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Australian & International Exploration & Evaluation of Mineral Properties

INDEPENDENT ASSESSMENT

OF THE

TIANYE GYPSUM AND ROCK SALT DEPOSIT

DAWENKOU BASIN

SHANDONG PROVINCE, CHINA

PREPARED FOR

SHANDONG TIANYE AUSTRALIA LIMITED

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Company; Al Maynard & Associates Pty Ltd
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Introduction

The Company (Shandong Tianye Australia Limited) has provided Al Maynard and Associates (AM&A) with two reports and other data compiled in China by Chinese geologists describing a gypsum and rock salt deposit in the Dawenkou Basin, 30km north of Tai'an city on the Beijing-Fuzhou Expressway in Shandong Province, China. These reports were assessed by AM&A to provide a JORC Code compliant estimate of the mineralisation described in the Chinese reports.

AM&A estimate a Target Mineralisation for gypsum of 250 million tonnes +/- 60 million tonnes at an average grade（ CaSO4·2H2O+ CaSO4) of 65% +/- 16%, rock salt of 200 million tonnes +/- 80 million tonnes at an average grade (NaCl) of 80% +/- 20% and natural sulphur of 100 thousand tonnes +/- 40 thousand tonnes at an average grade (S) of 8% +/- 2%. Such a Target estimate implies a quantity of mineralisation is possibly present within the permit area but the potential quantity and grade or quality is conceptual in nature and it is uncertain if further exploration will result in the determination of an economically viable Mineral Resource.

The main resource, gypsum, is mainly planned to be sold as a raw material to nearby manufacturers of cement while a smaller high quality portion will be sold to nearby plaster manufacturers at a premium price.

Description

The gypsum and salt deposit covered by the report is located within an exploration permit covering a total area of 15.96km^2, figures 1 and 2. AM&A have not confirmed the validity of the permit or the currency or terms and conditions pertaining to this permit.

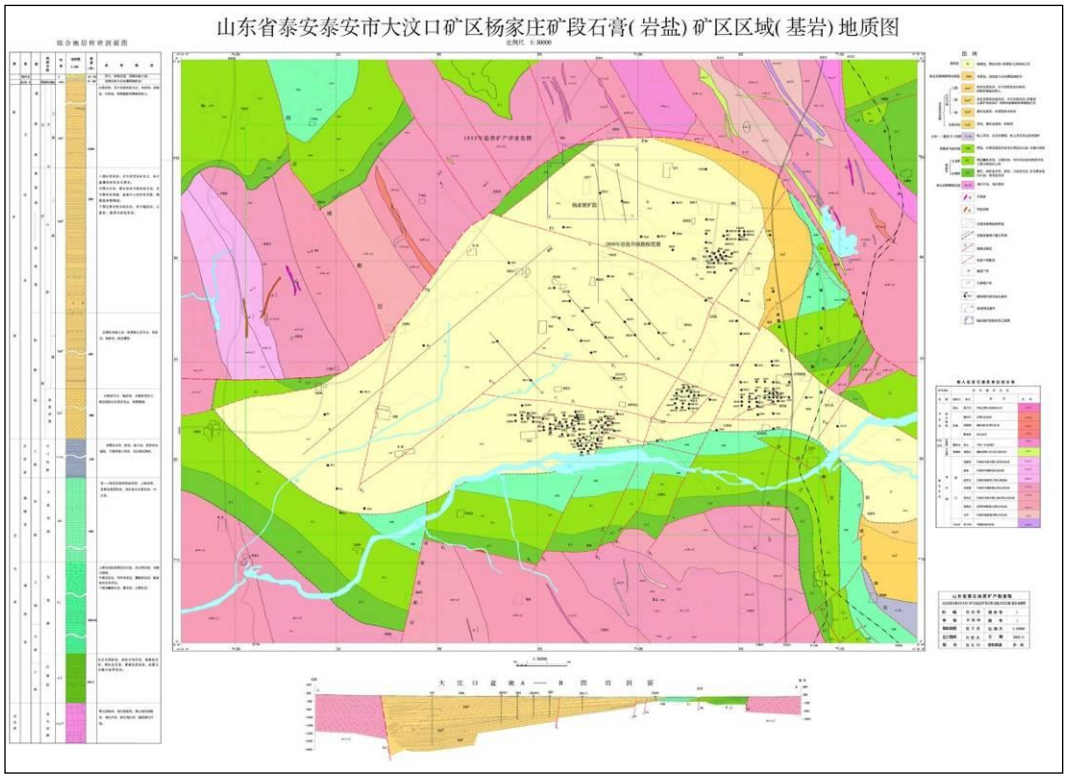

Figure 1. Geology map showing permit outline and two drill holes located within the permit (blue outline) along with regional geology and other drill holes in the vicinity of the permit. The purpose of the other drill holes shown outside the permit is not known by AM&A or if they are relevant to this report.

Figure 2. Geology map detail from figure 1 showing permit outline and two drill holes (ZK01 and ZK32) located within the permit.

Reported Resource Estimates

The reports provided include resource estimates of gypsum, rock salt (halite) and sulphur on the permit as follows:

Gypsum (and Anhydrite)

Indicated Resources (333)
276.2million tonnes at an average grade =（ $CaSO_4 \cdot 2H_2O$+ $CaSO_4$）= 67.21%;

Predicted resource (334)
2,290 million tonnes at an average grade =（ $CaSO_4 \cdot 2H_2O$+ $CaSO_4$）= 68.77%.

The extent of the resource estimate is shown in figure 4 with a legend to the resource maps given as figure 3.

Note that anhydrite ($CaSO_4$) differs from gypsum ($CaSO_4 \cdot 2H_2O$) only by its water (H_2O) content in the crystal lattice with anhydrite containing no water. Since the two main uses of gypsum, cement and plaster manufacture, require dehydration and removal of the crystalline water in the gypsum, anhydrite and gypsum can be considered as effectively analogous with each other in this report.

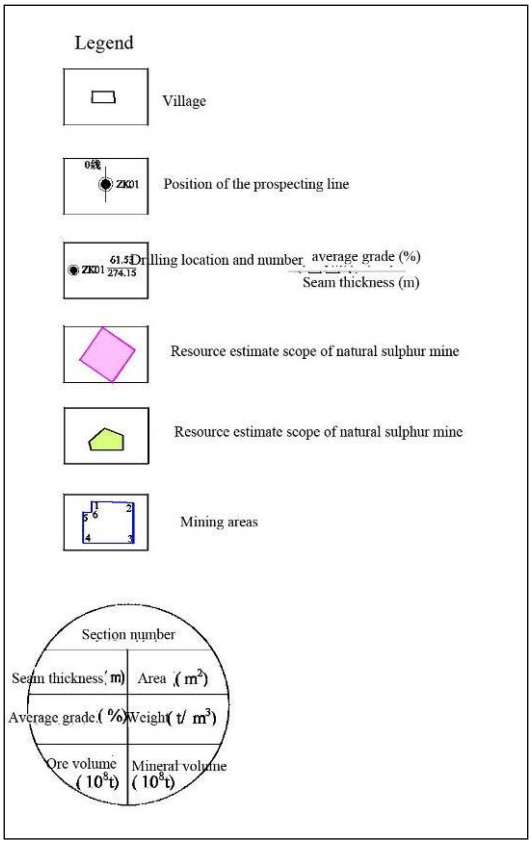

Figure 3. Legend to resource maps.

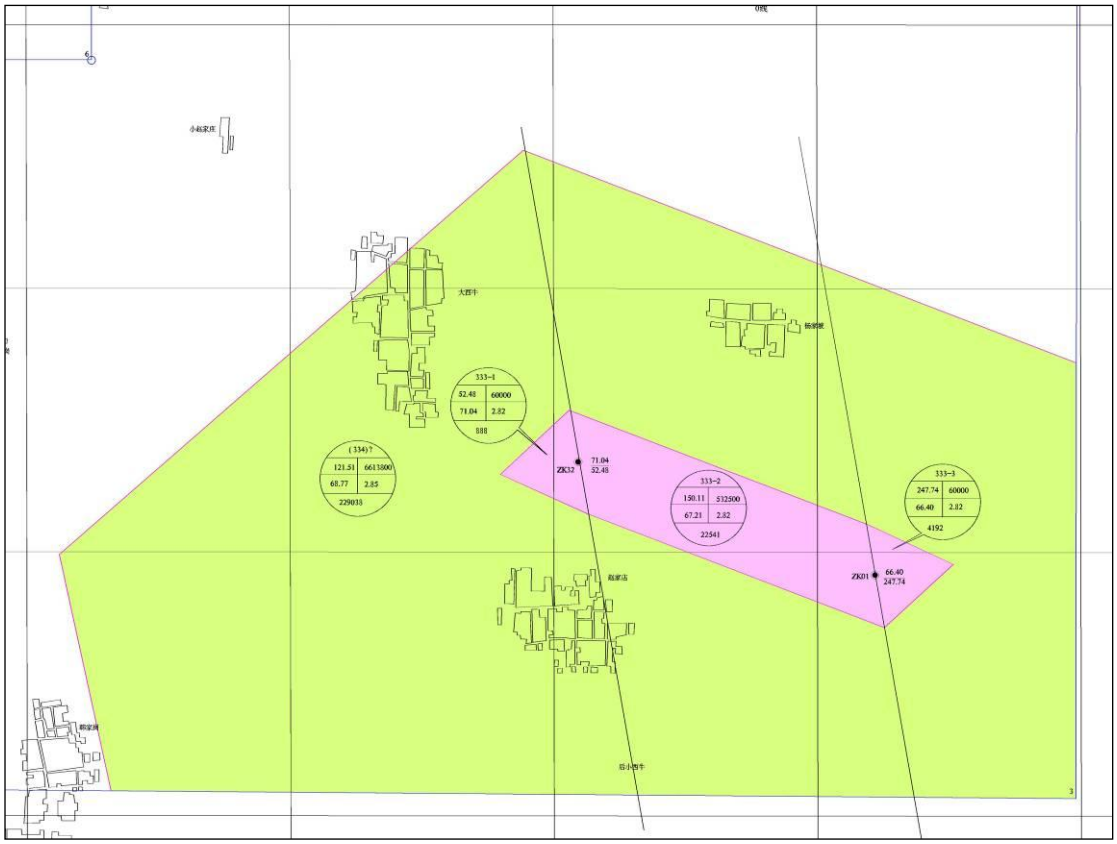

Figure 4. Chinese Resource blocks for Gypsum. Note that grid lines are spaced at 1000m intervals.

Rock salt - Halite

Indicated Resources (333)

222 million tonnes at an average grade (NaCl) = 82.95%

Predicted resource (334)

910 million tonnes (no grade provided).

The extent of the resource estimate is shown in figure 5.

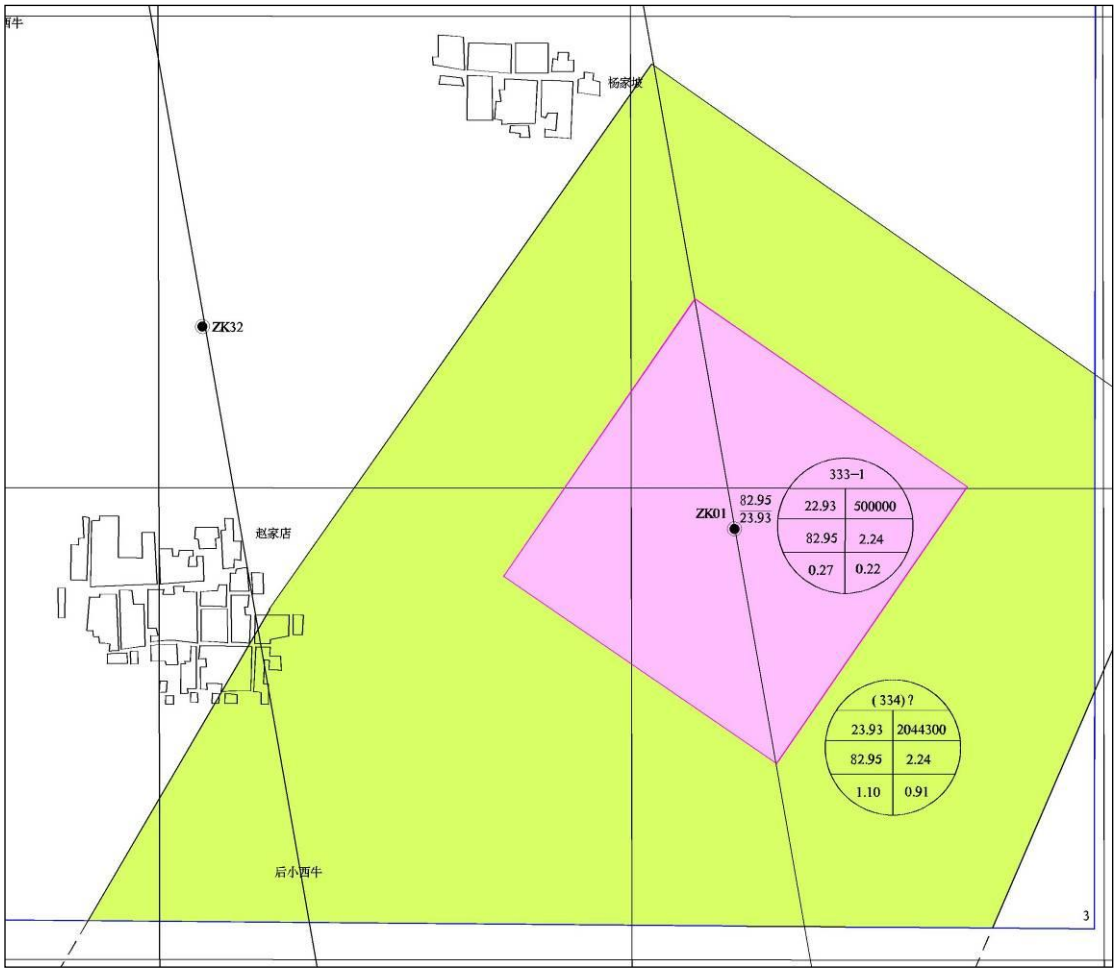

Figure 5. Chinese Resource blocks for Halite. Note that grid lines are spaced at 1000m intervals.

Natural sulphur

Indicated Resources (333)
116 thousand tonnes at an average grade = 8.38%.

The extent of the resource estimate is shown in figure 6.

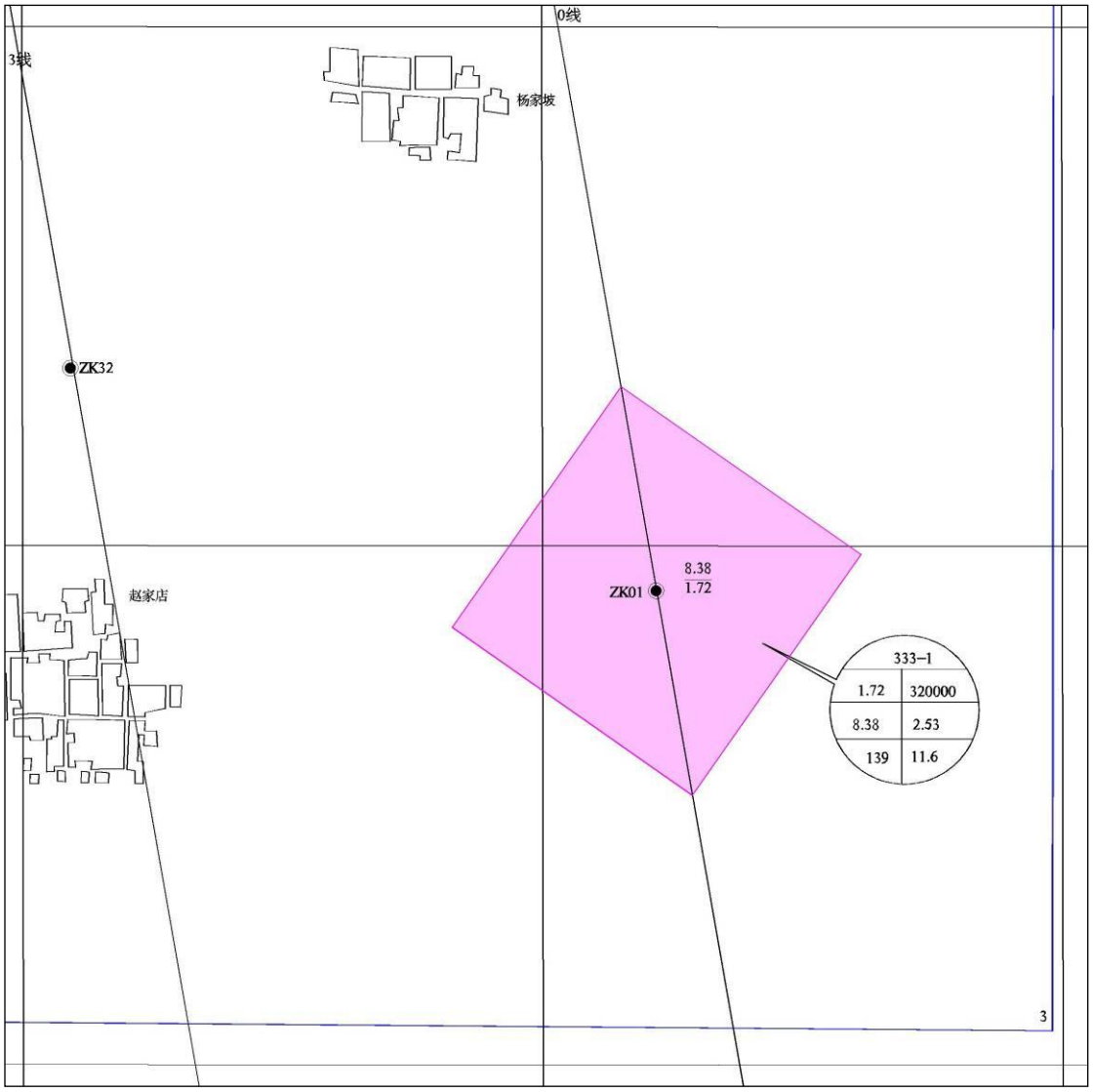

Figure 6. Chinese Resource blocks for sulphur. Note that grid lines are spaced at 1000m intervals.

These Chinese resource estimates were calculated using a simple polygonal method whereby an interpreted polygon area representing the area covered by the resource projected to the surface is multiplied by the average thickness of the resource in the drill holes and then by the bulk density of the mineralisation to calculate the tonnes.

The grade of the resource estimate is a length-weighted average grade of the drill hole intercepts. This estimation method does not conform with JORC requirements for reporting mineral resources and should not be confused with JORC Indicated and Inferred Resources. This resource estimation method however conforms with the Chinese standards as described in "Specifications for resource estimates of siliceous materials, decorative stone, gypsum, asbestos talc wollastonite and graphite"

The Chinese Predicted Resources (334) are simply projections of the Indicated Resources (333) and not considered by AM&A in this report as they are considered too speculative to be a resource.

Data Supplied

No site visit was undertaken by AM&A or original data sheets sighted.

This report by AM&A is mainly based on English translations of two reports titled "Shandong Tai'an Dawenkou Mining Area Yangjiapo Mining Section Gypsum (Rock Salt) Mine General Survey Report May 2008 – November 2008" dated November 2008 and "Independent Expert's Report Relating to the Summary of the Preliminary Census for Gypsum and Rock Salt Deposits at the Yangjiapo Ore Section in the Dawenkou Ore District in Tai'an City, Shandong Province, China" issued by The Fifth Institute of Geology and Mineral Exploration of Shandong Province and dated 19 October 2009.

Other information supplied included a report detailing the resource estimation calculations "Shandong Tai'an Dawenkou Mining Area Yangjiapo Mining Section Schedule of Gypsum (Rock Salt) Mine General Survey Report" along with a regional geological map and graphic logs of four diamond drill holes that included basic geology logs and analytical results of the holes. Several emails containing answers to questions from AM&A received from the vendors also helped to clarify points not properly covered in the reports and included assay results for the five drill holes used in the resource estimates.

Summary of Data

The reported resource estimates are based on the results of two diamond drill holes (ZK01 and ZK32) completed by the vendor (Shandong Tianye Mining Co., Ltd). Another three other holes (ZK13, ZK14 and ZK107) drilled by earlier owners of the project area were not used in the calculations but indicate some continuity of the mineralised horizons beyond the resource blocks.

Insufficient detailed information on QA/QC procedures regarding sampling and assay methods including blanks, duplicates and standards used are available to ensure they meet the JORC standards of reliability and accuracy although the reports reviewed indicate that very high standards were being followed.

Since the halite is highly water soluble and gypsum is soft and friable it would be expected that the drill core recoveries for the diamond holes would be poor, however the logging data indicates that the core recovery was exceptionally good considering the geology, particularly in the two holes used in the resource estimates with core recoveries in excess of 97.75% in both holes. Table 1 summarises the core recoveries over the gypsum intervals for the five available drill holes along with other statistics.

Hole ID	Min Depth	Max Depth	Total Thick	Rec Core m	Core Rec %	Gypsum Min Thick	Gypsum Max Thick	Gypsum Total >=2m
ZK01	**405.67**	**1162.02**	**369.68**	**367.45**	**99**	**0.30**	***14.07**	**158.54**
ZK32	**476.01**	**1250.07**	**137.44**	**134.36**	**98**	**0.25**	**6.50**	**31.48**
ZK13	605.49	817.33	3.35	2.30	69	0.65	1.35	0.00
ZK14	494.03	896.28	307.59	275.32	90	0.20	32.20	258.89
ZK107	568.43	648.64	34.92	32.70	94	1.20	3.09	22.81

Table 1. Summary of drill hole gypsum statistics from data sheets supplied. *Note that the text shows 12.75m. Data from ZK01 and ZK32, the holes used for resource estimates, is more reliable than the other three holes.

The drilling data in table 1 indicates that approximately 38% of the gypsum occurs in beds thicker than or equal to 2m which is considered to be a readily mineable minimum thickness using underground mining methods. In ZK01 there is a total of 158.54m of gypsum in beds thicker than or equal to 2m.

The drill results were described in the summary report as follows (as interpreted by AM&A from an English translation):

> "Hole ZK01 intersected thick gypsum beds between 675.38m and 1162.02m, within 61 gypsum layers, with an accumulated thickness of 247.74m at an average grade of 66.40% gypsum. The thickness of the gypsum beds usually vary between 1.12m-5.0m with a maximum thickness of 12.75m. (*Since these figures vary from the data summarised in Table 1, these figures must not include narrow low grade units included in Table 1*)
>
> The main components of the ore layers are gypsum ($CaSO_4 \cdot 2H_2O$) and anhydrite (anhydrous gypsum $CaSO_4$) with a chemical composition of 16.75 - 42.44% CaO, 20.00 - 55.72% SO_3 and 0.02-16.76% H_2O. As the ore grade increases the H_2O content in the gypsum and anhydrite decreases.
>
> According to chemical analyses of the gypsum the purity is variable with the MgO content 3.69-7.34%; SiO_2 3.88-6.36%; Al_2O_3 0.98-1.49%; Fe_2O_3 0.42-0.59%; FeO 0.16～0.19%; K_2O 0.07-0.15%; Na_2O 0.10-0.96%; Cl 0.02-1.69%; CO 27.38-12.86%; SrO <0.05%.
>
> Hole ZK01 also intersected rock salt (halite) that has been interpreted as part of a tongue-shaped basin with a south-west striking axis shrinking towards the northwest and thickening to the southwest. Rock salt in the drill hole is a total of 23.7m thick in nine beds. The thickest bed is 6.28m with 4 layers >3m thick suitable for mining. The depth to the top of the shallowest salt layer is 797.69m with the base of the deepest salt bed at 1013.46m. The grade of the salt typically varies between 58.4 - 99.0% (NaCl). This salt is planned to be mined by pumping water down a series of feeder holes and extracting the concentrated saline solution from other nearby extraction holes.

AM&A Comments on Chinese Resource Estimates:

As stated above, the Chinese resource estimates are definitely ***not*** JORC compliant as further drilling would be required to confirm the continuity of the mineralisation and the economic viability of mining the gypsum and salt deposits at depths of up to 1,200m is also unknown.

It is understood that the Company will initially concentrate on mining the gypsum using conventional underground mining methods similar to those used in other gypsum mines in the region. If further studies confirm the viability, the salt and sulphur will be mined later using appropriate mining methods that may include insitu hydraulic mining.

It is understood that gypsum is mined profitably using underground mining methods elsewhere in the region at depths of approximately 400m with production of approximately 500,000 tonnes per annum in at least one nearby mine. It is also understood that contaminated gypsum can be upgraded by hand sorting to remove mining debris etc. prior to sale and other washing and screening methods can be used to further clean pure gypsum of detritus if required.

Since most of the gypsum planned to be mined from this deposit will be used in cement manufacture some contamination of the gypsum can be tolerated. Any suitable clean gypsum produced is expected to be sold to nearby plaster manufacturers at a premium price of approximately 4-6 times the price obtainable for cement grade gypsum.

Figure 7 shows a cross section through the two drill holes used in the gypsum resource estimate and the other three holes drilled on the tenement. It is not known what determined the final depths of the shallower drill holes.

There is a possibility that there are further gypsum and halite beds located below the shallower holes, especially ZK107, that could extend the deposit but this cannot be confirmed without further geological information. Figure 7 indicates that continuity of the gypsum beds is poor for three of the holes (ZK13, ZK32 and ZK107). This lack of continuity may possibly be due to sampling differences or ZK13 and ZK107 being not being deep enough to intersect the main gypsum beds as they may have been targeted for other shallower minerals.

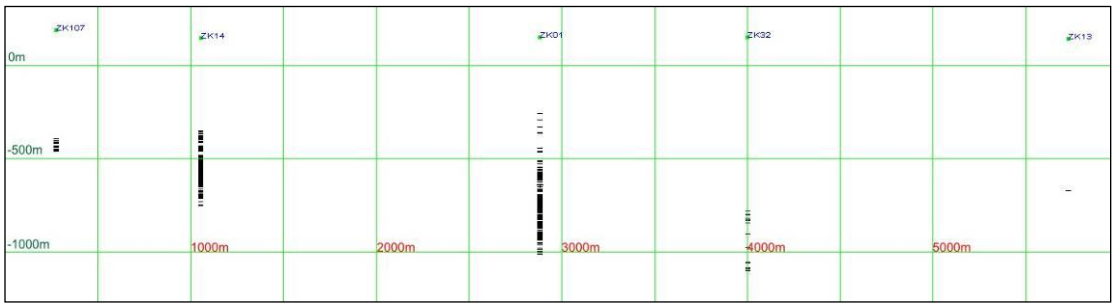

Figure 7. Cross section showing the five drill holes used for resource estimate. Gypsum intersections shown as black bars.

It is the opinion of AM&A that the Chinese resource estimates for gypsum and halite are reasonable if the drill hole data is reliable and the intersections used in the resource estimates are representative of the projected areas and the beds are able to be economically mined using underground mining methods down to 1,100m below the topographic surface and 1000m below sea-level. There are reported to be a number of active mines in the region profitably mining gypsum down to 400m below the surface that supply local plaster and cement manufacturers with suitable quality gypsum feedstock.

Due to the lack of geological data, especially drilling, used for the Chinese resource estimates and insufficient QA/QC information and economic analysis, the Chinese resource estimates are to be considered as Target Mineralisation according to the JORC code and not a Mineral Resource Estimate of any kind.

AM&A estimate a Target Mineralisation for gypsum of 250 million tonnes +/- 60 million tonnes at an average grade（ $CaSO_4 \cdot 2H_2O$+ $CaSO_4$) of 65% +/- 16%, rock salt of 200 million tonnes +/- 80 million tonnes at an average grade (NaCl) of 80% +/- 20% and natural sulphur of 100 thousand tonnes +/- 40 thousand tonnes at an average grade (S) of 8% +/- 2%. Such a Target estimate implies a quantity of mineralisation is possibly present within the permit area but the potential quantity and grade or quality is conceptual in nature and it is uncertain if further exploration will result in the determination of an economically viable Mineral Resource.

It is recommended that a minimum of six well placed drill holes on a grid pattern are drilled to confirm the geology/resource projections made by the Chinese before mining is commenced. These holes need not be drilled to the full 1200m depth of the Chinese resource since initially mining is likely to be confined to the shallower gypsum beds and sufficient reserves of suitable quality and thickness for up to 10 years of mining, say 5 million tonnes, could be expected to be outlined above 800m depth.

References

Li Zhenfeng, Li Qiang, Hou Qinglin, Wang Zhidong, Wang Shi, November 2008, "Shandong Tai'an Dawenkou Mining Area Yangjiapo Mining Section Gypsum (Rock Salt) Mine General Survey Report May 2008 – November 2008", The Fifth Institute of Geology and Mineral Exploration of Shandong Province

Li Zhenfeng, October 2009, "Independent Expert's Report Relating to the Summary of the Preliminary Census for Gypsum and Rock Salt Deposits at the Yangjiapo Ore Section in the Dawenkou Ore District in Tai'an City, Shandong Province, China", The Fifth Institute of Geology and Mineral Exploration of Shandong Province.

Wang Zidong, "Shandong Tai'an Dawenkou Mining Area Yangjiapo Mining Section Schedule of Gypsum (Rock Salt) Mine General Survey Report"

Unknown, 2002, "Specifications for resource estimates of siliceous materials, decorative stone, gypsum, asbestos talc wollastonite and graphite DZ/T0207-2002", Land and Natural Resources Ministry

Competent Person Statement

The information in this report which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Philip Jones, who is a member of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Mr Jones is an associate of Al Maynard & Associates and has over 30 years of exploration and mining experience in a variety of mineral deposit styles. Mr Jones has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jones consents to use of this report and matters based on this information in the form and context in which it appears.