



Mt Kershaw

EL 48/2004

**ANNUAL REPORT
FOR THE PERIOD ENDING 22nd OCTOBER 2012**

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1. SUMMARY

During the reporting period, on ground exploration activity was completed in the vicinity of the Burns Peak area of EL 48/200. This consisted of a 501 metre shallow diamond drilling program in the Thomas's tunnel area (TTH014 to TTH026). Further to this field based preparatory work to support statutory environmental approval for a mining proposal was completed. This consisted of:

- A flora and fauna survey
- Base line environmental monitoring (water sampling and flow determinations)
- Aboriginal heritage survey
- Hydrological drawn down tests and sampling of existing drill holes
- Sampling (core and surface outcrops for NAG/NAPP and column tests) to determine geochemical characteristics of waste rocks

In addition, office based studies were commenced/completed on:

- Resource estimation
- Mining plan and methodology for the Costean lode open cut
- Mining plan and methodology for the Southern Trenches underground operation
- Proposed water management plan
- Waste rock management plan

A depth limited (150m) mining lease application (6M/2012) of 143 hectares was submitted to Mineral Resources Tasmania by Mancala Resources Limited (Mancala). In association with the ML application, Mancala and MMG Australia Limited entered into an Ore Sales Agreement which governs the sale of mineral product from the mining lease.

During 2011/2012 Mancala has conducted on behalf of MMG, an extensive brown fields style exploration program on the EL expending some \$940,000. Activity has consisted of surface sampling, mapping and diamond drilling in and around known mineralisation. The work program was successful in delineating two small resources and locating mineralisation worthy of further delineation.

The mining operation is proposed to be carried out in stages, with the initial Stage 1 and 2 works providing revenue for latter stage delineation activities. Stage 1 and 2 are small in scale, are of limited duration and are limited by the MMG external ore requirements to a production profile equivalent to 250 tonnes per week day. Stage 3 is conceptual in nature requiring further feasibility work prior to implementing.

The proposed mining operation's environmental management plan incorporates a staged legacy rehabilitation program. The area has undergone some 100 years of exploration and mining activity, resulting in some instances small although significant environmental issues. Establishment of the operation will allow where possible amelioration of these legacy impacts.

1. REGIONAL GEOLOGY

EL 48/2004 is located in the northern portion of the Mt Read Volcanics approximately 10km north of Rosebery (Figure 1). The three known prospects in the area (Southern Trenches, Thomas's Tunnel and Brown's Tunnel) are intimately associated with a sedimentary sequence known as the Burns Peak Subgroup. Structurally, the sequence displays a complex history with local and regional cleavage recorded as trending north east. The northerly orientated Rosebery Thrust Fault is located to the west as a number of splays and to the east, the north easterly trending Pinnacles Shear forms the eastern boundary of the Subgroup (Figure 2).

The stratigraphic sequence in the area is analogous to the sequence exposed in and around the Rosebery Mine. The prospects are hosted by the Browns Tunnel Formation, a complex suite of volcanoclastics, interbedded sediments, dacitic and andesitic intrusives. The Browns Tunnel Formation can be broadly correlated with the upper portion of the Central Volcanics Sequence, which at this location, is overlain by the Pinnacles Rhyolite and the White Spur Formation (Southwell Subgroup). Interbedded within the lower portions of and underlying the Browns Tunnel Formation is the feldspar phyric dacitic pumice breccia and dacite lava/intrusives of the Central Volcanic Sequence.

At Southern Trenches, both the hanging wall and footwall of the host rocks are pumice breccias while further north at Thomas's Tunnel dacitic tuffs and andesite form the hanging wall sequence. Further north at Browns Tunnel, the Thomas's Tunnel hanging wall sequence becomes the footwall sequence.

Hosting the massive sulphides at Burns Peak is a locally discontinuous, although regional (500m -1,500m) continuous zone of syn-volcanic sediments and volcanoclastics. Lithology's range from discontinuous beds of chert, tuffaceous sediments, siltstone, and shale to epiclastics and debris flow units. Vesicular andesite cross cuts and/or intrude sedimentary units in places.

Alteration of the host units, and to a lesser degree the hanging wall and footwall lithology's is ubiquitous. Intense siliceous and pyrite alteration surrounds the massive sulphide lenses, while chlorite, carbonate and sericite alteration (+/- pyrite) is found throughout the host units. Low tenor sericite and carbonate alteration of non-host rocks is sporadically developed.

2. EXPLORATION HISTORY

The Burns Peak area (aka Pinnacles after the initial prospect discovery) has long been known to be prospective for Rosebery style VHMS deposits owing to the similar stratigraphic succession and structural setting. The Burns Peak area is known as 'the second best address' after Rosebery, a status which has prompted extensive exploration activity over more than a century with expenditure in the 10's of millions of dollars. Notwithstanding the persistence of past explorers, the three prospects discovered at the turn of the 20th century (Brown's and Thomas's Tunnel and Southern Trenches) remain the only identified areas of coherent mineralisation.

Table 1 summaries exploration and mining history of the Burns Peak from 1896 until the recent work by Mancala Resources in 2011.

3. LAND TENURE

Exploration Licence 48/2004 was granted to Zinifex Australia Limited on the 23rd November 2005 for a period of 5 years. Following corporate restructuring and divestment, beneficial ownership of the Licence resides with MMG Australia Limited. The licence was renewed in late 2010 and 2011 for further periods of 12 months, ending on the 22/11/2012. Mancala Resource have been granted by MMG the right to apply for a depth limited (150m) mining lease on a portion of EL 48/2004 in accordance with the terms of a Heads of Agreement between MMG and Mancala.

On the EL, all land is Crown Land gazetted as State Forest, informal reserves, portions of the Burns Peak and Mt Kershaw Forest Reserves and some HEC reserves. The proposed Mining Lease is contained wholly within the Burns Peak Forest Reserve (Figure 3).

Figure 1. EL 48/2004 Location Diagram.

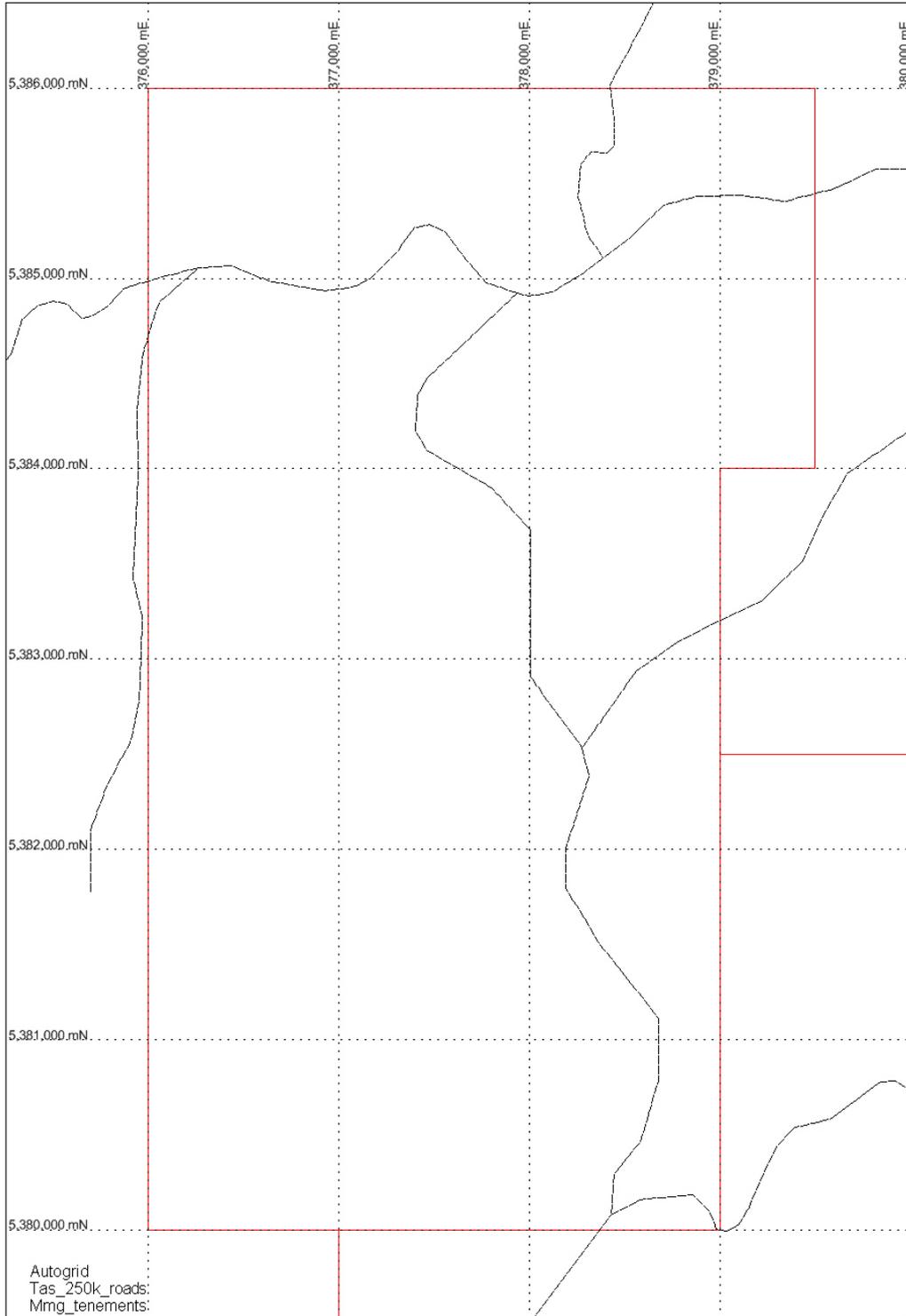


Figure 2. Burns Peak Interpretative Geology.

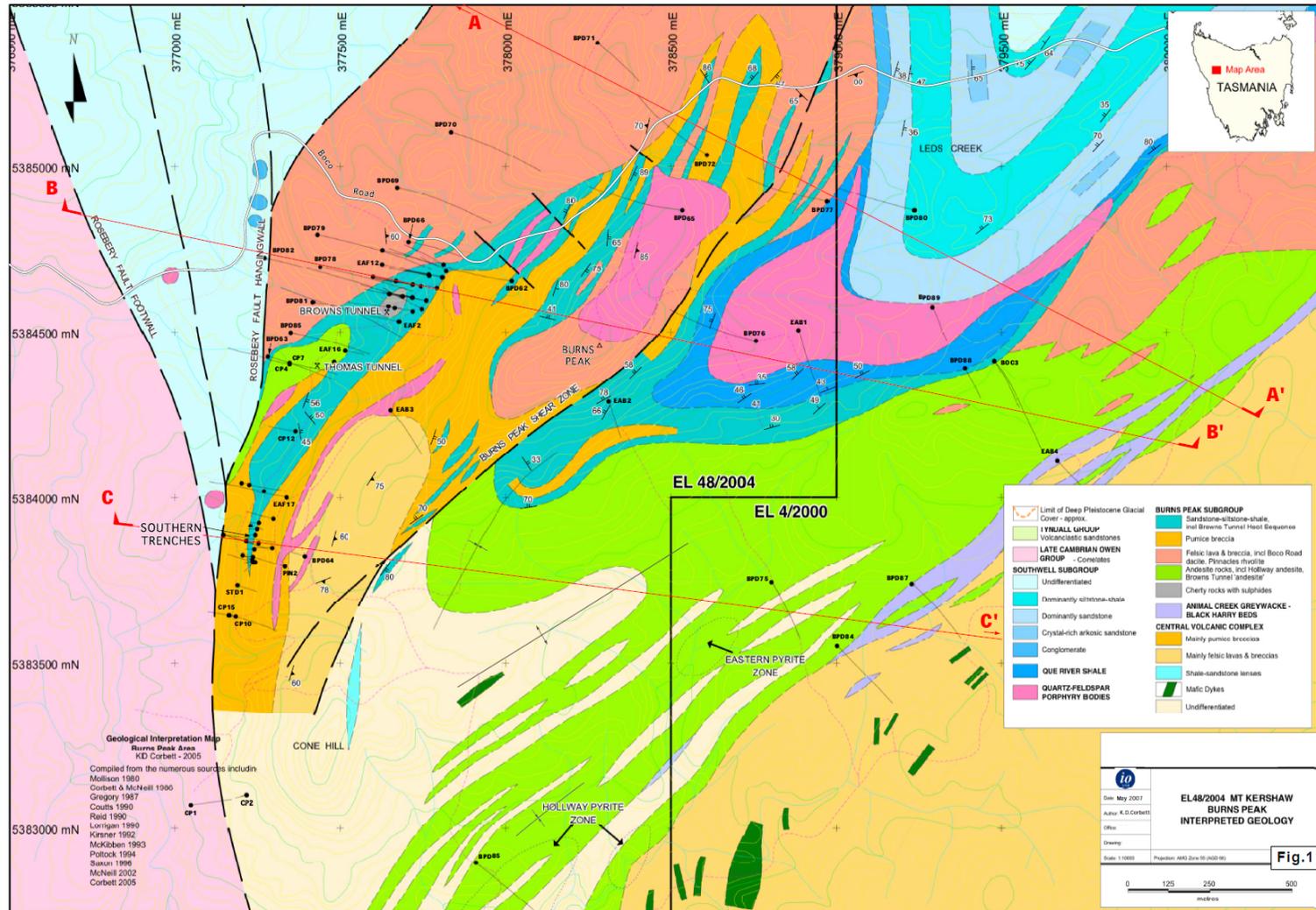


Table 1. Exploration and mining history of the Burns Peak Area

YEAR	EXPLORATION/MINING ACTIVITY	CONDUCTED BY
1896	Discovery of Pinnacles Lodes	McGuinness Bros.
1899	Discovery of alluvial gold in Marionoak River (Strong's Alluvial Workings)	Tom Strong
1899	Discovery of Kershaw's Iron Blow	Chesterby Kershaw Sanderson
1899	Brown's Tunnel driven: est. production 300t @ 2%Zn, 2g/t Au, 4 g/t Ag	N/A
1899	Southern Trenches: est. production 55t @ +10%Zn, +8% Pb, +8g/t Au, 38g/t Ag	N/A
1899	Thomas' Tunnel driven (Thomas' workings): est. production 50t @4%Zn, 7%Pb, 1g/, 240g/t Ag	N/A
1908	Mt Lyell Mining & Railway Co Ltd secured Chester Leases	Mt Lyell Mining & Railway Co Ltd.
1908-1913	Intensive exploration & mining development at Chester - production 36 000t @ 37%S	N/A
1918-1929	Minor production from Chester - 700t @ +25%S	Cuming Smith & Co.
1947-1959	Foot & vehicle access created to Pinnacle area; 14 small diameter DDH; topography & workings surveyed; geophysical surveys	Electrolytic Zinc Company
1959-1960	Geochemical, geological & geophysical surveys over Pinnacles & Chester; "The significant feature of this coverage is that Pinnacles Mine Mineralisation is non-conducting"	N/A
1968-1972	Initial phase of gridding, geochemical sampling, geophysics, mapping & 3DDH at Chester	Comstaff
1973-1976	Second phase of gridding, geochem sampling etc, 10 DDH drilled at Pinnacles and 13 at Chester; new metric grid, new soil sampling, new IP; airborne EM.	Comstaff
1976-1979	Preussag entered into JV with Comstaff; detailed mapping & structural synthesis completed; C-horizon soil geochem, 2 DDH, trial PEM & IP over	Preussag & Comstaff (JV)

	Leo's Find.	
1980-1983	Exploration of East Chester area; new grid, grid extensions, C-horizon soil geochemistry; ground magnetics, OP, DIGHEM, DDH at East Chester.	Preussag & Comstaff (JV)
1984-1985	New grid at Pinnacles mapped; C-horizon soil sampling; ground magnetics; UTEM; 19 DDH with discovery of small lenses of massive sulphide & patchy gold mineralisation; new geology interp.	Preussag & Comstaff (JV)
1986-1988	BHP entered JV; reinterpretation & compilation of exploration results; blanket UTEM & downhole SIROTEM; new geology interpretation; petrological studies; wacker sampling.	BHP (JV)
1988-1991	Extensive geology mapping; re-appraisal of previous data; Wacker sampling; geochem; petrology; DHEM; CSAMT; DH-SIROTEM; MALM; aeromagnetic survey; regional & local gravity surveys; drilling of 12 DDH; rehab of old tracks; costeans & workings.	Pasminco JV
1991-1992	3 DDH; geology mapping & relogging drill core; gravity infill & interpretation; ore/pathfinder/whole rock geochem; downhole EM (3 DDH); compilation/computerisation of historic geochem data.	Pasminco JV
1992-1993	3 DDH; geology mapping & gridding (Sth Kershaw-Hollway); review & compilation of previous exploration; dipole-dipole IP (Sth Kershaw-Hollway); soil geochem (Sth Kershaw); ore/pathfinder/whole rock geochem.	Pasminco JV
1993-1994	3 DDH, gridding, soil/rock geochem; DHEM; MALM; ground mag & mapping.	Pasminco JV
1994-1995	5 DDH & extension of CP7; DHEM; gridding & geology mapping (Hollway area).	Pasminco JV
1994-1995	5 DDH & extension of CP7; DHEM; gridding & geology mapping (Hollway area).	Pasminco JV
1995-1996	2 DDH; gaol mapping; ground mag; IP and DHEM (Hollway). 4DDH & re-evaluation of mineralisation (Browns Tunnel). Grid refurbishment & infill gridding; soil sampling; ground mag; trenching & 7RC holes (Southern Trenches).	Pasminco JV
1996-1997	Compilation & evaluation of exploration data including soil sampling, ground mag, trench sampling mapping & RC drilling which were conducted towards the end of previous annual reporting period; thorough review of previous exploration, data entered into Pasminco GIS and	Pasminco JV

	Prospectively. Review conducted.	
1997-1998	MMI Soil sampling and IP surveys at Nth. Kershaw – Chester, resource definition drilling at Browns Tunnel and Southern Trenches followed by preliminary mining and metallurgical studies	Pasminco JV
1998-1999	Mining and metallurgical studies on the known resources at Brown's Tunnel and Southern Trenches	Pasminco JV
1999-2000	MMI soil sampling, one exploration diamond drill hole and 5 resource infill holes (for 305.5m). Completion of BSc (Hons) project on isotopic systematic of alteration at Southern Trenches.	
2000-2001	Collection of 163 B Horizon partial leach soil samples and 6 rock chip samples from the Summit Prospect. Depth limited mining lease granted to Hercules Resources Pty Ltd, mining of 14kt of high grade (20% Pb + Zn and 9g/t Au) by open cut methods at Southern Trenches. EL Relinquished by Pasminco. EL20/2001 granted to Aurion Gold Pty Ltd	Pasminco JV/Aurion Gold
2001-2003	Reprocessing of Pasminco IP data and collection of C horizon soil samples (35 samples). Licence was relinquished in late 2003. Land vacant till November 2005	Aurion Gold
2005-2006	Geological compilation involving relogging of historic drill core and additional geological mapping. Partial leach soil sampling (564 samples) across new and refurbished grid lines.	Zinifex

4. RESOURCE ESTIMATES

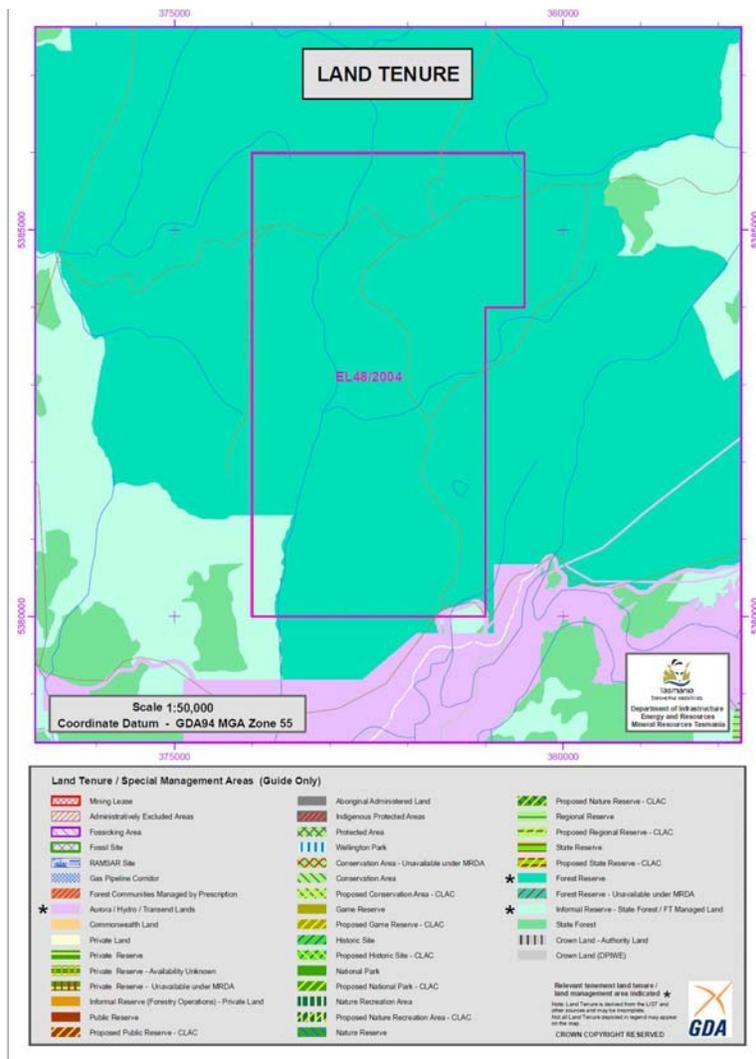
JORC compliant mineral resource estimates have been compiled for the Southern Trenches Deeps and Costean Lode areas based upon recent (2011) drilling and sampling programs. The 2011 program has also highlighted the presence of potentially economic mineralisation in the Thomas Tunnel area. A non-JORC compliant resource was calculated by Pasminco in 1998 for the Browns Tunnel area, which although planned to be substantiated by further drilling in 2011, it was not and remains a target for further work.

4.1 COSTEAN LODGE:

Costean Lode is located approximately 120m South West of the Thomas Tunnel portal (Figure 4) at 4,920N and 4640E (BPMG – Burns Peak Mine Grid. The mineralisation was located following the discovery of sulphide rubble at the toe of a 1970's costean. The costeans floor was subsequently cleaned with an excavator and some 6.5m of high grade mineralisation was discovered. This was assayed to contain 1.0% Cu, 21.1% Pb, 43.1% Zn, 124g/t Ag and 3.5g/t Au. The mineralisation is exposed some 2.5m below natural surface in the floor of the costean. Overburden consists of weathered and oxidised volcanics, glacial till and a thin soil profile.

Follow up drilling below the costean exposure showed the mineralisation to have limited north/south (10.0m) and depth (18.0m – from natural surface), typical of the poddy high grade mineralisation at Burns Peak. Mineralisation at Costean Lode is developed within a board (50m width) zone of siliceous volcanic sediments, chert and black shale. It terminates both laterally and at depth by inter-fingering and lensing out with an overall steep easterly dip.

Figure 3. Land Tenure of EL 48/2004.



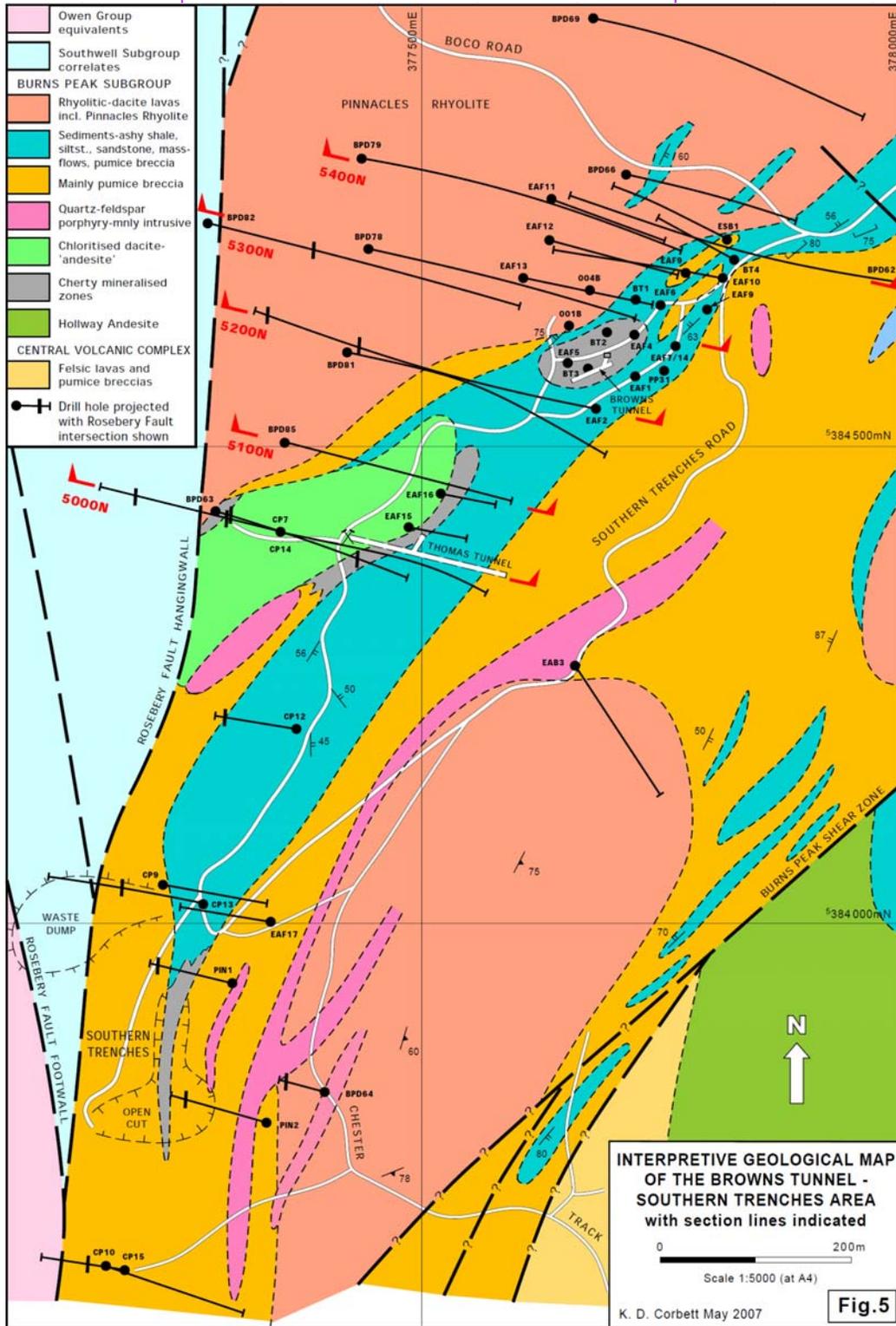


Figure 4. Location Plan showing Costean Lode location and other prospects

Drilling beneath and to the north and south of the costean outcrop has proven a very small, but very high grade pod of mineralisation. A polygonal resource estimate, using surface exposure and 6 drill holes suggests some 4,000 tonnes of mineralisation is present. Lensing and inter-fingering of mineralisation and waste rock along with the poor recovery encountered during drilling lead has led to difficulties in modelling a coherent geological shape. As a result the resource is categorised as Indicated.

4.2 SOUTHERN TRENCHES DEEP:

Southern Trenches mineralisation was mined via open cut methods in 2000, producing some 14,000 tonnes of high grade base metal and gold ore. On closure an ore remnant was known to exist in the pit floor. This mineralisation remained un-mined as the ore was thought to be limited in extent (a vertical DDH significantly limited its down dip projection) and any extraction via open cut would require a significant cut back to the east (Figure 5).

The 2011 drilling program of Mancala Resources was, in part, aimed at defining the extent of the remnant with the potential of open cut extraction. Drilling from immediately above the uppermost bench proved successfully, with the remnant shown to steepen in dip and plunging some 60m below the pits floor. The strike extent however is limited to some 35m.

Drilling was conducted on a very tight pattern (5.0m north/south and 10-15m up/down dip) for a total of 1,250m in 15 holes. Ground conditions which were encountered whilst drilling were generally very good, however a persistent fault structure in the hanging wall of the mineralisation proved, in certain areas to be very poor ground. Core recovery was excellent, with 95-100% recovery in the mineralisation.

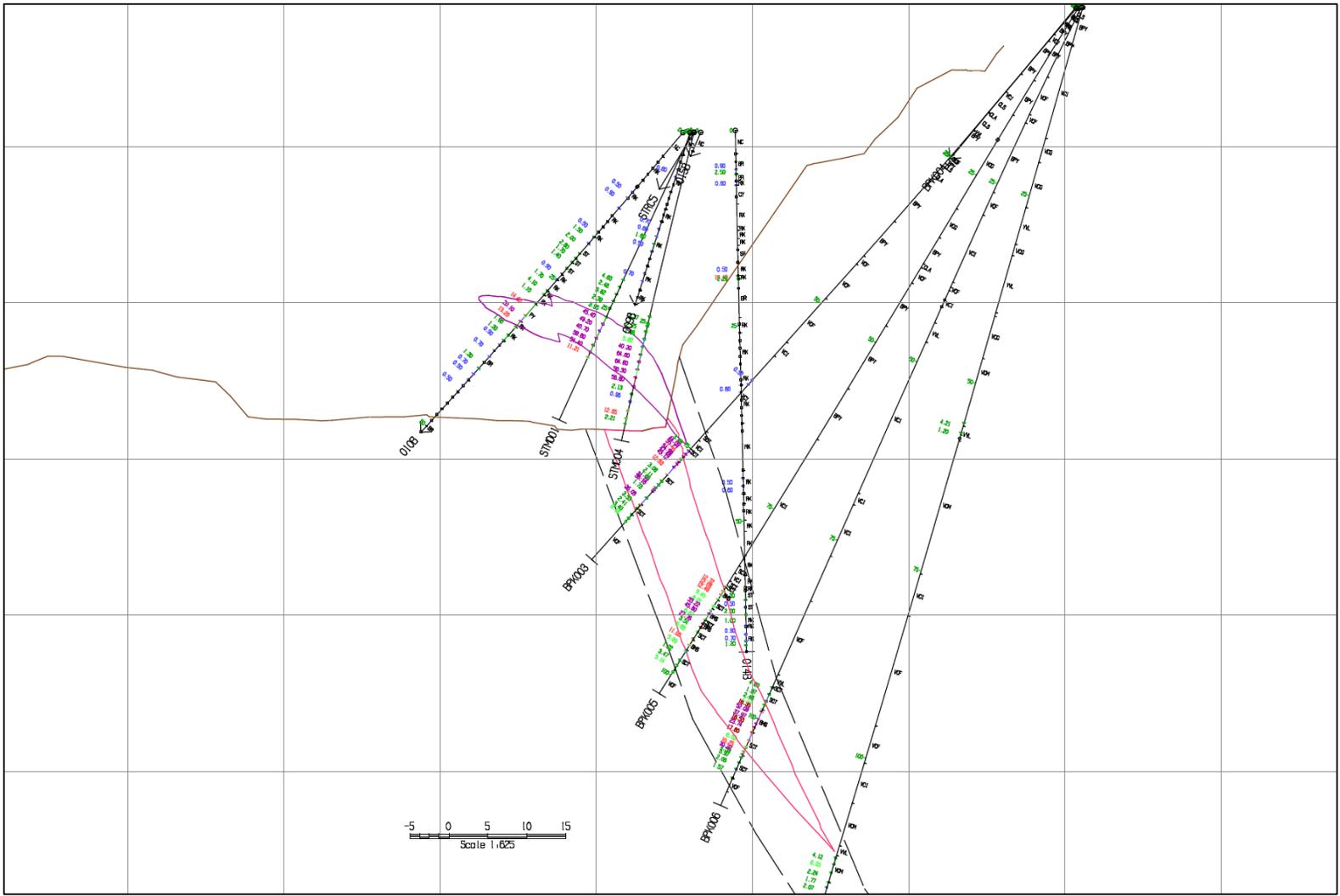


Figure 5.
Drill
Section
4410mN.
Southern
Trenches
Deeps.
DDH with
% Pb + Zn.
Pit outline
– brown,
existing
mineralisa-
tion – red,
host zone
– dashed
line.

In the Southern Trenches area, the regionally extensive siliceous and cherty “host” zone (Figure 5) narrows to a 10-15m wide zone with pumice breccia as both hanging wall and footwall lithology’s. Below the Southern Trenches pit, the host zone is consistently 8-10m in width hosting ore grade mineralisation over the majority of its width

The close spaced drilling program intersected mineralisation to a depth of 60m below the pit floor, with in some instances spectacular assayed intervals. For example, hole BPK004 intersected a 2.0m wide zone averaging 39% Pb + Zn, 1.9% Cu, 109g/t Ag and 32.6g/t Au. Length weighted average grade for intersections in the Southern Trenches Deeps ore zone are presented in Table 2

Potentially ore grade mineralisation has been closed off (locally) to the north and at depth, to the south however, the southernmost hole returned an intersection of 6.0m at 14% Pb + Zn, within which a 2.7m zone averaged 1.5% Cu, 9.8% Pb, 16.5% Zn, 60g/t Ag and 2.7g/t Au.

Proposed development in the area will give a platform for further definition.

A resource estimate using polygonal methods has been made for the Southern Trenches Deeps mineralisation. Given the density of drilling the resource is categorised as a Measured Mineral Resource. 23,000 tonne at 0.79% Cu, 5.3%Pb, 11.3% Zn, 41g/t Ag and 2.52g/t Au.

Hole	From	To	Length	Pb + Zn	Cu	Pb	Zn	Ag	As	Fe	Ba	Au	SG
				%	%	%	%	ppm	%	%	%	ppm	Units
BPK015	92.50	95.15	2.65	17.39	1.52	9.79	16.54	60	0.03	7.24	0.14	2.72	3.56
BPK004	78.05	89.60	11.55	16.81	0.71	5.44	11.36	39	0.03	3.53	0.04	8.00	3.22
BPK012	93.30	98.50	5.20	9.88	0.60	2.93	6.96	24	0.05	3.40	0.01	0.17	2.96
BPK003	75.36	84.70	9.34	25.02	1.09	8.80	16.22	46	0.03	3.20	0.04	3.94	3.31
BPK005	86.65	96.45	9.80	14.49	0.84	4.89	9.61	35	0.03	6.19	0.14	0.29	3.48
BPK006	98.65	106.10	7.45	21.38	0.98	7.30	14.07	65	0.05	7.36	0.05	0.32	3.64
BPK008	82.50	89.80	7.30	23.24	0.95	7.11	16.14	53	0.01	3.29	0.01	4.46	3.51
BPK009	95.90	103.90	8.00	8.11	0.29	2.06	6.05	19	0.02	3.69	0.01	0.17	3.23
STM003	37.40	43.10	5.70	15.17	0.63	3.39	11.78	29	0.02	5.00	0.02	0.23	3.40
BPK010	79.30	87.50	8.20	14.02	0.79	4.03	9.99	42	0.02	2.97	0.00	2.39	3.12
BPK013	100.70	101.70	1.00	5.05	0.36	1.26	3.79	35	0.06	3.19	0.01	0.07	2.88
BPK014	78.80	81.00	2.20	4.49	0.38	2.15	2.34	47	0.07	4.89	0.06	0.13	2.95

Table 2. Length weighted drill hole intersections use in estimating the Southern Trenches Deeps Resource

5. EXPLORATION POTENTIAL THOMAS' TUNNEL

The Thomas's Tunnel area lies north of the Costean Lode and South of Browns Tunnel, between the northings of 4,950 and 5,200mN (Figure 5). At approximately 5,000mN, Thomas's tunnel was driven eastward for some 170m, with a northerly cross cut developed at 70m. The cross cut was driven for some 25m on a line of lode described (by Reid in 1918) as being 1.0m in width, dipping to the south east (Mag.) and consisting of dominantly barite with associated galena and sphalerite. Sampling by Reid of ore stacked at the portal returned 12% Pb + Zn and 240g/t silver.

The tunnel and its environs have been investigated by many explorers since Reid. Face and wall sampling by Comstaff in the 70's confirmed the location of the lode noted by Reid but attributed it a width of 7.0m averaging 9.2% Pb + Zn and 200g/t Ag. Individual samples returned over 900g/t Ag and 16% Pb.

The host lithology's associated with the Thomas Tunnel mineralisation are similar to that found at Southern trenches, although the entire zone is wider (up to 100m) and has sedimentary units (black shale, volcanoclastics units and sandy sediments) intermixed with the siliceous cherts. This sequence is sporadically exposed on surface both north and south of the tunnel.

Historical drilling (at 20 to 40m centres) has intersected mineralisation on the general Thomas's Tunnel line of lode up to 100m north of the tunnel. Notable intersections are tabulated in Table 3.

Table 3. Shallow historical drill results in the Thomas Tunnel Area

Northing	DDH	Depth (m)	Length (m)	Cu (%)	Pb + Zn (%)	Ag (g/t)	Au (g/t)	Comment
4,965	PP46	15	3.5	1.15	13.5	40	N/A	Surface grab above – 39% Zn. EZ 1947
5,025	N/A	14	7.0	0.47	9.2	200	0.13	Thomas Tunnel Sampling.
5,045	EAF 15	30	7.0	0.04	6.1	8	0.4	Comstaff 1985
5,085	EAF 16	40	4.1	0.23	10.4	17	0.28	Comstaff 1985

During 2011, Mancala's drilling program aimed, in part to substantiate and further define the shallow historical drilling results. Drilling was largely limited to the existing drill sections, with the aim of infill drilling at a later date. Notable results are presented in Table 4.

Table 4. Mancala drill results in the Thomas Tunnel Area

Northing	DDH	Depth (m)	Length (m)	Cu (%)	Pb + Zn (%)	Ag (g/t)	Au (g/t)	Comment
5,025	TTH022	8	6.25	0.03	10.3	36	0.00	Above Thomas's Tunnel
5,025	TTH020	15	6.3	0.35	13.3	41	0.06	Above Thomas's Tunnel
5,045	TTH023	24	5.9	0.23	8.3	11	0.04	Above EAF 15
5,085	TTH024	32	8.5	0.50	11.2	53	0.66	Above EAF 16

The historical and recent drilling program suggests a low to moderate grade resource may be present in the Thomas Tunnel area. Drill density is clearly not to a level where continuity between drill sections is certain and on section drilling has presented some complexity (dip reversals etc.). The mineralised zone is open to the north as no drilling has taken place between 5,085mN and the Browns Tunnel area at 5,200mN

An Exploration Target, with open cut extraction envisaged to 50m depth is some 75-125k tonnes at 6 to 12% Pb + Zn with silver credits.

6. EXPLORATION POTENTIAL – BROWN'S TUNNEL.

Browns Tunnel is located at the northern extremity of the Burns Peak area, between 5,200mN and 5,500mN. Browns Tunnel itself, is a small tunnel and associated small open cut driven (in the 1890's) into the eastern flank of Burns Peak. Some 300 tonnes of 2% Zn, 2g/t Au and 44g/t Ag was reportedly produced from the operation.

Since the early 20th century the Browns Tunnel area has been the site of extensive exploration activity with over 36 diamond drill holes for 7,540m of drilling over a strike extent of only 300m. The drilling, conducted on nominal 40m spaced drill sections has not allowed past explorers to develop a coherent geological model, owing, as with the remainder of Burns Peak, the poddy and discontinuous nature of high grade mineralisation developed in the siliceous host sequence.

The complex nature of the geology at Browns Tunnel is evidenced by successive drill programs resulting in diminishing (tonnes and grade) resource estimates. In 1984, some 110kt at 25% Pb+Zn was estimated from Browns Tunnel from 5 drill holes. The most recent (1998) estimate, based on 24 holes in the same spatial area as the 1984 estimate resulted in some 90kt at 9.5% Pb + Zn. The estimated resource is limited to the upper of two lenses defined over three 40m sections with mineralisation near surface in the south, but plunging to some 100m below surface in the north

The 2011 drilling program of Mancala had proposed to infill drill (20m spaced sections) the near surface portions of resource. Although the drill sites were prepared, the drilling did not eventuate as the budgeted drill metres were consumed in the drilling of Southern Trenches. It is proposed to complete this activity during development of the southern prospects.

7. MINING PLAN

A mining plan has been submitted with the application for a mining lease.

8. FLORA AND FAUNA SURVEY

A flora and fauna habitat survey was undertaken by North Barker Ecosystem Services in February 2012 from which the abridged conclusions below have been taken.

None of the vegetation communities recorded in the area is listed as threatened under the Tasmanian Nature Conservation Act 1995.

No threatened vascular plant or lichen species listed on the Tasmanian Threatened Species Protection Act 1995 or the Commonwealth Environment Protection and Biodiversity Conservation Act 1999 were recorded from the area.

Two listed threatened fauna species are considered likely to occur in the area and/or have suitable nesting/denning or foraging habitat.

Tasmanian devil

Several observations of scats considered to be from a Tasmanian devil were made. The area is considered to have both foraging and possibly denning habitat value for Tasmanian devils, but they are likely to be at a low density.

Spotted-tailed quoll

No scats for the spotted-tailed quoll were found during the current survey, and the area is not considered to be in an important population area for spotted-tailed quolls. However, the area is considered to have moderate foraging habitat value for spotted-tailed quolls, and could be part of a home range for an individual/s of this species.

Nature and Extent of Likely Impact

None of the vegetation communities within the proposed area of impact are threatened and all are adequately represented in reserves.

The area is considered to have moderate foraging and denning habitat value for Tasmanian devil.

As Tasmanian devils are not territorial it is possible that a female devil that is displaced by the proposed mine and associated infrastructure of its den site could occupy an alternative den site and survive and breed elsewhere if dens are not a limiting resource.

The amount of clearance required for this mining proposal is expected to be in the region of 5 additional hectares. Whilst the majority of the vegetation in the area is not considered to be denning habitat, foraging habitat would possibly be affected. Thus any quantity of vegetation removal will affect the carrying capacity of the area to support devils. Therefore there will be an impact on devils; however given the extent of continuous habitat in the immediate vicinity the impact is likely to be low.

The area has long been an area of forestry and mineral prospecting and tracks have existed for significant periods of time. Because the area has already been “opened up” and subjected to levels of human activity, the mine proposal is unlikely to accelerate the spread of DFTD into the area.

The current survey failed to find any den sites for the spotted-tailed quoll and it is not considered to be in an important population area for spotted-tailed quolls. No suitable rocky outcrops with shelters or caverns were found, although given the dense nature of much of the vegetation and limited access, they may have been overlooked. It is possible however that dens may exist, particularly in the dry basal hollows of large myrtle beech trees and in hollow logs in the mature rainforest and the *Eucalyptus obliqua* wet forest.

The area is considered to have moderate foraging habitat value for spotted-tailed quolls. Any large old-growth myrtle trees with hollow bases growing within the rainforest communities could be used by the spotted-tailed quoll to den in. Fallen hollow logs could also be used as potential denning sites. Consequently the areas of rainforest in particular are considered a moderate possibility of supporting a spotted-tailed quoll den. The area is considered to possibly be part of a home range for this species, albeit it is outside of the spotted-tailed quoll's core range.

Vegetation removal will affect the carrying capacity of the vegetation in the area to support spotted-tailed quolls. Therefore there will be some impact on spotted-tailed quoll and this may include an increase in competition between individual home ranges due to loss of habitat. However due to the small area to be impacted, if there is an impact on the home range of spotted-tailed quolls it is only likely to impact a very limited number of individuals and is therefore unlikely to be significant. Additionally because of the large extent of surrounding vegetation that contains habitat suitable for the spotted-tailed quoll, home ranges are more than likely able to be adapted, and the movement of the quoll across the region will not be hindered by the vegetation clearance that will occur in the area.

As for the Tasmanian devil, increases in vehicle traffic volume and speed levels are also likely to increase the incidences of road kill on the spotted-tailed quoll. Given the low density of animals (one individual per 4 km²) it is a low risk but potentially significant.

9. EXPENDITURE

Expenditure of \$943,195 during the reporting period of November 2011 to October 2012 consisted in its main part diamond drilling sub-contractor expenses and field based labour costs.

A summary by month and project to date is presented in Table 5

Month	Labour (\$)	Materials (\$)	Sub-Contractors (\$)	Equipment (\$)	Administration (\$)	Total (\$)
Nov-11	13,912	24,025	86,649	3,473	12,806	140,863
Dec-11	15,226	4,135	3,399	2,412	2,517	27,689

Jan-12	11,971	3,358	698	589	1,662	18,278
Feb-12	1,359	-	6,261	115	774	8,509
Mar-12	5,625	2,729	8,618	318	1,729	19,018
Apr-12	4,982	1,639	3,155	302	1,008	11,085
May-12	7,136	1,891	22,807	-	3,183	35,017
Jun-12	9,351	25	6,373	-	1,575	17,324
Jul-12	8,692	2,566	2,940	140	1,434	15,772
Aug-12	4,231	12,990	10,290	-	2,751	30,262
Sep-12	2,012	7,070	3,180	28	5,536	17,825
Oct-12	5,932	3,689	8,269	250	1,814	19,954
Total 2012	90,428	64,117	162,638	7,627	36,788	361,598
Total PTD	194,662	106,387	436,873	115,613	89,660	943,195

Table 5. Expenditure on Burns Peak exploration by month

10. PROPOSED PLAN FOR 2013

Continued exploration for small high grade deposits using electrical geophysical techniques and drilling where appropriate, a minimum expenditure of \$50,000 is proposed.

Appendix 1 – Location and Assay Results Holes TTH014 to TTH026