SEL 9679 BARNJARN

MT TODD DISTRICT, NT

ANNUAL REPORT FOR EXPLORATION YEAR SEVEN OF TENURE 27 NOVEMBER 2002 - 26 NOVEMBER 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. INTRODUCTION

Substitute Exploration Licence 9679 was granted to Territory Goldfields NL on 27 November, 1996 for a term of four (4) years, then immediately transferred to Pegasus Gold Australia Pty Ltd (subject to Deed of Company Arrangement), (“PGA”) under the terms of the Wandie Joint Venture Sale Agreement. The licence now comprises 265 graticular blocks for a total area of 859 square kilometres.

The licence is a consolidation of former titles SEL 9212, EL 8867 and EL 9107, which were held by Territory Goldfields following their purchase from Dominion Mining Ltd.

The Barnjarn Joint Venture Agreement between PGA, Barnjarn Mining Company (“BMC”) and the Barnjarn Aboriginal Corporation was made on 25 November, 1996 whereby PGA and BMC beneficially own SEL 9679 in the proportions PGA 90% and BMC 10%.

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) held the Exploration Licence in trust for the Yimuyn Manjerr Joint Venture and had 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).
SEL 9679, along with other EL's surrounding the Yimuyn Manjerr Mine, were transferred to Yimuyn Manjerr (Investments) Pty Ltd (Controller Appointed) (Subject to Deed of Company Arrangement) 95.73%, General Gold Resources NL (now called Yilgaarn Gold Ltd) (Controller Appointed) (Subject to Deed of Company Arrangement) 2.01% and Vallance Holdings Pty Ltd (Controller Appointed) 2.26% on 1 October, 2001. The purpose of this transfer was to enable them to be offered for sale by way of a tender process.

This Report summarises exploration activities undertaken on SEL 9679 during the twelve (12) months ended 26 November, 2003.

2. LOCATION AND ACCESS

SEL 9679 is located approximately 220km southeast of Darwin, 50km east of Pine Creek and approximately 25km northwest of Katherine. The licence falls on the Mt Evely and Katherine 1:250 000 geological sheets (SD53-5, SD53-9) and the Ranford Hill and Katherine 1:100 000 geological and topographical sheets (5370, 5369).

SEL 9679 covers an area of 265 graticular blocks (approximately 859 square kilometres) in two separate areas. Access can be gained via the Stuart Highway, Kakadu Highway, Edith Falls Road and 4-wheel drive tracks. See Figure 1 for tenement location.

3. REGIONAL GEOLOGY

SEL 9769 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.
Figure 2: Regional Geological Setting
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.

The metasediments were folded and metamorphosed to lower upper greenschist facies and, in places, to amphibolite facies. Largely undeformed late Early Proterozoic volcanics and sediments, and Middle Proterozoic, Palaeozoic and Mesozoic strata rest on the geosynclinal sediments with marked unconformity. The geosynclinal sediments are intruded by pre-orogenic dolerite sills and syn-orogenic to post-orogenic granitoid plutons and dolerite lopoliths and dykes.

The geology of the licence area comprises rocks of the following groups:-

2. Cullen Granitoids.
3. Edith River Group - Plum Tree Volcanics and Phillips Creek Sandstone.
5. Finniiss River Group - Burrell Creek Formation.

The oldest rocks in the area belong to the Mt Bonnie Formation, which is the upper member of the South Alligator Group. Shale, siltstone, greywacke, chert and minor tuff and dolomite represent the Mt Bonnie Formation. These rocks have been extensively hornfelsed close to granite contacts. Outcrop is restricted to low rubbly rises, strike ridges or incised creek beds and have been tight to isoclinally folded.

The Burrell Creek Formation conformably overlies or is faulted against the Mt Bonnie Formation. The Formination is dominated by greywacke and siltstone/shale and crops out extensively throughout the area on lightly timbered rubble strewn rises and low strike ridges. Within the hornfelsed aureole adjacent to the granites it forms prominent ridges and ranges up to 200m high. Most of the rocks within the unit are well cleaved and tightly folded about north to northwest fold axes.
4.

The Tollis formation is separated from the underlying Burrell Creek Formation by a structural and metamorphic discontinuity. The Tollis and Burrell Creek Formations are very similar with the boundary difficult to place.

The Edith River Group rocks form a small part of the licence area and unconformably overlie the Tollis Formation. The Phillips Creek sandstone comprises tuffaceous sandstone, conglomerate and minor siltstone while the younger Plum Tree Creek volcanics is made up by felsic to mafic volcanic rocks.

The Cullen batholith is a composite I-type batholith made up by 23 different plutons. Sixteen of the plutons coalesce or join at shallow depths while the others surround the main body and are probably interconnected at depths of less than 3km. The granites intruded the early Proterozoic sediments importing differing levels of contact metamorphism. Rugged ridges of hornfels rise up to 200m above the level of the granitoids and topographically define their margins.

The Kombolgie Formation sandstone rests unconformably over the early Proterozoic sediments and the Cullen batholith and forms a discontinuous line of rocky hills and tablelands. Flat lying Mesozoic sediments and a thin layer of Cainozoic sand and laterite in many areas unconformably overlie the Kombolgie Formation.

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 SEL 9679 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.
5.

A number of attempts were made during the year to find a buyer for SEL 9679 and other licences surrounding the Yimuyn Manjerr Mine. In mid-2002, agreement was reached for the sale of the exploration licences and settlement is expected in the near future. Apart from the ongoing negotiations for the possible 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 during Years 3 and 4 of SEL 9679 included further GIS database compilation and interpretation, rock chip sampling, gridding, geological mapping, soil sampling, RAB drilling and rehabilitation. The ability to undertake extensive and comprehensive exploration programs has been limited by the operational/financial restraints and difficulties of the two operating companies.

   Assessment of the database compilation and initial interpretation of the digital data generated at least 65 geochemical anomalies that require investigation. The 1996-97 regional soil sampling programs had defined targets at the RKD, Mountain View, Wolfram and S12 prospects that underwent further geological reconnaissance and geochemical sampling.

   At the RKD prospect, drilling of the N trending structure has returned highly anomalous drill intercepts indicating the potential for a small resource. Further drilling to test for strike extensions and/or similar structures in this mineralised area is highly recommended.

   RAB/RC drilling of the Highway, Mountain View, Wolfram and S12 prospects is warranted after further geological mapping and surface geochemistry to assist in targeting. This should also involve testing below the transported Fergusson River floodplain between the RKD (Dead Car) and Mountain View prospects.
6.

Initial assessment of the GT prospect has been mixed with poor results from the testing of covered airborne magnetic targets but anomalous geochemical values from the northern area require further investigation.

The structural targets (98) generated from the aeromagnetic interpretation should be married with the existing geochemical database to determine prospect ranking and priority.

The exploration targets defined within the Wandie - Saunders Rush - Brilliant line of workings, RKD and Highway prospects may hold the potential to develop satellite resources or a stand-alone deposit and require further investigation by drill testing. Continuation of the regional scale geochemical programs to test the potential of the geochemical (+65) and geophysical (98) anomalies is required. The potential for base metal mineralisation is also undetermined with little modern exploration undertaken and compilation of existing data to be completed.

8. **PROPOSED EXPLORATION AND BUDGET**

Exploration proposed on SEL 9679 during Year 8 is as follows:-

- Contract Geological Services $ 20,000
- Soil and Rock Chip Sampling $ 10,000
- RAB Drilling $ 20,000
- Diamond Drilling $ 25,000
- Assaying $ 10,000
- Rehabilitation $ 5,000
- Administration $ 10,000

  TOTAL $100,000

9. **EXPENDITURE STATEMENT**

Due to the present operational difficulties of the management company, expenditure figures for Year 7 of SEL 9679 are unavailable at this stage.