

ANNUAL TECHNICAL REPORT FOR THE PERIOD

19 July 2003 to 18 July 2004

EXPLORATION LICENCE 13/2002 “Dundas”

And

EXPLORATION LICENCE 19/2002 “Melba Siding”

Western TASMANIA

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ABSTRACT

Exploration Licences 13/2002 'Dundas' and 19/2002 'Melba Siding' are being explored for collectable and ornamental stones by the licensee Mr Tamas Kapitany. The area is world renowned for producing rare and beautiful mineral specimens of crocoite and cerussite, together with minerals suitable for carving, such as stichtite and barbertonite within serpentinite.

Exploration carried out during the reporting period has included the purchase of aerial photos, geological mapping, hand collecting, costeaning, excavation, and bulk sampling.

A number (24) of serpentinite boulders were removed from the eastern fringe of the Tunnel Hill quarry. These are currently being stored at Rosebery prior to shipment to China for test carving work and market research.

Serpentinite pieces extracted during excavation of the Tunnel Hill quarry floor are currently being stored at Rosebery prior to shipment to the USA. Market research into the possible use of the serpentinite as paving material is to be carried out.

A small amount of stichtite (suitable as specimen pieces) was also located during the excavation/costeaning at Tunnel Hill.

The only barbertonite occurrences noted occurred within and immediately adjacent to Nevada Creek. No significant barbertonite occurrences were exposed in the two (2) costeans dug either side of the creek.

The serpentinite/stichtite excavated in the cuttings west of the West Comet mine was very weathered.

Additional market research is needed to determine the viability of Tunnel Hill. A Mining Lease application has been taken out over Tunnel Hill to help facilitate any additional bulk-sampling activities that may be necessary.

No significant barbertonite occurrences were exposed at Nevada Creek and no further exploration activities are planned here in the near future.

The cuttings west of the West Comet mine have good potential as lapidary material. The main concerns are the extent of the weathering encountered during the recent excavating together with the hardness of any fresh material encountered. Careful blasting may be required to open up the deposit and it is recommended that a Mining Lease be applied for in this area.

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1. INTRODUCTION

1.1 Exploration rationale

Exploration Licences 13/2002 'Dundas' and 19/2002 'Melba Siding' (Figure 1) are being explored by the licensee Mr Tamas Kapitany for collectable and ornamental stones. The area is world renowned for producing rare and beautiful mineral specimens of crocoite and cerussite, together with minerals suitable for carving, such as stichtite and barbertonite within serpentinite.

EL 13/2002 has been granted for Category 3 & 5 Minerals and expires on 18th July 2008.

EL 19/2002 has been granted for Category 1 & 5 Minerals and expires on 18th July 2008.

Land tenure comprises Crown Land, Multiple Use State Forest and the Mount Dundas Regional Reserve. There are a number of Mining Leases, which were applied for, or in force, prior to the EL's. These ML's are excluded from the area of the Exploration Licences (Figures 2 and 3).

EL's 13/2002 and 19/2002 are contiguous and are located a few kilometres east and northeast of Zeehan in Western Tasmania (Land District of Montagu, Municipality of West Coast). The area is rugged and is mostly densely forested. Although there are numerous minor roads, exploration tracks and grids, access to parts of the area is difficult.

Access difficulties are compounded by the practice of a number of individuals who hold Mining Leases in the area to erect gates along access roads well outside their ML boundaries but within the areas of the Exploration Licences.

Tenement details are as follows:

Type of Licence	Tenement Number	Tenement Name	Area (Sq. km)	Date of Grant	Date of Expiry	Tenement Holder	Expenditure Commitment
EXPLORATION LICENCE	13/2002	DUNDAS	19	19/07/03	18/07/08	Tamas Kapitany	\$200,000 over 2 years
EXPLORATION LICENCE	19/2002	MELBA SIDING	5	19/07/03	18/07/08	Tamas Kapitany	\$10,000pa over 2 years

1.2 Geological Setting:

The geology of the area is varied and structurally complex, and most contacts between major rock units are faulted. An inlier of Mesoproterozoic (?) Oonah Formation, consisting of quartzwacke turbidite and schist, may have been a horst block since the Cambrian. It is surrounded by Middle to Late Cambrian sequences of turbiditic to shallow marine epiclastic sediments and minor volcanoclastic rocks (lower and upper Dundas Group, Rosebery Group). These have a complex contact with the Mt Read Volcanics near the eastern limit of the area.

Fault-bounded and probably allochthonous mafic/ultramafic complexes comprise serpentinite, gabbro, boninite and basalt. In the Devonian these units were further deformed and intruded by the mineralizing but poorly exposed Pine Hill Granite.

The area contains well over 100 historical workings. These include a variety of mineralisation styles (vein, disseminated, stockwork, replacement and skarn deposits, mainly of Ag-Pb-Zn and Cu +/- Sn), are mostly associated with NNW and NE-trending faults, and are probably related to Devonian granite.

The largest resources were at the Kosminsky and South Comet mines (60,000 t @ 8.4%, 7.4% Zn). The Renison tin mine and the Rosebery and Hercules Zn-Pb-Ag mines lie just outside the project area.

The Dundas region has been the world's most significant producer of museum quality crocoite specimens. The Adelaide mine has been the principal specimen producer. The mine is still in operation and remains one of the very few locations producing crocoite. Other specimen producing deposits in the area include:

Red Lead – crocoite, cerussite, dundasite, pyromorphite, gibbsite

Comet-Maestries – crocoite, anglesite, chrome cerussite, phosgenite, siderite, green pyromorphite

Kapi – chrome cerussite, crocoite, anglesite

Sylvester – green pyromorphite, cerussite, anglesite, hinsdalite, cerargyrite

Platt – crocoite, pyrolusite

South Comet – cerussite, crocoite, anglesite

Kosminsky – crocoite, cerussite

2. REVIEW OF PREVIOUS WORK

2.1 Prior to current tenement EL 13/2002:

Numerous companies have explored the area since the 1950's, and there are over 100 exploration drill holes.

Pasminco Exploration (who previously held the area) targeted Cambrian VHMS mineralisation. Pasminco flew a helimag and EM survey (100 m line spacing, 30 m average height) and identified numerous conductors. Five mostly shallow EM anomalies were ranked as high or medium priority for follow-up. This work was not carried out prior to relinquishment.

2.2 Prior to current tenement EL 19/2002:

The area has been explored since the late 1940's by a number of companies including Rio Tinto and most recently by Dragon Mining NL. Exploration activities included detailed geological mapping and geophysical surveys, costeaning, surface sampling, bedrock geochemistry, drilling and basin analysis studies.

2.3 During current tenements:

No previous exploration activities have been carried out on EL 13/2002 and EL 19/2002.

3. EXPLORATION COMPLETED DURING THE REPORTING PERIOD

3.1 Literature review:

A literature review of the Dundas region highlights the fact that Dundas has been the world's most significant producer of museum quality crocoite specimens. The Adelaide mine has been the principal specimen producer. The mine is still in operation and remains one of the very few locations producing crocoite. Other specimen producing deposits in the area include:

Red Lead – crocoite, cerussite, dundasite, pyromorphite, gibbsite

Comet-Maestries – crocoite, anglesite, chrome cerussite, phosgenite, siderite, green pyromorphite

Kapi – chrome cerussite, crocoite, anglesite

Sylvester – green pyromorphite, cerussite, anglesite, hinsdalite, cerargyrite

Platt – crocoite, pyrolusite

South Comet – cerussite, crocoite, anglesite

Kosminsky – crocoite, cerussite

The area is also famous for producing minerals suitable for carving, such as stichtite and barbertonite within serpentinite.

A list of references is included at the end of the report.

3.2 Regional activities:

Regional exploration activities commenced on EL's 13/2002 and 19/2002 during the reporting period. Work carried out included:

3.2.1 Colour Aerial Photography

Colour aerial photographs were obtained from Service Tasmania including prints at 1:42,000 scale (Film 1323 Neg 185) and 1:24,000 scale (Film 1346 Neg 110). These photographs were used to help determine available access tracks within the project, which is rugged and mostly densely forested.

3.2.2 Maps

1:25,000 scale topographic and geological maps of the Dundas Sheet (3636) were purchased. The plans were acquired to determine the location of historical mines, access tracks and areas interpreted to be underlain by Cambrian serpentinite.

3.2.3 Reconnaissance Field Trips

Two (2) reconnaissance field trips were carried out during the reporting period. A number of localities were visited including Tunnel Hill Quarry, Serpentine Hill, Nevada Creek, cuttings along the Emu Bay Railway and the West Comet area. Work programmes were formulated for a number of these areas.

Access difficulties were encountered in a number of areas – particularly within EL 13/2002 because of the practice of a number of individuals who hold Mining Leases in the area to erect locked gates along access roads well outside their ML boundaries but within the area of the Exploration Licences.

3.2.4 Access Arrangements

Arrangements to gain access to large areas of the project area via locked gates erected by ML holders commenced during the reporting period. Copies of a number of keys were obtained. However difficulties still remain with some of the ML holders.

3.2.5 Drafting of Plans

A number of plans were drafted in CoreIDRAW10 to be included in the Annual Technical Report.

3.2.6 Ordering of Geophoto Resources Geological Plans

Copies of geological plans produced by Geophoto Resources Consultants on EL 7/68 (which covered the Dundas region in the late 1960's - early 1970's) have been ordered from Ralph Bottrill at Mineral Resources Tasmania. The plans are yet to be received.

3.3 Prospect based exploration activities:

Four Work Programme Proposals were submitted during the reporting period as follows:

- Tunnel Hill Quarry (EL 19/2002)– two (2) proposals; one (1) for the sampling of serpentinite boulders on the eastern quarry fringes and one (1) for digging costeans for stichtite and gem quality serpentinite within the central quarry floor.
- Eastern Nevada Creek area (EL 13/2002) – a proposal to costean for barbertonite within serpentinite.
- The cutting adjacent to the Dundas “Tramway” located to the west of the West Comet mine (EL 13/2002) – a proposal to excavate the cutting for serpentinite/stichtite was lodged during the third field trip to the project, when the above three (3) Work Programmes were in progress.

The two (2) Work Programme Proposals at Tunnel Hill Quarry required a Botanical survey of the site before approval to proceed could be given. There are three (3) listed

threatened species known from in and around the site – *Epacris glabella*, *Micrantheum serpentinum* and *Orthocerus strictum*. A number of quotes for the survey were obtained.

Consultant Botanist Richard Schahinger carried out the botanical survey in January 2004. He concluded that the Work Programme Proposals would have minimal impact on the threatened species. A copy of the report is included as Appendix 1.

A twelve (12) month Permit (Permit No. TFL 04039) for “taking” native flora at Tunnel Hill was subsequently issued by Dr Wendy Potts of the Department of Primary Industries, Water and Environment for the period from 1st March 2004.

3.3.1 Tunnel Hill Quarry – sampling of serpentinite boulders

A number (24) of serpentinite boulders were removed from the eastern fringe of the quarry (Figure 5). These weighed a total of 32 tonnes and were loaded onto a truck and are currently being stored at Rosebery prior to shipment to China for test carving work. One specimen of *Epacris glabella* was “taken” during the programme.

3.3.2 Tunnel Hill Quarry – excavating/costeaning of quarry floor for stichtite/serpentinite

Two large excavations were dug in the central and western part of the quarry (Figure 5). These two excavations were joined by a central costean. Maximum depth of the excavations was 5 metres.

Three small excavations were also completed adjacent to the western scarp wall at the quarry (Figure 5).

A total of 8 tonnes of serpentinite and 30 kg of stichtite were removed during the excavating/costeaning bulk-sampling program at Tunnel Hill.

3.3.3 Eastern Nevada Creek – costeaning for barbertonite

Costeaning of the rock outcrop adjacent to the Nevada Creek was carried out to explore for barbertonite within serpentinite (Figure 4). Upgrading of the existing access track to the site was necessary to enable completion of the program. No earthworks were undertaken in the creek and costeans approximately 10 metres in length were dug on either side of the creek (no closer than 10 metres to the creek). All material exposed during the costeaning was left on site. A trench was dug at the bottom of the track after completion of the program to discourage illegal miners.

3.3.4 Cuttings adjacent to Dundas “Tramway” west of West Comet mine – excavation for serpentinite/stichtite

Excavation of a number (4) of cuttings and rock outcrops adjacent to the Dundas “Tramway” for serpentinite/stichtite was completed (Figure 4). Material exposed during the program was very weathered. No material has been removed from this site. An application to remove a trial bulk sample of 20 tonnes is currently with Mineral Resources Tasmania.

4. DISCUSSION OF RESULTS

4.1 Tunnel Hill Quarry – sampling of serpentinite boulders

A number (24) of serpentinite boulders were removed from the eastern fringe of the quarry. These are currently being stored at Rosebery prior to shipment to China for test carving work and market research.

4.2 Tunnel Hill Quarry – excavation/costeaning of quarry floor for stichtite/ serpentinite

Serpentinite pieces extracted during excavation of the Tunnel Hill quarry floor are currently being stored at Rosebery prior to shipment to the USA. Market research into the possible use of the serpentinite as paving material is to be carried out. The current main market price for the serpentinite is US\$350.00/tonne.

A small amount of stichtite (suitable as specimen pieces) was also located during the excavation/costeaning.

4.3 Eastern Nevada Creek – costeaning for barbertonite

The only barbertonite occurrences noted occurred within and immediately adjacent to Nevada Creek. No significant barbertonite occurrences were exposed in the two (2) costeans dug either side of the creek.

4.4 Cuttings adjacent to Dundas “Tramway” west of West Comet mine – excavation for serpentinite/stichtite

The serpentinite/stichtite excavated in the cuttings west of the West Comet mine was very weathered.

5. CONCLUSIONS AND RECOMMENDATIONS

Additional market research is needed to determine the viability of Tunnel Hill. A Mining Lease application has been taken out over Tunnel Hill to help facilitate any additional bulk-sampling activities that may be necessary.

No significant barbertonite occurrences were exposed at Nevada Creek and no further exploration activities are planned here in the near future.

The cuttings west of the West Comet mine have good potential as lapidary material. The main concerns are the extent of the weathering encountered during the recent excavating together with the hardness of any fresh material encountered. Careful blasting may be required to open up the deposit and it is recommended that a Mining Lease be applied for in this area.

6. ENVIRONMENT

Consultant Botanist Richard Schahinger carried out a botanical survey in January 2004 at “Tunnel Hill Quarry” within EL 19/2002 (Appendix 1). The survey was completed to determine the likely impact of the proposed work programmes at Tunnel Hill on threatened endemic shrubs *Epacris glabella* and *Micrantheum serpentinum*. It was concluded that the proposed exploration activities would cause minimal disturbance to the plant populations.

A Permit (No. TFL 04039) for “taking” native flora at Tunnel Hill was subsequently issued by Dr Wendy Potts of the Department of Primary Industries, Water and Environment for the twelve (12) month period from 1st March 2004.

Surface disturbing operations were carried out at Tunnel Hill Quarry, Nevada Creek and at the cuttings adjacent to the Dundas ‘Tramway’ to the west of the West Comet mine (refer to Photos 1, 2, 4, 6 & 7).

Rehabilitation was carried out at Tunnel Hill Quarry, Nevada Creek and at the cuttings adjacent to the Dundas ‘Tramway’ to the west of the West Comet mine (refer to Photos 3, 5 & 8). All excavations were backfilled and where relevant covered with topsoil and vegetation. No excavated material was removed from Nevada Creek or the cuttings west of the West Comet mine.

7. EXPENDITURE

Expenditure during the first twelve months of tenure totals \$29,208.78 on EL 13/2002 and \$31,887.06 on EL 19/2002, made up as follows:

	EL 13/2002	EL 19/2002
Geology (incl. Literature Review, Geol. Interp., Planning & Submission of Work Programmes, Field Work, Drafting of Plans, Compilation of Annual Tech. Report)	\$15,758.80	\$15,191.50
Botanical Survey	-	\$1,500.00
Aerial Photography, Maps, Photos, GPS	\$261.50	\$261.50
Surface Sampling + Transport to Rosebery	\$2,665.66	\$4,267.76
Vehicles, Fuel	\$813.00	\$713.00
Transportation (Air Fares, Ferry)	\$866.55	\$866.55
Accommodation, Food	\$3,687.93	\$3,687.93
Overseas Marketing – USA, China, Thailand	\$2,500.00	\$2,500.00
Administration (10%)	\$2,655.34	\$2,898.82
TOTAL	\$29,208.78	\$31,887.06

8. REFERENCES

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KEYWORDS

Exploration Licence

Western Tasmania

Dundas

Melba Siding

Tunnel Hill Quarry

Nevada Creek

West Comet mine

Adelaide mine

Crocoite

Serpentine

Stichtite

Barbertonite

Epacris glabella

Micrantheum serpentinum

Costeaning

Excavation

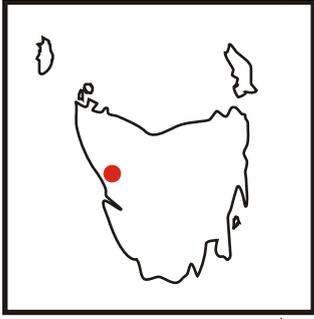
Bulk sampling

APPENDIX 1

Schahinger, R. 2004. Botanical Values of the Tunnel Hill Quarry (Serpentine Hill, Tasmania). A Report prepared for Mr Tamas Kapitany, c/- Crystal World & Prehistoric Journeys)

APPENDIX 2

Diskette – Digital copy of Annual Report on EL 13/2002 & 19/2002. June 2004
(EL132002_192002_200406.pdf)



5370000N

5360000N

5350000N

360000E

370000E

RENISON BELL

Dreadnought Hill

Excluded

Serpentine Hill

EL 19/2002

Melba Siding

Heemskirk Road

Black Hill

Emu Bay Railway

Carbine Hill

Mount Razorback

DUNDAS

Dundas 'Tramway'

Kosminski Hill

EL 13/2002

ZEEHAN

Mount Dundas

Mount Zeehan

Zeehan Highway

Henty Road



Figure 1

Location Plan EL13/2002 & EL 19/2002

1:25,000 Mapsheet : Dundas (3636)

Scale 1:100,000

AGD 66 AMG ZONE 55

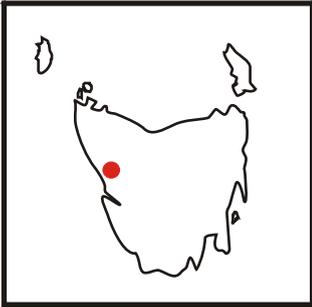
368000E

370000E

372000E

Figure 2. EL 13/2002
Exploration Activity Map
1:25,000 Mapsheet : Dundas (3636)
Scale 1:25,000
AGD 66 AMG ZONE 55

5367000N



Nevada Creek

Work Program 3:
Nevada Creek costeans

Carbine Hill

5365000N

EL 13/2002

Mount Razorback

Mine Tailing Ponds

5363000N

TOWN OF DUNDAS

Work Program 4:
Excavation at cuttings
adjacent to 'Tramway'
west of West Comet

West Comet
Mine

Kosminski Hill

5361000N

Dundas River

Adelaide
Mine

Stichtite Creek

Red Lead
Mine

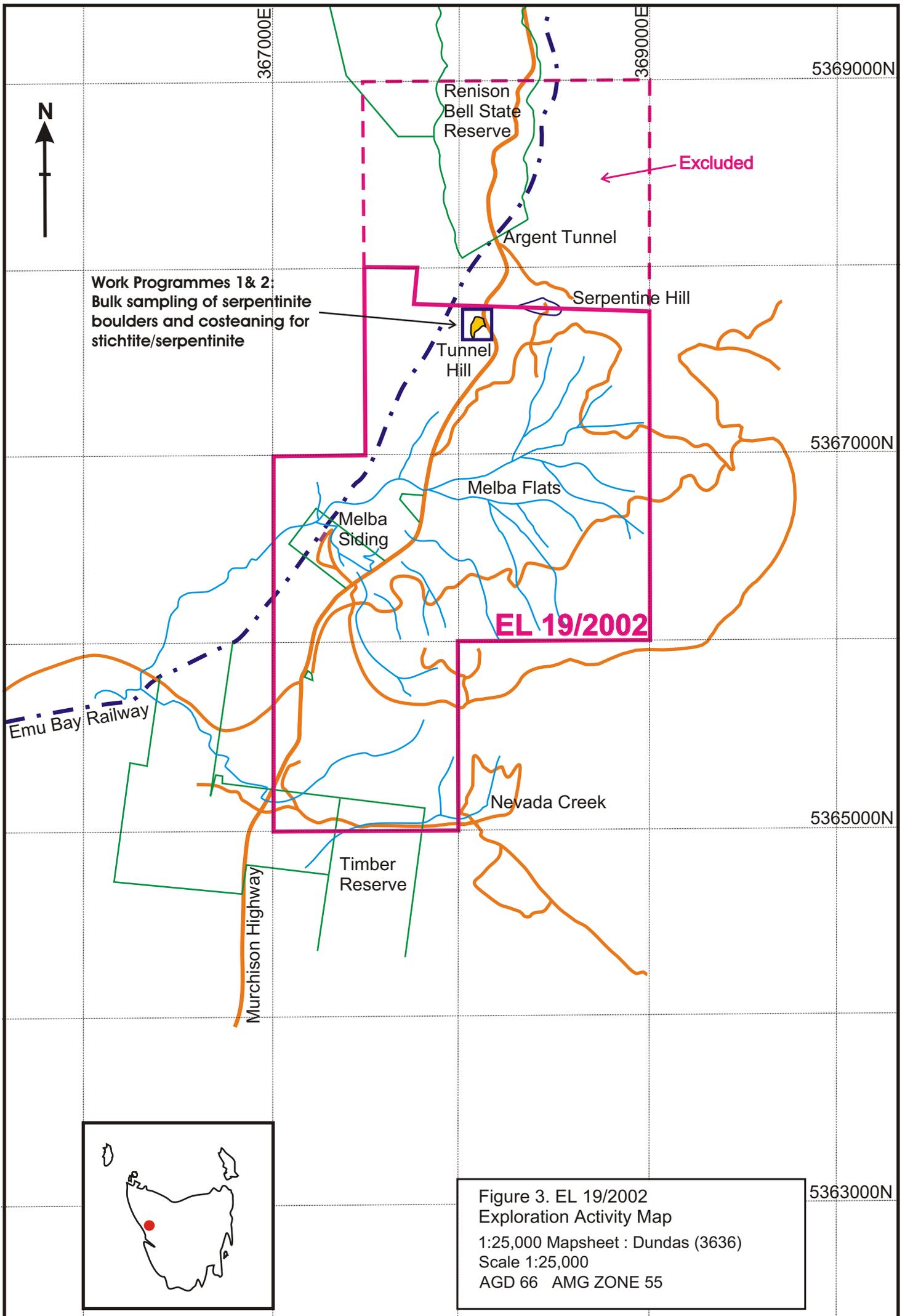
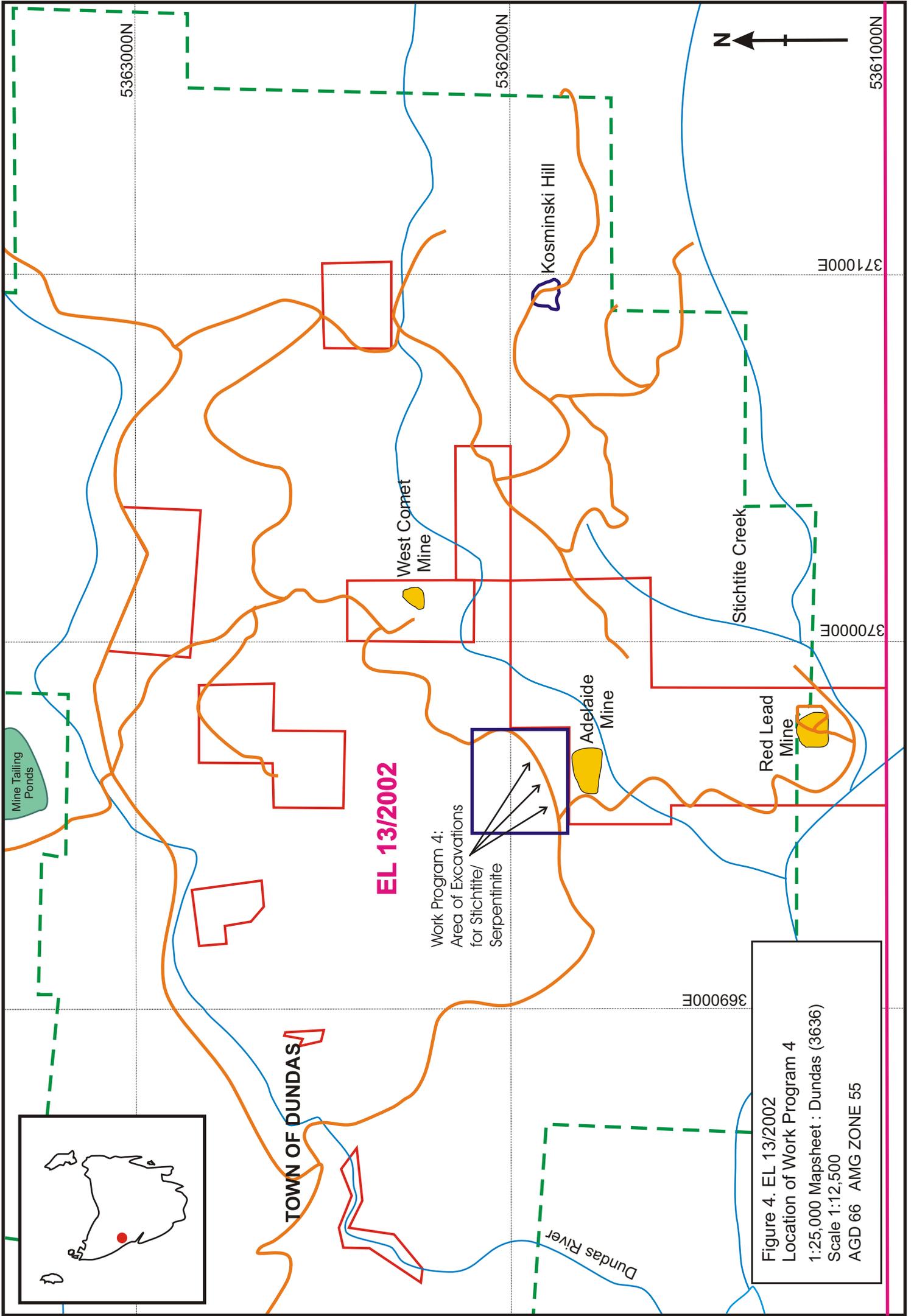


Figure 3. EL 19/2002
 Exploration Activity Map
 1:25,000 Mapsheet : Dundas (3636)
 Scale 1:25,000
 AGD 66 AMG ZONE 55

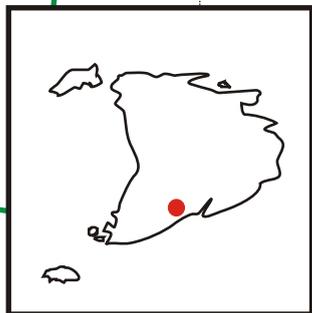


EL 13/2002

Work Program 4:
Area of Excavations
for Stichite/
Serpentinite

TOWN OF DUNDAS

Figure 4. EL 13/2002
Location of Work Program 4
1:25,000 Mapsheet : Dundas (3636)
Scale 1:12,500
AGD 66 AMG ZONE 55



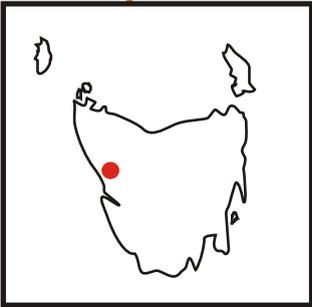
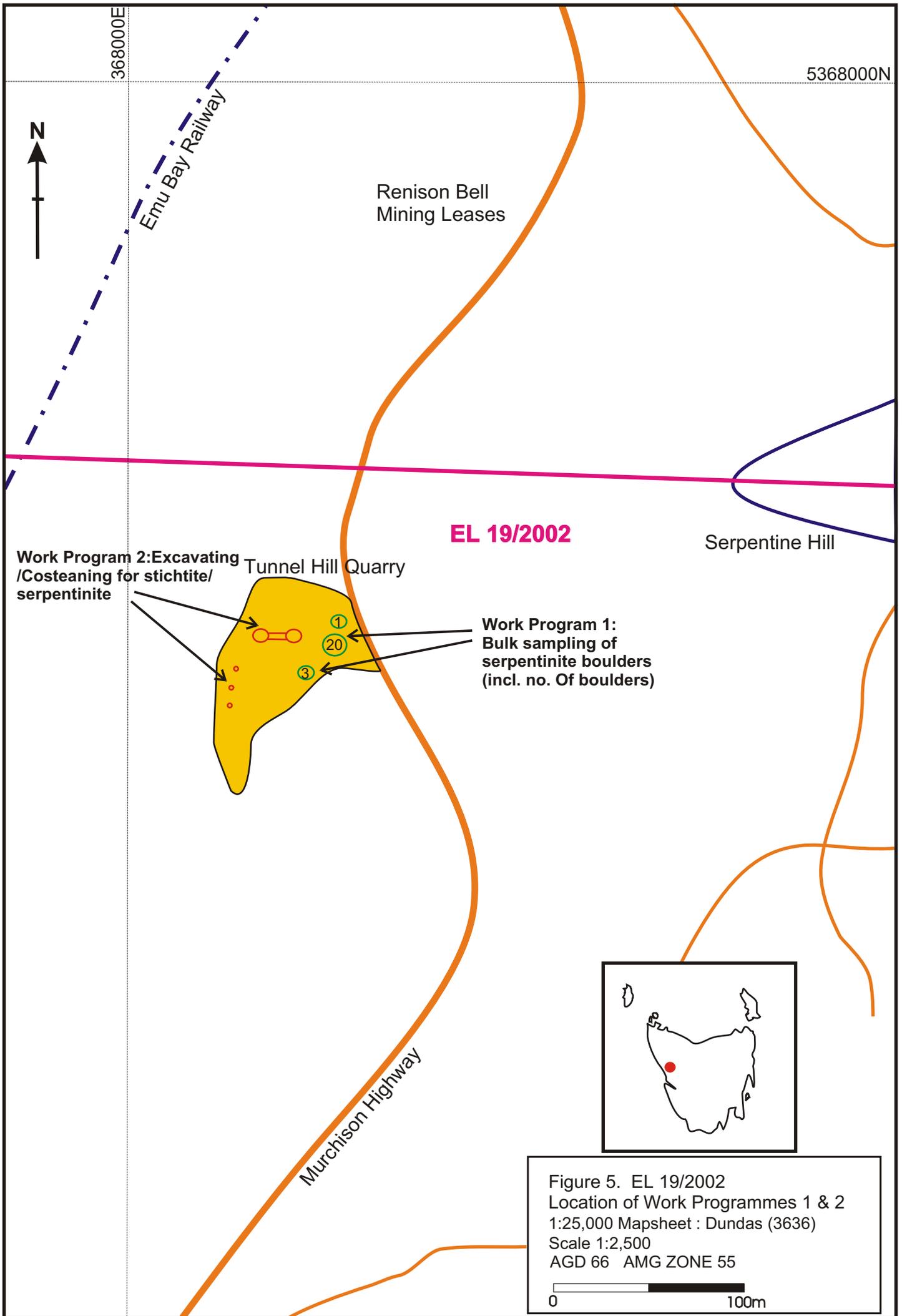


Figure 5. EL 19/2002
 Location of Work Programmes 1 & 2
 1:25,000 Mapsheet : Dundas (3636)
 Scale 1:2,500
 AGD 66 AMG ZONE 55

0 100m



Photo 1: Serpentinite boulders at Tunnel Hill Quarry



Photo 2: Excavating the floor of the Tunnel Hill Quarry



Photo 3: Rehabilitation after completion of work at Tunnel Hill Quarry



Photo 4: Clearing of area for costeaning at Nevada Creek



Photo 5: Rehabilitation after completion of work at Nevada Creek



Photo 6: Excavation of a cutting west of the West Comet mine



Photo 7: Examining samples from a cutting west of the West Comet mine



Photo 8: Rehabilitation after completion of work at cutting west of the West Comet mine