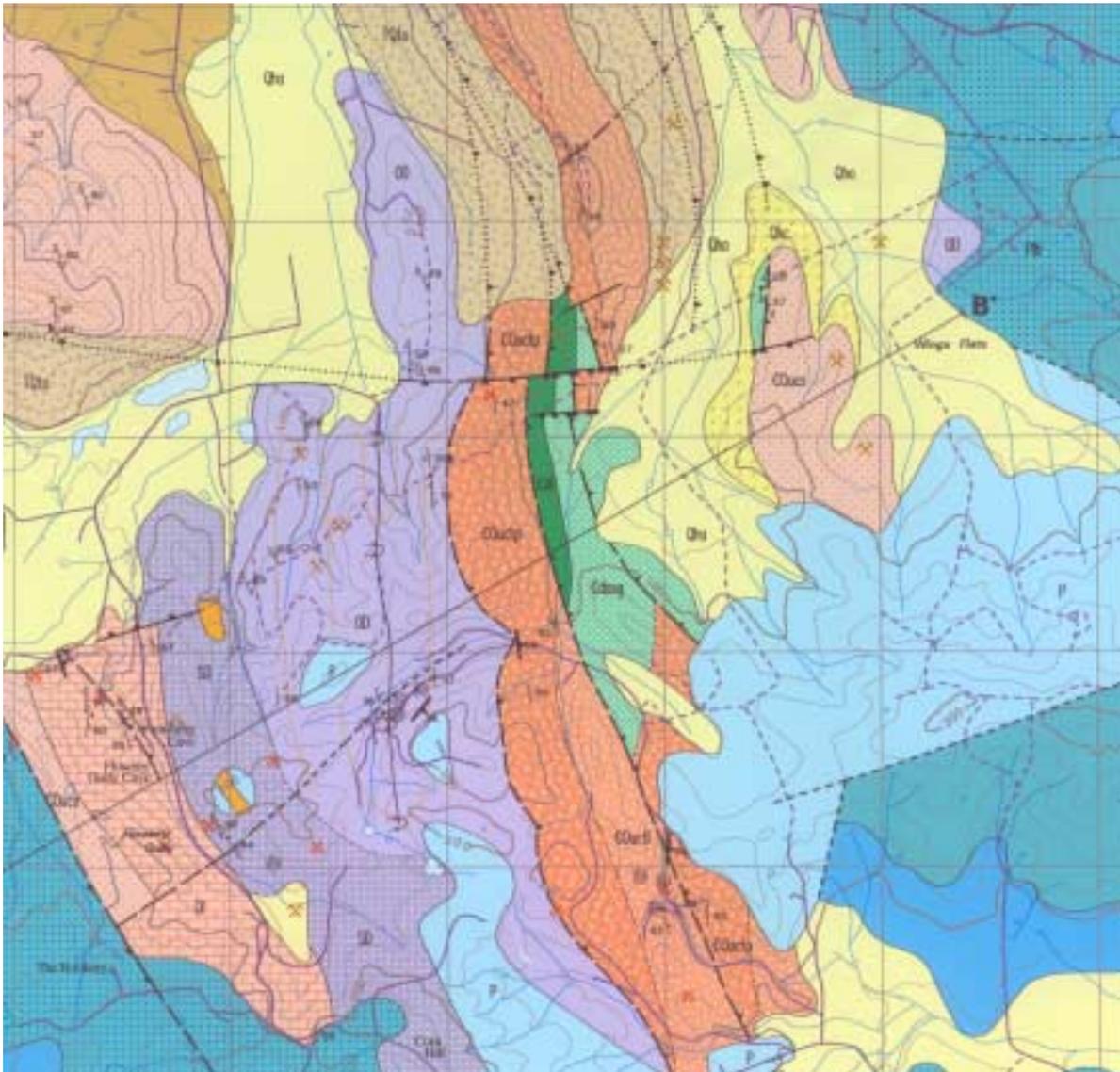


SALISBURY HILL EL 20/94
ANNUAL REPORT
2000/01



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TABLE OF CONTENTS

	Page No.
1.0 SUMMARY	2
2.0 INTRODUCTION	3
2.1 LOCATION AND ACCESS	3
2.2 TENURE AND LAND USAGE	3
2.3 TOPOGRAPHY AND VEGETATION	3
3.0 EXPLORATION PHILOSOPHY	4
3.1 TASMANIA REEF MODEL	4
3.2 OTHER MODELS	4
4.0 PREVIOUS EXPLORATION	6
5.0 GEOLOGY	7
5.1 INTRODUCTION	7
5.2 REGIONAL RELATIONSHIPS	7
5.3 TASMANIA REEF	7
5.4 THE CABBAGE TREE THRUST	9
5.5 CONCLUSION	9
6.0 WORK COMPLETED AND RESULTS, 2000/2001	10
7.0 EXPENDITURE	11
7.1 2000 -2001 EXPENDITURE	11
7.2 FUTURE EXPENDITURE	11
8.0 PROPOSED EXPLORATION	12
9.0 REFERENCES	13

LIST OF FIGURES

Figure 1.	Tenement Location EL 20/94	1:50,000
Figure 2.	EL 20/94 – Salisbury Hill: Geology	1:50,000

LIST OF PLATES

Plate 1:	Cover: A portion of the latest geological interpretation in the vicinity of the Salisbury Goldfield (Reed, MacDonald & Hills, 2001)	1:35,000 (approx.)
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1.0 SUMMARY

EL 20/94 lies less than 1 kilometre south from the Beaconsfield Gold Mine and is current until 28th October 2004 at which time full relinquishment is required.

Exploration by the BMJV in the area is principally targeting the Tasmania Reef model of a northeast striking reef hosted in the Cabbage Tree thrust slice of the imbricate Palaeozoic stratigraphy. Almost all known gold mineralisation in the Beaconsfield district is found within this thrust slice and prospectivity of it for further discoveries is substantial.

EL 20/94 covers 6.5 kilometres of the total 11.5 kilometres of strike length of the Cabbage Tree thrust slice and therefore represents a very significant position regarding the likelihood of future discovery of reserves at Beaconsfield.

Geologically the licence contains a number of favourable structural settings for gold mineralisation with the Johnston Creek Fault and the adjacent Salisbury Goldfield the most significant target areas.

Serpentinite + dolomite + magnetite alteration of ultramafic rocks in the footwall of the Cabbage Tree thrust and associated splays is associated with both the Tasmania Reef and gold mineralisation at the historical Salisbury Goldfield and may provide a vector to favourable cross-structures hosting gold mineralisation.

Modern exploration has been largely based on soil sampling with much of the licence now covered although parts of Salisbury Hill remain to be sampled. The limited diamond drilling to date has been largely ineffectual and it is now necessary to augment earlier work with empirically driven drilling aimed at full coverage of the prospective target area.

Due to financial constraints placed on exploration by continued commissioning difficulties at the Beaconsfield Gold Mine, work during 2000/01 was restricted to the collection of a small number of soil samples which were not submitted for analysis. Despite that lack of an exploration budget during the past reporting year, a few small but significant advances in knowledge and interpretation have enhanced the prospectivity of the tenement.

The lost time must now be made up with an intensified programme aimed at ensuring that the substantial opportunity for exploration success occasioned by enhanced understanding of the geology of this highly prospective tenement is not wasted. Principally this programme must focus on prioritized diamond drill testing of the full available strike length of the Cabbage Tree thrust slice in the search for analogues of the Tasmania Reef. Completion of the soil sampling programme may well assist in this process and investigation of conceptual targets as defined by the programme and proposed in previous reports (MacDonald, 2000; Hills, 2001) are no less justified but time only permits them to be pursued in parallel with the main focus.

A budget of \$1.25 million is required to achieve the principal objective and must be programmed over a period of no more than two years.

2.0 INTRODUCTION

2.1 LOCATION AND ACCESS

EL 20/94 lies to the south of the township of Beaconsfield 40 kilometres northwest of Launceston on the western side of the Tamar River near Tasmania's central north coast (see figure 1). Access to the EL is by bitumen road from Launceston. Access within the EL is generally good with a number of bitumen roads and numerous gravel roads crossing the licence area.

2.2 TENURE

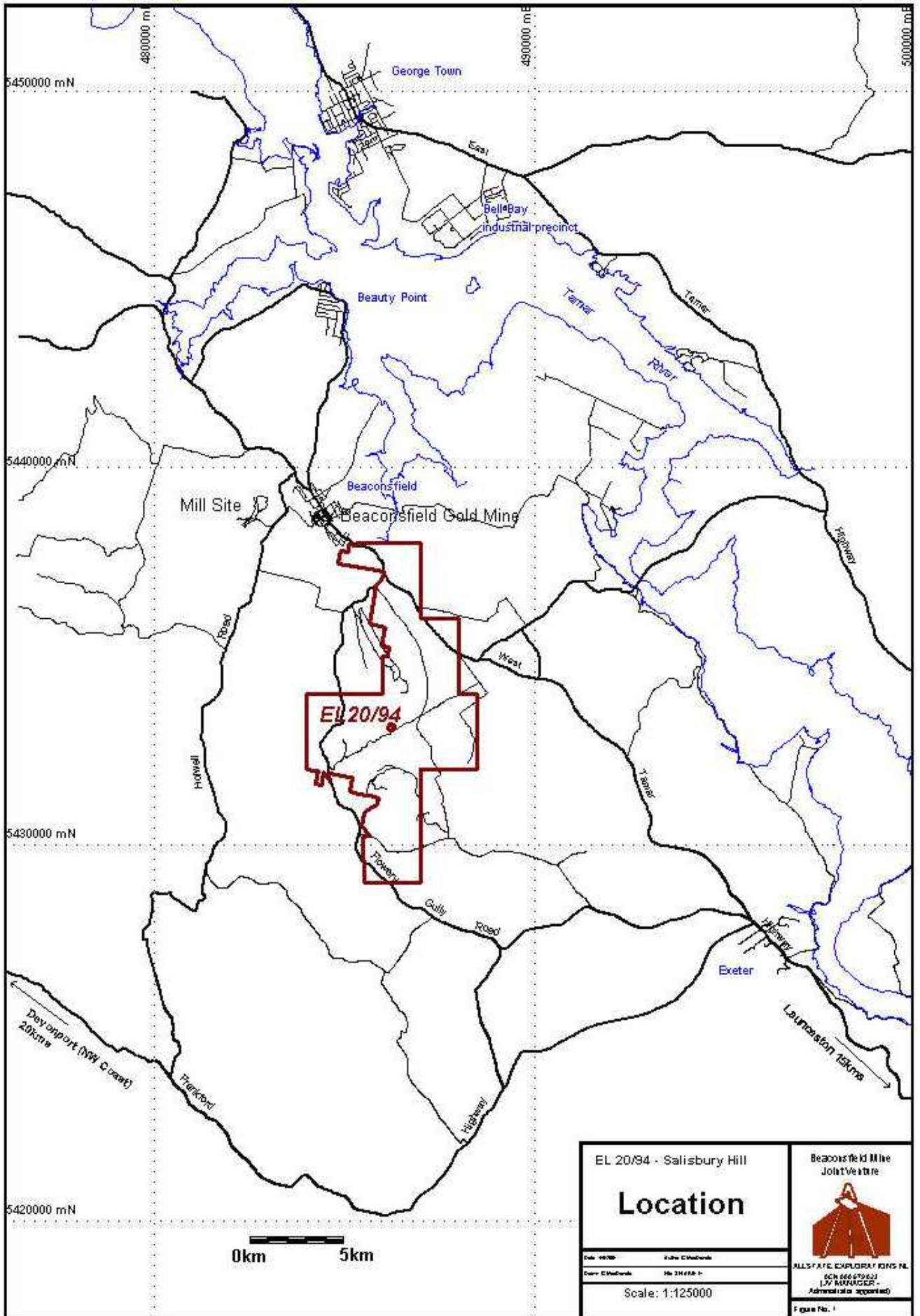
The licence was granted to Allstate Prospecting Pty Ltd and is held on behalf of the Beaconsfield Mine Joint Venture which operates the Beaconsfield Gold Mine. The original licence covered 45 skm of which slightly more than 5 skm was excluded by pre-existing mining leases. 19 skm was relinquished on 28th October, 1999 as required by statute and approximately 21 skm was retained. The licence is due for final relinquishment on 28th October 2004.

2.3 TOPOGRAPHY, VEGETATION AND LAND USE

The topography is dominated by the ridge line of Salisbury Hill (and the southern end of Cabbage Tree Hill) with lower lying flat country on either side in the northern half of the licence, becoming generally more hilly in the south.

Most of the licence area is covered by dry sclerophyll vegetation on the slopes becoming more of a wet sclerophyll community in the gullies and on shaded slopes.

Forestry is the dominant land use across the licence although a portion of the flatter land is used for grazing livestock and other agricultural pursuits.



EL 20/94 - Salisbury Hill

Location



Date: 04/08/2010
 Drawn: C Macdonald
 Scale: 1:125000

ALLSFARE EXPLORATION PTY. LTD.
 629 666 670/631
 (JV MANAGER -
 Admitted (as appointed))

Figure No. 1

3.0 EXPLORATION PHILOSOPHY

Exploration is largely empirically driven and is based upon the known styles of gold mineralisation within the district with the principal target model being the 2 million ounce Tasmania Reef at the Beaconsfield Gold Mine.

3.1 TASMANIA REEF MODEL

The geology and structural setting of the Tasmania Reef and the Beaconsfield district generally has been described in some detail elsewhere (Hills, 1998; MacDonald et al., 2001) and won't be reiterated in detail. Essentially though, the Palaeozoic stratigraphy has been thrust in a southwesterly direction during Tabberabberan deformation which has given rise to the development of at least three imbricate thrust slices, the Peaked Hill, Cabbage Tree and Cobblestone Creek thrust slices. These slices strike northwest-southeast and dip towards the northeast at about 50°. The Tasmania Reef occupies a second generation dilational shear cross-cutting the Palaeozoic stratigraphy in the Cabbage Tree thrust slice. The Tasmania Reef is a mesothermal quartz + ankerite + sulphide (pyrite + arsenopyrite > chalcopyrite) vein. Whereas the hosting structure is interpreted to persist across the entire stratigraphic package including correlates of the Dundas, Denison, Gordon and Eldon Groups, it is in the siliciclastic sediments of the Denison Group, the Salisbury Hill and Eaglehawk Gully Formations, that it is best developed and where economic mineralization occurs.

It is likely that both relative ductility and chemistry have exercised some control over the deposition of gold. This is discussed in Section 5 below.

The role of the bounding thrusts and in particular the underlying Cabbage Tree thrust in controlling mineralization has been recognized previously. However, due to the fact that almost all known gold mineralization in the Beaconsfield district is found within the Cabbage Tree slice, it is now considered that the particular setting within the Cabbage Tree slice itself is also significant. This too is discussed in Section 5.

The structure within which the Tasmania Reef lies has undergone an apparent dextral movement of around 40 metres although there is also evidence for a dip slip component to this displacement. The deformation responsible for the formation of the hosting structure is the Middle Devonian Tabberabberan Orogeny. The structure developed under a northeast/southwest principal compressional stress regime, probably concurrently with thrusting.

Other examples of northeast to east-northeast striking reefs are known from the mine (North Reef and South Reef) and the general area (North Tasmania and Pease Creek Reefs). The Lefroy goldfield, east of the Tamar River, is also characterized by a northwest en-echelon pattern of parallel northeast to east-northeast trending reefs although in this case the host rocks are shales, siltstones and sandstones of the Mathinna Group.

The principal fluid conduit for mineralisation is almost certainly the Cabbage Tree thrust. The rocks adjacent to this structure show localised evidence of alteration (serpentinite ± dolomite ± magnetite) by fluids consistent with a gold bearing mesothermal fluid. The other occurrences of significant gold

mineralisation in the Beaconsfield district are also located in proximity to the Cabbage Tree thrust.

Exploration is best effected by fenced drilling along the strike extent of the Denison Group correlates within the Cabbage Tree thrust slice prioritizing known structures and areas of mineralization but ultimately completely infilling the fence. Such drilling is proposed in this report.

3.2 OTHER MODELS

Known mineralization at the Salisbury goldfield occurs in shallowly to moderately steeply south-southwesterly dipping tension veins in the hangingwall to the Dyke Tunnel Thrust, a splay off the Cabbage Tree Thrust. Exploration is again best achieved by drilling, with targeting assistance from aeromagnetics, soil sampling and mapping. The examples known to date are sub-economic or small leading to this mineralization style receiving lesser attention in the current proposal.

Mineralization in the Moonlight-cum-Wonder workings is interpreted as occupying the axial plane of a north-northwest striking syncline, the orientation of which is consistent with that seen in gentle folding mapped in the Beaconsfield Gold Mine. The folding and mineralisation is considered to have formed during thrusting. No suitable sites for mineralization of this style are currently known within EL 20/94 and it is not being targeted at present.

4.0 PREVIOUS EXPLORATION

The previous report (MacDonald, 2000) contained an in-depth synopsis of past exploration conducted over the area of EL 20/94 and particularly in the vicinity of the historical Salisbury Gold Field. As no further work of any substance has occurred since that report was written, the existing information has not been reiterated.

5.0 GEOLOGY

5.1 INTRODUCTION

The geology of EL 20/94 was described in detail by MacDonald (1998, 1999, 2000) and that of the Beaconsfield district generally was recently summarized by MacDonald et al. (2001) and is illustrated in figure 2. Since those reports were written, the overall understanding of the geology has been advanced through the acquisition and interpretation of data for the recently updated Beaconsfield 1:25,000 geological map sheet (Reed, MacDonald and Hills, 2001) and ongoing detailed geological investigation of the Tasmania Reef at the Beaconsfield Gold Mine. It is not the intention to reiterate previous geological descriptions of the district but rather to discuss some salient points that have come out of the latest interpretation.

5.2 REGIONAL RELATIONSHIPS

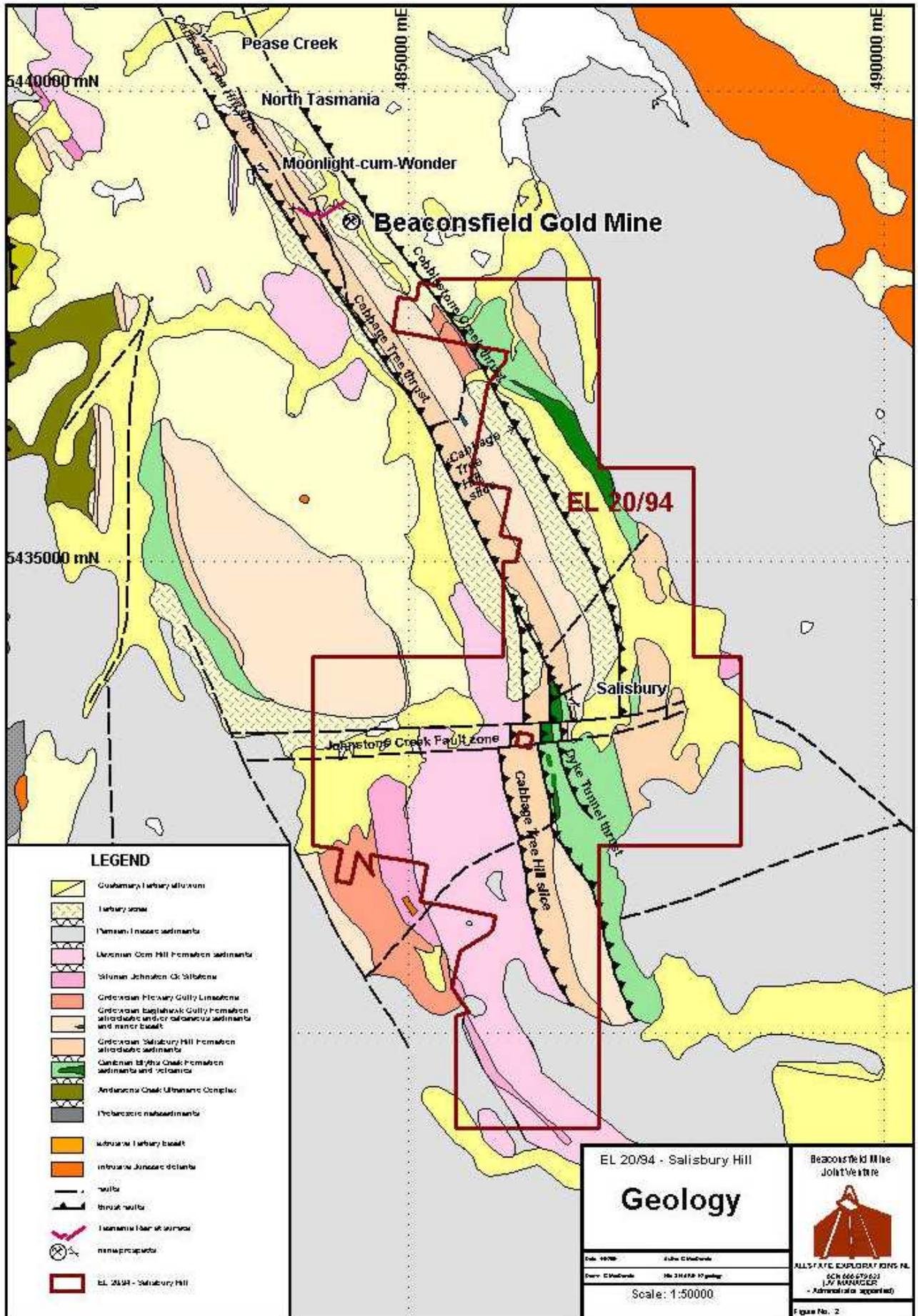
The occurrence of Mathinna Supergroup (Lachlan Fold Belt) correlates, the Devonian aged Corn Hill Formation, at Flowery Gully, had been known for some time (Hills, 1982). The discovery of Devonian graptolites in Blyth's Creek west of Cabbage Tree Hill in December 2000 (Rickards et al., in prep.), the same species that Banks and Rickards (1989) recovered from east of Flowery Gully provided conclusive evidence that the Corn Hill Formation was strike extensive along the valley to the west of Cabbage Tree Hill. This discovery confirmed the earlier interpretation of MacDonald (1998, 1999, 2000) which constrained the Cabbage Tree Thrust to a position immediately west of Cabbage Tree Hill.

Further mapping and interpretation by Reed, MacDonald and Hills (2001) has redefined the geology along the Cabbage Tree Thrust as far south as Rookery Road on the southern boundary of EL 20/94, including interpreting the offsetting of the Cabbage Tree Thrust by the (probably) syn-deformational Dyke Tunnel Thrust and the overprinting complexity of the Johnston Creek Fault in the vicinity of the Salisbury Gold Field. More particularly, the mapping shows that the Denison Group correlates which host the Tasmania Reef at Beaconsfield, continue to Rookery Road where they occur in the same structural setting overlying the Corn Hill Formation, as they do at Beaconsfield. These relationships are illustrated in the portion of the new map reproduced on the cover of this report.

5.3 TASMANIA REEF

It is appropriate to provide a synopsis of developments that have taken place in the understanding of the geology the Tasmania Reef which provides the principal target model for exploration of EL 20/94. The developments have largely come about through ongoing geological mapping within the mine by BMJV geologists and preliminary findings resulting from a research project currently being completed by an Honours student at the University of Tasmania. The current understanding of the formation of the Tasmania Reef may be summarized as follows.

The Palaeozoic aged rocks which host the Tasmania Reef were thrust in a southwesterly direction during Tabberrabberran aged deformation (~380Ma)



leading to the development of at least three imbricate thrust slices, the Peaked Hill, Cabbage Tree and Cobblestone Creek thrust slices. The thrust slices, and their (known) bounding thrust faults, strike northwesterly and dip northeast.

The Tasmania Reef occupies a northeast striking, southeast dipping fault or shear which cuts across the Palaeozoic rocks of the Cabbage Tree thrust slice. In plan view the apparent displacement on the shear is around 40 metres in a dextral sense. The Tasmania Reef is a quartz + ankerite + sulphide (pyrite + arsenopyrite > chalcopyrite) vein of the same (mesothermal) type as those of Tasmania's northeastern goldfields as well as the numerous Victorian examples such as Stawell and Bendigo.

Whereas the host fault is known to cut across most (and possibly all) of the Cabbage Tree thrust slice, known economic mineralization is almost entirely restricted to the Denison Group correlates above the Cabbage Tree Conglomerate (the "Transition beds" of the early miners). Previous descriptions, particularly Hills (1998) have stressed the role of relative ductility of the Denison Group correlates in the development of the Tasmania Reef. However, while this structural control is clearly important, as evidenced by the "feathering" of the reef into the more ductile rocks which both overlie and underlie the Denison Group correlates, the significance of the chemical controls on gold mineralization and the role of the chemistry of the host rocks is becoming much better understood.

There is increasing evidence that the chemical characteristics of the Denison Group correlates have played a major role in the precipitation of gold from the mineralizing hydrothermal fluids. The Denison Group correlates comprise two discrete stratigraphic formations of siliciclastic rocks exhibiting broadly different chemical characteristics. The lowermost formation, the coarser grained Salisbury Hill Formation is relatively carbonaceous whereas the overlying finer grained Eaglehawk Gully Formation is relatively calcareous. Within the Tasmania Reef, consistently greater widths and higher grades are found where the apparent dextral displacement of the host shear juxtaposes these two chemically distinct formations in the hangingwall and footwall. Carbonate \pm silica alteration of the carbonaceous Salisbury Hill Formation suggests fluid immiscibility as the process by which gold (and quartz and ankerite) are precipitated in this part of the reef.

A strong correlation between sulphide metal contents within the reef (S, As, S/Au and As/Au) and the rocks hosting the reef can also be seen along the eastern margin of economic mineralization, particularly where the Eaglehawk Gully Formation in the footwall is juxtaposed against the overlying Flowery Gully Limestone in the hangingwall. The higher sulphide concentrations occur where the host rocks are more carbonate rich suggesting sulphidation may be the process causing gold to precipitation. Open space textures in the west where the Tasmania Reef is hosted by the Salisbury Hill Formation, are suggestive of falling pressure as another precipitation mechanism although pyrite+fuchsite+carbonate alteration of the carbonaceous host rocks in both the footwall and hangingwall suggests that wallrock alteration is also an active process which may lead to gold precipitation.

Thus as well as deforming in a brittle way favourable for the development of dilational structures, the Denison Group host rocks have also acted as a chemical trap for the gold-bearing hydrothermal fluids which produced the Tasmania Reef. The source of these fluids is considered to be amphibolite grade metamorphism, probably of greenstones, at depths of around 10kms.

5.4 THE CABBAGE TREE THRUST

It has been noted on several occasions (MacDonald, 2000; MacDonald et al., 2001) that known occurrences of significant gold mineralization have thus far been restricted to the Cabbage Tree slice of the imbricate Palaeozoic stratigraphy. As discussed above, it is becoming quite apparent from ongoing work in the Beaconsfield Gold Mine that the chemistry of the Denison Group correlates is a significant factor in gold mineralization. However, this parameter is unlikely to be restricted to the Cabbage Tree slice. The Cabbage Tree Thrust itself is likely to hold the key as, unlike the basal décollement structures of the Peaked Hill slice further west, it juxtaposes Cambro-Ordovician rocks over younger Devonian rocks and is therefore likely to be a more substantial feature connected to a deep seated thrust system and thus be a better candidate to have acted as a pathway for mineralizing fluids. Moreover, hydrothermal alteration intersected in drilling along the Cabbage Tree Thrust, particularly at Beaconsfield and Salisbury, is broadly consistent with the mesothermal type fluids which it is anticipated would have produced the Tasmania Reef.

Further east, the same geometry applies in the Cobblestone Creek slice as in the Cabbage Tree slice. However, much of the Cobblestone Creek slice is obscured by Permian and younger cover, a fact that might favour the apparent prospectivity of the Cabbage Tree slice.

5.5 CONCLUSION

The over-riding conclusion to come out of the recent interpretation is that the relationship of suitable host structures within the favourable stratigraphy of the Cabbage Tree trust slice is a key focus for gold mineralization and this relationship is progressively becoming better understood. The pedigree of the Tasmania Reef alone is sufficient justification for ensuring that this zone is thoroughly explored during the time available.

6.0 WORK COMPLETED AND RESULTS, 2000/2001

Commissioning difficulties, which continued to plague redevelopment of the Beaconsfield Gold Mine, have effectively curtailed exploration activity during the past year. As yet unreported work was restricted to the continuation of gridded soil sampling for a period of three weeks in October-November 2000. To date none of the samples collected have been submitted for analysis.

Further activity while not directed at exploration per se, involved liaison with Dr Alistair Reed of Mineral Resources Tasmania in updating the of the Beaconsfield 1:25,000 digital map sheet Reed, MacDonald and Hills (2001). The implications of this work are discussed in Section 5 above.

7.0 EXPENDITURE

7.1 2000-2001 EXPENDITURE

A large proportion of the expenditure listed relates to work completed in the previous reporting period but not invoiced prior to the submission of the previous report. As already stated, work in the current period was restricted to the collection of a small number of soil samples which have yet to be submitted.

Contractors	\$Nil
Assaying	\$2,860
Geology	\$8,006
Drafting	\$Nil
Consumables	\$Nil
Management	\$Nil
Labour	\$Nil
Total	\$10,866

7.2 FUTURE EXPENDITURE

The Year 8 expenditure commitment is statutorily set at \$105,000. In addition to this a shortfall in expenditure to date of \$33,809 must be made up by 28th October 2002. It is essential if the exploration potential of the tenement is to be fully realized, that this minimum sum of \$138,809 be substantially exceeded in the 2001/02 reporting year.

A complete review of the proposed programme is now appropriate in view of the developments in understanding that have taken place over the past year. It is envisaged that this will occur over the coming months as the future of the Beaconsfield Gold Mine generally is clarified. However, it is recognized that a full year has already been lost from the exploration tenure and accelerated activity will be required to ensure that the tenement is fully investigated in the available time. This will be best achieved by prioritized programme of 35 fenced diamond drill holes over the available 6.5km strike length of the Cabbage Tree thrust slice estimated to cost in the vicinity of \$1.25 million in the first stage. It is recommended that at least half of this expenditure occur over the course of the 2001-02 reporting year.

A costed programme of work covering two years activity was outlined in the previous report (MacDonald, 2000). It was anticipated that the programme would cost in the order of \$500,000 to complete. Initially it was proposed that expenditure during the first year would total \$200,000 with the remainder spent in the second year. This conceptually based programme is no less valid than when it was initially proposed however, in light of the remaining tenure, it can only be considered in addition to the empirically based fenced drilling programme.

8.0 PROPOSED EXPLORATION

EL 20/94 expires in September 2004 leaving a total of 3 years in which to explore this licence before it is compulsorily relinquished.

A significant programme of exploration was outlined in the previous report for commencement in early 2001. This did not occur and it is now imperative the programme be adapted to give as thorough an examination as possible to the ground with the greatest pedigree for exploration success. In essence this is the southern portion of the exposed Cabbage Tree thrust slice extending over 6.5km from Rookery Road south of the Johnston Creek Fault northwest to the southern boundary of the TEMCO mining lease (figure 2).

It is estimated that up to thirty-five 300m long diamond drill holes will be required to adequately complete the first stage of the programme with up to 20% extra holes required for follow-up of first stage results. The programme must be prioritized to concentrate on known areas of prospectivity at the Salisbury Goldfield and adjacent Johnston Creek Fault and Eaglehawk Gully and known cross-cutting structures with at least half the first stage budget of \$1.25 million expended in the 2001/02 reporting year.

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