EL 6748

MOSQUITO CREEK

FIFTH ANNUAL REPORT

JULY 1995.

T.R. Hall
M. Hall
SUMMARY.

The proposed fifth years program was significantly altered due to the occurrence of a substantial amount of illegal mining of identified target areas within the licence area. The illegal mining has been investigated by the NT Gold Squad.

Activities conducted in the fifth year consisted of additional costeaining and sampling at four sites. One potential new target area was identified. Bulk sampling of the prime target sites is now unlikely to occur as these sites have been illegally mined. A substantial amount of rehabilitation of the illegally mined areas has been undertaken.

LOCATION.

Exploration Licence 6748 is located in the Mosquito Creek area, approximately 90 kilometres south-south-east of Tennant Creek and approximately 25 kilometres north-north-west of Kurundi Station. Access is via the sealed Stuart Highway and gravel roads and tracks on McLaren Creek and Kurundi Stations.

PREVIOUS WORK.

During the first year of tenure a literature review of the region and geological review of the exploration licence area was undertaken. A light aircraft was used for an overview and general assessment of the licence area. Four wheel drive vehicles were used for ground identification of licence boundaries. For a period of time, the Department of Mines and Energy had conflicting maps of the location of mineral claims within the exploration licence.

As exploration activities involved field trips of two to three weeks at a time, a permanent base camp was established on the exploration licence. The base camp is located approx. one kilometre east-north-east of the datum for MCC17, and consists of a caravan and basic facilities including generator for power.

A preliminary program of panning surface samples from drainage lines was
undertaken. Panning was evaluated on either the presence or absence of gold in the dish. Where panning gave an encouraging indication of gold, grab samples were collected for analysis.

Panning and sampling was concentrated on the more well defined drainage lines. Approximately 150 sites were panned and 35 samples collected for analysis. A number of reef outcrops on the ridges were also checked with samples being crushed and panned and 11 rock chip samples collected for analysis.

Samples were split and sent to Classic Laboratories for fire assay. Of the samples only seven assayed better than 0.5 g/t with the best assay producing 1.71 g/t. Three of the samples greater than 0.5 g/t are relatively close and are from an area to the east of MCC17. This was designated as the prime target area for further exploration.

Additional surface sampling was conducted on a 50 to 100 metre grid over the prime target area (site 12) identified by last years program. Samples collected from the top 30 cm were panned to test for the presence of color. Results were variable although encouraging over an area of up to 400 metres. A preliminary costean and sampling program was undertaken around the target area of site 12 covering portions of blocks 1257 and 1258 on map 58.

A series of costeans were excavated and samples of the spoil (up to 2 cubic metres) were tested through a small portable dry blower. Excavated material consisted of alluvial and colluvial gravels containing both ironstone and quartz. Results of the sampling are considered sufficient to warrant a follow-up costean program and treatment of a bulk sample by dry blower.

Oversize from the dry blower was also checked and a few peices were found to contain visible gold. Hard rock potential will also require follow-up.

Locations for the follow-up costean program were identified as well as appropriate sites for the bulk testing of alluvial/colluvial material via dry blower. Prior to the commencement of costeaming, the principal tenement holder (and operator) was injured and prevented from continuing with the program as a result of surgery, medical advice and physiotherapy requirements. In July and September 1993 the Department was advised that the program may need to be delayed or deferred for
about six months and in April 1994 the Department was notified that the program was deferred for twelve months (carrying it over into the following year of tenure).

FIFTH YEAR PROGRAM

Four sites (Nos 8, 18, 19 and 51) were chosen for additional alluvial testing. At each of these sites a small single costean was excavated and the gravel layer (approx 2 cubic metres) tested through a small portable dry blower. Results were as follows: site 8 (0.1g/t); site 18 (0.3g/t); site 19 (0.1g/t); and at site 51 (0.7g/t). The site numbers are consistent with previous years programs (refer to attached site map).

Sites 12, 13 and 51 were selected for bulk sampling (approx 100 to 200 cubic metres) through both a large and small dry blower. Sampling was scheduled to commence in April-May 1995. In early 1995, while the licence holder was interstate on holidays, these and other areas within and around the Exploration Licence were illegally mined. The mining was investigated by the NT Gold Squad and Department of Mines and Energy. It is believed that the illegal operators are currently in Western Australia. As a significant amount of the illegal mining was within EL6748, the current holders are apparently responsible for rehabilitation. A significant amount of levelling and reshaping has been undertaken. Further areas are yet to be rehabilitated, however a decision on whether to conduct further sampling on these areas must be made before any further rehabilitation is undertaken.

FIFTH YEAR EXPENDITURE.

<table>
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<tr>
<th>Item</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Wages</td>
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<td>Fuel</td>
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<tr>
<td>Equipment maintenance and repairs</td>
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<td>Consumables</td>
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<tr>
<td>Administration</td>
<td>$400</td>
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<td>Rehabilitation</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>$9,650</td>
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REDUCTION.

At the completion of the fifth year, the exploration licence was reduced from two blocks to one block.

Block to be retained: Map 58 - block 57/12
Block to be relinquished: Map 58 - block 58/12

PROPOSED SIXTH YEAR PROGRAM.

1. Bulk sampling of the alluvials.
2. Initial costean program to identify hard rock source.
3. Further rehabilitation of disturbed areas.

The Mines Department will be notified of the costean and bulk sampling programs when more details are available and before work starts.

Expenditure for the fourth years program is estimated to be approx. $10,000.

EL 6748 expires in the next twelve months. Any areas with the potential to support a small mining operation will be pegged and applied for as Mineral Claims.