2011

Annual Report
EL 26969

Period: 3/09/2010 to 2/09/2011

Hodgson Region, Northern Territory

Fertoz Pty Ltd
40 Balgowlah St.
Wakerley
QLD 4154

Hodgson Project

1:100 000 Mapsheets: 5667 Mais, 5666 Maryfield, 5767 Hodgson, 5766 Nutwood
1:250 000 Mapsheet: SD5314 Hodgson Downs
Commodity: Iron, Phosphate

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1. EXECUTIVE SUMMARY

In the latter part of October 2010 EL 26969 was purchased by Fertoz Pty Ltd from the previous titleholders FSL World Holdings Pty Ltd. The EL consists of 473 graticular blocks, (1,560km^2) located in the Hodgson Downs Region of the Northern Territory.
The licence was applied for to search for iron and phosphate deposits located in the western McArthur Basin. The licence is a very substantial holding of 1,560km^2 located some 13km to the southwest of Sherwin Irons Deposit X and Deposit W in the Roper Region.
The close proximity along strike from the entire Roper Iron Field adds to the potential for the location of an iron deposit within the licence area.
The EL covers the basin margin between the Carpentaria, McArthur and Georgina basins.
The central portion of the licence contains a large sub-cropping area of Tindal Limestone which is considered to be prospective for phosphate. This lithology was investigated during the year by rock chip sampling exposed limestone outcrops and soil sampling the B soil horizon in areas that had no outcropping limestone.

2. CONTACT DETAILS:

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3. INTRODUCTION

EL 26969 was granted on the 3rd of September 2009 for a period of 6 years and this annual report covers work done in the second licence year (3/09/2010 – 2/09/2011). It has an area of 473 graticular blocks (1,560km^2) and is located on the southern extents of the Roper Iron Field.
The licence was subject to field investigation in June 2011 with a two week period being spent onsite. Large areas of the licence were still not accessible at this time due to the record 2010-11 wet season. A total of 23 rock chip samples were taken with a further 122 soil samples collected on this trip.
The licence may be considered to be prospective for the discovery of iron deposits as it is located approximately 13km along strike from the 75km long Roper Iron field.
EL 26969 is located 30km to the east of Larrimah township and is on Vermelha and Hodgson River Stations.



Figure 1. EL 26969 Location Map

4. TENURE

a. Mining

Exploration Licence 26969 was granted to FSL World Holdings on 3rd of September 2009 for a period of 6 years, expiring on 2nd September 2015.
Fertoz Pty Ltd purchased the licence in late October 2010.
The exploration licence consists of 473 graticular blocks (1,540km^2) and is located within the Hodgson Downs 1:250 000 Mapsheet.

b. Real Property

The licence is located within PPL 1174 "Vermelha Station" which is owned by Best-Rural Pty Ltd ('Anchorfield' M/S 131, Brookstead QLD) and PPL 1010 "Hodgson River Station" which is owned by EF & ED Hart (Hodgson River Station, NT).

c. Other Stakeholders

Other stakeholders in the licence area consist of the Mangarrayi peoples who own Elsey Station to the north, and the Alawa peoples who own the adjacent Hodgson Downs Station.

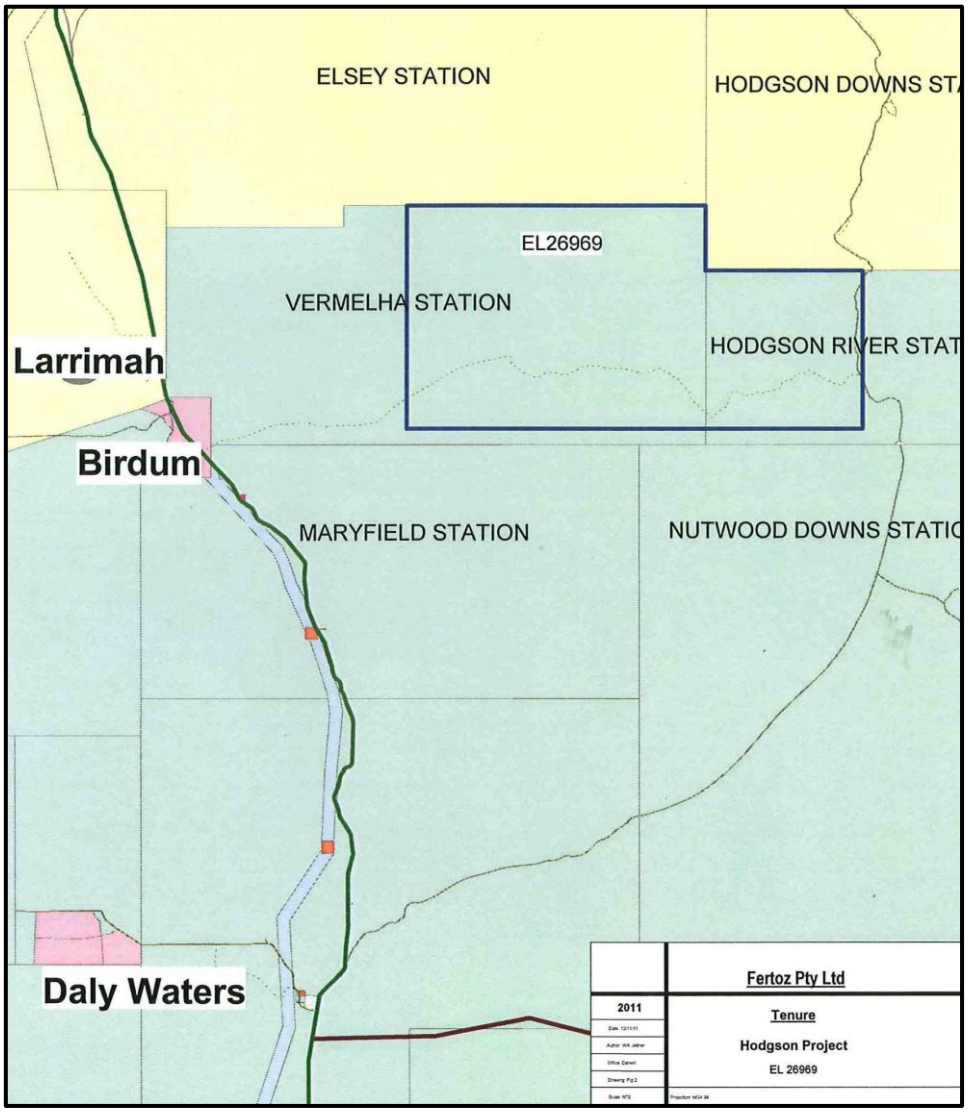

Figure 2. Real Property Tenure

5. LOCATION AND ACCESS

EL 26969 is located 30km to the east of Larrimah township, some 500km to the south of Darwin. Access to EL 26969 was south from Darwin along the Stuart Highway to Larrimah. Vermelha Station homestead is located some 2km to the north of Larrimah and 1 km to the east of the Stuart Highway. From the homestead well used internal station roads lead east to the licence area.

The Hodgson River Station homestead lies 5km to the east of the licence so there is a higher than normal intensity of station roads in the area. Access throughout the licence area is via station tracks and fence lines which make traversing the area relatively easy. The Strangways River and Maryfield Creek systems flow northwards through the licence and provide windows through the Cretaceous mudstones and shales into the underlying Proterozoic rocks.

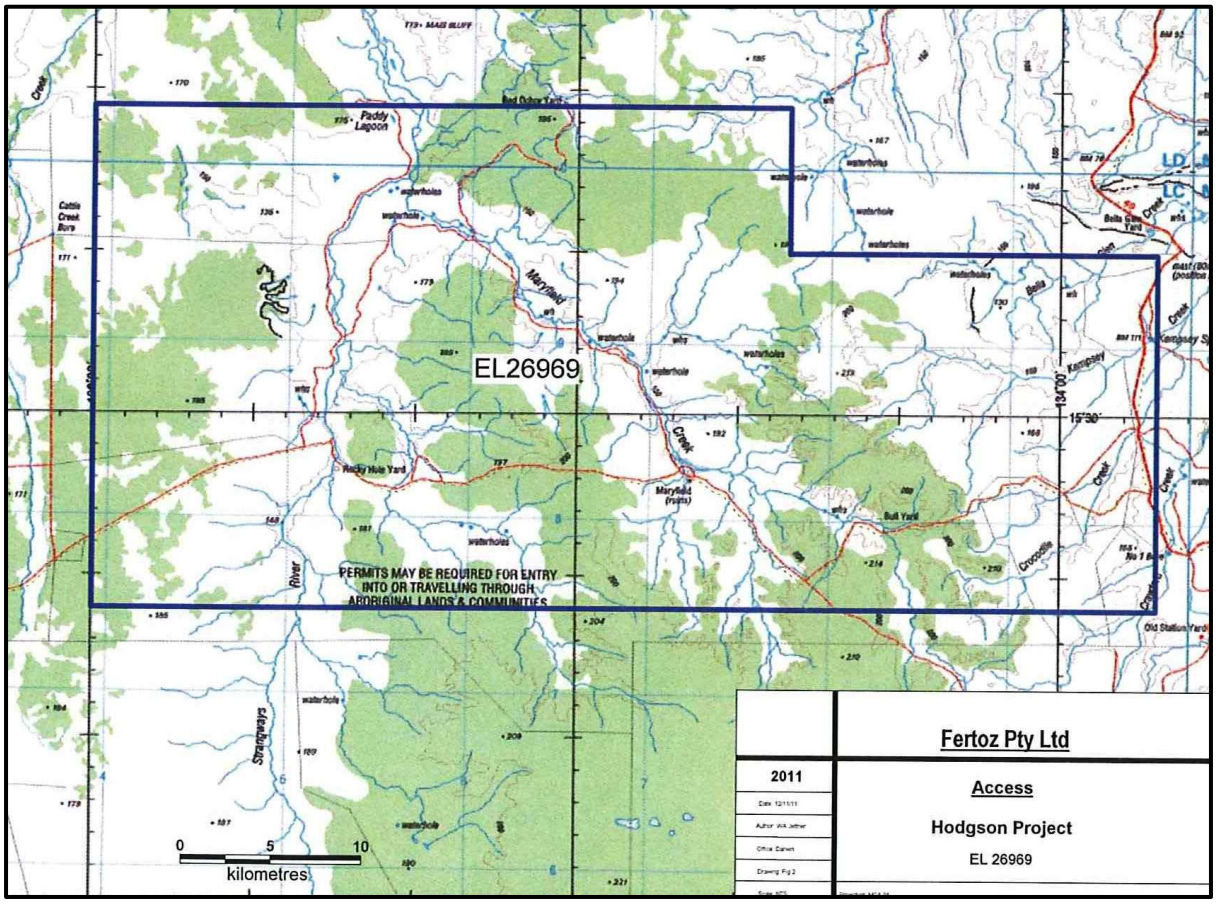

Figure 3. EL 26969 Access

6. REGIONAL GEOLOGY

The licence covers an area where the Carpentaria, McArthur and Georgina Basins outcrop and so are prospective for manganese and bauxite in the Cretaceous cover of the Carpentaria and MacArthur Basins, phosphate in the Georgina Basin sediments, and nickel and copper in the Kalkarindji Province basalts and mafic volcanics.

The youngest rocks are the sandstones, mudstones and limestones of the Carpentaria Basin. This basin has an age of between 205 and 65Ma. It unconformably overlies the sedimentary rocks of the McArthur and Georgina Basins.
The Georgina Basin consists of dolostone, limestone, shale, sandstone and siltstone and a thin outcrop of this occurs in the eastern end of the licence. The Georgina Basin unconformably overlies the McArthur and South Nicholson Basins, and the Lawn Hill Platform. This basin has a depositional history spanning 500Ma from 850Ma to 360Ma.
In the period 520-500Ma widespread continental flood basaltic flows covered much of the Northern Territory and conformable underlies the Cambrian secessions in the northern Georgina, northern Wiso, Daly and Ord Basins.

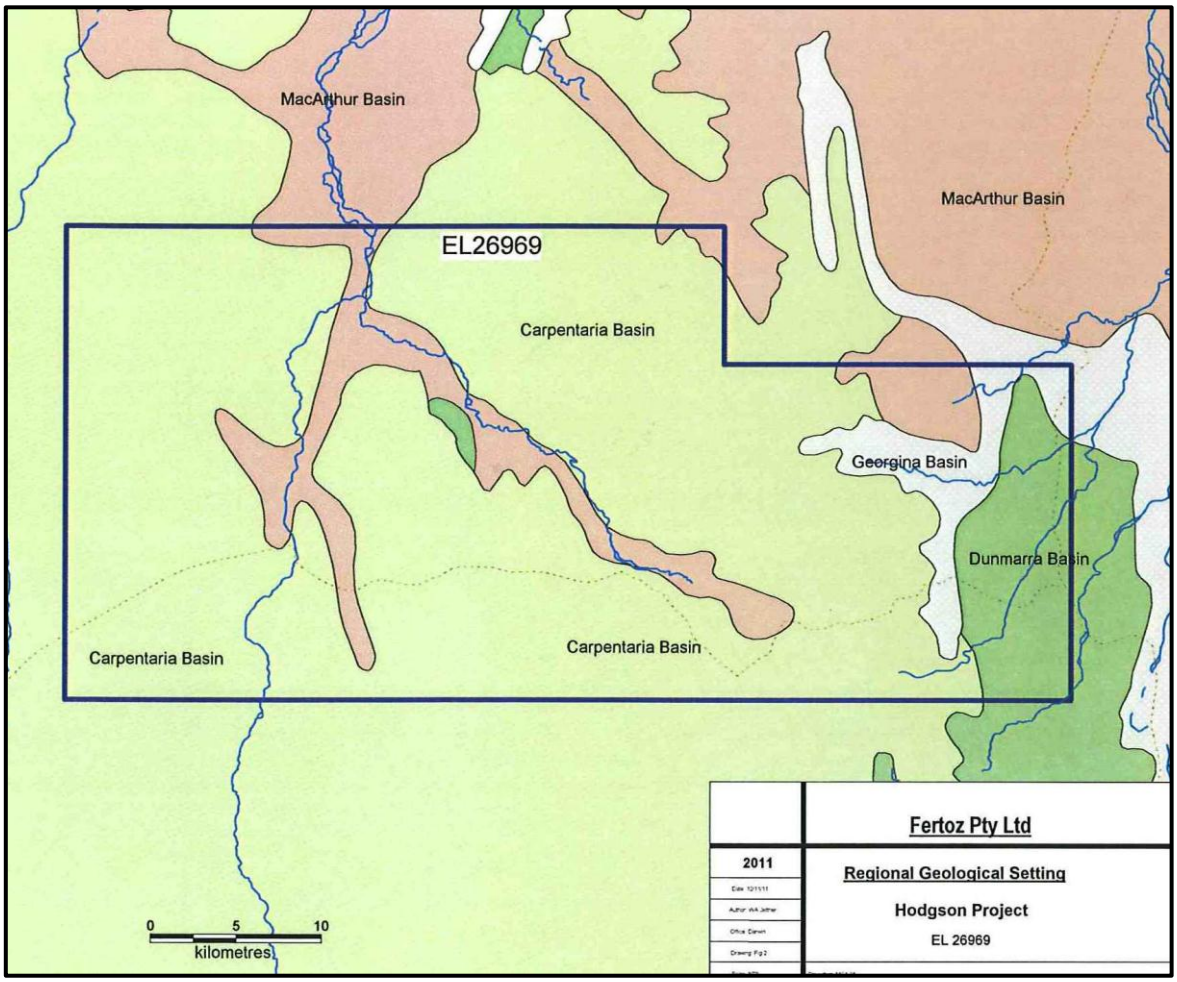

Figure 4. Regional Geological Setting

7. LICENCE GEOLOGY

The outcrop geology of EL 26969 consists of Cretaceous sediments of the Carpentaria Basin which are overlain by Cainozoic clay rich soils.

The surface soils and Cretaceous sediments are incised by the northerly flowing drainage lines of Maryfield Creek and the Strangways River which join in the licence area. The eastern part of the licence is drained by Kempsey and Crocodile Creeks which flow into the Hodgson River to the northeast of the licence.

The Cretaceous sediments consist of mudstones and shales that cover portions of the Carpentaria, McArthur and Georgina Basins.

The underlying sedimentary basins have a complex relationship with each other and are masked by widespread Territory-wide events such as the deposition of the Cretaceous sediments and the widespread Phanerozoic volcanism of the Kalkarindji event.

The flood basalts on the Kalkarindji event outcrop in the centre of the licence and along its eastern edge. These are being examined in other areas of the Northern Territory for Norlisk-style nickel deposits.

The basalts are underlain by the Proterozoic Bukalara Sandstone which consist of conglomerate, sandstone and mudstone.

The Bukalara sandstone is underlain by the sandstones and shales of the Roper group which extend to the east into the MacArthur Basin.

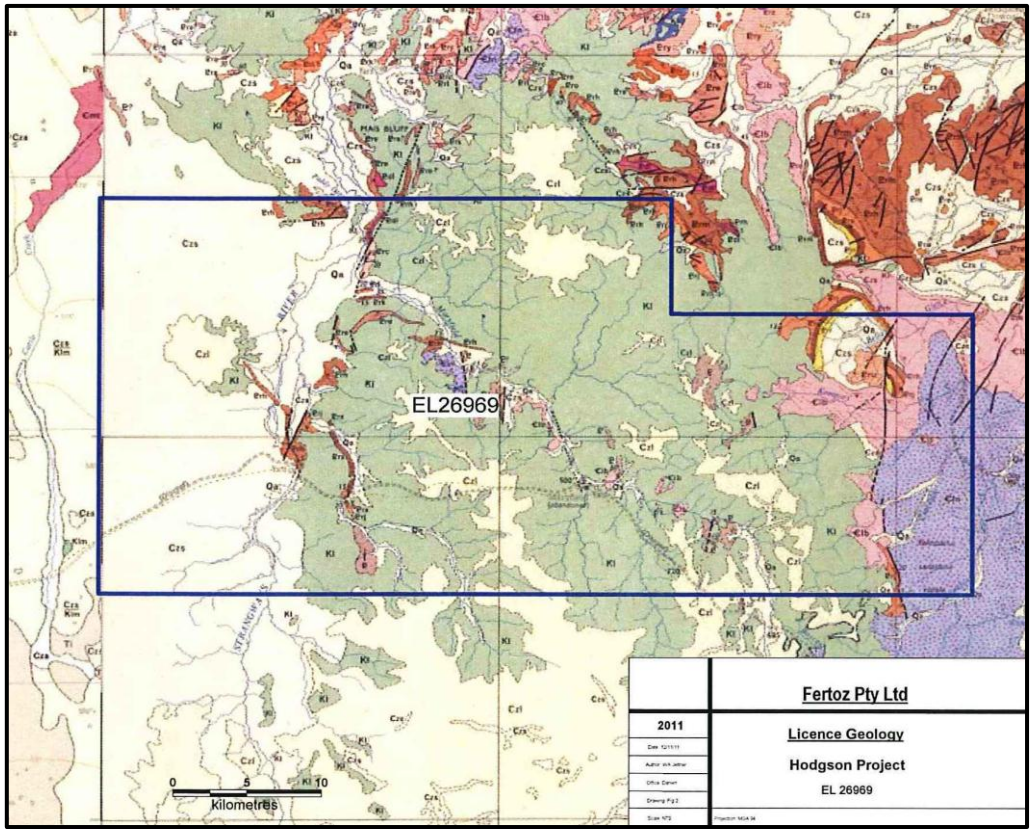

Figure 5. Licence Geology

8. PREVIOUS EXPLORATION

The area covered by EL 26969 has been predominantly explored for diamond in recent times.
Ashton Mining explored EL 3361 in 1982/83 as part of a JV arrangement with Aberfoyle. Stockdale Exploration also explored for diamonds from 1984 through to 1992.
There are a lot of kimberlitic minerals that are scattered through out the drainage systems of the area and this has led to the repeated examination of the area to try to locate the source of the indicators. There has been some debate as to the source of these indicators, whether they are in fact kimberlitic or not, but the proof must be the effort and expenditure of the various explorers on their programs in the area.
Normandy/Poseidon Exploration also examined the area for base metals as part of their regional Velkerri Project which targeted shale hosted PB-Zn mineralisation in the Roper Group along the northern margin of the Beetaloo Sub-basin. This project examined a large area extending from the Hodgson Downs region northwest to the Katherine region and was centred on the Beetaloo basin margins, especially where is contained the Mallapunyah Fault, a major northwest trending structural corridor.
Rio Tinto applied for and was granted a large area containing a number of ELs and actively explored between 2003 and 2007, via a JV agreement with Gravity Diamonds, the holder of the Australian licence for the Falcon^{TM} airbourne gradiometer gravity exploration system.
All diamond exploration to this point had focused on the standard diamond exploration techniques, ie acquisition and examination of detailed aeromagnetics for the location of potential diatremes and the collection of gravel samples. The well developed drainages of the Strangways and Hodgson River catchments have exhibited microdiamonds and other indicator minerals (kimberlitic and non-kimberlitic chromites) which indicate a number of geographic sources in the Cretaceous plateau.
Gravity Diamonds flew the area with their equipment and advised of 32 anomalies detected of which 20 were selected for follow-up. These anomalies were examined and sampled where appropriate. Some were also drilled due to the overlying Cretaceous cover but no kimberlites were discovered. Gravity in effect did no further field work on the area after this initial program.
Finching Pty Ltd held ground in the area between 2006 and 2008 and explored for diamonds, but effectively re-examined results generated by other workers.
There has been no exploration in the area for iron ore.

EL 26969

Licence No	Tenure Period	Open File Company Reports	Company
EL 3361	25/05/82 – 24/05/83	CR1983-0059	Aberfoyle Exploration
EL 4479	01/06/84 – 31/05/90	CR1985-0174	Stockdale Prospecting
		CR1986-0212	Stockdale Prospecting
EL 4225	14/06/83 – 13/06/89	CR1984-0248	Wansford Investments
EL 4866	12/02/86 – 09/02/92	CR1986-0212	Stockdale Prospecting
		CR1987-0128	Stockdale Prospecting
EL 6293	01/12/88 – 28/10/92	CR1987-0128	Stockdale Prospecting
		CR 1990-0060	Stockdale Prospecting
		CR1991-0213	Stockdale Prospecting
		CR1991-0329	Stockdale Prospecting
		CR1992-0178	Stockdale Prospecting
		CR1992-0179	Stockdale Prospecting
		CR1993-0252	Stockdale Prospecting

EL 6296	01/12/88 – 28/10/92	CR1987-0128	Stockdale Prospecting
		CR 1990-0060	Stockdale Prospecting
		CR1991-0213	Stockdale Prospecting
		CR1991-0329	Stockdale Prospecting
		CR1992-0178	Stockdale Prospecting
		CR1992-0179	Stockdale Prospecting
		CR1993-0252	Stockdale Prospecting
EL 6300	01/12/88 – 18/02/91	CR1987-0128	Stockdale Prospecting
		CR 1990-0060	Stockdale Prospecting
		CR1991-0213	Stockdale Prospecting
		CR1991-0329	Stockdale Prospecting
		CR1992-0178	Stockdale Prospecting
		CR1992-0179	Stockdale Prospecting
		CR1993-0252	Stockdale Prospecting
EL 8464	20/10/94 – 27/08/97	CR1995-0922	Normandy Exploration
		CR1996-0872	Normandy Exploration
		CR1997-0607	Normandy Exploration
EL 8465	20/10/94 – 27/08/97	CR1995-0922	Normandy Exploration
		CR1996-0872	Normandy Exploration
		CR1997-0607	Normandy Exploration
EL 22343	25/07/02 – 11/07/05	CR2003-0265	Rio Tinto Exploration
		CR2004-0431	Rio Tinto Exploration
		CR2005-0458	Rio Tinto Exploration
EL 22740	09/07/02 – 26/03/07	CR2003-0265	Rio Tinto Exploration
		CR2004-0431	Rio Tinto Exploration
		CR2005-0283	Rio Tinto Exploration
		CR2005-0459	Rio Tinto Exploration
		CR2006-0253	Rio Tinto Exploration
		CR2007-0221	Rio Tinto Exploration
EL 24999	01/08/06 – 24 /07/08	CR2007-0341	Finching Pty Ltd
		CR2008-0580	Finching Pty Ltd
EL 25588	05/03/07 – 01/05/08	CR2008-0404	Finching Pty Ltd
EL 26131	03/03/08 – 24/07/08	CR2008-0582	Finching Pty Ltd

Table 1. Historical Exploration Reports

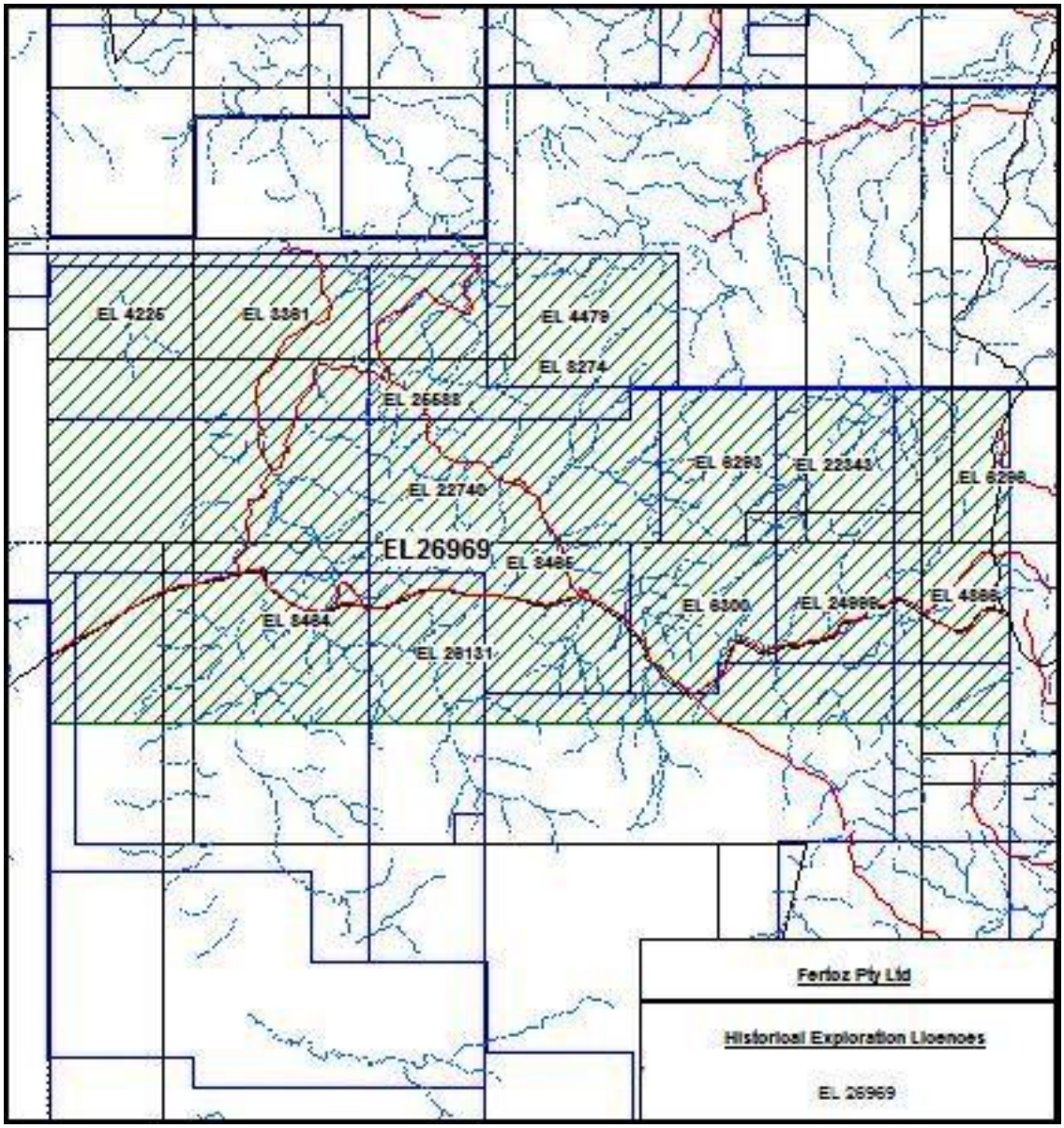

Figure 6. Historical Exploration Licences

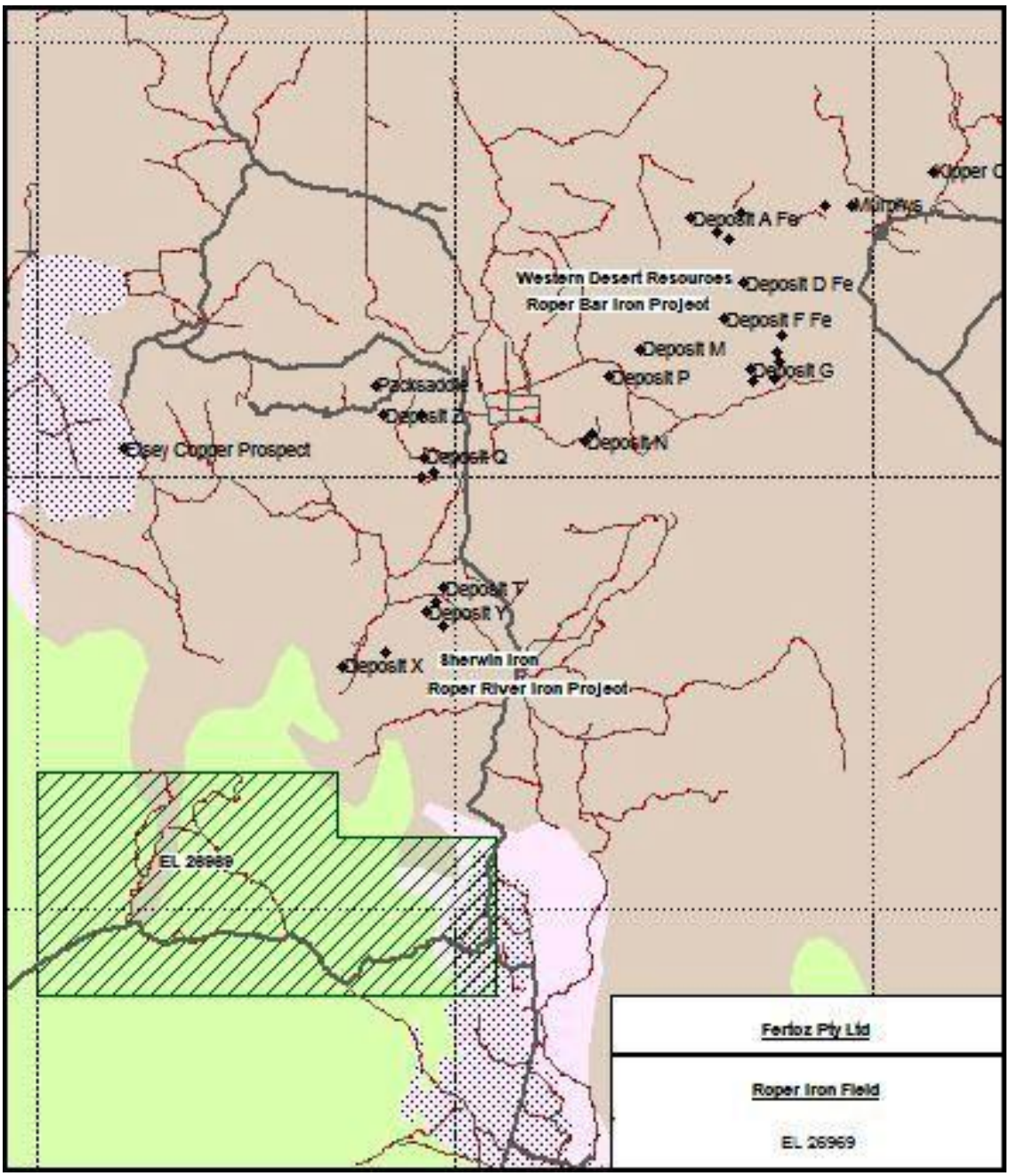

Figure 7. Roper Iron Field

9. WORK DONE IN YEAR 2 (2010 – 2011)

a. Field Work

Year 2

A field program was undertaken to determine the geology of the area. 1:250 000 geological mapping done in the area was the original first generation mapping of the BMR in the early 1960s to produce the Hodgson Downs Mapsheet. During this program a large block of Tindal limestone was located in the central part of the licence approximately 11km long and 4km wide. A number of traverses were undertaken throughout this exposed rock unit and soil and rock chip samples were collected for analysis. A reconnaissance traverse was also undertaken further to the east along the few roads that were accessible here with geology generally being as mapped by the BMR. The area to the far east and north of the licence were inaccessible at the time.

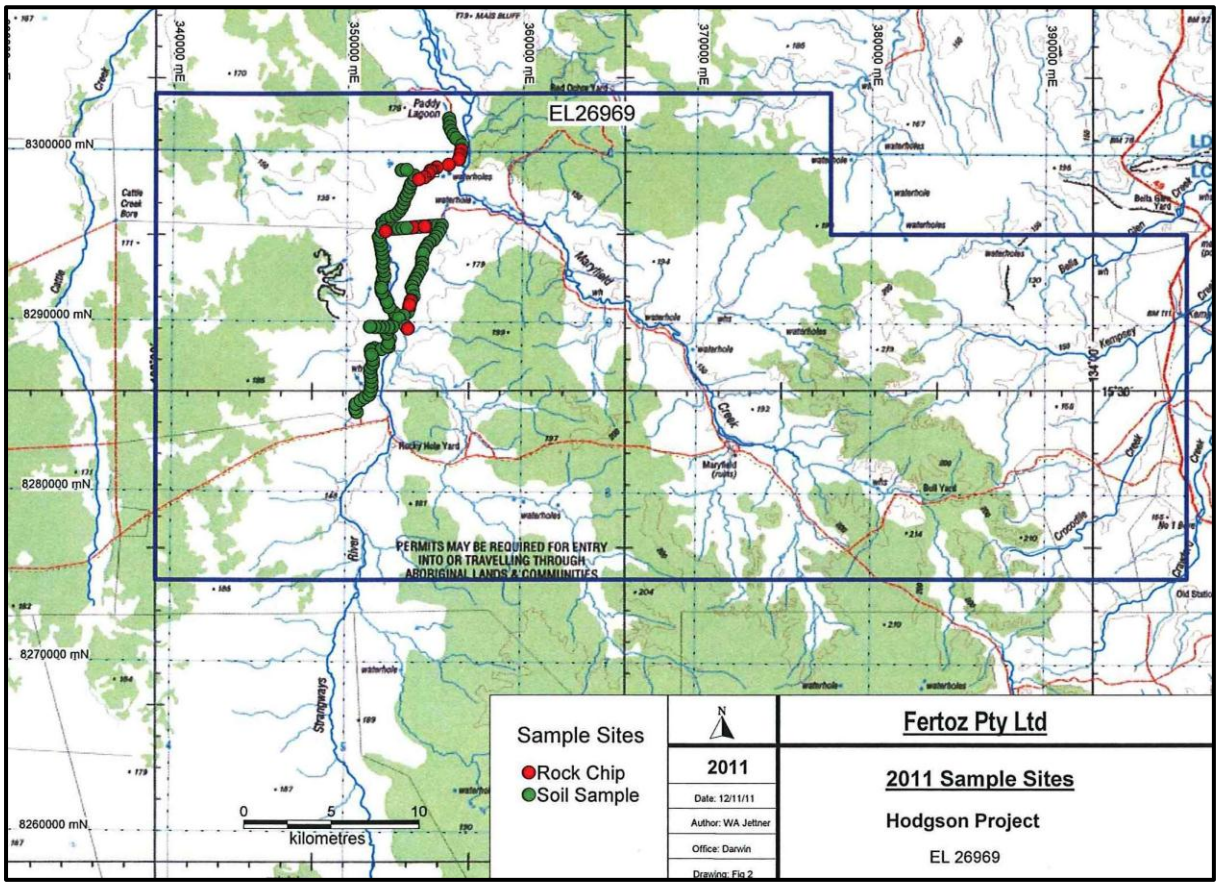

Figure 8. 2011 Sample Sites

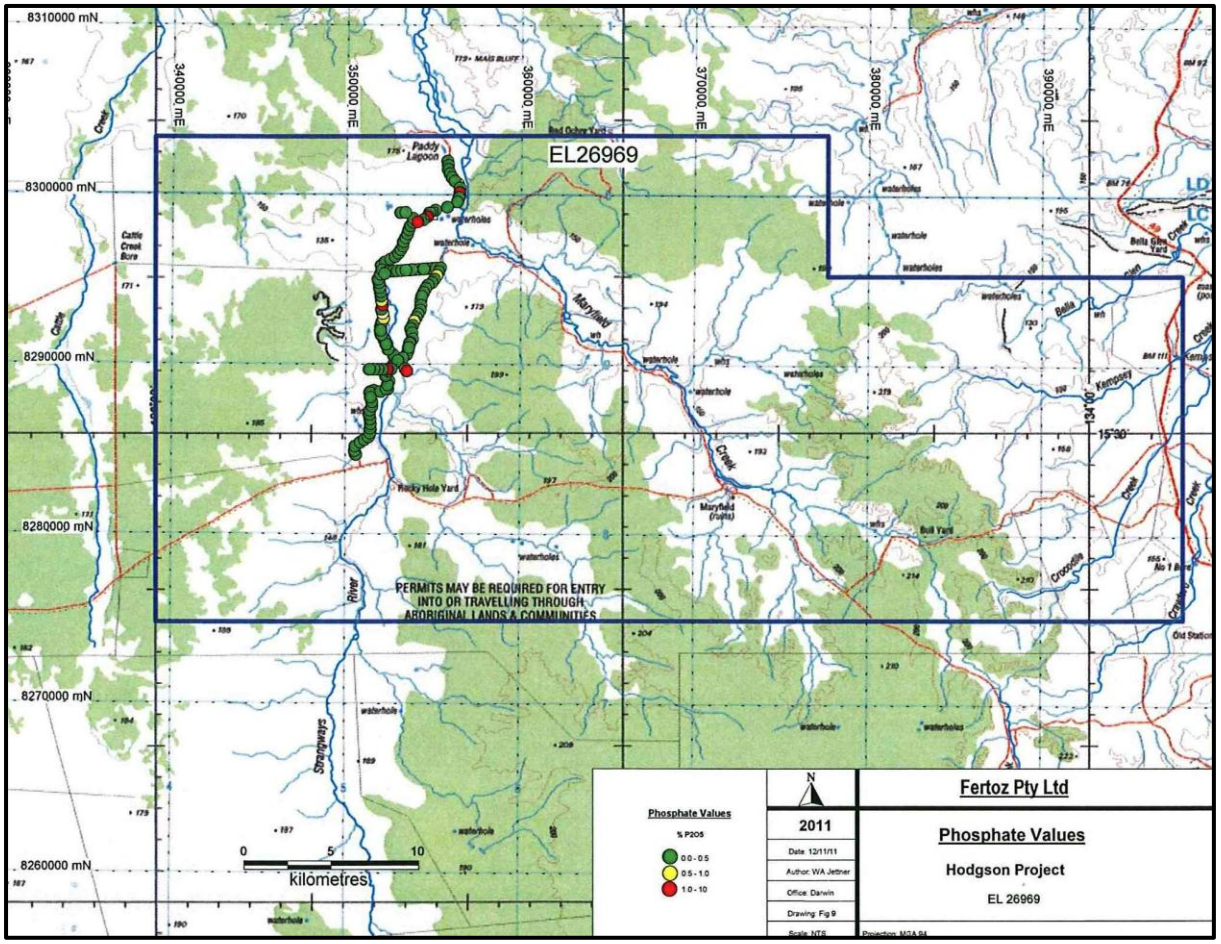

Figure 9. Phosphate Sample Values

Sampling gave a high result of 0.26% P_2O_5 with 8 samples above 0.1%P_2O_5 being collected.
Full sample results are included as Appendix 2 to this report.

b. Desktop Surveys

Year 2

Office work in the second year of tenure consisted of desktop surveys with a field work focus. Primarily they consisted of examining maps both geological and infrastructure based to determine the target and the best possible route to get there. Exploration models previously used were modified to suit the geology and infrastructure needs of this particular EL.

c. Exploration Targeting

Iron – Iron exploration would be carried out in those areas of Proterozoic outcrop seeking outcrops of the Sherwin Iron Formation. A subtle magnetic signature may be the geophysical signature if there is one and this may help to see through the outcropping cretaceous sediments.

Phosphate - It has been demonstrated that phosphorite deposits are usually to be found in restricted basin margins and exhibit a subtle radiometric signature associated with the replacement of Ca in the phosphate lattice by Uranium. Palaeo-geographic basin margins, or basin shorelines in the

Cambrian represent the primary targets. The Georgina Basin outcrops in the licence area are restricted to the eastern edge of the licence and this area will be examined for phosphorite.

d. Prospect Generation

Prospect generation in the licence area will depend of the remote sensing data that is able to be acquired. It is this methodology that will allow large areas to be efficiently examined as a first pass method. The above exploration model will be tested out in a number of different environments and positions around the Georgina and other basins in the Northern Territory by Fertoz over the next few years.
The areas of erosion through the Cretaceous sediments will be examined for iron, nickel and base metals using standard geochemical exploration techniques.
At the present time there have been no targets generated by current exploration.

The picture below shows that this exploration licence is still in the area seen as being prospective for phosphate exploration by the geologists of the Northern Territory Geological Survey.

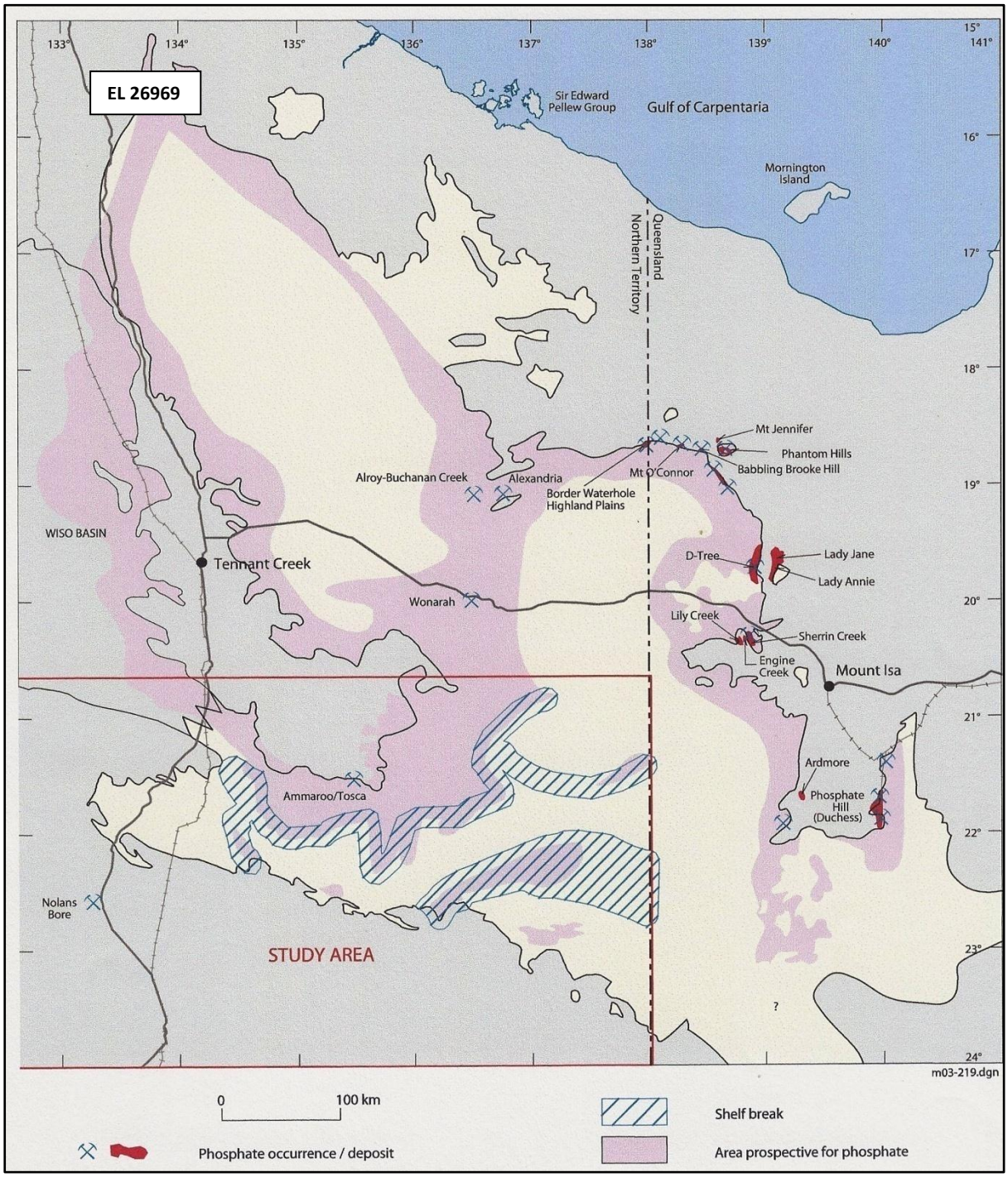

Figure 8. Georgina Basin Phosphate Prospectivity (Dunster JN,Kruse PD, *et al*.)

10. PROPOSED WORK PROGRAM FOR YEAR 3 (2011 – 2012)

The proposed work program for the third year of tenure (2011-2012) will consist of the following:

Interpretation of publicly available geophysical data.

Field follow-up of targets generated by the geophysical interpretation

Preparation of the third annual report

11. EXPENDITURE COVENANTS

a. Expenditure Report for Year 2 (2010 – 2011)

The expenditure report for Year 2 (2010 – 2011) is included as Appendix 1 to this annual report.

b. Proposed Expenditure for Year 3 (2011 – 2012)

The proposed expenditure for Year 3 is as follows:

Interpretation of geophysical data	$100,000
Field follow-up of geophysical data	$145,000
Annual report preparation	$ 5,000
Total Proposed Expenditure	**$250,000**

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