



William Australia N.L.

THIRD ANNUAL REPORT
EXPLORATION LICENCE 9011
RUSTLER'S EAST

FOR THE PERIOD ENDING 20 FEBRUARY 1998

CR 98 / 394

LICENCEE:	Rustler's Roost Mining Pty Ltd.
OPERATOR:	William Australia NL
MAP SHEET:	Darwin 1:250,000.
AUTHOR:	James Venables, Consultant Geologist.
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SUMMARY

Exploration Licence 9011, *Rustler's East* is one of several held by Rustler's Roost Mining Pty Ltd within the area surrounding the Rustler's Roost gold mine. The area is considered prospective for stratabound and stockwork gold mineralisation within lithologies of the Early Proterozoic Mount Bonnie Formation and Burrell Creek Formation.

This report summarises the exploration activities completed during the third year of tenure, the expenditure incurred from these activities and the proposed exploration program for the fourth tenement year.

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1. INTRODUCTION

Exploration Licence 9011 *Rustler's East*, is centred approximately 100 kilometres southeast of Darwin and to the immediate east of the Rustler's Roost gold mine lease area (Figure 1). The tenement occurs in the southwestern quadrant of the Mount Bunday 1:50000 sheet. Access from Darwin is via the Arnhem Highway and a well-formed gravel road to the Rustler's Roost mine, which passes through the southern portion of the tenement.

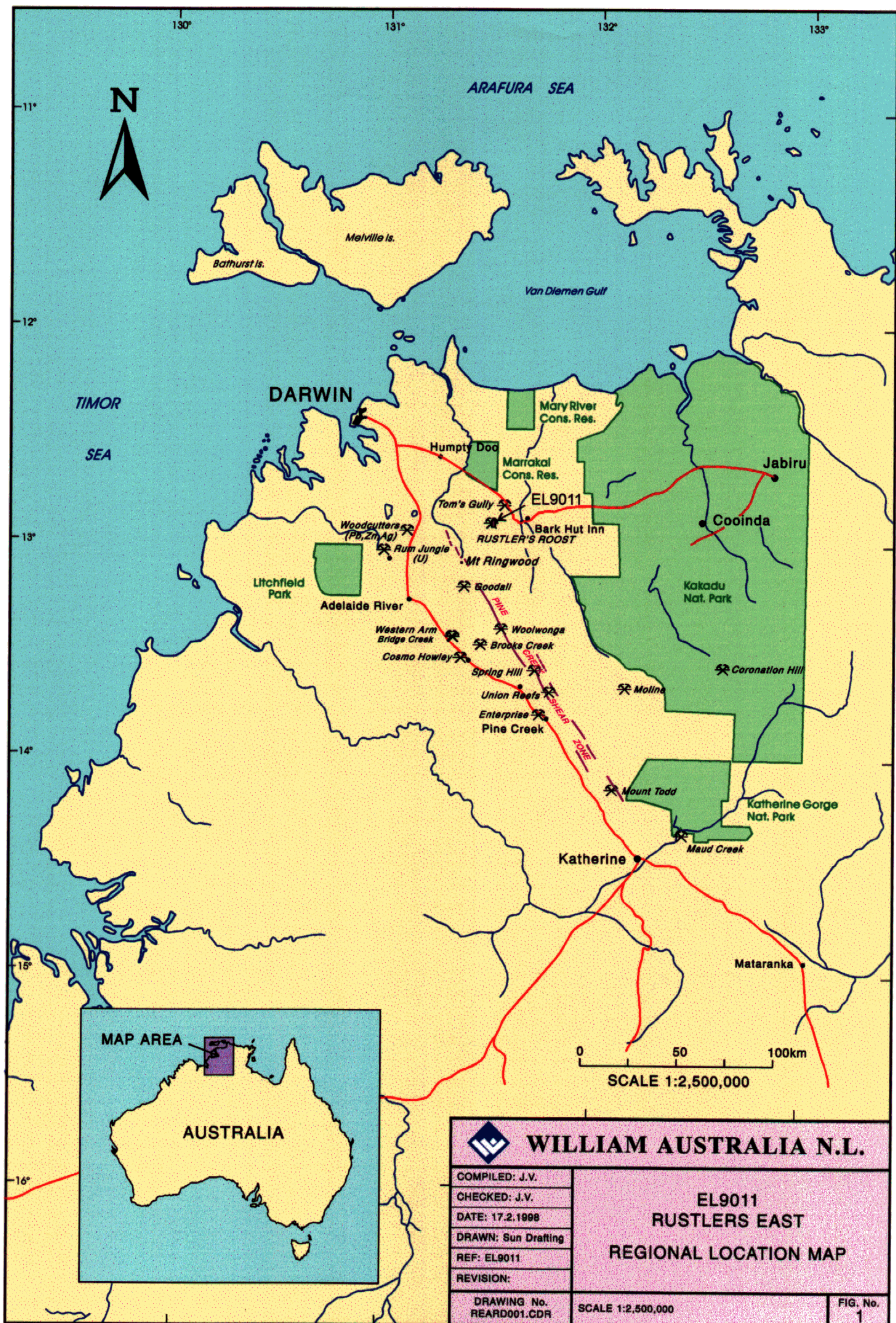
The majority of the area is accessible by vehicle with care during the wet season although boggy ground conditions prevail in lower-lying areas. Access within the tenement area is good, by way of a network of exploration tracks, the Rustler's Roost mine camp access road and the mine's power line. Additionally, the topography is very amenable to cross-country four wheel drive traversing.

The topography of the tenement area is characterised by steep strike ridges dissected by well-developed drainage systems which are typically filled with alluvium, silt or black soil.

The area covered by EL 9011 is encompassed by "Old Mount Bunday" station, which is used primarily for low-density beef cattle grazing.

The tenement area was selected primarily for its potential to host stratabound or stockwork gold mineralisation within prospective lithologies of the Proterozoic Mount Bonnie and Burrell Creek Formations.

The tenement is one of several held by Rustler's Roost Mining Pty Ltd within the area local to the Rustler's Roost mine.



2. TENURE

Exploration Licence 9011 was granted to Valdora Mining Pty Ltd on 21 February, 1995 for a period of five years. The title of the tenement was subsequently transferred to Rustler's Roost Mining Pty Ltd following the takeover by William Resources Inc. A minimum expenditure covenant of \$100,000 was nominated for the first tenement year thence \$30,000 and \$5,000 for the second and third years respectively.

The tenement consists of 2 graticular blocks, occupying approximately 6.5km² as outlined below. A small portion of the southern block is occupied by MLN 1083 whilst the majority of the northern block is held under MCN's 2671 to 2683 inclusive.

Mining Tenure map identification: Mount Bundey 1:50,000 (Map number 8/6-III)

Blocks number: 11/65 and 11/66

An application for deferral of the statutory partial reduction was made prior to the end of the second tenement year, which was subsequently granted. This deferral was sought as a result of the pending conversion of the EL (and adjacent MCN's) to a Mineral Lease to allow for the expansion (Stage 2) of the Rustler's Roost mining operation. Specifically, the Lease is sought to allow for construction of a tailings pond, waste dumps and mine camp.

Similarly, prior to the third anniversary of the tenement, an application of the waiver of reduction was submitted on 18 January 1998 for the same rationale. The grant of the Lease is currently stalled, pending the resolution of Native Title implications. At the time of preparation of this report, acknowledgment of this waiver is outstanding.

3. REGIONAL GEOLOGY

For the purposes of continuity, the geology described herein includes the area held within MCN's 2671-2683 and MLN 1083, which occupy portions of the Exploration Licence.

Exploration Licence 9011 is located within the central northern portion of the Proterozoic Pine Creek Geosyncline. The tenement may be divided into two basic physiographic units; grassy lowlands in the southern and eastern portions and low, wooded strike ridges in the western and northern portions. The abundance of outcrop is directly related to these units, being sparse in the low-lying areas and abundant on the ridges. The ridges typically exhibit a thin veneer of Tertiary laterite or lateritic residuum in most areas. Drainages are generally well developed though typically filled with fine loam and silt.

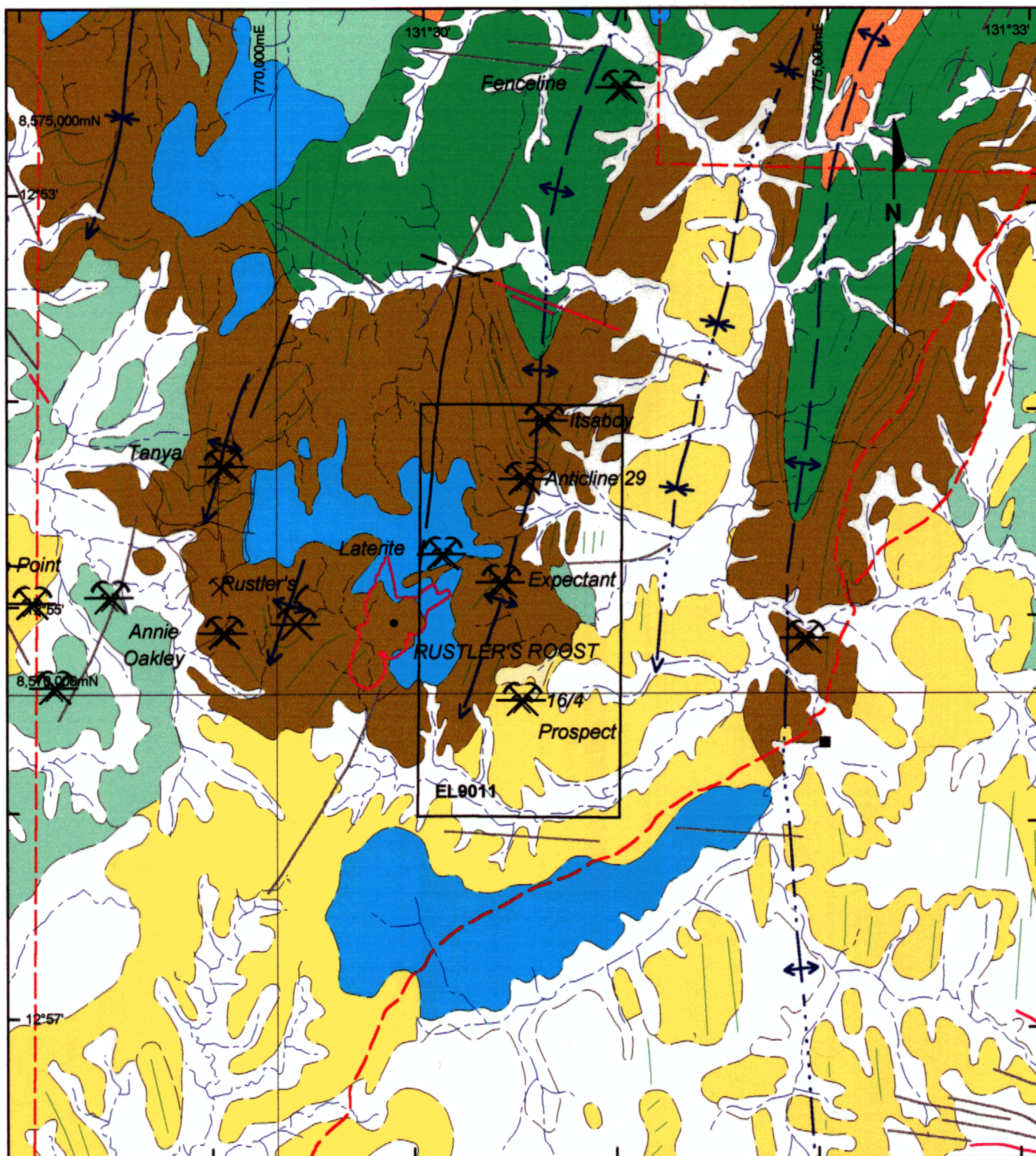
The tenement area is interpreted to be underlain by sediments of the Early Proterozoic Frances Creek Group which is represented by the Mount Bonnie Formation and is overlain by the Finnis River Group, represented locally by the Burrell Creek Formation. Of these stratigraphic units, the Mount Bonnie Formation presents the main focus for exploration targeting, and is considered to be prospective for large tonnage, low grade gold deposits such as that at the nearby Rustler's Roost gold mine.

The Mount Bonnie Formation is exposed as a series of steep strike ridges in the northern and western portions of the tenement. It is dominated by a shallow marine sequence of interbedded and graded mudstone, chert and greywacke

The Burrell Creek Formation is the youngest Proterozoic sedimentary unit, conformably overlying the Mount Bonnie Formation and being dominant in the southern portions of the tenement. The Burrell Creek Formation is interpreted to be a flysch sequence of fine to coarse sediments and is the most commonly outcropping unit within the Pine Creek Geosyncline. This unit is also considered to be prospective for large tonnage, low grade gold deposits; the Batman Deposit (6.6 million ounces) at Mount Todd is hosted by sediments of the Burrell Creek Formation.

All of the sequences are folded and plunge gently to the south.

The prospect geology is summarised on Figure 2.



QUATERNARY

Qa silt, sand, clay and gravel in creek and river alluvium and flood plain deposits

TERTIARY TO QUATERNARY

Czi Laterite
Cz Gradational red soils and yellow earth type soils

EARLY PROTEROZOIC

Egu KATHERINE RIVER GROUP
MOUNT BUNDEY GRANITE coarse pink granite

Edz ZAMU DOLERITE massive quartz dolerite

FINNIS RIVER GROUP

Efb BURRELL CREEK FORMATION laminated shale and siltstone with minor greywacke and conglomerate

SOUTH ALLIGATOR GROUP

Eso MOUNT BONNIE FORMATION laminated shale and siltstone with minor laminated black chert bands, lenses and nodules, minor pyritic banded iron formation and greywacke and rare silicified dolomite

Esg GEROWIE TUFF laminated siliceous tuffaceous shale and siltstone, minor chert nodules and thin beds of iron formation

Esk KOOLPIN FORMATION ferruginous siltstone and shale commonly carbonaceous and pyritic, with chert bands, lenses and nodules, minor silicified dolomite lenses and ironstone

MOUNT PARTRIDGE GROUP

Epw WILDMAN SILTSTONE laminated colour banded shale and siltstone pyritic and carbonaceous at depth; minor silicified dolomite

0 2km

SCALE 1:50,000



WILLIAM AUSTRALIA N.L.

COMPILED: J.V.

CHECKED: J.V.

DATE: 19.2.1998

DRAWN: SUN DRAFTING

REF: Rustler's East

REVISION:

DRAWING No.
REMPD001.wor

EL9011

GEOLOGICAL MAP

SCALE 1:50,000

FIG. No.
2

4. PREVIOUS EXPLORATION

Exploration Licence 9011 was originally part of EL 1473 which was granted to Ben Hall and Cameron Cleary in September 1979. Reconnaissance surveys failed to locate any gold mineralised zones.

The blocks were then included within EL 3444 which was granted to Talmiro Trading Pty Ltd in January 1982. Although it is known that during the period of this tenement, mapping and surveying was carried out to construct an all-weather road into the EL, no reports of exploration have been sighted.

One block became part of EL 4918 during July 1986, held by Reo Gold Pty Ltd. This tenement originally consisted of three blocks, of which the northwestern block is contained within the current EL 9011. After a series of Joint Venture/Farm In agreements, EL 4918 was passed to the Australian Land Company Pty Ltd. In June 1988, the Australian Land Company engaged in a Joint Venture with Carpentaria Gold Pty Ltd.

Mapping, stream sediment sampling and rock chip sampling dominated Carpentaria's exploration program and was successful in defining two areas for further exploration. These areas were known as the Auger South Extension prospect and the 16/4 prospect. Little follow-up work was completed over the Auger South Extension prospect. Exploration of the 16/4 prospect consisted of four costeans and four RC percussion drill holes. A further phase of soil sampling confirmed the area as gold-anomalous which led to the area being RAB drilled for a total of 714 metres in 219 holes. An additional four costeans were excavated.

The Exploration Licence then passed to Zapopan NL who immediately applied for eleven Mineral Claims (MCN's 3452 to 3462) to retain tenure of the area covered. Zapopan conducted a geochemical sampling programme over the area and detected a weak gold-in-soil anomaly along the western boundary of their tenure.

Exploration by Valdora Mining Pty Ltd (now Rustler's Roost Mining Pty Ltd) during the first year of tenure under EL 9011 included literature reviews and RC percussion drilling. This work is described in detail in the First Annual Report for EL 9011.

Exploration activities during the second year of tenure of EL 9011 included aerial photography, compilation of published geological mapping, compilation of available aeromagnetics, costeans and reverse circulation and diamond core drilling. This work is detailed in the Second Annual Report for EL 9011.

5. CURRENT EXPLORATION

Due to the gradual decline of the world gold price and the general downturn of the minerals industries over the past year, the majority of high-cost exploration activities proposed for the tenements held by Rustler's Roost Mining were postponed in favour of low-cost, high value activities. These programs have included regional mapping, regional geochemistry, interpretation of remote data, reviews of available literature and technical data and conceptual geological studies. Accordingly, EL 9011 was included in these activities.

Exploration completed during the third tenement year commenced with a review of previous exploration results with an emphasis on data recorded from the sterilisation and rock mechanics drilling and trenching program completed during the second year. Additionally, a structural interpretation based upon a combination of known geological features, aerial photograph interpretation and regional aeromagnetics imagery was conducted.

The report produced by the engineering consultants (included within the second Annual Report for the tenement) was reviewed and additional structural data was collected from the costeans where possible. Detailed re-logging of the HQ core was intended but postponed following an inspection of the core, which suggested that little worthwhile data was likely to be gained.

A detailed, integrated study of the geology, structure and mineralogy of the Rustler's Roost mine sequences was initiated, with the primary objective of identifying additional oxide resources proximal to the mine. Whilst the majority of this work was conducted within the mine lease area, mapping of postulated extensions of the mine sequences and interpreted regional structural controls included the area held within the southern portion of EL 9011.

Geological mapping was initiated at aerial photograph (1:20,000) scale. This work successfully identified easterly extensions of the mine sequence by tracing a prominent horizon known as the *Beef Bucket Reef* through costeans within the lease area and extrapolating outcrop structure. Additionally, a series of subtle north-northeasterly to northeasterly structures were identified which are considered to be possible contributing factors to mineralisation controls. Compilation of this work is ongoing and is therefore as yet inconclusive.

6. EXPLORATION EXPENDITURE FOR YEAR 3

A minimum expenditure covenant of \$5,000 was nominated for the period of the third tenement year which is covered by this report.

Exploration expenditure on EL 9011 during the third year of tenure is itemised below.

Geological consultants	\$ 500.00
Geological studies	\$ 105.00
Accommodation and meals	\$ 306.00
Vehicle charges	\$ 656.00
Drafting	\$ 197.00
Salaries and wages	\$ 2723.00
Tenement costs	\$ 120.00
Overheads	\$ 691.00
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TOTAL	\$ 5298.00

7. CONCLUSION AND PROPOSALS

Exploration Licence 9011 *Rustlers East*, includes stratigraphy considered prospective for stratabound and/or stockwork gold mineralisation within lithologies of the Proterozoic Mount Bonnie and Burrell Creek Formations.

Exploration activities during the third year were aimed at continued, low-key evaluation of the tenement with specific objectives of mapping extensions of the highly prospective Rustler's Roost mine sequences and possible structural controls for mineralisation.

Although earlier work had indicated poor prospectivity of the area, work completed during the third year suggests that careful, detailed mapping may contribute to the discovery of additional oxide resources proximal to the mine. The temporary delay to the development of Stage 2 of the Rustler's Roost deposit due to the current poor gold market has provided the opportunity to evaluate this potential more thoroughly.

The application to convert EL 9011 to a Mineral Lease is still awaiting grant and as such, a waiver of the statutory partial reduction has been requested.

A minimal exploration program is proposed for the fourth year, incorporating ongoing compilation and review of available data aimed at either generating specific target areas for further exploration when funds become available and/or confirming the sterilisation of the tailings dam area. All activities during the fourth year will be conducted by geological consultants. A total expenditure of \$2,500 is proposed for the ~~third~~ year of tenure.

fourth

8. REFERENCES

The following published and unpublished reports and papers were used to provide background information relevant to EL 9011 during the third year exploration program and the preparation of this report.

- Edwards, A, 1996. First Annual Report, Exploration Licence 9011 (Rustler's East) for the Period Ending 21 February 1996. *Unpublished statutory report for Northern Territory Department of Mines and Energy.*
- Nicholson, PM, Ormsby, WR and Farrar, L, 1994. A review of the Structure and Stratigraphy of the Central Pine Creek Geosyncline, in *Proceedings AusIMM Annual Conference, 1994.*
- Poxon, RF and Hein, KAA, 1994. The Geology and Gold Mineralisation of the Batman Deposit, Mt Todd Project, NT, in *Proceedings AusIMM Annual Conference, 1994.*
- Rabone, G, 1995. Preliminary Report on the Mineral Occurrences Within a 25 Kilometre Radius of the Rustler's Roost Gold Mine, Northern Territory. *Unpublished internal report for Valdora Mining Pty Ltd.*
- Venables, J, 1997. Second Annual Report, Exploration Licence 9011, Rustlers East, for the Period Ending 20 February 1997. *Unpublished statutory report for Northern Territory Department of Mines and Energy.*