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Cuttack Mining and Exploration Pty Ltd

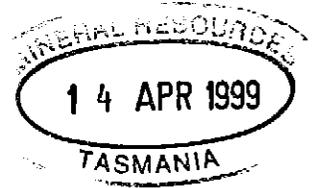
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April 15 1999



Annual Report for EL1/92 - Mathinna

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MINERAL RESOURCES
EL1/92
14 APR 1999
See folio 36

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ANNUAL REPORT- EL 1/92
MATHINNA - CUTTACK MINING
L MILLER

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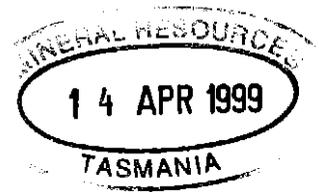
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Annual Report for EL1/92 - Mathinna

As previously indicated to the Director of Mines the past year has seen almost no progress at the O'Briens exploration drive being undertaken by this Company and hence the exploration budget for this year has not been attained.

At the commencement of the year in May 1998 we were still making progress at the decline drive, albeit slowly, due to unstable ground. The Mathinna slates or shales have proved very difficult going in the sense that shoring up of the drive has been necessary thus far for its entire length. We have completed some 62 metres of the proposed 78 metres at which point we anticipate intersecting the O'Briens reef.

The work is being carried out by our sub-contract operator G.I. Fisher of Launceston. Mr Fisher is concurrently involved in recommissioning of the cyanidation plant at Lefroy and has achieved some throughput there, unfortunately the grade of ore not measuring up to expectations. His financial commitments there have meant that he has been progressively delaying work at O'Briens such that by October 1998 our Company put an ultimate performance deadline of February 28 1999 to him, failure to complete at O'Briens being cause for termination of his contract with this Company.

Prior to the expiration of this deadline Mr Fisher approached us with a proposal to recommence work at O'Briens using a radically different approach to the drive. Instead of blasting the rock face, an attempt would be made to employ sandstone cutting equipment, primarily a large diameter diamond tipped wheel on a tracked vehicle in combination with rock breaking extension and conventional waste removal from the drive. This meant an extension to the performance deadline and as we felt also that the approach offered some potential to overcome the need for timbering of the drive we agreed to try the approach.

Equipment has been developed for this work and plans are well in hand for imminent commencement but thus far no actual work at the decline has yet recommenced. We are at this point awaiting final testing or trialing of equipment on site and approval from Mines Safety officials including approval of designated mining supervisor before the recommencement of the decline drive.

The consequence of the indicated delays has been that we are well short of the required expenditure of \$50,000 on exploration this year for EL1/92. However, in the previous reporting year we were some \$34,000 in excess of required expenditure which together with approximately \$8500 expended from April 15 1998 to present date would actually mean that we are about \$8000 short of target expenditure for this year.

We have previously requested suspension of our expenditure target for 6 months so that the work at O'Briens can be undertaken with due regard for the safety factors involved and for the circumstances occasioned by the difficult ground. Such a suspension would, we believe, allow us to complete the drive and assess the potential of the ore body without the pressure of yet another year's exploration budget to be planned for within a context of some uncertainty and unavoidable delay as would pertain should our request not be agreed to by the Director of Mines. A factor of importance for this requested time frame is the onset of winter which will undoubtedly have impact on our capacity to continue the work from time to time as rain will make the decline slippery and lost time will be a problem of some order.

We regret very much being placed in this position but having committed to this approach to exploring one of the most promising reefs in our exploration area we believe we have done our best to advance the effort and have simply been thwarted by force of circumstance.

It remains our belief that the O'Briens reef extends to the north from the previous workings and that it is significant ore body. Like all the reefs in this area, grades of gold will be erratic but we expect averages to be around 25 to 30 ppm.

We hope for an early decision on the suspension of our exploration budget.



(Dr) Leigh Miller

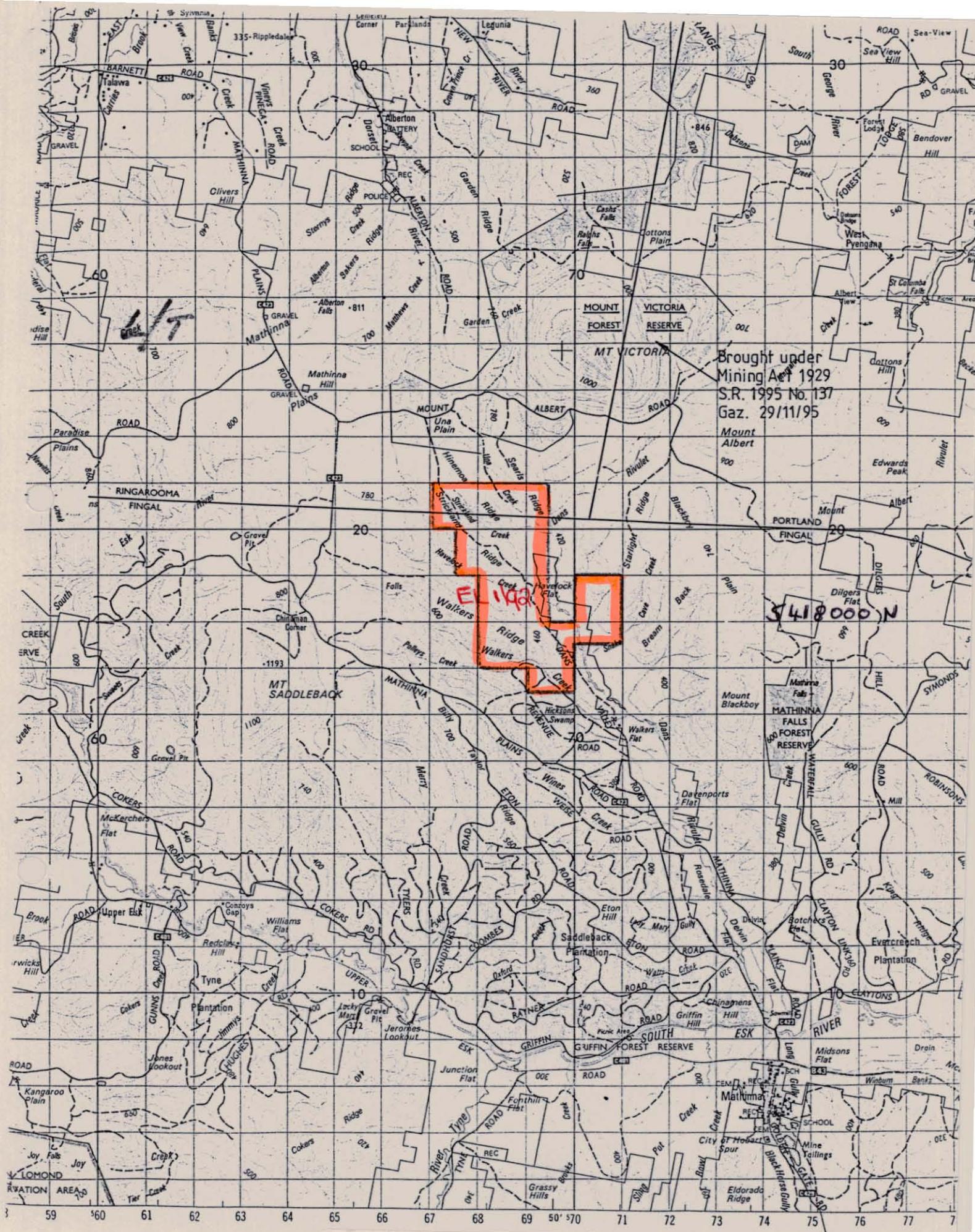
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This annual report for EL 1/92 is signed by [Signature]

Exploration Manager for Cuttack Mining and Exploration Pty Ltd

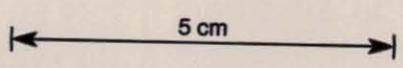
at TRIASSANA before me [Signature] (Justice of the Peace)
K.T. REEVES, 2903

on the THIRTEENTH day of April 1999.



Brought under
Mining Act 1929
S.R. 1995 No. 137
Gaz. 29/11/95
Mount Albert

SCALE 1: 100 000



FINGAL 23 km

574005



BLACK NUMBERED GRID LINES ARE 1000 METRE INTERVALS OF THE AUSTRALIAN MAP GRID, ZONE 55
GRID VALUES ARE SHOWN IN FULL ONLY AT THE SOUTH WEST CORNER OF THE MAP

LAND TENURE INDEX INFORMATION has been compiled by the Lands Department with assistance from the Forestry Commission. Land tenure is current to Oct 1983. Due to limitations of scale, some small areas of land tenure within built up areas or of less than two hectares are not depicted.