

McDermott Mining P/L
Annual Report for EL21/2009
6km² near Healy Creek

EL21/2009 was granted to McDermott Mining p/l on 12 march, 2009.

The purpose of the application was to further explore the northern extensions of the North Heemskirk Deep Lead which extends from the now exhausted Central Big H alluvial tin deposit through the northern 21M2003 and the old Tasman Alluvials workings, west of the 21M2003 lease.

During the summer of 1984, a number of test holes dug with a 14 tonne Kobelco excavator by Messrs Laffer and co. showed promising tin values and on these results, Renison conducted a drilling program (Nth Heemskirk EL's 6/94 and 30/92 report No. 97-4042) in 1995-97

Due to the wet nature of the ground, drilling was not carried out on the relevant area, although a number of bulk samples had already been taken and transported to the Twelve Mile creek Mill where they remain today.

McDermott Mining (MM) proposed to carry out a geophysical survey during the summer of 2010/2011 to outline the northern extension of the North Heemskirk deep lead however, due to extremely wet conditions, it has been decided to postpone the survey until more favourable weather allows.

It must also be noted that the nomination of this area for inclusion as a world heritage site reduced the enthusiasm of MM to commit too much time and expenditure until the area was declared free of inclusion in December, 2010.

MM made submissions to the relevant federal ministers and the Heritage commission in the hope common sense would prevail.

Extremely wet weather conditions have also hampered the reconfiguring of the Twelve Mile Creek mill and the dewatering of the Granville East mine although the mill is now completed and once again in production.

MM have utilized this 'down time' to purchase and install equipment and carry out on ground foot reconnaissance, identifying the areas where the bulk samples were extracted and carrying out testwork on the samples which have identified an alluvial tin resource which can be successfully treated at the Twelve mile creek mill pursuant to the construction of a dredge or gravel pump operation on 21M2003.

Interestingly, when testwork was carried out using the previous lessee's Mr Roy Laffer's method, ie. Panning and estimation based on experience with the alluvial at Central Big H and Tasman River, the results were comparable. As well, when the methods used by others, Renison etc, were employed, the results were also comparable even though these results were at odds with Mr. Laffer's.

A bulk sample was then put directly across a jig and a cut of the same sample was sent to SGS for splitting, screening and assaying. The result was the jig recovery was excellent and up graded immediately but the splitting and sampling method employed by the lab resulted in tin fractions leaving the sample in uneven amounts regardless of the size fractions, giving an assay which was not consistent with recovery. Further work should be carried out regarding this anomaly but for the present we should take Mr Laffer's advice and 'If it ain't broke, don't fix it'

As this test work is ongoing, copies of these results will be included in later reports.

Comparison of the characteristics of the alluvial on EL21/2009 show they are identical to those at Central Big 'H' and 21M2003 and previous seismic surveys give a basement depth of approx 20 metres prior to the alluvial being overlain by the basalt in the area.

This basalt overlay does not affect the exploration aims of MM as it is neither on 21M2003 or covering any sizeable extent of EL21/2009.

On foot reconnaissance as well as previous drilling, although still inconclusive pending the proposed survey, indicates a large alluvial deposit which certainly carries good tin values at numerous points.

This deposit appears to stretch from the western bank of the Tasman river near Donnelly's lookout, east, to the eastern boundary of 21M2003 and from the old Tasman river workings, northwards to an as yet unknown point.

The central part of the deposit underlies the basalt covering which is between 500mm and ten metres thick in places. This covering hinders the viability of a project starting up in this area but given the ease of working of the large volume of alluvial within the boundary of 21M2003 which has little or no overburden to speak of and the strong indication that the accessible alluvials skirt the main basalt overlay and continue through and into the southern boundary of EL21/2009 it is entirely possible that a viable, long term mining operation can be staged to include all of the areas under licence by MM. Ie. Granville East, Central Big H lode, 21M2003, EL21/2009 as well as that area which is overlain by the basalt.

MM have consulted with dredge and gravel pump experts both in Australia and the US as well as Malaysian alluvial mining experts and given today's technology, the volume of material required to be moved to create a viable operation do not pose any significant problems.

Further exploration work needs to be done, including the proposed geophysical survey but to attempt further exploration work during the present inclement weather would be foolhardy and result in yet another inconclusive result. As such, MM intend to continue producing tin concentrate from the twelve mile creek mill and will restart exploration on EL21/2009 as soon as conditions permit.

Kim McDermott for McDermott Mining 14th January, 2011