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RL1/2012

KARA NO 2 SOUTH

ANNUAL REPORT

NW TASMANIA

Prepared for: Tasmania Mines Limited

Tim Callaghan, June 2016

EXECUTIVE SUMMARY

The Kara No2 South deposit is a high grade magnetite skarn held by Tasmania Mines Ltd on RL1/2012. The RL was converted from previous Mine Lease 20M/1991 which expired on 30 April 2012.

The high grade (>60% Fe) magnetite skarn deposit strikes north for over 500m, dips 60-70 degrees west. The deposit was delineated by a ground magnetic survey, geological mapping and a series of shallow auger holes in 1991 and 1992. Several bulk samples were taken for metallurgical testwork for various potential off take partners. The high iron magnetite mineralisation and low silica content makes it suitable for iron ore production and for specialist uses.

During the mid 1990's a narrow pit was opened up on the skarn an estimated 60-100 000t of ore had been produced. Low iron ore prices forced the cessation of operations in the late 1990's and the site was rehabilitated.

Work completed in 2014-15 included the drilling of 9 diamond drillholes for 555m of delineation drilling. Drilling was completed by Spaulding's Drilling between May and July 2014. All drillholes intersected magnetite skarn confirming the down dip and along strike extension of the skarn beneath a thin cover of Tertiary basalt. High grade magnetite skarn was intercepted in all drillholes.

A resource estimation was completed in October 2014. The Kara No2 skarn contains an Indicated Resource of 1.29Mt @ 55.6% FeO reported in accordance with the 2012 edition of the JORC Code.

The resource is amenable to open cut mining. Magnetite mineralisation is proposed to be transported to the Kara Mine Site for treatment.

An ML application (MLA 5M/2015) covering the entire RL was submitted in June 2015 and is waiting to be granted. A six-month extension of the application was granted and is due to expire in October 2016. It is anticipated that the ML will be granted by this time and the guidelines for the DPEMP granted.

Work proposed for 2015-2016 includes detailed pit design, reserve estimation financial analysis and the completion of a Development Proposal and Environmental Management Plan (DPEMP).

MAP CONVENTIONS

Coordinates in this report and in digital data associated with this report are recorded as GDA 94 Zone 55

EXECUTIVE SUMMARY

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1 INTRODUCTION

Tasmania Mines Limited hold RL1/2012 located approximately 5km east of Hampshire, 30km South of Burnie in NW Tasmania (Figure 1 and 2). Access to the RL is via all weather unsealed forestry roads Rogetta Road or the Blythe River Road of the sealed Upper Natone Road. The RL lies east of the Kara Mine Site. Historically, the Magnetite deposits on the Kara Mine site are referred to as the Kara No 1 deposits and those in the Blythe River area are the Kara No 2 Deposits.

The magnetite deposits in the Upper Blythe River have been known for many years e.g. Reid (1924). Modern exploration began in the 1970's by McIntyre Mines Ltd who delineated the skarns through a program of aero-magnetics, ground magnetics and geological mapping. Three separate magnetite deposits were identified including the Kara No 2 Main, Kara No 2 East and Kara No 2 South.

The deposit was originally operated by Tasmania Mines in the 1990's. Mine Lease 20M/1991, consisting of 38 hectares was excised from former EL39/1989 held by Tasmania Mines Limited in 1991 and was granted for a 5 year term effective from the 1st April 1992.

An application for License to Operate Scheduled Premises (LOSP) was submitted to the environment department in 1992 along with a proposed mine plan and an environmental impact statement. The LOSP was not granted but a notice of registration No 1206 was granted on the 27th April 1992 allowing for the 1 off extraction of a 2000t bulk sample. Permission was provided by the Department of Environment and Planning was granted in December 1992 to extract a further 5000t.

1.1 TENURE

RL1/2012 was acquired after the previous ML 20M/1991 expired in May 2012. The RL was granted for a period of 2 years and renewed on the 3/8/2014. An ML application (MLA 5M/2015) was submitted to Mineral Resources Tasmania in June 2015 and is waiting to be granted. The application has been given an extension to October 2016.

The area around RL1/2012 is currently held as EL18/2007 and EL53/2007 by Iron Mountain Mining Ltd.

2 GEOLOGY

2.1 REGIONAL GEOLOGY

The Kara Mine is located on the western margin of the Dial Range Trough and is underlain by lithologies of the Late Proterozoic Oonah Formation, Owen Group Siliciclastics, Gordon Group Limestone, Devonian Granites and Tertiary Basalt (Figure 1). The Dial Trough is a structurally interesting basin that includes a possible Northern Extension of the Hellyer Fault, and significant basin bounding faults on the western and eastern sides. The Devonian post orogenic Housetop Granite dominates the geology to the south of the project area and is considered to underlie much of the southern dial trough. The Dial Trough has been poorly mapped and stratigraphic correlations are uncertain for many units.

Oonah Formation

The oldest rocks in the district are the Proterozoic Oonah formation, consisting of poly-deformed quartzwacke, siltstone and pelite with lesser dolerite intrusives. These are overlain by a sequence of pelite-carbonate with minor mafic volcanics and conglomerate. This association is host to replacement deposits at Mt Bischoff and near Zeehan and consequently represents a potential host for similar styles of skarn mineralisation.

Mt Read Volcanics

Mt Read Volcanic associations have been correlated with the felsic volcaniclastics of the Western Volcano-sedimentary sequence and the Tyndall Group quartz-feldspar phyric volcaniclastics.

Owen Group

The Late Cambrian to Ordovician Owen Group overlies the Mt Read Volcanics and is comprised dominantly of siliciclastic conglomerate and sandstone. Locally volcanic derived conglomerates are associated with basal members. The Moina Sandstone, comprised of coarse to fine siliciclastic sandstone with minor intercalated conglomerate is the uppermost siliciclastic unit of the Owen Group and has a gradational contact with the overlying Gordon Group.

Gordon Group Limestone

Conformably overlying the Owen Group is the Gordon Group limestone and dolomite sequence which is the host of the Kara district magnetite skarns. The stratigraphic thickness of the limestone is regionally variable ranging between 50-1000m.

Housetop Granite

The Housetop granite outcrops in much of the Kara District and is believed to extend below much of the area (Leaman, 1993). Leaman concludes that the Housetop granite is

anomalously dense and highly magnetic, which may explain the abundance of iron metasomatism in the district. The granite is responsible for massive Magnetite-Sn-WO_3 mineralisation of the Kara District. The association of Tasmanian Devonian granites with Magnetite, Sn-WO_3, Pb-Zn-Ag and Au mineralisation is well documented.

Tertiary Basalt

Basaltic flows are widespread throughout the area, flooding Tertiary palaeo-topographic lows. The basalts vary widely in thickness and frequently have a high magnetic susceptibility creating difficulties for magnetite exploration below basaltic cover. Resource and exploration drilling at the Kara Mine indicates that the magnetite skarn extends below basalt cover at Eastern Ridge, Location 5 and the Northern Magnetite Anomaly.

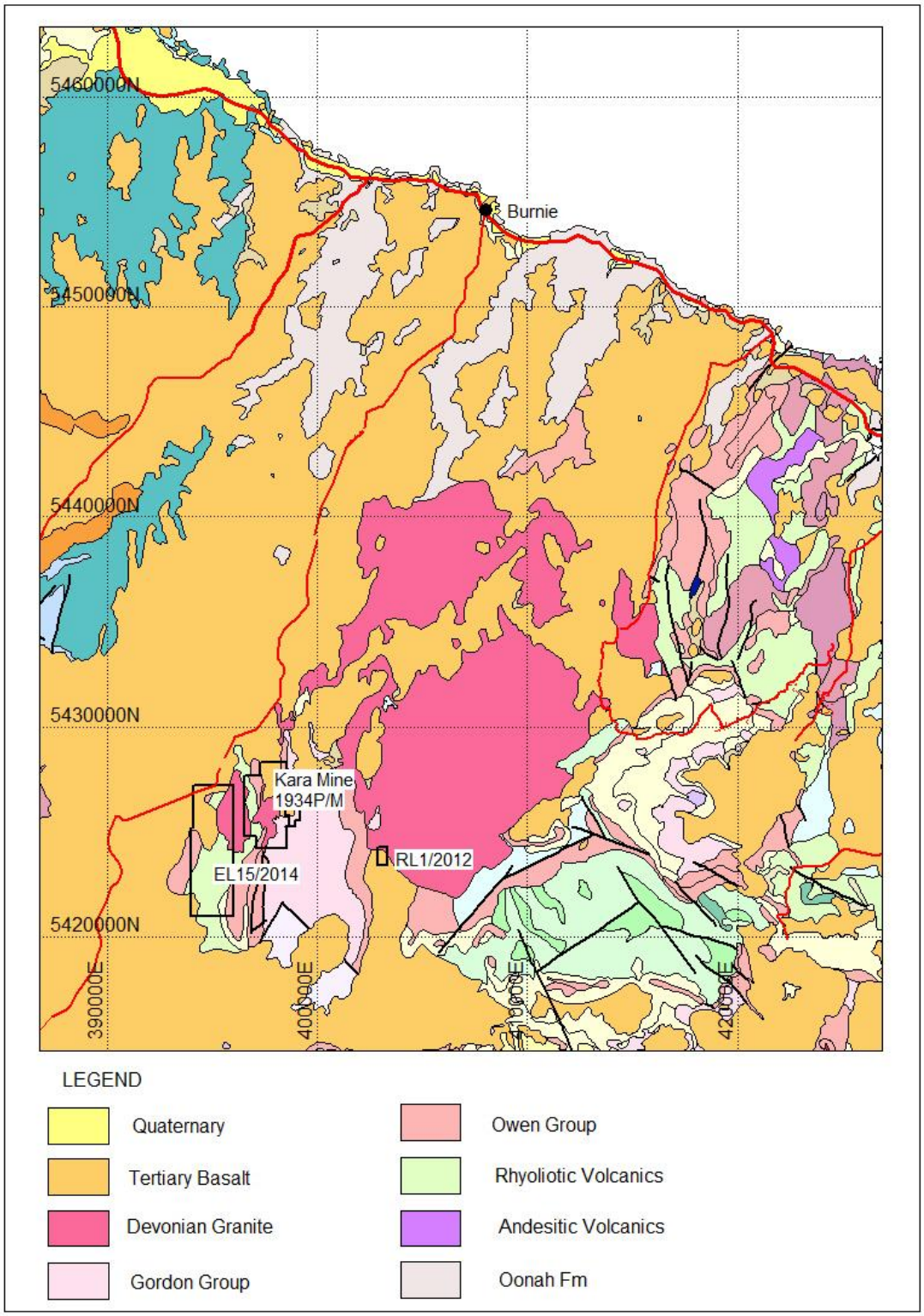

Figure 1. Kara Mine Lease location, Tasmania Mines Tenements and MRT 250k Geology.

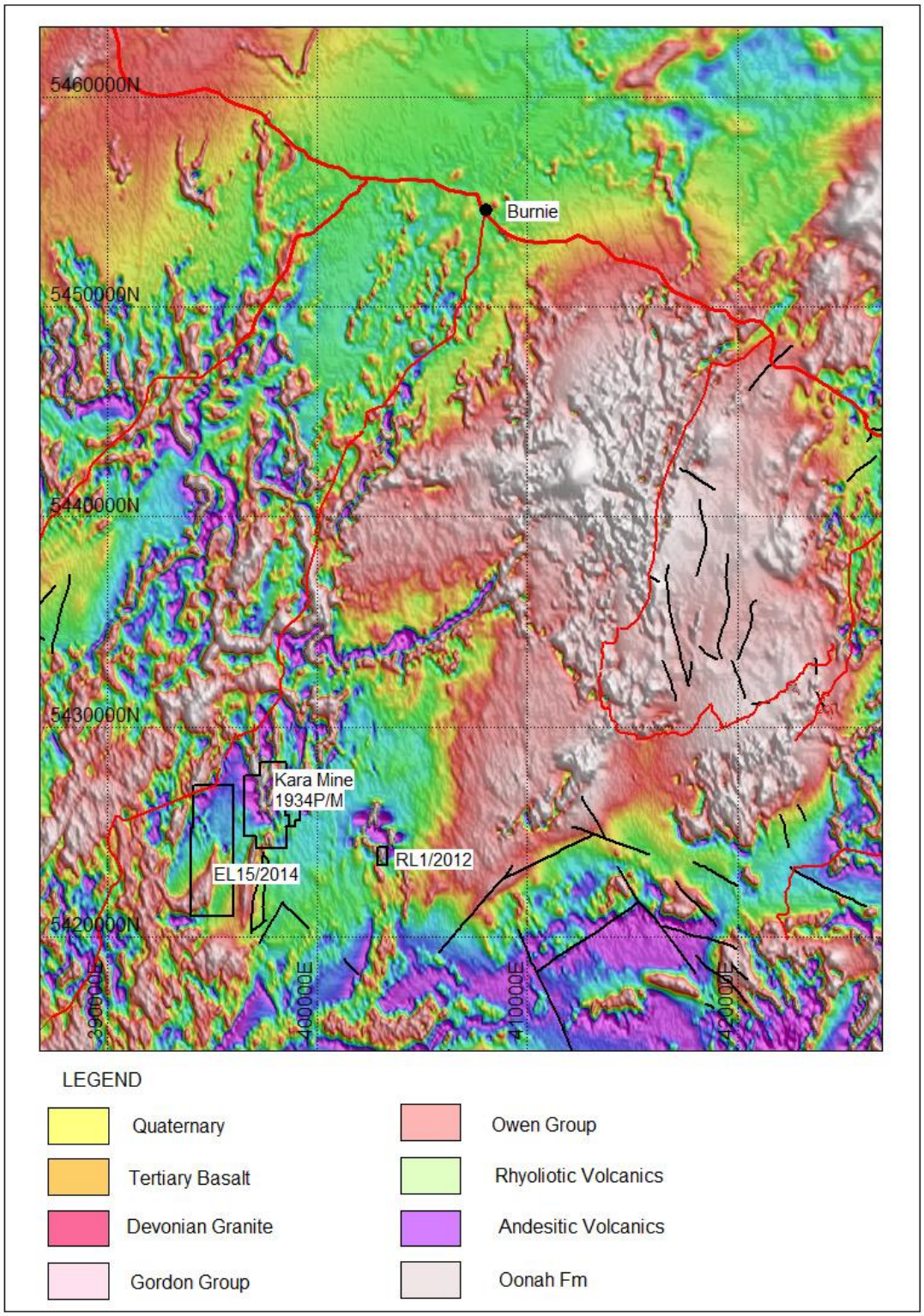

Figure 2. Kara Mine Lease location, Tasmania Mines Tenements and TMI image.

2.2 LOCAL GEOLOGY

The Kara No 2 South deposit is one of a cluster of magnetite-calc-silicate skarns on the western margin of the Housetop Granite known as the Kara No 2 Deposits. The Kara No 2 skarns are hosted in folded roof pendants of Gordon Limestone and Moina Sandstone inliers within the Housetop Granite batholith.

Geological mapping consists of company 1:10 000 and 1:1000 map sheets completed by MacIntyre Mines in 1982 (Whitehead, 1982) and modified by field observations made by the author.

The deposit has been delineated at shallow levels by percussion drill holes with a mean depth of 6m over a strike length of over 300m and has been opened up in a 250m long box cut type pit (now rehabilitated).

The deposit consists of high grade (>60% Fe) magnetite skarn of 5 to 20m width, striking north for approximately 500m and dipping at 60-70 degrees to the west. The skarn is bound to the east by the Housetop Granite and the western contact is masked by Tertiary basalt (Figures 3 and 5). The Magnetite and calc-silicate skarn is interpreted to be a roof pendant enclosed by granite on either side. The depth of the magnetite has yet to be determined but has been drilled to 70m depth and remains open. Gangue lithologies include calc-silicate skarn assemblages, typically garnet, diopside, wollastonite and actinolite. No significant scheelite or tin is associated with the skarn.

Magnetite skarns obviously have a very high magnetic susceptibility and form prominent aeromagnetic highs (Figure 4). The magnetic anomaly associated with the deposit extends northwards beneath the basalt cover suggesting the deposit extends northwards for up to 200m. A prominent western ground and aeromagnetic anomaly also suggests there may be a second western magnetite skarn under basalt cover to the west. Most of this anomaly is hosted on EL 18/2007 held by Iron Mountain Mining Ltd.

Mineralogical studies confirm the magnetite skarn to consist of 70% magnetite, 15-20% hematite and 15-20% goethite with very low silica (<3%).

Several bulk samples were taken for metallurgical testwork for various potential off take partners in the 1990's. The high iron magnetite mineralisation and low silica content makes it suitable for iron ore production and for specialist uses.

During the mid 1990's a narrow pit was opened up on the skarn an estimated 60-100 000t of ore had been produced. Low iron ore prices forced the cessation of operations in the late 1990's and the site was rehabilitated.

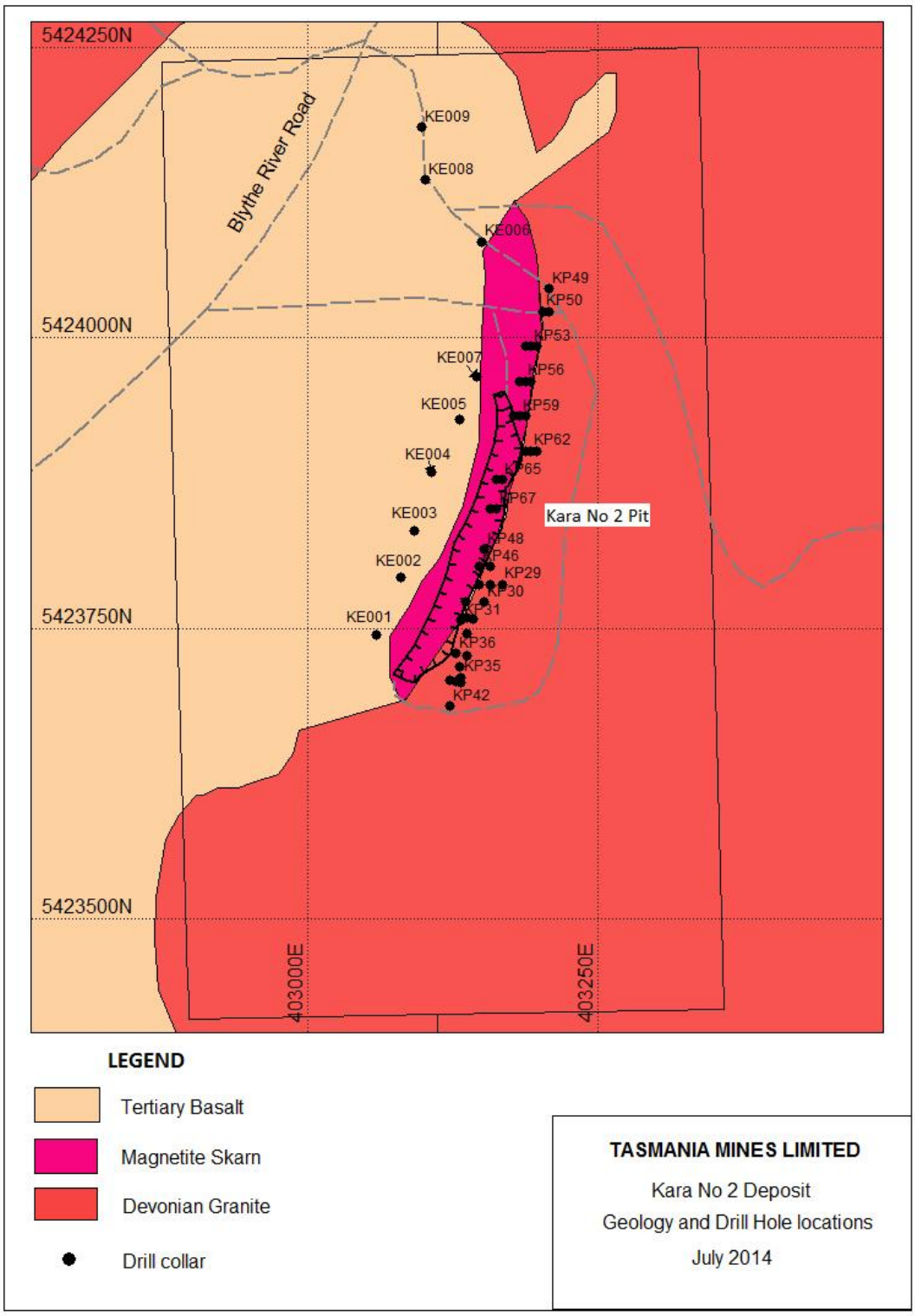

Figure 3. Kara No 2 South Geology and Pit Location.

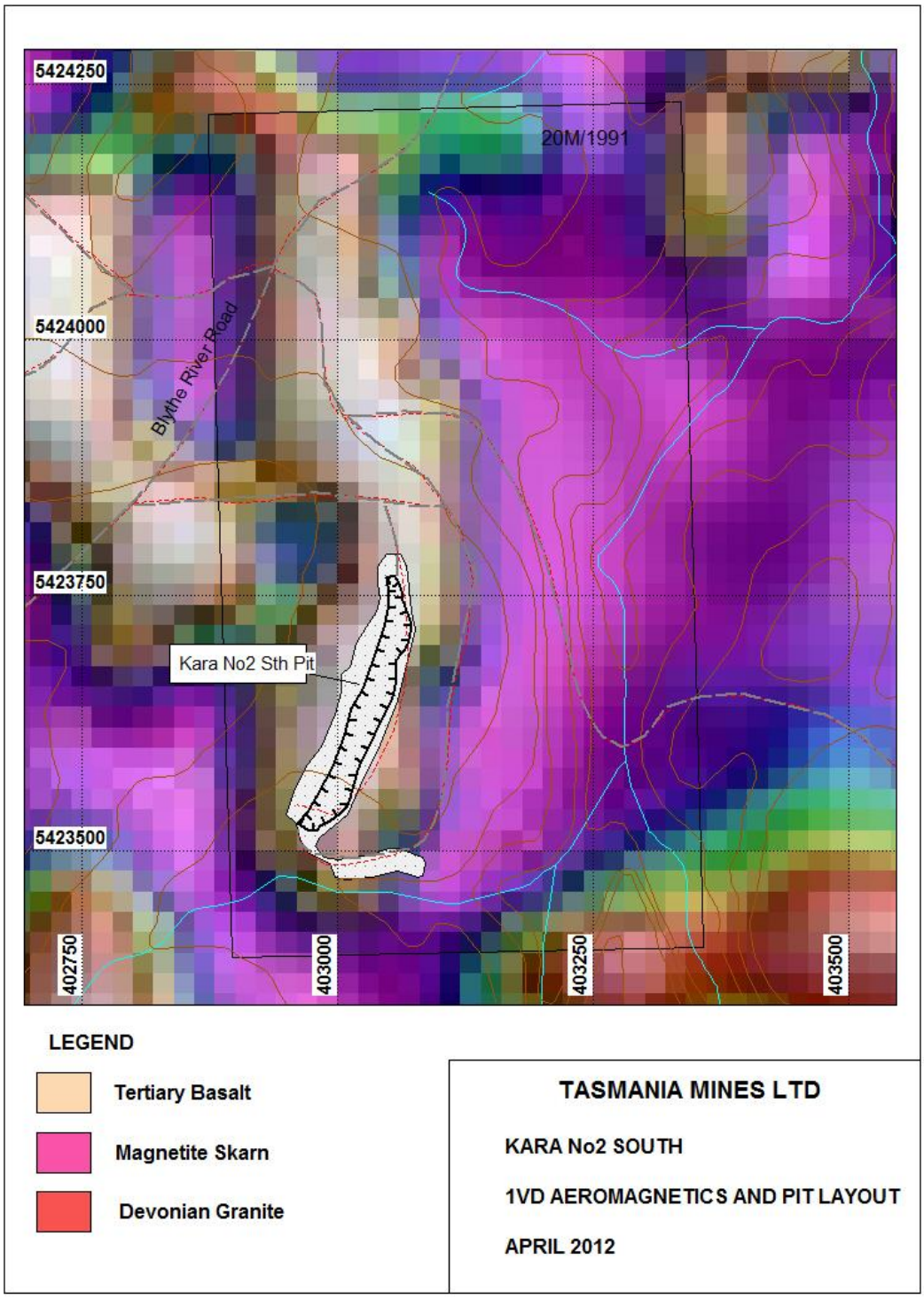

Figure 4. Kara No 2 South Pit Location and TMI.

Drilling in 2014 included 9 diamond drillholes for 555m. The drilling forms the basis of the 2015 resource estimation. The Kara No deposit contains an Indicated mineral resource of 1.29Mt @ 55.6% FeO. The resource is reported in accordance with the 2012 edition of the JORC Code above a block cutoff of 30% FeO (Table 1).

Table 1. Kara No 2 Sth Mineral Resource Estimation FeO > 30% cut off

Classification	MTonnes	FeO %	WO3 ppm	S %	CaO %
Indicated Resource	1.29	55.6	454	0.02	11.4

The outcropping resource is amenable to conventional drill blast load haul open cut mining similar to that at Tasmania Mines Kara operation.

There is limited potential for additional resources through continued exploration and infill drilling along strike and down dip of the Kara No 2 South. The main limitations are the small size of the RL and the enclosing.

3 WORK COMPLETED BY TASMINES, 2015 - 2016

Limited exploration work was completed on RL1/2012 between July 2015 and June 2016.

A Mine Lease Application (MLA 5M/2015) was submitted to MRT on June 5th, 2015. The MLA was extended to October 2016 and is yet to be granted.

The deposit is proposed to be operated as a small open cut deposit. Mine development is envisaged to proceed from south to north in an elongated open cut of approximately 500m length. Waste will be stored temporarily on surface before sufficient space is generated for in pit waste dumps. Mine wastewater is proposed to be stored in settling ponds and wetlands before discharge. Magnetite ore is potentially going to be hauled to the Kara Mine Site for treatment or sold as high grade lump ore for specialist use.

The mineralisation and waste rock is very similar to that in the Kara pit and is considered to have a low net acid producing potential. Waste rock characterisation and baseline environmental studies will be required before mine planning can be completed.

A schematic of the proposed development is displayed in Figure 5.

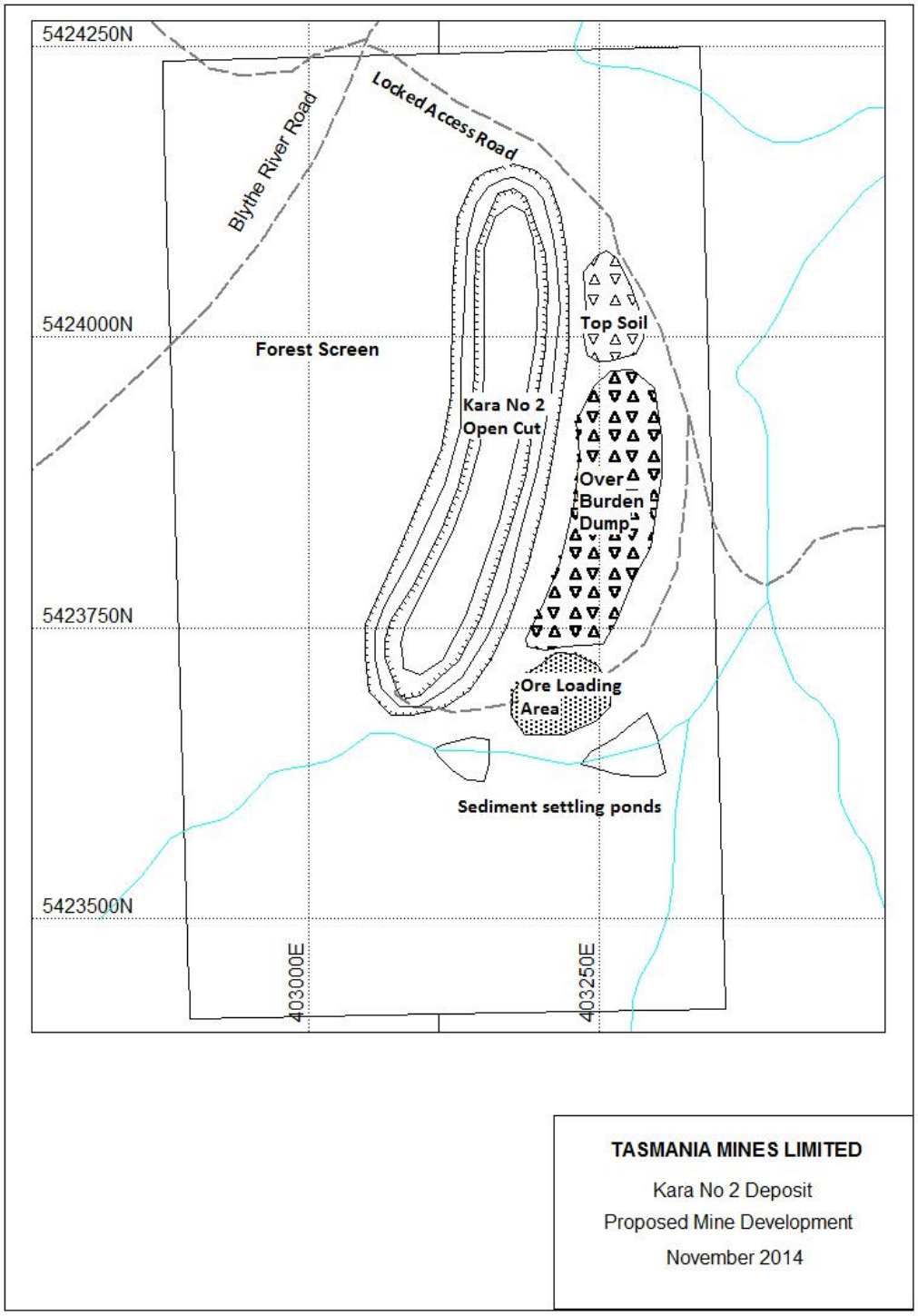

Figure 5. Kara No 2 proposed development schematic plan.

4 PROPOSED WORK 2016 - 2017

The following work program is recommended for 2016/2017:

- Mine design and Reserve Estimation
- Baseline environmental studies
- Development Proposal and Environmental Management Plan

ADDITIONAL NOTES

LIMITATIONS AND CONSENT

This report is provided to Tasmania Mines Ltd in the context of an Annual Report and should not be used or relied upon for any other purpose.

This report has been prepared using information available to the Author at the time of writing. The opinions stated herein are given in good faith and with the belief that the basic assumptions are factual and correct and the interpretations reasonable.

This report is not intended for use as a public document nor, in whole or in part, in a public document without written consent to the form and context in which it appears.

COMPETENT PERSON'S STATEMENT

This Mineral Resource Estimation report was prepared in accordance with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") by Tim Callaghan. *Mr. Callaghan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserve. Mr. Callaghan consents to the inclusion in the report of matters based on his information in the form and context it appears.*

STATEMENT OF INDEPENDENCE

Tim Callaghan has no material interest or entitlement in the securities or assets of Tasmania Mines Ltd or any associated companies.

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