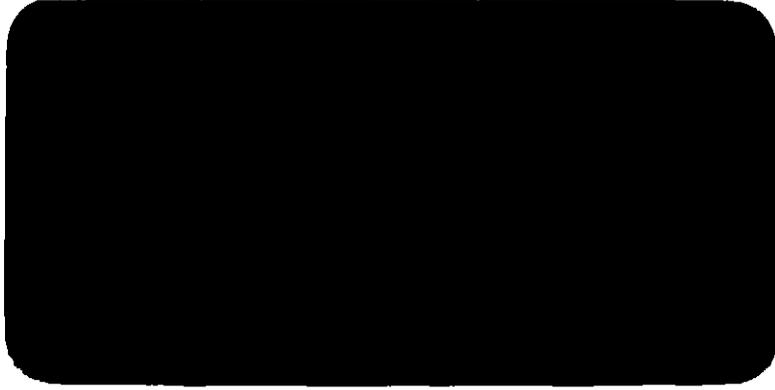


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Merrywood Coal Company Pty. Ltd.

E.L. 19/91 - Royal George

Annual Report

Year 3 (15/4/94 - 15/4/95)

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K.C. Morrison
 March 1995

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 3 and proposed future exploration.

SUMMARY OF PREVIOUS WORK

In Year 2 three cored holes were drilled to test the strike extension of the target seam. Gross coal intersections ranged from 1.26 metres in DDH RG-2 to 2.22 metres in DDH RG-3 and together with the results of earlier ICE drilling (Figure 2), show a trend of increasing coal thickness and coal quality towards the east.

YEAR 3 EXPLORATION

Collar sites from the Year 2 drilling were surveyed and a resource estimate was calculated for the main coal seam.

Figure 3 shows the collar survey by East Coast Surveying. Borehole numbering by the surveyor is arbitrary, and does not correspond to the Merrywood hole numbers (cf Figure 2).

An Indicated Resource estimate of 400,000 tonnes was determined from 3 drill holes (Merrywood 1994 DDH RG-1, DDH RG-3 and ICE 1978 RG-1). Merrywood DDH RG-2 was excluded due to the difficulty in correlating the coal intersection with those in the other holes (see Year 2 Annual Report).

The Indicated Resource is based on the following parameters (see Plan 1).

3 holes in 900 metres of strike, with strike cut-off at nearest possible fault linear.

Minimum 10 metres of weathering protection cover

Maximum 9:1 overburden + interburden: coal (linear metres:tonnes coal)

Mean (three hole) net coal thickness = 1.74 metres

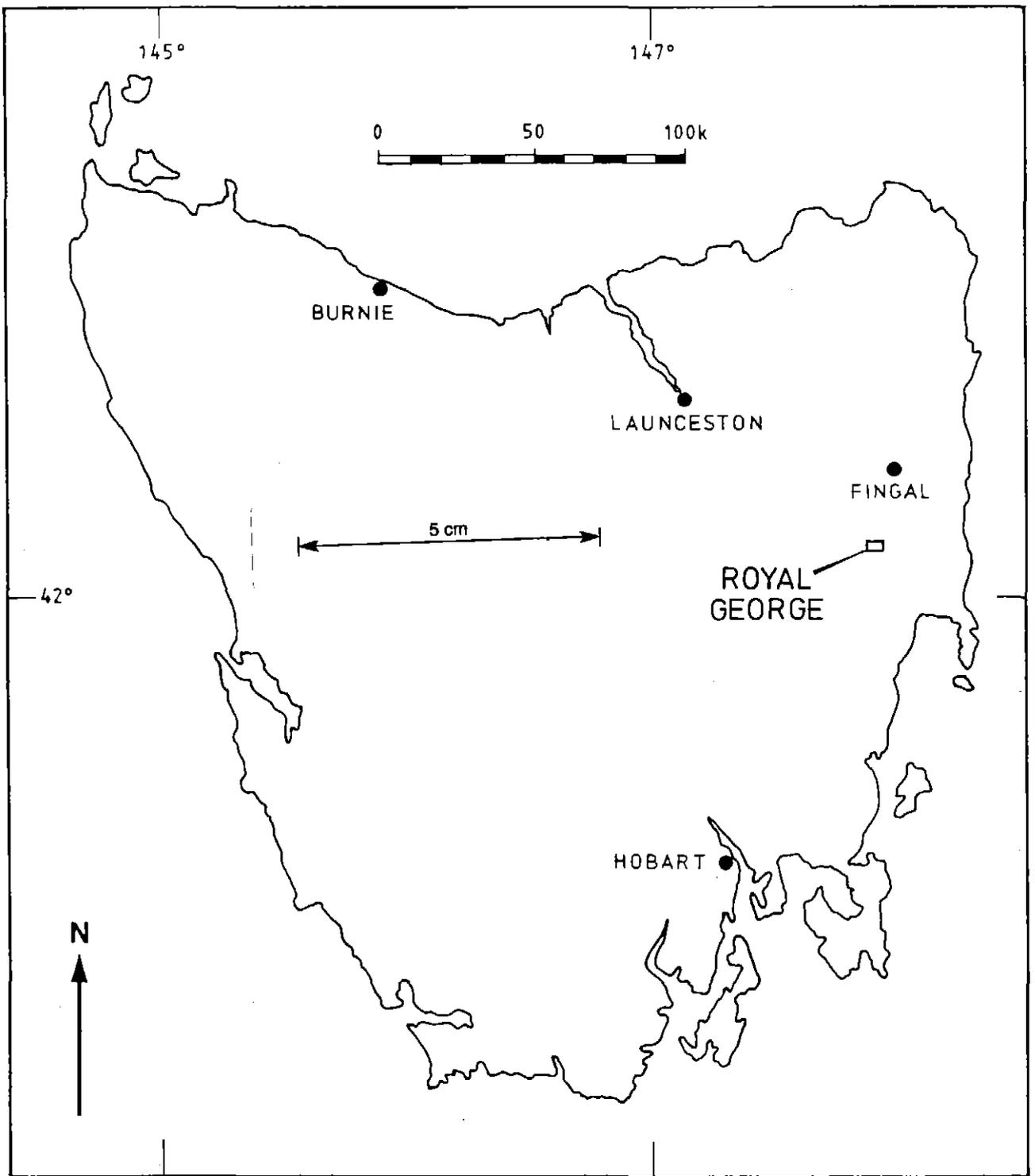
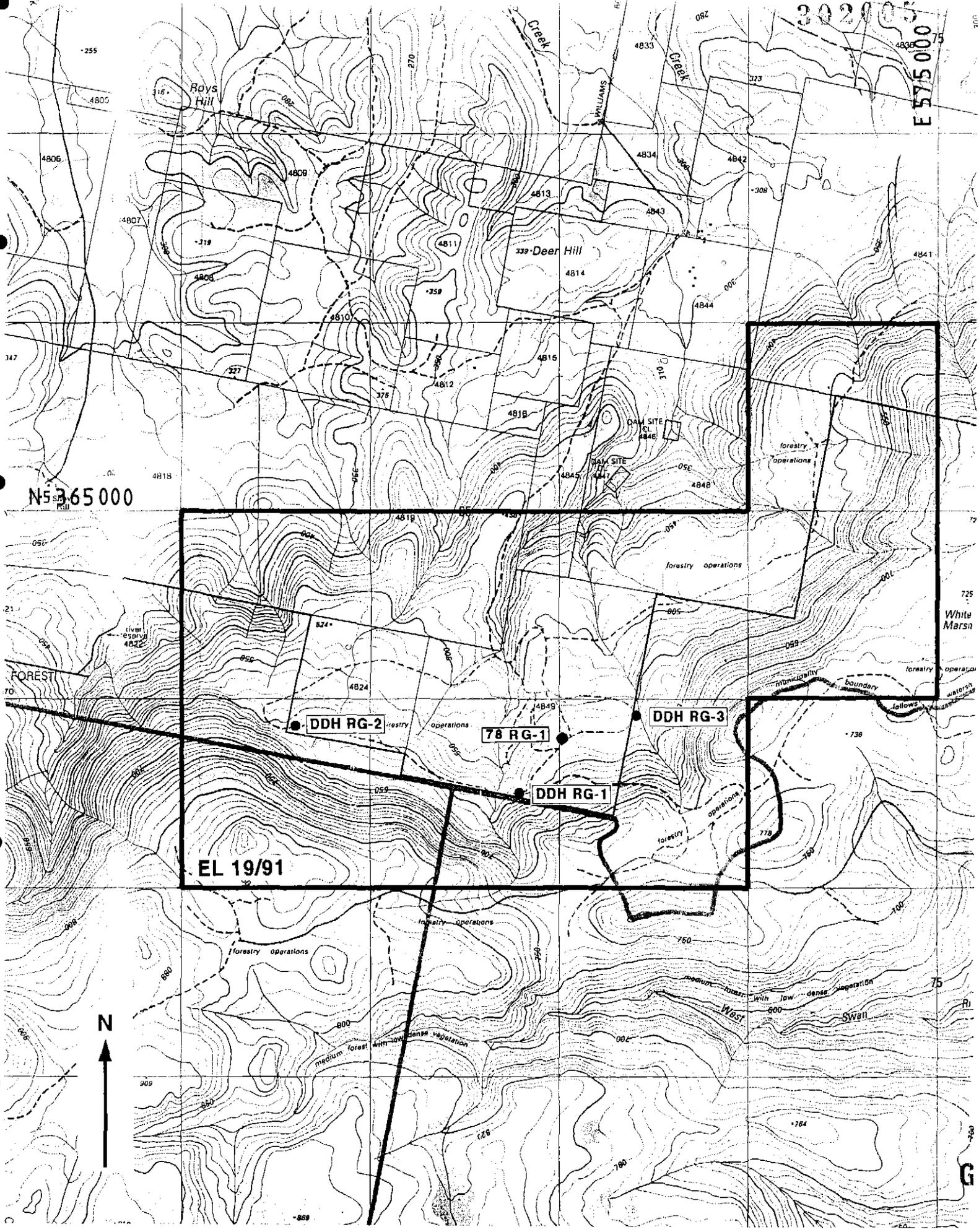


Figure 1 - Location Map EL 19/91



Scale 1:25,000

5 cm

Figure 2 - Drill Hole Locations, EL 19/91

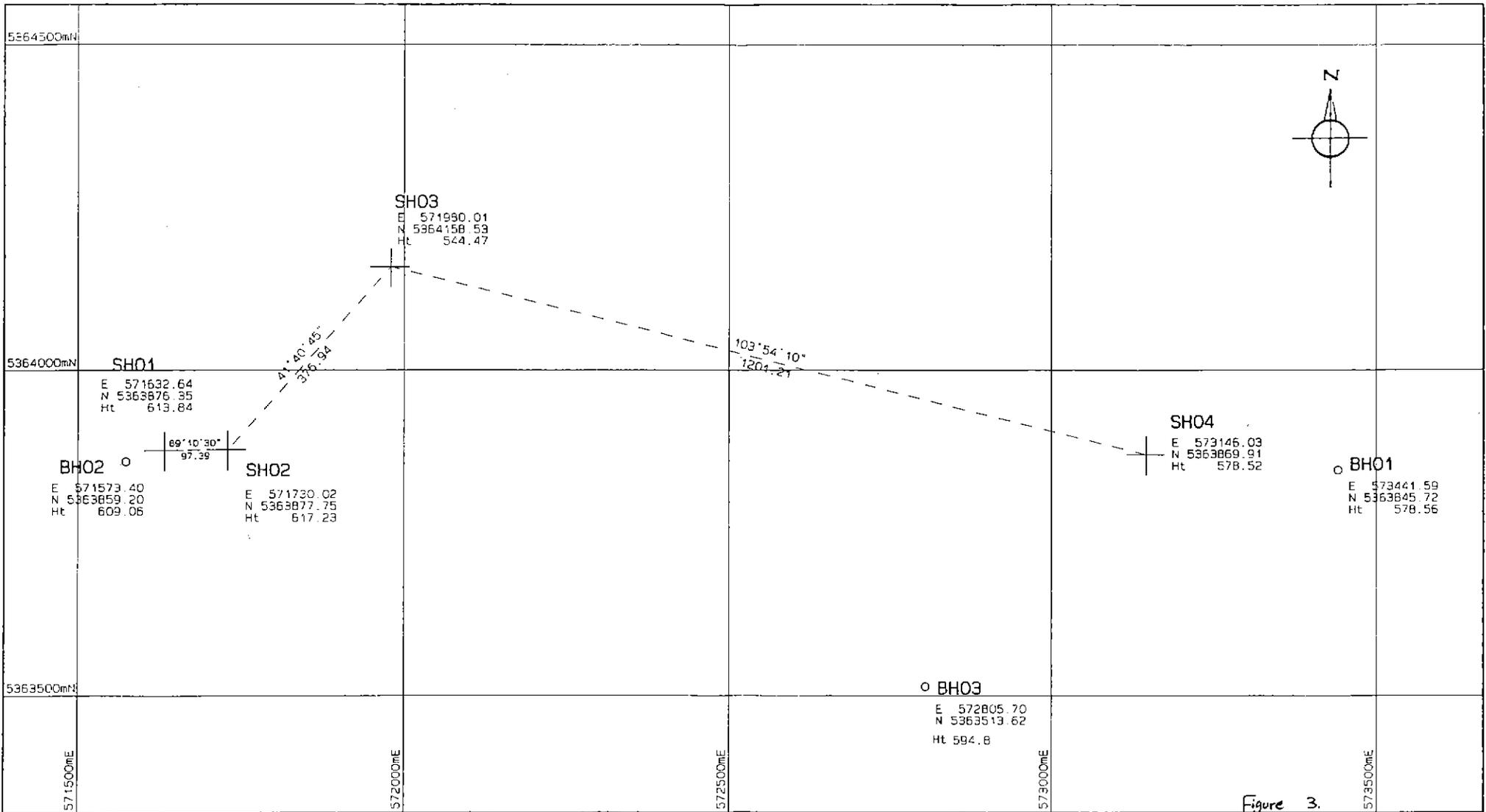


Figure 3.

EAST COAST SURVEYING
 CONSULTING SURVEYORS AND LAND PLANNERS
 88 TASMAN HIGHWAY ST HELENS 7216
 PHONE (003) 761972 FAX (003) 761262

MERRYWOOD COAL CO. PTY. LTD.
 SNOW HILL - CONTROL

Scale : 1:6000
 Plot : CONTROL
 Date : 8 AUG 1994
 Job : 940805

302000

5 cm

Coal Bulk Density = 1.5 tonnes/m³

Coal quality from Proximate analyses of whole core plies is as following:-

Mean air dried ash = 26.7%

Mean air dried volatiles = 23.1%

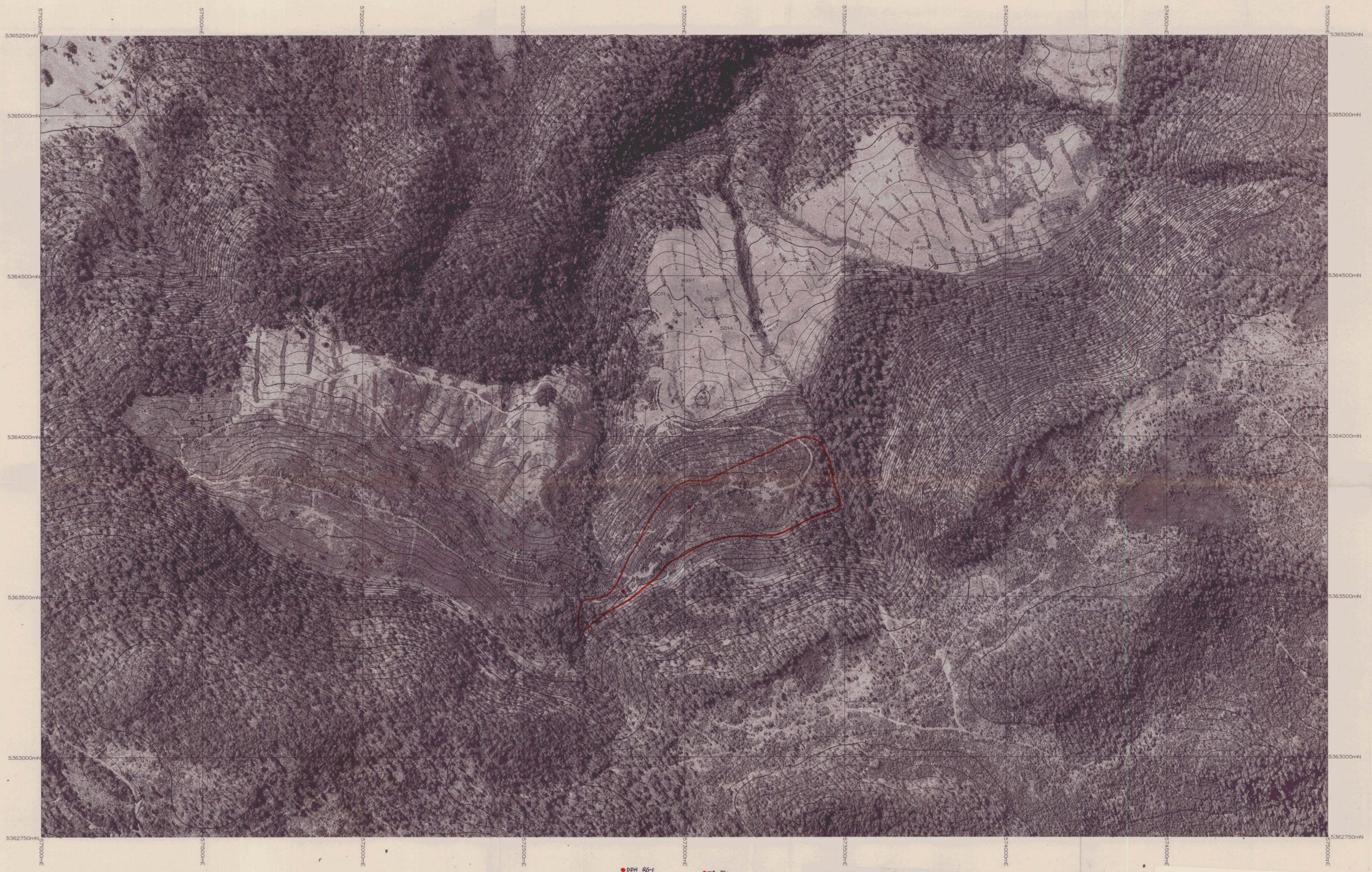
Mean air dried specific energy = 23.5 mj/kg

The resource has a surface area of 15.25 hectares (Plan 1) and a mass of 398.025 tonnes.

FUTURE WORK

Exploration to date has shown that coal, particularly in the area of DDH RG-3, is potentially viable at Merrywood now that the washery is operational, and that coal quality appears to increase to the east.

In Year 4 a bulk sample of this coal will be extracted and processed at Merrywood. If the trial is successful, a drilling program of 3 - 5 holes, to test the extension of the resource under State Forest to the northeast of DDH RG-3, will be submitted to MRT for approval and completed.



● DDH RG-1

● 78-RG-1

● DDH RG-3