

PALAEOCHANNEL 3

EPM 17168

ANNUAL REPORT

FOR THE PERIOD ENDING

11 NOVEMBER 2012

BY

NM ROLLINGS

FOR

DEPARTMENT OF MINES AND ENERGY, QUEENSLAND

HOLDER OF TENEMENT: KS MINING PTY LTD

MAP SHEETS: 1:250,000 Red River SE54-8

1:100,000 Galloway 7662

GDA94 MGAZ54: Min East 782,900 Max East 793,500

CO-ORDS: Min North 8,013,400 Max North 8,035,600

Commodities: Gold, Base Metals, Quartz Pebbles

Key Words: Literature Review, Image Interpretation, Data Assessment

Prepared by: KS Mining Pty Ltd December 2012

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1.0 SUMMARY

Exploration for economic gold, base metal and lump silica mineralisation by KS Mining Pty Ltd on EPM 17168 during 2012 has included literature research, data collation, field geological reconnaissance and satellite imagery studies. This has assisted in the assessment of previous exploration activities and of the prospectivity of the tenement along with planning of future activities.

Based on the results of past exploration by previous companies there appears to be limited potential for the discovery of a substantial economic gold, base metal or uranium resource within the EPM. However, several anomalous stream sediment samples for Au require further field investigation.

However, further consideration of the palaeochannel quartz pebble deposits in the northern sector is warranted in light of the company's ongoing interest in such to the south-east of the tenement.

2.0 INTRODUCTION

This report outlines the exploration work carried out for economic gold, base metal and lump silica mineralisation by KS Mining Pty Ltd on EPM 17168 during the year ending 11 November 2012. It is the second annual report on the tenement.

2.1 Location & Access

EPM 17168 is centred approximately 240 km WSW of Cairns and 50 km NNE of Georgetown in North Queensland (Figure 1). The permit extends over an area of some 81 km² and is covered by the Galloway 1:100,000 topographic plan. It lies predominantly within the Van Lee pastoral lease, apart from the NW margin in Dagworth station, which stock cattle. The EPM is covered by the native title claim QC01/16 (Ewamian People 3). It is part of KS Mining's extensive portfolio of tenements in the Georgetown region.

Access from Cairns is via Ravenshoe along sealed roads, including the Gulf Developmental Road, which passes through Mt Surprise and Georgetown. An unsealed secondary station access road leads to Van Lee Homestead, through Talaroo Station, via a turn-off from the Gulf Developmental Road some 38 km west of Mt Surprise. The EPM is thence accessed via station tracks off this road, though the tracks are generally not suitable for driving during much of the wet season.

2.2 Physiography, Vegetation & Climate

The topography of the area is generally gently undulating. It is traversed by the Einasleigh River and its anabranch Parallel Creek and is dissected by a fine to medium textured, dendritic pattern of tributaries. The EPM lies 240-270m above sea-level with some subdued rises to 285m. It is covered by mixed tropical savannah vegetation comprising light to medium density scrub and woodlands and various grasses.

The area is essentially a semi-arid tract with a wet summer and a dry winter. The bulk of the yearly rainfall, of approximately 820 mm, falls during December to March when summer storms and the north-west monsoonal influence affect the area. Field exploration in this period is severely restricted. The mean daily maximum temperatures from October to December are around 36-37° C and in winter range from 28 to 30° C.

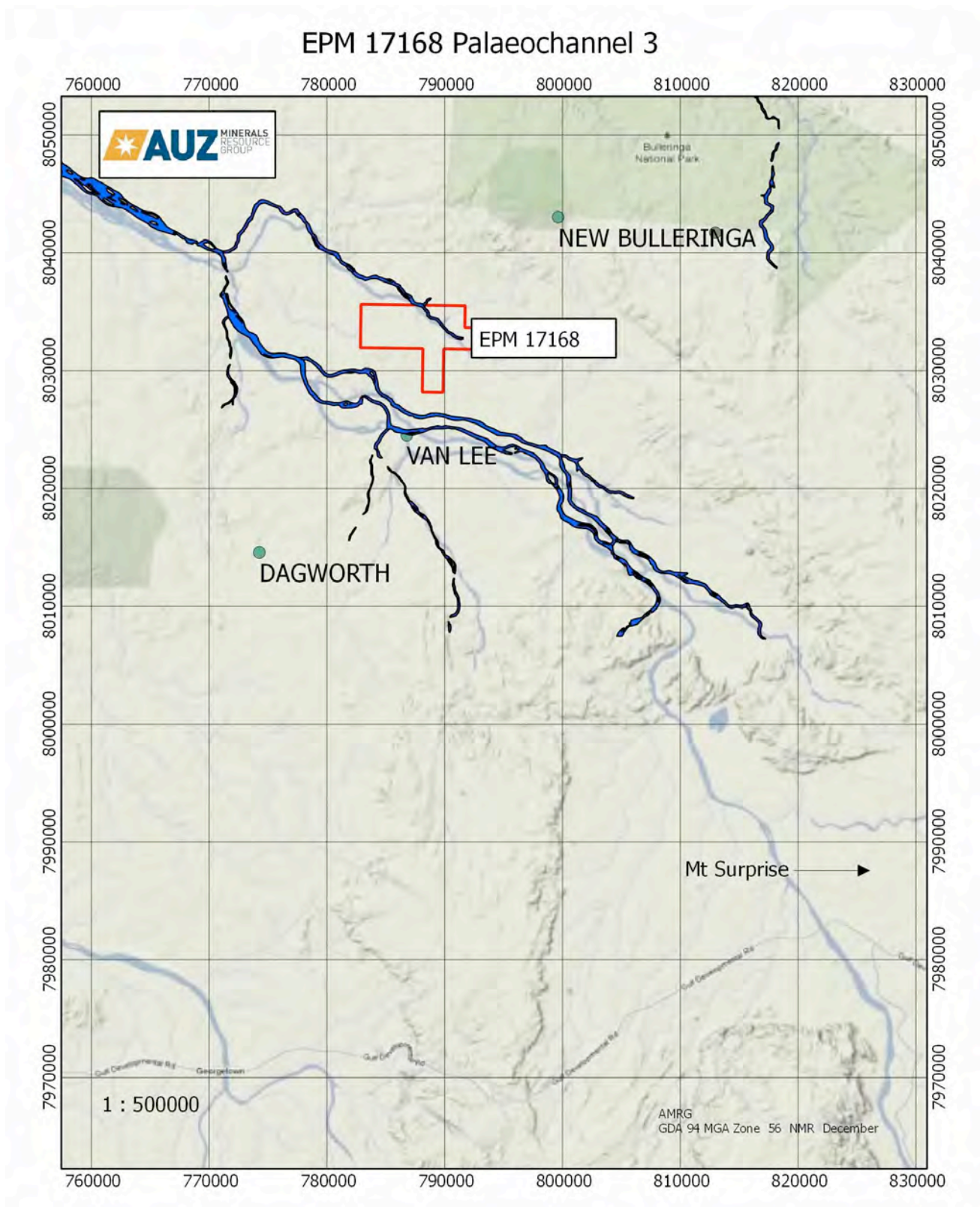


Figure 1 EPM 17168 Location Map

3.0 TENEMENT STATUS

EPM 17168 was granted as 25 sub-blocks to KS Mining Pty Ltd on 12 November 2010. The current status of the tenement is summarised below.

Title	Date of Grant	Date of Expiry	Current Area	Principal Holder
EPM17168	12/11/2010	11/11/2013	25 sub-blocks	KS Mining Pty Ltd

Table 1 EPM 17168 Tenement Status

The tenement consists of the following blocks and sub-blocks of the Normanton 1:1,000,000 Series Map:

Block	Sub-block
NORM 1581	A B C D E F G H J K O T
NORM 1582	F

Table 2 EPM 17168 Tenement Blocks

4.0 GEOLOGY

4.1 Regional Geology

The tenement lies within the central, Forsyth subprovince of the Georgetown Inlier which is one of the major tectonic domains of the region. The Inlier consists of Proterozoic and Palaeozoic sedimentary-volcanic-plutonic units. The former comprise Early Proterozoic sediments and some basic intrusives and possible volcanics that have undergone multiple deformations, varying degrees of regional metamorphism and extensive granitoid intrusions in the Middle Proterozoic. The Palaeozoic units consist of plutonic, felsic volcanic and minor sedimentary and intermediate volcanic units that have respectively intruded and overlain the Proterozoic formations.

The Proterozoic basement of the Forsyth subprovince consists of the Einasleigh Metamorphics and, in the west of the subprovince, overlying sediments and meta-sediments of various formations including the Lane Creek, Corbett and Daniel Creek Formations of the Robertson River Subgroup which, together with the Einasleigh Metamorphics are part of the Early Proterozoic Etheridge Group. The Einasleigh Metamorphics comprise biotite gneiss and schist, quartzite, calc-silicate gneiss, leucogneiss, migmatite, granitic gneiss and amphibolite. Leucocratic dykes and veins are common in places. Intrusive bodies of metagabbro, metadolerite and orthoamphibolite of the Early Proterozoic Cobbold Metadolerite are common in the Etheridge Group although, as noted by

Withnall & Grimes (1995), some could have been extrusive. The Etheridge Group was subsequently intruded by various Mid-Proterozoic and Late Silurian-Early Devonian granites and granodiorites. The Proterozoic units are overlain in parts by Late Devonian to Early Carboniferous Gilberton sandstone, mudstone, siltstone, polymictic conglomerate and rare limestone. A widespread Carboniferous-Permian plutonic-volcanic event followed with numerous intrusives and sub-aerial felsic-intermediate volcanics characterised by volcanic cauldrons and ring complexes. The volcanic sequences include lavas, ignimbrites and volcanic lutites, arenites and rudites.

Mesozoic sediments overlie parts of the western half of the Forsyth subprovince and progressively extend over the entire region to the north-west (Carpentaria Basin) and south-west (Eromanga Basin) of the Georgetown Inlier. Tertiary-Quaternary duricrust, basalt flows, colluvium, residual soil and flood-plain alluvium mask underlying formations in places. The basalt flows cover substantial areas in the eastern half of the subprovince, especially the McBride plateau/dome area to the south-east of Mt Surprise. The various flows were partly channelled down major river valleys including the Einasleigh River.

4.2 Local Geology and Mineralisation of EPM

Local geology comprises Mid-Proterozoic granitoids with minor occurrences of sediments and meta-sediments of the Early Proterozoic Lane Creek Formation. Aeromagnetics indicate a possible Carboniferous granite stock, of perhaps Elizabeth Creek Granite, intruding the older granitoids which is largely covered by Cretaceous-Tertiary sediments. These include palaeo-river-channel deposits that lie parallel to the major WNW trending watercourses and extend for a distance of some 50 km and passing through EPM 17168 (Figure 3).

Aircore drilling of the main palaeochannel within the current permit area, by CEC Pty Ltd, encountered well-rounded quartz pebbles with sand, clay, gravel, grit, boulders and negligible gold and tin (Nenke 1988). CEC's regional stream sediment sampling yielded anomalous tin and gold values from some present tributaries of Martin Creek and Parallel Creek in the north. Check resampling found assay reproducibility to be poor for gold and fair for tin (Lord 1987). Subsequent sampling of Martin Creek tributaries yielded subdued gold results with generally isolated anomalism and no coherent anomaly being detected. The patchy gold anomalism in the tributaries has been generally assumed to be derived from the palaeo placers and that the source was distal (Wilkins 1996, Thomson 2008). Substantial quartz pebble resources were delineated by Boral Resources in the mid 1990's (Incite Geology 1994)

5.0 PREVIOUS WORK ON EPM 17168

Substantial modern exploration has been carried out within the area covered by the EPM. This has largely been directed towards finding economic hard-rock gold, uranium and base metal deposits, plus alluvial tin, gold and diamonds, with lesser attention to other commodities.

The exploration activities of previous companies have included:-

- Literature research
- Geological reviews and summaries
- Data compilation and assessment
- Aerial photo-geological interpretation
- Geomorphological studies
- Airborne magnetic and radiometric surveys
- AMAG/RAD image processing and interpretations
- Ground magnetic & radiometric surveys
- SPOT and landsat imagery acquisition and interpretations
- Aerial and ground geological reconnaissance
- Geological mapping
- Grid surveying
- Gossan and general prospecting
- Stream sediment sampling
- Rock chip sampling
- Laboratory analyses
- Petrographic studies
- Mineralogical studies
- Alluvial panning, grain counting
- Construction of access tracks
- Aircore drilling
- Geological logging and sampling of drill holes
- Preparation of drill plans and sections

A search of the Q-DEX database provided a list of reports of relevance to the original EPM area over the past fifty years (Table 3).

Table 3 EPM 17168 List of Reports by Previous Explorers in the Area

Company Rpt No.	EPM	Company	Target	Year
50535	14924	Mega Uranium Ltd Georgetown Mining Ltd	Gold, Base Metals Uranium	2005-07
52499, 47526	14828	Plentex Ltd Mega Uranium Ltd	Uranium, Gold	2005-07
28072	10791	Cyprus Gold Australia Corp	Gold	1995-96
27015	10410	Unspecified – Report by Minexco Assoc. P/L Mining Consultants	Alluvial tin & gold	1995
28071, 27300	10365	Cyprus Gold Australia Corporation	Gold, Base Metals	1994-96
28442, 27602, 26988 25084	9287	Cyprus Gold Australia Corporation Northern Diamonds Pty Ltd	Gold, Base Metals Diamonds	1993-96
28660, 27823, 26714	9158	CRA Exploration Pty Ltd	Gold, Base Metals	1992-96
28415, 26868, 25275	9028	Kidston Gold Mines Ltd Placer Exploration Ltd	Gold, Base Metals	1992-95
23835	8393	BHP Minerals Ltd	Gold, Base Metals	1991-92
21549, 19930	5895	Power Resources (Australia) P/L [ex CEGB Expl'n (Aust) P/L]	Uranium, Gold Base Metals	1989-90
22201, 21383	5847	Carpentaria Exploration Pty Ltd	Gold, Tin, REs	1989-90
21374, 21310	5824	Power Resources (Australia) P/L [ex CEGB Expl'n (Aust) P/L]	Uranium, Gold, Base Metals	1989-90
21902, 20727, 20542 19166, 18814, 18084	4744	CRA Exploration Pty Ltd	Gold, Base Metals	1987-90
18467	4558	W.G.Randall	Alluvial Gold	1987-88
18636, 18278	4539	Carpentaria Gold Pty Ltd/ Mt Isa Mines Ltd	Gold, Tin, Uranium Rare Earths	1987-88
19454, 17326	4479	CRA Exploration Pty Ltd	Gold, Base Metals	1986-89
16747, 15764, 15089 14656	3973	CRA Exploration Pty Ltd	Diamonds	1984-87
15437	3850	Dr F.S. Khoo & Mrs S.E. Johnson	Alluvial Tin	1984-85
12682, 11965	3351	Australian Consolidated Minerals Ltd	Alluvial Tin Hardrock Au	1982-83
8869	2230	Ravenshoe Tin Dredging Ltd	Alluvial Tin	1979-81
10072, 10071, 8797 8336, 7808	2176	Houston Oil & Minerals Aust. Inc. Seltrust Mining Corp. Pty Ltd	Palaeochannel Diamonds, Tin	1979-82
6858, 6586	1777	Mines Administration Pty Ltd Teton Expl'n Drilling Co. Pty Ltd Eastmet Minerals NL	Uranium Base Metals: Sn	1977-78
6122, 6055	1612	Minad Teton Australia Pty Ltd Eastmet Minerals NL Drawmac Holdings Pty Ltd	Uranium Base Metals	1976-77
6491, 5995, 5994 5553, 5167	1332	Minatome Australia Pty Ltd [ex Pechiney (Aust) Exploration P/L]	Uranium Base Metals	1973-77
4150	1032	Union Corporation (Aust) Pty Ltd	Uranium, Copper	1972
3852	951	Continental Exploration Pty Ltd	Tin, Copper, Fluorite	1971

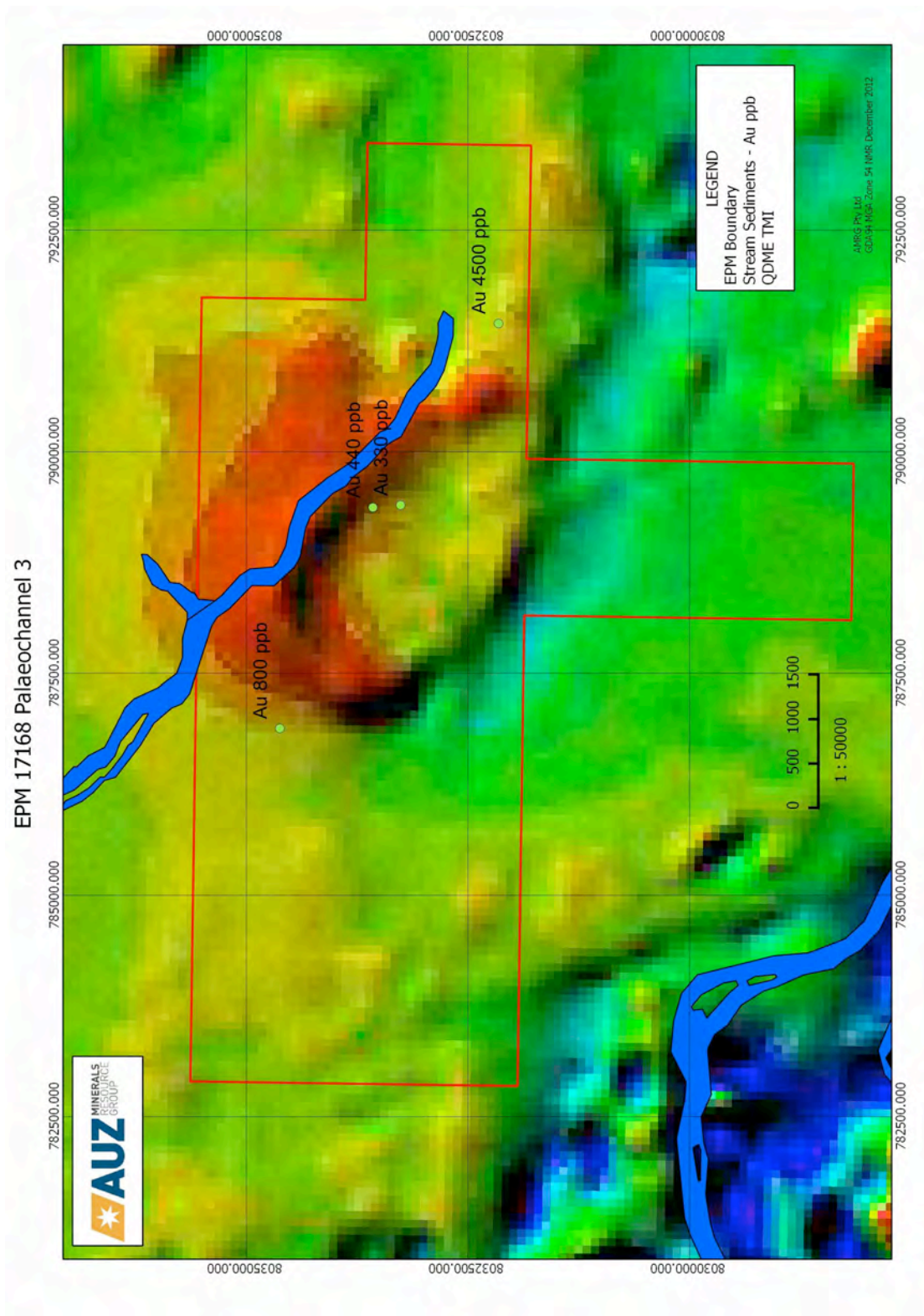
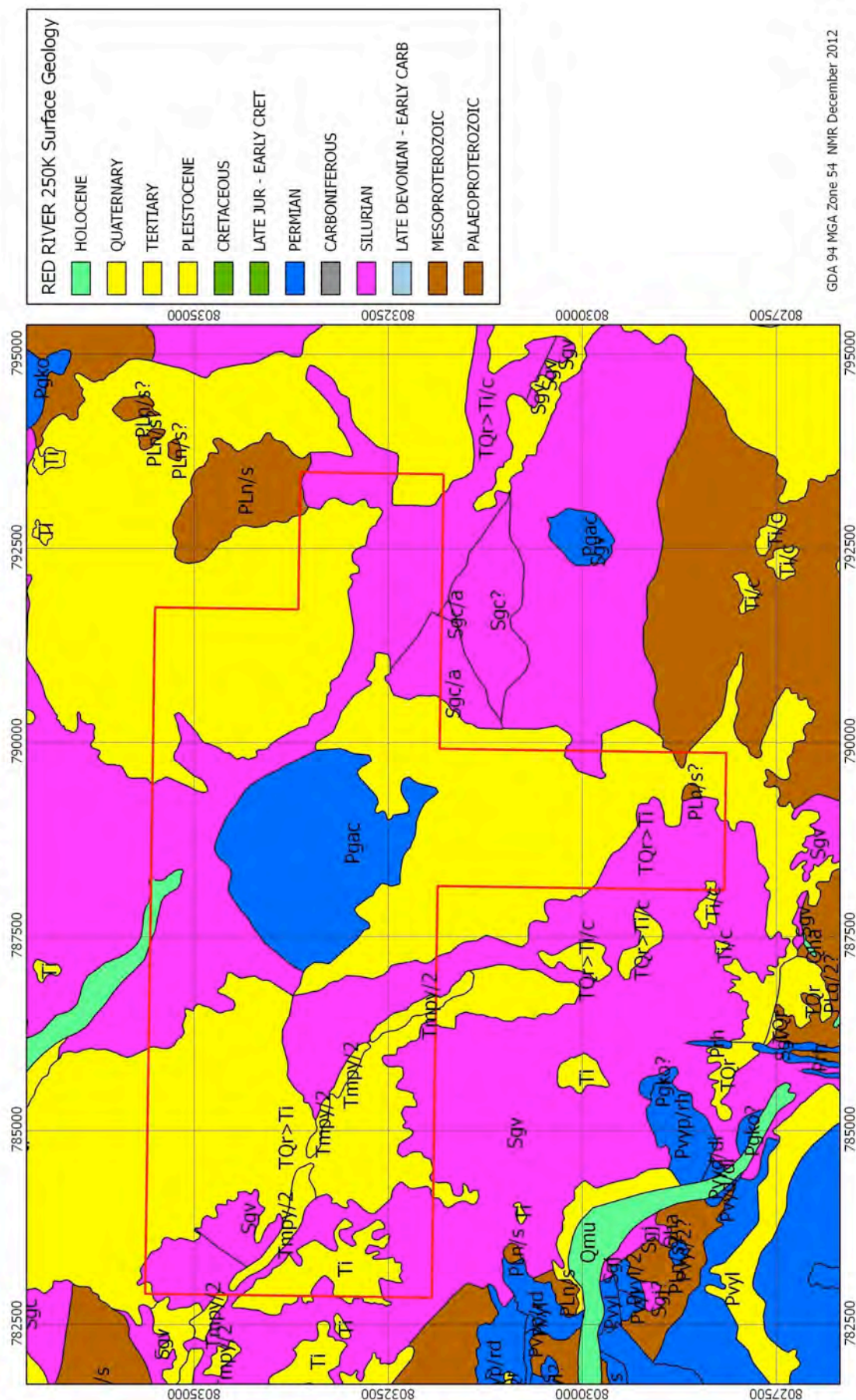


Figure 2 EPM 17168 Au Stream Sediment Values and TMI

EPM 17168 Palaeochannel 3 Geology



GDA 94 MGA Zone 54 NMR December 2012

Figure 3 Red River 250K Simplified Geology

6.0 ACTIVITIES DURING REPORT PERIOD

6.1 Summary

Activities undertaken by KS Mining Pty Ltd during the past year on EPM 17168 have included:

- Literature research.
- Data collation, assessment and planning of future activities.

6.2 Literature research

A review of QDEX open file tenement reports was continued to assess past exploration activities over the tenement area and delineate prospective targets worthy of field investigation. The EPM and adjacent areas have been systematically explored for a range of commodities by a number of previous explorers (Section 5) without success. In 1994 Boral Resources, through their consultants Insite Geology Pty Ltd made an assessment of quartz pebble resources in the area. Substantial resources of premium grade 6 – 20mm silica pebbles were identified.

6.4 Data collation, assessment and planning of future activities

Geotechnical and title information was collated for report preparation and the planning of future activities. Analysis of the QDME stream sediment database identified anomalous Au values on the periphery of an arcuate magnetic feature (Figure 2).

Further QDEX report review will be undertaken to confirm the anomalous Au stream sediment values and if warranted plan field investigations.

7.0 CONCLUSIONS

Based on the results of past exploration by previous companies there appears to be little potential for the discovery of a substantial economic gold, base metal or uranium resource within the EPM. However, several anomalous Au values in stream sediment samples should be investigated for completeness. Further consideration of the palaeochannel quartz pebble deposits in the northern sector is warranted in light of the company's ongoing interest in such to the south-east of the tenement.

8.0 REFERENCES

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