Combined Annual Report for the period ending 31 December 2010

MLC81, MLC82, MLC103, MLC104, MLC105, MLC106, MLC682
This report summarises exploration by Aard Metals Pty Ltd for the period 1 January 2010 - 31 December 2010.
Aard metals’ consultants completed an evaluation of previous drilling and metallurgical activities.
Aard Metals carried out an exploratory drilling program in 2010, combined with assays and initial metallurgical testwork. A JORC-compliant resource report was compiled during the reporting period.
1. **Introduction**

This report outlines exploration and development activities conducted by Aard Metals Limited. The mining leases were acquired with the goal of re-processing the tailings to extract Iron Ore concentrate and any remaining gold and copper.

2. **Location and Access**

Located 50km North West of Tennant Creek, the Mining Leases together cover 145 hectares over the Warrego Tailings Dams. Warrego road runs from the Barkly Highway directly to the site, and Warrego is 20km from the Alice Springs to Darwin railway line.

3. **Tenure**

MLC 81 and 82 were renewed on 31-12-2009. MLC 103, 104, 105 and 106 expire on 31-12-2012 and MLC682 expires on 14-10-2015.

4. **Regional Setting**

4.1 **Geology**

The Warrego deposit was concealed beneath cover and was discovered by Peko Mines Ltd who tested a prominent magnetic anomaly identified by the 1956 BMR magnetics survey.

The Warrego copper-bismuth-gold mine operated up to late 1989, producing approximately 4.94 Mt of ore. In addition to Warrego mine production, ores from other mines were trucked to the Warrego site for processing. They included ores from the White Devil, Gecko, Eldorado, and Orlando mines. The Warrego Tailings Project is currently on care and maintenance.

The Warrego Tailings Project covers five tailings dams that were utilised in the processing of iron-rich copper and gold-bearing material since the 1970s. The individual tailings dams are identified as: Tailings Dam 2 North; Tailings Dam 2 South; Tailings Dam 3 West; Tailings Dam 3 Central; and Tailings Dam 3 East. A small portion of the eastern flank of Tailings Dam 2 South lies outside of the tenement holding.

5. **Exploration Work and Results**

5.1 **Work completed**

During 2009, metallurgical consultants ProMet Engineering carried out a desk-top analysis of previous testwork. The resulting report is attached in Appendix II.

A drilling program on the dams was also carried out during July-September. The samples removed from the dams were assayed and are currently being processed in order to achieve a full processing plan for the rehabilitation of the Warrego Tailings. A JORC-Compliant resource estimation resulting from the drilling was completed and the executive summary is appended.
5.2

The Warrego Tailings Project area has been subject to limited previous exploration and processing test work with no activity having been undertaken since listing in 2005. Previous exploration reported for the Warrego project area is summarised in the table below.

<table>
<thead>
<tr>
<th>Period</th>
<th>Work undertaken</th>
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<tbody>
<tr>
<td>1998</td>
<td>Cursory investigation by: Davis Tube testing, and magnetic susceptibility work.</td>
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<tr>
<td>2001</td>
<td>Two samples from the tailings dams submitted for mineral processing test work including Davis Tube and Eriez wet drum separator tests.</td>
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<tr>
<td>2004</td>
<td>One pit excavated in each tailings dam and carried out multiple processing tests.</td>
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<tr>
<td>2009</td>
<td>Technical historical data was analysed and a low-level sampling program was carried out.</td>
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6.

6.1

Following the assay and metallurgical work still being undertaken a decision on proceeding to processing will be made, and a further application for the rehabilitation of Warrego Tailings will be made to the Northern Territory Department of Resources.