

PACE DISCOVERY DRILLING 2016 FINAL REPORT

**Red Range Project – DPY9-31
Flinders Ranges, South Australia**

PERILYA LIMITED – EXPLORATION



Licence No:	EL 5367
Tenement Group Name:	Copley ACO JV
Licence Holder:	Perilya Freehold Mining Pty Ltd (85%) Australian Coloured Oxides Pty Ltd (15%)
Operator/Manager:	Perilya Freehold Mining Pty Ltd (ABN 85 009 135 695)

Prepared By:



Dean Rogers, P.Geo., MAIG
Regional Exploration Manager
Perilya Limited

Date: 04 April 2017

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
1. INTRODUCTION	4
2. LOCATION, ACCESS & TENURE	5
3. GEOLOGY AND MINERALIZATION	5
Regional Geology	5
Local Geology	5
Mineralization	6
4. HISTORIC EXPLORATION	7
Previous Companies	7
Perilya	7
5. TOPOGRAPHY AND ENVIRONMENT	8
Landform and Topography	8
Flora & Fauna	9
6. STAKEHOLDER CONSULTATION	10
Pastoral / Landowner	11
Aboriginal Heritage	11
Other Values	12
Permitting	12
7. 2016 DRILLING PROGRAM	12
Exploration Model & Targeting	12
Program Logistics, Execution & Timing	13
Drilling Results	14
Geochemistry & Mineralization	16
8. REHABILITATION AND RECLAMATION	18
9. EXPENDITURES	20
10. CONCLUSIONS	20
11. FUTURE PROPOSED WORK	21
12. REFERENCES	21

List of Figures

Figure 1 – EL5367 & Red Range Project Location (MGA 94).....	4
Figure 2 – Regional Geology (a) and Local Geology of the Red Range Prospect Area (b)	6
Figure 3 – Red Range pXRF Soil Pb+Zn (A) and Rock Chip Cd (B) w/ Historic Drilling	8
Figure 4 – Red Range Landforms and Physiography	9
Figure 5 – Red Range Flora and Fauna Summary.....	10
Figure 6 – Red Range Area Stakeholder and Other Values	11
Figure 7 – Red Range 2016 RC Drillhole Locations	14
Figure 8 – Northern Drill Pad Section - RRC003 & RRC004 (6582160mN).....	15
Figure 9 – Central Drill Pad Section - RRC005 & RRC006 (6581000mN).....	15
Figure 10 – Southern Drill Pad Section - RRC007 & RRC008 (6579780mN).....	16
Figure 11 – Drill Site Rehabilitation Photos.....	19

List of Tables

Table 1 – Red Range Dominant Flora and Fauna Species.....	10
Table 2 – Red Range Targeted Anomaly Summary	13
Table 3 – Red Range RC Drilling Summary (MGA94)	14
Table 4 – Red Range RC Drilling Assay Results	17
Table 5 – Red Range RC Drilling Direct Cost Summary	20

Appendices

DPY9-31 PACE 2016 Red Range_01_Report.pdf
DPY9-31 PACE 2016 Red Range_02_Expenditures.pdf
DPY9-31 PACE 2016 Red Range_03_DrillLogs.pdf
DPY9-31 PACE 2016 Red Range_04_DHcollars.txt
DPY9-31 PACE 2016 Red Range_05_DHsurvey.txt
DPY9-31 PACE 2016 Red Range_06_DHgeology.txt
DPY9-31 PACE 2016 Red Range_07_DHXRF.txt
DPY9-31 PACE 2016 Red Range_08_DHassays.txt
DPY9-31 PACE 2016 Red Range_09_RockLegend.pdf
DPY9-31 PACE 2016 Red Range_10_Filelist.txt

EXECUTIVE SUMMARY

This report covers planning, execution, results and rehabilitation activities relating to a program of Reverse Circulation (RC) drilling undertaken by Perilya on EL5367 at the Red Range prospect in August-September 2016. As part of the greater North Flinders project area, the work was aimed at evaluating the target for potentially economic Beltana style zinc silicate mineralization. An application for funding under the SA Department of State Development's PACE Discovery Drilling 2016 program was submitted on 29 April 2016 with approval of the proposal received from the Department on 12 August 2016. A Program of Environmental Protection and Rehabilitation (PEPR) application covering the work was submitted in May 2016 with approval received on 14 June.

Drilling commenced in August 2016 and saw the completion of 494m of RC drilling in 6 holes from three separate drill pad areas. Drilling targeted pXRF base metal soil anomalism and multielement trace element anomalies as identified from earlier work on the target area in 2013-2015. No mineralization considered to be of economic significance was intersected by the drilling. Results returned were similar to observations from surface exposures consisting of broad zones of anomalous zinc (+/- lead) enrichment within Cambrian aged Woodendinna dolomite and Parachilna Fm. The best analytical results were returned from the Central drill pad (drillholes RRC005 & RRC006) which intersected wide (>50m) intervals of 1,000-10,000ppm Zn from pXRF data. The highest assay results were returned from RRC005 (1.14% Zn over 1m @ 19m downhole) and RRC008 (1.52% Zn over 1m @ 37m downhole). Rehabilitation of the drill sites and access tracks was completed in late 2016 and early 2017 however continued monitoring will be undertaken to evaluate natural revegetation and potential increased erosion due to the surface disturbances.

Direct drilling and analytical costs for the program totalled \$71,216.09 with 50% (\$35,608.05) eligible for reimbursement under the PACE Discovery Drilling 2016 program. As per the terms of Grant Agreement DPY9-31 however, a maximum of \$30,000 is available for rebate from the program.

Work in 2016 has significantly downgraded the prospectivity of the Red Range area however the potential for economic mineralization occurring along the ~6km strike length of the target area cannot completely be discounted given the ~1km spacing between drilling sections. Future work will include major and trace element analysis of selected samples from the 2016 program as well as detailed geological and structural mapping along the southernmost target area.

1. INTRODUCTION

This report covers planning, execution, results and rehabilitation activities relating to a program of Reverse Circulation (RC) drilling undertaken by Perilya on EL5367 at the Red Range prospect in August-September 2016. As part of the greater North Flinders project area, the work was aimed at evaluating the target for potentially economic zinc silicate mineralization similar to that at the Beltana minesite approximately 25km to the north. An application for funding under the SA Department of State Development's PACE Discovery Drilling 2016 program was submitted on 29 April 2016 with tentative approval of the proposal received from the Department on 12 August 2016. Planning and a PEPR work approval application were initiated in mid May with drilling undertaken between 23 August and 08 September. In all, a total of 6 holes totalling 494m were completed from three separate drill pads. Progressive and final rehabilitation of the sites was completed in early 2017.

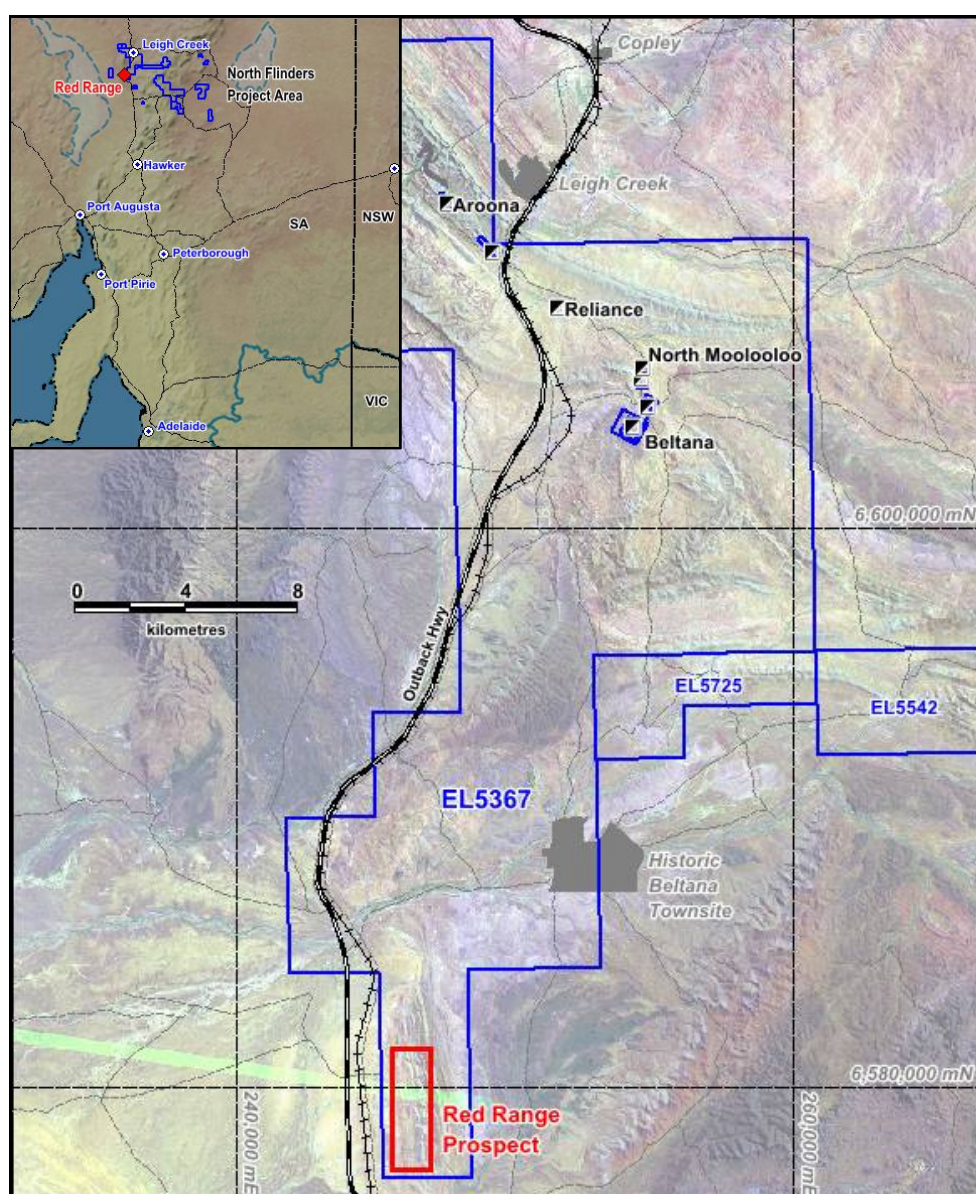


Figure 1 – EL5367 & Red Range Project Location (MGA 94)

2. LOCATION, ACCESS & TENURE

The project area is located 480km north of Adelaide near the town of Leigh Creek, SA (Figure 1). The Red Range target area itself occurs 2km east of the Outback Hwy (Flinders Ranges Way), approximately 35km south of Leigh Creek. The Leigh Creek Railway parallels the highway through the project area and provides direct access to shipping facilities in Port Augusta and Port Pirie. Access to the Red Range prospect is via a series of station tracks off of the main highway as well as the service road along the railway. A well established station track runs north-south directly through the prospect area providing relatively easy access to most parts of the property.

The Red Range prospect occurs with Exploration Licence EL5367. Originally granted as EL2524 to Australian Coloured Oxides Pty Ltd (ACO) on 25 June 1998 over an area of ~513km², the licence has had several replacement tenements issued including EL3111 (2003), EL4211 (2008) and finally the current EL5367 issued in 2013 and having an expiry date of 23 November 2018. Relinquishments totalling 97km² have been undertaken since the original grant of EL2524 with the current tenement area of EL5367 at approximately 416km².

A joint venture agreement was signed between Australian Coloured Oxides Pty Ltd and Perilya Mines NL (Now Perilya Freehold Mining Pty Ltd, "Perilya") on 31 January 2000 with Perilya assuming management of the licence. Perilya currently holds an 85% registered interest in the tenement with the remaining 15% in favour of ACO. Excluded from the licence area are 4 ML's and 3 RL's which are 100% Perilya owned, being acquired through a separate agreement with the former Pasminco Limited.

3. GEOLOGY AND MINERALIZATION

Regional Geology

The North Flinders project area is located within the Arrowie Basin (Figure 2a) which consists of an Early to Middle Cambrian succession overlying Neoproterozoic rocks of the northern Adelaide Geosyncline (Groves et al, 2003). The Arrowie Basin margins are defined by regional northwest and northeast basement structures which were present at the onset of Neoproterozoic sedimentation and controlled the sedimentation thickness distribution within the basin. During the Delamerian Orogeny (~500 ma) these northwest and northeast structures were reactivated as thrust faults during regional north-south shortening. The shortening caused zones of extension along existing north-south structures close to the basin margin providing a locus for mineralisation.

Stratigraphy within the basin area consists of basement Neoproterozoic aged siliclastic rocks of the Wilpena Group. These are unconformably overlain by predominantly carbonate sequence of rocks of the Hawker Group, consisting of the basal Parachilna Fm and progressing upwards through the Woodendina dolomite and Wilkawillina limestone. Younger, clastic dominated units of the Billy Creek and Moodlantana formations are exposed only in the far northwestern portions of the basin. Large bodies of Proterozoic aged Callana breccia often occur near the contact between Proterozoic and Cambrian rocks and are spatially associated with several mineralized areas. The bodies appear to be diapiric in origin or otherwise structurally emplaced.

Local Geology

The area of the Red Range prospect occurs on the far western margin of the Arrowie basin before bedrock dips below significant thicknesses of Quaternary sediments to the west. The local geology consists of a thin, fault emplaced wedge of Cambrian stratigraphy juxtaposed against Proterozoic-aged sandstones by a series of north-south trending fault structures (Figure 2b). Although regional mapping indicates primarily Ajax Limestones overlying Parachilna Fm sandstones in the area, recent rock chip sampling has identified Woodendinna Dolomite along the length of the target area, the unit known to host mineralization at both the Aroona and North Moolooloo deposit areas. Lacking from the local geology is any significant thickness of Callana

Gp breccias however several of the known deposits, including the Reliance and Aroona II deposits have no spatial association with Callana Gp breccias.

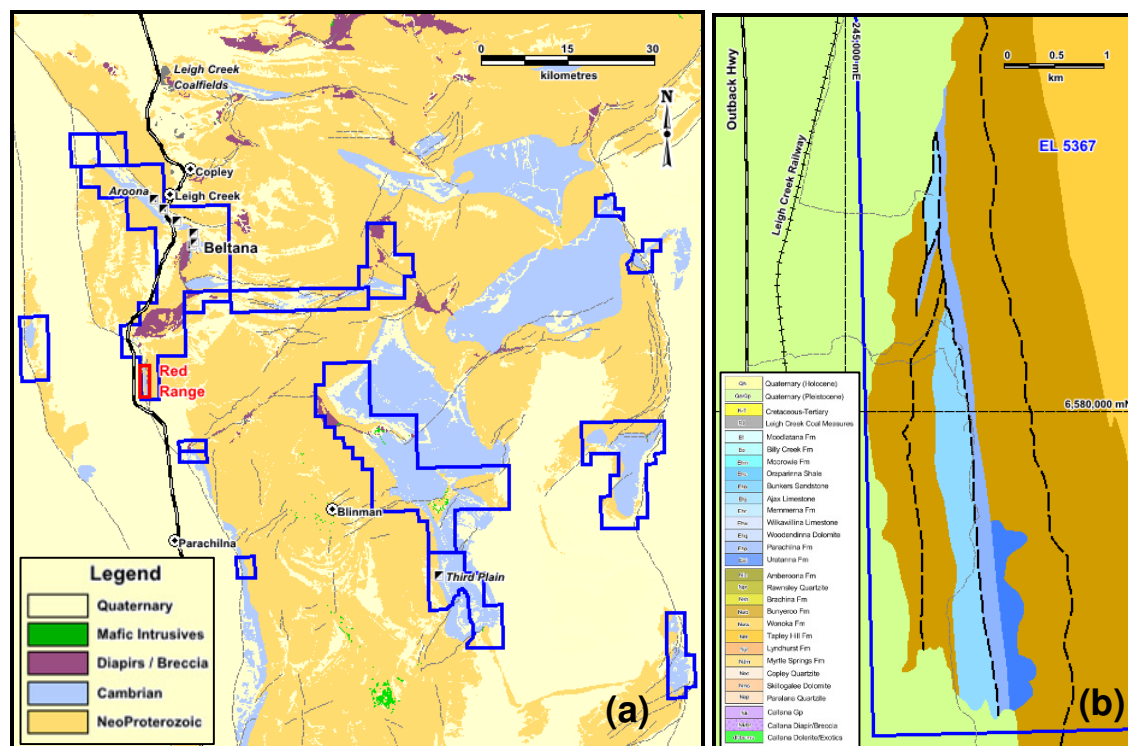


Figure 2 – Regional Geology (a) and Local Geology of the Red Range Prospect Area (b)

Mineralization

Significant zinc silicate mineralisation exists within the carbonate sequences of the Early Cambrian Hawker Group, mostly within the lower Wilkawillina Limestone and Woodendinna Dolomite. Mineralisation is most abundant on the margins of the basin where the stratigraphy thins near major regional structures (i.e. the Norwest Fault). The Beltana–Aroona trend is located in such a setting and is characterised by complexly deformed carbonate sequences hosting primarily willemite (zinc silicate) mineralisation. The trend is host to numerous zinc silicate deposits including the larger Beltana and Aroona deposits as well as the smaller Reliance and North Moolooloo deposits. Zinc silicate mineralization however is known to occur throughout the basin including the Third Plain deposit in the southern map area (Figure 2a). Hematitic dolomite alteration and brecciation of the host limestone occurs around the mineralization. The Beltana area deposits are among the highest-grade zinc deposits in the world with their combined pre-mining resource of approximately 1.5 Mt @ 33% Zn and 2% Pb. Controversy over the genesis of these deposits focuses on two opposing theories: supergene willemite formed by enrichment of sulphide mineralization and hypogene willemite. While the latter model is preferred, supergene processes also clearly affect the hypogene ore. All willemite deposits in the area are however sulphur poor, containing virtually no sulphides, nor even relict sulphide textures.

4. HISTORIC EXPLORATION

Previous Companies

The target area has seen limited historic work. The earliest signs of exploration are several undocumented, shallow pits excavated into surface malachite (copper) occurrences within the Parachilna Fm. Such oxidized copper zones are ubiquitous within the Parachilna Fm and occur throughout the region.

Government initiated work in the North Flinders project area has included detailed mapping programs as well as broad spaced regional airborne magnetic and gravity surveys. Most recently a TEMPEST airborne electromagnetic survey was completed in 2010 however no flight lines from the survey occurred over the Red Range prospect area.

The most significant program of exploration in the area was by Carpentaria Exploration Company (CEC) between 1967-1971 on then Special Mining Lease SML170 which covered the entirety of the Red Range target area and extended northward towards the Beltana Diapir approximately 4km to the north. CEC completed regional stream sediment and soil sampling programs over the area defining a broad low-level soil anomaly along the target area. Two percussion drill holes were completed in late 1969 although neither was completed to targeted depth due to difficult drilling conditions (Figure 3). Drill hole RRN-1 (33.5m) intersected elevated base metals (up to 1.2% Zn & 0.5% Pb) within dolomitic rocks while RRS-1 (32.0m) returned slightly lower values of up to 0.5% Zn & 0.1% Pb. No further work was recommended on the area.

Work in the area was also undertaken by Bridge Minerals on EL118 from 1973-1975 although the primary target was supergene copper mineralization to complement their operations at the "Mountain of Light" copper mine near Copley. Initial field investigations suggested potential for sulphide mineralization associated with the surface gossans however no additional work was completed

Perilya

Work by Perilya on the Red Range target began in mid 2000 with the completion of mapping and rock chip sampling over the historic copper workings in the area. A regional, conventional soil sampling program (892 samples) was completed during 2000-2001 which defined 2 prominent anomalies in the central portion of the target area. RC drilling of two holes, RRC1 (110m) & RRC2 (159m) was then undertaken in early 2003 to test the southern, stronger multi-element anomaly (Zn+Pb+Cu) defined by the soil surveying program. Both holes, drilled approximately 100m to the south of RRS-1 displayed similar results, returning maximum values of up to 0.68% Zn, 0.67% Pb and 0.23% Cu.

No further work was completed in the Red Range area until regional reconnaissance programs were initiated on the project area in 2013. The prospect was identified as a high priority for follow-up given the geological setting and previously defined surface anomalies. During 2014-2015 an extensive pXRF soil surveying program was completed over the target area with approximately 2,160 readings taken on 100m spaced lines. An additional 126 rock chip samples were also collected and submitted for major and trace element analysis. Results of detailed studies on the geochemical signature of the recently discovered North Moolooloo deposit (214kt @ 34.4% Zn) were then applied to the geochemical data. At North Moolooloo a distinct, >2,000ppm Zn pXRF soil anomaly defines the deposit area and studies of trace elements from rock chip samples taken from the surrounding area have defined anomalies in multiple elements (As, Cd, Mn, Sb, Se & V) extending up to 400m away from the deposit itself compared to 'unaltered' host carbonate rocks. Based on these criteria the geochemical data from Red Range defined four discrete anomalies along the prospective contact area including that previously tested by drilling in 2003 (A-D, Figure 3). Note that for clarity XRF Pb+Zn values of <2,000ppm have been omitted from Figure 3A and Cd < 2x background have been omitted from Figure 3B.

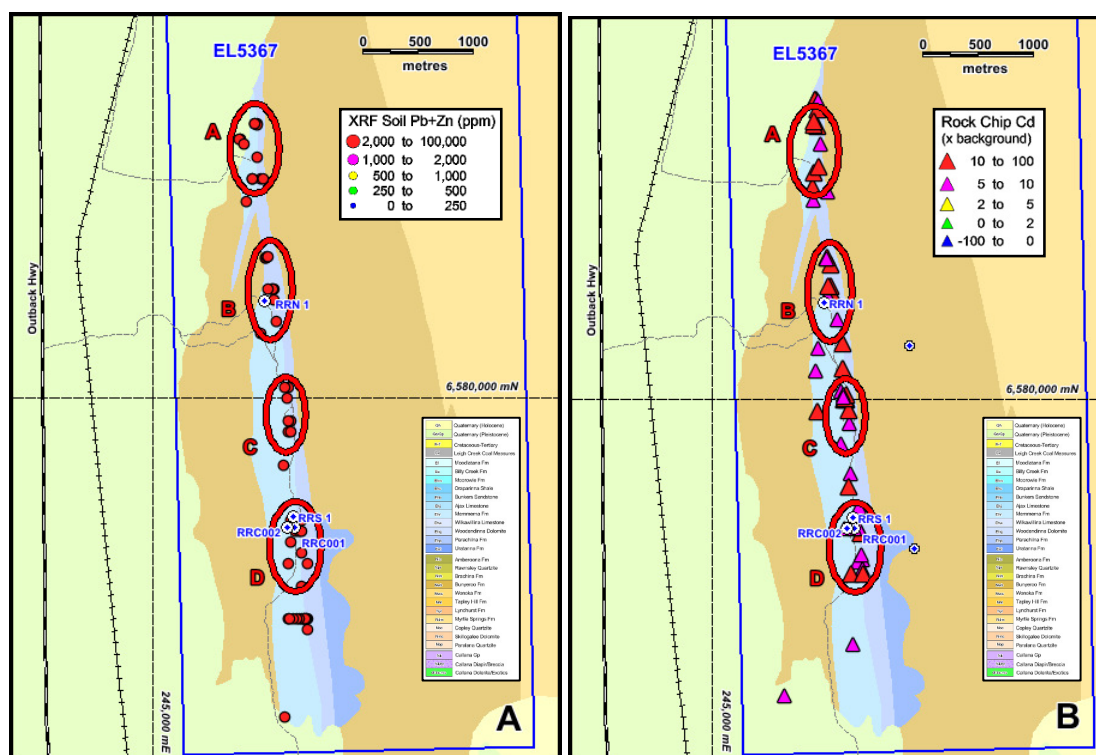


Figure 3 – Red Range pXRF Soil Pb+Zn (A) and Rock Chip Cd (B) w/ Historic Drilling

5. TOPOGRAPHY AND ENVIRONMENT

Landform and Topography

The Red Range area is located approximately 1.8km northwest of Beltana Hill in the western foothills of the Flinders Ranges in what is referred to as the Stirrup Iron Hills. Topography consists of moderately undulating relief and low hills of 20-40m elevation above the surrounding Torrens Plains elevation of ~160msl. Slopes are cut by small gullies and ephemeral creeks. Much of the area consists of rocky outcrops with thin stony soil cover. To the west topography flattens considerably where it is covered by Quaternary alluvial and colluvial deposits. The EPBC Protected Matters website characterizes the land as South Australia Arid Lands.

In a biological survey report by Brandle (1998) covering the North West Flinders Ranges area, dominant landforms were characterized as 1) Rocky hills, outcrops and ranges, 2) clay plains and hill slopes, 3) wetlands (including creeks, flood plains lakes and springs) and 4) sandy desert. All four of these types are present in the general project area with the specific drilling occurring within 2) clay plains and hill slopes.

The physiography and infrastructure of the project area is summarized in Figure 4. Drainage patterns in the area are dominantly east-west with the work area occurring between two major drainage channels, the Warioota Creek to the north and the Breakfast Time Creek to the south which are fed by 2nd and 3rd order ephemeral creek and gullies.

Soil and surface cover data is not available on the Location SA web-based viewer with detailed soil mapping data ending just south of Hawker, SA and therefore a combination of other sources was therefore consulted with regard to soil information. 100,000 scale regolith mapping indicates the area is dominated by fresh to moderately weathered bedrock (Material Code: SFM) and data from the Australian Soil Resource Information System (ASRIS) website indicates the area is

dominated by sandy loam soil types. This is repeated in several vegetative and landform reports regarding the general North Flinders area. In the area of the proposed drill pads, soil is characterized by reddish, loose, rocky/gibber calcareous soil developed on Cambrian limestone and dolomite. Photographs of the proposed drill sites in Section 8 of this report provide excellent representation of the surface cover in the area.

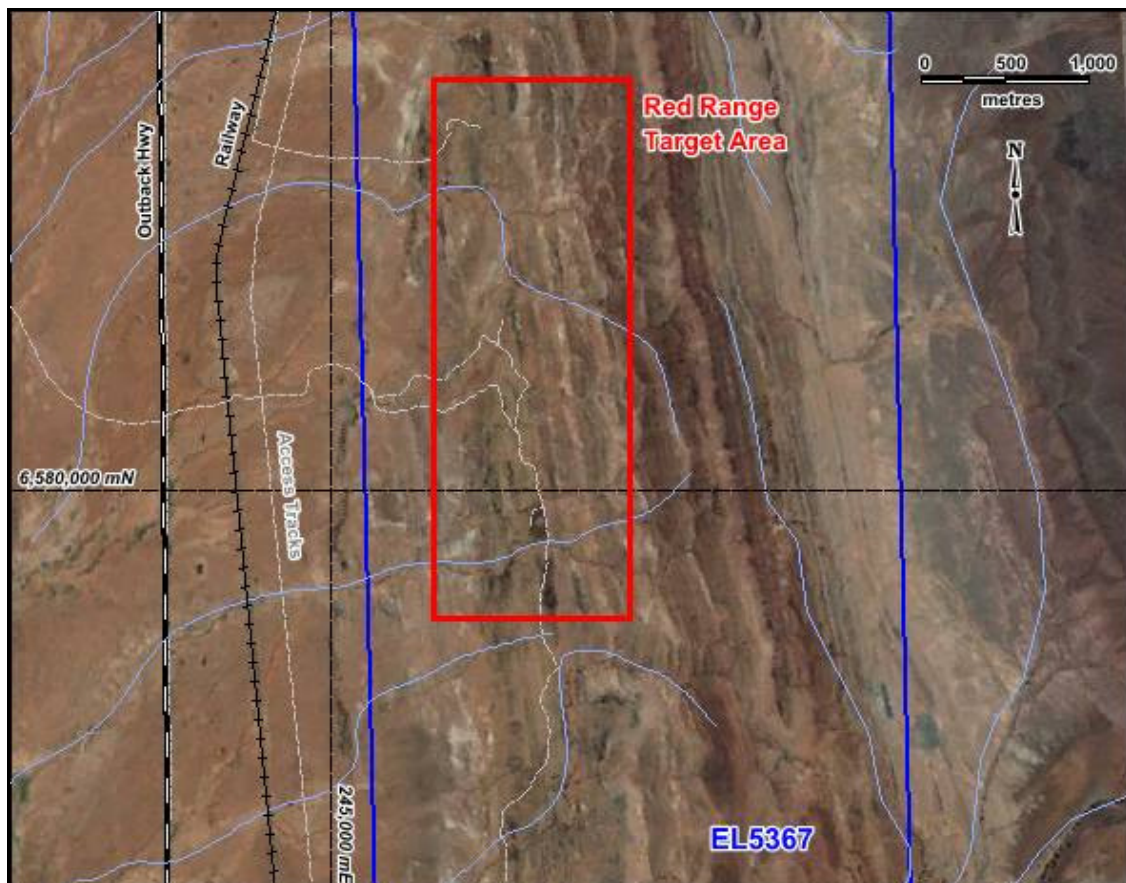


Figure 4 – Red Range Landforms and Physiography

Flora & Fauna

The Red Range project area is located primarily in the Chenopod Shrubland vegetation group but near the transition to Acacia Woodland to the east (Figure 5). A flora monitoring site (BEL1609) occurs approximately 6km south of the survey area. Observations at the site included 24 native and 8 introduced species. Dominant vegetation included *Maireana astrotricha* (Low Bluebush) above ground level *Carrichtera annua* (Wards Weed), *Brassica tournefortii* (Wild Turnip) and *Austrostipa nitida* (Spear Grass). As referenced from the SA Nature website several occurrences of invasive Buffel Grass were identified, all of which however were located along the highway to the west of the project area. A search of fauna species sitings in the project area was completed using the Atlas of Living Australia, the SANature web viewer as well as the report of Bandle (1998). Dominant mammals included Gray and Red Kangaroos as well as feral species (goats/donkeys). Small lizards were the most common reptiles with Emus and Wedge-tailed Eagles being the dominant birds.

A compilation of these results, along with dominant flora and fauna species is provided in Table 1 below.

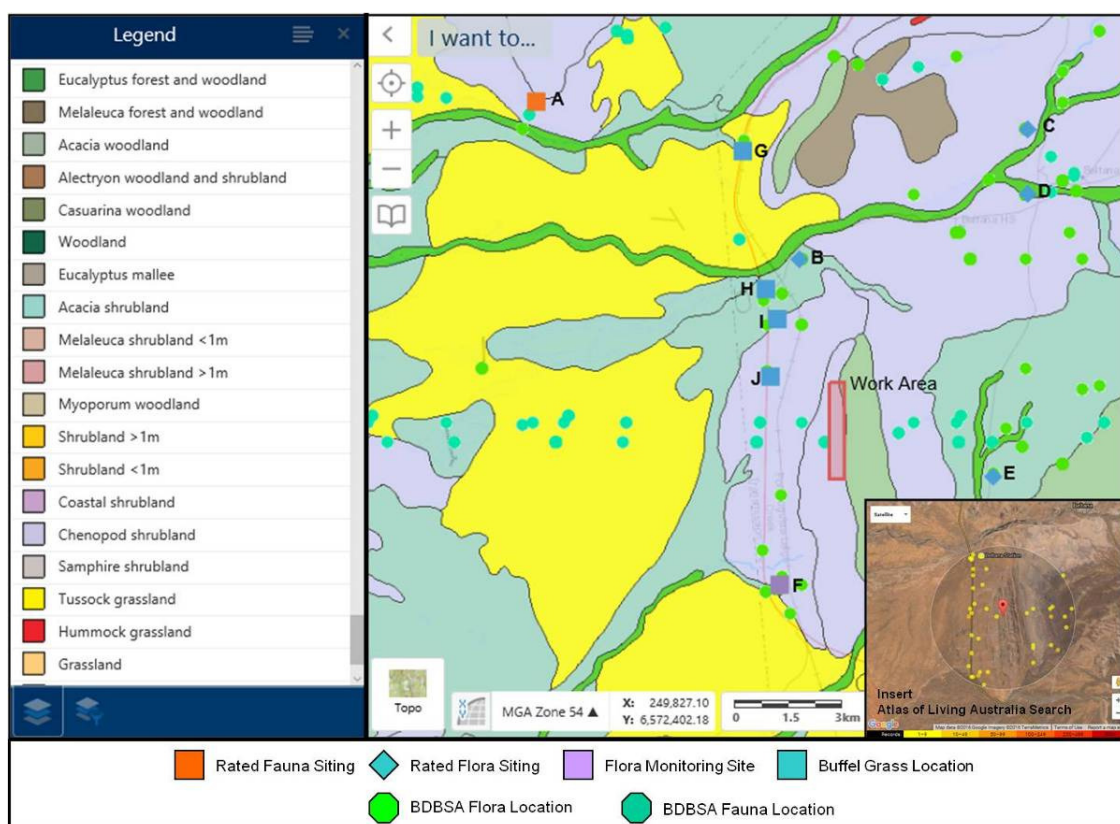


Figure 5 – Red Range Flora and Fauna Summary

Flora	Mammals	Reptiles	Birds
Atriplex vesicaria (Bladder Saltbush)	Macropus rufus (Red Kangaroo)	Ctenophorus nuchalis (Central Netted Dragon)	Dromanius novaehollandiae (Emu)
Ptilotus obovatus (Silver Mulla Mulla)	Macropus giganteus (Eastern Gray Kangaroo)	Diplodactylus byrnei (Pink-blotched Gecko)	Aquila audax (Wedge-tailed Eagle)
Enchylaena tomentosa (Ruby Saltbush)	Macropus robustus (Eastern Wallaroo)	Gehyra variegata (Tree Dteila)	Eolophus roseicapillus (Gallah)
Rhagodia spinescens (Spiny Saltbush)	Capra Hicus (Feral Goat)	Tiliqua rugosa (Sleepy Lizard)	
Solanum ellipticum (Velvet Potato Bush)	Equus asinus (Feral Donkey)	Cryptoblepharus plagiocephalus (Desert Wall Skink)	
Acacia victoriae (Elegant Wattle)	Sminthopsis macroura (Stripe-faced Dunnart)	Pogona vitticeps (Central Bearded Dragon)	
Maireana pyramidata (Black Bluebush)	Pseudomys bolami (Bolam's Mouse)	Varanus gouldii (Sand Goanna)	
Sida petrophila (Rock Sida)			
Eremophila freelingii (Rock Fuchsia)			

Table 1 – Red Range Dominant Flora and Fauna Species

6. STAKEHOLDER CONSULTATION

Figure 6 below illustrates the location of existing land-use, aboriginal heritage and other areas of significant in the Red Range prospect area. Discussion of these values are presented below.

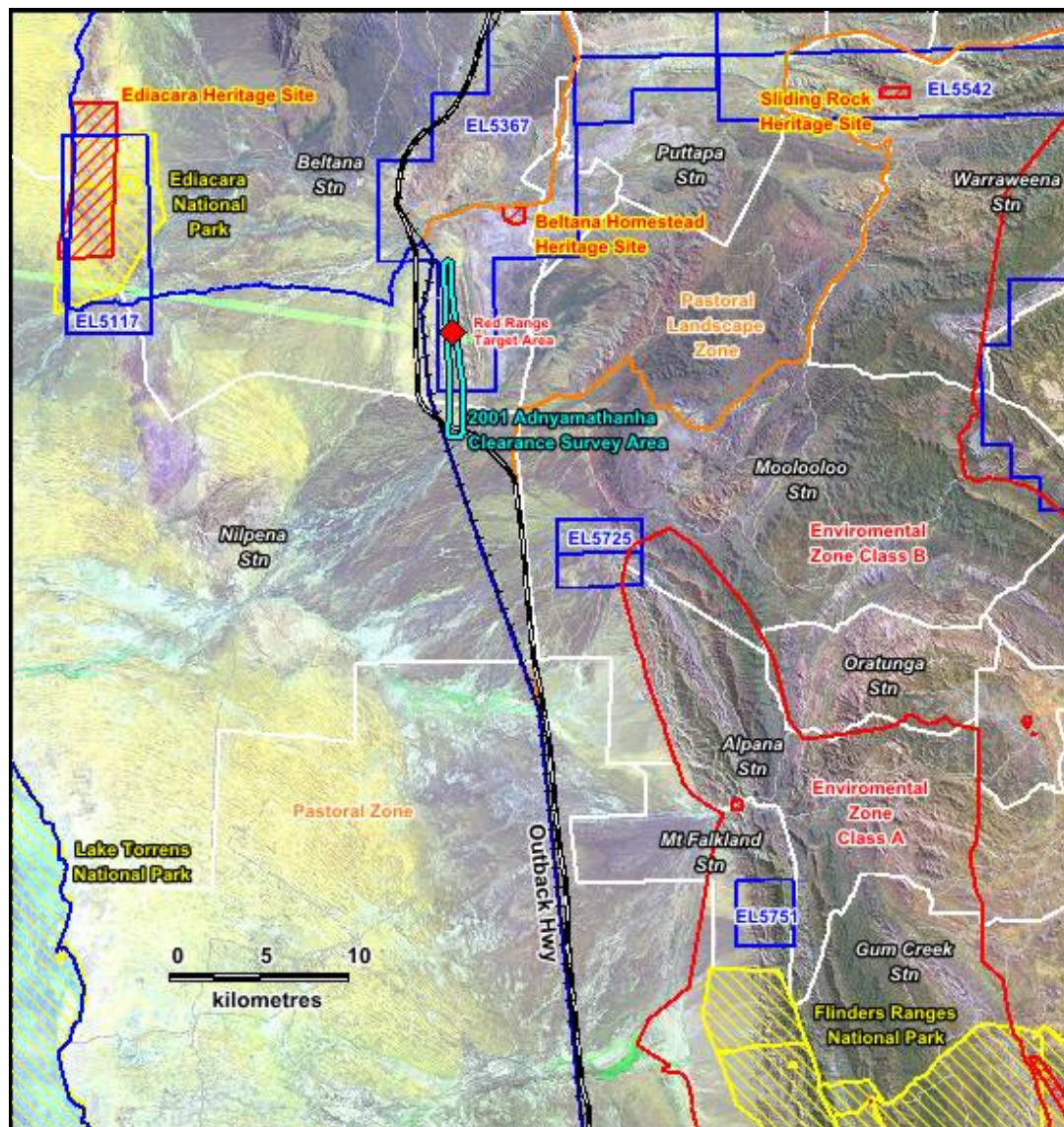


Figure 6 – Red Range Area Stakeholder and Other Values

Pastoral / Landowner

The Red Range target area occurs entirely within Beltana Station (CL1285/37). Land use with the surface lease includes low density sheep grazing as well as tourism/outpost activities at the nearby Beltana homestead approximately 10km to the northwest. An updated access agreement was signed with the landowner in early 2016 which included both Beltana Station as well as Puttappa Station which covers the existing Beltana minesite. Communication and consultation with the landowner was maintained throughout the planning, execution and rehabilitation of the drill program in order to minimize conflicts with pastoral and other activities and to prevent damage or degradation to existing infrastructure.

Aboriginal Heritage

The greater Flinders Ranges project occurs within the Adnyamathanha No. 1 Native Title Claim (SAD6001/98) which was given consent determination in March 2009. In 2001 Perilya entered into a Mining Native Title Agreement with the Adnyamathanha People including all of Perilya's

exploration properties. Aboriginal heritage clearance surveys were undertaken over the Red Range area in September 2001 in advance of the previous RC drilling program, including the entirety of the current target area (Ellis & Fitzpatrick, 2001). Several sites and artefacts of significance were identified by the surveying which were logged into a site register of aboriginal heritage. As previous clearance surveys had already been undertaken, new clearances were not required for the current program however all sites identified from the 2001 clearance surveys were demarcated to ensure no damages to the sites would occur. Note that to deter access by the general public, individual sites have not been located on Figure 6.

Other Values

The Red Range area occurs within the Pastoral Landscape Zone of the Flinders Development Plan which has the stated objective of “the preservation of the environmental and scenic qualities of the foreground of the most prominent ranges” (DPTI, 2012). Although the drilling program was carried within the foothills to the Ranges, the impact was temporary and limited to the duration of the drill program itself. Progressive rehabilitation and monitoring as outlined in Section 8 below will monitor any potential increase in erosion from the project area. Several National Parks occur in the general region, namely the Flinders Ranges, Lake Torrens and Ediacara Conservation Park, however none are in proximity to the Red Range target area. The nearest State heritage site is Beltana Station, managed by the local pastoral landowner. Being approximately 10km to the northwest of the Red Range area however, no impact to the site was anticipated.

Permitting

Permitting for the current drill program was initiated in mid May 2016 with a Program of Environmental Protection and Rehabilitation (PEPR) Application through the Department of State Developments online web portal. Approval of the PEPR was received on 14 June 2016 (EPEPR 2016-1093). No other approvals were required in order for the work to commence.

7. 2016 DRILLING PROGRAM

Exploration Model & Targeting

As indicated above, the primary target for exploration in the North Flinders project area is Beltana-style zinc silicate mineralization. Known deposits are relatively small (<1Mt) but are near surface and typically exhibit extremely high grades (>30% Zn) making them suitable as Direct Ship Ore (DSO). The deposits are typically found within Lower Cambrian aged carbonate rocks, namely the Woodendinna Dolomite and Wilkawillina Limestone in fault contact with the underlying Neoproterozoic basement stratigraphy. Mineralization appears structurally controlled with evidence of sustained episodic deposition however replacement textures within the host carbonates are rare. Deposits often show a spatial association with Callana Gp breccias as well as karstic stratigraphy in the host rocks however a genetic link with these features is difficult to determine. Known deposits in the region are composed primarily of willemite [Zn_2SiO_4] with minor amounts of smithsonite [ZnCO_3], coronadite [$\text{Pb}(\text{Mn}_6^{4+}\text{Mn}_2^{3+})\text{O}_{16}$] and other hydrated, zinc-rich clay minerals. Alteration around the deposits is dominated by a strong hematization of the host rocks impinging a pervasive reddish brown colouration to the rocks to the point of often masking the willemite mineralization present.

Due to the non-sulphide nature of the mineralogy, most geophysical prospecting methods are ineffective for this style of mineralization. Although micro-gravity surveying has potential of locating larger deposits (>1Mt ?), burial to any significant depth would render the deposits invisible to even the most detailed gravity surveys. Geology, alteration and geochemistry are therefore the primary tools in targeting for zinc silicate mineralization.

The Red Range prospect was identified as a high priority for follow-up in 2013 given the geological setting and previously defined base metal surface anomalies. During 2014-2015 an extensive pXRF soil surveying and rock chip sampling was completed over the approximate 6km strike length of target stratigraphy. Soil surveying was originally completed on 500m spaced lines

however more detailed, prospect wide coverage at a 100m spacing was required to more accurately define the extent of individual anomalies.

The work defined four discreet anomalies along the prospective contact area including that previously tested by drilling in 2003 (Targets A-D - Figure 3, Table 2). The current drilling program targeted the three most northerly, untested geochemical anomalies. Targets A & C had seen no previous historic drilling. Target B was partially tested by drilling by Carpentaria in 1969 however the shallow depth of drilling (30m) suggested that the target had not been fully evaluated. Target D had also been previously tested by Carpentaria drilling as well as Perilya in early 2003 and was therefore given a lower priority for follow-up.

Anomaly *	Strike Length	pXRF Soil Survey			Rock Chip Trace Elements					
	(m)	Max Zn (ppm)	Max Pb (ppm)	Max Cu (ppm)	As	Cd	Mn	Sb	Se	V
A	700	14,572	4,271	282	na	A	A	a	a	A
B	450	6,208	2,853	300	A	A	A	A	A	A
C	450	52,022	16,585	3,154	a	A	A	A	a	A
D	400	7,574	11,521	702	a	A	A	A	a	A

Table 2 – Red Range Targeted Anomaly Summary

"na" = not anomalous
"a" = locally anomalous
"A" = extensively anomalous

Drilling was planned to target as near as possible to the strongest point of each pXRF anomaly accounting for the intensity, width and multi-element nature of the anomaly. Topography in some areas however necessitated relocating holes up to 100m away from the original planned hole locations. Drilling was planned from three separate drill pads with two holes completed at each pad. As evidenced from surface exposures, stratigraphy strikes north-south and dips steeply to moderately west in the area and therefore drilling will be oriented to the east with holes dips of -50deg and -75deg. The pierce points through the target zones were planned at vertical depths of approximately 50m and 95m to give sufficient indication whether potential for an open-pittable resource occurred at each target area.

Program Logistics, Execution & Timing

Planning and field work actually began in late 2015 after submission of budgets for the 2017 calendar year. Initial reconnaissance to determine access routes and the most optimal drill pad locations were initiated in December 2015 however final drill sites were not finalized until May 2016. The two southernmost drill pads were located within 50m of the existing station track however it was determined that given steep topography to the north, the most efficient way to access the northern pad would be to create a temporary 'overland' access track directly from the railway service road over the relatively flat Quaternary alluvial plain.

Upon receiving approval of the ePEPR application in June, earthworks commenced in early July to upgrade the existing access track to facilitate the mobilization of the drill rig as well as to undertake minor levelling of the proposed drill pad areas to accommodate the drilling equipment. No earthworks was required for the northern overland access track given the relatively flat topography in the area.

Reverse Circulation (RC) drilling commenced on 22 August and was completed on 08 September 2016. All logging of drill chips was completed onsite during drilling with pXRF readings taken on each metre of sample material to guide later selection of sample intervals for analytical work. Overall a total of 494m in 6 drill holes was completed during the program. The total meterage was approximately 318m (39%) below plan owing to more shallowly dipping stratigraphy than anticipated as well as drilling difficulties which hampered drilling too far into the underlying Proterozoic stratigraphy. Significant delays in completing the program were also encountered due to high rainfall events in late August. Table 2 provides a summary of the completed holes.

Hole ID	Drill Pad	Location			Orientation		Depth (m)		End Date
		Easting	Northing	RL	Azimuth	Dip	Planned	Actual	
RRC003	Northern	245870	6582158	220	89	-50	120	90	23-Aug-16
RRC004	Northern	245869	6582158	220	89	-75	150	84	29-Aug-16
RRC005	Central	246015	6581000	230	89	-55	120	78	02-Sep-16
RRC006	Central	246014	6581000	230	89	-75	150	78	03-Sep-16
RRC007	Southern	246170	6579785	225	89	-50	120	74	06-Sep-16
RRC008	Southern	246169	6579785	225	89	-75	150	90	08-Sep-16
Totals							810	494	

Table 3 – Red Range RC Drilling Summary (MGA94)

Rehabilitation of the drill sites commenced almost immediately upon completion of the program with general site clean-up. Progressive rehabilitation of the sites continued in October and November however due to an unavailability of contracted equipment in late 2016 final rehabilitation of the drill sites and access roads could not be completed until early 2017. Section 8 below provides a more detailed summary of rehabilitation and reclamation efforts.

Drilling Results

Graphic summary logs and digital data of the completed holes including geochemical data are included as Appendix 3 to this report. Surface drill hole locations are illustrated in Figure 7 and geological cross sections of the drilling from each of the three drill pads are provided in Figures 8, 9 & 10.

Lithologies intersected by each of the holes were very similar and consistent with the geology observed at surface. Three to five metres of Quaternary sediments were intersected in holes at the Northern and Central drill pads consisting of highly oxidized brown clay rich material. Holes from the Southern pad collared directly into bedrock. Primarily massive textured light gray to brown Woodendinna dolomite with minor interbedded clay-rich and conglomeratic beds dominated each of the holes. Weak to moderate hematitic and limonitic alteration occurred throughout the sequence.

Light gray coloured Parachilna Fm sands and silt marked the contact between Cambrian and Proterozoic rocks. Thickness of the unit varied from 2-10m which was significantly less than suggested on the 100k geological map. The unit was largely unconsolidated with a high water content and marked by reduced sample recovery and difficult drilling conditions, strongly suggestive of a fault bounded contact. A small creek also mimics the surface expression of the Parachilna Fm locally, likely also adding to the saturated nature of the unit.

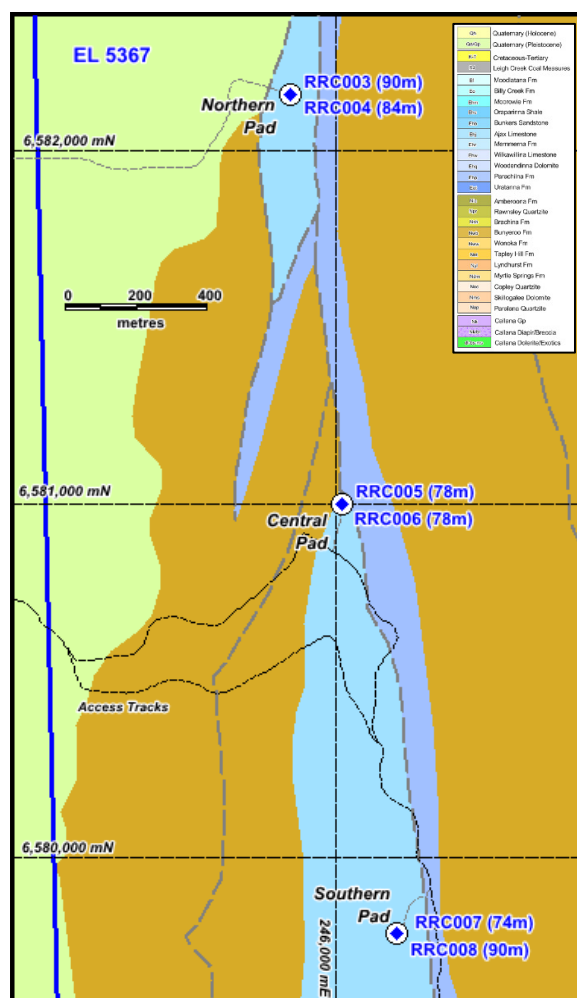


Figure 7 – Red Range 2016 RC Drillhole Locations

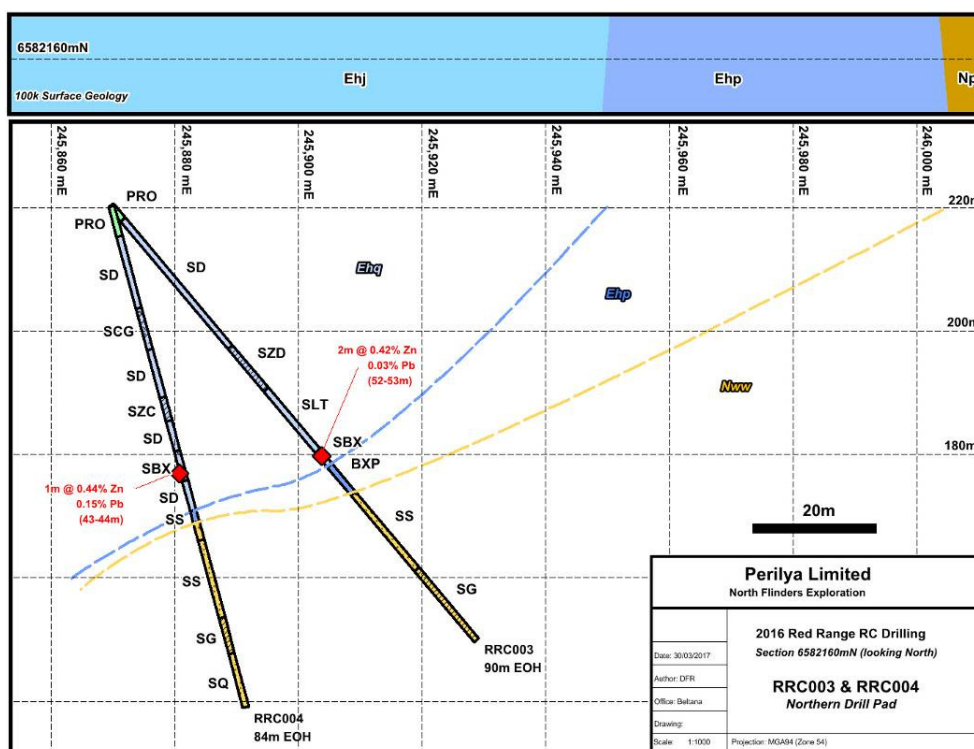


Figure 8 – Northern Drill Pad Section - RRC003 & RRC004 (6582160mN)

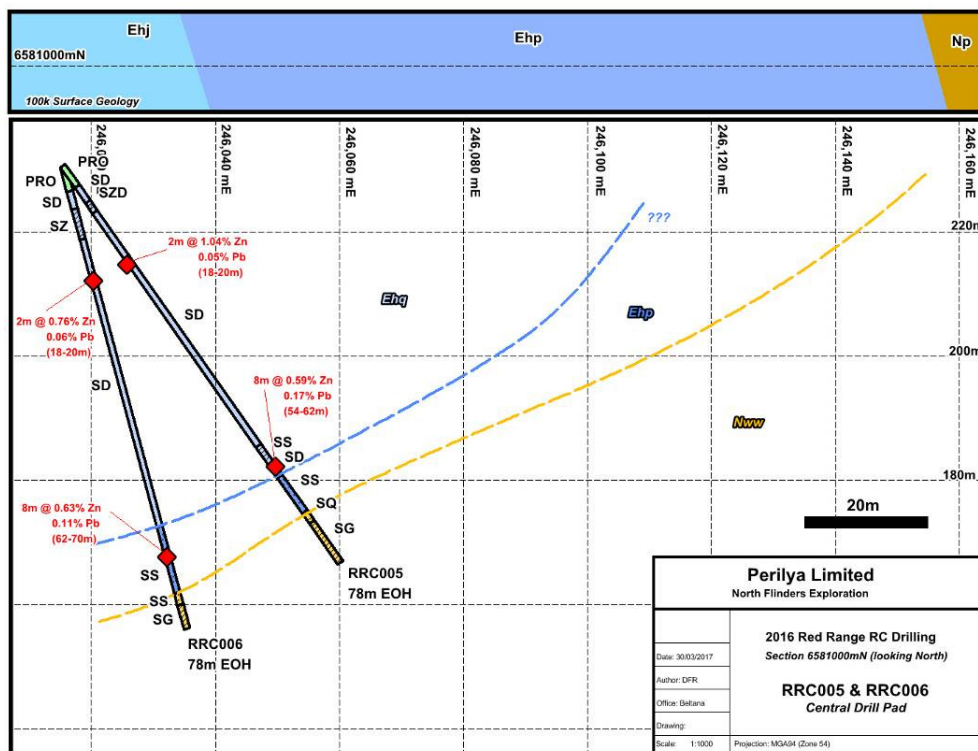


Figure 9 – Central Drill Pad Section - RRC005 & RRC006 (6581000mN)

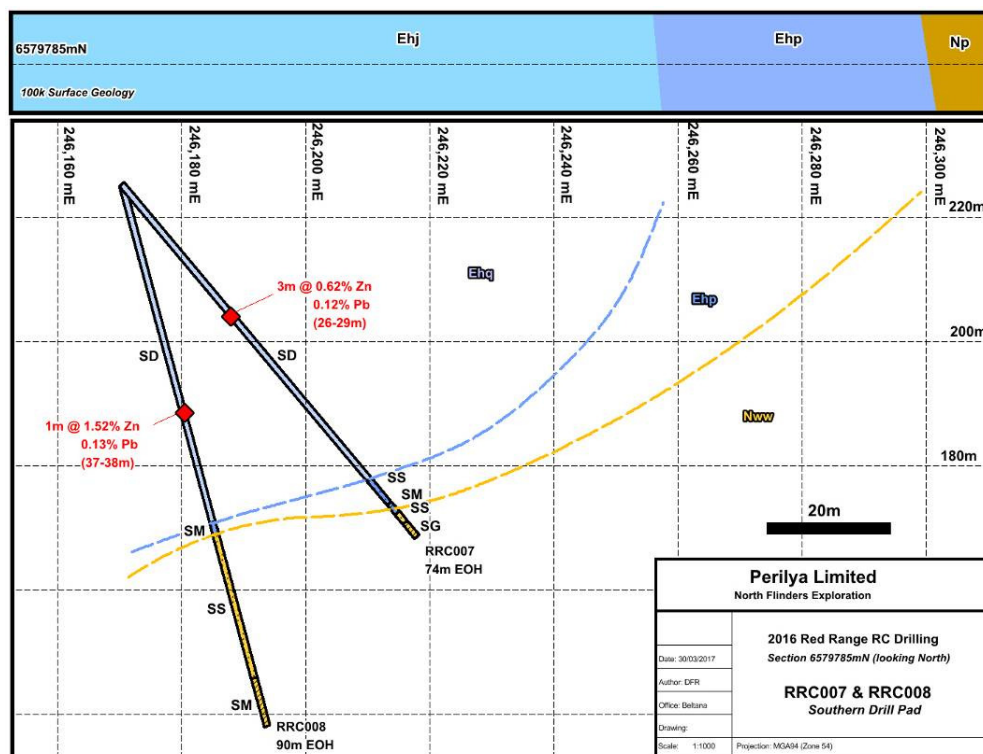


Figure 10 – Southern Drill Pad Section - RRC007 & RRC008 (6579780mN)

Proterozoic rocks intersected by the drilling generally consisted of an upper light to medium gray sand and silt rich unit from 2-15m thickness followed by a dark gray to black argillaceous unit. Rock were interpreted to belong to the Wonoka Fm given the relatively high clay content of the units. Although relatively unaltered, weakly elevated base metals and associated hematite alteration were returned from Proterozoic stratigraphy in holes RRC003 & RRC007 (see below).

Of note was the significantly shallower dip of stratigraphy as evidenced by the drilling compared to surface measurements in the area. Although originally estimated to have a moderate 45-60° dip, a much shallower 30-35° dip is suggested by contacts on the drill sections in Figures 8-10. This resulted in holes being significantly shorter than planned as well as relatively short toe spacing between intersections on each section. The discrepancy may be a function of the Parachilna contact being largely controlled by a low angle thrust fault rather than the primary depositional bedding measured in the Woodendinna dolomite at surface.

Geochemistry & Mineralization

Geochemical results were monitored by two processes for the drill program including pXRF analysis of all samples collected during the drilling activity which then guided analytical assay sampling upon completion of the program. Willemite mineralization, being difficult to identify visually, was only noted in holes from the Northern drill pad and therefore is not a suitable guide for sample selection.

Graphic drill logs provided in Appendix 3 to this report includes pXRF Pb, Zn & Cu results for each metre drilled and results of all subsequent assay sampling are provided in Table 4 below. Note that Table 4 includes only Ag, Pb, Zn & Cu. Full analytical results are included in the digital drillhole database attached as Appendix 8 to this report. Length weighted best assay results are also indicated on the drill sections in Figures 8-10. Standard QAQC procedures were followed during sampling including the submission of duplicate, standard and blank samples within the laboratory shipments.

Portable XRF Results

Portable XRF readings collected during drilling displayed similar results to the surface soil surveying completed over the Red Range target. Although zones of elevated base metal enrichment could be roughly correlated between drillholes on each section, correlation between sections was less evident.

The highest and most consistent zinc results were returned from RRC005 & RRC006 on the Central drill pad. RRC005 displayed a wide interval >1,000ppm Zn within the Woodendinna dolomite, extending >50m above the Parachilna contact. RRC006 returned a similar zone of elevated zinc however the >60m interval extended into most of the Parachilna Fm as well. Sporadic zones of elevated lead also occurred in both holes in proximity to the Parachilna Fm. Although widespread zinc enrichment was also encountered in holes RRC007 & RRC008 from the Southern drill pad, the mineralization is considerably more patchy with higher grade intervals separated by zones of lower grade (<1,000ppm Zn) material. The most significant lead results of the program were however returned from RRC007 which intersected an 8m interval averaging 3,602ppm Pb approximately 15m above the Parachilna contact. Copper results were generally low with very weakly anomalous zones occurring above and within the Parachilna Fm in holes from both the Central and Southern drill pads. Drillholes on the Northern drill pad displayed the least elevated base metal results with one weakly elevated zone apparent near the top of both RRC003 & RRC004 (1,000-2,000ppm Zn) and a second, higher grade interval (1,000-3,000ppm Zn) within and immediately above the Parachilna Fm. Of note however in RRC003 is a discrete zone of zinc enrichment (1,000-2,500ppm) over approximately 10m within the Proterozoic Wonoka Fm, possibly related to a fault structure given the water saturated nature of the interval. Potential fine grained pyrite was also noted immediately below this interval.

Assay Results

In general, assay samples were taken from any sample or sample interval returning greater than 2,000ppm Zn from the pXRF data. Assay results showed overall agreement with the pXRF data with assay results tending to return slightly higher results than pXRF. The highest lead results were returned from RRC005 between 57-63m averaging 0.21% Pb over 6m. As with the pXRF data, RRC005 & RRC006 displayed the widest and most consistently elevated zinc results, returning 0.40% Zn over 25m and 0.57% Zn over 10m respectively. The highest absolute zinc values were returned from RRC005 (1.14% Zn over 1m @ 19m downhole) and RRC008 (1.52% Zn over 1m @ 37m downhole). No significant copper values were returned with the highest result being only 0.08% Cu. Silver values were generally low (<3ppm) however slightly elevated results of up to 5-14ppm Ag were associated with intervals of higher lead content. No mineralization considered to be of economic significance was intersected by any of the drillholes.

8. REHABILITATION AND RECLAMATION

Rehabilitation of the drill pads commenced immediately upon completion of the program with general site clean-up and removal of pegs, flagging and fencing used to demarcate the drill sites. Earth and rock bunding used to prevent water flushed from the drillhole was also removed and if necessary, contaminated material was disposed of in containment areas at the Beltana minesite.

Further rehabilitation was not completed until November 2016 after all data from the program had been reviewed and final selection of samples for analytical work had been determined. Sample bags for analysis were collected and remaining, unused material was tipped back down the open hole in a "last out, first in" order to mimic as closely as possible the original stratigraphy. Any excess material not able to be returned to the hole was removed from site and disposed of at the Beltana minesite along with the used sample bags. Upon completion of backfilling the holes, PVC casings were cut off ~30cm below surface, capped, labelled and buried below surface.

As limited earthworks were required for levelling of the drill pads prior to drilling, final rehabilitation did not require heavy equipment for contouring of the sites. Soil contaminated by drill cuttings was removed and disposed of with the areas then raked and contoured by hand to promote natural revegetation. Figure 11 below provides photographs of each drill site at various stage of the rehabilitation process including prior to drilling, immediately after drilling and after final rehabilitation.

	Pre-Drilling	Pre-Rehabilitation	Post Rehabilitation
Northern Drill Pad			
Central Drill Pad			
Southern Drill Pad			

Figure 11 – Drill Site Rehabilitation Photos



PACE DISCOVERY DRILLING 2016 FINAL REPORT – RED RANGE

The last stage of rehabilitation for the program was the rehabilitation of the station and usage tracks used to access the drill sites. Due to a lack of contracting equipment in Leigh Creek, this work was delayed until early 2017. Prior to initiating the work, consultation with the landowner was undertaken to determine any requirements they may have had regarding the work with regard to pastoral activities. Limited earthworks were required on the existing station tracks with work restricted to contouring of the banks of small ephemeral creeks to minimize erosion and silting downstream. For the usage track accessing the Northern drill pad, heavy equipment was not utilized in order to prevent further disturbance. Rehabilitation of this track was limited to hand raking where necessary to promote revegetation and the collection of pegs and flagging used to demarcate the track.

Although active rehabilitation of the work areas has been completed, monitoring of the area will continue to evaluate revegetation and any potential increase in erosion resulting from the clearing areas. Note that all rehabilitation activities have been documented in the Exploration Compliance Report submitted in conjunction with the Annual Activities Report for EL5367.

9. EXPENDITURES

Total expenditures for the Red Range program during the active period of May-November 2016 totalled approximately \$192,997.13. Total direct drilling and analytical costs related to the program amounted to \$71,216.09 of which 50% (\$35,608.05) are eligible expenditures for reimbursement under the PACE Discovery Drilling 2016 (Table 5). As per the terms of Grant Agreement DPY9-31 however, a maximum of \$30,000 is available for rebate from the program. Invoice drilling costs per metre were approximately \$105/m which was considerably increased by “inactive rate” chargeable hours due to high rainfall events when drilling was suspended for access considerations.

Company	Invoice #	Period	Category	Amount
Longstar	15	19 - 31 August, 2016	Medicals	\$2,307.37
			Mobilization	\$6,605.00
			Drilling	\$12,493.00
			Inactive	\$8,300.00
Longstar	104	01 - 19 September, 2016	Drilling	\$23,007.00
			Inactive	\$8,180.00
Longstar	105	04 - 21 October, 2016	Demobilization	\$6,830.00
Drilling Subtotal				\$67,722.37
ALS Minerals	3712700	13 November, 2016	Assays (104 samples, 68%)	\$3,493.72
Analytical Subtotal				\$3,493.72
Total Direct Costs				\$71,216.09
PACE 2016 Eligible (50%)				\$35,608.05
Rebate Requested*				\$30,000.00

**as per Grant Agreement DPY9-31*

Table 5 – Red Range RC Drilling Direct Cost Summary

A full accounting of expenditures for direct drilling and analytical costs eligible for partial reimbursement under the PACE Discovery Drilling 2016 initiative are provided in Appendix 2 included with this report.

10. CONCLUSIONS

No mineralization considered to be of economic significance was intersected during the 2016 drilling program. The prospectivity of Red Range area has therefore been considerably downgraded based on the current drill program. The target still however represents an area of extensive base metal anomalism with a strike length of greater than 6km. Although the strongest

portions of the surface geochemical expression have been effectively tested, drilling on ~1km spaced sections cannot completely discount the existence of economic mineralization in the target area. Additional work is therefore warranted.

11. FUTURE PROPOSED WORK

Future work will include major and trace element analysis of selected samples from the 2016 drilling which was not completed during the original program. As the most significant mineralization was encountered in RRC005 & RRC006 from the Central drill pad, pathfinder elements will be analysed to determine if additional work in this area is required.

Finally, due to less elevated surface anomalism, the southernmost portion of the target area near the boundary of EL5367 has seen limited historic exploration. The area however, as evidenced from the 100k scale regional geology map, is interpreted to be underlain by Uratanna Fm sediments, the lowermost Cambrian units present in the region (see Figure 2b). This suggests that the area may represent an original basinal, fault-bounded structure. Detailed mapping in this area will be undertaken to confirm the geology and determine if fault structures are present which may have resulted in increased fluid flow and potential base metal deposition.

12. REFERENCES

- Brandle, R., 1998. *A Biological Survey of the North West Flinders Ranges, South Australia*. Department for Environment, Heritage and Aboriginal Affairs, South Australia, 134p.
- Department of Environment, Water and Natural Resources, Government of South Australia. *SA Nature Maps*, Sourced 22 May 2016, <http://spatialwebapps.environment.sa.gov.au>.
- Department of State Development, Government of South Australia. *100,000 Scale Geology of South Australia*, Sourced 03 July 2016, <https://map.sarig.sa.gov.au>.
- DPTI, 2012. *Development Plan : Land Not Within Council Area (Flinders)*. Government of South Australia, Department of Planning, Transport and Infrastructure. 79pp.
- Ellis, B. & Fitzpatrick, P, 2001. *Work Area Clearance – Red Range & Extensions to the Beltana/Aroona Area Prospects*. Internal Company Report. 17p.
- Government of Australia. *Atlas of Living Australia*. Sourced 30 May 2016, <http://spatial.ala.org.au>.
- Groves et al, 2003. *Geology of the Beltana Willemite Deposit, Flinders Ranges, South Australia*. *Economic Geology*, Vol. 98. pp 797-818.

Red Range Geological & Geochemical Legend

Formation	Ter	Quaternary Cover Sediments
	Ehq	Woodendinna Fm (Cambrian)
	Ehp	Parachilna Fm (Cambrian)
	Nww	Wonoka Fm (NeoProterozoic)

Lithology	BXP	Fault
	CAV	Cavity
	PRO	Residual Soils
	SBX	Breccia
	SCG	Conglomerate
	SD	Dolomite
	SG	Graywacke
	SLT	Limestone
	SM	Mudstone
	SQ	Quartzite
	SS	Sandstone
	SSD	Sandy Dolomite
	SZ	Siltstone
	SZC	Gray Siltstone
	SZD	Dolomitic Siltstone

Colour	bk	Black
	bl	Blue
	br	Brown
	cr	Cream
	gn	Light Green
	gr	Dark Green
	gy	Gray
	kk	Khaki
	or	Orange
	pk	Pink
	rd	Red
	wh	White
	ye	Yellow

Alteration	fe	Iron Oxides
	hm	Hematite
	li	Limonite
	mn	Manganese
	ox	Oxidized
	si	Silica

Alteration Intensity	1	Unaltered
	2	Weak
	3	Moderate
	4	Strong
	5	Intense

Mineralization	Cb	Carbonate
	Py	Pyrite
	Wil	Willemite

Weathering	0	Fresh
	1	Weak
	2	Moderate
	3	Strong
	4	Intense
	5	Complete

Textures		Massive
		Sandstones/Quartzite
		Siltstones/Mudstone
		Conglomerate/Breccia

Geochemistry	pXRF Pb & Zn		pXRF Cu	pXRF Pb+Zn	
		1,000-1,500 ppm	100-250 ppm		<-- 0 ppm 10,000 ppm -->
		1,500-2,000 ppm	250-500 ppm		
		>2,000 ppm	>500 ppm		

Assays	Pb	Zn	Cu
	> 0.10%	> 0.20%	> 0.02%
	> 0.15%	> 0.50%	> 0.04%
	> 0.20%	> 1.00%	> 0.06%