Silver Rose Mining NL

LAKE GAIRDNER PROJECT

ANNUAL REPORT
FOR THE YEAR ENDING 10 AUGUST 1998

EXPLORATION LICENCE 2409

GAIRDNER 1:250,000 MAP SHEET

South Australia

Report Number EL2409R1

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Compiled By Stephen Turley

CONTENTS

LIST OF FIGURES

LIST OF TABLES

1.0 INTRODUCTION

The Lake Gairdner project is composed of a single tenement, exploration licence 2409, which was granted on 11 August 1997 to Golden Star Resources NL. The company was subsequently renamed Western Star Resources NL which in turn was renamed and is now known as Silver Rose Mining NL (Silver Rose).

Silver Rose is in the process raising money on the Australian Stock Exchange. As part of the preparation of the company's prospectus the authors of the Independent Geologist's Report, Mackay & Schnellmann Pty Limited (Mackay & Schnellmann) assembled geological and historical exploration information. In compiling this report the author has relied heavily on the information assembled by Mackay & Schnellmann.

The tenement is centred approximately 420km northwest of Adelaide and 90km southwest of Woomera Figure 1. Access along the eastern side of Lake Gairdner is by the Stuart Highway and station tracks leading south from Wirramina. The western side of Lake Gairdner is accessible from the Eyre Highway to Iron Knob then by graded road to Moonaree station and on station tracks within the tenement. However most of the tenement is covered by Lake Gairdner within which there are a number of islands. The project lies inside the Lake Gairdner National Park where restrictions are placed on how mineral exploration can be conducted.

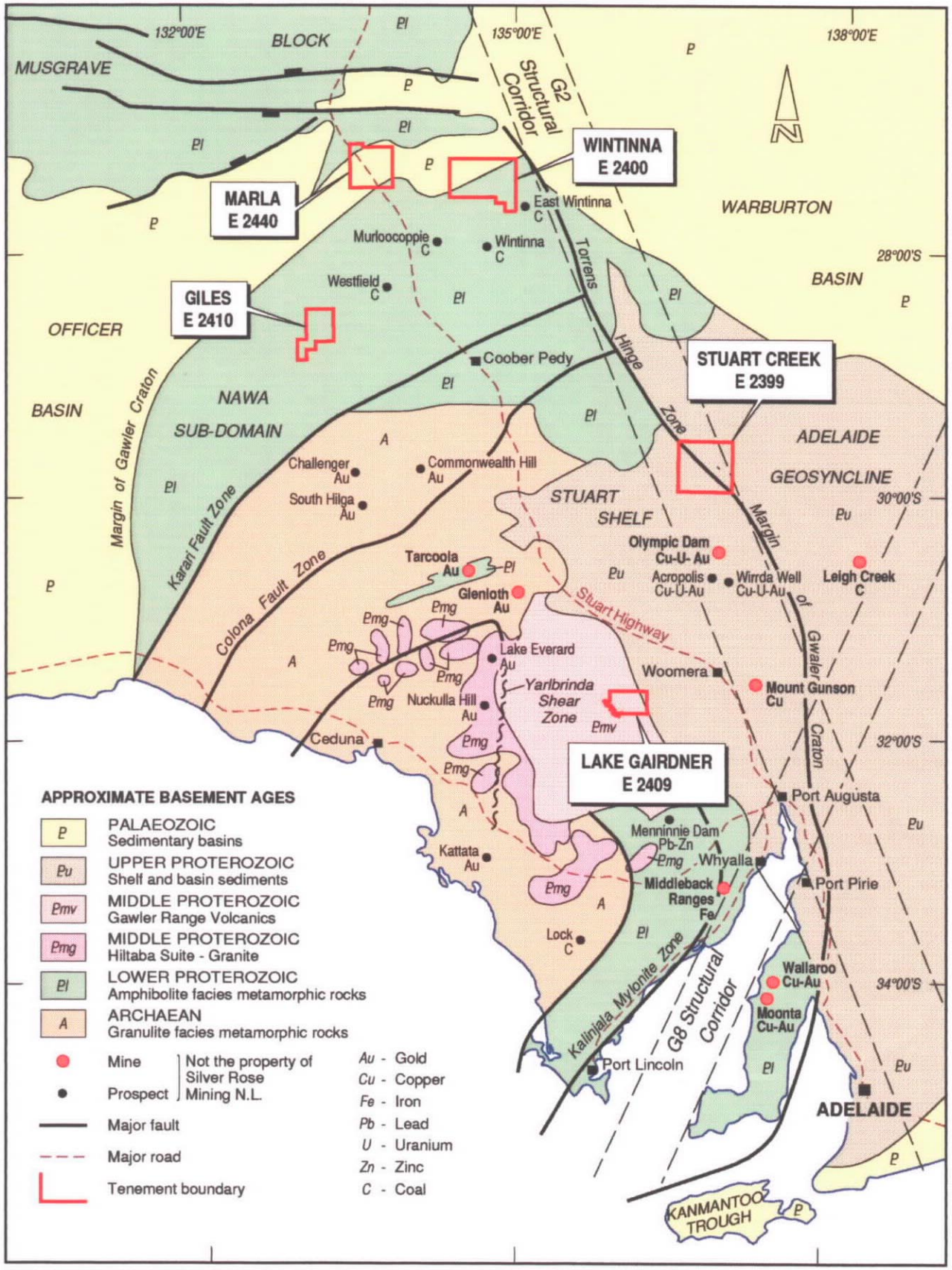
The tenement is covered by Native Title Claim SC96/4 on behalf of the Barngarla People.

The company entered into a joint venture agreement with Desertstone NL (Desertstone) whereby they could earn a 51% equity in the tenement. However following problems with land access and a change of corporate direction Desertstone withdrew from the joint venture before they could carry out any fieldwork.

The company applied for the tenement with the intention of looking for gold mineralisation, particularly that associated with the possible intrusion of granites.

2.0 TENEMENT

The tenement was granted for a period of one year on 11 August 1997. The details of the tenement are summarised in Table 1 and its location is shown in Figure 1.



SILVER ROSE MINING N.L.
GAWLER CRATON - SOUTH AUSTRALIA
INTERPRETED BEDROCK GEOLOGY

0 100 km
SCALE 1:5 000 000

THIS ILLUSTRATION HAS BEEN PREPARED BY MACKAY AND SCHNELLMANN PTY LIMITED FOR INCLUSION IN THE SILVER ROSE PROSPECTUS, JUNE 1998.

Figure 1

Table 1, The Lake Gairdner Project, Tenement Details

Tenement	Holder	Date Granted	Date To Expire	Size km^2	Expenditure Commitment
EL 2409	Golden Star[1]	11.08.97	10.08.98	668	$95,000

[1] Golden Star Resources NL has been renamed Silver Rose Mining NL.

3.0 GEOLOGY

The project covers a small part of the Gawler Craton and specifically the Middle Proterozoic Upper Range Volcanics. The volcanics are composed of dacite grading locally to rhyodacite and andesite in composition, which crop out on islands within the lake. The eastern margin of the tenement coincides with the eastern, fault-bounded margin of the volcanics and the western margin of the Proterozoic Stuart Shelf sediments.

The lake sediments are composed of Quaternary mud, (gypsiferous) clay and silt and, away from the lake, are sand dunes. The sediments effectively cover the Proterozoic units.

The tenement was pegged primarily to explore for gold mineralisation, which in this area it is believed could be associated with the Middle Proterozoic Hiltaba Granite Suite. These late stage granites intruded the Upper Gawler Range Volcanics in the Yarden area south of Lake Gairdner. Associated with granites are rhyolitic dyke swarms trending north-northwest and north-northeast.

Away from the Hiltaba Granite Suite gold prospectivity can be assessed by recognising major structural features, particularly those affected by cross-cutting structures.

4.0 EXPLORATION HISTORY

Early 1970s
The South Australian Department of Mines and Energy carried out reconnaissance rock sampling on islands in Lake Gairdner, Lake Harris and Lake Everard. The samples were chemically analysed by semi-quantitative emission spectroscopy and AAS. Eight samples were taken from E2409 their analytical range is shown in Table 2.

Table 2,
South Australian Dept. of Mines & Energy Rock Samples from E2409

	Cu ppm	Pb ppm	Zn ppm	Co ppm	Ni ppm	V ppm	Mo ppm	Mn ppm	Nb ppm	Be ppm
Analytical Range	10-20	10-30	30-80	5-20	5-10	30-80	3-5	250-400	20-30	3

The silver and tin analyses returned values at the detection limit of 0.1 and 1.0 ppm respectively. The gold analyses were all below the detection limit of <0.05ppm.

There was also some shallow stratigraphic drilling done on Lake Gairdner to test for halite (salt) deposits.

Mid 1970s
CRA Exploration Pty Ltd (CRA) covered most of the tenement and the area to the south with ground magnetic and gravity surveys following-up the 6 milligal residual gravity anomalies derived from the earlier government work. The purpose of the programme was to look for Olympic Dam-style gold-copper-uranium mineralisation in the Gawler Range Volcanics. The targets were coincident magnetic and gravity highs. The results of CRA's work did not replicate the Government data and no further work was carried out.

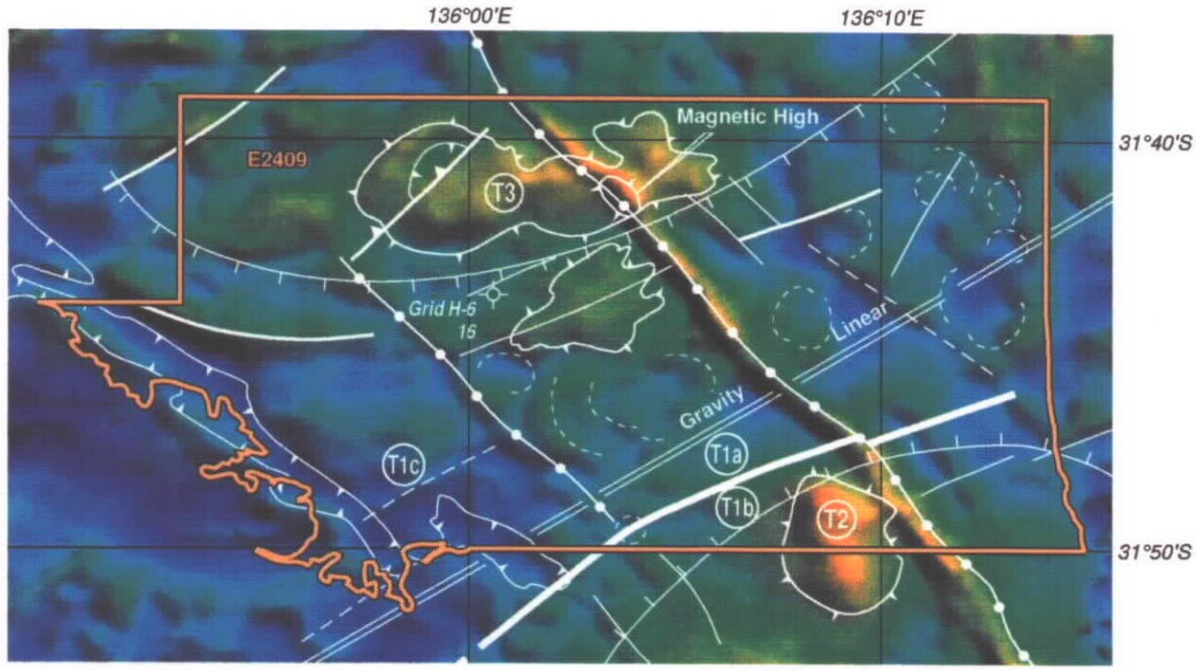
Early 1980s
To the west and southwest of Lake Gairdner, beyond the tenement boundary the Upper Gawler Range Volcanics were sampled by thirteen widely spaced traverses totalling 40 kilometres in length, together with limited stream sediment sampling. The highest values returned were 410ppm lead on one traverse and a single stream sediment sample of 30ppm arsenic.

The area was later tested by 27 twenty-kilo gravel and geochemical silt sampling programme to investigate the potential for diamond indicator minerals. No kimberlitic indicator minerals were located but the geochemical samples returned nickel values up to 230ppm and barium values up to 0.2%.

The sediments of the Stuart Shelf to the east of the project area have been explored by a number of companies throughout the 1970s and 1980s. Their targets included sedimentary uranium deposits, Olympic Dam-style gold-copper-uranium mineralisation and stratiform base metal mineralisation.

5.0 EXPLORATION

Since the tenement was granted Silver Rose's effort has centred on raising capital by listing on the Australian Stock Exchange. From the perspective of the Lake Gairdner project this has involved assembling geological and historical exploration information to go into the company's prospectus, see section 4 of this report.



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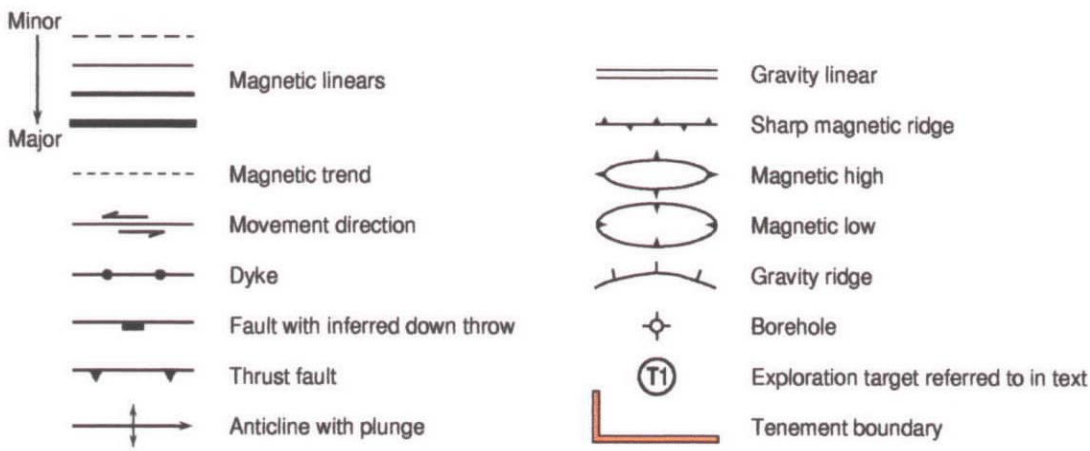

SILVER ROSE MINING N.L.
GAWLER CRATON
LAKE GAIRDNER - E2409
AEROMAGNETIC IMAGE INTERPRETATION

ACKNOWLEDGEMENT TO MINES & ENERGY SOUTH AUSTRALIA FOR THE MAGNETIC IMAGE.
THIS ILLUSTRATION HAS BEEN PREPARED BY MACKAY AND SCHNELLMANN PTY LIMITED FOR INCLUSION IN THE SILIVER ROSE PROSPECTUS, JUNE 1998.

Figure 2

In addition there has been some re-processing of old aeromagnetic and gravity data in an attempt to identify further exploration targets, see Figure 2. Aeromagnetic and gravity data suggest that the southern part of the area is traversed by a series of northeast trending fracture systems. The magnetic data suggests that these fractures may displace the northwest trending structural grain of the underlying volcanics. However a prominent northwest trending magnetic linear, interpreted as a mafic dyke, see Figure 2, does not appear to be displaced by faulting. This suggests that the dyke may post-date the faulting. Broad gravity highs lie across the southeastern and northwestern parts of the project area. In the south the gravity high coincides with a complex zone of more highly magnetic rocks. A specific magnetic high straddles the southern boundary of the project area at target T2, see Figure 2, which may represent part of an intrusion. In the north a broad magnetic high (T3) coincides with the gravity high. The magnetic data may show the structures that are caused by the underlying Hiltaba Granite.

Desertstone during their joint venture with Silver Rose carried out their own brief assessment of the historical exploration. They concluded that new targets should be generated from the MESA aeromagnetic data.

6.0 CONCLUSIONS & RECOMMENDATIONS

Once the company has completed its capital raising and access to the tenement has been negotiated with the Native Title claimants the targets already identified will be refined and further targets identified by an aeromagnetic survey and other regional exploration. These targets will be tested by geophysics, geochemistry and where justified drilling.

7.0 REFERENCES

Jeffery, R, 1997
Synopsis of Golden Star Resources NL South Australia EL Applications, Desertstone NL internal company memorandum, 13 June 1997

Garlick, HJ, 1998
Silver Rose Mining NL prospectus, Independent Consulting Geologist's Report Mackay & Schnellmann Pty Limited, June 1998