ANNUAL REPORT
FOR
EXPLORATION LICENCES
1271, 1276 & 1277
TANAMI REGION, NT
MARCH `96 - MARCH `97
TABLE OF CONTENTS

SUMMARY

1.0 INTRODUCTION
  1.1 Location & Access
  1.2 Tenement Status
  1.3 Exploration History
  1.4 Central Land Council

2.0 GEOLOGY
  2.1 Regional Geology
  2.2 Local Geology
  2.3 Mineralisation
  2.4 Regolith

3.0 WORK COMPLETED, 17/03/96 - 16/03/97
  3.1 Geochemistry
    3.1.1 Assays & Sampling
    3.1.2 MMI
  3.2 Geophysics
    3.2.1 Aeromagnetics
  3.3 Regional Exploration Drilling Summary & Results

4.0 EXPENDITURE
  4.1 EL 1271
  4.2 EL 1276
  4.3 EL 1277

5.0 PROPOSED WORK PROGRAMME & EXPENDITURE
  5.1 Proposed Work Programme
  5.2 Proposed Expenditure

6.0 ENVIRONMENTAL

7.0 CONCLUSIONS & RECOMMENDATIONS

LIST OF FIGURES

Figure 1 Location Map
Figure 2a ELs1271, 1276 - Ultra Detailed Aeromagnetics
Figure 2b EL1271 - Apertawonga Aeromagnetics Survey

LIST OF TABLES

Table 1 CDJV Programme & Budget, 17/03/97-16/03/98
## TABLE OF CONTENTS

### LIST OF MAPS

<table>
<thead>
<tr>
<th>Map</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Map 1</td>
<td>Plan - Legend, Apertawonga &amp; Wild Turkey</td>
</tr>
<tr>
<td>Map 2</td>
<td>Plan - Calamari, Squid &amp; Carlsberg</td>
</tr>
<tr>
<td>Map 3</td>
<td>Section 7766700Mn</td>
</tr>
<tr>
<td>Map 4</td>
<td>Section 7767000Mn</td>
</tr>
<tr>
<td>Map 5</td>
<td>Plan - Kuwait</td>
</tr>
<tr>
<td>Map 6</td>
<td>Plan - Carthage</td>
</tr>
<tr>
<td>Map 7</td>
<td>Section 82360N</td>
</tr>
<tr>
<td>Map 8</td>
<td>Section 82440N</td>
</tr>
<tr>
<td>Map 9</td>
<td>Section 82520N</td>
</tr>
<tr>
<td>Map 10</td>
<td>Section 82600N</td>
</tr>
<tr>
<td>Map 11</td>
<td>Section 84060N</td>
</tr>
<tr>
<td>Map 12</td>
<td>Section 84200N</td>
</tr>
<tr>
<td>Map 13</td>
<td>Section 84240N</td>
</tr>
<tr>
<td>Map 14</td>
<td>Section 84640N</td>
</tr>
<tr>
<td>Map 15</td>
<td>Section 85120N</td>
</tr>
<tr>
<td>Map 16</td>
<td>Section 85200N</td>
</tr>
<tr>
<td>Map 17</td>
<td>Plan - Flores Central</td>
</tr>
<tr>
<td>Map 18</td>
<td>Plan - Flores East</td>
</tr>
<tr>
<td>Map 19</td>
<td>Plan - Flores South</td>
</tr>
<tr>
<td>Map 20</td>
<td>Section 7803240</td>
</tr>
<tr>
<td>Map 21</td>
<td>Section 7803400</td>
</tr>
<tr>
<td>Map 22</td>
<td>Section 10000N</td>
</tr>
<tr>
<td>Map 23</td>
<td>Section 10240N</td>
</tr>
<tr>
<td>Map 24</td>
<td>Plan - Suva, Troy &amp; Pompeii</td>
</tr>
<tr>
<td>Map 25</td>
<td>Plan - El Alamein, Tobruk &amp; Khartoum</td>
</tr>
<tr>
<td>Map 26</td>
<td>Section 20320N</td>
</tr>
<tr>
<td>Map 27</td>
<td>Section 20480N</td>
</tr>
<tr>
<td>Map 28</td>
<td>Section 20560N</td>
</tr>
<tr>
<td>Map 29</td>
<td>Section 20640N</td>
</tr>
<tr>
<td>Map 30</td>
<td>Section 20720N</td>
</tr>
<tr>
<td>Map 31</td>
<td>Section 20880E</td>
</tr>
<tr>
<td>Map 32</td>
<td>Section 20880W</td>
</tr>
<tr>
<td>Map 33</td>
<td>Section 20960N</td>
</tr>
<tr>
<td>Map 34</td>
<td>Section 21040N</td>
</tr>
<tr>
<td>Map 35</td>
<td>Section 32000N</td>
</tr>
<tr>
<td>Map 36</td>
<td>Section 32160N</td>
</tr>
<tr>
<td>Map 37</td>
<td>Section 32320N</td>
</tr>
<tr>
<td>Map 38</td>
<td>Section 32480N</td>
</tr>
<tr>
<td>Map 39</td>
<td>Section 36800N</td>
</tr>
<tr>
<td>Map 40</td>
<td>Section 36880N</td>
</tr>
<tr>
<td>Map 41</td>
<td>Section 36960N</td>
</tr>
<tr>
<td>Map 42</td>
<td>Section 37120N</td>
</tr>
<tr>
<td>Map 43</td>
<td>Plan - Black Hills</td>
</tr>
<tr>
<td>Map 44</td>
<td>Section 8500N</td>
</tr>
<tr>
<td>Map 45</td>
<td>Section 8640N</td>
</tr>
</tbody>
</table>
**TABLE OF CONTENTS**

**LIST OF MAPS**

<table>
<thead>
<tr>
<th>Map</th>
<th>Section</th>
<th>Map</th>
<th>Section</th>
<th>Map</th>
<th>Section</th>
<th>Map</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>46</td>
<td>8860N</td>
<td>47</td>
<td>8900N</td>
<td>48</td>
<td>Plan - Blackdog ✓</td>
<td>49</td>
<td>Plan - Blackdog North ✓</td>
</tr>
<tr>
<td>50</td>
<td>9920N ✓</td>
<td>51</td>
<td>9960N ✓</td>
<td>52</td>
<td>9980N ✓</td>
<td>53</td>
<td>10000N ✓</td>
</tr>
<tr>
<td>54</td>
<td>10020N ✓</td>
<td>55</td>
<td>10040N ✓</td>
<td>56</td>
<td>10080N ✓</td>
<td>57</td>
<td>10160N ✓</td>
</tr>
</tbody>
</table>

**LIST OF APPENDICES**

| Appendix 1 | Consultants’ Reports, Computing, Geochemistry and Petrological Descriptions ✓ |
| Appendix 2 | Tenement Environmental Management Register ✓ |
SUMMARY
The exploration licences surround the known gold mines in the Tanami area. The gold mineralisation is hosted in the Mt Charles Beds, a sub-division of the Tanami complex. The regolith in the area consists singularly, or combinations thereof, of transported sand and gravel, relict laterite and stripped mottled clays overlying the saprolite and bedrock.

As a result of the ancient land surface, the main regional exploration methods consist of magnetics and geochemistry judiciously applied on the regolith profile. Posthole drilling was initially used to test the regolith and, if deep transported material was encountered, mobile metal ions (MMI) methods are now being implemented.

Seventeen areas were selected for exploration during the reporting period based on geology magnetic interpretation and previous geochemical surveys. The most significant exploration discovery in the period was highly anomalous gold results over a strike length of 2km from posthole drilling on the Galifrey structure within the Wild Turkey area. The Galifrey structure as portrayed by the magnetics can be interpreted 5km to the NW and 7km to the SE.

The Calamari area, while exhibiting prospective magnetics and MMI anomalies, returned negative results in the follow-up angled RAB drilling. The failure of the follow-up could be due to teething problems in the MMI process. However, posthole late in the field season returned values of up to 973ppb that have not been followed up.

The Squid, Carlsberg (EL portion) and Kuwait areas returned anomalous results in the reporting period, but further work is required on interpretation. The Carthage prospect resulted in the two areas of significance with RAB results up to 6m @ 1.04g/t Au. Posthole drilling totalling 36,880m was carried out at Flores, detailing an anomalous area (Area 2) with results ranging from 39 to 170ppb Au.

Orientation posthole drilling at Suva, Troy and Pompeii identified suitable sampling horizons for further posthole programmes. Posthole drilling carried out at El Alamein was designed to test extensions of the Hurricane-Repulse and Dinky mineralised trends. The initial part of the drilling did not record significant results. Significant RAB intercepts were encountered at Tobruk in two mineralised trends. In the Khartoum area, posthole drilling recorded several anomalies, however, RAB drilling failed to substantiate the results.

Follow-up of posthole drilling at Black Hills located a N-S anomalous geochemical trend. However, subsequent RAB drilling produce sub-economic mineralisation. The Blackdog area shows anomalous gold geochemistry on several trends. Deep drilling below a 1615ppb posthole anomaly revealed 4m @ 6.04g/t Au in a quartz-veined tonalite.
1.0 INTRODUCTION
This report details work completed and results gained by Otter Exploration NL and Acacia Resources Limited for the eighth year of tenure for ELs 1271, 1276 and 1277, for the period 17 March, 1996 - 16 March, 1997. The three exploration licences are covered by a "Deed" between Otter Exploration NL and the local Traditional Owners, dated 14 February, 1989.

Exploration Licences 1271, 1276 and 1277 were granted to Otter Exploration NL on 17 March, 1989, for a period of six years and renewed for a further period of two years to 16 March, 1997. This block of tenements are regarded as a single area and were granted this status by the NTDME on 1 February, 1991. A second renewal for a further period of two years is currently before the Department of Mines & Energy.

1.1 Location and Access
The CDJV tenements are located some 650km north-west of Alice Springs, or approximately 300km south-east of Halls Creek in Western Australia (Figure 1).

Access to the area is possible via the Halls Creek-Alice Springs Road (Tanami Track) and the Lajamanu Road from the north. Access within the tenements is via a number of exploration tracks and regional grid baselines. Generally, access to the Tanami and within the ELs, is only possible during the dry season - early March to late November.

1.2 Tenement Status
The application area consists of three exploration licences (EL1271, EL1276 and EL1277). These licences have been worked as a 'project' since 1990.

All three EL's were applied for in 1976. The Aboriginal Land Rights Act (NT) also came into force during the same year and as a consequence of this Act and other anomalies in various Acts the licences were not granted until 15 March 1989 after a protracted negotiating period with the Central Land Council ("CLC") lasting over two years.

Exploration licences 1271, 1276 and 1277 were granted for a period of six years and renewed for two more. This time period expires on 16 March, 1997.

Almost 50% of the original licence was relinquished in 1992 and since then no further reductions have been made.

1.3 Exploration History
Otter Exploration NL (Otter) initiated all the exploration activities as a 100% operation in 1989.

Exploration success was achieved in late 1989 but was not realised until 1990, as the detection levels of gold mineralisation were considered to be exceptionally low. The first area, known as the Redback Rise Prospect, contained a geochemical anomaly covering an area of 5kms. Further geological and geochemical work by Otter in 1990 identified Redback Rise as a highly significant area requiring drill testing.

The Dogbolter and Jim's Find prospects were also identified by the Otter geochemical screening process and these areas have subsequently proven to be highly mineralised zones containing significant gold deposits.
An area of 1,000 hectares surrounding the Tanami Joint Venture ("TJV"), Mining Leases 119-133 respectively, was sold by Otter to the TJV. This area was mined by the TJV (and subsequently Zapopan) up to February 1994. Approximately 7 million tonnes of ore was mined from the areas held by Zapopan.

In September 1990, the Shell company of Australia Ltd (Shell) entered into a joint venture with Otter. Management of the project was entrusted to Shell.

In August 1993, Shell completed their earning phase (50%) by spending $5 million on exploration. In October 1994, a new joint venture was formed between Otter Gold NL and Acacia Resources Ltd as a result of Shell divesting its mineral assets. This new joint venture is known as the Central Desert Joint Venture, with participating interests 60% Otter and 40% Acacia. Otter Gold NL has assumed management of the project.

1.4 Central Land Council
In accordance with the Mines Act and the ALRA 1976, Otter Gold negotiated an agreement with the relevant traditional owners via the CLC. This agreement is a "conjunctive" agreement, a copy of which is held by the DME.
2.0 GEOLOGY

2.1 Regional Geology
The area under investigation occurs within the Granites/Tanami Block. The Granites/Tanami Block consists of early proterozoic sediment and volcanics. A NW trending unconformity related to the Leichhardt rifting event separates the Tanami Complex to the north from the Granites Complex to the south.

All known gold deposits within the Tanami corridor occur within prospective Mt Charles Beds, a subdivision of the Tanami Complex. This package of rocks comprises fine to medium-grained turbitic metagreywacke, pelite, banded iron and chert horizons with intercalated basalt.

The Mt Charles Beds have been subject to regional metamorphism and deformation, with two folding events recognised. First order (F1) folds are NNE trending with open to tight folds. The second phase (F2) event is NW trending and displays open to tight folding. The metamorphic grade is typically low and varies from sub-greenschist to low greenschist facies. Within the Granites Complex, four folding events have been recognised.

Following uplift and erosion, the Parget Sandstone was deposited. Later, it was folded and uplifted, possibly during the emplacement of granite intrusions early in the Carpentarian.

Sedimentation recommenced later in the Carpentarian, with the deposition of the Birrindudu Group, after which a third period of tectonism took place, forming mainly open folds.

After a period of erosion, sedimentation resumed, together with the reactivation and intrusion of granite.

Deposition of the Antrim Plateau Volcanics occurred during the Cambrian.

Calcrete, silcrete, laterite profiles and extensive superficial sand deposits formed under various climates from the Proterozoic to the Tertiary and Quaternary.

2.2 Local Geology
Sixty percent of the project area is under surficial cover. Laterite, silcrete and calcrete, together with quaternary alluvial and aeolian sand, form the basis of this cover.

Outcropping Mt Charles Beds comprising meta-siltstones/sandstones, chert and intercalated basalt, occur mainly in the central portion of the licences areas. Typically, these rock units are tightly folded and well cleaved and have been subject to greenschist metamorphism.

Granite exposure is limited to the NE and SE sectors of the ELs.

Unconformably overlying the Mt Charles Beds are the conglomerates and quartz arenites of the Gardiner Sandstone, a lower member of the Carpentarian Birrindudu Group. Outcrop exposure is best developed along the western and northern margins of the ELs, as well as in the central parts.
2.3 Mineralisation
Outside the mine sequence, no known economic gold mineralisation occurs within the area under investigation. At Black Dog, angled RAB drilling has intersected a quartz veined tonalite with a reported best intercept of 4m @ 6.04g/t Au from 16m. This mineralisation is interpreted to be narrow and of limited strike extension.

Regionally, four separate styles of gold mineralisation have been recognised in the Tanami/Granites inlier, including:

- Disseminated, stratabound deposits hosted by banded iron formations (eg. Granites, Dead Bullock Soak).

- Discordant stockwork deposits of gold in relatively late stage quartz veins (eg. Callie, Kroda).

- Mineralisation of shear zones hosted by veins with strong alteration characteristics (eg. East Ptilotus, Challenger 2, Hurricane-Repulse, Jim’s, Supplejack).

- Deposits of regolith containing gold concentrated by alluvial, eluvial or lateritic processes (eg. Granites, Quartz Ridge, Dead Bullock Soak, Redback Rise and Dogbolter).

2.4 Regolith
The Tanami Desert hosts a typical arid-environment topography and physiography, comprising undulating to flat landscape with occasional prominent ridges and rugged plateaus. The typical regolith profile for the region comprises transported sand and gravel horizons up to 20m thick, underlain by relict laterite or stripped mottled clays which subsequently overly saprolite, weathered bedrock and fresh bedrock. The regolith, however, changes laterally and vertically within a metre to tens of metres due to the ancient landscape. This causes deep weathering, extensive erosion and transportation/sedimentation.

However, in instances such as Redback Rise, Tanami Mine and Jim’s South, relict laterite horizons crop out at the surface as subdued, undulating rises. In these instances, the laterite is usually approximately 6m thick, underlain by the mottled zone (6-15m), saprolite zone (15-75m), weathered bedrock (75-90m) and transition/fresh bedrock.
3.0 EXPLORATION WORK COMPLETED, 17/03/96 - 16/03/97

3.1 Geochemistry
3.1.1 Assays & Sampling
During September 1996, Eric Bumstead (a Consultant Geochemist) reviewed re-splitting and residues and compared duplicates from Amdel’s FA3 method. His correspondence is attached in Appendix 1.

3.1.2 MMI
Early in 1996, orientation work was done over the lease areas and revealed that several large areas could not be tested by conventional geochemical methods due to deep transported profiles. Therefore, alternate methods of exploration were discussed and MMI (Mobile Metal Ions) was selected as a possible method to locate anomalism within these areas.

MMI is utilised to locate mineralisation that is covered by deeply transported material by sampling material at surface and analysing for mobile metal ions that are loosely attached to this material.

A geochemical orientation for MMI was designed over the Legs and Lynx deposits to test the veracity of such a technique. Both deposits are covered by transported material, which inhibits the reflection of the mineralisation at surface by conventional analytical methods. The trial of the MMI technique gave the following results:

   a) best mineralised section over Legs; and

   b) a coherent anomaly over Lynx.

The trial included sampling of three different horizons within the first four metres of surface; the near surface and bottom samples appearing to offer better responses to gold anomalism.

3.2 Geophysics
3.2.1 Aeromagnetics
During the year, two ultra-detailed aeromagnetic surveys were flown over the CDJV tenement areas. GeolInstruments conducted a helimag survey in March, which encompassed the EL1276 prospects of Calamari, Carthage and Kuwait and EL1276 prospects of Flores and Pompeii (Figure 2A). Flying specifications for this survey include:

   Aircraft: Bell Helicopter 206 B3 “Jet Ranger”
   Magnetometer: Geometrics G-833 Meta-Stable Helium
   Flight Line Spacing: 50m
   Tie Line Spacing: 1000m
   Mean Terrain Clearance: 40m
   (height of sensor)
   Sample Interval: 0.1 seconds (approximately 4m)
In October, UTS Geophysics conducted a fixed-wing aeromagnetic survey over the Apertawonga prospect in EL1271 (Figure 2B). Flying specifications for this survey include:

- **Aircraft:** FU24-950B Fixed Wing Aircraft
- **Magnetometer:** Scintrex Cesium Vapour CS-2
- **Flight Line Spacing:** 50m
- **Tie Line Spacing:** 500m
- **Mean Terrain Clearance:** 25m (height of sensor)
- **Sample Interval:** 0.1 seconds (<5m)

Navigation and flight path recovery for both surveys was obtained by differential GPS.

Data processing and interpretation was conducted by Nigel Hungerford of Hungerford Geophysics in Melbourne.

### 3.3 Regional Exploration Drilling Summary & Results

A brief synopsis of the exploration work undertaken during the reporting period and results obtained are outlined below:

**EL1271**

**Legend**

Exploration consisted of orientation posthole RAB of 59m for four holes. The orientation work encountered transported material; parts of the area therefore lend themselves to an MMI survey where conventional exploration techniques are inadequate in the coming field season.

**Apertawonga**

Posthole RAB consisted of 11535m (895 holes) and MMI 1447m (428 holes). RC drilling over an interpreted kimberlite from aeromagnetics was 120m (1 hole). Encouraging results have been received from the MMI programme. Elevated response ratio values appear to be coincident with a NW-SE trending structure defined by geophysical interpretation of detailed magnetics. Two weakly anomalous zones were identified from the posthole RAB, with results in the 7-14ppb range. Further magnetic interpretation is required in the Apertawonga area in relation to the anomalous zones, particularly in the light of the Galiffrey structure at Wild Turkey.

**Wild Turkey**

Posthole RAB exploration consisted of 2251m for 274 holes. The initial orientation posthole drilling returned a gold value of 11ppb Au and was from a quartz veined sandstone. Study of the magnetics showed the result occurred on a magnetic structure parallel to the Jim’s structure. The magnetic structure was initially thought to cut the Gardiner Sandstone and, thus, be post mineralisation. However, further interpretation postulated that the fault is reactivated and therefore occurring within the time range of the mineralisation.
Further posthole drilling revealed a potentially mineralised structure known as Galifrey. This structure trends northwest-southeast and is located between 1-3km south of and adjacent to the Jim’s mine lease boundary. The structure extends southeast through the Wild Turkey prospect and into Legend, where it appears to be terminated by an interpreted granitoid. To the northwest, more detailed geophysics is required. The best results in the Galifrey structure were 1115ppb Au (WTPH250) and 555ppb Au (WTPH263). These two assays were approximately 1.6km apart. Surrounding results included 299ppb Au (WTPH263) and 274ppb Au (WTPH247).

**Calamari**

Initial orientation drilling identified a large portion of the prospect was covered by 30-35m of transported material. Two areas were identified as prospective based on previous Billiton soil samples and helimagnetic data; one area to be conventionally postholed with the other to be subjected to an MMI sampling programme.

Area I was conventionally postholed and turned up anomalous values to a max of 973ppb, a well defined anomaly was identified to be trending N-S in the centre of the prospect. A total of 336 holes for 3740m were drilled at Calamari during 1996.

Area II was subjected to a MMI sampling programme, a N-S trending anomaly was denoted (260 holes for 815m).

Two angled RAB fences designed to test anomalous MMI and interpreted geophysical data at Calamari II returned gold values of low tenor. Possible explanations for the lack of sub-surface mineralisation intersected by the angled RAB program include lab-related batch errors and sampling errors associated with the original MMI survey.

**Squid**

Orientation survey holes identified a striped profile with up to 25m of overburden and a shallow water table of less than 25m.

A total of 48 postholes returned a maximum value of 5ppb. The rest of the programme was halted due to the increasing depth of transported material.

A second area, having significantly shallower cover, was postholed in October (116 holes for 1715m). Results were generally low, less than 5ppb, with the exception of one sample that returned a value of 61ppb.

**Carlsberg**

Half of the prospect lies within ML167, with the rest in EL1271. No anomalous results in CDJV area compared to TMJV area were found.

**Kuwait**

The posthole RAB program consisted of 16920m (1487 holes). Areas of structural intensity were targeted, as well as an outcropping cherty ridge. Gold values ranged from below detection to 52ppb Au. Further work is required.
Carthage
The period’s exploration consisted of drilling a total of 2198m angled RAB (44 holes) and 16588m posthole (1040 holes). This shallow surface drilling (down to an average of 80m line spacing) has covered the narrow NW striking magnetic package (~5km NW x ~2km SE) in an attempt to test if gold associates within the regolith. Results within the two areas of significance are:

Bonecrusher  <RAB - 6m @ 1.04g/t Au 
             Posthole - 1775, 1175, 965ppb (rockchip)

Ambush      <RAB - very low grade 
             Posthole - 71, 36, 24ppb

Low grade anomalism in the posthole work over the area has remained consistent, with mild alteration associated with a light colour change in the rock. These zones have also been identified, to some extent, as darker patterns in the magnetics.

Geology is nearly all purple-brown mudstone. Narrow zones of outcropping sandstone appear at Bonecrusher. The regolith is consistent with a stripped profile of upper saprolite, with the exception of laterite near the central area of the grid.

Work for 1997 would probably included detailed mapping to complement the outcropping sediments and further infill posthole in other areas.

EL1276
Flores
During 1996, 36880m of posthole drilling was carried out at Flores. Three areas in the north-west of the tenement were posthole screened. The screening programme consisted of 18 lines drilled 400m apart with hole spacing at 40m. Three main target zones were defined from the initial drilling. These areas were infilled to 100m with hole spacing once again at 40m.

One of the targets defined by posthole drilling was tested with angled RAB. This programme consisted of 1052m of drilling, with holes generally 30m apart.

The weathering profile varies considerably across the area explored. Generally, the profile is stripped to lower saprolite in Area I, and mottled upper saprolite in Areas II and III. A mixed laterite/mottled saprolite zone can be found in Area II, overlying a lower saprolite of unknown depth. The mixed zone may represent locally reworked material containing transported lateritic gravel.

There are three main lithologies within the Flores tenement; granodiorite, phyllitic sediment and recrystallised basalt.

Intermediate and felsic intrusives are also encountered, although less frequently. The granodiorite is associated with the Coomarie Granite, which extends into the northern part of the lease. In the chips, it is weathered to kaolinite with remnant quartz crystals. The Coomarie Granite is not considered prospective in terms of gold exploration at this stage.
Phyllites and schists are by far the most abundant lithologies in the exploration area. These occur as silica-rich mudstones and sandstones which have been locally deformed, perhaps by the intrusion of nearby granites. Characteristic features are bright green or yellow colour and a strong mica-defined cleavage. Sediments grade from schistose to phyllitic with distance from the granite.

Lithologies recognised at Flycatcher are sediments, phyllites and basalts similar to the rest of the Flores tenement. A conclusion from recent petrological examination of some igneous material from RAB holes in the Flores tenement was that the green, coarse-grained material encountered in much of the area is a basalt or dolerite. Basalt flows have been logged running in a north-westerly orientation through the tenement. It is postulated that the original basaltic flows have been recrystallised locally, possibly by the intrusion of the Coomarie Granite. This would account for the apparent interlayering of the coarse-grained mafics with the phyllitic sediments.

No intercepts of economic significance were recorded at Flores in 1996. Encouraging posthole results in Area II include 39, 45, 86, and 170ppb. These will be followed up in the upcoming exploration season.

**Suva**

Exploration performed consisted of orientation posthole RAB of 1167m (48 holes). Logging of posthole chip samples has enabled selection of a suitable sampling medium for future drill hole programming.

**Troy**

Exploration performed consisted of orientation posthole RAB of 1312m (53 holes). This work has identified suitable sampling horizons for future drill hole planning.

**Pompeii**

Exploration performed consisted of orientation posthole RAB of 621m (26 holes). Logging of regolith profiles has identified suitable sampling horizons for future regional posthole programs.

**El Alamein**

El Alamein is located to the northwest of Hurricane Repulse, within EL1276. The pre-existing Guam and Tobruk grids have been extended west to the boundary of the lease and north approximately 2.5km. Access is provided by the Lajamanu highway, which passes through the centre of the prospect.

Posthole drilling began at the El Alamein prospect in late November. Of the 4008m planned, only 1887m were drilled before the end of the field season. The programme was designed with a dual purpose; firstly to test possible extensions of the Hurricane-Repulse and Dinky mineralised trends and, secondly, to test the extension of a possible mineralised corridor which can be traced from Jim's in the south to Hurricane Repulse in the north.

The El Alamein prospect includes the northern part of the Guam grid. Previous shallow posthole drilling by Acacia on this grid resulted in a few scattered anomalies. These anomalies were followed up by infill posthole and angled RAB. Unfortunately, the geochemistry detected in the shallow postholes was not reflected in the angled RAB results.
A stripped regolith profile exists over most of the area. Up to 7m of unconsolidated pisolithic sands overlie an occasionally present mottled zone and residual lower saprolite. Depth to saprolite varies between 7-15m.

Bedrock geology consists mainly of interbedded Mt Charles sandstone and siltstone, with a minor granodiorite intrusive to the east. Gardiner Sandstone was intercepted in both the north and west of the prospect.

Background Au values range between 1-3ppb. Two anomalous zones were detected on line 20160N, where Au results range between 5-22ppb in holes ALPH034-ALPH037, and 8-83ppb in holes ALPH041-ALPH045. These anomalies were detected by Zapopan and have previously been tested by angled RAB drilling on the western edge of the Tobruk grid.

The remainder of the programme will be completed at the beginning of the forthcoming field season.

Tobruk
The Tobruk prospect lies immediately north of ML153, approximately 5km north-northeast of the Tanami Mine Plant. Access is via the Khartoum access track.

A total of 1580m of posthole RAB was drilled early in the year, along with 3623m of follow-up deep angled RAB.

A complete regolith profile exists over the central part of Tobruk. Elsewhere, the profile is stripped, with up to 6m of transported sand and laterite overlying mottled clays. Saprolitic clays persist to a depth of approximately 60m before the transition to weathered and fresh bedrock.

The bedrock geology consists of interbedded basalts and sediments of the Tanami Mine Sequence. The main units represented include the Bouncer Basalt and Hurricane Sediment. A thick unit of Gardiner Sandstone lies in the north of the prospect.

The initial posthole programme returned results in the range 3-36ppb Au, with a peak value of 420ppb Au in saprolitic clays. The results describe two apparent geochemical trends that strike N-S and are coincident with strong geophysical features aligned sub-parallel to the Hurricane-Repulse structure.

Deep angled RAB was drilled to follow up the favourable geochemical/geophysical anomalies and returned the following significant intercepts:

- 2m @ 1.60g/t Au, (TRB038, 58-60m)
- 4m @ 0.75g/t Au, (TRB038, 64-68m)
- 4m @ 2.87g/t Au, (TRB039, 34-38m)
- 4m @ 1.03g/t Au, (TRB040, 4-6m)
- 4m @ 0.67g/t Au, (TRB068, 64-68m)

The drilling revealed two apparent mineral trends of varying economic interest. The eastern trend appears continuous from Lines 20880N to 20480N and strikes sub-parallel to the geology. The trend is of sub-economic grade and width, but appears to be the source of gold anomalisim in the area.
A more interesting structure lies towards the centre of Tobruk; Line 20880N revealed a prospective structure of around 4m width and low economic grade. The structure is consistent with mineralisation discovered by Billiton in previous angled RAB drilling (80m to the south), but is of limited strike extent to the north and shows narrow, uneconomic intercepts in the south.

EL1277
Khartoum
The Khartoum prospect is located immediately north of ML153, approximately 7km north-east of the Tanami Mine Plant. The 13km x 3.5km area straddles ELs 1276 and 1277 and has been the subject of intensive exploration during 1996. Access to Khartoum is via an easterly turn-off on the Lajamanu Road, approximately 4km north of the Tanami Highway.

A total of 15106m of posthole RAB was drilled over three separate areas (Areas I, II & III) within the prospect, with 2612m of deep angled RAB following up the most anomalous of the three areas.

A stripped regolith profile exists over most of the Khartoum prospect. Up to 8m of transported sand and laterite covers mottled and saprolitic clays in the south, with over 10m of similar transported material present to the north. The mottled clays typically persist to around 20m and the saprolite to about 60m, beyond which weathered bedrock is prevalent.

The bedrock geology consists of interbedded sediments and basalts of the Mt Charles sequence. It is interpreted as an extension of the Tanami Mine sequence and includes the Bumper-Bouncer Basalt, Hurricane Sediment and the Redback Basalt. A thick tongue of Gardiner Sandstone extends along the western edge of the project grid.

Three areas were tested with posthole RAB for geochemical anomalies and all returned some level of gold anomalism:

Area I returned values in the range 2-19ppb Au to the south and values up to 39ppb Au in the North. The anomalies are generally of a low order, but are roughly coincident with some strong N-S geophysical features.

Area II also returned low-order anomalism, with values ranging between 2-17ppb Au. There is some coincidence between the anomalies and geophysical features, but no deeper holes have tested the area to date.

Area III has stronger anomalism, with values ranging between 2-24ppb Au with peaks of 43, 53, and 54ppb Au. The best anomaly appears coincident with a strong ~070° feature and sharp geological contacts.

Two separate programmes of deep angled RAB were drilled at Khartoum in 1996. The first consisted of four short fences over the most geochemically anomalous zone in Area I. The second programme included three fences targeting the strongest anomaly in Area III. No results of economic significance were recorded in this drilling.

Black Hills
A reconnaissance mapping and interpretation of previous data was followed up with a 27 hole orientation posthole programme.
A total of 612 postholes for 8861m were drilled at Black Hills during 1996 over four areas. A low, but well defined geochemical anomaly coincident with a N-S trending structure was recognised. Three angled RAB fences (16 holes for 950m) drilled over this anomaly returned no significant results; all were below 0.30ppm.

**Blackdog**

The Blackdog prospect is situated in the top half of EL1277 and lies approximately 20km north-east of the Tanami Mine. Access is via an easterly turn-off on the Lajamanu Road, approximately 14km north of the Tanami Highway.

A total of 9487m of posthole RAB and 2334m of deep angled RAB were drilled over two separate areas (Areas I & II) in the prospect during 1996.

A severely stripped profile exists at Blackdog, with 3-5m of transported sand and gravel covering weathered to fresh bedrock.

Bedrock geology consists of magnetic and non-magnetic olivine microgabbros, strongly foliated metasediments and a rare porphyritic, quartz, biotite tonalite. A thick unit of Gardiner Sandstone is present in the extreme north of the prospect.

Gold anomalis was recorded in both of the areas drilled at Blackdog during the year:

Area I showed strong anomalis along several possible trends, with values ranging between 2-38ppb Au and peaks of 48, 54, 79, 82 and 1615ppb Au (BDPH191) from weathered bedrock and some quartz veins (BDPH191). Re-samples of the 1615ppb Au quartz vein material returned values of 4.87 and 0.27g/t Au. The area exhibits encouraging gold anomalis along several possible trends. Peak values can be aligned along north-south, north-east and north-west orientations, of which the latter two sit favourably with geophysical features.

The complex structure in the area, as revealed by pre-1995 Airmag data, shows a series of sub-parallel, north-west trending dextral faults and some evidence for 060° and 070° oriented structures. Post hole BDPH191 lies on the approximate intersection of two such structures, with good geochemistry coinciding in both directions.

Area II contained several low-level gold anomalies in the order of 1-8ppb Au. An apparent north-east oriented geochemical trend appears to dominate the area.

Deep angled RAB drilling at Blackdog was focused around the 1615ppb Au posthole result. Because it was unclear as to the nature of the mineralisation in the area, fences were drilled on top of and north & south of the anomaly at 20m spaced fences. The best result of 4m @ 6.05g/t Au (BDRB004, 16-20m) was intersected immediately below BDPH191, but mineralisation was not encountered in any of the fences north and south of this intercept.
# EXPENDITURE

## 4.1 Expenditure on EL1271 - 17/03/96 to 16/03/97

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<tr>
<th>Category</th>
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<td>Tenements / CLC</td>
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<td>Geology / Drilling / Survey</td>
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## 4.2 Expenditure on EL1276 - 17/03/96 to 16/03/97

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## 4.3 Expenditure on EL1277 - 17/03/96 to 16/03/97

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<td><strong>Total</strong></td>
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5.0 PROPOSED WORK PROGRAMME AND EXPENDITURE

5.1 Proposed Work Program

The Work Programme for 1997 has two phases:

- Phase 1: Regional Geochemical Gridding Programme
- Phase 2: Development Programme

Phase 1: Regional Geochemical Gridding Programme

Objectives

1) To canvas and complete on a broad spaced grid, geochemical sampling across all the licence, excluding Gardiner Sandstone areas.

2) To delineate geochemically gold anomalous "districts" that will allow follow-up drilling to be focused on potentially economic resources.

3) To accelerate the ability to identify and advance potentially significant mineralised zones into a geological resource category.

An examination of the regional exploration approach for the 1996 season indicates that whilst the methodology is practical and sound, the ability to turn anomalous results into resources is too slow. It may possibly indicate that the screening process being applied is too detailed and the examining of sub-economic or small mineralised systems are stymieing the progress of discovery of a large deposit.

Mindful of the necessity to deliver both quickly and economically significant resources, the exploration team has determined that a step back to a broader screening process is necessary, along with a change in the pace and style of exploration to see that the type of detailed exploration employed in the last two years is focused in the right area.

Process

Regional Geochemical Prospecting

To provide a broad pattern of surface geochemical assessment rather in the fashion of regional stream sediment sampling employed in youthful terrains, the exploration team plans to build, with its understanding of the geochemistry of the regolith, a regional geochemical map that it believes will build a picture of mineralised areas (such as the Redback/Dogbolter area or the Jim's area), that will ensure that when the more rigorous drilling process is engaged, the likelihood of discovering economic deposits is enhanced.

In addition to providing a broad screening process, the manner in which this approach is carried out will enable this database to be collected in a very short period (one month's field work followed by a month of analytical work), thereby providing significant impetus to the follow-up exploration.

Methodology

The plan is to employ five posthole RAB rigs in a evenly spaced grid regolith sampling programme across the whole of the granted CDJV tenements, spaced 200x200, 400x400 where appropriate, sampling across the range of regolith horizons drilled, to return a gold geochemical map of the three primary sampling horizons.
These three horizons will be analysed by a range of methods, seeking the accuracy and low level dispersion appropriate to the zones.

At the surface/laterite/transported horizon interface, ultra-low level gold detection using the ALS ZARG method will be employed. Results will provide resolution to a 0.1ppb Au level.

At the redox front, low level gold by fire assay (as is currently being employed), along with low level multi-element pathfinder geochemistry, will be used; recent expert advice gleaned for the recently completed regolith course and field trip on site had confirmed that this horizon should represent the zone of greatest chemical dispersion.

At the bottom-of-hole (bedrock), standard low level gold fire assay will be used.

Where depth of cover and water ingress is prohibitive for postholing, it is planned to use only the ZARG analytical methods (approximately 5-7% of our licence area may fall into this category).

**Discussion**

This process is not a major digression from the methods currently employed. The regolith geomorphology orientation programme used in the commencement of this year’s exploration constitutes the same process to be used, however, we are recommending that it be used in comprehensive coverage of all prospective areas.

With the understanding of the geology and structure retrieved from the ultra-detailed magnetic surveying, it is planned to ensure that a realistic grid pattern is employed in the range of sampling/geological terrains to be examined.

This is not a replacement of the current methodology, but is a interim step to speed up the process of prioritisation, allowing an additional component of selection which has the potential to highlight the larger targets.

It is recommended that this process be planned to commence on 1 March, 1997, to precede most other exploration activities and will engage the total exploration team in a period of frantic activity to complete the process within a six to eight-week period. A division of assaying responsibilities should ensure that speedy return of results is achieved.

It is anticipated that the process of field, assaying and collation and interpretation of results could be completed by 1 June, 1997, allowing the bulk of the dry season to advance resource definition in a logical manner.

**Phase 2: Development Programme**

**Objectives**

To convert new gold anomalous areas of mineralisation to geological resources.

**Minimum Criteria**

To identify ground containing approximately 200,000 recoverable ounces of gold within a 12-month period.
Methodology
In combination with areas defined by Phase 1 of the 1997 programme, it is planned to develop a series of prospects using diamond drilling, RC drilling and RAB drilling to resource category.

The following targets remain to be tested from the 1996 programme:

<table>
<thead>
<tr>
<th>Area</th>
<th>Anomaly</th>
<th>Name</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>Flores</td>
<td>2 gold posthole anomalies</td>
<td>Flycatcher/Creeper</td>
<td></td>
</tr>
<tr>
<td>Carthage</td>
<td>Mineralised intercept</td>
<td>Bonecrusher</td>
<td>6m @ 1.0g/t</td>
</tr>
<tr>
<td>Apertawonga</td>
<td>1 MMF anomaly, 2 ph anomalies</td>
<td></td>
<td>1115ppb</td>
</tr>
<tr>
<td>Calamari</td>
<td>2 posthole anomalies</td>
<td>Calamari II</td>
<td>973ppb</td>
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</table>

A range of low order gold anomalies are also identified, which will be accessed and marked for follow-up in order of overall merit relative to the results of Phase 1.

The follow-up process of drill testing these anomalies will be preceded by:

1) Collation and interpretation of low level ultra detailed magnetic surveying completed over the 1995/96 period.

2) Detailed structural mapping and interpretation using airphoto, landsat TM, radiometrics and field geological mapping data to emphasise the perceived structural controls on known mineralisation and potentially delineate zones of “structural significance” within available ground.

3) Rigorous regolith geomorphology mapping and interpretation to delineate appropriate sampling methodology, sampling density and analytical practices to enhance the opportunity to identify economically significant resources.

4) Enlightened geological and lithological/stratigraphic mapping to attempt to identify horizons/lithologies that are preferred mineral hosts.

This study will examine in detail the sediment hosted mineralisation in the Hurricane Repulse areas to characterise the mineral setting of what is the largest single deposit of the Tanami Corridor.

Secondly, examine the occurrence and distribution of black carbonaceous/carbonate lithologies which may represent preferred hosts to a Callie-style gold deposit.

5.2 Proposed Expenditure

Budget 1997
The combined regional and development exploration budget for 1997 is estimated to be $1.6million for EL1271, $1million for EL1276 and $800,000 for EL1277 (Table 1).

The Joint Venture has an operating mine established, exploiting the resources developed over the past seven years.

The current resource base indicates, at the current processing rate (production of approximately 120,000 ounces Au/annum), a further four years mine life.
The Exploration Team has, therefore, a huge challenge to find, develop and prove up additional greenfields discoveries to extend the mine life significantly and provide an economic return to both the CDJV partners, landowners and the government.

It is therefore envisaged that exploration on the tenements will continue at the current level (approximately $4 million/annum), whilst discoveries are being made.

The Joint Venture also recognises that there is a need to reduce ground. However, extensive and comprehensive exploration to date has only indicated the complexity and difficulty in adequately testing the economic merits of the tenement areas and the necessity to retain all the ground presently held to allow completion and follow up of the comprehensive regional exploration programme outlined in Phase 1 of the 1997 year.

### TABLE 1
CENTRAL DESERT JOINT VENTURE (CDJV)
PROGRAMME & BUDGET FOR THE PERIOD 17-Mar-97 TO 16-Mar-98

<table>
<thead>
<tr>
<th></th>
<th>EL 1271</th>
<th>EL 1276</th>
<th>EL 1277</th>
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<tr>
<td>DDH</td>
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<tr>
<td>RC</td>
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<td>Motor Vehicles</td>
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<td><strong>Total</strong></td>
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<td>953,465</td>
<td>778,632</td>
</tr>
</tbody>
</table>
6.0 ENVIRONMENTAL

Environmental disturbance has been kept to a minimum wherever possible. Mature trees were not disturbed and trimming of vegetation was limited to small bushes and grasses in order to obtain line of sight during the gridding. Gridlines on which RC or diamond drilling was completed were cleared mechanically with a blade lowered to remove wooden stakes and boulders and leave the new shoots and grasses. This has resulted in minimal topsoil disturbance within the grid area.

Further, the CDJV has maintained an ongoing commitment to rehabilitation and has undertaken the following tasks:

* Collection of all sample bags containing residual material and the storing of these samples at a central location (sample farm) for future reference.
* Capping and backfilling of all drillholes.
* Backfilling of all sumps and mine excavations.
* The removal of all human debris and drilling consumables.
* Restricting access to drill site areas.

In previous years, it was found that all areas disturbed by exploration activity (when left to follow) regenerate naturally. This has been the case during the current field season and has again proven to be effective.

Environmental Register details comprise Appendix 2.
7.0 CONCLUSIONS & RECOMMENDATIONS

Previous exploration work within the licences has delineated several areas that will be targeted in the 1997-98 field season, including Wild Turkey, Calamari, Carthage and Flores.

The Wild Turkey mineralisation is interpreted to be associated with the Galifrey NE-SW trending acromagnetic structure. Posthole assays separated by 1.6km have returned values of 1115ppb and 555ppb respectively. Detailed posthole over the prospective structure will commence early in the field season, followed by angle RAB pending results.

Calamari 1996 postholes returned values up to 973ppb and mineralisation is found along the contact between lithological units, possibly associated with shearing. Detailed follow-up work will commence early in the 1997 field season, following the prospective lithological contact.

The Carthage Prospect was found to contain two prospective areas; Bonecrusher and Ambush. The areas were discovered using detailed posthole over the Carthage prospect based on the detailed geophysics flown earlier in the year, followed by groundwork collecting rock chips of up to 1750ppb. Both areas have been interpreted to straddle a northerly striking magnetic structure. Further work will concentrate on infill posthole and RAB drilling over the mineralised structure identified from previous work. Costeaming over the mineralisation is being considered to delineate the relationships between mineralisation, structure and alteration.

Two areas within the Flores Prospect have been defined from detailed posthole work, Flycatcher and Creeper. Posthole values of up to 170ppb have been returned and these are interpreted to be a continuation along strike of the Carthage Structure. Further exploration work will include further angled RAB to test the anomalist.

Exploration for the 1997 season will continue to develop prospective targets defined from previous work. However, this has excluded areas where little to no exploration has occurred. Consequently, the CDJV has deemed it necessary to commence a regional posthole programme within the favourable gold hosting units over the entire licence areas. It is envisaged that this regional posthole exploration programme will generate target zones over the licences.

Once potential mineralised target zones have been identified, further drilling programmes combining the geology, geochemistry and geophysics, will be commenced to define any mineralised deposits.
OTTER GOLD NL

EL 1271, 1276 & 1277
ANNUAL REPORT

MAP 1
PLAN - LEGEND, APERTAWONGA & WILD TURKEY

TO

MAP 16
SECTION 85200N
OTTER GOLD NL
EL 1271, 1276 & 1277
ANNUAL REPORT

MAP 17
PLAN - FLORES CENTRAL

TO

MAP 42
SECTION 37120N
OTTER GOLD NL

EL 1271, 1276 & 1277
ANNUAL REPORT

MAP 43
PLAN - BLACK HILLS

TO

MAP 57
SECTION 10160N