Mount Skinner Combined Report (CR-039/09)

ELs 25573, 25993, 26025, 26543, 26719, 26748 & 27516

Reporting Period: 1 February 2011 to 31 January 2012

Date: March 2012
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Keywords: Base Metals, Calcrete, Carnotite, Drilling, Geochemistry, Gravity, Helimag, Mt Skinner, Northern Territory, Uranium, VTEM, Wilora Palaeochannel
Map Sheets: Barrow Creek (SF5306) 1:250,000, Alcoota (SF5310) 1:250,000 sheets

Distribution: 1) Mines and Energy Department, Darwin, Northern Territory
2) Intercept Minerals Ltd Perth Office
3) Austwide Mining Title Consultants, Darwin
SUMMARY

The Mt Skinner Project area comprises Exploration Licences (ELs) 25573, 25993, 26025, 26543, 26719, 26748 & 27516, and is located approximately 200km north of Alice Springs. This report details work undertaken during the reporting period 1 February 2011 to 31 January 2012.

Intercept Minerals Ltd (Intercept) formally Uranet Minerals Limited identified the potential for stratiform copper mineralisation, in the Mt Skinner area where sandstone hosted lead mineralisation had previously been recognised (Dunster et al., 2007). The first tenement EL25573 was acquired in 2007, with additional tenements subsequently added and the project expanded into the Mt Skinner Group of exploration tenements, with uranium added to the commodities being targeted.

A program looking at the potential of calcrete-hosted uranium mineralisation within the Wilora palaeo-channel was added in 2007-2008, with the addition of six more Exploration Licence tenements.

In 2008-2009, examination of reports of previous exploration in the district, along with reconnaissance exploration, sampling and mapping, resulted in the discovery of a previously unrecognised uraniferous outcrop. This was located in an area where a weak radiometric anomaly was indicated in a previously flown airborne survey. Subsequent petrological and assay work confirmed that this was an alaskite containing variable, low to moderate levels of uranium in restricted surface exposures. The peak assay value returned was 520ppm Uranium. The Adnera Creek tenement EL26748, and others covering the regional NW-SE strike were acquired.

There is also a known tungsten occurrence in the EL 26543, which was acquired in 2008.

Since the initiation of the Mt Skinner Group reporting several tenements have been dropped, and some have been removed from this reporting group (in particular those covering the Wilora palaeo-channel). These tenements from the past, but no longer included in the Mt Skinner Reporting Group, are not covered in this report.

Work conducted on the present Mt Skinner Group of tenements during the reporting period involved a thorough review of all exploration activities since project inception, and the resultant data from all that work, plus statutory reporting.

The uraniferous alaskite remains as the outstanding target, but the extensive surficial transported sand cover presents the greatest difficulty to continued systematic exploration at present. The recent review identified this as the most important factor going forward.

50% relinquishments were made for tenements EL 25573, 26025, 26543 and 26719. EL 25993 was surrendered entirely.
1. INTRODUCTION

In the period covered by this report, (Feb 2011 to Jan 2012) the Mt Skinner Project area comprised a total of seven Exploration Licences, ELs 25573, 25993, 26025, 26543, 26719, 26748 & 27516. EL 25993 was dropped during this period.

After initially seeking stratiform base metal mineralisation in the Mt Skinner area, then pursuing uranium mineralisation along the Wilora palaeo-channel, Intercept Minerals Ltd is now firmly focussed on the more recently identified Adnera potential for alaskite hosted uranium mineralisation.

The alaskite occurrence identified so far is represented by two very small outcrops, most of the area lies beneath shallow transported sand cover. Therefore the amount of information about the mineralisation is also very limited. It is noted that there are elevated REE (rare earth element) values associated with the higher uranium values. These are significantly lower than the values which are encountered in the mineralisation at Nolans Bore, located about 120kms to the SW. However if this occurrence is distal to a strongly mineralised centre which is under cover, lower grades in the peripheral areas would be expected.

Deposits which may have genetic affinities with the Adnera uranium mineralisation have been researched, and these include uranium mineralisation associated with the alaskite bodies at Rossing and the nearby Etango deposits in Namibia, and the Crocker Well deposits in the Olary district of the Curnamona province of South Australia. There is a lot of variation within this group of igneous rock hosted uranium deposits.

EL 26543 also contains the known Millionaires Well tungsten occurrence.

This report covers the exploration work carried out by Intercept on the Mt Skinner Project Tenements between 1 February 2011 and 31 January 2012.
1. LOCATION AND ACCESS

The Mt Skinner Project area is located approximately 200km north of Alice Springs (Figure 1), with access to the area via the sealed Stuart Highway, and within the project area by station tracks of varying quality. Most are generally in good condition, however the 15km section of track leading to Millionaires Well is overgrown and in poor condition.

The tenements lie within the Stirling and Mt Skinner pastoral leases. The primary land use is cattle grazing.

A sacred site survey was undertaken in 2009 by the Aboriginal Areas Protection Authority (AAPA), with an Authority Certificate (C2009/352) being issued by the AAPA in December 2009. A number of sacred sites were located.
2. TENURE

The Project comprises (ELs) 25573, 25993, 26025, 26543, 26719, 26748 & 27516.

Figure 2 Tenement and prospect location

The ELs are held by Intercept Minerals Ltd, with Elkedra Diamonds NL having the diamond rights within EL25573. Tenement details are summarised below in Table 1.

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<tr>
<th>Tenement Number</th>
<th>Status</th>
<th>Ownership</th>
<th>Date Granted</th>
<th>Expiry Date</th>
<th>Block size#</th>
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<td>29-Jul-13</td>
<td>7</td>
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<tr>
<td>EL26025</td>
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<td>03-Dec-07</td>
<td>02-Dec-13</td>
<td>9</td>
</tr>
<tr>
<td>EL26543</td>
<td>Granted</td>
<td>Intercept-100%</td>
<td>09-Jul-08</td>
<td>18-Nov-13</td>
<td>5</td>
</tr>
<tr>
<td>EL26719</td>
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<td>27-Oct-14</td>
<td>14</td>
</tr>
<tr>
<td>EL26748</td>
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<td>Intercept-100%</td>
<td>18-Feb-09</td>
<td>17-Feb-15</td>
<td>40</td>
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<tr>
<td>EL27516</td>
<td>Granted</td>
<td>Intercept-100%</td>
<td>26-Feb-10</td>
<td>25-Feb-16</td>
<td>38</td>
</tr>
</tbody>
</table>

ELs 25573, 26719, 26543, and 26025 have undergone area reductions, with former and current boundaries indicted in Figure 3. EL 25993 was surrendered.
Figure 3. Former and current tenement boundaries

3. GEOLOGY

3.1. Regional Geology

The Project area lies at the boundary between Proterozoic-aged basement of the Arunta domain and the younger southern Georgina Basin. The Georgina Basin as a 330,000km$^2$ erosional remnant of a larger intracratonic basin known as the Centralian Superbasin which covered a large area of central and northern Australia during Neoproterozoic times. Sedimentary units within the Georgina Basin range in age from the Neoproterozoic to the late Palaeozoic. In excess of 1.5km of Neoproterozoic sedimentary rocks are preserved in downfaulted blocks and half-grabens on the southern margin of the Georgina Basin in the NT. Depocentres and synclines contain up to 2.2km of Cambrian to Devonian section.

The Arunta basement is dominated by folded and faulted Palaeoproterozoic-age felsic gneiss and metasedimentary rocks (biotite schist, quartzite and calcsilicate), with lesser metag-igneous rocks (amphibolite), which are intruded by a variety of syn- to post tectonic granitoids.

In early Palaeozoic times the area was a stable platform on which carbonate, clastic and evaporitic units were deposited. The intracontinental, compressional Alice Springs Orogeny (370-310 Ma) affected the Georgina Basin and other central Australian Basin but resulted in little metamorphism (Dunster et al. 2007).
Figure 4. Major sedimentary basins and basement blocks surrounding the project area.

Figure 5. Simplified geological map of the project area.
3.2. Tenement Geology

The geology of the project area (Figure 5) is dominated by Neoproterozoic and Cambrian clastic sedimentary rocks of the Central Mount Stuart and Ocy Formations, and Paleoproterozoic Barrow Creek Granite Complex, with localised occurrences of early to mid Proterozoic Bullion Schist, and Ledan Schist. The latter three units are part of the Arunta Domain, and generally outcrop poorly in comparison with the Central Mt Stuart Formation.

Strike directions mainly trend NW-SE, sub-parallel to regional faults and shears such as the northwest trending Stirling Fault Zone. A secondary set of faults cross-cut the stratigraphy with a northeast strike.

4. PREVIOUS EXPLORATION WORK

4.1. Exploration by other companies in the region of currently held tenements plus the areas covered by tenements in the previously held Mt Skinner Group.

Relatively little exploration work had previously been carried out within the Wilora palaeo-channel. Uranium exploration south of the tenement was undertaken by CRA in the 1970's (CR19740032) but only low uranium levels were reported.

Many explorers have previously investigated the area for base metals. Exploration within the tenement was initiated by Kennecott Exploration in 1966. The main targets were the malachite-bearing grey-green siltstone units that crop out throughout the area. The NT Department of Mines and Water Resources drilled 4 holes for a total of 662m in 1968 to investigate copper mineralisation at Mt Skinner (GR19680016). Alcoa of Australia Ltd continued exploration for copper and drilled 4 holes at Mt Skinner in 1981 (CR19820183).

In 1970, Centamin N.L. followed up on the holes drilled by Department of Mines and Water Resources and selected intervals of core which were assayed for Cu, Pb and Zn but without any significant results (CR19830125).

In 1983, Alcoa Australia Ltd flew an airborne magnetic survey at 500m line spacing and drilled 4 holes close to previous holes. Operations ceased after re-evaluation of the data led to a down-grading in prospectivity of the area for base metals (CR19830125).

In 1995, CRA Exploration Ltd re-logged and assayed the Mt Skinner core drilled in 1968 but did not make any concluding remarks (CR19950562).

No significant drilling has been carried out since 1995.

In 2002 NTGS undertook remapping of the 100,000 Woodgreen sheet area that encompasses the Mt Skinner project area. The NTGS re-evaluated the area as part of the Southern Georgina Basin Geology and Resource Potential Report in 2007 and concluded that Mt Skinner remains prospective for Cu and Pb. (Dunster et al., 2007).
4.2. Exploration Conducted by Intercept Minerals Ltd in Previous years.

In September/October 2007 a program comprising 4,359m of aircore drilling in 243 holes was completed by Intercept. The drilling encountered a broad zone (approx. 15km long and up to 3km wide) of anomalous but sub-economic uranium within the calcretised Wilora Paleochannel.

Selected core intervals of three historical drill holes from the Mt Skinner area (Mt Skinner 1, 2, 3) and one drill hole from the Wilora Palaeochannel (railway technical hole RA194/920RH1) were inspected at the NTGS Alice Springs Core Library and analysed with a portable Niton XRF. The results for the Mt Skinner holes confirm previously reported geochemical data. Maximum spot assays of 2.3% Cu and 402 ppm Zn were recorded from Mt Skinner 1. The results indicate an absence of lead-zinc mineralisation in the Central Mount Stuart Formation. None of these holes intersected the prospective Elyuah Sandstone Formation. Spot analyses up to 64 ppm uranium were returned from calcrite in the railway technical hole.

Nine malachite bearing siltstone float sample were tested with a Niton portable XRF analyser, and revealed values up to 600 ppm U, 635 ppm Pb, 1048 ppm Zn and 46% Cu.

Four shallow reconnaissance aircore holes were also drilled to for base metals, and were analysed on site with the Niton XRF. The results confirmed anomalous copper at the surface and elevated lead values up to 128 ppm were recorded at the end of hole WAC0175 at 18m depth.

Nine malachite float samples were also analysed with the portable XRF and revealed up to 600 ppm U, 635 ppm Pb, 1048 ppm Zn and 46% Cu.

SEM mineral chemistry analysis was conducted on six aircore samples from within the Wilora Paleochannel, with results confirming that the calcrite/dolocrete system was silicified after deposition, filling pore space and occluding and dissolving mainly dolomite.

A helicopter-borne EM (VTEM = versatile time domain electromagnetic) survey amounting to 361 line-kilometres over the tenement was flown by Geotech Airborne Ltd (www.geotechairborne.com.au) in October 2007.

In 2008, in conjunction with a regional helicopter assisted ground gravity survey conducted by Geoscience Australia (GA) and the Northern Territory Geological Service (NTGS), Intercept co-funded three extra 500m spaced infill surveys, with an addition two surveys being commissioned independently by Intercept.

Exploration in 2009 consisted of geophysical interpretation of regional and infill gravity surveys and interpretation and modelling of regional airborne magnetic. Along with water bore sampling and analysis, field reconnaissance and rock chip sampling, soil and auger sampling and shallow trenching.
4.3. **Adnera Uranium - Auger Drilling**

A total of 339 auger samples were collected as the end of hole samples (depth 60cms) from within the Adnera Prospect in 2009 and 2010 most within the vicinity of an outcropping alaskite, but with 41 samples collected over a magnetic anomaly to the south-west of the alaskite.

A total of 161 of these auger holes were drilled at the Adnera Uranium Project in 2010. Of these, 142 of the holes were drilled generally on 100m centres along lines spaced 200m to 400m apart. These holes were drilled to test extensions of anomalous uranium results obtained in an auger program completed in November 2009 adjacent to an outcropping alaskite. A further 19 holes (DX001-DX019) were drilled approximately 2.5 km along strike and to the south-east of the alaskite on the northern part of EL26719.

Sample locations and uranium (Niton XRF) results are summarised in Figure 6. Anomalous uranium values up to 83 ppm U were obtained from the auger drilling.

![Adnera auger sample locations coloured by uranium results (Niton)](image)

**Figure 6**. Adnera auger sample locations coloured by uranium results (Niton)
Figure 7. Google Earth image of the Adnera Uranium project area showing aeromagnetic anomaly, and location of alaskite outcrops.
Figure 8. Aeromagnetic TMI image of the Adnera Uranium project area showing aeromagnetic anomaly, and the locations of the two areas of outcrop known for the uraniferous alaskite.
Figure 9. Landsat image of the project area

4.4. Geomorphology

The Landsat image of Figure 9 highlights the variable geomorphology of the area. The topography is generally dominated by the hills of the outcropping Central Mount Stuart and Octy Formations represented as dark blue in the Landsat image.

Sand-plains usually show as light green to light brown, to light purple in the image. Granitoids are a cream colour evident in EL26478 and adjacent areas. The sand-plain shown in the very southern part of the image (light purple) converges into the calcretised Wilora Paleochannel to the west of the Millionaires Well project area. Sand dunes can be seen in the north-eastern part of Figure 9.

Part of the alluvial plain, channels and clay pans of the Hanson River (white colour), being the largest drainage system in the area, can be seen in the north-western part of Figure 9.

The vegetation ranges from savanna woodland near the creeks, to gidgee and acacia scrub to annual grasslands. The vegetation is consistent with a semi-arid regime.
4.5. Field Reconnaissance and Rock Chip Sampling

Field reconnaissance was undertaken in several campaigns with a particular focus within the Adnera Uranium Prospect (ELs 26025, 26719 and 26748).

A total of 42 rock chip samples were collected from EL 26748. All samples were analysed in the field by Niton portable XRF, with 14 of these samples also being sent to UltraTrace Laboratories in Perth for analysis. The maximum uranium value (Laboratory) was 540 ppm.

XRF analysis has confirmed the granite host to be an alaskite which is a type of alkali feldspar granite containing less than 10% mafic minerals. Alaskites are the host rock at Rio Tinto's Rössing uranium mine in Namibia, one of the largest open pit uranium mines in the world, where the alaskite intrusions host large tonnages of uranium mineralisation. Uraniferous alaskites do not appear to have been previously reported within the Arunta Province of the NT.

Figure 10. Ternary diagram, A = alkali feldspar, Q = quartz, P = plagioclase; with the Uramet rock chip samples plotted (red squares) showing they fall within the field of alkali feldspar granites (alaskite)
5. WORK CONDUCTED DURING 2011

The work conducted by Intercept Minerals Ltd during 2011 comprised:

- Data/Literature review of uranium occurrences with similarities to Adnera.
- A thorough review of all exploration activities and the resultant data.
- Exploration Planning, and evaluation of exploration methods.
- Statutory reporting.

5.1. Data/literature Review

A review of available data covering some alaskite deposits of Namibia was made. These are significant producers plus new discoveries nearby, and therefore is a world class uranium district. Specifically the Rossing deposit is the best known and well documented alaskite deposit. The original reserve is thought to be in the order of 200,000tns of U3O8 at an average grade of 0.35 to 0.4kg/t U3O8.

Nearby along strike is the Etango Project, a recent discovery in the feasibility stage.

Another Uranium deposit with the similarities of an igneous host rock is the Crocker Well Project in the Curnamona Province of south Australia.

The Nolans Bore REE deposit was also researched. It is dominantly a REE deposit, but contains significant associated uranium. It is only 120kms to the SW and has some similarities in the regional setting at the margin of the sedimentary basins with basement blocks. There are elevated REE values associated with the higher uranium assays from Adnera, but they are still substantially below the average of the Nolans Bore grades. However the possibility of a genetic association should not be totally discarded.

The data presented from page 11 onward in this report summarises the main information for the Adnera uranium project. It is on the basis of this data that the next phase of exploration will proceed.

5.2. Exploration Program Planning.

The most substantial difficulty confronting exploration of this area is the lack of exposure and the presence of a layer of transported sand cover over a majority proportion of all the tenement areas. This is well demonstrated in figure 9, the Landsat image of the tenement areas. All the light green, light brown and light purple on the image represent areas of transported cover. This effectively excludes the direct use of surface or airborne radiometric surveys. Exploration is forced into drilling.
programs. Initially, a program of vertical RAB drilling is considered to offer the best practical approach to regional drilling and possible alaskite distribution.

Figure 8 portrays the airborne magnetic data over the immediate area of outcrop of the alaskite, which shows magnetic layering/banding trending NW-SE at both locations. This will be used initially as a possible guide to test for continuity of host rocks and anomalous uranium along these trends.

There has been difficulty reconciling the uranium values recovered using the portable Niton XRF unit with laboratory assays received from assaying similar sample materials. A number of the higher value samples, identified using a portable Niton XRF unit, were sent to the laboratory, but did not produce comparable elevated uranium values. This issue remains unresolved.

There is some uncertainty whether uranium assay values at the residual surface may be depleted, relative to positions at greater depth. It is proposed to complete several RAB drill holes to get vertical assay profiles at and near the anomalous alaskites to determine the distribution of assay grades down the weathered profile.

As reflected in section 6.1 above, there is an increase in REE values associated with the higher uranium (laboratory) assays. Further assays will continue to test this possible relationship.

6. CONCLUSIONS

The potential for significant uranium mineralisation associated with alaskite bodies in the Adnera Project area remains untested and a program of vertical RAB drilling is proposed, attempting to trace the extent of the alaskite occurrences and to examine the uranium content while doing this drilling program.

Areas where encouraging uranium is encountered will require follow up with more substantial drilling equipment.

REFERENCES

Dunster JN, Kruse PD, Duffett ML and Ambrose GJ. 2007. Geology and resource potential of the southern Georgina Basin, Northern Territory, NTGS.