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**EL 41/2002
Lone Star**

**Final Relinquishment Report
October 2005.**

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SUMMARY

Exploration Licence 41/2002 'Lone Star' (38km²) has been surrendered in favour of retaining TasGold's 'Lisle' tenement which is believed to be more prospective for intrusion related gold deposits. TasGold Ltd has made investigation of many of the prospects within the exploration licence with limited success.

Work has focussed on drilling soil based gold anomalies particularly those adjacent to known workings. The best intersection was obtained from an RC drill hole (K002) at Kelley's prospect in 2004. K002 intersected 1m @ 1.3 g/t Au from 69m. All prospects investigated failed to yield economic mineralisation.

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INTRODUCTION

*Note – All coordinates referred to in this report use the AGD 66 datum

1.1 Location

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

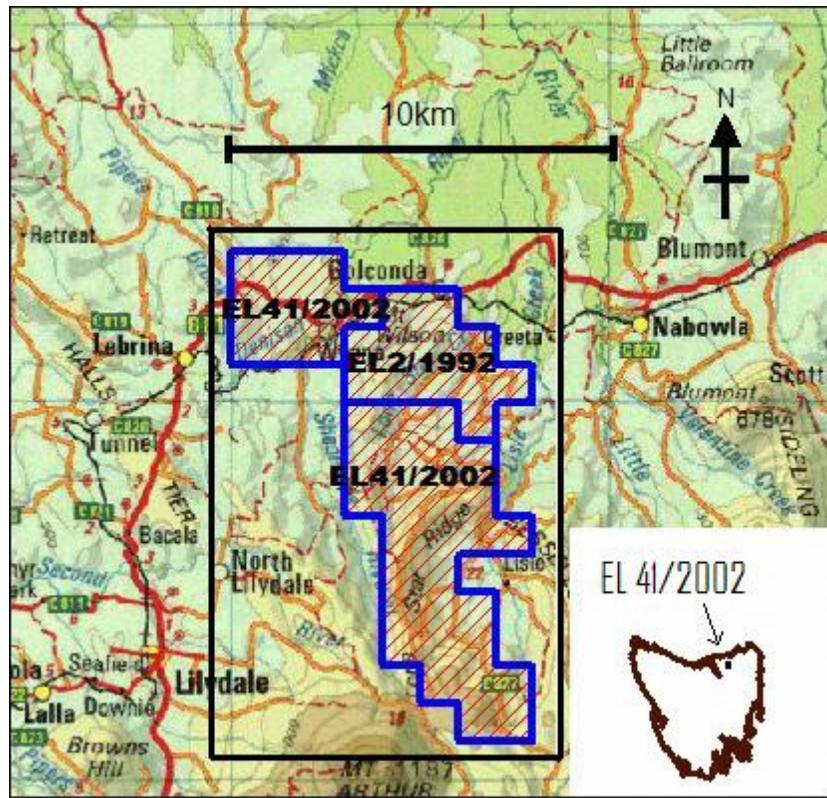


Figure 1. E.L. 41/2002 geographic location.

1.2 Tenure

E.L. 41/2002 was issued to TasGold Ltd. on April 24, 2003. The relinquished EL boundary is comprised of two blocks totalling 38km², both of which are to be relinquished, this is shown in figure 2.

E.L. 41/2002 was roughly bounded by A.M.G. lines 5431000m N and 5444000m N to the north and south respectively and A.M.G. lines 520000m E and 528000m E to the west and east respectively.

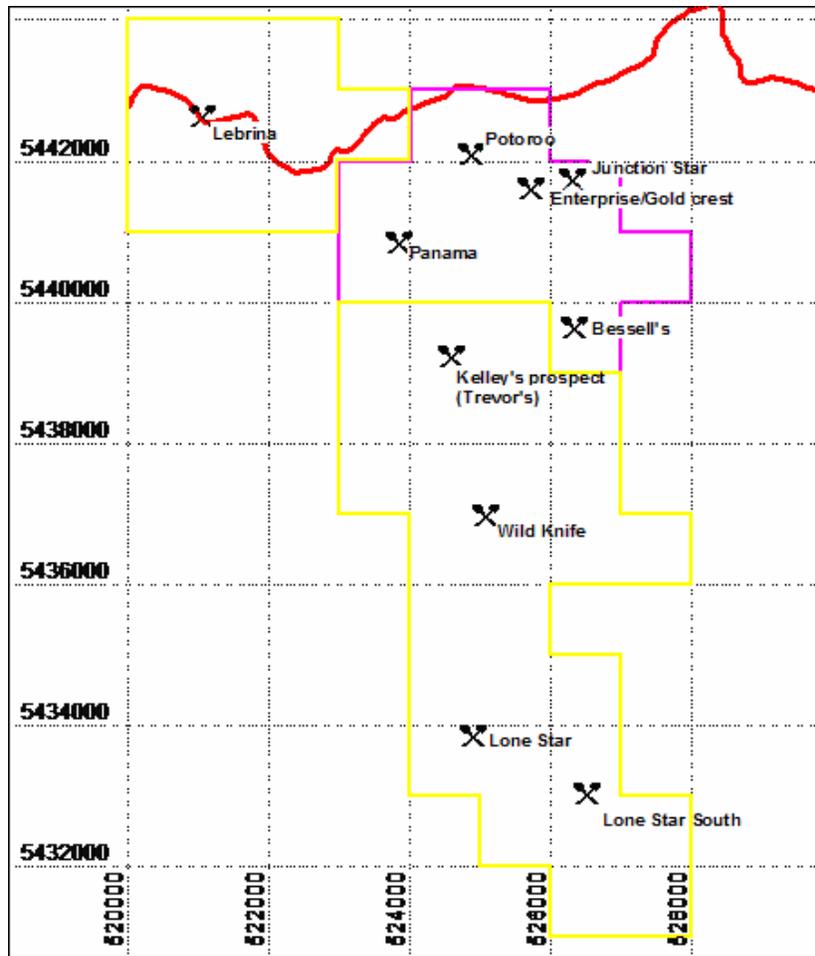


Figure 2. Relinquished area (EL 41/2002) in yellow. Adjacent EL 2/1992 in pink.

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 approximately 400 m. The steeper slopes are generally covered by talus deposits which obscure the bedrock geology. The 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 Lebrina prospect is located in an area of moderate topography above the Denison River and Pipers Brook catchments.

1.5 Exploration Philosophy

TasGold Ltd. has been exploring EL 41/2002 primarily for Intrusion related gold deposits. Intrusion related gold deposits (IRG deposits) are an under recognised and economically important class of gold deposits. These deposits include sheeted veins, quartz stock-works and bulk minable 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.

The majority of NE Tasmanian gold deposits are typical slate belt 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 is a quartz + carbonate + sulphide filled fracture that is transgressive to the Denison Group host sediments and is fault controlled. NE Tasmanian gold mineralisation is generally hosted in Mathinna Beds and occurs as NNW bedding parallel veins or ENE cross cutting structures like the Tasmania Reef.

Unlike most of the NE Tasmanian gold deposits, the Lisle-Golconda vein deposits appear to be related to reduced granodiorites of the Scottsdale batholith (see model in figure 3). 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. This meant that drilling gold in soil anomalies near the margins of intrusives was considered priority. Geochemically the mineralisation has a gold, silver, arsenic, bismuth and molybdenum association.

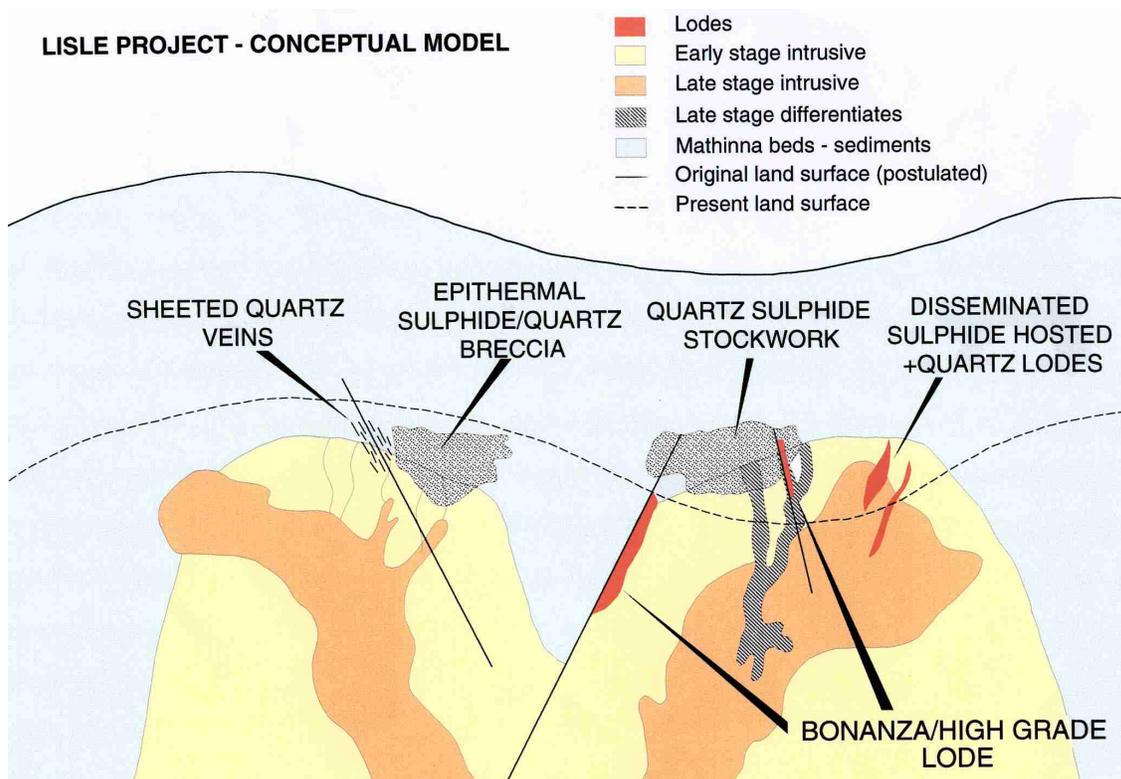


Figure 3. Conceptual models for mineralisation within EL 41/2002

The adjacent 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 and Mathinna Beds at the granodiorite-host rock interface. This style of mineralisation was the target of exploratory drilling and prospects in the area were believed to have good IRG potential and some slate belt mesothermal gold potential.

For a summary of regional and local geology refer to the previous two annual reports by Callaghan, 2004 and McDougall, 2005.

WORK COMPLETED

No further work was completed on the exploration licence during the current year of tenure. Drill pad reconnaissance for a possible RC drilling program was undertaken, this did not continue past preliminary investigation. TasGold Ltd. actively explored the area in 2004 following up previous work by MacMin Silver Ltd. A summary of work on each prospect is listed below. Details of drill logs, tabulated rock chip and soil data are available in annual reports by Callaghan, 2004 and McDougall, 2005. Digital data pertaining to the licence area is appended.

2.1 Lone Star South

Opportunistic rock chip and soil sampling was completed along Bessells Rd. One significant gold value was obtained from float; the sample returned 0.16ppm Gold and 6400ppm Arsenic from assay (McDougall, 2005).

A diamond drillhole (LS002) tested a NNE striking arsenic soil anomaly (relocated in soil sampling by Callaghan, 2004) at Lone Star South on the southern slopes of the Lisle basin. The anomaly was poorly tested due to very poor drill core recovery in weathered granodiorite. Assays returned from drillhole LS002 were disappointing with the highest values assaying 0.01 ppm Au (McDougall, 2005).

2.2 Lone Star

The Lone Star Prospect is located within the Lisle valley on the slopes of Lone Star Ridge. The prospect was defined by B and C horizon soil surveys completed by previous workers in 1994. Two small NNE striking elongate soil As anomalies were delineated. The southern anomaly remains open to the south. No further work has been conducted on this prospect.

2.3 Wild Knife

The Wild Knife prospect was identified by B and C horizon soil sampling (McDonald, 1994); partially coincident NE-SW striking As and Au soil anomalies were identified. The anomalism remains open to the southwest. Historic workings consist of several small pits. No further work has been conducted on this prospect.

2.4 Lebrina

The Lebrina prospect consists of a series of small auriferous quartz veins in a NE trending corridor of over 1km strike length. Previous workers had completed soil surveys, trenching and drilling programs, although results from trenching were encouraging, subsequent drilling was disappointing. Callaghan (2004) recommended rock chip sampling the nearby road as further reconnaissance. Opportunistic sampling of road cuts adjacent to the prospect was completed in mid 2004. Forty seven (47) composite and grab samples were collected for assay. Among these, 4 samples were collected SE of the Lebrina mine. 14 soil (B horizon) samples were collected on Golconda Rd at 25m intervals between outcropping rock chip samples. The highest gold grade was 0.03ppm Au from a composite rock chip sample on Golconda Rd. No further work was completed on this prospect.

2.5 Kelley's (Trevor's)

Kelley's Prospect (also known as Trevor's Prospect) consists of an old adit, shaft and several other small pits. Two RC drill holes (for 122m) and a trench were completed on Kelley's prospect in 2003/2004. Results were disappointing with a best intersection of 1m @ 1.3 g/t Au in RC drillhole K002. The auriferous quartz veins intersected by drilling were considered too thin to host a significant gold resource. No significant veining or alteration was observed in the trench and no samples were taken (Callaghan, 2004).

REHABILITATION

3.1 Lone Star South

A short narrow track was hand cut to gain access to the LS002 drill site using with the man portable RB37 drill rig mobilised on trailers attached to ATV vehicles. The area could not be rehabilitated by mechanical means because there is no prospect of access unless the area was further opened up. The track is now partially obscured by fallen trees and lies on a south facing slope covered by wet sclerophyll forest. No large timber was cut to access the site and it is believed the site will naturally regenerate.

3.2 Kelley's Prospect

Two drill holes utilised the existing main track and one drill hole (K002) required track works that were also used to gain access for an excavator trench. This track work totals approximately 130m. The trench was subsequently filled and covered with topsoil. The track was also covered in slash from the surrounding area with wattle seed scattered over bare areas. The area was historically disturbed from 'mining pits' and had been logged at some stage with dry silver wattle regrowth being the major vegetation type. The track and trench are now rehabilitating well with numerous seedlings evident.

CONCLUSIONS

The distribution of gold mineralisation within the tenement appears to be associated with the granite margins; however veins intersected by drilling were apparently too narrow and too low grade to be economically viable. The best prospects are likely to be found using magnetics to delineate granodioritic margins and associated altered aureoles within the Mathinna Supergroup.

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