

Annual Report for EL 26/2006

Donaldson River

Compiled by Kim McDermott

For

McDermott Mining Pty. Ltd.

27th March, 2009

Index

1. Summary
2. Land tenure
3. Geology
4. Previous Exploration
5. Work Completed 1st year and 2nd year
6. Conclusions and Recommendations
7. Expenditure

1. Summary

Work carried out on EL 26/2006 consisted mainly on interpretation of aeromag data and review of historical data including interviews with identities with past experience on the tenement.

2. Land tenure

EL 26/2006 was granted to McDermott Mining Pty. Ltd. and covers an area of some twenty square kilometers from Mount Donaldson in the south, north to the Longback.

The area comprises:

State/Multiple Use Forest

MDC Informal Reserves

Proposed Informal Reserves – RFA

Donaldson River Nature Recreation Area

Arthur – Pieman Conservation Area

The licence contains areas which are listed on the Register of the National Estate kept under the Australian Heritage Commission Act 1975 or areas on the National Heritage List kept under the Environment Protection and Biodiversity Conservation Act 1999.

3. Geology

The geology of the Donaldson / Longback area is mainly Proterozoic quartzites, dolomites and shales.

The major north east trending fault is referred to as the Savage fault and to the west of this and still remaining within the licence area are shales, lava tuffs and dolomite overlain with quartz gravels. Some of these gravels, particularly around the area of Sabbath Creek are auriferous.

4. Previous exploration

The tenement has had extensive exploration carried out by different companies for a variety of minerals. These companies include Mt Lyell Mining and Railway Co., (Diamonds) and Cominex/Geo Peko (Base and Precious Metals) with the latter carrying out a comprehensive geophysical, geological and drilling program to identify and target anomalies in this area.

This program was carried out during the nineteen eighties and a comprehensive report and conclusion is available at MRT so there no need for the writer to go into detail on this program save to mention that little was found in the way of economic deposits for the work that was carried out.

It is interesting to note however, that at least two of the significant anomalies identified by this program were never drilled and it was the intention of the current tenement holders to follow up exploration of these anomalies.

5. Work completed 2nd year

Due to interesting developments on other tenements held by the current tenement holders, not as much work was carried out on this licence as they would have expected.

Interpretation of aeromagnetic data by Southern Geoscience Ltd. revealed a further striking anomaly to the west of Sabbath Creek, however, time and commitment constraints did not allow any further work other than a single on ground field reconnaissance involving short trips on both eastern and western side of the western explorer road which traverses the tenement from north to south.

Reconnaissance involving helicopter and field work is planned for the third and fourth week in April, 2009. Due to this report being required prior to this date, no expenditure can be attributed to proposed exploration.

6. Conclusions and Recommendations

Although little work was carried out on the licence, there still remains a number of interesting targets for drilling and the tenement holders are as yet undecided as they consider the option of a farm in agreement for a number of their licences.

This area is proposed for inclusion into an IPO expected to be in effect by December, 2009.

Expenditure for EL.26/2006

Geophysics including data analysis and interpretation of aeromagnetics	3000.00
Geology including stream sampling, travel costs, wages.	4000.00
Administration	500.00
Total for first year	7500.00

As the bulk of the second years expenditure is expected to occur late in April, 2009, second year expenditure cannot be included in this report until after the 30th April, following the submission of this report.