REGENCY RESOURCES LTD

Annual Report for E11/2005 Savage River
For the Period 11th May 2007 to 12th May 2008

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ABSTRACT

This report describes the work programme undertaken during 2007/2008 by Helen Salmon and Dr Marian Skwarnecki of Coffey Mining Ltd on behalf of Red Rock Resources Ltd for the Savage River tenement (E11/2005). Areas targeted for investigation were based upon information from historical reports combined with geophysical data and focussed on magnetite. Two field visits were undertaken but, in the first instance, access to the Pipeline Road was denied and the subsequent visit carried out by Helen Salmon and Scott Williams of Specialist Equipment Hire could not get to site due to a bush fire which caused the area around the Savage River Mine to be evacuated. A helicopter reconnaissance identified possible landing areas along the Pipeline Track for future exploration considerations. Additionally, a review of previous stream-sediment sampling provided additional target areas for inclusion in a revised works programme.

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1.0 INTRODUCTION

This report describes the work programme undertaken on E11/2005 in Tasmania for the period 11th May 2007 to 12th May 2008. The work was completed by Marian Skwarnecki of Coffey Mining Pty Ltd and the company's geologist Helen Salmon. Scott Williams of Specialist Equipment Hire, Tasmania also assisted and assessed some of the logistical and technical issues. The work, commissioned for Red Rock Resources Ltd. focused on the economic potential of magnetite deposits previously outlined during relevant geological and historical exploration work.

The lease is situated in Northwest Tasmania, southwest of Burnie, lying immediately north of the Savage River Mine (resources, June 2005: 245.6 Mt @ 49% recoverable magnetite) and forming the company's Savage River project (Figure 1). The area has been prospected since the 1860's, primarily for gold. Small alluvial (Specimen Creek) and bedrock (Specimen Reef) gold deposits were worked until about 1900. To the north, at Davis Creek, old workings and dumps contain galena, but there are no known production records.

Based on such historical reports a works programme was implemented to undertake rock-chip and stream-sediment sampling. However, this was not accomplished as access from the north of the tenement was not possible due to collapse of the Rapid River bridge and access from the south was denied due to safety and operational factors, due in part, to a pre-strip programme in process at the Savage River mine. Helicopter reconnaissance of the area was then undertaken to identify possible clear landing places that would enable work to be carried out over the coming months.

2.0 TENEMENT DETAILS

E11/2005 was granted on 12th May 2006. Details are presented in Table 1.

Table 1. Tenement details

Tenement	Registered Holder	Date Granted	Expiry Date	Km^2	Minimum Annual Expenditure
E11/2005	Regency Resources Ltd	12/05/06	11/05/11	71	A$53,250.00

3.0 LOCATION AND ACCESS

The Savage River tenement is situated southwest of Burnie in northwestern Tasmania, and comprises an area 71km^2 (Figure 2). All land within Savage River North is State Forest including a regional reserve in the southeast, and minor area of informal reserves.

Vehicular access to the tenement is limited to a single formed unsealed road (and branching exploration track) servicing the pipeline delivering iron-ore slurry to port facilities on the north coast (Figure 3). Permission to use this road from Australian Bulk Minerals (operator of the Savage River Mining Licence) is required, Additionally, access from the north could not be gained due to the collapse of the Rapid River Bridge.

4.0 RELEVANT PUBLISHED DATA

Perhaps as a reflection on the rugged terreain and thick forest, the Savage River to Arthur River area is one of the few remaining highly prospective parts of Tasmania not yet completely covered by published 1:25 000 geological map sheets. For Savage River North the best available published geology is Turner *et al.* (1991) as the 1:50,000 Corinna Geological Sheet, which covers the south of the tenement. No published 1:50 000 sheet exists toe the north (Magnet), comprising most of the tenement area.

The entire area is covered by the 1:250 000 geological sheet of NW Tasmania (Calver *et al*. 1995). This incorporates a simplified final 1986 geological interpretation of IMIPL/Savage Resources Ltd (Savage Resources), so offers a good geological

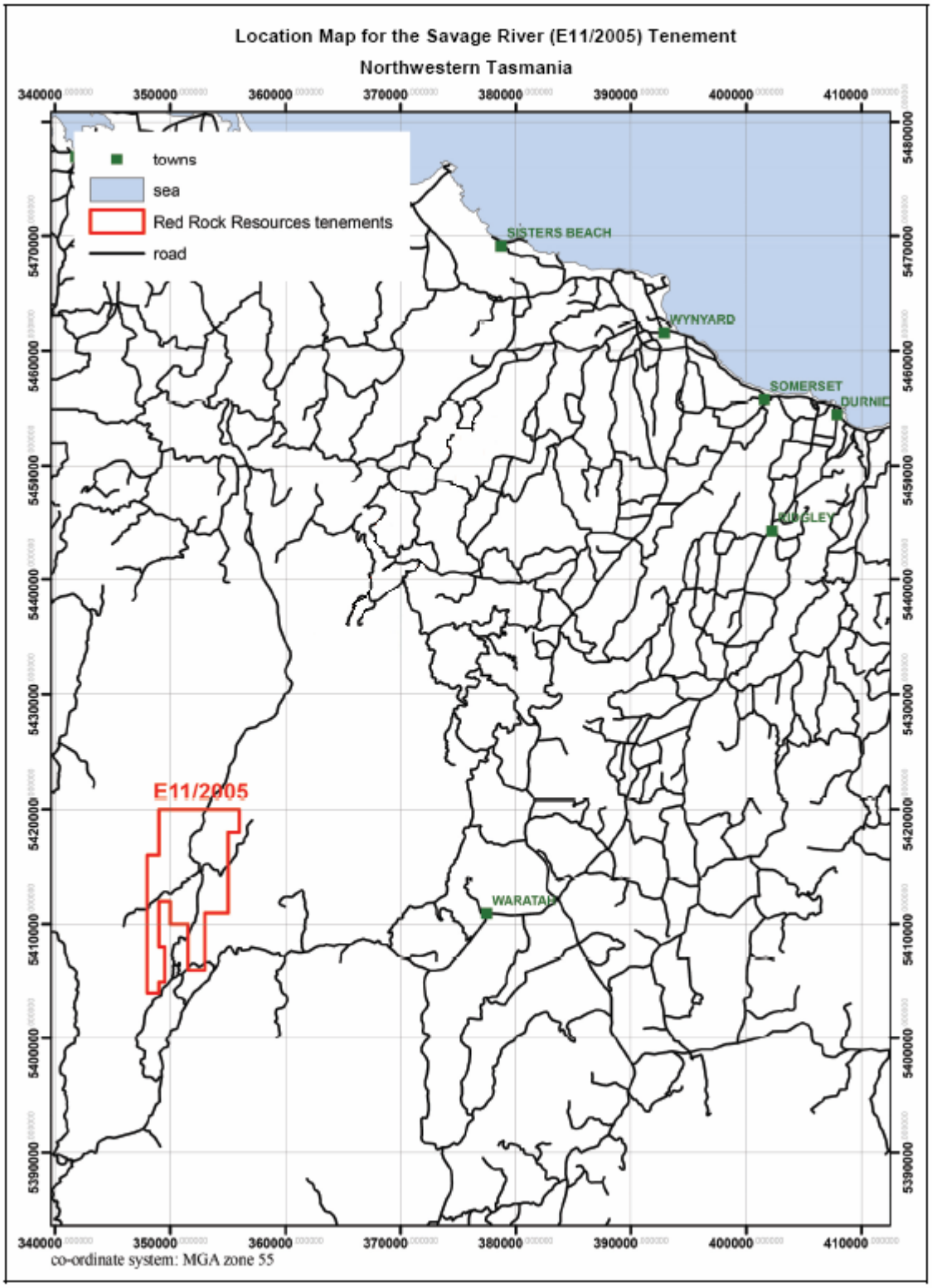


Figure 1. Tenement map

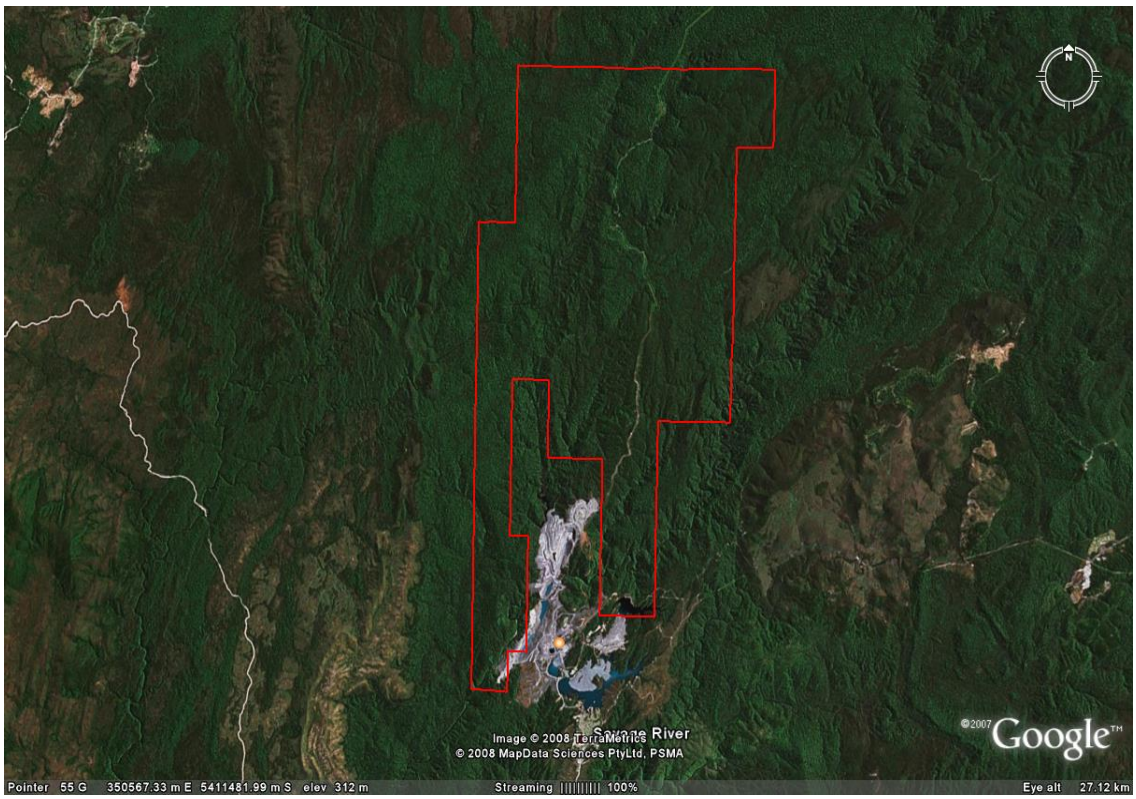


Figure 2 Satellite Image Map of E11/2005

Aerial View over the Savage River Tenement showing Dense Vegetation and the Pipeline Track

Figure 3

Aerial view over E11/2005 Savage River area including the Pipeline track.

summary. No 1:25 000 scale geological sheet series have been produced. The tenement is located on Donaldson (3441) and Savage River (3440) 1:25 000 topographic sheets.

5.0 GEOLOGY AND MINERALISATION

The tenement features a broad 10km wide NE-SW trending zone of increasing schistosity and metamorphism termed the Arthur Lineament. It is of Cambrian age and forms the eastern margin of the Mesoproterozoic and Neoproterozoic Rocky Cape Block (Figure 4). Also known as the Arthur Metamorphic Complex, it comprises both the allocthonous Bowry Formation and Reece Amphibolite, and the autocthonous Ahrberg and Rocky Cape Groups (Holm *et al.* 2003) (Figure 5). The zone hosts magnetite-rich iron ore (mined at Savage River) as well as silica flour, dolomite, magnesite, ochre, umber, gold and copper. A few alluvial diamonds have been recovered during gold and osmiridium prospecting.

Sections of Savage River are largely occupied by Basal Permian tillites and mudstones capped by Tertiary basalts. Thicker Tertiary basalts show on magnetic TMI images as intense lows, apparently remnantly magnetised. These rocks effectively bury the Precambrian rocks of the Arthur Lineament. The most prospective unit for magnetite is the Bowry Formation, comprising maifc schist, amphibolite, meta-gabbro, massive and laminated magnetite, and minor deformed granitoid (Figure 6).

5.1 Savage River Magnetite

The Savage River magnetite mine, within the Bowry Formation, consists of a series of banded magnetite (with lesser pyrite) lenses hosted by ate Meso-Early Neoproterozoic quartz-mica schists and amphibolites with associated extensive magnesite lenses. The deposit has been mined in two open pits over a strike length of 3 km, with the main ore body up to 150m thick. The ore, once retrieved is crushed, magnetically separated, slurried, then piped to Port Latta on the north coast, west of Burnie. Here it is pelletised and prepared by furnace for export.

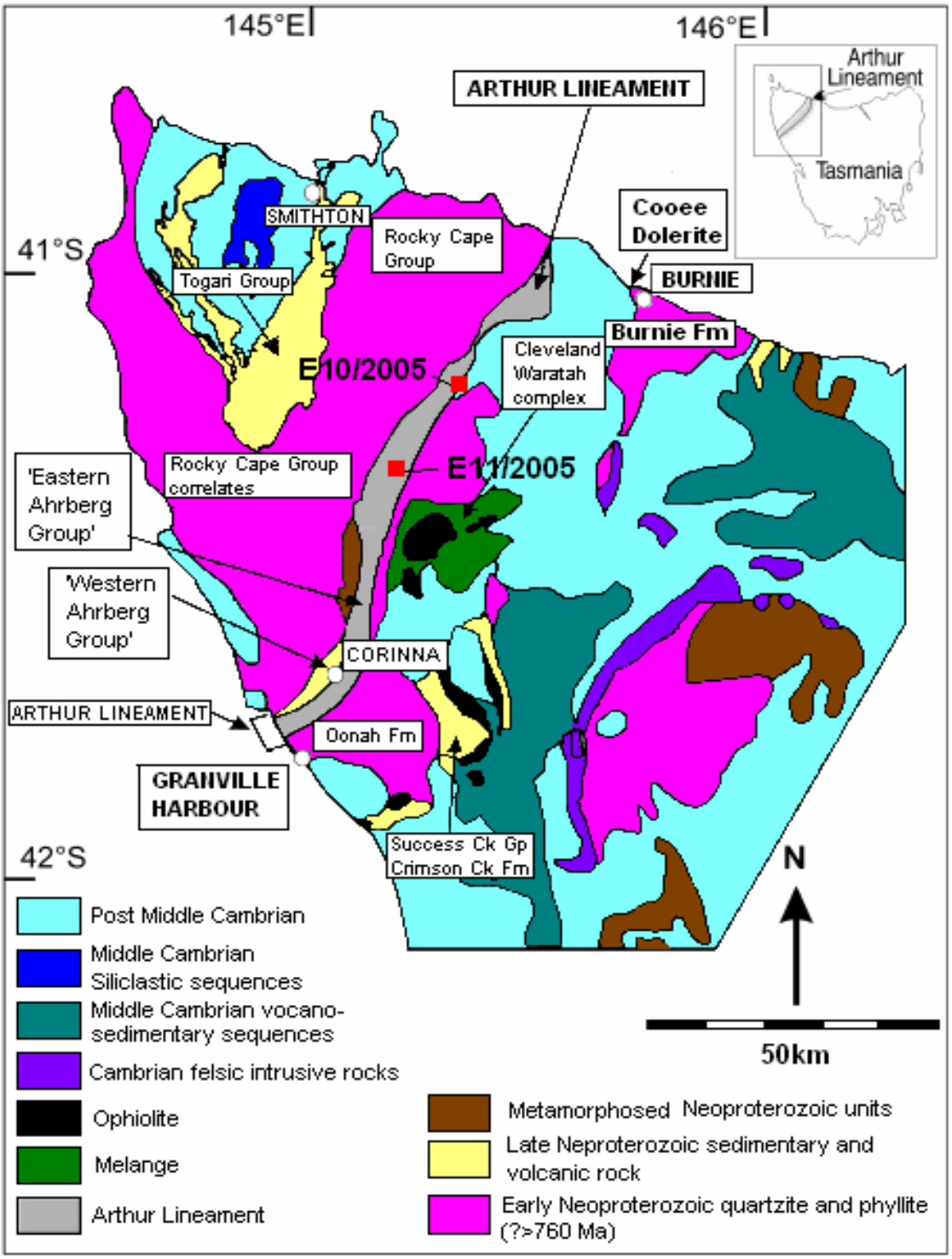


Figure 4. Setting of the Arthur Lineament (adapted after Brown *et al.* 1995), comprising the metamorphosed Burnie and Oonah Formations, the Eastern Ahrberg Group and the Bowry formation.

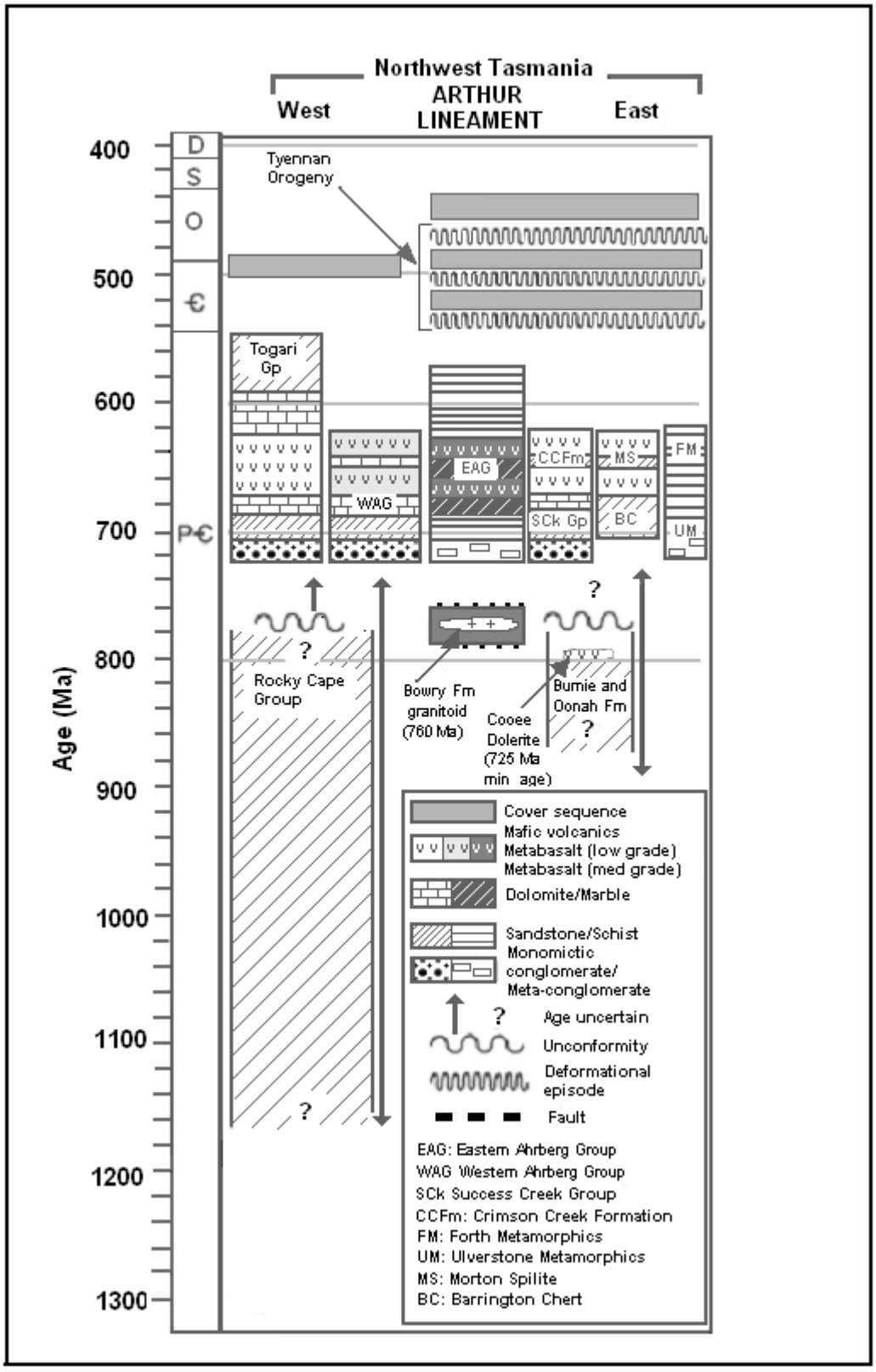


Figure 5. Space – time diagram for rock assemblages in northwestern Tasmania (Adapted from Calver and Walter, 2000)

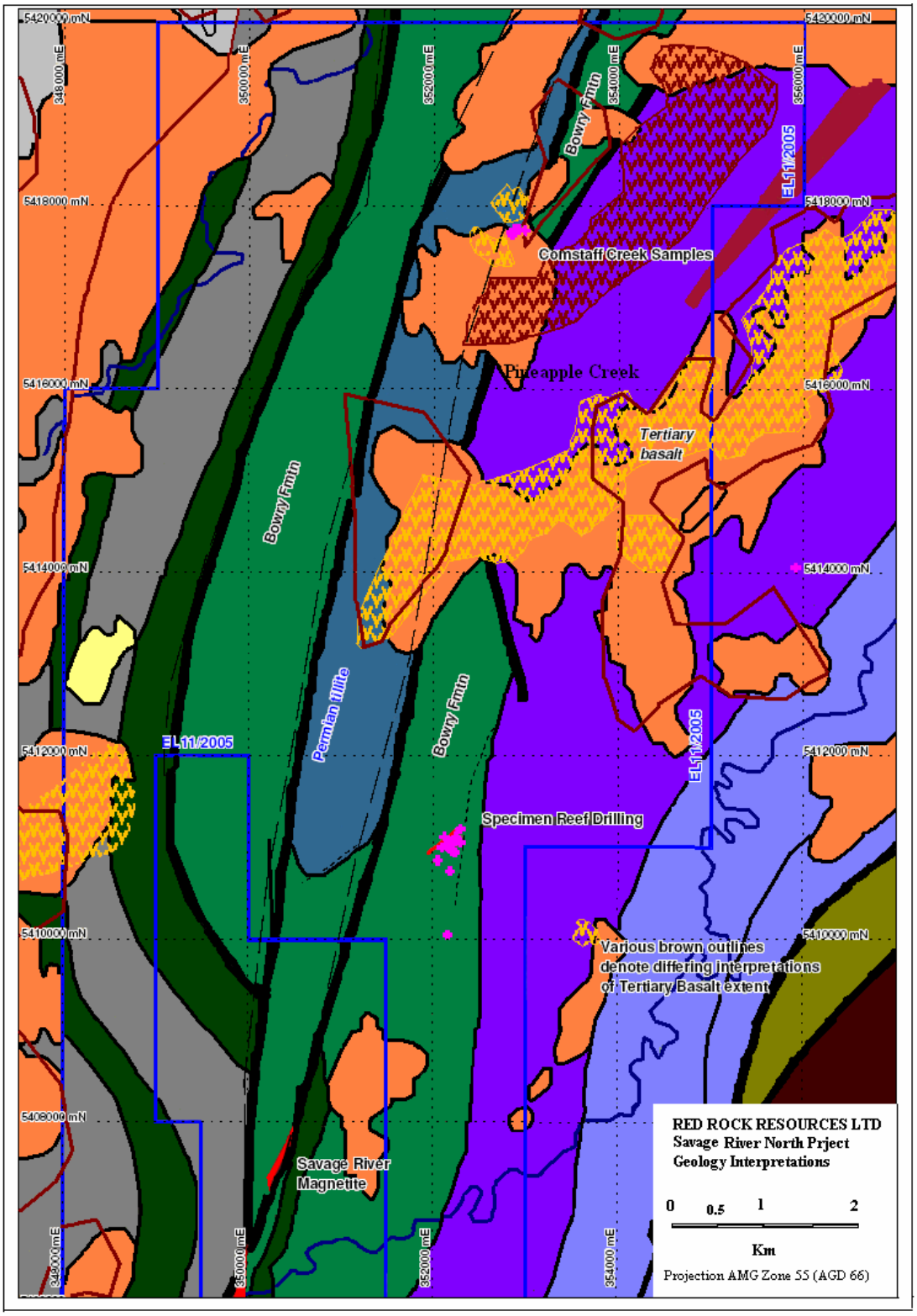


Figure 6. E11/2005 showing the Bowry Formation, Permian tillite and Specimen Reef drilling

Within E11/2005, magnetite having the resource potential as defined at Savage River is unlikely. The previously identified magnetite-only targets do not suggest a high probability for development to sustain a stand-alone operation, but smaller lenses may occur. The area around Pineapple Creek and Comstaff Creek is identified as a priority target, having a prominent magnetic signature (capped by Tertiary baslts). This region is underlain by prospective, yet poorly tested Timbs or Bowry Formation lithologies.

The ore minerals are magnetite with lesser pyrite, minor chalcopyrite and trace sphalerite, rutile and ilmenite. The gangue is tremolite, actinolite, dolomite, quartz and chlorite.

6.0 PREVIOUS EXPLORATION

There are numerous unpublished but publicly available (open file) Company reports documenting exploration over the area. A review of previous work and a catalogue of open file reports was reported in the 2007 annual report (Salmon, 2007) and only a summary is presented here.

Thick vegetation and locally difficult and seasonal access has, in many cases, influenced the nature of exploration at Savage River. Detailed geological mapping is scant with much reliant on remote sensing interpretation, controlled by limited creek and road mapping. Water and stream sediment sampling has been the main geochemical exploration tool.

Apart from the Savage River magnetite mine there are few documented areas of past mining. On the eastern bank of Davis Creek old workings and dumps containing galena occur, but no production records are known. Specimen Reef is a gold prospect with alluvial (Specimen Creek) and small adit workings (Specimen Reef). Active mining ceased about 1900, by which time three adits had been constructed. The reef consisted of white quartz, siderite and pyrite with some visible gold and minor chalcopyrite. Shoots of high grade auriferous quartz from 48m to 3.6m long and 0.5 to 1m wide and 60m deep plunged SE at about 45^0. The reef was at the contact of quartzite and slate. Nearby areas were the first in Australia mined for osmiridium,

comprising rare earth elements (mainly iridium and osmium), extracted from alluvial deposits.

The most comprehensive exploration of the area has been by government agencies and Savage Resources, or predecessors, since the 1950's. Up until 1978 exploration by government and a Savage Resources predecessor, IMIPL, was solely for iron ore, details for much of this work are not readily unavailable. The main Savage River magnetite deposits were defined before 1966 (Uraquhart, 1966).

Savage Resources subsequently expanded the search to include base metals, gold, magnesite and diamonds. Most effort was expended on near mine magnesite and gold hosted within iron formation (eg. 1985-1988 around specimen and Davis Creeks). Base metals search initially used magnetics as a guide but was replaced by systematic stream sediment sampling. IMIPL completed extensive stream sediment sampling and selected soil sampling over the tenement in the 1980's, targeting magnetic highs, and geochemical anomalies, assaying for multi-commodities including Au, Ag, base metals, rare earths, Sn, and W.

IMIPL, during the 1980s, completed an extensive stream sediment sampling programme, collecting trap site stream pan concentrates and decanted slime samples from all localities. Pan concentrates were subjected to mineral separation (the results of which need to be located). Samples were analysed for Au, Ag, base metals, Ni, Ci, Bi, Mo, As, Te, Sb, Sn. Pan concentrate magnetite was noted in most creeks near Savage River. At this time the areas were geologically mapped in conjunction with wide spaced traverses and air photo interpretation. Anomalous areas were followed up with grid based soil sampling.

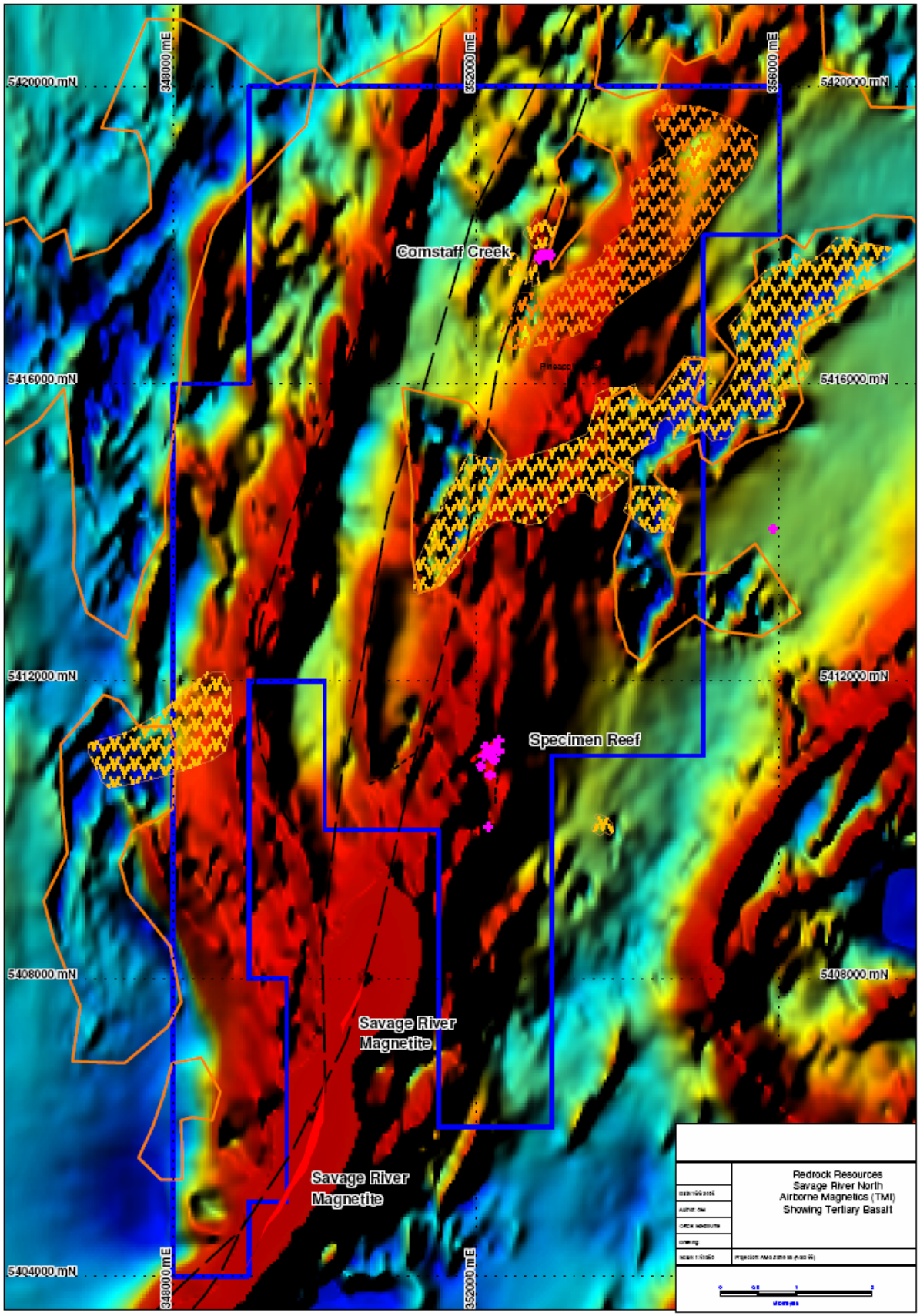
Stream sediment and rock chip sampling identified lead anomalies to 900ppm, and zinc anomalies to 345 ppm near to the old Davis Creek workings over a grid (Davis Creek Grid) north and west of Specimen Creek. IMIPL (82_1782) carried out inconclusive but generally negative geochemical soil sampling, geological mapping and ground magnetic surveys on this grid. Soil sampling identified spot base metal anomalies.

CRA Exploration Ltd (CRA) explored the northern section of the tenement in the mid 1980's looking for magnesite deposits. It identified one magnetic anomaly (SAVTREN-in extreme NW corner, with no follow-up work), and recognized no Input-EM anomalies. CRA identified the Comstaff Creek area as gold anomalous from stream sediment samples. Following this work, Geopeko Ltd (Geopeko) undertook a water sampling programme, limited rock chip sampling and mapping in the early 1990's. Little significant data was generated.

From 1996 to 1997, Goldstream Mining NL (Goldstream) / Titan Resources NL (Titan) completed heli-magnetics centred on the Specimen Creek area, drilling two holes. In 2001 MRT flew helicopter–borne geophysics at 75m height over this area as part of the WTRMP study (Figure 7).

7.0 WORK CARRIED OUT DURING THE PERIOD MAY 2007 T0 2008

During this reporting period, a field visit was undertaken by the company's geologist Helen Salmon and Dr Marian Skwarnecki of Coffey Mining to both Savage River (E11/2005) and the company's other Tasmanian licence, Arthur River tenements (E10/2005) to carry out a rock-chip and stream-sediment sampling programme of targeted areas. However, it was not possible to gain access to the Savage River Pipeline Road as permission from Australian Bulk Minerals was denied. This was because of safety and operational factors, as the northern section of their lease was undergoing a pre-strip of the open pit area. Additionally, access from the north along the Pipeline Road was problematical as the Rapid River bridge had collapsed and as this track is the only vehicular route into the tenement, helicopter reconnaissance was undertaken instead. Although vegetation was very dense it was thought that a landing could be achieved using the road. A second trip was planned with the assistance of Scott Williams, a local logistical and technical advisor but this, too, was unable to be carried out due to a bush fire that also forced the Savage River Mine site to be evacuated.


5420000 mN
348000 mE
352000 mE
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Comstaff Creek
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Specimen Reef
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Redrock Resources
Savage River North
Airborne Magnetics (TMI)
Showing Tertiary Basalt

Figure 7

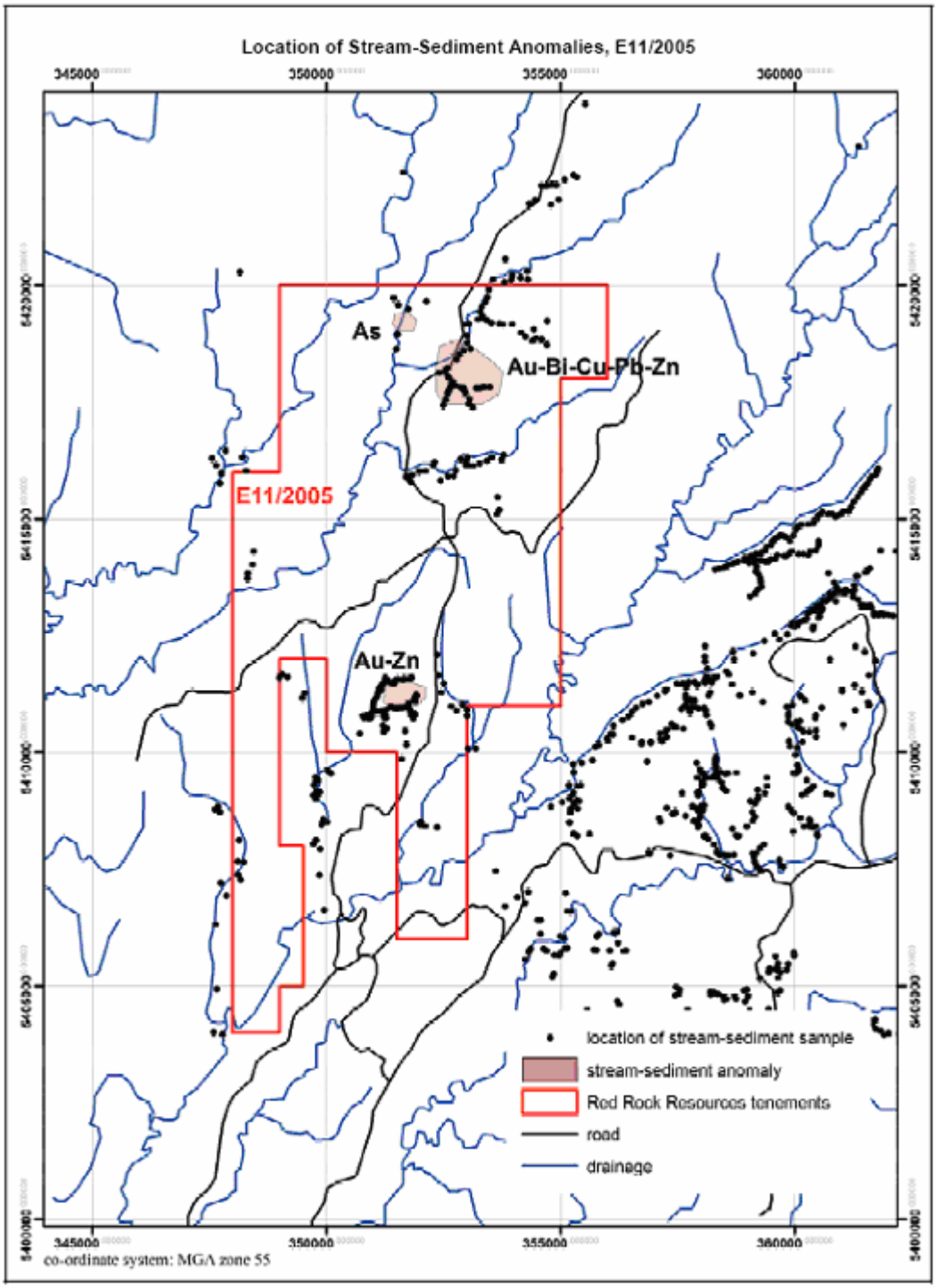


Figure 8 Summary map of previous stream-sediment sampling

A review of historical geochemical data was carried out prior to the site visit and a summary map is presented in Figure 8, individual element maps are given in Appendix I. A number of Au (±Zn) <80 mesh stream sediment anomalies occur in the Specimen Creek area in the vicinity of the old gold mine, but, because of inconsistencies in the data, the full extent of anomalism is unknown. In the northern part of E11/2005, irregular Au-Bi-Cu-Pb-Zn anomalies (interspersed with many missing values) occur in the Comstaff Creek area. A sample with anomalous As occurs to the west.

Existing heli-magnetic and other geophysical data is currently being re-processed. This would aid in locating possible shallow narrow or discontinuous magnetite lenses near Specimen Creek.

Recommendations for further exploration

Carry out additional reprocessing of aeromagnetic data over the tenement and Savage River deposits, including magnetic inversion modelling. Then 2D-3D model the potential magnetic targets along with the overlying basalts. Due to the difficult access airborne magnetics and gravity modelling of the identified areas should also be considered and, where justified, locate evidence for and sample these targets on the ground with the assistance of magnetometer traverses. However, any ground-based survey will necessitate some ground disturbance due to the dense vegetation.

Also, carry out rock-chip sampling of outcrop (and possibly subcrop) of anomalous blue areas shown in Figure 9. It is also recommended to carry out stream-sediment sampling (<80 mesh) within easy reach of the Pipeline track, especially around these areas, and, in particular, the northernmost anomalous area to the northern tenement boundary. It should be noted that permission to access to the Pipeline Road must be obtained from the Savage River Mine and that safety criteria set out by them has to be met.

Although iron ore is the main commodity, gold, copper, lead and zinc should be considered to maximise exploration opportunities. A comprehensive stream-sediment

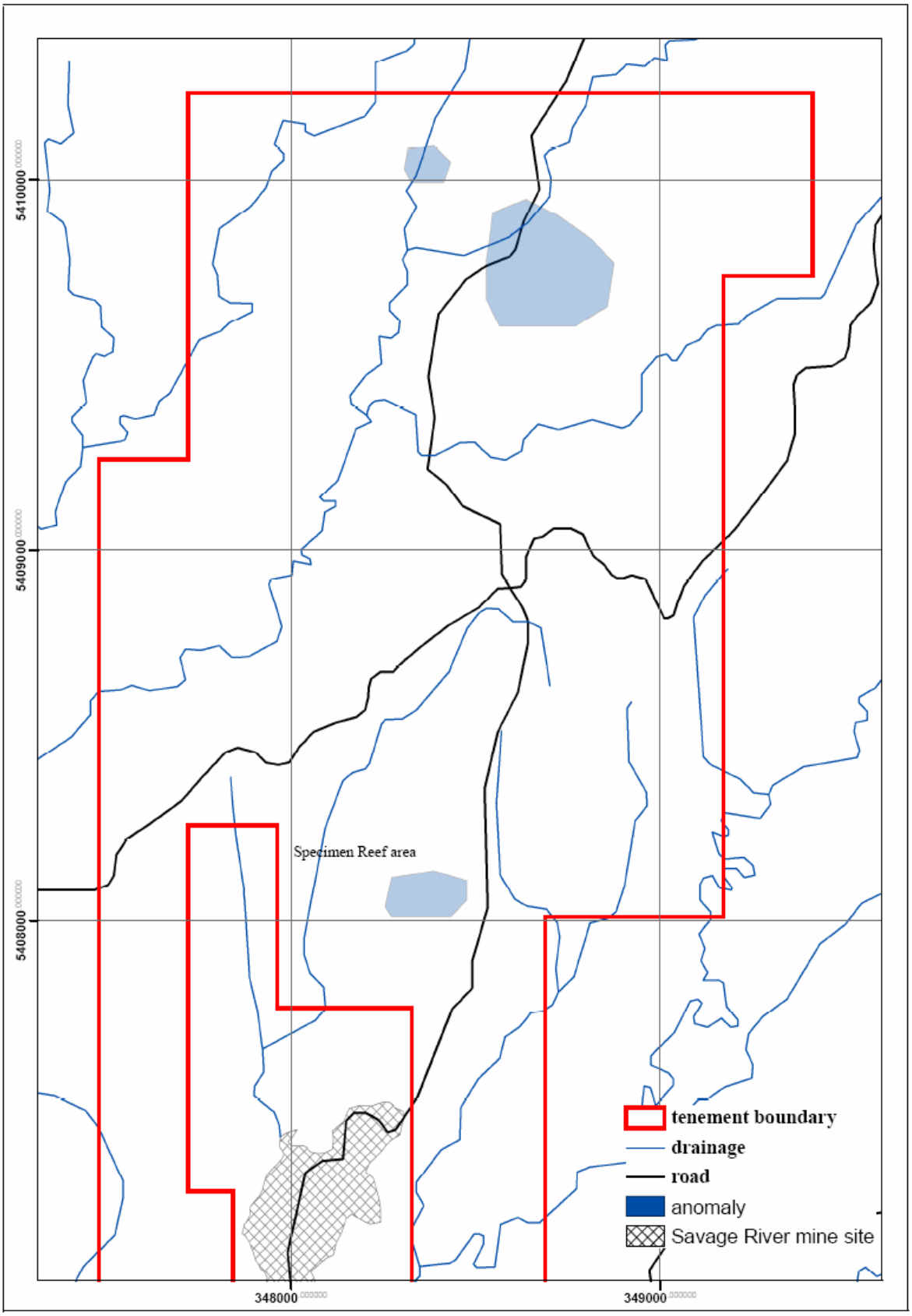


Figure 9, Targeted Areas for further exploration

sampling programme would substantiate and expand previous results and possibly provide an indication to area of origin of mineralised ore bodies.

8.0 CONCLUSIONS

Red Rock Resources Ltd are exploring for economic iron deposits in northwest Tasmania within the E11/2005 Savage River North tenement. This area contains some of the least detailed published geological mapping in Tasmania. The tenement is located in with the Arthur Metamorphic Complex hosting significant magnetite and magnesite deposits.

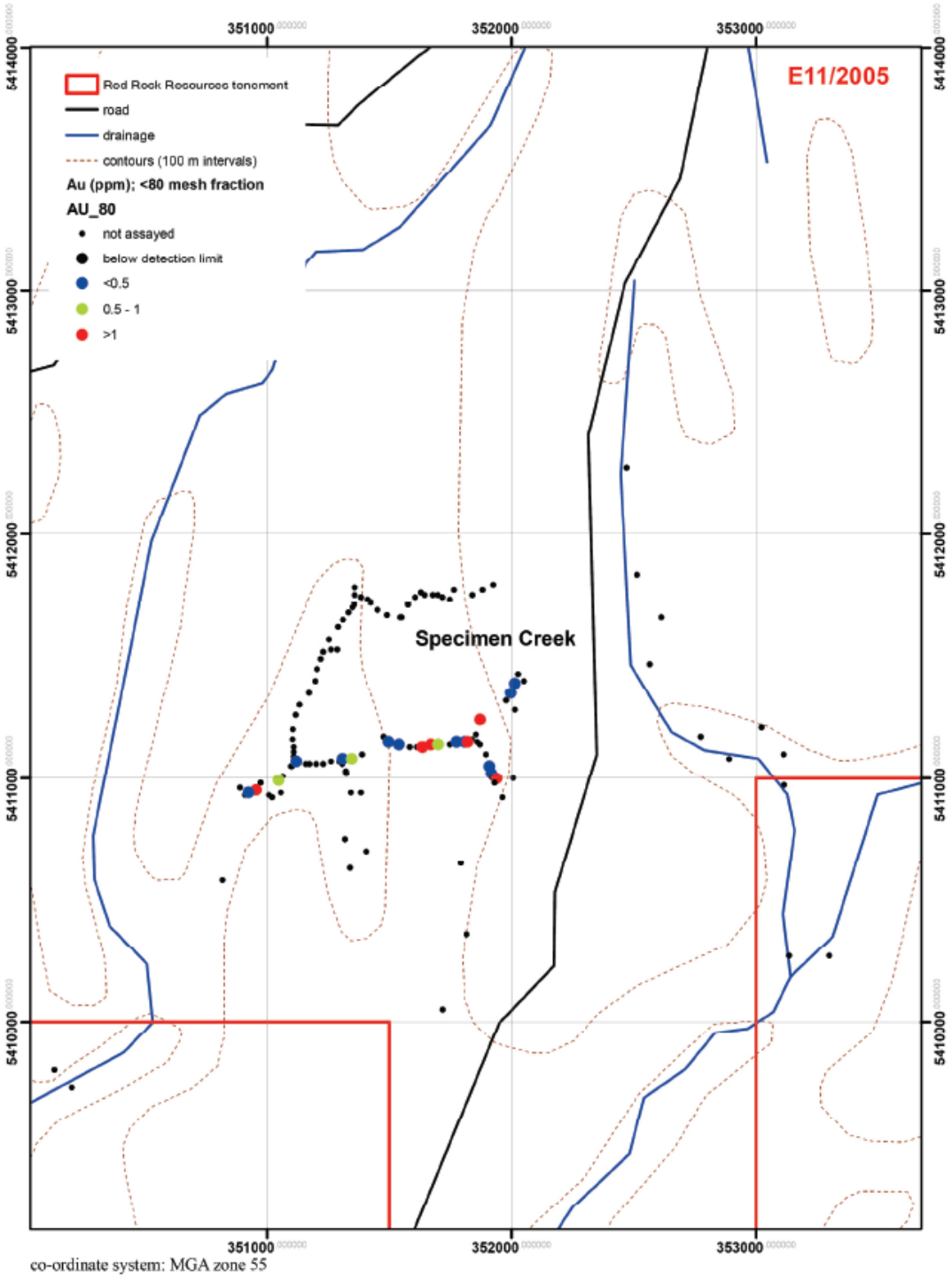
The Savage River region is rugged and consequently needs a highly refined logistical and technical operation to fully explore the area. Outcrop being poor, any sampling regime needs the full support of a technical team whilst early negotiations with the MRT are also encouraged.

Within the tenement the Specimen Reef and Comstaff Creek are identified as most likely to contain magnetite mineralisation. These may occur as smaller lenses but a 2-3km stretch in the Comstaff/Pineapple Creek area has a prominent (but not intense) magnetic structure (influenced by capping Tertiary basalts). It is also anomalous in gold and close to magnesite occurrences.

Reprocessing of geophysical data will establish whether economic widths and grades of magnetite can be hosted by the chosen areas. Once established, mapping, geochemical sampling and detailed helimagnetics should be completed.

APPENDIX

Selected Stream-Sediment Geochemical Maps



co-ordinate system: MGA zone 55

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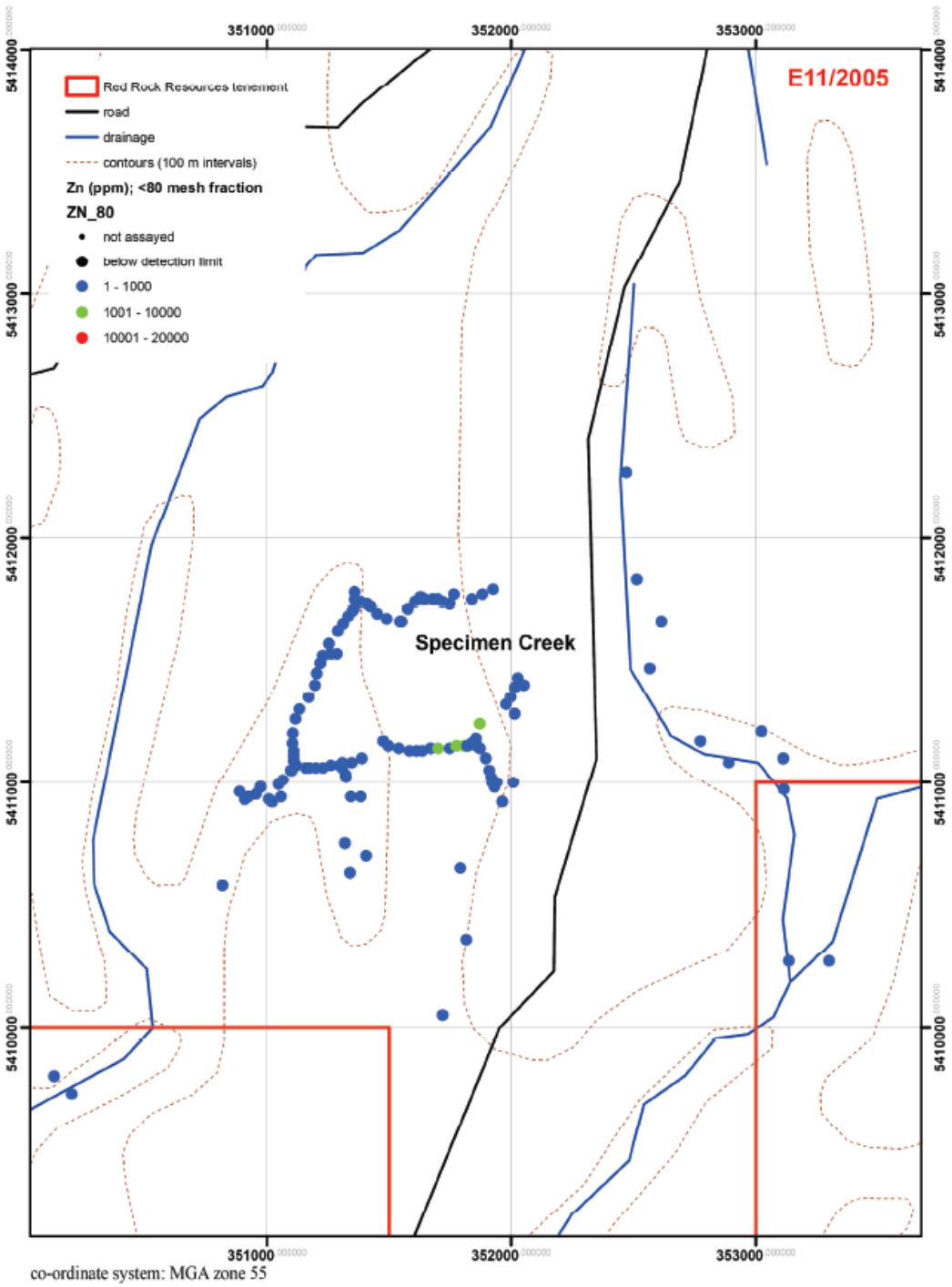

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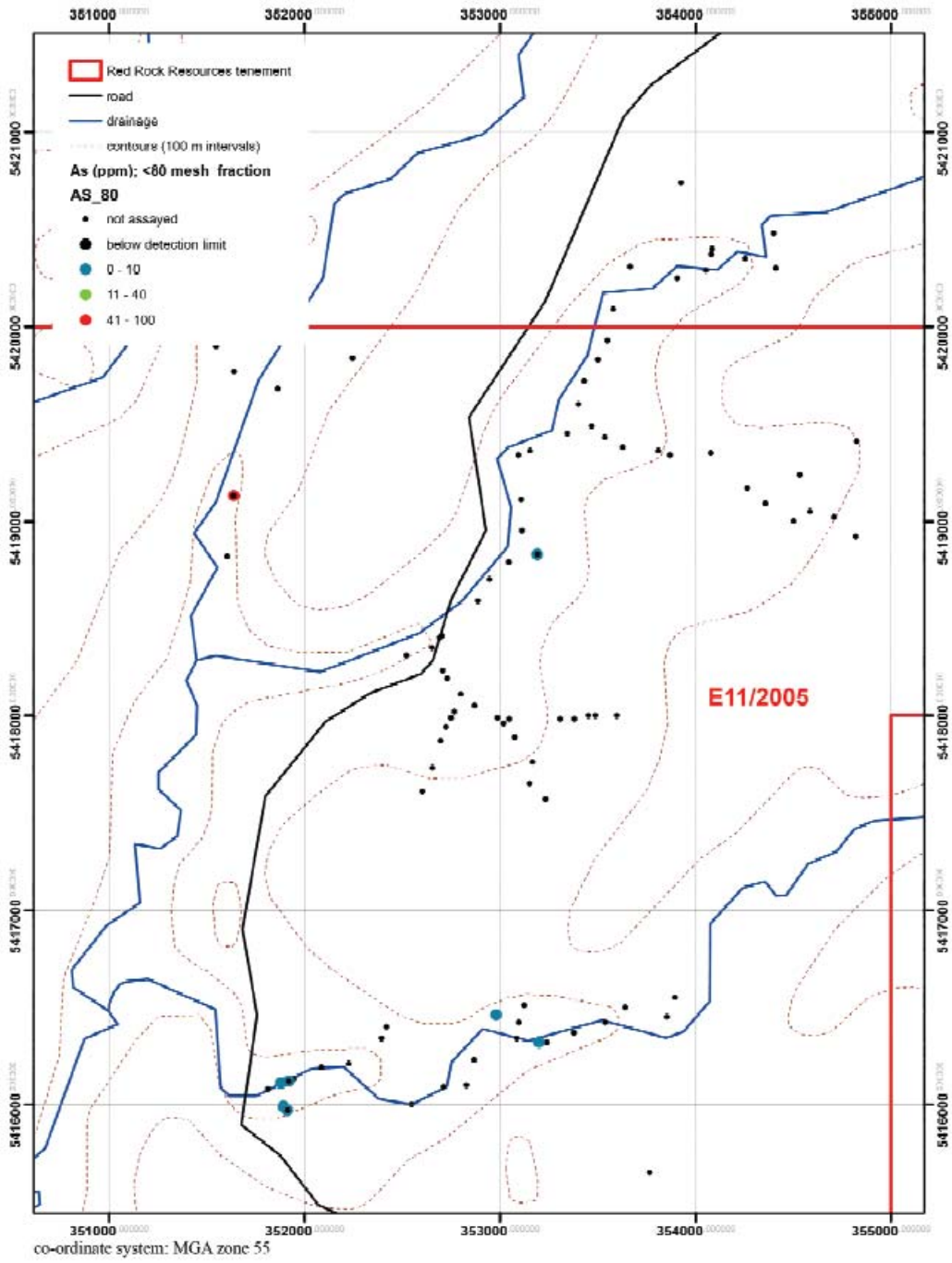

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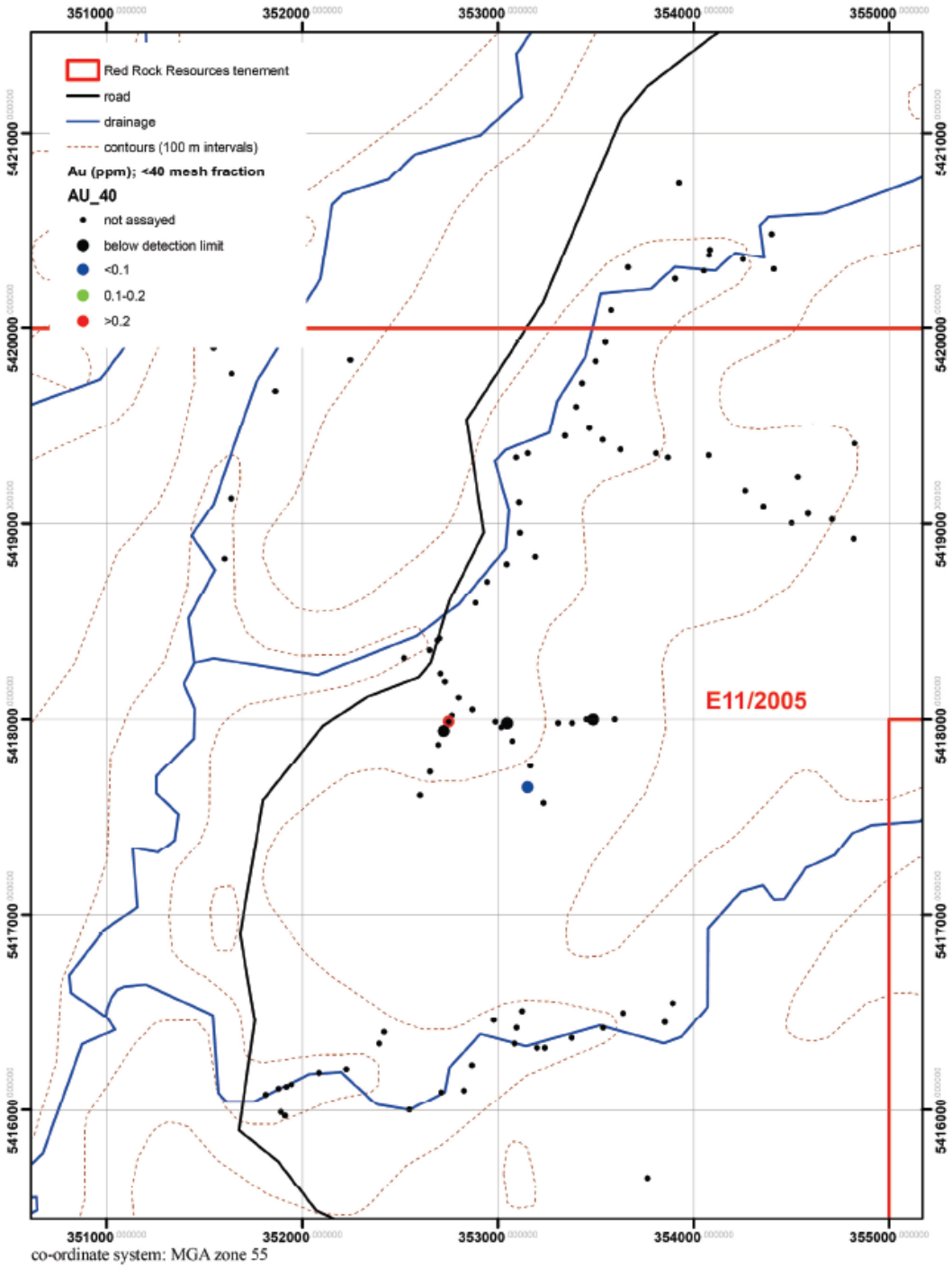

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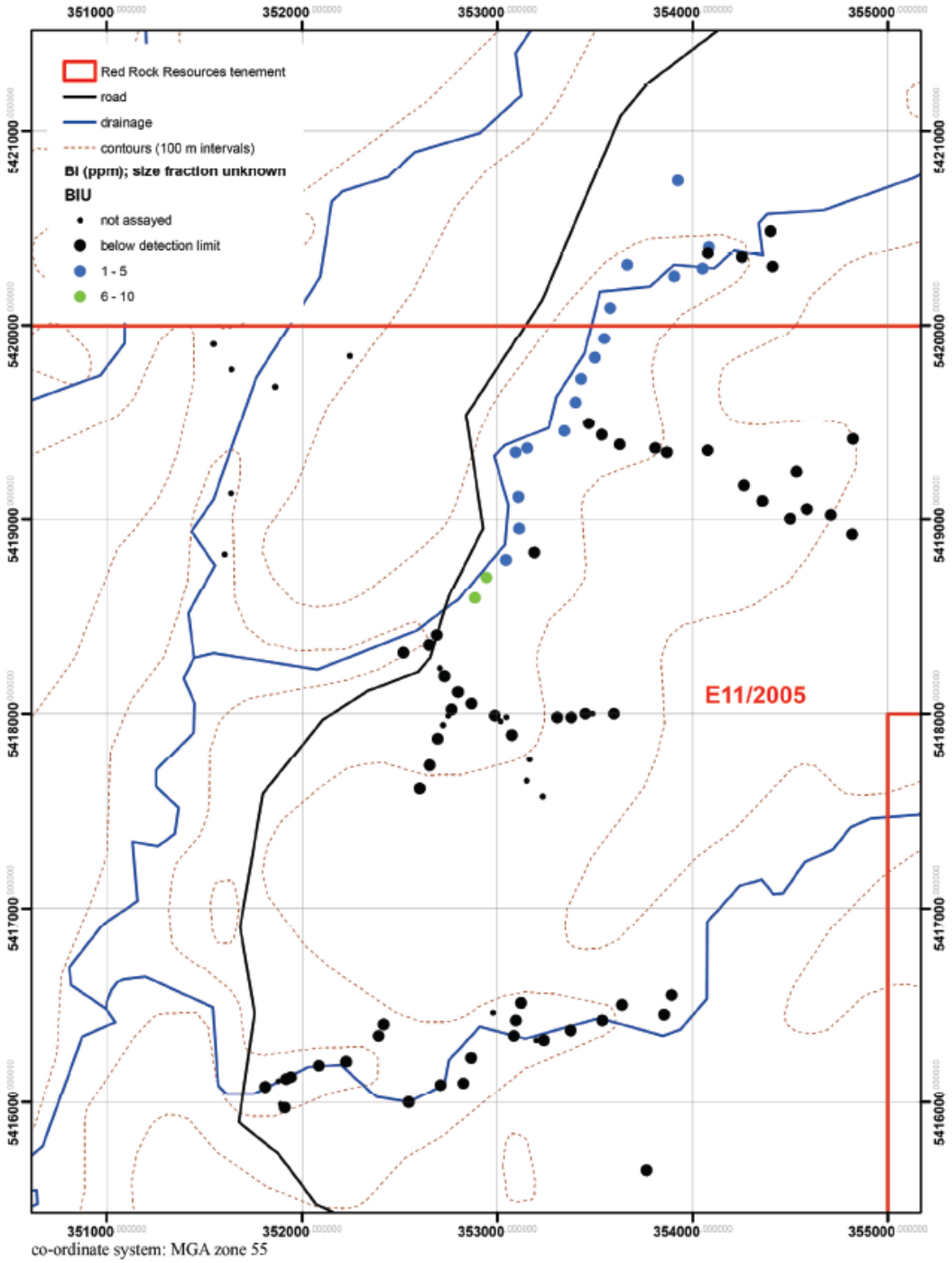

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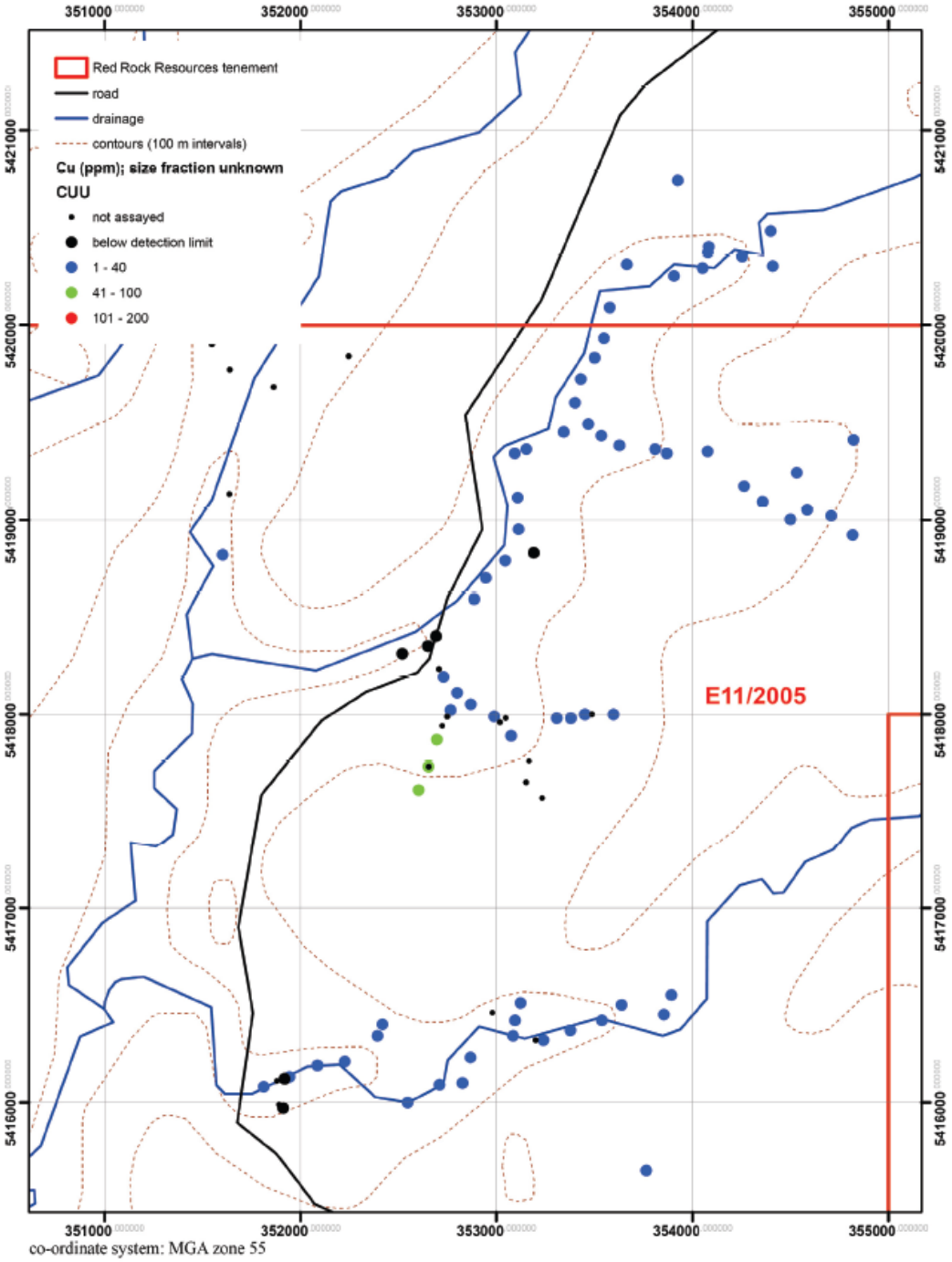

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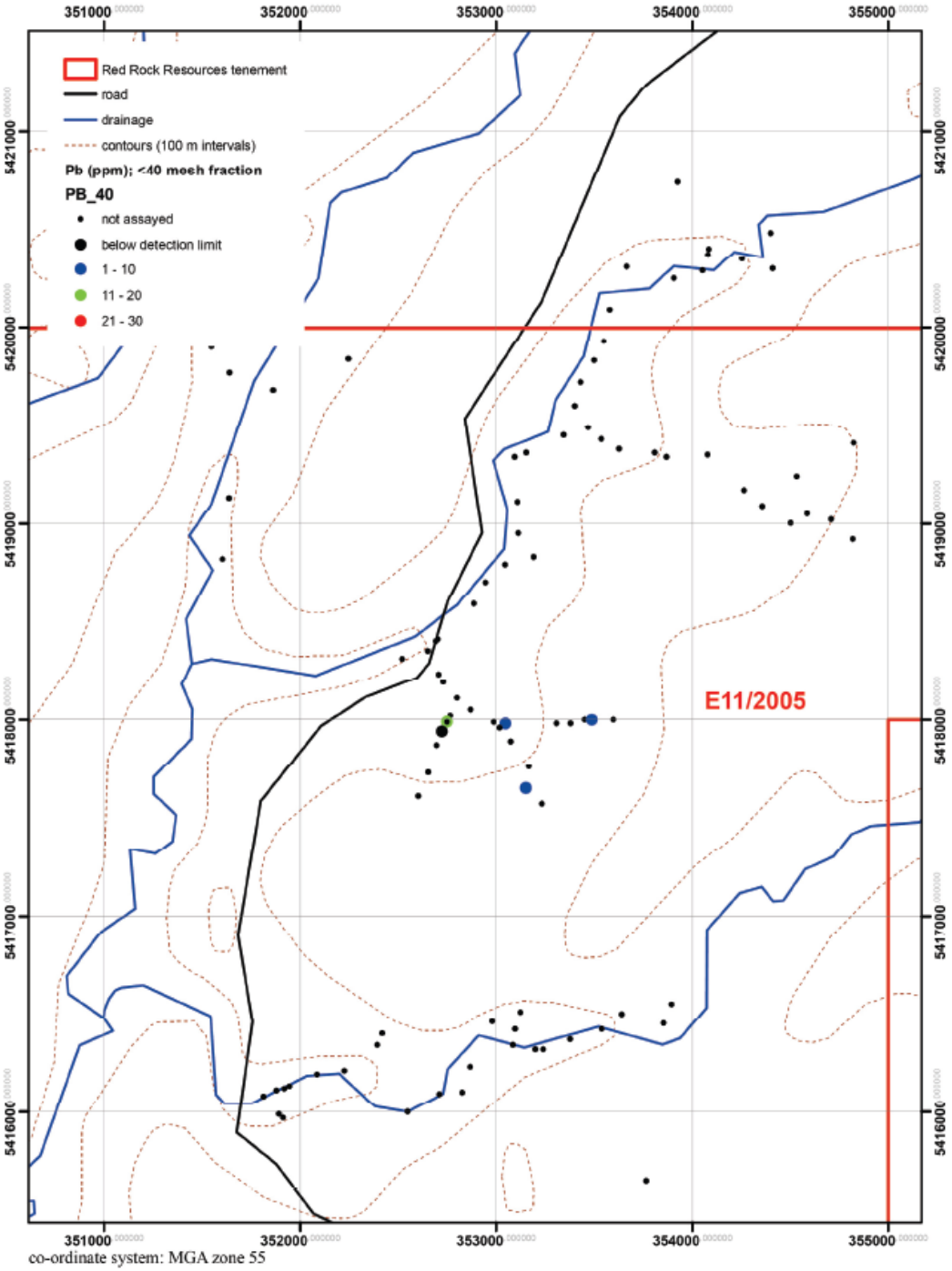

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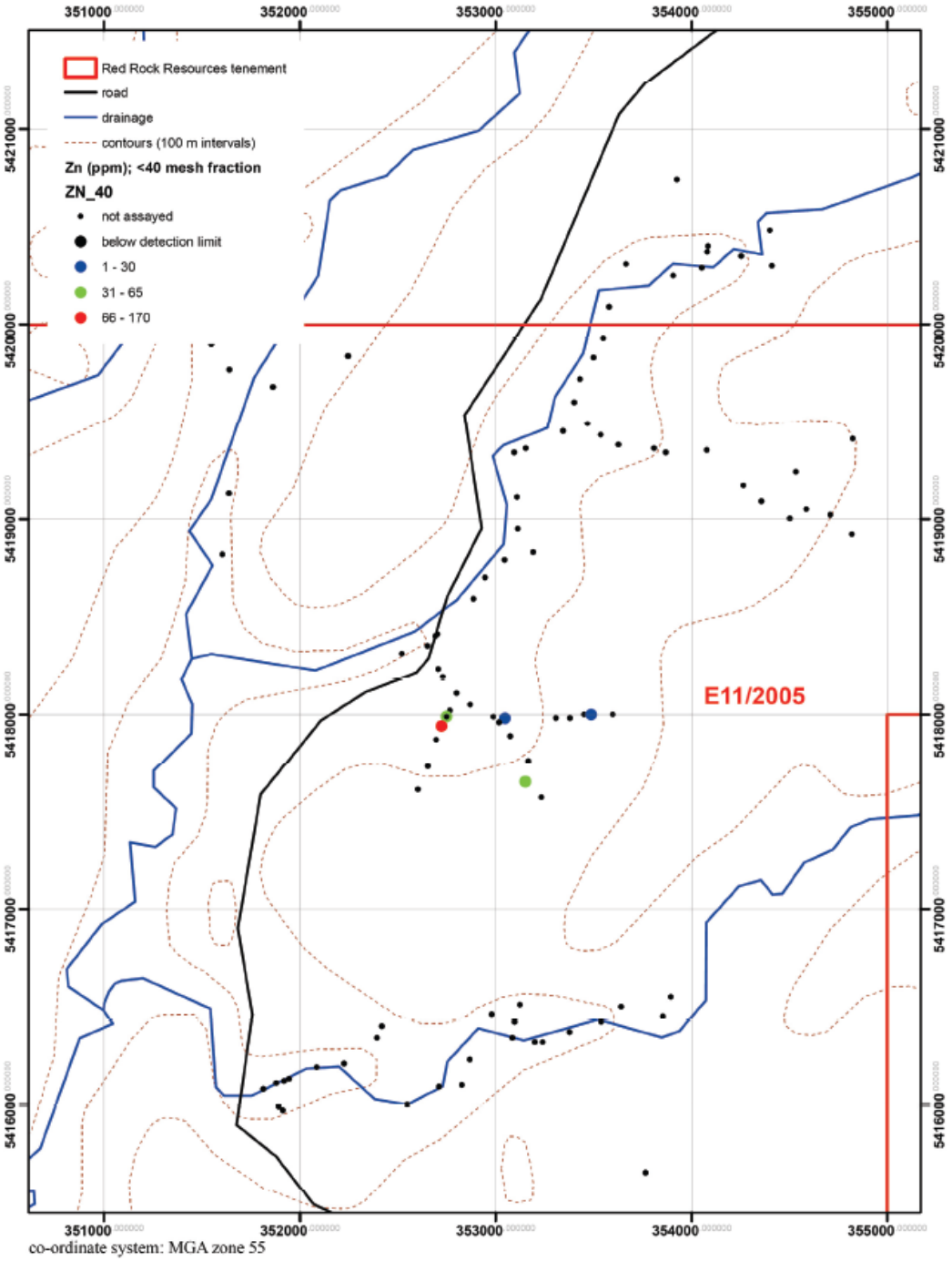

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