INTEC ZEEHAN RESIDUES PTY LTD

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ANNUAL REPORT

Retention Licence 3/1996

Period: January 2010 to July 2015

Author: Kieran Rodgers

July 2015

Abstract

No exploration was carried out during the period covered by this report.

Introduction

This report relates to Retention Licence 3/1996 that is located in the vicinity of Zeehan and is one square kilometre in area. RL 3/1996 is held in the name of Intec Zeehan residues Pty Ltd and is valid until 28 March 2016. The conditions of RL 3/1996 are as follows:

Expenditure Commitment
There is no required expenditure commitment on this licence.

Exploration program
There is no required exploration program.

Review of Previous Work

Attached to this report is a document titled: Resource Service Group Pty Ltd, Memorandum to Steven Stone-Joint Managing Director, Dragon Mining Ltd, Zeehan Dumps Block Modelling dated 14 December 1990. This document includes grade and tonnage calculation for the two slag dumps on RL 3/1996. Note that in the period 2011/2012, approximately 30,000 tonnes of slag material was removed from the South Dump (ML 6M/2010).

Exploration completed during the Reporting Period

No exploration was undertaken.

Discussion of results

Not applicable.

Conclusions

Within RL 3/1996 sits ML 6M/2010 that is in the process of being transferred from Intec Envirometals Pty Ltd to Intec Zeehan Residues Pty Ltd. From time to time desktop economic studies are undertaken to determine if it is economically viable to recover portions of the slag resource for export. In the current commodity price environment, this does not represent an economically viable proposition.

Resource Service Group
PTY. LTD.
Inc. in W.A.

MEMORANDUM

TO : STEVEN STONE - JOINT MANAGING DIRECTOR
      DRAGON MINING LTD

FROM : JULIAN BARNES

DATE : 14 DECEMBER 1990

SUBJECT : <u>ZEEHAN DUMPS BLOCK MODELLING</u>

Block modelling has been undertaken on both the north and south dumps at Zeehan. Table 1 displays the modelling parameters used.

Variography was carried out on both dumps using uncomposited data. Variography was principally undertaken on the zinc assay data and was used to determine ranges. Statistical analysis (summarised in Table 2) has indicated that cutting of higher grades does not appear to be warranted (namely the close similarity between the arithmetic mean and Sichels T). No compositing of the data was carried out prior to block modelling.

An inverse distance squared weighting algorithm has been used rather than kriging due to time limitations. Given the smooth distribution of all three elements, it is believed that the inverse distance squared estimate will give a good approximation of the grade distribution within the dumps.

Table 3 displays a comparison between the digital terrain modelled volume with mean grade data from the raw data set compared to the block modelling volumes and grades. A density of 3 tonnes per cubic metre has been used to calculate the tonnages. As is evident, the block sizes used (10 metres northing, 10 metres easting and 2 metres RL for the south dump, and 5 metres northing, 5 metres easting and 2 metres RL for the north dump) have enabled close approximations to the DTM volumes.

Table 4 displays the grade tonnage breakdown for the north and south dumps using zinc percentage as the category element.

An antipathetic relationship between lead and zinc is evident in the south dump (and to a lesser extent in the north dump).

The block modelling exercise is believed to have produced a good estimation of the tonnage and grade within the Zeehan dumps, however, the brief study has a number of limitations which should be rectified for a full feasibility analysis:-

(i)   The granular and platey slags in the south dump have not been modelled separately.

(ii)   Variography was not carried out extensively on lead and silver, and hence the precise ranges of influence for these two elements are not known in detail.

(iii)   The ranges determined for zinc have been used to model all three elements.

(iv)   Kriging has not been carried out to date.

(v)   Sub-blocking has not been used (and would allow greater accuracy in volume determination, although the technique cannot be used in kriging).

(vi)   Density data has not been modelled and density has been assigned using a conservative factor of 3 g/t.

(vii)   The effect of compositing has not been determined.

(viii) Block value plots have not been produced yet (although they can be created quickly).

Notwithstanding these limitations, it is believed that the fourteen level plans included with this memorandum will allow Dragon Mining Ltd to build a greater understanding of the grade distribution within the Zeehan dumps. It is evident that the dumps have high grade zones of which exploitation would clearly benefit early cash flow.

If you require it, I can compile all work carried out to date into a formal report.

Please do not hesitate to contact me if you have any queries.

With best regards,
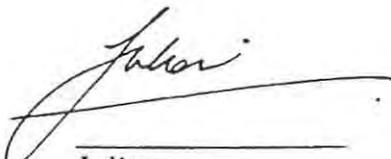
Julian

TABLE 1

ZEEHAN DUMPS
BLOCK MODELLING PARAMETERS

	SOUTH DUMP	NORTH DUMP
Easting Origin	362705	362780
Northing Origin	358080	358280
RL Origin	153	165
Easting Block Size	10	5
Easting Blocks	18	25
Northing Block Size	10	5
Northing Blocks	18	25
RL Block Size	2	2
RL Blocks	10	5
East Search Radius	50	30
North Search Radius	50	30
RL Search Radius	5	2
Horizontal Skew	Ø	Ø
Vertical Dip	Ø	Ø
Inverse Power	2	2
Calculate No. of Points	Yes	Yes
Calculate Standard Deviation	Yes	Yes
Constrained by DTM Volume	Yes	Yes

ZEEHAN STATISTICAL SUMMARY   TABLE 2
WHOLE DATA SET

Dump	Element	No. Of Samples	Min	Max	Mean	95% Confidence Limits	Standard Deviation	Variance	Coefficient of Variation	Geometric Mean	LNSD	LNVAR	Sichels t
Sth Dump	Pb	324	0.00	4.50	1.63	0.09	0.7854	0.6168	0.48	1.66	0.3257	0.1061	1.75
Sth Dump	Zn	324	0.00	29.50	12.68	0.50	4.5952	21.1159	0.36	13.35	0.2429	0.0590	13.75
Sth Dump	Ag	324	0.00	109	49	2.00	20.7100	429.0500	0.42	51	0.3000	0.0900	53
Nth Dump	Pb	84	0.00	3.54	1.64	0.15	0.6716	0.4511	0.41	1.80	0.1965	0.0386	1.84
Nth Dump	Zn	84	0.00	17.04	9.82	0.89	4.0796	16.6428	0.42	10.75	0.2173	0.0472	10.97
Nth Dump	Ag	84	0.00	100	55	5.00	22.4100	502.3000	0.41	61	0.2000	0.0400	61

ZEEHAN STATISTICAL SUMMARY
MINERALISED INTERVAL SAMPLES ONLY

Dump	Element	No. Of Samples	Min	Max	Mean	95% Confidence Limits	Standard Deviation	Variance	Coefficient of Variation	Geometric Mean	LNSD	LNVAR	Sichels t
Nth Dump	Pb	75	1.00	3.54	1.84	0.09	0.3739	0.1398	0.20	1.80	0.1965	0.0386	1.84
Nth Dump	Zn	75	6.23	17.04	11.00	0.54	2.3499	5.5220	0.21	10.75	0.2173	0.0472	10.97
Nth Dump	Ag	75	35	100	62	3	12.23	149.55	0.20	61	0.20	0.04	62
Sth Dump	Pb	300	0.51	4.50	1.76	0.07	0.6600	0.4356	0.25	1.66	0.3257	0.1061	1.75
Sth Dump	Zn	300	1.75	29.50	13.70	0.34	2.9775	8.8658	0.22	13.35	0.2429	0.0590	13.75
Sth Dump	Ag	300	17	109	53	2	15.86	251.45	0.30	51	0.30	0.09	53
Sth Dump Platey Slag	Pb	280	0.51	4.20	1.70	0.70	0.6028	0.3634	0.35	1.62	0.3067	0.0941	1.70
	Zn	280	1.75	29.50	13.89	0.35	2.9556	8.7356	0.21	13.54	0.2404	0.0578	13.95
	Ag	280	17	109	53	2	15.70	246.49	0.30	51	0.29	0.08	53
Sth Dump Granular Slag	Pb	20	1.30	4.50	2.56	0.42	0.8942	0.7996	0.35	2.41	0.3650	0.1332	2.55
	Zn	20	7.10	14.00	11.08	0.87	1.8693	3.4943	0.17	10.91	0.1836	0.0337	11.13
	Ag	20	17	84	53	9	18.37	337.62	0.35	50	0.40	0.16	54

Note: All populations approximate lognormal distribution.
       Statistics calculated on uncomposited and uncut data

TABLE 3

ZEEHAN DUMPS
GRADE AND TONNAGE COMPARISONS

Dump	DTM/Section Volume	Density	Tonnes	Stats Grades			Block Model Volume	Density	Tonnes	Block Model Grades		
				Zn%	Pb%	Ag (ppm)				Zn%	Pb%	Ag (ppm)
South Dump	125333	3.0	375999	13.70	1.76	53	123200	3	369600	13.92	1.69	52
North Dump	26381	3.0	79143	11.00	1.84	62	27050	3	81150	10.83	1.85	62

TABLE 4

ZEEHAN DUMPS
GRADE TONNAGE DATA

SOUTH DUMP

From	To	Volume	Tonnes	Zn	Pb	Ag	Cum. Vol	Cum. Tonnes	Zn	Pb	Ag
10	11	1800	5400	10.60	1.91	47	1800	5400	10.60	1.91	47
11	12	10400	31200	11.66	2.08	57	12200	36600	11.50	2.06	55
12	14	49400	148200	12.98	1.86	56	61600	184800	12.68	1.90	52
14	16	56400	169200	14.98	1.49	48	118000	354000	13.78	1.70	52
16	18	4400	13200	16.56	1.39	50	122400	367200	13.88	1.69	52
>18		800	2400	20.17	1.44	45	123200	369600	13.92	1.69	52

NORTH DUMP

From	To	Volume	Tonnes	Zn	Pb	Ag	Cum. Vol	Cum. Tonnes	Zn	Pb	Ag
0	10	7100	21300	9.33	1.86	59	7100	21300	9.33	1.86	59
10	11	8000	24000	10.54	1.88	65	15100	45300	9.97	1.87	62
11	12	7850	23550	11.46	1.88	64	22950	68850	10.48	1.88	63
12	14	3850	11550	12.73	1.72	55	26800	80400	10.80	1.85	62
14	16	250	750	14.24	1.69	50	27050	81150	10.83	1.85	62

Note: Zn% used as Grade Tonnage category control. Block modelled by inverse distance squared.