

Arthur River Magnesite Project

RL 8718

**Annual Report for the Period
April 2001 to March 2002**

Tasmania Magnesite NL
Level 1
11 Ventnor Avenue
WEST PERTH WA 6005
Western Australia

EXECUTIVE SUMMARY

Retention Licence 8718 covers a total area of five square kilometres in the Arthur River area of North Western Tasmania. The RL is about 4km north of the Lyons River deposit which is centred about latitude 41°13'E and longitude 145°24'S. Exploration has confirmed that the tenements contain an inferred resource of high grade magnesite (>38% MgO).

The inferred resource for RL 8717 together with the adjoining tenement RL 8718 has been delineated at possibly 53.3 million tonnes grading 40.47% MgO, 3.42%CaO, 09.2% Fe₂O₃ and 8.29° SiO₂.

Testwork and other engineering studies have confirmed that the resource samples are amenable to treatment in a proven technical and commercial process to produce magnesium metal.

Further tests have also confirmed that the magnesite can be processed to calcined and dead burned product.

Current testwork, studies and commercial negotiations by Indcor Limited for an on behalf of Tasmag NL are targeted at development of the tenements in the future.

It is the intention of the tenement owners to actively continue the pursuit of suitable offtake, equity partners and financiers to develop the tenements as feed for a magnesium metal or calcined product project.

Expenditure on the pursuit of the development during the period has been \$80,000.

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1.0 INTRODUCTION

The Arthur River Magnesite Project consists of the Retention Licence RL8718 which is a 5 square kilometre tenement located in the West Takone region of north west Tasmania approximately 52km south west of Burnee.

The tenement is held by Tasmanian Magnesite NL which is a wholly owned subsidiary of Indcor Limited (previously Crest Magnesium NL).

The report covers the period from 1 April 2001 to 31 March 2002.

On site works for RL8718 were restricted to a series of site visits by Indcor representatives in company with potential equity investors and consultants. During each visit drill hole locations and markings were checked and re-established as necessary.

Resource and potential mining reserve estimates have been re-evaluated and reconfirmed for the equity information memorandum prepared by Indcor.

2.0 PREVIOUS WORKS

2.1 *Summary of Exploration Work*

The Arthur River magnesite deposit was first discovered in 1925. Minor intermittent mining took place over the years to recover high quality magnesite rock for the manufacture of graveyard headstones.

In 1970, Mineral Holdings Australia Pty Ltd was granted a large exploration licence (EL43/70) over the area and during the next three years carried out exploration in association with a number of joint venture partners. Up to 1981, Mineral Holdings continued exploration, which resulted in the discovery of magnesite at Lyons River, about 4 kilometres along strike south of the Arthur River deposit.

Between 1982 and 1988 Mineral Holdings, in joint venture with CRAE, carried out exploration comprising geological mapping, geophysical gravity surveys, diamond drilling, metallurgical testing and feasibility and marketing studies with the view to assessing the deposit as a source of dead-burned magnesite, caustic calcined magnesite and direct shipping ore.

This work delineated a magnesite body at the Arthur River, over 3,500 metres strike length.

In 1997, TasMag entered into an option agreement to purchase the deposit from Mineral Holdings. Check and exploratory diamond drilling at Arthur River comprising seven holes totalling 1,254.3 metres confirmed the results of earlier workers. TasMag concluded that an Indicated Resource totalling some 29 million tonnes at an average grade of 42.8% MgO and 5.3% SiO₂ existed in the south-western corner of RL8718.

It has been estimated from past and recent drilling that the Arthur and Lyons Rivers magnesite deposits possibly contain as much as 180 million tonnes of high grade magnesite mineralisation to a vertical depth of 150 metres. Diamond drilling evidence indicated that the high grades encountered continue at depth to at least 400 metres and probably much deeper.

2.2 CRAE Exploration

Between 1982 and 1984, CRAE completed 7 diamond drill holes at the Arthur River deposit which is now RL8718 and included holes and 1,610m of drilling.

Whilst the footwall contact is fairly well understood, the dip of the hanging wall contact has still not been established because exploratory holes designed for this purpose had to be terminated when they reached the southern boundary of Indcor's Retention Licenses. It seems probable however, that the dip is somewhat flatter (at possibly 65-75°) than that assigned by earlier works. In each case Indcor drill holes AR16, AR23 and AR26, drilled in a southerly direction, failed to intersect hanging wall schists and were terminated in high grade, crystalline magnesite.

Results of this drilling are summarised in table 2.1 below.

Table 2.1: Summary of CRAE Drill Results – Arthur River

Hole Number	Intersection (m)	MgO (%)	CaO (%)	SiO ₂ (%)	Fe ₂ O ₃ (%)	LOI (%)
AR2	120	41.7	3.0	8.6	0.7	45.8
AR3	180	39.8	4.3	6.6	2.1	46.9
AR5	28	39.6	5.0	6.5	1.6	47.1
AR6	237	39.2	3.7	8.7	1.4	46.4
AR7	195	43.0	4.1	2.5	0.7	49.4

Beneficiation testwork completed by CRAE determined that lower grade (+35% MgO) can be easily beneficiated by flotation to remove the dolomite (and most of the SiO₂) leaving high grade magnesite with low iron.

CRAE concluded in September 1984 that no further exploration work was required at this deposit as sufficient resource had been outlined and, as a result, future work would be of a development nature.

2.3 TasMag Exploration Subsequent to Indcor Involvement

In mid 1997, TasMag commenced a 1,250 metre diamond drill program on RL8718 which included twinning of CRAE's earlier holes AR2 and AR7, together with five additional exploratory holes to test the width, grade and continuity of the magnesite horizons. The check holes correlated very well and confirmed CRAE's previous work. Abbreviated results are summarised in Table 2.2 below.

Table 2.2: Abbreviated Results of Arthur River

Hole Number	Intersection (m)	MgO (%)	SiO ₂ (%)
AR2 (check)	117	42.5	7.8
AR7 (check)	210	40.8	7.6
AR8	136	42.5	4.0
AR9	180	43.0	3.4
AR10	159	43.8	3.9

Upon acquiring the Project in 1998, Indcor undertook a further drilling program within RL8718 designated to upgrade the Indicated Resource delineated by TasMag (in 1997) to Measured Resource status for inclusion in a bankable feasibility study.

In November 1998 to March 1999, a program of infill diamond drilling totalling 2,760 metres in fifteen holes was carried out by Indcor within RL8718.

The drilling was undertaken using non-coring Tricone bits to penetrate the overburden with coring commencing when hard rock was encountered. All holes were started in PQ size, using both 1.5 and 3.0 metre triple tube, split barrels. When poor ground was encountered, the holes were reduced to HQ and if absolutely necessary, to NQ. Only two holes were completed in NQ size, namely AR21 and AR23.

Skid-mounted Longyear 38, Longyear 44 and Mindrill 52 machines were used by the drilling contractors, Diamond Drilling Tasmania and Contract Diamond Drillers, both Tasmanian based companies.

The drill core was collected in 1 metre long aluminium core trays and immediately photographed and then logged. Each day all core was removed from the site and delivered to Analabs Pty Ltd, Burnie. The core was then quartered using a diamond saw and one quarter prepared for analysis. Sample analyses were carried out by Analabs in Perth, Western Australia. Bulk samples comprising both drill core from 1983 (CRAE) and 1997 (TasMag) exploration and pulps from the 1998/1999 (Indcor) drilling were submitted for metallurgical test work.

3.0 EXPLORATION COMPLETED DURING THE PERIOD

3.1 Regional Exploration Activity

Nil during the period as the current tenement has an inferred resource adequate for project requirements.

3.2 Prospect Based Exploration Activity

Nil during the period. Project funds have been directed to the confirmation of process and engineering issues. Geology and mining requirements for the project have been confirmed to a bankable level.

Visits were undertaken to the site, Mineral Resources Tasmania, core shed storage at Analabs Laboratory at Burnie and the MRT core storage facilities at Rosy Park. Tenement and core storage remain in good order.

4.0 DISCUSSION OF RESULTS

The resource evaluation for the Arthur River tenements are classified as an inferred resources.

At an appropriate time during the financing and development process further infill and extension diamond drilling to upgrade resource to a reserve and to a bankable level.

5.0 CONCLUSION

The presence of a plus 50 million tonne high grade magnesite mineralisation has been confirmed. Average grade is greater than 38% MgO and could be selectively mined at a higher grade and cut off.

The resources would support a magnesium metals project of up to 100,000 tonnes per annum and/or a calcined or dead burned carbonate project which has been proposed for the north coast of Tasmania.

The prospect of commercially exporting run of mine or crushed magnesite material is also being considered.

6.0 RECOMMENDATIONS

A magnesium metal or calcine project is not critically dependent at this stage upon additional exploration activity. The project at this stage would support a magnesite based project based on the supply of very high quality material.

For bankable requirements to upgrade the resource evaluation infill or extension drilling and follow-up evaluation and estimates will have to be undertaken at an appropriate time.

7.0 EXPENDITURE

Expenditure during the period by Indcor attributable to the Arthur River deposit would total approximately \$80,000.

Expenditure was concentrated upon upgrading the project information and sourcing an equity partner for the project – either as a magnesium metal project or a dead burned/calcined magnesite project.

8.0 APPENDICES

Confidential Information Memorandum
Sale of Tasmania Magnesium Project
Indcor, May 2001