ZAPOPAN NL
EL 6037
YINBERRIE HILLS
MT TODD DISTRICT
NORTHERN TERRITORY

ANNUAL REPORT FOR EXPLORATION YEAR ENDING 28 AUGUST 1995 AND SUMMARY OF PREVIOUS EXPLORATION ACTIVITIES

Author: Nick Burn
Date: September 1995
Ref: 0995.073
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1. INTRODUCTION

Exploration Licence (EL) 6037 (Yinberrie Hills) was granted on 29 August 1988 for a term of six (6) years to Billiton Australia Gold Pty Ltd. The licence originally comprised 58 graticular blocks for a total area of 188 km². As part of the Conditions of Tenure for the licence, 54 blocks have been relinquished resulting in the current area being 13 km² of 4 blocks. Renewal of the licence for a further two (2) year term until 28 August 1996 has been granted.

Exploration work within EL 6037 was originally managed by Billiton for the Mt Todd Joint Venture (Billiton 50%, Zapopan NL 50%). During April 1992, Zapopan acquired Billiton’s equity in the licence and now hold EL 6037 100%.

The Yinberrie Hills is an area of cultural significance to the Jawoyn Aboriginal Community. The area is also a major breeding site for the Gouldian Finch, and it has been recognised that this bird is in danger of becoming extinct in the wild.

Due to the potential disturbance of a small part of the Gouldian Finch breeding habitat, Zapopan has not undertaken field exploration within EL 6037 since 1992. This decision was made despite the area having excellent potential for economic gold mineralisation, and despite approval from the Aboriginal Areas Protection Authority (AAPA) for a drilling program to proceed.

This report summarises all exploration conducted within EL 6037 to date, with a forward program for the 1995/96 licence year.

2. LOCATION AND ACCESS

EL 6037 - Yinberrie Hills is located approximately 45 km northwest of Katherine, and some 6 km west-northwest of the Mt Todd Gold Mine. Access can be gained via 4-wheel drive tracks from the Mt Todd Mine, or by the old disused gravel Edith Falls Road which runs eastward from the Stuart Highway (Figure 1). The historic Yinberrie Wolfram Field lies some 2.5 km to the southeast of the licence.

The region is of a moderate and often rugged relief, and the country is well incised by abundant small creeks and drainages. The area is moderately timbered, including significant quantities of Salmon Gums which are the preferred nesting tree of the Gouldian Finch.

3. REGIONAL GEOLOGY

The Yinberrie Hills are located within the southeastern portion of the Early Proterozoic Pine Creek Geosyncline. Metasediments, granitoids, basic intrusives, acid and intermediate volcanic rocks occur within this geological province (Figure 2).

Within the Mt Todd District, the oldest outcropping rocks are assigned to the Burrell Creek Formation. These rocks consist primarily of interbedded greywackes, siltstones, and shales of turbidite affinity, which are interdispersed with minor volcanics.
Locally within EL 6037, sediments of the Burrell Creek Formation are intruded by the Tennysons Leucogranite. This biotite rich, coarse grained, and often porphyritic intrusive has historically been prospected for uranium, molybdenite, and tungsten. Burrell Creek sediments have been hornfelsed proximal to the leucogranite, and exploration has demonstrated that the granite - hornfels contact is in part prospective for gold mineralisation.

4. WORK COMPLETED

Exploration work completed during the life of EL 6037 is listed below:

- stream sediment sampling and analyses
- gridding
- soil sampling involving 248 samples assayed for Au, Cu, Pb, Zn, Sn, Bi, As
- geologic mapping
- rock chip sampling involving 31 samples assayed for Au, Cu, Pb, Zn, Sn, Bi, As
- reverse circulation percussion drilling, 4 holes for 284m
- airborne geophysical survey, magnetic and radiometric data acquisition and processing.

5. RESULTS

5.1 Stream Sediment Geochemistry

EL 6037 was initially tested for the presence of gold mineralisation by stream sediment sampling within creeks and drainages. A total of 22, 5 kg samples were collected from the area which currently comprises EL 6037. These samples were sieved to -2mm in the field and assayed for gold by the BLEG technique with a 0.1 ppb detection limit.

Results were generally subdued and predominantly within the range of 0.1 - 2.0 ppb Au. Only 2 samples returned values greater than 2.0 ppb, these being 3.0 ppb and 6.3 ppb Au. These low order anomalous results were produced from small drainages in close proximity to the granite - hornfels contact. Stream sediment geochemical results are shown in Figure 3.

5.2 Soil Geochemistry

Geologic reconnaissance of the granite - hornfels contact coincident with the stream sediment anomalies discovered a zone of intense quartz veining. It was decided to carry out detailed soil sampling along and to the east of this contact, to determine the areas potential for significant gold mineralisation.

Initial sampling was conducted on a 200 m x 50 m grid and subsequent infill has reduced this in part to 100 m x 50 m and 50 m x 50 m. Soil samples were collected at 10 m spacing along the lines and composited to produce one sample every 50 m. Samples were sieved in the field to -2mm, and 2 kg of material was assayed for Au using BLEG. In addition, a -80# fraction was produced in the laboratory and assayed for Cu, Pb, Zn, Sn, Bi and As.
The results from this work were highly encouraging and a major gold-soil anomaly has been identified, and called Anomaly 1. Values as high as 1336 ppb (or 1.3 g/t Au) were generated from the soil program, and a zone with gold values greater than 100 ppb was defined over a strike length of 550 m. Overall, this prominent anomaly has dimensions of 1200 m x 300 m (Figure 4).

5.3 Geologic Mapping

Geologic mapping of the Anomaly 1 prospect has been completed at 1:5000 scale. This work has accurately located the granite - hornfels contact, which trends in a north-south direction along the western margin of the prospect. Immediately to the east of this contact, a zone of intense discontinuous quartz veining has been found to coincide with the anomalous soil geochemistry.

These quartz veins can be traced over lengths up to 100 m, and form an enechelon array over an area 300 m wide immediately east of the granite contact. Two strike orientations are dominant, one approximately north(000°-010°), the other roughly northwest (030° - 045°). A summary plan of the geology at Anomaly 1 is shown in Figure 5.

5.4 Rock Chip Sampling

Rock chip sampling of quartz vein outcrops, subcrops, and rubble has been undertaken, concentrated on the Anomaly 1 prospect and from within the major soil anomaly. Results from this work have been encouraging and have confirmed that the quartz veins at Anomaly 1 are indeed auriferous. Numerous anomalous gold values are generally associated with small outcrops of gossanous, brecciated, quartz vein material, which are partially exposed on scree slopes of quartz rubble.

Rock chip samples were also analysed for Cu, Pb, Zn, Sn, Bi and As. Samples containing elevated gold values were found to be weakly anomalous in Cu, Pb, and Bi and highly anomalous in As (up to 5500 ppm). Rock chip gold results are shown in figure 4.

5.5 RC Drilling

Based on the highly encouraging surface geochemical results, approval was sought from the AAPA for the drilling of reverse circulation percussion holes at the Anomaly 1 prospect. This approval was granted and 4 holes were sited as an initial test of the surface geochemistry.

All drill holes returned gold values greater than 1 g/t generally associated with gossanous quartz veining. The following table summarises the significant gold intercepts produced from the drilling.
<table>
<thead>
<tr>
<th>HOLE NO.</th>
<th>CO-ORDINATES</th>
<th>DEPTH (metres)</th>
<th>WIDTH (g/t Au)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AP 001</td>
<td>1058mN 10090mE</td>
<td>16 - 21</td>
<td>5 m @ 2.93</td>
</tr>
<tr>
<td>AP 002</td>
<td>10545mN 10155mE</td>
<td>54 - 58</td>
<td>4 m @ 1.49</td>
</tr>
<tr>
<td>AP 003</td>
<td>10325mN 10170mE</td>
<td>42 - 44</td>
<td>2m @ 1.61</td>
</tr>
<tr>
<td>AP 004</td>
<td>10303mN 10210mE</td>
<td>0 - 33</td>
<td>33 m @ 1.21</td>
</tr>
<tr>
<td></td>
<td>inclucing</td>
<td>0 - 12</td>
<td>12 m @ 1.72</td>
</tr>
</tbody>
</table>

Figures 6 and 7 show the two cross-sections containing the 4 holes drilled.

Approval was sought and granted by the AAPA for the drilling of a further 6 holes during the 1992-93 year within EL 6037, following-up the initial encouraging drill results outlined above (Appendix 2). However, due to a decision by Zapopan Management to avoid any unnecessary potential disturbance of the Gouldian Finch breeding habitat, the proposed drilling program was not undertaken.

5.6 Geophysics

EL 6037, as part of a much larger regional airborne geophysical survey, was flown for magnetic and radiometric data by Billiton.

Magnetic responses within EL 6037 were found to be very subdued and flat, and no magnetic anomalies were detected. The radiometric data was more useful and successfully mapped the granite-hornfels contact which hosts the Anomaly 1 prospect.

A regional airborne geophysical survey, including coverage of EL 6037, was completed for Zapopan by World Geoscience during June 1995 at 50 m flight line spacing. Specifications of the survey are detailed below;

Aircraft: VH-ADH C206
Magnetometer: Split beam cesium scintrex VIW2321-CS2
Resolution: 0.001 nano Tesla
Cycle Rate: 0.1 seconds
Sample Interval: 6.0 metres

Spectrometer:
Packets Perm. 1000.256 Channel
Volume: 16.56 litres
Cycle Rate: 1.0 seconds
Sample Interval: 60 metres

Data Acquisition:
Packets Pads 1000 digital acquisition system
11 Channel RMS GR33A Chart Recorder

Flight Line Spacing:
Traverse lines: 50 metres
Tie Lines: 984 metres

Flight Line Direction:
Transverse Lines: 270 - 090 degrees
Tie Lines: 000 - 180 degrees

Survey Height:
60 metres - mean terrain clearance

Navigation:
GPS satellite positioning system.

See figure 8 for total field magnetic contours.
ZONE OF OUTCROWING GREY QUARTZ VEINS

WEATHERED

TRANSITION

FRESH

FAULT ZONE

TRUE SECTION AP003/AP004

SCALE=1:500

(COLLAR COORDINATES APPROXIMATE ONLY)

FIG. 7
6. **GOULDIAN FINCH ISSUES**

The current area of EL 6037 encroaches into the Yinberrie Hills Breeding Habitat of the Gouldian Finch (see Figure 9).

The potential impact of the Mt Todd Project on the Gouldian Finch was the major issue raised during assessment of the company's Environment Impact Statement for Mt Todd and specific recommendations were made within approvals given by the Commonwealth Environment Protection Authority and the Conservation Commission of the Northern Territory. Included in such recommendations was the implementation of a monitoring program for the Gouldian Finch and participation by Zapopan in a National Recovery Plan.

In view of the sensitivity of the area and the need for results of the monitoring program to determine any effects of the mining operation on the Gouldian Finch, Zapopan was granted a waiver of reduction until 28 August, 1994 and an exemption from section 24 of the Mining act to cover the period from 29 August, 1992 to 28 August, 1993 (approval letter attached as Appendix 1).

A further request for a suspension of conditions on Exploration Licence 6037 (and others) was made on 10 February, 1994 and in his reply of 28 February, 1994, the then Minister for Mines and Energy advised that formal application be made at the appropriate time. Copies of the request for suspension and the Minister’s reply are at Appendix 1.

Since the last anniversary date (28 August, 1994) no further field work has been undertaken on Exploration Licence 6037.

7. **CONCLUSIONS AND RECOMMENDATIONS**

Surface geochemical sampling within EL 6037 - Yinberrie Hills, has returned highly encouraging gold values at the Anomaly 1 prospect. Here, gold-in-soil assays have reached 1.3 g/t, and assays greater than 100 ppb gold have been discovered over a strike length of 550m. The total dimensions of this impressive soil anomaly are 1200m long by 300m wide.

Rock chip sampling at Anomaly 1 has again returned strongly anomalous gold values, coincident with elevated arsenic results. Sampling of quartz veins exposed on scree slopes has produced gold assays to 32.2 g/t, and associated arsenic values to over 0.5%. Rock chip results greater than 1 g/t Au occur over a strike length of at least 800m.

An initial 4 hole percussion drilling program has produced economic intersections of gold mineralisation Best intercept was 33m @ 1.21 g/t from surface, including 12 m @ 1.72 g/t Au. At this early stage of evaluation, the continuity and orientation of the mineralised structures at Anomaly 1 are not fully understood.

The Anomaly 1 prospect is a highly significant gold discovery and has excellent potential for the location of substantial zones of economic gold mineralisation. It's proximity to the Mt Todd Mine is also favourable.
However, Anomaly 1 is situated within the Yinberrie Hills which is of cultural significance to Aboriginal groups and is the largest known natural breeding habitat of the Gouldian Finch.

The Aboriginal Community has been supportive of exploration proposals for the area. The threat to the Gouldian Finch by exploration activities is considered minimal but this assumption is yet to be verified. Monitoring of the bird and research into reasons for its declining numbers in the wild is continuing, funded in part by Zapopan.

Recommencement of exploration is scheduled for the 1995/96 licence year with the substantial disturbance application approved by the NTDME and AAPA clearance awaited.

8. FORWARD PROGRAM

The following exploration activities are proposed for the next year of tenure:

- Infill gridding and soil sampling $10,000
- RC Percussion drilling (2000m approx). $60,000

The total cost of this program is estimated at $70,000.

9. EXPENDITURE STATEMENT

EL 6037 - Yinberrie Hills: Total Expenditure for Period 29/08/94 - 28/08/95

<table>
<thead>
<tr>
<th>Cost Description</th>
<th>Expenditure</th>
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<tbody>
<tr>
<td>Salaries and Wages</td>
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</tr>
<tr>
<td>Travel and Accommodation</td>
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</tr>
<tr>
<td>Contractors</td>
<td>$1,100.00</td>
</tr>
<tr>
<td>Consultants</td>
<td>$101.00</td>
</tr>
<tr>
<td>Vehicle</td>
<td>$17.00</td>
</tr>
<tr>
<td>Administration</td>
<td>$623.00</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td><strong>$4,349.00</strong></td>
</tr>
</tbody>
</table>
ZAPOPAN NL

EL 6037

YINBERRIE HILLS
MT TODD DISTRICT
NORTHERN TERRITORY

ANNUAL REPORT FOR
EXPLORATION YEAR ENDING
28 AUGUST 1995 AND SUMMARY
OF PREVIOUS EXPLORATION
ACTIVITIES

APPENDIX 1

SUSPENSION OF WORK AND DEFERRAL OF
REDUCTION APPLICATIONS AND
APPROVALS
29 September 1993

Mr W G Loxton
General Manager - Operations
Zapopan NL
PO Box 718
WEST PERTH  WA 6872

Dear Wayne

I am pleased to advise that under the provisions of section 28 of the Mining Act, I have deferred the reduction in area of Exploration Licence 6037 by two (2) blocks for twelve (12) months enabling you to retain four (4) blocks until 28 August 1994.

Pursuant to section 172(3) of the Mining Act, your Company is exempted from the need to comply with the requirements of section 24, and the expenditure covenant is varied from $17 000 to $nil.

I wish you every success with your exploration venture in the forthcoming year.

Yours faithfully

Shane L. Stone
February 10, 1994

The Hon Shane Stone MLA
Minister for Mines & Energy
NT House Mitchell Street
DARWIN NT 0800

Dear Shane,

Zapopan NL is the holder of five Exploration Licences and one Exploration Retention Licence situated on the Northern, Western and Southern sides of the Mt. Todd Mine site. All the licences encroach into the Yinberrie Hills breeding habitat of the Gouldian Finch.

The attached plan shows the respective licences held by Zapopan as well as the breeding habitat area of the Gouldian Finch.

The potential impact of the Mt. Todd Mine on the Gouldian Finch was the major issue raised during assessment of the Company’s Environmental Impact Statement and specific recommendations were made within approvals given by the Commonwealth Environment Protection Authority and the Conservation Commission of the Northern Territory. Included in such recommendations was the implementation of a monitoring programme for the Gouldian Finch and participation by Zapopan in a National Recovery Plan.

Under the conditions of its Exploration Licences and Exploration Retention Licence, Zapopan is required to undertake work programmes and meet expenditure covenants to ensure that titles remain in good standing. Failure to meet these commitments places the licences under threat of cancellation.

Zapopan initially raised this issue with your Department in June 1993 and it has received sympathetic consideration in so far as suspension of work and expenditure covenants and deferral of statutory reductions on the titles are concerned.

It had been hoped that activities on the licences could be resumed this forthcoming field season and forward work programmes have been submitted to the Department on the assumption that exploration would be possible. However, there is still insufficient data on the effects of the actual mining operation on the Gouldian Finch population to give the Company comfort that a resumption of exploration activities would not be viewed as provocative.
I discussed the Company’s situation on these titles with Bob Adams of your Department and Roger Smith of the Conservation Commission on Friday 28 January 1994 and they agreed that exploration activities should not be resumed at this time. However, this would once again place the Company in the position of being unable to meet its work and expenditure covenants and also to make reductions of the licence areas where required. There is also the situation where two of the licences are due to expire in the second half of 1994 and the Company will be seeking renewal of those licences.

In the circumstances, the Company is seeking comfort that it can retain its existing titles in the Yinberrie Hills over their existing areas, including those that will be subject to renewal applications on the basis that work, expenditure and reduction covenants will be suspended until further exploration activity is possible.

In view of the involvement of the Conservation Commission in this area, I would appreciate if you could also advise them of our position if appropriate.

Yours sincerely,

TERRY STRAPP
EXECUTIVE CHAIRMAN

Encl:
NT HOUSE, MITCHELL STREET
DARWIN, N.T. 0800
TELEPHONE: (08) 89 6534

G.P.O. BID 3146, DARWIN, N.T. 0801
TELEX: AA 85295
FACSIMILE: (08) 81 0648

28 February 1994

Mr Terry Strapp
Executive Chairman
Zapopan NL
GPO Box 625
DARWIN NT 0801

Dear Terry

I acknowledge receipt of your letter dated 10 February 1994, regarding your Company's tenure at Mt. Todd.

You should note that the legislation permitting renewal of exploration licences has not yet been enacted.

Nevertheless, I hereby advise that I have instructed the Department not to commence any cancellation proceedings in respect of Exploration Licences 6037, 7227, 7519, 7745, 7989, and Exploration Retention Licence 118 at present.

However, your Titles Manager should formally apply for suspension from the need to comply with relevant conditions, at the appropriate times in respect of each licence as he did in 1993.

The Department will advise the Conservation Commission that the deferrals are to be granted so as exploration activities will not interfere with Gouldian Finch monitoring.

Yours faithfully

Shane L. Stone

Northern Territory Government
ZAPOPAN NL

EL 6037

YINBERRIE HILLS
MT TODD DISTRICT
NORTHERN TERRITORY

ANNUAL REPORT FOR EXPLORATION YEAR ENDING 28 AUGUST 1995 AND SUMMARY OF PREVIOUS EXPLORATION ACTIVITIES

APPENDIX 2

ABORIGINAL AREAS PROTECTION AUTHORITY (AAPA) APPROVAL
ABORIGINAL AREAS PROTECTION AUTHORITY APPROVAL

Approval was given on 2nd September, 1991 by the Aboriginal Areas Protection Authority for the drilling of six (6) drill holes and grid sampling within Exploration Licence 6037. A copy of the certificate and accompanying map are attached.

Due to the sensitivity of the area insofar as the Gouldian Finch is concerned, the approved work has not been undertaken.
D89/199; 90/804.1

2nd September 1991

Mr Dean Harris
Tenement Officer
Billiton Australia Gold
PO Box 1646
Katherine NT 0851

RE: ISSUE OF AUTHORITY CERTIFICATE VARIATION FOR ADDITIONAL EXPLORATION WORKS WITHIN THE JENBIRRI SITE, MT TODD.

I refer to your application for a variation of Authority Certificate C90/09, received on the 24th of July, to enable additional exploration works within the Jenbirri site near MT Todd.

Accordingly, under the powers delegated to me under Section 19 of the Aboriginal Sacred Sites Act 1989, I am pleased to issue the attached Authority Certificate variation.

Please carefully note the conditions of the Certificate. If you require further clarification please contact David Cooper at this office.

yours sincerely

[Signature]

DAVID RITCHIE
Chief Executive Officer

encl.
ABORIGINAL AREAS PROTECTION AUTHORITY

AUTHORITY CERTIFICATE

Issued in accordance with Section 22 of the Aboriginal Sacred Sites Act

REFERENCE:  DR9/199: 90/804 (request received 24/7/91)

APPLYING TO:  Areas as defined on the attached map within the Jenbirri site, Mt Todd area.

PROPOSED WORK OR USE:  Seven (7) proposed additional drill sites and grid sampling.

ISSUED TO:  Billiton Australia Gold
Post Office Box 1646
KATHERINE  NT  0851

CONDITIONS:

1. It is the responsibility of the recipient of this Certificate to:

   (i) Include the conditions of this Certificate in any subsequent contract or tender document commissioning works described in this Certificate and,

   (ii) Otherwise inform agents and employees of the conditions of this Certificate and obligations under the Aboriginal Sacred Sites (N.T.) Act 1989

2. The attached map forms part of this Certificate.

3. Approval is given for six (6) additional drill holes within Area 1 shown on the attached map.

4. Approval is given for one (1) drill hole in the vicinity of the old mine workings in Area 2 shown on the attached map.

5. Approval is given for additional grid sampling within the area nominated in Authority Certificate variation request.

6. All areas subject to works approved by this Certificate shall be rehabilitated to natural conditions by the applicant at the completion of the works.

The COMMON SEAL of the
ABORIGINAL AREAS PROTECTION AUTHORITY
was hereto affixed on the 2nd day of September 1991.

DAVID RITCHIE
Chief Executive Officer

COMMON SEAL