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INTRODUCTION

Exploration Licence 9734 (Driffield) was granted to Pegasus Gold Australia Pty Ltd, as part of the Mt. Todd Further Agreement, on 25 October 1996 for a period of ten (10) years. The licence covers an area of approximately 45km², comprising 14 graticular blocks (see Figure 1).

Previous to EL9734 being granted, the area covered by the licence consisted of a number of Exploration Licences and Mineral Claims held by Pegasus and others, and reference to these tenements will be made throughout this report.

LOCATION AND ACCESS

EL9734 (Driffield) is situated approximately 55km north of Katherine and is centred approximately 12km to the northeast of the Mt. Todd Gold Mine (Figure 1). Access is gained via Mt. Todd Mine access roads and exploration tracks north from the sealed Edith Falls Road.

Topography within EL9734 is considerably varied, ranging from low relief scree rises and black soil plains in the north and west, to moderate and high relief rocky ridges and deep valleys in the south and east. The licence is traversed by a number of creeks and drainages, including the relatively major Driffield and Stow Creeks. Most of the licence is lightly timbered.

Within EL9734 is the abandoned Driffield Mining Centre, which historically was intensely prospected for gold mineralisation. Small-scale underground mining at the Mining Centre produced 5,300oz of gold, and significant unrecorded gold production has been won from alluvial sources. Historical tin workings are common within the licence area; most notably near the Emerald Creek Tin Mine (not part of EL9734), in the north west of the licence.

GEOLOGICAL SETTING

Driffield is located within the southeastern portion of the Early Proterozoic Pine Creek Geosyncline. Metasediments, granitoids, basic intrusives, acid and intermediate volcanic rocks occur within this geological province (Figure 2).

Within the Mt. Todd area the oldest outcropping rocks are assigned to the Burrell Creek Formation. These rocks consist primarily of interbedded greywackes, siltstones and shales of turbidite affinity, which are interdispersed with minor volcansics. The formation contains slump structures, flute casts, graded beds and occasional crossbeds.

Rocks of the Burrell Creek Formation have been folded about northerly trending F1 fold axes. The folds are open to closed style and have moderate to steep westerly dipping axial planes, with some rocks being overturned. A later north-south compression event resulted in east-west trending open style upright D2 folds.
Figure 2. Regional Geological Setting
Metasediments of the Burrell Creek Formation outcrop extensively throughout EL9734. Ridges and creeks host exposures of greywacke and siltstone, with lesser shale and minor tuff and feldspathic sandstone. These rocks have been folded into a series of tight anticlines and synelines with steep, westerly dipping axial planes trending 350° to 020° magnetic. These folds generally plunge steeply to either the south or north, and often have an overturned eastern limb.

Quartz is abundant within the licence area, occurring as both massive, white, “bucky” veins and blows, and thin veinlets or stockworks. Three main structural trends are apparent over EL9734. A northwest structural trend is represented by a moderate to strong vertical joint set or foliation, striking 310° to 340° magnetic. A northeast trend hosts much of the massive white quartz veins, striking 030° to 060° magnetic. The third structural trend is near bedding-parallel, and often results in shearing and brecciation along bedding planes. Quartz veining exists along all of these structural trends. Pyrite pseudomorphs are often associated with sheared and brecciated quartz veins.

Numerous historical small hardrock workings, prospect pits and alluvial diggings are scattered throughout EL9734, with most in and around the Driffield Mining Centre.

4. PREVIOUS EXPLORATION

Pegasus and other workers have carried out extensive previous exploration on the area now covered by EL9734. Work completed prior to EL9734 being granted consisted of:

- Access establishment
- Geological reconnaissance
- Stream sediment sampling
- Rock chip sampling
- Soil sampling
- Gridding
- Detailed geological mapping
- Bulldozer and excavator costeaming
- RAB drilling
- RC drilling
- Airborne geophysics and radiometrics

This work delineated a number of prospective areas, which were targetted by Pegasus for further exploration under EL9734. Earlier exploration reports containing details of previous exploration will be referred to when necessary throughout this report.
5. **EXPLORATION BY PEGASUS UNDER EL.9734 – YEAR 1**

Exploration undertaken by Pegasus on EL.9734 during Year 1 consisted of:

- Collation and validation of all existing data
- Entry of all existing data into a computer database
- Acquisition of digital aerial photography
- Acquisition of digital Landsat imagery
- Grid and access refurbishment
- Reconnaissance and detailed geological mapping
- Rock chip sampling
- Grid soil sampling
- RAB drilling
- RC drilling
- Diamond core drilling

Each exploration prospect area within EL.9734 will be dealt with separately in this report. *Figure 3* shows the location of each of these prospects within EL.9734.

5.1 **Driffield Mining Centre**

A large proportion of the work undertaken during the first year of EL.9734 was centered on the historic Driffield Mining Centre. Previous to the granting of EL.9734 this area was covered firstly under EL.2044 and finally by twenty Mineral Claims (MCN’s 3304 – 3323) held by Kintaro Gold Mines Pty Ltd. A summary of all exploration undertaken on these claims can be found in the Annual and Final Report for Year Six, EL.2044, Driffield N.T. (by Eupene Exploration Enterprises Pty. Ltd. for Kintaro Gold Mines Pty. Ltd.).

Work undertaken by Pegasus during Year One at the Driffield Mining Centre involved grid and access reestablishment, grid soil sampling, detailed geological mapping, rock chip sampling, and RAB, RC and diamond core drilling.

5.1.1 **Grid and Access Reestablishment**

Early in 1997 Arnhem Geological and Exploration Services was contracted by Pegasus to refurbish the 100m x 50m local grid emplaced by Kintaro Gold Mines Pty Ltd in 1989 and 1991. All known existing access tracks within the Driffield Mining Centre were also located at this time.
5.1.2 Extension and Infill Soil Sampling

Grid soil sampling was conducted by Arnhem Geological and Exploration Services in conjunction with the grid refurbishment. Sampling extended 100 metre spaced soil lines, which had been sampled by Kintaro in 1988 and 1989. Infill samples were taken to remove gaps in Kintaro's sampling, and one Kintaro soil line was resampled as a check on the validity of their results. A bulk sample was also taken from an area of black soil alluvium and inserted into the sample sequence periodically as a check on Assay Corp's analytical methods.

Five hundred and seventy seven samples (DMS0001 to DMS0577) were sieved in the field to -40# and assayed by Assay Corp in Pine Creek using low-level fire assay for a detection limit of 1ppb Au. Samples were also assayed for Cu, Pb, Zn and As (1ppm, 5ppm, 2ppm and 1ppm detection limits respectively) using ICP techniques.

Results were mostly below 20ppb Au, but numerous samples returned values over 100ppb Au, defining small highly anomalous zones. A peak value of 2798ppb Au was returned for DMS0114. The check samples of the Kintaro soil line produced results comparable to the original assays.

Soil sample locations and results are shown on Figure 4A, with full assay results contained in Appendix 1, Part A.

5.1.3 Detailed Geological Mapping

In order to obtain a reasonable understanding of the complex geological controls on gold mineralisation within the Driffield Mining Centre, detailed geological mapping was completed over the majority of the area previously covered by MCN's 3304 – 3323. Mapping was completed at 1:1,000 scale, using the 100m x 50m local grid for control. All previous mapping, government geology and aeromagnetic interpretations were obtained, and all data was then incorporated into a 1:3,000 scale geology map, which is presented as Figure 5A.

5.1.4 Rock Chip Sampling

Two hundred and thirty rock chips (DMR001 to DMR230) were taken at the Driffield Mining Centre in association with the geological mapping program. Samples were taken from outcropping shears/breccia zones, massive and stockwork quartz veins, zones of strong sericite/chlorite alteration, and from rocks containing heavily oxidised sulphides.
Rock chips were sent to Assay Corp in Pine Creek for analysis using fire assay to a detection limit of 0.01ppm Au. Samples were also assayed for Cu, Pb, Zn and As using ICP for detection limits of 1ppm, 5ppm, 2ppm and 10ppm respectively.

Results were disappointing, with only seven samples assaying over 1ppm Au, with a maximum Au value of 9.34ppm for DMR075 taken from a small brecciated thrust fault. Kintaro rock chip sampling at the Driffield Mining Centre returned a best value of 28.6ppm Au from brecciated quartz veining.

Rock chip sample locations are included on Figure 6B, and full assay results are included in Appendix 2, Part A.

5.1.5 **RAB Drilling**

Sixty-six RAB drillholes (DMRB001 to DMRB066) were drilled on seven lines at the Driffield Mining Centre during Year 1 of exploration on EL9734. Drilling was targeted at areas where mineralised structures were interpreted to exist beneath a cover of alluvium and scree. All holes were drilled to a depth of 21 metres for a total of 1386 metres.

Drilling intersected predominantly strongly oxidised siltstone and greywacke with common massive white quartz, particularly near the top of the drillholes. No remnant sulphide mineralisation was encountered.

Samples were taken as 3 metre composites and sent to Assay Corp in Pine Creek for assay to a 0.01ppm Au detection limit using the fire assay technique. Analyses for Cu (1ppm DL), Pb (5ppm DL), Zn (2ppm DL) and As (1ppm DL) were also conducted, utilising ICP methods. Standard samples were taken periodically in order to check the accuracy of Assay Corp’s analytical methods.

Results were very disappointing, with only four samples returning assays of greater than 0.05ppm Au. The highest result came from 0 to 3 metres in DMRB020, returning only 0.11ppm Au. Base metal results were also very flat.

Drillhole cross-sections are shown on Sections 1 to 9 in Appendix 5, Part A, with drill logs included in Appendix 3, Part A (on floppy disk) and full assay results in Appendix 4, Part A. A plan showing the location of the RAB drilling is presented as Figure 7A.
5.1.6 **RC Drilling**

Sixty-six RC drillholes (DRC001 to DRC059 and DRC067 to DRC073) were drilled at the Driffield Mining Centre during the first year of exploration on EL9734. Hole depths varied from 60 to 118 metres for a total of 4794 metres drilled. RC drilling was conducted at eight sub-prospects (shown on Figure 8A) within the Driffield Mining Centre, using the geological mapping, soil geochemistry and data obtained from previous RC drilling by Kintaro (see Figure 8A) as targeting guides.

Drilling intersected interbedded sequences of mostly greywacke and siltstone, with lesser feldspathic sandstone/greywacke and rare thin tuff beds. Quartz was common in the drillholes, both as massive, white veins and thin, colourless stockwork veinlets. Sulphides were also commonly seen, associated with both quartz veining and wall rock, and were predominantly pyrite, with lesser amounts of arsenopyrite and occasional chalcocite and pyrrhotite. Alteration consisted mainly of clay, sericite and chlorite, with some minor silicification also noted. The level of oxidation within the drillholes was highly variable, with some drillholes at high elevations not reaching fresh rock for their entire length. Water table depth was also variable, but generally water had been encountered before 50 metres downhole depth.

Most drillholes were sampled at one metre intervals and despatched to Assay Corp in Pine Creek for assay for Au (0.01ppm detection limit) by the fire assay technique. Most samples were also analysed for Cu (1ppm DL), Pb (5ppm DL), Zn (2ppm DL) and As (1ppm DL) using ICP. One drillhole (DRC073) was sampled in three metre composites and assayed for Au only.

Results were generally very low and did not reflect anomalous values present in the soil geochemistry and rock chip samples. Best results were returned from narrow structures, which were discontinuous, both spatially and in Au grades. A poddy bulking of gold grades appeared to occur at the intersections of north and northwest trending thin shear zones, which were often filled with quartz. The shoots caused by the intersecting shears showed very little depth extension, and gold grades often dropped off with depth.
The best intersections from the RC drilling are summarised in the table below. A map with the RC drillhole locations is presented as Figure 8A and drillhole cross sections are shown on Sections 10 to 53 in Appendix 8, Part A. Drillhole geology logs are contained in Appendix 6, Part A (on floppy disk) and full assay results are included in Appendix 7, Part A. Full coverage of the RC drilling done by Kintaro can be found in the Annual Report, Driffield Area, MCN's 3304 – 3323 by Moline Management Pty. Ltd. (January 1992.)

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5.1.7 Diamond Drilling

Only one diamond drillhole (DDD001) was drilled at the Driffield Mining Centre. This consisted of a 50 metre RC precollar and 200 metres of NQ core for a total downhole depth of 250.0 metres. The drillhole was designed to give stratigraphic and structural information and was also targeted at an aeromagnetic high centred near the middle of the Mining Centre.
Drilling intersected tightly folded (often overturned) interbedded greywacke, siltstones, feldspatic sandstones/wackes and minor tuffs. Quartz was common in the drillhole, both as massive, white veins and thin colourless veinlets. Very few sulphides were found in the core, but consisted mostly of pyrite, with lesser chalcopyrite, arsenopyrite and pyrrhotite. The aeromagnetic high was explained by the presence of very fine grains of magnetite within the feldspatic sandstones/wackes. Valuable structural and stratigraphic data was obtained from the orientated core.

The RC precollar was sampled every metre and sent to Assay Corp in Pine Creek for analysis for Au to a 0.01ppm detection limit by fire assay. The samples were also assayed for Cu, Pb, Zn and As using ICP for detection limits of 1ppm, 5ppm, 2ppm and 10ppm respectively. Sampling of the diamond core was done selectively, with 91 samples of varying length sent to Assay Corp for Au analysis by fire assay (0.01ppm DL) and Cu, Pb, Zn, As and Bi (1ppm, 5ppm, 1ppm, 10ppm and 1ppm DL’s respectively) by ICP.

Results were extremely poor, with only three samples for the RC precollar assaying above the detection limit at 0.01ppm Au. None of the core returned values above the detection limit. Base metals were also very quiet, particularly Bi (no values above the detection limit) and As (only 3 samples above 20ppm).

The location of DDD001 is shown on Figure 8A. A geological cross section is presented as Section 54 in Appendix 11, with the geology log in Appendix 9 and full assay results for both the RC precollar and NQ core included in Appendix 10.

5.2 Emerald Creek

Previous to the granting of EL9734 exploration was undertaken by Pegasus at Emerald Creek under the EL8863 tenement. A summary of all previous exploration work is located in the EL8863 – Emerald Creek, Final Report on Exploration, November 1996.

Exploration on the Emerald Creek prospect during Year 1 of EL9734 consisted of gridding and —40# soil sampling, geological mapping, and RAB and RC drilling.
5.2.1 **Gridding and Soil Sampling**

Gridding and grid soil sampling was conducted by Arnhem Geological and Exploration Services on the Emerald Creek prospect in early 1997. Sampling continued south from the 1996 soil sampling on 100m and 200m spaced grid lines.

Six hundred and nine samples (ECS253 to ECS861) were sieved in the field to -40# and assayed by Assay Corp in Pine Creek using low-level fire assay for a detection limit of 1ppb Au. Samples were also assayed for Cu, Pb, Zn and As (1ppm, 5ppm, 2ppm and 1ppm detection limits respectively) using ICP techniques.

Results were mixed, with numerous samples returning values over 10ppb Au, defining an approximately 1000m x 300m, northeast trending anomalous zone. Results were generally below 10ppb Au for the southernmost four soil lines. A peak value of 350ppb Au was returned for ECS262.

Soil sample locations and results are shown on Figure 4B, with full assay results contained in Appendix 1, Part B.

5.2.2 **Geological Mapping**

Geological mapping was conducted over the Emerald Creek prospect at a scale of 1:2,500. Mapping was designed to extend understanding of the geological controls on Au mineralisation in the Emerald Creek area, and to aid in drillhole targeting.

A compilation map of the geological mapping at 1:5,000 scale is presented in this report as Figure 5B.

5.2.3 **RAB Drilling**

One hundred and fifteen RAB drillholes (ECRB001 to ECRB115) were drilled on eight lines at Emerald Creek during Year 1 of exploration on EL9734. Drilling was targeted at areas where mineralised structures were interpreted to exist beneath a cover of alluvium and scree. All holes were drilled to a depth of 21 metres for a total of 2415 metres.

Drilling intersected predominantly strongly oxidised siltstone and greywacke with common massive white quartz, particularly near the top of the drillholes. No remnant sulphide mineralisation was encountered.
Samples were taken as 3 metre composites and sent to Assay Corp in Pine Creek for assay to a 0.01ppm Au detection limit using the fire assay technique. Analyses for Cu (1ppm DL), Pb (5ppm DL), Zn (2ppm DL), As (1ppm DL), and Bi (10ppm DL) were also conducted, utilising ICP methods. Three metre composite samples that returned Au values >0.5ppm were resplit and sampled at metre intervals. Standard samples were taken periodically in order to check the accuracy of Assay Corp's analytical methods.

Results were mostly below 0.50ppm Au, with only five samples returning assays of greater than 1.00ppm Au. Extremely high results (up to 206ppm Au) from ECRB008 and ECRB009 were found to be caused by contamination of the samples during analysis at Assay Corp, and were resampled to obtain correct assays. The best true result came from ECRB030, returning 1.09ppm Au from 2 – 3 metres and 2.17ppm Au from 5 – 6 metres. Zinc assays were elevated throughout most drillholes, but most base metals were flat.

Stacked drillhole cross-sections are shown on Section 5.5 in Appendix 5, Part B. with drill logs included in Appendix 3, Part B (on floppy disk) and full assay results in Appendix 4, Part B. A plan showing the location of the RAB drilling is presented as Figure 7B.

5.2.4 RC Drilling

Eleven RC drillholes (ECRC006 to ECRC016) were drilled at the Emerald Creek prospect during the first year of exploration on EL9734. All drillholes apart from ECRC013 were drilled to 60 metres depth. ECRC013 was extended to 70 metres depth, giving a total of 670 metres drilled.

Drilling intersected interbedded sequences of greywacke and siltstone. Quartz was common in the drillholes, both as massive, white veins and thin, colourless stockwork veinlets. Sulphides were rare, with minor pyrite and arsenopyrite only seen in ECRC014 and ECRC015. Alteration consisted mainly of clay, which was often strong near the top of drillholes. Most drillholes just managed to intersect fresh rock in the last few metres of the drillhole. Only three drillholes (ECRC012, 013 and 015) reached the water table; all at 59 metres downhole depth.
ECRC006 to ECRC010 were sampled in 3 metre composites, and ECRC011 to ECRC016 were sampled at one metre intervals. All samples were despatched to Assay Corp in Pine Creek for assay for Au (0.01ppm detection limit) by the fire assay technique. All samples were also analysed for Cu (1ppm DL), Pb (5ppm DL), Zn (2ppm DL) and As (1ppm or 10ppm DL) using ICP. ECRC011 to ECRC016 were also assayed for Bi (10ppm DL) and Sn (1ppm and 20ppm DL).

Results were very disappointing, and did not reflect anomalous values present in the soil geochemistry and rock chip samples. The best result came from ECRC007, returning 3 metres at 0.50ppm Au from 12 to 15 metres depth. Only two other drillholes (ECRC011 and ECRC013) yielded any intersections of >0.30ppm Au.

A map with the RC drillhole locations is presented as Figure 8B and drillhole cross sections are shown on Sections 56 to 61 in Appendix 8, Part B. Drillhole geology logs are contained in Appendix 6, Part B (on floppy disk) and full assay results are included in Appendix 7, Part B.

5.3 Driffield North

Previous to the granting of EL9734 exploration was undertaken by Pegasus at Driffield North under the EL7942 tenement and by Kintaro under EL2044 and later as MCN’s 4400 to 4403. A summary of all previous exploration work conducted by Pegasus is located in the EL7942 – Driffield North, Final Report on Exploration, January 1997. A summary of exploration carried out by Kintaro is contained in the Annual and Final Report for Year Six – EL2044 – Driffield NT, January 1993.

Exploration on the Driffield North prospect during Year 1 of EL9734 consisted of ~40# soil sampling, geological mapping, rock chip sampling, and RC drilling.

5.3.1 Soil Sampling

Grid soil sampling was conducted by Arnhem Geological and Exploration Services on the Driffield North prospect in mid 1997. Sampling was done along ten grid lines to gain partial soil sample coverage of the area previously held by Kintaro, as MCN’s 4400 to 4403.

One hundred and seventy nine samples (DNS557 to DNS735) were sieved in the field to ~40# and assayed by Assay Corp in Pine Creek using low-level fire assay for a detection limit of 1ppb Au. Samples were also assayed for Cu, Pb, Zn and As (1ppm, 5ppm, 2ppm and 1ppm detection limits respectively) using ICP techniques.
Results were mixed, with numerous samples returning values over 10ppb Au, defining an approximately 500m x 200m, northerly trending anomalous zone covering an outcropping shear/breccia zone. Three samples (DNS584, DNS612 and DNS729) returned assay values greater than 100ppb Au, with DNS612 yielding the peak value of 184ppb Au.

Soil sample locations and results are shown on Figure 4C, with full assay results contained in Appendix 1, Part C.

5.3.2 Geological Mapping

Geological mapping was conducted over the Driffield North prospect at a scale of 1:2,500. Mapping was designed to extend understanding of the geological controls on Au mineralisation in the Driffield North area, and to aid in drillhole targeting.

A compilation map of the geological mapping at 1:5,000 scale is presented in this report as Figure 5C.

5.3.3 Rock Chip Sampling

One hundred and fifteen rock chips (DNRC97/1 to DNRC97/115) were taken in the Driffield North area in association with the geological mapping program. Samples were taken from outcropping shears/breccia zones, massive and stockwork quartz veins, zones of strong sericite/chlorite/siliceous alteration, and from rocks containing heavily oxidised sulphides.

Rock chips were sent to Assay Corp in Pine Creek for analysis using fire assay to a detection limit of 0.01ppm Au. Samples were also assayed for Cu, Pb, Zn and As using ICP for detection limits of 1ppm, 5ppm, 2ppm and 10ppm respectively.

Most samples were anomalous in Au, with ten samples assaying over 1ppm Au, for a maximum Au value of 4.10ppm for DNRC97/85. Base metal values were usually strongly elevated, particularly As, in the highly Au anomalous samples.

Rock chip sample locations are included on Figure 6A, and full assay results are included in Appendix 2, Part B.
5.3.4 **RC Drilling**

Five RC drillholes (DNRC001 to DNRC005) were drilled at the Drifffield North prospect during the first year of exploration on EL9734. All drillholes were drilled to 60 metres depth, for a total of 300 metres drilled.

Drilling intersected interbedded sequences of greywacke and siltstone. Quartz was common in the drillholes, both as massive, white veins and thin, colourless stockwork veinlets. Sulphides were rare, with minor pyrite encountered in DNRC003. Alteration consisted of weak clay near the top of drillholes. Oxidation was variable, but generally the transition zone was struck at a shallow depth, and fresh rock intersected below 50 metres. Water was not encountered in any of the drillholes.

All drillholes were sampled as 3 metre composites. All samples were despatched to Assay Corp in Pine Creek for assay for Au (0.01 ppm detection limit) by the fire assay technique. All samples were also analysed for Cu (1 ppm DL), Pb (5 ppm DL), Zn (2 ppm DL) and As (10 ppm DL) using ICP.

Results were disappointing, and did not reflect anomalous values present in the soil geochemistry and rock chip samples. Only two drillholes (DNRC002 and DNRC003) returned any Au anomalous intersections above 0.30 ppm. These were DNRC002, 6 – 9 metres, 3 metres @ 0.61 ppm Au, and DNRC003, 3 – 6 metres, 3 metres @ 0.33 ppm Au.

A map with the RC drillhole locations is presented as Figure 8C and drillhole cross sections are shown on Sections 71 to 75 in Appendix 8, Part C. Drillhole geology logs are contained in Appendix 6, Part C (on floppy disk) and full assay results are included in Appendix 7, Part C.

5.4 **Drifffield West**

Previous to the granting of EL9734 exploration was undertaken by Pegasus at Driffield West under the EL7941 tenement. A summary of all previous exploration work conducted by Pegasus is located in the EL7941 – Driffield West, Final Report on Exploration, January 1997.

Exploration on the Driffield West prospect during Year 1 of EL9734 consisted of geological mapping, rock chip sampling, and RAB and RC drilling.
5.4.1 Geological Mapping

Geological mapping was conducted over the Driffield West prospect at a scale of 1:2,500. Mapping was designed to extend understanding of the geological controls on Au mineralisation in the Driffield West area, and to aid in drillhole targeting.

A compilation map of the geological mapping at 1:5,000 scale is presented in this report as Figure 5D.

5.4.2 Rock Chip Sampling

Fifty-two rock chips (DW97/1 to DW97/7 and TBRC97/1 to TBRC97/45) were taken in the Driffield West area in association with the geological mapping program. Samples were taken from outcropping shears/breccia zones, massive and stockwork quartz veins, zones of strong alteration, and from rocks containing heavily oxidised sulphides.

Rock chips were sent to Assay Corp in Pine Creek for analysis using fire assay to a detection limit of 0.01ppm Au. Samples were also assayed for Cu, Pb, Zn and As using ICP for detection limits of 1ppm, 5ppm, 2ppm and 10ppm respectively.

Most samples were weakly anomalous in Au, with three samples assaying over 1ppm Au, for a maximum Au value of 2.94ppm for TBRC97/10. Base metal values were usually strongly elevated, particularly As, in the highly Au anomalous samples.

Rock chip sample locations are included on Figure 6B, and full assay results are included in Appendix 2, Part C.

5.4.3 RAB Drilling

Seven RAB drillholes (DWRB001 to DWRB007) were drilled on one line at Driffield West during Year 1 of exploration on EL9734. Drilling was targeted at areas where mineralised structures were interpreted to exist beneath a cover of alluvium and scree. All holes were drilled to a depth of 21 metres for a total of 147 metres.

Drilling intersected predominantly strongly oxidised siltstone and greywacke with common massive white quartz, particularly near the top of the drillholes. No remnant sulphide mineralisation was encountered.
Samples were taken as 3 metre composites and sent to Assay Corp in Pine Creek for assay to a 0.01ppm Au detection limit using the fire assay technique. Analyses for Cu (1ppm DL), Pb (5ppm DL), Zn (2ppm DL), and As (1ppm DL) were also conducted, utilising ICP methods. Standard samples were taken periodically in order to check the accuracy of Assay Corp's analytical methods.

Results were mostly below 0.10ppm Au, with only one sample returning an assay of greater than 1.00ppm Au (DWRB004, 0 – 3 metres, 3m @ 11.7ppm). Zinc assays were elevated throughout most drillholes, and there was a weak correlation between gold and arsenic, but most base metals were flat.

Drillhole cross-sections are shown on Section 62 in Appendix 5, Part C, with drill logs included in Appendix 3, Part C (on floppy disk) and full assay results in Appendix 4, Part C. A plan showing the location of the RAB drilling is presented as Figure 7C.

5.4.4 RC Drilling

Nine RC drillholes (DWRC001 to DWRC009) were drilled at the Driffield West prospect during the first year of exploration on EL9734. Drillholes ranged in depth from 60 to 82 metres, for a total of 582 metres drilled.

Drilling intersected interbedded sequences of greywacke and siltstone. Quartz was common in the drillholes, both as massive, white veins and thin, colourless stockwork veinlets. Sulphides were rare, with minor pyrite only seen in DWRC003 and DWRC004. Oxidation was variable, with a shallow weathered to transitional change, and fresh rock only intersected near the bottom of some drillholes. Water was only intersected in DWRC003 and DWRC004 at 59 and 53 metres respectively.

All drillholes were sampled as 3 metre composites. Samples from DWRC001 to DWRC005 were despatched to Assay Corp in Pine Creek for assay for Au (0.01ppm detection limit) by the fire assay technique. These samples were also analysed for Cu (1ppm DL), Pb (5ppm DL), Zn (2ppm DL), and As (10ppm DL) using ICP. DWRC001 and DWRC002 were also assayed for Ag (1ppm DL), Bi (10ppm DL) and Sn (20ppm DL). Samples from DWRC006 to DWRC009 were assayed for Au only to a 0.01ppm DL at the Mt. Todd site laboratory.
Results were generally weakly anomalous, but were not sufficiently high to warrant further work at this stage. The table below summarises the best intercepts gained from the RC drilling.

<table>
<thead>
<tr>
<th>Hole Number</th>
<th>Grid North</th>
<th>Grid East</th>
<th>From m</th>
<th>To m</th>
<th>Width (m)</th>
<th>Grade (g/t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DWRC001</td>
<td>9415.00</td>
<td>9425.00</td>
<td>12</td>
<td>33</td>
<td>21</td>
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<tr>
<td>DWRC002</td>
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<tr>
<td>DWRC004</td>
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<td>33</td>
<td>3</td>
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<td>DWRC006</td>
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<td>9022.00</td>
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<td>27</td>
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</tr>
<tr>
<td>DWRC009</td>
<td>9536.00</td>
<td>9087.00</td>
<td>54</td>
<td>57</td>
<td>3</td>
<td>0.70</td>
</tr>
</tbody>
</table>

A map with the RC drillhole locations is presented as Figure 8D and drillhole cross sections are shown on Sections 63 to 70 in Appendix 8, Part D. Drillhole geology logs are contained in Appendix 6, Part D (on floppy disk) and full assay results are included in Appendix 7, Part D.

5.5 **Golden Slipper**

Previous to the granting of EL9734 exploration was undertaken at Golden Slipper by Billiton Australia Gold Pty Ltd, and subsequently by Pegasus under the EL7635 tenement. A summary of all previous exploration work conducted by Billiton and Pegasus is located in the EL7635 – Horseshoe, Final Report on Exploration, January 1997.

Exploration on the Golden Slipper prospect during Year 1 of EL9734 consisted only of RAB drilling.

5.5.1 **RAB Drilling**

Thirty-four RAB drillholes (GSRB001 to GSRB034) were drilled on two lines at Golden Slipper during Year 1 of exploration on EL9734. Drilling was an extension of RAB drilling conducted by Billiton over a +10ppb Au gold-in-soil anomaly. All holes were drilled to a depth of 21 metres for a total of 714 metres.

Drilling intersected predominantly strongly oxidised siltstone and lesser greywacke with very common massive white quartz, particularly near the top of the drillholes. No remnant sulphide mineralisation was encountered.
Samples were taken as 3 metre composites and assayed to a 0.01ppm Au detection limit at the Mt. Todd site laboratory using the fire assay technique. Standard samples were taken periodically in order to check the accuracy of the laboratory’s analytical methods.

The vast majority of results were below 0.10ppm Au, with only one drillhole returning any assays greater than 0.30ppm Au (GSRB008, 0 – 3 metres, 3m @ 2.98ppm and 3 – 6 metres, 3 metres @ 0.46ppm).

Stacked drillhole cross-sections are shown on Section 76 in Appendix 5, Part D, with drill logs included in Appendix 3, Part D (on floppy disk) and assay results in Appendix 4, Part D. A plan showing the location of the RAB drilling is presented as Figure 7D.

5.6 Driffield South


Exploration on the Driffield South prospect during Year 1 of EL9734 consisted of geological mapping and rock chip sampling.

5.6.1 Geological Mapping

Geological mapping was conducted over the Driffield South prospect at a scale of 1:5,000. Mapping was designed to extend understanding of the geological controls on Au mineralisation in the Drifffield South area, and to aid in future drillhole targetting.

A compilation map of the geological mapping at 1:5,000 scale is presented in this report as Figure 5E.

5.6.2 Rock Chip Sampling

One hundred and forty rock chips (DRR001 to DRR140) were taken in the Driffield South area in association with the geological mapping program. Samples were taken from outcropping shears/breccia zones, massive and stockwork quartz veins, zones of strong alteration, and from rocks containing heavily oxidised sulphides.
Rock chips were sent to Assay Corp in Pine Creek for analysis using fire assay to a detection limit of 0.01ppm Au. Some samples were also assayed for Cu, Pb, Zn and As using ICP for detection limits of 1ppm, 5ppm, 2ppm and 10ppm respectively.

Results were generally disappointing, with most samples assaying below the detection limit. Only eight samples assayed over 0.50ppm Au. The highest result came from a small, thin, heavily brecciated quartz vein, which returned a strong 141.0ppm Au (DRR081). DRR140 was a check sample of DRR081 and still returned a comparable 97.0ppm Au. Base metals were also strongly elevated, particularly As and Pb, in the highly Au anomalous samples.

Rock chip sample locations are included on Figure 6B, and full assay results are included in Appendix 2, Part D.

5.7 GIS and Remote Sensing Studies

Pegasus completed a thorough compilation of a GIS database through the acquisition of digital data from various government and private companies. Data pertinent to the EL9734 region included combined Landsat/SPOT imagery at 1:50,000 scale and 1:25,000 scale digital photography and 5m contours over the Driffield area. Digital aerial photography at 1:60,000 scale with 5m contours and a regional airborne geophysical survey were obtained for the area north of EL9734 and were useful in defining and recognising regional trends.

All the digital data was manipulated in ARCVIEW with all geochemical and drill data in a GEMCOM PCXPLOR database.

6. REHABILITATION

All RAB drill holes within EL9734 were backfilled and sealed immediately after drilling was completed. No PVC collar pipe or plastic sample bags were used during RAB drilling.

RC drilling generally required access and pad preparation by D6 bulldozer. All PVC collars and sample plastics were removed and the drillholes sealed below ground level. All drill pads were fully rehabilitated back to original surface in December.
7. CONCLUSIONS AND RECOMMENDATIONS

Exploration by Pegasus within EL9734 has targeted previously defined anomalous surface geochemistry in several areas.

Geological mapping, rock chip sampling and further soil sampling has delineated several areas which required further investigation. Many of these areas were not followed up during Year One of exploration on EL9734 and significant potential still exists for significant discoveries. Also, much of EL9734 is still relatively unexplored even at a grass roots level, which only adds to the potential of the tenement which is located in a major gold bearing region.

RAB drilling in several locations generally produced disappointing results that did not reflect surface geochemistry. As much of EL9734 is covered by alluvial soils and weathered scree more RAB drilling is definitely required to fully evaluate covered areas, particularly those that hide interpreted mineralised structures. RC drilling of the more advanced targets in EL9734 produced many significant results, particularly in the Driffield Mining Centre and Driffield West regions, but failed to delineate a mineable resource. The poddy, discontinuous nature of the Au mineralisation makes resource definition difficult in these areas. However, RC drilling was relatively limited, both in extent and in depth, and much potential remains on EL9734 for the discovery of a significant resource.

A two pronged, systematic exploration approach is recommended for Year Two exploration on EL9734. This would be composed of further drilling of advanced targets and more grass roots exploration, including soil and rock chip sampling, geological mapping and RAB drilling, on newly discovered and hidden anomalies.

8. FORWARD PROGRAM

Exploration proposed at EL9734 during the forthcoming year is as follows:

- Expanded Soil Sampling $5,000
- Geological Mapping and Rock Chip Sampling $5,000
- RAB Drilling (500m) $12,500
- RC Drilling (1000m) $50,000

TOTAL $72,500
## 9. EXPENDITURE STATEMENT

**EL9734 - DRIFIELD**

Total Expenditure for period 25th October 1996 - 24th October 1997

<table>
<thead>
<tr>
<th>COST DESCRIPTION</th>
<th>EXPENDITURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Wages</td>
<td>$ 367,696</td>
</tr>
<tr>
<td>Travel and Accommodation</td>
<td>$ 7,117</td>
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<tr>
<td>Vehicles and Fuel</td>
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<tr>
<td>Contractors – Geology</td>
<td>$ 25,910</td>
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<tr>
<td>Contractors – Geochemistry</td>
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<td>Consultants – Geology/Geophysics</td>
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<td>Assays</td>
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<td>Drilling</td>
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<td>Consumables</td>
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<tr>
<td>Camp Costs</td>
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<td>Surveys and Gridding</td>
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<tr>
<td>Aerial Photography and Satellite Imagery</td>
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<tr>
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<td>Administration (15%)</td>
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</table>

**TOTAL EXPENDITURE**  
$ 1,205,423