

Australian Gold Fields NL

Annual Report for EL ~~8021~~ EL8201

Adelaide River Project

Northern Territory

For the Period

10 December 1994 to 9 December 1995

CR 96 / 230

Perth

March 1996

Introduction

This annual report and exploration programme has been compiled by Mr Syd Morete. Mr Morete was appointed the Exploration Manager for Australian Gold Fields NL in October 1995. He graduated from the University of Otago with a Bachelor of Science in geology in 1970. Mr Morete has worked on projects in Australia, Ethiopia and New Zealand. He was formerly employed by Dominion Mining Limited and led the exploration team that discovered the North Well deposit at Bannockburn where the Company expects to pour its first gold bar within the next three months. He was also employed by Uranerz Australia Pty Ltd and has worked extensively in the Northern Territory.

Location and Access

The tenement is located on the **DARWIN SD52-04** and **PINE CREEK SD52-08** 1:250,000 sheets and the **NOONAMAH 5172** and **BATCHELOR 5171** 1:100,000 sheets.

Australian Gold Mines NL holds several mineral tenements in the Pine Creek Inlier in the Top End of the Northern Territory collectively termed the Adelaide River Project. The area is accessed by the sealed Stuart Highway 81km south of Darwin, then eastwards by well maintained gravel roads to the tenement area. Batchelor township is located 20km to the west of the tenement. The Woodcutters Ag-Pb-Zn mine is located 12km to the west of the tenement and immediately west of the highway. The tenement lies within hilly terrain immediately to the west of the Adelaide River flood plain. Maximum heights are around 117m. The north, south and east of the area are lower in altitude with hill slopes covered in rubbly colluvium. Otto Creek drains the north of the area northwards and into the main Adelaide River. Coomalie Creek drains the south of the area eastwards to the Adelaide River. The country is open savanna woodland. Access in the tenement is by four wheel drive tracks which are impassable in the wet season. Annual rainfall is 1500mm, most of which falls during December-March monsoon season.

Tenements

Exploration licence 8201 was granted to Northern Territory Gold Mines NL on 10 December 1993 and will expire on the 9 December 1999. The tenement covers 12 blocks.

This report has been compiled for the second year of tenure for exploration licence EL 8201 for the period 10 December 1994 to 9 December 1995. The Company acknowledges that the required expenditure for the tenement has not been met partly due to re-structuring of the holding Company, Australian Gold Mines NL which is a wholly owned subsidiary of Australian Gold Fields NL. In turn, Northern Territory Gold Mines NL is wholly owned by Australian Gold Mines NL.

Geology

The tenement covers part of a folded belt of **South Alligator Group** rocks which are **Early Proterozoic** in age consisting of sediments with minor volcanic intercalations that have been strongly folded and subject to low to medium grade metamorphism. Granites intruded the sequence after the deformation and regional metamorphism. The volcano-sedimentary sequence was intruded by dolerite sills prior to a period of orogenic activity.

The South Alligator Group is divided into three units. The lowermost unit, the Koolpin Formation, consists of pyritic and carbonaceous mudstones with several ferruginous chert and iron formations present. The middle member is the Gerowie Tuff, a sequence of including felsic tuff, tuffaceous cherts and cherty siltstones with thin jaspilite bands. The uppermost unit is the Mt Bonnie Formation consisting of carbonaceous siltstones, jaspilites and an upper section of greywacke. The Mt Bonnie Formation hosts stratiform gold mineralization, epigenetic reef and gold stockworks and polymetallic massive sulphides.

Gold mineralisation is associated with quartz-sulphide stockworks and associated disseminated sulphides. A common feature of these deposits is the localisation of mineralization along the hingelines of anticlinal folds particularly in interbedded greywackes and siltstones. Auriferous stockworks are also known to occur in metadolerite sills.

Previous Exploration

Surrounding areas have been explored for uranium and base metals during the period 1975 to 1984. Kennecott Explorations (Australia) Limited was the first company to explore specifically for gold in the southern part of EL8021 between 1986 and 1990. This was followed by BP Australia Gold Pty Ltd and Riomin Australia Gold Pty Ltd.

Initial exploration consisted of drainage, heavy mineral and outcrop sampling which identified anomalies at Maureen, Maureen Extended, Mt Gunn, Octa and Coomalie. The anomalies were confirmed by a detailed BLEG stream sediment sampling programme.

Work Carried Out for the Year 10/12/94 to 9/12/95

Work carried out consisted of a field visit to the area by Mr John Watts of Mackay Schnellmann, geological consultants of Subiaco, Perth. The purpose of the field visit was to review and verify access, location, tenement and available geological data and to identify and to report on and replace missing information as the basis for planning further geochemical and geophysical work and RC Drilling programme in the third year of the Licence.

Expenditure for the Year 10/12/94 to 9/12/95

Expenditure for the year from 10 December 1994 to 9 December 1995 was \$11,898.46 being for:

CONSULTANT FEES	9,600.32
TRAVEL & ACCOMMODATION	1523.32
VEHICLE COSTS	320.14
DRAFTING/COMPUTING	455.00
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	\$11,898.46

Proposed Exploration Programme for the Period 10/12/95 to 9/12/96

The assessment of EL8021 is part of an overall project assessment of all work that has been carried out over the project area.

The following work is planned:

- literature survey of AESIS database to identify relevant exploration reports and bibliography. Critical reports and plans to be photo-copied and digitized where appropriate. In particular, all sampling co-ordinates need to be recorded in an appropriate database for later plotting on standard base sheets and assessment.

- acquisition and interpretation of satellite imagery and colour aerial photography to be undertaken by Peter Wilson of International Earthscan. This work will identify and record structures as digital data for later plotting on standard 1:25,000 and 1:10,000 base sheets.
- acquisition and interpretation of airborne geophysical data which to identify lithological types and structures not apparent in the photo and satellite imagery. The structural interpretation will be digital for plotting on standard base sheets at 1:25,000 and 1:10,000.
- compilation of all previous drilling and trenching to assist in the identification of drilling targets and a comparison with structures identified in the imagery.
- geochemical sampling of prospective areas not already sampled or delineated in the above work; prospective areas maybe related to structures identified in imagery analysis.
- exploration drilling of anomalous geophysical and geochemical targets.

The estimated expenditure for this programme for EL8021 is ^{60,000}\$30,000 as listed in Table 1.

Estimated Expenditure for Year Three (10/12/95 to 9/12/96), EL 8021, Adelaide River Project

EMPLOYEE WAGES & ON COSTS	3,000
EMPLOYEE SALARIES & ON COSTS	4,000
ASSAYS	3,500
AERIAL PHOTOGRAPHY/SATELLITE IMAGERY	3,000
SURVEY & GRIDDING	
SITE PREPARATION/COSTEANING	
DRILLING - DIAMOND	
DRILLING - RC	30,000
DRILLING - RAB	
DRILLING - OTHER	
DRILLING - FUEL	
GEOPHYSICAL SURVEYS - GROUND	
GEOPHYSICAL SURVEYS - AIRBORNE	
LAND - RENTS	
LAND - RATES	
LAND - OTHER	
EQUIPMENT COSTS<\$500	
DATA ACQUISTION	150
PETROGRAPHY/METALLURGY	
TRAINING/CONFERENCES	
ENTERTAINMENT	
TRAVEL & ACCOMMODATION	2,500
CONSULTANTS	9,000
VEHICLE COSTS	1,800
COURIERS/FREIGHT	300
DRAFTING/COMPUTING	2,500
CAMP & FIELD SUPPLIES	250
	\$60,000

Signed:



18/3/96
S. MORETE

EXPLORATION MANAGER

AUSTRALIAN GOLD FIELDS N.L.

A.C.N. 009 132 361

FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 1995

CORPORATE DIRECTORY

DIRECTORS

Alan Young

Cyril Quek

Keith Wong

Raphael Nassim

John Dunlop

COMPANY SECRETARY

Brendan Gore

PRINCIPAL & REGISTERED OFFICE

Ground Floor
8 The Esplanade
PERTH WA 6000

Telephone: (619)221 7300
Facsimile: (619)221 7355

SHARE REGISTRY

KPMG Registrars Pty Ltd
Level 29, Central Park
152-158 St George's Terrace
PERTH WA 6000

Telephone: (619)324 1199
Facsimile: (619)324 2499

STOCK EXCHANGE

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: AFN
SEATS: Aust Gold

AUDITORS

Ernst & Young
Level 34, Central Park
152-158 St George's Terrace
PERTH WA 6000

DIRECTORS' REPORT

Your directors submit their report for Australian Gold Fields N.L. (hereinafter referred to as 'the Company') for the half-year ended 31 December 1995.

DIRECTORS

The names and details of the directors of the Company in office at the date of this report are:

Names and qualifications

A. Young (Chairman)
FCIS, FCIM

Alan Young was appointed as a non-executive director and elected Chairman of the Board of Directors on 24 October 1995. Mr Young is a Fellow of the Institute of Corporate Managers, Secretaries and Administrators and has over 15 years experience in the management and administration of public companies, especially in the resources sector. He has held senior executive and board positions in a group of listed public companies, including Equity In Industry Limited and Samantha Gold N.L. Mr Young is currently the Managing Director and Chief Operating Officer of Vietnam Industrial Investments Limited, a public company listed on the ASX.

K. Wong (Deputy Chairman)
FCCA, ACMA, PA(M), CPAS

Keith Wong was first appointed as a non-executive director on 20 October 1995 and was elected Deputy Chairman of the Company on 29 December 1995. He is a qualified Chartered Management Accountant and has worked in industry and international accounting firms in the United Kingdom, Singapore and Malaysia. Mr Wong represents major shareholders of the Company.

C. Quek (Managing Director)
AIT, ASCPA, ACIS, ACIM

Cyril Quek was appointed Managing Director and Chief Executive Officer of the Company on 24 October 1995. Mr Quek is a qualified accountant and has over 15 years experience in senior finance positions in public companies in the resources and construction industries. He has also been in private practice and has held board positions in a number of public and private companies investing in the gold mining industry in Australia.

J. Dunlop (Director)
B.E.(Mining), M.Eng.Sc.(Mining),
FAusIMM, FIMM, M.SME-AIME,
MCIMM

John Dunlop was appointed as a non-executive director of the Company on 5 January 1996. Mr Dunlop is a mining engineer with over 25 years experience in surface and underground mining and precious and base metals production. He has lectured in mining engineering at the University of Melbourne and worked for BHP and other successful mining companies in Australia and overseas. In 1992 Mr Dunlop formed his own mining consulting group based in Perth. Mr Dunlop is also a director of Alliance Gold Mines N.L., Merrit Mining N.L. and an alternate director of Gasgoyne Gold Mines N.L.

R. Nassim (Director)

Raphael Nassim was first appointed to the office of non-executive director of the Company on 23 November 1993. He is a full-time investor, predominantly in the mining industry.

DIRECTORS' REPORT continued

Interests in the shares of the Company and related bodies corporate

As at the date of this report the interests of the directors in the shares of the Company were:

	Shares	Options
Mr Alan Young	975,340	492,800
Mr Keith Wong	3,500,000	5,000,000
Mr Cyril Quek	3,905,030	2,971,300
Mr John Dunlop	-	-
Mr Raphael Nassim	643,650	-

Interest in Contracts or Proposed Contracts

During the half-year ended 31 December 1995,

- (a) Mr Alan Young was a director and shareholder and Mr Cyril Quek was a director of Jade Creek Resources N.L. prior to the purchase of all the issued capital in Jade Creek Resources N.L. by the Company in accordance with the special resolution approved by shareholders in general meeting held on 28 December 1995 pursuant to the Corporations Law and Listing Rules. Mr Young was issued 975,340 fully paid ordinary shares and 492,800 December 1998 Options by the Company as consideration for that portion of the issued shares and options in Jade Creek Resources N.L. held by Mr Young. Mr Young and Mr Quek are continuing directors of Jade Creek Resources N.L.
- (b) Mr Cyril Quek is a director of SHL Pty Ltd which, at the date of this report, holds 3,905,030 fully paid ordinary shares and 1,971,300 December 1998 Options allotted and issued by the Company as consideration for that portion of the issued shares and options in Jade Creek Resources N.L. held by SHL Pty Ltd and purchased by the Company in accordance with the special resolution passed by shareholders in general meeting on 28 December 1995 pursuant to the Corporations Law and Listing Rules.

In February 1996 Mr Cyril Quek entered into an employment contract with the Company in accordance with its Articles of Association which provides for the employment of Mr Quek for a term of three years with an aggregate remuneration of \$180,000 per annum reviewable by directors annually having regard to performance.

In February 1996 Mr Keith Wong is a director of Brisluck Industries Ltd, a company domiciled in Hong Kong, which has entered into a sub-underwriting agreement with the Underwriter to sub-underwrite 6,000,000 shares comprising a new offer and issue of shares by the Company for a fee of \$75,000.

REVIEW AND RESULTS OF OPERATIONS

The Company incurred an operating loss after tax of \$303,978 for the half-year ended 31 December 1995. A review of the activities and results of the Company is set out below.

In April 1995 a group of investors commenced to implement plans for the redevelopment of the Company and the reinstatement of its shares to Official Quotation. The first stage of the plan was approved by shareholders in general meeting held on 20 July 1995 and included the change of name to 'Australian Gold Fields N.L.', change in status to a 'no liability' public company, new memorandum and articles of association and a reduction in the issued capital of the Company.

In October 1995, three of the current directors were appointed to constitute an independent Board, namely Mr Alan Young, Mr Keith Wong and Mr Cyril Quek and to direct the completion of the redevelopment of the Company.

DIRECTORS' REPORT continued

On 13 December 1995 the Supreme Court of Western Australia confirmed the reduction in the issued capital of the Company approved by special resolution of shareholders on 20 July 1995. The issued capital of the Company was then reduced from \$22,529,101 divided into 112,645,505 ordinary shares each of 20 cents par value to \$1,126,455 divided into 5,632,275 ordinary shares each of 20 cents par value, by writing off \$21,402,646 of capital that was lost or not represented by available assets.

Directors of the Company proceeded to implement the final stage of the plan to rebuild shareholder value, redevelop the Company as an active gold explorer and miner and reinstate the shares of the Company to Official Quotation.

In November and December of 1995 the Company entered into agreements subject to the approval of shareholders to acquire a valuable portfolio of mining assets through the purchase of all the issued capital in three unlisted public companies, namely Jade Creek Resources N.L. ('JCR'), Australian Gold Mines N.L. ('AGM') and Consolidated Gold Mines Limited ('CGM') for a consideration comprising —

- (a) 5,400,000 fully paid ordinary shares of 20 cents par value at an issue price of 20 cents per share and 4,000,000 December 1998 Options to acquire all the issued capital of JCR;
- (b) 5,625,005 fully paid ordinary shares of 20 cents par value at an issue price of 20 cents per share to acquire all the issued capital of AGM; and
- (c) 6,375,000 fully paid ordinary shares of 20 cents each at an issue price of 20 cents per share and 5,000,000 December 1998 Options to acquire all the issued capital of CGM.

On 28 December 1995, shareholders in general meeting approved resolutions for the issue of shares by private placement to raise \$4.5 million from large investors, acquire all the issued capital in JCR, AGM and CGM and to retire debt and pay creditors of the Company and arising from its acquisition.

As a result of the acquisitions outlined above, the Company is the operating and chief entity of and owns all the issued capital in Jade Creek Resources N.L., Australian Gold Mines N.L. and Consolidated Gold Mines Limited. Australian Gold Mines N.L. owns all the issued capital in Western Gold Mines N.L., Northern Territory Gold Mines N.L. and Victorian Gold Mines N.L., which owns all the issued capital of Mt Wills Gold Mines N.L.

At the balance date of 31 December 1995, the Company had commenced planning the exploration, development and mining of gold projects acquired through the purchase of JCR, AGM and CGM. It has been successfully transformed from a dormant company into an active gold mining exploration company with approximately \$4.5 million in cash at bank to finance the completion of the acquisition of the Bannockburn Gold Project, project expenditures, a new issue of securities by prospectus and for other working capital purposes.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in the state of affairs of the Company during the half-year ended 31 December 1995 are set out in the Review of Operations and Results.

DIRECTORS' BENEFITS

During or since the half-year no director of the Company has received, or become entitled to receive, a benefit by reason of a contract entered into by the Company, or an entity that the Company controlled or a body corporate that was related to the Company, when the contract was made or when the director received or became entitled to receive the benefit with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest except for —

- (a) benefits and interests in contracts and/or proposed contracts as disclosed above; and

DIRECTORS' REPORT continued

- (b) 1,000,000 options issued free of consideration to Mr Cyril Quek as Managing Director of the Company each of which entitles the holder to acquire one fully paid ordinary share of 20 cents par value in the capital of the Company at an exercise price of 20 cents per share at any time on or before 5.00 p.m. WST on 31 December 1998.

DIRECTORS' MEETINGS

During the half-year three directors' meetings were held. The number of meetings in which directors were in attendance is as follows:

	Directors' Meetings	
	No. of meetings held while in office	Meetings attended
Alan Young (appointed 24/10/95)	2	2
Keith Wong (appointed 20/10/95)	2	2
Cyril Quek (appointed 24/10/95)	2	2
Raphael Nassim	3	2
John Dunlop (appointed 5/1/1996)	0	0
A. Brennan (resigned 20/10/1995)	1	1
R. Gillard (resigned 20/10/1995)	1	1

No Audit Committee of Directors has been formed.

Signed in accordance with a resolution of the directors.

Alan Young
Director

Cyril Quek
Director

Perth: Dated this day of March 1996.

PROFIT AND LOSS ACCOUNT

	Notes	CONSOLIDATED 1995 \$	CONSOLIDATED 1994 \$
SALES REVENUE		-	-
OTHER REVENUE	2	42,312	-
OPERATING REVENUE		42,312	-
OPERATING LOSS	2	(303,978)	(137,357)
INCOME TAX ATTRIBUTABLE TO OPERATING LOSS		-	-
OPERATING LOSS AFTER INCOME TAX		(303,978)	(137,357)
ACCUMULATED LOSSES at the Beginning of the Half-Year		(28,591,484)	(28,328,189)
Adjustment resulting from Capital Reduction	3	21,402,646	-
ACCUMULATED LOSSES at the End of the Half-Year		(7,492,816)	(28,465,546)

The profit and loss account should be read in conjunction with the notes to the Financial Statements.

BALANCE SHEET

	Notes	CONSOLIDATED 31/12/1995 \$	CONSOLIDATED 30/6/1995 \$	CONSOLIDATED 31/12/1994 \$
CURRENT ASSETS				
Cash		4,627,565	4,202	4,303
Receivables		258,957	-	1,040
Investments		374,284	-	-
Inventories		57,449	-	-
Other		-	-	10,100
TOTAL CURRENT ASSETS		5,318,255	4,202	15,443
NON-CURRENT ASSETS				
Property, plant and equipment		99,110	14,062	15,481
Other		4,485,975	115,000	115,052
TOTAL NON-CURRENT ASSETS		4,585,085	129,062	130,533
TOTAL ASSETS		9,903,340	133,264	145,976
CURRENT LIABILITIES				
Accounts payable		501,430	14,782	26,121
Borrowings		1,173,646	-	-
Other		8,099	300,000	175,435
TOTAL CURRENT LIABILITIES		1,683,175	314,782	201,556
NON-CURRENT LIABILITIES				
Other		15,660	-	-
TOTAL NON-CURRENT LIABILITIES		15,660	-	-
TOTAL LIABILITIES		1,698,835	314,782	201,556
NET ASSETS		8,204,505	(181,518)	(55,580)
SHAREHOLDERS' EQUITY				
Share Capital	3	9,816,456	22,529,101	22,529,101
Reserves		5,880,865	5,880,865	5,880,865
Accumulated Losses		(7,492,816)	(28,591,484)	(28,465,546)
TOTAL SHAREHOLDERS' EQUITY		8,204,505	(181,518)	(55,580)

The balance sheet should be read in conjunction with the notes to the Financial Statements.