Imagery.

Exploration focus during the first term within EL28580 has primarily been for sedimentary U and gold mineralization deposits. Six (6) companies have explored the area from 1972 to present with aerial radiometrics being a common tool used to define exploration targets which were generally followed up with geological reconnaissance.

In the wider area, there has been exploration for sedimentary and primary U, Au, opal, diamonds, base metals, Sn, Ta, PGE, REE, massive Mn, Ni, Fe and coal. However, over this tenement majority of exploration efforts has been for uranium mineralization and in more recent times, iron and coal which were the targets for the exploration company last holding a similar area covered by EL 28580.

 Previous exploration has been summarised in Table 3 and location of historic tenements is shown in Figure 6.

Table 3. Historic Tenures and Previous Companies’ Exploration Reports

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Period</th>
<th>Company Reports</th>
<th>Company</th>
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</thead>
<tbody>
<tr>
<td>EL 27056</td>
<td>2009-2010</td>
<td>CR2010-0094</td>
<td>Rum Jungle Uranium</td>
</tr>
<tr>
<td>EL 27049</td>
<td>2009-2010</td>
<td>CR2010-0093</td>
<td>Rum Jungle Uranium</td>
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<tr>
<td>EL 909</td>
<td>1974-1996</td>
<td>CR1976-0087</td>
<td>Afmeco Mining and Exploration</td>
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5. NRE’s Exploration Activities for next 12 month period

The objective of NRE’s exploration activities over the next 12 month period in relation to its Lilla Creek North Prospect will be to follow up any targets identified during its first term activities.

In order to do this, NRE intends to process Eromanga Uranium’s raw magnetic data to assess the depth to basement within the tenure as well as any paleochannels within EL28580. NRE will also aim to conduct drainage sampling of the northern part of the Musgrave Province located within the tenure.

Exploration activities for the Lilla Creek North Prospect will be undertaken in conjunction with NRE’s surrounding tenures in the Pedirka Basin region.

6. Reports lodged during the reporting period

NRE lodged an Exploration Report with the Northern Territory Department of Resources’ Geoscience Division on 12 September 2011.

This report was required in respect of the XRF and ALS Assaying of Water Bore Chips at the Darwin Core Facility. The Exploration Report was titled ‘XRF & ALS Assaying of Water Bore Chips – Core Facility: Alice Springs’.

NRE believes that no other reports were required to be lodged during this reporting period.
7. Conclusions

Natural Resources Exploration’s exploration activities during the first term of its Lilla Creek North Prospect have been focused on delineating any potential coal, uranium and base metals targets within the tenement. It has given specific focus to delineate gold mineralization targets given the lack of historical gold exploration efforts and results from the waterbore analysis in the region and general prospectivity.

Investigations were intended to locate any outcropping of mineralisation and any indicators of any sub-surface mineralisation within the tenement based on desktop reviews. NRE’s office-based studies and assaying of water bore chips at the Alice Spring Core Library have allowed us to delineate prospective areas and develop a soil and lag sampling program for the tenement.

NRE intends to process Eromanga Uranium’s raw magnetic data to assess the depth to basement within the tenure as well as any paleochannels within EL28580 over the next 12 month period. NRE will also aim to conduct drainage sampling of the southern part of the Musgrave Province located within the tenure.

NRE is looking forward to conducting its exploration activities on EL28580 in the second term.
8. Bibliography


