



Regency Resources Ltd

Arthur River Project

EL10/2005

North West Tasmania

Australia

Author: Grant Donnes
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1.0 Executive Summary

Regency Mines PLC is exploring for magnetite and magnesite in Tasmania Australia, at the Arthur River prospect on tenement EL10/2005. Regency's second prospect at Savage River (EL11/2005) has been joint ventured, however is still plotted on the magnetic interpretation maps because the two tenements geology is thought to be previously adjoined and equivalent.

This target prioritisation report provides a simplified interpretation of the Savage River to Arthur river helicopter aeromagnetic data flown by the government at regional 200m line spacing in 2001. The two priority magnetic targets are the same priority magnetic targets from 40 years ago. Priority target T1 should be drilled first prior to assessing the secondary target T2 due to the additional infrastructure expenditure required prior to drilling T2.

The regional aeromagnetic data shows a very large magnetic response under the Grange Resources Savage River magnetite deposit, however further north the large magnetic response effectively disappears (at depth) into Regency's Savage River tenement. The less magnetic units surrounding the large central magnetic response are split into 2 as they trend to the north-north-east, into a wishbone shaped magnetic anomaly.

The only substantial magnetic response in the district is Grange's Savage River magnetite deposit. This measured magnetic response is because the outcropping magnetite is vertically dipping. This geological condition provide optimal magnetic field coupling with the earths magnetic field, and so therefore providing optimal measurement within the magnetometer.

What explorers look for then are very large magnetic responses which can be drill tested, however horizontal or shallowly dipping magnetic units will be more subtle and are quite often missed, especially under magnetic field dampening of non-magnetic Permian sequences.

Regency's Savage River tenement contains the two limbs of a wishbone shaped volcanic sequence radiating north from the Savage River mine site, however the area in-between the wishbone limbs appears devoid of magnetic basement - potentially detached elsewhere.

This interpretation report attempts to provide evidence of a massive shearing event along the Arthur Lineament, with sub-parallel shear splays offsetting the Arthur Metamorphic Complex rocks within Regency's Arthur river tenement, approximately 26km to the NE from the rocks at the Savage River tenement which may have been joined prior to massive crustal deformation.

The Arthur River tenement geology is moderately magnetic and potentially the core of the Savage River tenement - which is devoid of magnetic response. This lack of magnetic signal is identical in shape and size to the Arthur River magnetic complex making the refit plausible, and both refits have been attempted by leaving magnetic material in-situ and moving the other.

The Arthur River tenements geology is outcropping except for a Permian covered area through the centre (synclinal or basin shape) between Keith River Gossan and the V-Bend Amphibolite dyke exposure both previously explored. This V-Bend amphibolite exposure is only 30m wide and 60m long however is a glimpse of the basement under the Permian cover sequence.

The V-Bend Ampibolite dykes magnetic signature 300m thick and 3km long higher amplitude core. This central magnetic zone could be dipping slightly (requires 3D Modelling), but the

broad magnetic response suggest either deep burial +300m, flat lying or not as mineralised (lower magnetite alteration via lower grade metamorphism) compared to Savage River rocks.

The higher grade metamorphism may only ever be seen at Savage River, because it was hotter / higher pressure via burial depth, or the shear zone thrust front being “cooked”.

Evidence the V-Bend mafic volcanic rocks have higher metamorphic grade and is of interest is the outcrop has both magnetite and base metals. Historic rock chips on the dyke exposure of 900ppm Cu, 900ppm Zinc, Ilmenite / magnetite with total Fe of 16.8% and traces of Tin and Tungsten are unusual for a barren mafic dolerite dyke so further assessment is warranted.

The primary target in this tenement is a large tonnage - high grade, metamorphosed Iron Rich Amphibolite (IRA) buried under an unknown thickness of Permian cover. This area may represent a large alteration system containing proximal and distal alteration zones, meaning base metals, gold and silver may be located in sulphide zones and could be waste or a credit.

The gold and base metal sulphide zones are near the fluid source in the centre of the large shear zone and will have adjoining or coincident magnetite rich alteration zones based on geochemical fractionation sequences.

A large volume of sulphide material could exist along the contact with the ultramafics represented as pyroxenite's mapped at the base of the Victoria copper mine and beneath the Arthur River magnesite mineralisation, however AEM has not been recommended to start with.

Drill holes have been designed and supplied to test 2 of the 8 identified magnetic targets. Firstly 2 drill lines of RC holes across the V-Bend aeromagnetic anomaly and secondly 3 drill lines of RC holes to test the central and southern half of the Keith River Gossan aeromagnetic anomaly.

The recommendation is 800m of drilling in 4 deep holes into the V-Bend magnetic T1 anomaly to test for open cut potential under cover, then assess Keith River target next year.

the V-Bend is the primary magnetite target and can be tested inexpensively because a loader can push small drill pads off the side of an all weather access track, and the rig can drive in and start. Relatively expensive site prep work for pads at Keith River has minimised the proposed initial program for this year.

Disclaimer: The magnetic anomalies could be dolerite sills or amphibolite dykes with weak magnetite alteration and of no economic importance.

2.0 Geology

2.1 State Scale 1:250K Geology

Reproduced information from open file MRT / various company reports including CRA

The tenement is approximately 35km south-west of Wynyard in North-West Tasmania. The magnetite deposits within the Arthur River region are situated in a north-northeast striking belt of highly deformed Precambrian rocks known as the Arthur Lineament. The Arthur Lineament varies from 8km to 15km wide and extends from Wynyard on the northwest coast to an area north of Granville Harbour on the west coast of Tasmania.

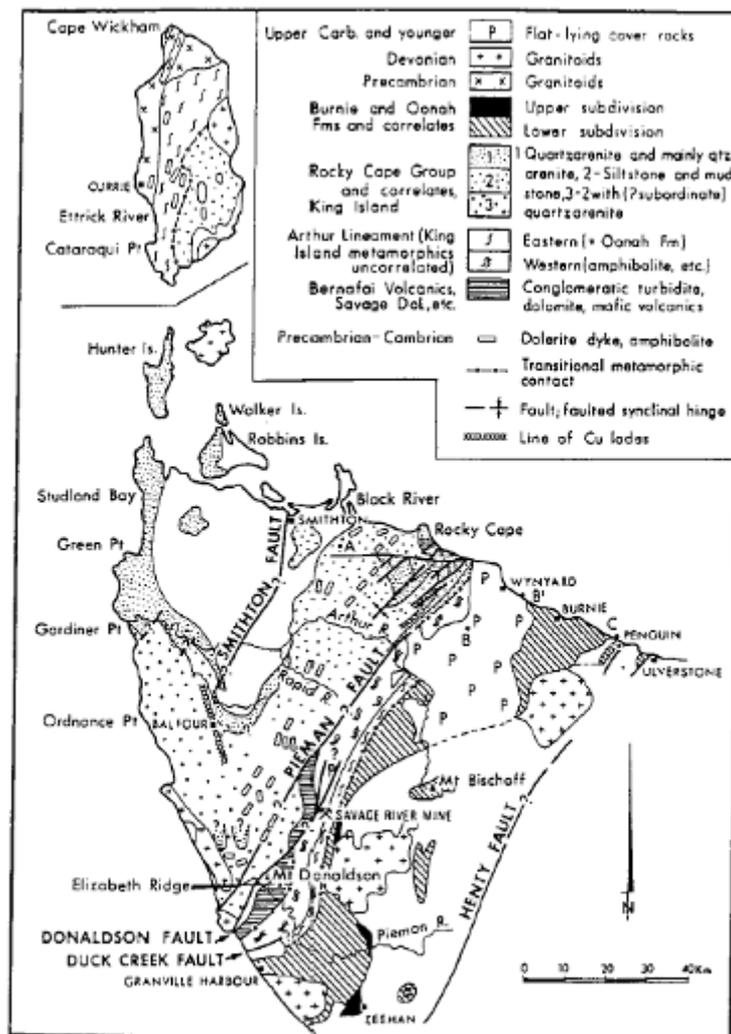


Figure 3 Proterozoic-Palaeozoic geology of northwest Tasmania

(Turner, 1989). Also see Calver et al (1995).

Figure 1: The Pieman Fault is the major fault along the Arthur Lineament

The Savage River magnetite iron ore and magnetite deposits occur within the Arthur River Lineament. The Savage River basement rocks are thought to be correlatives of similar rocks within the Arthur River Prospect: EL 10/2005. The amphibolite is altered in various amounts forming magnetite / sulphide alteration zones forming the Savage river deposit.

Potentially the rocks within the Arthur River EL were connected to the Savage River EL, using the state scale geology re-coloured below. Alteration intensity is the primary key to this mineralization style indicating half grade magnetite may have formed within the amphibolite basement under Permian sediments at Arthur River. Small amphibolite outcrops (green) are within the tenement and the V-Bend Amphibolite outcrop has been sampled but not drill tested.

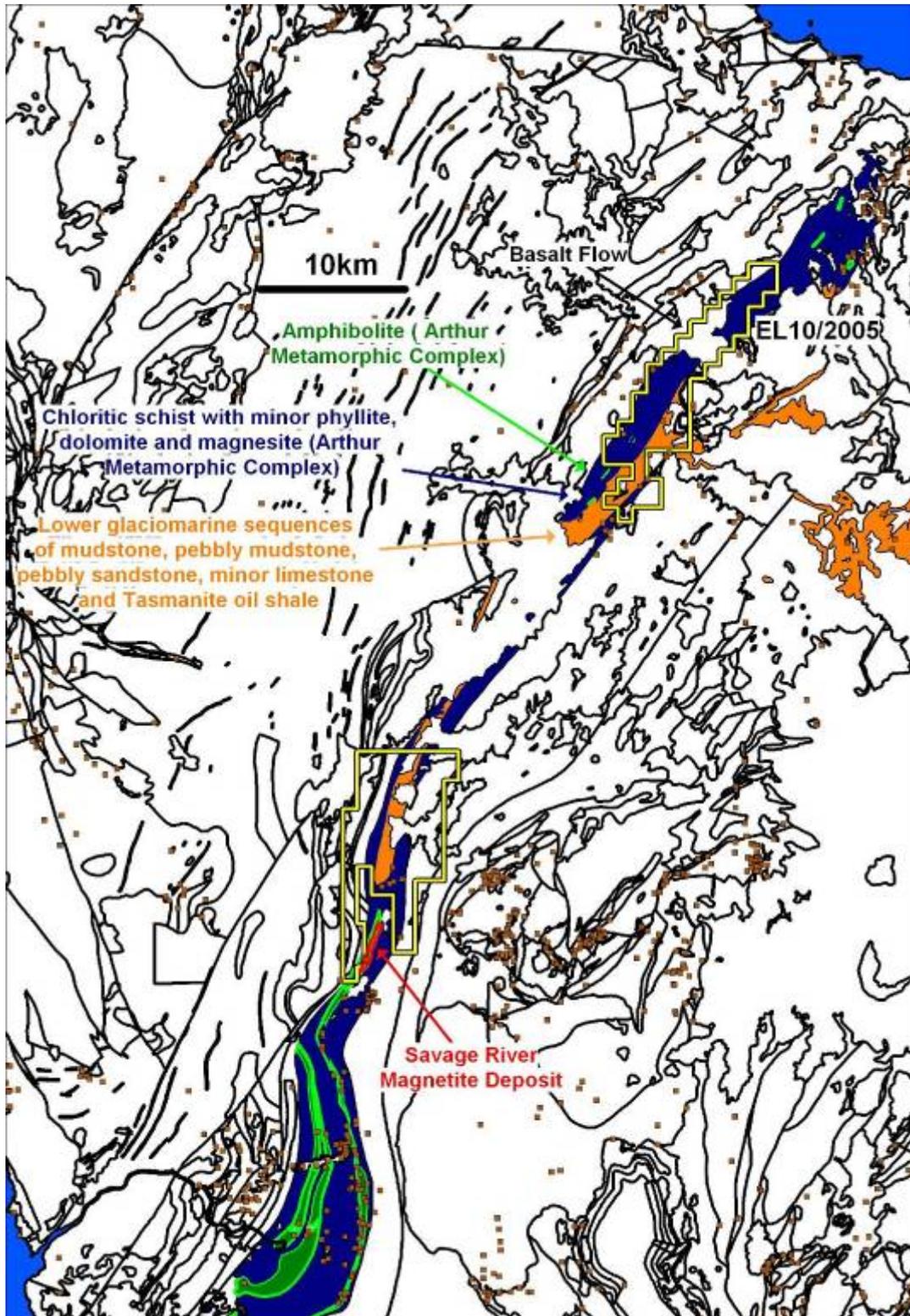


Figure 2: The Savage River Magnetite deposit is a magnetite altered amphibolites (green)

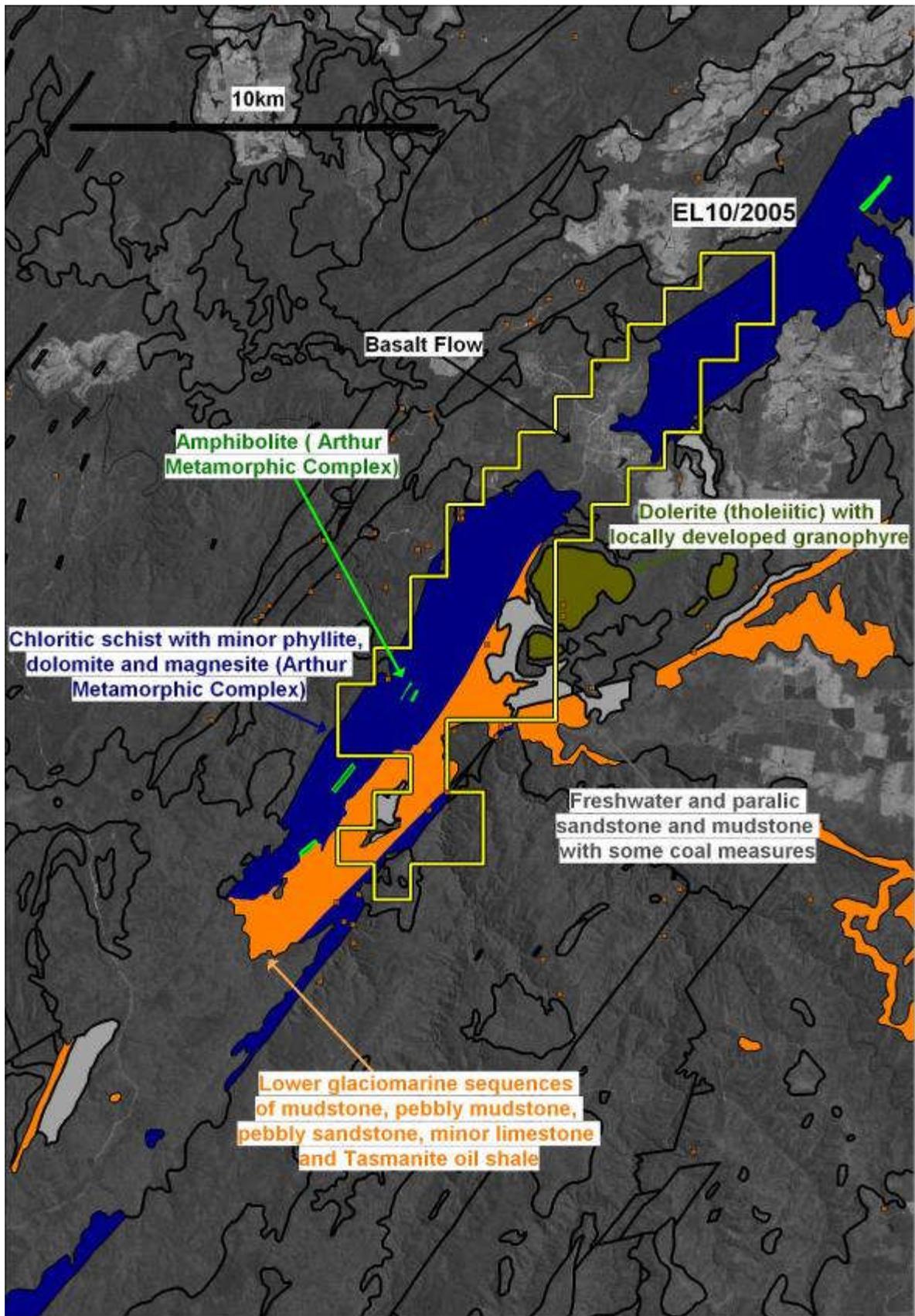


Figure 3: The Arthur Metamorphic Complex Amphibolite outcrops are also weakly magnetic. The 250K Geology misses the V-Bend exposure, however it is mapped @ 1:25K & 1:50K

2.2 1:25K and 1:50K Scale Geology

The area north of the Arthur River tenement is largely underlain by Permian conglomerate - mudstone and Tertiary basalt. These rocks effectively bury the Precambrian rocks of the Arthur Lineament. A block of down-faulted exposing Permian rocks also occurs to the west of Lyons River - Arthur River magnesite deposits and buries the primary magnetic target T1.

The area abutting the magnesite zone to the east is underlain by quartz schists and quartz-mica schists known as the Keith Schists. These rocks are regarded as the hanging wall sequence. The western footwall sequence is dominated by amphibolite and pyritic siltstone which is similar in geology to the Savage River Magnetite deposit 30km to the south west .

The Keith River gossan zone is situated within this sequence and is possibly a correlative of the Savage River pyrite - magnetite deposit. The magnesite horizon nearby is thought to be a conformable strata graphic unit, however mapping shows it pinches out within the tenement.

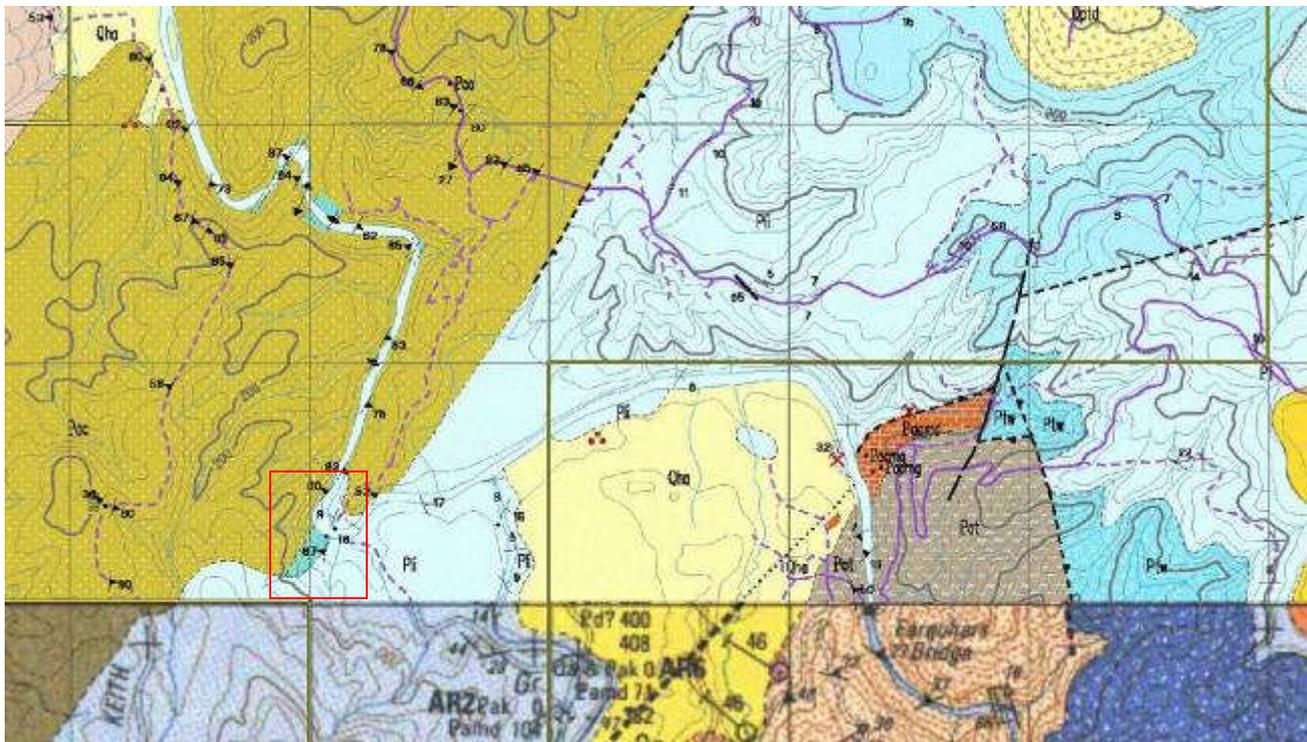


Figure 4: 1:25,000 scale geology map showing V-Bend amphibolite exposure and other dykes

During the early assessment of the area by CRAE, the Lyons River area was mapped in detail and it was concluded that the magnesite outcrops in that area represent one large magnesite unit or a series of small parallel lenses. The Lyons River to Arthur River line of magnesite occurrences was subsequently mapped at 1 : 5,000 scale and used in Figure 6.

Other commodities exist such as blast quality silica and dimension stone gravel potential, mixed with limited coal seam potential north east of Victoria copper mine as shown as grey in the 250K tenement map. These commodities will not be targeted in this report. The target after research is magnetite altered amphibolite sequences with high iron grade and large tonnage.

Higher grade proximal alteration zones will include sulphide lodes with precious and or base metals and such is the case at Keith River Gossan which may have magnetite, magnesite, Zinc, Copper, gold and silver potential as target is 1km long. The distal alteration zones will be where the higher grade magnetite alteration is located, however both bulk and precious commodities can be found in altered mafic volcanics so both should be assayed for in drilling.

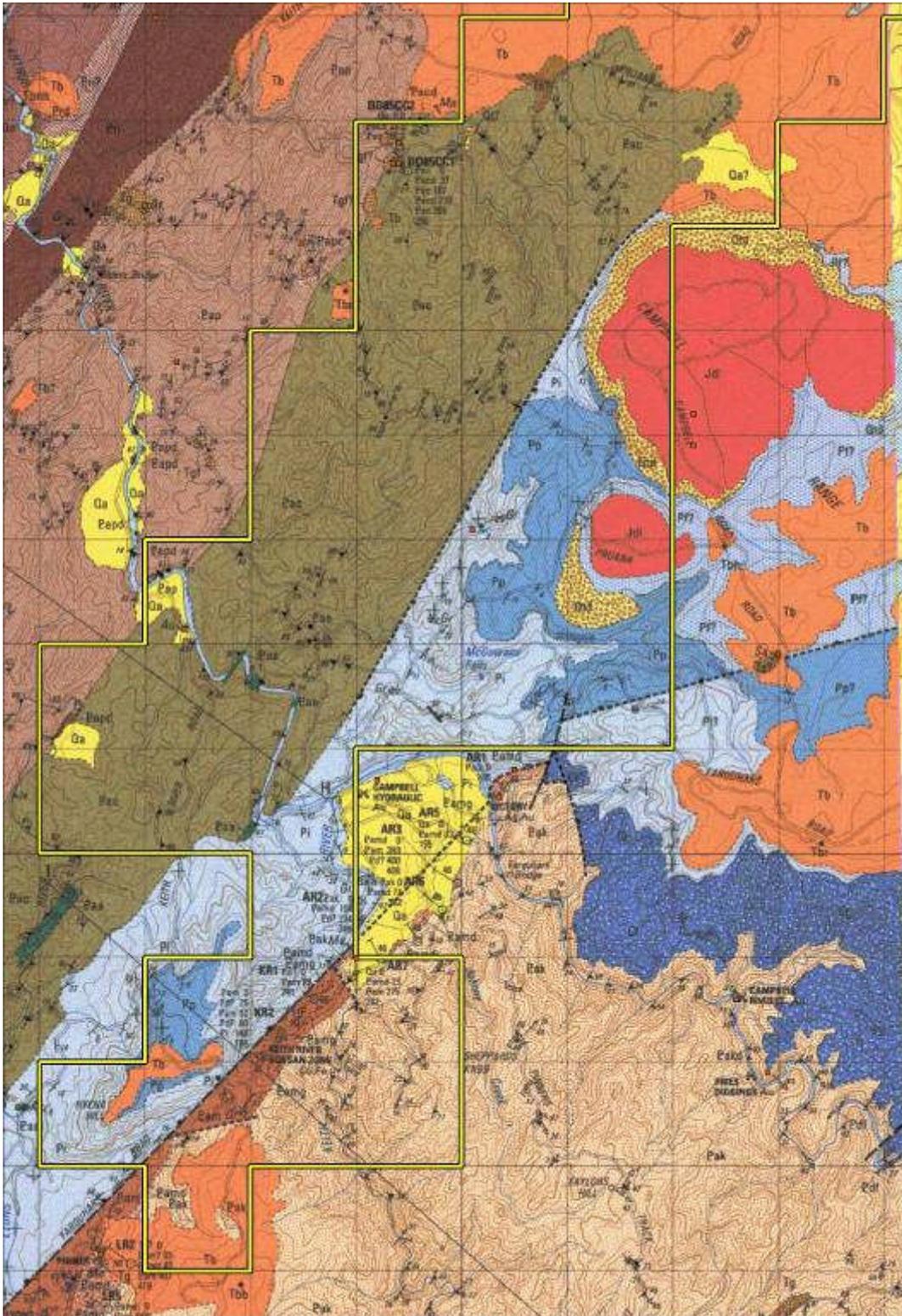


Figure 5: 1:50K scale Geology Map compilation is similar to the 1:25K map with drill holes

2.3 Magnesite Geology Mapping

In total over 10km of strike length has been previously mapped in detail. This was done to identify the positions of the magnesite horizon for future drill testing and to evaluate the possibility of a continuous layer. The magnesite horizon between the Lyons River and the Arthur River prospects is however not continuous over the zone but occurs in discrete intervals along it. This is most notable at the northern end of the Lyons River deposit where the magnesite thins from about 350m to 30m or less within a strike length of 300m.

The magnesite body exists under alluvial cover between the Keith and Arthur Rivers. This deposit is still poorly defined but at least is 3500 metres long by 150 to 400m wide and a depth of over 165 metres. Average overburden is 15 metres and some thirty million tonnes of plus 40% magnesite are indicated to a depth of 100 metres.

High grade zones of +40% magnesite within the deposit have average Fe2O3 1.57%, CaO 2.17% and SiO2 6.35%. There are a greater number of cavities in the deposit than at Lyons River. These may present a mining problem. Cann Creek magnesite occurs as an outcrop of limited extent as indicated by a diamond drill hole which failed to intersect magnesite.

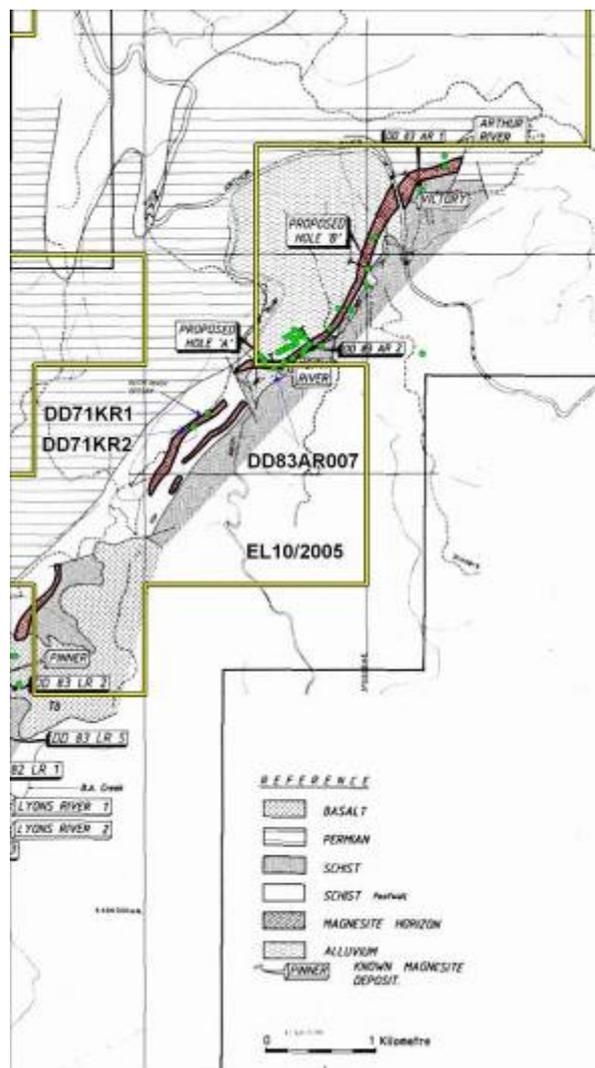


Figure 6: Excellent geology summary maps showing drill holes from the MRT database

2.4 Economic Geology

Within the Arthur River tenement, two outcropping economic minerals exist being Magnetite (Fe) and Magnesite (MgO). Magnetite, hematite and weak base metals (Cu,Zn,Ag) are found in altered amphibolites at the Keith River Gossan and this gossan has the strongest magnetic anomaly in the tenement probably due to the magnetite and primary sulphide zones at depth.

The area of outcrop has been mapped in great detail showing intense folding – see Keith River Gossan geology map. No attempt was made to drill the southern section of the outcrop area, or the centre of the magnetic anomaly or along entire length of magnetic anomaly T2 to search for mineralisation zonation indicated in the surface rock chips. The near surface sulphide zone drilled may be depleted due to oxidisation (upgrading the surface rock chips), and deeper targeted drilling is required into both the most conductive and across the magnetic zones.

The southern most section of the Arthur River magnesite deposit is faulted off just inside the tenement boundary (however needs GPS confirmation of CRA drill hole 7). Detailed information is provided in the following section. The magnesite deposit is mainly outside the tenement boundary however trends through the Arthur River deposit to Lyons River deposit across the Keith River Gossan, perhaps under the hill and influenced by larger structures.

This report assesses the open file geophysical data with historic geology and drilling work downloaded from the MRT, primarily from the 1970's through to the 1980's. Extensive exploration by CRA has provided detailed geology maps, with 1 drill hole into the southern end of the Magnesite deposit intersecting 194m of +35% MgO including 153m of +40% MgO.

The primary target is however under cover, so needs a few drill holes to ascertain if the geological sequence is similar to that of Savage River which has been mapped in detail below.

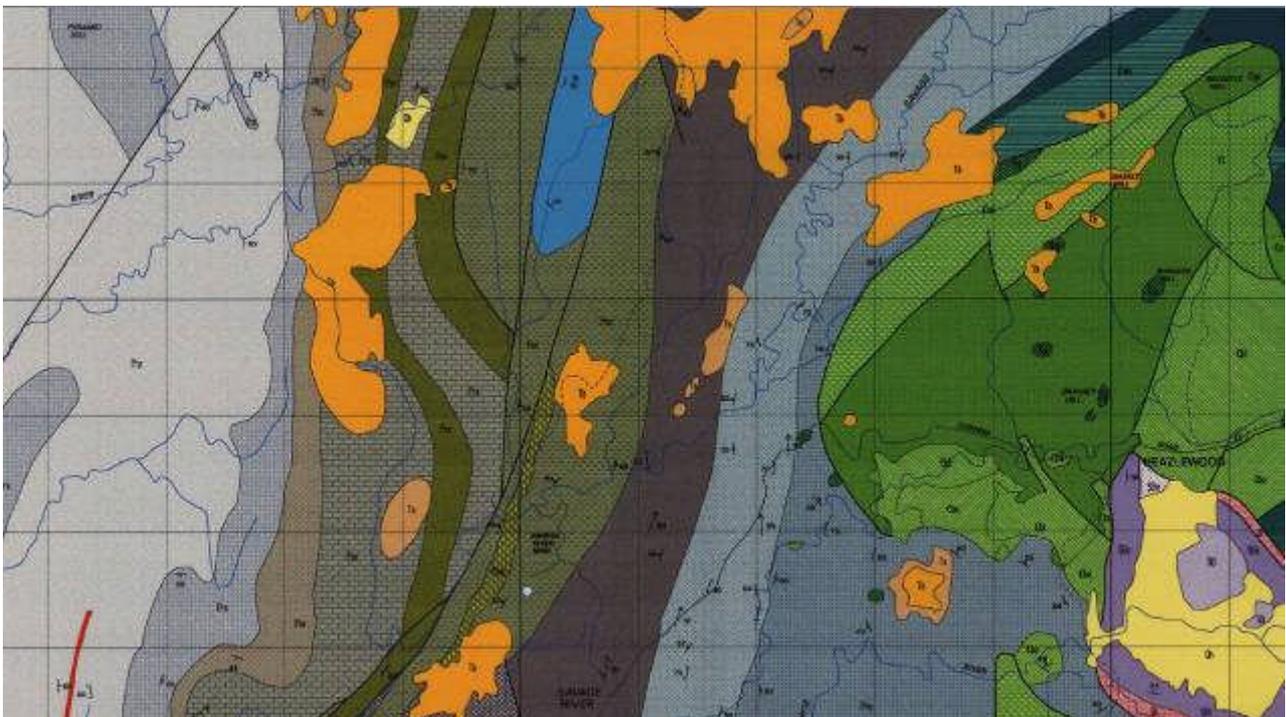
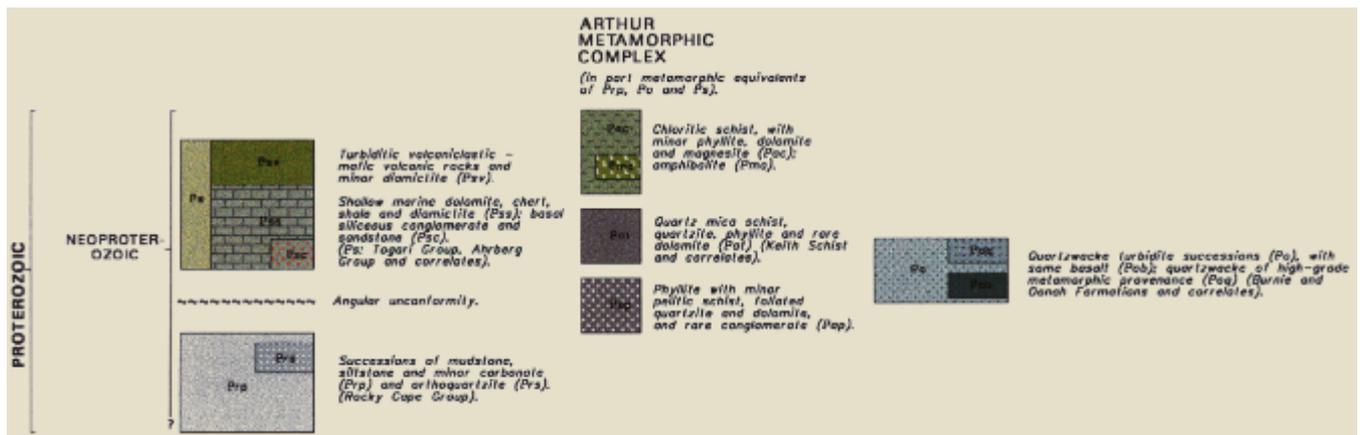


Figure 7: Detailed Geology of the Savage River Deposit



3.0 Savage River Magnetite Deposit

Extracts from Grange Resources Website

3.1 Location

The Savage River mine and concentrator are located approximately 100 km south west of Burnie, Tasmania. The pelletising plant and dedicated port facilities at Port Latta are located on the coast of Bass Strait 70 km northwest of Burnie, Tasmania (Figure 1). Local topography surrounding the mine is rugged, with incised valleys and steep hills. The west flowing Savage River dissects the deposit.

Regional vegetation includes undisturbed temperate rain forest with the mine area comprising wet eucalypt, acacia and open heath land. Climate is wet temperate with an average annual rainfall of 1,950mm and mean monthly temperatures ranging from 3 -19°C. The Savage River magnetite deposit lies within and near the eastern margin of the Proterozoic Arthur Metamorphic Complex in north western Tasmania.

The magnetite deposits at Savage River represent the largest of a series of discontinuous lenses that extend in a narrow belt for some 25 km south of the Savage River Township. The deposit is subdivided into sections on the basis of areas that have been mined. The areas are referred to as North Pit, South Lens, Centre Pit North, Centre Pit South, Centre Pit Southern Extension and South Deposit.

Mineral Resources (Inclusive of reserves)			Ore Reserves		
	Tonnes (Mt)	Grade (%DTR)	Tonnes (Mt)	Grade (%DTR)	
Measured	88	52.7	Proved	52	49.6
Indicated	136	51.7	Probable	72	48.9
Inferred	92	47.2	Total	124	49.2
Total	316	50.7			

3.2 Project History

Magnetite mineralization was discovered at Savage River in 1887 by State Government surveyor C.P. Sprent. For many years, interest in the deposit centred on the copper and gold potential of the area. Adits were developed in the hillsides but no significant base or precious metal mineralisation was identified.

Exploration of the prospect was carried out by the Australian Bureau of Mineral Resources in 1956, including ground and air magnetometer surveys. Diamond drilling was undertaken in 1957 and 1959. In 1965 Savage River Mines Limited, a joint venture of Australian, Japanese and American interests, was formed to develop the project.

The Savage River Project was operated for the full term of a 30-year lease by Pickands Mather & Co. International (PMI), an affiliate of Cleveland-Cliffs Inc., on behalf of the joint venture. To access the magnetite reserves PMI developed an open cut mine, concentrator plant and township at Savage River.

A pipeline was constructed from the concentrator to a pelletising plant and dedicated port facilities at Port Latta. Production commenced in 1966 supplying the Japanese steel mills 45 million tonnes of pelletised iron ore over a 20 year period. Annual pellet production reached as high as 2.4 million tpa during the period.

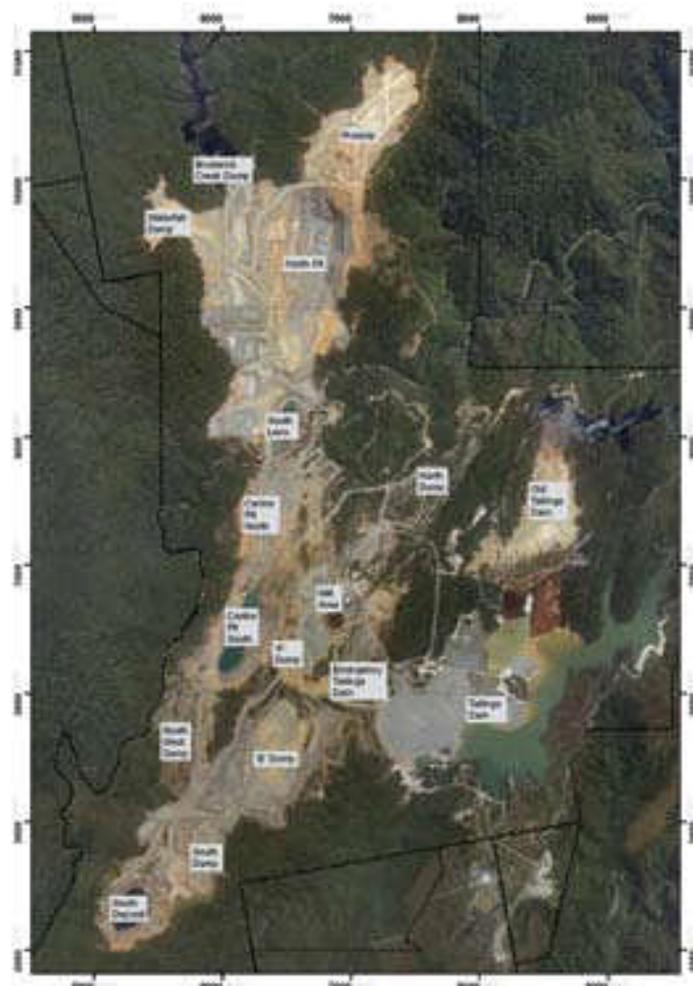


Figure 8: Open Cut Pits of Savage River

During the late 1980s, PMI approached its joint venture partners and proposed that it acquire their interests in the Savage River Project. This proposal was accepted and, shortly thereafter, Savage River in early 1997 and ownership of the Savage River Project was transferred to the Tasmanian Government on 26 March 1997. In March 1997, ABM purchased the assets of the Savage River Project from the Tasmanian Government.

In June 2000, Ivanhoe Mines Limited ("Ivanhoe") signed a Head Agreement with ABM and acquired all of the shares in the entity that owned the ABM assets in December 2000. In February 2005, Ivanhoe subsequently disposed of its interests in the Savage River Project to Stemcor Holdings.

The original mine plan developed at the time ABM took over the Savage River operation contemplated completion of mining operations in 2009. During 2006 a feasibility study was completed on a possible extension of the mine beyond 2009. It concluded that it would be possible to extend the life of the Savage River mine until 2023. Potential equity investors were sought to fund the Mine Life Extension Project.

On 16 August 2007, Stemcor completed a transaction in which it sold a 90% interest in ABM to a group of Chinese shareholders. The corporate entity known as SMAPL was formed to give effect to this transaction.

On 2 January 2009 Grange Resources Limited acquired the 90% interest in SMAPL held by the Chinese investors and the remaining 10% interest in ABM held by Stemcor.



Figure 9: Magnetite ore is iron rich so is very magnetic – shown here in mining operations

3.3 Savage River Mining

The mine comprises three principal open pits North, Central and South Pits; oriented north-south covering a **4km strike length** and separated by unmined zones of thin or low grade material. An exploration lease is also held over Long Plains which is another occurrence of magnetite mineralization further south.

Centre Pit is separated from North Pit by the Savage River which runs through a pillar area left to retain the river channel. The pits average 100-150m in depth – the proposed cut back and extensions will deepen them by up to a further 250m.

Mining activities in the open pit involve the use of conventional off – highway rear-dump trucks and hydraulic excavators, with drilling and blasting being used to prepare the ground ahead of

mining. Grade control sampling is conducted on all blast holes within the ore body, as well as on selected holes around the periphery.

SAVAGE RIVER OPERATIONS

Production and costs

	December Quarter 2009	September Quarter 2009	July – December Half 2009	January - June half 2009
Total BCM Mined	5,414,278	4,349,706	9,763,984	9,402,328
Total Ore BCM Mined	461,438	516,763	978,202	701,398
Concentrate Produced (tonnes)	644,432	550,681	1,195,113	1,036,463
Weight Recovery (Dry) (% DTR)	44.09	36.64	40.31	43.15
Pellets Produced (tonnes)	640,000	514,943	1,154,943	1,018,891
Pellets Shipped (tonnes)	599,347	619,428	1,218,775	1,034,840
Concentrate Shipped (tonnes)	22	110	132	12,495
Pellet Stockpile (tonnes)	216,407	175,747	216,407	280,262
Concentrate Stockpile (tonnes)	15,921	15,514	15,921	3,004
Direct Operating Cost A\$/tonne Pellet Produced	63.83	104.30	82.43	85.37

Note: Direct operating costs includes all costs associated with producing iron ore pellets, but excludes capital expenditure, including capitalized waste, financing costs, tax, royalties and corporate costs



Figure 10: From Mine to Pellet – Magnetite rich amphibolite is a bulk commodity

3.4 Processing

The ore processing facilities comprise a crusher and magnetite concentrator at Savage River, and a pellet plant and bulk ship loading facility located at Port Latta, approximately 80 km due north of the mine site on the north west coast of Tasmania.

At Savage River, **the ore which comprises massive magnetite with accompanying sulphide and silicate minerals**, is crushed, ground and concentrated using magnetic separation as the major mineral separation methodology.

The magnetite concentrate, ground to a sizing of approximately 85% finer than 43 microns (μm), is pumped to the pellet plant. A pump station at the mine site utilises positive displacement pumps to pump the concentrate slurry through an 83 km long, 229mm diameter pipeline which crosses rugged terrain ranging from 360m above sea level down to sea level.

At the pellet plant the pipeline discharge is received into a tank farm and is filtered and converted into pellets in vertical shaft furnaces. The pellets are then screened and stockpiled and loaded into bulk ore carriers for shipment to customers.

The ship loading facility comprises a 2 km long jetty, on which a belt conveyor transports the pellets to an off-shore ship loader capable of loading Panamax size bulk vessels.

3.5 Processing Equipment

Grange Resources' Savage River and Port Latta locations consist of the Primary Crusher, Concentrator, Slurry Pipeline and Pelletising Plant.

Primary Crusher: Ore from the northern section of the mine is tipped into an Allis Chalmers 54/74 gyratory primary crusher, which is located near the rim of the pit. When the iron ore has been crushed to a maximum size of 200 millimetres, it is transported to the 100,000 tonne capacity crushed ore stockpile at the concentrator via a 1.3 kilometre overland conveyor. Ore from the southern section is crushed in an Allis Chalmers 54/62 gyratory crusher before conveyance to the crushed ores stockpile.

Concentrator: Crushed ore from the stockpile is reclaimed via a tunnel system and fed into the concentrator. It is initially ground by two Hardinge 9.75 metre x 3.66 metre autogenous grinding mills, then by two Nordberg 8.84 metre x 3.96 metre ball mills. Magnetic separators then separate the magnetite from the gangue and the gangue is pumped to the tailings dam.

Slurry Pipeline: The concentrate slurry from the concentrator is pumped 83km through a 229 millimetre internal diameter slurry pipeline to the pellet plant at Port Latta – transportation time is approximately 14 hours.

Pelletising Plant: At Port Latta, filtered concentrate is formed into pellets (with bentonite as a binder) and fed to one of the five Midland-Ross vertical shaft pellet furnaces where they undergo approximately 4.5 hours of heat- induced processing. Finished pellets are screened to remove excess fine and coarse material then transferred by conveyor and a rail-mounted traveling/slewing stacker onto the finished product stockpile to cool and await shipment.

3.6 Magnetite Deposit Geophysical Signature

The Savage River Magnetite deposit magnetic signature is strongest in district by far.

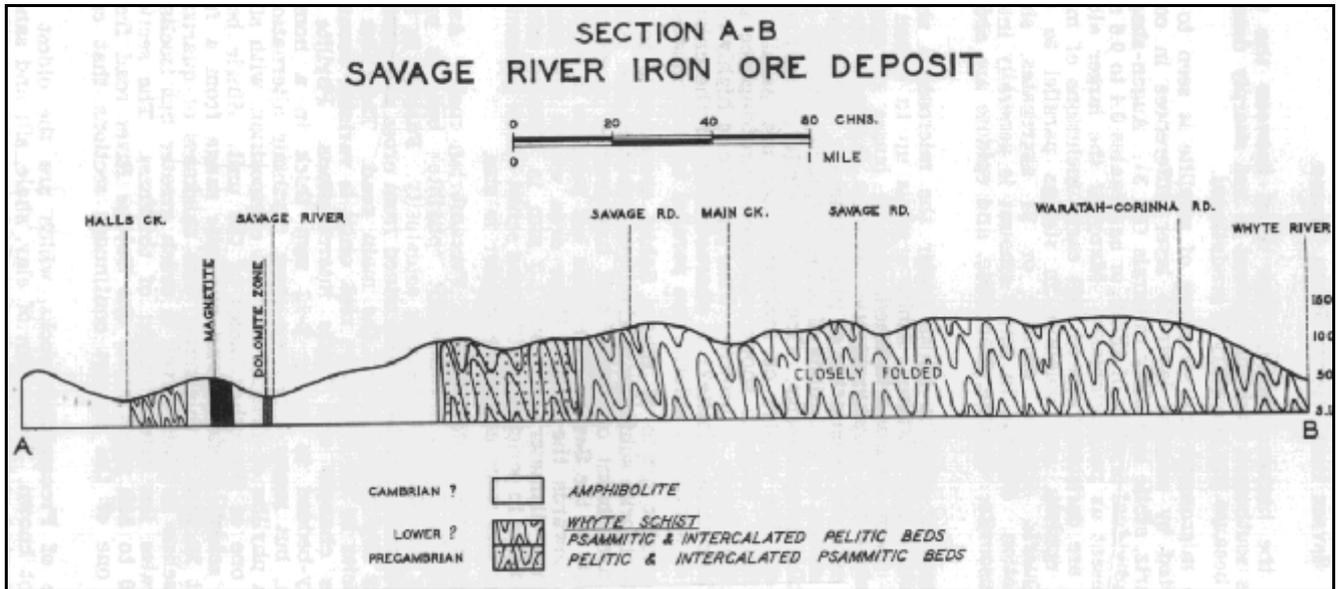
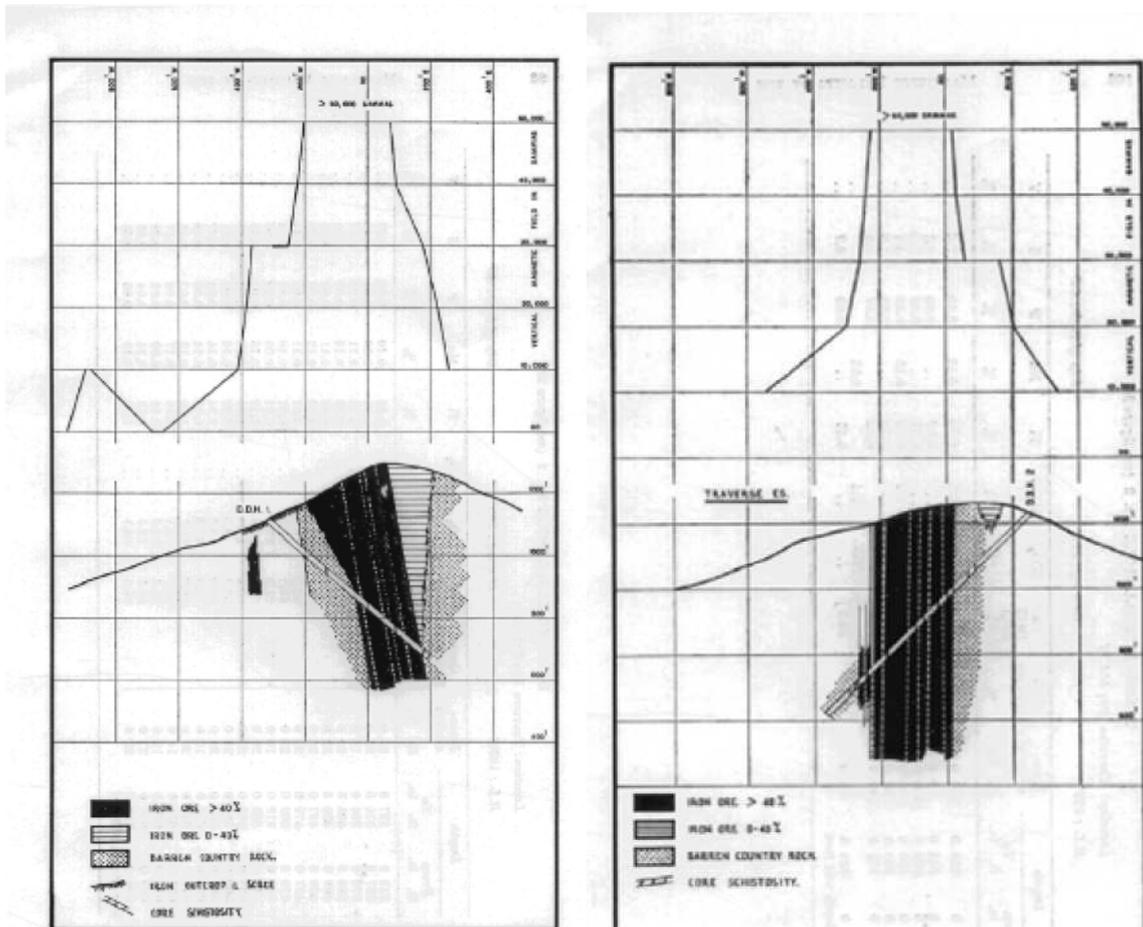


Figure 11: The Magnetite - Magnesite zones are associated within the stratigraphic succession



Figures 12 and 13 : Outcropping and vertical dipping magnetite has very strong magnetic fields

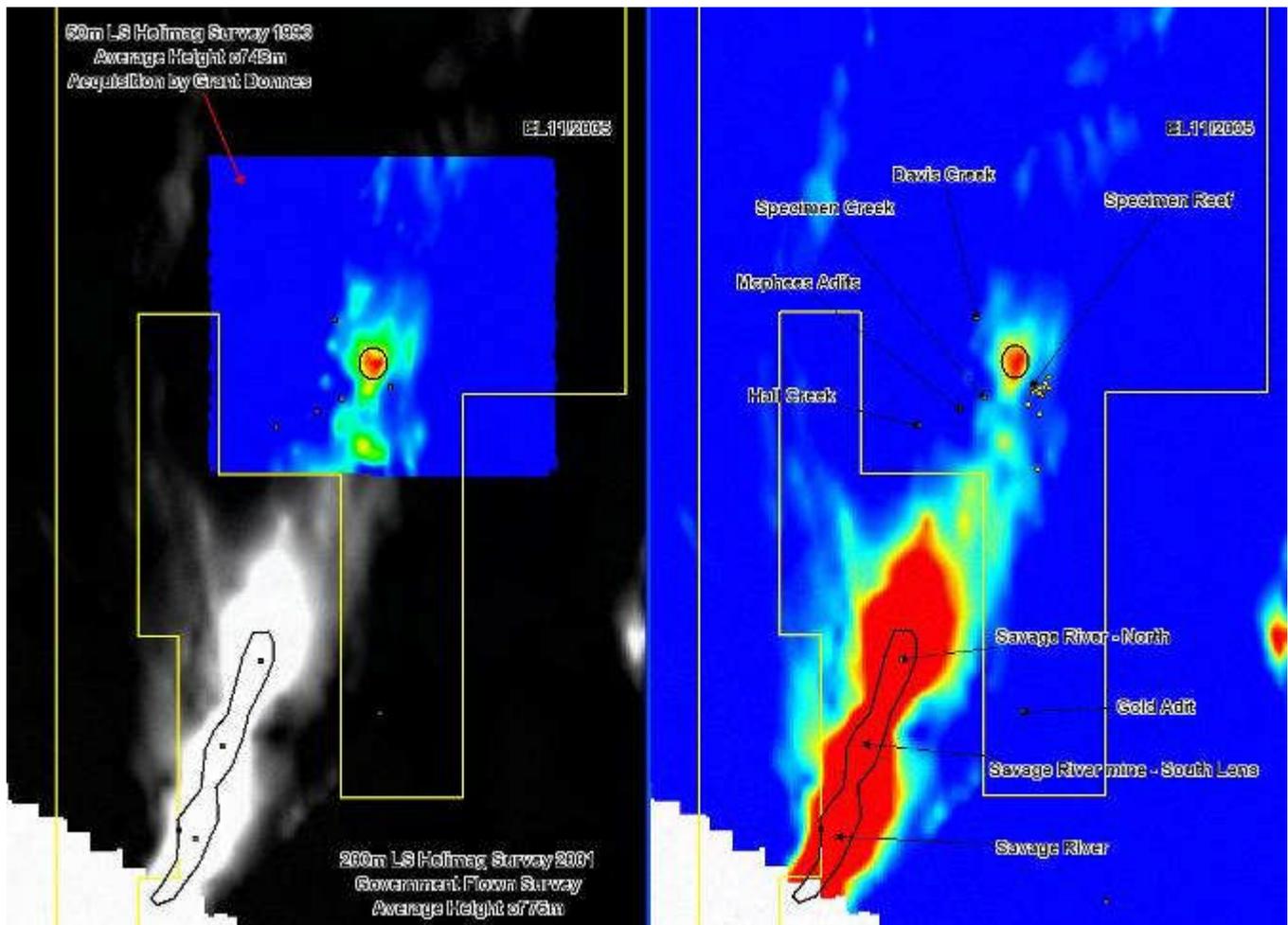


Figure 14: Detailed Helimag magnetic anomaly (1996) has not been drill tested for sulphides

The strong aeromagnetic anomaly generated by the magnetite deposit indicates high grade and its highly magnetic properties permits the ore to be separated using magnetic fields after crushing. The single isolated anomaly within Regency's joint ventured Savage River tenement needs assessment for sulphides and precious / base metals. This area had a detailed heli-magnetic survey performed at 50m line spacing and 40m height in April 1996. Magnetic data acquisition in a Squirrel helicopter and field data QC was performed by the Author.

4.0 Historical Prospects

4.1 Keith River Gossan

Detailed geological mapping has been performed over the Keith River Gossan. There is thought to be a plunging syncline at the northern end of the folded structure. The Keith body and its south-western extension occur in the eastern limb of the syncline, and the track formation and its extensions in the western limb.

At the south-western end of the Keith Iron Formation, an anticline is present, the limb with the Track 'formation in it being the eastern leg, and the parallel zone to the west, with limonite and hematite outcrops being the western leg.

It has been stated that the mapping to the north-east of the Keith River has shown an extension of the Keith Iron Formation, but no details are available.

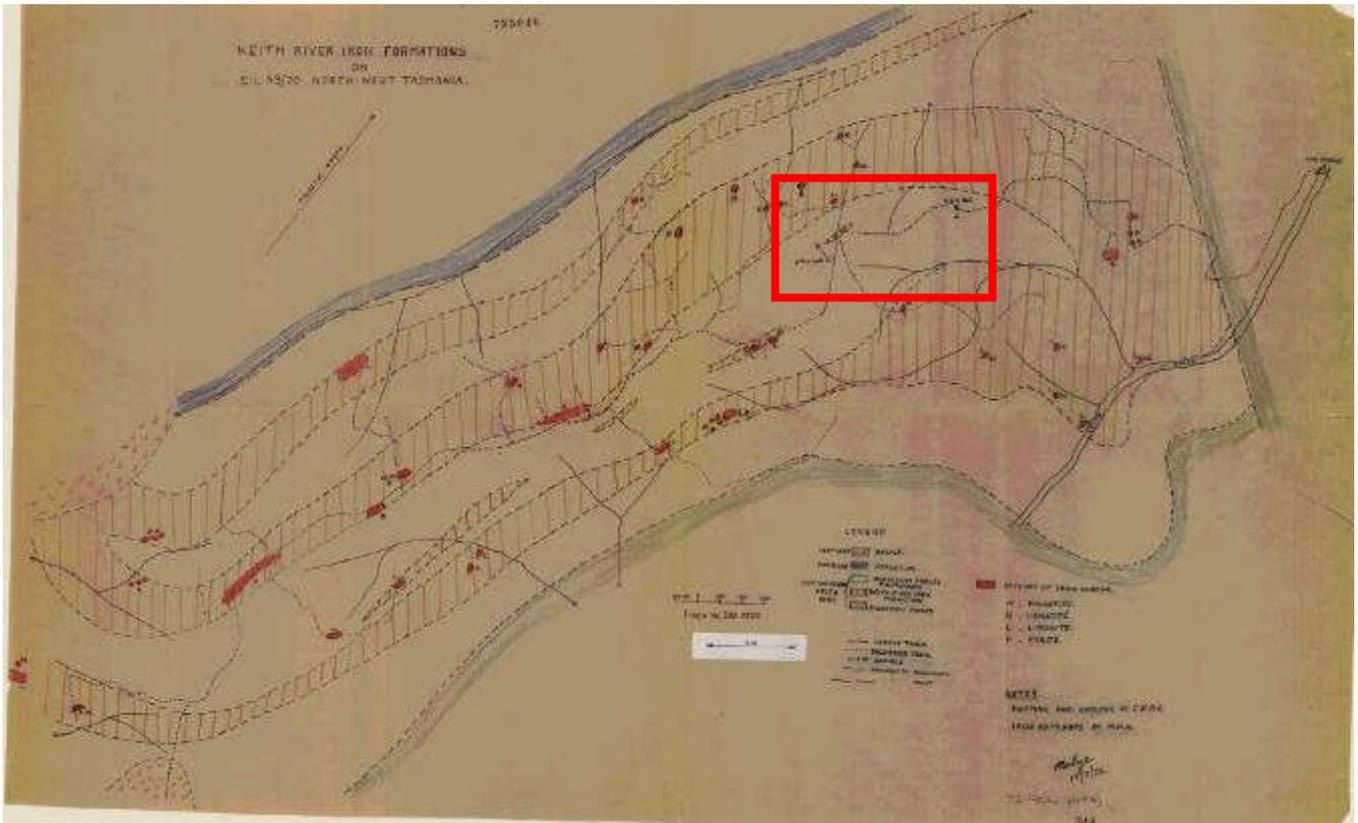


Figure 15: Detailed geological map of the Keith River gossan showing 2 drill holes location

“Near the surface, a hole passed through a completely weathered igneous rock which could not be otherwise identified except that it could be anywhere in the range from intermediate to basic or ultra basic. At greater depth, the rocks were less weathered and are probably ultrabasic.” Sounds like the guys drilling did not know what the weathered rocks were so this needs reassessment in relation to depletion zones based on folded up-right sequencing.

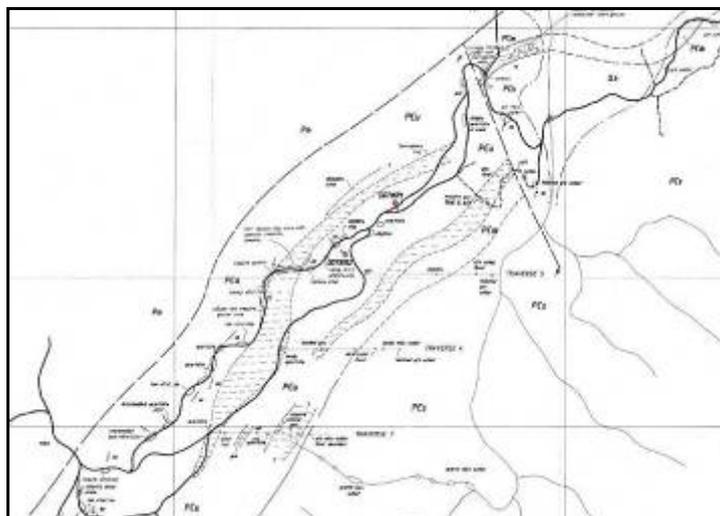


Figure 16: Location of DD71KR1 and 2 have tested a small area of strike this target

4.2 V-Bend Amphibolite

“The rock is an Albitised amphibolite, the amphibolite of which has been largely carbonated.

Specimens can be gathered showing the white elongated grains and the shining crystal faces, and that the rock is more or less greenish grey. Away from the river’s edge, the rock appears to be fresher and is of a bluish colour. In the bull-dozed trench the rock is bluish and is slightly coarser in grain than that near the river. In the fresh rock in particular, there are numerous shining triangular faces of a black mineral magnetite.

The dyke contains a few very narrow veins of quartz or of quartz and carbonates. Some veins and particularly the quartz - carbonate ones, contain chalcopyrite and a whitish sulphide (probably a pale pyrite)” however could be marcasite if partially weathered sulphides.



Figure 17: Interpretation of Anomaly No 3

Near the eastern side of the dyke there is a small and narrow irregular body of magnetite with some pale pyrite, quartz and a hard carbonated like mineral. Several feet to the west there is

another small irregular body up to 6 inches wide containing a hard pinkish mineral (could be garnet), quartz, a little carbonate, pyrite and chalcopyrite with a little malachite.

A small amount of pyrite and chalcopyrite are present at intervals throughout the dyke, but it cannot be determined definitely whether the sulphides are disseminated or associated with minute veins, but the latter is the more likely mode of occurrence.

The silicate analysis shows that the rock contains only 16.8% of Ferric Iron which is too low and requires over +35% to be of interest. The Mines Department Laboratory at Launceston determination of the magnetic mineral was results (Reg. No. 703141) were that the Davis tube test yielded 40% by weight of magnetics and that the mineral was magnetite.

Later a sample of the amphibolite was sent to Spectrometer Services Melbourne and, amongst other determinations, it was asked that a magnetic concentrate be made and the concentrate analysed for iron and titanium. A result of 66% metallic iron (all acid soluble) was obtained.

Because the pyrite and chalcopyrite appeared to be disseminated in the rock, it cannot be definitely stated whether the sulphides are parts of minute veins. Samples were taken across the dyke as is shown in the sketches below.

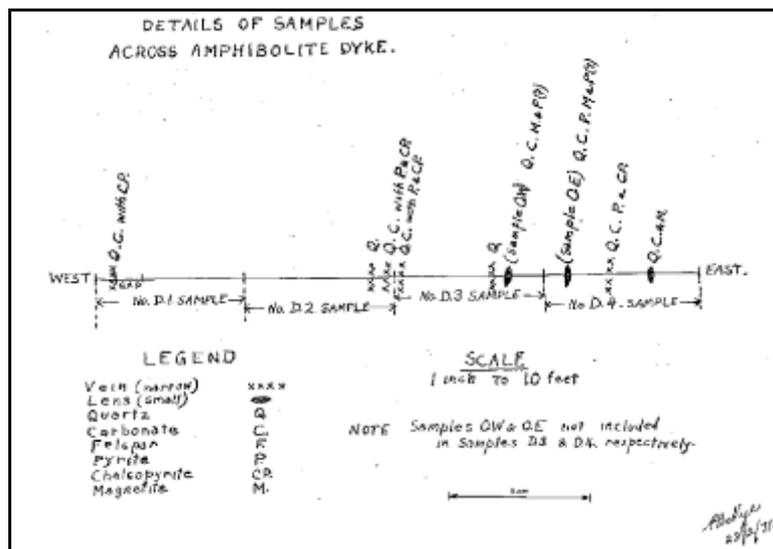


Figure 18: Sample details across V-Bend outcrop with all results in ppm

	Amphibolite (Sample No. 1)	Schist (Sample No. 2)	Amphibolite (Sample No. 3)	Amphibolite (Sample No. 4)
Copper	350	25	100	
Lead	70	50	15	
Elcne	320	180	500	
Nickel	10	30	10	
Cobalt	50	50	40	
Zinc	10	40	45	1500
Tungsten	<15	<15	<15	2000
Molybdenum	2	2	5	
Diamuth	<5	45	<5	
Arsenic	<30	<30	<30	
Antimony	<30	<30	<30	
Baryllium	<2	<2	<2	
Manganese	2000	2000	3000	5000
Chromium	40	40	100	
Vanadium	400	400	500	
Iron	>15	>15	>15	>15
Niobium	<15	<15	<15	1
Silver	1	1		

Detailed geology mapping has shown this 1 dyke outcrop is on the northern margin of a 300m wide, 3km long aeromagnetic anomaly shown as T1 below. The other magnetic target shown in this image T3 could be related to pyroxenes beneath an Arthur river Magnesite style target, however has not be recommended for immediate drill testing.

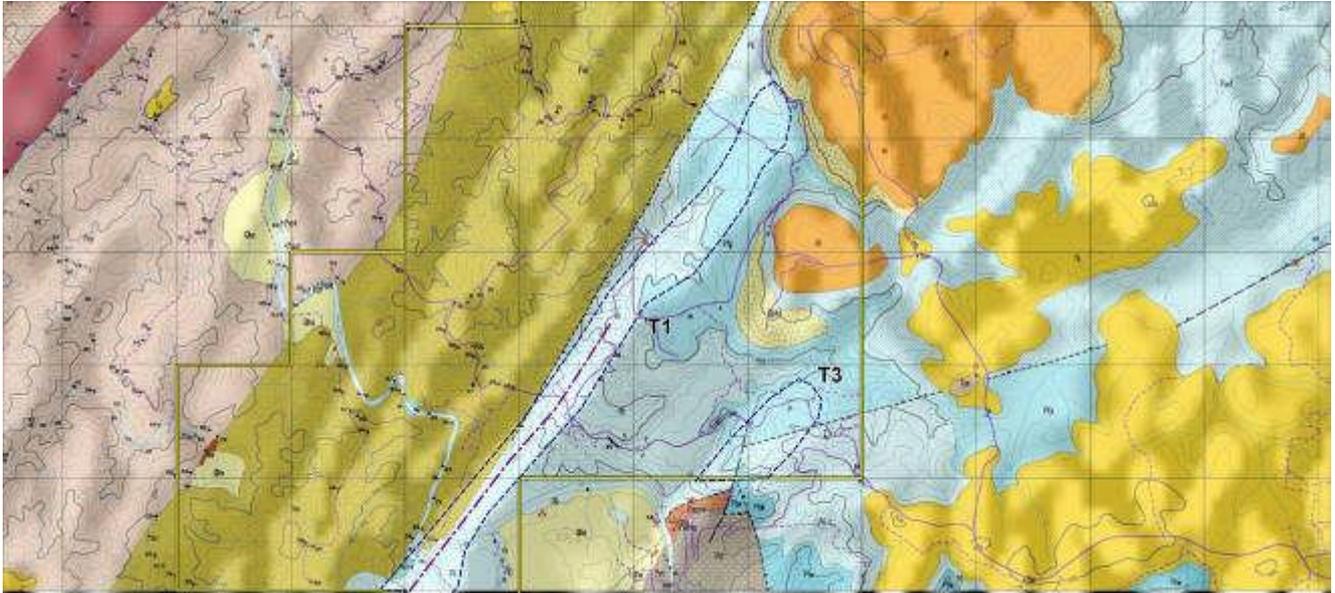


Figure 19: 1: 25,000 scale geological mapping showing 3km long magnetite target T1

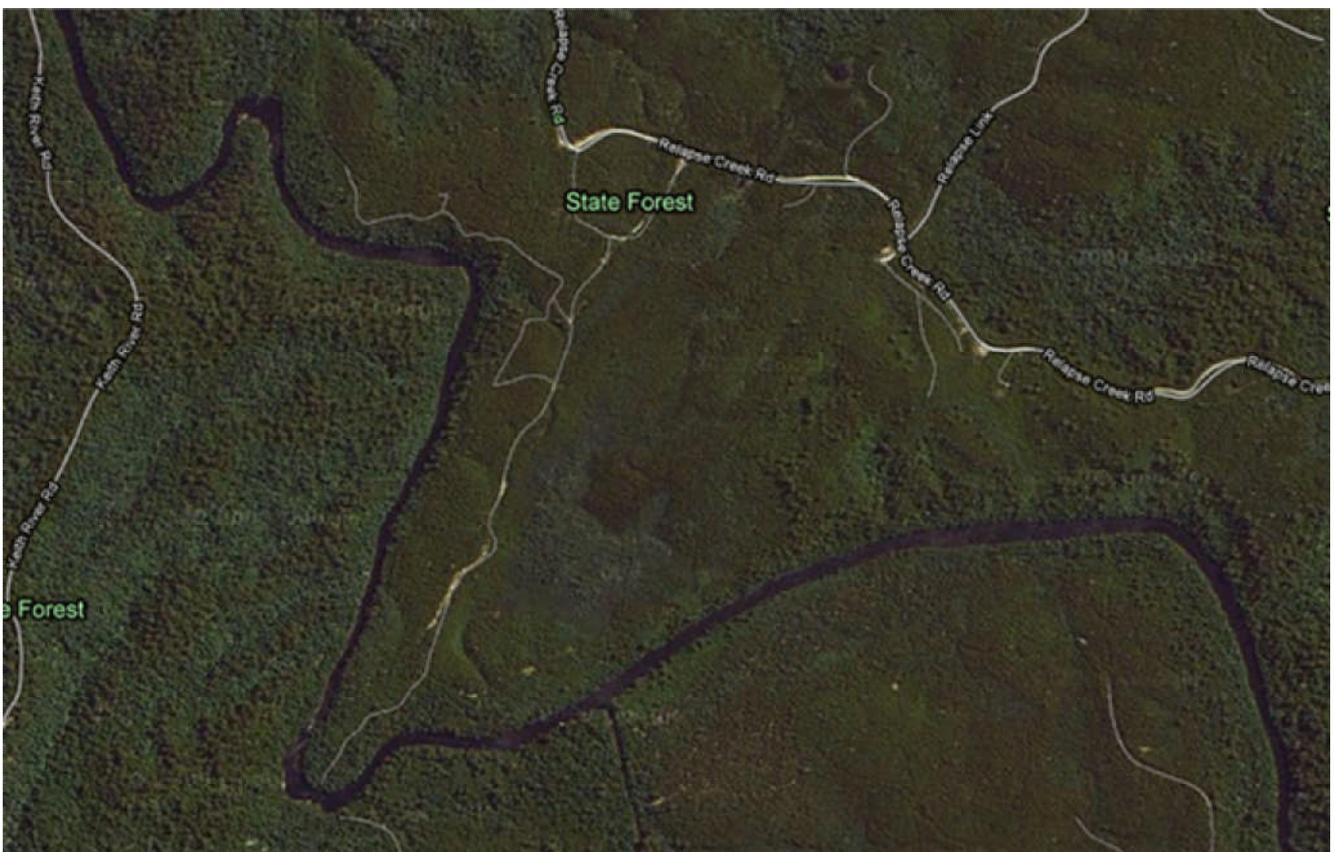


Figure 20: Google Earth image showing target area T1 is accessible via Relapse Ck Rd.

4.3 Arthur River Magnesite (out of tenement)

Most of the selected images are out of the tenement and will not be discussed in detail.

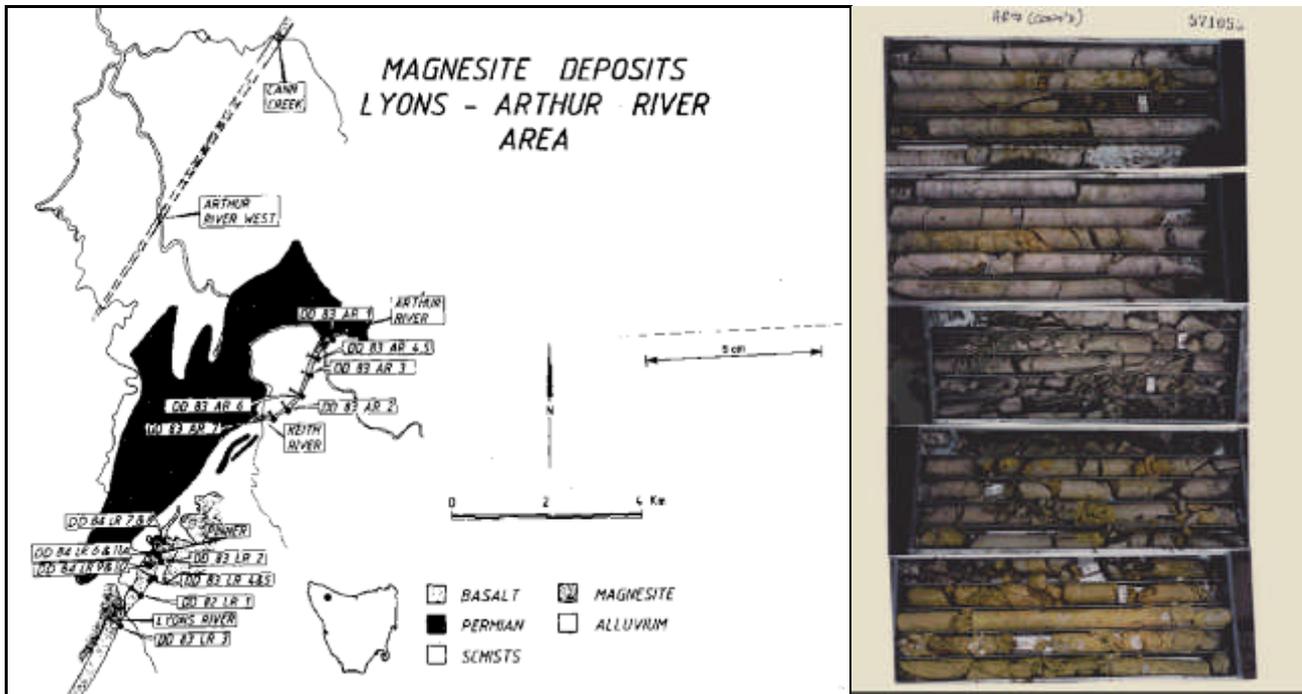


Figure 21: The Magnesite hole in the tenement or close to the boundary is hole DD83 AR7.

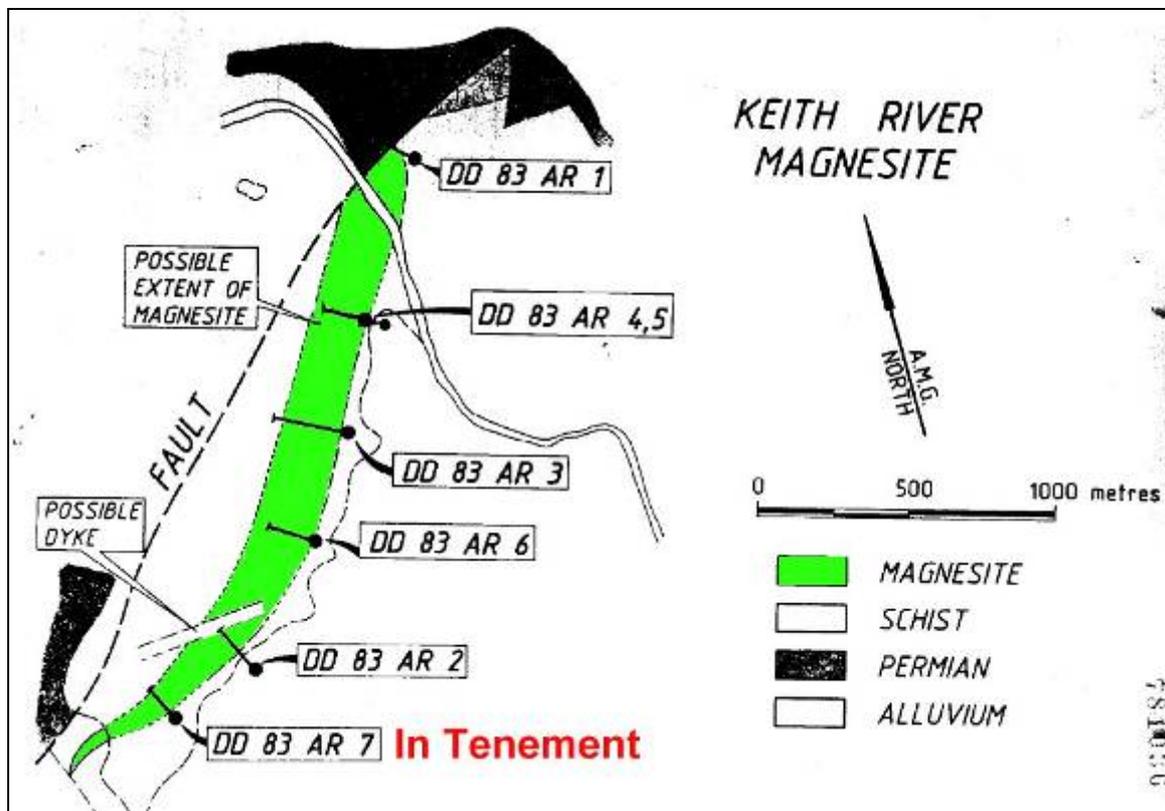


Figure 22: Location of potential hole in tenement and south western extension into tenement

The interpretation of the underlying geology is interesting as they indicate a pyroxenite which is associated with the magnesite. Target 3 magnetic anomaly could be related to ultramafic basement, and the best magnesite target area is under cover north of Victoria copper mine.

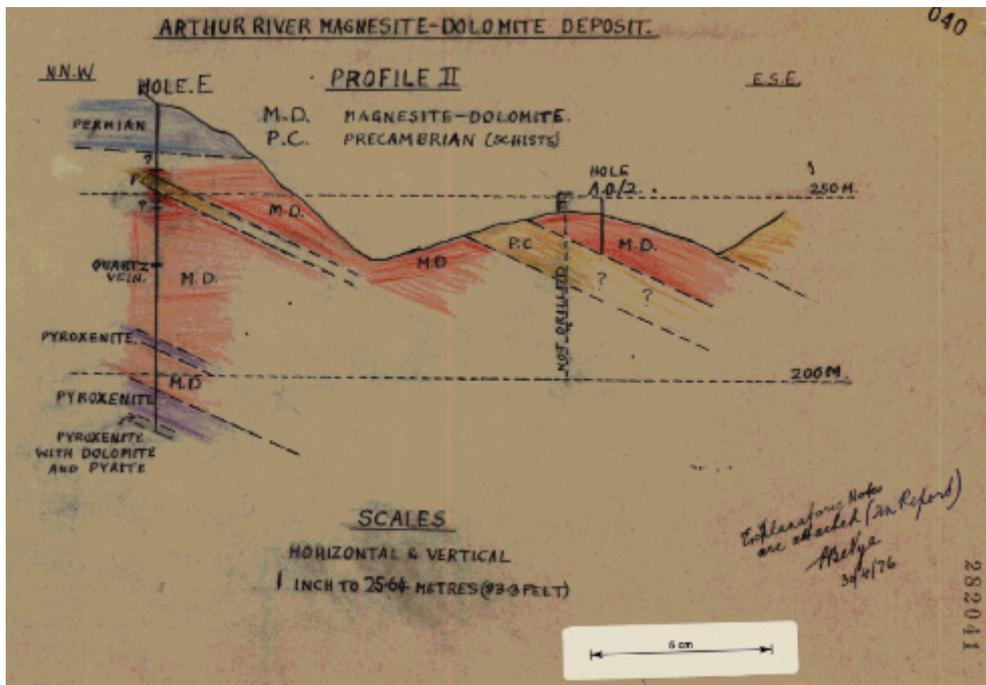


Figure 23: Arthur River cross section – pyroxenite as foot wall to the magnesite hanging wall

“Drilling confirmed the presence of good widths of magnesite beneath the alluvial cover at the prospect. The mafic intrusive at the bottom of DD83 AR2 presents a problem. If it is a small dyke it may not mark the western boundary of the magnesite unit. In this case, it may be feasible to re-enter DD83 AR2 and extend it beyond the intrusive to seek further magnesite. This intrusive contains significant amounts of magnetite and ground magnetic and gravity modelling was performed.” DD83 AR2 is rich in talc compared to the other holes in the Arthur river region. The Magnesite mineralisation could be related a localised contact aureole around the ultramafic intrusive.

from	to	interval	MgO	Fe2O3	CaO	SiO2	LOI
12.6	40.8	28.2	42.01	1.56	1.99	6.83	47.53
43.7	48	4.3	41.75	1.07	5.17	2.57	49.38
57.3	68.8	11.5	43.15	0.63	3.53	3.48	49.37
79.5	82.9	3.4	44.32	0.64	1.43	3.89	49.65
121.0	144.7	23.7	43.59	1.47	0.75	4.35	48.24
148.0	154	6.0	43.42	1.00	0.33	8.17	47.04
160.0	171.5	11.5	42.03	4.63	0.83	10.87	46.86
177.0	238.0	55.0	43.49	2.52	1.49	4.49	48.08
250.3	251.8	1.5	41.86	2.38	5.11	0.50	49.26
254.4	259.0	4.5	40.71	2.11	6.54	0.50	49.46
265.6	269.0	3.4	40.52	2.69	5.68	1.41	49.06
Average		{153}	42.90	2.05	1.90	5.16	48.11

Assays for DD83 AR7 on tenement boundary

Crest Magnesite

Crest Magnesite was the last company to evaluate the Arthur River project. Crest Magnesium NL (formerly Crest Resources Australia NL) evaluated the Arthur River magnesite project. In 1998, they proposed first stage mining - 300 000 tpa of raw magnesite ore which will be upgraded by a single stage beneficiation process to 45% MgO.

The second stage involves production of magnesium metal. The company has negotiated an option to acquire a license to use proven magnesium metal production technology from the Ukrainian National Research and Design Titanium Institute in Zaporozhie.

News articles at the time of the 1998-1999 drill program include this article by FRAN VOSS

02 Dec, 1998 09:47 AM

The company, which hopes to use the mine to supply a \$920 million magnesium smelter at Bell Bay, claims any environmental disruption would be significantly reduced by the small mine size. Looking like cores of compressed talcum powder, the ore samples range in grade from 40 per cent to 44 per cent. The highest possible grade for magnesium is 47.6 per cent. Two drilling rigs dwarfed by 20-year-old regrowth forest in North-West Tasmania mark the site of one of the world's richest magnesium oxide deposits.

The 52km road from Burnie passes through pine plantation and native forest before merging into old-growth rainforest _ massive eucalypts, myrtle, king billy pine. It clings to the sides of steep gorges. After the Arthur River, the forest reverts to regrowth eucalypts. Occasionally there is a massive ancient stump cut off at shoulder height. The Arthur River bustles beneath a wooden planked bridge beyond which the terrain is rugged for 1.5km, fine when the sun's shining, they say but horrific when it rains. Last Friday the Keith River rose 2m.

At the Arthur drill site about 100m from the Keith River, the grinding thump of the drilling rig punctures the ancient silence. Cores of pure white magnesite oxide are decanted from the long rods into metal collection boxes. The 43 per cent grade is very high. It's heady stuff for consultant geologist John (The Marshal) Wyatt and the six rig operators. The 6km of Crest Magnesium NL's Arthur-Lyons retention lease near West Takone are estimated to hold 180 million tonnes of the ore, most of it high grade.

It was discovered in 1925, well before fuel efficiency in lighter cars was an urgent issue. The site being drilled is capable of producing about 20 per cent of the world's current output of 400,000 tonnes of magnesium alloy a year. Six riggers from the two Tasmanian companies, Contract Diamond Drilling and Diamond Drilling Tasmania, are involved in the project. They complete an average 20m to 25m a day.

Fears that environmental values would be severely compromised by mining 407,000 tonnes of ore a year from the area were answered yesterday by the company and Forestry Tasmania representatives. Murchison district forester Les Saurine said the forest in which the Crest leases was situated was all regrowth forest that was clear-felled, burned and aeri ally reseeded in 1978. The regrowth is predominantly eucalypt with an understorey of silver wattle, blackwood and mixed rainforest species.

He said the 50ha forest coup was classified multiple-use State forest under the Regional Forest Agreement. "It is not virgin rainforest and would have been harvested again in 60 to 70 years if the mine did not go ahead," Mr Saurine said. He acknowledged that the area had a reasonably high degree of recreational use, which would be affected by safety requirements at the mine. Crest representatives would not be drawn yesterday on whether an open-cut, incline or underground mining operation would be used.

But consultant geologist John Wyatt said the small size of the mine indicated open cut would be the best option. The magnesite ore was on average 10m below the surface. Mr Wyatt also referred to claims that underground limestone caves would be damaged by the mine. "There are no outcrops in this area at all. The nearest karst is at Victory Springs on the other side of the river, where we would not mine," he said. He said all cavities found in the drilling site were filled with alluvial sand.

Crest representatives would also not comment on the route of a proposed rail connection to the mine except to say that rail was the preferred option and the Government and Tasrail would decide the route. Residents of Flowerdale have been angered by reports that a disused rail link to Preolenna could be reconstructed through their district to transport the magnesite ore to a Bell Bay processing plant.

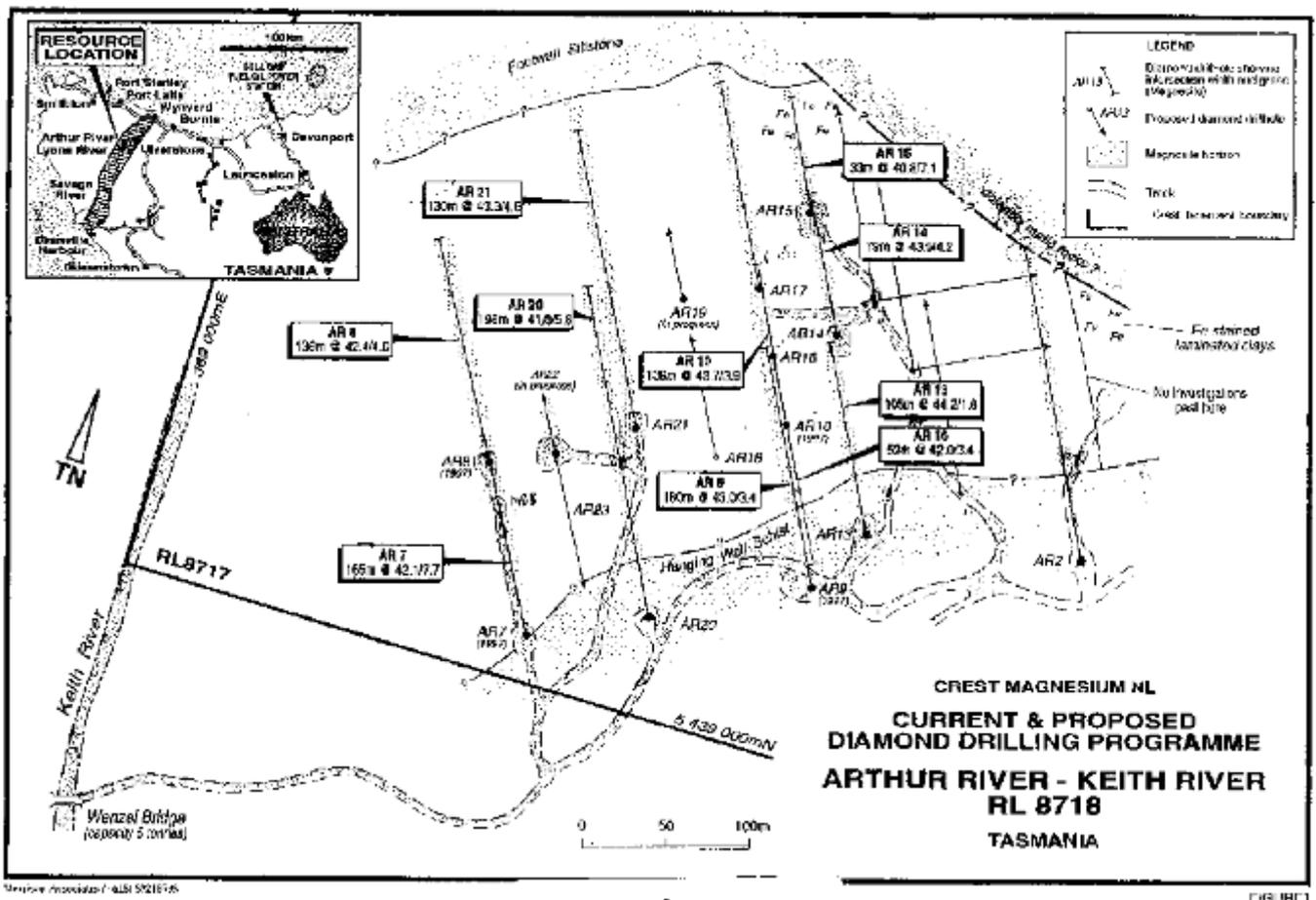


Figure 24: Crest map shows drill hole AR7 is out of tenement.

4.4 Cann Creek Magnesite (In Tenement)

This magnesite occurrence is of limited strike extent (from CRA Report, trenching and drilling.)

The exploration for magnesite relies on large tonnage and not small pods of mineralisation so this commodity will not be further discussed on current pricing, as the explorers that have focused their exploration on Magnetite here have failed to outline economic resources and they have the deposits on their side of the tenement. If Magnetite is located, there could be Magnesite there too, however as it is non magnetic is it has not been targeted in this program.

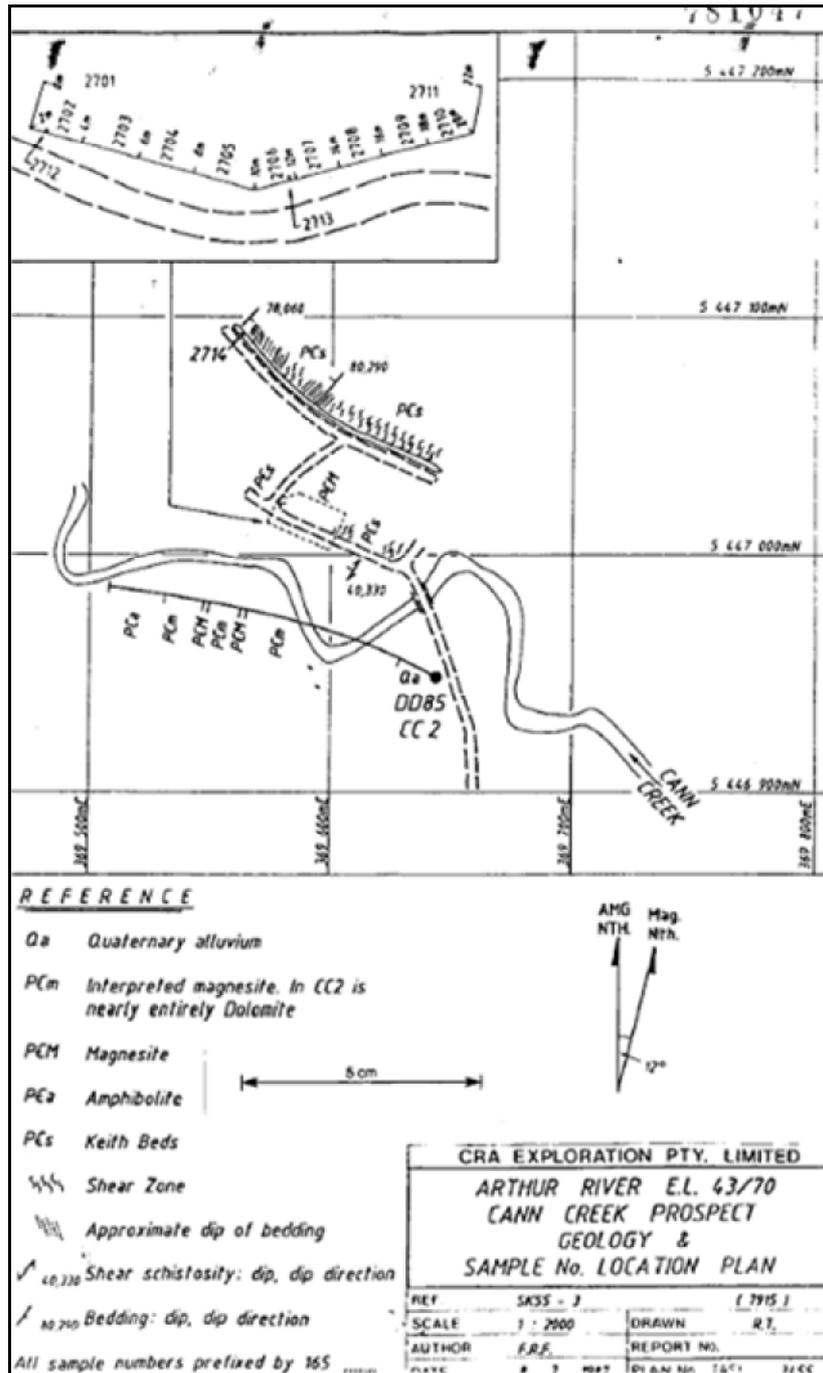


Figure 25: There is potential along the western margin of the tenement for small pods

4.5 Victory Copper Mine (out of tenement)

“The Victory mine is a small underground drive with cross cut through a belt of white crystalline dolomite, striking 30 Deg and forming the contact between a mass of pyroxenite and highly laminated quartz schist. This dolomite is fifty feet wide at the water’s edge but does not appear on the other (western) side of the river.

Half a mile further north it has widened to several hundred feet. To the west of the dolomite there is a mass of pyroxenite, which, in the vicinity of the dolomite, is in a highly decomposed condition. Wailer considered that the origin of the dolomite was directly connected with the pyroxenite. The eastern wall of the dolomite is quartz mica schist, which strikes approximately north-south.

The deposit of copper is associated with bands of black hematite, and apparently forms a contact lode between the dolomite and schist. The copper ores consist of malachite and chalcopyrite, distributed through the dolomite gangue of the lode. Wailer quotes assays of 22.4% copper, 8 ozs. 3 dwts. 8 grs silver, and 10 dwts. 4 grs. gold.

Apparently the ore body was very small as nearly all the copper ore was broken down in the entrance to the tunnel, which was put in to explore the deposit. The vein further in was then found to consist entirely of hematite and for some reason or other the tunnel was turned to the west and then driven through the dolomite for some distance. No other veins were struck.

Little exploration work has been carried out on the western side of the river. A report by Mr. K. Pinner in October 1975 claimed the pyroxenite was situated about 250 feet to the west of hole D. They tested the pyroxenite samples of hole C and the Victory outcrop. Mineralogical and x-ray research work both gave the same results.

The Pyroxenite of Arthur River deposit (hole C) and the one of Victory are of the same genesis with equal mineral components and petrographic structure. The same rock type (pyroxenite) is therefore present at the Arthur River and Victory prospects with magnesite-dolomite and magnesite respectively associated with it”.

5.0 Geophysics

As discussed previously, the area has been covered with 200m line spaced heli-magnetic data, flown by Mineral Resources Tasmania. No radiometric anomalies of interest are present in the data other than within drainage channels, as can be seen in the following images.

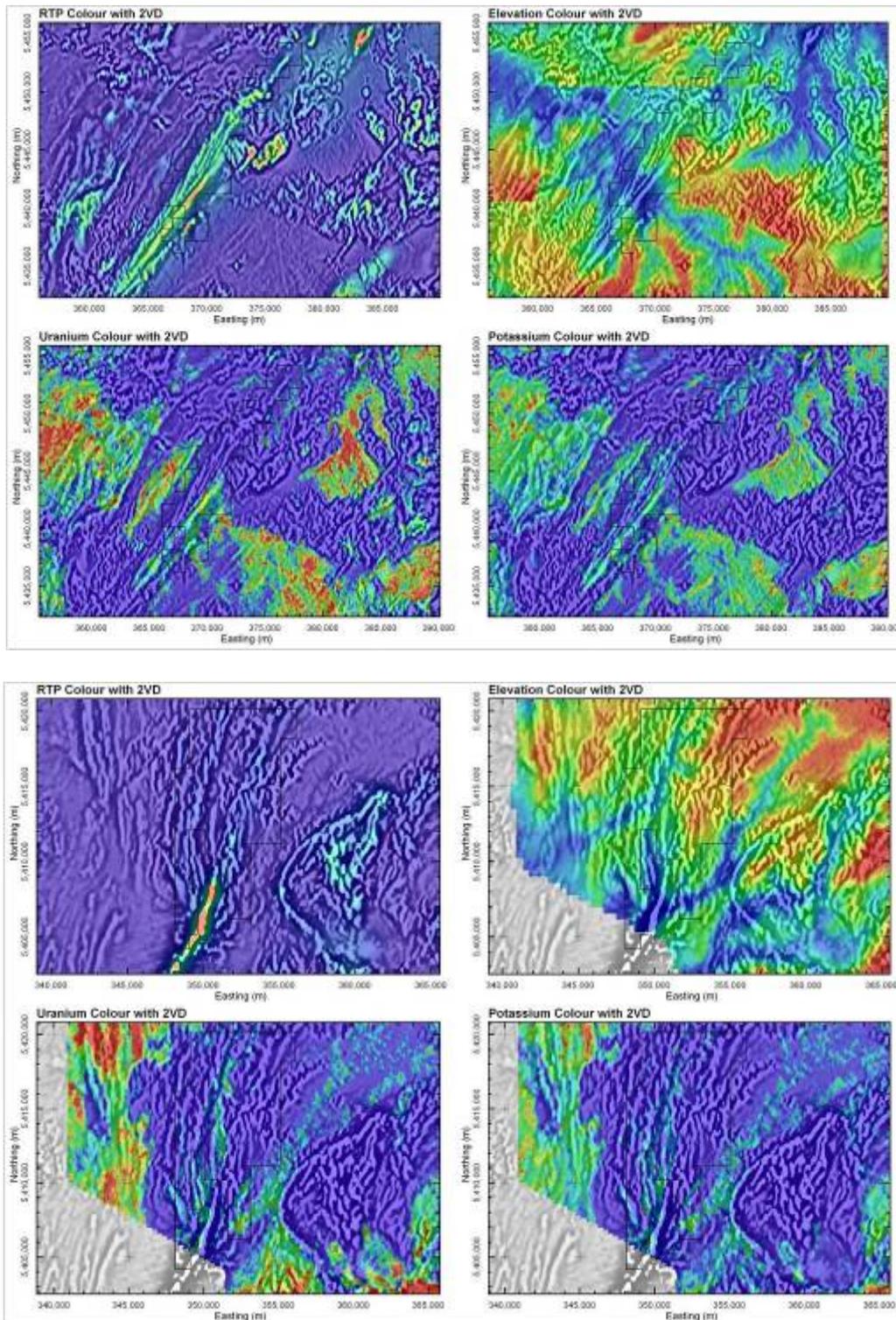


Figure 26: 200m line spaced Helicopter Geophysical data collected by the MRT in 2001

The RGB radiometric image shows a distinct lack of response due to Permian covered mafics and metamorphic schists of the Arthur River Complex being devoid of high radiometric responses from U, K and Th elements. In the following images the blue area highlighted may contain coal seams and should be reviewed independently of this report.

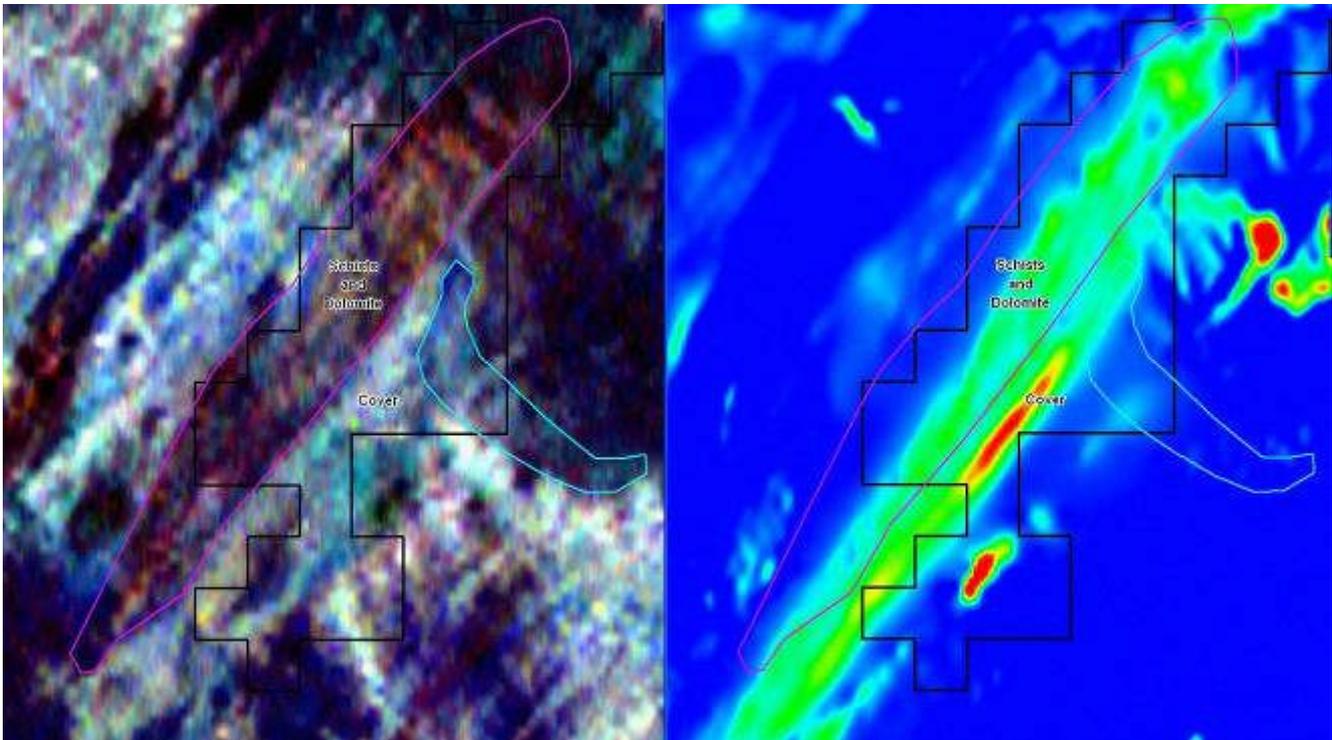


Figure 27 and 28: Radiometric and TMI magnetic image showing zones of secondary interest

The two magnetic anomalies selected for drilling are not new magnetic anomalies. Below is the 1960's magnetic contour map with "old magnetic target 3" now being referred to as new target 1 and "old target 1" is now new target 2. Neither target has been properly drill tested.

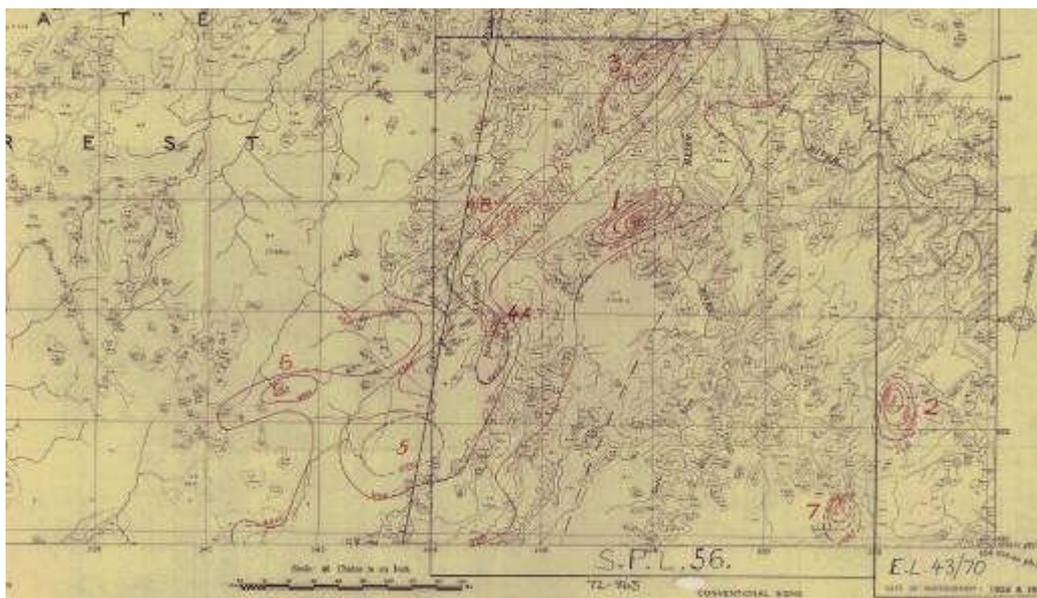


Figure 29: 1960's Aeromagnetic target map showing T1 (3) and T2 (1) are not new targets

The 3km magnetic anomaly is target T1 called the V-Bend Amphibolite, as the basement only has 1 small amphibolite exposure mapped at the V-Bend into the river. Only 2 drill holes have been previously drilled into target T2 called the Keith River Gossan, testing only a very small part of the 1km magnetic anomaly with zoned base metals and potential for magnetite / magnesite mineralisation at depth.

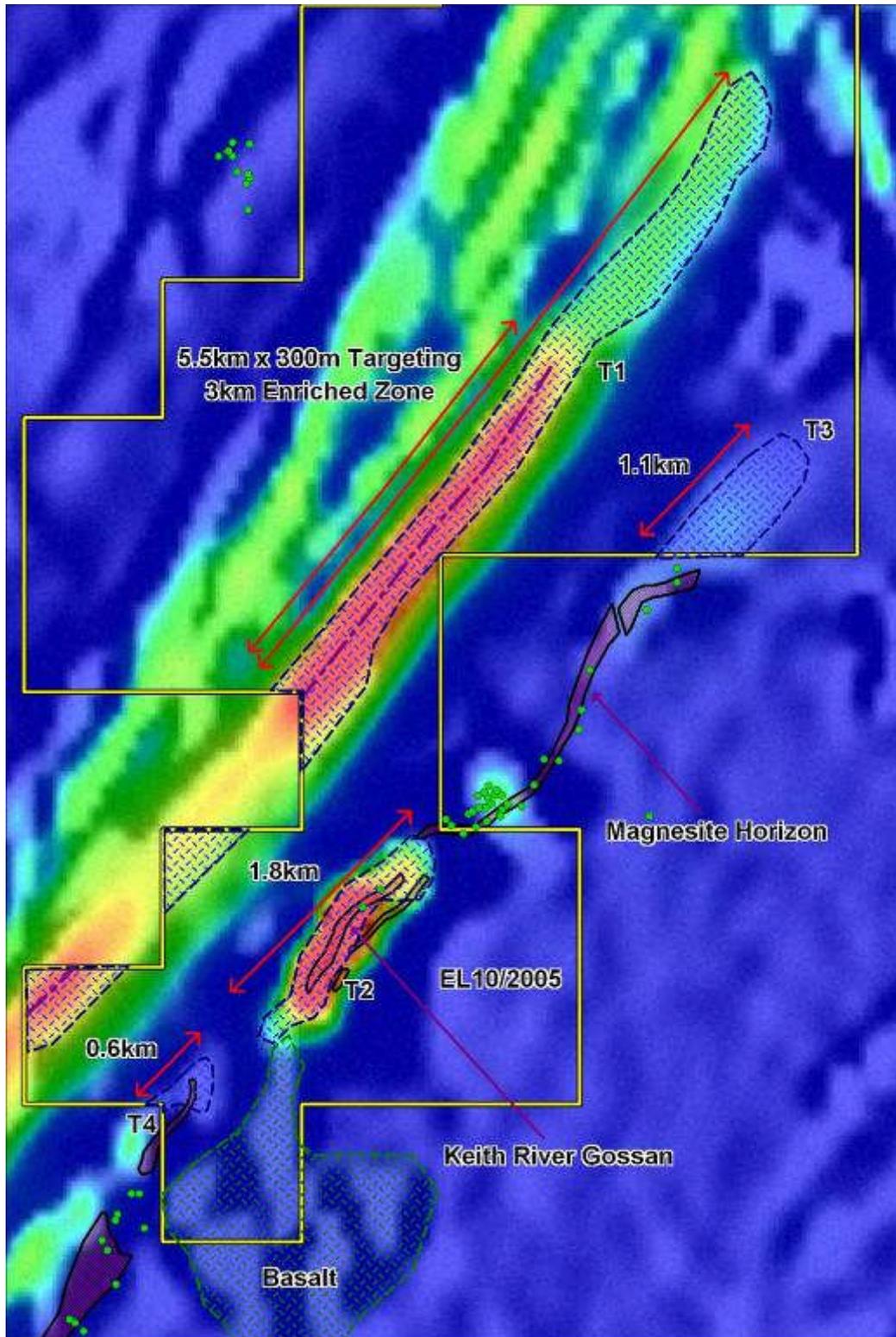


Figure 30: Aeromagnetic Anomaly Map showing T1 and T2 with drill holes from MRT

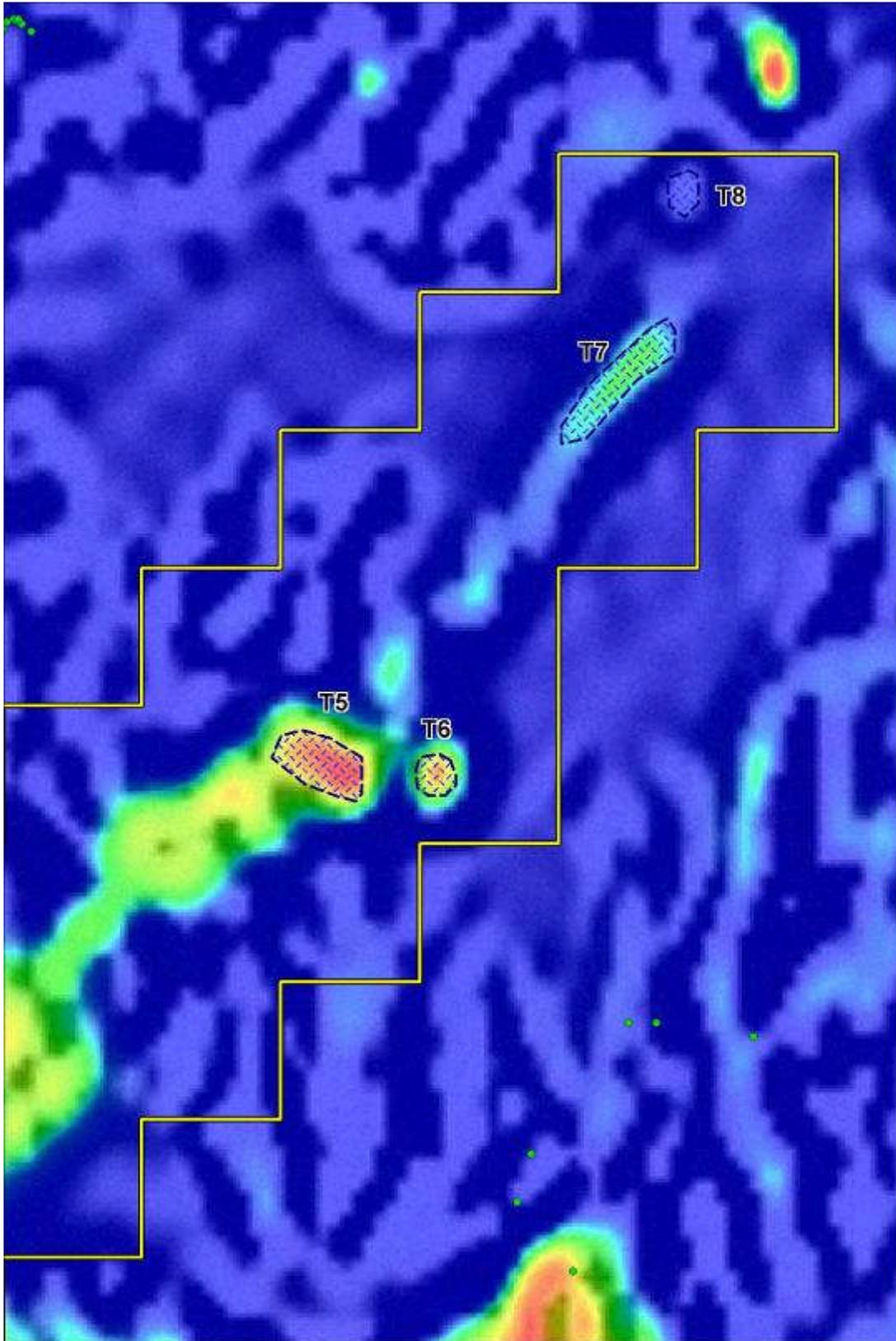


Figure 31: Aeromagnetic anomaly map in the north showing priority 2 targets

In total 8 targets exist which may be related to magnetite or sulphide mineralisation from alteration zonation development within amphibolite sill / dyke intrusives. The majority of the targets are under unknown cover thicknesses, target 1 should be drill tested as priority 1.

The Dolerite intrusive plug in the centre of the tenement appears to stop the southern sheared amphibolite unit (interpreted under Permian cover) from thrusting any further to the north east.

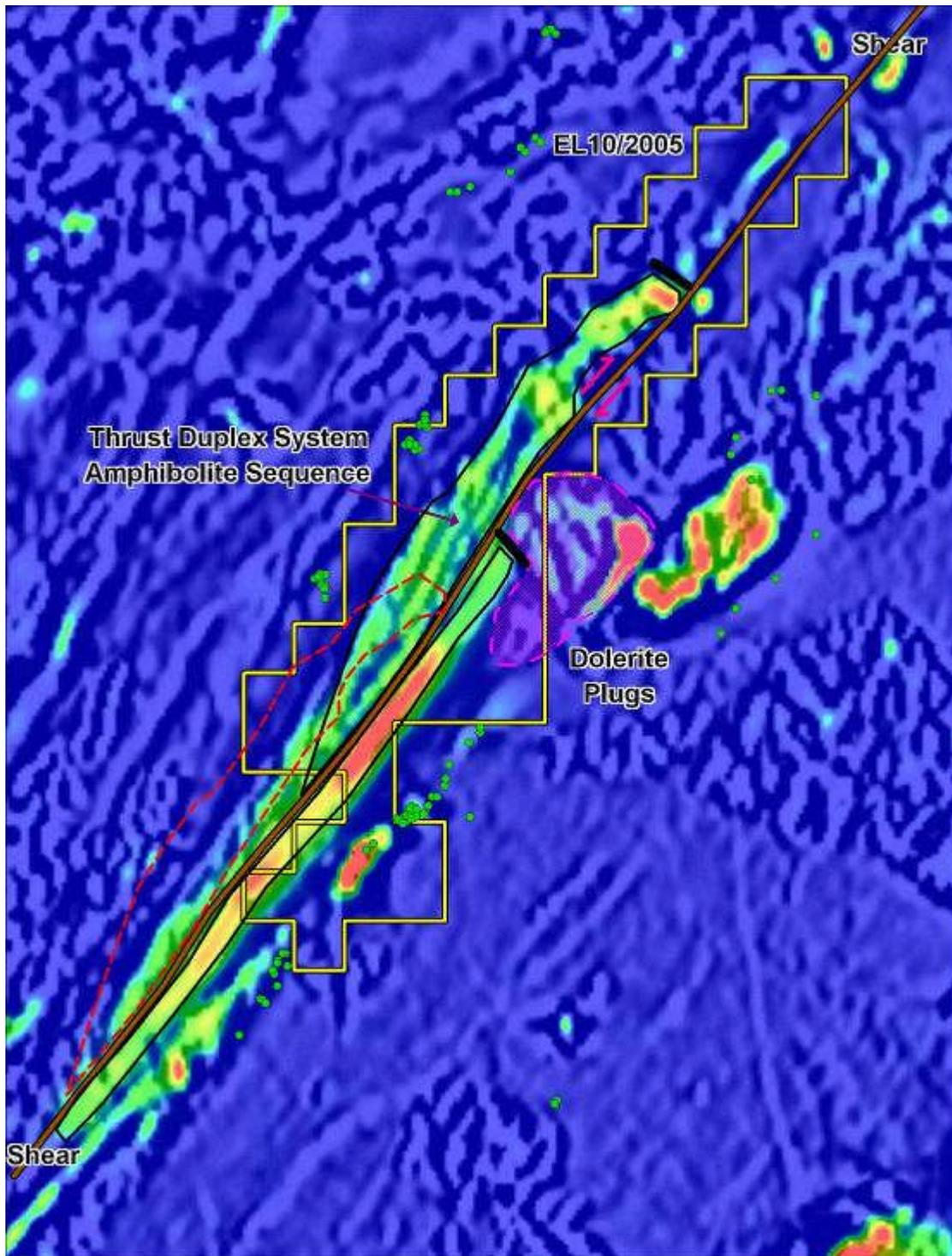


Figure 32: The Red Dashed line shows pre-deformation location of the northern complex

The northern sheared amphibolite / schist / dolomite unit appears to have undergone intense thrusting to the north east, potentially causing a thrust duplex system with remnants of amphibolites appearing as small dykes and as mapped in the 1:25K. The northern thrust complex appears to have a magnetic fold nose (T5) and this should be assessed in the field.

As Magnesite appears on both sides of a larger folded system, there is potential for a anticline or a synclinal shape of metamorphic basement. The following image suggests the purple line is either a shear, a thrust fault or centre of the fold axis of a syncline, which has been thrust northern side up, and thrust down on the south keeping the Permian cover sequence in-situ.

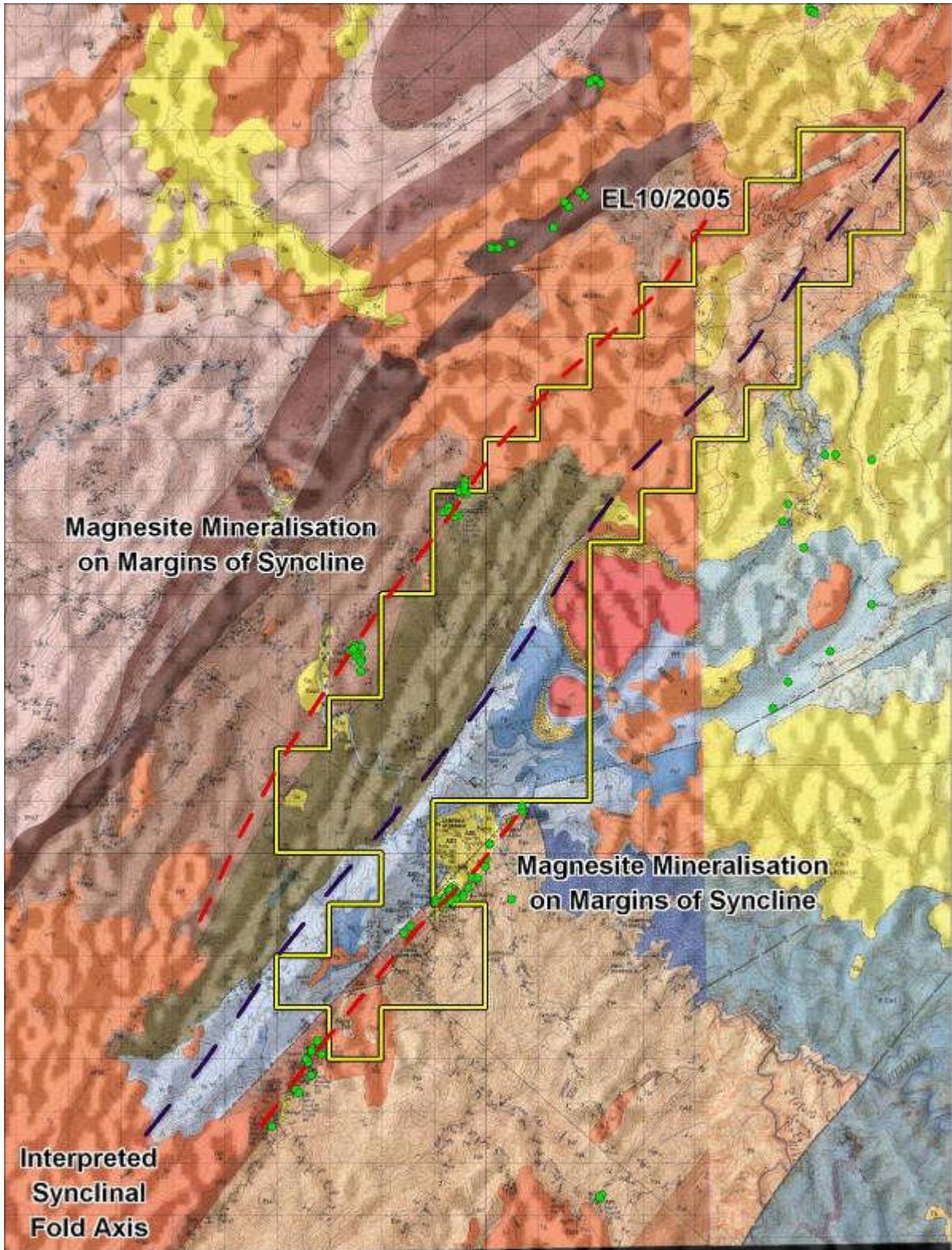


Figure 33: Potential for synclinal or anticlinal shape - sheared centrally along the fold axis

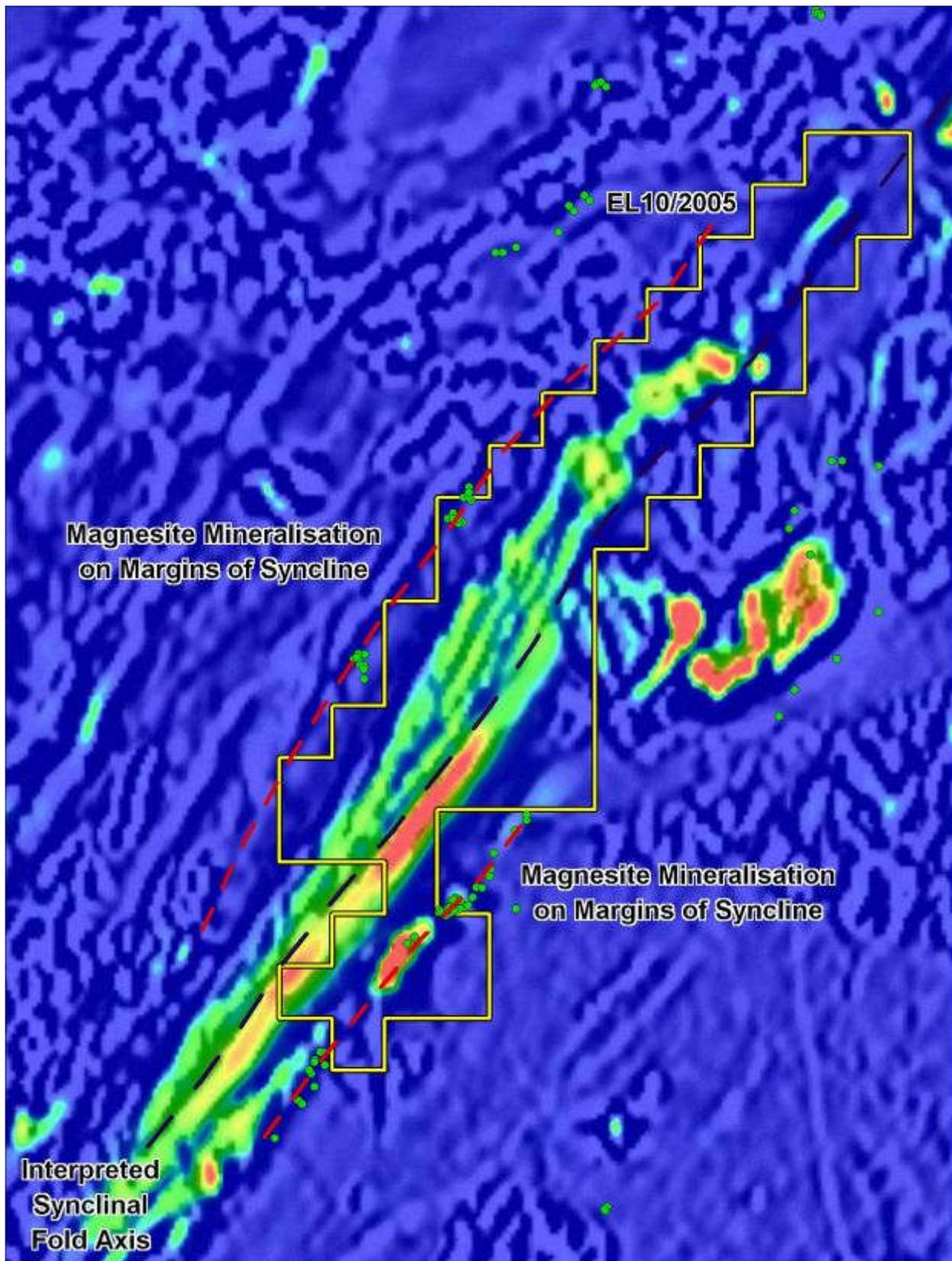


Figure 34: Potential for synclinal or anticlinal shape - sheared centrally along the fold axis

Dip measurements are uncertain however further work and magnetic modelling will assist in the 3D visualisation of the basement magnetic targets, probably all mafic/ultramafic variants.

6.0 Magnetic Interpretation

Regency's southern tenement near Savage River contains magnetic amphibolites which appear in structure to be a wish bone shaped. This shape when digitised and rotated slightly, then moved 26km to the north east slides perfectly around the Arthur River magnetic anomaly through Regency's Arthur River tenement as shown below.

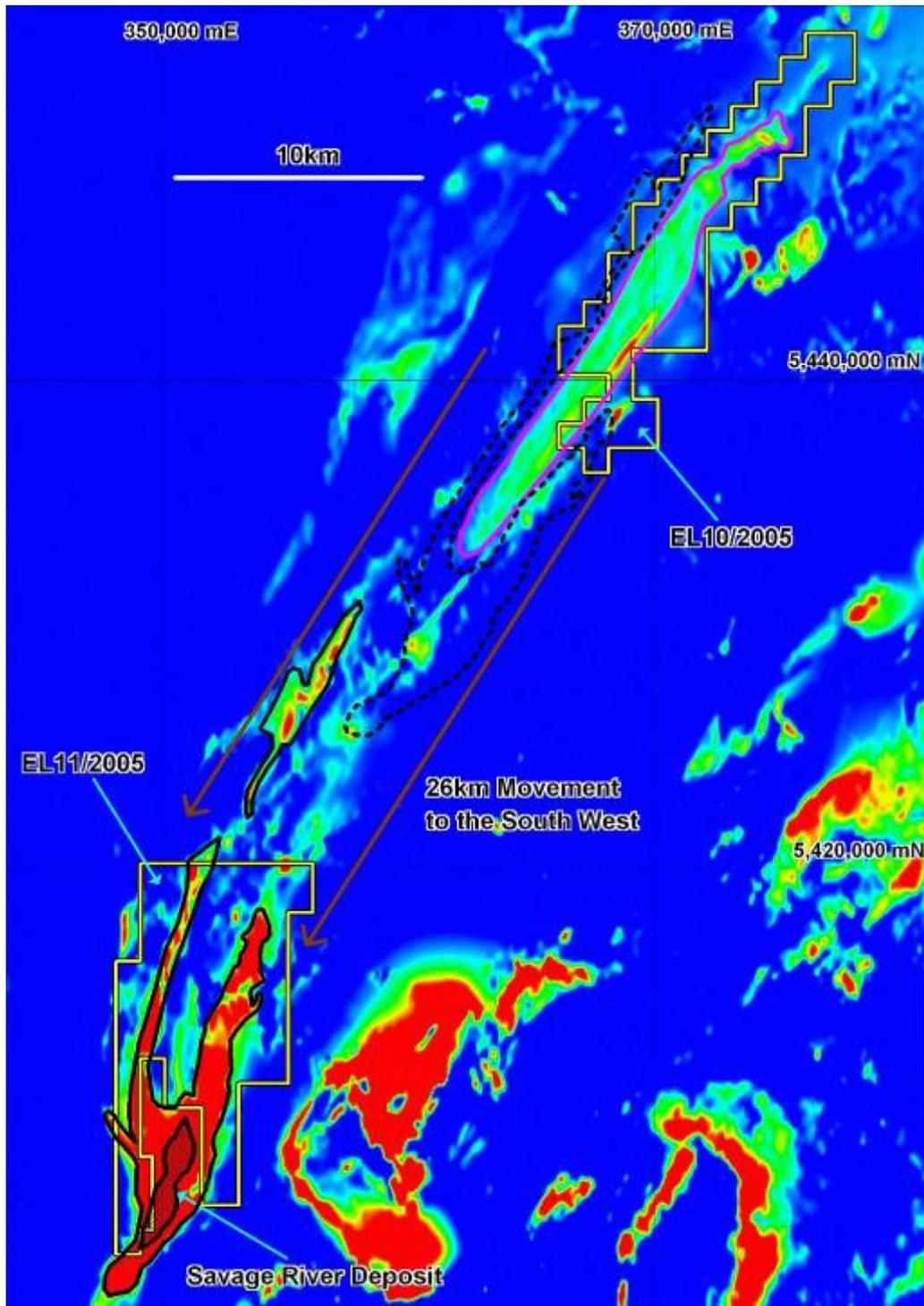


Figure 35: Aeromagnetic interpretation on TMI indicates a possible connection pre-deformation

This interpretation can then be reversed to use the magnetic worm outlines from the Arthur river tenement, and show the possibility of a join with the central magnetic anomaly trending north from the Savage River mine site. This is the northern exploration area being drilled currently by Grange at Savage River however the interpretation will require further refinement.

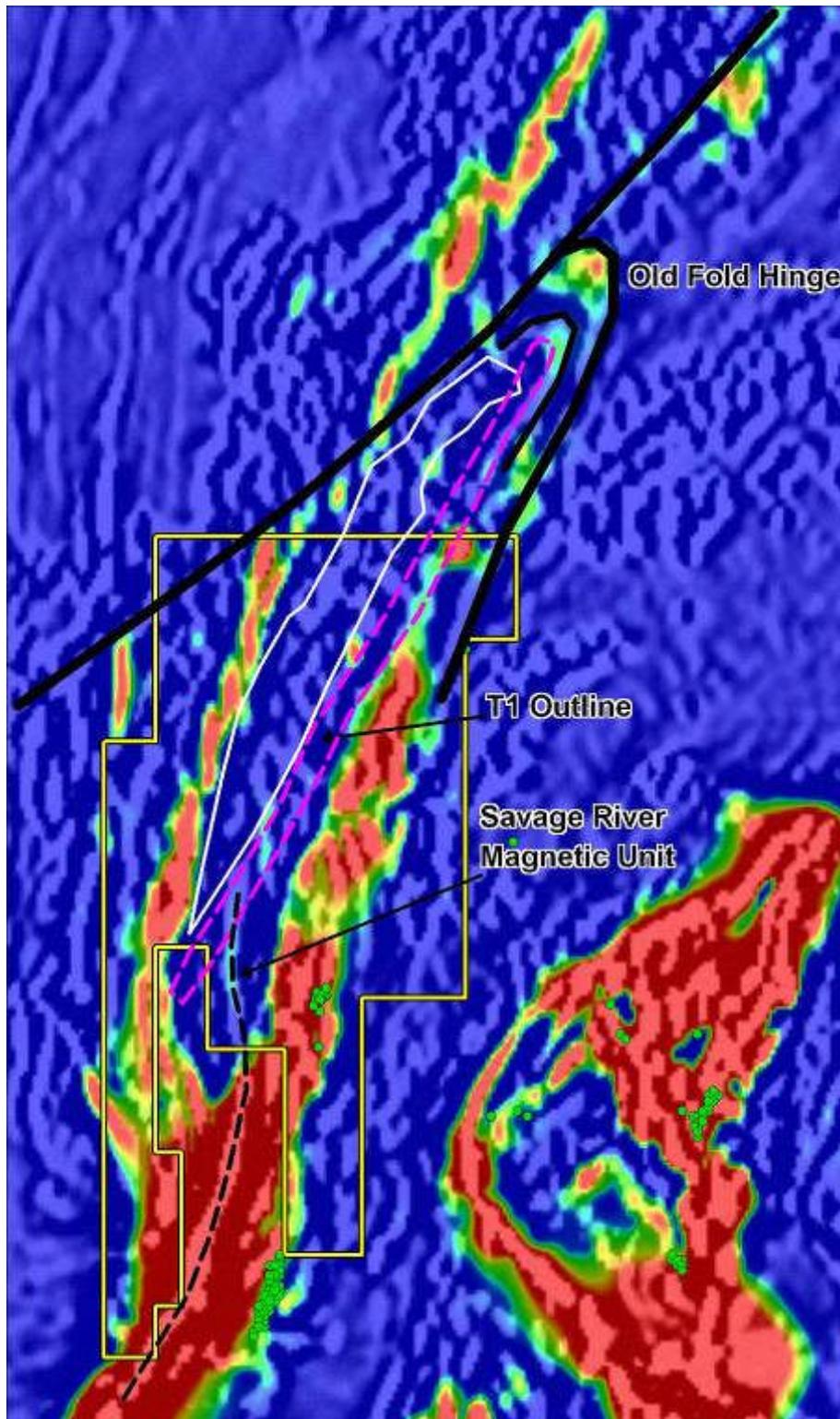


Figure 36: Interpretation showing Arthur River magnetic worms in potential fold hinge

7.0 V-Bend Amphibolite T1

7.1 Proposed Drill Sites

This proposal is for a drill program of 4 x 200m deep, -60° dip angled RC holes drilled towards the North West totaling 800m. These holes have been planned to use 4m composites totaling 200 assays. The 4 holes are across the strike of the T1 magnetic anomaly, drilled to 170m vertical depth and obtaining 100% coverage. Additional holes have been planned as shown.

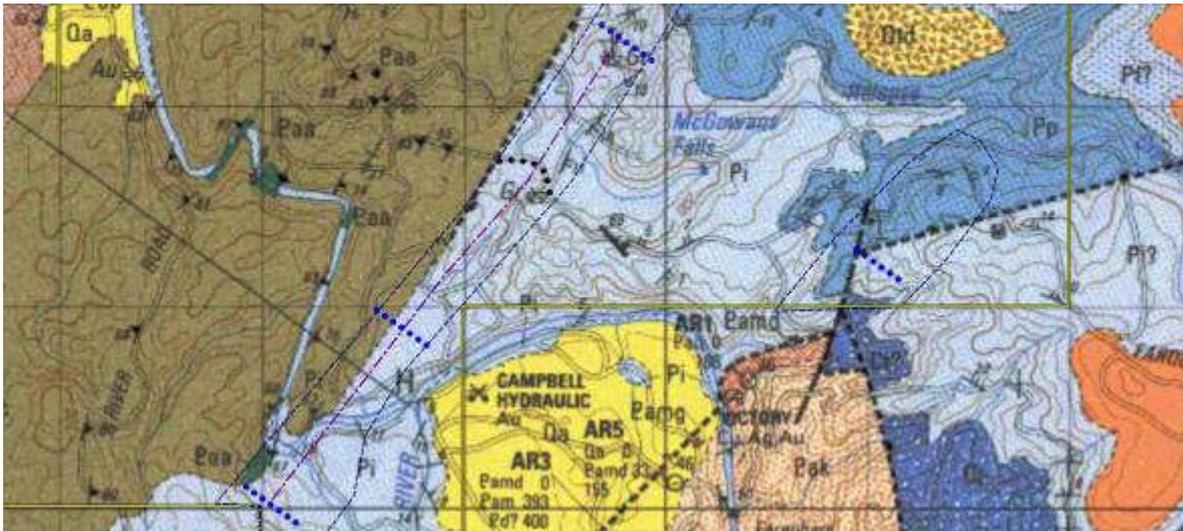


Figure 37: 50K Mapping series shows Paa or Amphibolite outcrop on northern margin of T1

Four of the proposed drill sites were inspected on the 20th of April 2010. In the above map the far right black collar is the cleared area in the photo below. The rock chip sample was only 3m off the road against the wall on the opposite side of the all weather track, within insitu Permian.



VB001 - Sample location to the left of the photo on opposite side of road

The site for drill hole 1 is a good location to set up the RC rig without significant ground disturbance or pads to be pushed off the road as with sites 2-4. Drilling will be in the direction of the road in the photo towards the North West, and initially every second black collar in the above map will be drilled initially totalling 4 holes.



VB002 - Sample location to the right of the photo



VB003 - Sample location to the left of the photo on opposite side of road



VB004 / 5 - Sample location 4 to the left of the photo and 5 on opposite side of road

This area contains rugged terrain making drill tracks expensive. May have environmental issues to push a drilling grid through the forest, but the areas was supposedly aerial seeded previously meaning it is not old growth forest.

7.2 Rock Chip Samples

The mapped geology is Permian along the road and shown in the following 50K geology map, The southern blue circle is the V-Bend amphibolite outcrop which was sampled in the past, but never drilled. The northern blue circle is a new amphibolite outcrop - VB004 and VB005.

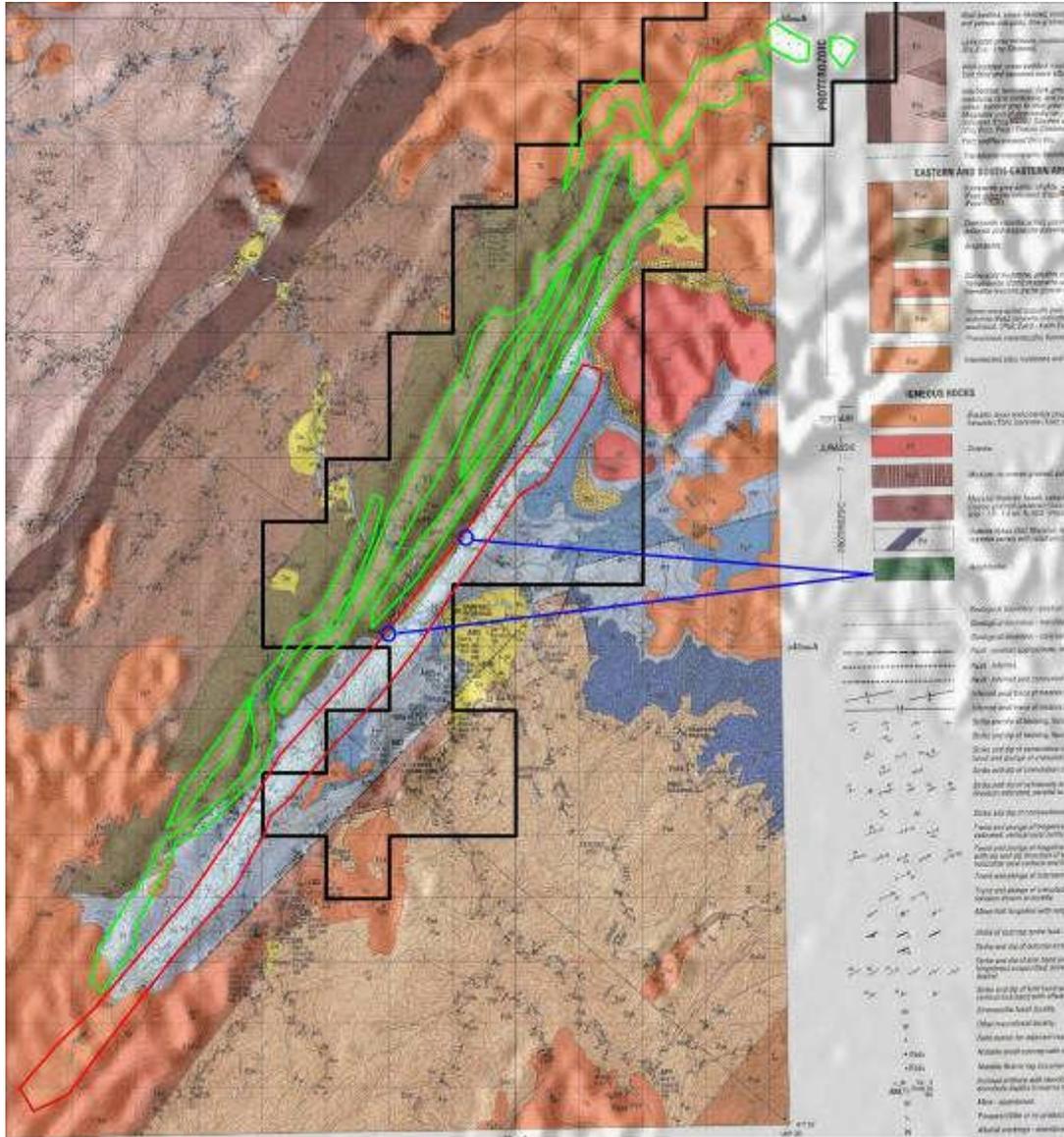


Figure 38: Aeromagnetic worm map of Amphibolite dykes with northern blue circle new VB004.

The V-Bend mapped outcrop is along the northern margin of the 300m wide linear 3km long magnetic anomaly (red outline), indicating a potential outer silicified zone. A magnetite altered amphibolite may exist dipping under Permian cover, and not fully outcropping meaning the magnetic signature will be subdued when compared with the Savage River magnetite deposit.

MRT have taken only one rock chip sample point “AR460” on the main magnetic anomaly and have located other amphibolite dykes elsewhere in the tenement’s lower magnetic anomalies which are thought to be either thrust amphibolite sequences or mafic sills/dykes intruding shown above as the green magnetic worms.

Table 1: V-Bend sample outcrop as mapped has the following geochemistry.

'ORIG'	'SAMPLENO'	'Site-ID'	'FIELDNO'	'LITHOLOGY'	'ERA'	'PERIOD'	'MINAGE'	'MAXAGE'	'REGNO'
'JLE'	14364	432076	'AR460'	'amphibolite'	'PR'	'NP'	545	1000	'R004991'
'FIELDNO'	'ANALNO'	'LAB'	'SiO2'	'TiO2'	'Al2O3'	'Fe2O3_TOT'	'FeO_TOT'	'Fe2O3'	'FeO'
'AR460'	'930548'	10	48.97	2.77	12.92	18.47129	16.62046	7.68	9.71

The government assay data supplied with the folly 25K sheet data shows the amphibolites mapped (dark green units) have low levels of total iron averaging 13% Fe Total in 6 assays, so nothing worthy of follow-up but still measurable in the magnetic data. Magnetite processing needs at least 37% total iron and magnetic magnetite so the processing of pellets can be achieved using magnetic separation.

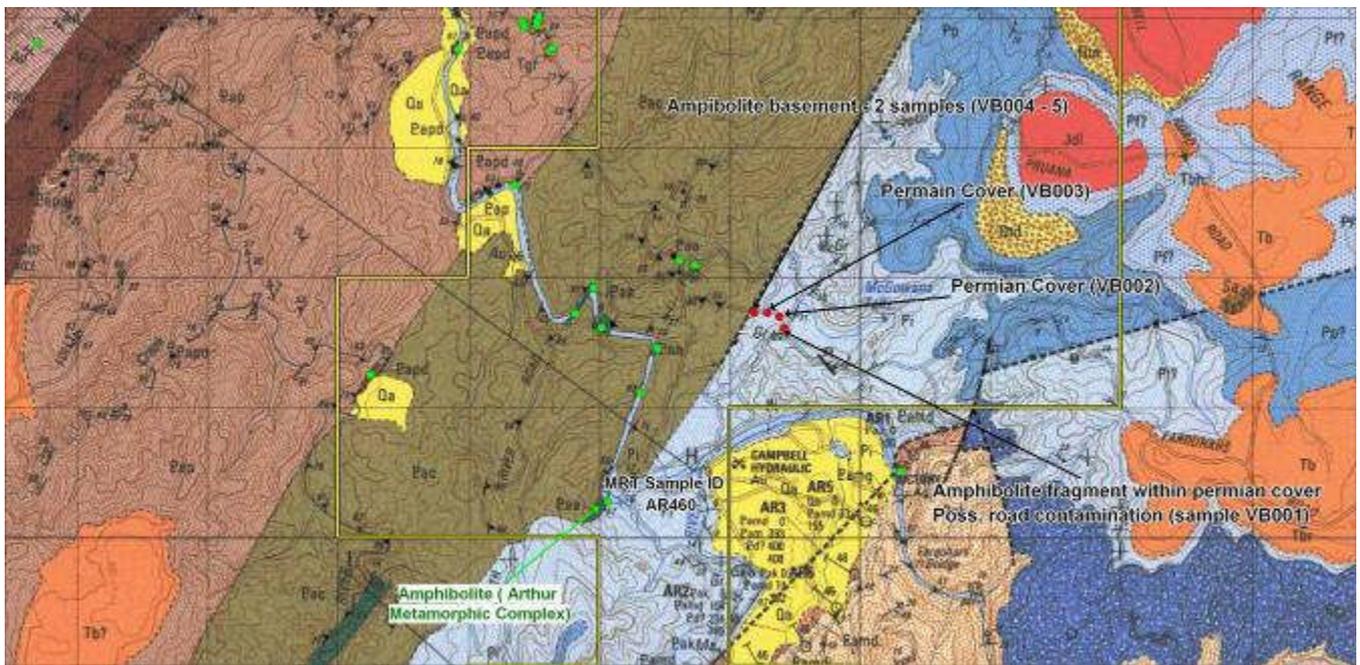


Figure 39: Phase 1 proposed drill collars program as red dots with sample numbers

The MRT geochemistry data (and geology map) show a number of Amphibolite outcrops which were sampled. The rock chip sample having the most iron in amphibolite is the V-Bend sample located on the margin of the main magnetic anomaly. The above geology map has green dots for the other geochemical samples supplied by MRT not detailed in this report.

Rock chips were taken at each proposed drill site. The first drill site with rock chip VB001, was near a small road quarry which showed Permian siltstones, however the road cut wall scree sampled was a coarsely mixed desiment with a large fragment of Amphibolite rock sampled when digging through the Permian scree face.

The only amphibolite outcrop was at proposed drill site 4 or rock chip samples VB004 and VB005. The samples VB001, VB002 and VB003 are Permian cover sequences, except VB001 which contained potential basement fragment.

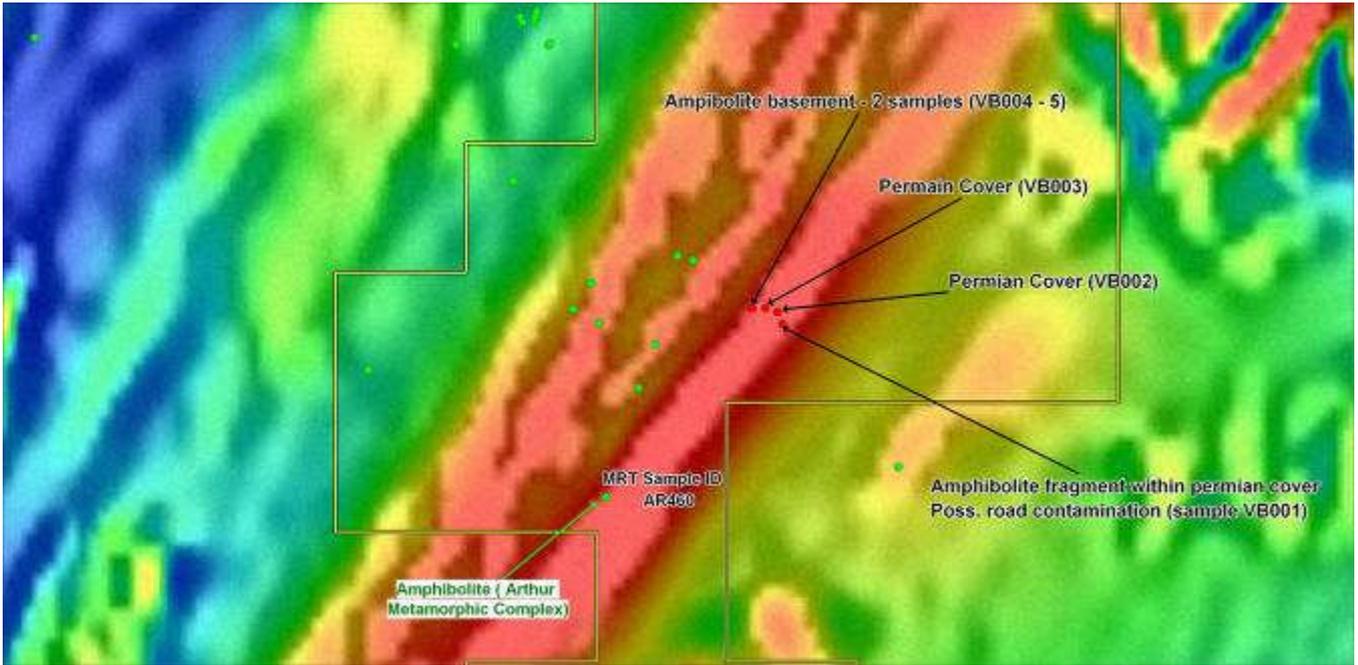


Figure 40: Aeromagnetic 2VD Image showing location of 4 x 200m deep angled RC holes
 The red dots locations are as follows with the following rock chips bearing using Sample ID.

Table 2: Proposed phase 1 drill hole locations and rock chip sample sites

Proposed Hole	X	Y	SampID	Outcrop Comments
10VBRC001	369534	5441790	VB001	Amphibolite fragment within Permian Rubble - could be old road contamination
10VBRC002	369497	5441880	VB002	Permian Cover - Rubble from Permian Hill
10VBRC003	369404	5441911	VB003	Permian Cover - Rubble from Permian Hill
10VBRC004	369303	5441910	VB004	Amphibolite Outcrop south of road in graded area – appeared to have been sampled
			VB005	Amphibolite Outcrop north of road showing 1mm brown veinlets after sulphide or (Mo?)
T2	368391	5438412	No Bridge	Requires track regrading south from Keith River Rd or inflatable army bridge for RC rig

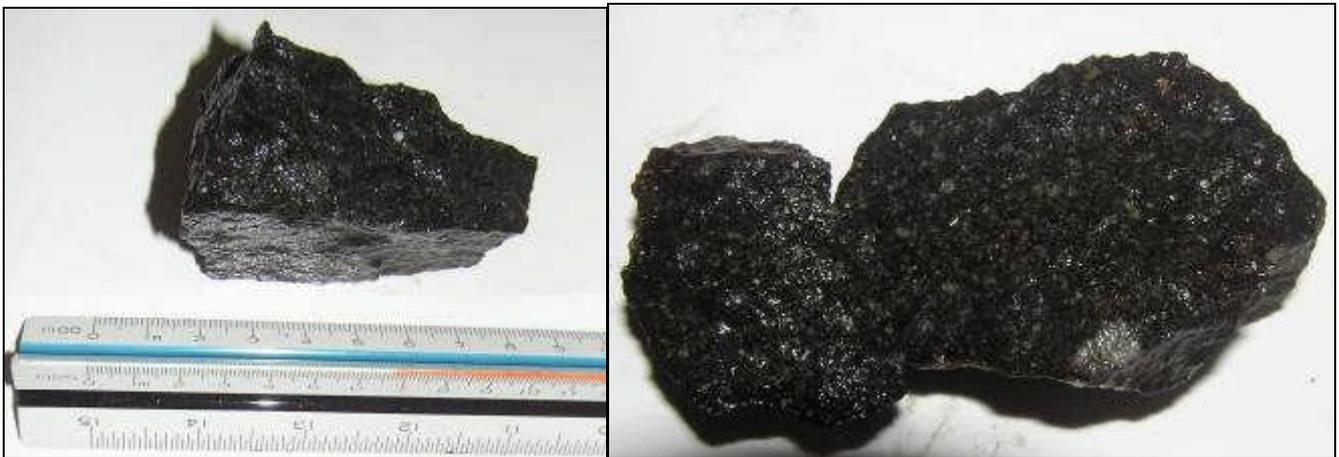
VB001 could be contamination from an earlier road, however the sample was taken and thought to be related to the underlying basement although no subcrop was uncovered.



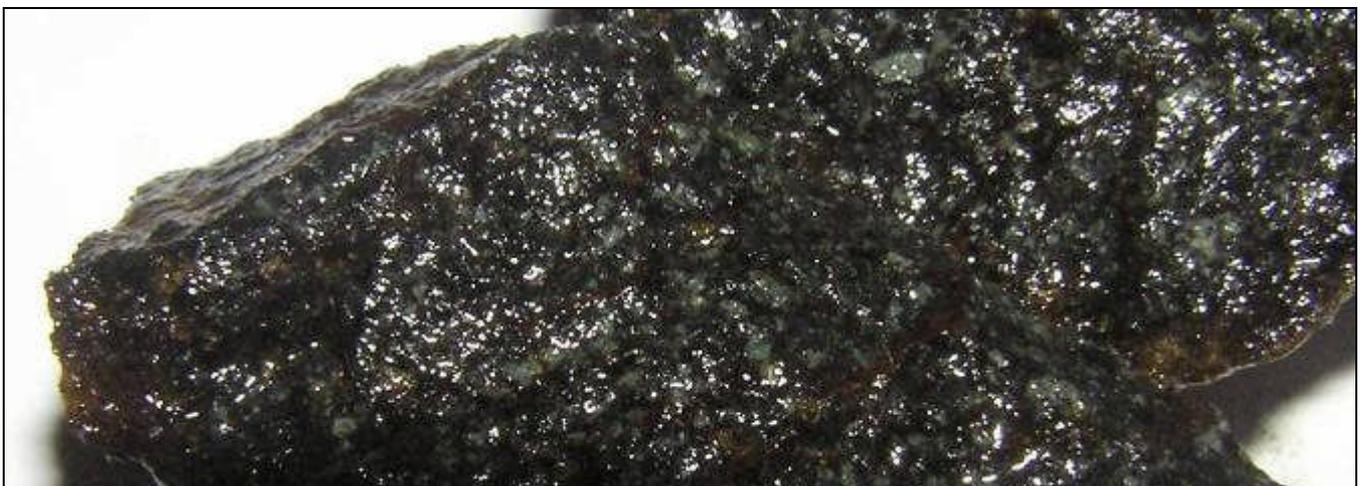
VB001- Amphibolite float in Permian down slope debris may be contamination



VB002 and VB003 – Siltstones from Permian or down slope debris from the Permian ridge



VB004 and VB005 – Amphibolites showing signs of minor 1mm veining of brown material



VB005 Zoom to show brown veining – this rock is sub cropping and shows minor alteration

8.0 Keith River Gossan (KRG) T2

The KRG has a 1km long aeromagnetic anomaly which is the strongest within the tenement. T2 has base metals located by outcrop sampling, is intensely folded by detailed mapping and has been tested only with 2 holes; 1 potentially down dip and 1 no where near the surface enriched gossan zone which could be a weathering upgrade, or down slope hill scree.

KRG target should be drilled with 3 drill lines first to ascertain if of economic interest and then an additional 5 lines for the phase 2 follow-up. The 6 other targets can be assessed next year.

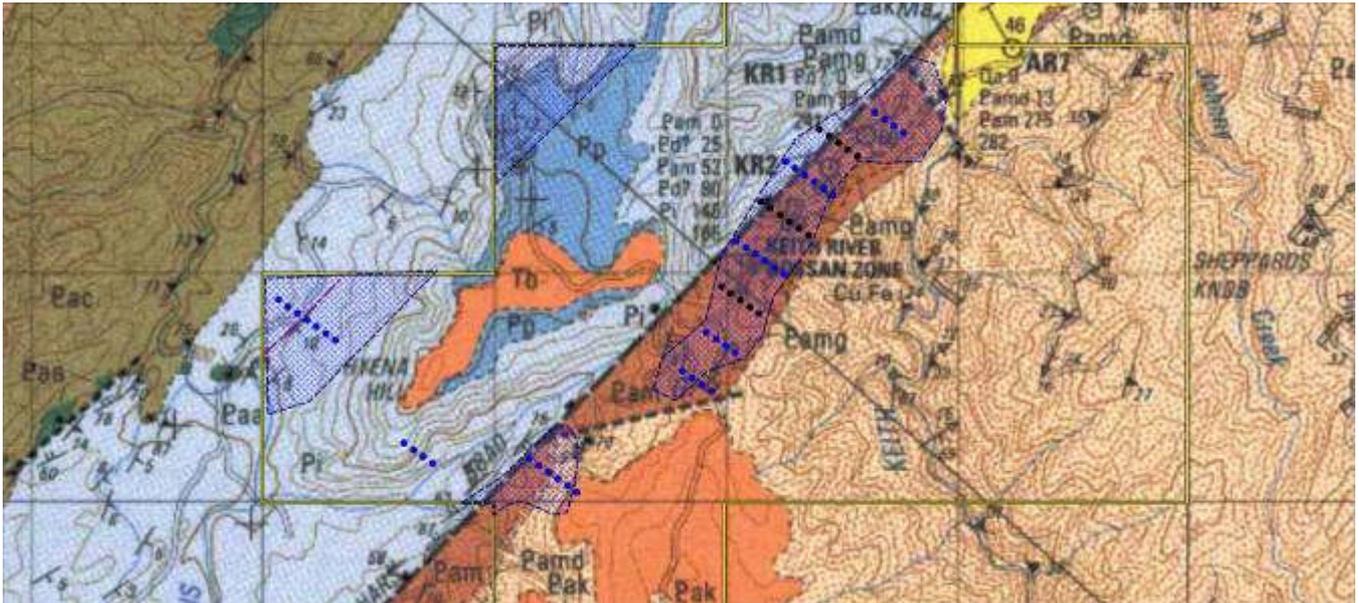


Figure 41: The proposed Phase 1 program collars are the black dots and phase 2 are the blue

One problem is access into Keith River as the main access track from West Takone ends up at a bridge crossing over Arthur River which has been washed away. The Weather closed in and the alternative access track along Keith River Rd was not attempted during the site inspection.



Figure 42: River crossing at Arthur River needs temp Army Bridge for rigs / loader crossing

The Keith River target will need more site prep work so perhaps it should be treated as a separate exercise currently. The road condition to KRG needs assessment prior to deciding on temporary bridge for drilling program extent or permanent bridge.

The KRG target is on the side of a hill slope is steep and vegetation is excessive so vegetation clearing will be extensive for pads (expensive), and the tenement is near to protected the Savage River National Park so environmental aspects require additional work not covered in the scope of this report.

9.0 Recommendations

The V-Bend 3km long magnetic target 1 should be priority for magnetite tonnage but it may not have the iron grade for economic extraction, or be buried too deeply under Permian for economic pre-strip in an open cut scenario. The Savage River mine has been going for years and is 4km in length to compare size.

The Arthur river crosses T1 so may be environmental issue in waiting if target is a) located and b) economic (ie 36% Fe or doubled the 18% Fe in outcrop on the V-Bend). Theoretically if higher Fe grade exists buried under Permian cover in this tenement, the part of the ore body crossing the river may need to remain unmined from surface – limiting exploitable tonnages and a pit saddle point may need to be designed.

The Keith River Gossan is a 1km long magnetic target. This target is to be drilled second, as it may have the grade but will never have the tonnage for stand alone bulk commodity. As T2 will be more expensive to drill, the target commodity at T2 is primarily base metals / precious metals mineralisation instead of bulk commodities of magnetite / magnesite. It however may be a satellite open cut pit for T1 or both T1 and T2 are mineralised with economic magnetite.

Other commodities exist on the tenement such as 99.9% silica sand, small tonnage pods of magnesite, potential for thin coal seams and alluvial gold. The main target is however large tonnage magnetite grading +36% total iron within an altered amphibolite so the other commodities have not been detailed in this report.

The primary recommendation is to drill 4 x 200m holes or 800m. An additional 3 holes near the V-Bend have been proposed in the magnetic image below for immediate follow up if the 4 holes drilled from the road are successful - a small amount of clearing will be required.

The Phase 1 collars have been designed next to the Relapse Creek road so they can be completed easily with little environmental impact, and cleaned up immediately after drilling. This area may create environmental – tourism issues as a 4 x 4 adventure group on quad bikes were encountered when sampling, and bee hives are in operation nearby so the rig will not be able to block the access road.

Secondly the 3 central lines at Keith River totalling 10 x 200m holes for 2,000m using a portable bridge to be built then track / cut and fill pads created. The southern road entrance into Keith River was not assessed due to poor weather conditions and will require assessment in dry weather due to the Arthur river bridge being washed away.

The phase 2 holes are shown for the following year program if T1 and T2 come up with something worth following up, however the project may be terminated if the primary magnetite target T1 is tested, and surrendered like previous explorers. The point to make is the previous explorers have **not drilled T1 and only 2 holes pierce 1km of strike at T2.**

If at T1 the 300m wide magnetic anomaly is magnetite alteration within a flat lying amphibolite sill, the intense heat from shearing along the northern contact may have caused it.

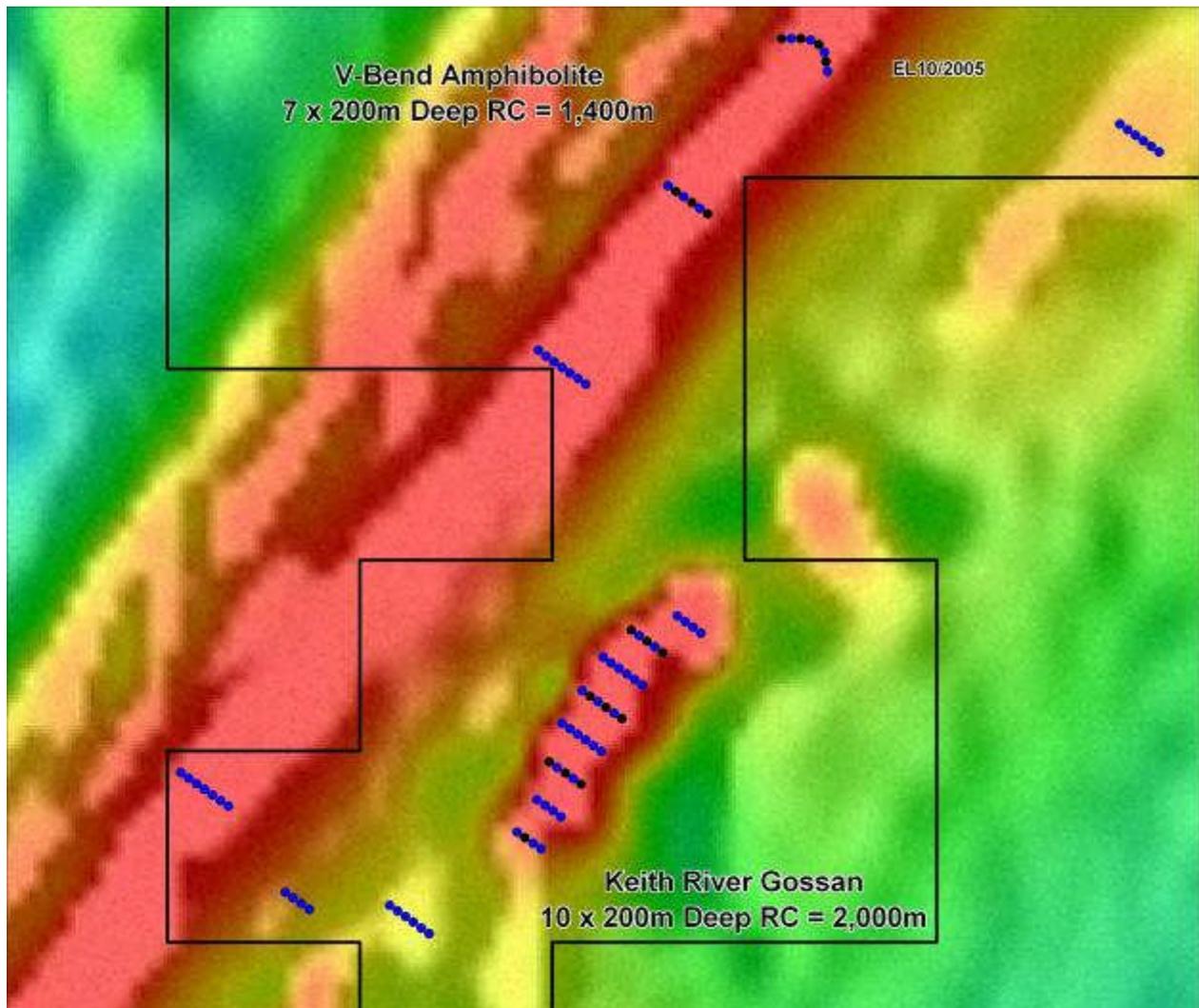


Figure 43: 2VD aeromagnetic image - black dots as Phase 1 Collar locations for 3,400m

If the magnetic anomaly is a flat lying (or slightly dipping) under Permian cover, the project may not be economic if the pre-strip is too thick. Hence 200m angled holes getting to 170m vertical depth will test the probable base of any economic open pit operation.

The grade on this style of Iron ore is not sufficient to warrant an underground operation, however the Arthur River cuts through the middle of the zone exposing a small unit on the margins of the Permian – suggesting a possible synclinal shape but requires further work.

A detailed magnetic survey over the two magnetic anomalies at T1 and T2 is required.

More drilling into the Keith River mineralised horizons may prove to be more economic than previous limited sampling from the 2 CRA diamond holes. Prior to drilling, because of the cut and fill / bridge expenses, T2 should have a large fixed loop survey as the EM crew can be helicoptered in to site prior to finalising the drill collar design and will cost around A\$60,000.

A fixed loop EM survey using a large loop 1.2km x 800m and 50m receiver station spacing within the wire loop will isolate the most conductive zone at depth, to drill test for base metals. The data from the detailed magnetic survey will show the most intense magnetic alteration zones and for both target styles (Magnetite and Base Metals) the most magnetic zones should be drilled first. The more detailed the magnetic data the more precise the drilling is targeted.

Should T1 be economically promising....

A JV with Grange to use their slurry pipe line and ship loading facility could be discussed. Theoretically any deposit would then only require crushing, processing and ore to slurry concentrators, with a slurry pipe line spur line into Granges main slurry pipe line (or next to). Slurries could be sent to their palletisation plant, or build a separate plant adjoining and rent their ship loading facilities which are closer to Regencies tenement than their tenement.

Potentially their facilities could be purchased if their mine production falls below profitable levels, and the go onto Care and Maintenance which would be the best option in a few years.



Figure 44: Photos taken of Granges ship loading facility

10.0 Budget Estimate

Summary of P1 program will be 4 RC Holes x 200m deep into T1 - **Total 800m**

RC Drilling costs (large rig) and support trucks @ **A\$100 per /m** for drilling and **A\$20K** Mob

Estimate of A\$80K + A\$20K = **A\$100,000**

10 days Accom @ A\$150 per/day for 3 Drillers, 1 Geologist and 1 field asst = **A\$7,500**

Food for 10 days @ A\$100 per/day for 3 Drillers, 1 Geologist and 1 field asst = **A\$5,000**

Wages for Geologist and Field Asst. \$1500 x 10 days = **A\$15,000**

Airfares = **A\$1,500**

2 Hire Cars and \$500 fuel = $\$300 \times 10 + \$500 =$ **A\$3,500**

Drilling Consumables 9 Green plastics / calicos = **A\$500**

Surveying: Use hand held for P1 as holes are 100m apart with 100% coverage = **Nil**

Pad clearing: 0.5 Day loader hire from Burnie and Mobilisation = **A\$1,500**

Rehabilitation: 1 Day of work for Field Asst. = **A\$500**

Sample Transport Costs : To lab in Melbourne = **A\$2,000**

Assay Costs: Multi element @ \$30 per sample = **A\$6,000**

Preparation costs = **A\$7,000**

Approximate Costs are: A\$150,000 +10% GST

Robert Richardson

From: Kylie Lau
Sent: Thursday, 29 July 2010 10:23
To: Robert Richardson
Subject: FW: Arthur River Project EL10/2005 Report

-----Original Message-----

From: Michael Davie-Smythe [mailto:mdavie@melb.landadmin.com.au]
Sent: Thursday, 29 July 2010 10:06 AM
To: Kylie Lau
Subject: RE: Arthur River Project EL10/2005 Report

Hi Kylie,

Response from Helen Salmon below:

"Sorry about this Michael. Yes they do
Its just that one geo collected them and another put them in for assay..
Best Helen"

Regards Michael

On Wed, 28 Jul 2010 14:49:59 +1000, "Kylie Lau" <KLau@mrt.tas.gov.au>
said:

> Thanks Michael
>
> Regards
>
> Kylie
>
> Kylie Lau
> Geoscience Information Officer
> Mineral Resources Tasmania
> PO Box 56
> ROSNY PARK TAS 7018
> PH: 6233 8316
> FAX: 6233 8338
> EMAIL: klau@mrt.tas.gov.au
> or Kylie.Lau@dier.tas.gov.au
>
>

> -----Original Message-----

> From: Michael Davie-Smythe [mailto:mdavie@melb.landadmin.com.au]
> Sent: Wednesday, 28 July 2010 1:53 PM
> To: Kylie Lau
> Subject: Re: Arthur River Project EL10/2005 Report
>

> Hi Kylie,

>
> Will forward your email to Regency Resources for clarification.
>

> Regards Michael
> On Wed, 28 Jul 2010 13:38:56 +1000, "Kylie Lau" <KLau@mrt.tas.gov.au>
> said:
>> Dear Michael
>>
>> We have received TCR 10_6114 - Arthur River Project EL10/2005 north west
>> Tasmania, Australia by Grant Donnes.
>> The assessing geologist has requested further information as follows:
>>
>> * Do the three assayed samples, AR1, AR4 and AR5 correspond to
>> VB001, VB004 and VB005? If not, what are the locations of AR1, AR4 and
>> AR5?
>>
>> Thank you for your assistance.
>>
>> Regards
>>
>> Kylie Lau
>> Geoscience Information Officer
>> Mineral Resources Tasmania
>> PO Box 56
>> ROSNY PARK TAS 7018
>> PH: 6233 8316
>> FAX: 6233 8338
>> EMAIL: klau@mrt.tas.gov.au
>> or Kylie.Lau@dier.tas.gov.au
>>
>>
>>
> --
> Michael Davie-Smythe
> Tenement Administration Services Pty Ltd
> Suite G.01a, 999 Nepean Hwy
> MOORABBIN VIC 3189
> Ph:03 9553 4696 Fax:03 9077 2857 Mobile 0419 341 505
> E: mdavie@melb.landadmin.com.au
>
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Michael Davie-Smythe
Tenement Administration Services Pty Ltd
Suite G.01a, 999 Nepean Hwy
MOORABBIN VIC 3189
Ph:03 9553 4696 Fax:03 9077 2857 Mobile 0419 341 505
E: mdavie@melb.landadmin.com.au