

ANNUAL REPORT

EL65/2004, DERBY AREA, NORTH EAST TASMANIA

(For the period 22nd November 2006 to 21 November 2007)

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Abstract

The Licensees, P.W. Askins and J.I. Stewart, synthesized available reports, literature and data relevant to the tenement area (Appendix 1 on DVD) which led to an interpretation of the potential “flow” directions of several tin-bearing Tertiary deep leads beneath cover towards confluence with an inferred palaeo-Ringarooma River.

During the reporting period, Askins and Stewart entered into negotiations with Arcadia Resources Ltd for Arcadia to acquire the tenement as a basis for an IPO. A condition of the Agreement was that Arcadia expends \$45,000 on “in-ground” exploration sufficient to satisfy cumulative expenditure commitments for the first two years of tenure.

Based on the comprehensive review by Askins and Stewart, Arcadia elected to conduct an electrical geophysical orientation program planned to assess the efficacy of the geophysical techniques in defining the sub-surface trace of selected deep leads. Zonge Engineering and Research Organization (Australia) Pty Ltd (Zonge) was contracted to conduct parallel dipole-dipole IP, Resistivity and NanoTEM surveys over a number of pre-defined lines believed to traverse the sub-surface trace of a number of deep leads (Appendix 2 on DVD). The results of this survey are set out in the appended geological consultant’s report (Appendix 3 on DVD). Dipole-dipole IP and Resistivity were discontinued early in the survey due to strong interference from numerous fences, often electrified, in the survey areas.

Whilst the geophysical survey work was contracted in the latter part of the reporting period, the survey was not conducted until January 2008.

The results of the NanoTEM survey appear encouraging, having defined sub-surface features interpreted as palaeo-channels with the result that further surveying is recommended.

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Three Appendices on DVD accompany this Report:

Appendix 1

P.W. Askins and J.I Stewart (2007): Report on Prospectivity of EL65/2004, Derby Deep Leads Tin Project, Tasmania: March 2007, 43 pp.

Appendix 2

S. Mann (2008): Scottsdale NanoTEM Survey, Logistics Summary, January 2008 for Arcadia Resources Limited: Report No. 780, Zonge Engineering & Research Organization (Australia) Pty Ltd, February 2008, 16pp. (Plus Station Plot, Raw Data, Processed Data and 780 NanoTEM Processed Data Files)

Appendix 3

M.F. Stephens (2008): Completion Report on Geophysical Survey Conducted by Zonge Engineering on Behalf of Arcadia Resources Within Exploration Licence 65/2004 Situated in NE Tasmania, January 2008: Luksam Consultants, 19th February 2008, 16pp.

Introduction

The objectives of the work program concluded during the reporting period 22nd November 2006 to 21st November 2007 (geophysical survey completed January 2008) were twofold:

1. Synthesize all available records, data and literature with a view to understanding the nature and distribution of tin-bearing Tertiary Deep Leads occurring within EL65/2004; and
2. Test the efficacy of electrical geophysical techniques in delineating the sub-surface traces of selected key deep leads identified in the records and data synthesis.

A comprehensive discussion of the geological setting is provided in Appendix 1.

This Report refers to EL65/2004 (held by P. W. Askins and J. I. Stewart) Derby Deep Leads Tin Project centered on Derby NE Tasmania. The tenement was granted for a five year period effective 22nd November 2005 and is the subject of a registered Agreement to acquire for the purposes of an IPO with Arcadia resources Ltd.

Review of Previous Work

Refer to Appendix 1 which provides a comprehensive review of all relevant records, data and literature prior to the current tenement.

Exploration Completed During the Report Period

Details and results of the orientation geophysical survey comprise Appendices 2 and 3.

Discussion of Results

Discussions of results are contained in Appendices 1, 2 and 3.

Conclusions

Arcadia Resources Ltd concludes that there is significant potential to delineate further economic alluvial tin resources (plus accessory heavy minerals) sufficient to support viable downstream mining. The results of the orientation geophysical survey, in particular NanoTEM, are encouraging and suggest that this protocol may facilitate rapid delineation of the sub-surface extensions of previously mined deep leads. The trace of the inferred palaeo-Ringarooma River may ultimately be defined.

Future exploration will involve further NanoTEM surveying on a moving grid line basis to trace out selected deep lead positions as a prelude to drill testing.

Concurrently, a resource assessment of residual unmined sections of exposed tin-bearing deep leads will be undertaken with the view to establishing JORC compliant resources for possible early stage extraction.

Environment

No surface disturbance occurred during the reporting period.

Expenditure

The Licensees, as a condition of grant, were required to expend a cumulative total of \$A75,000 for the first two years of tenure. Cumulative expenditure by the Licensees was \$A34,694. Arcadia Resources Ltd, under the terms of the Acquisition Agreement, was obliged to expend \$A45,000 on “in-ground” exploration to satisfy statutory expenditure obligations. Arcadia spent \$59,345 on geophysical and related geological surveys providing a cumulative two year expenditure total of \$A94,039.

Key Words

Alluvial tin, deep lead, Derby, Tasmania, NanoTEM.

Accompanying DVD

Appendix 1

P.W. Askins and J.I Stewart (2007): Report on Prospectivity of EL65/2004, Derby Deep Leads Tin Project, Tasmania: March 2007, 43 pp.

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