
MEMORANDUM

TO: Mike Rosenstreich
CC:
FROM: Kim Denwer
DATE:
SUBJECT: Gold Potential – EL 47/2003 - Tullah

Executive Summary:

Low tonnage low - moderate gold grade mineralisation with high arsenic content occur to the south of the township of Tullah adjacent to Lake Rosebery at the Lakeside and Lorrigan's Luck prospects. Much of the gold is refractory and the mineralisation bears no resemblance to "Henty style" gold mineralisation. The deposits occur under glacial cover which is up to 63m thick. The high arsenic content and the close proximity to Lake Rosebery have increased risk for environmental issues.

These are not a viable target and exploration here would be a distraction for the exploration team from the main VMS targets. It is recommended that no further exploration should be completed.

Introduction:

Exploration on EL 47/2003 Tullah tenement for the past ten years has focussed on the base metal potential around the Farrell line of lode. The potential for finding a large base metal resource here is low and further exploration work is not justified.

The gold potential on this tenement was explored extensively by previous explorer including Pasminco in the 1980 and 1990's and was briefly reviewed by Saracen in 2004. This memorandum reviews this exploration and makes recommendation on further work.

History:

According to McNeill (2000) The Tullah area has a long history of previous mining (mainly small-scale Pb-Ag) and is one of the more heavily explored parts of the Mt Read Volcanics. There have been more than one hundred and thirty (130) diamond and reverse circulation drill holes collared on the tenement at a range of geophysical, geochemical and geological targets. As well as several generations of stream, soil and rock geochemistry, electrical geophysics (primarily IP & EM) and geological mapping.

Between 1889 and 1973 several small Pb-Ag mines operated in the Tullah area (and for 4 kilometres to the south). The largest and most successful of these were the New North Mt Farrell and North Mt Farrell mines, which were operated continuously between 1899 & 1973. The only other discoveries of any significance, which have been made on the tenement by previous exploration effort, are two small (<400,000t) arsenic/gold resources (Lakeside Prospect & Lorrigans Luck Prospect – formally Arsenic Resource). Both of these deposits straddle the Henty Fault and are concealed below glacial overburden.

These gold discoveries were original made during tin exploration. In 1979 drill hole, MRP 212, by EZ encountered cassiterite mineralisation (2m @ 0.55% Sn in the down hole interval 189.2 to 191.2m in altered Farrell Group sediments, in a sulphide (pyrite, pyrrhotite, arsenopyrite) zone averaging around 10 per cent sulphides by volume, with locally up to 40 per cent. Drill hole MRP212 was designed by EZ to test a coincident IP-ground magnetic anomaly in the Murchison River Project, a joint venture initially between EZ, Aberfoyle Limited and Getty Oil Development Co.

Subsequent holes by EZ, MRP233 and MRP219, designed to test the strike extent of the tin mineralisation in MRP212, also encountered sulphide mineralisation adjacent to the Henty Fault. The tin mineralisation was insufficient, however, to justify the joint venture's continued exploration interest in the Murchison River Project.

The samples were not assayed for gold until the 1980's and initially gold assay was by aqua regia. Further work delineated two zones – Lakeside and Lorrigan's Luck separated by 500m.

Mineralisation:

The naming of the mineralisation located within the Sterling Valley are confusing. The mineralisation was originally found when exploring for tin in the 1970's and high grade arsenopyrite was discovered. This was called the Arsenic Resource. In the 1980's these samples were analysed for gold and found to be auriferous, two prospects separated by 500m were delineated with minor drilling the prospect near lake Rosebery was called Lakeside and the one further to the south within the Sterling valley was called Lorrigans Luck. Saracen renamed these Hudson and Hart Zone respectively in 2006.

These deposits are located just west of the Anthony Road turnoff on the Murchison Highway on a thin strip of land between the highway and Lake Rosebery. Lakeside is a very fitting name the mineralisation occurs up to the lake edge.

Mineralisation is vein type poly-metallic As, Cu, Sn, Au, Ag, Pb and Zn occur within the Mt Black Volcanics west of the Henty fault. This is an unusual metal association particularly Au and Sn. Isotope values (lead and sulphur) plus chemistry from Lakeside led Taheri and Green (1990) to conclude that the system is related to Devonian Granites. This is an important observation as isotope values (lead and sulphur) from Henty have a clear Cambrian origin.

Aqua regia gold analysis are always significantly lower than Fire assay suggesting a high level of refractory ore.

Resources:

Lakeside Prospect:

This prospect was reviewed by Pertz (2004a). Three separate drilling campaigns have been conducted for a total of 22 holes, six reverse circulation percussion and 18 diamond core. This drilling has generated 19 intercepts of gold mineralisation at average gold contents of 1.0 g/t or better. A representative selection of these intercepts is tabulated below:

Criteria	Hole ID	From	To	Interval	Au g/t
Widest interval	RED 88-4	260.0	273.0	13.0m	1.31
Narrowest interval	LSR CO4	57.0	58.0	1.0	3.29
Highest grade	RED 87-3	111.0	114.65	3.65	5.88
Lowest Grade	LSD10	53.0	56.0	3.0	1.03

The often quoted resource for this prospect of 750,000 @ 2.1g/t Au was estimated by Billiton Australia in 1988. It is not a JORC compliant resource.

Lorrigan's Luck:

This prospect was reviewed by Pertzel (2004b). A total of 8 drill holes have been completed at Lorrigan's Luck deposit. Pertzel does not discuss the Lorrigan's Luck resource. A resource of 480,000 tonnes @ 5.2 % As and 0.84 g/t Au (McDonald 1984 in Weber *et al.*, 1997) again is not JORC compliant.

Conclusions and Recommendations:

- Both resources are small with low – moderate gold grades
- The gold is at least partially refractory
- The zones are structural hosted mineralisation related to the Devonian granites
- They are not “Henty look a likes” which is a modified Cambrian VMS system
- The very high arsenic levels could cause environmental issues
- The location of the deposits adjacent to Lake Rosebery would cause permitting issues (from exploration through to mining) and may pose environmental issues as well

It is recommended that no further work be completed on this mineralisation.

McNeill, A. And Simpson, K.L., 2000. Tullah EL 22/90 Annual and final relinquishment report for the period ending 19th October 2000. *Unpublished report to Pasminco Exploration.*

Pertzel, B., 2004a. A Review of Gold Mineralisation at the Hudson Zone Sterling Gold Prospect, Exploration Licence 47/2003 Tasmania. *Unpublished report Pertzel Tahan and associates by for Saracen Minerals Holdings Ltd.*

Pertzel, B., 2004b. A Review of Gold Mineralisation at the Hart Zone Sterling Gold Prospect, Exploration Licence 47/2003 Tasmania. *Unpublished report by Pertzel Tahan and associates for Saracen Minerals Holdings Ltd.*

Taheri, J., and Green, G.R., 1990. The origin of gold-tin-copper mineralisation at the Lakeside deposit, western Tasmania. *Geol. Rep. Mt Read Volc. Proj. Tasm. 5.*

Webber, G.B., Murphy, F.C., Basford, P., and McGunnigle, N.K., 1997. Tullah EL 22/90 Annual report for the period ending 19th October 1997. *Unpublished report to Pasminco Exploration*