

CALA RESOURCES PTY LTD

MATHINNA – TASMANIA

Tenement - RL 2/2008

ANNUAL REPORT

2nd February 2012 – 1st February 2013

Tenement Holder & Manager

Cala Resources Pty Ltd

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NOTE: All figures, grids and contained data are according to the GDA/MGA94 grid system

ABSTRACT

The sole objective of Cala Resources Pty Ltd is to develop the mineral resources located within its wholly owned retention licence, RL 2/2008, and attract capital and/or partners to achieve its objective.

The tenement is now subject to a Joint Venture Agreement to develop the tailings resource through the establishment of a new processing plant in NE Tasmania.

Cala considers the establishment of a new processing plant in NE Tasmania as critical for the development of other small gold resources not currently viable due to the prohibitive cost in trucking ore to Beaconsfield (the only processing plant in northern Tasmania).

Cala aims to continue the development of gold resources within its tenement and has a corporate plan to achieve this goal.

No on-ground work was completed during the reporting period.

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INTRODUCTION

This report is a summary of the exploration activities conducted on the Mathinna retention licence RL2/2008, for the period of 2nd February 2012 to 1st February 2013. The area of the licence remains 0.267km².

The tenement encompasses the New Golden Gate and Tasman Consols mine workings and associated tailings. Second only to the Tasmania Reef at Beaconsfield, this was the most significant historical gold mine in NE Tasmania and produced 260,000oz at an average head grade of 26g/t Au. Drilling along strike of the historic mine lead to a discovery by Defiance Mining of narrow zones of mineralisation known as Dylan's and Sophie's reefs (totalling 25,500oz).

Cala believe that there is scope for further discovery as well as evaluating the remnant resources within the immediate mine area.

During the reporting period an Option Agreement for the sale of the tenement to Tamar Gold Ltd was not completed due to the inability of Tamar Gold Ltd to attract a broker and therefore complete a planned listing on the ASX. Development of the resources contained within the tenement, under the Option Agreement, was conditional on the planned listing and associated capital raising. Several subsequent attempts by Cala to complete a transaction with Tamar Gold were not successful and negotiations were abandoned in mid-2012.

The company spent the next several months planning a \$5,000,000, two staged, capital raise. The planned funds were to be spent on developing the tailings resource and drill defining the underground targets. To this extent Cala formally engaged Pitt & Sherry Mining Services to provide technical support, permitting and to complete feasibility studies. This capital raising was postponed due to the potential of a joint venture agreement being finalised.

During the reporting period the tenement became subject to a Joint Venture Agreement between Cala Resources Pty Ltd and Silver City Mining Co. Ltd for the development of the tailings resource. This resource is estimated to between 300,000 and 400,000 tonnes grading between 1 and 2 grams per tonne gold.

Location

The tenement is located approximately 1.5 km SSE of the township of Mathinna, in eastern Tasmania (Figure 1). Access to the license area is via gravel road from the southern margin of the Mathinna township. Mathinna is located 26km NNW from Fingal and is accessed by sealed road.

The licence area can be found on the Mathinna (5640) 1:25,000 scale, and the Forester (8415) 1:100,000 scale; topographic map sheets.

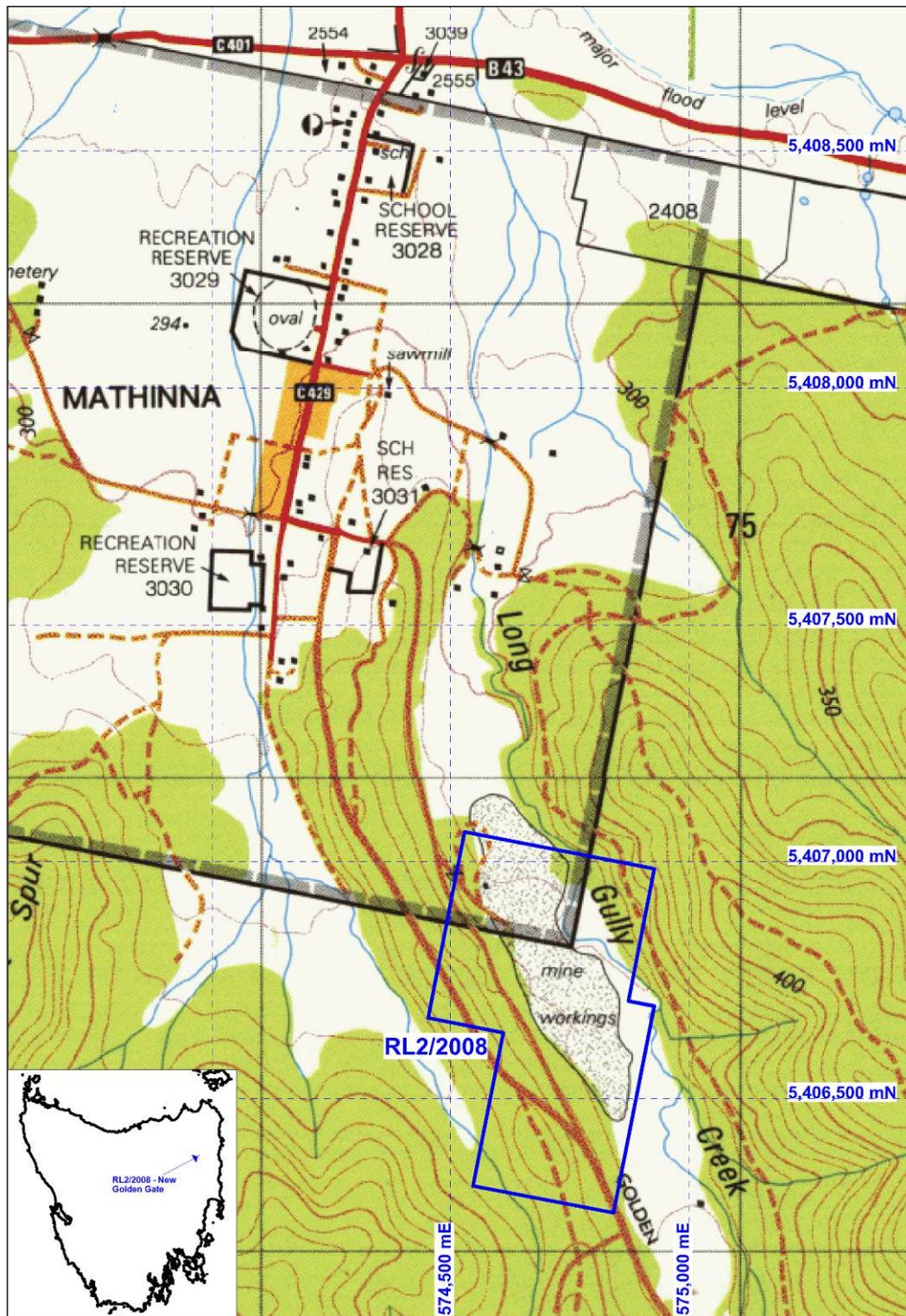


Figure 1. New Golden Gate Retention Licence (RL2/2008) is located in north-eastern Tasmania and proximal to the township of Mathinna.

Geology

Stratigraphy

The tenement comprises sub- and outcropping Mathinna Supergroup siltstones, sandstones, and subordinate shales. Revision of the internal stratigraphy of the Mathinna Supergroup as detailed in Seymour et al. (2011) and summarized in Table 1 below,

Group	Formation	Member	Age	Brief description
Panama Group	Sideling Sandstone		Early Devonian (plant fossils)	Dominantly fine-grained sandstone, some interbedded siltstone
	Lone Star Siltstone		Late Silurian (graptolites)	Dominantly thin-bedded siltstone with interbedded fine-grained sandstone increasing towards the top
	Retreat Formation		Silurian?	Interbedded turbiditic medium to very fine-grained sandstone and subordinate siltstone-mudstone
	Yarrow Creek Mudstone		Silurian?	Dominantly thin-bedded mudstone, with subordinate cross-laminated siltstone
Inferred faulted unconformable contact				
Tippogoree Group	Turquoise Bluff Slate		Early–Middle Ordovician (graptolites)	Phyllitic dark grey-black slate; recumbent folds and cleavage
		Industry Road Member	Ordovician?	Interbedded phyllitic slate and foliated very fine-grained sandstone; ridge-forming recumbent folds and cleavage
	Stony Head Sandstone		Ordovician?	Graded thick-bedded fine-grained turbiditic sandstone with minor interbedded pelite; large-scale recumbent folds and cleavage

Table 1. Revised Stratigraphy of the Mathinna Supergroup

The New Golden Gate and associated vein deposits are hosted within the Lone Star Siltstone formation (pers. comm M. Vicary 2011). The Lone Star Siltstone Formation comprises basal bioturbated marine siltstone/shale/mudstone which is laminated to thinly bedded (Seymour et al., 2011). Minor black shale occurs and is commonly pyritic. The Lone Star Siltstone Formation grades upward with quartz-rich thick-bedded sandstone becoming more common toward the boundary with the overlying Sideling Sandstone Formation (Seymour et al., 2011).

The regional geology (Figure 2) is dominated by Mathinna Supergroup rocks and granitoids. Note that the granitoids are interpreted to be at a depth of approximately 4km below the New Golden Gate gold system (Leaman D.E. & Richardson R.G., 1992).

Mineralisation

The gold deposits occur as auriferous quartz reefs, hosted in the Mathinna Beds, a folded sequence of Silurian-Ordovician age sediments. The Mathinna beds are intruded by younger, Devonian-Carboniferous age granites and are in part overlain by Permo-Triassic glacial marine sediments, Jurassic dolerites and Tertiary basalts.

The gold bearing veins are structurally controlled and occur in a range of orientations and forms within zones of shearing and tectonic deformation. Typical vein features are:

Width	0.1-1.0m	up to 10m
Length	10-100m	up to 350m
Depth	<100m	up to 580m
Grade	15-30g/t	cut off 10g/t
Strike	variable	NW to NE dominant
Dip	typically steep	70-80°
Mineralogy	quartz, arsenopyrite, pyrite	minor galena, chalcopyrite, sphalerite

This overall geological setting is very similar to the high grade, quartz vein style mineralisation in the slate belts of Western Victoria which have historical production of approximately 53Mozs.

Structure and Mineralization

The host-rocks to gold mineralization in the Mathinna area preserve several overprinting deformation features which are documented in Keele (1994) and modified for the specific geometries and observations of the New Golden Gate mine area below.

D₁

Observations by Keele (1994) of minor folding and spaced cleavage overprinted by the dominant S₂ cleavage. Not observed at the New Golden Gate deposit to date.

D₂

Regional folding with NW/NNW trending axial planes. Pervasive slaty cleavage. Dominant fabric in hand-specimen previously reported.

D₃

Local folding with N/NNE trending axial planes. Antiformal fold observed by Twelvetrees as central to the reefs of the New Golden Gate and Tasman Consols mines is likely to be and F₃ fold. S₃ cleavage recorded in geological logs of Defiance Mining diamond-drilling in the licence area. Intersection lineation (L⁰₃) in hand specimen previously reported post-dating S₂ and pre-dating late kinking. Occurs at ~60degree angle to L⁰₂ in the plane of bedding. Observations by Twelvetrees (1906) that the 'apparent' drag of reefs into the main slide, previously assumed to be fault-drag folding, is actually a manifestation of simultaneous brecciation along the reef line and the main slide. This gives the effect of the reef turning sharply. His evidence for this was that although the reefs exhibited this 'apparent' drag on intersection with the main slide, bedding in the host-rocks did not. This observation supports

the controls on high-grade and wider mineralization in the mine as being located at the intersection of NW striking faults and the NNE striking reef structures. NNW trending faults (Main Slide, Western, Central, East and West branch) may represent domainal reactivation of the S_2 slaty cleavage concurrent with the development of N/NNE trending fault/shear-zones which became reef 'channels'. Folding of bedding and the main S_2 cleavage may have created a zone of restraining during D_3 reactivation of S_2 and this is seen as the contributing factor as to why the New Golden gate reef system is located where it is. Note that both orientation of structures are mineralised. The main phase of gold mineralisation is interpreted as late- to post D_3 .

Post- D_3

Kink-folding is recognized in the hand-specimen previously reported and overprints all other fabrics.

Exploration Rationale

The New Golden Gate mine was one of the most significant gold mines in Tasmania when operating ~1888 – 1908. The mine produced ca. 260,000oz from a multiple reef system within the polydeformed host rocks.

The discovery of the Dylan's and Sophie's reef system (Defiance Mining 1999) along strike to the NNE from the historic workings shows that mineralisation can still be discovered in the vicinity of this historic mine which, as was the case 100 years ago, was developed without exploratory drilling. Cala believe that there is potential to discover new reefs and to locate mineralisation on those reefs intersected in the old workings but not explored.

Historical records indicate that the cut-off for stoping in the New Golden Gate mine was approximately >15g/t. Interpretation of the historical mine development data also suggest that the individual reefs were driven for some distance (up to 300m) and only very selected areas stoped. This means that areas of the historic mine still contain mineralised reef that has not been mined due to historical cut-off constraints.

Cala plans to explore the tenement area with the aim of building on the existing resource base with through new discovery, extension of the Dylans and Sophies reefs, and evaluation of remnant reef material left in the mine itself and remnant tails on surface.

REVIEW OF PREVIOUS WORK

Historical Mining

Mining of the New Golden Gate (**NGG**) shaft commenced in 1888 following discovery of Loanes reef in the adit level (Twelvetrees, 1906). Samples from Loanes reef were grading between 1 and 1.5oz/t and a decision was made to sink a shaft. The Main reef was discovered when the shaft intersected it at ~100ft below surface and together the Main and Loanes reefs account for a significant amount of the gold production from the mine (Twelvetrees, 1906). The NGG shaft was sunk to 556m below surface and mine development reached 585m below surface. Mining development occurred on 19 levels.

Stoping occurred on four significant reefs (Main, Loanes, Lower east, and Lower West) and several minor reef/fault structures were driven but not stoped.

The Tasman Consols (**TC**) Mine was developed on an adjacent mine-lease and the distance between this and the NGG shaft is approximately 80m. Mining in the TC mine largely occurred between 1906 and 1908. Stopping only occurred on one of the reefs mined in the adjacent NGG mine, namely the Lower West reef. The TC shaft was sunk to 494m below surface and mining development occurred on 11 levels.

Gold production amounted to 260,000oz with just 10,000oz of this attributable to the Tasman Consols mine.

EXPLORATION ON CURRENT LICENCE AREA

The area has been the focus of a number of exploration companies since the 1980s, the most notable work being carried out by the following companies:

Dept of Mines

The Department of Mines drilled 3 holes (GG1-3), in the current licence area, for 669m between 1962 and 1965. Two holes, GG1 and GG2, tested the 'South Gate' area and while significant quartz veining was intersected, no significant assays were returned. GG3 intersected:

- 3.4m @ 5.8g/t Au from 59.4m, and 3.2m @ 10.9g/t Au from 153.8m.

Location of these collars needs confirmation as they are plotted in different locations on a Resolute Samantha map.

Epoch Mining

Epoch Mining drilled 11 percussion holes (PDH1-11) for 825m in 1987. The drill-holes targeted shallow resource potential and were the first test of the mine remnants and the area immediately adjacent to the historic workings. The drilling was located at the northing of the NGG shaft and extend 100m to the south. Best results of the program included:

- 8.0m @ 8.5g/t Au from 40m down-hole in PDH5

Defiance Mining

Between 1999 and 2000, Defiance Mining drilled 67 RC and RC/Diamond holes within the licence area for a total of 7199m. This included 953m of diamond-core as tails on RC holes. The drilling tested multiple areas of the NGG deposit and environs and lead to the discovery of the Dylan's and Sophie's shoots to the immediate NNE of the historic mine workings.

Best results from the Dylan's and Sophie's discovery include:

- 4.0m @ 15.4g/t Au from 51m in MT039
- 2.0m @ 11.3g/t Au from 137.3m in MT040
- 2.0m @ 26.8g/t Au from 92m in MT046
- 2.0m @ 15.9g/t Au from 30m in MT054
- 3.0m @ 23.1g/t Au from 46m in MT055
- 2.0m @ 25.4g/t Au from 220m in MT075

Other mineralization intersected at the Central 'reef' included:

- 10.0m @ 9.3g/t Au from 60m in MT028
- 3.0m @ 18.1g/t Au from 33m in MT029

Defiance defined a resource base of 37,800oz in four distinct reefs.

Cala Resources

In 2004, Cala Resources engaged Coffey Mining to complete a 4 part scoping study on the underground potential of the tenement. The conclusion was that at the gold price at the time the return on equity was not sufficient to attract capital, but the exploration potential was defined as between 100,000 and 250,000 ounces of resources within the reef system on the tenement area.

Tamar Gold

During 2011 Tamar Gold conducted a substantial program of data capture and digitization, 3D modeling of the historic working and reef systems and assessment of the tailings resource and 'mullock' heaps.

A small bulk sample (6t) of the tailings was taken using a one tonne per hour jig plant. This sample was taken for metallurgical test work, but was inconclusive due to operational issues with the plant.

CURRENT WORK

There was no on-ground work completed during this reporting period.

CONCLUSION

The tenement is now subject to a Joint Venture Agreement on the tailings project and immediate focus will remain on the tailings project with a view to using infrastructure developed through this JV for the development of the underground project within the next 2 to 3 years.