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FIRST ANNUAL REPORT

FOR EXPLORATION LICENCE 8822

FOR THE PERIOD 16/9/94 TO 15/9/95

KURUNDI DISTRICT, NORTHERN TERRITORY

BONNEY WELL PROSPECT

FREW RIVER 1:250,000 SHEET SF 53-3

VOLUME 1 OF 1

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DATE: OCTOBER 1995

AUTHORISED BY:

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COMMODITIES: Gold, Copper

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REPORT NO: 19968
TITLE: FIRST ANNUAL REPORT FOR EXPLORATION LICENCE 8822 FOR THE PERIOD 16/9/94 TO 15/9/95, KURUNDI DISTRICT, NORTHERN TERRITORY, BONNEY WELL PROSPECT
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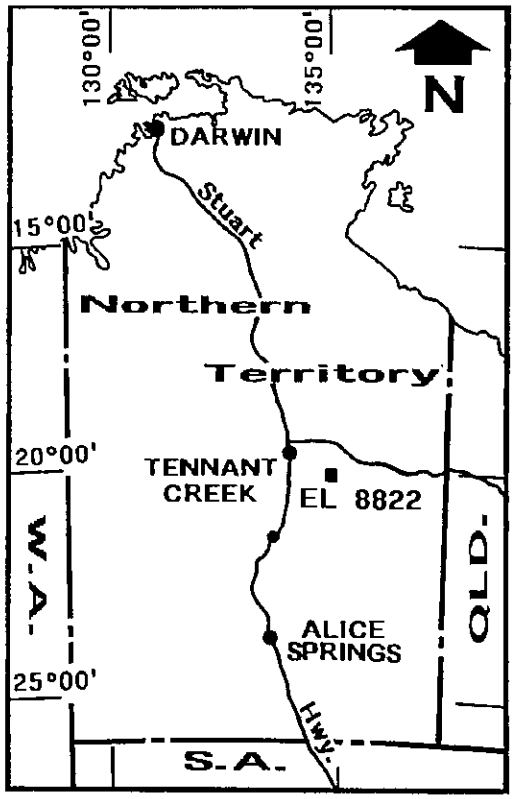


1. SUMMARY

Exploration Licence 8822 is located 110km SE of Tennant Creek township, and was granted to Adelaide Resources NL on September 16, 1994. The licence is subject to a Joint Venture Agreement between Adelaide Resources NL and Posgold Limited, whereby PosGold Limited (PosGold) are managers and solely contribute to exploration. The Joint Venture Agreement was signed in August 1995, late in the first year of the licence. Since taking over management and funding of exploration of EL 8822, PosGold have commenced a regional geological and geochemical evaluation of the regolith.

The licence is interpreted to cover areas of shallow Warramunga Group basement, considered to be prospective for Au-Cu-Bi and/or base metals mineralisation as at Tennant Creek. The basement is overlain by Cambrian sediments of the Gum Ridge Formation, of the Georgina Basin.

Exploration conducted during year one of tenure included a regional interpretation of airborne magnetics and geological outcrop data to determine the existence and lateral extent of the Warramunga Group, and regional RAB drilling of two magnetic features considered to be sourced by Warramunga Group sediments.

Orientation RAB drilling commenced in September 1995, and three vertical holes for 192 metres were completed. Machinery failures precluded completion of the planned programme prior to the first anniversary of the licence, and the remainder of the drilling is planned for October - November 1995.

Drilling revealed shallow colluvial cover overlying a substantial thickness of Cambrian sediments, and weathered granite in the SW corner of the licence. No sediments typical of the Warramunga Formation were encountered.

Samples of the colluvium, Cambrian sediment and granite were submitted for geochemical analysis, and results are awaited at the time of writing.

2. INTRODUCTION

2.1 Location and Access

Exploration Licence 8822 (Bonney Well Prospect) is located approximately 110km SE of Tennant Creek township (refer Figure 1). Access from Tennant Creek township is 80km south via the Stuart Highway, thence 50km east to Kurundi Station homestead. Access to the licence is then via a station access track for approximately 40 kilometres NE of the homestead.

2.2 Climate and Physiography

The climate of the Tennant Creek district is mild to warm and dry throughout autumn, winter and spring, with cool to cold winds in winter. High temperatures (in excess of 35°C) occur in summer with associated seasonal rainfall expected in December to March which can impede field work programmes.

The physiography of EL 8822 consists of flat, aeolian sand plains with the alluvial flood plain of Bonney Well trending east-west through the centre of the licence area.

2.3 Tenure

Exploration Licence 8822 (EL 8822) was granted to Adelaide Resources NL on 16 September 1994 for a period of six years. The licence comprises 32 graticular blocks, and is currently subject to a Joint Venture Agreement between Adelaide Resources NL and PosGold Limited, whereby PosGold are operators and sole contributors. The Agreement was signed in August 1995.

2.4 Previous Exploration

Prior to the grant of EL 8822, there is very little evidence of previous exploration for mineralisation within this area. It is perceived that the lack of exploration was due to the :

- lack of outcrop,
- extent and depth of cover; and
- lack of magnetic targets.

Previous regional exploration has been undertaken by Geopeko, CRAE and Australian Ores and Minerals, but no comprehensive prospect-scale evaluation or drilling has been completed.

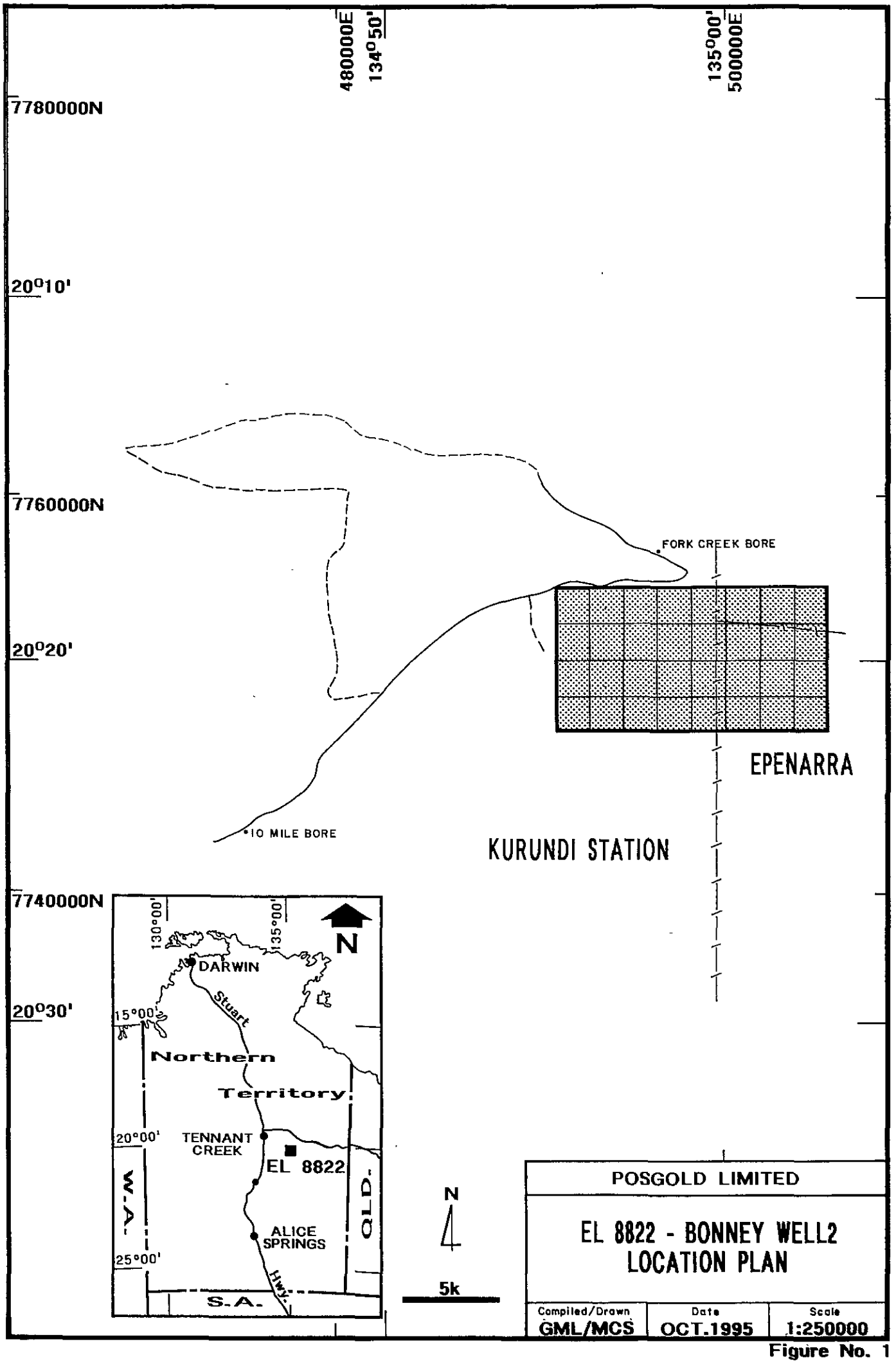

480000E
134°50'
135°00'
500000E
7780000N
20°10'
7760000N
20°20'
FORK CREEK BORE
EPENARRA
10 MILE BORE
KURUNDI STATION
7740000N
20°30'
130°00'
135°00'
N
DARWIN
15°00'
Stuart
Northern
Territory
20°00'
TENNANT CREEK
EL 8822
W.A.
QLD.
ALICE SPRINGS
25°00'
Hwy.
S.A.
N
5k
POSGOLD LIMITED
EL 8822 - BONNEY WELL2
LOCATION PLAN
Compiled/Drawn
GML/MCS
Date
OCT.1995
Scale
1:250000

Figure No. 1

3. REGIONAL GEOLOGY

The Tennant Creek Inlier comprises gneissic basement successively overlain by unconformable Proterozoic sediments of the Warramunga Group, Hatches Creek Group and Tomkinson Creek Beds. These sediments have been intruded by Proterozoic aged granites, and subsequently overlain by Cambrian sediments (Le Messurier *et al*, 1990). At present, the discovery of viable mineralised ore deposits has been restricted to the Warramunga Group.

In the Kurundi region, the Warramunga Formation outcrops as sparse low hills comprising well cleaved and sheared siltstone and greywacke to the west and south of EL 8822. The Warramunga sediments are intruded to the north and south by the Hill of Leaders Granite, and is unconformably overlain to the SW by the Ooradidgee Sub-Group of the Hatches Creek Group.

4. LOCAL GEOLOGY

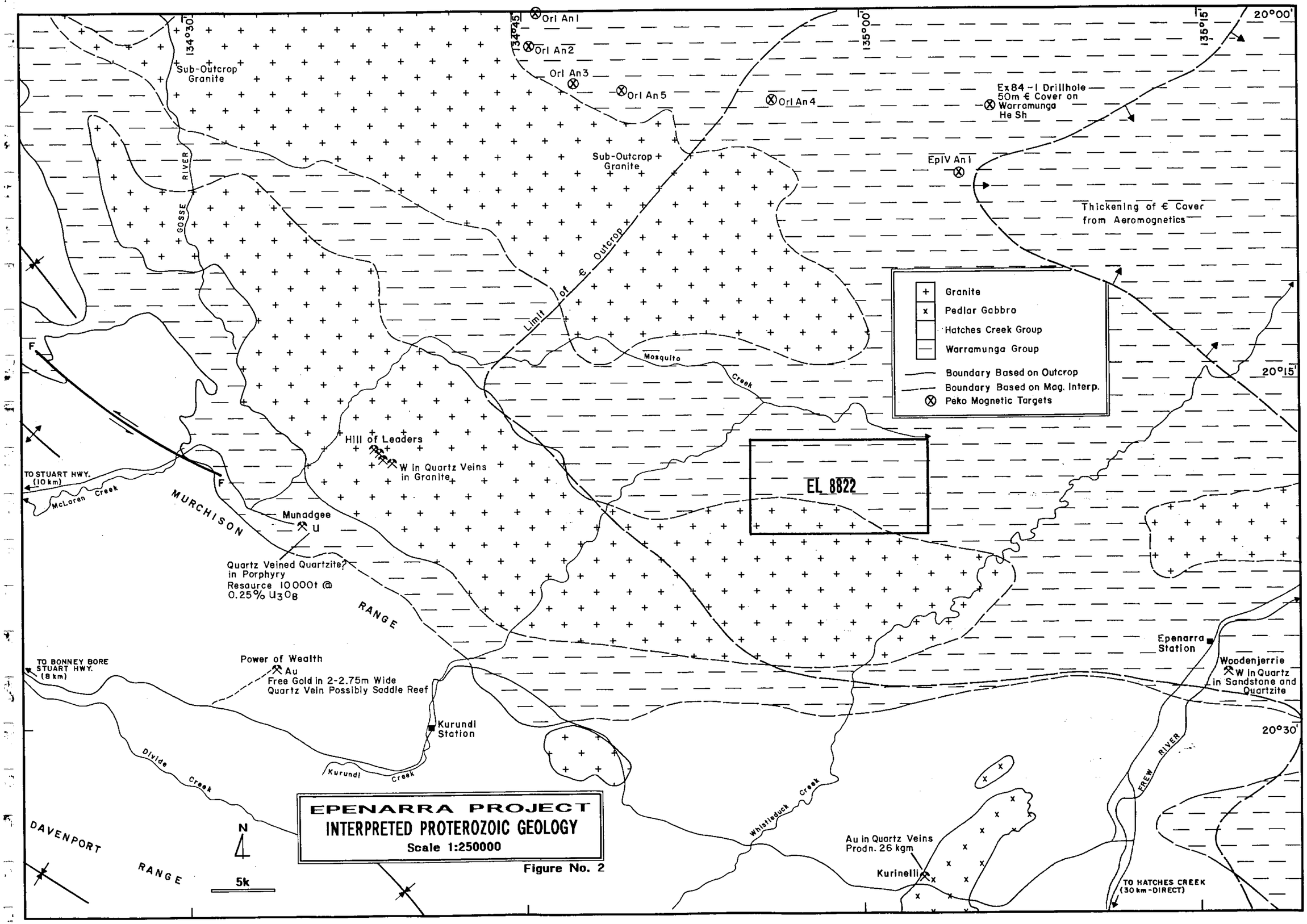
Exploration Licence 8822 covers an area of very poor outcrop where aeolian and alluvial sand and soil cover dominate the licence area. Limited outcrop to the west and north of the licence has been mapped as Cambrian sedimentary rocks comprising chert, chert breccia and limestone, and Warramunga Group greywacke, siltstone and shale (Wyche and Simons, 1987).

5. EXPLORATION COMPLETED DURING YEAR ONE OF TENURE

Upon completion of the Joint Venture Agreement with Adelaide Resources NL, PosGold commenced an interpretation of the region, based on available BMR airborne magnetic and gravity data and mapped geology. This magnetics data was reprocessed to produce total field and reduced to pole images. This interpretation recognised an area of magnetic high features in the central-western area of the EL, interpreted to represent iron-rich Warramunga Group sediments overlain by Cambrian sediments. The Hill of Leaders Granite was interpreted to occur to the SW and NE of the tenement (refer to Figure 2).

Due to the lack of outcrop, the absence of previous drillholes and the perceived depth of cover, an orientation RAB drilling programme was undertaken over this magnetically attractive area to define the depth and extent of cover, relief of palaetopography, weathering profile, bedrock lithology and bedrock geochemistry. This information will be used to assess whether Tennant Creek style Au-Cu-Bi mineralisation may occur in the licence area.

The RAB drilling programme was undertaken by Stadcote Pty Ltd in September 1995. A total of three vertical drillholes were drilled for 192 metres (at an average of 64 metres/hole with a range of depths from 63 to 65 metres). Drillholes were spaced at one kilometre intervals along one north-south traverse line. A total of 196 composite samples were collected. A drillhole location plan is presented in Plan 1 and their details listed in Appendix 1. Drilling was undertaken on cleared grid lines, which utilised a Komatsu dozer contracted from Kurundi Station. Due to mechanical failure, the bulk of the lines could not be cleared and the initial programme of 16 RAB holes was not completed before the tenement anniversary date.



EPENARRA PROJECT
INTERPRETED PROTEROZOIC GEOLOGY
Scale 1:250000

Figure No. 2

Sampling and logging of RAB drillhole intersections recorded the details of cover and bedrock to aid the interpretation of results. Bedrock lithologies are tabulated in Appendix 2.

Drilling intersected a thin (6-8m) cover of colluvium and aeolian sand, silt and rubble, overlying a substantial thickness of Cambrian sediments comprising sandstone, chert, quartzite and tuffs. The bottom eight metres of drillhole BWRB-001 intersected a yellow-brown, clay-rich silicified siltstone, tentatively interpreted to be Warramunga Group sediments. The target magnetic features on EL 8822 have yet to be drilled, due to the dozer breakdown, and will be tested in late 1995.

A total of nine, five metre composite bedrock samples have been submitted to Australian Laboratory Services, Alice Springs for analysis of Au (fire assay, method PM205, 1 ppb Detection Limit), Cu, Bi, Pb, Zn, Ag, Mo, Cd, Se and Te (ICP, method IC588). Results are awaited at the time of writing this report, and will be detailed in the Second Annual Report for EL 8822.

In addition, six sieved samples collected from the base of the colluvial cover have been submitted to ALS for analysis by the techniques described above, and three samples of the colluvium sent to the Normandy Group Laboratory in Perth for BLEG analysis. All results are awaited.

6. CONCLUSIONS AND RECOMMENDATIONS

The regional RAB bedrock drilling programme has indicated that a substantial thickness of Cambrian sediments overlies the inferred Warramunga Group sediments within EL 8822. Geochemical bedrock assays are awaited, but are not expected to highlight any anomalies to be investigated further.

The majority of the planned RAB drilling over the magnetic features within the licence area did not take place in this period. It is planned to complete this programme in late 1995, and the prospectivity of intersecting Warramunga Group sediments is still considered to be high. The palaeotopography of the Proterozoic Warramunga sediments and granite is inferred to be undiluting beneath the flat lying Cambrian sediments.

7. EXPENDITURE STATEMENT FOR THE PERIOD 16/9/94 TO 15/9/95

During the first years of tenure, the combined Adelaide Resources and PosGold expenditure on EL 8822 was $17,260 against a covenant of $16,000.

EXPENSE		COST	
Employee Costs	$	3,257	
Overheads	$	2,510	
Drilling	$	3,320	
Assays	$	1,000	*
Dozer Hire	$	2,000	*
Operating Costs	$	778	
Specialist Services	$	1,475	*
Tenement Costs	$	420	
Adelaide Resources NL Expenditure 16/9/94 - 1/7/95	$	2,500	
TOTAL	$	17,260	

* Costs accrued or partially accrued.

8. FUTURE EXPLORATION PROGRAMME

8.1 Proposed Exploration from 16/9/95 to 15/9/96

The exploration programme proposed for EL 8822 during year two of tenure is as follows:

- completion of the regional RAB drilling programme targeting the magnetic features interpreted to be Warramunga Group sediments in the central portion of the EL;

- completion of high resolution detailed ground magnetics using a rapid sampling magnetometer, and modelling of the resultant data to provide depth and size constraints on the magnetic bullseye features in the licence;

- probable pattern shallow geochemical drilling and regolith mapping in areas found to contain shallow Cambrian cover (<20 metres) above the Warramunga Group sediments.

8.2 Proposed Expenditure from 16/9/95 to 15/9/96

The minimum expenditure in year two of tenure is budgeted as follows:

EXPENSE		COST
Employee Costs	$	3,400
Overheads	$	2,500
Drilling	$	5,500
Assays	$	1,500
Operating Costs	$	750
Specialist Services	$	1,000
Tenement Costs	$	500
TOTAL	$	15,150

9. REFERENCES

Wyche, S and Simons, B., 1987. Bonney Well, Northern Territory - 1:250,000 Geological Series. Department of Mines and Energy, NT Geological Survey. Explanatory Notes SF 53-2.

Walley, A.M. and Simons, B.A. 1987. Frew River, Northern Territory - 1:250,000 - Geological Series. Department of Mines and Energy, NT Geological Survey. Explanatory Notes SF 53-3.

Le Messurier, P. Williams, B.T. and Blake, D.H., 1990. Tennant Creek Inlier - Regional Geology and Mineralisation. Geology of the Mineral Deposits of Australia and Papua New Guinea (Ed. F E Hughes), pp 829-838 (The Australasian Institute of Mining and Metallurgy).

APPENDIX ONE

EL 8822 - BONNEY WELL PROSPECT
RAB DRILLHOLE BHID LOCATION

POSGOLD LIMITED - ADELAIDE RESOURCES NL
EPENARRA JOINT VENTURE
EL 8822 - BONNEY WELL
RAB Drill Hole Collar Information

BHID	Easting (AMG)	Northing (AMG)	RL (m)	Total Depth (m)
BWRB-001	499700.0	7753830.0	316.00	63.00
BWRB-002	499710.0	7751795.0	322.00	64.00
BWRB-003	499715.0	7749758.0	316.70	65.00

NB : BHID = DRILLHOLE IDENTIFICATION
: ALL DRILLHOLES ARE VERTICAL
: COLLAR COORDINATES and RL ARE +/- 5 METRES USING DIFFERENTIAL GPS

APPENDIX TWO

EL 8822 - BONNEY WELL PROSPECT
RAB DRILLHOLE INTERSECTION - BEDROCK LITHOLOGY

POSGOLD LIMITED - ADELAIDE RESOURCES NL
EPENARRA JOINT VENTURE
EL 8822 - BONNEY WELL
RAB Downhole Lithology

BHID	FROM (m)	TO (m)	LITHOLOGY CODE
BWRB-001	0.00	5.00	SAND
BWRB-001	5.00	13.00	CO
BWRB-001	13.00	39.00	SS/h
BWRB-001	39.00	51.00	SS/CHT
BWRB-001	51.00	54.00	SL/CHT
BWRB-001	54.00	63.00	QZT
BWRB-002	0.00	4.00	SAND
BWRB-002	4.00	6.00	CO
BWRB-002	6.00	17.00	CO/SS/h
BWRB-002	17.00	22.00	CO
BWRB-002	22.00	46.00	CL/h
BWRB-002	46.00	61.00	CL/CHT
BWRB-002	61.00	64.00	CHT/SS
BWRB-003	0.00	4.00	SAND
BWRB-003	4.00	14.00	CO/SS/h
BWRB-003	14.00	19.00	CO
BWRB-003	19.00	45.00	SS/h
BWRB-003	45.00	57.00	SS/CL
BWRB-003	57.00	65.00	CHT

NB : BHID = DRILLHOLE IDENTIFICATION

LITHOLOGICAL LEGEND :
CO = COLLUVIUM — QUARTERNARY
SS = SANDSTONE, CHT = CHERT, QZT = QUARTZITE — CAMBRIAN
SL = SILTSTONE — PROTEROZOIC(?)

MINERALOGY / ALTERATION :
CL = CLAY
h = HAMATITE (pervasive)

APPENDIX THREE

BIBLIOGRAPHIC DATA SHEET

BIBLIOGRAPHIC DATA-SHEET

REPORT NUMBER	19968
REPORT NAME	FIRST ANNUAL REPORT FOR EXPLORATION LICENCE 8822 FOR THE PERIOD 16/9/94 TO 15/9/95, KURUNDI DISTRICT, NORTHERN TERRITORY, BONNEY WELL PROSPECT
PROSPECT NAME(S)	EL 8822 BONNEY WELL PROSPECT
OWNER/JV PARTNERS	POSGOLD LIMITED ADELAIDE RESOURCES NL
KEYWORDS	AIRBORNE MAGNETICS RAB DRILLING GRAVITY
COMMODITIES	GOLD, COPPER
TECTONIC UNIT	TENNANT CREEK INLIER WARRAMUNGA GROUP
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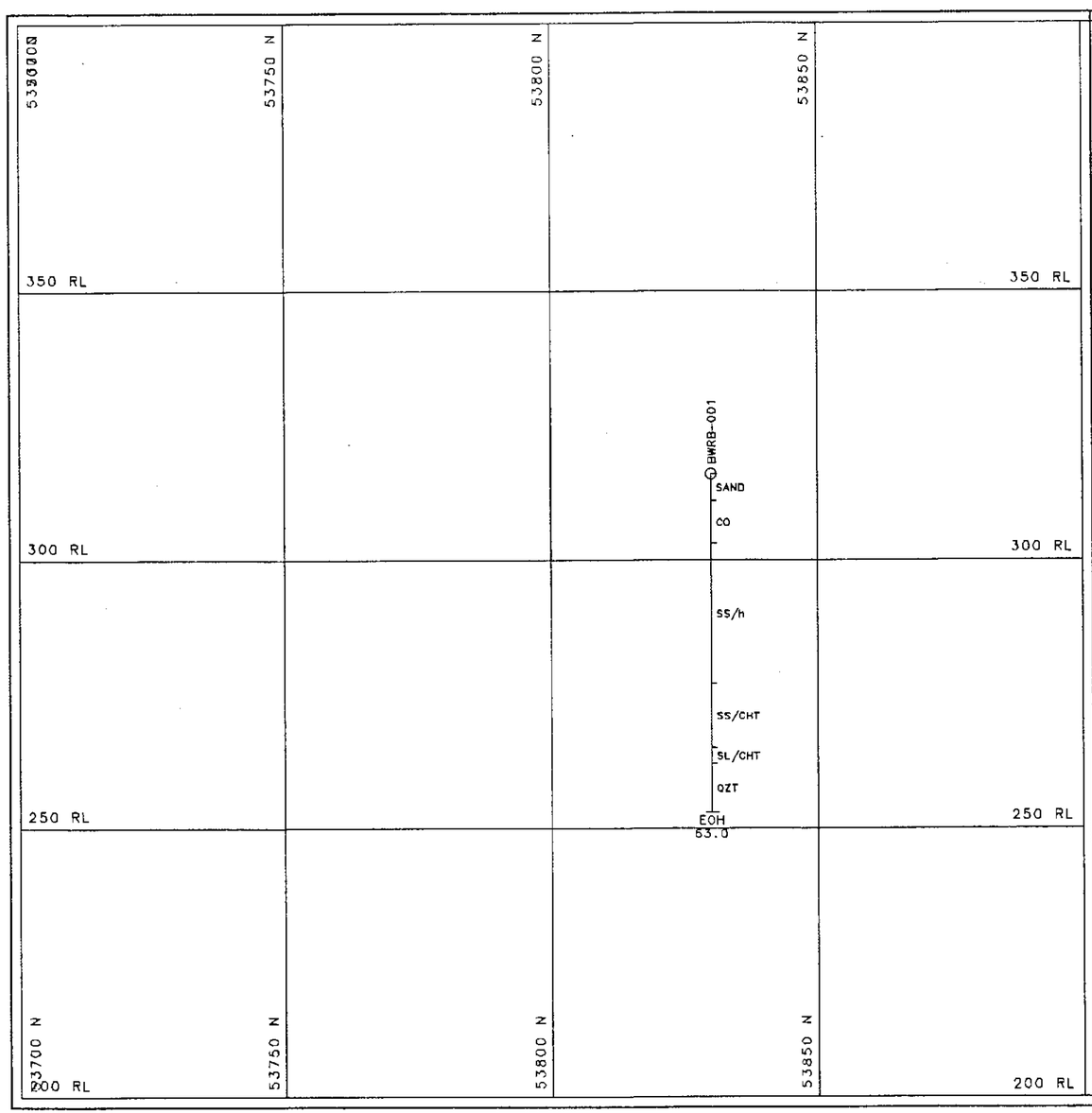
1:100,000 MAP SHEET	OORADIDGEE 5857 EPENARRA 5957



Refer Appendix 2 for
Lithological Legend

LEGEND

Plot file BE99700.P

LHS NONE .

RHS LITHO .

Colour by AU ranges

- 3

POSGOLD LIMITED

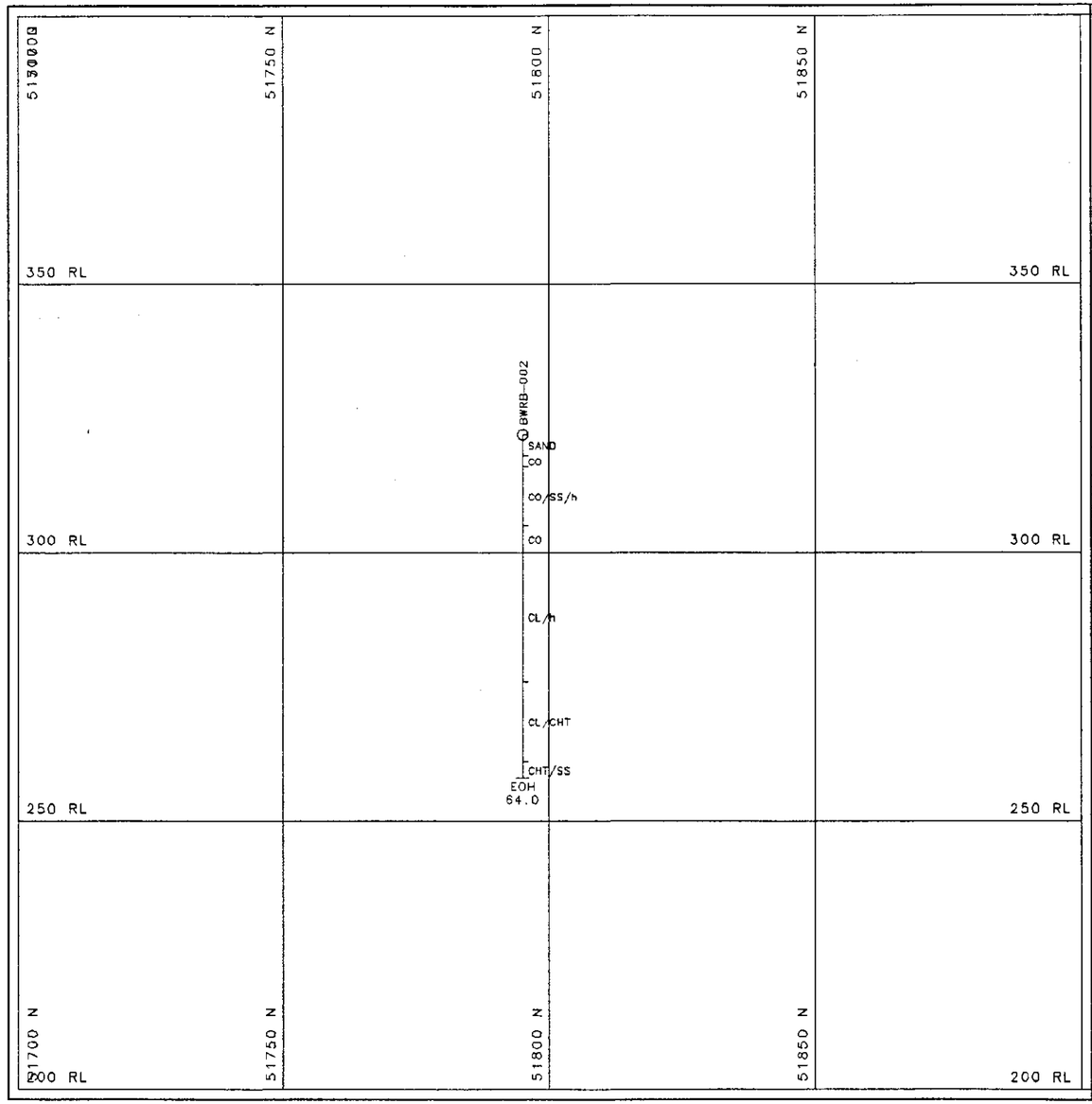
EL 8822 – BONNEY WELL

SECTION 99700 EAST

INFLUENCE 25 Metres.

SCALE	DRAWN	DATE	CHECKED
1:1000	DATAMINE	10 OCT 95	GML

Figure No. 3



Refer Appendix 2 for
Lithological Legend

LEGEND

Plot file BE99700.P

LHS NONE .

RHS LITHO .

Colour by AU ranges

- 3

POSGOLD LIMITED

EL 8822 – BONNEY WELL

SECTION 99700 EAST

INFLUENCE 25 Metres.

SCALE	DRAWN	DATE	CHECKED
1:1000	DATAMINE	10 OCT 95	GML

Figure No. 4

Refer Appendix 2 for Lithological Legend

LEGEND

Plot file BE99700.P

LHS NONE .

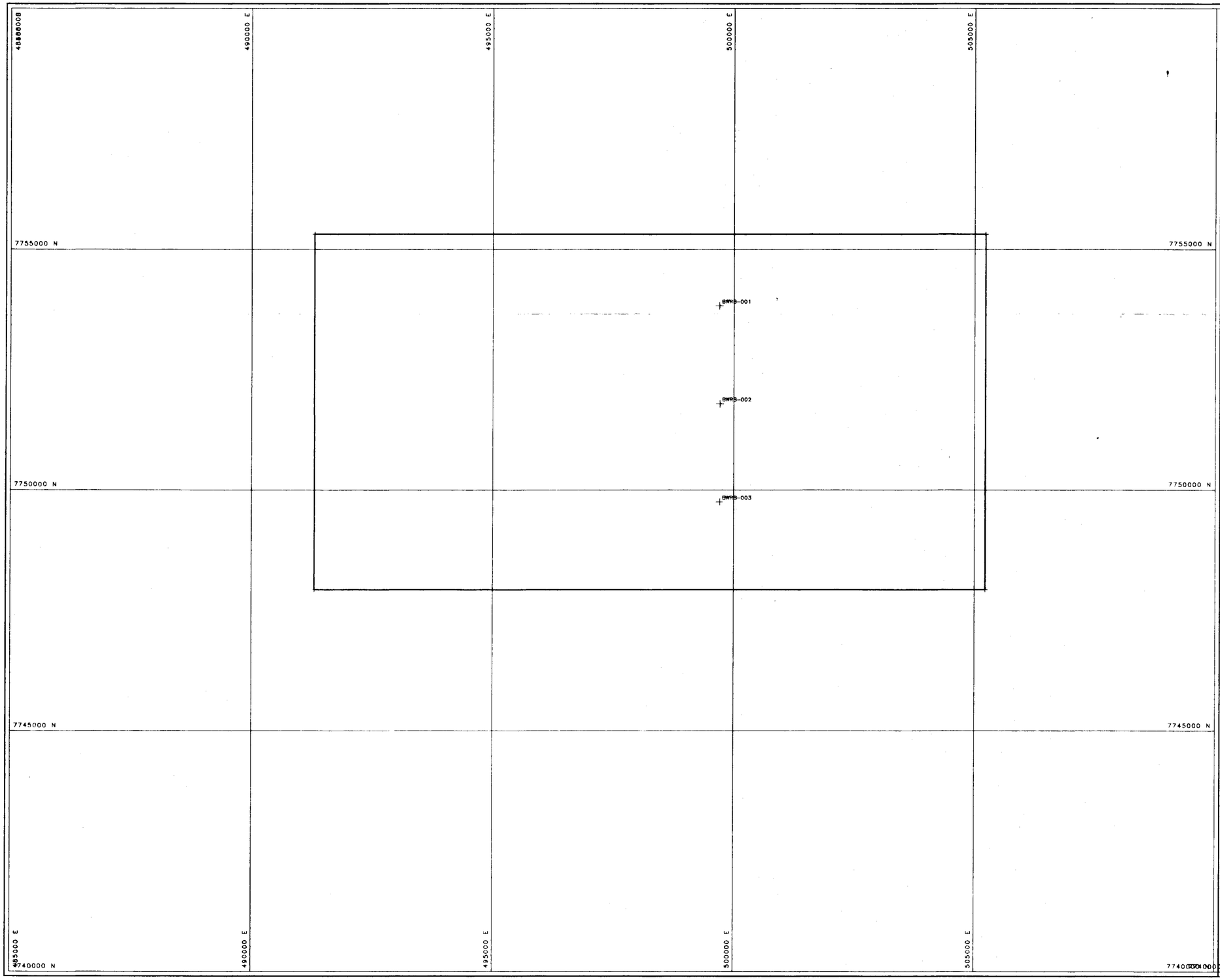
RHS LITHO .

Colour by AU ranges

- 3

POSGOLD LIMITED			
EL 8822 – BONNEY WELL			
SECTION 99700 EAST			
INFLUENCE 25 Metres.			
SCALE 1:1000	DRAWN DATAMINE	DATE 10 OCT 95	CHECKED GML

Figure No. 5



Refer Figure 1 for Location Plan

Plan No. 1

POSGOLD LIMITED

EL 8822 – BONNEY WELL

HOLE LAYOUT PLAN

REGIONAL RAB DRILLING

1000 0 1000 2000 3000 4000 Metres

SCALE 1: 50000

DATE	10 OCT 95	DRAWN		DESIGNED	
				CHECKED	GML
DWG No		DATAMINE		APPROVED	