McDermott Mining P/L
Annual Report on Exploration Licence EL 17/2003

Compiled by Kim McDermott for McDermott Mining P/L

E.L. 17/2003 covering an area of 7 square kilometres in the vicinity of Stonehenge creek was granted to McDermott Mining on July 9, 2003.

Exploration Program

An exploration program consisting of access road upgrading, costeaning, sampling and mapping , together with study of previous drill and exploration reports was initiated following approval to upgrade the track from Comstock Mine to Grubbs by Forestry Tasmania.
Approval to have a section of the exploration area burnt off was granted and carried out by Forestry Tasmania on Thursday, May 8, 2003.

From July 1, 2003 until November, 2003, a study of available literature was carried out, identifying three probable targets for further exploration.
These included.

1. Grubbs Mine and Dump.
2. Swansea Mine and dump area
3. Stonehenge area.

During the summer months of 2004 a comprehensive sampling of the ore dump at the abandoned Grubbs mine was carried out with the results explained below.

Grubbs Dump

The dump has a volume of approximately 3000-4000 tonnes of ore and barren rock that was believed could prove a source of custom ore to Pasminco's Rosebery mill along with any ore recovered from the other workings in the vicinity.
Representatives of Pasminco visited the site and indicated their interest to enter into a custom ore agreement if any viable quantities of compatible ore of the quality of that found at Grubbs were available

The Grubbs mine was mined to a depth of approximately 100m on a shear zone of widths ranging from a few inches (in the old scale) to approximately two metres.
A comprehensive report on Grubbs history is available in MRT database and therefore is not necessary to be discussed in detail here. However, the sampling of the dump seems to confirm that high grade sphalerite, as well as a mixed galena/sphalerite lode exists within the lower reaches of the mine.
This is indicated by the layers of barren drive dirt that seem to precede the larger boulders of rich sphalerite and galena, some up to 0.7m in diameter.

A sampling of the layers of the dump gave assays of 11% Zn, 9.5%Pb across the lower western face of the dump for a distance of 50m and an excavator was brought in to open up the dump centre for sampling.
Excavating of the dump showed layering of rich sphalerite/galena and pyrite, indicating the intersection of lens' or pods of sphalerite rich ore with barren host rock between.
As was the practice of the day, both barren rock and any 'ore' less than payable grade was spread evenly across the surface of the dump to create a level work area. This resulted in the downgrading of any future 'payable ore' and led to the volume of barren development rock outweighing the layers of payable ore and it was concluded the dump was, for the most part, unpayable.
Fifty tonnes of richer ore were removed to a bunded area at the Sunshine mining lease for further evaluation.
Costeans in and around the dump were back filled and the dump areas returned to the original shape prior to examination.

Grubbs Workings.

Reports available detailing underground workings reported potential rich ore along the strike length of the drive known as No.1 level.
An electric Sala pump was transported to the site and lowered into a cavity between the broken timbers of what seemed to be an old underhand stope.
The pump was driven by a 31kva genset and proceeded to pump the level dry.
The water was extremely clear with a pH level of 5, which was unusual for water contained in old mine workings.
Access was gained to the drive by the removal of some dozen lagging boards and the drive was sampled and inspected for its full length.
The drive conforms to everything mentioned in the report except the fact that it contains no ore whatsoever.
The lode channel is visible in the back of the drive for its entire length but is totally devoid of any ore of any description. It seems the writer of the original report is mistaken or misinformed when he describes the so called rich ore encountered in this drive.
A cross cut, driven north towards the shaft, does not reach the shaft, instead stops short about 10m and the rock excavated from the cross cut has been used to backfill the main drive.
Samples retrieved from this area of the Grubbs mine showed little or no visible ores and it was decided to replace the collapsed areas with fill.

Conclusions:

The Grubbs mine is typical of the shear deposits in the vicinity and although obviously containing some rich sphalerite/galena at depth, it is unlikely to be of a volume to warrant any further work.
A decision is yet to be made whether a drill hole to intersect the 'ore' zone below the underground workings is warranted.

Stonehenge.

A study of the drill reports of RGC, (DDH TH12) 1980,
CRA (DDH ZS1, ZS2, ZS3) 1993, Air core holes ZS 5,6,8,10. 1996. DDH ZS31, 1996.
Allegiance Mining S33 and S34, 1999.

The literature study of the above exploration work led to the decision to follow up close space drilling of the Pb/Zn trend intersected in DDH ZS31.
Arrangements were made for the hire of a drill rig from Tas Drilling P/L and a works program drawn when the discovery of a rich primary tin resource was made at McDermott Mining's Granville East prospect.
Drilling at Stonehenge was deferred until the summer of 2005/6 and the rig diverted to Granville where a high grade primary source of cassiterite was exposed in two drill holes. Further exploration work is being carried out in this area and a mineable resource has been outlined which should provide ample capital for the further exploration of EL 17/2003.

Summary of Exploration costs to date

Exploration costs to date on EL 17/2003 have involved the full cost of construction of 2 km of class 4 road as per Forestry Tasmania requirements.
Sampling and Assaying
Fuel and transport
Insurance and lease maintenance costs
Labour costs

The above figure does not include diamond drilling expenses due to the program being deferred until 2006.
MRT will be advised of a works/drilling program before any further work is commenced.

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McDERMOTT MINING P/L

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Mapping sketched and corrected by J. Smythe, N. Bennett, K.McDermott 1968, 1989, 2005.
Also showing Grubbs shaft and dump

Photo fig.1. shows Grubbs No. 1 adit along strike (330deg)

Fig 2. This section of mapping showing Sunshine lode in correct position as well as former mapped incorrect position approx 100m north.

Fig 3. Sketch map of Sunshine Lode giving costean positions sampling and assay results.

Fig 4. Assay data from Sunshine sampling

Fig 5. Aerial photo of Sunshine out crop showing costeans and auger sampling points.

FIG. 1 N°1 LEVEL GRUBB MINE LOOKING EAST
LODE CHANNEL VISIBLE ABOVE ADIT. RUBBLE AND SCREE IN FORE GROUND IS FILL ON OLD UNDERHAND STOPE. RICH ORE WAS REPORTED BELOW THIS LEVEL BUT NONE IS VISIBLE IN DRIVE HEADING EAST FROM THIS POINT

F.G. 1

Fig 2.
200ft deep
Burgess millsite.
Colonel North Shaft
Colonel North Shaft.
Sunshine Lode
Not the Sunshine
Part of Colonel North Group
1000 ft
600 ft long.
(Said to be u/g shaft 100 ft deep.)
These are plotted correctly in substance
Adit X cut a little short
310 ft deep.
Foam
Victoria Zeehan
Foam Shaft
Boundary
McClean Ck.
Royle
Gossan Flat.
Gossan Ck.
W. Race
Dam
Shaft
80 ft plumbed (JAG.)
80 ft deep (G. Martin)
Vernon's Adit
Sunshine Lode
Correct Position
Golden Stairs
Boundary
Shear Zone
Wave workings.
Part of Col. North Gp.
Shaft
1000
950
900
850
Quartzite.
approximate
Old Nubeena Lode
Shatter Zone
Venezia Main Adit.
Wave
McClean Creek
Part of Col. North Group
Grubbs Shaft
320 ft deep.
4 Levels.
Grubbs Shaft.
Strike 330°
(Tilley 189.)

FIG 3

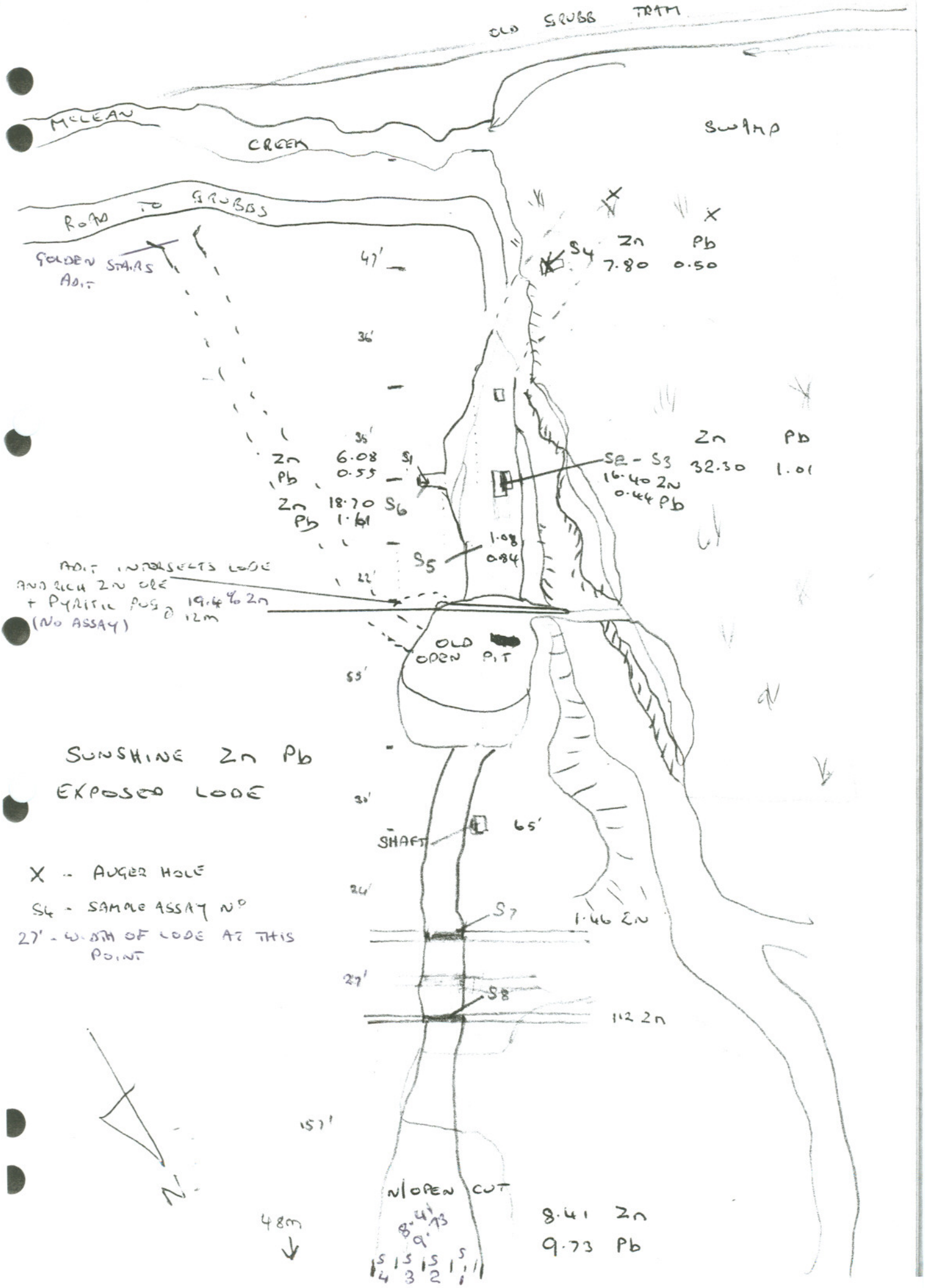

OLD SLUBB TRTM
McLEAN
CREEK
SWAMP
ROAD TO SLUBBS
GOLDEN STAIRS ADIT
47'
36'
35'
Zn 6.08 S1
Pb 0.55
Zn 18.70 S6
Pb 1.61
S4 Zn 7.80 Pb 0.50
Zn Pb
S2 - S3 32.30 1.01
16.40 Zn
0.44 Pb
1.08
0.84
S5
22'
ADIT INTERSECTS LODE AND RICH Zn ORE + PYRITIC PUG @ 12m (NO ASSAY)
19.4% Zn
OLD OPEN PIT
55'
SUNSHINE Zn Pb
EXPOSED LODE
31'
SHAFT
65'
X - AUGER HOLE
S4 - SAMPLE ASSAY Nº
27' - WIDTH OF LODE AT THIS POINT
24'
S7
1.46 Zn
27'
S8
112 Zn
151'
N
48m
N/OPEN CUT
8.41 Zn
9.73 Pb
S4 S3 S2 S1

Fig 4

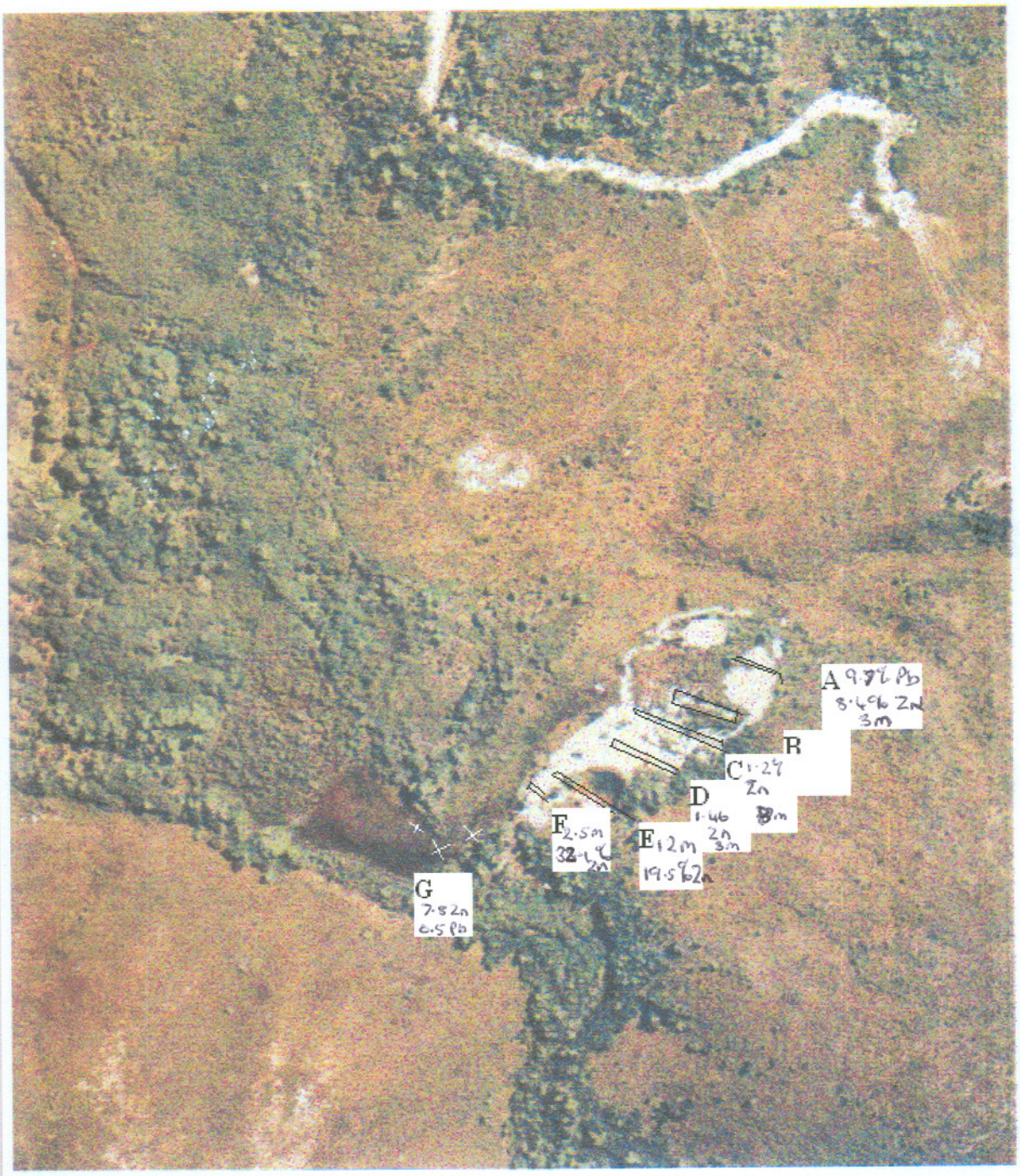
Our reference : BU018865
Your reference :
Project code :
Report date : 31/01/06
Report status : Final
Page : 1 of 1

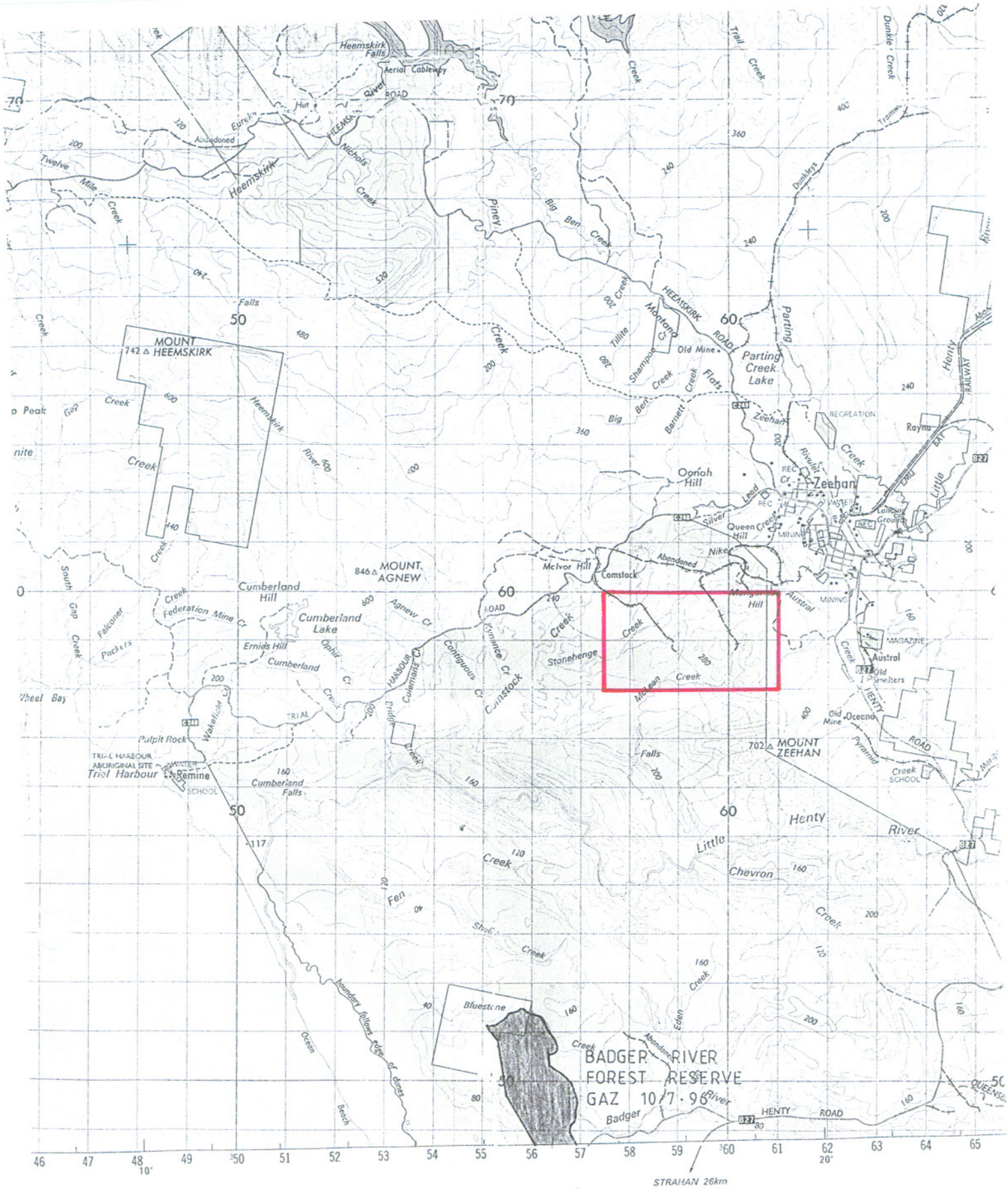
ANALYTICAL DATA

Sample	Zn	Pb				
1	6.08	0.55				
2	16.40	0.44				
3	32.30	1.01				
4	7.80	0.50				
5	1.08	0.84				
6	18.70	1.61				
7	1.46	~~0.50~~				
8	1.20	0.63				
1 29/1/2006	0.48	0.19				
2 29/1/2006	1.33	0.15				
3 29/1/2006	8.41	9.73				
4 29/1/2006	0.79	1.26				
Method	A119	A119				
Units	%	%				
Detection Limit	0.01	0.01				

Notes: N.A. = not analysed, -- = element not determined, I.S. = insufficient sample, L.N.R. = listed not received

Fig 5.





SCALE 1: 100000

Kilometres 2 1 0 2 4 6 8 10 12 Kilometres

1 centimetre represents 1 kilometre

ute marker.....

tinuous public use — sealed — unsealed

oad; Route number..... A6

y road; Route number..... B61

ad; Route number..... C315

access

BLACK NUMBERED GRID LINES ARE 1000 METRE INTERVALS OF THE AUSTRALIAN MAP GRID, ZONE 55

GRID VALUES ARE SHOWN IN FULL ONLY AT THE SOUTH WEST CORNER OF THE MAP

VERTICAL DATUM FOR TASMANIAN MAINLAND AUSTRALIAN HEIGHT DATUM (TASMANIA)

VERTICAL DATUM FOR OFF-SHORE ISLANDS: MEAN SEA LEVEL

HORIZONTAL DATUM: AUSTRALIAN GEODETIC DATUM 1966

UNIVERSAL TRANSVERSE MERCATOR PROJECTION

CONTOUR INTERVAL 40 METRES

ELEVATIONS IN METRES

LAND TENURE INDEX INFORMATION is current to Nov 1983. Due to limitati some areas of land tenure within built-up areas of less than two hecta depicted. Colours are designed to indicate the prime managing authority. tion of a particular land status does not imply right of entry or use. Boundari land extend to low water mark. For full particulars, uses are requested to Registrar-Generals Division, Law Department; or the Survey Division, Lar Department.

Private Freehold Land .....