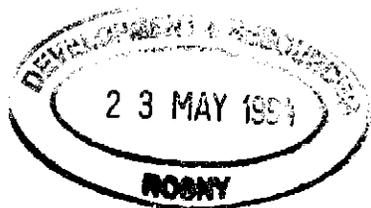


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Merrywood Coal Company Pty. Ltd.

E.L. 19/91 - Royal George

Annual Report

Year 2 (10/4/93 - 10/4/94)

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K.C. Morrison
May 1994

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INTRODUCTION AND TENEMENT DETAILS

E.L. 19/91 is an 8 km² licence at Royal George in the St. Pauls River Valley, N.E. Tasmania (Figure 1).

It was issued from 10 April 1992 to Merrywood Coal Company Pty Ltd who have 100% equity in the licence.

Land tenure comprises approximately 50% Private Freehold forest and grazing property and 50% State Forest.

This report covers exploration completed during Year 2 and proposed future exploration.

SUMMARY OF PREVIOUS WORK

In Year 1 a 1.7 metre coal seam was intersected by percussion drilling along strike to the west of a 1978 I.C.E Pty Ltd drill intersection. The Year 2 program was designed to follow up this occurrence with core drilling.

YEAR 2 EXPLORATION

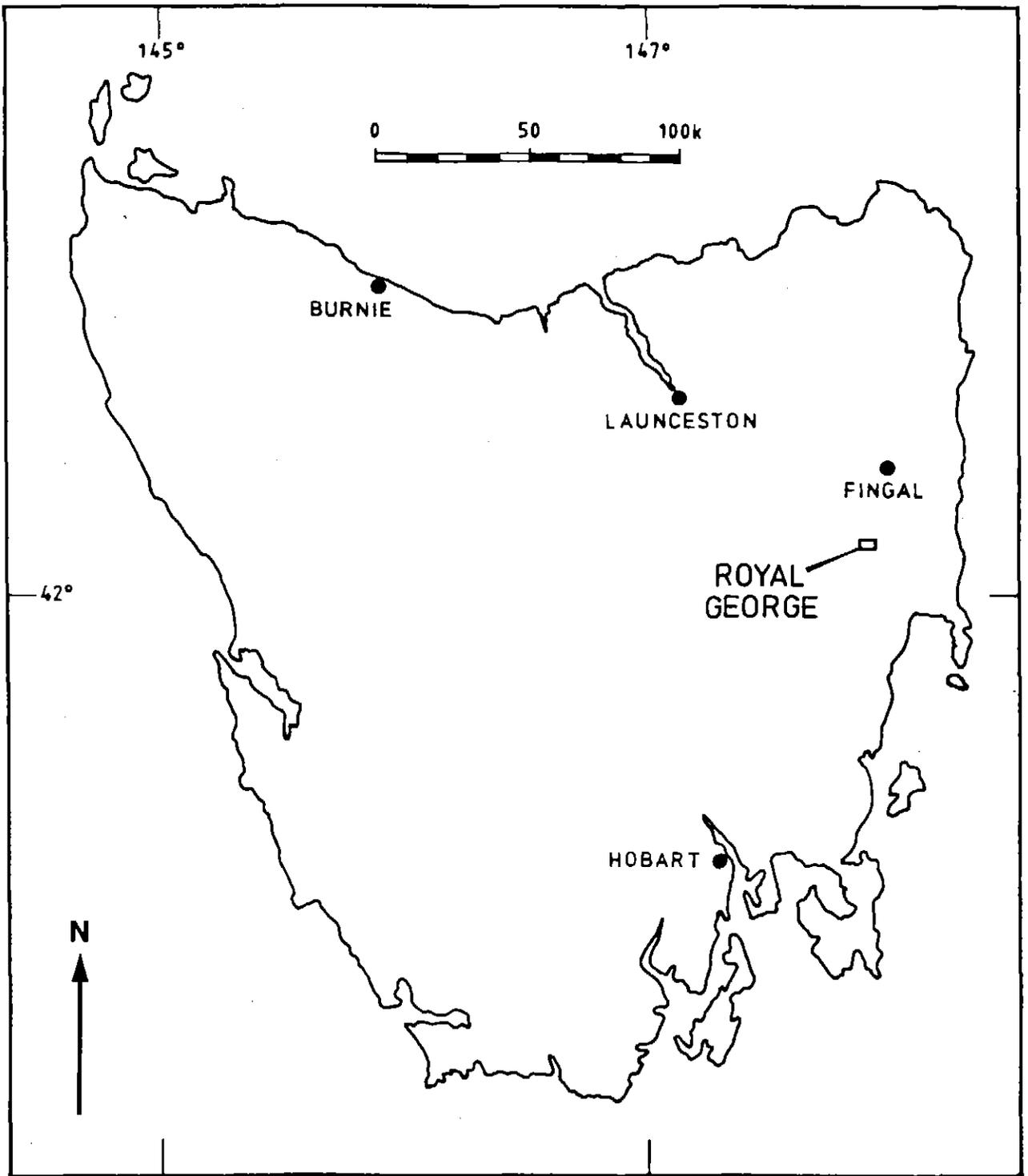
In March 1994 three NQ cored drill holes were completed on the E.L. They were drilled by contractors, H.J. Stacpoole, using a truck-mounted Mobile B80 rig with water pumped from local creeks. Approximate locations are shown on Figure 2.

The collar sites will be surveyed in late April 1994, and will be reported in the Year 3 Annual Report.

Drill log sheets, photographs of the coal intersections and proximate analyses of the coal (together with data from Mt. Puzzler coal analyses) are enclosed in Appendix 1. Graphic logs of the main coal seam intersections are shown on Figures 3 - 5. In addition to the main seam, a smaller, higher level seam was intersected in DDH RG-3.

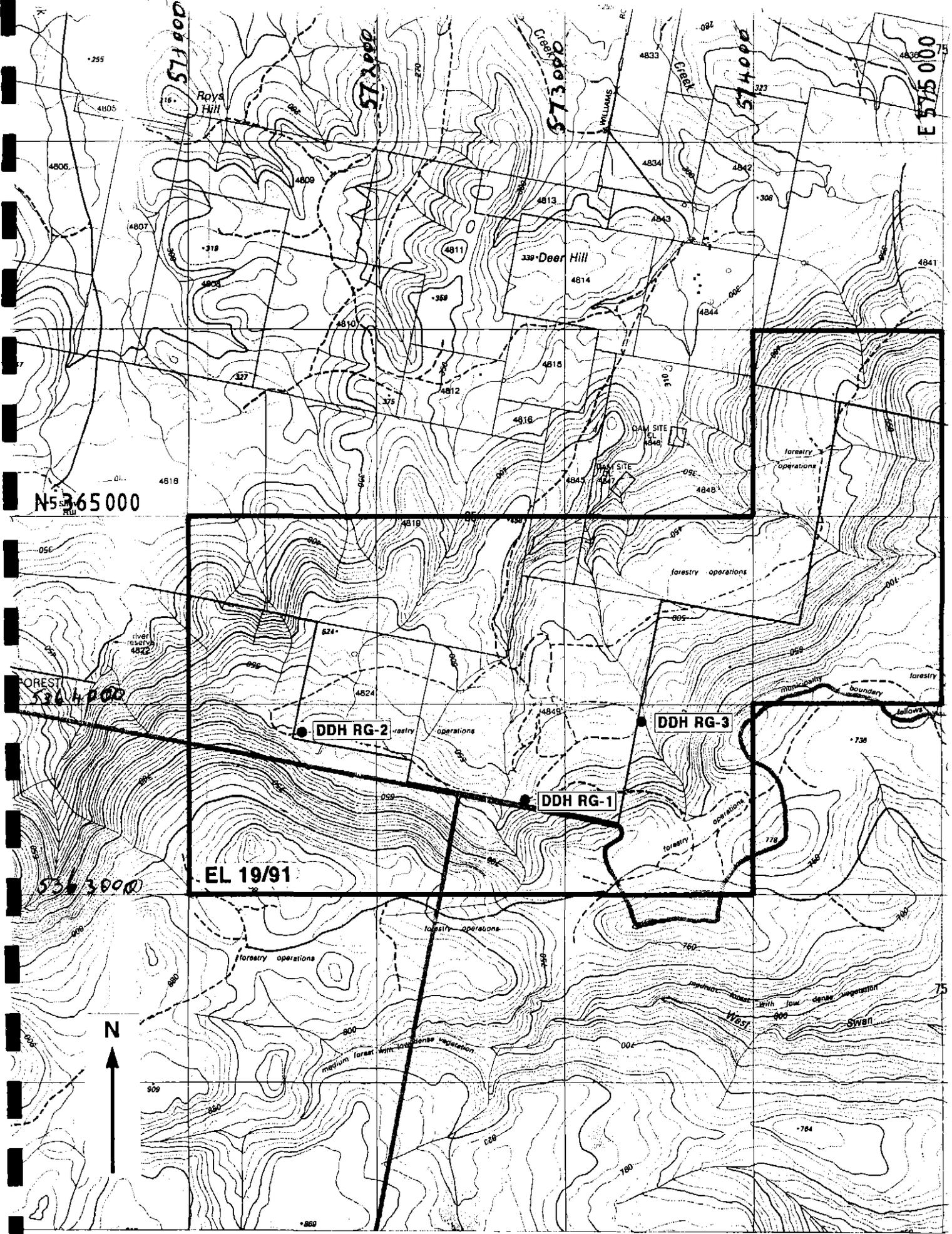
The target main seam was intersected in DDHs RG-1 and RG-3 at 18.02 and 22.55 metres respectively and, together with previous Merrywood and I.C.E. drilling, have confirmed the presence of a small (albeit still open) body of coal at open-cuttable depth. Along strike to both the east and west of the drill holes, the target is open, with the greatest potential in the easterly direction.

DDH RG-2 intersected a 1.26 metre gross coal section with a top at 12.65 metres, approximately the expected level for a westerly correlate of the DDH RG-1 intersection, assuming minor up-faulting to the west. The RG-2 coal is very low grade, with the raw coal proximate analyses



5 cm

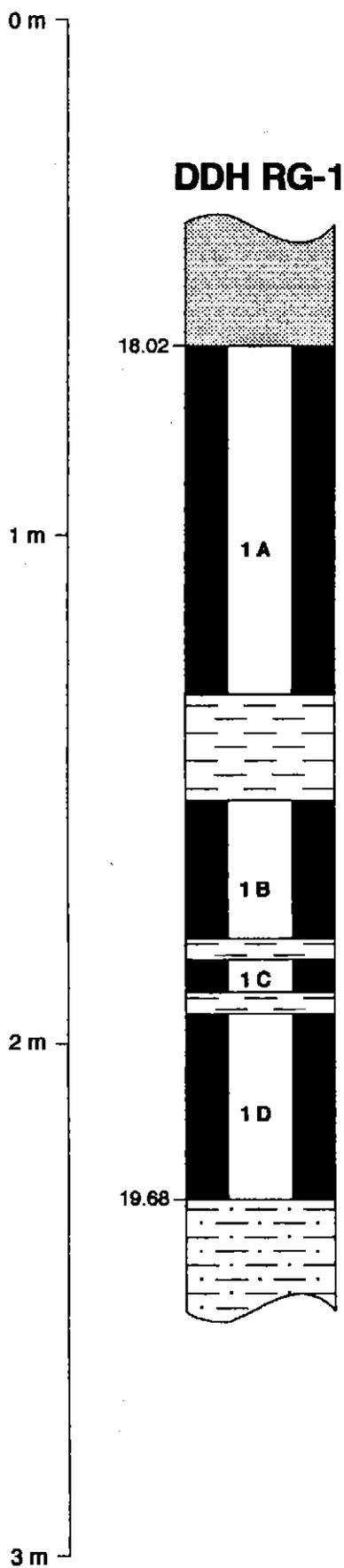
Figure 1 - Location Map EL 19/91



5 cm Scale 1:25,000

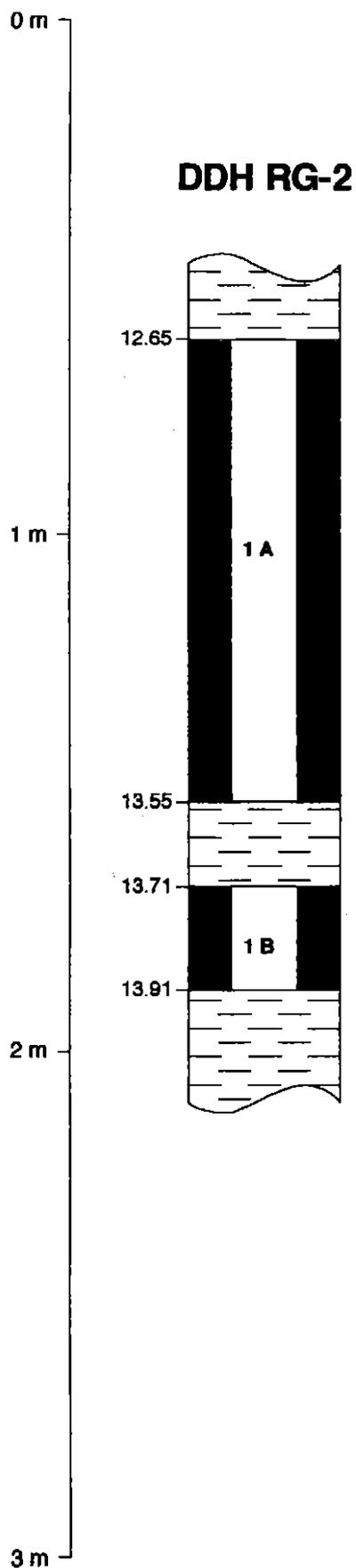
Figure 2 - Drill Hole Locations, EL 19/91

914004



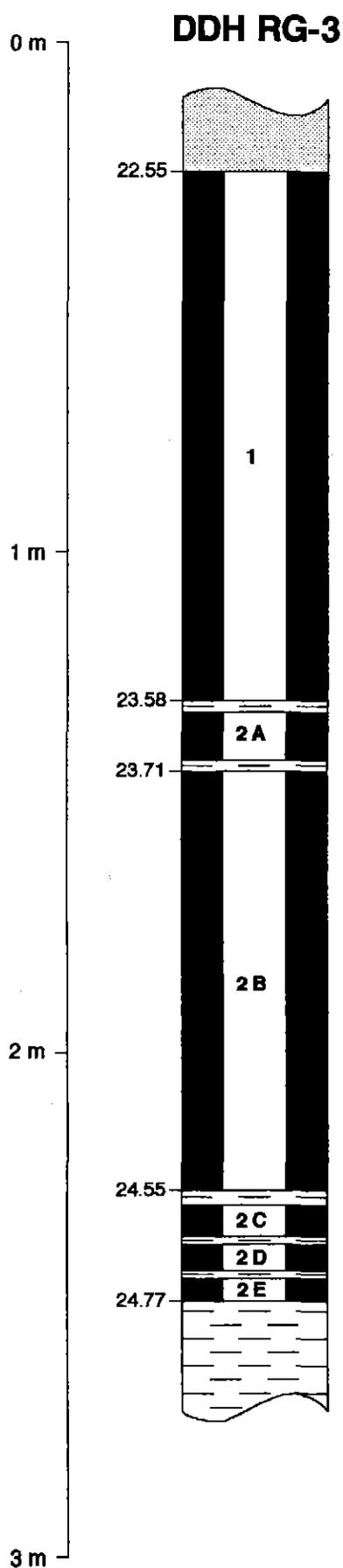
	Ash %	Volatiles %	Fixed C %	S %	S.E. MJ/kg
1 (A+B+C+D)	29.6	24.8	43.1	0.30	21.92

Figure 3 - COAL INTERSECTION CORE LOG & PROXIMATE ANALYSES (air dried)



	Ash %	Volatiles %	Fixed C %	S %	S.E. MJ/kg
1 (A+B)	61.9	12.8	22.3	0.16	8.3

Figure 4 - COAL INTERSECTION CORE LOG & PROXIMATE ANALYSES (air dried)



	Ash %	Volatiles %	Fixed C %	S %	S.E. MJ/kg
1	22.6	23.3	49.8	0.39	25.16
2 (A+B+C+D+E)	30.7	23.4	42.1	0.35	22.37

Figure 5 - COAL INTERSECTION CORE LOG & PROXIMATE ANALYSES (air dried)

suggesting it deserves to be classed as carbonaceous mudstone. Stratigraphically, this intersection is hosted in a section more lutite-rich than the RG-1 and RG-3 intersections.

Two interpretations are reasonable when correlating between the three holes.

- (1) The coal intersections in DDH RG-1 and RG-3 correlate but DDH RG-2 is a mistie. An additional drill hole, sited midway between DDH RG-1 and DDH RG-2, and drilled to the base of the lithic sandstone sequence, is needed to test this interpretation.
- (2) All three coal intersections correlate and show a moderate decrease in coal thickness and quality between DDH RG-3 and DDH RG-1, and a major decrease in thickness and quality, together with host rock facies change, between DDH RG-1 and DDH RG-2.

If the second interpretation is enhanced by the additional drill hole discussed in (1), then the potential for increased seam thickness and quality east of DDH RG-3 is implied and the boundary to potentially useful coal west of DDH RG-1 will be mapped.

The analytical data from DDH RG-1 and RG-3, together with the coal-dirt band stratigraphy, indicates that the coal requires washing to produce a saleable product and that more detailed ply by ply analyses are required to assess the economics of stripping ratios and transport costs to Merrywood relative to nett coal.

YEAR 3 EXPLORATION PROGRAM

Following the results of Year 2 drilling and the surveying currently underway, the next stage in the exploration program will be to excavate an exposure of the main seam, in the DDH RG-1 - DDH RG-3 area and conduct a more comprehensive analytical program to assess the viability of the coal products.

If the outcome of this stage is positive, further drilling to test the westerly trend correlation and to close of the easterly strike extension of the main seam will be undertaken.

APPENDIX 1

MERRYWOOD COAL COMPANY PTY. LTD.

DRILLING LOG SHEET.

TENEMENT: CL 14/91	LOCATION / SITE: DDH RG-1	SAMPLE TYPE: DRILL CORE NA	SAMPLED BY: KM (DATE) 30-7-94	COAL SECTION: 18.02 - 19.68
PROJECT: ROYAL GEORGE			LOGGED BY: KM (DATE) 9-3-94	

SAMPLE No.	DESCRIPTION.	INTERVAL (m.)	DESCRIPTION.
0.0 - 1.0	ROAD GRAVEL / SCREE TALUS - mixed fresh weathered dol. decomp. SST.		Open Hole - Blade Bot
1.0 - 6.5	SANDSTONE: brown-yell. med. lithic SST. oxid. decomp.		0.0 - 9.6
6.5 - 9.6	MUDSTONE: grey > carb. minor dull coal soft weathered clayey		
9.60 - 9.85	MUDSTONE: interlaminated grey > carb. soft wavy carb. lamin.		Casing 0.0 - 6.0
9.85 - 9.90	COAL - dull heavy, grading down to carb. mudst.		
9.90 - 10.07	CARB. MUDSTONE: grading down to grey laminated mudst.		Base Oxidation 7.5
10.07 - 11.43	MUDSTONE: grey clayey soft weathered carb. laminations partings.		
11.43 - 11.68	COAL: dull, dirty heavy, broken		
11.68 - 12.30	MUDSTONE: grey laminated - finely bedded (silty in part) fresh.		
12.30 - 13.42	SANDSTONE: grey f. lithic SST in fining up cycles of ~40cm: f. SST - siltst. - mudst. tops.		
13.42 - 15.00	MUDSTONE / CARB. MUDSTONE: interbanded gradational - abrupt (non erosional) contacts abund. coaly lamin. plant frags, ? fault cut 13.60, slicks. on carb. partings.		
15.00 - 15.35	MUDSTONE - grey laminated uniform, minor coaly plant frags.		
15.35 - 15.65	SANDSTONE - grey f. lithic grading to silty f. SST. coaly flasers.		
15.65 - 17.00	SANDSTONE - grey lithic f-up cycles f. SST, siltst. minor mudst. tops		
17.00 - 18.02	MUDSTONE - grey clayey laminated soft slump structures minor silty beds.		
18.02 - 18.70	COAL - dull, medium density uniform 1cm pyritic dirt band near top consistent white calcite (1-3%) in sub-vertical fractures, cleats bottom 10cm broken with core loss.		core loss
18.70 - 18.84	CARB. MUDSTONE - heavy clayey.		core loss
18.84 - 18.87	CLAYSTONE / ? TUFF - beige indurated hard speckled texture dirt band		core loss
18.87 - 18.91	CARB. MUDSTONE - a/a with abrupt top contact.		
18.91 - 19.02	COAL - dull, medium density uniform		
19.02 - 19.18	COAL D60% to 40% dem. light coal, minor calcite on cleats		
19.18 - 19.205	CLAYSTONE: beige clayey dirt band abrupt contacts.		
19.205 - 19.22	CARB. MUDSTONE heavy clayey abrupt top contact		
19.22 - 19.28	COAL - Dmb. minor calcite in cleats		

MERRYWOOD COAL COMPANY PTY. LTD.

DRILLING LOG SHEET.

TENEMENT: <i>EL 19/91</i>	LOCATION / SITE: <i>DDH RG-1</i>	SAMPLE TYPE:	SAMPLED BY : (DATE)	COAL SECTIONS
PROJECT: <i>Royal George</i>			LOGGED BY : (DATE)	

SAMPLE No.	DESCRIPTION.	INTERVAL (m.)	DESCRIPTION.
<i>19.28-19.32</i>	<i>MUDSTONE - grey carb. interlam. dirt band</i>		
<i>19.32-19.50</i>	<i>COAL - 50/50 D/b, abundant calcite in fractures, cleats, uniform coal</i>		<i>Core loss</i>
<i>19.50-19.68</i>	<i>COAL - dull, medium density, low calcite, badly broken, 1cm dirt band at base.</i>		<i>Core loss</i>
<i>19.68-20.10</i>	<i>MUDSTONE - grey, clayey, uniform</i>		
<i>20.10-20.76</i>	<i>SANDSTONE - grey, lithic sst in f-up cycles - med sst - f.sst. - redst.</i>		
<i>20.76-20.97</i>	<i>MUDSTONE - grey, clayey, silty, laminated, uniform</i>		
<i>20.97-21.10</i>	<i>MUDSTONE - Carb./grey interlam. with undulose laminae.</i>		
<i>21.10-21.15</i>	<i>COAL - Dmb, abund. calcite at top, grading to very heavy dull coal at base</i>		
<i>21.15-21.20</i>	<i>MUDSTONE - interlam. grey/carb. with gradational top contact.</i>		
<i>21.20-21.70</i>	<i>MUDSTONE/SANDSTONE - f-up cycles of f. lithic sst, s/st, grey redst.</i>		
	<i>E.O.H.</i>		

MERRYWOOD COAL COMPANY PTY. LTD.

DRILLING LOG SHEET.

TENEMENT: EL 19/91	LOCATION / SITE: DDH RG-2	SAMPLE TYPE: DRILL CORE NQ	SAMPLED BY: KM (DATE) 30-3-94	COAL SECTIONS: 12.65-13.91
PROJECT: ROYAL GEORGE			LOGGED BY: KM (DATE) 11-3-94	

SAMPLE No.	DESCRIPTION.	INTERVAL (m.)	DESCRIPTION.
0.0 - 5.70	SANDSTONE yellow-brown heavily oxid. lithic sst, minor grey mdst. Carb. mdst interbeds. Decomposed outcrop of sst.		Open Hole - Blade Bit 00 - 5.70
5.70 - 9.65	SANDSTONE yellow-brown med. massive lithic sst with carb. mdst. Bands 5.98-6.06, 6.15-6.17, concentration of coaly wisps, flasers 6.17-6.42, 7.35-8.30.		Casing 00-6.0m.
9.65 - 10.38	SANDSTONE - grey, massive fresh med. lithic sst with minor mudst. pebbles		Base Oxidation 9.35
10.38 - 10.53	SANDSTONE - grey med-coarse lithic sst with abund. coaly cross beds.		
10.53 - 11.10	SANDSTONE - brown-grey, med. lithic sst, oxid. with near vertical fractures sourcing oxidation. ? fault		
11.10 - 11.53	(CONGLOMERATE - mudst. pebble with med-coarse lithic sst matrix supporting clasts. oxid. from fractures (2 sets).		? fault zone
11.53 - 12.40	SANDSTONE - grey-brown, massive med-coarse lithic sst, oxid. from near vertical fractures, grading to fresh sst at base		Core loss
12.40 - 12.53	SANDSTONE - grey fresh (no fractures) med. lithic sst.		Base fracture oxidation 12.30
12.53 - 12.65	CARB. MUDSTONE - dense clayey grading down to coal		
12.65 - 13.55	COAL - dull, very heavy, clayey in part carb. mdst.		
13.55 - 13.59	MUDSTONE carb > grey, heavy clayey interlaminated.		
13.59 - 13.63	MUDSTONE grey > carb. A/A		
13.63 - 13.71	CARB. MUDSTONE dense, heavy, clayey grading down to poor coal.		
13.71 - 13.91	COAL dull, very heavy, uniform		
13.91 - 13.95	CARB. MUDSTONE grading from dirty coal down to grey mdst.		
13.95 - 14.45	SILTSTONE - fining-up cycle of f. lithic sst., carb siltst, carb. grey mdst. alternating bands fresh/oxid. minor fractures.		
14.45 - 14.75	SANDSTONE. grey-brown, med-coarse lithic sst, sub vertical fractures with oxidation source.		
14.75 - 14.87	SANDSTONE - grey med lithic with abund. coaly cross beds		
14.87 - 15.40	SANDSTONE - grey-brown, massive med-coarse, fracture oxid. lith sst. abund. coaly cross beds 15.00-15.40		
15.40 - 16.01	CARB. MUDSTONE - top of fining-up cycle grading down to carb. siltst.		
16.01 - 17.55	SILTSTONE - fining-up cycles - f. lith sst, siltst, carb. siltst, carb mudst > grey mdst.		

E.O.H.

MERRYWOOD COAL COMPANY PTY. LTD.

DRILLING LOG SHEET.

TENEMENT: EL 19/91	LOCATION / SITE: DDH RG-3	SAMPLE TYPE: DRILL CORE NQ	DATE: 30-3-94 LOGGED BY: KM (DATE) 29-3-94	COAL SECTIONS: 10.16-10.45 14.74-14.91 15.57-16.15 22.55-24.77
PROJECT: ROYAL GEORGE				

SAMPLE No.	DESCRIPTION.	INTERVAL (m)	DESCRIPTION.
00-5.00	SCREE mixed soil, regolith of Dol. oxid. SST, partly decomposed		
5.00-9.40	SANDSTONE brown/yell. decomposed med. lithic SST		00-9.40 Open Hole - Blade
9.40-10.06	SANDSTONE brown, massive, fining-up sequence, med-coarse, minor fine at top, minor 1cm mudst. pebbles, abrupt basal contact.		Casing 0-6m BASE OXIDATION 9.0m
10.06-10.07	CLAYSTONE beige, indurated clayey band.		
10.07-10.16	CARB. MUDSTONE dense, clayey, top to coal seam.		
10.16-10.45	COAL Dmb, with increase bright coal at base (50% bright in basal 5cm).		
10.45-13.58	MUDSTONE grey, clayey with minor silt, laminated, minor coaly, carb. laminations		minor core loss in mudst.
13.58-13.67	CARB. MUDSTONE heavy, clayey, non erosional contacts		
13.67-14.20	MUDSTONE grey, with minor silty bands, coaly laminations, plant frags.		core loss
14.20-14.30	CARB. MUDSTONE / MUDSTONE interbedded		
14.30-14.74	MUDSTONE grey, clayey, laminated, minor coaly wisps, laminations		
14.74-14.80	COAL dull, low density uniform		
14.80-14.83	CARB. MUDSTONE dirt band		
14.83-14.91	COAL Dmb medium density grading down to carb. mudst.		
14.91-14.95	CARB. MUDSTONE grading down to grey mudst		core loss at contact
14.95-15.53	MUDSTONE grey, clayey, broken		core loss
15.53-15.57	CARB. MUDSTONE interbedded with grey mudst. broken core? fault		core loss
15.57-16.15	COAL dull, med. density grading down to Dmb, low density coal towards base		
16.15-16.33	MUDSTONE grey, common plant fossil frags on laminations, broken core on laminae partings, fractures.		major core loss
16.33-16.36	CARB. MUDSTONE / MUDSTONE interbedded carb. top to coal seam, common carbonate replacement.		minor core loss
16.36-16.41	COAL 50/50 D/b 5cm ply.		
16.41-21.10	SANDSTONE grey, massive lithic SST, mainly fine, fining-up cycles from med. SST to siltst.		
21.10-22.55	MUDSTONE massive grey, clayey, laminated, minor high angle fracture with slickensides, minor carb. laminae.		

MERRYWOOD COAL COMPANY PTY. LTD.

DRILLING LOG SHEET.

TENEMENT: E.L. 19/91	LOCATION / SITE: DDH RG-3	SAMPLE TYPE:	SAMPLED BY : (DATE)	COAL SECTIONS:
PROJECT: ROYAL GEORGE			LOGGED BY : (DATE)	

SAMPLE No.	DESCRIPTION.	INTERVAL (m.)	DESCRIPTION.
22.55-23.58	COAL Dmb uniform 0.5-2cm bright bands. Common cleats with calcite more abundant in bright coal.		
23.58-23.60	CLAYSTONE beige-white, carbonate clayst. dirt band		
23.60-23.69	COAL Dmb uniform med. density		
23.69-23.71	CLAYSTONE white-beige, carbonate nodules dirt band		
23.71-24.55	COAL Dmb dense coal especially at top 10cm free of dirt bands. calcite cleat fill in bright bands.		
24.55-24.58	CLAYSTONE - grey-beige indurated dirt band, slickensides on basal contact.		
24.58-24.64	COAL 50/50 D/b A/A medium density		
24.64-24.66	MUDSTONE grey, clayey, laminated dirt band		
24.66-24.72	COAL 50/50 D/b calcite in cleats, medium density		
24.72-24.73	MUDSTONE grey, clayey dirt band		
24.73-24.77	COAL 50/50 D/b common calcite in cleats - base coal		
24.77-25.81	MUDSTONE grey, uniform partly indurated fracture at 45° to core		
25.81-25.89	COAL, dull, light, paper coal, partings grading down to carb. mudst.		
25.89-25.97	CARB. MUDSTONE heavy, clayey		
25.97-26.95	SANDSTONE/MUDSTONE grey, fining-up cycles of fine lithic sst / sst / mudst.		
26.95-28.19	MUDSTONE grey mudst. A/A, fractures 45° to core, slicks. in carb. zones		
28.19-28.68	SANDSTONE grey, massive f-med. lithic sst.		
28.68-28.83	MUDSTONE grey > carb. indurated, dense, ? carbonate replacement, abundant coaly flasers.		
28.83-28.96	COAL Dmb 5mm dirt bands common, grades to carb. mudst. at base.		
28.96-29.99	CARB. MUDSTONE hard, indurated laminated		
29.99-30.40	SANDSTONE grey, fining up cycles: f. sst / sst / mudst (minor)		
	E.D.H.		

ROYAL GEORGE 1994 CORE RECOVERY

Core Run	Hole Depth (m)	Core Length (m)	% Recovery
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DDH RG-1

1	8.80 - 9.60	0.80	100.0
2	9.60 - 12.30	2.00	74.1
3	12.30 - 15.30	3.00	100.0
4	15.30 - 16.80	1.44	96.0
5	16.80 - 19.50	2.45	90.7
6	19.50 - 21.70	2.20	100.0

DDH RG-2

1	5.70 - 6.65	0.95	100.0
2	6.65 - 9.65	3.00	100.0
3	9.65 - 12.65	2.83	94.3
4	12.65 - 14.45	1.60	100.0
5	14.25 - 15.65	1.40	100.0
6	15.65 - 17.55	1.90	100.0

DDH RG-3

1	9.40 - 12.30	2.80	96.5
2	12.30 - 13.40	0.93	84.5
3	13.40 - 15.40	1.73	86.5
4	15.40 - 18.40	1.88	62.7
5	18.40 - 21.40	2.90	96.7
6	21.40 - 24.40	3.10	103.3
7	24.40 - 27.40	3.00	100.0
8	27.40 - 30.40	3.00	100.0

DDH RG - 1



DDH RG - 2



DDH RG - 3



DDH RG -3



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P.1

SGS **SGS Australia Pty. Ltd.** (A.C.N. 000 964 278)

ANALYTICAL REPORT

Page 1 of 3

From: **SGS PORT KEMBLA**
Reference: **EP2141**

Date: **19.4.94**
Client Reference: **SLIMLINE CORES**
Attn: **MR. J. MIEDECKE**

Sample Reference	Mass g	Total Moisture %	Inherent Moisture %	Ash %	Volatile Matter %	Fixed Carbon %	Sulphur %	Specific Energy MJ/kg
MPDDH1-51	1540.7	8.1	5.6	26.1	26.0	40.3	0.46	21.49
MPDDH1-52	480.4	8.3	6.3	27.8	29.1	36.8	0.52	21.57
MPDDH1-53	2056.0	7.3	5.6	38.4	21.8	34.2	0.34	17.47
MPDDH2-51	1005.6	6.3	4.6	43.8	21.4	30.0	0.29	15.68
MPDDH2-52	927.6	7.4	5.6	25.7	25.2	42.5	0.41	22.88
MPDDH2-53	1808.4	7.5	6.8	31.6	23.8	39.0	0.36	20.07
MPDDH2-54	2723.3	6.6	6.0	42.5	21.8	29.7	0.35	16.28
MPDDH3-51	568.3	7.3	5.9	50.5	19.8	24.1	0.28	13.71
MPDDH3-52	493.2	7.6	5.5	17.6	26.0	60.9	0.41	25.81
MPDDH3-53	397.5	7.9	6.4	29.2	26.2	38.2	0.40	20.92
MPDDH3-54	839.2	6.7	6.4	54.8	19.0	19.8	0.25	10.89
MPDDH3-55	543.6	9.3	6.6	38.4	20.4	34.6	0.30	17.42
RGDDH1-51	2387.5	4.4	2.5	29.5	24.8	43.1	0.30	21.92
RGDDH2-51	2385.9	4.3	3.0	31.9	12.8	22.5	0.16	8.30
RGDDH3-51	560.7	6.6	3.4	25.6	21.9	49.1	0.40	24.72
RGDDH3-52	202.5	6.7	3.7	29.2	20.1	47.0	0.38	23.12
RGDDH3-53	1185.0	9.5	3.6	22.6	22.6	51.2	0.37	25.65
RGDDH3-54	2087.6	9.1	4.3	22.6	23.3	49.8	0.39	25.16
RGDDH3-55	2173.5	8.0	3.6	30.7	23.4	42.1	0.35	22.37
Moisture Basis		AR	AD	AD	AD	AD	AD	AD

Regards
M. Winterbottom
JOHN WINTERBOTTOM

Fax
(002) 31 1548

Ken,

Please find enclosed from James
at Merrywood.

Regards,
Helen.