

Merrywood Coal Company Pty. Ltd.

E.L. 21/91 - Mt. Rex

Final Report

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GENERAL RESOURCES	
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See folio 3	

K.C. Morrison
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INTRODUCTION AND TENEMENT DETAILS

E.L. 21/91 is a 6 km² tenement in the Mt. Rex area, N.E. Tasmania (Figure 1). The licence was granted in 1993 and reduced from 16 km² to 6 km² in 1995. The 50 ha enclosed lease (1008P/M) is excluded from the EL.

Merrywood Coal Company Pty Ltd holds 100% equity in the licence.

In March 1997 a 249 ha lease (1640P/M) was acquired over all the known and potential resource which could be accessed by expansion of the currently operating Stanhope open cut mine. As the Company exploration strategy is aimed primarily at open cut coal and the total potential resource is covered by leases 1640P/M, 1008P/M and 82M/39, the remainder of the EL is submitted for relinquishment at the current anniversary.

This report summarises previous exploration.

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 (Figure 2).

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.

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 and intersected a gross 3.82 metre coal seam. The Avoca Transport work is described by Nelson and Associates (1986).

During Licence 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.

In April 1996 two open hole percussion droll holes (MS-1 and MS-2) confirmed that a panel of unmined coal exists to the south and west of the Stanhope underground workings. Coal seam intersections for 3.4 and 2.6 metres, under 22 metres and 13.8

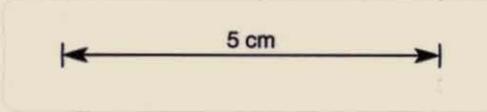
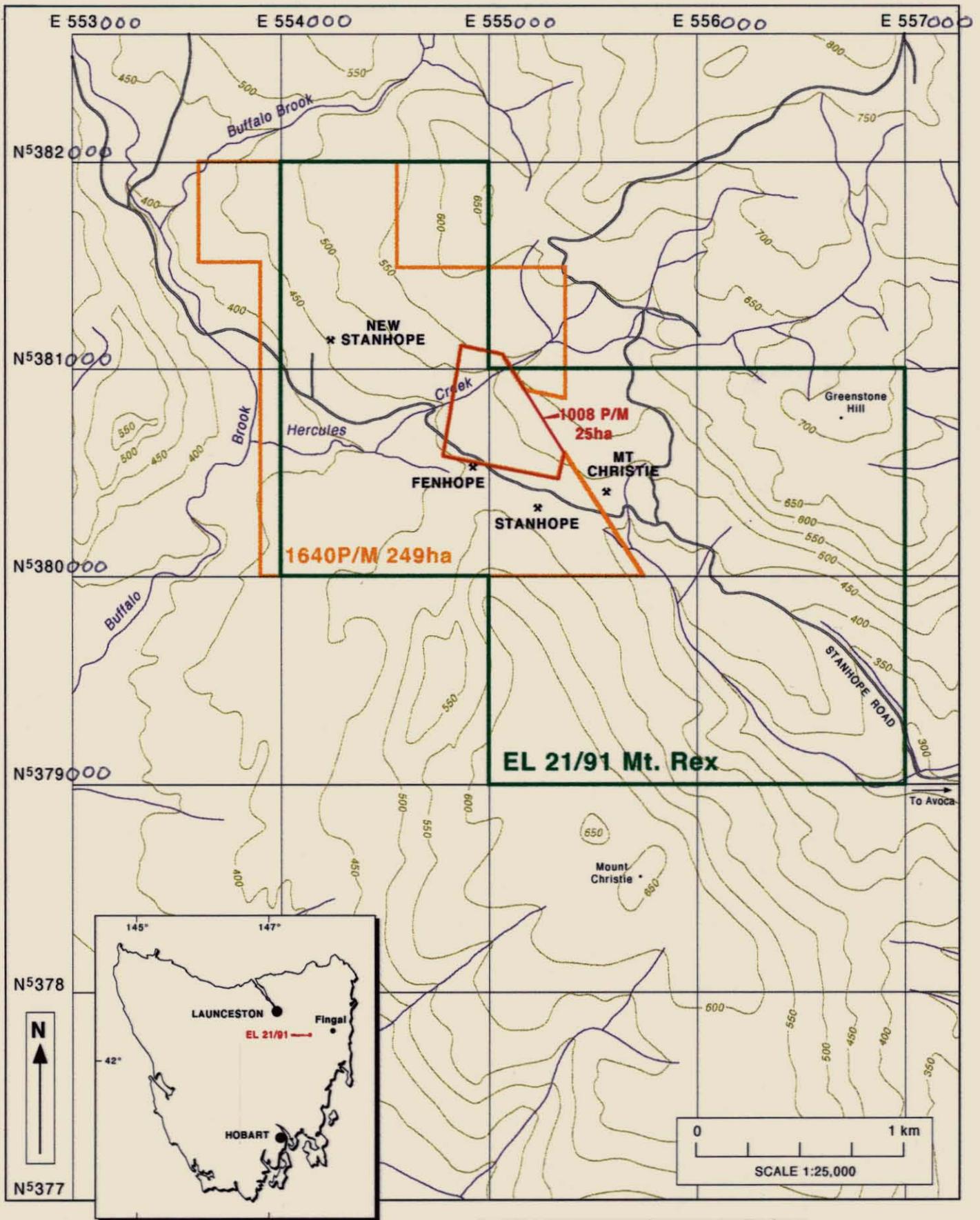
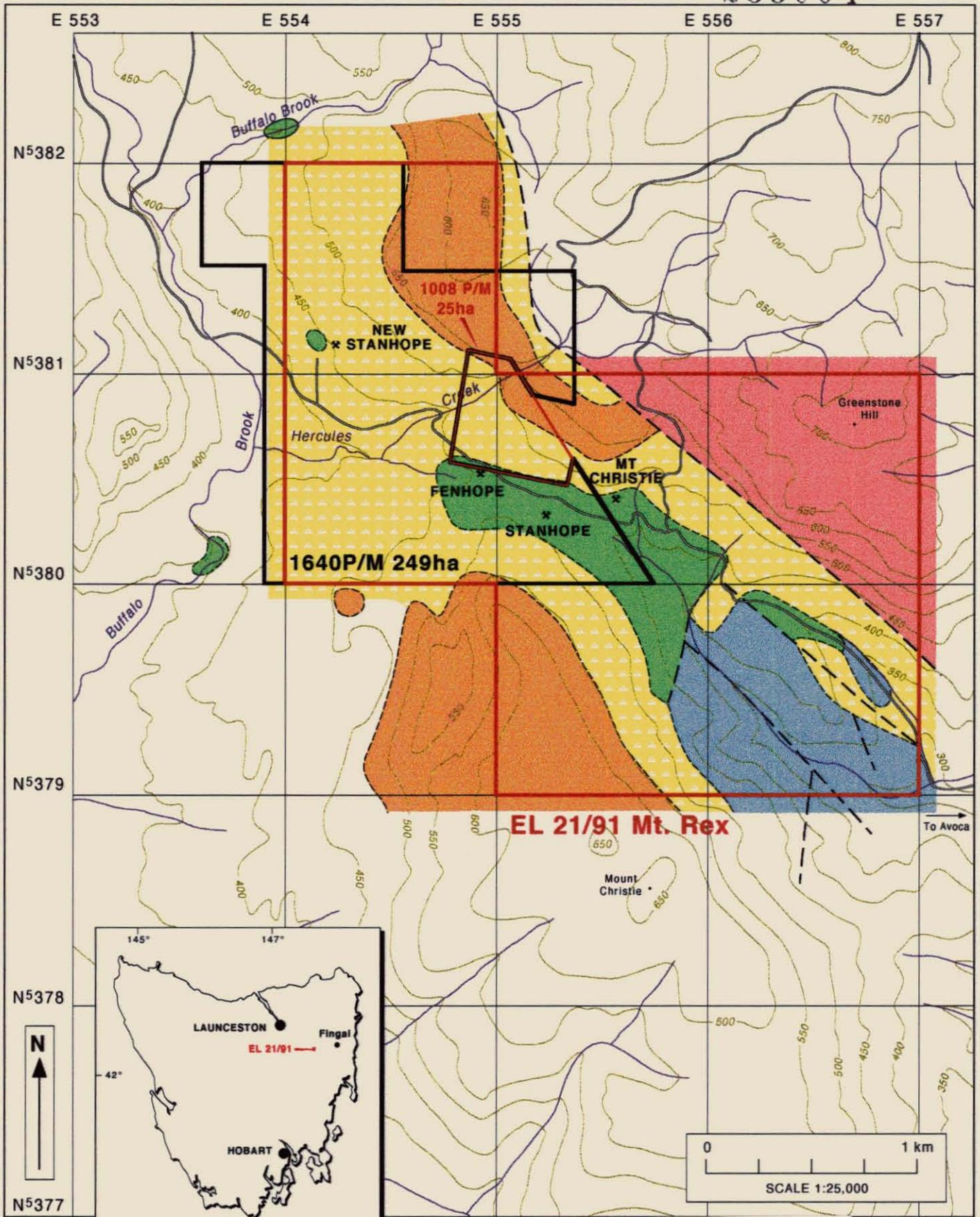


Fig 1

MERRYWOOD COAL COMPANY		
EL 21/91 Mt. Rex Location Plan		
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- Talus - Mainly Dolerite
- Jurassic Dolerite
- Upper Triassic - Coal Measures Rocks
- Permian - Triassic Sandstones, Lutites
- Devonian Granite

--- Fault

Fig 2

MERRYWOOD COAL COMPANY		
EL 21/91 Mt. Rex		
Simplified Geology		
(from Ben Lomond 1:50,000 sheet)		
Author: K.C.Morrison	Drafting: R.Carroll	Date: 27.3.98

metres of roof sandstones respectively were encountered. A third hole (MS-3) at New Stanhope was unsuccessful in penetrating dolerite talus in Hercules Creek, near the western boundary of 1008 P/M.

The Year 4 program focussed entirely on reserve definition and feasibility work on the Stanhope resource.

A 1500 tonne bulk sample was excavated from the western side of the resource and processed through the Merrywood washery. The seam mined correlates closely with the Fenhope seam from the adjacent underground mine. Trial burns by Merrywood Coal Company customers were successfully completed, with Specific Energy analyses of the product ranging from 23 to 27 MJ/kg.

A program of air track percussion drilling was conducted to define depth to the main (Fenhope) coal seam and the positions of seam fault displacement.

The drilling indicates an upper and lower seam, above and below the main seam, but to date neither of these additional seams have been mined.

Previous exploration results are contained in three Annual Reports (Morrison, 1994, 1996 & 1997).

FUTURE EXPLORATION

Future mine development geology by Merrywood will be conducted within the Stanhope leases.

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