

FINAL REPORT

EL65/2004, DERBY AREA, NORTH EAST TASMANIA

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Abstract

Arcadia Resources Ltd (Arcadia) entered into an Agreement, dated 3rd July 2007, with the licensees of EL65/2004 Derby, North East Tasmania, to acquire EL65/2004 as a basis for an Initial Public Offering (IPO) and as a prelude to listing Arcadia on the Australian Stock Exchange (ASX). The objective was to raise in excess of \$3.0 million before costs to direct towards the ordered exploration and potential development of inferred tin resources within the exploration license.

The licensees, P.W. Askins and J.I. Stewart, had previously prepared a comprehensive synopsis of past exploration activity pertinent to the EL65/2004 prior to Arcadia's involvement.

A condition of the Agreement with the licensees was that Arcadia expend a minimum of \$45,000 on "in-ground" exploration sufficient to satisfy cumulative expenditure commitments of \$75,000 for the first two years of their tenure up to 22nd November 2007. This obligation was discharged, principally via completion of a contracted NanoTEM geophysical survey of selected deep lead systems by Zonge Engineering & Research Organization (Australia) Pty Ltd (Zonge).

The Agreement also required Arcadia to satisfy, pro rata, expenditure commitments up until successful conclusion of the IPO process or withdrawal from the Agreement. This requirement was satisfied.

As part of the IPO process, Lucksam Consultants (Lucksam) was commissioned by Arcadia to prepare an Independent Geologist's Report for inclusion in the Prospectus Document. During this time, Kintore Resources Ltd (Kintore) expressed interest in undertaking the IPO/listing obligations. Arcadia entered into a Share Sale Agreement with Kintore pursuant to which Kintore had the right to acquire all of the issued capital of Arcadia and thereby a 100% interest in the Derby tin project in North East Tasmania. The Independent Geologist's Report, commissioned by Arcadia, was eventually completed by Lucksam on behalf of Kintore.

A further geological Report, based on field investigations and regional prospectivity assessment, was commissioned by Kintore and prepared by Erik van Noort, Geological Consultant.

Kintore lodged their Prospectus with ASIC at the onset of the global economic recession on 17th October, 2008 and failed to achieve the minimum subscription of \$3.5 million to list resulting in the Prospectus being withdrawn with all rights to EL65/2004 reverting to Arcadia.

Subsequently, Arcadia entered into acquisition discussion with ASX-listed Argo Exploration Ltd (Argo; ASX Code: AXT) to acquire the issued capital of Arcadia in a script for script transaction. Given existing related party issues, and as part of the due

diligence process, Veronica Webster Pty Ltd was commissioned by Argo to prepare an Independent Valuation of EL65/2004.

The value of the tenement was placed in the range of \$80K to \$325K, with the preferred value being \$190,000. Based on this low valuation, Argo concluded that the contemplated transaction was not fair and reasonable for its shareholders and, hence, terminated the acquisition process.

Following release of the Independent Valuation, and having regard for the compounding negative impact of low tenement valuation and failure of the nearby Van Dieman Mines alluvial tin/gemstones operations on capital raising, Arcadia, and its corporate advisors, engaged in a comprehensive internal review of the economic/commercial merits of persisting with the project.

Arcadia concluded that the combination of the prevailing economic conditions, the disastrous potential resources assessment and related Independent Valuation, and the negative sentiment arising from the Van Dieman Mines debacle, would render impossible the raising of the required capital to take the project forward. Hence, a decision was taken to abandon the project and relinquish title to the area held under EL65/2004.

Contents

Introduction

Review of Work Completed During Currency of EL65/2004

Discussion of Results

Conclusions

Environment

Expenditure

Key Words

7 Appendices accompany this Report:

Appendix 1

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

Appendix 2

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

Appendix 3

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

Appendix 4

M.F. Stephens (2008): Independent Geologist's Report for Kintore Resources on Exploration License 65/2004 Situated in NE Tasmania: Luksam Consultants, September 2008, 18 pp.

Appendix 5

E. van Noort (2008): Report on Field Investigations and Regional Prospectivity of the Derby Deep-Leads Tin Project, North-Eastern Tasmania EL65/2004, November 2008, 30pp.

Appendix 6

Prospectus – Kintore Resources Ltd (ACN 128 761 688). For the issue of up to 25,000,000 shares at an issue price of 20 cents each to raise up to \$5,000,000. 17th October, 2008: 84p.

Appendix 7

Davis, L.W. – Independent Geologist's Valuation Report on Tin Exploration Property of Arcadia Resources Limited in Tasmania. Veronica Webster Pty Ltd, Brisbane, 16th October 2009: 22p.

Introduction

This Final Report refers to EL65/2004 Derby Deep Leads Tin Project centered on Derby NE Tasmania. The tenement was granted to P.W. Askins and J.I. Stewart for a five year period effective 22nd November 2005 and was transferred in 2007 to Arcadia Resources Ltd, under a registered Agreement to acquire, for the purposes of an IPO.

Arcadia's interest in the project was stimulated by a comprehensive synthesis by Askins and Stewart of all available records, data and literature which appeared to provide a reasoned interpretation of the nature and distribution of tin-bearing Tertiary Deep Leads occurring within EL65/2004. Askins' and Stewart's synthesis report comprises Appendix 1.

The synthesis appeared to suggest a potential for delineation of significant economic concentrations of tin within inferred extensions to known deep lead beneath varying thicknesses of mantling basalt flows. The deep leads were viewed as tributaries of a palaeo-Ringarooma River with the source of much of the tin being the exhumed and eroded tin-bearing carapace of the Blue Tier Batholith immediately to the east.

Review of Work Completed During Currency of EL65/2004

Details and results of work completed are contained in Appendices 1 to 7.

Upon entering into an Agreement with Askins and Stewart, Arcadia's initial objective was to test the efficacy of electrical geophysical techniques in delineating the sub-surface traces of selected key deep leads, identified in the records and data synthesis, within EL65/2004. To this end, Arcadia commissioned pilot Induced Polarization/Resistivity (IP) and NanoTEM geophysical surveys to determine whether buried deep lead traces could be delineated. It was argued that the deep leads would have greater porosity and, hence, enhanced water saturation, than the overlying basaltic flows and underlying metamorphic rocks. This being the case, it was reasoned that the deep lead traces may be expressed in greater conductivities or, lower resistivities.

The geophysical surveys were undertaken by Zonge Engineering & Research Organization (Australia) Pty Ltd (Zonge). It became apparent early in the survey that IP surveying in the selected areas was inappropriate due to anthropogenic influences and the IP survey was discontinued. However, NanoTEM surveying proved more efficacious and demonstrated that the technique may have broad application. Survey details are given in Appendix 2.

In addition, Lucksam, on behalf of Arcadia, prepared a completion report on the geophysical survey conducted by Zonge (Appendix 3). Lucksam concluded that NanoTEM appeared to be a credible technique for differentiating relative resistivity in sub-surface strata and was probably relevant to depths of about eighty meters.

Arcadia also commissioned Lucksam to prepare an Independent Geological Report specifically for inclusion in the planned IPO Prospectus document. This work involved:

1. the extraction from previously synthesized available records, data and literature, the locations of historical drill collar and drill hole assay/geological information relevant to deep lead tin occurrences within the EL65/2004;
2. Registration of this information in GIS and preparation of plans of drill hole distribution in relation to known deep leads;
3. Construction of relevant cross sections from available drill log and assay information; and
4. Field-based verification of areas of past mining and mine geology together with regional prospectivity assessment with the view to determining degree of extraction of individual deep leads, reserve potential of currently un-mined remnants and potential extent of virgin inferred leads.

The Independent Geological Report was completed on behalf of Kintore which had entered into a Share Sale Agreement with Arcadia pursuant to which Kintore had the right to acquire all of the issued capital of Arcadia and thereby a 100% interest in the Derby tin project in North East Tasmania. Under this arrangement, Kintore assumed IPO/listing obligations and the raising of capital to undertake orderly exploration and potential development of tin resources within the exploration license. Lucksam's report comprises Appendix 4.

A further geological Report, based on field investigations and regional prospectivity assessment, was commissioned by Kintore and prepared by Erik van Noort, Geological Consultant. This Report constitutes Appendix 5 of this Final Report.

The timing of the Kintore IPO (17th October, 2008) was unfortunate, coinciding with a catastrophic collapse in global equities/resources markets with the result that the minimum subscription to list of \$3.5 million was not achieved and the Prospectus was withdrawn and all rights in EL65/2004 reverted to Arcadia. A copy of the Kintore Prospectus comprises Appendix 6.

Subsequently, Arcadia entered into acquisition discussion with ASX-listed Argo Exploration Ltd (Argo - ASX Code: AXT) to acquire the issued capital of Arcadia in a script for script transaction. With in excess of \$4 million cash at hand at the time, Argo had the financial capacity to undertake all necessary exploration of EL65/2004. However, given existing related party issues, and as part of the due diligence process, an Independent Valuation of EL65/2004 was commissioned. The Independent Valuation by Veronica Webster Pty Ltd comprises Appendix 7.

The value of the tenement was placed in the range of \$80K to \$325K, with the preferred value being \$190,000. Based on this low valuation, the Directors of Argo concluded that the contemplated transaction was not fair and reasonable and not in the best interests of its shareholders and, hence, terminated the acquisition process.

Following release of the Independent Valuation, and having regard for the compounding negative impact of low tenement valuation and failure of the nearby Van Dieman Mines alluvial tin/gemstones operations on capital raising, the Directors of Arcadia, and its corporate advisors, engaged in a comprehensive internal review of the economic merits of the project moving forward. Arcadia concluded from its review that the geological basis for having entered into exploration of the Derby deep lead tin project remained compelling, but that raising capital to advance further exploration would not be possible under prevailing market/economic conditions. Accordingly, it was decided to relinquish title to EL65/2004.

Discussion of Results

Discussions of results are contained in respective Appendices.

In summary:

1. Assessment of prior records, coupled with field investigations appear to indicate that only small parts of inferred alluvial tin-prospective deep leads appear to have been mined in the past. Most of the inferred deep leads, believed to feed into the Ringarooma Lead, are buried beneath varying thicknesses of Tertiary sediments and basalts.
2. Pilot geophysical assessment of selected deep leads has demonstrated the apparent efficacy of NanoTEM as a tool to define sub-surface resistivity contrasts in the areas which may be correlated with deep lead traces beneath mantling basalt flows. A more comprehensive survey is required to fully validate the applicability of NanoTEM in delineation of buried deep leads.
3. Assessment of past mining and drilling strongly suggested that significant remnants of exposed deep lead may be present at a number of localities which, with detailed assessment, may give rise to a mineable resource(s), for example, at the Cascade and Arba Hill Leads. However, this view was manifestly not supported by the Independent Valuation which, if taken as being correct, renders any further exploration as being quite tenuous.

Conclusions

Based on its assessment of available data and records, Arcadia concluded that there was significant potential to delineate economic alluvial tin resources (plus accessory heavy minerals) sufficient to support viable downstream mining within EL65/2004. This view was not supported by Independent Valuation of the exploration license.

The results of the orientation geophysical survey, in particular NanoTEM, are encouraging and suggest that this protocol may facilitate rapid delineation of the sub-surface extensions of previously mined deep leads. The trace of the inferred palaeo-Ringarooma River may ultimately be defined. Delineation of buried resources will

require definition of the sub-surface traces of the leads followed by fence drilling to establish grade, tonnage and overburden.

However, the combination of the global economic recession, failure of the nearby Van Dieman Mines alluvial tin/gemstone operations and the sobering Independent Valuation of Arcadia's project, adversely impacted Arcadia's capital raising initiatives to fully fund required exploration of EL65/2004. Given these circumstances, and the expiration of the term of the exploration license, Arcadia concluded that seeking renewal of tenure and committing further shareholder funds to exploration of an asset independently valued at less than the cumulative expenditure commitment, could not be justified. Accordingly Arcadia elected to relinquish EL65/2004.

Environment

No surface disturbance occurred during the Arcadia's tenure.

Expenditure

Cumulative booked expenditures by Arcadia on EL65/2004 total \$142,955.74. No charges for management time, overheads and review activities have been raised. Notionally, these cost elements are of the order of \$75,000.

Key Words

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

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