EXPLORATION LICENCE 46/2010

Huskisson River, Tasmania

FIFTH ANNUAL PROGRESS REPORT

for the period 26 May 2015 – 25 May 2016

Yunnan Tin Australia TDK Resources Pty Ltd

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Signed:

Date: June 2016

Distribution: Yunnan Tin Australia TDK Resources Pty Ltd
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Co-ordinate system used in maps and diagrams within this report is MGA55 (GDA94), unless otherwise specified.

Abstract

The licence is being explored for Avebury-style nickel, PGM, chromite and to a lesser extent, tin and gold. The most significant geological feature within the tenement is the Huskisson River Ultramafic Complex (HRUC) and a portion of Wilson River Ultramafic Complex (WRUC).

During the reporting period, an infill gravity survey was conducted over the interpreted granite high area along the new access track, processed data has passed to MRT for 3D gravity modelling. Results will assist with the selection of priority drill targets within the licence.

Stream sediments and soil samples collected between 2015 and 2016 were interpreted in conjunction with MRT database or Admius 2007 soil sampling data.

Anomalies of chromite, PGM, and nickel are closely associated with the ultramafic body. Distribution of tin/antimony/bismuth is not related with ultramafic body, two areas with the potential of vein and replacement style mineralization has been selected west of HRUC. Further geochemical investigation is recommended.

Exploration expenditure on the licence was $222,868 for the reporting period.

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1. Introduction

EL46/2010, Huskisson River, is located about 10 km west of Tullah, on the west coast of Tasmania (Figure 1). This tenement is found on Rosebery and Parsons 1:25,000 map sheets, with an area of 59 sq. kms.

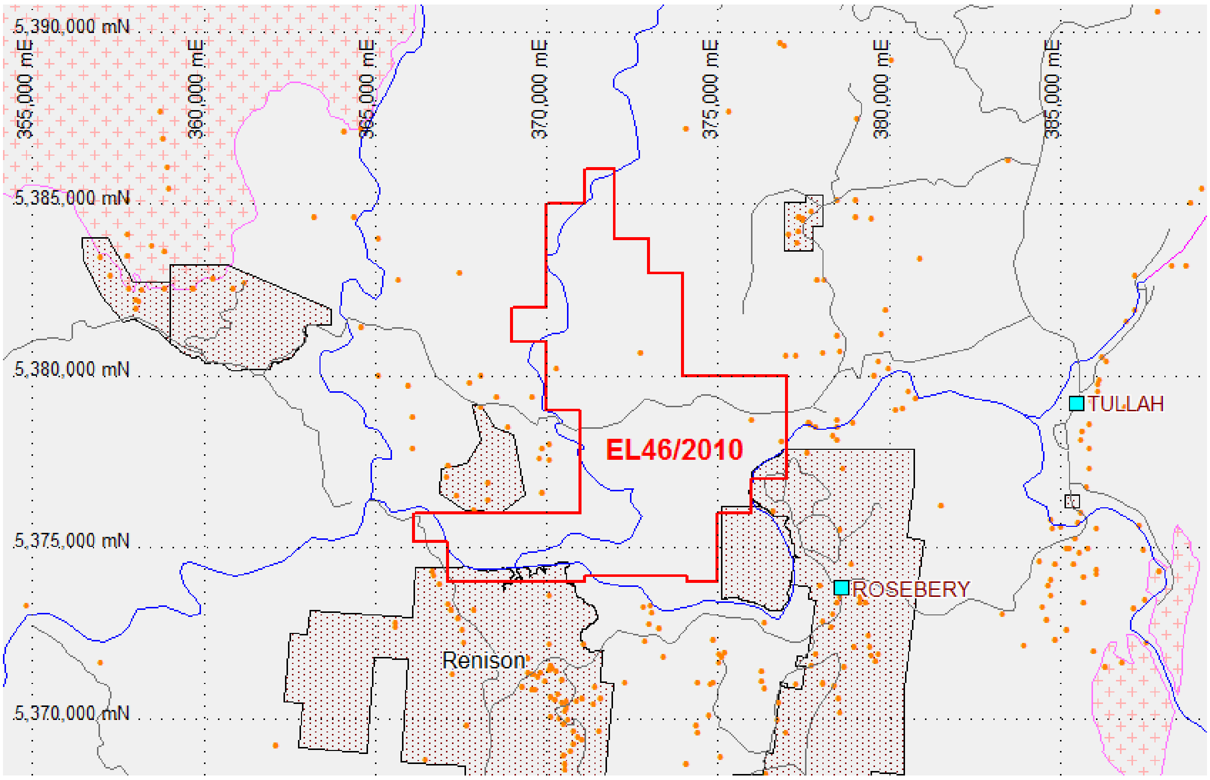

Figure 1: EL46/2010 Huskisson River locality plan

Topography is moderately rugged, and notable topographic features include Lynch Hill in the northern part of the tenement and parts of the Huskisson River catchment. The bitumen HEC Pieman Road bisects the area, providing access to the central portion of the tenement. The northern part of the area can be accessed via forestry tracks connected to Boco Siding, whilst the southern part of the area has very limited access.

The principal land use includes State Forest, Regional Reserve, and Forest Reserve.

The area contains temperate rainforest, eucalypt woodland and relatively open button grass flats.

2. Geology and Mineralisation

2.1. Regional Geology

The major geological feature within the tenement is the Huskisson River Ultramafic Complex (HRUC), which is a part of similar ultramafic bodies scattered along the Dundas and Adamsfield in western and north-western Tasmania. One such ultramafic body is the Wilson River Ultramafic Complex (WRUC), located to the west of the HRUC, which is the largest exposed ultramafic body in the Dundas Trough with an area of approximate 25 sq. km. The Huskisson River Ultramafic Complex has a relatively smaller exposed area, about 3.5 sq. km (Figure 2).

These two ultramafic bodies may be continuous with each other beneath Silurian-Devonian sedimentary rocks exposed in the core of the Huskisson Syncline (Owen, 2005).

These two complexes have been collectively studied and explored in the past.

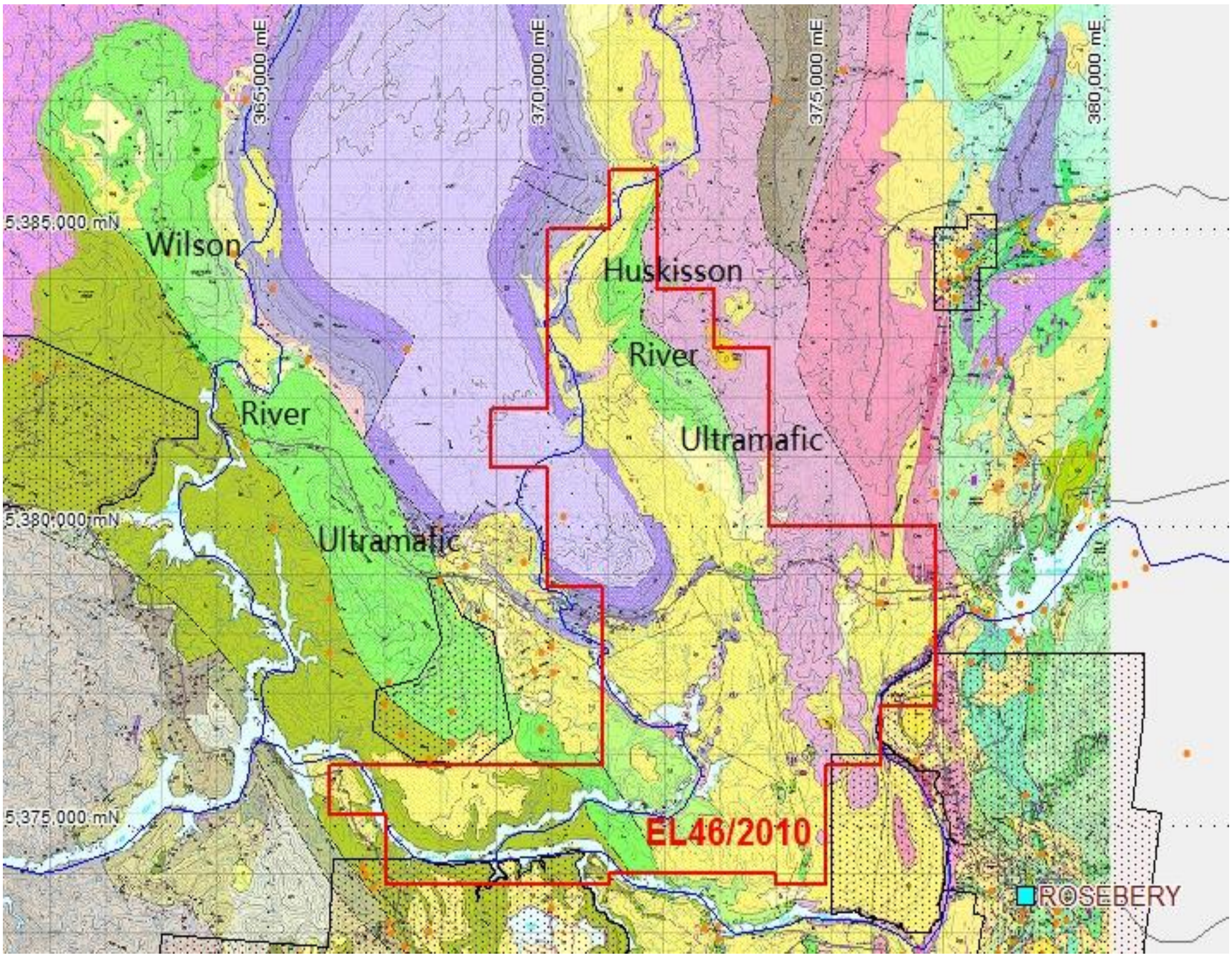

Figure 2: Geology of EL46/2010 area (base map from MRT 25K geological mapping)

Brown (1986) identified two petrogenetically distinct ultramafic successions within the WRUC and HRUC:

1) **Layered Dunite-Harzburgite succession (LDH),** comprising fine to medium-grained, well-layered dunite, orthopyroxene-bearing dunite, and harzburgite composed of olivine, enstatite, chromite, and serpentine after the former silicate phases. Layering ranges from ca. 10 mm to 400 mm thick, with a primary bedding-parallel foliation defined by the primary alignment of enstatite and chromite crystals in the plane of bedding. There is also typically a later foliation defined by flattening of olivine crystals. Both olivine and orthopyroxene occur as cumulous phases, and chromite an accessory phase (1-5%) typically most abundant in the dunite layers. Discontinous chromite laminations individually up to ca. 1-2 mm thick and 1-2 m long are locally present in the LDH.

   Brown (1986) mentions the occurrence of PGE-rich chromite nodules in LDH of the Serpentine Ridge area. The western 100-150 m of the LDH in the Harman River area consists of interlayered dunite pyroxene-bearing dunite, and the eastern part layered harzburgite with minor thin dunite layers (Brown 1986).

2) **Layered Pyroxenite-Dunite succession (LPD),** consisting of fine to medium-grained well-layered orthopyroxenite, olivine orthopyroxenite, and dunite. Layering is typically thinner than in the LHD, ranging up to 150 mm thick but mostly a few millimetres to 20 mm thick. Olivine and orthopyroxene dominate with accessory amounts of clinopyroxene (1-2%) and chromite (1-2%). Chromite is more common in the dunite layers. The layering sequence dunite-orthopyroxenite-dunite-orthopyroxenite is the most common, followed by dunite-orthopyroxenite-olivine orthopyroxenite-orthopyroxenite.

According to Brown (1986) serpentinite shears or faults separate the LDH and LPD everywhere and the original relationship of the two successions is unclear. The exposed parts of WRUC and HRUC are dominated by the LDH sequence. Two small, infaulted blocks of LPD have been mapped by Brown (1986) at the north end of the WRUC (the Websterite Hill area), and the southern part of both complexes comprises LPD.

General interpretation is that the WRUC and HRUC are entirely fault bounded, the lower margins against Neoproterozoic and Early Cambrian volcarenites and carbonates of the Crimson Creek Formation and correlatives, the upper margins against Devonian shallow-marine conglomerates, quartz arenites, siltstones and marls (Crotty Quartzite, Florence Quartzite, and Bell Shale), and locally slivers of the Cambrian Gordon Limestone. Radiometric dates are not available for the WRUC and HRUC and a broad Eocambrian to Cambrian age has been estimated according to stratigraphic constraints (e.g. Brown 1986). A major episode of folding during the Devonian formed the north-west to north trending Huskisson Syncline, and contact metamorphism indicates emplacement of the WRUC and HRUC into the current stratigraphic position prior to the intrusion of the Meredith Granite around 370 Ma. Vein and replacement-style tin and tungsten mineralisation appears to be associated regionally with the intrusion of the Meredith Granite (Owen, 2005).

Although fault bounded, the prevalence of orthopyroxene over clinopyroxene, absence of protoclastic textures, and lack of stratigraphically associated sheeted dyke and pillow lava units suggests the WRUC-HRUC is not ophiolitic. Brown (1986) proposed intrusion of ultramafic bodies into the opening Dundas Trough during the Early Cambrian followed by tectonic reemplacement prior to the Devonian. The presence of serpentinite pebbles and abundant detrital chromite within Huskisson Group sedimentary rocks at Merton Hill and Red Lead Conglomerate of the correlative Dundas Group in the Mt Razorback area (Brown 1986) suggests exposure and partial erosion of the ultramafic complexes prior to the Middle Cambrian (Owen, 2005).

Quaternary fluvioglacial sediments and Quaternary-Recent alluvial gravels cover much of the HRUC, and minor parts of the WRUC. Osmiridium, gold, and chromite are locally concentrated in the Quaternary-Recent alluvial gravels. Patches of laterite and saprolite are locally present over the WRUC in the Serpentine Ridge area, representing relicts of a more extensive lateritic cover developed during the Tertiary. Some lateritic nickel and cobalt mineralisation has been identified. Goethitic soils are widespread over Serpentine Ridge and the Websterite Hill area (Owen, 2005).

2.2. Mineralisation and Exploration History

The licence area is considered prospective for nickel, Platinum Group Metals (PGMs), chromium and gold mineralisation, and has also been explored for tin, lead, zinc and silver.

Owen (2005) summarised mineralisation in the Wilson River and Huskisson River ultramafic complexes area in general and it was recited below.

Osmiridium, a rare naturally occurring alloy of the PGMs osmium and iridium, was first reported in Tasmania from the Wilson River valley in the 1876 by Surveyor-General Sprent (initially identified as palladium), and the Riley, Trinder, Three Mile, Lippy Jane, Fowler, Sweeney, Osmiridium and Gold creeks were later extensively worked for detrital osmiridium. An exact osmiridium production figure for the Wilson River area is not available, but of the total 31,100 oz produced from Tasmania between 1910 and 1968 (first and last reported production) around half came from the Adamsfield area ca. 120 km to the southeast and much of the rest from the Heazlewood-Bald Hill area near Waratah approx. 30 km to the north. Riley, Trinder, Three Mile, Lippy Jane, Fowler, Sweeney, Osmiridium and Gold creeks were the most extensively worked for osmiridium in the Wilson River area. While there are some small test pits within serpentinite basement in the Riley Creek area the historic mining focussed on alluvial gravels in active creeks.

The detrital osmiridium typically occurs as flaky nuggets up to a few millimetres dimension, and petrographic work (Callina NL 1986-1990, Brown 1986) also indicates occurrence as inclusions within chromite grains from the ultramafic basement. Numerous workers have identified small chromite lenses up to 20-30 mm thick and 1-2 m long within the ultramafics, and analyses of some primary chromitites indicate highly anomalous PGM levels (Brown 1986).

There was additionally minor alluvial tin and gold production from the Wilson and Huskisson valleys and during the 1970's the area in the vicinity of the Meredith Granite was extensively explored for tin and tungsten mineralisation. Tin-bearing alluvials occur in many drainages on the north-eastern side of Serpentine Ridge, including Barnes, Sweeney and Tin creeks and Alfred River. Low-grade primary tin mineralisation occurs in the Harman River, Merton Hill, and Laurel Creek areas, and Reid (1932) makes reference to narrow dykes of tin-bearing quartz-feldspar porphyry cropping out in the vicinity of Tin Creek. Merton Hill was tested with 3 small adits by prospectors in the early 1900s, and later, 7 diamond drill holes (DDH MH1 to 7) by Renison Ltd (1980-1982). The drilling results were discouraging, the best intersection being 7.6m from 48.9m at 0.08% Sn, 0.76% Pb, 2% Zn and 36ppm Ag in MH1. The identified mineralisation was associated with veins and breccias within the Devonian Eldon Group (specifically, within the Crotty Quartzite and unnamed limestone member of the Amber Shale) associated with a north-east dipping fault zone adjacent to the contact with the Wilson River ultramafic body. Narrow granitic dykes with disseminated pyrrhotite were encountered in some of the drill holes at Merton Hill. Garnet skarns were identified in the Gordon Limestone around the confluence of Little Wilson and Wilson Rivers.

The source of the alluvial gold has not been thoroughly investigated but is in most cases probably reworked from glacial gravels. Significant gold mineralisation has not been reported from any of the identified tin prospects within the area, although it was not commonly assayed. Adit samples and some of the Renison drill core from the Merton Hill tin prospect (see above) was subsequently re-assayed for Au (Black Horse Mining, 1986-1987 and Cyprus Gold Australia Corp, 1987-1989) with a best result of 2m at 0.165ppm Au obtained in a magnetite skarn.

Lateritic nickel and cobalt mineralisation was identified in the southern Serpentine Ridge area by Aberfoyle in the late 1960s by a program that included hand auger drilling and man-portable coring (5 core holes) to a maximum depth of 30 ft. Grades of up to ca. 2% Ni and 1.5% Co were obtained from thin (<1-5m) patches of relict laterite and in the underlying saprolitic serpentinite assays of >0.5% Ni were commonly obtained. Sulfides were not observed. There was no systematic investigation for Ni-sulphide mineralisation beyond the Serpentine Ridge – Riley Knob area (the Camp 30 area of Aberfoyle).

Callina NL (1985-1990) defined a detrital chromite resource in the Riley Creek area on the south western flank of Serpentine Ridge (the area that was also focus of the historic osmiridium workings). While the chromite is premium quality (>60% Cr_2O_3) the Callina resource was small (approx 1.7Mt at 1.9% chromite) and at the time not considered economic. The associated detrital PGM (Os and Ir, lesser Pt) and gold content were not assigned any economic value by Callina.

The last systematic exploration in the area was carried out by Adamus Resources Ltd during the period from 2003 to 2007, under EL18/2002. Work conducted during the period included stream sediment, soil and rock chip geochemistry. A heli-borne magnetic survey over Wilson River Ultramafic Complex was flown in 2005.

In 2007, Adamus carried out a substantial program of soil sampling with a 400m grid and a sample interval of 50m over the majority of the Wilson and Huskisson Ultramafic complexes. The grid was closed up to 200m line spacing over a previously identified electromagnetic anomaly on the north-western flank of Websterite Hill.

Fourteen lines were cut for approximately 267 samples over 22.5 km over the Huskisson River Ultramafic Complex, with a further 7 km of baseline also cut. Soil samples were assayed for Au, Ag, Cu, Pb, Zn, Ni, Co, Pt, Pd, Cr, Fe, Mg, Mo, Sb, Sn, W, Bi and S and pH was also determined for a number of samples. No significant results were reported (Grabham, 2007).

3. Exploration during the fifth year of tenure

Track cutting for about 9.5 Km over the interpreted granite high near Lynch Hill area was completed, followed by infill gravity survey, Niton XRF stream sediments/soil readings, and B-horizon soil sampling and assaying. All access was undertaken on foot along new accessing and pre-existing tracks.

3.1. Geophysics

Gravity acquisition was conducted by GHD Pty Ltd. in Dec 2015 to infill the pre-existing data coverage above the interpreted granite high. A total of 137 gravity stations were acquired where possible along the tracks at approximately 100m station spacing at both sides of Pieman Road.

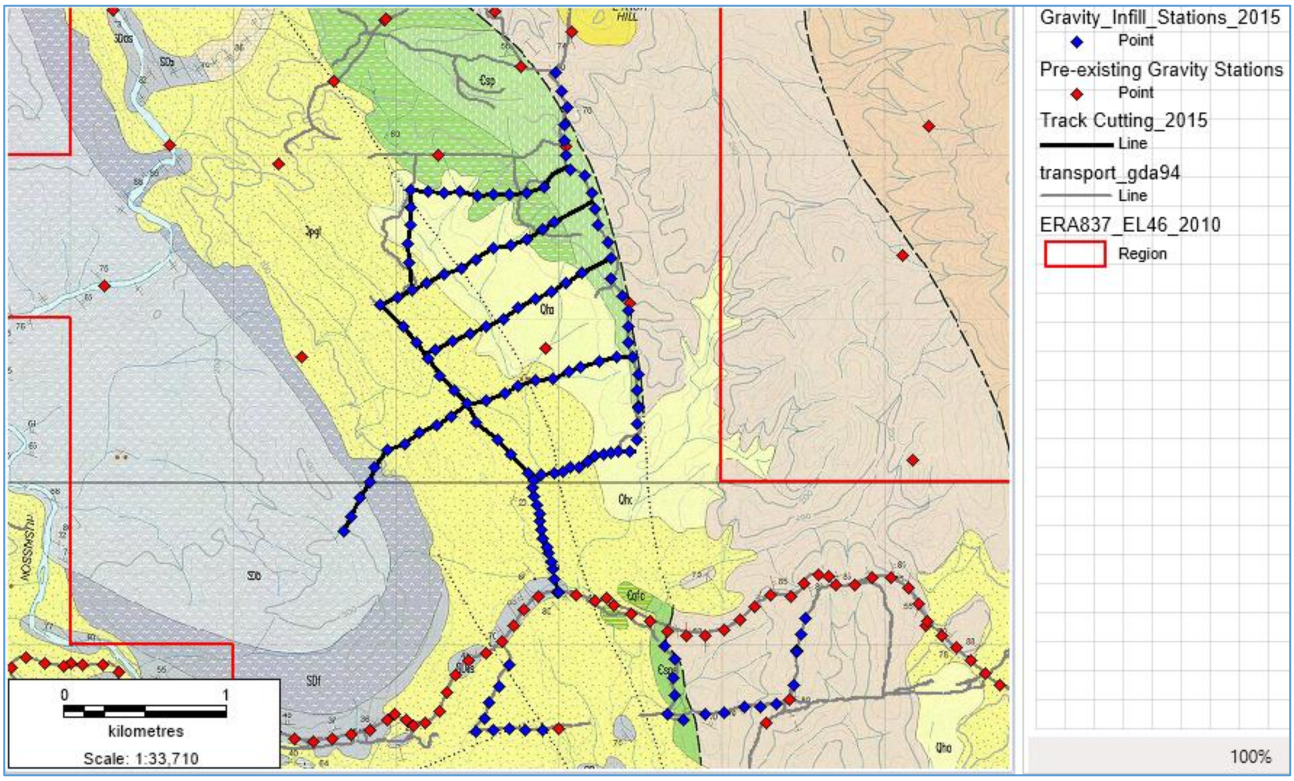

Figure 3: Location of new tracks and infilled gravity stations.

Survey instruments details are presented as the following:

- Gravity meter: Scintrex CG-5
- DGPS: Trimble R10 antenna with Trimble TSC3 receiver
- DGPS network: Omnistar & Tas VRS
- Coordinate system: GDA94

The measured data was first corrected for instrumental drift using a time-based correction method. Observed gravity data were merged with GPS position and/or radar information and the simple Bouguer anomaly was calculated for each station using the 1930 theoretical gravity formula. Data was then passed to MRT for further processing and 3D gravity inversion. This work is aimed at refining granite surface model and assisting with the selection of priority drill targets within the licence. Gravity data is supplied in Appendix I.

3.2. Geochemistry

3.2.1. Niton XRF readings

Themo Niton Handheld XRF Analyser was used in the initial stages of geochemical exploration for readings on both stream sediment and soil samples.

<u>Stream Sediment</u>

All streams draining the interpreted granite high area were sampled between 12/2015 and 01/2016, a total of 20 sites. An orientation survey was applied over dried stream sediments, -42# fraction was selected as the most suitable media (Appendix II). Refer to Appendix III, for analytical data and sample descriptions.

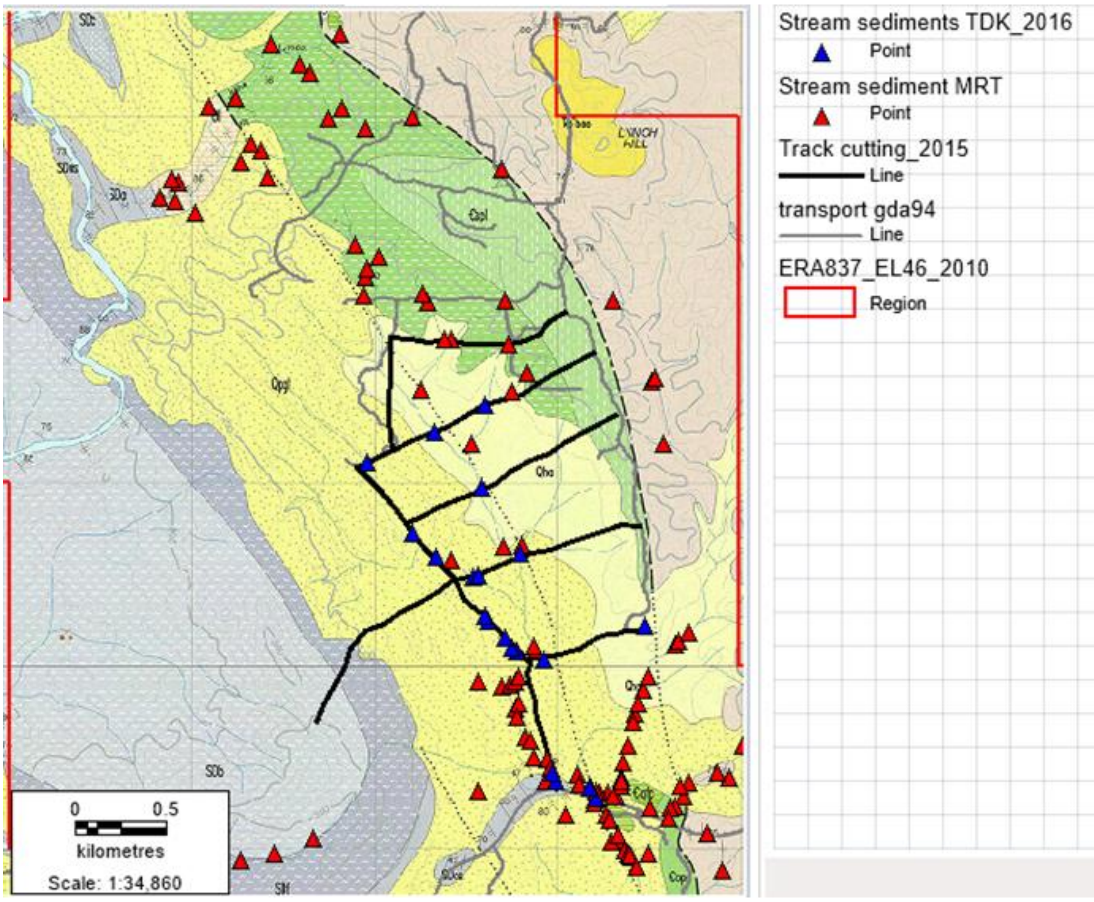

Figure 4: Location of Niton stream sediment readings and MRT stream sediment database

Soil

A total of 87 soil sample readings were taken with Niton XRF in the field between 02/02/2016 and 05/02/2016 along the new access tracks. Results have not been supplied with this report, and the reason for this will be explained in Section 4.1.

3.2.2. B-horizon Soil sampling

A B-horizon soil sampling program was carried out between 20 and 24 March 2016. A total of 117 soil samples were collected to cover western extension of Admius 2007 soil survey area. In order to join the two datasets together for interpretation, survey was designed base on Admius 2007's sampling method. Sample sites were selected with approximately 50-meter spacing, normally targeting areas with less vegetation. At each sample site, up to 25cm A-horizon of top organic material was removed, and approximately 350g soil from the underlying B-horizon soil was collected. In some cases, organic material was too thick to remove, soil extrusion at yabbies burrow entrances were utilised as acceptable material.

Samples were assayed at the Australian Laboratory Services in Burnie, TAS, by ICP mass spectrometry (ICP-MS). All sample descriptions, assay certificates and detection limits are provided in Appendices IV to VI.

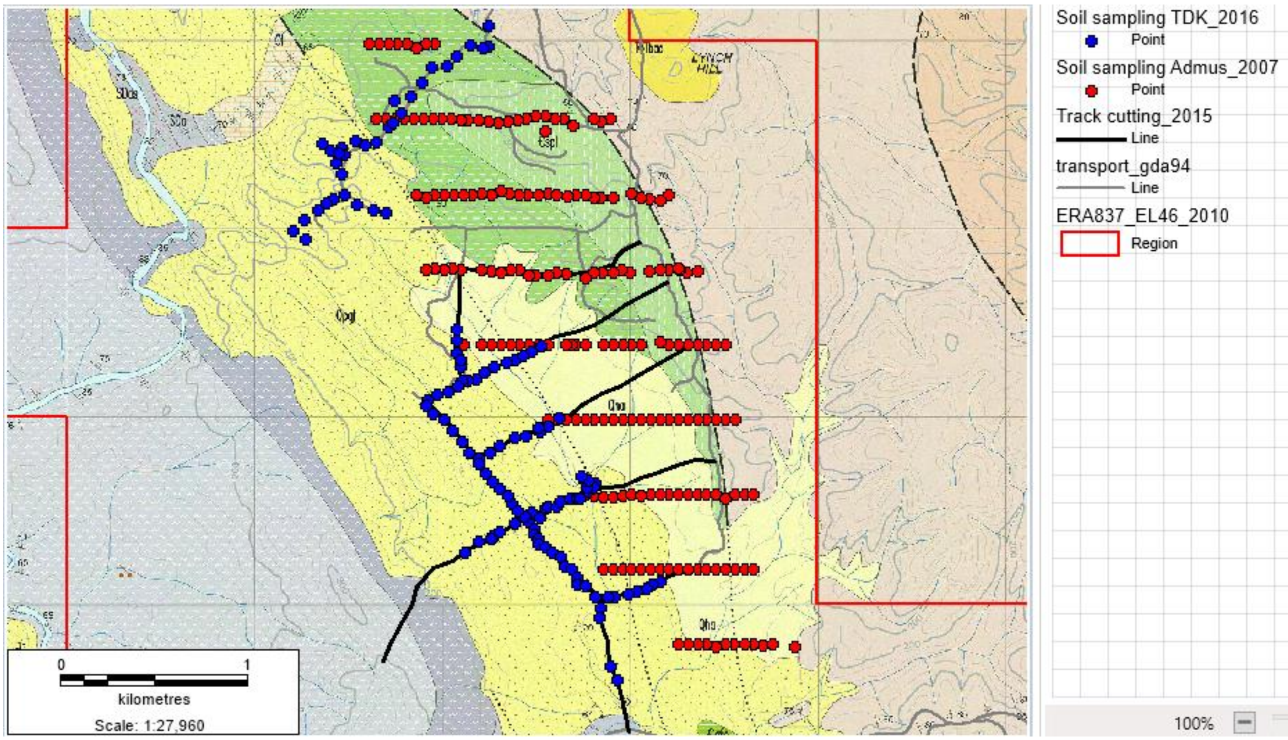

Figure 5: Location of Yunnan Tin 2016 soil samples (blue) and Adums 2007 soil samples (red)

4. Results and Discussion

4.1. Soil Sampling

Comparison of Niton XRF soil readings and ICP-MS results within the same area indicates that although the Niton XRF readings give a general distribution pattern for some indicator elements, its high detection limits failed to give details for most elements. Therefore, it may not be reliable tool for detailed geochemical survey and its application is limited for initial orientation stage.

Yunnan Tin 2016 ICP-MS soil assay data was interpreted in conjunction with Adamus 2007 soil results and some interesting results are discussed below. Due to the differences between assay methods, the value of aqua regia digested elements Au, Ag(?) ,Pb and PGMs in Adamus 2007 dataset are systemically higher than Yunnantin 2016 analysed results. Elements showing similar pattern are grouped and discussed below, other images are provided in Appendix VII.

4.1.1. Tin, Antimony and Bismuth

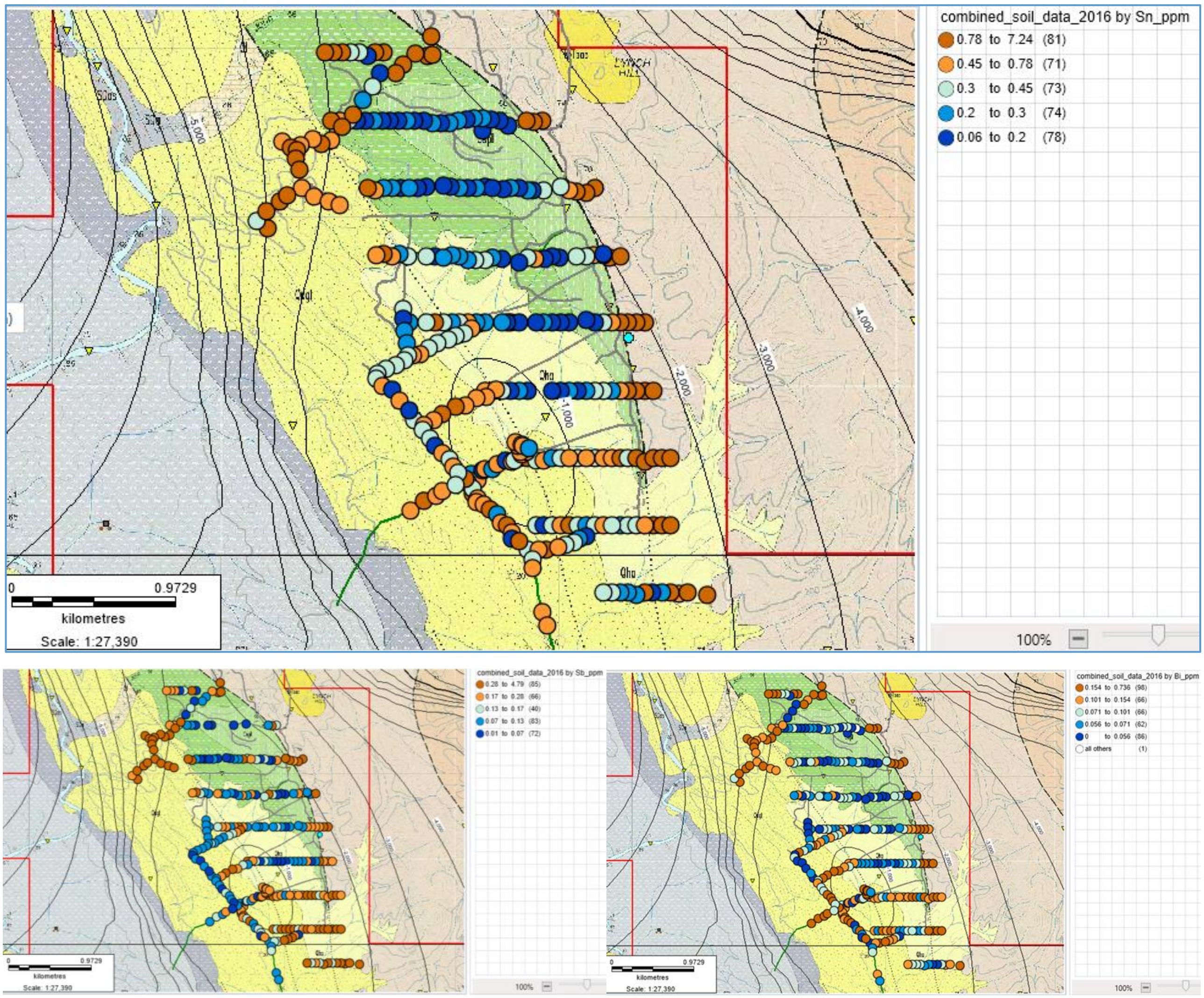

Figure 6: Tin, antimony and bismuth in soil samples.

Tin, antimony and bismuth in stream sediment samples have the similar distribution pattern. These elements are not typically associated with the ultramafic body, and their anomalous areas extend beyond the boundary of the ultramafic belt. Comstaff(Everett,1972) reported vuggy texture, granitic dykes and tourmaline quartz/carbonate veins in their drill core (Hus DDH 1) to the south of Lynch Hill. Thus, this pattern is likely associated with hydrothermal activity related to interpreted granite intrusion.

Two soil sampling anomalies are noted adjacent to the western side of HRUC. One is located at northwest of the sampling area along the forest vehicle track. Au, Ag, Cu, As, and Pb also show anomaly in this area. The other one is located above interpreted granite high and extended to southwest. Both areas are covered by Quaternary fluvioglacial sediments, and may not be considered to have been adequately sampled. However, Gordon Limestone was mapped along John Lynch creek about 500m further north from the northern soil anomaly over fault contact with the ultramafic. A number of limestone outcrops have also been identified during the field surveys. With interpreted Devonian granites underlying this structurally complex area and extensive existence of limestone, replacement and vein style mineralization similar to that at Renison may exist.

The significance of these anomalies are uncertain at this stage due to the small data base and limited access available especially in the northern area. Further work including extended soil sampling is recommended.

4.1.2. PGMs:

Platinum and palladium were the only PGMs routinely assayed. Platinum anomalism is generally associated with the ultramafic rocks in sampled area, enriched in LPD. Palladium anomalism only occurs at the southern area of Adamus 2007 traverses associated with the ultramafic rocks.

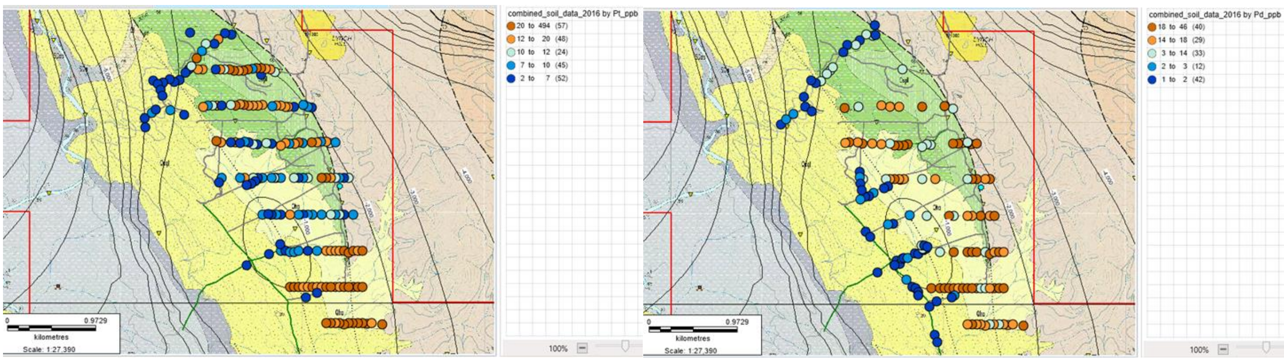

Figure 7: PGMs in soil sediments

4.1.3. Chromium, nickel, cobalt and iron:

Chromium content is closely associated with the ultramafic body. Its concentration usually drops immediately beyond the edges of the ultramafic belt. Nickel, cobalt and iron have a similar pattern to chromium.

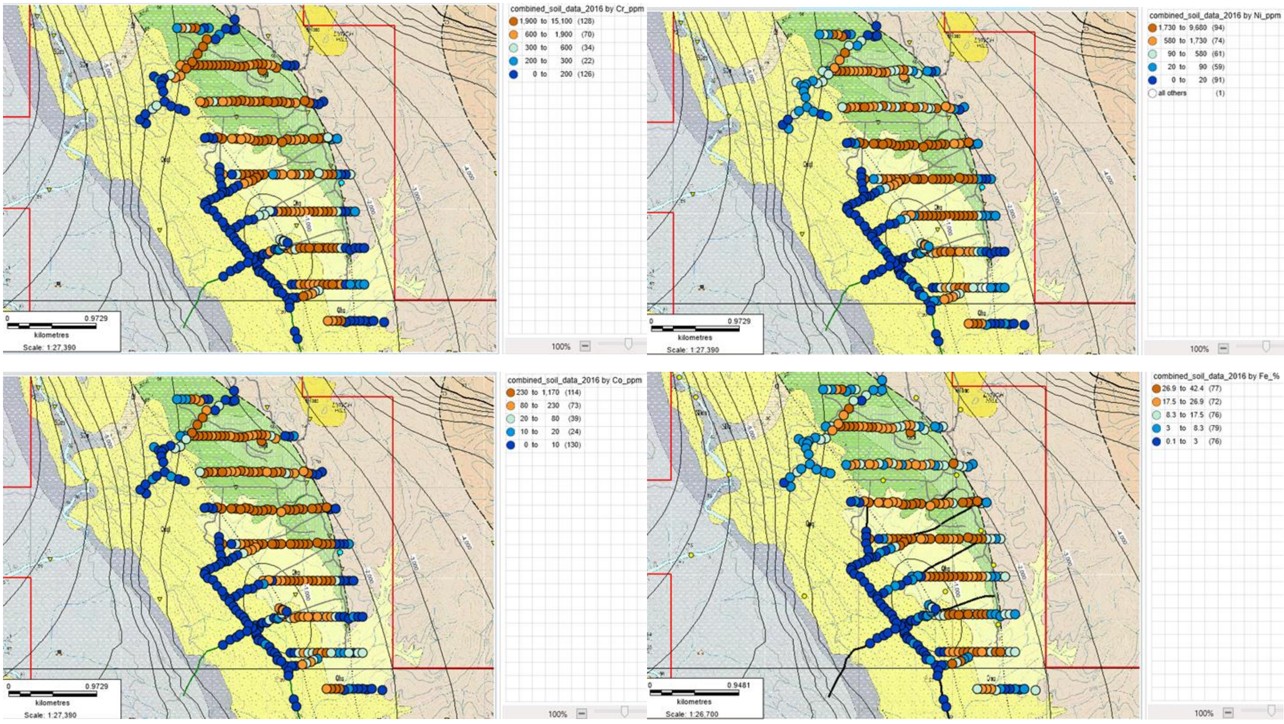

Figure 8: Chromium, nickel, cobalt and iron in soil sediments

4.2. Stream sediments geochemistry

Stream sediments data was interpreted in conjunction with MRT geochemical database.

Chromium is generally associated with zinc and nickel in streams draining the main body of the ultramafic complex. Except for samples collected in the streams draining the forest vehicle track south of John Lynch Creek. Those sediments may be contaminated during the road building process.

No sample in MRT dataset was analysed for element Sn close to Lynch Hill area. Base on the limited data distribution, high Tin values are located at the flat area with streams draining the fault zone over the interpreted granite high area.

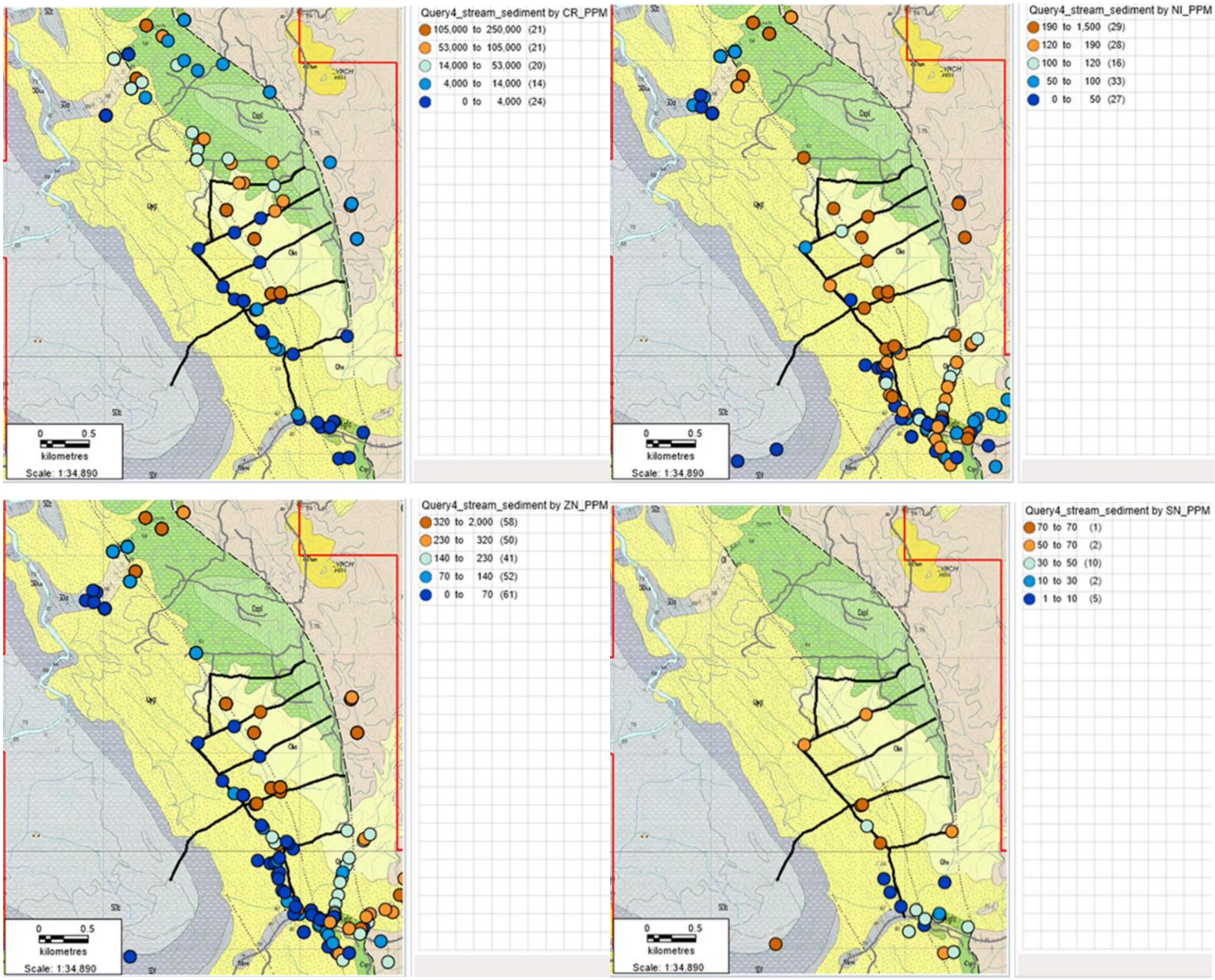

Figure 9: Cr, Ni, Zn and Sn in stream sediments

5. Work Plan for Year Six

The proposed exploration work for Year 6 include:

- Collection of additional geochemical data 1) between northern anomaly and John Lynch creek; 2) at interpreted VTEM anomalies southern side of Pieman Road within the tenement.
- Remodelling of gravity data with the additional readings over the prospect is on-going.
- Based on refined granite model, a drill hole will be designed and drilled to test the interpreted granite rise in the area.

6. Environment

Yunnan Tin Australia TDK Resource Pty Ltd has environmental policies in place to always ensure minimisation of the impact that exploration activities have on the environment. Access track was cut by licenced cutter. All vehicular travel within the tenement has been on existing tracks.

7. Expenditure Statement

Expenditures for the period 26/05/2015 to 25/05/2016 are:

Expenditure	$AUD
Geology	$155,173
Geochemistry	
Geophysics	$9,409
Remote Sensing	
Gridding	
Drilling	
Land Access Costs	$18,271
Rehabilitation Costs	
Feasibility Study Cost	
Other Cost	$22,107
Administration Cost	$17,908
TOTAL	**$222,868**

Table 1: EL46/2010 Expenditure for Fifth Year

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