

MEMORANDUM

TO: Angela Lorrigan (General Manager - Exploration)

FROM: John Collier (Senior Resource Geologist)

DATE: 15 June 2011

SUBJECT: Lakeside Mineral Resource (Preliminary)

Executive Summary

A preliminary review of the Lakeside data suggests a possible Mineral Resource. The results are listed in Table 1. At present there is no density information therefore making the tonnage difficult to determine. Obtaining this data will likely confirm the listed Mineral Resource. There is significant exploration potential down-dip and to south for a Henty-style mineral deposit.

| | Tonnes (kt) | Gold (g/t) | Ounces (koz) |
|--------------------|--------------------|-------------------|---------------------|
| Indicated Resource | 70 | 2.2 | 5 |
| Inferred Resource | 700 | 2.8 | 62 |
| Total | 770 | 2.8 | 67 |

Table 1. Lakeside Mineral Resources.

Introduction

The Lakeside gold deposit is located 2.5 km south of Tullah within EL 22/90. The northern boundary lies beneath Lake Rosebery and the southern boundary is only several hundred metres north of the Murchison Hwy (Figure 1).

This region is comprised of the Cambrian Mt. Read Volcanics which extends 16 km either side of the Henty Fault. This major NNE-trending fault structure is located toward the eastern margin of the volcanic belt (Tullah EL 22/90 Annual report, 1997).

Previous owners of the tenement include Pasminco Ltd. and Saracen Mineral Holdings Ltd. with the latter completing the latest drilling during 2006.



Figure 1. Location of the Lakeside gold deposit.

Data Review

Survey

All data has been recorded as UTM coordinates. Most of the collar coordinates have been recorded to two decimal places. This accuracy implies that these holes have been surveyed but this needs to be verified.

Downhole surveying has been conducted at the collar position and then at regular intervals generally between 15 – 30 m. The majority of holes were not surveyed at end of hole. This is not considered to impact on the data quality as most holes were drilled a considerable distance past the ore zone.

Sampling and Analysis

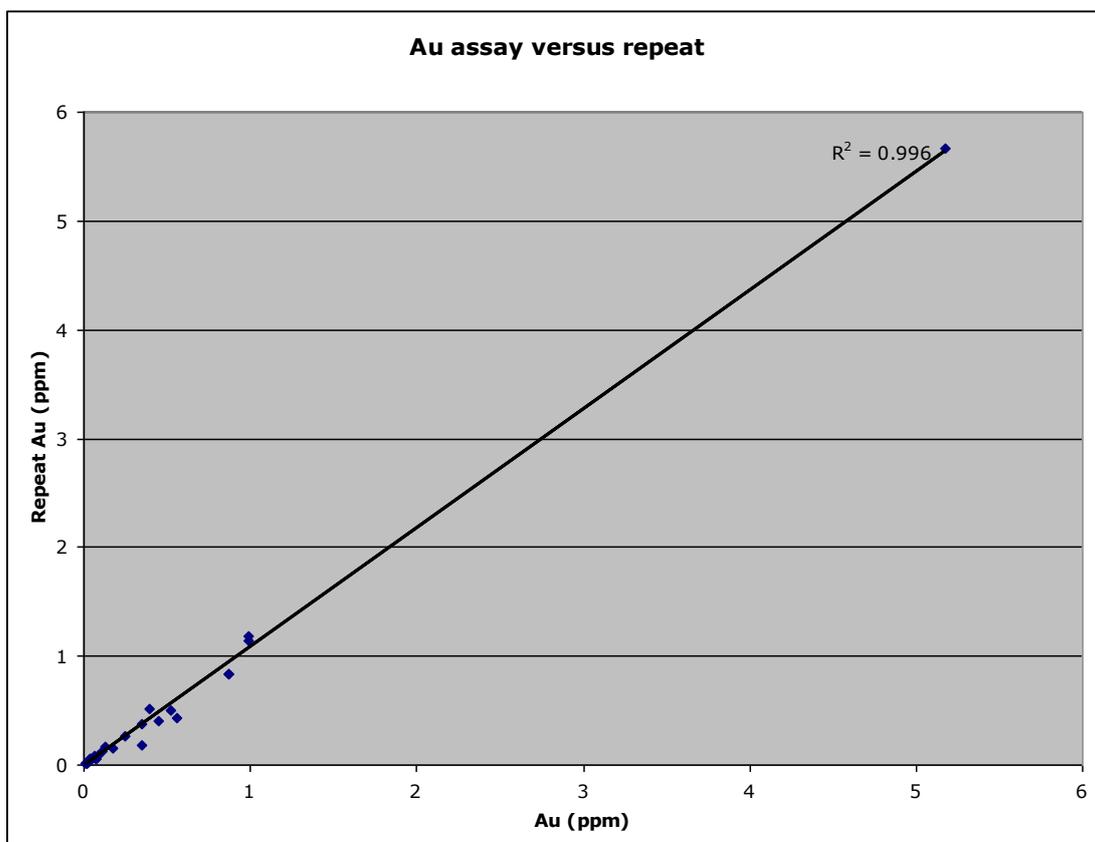
There is no data available for sampling techniques or procedures. This data needs to be verified.

Bulk Density

There is no data available for bulk density. These results will directly impact on the statement of Mineral Resources. It is paramount that this data is verified before publically releasing the results of Mineral Resources.

QAQC

The only QAQC data available are check assays. The results are shown in Graph 2. There is strong correlation between the primary sample and the check sample. However, the majority of the assays are below 1 g/t gold. It is encouraged that further QAQC be implemented in future exploration programmes. Check assays at higher grades will help determine the correlation at potential ore grades. Also, the introduction of standards and blanks will determine the quality and precision of the laboratory.



Graph 1. QAQC data from the Saracen database.

Mineralisation

The known mineralisation is structurally controlled lode and vein style. These are most likely conformable with the primary layering of the enclosing rock. Throughout the deposit, these lodes have a dip of -68 degrees and a dip-direction of 279 degrees.

In total there are 16 intercepts (although some holes have been removed) which have encouraging results (Table 2). The mineralisation extends 300 m along strike and 270 m down dip. The width of the mineralisation is generally between 1 to 3 m but is 12 m at its widest. It is moderately consistent and within 10 m of the Henty Fault (Figure 2). The gold grade distribution is low to moderate however it is also fairly consistent and is open at depth and also to the south (Figure 3). This provides exploration upside to the deposit.

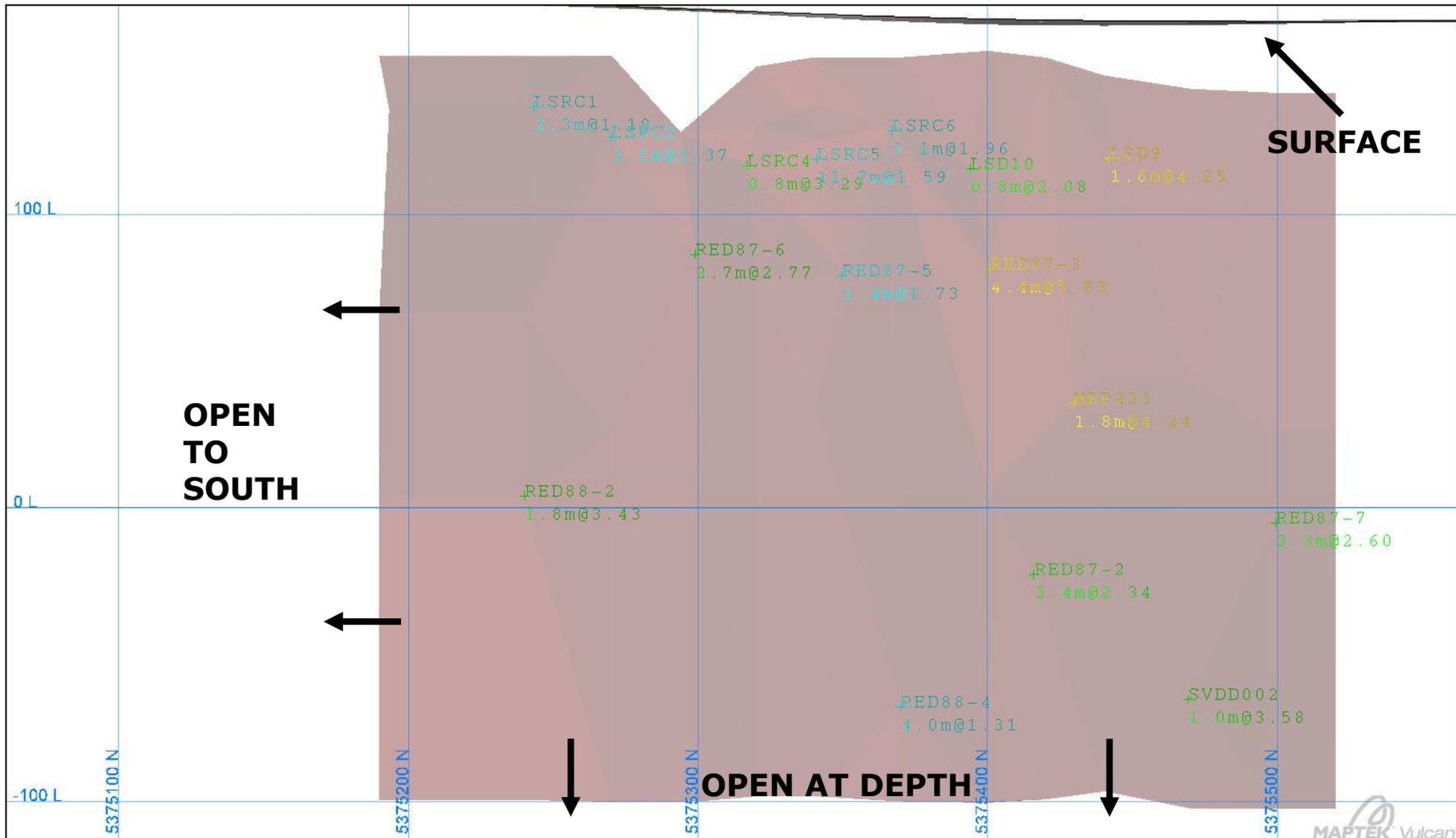


Figure 3. Long section looking west of the Lakeside gold deposit showing true width intersections.

There is limited information available to construct the ore body domains. The geological information is wide spaced making the interpretation of the mineralisation difficult.

The wireframes were constructed primarily using gold grades. The lithology and the position of the Henty Fault were also used in conjunction with the assays to assist the interpretation.

Statistical Analysis

In total, three holes were removed from the analysis. These holes were projected through the position of the mineralisation however there were no gold assays available.

The drillholes were flagged using the mineralisation wireframe. These holes were then composited to 1 m intervals. Any samples less than 0.3 m were added to the previous composite. A summary of the composited data are listed in Table 3. The results showed that the Coefficient of Variation (COV) is less than 1. This indicates that the raw mean based on the sample data is not affected by extreme grades. Therefore, a top cut to the dataset is not necessary.

| | Au |
|---------|-------|
| Min | 0.25 |
| Max | 10.70 |
| Mean | 2.46 |
| Std dev | 1.95 |
| COV | 0.79 |

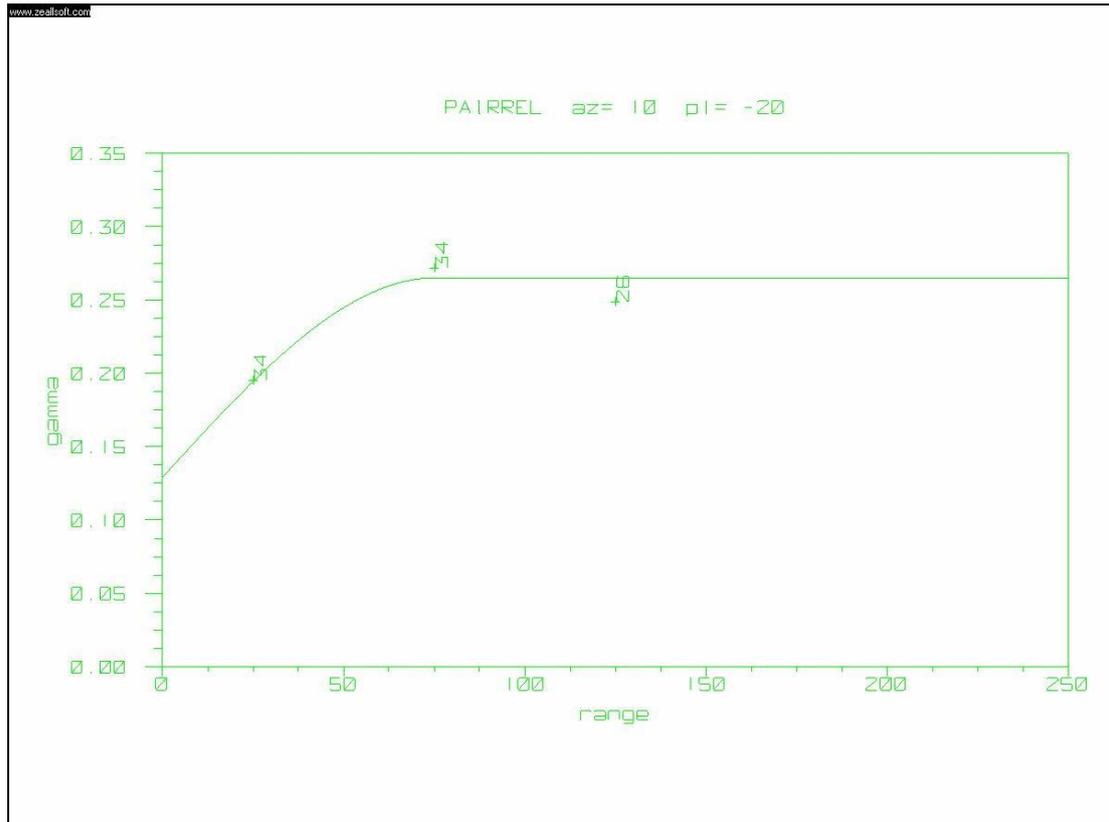
Table 3. Simple statistics of the composited data.

Variography

Grade variography was generated and modelled for the lakeside gold deposit in preparation for the estimation of gold grades. This was completed using 1 m downhole composites.

A pairwise relative variogram was chosen as it is the most useful for domains comprising a limited number of samples.

The variography was calculated using Vulcan software (Graph 2) and is listed in Table 4. Recent attempts have not been successful using this software for this type of analysis. It is therefore recommended that an independent review be carried out if further evaluation is required.



Graph 2. Variography of the lakeside gold deposit.

| Zone | Rotation angle | | | Nugget (C0) | Sill (C1) | Range (m) | | |
|----------|----------------|-----|----|-------------|-----------|-----------|------------|-------|
| | X | Y | Z | | | Major | Semi-major | Minor |
| Lakeside | 8 | -43 | 54 | 0.49 | 0.51 | 97 | 46 | 35 |

Table 4. Summary of variogram model.

Block Model Development

A 3D block model was created and was comprised of sufficient variables to record the results of the Ordinary Kriging grade estimates and other required parameters. The block model was completed using Vulcan software.

Parent block dimensions were chosen based on sample density. Sub-block dimensions were chosen to enable accurate reproduction of the wireframe volumes. The dimensions of the block model are listed in Tables 5 and 6.

| Block Rotation | Bearing | Plunge | Dip |
|----------------|---------|--------|-----|
| | 100 | -20 | 0 |

Table 5. Block model Orientation

| | Origin (mN) | Extent (m) | Block size (m) | |
|-------|-------------|------------|----------------|-----------|
| | | | Parent | Sub-block |
| East | 384,400 | 90 | 5 | 0.5 |
| North | 5,375,100 | 510 | 15 | 0.5 |
| RL | -200 | 405 | 15 | 0.5 |

Table 6. Block model dimensions

Grade Estimation

Resource estimation of the Lakeside deposit was undertaken using Ordinary Kriging. The estimates were generated using Vulcan software. A multiple search pass strategy was used to obtain the estimates. Search radii were determined based on the variogram orientation, anisotropy and ranges.

The search distance for the first pass was based on half the range from the variogram model which corresponds to half the maximum sill. The second pass was based on the maximum range of the variogram model. The third pass used the same range as the second pass but with fewer samples. The minimum samples used were 5 and a maximum of 8 with exception of the third pass which used a minimum of 1 samples and a maximum of 5.

The number of composites from any one hole was restricted to three to ensure contribution from other drillholes. Table 7 provides the sample search parameters applied to each pass.

Ordinary kriging estimates were completed using whole block discretisation of four points in the north - south direction and 4 points in the vertical direction for a total of 16 discretisation points per block. All sub-blocks were assigned the grade of the parent block. Table 7 provides the sample parameters applied to each search pass.

| Estimation Pass | Sample Search Orientation major Axis | | | Sample Search Distance (m) | | | Samples | | |
|-----------------|--------------------------------------|------|------|----------------------------|------------|-------|---------|------|--------------|
| | 1(Z) | 2(X) | 3(Y) | Major | Semi-Major | Minor | Min. | Max. | Max. per DDH |
| 2 | 100 | 70 | 0 | 50 | 25 | 20 | 5 | 15 | 3 |
| 2 | 100 | 70 | 0 | 100 | 50 | 40 | 5 | 15 | 3 |
| 3 | 100 | 70 | 0 | 100 | 50 | 40 | 1 | 5 | 3 |

Table 7. Summary of search parameters.

Results

The results of the estimation process are listed in Table 8. A standard density value of 2.8 was applied to the entire estimate. Whole blocks that were estimated from the first estimation pass have been classified as an Indicated Resource. The remaining search passes have been estimated as an Inferred Resource. There were an additional 130 kt that did not fulfil the third pass criteria. These areas are predominately on the margins of the ore body where there is low sample density. The results are shown in Figure 4.

| | Tonnes (kt) | Gold (g/t) | Ounces (koz) |
|--------------------------------|-------------|------------|--------------|
| Pass 1 (Indicated Resource) | 70 | 2.2 | 5 |
| Pass 2 & 3 (Inferred Resource) | 700 | 2.8 | 62 |
| Total | 770 | 2.8 | 67 |
| Not Estimated | 130 | - | - |

Table 8. Results of the estimation process.

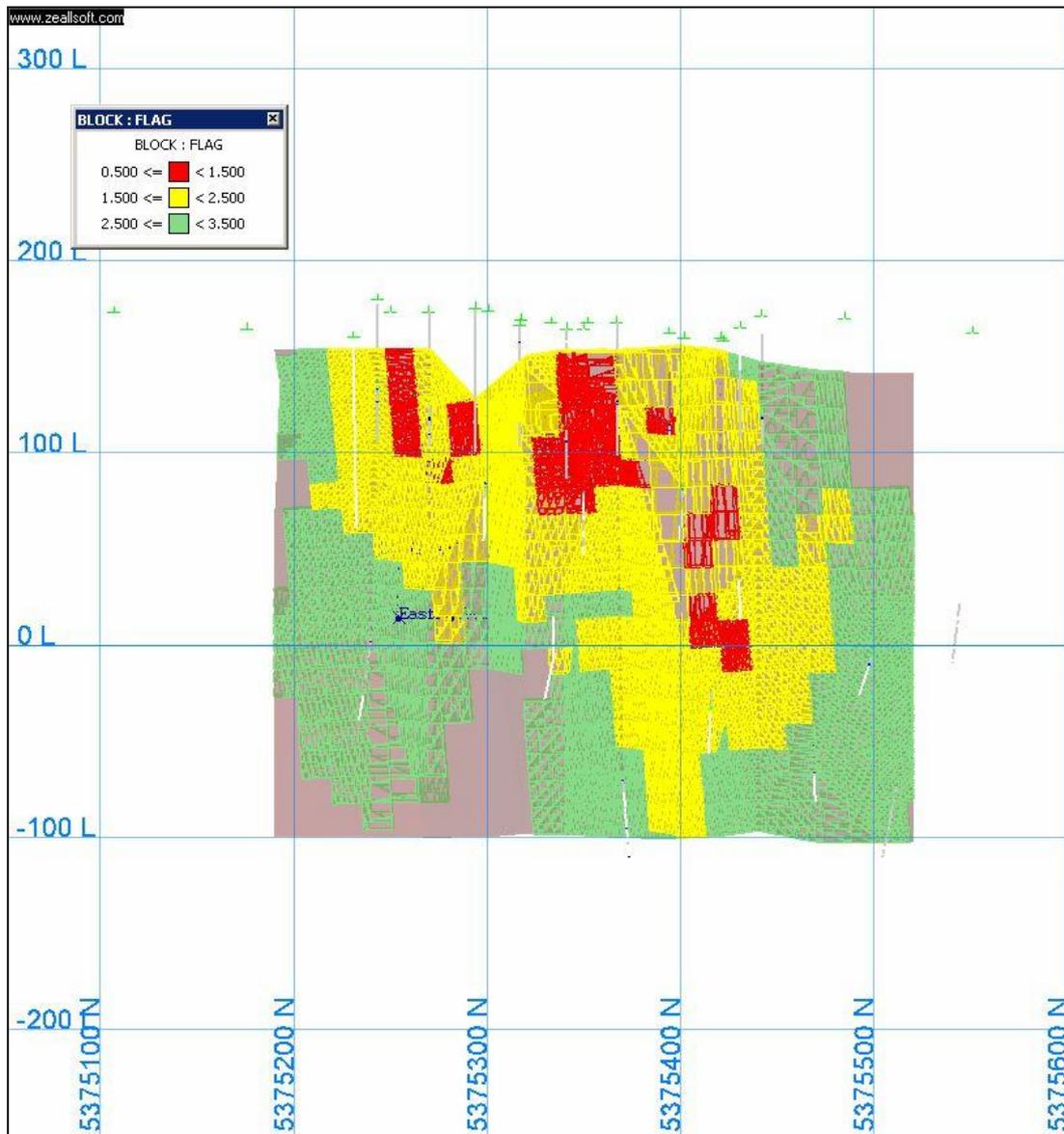


Figure 4. Long section looking west of the search estimation pass.

A visual check of the block model gold grades was carried out. The result proves there is a good correlation between the block model gold grade and sample gold grades in areas where there is higher sample density. However, in areas of lower sample density there is a poor gold grade correlation. Based on the information available, these areas are likely to be overestimated. This problem is common to ordinary Kriging estimations, as the peripheries of ore bodies are often overestimated.

This results in the average block model grade being 0.4 g/t gold (17%) higher than the average sample gold grade. The gold distribution of the Lakeside deposit is shown in Figure 5.

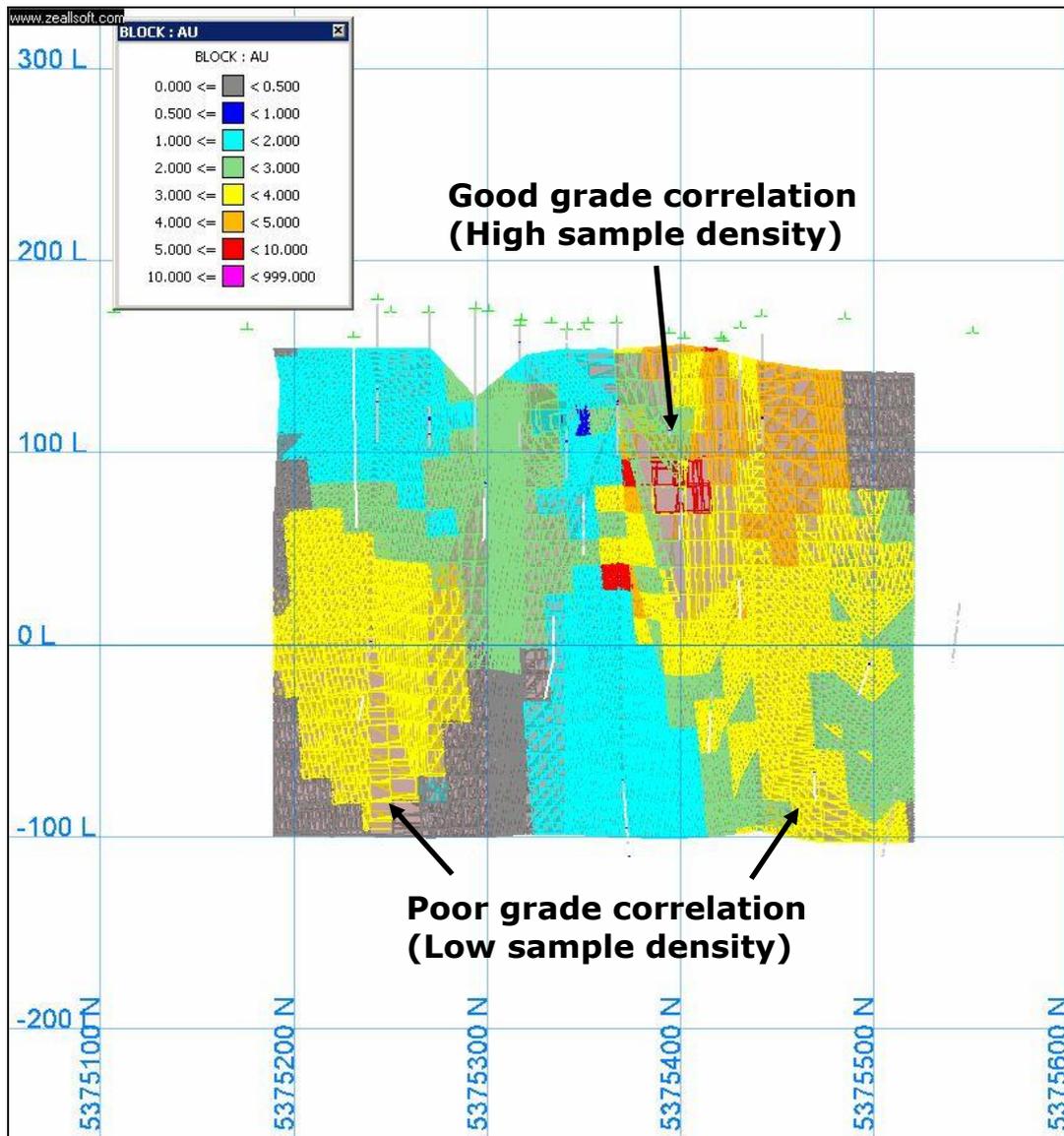


Figure 5. Gold distribution of the Lakeside deposit.

Recommendations

The preliminary results for the Lakeside deposit are encouraging. The overall gold grades are fairly low, however they are consistent. This indicates that there is continuity of the mineralised structure and that strategic exploration may prove higher grade regions.

The Lakeside deposit is open at depth and to south. This creates a significant increase to the volume potential of the deposit. There is also potential for an increase in the gold endowment and the discovery of a Henty style mineral deposit. The known gold mineralisation is currently situated 10 m into the footwall of the Henty fault. The mineralisation at the Henty ore body is known to increase in thickness and gold grade as it nears the fault structure. It has been previously interpreted that this is caused by a change in attitude relating to the intersection of secondary structures. Identifying these structures may be possible using magnetic survey data as well as the Lidar data.

Exploration should be considered with target priority as:

1. Southern extension. There is significant tonnage potential in this region. There is a lack of drilling along the Henty fault providing several

kilometres of strike extension. Savvy drill planning proximal to previous drillholes will increase the sample density resulting in a potential upgrade of the Inferred Resource to an Indicated Resource.

2. Northern down-dip extension. This region comprises the highest grade intercepts and drilling will prove continuity in this direction. Additional samples in this region will add tonnage potential. Drilling in this region will extend the known mineralisation beyond 300 m from surface. Therefore an increase in the width and / or the gold grade is required for subsequent drill testing.
3. Southern down-dip extension. This region comprises low sample density however should be re-evaluated based on additional exploration results.
4. Infill Drilling. This will provide an increase in the confidence (structural and / or grade) of the mineralisation and an upgrade from Inferred Resources to Indicated Resources. The spatial analysis (variography) should also be re-evaluated using these results.

Validation of data should be considered for:

1. The drill hole density data is paramount to the robustness of the Mineral Resource. If this data cannot be verified then it is recommended that the Indicated Resource be downgraded to an Inferred Resource.
2. The drill hole logging data will provide further information for the verification of the geological assumptions.
3. The confirmation of survey data will provide an increase of the confidence of the location of drill holes.
4. A twin hole will provide confidence in the previous data.
5. QAQC data will provide confidence in the data, especially at expected ore grades. The introduction of standard and blanks will increase the confidence of the QAQC data.