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EXPLORATION LICENCE

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EXPLORATION LICENCE 27/79 (HAMILTON)

ANNUAL REPORT, YEAR 7

17/4/86 - 16/4/87

87-2658

EXPLORATION LICENCE 27/79 (HAMILTON)ANNUAL REPORT YEAR 77/4/86 - 16/4/87

Exploration Licence 27/79 was granted to Capricorn Mining Ltd on the 17th April 1980. The licence area originally covered 870 km<sup>2</sup> of the middle reaches of the Derwent Valley (Fig. 1) but after several relinquishments of non-prospective acreage the area currently consists of two blocks totalling 221 km<sup>2</sup>.

During 1985 an exemption from expenditure requirements was granted to Capricorn Mining Ltd by the Department of Mines in view of the fact that poor market prospects for coal were preventing the development of the Langloh deposit and consequently there was no incentive to explore for further reserves. This situation is likely to remain in the near future as is the problem of ownership of the deposit.

No new exploration was conducted on the licence area in Year 7. As mentioned in quarterly reports for the first, second and third quarters of Year 7, enquiries were received from the existing major steaming coal users in Tasmania regarding the availability of bulk samples and the possible sale of the deposit. However none of these enquiries has developed into serious negotiations. Communication with the landowners has continued, albeit at a reduced level.

The ongoing combination of problems such as: landowners' refusal to allow a small-scale mining operation, the high cost of coal transport to the northwest coast, and the apparent lack of interest in the deposit by Australian Newsprint Mills at Boyer are preventing any real progress of this project, as they have for the past three years.

The University of Tasmania Geology Department continued its programme of studying shallow seismic reflection techniques on the coal seams, fault structures and underground mine workings at Langloh. In 1986 the third B Sc Honours project was completed in this programme.

EXPENDITURE

Expenses for Year 7 were as follows:

1ST QUARTER ENDED 16/7/1986

Petrecon Aust.	General Geological	3 005
Mines Department	Licence Fee	4 068
Company Administration		3 444
Overhead & Travelling		
		<hr/>
		\$10 517
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2ND QUARTER ENDED 16/10/1986

Petrecon Aust.	General Geological	2 254
Company Administration		
Overhead & Travelling		3 000
		<hr/>
		\$ 5 254
		<hr/>

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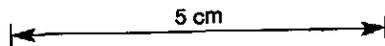
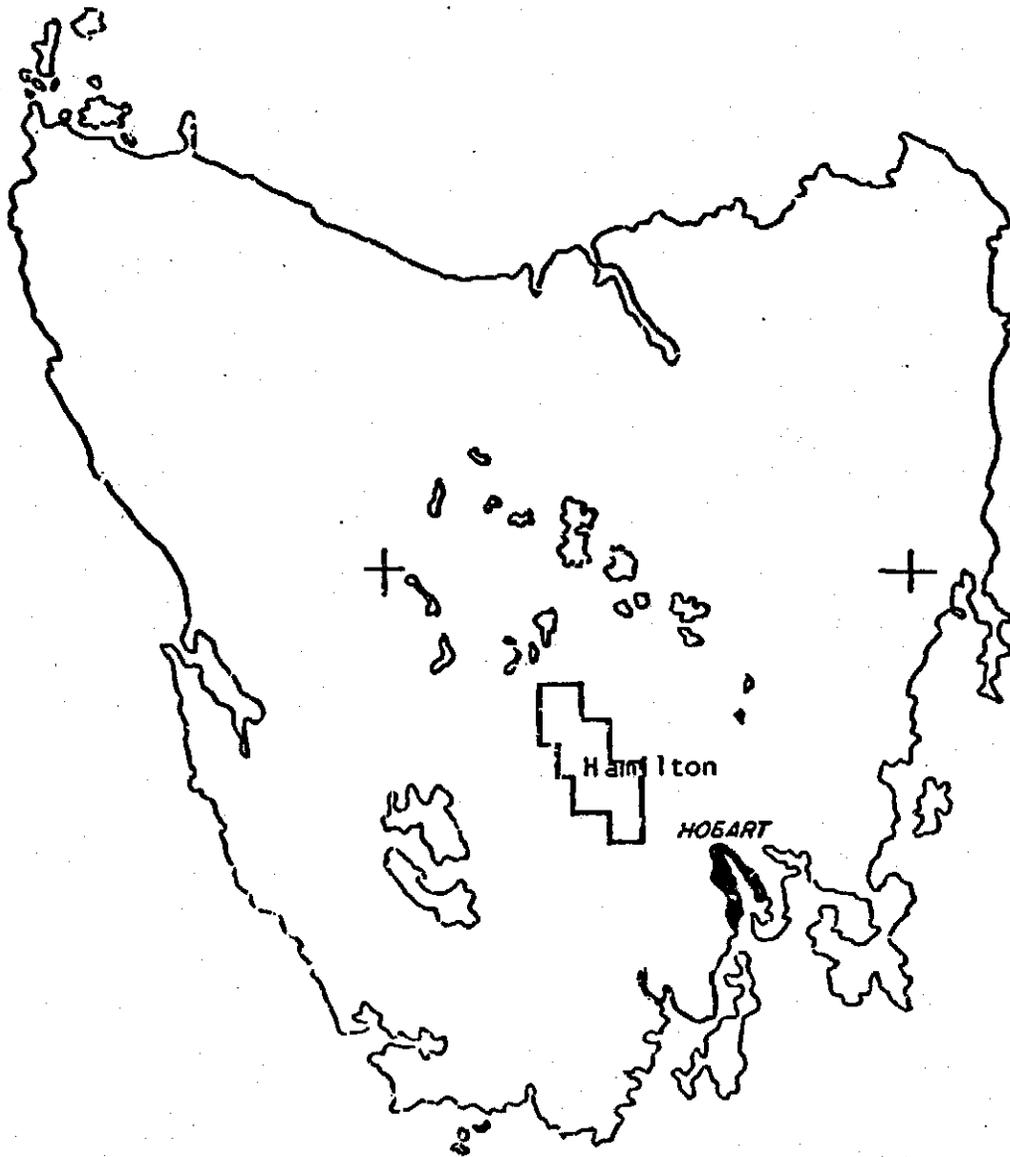
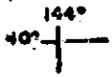


Fig. 1

3RD QUARTER ENDED 16/1/87

Petrecon Australia	General Geological	530
Company Administration		
Overhead & Travelling		<u>1 000</u>
		<u>\$ 1 530</u>

4TH QUARTER ENDED 16/4/87

Petrecon Australia	General Geological	2 462
Company Administration		
Overhead & Travelling		<u>1 000</u>
		<u>\$3 462</u>

TOTAL		<u><u>\$20 763</u></u>
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On March 13 1987 an application for renewal was sent to the Department. The following additions/alterations should be made as a result of this report:

Reporting		
4th Quarter ending 16/4/87		\$ 3 462
	Total	\$20 763

Expenditure		
Accumulated expenditure prior to the		
current term		558 641.10
Expenditure during current term		20 763
Cumulative total		579 404.10

Under the Department's recently introduced reporting requirement, the next quarterly report will fall due on June 30 and will include expenditure for the period April 17 to June 30. Thereafter, expenditure reporting will be done by calendar quarter.