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SECOND ANNUAL REPORT

FOR EXPLORATION LICENCE 8178

FOR THE PERIOD 29/10/94 TO 28/10/95

BARROW CREEK DISTRICT, NORTHERN TERRITORY

TARA PROSPECT

BARROW CREEK 1:250,000 SHEET SF 53-6

VOLUME 1 OF 1

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DATE: OCTOBER 1995

AUTHORISED BY:

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TITLE: SECOND ANNUAL REPORT FOR EXPLORATION LICENCE 8178, FOR THE PERIOD 29/10/94 TO 28/10/95, BARROW CREEK DISTRICT, NORTHERN TERRITORY, TARA PROSPECT
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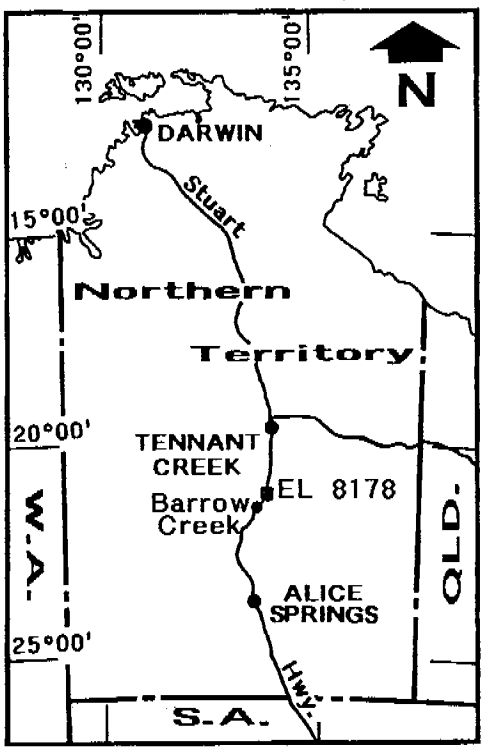


1. SUMMARY

The area covered by the Barrow Creek Joint Venture (BCJV), located approximately 200 kilometres south of Tennant Creek, is being explored for economic shear hosted and/or "Granites" style gold mineralisation. Exploration Licence 8178, situated in the central southern portion of the Barrow Creek Group of tenements, comprises 8 graticular blocks, granted on 29 September 1993. Exploration of EL 8178 during its second year of tenure has included hand and compass gridding, a regional gravity survey and a vacuum geochemistry drilling programme.

2. INTRODUCTION

Exploration Licence 8178 which forms part of the Barrow Creek Group of tenements, is currently being explored for "Granites" style and/or shear hosted gold mineralisation under a joint venture agreement between Poseidon Gold Limited (PosGold), Normandy Exploration (Norex) and Yuendumu Mining Company (YMC).

Exploration carried out on EL 8178 by PosGold on behalf of the BCJV has included hand and compass gridding, a regional gravity survey and a vacuum geochemistry drilling programme, refer to Table 1.

2.1 Location and Access

Exploration Licence 8178 is located approximately 200km south of Tennant Creek and 20km north-east of the Barrow Creek Hotel, refer Figure 1. Access is via station tracks and off the Stuart Highway.

2.2 Tenement Status

Exploration Licence 8178 comprises 8 graticular blocks and was applied for and subsequently granted to PosGold on 29 September 1993. As part of the EL falls within the BCJV Area of Interest, the licence has been included under the Joint Venture Agreement.

2.3 Previous Exploration

There is little evidence of past exploration within the area of interest.

Kewanee Australia Pty Ltd undertook a broad exploration programme between 1970-74 within the Crawford-Osborne Range area. Several targets were delineated by a combination of airborne magnetics, radiometrics and EM survey techniques. Targets generated by this method were followed up with geological mapping, sampling and a combination of percussion, reverse circulation and diamond drilling. This work delineated a sub-economic Cu-Ni resource (Prospect D), but grade was considered too low to warrant further investigation, and the ground was relinquished in 1973.

Limited exploration was conducted by Australus Mining Co Pty Ltd during 1969, for base metal potential in the Crawford Range area. Pegmatites, granites and metadolerites were targeted with disappointing results.

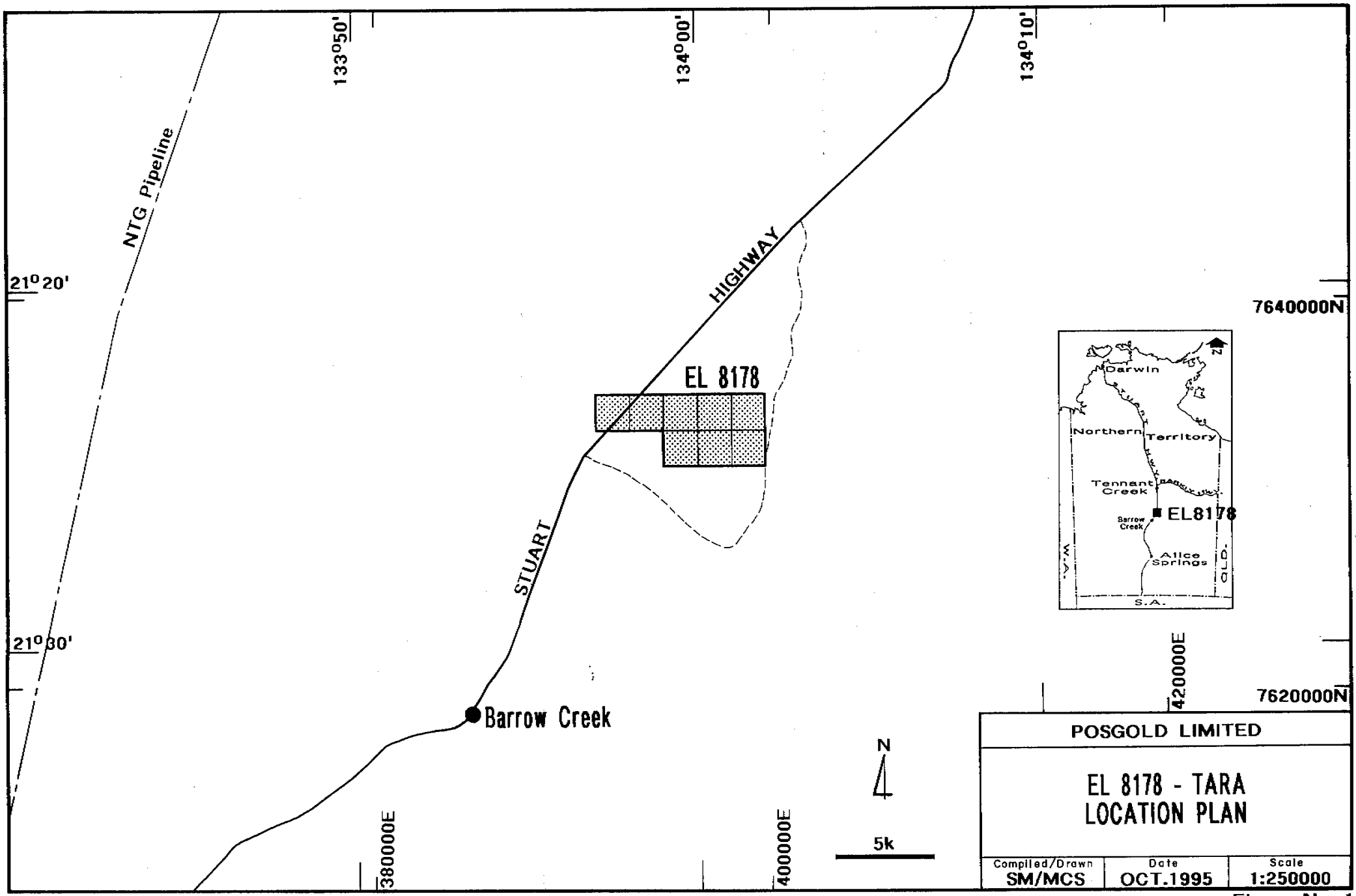
Reconnaissance work over the southern portion of the Barrow Creek area was carried out by Poseidon Gold during early 1993. This included reconnaissance geological mapping and soil geochemistry (Mujdrica, 1994).

3. GEOLOGICAL SETTING

3.1 Regional Geology

Biotite/muscovite-quartz schists (Bullion Schist) are the oldest rocks identified in the Barrow Creek area. Discontinuous lenses of amphibolites/metadolerites occur within this unit, together comprising the Arunta Inlier. Deformation and regional metamorphism to upper greenschist facies took place between 1810-1750 Ma (Black, 1981).

Unconformably overlying these rocks are the Lower Proterozoic Hatches Creek Group, comprising shallow marine sediments and felsic to mafic volcanics. The



POSGOLD LIMITED		
EL 8178 - TARA LOCATION PLAN		
Compiled/Drawn SM/MCS	Date OCT.1995	Scale 1:250000

Figure No. 1

Hatches Creek Group can be subdivided into a lower and upper unit, the lower made up of immature sandstones and pelites, while the upper unit comprises more mature cross-bedded arenites and siltstones.

Following deposition, the Hatches Creek Group was folded about NW trending axes and metamorphosed to upper greenschist facies. Later intrusion of both the Arunta basement and the Hatches Creek Group by granitoids took place around 1660 Ma (Blake *et al*, 1987).

A long erosional period followed with subsequent weathering during the Tertiary to produce silcrete and ferricrete horizons. A thin veneer of Quaternary sands and soils overlays the area.

3.2 Local Geology

Surface geology over Exploration Licence 8178 ranges from massive outcrops to thick cover in washout areas and on average there is 2-3m soil cover. The dominant lithologies include mica-sericite schists, interpreted to be part of the Bullion Schist Formation, along with intruding granites. A strong NW-SE foliation is observed in the region, paralleled by numerous quartz veins.

4. EXPLORATION SUMMARY RESULTS (29/10/94 TO 28/10/95)

EL 8178 has been investigated by an exploration programme in its second year of tenure which has included hand and compass gridding, a regional gravity survey and a vacuum geochemistry drilling programme.

A summary of work completed to October 1995 is shown in Table 1 below:

Table 1
SUMMARY WORK STATISTICS FOR EL 8178 (29/10/94 TO 28/10/95)

GRIDDING
- Hand and Compass 10km

REGIONAL GRAVITY SURVEY

DRILLING
- 86 Vacuum Geochemistry Drill Holes

4.1 Regional Gravity Survey

A regional gravity survey of PosGold's Barrow Creek leases was carried out to further define possible areas that may represent an equivalent to the Bullion Schist. The Tara Exploration Licence was included in the survey to help interpret the aeromagnetics in order to delineate targets within the licence area. Figure 2 represents the Tara regional gravity from the combined BMR and PosGold stations.

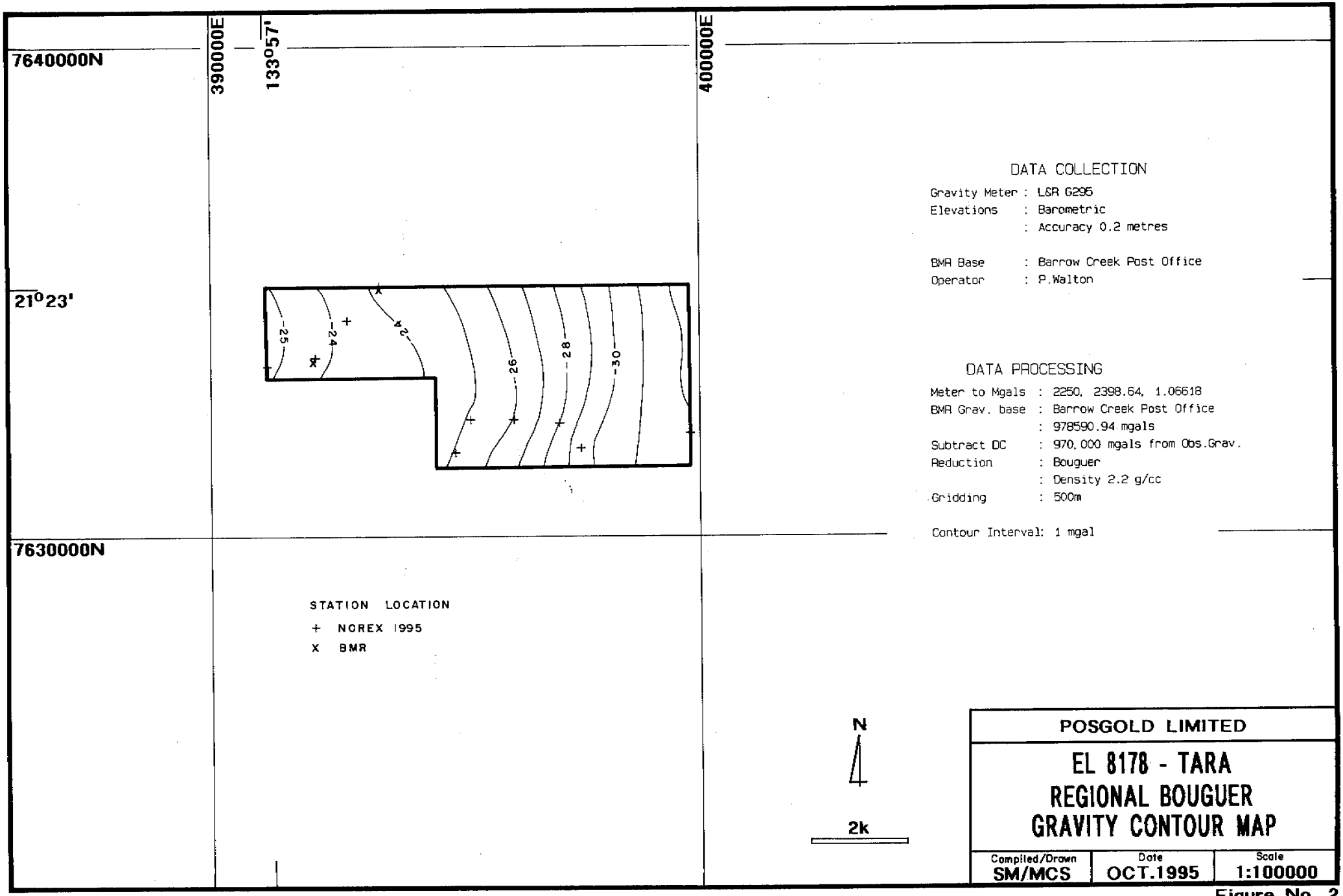

7640000N
390000E
133°57'
400000E
21°23'
7630000N
-25
-24
-22
-26
-28
-30
STATION LOCATION
+ NOREX 1995
X BMR
DATA COLLECTION
Gravity Meter : L&R G295
Elevations : Barometric
: Accuracy 0.2 metres
BMR Base : Barrow Creek Post Office
Operator : P.Walton
DATA PROCESSING
Meter to Mgals : 2250, 2398.64, 1.06618
BMR Grav. base : Barrow Creek Post Office
: 978590.94 mgals
Subtract DC : 970,000 mgals from Obs.Grav.
Reduction : Bouguer
: Density 2.2 g/cc
Gridding : 500m
Contour Interval: 1 mgal
N
2k
POSGOLD LIMITED
EL 8178 - TARA
REGIONAL BOUGUER
GRAVITY CONTOUR MAP
Compiled/Drawn
SM/MCS
Date
OCT.1995
Scale
1:100000

Figure No. 2

4.2 Vacuum Geochemistry Drilling

A total of 86 vacuum geochemistry drill holes were drilled within EL 8178. Bedrock samples were from each hole on a 500 metre x 250 metre spaced grid and submitted to Australian Laboratory Services (Alice Springs) for low level gold-arsenic-base metal analysis. Results from the programme have not been received and will be reported in the next annual report.

5. EXPLORATION EXPENDITURE (29/10/94 TO 28/10/95)

The exploration expenditure in year one of tenure for Exploration Licence 8178 is outlined in Table 2 below:

Table 2
EXPLORATION EXPENDITURE FOR EL 8178 FROM 29/10/94 TO 28/10/95

EXPENSE		COST
Employee Costs	$	4,500
Overheads	$	2,500
Drilling	$	3,580
Assays	$	1,300
Operating Costs	$	5,068
Specialist Services	$	3,305
Tenement Management	$	560
Research	$	10
	$	20,823
Covenant	$	11,040

6. CONCLUSIONS AND RECOMMENDATIONS

The majority of the area is assumed to be covered by up to 3 metres of wind blown sands. Interpretation of the vacuum geochemistry drilling will define targets for follow up RAB drilling. The regional gravity survey combined with previous exploration geochemistry will help to develop a strategy for exploring and defining targets within EL 8177.

7. PROPOSED EXPLORATION AND EXPENDITURE (29/10/95 TO 28/10/96)

Exploration over EL 8178 during the next 12 months will include regional RAB drilling and follow up of any anomalous vacuum geochemistry results.

An interpretation of the regional gravity survey will also be put together to help define areas of interest.

EXPENSE		COST
Employee Costs	$	3,800
Overheads	$	2,480
Drilling Costs	$	3,500
Assays	$	2,680
Operating Costs	$	2,200
Specialist Services	$	1,600
Research	$	200
	$	16,460

8. REFERENCES

Blake, T.U; Stewart, A.J; Sweet, I.P; and Hone, I.E., 1987. *Geology of the Proterozoic Davenport Province, Central Australia.* Bureau of Mineral Resources, Australia, Bulletin, 226.

Black, L.P., 1981. *Age of the Warramunga Group, Tennant Creek Block,* Northern Territory, BMR Journal of Australian Geology and Geophysics, 6, 253-257.

Mujdrica, S., 1994. *Annual Report for Exploration Licence 8178 for the period 29/10/93 to 28/10/94, Barrow creek District, Northern Territory.* Report for the NTDME. PosGold Limited.

APPENDIX ONE

BIBLIOGRAPHIC DATA SHEET

BIBLIOGRAPHIC DATA-SHEET

REPORT NUMBER	20003
REPORT NAME	SECOND ANNUAL REPORT FOR EXPLORATION LICENCE 8178 FOR THE PERIOD 29/10/94 TO 28/10/95, BARROW CREEK DISTRICT, NORTHERN TERRITORY, TARA PROSPECT
PROSPECT NAME(S)	EL 8178 TARA PROSPECT
OWNER/JV PARTNERS	POSGOLD LIMITED
KEYWORDS	BULLION SCHIST ARUNTA INLIER GRAVITY SURVEY VACUUM DRILLING
COMMODITIES	GOLD
TECTONIC UNIT	ARUNTA INLIER
1:250,000 MAP SHEET	BARROW CREEK SF 53-6
1:100,000 MAP SHEET	CRAWFORD SF 53-6/1 TAYLOR SF 53-6/2