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EL 33/2003
LAKE MARGARET ROAD 8km sq
End of second year report
2006

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2006 ended up proving that the western side of the West Queen River has quite a few more gold outcrops than previously thought. From south of McCuesick Creek, through to no.3 dam, I have found numerous anonymous gold outcrops.

A one kilometer by 600m zone seems to show good results, but it's hard to pin point a definite target. The whole area seems to have spots of gold every where.

Vegetation is light patchy tea-tree and quartz scattered over the whole zone. Access is by power line and fire break tracks which maze over the whole licence area. Most tracks are all good hard surfaces.

Gold and quartz have already been found on the licence area at the gold adit under the road at the pine plantation (gold in 1in quartz vein-379500e-5345200n).

No work has been done on adit as yet.

I have a plan to diamond drill a target right on the no.2dam road just 60m below road intersection between no.1 dam & no.2 dam. At bearing 379996e-5344083n. The hole will be aimed at a very large magnetic low that seems to run all the way up the western Queen River. I think it will tell a lot of what is going on under there. There have been good pan samples at the road intersection in the drainage area. I found a few scratch marks on the side of the drainage and around the surrounding area where prospecting has taken place years ago.

The gold source seems to be leaching out of the road, which is all made up of quartz. I found a bit of chalcopyrite lying around on the surface, but soon realized it was coming from road fill back up the track a bit. Road fill has been brought from somewhere else.

A few costeans along the ridge to the south west might help locate a source also.

A plan will be submitted to MRT soon to drill the target. Further back to the south is McCuesick creek, another good gold prospect. A fair bit of work has been done on this site during the last two years. Work has a been approved for some costeaning on site. A 3ton digger was on site but broke down getting off float, and has not been back since.

Further testing around area to the southeast, showed a few pan samples to show good gold. It seems all around the south east ridge, approx 50 meters wide and to the top of the hill all is showing colour . A diamond drill hole is planned for the site, and plans will be submitted to MRT soon. Further pan sampling will continue at site. Some samples will be sent to Analabs for assay, and costeaning will continue at a later date. Listed below is some locations and pan sample results.

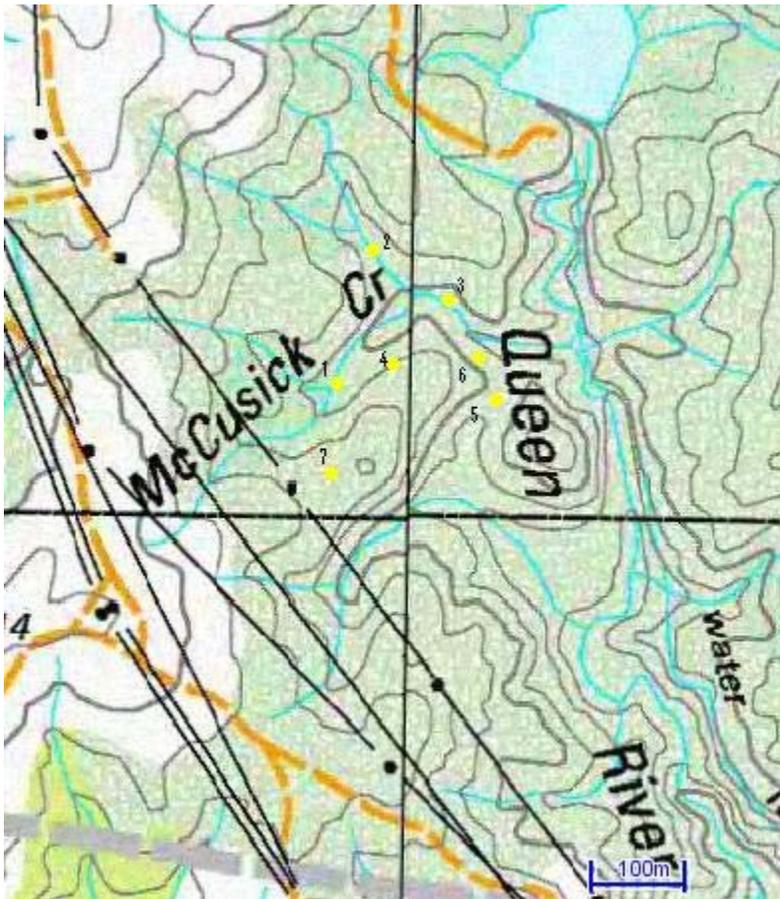
Refer to map next page. Fig 1.

Sample mc1 380027e-5343312n.	fine visible gold
Sample mc2 380078e-5343450n.	fine visible gold
Sample mc3 380143e-5343400n.	fine visible gold & 1 piece 1mm dia.
Sample mc4 380094e-5343330n	fine visible gold& 7 pieces approx 1mm dia.
Sample mc5 380205e-5343303n	fine visible gold
Sample mc6 380180e-5343349n	fine visible gold
Sample mc7 380034e-5343228n	sample taken from old trench 0 visible gold

McCuesick creek pan sample location.

Fig 1.

MGA



TRAMWAY PYRITE

A lot of work on the license area the last two years has been focused on and around the Tramway pyrite zone. With mind blowing results from grab samples on the surface, and two drill holes (ws1 &2) showing base metal in core, but I still have to assay core for gold as it has never been done.

During half of the year I acquired some maps from Expansion Geophysics (magnetic data, ip dipole etc).After a lot of hours and follow up with various sorts of maps, a diamond drill hole is a must. The hole is planned on the 90s gridline, 800m west from base line at approx Bearing 379530e-534604n. This bearing may change as to get some more distance from near by powerlines and still hit target. See fig 2&3.

The hole is aimed at in between two major magnetic lows of a large size.

The hole will be drilled to the east to crosscut zones.

Major lead and zinc soil anomalous lies to the east of tramway pyrite zone and I would not be surprised if lead & zinc will be intersected during drilling.

A few costeans were approved for the site but after getting hold of new data, costeans will be suspended to a further date. Drill hole will be approx 400m from West Sedgwick 1&2. (see pic)

Further north 800m, I found several old alluvial gold workings. Bearing 379000e-5346700n

There is an old cradle and a few bits of tin, and quiet a few piles of old beer bottles (prospecting is hard work) lying around.

After some research around town, the local library (Galley Museum) and some local gossip, I found out an early prospector from out Lake Margaret, prospected the area. When asked if he got any, the reply was “not sure but he was there every weekend for three years”. I can supply a photo of old cradle etc if you like.

The area is light tall scrub with no under growth and very easy walking.

The old workings are in an old water drain, mainly consisting of quartz and a bit of shale. It didn't take long before some pan samples started to show good course gold.

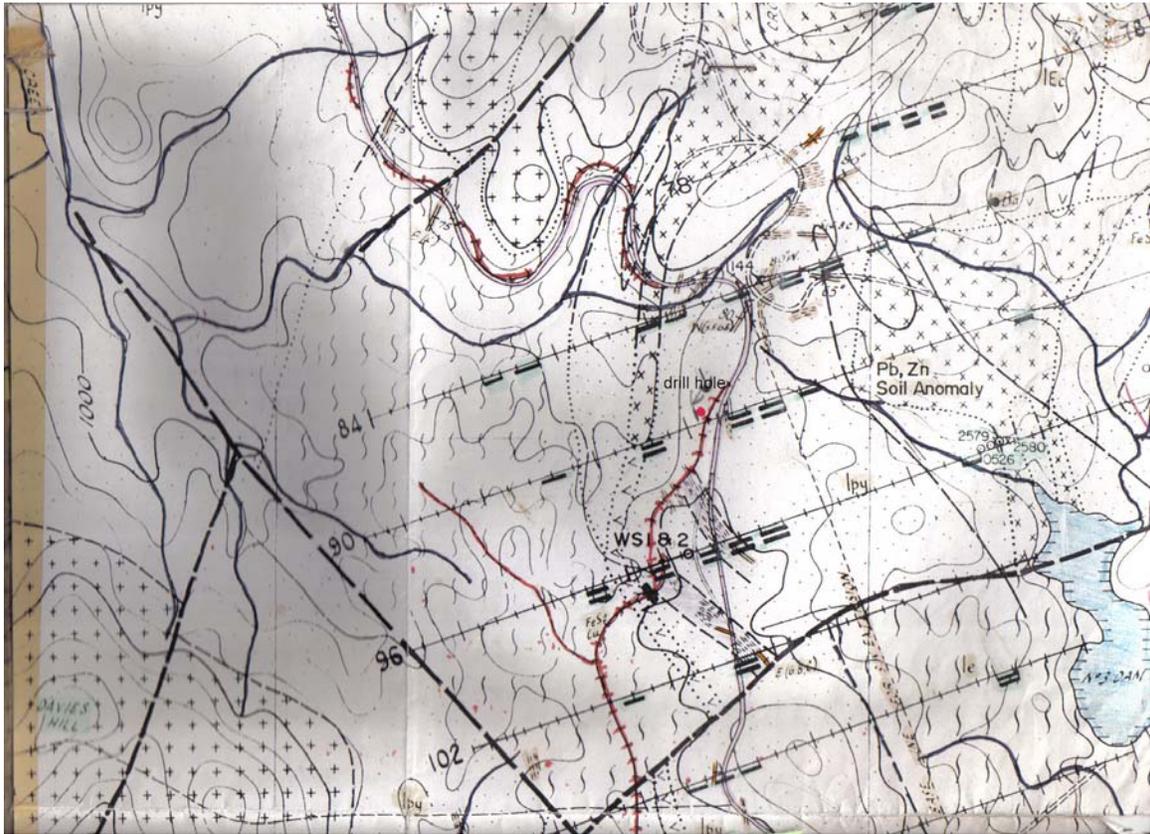
The old workings are on the east side of a wide magnetic low and east of the Tramway pyrite zone and 700meters north of diamond drill hole PEN001 which intersected 1.7% copper 1m thick at a depth of 60 meters, and don't forget the old gold adit under the road at bearing 379537e-5345110n just south of the tramway pyrite zone, The whole strike I think is about 4km by 800m wide.

More work on PEN001 will happen soon, including outcrop prospecting and creek panning.

When you sit back and have a look at the big picture there is this line right from McCusick creek through to lake Margaret which is all one big strike.

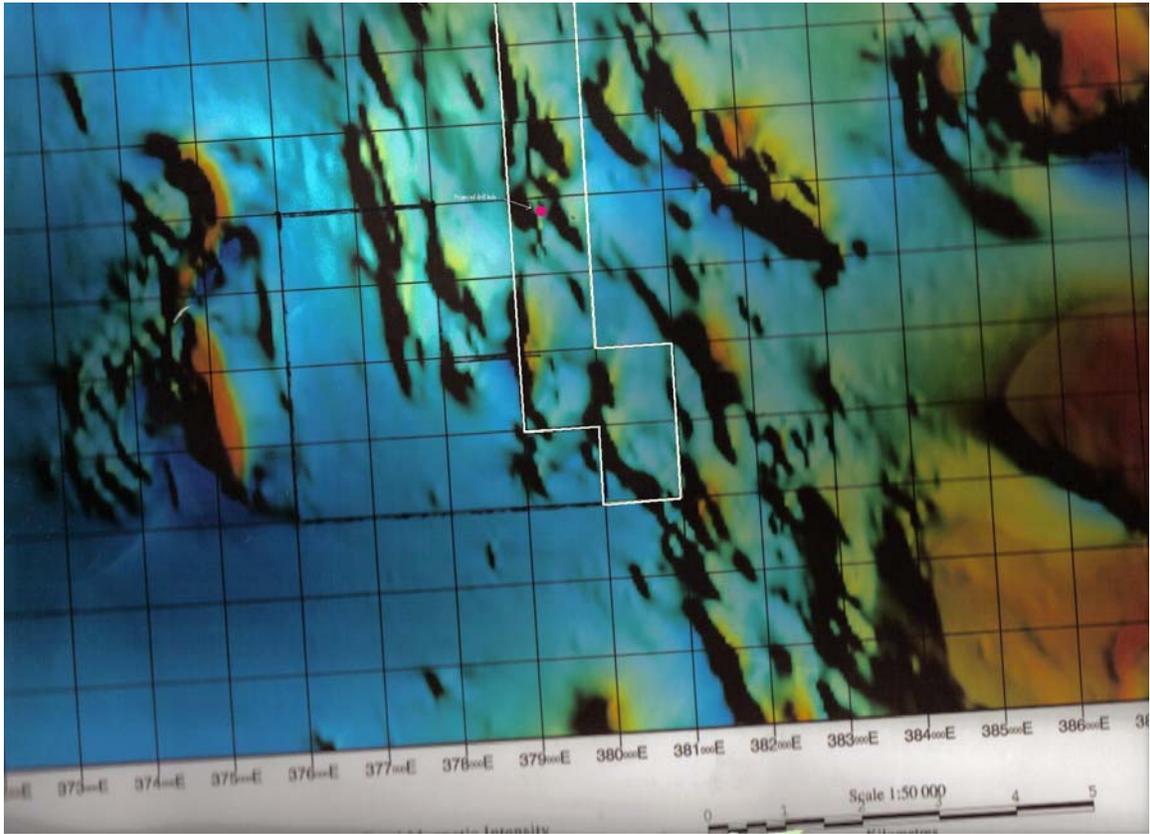
All drill holes should let us in on the big secret and show some kind of result.

Fig.2



Proposed drill hole is red dot.

Fig 3.



1:50 000 Total Magnetic Field Image Lyell/Yolande Region

Drill hole is red dot

2007 Looks like being an exciting year for the licence area, cash flow has improved and diamond drilling is about to commence hoping to prove the area contains the mineral zones being sought after.

EXPENDITURE

FIRST YEAR	\$10,800
WAGES	\$5080
EQUIPMENT	\$850
CHARTS	\$1,500
STATIONARY	\$300
FUEL	\$500
RENT	\$ 320
PUBLIC LIABILITY	\$1000
TOTAL	<u>\$20,350</u>