

PRECIS OF TASMANIAN EXPLORATION LICENCE (EL) AREAS

Objective: Resource Generation Limited has acquired the titles to four Exploration Licence areas in Tasmania. A brief précis has been prepared of the data package that has been acquired as part of that transaction and of the current status of coal exploration. The objective of this work was to create shorter term targets for future geological activities within the areas.

1. EL 25/2008 – MELTON MOWBRAY

The Melton Mowbray area comprises parts of several previous EL areas originally held and explored by CRA in the early to mid 1980's. Titles which covered parts of the present title area included Parattah EL 18/82, Kempton EL 19/82 and Jericho EL 20/82. The current EL 25/2008 granted in this area has been designated as Melton Mowbray, being centred on that village, and covers an area of 203 square kilometers.

Initial appraisal of the data package leads to the view that the CRA geological assessment was carried out in a professional manner and included;

- Literature / data search – particularly of numerous existing water bores
- Photo and geophysical interpretation
- Field mapping
- Structural interpretation
- Drilling target development
- Core and open hole drilling
- Down hole geophysics
- Progressive reporting to MRT (Mineral Resources Tasmania)

The data generated was extensive. Regrettably, as with so much material provided for records at that time, the process of microfiche and subsequent conversion to electronic files (predominantly Acrobat) has resulted in substantial instances of poor copies of what were already inferior-quality field plans. Further data access is impeded by the fact that the borelogs and geophysics were generally provided as appendices to progress reports and it can be time-consuming to locate a borelog in a 360 page Acrobat file with no index; again the odd-sized pages have led to difficult image handling.

The exploration focused on defining coal depositional environments within elongate graben structures. The major feature partly within this area was the Jericho graben

structure, extending up to 50 kilometres on a NNW – SSE trend, and averaging several kilometres in width. Scout drilling which took place along the feature was possibly somewhat reduced in effectiveness by the need to drill on public access land; certainly not all the sites on the planning map have been drilled. Some hypotheses regarding seam development have been developed and could be useful in future exploration. Unexplained termination of CRA field activities occurred abruptly in 1985; a search as to whether there were other subsequent titles could be enlightening.

Two secondary graben structures have been identified immediately to the west of Melton Mowbray and Kempton. These are possibly truncated structures of somewhat limited extent. Their resource potential has not been appraised.

Recommended short term exploration activities include the following items carried out to geological ‘best practice’.

- Review and catalogue all existing documents.
- Create a comprehensive borehole data base, firstly for bore location, level, depth and type, then to progressively add stratigraphic intersections and coal quality. This is a large task and should be carried out in conjunction with the building up of a hard-copy borehole library.
- Build computer deposit model(s), probably on a deposit by deposit basis. This will require the services of a modeling specialist (suggest M.E.G.M.S).
- Physically locate bore sites which had been identified in previous CRA planning but which have not been drilled. Make access to the preferred location a priority for an initial drilling program.
- Drill a short series of holes to test the validity of both individual data points and the sedimentological / stratigraphic continuity away from a given data point.

The longer term objective will be to carry out a comprehensive exploration drilling program in all the areas that exhibit economic mining potential.

2. EL 26/2008 – LAKE TIBERIUS

The Lake Tiberius area comprises parts of several previous EL areas originally held and explored by CRA in the early to mid 1980’s. Titles covering parts of the present title area included Parattah EL 18/82, Kempton EL 19/82 and Jericho EL 20/82. The current EL

25/2008 granted in this area has been designated as Lake Tiberius, extending to the north and south of that physical feature and covering an area of 220 square kilometers. This new title does not include the previously identified resource area of York Plains which lies to the east of Oatlands and south of Woodbury.

Again, this area has been subject of a CRA geological assessment. Comment is as for the previous title.

Recommended short term exploration activities are as for the previous area.

The longer term objective will be to carry out a comprehensive exploration drilling program in the areas that exhibit economic mining potential.

3. EL 65/2007 – TUNBRIDGE

This is part of an area variously held and explored by Victor Petroleum, BHP and Costain in the early 1980's. The present title area was originally a small part of the extensive EL 31/80. The current EL 65/2007 granted in this area has been designated as Tunbridge, the village of that name being approximately central to the title area. The EL covers an area of 237 square kilometers. This new title does not include the previously identified resource area of York Plains which lies south of the Woodbury Coal Deposit, but does include an area to the west called Bell's Lagoon where some resource potential has been identified.

Exploration in this area was carried out with somewhat limited scientific rigor (... RWD; personal comment based on initial perusal of reporting) and with the distinct limitation of drill sites being located only on Public / Crown lands. Resource investigation was carried out with the objective of feeding a local captive power station whereas it is now being viewed as export coal – substantially more analytical data will be required to meet marketing requirements. It is apparent throughout the data that there is a lack of rigor in stating the basis (as received, air dried, dry, daf, etc) on which analytical results are stated.

Until all the currently available data is reviewed and a professional opinion is formed as to the confidence that might be placed on an estimate of resources and (possibly) reserves, it is difficult to estimate what additional exploration data may be required.

It is recommended that short term exploration activities include the following items, carried out to geological 'best practice' standards.

- Review and catalogue all existing documents.
- Create a comprehensive borehole data base, firstly for bore location, level, depth and type and then progressively add stratigraphic intersections and coal quality and possibly rock lithologies. This is a significant task and should be carried out in conjunction with the building up of a hard-copy borehole library. Some of the past logging has been to less than ideal coal geology standards.
- Build computer deposit model, preferably incorporating structural dislocations. This will require the services of a modeling specialist (suggest M.E.G.M.S).
- Reach agreement with surface land holders for drilling access. Locate bore sites which had been identified in previous Costain planning (and also recent AMC bores) for drilling. Identify and infill drill hole sites which are at greater than (say) 500 metre spacing.
- Drill a short series of holes to test the validity / variability of both individual data points and the sedimentological / stratigraphic continuity away from a given data point.

The longer term objective will be to carry out a sufficient exploration drilling program that will allow a comprehensive economic mining assessment of this deposit and direct comparison with any other deposits we may locate within the available EL areas.

4. EL 64/2007 – BONNEYS TIER

The Latrobe / Railton area in northern Tasmania has a long history of coal and oil shale exploration and mining. Earliest reporting goes back to 1901 and amongst other information notes that 'the name Spreyton had been used for at least six, probably seven, workings'. Reporting in 1922 goes back to 1855 and states that 'coal has been worked at shallow depth in ten distinct areas'. It is believed that very small coal mining activities continued through to about 1960.

Oil shale was mined in this area during the period 1910 and 1934; it appears to have been in a spread of areas in the general Latrobe / Railton area. The focus of exploration commenced in the area in 1974 was on oil shale; the exploration title EL 4/74 was held by Endeavour Resources in a joint venture with CRA over much of the period to 1990,

when it reverted to Endeavour under Retention Licence RL No. 8805. The main period of oil shale exploration drilling, carried out by CRA, was in 1981.

In 1982 CRA was granted EL 45/82 to explore for coal; it carried out significant data collection and field mapping activities over the next 2 years but reporting in 1984 concludes there was very limited prospects for a resource of significant (50 Mt) size. Both EL 4/74 and EL 45/82 covered significantly larger areas than this present EL 64/2007 which covers an area of 161 square kilometres south of Spreyton and west of Railton.

It is recommended that short term exploration activities include the following items.

- Review and catalogue all existing documents.
- Create a prior mining database for every coal mining and oil shale mining operation that can be identified in the area.
- Create a regional borehole location data base; this would include water bores. The data for each bore should include bore location, level, depth and type, and presence of coal lithologies. This is a significant task and should be carried out in conjunction with the building up of a hard-copy borehole and mine site library. Some of the past data collection has been to less than ideal coal geology standards.
- Review the potential to build a computer deposit model. This may be deferred until after scout drilling (if warranted) is carried out. This will require the services of a modeling specialist (suggest M.E.G.M.S).
- Reach agreement with surface land holders for drilling access. Locate regional and target bore sites.
- Drill a limited number of scout bores to confirm previous interpretation, particularly that of CRA in 1984.

The longer term objective will be to carry out a sufficient exploration drilling program that will allow a comprehensive economic mining assessment of this deposit and direct comparison with any other deposits we may locate within other Tasmanian EL areas.

Prepared for:
RESOURCE GENERATION LTD

Rod W Davis
8th October 2008