WILGA MINES PTY LIMITED

ANNUAL REPORT FOR

EL7832 LEGUNE
(PERIOD 26 OCTOBER 1996 TO 25 OCTOBER 1997)

EL8480 KNEEBONE NORTH
(PERIOD 25 FEBRUARY 1997 TO 24 FEBRUARY 1998)

EL 8481 KNEEBONE SOUTH
(PERIOD 25 FEBRUARY 1997 TO 24 FEBRUARY 1998)

Tenements : EL 7832
             : EL 8480
             : EL 8481
Owner : Wilga Mines Pty Limited
Prepared by : D C Gellatly
Authorised by : D C Gellatly
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             : 802.003
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              : Wilga Mines Pty Limited (1)
              : Delta Gold Perth (1)
SUMMARY

Following the successful gravity survey in 1996 work carried out on ELs 7832, 8480, 8481, has consisted of:-

a) A full review of existing drillhole data to determine the effectiveness of previous drilling and the resource potential.

b) Interpretation of the 1996 gravity survey.

c) Attempts to fund further drilling by attracting a joint venture to the project. These are currently ongoing.
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Annual Report Legune, Kneebone North and South
DCG4447:rc
January 1998
1.0 INTRODUCTION

This report covers Northern Territory exploration licences 7832 (Legune), 8480 (Kneebone North) and 8481 (Kneebone South). With the consent of the Northern Territory Department of Mines and Energy a combined report is submitted for these three licences.

The Bonaparte Gulf Basin ("BGB") has been the subject of exploration for carbonate-hosted Zn-Pb deposits since the discovery of outcropping mineralisation at Sorby Hills in 1971. Early in this phase of exploration, surface showings of mineralisation were found at Spirit Hill, Sandy Creek and near the Ochre Mine on the eastern margin of the basin.

Following early drilling success at Sorby Hills in 1972 and the subsequent delineation of a Pb-Zn-Ag resource there (Jorgensen, 1990), exploration on the eastern margin of the basin was allocated a lower priority and all of the eastern part of the BGB other than a small retention lease covering the resource at Sandy Creek was abandoned in the 1980’s.

Wilga Mines NL initially acquired ground in the area in 1993 (EL7832) and subsequently extended its interests to cover most of the prospective ground on the eastern margin of the basin, including ELs 8480 and 8481 in 1994.

Wilga Mines has carried out extensive work on the above three licences and others in the Bonaparte including extensive systematic soil sampling, semi-detailed gravity, and RC and diamond drilling, and has spent in excess of $1 million dollars on the project.

Attempts have been made to secure ongoing project funding through attracting a joint venture party to the project, but these have so far failed mainly as a result of only two out of 12 exploration licences held in the Bonaparte Gulf basin being technically valid licences. Of the remaining 10, one (in WA) is still at the application stage, and the remaining nine are technically invalid through failure of the NT to follow the correct advertising procedures under the Native Title Act.
Fig. 1—Location and solid geology of the onshore Bonaparte Basin showing the regional setting of the Sorby lead-zinc-silver deposit (modified after Veevers and Roberts, 1968).
2.0 TENEMENT AND OWNERSHIP

All three exploration licences covered by this report were granted to Wilga Mines NL (ACN 009 296 520). Wilga Mines NL has subsequently changed its name to Ida Gold Pty Limited (ACN 009 296 520) and these tenements have now been transferred to Wilga Mines Pty Limited (ACN 006 772 236).

Details of the three exploration licences are tabulated below.

<table>
<thead>
<tr>
<th>Licence No</th>
<th>Licence Name</th>
<th>Date of Grant</th>
<th>Original Area</th>
<th>Current Area</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>7832</td>
<td>Legune</td>
<td>26/10/93</td>
<td>78 Blocks</td>
<td>39 Blocks</td>
<td>Waiver from reduction granted.</td>
</tr>
<tr>
<td>8480</td>
<td>Kneebone North</td>
<td>25/02/94</td>
<td>5 Blocks</td>
<td>5 Blocks</td>
<td>May be invalid pursuant to Native Title Act</td>
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<tr>
<td>8481</td>
<td>Kneebone South</td>
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<td>7 Blocks</td>
<td>7 Blocks</td>
<td>May be invalid pursuant to Native Title Act</td>
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</tbody>
</table>

ELs 8480 and 8481 were granted in early 1994 subsequent to the introduction of the Native Title Act and in contravention of the procedures prescribed by that Act. The procedures followed might have been valid if no Native Title had existed in the area, particularly if Native Title had been extinguished by the grant of pastoral leases, since all three licences are within pastoral licences.

However the recent ruling by the High Court of Australia (the “Wik decision”), has indicated that a form of Native Title may coexist with Pastoral licences. Thus, since Native Title may exist in the area and the required administrative procedures under the Native Title Act were not followed, the licences may be invalid and Wilga has received advice from Aboriginal interests that they believe this to be the current situation.

Wilga initiated correspondence with the NT Department of Mines and Energy with a proposal to advertise licences as required under the Native Title Act and to follow the required procedures to issue valid licences. To date the NTDME has elected to ignore the prescribed procedures and thus both EC8480 and 8481 remain technically invalid.
3.0 LAND ACCESS

Land access in the area is constrained locally by the requirements of the Aboriginal Heritage Act.

Wilga Mines funded an Aboriginal Site identification survey in 1994 and also made small compensation payments to the Marralam Community in order to gain drill access for the 1994 and 1995 programmes.

A Native Title Claim has been lodged covering all of these ELs by the Miriuvung and Gajerrong peoples, who are claiming the right to pursue traditional hunting and gathering activities. It has yet to be determined whether Native Title Exists in the area, but the likelihood is that it does exist.

4.0 PREVIOUS WORK

Previous work in the area by Aquitaine and others was outlined by Gellatly 1993 in the Annual Report on EL7832.

Wilga’s work in the basin (Gellatly 1993, Vincent 1994, Gellatly and Vincent 1995) has included reinterpretation of the geology of the area, photogeological interpretation, regional soil sampling, using both conventional geochemical analysis and gas vapour phase (GVP) analysis, IP and gravity surveys and diamond drilling.

As a result of this work, extensive Zn and Pb soil geochemical anomalies have been generated which indicate that substantial areas of the basin contain significant base metal mineralisation. To date this has not been explored systematically away from the areas of surface anomalism.

In 1996 Wilga carried out reconnaissance kimberlite search and a semi-detailed gravity survey which identified numerous anomalies interpreted as subsurface zones of Burt Range Formation dolomites which are potential targets for base metal mineralisation.

5.0 GEOLOGY AND MINERALISATION

The geology and mineralisation have been described in previous reports on the area and will not be described in detail here.

Essentially the important geological units are the Burt Range Formation which consists predominantly of carbonate - mainly dolomite - and the overlying Milligans Formation which consists mainly of shale and siltstone and forms an impervious cap-rock over the Burt Range Formation.

Most of the significant Zn-Pb mineralisation in the area occurs in the top 50-100 metres of the Burt Range Formation - particularly the top 50m where it generally forms either stratiform zones or cross-cutting sub-vertical fault breccia zones.
# TABLE 1

**EFFECTIVE DRILLHOLES**

<table>
<thead>
<tr>
<th>HOLE</th>
<th>TYPE</th>
<th>EL</th>
<th>amge</th>
<th>amgn</th>
<th>tdepth</th>
<th>m-%Pb + Zn</th>
<th>location</th>
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<tr>
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<td>D</td>
<td>50800</td>
<td>B280500</td>
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<td>D</td>
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<td>B291650</td>
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<td>P&amp;D</td>
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<td>143</td>
<td></td>
<td>Turkeys Nest</td>
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</tbody>
</table>
6.0 DRILLHOLE REVIEW

It had long been recognised that the drillhole database contained different hole types with greatly different depths and therefore differing effectiveness. It was also realised that many drillholes had been targeted at unfavourable, unmineralised strata below the mineralised zone and that many others, although collared above potentially mineralised zones, had not been drilled deep enough to intersect the main target zone.

6.1 Effective Drillholes

As mentioned above it is recognised that most of the significant mineralisation is located in the uppermost 50m of the Burt Range Formation (Clb2) much of it at or close to the contact with the overlying Milligans Formation (Clm). Although some holes, especially in the Sandy Creek EL (6969) have significant mineralisation at a greater depth than 50m below the base of Clm, these holes also have significant mineralisation in the top 50m of the Clb2 as well as deeper down, and therefore it was considered that any holes penetrating the top 50m of the Clb2 could be considered "effective holes".

Using the criterion the all detailed drilllogs held were reviewed to ascertain which holes were effective tests for base metal mineralisation in the area. Of all the drillholes (about 1200) in the eastern part of the Bonaparte Gulf Basin only 45 holes have been classified as effective holes. Of these 45 holes 22 are located in Sandy Creek EL6969 in which Wilga currently has no interest and details of these holes are omitted here. Those holes within the area being reported on are included in Table 1 and are shown on Plate 2. For comparison, Plate 1 shows the location of all identified holes in the whole project area. Appendix 1 is the updated summary drillhole data base for the area.

6.2 Stratum Contours

As part of the drillhole review, the depth to the top of the Milligans Formation was recorded from each hole where it had been intersected and stratum contours to the base of the Milligans Formation have been included on Plate 2.

This is considered to be an invaluable tool when planning future drillholes. Use of this information should avoid the drilling of ineffective holes in the future, and should also enable reasonably precise prediction of target depths for future drillholes.

7.0 GRAVITY INTERPRETATION

A new gravity interpretation has been prepared from results of the 1996 gravity survey undertaken by Geotrex on behalf of Wilga Mines.

On this interpretation the positive Bouguer gravity anomalies ("gravity highs") have been separated into two categories.
1. Those to the east of the Phanerozoic/Precambrian contact, ie those that are sourced in Precambrian rock.

2. Those to the west of this contact which may be sourced from Devonian-Carboniforous rocks or from underlying Precambrian.

Because the latter are generally small and sharply-defined they are interpreted as probably zones of dolomitisation (and possible mineralisation) in the Burt Range Formation, and are such are potential drill targets.

It is noteworthy for example that drillhole BZ-5 which encountered persistent low grade mineralisation was “off-target” relative to a gravity high to the west and that BZ10 which was drilled into a gravity high may have been too far away from nearby faults which may have been conduits for the mineralising fluids.

The fault pattern interpreted from the gravity results is similar to that derived from photo-interpretation with three main trends being recognised:-

1. Northeast
2. North-south
3. Northwest

1. Northeast
The northeast trending faults recognised are mainly parts of the shelf tract margin fault system. These are under-represented in this interpretation because of the limited gravity coverage in the western part of the area surveyed.

2. North-South
These are subsidiary (second-order) faults related to the northeast basin margin and shelf tract margin faults, and are believed to have acted locally as conduits for the mineralising fluids.

3. Northwest
These cross-faults are more prominent on the gravity interpretation than on airphoto interpretation. Their significance in relation to mineralisation has not yet been established.

8.0 JOINT VENTURE PROPOSAL

During the 1997 Wilga made strenuous efforts to acquire project funding by attracting a joint venture partner to the project.

A wide range of Australian and international companies was approached. Several companies showed interest but none were prepared to enter into a joint venture, at least partly because of title problems.

In July, agreement in principle was reached with Triex to farm into Wilga’s properties, but it failed to complete the documentation, and finally withdrew in October, citing title problems as the reason.

The farm-out report prepared for this marketing exercise is appended to this report as Appendix 3.
9.0 EXPENDITURES

Expenditures for the past year on the three ELs are as follows:-

<table>
<thead>
<tr>
<th>EL 7832</th>
<th>EL 8480</th>
<th>EL 8481</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,098</td>
<td>$7,345</td>
<td>$5,514</td>
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</table>

Details are given in Appendix 1.

The shortfalls in expenditure on ELs 8480 and 8481 are directly related to the question of validity of the licences, and that on EL 7832 is an indirect consequence of the licence validity question, since these are all related parts of a larger integrated project.

10.0 PLANS

Further work is proposed on all three licences for 1998. The proposal, which is the same as proposed for 1997 is dependent on the availability of funding which is largely related to the validity of the licences.

The programme will consist principally of:-

1. Further gravity survey work to infill and extend the work done to date
2. RC and diamond drilling.

Estimate Expenditures for 1997 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>EL 7832</th>
<th>EL 8480</th>
<th>EL 8481</th>
</tr>
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<tr>
<td>1. Staff Costs</td>
<td>24,000</td>
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<tr>
<td>2. Vehicle Costs</td>
<td>11,000</td>
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<td>3. Travel and Accommodation</td>
<td>8,000</td>
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<tr>
<td>4. Field Supplies and equipment</td>
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<td>5. Contractors - geological</td>
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<td>7. Contractors - other</td>
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11.0 REFERENCES AND SELECTED BIBLIOGRAPHY


