EL 9734 DRIFIELD
MT TODD DISTRICT, NT

ANNUAL REPORT FOR EXPLORATION
YEAR SEVEN OF TENURE
25 OCTOBER 2002 - 24 OCTOBER 2003

YIMUYN MANJERR (INVESTMENTS) PTY LTD
(CONTROLLER APPOINTED).

YILGARN GOLD LTD
(CONTROLLER APPOINTED) (SUBJECT TO DEED OF COMPANY ARRANGEMENT).

VALLANCE HOLDINGS PTY LTD
(CONTROLLER APPOINTED).

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1. EL 9734 Tenement Location

2. Regional Geological Setting
1. **INTRODUCTION**

Exploration Licence 9734 (Driffield) was granted to Pegasus Gold Australia Pty Ltd (subject to Deed of Company Arrangement), ("PGA") on 25 October, 1996 for a period of ten (10) years. The licence (14 graticular blocks) was granted under the Mt Todd Project Further Agreement, effective 18 October, 1996, and covers a number of surrendered Exploration Licences and Mineral Claims that were held by PGA and others.

Following the severe decrease in the gold price and faults in the project design criteria, the Mt Todd (now Yimuyn Manjerr) mine was put on care and maintenance status on 15 November, 1997 and PGA was placed under a Deed of Company Arrangement.

The Administrators of PGA undertook an extended sale process during 1998, with sale to the Yimuyn Manjerr Joint Venture (Multiplex Resources Pty Ltd then renamed Yimuyn Manjerr Investments Pty Ltd 93%, General Gold Resources NL 2%, PGA 5%) finalised on 18 March, 1999. General Gold Operations Pty Ltd (GGO) holds the Exploration Licence in trust for the Yimuyn Manjerr Joint Venture and has management control.

Operational and financial difficulties forced the shutdown of the Yimuyn Manjerr project on 7 July, 2000 with GGO placed under administration. Management of this licence is being undertaken by Yimuyn Manjerr Investments Pty Ltd, under the control of PGA (subject to Deed of Company Arrangement).

Exploration Licence 9734 was transferred on 1 October, 2001 to Yimuyn Manjerr (Investments) Pty Ltd (Controller Appointed) (Subject to Deed of Company Arrangement) - 95.73%, General Gold Resources NL (now called Yilgarn Gold Ltd) (Controller Appointed) (Subject to Deed of Company Arrangement) - 2.01% and Valance Holdings Pty Ltd (Controller Appointed) - 2.26%.

This Report summarises exploration activities undertaken on EL 9734 during the twelve (12) months ended 24 October, 2003.
2. LOCATION AND ACCESS

EL 9734 is situated approximately 55km north of Katherine and is centred approximately 12km to the northeast of the Yimuyn Manjerr Gold Mine (Figure 1). Access is gained via Yimuyn Manjerr Mine access roads and exploration tracks north from the sealed Edith Falls Road.

Topography within EL 9734 is considerably varied, ranging from low relief scree rises and black soil plains in the north and west, to moderate and high relief rocky ridges and deep valleys in the south and east. The licence is traversed by a number of creeks and drainages, including the relatively major Driffiell and Stow Creeks. Most of the licence area is lightly timbered.

Within EL 9734 is the abandoned Driffiell Mining Centre, which historically was intensely prospected for gold mineralisation. Small scale underground mining at the Mining Centre produced 5,300oz of gold, and significant unrecorded gold production has been won from alluvial sources. Historical tin workings are common within the licence area, most notably near the Emerald Creek Tin Mine (excluded from EL 9734) in the north west of the licence.

3. GEOLOGICAL SETTING

Driffiell is located within the southeastern portion of the Early Proterozoic Pine Creek Geosyncline. Metasediments, granitoids, basic intrusives, acid and intermediate volcanic rocks occur within this geological province (Figure 2).

Within the Mt.Todd area the oldest outcropping rocks are assigned to the Burrell Creek Formation. These rocks consist primarily of interbedded greywackes, siltstones and shales of turbidite affinity, which are interdispersed with minor volcanics. The formation contains slump structures, flute casts, graded beds and occasional crossbeds.

Rocks of the Burrell Creek Formation have been folded about northerly trending F1 fold axes. The folds are open to closed style and have moderate to steep westerly dipping axial planes, with some rocks being overturned. A later north-south compression event resulted in east-west trending open style upright D2 folds.
Figure 2 Regional Geological Setting
Metasediments of the Burrell Creek Formation outcrop extensively throughout EL 9734. Ridges and creeks host exposures of greywacke and siltstone, with lesser shale and minor tuff and feldspathic sandstone. These rocks have been folded into a series of tight anticlines and synclines with steep, westerly dipping axial planes trending 350 degrees to 020 degrees magnetic. These folds generally plunge steeply to either the south or north, and often have an overturned eastern limb.

Quartz is abundant within the licence area, occurring as both massive white "bucky" veins and blows, and thin veinlets or stockworks. Three main structural trends are apparent over EL 9734. A northwest structural trend is represented by a moderate to strong vertical joint set or foliation, striking 310 degrees to 340 degrees magnetic. A northeast trend hosts much of the massive white quartz veins, striking 030 degrees to 060 degrees magnetic. The third structural trend is near bedding-parallel, and often results in shearing and brecciation along bedding planes. Quartz veining exists along all of these structural trends. Pyrite pseudomorphs are often associated with sheared and brecciated quartz veins.

Numerous historical small hardrock working, prospect pits and alluvial diggings are scattered throughout EL 9734, with most in and around the Driffield Mining Centre.

4. **PREVIOUS WORK CARRIED OUT - YEARS 1 TO 6**

Full details of all previous exploration work carried out is contained in the Annual Reports for EL 9734 for Years 1, 2, 3, 4, 5 and 6 of Tenure.

5. **WORK CARRIED OUT - YEAR 7**

Operational and financial difficulties forced the shutdown of the Yimuyn Manjerr project on 7 July, 2000. Due to this shutdown there was no work carried out on the licence during Year 7.

During Year 6 of the licence (2001-2002), a number of attempts were made to find a buyer for EL 9734 and other licences surrounding the Yimuyn Manjerr Mine. In mid-2002, agreement was reached for the sale of the exploration licences and settlement was expected in the immediate future. This settlement is still to be finalised. Apart from matters to do with the sale of this licence, there has been no other work carried out on the licence during Year 7.
6. **REHABILITATION**

No exploration activities were undertaken during the year that required rehabilitation.

7. **CONCLUSIONS AND RECOMMENDATIONS**

Exploration within EL 9734 has targeted previously defined anomalous surface geochemistry in several areas. Geological mapping, rock chip sampling and soil sampling has delineated several prospect areas which require further investigation. Many of these areas were not followed up by PGA and significant potential still exists for economic discoveries.

A major portion of EL 9734 is covered by alluvial soils and weathered scree, with RAB drilling required to fully evaluate covered areas, particularly those that cover interpreted mineralised structures. RC drilling of the more advanced targets in EL 9734 produced significant results in the Driffield Mining Centre and Driffield West regions, but is yet to delineate a mineable resource. The poddy, discontinuous nature of the Au mineralisation makes resource definition difficult in these areas. However, RC drilling was relatively limited, both in extent and in depth, and much potential remains on EL 9734 for the discovery of a significant resource.

A two pronged, systematic exploration approach is recommended for exploration on EL 9734. This would comprise:-

- Drilling of advanced targets to define potential resources; and
- Geochemical sampling, geological mapping and RAB drilling of newly discovered and covered anomalies.
8. **PROPOSED EXPLORATION AND BUDGET**

Exploration proposed on EL 9734 during Year 8 is as follows:-

- Expanded Soil Sampling $5,000
- Geological Mapping and Rock Chip Sampling $5,000
- RAB Drilling $10,000
- RC Drilling $40,000
- Assays $10,000

**TOTAL** $70,000

9. **EXPENDITURE STATEMENT**

Due to the present operational difficulties of the management company, expenditure figures for Year 7 of EL 9734 are unavailable at this stage.