

Exploration Annual Report on E.L 31/2002

(Joint Venture between McDermott Mining 66.7% and Marshall Resources 33.3%)

Compiled by Kim McDermott for J/V partners

Pursuant to an agreement between Luke Marshall, of Marshall Resources and McDermott Mining, for McDermott Mining to take control of the exploration of EL31/2002, a detailed study of the available literature was once again undertaken with particular attention being given to the area surrounding the Sweeney's Birthday as well as those areas known as Anomaly 1, Anomaly 3, and Anomaly 4 and the old Federation Mine workings.

Sweeney's Birthday

Access

It was decided to divide the EL into two separate target areas due to the steepness of the terrain, utilizing the two separate access tracks at either end of the dominant mountain range.

The Sweeney's track leads north from the Trial Harbour road approximately 15 miles west of Zeehan and follows a short distance across the button grass and tea tree plain before rising sharply from the base of Mt Agnew and leveling out approximately sixty metres higher up the hill slope.

This section of the track is virtually impassible by vehicle and a Forestry Tasmania inspector was invited to inspect the area and give an opinion on an alternative route at a much safer grade.

An alternative route was flagged and noted should a works program including upgrading of the track be submitted.

The remaining section of the road east to the Sweeney's Birthday mine adit is flat and easily accessible by foot.

History

Previous history of the Sweeney's Birthday prospect is recorded in the MRT database in detail and therefore need only be described in direct relation this report

During the early nineteen eighties RGC conducted a series of surveys and drilling programs over the Sweeney's and Federation Mine areas.

At Sweeney's persistent drilling outlined a horizontal 'pipe' of griesenised tin bearing granite which ran into the hillslope of Mt. Agnew before turning almost vertical and dipping steeply south east.

A total of 14 drill holes were drilled at the prospect with enough ore intersections to give a probable shape and volume to the ore zone.

Channel sampling of the old drive along the 'pipe' for 69 metres gave an average result of 0.64% Sn

Sampling of the surface workings gave assays of 3%Sn over ten metre widths and 1.42%Sn over consistent lengths of up to 40m.

Exploration

Although McDermott Mining came on the scene of EL 31/2002 rather late in the term, it was recognized that the Sweeney's prospect is a potentially viable exploration target and immediately commenced a sampling and assaying program.

Channel sampling of the main drive by RGC was along the full length of the drive and seemed to identify a number of higher grade zones. Alternatively, the sampling carried out in this program was to determine if any of these higher grade zones or lens' carried payable tin grades within the length of the ore zones exposed in the drive.

A total of three zones were identified with each zone giving average assays in excess of 1%Sn

These zones also corresponded with richer ore exposed in the surface workings, with the largest zone giving an average grade of 3%Sn both in the surface workings and 25m directly below in the drive.

A bulk sample of the three zones combined was sent to Adelaide for metallurgical testing and returned an average of 1.06% Sn.

Preliminary work on flotation and gravity tests were inconclusive and due to delays in answers to queries and further results, the metallurgical testing at this facility was abandoned and further test work will be carried out in Tasmania in conjunction with other test work being carried out for McDermott Mining at Western Metals Copper's laboratory at Wivenhoe.

Currently, McDermott Mining are in negotiation with three major mining companies, Bluestone Tin, Malaysian Smelting Co. and one other, to joint venture the exploration of EL31/2002 as well as the Granville East primary tin ore deposit. It is expected an exploration agreement will be in place prior to the 31 July, 2005.

Expenses to date, EL 31/2002

McDermott Mining have expended approximately \$15,000 to date on EL 31/2002 for

Assaying,

Channel sampling,

Bulk sampling,

Metallurgical analysis.

Salaries

Fuel etc.

Kim McDermott,

Director,

McDermott Mining.