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1.0 SUMMARY

Exploration Licence (EL) 27878 was granted to Natural Resources Exploration Pty (NRE) on the 15 September 2010 for a period of six years. A relinquishment of 38 blocks was lodged after the second year of tenure. NRE have elected to do a full relinquishment of the remaining sub-blocks at this time. This decision is based on a desktop review completed in the first tenure year indicating the tenement to have limited potential.

2.0 TENURE

Natural Resources Exploration Pty Ltd was granted the Exploration Licence (EL) 27878 on the 15 September 2010 for a period of six years. The tenement had a total of 495 sub-blocks covering 1628.29 km². A relinquishment of 38 blocks was lodged after the second year of tenure.

All sub-blocks from EL 27878 were surrendered 29/08/2014.

3.0 Location and Access

EL27878 is approximatively 250km South East of Katherine (Figure 1).

The Daly Waters Project is located over the Daly Rivers Arch, surrounding the township of Daly Waters in the Northern Territory.

The Daly Waters Project is in close proximity to local infrastructure including the Stuart Highway and rail line.

The Stuart Highway runs directly through the Daly Rivers Project. Port Darwin can be reached via the Stuart Highway by travelling approximately 590km north.
4.0 TARGET COMMODITY

The focus of Natural Resources Exploration's exploration activities is for a variety of minerals including base metals, gold, phosphate and diamonds. The object of the exploration program was to consider and evaluate the potential for phosphate, diamond and base metals mineralisation in the region.

Figure 1 - Location of EL27878
5.0 WORK COMPLETED BY NRE

5.1 Previous Exploration

NRE has conducted extensive exploration activities over the project area prior to the current reporting period. These have been detailed in previous annual reports and are only briefly touched on within this report.

a. Historical Exploration Activity Evaluation and Interpretation

This included an extensive review of historic exploration over the Daly Waters Project area with the regional assessment of areas being for phosphate, base metals and other commodities. NRE conducted a compilation of data sets from historical data into NRE’s database for interpretation and target generation. It also included analysis of historical drill chip samples.

b. Historical Water Bore Chip Sampling

A total of sixteen (16) bore were selected across the tenement for XRF and geological assessment. The documented drill depths ranged from 51.8m to 132.2m, with most holes having chips correlating with that expected.

XRF analysis of all bore holes assessed has led to the delineation of several interesting anomalies across EL27878. Varying levels of copper, lead, zinc, arsenic, nickel, chromium and phosphorous have been encountered in several holes. The southern region of the tenement has been flagged as being particularly prospective for base metal mineralisation. Full details are in First Annual Report (Devencorn, 2011).

c. Stratigraphic Diamond Core Drilling & Ground Survey

NRE drilled one (1) stratigraphic diamond core hole as part of the NTGS Drilling Collaboration. NRE competed the drilling of drill hole ‘NDW12-01’ to a total depth of 317.2m HQ diamond cored completed on 12 June 2012. NRE then also proceeded these activities with a small ground survey around the drill hole due to being unable to conduct downhole geophysics on NDW12-01.

d. Drill Site Rehabilitation

Immediately following the completion of the drilling and geophysics program, NRE conducted drill site rehabilitation and sealed hole below surface. Soil was replaced in the area and sumps were back filled. Original soil was replaced, spread and leveled over the site.

e. Modeling of Data

Regional gravity data from the Australian Gravity Database shows that EL27878 includes a north-south trending gravity high known as the Daly River Arch which is
interpreted loosely as a basement high. Gravity stations in this database are very sparse with spacing between readings being several kilometres apart. There does not appear to have been any modeling of the regional gravity data over the Daly River Arch to determine the depth to basement.

The third party explorer collected ground gravity data along several seismic survey lines which cross EL27878. This gravity data was obtained by NRE in 2013 as part of a Data Exchange Agreement.

The gravity data obtained was collected at 100m stations along seismic survey lines oriented roughly northsouth and eastwest. There are 13 lines that cross EL 27878. The data has resulted in much higher definition over the target area as seen in Figure 2 below.

**Figure 2**. Modeled gravity data NRE compared with Australian Gravity Database data

Results of the 3D inversion modeling suggests that the Daly River Arch is not an arch at all, but more like a half-pipe with a deep (3000m+) central area and steep shallow sides that come to within 200-300m of the surface. There also appears to be some vertical features within the half-pipe that come close to the surface which correspond to small peaks in the gravity profile.
5.2 Final Year

No exploration work was carried out within the reporting period. This was due to an internal change of management within NRE. The exploration activities are not recommencing and NRE have voluntarily surrendered EL27878 in full.

6.0 CONCLUSIONS

NRE have re-assessed the literature for EL27878. Due to the difficulty to identify targets and the change of structure with NRE has prompted the decision by NRE to relinquish all the sub-blocks in the tenement.

Figure 3. Exploration Index and Location map for Daly Waters Project. The location of drill hole NDW12-01 is shown as well as all heavy mineral samples (red square are loam, red circle are stream samples). Insert map shows 1:250,000 map sheets and license locations.
Figure 4. Waterbores