



Southern Ocean Science Pty. Ltd.

**First Annual Report for:
EL 62/2004, Adamsfield**

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SUMMARY

Halloysite clays in surficial sediments in the Adamsfield area were thought to be prospective for extraction and processing for the medical, complimentary medical or cosmetic markets.

A brief review of shallow drilling in the Adamsfield area and a site visit revealed any prospective clay to be too gritty to be brought to market without significant processing or exploration. Without significant expenditure, the use of such machinery for processing might result in contamination of the clays beyond what is acceptable for medical or complimentary medical use. Possible nearby mineral exploration activities in the area would also have a negative impact on market perceptions.

CONTENTS

Introduction	2
Review of previous work	3
Exploration completed and results	3
Conclusions	4

INTRODUCTION

Tasmania is ideally placed to supply the local, national and, possibly, the international market with clays for use in the medical, complimentary medical or cosmetic ingredient markets. This is because Tasmania promotes a clean green image to the world. Furthermore, clays from the Adamsfield area are unusual in that they include halloysite, a tubular variety of kaolin. Such clays are increasingly seen as valuable for use in the delivery of drugs or in general health treatment.

An exploration licence covering 3 sq km was applied for and granted to Southern Ocean Science Pty. Ltd. on the 14th June 2006.

The objective of the exploration licence is to assess whether the material available in the licence area is suitable for its intended market, and whether it could be processed and transported to market at profit.

Location

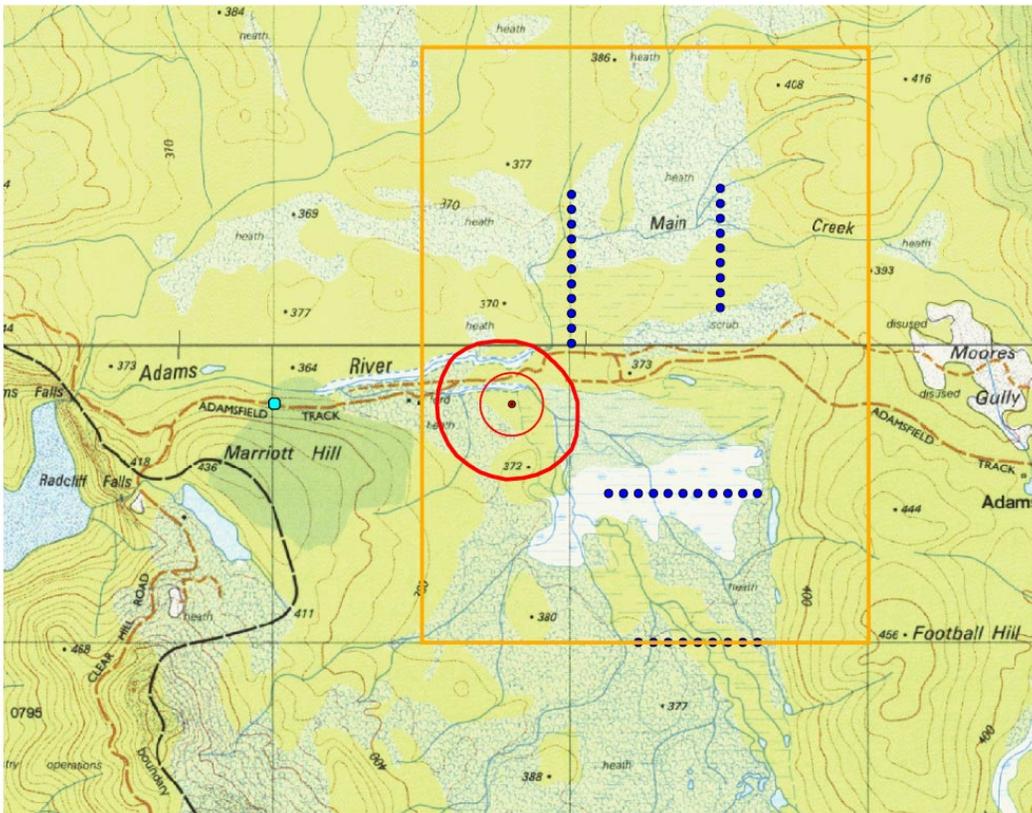
The licence is located about 3km east of Lake Gordon in the SW Tasmanian Conservation area.

Tenure

Crown land – Conservation area, including one water bore lease.

Physiography

Gradually undulating land.



Topographic map showing EL62/2004. Blue dots show sites of previous drilling. Red circle shows exclusion zone around water bore right held by Josephine Quigley.

REVIEW OF PREVIOUS WORK

Four lines of shallow drilling were designed to test for alluvial platinum and related minerals.

EXPLORATION COMPLETED

Site visits have been made to assess the extent of the clay.

Hand samples were dried, crushed and screened to assess physical properties. Subjective assessments were made as to the suitability of the product for market.

Crush samples have been shown to various retail outlets for comment.

Discussions have also been held with contractors and site visits made to assess ground conditions.

Results

The clays are contained within discrete and probably discontinuous layers of unknown thickness, interspersed with more abundant grit, gravel and variably organic-bearing layers.

Without significant trenching or core-based drilling, it is difficult to determine if there is any location that might yield a sustainable supply of clay without significant processing. For medical

grade product, processing using machinery containing heavy metals can result in unacceptable levels of contamination of the product.

Ongoing exploration will prove difficult given review of the process required to gain approvals for exploration in the Conservation area. If a deposit of minable clay is located, the constraints placed on any operation in operating in a Conservation area are considered unacceptable at this point in time (given the value of the product and the processing required to bring it to market).

The exploration licence is also covered by a second licence for metallic metal. Exploration and possible mining operations will likely have a detrimental effect on the value of any product.

CONCLUSIONS

While there is potential for the area to yield a good quality clay with high marketability, there remain significant obstacles. Relinquishment is recommended.