SECOND ANNUAL REPORT
22 MAY 2010 – 21 MAY 2011

EXPLORATION LICENCE
27086 STRETLAW BLOCK

LICENSEE:
GIANTS REEF EXPLORATION PTY LTD
A.C.N. 009 200 346

AUTHOR:
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June 2011
## Table of Contents

FIGURES ......................................................................................................................... 2

1. SUMMARY .................................................................................................................... 3

2. INTRODUCTION ........................................................................................................... 4

3. LOCATION ..................................................................................................................... 4

4. TENURE .......................................................................................................................... 4
   5.1 REGIONAL GEOLOGY ................................................................................................. 5
   5.2 LOCAL GEOLOGY ...................................................................................................... 5

6. PREVIOUS EXPLORATION ............................................................................................ 6
   6.1 TARGETS AND CONCEPTS ...................................................................................... 6
   6.2 EL 27086 STRETLAW BLOCK ............................................................................... 6

9. CONCLUSIONS ............................................................................................................... 10
FIGURES

Figure 1. EL 27086 Stretlaw Block License Area

Figure 2. Trinity Anomaly
1. SUMMARY

Previous exploration work completed over the Trinity Anomaly has revealed a very complex geological setting which requires much more exploration to fully understand the anomaly and its economic implications. Hence a great deal of further exploration of the Trinity Anomaly is required prior to any conclusions and implications being applied to the portion of the Trinity Anomaly located within EL 27086.

The work to be conducted elsewhere in the Tennant Creek Mineral Field during the 2011 field season is critical to the prospectivity of EL 27086, namely the application and practical testing of ‘proof of concept’ for the Heli-TEM. Emmerson will conduct a full assessment of EL 27086 during the next reporting period, following the conclusions drawn from the recently completed Heli-TEM surveys and drilling of generated targets.
2. INTRODUCTION

Exploration License (EL) 27086 Stretlaw Block was applied for by Giants Reef Exploration Pty Ltd (GRE) to search for Tennant Creek style iron oxide copper-gold deposits and to provide tenure coverage over a small portion of the Trinity Anomaly. GRE is a wholly owned subsidiary of Emmerson Resources Ltd.

This report records the exploration work done on EL 27086 during the first year of tenure from the 22 May 2010 to the 21 May 2011.

3. LOCATION

Exploration License 27086 covers an area of 3.234km$^2$ west northwest of the Tennant Creek Township and falls within the Tennant Creek 1:250,000 scale map sheet (SE53-14) and 1:100,000 scale map sheet TENNANT CREEK 5758.

The principal access to the license area from Tennant Creek is west from the Tennant Creek Township along the Chariot Mine Road and then west and southwest via a series of unsealed roads and 4WD tracks. These unsealed tracks become impassable during the wet season.

Figure 1 shows the location of the License with respect to the town of Tennant Creek.

4. TENURE

Tenure details for the Exploration License are as follows:

<table>
<thead>
<tr>
<th>Exploration License</th>
<th>License Holder</th>
<th>Blocks</th>
<th>Area (km$^2$)</th>
<th>Date of Grant</th>
<th>Period of Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL 27086 Stretlaw Block</td>
<td>Giants Reef Exploration Pty Ltd</td>
<td>1</td>
<td>3.234</td>
<td>22 May 2009</td>
<td>2 years</td>
</tr>
</tbody>
</table>

Exploration Licence 27086 Stretlaw Block, was granted to Giants Reef Exploration Pty Ltd (Giants Reef) on the 22 May 2009 for a period of two years, with a renewal application submitted in 2011. The Licence covers an area of 1 graticular block (3.234km$^2$).

EL 27086 is subject to an Indigenous Land Use Agreement (ILUA) signed in September 2000 between the Native Title holders of the Tennant Creek region, represented by the Central Land Council (CLC), and Giants Reef.

The License is within NT Portion 494, Perpetual Pastoral Lease 946, Phillip Creek Station.
5. GEOLOGY

5.1 Regional Geology

The reader is referred to AusIMM Monograph 14 (Geology of the Mineral Deposits of Australia and Papua New Guinea), Volume 1, pp. 829-861, to gain an introduction to the regional geology and styles of gold-copper mineralisation of the area.

In 1995 the Northern Territory Geological Survey released a geological map and explanatory notes for the Tennant Creek 1:100,000 sheet, which covers the area of the license.

The rocks of the Warramunga Formation host most of the orebodies in the region and underlie the Exploration License.

5.2 Local Geology

The Licence is located in the western region of the Tennant Creek Province.

The geology in EL 27086 consists of a thick sedimentary sequence of silt and sandstones of the Proterozoic Warramunga Formation in the northern half of the licence. The Warramunga Formation is host to all the magnetite-haematite (ironstone–hosted) gold-copper-bismuth ore bodies in the Tennant Creek goldfield. The licence is blanketed by a layer of colluvium and aeolian sand up to seven metres thick.

A well defined structural corridor transects the northern half of the licence area. This structural corridor is best defined as an east-west trending shear zone, and will be the focus for exploration in the future years. Historical surface gold and copper anomalism has been recorded within this shear zone.

The Chariot gold deposit which is located east of the Licence is hosted by a buried haematite > magnetite dominated ironstone. Limited outcrop and subcrop in the Licence suggests the presence of haematitic shale, siltstone, sandstone, ironstone and porphyry bodies.

The Malbec gold deposit (20,585 oz Au) which is located east of the Licence is hosted by a buried haematite-quartz-magnetite ironstone. Mineralisation is confined to the sheared footwall contact of a larger competent ironstone. Mineralisation is contained both within sheared chloritic footwall sediments and ironstone. Mining of the Malbec West mineralisation was completed in December 2004.
6. PREVIOUS EXPLORATION

6.1 Targets and Concepts

Exploration within EL 27086 is aimed at discovering typical Tennant Creek style gold deposits or gold-copper deposits within ironstone of the Warramunga Formation.

This type of deposit is well documented, of which there are many examples in the region, including Warrego, White Devil, Orlando, Gecko and North Star mines, as well as many other smaller mines. These all take the form of ironstone (magnetite and/or haematite) masses with associated chlorotic alteration and bodies of gold and/or copper mineralisation.

The discovery of the non-magnetic, haematite-rich Chariot deposit in 1998 has resulted in a broader exploration model by Giants Reef, which allows for the presence of extensive ore grade mineralisation hosted within primary, non-magnetic (haematite-rich) ironstones. Discoveries by Giants Reef of high grade mineralisation associated with haematite dominant ironstone at Marathon and Billy Boy, although small, are further examples of this style of mineralisation.

The potential for the haematite ironstones to host mineralisation in non magnetic areas essentially opens up the whole Tennant Creek goldfield to new target review. Along with the previously identified magnetic anomalies the Licence areas have the potential to host significant haematite mineralization either as new targets or as mineralisation extensions. At present there are no gravity maps for the Tennant Creek goldfield considered detailed enough to identify non-magnetic, haematitic gravity targets. In the next tenure year the geology of the Licence area will be assessed to decide whether a close spaced, high resolution gravity survey is warranted over the area.

6.2 EL 27086 Stretlaw Block

The License was acquired to search for IOCG deposits and to evaluate the extent of mineralisation associated with the Trinity Anomaly and Warramunga Formation immediately to the north. GRE did not identify any previous exploration over this licence area prior to granting of EL 27086 to GRE.
7. WORK DONE DURING THE REPORTING YEAR

Exploration conducted in EL 27086 was focused around the joint work by Emmerson and contract geophysical consultants, Spinifex Geophysics, in which they further developed a processing technology, Vector Residual Magnetic Intensity (VRMI) aimed at existing magnetic data from Emmerson’s Tennant Creek tenure package, figures 1 (pre-VRMI) & 2 (VRMI) represent the success of the VRMI technology. Immediate identification of highly prospective VRMI targets reprioritised Emmerson’s target matrix, the Red Bluff Area in Emmerson’s Western Project Area became the No. 1 priority area for exploration activities. Drilling during 2010 at Red Bluff confirmed the VRMI technology with significant intercepts of thick ironstones, although assay results were mixed the successful ironstone intercepts were evidence to support the development and use of VRMI technology. To date Emmerson has had major focus elsewhere, as stated above, and therefore has been unable to commit the resources required to further analysis, interpret and model the geophysical, structural and geological data to further delineate targets for further investigation.

Figure 1: Conventional Magnetics (Pre-VRMI)
During April 2009 Emmerson entered into a significant Joint Venture (JV) with Ivanhoe Australia; 

The JV is aimed at the discovery of economic IOCG deposits in the majority of Emmerson’s Tennant Creek Tenements, and includes all EL’s, SEL’s and A’s within the WPA. Ivanhoe must spend a minimum of $18 million dollars in the first three years to earn a 51% interest in the tenure subject to the JV, and spend an additional $10 million over years four and five to retain that interest. The JV is specific in relation to targeting of deposits, such that, JV exploration is targeting Tier 1 (>1 000 000oz Au) deposits in Emmerson’s Tennant Creek Tenements that are subject of the JV, where Ivanhoe can earn up to a 70% interest in such a deposit, by sole funding the project to production.

This JV places Emmerson in a very strong position to deliver significant in-ground exploration activities and hence expenditure over its Tennant Creek tenure, including all EL’s, SEL’s and A’s over the next 5 years, with the possibility of, into the long term should JV exploration be successful.

Due to the parameters outlined in the JV Emmerson was committed to further exploration at higher priority targets during the 2010 field season, although quarterly reassessment of target ranking is carried out, ranking was based around potential for Tier 1 deposits.
Further to the VRMI technology Emmerson has flown a Heli-TEM survey over a number of areas early in 2011 to firstly orientate the survey over known deposits and secondly to fly over the highest priority VRMI target areas. Heli-TEM is a helicopter mounted system capable of measuring the conductivity of the rocks to significant depth and will utilise the world’s most powerful airborne, time-domain electromagnetic system. A breakthrough during late 2010 and early 2011 has been the recognition that drill core from the mineralised portions of Tennant Creeks historic deposits is conductive up to 80 times the background levels. Given positive results from the analysis, generation of targets and then drill testing the ‘proof of concept’ for the Heli-TEM technology, Emmerson would aim to fly a Heli-TEM survey over the Trinity Area in 2012 to confirm prospectivity and generate targets for drill testing, any work involving the Trinity prospect would include EL 27086. Following this work Emmerson would then assess the licence for prospectivity and requirements for any relinquishments.

8. REHABILITATION

As exploration activities conducted on EL 27086 were desktop based and any field activity was confined to reconnaissance trips and mapping no rehabilitation was required.
9. CONCLUSIONS

Previous exploration work completed over the Trinity Anomaly has revealed a very complex geological setting which requires much more exploration to fully understand the anomaly and its economic implications. Hence a great deal of further exploration of the Trinity Anomaly is required prior to any conclusions and implications being applied to the portion of the Trinity Anomaly located within EL 27086.

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REPORT NAME: EL 27086 STRETLAW BLOCK FIRST ANNUAL REPORT 22 MAY 2010 – 21 MAY 2011

GROUP PROSPECT NAME: STRETLAW BLOCK

TENEMENT NUMBERS(s): EL 27086

ANNIVERSARY DATE: 22 MAY

OWNER/JV PARTNERS: GIANTS REEF EXPLORATION PTY LTD, EMMERSON RESOURCES PTY LTD.

AUTHOR(s): A. WALTERS

COMMODITIES: GOLD, COPPER, BISMUTH, BASE METALS

MAPS 1:250 000: TENNANT CREEK SE53-14

MAPS 1:100 000: TENNANT CREEK 5758

MAPS 1:25 000

TECTORIC UNIT(s): TENNANT CREEK INLIER

STRATIGRAPHIC NAME(s): WARRAMUNGA FORMATION

AMF GENERAL TERMS:

AMF TARGET MINERALS: GOLD, COPPER, BISMUTH, BASE METALS

AMF GEOPHYSICAL: MAGNETIC INTERPRETATION, GRAVITY SURVEY

AMF GEOCHEMICAL: SOIL SAMPLING, ROCK CHIP SAMPLING

AMF DRILL SAMPLING:

HISTORIC MINES:

DEPOSITS:
PROSPECTS: TRINTY

KEYWORDS: EL 27086, STRETLAW BLOCK, SEL 24980, KESTELL, SOUTHERN PROJECT AREA, TRINITY