



Beacon Hill Resources PLC – Magnesite Project Technical Valuation

Prepared by Coffey Mining Pty Ltd on behalf of:
Blue Oar Securities PLC

MINEWPER00714AB, Tasmania

Draft



RSG Global has merged with Coffey Mining Pty Ltd

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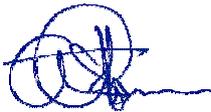
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28 February, 2009

The Independent Directors
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The Directors
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Dear Sirs

Coffey Mining Pty Ltd ("Coffey") has been commissioned by Beacon Hill Resources Plc ("Beacon") to provide an Independent Technical Valuation on a magnesite project located in the state of Tasmania. The Project is 100% owned by Tasmania Magnesite Ltd, a private company in which Beacon is acquiring a controlling interest. It is understood that the report is to be used to support the sourcing of private and or public equity funding to enable mining and processing of magnesite at the project. Coffey has not been requested to comment on the fairness or reasonableness of any vendor or promoter considerations and we have therefore not offered an opinion on these matters. Coffey has not been requested to comment on the financial parameters of the project and we have therefore not reported on these matters.

Coffey has based its review of the Project on information provided by Beacon, along with technical reports prepared by prior joint venture partners, government agencies, independent consultants, and other relevant published and unpublished data. A site visit was undertaken to the project by the primary author, Mr Albert Thamm, in November 2008. We have endeavoured, by making all reasonable enquiries, to confirm the authenticity and completeness of the technical data upon which this Independent Technical Valuation is based. A final draft of this report was also provided to Beacon, along with a written request to identify any material errors or omissions.

The project comprises two retention leases of 5km² each. The mineral properties are located some 55km south south-west of Burnie. The present status of landholdings, assets, operating licenses agreements and legislation described in this report is based on information provided by Beacon and State authorities and the report has been prepared on the assumption that further exploration and the initiation of mining and production will prove to be, lawfully possible.

Based on the information provided to Coffey, the magnesite project in which Beacon has or is earning an interest is considered to be sufficiently robust, subject to varying degrees of development risk and magnesite price risk to warrant initiation of project development, consistent with the proposed budget and application of funds. Based on the yardstick approach, Coffey values the project within a range from AUD 69.3.2 million to AUD 83.2 million, with a preferred value of AUD 83.2 million.

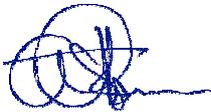
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The Independent Technical Valuation has been prepared on information available up to and including 28 February 2008.

Coffey is an exploration, mining and resource consulting firm, which has been providing services and advice to the international mineral industry and financial institutions for over 50 years. The author of this report is Mr Albert Thamm who is a professional geologist with over 20 years experience in the exploration, evaluation and development of mineral properties internationally. Mr Thamm is a Senior Consultant at Coffey Mining and is a Fellow of the AusIMM as well as a Fellow of the Society of Economic Geologists. The author has the appropriate relevant qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided in the Valmin Code and as "Competent Persons" under the definition provided in the JORC Code.

Neither Coffey, nor the authors of this report have, or have had previously, any material interest in Beacon or the mineral properties or companies in which Beacon has, or is earning, an interest. Our relationship with Beacon is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

For and on behalf of Coffey Mining Pty Ltd

A handwritten signature in blue ink, appearing to read "A. Thamm", with a horizontal line underneath.

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Albert George Thamm ^{FAusIMM, MSc, FSEG}
Senior Geology Consultant

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1 SUMMARY

Exploration from 1925 to 1991 has delineated a high-grade cryptocrystalline magnesite (MgCO_3) resource, in two separate deposits, in the district of Russel in North West Tasmania. These deposits are held as two 5km² retention licences, RL 8718 and RL 8717. These are known as the Arthur River and Lyons River deposits respectively. The area was previously held as EL (exploration licence) 43/70. The land is held by the Crown and designated multiple use state forest. The retention leases are held by Tasmania Magnesite Ltd (TASMAG Ltd), a privately owned company based in Victoria. The purpose of this Technical Valuation is issued in support of a placement of shares in Beacon Hill Resources (Beacon), to a minimum subscription of £2.5 million pound sterling on the Alternative Investment Market in the United Kingdom. The deposits are centred on 41°1'0 S latitude and 145°27' E longitude.

A JORC compliant measured resource of 13 million tonnes, to depth of 145m with 350m strike length, has been delineated at Arthur River, with 43.4% MgO, 1.9% CaO, 1.3% Fe_2O_3 and 4.9% SiO_2 , at cutoff grades of 38% MgO, 4% CaO, 6% Fe_2O_3 and 12% SiO_2 . This resource is developed over a limited 350m section which previous explorers had delineated approximately 3500m of mineralised strike length. To the north of this deposit previous explorers identified an additional inferred resource of 10Mt at 41.5% MgO, 2.53% CaO, 1.9% Fe_2O_3 and 8.6% SiO_2 .

At Lyons River (RL 8717), which is some 4km south of RL 8718, two resource scenarios were formulated and reported the lesser (by tonnes) to an elevation of 200m, the larger to an elevation of 135m. The Lyons River is at an RL 190m and the cavernous nature of the dolomite and magnesite may preclude the larger resource due to geo-hydrological constraints.

The Inferred resource, to an elevation 200m (AHD), is 15.8 Million tonnes at 39.9% MgO, 2.9% CaO, 0.62% Fe_2O_3 and 10.6% SiO_2 , at cutoffs of 38% MgO, 4% CaO, 6% Fe_2O_3 and 12% SiO_2 .

Extensive metallurgical test work, to bulk sample stage accompanied the work of previous explorers, namely CRAE (Conzinc Rio Tinto Australia Exploration) and Crest Magnesium NL, both Australian centred and focussed. Metallurgical recovery factors for flotation and concentrate and calcined magnesia are well constrained by this test work. The resource and estimation work is by both paper sectional polygon and by inverse distance methods using modern resource estimation techniques. The resource work is fully documented in public reports and although dated to the early JORC period, its' reporting, in terms of materiality and transparency, is attributed to a competent person in public reporting.

Coffey has not been mandated to re-evaluate the resource per se, but can report that the declared resource, which is interpolated and based on sampling, with cut-off grades based on extensive metallurgical test work, does comply with JORC and is thus reportable under the City Code.

Based on the yardstick approach, Coffey values the project within a range from AUD 69.3 million to AUD 83.2 million, with a preferred value of AUD 83.2 million. The yardstick approach has been chosen as the bulk of the 39Mt JORC resource is in the “inferred” category. Coffey has applied a differential scorecard analysis and considered yardsticks at both 2% and 4.5% of metal value and has applied metal recoveries from 20 to 70% in 10% steps. Coffey has further considered the extended (76Mt) resource as potential exploration upside and thus elected the upper range of values to reflect this.

Coffey has adopted a yardstick scorecard and elected the lower percentage (2%), a product price of \$300 per tonne, recoveries of between 50 and 60% and an exchange rate of 0.70c per AUD (Australian dollar). Almost every considered factor in this project is positive however the 7Mt overburden pre-strip over the “measured” resource could be a negative factor, as are the clear and grub cost and the re-establishment of road access to the properties concerned. Tasmag has however through its subsidiary Mineral Holdings Australia Pty Ltd, commenced applications to utilise the overburden pre-strip material as a source of road metal for currently announced road construction in the immediate region. Coffey has not elected to formally value the overburden as an economic resource but, in electing the higher of the values in the range of its valuation agrees with the potential use and commercialisation of this material.

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2 INTRODUCTION

2.1 Terms of Reference

Coffey Mining Limited ('Coffey') has been commissioned by the Independent Directors of Beacon Hills Resources ('Beacon') to provide a valuation of magnesite development and exploration properties comprising the Beacon Hill Magnesite Project, located in the state of Tasmania. Beacon is buying a 100% interest through the purchase of TASMAG Ltd. Beacon is listed on the Alternative Investment Market of the London Stock exchange and intends to raise sufficient equity for a restart of the mining and development operations and for mine-centred exploration to increase their mineral inventory. TASMAG holds two retention leases of 5km² each.

This report has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ('The VALMIN Code') as well as The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code'). AIM listed company's are required to report which Reporting Standard they have used and in this case Coffey has utilised the principals and guidance of both JORC and VALMIN.

2.2 Principal Sources of Information

The principal sources of information used to compile this report comprise technical reports and technical data variously compiled and supplied by Beacon and its consultants and discussions with corporate management. A listing of the principal sources of information is included in Section 16 of this report. In addition, a site visit was undertaken to the Beacon Hill Project by the primary author, Mr Albert Thamm, between 27 and 29 November 2008. Prior to this valuation, Coffey produced a competent persons report on the same properties. Summarised technical details of that report are repeated here for the benefit of readers without access to that document.

In addition Coffey has used public reports available from Mineral Resources Tasmania which is an agency of the state government of Tasmania. Public reports are available on-line and Coffey has utilized this facility to access the reports prepared by CRAE (Conzinc Rio Tinto Australia Exploration, and its associates) and Crest Magnesium NL, a company listed on the Australian Stock exchange. Crest underwent name changes after 1999 and although still listed is not active in minerals exploration or development. Its statutory reporting is publically available from Mineral Resources Tasmania and its public reporting and ASX announcements available through the ASX website (www.asx.com.au).

2.3 Independence

Neither Coffey, nor the Expert responsible for compiling this report, have or have had previously any material interest in Beacon or the mineral properties in which Beacon has, or is earning, or acquiring, an interest. Our relationship with Beacon is solely one of professional association between client and independent consultant. This report is prepared in return for

professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

2.4 Declaration

Coffey declares that it has taken all reasonable care to ensure that the information contained in this report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

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3 RELIANCE ON OTHER EXPERTS

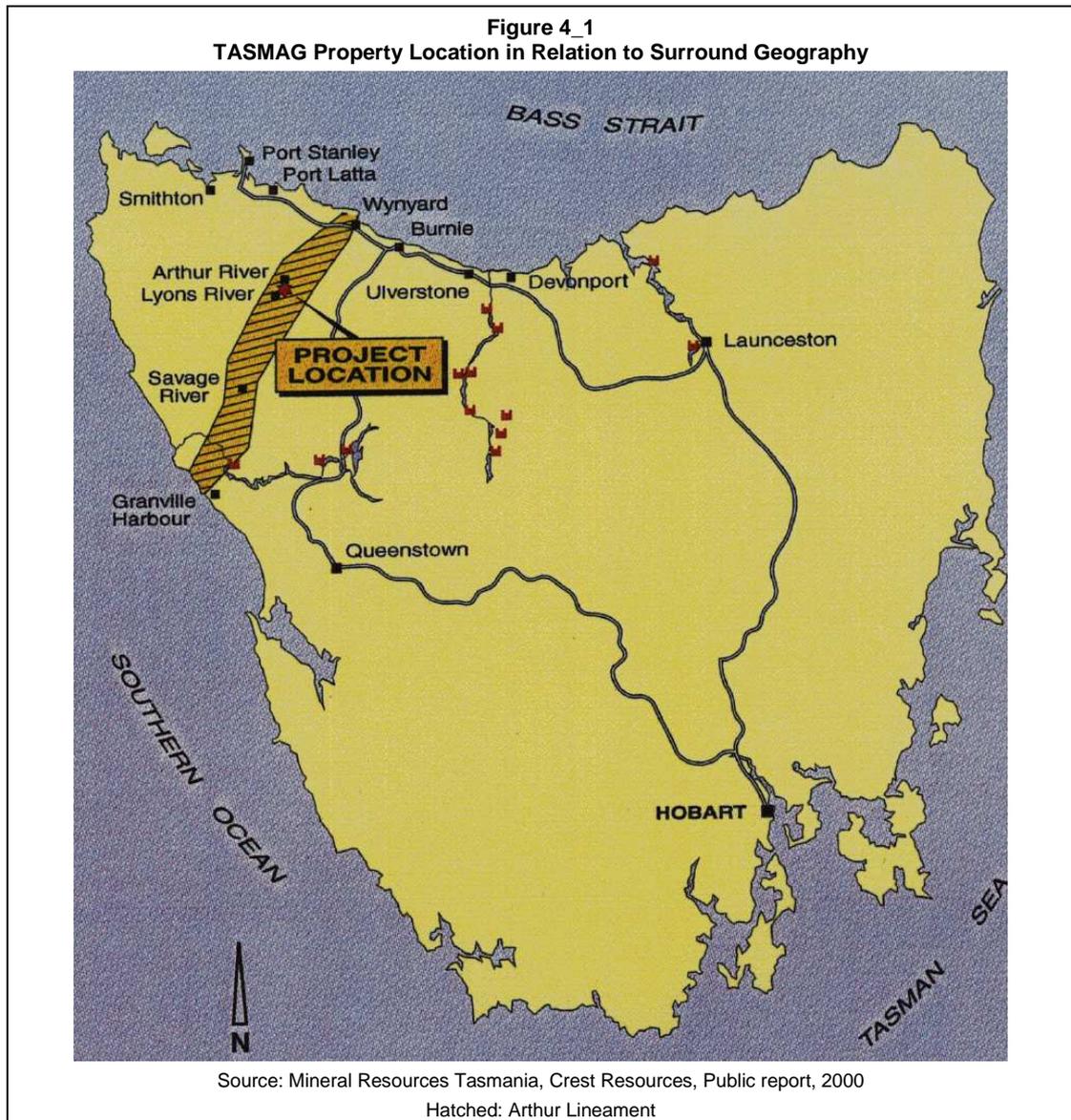
The qualified person who consents to this report is Mr Albert George Thamm who is the sole author. Mr Thamm is an employee of Coffey Mining. Coffey Mining and its parent, Coffey International, has been providing consulting services for over 50 years. Coffey International Limited (Coffey), is a Australian-based international consulting firm specialising in the areas of mining and geotechnical engineering, hydrogeology, hydrology, tailings disposal, environmental science and social and physical infrastructure.

The primary author of this report, Mr Albert Thamm, is a professional geologist with 20 years experience in exploration and mining geology. He is a Senior Geology Consultant with Coffey Mining, in Perth, Western Australia. Mr Thamm is a Fellow of the Australian Institute of Mining and Metallurgy (AusIMM) and has the appropriate relevant qualifications, experience and independence to generally be considered as a "Competent Person" as defined in the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004).

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4 PROPERTY DESCRIPTION AND LOCATION

The mineral property comprises two retention leases are located in north eastern Tasmania (Figure 4_1). The mineral tenure is as retention leases and its details are given below. TasMag has 20 year retention licences over the tenements and the applicable schedule and fees are given in Section 15, below. The vendor has mineral title to, "metallic minerals, atomic substances, construction minerals, industrial minerals and semi/precious stone" under the retention lease. The surface rights are held by the Crown.



There are no current mineral reserves and no active mine workings, tailing ponds, waste deposits and no improvements other than a public unsealed track. A small steel girder bridge, to 30 tonne rating, provided access over the Arthur River. This has been swept away intact and prior to the recommencement of any exploration or development activity access over the river would need to be engineered.

The extent and terms of any royalties, rents and fees applicable are listed separately in Section 16 below. Coffey has not been made aware of, nor asked to comment on any back-in rights, payments or other agreements and encumbrances to which the property is subject. Coffey's is not aware of any extant environmental liabilities to which the property is subject, nor had attention drawn to these. The properties are located on Crown land and other than a small portion, are not what is called "Old Growth Forrest" in terms of legislative arrangements between federal states and the Commonwealth of Australia. The tenements are underlain by re-constituted forest, with the original forest having been logged, milled, and burnt prior to 1980.

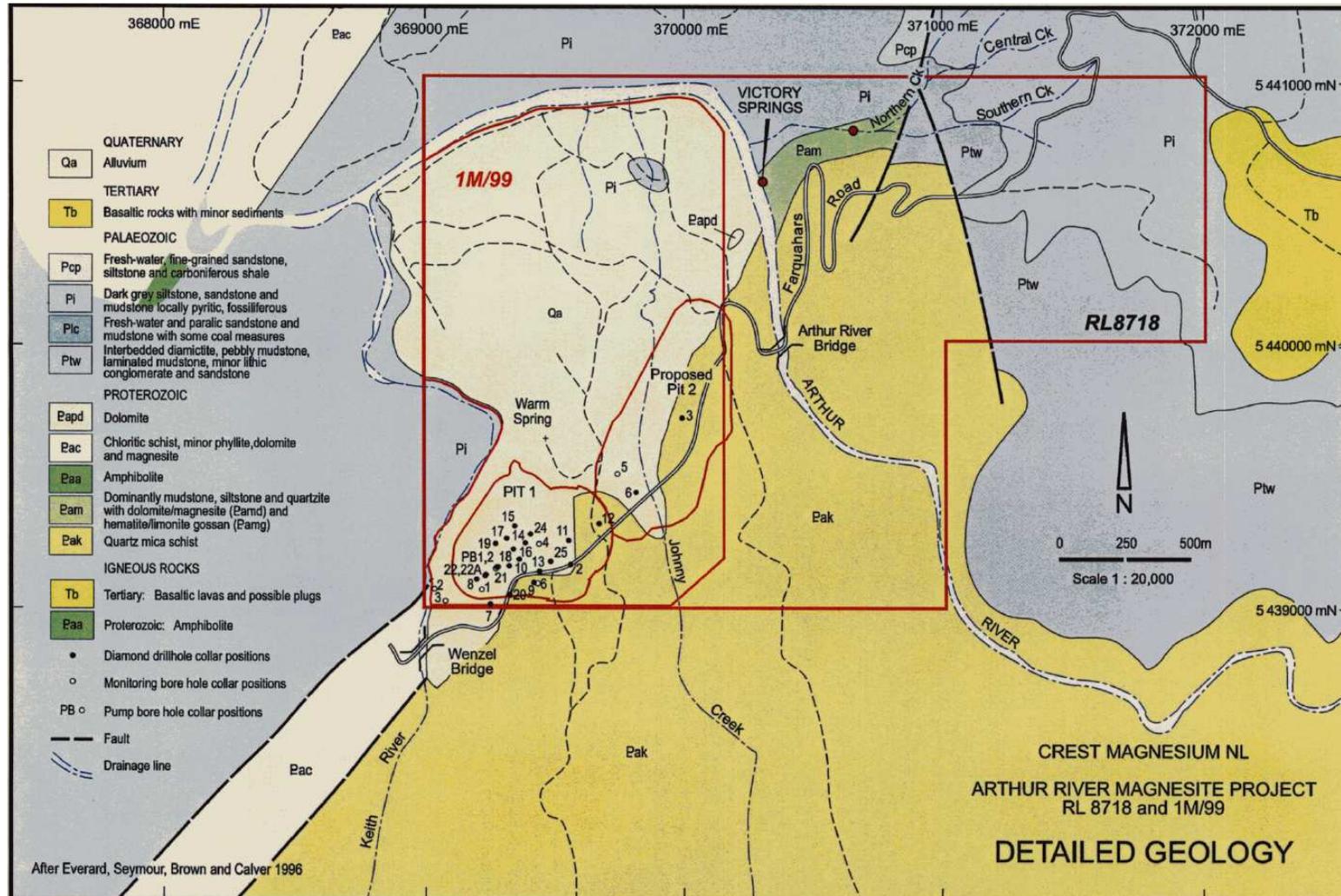
It is not known, whether the issuer or vendor have applied for permits that must be acquired to conduct the exploration work proposed for the property, and whether the permits have been obtained.

This valuation is issued with the express contingency that the valuation supplied is only applicable if the retention leases are valid and current and the reader's attention is drawn to Table 4_1, below for details of the retention lease.

Table 4_1 Tenement Schedule					
Tenement	Holder	Status/ Ownership	End Date	Area	Land Tenure
RL17/1987	Tasmania Magnesite N	Granted, 100 %	02/03/2009	5 sq km	Crown, Informal Reserve, National Estate, State Forest
R18/1987	Tasmania Magnesite N	Granted 100%	02/03/2009	5 sq km	Crown, Informal Reserve, National Estate, State Forest

Figure 4_2

Arthur River Mineralisation and Surrounding Geology



Source: Mineral Resources Tasmania, Crest Resources, public report, 2000

5 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The project area and retention leases are located to the SW of the Campbell Ranges in the state of Tasmania. The nearest town is Takone at 41°17' S 145° 63' E and the small agricultural settlement of West Takone at 41°18 145°53' E. The road is sealed to West Takone.

Sealed roads lead from the small ports of Wynyard and Burnie, the regional centres. Light industry is well established in both localities. Wynyard has regional air services to the rest of Australia and local air services within NW Tasmania. The sealed roads are all weather and well maintained and lead from Wynyard to Yolla as the Mt Hicks Rd. The major arterial road, the A2 runs east west from Smithton, Port Latta, Wynyard to Somerset and then further east to Devonport, the regional port in northern Tasmania.

The unsealed road (Farquhar's road) from West Takone (Figure 5_1) to the Arthur River bridge is a public road is in good condition that serves local traffic. The road becomes unsealed at 35km in the 55km from Burnie. The distance from the Arthur River Bridge to Wynyard is approximately 50km, of which 20km is unsealed. Grid based power is to within 10km of the Arthur river bridge. Telecommunication services are generally available but mobile coverage is limited by terrain. The climate is temperate maritime (Tables 5_1 and 5_2) with cool wet summers and cold very wet winters. Rainfall per annum has ranged from 1000 to 1800mm over the last 18 years. Data is available for Yolla, which is 15km east of West Takone, at 41.14°S and 145.70°E and at an elevation of 3 43m.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Mean	62	64	72	111	144	158	192	179	144	129	98	91	1,445
Lowest	7	5	8	9	10	14	43	38	26	19	16	10	803
5 th Percentile	13	13	15	25	36	63	88	69	52	39	32	18	1,059
10 th Percentile	22	17	21	39	51	70	97	87	71	56	38	24	1,096
Median	55	54	61	97	139	141	190	170	134	118	93	80	1,396
90 th Percentile	113	119	136	201	225	265	274	272	225	217	157	163	1,884
95 th Percentile	127	163	161	229	280	293	309	323	247	249	193	193	1,967
Highest	212	214	273	374	477	406	433	410	316	368	276	325	2,124

Source: Bureau of Meteorology, Commonwealth of Australia

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mean Maximum Temperature (°C)	19.4	20	18.2	15.5	13.1	10.8	10.2	10.7	12.2	14.5	16.1	17.9
Mean Minimum Temperature (°C)	10.3	11	10.2	8.5	7.1	5.1	4.4	4.7	5.3	6.5	7.8	9.4
Mean Rainfall (mm)	67.1	50.2	61.2	104.7	134.2	145.6	184.7	170.2	147.1	115.1	89.3	82.7

Source: Bureau of Meteorology, Commonwealth of Australia

Figure 5_1
Farquhar's Unsealed Road from RL 8718 to West Takone



The land and mineral rights are held by the Crown (the Government of Tasmania) as forestry reserve. Other than the southern portion of RL 8717, which may be 'old growth forest', the tenements and the mineralised zones are reconstituted regenerated forest and commercial state forest. Old growth forests are subject to preservation agreements between individual state governments and the Commonwealth of Australia.

The operating season would be all year around. Due care would be required from April to October with regard to pit dewatering and road maintenance given the probability of rainfall greater than 200mm per month. The terrain ranges from 100 to 350m in height, in a deeply dissected NNE directed terrane. Forging rivers requires access by bridge. Lack of bridges and access to the southern part of the area is by helicopter or on foot only at this stage.

The tenement topography varies from RL 140 m (above mean sea level) to around 300m. The area is drained by the westerly flowing Arthur River (RL 136m). The vegetation is dense regrowth forest with eucalypts and myrtle with a dense understorey of ferns, brambles and fallen timber.

Tasmania is well placed to provide experienced mining and exploration personnel and drilling companies are well established and available. Sample assaying facilities are available in Victoria and South Australia.

Tasmania is a mineral rich state. The State exports ores and concentrates of iron, copper, lead, zinc, tin, high-grade silica and tungsten. The total value of mining and metallurgical

production in Tasmania was estimated as \$2.8 billion in 2006-7. The mineral extraction and processing sector is Tasmania's largest export industry, accounting for 49.4% of mercantile exports in that period.

Figure 5_2
Crossing at the Arthur River



There has been no mining production from the property, other than several large bulk samples taken from the tenements for metallurgical testing. Tasmania Magnesite NL holds retention licences over the high-grade magnesite deposits at Arthur River and Lyons River and is actively seeking a buyer for the licences (MRT, 2004).

In addition, Mineral Resources Tasmania reports: " In addition to encouraging exploration and mining of its mineral resources, Tasmania is keen to further develop the value-added

processing component of its resource-based industries. Industries attracted to Tasmania will be internationally competitive and have a long-term perspective, committed to both sustainable growth and community prosperity. They will invest in projects with the latest technologies for maximising productivity and environmental control. There is a variety of opportunities to further process minerals. Tasmania offers a sustainable cost advantage for many processing industries and has competitively priced real estate and a stable and skilled workforce, which provides significant benefits through lower employment turnover and lower on-costs, including training costs.”

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6 GEOLOGICAL SETTING, DEPOSIT TYPES AND MINERALISATION

The Arthur River lineament (Figure 4_1) is host to tectonised and deformed meta-sedimentary, strata-bound and stratiform mineralisation, of Precambrian age. The two known significant commodities are magnesite and magnetite. These retention leases are known to contain magnesite and associated dolomite only. Typical lithologies and structure of the Arthur River lineament are shown on figures 6_1 & 6_2.

Figure 6_1
Foliated Meta Quartzites and Metapelites of the Arthur River Lineament Exposed West of Wynyard



Figure 6_2
Fracture and Cleavage Development Arthur River Lineament



Magnesite mineralisation occurs at several locations in the Arthur River lineament, which is a tectonised zone of Precambrian meta-sediments extending NNE from Granville harbour to Wynyard (Dickson, 1900; Frost and Matzat, 1984; Frost, 1982). Magnesite was discovered in Tasmania in 1925 with an active exploration and development phase, in north east Tasmania, from 1974 to 2001.

The most notable of these are the Arthur, Lyons and Savage River deposits.

The magnesite horizon is mapped to be a conformable stratigraphic unit, with a quartz-mica schistose hanging wall to the east.

The western footwall is pyritic mudstone and amphibolite. Magnesite is known at Lyons River (RL 8717), Arthur River (RL 8718) and at Savage River (35km to the SW), where magnesite and magnetite occur. The area north of Arthur River (Figure 5_1) is covered with Permian age mudstone and diamictites even younger and Tertiary age basalts.

The minerals magnesite ($MgCO_3$), siderite ($FeCO_3$) and dolomite ($Ca,Mg(CO_3)_2$) occur in complete solid-solution and in these rocks. The magnesite is visually obvious as a clear white colour, exhibiting a brecciated, jigsaw texture with inter-clast dolomite and fine grained silica (Figure 6_3). Dips range from vertical to 70° to the SE (Dickson, 1990). At Arthur River a strike length of approximately 3500m has either been mapped or drilled.

Figure 6_3
Brecciated Magnesite (white) and Dolomite (grey) - DDH AR 13 @ 142m depth



Dickson 1990 reports 5 types of distinct primary rock texture:

- Massive magnesite - white and cryptocrystalline;
- Cruciform magnesite, cryptocrystalline dominant, with patches of wedge shaped sandy dolomite;
- Wispy magnesite breccia, with magnesite patches in massive dolomite;
- Angular – magnesite breccia – cryptocrystalline magnesite is a matrix of very fine grained dolomite;
- Massive dolomite, with thin laminations of magnesite.

All five rock types are overprinted by recrystallisation which has resulted in euhedral (distinctly shaped) crystals, to 3mm diameter. The origin of the deposit remains obscure, although originally strata-bound and stratiform, subsequent deformation and metasomatic alteration during prograde metamorphism (Frost, 1982) is indicated at Savage River and the same mechanism is presumably applicable here.

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7 EXPLORATION

No exploration work nor programs have been conducted by, or on behalf of, the issuer.

Previous operators, including Mineral Holdings Australia, TasMag, CRAE and Crest Magnesium NL, have extensively mapped, drilled, bulk sampled and metallurgically sampled three named magnesite zones, two at Arthur River and one at Lyons River (also called the Pinner), subsequent to the discovery of these deposits by the State Geologist of Tasmania, in 1925.

The area was held by Mineral Holdings Australia (MHA) from 1974 to 1977 as EL (exploration licence) 43/70 and results reported to Mineral Resources Tasmania by Nye, 1997 (MRT Report 78-1243).

In 1982 CRAE entered into a farm-in and Joint venture agreement with MHA and further explored both the Lyons and Arthur river properties. Williams (1983) reports 6 drillholes for 1594m with geological logs and assay results included.

McKenzie (1984) reported on 14 drillholes, 8 at Lyons River for 1419m, 5 at Arthur River for 1255m, and 1 at Cann Creek for 289m. Detailed geological mapping was completed at 1:2000 scale.

An 8 tonne bulk sample was collected from the from Lyons River deposit, with assay results of 41.3 to 44.8% MgO. A gravity survey was successful in detecting magnesite under cover then mapped and reported.

The most useful historical report is Dickson (1985) - R 85/2498 on EL 43/70 (Arthur River), CRAE report 12999).

Dickson (1990) further reported on 25 holes (LR 14- 38) for 822m drilled in Lyons River area to develop area as a bulk sample site. Siliceous magnesite encountered east of the proposed pit with better quality magnesite below the dolomite to the west.

These 1989/1990 data comply with current JORC requirements for archiving of intersected geology, collar positions, down hole surveys and assays (by Amdel laboratories, South Australia) and umpire laboratories (Classic Comlabs Ltd in South Australia. Both the latter laboratories were NATA accredited at the time of analysis.

8 DRILLING

All drilling is diamond drill core, with $\frac{1}{2}$ sawed core for analysis and; limited $\frac{1}{4}$ core for duplicate analysis.



All Crest exploration holes started in PQ diameter (85mm) using 1.5 and 3.0m triple tubes, and split barrels. When drilling was problematic due to poor ground, diameters were reduced to HQ (63.5mm) and to NQ (47.6mm) if really difficult. Crest only completed two drillholes using NQ.

CRAE drilling is in NQ diameter with switch to BQ diameter at depth. Overall core recovery is calculated at 86.4%. In the upper 70m of many drillholes, many natural small silt filled cavities resulted in lower core recovery. Down drillhole survey is by Eastman camera survey on magnetic bearing and chord length, typically at 30m intervals. Crest era collars are based in AGD 66 and reported by differential GPS, relative to a station at West Takone with work undertaken by a Burnie based registered surveyor. CRAE drilling collars are in local grid, with grid conversions reported in later Crest era documentation.

Between 1998 and 1999 Crest completed some 3050m of diamond drilling on RL 8718. (AR 13-26, MB 002-006, PB 1&2).

9 SAMPLING METHOD AND APPROACH

The drilling is predominantly at HQ (63.5 mm) in the Crest sampling or BQ (36.5mm) in the CRAE sampling and the sampling method is continuous ½ core, based on changes in rock type and texture.

On delivery to Analabs Burnie the core was quartered and then transported to Analabs, Perth West Australia. Recovery factors are documented by individual drillhole and are in the region of 85-95%. The sample quality is good-to-excellent and the samples are representative, and no factors are apparent that result in sample bias. QA/QC procedures are not documented, but NATA accredited laboratories routinely undertake these internally.

The rock types are meta-sedimentary dolomite, magnesite and siderite, all of which are a gradational continuum in terms of chemistry and texture. The geological controls, overall are, macro-scale tectonic with widths of mineralized zones in 10's to 100's of metres. Sampling originally is based on geological description and texture, with chemical results received subsequently. The sampling interval is established by visual inspection. Of the CRAE drilling, hole sections with in excess of 40% MgO include:

- LR5 13 sections ranging from 2.8 to 14m, total 72,3m.
- LR6 23.5m from 81, 5.5m from 144.5, 20m from 160, 95m from 185m depth.
- LR7 52.8m from 55, 10m from 120, 13.3m from 132.7 depth.
- LR9 5.9m from 68.7, 5.8m from 83.5, 14.1m from 125, 8.8m from 139.8 depth.
- LR10 6m from 38 m depth.
- AR3 12m from 78, 9m from 167, 41m from 139.8 depth.
- AR5 15.05m from 32.95 depth.
- AR6 10m from 133, 9.7m from 179.3, 14m from 194, 10m from 303, 10m from 338 depth.
- AR7 28.2m from 12.6, 11.5m from 57.3, 23.7 from 121, 11,5m from 160, 55m from 177m depth.

Figure 9_1
Beacon Hill Valuation
PQ ½ Core Arthur River 1989 Drilling



10 SAMPLE PREPARATION, ANALYSES AND SECURITY

None of sample preparation was conducted by an employee, officer, director or associate of the issuer or the vendor.

The laboratories used for assay were Amdel in South Australia or Analabs Perth, Western Australia and the assay records are comprehensively documented in the public records cited below. In addition to the assay work these also performed metallurgical test work. These laboratories were and continue to be NATA accredited. Some test work was performed by KHD in Germany and further mineral sorting test work was conducted internally by CRAE Services, in Melbourne Victoria. The total ½ core was air dried, jaw crushed and milled in tungsten carbide mills to 90% passing 75µ (micro metres). An analytical pulp of 100 grams is presented to XRF (X-ray fluorescence) and fused with 12/22 flux to a glass fusion disk. LOI (Loss on ignition) is determined at 1000°C and analysed, by XRF, for the elements (at given lower detection limits) shown in Table 10_1, below.

It is author's opinion that the sample preparation, security and analytical procedures comply with analytical best practice. Individual paper test results are available.

The author has not sighted the CRAE diamond drill core. These are stored at the Mines Department in Rosny Park, Hobart, Tasmania. The author has sighted the core storage facility for all the Crest Magnesium NL core near Wynyard, Tasmania. The core is properly stored, under lock and key in core trays, clearly labelled. The remnant core is ½ core, and in some cases ¼ core, where further metallurgical test work has been undertaken. The diamond drill core is available for examination.

<p style="text-align: center;">Table 10_1 Beacon Hill Valuation Analytical Precision</p>							
Oxide	Detection Limit %	Oxide	Detection Limit %	Oxide	Detection Limit %	Oxide	Detection Limit %
SiO ₂	0.02	TiO ₂	0.01	Al ₂ O ₃	0.02	Fe ₂ O ₃	0.01
MnO	0.0025	MgO	0.02	CaO	0.02	Na ₂ O	0.01
K ₂ O	0.005	P ₂ O ₅	0.005	SO ₃	0.005	L.O.I.	0.01

11 DATA VERIFICATION

The author of this report has relied wholly on reports supplied by the issuer by way of referenced archival material. The author and Coffey however have independently discovered public reporting issued by Crest Magnesium, independently of the issuer and have confirmed the general statements made therein. Coffey has independently verified the existence of the drillcores used in earlier resource estimates and reports these are in good order. Coffey has thus relied predominantly on material supplied by the issuer or the project vendor, but has independently verified these data against data held in the public domain.

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12 MAGNESITE MARKET

Magnesite (magnesium carbonate $MgCO_3$) is marketed in four forms, in order of increasing value and processing these are:

- Crude magnesite, primarily for use in chemicals and agriculture;
- Caustic calcined magnesia, for use in making oxychloride and oxysulphate cements for flooring and wallboards, mouldings and acoustic tiles, and various environmental and chemical applications. This is produced at approximately 1000°C, and
- Dead-burned magnesia, a durable refractory for use in cement, glass, steel and metallurgical industries; and 2000°C, normally referred to as DBM and as
- Fused or electrolytic fused, designated as EFM, produced at approximately 3000°C and used in the steel refractory market.

The United States Geological survey indicate that China (41%), Russia (20%), and North Korea (8%) were at the largest producers of magnesite in 2007.

As products move up the beneficiation chain the cost of power (electricity) becomes the dominating operating cost factor and a reliable source of low cost power or energy is critical to project development. In Australia, Geoscience Australia reports that Queensland has Australia's largest inventory of magnesite. The bulk of this occurs at Kunwarara, 70km north west of Rockhampton, where Queensland Magnesia Pty Ltd has a global resource of 1200Mt of magnesite-bearing material. Within this global resource, which has an inferred resource of 500Mt of magnesite, the company has identified several high-grade magnesite zones. The Kunwarara deposit contains substantial accumulations of very high-density "bone-type" magnesite characterised by nodular and cryptocrystalline structure and low iron-content. The Flinders Ranges deposits in South Australia are the second largest in the Commonwealth and have been intermittently mined for over 100 years.

The third largest inventory is in Tasmania in the Arthur-Lyons River area south of Burnie. Minor occurrences occur in the Winchester deposit near Batchelor, Northern Territory, at Thuddungra, 80km north west of Young, New South Wales, and at Bandalup 20km east of Ravensthorpe, Western Australia.

Magnesite production in 2007 totalled 447,000t. The bulk of production was by Queensland Magnesia Pty Ltd which supplies high-grade electrofused and deadburned magnesia to the global refractory market and is expanding calcined magnesia production for a wide range of applications. About 2500 t of magnesite was produced from the Myrtle Springs region in South Australia.

The magnesite market is dominated by production from China. The relatively cheap cost of ferrosilicon, energy (coal based) and labour, as well as simple environmental regulations in China, have allowed the commissioning in the past few years of numerous new small to medium sized (3,000tpa to 30,000tpa) Pidgeon Process magnesium plants. This is

particularly so in Shanxi Province where there is an abundance of the two main raw materials, coal and dolomite, required for the process and in proximity to abundant supplies of the third important raw material, ferrosilicon. This has naturally led to Shanxi becoming the dominant magnesium metal producing region in China.

In Australia Queensland Magnesia Pty Ltd have announced plans to expand its magnesia capacity from 220,000 t/year to 320,000 t/year, to add a third multiple hearth furnace (MHF) and to diversify its markets into hydrometallurgical and agricultural applications. Construction on the third MHF is scheduled to commence in July 2008 with commissioning to begin in September 2009.

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13 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

There are no declared mineral reserves and the reported resource is in the measured and inferred resources classes only. In most reporting codes, “mineral resources that are not mineral reserves” do not have demonstrated economic viability.

Crest Magnesium Limited reported a global JORC compliant resource of 29Mt at 42.8% MgO and 5.3% SiO₂, in an ASX prospectus dated 16 April, 1998 in a report issued and authored by J D Wyatt of Geological Investigations Pty Ltd, dated 30 March, 1998. Subsequently, reporting consents were issued to the ASX in this regard. These are public documents.

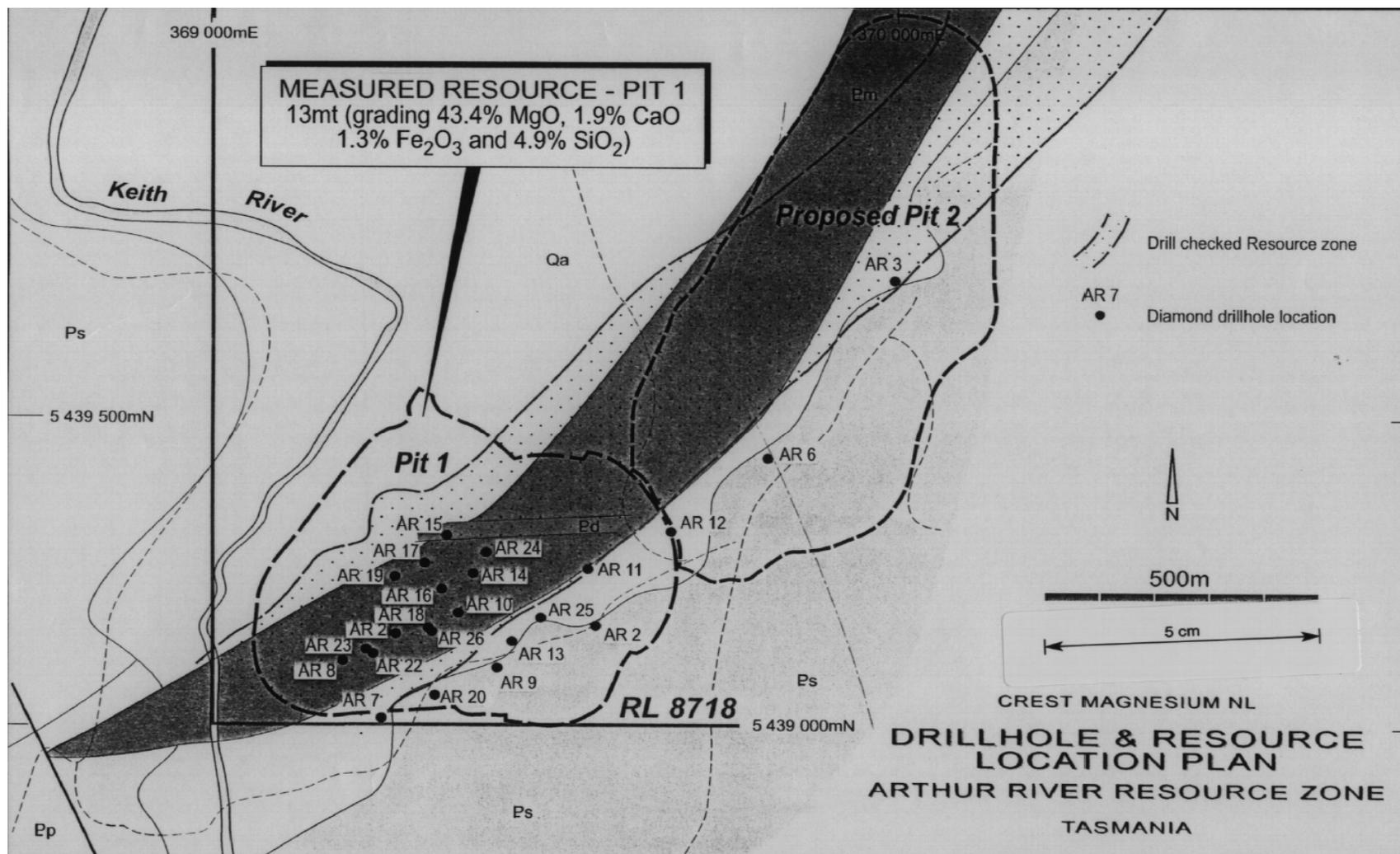
Subsequently Wyatt (2000 b&c) reported revised estimates, separately on each tenement, as part of statutory public reporting. These are sectional resource estimates (Figure 13_1), using Surpac™ software using wireframes of high grade mineralisation in a sectional, polygonal estimate. Ten metre sections were used for area, volume and tonnage accumulation. The applied cutoffs were 38% MgO, 4% CaO, 6% Fe₂O₃ and 12% SiO₂. The cutoff grades were established following metallurgical work by Hatch Associates (Canada) and reported in Wyatt, (2000c). The current reported mineral resource is tabulated below.

Table 13_1 Mineral Resources (at 38% MgO <4% CaO Cutoff)								
Lease/ Deposit	Class	Material Class	Tonnes (millions)	MgO %	CaO (%)	Fe ₂ O ₃ %	SiO ₂ %	Notes
RL 8718 Arthur River	Measured	high grade	13.2	43.4	1.9	1.3	4.9	To RL10m
	Inferred	high grade	10.0	41.5	2.5	1.9	8.6	To RL70m
RI 8717* Lyons River	Inferred	high grade	15.8	39.9	2.9	0.7	10.6	To AHD 200m small pit
Total		High grade	39.0	41.5	2.5	1.2	8.1	
Larger Pit on RL 8717 (Lyons River)								
8717*	Inferred	high grade	53.5	40.47	3.42	0.92	8.29	to AHD 135m

Source, Wyatt, 2000 b&c, Mineral Resources Tasmania. Nett attributable: 100%

Density was assumed at a conservative 2.7g/cm³, which is supported by earlier direct measurements in CRAE reports. Sectional resource estimates (dated September 1999) were tested against an earlier inverse distance weighted average method (April, 1999) and both results reported in Wyatt (2000b&c). We report here the results of the inverse distance method and block model. At RL 8718 only 250m of an estimated 3500m of strike length has been incorporated into the resource estimate. Resource completion reports are available as part of Wyatt 2000 b&c.

Figure 13_1
Measured Resource - RL 8718 – Arthur River Deposit



Source: Public reports, Mineral Resources Tasmania

Estimates of mineral resources and mineral reserves may be materially affected by mining, metallurgical, infrastructure and other relevant factors. Mining this resource will require strong grade control procedures to be developed given the magnesite and dolomite relationships and its gradation. Previous resource reports include sectional estimates in a grade control sense predicating the extraction of small slots and the separation of high, low and industrial grade magnesium.

In addition regional rainfall and groundwater will require an understanding of the groundwater regime and in particular its relationship to local hydrology i.e. the Arthur and Keith rivers. If the dolomite is cavernous and void prone then geotechnical risk will need to be addressed. For these reasons Coffey chooses to report the smaller of the two reported inferred resources at Lyons River as its depth, below surface is at a higher elevation and less likely to be affected by water issues.

Estimates of mineral resources and mineral reserves may be materially affected by known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant factors. During the Crest tenure the project enjoyed strong state and federal support as evidenced in the ASX releases made by Crest. A small portion of RL 8717 may be defined as old growth forest, in which case its clearance, if possible, will be determined by state and federal forestry agreements and would be very problematic. Taxation and fee regimes are clear and unambiguous. Freight rebates may be available for export of concentrate and electric power supply may be preferentially supplied. Gas pipelines are in close proximity and grid power is readily available in Tasmania and high voltage transmission lines run to within 10km of RL 8718.

Earlier historical reports quote gross tonnages in excess of 100Mt for both deposits. These qualify as pre-JORC, historic estimates and are not supported by the current JORC reporting methodology.

The current resource tonnages are constrained by the insertion of practical pit envelopes at approx. 0.9 to 1 stripping ratio. Both resource areas are open along strike and at depth.

14 OTHER RELEVANT DATA AND INFORMATION

14.1 Fees

Relevant and applicable fees and royalties are payable under the Tasmanian Mineral Resources Development Act 1995. These, at 1 July 2008 are, in \$ (Australian), per annum.

The fee for application for retention licence relating to:

- The fee for application for extension of a retention licence: \$384.00.
- The fee for application for transfer of an exploration licence or retention licence: \$128.00.
- The fee for application for approval of dealing in a mineral tenement: \$128.00.
- The fee for application for surrender of an exploration licence or retention licence: \$64.00.
- The fee for application for a mining lease: \$512.00.
- The fee on application for renewal of mining lease: \$384.00.
- The fee on application for exemption from conditions on a mineral tenement: \$128.00.

Filing and recording a transfer of a mining lease on:

- Private land: \$192.00.
- Crown land: \$384.00.

14.2 Rents

Annual rents (Including 10% GST- general sales tax) in Australian \$ applicable in Tasmania are:

- An exploration licence relating to any other mineral - for each square kilometre per year:
 - for each of first 2 years \$21.12 and for each subsequent year \$42.24
- A retention licence relating to minerals other than coal or oil - for each square kilometre \$1408.00.
- A mining Lease - for each hectare or part hectare per year:
 - if paid on or before 30 September \$17.60 (minimum - \$352.00) and if paid on or after 1 October \$21.12 (minimum - \$422.40)

14.3 Royalties

Tasmania levies a royalty on industrial minerals valued at the mine gate and the published schedule of these is given below. Rates for magnesite are given in paragraph (k) and are levied, like the other commodities either in dollars per tonne or in cubic metre, with the latter rate given in parenthesis. These are in AUD and are - for a lease for the taking of:

- a) dolomite - chemical and metallurgical, for each tonne \$1.20 (\$2.40);

- b) dolomite - other, for each tonne \$0.60 (\$1.20);
- c) limestone - chemical and metallurgical, for each tonne \$1.20 (\$2.40);
- d) limestone - other, for each tonne \$0.60 (\$1.20);
- e) silica - metallurgical: \$1.20 per tonne (\$2.40) or 5% of value, whichever is greater;
- f) silica - other (excluding silica flour) \$0.60 (\$1.20);
- g) sand, for each tonne \$0.60 (\$1.20);
- h) gravel, for each tonne \$0.60 (\$1.20);
- i) building and dimension stone, for each cubic metre \$5.00;
- j) stone - crushed and broken, for each tonne \$0.60 (\$1.20);
- k) magnesite for other uses, for each tonne \$ 0.60 (\$1.20).
- l) magnesite for chemical and metallurgical use: \$1.20 (\$2.40) or 5% of sales value per tonne (cubic metre), whichever is greater;

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15 VALUATION OF MINERAL ASSETS

15.1 Valuation Methods

There are numerous recognised methods used in valuing “mineral assets”. The most appropriate application of these various methods depends on several factors, including the level of maturity of the mineral asset, and the quantity and type of information available in relation to any particular asset.

The Valmin Code, which is binding upon “Experts” and “Specialists” involved in the valuation of mineral assets and mineral securities, defines the level of asset maturity under the following categories:

- **“Exploration Areas”** refer to properties where mineralisation may or may not have been identified, but where a mineral resource has not been defined.
- **“Advanced Exploration Areas and Pre-Development Projects”** are those where Mineral Resources have been identified and their extent estimated, but where a positive development decision has not been made.
- **“Development Projects”** refers to properties which have been committed to production, but which have not been commissioned or are not operating at design levels.
- **“Operating Mines”** are those mineral properties, which have been fully commissioned and are in production.

The various recognised valuation techniques are designed to provide the most accurate estimate of the asset value in each of these categories of project maturity. In some instances, a particular mineral property or project may include assets that logically fall under more than one of these categories.

Regardless of the valuation techniques adopted, the consideration must reflect the perceived “fair market value”, which is described in Definition 43 of the Valmin Code as “the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion”.

In the case of Pre-development, Development and Mining Projects, where Measured, Indicated and Inferred Resources have been estimated, and mining and processing considerations can be reasonably determined, valuations can be derived by compiling a discounted cashflow (DCF) and determining the net present value (NPV).

Where mineral resources remain in the Inferred category, and the application of mining parameters to determine their economic viability has not been undertaken or is considered inappropriate, their value cannot be demonstrated using the more conventional DCF/NPV approach. A similar situation may apply where economic viability cannot be readily demonstrated for a resource assigned to a higher confidence category. In these instances it is frequently appropriate to adopt the In-situ Resource (or "Yardstick") method of valuation for these assets. This technique involves application of a heavily discounted valuation of the total in-situ metal contained within the resource. This usually equates to a range of 2% to 4.5% of the spot metal price as at the valuation date, but may vary substantially in response to a range of additional factors including physiography, infrastructure and the proximity of a suitable processing facility.

In the case of Exploration Areas, and to a lesser extent Advanced Exploration Areas, the potential is speculative compared to projects where mineral resources have been estimated. The valuation of Exploration Areas is dependent, to a large extent, on the informed, professional opinion of the valuer.

Where useful previous and committed future exploration expenditure is known or can be reasonably estimated, the Multiple of Exploration Expenditure ("MEE") method is considered to represent one of the more appropriate valuation techniques. This method involves assigning a premium or discount to the relevant effective Expenditure Base ("EB"), represented by past and future committed expenditure, through application of a Prospectivity Enhancement Multiplier ("PEM"). This factor directly relates to the success or failure of exploration completed to date, and to an assessment of the future potential of the asset. The method is based on the premise that a "grass roots" project commences with a nominal value that increases with positive exploration results from increasing exploration expenditure. Conversely, where exploration results are consistently negative, exploration expenditure will decrease along with the value.

Other valuation methods can be adopted to assist in confirming conclusions drawn from the MEE approach. Where sale transactions relating to mineral assets that are comparable in terms of location, timing and commodity, and where the terms of the sale are suitably "arms length" in accordance with the Valmin Code, such transactions may be used as a guide to, or a means of, valuation.

Where a joint venture agreement has been negotiated as an "arm's length" transaction, the Joint Venture Terms valuation method may be applied. In a typical staged earn-in agreement, the value assigned to each of the various stages can be combined to reflect the total, 100% equity, value, as follows:

$$V_{100} = V_{\text{Stage 1}} + V_{\text{Stage 2}} + \dots$$

The value of equity assigned to an entity buying into the project, the farminor, at any earn-in stage of a joint venture can be considered as the sum of the value liquid assets transferred to the seller, or farminee, in cash or shares, plus the value of future exploration expenditure. Commonly, an agreement may stipulate a minimum expenditure that must be met by the farminor prior to allowing withdrawal from the agreement, and these funds are thus committed, as distinct from the notional expenditure to successful completion of the earn-in stage. In calculating the value of an agreement that includes future expenditure, it is considered appropriate to discount (usually at a rate of 10% per annum) that expenditure by applying the discount rate to the mid-point of the term of the earn-in phase. A probability range is also usually applied to each earn-in stage to reflect the degree of confidence that the full expenditure specified to completion of any stage will occur and, consequently, each equity position achieved.

The value assigned to the second and any subsequent earn-in stages will always involve discounted funds, and is likely to require exponentially increasing speculation as to the likelihood that each subsequent stage of the agreement will be completed. Correspondingly, in applying the Joint Venture Terms approach to staged earn-in agreements, it is regarded as most correct to consider only the first stage as the basis for estimating cash value equivalence at the time of the deal. Coffey Mining adheres to this guideline by adopting the end of the initial earn-in period for valuation purposes.

The total project value of the initial earn-in period can be estimated by assigning a 100% value, based on the deemed equity of the farminor, as follows:

$$V_{100} = \frac{100}{D} \left[CP + \left(CE * \frac{1}{(1+I)^{\frac{t}{2}}} \right) + \left(EE * \frac{1}{(1+I)^{\frac{t}{2}}} * P \right) \right]$$

where:

- V_{100} = Value of 100% equity in the project (\$)
- D = Deemed equity of the farminor (%)
- CP = Cash equivalent of initial payments of cash and/or stock (\$)
- CE = Cash equivalent of committed, but future, exploration expenditure and payments of cash and/or stock (\$)
- EE = Uncommitted, notional exploration expenditure proposed in the agreement and/or uncommitted future cash payments (\$)
- I = Discount rate (% per annum)
- t = Term of the Stage (years)
- P = Probability factor between 0 and 1, assigned by the valuer, and reflecting the likelihood that the Stage will proceed to completion.

15.2 Mining Cost

Coffey has attempted to quantify mining cost, to crushing stage, for a mine of this quantum with distant delivery, to port on the coast. We have benchmarked the scale and throughput against similar operations. We have attempted to quantify the mine and crush operations only. Additional processing capital and operating costs may be estimated at a later stage and would include wash, screen and calcination, as a minimum.

15.2.1 Introduction

The magnesite deposits at Arthur River and Lyons River, being near surface may be mined by open pit methods. The cross sections of the deposit viewed by Coffey indicate that the surface topography is relatively flat. A gentle slope of approximately 5 degrees produces a rise of between 10m and 15m from west to east across the proposed open pit area. The mineralised material is contained in a large homogenous block. This type of orebody simplifies mining and reduces the effect of dilution.

15.2.2 Drill and Blast

The rock within the proposed open pit area is relatively competent. The diamond drill core through the rock to be mined indicates that there are a significant amount of fracture zones. The rock has the potential to fragment well when blasted. A powder factor of 0.7 kg/BCM was used to calculate drill and blast costs. This powder factor

The production rate and required powder factor indicate that between one and two drill rigs are required for mine production. Other drilling required will include pre-splits along the final wall and extraneous drilling of toe and infill holes. Where possible it is advantageous to have more than one drill to allow for production to continue during periods of maintenance and breakdown.

Item	Unit	Parameter
Blast-hole Spacing	m	3.3
Blast-hole Burden	m	2.9
Hole Diameter	mm	102
Hole Depth	m	5
Subdrill	m	0.6
Stemming	m	2.1
Explosive Density	g/cm ³	0.73
Powder Factor	Kg/BCM	1.2

15.2.3 Load and Haul

It is proposed to mine using a conventional open pit mining fleet. The production rate required is in the order of 9,200 t/d (2,670t/d (3400BCM/d). mineralised material. A further 6,500 t/d on average of waste material also requires mining. The waste material includes 900 t/d of low grade material. The low grade material is to be stockpiled for possible reclamation at a future date.

A Front End Loader is required to feed the crushing circuit. The expected feed rate to the crusher of 2730t/d requires a 30 tonne size machine.

Table 15.2.3_1
Mining Fleet

Equipment	No.	Komatsu	Caterpillar
Excavator	1	PC 850SE-8 (80t)	Cat 275C
Truck	4	HD 405-7(41t cap)	Cat 770
Drill	2	Sandvik DX700	Atlas Copco ROC D9
Dozer	1	D155-A (39t)	D8T
Grader	1	GD 655-3 (14t)	140M
Water truck	1	10,000l road truck	10,000l road truck
Front End Loader	1	WA 500	Cat 980
IT Front End Loader	1	WA250	IT 14G

15.3 Capital

Capital allowance has been made for the installation of infrastructure required for the operation of the mine.

15.3.1 Cost

A list of the capital items is included in Table 15.3.1_1

15.3.2 Overheads

Mine overheads include mainly administrative costs. A list of the overhead costs used in the cost model are included in Table 15.3.2_1.

15.3.3 Mine Operation

The mine operational costs (Table 15.3.3_1) were based on owner operator with a leasing arrangement for the main production equipment. A conservative approach was adopted to the cost of the equipment. A full contract approach should provide for cost savings. The most significant cost was for labour including machine operators, supervision and maintenance. A fuel price of \$1.00/l was adopted to reflect the anticipated price for rebated diesel during 2010.

Table 15.3.1_1 Capital Infrastructure	
Item	Allowance
Workshop	\$1,500,000
Washbay	\$200,000
Tyre Bay	\$150,000
Standpipe	\$50,000
Offices	\$200,000
Fuel Farm	\$250,000
Electrical/water Services	\$250,000
Magazine	\$100,000

**Table 15.3.2_1
Overhead Costs**

Item	Allowance per annum
Administration Salaries	\$2,477,000
Light Equipment	\$100,000
Safety Equipment	\$25,000
Computers	\$15,000
Rehabilitation	\$30,000
Geotechnical Consultants	\$30,000

15.3.4 Crushing

It has been estimated by Coffey Mining that crushing of ore would be quite low, in the order of \$0.10 per tonne. The capital cost to purchase and install a crusher and stockpile conveyor could be in the range of \$2M to \$5M dependent upon the age of the crusher purchased. Crusher acquisition can be a long lead item in terms project development and typically six to 12 month leads after ordering can be anticipated.

15.3.5 Road Construction

It is difficult to estimate the cost of the haul road to be constructed. Little information has been provided in respect to the required road. Input conditions that can affect the cost of the road include:

- Topography;
- Source of road building materials;
- Type of road to build;
- Number and design of waterway crossings; and
- Environmental restrictions.

The cost of the 2 kilometres of road to be constructed could vary between \$50,000 and \$300,000. This is not considered to be significant for the life of the project.

In addition a 50-100 tonne bridge would be required to connect the tenements with the Annex to Farquhar's Road and given the topography the section from Arthur River to Farquhar's Road would require considerable upgrade

Table 15.3.3_1
Mining Costs

Item	Allowance per annum	Cost per Tonne
Other Capital	\$3,242,000	0.09
Maintenance	\$21,187,000	0.58
Hourly Hire	\$1,740,000	0.05
Fuel	\$13,966,000	0.38
Tyres and GET	\$1,844,000	0.06
Lubricants	\$1,309,000	0.04
Explosives	\$12,400,000	0.34
Operating Personnel	\$22,021,000	0.21
Equipment Hire	\$40,629,000	1.12
Overheads	\$17,794,000	0.49
Total	\$136,133,000	3.75

15.3.6 Grade control

Grade control will be a critical factor in separating ore from waste and different product types. Coffey assumes that sample analysis will be via XRF, with a combination of onsite and distant laboratory. The laboratory is presumed to be in Tasmania and within reach of the mining site. Several hand types held XRF devices are available at capital cost less than \$ 100,000. Offsite operation and ongoing cost are estimated at \$ 100,000 per annum. These costs are additional to those estimated above.

15.3.7 Ore Haulage

The crushed ore is to be hauled 50km to processing and port. This work is to be completed using twin road-trains. It is expected that the ore haulage will attract a premium price due to the undulating terrain between the mine and the port. It is estimated by Coffey Mining that the

haulage cost will be in the order of \$14.00 per tonne. This includes loading and covering the load to reduce dust during haulage.

15.3.8 Pre-strip

Both mineralised areas would require clear and grub, to remove vegetation and the Arthur River deposit would require the removal of 7Mt of overburden. Some of this material may have utility in road forming activity and may have commercial value. Coffey has not been mandated to evaluate this possibility.

15.3.9 Mining Summary

Indicative mining cost to distant delivery will be in the quantum of \$3.75-\$4.00 plus haulage of \$14.00 per tonne. Coffey has estimated mining and basic on-site processing to determine the robustness of its valuation and these costings are by no means definitive, but are comparable to projects of similar size, duration and throughput rate. Coffey would recommend on-site or near site processing and beneficiation as far as practicable, to reduce the volume and tonnage of material to be hauled to port. Cost prior to advanced beneficiation is in the range \$18.95 to \$19.50 for material mined, crushed and hauled, for presentation to a processing plant, at a Tasmanian port. This estimate includes state royalty.

15.4 Previous Valuations

Coffey Mining is aware of one uncompleted transaction dating to 2005 between Minemakers Australia NL and TasMag. The quantum of the deal was approximately AUD 1.85 million, which if inflated to 2008 dollars, is approximately AUD 2.5 million. The deal was not completed and the sale of the properties, cancelled.

15.5 Model Input Parameters

Two methods are available for valuation here, a traditional discounted cash flow (DCF), net present value (NPV) and internal rate of return (IRR) methodology or a yardstick method. If the DCF method is followed then only 13Mt, the part of the resource classified as "measured" would be used in the formal valuation given the prescriptions of both JORC and VALMIN. The yardstick method allows the whole resource (39Mt) to be used, with some allowance for exploration upside.

The yardstick model used to evaluate both the measured and inferred category resources has applied the following base case parameters and assumptions from the preceding CPR (competent persons report):

- Total mineable resources 39Mt @ 41% MgO
- Mine type: Open pit
- Strip ratio (w:o): 1.86:1
- Production rate: 500,000tpa
- Mining dilution: Nil

- Mining recoveries: 100%
- Granular magnesite powder: 20-70%
- Magnesite product price: US\$300/t
- Exchange rate AUD 1.428 /US\$1
- Yardsticks 2% and 4.5%.

15.5.1 Value ranges

A range analysis has been undertaken to examine the value sensitivity to changes in the yardstick percentage and the percentage metal recovery. A yardstick scorecard is documented in Appendix 1, below.

The yardstick approach uses the in-situ tonnage, discounted by a product recovery factor and multiplied by a product price. This is then discounted by to the percentages a given. Yardsticks may range from as low as 0.5 % where projects have technical difficulty, to 5% for those that are commercially and financially robust. Coffey has applied a differential scorecard analysis and considered yardsticks at both 2% and 4.5% of metal value and has applied metal recoveries from 20 to 70% in 10% steps. Coffey has further considered the extended (76Mt) resource as potential exploration upside and thus elected the upper range of values to reflect this.

Coffey expects the product mix to be a combination of crude calcined magnesia, dead burnt magnesia and electrolytic fused magnesia. Coffey has utilized a product price of AUD 430 per tonne as a conservative baseline.

Based on the sensitivity analyses described above, Coffey Mining has derived a range of provisional values for the proposed project from **AUD\$ 69.3 million to AUD\$ 83.2 million**, with exploration potential factored in.

15.6 Material Agreements

Where magnesite is extracted for chemical and metallurgical use a state royalty of \$1.20 per tonne (or \$2.40 per cubic metre) or 5% of sales value, whichever is greater, is applicable in Tasmania. Where magnesite is extracted for all other uses then a State royalty of 0.60/t of ore (US\$ 0.857c/t) is applicable to projects in Tasmania. Retention licences will attract a fee of AUD 1408 per km² per annum.

Coffey Mining is not aware, nor have we been made aware, of any other agreements that have a material impact on the provisional valuations and, on this basis, no further adjustments have been made.

15.7 Valuation Summary

A summary of the technical valuations for the various assets comprising the Beacon Hill Project are provided in Table 15.5_1 below. These valuations reflect a 100% equity interest in

the project, and may need to be adjusted to reflect the respective interests of either party to the joint venture, depending on the purpose of the independent valuation.

Table 15.5_1 Beacon Hills Resources PLC Technical Valuation Summary (28 February 2009)				
Asset	Interest	Technical Valuation		
		Low AUD\$M	High AUD\$M	Preferred US\$M
RL 8718 & 8717	100%	69.3	83.2	83.2
Total	100%			83.2

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17 GLOSSARY

A full listing of abbreviations used in this report is provided in Table 17_1 below.

Table 17_1	
Beacon Hill Valuation	
List of Abbreviations	
	Description
<i>amphibolite</i>	metamorphic crystalline basic rock
<i>AuD\$</i>	Australian dollars
<i>AHD</i>	Australian height datum, in metres
<i>AGD 66</i>	An Australian survey grid, since superseded
<i>AIM</i>	Alternate Investment Markey, London stock exchange
μ	microns
<i>3D</i>	three dimensional
<i>CRAE</i>	Con Zinc Rio tinto Exploration
<i>Cambrian</i>	geological period < 542 Ma to 488 Ma.
<i>DDH</i>	diamond drillhole
<i>dolomite</i>	sedimentary rock $\text{CaMg}(\text{CO}_3)_2$
<i>g</i>	gram
g/m^3	grams per cubic metre
<i>HQ</i>	size of diamond drill rod/bit/core
<i>hr</i>	hours
<i>ISO</i>	International Standards Organisation
<i>kg</i>	kilogram
<i>kg/t</i>	kilogram per tonne
<i>km</i>	kilometres
km^2	square kilometres
<i>kW</i>	kilowatts
<i>kWhr/t</i>	kilowatt hours per tonne
<i>M</i>	million
<i>m</i>	metres
<i>Ma</i>	million years
<i>magnesite</i>	magnesite, MgCO_3 a chemical sedimentary rock.
<i>Mg</i>	magnesium
<i>ml</i>	millilitre
<i>mm</i>	millimetres
<i>Mtpa</i>	million tonnes per annum
<i>metasomatic</i>	alternation of pre-existing rocks by the passage of fluids
<i>mudstone</i>	fine grained sedimentary rock
<i>NQ</i>	size of diamond drill rod/bit/core
$^{\circ}\text{C}$	degrees centigrade
<i>Permian</i>	geological period < 251 Ma to 299 Ma
<i>ppb</i>	parts per billion
<i>ppm</i>	parts per million
<i>Precambrian</i>	geological period > 542 Ma
<i>psi</i>	pounds per square inch
<i>pyritic</i>	containing the mineral pyrite, FeS_2
<i>QA</i>	quality assurance
<i>QC</i>	quality control
<i>RAB</i>	rotary air blast – a drilling technique
<i>RC</i>	reverse circulation – a drilling technique
<i>RL</i>	relative level, a height above sea level
<i>schist</i>	Tectonised metamorphic rock exhibiting micro to macro scale layering
<i>SG</i>	Specific gravity
SiO_2	silica
<i>SMU</i>	selective mining unit
<i>t</i>	tonnes
t/m^3	tonnes per cubic metre
<i>Tertiary</i>	geological period < 2.5 Ma to 65.5 Ma

Throughout the JORC Code and this document, certain words are used in a general sense when a more specific meaning might be attached to them by particular commodity groups within the industry. In order to avoid unnecessary duplication, a non-exclusive list of generic terms is tabulated below together with other terms that may be regarded as synonymous for the purposes of this document.

<p align="center">Table 17_2 Beacon Hill Valuation Non-Exclusive List of Generic Terms</p>		
	Synonyms and Similar Terms	Intended Generalised Meaning
Tonnage	Quantity, Volume	An expression of the amount of material of interest irrespective of the units of measurement (which should be stated when figures are reported).
Grade	Quality, Assay, Analysis (Value)	Any physical or chemical measurement of the characteristics of the material of interest in samples or product. Note that the term quality has special meaning for diamonds and other gemstones. The units of measurement should be stated when figures are reported.
Metallurgy	Processing, Beneficiation, Preparation, Concentration	Physical and/or chemical separation of constituents of interest from a larger mass of material. Methods employed to prepare a final marketable product from material as mined. Examples include screening, flotation, magnetic separation, leaching, washing, roasting etc.
Recovery	Yield	The percentage of material of initial interest that is extracted during mining and/or processing. A measure of mining or processing efficiency.
Mineralisation	Type of deposit, orebody, style of mineralisation	Any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest. The term is intended to cover all forms in which mineralisation might occur, whether by class of deposit, mode of occurrence, genesis or composition.
Ore Reserves	Mineral Reserves	'Ore Reserves' is preferred under the JORC Code but 'Mineral Reserves' is in common use in other countries and is generally accepted. Other descriptors can be used to clarify the meaning e.g. coal reserves, diamond reserves etc.
Cutoff grade	Product specifications	The lowest grade, or quality, of mineralised material that qualifies as economically mineable and available in a given deposit. May be defined on the basis of economic evaluation, or on physical or chemical attributes that define an acceptable product specification.

Appendix 1

Yardstick Scorecard



Factor	Yardstick	2%	4.50%
Sovereign risk		1	1
Resource class		1	-1
Infrastructure - physical		-1	-1
Infrastructure - power		1	1
Infrastructure - water		1	1
Availability contractors - mining		1	1
Availability contractors - drilling		1	1
Availability contractors - labour		1	1
Export assistance		1	1
Power subsidy		1	1
Public risk		-1	-1
State government support		1	1
Climate		0	-1
Hydrology		0	-1
Ore body shape/geo-mechanics		-1	-1
Overburden strip		-1	-1
Sum	Score	6	2

- 1 Positive
- 0 Neutral
- 1 Negative