Title: ANNUAL REPORT FOR EXPLORATION LICENCE 7523 (YEAR SEVEN) SARGENTS AREA, BATCHELOR NORTHERN TERRITORY 22.04.98 TO 21.04.99

Project Name: SARGENTS

Map Sheets: PINE CREEK SD 52-8 1:250,000

Commodities: GOLD, BASE METALS

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Volumes: VOLUME I

Accepted by: [Signature]

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REPORT

LOCATION MAP

SUMMARY

No field work was carried out during the reporting period. The Sargents and Sargents North prospects, however, remain prospective for gold and Aztec Mining/Normandy Woodcutters Limited wish to retain the ground. For this reason an Exploration Retention Licence has been applied for over the most prospective areas.

During the last 2 years all exploration activity has been focussed around the Woodcutters Mine site. With the closure of the mine on 17th March 1999 many of the Normandy Woodcutters and Aztec Mining exploration licences have been reviewed and offered for sale. At the time of writing a number of companies have expressed an interest in reviewing the data at Sargents.
1. **CONCLUSIONS AND RECOMMENDATIONS**

1.1 The controls and style of gold mineralisation located at the prospects are still not well understood, but they show a number of similarities with unconformity related uranium-gold-PGM style mineralisation, e.g. Coronation Hill.

1.2 The genesis of the haematitic breccias in the early Proterozoic succession beneath the Tolmer Group sandstones is uncertain, but it is either a flat laying thrust fault zone or a west dipping fault.

1.3 A comprehensive interpretation of the geology and structure utilising the large geochemical, geological and geophysical database is required before planning any follow-up exploration.

1.4 The source of the magnetic high is a magnetite rich pod within metamorphosed dolerite or gabbro.

1.5 The bleached brecciated sediments intersected in SARD6 are not mineralised.

2. **INTRODUCTION**

Exploration Licence 7523 is held by Aztec Mining Company Limited/Normandy Woodcutters Limited and was taken out to explore the area for structurally controlled base metal (Woodcutters type) and unconformity related uranium-gold-PGM mineralisation.

With the Woodcutters Mine closure many of the Aztec/Normandy Woodcutters of exploration licences are for sale and a number of companies have expressed an interest in reviewing the data. As the Sargents and Sargents North prospects are still regarded as prospective for gold an Exploration Retention Licence has been applied for.

The aim of this report is to outline the reasons for retaining the ground covered by EL 7523.

3. **LOCATION AND ACCESS**

Exploration Licence 7523 (Sargents) is located 15kms south southwest of Batchelor on the Batchelor 1:100,000 (5171) map sheet. Access is gained via Camp Creek Road from Adelaide River or south along the old railway line from Batchelor (Figure 1).

4. **TENURE**

Exploration Licence 7523 was granted to Aztec Mining Company Limited on 31st March 1992 for a period of six years. The licence comprised 25 graticular blocks and was subsequently reduced from 25 to 7 graticular blocks. It has been renewed for a period of 2 years.
5. **PREVIOUS EXPLORATION**

During 1952, the BMR conducted an airborne radiometric survey of the district (Wood and McCarthy, 1952) and identified the Waterhouse No.2 radiometric anomaly which is located immediately to the north east of EL 7706.

In 1965, the BMR carried out a reconnaissance geological, geochemical and geophysical survey over the area now covered by EL 7706 (Shatwell and Duckworth, 1966). Auger holes were spaced 122m (400 feet) apart along east-west traverses spaced at 732m (2400 feet) intervals. Bottom hole, 'C' horizon samples were collected and assayed for Cu, Pb, Ni, Co, U and P, and holes were radiometrically probed. Electromagnetic and radiometric surveys were also conducted along the regional traverses.

Modern ground exploration of the area commenced in 1970 when the BMR conducted a combined reconnaissance geological, geochemical and radiometric survey in the vicinity of Stapleton. Auger holes were drilled to the "C" horizon on a grid with holes spaced 61 metres (200 feet) apart along traverses at 366 metres (1200 feet) intervals. All samples were assayed for Cu, Pb, Zn and Ni. Maximum values obtained on the current EL 7523 were 870 ppm Ni, 1100 ppm Pb, 310 ppm Zn and 320 ppm Cu. The high Pb value is an isolated occurrence and probably does not represent a significant anomaly. More cohesive Ni anomalies are however evident in the data. Elevated Ni values occur over the Beestons Formation and Celia Dolomite, and also appear to be related to the Middle Proterozoic Tolmer Group/Lower Proterozoic unconformity.

In 1974, the BMR also drilled a 6.4 m stratigraphic hole (RJ 72, Enclosure 1), on EL 7706 as part of a regional stratigraphic drilling program (Johnson et al., 1979). A hard, pink, fine to medium grained quartzite was cored from 6.1 to 6.4m.

Private company exploration of the area commenced in 1971 following the Commonwealth Government release of land from the Rum Jungle Reserve area. Queensland Mines Ltd was granted AP2501 which included the majority of the current EL 7523. Exploration was mainly for uranium and included airborne radiometrics, follow-up reconnaissance ground radiometrics and auger drilling along the inferred Coomalie Dolomite/Whites Formation contact. Some reconnaissance panning for gold and testing for heavy metals by a field geochemistry kit were also undertaken. Three main uranium prospects were identified and followed up however they were all located outside the current licence.

In the early 1970's CRA Exploration Pty Ltd held EL 610 which covered a large area east of the Waterhouse Complex including the eastern side of EL 7523. A regional stream sediment survey was carried out, with samples assayed for U, Pb, Zn, Cu and Ni. Anomalous Ni (37 ppm) was recorded from a stream located near the railway line northwest of "Sargents". Follow-up work concentrated on the Waterhouse uranium and base metal anomalies, which are located to the north of EL 7706.

Uranerz Australia Pty Ltd acquired numerous exploration licences in the region between 1977 and the early 1980's including EL's 3194 and 4378 which were located in the western portion of EL 7523. The exploration target was vein-type uranium and base metal deposits associated with the Coomalie Dolomite/Whites Formation contact. Work included airborne and ground magnetics and radiometrics, gridding, geological mapping and electromagnetic surveys. Most work was carried out south of EL 7523 where a number of uranium and base metal prospects were delineated.

At the same time as the Uranerz exploration, Marathon Petroleum Australia Limited were actively exploring as part of the Waterhouse Complex mining project carried out by Uranerz Australia Pty Ltd.
Mining Corporation NL (IMC). EL's 1219 and 2726 were located on the eastern portion of EL 7523. IMC commissioned an airborne magnetic and radiometric survey in 1978. Marathon Petroleum initially conducted interpretation of the airborne data, photo-interpretation, ground radiometric and radon reconnaissance and orientation studies over Rum Jungle Creek South and Waterhouse No. 2. The airborne geophysical anomalies were follow up by ground magnetics, spectrometer surveys and geological mapping. Track-Etch radon surveys were also widely utilised.

Shallow rotary/percussion drilling was carried out in four separate areas on the current EL 7523 all of which were located along the interpreted Coomalie Dolomite/Whites Formation contact zone (shallow <25m) (see Enclosure 1). Low to medium grade uranium mineralisation was found to occur associated with cross faulting or shearing on graphitic shales and chlorite/amphibolite schists in the Whites Formation, at or above the Coomalie Dolomite contact. Drill hole samples were analysed for U, Cu, Pb, Zn, Co, Ba, Au and Th. Slightly anomalous base metals were reported, and anomalous Au (100 ppb) was recorded at the Depot Creek Sandstone/Whites Formation contact, in a hole (13B) located to the northwest of "Sargents".

Mobil Energy Minerals Australia Incorporated acquired EL' 3526 and 2560 in 1982. Both licences covered ground previously held by Marathon east of the Waterhouse Complex. Uranium was the main target, particularly in the Coomalie Dolomite and Whites Formation. Areas of interest were chosen from previous work by Marathon ground magnetic, scintillometer, gravity and electromagnetic traverses were made, followed by limited RAB drilling on EL 3560.

Bottom hole samples from the RAB holes were analysed for Cu, Pb, Zn, Co, Ni, Cr, Th and U and all holes were radiometrically logged. Maximum values of 190 ppm Cu, 150 ppm Pb and 155 ppm Zn were obtained. A coincident gravity, EM and magnetic anomaly was tested with a short diamond drill hole (95.3m) which intersected magnetite quartzite at depth. Half core samples were analysed for Cu, Pb, Zn, Ni, U, Au and Pt with no significant results.

Idemitsu Minerals Aust Pty Ltd held EL 4772 in the mid 1980's which included the current licence areas, however, all work was conducted on the adjoining Waterhouse Complex (Varkey, 1987 and Yokoyama, 1988).

Northern Gold held EL 5870 which included the present area of EL 7706. Regional BLEG (Bulk Leach Extractable Gold) soil sampling and rock chipping were conducted within the relinquished area. Isolated spot highs up to 35ppb Au max were recorded for the soil sampling over plateau areas interpreted as Middle Proterozoic sandstone.

Work undertaken by Aztec Mining at the Sargents Prospects includes:

- Literature review and data compilation
- Regional BLEG stream geochemistry (2.5ppb anomaly)
- Follow-up geochemistry (BLEG stream, <40# soil)
- Costeaming - Sargents
  - C1 5m @ 2.85g/t Au
  - C2 21m @ 2.26g/t Au
  - C3 7m @ 2.03g/t Au, 3m @ 1.08g/t Au
- RC drilling Sargents (100m spaced sections)
  - SARC6 4m @ 1.05g/t Au from 2m
  - SARD7 4m @ 2.10g/t Au from 0m
  - SARD3 2m @ 1.95o/t Au from ?m
- Geochemical sampling and mapping over 10km strike length on nominal 100-200m x 50m grid (RAB, -40# soil). Located Sargents North and Hardtop prospects.
- RC drilling at Sargents North (50m x 20m grid) outlined potential shallow resource of 20,000 - 30,000 tonnes @ 3-4g/t Au with associated Pt and Pd (1-3g/t).
- RAB and RC drilling of Hardtop Prospect (50m x 25m grid) intersected Au, Pt and Pd mineralisation.
- Diamond drilling (5 holes) for stratigraphic information. Thick (>200m) haematitic breccias (weakly anomalous gold to 60 ppb) beneath Tolmer Sandstone. Source of magnetic anomaly in fresh proximal mafic volcanic is magnetite.

- Airborne magnetics/radiometrics survey (100m line spacing).

6. GEOLOGY

6.1 Regional Geology

The Archean Waterhouse Complex underlies a major part of EL 7523. Lithologies of the Waterhouse Complex comprise granite, banded iron formation, schists and gneisses.

On the eastern side of the Waterhouse Complex, quartzite and conglomerate of the Lower Proterozoic Beestons Formation unconformably overlie the basement. Massive crystalline dolomite of the Celia Dolomite overlies the Beestons Formation.

Coarse clastics of the Crater Formation are more widespread and completely surround the Waterhouse Complex. They are overlain by carbonate of the Coomalie Dolomite.

The conformable contact between the carbonaceous dolomitic mudstones of the Whites Formation and the Coomalie Dolomite has been the main focus of exploration in the district as many base metal and uranium prospects occur in the vicinity of this stratigraphic horizon.

The remainder of the Lower Proterozoic stratigraphic sequence comprising the Wildman Siltstone, Koolpin Formation, Gerowie Tuff, Mount Bonnie Formation and the Burrell Creek Formation occurs on the eastern side of the exploration licences.

Unconformably overlying the Lower Proterozoic sediments, particularly the Coomalie Dolomite are the Middle Proterozoic Depot Creek Sandstone Member and the Buckshee Breccia, formerly referred to as HQB. Outliers of Middle Proterozoic Depot Creek Sandstone overly both the Coomalie Dolomite and the Breccia.

Outcrop is generally poor in the north which is mainly covered by surficial Cainozoic laterites and alluvium.

A major fault is interpreted to pass through the central eastern side of the area. Displacement across this fault which trends northeast-southwest in the licence area is east block down.

6.2 Local Geology

The principle styles of mineralisation occurring in the region comprise Rum Jungle type.
unconformity related uranium deposits (e.g. Kylie) and many lesser occurrences (Waterhouse, etc.). Base metal mineralisation of the Rum Jungle type is also present, comprising stratiform copper with associated nickel-cobalt in Whites Formation lithologies, i.e. black shale with some dolomitic component. The latter has been discovered at South East Kylie. Cupriferous black shales were also noted at Waterhouse No.2. Showings of this style of mineralisation are widespread in the region.

The Middle Proterozoic unconformity on the eastern flank of the Waterhouse Complex is prospective for gold and PGE mineralisation as evidenced by the discoveries at Sargents and Sargents North.

The structural geology of the Sargents area was revised, particularly with regard to the significance of widespread brecciation of the early Proterozoic. The breccias were best explained as indicating a major, post-middle Proterozoic relatively flat laying, east dipping, fault/breccia thrust zone several hundred metres thick.

7. WORK CARRIED OUT DURING REPORTING PERIOD

No field work was carried out during the reporting period. The Sargents and Sargents North Prospects, however, remain prospective for gold and Aztec Mining/Normandy Woodcutters Limited wishes to retain the ground. For this reason an Exploration Retention Licence has been applied for over the most prospective areas.

In the last 2 years all exploration activity has been focussed around the Woodcutters Mine site. With the closure of the mine on 17th March 1999 most of the Normandy Woodcutters and Aztec Mining exploration licences have been reviewed and offered for sale. This process is ongoing and includes the Sargents prospects. A number of companies have expressed an interest in reviewing the Sargents data.

The exploration around the mine site has included a complete re-interpretation of the Woodcutters geology, involving the relogging of old diamond core combined with an aggressive underground and surface drilling programme.

The Woodcutters deposit is now interpreted to have developed in a thrust tectonic regime, with a number of flat laying laminated shears ramping up to north-south structures that host massive sulphide lenses which have been mainly mined out. Underground drilling has revealed that the geometry of the orebody at depth is different and is not necessarily controlled by the prominent N-S structures as previously interpreted.

This new structural information, combined with the fact that the stratabound C0 orebody discovered at depth, is more pyritic and contains significant gold values, has implications for exploration within the Sargents and Sargents North prospects.

8. EXPENDITURE DURING YEAR SEVEN

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<td>300</td>
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9. ENVIRONMENTAL/REHABILITATION REPORT

The Department of Mines and Energy has been notified in writing that all rehabilitation has been completed. This included backfilling of sumps and csteans and capping of all drill holes at least 300mm beneath the surface.
10. REFERENCES


Ruxton, B.P., 1961. The testing of electromagnetic anomalies by diamond drilling at Waterhouse No.2 Uranium Prospect, Northern Territory. BMR Record No. 1961/161.


Williams, K.A., 1996. Annual Report for Exploration Licences 7523 and 7706 (Year Five), 8929 (Year Two), 7885 (Year Three) and AN349 (Year Five), Sargents Area, Batchelor. Northern Territory 22.4.96 to 21.4.97. Unpublished Report for the NT Department of Mines and Energy.

Williams, K.A., 1997. Annual Report for Exploration Licences 7523 and 7706 (Year Six) and Exploration Licence 8929 (Year Three), Sargents Area, Batchelor, Northern Territory. 22


BIBLIOGRAPHIC DATA SHEET

REPORT NUMBER: 23967

REPORT TITLE: Annual Report, Exploration Licence 7523 (Year Seven), Sargents Area, Northern Territory, 22.04.98 to 21.04.99

PROSPECT NAME: Sargents

TENEMENT NUMBERS: EL 7522

OWNER/JV PARTNERS: Aztec Mining Company Ltd

COMMODITIES: Gold, Platinum, Paladium, Lead, Zinc

TECTONIC UNITS: Pine Creek Geosyncline

STRATIGRAPHIC UNITS: Whites Formation
                   Tolmer Group
                   Coomalie Dolomite

1:250,000 MAP SHEET: Pine Creek SD 52-8

1:100,000 MAP SHEET: Batchelor 5171

KEYWORDS: Exploration review
           Regional geology