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**EL 41 / 2002
Lone Star**

**Annual Report
April 2003 to April 2004.**

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April 16, 2004**

SUMMARY

This report is the 2003-2004 Annual Report for EL41 / 2002 - 'Lone Star'. The EL was reduced from 55km² to 38km² after the first year of tenure. No work was completed on the relinquished blocks.

Two RC drill holes were completed on Kelley's prospect. Results were disappointing with a best intersection of:

K002 69-70m 1m @ 1.3 g/t Au

The auriferous quartz veins hosted in the Mathinna beds appear to be too thin and inconsistent to host a significant gold resource. No further work is recommended for this prospect at this stage.

A limited check soil sampling program was completed over the Lone Star South Prospect. The survey confirmed the As anomaly previously identified. Quartz float and weathered granodiorite was observed during the survey confirming the similarities of the prospect to the Golconda deposits further north. Two drill holes are planned to test the soil anomaly.

Follow up of soil As and Au anomalies is also recommended for the Lone Star, Wild Knife and Lebrina Prospects. This work will involve trenching, rock chip sampling, a limited soil sampling program and possibly some diamond drilling.

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INTRODUCTION

This report is the 2002-2003 Annual Report for EL 41/2002.

Exploration commenced on the EL very shortly after granting, including soil sampling and limited drilling. Gerald Spaulding Drilling were contracted to complete an RC drilling program in July 2003, but this had to be curtailed due to winter rains / access issues for the truck mounted RC rig and because of access limitations imposed by MRT at the Lone Star South Prospect because of a burrowing crayfish. Further drilling will be completed with TasGold's RB37 diamond drill rig, including an initial drill testing of the Lone Star South Prospect, commencing in mid- May 2004.

1.1 Location

E.L. 41/2002 Lone Star lies in the north-east of Tasmania, about 30km NE of Launceston (see Figure 1).

1.2 Tenure

E.L. 41/2002 was issued to TasGold Ltd. on April 24, 2003. The initial area of the EL has been reduced from 55km² to 38km² comprising two separate blocks. The retained EL boundary is demonstrated in figure 1. No work was completed on the relinquished blocks.

E.L. 41/2002 was roughly bounded by A.M.G. lines 5431000m N and 5446000m N to the north and south respectively and A.M.G. lines 520000m E and 529000m E to the west and east respectively.

There are a number of exclusions, these being MLs held by prospectors chasing alluvial gold.

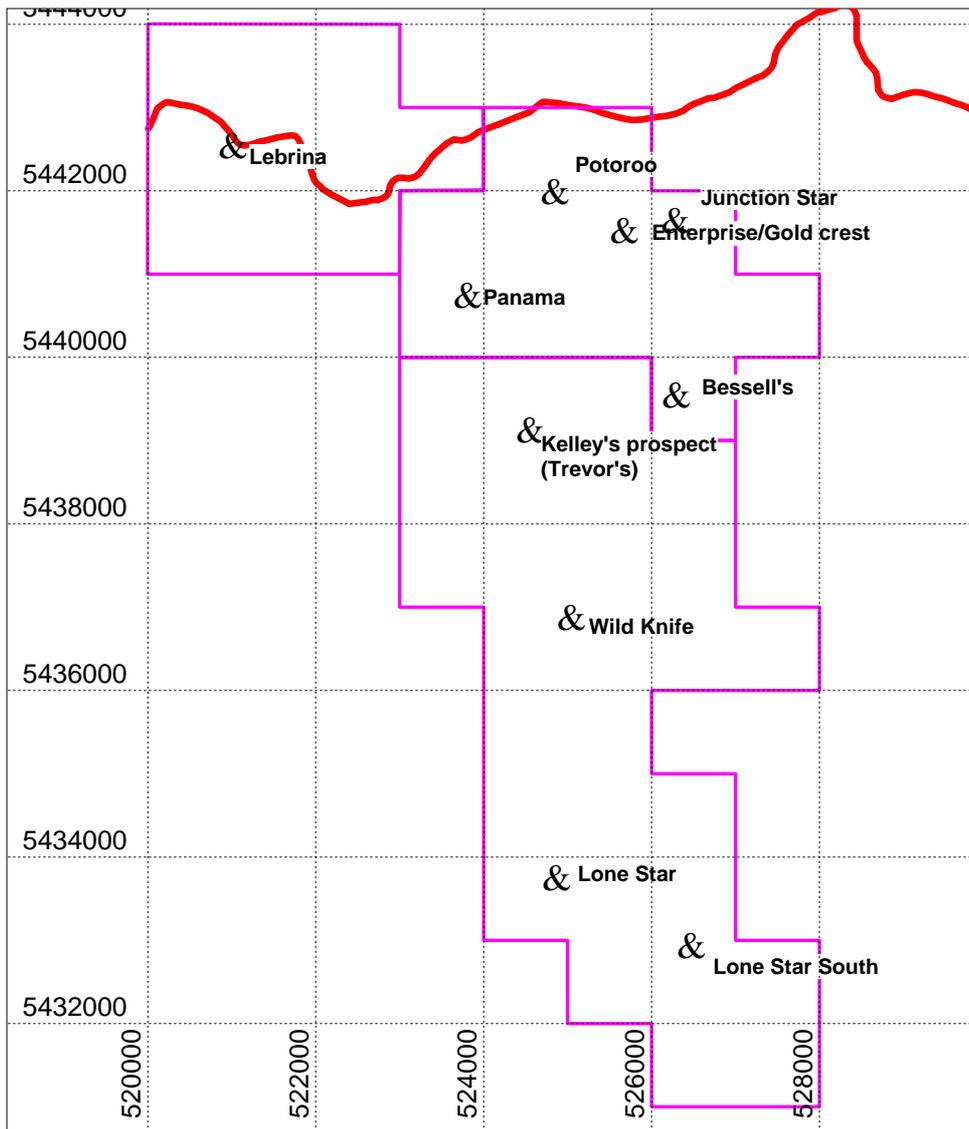


Figure 1. EL 41/2002 prospect locations.

1.3 Land Usage and Access

The area is largely state forest with extensive pine plantations and areas of old and regrowth dry and wet sclerophyll forest. Various wildlife habitat strips and ridge top reserves occur throughout the forest. The northern third of the E.L. contains a number of freehold properties, however, in general these lie on relatively unprospective ground.

The E.L. is serviced by a bitumen road to the north and an unsealed road to the south. Within the E.L. numerous forestry roads provide good access to most of the prospective areas.

1.4 Topography

The maximum relief of the area is 400 m. The main Lisle goldfield occupies a basin-like depression with steep ridges ringing it on all sides except to the north where the Lisle Creek passes through a gorge. The Lone Star, Golconda and Panama goldfields occupy similar but smaller depressions.

The steep slopes are generally covered by talus deposits which obscure the bedrock geology.

2 PREVIOUS EXPLORATION

The Denison and Golconda alluvial fields were discovered in 1872 and the reefs of Denison and Golconda were first opened up in 1876 and 1877 respectively (Coroneus, 1993). The Lisle alluvial field was discovered by Charles Bessell and company in 1878 following their discovery of the Tobacco Creek Goldfield in 1877 (Dickens, 1991).

Most Production occurred between 1878 and 1909 but was mainly sporadic through that period (Coroneos, 1993). The area officially produced 2.7t of gold by 1925, mostly from the Lisle Valley alluvials. However records are poor and it is rumoured that a large proportion of production was taken directly to the Victorian Mint. Twelvetrees, (1909) estimated the production to 1909 to be 250,000 oz. Minor alluvial mining has continued until recent years (Bottrill, 1994).

Hard rock mining in the Golconda and Panama goldfields continued periodically until the 1920's. Production records are poor but head grades are generally reported to be in the 8-15 g/t range with production mainly from small quartz veins hosted in granitoids and Mathinna beds (Bottrill, 1994).

Comalco pegged EL 25/76 covering the Lisle, Golconda and Denison Goldfields. Comalco undertook a brief review of the area including a pancon survey, geological mapping and bedrock sampling in the 1970s. Their target was a 10Mt open pitable, stratabound Au deposit in altered sandstones of the Mathinna Beds (Askins, 1977). The area was considered unprospective for their target after failing to find appreciable gold from their preliminary work. The EL was relinquished after 2 years.

CRA Exploration (CRAE) carried out stream silt sampling of the EL area as part of later exploration of another license, EL 53/80. This survey showed anomalous arsenic geochemical values in the southern part of the Lisle area (Broadbent, 1982). Some potential for disseminated gold in the metamorphic aureole was considered but no anomalies were followed up.

B. P. Minerals (BP) and Seltrust carried out a program of geological mapping, rock chip and stream silt sampling, aeromagnetic geophysical surveying and open hole percussion drilling between 1983 and 1986. They were targeting a bulk tonnage, low grade gold deposit hosted within the intrusive bodies.

The aeromagnetic survey results delineated the magnetic expression of the Lisle granitoid and also defined a zone of low magnetic intensity concentrically disposed around the granitoids. Small discrete magnetic highs were scattered throughout this zone (Storer, 1985).

29 open hole percussion holes targeted on magnetic and geological targets were completed in 1984. A total of 1,037m averaging 30 – 40 m in depth at seven localities was completed. The holes often collapsed, terminating in clays derived from granitoid although some holes intersected both Mathinna beds and granitoids. Low order geochemical gold analyses were recorded in some places. It was concluded that the weakly altered granodiorites were the probable source of the Lisle alluvials but the grades of the host rock were way to low to be of economic interest (Storer, 1986).

Argyle Minerals carried out an aerial photograph interpretation between 1986 and 1988 (Cromer, 1987). This was followed up by limited rock chip sampling as well a bulk sampling of the alluvial at the Denison River goldfield outside the EL area. Their results indicated limited potential in this area.

Billiton completed a number of programmes between 1990 and 1991. These included:

- A regional BLEG stream sediment geochemical survey sampled 26 sites;
- A comprehensive BLEG stream sediment geochemical survey samples 214 sites. Eleven anomalous sites were re – sampled by duplicate sampling upstream of the original site.

- A composite BLEG soil geochemical sampling program (264 samples) was undertaken over the ridges surrounding the Lisle valley. Three anomalous areas were re – sampled (28 samples) in more detail.

This work outlined two main exploration target areas the principal one to the north of the Lisle basin with a subsidiary area to the south and west (Randell, 1992). The anomalies were not followed up in any detail.

Macmin completed a number of programmes between 1993 and 2001 including:

- Reconnaissance soil geochemical sampling in 1994 across targets delineated from a review of existing data (MacDonald, 1994). This resulted in over 50 anomalous areas delineated by more than 2,500 geochemical samples
- Grid based B – horizon soil geochemical sampling in 1995 across five grids, follow up power auger sampling, rock chip geochemical sampling from selected adits and shafts (Hall, 1995);
- Reconnaissance drilling of 4 diamond core holes (195.3m) at the old Enterprise and Gold Crest mines in late 1995 (Duncan 1996)
- Reconnaissance drilling of 4 reverse circulation percussion (RC) holes (359m) at the Enterprise Prospect in 1996 (Duncan, 1996) and
- Further soil and auger geochemical sampling, whacker drill and excavator trench sampling in 1997 and 1998 in the Panama Valley, Enterprise Ridge and Tobacco Creek areas as well as excavator trench sampling of other geochemical anomalies (Hall, 1998).

3 GEOLOGY

3.1 Regional Geology

The NE Tasmania terrain consists of allocthonous Ordovician to Early Devonian quartz-wacke to pelitic turbidites known as the Mathinna Beds. These were multiply folded in the mid Devonian Tabberraberran Orogeny prior to being intruded by granitic to dioritic rocks of the Scottsdale batholith. The Mathinna Beds are locally hornfelsed forming contact metamorphic aureoles. The NE Tasmanian terrain has many similarities with the Melbournian Zone of Central Victoria (Powell and Baillie, 1992, Foster *et al*, 1998).

The NE Tasmanian terrain was accreted to the Western Tasmanian Terrian during SW-NE compression in the first phase of Deformation during the Tabberraberran Orogeny (Powell and Baillie, 1992, Keele *et al*, 1995). This phase resulted in upright, tight SW verging folds in the east to recumbent and isoclinal SW verging folding in the west. The Terrain boundary is contentious but is thought to lie either in the Tamar Basin (Powell and Baillie, 1992, Keele *et al*, 1995) or further west near the Rubicon River (Reed, 1999). The second phase of deformation was associated with back thrusting, possibly as a result of structural lock up through continued NE-SW compression. This formed over printing up right folding and faulting (Keele *et al*, 1995, Reed, 1999). Mesothermal slate belt style gold mineralisation is associated with this phase of deformation. Devonian granitic to dioritic plutons intruded the eastern and western Tasmanian terrains significantly after the peak period of deformation.

Unconformably overlying these rocks are Permian to Triassic sediments, later intruded by an extensive Jurassic Dolerite Sill. These Permian to Triassic cover rocks have been largely eroded with remnants forming topographic highs such as Mt Arthur.

Tertiary sediments of rift valleys and incised streams have been partially covered by later Tertiary basalts basalt flows. Basalts have filled palaeo-topographic lows resulting in topographic inversion with erosion resistant basalts now forming low ridges.

Quaternary colluvial and alluvial sediments obscure much of the outcrop in the vicinity of the EL.

3.2 Ore Deposit Models

The majority of NE Tasmania gold deposits are typical slate belt style, mesothermal gold deposits similar to the Victorian goldfields. The best known and single largest reef (including Victoria) is the Tasmania Reef at Beaconsfield which contains >2.91 Mt @ 19.8 g/t Au. The Tasmania Reef consists of a quartz + carbonate + sulphide filled fracture that is transgressive to the host sediments and is fault controlled. The reef varies in width from less than 1 m to approximately 5 m and has a strike length of 350 to 400 m. The reef remains open at depth.

Unlike most of the NE Tasmanian gold deposits, the Lisle-Golconda reef deposits appear to be related to the reduced granodiorites of the Scottsdale batholith. There is an obvious spatial relationship between late stage intrusives and gold mineralisation. Gold is hosted in quartz-sulphide veins and disseminations within intrusives and structurally controlled veins within the contact aureole. Sulphides includes arsenopyrite and pyrite with lesser chalcopyrite, bismuthinite, stibnite and molybdenite. Geochemically the mineralisation has a Au, Ag, Bi and Mo association.

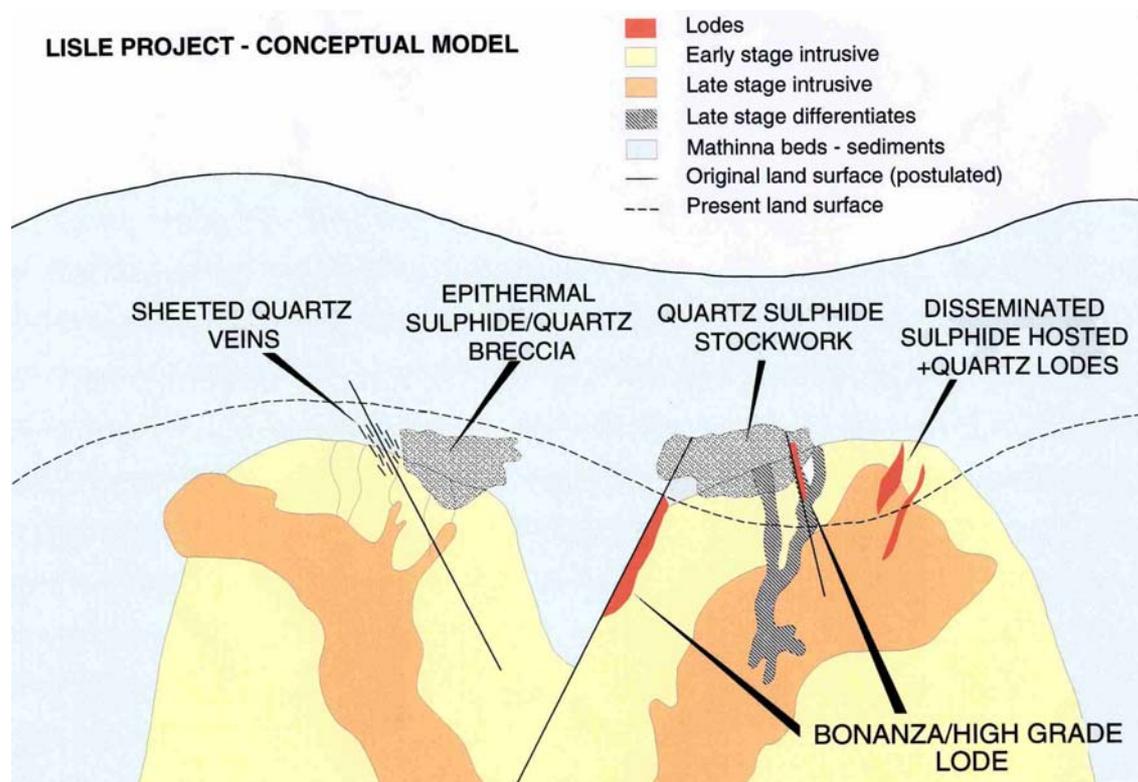


Figure 2. Lisle Project Conceptual Models.

Intrusion – related gold deposits (associated with tungsten – tin deposits) are an under recognised and economically important class of gold deposits. These deposits include sheeted veins, quartz stock-works and bulk mine-able disseminated gold deposits spatially and geochemically associated with reduced intrusives.

Examples of these styles of deposits are known in Alaska, the Czech Republic, Spain, Kazakhstan, Bolivia and Australia. The Kidston (Queensland) and Timbarra (New South Wales) deposits are Australian examples.

World class Alaskan deposits of this style include Pogo and Fort Knox. Pogo is reported to host more than 9.0 million (M) tonnes (t) at 17.8 g/t Au for more than 5.0 million (M) ounces (oz) contained gold. Mineralisation occurs in three or more tabular, gently dipping quartz bodies associated with early

biotite and later quartz – sericite stockwork and sericite – dolomite alteration. The quartz bodies occur 1.5 km south of a Cretaceous batholith and are hosted primarily in gneiss.

Fort Knox occurs as a structurally controlled stockwork and shear quartz veins in a granodiorite pluton. It is reported to host 158.3 Mt at 0.83 g/t Au for more than 4.0 million oz contained gold.

Recent reports of gold mineralisation discovered at the nearby Denison goldfield by Anglo Australian Resources in sandstone (Mathinna Beds) may also be a model worth considering for the Lisle Project.

3.3 Local Geology

A good interpretive geological and structural map of EL 41/2002 has not yet been completed. The local geology is dominated by ridges of hornfelsed Mathinna Beds and basins of weathered granodiorite and diorite. Numerous granodioritic and dioritic dykes intrude the Mathinna beds. Valleys and ridge slopes are covered by Quaternary talus and alluvial deposits, obscuring most of the recessive geology.

The Mathinna beds generally consist of a monotonous sequence of graded, quartz-wacke turbidites with lesser siltstones and black shales. Where observed in outcrop they appear to form NNW trending folds with several fold closures apparent on the EL. A weak NNW striking slaty cleavage is observed in some outcrops. Further structural mapping and interpretation is required. The Mathinna beds are locally hornfelsed with chlorite after cordierite spotting common within hundreds of metres of contacts with Devonian granitic to dioritic intrusives.

Granitic to dioritic intrusives are generally deeply weathered and rarely outcrop. Rare outcrop and core intersections indicate the intrusives are complex and heterogeneous with numerous inclusions of hornfelsed Mathinna beds and dark diorite. Textures vary from equigranular, feldspar-biotite-quartz granodiorites to feldspar-hornblende-biotite porphyritic diorites. Intrusions occur as dykes and small cupolas or porphyritic apophyses, possibly off a larger buried body. The largest known intrusive of this type occurs in the Lisle Valley and measures approximately 4km by 4 km.

Roach (1992) analysed 16 samples of the various granodiorites from Lisle, Golconda, Panama and the western margin of the Scottsdale Batholith known as the Diddleum Pluton. There is a clear distinction between the rocks of the Scottsdale Batholith and the granodiorite from the Lisle area. In terms of Rb and Sr the Lisle granodiorites are the least fractionated of the Tasmanian Granitoids.

There is a marked variability of the magnetic susceptibility of the granodiorites. This is probably a reflection of varying geochemistry between the complex intrusives but may also represent areas of magnetite destruction associated with hydrothermal alteration.

Mineralisation and alteration varies between host rocks. Within Mathinna Beds it occurs as thin (0.1 to 1.5m) quartz veins with strike lengths of up to several hundred metres. Veins appear to be hosted in late brittle faults. Vein attitudes vary between prospects but are generally steeply dipping. Some reported stratabound mineralisation of silicified auriferous sandstone beds have been reported (Reid, 1926, Fulton, 2001) although these have not yet been observed by the author.

Mineralisation and alteration within the intrusives is associated with intense sericite-silica alteration and variable disseminated pyrite and arsenopyrite. Quartz stockworks and sheeted veins are intimately associated with alteration zones with the intrusives. Vein orientations and styles again appear to vary between prospects. Minor ankerite, siderite and sulphides are associated with quartz veining and as pervasive and disseminated selvage alteration. Sulphides include dominantly pyrite and arsenopyrite with lesser galena, molybdenite and chalcopyrite.

4 Prospects

4.1 Kelley's prospect (Trevor's)

Kelley's Prospect (also known as Trevor's Prospect) consists of an old adit, shaft and several other small pits on a narrow, auriferous quartz vein hosted in hornfelsed Mathinna Beds. A significant b-horizon As and Au soil anomaly is present to the immediate west and north of the historic Kelley's adit. The anomalies extend approximately E-W, parallel to the strike of the mineralised vein. Numerous old pits are coincident with the defined anomalies on the western end over a 50-60m width. Several sub parallel mineralised veins are probably present at the prospect.

Follow up C-horizon auger sampling on 10m centres and rock chip sampling of old workings has identified significant Au mineralisation with grades to 35.6 g/t Au (Hall, 1994). The level of work prior to drilling in 2003 suggests the prospect had excellent potential to host a small open pit resource within a series of sub parallel veins. The initial target was expected to be 1.5-2Mt with grades of greater than 3g/t Au. Subsequent drilling and trenching in 2003 failed to intersect any economic quartz veining and Au mineralisation. The veins are small and inconsistent and as such are unlikely to host a significant ore resource.

4.2 Lone Star South

The Lone Star South Prospect has been previously identified by B and C horizon soil surveys. A low order NE-SW striking elongate soil As and spotty Au anomaly was identified in 1994. The anomaly remains open to the southwest and potentially also to the NE.

One day was spent relocating the original grid and taking check B horizon samples in April 2003. The grid was found to be in reasonable condition and the re-sampling program confirmed the existing anomaly. A small amount of granite and quartz float was observed on line 5432800N confirming similar geology and mineralisation styles to those observed in the Golconda gold field.

4.3 Lone Star

The Lone Star Prospect is located within the Lisle valley on the slopes of Lone Star Ridge (Figure 1). The prospect was defined by B and C horizon soil surveys completed in 1994. Two small NNE striking elongate soil As anomalies were delineated. The southern anomaly remains open to the south.

4.4 Lebrina

The Lebrina prospect is discussed in a separate report contained in Appendix 1.

4.5 Wild Knife

The Wild Knife prospect has been previously identified by B and C horizon soil surveys. Generally although not consistently coincident, NE-SW striking elongate soil As and Au anomalies were identified in 1994. The anomaly remains open to the southwest.

Historic workings are minimal on the prospect and consist of several small pits.

5 Work Completed

5.1 Magnetic Interpretation

Open File aeromagnetic data flown by MRT as part of the NETGOLD program has been acquired by TasGold Ltd. The data was processed by geophysical consultant Bruce Craven of Southern Geoscience Consultants Pty Ltd and subsequently presented as MapInfo Tables. A structural analysis of the data was also completed by Bruce Craven.

The resolution of the data is suitable for regional scale interpretation but is not detailed enough for prospect scale analysis. The most obvious feature is the variable magnetic high associated with the granodiorite intrusions contrasting against the even, low magnetic susceptibility of the host Mathinna Beds. Prominent magnetic highs within the granodiorite intrusion are located just east of the Potoroo Prospect and to the NW of the Panama Prospect.

The Enterprise/Gold Crest Prospects are associated with a magnetic low within the generally magnetic granodiorite body. This has possibly resulted from magnetite destruction due to hydrothermal activity.

The large magnetic high to the NE of the tenement is associated with Tertiary basalt flows.

Prominent NW lineaments are obvious within the granodiorite. These are on the same orientation as major regional faults in the NE Tasmanian terrain. It is likely that the granodiorite intruded along dilatant zones associated with these major faults, possibly related to transfer structures. The strongest of these lineaments is also associated with the Enterprise-Gold Crest and Potoroo Prospects. Post intrusion reactivation of these faults during late stage devolatilisation has focussed hydrothermal alteration within the EL.

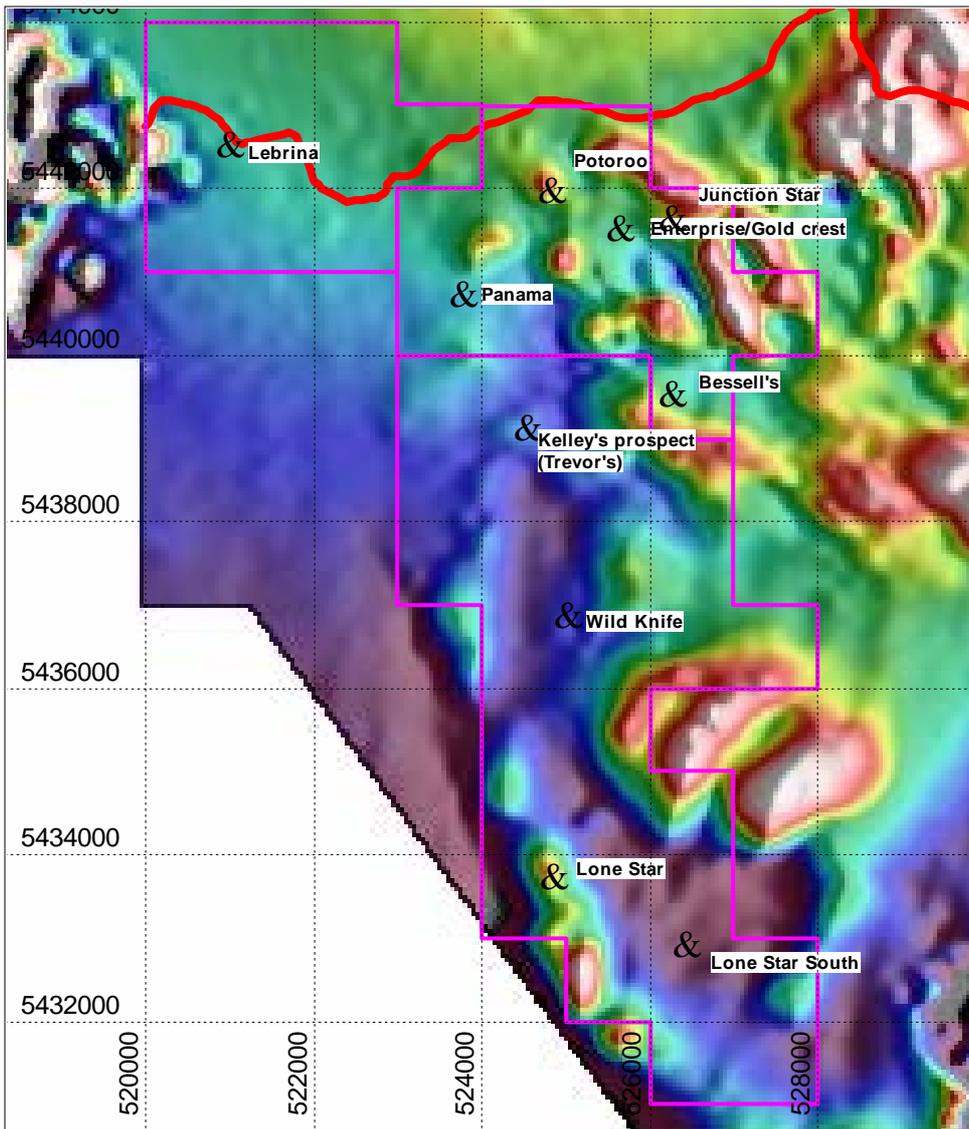


Figure 3. EL 2/92 TMI image.

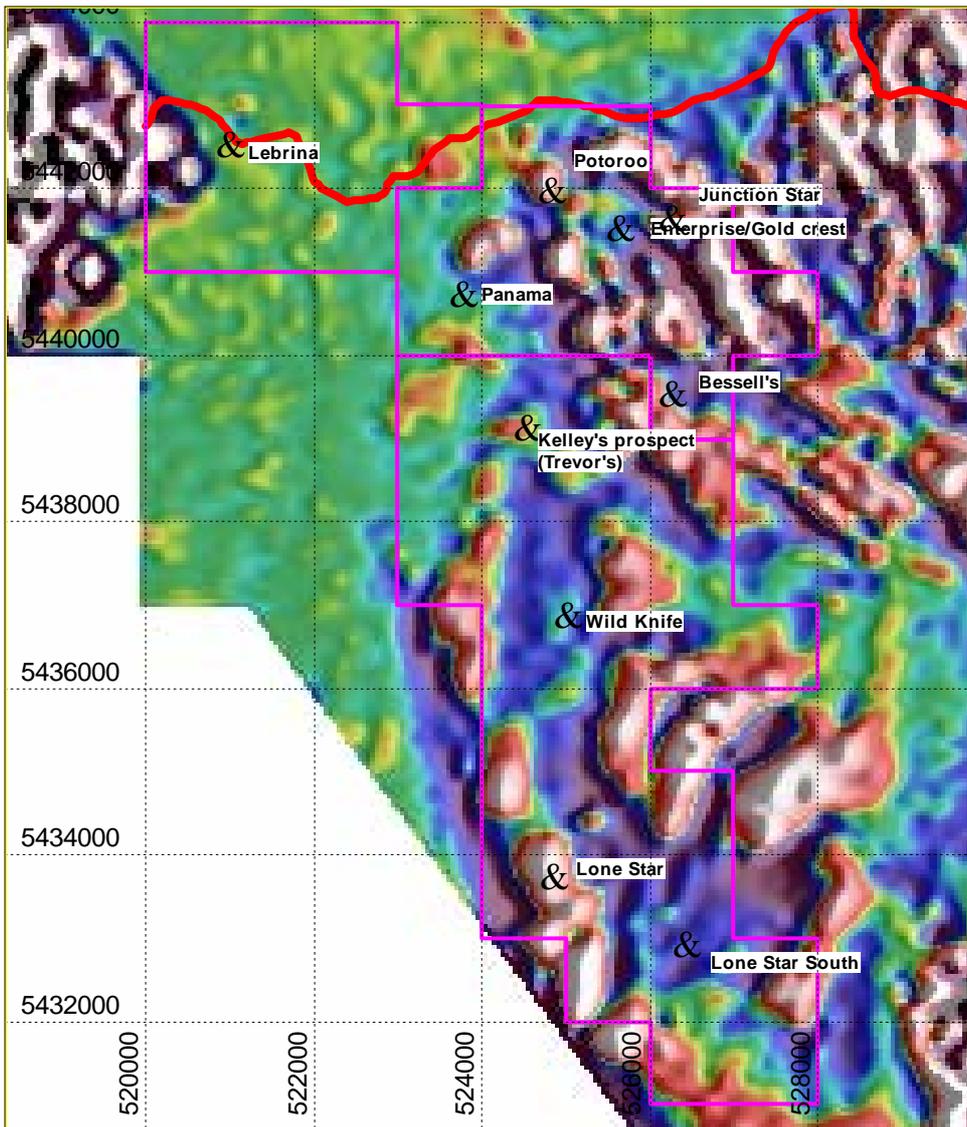


Figure 4. EL 2/92 first vertical derivative aeromagnetic image and structural lineaments.

5.2 Lone Star South

The Lone Star South Prospect has been previously identified by b and c horizon soil surveys. A low order NE-SW striking elongate soil As and spotty Au anomaly was identified in 1994. The anomaly remains open to the southwest and potentially also to the NE.

One day was spent relocating the original grid and taking check b horizon samples in April 2003 (Figure 5). The grid was found to be in reasonable condition and the re-sampling program confirmed the existing anomaly. A small amount of granite and quartz float was observed on line 5432800N confirming similar geology and mineralisation styles to those observed in the Golconda gold field.

Soil sample locations and assays can be found in Appendix 2 and displayed in Figure 5.

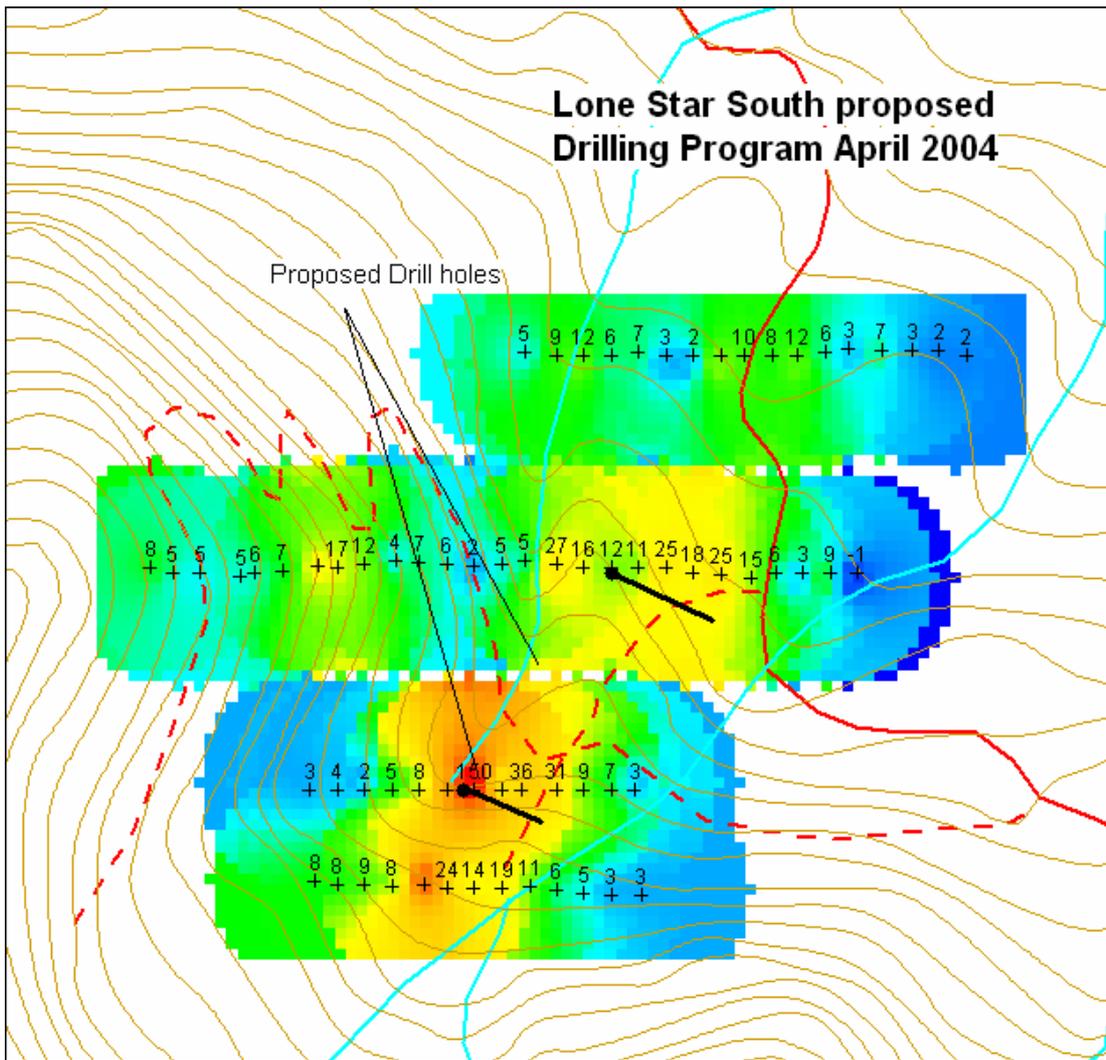


Figure 5. Lone Star South B-soil As image and proposed drill holes.

5.3 Kelley's Prospect.

Two RC holes and a trench were completed on Kelley's Prospect during the past year. Spaulding's drilling were contracted to complete an RC program at historic Kelley's Prospect on EL41/2002 in July 2003 using a truck mounted G&K850 rig supported by a truck mounted Sullair auxiliary compressor and booster. A 22 tonne excavator contracted from Terry Hazelwood was required to be on site for drill site preparation and to support rig moves in wet and slippery conditions. Rig moves were difficult. The excavator was also used to complete the trenching program.

A total of 122 metres in 2 holes were completed. The holes were sampled and logged on a 1m basis with each metre collected in large plastic bags. The holes were sampled after logging.

One 2-3kg composite sample was collected per 4m interval using a 50mm PVC pipe spear from less prospective parts of drill holes. Visibly altered and mineralised bags were sampled on a one metre basis via a riffle splitter to obtain a 2-3kg representative sample.

All samples were analysed at Aminya Laboratories Burnie. Each sample was analysed for Au, Ag and As by AAS using a 50g Aqua Regia digest. Check assaying by fire assay was completed on selected high grade samples.

Drill logs and assay results are listed in Appendix 3.

Drilling results were disappointing. The mineralised structure was intersected in both holes but vein widths were very small resulting in appreciable wall rock dilution on a 1m sample basis. Best results include:

K002 69-70m 1m @ 1.3 g/t Au

No significant veining or alteration was observed in the trench and no samples were taken.

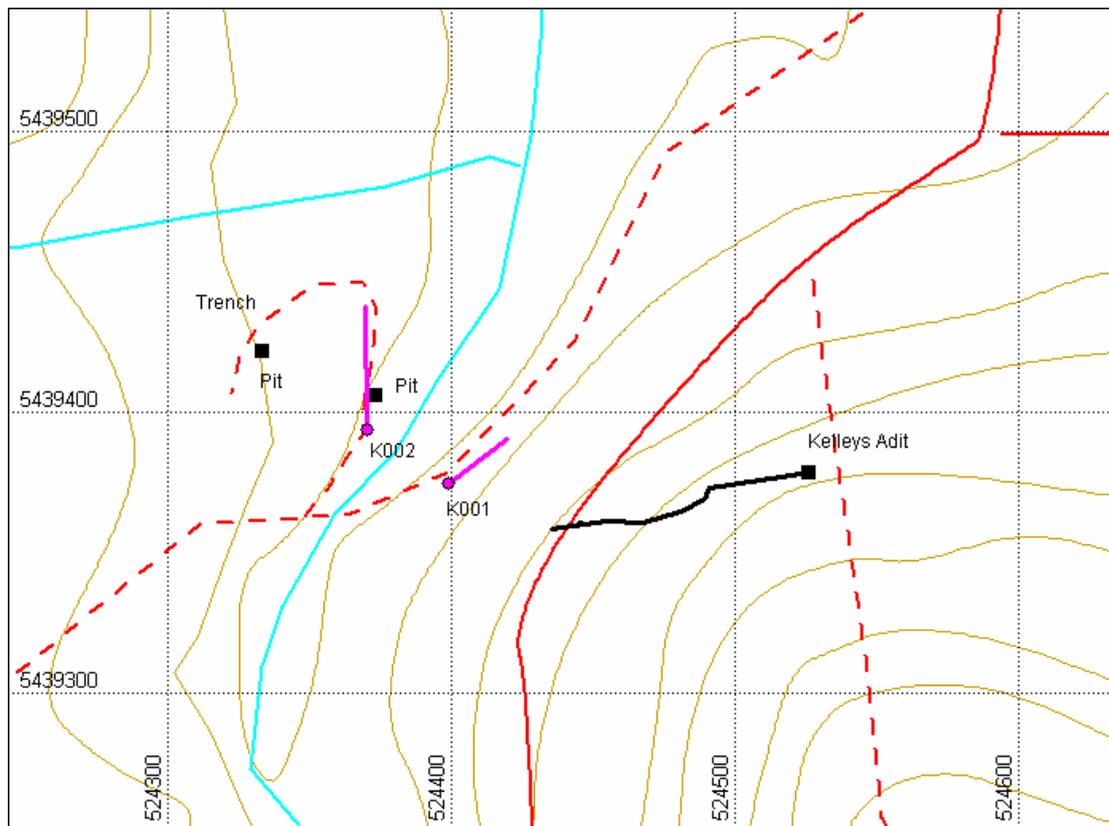


Figure 6. Kelley's Prospect RC hole locations.

6 Recommendations

Further exploration is required to investigate soil Au and As anomalies on the Lone Star South, Lone Star, Lebrina and Wild Knife Prospects. No further work is recommended for Kelley's Prospect.

Lone Star South

A drilling program has been proposed for Lone Star South involving two holes for 300m. The holes are planned to test an arsenic soil anomaly striking NNE. The anomaly is associated with weathered granodiorite known to host mineralisation in the district. Although no structural information is available, the holes are oriented 110° AMG to intersect NNE trending, west dipping structures similar to those in the Enterprise-Goldcrest area. Hole locations are detailed in the attached table and in Figure 5.

BHID	E_AMG	N_AMG	Dip	AZM	Depth
LS002	526475	5433000	-50	110	200
LS001	526340	5432800	-50	110	150

Table 1. Lone Star South Proposed DDH collars.

Wild Knife

One day was spent relocating the original Wild Knife Grid in May 2003. The grid was found to be in poor condition and some of the few sample numbers found on perma-tags were not consistent with their location on earlier plans. Little confidence can be placed in some of the lines location, particularly lines 0 and line -1 where sample numbers did not correspond at all with those on location maps. This location problem possibly accounts for the sinuous nature of the soil anomalies recorded.

Despite this, anomalous sample locations were verified on five lines. A trenching program is required to provide structural and grade information on any possible mineralised structures prior to follow up drilling and extension of the grid. Five 50-60m trenches are recommended over soil As-Au anomalies previously identified on former lines 1, 2, 3, 4 and 5. No track work is required for the trenching program as the excavator should be able to tram down to the required location.

Approximately 500m of track work and associated sumps and drill pads will need to be constructed if results from the trenching program suggest drilling is required. If no favourable mineralisation is identified in the trenching program, drilling and grid extension should not occur.

Unfortunately it must be recommended that the prospect be re-gridded and properly located with further B horizon soil sampling on the NE end of the grid. The base line should be cut and well located with pegs used on soil sample locations to aid future sample location and verification. All sample points should be given an AMG coordinate.

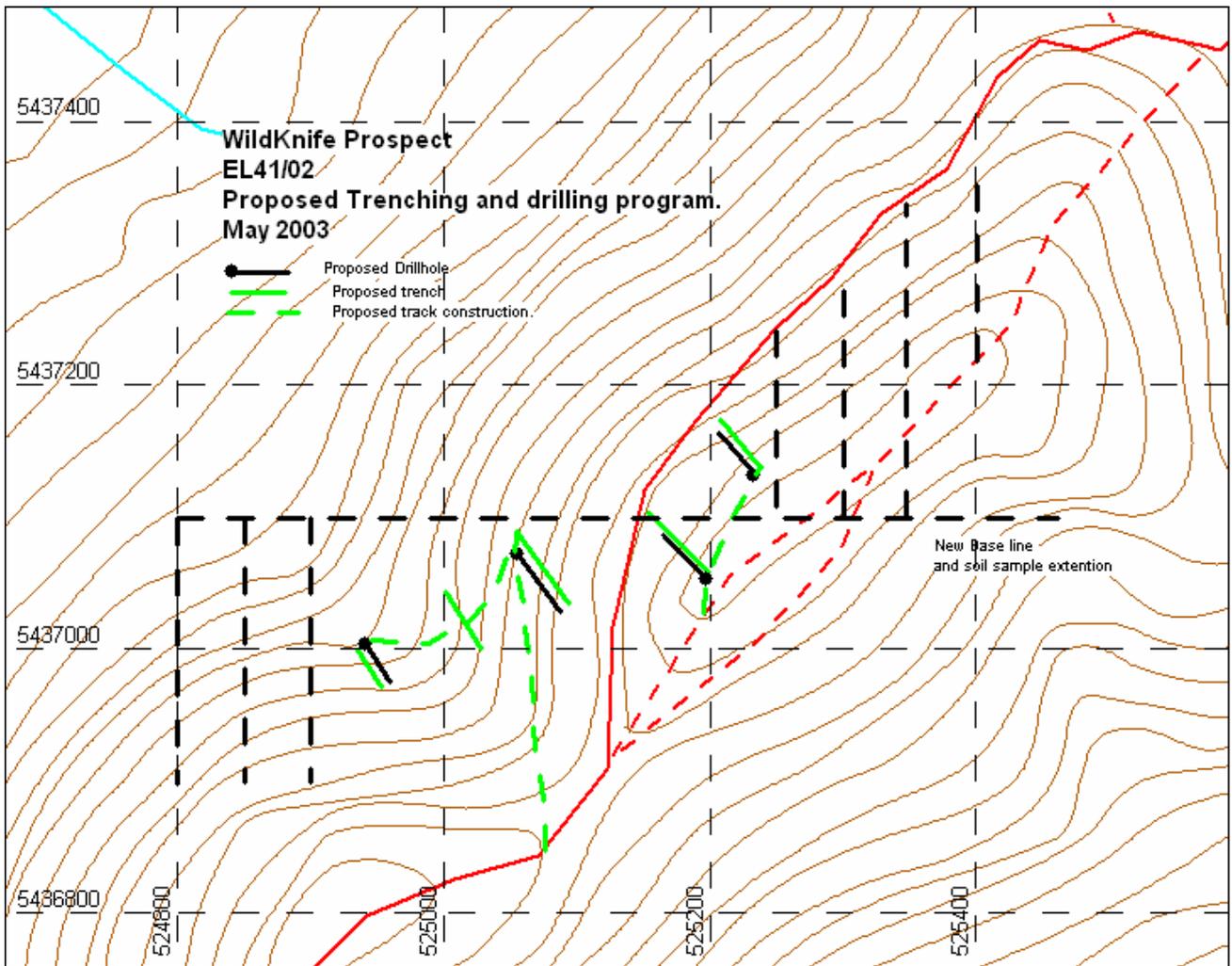


Figure 7. Proposed work for Wild Knife Prospect.

Lone Star

Two~100m trenches across the two soil anomalies have been proposed for Lone Star (Figure 8). Trenches will be accessed via logging tracks located in pine plantations. Trenches will be excavated to avoid damage to pine trees as much as possible. If results are encouraging two 80m drill holes will be completed along the trench lines.

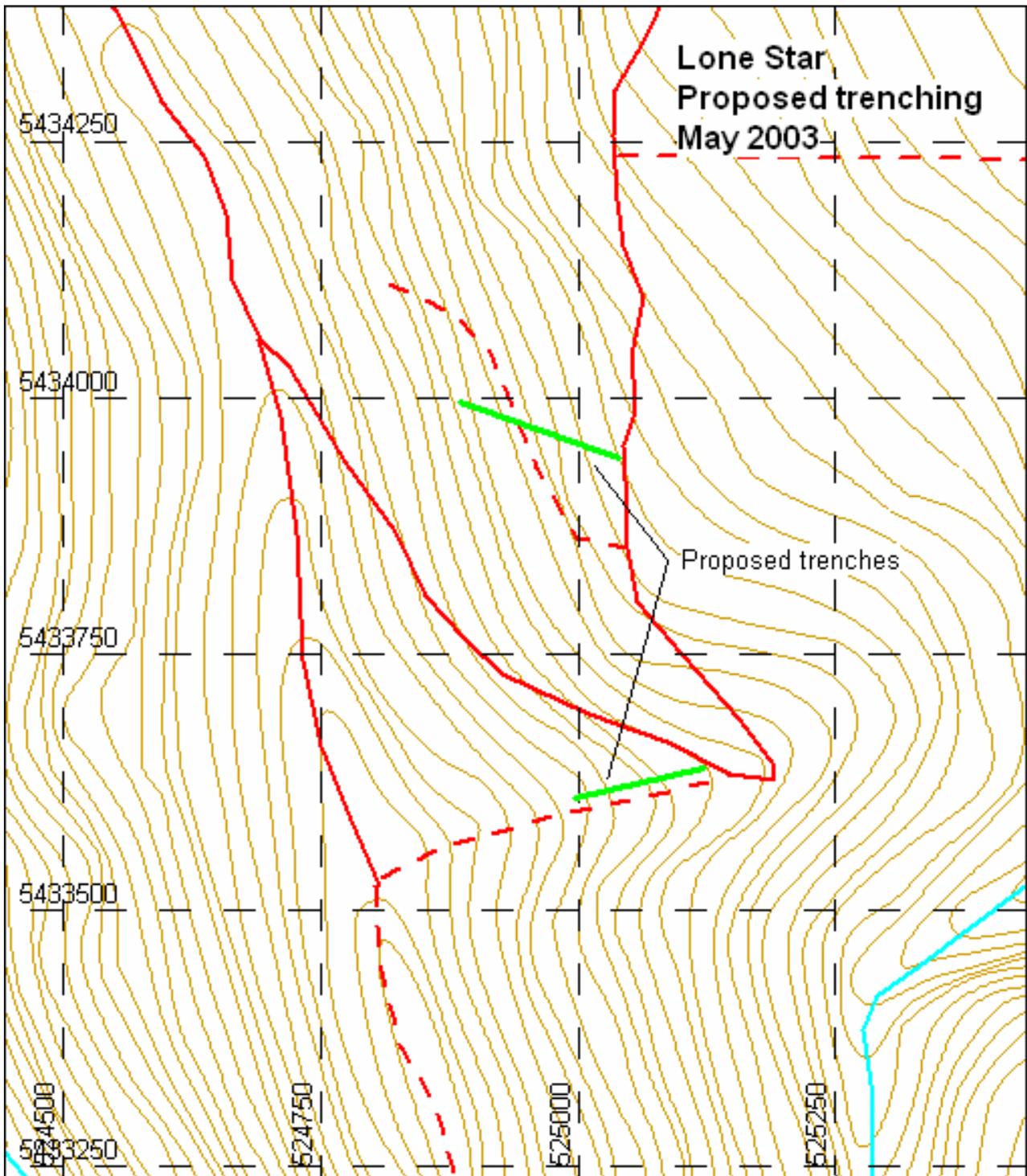


Figure 8. Lone Star proposed work program.

Lebrina Prospect.

The road cutting through the large soil As anomaly in the south of the grid should be mapped and sampled. See Appendix 1 for details.

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Appendix 1

Lebrina Prospect Review and Recommendations



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EL 41 / 2002

LEBRINA PROSPECT.

Summary of previous work and recommendations.

**Tim Callaghan
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Summary

The Lebrina prospect on EL41/02 consists of a series of small auriferous quartz veins in a NE trending corridor of over 1km strike length. Previous workers have completed soil surveys, trenching and drilling programs. Although some spectacular rock chip samples from trenches were obtained, subsequent drilling was very disappointing. The current level of work is sufficient for this prospect and no further work is recommended apart from minor field reconnaissance.

1 Introduction.

The Lebrina Prospect is located in the NE of Tasmania (Figure 1) on EL41/02 held by TasGold Ltd. The EL lies in the Eastern Tasmania Terrane, the southernmost extension of the Lachlan Fold Belt of Southeastern Australia. The oldest rocks found in the district are a succession of Ordovician to Devonian turbiditic quartzwackes and pelites known as the Mathinna Beds. The Mathinna Beds are thought to be underlain by basaltic oceanic crust.

Early Devonian regional deformation produced NNW trending folds and low grade regional metamorphism. Three phases of NNW to N oriented granitoid batholiths intruded the Mathinna beds between the early and late Devonian Periods. Unconformably overlying the Mathinna Beds and granites are post orogenic sediments of the Permian to Triassic Parmeener Supergroup. These are intruded by large sills of Jurassic dolerite. Localised Tertiary basalt flows have significantly changed drainage patterns in parts of the NE district through valley inversion. Significant Tertiary sediments are located to the north towards the Bass Basin. Quaternary deposits include alluvial and colluvial valley fill and wind blown sediments.

Gold mineralisation occurs in several styles in the NE of Tasmania:

Mesothermal slatebelt type gold deposits.

This style represents the vast majority of deposits in the NE of Tasmania. They are typical of there style having many similarities to the gold deposits of the Bendigo-Ballarat district of Central Victoria. Veins are generally hosted in Mathinna Beds and occur as NNW bedding parallel veins or ENE cross cutting veins. Gold mineralisation is related to D2 back thrusting (Keele, et al 1995). Veins vary in length up to 2000m and mined grades were historically between 15g/t and 30g/t.

Granitoid related gold mineralisation.

The Panama-Golconda goldfield produced about 2000 oz of primary gold at a grade of around 12-14g/t Au from narrow veins hosted in magnetite series granodiorites or Mathinna Beds at the granodiorite-host rock interface. Mineralisation is associated with bismuth, silver, copper, lead and arsenic and has many similarities to intrusion related gold mineralisation from Timbarra (NSW) and Alaska (Fort Knox and Pogo).

2 Previous Exploration.

Historical Mining.

The Lebrina produced 1.2kg of gold from 200t of ore at an average grade of 6g/t between 1909 and 1916 (Nye,1924). The principal producer was the Lebrina reef of 0.1 to 0.6m width hosted in sandstone and slate of the Siluro-Devonian Mathinna beds. The reef trends 050° with steep SE to NW dips. The reef was proven over a strike length of 183m and to a depth of 30m by two adits and a thirty metre shaft. The reef is off set 6 metres by a 1m wide 310° trending reef (Splitters reef) that is barren except for a narrow central Au bearing veinlet. Another 310° trending reef, East Reef

terminates the Lebrina Reef to the east. East Reef is a silicified quartz veined sandstone up to 2m wide containing a rich 3cm wide sulphide stringer.

Numerous other reefs were reported ENE of the Lebrina reef over an 800m strike length, representing parallel but discontinuous mineralisation. One reef is described as “heavily mineralised, the sulphide minerals being arsenopyrite, pyrite, chalcopyrite and galena.” Northeast of the Mine, Drinkwater Creek produced 50 ounces of alluvial gold including a 20g nugget.

There is no evidence of serious modern exploration at the Lebrina Mine between 1916 and 1996.

Recent Exploration.

Anglo Australian Resources NL conducted exploration in and around the Lebrina Mine Between 1996 and 1999. Their work consisted of rock chip sampling in and around the mine and a quarry 300m NW of the mine. This was followed by B-horizon soil sampling on 25m spaced intervals on 100m spaced lines over a strike extent of 1000m. The grid was oriented 060° extending ENE from the Lebrina Mine along the reported corridor of mineralisation. 274 hand augered samples were analysed for Au and As. A prominent As anomaly surrounds the Lebrina Mine with a lesser anomaly located 400m NE and a further, smaller anomaly 250m further NE (figure 2). Spotty Au anomalies were identified at the Lebrina Mine and at Drinkwater Creek (figure 3).

Two trenches were subsequently excavated. One exposed the Lebrina reef which was 20cm wide. A 1m channel sample returned 2.0g/t au with a chip sample of 5.99 g/t. The other trench exposed another vein 150m ENE of the Mine and possibly represents the eastern extension of the reef. A 1m channel sample returned 1.95 g/t Au. No further work was completed by Anglo Australia.

The Lebrina Mine was picked up as EL20/2000 “Wyena” by Frank Bardenhagen in 2000 and subsequently relinquished in 2001. Extensive trenching was carried out in the East Lebrina prospect 500m ENE of the Lebrina Mine and four RC holes for a total of 226m were drilled into the East Lebrina Reef. Trench sampling of the East Lebrina reef returned some spectacular assays over 100g/t (Figure 4) but the RC holes returned a best result of 4m @ 0.14g/t Au (Fulton, 2001).

Five RC holes were drilled into the Lebrina Reef (Figure 5) with again generally disappointing results (best assay 1.75g/t).

Five RC holes were drilled into various targets at the Blue Gums prospect north of the Lebrina and East Lebrina prospects. Results were again disappointing with best assays of 4m @ 0.54 g/t Au.

It was concluded that veins in the Lebrina area were too narrow and mineralisation too patchy to warrant further investigation.

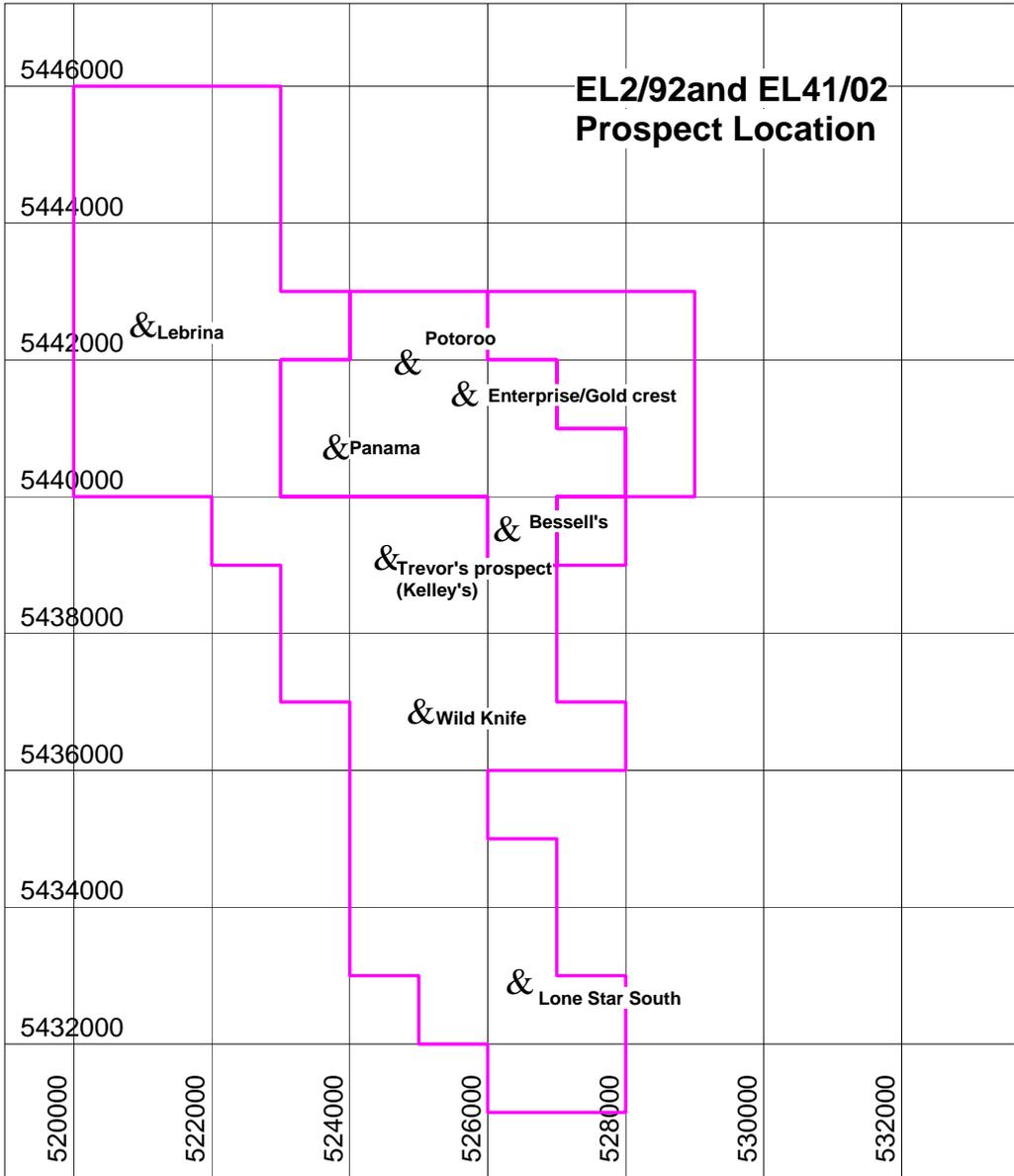


Figure 1. Lebrina Mine location, EL41/02

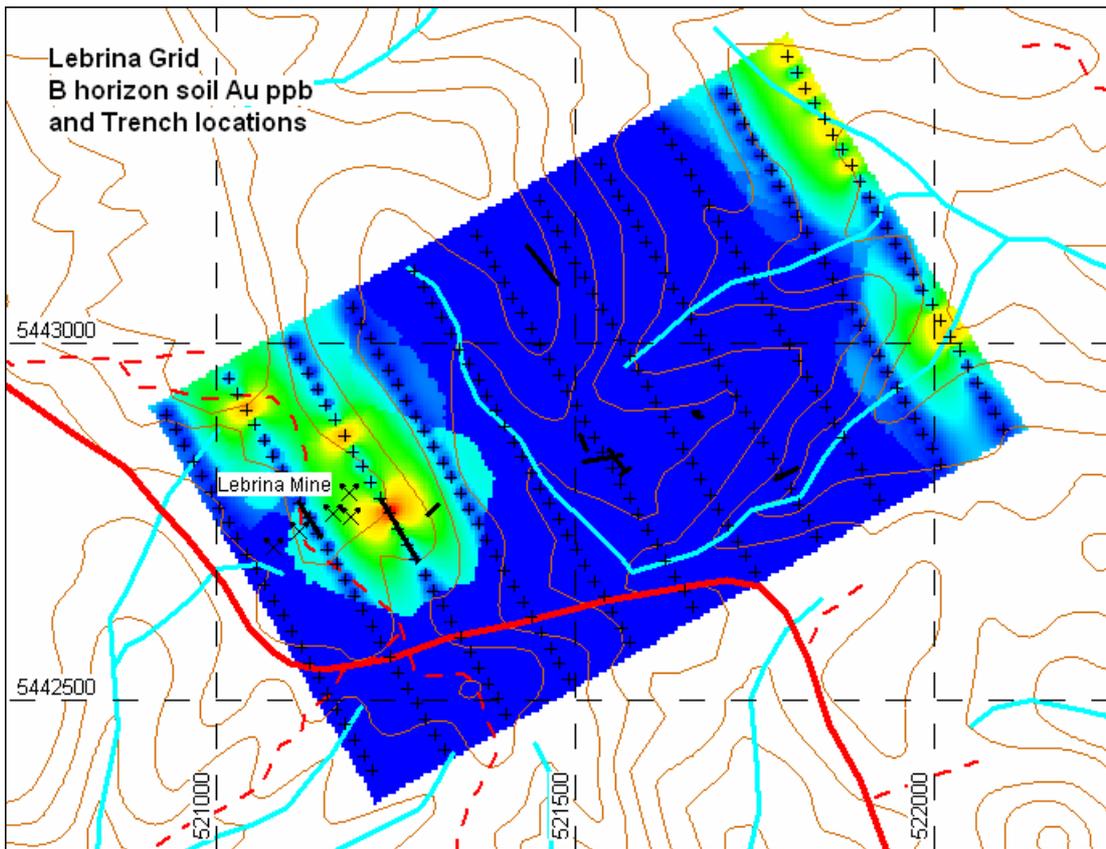


Figure 2. Lebrina B horizon Au and trench locations.

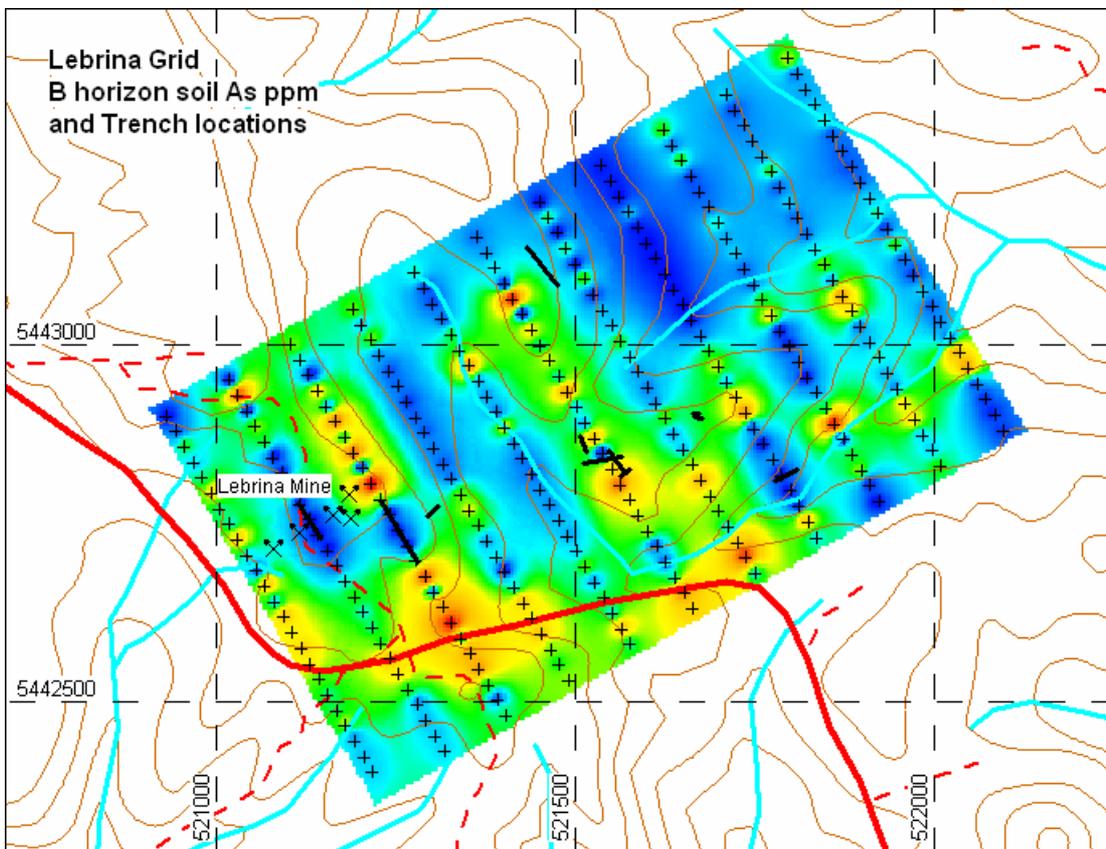


Figure 3. Lebrina B Horizon soil As and trench locations.

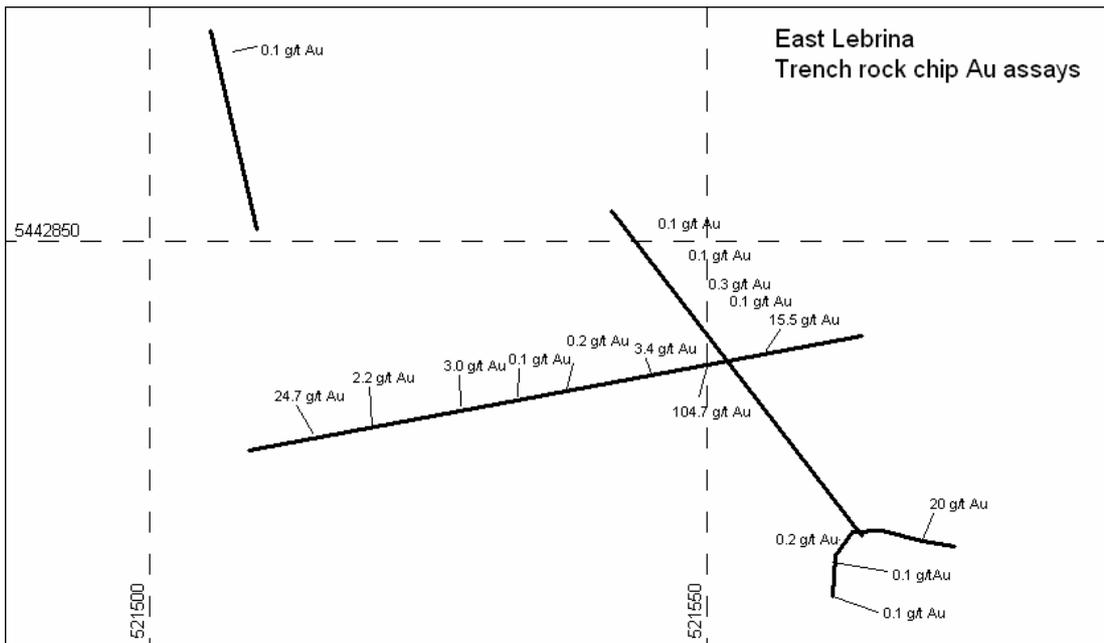


Figure 4. East Lebrina trench rock chip Au.

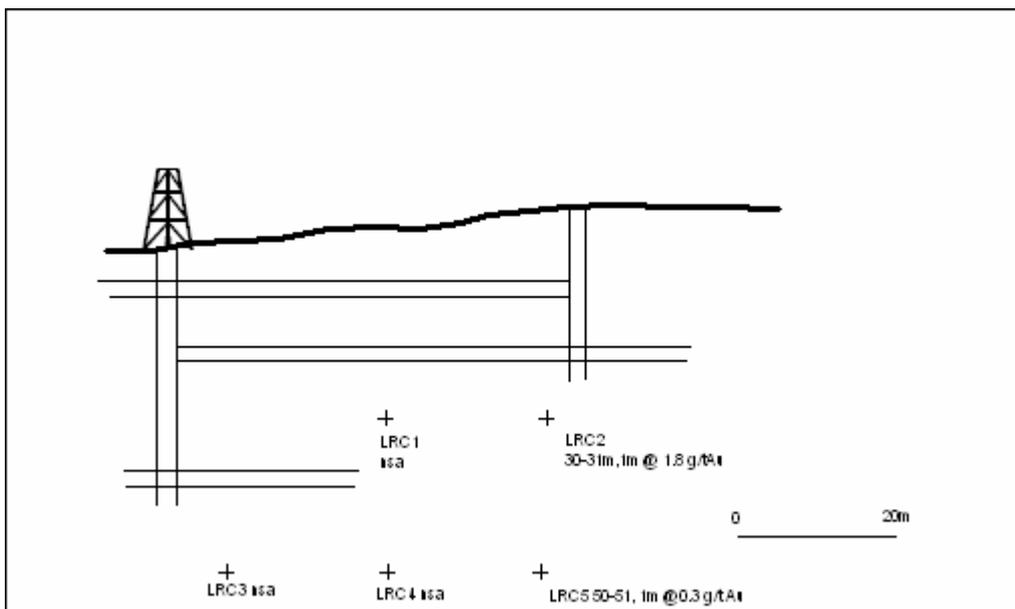


Figure 5. Lebrina Reef Long Section (nsa = no significant assays)

Recommendations

Although there are some spotty soil As anomalies that have not been followed up, no further work can be recommended for the Lebrina Prospect apart from minor reconnaissance work. The best targets from Anglo Australia's soil sampling survey have been trenched and drilled. Although some significant rock chip assays were returned from trenches, subsequent drilling yielded no significant results. The minimal historical production from the reef leads to the conclusion reached by previous workers, the veins are too small and inconsistent to warrant further work.

Rock chip sampling of the road cutting/As anomaly to the south of the mine is recommended.

Appendix 2

Lone Star South Soil Samples

Lone Star Sth soil samples

Spl_id	Northing	Easting	Au .01ppm	As 1 ppm
562501	5432995	526603	-0.01	15
562502	5432998	526575	-0.01	25
562503	5433000	526550	-0.01	18
562504	5433005	526525	-0.01	25
562505	5433005	526500	-0.01	11
562506	5433005	526475	-0.01	12
562507	5433004	526449	-0.01	16
562508	5433008	526425	-0.01	27
562509	5433011	526396	-0.01	5
562510	5433008	526375	-0.01	5
562511	5433006	526349	-0.01	2
562512	5433008	526325	-0.01	6
562513	5433010	526300	-0.01	7
562514	5433012	526278	-0.01	4
562515	5433008	526250	-0.01	12
562516	5433005	526225	-0.01	17
562517	5433006	526207	-0.01	19
562518	5433002	526175	-0.01	7
562519	5433000	526150	-0.01	6
562520	5432996	526137	-0.01	5
562521	5433000	526100	-0.01	5
562522	5433000	526075	0.01	5
562523	5433005	526055	-0.01	8
562524	5432703	526503	-0.01	3
562525	5432703	526475	-0.01	3
562526	5432705	526450	-0.01	5
562527	5432708	526425	-0.01	6
562528	5432711	526401	-0.01	11
562529	5432710	526375	-0.01	19
562530	5432710	526350	-0.01	14
562531	5432710	526325	-0.01	24
562532	5432712	526304	-0.01	92
562533	5432711	526275	-0.01	8
562534	5432712	526250	-0.01	9
562535	5432712	526225	-0.01	8
562536	5432716	526205	-0.01	8
562537	5433200	526597	-0.01	10
562538	5433200	526575	-0.01	14
562539	5433200	526550	-0.01	2
562540	5433200	526525	-0.01	3
562541	5433204	526500	-0.01	7
562542	5433200	526475	-0.01	6
562543	5433200	526450	-0.01	12
562544	5433200	526425	-0.01	9
562545	5433204	526396	-0.01	5
561901	5432800	526497	-0.01	3
561902	5432800	526475	-0.01	7
561903	5432800	526450	-0.01	9

561904	5432800	526425	-0.01	31
561905	5432800	526393	-0.01	36
561906	5432800	526375	-0.01	14
561907	5432800	526350	0.02	150
561908	5432800	526325	-0.01	42
561909	5432800	526300	-0.01	8
561910	5432800	526275	-0.01	5
561911	5432800	526250	-0.01	2
561912	5432800	526225	-0.01	4
561913	5432800	526200	-0.01	3
561914	5433000	526625	-0.01	6
561915	5433000	526650	-0.01	3
561916	5433000	526675	-0.01	9
561917	5433000	526700	-0.01	-1
561918	5433200	526622	-0.01	8
561919	5433200	526645	-0.01	12
561920	5433204	526671	-0.01	6
561921	5433207	526692	-0.01	3
561922	5433205	526722	0.02	7
561923	5433205	526750	-0.01	3
561924	5433205	526775	-0.01	2
561925	5433200	526800	-0.01	2

Appendix 3

Kelley's Prospect Drill Logs

Drill Log

TasGold Ltd.

PAGE NO. 1

PROJECT: Lisle
 PROSPECT: Potoroo
 EASTING 524400
 NORTHING 5439376
 COLLAR RL: 170

HOLE NO: K001
 DATE COMMENCED: 22/7/2003
 TOTAL DEPTH (M): 46
 AZIMUTH: 51
 DIP: -55

DRILL TYPE: RC
 DRILLER: Spauldings
 LOGGED BY: T.Callaghan
 DATE: 22/7/2003
 OXIDATIONBOCO:
 BOPO:

FROM (m)	TO (m)	ROCK CODES				Mineralisation / Veins										Structure				Additional Comments				
		Strat Code	Rock type	Colour	Weathering	Mineral 1	Style 1	Amount 1 %	Mineral 2	Style 2	Amount 2 %	Mineral 3	Style 3	Amount 3 %	Mineral 4	Style 4	Amount 4 %	Structure 1	CA Struct 1		Structure 2	CA Struct 2	Texture 1	Texture 2
0	1																							No sample
1	2	Q	CLAY	B	I																			Quaternary colluvium
2	4	Sm	GWAC	A2	M																			Partially weathered hornfelsed greywacke.
4	8	Sm	GWAC	A	O																			Partially weathered hornfelsed greywacke.
8	9	Sm	GWAC	A																				Hornfelsed Greywacke.
9	13	Sm	GWAC	A3																				Pale grey bleached greywacke.
13	19	Sm	GWAC	N																				Black hornfelsed greywacke.
19	20	Sm	GWAC	A2																				Bleached greywacke.
20	21	Sm	GWAC	A																				Hornfelsed Greywacke, minor bleaching.
21	22	Sm	GWAC	N																				Black hornfelsed greywacke.
22	24	Sm	GWAC	A4																				Hornfelsed Greywacke, minor bleaching.
24	28	Sm	GWAC	N																				Black hornfelsed greywacke.
28	29	Sm	GWAC	A2		Qz	Vn	15	Ch	P	10													Bleached greywacke, chloritised, quartz veined..
29	31	Sm	GWAC	A																				Hornfelsed Greywacke, minor bleaching.
31	40	Sm	GWAC	A2		Ch	P	5																Bleached greywacke, minor chlorite..
40	46	Sm	GWAC	N																				Black hornfelsed greywacke.

BHID	Spl_Id	From	To	Comments	Au_ppm	AuR_ppm	Ag_ppm	As_ppm
K001	495787	1	4		0.02			107
K001	495788	4	8		0.01			40
K001	495789	8	12		0.03			33
K001	495790	12	16		0.02			52
K001	495791	16	20		0.02	0.05		26
K001	495792	20	24		0.01			83
K001	495793	24	27		0.02			40
K001	495794	27	28		0.02			57
K001	495795	28	29		0.02	0.09		72
K001	495796	29	30		0.01			83
K001	495797	30	31		0.03			84
K001	495798	31	32		0.01			14
K001	495799	32	33		0.02			60
K001	495800	33	34		0.04			265
K001	495801	34	35		0.04			125
K001	495802	35	36		0.04			441
K001	495803	36	37		0.10			670
K001	495804	37	38		0.03			70
K001	495805	38	39		0.03	0.02		33
K001	495806	39	40		0.01			25
K001	495807	40	41		-0.01			18
K001	495808	41	46		0.01			17

Drill Log

PROJECT: Lisle
 PROSPECT: Potoroo
 EASTING: 524371
 NORTHING: 5439395
 COLLAR RL: 170

HOLE NO: K002
 DATE COMMENCED: 23/7/2003
 TOTAL DEPTH (M): 76
 AZIMUTH: 360
 DIP: -55

DRILL TYPE: RC
 DRILLER: Spauldings
 LOGGED BY: T.Callaghan
 DATE: 23/7/2003
 OXIDATION BOCO:
 BOPO:

FROM (m)	TO (m)	ROCK CODES					Mineralisation / Veins										Structure					Additional Comments			
		Strat Code	Rock type	Colour	Weathering		Mineral 1	Style 1	Amount 1 %	Mineral 2	Style 2	Amount 2 %	Mineral 3	Style 3	Amount 3 %	Mineral 4	Style 4	Amount 4 %	Structure 1	CA Struct 1	Structure 2		CA Struct 2	Texture 1	Texture 2
0	7	Sm	GWAC	B3	S	Ch	Sp	10																	Strongly weathered hornfelsed greywacke (Chl after cordierite).
7	11	Sm	GWAC	B3	P	Ch	Sp	10																	Partially weathered hornfelsed greywacke (Chl after cordierite).
11	14	Sm	SILT	P	P																				Purple siltstone
14	18	Sm	GWAC	A4	P																				Partially weathered hornfelsed greywacke.
18	19	Sm	SILT	P	P																				Purple siltstone
19	20	Sm	GWAC	A																					Greywacke, foliated.
20	21	Sm	SILT	P																					Purple siltstone
21	30	Sm	GWAC	A																					Greywacke.
30	32	Sm	SILT	A		Py	D	Tr																	Siltstone
32	35	Sm	GWAC	A2		Ch	P	5	Se	P	5														Bleached greywacke.
35	37	Sm	GWAC	A2		Ch	P	5	Se	P	5	Qz	Vn	10											Bleached greywacke, qtz veining.
37	38	Sm	SILT	A2		Ch	P	5	Se	P	5	Qz	Vn	10	Py	Vn	1								Bleached siltstone, minor qtz veining.
38	40	Sm	SILT	A2		Ch	P	5	Se	P	5														Bleached siltstone.
40	42	Sm	GWAC	A2		Ch	P	5	Se	P	5														Bleached greywacke.
42	57	Sm	GWAC	N																					Hornfelsed greywacke.
57	58	Sm	GWAC	A2		Ch	P	2	Se	P	2	Py	Vn	Tr											Bleached greywacke, minor Py vns.
58	63	Sm	GWAC	N																					Hornfelsed greywacke.
63	64	Sm	GWAC	A2		Ch	P	2	Se	P	2														Bleached greywacke.
64	69	Sm	GWAC	N																					Hornfelsed greywacke.
69	70	Sm	GWAC	N		Qz	Vn	5	As	Vn	1														Hornfelsed greywacke, minor qtz-aspy veins.
70	76	Sm	GWAC	N																					Hornfelsed greywacke.

BHID	Spl_Id	From	To	Au_ppm	AuR_ppm	Ag_ppm	As_ppm
K002	495809	0	4	0.01			58
K002	495810	4	8	0.02			87
K002	495811	8	12	0.02			68
K002	495812	12	16	0.01			40
K002	495813	16	20	0.01			48
K002	495814	20	24	0.03			1200
K002	495815	24	28	0.03			54
K002	495816	28	32	0.02	0.03		9
K002	495817	32	33	0.03			9
K002	495818	33	34	0.02			10
K002	495819	34	35	0.02			13
K002	495820	35	36	0.07			62
K002	495821	36	37	0.03	0.02		45
K002	495822	37	38	0.02			50
K002	495823	38	39	0.15			194
K002	495824	39	40	0.03			44
K002	495825	40	41	0.02			48
K002	495826	41	42	0.01			33
K002	495827	42	46	0.02			63
K002	495828	46	47	0.02			33
K002	495829	47	48	0.10			520
K002	495830	48	49	0.08			413
K002	495831	49	50	0.04			130
K002	495832	50	54	0.03			38
K002	495833	54	58	0.03			37
K002	495834	58	62	-0.01	-0.01		24
K002	495835	62	66	0.02			33
K002	495836	66	69	0.03			34
K002	495837	69	70	1.32			4100
K002	495838	70	71	0.05			275
K002	495839	71	76	0.04			15