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SHEAL LUTWICHE PTY. LTD.
ANNUAL REPORT FOR THE YEAR ENDING 5 JUNE 1988

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Work on the most prospective areas - the tailings dams, coarse tailings and proposed open cut have been outlined in previous reports.

The 1987 Annual Report indicated that due to the historically low prices of tin and wolfram none of the deposits were viable.

Since that time the price of tin has again fallen but wolfram has increased a little. However, marketing conditions are very difficult.

World stocks of tin are being reduced and the surplus should be down to 28,000 tonnes by year end. It is stated by leading producers that 20,000 tonnes is the optimum stockpile so there is some chance of an increase in price in the next two years.

We have been carrying out cash flow analysis on the tailings dams and the price of tin/wolfram would have to reach \$115.00 C.M. unit to give an internal rate of return of 20%. This could only be achieved by an increase in price of the product or improved technology.

The "Kelsy Jig" shows promise of producing at low cost a minus 15 micron concentrate. If the jig is further developed it may be ideal for the Rossarden tailings dams.

Further investigation will be carried out this year on this project.

001 Our Company this year has reassessed the area we hold and have proposed to reduce the license in size from 25km² to 13km². The area proposed to retain will include Storys Creek, Aberfoyle and Lutwyche deposits as well as the tailings dams.

Environment

During the year drainage maintenance has been carried out at Storys Creek and at Aberfoyle. Further cleaning has been done at the mill site as well as general repairs. We employ a part-time Watchman/ Serviceman and have a backhoe on site when necessary.

The water supply to five houses was maintained by us as a service to the community.