

638001

00_4435

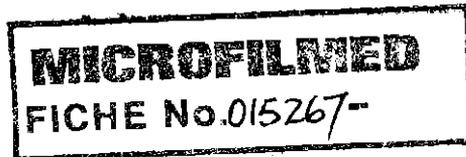
Annual Report - EL1/92 - Dans Rivulet

Cuttack Mining and Exploration NL*

Anon

EL1/92

CUTTACK MINING AND EXPLORATION PTY LTD



ANNUAL REPORT

EL 1/92

DANS RIVULET

10 APRIL 2000

00_4435

Annual Report - EL1/92 - Dans Rivulet

Cuttack Mining and Exploration NL*

Anon

EL1/92

638002

EL1/92PT3
See folio 50.

Cutrack Mining and Exploration Pty Ltd

ACN 009 579 739

50 Cottons Drive Little Swanport Tasmania 7190

PO Box 63 Triabunna Tasmania 7190

Tel (03) 62 577445

April 10 2000

Annual Exploration Report for EL 1/92 Dans Rivulet

Background

The Company's main exploration target has been the remaining auriferous reef known as O'Briens No. 1 lode in the Dans Valley, North of Mathinna. In 1997 we commenced an exploration decline on the no. 1 reef under a joint arrangement with Mr Garry Fisher. The work was immediately beset with difficulties pertaining mainly to the broken nature of the Mathinna beds and the need for expensive shoring up as progress was made underground. Indeed we had part of the underground decline collapse and we had to open the initial open-cut section to a greater extent than originally intended simply to make a safe entry to the drive.

The costs of the work together with the greater than expected amount of water entering the decline made for slow progress and eventually by about mid-1998 Mr Fisher had proven unable to meet the expectations both as to costs of the work and to on-ground progress. We made little progress from then until mid-1999 and in fact had to seek a suspension of exploration expenditure during the 1998-99 exploration year. This was granted as per letter of May 4 1999 under certain conditions including making up for the expenditure shortfall and completing the decline by end of the 1999-2000 reporting period. While we have met the expenditure target we are still unable to report completion of the decline to target depth. Nevertheless, we believe that in the circumstances we have made good progress and are within a modest period of completion of the decline.

One of the main problems we had encountered was that the use of explosives to advance the decline was particularly unhelpful in terms of associated hazard from shattered rock in both the walls and roof of the decline. The Mathinna slate or shale bed encountered has several strong joint planes in both the vertical and near horizontal alignment and the blast effects were found to be loosening the rock to an unacceptable degree.

The alternative approach in 1999-2000

We were fortunate in obtaining the assistance of a capable machinery engineer who has become a working partner in the exploration effort. He has, almost single-handedly, designed and developed a method of underground boring and rock breaking which has obviated the need for explosives. As well, the ingress of water to the decline has been brought under control to an acceptable extent by a staged series of pumps and holding tanks.

It would not necessarily be obvious to the casual observer just how much effort has gone into building and refining the rock cutting approach, as the machinery now in use is the culmination of months of preparation and trial both above ground and below. The core piece of equipment is based around an Atlas Copco air track which is pneumatically driven from an above-ground

compressor but uses diesel hydraulics for the ram. The extension boom or ram has been lengthened under trial and as a result of experience within the confines of the drive and is now at something like the Mark IV stage. Earlier, a large diameter diamond rock cutting saw was trialed but found to be difficult to control in the particular rock material. This was superseded by several different types of auger bits and finally a re-building of the hydraulic boom to give greater cutting depth from a standing position off the air track. The present system consists of a 40 cm diamond-tipped auger which is used to drive approximately one-metre depth holes in a pattern from which the intervening rock can be broken free with a rock breaker which is also attached to and driven by the air-track. Bogging out follows before the cycle is repeated.

When we pumped out and re-entered the decline in October 1999 we found that the drive work undertaken by Mr Fisher to the 62 metre mark had a section some 8 metres long where the intended declination had not been maintained. It turned out that this was also a factor attributable to the difficulty of placing explosives underwater, the rate of water ingress always being such that it was not possible to work from a dry base. We had first to remove some 24 cubic metres of rock to bring the decline drive back on track to reach the reef area estimated to be approximately 78 metres from commencement.

This work was completed by January 21 2000 and from that time onwards we have had progress of some 9 metres of decline drive representing removal of some 81 cubic metres of rock. This places us at approximately the half way point from the area cut by explosives to the target depth and we therefore estimate it will take another three months to reach the 78 metre mark, or some two months beyond the reporting year deadline.

It should be emphasised that our approach has been one erring on the side of caution, given the earlier experience of collapse of the roof area, and we are confident that the rock is being broken out in a much safer, if somewhat slower, manner than occurred previously. It should be pointed out that a rock breaking and removal cycle occupies more than one day, and no amount of hurrying should be allowed to override safety considerations. The decline usually takes about 2 hours to pump out each morning, then as work might commence on the auger boring at several stages during the day time is again taken to pump the floor dry. Once the boring pattern is completed, the rock breaking cycle requires that the air track be backed out of the drive for fitting of the rock breaker to the opposite end of the boom to the auger, the latter having to be removed at the same time. The machine is then advanced down the drive and rock breaking can commence once water is again removed. Rock breaking a metre depth, albeit between large diameter holes still requires care and time, and it is unlikely that a whole cycle can be completed in one day.

Delays in the operation also occur due to inclement weather, machine breakdowns and the need to maintain equipment. We have also lost some expensive diamond-tipped cutters during auguring, all of which requires time for replacement. Nevertheless, considering the alternative of attempting to continue blasting the face we feel we have achieved worthwhile outcomes if somewhat more costly to our own resources and somewhat slower than hoped for. The headwall rock is now much more solid and stable in feel and appearance, and in the last 2 weeks we have broken into a harder mudstone/sandstone material which is holding up very well to the extraction face.

Costs of exploration 1999-2000

In the 1998-99 reporting year we expended only \$8000 as part of Mr Fisher's effort to reach the 62 metre mark in the decline. Allowing for the over-run of expenditure of some \$33,000 in 1997-

98 reporting year, we had a shortfall of \$9,000 in 1998-99 to make up as well as our expenditure of \$50,000 for the 1999-2000 year. We have exceeded these figures in the last exploration year. Our total for the year is in excess of \$80,000 including machinery plant and equipment, labour and consumables. The breakdown is as follows;

1999-2000 Expenditure

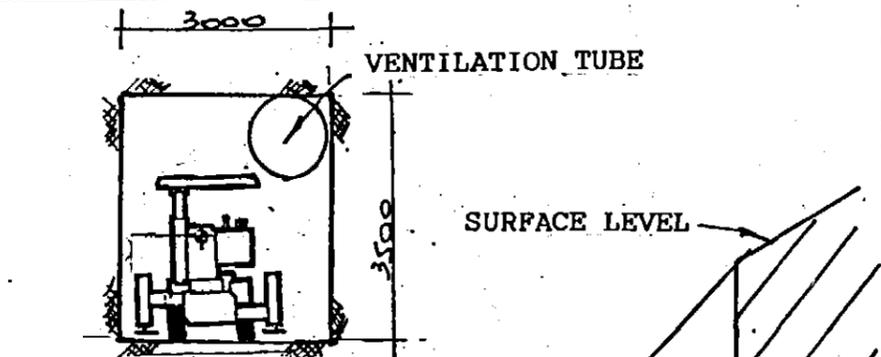
Machinery acquisition (depreciation value attributable to this exploration year)	\$17,000
Machinery development costs, repairs, breakages and losses	\$15,500
Consumables (Venting, pumps, fuel, safety equipment, servicing)	\$11,500
Labour and on-costs	\$21,500
Insurances and miscellaneous	\$9,500
Transport and travel	\$4,500
Administration	\$3,000
	Total \$82,500

Proposed work

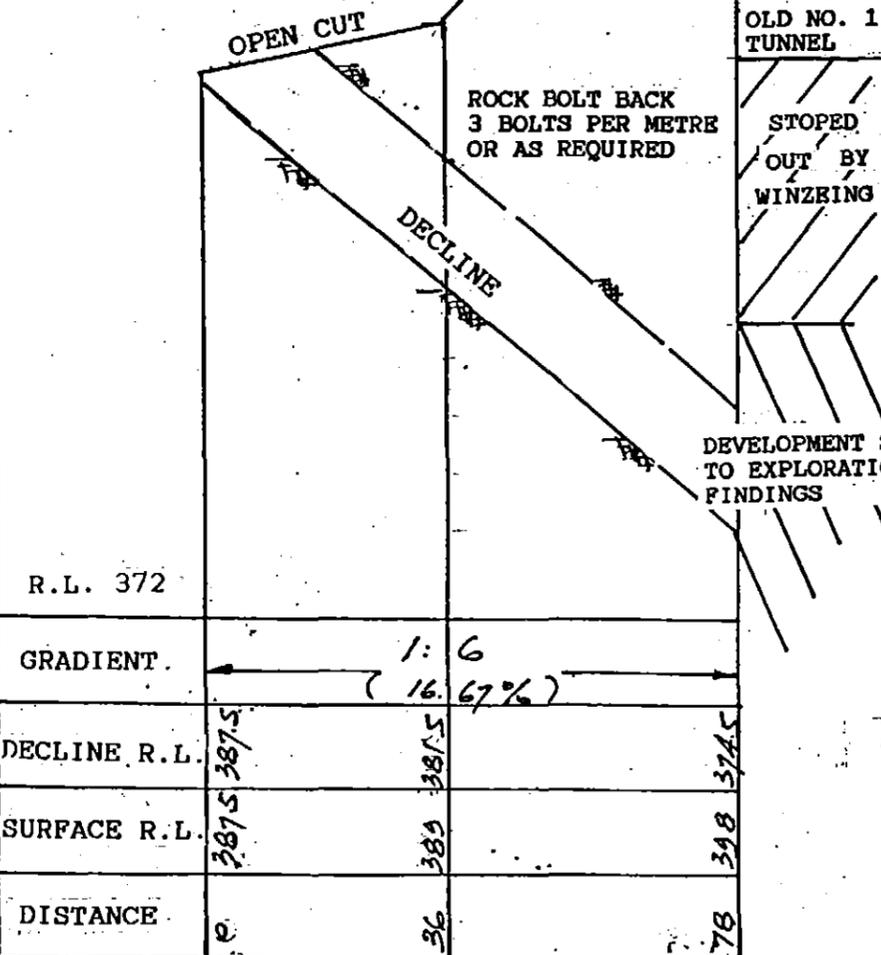
We intend to complete the decline to the 78 metre mark. This will put us between the old shaft and the surface expression of the front reef (see plan). We believe that there are two reefs in parallel alignment with at least the second reef lying to the north of the old workings. We have some doubts as to whether the old shaft did in fact go to the alleged depth of 160 feet as we have not been able to probe below about the 30 foot mark. The absence of fresh rock around the headwork is also a mystery, and may well indicate that the shaft was not actually completed to its target depth. This would mean that the hole known as MD1 drilled in 1953 (HUGHES) which allegedly encountered old workings at the 145 foot level had in fact shallowed and encountered old workings below the original adit. If at the 78 metre mark we have not encountered the reef (or reefs) we intend to sub-contract an underground boring program concentrating on the area directly west of the decline and also to the north of the decline.

The plans submitted by Mr Fisher in 1997 are deficient in one rather critical point: The contour interval is shown as 10 metre whereas it should be 20 metres, the salient point being that our decline will, in elevational terms, be closer to the reef(s) at the alleged known intersection of Mines Department DDH 3 (Hughes, 1954) than was envisaged when we commenced this exploration decline. Our 78 metre mark will still be horizontally some 30 metres short of this point in the reef but underground drilling should intersect the reefs well before the known strike.

We are in the process of raising more shareholder capital and of introducing some new equity partners. We believe that we will have the capacity to continue the investigation of the O'Briens No.1 reef as well as other reefs on the Exploration Licence area.

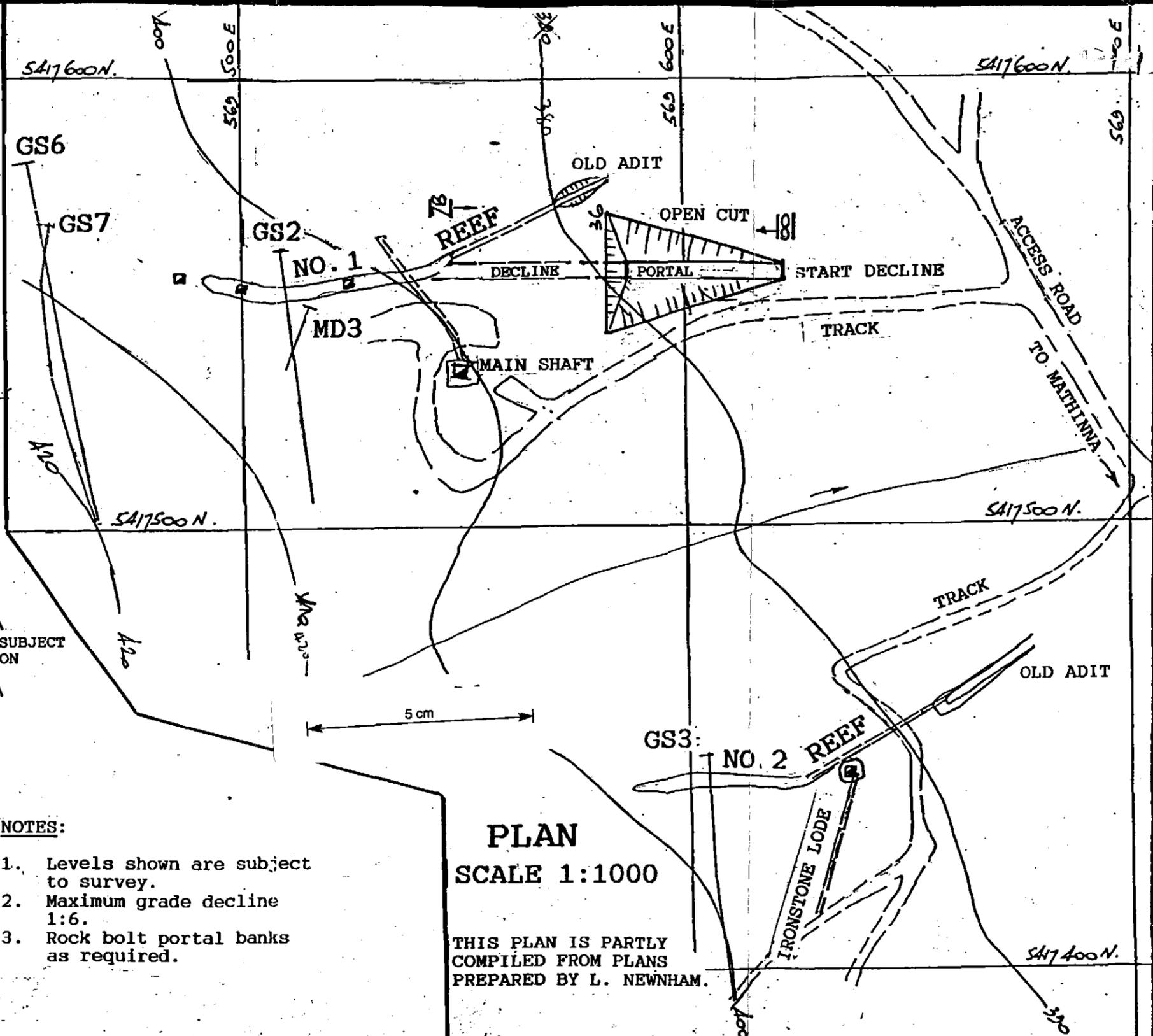


CROSS SECTION
SCALE 1:100



LONGITUDINAL SECTION
SCALES H 1:1000 V 1:200

R.L. 372		
GRADIENT.	1:6 (16.67%)	
DECLINE R.L.	387.5	387.5
SURFACE R.L.	389	398
DISTANCE	36	78



PLAN
SCALE 1:1000

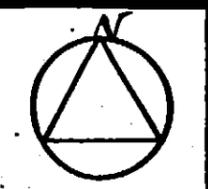
THIS PLAN IS PARTLY
COMPILED FROM PLANS
PREPARED BY L. NEWNHAM.

- NOTES:**
1. Levels shown are subject to survey.
 2. Maximum grade decline 1:6.
 3. Rock bolt portal banks as required.

FISHER & JACK PTY LTD LAND SURVEYORS, CIVIL & MINING ENGINEERING CONSULTANTS, 187a St John St Launceston Ph 34 1088



CUTTACK PTY. LTD.
PROPOSED DECLINE TO ORE BODY



L. Fisher
REGISTERED SURVEYOR

DRAWN	G.I.F.	NO.
DATE	24/3/97	1791
SCALE	AS SHOWN	

Statutory Declaration

I, Clifton Leigh Miller of Cuttack Mining and Exploration Pty Ltd, hereby declare that the information supplied in this Annual report is accurate.

Signed, Clifton Leigh Miller before me, G. S. Richardson S.P. 2931

at LANCASTER, on (date) 7th April 2000