



**SINO STEEL AUSTRALIA PTY LTD**  
ACN 009 277 230

Annual Report for EL11/2007  
12 Month Period to 25 June 2008  
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Tenement Holder:	Sinosteel Australia Pty Ltd
Exploration Operator:	Sinosteel Australia Pty Ltd
Tenement name:	Painter Project
Tenement type and number:	EL11/2007
Date of report:	21 May 2008

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## INTRODUCTION

On 25 June 2007, Sinosteel Australia Pty Ltd (Sinosteel) was granted an Exploration Licence (EL11/2007) comprising 125 blocks (125km<sup>2</sup>) at Painter Plain, 20 km southeast of Waratah, Northwest Tasmania. The Painter project is located 5 km northeast of the Hellyer Mine as shown in Figure 1.

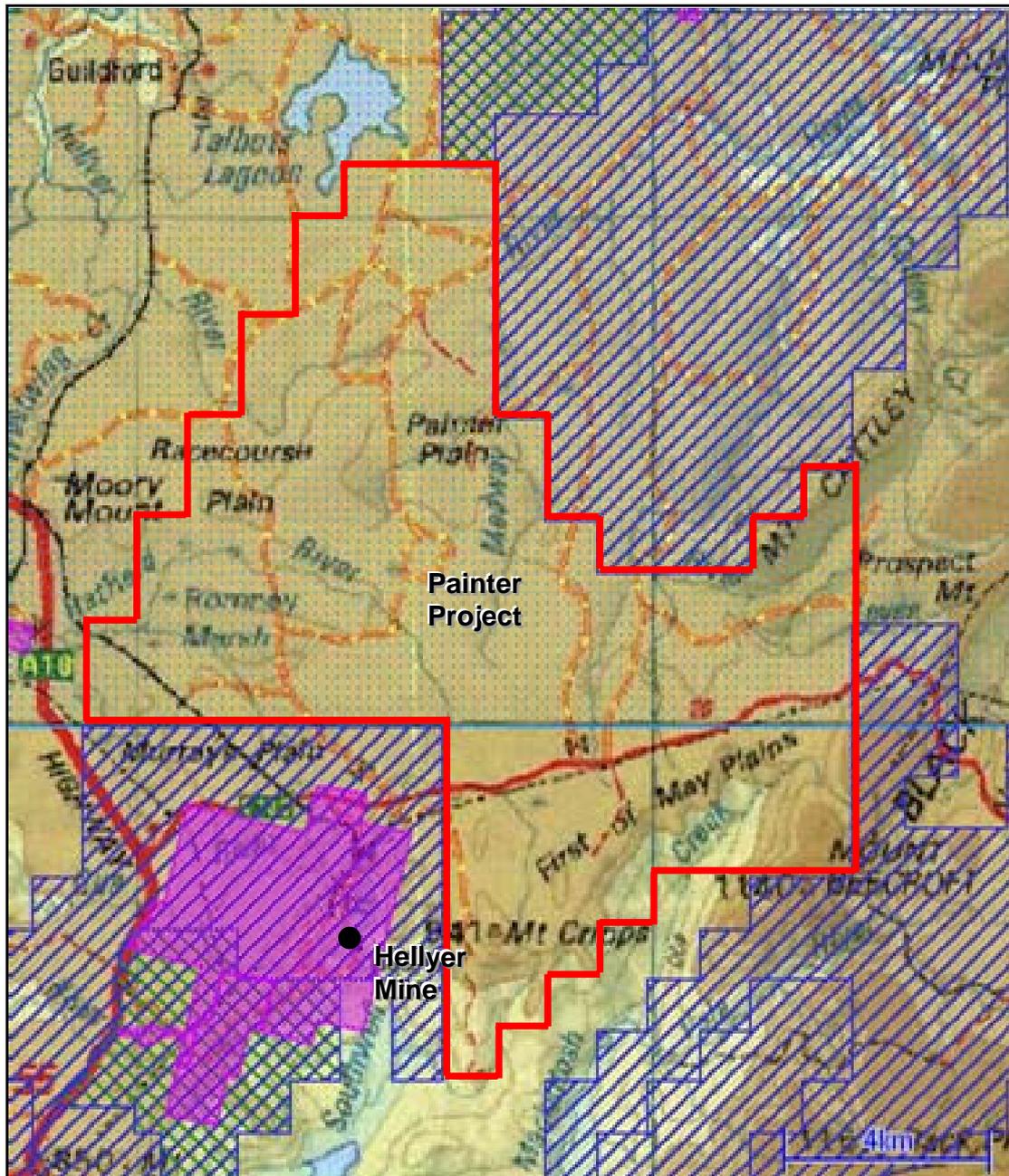


Figure 1: Location of Painter Project – EL11/2007

Access to the project area is via a sealed road south from Burnie and then by well maintained gravel tracks on Gunns' Surrey Hills forest property. The southern boundary of the EL is traversed by the sealed Cradle Mountain Link Road with access northward on forestry tracks.

A vast section of EL11/2007 lies on freehold land owned by Gunns Limited for forestry operations. The remainder of the tenement overlies various categories of Government owned land. The licence area contains similarly sized large tracts of both plantation timbers, at varying stages of development, and stands of native forest and also some smaller pockets of native grassland reserves.

One of the most pronounced physiographic features within EL11/2007 is the Painter Plain, which is composed of Tertiary basalt that covers more than 85% of the licence area. Based on sparse historical drilling the basalt is up to 367 metres thick adjacent to the eastern tenement boundary and of varying thickness, generally >200 metres away from outcrop, inside EL11/2007. The Hellyer River drains northwest from the northern part of the tenement and the Hatfield River drains to the west from the southern part of the tenement.

The specific aim of Sinosteel is to explore for the continuity of the highly prospective Mt Read Volcanic (MRV) Arc below the basalt cover in EL11/2007 for potential Hellyer-style volcanic hosted massive sulphide (VMS) base metal mineralisation.

Sinosteel envisages the geological setting of the project area has the potential to host the Que – Hellyer Volcanics, the mineralised sequence at the Hellyer Mine (16.2Mt @ 13.9% Zn, 7.1% Pb, 0.4% Cu, 168 g/t Ag, and 2.5 g/t Au).

Based on the success of a 1985 gravity survey over the Hellyer deposit that showed this geophysical technique could detect the orebody, Sinosteel proposed to undertake a detailed gravity survey over EL11/2007 to assist in the exploration for Hellyer-style Zn-Pb-Cu-Au-Ag mineralisation. The gravity will be processed and combined with all other readily available geophysical techniques to provide a comprehensive targeting tool.

## **PREVIOUS WORK**

Historically, the tenement has not been subjected to any concerted exploration. Past exploration campaigns have generally focussed on the regions surrounding the tenement, in areas of thin or no basalt cover and favourable outcropping geology.

In the mid 1970s, North Prospecting Proprietary Ltd drilled three diamond holes immediately north and northwest of EL11/2007 to test the thickness of the basalt cover. Drilling failed to reach underlying basement rocks with the deepest hole to 152 metres.

During the 70s and 80s, several companies focussed on the areas of outcropping geology predominantly in the Guildford, St Valentines Peak, Loongana and Mt Pearse localities that surround EL11/2007. Exploration ranged from reconnaissance geological mapping, stream sediment and soil sampling, various geophysical surveys and diamond drilling, principally in search of Renison and Mt Bischoff-style tin deposits, King Island and Kara-style scheelite deposits and to a lesser extent Rosebery-style copper-lead-zinc deposits.

The ground in the Leven River area (Mt Cattley), immediate east of EL11/2007, has been extensively explored by many companies since 1985 and subject to numerous

geochemical and geophysical surveys and the drilling of seven holes. The target was VMS mineralisation in the Que – Hellyer Volcanics, under basalt cover, in the Black Marsh Syncline. Due to the lack of success the areas prospectivity was downgraded.

From the mid 80s to late 90s, Aberfoyle Resources concentrated its efforts on the Mt Charter – Hellyer area. They did however do some exploration to the north and northeast of Hellyer at the Murray’s Road prospect, Maverick and Mayday anomalies, which straddle the Cradle Mountain Link Road.

At the Murray’s Road prospect exploration involved mapping, costeaning, rock chip sampling, a UTEM survey, and soil sampling.

A small pod of pyrite was exposed in one of the costeans and assaying showed it was base metal poor. A single loop, 5 line km, UTEM survey was undertaken over the pod and area to the north but it failed to detect any potential base metal conductors. A total of 271 soil samples were collected from Tyndall Group rocks in the search for Henty-style gold mineralisation but no anomalies were identified.

The Maverick anomaly is centred on fuchsite alteration and massive barite veining in Southwell Group rocks exposed in a cutting along the Cradle Mountain Link Road. Aberfoyle believed the alteration was analogous to alteration in the Hellyer Basalt, which overlies the Hellyer deposit. An 87 hole wacker sampling programme was completed over the Maverick area, however the bottom of hole samples returned no base metal anomalism.

The Mayday anomaly was identified from a regional total metal ion geochemical sampling programme in which a total of 1031 samples were collected. EM depth soundings were completed around the anomaly to assist in estimating a target depth. A 1,400 metre deep vertical diamond hole was drilled in 1997 to test for a Hellyer ore position. The hole was cored almost entirely in younger Southwell Group rocks, indicating the Que – Hellyer sequence is much deeper in this area. The source of the Mayday anomaly is still unresolved.

In 2002 -2003, Mineral Resources Tasmania organised for detailed aeromagnetic, radiometric and airborne electromagnetic data to be acquired over the MRV belt.

## **EXPLORATION ACTIVITIES**

Exploration licence 11/2007 was explored by geophysical methods only during the reporting period and all activity was undertaken relative to Geodetic Datum GDA94.

### *Geophysics*

A detailed ground gravity survey was carried out on the tenement. The original survey (Figure 2) was planned to comprise 2,614 gravity stations at 100 metre intervals along lines spaced 500 metres apart. The completed survey (Figure 3) comprised 1,797 stations plus an extra 150 repeat readings for quality control purposes.

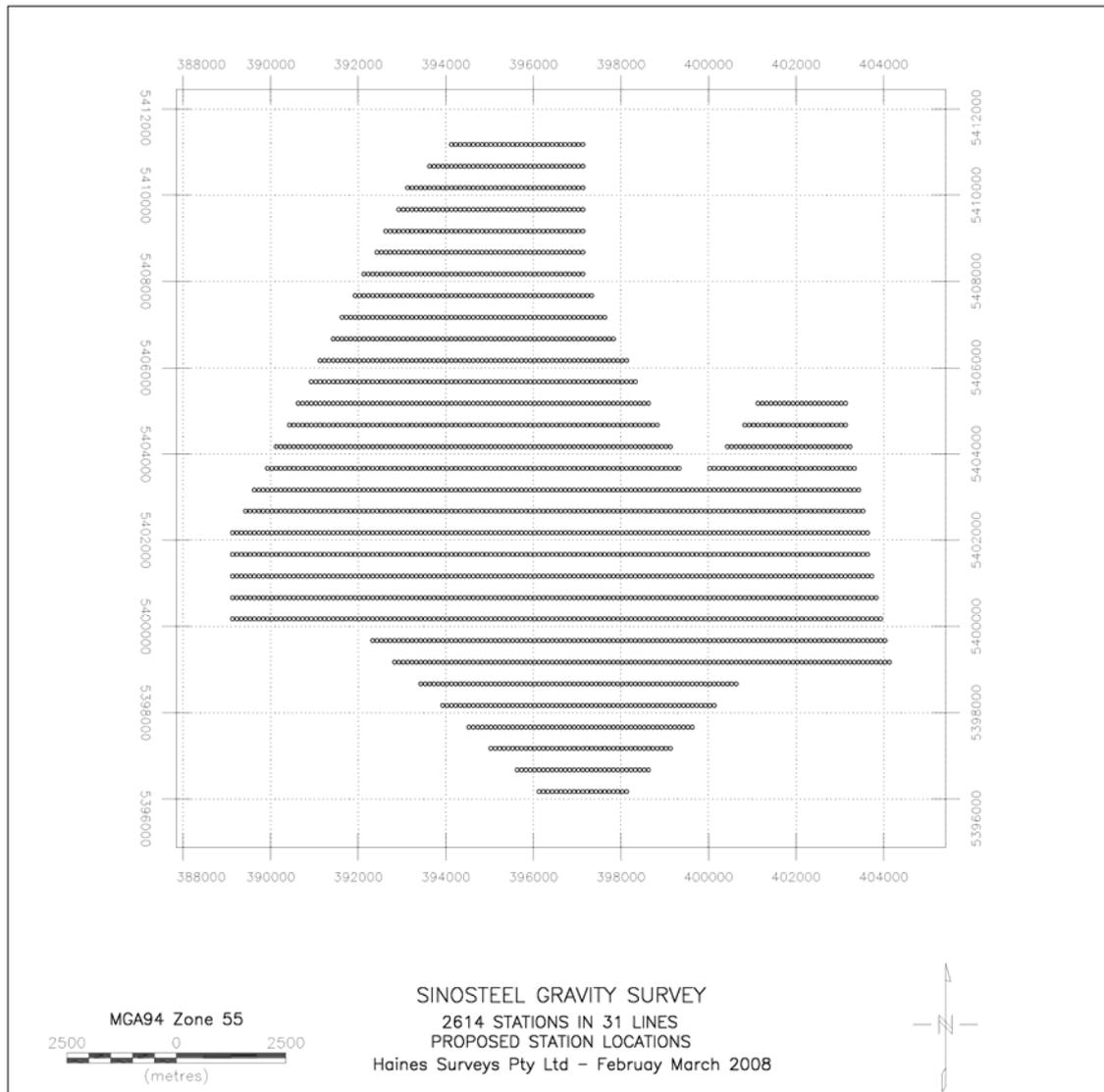


Figure 2: Proposed EL11/2007 gravity survey station locations

The main reason for the difference between the proposed and completed number of total survey stations was the limitation of the GPS equipment to establish a position in the forest and heavily foliage. Where possible, an extension pole was used to elevate the GPS antenna but without this there would have been fewer observations.

The northern section of EL11/2007 was less vegetated enabling the survey crews to follow the proposed lines. However, due to the dense foliage and tree canopy in the southern section the crews modified the lines to obtain the best possible coverage by using any tracks and clearings to observe data.

The exact location and height of each gravity station was obtained using the Fast Static/Real Time Kinematic GPS method, which is generally accurate to within 5 cm in the horizontal and vertical directions relative to the local GDA94 and Australian Height Datum. GPS data was collected using Trimble 4000 series geodetic roving receivers.

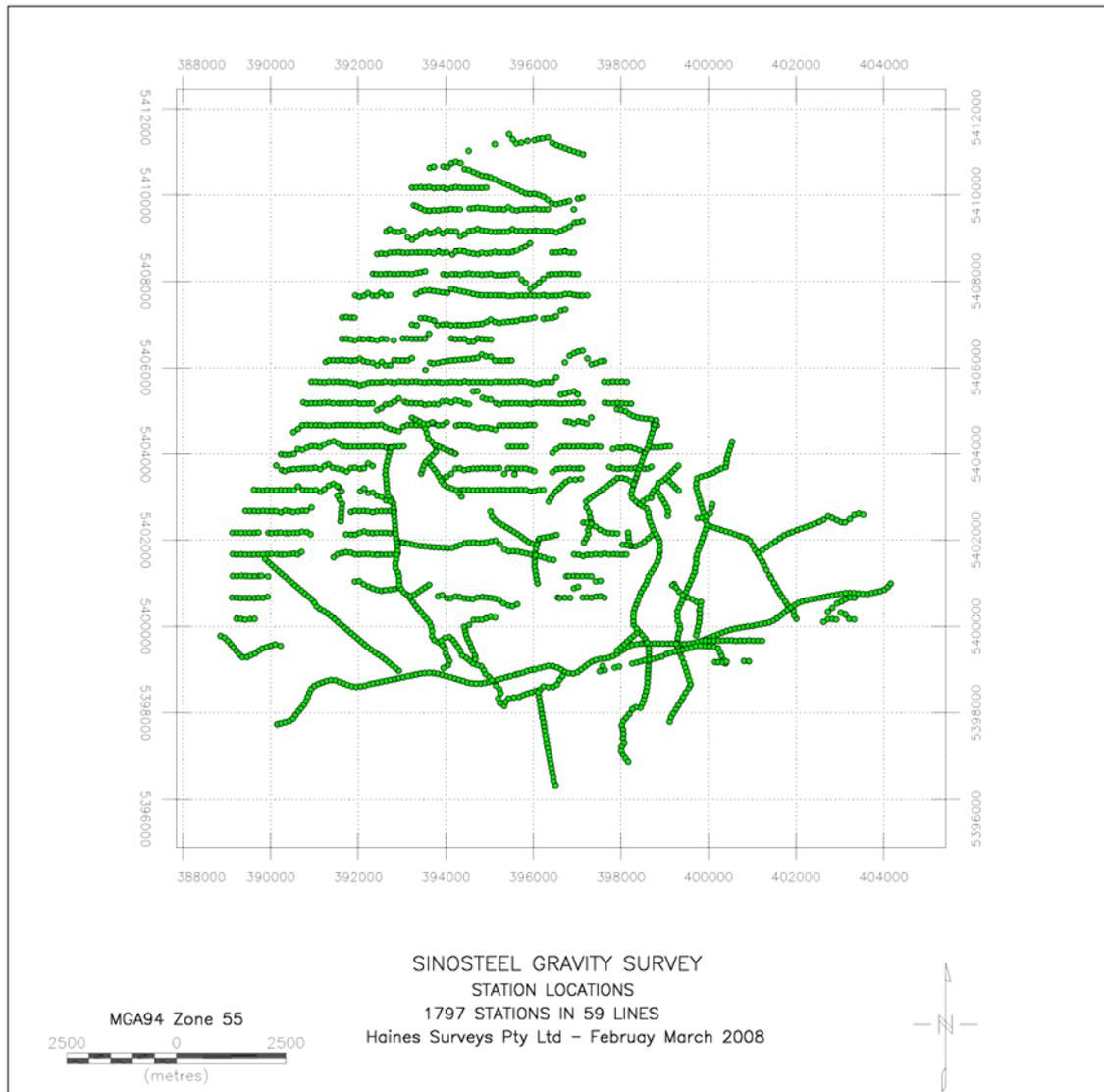


Figure 3: EL11/2007 gravity survey station locations

Gravity readings were collected using portable Scintrex CG5 Autograv Gravity Meters, which can read to better than 0.01 milligals. At the base station, readings of 120 seconds were taken at the beginning and end of the day's fieldwork. Readings of 40 seconds were taken at all other gravity survey points.

At the time of writing this report the gravity data was still being processed.

## CONCLUSIONS

The next step following the processing of the gravity data is to review the geophysical imagery and modelling, in conjunction with other publicly available datasets, and provide an integrated geological interpretation of the MRV in the tenement. Potential VMS targets will then be selected for drilling.

At present, a 3,000 metre diamond drilling program is budgeted to test suitable targets identified on EL11/2007, following the data compilation and review, and form the basis for exploration within the tenement in year two. Down-hole geophysical logging techniques will also be used to maximise the utility of the drillholes.

Proposed expenditure for year 2 from June 08 to June 09 is:

Wages/Consultants/Contractors	\$40,000
Geophysical Surveys	\$50,000
Diamond Drilling	\$420,000
Analytical Costs	\$30,000
Field Costs/Consumables	\$20,000
Data Processing	\$50,000
Administration	\$10,000
<b>TOTAL</b>	<b>\$620,000</b>

## **ENVIRONMENT**

Geophysical survey operations were coordinated in consultation with the private landholder and the relevant government agencies, so as to minimise any impact on the environment. No line clearing was necessary, as existing tracks were used for vehicle access and the survey itself was a backpack operation on foot.

## **EXPENDITURE**

Expenditure on EL11/2007 during the reporting period June 2007 to June 2008 was:

Geophysics	\$240,450
Other	\$7,849
Administration	\$47,249
<b>TOTAL</b>	<b>\$295,548</b>

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## **KEY WORDS**

Mt Read Volcanic, Tertiary basalt, gravity survey