EXPLORATION LICENCE 8719

Mount Theo, Yuendumu, Northern Territory.

Fifth Annual Report
Period ending 14 July 1999

Centrex Resources N.L.

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Summary.

An assessment of the results of the 1998 program was carried out. Follow-up work was planned and contracted for completion May-June 1999. This work was to be carried out by a contractor in conjunction with other work with unrelated third parties. The severe downturn in the gold price mid-year saw many exploration groups review their commitment to field programs and the contractor did not mobilise into the area.

Introduction.

This is the fifth annual report for the tenement.

Tenure.

Exploration Licence 8719 was granted for 6 years on 15 July 1994 to J. W. Benger. Title was subsequently transferred to Corporate Developments Pty Ltd and then Centrex Resources N.L.

The tenement covers 10 blocks and Centrex has applied for a waiver of reduction.

Location.

The tenement lies north-west of Alice Springs in the Northern Territory. It is located on the Mount Denison Pastoral Lease (NT Portion 312) and is approximately 55 kilometres north of the community of Yuendumu.

Geology.

Outcrop in the area is sparse. The regional geological setting and aeromagnetic based interpretation of the local geology has been discussed in previous reports.

Previous Exploration.

There is no record of significant prior exploration in the area. Work carried out under the present title is contained in previous annual reports.

Work Completed.

All previous work was reviewed and re-assessed.

Exploration model. A variety of styles of gold mineralisation are present in the region, the common elements being :-
• the host unit is both “reactive” and “brittle”, typically comprising either sulphide/silicate BIF or basaltic rocks – these assemblages have a characteristic aeromagnetic signature.

• while mineralisation in the BIF setting is grossly stratabound, ore grades in both the basaltic and BIF hosts are within discordant quartz vein structures.

• there is a proximal relationship to granite intrusives.

In a blind exploration situation a good target would then consist of a structurally disrupted magnetic unit (a BIF or basaltic assemblage) in proximity (0 to 5 kilometers) to a granitic intrusive.

Aeromagnetic interpretation. Andre Lebel of DATASCIENCE in Perth purchased the AIGO data for the relevant map sheet areas, and hard copy of magnetic and TC contours and profiles were then produced for interpretation. The resulting report was appended to the 1998 Annual Report - the interpretive geological map contains excellent detail. Criteria similar to those presented above were used to identify four priority targets. Because of the uncertainties in interpretation and ground location resulting from the wide flight-line separation the consultant recommended a more detailed airborne survey with a flightline separation of 100 meters be carried out.

MMI geochemistry. John Earthrowl, consultant geologist, ran reconnaissance MMI sample traverses over the geophysically identified targets to determine the applicability of the sample methodology and analytical procedure. There is extensive cover of recent sediments and mobile sands – the samples collected and assayed were from these materials and this may account, in part, for the very low absolute metal values obtained. However, the analytical procedure does not seek or provide absolute or even truly repeatable values, but depends on the delineation of statistical anomalies in either single or multi-element groups. Analysis of the results was carried out by first treating all of the samples as a single set, and then considering them site by site.

In the full data set of 68 samples probably statistically anomalous populations are present for each of the metals. Briefly,

• Au, 4 of 68 samples, or 5.9% of the population, are probably anomalous (>0.22 ppb)

• Ag, 9 of 68 samples, or 13.2% of the population, are probably anomalous (>1.20 ppb).

• As, 5 of 68 samples, or 7.3% of the population, are probably anomalous (>17.00 ppb).

• Bi, 4 of 68 samples, or 5.9% of the population, are probably anomalous (>1.8 ppb).

• Cu, 5 of 68 samples, or 7.3% of the population, are probably anomalous (>1200 ppb).

• Pb, 2 of 68 samples, or 2.9% of the population, are probably anomalous (>100 ppb).

• Zn, 9 of 68 samples, or 13.2% of the population, are probably anomalous (>230 ppb).

With MMI data uncontrollable variables arise from the sampling procedures and laboratory processing. As a result, it is difficult to compare results from area to area and potentially misleading to compare results from different analytical runs.
**Site 1.** The line was laid out north-south to test the postulated intersection between a northwest oriented shear zone and east-northeast trending iron rich sediments adjacent to a granite. Within this group 3 of the 4 anomalous Au samples in the total population occur — in profile plots 2 of these samples are located on the north end and the remaining 1 in the centre. Also As, Bi and Zn are all increasing to the north end of the line, while Ag, Cu and Pb show no apparent pattern. Mean normalised Au+As+Bi and Au+Bi metal composite plots show a strong increase to the north end of the line, and also define a 3 station target in the middle of the line (stations 10, 11, 12, samples 010 to 012).

Given the separation and orientation of the flight lines, the ground location and detailed structure of the postulated shear and rock units could vary by several hundred meters. In this context, a possible interpretation of the MMI data is that the northern end of the line is located off the southern edge of the shear, with the secondary gold peak developed over an adjacent, slightly mineralised, unit.

**Site 2.** The line was laid out west-east to test the intersection of a postulated northeast trending shear zone and east-northeast trending iron rich sediments. Considered as a single statistical group one sample (027) is anomalous in Au, Bi, Ag. In profile plots there is a pronounced inverse relationship between Au and other metals in the central portion of the line (stations 6, 7, 8 — sample numbers 026, 027, 028). If this inverse relationship is real and not an artifact of sampling/assaying error, it may be reflecting a metal zonation related to hydrothermal alteration along the postulated shear. Mean normalised composite metal plots do not show any clearly discernible features.

**Site 3.** The line was laid out north-south to test the postulated intersection between a northwest oriented shear zone and east-northeast trending iron rich sediments. While none of the values are statistically significant in the context of the whole population, consideration of the set on its own shows the existence of a possibly anomalous Au population. In profile, a spiked Au response is present towards the southern end of the line but other metals are relatively characterless. Mean normalised composite metal plots of Au+As+Bi, Au+Bi and Au+Cu clearly delineate a spiked response in the southern portion of the line, more or less in the position of the postulated shear (stations 10 to 16, samples 041 to 047).

**Site 4.** The line was laid out west-east to test the intersection of two postulated northwest trending shears and east-northeast trending iron rich sediments adjacent to a granite. While none of the values are statistically significant in the context of the whole population, consideration of the set on its own shows the existence of a possibly anomalous Au population, and two clear zinc populations. In profile, metal activity is concentrated to the western end of the line, with clear positive responses in Au, Ag, Bi, Pb and Zn. Mean normalised composite metal plots of Au+As+Bi, Au+Bi and Au+Cu delineate a response toward the western end of the line, more or less in the position of the postulated shear (stations 2, 3, samples 054, 055).

The raw data for the above review is contained in the 1998 Annual Report.

The results obtained from the field work indicate that magnetic interpretation does identify targets that have geochemical responses which can be detected by MMI sampling. The very low absolute metal values obtained may be a function of the media sampled. It is possible that higher magnitude, and possibly more robust, anomalies may be generated by additional field processing of the samples (i.e. sieving off fine quartz sand to enhance the content of secondary iron-manganese rich material) or even using a hand auger to sample below mobile sands.
Expenditure - Year 5

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Forward Program & Expenditure

The forward program is designed to generate field data to complement the existing geophysical interpretation with the objective of identifying targets for follow-up. It is proposed to

- Conduct broad spaced geochemical sampling on a 800m by 400m grid. Both MMI and a pisolith-lag sample would be collected and analysed.

- In conjunction with the geochemical sampling compile a regolith map of the tenement. Any small outcrops located would be mapped and rock chip sampled.

Soil Sampling
Geologists/Field Assistants
Assaying
Reporting, Admin, etc.

Minimum - $5,000-