EXECUTIVE SUMMARY

Tenement number EL26534 was granted on 1 August 2008, and is held in the name of Sinosteel Australia Pty Ltd., who is also the operator of the tenement. The tenement has been termed the “Helen Springs project”. Initially the tenement covered 284 blocks for 926.0 sq kms. The tenure has been reduced to 106 blocks for 345.45 sq kms, after the initial 2 year period, on 1st August 2010.

A review of the geology and geophysical data in the previous reporting period indicated that the Bootu syncline continues into the tenement and that the Bootu Formation hosting the Bootu Creek Mn mineralisation may form part of an anticline and syncline under cover in the south-eastern part of the tenement and in a narrow strip along the central western side of the tenement. Manganese mineralisation likely formed from low temperature hydrothermal fluids associated with silification of dolomite deposits, and potential copper mineralisation may be related to mineralising fluids associated with intrusive sources from the Cambrian Helen Springs volcanics.

A RepTEM high-resolution helicopter, time-domain electromagnetic survey was flown in January 2009 over the SW part of the tenement, covering an area of 283 sq kms. Data and preliminary results were provided in the previous annual report. During this reporting period final data processing of the RepTEM data were carried out. A number of geophysical and geological GIS compilation plans were generated at 1:100,000 and 1:50,000 scales. The Cainozoic cover is interpreted to be rather thin throughout most of the survey area, except for a few small palaeochannels running in a NE-SW direction. Cambrian sedimentary deposits likely cover most of the older rock units along the NE margin of the survey.

Detailed RepTEM data processing, geological bedrock and structural interpretation, target generation and prioritisation, and target modelling were completed to identify drilling targets. Some highly conductive and magnetic bedrock features have been identified as potential mineralisation targets. A reverse circulation (RC) drill program has been designed to test drill targets. A Mine Management Plan (MMP) has been submitted and drilling will be undertaken, pending approval of the MMP. In the interim, Sinosteel have planned a site visit for October 11th – 15th, 2010 to plan drill program logistics, review site environmental conditions, and meet with land owners and managers.
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1 INTRODUCTION

Tenement number EL 26534 was granted on 1 August 2008, and is held in the name of Sinosteel Australia Pty Ltd., who is also the operator of the tenement. The tenement has been termed the “Helen Springs project” by the company. For the first 2 years, it covered 284 blocks for 926.0 sq kms.

The tenement area is 120 kms north of Tennant Creek, 25 km east of the Stuart Highway from Helen Springs, and is within 20 kms to the north of OM Holdings’ Bootu Creek manganese mine. Access to the field area is by a small number of tracks crossing the tenement that link pastoralist water bores.

There are no existing or historical mines or mineral prospects within the tenement, and there has been little to no previous exploration work due to the Cainozoic cover in most of the tenement area. The tenement was pegged to explore for manganese and copper mineralisation hosted in the Palaeoproterozoic rocks that sit under the Cainozoic cover, and for possible palaeochannel uranium deposits. The Paleoproterozoic rocks in the SW part of the tenement likely correlate to the Tomkinson Creek, Namerinni and Renner groups. Most of the Namerinni Group rocks are absent in the tenement, as the Renner Group sits unconformably over the Tomkinson Group due to an erosional unconformity or low angle faulting prior to folding. The Tomkinson Group is the same interval that hosts the most significant manganese and copper mineralisation within the district, the Bootu Creek manganese deposits being mined along the southern nose of the Bootu Syncline.

The main target sought after is Bootu style and other forms of manganese mineralisation, copper mineralisation similar to that recently discovered at Bootu Creek, and volcanic/intrusion related copper mineralisation. Palaeochannels identified by the RepTEM survey also have potential to host uranium mineralisation and could also be sources for groundwater. The massive zones of manganese mineralisation at Bootu Creek are predominantly cryptomelane and a range of other manganese oxide minerals, most of which are conductive (Ferenczi, 2001; Scriven and Munson, 2005). The source of the manganese is believed to be basalt rocks that were leached by hydrothermal fluids, with the manganese precipitated in the dolomitic stratigraphy, and then later enriched by supergene processes (Ferenczi, 2001; Scriven and Munson, 2005). This type of deposit style is very similar to Mn mineralisation at the Woodie Woodie mine in Western Australia that can usually be targeted using helicopter borne electromagnetic methods (Meyers, 2003; Hashemi, 2005).

A helicopter time-domain electromagnetic (HEM) survey was flown over the more prospective Neoproterozoic geological terrain interpreted to underlie Cainozoic cover in the southern part of the tenement during the previous reporting period. This report covers the final HEM data processing and subsequent bedrock interpretation and drill target generation completed during this reporting period.
2 GEOLOGICAL SETTING AND PREVIOUS EXPLORATION

The project area is in the NTGS Helen Springs 1:250,000 scale geological map sheet SE53-10 (Hussey et al. 2001). This map sheet shows that rocks of the Proterozoic Upper Tomkinson Creek Group host the Bootu style manganese mineralisation in this region. The Tomkinson Creek Group is a ca. 1.8 Ga succession of shallow marine and continental sedimentary rocks that form part of the Ashburton /Tomkinson Creek Province of the Tennant Creek Inlier. The Bootu Formation is the host rock to the currently mined manganese mineralisation, where the manganese bearing horizon at Bootu creek can be traced around the nose of the Bootu Syncline for some 24 km. These units continue under the transported regolith and Cambrian sedimentary cover to the northeast, but their extent and cover thickness are unknown.

The southern tenement boundary is 20 kms north of the Bootu Creek manganese mine. The mine is owned by OM Holdings Ltd and operated by its wholly owned subsidiary, OM (Manganese) Ltd. The mine commenced operations in 2005 and OM has published mineral resources (including ore reserves) of 15.9 Mt at 25% Mn, estimated using a cut-off grade of 18% Mn (Scriven and Munson, 2005). The mineralisation forms shallow dipping seams of massive Mn mineralisation hosted in mudstone and dolomitic siltstone units in the nose of the Bootu Syncline. The host rocks are approximately 1.8 Ga old and the manganese mineralisation likely formed as low temperature hydrothermal deposits (Ferenczi, 2001; Scriven and Munson, 2005). The manganese mineralisation is usually conductive and can be identified at depth using electromagnetic methods (Ferenczi, 2001; Scriven and Munson, 2005). Recently, Cu mineralisation has been identified by drilling stratiform conductivity anomalies near the Mn mineralisation, and this type of mineralisation will also be targeted in the Sinosteel tenement.

There are no known mineral occurrences within the tenement due to transported regolith cover. The geology is mostly transported regolith cover of Quaternary sand, colluvium, and alluvium (Figure 1). The core of the Bootu Syncline occurs in the SW part of the tenement, and the Bootu Formation may occur in the SE part of it. However, vertical faulting, unconformities and possible low angle faulting has juxtaposed rocks from different stratigraphic levels within the exposed Proterozoic areas. Therefore, the structures and stratigraphy under Cainozoic cover in the project area are unknown and hard to predict due to the lack of drilling data.

NTGS has mapped the surface geology (Figure 1), and have carried out regional aeromagnetic surveying using 400m spaced E-W flight lines and very widely spaced gravity surveying. These data show the magnetically quiet nature of the Tomkinson Creek group sedimentary deposits with some magnetic, flat layering features suggested to be lava flows in the Cambrian sequence. The higher gravity response is likely related to thick dolomite and volcanic rock units at depth. However these data sets do not provide enough detail to interpret structures and stratigraphy below the Cainozoic cover, and they are unable to predict the cover thickness across the tenement. During the previous reporting period, Sinosteel flew a RepTEM airborne electromagnetic survey to map conductive units with depth, look for conductivity anomalies that may correspond to mineralisation, and get detailed magnetic information to improve the resolution over the existing government data (outline of the RepTEM survey area shown in Figure 1).
Figure 1: Outline of tenement and RepTEM helicopter EM survey area over NTGS geology.
3 EXPLORATION COMPLETED DURING THE REPORTING PERIOD

During this reporting period historical geophysical data were compiled and processed along with the helicopter EM survey flown in the previous reporting period. 1:50,000 scale maps were created, in addition to those created towards the end of the previous reporting period. Sinosteel’s Exploration Manager, Dr Jayson Meyers, completed a 1:50,000 scale bedrock interpretation based on all available data (see Figure 2).

A high-resolution RepTEM helicopter EM survey was completed in February 2009 over the southern part of tenement (Figure 1). Survey line spacing of 100 m was used to identify discrete targets that could be caused by Mn or Cu-sulphide mineralisation. Mn in the tenement area will likely be hosted in siltstones and mudstones mixed with dolomite layers. The main host rock for Mn and newly discovered Cu deposits in the area is the Proterozoic Bootu Formation and to a lesser extent rocks in the Namerinni Group. The Bootu Fm may occur under Cainozoic cover in the SE part of the survey area and in a small part of the central, western part of the area in an anticlinal structure. Other younger rocks units may host Mn and Cu mineralisation in the remainder of the RepTEM survey area, as well as target zones related to Cambrian volcanic vents. Such vents may be sites for Cu (and other base metal) mineralisation. Digital data from the RepTEM survey were supplied to the NTGS in the prescribed formats.

A Reverse Circulation (RC) drill program of 20 drill holes has been designed to test the higher priority targets generated from the RepTEM survey and bedrock interpretation (see proposed drill locations in Figure 3). Considerable time has been spent formulating a Mine Management Plan (MMP) for Exploration Operations and associated Application for Authorisation, in particular completing a search of the Aboriginal Areas Protection Authority (AAPA) and site environmental conditions via the Environmental Reporting Tool (ERT).

Nigel Cantwell, a consultant geophysicist from Resource Potentials Pty Ltd., visited the NTGS in Darwin on 28th May, 2010 and met with Andrew Scott (Mining Officer, Mining Performance) to discuss preparation of Sinosteel’s MMP. The MMP format and required supporting documents were reviewed at this meeting.

In addition, Sinosteel submitted the required forms for tenement EL 26534; Nomination of Blocks for Relinquishment, Partial Relinquishment Report, Application for Variation of Covenant and Expenditure Report during the current reporting period. The tenement area retained is shown in Figure 3.
Figure 2: Bedrock interpretation completed by Dr Jayson Meyers.
Figure 3: Proposed drill locations and tenement area retained over topographic map.
4 DISCUSSION OF RESULTS AND FUTURE WORK

High priority target areas have been identified from the RepTEM survey. These targets are discrete bedrock conductors, magnetic anomalies or both types of anomalies that are coincident and occur in what is interpreted to be favourable lithology for Bootu style manganese or intrusive copper-gold bearing volcanic plugs.

Targets will be tested by RC drilling through the Cainozoic cover into the bedrock to identify the source of geophysical target anomalies and to take samples for geochemical analysis. 20 drill holes have been planned for an estimated total down hole length of 2000m. Drillholes will be collared in Cainozoic sediments and will be drilled through the cover deposits into Proterozoic bedrock deep enough to explain the sources of the geophysical anomalies. In some areas, several holes will be drilled into targets along transects crossing the trend of the target anomaly. Drill chips will be inspected for lithology, mineralisation, and alteration.

Drilling for this first phase of reconnaissance drilling will be undertaken in the next reporting period, pending approval from the NTGS. As per Section 35 of the Mining Act, a MMP has been submitted to the Compliance Division of the NTGS and is currently being reviewed.

Information obtained through drilling will be input into the current bedrock interpretation. Target areas will be prioritised and if required further diamond drilling will be undertaken to explain sources of geophysical anomalies.

In preparation for the RC drill program; David Sun (Commercial Manager, Sinosteel Australia), Dr Jayson Meyers (Exploration Manager, Sinosteel Australia) and Nigel Cantwell (Geophysicist, Resource Potentials), will make a site visit to review drill program logistics, environmental conditions, and meet with land owners and managers. The site visit is scheduled for the week beginning 11th October, 2010. Quotations are currently being obtained from drilling companies.

5 SAFETY AND ENVIRONMENT

There has been no safety or environmental incidents in the current reporting year.

As part of the MMP submitted for Exploration Operations, a search of the Environmental Reporting Tool has been completed. Invasive plant species and threatened animal species have been noted. As required by the MMP the environmental aspects and impacts of the proposed exploration drilling have been identified and an exploration rehabilitation program has been determined.
6 REFERENCES

- Curtin R&D Now, 2004, Fields of attraction, Research Highlights Curtin University, p. 17.
- Scriven, N.H. and Munson, 2005, Manganese in the sand and spinifex, Bootu Creek area, Northern Territory: in Munson T.J. and Ambrose, G.J. (Eds) Central Australian Basins Symposium, NTGS Special Publication 2.

KEYWORDS

Sinosteel, Helen Springs, manganese, copper, RepTEM, helicopter electromagnetic survey, bedrock interpretation, drill program, reverse circulation (RC)
APPENDIX 1. LIST OF PLANS GENERATED AND PROVIDED WITH THIS REPORT IN PDF FORMAT

Regional plots at scale 1:100,000 on A0 size paper (and PDF)

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