TANAMI GOLD N.L.

EL 6132 MUNYU HILLS

ANNUAL REPORT

FOR YEAR ENDING

28 AUGUST 1998

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T.E. MAYER
SEPTEMBER 1998

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1. **Summary**

Tanami Exploration NL (TENL), a wholly owned subsidiary of Tanami Gold NL (TGNL), has been unable to obtain access to undertake the proposed lag sampling and vacuum drilling programs during the year ended 28 August, 1998.

A proposed work program was submitted to the CLC on 1st August, 1997 for sacred site clearance and approval. At the time of writing this report (September 1998) approval of the exploration program had not been received from the CLC.

The only work completed during the year on the tenement was the development of access tracks by Yuendumu Mining Company NL (YMC) in August 1997.

2. **Introduction**

This report discusses work completed on EL 6132 during the fourth year of term, to 28 August 1998, and summarises previous work.

Following the grant of EL 6132 on 29 August, 1994, a regional assessment of the project area was undertaken by Dr Peter Williams of consultants Etheridge Henley Williams (EHW). After interpreting the regional aeromagnetic data, an initial field program of helicopter-supported surface sampling was completed. The above work was reported in the 1995 Annual Report to the Northern Territory DME Exploration Licences EL 6131 and EL 6132 (Kavanagh 1995). TGNL was encouraged by low order gold anomalism returned from the southern part of EL6132.

A second program of helicopter supported surface sampling was undertaken in May - June 1996. This work was reported in the 1996 EL 6132 Munyu Hills Annual Report (Mayer and Edwards, 1996). Five samples returned gold assays >2 ppb, with a peak value of 9 ppb in the eastern part of the tenement. The anomalous gold assays were associated with areas of elevated arsenic and bismuth values. Together, these results highlighted the regional significance of the southeastern section of the tenement and adjoining areas. Lower Proterozoic outcrop is sparse throughout the region, but the gold-arsenic-bismuth anomalous areas are associated with scattered outcrops and low ridges of granite-gneiss (garnet-bearing in part), minor podiform ferruginous granular quartzite and rare quartz veins.

During the first quarter of 1997, YMC was contracted to develop access tracks into the area following site clearance for the tracks by the Central Land Council (CLC). This task was completed during August 1997, after considerable delays due to late rains and equipment breakdown. It had been originally planned to complete the tracks by the end of May, in order to allow access to EL6132 during the first half of 1997 for site clearance by CLC anthropologists and Traditional Owners and for follow-on exploration programs.
3. **Tenure**

EL 6132, Munyu Hills, was applied for on 25 May 1988 by Kia Pacific Gold Limited (Kia Pac). TGNL commenced discussions with Kia Pac in February 1994, resulting in the signing of the Kia Pac Joint Venture (KPJV) on 17 March 1994. The KPJV included EL 6132, Munyu Hills, and the adjacent EL 6131, Mt Russell. Under the terms of the KPJV agreement TGNL managed the project and could earn up to 80% equity in the tenements.

TGNL managed exploration over the two tenements on behalf of the Joint Venture until July 1996 when TGNL purchased Kia Pac's interest in the Joint Venture and gained a 100% interest in the tenements.

The tenement lies entirely within Aboriginal Land. TGNL recommenced negotiations with the Traditional Owners and the Central Land Council (CLC) resulting in the signing of a Deed for Exploration on 26 July 1994. Following completion of successful negotiations with the Traditional Owners and the CLC, EL's 6131 and 6132 were granted on 29 August 1994.

Following the completion of assessment of the 1996 exploration program (Mayer and Edwards, 1996) TGNL decided to relinquish EL 6131 and to reduce the area of EL 6132 from 484 blocks to 240 blocks.

Due to the inability to gain vehicle access to EL 6132 during the year ending 28 August 1997, TGNL applied to the Northern Territory Department of Mines and Energy (NTDME) for deferral of the obligation to further reduce the area of the tenement at the end of the third year of tenure. Deferral was granted by the NTDME on 15 September 1997.

EL 6132 was reduced from 240 blocks to 130 blocks in August 1998. This reduction was forced by the substantial increase in rental due on the retained blocks during the fifth year of term. TGNL has borne annual rental and compensation costs in the sum of $19,600 for the fourth year of term without the benefit of having access to the ground.

Given the lack of exploration it has only been possible to reduce the area by 110 blocks rather than the 120 blocks required under section 26(1) of the Mining Act, therefore a waiver has been sought in respect of 10 blocks.

4. **Location and Access**

The Highland Rocks project area (Fig. 1) is located in the Northern Territory, adjacent to the Western Australian border, approximately 640km northwest of Alice Springs. EL 6132, Munyu Hills, lies within the southwest quadrant of the Highland Rocks 1:250 000 Map (SF52/7), and is located entirely within the Lake Mackay Aboriginal Reserve No 1028 which is largely uninhabited. The nearest habitations are Vaughan Springs homestead 160km east, Tanami Downs Station 130km NNE, and Ngulupi Outstation 130km NNW. The nearest stores are Rabbit Flat 170km NNE and Marwuntu Store at Wirrimanu Community 200km NW.

Access to the area is difficult. Until the recent completion of basic access tracks by YMCNGL, there were no existing roads to or through EL 6132. All access to the tenement, to date, for the purpose of site clearance or sampling has been via helicopter.
For the 1996 work program a base camp was established at Carrol's Bore, W.A., 80km north of the original NW corner of EL 6132 and 35km south of Ngulupi. Fuel was ferried to three fuel dumps within the project area via helicopter and sling, in order to maximise the efficient use of the helicopter during the sampling program.

5. Site Clearance

A sacred site clearance survey over proposed exploration areas on EL 6131 and EL 6132 was undertaken during May, 1996. An anthropologist, Derek Elias, and CLC Assistant Mining Officer, Scott Laidlaw, accompanied by a group of Traditional Owners from Lajamanu, Mt Liebig, Kintore and Nyirripi, camped at Carrol's Bore from 22 May to 24 May.

A Lloyd Aviation Jetranger was used over a two day period to check TGNL’s selected exploration areas for sites of significance. General approval was given for the proposed work program, although TGNL was advised of certain areas of significance. TGNL agreed to avoid all such areas.

It was made clear to TGNL that the site clearance survey would allow the 1996 exploration program to proceed, but that further discussions, and possible further site clearance surveys would be required before subsequent exploration programs could be undertaken. Accordingly, a proposed work program was submitted to the CLC on 1st August 1997. It was not possible for the CLC to commence site clearance programs within EL 6132 until track development undertaken by CLC/YMCMNL was completed in early August 1997.

A meeting with Traditional Owners and the CLC was attended at Nyirripi by TGNL Managing Director, Denis Waddell and Exploration Director, Martin Kavanagh, on 17 September, 1997. The principal purpose of the meeting was to continue negotiations on EL(A) 9619, Russet Ridge, which lies adjacent to EL 6132. The proposed work program for EL 6132 was discussed at this meeting. At the time of writing this report (September 1998) the CLC had forwarded a costing for site clearance, which the Company has approved.

6. Geology

The geology of the Highland Rocks project area was described in detail in the 1995 Annual Report (Kavanagh, 1995). A brief description of the main geological features follows.

Outcrop within EL 6132 is poor. Most of the area is covered with aeolian sand, with long E-W trending stable dunes developed in some areas. Occasional small clay pans are scattered through the area. Occasional ridges of gently dipping Adelaidian (Redcliff Pound Group) sandstone form prominent landmarks throughout the region. These ridges include sites of significance (navigational and ceremonial) to the Traditional Owners. These late Proterozoic sandstones unconformably overlie a granitic and metamorphic basement complex, mapped by the Bureau of Mineral Resources (now AGSO) as Arunta Complex. Current exploration is focussed on this basement complex.

The 1996 field program confirmed that outcropping rocks within the south and southeastern parts of the tenement are mainly highly weathered granite gneisses. Boxworks within the gneisses appear to be after garnet rather than sulphides, and some garnets were observed within preserved siliceous gneiss outcrops in the eastern part of the tenement.
7. **Access Track Development**

A proposal was received from YMCNL to establish access tracks into the Highland Rocks area from the Tanami Highway south of Chilla Well. A form of cost sharing by all tenement holders in the area was proposed. TGNL believed that such access tracks would be useful to all explorers in the area and to the Traditional Owners, and strongly supported the proposal.

YMCNL reached agreement with all relevant tenement holders for the access track development and, after completion of site clearance by the CLC, intended to commence track development early in 1997. It was hoped that all tracks would be completed by the end of May in time to allow access during the first half of 1997. Unfortunately, extensive rains in February and March, 1997, delayed the start of the track construction, and the program was further delayed by equipment breakdown. The tracks were eventually completed in August, 1997, (see Figure 2).

The tracks are very basic access tracks, consisting variably of single or double pass front end loader scrapes, designed to remove stakes, but to break up the surface as little as possible. The tracks are rough and sandy in part, allowing slow access by all wheel drive vehicles only. Although compaction of some sections can be expected with increased vehicle usage, the tracks are only suitable for relatively light vehicles. Successful reconnaissance exploration will necessitate upgrading portions of the tracks to allow heavier drilling rigs and trucks to access the area.

8. **Year 4 Exploration Program (1997-98)**

As stated above, TENL has again been unable to obtain access to undertake the proposed lag sampling and vacuum drilling programs during the current year of tenure.

Pursuant to the agreement between TENL and the CLC, compensation for exploration access in the amount of $10 000 was paid in respect of the fourth year of tenure. However, no approval to conduct the program has been granted.

As described above, YMC completed access tracks into the area in August 1997. Site clearance by the CLC was due to commence in August 1997. TGNL last wrote to the CLC regarding this matter in July 1998 and have recently been advised that clearance will commence in October 1998.

9. **References**

**Kavanagh, M.E., 1995.** Annual Report to Northern Territory DME Exploration Licences EL 6131 and EL 6132, TGNL unpublished report.


APPENDIX 1

EXPENDITURE SUMMARY,
FOURTH YEAR OF TERM
**EXPENDITURE SUMMARY,**

**FOURTH YEAR OF TERM**

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APPENDIX 2

PROPOSED BUDGET: FIFTH YEAR OF TERM
## Proposed Budget: Fifth Year of Term

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**Note:** Variance from previous proposed budget relates to access compensation.