

10 September 2013

ASX ANNOUNCEMENT

Aero Magnetic Survey of Darvii Naruu Mongolian Project Confirms Potential for Significant Porphyry Cu-Au and Polymetallic Mineralisation.

Sentosa Mining Ltd (ASX: SEO) is pleased to advise that two independent technical reviews of the aeromagnetic survey the Company recently conducted over the north western sector of the Darvii Naruu exploration project in Mongolia have each confirmed the significant potential for large scale copper-gold, gold or nickel-copper-PGE mineralised systems within that sector of the project. The first review (**Appendix A**), was conducted by Ozex Consulting, a firm of independent geological consultants, which focused on the geology and geochemistry of the Darvii Naruu Project. The second review (**Appendix B**), by Southern Geoscience Consultants, one of Australia's leading geophysical consulting companies, focused on the airborne and magnetic radiometric data itself. Importantly the input of these well-credentialed and independent Australian geo-scientists has added significantly to the Companies understanding of the potential of the Darvii Naruu Project .

Highlights:

- Both reviews confirm significant potential for large scale copper-gold, gold or nickel-copper-PGE mineralised systems within the project.
- Several high priority drill targets have already been identified.
- Preparations underway to commence drill program to test initial high priority targets.
- The Company intends to exercise its option to acquire 100% of Mongolian project, subject to the company being satisfied with final due diligence enquiries.

Technical Highlights:

- Approximately 1620 line kilometres of aeromagnetic-radiometric data was collected in the Darvii Naruu survey, at a nominal line spacing of 200m and a nominal terrain clearance of 50m.
- Survey confirms tectonic setting in a known porphyry-hosting mineral belt.
- Relative age of host stratigraphy is consistent with other known porphyry systems within the belt (cf Oyu Tolgoi).
- Several high priority “drill ready” magnetic and potassic targets out of a total of 37 targets.
- Ore-grade mineralisation (maximum 5.8% Cu and 34.4 g/t Au) in outcrop over Mushroom prospect.
- Geochemistry confirms a suite of anomalous pathfinder elements (Au, Cu, Te, Zn, Pb, As) which is consistent with the signature of a porphyry system.
- Host lithologies (andesitic-basaltic volcanics, marine sediments) similar to Oyu Tolgoi.
- Extensive zones of argillic-advanced argillic alteration identified over a 25km² area through previous ASTER analysis.
- Magnetic survey identifies discrete signatures coincident with identified argillic alteration and potassic alteration zones, structural corridors, and assayed anomalism consistent with possible porphyry systems.
- In addition the presence of ore-grade (maximum 21% Cu, 2.1 g/t Au, 0.37 g/t Pt and 0.37 g/t Pd) in rock samples from Anomaly 13 in this geological setting suggests high potential for discovery of primary magmatic polymetallic mineral deposits.

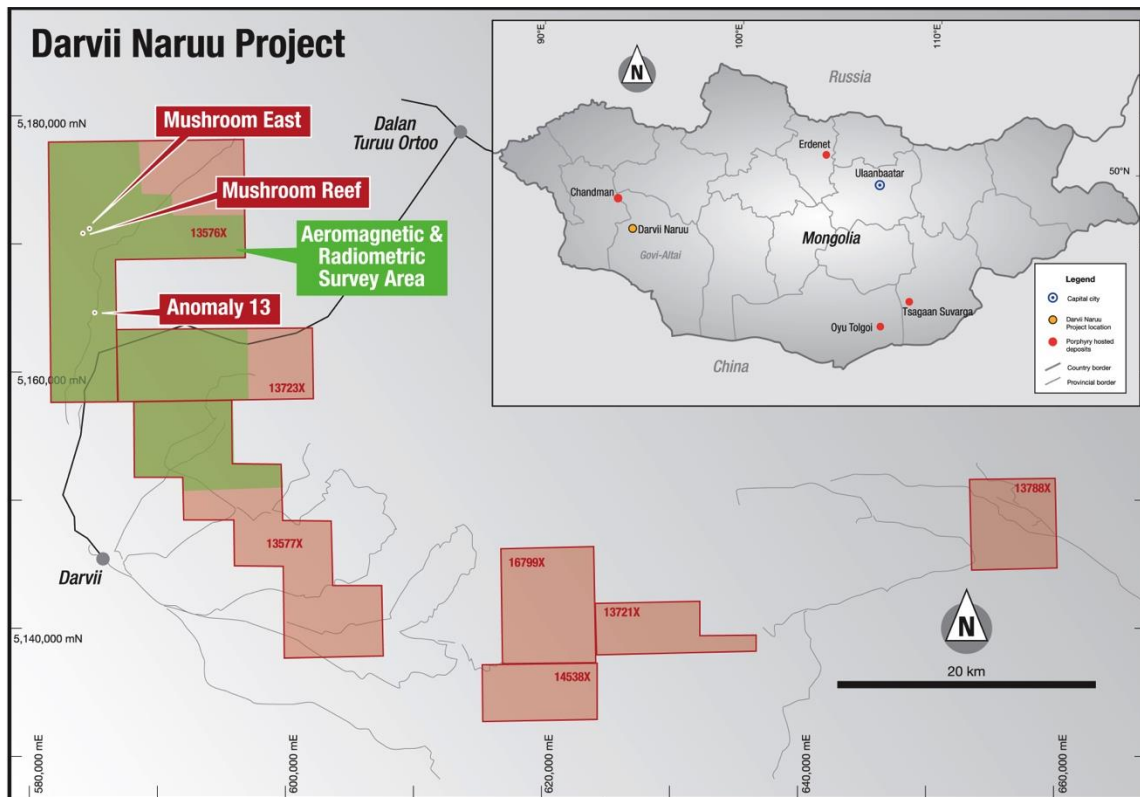


Figure 1. Airborne Magnetic Survey Flight Area at the Darvii Naruu Cu-Au Project

Darvii Naruu – Mushroom Prospect

The magnetic and radiometric images from the recent airborne survey have highlighted some distinct anomalies that appear to be related to a porphyry system. The magnetic signature for a porphyry system footprint can vary considerably dependent on the erosional level compared to the intrusive centre. Features observed at the Mushroom prospect are as follows:

- Mushroom Reef displays a discrete circular magnetic low at the northern end of an elongate magnetic low feature (see Figure 2). This may be related to the upper phyllic-sericite or argillic alteration zone at shallow levels above a porphyry body. This is consistent with the ASTER imagery showing discrete argillic alteration zone on the same trend (see Figure 3). The quartz veins mapped at Mushroom Reef (sheeted quartz veins) might represent distal early stage veins.
- Discrete circular magnetic high (600m x 600m) 4km NNW of Mushroom Reef is perfectly coincident with K-channel radiometrics (see Figure 4). This could be considered consistent with intersection of the deeper levels of a porphyry system, with magnetic elevation associated with magnetite in the intrusion, and the high-K radiometrics reflecting higher temperature potassic alteration.

- Significant large scale (2.5km x 2.5km) circular magnetic low feature immediately north of Mushroom Reef. Possibly indicative of a large intrusion at depth, with a zone of magnetic destruction above the intrusion relating to destructive phyllic alteration zone. Small scale (200-300m) magnetic high point anomalies situated within this feature are possibly representative of smaller porphyry apophyses emanating off the larger stock at depth.

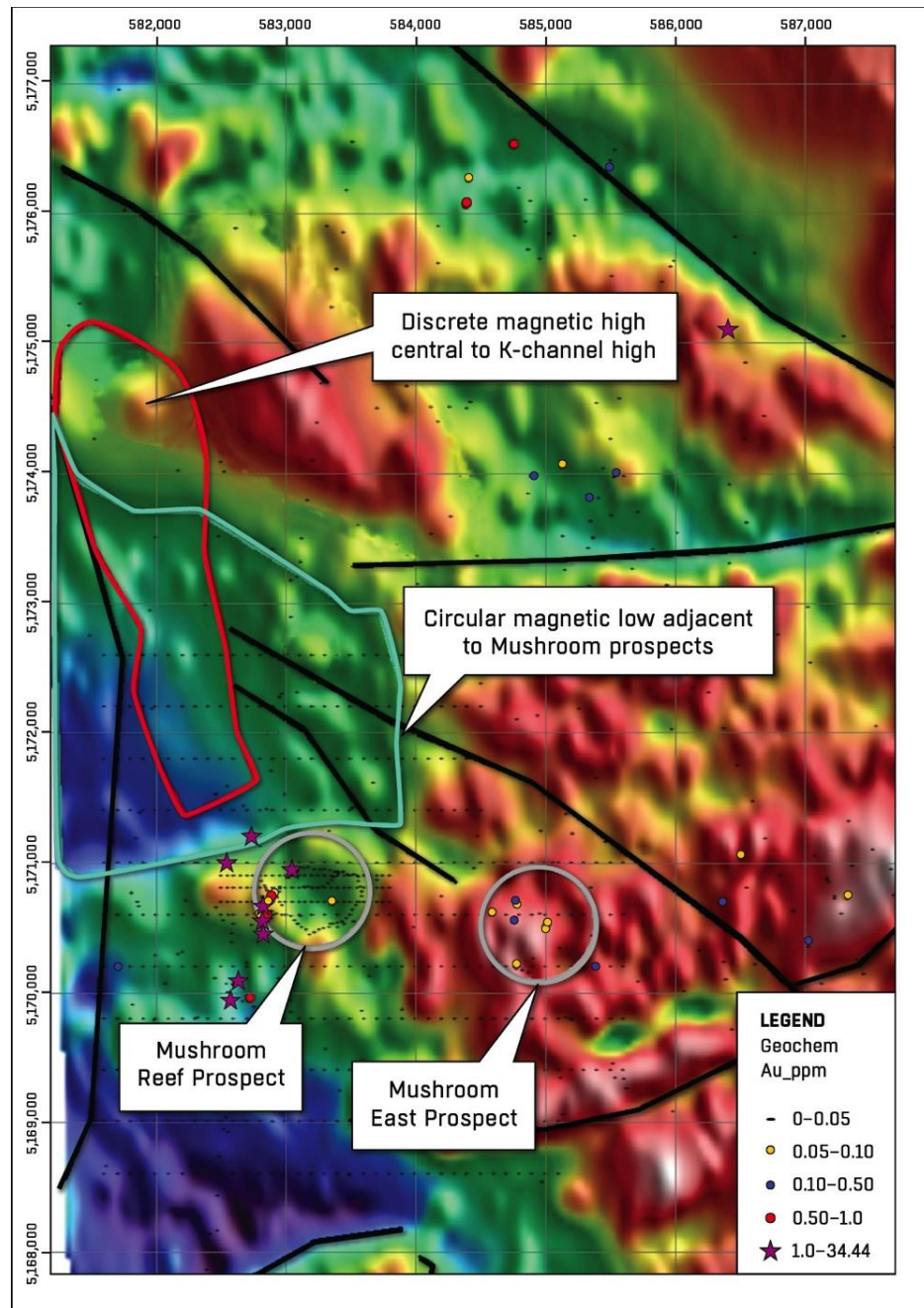


Figure 1. Magnetics with NE shade and gold geochemistry samples. Note discrete circular magnetic high in the North West corner coincident with K-high anomaly. Circular magnetic low structure (2.5km x 2.5m) immediately north of Mushroom Reef. circular magnetic low (600m x 600m) aligned with elongate structurally associated magnetic low at Mushroom Reef.

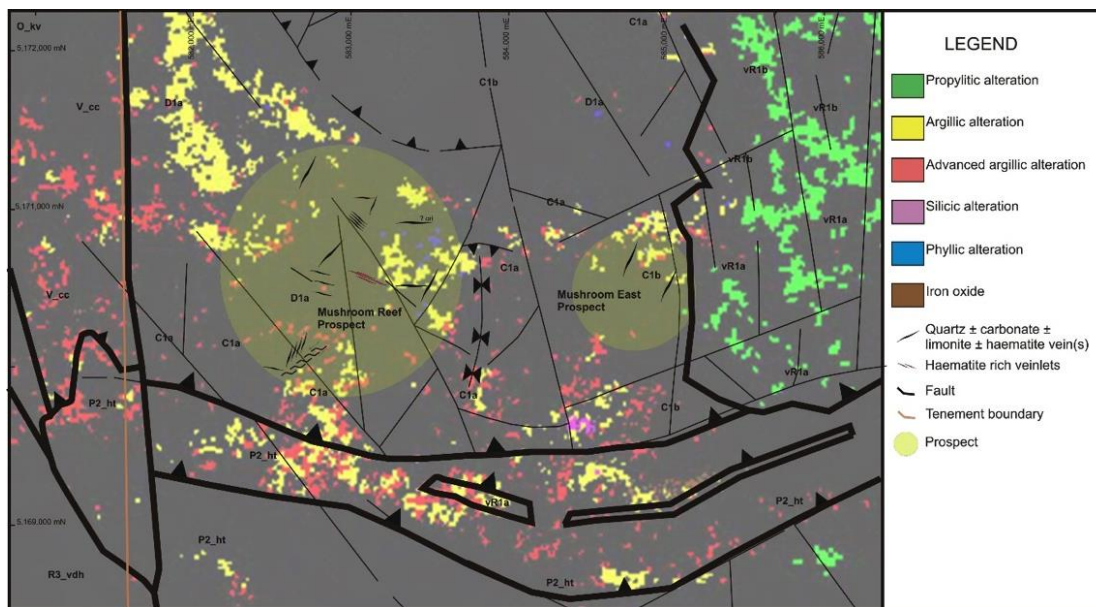


Figure 2. ASTER processed image highlighting alteration types, Mushroom Prospect. Note the argillic and advanced argillic alteration coincident with the K-channel radiometric trend.

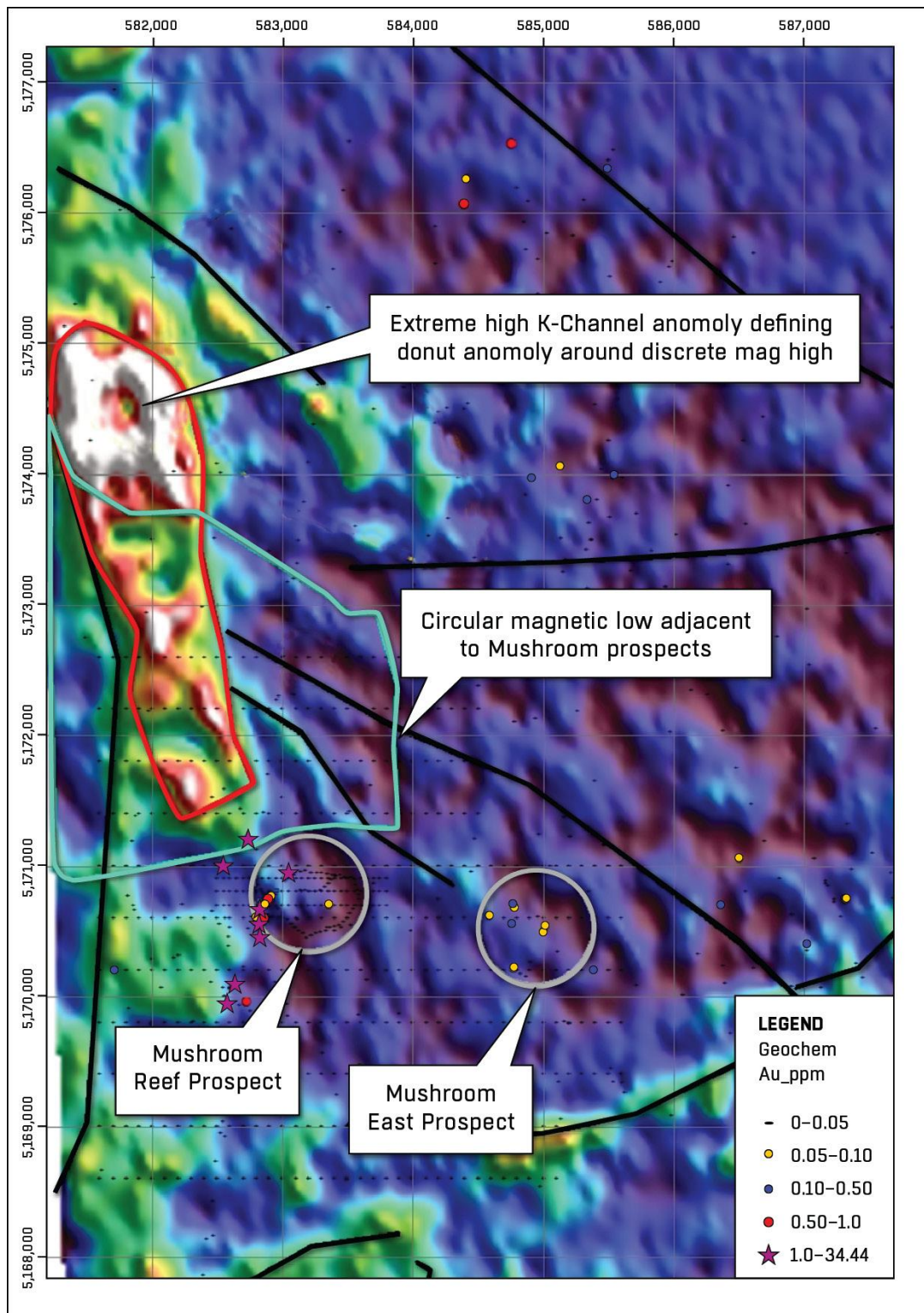


Figure 3. K-channel radiometrics with gold geochemical samples. Note the 3.8km long K-high feature striking to NNW from Mushroom Reef. The anomaly terminates in a discrete circular-donut high with breaks suggestive of NNW faults striking through, and a circular K-low feature in the middle. Similar K-low features exist along the length of the anomaly.

Sentosa has executed a Heads of Agreement to acquire 100% of the Darvii Naruu Project. Under the terms of the agreement Sentosa undertook to spend A\$150,000 on a Work Programme which involved flying an aeromagnetic and radiometric survey. Sentosa has the right to decide whether to proceed with the acquisition upon the completion of the interpretation of the airborne survey or at such other time as the parties may agree. In the event that Sentosa elects to proceed with the acquisition, Sentosa will issue 5,500,000 fully paid ordinary shares and a 0.5% Net Smelter Return Royalty as consideration for a 100% interest in all of the tenements.

The project is located within the South Gobi Arc which hosts Rio Tinto's world class Oyu Tolgoi porphyry deposit, one of the world's largest Cu-Au deposits. Significant mineralisation exists at the flagship project Mushroom Reef with a broad Cu-Au geochemical footprint identified with **maximum rock chip samples of 5.8% Cu and 34.4 g/t Au**. Further mineralisation has been identified at Anomaly 13, located eight kilometers south of the Mushroom Reef prospect, where anomalous rock chips have been collected with maximum assay values of **21% Cu, 2.1 g/t Au, 0.37 g/t Pt, 0.37 g/t Pd and 0.63% Ni**.

Darvii Naruu Copper Gold Project Option Agreement

As announced on the 24 April 2014 the Company has entered into an option agreement to acquire a 100% interest in the Darvii Naruu Copper Gold Project in Mongolia. This agreement provides the Company with an option to acquire all the issued shares in St Nicolas Mines Pty Ltd. St Nicolas Mines Pty Ltd has represented that it is entitled to 100% of the issued shares in Niquaero LLC which in turn holds the 7 mineral permits in Mongolia which comprise the project.

Under the option agreement, the Company may exercise the option up to 15 October 2013. Subject to final due diligence enquiries the company intends to exercise its option to acquire 100% of the project. If the Company exercises the option, a contract of sale will come into effect to purchase the issued shares in St Nicolas Mines Pty Ltd which contract of sale will be subject to the satisfaction or waiver of a number of conditions including:

- (a) Approval of the Company's shareholders as required under regulatory requirements including any approval required to the issue of the vendor shares (5.5 million shares) under the Listing Rules. These vendor shares would be issued to the owners of the issued shares in St Nicolas Mines Pty Ltd as part of the consideration for their acquisition.
- (b) The grant on terms satisfactory to the Company of any approvals required under Mongolian foreign investment or mining laws in order for the Company to acquire the issued shares in St Nicolas Mines Pty Ltd.

For further information concerning Sentosa's exploration plans for the future please contact Nigel Gellard, Executive Chairman.

Phone +61 (0)8 6141 3500
Fax +61 (0)8 6141 3599
www.sentosamining.com.au

Nigel Gellard
EXECUTIVE CHAIRMAN

Competent Persons Statement

The information in this release relates to exploration data compiled by Mr Darryl Mapleson, who is a Fellow of the Australian Institute of Mining and Metallurgy. Mr Mapleson is a Principal Geologist and a full time employee of BM Geological Services Pty Ltd. Mr Mapleson 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".

APPENDIX A



Assessment of exploration and mineralisation potential of the Mushroom Prospect, Darvii Naruu Project – Western Mongolia

Summary

There has been significant early stage exploration data collected over the Mushroom Prospect area on the Darvii Naruu Project in Western Mongolia. OzEx Consulting has reviewed all available data and believes strong evidence is present to suggest potential for the mineralisation on the Mushroom Prospects to be related to a porphyry-epithermal system. Key items to consider include:

- Tectonic setting in a mature arc terrane in a known porphyry-hosting mineral belt.
- Relative age of host stratigraphy and potentially intrusive units (Devonian-Carboniferous) consistent with known porphyry mineralising events in the belt (cf Oyu Tolgoi).
- Mapped and assayed gold-copper anomalism up to ore-grade in outcrop over many sites.
- Variable geochemistry, while not fully coherent, displays anomalism in a suite of elements (Au, Cu, Te, Zn, Pb, As) consistent with porphyry system signatures.
- Similar host lithologies (andesitic-basaltic volcanics, marine sediments) to Oyu Tolgoi.
- Mapped presence of bimodal intrusives, with possible quartz-monzodiorites mapped in field to be confirmed.
- Extensive zones of argillic-advanced argillic alteration identified over a 25km² area through ASTER analysis.
- Extensive and potentially structurally controlled zones of high-potassic K-channel radiometric anomalism.
- Discrete magnetic signatures coincident with identified argillic alteration and potassic alteration zones, structural corridors, and assayed anomalism consistent with possible porphyry systems.

OzEx would recommend a number of follow up activities as a priority to further confirm the providence of the mineralisation so far identified at Mushroom. This would include but not be limited to:

- Petrographic and detailed multi-element description of intrusives in the area, especially the “K-spæ” f Isic units, to determine potential presence of quartz monzodiorites.
- Spectral analysis of hand specimen samples using hand-held ASD to determine alteration assemblages.
- Field check the K-High/Mag High anomaly to north of Mushroom Reef.



Introduction

The Darvii Naruu Project (“DNP”) in Western Mongolia is 100% owned by Mongolian company Niquaero LLC, which is in turn fully owned by Australian company St Nicolas Mines Pty Ltd (“SNM”). The DNP is the subject of an option to purchase agreement with Sentosa Mining which is reliant a recent magnetic-radiometric survey realising satisfactory promise to proceed to outright purchase of SNM, and the project. The DNP includes a main prospect of interest, the “Mushroom Prospect”, which SNM suggests has potential to host porphyry style mineralisation based on preliminary early stage exploration results.

OzEx Consulting has reviewed available data to provide an independent opinion of the exploration and mineralisation potential of the Mushroom Reef and Mushroom East Cu-Au prospects. The current data includes regional and district scale mapping, rock chip and stream sediment assay and multi-element data (completed by BMGS), aerial magnetic and radiometric survey, aerial photography (Google Earth), and local survey and academic reports. Based on the available information OzEx concurs with the view of SNM that the Mushroom Prospect area shows characteristics consistent with alteration and mineralisation associated with a porphyry-style mineralising system.

Regional Setting and Prospectivity

The Darvii Naruu project is located north of the Altai Mountains in Western Mongolia and is part of the Central Asian Orogenic Belt (CAOB), which is widely recognised as the second largest gold province by endowment outside of the Witwatersrand (South Africa). The CAOB region is home to some of the world's largest copper gold deposits, including Murantau (110 million ounces of gold-equivalent, sediment hosted orogenic gold), Almalyk (80 million ounces of gold-equivalent, orogenic gold) and Oyu Tolgoi (100 billion pounds of copper, 60 million ounces of gold, porphyry copper-gold).

The Darvii Naruu project area is situated within the Darvii Naruu Massif (DNM), which comprises one of the oldest orogenic complexes in the CAOB and which is thrust northwards onto the Proterozoic Zavkhan Craton. The tectonic setting for the Darvii Massif has been interpreted as a supra-subduction zone (Arjan, 2006; Figure 1) through to a mature island-arc setting possibly immediately adjacent to cratonic continental crust. A southerly dip for much of the stratigraphy has been interpreted as a southerly directed subduction of oceanic crust below oceanic crust. Arc settings are considered very important for the development of porphyry mineralising systems, and the position of any prospect relative to the original arc and subduction zones plays a significant role in overall prospectivity. The Darvii Naruu site is considered to be in a tectonic setting suitable for porphyry mineralisation formation.

The Palaeozoic component of the DNM representing the arc-related stratigraphy is dominated by volcanic to sub-volcanic rocks basaltic to andesitic in composition with minor sedimentary units, variably intruded by a suite of Carboniferous felsic to dioritic granitoids. This package is thrust locally over a Proterozoic (Riphean-Vendian) sequence comprising of sedimentary-volcanic stratigraphy intruded by layered mafic intrusive units, with ophiolitic components. The layered intrusive in this area is considered as having significant potential for Ni-Cu-PGE mineralisation. The Sulphide Creek Prospect is situated within this package, though will not be further discussed in this report.

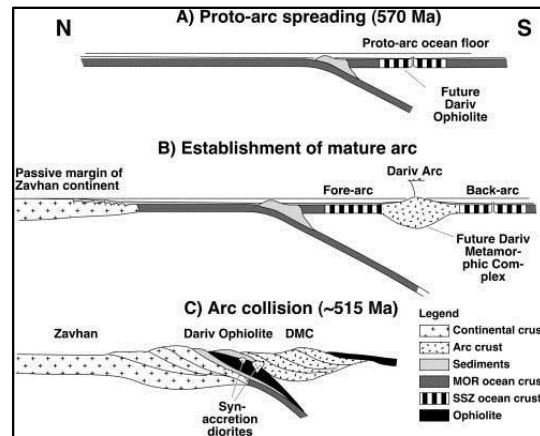


Figure 1. The tectonic model for the Darvii Massif as proposed by Arjan (2006)

The DNP is also the site of confluence of a number of regional lineaments and potential crustal-scale faults and thrusts (Figure 2). Large scale thrusting and cross-arc faulting is generally considered an important tectonic ingredient in formation of major porphyry deposits, with large scale crustal weaknesses often acting as the loci for intrusive emplacement (eg Oyu Tolgoi, Cadia-Ridgeway).

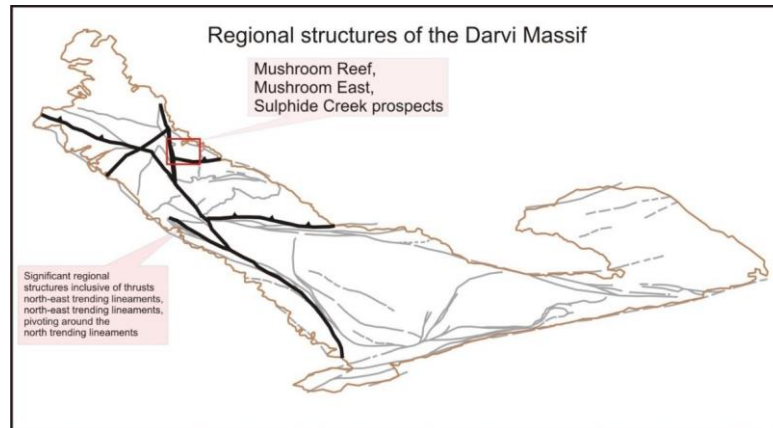


Figure 2 - Regional structures of the Darvii Massif (after BMGS). Highlighted as lineaments that portray the change of thrust direction, pivot around a north-south trending lineament that traverses the vicinity of the Mushroom Reef, Mushroom East and Sulphide Creek prospects (red square).

Of additional significance in the DNP area is the location of the massif in relation to a major regional oroclinal bend representing a change on the orientation of the axis of collage accretion onto the craton from south-north (in the east) to southwest-northeast. Such large belt-scale features are considered potentially significant in focusing deformation towards the axis of the bend and massive scale orogenic gold deposits such as Muruntau and Sukhoi Log (CAOB) and Telfer (Paterson sub-province in Australia) form in a similar regional structural setting.



Porphyry Mineralisation in Mongolia with specific reference to the type Oyu Tolgoi Deposits

Porphyry-epithermal mineralisation systems host the major copper-gold deposits around the globe. Major characteristics of these deposits are well documented. The massive porphyries of the South American Andean belts were the basis of early studies and documentation; and much of the mineralisation and alteration knowledge is derived from these relatively pristine and undeformed deposits. Outside of South America many deposits display discrete and prominent structural controls on intrusive emplacement. This is very much the case at the giant Oyu Tolgoi, which is considered here the type porphyry deposit in Mongolia, and characteristics of which will be referred to in relation to assessment of the Darvii Naruu prospectivity.

For reference, a type porphyry-epithermal system as documented by Sillitoe (Figure 3) is illustrated below.

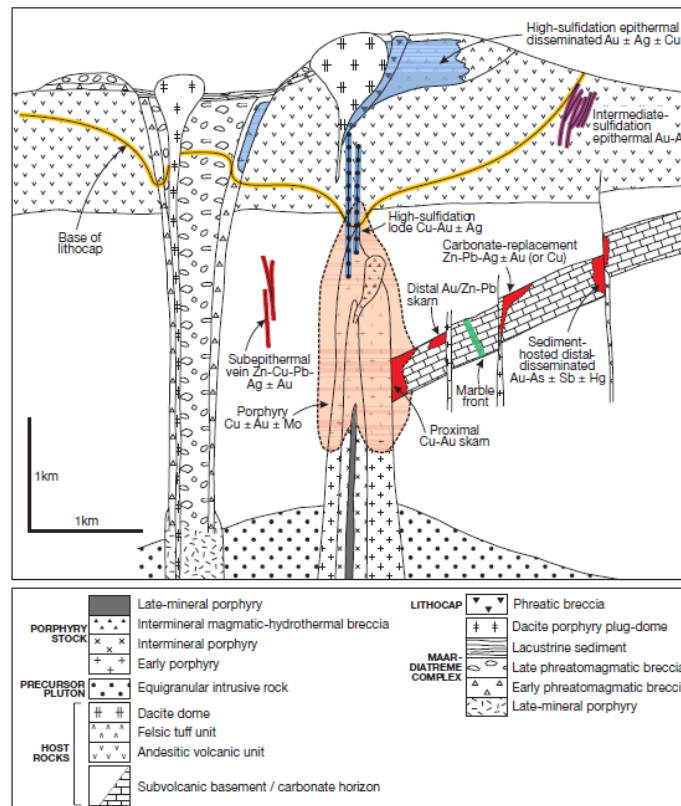


Figure 3. Anatomy of a telescoped porphyry Cu system showing spatial interrelationships of a centrally located porphyry Cu ± Au ± Mo deposit in a multiphase porphyry stock and its immediate host rocks; peripheral proximal and distal skarn, carbonate-replacement (chimney-manto), and sediment-hosted (distal-disseminated) deposits in a carbonate unit and subepithermal veins in noncarbonate rocks; and overlying high- and intermediate-sulfidation epithermal deposits in and alongside the lithocap environment. The legend explains the temporal sequence of rock types, with the porphyry stock predating maar/diatreme emplacement, which in turn overlaps lithocap development and phreatic brecciation. Only uncommonly do individual systems contain several of the deposit types illustrated, as discussed in the text. Modified from Sillitoe (1995b, 1999b, 2000).



Oyu Togoi deposit geology

Features which classify the Oyu Tolgoi deposits as porphyry-copper-type deposits include (derived from Oyu Tolgoi Technical Report – 2013):

- Mineralisation is in or adjoining porphyritic intrusions of quartz monzodiorite composition.
- Multiple emplacements of successive intrusive phases and a variety of breccias are present.
- Mineralization is spatially, temporally, and genetically associated with hydrothermal alteration of the intrusive bodies and host rocks.
- Large zones of veining and stockwork mineralization, together with minor disseminated and replacement mineralization, occur throughout large areas of hydrothermally altered rock, commonly coincident wholly or in part with hydrothermal or intrusion breccias.
- Hydrothermal alteration is extensive and zoned, which is common to porphyry copper deposits. Major alteration minerals in the biotite–chlorite, intermediate argillic, sericite, and K-spar alteration zones include quartz, chlorite, sericite, epidote, albite, biotite, haematite–magnetite, pyrophyllite, illite, and carbonate. Advanced argillic alteration zones can contain minerals such as kaolinite, zunyite, pyrophyllite, muscovite, illite, topaz, diaspore, andalusite, alunite, montmorillonite, dickite, tourmaline, and fluorite. In the leached cap, smectite and kaolinite can also occur. The alteration assemblages are consistent with the physico-chemical conditions of a porphyry environment.
- Pyrite is the dominant sulphide, reflecting the typical high-sulphur content of porphyry-copper deposits. The major ore minerals include chalcopyrite, bornite, chalcocite, covellite, and enargite. In some zones, minerals such as tennantite, tenorite, cubanite, and molybdenite have been identified. Gold typically occurs as inclusions in the sulphide minerals.
- Copper grades are typical of the range of porphyry-copper grades (0.2% to >1% Cu).

The Oyu Tolgoi porphyry-copper deposits display a range of mineralization styles, alteration characteristics, and deposit morphologies that are likely to reflect differences in structural controls, host rock lithology, and depth of formation. Structural influences account for the most part for the differences in shape and distribution of mineralization within the deposits. The more typical copper–gold porphyry style alteration and mineralization tend to occur at deeper levels, predominantly within basalt and quartz monzodiorite.

High-sulphidation mineralization and associated advanced argillic alteration are most common within the wall rocks (basaltic tuffs and fragmental rocks) to the quartz monzodiorite, where it intrudes to levels high in the stratigraphic succession and in narrow structurally controlled zones. High-sulphidation mineralization often forms in steam condensate zones and then collapses back into the hypogene zone, causing overprinting and textural destruction.

The Hugo Dummett deposits have several features that are unusual when compared with typical porphyry-copper systems, including:

- Anomalously high copper and gold grades, particularly in the northern part.
- An unusually weakly altered pre-mineral volcano-sedimentary cover sequence that lies just above the porphyry system.
- Quartz + sulphide vein contents commonly exceeding 15%, and locally in excess of 90%, in the high grade portion of the deposit.
- A highly-elongate gently-plunging tabular shape to the high-grade stockwork system.



The formation of the known, 800 m extent, high-grade portion of the Hugo Dummett deposits as a tabular, intensely veined, subvertical body contrasts markedly with most porphyry-copper deposits, which tend to have steep, roughly cylindrical, or elongate forms. The unusual form of the Hugo Dummett deposits could be the result of emplacement within a structurally restricted zone. The lack of alteration in the overlying sequence is likely a reflection of the chemical inertness of the siltstone sequences.

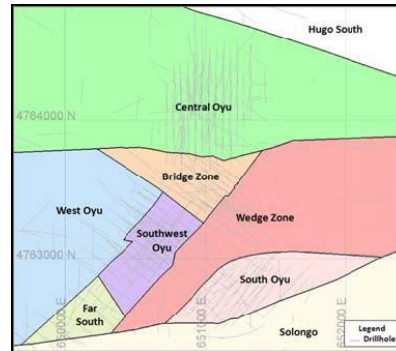


Figure 4: Schematic Plan of Southern Oyu Deposit Showing Major Zones. North is to top of figure. Grid squares are 1 km x 1 km.

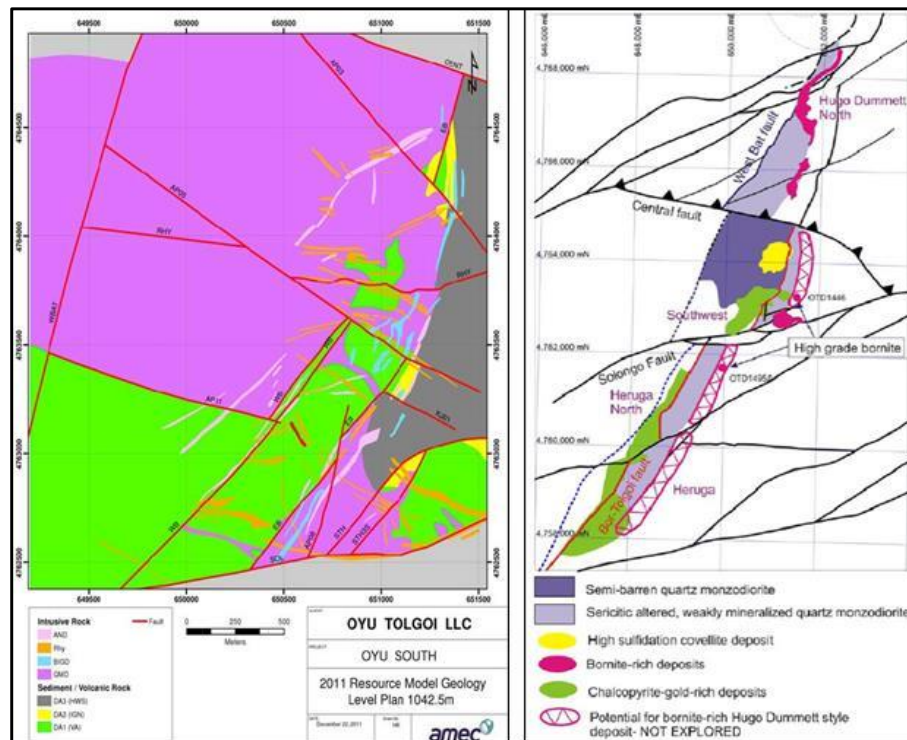


Figure 5: Oyu South Geology (left), and Prospective Mineralized Horizons (right)



Darvii Naruu Project - Mushroom/Mushroom East Prospect Geology

Detailed prospect scale geology for the Mushroom Prospects is based on mapping, interpretation and data collected by St Nicolas Mines (SNM). SNM and BM Geological Services (BMGS) have compiled two detailed reports outlining the geology and structural architecture of the Darvii Naruu Massif. Additional information has since been derived from the aerial magnetic-radiometric survey completed in May 2013. Southern Geoscience provided processed data and interpretation based on this survey. Based on available data, OzEx considers the following most important in defining the mineralisation potential of the Mushroom Prospects at Darvii Naruu:

Geology

The Palaeozoic host rock sequence consists of:

- Ordovician: siltstones and gravels
- Devonian: sequence of volcanic and sub-volcanic andesites and basalts, with sedimentary lenses of siltstones and limestones. Minor trachyte porphyry and trachybasalt
- Carboniferous: bimodal igneous activity with Felsic (granite and grandiorite) and Mafic (diorite and gabbro) intrusives
- Permian: red conglomerates, sedimentary package (sandstone, siltstone, shale, coal), and andesitic basalt

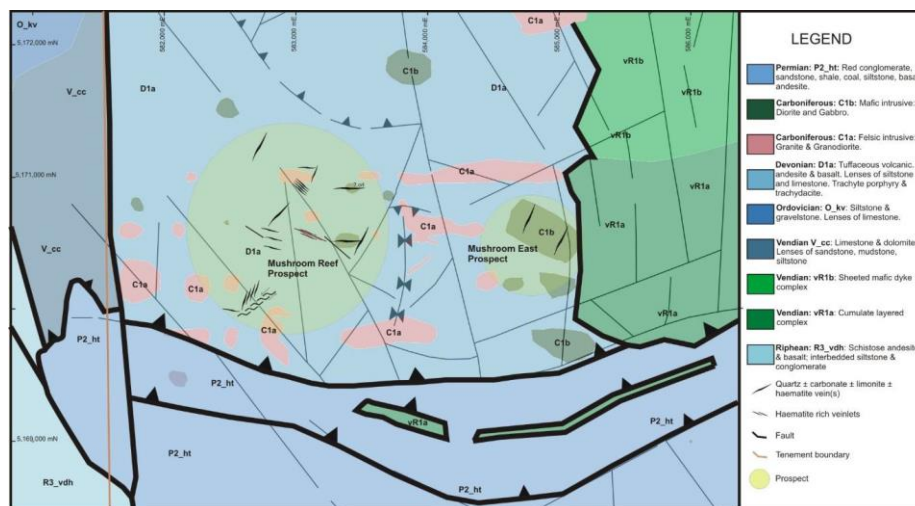


Figure 6 Mushroom prospect area geology, Darvii Cu-Au project

The host Devonian rocks are very similar in age and composition to the host lithologies at Oyu Tolgoi. The mapped presence of bimodal intrusives, and in particular the felsic components, is very significant and a key ingredient of any porphyry mineralising system. Detailed petrographic analysis is recommended as a priority to understand the exact chemistry of the dykes mapped in the area. A key ingredient at Oyu Tolgoi and many other porphyry camps (British Columbia, Canada; East Lachlan,



Australia) is the presence of syn-mineral Quartz Monzodiorite intrusives. Interestingly SNM have noted the following with respect to small intrusives mapped on the Mushroom Reef prospect:

“The felsic intrusions are pink-red and composed of quartz, alkali feldspar, plagioclase and biotite.”

The pink-red colouration is most likely attributed to hematite dusting or K-feldspar alteration. Description of the rocks did note K-feldspar (alkali feldspar) which suggests affinity to Quartz Monzodiorite, and requires urgent follow up confirmation. Figure 6 above illustrates the distribution of small felsic (C1a) and lesser Mafic (C1b) intrusives throughout the Mushroom Prospect area. While smaller dyke apophyses might not always be mineralised in a porphyry system, they can provide tremendous support to the presence of causative intrusives in the area.

Mineralisation – Assayed

Early stage soil, rock chip, and stream sediment sampling has identified significant surface anomalism across the Darvii Naruu project. Discrete zones of gold and copper mineralisation have been defined at the Mushroom Reef and East prospects. The sample distribution and mixed sample types make it difficult to identify definitive multi-element chemical anomalies consistent with porphyry system signatures. However, variable anomalism in a combination of elements including gold, copper, arsenic, zinc, lead, molybdenum, tellurium and bismuth can be considered consistent with porphyry system mineralisation.

Alteration and Mineralisation – Mapped and Detected

An outcropping porphyry system would generally display distinct potassic alteration if intersecting the porphyry intrusive centre itself. However, the complex nature of porphyry alteration systems as well as complexities associated with depth of cover, etc, will generally result in alteration signatures that are difficult to interpret. Added structural complexities only make the task more difficult. The depth of the system is a key factor to take account of with respect to alteration mineralisation, magnetic data, and radiometric data. A combination of factors at Darvii Naruu provides indications of potential for a porphyry system:

ASTER Imagery:

ASTER (Advanced Spaceborne Thermal Emission and Reflection Radiometer) data is satellite derived spectral analysis of mineralogy. It is particularly effective in highlighting the high reflectance “light coloured” minerals generally associated with porphyry systems. The ASTER imagery SNM have available over the Mushroom Prospect (Figure 7) area highlights a very large argillic alteration system over the entire prospect area, measuring more than 25Km². Argillic and Advanced Argillic alteration assemblages are characteristic of the mineralisation at Oyu Tolgoi and represents the retrograde alteration phases of the cooling system. Both porphyry mineralisation and High Sulphidation epithermal mineralisation is intimately associated with this alteration style at Oyu Tolgoi and many other deposits. The scale of the alteration cell at Darvii Naruu is considered significant, and might even indicate possibly high sulphidation mineralisation in association with a porphyry system.

Smaller zones of phyllic alteration are noted north of the Mushroom Reef prospect which might be indicative of the outer zones of a porphyry system, suggesting porphyry beneath the current cover. Silicification is also identified across the entire Mushroom Prospect area.

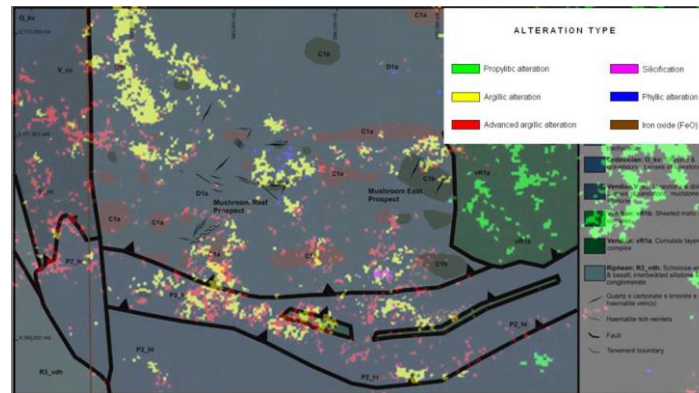


Figure 7: ASTE processed image highlighting alteration types, Mushroom Prospect.

Alteration and Mineralisation Mushroom East

The copper ± gold mineralization of the Mushroom East prospect is associated with sub-parallel sheeted quartz veins within a mafic intrusion. The width of the laminated veins vary from are 0.25 to 1.0 metre. Typically there are sets of three to five veins over and interval of 10 metres. The mineralisation outcrops on the side of a hill, and is visible from a distance by its gossanous nature. The extent of the outcrop is approximately 75 metres, however malachite and azurite is observed in numerous veins outcropping within a similar mafic intrusion along a strike of 600 metres to the WNW of the system pictured below (Figure 8). The scale and nature of the sheeted veins and alteration in this area is considered consistent with a possible porphyry style. The gossanous material indicates oxidation after sulphide.

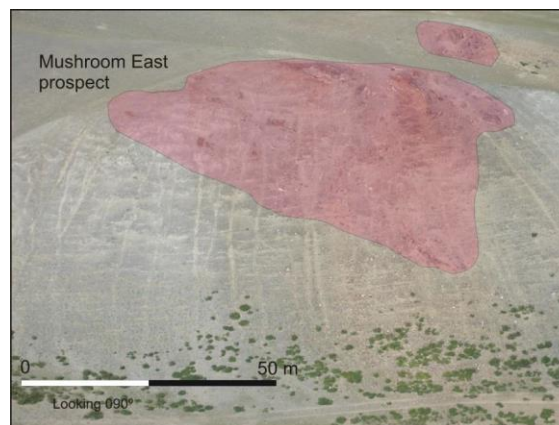


Figure 8: Mushroom East sheeted veins with gossan – malachite - azurite



Alteration and Mineralisation Mushroom Reef

The gold and copper mineralisation of the Mushroom Reef prospect is hosted by north-south bearing sub-parallel sheeted quartz veins, outcropping within an area approximately 1,100 metres x 1,000 metres which vary in width from mm dimensions to 10's cm. The veins with a smaller breadth often occur in sets of 5-10 over a metre interval. The quartz component is usually milky or sugar textured and often preserved breccia textures. Occasionally fresh sulphide (pyrite) is observed, however it is more typical to observe weak to semi-massive limonite ± haematite ± goethite. Visibly distinctive copper usually occurs as malachite focused in fracture networks. The wall rock to these veins is altered to silica + limonite + sericite + kaolinite + carbonate ± haematite ± chlorite. Most of the copper-gold mineralised quartz veins are hosted within the volcano-sedimentary strata. However some of the copper mineralisation is observed in small breccia's hosted in the mafic intrusions.

As for the Mushroom East prospect, the presence of sheeted veins in both the Mushrooms East and Reef is considered consistent with the upper zones of a porphyry system. It is recommended that the vein types be further analysed and classified into the traditional porphyry associated vein styles (A, B, D and M veins). As an example, the “sugar textured quartz” character noted in veins at the Mushroom Reef prospect maybe represent A-type veins which traditionally are emplaced during the potassic alteration stage of mineralisation. Detailed classification of veins must be completed in future field exercises.

Radiometrics

The airborne radiometric survey provides excellent coverage over the Mushroom Prospect areas. A discrete K-channel high, measuring 4km x 1km, is evident to the NNW of the Mushroom Reef prospect striking NNW. The highest intensity portion of this zone can be seen on Google Earth imagery (Figure 9) as a pink-white coloured area discolouring the western side of the hill side and small valley in this area. This area is also coincident with ASTER defined Advanced Argillic alteration zones. Of particular interest is the circular “donut” nature of the strongest part of the anomaly (Figure 10), with a discrete low point perfectly coincident with a discrete circular magnetic high anomaly (Figure 12).



Figure 9: Google Earth image looking ENE highlighting pinkish discolouration zone coincident with K-channel radiometric high anomaly. The anomaly measure almost 4km in strike

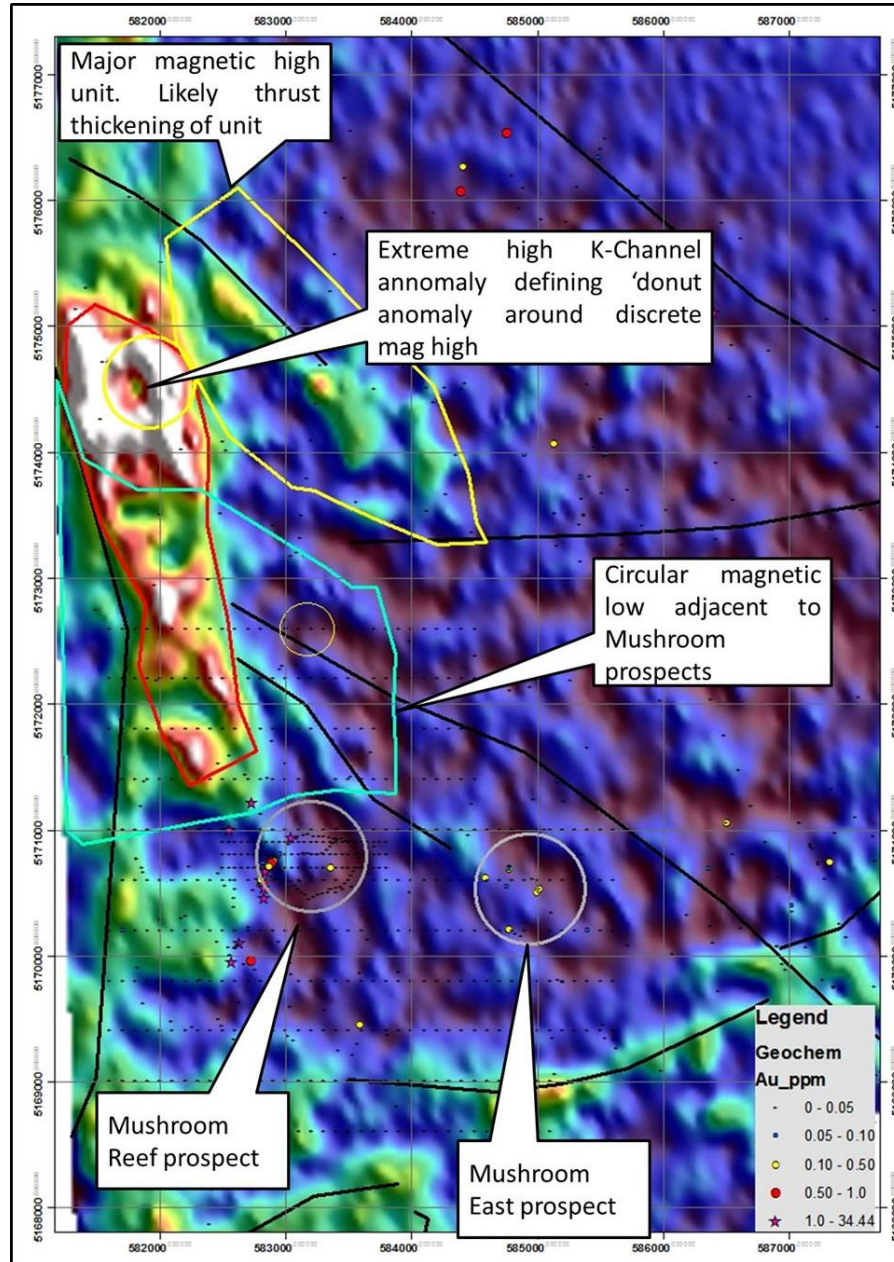


Figure 10: K-channel radiometricS with Gold geochemical samples. Note the 3.8km long K-high feature striking to NNW from Mushroom Reef. The anomaly terminates in a discrete circular-donut high with breaks suggestive of NNW faults striking through, and a circular K-low feature in the middle. Similar K-low features along the length of the anomaly.



Magnetics

Airborne magnetics have been recently completed over the Darvii Naruu project area. The magnetic signature for a porphyry system footprint can vary considerably dependent on the erosional level compared to the intrusive centre. Figure 11 below illustrates typical signatures from three known porphyry deposits, illustrating the different magnetic patterns relative to vertical level of the system.

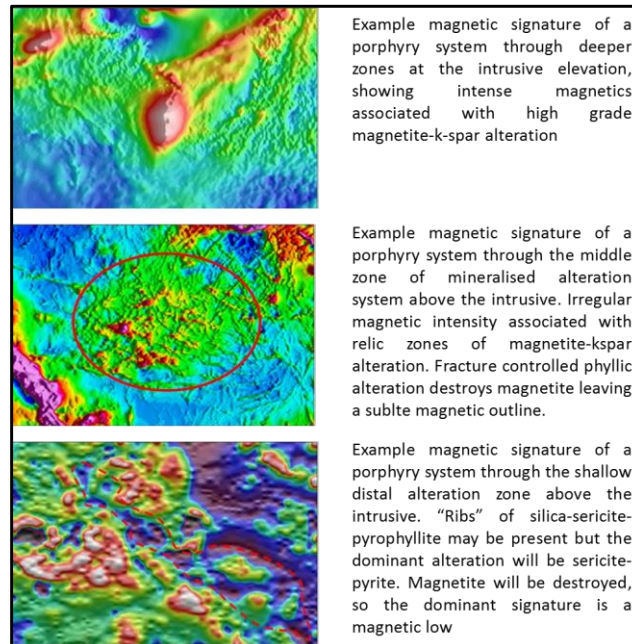


Figure 11: Examples of magnetic signatures associated with porphyry ore bodies at varying depths through a system

Analysis of the magnetics at the Mushroom Prospect (Figure 12-13) highlights the following discrete anomalies which appear related to a porphyry system:

- Mushroom Reef displays a discrete circular magnetic low at the northern end of an elongate magnetic low feature. This may be related to the upper phyllic-sericite or argillic alteration zone at shallow levels above a porphyry body. This is consistent with the ASTER imagery showing discrete argillic alteration zone on the same trend. The quartz veins mapped at Mushroom Reef (sheeted quartz veins) might represent distal early stage veins
- Discrete circular magnetic high (600m x 600m) 4km NNW of Mushroom Reef is perfectly coincident with K-channel radiometrics. This could be considered consistent with intersection of the deeper levels of a porphyry system, with magnetic elevation associated with magnetite in the intrusion, and the high-K radiometrics reflecting higher temperature potassic alteration
- Significant large scale (2.5km x 2.5km) circular magnetic low feature immediately north of Mushroom Reef. Possibly indicative of large intrusion at depth, with zone of magnetic destruction above the intrusion relating to destructive phyllic alteration zone. Small scale (200-



300m) magnetic high point anomalies are situated within this feature possibly representative of smaller porphyry apophyses emanating off the larger stock at depth.

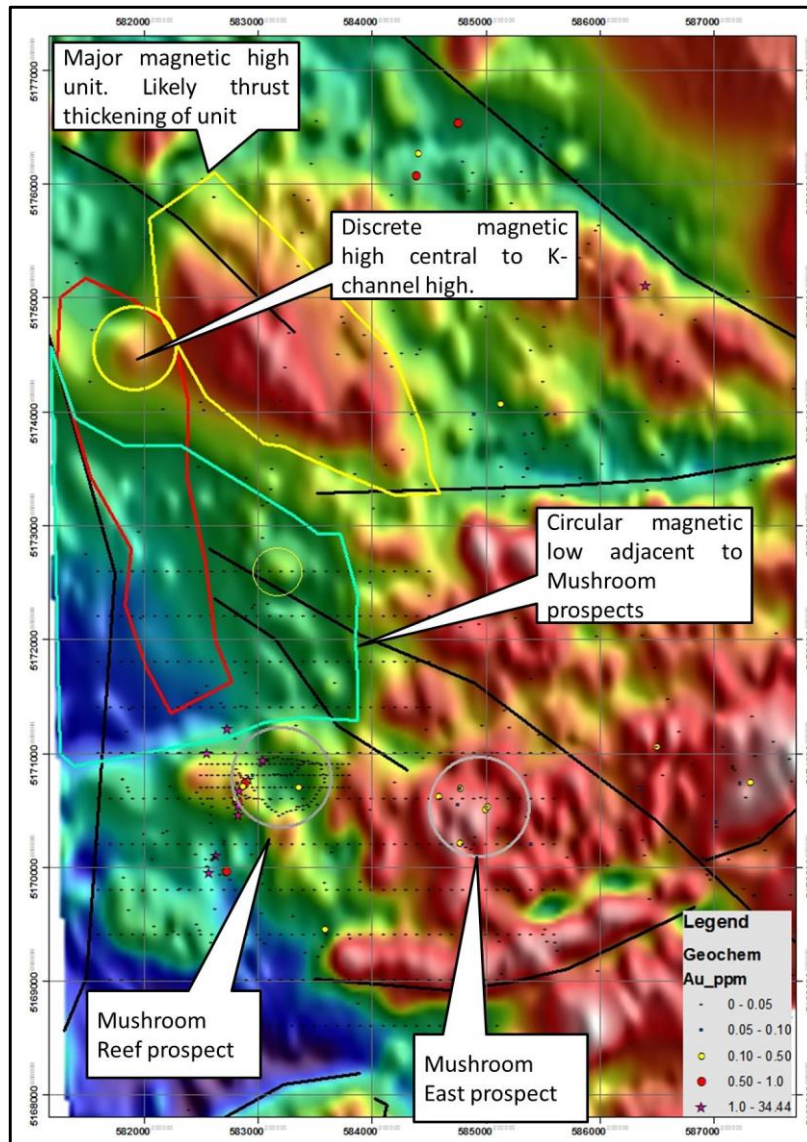


Figure 12: RTP magnetics, NE shade, with Gold geochem samples. Note discrete circular magnetic high in the North West corner coincident with K-high anomaly. Circular magnetic low structure (2.5km x 2.5m) immediately north of Mushroom Reef. Circular magnetic low (600m x 600m) aligned with elongate structurally associated magnetic low at Mushroom Reef.

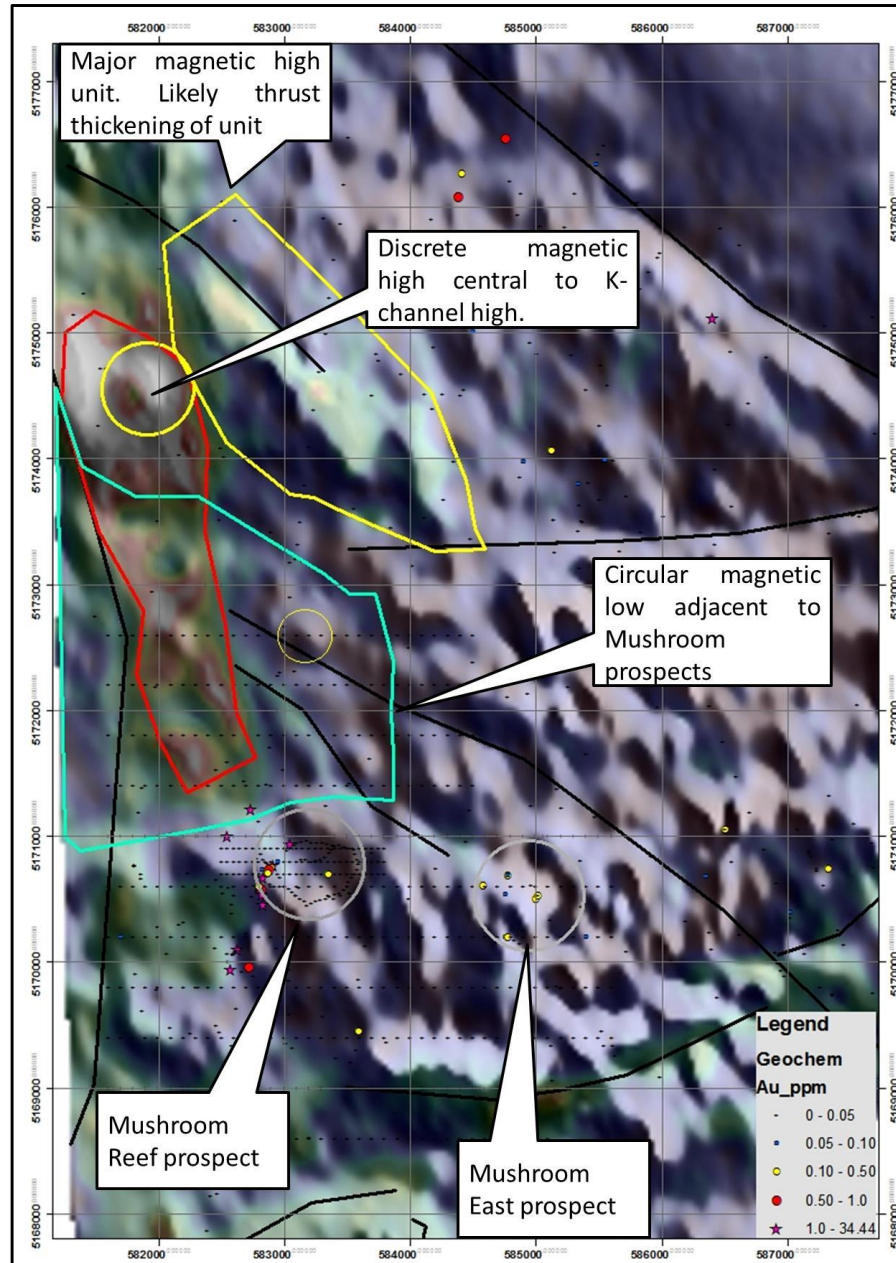


Figure 13: RTP magnetics, grey scale NE shade with 75% transparent K-Channel overlay highlighting coincident Magnetic high-K-channel High in NW. Priority target for ground trothing.



Darvii Naruu vs Oyu Tolgoi Geological Summary

There are a number of geological features, observations, and data suggesting a possible porphyry affinity for mineralisation identified at the Mushroom Prospect at Darvii Naruu. Table 1 below summaries key features identified at Mushroom in comparison to the Oyu Tolgoi deposits to illustrate the similarities. Additionally the comparative ASTER data at same scale from both areas is illustrated below (Figure 14) highlighting considerable similarities.

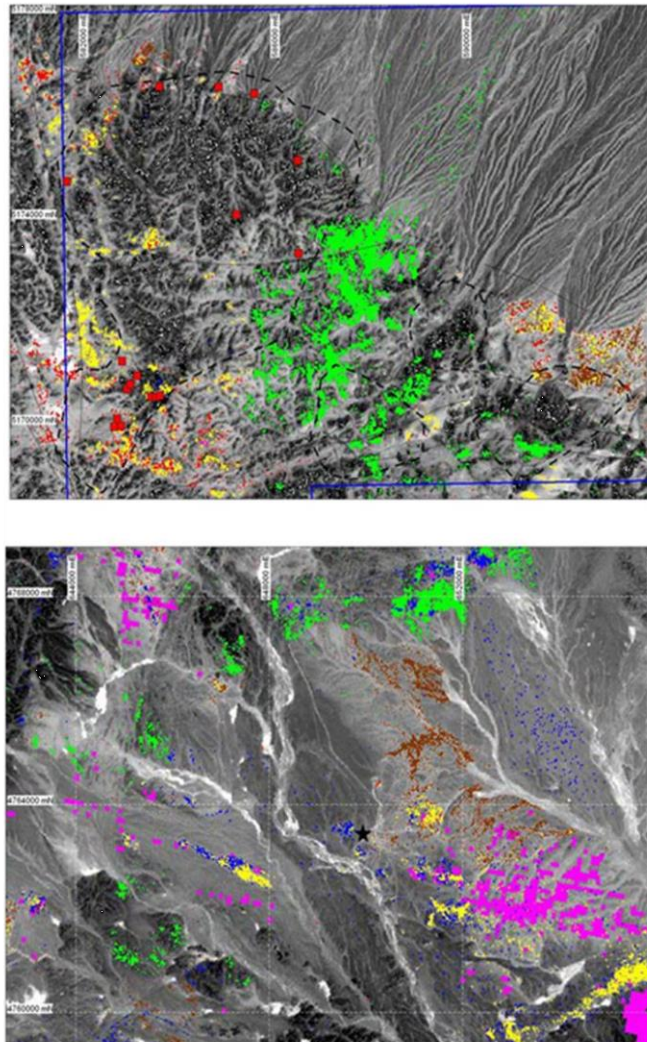


Figure 14: ASTER images from an unidentified source but used for comparative exercises. A: ASTER signature at Anomaly 1 (western black dashed polygon), B: ASTER signature at Oyu Tolgoi (black star). Both images are scaled the same.



Table 1 – Summary Prospect characteristics of Darvii Naruu vs Oyu Tolgoi

Geological Feature	Darvii Naruu	Southern Oyu Deposit - Southwest Oyu	Southern Oyu Deposit - South Oyu	Central Oyu Deposit	Hugo Dummett – Hugo South	Hugo Dummett – Hugo North
Zone Dimensions	Total Mushroom Prospect area measures approximately 5km x 5km (25km ²). Individual target zones measure approx. 1000m x 1000m	Gold rich porphyry system defined by SW plunging shoot to 700m depth. High grade core 250m diameter. Low grade copper shell 600m x 2000m	Basaltic volcanic deposit related to strongly sericite altered QMD dykes 400x300m to depth of 500m	500m deep 2500m wide 200-600m long	Porphyry style mineralisation associated with QMD intrusives concealed beneath Dev-Carb sediments and volcanics. Highly elongated trend of deposits over a 3km NNE strike. Hugo South: 650m wide x 850-1300m long Hugo North: 1800m x 500m. Contiguous with south separated by fault striking 110, dip 45-55N.	
Host stratigraphy	Devonian andesite-basaltic volcanics, with lenses of siltstone and limestone	Upper Devonian 80% hosted in massive to fragmented and basalt.	Upper Devonian basalt and basaltic tuffs. Overlain by mudstones and conglomerates.	Porphyritic augite basalt and basaltic tuff	Devonian porphyritic augitic basalt and volcanics. Overlain by basaltic tuffs and breccias. Structurally overlain by a sedimentary-volcanic package.	
Intrusive lithology	Carboniferous (Late Devonian?) bimodal felsic and mafic intrusives. Possible QMD	Late Devonian quartz-monzodiorite (QMD) intrusives as irregular plugs and dykes	Swarm of feldspar phyric QMD dykes Irregular QMD intrusion	Several phases of intra-mineral and late-mineral QMD intrusives. Dykes emanate from a QMD mass to NW	Multiphase intrusives, dominantly QMD, contemporaneous with mineralisation and alteration.	
Post mineral intrusives	Unknown	Rhyolite and andesite dykes and biotite granodiorite.	Rhyolite and basalt intrusive dykes	Rhyolite and biotite granodiorite and dacite dykes		
Structures	Confluence of major faults/lineaments in NS-EW-NW faults, thrusts	Deposit lies between two major NE bounding faults defining dilational fault transfer zone	Faulted block bounded by NE and ENE faults	Not well understood. Post mineral faulting through ore.	4 sets of major faults cross-cut deposit. Some minor folding observed.	
Mineralisation	Mapped sheeted quartz veins with oxidised sulphide – malachite, limonite-gossan. Some pyrite=chalcocopyrite?	Qtz dominant veins + py-cpy-bo ± kspars-chl-cb veins. Sheeted veins mm-cm's in width, and upto 1m in core of deposit	Copper is in qtz stockwork of thin <10cm qtz-sulphide veins hosted in QMD in the SW of the deposit. Central mineralisation hosted in basalts, and basaltic tuffs in the north. Disseminated cpy-bo-mo is common. In high grade Bo>cpy, with magnetite veins 60m thick oxide zone overlies deposit	Secondary enriched chalcocite blanket over deposit. Cpy-Au in Sth and W margins hosted in QMD and basalt adjacent to intrusive contact. High grade in qtz stockwork. Au(ppm):Cu(%) = 2:1 High sulphidation mineralisation overprints porphyry style. Low gold, high copper associated with enargite	High grade (>2%) copper zone centred on intense qtz stockwork in QMD intrusives. Cpy-bo-chalcocite-py main assemblage. Minor occurrences of mo-enargite-tenantite-covellite in pockets of advanced argillic alteration in HG zones.	Intense stockwork of sheeted qtz veins. In main zone >90% of rock has >15% qtz veining in QMD intrusives. Au (ppm):Cu (%) approx. 0.5:1 ratios. Cu>2%: Zoned Bo-cpy Cu<1%: py-cpy
Alteration	Outcrop is generally oxidised. Areas of possible k-alteration mapped. Extensive strong K-channel alteration anomaly. Asta Argillic to Advanced Argillic zones, & phyllic alteration	Moderate chl-bt-hm-mt alteration QMD has qtz-ser-py±al±b Minor advanced argillic alteration zone associated with breccia	Qtz-ser-kaolin with late divkite veins in small high sulphidation zone	Supergene zone occurs beneath 20-60m leached cap of hematite-limonite-goethite	K-spar, advanced argillic alteration. Musc-sericite alteration in intermediate argillic altered zones. Very complex alteration zoning due to multiphase intrusive history	Biotite-Kspar-magnetite ±ch-muscovite-sericite-albite Some advanced argillic alteration zones.



Summary and Conclusions - Darvii Naruu mineralisation potential

There has been significant early stage exploration data collected over the Mushroom Prospect area on the Darvii Naruu Project in Western Mongolia. OzEx Consulting has reviewed all available data and believes strong evidence is present to suggest potential for the mineralisation on the Mushroom Prospects to be related to a porphyry-epithermal system. Key items to consider include:

- Tectonic setting in a mature arc terrane in a known porphyry-hosting mineral belt.
- Relative age of host stratigraphy and potentially intrusive units (Devonian-Carboniferous) consistent with known porphyry mineralising events in the belt (cf Oyu Tolgoi).
- Mapped and assayed gold-copper anomalism up to ore-grade in outcrop over many sites.
- Variable geochemistry, while not fully coherent, displays anomalism in a suite of elements (Au, Cu, Te, Zn, Pb, As) consistent with porphyry system signatures.
- Similar host lithologies (andesitic-basaltic volcanics, marine sediments) to Oyu Tolgoi.
- Mapped presence of bimodal intrusives, with possible quartz-monzodiorites mapped in field to be confirmed.
- Extensive zones of argillic-advanced argillic alteration identified over a 25km² area through ASTER analysis.
- Extensive and potentially structurally controlled zones of high-potassic K-channel radiometric anomalism.
- Discrete magnetic signatures coincident with identified argillic alteration and potassic alteration zones, structural corridors, and assayed anomalism consistent with possible porphyry systems.

OzEx would recommend a number of follow up activities as a priority to further confirm the providence of the mineralisation so far identified at Mushroom. This would include but not be limited to:

- Petrographic and detailed multi-element description of intrusives in the area, especially the “K-spa” felsic units, to determine potential presence of quartz monzodiorites.
- Spectral analysis of hand specimen samples using hand-held ASD to determine alteration assemblages.
- Field check the K-High/Mag High anomaly to north of Mushroom Reef.

Justin Osborne

Principal – OzEx Consulting

BSc (Honours) – Geology

Fellow AusIMM

APPENDIX B



SOUTHERN GEOSCIENCE
CONSULTANTS

Southern Geoscience Consultants Pty Ltd ACN 067 552 461
Level 1, 183 Great Eastern Highway, Belmont WA 6104 AUSTRALIA
PO Box 694, Belmont WA 6984 AUSTRALIA
T +61 (8) 6254 5000 F +61 (8) 6254 5099
E geophysics@sgc.com.au W www.sgc.com.au

MEMORANDUM

TO	Nigel Gellard, Leigh Junk Sentosa Mining Ltd.
FROM	Bruce Craven
DATE	August 27 th , 2013
REPORT NO.	SGC2663
RE	Darvii Naruu Exploration Potential and Programme Summary

1 INTRODUCTION

The following review of the minerals exploration potential of the Darvii Naruu tenements was requested by Sentosa Mining Ltd. (via Nigel Gellard) to consolidate and expand on the recently completed interpretation of the Darvii Naruu aeromagnetics and radiometrics (Southern Geoscience Consultants' [SGC] report 2646; July, 2013). The project is considered to have exploration potential for large, economically significant base and precious metal mineralisation. The coal potential within the Palaeozoic sediments also warrants consideration. Sentosa's primary focus is intrusive (porphyry copper-gold) related mineralisation, using Oyu Tolgoi as a model. Secondary commodity objectives are nickel-copper-PGE sulphide mineralisation and structurally controlled (orogenic) gold mineralisation. Coal has also been reported in the upper Palaeozoic sequence (Permian age?).

2 INFORMATION ASSESSED

The information evaluated in this review includes:

- Updated regional geological compilations and interpretations, compiled by Niquaero LLC for BM Geological Services (BMGS), specifically Jonathon Smalley and Darryl Mapleson (BMGS Memorandum, 9/8/2013). This compilation is primarily based on Mongolian Government mapping and published research in the region, supplemented by Niquaero's field observations and mapping within the project area. It lacks detail at the project scale, where compositional variations within the major mapped units are significant.
- Soil, rock and stream sampling data collected by Niquaero. The soil and rock sampling data are focussed on the Mushroom Reef-Mushroom East prospect in the north-western section of the project. Anomalous / elevated copper and gold results have been identified and transferred onto the regional geological compilation ([Figure 1](#)) and the SGC aeromagnetic-radiometric interpretation ([Figure 2](#)). The data for other elements was not interrogated. A detailed analysis of this dataset should be undertaken as a priority during any future exploration within the project.

international consulting geophysicists

- Updated local surface mapping and / or selected observations from Niquaeros personnel, mostly in the Mushroom Reef prospect area.
- The litho-structural interpretation of the aeromagnetics and radiometrics completed by SGC in July, 2013 (SGC report 2646). This should be revised to incorporate BMGS's revision of the regional and local geology.

3 PORPHYRY COPPER GOLD POTENTIAL.

3.1 Mushroom Reef - Mushroom East Prospect

Niquaero's staff have identified oxidized $\pm$ minor sulphidic copper $\pm$ gold mineralisation within quartz $\pm$ carbonate $\pm$ limonite / goethite $\pm$ haematite vein sets at the Mushroom Reef and Mushroom East prospects. The mineralisation is hosted within variably altered Devonian age mafic to intermediate volcanics with intercalated sediments (Teel Formation). The sequence is intruded by a mixed suite of small to moderate sized felsic, intermediate and mafic intrusives. The known mineralisation occurs in both the volcano-sedimentary sequence and the later intrusives, particularly the dioritic- gabbroic members. These intrusives are interpreted to be late Devonian or perhaps Carboniferous in age.

The presence of significant mineralisation within Devonian age host rocks is considered highly significant. Equivalent age rocks within the Central Asian Orogenic Belt host the majority of the known porphyry copper-gold mineralisation in this terrane, including Oyu Tolgoi.

The complex geological environment containing the Mushroom Reef / Mushroom East prospect is considered favourable for the development of substantial hydrothermal alteration systems, including porphyry copper-gold systems. The large, roughly east-west striking faults cutting through the area could be interpreted as transfer-linking structures between the major, north-westerly striking regional faults to the east and west. Similar structural settings are seen in many porphyry copper provinces.

Further mapping and geochemical sampling is recommended for the Mushroom Reef and Mushroom East prospect areas. The main objectives would be to better characterize and define both the known mineralisation and alteration. Thorough analysis of the Aster and or Landsat satellite imagery should also be undertaken to identify and map the alteration assemblage. Ideally, higher resolution spectral scanner data should be acquired to help map the alteration in detail.

Induced polarization surveying is recommended for the Mushroom Reef – Mushroom East area prior to drill testing the prospect. This survey should map the near and sub-surface sulphide distribution in and around the main prospect areas, resulting in a better understanding of the strength and size of the sulphidic alteration system and providing better control for eventual drill testing. There is a reasonable chance that the known mineralisation is the surface expression of a more extensive, predominantly blind alteration system.

3.2 Northern Devonian Block

The prospective Devonian age rocks hosting the Mushroom Reef - Mushroom East mineralisation extend well to the north from the known prospects, before either disappearing beneath Cainozoic alluvials and sediments or terminating against the regional scale north-westerly fault that crosses the north-eastern corner of the Darvii Naruu tenements. Though Niquaero have not identified outcropping mineralisation in this area, the existing stream and rock sampling geochemistry indicates quite widespread low to moderate level copper and gold anomalism. This, in combination with the Devonian age rocks and major structural intersections, highlights the northern part of the exposed Devonian

rocks as a potentially favourable location for porphyry copper-gold alteration systems and mineralisation.

3.3 Other Porphyry Copper-Gold Opportunities

No other Devonian age volcano-sedimentary sequences and intrusives have been recognized in the Darvii Naruu area as yet.

Cambrian and Carboniferous age felsic-intermediate intrusives, particularly in structurally favourable settings, also warrant investigation for their copper-gold potential. The Carboniferous intrusives seem to be more felsic- intermediate in composition than the Devonian intrusives in the greater Mushroom prospect. The existing geochemical sampling indicates an association between some of the Carboniferous granitoids and gold geochemical anomalism. This warrants further investigation via field mapping and additional sampling.

4 NICKEL COPPER PGE POTENTIAL.

Niquaero have identified nickeliferous sulphides within the Vendian-Riphean age basement at Sulphide Creek. Though little follow up investigation has been undertaken, the presence of sulphidic nickel assemblages demonstrated the exploration potential of the host mafic-ultramafic complexes. The mapping and aeromagnetics indicate that these strongly deformed, layered complexes are widespread throughout much of the Darvii Naruu area. The more magnetic units have been interpreted as probable high MgO ultramafics, with the less magnetic units being interpreted as gabbroic or lower MgO ultramafics.

The deformed, layered lithological pattern is assumed to predominantly reflect original compositional variations, with some degree of structural and metamorphic modification. Though these mafic-ultramafic rocks have been assumed to be part of an ophiolite complex, the patterns are consistent with either major, repeated mafic sill emplacement or extensive extrusive mafic-ultramafic flow sequences, either of which could be more prospective for nickel sulphide mineralisation than routine ophiolites.

The magnetics interpretation ([Figure 2](#)) reflect the complex structural history of the Darvii Naruu region, the early stages of which were associated with the formation of a major basement dome in the southern-central part of the aeromagnetic coverage.

The aeromagnetic mafic-ultramafic units appear to continue at depth below relatively thin Palaeozoic sediments ± volcanics on the western side of the project area.

Approaches to evaluate and explore the mafic complexes for Ni, Cu or PGE mineralisation include:

- Engage a nickel / ultramafic geology specialist to advise on the nature and prospectivity of the mafic-ultramafic complexes.
- High powered airborne EM surveys (e.g. VTEM or Helitem) over the more prospective portions of the complexes. This approach should rapidly identify any significant shallow to moderately deep massive sulphide deposits. Ground EM may be desirable to follow up significant airborne EM anomalies.
- Detail mapping and sampling of prospective horizons.
- Review the existing stream, rock and soil sampling geochemical datasets and expand the coverage if warranted.

5 OROGENIC AND INTRUSIVE GOLD POTENTIAL

The recently completed aeromagnetic interpretation illustrates a structural-lithological architecture that could host substantial gold bearing alteration systems. The main components of this are the complex, long-lived regional fault systems (transcurrent in part), the interpreted Proterozoic dome / antiform in the centre of the aeromagnetic survey area and large scale granitic intrusives of various ages (early and mid-Proterozoic, Carboniferous).

Several low to moderate amplitude gold anomalies have been identified by Niquaero's stream and rock sample geochemistry (Figures 1 and 2). These occur in a variety of geological settings, commonly being associated with faults interpreted from the magnetics, nearby granitic intrusives (mostly Carboniferous) and the Proterozoic mafic-ultramafic complexes. These geochemical anomalies in favourable geological settings are rated as high priority follow up targets for gold mineralisation.

Approaches to evaluate and explore for economically significant gold mineralisation in the project area include:

- Review the existing stream, rock and soil sampling geochemical datasets and expand the coverage if warranted.
- Detail mapping and sampling of areas of known gold anomalism. This should include a review the structural settings of the various anomalous area.
- Review and refine the regional structural setting to highlight likely dilational settings. This may include satellite and or photo-geological interpretations and possibly refinements to the existing aeromagnetics interpretation. If undertaken, this work should include identification of possible alteration signatures.
- Electrical geophysical surveys (e.g. induced polarization) and detailed ground magnetics surveys may be useful at more advanced stages of exploration.

6 COAL AND OTHER COMMODITIES

The potential for economically significant coal deposits or other metallic deposit styles has not been reviewed for this report.

7 CONCLUSIONS

Exploration and evaluation of the Darvii Naruu project is early stage. The presence of outcropping copper-gold and nickel sulphide mineralisation at the Mushroom and Sulphide Creek areas, both in favourable geological settings, are positive indicators to the potential for economically significant mineralisation in the Darvii Naruu area. The regional geological setting, combined with the existing geochemical database and the recently acquired and interpreted aeromagnetics-radiometrics dataset all indicate significant potential for large scale copper-gold, gold or nickel-copper-PGE mineralized systems within the project.

8 REFERENCES

- Craven, B.L., 2013** Darvii Naruu Project Aeromagnetics-Radiometrics Interpretation. Proprietary report for Sentosa Mining Limited; July, 2013.
- Smalley, J. & Mapleson, D., 2013** Geology of the Mushroom Reef, Mushroom East Cu-Au Prospects and the Sulphide Creek Ni-Cu prospect. Proprietary memorandum for Sentosa Mining Limited; August, 2013.

