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Merrywood Coal Company Pty. Ltd.

E.L. 21/91 - Mt. Rex

Annual Report

Year 3 (14/5/95 - 14/5/96)

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ANNUAL REPORT 1995-96 EL 21/91 MT REX
MERRYWOOD COAL CO MORRISON K C

K.C. Morrison
April 1996

AMG REFERENCE POINTS ADDED

INTRODUCTION AND TENEMENT DETAILS

E.L. 21/91 is a 6 km² tenement in the Mt. Rex area, N.E. Tasmania (Figure 1), but excludes the 50 hectare enclosed lease 1008 P/M. The licence was granted in 1993 and reduced from 16 km² to 6 km² in 1995. Merrywood Coal Company Pty Ltd holds 100% equity in the licence.

This report covers exploration completed in Year 3.

REVIEW OF PREVIOUS WORK

The prospectivity of E.L. 21/91 for Merrywood Coal is based on the remaining unmined coal in the Stanhope-Mt. Christie coalfield and the potential to discover additional shallow reserves at sites where the coal measures may sub-crop below shallow depths of dolerite scree.

The Stanhope, New Stanhope and Mt. Christie mines are estimated to have produced some 400,000 tonnes of coal from 1923 to 1973 (Bacon, 1983), and in 1981 the Fenhope Colliery commenced as a small one-man underground operation on a 3.6 metre good quality seam. The Fenhope mine is currently held under lease 1008 P/M which covers some of the most prospective ground in the known coal field (Bacon, 1991).

In 1985-86, Avoca Transport drilled 7 shallow holes (from 10 -26 metres) near the old Stanhope workings (Figure 2).

Two holes (ATS 57, 58) intersected + 2 metre seams. The drilling showed that the deposit is fault-bounded on the S.W. side of the workings, but good quality coal was intersected in the old pillars.

In 1987 Avoca Transport drilled one hole (ATS 56) near the New Stanhope mine (Figure 3) and intersected a gross 3.82 metre coal seam.

During Year 2, 10 x 30 kg grab samples of reject coal were collected from the New Stanhope waste rock dump. Qualitative washing tests at Merrywood indicated that the material contained too much high ash coal and non coal rock to produce a viable blending product. Consequently no analytical work was undertaken.

YEAR 3 EXPLORATION

Three 4 ³/₈ inch diameter open hole percussion hammer holes were drilled by Stacpooles of Launceston, using a truck mounted Mobile Drill B40 with a Sullair 350 psi/750 cfm compressor.

Two holes (MS-1 and MS-2) were targetted to in-fill areas of potential coal adjacent to the Stanhope workings and the third hole (MS-3) was sited to

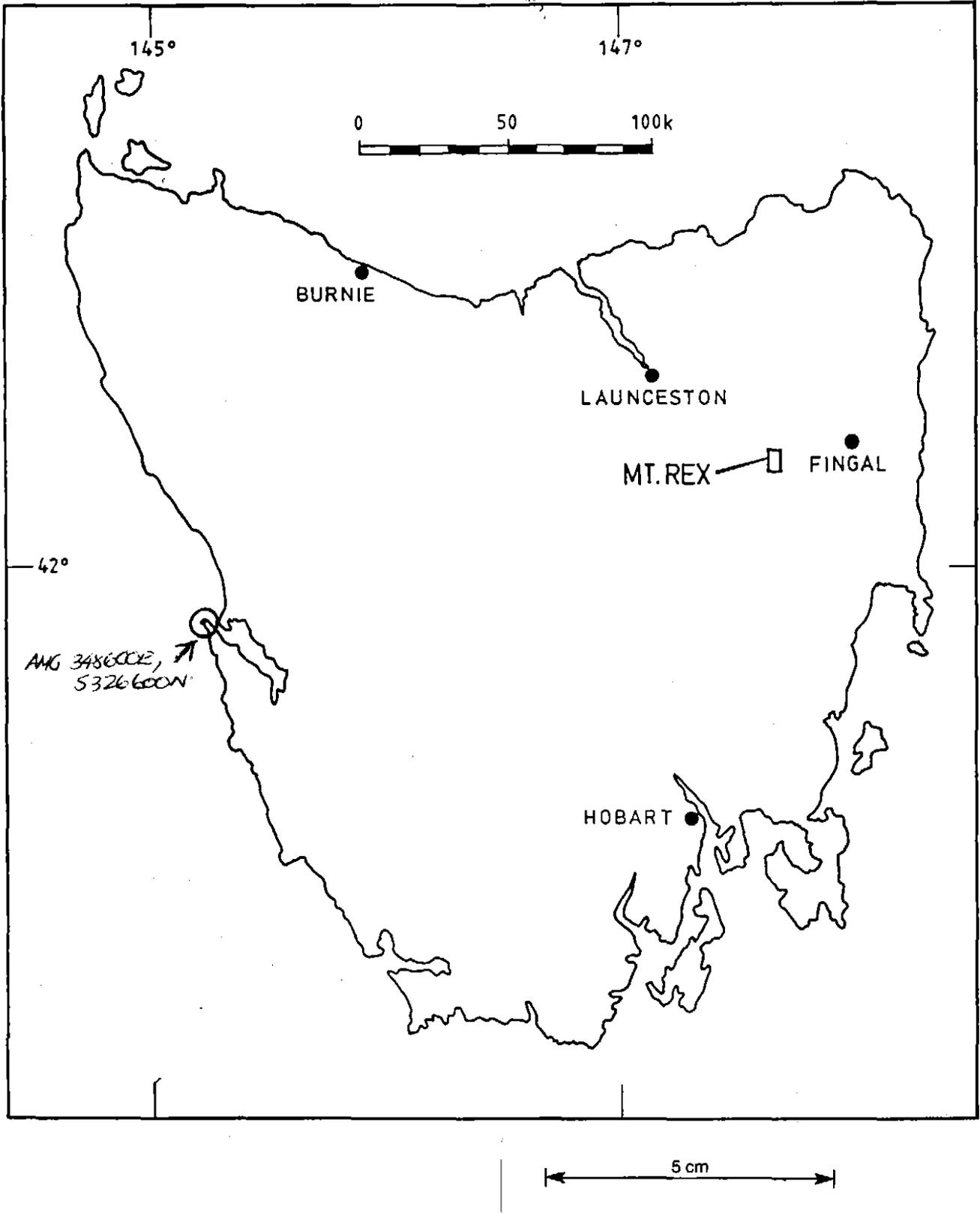


Figure 1 - Location Map EL21/91

AMG REFERENCE POINTS ADDED

test talus thickness near the eastern edge of a prognosed resource at New Stanhope (Figures 2&3).

The results (Appendix 1) confirm that a panel of fault bounded, unmined coal exists west-south west of the Stanhope workings. MS-1 encountered a 3.4 metre gross coal section under 22 metres of roof rock and MS-2 encountered a 2.6 metre gross coal section below 13.8 metres of roof. These results are consistent with the earlier Avoca Transport drilling (Nelson and Associates, 1986) which defined a fault margin to the resource on the south western side (ATS 55, ATS 57) and confirmed the presence of good quality coal in those unburnt pillars of the abandoned mine (ATS 58). A major unknown is the degree to which subsurface burning has degraded pillar coal in the mined area.

In the New Stanhope area MS-3 was unsuccessful in penetrating dolerite talus in the gully of Hercules Creek near the western boundary of 1008 P/M. The hole was abandoned at 18 metres. Previous drilling by Avoca Transport (ATS 56) has shown that some potential exists for coal at open-cuttable depth, southeast of the New Stanhope works but in general the steep slope and thick dolerite talus (12 metres at ATS 56) severely limit the potential west of Hercules Creek. South east of Hercules Creek, high potential exists on ground currently held under lease 1008 P/M.

FUTURE EXPLORATION

It is likely that a viable deposit sufficient to support another Merrywood scale operation could be defined by combining the resources already indicated at Stanhope and New Stanhope with remaining unexplored potential at Fenhope, separate from the existing Fenhope operation. Year 4 work will concentrate on negotiating a joint venture or option agreement to access and explore potential resources at Fenhope.

REFERENCES

- Bacon, C.A., 1983. The Mount Christie-Stanhope Coalfield, Dept. of Mines Tasmania Unpub. Report 1983/22
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- Nelson, D., and Associates Pty. Ltd., 1986, Avoca Transport Company Pty. Ltd., E.L. 2/82 Stanhope Area Geological Report

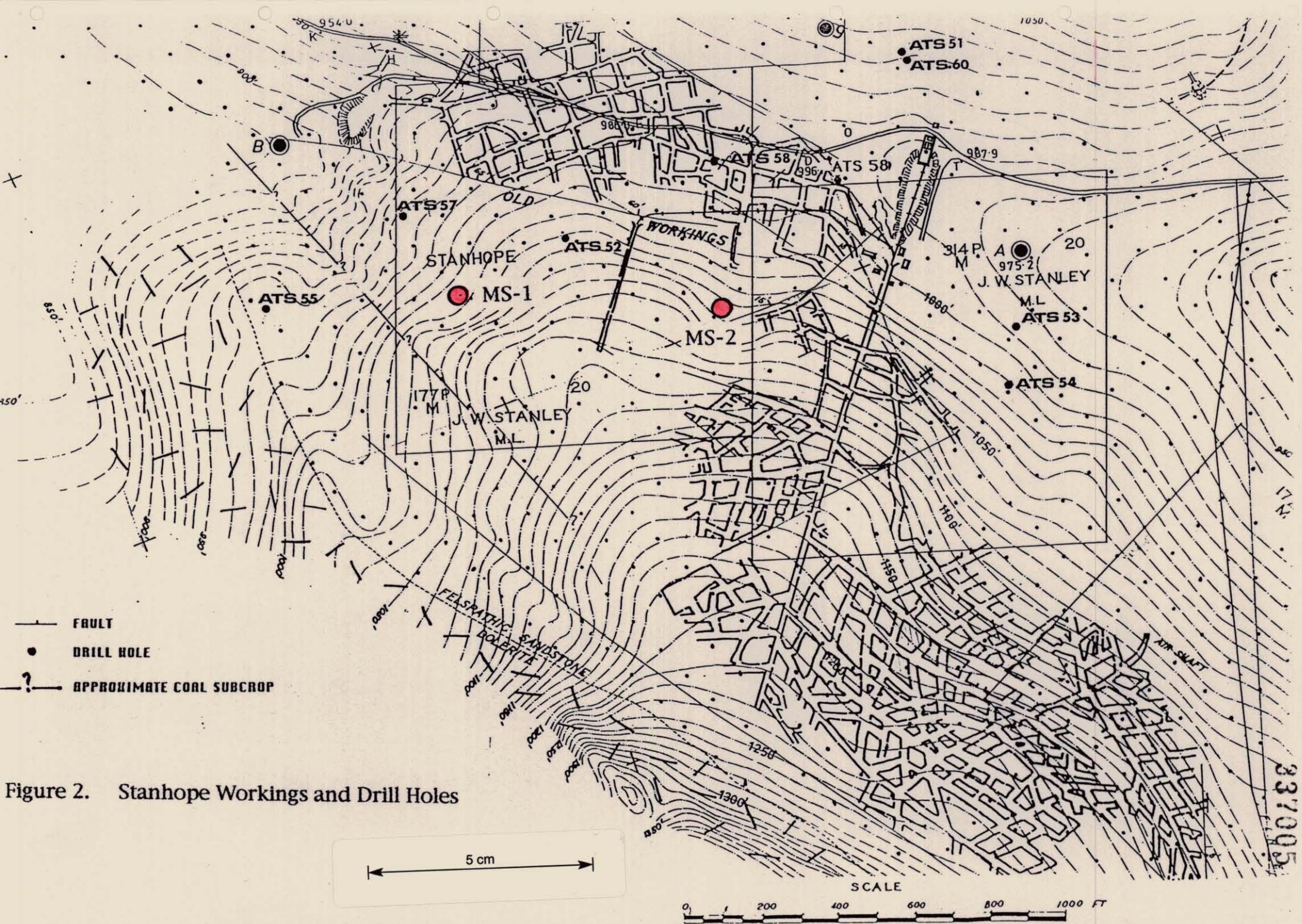


Figure 2. Stanhope Workings and Drill Holes



- FAULT
- DRILL HOLE
- APPROXIMATE COAL SUBCROP

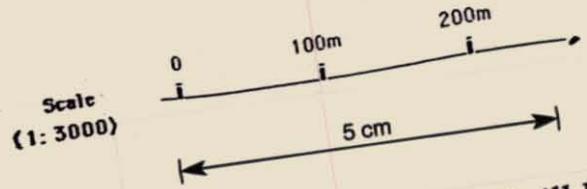
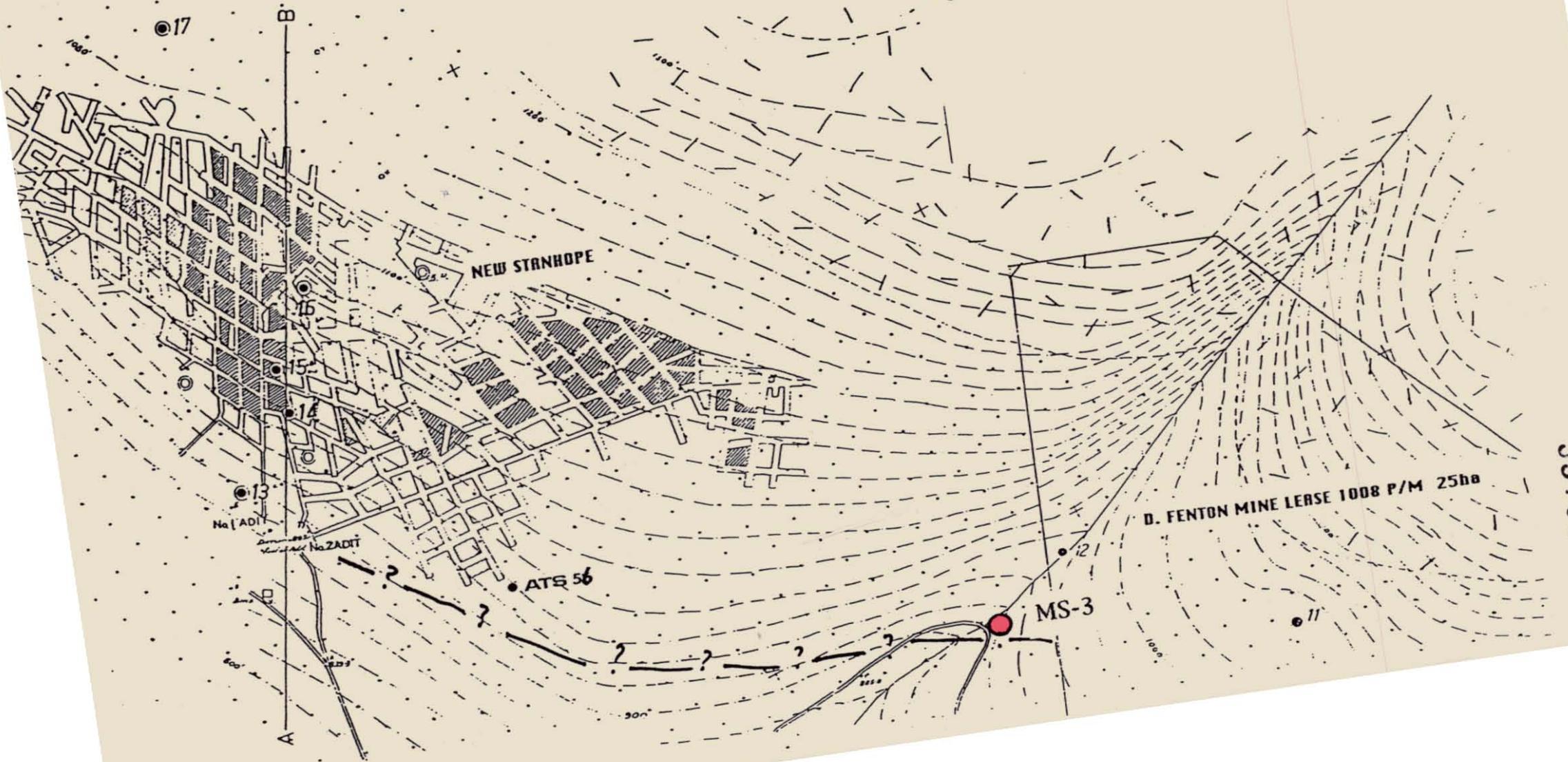


Figure 3. New Stanhope Workings and Drill Holes



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APPENDIX 1

DRILL LOGS

MERRYWOOD COAL COMPANY PTY. LTD.

DRILLING LOG SHEET

| TENEMENT: | | LOCATION | | SAMPLE TYPE | | DRILLED (DATE) | |
|-------------|---------------|---------------------|-----------------------------------|------------------------|--|------------------|-----------|
| EL 21/91 | | MS-1 | | Percussion drill | | T.L. (27/3/96) | |
| PROJECT: | | | | | | LOGGED BY (DATE) | |
| Stanhope | | 554950E 5380460N | | cuttings 4 3/8 inch | | K.M. (27/3/96) | |
| DEPTH(m) | LITHOLOGY | COLOUR | DESCRIPTION | | | | SAMPLE NO |
| 0 - 3.0 | soil | brown | clayey soil with sst frags | | | | |
| 3.0 - 6.7 | sandstone | brown | soft, indurated lithic sst clay | | | | |
| 6.7 - 7.5 | carb mudstone | grey | soft decomp, minor coal debris | | | | |
| 7.5 - 8.0 | sandstone | brown | soft decomp lithic sst | | | | |
| 8.0 - 9.0 | carb mudstone | grey | soft decomp | | | | |
| 9.0 - 13.0 | mudstone | lt. grey | non carb soft decomp | | | | |
| 13.0 - 16.0 | sandstone | brown/grey | med lithic sst soft fresh | | | | |
| | | Base | Oxidation 16 m | | | | |
| 16.0 - 21.5 | sandstone | grey | Med-coarse fresh, soft lithic sst | | | | |
| 21.5 - 22.0 | carb mudst | black | | | | | |
| 22.0 - 25.4 | coal | black | minor dirt bands, mudst bands | | | | |
| 25.4 - 33.5 | sandstone | grey | med-coarse uniform lithic sst | | | | |
| 33.5 - 36.0 | mudstone | grey | minor fine lithic sst | | | | |
| 36.0 - 36.5 | carb mdst | black | | | | | |
| 36.5 - 40.0 | mudstone | grey | fresh laminated | | | | |
| 40.0 - 51.0 | sandstone | grey | med lithic sst, uniform, fresh | | | | |
| | | | EOH 51.00 (no water) | | | | |
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MERRYWOOD COAL COMPANY PTY. LTD.

DRILLING LOG SHEET

| TENEMENT: | | LOCATION | SAMPLE TYPE | DRILLED (DATE) |
|-------------|-----------|---------------------|---|------------------|
| EL 21/91 | | MS-2 | Percussion drill | T.L. (28/3/96) |
| PROJECT: | | | | LOGGED BY (DATE) |
| Stanhope | | 555130E 5380350N | cuttings 4 3/8 inch | K.M. (28/3/96) |
| DEPTH(m) | LITHOLOGY | COLOUR | DESCRIPTION | SAMPLE NO |
| 0 - 1.0 | soil | brown | loamy soil with frags clayey decomp lithic sst. | |
| 1.0 - 1.7 | sandstone | yellow brown | decomposed clayey lithic sst | |
| 1.7 - 2.6 | carb mdst | grey | soft decomp minor dirty coal | |
| 2.6 - 8.0 | mudstone | yellow brown | oxidised decomp | |
| 8.0 - 10.5 | sandstone | yellow brown | soft oxidised lithic sst | |
| 10.5 - 10.7 | carb mdst | grey | soft decomp | |
| 10.7 - 13.8 | sandstone | brown | soft oxidised lithic sst | |
| | | Base | Oxidation approx 14 metres | |
| 13.8 - 14.3 | coal | black | | |
| 14.3 - 14.5 | mudstone | grey | | |
| 14.5 - 15.4 | coal | black | | |
| 15.4 - 15.6 | mudstone | grey | | |
| 15.6 - 16.4 | coal | black | | |
| 16.4 - 18.0 | mudstone | grey | fresh, hammers to powder | |
| 18.0 - 22.0 | sandstone | grey | fresh med-coarse lithic sst | |
| | | | EOH 22.0 (no water) | |

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