

YARDARINO MINING NL

FOURTH ANNUAL REPORT

EL8722 - FLATLAND

TENNANT CREEK DISTRICT

NORTHERN TERRITORY

FINAL REPORT

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1. INTRODUCTION

Exploration Licence 8722 - Flatland of three blocks was granted to Yardarino Mining on 26 August, 1994. The tenement is located approximately 20 km west of Tennant Creek. A partial relinquishment of the western block was made on 25 August, 1996.

In the first year of tenure a ground magnetic survey was completed over the entire tenement. In the second year of tenure the project was farmed out to Orion Resources, who geophysically modelled a dipolar anomaly in the north-west of the tenement. A two hole RAB drill test was undertaken but following disappointing results Orion Resources withdrew from the joint venture. Yardarino continued exploration in its own right completing a vacuum drilling program over magnetic anomalies in the east of the tenement. Gold values were almost uniformly below detection, however a large "fish hook" patterned magnetic anomaly was found to be underlain by prospective Warramunga Group siltstones. It was concluded that the magnetic anomaly could well be sourced by ironstone bodies at depth.

During the third year of tenure, Yardarino undertook re-assaying of a selection of the vacuum soil samples for Cu and Bi, extended and infilled the eastern grid, conducted a detailed ground magnetic survey over the infill grid and modelled the ground magnetics to determine depths to magnetic sources.

A high background of copper was found to be associated with the eastern magnetic anomaly. Modelling of the magnetics delineated three main rectangular, block-like, possibly fault bounded, bodies with depths to the top of the magnetic blocks averaging 100m.

During the twelve months ended 25 August, 1998 Yardarino drilled four vertical RC holes for an advance of 575m. The holes were collared so as to test the nature of the magnetic source rocks. Barren magnetite bearing very fine grained silicified siltstone was intersected in all four holes at the target depth. A few metres of sulphidic ironstone breccia was intersected in one hole indicating that ironstone bodies could also be present but masked by the surrounding magnetite rich sediments.

A recommendation was made for two angled diamond holes to be drilled through the magnetic sediments and allow downhole magnetic surveying to determine if ironstone pods are present at depth.

2. EXPLORATION HISTORY

Exploration Licence 8722 - Flatland of three blocks is located approximately 20 km west of Tennant Creek. The tenement was granted to Yardarino Mining NL for a period of three years on 26 August, 1994. A statutory relinquishment of the western block was made on 25 August, 1996. An application for renewal of the remaining two blocks of the EL was lodged in June 1997.

During the first twelve months of tenure a 142 line km ground magnetic survey was completed over the entire tenement on a 100 x 10m grid pattern. Four areas of anomalism were defined in close proximity to the Jubilee Shear Zone. At the Area 1 anomaly in the north west of the tenement six additional grid lines were surveyed but the broad low amplitude anomaly outlined was not considered to warrant further testing. At the Area 2 anomaly infill survey lines defined a small intense dipole magnetic high of a type created by discrete magnetic accumulations.

During the second year of tenure the tenement was farmed out to Orion Resources NL, who managed the exploration activities for a six month period before their withdrawal from the joint venture. During their time of tenement management Orion geophysically modelled the dipolar Area 2 magnetic anomaly and conducted a two hole RAB drill test. A magnetite bearing biotite schist interpreted to be a weathered dolerite was intersected beneath granite in one hole. No anomalous geochemistry was obtained and no further work was recommended.

Following resumption of project management by Yardarino, grid lines over the Area 3 and 4 magnetic anomalies were cleared for vehicle access and 1,125m of vacuum drilling completed in 288 holes. Holes were generally drilled at 25m spacing along the grid lines which were spaced 100m apart at Area 3 and 200m apart at Area 4.

The bedrock vacuum drilling revealed the single moderate amplitude dipole Area 3 anomaly to be sourced by porphyry. No anomalous gold values were recorded and no further work was recommended. At Area 4 the series of magnetic highs adjacent to the Jubilee Shear and forming a folded "fish hook" pattern were found to be sourced from within prospective Warramunga Group sediments. Although bedrock gold geochemistry values were very low the anomalies were considered to possibly reflect ironstone bodies at depth. A recommendation was made for geophysical modelling to determine depths to the magnetic sources with this program to be followed up by a multi-hole RC drilling program.

During the third year of tenure work was confined to testing the Area 4 "fish hook" magnetic anomaly. Vacuum soil samples were re-assayed for Cu and Bi and an elevated Cu background was found to be broadly associated with the magnetic anomaly peaks.

The soil grid was then infilled and a 25m x 5m station spacing ground magnetic survey conducted. Modelling of the magnetic data suggested that the anomaly was likely to be sourced by a single unit broken into a series of fault bounded blocks with the tops of the magnetic blocks lying at an average depth of 100m below surface. A recommendation was made for a minimum of 3 RC holes to 150m depth to be drilled vertically to test the nature of the magnetic source rocks.

In October 1997 four RC holes were drilled for an advance of 575m.

Holes TKC-1 and TKC-2 were drilled 150m apart to test an elongate magnetic peak while holes TKC-3 and TKC-4 were collared 300m and 600m to the southeast respectively in order to test two other magnetic maxima. All four holes were drilled vertically.

Drill cuttings were collected at 1m intervals and 4m composite sampled for assay.

All four RC holes intersected magnetite bearing very fine grained silicified siltstone at the target depth. The silicification is possibly related to the nearby porphyry intrusions. Hole depths varied from 139m to 150m with excessive water preventing penetration below this level. Assay results were low in all holes.

In hole TKC-3 6m of ironstone breccia containing up to 2% sulphide and minor quartz was intersected in the interval 122-128m at the top of the magnetic source rock. Weakly elevated Cu values were recorded in this interval. A similar ironstone breccia/clay interval in hole TKC-4 (86-92m) also returned elevated Cu values. These intersections are not of classic ironstone bodies and could represent iron deposition through supergene weathering processes. It is also possible however that the ironstone breccias indicate that true ironstones are present in the area but are masked by the surrounding magnetite rich sediments. De-silicification of ironstone can produce silica flooded sediments and the breccia may be peripheral to or overlying a true ironstone.

Two angled diamond holes were recommended designed to penetrate through the magnetic sediments and allow downhole magnetic surveying to determine if ironstone pods are present.

3. CONCLUSION

Due to current difficult market conditions and a low gold price, exploration activities by Yardarino have been concentrated over areas of greater prospectivity. Consequently no additional work was carried out on this licence during the past twelve (12) months, resulting in the area expiring on 25 August 1999.

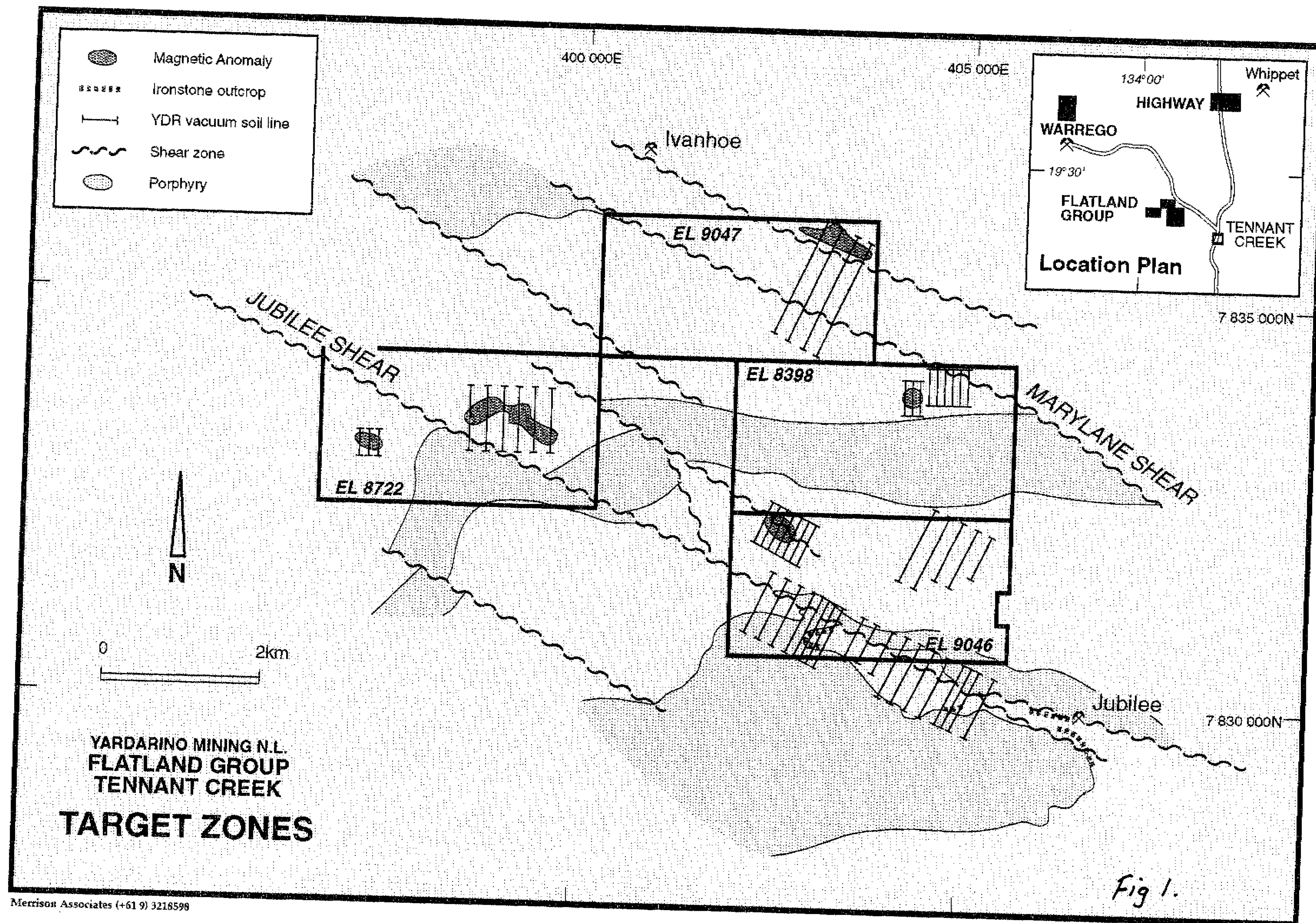


Fig 1.