

LYNCH MINING

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ANNUAL REPORT FOR RETENTION LICENCE 7/1988

MT. BISCHOFF

FOR THE YEAR ENDING 30 JUNE 2003

September 2003

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P. D. McLatchie

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1.0 INTRODUCTION

This report is the Annual Report to 30 June 2003 with respect to Retention Licence 7/1988 at Mt Bischoff.

2.0 LOCATION

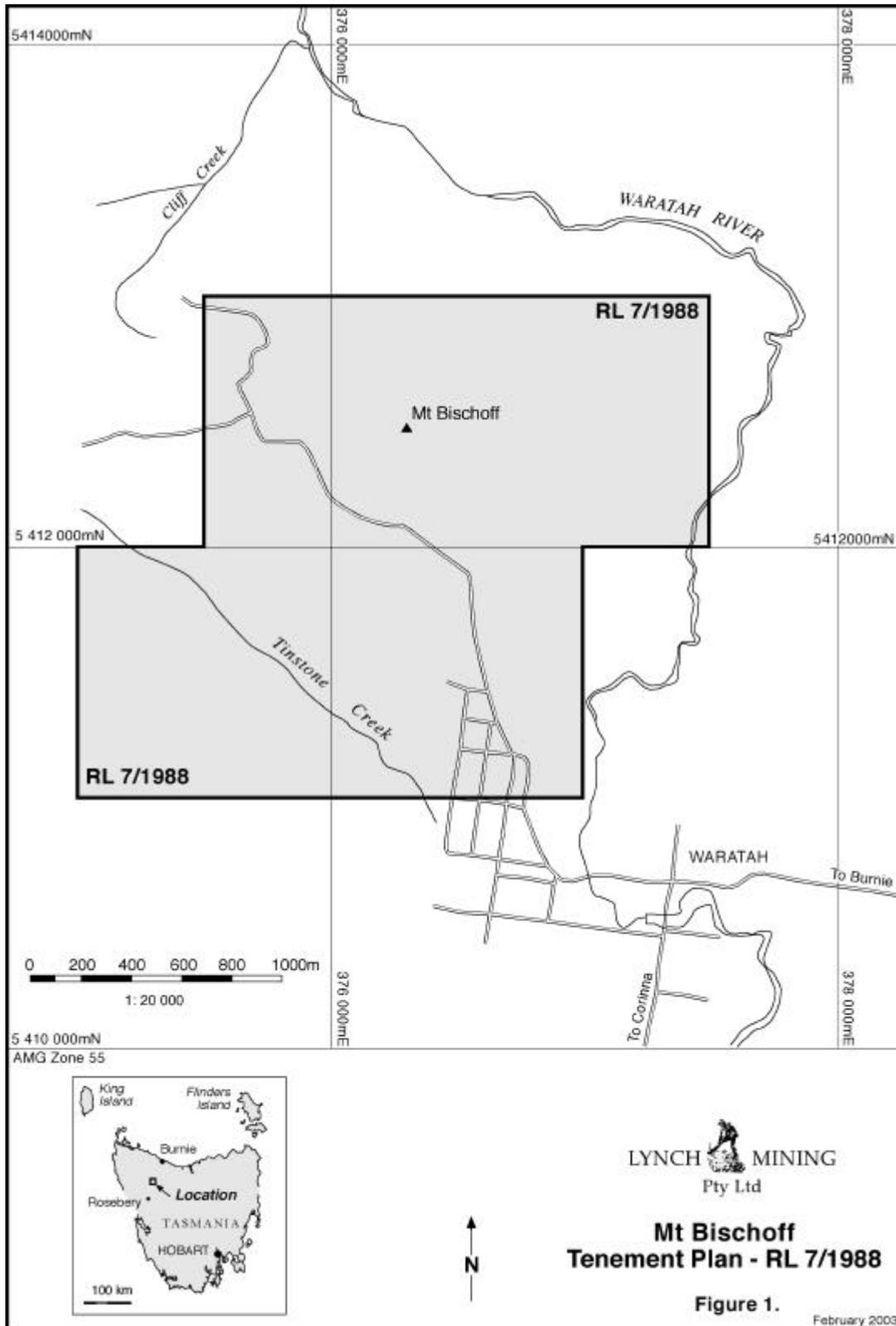
Mt. Bischoff is located in the Waratah district, northwest Tasmania (refer Figure 1). The township of Waratah is approximately 60 kilometres south by road from Burnie. Good sealed roads connect Waratah with Burnie to the north and the townships of Rosebery and Zeehan to the south.

3.0 DISCOVERY AND CORPORATE BACKGROUND

Tin ore was first discovered in December 1871 by James Smith in the alluvium of Tinstone Creek on the southwest slope of Mt. Bischoff and in 1873 the Mt. Bischoff Tin Mining Company was formed. The operation was initially worked as an alluvial mine with sluices and hand jigs producing tin concentrates. Underground prospecting commenced in 1897 to supplement the open cut operations. Mining continued through to 1929 when the company ceased to operate profitably and large scale mining operations ceased. The company let the mine to tributors until the Commonwealth Government acquired the mine and plant in 1942 and worked in the area until 1947. Mt. Bischoff was then intermittently worked on a small scale by tributors, and various surface investigations were carried out by a number of mining companies.

In 1964 Comstaff Pty. Ltd. was formed between Mt. Costigan Mines Ltd. and Broken Hill South to determine the ore reserves remaining beneath the old workings. Australian Anglo American joined Comstaff in 1968, and became operator. Between 1964 and 1970, exploration programs completed included electrical and geophysical surveying, geological mapping, rock sampling, diamond drilling and adit rehabilitation.

In 1977 a Joint Venture was formed between Comstaff Pty. Ltd. and Preussag Australia Pty. Ltd. They expected that potential existed to successfully mine the dolomite lodes at Mt. Bischoff. In 1978 Metals Exploration Ltd. (MEL) and CRA Exploration (CRAE) joint ventured into the project. Under the new "Mt. Bischoff Joint Venture" several major mining evaluations were undertaken. In March 1983, CRAE assigned its equity to MEL. The Mt. Bischoff Joint Venture, then comprising MEL 85% and Comstaff and Preussag 15%, was granted Retention License No. 8807 (now RL 7/1988) of 4 square kilometres on 14 October 1988.



In October 1993 Lynch Mining Pty. Ltd. (Lynch) purchased the Retention License from Metals Exploration Ltd., Comstaff and Preussag to own 100% equity in the project. Lynch completed a detailed Feasibility Study into open pit mining at Mt. Bischoff and selling the ore to the Renison Bell Mine some 80 km south of Mt. Bischoff. The study indicated that if Renison could mill the Bischoff ore such an arrangement was profitable to both parties. Negotiations with Renison failed to convince them of the benefits in the proposal. Other options to exploit the Mt. Bischoff resource were examined, but all were shown to be potentially less profitable to Lynch than the sale of ore to Renison.

In early 1995 Lynch commissioned a study into the entire West Coast Tasmania tin industry. The study identified all the known tin resources on the West Coast and confirmed the findings of 1993 that it was most economic to treat Bischoff ore at Renison.

During the period between 1996 and 1998 Lynch again extensively re-examined the potential of the Mt Bischoff resource including new approaches to the management of the Renison operation. The offer to supply ore was again rejected but in the course of discussions Lynch was invited to make an offer to purchase the Renison operation from the then owners RGC Ltd. Lynch commenced due diligence and fund raising activities before RGC sought public offers from other parties. Lynch chose not to participate in the open tender situation and Renison was subsequently sold to Murchison United.

4.0 WORK FOR THE PERIOD JULY 2002 TO 30 JUNE 2003

There has been no field activity or test work carried out during the period under review. The development of the resource is not economic at the current low tin prices.

5.0 EXPENDITURE

Expenditure for the 12 months to June 2003 was as follows:

Salaries & Wages	\$ 809
Tenement Fees & Rental	\$ 995
Post and stationery	\$ 25
Administration & Overheads	\$ 236
TOTAL	\$ 1,807

Expenditure on the project over the life of the Retention Licence totals \$199,000.