

9. FINANCIAL VALUATION

9.1 In this exercise a simple economic appraisal of the project is carried out following the steps outlined below. It is not warranted at this stage to adopt the normal procedure of project valuation by computing the detailed cash flows for every year throughout the life of the mine operation.

Mining volume (mil cu m)	=	5.2
Recoverable grade (g per cu m)	=	185
Production (tonnes)	=	960
Price per tonne tin conc. @ 70% Sn (\$)	=	9,600
Gross revenue (mil \$)	=	9.22
Royalty @ 2% of proceeds (mil \$)	=	0.18
Net revenue (mil \$)	=	9.04
Total operating costs @ \$2.00 per cu m (mil \$)		10.40
Operating loss (mil \$)	=	1.36
Capital (mil \$)	=	2.41

* In Tasmania the royalty is 2% of proceeds in any year from sale of the mining product or 5% of profits (as determined by the Minister) from sales in that year of the mining product, whichever is the less. For this exercise the former royalty rate is taken.

9.2 From the above calculation the mining project will run into an operating loss of approximately \$1.36 mil. The loss would be enhanced much more should the capital expenditure of \$2.41 be incorporated into the cash flow calculation.

10. CONCLUSIONS AND RECOMMENDATION

10.1 Preliminary surface investigations and pit sampling indicated 1,400 tonnes cassiterite concentrates at 70% Sn in 6.5 mil cu m grading 215 g per cu m in the valley deposit in the Arthur River Alluvials Project. Of this reserve 1.3 mil cu m containing 330 tonnes are in the mining tenement Lease 42M/77 which has been granted to Arthur River Mining Ltd. under an agreement with Comstaff Pty. Ltd. Hence the net reserves for Comstaff are 5.2 mil cu m and 1070 tonnes.