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Mount Lyell Mine Mineral Resource and Ore Reserve Statement  
Copper Mines of Tasmania Proprietary Limited\*  
Hill, R. 1M/1995

# Copper Mines of Tasmania, Mount Lyell Mine

## MINERAL RESOURCE and ORE RESERVE STATEMENT

At 31st March 2006



*Roger Hill*  
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## EXECUTIVE SUMMARY

This statement lists the Prince Lyell, Western Tharsis and Copper Clays Mineral Resources and Ore Reserves as at 31st March 2006.

### Prince Lyell:

The Prince Lyell block model has been updated and a revised estimate of the Mineral Resource and Ore Reserve generated. The estimation was done to a 1%Cu cut-off grade and the statement is JORC compliant.

The updated Prince Lyell model for March 2006 is based on new information generated by the Lower Prince Lyell Grade Control Drilling Program (PL1465) and from geological mapping and sampling of underground development.

The estimated Prince Lyell Mineral Resource is tabulated:

Table 1: Prince Lyell Estimated Mineral Resource at 31st March 2006 at a 1%Cu cut-off grade			
Classification	Tonnes	%Cu	Cu Metal
Measured Resource	8,494,073	1.44	122,070
Indicated Resource	1,014,300	1.50	15,215
Inferred Resource	5,976,930	1.35	80,941
<b>Total Resource</b>	<b>15,485,303</b>	<b>1.41</b>	<b>218,227</b>

The Western Tharsis Mineral resource is reported from the review of the Global Mining Services estimate (CMT Report No. T1996-010) performed by Tony Wesson (SRK Consulting) in August 2003. (CMT Report No. T2003-012). The reports recommendation on the classification of the Western Tharsis Mineral Resource is supported and used in this statement. The estimation was done to a 0.75%Cu cut-off grade and the statement is JORC compliant.

Table 2: All Estimated Inferred Mineral Resources at 31st March 2005

Table 2: All Estimated Inferred Mineral Resources at 31st March 2005			
Classification = Inferred	Tonnes	%Cu	Cu Metal
Prince Lyell	5,976,930	1.35	80,941
Western Tharsis	11,766,000	1.26	148,373
King Lyell Copper Clays	1,200,000	1.4	16,800
Crown 3 Crown pillar	605,000	1.4	8,470
<b>All Inferred resources</b>	<b>19,547,930</b>	<b>1.30</b>	<b>254,584</b>

The Prince Lyell Mineral Resource was delineated inside the updated block model. Within the Mineral Resource an Undiluted Mine Design (or Undiluted Ore Reserve) was outlined based on block values and mine plans. The Mineral Resource categories inside the Undiluted Mine Design (or Undiluted Ore Reserve) were converted to an Ore Reserve category according to the JORC code and the Ore Reserve

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estimated by the application of modifying factors. The Mineral Resource is inclusive of the Ore Reserve.

Modifying factors are dependant on the block grade. The Undiluted Mine Design contains blocks that are above cut-off grade and blocks that are below cut-off grade. Blocks that are above cut-off are modified to primary and secondary ore. Primary ore has a recovery of 60% at block grade. Secondary ore has a recovery that is determined by a gross overdraw factor of 37% at a grade of 1.15%Cu. This conversion factor is calculated at 125%. Overdraw is determined from historical mine performances. Blocks that are below cut-off are treated as internal dilution and modified by a recovery of 50% at block grade.

The estimated Prince Lyell Ore Reserve is tabulated:

Classification	Ore Tonnes	%Cu	Cu Metal
Proved Reserve (Surf. Stockpile)	58,468	1.19	69,577
Proved Reserve	10,613,985	1.26	134,265
Probable Reserve	3,574,912	1.27	45,507
<b>Total Reserve</b>	<b>14,247,365</b>	<b>1.27</b>	<b>180,468</b>

The estimated Ore Reserve does not include the ore stocks in the crushing and treatment circuits.

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## Introduction

### Prince Lyell

This statement reports the update to the Prince Lyell block model completed in March 2006, the estimation of the Mineral Resource and the conversion of that Mineral Resource to an Ore Reserve.

The updated model is based on results from the most recent drilling (Lower Prince Lyell Definition Drilling Program. (Phase 1) completed in 2005, an infill drilling program on 1465L completed in 2006 and a review of the previous model. The approach adopted with this update is the consistent with that in the previous estimates of March 2005 and June 2004.

A solid bounded by the revised (Jun 05 and Feb 06) Owen Conglomerate contact and the limit of usable data was constructed, which forms the basis of the Prince Lyell model, into which grade values were interpolated. Geostatistical assumptions were not reviewed during this estimation run because of the lack of new drilling to inform such an exercise. Parameters were confirmed or adjusted where necessary in March 2005 by reconstructing the variograms in the major secondary and minor axes. A resource shape was digitised inside the block model with the outline forming the boundary to the subsequent Mineral Resource. This block model was interrogated by the shape to give the estimated Mineral Resource at a 1%Cu cut-off grade.

Stope shapes were graphically constructed inside the resource using block values and mine layouts. These shapes constitute the Undiluted Mine Design. The resource categories inside the Undiluted Mine Design have been converted to Ore Reserve categories after consultation between geologists and mining engineers. The Ore Reserve has been estimated using modifying factors as discussed in this report and is consistent with JORC guidelines. As current mining is the down dip extension of the deposit, the confidence in the estimated size and grade of the Ore Reserve is high.

### Comparison With Previous Estimate

The Mineral Resource estimate for March 2006 model is compared with both the March 2005 and June 2004 estimates in the tabulation below.

Table 4: Comparison of March 2006 Resource estimate with June 2004 and March 2005 Estimates  
(Prince Lyell Orebody)

	June 2004 Estimate			March 2005 Estimate			March 2006 Estimate		
	Ore Tonnes	% Cu	Cu Metal	Ore Tonnes	% Cu	Cu Metal	Ore Tonnes	% Cu	Cu Metal
	-----'000's-----			-----'000's-----			-----'000's-----		
Measured	8,571	1.32	113	9,030	1.48	134	8,494	1.44	122
Indicated	2,486	1.31	33	2,643	1.42	38	1,014	1.50	15
Inferred	13,268	1.2	159	5,977	1.39	83	5,977	1.35	81
<b>Total</b>	<b>24,235</b>	<b>1.25</b>	<b>305</b>	<b>17,650</b>	<b>1.44</b>	<b>254</b>	<b>15,485</b>	<b>1.41</b>	<b>218</b>

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### **Reasons for the differences:**

Mine production between March 2006 and March 2005 has been deducted. ( Depleted)

The total inferred PL Mineral Resource has reduced due mainly to a more rigid application of the geostatistically derived block model interpolation search ellipsoid parameters. The June 2004 model applied progressively more loose parameters for successive interpolation confidence runs, which have been tightened for the March 2005 block model estimate.

The increase in grades for each category represents the more selective definition of the 1% Cu boundary used in the March 2006 estimate. The search parameters as used in the 2006 and 2005 estimates are more restrictive in the semi-major and minor axes, which results in a better definition of the orebody in the same axes. In order to fully recognize these changes, the definition of the Mineral Resource boundary has been more selective in application. More lower grade cells at the periphery of the boundary have been excluded from the Mineral Resource.

### **Western Tharsis**

The Western Tharsis Mineral Resource was estimated in 1996 by Global Mining Services. (CMT Report No. T1996-010) A review was done by SRK Consulting in August 2003 and no glaring shortcomings were identified. (Tony Wesson, 2003) Some issues raised by SRK that require further work are quoted.

- Estimation was carried out within a 0.5%Cu boundary and it is unclear whether, during estimation this was considered to be a hard boundary. Excluding peripheral lower grades will have the effect of upgrading the average grade within the wireframe. Blocks should be estimated using all data unless there is a hard geological boundary to impose constraints.
- Tonnes and grades are reported from within 0.5%Cu and 0.75%Cu wireframes and these do not represent true cut-off grades as pods of sub 0.75% Cu occur within the 0.75%Cu wireframes while plus 0.75%Cu material occurs outside of the 0.75%Cu wireframes.
- Reporting copper resources within 0.5%Cu and 0.75%Cu wireframes is meaningless given the current market copper price. (This point is somewhat redundant at the time of writing this statement as the copper price is >US\$5000).

The in situ Mineral resources at Western Tharsis are reported in 2006 as an Inferred Mineral Resource owing to the fact that while potentially economic at current commodity prices, the resource fails to be economic at current Vedanta 0-5yr commodity price (LOM) assumptions. See appendix 5  
Additionally there is no current mining plan for this area.

### **Copper Clays**

The King Lyell Copper Clays Mineral Resource was originally estimated in 1996 by K. Morrison and J. Knight (CMT Report No. T1997-028). An engineering scoping study was completed in 1998 by Tony Weston where a small pit was designed on an in-pit resource of 1.2Mt @ 1.4%Cu and preliminary milling flowsheets were developed. All the above data were reviewed and updated in 2005-6. At current Vedanta 0-5yr commodity price (LOM) assumptions the currently known King Lyell Copper Clays resource has reasonable, in fact quite good, prospects for eventual economic extraction and the in-pit resource is classified at March 31<sup>st</sup> 2006 as in inferred resource. CMT is currently applying for a retention lease over this ground in order to expand and develop the resource.

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## **PRINCE LYELL RESOURCE**

### **Data assembled for the Prince Lyell resource**

#### **Underground Development Samples (DEV dataset).**

All underground development is sampled. Wherever practical samples are taken across strike. Thus the faces of longitudinal drives are sampled, and the walls of transverse drives (and crosscuts) are sampled. Faces are now sampled at 2.25metre intervals (i.e. two samples across each face that is inside the orebody). Historically on higher production levels in the Sub Level Cave (i.e. 1680mRL, 1660mRL, 1640mRL and 1615mRL) only a single sample was taken across each face. Walls and crosscuts are chip sampled at two metre intervals. Samples are assayed at the CMT laboratory for Cu and Zn.

#### **Diamond Drillhole Data in the Prince Lyell Dataset (PL dataset).**

The Prince Lyell dataset contains all diamond drillholes collared on and below 1800mRL – essentially all holes drilled post-1995 (approximately 167 drillholes). The bulk of these drillholes comprise drilling for delineation layout of mine design. Most of the drilling is to BQ size with holes being stopped just inside the Owen Conglomerate contact and all core being cut and half sampled. All drill core has been routinely logged for lithology, mineralization, alteration, structure, recovery and RQD. Drill core is now sampled at one metre intervals and assayed for copper, gold (fire assay) and a selected suite of multi elements, with the analyses being carried out at both the CMT laboratory and by an external commercial laboratory. Prior to the year 2002 drill core was sampled over two metre intervals and assayed for copper only, with some samples assayed for gold (usually by aqua regia digest).

#### **Drill hole Data in the West Lyell Dataset (WL dataset) for Drillholes Below 2000mRL**

The West Lyell dataset contains all holes drilled within the bounds of the former West Lyell Open Cut and its associated underground operations and includes historical data that dates to the 1930s. Below 2000mRL the data is only relevant to the Prince Lyell deposit - generally this encompasses holes drilled post 1970 of which most were drilled from underground, although there were some earlier deep surface holes. Approximately 162 drillholes from the West Lyell dataset have been included in the Prince Lyell model. Drill core has been drilled to both BQ and NQ size, sampled mostly over two metre intervals and mainly assayed for copper.

#### **Data Validation and QA/QC Procedures Included;**

- checking and visual inspection of results
- laboratory repeats and duplicates,
- CMT standards for checking of external sample results
- exclusion of spurious or suspect data

Details of these procedures are covered in Appendix 1

#### **Footwall and Owen Conglomerate Contact**

The footwall contact is constrained by the Owen Conglomerate. At its southern end (i.e. B panel on the Sub Level Cave extraction levels) the orebody terminates against this geological contact, and where it is also coincident with the Great Lyell Fault (GLF) i.e. it is a sheared contact that is steeply dipping and locally overturned. Along strike northwards the Owen Conglomerate swings to the northeast and the footwall contact to the orebody becomes defined by a copper grade cutoff of 1%. As the Owen / schist contact migrates away from the 1%Cu contour the GLF appears to become less significant as a dominant footwall feature. Local splays do however appear to be important with respect to the mining operation (e.g. C panel on section 7400N on 1540mRL and 1515mRL).

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Current drilling indicates that mineralization at the southern end of the deposit fades out below 1440mRL (i.e. B panel). This appears to be more due to an absence of mineralization rather than by truncation of mineralization by the Owen Conglomerate contact.

## **Block Model**

### **Wireframe**

A fresh surface DTM of the Owen Conglomerate contact was constructed in June 05 and Feb 06 by digitising in graphics the contact position of drillholes in the West Lyell and Prince Lyell mining areas (saved as box.dtm). This DTM was adjusted for current mining (1540mRL, 1515mRL, 1490mRL and 1465mRL), projected both down dip and along strike (north and south) and used to intersect the unconstrained box to form the basis of the new model. (saved as orezone1.dtm)

In order to include all relevant mineralization in the model an unconstrained box was drawn around all drillholes. The box was projected from 1600mRL down dip to 1000mRL and along strike to north and south as to capture all data. Table 5 describes the extents in detail. This unconstrained box was then intersected with the Owen Conglomerate contact to create a constraining solid for the block model.

Path=G:\mining\GEOLOGY\Geomodel\2006Resource\2005-06 Solids\ orezone\_below1600rl.dtm

### **Flagging of Intercepts**

A new table was created in the drillhole database to constrain composites used in the interpolation process. The new table was named *Domain* and each record identified with the field flag *Domal = 1*. Flagging of intercepts was done in Surpac by intersecting drillholes within the solid wireframe (*orezone\_below1600rl.dtm*). Flagged data (drillhole samples from WL and PL and underground development samples) were then composited over two metre intervals, the composites forming the basis for copper, gold, zinc and iron values interpolated into the model.

Path=G:\mining\GEOLOGY\Geomodel\2006Resource\composites\composite domain1.str

### **Composites**

Two metre composites for copper, gold, iron and zinc were made where 75% of an interval was contained within *domal = 1*. The file created (*composite domain1.str*) represents all assay values composited to two metre intervals that were used in the geostatistical analysis and the block model interpolation.

Path=G:\mining\GEOLOGY\Geomodel\2006Resource\composites\2006Resource\Composites\  
;composite\_cu.str, composite\_au.str, composite\_fe.str, composite\_zn.str

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### Model Dimensions

Model dimensions, block sizes and attributes are detailed below. The model was created in Surpac. Path=G:\mining\GEOLOGY\Geomodel\2006Resource\Block Model\pl0603.mdl

Model dimensions are the same as the last model and are intended to capture patches of sulphide mineralization outside the gross 1%Cu boundary. The block size is 12m x 14m x 12.5m (Y, X, Z). A block size of 12metres along the north axis was used as a fourfold multiple of the standard 3metre ring spacing. A block size of 14metres along the east axis reflects the distance between the centers of extraction drives. A block height of 12.5metres was used being half the distance between Sub Level Cave production levels. This block size conforms roughly to the principle of half the drill spacing in a Measured Mineral Resource category. Table 5 details the block model dimensions.

Table 5: Block Model Dimensions	Min	Max	Parent Block Size	Sub Block Size
Northing (Y)	6300	8700	12 14	3
Easting (X)	2900	4500	14 12	3.5
RL (Z)	900	2700	12.5 25	3.125

*2006 model  
pl0506 - 25m - aligned.*

Model attributes are listed in Table 6. Block grades were estimated by five kriging runs of reducing confidence, with the bulk of the estimates being made over the first two and last runs. The kriging efficiency has been used in assessing resource category and a value calculated for each block using the variance.

Table 6: Prince Lyell Model Attributes		
Attribute Name	Attribute Type	Attribute Description
Cu	real	Kriged copper %
Au	real	Calculated Au
Fe	real	Kriged iron %
Zn	real	Kriged zinc ppm
Pass	real	Kriging run
SG	real	Specific Gravity (=3gm/cm3)
K_v	real	Kriging variance
K_dns	real	Distance to nearest sample
K_avd	real	Average distance of samples
K_ns	integer	Number of samples
pp	float	Partial percentage of each captured block (precision factor = 3)

A uniform specific gravity was used for all material during block model evaluations of 3.0 gm/cm<sup>3</sup>.

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 Gold values were estimated using a regression equation. The regression equation used in the block model is that generated by fire assay gold values i.e.  $Au\ g/t = 0.23 * Cu\% + 0.0214$   
 The attribute field for au (ppm) is calculated in the block model by the expression “=0.23\*cu+0.0214”  
 This is the same as used in the last model due to no significant new data. Appendix 1 details the regression analysis from 2005.

### Variogram Parameters

Variogram parameters are the same to those used in the June 2004 and 2005 model.

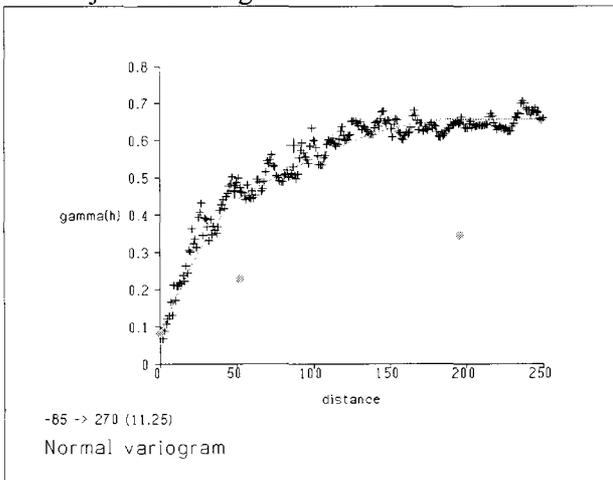
Table 7: Prince Lyell Block Model Variogram Parameters								
Nugget	1 <sup>st</sup> Structure				2 <sup>nd</sup> Structure			
	Major Range	Semi-Major Range	Minor Range	Sill	Major Range	Semi-Major Range	Minor Range	Sill
0.18	50	35	10	0.22	200	70	35	0.23

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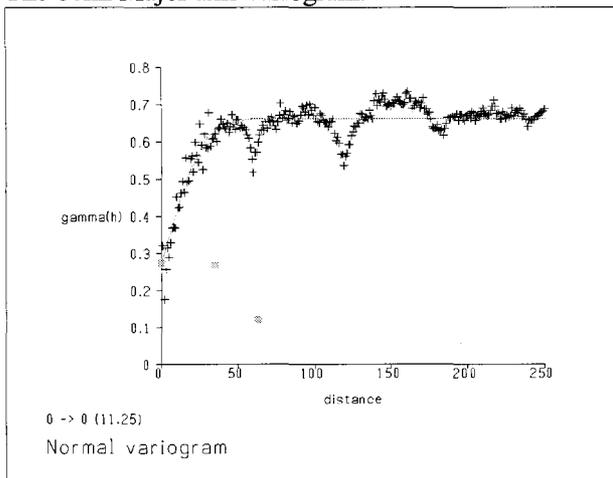
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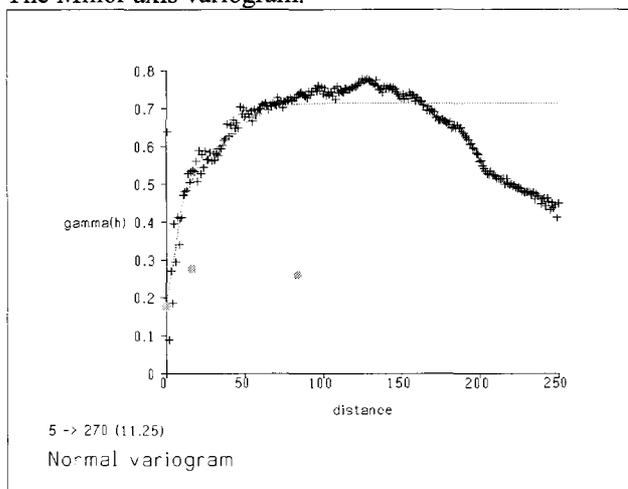
The Major axis variogram:



The Semi Major axis variogram:



The Minor axis variogram:



A search cone of 11.25°. A spread limit of 50 metres was imposed on the search cone, a lag of 1 used and a maximum search distance of 250 metres applied.

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## Search Parameters

Ellipsoid search parameters are tabulated. Four main interpolation passes were conducted to ensure as many blocks as statistically valid were filled. A fifth pass was conducted to interpolate peripheral blocks.

Estimation was carried out by ordinary kriging. Neighborhood parameters are tabulated.

Macro= Multiple_run_with_pass_number.tcl	Pass 1	Pass 2	Pass 3	Pass 4	Pass 5
Search type	Octant	Octant	Octant	Octant	Octant
Maximum adjacent octants	4	4	4	4	4
Minimum number of samples	12	8	4	2	1
Maximum number of samples	16	16	16	16	16
Maximum search distance	200	200	200	185	400
Maximum vertical distance	500	500	500	500	500
Bearing of major axis	270°				
Plunge	-85°				
Dip	0°				
Major/Semi Major Anisotropy	2.86				
Major/Minor Anisotropy	5.7				

## Mineral Resource Classification as at 31<sup>st</sup> March 2006

Geostatistically derived values for kriging variance and kriging efficiency were included as attributes in the model as guides to classification. During classification, the drill/sample data density and the kriging efficiency were considered as well as the proximity to producing areas. As the deposit is generally statistically robust with a low nugget effect, so the importance of geostatistical parameters in the resource classification is less significant than geological continuity. Empirically, geological confidence and grade continuity drop off with depth commensurate with decreasing drill hole data. The classification further reflects the Prince Lyell deposit being open and relatively untested at depth.

Mineral Resource classification has been based primarily on level development and accompanying drill coverage i.e. geological confidence and practical mining considerations. With the completion of the Lower Prince Lyell Definition Drilling Program and the latest definition drilling program in the 1465-1440-1415mRL areas, all levels down to 1440mRL were interrogated by mining shapes and are now classified as a Measured Mineral Resource. The 1390-1415mRL level was interrogated by the resource solid and is classified as an Indicated Mineral Resource.

All resources below 1390mRL have been classified as Inferred Mineral Resources.

## Mineral Resource Estimation

The unconstrained model was visually inspected and an ore outline digitised on a 1%Cu cutoff. The digitised strings were wireframed to create a solid representing the Mineral Resource at 1%Cu. It includes low-grade inclusions of resource, which will be mined due to practical mining considerations. This 1% Cu resource shape defines the resource below 1490mrl, while the ore reserve ring design defines the shape above 1490mRL. This is done to eliminate fragments of unmineable resource remaining above current mining areas. Appendix 3 contains plans showing the block model and Mineral Resource outlines.

Production and development solids representing the status of development advance as at 31<sup>st</sup> March 2005 were depleted from the Mineral Resource solid before it was evaluated.

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**Table 9: Prince Lyell Estimated Mineral Resource at 1%Cu cutoff at 31st March 2005**

1540 - 1565	Measured	102,473	1.42	0.35
1515 - 1540	Measured	1,421,634	1.49	0.36
1490 - 1515	Measured	2,076,441	1.44	0.35
1465 - 1490	Measured	1,985,287	1.42	0.35
1440 - 1465	Measured	1,656,901	1.41	0.34
1415 - 1440	Measured	1,251,337	1.43	0.35
1390 - 1415	Indicated	1,014,300	1.50	0.37
1365 - 1390	Inferred	1,104,646	1.42	0.35
1340 - 1365	Inferred	1,086,533	1.44	0.35
1315 - 1340	Inferred	914,819	1.42	0.35
1290 - 1315	Inferred	757,339	1.33	0.33
1265 - 1290	Inferred	606,159	1.30	0.32
1240 - 1265	Inferred	537,764	1.30	0.32
1215 - 1240	Inferred	460,116	1.22	0.30
1190 - 1215	Inferred	266,825	1.19	0.29
1165 - 1190	Inferred	183,626	1.19	0.30
1140 - 1165	Inferred	58,768	1.15	0.29
1115 - 1140	Inferred	335	1.10	0.27
		15,485,303	1.41	0.35

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## CONVERSION OF MINERAL RESOURCE TO ORE RESERVE

### Undiluted Mine Design (or Undiluted Ore Reserve)

Within the Mineral Resource, stope shapes were manually delineated based on a 1%Cu cut-off grade and using constraints inherent in the current mining method (actual, planned and conceptual stope layouts). These stope shapes constitute the Undiluted Mine Design and form the basis of the Ore Reserve. The Undiluted Mine Design contains some blocks that are below cut-off.

The stope shapes were drawn up for each level from 1565mRL down to 1390mRL. They exclude blocks already mined (stopping and development). Solids were created for each level. Each solid was interrogated for grade and tonnage. Development was calculated as a percentage of the UMD block and treated according to the modifying factors detailed below.

The Undiluted Mine Design (or Undiluted Ore Reserve) was converted to Ore Reserve based on the following criteria and the tonnages and grades estimated by the application of the modifying factors.

### Cut Off Grade

The cut off grade calculation assumes a copper price of US\$3,750 per tonne, a gold price of US\$500 per troy ounce, a silver price of US\$7 per troy ounce at a USD/AUD exchange rate of US\$0.75 per \$A. Details of the cut off grade calculation are given in Appendix 3.

### Mineralogical and Metallurgical Considerations

Chalcopyrite is the predominant copper bearing sulphide mainly as fine disseminations but also as blebby patches and minor veins. Alteration assemblages include white mica (muscovite), sericite, chlorites (Fe and Mg-rich), hematite and magnetite with minor carbonates, apatite and clays (the last generally associated with structural shears both across and sub parallel to foliation). These characteristics have been consistent throughout the Prince Lyell deposit and hence are not anticipated to have unexpected adverse influence on metallurgical performances as mining proceeds down dip. Metallurgical factors in the form of concentrator recoveries are taken into account in the calculation and derivation of the cut-off grade.

### Modifying Factors

The modifying factors applied to the conversion of the Prince Lyell Mineral Resource are discussed. As a general statement the modifying factors have been influenced by the following considerations:

- Mining method - a Sub Level Cave operation that is constrained by the number of active drawpoints due to the shape of the orebody and subsequent scheduling.
- Historical and current mining performances that are continuously monitored through a proactive grade control system.

The modifying factors are summarised in the table below. The Undiluted Mine Design consists of Mineral Resource that is above cutoff and Mineral Resource that is below cutoff. The Mineral Resource below cutoff constitutes internal dilution. The Mineral Resource above cutoff is comprised of primary and secondary ore. Different modifying factors are applied to each of these ore sources.

<i>Source</i>	<i>Function</i>	<i>Factor</i>
Primary Ore	Recovery	60%
	Grade %Cu	Block Grade

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Secondary Ore	Dilution	125%
	Grade %Cu	1.15%Cu ( see discussion)
	Au regression estimate	Au = 0.23*Cu + 0.0214
Internal Dilution	Recovery	50%
	Grade %Cu	Block Grade
Overdraw	Overdraw	46%

### Primary Ore

Primary ore is in situ rock that is broken by firing.

### Primary Recovery

Primary recovery is fresh ore that is broken and mined from each ring firing. Based on both ring design and historical performance a value of 60% has been used in the conversion. Within the different panels of the Sub Level Cave the primary recovery is expected to fluctuate above or below 60% depending on factors such as location (e.g. drawpoints at the periphery of the orebody, rings in the middle of the orebody, etc.), overlying mining history (e.g. unbroken ground, high recoveries, etc.) and local geology (e.g. foliation trends, local structures, etc.).

### Primary Grade

The primary grade is the in situ block grade as generated through interrogation of the model. A ring spacing of 3metres implies an approximate equivalent grade for every four rings given that the model has block sizes of 14metres x 12metre x 12.5metre (X, Y and Z planes). The accuracy of the primary ring grade is influenced by the block size in the model (sub-blocked by a factor of three i.e. to a minimum size of 3.5m x 3m x 3.125m).

### Secondary Ore

Secondary ore is rock that is not primary and it consists predominantly of cave material from overlying mining levels. Cave material is composed of remnant primary ore from immediate surrounding mining levels and more heavily diluted ore sourced from higher up the cave pipe.

### Secondary Recovery

Secondary ore makes up 125% of the reserve across all levels and is estimated on a scheduled overdraw of about 46%. As with primary ore the recovery of secondary material fluctuates depending on ring location and overlying mining history.

### Secondary Grade

The grade actually assigned to cave material in the 2006 Reserve statement is 1.15%

### Mine to Mill Recoveries for 2005 and 2006 (Apr-Mar)

	Mine Prodn.	Mine Grade	Milling	Cu Grade	Cu Prodn.	Recovery	Con Grade	Reconciliation	
								Mine /Mill Grade	Mine /Mill Tonnes
2005	2,417,468	1.22%	2,476,420	1.22%	27,593	91.57%	28.12%	100.37%	97.62%
2006	2,605,965	1.24%	2,648,991	1.25%	29,770	90.46%	28.17%	99.24%	98.38%

### **Gold estimate - secondary ore**

Gold value for the secondary ore has been estimated by application of the same linear regression used for Mineral Resource estimation.

### **Recovery - Internal Dilution**

The recovery of internal dilution is scheduled at 50% of tonnage fired. The fired ring is mined to tonnage rather than grade and the recovery of 50% corresponds to mining the swell of the fired ring.

### **Grade - Internal Dilution**

The grade of internal dilution is the in situ block grade as generated from the block model. Depending on location, this grade can range from 0.30%Cu to 0.99%Cu. Fluctuations in the grade are captured and monitored by routine production grade control sampling.

### **Overdraw**

Overdraw is defined as: (Total Tonnage less Design Tonnage) / Total Tonnage

where:

total tonnage = tonnes mined

design tonnage = blasted tonnes

Overdraw is determined from historical performance and is included in the economics of the business plan

### **Ore Reserve Estimation**

The estimated Ore Reserve is tabulated below.

Classification	Ore Tonnes	%Cu	Cu Metal
Proved Reserve (Surf. Stockpile)	58,468	1.19	69,577
Proved Reserve	10,613,985	1.26	134,265
Probable Reserve	3,574,912	1.27	45,507
<b>Total Reserve</b>	<b>14,247,365</b>	<b>1.27</b>	<b>180,468</b>

The detailed application of the modifying factors and calculation of the Ore Reserve are listed in Appendix 2.

### **Stockpiles**

The surface stockpile is scheduled to form a minor ore source and is included in the Ore Reserve. The surface ore stockpile is ore that has been hoisted up the shaft, which will be either reloaded onto the overland conveyer or trucked to the concentrator. The tonnage is as estimated from the weightometer (hoisted) figure and loadrite cells at the point of reload. Grade is estimated from mine and plant production and is estimated to be 1.19%Cu, reflecting the longer average grade from the 2005 stockpile sampling program. Stockpiles within the plant crushing and milling circuit are not deemed to be material to this statement.

The costs associated with re-handling the stockpile to the concentrator should not be assumed to be the same as those of mining the underground ore reserve.

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## COMPETENT PERSONS

The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by Mssr's;

- Roger Hill, Geological Services Superintendent, (M.AusIMM , P.Geo),
- Colin Carter, Mine Geologist (M.AusIMM,),
- Praveen Sharma, Mining Engineer, Technical Services Superintendent ,
- Andy Tunstall , Mining Engineer, Mining Manager and
- Scot Clyde, Mining Engineer, Mine General Manager (M.AusIMM)

Roger Hill (geologist) has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity, which they are undertaking, to qualify as a Competent Person as defined in the 1999 and 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves".

Scot Clyde (mining engineer) has sufficient experience that is relevant to the mining methods used and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 1999 and 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves".

Scot Clyde and Roger Hill consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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## Mount Lyell Mineral Resource and Ore Reserve Statement

31 March 2006

The information in this report that relates to the Mount Lyell Mineral Resources is based on information compiled by Roger A. Hill, Professional Geoscientist, who is a member of the Australasian Institute of Mining and Metallurgy; # 209059 and the Association of Professional Geoscientists of Ontario (Canada); #0813.

Roger A. Hill is a full time employee of the company.

Roger A. Hill has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Roger A. Hill consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Nb: Competent Person (CP) is equivalent to a qualified person (QP) as defined in NI 43-101 (Canada)

**Roger A. Hill** P.Geo, M.AusIMM ,



Geological Services Superintendent  
Copper Mines of Tasmania

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## **Mount Lyell Mineral Resource and Ore Reserve Statement**

31 March 2004

The information in this report that relates to the Mount Lyell Ore Reserves is based on information compiled under the guidance of Scot Clyde M.AusIMM, who is a member of the Australasian Institute of Mining and Metallurgy.

Scot Clyde is a full time employee of the company.

Scot Clyde has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Scot Clyde consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Scot Clyde M.AusIMM  
General Manager  
Copper Mines of Tasmania

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## REFERENCES

SRK Consulting (author *Wesson, A.*), Prince Lyell Resource Model Update and Western Tharsis Review, August 2003. (CMT reference number T2003-012)

King Lyell Copper Clays Resource Assessment (author *Morrison, K and Knight J.*), , May 1997. (CMT reference number T1997-028)

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## Appendix 1: QAQC

...2005 QAQC discussion is presented as no material additional data was considered.

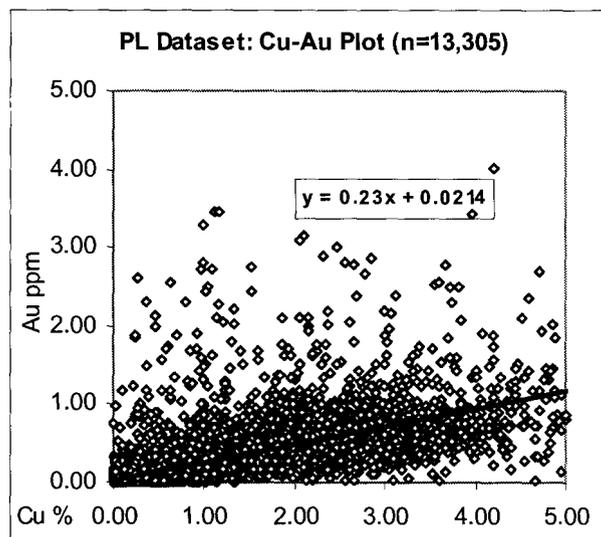


# MEMORANDUM

**TO:** Allan McGill  
**FROM:** WG  
**DATE:** 31<sup>st</sup> March 2005  
**SUBJECT:** Copper - Gold Correlation  
QA / QC on Prince Drilling  
**CC:** CC

## COPPER - GOLD CORRELATION

The copper - gold relationship was investigated for the purpose of testing the regression equation used in the Prince Lyell block model. Results are shown in the accompanying chart and include all data from phase one of the Prince Lyell drilling programme that is currently in the database (approximately 428 Au results outstanding).



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The trendline equation generated through the spreadsheet compares very favourably with that used in the previous model. i.e.

$$\text{Au} = 0.23 * \text{Cu}\% + 0.0214 \text{ (this exercise) cf } \text{Au} = 0.2463 * \text{Cu}\% + 0.0248 \text{ (June 2004 model)}$$

The difference between the two is unlikely to have any marked impact on the model and probably reflects positively on data collection, management and practices. The database was reconstructed after the last model was built and thus the latest equation is considered to be a more accurate representation (albeit with very small changes) of the current copper - gold relationship in the Prince Lyell deposit.

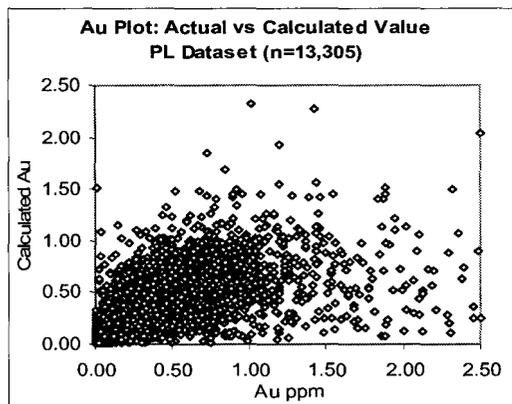
The exercise was carried out by extracting from the block model database (DB050304.mdb) all gold values that were greater than 0.00ppm. These were then plotted against copper and a regression equation calculated using the spreadsheet trendline function. The entire dataset was further investigated by repeating the interrogation on each of the three datasets that contribute to the modelled orebody (i.e. Prince Lyell dataset, West Lyell dataset and the development dataset).

The equation generated from the Prince Lyell data has been used as this dataset represents the more rigorous sampling with a higher degree of confidence in results in comparison with the other datasets (drill core samples and fire assays of the DEV and WL datasets). Summary statistics for each dataset are shown in Table 1. Table 2 compares the trendline equations generated for each dataset.

	ALL Data		PL Dataset		WL Dataset		DEV Dataset	
	Cu %	Au ppm	Cu %	Au ppm	Cu %	Au ppm	Cu %	Au ppm
Average	0.97	0.28	1.05	0.26	0.79	0.27	1.07	0.31
Maximum	25.14	31.00	17.40	31.00	25.14	22.00	13.00	5.97
Minimum	0	0.001	0	0.005	0.001	0.001	0	0.001
Mode	0.01	0.20	1.00	0.04	0.01	0.20	0.01	0.05
Median	0.74	0.18	0.79	0.17	0.50	0.15	0.90	0.22
Std Dev	0.93	0.50	0.96	0.47	0.90	0.60	0.87	0.34
Variance	0.86	0.25	0.92	0.22	0.82	0.36	0.75	0.12
Count	29,91 9	30,663	13,305	13,314	10,28 5	11,020	6,329	6,329
Covariance	0.96	1.80	0.91	1.78	1.14	2.19	0.81	1.11

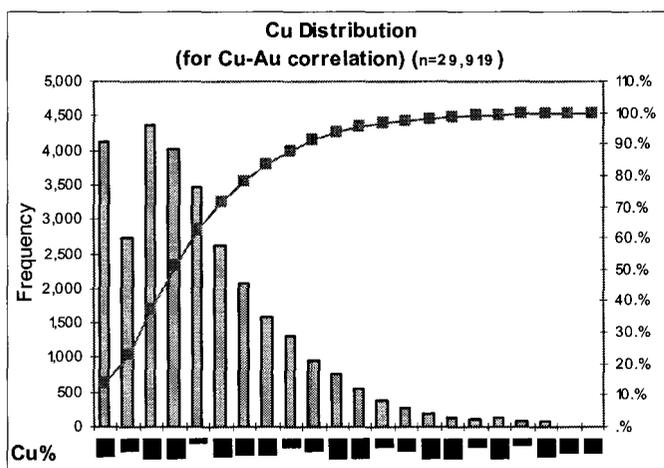
<i>Dataset</i>	<i>Equation</i>
March 2005 ALL data	0.2234*Cu + 0.064
<b>March 2005 PRINCE LYELL dataset</b>	<b>0.23 * Cu + 0.0214</b>
March 2005 WEST LYELL dataset	0.2187 * Cu + 0.1107
March 2005 DEV dataset	0.2384 * Cu + 0.0529
June 2004 model	0.2643*Cu + 0.0248

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 As a check on the equation actual gold values were plotted against a calculated value (using the Prince Lyell dataset equation). Results are shown in the chart below.



### Elemental Distributions

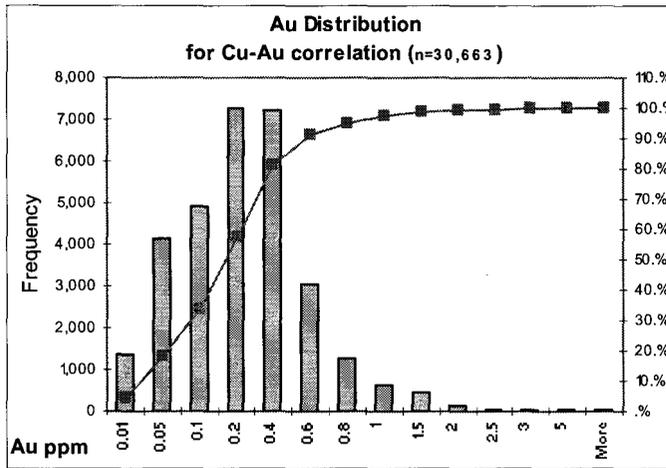
Copper and gold distributions were also examined and these are shown on the accompanying histogram charts (all data). Distribution plots for both show a weak normality that is obscured by a positive skew, most likely indicating mixed populations that might be identified through more refined filtering of data (e.g. geological mapping and drillhole interpretation).



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The details for this interrogation and accompanying charts have been saved at G:\....\GEOLOGY\Geomodel\2005 Resource\BlockModel\ValidationStats\test&checks under the file name *cu-au-ALL-PL-WL-DEV.xls*. Additional assessment of the relationship between copper and other elements was also examined and saved in the file *cu-au-co-mo-ba-ag-pb-zn.xls*.

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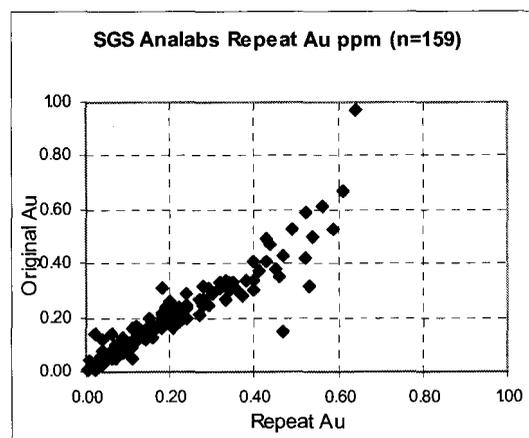
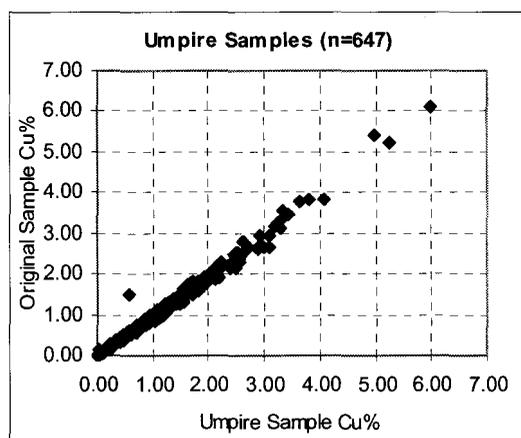
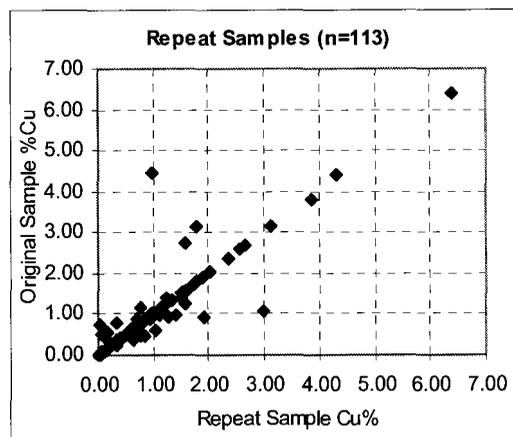
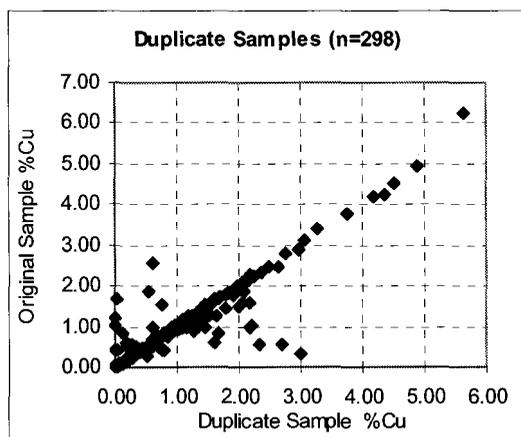
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**QA/QC**

Results from QA/QC procedures used during phase one of the recent Prince Lyell drilling programme have been investigated. Results are plotted in the accompanying charts shown below. Summary statistics are reported in Table 3.

*Definitions:*

- Umpire samples were those samples that were analysed at both CMT and SGS laboratories.
- Repeat samples were those samples that had a second assay on the original sample.
- Duplicate samples were those samples that were analysed from a second split on the original sample.



Generally there was good repeatability between all methods. Some local scatter can be seen in some of the duplicate and repeat samples and this is not unexpected given the nature of the mineralization in the Prince orebody.

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 Gold repeatability carried out by SGS shows good correlation at the lower end; above about 0.5ppm the consistency of results tends to deteriorate, probably reflecting a poorly defined nugget effect and possibly more than one gold population.

**Table 3: Summary Statistics - Repeat, Duplicate and Umpire Samples**

	Cu %		Cu %		Cu %		SGS Au ppm	
	Umpire	Original	Repeat	Original	Duplicate	Original	Repeat	Original
Average	0.81	0.78	0.91	0.94	0.92	0.90	0.24	0.24
Maximum	5.98	6.12	6.38	6.38	5.63	6.25	5.04	3.19
Minimum	0.01	0.01	0.01	0.01	0.01	0.00	0.01	0.01
Mode	0.19	0.19	0.12	0.52	0.26	0.27	0.01	0.20
Median	0.57	0.55	0.64	0.63	0.67	0.68	0.17	0.17
Std Dev	0.79	0.78	0.96	1.01	0.85	0.83	0.44	0.34
Variance	0.63	0.61	0.92	1.02	0.73	0.69	0.19	0.12
Count	647	647	113	113	298	298	159	159
Covariance	0.98	0.99	1.05	1.07	0.93	0.92	1.79	1.42

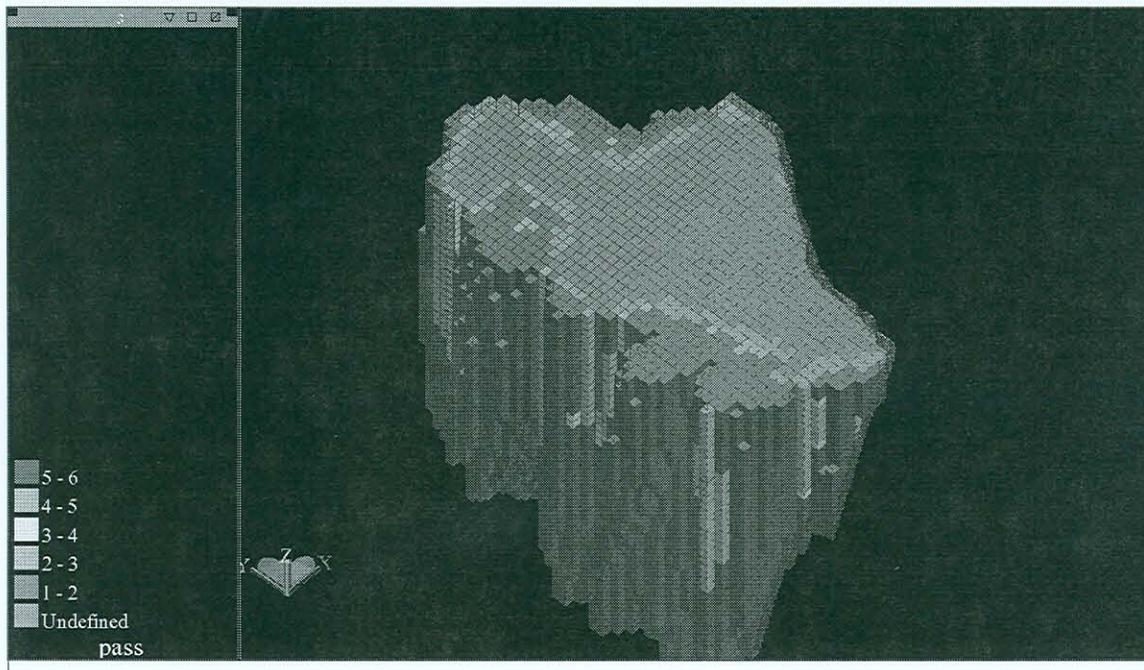
The details for this interrogation has been saved at  
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 under the file name *QA-QC charts.xls*.

.....  
 Will Godsall

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**Figure 1 pl0603 model coloured by kriging pass**

Attached image file shows pl0603 model coloured by kriging pass (run) number...note that most blocks (blue) were filled in kriging pass1-2 and that most remaining blocks were informed on the last pass (run) when required sample # was reduced to one and search ellipse was very large. This is a relic of drill spacing and the search ellipse.

## Appendix 2 Cut-Off Grade Calculation

Shut off / Cut off grade calculation			
Sales	A\$ / t of cu	4,676.90	Variable cost / tonne of ore
Mining cost	A\$ / t of ore		12.50
Royalty	A\$ / t of ore		2.38
Milling cost	A\$ / t of ore		5.28
Maintenance cost	A\$ / t of ore		2.16
Tailings Dam	A\$ / t of ore		0.50
Transportation cost	A\$ / t of ore	77	
		302	22.82
			3.41
<b>Grade</b>	<b>Revenue \$/t of ore</b>	<b>Cost \$/t of ore</b>	<b>Margin / T of Ore</b>
0.10%	4.30	23.13	(18.82)
0.20%	8.61	23.43	(14.82)
0.30%	12.91	23.73	(10.82)
0.40%	17.21	24.03	(6.82)
0.50%	21.51	24.33	(2.82)
0.55%	23.67	24.48	(0.82)
0.60%	25.82	24.64	1.18
0.65%	27.97	24.79	3.18
0.70%	30.12	24.94	5.18
0.75%	32.27	25.09	7.18
0.80%	34.42	25.24	9.18
0.83%	35.71	25.33	10.38
0.90%	38.72	25.54	13.18
0.93%	40.02	25.63	14.38
0.95%	40.88	25.69	15.18
1.00%	43.03	25.84	17.18
1.03%	44.32	25.93	18.39
1.05%	45.18	25.99	19.19
1.06%	45.61	26.02	19.59
1.07%	46.04	26.05	19.99
1.08%	46.47	26.08	20.39
1.10%	47.33	26.14	21.19
1.12%	48.23	26.21	22.03
1.15%	49.48	26.30	23.19
1.16%	49.91	26.33	23.59
1.17%	50.34	26.36	23.99
1.18%	50.77	26.39	24.39
1.19%	51.20	26.42	24.79
1.20%	51.63	26.45	25.19
1.20%	51.63	26.45	25.19
1.21%	52.06	26.48	25.59
1.22%	52.49	26.51	25.99
1.23%	52.84	26.53	26.31
1.25%	53.70	26.59	27.11
<b>Fixed Cost &amp; Capital (per month)</b>			
Mine department, shotcrete and Cable bolts , Maint			6,251,519
Mine Development in Ore Body			8,214,465
Metallurgy			
Maintenance			
Administration, Mgmt and Environment			6,977,852
Other Capital			1,434,650
Other Mine Capital			
Total fixed cost and capital			22,878,486
Margin / tonne of Ore required to cover Fixed cost			7.89
Total Cost of Production ( Excl TC / RC )			30.71
<b>Revenue calculation</b>			
Cu price	USD / t	3,750.00	3,617.47
Gold price	USD / oz	500.00	460
Silver	USD / oz	7.00	6.30
			4,083.77
TC		95.00	(339.29)
RC - Copper		0.11	(231.76)
RC - Gold		5.00	(4.60)
RC - Silver		0.50	(0.45)
			(576.10)
Net rev USD			3,508
Net rev AUD		0.7500	4,677

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## Appendix 3 Recognised Overseas Professional Organisations.

Current list of ROPOs

[http://www.asx.com.au/professionals/pdf/ropo\\_letter\\_november\\_2005\\_standalone.pdf](http://www.asx.com.au/professionals/pdf/ropo_letter_november_2005_standalone.pdf)

- Institute of Materials, Minerals and Mining
- Geological Society of London
- Institute of Geologists of Ireland
- European Federation of Geologists
- Mining and Metallurgical Society of America
- American Institute of Professional Geologists
- Engineering Council of South Africa
- South African Council for Natural Scientific Professions
- Geological Society of South Africa
- South African Institute of Mining and Metallurgy
- South African Council for Professional and Technical Surveyors
- Professional Engineers Ontario
- Association of Professional Engineers and Geoscientists of British Columbia
- Association of Professional Engineers and Geoscientists of Manitoba
- **Association of Professional Geoscientists of Ontario**
- Association of Professional Engineers and Geoscientists of Newfoundland
- Association of Professional Engineers, Geologists and Geophysicists of the Northwest Territories
- Association of Professional Geoscientists of Nova Scotia
- Association of Professional Engineers and Geoscientists of New Brunswick
- Association of Professional Engineers, Geologists and Geophysicists of Alberta

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## Appendix 4 . Plans

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