MAYDENA SANDS PTY LTD

ACN 051 399 261 ABN 29 051 399 261

EXPLORATION LICENCE NO. 17/2002

MAYDENA, TASMANIA

ANNUAL REPORT

TO

10 January 2006

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NOVEMBER 2005

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ABSTRACT

At the Hedgehog Prospect, grid mapping, accompanied by further limited surface sampling, indicates potential for a resource of low-iron fine silica flour at surface in a zone approximately 1 km long and up to 300m wide.

This result encourages further investigations focused on the quantity, quality and metallurgical characteristics of the fine silica flour material of interest.

Keywords:

E.L.17/2002, Hedgehog Ridge Prospect,
Silica flour, Grid mapping, Analyses.

C O N T E N T S

1. INTRODUCTION

Interest in the ground covered by this exploration licence arose as a result of J J McDonald & Sons Mining Pty Ltd activities at the Pine Hill silica sand deposit located within RL 2/2003 some 5 km to the south east.

In early 2005, these tenements were transferred into a new entity, Maydena Sands Pty. Ltd., which will continue to focus under the same management on the exploration, assessment and development of the silica sand, silica flour and hard rock silica resources delineated within them.

Regional mapping by MRT geologists indicates that the geological formations potentially prospective for additional resources of silica sand and flour extend into this area in a north westerly direction from the Pine Hill deposit.

An added attraction is the availability of basic access to the main zone of interest.

This report details activities by Maydena Sands Pty Ltd in EL 17/2002 in the third year of tenure to 10.01.2006.

2. TENURE

On the 30th of April 2002 an application was lodged by J J McDonald & Sons Mining Pty Ltd for an exploration licence of 13 sq km covering ground potentially prospective for silica sand/flour and silica rock associated with lower Cambrian sequences 7-10 km WSW of Maydena.

The area originally applied for was contiguous to the west with RL 2/2003 (formerly part of EL 17/1998) where a limited resource of potentially economic, good quality silica flour and silica sands has been delineated.

Ministerial consent to the grant of this exploration licence was obtained on 28/01/03 effective for *5* years to 10th January 2008.

In November 2004, application for a reduction of the original 13 sq km tenement area by 9 sq km to the current size of 4 sq km surrounding the Hedgehog Ridge silica sand and flour prospect (viz. Fig 2) was approved by the Director of Mines on 26.05.2005. Exploration

activities and outcomes during tenure of the larger area are summarized in a Partial Relinquishment Report by Krummei (2004) (a).

On the same date, title to the reduced Exploration Licence area was transferred to Maydena Sands Proprietary Limited, a Company formed to hold and operate the exploration and mining interests of the Directors and Shareholders of J J McDonald & Sons Mining Pty Ltd in the Maydena district.

The reduced tenement now comprises:

State Forest – Multiple use forest land

MDC Informal Reserve Area

Private land

A Crown Reserve – (part of 14 Mile Creek)

3. LOCATION AND INFRASTRUCTURE

Reduced EL 17/2002 lies to the west of Pine Hill with its eastern boundary approximately 7 km west of Maydena and about 90 km by sealed road west of Hobart (Fig.1).

The sealed Gordon River Road traverses the tenement diagonally from south east to north west providing excellent basic access to the area. However, thick vegetation, topography and drainage impede access within the immediate area of interest.

Other basic facilities, including housing and labour, are available in the small township of Maydena (pop. ca. 400) and surrounding district.

A single strand power line follows the Gordon River Road through the tenement.

A 700 m long, east-west oriented, fair weather gravel airstrip is located about 1 km eastwards off the eastern boundary of the tenement.

A narrow gauge railway line from New Norfolk to Maydena has been progressively upgraded as far as the entrance to the Mt Field National Park. There are plans to complete the remaining 15 km section to Maydena in due course.

4. OBJECTIVES AND TARGETS

The overall objective of the exploration activities during tenure of this exploration licence is to add commercially viable resources of high purity silica sand and flour to those already outlined by J J McDonald & Sons Mining Pty Ltd (now vested in Maydena Sands Pty Ltd) at the Eastern Quarry, Pine Hill, in RL 2/2003, 5 km to the East. High quality silica rock remains a subsidiary target.

Following general reconnaissance, the main target remained a 4 x 1 km belt of steeply dipping, lower Cambrian sediments with carbonate sequences, which extend in a north westerly direction from Pine Hill.

5. PREVIOUS EXPLORATION

Although the area was part of BHP's EL 13/65 and EL 8/79 and later also fell within Amoco's EL 14/84, neither company undertook any work related to industrial minerals in this segment of their tenements (Ellis, in Jones, 1989).

Pioneer Silicon Industries Pty. Ltd. (PSI) embraced the area within its EL 14/88 but little, if any, work was carried out in this segment west of Pine Hill.

On taking over PSI's tenement in 1992, the Northwest Bay Co Pty Ltd successfully outlined a small resource of about 355,000 tonnes of good quality, open cuttable dolomite on the southern slopes of Kallista Hill situated approximately 2 km west of Pine Hill (Forster, 1993). Due to the demise of the operator, no production ensued and the ground was ultimately relinquished.

In the early 1990s, Mineral Resources Tasmania (MRT) completed three shallow diamond drill holes as part of its reconnaissance of the Tertiary/Quaternary sequences of the surrounding area (for locations see Calver and Forsyth, 1999):

Hole Styx 2	:	0 - 31m	:	Quaternary sediments
Hole Styx 3	:	0 – 32	:	Quaternary sediments
		32 – 35	:	Cambrian sandstone
Hole Styx 6	:	0 – 21	:	Quaternary sediments
		21- 22	:	Ordovician

1:25,000 scale mapping of the Maydena Sheet was completed by MRT geologists Calver & Forsyth in 1999, providing a basic, up-to-date geological framework for this district.

In 2003, during its first year of tenure, JJ McDonald & Sons Mining Pty Ltd focused its activities on both the dolomite and silica rock/flour prospectivity of the larger tenement area. Reconnaissance identified the Loading Spur silica rock/gravel prospect and the Hedgehog Ridge silica flour prospect for further follow-up. A market study and departure of a potential client did not encourage further pursuit of a viable dolomite resource at this time.

Attention during the second year of tenure was concentrated on the two silica prospects outlined. Only a low tonnage potential for silica rock/gravel was indicated at the Loading Bay Spur Prospect and deemed of no further immediate interest. In contrast, encouraging low levels of impurities, especially iron, were indicated by assays of several surface samples of silica flour and gravel at the Hedgehog Ridge Prospect.

This year's activities were focused on the Hedgehog Ridge Prospect. They comprised line cutting and gridding to provide access for further assessment of the silica flour occurrences there, followed by grid mapping and limited surface sampling.

6. CURRENT ACTIVITIES

6.1 Work done:

Hedgehog Ridge

- Intermittent scoping discussions with CODES aimed at a ground geophysics programme by student
- Line cutting/gridding crew identified and engaged
- Small line cutting/gridding programme completed
- Accurate grid point survey
- Grid-line based reconnaissance mapping
- Roadside mapping
- Limited surface sampling
- Sample analysis.

6.2 Statistical Summary:

Line Cutting/Gridding	:	5 lines @ 700m each = 3.5 km
Stations	:	50m intervals
Grid mapping	:	3.5 km
Road mapping	:	2.8 km
No. of grab samples	:	8
No. of determinations	:	88
Grid points surveyed	:	5
Expenditure for 9 months to 30.09.05	:	$ 8,703.00
Total Expenditure to 30.09.05	:	$25,538.00
Estimated expenditure for 12 months to 10.01.06	:	$11,000.00

7. RESULTS

7.1 Hedgehog Ridge Prospect:

The area gridded and traversed straddles the Gordon River Road over a distance of 1 km along a narrow ridge up to about 30m in height. (Fig.2). It is located at the north-western extremity of a sequence of ? lower Cambrian sediments mapped by Calver & Forsyth (1999) as comprising interbedded fine grained dolomite, dark laminated cherts and carbonaceous mudstone.

At the centre of this 6 km long zone lies the high quality Kallista dolomite deposit (Forster 1993), while the Pine Hill silica sand/flour deposit is situated at the south eastern end.

Relatively little bedrock outcrop was found on the grid lines. A small cliff of dark, laminated chert with bedding dips shallow to the north occurs around station 5150N on line 5500E. (Fig.3). Another group of outcrops of similar material occurs on the edges of a grassy clearing (? rehabilitated quarry) immediately south of the Gordon River Road, approximately 350m to the east beyond grid line 5500E.

The former outcrop is on the edge of a steep slope to the north covered with accumulations of white and grey white silica flour with often sub-rounded pebbles of bedrock, showing varying degrees of leaching. To the east lies a small disused gravel quarry of white pebbles and silica flour.

Mostly “dirty” sandy gravels with pebbles and small boulders of bedrock, as well as pockets of white silica flour, can be seen in the road cuttings flanking the Gordon River Road throughout the grid.

More extensive occurrences of silica flour, some in excess of 2m deep, with varying amounts of bedrock and silica rock fragments occur in old road cuttings on the north side of the Gordon River Road westwards of line 5000E. This area is on a steep northerly slope which is covered by thick tea tree and scrub extending up to about 200m. from the road. Thereafter, the terrain levels off to lush rainforest with abundant manferns.

No outcrop of bedrock was found on the grid lines south of the Gordon River Road.

Thick, scrubby tea tree extends irregularly only for a short distance south of the road. It then passes into open scrub and heath and further down-slope into swampy button grass plain and open heath.

A small, old gravel pit is situated about 50m south of the Gordon River Road just to the east of line 5500E.

7.2 Analyses:

Eight samples were collected from silica flour occurrences noted at the western and eastern ends of the grid (Fig.3) during this mapping programme.

In this new sample set, Fe_2O_3 averages about 80 ppm (range >10 to 230 ppm). Cr_2O_3 and Co are also generally below detection levels of 1 ppm respectively. Mn values are less than 10 ppm.

TiO_2 levels are in the relatively high range of 100 – 1120 ppm (average ca 450 ppm).

Of the alkali metals, K_20 and Na_20 average at about 50 ppm each (range: > 10 – 150 ppm).

The Al_20_3 average is skewed towards an elevated 500 ppm by two results of 980 ppm and 890 ppm.

The assay results are encouraging and generally in line with those of previous reconnaissance sampling (Krummei, 2003) in the central segment of the prospect.

Overall, the results to date suggest a raw material quality of silica flour over a strike length of about 1 km worthy of further investigation and follow-up.

8. ENVIRONMENTAL & REHABILITATION ACTIVITIES

Environmental impact of the line cutting and gridding is minimal north of the Gordon River Road and negligible to the south. However, flagged grid pegs remain in place along the grid lines for the moment.

There was no ground disturbance. No rehabilitation activities were required and none were undertaken.

9. CONCLUSIONS

9.1 The results of exploration at the Hedgehog Ridge prospect to date suggest a resource potential and quality of fine silica flour warranting further investigation.

9.2 The frequent association of thick tea tree-dominated scrub with occurrences of silica flour may provide an exploration guide for this material in the area.

9.3 The topography and thick vegetation cover over the area of interest and its location will require careful planning and execution of further exploration activities.

10. RECOMMENDATIONS

10.1 Continue with the investigation and the assessment of the tonnage potential, quality and laboratory-scale beneficiation outcomes of the fine silica flour resource at the Hedgehog Ridge Prospect.

10.2 The main focus of activities at this time should be that part of the established area situated to the north of the Gordon River Road.

11. PROPOSED FUTURE ACTIVITIES

11.1 Collect several small bulk samples of the silica flour raw material from established old cuttings in different parts of the prospect to determine particle size distribution and estimate silica flour content.

11.2 Collect several small bulk samples as above from different parts of the prospect for beneficiation tests on the -250 µ and +10 – 75 µ size bands.

11.3 Fill in line-cutting and gridding, subject to satisfactory results from 11.1 and 11.2 above and availability of gridding crew.

11.4 Geological mapping, surface sampling, ?geophysics along in-fill lines.

11.5 Petrological examination of samples from 11.1 and 11.2 above as required.

11.6 First pass resource estimate, subject to availability of sufficient information.

12. REFERENCES

Calver, C R & Forsyth S M	1999	Maydena, Tasmania; Digital Geological Atlas, 1:25,000 Series; Tasmanian Geological Survey
Ellis, P D in Jones, P A	1989	Exploration Licence No. 14/88, Maydena, Tasmania. Progress Report on Exploration Activity 5th August 1988 to 5th July 1989
Forster, M C	1992	EL 14/88, Maydena, Annual Report – Year 4.
Forster, M C	1993	EL 14/88, Maydena, Annual Report – Year 5.
Krummei, G K	2003	Exploration Licence No.17/2002, Maydena, Tasmania. Annual Report to 10th January, 2004.
Krummei, G K	2004	(a) Exploration Licence No.17/2002, Maydena, Tasmania. Partial Relinquishment Report
Krummei, G K	2004	(b) Exploration Licence No.17/2002, Maydena, Tasmania. Annual Report to 10th January, 2005
McBain, M	2003	Market Survey – Dolomite in Tasmania AusITech Services Report

APPENDIX 1

HEDGEHOG RIDGE PROSPECT

ASSAY RESULTS

CERTIFICATE OF ANALYSIS

ALS Chemex

Batch: ST40766
Sub Batch: 0

CONTACT:	MR GERHARD KRUMMEI	**LABORATORY:**	BRISBANE
CLIENT:	MAYDENA SANDS PTY LTD	**DATE RECEIVED:**	20/07/2005
ADDRESS:	SUITE 28 487 ST KILDA ROAD MELBOURNE VICTORIA 3004	**DATE COMPLETED:**	02/08/2005
		SAMPLE TYPE:	SAND
		No. of SAMPLES:	10

ORDER No.: 224183
PROJECT:

COMMENTS

NOTES

This is the Final Report and supersedes any preliminary reports with this batch number.
Results apply to sample(s) as submitted. All pages of this report have been checked and approved for release.

ISSUING LABORATORY: BRISBANE

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Signatory

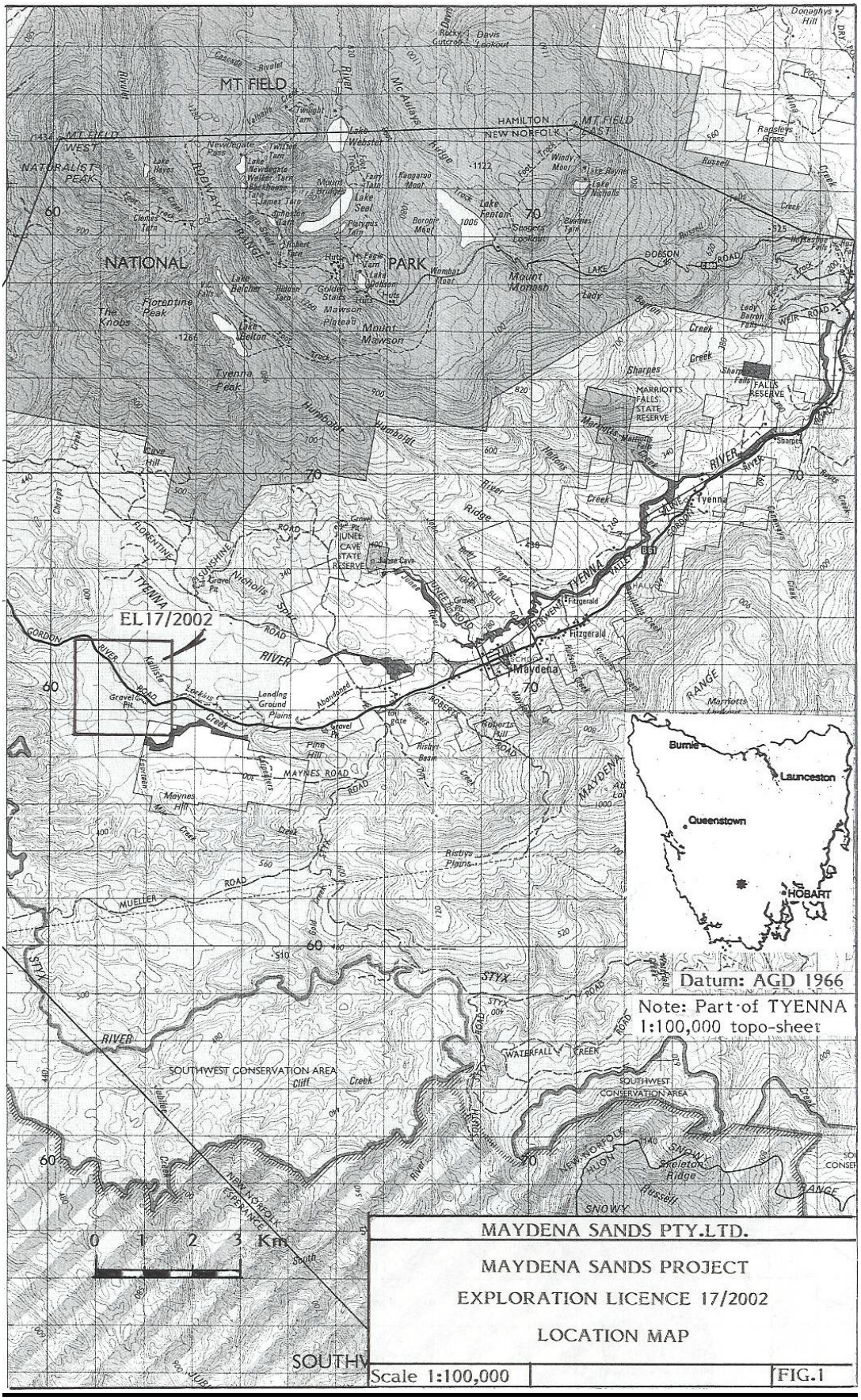
Shaun Kenny
Minerals Laboratory Manager

Sub Batch: 0
Date of Issue: 02/08/2005
Client: MAYDENA SANDS PTY LTD
Client Reference:

CERTIFICATE OF ANALYSIS

SAMPLE	Element	Al2O3	Fe2O3	TiO2	Cr2O3	CaO	MgO	Na2O	K2O	Co	MnO	V2O5	
	Unit	%	%	%	ppm	%	%	%	%	ppm	%	%	
	Method	M289-1	M289-1	M289-1	M289-1	M289-1	M289-1	M289-1	M289-1	M289-1	M289-1	M289-1	
	LOR	0.001	0.001	0.001	1	0.001	0.001	0.001	0.001	1	0.001	0.001	
70472		0.030	0.009	0.013	<1	0.079	0.046	0.003	0.002	<1	<0.001	<0.001	
70473		0.047	0.013	0.082	1	0.036	0.019	0.006	0.004	1	<0.001	<0.001	
70474		0.032	0.002	0.029	<1	0.070	0.034	0.003	0.002	<1	<0.001	<0.001	
70475		0.048	0.006	0.042	<1	0.087	0.048	0.004	0.003	<1	<0.001	<0.001	
70476		0.019	<0.001	0.010	<1	0.032	0.017	0.002	<0.001	<1	<0.001	<0.001	
70477		0.038	0.001	0.023	<1	0.060	0.032	0.003	0.004	<1	<0.001	<0.001	
70478		0.098	0.023	0.053	2	0.052	0.031	0.008	0.013	<1	<0.001	<0.001	
70479		0.089	0.010	0.112	3	0.036	0.014	0.015	0.009	1	<0.001	<0.001	

ILLUSTRATIONS



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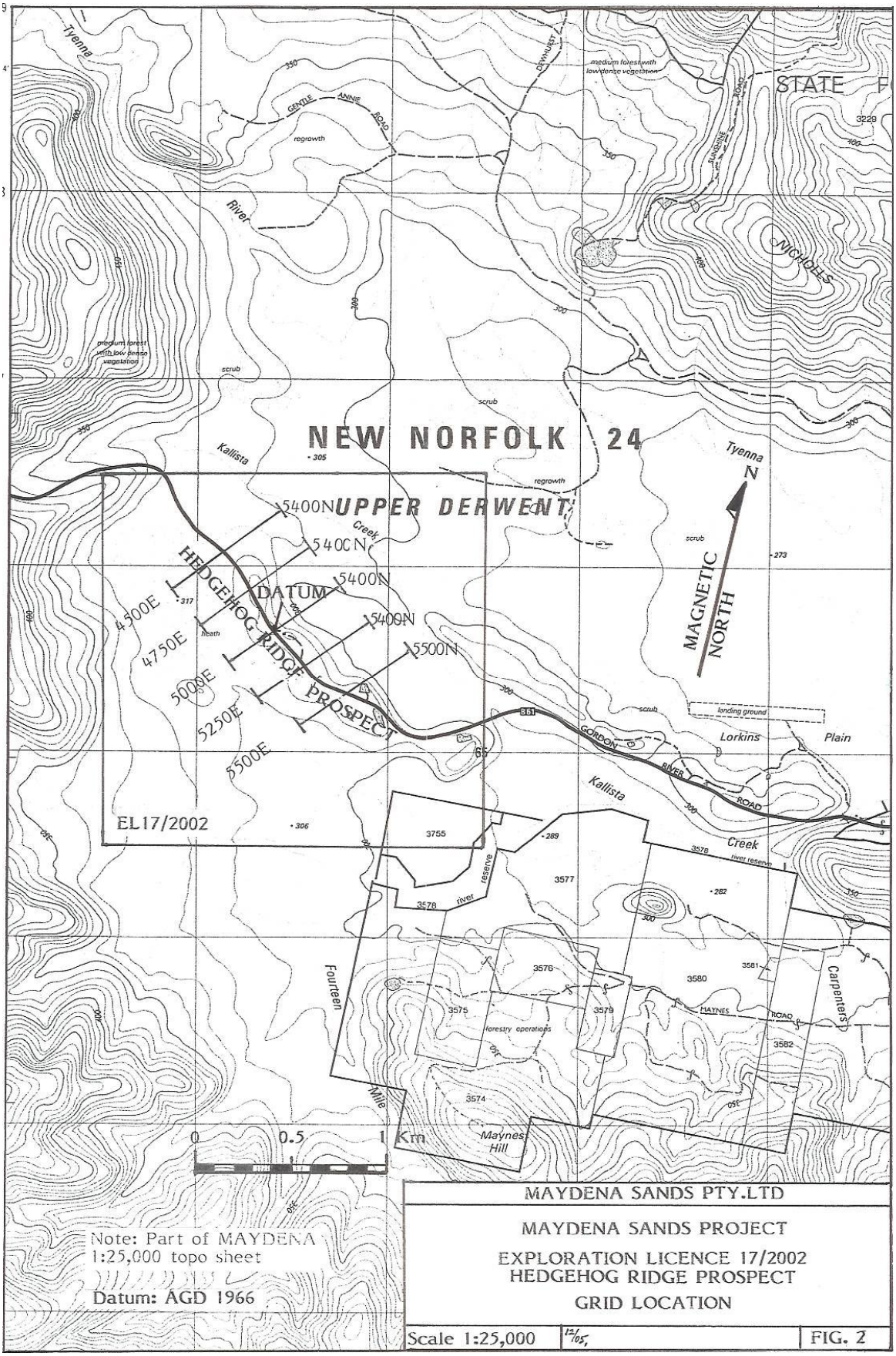
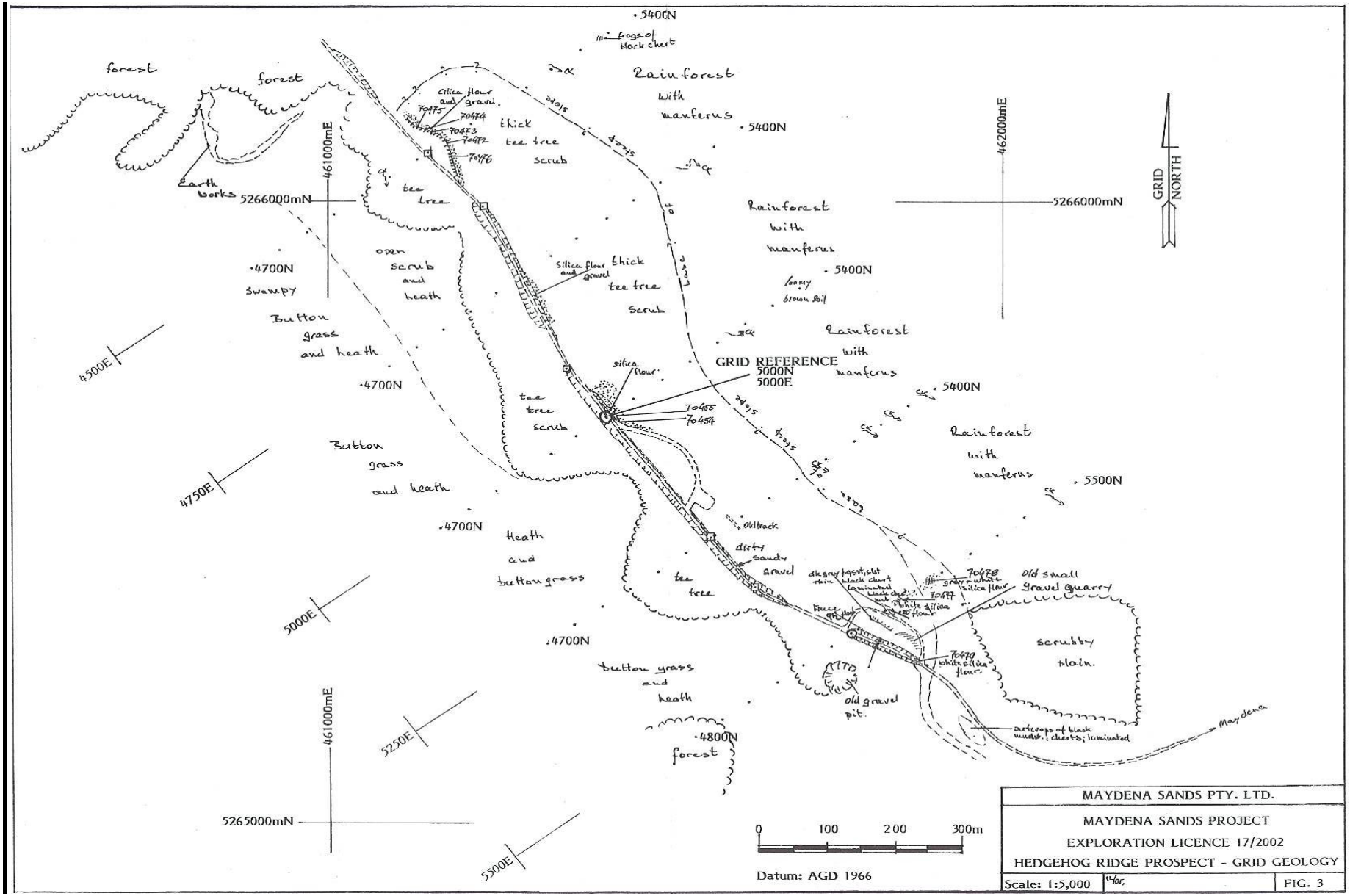
LOCATION MAP

Scale 1:100,000 | FIG.1





MAYDENA SANDS PTY. LTD.		
MAYDENA SANDS PROJECT		
EXPLORATION LICENCE 17/2002		
HEDGEHOG RIDGE PROSPECT - GRID GEOLOGY		
Scale: 1:5,000	[illegible]	FIG. 3