



COPPER STRIKE LTD

Annual Report for EL 35/2004

LAKE MARGARET PROJECT

for the year ending 24th of December 2006
(datum GDA94)

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ABSTRACT

Copper Strike LTD acquired the Lake Margaret property for its Mt Lyell-style copper (gold) potential.

After assessing previous exploration work in the area, a local Induced Polarization survey was conducted to further define drill targets. A wide zone of high chargeability open to the north was interpreted to extend from a shallow depth to a depth of several hundred metres located immediately west of the Great Lyell Fault. This is significant in an exploration sense as both the Mt Lyell copper deposits and the Henty gold deposit are located immediately west of the Great Lyell Fault.

Drill hole LMD01 was targeted to intersect the alteration zone near the fault which is considered to be the optimal position for the development of an economic grade ore zone.

Diamond drilling commenced November 2006 reaching a total depth of 242.3 meters after intersecting the Mt Lyell fault zone at 229.9 meters.

No ore grade intersections were made nor were any significant amounts of metal logged, however of significant interest is the recognition of a large distinct hydrothermal system overprinting the rhyolite which resembles the regional alteration at Mt Lyell.

Assay Results from the recently completed diamond drill hole are yet pending at the time of writing this report.

Further assessment of the area is reserved until assay results have been received, although it is recommended to investigate the IP anomaly further to the north by extending the survey.

CONTENTS

	Page
INTRODUCTION	4
1 TENEMENT DETAILS.....	5
2 PREVIOUS WORK	6
2.1 COMPILATION AND REVIEW OF ALL PREVIOUS MINERAL EXPLORATION	6
2.2 GEOPHYSICAL REVIEW	6
3 NEW WORK COMPLETED.....	6
3.1 INDUCED POLARIZATION SURVEY	6
3.1.1 Interpretation.....	9
3.2 DRILLING.....	9
4 PROPOSED WORK PROGRAM FOR 2006-2007.....	11
5 EXPENDITURE	11
6 REFERENCES	11

Appendix 1 Logistical Report for the Induced Polarization Survey

Appendix 2 Chargeability and Resistivity Plans and Sections

Appendix 3 Drill Hole Logging Report LMD01

Appendix 4 Logs for LMD01

Appendix 5 Raw IP Data

FIGURES

Figure 1: Lake Margaret: Regional geological setting and simplified geology of Copper Strike's tenement showing the principal deposits and prospects.

Figure 2: Land Tenure map showing position of grid lines.

Figure 3: Lake Margaret IP Grid Stations and Topography.

Figure 4: Location of Drill Hole LM01 on IP Plan.

Figure 5: Model of Drill Hole Target.

Figure 6: Location and Coordinates of Drill Hole LM01.

INTRODUCTION

The Lake Margaret Project (EL 35/2004) is located along the faulted contact between the Mount Read Volcanics and Owen Conglomerate in western Tasmania. The Copper Strike tenement is situated immediately north of the Mount Lyell Copper (gold) mining district. Since 1893 the Mount Lyell mines have produced over 1.2 million tonnes of copper and 45 tonnes of gold, plus smaller amounts of lead and zinc, from around 20 separate orebodies.

The bulk of the Mount Lyell copper production has come from large disseminated pyrite-chalcopyrite orebodies (eg West Lyell, Prince Lyell), but a significant proportion (~30%) has been derived from smaller, but richer, bornite-chalcopyrite deposits (eg North Lyell).

Copper Strike acquired the Lake Margaret property for its Mt Lyell-style copper (gold) potential based on the following:

- The property contains Mount Read Volcanics rocks equivalent to those south of the tenement which host the Mount Lyell orebodies, namely andesitic volcanics in the upper part of the Central Volcanic Complex, at or close to the contact with the overlying Lynchford Member of the Tyndall Group.
- There has been extensive geophysical coverage, but limited follow-up drilling, of this prospective stratigraphy in the property.
- Lower in the Mount Read Volcanics stratigraphy are a number of pyritic alteration zones which have not been drill tested in any detail.
- Previous exploration of the property appears to have been directed more towards stratiform massive sulphide mineralisation rather than discordant Mt Lyell-type copper-gold orebodies.

Work to date includes a review of previous exploration, re-interpretation of an airborne EM survey, completion of a local IP survey and one diamond drill hole located to test an anomaly from interpretation of the IP data. A log of lithology has been completed with assay results still pending at the time of writing this report.

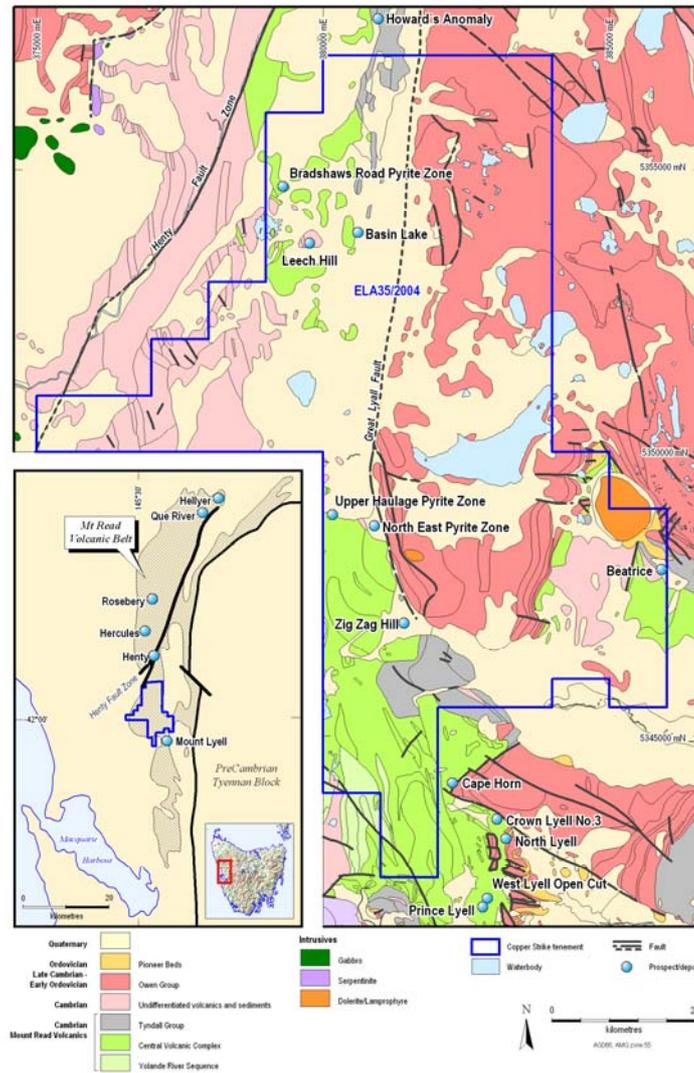


Figure 1: Lake Margaret: Regional geological setting and simplified geology of Copper Strike's tenement showing the principal deposits and prospects.

1 TENEMENT DETAILS

EL 35/2004 was granted to Copper Strike Limited Ltd on 22nd February 2005, until 24th December 2009 (subject to conditions) and comprises approx 69 km² in area. The Mt Lyell Mining Lease overlaps (and takes precedence over) the southern boundary of the tenement; at least one other small Mining Lease is present.

2 PREVIOUS WORK

2.1 Compilation and review of all previous mineral exploration

The main focus in previous exploration at Lake Margaret has been for stratabound "VHMS" Pb-Zn-Ag mineralisation, and "Mt Lyell type" Cu-Au associated with massive pyrite. A comprehensive summary of previous exploration for the Lake Margaret Project Area, including a list of exploration reports relevant to EL35/2004 was included as Appendix 1 in the Copper Strike Ltd. Annual Report for EL35/2004 Lake Margaret Project for the year ending 24th December 2005 .

2.2 Geophysical Review

A review of the geophysics, particularly airborne EM, was completed in 2005 and included as Appendix 2 in the Copper Strike Ltd. Annual Report for EL35/2004 Lake Margaret Project for the year ending 24th December 2005 .

3 NEW WORK COMPLETED

3.1 Induced Polarization Survey

A gradient array IP survey over the West Sedgwick area in the 1970's defined a chargeability anomaly up to 25msec referred to as the NE Pyrite Zone. The chargeability anomaly has a strike length of 1 kilometer, although the northern limit may be poorly defined due to thick glacial cover.

Subsequent field examination has shown that the anomaly is due to a poorly exposed zone of silica – sericite - pyrite alteration within the Central Volcanics Sequence. Assays returned Au up to 0.2 g/t Au and weakly anomalous Cu and Zn values. Previous grid based C horizon soil sampling (Cu, Pb, Zn only) by Mt Lyell over the anomaly was inconclusive due to thick glacial cover.

The IP anomaly is considered to be significant because: -

1. The alteration is hosted in the Central Volcanic Sequence near the northern extrapolation of the Henty Horizon.
2. The alteration is adjacent to the Great Lyell Fault, a structural setting similar to that displayed by many of the ore bodies in the Mt Lyell area, including many of the Mt Lyell copper ore bodies and the Henty deposit (Figure 2),
3. The alteration style is similar to that displayed in the outer margins of a Mt Lyell / Henty system. This is supported by the low but anomalous levels of Au and base metals.

In February 2006 an Induced Polarization survey was conducted on the tenement in by SJ Geophysics to define a drilling target following the work and proposal of Vicary (2003) for Aurion Gold.

The survey was conducted on a single 1km by 1km grid (approximately 5 years old), which consisted of five lines 700m to 900m long, 200 meters apart, with a 25 meter station spacing. Field crew marked locations by GPS where possible and Clintometer readings otherwise (see Figure 3). A DTM was used for final inversion of

the data. The topography is steep and vegetation variably open to dense with rotten and fallen timber, many holes and slippery conditions underfoot.

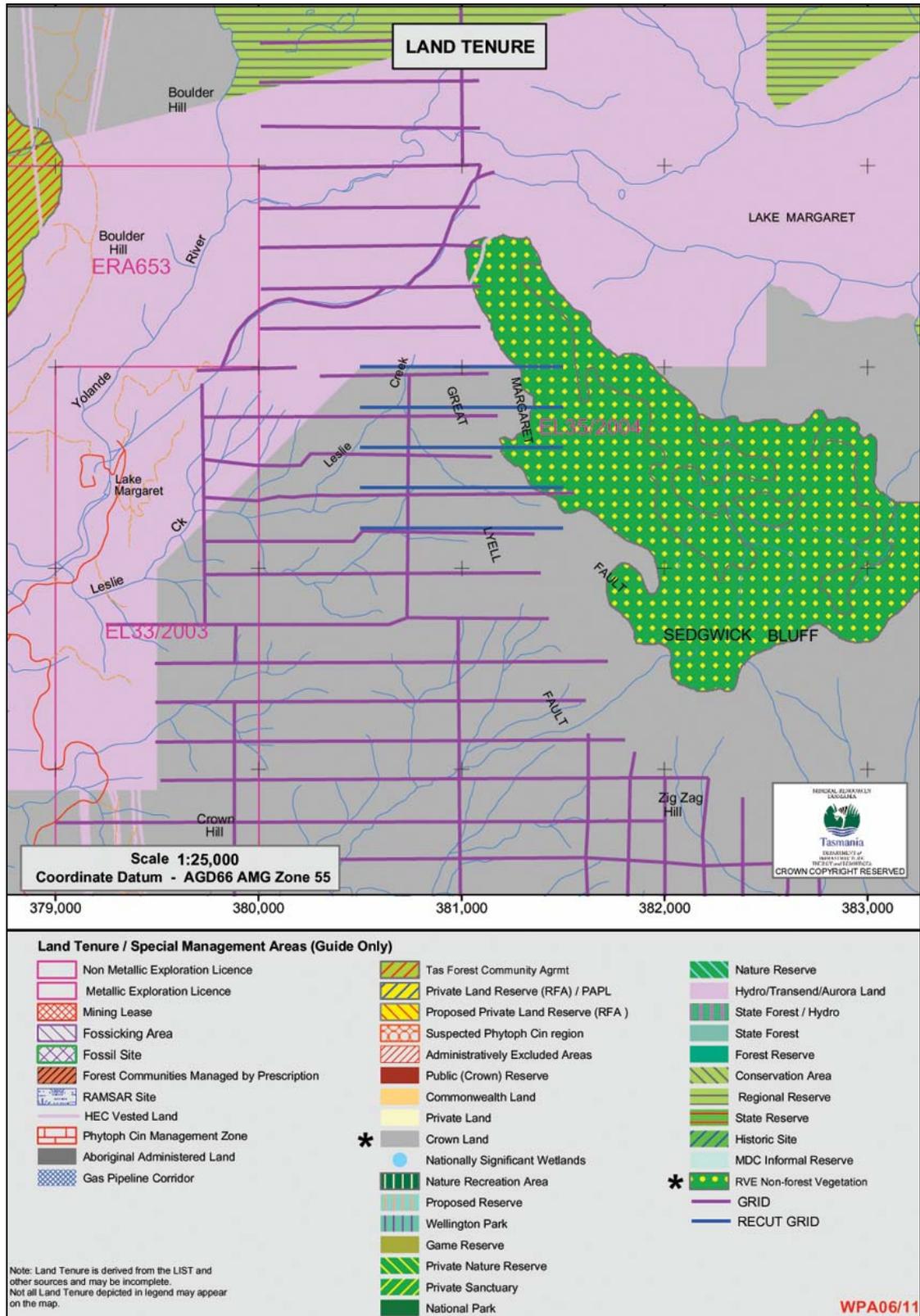


Figure 2; Land Tenure map showing position of grid lines.

A modified pole-dipole 3D-IP configuration array was used with 12 dipoles of 50m, 100m and 150m separations. Current was injected with a 2 second on 2 second off, duty cycle into the ground via a 3.6 kW GDD transmitter. Data was collected using a Full Waveform receiver.

With a line spacing of 200 m and a potential station spacing of 50m many null coupled dipoles resulted. To improve near-surface resolution for the 3D configuration a second pass of the grid was taken with the potential array located on the previous current lines. New current lines were then laid on previous potential lines or on the edges of the grid. The logistical report from SJ Geophysics is included in this report as Appendix 1.

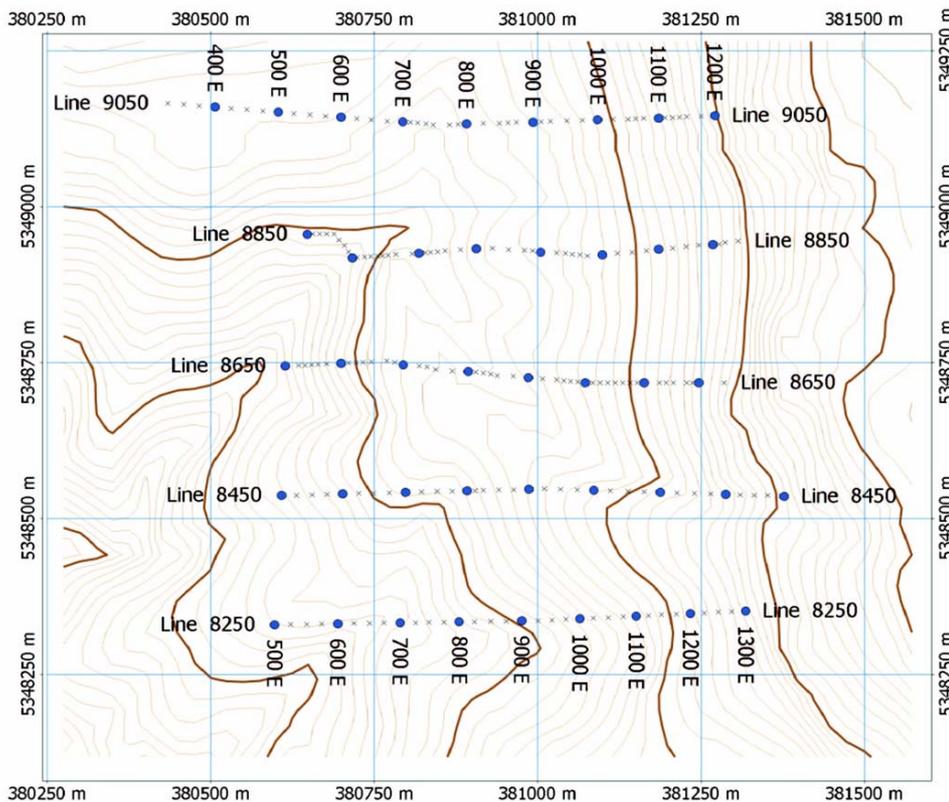


Figure 3: Lake Margaret IP Grid Stations and Topography

The data was processed by SJ Geophysics using an inversion program which aims to convert surface IP/Resistivity measurements into realistic "Interpreted Depth Sections" This interpretation technique is subjective as user defined variables are input into the program, with results influenced by these parameters, however the output from the inversion routines do assist in providing a more reliable interpretation of IP data The interpreted depth section maps represent the cross sectional distribution of polarizable materials for the IP effect and distribution of resistivity for the resistive parameter The inversion program used by SJ Geophysics (DCINV#d) was developed by a consortium of mining companies under the UBC-Geophysical Inversions Facility.

The resistivity and chargeability plans and sections from the survey are included in this report as Appendix 2.

3.1.1 Interpretation

A wide zone of high chargeability (greater than 20 milliseconds) and low resistivity can be seen on the three northernmost lines (8650N, 8850N and 9050N) and is open to the north. The chargeable rock units are interpreted to extend from a shallow depth to a depth of several hundred metres, and from approximately 900E to 1100E. The interpreted location of this chargeable and conductive zone lies immediately west of the interpreted location of the Great Lyell Fault. This is important in an exploration sense because both the Mt Lyell copper deposits and the Henty gold deposit are located immediately west of the Great Lyell Fault.

3.2 Drilling

A drill target was identified from the IP survey completed in April 2006

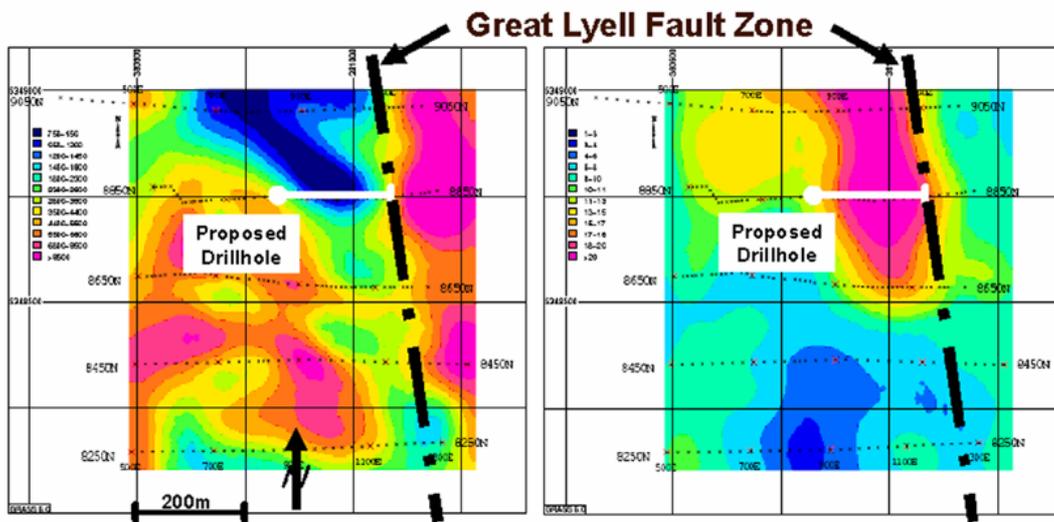


Figure 4: Location of Drill Hole LMD01 on IP Plans

The hole was targeted to intersect the alteration zone near the Fault which is considered to be the optimal position for the development of an economic grade zone.

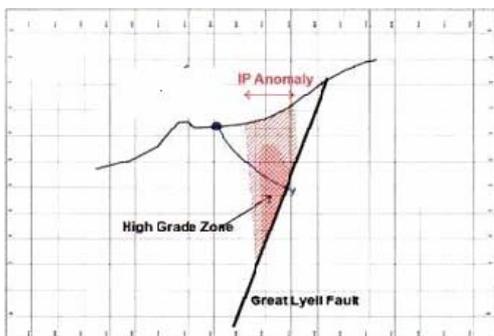


Figure 5: Model of Drill Hole Target.

Diamond drilling commenced November 20th 2006 and concluded December 8th. ALMAC Drilling of Zeehan was contracted to perform the work, using an Onram 1000 with NQ and LTK60 core. The drill site is located approximately 1.5km east of the Lake Margaret Township. Due to the difficulty in site access transporting the rig was supported by helicopter.

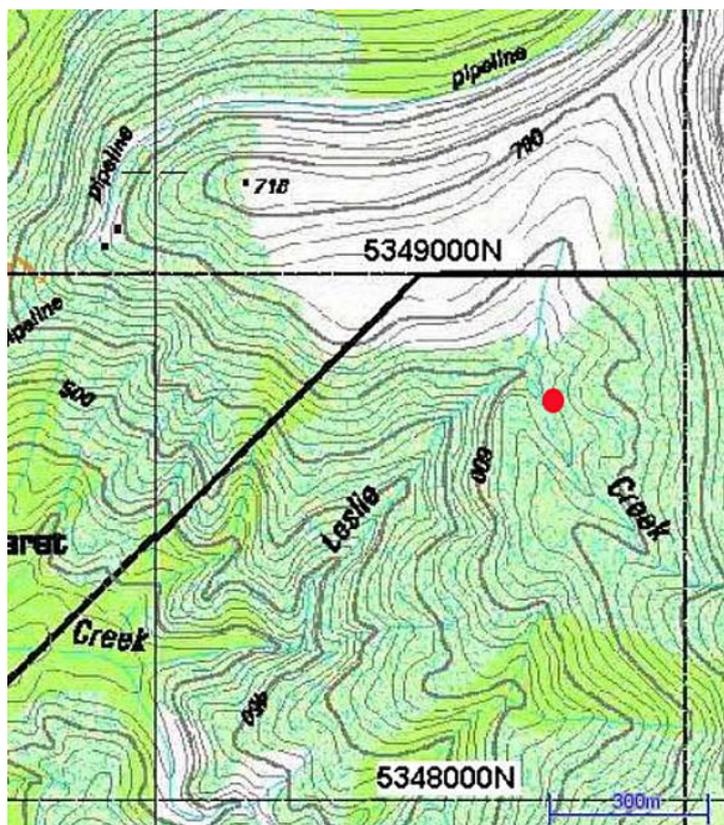


Figure 6: Location and Coordinates of Drill Hole LMD01 and redrill LMD01A (image

Drill Hole	East (MGA 94 zone 55)	North (MGA 94 zone 55)	Dip	Azimuth AMG	Depth
LMD01	0380984	5349144	-45	90	32.5
LMD01A	0380984	5349143	-45	90	242.3

from Tas MRT)

Running sands in the glacial slope deposits stopped hole LMD01 at 32.5 meters requiring a redrill (LMD01A) which finished at 242.3 meters after intersecting the Great Lyell fault at 229.9 meters.

The holes were logged for structural and lithological data. A drill hole logging report is presented in Appendix 3. Detailed logs are provided in Appendix 4.

Summary lithology is presented below.

Depth (meters)	Lithology
0.0 - 12.1	Glacial slope deposits, unconformity
12.1 - 46.7	Rhyolite (pink)
46.7 - 56.3	Andesite (grey green)
56.3 - 86.5	Rhyolite (pink)
86.5 - 90.8	Andesite (grey green)
90.8 - 171.2	Rhyolite (pink)
171.2 - 174.2	Andesite (green)
174.2 - 229.9	Rhyolite (pink, pink-red, buff occasionally grey fault (clay plug))
229.9 - 242.3	Conglomerate (gray brown)

No primary bedding was measured in LMD01. The most prominent foliation is most likely the regional D2 foliation. Within the rhyolite the alteration veins appear to predate the deformation defined by a prominent cleavage with principle orientation of 80 to 60 commonly with sericite well developed. The Owen conglomerate is faulted against the central volcanic complex at 229.9 meters marked by a grey plug.

Drilling confirmed that the IP anomaly is most likely due to the presence of 1-2% pyrite in altered volcanics. No ore grade intersections were made nor were any significant amounts of metal logged, however of significant interest is the recognition of a large distinct hydrothermal system overprinting the rhyolite which resembles the regional alteration at Mt Lyell. The altered volcanics host pyrite – chlorite – sericite and quartz – siderite veins before intersecting the northern equivalent of the Mt Lyell fault. Traces of galena and chalcocopyrite were also noted in the veins.

Core has been split and assay results pending at the time of writing this report aside from 2 samples taken at the time of drilling.

SAMPLE DESCRIPTION	Au ppm	Ag ppm	As ppm	Ba ppm	Bi ppm	Co ppm	Cu ppm	Fe %	Mn ppm
LMD 1A (84.6)	0.01	0.6	24	160	<2	25	257	5.47	
LMD 1 (25.7)	0.05	1.1	7	50	<2	20	1420	8.69	

4 PROPOSED WORK PROGRAM FOR 2006-2007

The current IP survey shows the anomaly open to the north. In 2007 Copper Strike plans extend the IP survey to the north and south of the existing grid to define new drill targets.

5 EXPENDITURE

Expenditure on EL 35/2004 1January 2006 to 31 December 2006 was \$122,962.58 comprising:

- Geophysics 46,044.60
- Administration 641.11
- Drilling 69,169.10
- Rent 1,252.66
- Field Expenses 5,855.11

Total Expenditure to Date is \$141,138.58

6 REFERENCES

Lees, T., Copper Strike Ltd. Annual Report for EL35/2004 Lake Margaret Project for the year ending 24th December 2005 (unpubl).

Vicary M, 2003. Final Report EL 6/98 Beatrice/Moxon Saddle; Aurion Gold P/L (unpubl) TCR 03-4882.