APPENDIX 3

JOINT VENTURE PROPOSAL
WILGA MINES PTY LTD

BONAPARTE ZINC PROJECT

FARM-OUT PROPOSAL

Tenement : EL6969, 7832, 8352, 8480, 84841, 8677, 9194, 9506, 9533, 9579, E80/1686, 80/2189

Owner : Wilga Mines Pty Ltd

Prepared by : S W Vincent, D C Gellatly

Authorised by: D C Gellatly

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Distribution :
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SUMMARY

Carbonate-hosted Pb-Zn-Ag mineralisation in strata of lower Carboniferous age was first found in the Bonaparte Gulf Basin in northwestern Australia in 1971 and substantial exploration in the 1970's led to the delineation of significant but sub-economic resources at Sorby Hills (WA) and Sandy Creek (NT).

Much of the early drilling was poorly targeted through lack of knowledge of the geology and stratigraphic controls of the mineralisation. Very few drill holes have effectively tested the main mineralised unit, and much of the basin remains inadequately explored.

Delta Gold NL, through its subsidiary Wilga Mines Pty Ltd, has built up major exploration holdings (about 800km²) prospective for Zn-Pb mineralisation in the Basin, mainly along the eastern margin where Delta's tenements cover a strike length of about 50km of prospective ground.

Included in the project is the Sandy Creek resource of 3.2Mt @ 4.5% Pb and 2.4% Zn which includes a small higher grade zone (averaging 8%Pb and 1.7% Zn) which has been inadequately tested along strike both north and to the south.

Systematic soil geochemical surveys by Delta (including GVP analysis) have helped to delineate the areas of mineralisation. Limited drilling by Delta - targeted by geochemistry and geophysics - encountered strongly anomalous mineralisation (mostly Zn) in the 1% to 2% range but did not encounter economic grades.

Follow up drilling is recommended and a joint venture partner is sought to carry out this work.
1. INTRODUCTION

Carbonate-hosted Pb-Zn-Ag mineralisation in strata of Lower Carboniferous age was first found in the Bonaparte Gulf Basin (BGB) by Aquitaine in 1971 and a substantial amount of exploration was carried out in the 1970s leading to the delineation of two areas with significant but sub-economic mineral resources namely

Sorby Hills (WA)  10.2Mt @ 6.38% Pb, 0.86% Zn, 66g/t Ag and
Sandy Creek (NT)  3.2Mt @ 4.5% Pb, 2.4% Zn, 15g/t Ag.

Both of these resources were located following the early discovery of outcropping mineralisation in each location. Because of the comparative ease of locating mineralisation in these two areas, there was a lack of systematic grass-roots geochemical exploration elsewhere in the BGB, particularly in the extensive areas of soil cover surrounding the very limited areas of outcrop. While a considerable amount of reconnaissance drilling was undertaken, much of it, particularly in the early days, was carried out with inadequate geological control and a high percentage of the holes were drilled in unprospective footwall rocks or were not deep enough to reach the prospective mineralised target zone.

Delta Gold NL, through its subsidiary Wilga Mines Pty Ltd, has built up major exploration holdings prospective for Zn-Pb mineralisation in the Bonaparte Gulf Basin (BGB) in northwestern Australia.

These strategic landholdings currently cover approximately 815 km² and include all the prospective near-surface areas on the eastern margin of the basin, (Figure 1), as well as an area partially surrounding the Sorby Hills Pb-Zn-Ag deposit in the central part of the basin.

Delta carried out an extensive soil geochemical survey of most of its prospective ground using both conventional chemical base metal analyses and gas vapour phase (GVP) geochemistry, and has significantly extended the areas with known zinc-lead mineralisation. In the limited drilling undertaken by Delta about 50% of the drillholes encountered strongly anomalous Zn-Pb mineralisation (mostly Zn) in the 1% to 2% range, but did not intersect economic grades.

The mineralisation is hosted by the Lower Carboniferous carbonate-rich Burt Range Formation which is unconformably overlain by shale of the Milligans Formation. The mineralisation is believed to be controlled by growth faults which developed as splays off the major Halls Creek transcurrent fault system. The mineralisation is considered to have similarities to the Irish base metal deposits and potential exists for stratiform Zn-Pb ore bodies especially in hydrocarbon-type trap structures related to faults and anticlines.
2. LAND HOLDINGS

Delta's land-holdings, held directly by subsidiary Wilga Mines NL or though joint ventures, cover a strike length of about 80km of the prospective eastern margin of the basin and total about 815km² (227 graticular blocks). Details are listed in Table 1.

All of the above tenements are in good standing as regards Mines Department expenditure requirements except for Border Creek (WA) EL80/1686 for which an Expenditure Exemption will be applied.

Native Title applications have been lodged over the area by the Traditional Owners. The Australian Government view was that Native Title was previously extinguished over the area by the grant of Pastoral Leases, but this view has recently been overthrown by a court decision relating to the Wik land on Cape York (Qld). A government decision is awaited as to the nature of Native Title and to the rights that Native Title will confer on the Traditional Owners. Also access to some areas may be restricted on grounds of Aboriginal Heritage considerations. These mainly affect the hill areas and to date have not been a significant impediment to exploration.

All of the Exploration Licences have a limited life (up to 6 years) but can be converted into other forms of title. Also all tenements are subject to annual reductions of area after year-2, but in the Northern Territory a waiver from this requirement can be obtained if adequate work and expenditures are being carried out. Wilga has successfully applied for waivers on certain of the above tenements. Also ELs can be extended for an additional two years.

The Sandy Creek EL was 6 years old 16/9/96 and has been extended until 10/9/98.

2.1 EXISTING JOINT VENTURES

Sandy Creek JV (BHP 60% Triako 40%). Wilga can earn 50% by spending $500,000 and can increase its interest to 75% by pro-rata expenditures (Wilga 75% BHP 15% Triako 10%) within 6 years of commencement. BHP and Triako have the right to claw-back up to 50% in any of the tenements. To date Wilga has spent approximately $350,000 on the Sandy Creek JV.

Bundaburg Bore JV (Zephyr Minerals 100%). Wilga can earn 50% by spending $100,000 and can increase its interest to 75% by additional expenditures of $375,000. Zephyr retains the rights to diamonds in the area. To date Wilga has spent $30,000 on the Bundaburg Bore JV.
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* Estimates based on programmes and expenditures submitted to the NT Department of Mines and Energy recently.
2.2 EXPENDITURES AND EXPENDITURE REQUIREMENTS

Total past expenditures on the area currently held by Wilga amount to at least $6.0 million. Of this total approximately $1.2M has been spent by Wilga and the balance by previous managers, mainly BHP and Aquitaine.

The minimum annual expenditure requirement if all tenements are valid, would be $478,800.

3 LOGISTICS

The Bonaparte Zinc Project is located in a logistically favourable area.

The central part of the area (eg the Sandy Creek deposit) is located on a regularly maintained gravel road about 1¼ hours drive from the regional centre of Kununurra.

Kununurra is serviced daily by jet aircraft flights to and from Perth and Darwin.

The Sandy Creek deposit is only 110km from the port of Wyndham by the shortest road haul distance and 180km from Wyndham by the principal roads in the area. It is only 80km from a possible port site on the Victoria River esturary. It thus compares favourably with Cadjebut Mine which has a road haul distance of approximately 600km to Wyndham.

It is also located less than 10km from the proposed Weaber gas field pipeline which is proposed for early construction. Thus the necessary power for a mine could probably be obtained cheaply, close to the project area.

Water supply could probably be obtained from a borefield in the Keep River plains (15km) or from the River Ord via irrigation channels which currently come to within 45km or possibly from bores on site drilled into the Cockatoo Sandstone Formation.

4 EXPLORATION HISTORY

The first indications of base metal mineralisation in the Bonaparte Gulf Basin were found by Dr R Elois of Aquitaine at Sorby Hills, in late 1971. This took the form of disseminated crystals of fresh galena in carbonate outcrops of the type section of the Lower Carboniferous Button Beds.
Following this discovery an exploration rush ensued in early 1972, but exploration in most areas was slow and relatively unsuccessful because of the limited outcrop. As a result of the early discovery of mineralisation in outcrop at Sorby Hills (not in Wilga's tenements) and Sandy Creek, most exploration effort was directed to these locations (especially Sorby Hills) where significant but sub-economic resources were delineated. A trial decline was commenced at Sorby Hills in the late 1970's but was abandoned because of water problems associated with overlying alluvial gravels adjacent to the Keep River.

As a result of the early discovery of the Sorby Hills and Sandy Creek mineralised systems and the resource delineation programmes there, exploration in other parts of the basin was given lower priority and highly prospective areas of Lower Carboniferous carbonate stratigraphy remain underexplored.

In addition to Aquitaine (and its early partner MIM) several other companies have carried out exploration in the BGB, notably St Joseph Lead and BHP on the eastern margins but no company since Aquitaine in the 1970's has carried out a major exploration programme in the area.

Wilga Mines attempted to address a lack of systematic geochemical data by implementing a regional geochemical programme, as well as semi-detailed IP and gravity surveys and limited drilling. Wilga's results highlight potential for the recently defined North Ochre Mine prospect and indicate potential to generate other targets away from known and tested areas.

Wilga initially carried out an orientation geochemical survey using both gas vapour phase (GVP) and Mobile Metal Ion (MMI) techniques. The former initially gave encouraging results which appeared to be derived form concealed mineralisations whereas the MMI response was due almost entirely to mineralisation in the surface soils, and GVP analyses were incorporated in the regional soil geochemistry programme. The GVP technique however, failed to live up to its early promise, but the results of the simultaneous conventional soil geochemical survey have added significantly to knowledge of mineralisation in the area.

Interpretation of seismic data has assisted in delineation of major basin-bound faults in the area and has also helped to delineate upwarp areas on the basin margin which could be preferential zones for the accumulation of metal-depositing basinal brines and for the hydrocarbons required to reduce these brines and precipitate base metal sulphides.

Induced polarisation surveys were used by Aquitaine in the mid 1970's to try to locate Pb-Zn sulphides. Problems were encountered with this approach in that (a) sphalerite is non-conductive and (b) that the overlying pyritic shales of the Milligans Formation tend to supress deeper penetration.
5 GEOLOGY AND MINERALISATION

5.1 GEOLOGY

The Bonaparte Gulf Basin is occupied mainly by rocks of Cambrian, Devonian and Carboniferous ages which rest unconformably on Mid or Upper Proterozoic basement arenites. On the eastern Bonaparte the Carboniferous Burt Range Formation carbonate sequence dominates whereas on the western margin, Famennian limestones of the Ningbing Group predominate. Frasnian sandstones of the Cockatoo Group commonly crop out along the basin margin and younger units unconformably overlie the sandstone sequence on the Burt Range Shelf which forms the eastern selvedge of the basin.

Stratigraphic nomenclature pertaining to the eastern part of the basin - known as the Burt Range Sub-basin - was established by Veevers and Roberts (1968) and revised by Mory and Beere (1986). General stratigraphic relationships are indicated on Figures 2 & 3 (Jorgensen et al, 1990).

The onshore portion of the Bonaparte Gulf Basin is subdivided into three structural entities, the Shelf Tract, Marginal Tract and Basinal Tract. Black shales of the Milligans Formation are largely confined to the Basinal and Marginal Tracts but may unconformably onlap the Shelf Tract sequences locally.

5.2 MINERALISATION

All known Zn-Pb-Ag occurrences in the Bonaparte are hosted by dolomitised marine carbonates of the Touraisian Burt Range Formation particularly the upper part of this (C1b2). On the eastern Bonaparte the unit occurs as a narrow, northeast-trending strip within the Shelf Tract. The distribution of mineralisation within the sequence is controlled by a combination of stratigraphy and tectonically induced dilational structures. At Sandy Creek high grade Zn-Pb mineralisation occurs in fault breccias and lower grade, bulk tonnage stratabound systems flank the feeder-structures.

The association of a massive partly dolomitised and locally faulted and brecciated carbonate unit (the upper Burt Range Formation), overlain by the black shales of the Milligans Formation, provides a prime geological setting for the accumulation of base metal sulphides. Priority areas are identified by the abundance of Zn and Pb in the system and the presence of dilational structuring coincident with onlapping black shales. Expected mineralisation is tectonically controlled (high grade feeder faults) with a stratiform component (lower
Fig. 3 - Diagrammatic regional section showing facies relationships between Cambrian-Visean stratigraphic units, depositional provinces, principal structural controls and location of the Sorby Hills Pb-Ag-Zn Province.
grade, bulk tonnage). This scenario might be anticipated at locations where the Shelf Tract is breached by cross structures as at Blendevale and Fossil Downs on the Lennard Shelf of the Canning Basin.

The existence of evaporites in the basin and unconformities in the sequence enhances the prospect of significant ground preparation which is beneficial to the development of high grade mineralisation.

High priority target areas are discussed under prospect headings below:

5.2.1 Sandy Creek, NT (EL6969)

The Sandy Creek resource of 3.2Mt @ 4.5% Pb, 2.4% Zn, 15g/t Ag contains both structurally controlled and stratabound mineralisation. Highest grade mineralisation is hosted within a northerly-trending fault breccia and is flanked to the west by lower grade stratabound mineralisation within sedimentary rubble breccias confined to the upper dolomite sequence. The zinc/lead ratio is higher within the sedimentary breccias.

This north-trending high grade zone appears to average about 8% Pb and 1.7% Zn and has given a best intersection of 68m @ 11.6% Pb and 2.0% Zn. This zone has been incompletely tested at least 250m to the north and is completely untested for about 650m to the south.

A second northerly-trending structure situated east of the main Sandy Creek zone is indicated by results of IP surveying and one diamond drillhole, NBK 1041, (98 to 102m, 4m @ 3.19% Zn). Wilga drillhole, BZ-06 sited on the southern extremity of the anomaly cut low-grade zinc mineralisation associated with marcasitic breccias but the site recommended by consultant geophysicist, N Hungerford, situated 500m north of BZ-06 has not been drilled to date and is a further possible target, (refer to Appendix 1). A list of the best drillholes at Sandy Creek is given below.

Most of the Sandy Creek resource is potentially open-pittable, but any open-pit operation would require diversion of the main branch of Sandy Creek into the subsidiary channel using waste material from the initial pre-strip.
This prospect lies immediately north of the Ochre Mine prospect which has given drill intersections of up to 6m @ 8.45% Zn, (NBC-4022, 54-60m).

Targeted within this prospect area are a series of northeast-trending IP phase anomalies interpreted to represent mineralised Riedel dilational structures hosted by Burt Range Formation dolomites, (Figure 4). Structure is related to the southerly transcurrent accommodation of a five kilometre wide block. The process is referred to here as the Bunibunil Transfer and is named after the Cockatoo Group outcrop located at 533000E/8305000N, ("Bunibunil" to the local Aborigines). The dilational structures, east-west strike-slip faulting and west-northwest normal faulting (The Gap) are consistent with movement of dextral sense on the western margin of the Bunibunil Transfer Zone.

An alternative interpretation is that this is subsidiary basin-margin graben. In either case the presence of this structure enhances the potential for localisation of economic grade mineralisation.

One vertical diamond drillhole, BZ-10 was drilled by Wilga Mines at 5293000E/8310000N to test a weak IP (phase) anomaly situated near a gravity ridge, (Figure 4). The hole cut scattered 1% to 2% zinc intersections totalling 32.24m% Zn (using a ½% Zn cut-off grade) within the upper portion of the hole (54-114m) and sporadically below. Mineralisation consists of disseminated fine-grained pale sphalerite associated with marcasite ± calcite ± bitumen in fracture veins/cavities and hydraulic breccias. Subsequent work has shown that this drillhole was located on a gravity high. The coincidence of the gravity high with mineralised carbonates lends support to the interpretation of these gravity highs.

Significantly, the mineralisation is zinc-rich with a Zn/Pb ratio of 5.6:1, further validating the prospect's high priority ranking. Other IP (phase) anomalies in the area have not yet been drill tested and geophysical surveying north of 8310000N is likely to define additional targets associated with the shale contact.

The eastern margin of the Bunibunil Transfer Zone also affords considerable potential for structural vs stratigraphic style ore-systems and combined gravity/IP surveying north of 8312000N and west of 535000E is highly recommended.
5.2.3  Sandy Creek - Winchrope Hill, NT (ELS 6969/8480)

Prospective upper Burt Range Formation dolomites extend NE from Sandy Creek 8km to Winchrope Hill. Numerous IP anomalies adjacent to the Milligans Formation/Burt Range Formation contact occur in this area and remain untested or poorly tested.

Previous drilling by Aquitaine indicates the area's geochemical anomalism with several 1-2 metre intercepts of percentile Zn & Pb recorded. Almost all of the drillholes were either too shallow, did not reach the Clb₂ or were collared too low in the sequence such that the Clb₂ member has not been adequately tested. The potential of this zone is further enhanced by the recent recognition of outcropping mineralisation at Brown Hill, about 2km south-southwest of Winchrope Hill. Several samples from this locality have assayed greater than 1% Zn + Pb. This mineralised zone is completely untested down dip, because the drillholes were too shallow to reach the Clb₂.

A further evaluation of the IP anomalies is recommended in conjunction with the gravity results and structural interpretation so as to optimise drill targeting.

5.2.4  Cuesta Ridge, NT (EL8352)

The Cuesta Ridge prospect is located approximately 20km SW along strike from Sandy Creek. Extensive surface mineralisation was discovered by Aquitaine in 1972 and limited follow-up drilling intersected encouraging zinc grades in NBB5003: 95.4 - 98.5m, 3.10m @ 3.42% Zn, 0.15% Pb. Mineralisation is analogous to that at Sandy Creek, occurring at the same stratigraphic level in fault breccias.

Geochemical and geophysical surveying and structural definition is required prior to follow-up drilling to fully realise the potential of this area.

To date Delta has yet carried out any work here (other than initial reconnaissance) because of a delay in granting title. (Title was granted on 5/9/96).
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<td>80 94</td>
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Declination 50° / 280°

Ended in mineralisation (9.75% Pb+Zn)

Zn > Pb: Not on main mineralised structure

Vertical. Ended in mineralisation (27% Pb + Zn)
5.2.5 Border Creek, WA (EL80/1686)

The Border Creek prospect is located immediately north of the Sorby Hills Mining Leases and contains the prospective Burt Range Formation at depths of 250-300m. Regional BMR gravity data (Figure 5) indicates that a prominent basement ridge extends NE from the Pincombe Inlier beneath the marine succession. Expected sedimentological pinch-outs and tectonic structuring associated with the basement feature present excellent exploration opportunities.

Aquitaine drilled 10 holes in the area as part of their "Sorby Far North" programme. Encouraging Zn and Pb mineralisation was intersected in most drillholes, (Table 2) and further drilling of this highly ranked area is warranted.

Recently, the results of an airborne magnetic survey of this area have been received. Interpretation of these may lead to the development of new drill targets or areas worth more detailed gravity work to delineate targets here.

<table>
<thead>
<tr>
<th>Hole Number</th>
<th>Depth From (m)</th>
<th>Depth To (m)</th>
<th>Best drill results</th>
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<td>240.0</td>
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<td>1m @ 2.18%Zn</td>
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<td></td>
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<td>1m @ 7.74%Zn</td>
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<td>2m @ 2.53%Zn</td>
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<td></td>
<td>307.6</td>
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<td>1m @ 4.83%Pb</td>
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<td>WBS-5058</td>
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<td>1m @ 2.66%Zn</td>
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<td>1m @ 1.32%Zn</td>
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REFERENCES

