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CONGA OIL PTY LTD

RELINQUISHMENT REPORT

EL 7/86

MARCH. 1990

90-3117

EL 7/86

FOLIO 5
REFERS

AMG REFERENCE POINTS ADDED

INTRODUCTION

EL 7/86 was split from the oil licences held by Conga Oil Pty.Ltd., when a sole oil licence 1/88 was granted. Appendix 1 is a consultants report which clearly outlines the deposit which was the main focus for exploration. Precollaring of the holes marked in Appendix 1 was completed, however, bad hole conditions and problems with the diamond drill rig moved to Ida Bay for the coring, stopped the program. The market opportunity present at the start of the program, with A.N.M., had closed. The Department suggested in early 1989 that the licence be cancelled due to their knowledge of other developments coming on stream, making further exploration pointless.

The other areas within EL 7/86, were looked at, mainly the Mt. Lloyd field, but access and extensive overburden from dolerite screes made drilling prohibitive. The Strathblane field is well worth further investigation and will be capable of supplying over 5 million tonnes in its own right.

The Sandfly field is now covered by numerous 5 acre lots and any further development would have to overcome property issues.

APPENDIX 1

McELROY BRYAN & ASSOCIATES PTY.LTD.

GEOLOGICAL CONSULTANTS

COAL POTENTIAL - SOUTHERN TASMANIA

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COAL POTENTIAL

SOUTHERN TASMANIA

REPORT PREPARED FOR

CONGA OIL PTY LTD

BY

MCELROY BRYAN & ASSOCIATES PTY LIMITED

REPORT 105/1 J.H. BRYAN SEPTEMBER, 1987

SECTION 1. INTRODUCTION

A large area in Southern Tasmania is held under exploration licences by Conga Oil Pty Ltd, (See Figure 1) for oil, coal and shale. At the request of Mr Malcolm Bendall, a review of the coal potential has been undertaken to ascertain whether potentially mineable coal deposits exist within the exploration licences. This report is intended to give a brief resume of the coal potential, based on the author's experience in Tasmanian coalfields, without going into lengthy dissertations on the geology and past mining history.

The area covered by the exploration licences includes the following known coalfields and old mines:-

Mt Lloyd Coalfield

Kaoota (Sandfly) Coalfield

Cygnet Coalfield

Strathblane Coalfield

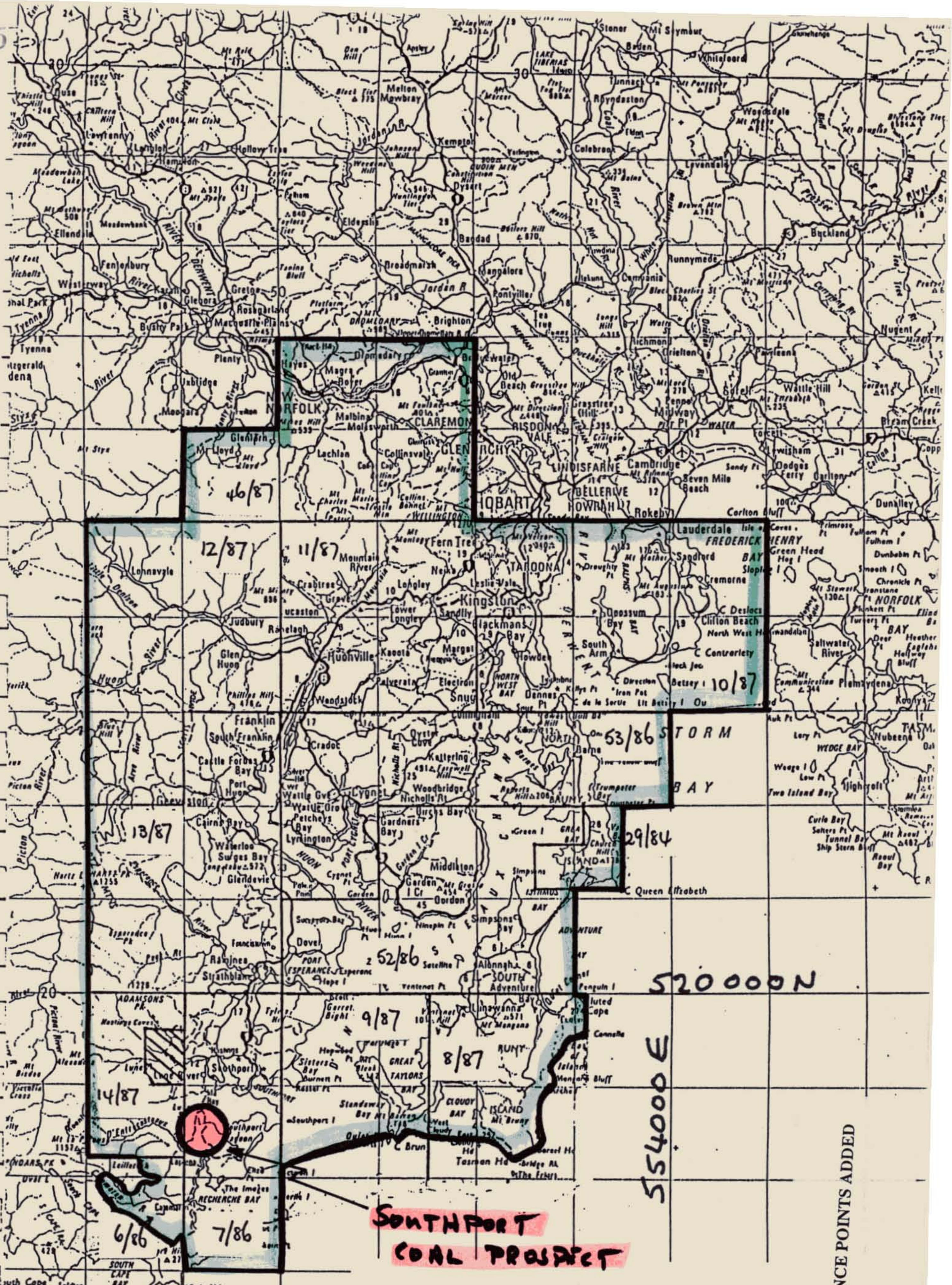
Hastings Coalfield

Ida Bay Coalfield

Moss Glen Coalfield

Catamaran Coalfield

These coalfields have been mined sporadically in the past and production levels have been generally limited to a few thousand tonnes. There has been no production from these areas in the last 25 years, as Tasmania's coal mining has been confined to the Fingal Valley, in north-east Tasmania.



SURVEY AREA AND LOCATION OF EXPLORATION LICEN

AMG REFERENCE POINTS ADDED

SECTION 2. MARKET POTENTIAL FOR COAL IN TASMANIA

Tasmanian coals are high ash, low quality coals that can be used locally for generating steam (and electricity) or in the manufacture of cement. The Goliath Cement Company, located at Railton in northern Tasmania, owns The Cornwall Coal Company which supplies all of the coal presently mined in Tasmania. Goliath are a significant consumer, with the paper mills being the other major coal consumers. In southern Tasmania the largest coal consumer is Australian Newsprint Mills (ANM) at Boyer (100,000 tonnes per annum), while other factories in Hobart use another 20,000 - 30,000 tonnes per annum.

The existing boilers at ANM require coal of a certain minimum quality, particularly with respect to ash content and specific energy (heat value). Most naturally occurring coal seams in Tasmania have too high an ash content for the existing markets and the run-of-mine (R.O.M.) coal must be beneficiated to produce a saleable product with about 19-22% ash on an air dried basis. If the ash content is in that range then the specific energy will usually be at an acceptable level.

If an economically mineable coal deposit was discovered in Southern Tasmania then the market potential exists in the Hobart area to support a 100,000 - 150,000 tonnes per annum mine. It should be noted however that ANM, the main consumer in the south, has been looking for some time at coal deposits near Hobart, including the Langloh coal deposit held by Capricorn Mining Limited. Should ANM make arrangements with a new supplier of coal, say at Langloh, then it is likely that such arrangements would involve a long term contract. If that occurred then the potential market in Hobart would diminish substantially to about 25,000 tonnes per annum.

It is doubtful whether a new coal mining operation could be profitable if based on a market of only 25,000 tpa.

The coal in Tasmania is not suitable for export, principally because of the low quality, and has no market outside Tasmania. While better quality coal is available on the mainland at a reasonable price, the transport and unloading costs are so great that importing coal into Tasmania is as commercially unviable as exporting coal from Tasmania.

SECTION 3. POTENTIAL - SOUTHERN TASMANIA

Since the mid-1970's some exploration for coal has been undertaken in the area south of Hobart, principally by Australian Paper Manufacturers (APM) and Marathon Petroleum (MPAL).

The most significant, and as yet untested, discovery was by MPAL south of the old Ida Bay Mine. Figure 2 shows the location of drill holes in the area between Ida Bay and Catamaran. Drill hole 110 intersected a shallow seam of coal that might be mineable. Drill holes that would indicate the extent of the resource are also shown on Figure 2. (Holes A to G).

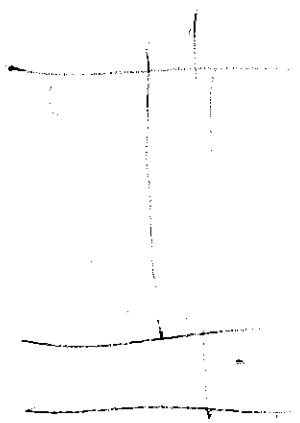
MPAL, in their reports on the area, indicate that up to 5.5 million tonnes of shallow coal could exist in the vicinity of Hole 110, the area referred to here as the Southport Prospect.

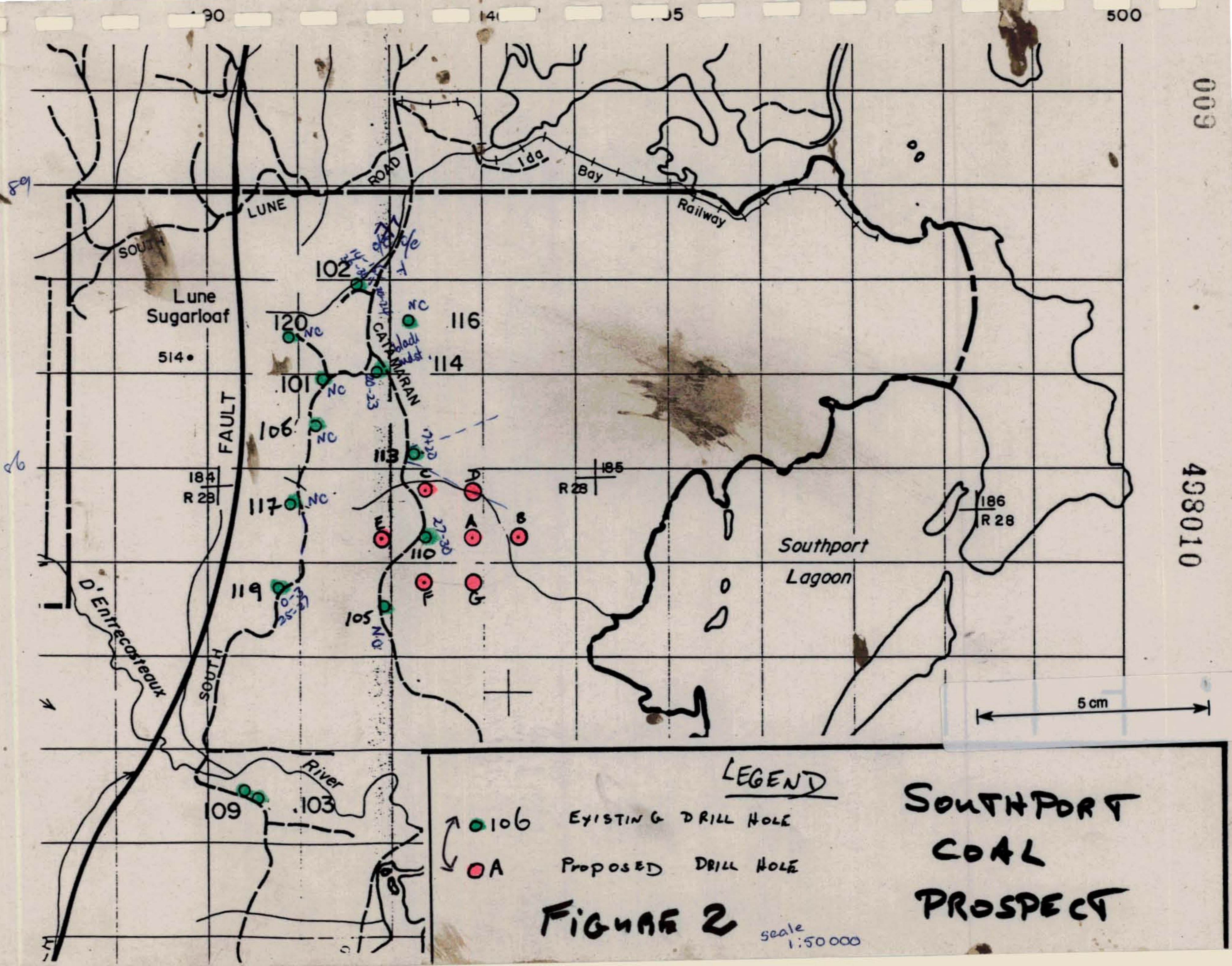
3.1 Cost of Stage 1 Exploration Drilling

At least 7 drill holes are proposed to provide data around Hole 110. These could initially be rotary non-cored holes if BPB Instruments were able to provide down-hole geophysical logging. If this was not possible the core drilling would be necessary, at greater cost. Some core holes will be needed to follow up the rotary drilling.

With provision for geological supervision, cost of analyses of coal, site preparation, compensation to landowners, drilling, geophysical logging etc. the initial exploration (Stage 1) could cost about $100,000, and might take three months to complete, including reporting.

1 sq Km with 1m coal = 10^6 cu m ~ 1.5×10^6 + t.

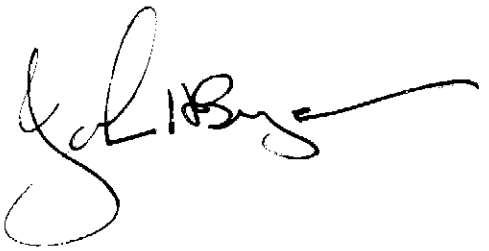




SOUTHPORT COAL PROSPECT

FIGURE 2

On completion of that Stage 1 programme it should be possible to either proceed with a further programme of work leading to mine development, or to abandon that coal area. A total cost in the order of $500,000 might be necessary to produce the data necessary for a mine development proposal; this would include a bulk sample for testing by the potential consumers.



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J.H. Bryan BSc., Ph.D., A.I.M.M.

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TABLE 1

STAGE 1 EXPLORATION - SOUTHPORT COAL PROSPECT

Allow 7 holes each 75m @ $100	$52,500
Logging (BPB)	$10,000
Analyses	$ 5,000
Geological Supervision (1 month field)	$10,000
Reporting	$ 5,000
Landowners	$ 2,000
Site Preparation	$ 5,000
Surveying	$ 2,000
Travel, Accom., Sundry Expenses	$ 6,500
	$98,000

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His Comments Melb Sept 15

Beneficiation	$6/t
Excavation (up to 30m)	$35/t
Mining coal	$5/t
Transport to Hobart	$9/t
Overburden removal	$3.50/t

My comments on Table 1.

Need only 1 hole at 75m

All others max mining (economic) depth + 5m or 10m

on hole 40m