ANNUAL REPORT

EXPLORATION LICENCE 25581

EAST ROVER

FOR THE PERIOD 12/5/09 to 11/5/10

YEAR 1

by

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GDA94 - Zone 53
Target Commodities: Gold and Copper
1:250000 Bonney Well (SF5302)
1:100000 Chaluba (S657)

June 2010
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SUMMARY

This exploration licence forms part of the Rover Joint Venture between TNG Ltd and Western Desert Resources Ltd. It is located on Aboriginal Freehold Land approximately 60km south west of Tennant Creek.

Exploration Licence 25581 was granted to Tennant Creek Gold Pty Ltd, a wholly owned subsidiary of TNG Ltd, on 11th May 2009. TNG had entered into a farm-in agreement with Western Desert Resources Ltd (WDR) on 27th February 2008, which would allow WDR to earn up to an 80% share in the tenement. WDR is the manager of the joint venture.

The area is considered to be prospective for gold and copper mineralisation associated with ironstones similar to that found in the Tennant Creek goldfield.

The area is located on the western margin of the Tennant Creek Inlier of Palaeoproterozoic age. This consists of the Warramunga Formation, which has been intruded by granitoids and is overlain by volcanic rocks and sediments of the Flynn Subgroup. The Warramunga Formation hosts gold-copper-bismuth mineralisation which is associated with ironstones. The Middle Cambrian Wiso Basin covers the basement rocks in this area.

Little exploration had been previously carried out in the area. Two diamond drillholes completed by Geopoko in 1976 on magnetic anomaly Explorer 124 intersected feldspar porphyry, diorite and microdiorite with moderate to strong disseminated magnetite. The magnetite present in the basement rocks explained the magnetic anomaly.

Exploration activities carried out by the joint venture partners in the first year of tenure have included a helicopter-borne airborne magnetic survey and RC percussion drilling.

The airborne magnetic survey delineated a number of magnetic anomalies. Subsequent interpretation of the data led to the identification of twelve targets for further work.

Seven RC percussion drillholes totalling 1692m were completed in January/February 2010. Problems were encountered with heavy ground water inflow and four of the holes were not completed to their planned depth. The basement rocks in the completed holes consisted of a sequence of volcanic and/or igneous rocks. The analytical results from these rocks were not anomalous.

Phospshatic rocks were encountered at the base of the Wiso Basin succession.

Exploration planned for year 2 will include completion of the initial drilling program by diamond drilling, followed by further geophysical surveys and drilling if warranted.
INTRODUCTION

BACKGROUND
This exploration licence forms part of the Rover Joint Venture between TNG Ltd and Western Desert Resources Ltd.

LOCATION AND ACCESS
EL 25581 is located approximately 60km south west of Tennant Creek in the central part of the Northern Territory (Figure 1).

Access to the area from Tennant Creek is via the Stuart Highway for 7km south of the town. Then via an unsealed road which heads west for approximately 50km to the Kunayungku Outstation. Then via an unsealed track for about 30km to the Rover Camp of Westgold Resources. An unsealed track south of the camp allows access into the northern part of the tenement. The tenement can also be accessed from the east by means of station tracks which run off the Stuart Highway.

Figure 1. Location of EL 25581

CLIMATE
The area has an arid, tropical climate with hot summers and mild winters. Rainfall normally occurs during the summer months and is associated with sporadic heavy thunderstorms.
TOPOGRAPHY AND VEGETATION
The area is flat and devoid of any relief features. It has been assigned to the Tennant Creek Surface landform. The majority of the area is covered by Spinifex grassland and sparse scrub of Mallee and Acacia. Occasional larger trees of Snappy Gum and Bloodwood are found in drainage features.

TENURE
MINING/MINERAL RIGHTS
Exploration Licence 25581 was granted to Tennant Creek Gold Pty Ltd, a wholly owned subsidiary of TNG Ltd, on 11th May 2009. TNG had entered into a farm-in agreement with Western Desert Resources Ltd (WDR) on 27th February 2008, which would allow WDR to earn up to an 80% share in the tenement. WDR is the manager of the joint venture.

LAND TENURE
The tenement is located on Aboriginal Freehold Land owned by the Karlantijpa South Aboriginal Land Trust.

NATIVE TITLE
The area is subject to the Aboriginal Land Rights (NT) Act. A Deed for Exploration between the Central Land Council and Tennant Creek Gold was executed on 6th May 2009.

ABORIGINAL SACRED SITES
The Central Land Council carried out sacred site clearances over the northern part of the tenement in 2009. The Porcupine Swamp in the eastern part of this area has been designated as an exploration exclusion zone. No other sacred sites were identified.

GEOLOGY
REGIONAL GEOLOGY
The area is located on the western margin of the Tennant Creek Inlier (Donnellan et al 1999). The central part of the Inlier is comprised of the Tennant Creek Province of Palaeoproterozoic age. This consists of a flysch sequence, the Warramunga Formation, which has been intruded by granitoids. The sedimentary sequence is overlain by extrusive volcanic rocks and associated sediments of the Flynn Subgroup.

The Warramunga Formation hosts the gold-copper-bismuth mineralisation of the Tennant Creek goldfield. The mineralisation is associated with ironstone.

The Middle Cambrian Wiso Basin covers the basement rocks west of the Tennant Creek Inlier. This is a sedimentary sequence consisting of the Montejinni Limestone and the Hooker Creek Formation (sandstone and siltstone).
LOCAL GEOLOGY
There are no outcrops within the exploration licence which is covered by sand. The area is underlain by Wiso Basin sediments which have been intersected in widely spaced water bores and exploration drillholes. These sediments thicken to the west.

Drilling carried out by explorers to the west of the tenement has shown that Proterozoic rocks occur beneath the Wiso Basin succession. Drilling at the Rover Prospect, located about 700m west of the north east corner of the EL, has intersected gold and copper mineralisation associated with ironstones similar to that found in the Tennant Creek goldfield.

PREVIOUS EXPLORATION
MINING HISTORY
There has been no mining activity in the tenement.

EXPLORATION BY PREVIOUS COMPANIES
The only exploration previously conducted in the area was that undertaken by Geopeko Ltd in the period 1973 to 1976. This work was carried out within EL954 and consisted of an airborne magnetic survey, ground magnetic surveys and diamond drilling.

Three diamond drillholes were drilled on magnetic anomaly - Explorer 124 (Figure 3). Two of the holes (DDH 1 and DDH 3) were completed to target depth; the third hole (DDH 2) was abandoned at 99m. The Wiso Basin sediments intersected in the holes consisted of shales, siltstones and sandstones and were about 90m thick. The basement rocks were found to be feldspar porphyry, diorite and microdiorite with moderate to strong disseminated magnetite. The magnetite present in the basement rocks explained the magnetic anomaly.

EXPLORATION COMPLETED DURING CURRENT YEAR
Airborne Magnetic/Radiometric Survey
A helicopter borne magnetic/radiometric survey was flown over the northern part of the exploration licence. The data was collected on east-west flight lines at a line separation of 50m and a terrain clearance of 50m (Appendix 1). A total of 5766 line km was flown.

Interpretation of the magnetic data was carried out (Appendix 1) and twelve magnetic targets were chosen to be further tested (Figure 2). Four of the targets (E1, E2, E3 and E4) in the south east portion of the survey area were within or adjacent to a sacred site exclusion zone and were not drilled.
Drilling

Seven RC percussion drillholes totalling 1692m were completed in January/February 2010 (Table 1 and Figure 3). The programme had to be abandoned due to heavy rains in the area in mid February. Problems were encountered with heavy ground water inflow in the Wiso Basin sediments and four of the holes were not completed to their planned depth.

Table 1: East Rover RC drillholes 2010

<table>
<thead>
<tr>
<th>Hole Number</th>
<th>Target</th>
<th>Easting GDA</th>
<th>Northing GDA</th>
<th>Azimuth (Magnetic)</th>
<th>Inclination</th>
<th>Planned Depth (m)</th>
<th>Final Depth (m)</th>
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<tr>
<td>ERRC001</td>
<td>C5</td>
<td>368775</td>
<td>7787610</td>
<td>360</td>
<td>-60</td>
<td>350</td>
<td>323</td>
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<tr>
<td>ERRC002</td>
<td>C1</td>
<td>366100</td>
<td>7784420</td>
<td>360</td>
<td>-70</td>
<td>350</td>
<td>233</td>
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<td>ERRC003</td>
<td>G1</td>
<td>371090</td>
<td>7782950</td>
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<td>300</td>
<td>275</td>
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<td>C2</td>
<td>367500</td>
<td>7782280</td>
<td>360</td>
<td>-65</td>
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<td>239</td>
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<td>ERRC005</td>
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<td>374950</td>
<td>7784225</td>
<td>45</td>
<td>-60</td>
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Samples were taken at one metre intervals. The first 100m of each hole was not assayed. Assay samples were taken each metre from a depth of 100m to the bottom of the holes. The samples were analysed by ALS Chemex for 33 elements by ICP-AES following a four acid digestion and for gold by fire assay using a 50g charge and AA finish. The geological logs, downhole survey information, assay
results and collar details can be found in Appendix 2. Magnetic susceptibility readings were taken on the one metre bulk samples and the results in SI units $x10^{-5}$ are shown in Appendix 2.

![Figure 3: Location of drillholes on magnetic image](image)

**RESULTS AND EXPENDITURE**

**Discussion of results**

Exploration in the area has been limited to geophysical surveys and drilling due to the cover of Wiso Basin sediments which increase in thickness towards the west. The airborne magnetic survey carried out in 2009 delineated a number of magnetic anomalies. Subsequent interpretation of the data led to the identification of twelve targets for further work. The target depth to the magnetic source was at least 300m in each case. A first pass test using a RC drilling rig capable of drilling to 400m was planned and executed. Unfortunately heavy water inflows from the Wiso Basin sediments led to the premature termination of four of the holes. The holes completed close to the planned depth intersected a similar sequence of volcanic and/or igneous rocks. Analytical results from this sequence were not anomalous. Magnetic susceptibility readings taken on the bulk samples showed that these rocks had a significant magnetite content which explained the magnetic anomalies.

The upper 100m of Wiso Basin sediments were not sampled in the RC drillholes. Anomalous phosphate values were recorded in two of the holes (ERRC002 and 005) at the base of the Wiso Basin succession. Work conducted in the region by the NTGS (Khan et al 2007) has highlighted the potential of the Wiso Basin for phosphate deposits in the vicinity of the Tennant Region palaeohigh.

**Expenditure**

The expenditure commitment for EL 25581 for year 1 was $62,500. Actual expenditure was $539,017 as shown on the accompanying exploration expenditure report.
PROPOSALS FOR FUTURE WORK

Proposed work programme for 2010/11 – Year 2

The proposed exploration programme for year 2 will include completion of the initial drilling program using a diamond drilling rig, assessment of the results and further drilling or geophysical programs as required. The first 100m of each of the original RC drillholes will be composite sampled for phosphate.

The proposed expenditure on EL 25581 for year 2 will be $100,000.

REFERENCES
