FARRELL PROJECT
TASMANIA
EL47/2003

ANNUAL PROGRESS REPORT
11TH June 2006 TO 11TH June 2007

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Abstract

The Farrell field is a North East – South West trending zone of previously operated mines, workings and prospects, located on the flanks of Mount Farrell at Tullah in Western Tasmania (Fig1). The field is located in a package of black shales, volcaniclastics and minor lavas known as the Farrell slates, in a structurally bounded corridor known as the Henty Fault zone. Pb-Zn-Ag mineralization in the Farrell slates near Tullah is hosted in NE to NW trending, steeply west dipping shear zones, forming southward plunging ore shoots of variable thickness along strike. It is recommended that a programme of 20 diamond drill holes totalling 4630m be commenced to assess southward plunging continuations of known ore shoots of the New North Farrell, and North Farrell Mines, prospective mineralised areas between two mines, and surface MMI assessment followed up by drilling around and beneath South Farrell and Duttons Workings.

Activity to 10th June 2007 concentrated on a review and proposal for exploration along the Farrell Line of prospects at Tullah. Data modelling has included the production of a Datamine model of mine workings and previous drilling.

Expenditure – Reporting period $6,608.48

Total to date $1,080,615.66

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1. Introduction

Notable historic mines of interest in the Farrell Field are the North Farrell Mine and the New North Farrell Mine. The North Farrell Mine operated successfully from 1899 to 1932, producing 432,00T at 11.4% Pb, 2% Zn, 370g/T Ag (Lorregan, A, in McGunningle, 1996). During the 1930's depression, new mineralization was found nearby to the north at surface, and the North Farrell mine was abandoned and allowed to flood. The New North Mount Farrell Mine operated successfully until 1973, when poor metals prices forced the closure of the mine. The ore systems in both mines were indicating continuation at depth, and Zn mineralization was deliberately avoided as Zn was penalised at the smelters, due to causing Pb suppression, (Jeckell Smythe pers. comm.) and had no market,. Mineralization potential along strike from, between and beneath the known workings is incomplete, or untested. Other Mineral occurrences in the area include the Lorregan's luck As-Au resource, and the Lakeside Gold deposit. Further prospective areas occur to the south in the Sterling valley.

1.1 Location and Access

Access to The Farrell Field is via the Murchison Highway, approximately 25 minutes trucking distance from Hellyer, and 15 minutes from Rosebery. Exploration access for drilling requires care, as potential sites, particularly for drilling mid to deep workings level, are likely to be located in and around the town of Tullah on private land titles. Access for geochemistry and geophysics to the east of Tullah township is dominantly Crown Land, on moderate to steep terrain of the Flanks of Mount Farrell.
To the West of Tullah Access is truncated by Lake Rosebery.

1.2 Geology

An analysis of the geological framework of the Tullah area is provided by Mcneill and Corbett, 1989, who describe sequences broadly associated with the Farrell Lodes.

A major geological feature of the area is the Henty Fault Zone, a north easterly trending fault bounded belt containing the Farrell slates and associated deposits. The main structure attributed as the Henty fault is the western structure of the Henty Fault Zone. The movement history on the Henty Fault is complex, with oblique to dip-slip reverse motion observed by McNeill and Corbett, and a five phase history reported by Berry, including twe early reverse movement stages followed by sinistral wrenching, wrench faulting and normal faulting, in Mcneill and Corbett, 1989.

To the west of the Henty fault around Tullah are the volcaniclastics and lavas of the Central Vocanic complex. To the north, correlates of the Dundas Group are juxtaposed against the Henty Fault.

McNeill and Corbett describe the Farrell Slates as a sequence of shale, greywacke, tuff, and minor lava, that reaches a thickness of about 850m near Tullah, thinning to the North and South.

To the East of the Henty Fault Zone, the Murchison volcanics , 'a sequence of quartz-feldspar-phyric lava and tuff'(Mcneill and Corbett, 1989), structurally underlie the Farell slates.

1.3 Mineralization

Rivers, 1975, describes the ore of the New North Farrell Mine as an association of galena, sphalerite and chalcopyrite with minor pyrite, tetrahedrite and jamesonite, with quartz and siderite as gangue.

Further observatoions by Rivers, 1975 include:

- Ore is brecciated in some cases, containing fragments of slate, tuff and quartz.
- Galena is deformed and shows slickensides in several ore bodies.
- Some ore is banded, with finely crystalline and nearly pure galena adjacent to coarsely crystalline galena-sphalerite-chalcopyrite ore. (NNMF 10 level).
- Several ore bodies are undeformed (adits south of Nth Mt Farrell open cut).

1.4 Structure

Mcneill and Corbett describe bedding in the Farell slates as sub parallel to cleavage,and folded into 'angular, tight to isoclinal, reclined folds and kink bands with low angle fold axes', with a steeply W dipping cleavage, and west facings where folding is not apparent. The Farrell Slates are known to strike NNW to NNE, dipping 70 degrees west.

The orebodies are hosted in NNW to NNE shears within the Farrell slates and appear to be mainly fracture fill occurrences (McKibben 1968). Purvis, 1995, suggests that some of the orebodies may be hosted in faulted isoclinal fold axes.

The Lodes are up to 300 feet high, 250 feet long, average three to five feet in width. The mined orebodies consisted mainly of two to three sub parallel ore channels spaced over a width of 100 feet, though some sections in the North Mt Farrell Mine are reported to consist of up to 11 productive lodes (Purvis, 1995). Some mining has been carried out along mineralised structures known as branch lodes, which intersect the main fractures at acute angles. Ward, 1957 reports (for the NNMF mine) that the 'main lode and quartz footwall lode strike north to 10 degrees magnetic and dip 60 to 65 degrees west. Branch lodes strike at 17, 35 and 170 degrees magnetic and dip about 60 degrees west.

The main hangingwall lode at the New North Mt Farrell Mine plunges at 75 degrees south . Two smaller shoots south of the main shaft, stoped between the surface and 7 level had an average width of two feet

and plunged 30 degrees south. At the North Mt Farrell Mine, the main lode strikes approximately magnetic north and dips 60 degrees west, plunging south at 70 degrees (McKibben 1968)

The Richest ore in the Farrell Mines is known to occur at the intersections between shears, and at the intersection of shears with tuff beds in the Murchison Mine to the south (McKibben 1968, J. Smythe pers. comm.) In some places the pitch of intersecting shears forms the boundaries of ore shoots (Jensen, 1959) Evidence of this can be seen from level mapping in the New Nth Farrell Mine which indicates intersecting NE and NW trending structures in drives that have been stoped, and a NE fault set recorded by Rivers, 1975. It is likely that the lines of intersection between cross faults and the main N-S Lode structures explains the southerly plunge of the ore shoots.

1.5 Geophysics

A comprehensive review of available geophysical information was conducted by Weber et. al., 1997. Information collected was most commonly IP data.
Weber observed that areas under surveyed and within proximity of known mineralization were:

- Zone between Farrell and Tullah Grids.
- Area north of Farrell Mine
- Area south of Sterling Valley Mine to South Stitt.

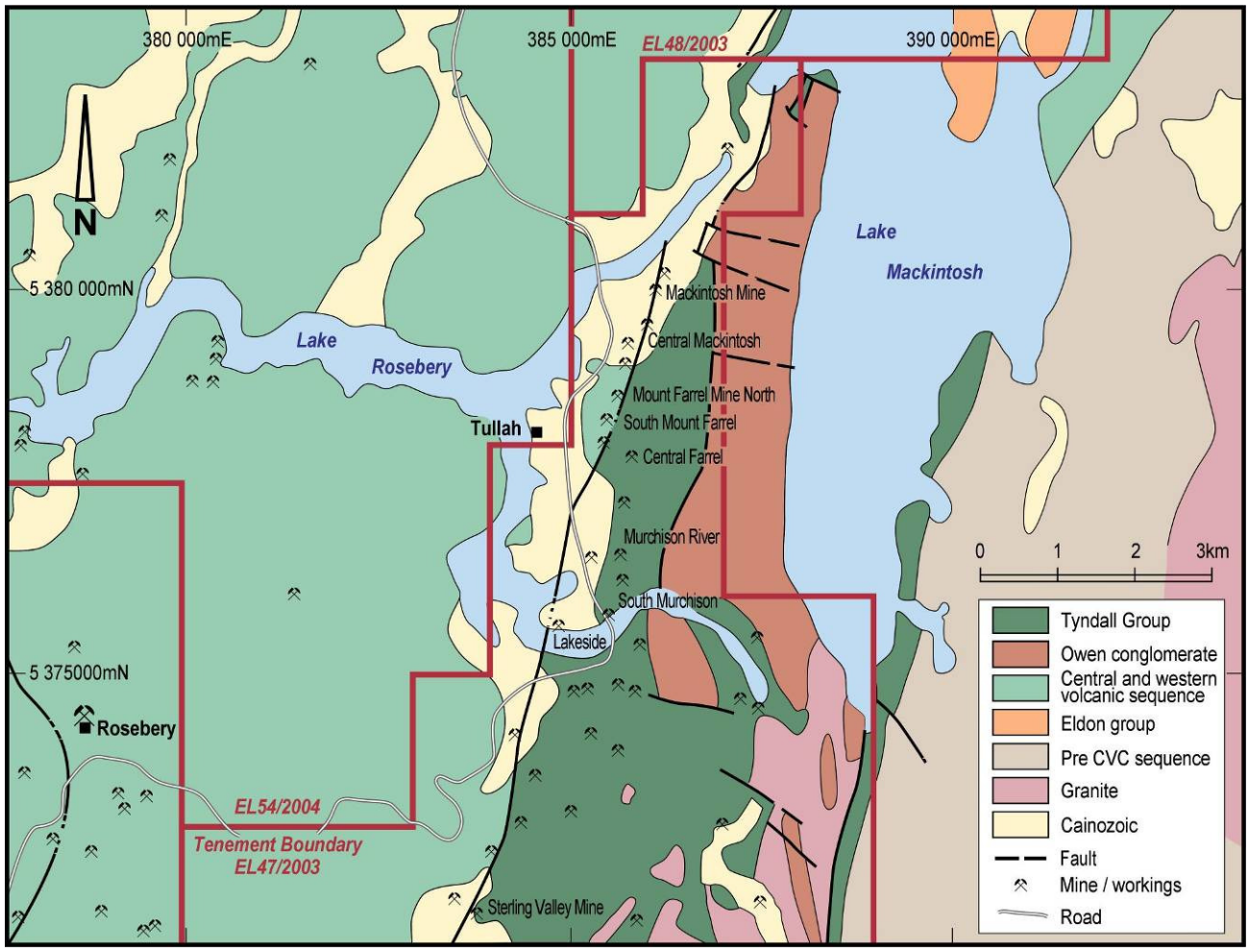

Figure 1. Location map including geology

2. REVIEW OF PREVIOUS WORK – Prior to current tenement

2.1 Existing Resource

Lorregan, 1996, quotes a measured resource of 71, 000t at the New North Mt Farrell Mine(fig. 3), at 12.3% Pb, 4.8% Zn, 0.24%Cu and 378 g/t Ag, based on a 1985 EZ report. Based on results from the shallow drilling program of her report, Lorregan indicates a further potential shallow resource (not a resource estimate), of 100, 000T at 6.3%Pb, 1.6% Zn, and 201 g/t Ag.

2.2 Southern Farrell Line.

Drilling by EZ and the Farrell Mining Co. from the 1950's was poorly documented, and according to personal accounts (Jeckell Smythe pers comm.), poorly executed. As a result, areas beneath and between the workings of Mt Farrell, Mt Farrell South, Duttons workings, and Central Farrell, remain prospective. MMI geochemistry from Pasminco's 2000 program shown in fig 2. clearly indicates that there is a geochemical expression of the Farrell Line between the old workings, continuing to the south of Duttons Show. If this is real and not a historical contamination artefact, the area to the south of Duttons, concealed beneath glacial cover is prospective. It is recommended that infill MMI geochemistry be considered for the Duttons area.

A transfer structure in the Duttons area between the Murchison line and the Farrell line has been interpreted from a helimag survey (Purvis, 1995). This interpreted structure may be associated with dilation at the time of mineralization, and should be followed – up (fig 3).

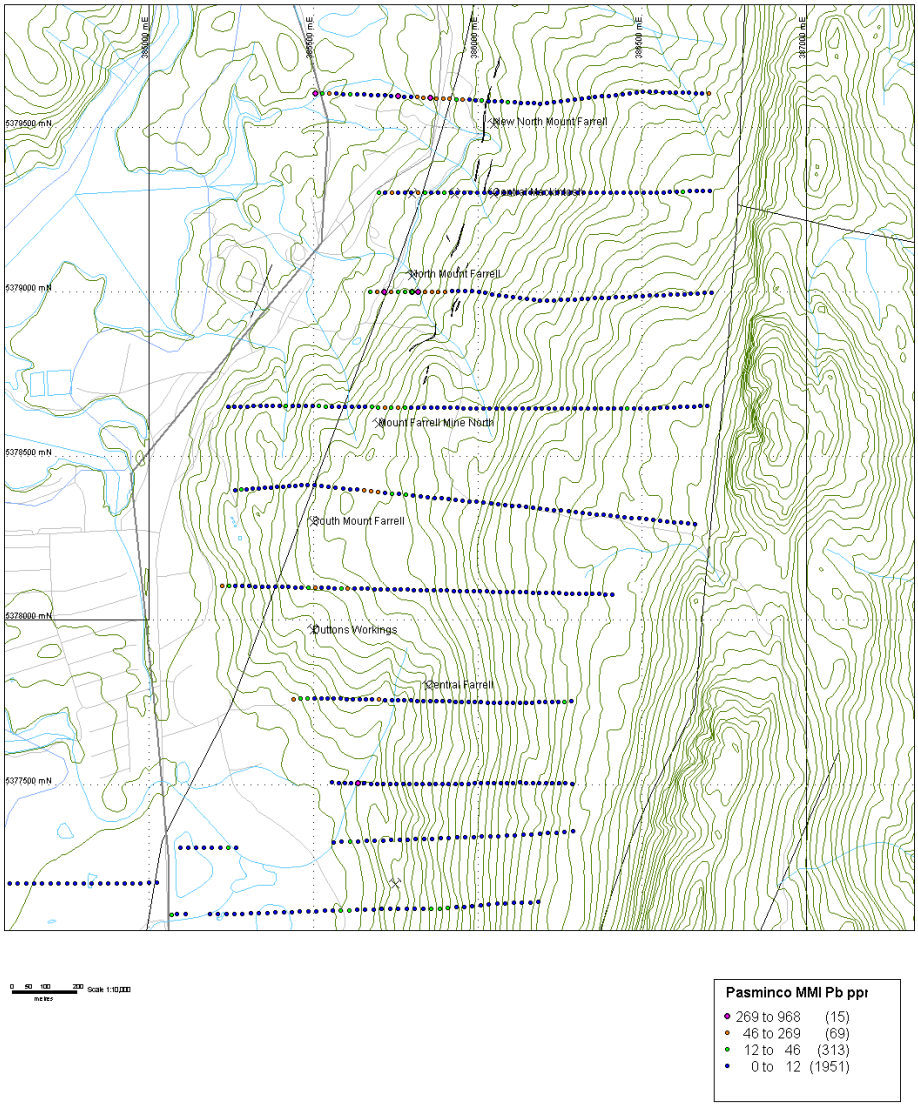

Figure 2. Pasminco MMI Geochemistry

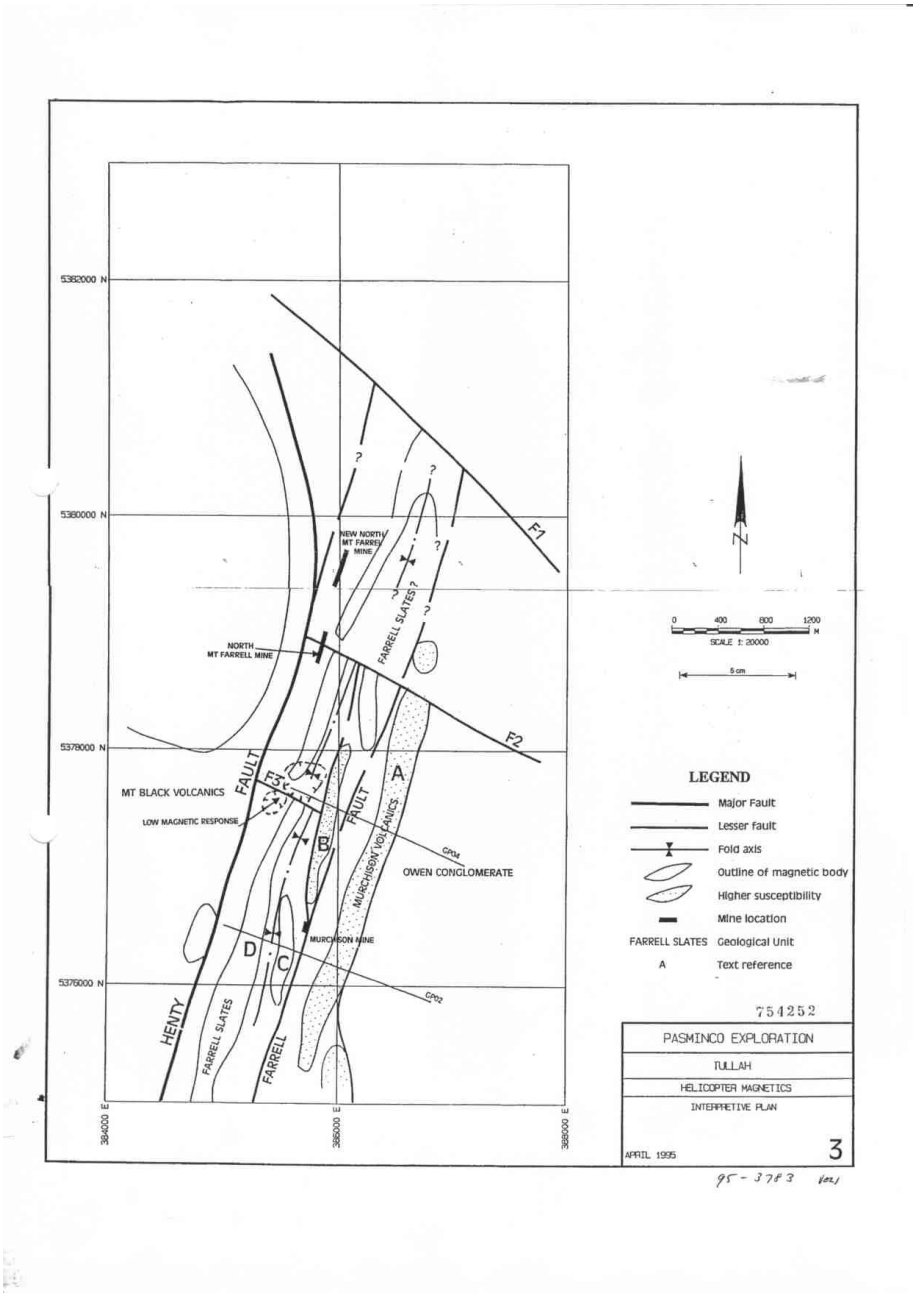

Figure 3. Interpretation of Helimag, Duttons area, from Purvis, 1995

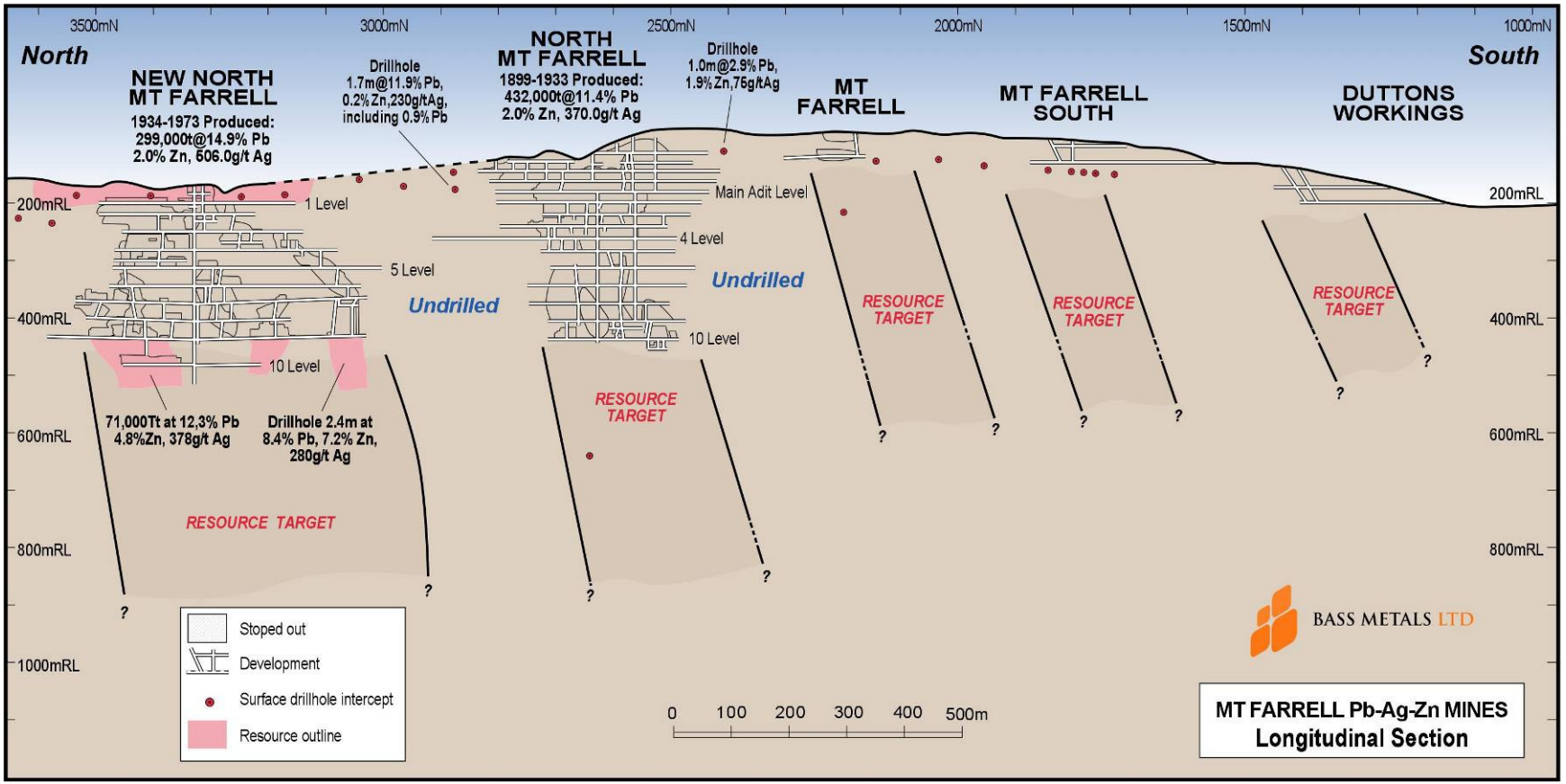

Figure 4. Farrell Longitudinal Section

An extensive compilation and review of previous work can be found in McNeill et. al., 1997.The most recent work in the area on the Farrell Field and Lakeside Gold deposit was done by Saracen, in 05-06, completing a programme of 8 diamond drill holes from three locations aimed at intercepting previously defined ore blocks in the New North Farrell Mine. This programme was hampered by hole deviations, survey problems, and difficulty in interpreting positions in relation to old mine workings. Intersections from this program were patchy, with best intersections summarised in Table 1. Saracen noted that in the New North Farrell mine Zn has increasing presence with depth.

Several drill holes proposed, but not drilled, or with targets missed are worthy of further consideration (notably, FDD05, which appears to have penetrated the lode plane well above the intended target 'zinc zone').

Drilling not included, but highly recommended as priority areas, following recommendations by several authors is the area between the New North Farrell, and North Farrell Mines, and the areas to the south along strike around and beneath South Farrell and Duttons Workings.

Table 1.

DDH	From	To	m	Pb%	Cu (ppm)	Result
FDD02	313	315	2.3	1.13	176.67	
FDD02	320.2	322.4	2.2	133.33		Ore zone intersected below 10 level, may have missed ore block outlined by EZ data.
FDD03	222	223	1	1.8	20	Encountered at 223.8m, no backfill extracted. Aim to test zinc zone between 5 and 6 level, however intercepted between 4 and 5 level.
FDD05	193.5	195	1.5	1.77	65	According to BSM modeling.
FDD06	133.2	135	1.8	1.63	410	May have stopped short of ore zone.
FDD06	364	365	1	2.1	2250	May have stopped short of ore zone.
DDH	**From**	**To**	**M**	**Zn%**		**Result**
FDD01	223	225	2	0.51		Intersected old workings, back fill
FDD04A	334.3	335.4	1.1	1.71		Intercept below 11 level.
FDD04A	345.1	347	1.9	1.45		Intercept below 11 level.
FDD06	363	365	2	6.2		May have stopped short of main ore zone.
FDD07	377.7	379	1.3	1.72		Penetrated lode plane below level 12.

Lorregan'96 details a program of eleven diamond holes drilled along the strike of the 'Farrell Line', aimed at identifying any potential shallow resources that could be easily accessed from surface. Locations of drill holes are shown in Fig 5 with Pasminco holes in colour, and old EZ and Farrell Mining Co. holes marked as black circles with a central dot. Results from the Pasminco program are tabulated in Table 2. Areas recommended for follow up are marked area 1-3 on Fig 5.

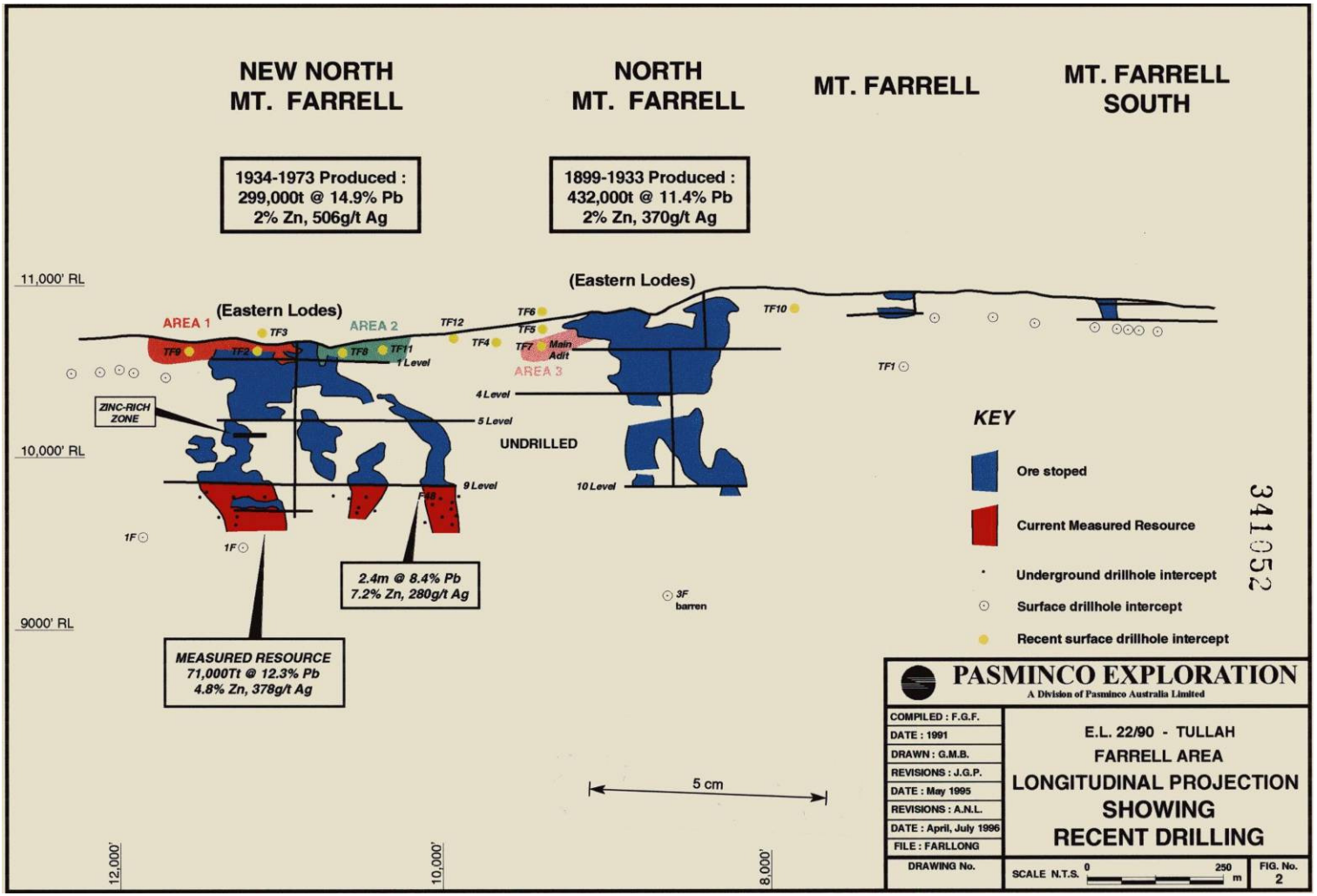

Figure 5. Pasminco Drilling from Lorregan, 1996.

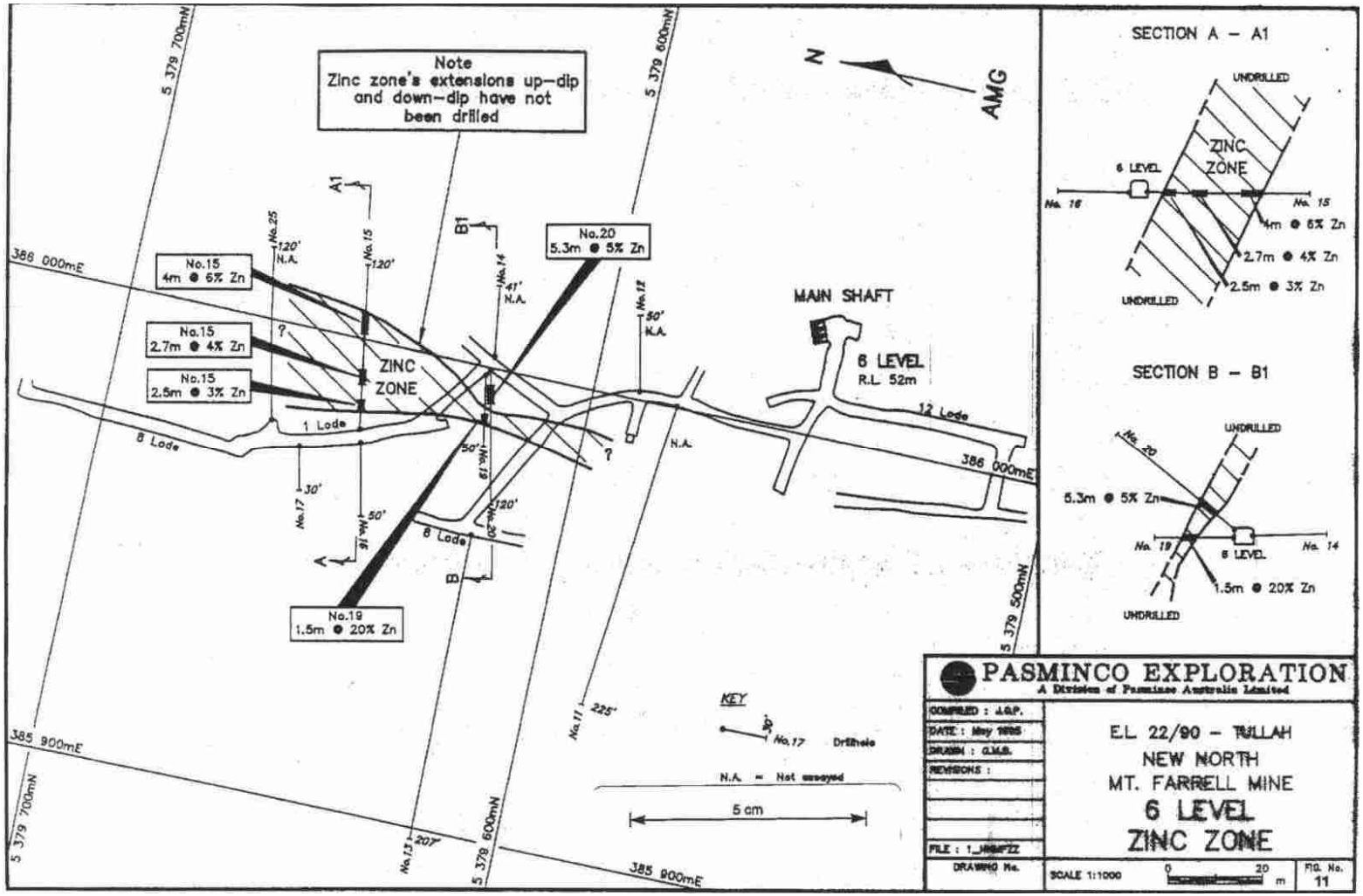

Figure 6. Zinc Zone, from Purvis, 1995

Results from EZ and Farrell Mining Co. drilling are reported by Drew, 1957. The logs are sketchy and appear to have been recorded by the driller. Recovery was hampered by severe core grinding and loss of intersections through ore zones (Jeckell Smythe, Butch Johnson pers. comm. Drill logs and plans are attached as Appendix 1.

Beneath Duttons workings DDH 1S has a reported intersection at 179 feet that assayed 28%Pb and 25Oz Ag/ton from recovered core. DDH 2S has reported the lode intersection at 174 to 180 feet with an unknown interval of lode assaying 5.3% Pb and 6.5OZ Ag/ton.

Beneath South Farrell workings drill holes 5S to 10S report 'splashes of galena, but nothing payable'. The lode intersections in these holes seem to indicate core loss, as several intersections are marked with unknown boundaries. It is likely that the sections covered will need to be re-drilled in order to re-gain information.

Table 2.
Assay results TF2-TF10, Visual estimates TF11 and TF12

Hole	From	To	True Width	Pb (wt%)	Zn (wt%)	Ag (g/t)
TF2	21.9	24.3	2.2	5.35	2.99	156
TF2	24.9	28.5	3.3	6.63	1.05	182
TF3	1.7	5.7	3.8 (55% rec)	5.13	0.7	375
TF3	14	15	0.9	1.54	0.7	98
TF3	27.2	27.6	0.4	10.8	3.23	408
TF3	27.2	28.8	1.5	2.9	1.06	109
TF3	31.7	32.4	0.6	1.49	0.19	68
TF4	44.8	45.7	0.8	7.13	0.09	166
TF4	44.8	46.4	1.5	4	0.09	88
TF4	79.2	79.5	0.3	8.37	0.04	241
TF4	79.2	80.5	1.5	1.77	0.02	48
TF6	7	8	0.9	1.94	0.9	123
TF7	37.6	39.5	1.7	11.87	0.24	320
TF8	10.4	10.9	0.5	1.35	0.03	24
TF8	17.8	18.8	0.9	2.31	0.51	73
TF8	19.8	20.8	0.9	2	0.51	46
TF8	21.9	23.5	0.4	17.1	1.22	433
TF8	23	23.5	1.5	5.73	0.6	144
TF8	42.4	45.4	2.8	0.58	3.23	18
TF8	48.7	49.4	0.6	0.71	4.61	
TF9	44.9	46.9	1.8	1.94	5.74	46
TF9	46.9	48.1	1.1	1.84	0.79	52
TF10	18.3	19.4	1	2.89	1.9	75
TF11	41.7	42	0.3	5.31	4.98	158
TF11	41.7	43	1.3	2.9	2.99	86.5 (visual estimate)

3.DURING CURRENT TENEMENT; (18th June 2004 – 17th June 2006)

This included a comprehensive desktop study of historic exploration in the area, and many site visits to the areas researched. Planning of proposed exploration over the following year was also undertaken which is still currently ongoing.

4.CURRENT WORK; Exploration completed during the report period; (18th June 2006 – 17th June 2007)

From the Pasminco drilling program fig 5 it is clear that the following should be followed up with a further drilling program. Proposed drillholes are indicated in fig 7:

Area 1: Adjacent to New North Mt Farrell - down dip and to the north of DDH TF9
2 x 70m
2 x 200m.
Area 2: Down plunge from TF8 and TF11
1 x 70
3 x 200
Area3: down dip and down plunge of TF7
2 x 60
2 x 200

Area 4 zinc zone: A further hole should be drilled to intercept the 'zinc zone' below Saracen's FDD05
1 x 250

Area5 - between the NNMF and NMF mines:
The area between the two mines has never been drilled at depth. Because the New North Mt Farrell orebody did not outcrop at surface, the possibility of concealed ore shoots remains. This area should be drilled on 30m centres due to the lenticular nature of ore shoots, with design mindful of southerly plunge of shoots.
1 x 200, 250, 300, 380, 400, 425m

Area 6: Deep targets under NNMF, NMF
3 x 500m
2 x 550m
2 x 600m

Area 7: To the South of North Mt Farrell
2 x 70

2 x 250, 300, 400

Area 8: Shallow drilling under Finnies (Mt Farrell), South Farrell, Duttons, and Central Farrell. Three to five closely spaced holes under each, and 50m centres between each.
Deeper drilling in the untested zone down plunge from the south end of North Mt Farrell Workings.

11 x 200m
6 x 300m

Proposed Exploration Budget

Farrell Line targets:
Table 3

Phase	Area	Drilling Metres	Cost
1	1, North of NNMF	140	$30,520
1	2, Between NNMF & NMF	390	$85,020
1	3, Zinc Zone	250	$54,500
1	4, Between NNMF & NMF	400	$87,200
1	5, NNMF & NMF deep targets	1100	$239,800
1	6, Beneath Duttons & South Farrell	1800	$392,400
1	7, South of NMF	550	$119,900
1	Geological Mapping 14 days @ $650		$9,100
1	Field Technician 14 days @ $350		$4,900
1		**Sub Total**	**$1,023,340**
2	1, North of NNMF	400	$87,200
2	2, Between NNMF & NMF	800	$174,400
2	3, Zinc Zone	0	$0
2	4, Area between NNMF & NMF	1555	$338,990
2	5, NNMF & NMF deep targets	2700	$588,600
2	6, Beneath Duttons and South Farrell	2200	$479,600
2	7, South of NMF	1490	$324,820
2	Geological Mapping 14 days @ $650		$9,100
2	Field Technician 14 days @ $350		$4,900
2		**Sub Total**	**$2,007,610**
1 & 2		**Grand Total**	**$3,030,950**

Drilling calculated @ $218/m
Soil Sampling: inclusive cutting, sampling, geochem, accommodation @ $3600/km
EM calculated @ $4000/day

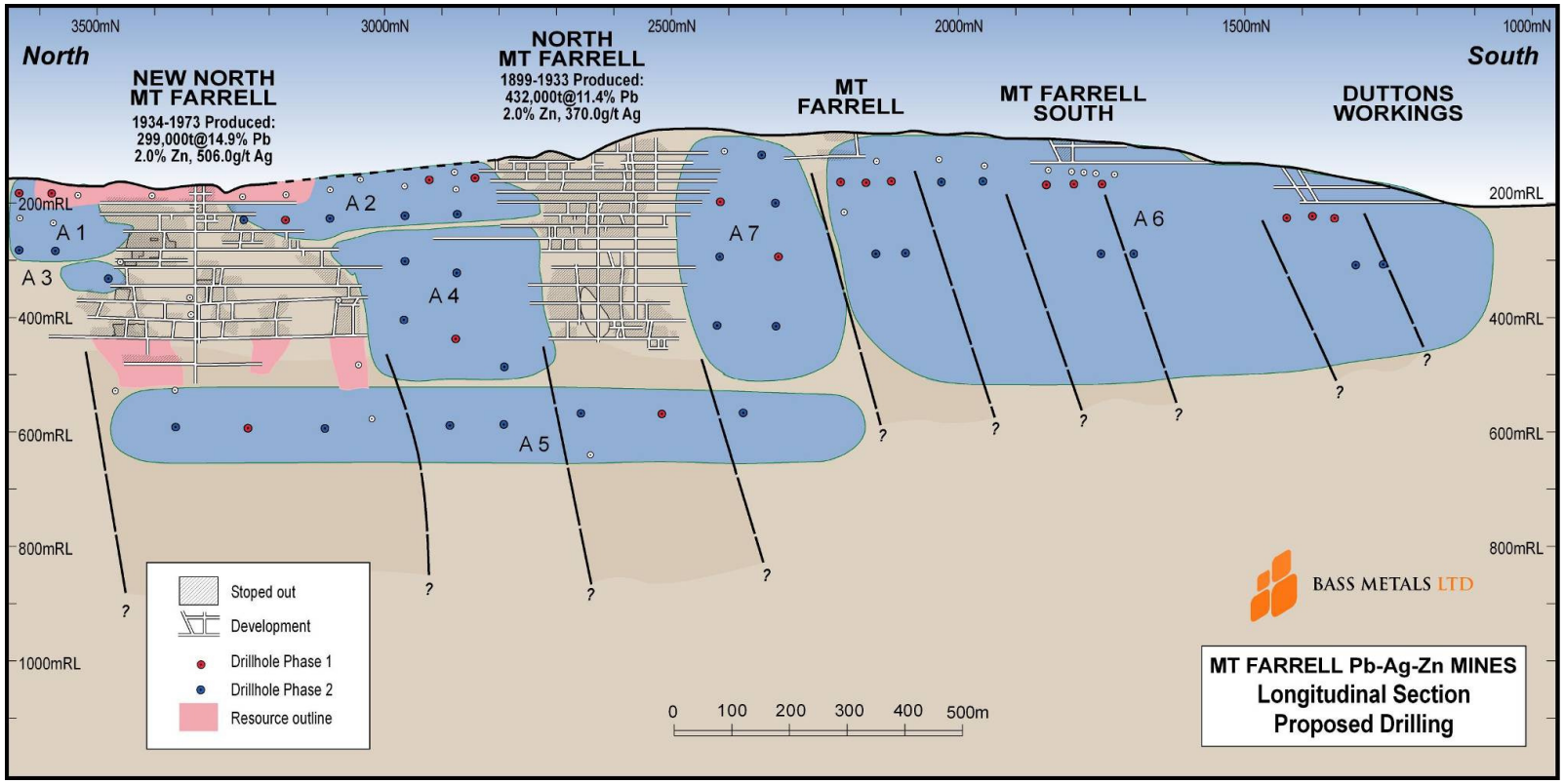

Figure 7. Proposed Drilling

5. ENVIRONMENT

The company has environmental policies in place that minimise the impact that exploration activities have on the environment. The policies include guidelines on how to reduce the risk of spreading plant diseases and weeds as a result of day-to-day exploration tasks.

The attached Environmental Activity Map in Figure 8 shows the location of the licence relative to conservation areas.

Land Tenure

The Farrell Exploration Licence comprises:

- MDC Informal Reserves
- State/Multiple Use Forest
- Private Property
- Crown Land
- HEC Land
- Part of Macintosh Forest Reserve
- Part of Murchison Regional Reserve
- Part of Farrell Regional Reserve

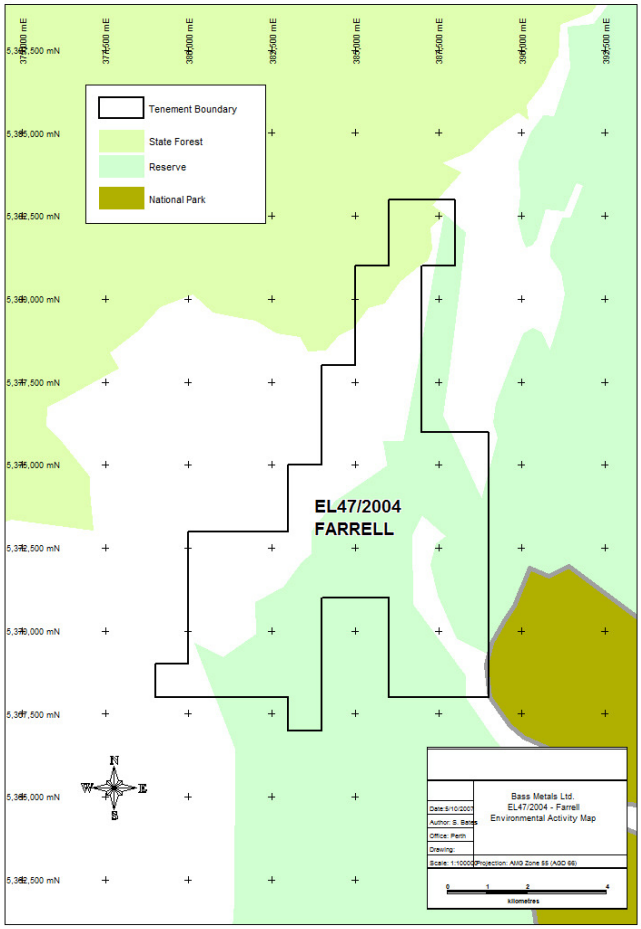

Figure 8. Environmental Activity Map

6. EXPENDITURE

	1/7/06 to 10/6/07
Administration	$2577.30
Geology-Personnel& Overheads.	$3824.36
Gridding	
Geochemistry	
Geophysics	
Drilling	
Feasibility Studies	
Rehabilitation	
Safety	$206.82
Other - Geoinformatics	
Total - Eligible	$6608.48

Table 3. Expenditure 1 July 2006 to 10 June 2007.

Total expenditure for the period was $6,608.48

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APPENDIX 1