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FIRST ANNUAL REPORT
13 OCTOBER 2010 – 12 OCTOBER 2011

EXPLORATION LICENCE
27408 GRIZZLY

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

AUTHOR:
A.WALTERS

OCTOBER 2011

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FIGURES

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1. SUMMARY

A VRMI assessment of EL 27408 has further highlighted the prospectivity of EL 27408, as well has having significant positive structural trends such as the Quartz Hill Fault and the Lone Star Structure Emmerson has identified a significant VRMI anomaly, refer to figure 4. Further exploration of this anomaly has be postponed due to the focus of exploration of VRMI at Red Bluff, but then to the exploration, application and 'proof of concept' drilling in regards to HeliTEM.

Emmerson has just completed the first phase of 'proof of concept' drilling of HeliTEM targets in the Gecko Area. Drilling has been extremely encouraging with interceptions of high grade copper and intersections of minerlaisation present in many of the holes drilled, assays results for approximately half of the drill holes are still pending. This early success gives high encouragement for the success of HeliTEM to identify mineralised systems. A second round of HeliTEM drilling will commence in early November to further support the HeliTEM concept. Should results continue to be encouraging the Emmerson will conduct further rounds of HeliTEM surveys at areas yet to be ranked, but the area covered by EL 27408 would be a prime candidate for the next round of HeliTEM given its structural setting (on the Quartz Hill Fault System, same as the Gecko Area) and the VRMI anomalism. HeliTEM surveys will be conducted with the aim of identifying mineralised systems for drill testing. Emmerson ranks EL 27408 has highly prospective. Following the application of HeliTEM to EL 27408 then Emmerson will be able to assess the prospectivity of the licence and hence decide on any exploration or surrender plans.

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2. INTRODUCTION

Exploration License (EL) 27408 Grizzly was applied for by Emmerson Resources Ltd (Emmerson; parent company of Giants Reef Exploration Pty Ltd) to search for Tennant Creek style iron oxide copper-gold deposits and to provide tenure coverage over a small portion of the Quartz Hill Fault system, and a major structural system associated with the lone star Mine and coinciding with a now identified VRMI anomaly.

This report records the exploration work done on EL 27408 during the first year of tenure from the 13 October 2010 to the 12 October 2011.

3. LOCATION

Exploration Licence 27408 GRIZZLY is located approximately 14km east of the Tennant Creek Township on the Tennant Creek 1:100 000 scale map sheet (5758).

Access to the Licence area is via the Stuart Highway, east along Peko Road and via the road to the KiaOra Mine workings. From here EL 27408 is accessed by a series of north bound unsealed tracks and fence lines, which during and immediately after rain generally become inaccessible.

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

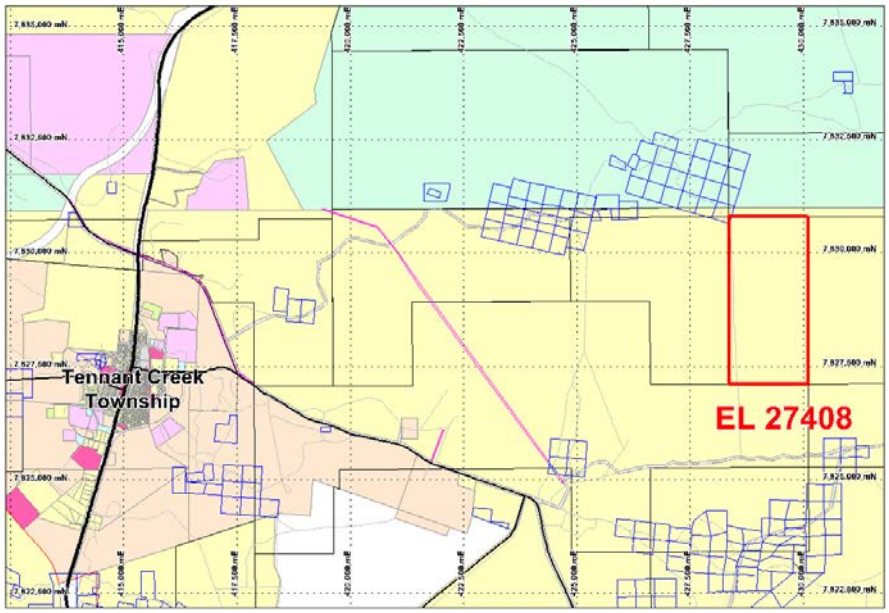

Figure 1: EL 27408 location.

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4. TENURE

Tenure details for the Exploration License are as follows:

Exploration License	License Holder	Blocks	Area (km^2)	Date of Grant	Period of Grant
EL 27408 Grizzly	Giants Reef Exploration Pty Ltd	2	6.47	13 October 2010	3 years

EL 27408 Grizzly is located in Emmerson's Eastern Project Area (EPA) and consists of two graticular blocks and was granted to Giants Reef on the 13 October 2010 for a period of three years.

The entire licence falls on Aboriginal Freehold land held by the Warumungu Land Trust. An agreement referred to as the EL's 26787, 27408, 27537 & 27538 Deed for Exploration was signed by the Central Land Council (CLC), Traditional Landowners and Emmerson in June 2010, this agreement established land access for mineral exploration upon Warumungu Land Trust areas within the EPA, including EL 27408.

A formal request for inclusion of EL 27408 into the EPA combined annual report will be submitted ASAP.

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 a 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 ore bodies in the region and underlie the Exploration License.

5.2 Local Geology

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

The geology of EL 27408 has no outcropping rocks and is dominated by Cainozoic alluvial deposits in active channels and on flood plains, red earth soils that may contain ferruginous pisoliths with less extensive colluvium and scree. Dissected colluvial fan deposits are present as very minor cover in the eastern area of the licence.

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In 1995 the Northern Territory Geological Survey released geological maps and explanatory notes for the Tennant Creek 1:250,000 sheets, and the Tennant Creek 1:100 000 sheet 5758, which covers the area of the license.

6. PREVIOUS EXPLORATION

6.1 Targets and Concepts

Exploration within EL 27408 is aimed at discovering typical Tennant Creek style gold deposits or gold-copper deposits within ironstone of the Warramunga Formation, but will also include the search for different styles of mineralisation previously unidentified in Tennant Creek.

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 27408 Grizzly

This is the first year of grant of the tenure, therefore Emmerson hasn't conducted any previous exploration, although the licence area as previously been explored by various companies under different tenure.

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7. WORK DONE DURING THE REPORTING YEAR

During the reporting term Emmerson focused heavily on exploration based around the application of two new geophysical techniques and technologies;

1. Vector Residual Magnetic Intensity (VRMI)
2. HeliTEM.

Emmerson and contract geophysical consultants, Spinifex Geophysics, further developed a processing technology, Vector Residual Magnetic Intensity (VRMI) aimed at existing magnetic data from Emmerson's Tennant Creek tenure package, figures 2 (pre-VRMI) & 3 (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.

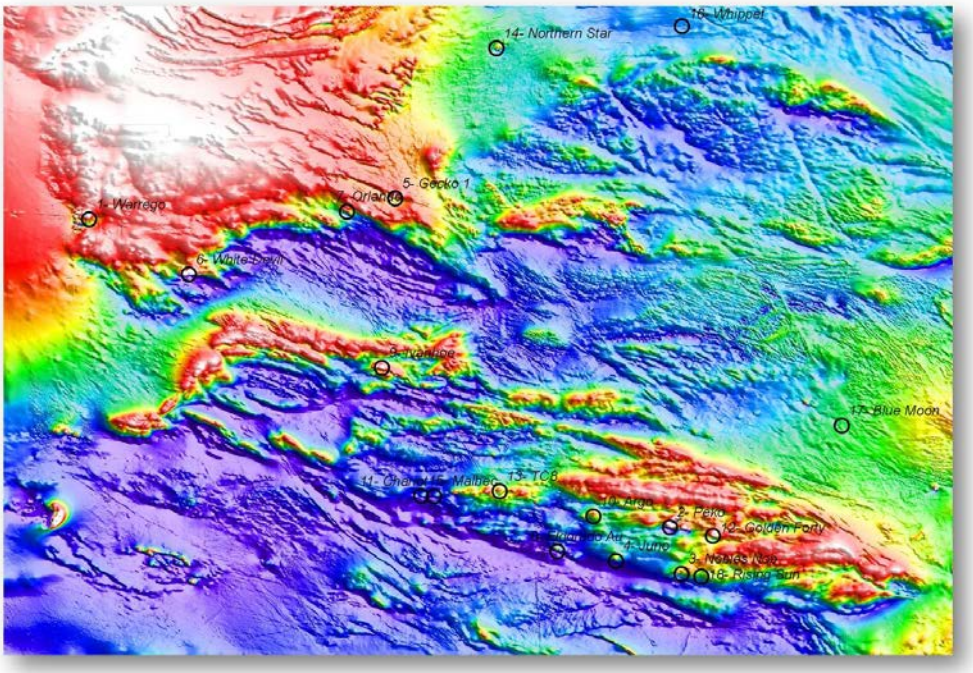

Figure 2: Conventional Magnetics

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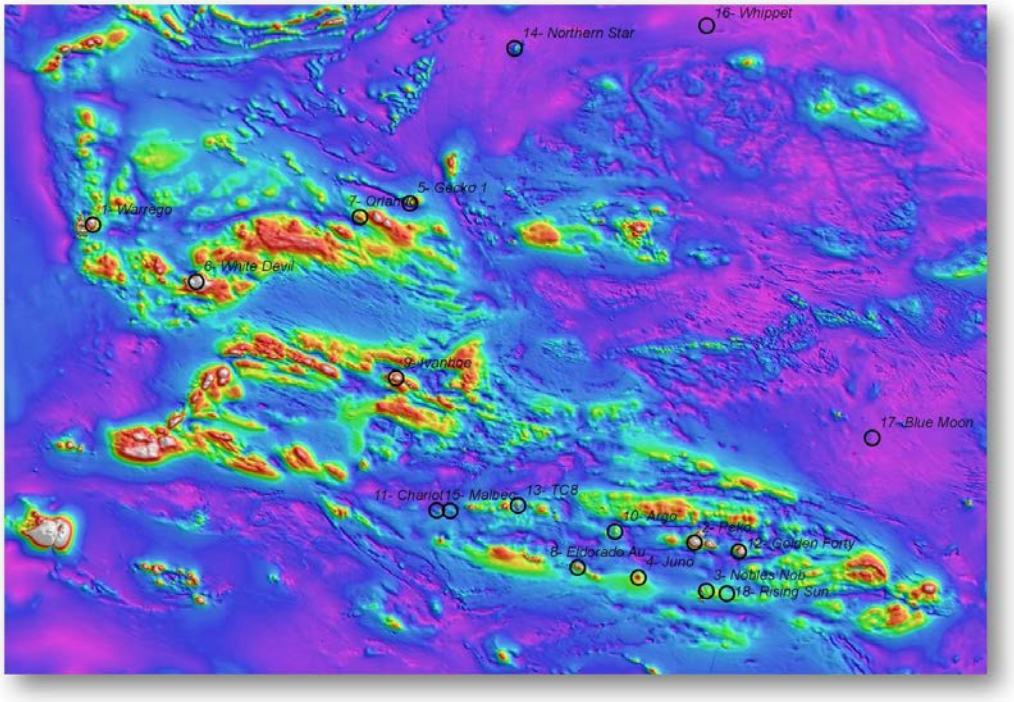

Figure 3: VRMI

A VRMI assessment of EL 27408 has further highlighted the prospectivity of EL 27408, as well has having significant positive structural trends such as the Quartz Hill Fault and the Lone Star Structure Emmerson has identified a significant VRMI anomaly, refer to figure 4 below. Further exploration of this anomaly has be postponed due to the focus of exploration of VRMI at Red Bluff, but then to the exploration, application and 'proof of concept' drilling in regards to HeliTEM.

Heli-TEM is a helicopter mounted system capable of measuring the conductivity of the rocks to significant depth and utilises 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 80times the background levels. Emmerson has just completed the first phase of 'proof of concept' drilling of HeliTEM targets in the Gecko Area. Drilling has been extremely encouraging with interceptions of high grade copper and intersections of minerlaisation present in many of the holes drilled, assays results for approximately half of the drill holes are still pending. This early success gives high encouragement for the success of HeliTEM to identify mineralised systems. A second round of HeliTEM drilling will commence in early November to further support the HeliTEM concept. Should results continue to be encouraging the Emmerson will conduct further rounds of HeliTEM surveys at areas yet to be ranked, but the area covered by EL 27408 would be a prime candidate for the next round of HeliTEM given its structural setting (on the Quartz Hill Fault System, same as the Gecko Area) and the VRMI anomalism. HeliTEM

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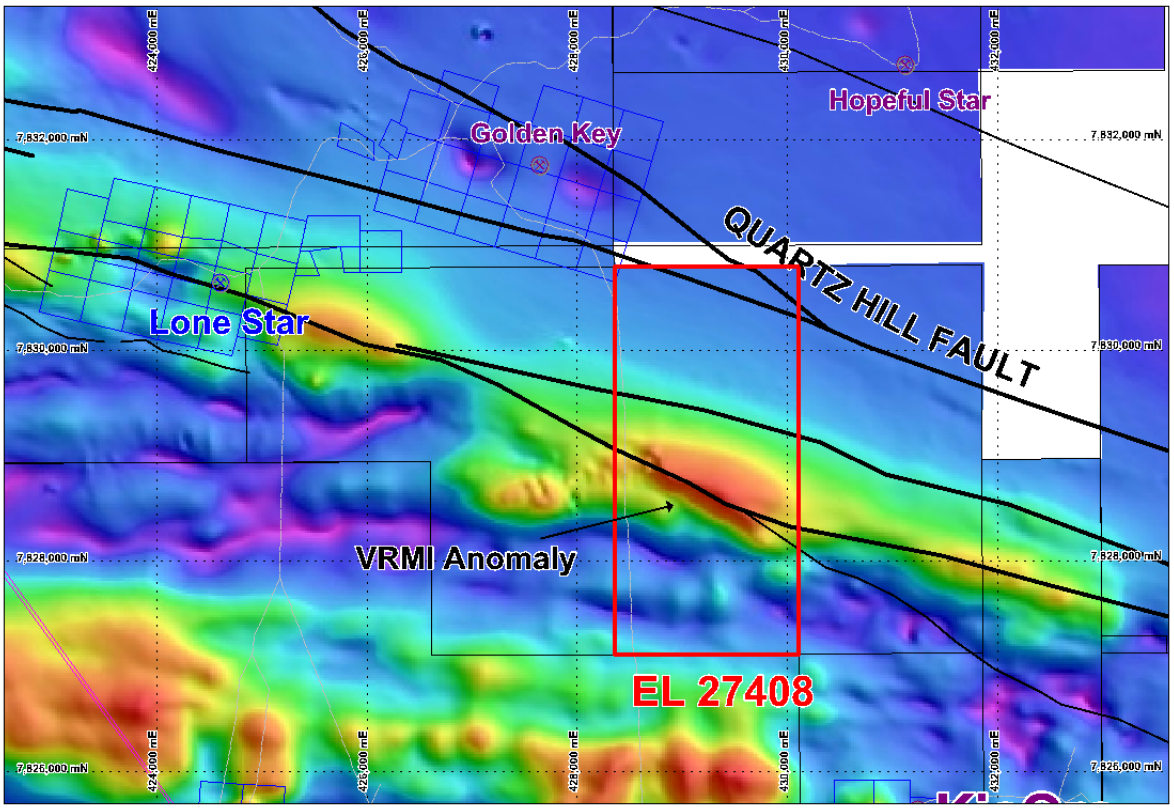

Figure 4: EL 27408 vs. VRMI

surveys will be conducted with the aim of identifying mineralised systems for drill testing. Emmerson ranks EL 27408 has highly prospective. Following the application of HeliTEM to EL 27408 then Emmerson will be able to assess the prospectivity of the licence and hence decide on any exploration or surrender plans.

8. REHABILITATION

As exploration activities conducted on EL 27408 were desktop based and any field activity was confined to reconnaissance trips and mapping no rehabilitation was required.

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9. CONCLUSIONS

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