



Australian Stock Exchange Limited
ABN 98 008 624 691
Level 6
Riverside Centre
123 Eagle Street
Brisbane QLD 4000

PO Box 7055
Riverside Centre
Brisbane QLD 4001

Telephone 61 (07) 3835 4000
Facsimile 61 (07) 3832 4114
Internet <http://www.asx.com.au>

14 July 2006

Mr Garry Edwards
Company Secretary
Frontier Resources Limited
Level 1, 94 Bundall Road
BUNDALL QLD 4217

By Email: gedwards@macmin.com.au

Dear Mr Edwards

RE: ANNOUNCEMENT DATED 13 AUGUST 2006

I refer to the announcement lodged by Frontier Resources Limited (the "Company") on 13 July 2006 in relation to the Kodu Deposit in Papua New Guinea (the "Announcement").

Australian Stock Exchange Limited ("ASX") has reviewed the Announcement and requests that the Company provide the following information and clarifications.

1. Provision of supporting information to attribute the category of Inferred Mineral Resource to the Kodu Deposit estimate.

If the Company has previously released this information to the market, please advise the date on which the information was released.

2. Page 1 of the Announcement contains the following statement.

"The Kodu deposit is open at depth, along strike and around the annulus of the intrusion and is considered to have good potential to increase resources and convert resources to reserves."

Please advise the basis upon which the Company considers that the resources can be converted to reserves.

3. The use of the terms 'hypothetical reserve' and 'assumed reserve' have no meaning under the JORC Code and may not be used in public reports of Exploration Results, Mineral Resources or Ore Reserves. Please clarify the basis upon which the Company has included the terms 'reserve', 'hypothetical reserve' and 'assumed reserve' in the Announcement and confirm that they are not derived from the Inferred Resource referred to in the Announcement?

4. Please advise the basis upon which the Company has linked the 120 million tonne hypothetical reserve to the Kodu Deposit, which the Company has stated only currently has an Inferred Resource of 85 million tonnes?

ASX considers that the 4th paragraph of the Announcement too closely links together the Kodu Inferred Resource with the 'preliminary desktop study' as to imply that the current Kodu Inferred Resource could be 'converted/upgraded' to the 'hypothetical reserve'. Accordingly, this section should be re-worded to make clear the distinction between the Kodu Inferred Resource and the 'preliminary desktop study'.

5. Why the Company made reference to a detailed technical study performed on a hypothetical reserve without a suitably prominent cautionary statement in relation to that study?
6. A nominated Competent Person for the Inferred Resource, as required by listing rule 5.10.

I note there is a reference to a Competent Person in the Announcement, however, the statement refers to Exploration Results yet there do not appear to be any Exploration Results in the Announcement.

Please note that ASX reserves the right, pursuant to listing rule 18.7A, to release this letter and the Company's response to the market if it considers it necessary for an informed market. Accordingly it would be appreciated if you would prepare your response in a format suitable for release to the market and separately address each of the questions asked.

As you are aware, the Company requested a trading halt on 13 August 2006 which will expire at the commencement of trading on Monday, 17 July 2006. ASX is of the view that the market in the Company's securities should not resume until the Company has responded to this letter, and ASX has had the ability to review the Company's response. If this matter is not fully resolved prior to the commencement of trading on Monday, 17 July 2006, the Company should consider requesting that its securities be suspended from quotation under listing rule 17.2.

I would be grateful if you would provide your response to me by way of either facsimile on (07) 3832 4114 or email on simon.obrien@asx.com.au. It should not be provided to the Company Announcements Office.

Please contact me if you wish to discuss this letter.

Yours sincerely,



Simon O'Brien
Adviser, Issuers (Brisbane)



Formerly TasGold Ltd
ABN 96 095 684 389

ADDRESS
PO Box 7996
Gold Coast Mail Centre
Qld 9726 Australia

PHONE
+61 (07) 5592 2274
FAX
+61 (07) 5592 2275

EMAIL
info@frontierresources.com.au
WEBSITE
www.frontierresources.com.au

18th July 2006

Mr Simon O'Brien
Australian Stock Exchange Limited
PO Box 7055
Riverside Centre
Brisbane QLD 4001

Dear Mr O'Brien,

The Company wishes to clarify that:

- the announcement of 13th July 2006 was factually correct and was triggered by completion of the reacquisition of PNG exploration properties from former joint venture partner, South Pacific Minerals Corp. The reacquisition has been in progress for some months as per previous announcements.
- the Company stresses that the Inferred Resource is completely different to the "hypothetical reserve" and investors should not link or relate one to the other.
- as per previous references to the desktop study, the Company notes that this is purely a desktop study evaluating possible order of magnitude, project costs and return based on a non-existent reserve, no metallurgical data, etc and, as such, should be regarded with appropriate caution.
- the desktop study was initiated to determine the tonnage and grade parameters, in view of substantially increased metal prices, required at the location of Kodu for a financially viable mine development. The assessment clearly shows that a porphyry copper/gold/molybdenum project at that location as modelled [e.g. potential stripping ratios, metallurgical recoveries, concentrate factors, capital costs, tax/royalty/depreciation rates etc] could be financially viable/robust at copper and gold prices significantly lower than those at present.
- the Inferred Resource at Kodu is 85 million tonnes grading 0.4% copper plus 0.6g/t gold and the resource has been independently verified as per the attached report. There are no Ore Reserves at Kodu.

In response to the points raised in your letter of 14 July 2006, we reply as follows:

1. The Inferred Resource originally estimated by BHP was re-estimated and verified by Dr Richard A. Keele and Dr Ian D. Lindley, under the supervision of Peter A. McNeil MSc, and documented in a National Instrument 43-101 compliant report (Canadian securities requirement) entitled "Technical Report on Mt Bini, Central Province, Papua New Guinea" and dated 27th July 2004. This report was lodged with the British Columbia Securities Commission and the TSX – V Exchange on or around that date. This report is available on the Company's web site with details of the Resource specifically detailed on page 21. Both Richard Keele and David Lindley are Independent of the

Company, are self employed consultants and specifically consented to the release of the report and the Inferred Resource on page 38 of that report. Richard Keele (since deceased) was a Member of the Aust. IMM, Ian Lindley and Peter McNeil are Members of the AIG. Peter A. McNeil is Managing Director of Frontier Resources and also consents to the release of the Inferred Resource estimate. Keele, Lindley and McNeil have sufficient experience which is relevant to the style of mineralisation to qualify as competent persons as defined in the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves.

The Resource was first noted as an historical resource estimated by BHP in a release to the ASX dated 20 February 2004. As stated above, the report "Technical Report on Mt Bini, Central Province, Papua New Guinea" is available on the Company's web site and a copy is attached to this letter.

2. The Company considers there is good potential to convert resources to reserves with additional in-fill drilling as the drilling within the resource to date suggests continuity of mineralisation between drill holes. The desktop study suggests that other parameters such as capital, operating costs, and metal prices will not inhibit the conversion and we have no reason to believe that the metallurgy of the mineralisation will differ from other porphyry copper systems in Papua New Guinea.
3. The terms "hypothetical reserve" and "assumed reserve" are not used in connection with the JORC Code. The terms "hypothetical reserve" and "assumed reserve" were used in respect of the desktop study, not in relation to Exploration Results, Mineral Resource or Ore Reserves. We confirm that they are not derived from the Inferred Resource referred to in the announcement.

The Company acknowledges that the terms "hypothetical reserve" and "assumed reserve" do not exist within the JORC Code and may cause confusion among investors if used in reporting desktop studies. In future, to avoid confusion, the Company will refrain from using these terms in relation to such studies and will ensure that only categories recognised by the JORC Code are included in public documents.

4. This hypothetical study has been referred to in previous releases dated 7th June and 23rd June. On the 7th June, when first released, we stated *"The assessment clearly shows that a porphyry copper/gold/molybdenum project at that location with reserves and other physical and economic parameters as modelled [e.g. potential stripping ratios, metallurgical recoveries, concentrate factors, capital costs, tax/royalty/depreciation rates etc.] could be financially viable/robust at copper and gold prices significantly lower than those at present."*

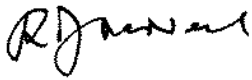
TasGold notes that this is purely a desktop study evaluating possible order of magnitude, project costs and return based on a non-existent reserve, no metallurgical data etc and as such should be regarded with appropriate caution"

The Company did not link the 120 million tonne "hypothetical reserve" to the Kodu deposit other than to state that the desktop study "hypothetical reserve" uses similar, but lower, grades to the Inferred Resource and is based upon a development scenario in the same geographic area. The Company again stresses that the Inferred Resource is completely different to the "hypothetical reserve" and investors should not link or relate one to the other.

5. We believed the cautionary statement in the release in question was adequate in the circumstances, particularly as it had been noted in the release of 7th June, and as it specifically states that *"The desktop study is theoretical and based on an assumed reserve, capital and operating costs."* It also states that *"These figures must be verified in a feasibility study before they can be relied on"*. The statement is in bold and is in the same font size as the table below it. The Company acknowledges that it may have been prudent for the cautionary statement to have been more prominent and has taken steps to ensure that cautionary statements are appropriately prominent in any future releases.

6. The "Competent Person statement" at the bottom of the release included a reference only to Exploration Results but the more generic format ("Exploration results, Mineral Resources or Ore Reserves") should have been used. A corrected "Competent Person Statement" follows: *"The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by, or supervised by, Mr Peter McNeil of Exploration and Management Consultants Pty Ltd, who is a Member of the Australian Institute of Geoscientists. Mr McNeil has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.'* Mr McNeil consents to the inclusion in this report of the matters based on his information in the form and context in which it appears."

Yours Faithfully



R.D. McNeil
CHAIRMAN

TECHNICAL REPORT ON MT BINI, CENTRAL PROVINCE, PAPUA NEW GUINEA

LOCATION

1:250,000 MAP SHEET: PORT MORESBY SC55-7

1:100,000 MAP SHEET: MURCADHO (8636)

PROPERTY

EL 1348 (1084 sq km)

PREPARED FOR:

TASGOLD LTD

OFFICE 1 & 2

370-380 CAMBRIDGE ROAD

MORNINGTON, TASMANIA 7018

AUSTRALIA

and

FRASERFUND FINANCIAL CORP

2a 15782 MARINE DRIVE

WHITE ROCK, BC V4B 1E6

CANADA

PREPARED BY

RICHARD A. KEELE, PHD, MIMMM

144 BRISBANE STREET, HOBART, TASMANIA 7000

&

IAN DAVID LINDLEY, PHD, M.A.I.G.

PO BOX 587, YASS, NSW, AUSTRALIA, 2582

DATE

27th July 2004

REVISED

2nd November 2004

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1.0 SUMMARY

The Mt. Bini tenement (EL 1348, ~1084 sq kms) is situated within the Owen Stanley Ranges of the Central Province of Papua New Guinea. Mineralised and altered intrusive rocks, ranging from diorite to monzonite in composition, occur on the south side of the Bavu magnetic anomaly in the immediate area of the Ofi Creek Copper/Gold deposit.

The Bini Porphyry (650m long by 350m wide) has an inferred resource, estimated by BHP Minerals from 5 drill-holes, to be ~ **85 Mt of 0.6 g/t Au + 0.4% Cu** (1.64 million oz of gold and 749 million lbs of copper). The authors of this report have contacted the qualified person (P. Leaman) in BHP who did the estimate in 1996 and have validated his results (section 6.6). The estimate is a current NI 43-101 inferred mineral resource. Island Arc Mining Ltd intends to explore for additional resources around the deposit and, if successful, do the necessary work to convert the inferred resource to current NI 43-101 reserves. A discussion on the reliability of the resource estimates is given in sections 6.6 and 14.0 of this report.

The deposit is open in several directions and at depth and has excellent potential to increase this resource. A gold-in-soil anomaly >2,000m long by 700m wide, various parts of which are associated with a probable epithermal-style gold overprint, has yet to be drill-tested outside the confines of the Bini Porphyry.

A proposed 2,400m 7-hole drill programme, detailed herein, has been designed to: (1) test the continuity, grade and depth extent of the mineralisation in the central and western parts of the Inferred Resource; (2) extend the known limits of the porphyry-copper style mineralisation at Ofi Creek into the topographic low on the southern and southwestern flanks of the Bini Porphyry (Drill holes OCD003, OCD004); (3) test for gold mineralisation 750m west of the Bini Porphyry along the “epithermal corridor” (Drill holes SED001, SED002), and (4) test for similar epithermal mineralisation at the eastern end of the corridor, beneath the soil anomaly to the northeast of Mt Bini (Drill hole SED003).

In addition, a localised follow-up geochemical sampling programme has been recommended for an area of high gold values in drainage and rock chip samples 2.5 km WSW of Mt Bini, with a regional follow-up geochemical sampling programme in proximity to the southern margin of the Bavu Magnetic Complex between the Ofi Creek deposit and the Ramage Prospect. The estimated cost of the entire programme, including the reconnaissance geochemical sampling programme, is C\$1,740,000, of which C\$720,000 is for direct drilling costs.

As the property is situated only 50 km from the national capital of Port Moresby, it is excellently placed for the logistics of exploration and development.

2.0 INTRODUCTION AND TERMS OF REFERENCE

In early January 2004, TasGold PNG Ltd (formerly Kurada No. 50) applied for EL1348 Mt Bini. An agreement with Fraserfund, which is listed on the TSX Venture Exchange NEX Board, has been announced involving 10 EL's in PNG. The applicant then transferred the application to Kurada No. 53, which was subsequently renamed Island Arc Mining Ltd. A total of 3 EI's have been granted.

This report has been prepared in accordance with the requirements of the NI 43 -101 for junior mining companies raising capital on the TSX Venture Exchange.

The information used in this report comes from the Annual Reports submitted by BHP Minerals and Magma Mines N.L. to PNG Mining Division in Port Moresby. Additionally, the geophysical data has been recently sourced directly from BHP-Billiton.

The second author, Dr I.D. Lindley is a qualified person and recently visited the site between 8th and 10th June 2004 in the company of local geologist Linus Kameko and conducted check sampling for a total cost of approximately C\$25,000 in total. Dr Lindley has extensive field experience in PNG spanning 26 years and has published numerous articles on the geology of PNG. The principal author has first-hand knowledge of PNG based on a trip to the Porgera Mine in the Enga Province. On that occasion he conducted a series of training sessions in structural and underground mapping techniques with the National geologists over a 10-day period in 2000.

3.0 DISCLAIMER

The information contained within this report (Sections 6.2, 7.2, 9, 10.0, 11.1, 12.0, 14.0 and the last paragraph in 16.0) is based on sources believed to be reliable. All known existing reports on the EL area produced by BHP and Magma have been sourced and reviewed; however, as no independent verification of the data is possible, other than detailed in section 10.3 (Re-sample Programme), the authors give no warranty that the said sources are correct, and accept no responsibility for any resultant errors contained herein and any damage or loss, howsoever caused, suffered by any individual or corporation.

4.0 PROPERTY DESCRIPTION AND LOCATION

The Mt. Bini tenement (EL 1348), which covers an area of 1084 sq kms, is located within the Owen Stanley Ranges in the Central Province of Papua New Guinea (Figure 1). The tenement is bounded by AMG coordinates 527,350mE & 587,900mE and 8,968,300mN & 9,000,000mN (at an approximate 147° 15' E and 147° 55' E longitude; and 9° 05' S and 9° 20' S Latitude). The EL occupies the central northern part of the Port Moresby 1:250,000 map sheet SC55-7. The centre of the lease is approximately 50 km northeast of Port Moresby. The main topographic features within the tenement are Mount Bini and Mount Tamala.

Island Arc Mining Limited made an application for an exploration license covering the area around Mount Bini in January 2004. The tenement was granted on the 13th August 2004. The Government and landowners are highly supportive of exploration and mining development as a means of advancing the district and the country.

5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

Logistics for exploration and development are excellent. Access to the area is either by helicopter direct from Port Moresby, which takes approximately 17 minutes or by sealed road from Port Moresby to Sogeri (28km) and then an unsealed road to Owers Corner. A walk along the Kokoda Trail follows into the Ofi Prospect (Figure 1). The area is crossed by numerous walking trails. Total distance by road and foot from Port Moresby is approximately 80 km. The nearest sizeable village is Naoro, which is served by an airstrip that is not in use at present. The previous tenement holders gave work to the people from the village.

The climate is wet tropical, with rainfall coming from the NW monsoons between December and March, whereas the SE trade winds bring cooler, drier weather between May and October. Rainfall increases from Port Moresby (1195mm) on the coast to Efogi (3490mm) in the highlands. Temperatures range from 18-33 deg C at Port Moresby, but frosts may occur overnight in the highlands. The slopes of the Owen Stanley Range are deeply incised with sharp crests and ridges and close dendritic drainage. The vegetation is tropical rainforest.

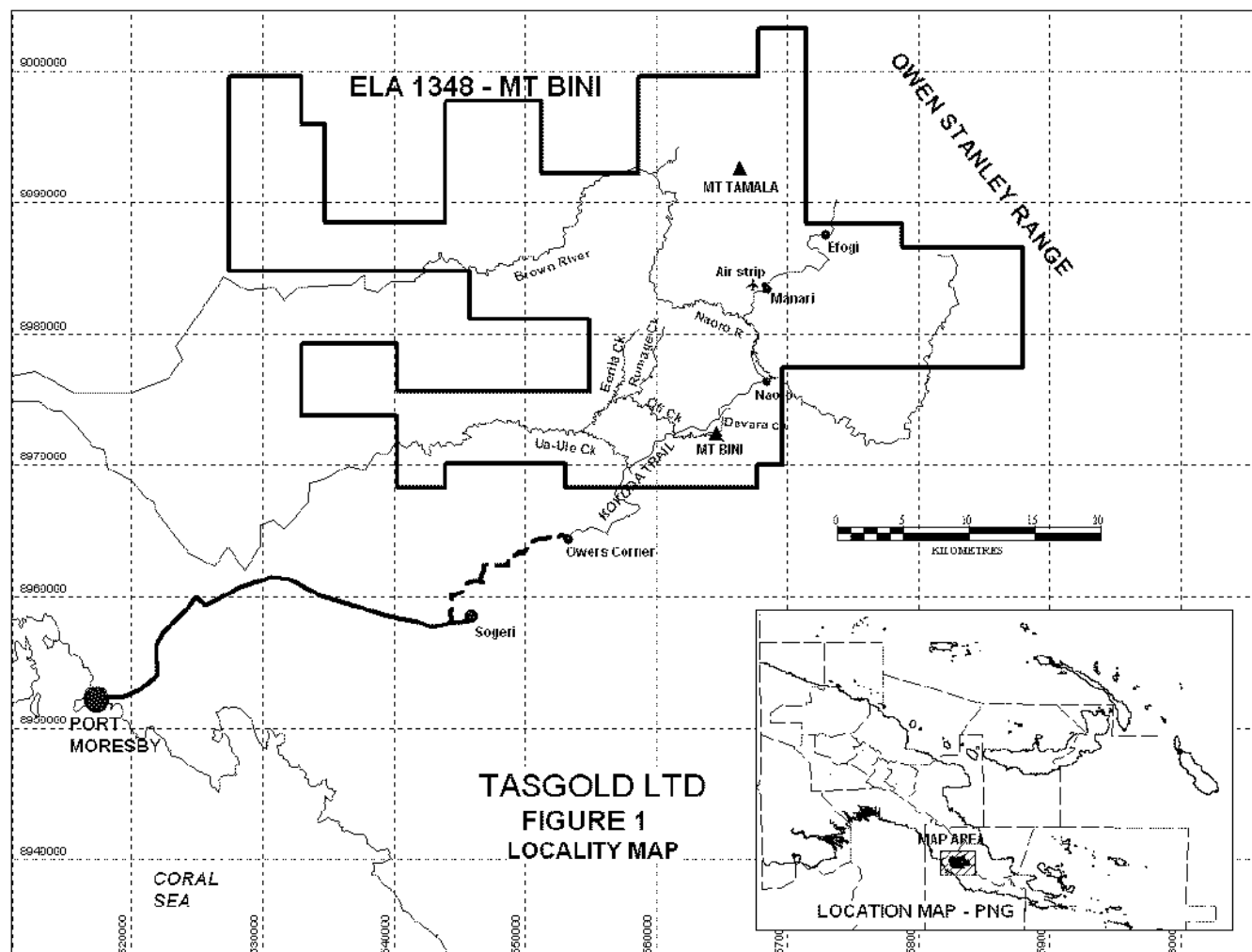


Figure 1 PNG Islands and location of EL1348.

The camp at Mt. Bini is habitable but in need of repair (Kameko, 2004). Only the labourers' quarters are standing. The core storage area is cleared and covered with canvas, whilst the waterline and the generator are also intact. Most of the BHP cooking, weighing gear and some tools and 1lb hammers and sample bags are still there. There is even a full drum of diesel and engine oil at the helipad, which is now cleared. The distance between the Manari airstrip and Naoro village (the locals say) is about four hours walk. However, Linus Kameko thinks it is about one whole day. The distance between Naoro and Mt Bini is about half a day along the Kokoda Trail. The locals claim that the Naoro airstrip is just covered by grass and can be easily cleared. Flights to the strip were stopped because it became uneconomic (i.e. very few passengers).

6.0 HISTORY

6.1 Tenure

An application from BHP Minerals for a prospecting authority covering 2235 square kilometers was lodged on 25th September 1991. Following public relations patrols, no objections were lodged and PA 1014 was granted to BHP Minerals on 31st January 1992, for a period of two years with an expenditure requirement of K100, 000 during the first year of term. Partial surrender of the tenement was made on 4th May 1993 with 1266 square kilometers being retained. An application for extension of term of the tenement was lodged on 26th October 1993 and was granted for a period of two years from January 1994. Further applications for extension were applied for in 1995, 1996 and 1997.

In 1997 the tenement was reduced to 190 square km, when a JV agreement between BHP and Magma Mines N.L was brokered in 1997. The terms dictated that Magma had the right to earn equity of 80% by expenditure of \$3.5m. The total expenditure by BHP to that time had been \$1.8m. The agreement also stated that if Magma sole risked to the 80% level, then BHP had the right to earn a 75% interest by: (1) paying Magma four times their escalated exploration expenditure, (2) completing a bankable feasibility study and (3) committing to development. The full terms of the agreement were never taken up and the tenement was relinquished in 2000.

6.2 Exploration Summary - General

Previous work goes back to 1968 when Kennecott explored for base metals in the western part of the current EL 1348. During this period detailed stream sediment sampling was carried out in the vicinity of the Brown River drainage, but no significant anomalies were found. In 1971, Minjur Mines carried out a limited traversing programme taking off from points along the Kokoda Trail, but reported nothing of significance. Pickands Mather, also in 1971, carried out detailed (-80# mesh) stream sediment and float sampling across the upper reaches of the Brown River. No gold analyses were done. The best result was from a diorite float sample that went 0.58% Zn.

In the 1980's Newmex subsequently held PA's 747 & 748, which broadly covered most of EL 1348. This company's target search was for hydrothermal precious metal mineralisation associated with eroded remnants of Tertiary volcanics, or intrusive centers. A photo-geological study defined NE and NW-trending conjugate faults and a number of circular features aligned along a NE-trending lineament, west of Efogi. Reconnaissance geological traverses were done in the Naoro River area, but the PA's were relinquished without application of any systematic geochemistry.

BHP commenced sustained and systematic exploration on PA 1014 with a regional reconnaissance drainage programme in 1992. The objectives of this survey were to broadly define areas of anomalous gold and/or pathfinder elements that would require follow-up. Several significant anomalous areas were outlined and float sampling returned values up to 15.7 g/t Au, 788 g/t Ag and 4.6% Pb in separate samples from the Ofi, Eorila and Ua-Ule Creek areas.

A substantial amount of work was carried out in 1992/3 on the Ofi Creek, Ramage Creek and Elo Creek Prospects. This work comprised stream sediment, soil and rock chip sampling, geological mapping and costeaning; three diamond drill holes were drilled to test mineralisation at depth and a helimag and radiometric survey were flown over the prospect area. This led to the discovery of a body of porphyry-hosted copper/gold mineralisation at Ofi Creek on the southern flank of the Bavu Magnetic Complex.

In the following two years (1994/95) further trenching at Ofi Creek confirmed the additional presence of gold and base metal anomalism in widely spaced epithermal veins to the southwest of the deposit. Soil sampling showed that this mineralisation did not extend north of Ofi Creek, nor did it extend west of trench BNT8. BHP Minerals drilled a further four holes at Ofi Creek and then joint ventured the project with Magma Mines N.L in 1997.

Magma Mines N.L. completed trenching and four additional diamond core holes to further define the Ofi Creek deposit. The potential for economic mineralisation was shown to exist in a topographic low surrounding the barren core of the Mt Bini Porphyry. The epithermal overprint to the SW and NE of the deposit, associated with anomalous soil and trench samples, has yet to be tested by drilling.

6.3 Exploration Summary – BHP Minerals and Magma Mine N.L.

A regional reconnaissance drainage sample programme (194 sites) was conducted by BHP. A total of 13 anomalous stream catchments were outlined within the present ELA 1348 (Figure 2 & Table 1).

Table 1. BHP anomalous stream catchments - peak gold values are from the highest individual sample in the catchment, not necessarily the same sample.

Anomalous Catchments	Area (sq km)	Peak Values BLEG (ppb Au)	Pan Conc. (g/t Au)	Rock (g/t Au)
14b	27.19	1.09	0.16	
15b	20.55	0.98	1.13	
11b	3.77	8.13	0.02	
6b	89.97	3.43	2.99	0.17
3b	51.92	13.42	9.09	
2b	92.02	75.07	29.06	
13b	25.72	3.94	13.4	
10b	5.51	17.25	0.05	
8b	68.81	4.70	3.91	
12b	19.88	1.59	2.69	0.033
1b - Ofi /Ua-Ule/Eorila	115.9	31.81	157.4	20.8
9b	35.02	3.51	2.99	
7b	15.74	22.47	0.01	
Total 13	Total 572			

6.4 Ofi Creek

Analysis of pan concentrate and BLEG samples defined three first order anomalies in the 1b catchment at Ofi, Ramage and Elo Creeks, respectively. Follow-up stream sediment sampling gave BLEG values of 3.47 ppb (sample #540), 3.41 ppb (#541) and 3.79 ppb (#539) at a distance of 500m downstream from Ofi Creek. Another BLEG sample (#536) contained 11.25 ppb Au below a gold-in-soil anomaly over an epithermal target NE of Mt Bini.

In addition, rock float samples produced some excellent results in the headwaters of Ofi Creek (Figure 3, Table 2). One sample collected 10 km downstream from the main anomaly at Ofi Creek (GUD336) returned 3.51 g/t Au, 114 g/t Ag and 3.24% Pb indicating the robustness of the anomaly.

Soil sampling, trenching, rock chip sampling and geological mapping went ahead on the basis of the good initial results (Figures 4 & 5). Seven lines of B-horizon soil samples along ridges and spurs adjacent to the anomalous catchments defined a gold-in-soil anomaly (>0.2ppm) approximately 2000m long, with coincident copper (>150ppm). Anomalous lead (>200ppm) and zinc (>175ppm) occurred on the periphery of this Au/Cu anomalism. Copper and molybdenite are broadly coincident with the gold anomalism. A total of four anomalous zones (>0.5g/t Au) were outlined. Two occur over Mt Bini and the other two are SW and NE of Mt Bini (Figure 4). Trenches were dug over the six best >0.2g/t Au zones at Mt Bini, producing economically significant grades and/or widths in four of the six anomalies (Table 3).

Table 2. Results of rock chip sampling programme at single location in headwaters of Ofi Creek

Sample No.	Au (g/t)	Ag (g/t)	Pb (%)
383/RF1	15.7	272	0.19
383/RF2	4.99	-	0.5
383/RF3	0.15	-	-
383/RF4	6.06	-	4.6
383/RF5	7.96	788	1.44

Contouring of the soils data by TasGold (P. McNeil, pers com., 2004) shows the 0.1 to 0.5g/t Au contour slice is coincident with the NE trending belt of potential epithermal mineralisation suggested by the BHP geologists. As such this epithermal overprint defines an area of potential economic mineralisation (Figure 6).

Table 3. Results of BHP trenching programme at Ofi Creek

Creek	From (m)	To (m)	Interval (m)	Au (ppm)	Cu %
BNT001	60	170	110	1.25	0.10
BNT001	106	128	22	2.21	0.15
BNT002	40	42	2	1.35	
BNT002	48	54	6	0.77	
BNT002	60	74	14	1.17	0.22% Pb
BNT002	96	100	4	0.96	
BNT002	104	108	4	2.52	
BNT004	0	32	32	0.57	0.15
BNT004A	0	58	58	0.63	0.14
BNT006	0	98	98	0.62	0.19

Alteration mapping by BHP and subsequent trenching by Magma Mines showed drusy quartz, dogtooth quartz and chalcedonic stockwork in an area 1 km SW of Mt Bini. Trenches by BHP (BNT7, 8 & 9) and

Magma (MMT1, 2 & 3) averaged 0.48g/t Au (Figure 5). The northeast gold-in-soil anomaly (>0.5g/t Au) situated 0.7 km NE of Mt Bini is considered to be an epithermal gold target, which is possibly displaced from the “epithermal corridor” by a NW-trending fault with sinistral offset (Figure 6). Meta-argillites and sericitic clays have been mapped in the area.

BHP Minerals flew an airborne magnetic survey over the area covering Mt Bini and the southern part of the Bavu Magnetic Complex (Figure 7). This survey has been obtained from BHP Minerals in Perth and is now being re-processed and evaluated. A ground magnetic survey with N-S lines spaced 100m apart was later completed by BHP as a follow-up to the airborne survey. This showed a magnetic porphyry intrusive body coincident with the 0.5g/t Au soil contour at Mt Bini.

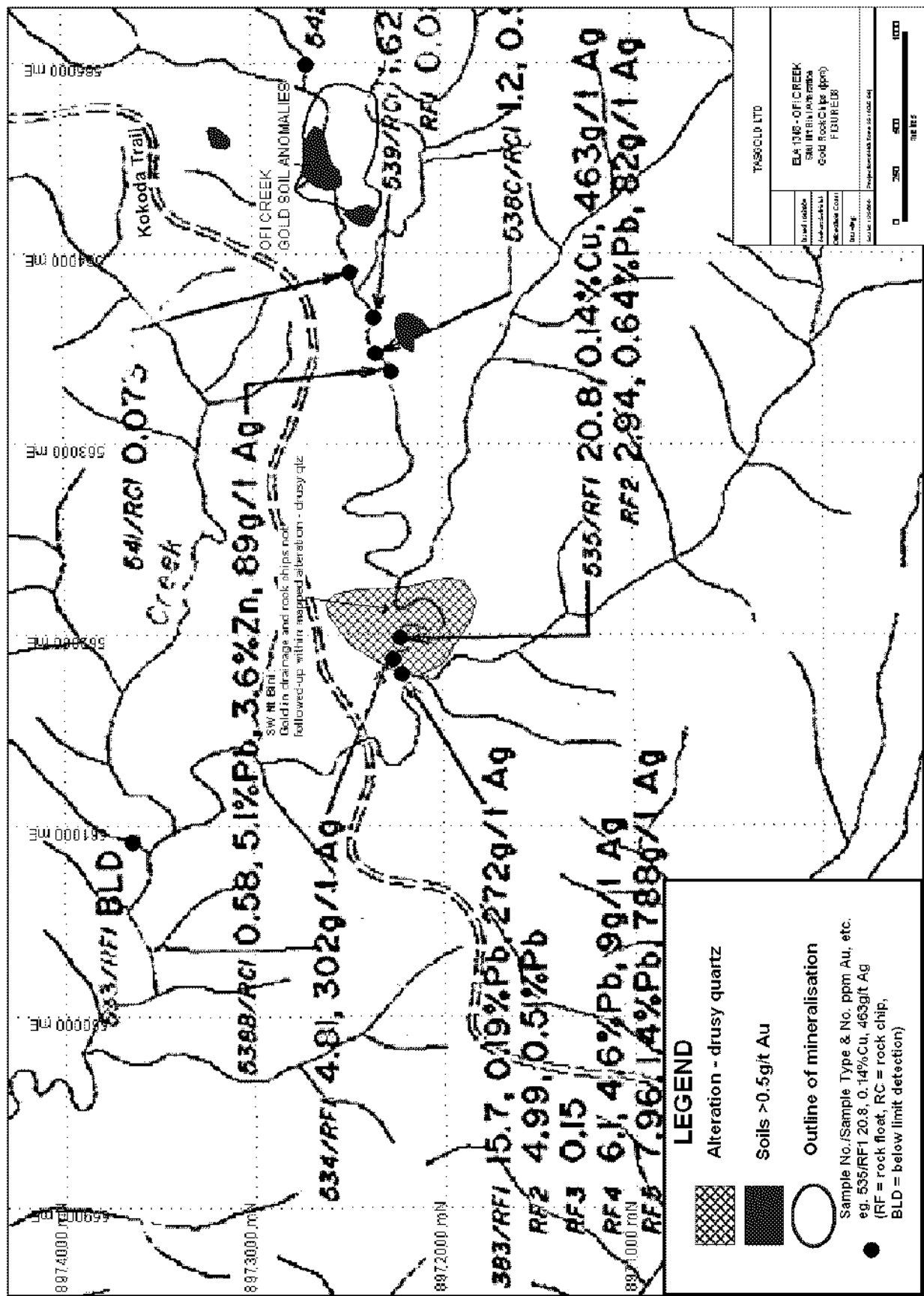


Figure 3 BHP rock chip and rock float sampling programme, SW Ofi Creek area (Data from Dugmore and Stephens 1994)

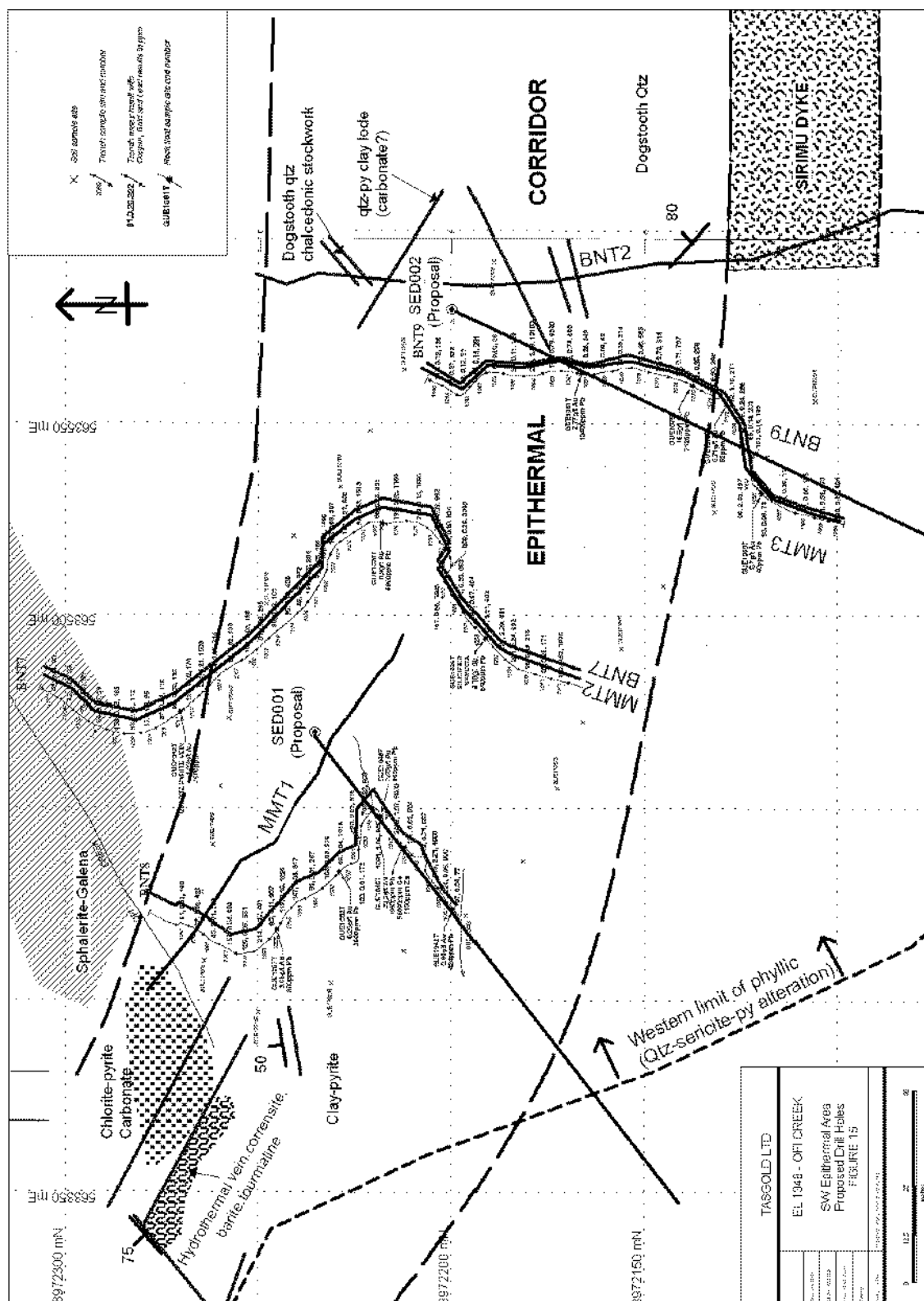


Figure 5 BHP and Magma Mines trench sampling and proposed drill holes SED0001 and 002, Sirimu Prospect (Swiridiuk 2004, data from Handley 1996 and Bubendorfer 1998)

Further magnetic bodies have been outlined using the “analytic signal” magnetic image. Magnetic porphyry occurs within a topographic low 200m SE of Mt Bini. However, soil sampling indicates < 0.05g/t Au in this area. Two other potentially magnetic porphyries have been outlined west of Mt Bini, also with low, i.e. <0.1 g/t Au, soils (Figure 8).

6.5 Drilling

BHP drilled seven diamond core holes (BND001 – BND007) and Magma Mines N.L. drilled four diamond core holes (BND008 – BND011). The locations of the drill holes are summarized in Table 4 and shown in Figure 16. A cross-section of drill holes through the deposit is shown in Figure 9. The initial programme was designed to test the following: (1) the contact between the porphyry and phyllites at depth (especially under the soil anomaly to the SE), (2) stockwork mineralisation in Trench BNT006 at depth, and (3) the western contact of the Bini Stock and the mineralisation in Trench BNT001 at depth. The program hit economically significant mineralisation in five out of eleven holes (BND1, 3, 4, 8 & 9).

The Magma Mines programme was designed to establish sufficient strike potential for an economic deposit (Bubendorfer, 1998). The programme was suspended after poor results were received from drill-hole BND011, the reasons given at the time being: (1) the tonnage potential appeared limited (~100Mt) and (2) metal prices were in decline.

The locations of the BHP drill holes were taken from the published fact map and are considered accurate. These BHP maps were based on existing 1:100,000 scale topographic maps (Efogi #8479) with the datum AGD66, Zone 55. The location of some of the Magma Mines holes is less certain. Swiridiuk (2004) reviewed the collar locations, based on what was written in the drill logs and their likely positions according to the map. The locations of BND008 & BND011 seemed good. 100m errors were found for BND009 and BND010 probably due to GPS datum errors, or human error, or both. The collar position of BND009 was assumed to be the same as BND003, because they shared the same drill pad. A map location was used for BND010. The locations given in Table 4 and Figure 16 are considered as accurate as current knowledge permits.

Table 4. Summary of Drill Holes, Mt. Bini

Hole ID	Company	Easting (m)	Northing (m)	Azimuth (TN)	Inclination (degrees)	Depth (m)
BND001	BHP	564390	8972776	131	60	350
BND002	BHP	564561	8972452	324	60	312
BND003	BHP	564157	8972446	111	60	300
BND004	BHP	564400	8972665	160	60	412
BND005	BHP	564610	8972675	194	60	370
BND006	BHP	564566	8972450	83	60	360
BND007	BHP	564550	8972440	215	60	200
BND008	Magma	564372	8972703	142	70	300
BND009	Magma	564157	8972446	150	60	338
BND010	Magma	564045	8972598	116	61	348
BND011	Magma	564605	8972837	145	60	396

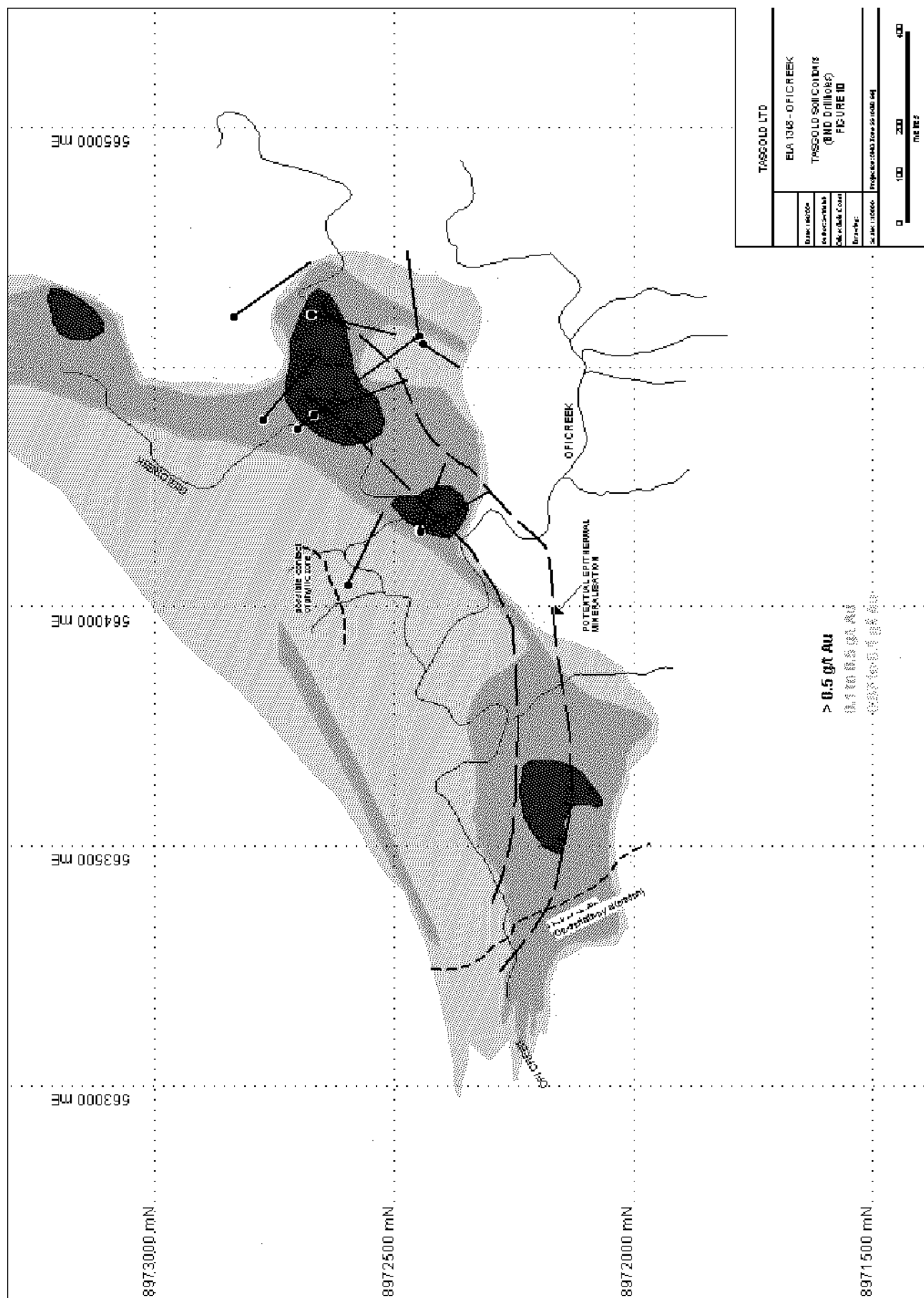


Figure 6 TasGold PNG Ltd contoured soil sample results with “epithermal corridor”, Offic Creek

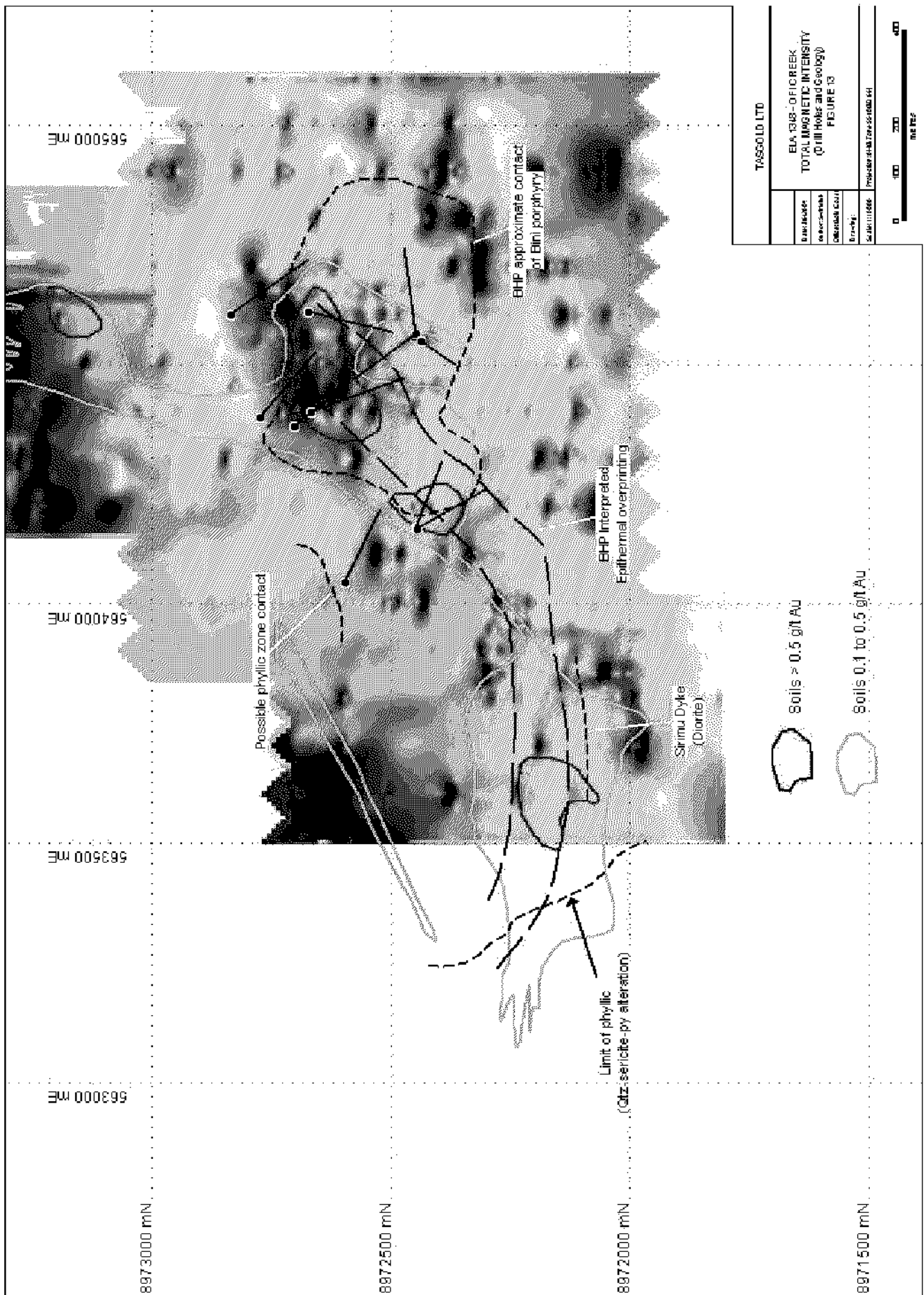


Figure 7 Total magnetic intensity image, Ofi Creek (from Swiridiuk 2004)

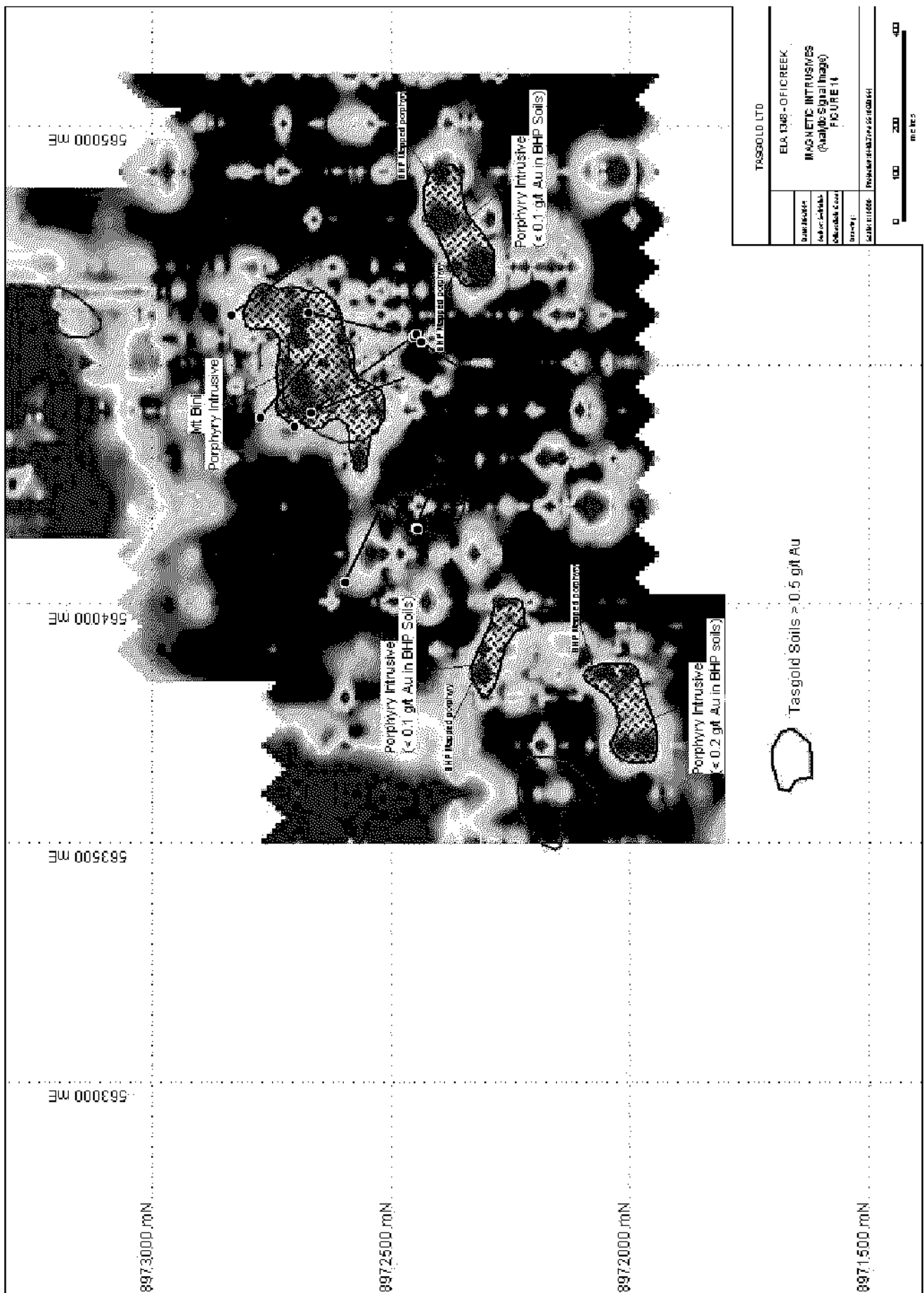


Figure 8 “Analytic signal image” showing inferred magnetic intrusives, Ofi Creek (from Swiridiuk 2004)

The results of the drilling are discussed in relation to: (1) the topographic high or barren core to Mt Bini, and (2) the surrounding low topographic regions. The topographic high included BHP drill holes BND002, 006 & 007. Best intersections from BND002 which was drilled north towards the topographic low, included 140m @ 0.46 g/t Au with 0.26% Cu and 60m @ 0.79 g/t Au with 0.54% Cu. BND006 & 007 were mainly barren (<0.1 g/t Au and <0.2% Cu) because they drilled the more resistant, barren phases of the Mt Bini Stock. The holes drilled within the topographic low around Mt Bini included BND001 & 003 and BND004 & 005. BND001 intersected 235m @ 0.47 g/t Au with 0.31% directly underneath the soil anomaly (Table 5) and BND004 intersected 162m @ 0.68 g/t Au with 0.59% Cu, plus 60m @ 0.66 g/t Au with 0.73% Cu plus 30m @ 0.65 G/t Au with 0.55% Cu. BND005 intersected 44m @ 0.63 g/t Au with 0.35% Cu.

Underneath the southern soil anomaly BND003 intersected 116m @ 1.02 g/t Au with 0.29% Cu from 24m, plus 137.9m at 0.67 g/t Au with 0.27% Cu to the end of the hole. Magma Mines holes BND008 & 009 drilled under soil anomalies and recorded anomalous gold values. Hole BND010 & 011 were mainly barren.

Table 5. Diamond Drilling Results (BND001, 002, 003, 004, 005 & 008) – Mt Bini, Ofi Creek Prospect.

Drill Hole	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	Ag (g/t)	Comments
BND001	104.0	339.2	235.2	0.47	0.31	0.6	Hole ends in 0.76 g/t Au & 0.36% Cu
BND002	26	166	140	0.46	0.26	4.6	Top half of hole
BND002	26	96	70	0.53	0.19	4.9	Leach Cap
BND002	96	106	10	0.34	0.55	2.2	Supergene
BND002	106	166	60	0.40	0.31	4.6	
BND002	320	380	60	0.79	0.54	2.1	Hole ends in 0.30 g/t Au & 0.73% Cu
BND003	3	287.9	284.9	0.75	0.29	NC	Entire hole is mineralised
BND003	24	60	36	0.60	0.04	1.3	Leach Cap
BND003	60	66	6	0.99	0.85	2.0	Supergene
BND003	66	140	74	1.22	0.37	1.6	
BND003	150	287.9	137.9	0.67	0.27	1.7	Hole ends in 0.12 g/t Au & 0.21% Cu
BND004	0	401	401	0.56	0.51	NC	Entire hole is mineralised
BND004	116	278	162	0.68	0.59	1.92	
BND004	284	344	60	0.66	0.73	2.09	
BND004	356	386	30	0.65	0.55	1.82	Hole ends in 0.48 g/t Au & 0.34% Cu
BND005	88	132	44	0.63	0.35	NA	
BND008	228	300	72	0.71	0.70	NA	
BND008	262	300	38	0.85	0.80	NA	Hole ends in 0.88 g/t Au & 0.79% Cu

NC= Not Calculated; NA = Not Analysed

6.6 Resource Estimation

BHP estimated an inferred resource of **85 Mt @ 0.4% Cu and 0.6 g/t Au**, that contains 1.64 million oz of gold and 749 million lbs of copper (Handley et. al., 1994, Leaman, P.1994). These figures were obtained from the first five drill holes (BND001-005), with the remaining two holes (BND006 & 007) being essentially barren. At the time of the estimation the authors of the BHP report (Messrs C. Handley and P. Leaman) were “qualified persons”, as defined by the Australasian Institute of Mining and Metallurgy, for estimating mineral reserves and resources.

The authors (RAK & IDL) were unable to obtain copies of the BHP report. However, they used a manual estimation method that is likely to be very similar to that used by BHP and arrived at an inferred resource of: 89Mt @ 0.4% Cu and 0.6 g/t Au. The calculated tonnage is in error by <5% (on the high side) compared to the BHP figure, whilst the copper and gold grades are identical. Plans supplied by BHP included: 1:1,000 scale slice plans at 650m, 700m, 750m, 800m, 850m, 900m, 950m, 1000m, 1050m, 1100m, 1150mRL's, with ore block outlines and areas calculated. Three separate plans at 800m, 900m and 1000mRL also included a geological interpretation and the ore block outlines. In addition, two cross-sections (CD, see Figure 9) and (EF) show the geological interpretation and ore block outlines, with copper equivalent values plotted down the drill holes (Cu value + 0.58 Au value). For this validation exercise the cut-off grade was 0.3% copper equivalent and the density was assumed to be 2.8. Polygons were drawn around the drill-hole pierce points on the 50m slice plans and the areas of influence for each drill hole calculated from the BHP block outlines and then converted into volumes. An average grade was assigned to each 50m block (total 34 blocks in two separate bodies) and the blocks were summed to give a total tonnage and grade for the deposit. The results indicate a very consistent grade from top to bottom of the deposit.

Magma Mines N.L. estimated an historical inferred resource of **115Mt @ 0.36% Cu & 0.47g/t Au** containing 1.9 million oz of gold and 912 million lbs of copper, after drilling an additional 4 diamond holes (BND008-011), of which only one drill-hole (BND008) had mineralisation of any significance (Bubendorfer 1998, & Table 5). Magma Mines estimated their resource using the following method: (1) ore pods were plotted in section using MineMap at 0.2% copper equivalent cut-off; (2) 10m benches were drawn from the 650m RL up (as used by BHP); (3) grade and tonnage was calculated for each bench using a MineMap function and each bench was summed to give a total tonnage, using 2.8 as the density. No validation was made of this estimate.

The extent to which the mineral resource estimate might be adversely affected by mining or metallurgical factors is considered small. The grade is consistent across the deposit, the style of mineralisation well known and open pit mines have operated safely in PNG for decades. Consideration will need to be given to protecting the environment and tailings dams will have to be built with this in mind.

The current mineral resources that are quoted in this report may be affected by socio-economic influences and, to a lesser extent, political events in PNG. The perception that violence is a problem in the capital persists and may deter some skilled professionals from bringing their families into the country. In recent times Australia has provided police support to South Pacific nations experiencing lawlessness: this role could be expected to continue into the future.

7.0 GEOLOGICAL SETTING

7.1 Regional Geology

The regional setting is the southeast extension of the Irian Jayan medial arc, which lies on the circum-Pacific “Ring of Fire”. The major rock unit in the district, also basement to the prospect, is the Jurassic to Cretaceous-aged Kagi Metamorphics of the Owen Stanley Complex (Figure 10). These rocks are predominantly pelitic and psammitic meta-sediments that have been folded and metamorphosed to low greenschist facies. In part the sediments are carbonaceous. Monzonite/diorite stocks and dykes of Pliocene age intrude the Kagi Metamorphics (Pieters, 1978).

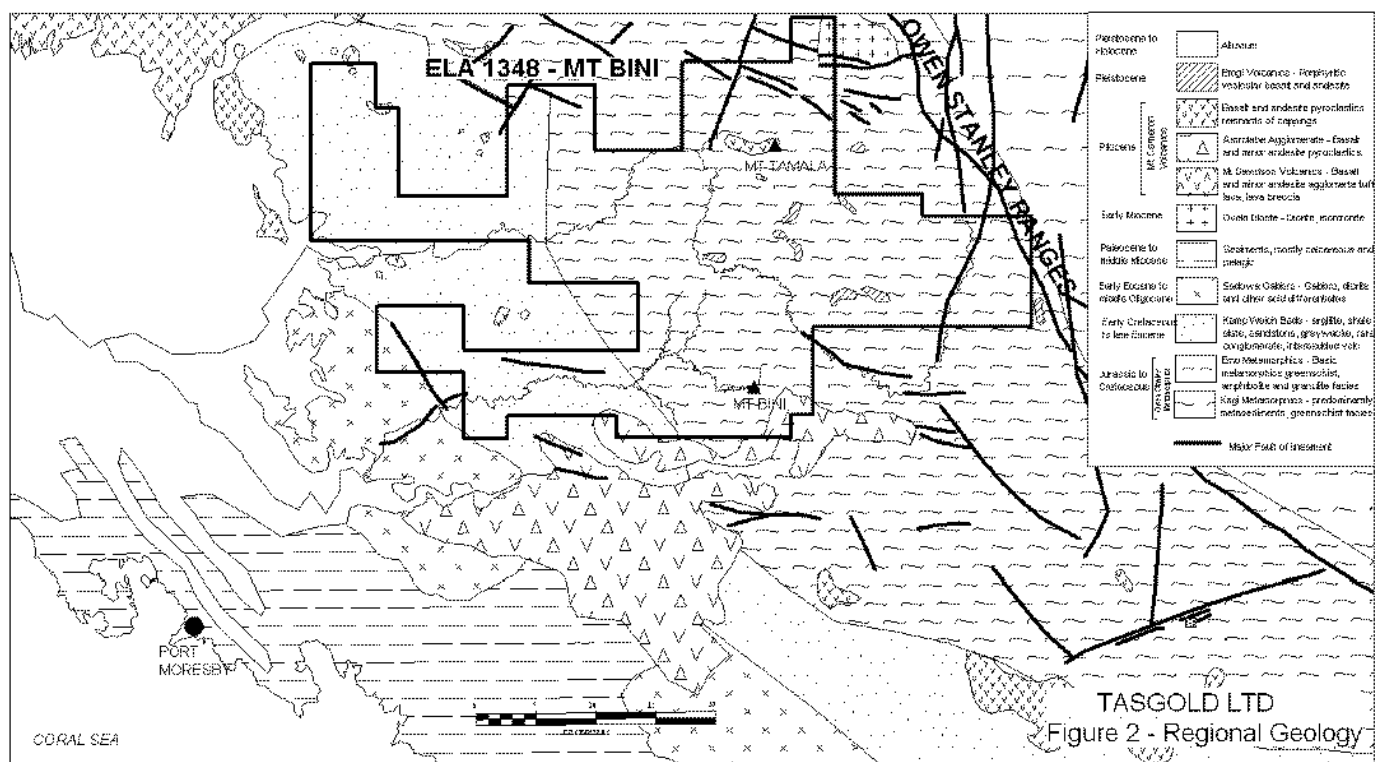


Figure 10 Regional Geology of EL 1348 (data compiled from Pieters 1978)

7.2 Local Geology

Tuffaceous meta-sediments cover the eastern part of EL 1348. Porphyritic, vesicular basalt and andesite lava have also been mapped in the east of the tenement. A variety of calc-alkaline to shoshonitic rocks occur on the south side of the Bavu magnetic anomaly in the immediate area of the Ofi Creek Prospect (Figure 12). The Bini Porphyry (650m by 350m) forms the main stock. Compositions range from diorite through monzonite, monzo-diorite, quartz monzonite and granodiorite. The dominant phases are biotite-monzonite and potassic quartz+/-biotite diorite (Gilbert, Pontifex and Mason, in: Dugmore and Stephens, 1994). The textures are fine to medium porphyritic with flow aligned plagioclase phenocrysts. Late acid dykes occur within the stock.

There are several alteration types at the Ofi Creek Prospect (Figure 9). Potassic alteration is the earliest and is centred on the Bini Stock and the Sirimu Dyke (see Figure 12), which is located immediately to the west of the stock. The second is a widespread phyllic-argillic alteration that occupies the outer 50 m of the stock and forms a 1500m by 1500m halo around it. This alteration post-dates the potassic alteration and is most evident in the phyllites. Propylitic alteration, which is retrograde overprint on the potassic-

altered core of the porphyry, shows a crude zonation around the stock with magnetite and actinolite-tremolite being close to the central most mineralised part of the stock and chlorite being dominant in the outer regions. The dykes generally show propylitic alteration. Finally, a cherty quartz + tourmaline alteration occurs in narrow breccias zones (< 1 metre thick) associated with phyllic alteration. These zones occur in a number of places around the Bini Stock, but particularly to the SW.

8.0 DEPOSIT TYPES

There are two deposit types at Mt. Bini. The most important is a porphyry-hosted copper-gold-molybdenite mineralised body at Ofi and Devara Creeks (Dugmore and Leaman, 1998). This mineralisation is related to the altered, multiphase monzonite-diorite Mt. Bini Porphyry Stock. A large alteration halo, possibly structurally controlled, surrounds this mineralised body.

In addition to the porphyry-hosted mineralisation, epithermal vein-style deposits occur. The main deposit of this type - located to the southwest of the Ofi Creek deposit - is associated with the Simiru Dyke, which is of a similar composition to the Bini Porphyry.

9.0 MINERALISATION

Several types of mineralisation exist at Mt Bini (Dugmore and Stephens, 1994). A leached cap occurs across much of the deposit. It is 10's of metres up to 70 metres thick - the maximum being under the summit of Mt. Bini. There is an increase in metal values towards the base of this cap. Small amounts of oxide copper, showing malachite staining, occur in two localities in the deposit. Supergene copper mineralisation occurs mostly in outcrop within the Bini Porphyry at Devara Creek. Fine-grained chalcocite and covellite, rimming or replacing chalcopyrite along fractures, are the two most common supergene copper minerals to occur. Coarse-grained chalcocite was noted in drill hole BND2 from 100-126m.

The primary ore comprises several complex-overlapping phases. The first phase is associated with early pervasive potassic (mainly biotitic) alteration that post-dates the emplacement of the Bini Porphyry Stock. The sulphides are generally fine-grained, comprising pyrite and chalcopyrite with rutile and are disseminated throughout the deposit. Magnetite is commonly intergrown with the sulphides. The second phase comprises a quartz stockwork containing pyrite, chalcopyrite, magnetite, molybdenite and gold

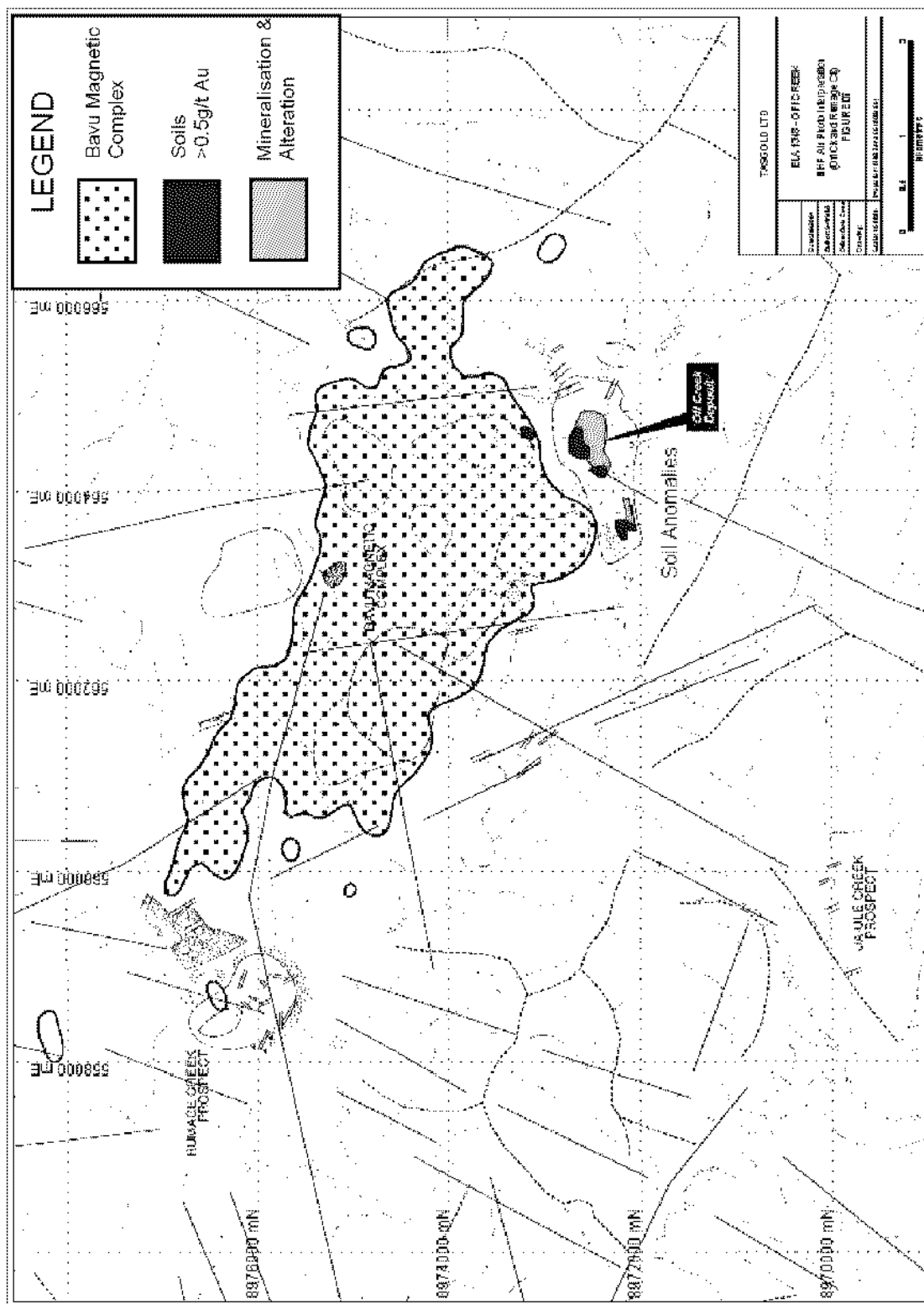


Figure 11 Bavu Magnetic Complex and the Ofi Creek deposit (data from Handley 1996)

inclusions in chalcopyrite. Strong mineralisation is associated with the overprinted propylitic alteration event in the form of veinlets and patches of quartz+ pyrite+ chalcopyrite+ magnetite+ carbonate+ chlorite+/-actinolite-tremolite. Sulphides in this phase are generally coarse-grained. Late stage veinlets of pyrite, chalcopyrite with sericite, carbonate and chlorite crosscut all phases of mineralisation.

A broad zonation of sulphides exists in the deposit. Volumetrically, chalcopyrite exceeds pyrite in the centre of the Mt Bini Stock, whereas pyrite exceeds chalcopyrite in the outer parts of the stock. Molybdenite is present in the outer porphyry shell. Galena and sphalerite occur around the periphery of the stock. The early phases of the intrusion are richer in gold than the later phases, which tend to be barren. Since the core of the stock comprises the barren phase this has led to the formulation of the “donut” model where the mineralisation occupies an outer porphyry shell.

10.0 EXPLORATION BY TASGOLD (PNG) LTD – RE-SAMPLING PROGRAMME

David Lindley, a qualified person, visited the Mt Bini site between 6 & 10th June 2004 in the company of National geologist Linus Kameko. BHP trenches BNT1, 4, 5 and 6A were cleared and re-sampled over a total of length of 174m. In addition, five samples were collected from the best gold grade intercepts in BND003 at 69m, 90m, 120m and 139m. A sample was also collected in the oxide zone from BND003 at 44m to check the lower grade section (base of oxidation at 60m). 55 samples, including 37 trench samples, 5 drill-core samples and 13 selected rock chips samples were taken in all (Figures 13 & 14). Good grades are reported from the 5 core samples selected (up to 3.51 g/t Au + 0.81% Cu), and from the rocks (up to 5.26 g/t Au + 158 g/t Ag) and there is good correlation in the trenches with the previous results (72m sampled at 1.30 g/t Au [incl. 36m of 1.51 g/t Au], Cu is depleted as expected – See Table 6).

In addition, GPS readings were collected at all the old BHP drill hole sites, as well as some cleared areas. Readings are averaged from 100 counts (see Table 7).

11.0 SAMPLING METHOD AND APPROACH

The broad objective of the reconnaissance geochemical sampling programme was to locate areas anomalous in gold or pathfinder elements that would require further follow-up. A total of 194 drainage sites were visited and a panned concentrate sample (one pan load of -2mm material) and a BLEG sample (5kg of -2mm material) collected at each site. The pan concentrate samples were taken at trap sites in the river, whilst BLEG samples were taken from active stream sediment. 42 rock float samples were taken where it was considered appropriate and the float and outcrop geology recorded at each site.

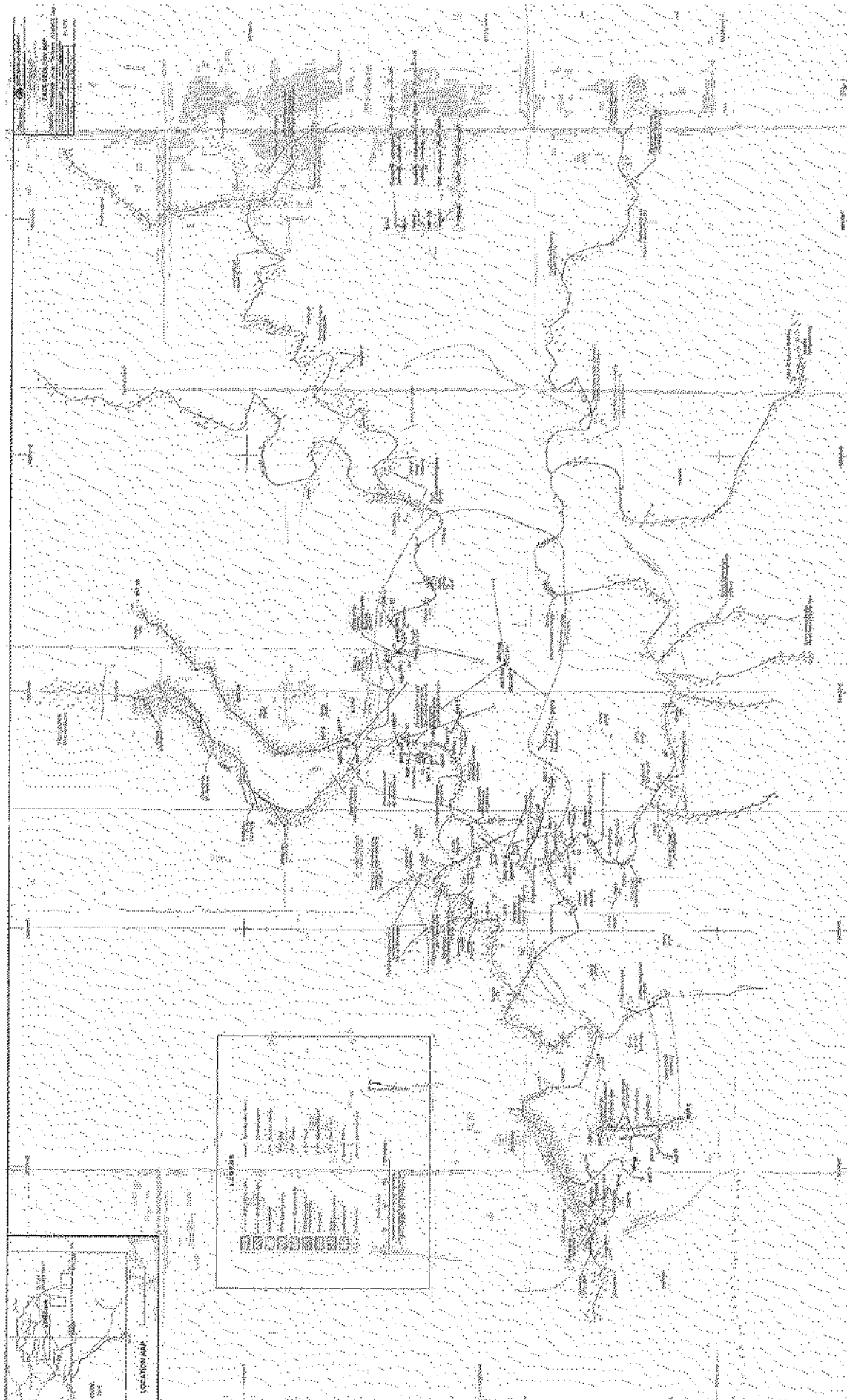


Figure 13 Sample locations for rock samples in trenches BNT 6, 7 & 8 (June 2004)

Table 6 Results of Re-sampling programme, June 2004

Sample ID	Sample Type	From (m)	To (m)	Interval (m)	Au Original ppm	Au Check ppm	Au (Aver) ppm	Ag ppm	Cu %	Pb %	Zn %	Original BHP Assays	
MBR01	Rock						0.12	4.9	0.01	0.01	0.00		
MBR02	Rock						2.01	3.1	0.05	4.46	0.02		
MBR03	Rock				3.30	3.39	3.35	190.0	0.06	2.02	0.01		
MBR04	Rock						5.26	158.0	0.04	0.50	0.01		
MBR05	Rock						0.10	5.6	0.01	0.03	0.00		
MBR06	Rock						0.68	25.0	0.09	0.33	0.01		
MBR07	Rock				1.22	1.11	1.17	31.8	0.04	0.17	0.00		
MBR08	Rock						0.06	2.4	0.00	0.03	0.05		
MBR09	Rock						3.52	130.0	0.57	0.43	0.03		
MBR10	Rock						0.07	2.4	0.01	0.01	0.00		
MBR11	Rock						0.54	10.4	0.67	0.00	0.01		
MBR12	Rock						0.44	3.3	0.45	0.00	0.01		
MBR13	Rock						0.48	2.6	0.51	0.01	0.01		

MBC01	Core	BND 003	69m				1.07	1.7	0.62	0.00	0.04	1.33	0.52
MBC02	Core	BND 003	90m				0.68	1.2	0.24	0.00	0.02	0.97	0.24
MBC03	Core	BND 003	120m		3.40	3.62	3.51	2.6	0.31	0.00	0.03	2.99	0.48
MBC04	Core	BND 003	139m				1.15	1.0	0.36	0.00	0.01	0.83	0.32
MBC05	Core	BND 003	44m				0.21	0.4	0.04	0.00	0.01	0.74	0.03

Trench													
MBT01	BNT1	0	4	4			1.32	0.3	0.05	0.00	0.00		
MBT02	BNT1	4	8	4			1.48	0.2	0.06	0.00	0.00		
MBT03	BNT1	8	12	4			1.87	0.8	0.06	0.00	0.00		
MBT04	BNT1	12	16	4			1.22	0.4	0.07	0.01	0.00		
MBT05	BNT1	16	20	4			1.59	0.8	0.08	0.01	0.00		
MBT06	BNT1	20	24	4			0.34	-0.2	0.03	0.00	0.00		
MBT07	BNT1	24	28	4			0.57	0.3	0.06	0.00	0.00		
MBT08	BNT1	28	32	4			1.16	0.7	0.07	0.00	0.00		
MBT09	BNT1	32	36	4			1.40	8.3	0.06	0.01	0.00		
MBT10	BNT1	36	40	4			1.62	0.4	0.07	0.00	0.00		
MBT11	BNT1	40	44	4			1.65	0.4	0.12	0.00	0.00		
MBT12	BNT1	44	48	4			1.79	0.4	0.18	0.00	0.00		
MBT13	BNT1	48	52	4			1.33	0.3	0.23	0.00	0.00		
MBT14	BNT1	52	56	4			1.27	0.2	0.14	0.00	0.00		
MBT15	BNT1	56	60	4	2.00	2.21	2.11	0.4	0.14	0.00	0.00		
MBT16	BNT1	60	64	4			1.30	0.3	0.12	0.00	0.00		
MBT17	BNT1	64	68	4			0.71	0.3	0.13	0.00	0.00		
MBT18	BNT1	68	72	4			0.69	-0.2	0.13	0.01	0.00		
				72			1.30	0.8	0.10	0.00	0.00		
	incl	0	20	20			1.50	0.5	0.06	0.00	0.00		
	incl	28	64	36			1.51	1.3	0.12	0.00	0.00		

Trench													
MBT20	BNT4	0	4	4			1.08	1.2	0.14	0.00	0.01		
MBT21	BNT4	4	8	4			1.27	1.4	0.17	0.00	0.01		
MBT22	BNT4	8	12	4			0.39	0.5	0.16	0.00	0.01		
MBT23	BNT4	12	16	4			0.54	0.6	0.15	0.01	0.01		
MBT24	BNT4	16	20	4			0.38	0.9	0.15	0.01	0.01		
MBT25	BNT4	20	24	4			0.43	1.1	0.13	0.00	0.01		
MBT26	BNT4	24	28	4			0.40	1.1	0.12	0.01	0.00		
MBT27	BNT4	28	32	4			0.40	0.4	0.14	0.01	0.01		
MBT28	BNT4	32	36	4			0.39	0.5	0.13	0.01	0.01		
MBT29	BNT4	36	40	4			0.33	0.3	0.09	0.01	0.01		
MBT30	BNT4	40	44	4			0.43	0.3	0.15	0.00	0.01		
MBT31	BNT4	44	48	4			0.56	0.6	0.15	0.00	0.01		
MBT32	BNT4	48	52	4			0.41	0.3	0.19	0.00	0.01		
				52			0.54	0.7	0.14	0.00	0.01		
	incl	0	8	8			1.18	1.3	0.15	0.00	0.01		

Trench													
MBT33	BNT6A	0	8	8			0.48	1.7	0.12	0.01	0.01		
MBT34	BNT6A	8	16	8			0.56	1.8	0.15	0.00	0.01		
MBT35	BNT6A	16	24	8			0.47	2.1	0.32	0.00	0.01		
MBT36	BNT6A	24	32	8			0.47	2.3	0.42	0.00	0.01		
				32			0.50	2.0	0.25	0.00	0.01		

Trench													
MBT37	BNT5	0	8	8			0.07	-0.2	0.01	0.01	0.00		
MBT38	BNT5	8	16	8			0.09	-0.2	0.02	0.01	0.00		
				16			0.08	-0.2	0.02	0.01	0.00		

	Au	Ag	Cu	Pb	
	>2.0 g/t Au	> 100 g/t Ag	> 0.8% Cu	> 1% Pb	
	>1.0 g/t Au	> 20 g/t Ag	> 0.4% Cu	>0.4% Pb	
	>0.3 g/t Au	> 3 g/t Ag	> 0.1%Cu	>0.1% Pb	

Table 7 Check GPS readings for selected drill-holes and sites (June 2004)

Location /Point	Easting (m)	Northing (m)	Elevation (m)	Comments
BND001	0564411	8972754	961	
BND002	0564565	8972414	1074	Mt Bini
BND003	0564166	8972396	974	Has helipad
BND004	0564419	8972664	933	Beside ck
BND005	0564630	8972654	966	
BND006	0564565	8972416	1078	Mt Bini
BND007	0564552	8972394	1072	Mt Bini
BNT-01	0564243	8972354	963	
BHP Camp	0564548	8972726	955	Helipad too
Naoro Village	0566914	8975464	1041	300m S of village

12.0 SAMPLE PREPARATION AND ANALYSES

Regional reconnaissance samples during the initial phase of exploration (1991-1994) were submitted to Pilbara Laboratories in Lae for analysis. Panned concentrates were fire assayed for gold, whilst rock samples were fire assayed for gold and analyzed for Cu, Pb, Zn, Ag and As using AAS. 100 grams of material was split from the BLEG sample and analyzed for Cu, Pb, Zn and As, whilst the remainder was analyzed for cyanide soluble Au, Cu & Ag.

The drill-core/rock samples for drill-holes BND 008 through 011 (Magma Mines N.L.) were submitted to Analabs Pty Ltd, a division of Pilbara Laboratories (Niugini) Pty Ltd, in both their Lae and Queensland laboratories. The samples were taken every 2m and dried, jaw-crushed and put through a fine pulverization process. Gold was determined by fire assay fusion & AAS on a 50g charge. Standards were inserted every 25th sample and repeats were done on a regular basis, with a second split sample every 20 samples. Copper, molybdenite and zinc were analyzed by AAS using a perchloric acid digest on a 0.2 gm sample weight. Detection limits were as follows: gold 0.01 ppm, Cu 4 ppm, Zn 4ppm and Mo 10 ppm.

13.0 DATA VERIFICATION

The re-sample programme conducted by TasGold PNG Ltd described herein (see section 10.3) constitutes a verification of the high-grade samples from trenches and drill holes at the Mt Bini site. Otherwise it was not possible to verify any of the data contained within the BHP and Magma Mines reports.

14.0 INTERPRETATION AND CONCLUSIONS

Exploration activity, between 1991 and 1998, over ground now covered by EL 1348, has outlined a significant copper/gold resource at Mt Bini, 50 km NE of Port Moresby, the capital of Papua New Guinea. The Ofi Creek deposit has an inferred resource of ~ **85 Mt @ 0.6 g/t Au + 0.4% Cu**, which is highly relevant to the project because the deposit is seen primarily as a porphyry copper system, with a possible high-grade epithermal overprint. Success in finding a quantity of the latter (see recommended programme in section 15.0) is expected to enhance the possibility of moving the porphyry copper-gold deposit from current inferred resource to current NI 43-101 reserve status.

A number of limitations on the BHP resource estimate are (Bubendorfer 1998): an uncertainty as to volume because of poor topographic data (now addressed by TasGold); low density of drilling leading to speculative ore polygon boundaries and a “smearing” of grade; insufficient geological control (see comments below); density was not independently verified; and the 650m RL which was the base level for both the BHP (and Magma Mines) estimations may have been too deep.

The possibility that the grade and tonnage has been overestimated arises from the fact that the high-grade portions of the deposit may trend NNW within an overall NE trending body: this might explain why grades in BND004 were not repeated in BND008. The overall reliability of these estimates hinges around the current geological model, which although detailed in terms of processes (e.g. magma evolution, fluid phases, zonation of the deposit, overprinting relationships etc), is clearly inadequate to achieve “indicated resource” status under the JORC or CIM standard. Further drilling and refining of the model is recommended to achieve this (see below). The greatest potential to increase the resource comes from the fact that the mineralised body may wrap around to the southeast and southwest (Figure 15).

The success of the initial regional reconnaissance drainage programme (in leading to the Ofi Creek deposit) has overshadowed other prospects in the area. Two prime targets are: (1) the western extension of the “epithermal corridor”, and (2) the soil anomaly NE of the Bini Porphyry; both have been recommended for immediate follow-up (see below). Any geochemical anomalism flanking the Bavu Magnetic Complex (BMC) has to be considered to be of potential interest.

The current proposed drill programme is designed to test grade continuity in the area of the Inferred Resource, as well as the “donut” model (Figure 16) and the SW (Sirimu) epithermal gold prospect. If successful, this programme would substantially increase the potential near-surface tonnage of the deposit and also define epithermal gold mineralisation warranting further drill testing.

15.0 RECOMMENDATIONS

The following proposed programme of exploration is based on the current understanding of the geology of the Mt Bini deposit (Swiridiuk, 2004, Bubendorfer 1998). Seven drill holes have been proposed, although the exact locations of these holes may be modified depending on: (1) the results of the latest GIS data computations and (2) re-processing and re-interpretation of the recently obtained aeromagnetic data.

The proposed holes (OCD001-004 and SED001-003) at the Ofi Creek and Sirimu epithermal prospects are detailed below (OCD=Ofi Creek Diamond, SED=Sirimu Epithermal Diamond).

1. **OCD001** (564,285E, 8,972,450N; Vertical, Depth 450m). This hole is designed to test the central sector of the Inferred Resource for grade continuity and additional depth extensions (the deepest test to the mineralisation is currently ~340m vertically below surface).
2. **OCD002** (564,375E, 8,972,540N; Vertical, Depth 450m). This hole is similarly designed, but to test the central-western sector of the Inferred Resource. Both holes are located >~ 125m from their nearest drill-hole collars and themselves are separated by ~180m.
3. **OCD003** (564,700E, 8,972,390N; Azimuth 132 deg TN, Depth 300m, Dip 60 deg): this hole is to be drilled into the topographic low on the south side of the Bini Porphyry where the presence of magnetic porphyry is interpreted. The justification for this hole is based on the fact that barren scree may have obscured the geochemical response that might otherwise indicate the presence of mineralisation on this side of the porphyry (Figure 16).

4. **OCD004** (564,180E, 8,972,050N; Azimuth 38 deg TN, Depth 300m, Dip 60 deg): the same justification applies to this target SW of Mt Bini as to OCD003.
5. **SED 001** (563,470E, 8,972,236N; Azimuth 230 deg TN, Depth 300m, Dip 60 deg): float samples from the NE part of Trench BNT8 southwest of the Mt Bini Porphyry returned anomalous values of 20.3 g/t Au and 5% Cu and the floats correlate well with trench samples of 1.07 & 2.21 g/t Au. This is the Bini Epithermal target called the Sirimu Prospect (Figure 5).
6. **SED 002** (563,580E, 8,972,200N; Azimuth 205 deg TN, Depth 300m, Dip 60 deg): the second drill hole into the epithermal target (Figure 5).
7. **SED 003** (564,550E, 8,973,110N; Azimuth 47 deg TN, Depth 300m, Dip 60 deg): the justification for this hole is that this is the last remaining untested > 0.5 g/t Au TasGold soil target. Little is known about the geological setting here but it is possible that it lies on the ENE “epithermal trend” shown in Figure 6.

Follow-up sampling in an area 2.5 km west of the Mt Bini is proposed. It is an area where gold has been located in drainage and rock chip sampling, but which was not followed-up in the alteration mapping programme of BHP. A recommended geochemical programme consisting of soil sampling (200 samples – 100m line spacing with samples collected every 25m) and trenching (500m) is intended to be conducted at the same time as the drill programme, and if successful, would generate its own drill targets. This area of follow-up lies at the western end of the “epithermal corridor” and contains drusy quartz.

The remainder of the proposed geochemical programme involves a number of “hip-chain and GPS” traverses collecting rock chip/float samples, soils samples and recording the geology. The following areas are targeted: the 6 km long strike length of the SW contact of the Bavu Magnetic Complex between the Ofi Creek deposit and the Rumage prospect (the Rumage Prospect, 6 km NW of Mt Bini is located adjacent to the NW tip of the BMC, contains gold anomalism in soils and trenches within a 2000m by 1000m zone of quartz-sericite+/- pyrite associated with high-level calc-alkaline dykes (Dugmore and Stephens, 1994); an interpreted E-W structure that cuts through the northern part of the BMC and which passes just south of the Rumage prospect; and the BMC contact 1 km north of the Ofi Creek deposit. Any geochemical anomalism around the margins of the BMC is considered worthy of follow-up (Figure 11).

It is the authors’ opinion that the Mt. Bini property is of sufficient quality and potential to produce an economic deposit some time in the future and that the above expenditure programme is justified.

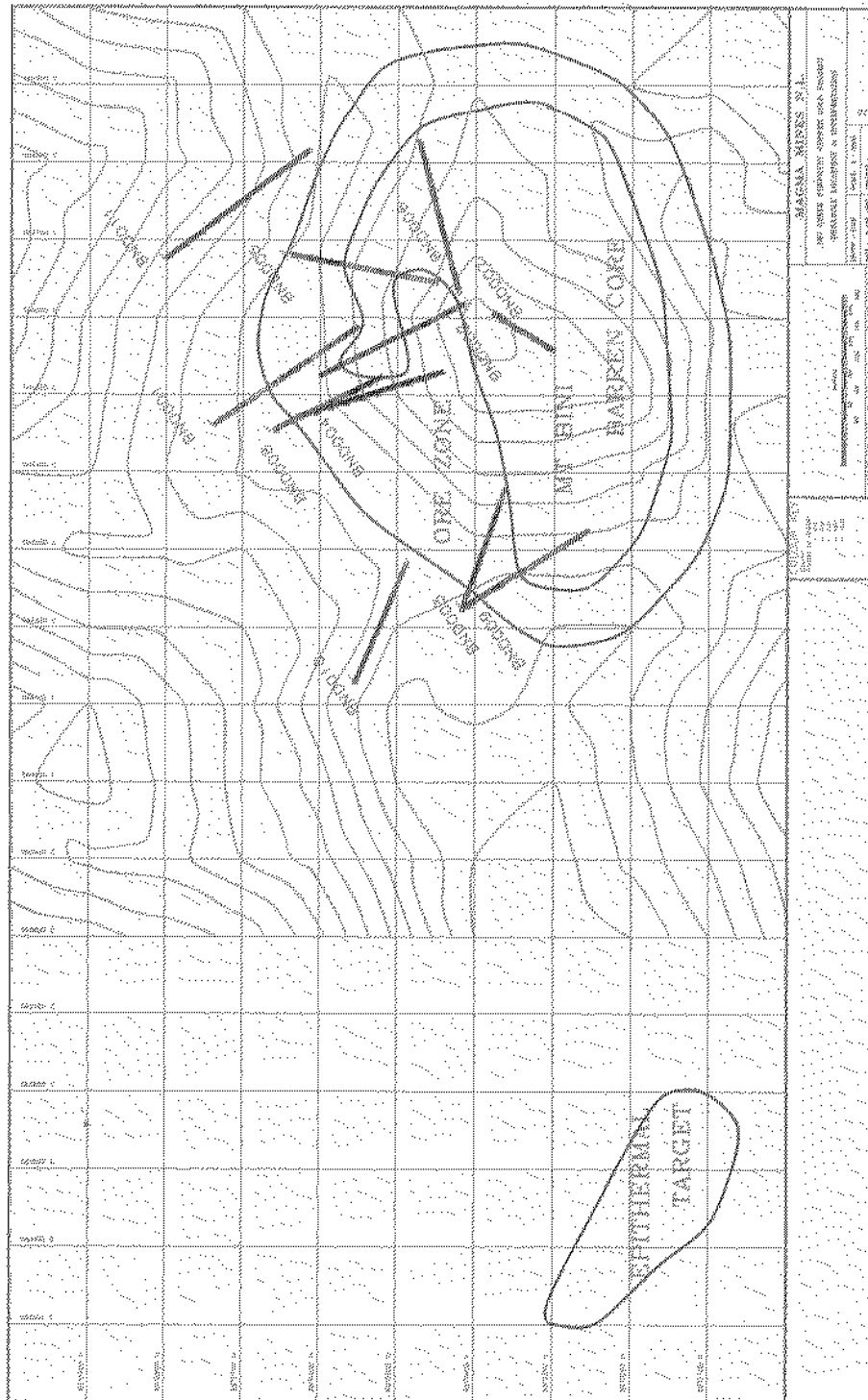


Figure 15. Magma Mines' interpretation of the "donut" model of mineralisation, showing the potential for mineralisation on the south side of Mt Bini Porphyry (from Bubendorfer 1998)

15.1 Costings

Cost estimate for the Drilling Programme

Assuming an all-up cost per metre of C\$300, the total cost of the seven hole drill programme (2,400m) is estimated to be C\$720,000.

Cost estimates for whole programme

• Bulldozed track and initial trenching programme primarily for drill access and support	100,000
• Landowner compensation	15,000
• Major reconnaissance soil geochemistry programme over large area Four crews each of 4 men, each crew achieving 400m/day (3 months)	60,000
• Dozer trenching of targets revealed by soil programme	60,000
• Hand trenching of reconnaissance targets	20,000
• Drilling of 7 holes for 2,400m - including additional targets generated by re-interpretation of aeromagnetics	720,000
• Camp expenses	45,000
• Capital equipment, vehicles	70,000
• Travel, accommodation, charter	50,000
• Digital data capture/compilation	30,000
• Working capital	350,000
• Administration	80,000
• Contingency	140,000
Total (C\$)	<u>1,740,000</u>

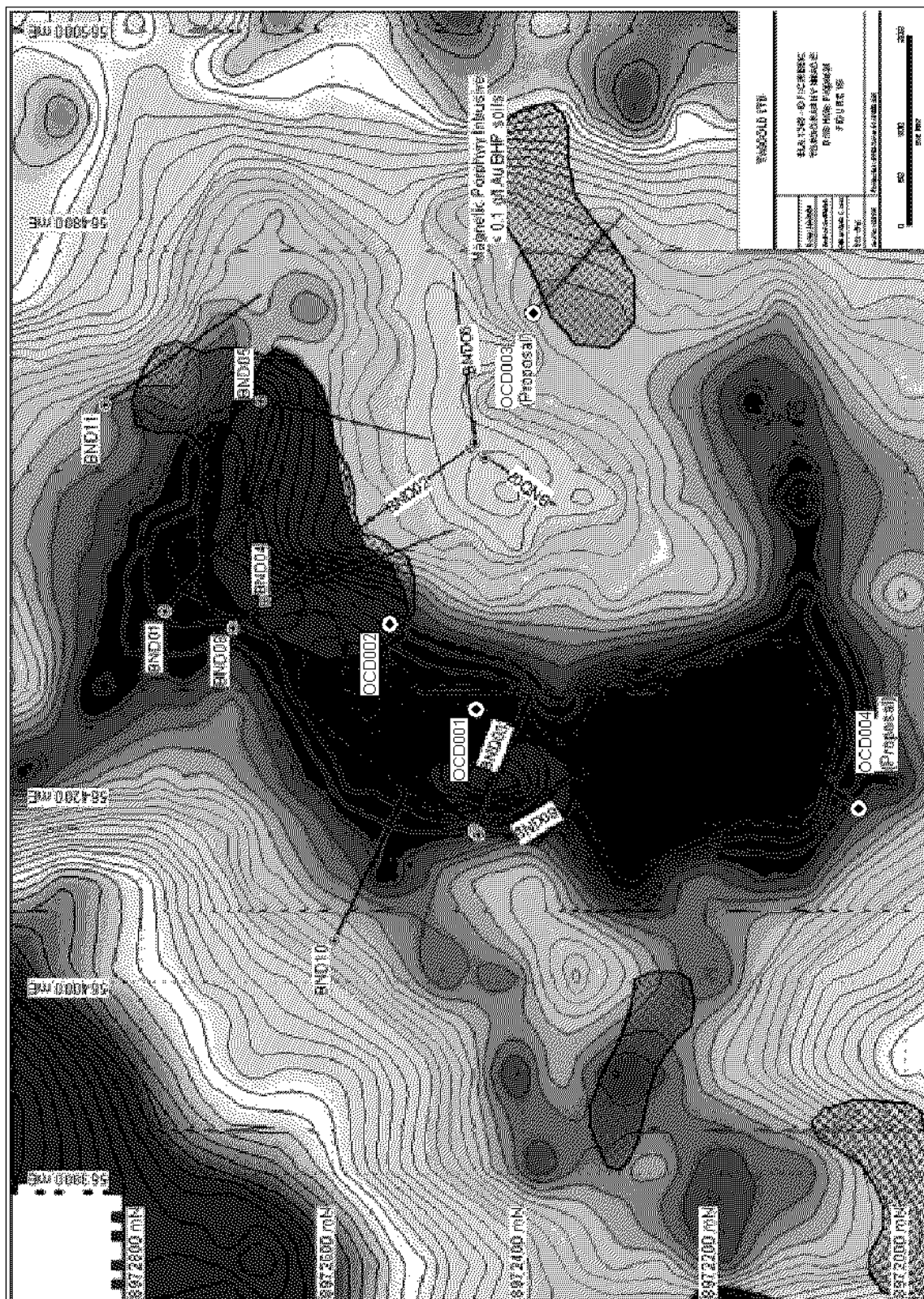


Figure 16 Topographic image of Mt Bini and proposed drill holes OCD001-004 (Swiridiuk 2004)

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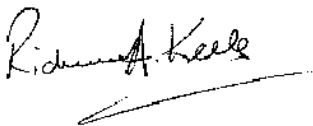
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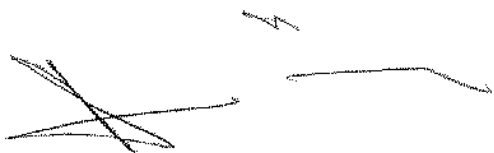
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17.0 AUTHORS' SIGNATURES AND DATE

Dated 29th October 2004



Richard A. Keele, PhD, MIMMM



Ian David Lindley, PhD, M.A.I.G

18.0 CERTIFICATE OF AUTHORS – DR R. A. KEELE & DR I.D. LINDLEY

I, Dr Richard A. Keele, with a business address at 144 Brisbane Street, Hobart Tasmania 7000, do hereby certify that:

1. I am a Consulting Geologist and member of the Institute of Materials, Mining & Metallurgy (IMMM) London, a member of the Geological Society of Australia (GSA), Sydney and a member of the Society of Economic Geologists (SEG), US.
2. I hold a Bachelor of Science (1967) from the University of Manchester (UK), a Master of Science (1968) from the University of Leicester (UK) and a Doctor of Philosophy (1985) from the University of Leeds, UK.
3. I have been practicing my profession as a Geologist since 1969. I worked with WMC from 1969-1986 as mine geologist, exploration geologist and research geologist. From 1986 to 1990 I was a consultant to the gold mining industry and part-time lecturer in structural geology at the Western Australian School of Mines in Kalgoorlie. I have been a Post-Doctorate Research Fellow at CODES (Centre for Ore Deposit and Exploration Studies) at the University of Tasmania in Hobart (1990-1994). I worked full-time for Placer Dome Asia Pacific in Australia, PNG, West Africa and for Placer Dome (CLA) Ltd at the Dome mine in Canada (1997-2002) as an exploration consultant, a generative geologist and an R & D geologist; I have been involved in the preparation and hand-over of new projects from exploration to mining at the Granny Smith mine in WA. I am currently a Consulting Geologist based in Tasmania.
4. I have authored 10 published articles and numerous (approximately 50) technical and exploration reports.
5. I have read the definition of “qualified person” set out in the National Instrument 43-101 (NI 43-101) and certify that by reason of my education, over 30 years of exploration experience and my affiliation with professional associations that I am a “qualified person” for reporting on mineral properties in PNG.
6. The author has first-hand knowledge of PNG based on a trip to the Porgera Mine in Enga Province. On that occasion he conducted a series of training sessions in structural and underground mapping techniques with the National geologists over a 10-day period in 2000. I have not visited the Mt Bini property.
7. I am unaware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
8. I am independent of the issues applying all of the tests in section 1.5 of National Instrument 43-101.
9. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.
10. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication of the Technical Report by the stock exchange, regulatory authority, or the company, including electronic publication in the public company files on their websites accessible by the public.

Dated this 21st day of September 2004.

“Richard A. Keele”

I, Dr. Ian David Lindley, with business address at PO Box 587, Yass, NSW, do hereby certify that:

1. I am a Consulting Geologist and member of the Royal Society of New South Wales (since 1974), Geological Society of Australia (since 1975), Linnean Society of New South Wales and the Australian Institute of Geoscientists.
2. I hold a Bachelor of Science (1977) and a Doctor of Philosophy (1982) from the University of New South Wales.
3. I have been practicing my profession as a Geologist since 1977. I worked for CRA Exploration Pty Limited in 1977 and 1978. From 1981 to 1986 I was based in Lae then Rabaul, PNG as Senior Geologist with Esso Papua New Guinea Inc. In 1987 to June 1988, I was exploration manager, Rabaul area, for City Resources (PNG) Pty Limited. From June 1988 to May 1993, I worked as a consulting and contract geologist for BHP Minerals International, Ok Tedi Mining Limited, Niugini Mining Limited, Melanesian Mining Pty Limited, Highlands Gold Limited and City Resources, and ran the 4th year course on depositional sedimentary environments as Visiting Senior Lecturer at the University of Papua New Guinea. From May 1993 through 1995, I worked on evaluation of the Mt. Sinivit project, PNG for Gold Mines of Niugini Holdings Pty Limited. From 1996 through February 1998, Chief geologist for Macmin (PNG) Pty Limited responsible for geological guidance of the Feni, Mt. Nakru, Mt. Sinivit, Simuku, and Normanby Island project which included the Normanby and Sehulea properties. From 1998 to the present I have been a Visiting Fellow at the Department of Geology, Australian National University and a consulting geologist. As a result of my education and over 20 years of exploration experience in PNG, I believe I am a qualified person for reporting on mineral properties in PNG.
4. I have assisted with the preparation of the technical report titled "Technical Report on the Sehulea Property, Normanby Island, Milne Bay Province, Papua New Guinea, dated 10th September 2002". I provided in field geological guidance on the Sehulea project from 1996 to February 1998.
5. I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
6. I am independent of the issues applying all of the tests in section 1.5 of National Instrument 43-101.
7. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.
8. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication of the Technical Report by the stock exchange, regulatory authority, or the company, including electronic publication in the public company files on their websites accessible by the public.

Dated this 27th day of July 2004.

"David Lindley"

Ian David Lindley, Ph.D., M.A.I.G.