



Operator: Crossland Strategic Metals Limited

Charley Creek

EL 25657 Cloughs Dam

Annual Report for the period 30 August 2014 to 29 August 2015

Tenement Holders: Western Desert Resources Base Metals Pty Ltd

P Melville
September 2015

Keywords

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Summary

The licence is centred approximately 50 km northwest of Alice Springs, and extends along the northern edge of the West McDonnell Ranges. The northern boundary lies just south of the Tanami Highway.

The exploration licence is held by Western Desert Resources Base Metals Pty Ltd (WDRBM), a subsidiary of Western Desert Resources, in receivership. In July 2010, Crossland Nickel Pty Ltd entered into a Farm-In arrangement with WDRBM to Joint Venture the licence. Crossland Nickel is a wholly owned subsidiary of Crossland Strategic Metals Ltd (Crossland). The latter company has been appointed agent and operator of the licence. EL 25657 comprises part of Crossland's Charley Creek project. The project area is considered prospective for Rare Earths, uranium and other metals.

Crossland has been exploring the region since 2005, initially for nickel. During this period, the significance of the anomalous uranium content of the Teapot Granite became apparent and exploration efforts were concentrated in that terrane for several years. In 2008 on Crossland's EL 24281, an aircore program was carried out to explore for paleochannel-hosted uranium in the plains country immediately north of the ranges. In late 2009 – early 2010, samples from the drilling were re-analysed; anomalous amounts of Rare Earth Element (REE) mineralisation were indicated, occurring in samples collected from weathered bedrock and the overlying alluvial material. The anomalous samples indicated a high grade gneissic rock. Indications of REE were also discovered in the Teapot granitic terrane. The significance of these discoveries was immediately realised, and since that time the principal focus has been on the exploration for these commodities, principally within the extensive outwash fans, which fringe the northern edge of the MacDonnell Ranges.

No activities were undertaken in the reporting period within the subject licence.

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1.0 Introduction

Crossland commenced exploration activities on EL 25657 in 2010 following signing of a Heads of Agreement with WDRBM Pty Ltd. REE mineralisation is the main exploration target following the successful discoveries by Crossland on its adjacent Charley Creek licences. Prior to Crossland's involvement, three years of exploration activities were conducted by WDRBM.

The initial concepts employed by Crossland, following recommendations by Paradigm Geoscience, was to explore for nickel mineralisation within the Mount Hay Complex, situated near Milton Park homestead, about 100 km WNW of Alice Springs. These activities commenced in 2005. Increased geological knowledge of the region necessitated a change in emphasis with uranium exploration commencing on the Teapot Granite in 2007. The Teapot Granite covers an extensive relative flat area immediately north of the Heavitree Range, which forms the spectacular country now incorporated into the West MacDonnell National Park. The granite, which has an exceptionally high radiometric background due to primarily to its uranium content, was considered worthwhile as a target for a large low grade uranium deposit.

The presence of anomalous REE in the high grade metamorphics, which underlie the alluvium-covered plains immediately north of the MacDonnell Ranges, was determined by the re-assaying samples in late 2009 from an aircore programme conducted by Crossland in mid-2008. Both the alluvial overburden and bedrock gave anomalous results. The significance of this find led to the commencement of a concentrated exploration effort. The presence of monazite accumulations in sediment was also discovered in the Teapot Granite terrane.

Stream sediment sampling within the licence determined the presence of REE mineralisation both in the alluvial material in the outwash fans and in the hard rock environment. An important discovery was that of the yttrium phosphate Xenotime, identified during the sample processing. Xenotime is an important source of heavy Lanthanide rare earth elements such as Dysprosium.

2.0 Location and General Description

EL 25657 is located in the Alice Springs region, and is centred approximately 50 km WNW of the city. By road it is approximately 67 km. (Figure 1). The licence is situated on PPL1145 Hamilton Downs and PPL960 Bond Springs pastoral leases. Much of the licence area covers the rugged country of the Chewings Range while the extreme northern section extends out into alluvium and soil-covered plains. Access to the

licence can be gained via the Tanami Highway, which dissects the far northeastern corner and then runs parallel with the northern boundary. Various station tracks provide access within the licence.

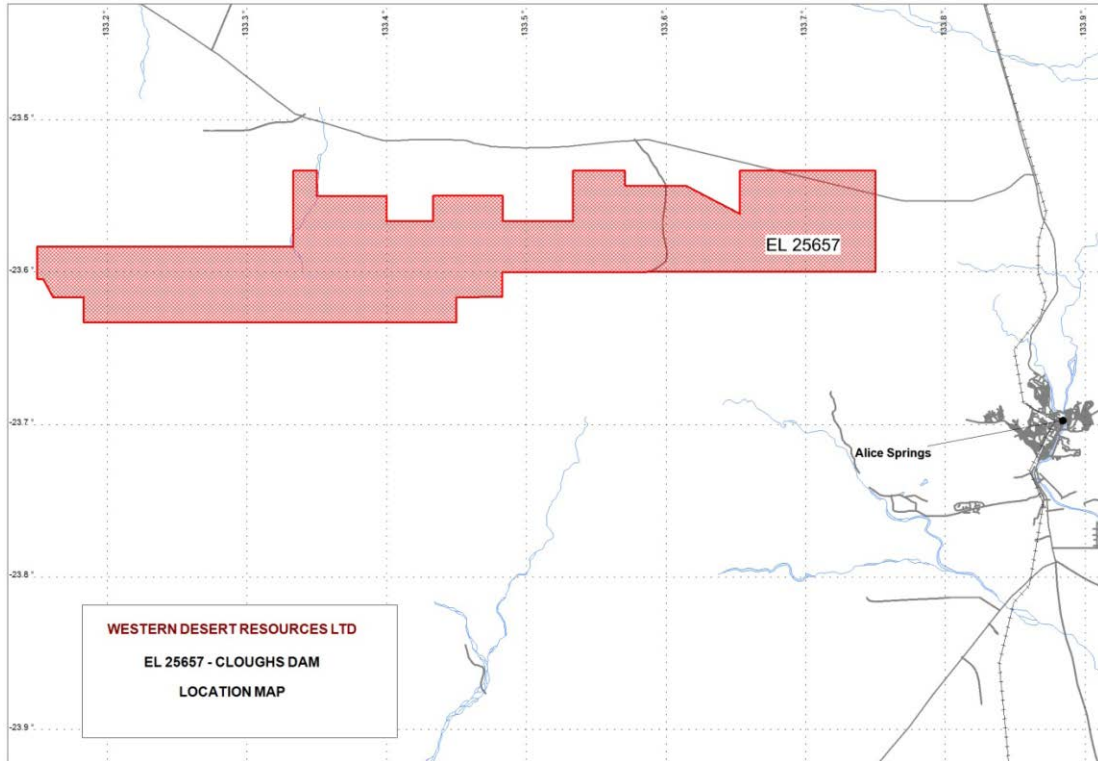


Figure 1. Regional location of EL 25657 (from WDRBM Annual Report 2009)

3.0 Tenure

EL 25657 was granted to Alistair Mackie on 30th August 2007. The licence was then transferred to WDRBM, a wholly owned subsidiary of Western Desert Resources Ltd on 17th June 2008. The original area granted was 240 blocks (742.09 km²), which was subsequently reduced to the present area of 130 blocks (396.68 km²) after Year 2. Successive Waivers of Reduction since that time have been accepted by NTDM and to date, the licence area remains unchanged.

On July 1 2010, a Heads of Agreement relating to Crossland's Farm-In on the licence was signed between Crossland Nickel P/L and WDRBM. Crossland is the Agent for and Operator of the licence.

On 14 August 2013 the first renewal application was lodged with the DME. In February 2014, DME approved that renewal for two (2) years, expiring on the 29th August 2015. A further two year period of tenure has been applied for by Crossland. This application was lodged on the 27th August 2015.

In late 2014, Western Desert Resources Pty Ltd was placed in receivership. Crossland has been corresponding with the Receivers since that time in matters relating to the licence. Transfer documents have been lodged with NTDME. The transfer, when completed, will list ownership of the EL as follows: Crossland Nickel Pty Ltd 80% and WDRBM as 20%.

Figure 2 below illustrates the original outline of the licence and that part retained (shaded) after Year 2 (taken from WDRBM Annual Report 2009).

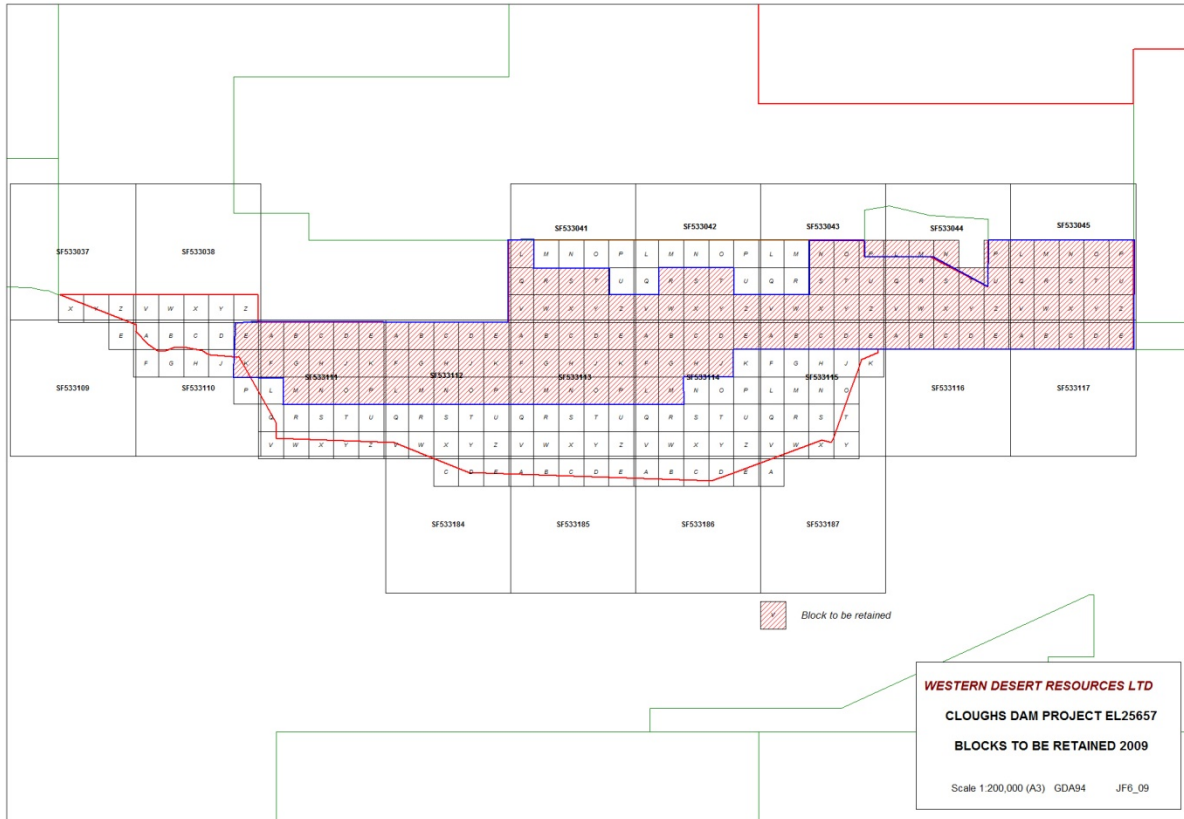


Figure 2. EL 25657 retained portion (from WDRBM Annual Report 2009)

4.0 Geology

4.1 Regional Setting

The project area straddles the contact between the Aileron Province and the Warumpi Province of the Palaeoproterozoic Arunta Block. The Aileron Province forms part of the North Australia Craton and is aged between 1865-1740 Ma. The Warumpi Province is aged between 1690-1600 Ma and is thought to have accreted onto the craton at 1640 Ma.

4.2 Tenement Geology

The local geology is shown in Figure 3. The Aileron Province is represented by the Illyabba Metamorphics, consisting of biotite gneiss, amphibolite and granitic gneiss, and the Strangways Metamorphic Complex, consisting of granitic and basic gneisses. It is separated from the granitic gneiss and quartzite of the Warumpi Province to the south by the Charles River Thrust/Fault zone. The Warumpi Province is made up of the Iwupataka Metamorphic Complex, the Teapot Granite Complex and the Madderns Yard Metamorphic Complex. The Redbank Thrust Zone, which crosses the northern part of the licence consists of mylonitic rocks and forms a prominent scarp. Tertiary sediments occur north of the thrust with some isolated outliers of Arunta age rocks.

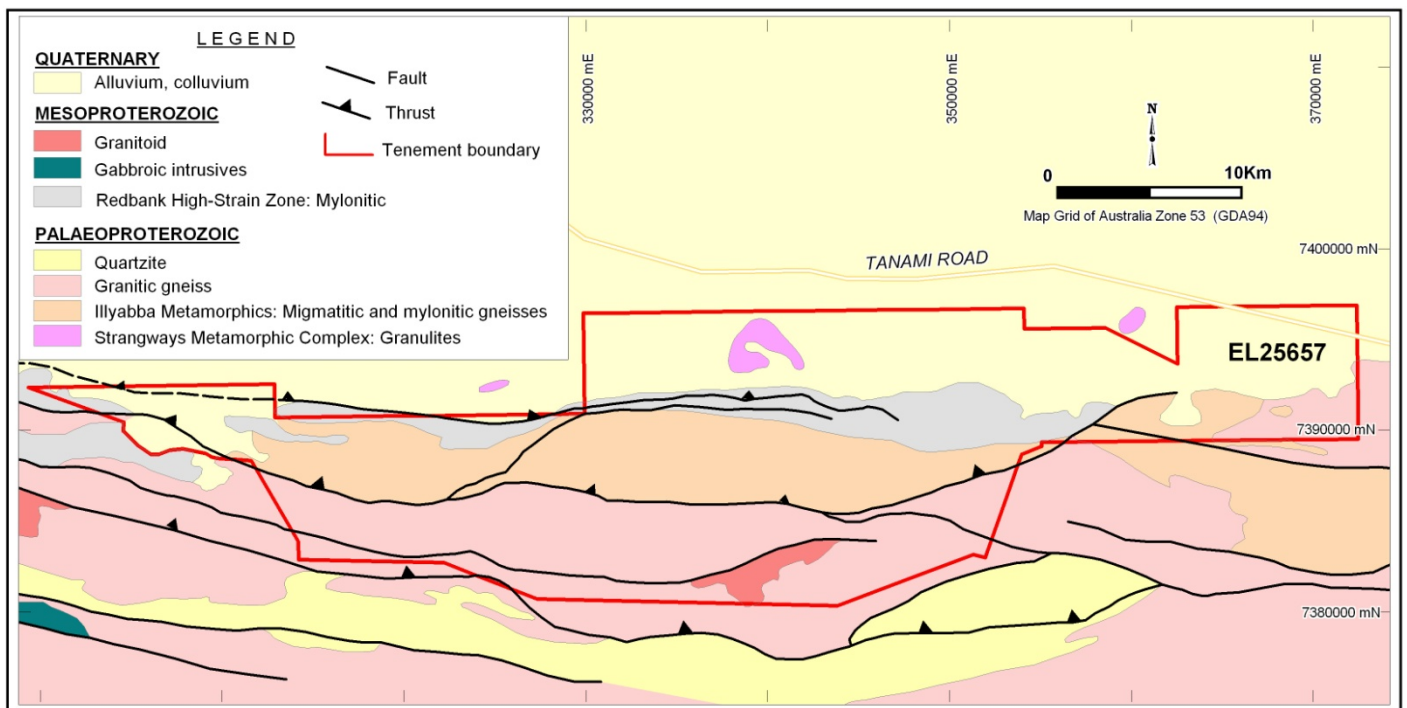


Figure 3. EL 25657 Tenement Geology (from WDRBM Annual Report 2009)

5.0 Previous Exploration Activities

5.1 Other Companies

CRA Exploration (1971-72) CR1972/64

CRA Exploration explored the northern and western parts of the project area for uranium and base metals. A stream sediment survey was completed and station bores were water sampled. Vehicle-borne scintillometer traverses were completed during the collection of the station bore samples. No anomalous base metal or uranium values were reported from the stream sediment survey. Anomalous uranium and radon values were found in water samples from the Bulldust and New Well bores, both located within the current EL.

CRA Exploration (1981-82) CR1982/274

CRA Exploration explored EL 3100 during 1982 for sedimentary-hosted uranium deposits. This tenement was situated immediately north of EL25657. Two holes were drilled south of Hamilton Downs homestead; neither intersected any uranium mineralisation.

5.2 Western Desert Resources Base Metals Pty Ltd

2007-2008 Year 1

- 134 stream sediment samples collected. BLEG sampling for Au; multi-element analysis by ICP-MS. ALS Chemex Laboratories.
- 3 water bores sampled.
- Results – no Au. Minor base metal response. Anomalous Ce, La, U and Th.
- Expenditure \$40,480

2008-2009 Year 2

- TEMPEST EM by Fugro covered the northern and eastern parts of the licence at 1 km line spacing with lines oriented east-west.
- GA/NTGS regional gravity survey on a 4 x 4 km grid.
- Reduction of EL.
- Expenditure \$42,991

2009-2010 Year 3

- Minimal work completed. Anomaly follow-up.
- Expenditure \$11,321

5.3 Crossland

2010-2011 Year 4

- Stream sediment sampling.
- On-site sample processing.
- Multi-element analysis including REE
- Eligible expenditure \$83,705.26

2011-2012 Year 5

- Stream sediment sampling.
- Off-site metallurgical Test Work.
- Eligible expenditure \$89,015.21

2012-2013 Year 6

- Airborne Mag-Rad Survey
- Pre-feasibility and Scoping Studies
- Eligible expenditure \$161,748.11

2013-2014 Year 7

- Aircore drilling, 38 holes for 386 metres. Analysis of samples.
- 25 stream sediment samples for concentrate testing
- Apportionment of costs related to the project wide Scoping Study and preliminary Environmental studies for EIS.
- Eligible expenditure \$98,399.22

2014-2015 Year 8

- No on-ground activities for the period due to Panconoz takeover and on-going JV negotiations.
- Apportionment of project related costs.
- Eligible expenditure \$13,235.80

6.0 2014-2015 Work Program (Year 8)

There were no on-ground exploration activities in the year ending 29 August 2015.

Limited funds have been supplied to Crossland by the prospective Joint Venture partner, Essential Mineral Resources Pty Ltd since mid 2014 in order to maintain basic project management. The ongoing JV process and negotiations carried out between EMR and Pancon are continuing but delays have so far held up the re-commencement of

sufficient funding that would allow continuation of exploration, and the pre-feasibility and scoping studies that Crossland instigated in 2012.

7.0 Proposed Work Programme

A proposed exploration programme and associated compliant expenditure amount has been forwarded to NTDME as part of the requirements of the Renewal of Licence process.

In summary, further aircore drilling and geological investigations have been planned. There will also be apportionment of any on-going pre-feasibility expenses.

8.0 Conclusions and Recommendations

EL25657 is an important part of the Charley Creek project due principally to its location relative to the source rocks for the HREE mineralisation. The east-west coverage of the licence is very extensive, covering some very large outwash channels. Potentially, this ground contains a large resource of alluvial rare earths, both light and heavy.

9.0 References

Western Desert Resources Ltd, 2008. Annual Report – Exploration Licence 25657 – Cloughs Dam – for the period 30/8/07 to 29/8/08, by J.F Fabray

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