ANNUAL REPORT

EXPLORATION LICENCE 25688

TIANDA JOINT VENTURE

FOR THE PERIOD 20/8/10 to 19/8/11

YEAR 4

by

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GDA94 - Zone 53
Target Commodity: Iron Ore
1:250000 Hodgson Downs
1:10000, St Vidgeons

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LIST OF CONTENTS

Title Page
List of Contents                                           2
List of Figures                                           3

SUMMARY                                                  4

INTRODUCTION                                              5
Background                                               5
Location and Access                                      5
Climate                                                  5
Topography and vegetation                               5

TENURE                                                   5
Mining/Mineral Rights                                    5
Land Tenure                                              5
Native Title                                             6
Aboriginal Sacred Sites                                  6

GEOLOGY                                                  6
Regional Geology                                         6
Local Geology                                            7

PREVIOUS EXPLORATION                                     9
Mining history                                           9
Exploration by previous companies                        9

PREVIOUS EXPLORATION BY TIANDA RESOURCES and WDR         9
Exploration Activities                                   9
Year 1                                                   9
Year 2                                                   9
Year 3                                                   9

EXPLORATION COMPLETED DURING CURRENT YEAR                9
Mapping                                                  9
XRF Chemical Assay                                       9

RESULTS AND EXPENDITURE                                  10
Discussion of results                                     10
Mapping                                                  10
Expenditure                                              10

PROPOSALS FOR FUTURE WORK                                10
Proposed work programme for year 5                       10

APPENDICES                                               1
1 Data files for XRF chemical assay                      1
2 Maps (lithology, TMI, sample locations, planned drilling)
LIST OF FIGURES

1. Location of EL 25688
2. McArthur Basin regional geological setting
3. Local Geology (250K Hodgson Downs)
SUMMARY

Exploration licence 25688 is located approximately 40 kilometres south of Ngukurr in the gulf country of the Northern Territory.

EL 25688 was granted to Tianda Resources (Australia) Pty Ltd (Tianda) for six years on 20/8/2007. Tianda entered into a farm-in agreement with Western Desert Resources Ltd (WDR) on 1/6/2010 over this EL. WDR has the right to earn a 70% interest in the project by undertaking exploration on the tenement. WDR is the manager of the project.

The tenement is prospective for sediment hosted iron ore deposits.

The exploration licence is located within the boundaries of the former St Vidgeon pastoral lease, now crown land, which now forms part of the proposed Limmen National Park. Native Title has been granted over the former St Vidgeon pastoral lease and therefore affects the tenement.

The project area is underlain by the Maiwok Subgroup of the Roper Group of the McArthur Basin. The Roper Group of sediments consists of two sub groups, the Collara Subgroup and the Maiwok Subgroup. Sedimentary oolitic ironstone is present at several intervals within the upper part of the Roper Group, and best developed within the Sherwin Formation in the Maiwok Subgroup. Oolitic ironstone within the Sherwin Formation (local name – Sherwin Ironstone Member or SIM) is the target of exploration for iron ore within the project area.

Exploration activities conducted during the fourth year of tenure have included interpretation of magnetics, desktop and field mapping, the collection of outcrop samples for chemical assay, and the planning of a drilling program.
INTRODUCTION

BACKGROUND
The Exploration Licence was granted in 2007 for six years. The licence was originally explored for uranium, however the focus is now on iron ore. The tenement is owned by Tianda Resources (Australia) Pty Ltd. Western Desert Resources is farming in and has the right to earn 70% of the project.

LOCATION AND ACCESS
The project is located approximately 40 kilometres south of Ngukurr in the gulf country of the Northern Territory (Figure 1). The EL covers an area of 99.5 square kilometres (30 sub blocks).

Access to the area is by the Roper Highway from Mataranka to Roper Bar; then by the unsealed Savannah Highway for a distance of 20km to the Queensland Crossing over the Hodgson River and then by an unsealed track for a distance of approximately 30km which passes the ruins of the St Vidgeon Homestead.

CLIMATE
The area has a humid monsoonal climate, with mild dry winters and hot humid summers often with heavy monsoonal rains associated with tropical cyclones. The average annual rainfall is 700 millimetres with most falls between November and April. The wet season renders the area inaccessible for exploration activities.

TOPOGRAPHY AND VEGETATION
The tenement lies within the Gulf Fall physiographic province of Plumb and Roberts. This is a dissected terrain characterised by alluvial plains and low hills or strike-ridges consisting of resistant rocks such as quartzites. The area is drained by the Little Towns River in the southern part of the EL.

Vegetation consists of low, rather dense scrub with local stands of taller lancewood.

TENURE

MINING/MINERAL RIGHTS
EL 25688 was granted to Tianda Resources (Australia) Pty Ltd (Tianda) for six years on 20/8/2007. Tianda entered into a farm-in agreement with Western Desert Resources Ltd (WDR) on 1/6/2010 over this EL. WDR has the right to earn a 70% interest in the project by undertaking exploration on the tenement. WDR is the manager of the project.

LAND TENURE
The tenement is located within the boundaries of the former St Vidgeon pastoral lease, now crown land, which now forms part of the proposed Limmen National Park.

NATIVE TITLE
Native Title has been granted over the former St Vidgeon pastoral lease and therefore affects the tenement. No formal agreement has yet been negotiated with the native title holders.
ABORIGINAL SACRED SITES
The Aboriginal Areas Sacred Site Authority conducted a survey of EL25688 in 2011. A sacred site and associated exclusion zone is located on flat flood plain country well north of the main mesa, which is also the area of interest for exploration.

Figure 1. Location of EL 25688

GEOLOGY

REGIONAL GEOLOGY
The tenement is located on the Hodgson Downs 1:250,000 Geological Map sheet. The project lies within the Bauhinia Shelf of the McArthur Basin in north-eastern Northern Territory (Figure 2).

The McArthur Basin is an intracratonic platform basin of Palaeo to Mesoproterozoic age with an aerial extent of 180,000 square kilometres. It unconformably overlies metamorphosed and deformed Palaeoproterozoic rocks of the Pine Creek Orogen to the west, Murphy Inlier to the south and Arnhem Inlier to the northeast. Phanerozoic sediments of the Georgina, Dunmarra, Carpentaria, and Arafura Basins unconformably overlie the McArthur Basin succession.
LOCAL GEOLOGY

The project area is underlain by the Maiwok Subgroup of the Roper Group of the McArthur Basin. The Roper Group of sediments consists of two subgroups, the Collara Subgroup and the Maiwok Subgroup. Sedimentary oolitic ironstone is present at several intervals within the upper part of the Roper Group, and best developed within the Sherwin Formation in the Maiwok Subgroup.

The oolitic ironstone within the Sherwin Formation (local name – Sherwin Ironstone Member or SIM) is the target of exploration within the project area.

The Maiwok Subgroup consists mainly of shallow marine sandstones and siltstones, and is characterised by the presence of oolitic ironstone. The lowest member of the Subgroup is the Corcoran Formation (Pro), which consists of fine grained mudstones, siltstones and thin fine sandstone. The basal portion of the Corcoran Formation has been defined as the Munyi Member (Prm). This unit is up to 25m thick and consists of ferruginous sandstone, siltstone and oolitic ironstone bands which lie unconformably on the underlying Hodgson Sandstone.
The Bessie Creek sandstone (Pre) overlies the Corcoran Formation, and consists of cross bedded quartz sandstone which may be up to 100m thick. It is overlain by the Velkerri Formation (Prv) consisting of poorly outcropping mudstone and siltstone. The unit has been intersected in oil exploration drillholes and is between 300 and 900m thick. Carbonaceous units which are pyritic in part occur in the middle part of the formation. Live oil and bitumen were encountered in drillholes through this unit.

The overlying Moroak Sandstone (Prk) has a sharp erosive basal contact with the Velkerri Formation. The unit is about 10m thick and consists of fine to medium quartz sandstone. It forms a prominent scarp in the project area and occurs directly below the Sherwin Formation.

The Sherwin Formation (Prz) consists of interbedded sandstone, siltstone and mudstone together with beds and lenses of oolitic and pisolitic ironstone. The type locality has a thickness of 35m. The upper contact with the Kyalla Member is usually sharp with oolite being overlain by siltstone. The lower contact is gradational and minor oolite beds occur within the Moroak Sandstone.

The Sherwin Formation is overlain by the Kyalla Member (Pry) which consists of fine sandstone to siltstone and mudstone. Locally pyritic carbonaceous siltstones occur within the unit.
PREVIOUS EXPLORATION

MINING HISTORY
No mining has been carried within the area covered by the tenement.

EXPLORATION BY PREVIOUS COMPANIES
There has been no previous exploration for iron ore in the area. Previous holders of tenements in the area have explored for diamond, base metals and uranium. A summary of the previous exploration activities was given in the annual report for Year 1.

PREVIOUS EXPLORATION BY TIANDA RESOURCES

Exploration Activities

Year 1
A review of available open-file information on the licence was performed. Airborne radiometric anomalies were checked on the ground and samples were taken for analysis. The maximum uranium value was 5.5ppm U. All of the radiometric anomalies were from areas of brown or black soil.

Year 2
No field work was conducted during the year. The focus of attention changed from uranium exploration to iron ore exploration.

Year 3
WDR carried out a literature review and commissioned digital ariel photography and a subsequent digital terrain model, and an airborne magnetic/radiometric survey. The logistics report for the airborne geophysics was included in the Year 3 annual report (Annual Report EL 25688 – For the Period 20/8/09 to 19/8/10 by J. Fabray, September 2010). However, the full set of magnetic/radiometric data may not have been available. As the 2010 ariel survey was flown over two adjacent WDR ELs, EL25688 and EL27143, the magnetic/radiometric data will be included in the 2010-2011 annual report for EL27143.

EXPLORATION COMPLETED DURING CURRENT YEAR

Exploration activities during the current reporting period included the interpretation of magnetics, desktop and field mapping, collection of rock samples for assay, the construction of a track from WDR's Roper Bar base camp to the area of interest, the commissioning of an airborne gravity survey and the planning of a drilling program.

Mapping
There were three mapping campaigns. All were based out the WDR’s Roper Bar camp. One campaign relied upon vehicle support to access the north east part of the mesa, while the latter two campaigns were carried out with a helicopter due to no vehicular access. 124 rock samples were collected for XRF chemical assay. The collated results with sample coordinates and the original laboratory data files can be found in Appendix 1.
Airborne magnetic/radiometric survey
UTS-Aeroquest completed an airborne magnetic/radiometric survey over the EL during July and August 2010. The survey was flown at a line spacing of 50m with an east-west traverse direction for 2170 line km. The nominal survey height was 30m. However, the full set of magnetic/radiometric data may not have been available at the time of preparing the 2009-2010 annual report. As the 2010 aerial survey was flown over two adjacent WDR ELS, EL25688 and EL27143, the magnetic/radiometric data will be included in the 2010-2011 annual report for EL27143.

RESULTS AND EXPENDITURE

Discussion of results

Mapping
Mapping confirmed that the majority of the outcropping mesa consists of Sherwin Iron Formation (SIM) oolitic rocks. Cross sections in gorges indicate that only a veneer of SIM lithologies are preserved as the gorges walls consist of thickly interbedded sandstone and siltstone of the Velkerri Formation beneath resistant Moroak Sandstone that forms the scarp edges with the overlying oolites being only up to 2 m thick. On the eastern, western and southern flanks the SIM dips away and disappears under recent cover. High grade iron mineralisation was found at two locations, one in the north east and one in the south west part of the mesa area. Appendix 2 includes a file listing all mapping data and structural readings, and a collection of maps with lithological, magnetic and assay results.

124 rock samples were collected for XRF chemical assay. The collated results with sample coordinates and the original laboratory data files can be found in Appendix 1.

Airborne magnetic/radiometric survey
The data from the 2010 magnetic/radiometric survey is included in the Aug2010-Aug2011 Annual Report on the adjacent EL27143 held by WDR.

Expenditure

The expenditure commitment for EL 25688 for year 4 was $100,000. Actual expenditure was $237,972 as shown on the accompanying exploration expenditure report.

PROPOSALS FOR FUTURE WORK

Proposed work programme for Year 5

The proposed work programme for the 5th year of tenure will include establishing more vehicular access into the area RC percussion drilling.

The proposed expenditure on EL 25688 for year 5 will be $100,000.