



**SMRV PROJECT
EL 21/1999 - Wanderer River
EL 20/1996 - Elliott Bay
South West Tasmania.**

**COMBINED ANNUAL REPORT
YEAR ENDING 27 January 2003**

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SUMMARY

- A selection of existing drill core and drill pulps, from holes V24/3, V24/4 and V9/2 and V9/3 (from the MRT library) were assayed for gold and base metals, plus in some instances other pathfinder elements.
- Core sample from existing drillhole V24/4 (Sassy Creek) was sent for petrographic analysis.
- Aeromagnetic and radiometric data from MRT's Western Tasmania Regional Minerals Programme was interpreted and enhanced to identify gold and base metal targets.

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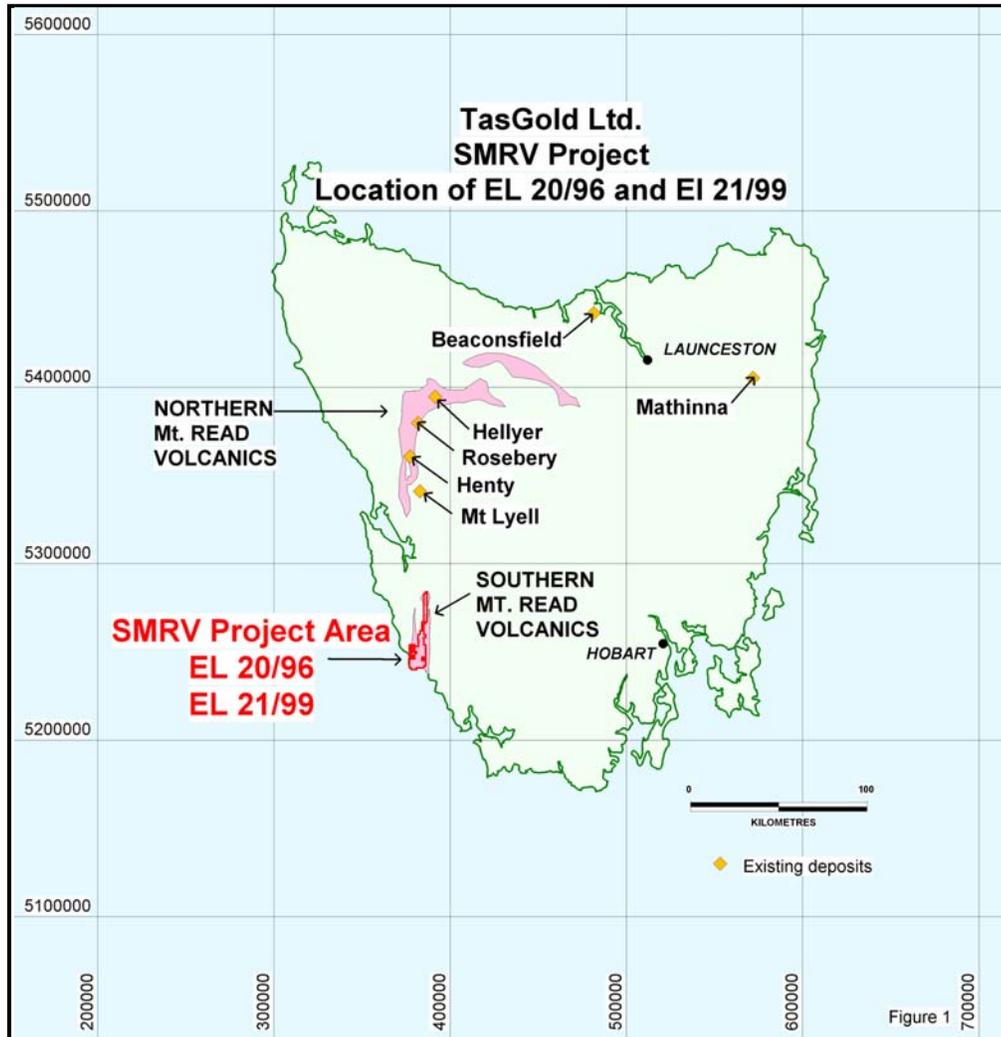
1. INTRODUCTION

Tenure

Parts of central and south – west Tasmania are World Heritage listed. The rocks underlying EL 21/99 and EL 20/96 (and some volcanics of the Sorell Peninsula) have been specifically excluded from this listing on the basis of their mineral prospectivity.

Prior to the World Heritage listing all areas were classified as part of the South West Conservation Area. In 1992, the Tasmanian Government proclaimed the prospective rocks south of Macquarie Harbour to be within the Sorell Peninsula Prospectivity Zone in recognition of the mineral potential of the area. Any change in the status of the land within the Zone requires approval of both houses of the Tasmanian parliament with any affected party entitled to compensation.

EL 21/99 and EL 20/96 south of Macquarie Harbour cover 177km² in SW Tasmania. EL21/99 was granted to Exploration & Management Consultants Pty Ltd and McNeil Associates Pty Ltd on 26 January 2001 and EL 20/96 on 11 April 1997. TasGold has acquired a 90% interest in the granted tenements from Exploration & Management Consultants Pty Ltd and McNeil Associates Pty Ltd. The vendors retain a 10% free carried interest in the tenement to completion of a bankable feasibility study. The location of the licences is shown in Figure 1.



Access & Weather

Access to the area is by a rough, unformed track only suitable for 'Bombardier' style transport or four-wheel drive motorbikes, the Low Rocky Point track, from Macquarie Harbour. Larger vehicles (such as drill rigs and support vehicles) need to be ferried across Macquarie Harbour by barge or boat. The alternative and best access is by helicopter or light aircraft but this is subject to the weather.

The area is very exposed to the south westerly weather that dominates the western side of Tasmania. Even in summer this can mean continuous days of persistent drizzle or driving rain.

Both of these factors make exploration difficult and any expeditions need to be well funded, planned and supplied, as this is an expensive and technically challenging exploration environment. Fieldwork is seasonal with ground access only feasible between December and May.

2. GEOLOGY

South West Tasmania is underlain by a belt of Cambrian volcanics which are considered to be equivalent in age and character to the Mount Read Volcanics in north west Tasmania. In northern Tasmania the Mount Read Volcanics (MRV) are hosts to a number of base metal and gold deposits.

General Geology

Within EL21/99, the MRV can be divided into two main areas, the D'Aguilar Range – Thirkell Hill area and the Elliott Bay area. The tenement is separated from the main belt of MRV north of the Gordon River and the two main areas are separated by a Tertiary graben (Moores Valley).

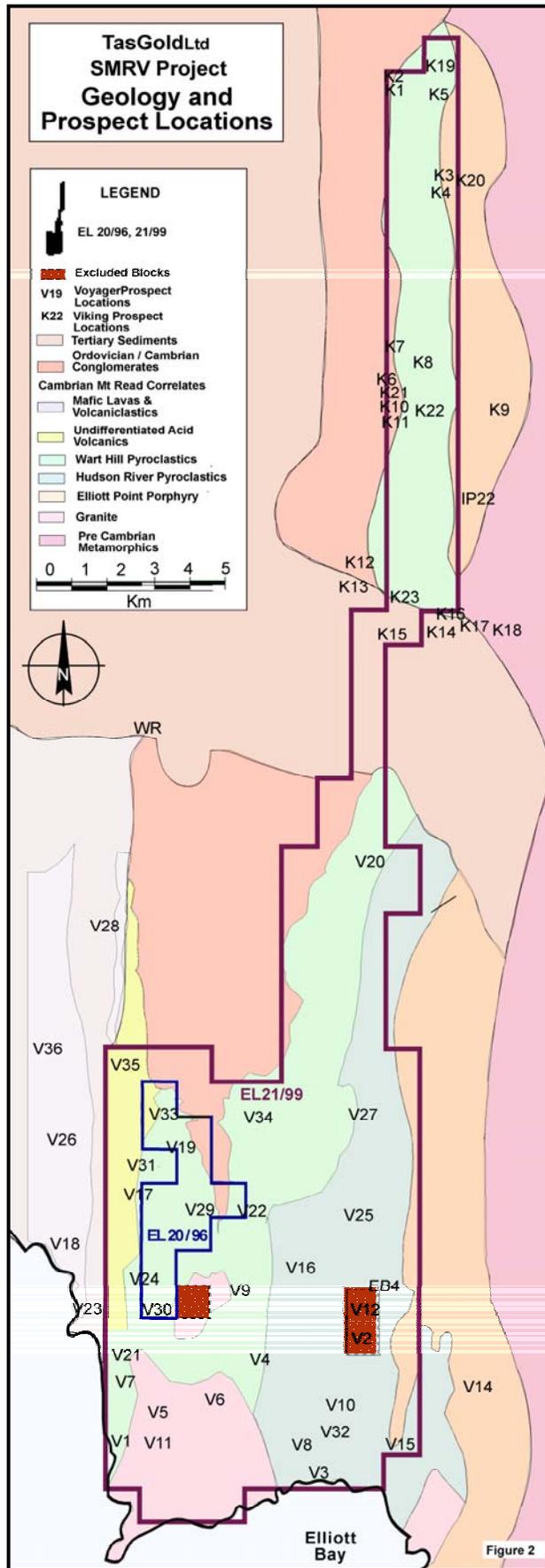
The geological understanding is hindered by relative lack of drilling and the nature of the surface outcrops, which are generally leached and bleached. The general geology is shown on Figure 2.

Elliott Bay area

Late Cambrian – Ordovician siliciclastics interpreted as Owen Conglomerate correlates are folded into a gently north plunging syncline with a shallowly dipping eastern limb and a steeply dipping to slightly overturned western limb. This is known as the Mt Osmond syncline. The Owen Conglomerate unconformably overlies MRV.

The sequence on the eastern limb of the Mt Osmond syncline from east to west is:

- a Precambrian sequence of multi - deformed metasediments;
- a westerly dipping unit of volcanoclastic and siliciclastic sediments correlated with the Sticht Range beds of the northern MRV sequence. This unit overlies the Precambrian partly in faulted contact and partly unconformably;
- a 2 to 3 kilometre thick quartz – feldspar – biotite porphyry, the Elliott Point Porphyry, occurs to the east;



- west of the Elliott Point Porphyry, the eastern limb of the Lewis River Volcanics occurs. This has been subdivided into the Hudson River and Wart Hill Pyroclastics. These consist of quartz – feldspar – phyrlic volcanoclastics including sediments and possible pyroclastics, quartz – feldspar phyrlic lavas (intrusives?), quartz – feldspar – biotite phyrlic lavas and intrusives and minor intermediate lavas or intrusives;
- the Waterloo Creek Group unconformably overlies the volcanics. These occur as a unit of felsic derived volcanoclastics, overlain by a unit of black pyritic shale with minor horizons of micaceous siltstone; and
- the Owen Conglomerate siliciclastics conformably overlie the Waterloo Creek Group.

The sequence on the western limb of the Mt Osmond syncline is as follows:

- west of the Waterloo Creek Group, the rocks consist of quartz – feldspar phyrlic volcanoclastics including sediments, quartz – feldspar – biotite phyrlic lavas (intrusives?), quartz – feldspar phyrlic lavas (intrusives?) and sediments ranging from black to grey shales, sandstones, vitric tuffaceous siltstones and siliciclastic sandstone, conglomerate and breccia. These rocks form part of the Wart Hill Pyroclastics;
- the Wart Hill Pyroclastics are followed to the west by a unit of interbedded conglomerate and sandstone with minor shale and siltstone. This varies compositionally from predominantly volcanoclastic to predominantly siliciclastic. A unit of shales and siltstones with minor volcanoclastics in turn follows this. These two units are called the Western Epiclastics;
- the Copper Creek fault is a major fault that extends from south to south – south – west through the Western Epiclastics. To the west of this fault the Western Epiclastics contain mafic volcanics possibly akin to the Mainwaring River Group further to the west;
- the western margin of the Western Epiclastics is faulted (Copper Creek fault?) and rocks to the west of this consist predominantly of sedimentary and volcanoclastic rocks of quartz – feldspar – phyrlic and feldspar – phyrlic composition. There are also units of plagioclase – pyroxene – phyrlic lavas, black to grey shales, siltstones and sandstones with an intercalated felsic to intermediate volcanoclastic; and
- the western boundary of this package is also in faulted contact with Mainwaring River group tholeiitic mafic lavas (intrusives) and mafic derived volcanoclastics.

Three granitoid bodies intrude the MRV, the Low Rocky Point granite, the Little Rocky River granite and the Stoney Creek granitic porphyry. The Low Rocky Point granite is a composite intrusion consisting of pink granite, cream adamellite and coarse porphyritic granite. The Stoney Creek body comprises granite porphyry with feldspar, quartz and biotite phenocrysts in an intensely sericitised and cleaved matrix. The Little Rocky River granite is also a composite intrusion consisting of massive granite porphyry and a strongly foliated medium – grained quartz feldspar porphyry.

The relative timing of these intrusions and folding events is not known. There is, however, fairly good consensus that the granitoids are more or less synvolcanic i.e. Cambrian and predate deformation. Anomalous tin in geochemical samples is associated with the granitoid bodies.

General correlations have been made with the major units of the Elliott Bay area with those in the main part of the MRV to the north. Although specific correlations with the better known lithostratigraphy of the northern section of the MRV (north of Macquarie Harbour) are unavailable, there is consensus that the Elliott Bay area does represent the southern continuation of the MRV.

Thirkell Hill area (northern section EL 21/99)

The MRV lie on the eastern limb of a north striking, shallowly north plunging syncline. Ordovician siliciclastics lie in the core of the fold. The western limb of the fold has been downfaulted during the formation of a Tertiary graben. The sequence dips at 60° – 70° and faces west.

A sequence of coarse to fine grained sediments with mixed Precambrian and volcanic provenance unconformably overlies Precambrian metasediments. To the north this sequence is in faulted contact with Ordovician siliciclastics. The unit fines from east to west and changes compositionally from Precambrian provenance to volcanic provenance. The sequence has been correlated with the Sticht Range Beds further north in the MRV.

A large, elongate body of coarse quartz – feldspar – biotite phyrlic porphyry occurs to the west of the sediments. It has been interpreted to be a Cambrian intrusive. Similar intrusives occur in the MRV package to the north and south.

A package of mixed felsic (quartz – feldspar \pm biotite phyrlic) lavas or intrusives and felsic volcanoclastics occur further west. This unit is the main exploration target for VHMS deposits and possibly gold deposits near the intrusive porphyry contact. Within this unit in the northern part of the area east of Mt Lee, a unit of “siliciclastic breccia – conglomerate with quartzite clasts” cuts across the regional strike. Petrologic examination indicates that the silica may originate as hydrothermal filling along a fault. The volcanics underlying this body are strongly silica – sericite \pm hematite altered.

A unit of felsic volcanoclastics, conformably overlies this package and is in turn overlain by fine shales / siltstones. These rocks are commonly schistose and sericitic and are correlates of the Waterloo Creek Group.

Siliciclastics interpreted as correlates of the Ordovician Owen Conglomerate to the north overlie the Waterloo Creek Group correlates. The contact may or may not be conformable.

A number of north – east and north – west trending wrench faults have been interpreted from aerial photography.

Mineralisation

Various exploration programs in the Elliott Bay and Thirkell Hill areas have identified a number of distinct types of mineralisation.

Base metal sulphide mineralisation as:

- VHMS massive sulphide style, eg Wart Hill (V19);
- Vein style galena, sphalerite and arsenopyrite mineralisation along the Copper Creek fault eg. V31;
- Disseminated Pb – Zn – Ag mineralisation in volcanoclastics eg. Lewis River
- Postulated Besshi style, eg Mainwaring Group prospects

The latter styles of mineralisation are widespread. Lead isotope work has recognised an early Cambrian as well as a Devonian age base metal signature.

Gold mineralisation has been found associated with:

- VHMS deposits, eg at Wart Hill (V19);
- quartz – pyrite – tourmaline alteration zones related to shears, eg at North Lewis (V12);
- quartz – gossanous zones associated with magnetite – chlorite alteration at granite margins, eg the Low Rocky Point granite;
- stratabound vein style mineralisation in coarse pyroclastics, eg Sassy Creek (V24);
- quartz veins, eg Hudson River Zone; and
- Tertiary gravels.

3. EXPLORATION MODEL(S)

VHMS base metal style

Large noted that Palaeozoic Australian VHMS deposits occur within the submarine portion of calc – alkaline volcanic belts that are composed of a series of complex volcanic centres with related epiclastic facies .

The volcanic hosted massive sulphide (VHMS) deposit style of mineralisation in Tasmania is typified by the deposits already known in the northern section of the MRV. In the northern section of the MRV two types of VHMS deposits are known, viz high grade polymetallic stratiform massive zinc – lead – copper sulphides and low grade copper rich disseminated to massive stratabound deposits. The precious metal contents of the MRV deposits are particularly high in comparison with other massive sulphide deposits worldwide.

Besshi base metal style

Besshi style deposits are generally thin but laterally extensive deposits of Cu – Zn (– Ag – Au ± Co) that occur in Palaeozoic and Proterozoic sequences in various parts of the World. Characteristically they are found in submarine tholeiitic rocks, associated with carbonate. Oxide – silicate iron formation, manganiferous exhalite and chlorite rich envelopes may be present.

Gold deposits

The most interesting target for gold mineralisation in the SMRV is a deposit similar to the currently operating Henty – Mt Julia gold mine in the northern MRV. This deposit hosts gold associated with sulphides in an alteration zone adjacent to the Henty fault that is a major syndepositional structure transgressing the MRV.

Stratabound gold mineralisation similar to the volcanic hosted Temora gold deposit in the Silurian volcanics of the Tasman Geosyncline in New South Wales could also occur. Here gold occurs in an alteration system with anomalous base metal (Pb) analyses associated with major zones of silicification. Gold could also occur in a variety of other styles including quartz veins in alteration zones and stockworks or sheeted vein systems in granite.

4. PREVIOUS EXPLORATION

Exploration and Mining History

Elliott Bay Area

The Elliott Bay area saw some minor historical prospecting probably in the period between 1890 and 1910 and old workings are visible at Voyager 1 (V1) also known as Penders Prospect, Lewis River (V2), and V3. The extensive alluvial gold at Sassy Creek was apparently overlooked during this early prospecting phase.

In 1957 the L. E. E. joint venture held the first modern EL in Tasmania the “Gordon Concession” which covered a large area of south – west Tasmania. They undertook an airborne EM, magnetics and scintillometer survey and undertook inspection and some mapping and sampling of the old workings.

BHP explored the south – west of Tasmania from 1965 to 1975. They also undertook airborne surveys (magnetics and scintillometer) as well as stream sediment geochemical sampling of the MRV and some soil geochemical sampling. They also undertook an airborne EM survey (McPhar H-400)

Geopeko (a division of Peko – Wallsend Operations) undertook an extensive exploration program in the area between 1976 and 1985 recognising the potential of this southern extension of the MRV. The work started collecting stream

sediment geochemical samples, geological mapping and followup of regional EM and aeromagnetic anomalies. This work identified 35 prospects called Voyager, numbered V1 to V12 and V14 to V36. The prospects were identified by various methods as historical prospects and outcrops (V1, V2, V3, V12, V18 and V23), aeromagnetic anomalies (V5, V6, V7, V14, V15 and V17), airborne EM anomalies (V11, V21, V26 and V46), stream sediment geochemical anomalies (V8, V10, V24, V25, V27, V30, V31, and V35), soil geochemical anomalies (V28 and V29), favourable geology (V32, V33 and V35) and multi – disciplinary anomalies (V4, V9, V14, V19, V20 and V29). A number of these prospects are outside the area of the current granted tenement viz. V2, V3, V12, V17, V14, V18, V23, V24, V26, V28, V29, V30, V31, V33 and V36,.

Further work included variously covering prospects with systematic gridding, soil geochemical sampling including C – horizon sampling, ground magnetics, VLF – EM and drilling. Between 1978 and 1981, drilling focussed on the prospectivity of the V9 prospect. This work led to the identification of the V22, and V34 anomalies.

Geopeko withdrew from the area in 1984 for a number of reasons, they had concluded that potential to locate an economic high-grade VHMS deposit within 100m of surface was low, exploration projects were being rationalised Australia wide and they were unable to attract a joint venture partner on favourable terms.

Cyprus Gold Australia Corporation (Cyprus) acquired the exploration rights in 1985 and undertook exploration between 1985 and 1990 targeting VHMS style massive sulphide deposits and gold. After a complete review of the Geopeko work, Cyprus undertook a helicopter borne Dighem – EM and magnetic geophysical survey as well as additional C – horizon soil and rock chip geochemical sampling and geological mapping. Anomalous areas were followed up with priority on V12 (North Lewis), V24 (Sassy Creek), V29 (East Camp) and V19 (Wart Hill).

At North Lewis (V12) Cyprus drilled 5 diamond core holes (349.6 m). Follow up geochemical soil sampling at Sassy Creek (V24) led to a recommendation to drill, but this was not undertaken. Cyprus drilled 3 diamond core holes (409 m) at East Camp (V29). Cyprus also drilled 12 diamond core holes (1,962.3 m) at Wart Hill (V19). Down the hole EM was completed on the majority of the drill holes.

In 1989 – 1990 Cyprus joint ventured the area with Aberfoyle Resources Limited (Aberfoyle). They undertook an airborne QUESTEM geophysical survey covering a large part of the area. This survey identified several anomalies that warranted ground follow up. Ground EM and soil geochemical sampling was undertaken over some of the anomalies. Aberfoyle also supported lead and sulphur isotopes work at the CSIRO and CODES (University of Tasmania).

Thirkell Hill Area

Australian Minerals completed a Turair survey and reconnaissance geochemical sampling in 1973.

Union Oil Development Corporation (Union Oil) undertook the first systematic modern exploration in the area in 1975. They constructed an access track from Birch Inlet and undertook grid based (31,000m) soil geochemical sampling and IP geophysical surveys over the southern two thirds of the area. They also completed an airborne EM geophysical survey over the southern third of the area and reconnaissance sampling elsewhere. This work identified several Pb, Zn, and Cu geochemical anomalies within the MRV. These appeared to be semi-continuous over strike lengths of 1 to 5 kilometres. Numerous more isolated IP, EM and geochemical anomalies were also identified.

Geopeko Ltd (Geopeko) undertook further field work in 1977 and subsequently briefly in 1981. Geopeko confirmed the Union Oil soil geochemical anomalies by analysing C – horizon soil auger geochemical samples. They reviewed several of the prospects and undertook extensive geological traversing. In 1981, Geopeko flew a Dighem EM geophysical survey and completed semi – detailed ground exploration over 2 prospects including extensive auger drilling on one prospect in the MRV.

CSR sampled 13 stream sites for gold in 1985 and collected 4 pan concentrates. The pan concentrates all showed anomalous gold up to 10 g/t Au. However, bulk leach and stream silt analytical results from the 13 sites were all low.

Recent Exploration

Elliott Bay Area

Macmin applied for an exploration license surrounding the Cyprus / Aberfoyle license in 1994. This was targeted on 3 geochemically anomalous areas; the margins of the Low Rocky Point granite, the Three Creeks and Upper Hudson River areas. Macmin undertook field reconnaissance and soil (auger samples) and pan concentrate geochemical sampling.

Exploration & Management Consultants Pty Ltd (EMC) successfully tendered for the exploration rights to the SMRV area after Plutonic relinquished it and undertook a review of all the past work. In 1998 they joint ventured the area with Fimiston Mining NL (Fimiston).

Fimiston conducted a review and reprocessing of geophysical data then drilled two diamond core drillholes (752 m). One hole was drilled at Wart Hill (V19) and the other was drilled 500m to the south towards the East Camp prospect targeted on anomalous geochemical analyses and geophysics. Fimiston withdrew from the area in 1999. EMC has since focussed on digitising the large body of technical data.

Thirkell Hill Area

Macmin in joint venture with Anglo Australian Resources NL (AAR) undertook an extensive geochemical sampling program in 1993 and 1994. This included pan concentrate sampling, soil and rock chip sampling as well as a Huminex soil sampling program using MRT technology. This work led to diamond drilling and in 1995 six short drill holes (292.5m) were drilled on the Southern Porphyry Contact grid (south zone) targeted on “the best of the defined gold soil anomalies” to test stratigraphic and structural associations. In 1996 further geochemical sampling was undertaken.

After AAR withdrew from the joint venture in 1997, Macmin undertook further drilling in 1998. Two diamond core drillholes (371m) were completed at the Condor prospect to test a base metal soil geochemical anomaly in MRV. Macmin’s targets were both VHMS style base metal sulphides and gold.

5. EXPLORATION COMPLETED DURING THE LAST 12 MONTHS

Resampling existing drill core from Sassy Creek (V24)

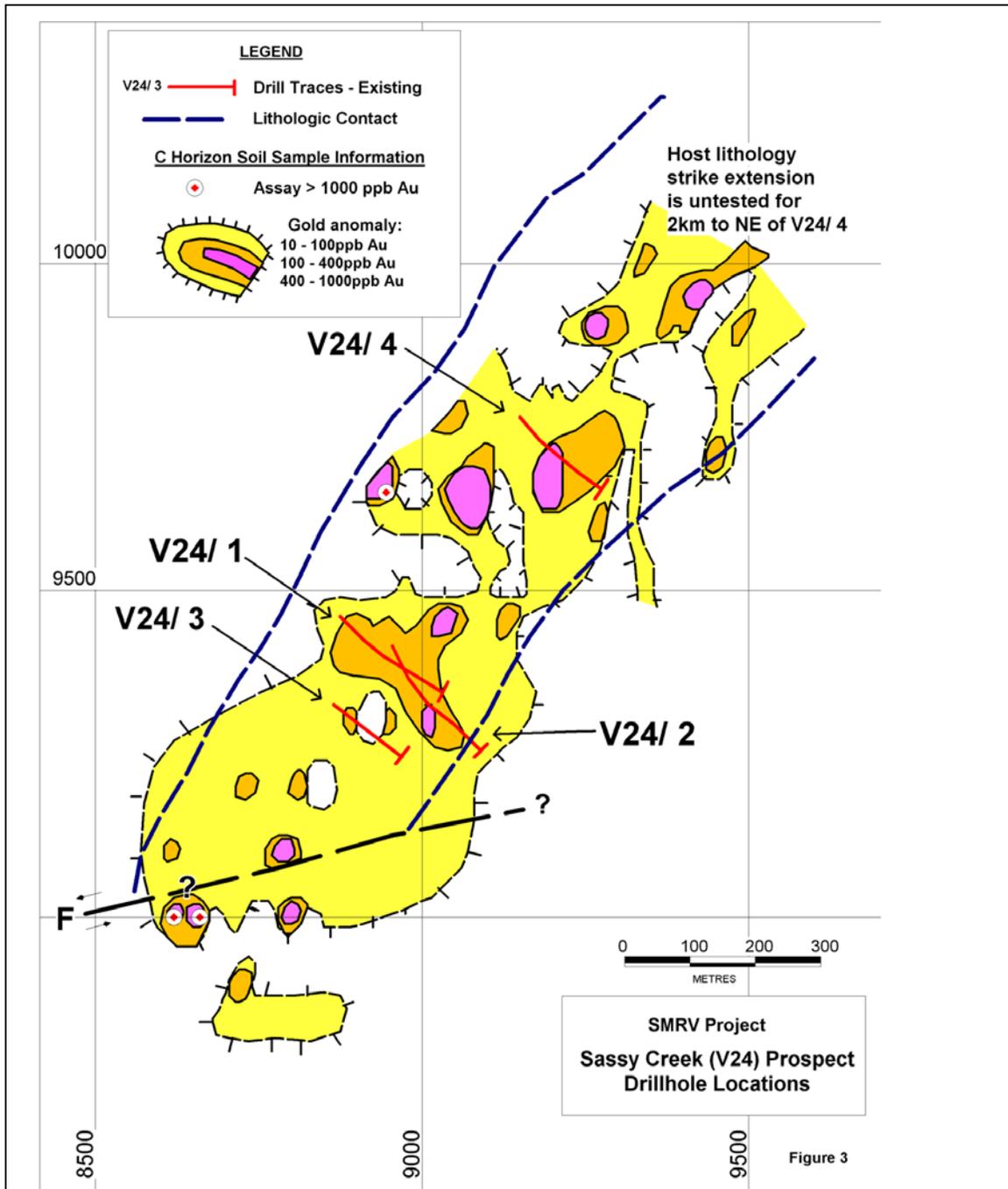
Seven quarter core samples from selected 1m intervals in holes V24/2, V24/3 and V24/4 (stored in the MRT library) were collected and re-assayed for gold to check the original results. In addition 18 extra indicator elements were assayed. The location of the drillholes sampled (local grid) is shown in Figure 3.

Petrography

One drill core sample from hole V24/4 at 111m was sent to Mason Geosciences for polished thin section preparation and petrographic and mineralogic examination.

Resampling of existing pulps from V9 (east of Sassy creek)

Eleven sample pulps from holes V9/2 and V9/3 (from the MRT library) were assayed for gold after re-homogenisation. These samples had never been assayed for gold and were from prospective intervals of quartz veining, pyrite and magnetite veining.



Geophysical Interpretation

Aeromagnetic and radiometric data covering EL 21/99 and EL20/96 acquired from MRT's Western Tasmania Regional Minerals programme was interpreted by Southern Geoscience Consultants (SGC). The data has moderate resolution (200m line spacing and 80m terrain clearance) suitable for the 1:50,000 interpretation scale. SGC generated TMI and radiometric image enhancements

6. RESULTS

Resampling drillcore from Sassy Creek (V24)

There are notable discrepancies between the original gold assays and the resampling gold assays. In particular values over 0.5g/t Au were not repeated. This is assumed to be due to some mineralised parts of the core having been removed for the original sampling (see Appendix 1)

Resampling drill pulps from V9

Assay results from the selected sections in the top 93m of hole V9 gave moderate grades of 0.12 – 0.31 g/t Au. Lower samples from V9/2 (97 – 108m) and V9/3 had grades from 0.04 – 0.11 g/t Au. Base metal re-assays had similar grades to the original assays. See Appendix 1 for assay results.

Petrography of drillcore from Sassy Creek

(summarised from Mason Geoscience report)

Core sample V24/4 from 111m is a fragmental hydrothermally altered rhyolitic volcanogenic rock. Gold occurs as small inclusions in pyrite crystals. This pyrite - gold association indicates that gold was deposited by post-depositional hydrothermal processes. For full details see report in Appendix 1.

Geophysics

(summarised from Southern Geoscience Consultants report)

The magnetic and radiometric data from the area of these licences is quite variable in character. High background due to the strong radiometric response to outcropping felsic volcanics makes identification of outcropping sericitic alteration zones (indicative of Henty style mineralisation) difficult.

A series of gold and base metal targets (69) in total have been identified mainly based on structural settings (tension fractures, reidel shears, dilational bends and fold closures). Most high priority targets are potentially dilational settings and localised intrusive or alteration centres associated with the mineralised felsic volcanics and the felsic intrusives emplaced into these volcanics. The wide line spacing does not allow detailed prospect scale interpretation and targeting. The full report is found in Appendix 2

7. PROPOSED EXPLORATION PROGRAM

- There are approximately 3850m of core stored in the MRT core shed from the area of these licences that have never been analysed for gold. TasGold propose to sample 1135m of this and analyse the samples collected for their gold content;
- Ground inspection of targets generated from the geophysical interpretation.;
- Drilling dependent on results of gold assaying of existing drillcore/pulps and inspection of geophysics targets.



APPENDIX 1

- Report to MRT on sampling of drillcore from prospects in the Elliott Bay area.
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APPENDIX 2

- Report on Elliott Bay – SMRV Project
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By Bruce Craven, Southern Geoscience Consultants
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