



**NATURAL
RESOURCES
EXPLORATION**

**YEAR 2
ANNUAL REPORT
10/08/2011 - 09/08/2012
JERVOIS PROJECT
GR 177
(EL27846, 27847, 27897 & 28082)**

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Summary

Section 94 of the ***Mineral Titles Act*** requires the submission of an Annual Report prepared by the titleholder for each exploration licence. Exploration Licences EL27846, EL27847, EL27897 and EL28082 have been approved for Annual Group Technical Reporting. This Annual Group Technical Report for these tenures, more commonly known to Natural Resources Exploration ('NRE') as its Jervois Project, provides a summary of the activities carried out over the area in the past 12 months, from 10 August 2011 to 9 August 2012, including any results produced by those activities.

NRE has conducted extensive office-based studies and field work during the second term of Exploration Licences forming part of its Jervois Project. NRE conducted an extensive review of all previous exploration within the Project area, completed two (2) helicopter reconnaissance assisted field trips, geological mapping of the area, sampling programs (heavy mineral, soil and rock chip sampling) and a ground magnetics sub-audio magnetics ('SAM') survey.

NRE believes that the Jervois Project offers the opportunity to delineate significant base metal mineralisation, positioned in a location close to Alice Springs which offers excellent logistics and access to infrastructure.

NRE's activities during the second term of grant have been very successful and have encouraged the need for further extensive exploration activities to be conducted during the third term.

1. Introduction

Natural Resources Exploration ('NRE') has conducted extensive office-based studies and field work during the second term of Exploration Licences forming part of its Jervois Project. The Jervois Project consists of four (4) tenements (EL27846 Tarlton, EL27847 Hay Creek, EL27897 Plenty Creek and EL28082 Unca Creek). The Project is located in the Aileron Province along the Plenty Highway.

During the reporting period, NRE conducted an extensive review of all previous exploration within the Project area, completed two (2) helicopter reconnaissance assisted field trips, sampling programs (heavy mineral, soil and rock chip sampling) and a ground magnetics sub-audio magnetics ('SAM') survey.

NRE's exploration rationale and objectives for its Jervois Project considered the evaluation of base metal mineralisation. The Project was also considered for other targets such as uranium during the early phases of exploration. Investigations during the second term were intended to locate any possible areas of outcropping mineralisation and any indicators of any subsurface mineralisation across the tenements.

NRE's activities during the second term of grant have been very successful and have encouraged the need for further extensive exploration activities to be conducted during the third term.

2. Tenure

NRE's Jervois Project consists of four (4) granted exploration licences, EL27846, EL27847, EL27897 and EL28082. Together, these tenures consist of 277 sub-blocks across Jervois making up an area of approximately 872 square kilometres.

Three (3) tenements, namely EL27846, EL27847 and EL27897 were granted on 11 August 2010 and EL28082 was granted on 30 December 2010. **Table 1** lists the pertinent tenement details.

Table 1. Tenement Details

Project Name	Tenement Name	Title No. (EL)	Sub-blocks	Sq. Km	Status	Grant Date	Term (Yrs)	Expiry Date
Jervois	Tarlton	27846	58	184	Granted	11 Aug 10	6	10 Aug 16
	Hay Creek	27847	51	161	Granted	11 Aug 10	6	10 Aug 16
	Plenty Creek	27897	145	454	Granted	11 Aug 10	6	10 Aug 16
	Unca Creek	28082	23	73	Granted	30 Dec 10	6	29 Dec 16

Native Title

There are currently no Native Title Claims over the Project areas.

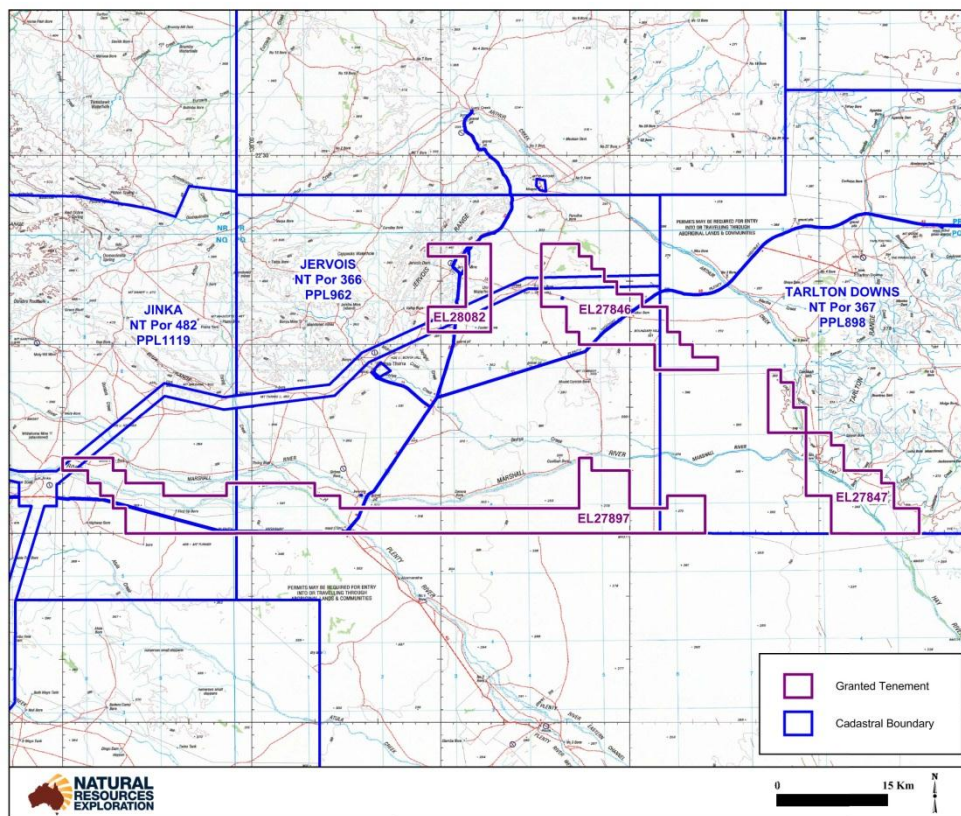
Recorded Sites

The Aboriginal Areas Protection Authority (AAPA) has identified seven (7) Recorded Sacred Sites within the boundaries of the Jervois Project as well as five (5) Restricted Work Areas.

Pastoral Leases

NRE's Jervois Project overlies three (3) Pastoral Leases, namely NT Por 482 PPL 1119 ("Jinka"), NT Por 366 PPL 962 ("Jervois") and NT Por 367 PPL 898 ("Tarlton Downs"). The location of these leases in relation to the Jervois Project is shown below in **Figure 1**.

Figure 1. Cadastral Map



2.1 Location and Access

Location

The Jervois group of ELs (EL27846 Tarlton, EL27847 Hay Creek, EL27897 Plenty Creek and EL28082 Unca Creek) are located on the Aileron Region as a block of tenements approximately 350 kilometres from Alice Springs along the Plenty Highway. The names of the ELs derive from geographic features within the ELs. The location of the Project is shown in **Figure 2**.

Access

Access to the ELs by road is via the Plenty Highway and then by station roads (private use roads). All tenures are within 20 kilometres of the Plenty Highway and all three (3) pastoral leases are easily accessible off the Plenty Highway. Access to the Project is identified in **Figure 3**.

Figure 2. Access Map

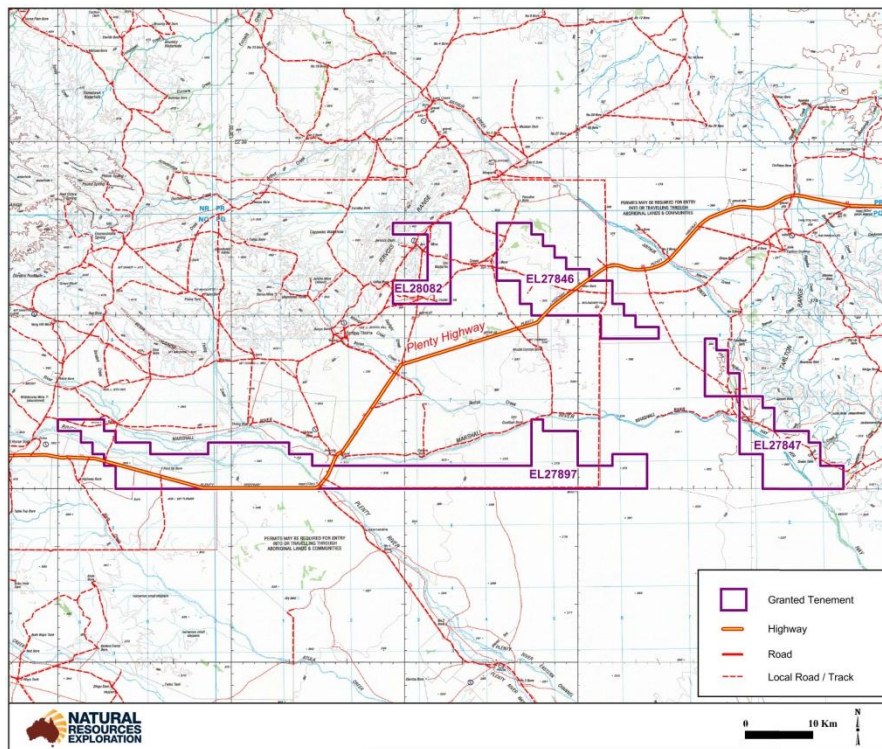
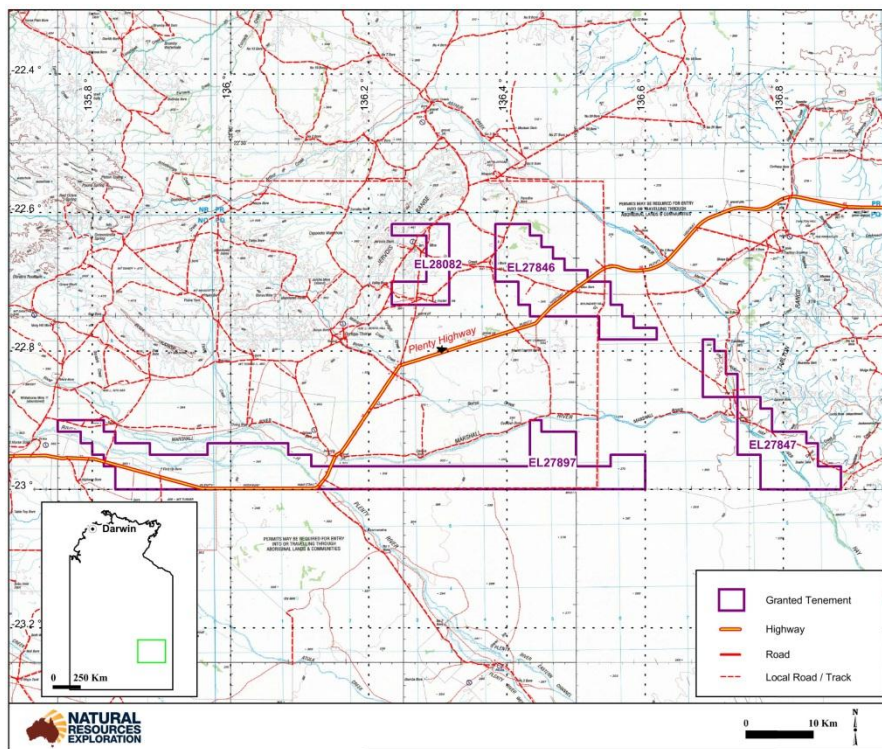


Figure 3. Location Map



3. Geology

3.1 Regional Geology

The Jervois Project tenements are located entirely within the Palaeoproterozoic Aileron Province. There are two major geological provinces recognized in the area the Georgina Basin and the Arunta Block. The Georgina Basin is a mixture of sandstone and calcareous sedimentary rocks, which overlies granitic intrusions and metamorphics of the Arunta Block.

The Jervois Project area has fairly limited outcrop with the majority of the area covered by a mixture of Quaternary sand, sand dunes, sandy soil and Cenozoic regolith. The main outcrops found in this area are Paleoproterozoic Arunta Block migmatites and Proterozoic granitic intrusives of the Jervois Granite, Mount Teitkens and undifferentiated suites. Several units of these granites are commonly found intruding the Arunta Block migmatites.

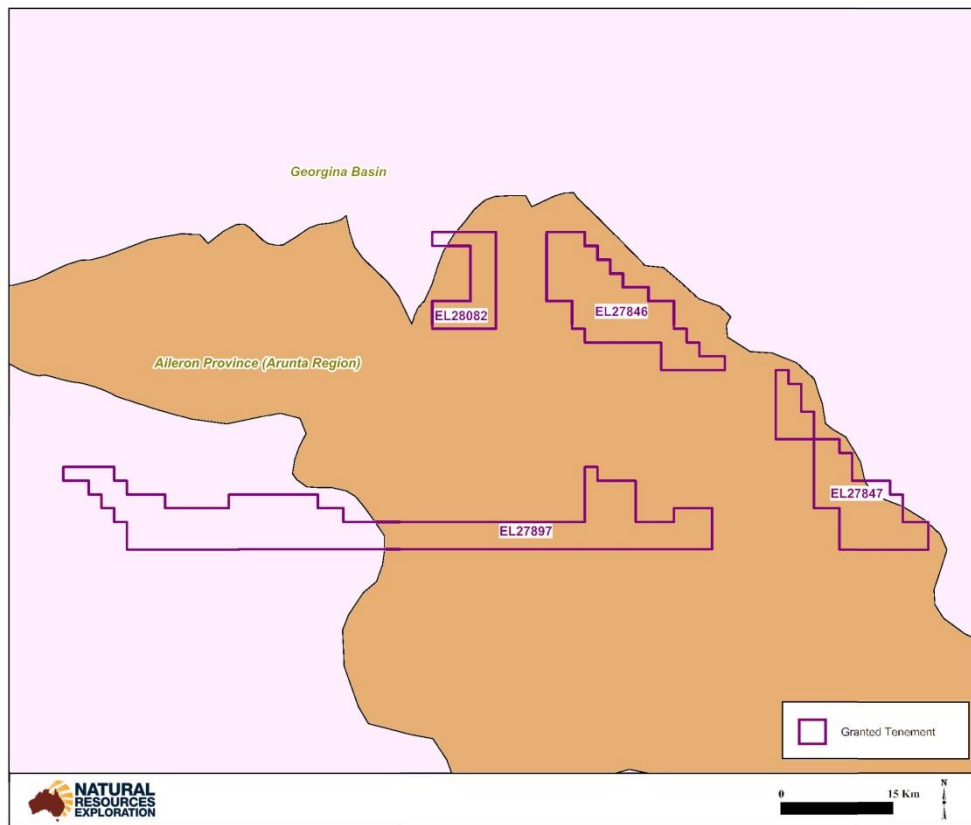
The region near the Jervois mines contains significantly more outcrops and these outcrops are of Proterozoic Arunta Block Bonya Schist intruded by early Proterozoic undifferentiated S-type granitoids and the Atturtra Metagabbro. To the north west of the Jervois Mine area is the Jervois Ranges contains sandstones and siltstones of the Paleozoic Mopunga Group.

The majority of mineralisation and prospects in this region are found in the Jervois Mine area. Some 12 strike kilometres of sporadic mineralisation occurs in this area which represents the north eastern margin of the lower Proterozoic Arunta Block. Mineralisation in this area can be grouped into three types of stratabound mineralisation.

1. Stratiform Cu (chalcopyrite) in a quartz-magnetite-garnet-chlorite rock which though highly variable resembles banded iron formation in places
2. Stratabound Cu-Pb-Zn-Ag in calc-silicate rocks
3. Stratabound scheelite in calc-silicate rocks.

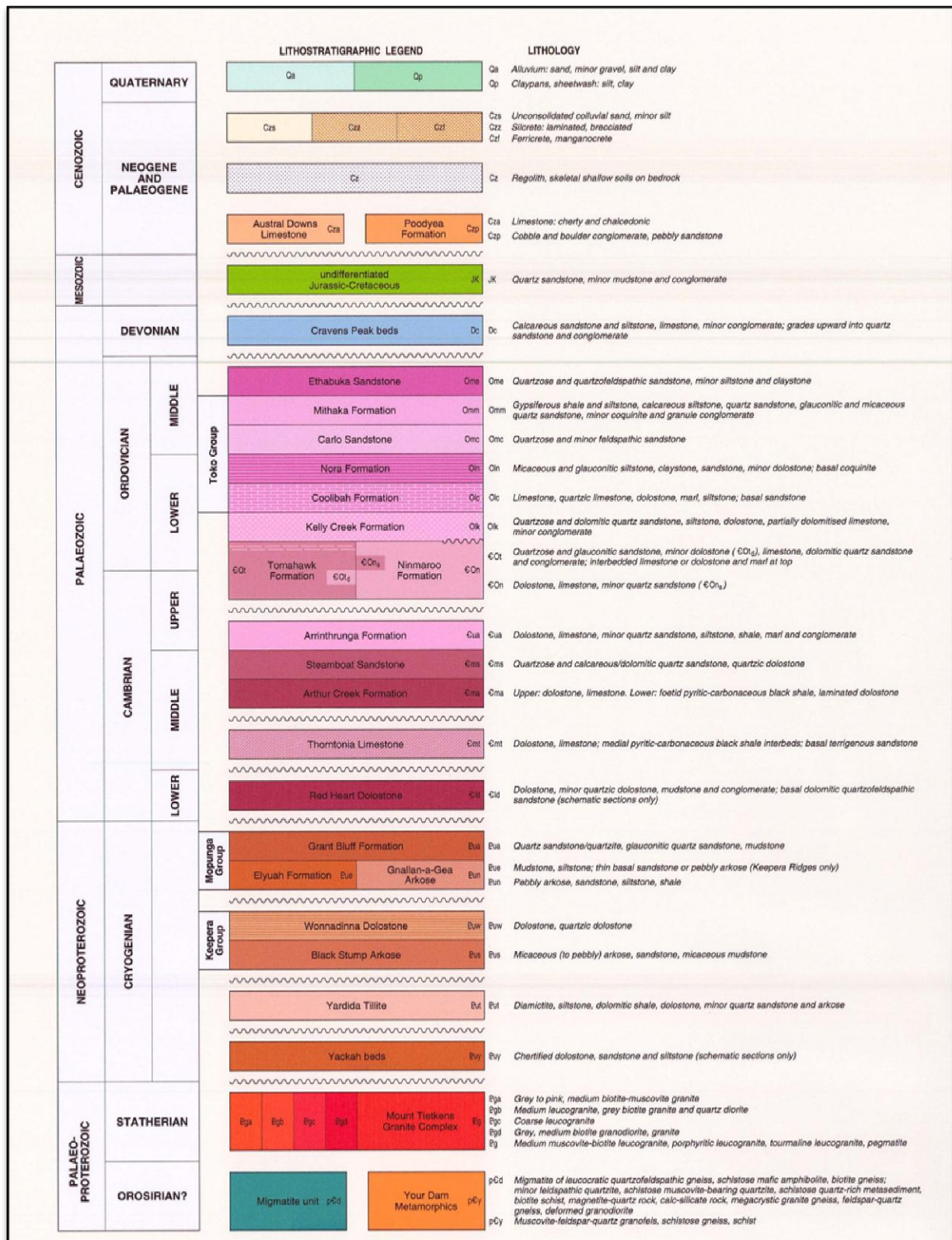
The regional geology is shown in **Figure 4** being the North Australia Proterozoic Units (after Rawlings et al 2008).

Figure 4. Regional Geology Map



The region also has potential for phosphates within the Georgina Basin sedimentary sequences but no phosphate prospects or deposits have been found in the parts of the Basin near the Jervois tenures. A general lithostratigraphic legend illustrating the rock relationships across part of the Tobermorey 1:250,000 geological map is shown in **Figure 5**.

Figure 5. Lithostratigraphic legend for rock units on Tobermorey 1:250K sheet.



3.2 Permit Geology

Tarlton EL27846

This tenure is largely covered in Quaternary sands, dunes/sandy soils and minor Cenozoic lag with only approximately 5% of the tenure containing outcrop. There are small outcrops of the Jervis Granite and the Mount Teitkens Granite Complex scattered throughout the tenure. In the western part of this tenure there are several small outcrops of Paleoproterozoic leucocratic migmatites commonly intruded by the Mount Teitkens Granite Complex. There are no known mineralisation occurrences within this tenure.

Hay Creek EL27847

Approximately 95% of this tenure is covered in quaternary sand, sand dunes sandy soil and Cenozoic regolith with minor areas of clay, clay pan, silt and sheet wash. In the northern section of the tenement the only outcrop is the Neoproterozoic Mopunga Group. This consists of two lithologies the Grant Bluff Formation which is a mixture of sandstone/quartzite, glauconitic quartz sandstone and mudstones, and the Gnallan-a-Gea Arkose. In the southern part of the tenure three units outcrop undifferentiated Jurassic Cretaceous quartz sandstone, minor mudstone and conglomerate typically capped by a silcrete, Paleoproterozoic leucocratic migmatite commonly intruded by the Mount Tiekens Granite Complex and the Mount Teitkens Granite Complex.

Plenty River EL27897

This tenure is largely Quaternary cover consisting of sand, sand dune and sandy soil. There are several small outcrops of Early Tertiary deeply weathered rock overlying outcrops and subcrops of Early Proterozoic basement gneisses of the Harts range group. In the western part of the tenure there are minor outcrops of Paleoproterozoic leucocratic migmatite overlain by deeply weathered early Tertiary rock and one outcrop of undivided Proterozoic granites and leucogranites. There are no known mineralisation occurrences within this tenure.

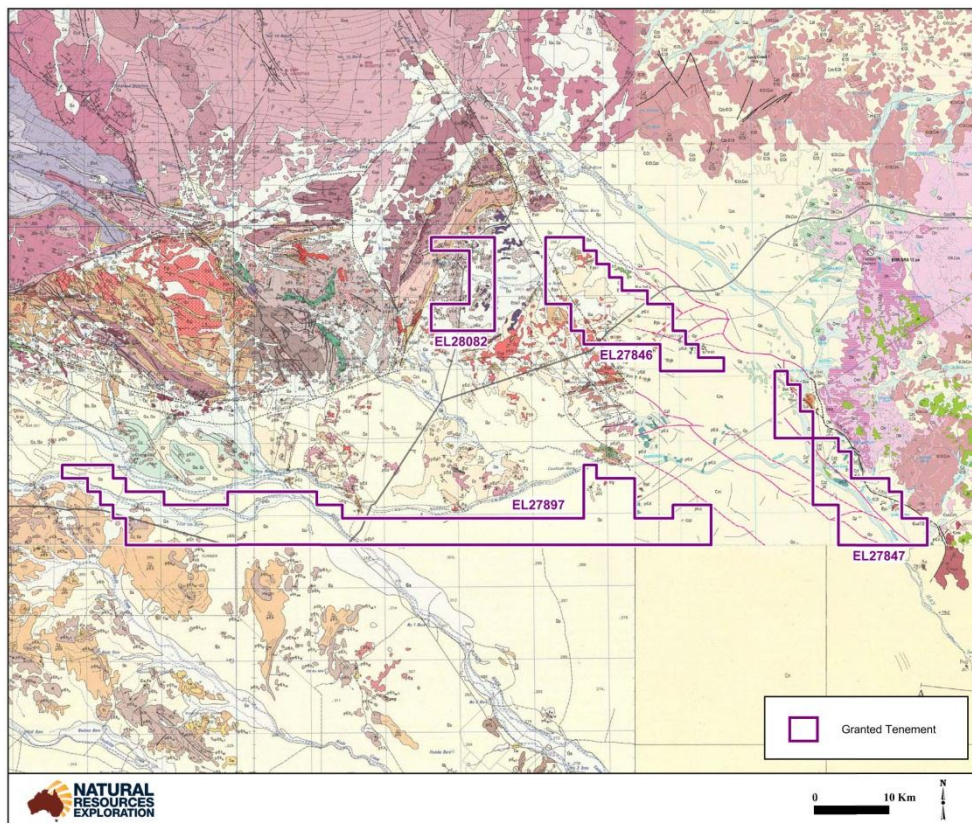
Unca Creek EL28082

The surface sediments are Quaternary soils a mixture of alluvial and aeolian soils with lesser amounts of red earth soils, colluvium, scree and sand dunes. These cover approximately 50-60% of the tenure. The main outcrop in the tenure is the Proterozoic Arunta Block Bonya Schist. The Bonya Schist outcrops are found to the south east of the Jervis Range.

This area is intruded by mafic rocks and S-type granitoids of the Post-Division Three Intrusive Rocks. The areas basement is early Proterozoic schist's and gneisses of the Arunta Block; the oldest unit that outcrops in the area is the Bonya Schist. The north western part of the tenure overlaps the Jervois range and contains sandstones and siltstones of the Paleozoic Mopunga Group.

The geology is mapped over the Tobermorey and Huckitta 1:250K geological map sheets. The permit geology is illustrated in **Figure 6** below.

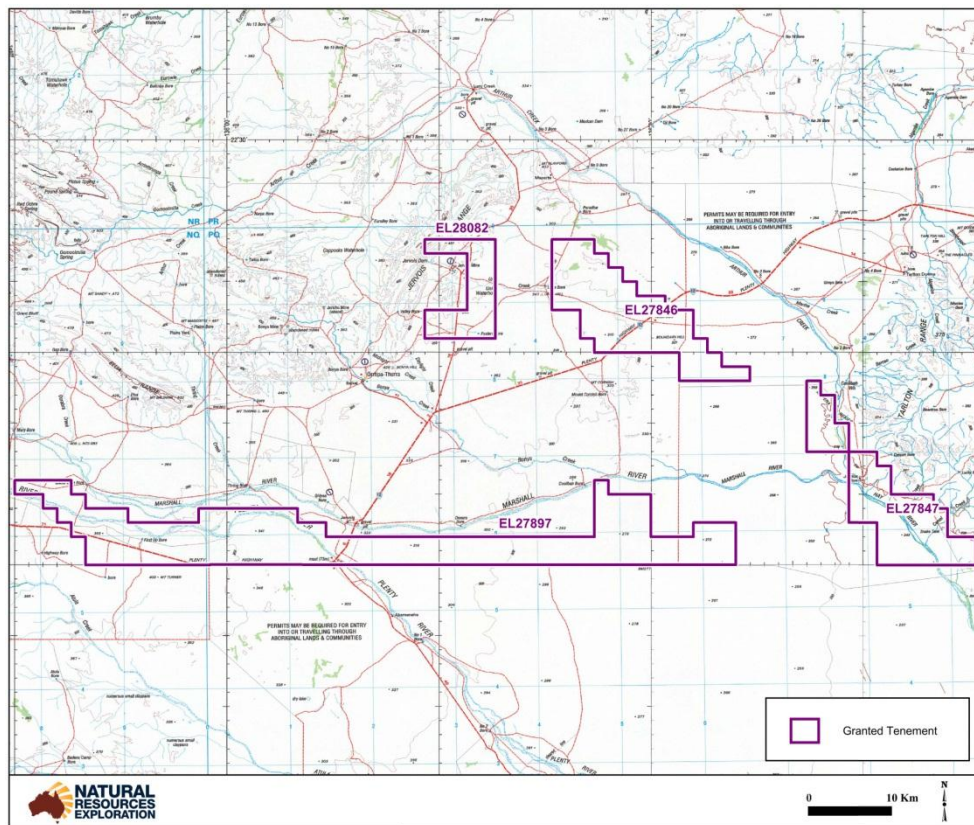
Figure 6. Permit Geology Map



3.3 Topography and Drainage

The Jervois Project ranges from a vast terrain of flat sandy area to undulating hilly ground with isolated rugged rocky outcrops. A small parallel channel to Fault Creek is within the south of the Project area as well as small tributary gullies and creeks flowing throughout. **Figure 7** provides a topographic map of the area.

Figure 7. Topographic Map



4. NRE’s Exploration Activities during the Reporting Period

NRE has conducted extensive office-based studies and field programs during the second term of Exploration Licences forming part of its Jervois Project. NRE conducted an extensive review of all previous exploration within the Project area, completed two (2) helicopter reconnaissance assisted field trips, geological mapping of the area, sampling programs (heavy mineral, soil and rock chip sampling) and a ground magnetics sub-audio magnetics (‘SAM’) survey.

The underlying aim of each field program was to achieve the following:

- To initiate exploration by visiting optimal and difficult to access targets and improve geological knowledge. This will assist in further delineating zones of prospectivity for follow up exploration
- To make contact with land holders in the areas of the Project to maintain a good working relationship and assist in identifying access routes and other important geographical features. This knowledge is vital for the development of efficient follow-up programs.

Summary of Exploration Activities for EL28082 – ‘Unca Creek’

The area within EL28082 is made up of exciting geology enhanced by confirmation of Broken Hill Type lode rocks. During the second term, helicopter reconnaissance programs were undertaken over the area as well as heavy mineral, soil and rock chip sampling programs and a ground magnetics sub-audio magnetics (‘SAM’) survey.

Rock chip samples of outcrop returned up to 2.3% Cu, 0.56% Zn, 0.14% Pb and 2.7%As. Results of the activities have shown that metamorphic grade, mineralisation assemblages and host rock sequences are diagnostic of typical Broken Hill Type mineralisation. A ferruginous quartz lode is present with associated quartz tourmaline rock. There are several prospects within this tenure that have Jervois type base metal mineralisation these include Wards, Holmes, Van Gils and Hamburger Hill. The Jervois Mine lode extends 1 kilometre west of an area within EL28082 known as ‘Hamburger Hill’.

Banded magnetite, calc-silicate with high Ca, W, Mn occurs to the south. Quartz gahnite was traced to outcrop and occurs in the centre of prominent Cu-Pb-Zn-As lag anomaly, located 2 kilometres from the Jervois Mine.

Summary of Exploration Activities for EL27847 – ‘Hay Creek’

EL27847 occurs in a favourable structural position along the major Tarlton Fault system. Similarly, several kilometres to the north along the Tarlton Fault, a ferruginous breccia was located at a major structural break.

There are two areas of known mineralisation within this tenure; Ningaloo and Sunset Downs, which exhibit uneconomic Cu-Au mineralisation. A rock chip sample was taken from within the EL which returned elevated Pb (0.24%) from the ferruginous breccia.

Summary of Exploration Activities for EL27897 – ‘Plenty River’

NRE is constantly building up its geological database of the region. During the second term, NRE undertook further extensive desktop studies of EL27897. Observations of this EL were made during the helicopter reconnaissance programs. In the western part of the tenure there are minor outcrops of Paleoproterozoic leucocratic migmatite overlain by deeply weathered early Tertiary rock and one outcrop of undivided Proterozoic granites and leucogranites.

Although there are currently no known mineralization occurrences within this tenure, significant mineralisation is located to the west of EL27897, that being Thor Mining’s Molyhil Tungsten and Molybdenum deposit. NRE has been able to assess the mineral potential

within the tenure and is now in the process of developing programs to further define targets.

Summary of Exploration Activities for EL27846 – ‘Tarlton’

NRE’s exploration program for the second term of EL27846 consisted of extensive desktop and office-based studies in order to define the next stages of exploration. Observations of this EL were made during the helicopter reconnaissance programs. There are small outcrops of the Jervois Granite and the Mount Teitkens Granite Complex scattered throughout the tenure. In the western part of this tenure there are several small outcrops of Paleoproterozoic leucocratic migmatites commonly intruded by the Mount Teitkens Granite Complex.

4.1 Exploration Studies

NRE is continually developing its geological knowledge database. NRE has conducted an extensive review of historic exploration over its Jervois Project. The Aileron Region has been explored for base metals, uranium, diamonds and rare-earths. There has been exploration for a variety of commodities across the Jervois ELs targeting mainly base metal mineralisation.

The more notable success in the region is the Jervois Copper-Lead-Silver deposit which is located within NRE’s Unca Creek tenure (EL28082). Location of historic tenements is shown in **Figure 8** and previous exploration has been summarised in **Table 2** below.

Figure 8. Historic tenements over NRE’s Jervois Project.

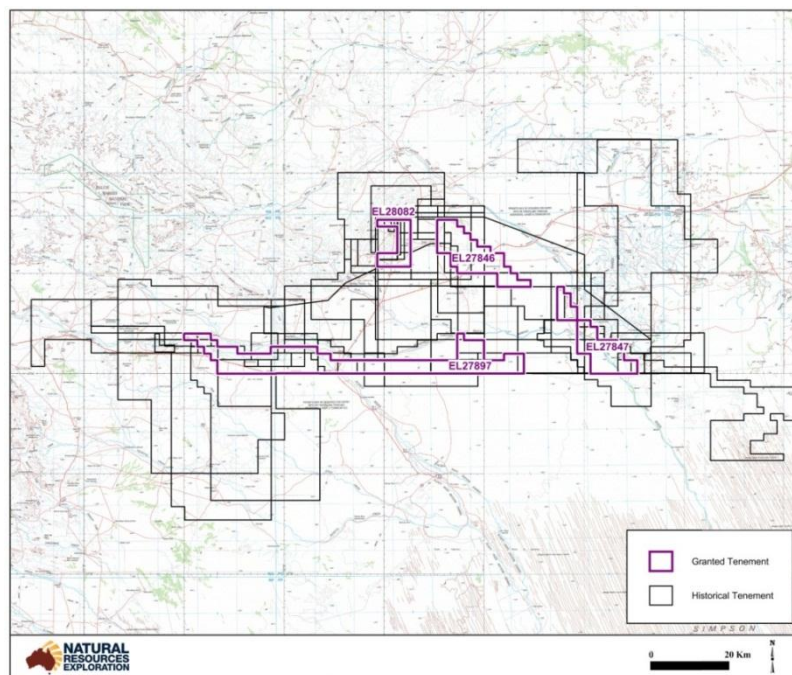


Table 2. Historic Tenures

Tenure	Granted	Company Reports	Company
EL 25937	2007-2009		No Entry
EL 6539	1989-1992	CR1991-0313,CR1992-0241,CR1993-0241	Plenty River Mining Company Pty Ltd
EL 6993	1990-1996	CR1992-0008,CR1993-0042,CR1993-0169,CR1994-0111,CR1995-0108,CR1995-0235,CR1996-0283	Poseidon Exploration Ltd
EL 6994	1990-1994	CR1992-0008,CR1993-0042,CR1993-0169,CR1994-0111,CR1995-0249	Poseidon Exploration Ltd
EL 7089	1991-1992	CR1992-0367,CR1993-0042,CR1993-0230	Poseidon Exploration Ltd
EL 7179	1990-1992	CR1992-0212	BHP Minerals
EL 7180	1990-1992	CR1992-0212	BHP Minerals
EL 7287	1991-1996	CR1992-0367,CR1993-0042,CR1993-0169,CR1994-0111,CR1994-0111,CR1995-0108,CR1995-0313,CR1996-0283	Normandy Exploration Ltd
EL 7470	1991-1992	CR1992-0212	BHP Minerals
EL 7700	1992-1992		No Entry
EL 8116	1993-1994	CR1994-0588	CRA Exploration Pty Ltd
EL 8127	1996-2004	CR1997-0066,CR1997-0460,CR1998-0463,CR2000-0197,CR2001-0068,CR2002-0131,CR2003-0214,CR2004-0468	Roebuck Resources NL
EL 7996	1993-1993	CR1993-0506	Poseidon Exploration Ltd
EL 8423	1993-1997	CR1995-0516,CR1996-0132,CR1997-0275,CR1998-0850,CR1998-0851	Chambigne Resources Pty Ltd
EL 9518	1996-2006	CR1999-0017	Brittania Gold NL
EL 22515	2001-2007	CR2002-0339,CR2004-0058,CR2004-0731,CR2004-0732,CR2005-0589,CR2006-0114,CR2007-0009,CR2007-0289	BHP Billiton
EL 9604	1996-1998	CR1998-0670	Ashcourt Corporation Ltd
MCS 64	1987-2002	CR1990-0047,CR1993-0044	Shandona Pty Ltd
EL 9851	2002-2008	CR2003-0213,CR2008-0801	Olympia Resources Ltd
EL 10214	2001-2008	CR2004-0167,CR2004-0754,CR2006-0313,CR2006-0655	Arafura Resources Ltd
ERL 67	1988-1993		No Entry
EL 22529	2002-2004	CR2004-0609	Elkedra Diamonds N.L
EL 10419	2002-2007		No Entry
EL 22381	2001-2003	CR2002-0258,CR2002-0347,CR2003-0293	Blue Gum International Pty Ltd
EL 22788	2001-2002	CR2002-0338	BHP Minerals Pty Ltd
EL 24911	2006-2008	CR2008-0458	Imperial Granite and Minerals Pty Ltd

EL 25508	2007-2009	CR2008-0474,CR2009-0358	AusQuest Ltd
EL 22517	2005-2007	CR2007-0009,CR2007-0289	BHP Billiton
EL 740	1972-1974	CR1974-0174	Union Corporation (Australia) Pty Ltd
EL 23087	2005-2008	CR2008-0801	Olympia Resources Ltd
EL 23089	2005-2008	CR2008-0801	Olympia Resources Ltd
EL 3263	1982-1988	CR1983-0047	Agip Australia Pty Ltd
EL 3204	1982-1988	CR1983-0168,CR1984-0205,CR1987-0146	Anaconda Australia Inc
EL 3202	1982-1988	CR1983-0167,CR1983-0168,CR1984-0205,CR1987-0146	Anaconda Australia Inc
EL 3012	1981-1987	CR1982-0381,CR1983-0173,CR1984-0203,CR1985-0167	Geopeko
EL 4190	1983-1989	CR1984-0207	CSR Limited
EL 6135	1988-1990	CR1990-0283	Shandona Pty Ltd
EL 4677	1984-1990	CR1986-0028	BHP Minerals
EL 4018	1983-1988	CR1983-0296	CRA Exploration Pty Ltd
EL 5171	1987-1989	CR1988-0279,CR1989-0630	Hunter Resources
EL 5146	1987-1993	CR1988-0055	Saracen Minerals NL
EL 4527	1984-1990	CR1985-0066	BHP Minerals Pty Ltd
EL 584	1972-1976	CR1973-0032,CR1973-0033,CR1973-0158,CR1974-0134,CR1975-0150,CR1977-0017	Petrocarb Exporation N.L
EL 3317	1982-1988	CR1983-0173,CR1984-0202,CR1984-0203,CR1984-0204	Anaconda Australia Inc
EL 3301	1982-1988		No Entry
AP 3161	1971-1972	CR1972-0016	Petrocarb Exporation N.L
AP 3148	1971-1972	CR1972-0003,CR1972-0100,CR1973-0061,CR1977-0017	Petrocarb Exporation N.L
EL 1585	1977-1981	CR1978-0118,CR1979-0123,CR1980-0124,CR1980-0252,CR1982-0299	Otter Exploration N.L
EL 1584	1977-1980	CR1978-0117,CR1979-0122,CR1980-0121,CR1980-0175,CR1980-0252	Otter Exploration N.L
EL 1583	1977-1980	CR1978-0116,CR1979-0121,CR1980-0120,CR1980-0174,CR1980-0252	Otter Exploration N.L
EL 2774	1982-1988	CR1984-0105,CR1985-0051,CR1986-0050	Geopeko
EL 1910	1978-1979	CR1982-0066	CRA Exploration Pty Ltd
EL 1229	1976-1977	CR1977-0102	Carpentaria Exploration Company Pty Ltd
EL 27087	2009-2010	CR2010-0556	Red Metal Ltd

4.2 Geological Evaluation & Helicopter Reconnaissance Programs

NRE's geologists completed two (2) reconnaissance helicopter assisted field trips of the Jervois Project during the second term; the first in late 2011 and the second in early 2012. NRE visited local landholders, assessed a number of field targets across the Project area and carried out geological mapping. The field trips proved successful in evaluating the tenements in the most effective and timely manner possible.

For both programs, field targets that required ground truthing or evaluation were identified based on desktop research of regional geological and geophysical data, augmented with compilation and assessment of all previous exploration reports. An array of material was assessed prior to field work to assist with optimal target generation, this included:

- Data from all previous exploration as documented in open file reports retrieved from the Northern Territory Government. This includes:
 - Surface geochemical sampling;
 - Geochemical anomalism mapping;
 - Geological Mapping;
 - Detailed geophysical survey data;
 - Geophysical anomalism mapping;
 - Drilling results; and
 - Local and regional geological assessments and conclusions derived from exploration programmes.
- Water bore data available for all bores drilled in the region. This data includes geological logging and water assaying.
- Geological maps provided by the Northern Territory government.
- Aeromagnetics, aero-radiometrics and gravity surveys provided by the Northern Territory government.
- Satellite imagery, ASTER and Google Earth imagery.
- Data supplied by landowners in relation to geological and topographic features of interest on their properties.

Assessment of the field targets involved an initial low fly over before determining whether a landing was viable for each target site. In most cases, a landing was made. Assessment at each site involved a variety of the following tasks:

- Geological and structural note taking and measurements
- Radiometric measurements
- Collection of soils and rock chips
- Observations of outcrop boundaries where relevant

- Botanical and physiographic appraisal
- Photography of the features of interest at each site.

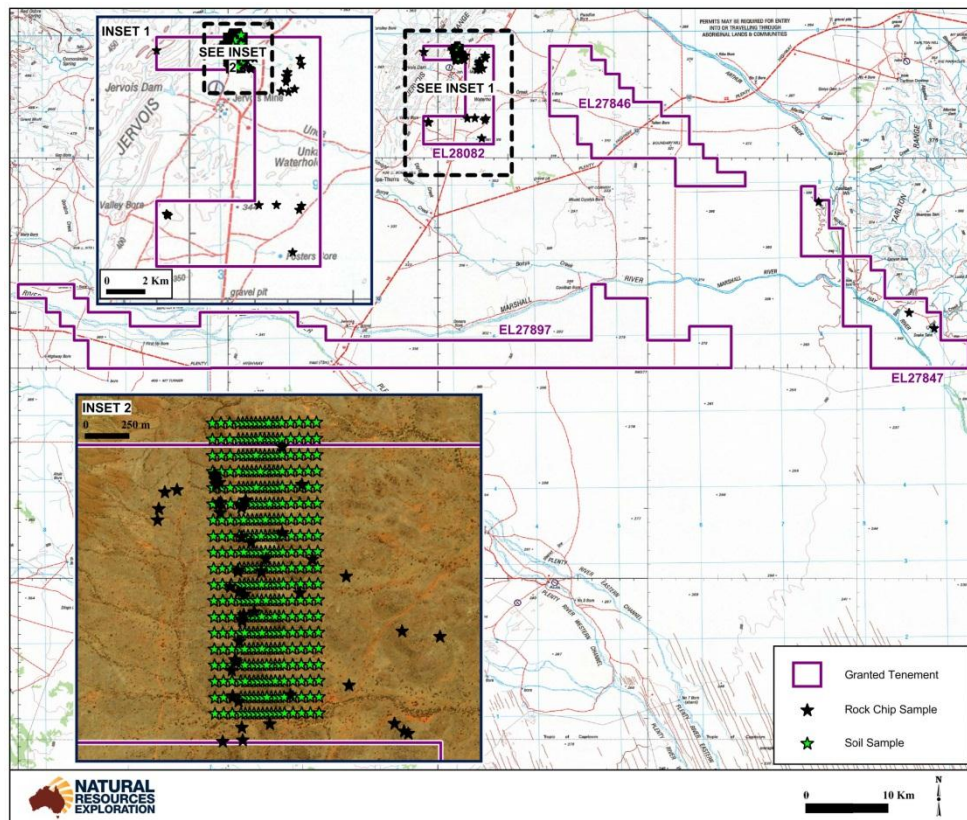
Detailed geological characteristics were recorded at each site and rock chip and bulk surface samples were collected. The helicopter assisted field trips were successful in evaluating the Project in the most effective and timely manner possible.

4.3 Soil and Rock Chip Sampling Programs

During the second term of the Jervois Project, NRE has carried out three (3) rock chip sampling programs and one (1) soil sampling survey. To ensure any follow up work is carried out with optimal effectiveness, NRE’s geologists confirmed regional geological mapping during these activities and noted observations at all target sites to detail the settings of each of those areas.

One hundred and three (103) rock chip samples and three hundred and forty-two (342) soil samples have been collected within the Jervois Project. The location of these samples are shown in **Figure 9** below.

Figure 9. Location of soil and rock chip samples



Rock chip samples of outcrop returned up to 2.3% Cu, 0.56% Zn, 0.14% Pb and 2.7%As. Results of the sampling programs have shown that metamorphic grade, mineralisation

assemblages and host rock sequences are diagnostic of typical Broken Hill Type mineralisation. The discovery of further occurrences of lode rock indicator gahnite (zinc spinel) from prospective horizons along strike from previously drilled Cu-Zn mineralized lodes have been made.

Several copper mineralised lodes have been identified which represent the on-strike continuation of lodes currently being drilled with great success in Kentor Gold's Jervois copper-lead-silver deposit which is located in close proximity to NRE's Jervois Project. **Figure 10** shows a copper-enriched outcrop in the Jervois Project. Full assay results are provided in **Appendix 1**.

Figure 10. A copper-enriched outcrop located in the Jervois Project



4.4 Ground Magnetism Sub-Audio Magnetism ('SAM') Survey

After studying all available data compiled during desktop studies and the results of the surface sampling programs, NRE was able to identify mineralisation that required geophysical follow-up work. NRE subsequently engaged GAP Geophysics Australia ('GAP') to conduct a ground geophysical program to better define any given targets.

GAP carried out a Ground Magnetism Sub-Audio Magnetism ('SAM') Survey which produced a set of north-south trending lodes coincident with the mapped geology and soil copper geochemistry. SAM surveying delineates magnetic features consistent with other data sets

and identifies conductivity anomaly broadly coincident with magnetic and mineralised features. Some magnetic features related to previously unmapped gabbros were returned.

The SAM surveying produced a strong EM conductive linear zone in the south west of the Hamburger Hill grid which corresponds to the EM anomaly located by Poseidon in the mid 1990's. A probable conductive quartz clay fault zone was drilled by Poseidon and explains the anomaly which forms a faulted boundary on the south west side of Hamburger Hill. A broad SAM conductor was also located in the centre of Hamburger Hill, which appears coincident with prospective Broken Hill Type lode horizon hosted within meta felsic volcanics and strong base metal geochemistry (Cu, Pb, Zn, Ag) delineated by Poseidon. The ground magnetics also detected some previously unreported magnetite BIF and gabbro horizons and evidence at Hamburger Hill of volcanic stratigraphy and quartzose sedimentary sequence in comparison to the pelitic schists which dominate the sequence at an area known as 'Jervois North'.

Trends from the magnetics, structural measurements and mapping show the area within the Project feasible for the Jervois Magnetite lodes to be deformed into generally east-west trending, tight folds that would result in the on-strike extension of the lodes being able to be followed into the Project area. SAM magnetic and conductivity results confirm the wrapping around of the Jervois lodes into the Jervois Project. NRE is hoping to further investigate the results of the SAM survey in the third term.

4.5 Heavy Mineral Sampling

NRE undertook a Heavy Mineral Sampling program towards the later term of the Jervois Project. NRE are currently awaiting the results of the two (2) samples which were taken within the Project area. The grains are being microprobed to assess and evaluate the samples. NRE look forward to receiving the results of the Heavy Mineral Samples in order to gain further insight into the prospectivity of the area.

5. NRE's Exploration Activities for next 12 month period

The geological assessment of the Jervois Project and the results of its exploration activities have provided NRE with defined targets and allowed for the design of a limited reverse circulation drilling program.

NRE is currently in the process of lodging its Mining Management Plan in relation to the drilling program and hopes to gain approval from the Department early in the first quarter of the third term.

NRE's main objective in the third term of the will be to tender out the program to a suitable drilling contractor. NRE will subsequently conduct the drilling program in order to

understand the stratigraphy of the region and in particular, in respect of EL28082 'Unca Creek'. NRE intend on establishing whether significant sulphides exist below surface, and if so establish systematic determination of grade and extent. Where practical, NRE will also consider conducting additional geophysics over its Jervois Project.

6. Reports lodged during the reporting period

NRE believes that no other reports were required to be lodged during this reporting period.

7. Conclusions

Natural Resources Exploration's ('NRE') exploration activities during the second term of its Jervois Project has been focused on delineating surface targets within the four (4) tenures, namely Exploration Licences (EL)27846, 27847, 27897 and 28082.

NRE has conducted extensive office-based studies and field work during the second term of Exploration Licences forming part of its Jervois Project. NRE conducted an extensive review of all previous exploration within the Project area, completed two (2) helicopter reconnaissance assisted field trips, geological mapping of the area, sampling programs (heavy mineral, soil and rock chip sampling) and a ground magnetics sub-audio magnetics ('SAM') survey.

Several copper mineralised lodes have been identified which represent the on-strike continuation of lodes currently being drilled with great success in Kentor Gold's Jervois copper-lead-silver deposit which is located in close proximity to NRE's Jervois Project.

NRE believes that the Jervois Project offers the opportunity to delineate significant base metal mineralisation, positioned in a location close to Alice Springs which offers excellent logistics and access to infrastructure. NRE is looking forward to lodging and receiving approval of its Mining Management Plan in order to commence its limited drilling program and other exploration activities during the third term of its Jervois Project.

8. Bibliography

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Note these (and many more) references are also located in the References section of the Huckitta and Tobermorey 1:250,000 geological map series explanatory notes.

Appendix 1

Geochemical Results of Rock Chip & Soil Sampling Programs