

ANNUAL REPORT for MLNs 808, 821 and 869

Title Holders	T Starr, M Starr, K Starr, L Starr
Manager	T Starr
Tenements	MLNs, 808, 821 and 869
Project Name	McKinlay Mine
Report	GR315 Combined annual report for period ending 31 December 2014
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Commodity	Gold
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250,000 map	PINE CREEK SD 52-8 Deposit no 87
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SUMMARY

This document reports on the activities carried out on the tenements during 2014 and activities proposed for 2015.

HISTORICAL SUMMARY

The history of the McKinlay Mine, known by other names over time, has been reported in detail in previous reports to the Department.

1937-1938 S Hardy mined 127 tons of ore with a head grade of approx. 6.5 g/t and recovered approx. 3.27g/t using a stamper and mercury. (Hossfeld 1940)

1940 Paul Hossfeld (senior geologist with the then North Australian Aerial, Geological and Geophysical Survey) found significant areas of mineralization over a strike length of approximately one kilometer, from the surface, existing costeans and open pits.(Hossfeld 1940).

1974 AW Newton (a geologist with the then Northern Territory Geological Survey) reported on an exploration investigation by unknown persons. Newton could not correlate data provided to him with the work carried out by Hossfeld reporting little or no gold on the surface and at depth. (Newton 1974)

1993 T Starr attempted to ascertain which of the above reports represented the actual situation at the McKinlay Mine. Existing rock chip tracks in existing costeans were presumed to be those of Hossfeld and of the Newton era due to differing degrees of oxidization of the chipped surfaces.

Starr chipped tracks where possible in between the existing tracks.
Starr's assay results correlated well with Hossfeld's reported results. (Starr 1994-1997)

Starr drilled 2 holes that intersected the ore zones above 25metres and reported results that indicated that surface results were likely to continue to at least 20 metres depth.
(Starr 1994-1997)

1994 Dominion Gold tested McKinley ore for recovery at their Cosmo-Howley plant. Dominion reported a leach recovery of 90.3%

1994-1997 Starr was granted approval to trial mine a 2000 tonne parcel which was to be trucked to Cosmo-Howley for bulk testing. The wet season and Dominion's closure of Cosmo essentially resulted in the 2000 tonne parcel remaining at the McKinley Mine site. Other toll treatment deals were discussed with Solomon Pacific and Acacia Resources.

2006 Graham Hamilton (Geologist with Cullen Resources) collected three samples from the stockpile. Samples were diamond saw halved by Starr and Hamilton sent the samples to Pontifex and Associates for detailed petrology (Starr 2009). Samples assayed at between 22.3 g/t and 52.1 g/t with gold particle size ranging from 2-100 microns. Gold appears to be associated with quartz rather than the after pyrite matrix (Pontifex Mineralogical Report No. 8951 2006)

2008 Australasia Gold Limited was granted a license by the tenement holders to carry out further exploration on the McKinlay Mine. A report titled the "Annual Report 2008" was furnished to the Department. In summary Aust. Gold drilled 10 RC holes and intersected ore zones at depths of up to 48 metres. Gold bearing zones appeared to narrow with depth and grade appears to be lower. (Plavsa 2008)

2009-2010 Extensive comminution and gravity recovery tests were carried out on approximately 120 kilograms of McKinlay ore by Gekko Systems of Ballarat. Gravity recovery as a precursor to intense cyanide leach of concentrates found that just 69% of the gold could be recovered into a mass of 12%. Ideally a higher grade into a lower mass of about 5% is reported as typical by Gekko Systems. Pre test crushing to P₈₀ passing 75um with significant gold particle size < 50um is likely to be the reason for the less than average results reported by Gekkos.

2011 Efforts to determine the best method to recover fine gold continued with EDI Downer and Consep. Consep produced a flow sheet using gravity to produce a concentrate for their Acacia Reactor. Field trips to the mine site determined the site to be geologically and environmentally stable. Bulk samples were collected and sent to Amdel pending further metallurgical testing.

2012 Due to failing health of the two senior tenement holders, Eric and Betty Gardiner, an agreement was entered into with Tom Starr for Starr to purchase their shares in the tenements. Little else could take place on the tenements whilst tenement status was being determined.

2013 Sale agreements between Betty and Eric Gardiner AND Tom Starr were finalized. Formal transfers of titles were completed. Water bore data search found that 4 bores were drilled in 1984 at flow rates of 1 litre/second. Mining companies operating in the general area were contacted re their interest in the McKinlay project. Initial contact was made with Minesite Services via Mines Dept. re the potential to develop an exploration/bulk sample agreement.

Activities carried out in 2014

1. A preliminary agreement was entered into with Minesite Services to further explore and bulk sample the tenements with the aim to transport sample ore to Crocodile Gold's Union Reefs mill.
2. The director of Minesite Services, geologist Andrew Jettner had in place an agreement with Crocodile Gold to have ore toll treated at the cost rate of 1 gram per tonne.
3. In May 2014 Starr and Jettner conducted meetings and McKinlay mine site visits to locate all historical workings and to comprehensively survey all known points eg costeans, pits and drill holes with the aim to collate all known geological data and produce a 3D model of the ore body.
4. Jettner made further visits to the mine site in June 2014 with staff to complete survey work and subsequently produced a 3-D model of the known ore zones of the McKinlay.
5. Jettner provided a report to Starr regarding survey work and modeling. (Attachment 1.)
6. On the basis of the survey work results Jettner and Starr further developed the plan to carry out infill drilling and bulk sampling of the ore body.
7. Appropriate statutory Mines Dept. permits were discussed and agreed and prepared for submission.
8. Jettner continued to liase with Crocodile Gold, the ore cartage operator was organized. Starr met with Ban Ban Springs Station manager/owner Martin Gschwenter at the station homestead and informed him of likely activity and asked if he could identify any concerns. **No concerns were articulated** however Martin asked to be kept up to date with activities, which was agreed.

9. After all physical, access road and mine site earthworks and activity timeline had been developed and a detailed financial budget for all activities agreed and all Departmental documentation requirements drawn-up for submission, Crocodile Gold changed the toll milling price from 1g/t to 2.5g/t which rendered the potential to bulk sample the ore body non viable. The reasons for the change are not known.
10. As no disturbance to the tenement area occurred during 2014 the area remains environmentally stable with native vegetation dominating the general landscape.

Proposed Work for 2015

1. Jettner, in his comprehensively detailed ore zone mapping report was reluctant to apply an average Au grade to his estimate of contained ore due to his view that not enough accurately positioned assay data was available. Starr is currently piecing together all historic assay(Hossfeld grade/position data is plentiful but needs careful extrapolation onto current data maps) data with the aim to superimpose this data over Jettner's ore zone model to develop a reasonable estimation of average ore grade to 20/25metres depth (oxidized zone).
2. Starr whilst continuing dialogue with Jettner will attend the mine site to further sample the known ore zone to determine further gold particle sizing. Petrology and mineralology, gravity response and particle size analysis has been carried out only on the southern /central zones of the exposed ore body. The remaining zones require further detailed work.
3. Samples collected will also be subject to gravity recovery tests should gold particle size analysis find that significant (>40%) of the gold particles are greater than 100um in size.
4. Failing alternative developments with others, it is the intention of the tenement holders to pursue bulk sampling of the ore body initially by testing the mined stockpile and subsequently testing of the ore body over the length of the ore zone.
5. Prior to any further work being carried out on the tenements appropriate Dept. permits will be obtained.