

Annual report for EL4/2007

Lode creek – 14.5km NW of Queenstown

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1. Summary

EL4//2008 was granted on 25th June 2007 with the intention of the applicant to back the prospect into an applied for IPO and proceed to explore the potential of the area for possible VHMS Rosebery style Zn/Pb deposits as well as economically viable Devonian style deposits.

2. Land tenure

EL 4/2007 (10 Skm) was granted to McDermott Mining on June 25th for a period of two years. The tenement was previously granted to the now defunct Pasminco and is shown as EL11/2001 on Figure 1. of the final relinquishment report of that company. EL 4/2008 falls entirely within the Mt. Dundas Regional Reserve, all of which is available for mineral exploration under the Mineral Resources Development Act 1995.

3. Geology

The geology of EL 4/2008 is dominated by the firewood siding fault system which extends from Queenstown to near Trial Harbour and has a general E-W to NNW trend. This system is mentioned in detail in previous reports and hosts the Queensberry Pb/Zn deposit as well as the Grieves siding, Swansea and other well known Devonian style deposits.

The geology of EL4/2008 has been comprehensively explored by previous tenement holders and can be subdivided into three lithological domains:

- a. Correlates of the Devonian Bell Shales group.
- b. An approximately 2.7 sq km fault bounded block of Mt Read Volcanic correlates immediately east and west of EL 4/2008.
- b. A marine sedimentary sequence north of the Firewood Siding Fault that is correlated to the Denison Group

4. Work Completed During First Year

Numerous field excursions to the area of the Queensberry mine and north along line of strike, together with rock chip sampling and identification of past earthworks and mining led the tenement holders to initiate an aeromagnetic survey which gave two distinct anomalies. The first and strongest of the two anomalies was located a short distance along line of strike of the Queensberry lodes to the north. Preliminary interpretation of this anomaly suggests the occurrence of a significant alteration along line of strike of mineralization which could enhance the inferred economic tonnage already existing at the Queensberry deposit. Due to the difficult terrain in the area, this company feels it is prudent to wait on the final interpretation of the aeromagnetic survey before beginning to access the immediate area of the anomaly. At the time of writing this report, McDermott Mining is still awaiting complete interpretation of the aeromagnetic anomaly.

The second anomaly lies outside the western boundary of EL 4/2008 within the boundary of another EL held by McDermott Mining and along the western direction of the Firewood Siding

Fault. Again this company is awaiting final interpretation of the aeromagnetic survey before continuing further exploration.

5. Conclusions and Recommendations

The appearance of significant anomalies at the positions both along line of strike of known and visible mineralization and along strike of the major fault zone in the area suggests either major alteration in the known mineralized zone or an enlargement of the mineralized zone itself.

These anomalies and their respective positions certainly warrant a drilling program to identify the cause of the anomaly/s and once the final interpretation of the aeromagnetic survey has been completed, it is recommended a ground survey program be conducted to determine the position and direction of drilling to be carried out.

Unfortunately, due to financial constraints brought on by the global financial crisis all proposed drilling on this property has been deferred until a joint venture partner can be accessed.

6. Expenditure in 1st year

Geological consultants	11,000
Geophysics/ geochem interpretation	5,000
Capital Equipment exploration	12,000
Administration	1,400
Total	29,400

7. Expenditure in 2nd year

On site reconnaissance and rock chip sampling, reserve estimates.	2,000
Access road and track work, drainage etc	12,000
Admin.	1200
Total expenditure for two years	44,600