BURNSIDE OPERATIONS PTY LTD

ANNUAL EXPLORATION REPORT

BROCKS CREEK GROUP

YEAR ENDING JUNE 26TH 2004

MLN1139, MLN176
MCN4689-4697, MCN4701-4703
MCN4863-4871, MCN4895-4899

Pine Creek 1:250,000 SD5208
Batchelor 1:50,000 5172

Distribution:

1. **NT Dept of Mines and Energy**
2. **Northern Gold NL, Perth**
3. **Burnside Operations P/L Brocks Creek**
4. **Burnside Operations P/L, Perth**

Compiled by:
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August 2004

SUMMARY

The Brocks Creek assets comprising the group tenements and mill were purchased from AngloGold (Brocks Creek) by Buffalo Creek Mines Pty Ltd (a subsidiary of Hill 50 Gold NL) in November 2001.

In April 2002 an agreement was finalised (Burnside Joint Venture) between Northern Gold NL and Buffalo Creek Mines P/L in equal shares. The agreement merged certain assets within a 30km radius of the Brocks Creek mill under the management of Burnside Operations Pty Ltd.

Ownership of Hill 50 Limited and its equity in the Brocks Creek tenements passed to Harmony Gold (Australia) Pty Ltd in mid 2002.

The principal objective of the Burnside joint venture was to bring any economic gold resources in the merged tenement holdings into production and treat them at the Brocks Creek Mill. In August 2004 the Brocks Creek Mill was sold to a third party and the joint venture purchased the mill and tenements at Union Reef from AngloGold Ashanti Australia Ltd.

Most of the annual expenditure in 2001-2002 comprised refurbishing the camp, mill and mine site facilities and conducting pre-mine engineering and resource studies on the Zapopan deposit. Environmental control monitoring and basic refurbishment in preparation for the new operation was carried out during the wet season.

In September 2002 site preparations for mining commenced at the small but high grade Zapopan gold resource in MLN1139. By May 2003 a decline access had been established from the bottom of the Zapopan open pit to the 1000 and 980 levels and a 10,000t stockpile of development ore from the levels was taken for treatment at the Union Reef mill.

In the year ending June 26th 2003, underground diamond drilling into the Zapopan deposit was carried out from the new development. This comprised 1,540.6m in 37 holes. This data was used to create an accurate structural and grade block model of the deposit and a resource report. Computer modelling and optimisation of the Rising Tide gold deposit near the northern boundary of MLN1139 was carried out along with a resource report.

Intensive RC and/or diamond core programs have been under way since July 2002 testing resources in adjacent joint venture tenements. This activity is the subject of separate reports.

No surface exploratory drilling or sampling was carried out in the Brocks Creek Group tenements during the year ending June 26th 2004. Work was confined to a geological study of the Zapopan ore environment and engineering studies to optimise future mining methods.

All work reported was within MLN 1139. No exploration work was done in the remainder of the Brocks Creek tenement group.

Exploration expenditure within the tenement group for the period ended 26th June 2004 totalled $30,770.

Mining expenditure on Zapopan for the period totalled $650,062.

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1.0 INTRODUCTION

The Brocks Creek Project area comprises a group of mining tenements centred 140km south east of Darwin, NT. This report covers exploration and mining activity on the tenements in the year ended 26th June 2004.

Brocks Creek has historically been the focus of alluvial and underground gold mining and the 1990's featured gold production from open pits along the Brocks Creek-Zapopan (BKZ) structure.

The Brocks Creek treatment plant was commissioned in April 1996 by Acacia Resources P/L to accommodate ore from several open pit gold deposits. The company was subsequently acquired by AngloGold Australia that continued open pit gold production until April 2000.

In November 2001 Buffalo Creek Mines P/L, a subsidiary of Hill 50 Limited purchased the Brocks Creek project from AngloGold Australia.

In April 2002 Buffalo Creek Mines P/L entered into a joint venture agreement (Burnside Joint Venture) with Territory Goldfields NL (Northern Gold NL) merging certain assets in the Brocks Creek region. The joint assets of the parties are presently managed through Burnside Operations Pty Ltd.

Ownership of Buffalo Creek Mines P/L passed to Harmony Gold (Australia) Pty Ltd in mid 2002 as a consequence of the takeover of Hill 50 Gold NL.

Since the joint venture was formed a large expenditure outlay, comprising mining costs and diamond drilling, has been committed to prepare the Zapopan underground resource for production. Concurrently, exploration drilling and resource modelling was focused on other priority gold targets around the Burnside Region including the Cosmo Howley, Yam Creek-North Point, Woolwonga, Fountain Head, Chinese South Extension and Mottram's.

2.0 TENEMENT DETAILS

The granted tenement package was consolidated between 1987 and 1995 by Cyprus Gold Australia and Solomon Pacific-Acacia Resources Pty Ltd.

The principal tenement covering the majority of known deposits at Brocks Creek is MLN1139 of 3949 hectares and constitutes 75% of the Brocks Creek group. The remainder comprise one other MLN and 26 MCNs plus two HLDNs A freehold lot, No.10 at Brocks Creek townsite is also owned by the joint venture. See Table 1 for individual details.

The Burnside Joint Venture further extends the tenement package under Burnside Operations P/L management up to 30km from the Brocks mill. These other tenements are subject to separate annual report groupings.

The tenements lie on Ban Ban Springs pastoral lease.

Table 1. Tenement Details Brocks Creek Reporting Group

Ten. ID	Grant date	Date Expiry	Area ha
MLN176	4/03/1966	31/12/2006	16.18
MLN1139	27/06/1995	31/12/2019	3949.0
MCN4689	5/11/1995	3/11/2011	32.4
MCN4690	5/11/1995	31/12/2004	36.0
MCN4691	5/11/1995	31/12/2004	36.0
MCN4692	5/11/1995	31/12/2004	36.0
MCN4693	5/11/1995	31/12/2004	36.0
MCN4694	5/11/1995	31/12/2004	32.4
MCN4695	5/11/1995	31/12/2004	32.4
MCN4696	5/11/1995	31/12/2004	32.77
MCN4697	5/11/1995	31/12/2004	25.0
MCN4701	5/11/1995	31/12/2004	36.0
MCN4702	5/11/1995	31/12/2004	36.0
MCN4703	5/11/1995	31/12/2004	29.8
MCN4896	27/04/1995	31/12/2004	33.43
MCN4897	27/04/1995	31/12/2004	39.29
MCN4898	27/04/1995	31/12/2004	39.0
MCN4871	13/02/1995	31/12/2004	31.0
MCN4863	13/02/1995	31/12/2000	33.71
MCN4864	13/02/1995	31/12/2000	33.71
MCN4865	13/02/1995	31/12/2000	33.71
MCN4866	13/02/1995	31/12/2000	33.71
MCN4867	13/02/1995	31/12/2000	33.71
MCN4868	13/02/1995	31/12/2000	33.71
MCN4869	13/02/1995	31/12/2000	31.0
MCN4870	13/02/1995	31/12/2000	31.0
MCN4895	6/10/1995	31/12/2004	33.43
MCN4899	6/10/1995	31/12/2004	39.0
HLDN36	23/04/1981		1.98
HLDN49	18/02/1982		1.98
			4849.32

3.0 LOCATION AND ACCESS

The tenement group is centred some 140km south east of Darwin, NT.

Access is presently gained by road 160km south from Darwin along the Stuart Highway, thence north-easterly along the Fountain Head road for 12km. A graded dirt road passes westwards connecting the bitumen Fountain Head road to the mill and office complex. A network of dry season tracks services the tenements internally. The newly completed Adelaide-Darwin railway passes through the group. See Fig 1.

The terrain within the project area is undulating with low ridges and flats vegetated with tall and mixed grassy open savannah acacia and eucalypt woodland. Towards the north the terrain is more elevated. Southwards the gradient flattens to the Howley Creek alluvial plain.

The climate is hot with periodic monsoonal rains between November and May. For the remainder of the year it is warm to hot and largely dry.

4.0 ABORIGINAL AREA PROTECTION AUTHORITY

Certificates have been issued to allow exploration and extractive activity on the tenements. There are no registered aboriginal sites of significance within the project.

5.0 GEOLOGICAL SETTING

The project area encloses a tract of Lower Proterozoic sedimentary clastic rocks of the Pine Creek Inlier. Members of the South Alligator Group and the Finiss River Group have been identified and have been tightly folded on axes that trend north westerly and have been altered to phyllitic middle greenschist facies. Thermal effects from the post orogenic Burnside Granite that lies to the north of the group has imparted hornfelsing and porphyroblastic spotting of garnet, biotite and andalusite/cordierite depending on lithology and proximity to the contact. Calc-silicate hornfels is reported from some thermally higher grade areas. The granite emplacement has also distorted and disrupted pre existing fold and fault patterns.

Rocks of the South Alligator Group comprising Koolpin Formation, Gerowie Tuff and Mt Bonnie Formation host most of the gold occurrences in the Pine Creek region. The boundaries of the Formations within South Alligator Group are gradational while the lower contact of the Group is unconformable with Mt Partridge Group.

Regionally, these three Formations have been intruded and dilated by semi concordant pre orogenic sills of dolerite termed the Zamu Dolerite. Only Koolpin Formation appears to have been intruded within the Brocks Creek project area. A tight WNW trending, shallow south west plunging asymmetric fold structure termed the Brocks Creek-Zapopan (BKZ) anticline has been subject to axial plane failure and reverse fault movement. It hosts the bulk of gold mineralised occurrences in the project tenements. The association of gold with failed asymmetric anticlinal axial zones in South Alligator Group is common in the Pine Creek Geosyncline.

Koolpin Formation (100m-500m) is typically thin to medium bedded dark carbonaceous pyritic mudstone-siltstone with rare iron formation and dolomitic horizons. It represents low energy deposition in an anoxic basin and hosts the Cosmopolitan Howley gold mineralisation. It rests unconformably on Mt Partridge Fm. (Wildman Siltstone)

The overlying **Gerowie Tuff** (200m-500m) comprises a cyclic silt-greywacke-arenite unit with frequent alternations of thin cherty tuffite beds, and carbonaceous argillite. It represents distal sub aerial felsic volcanism feeding into a euxinic basin. The unit is present at the Faded Lily, Burgan and Alligator deposits.

The **Mt Bonnie Formation** (150m-500m) is of cyclic siltstone, mudstone and greywacke with thin pyritic chert horizons that are locally important host rocks at Zapopan. It represents slightly higher energy deposition and is a precursor to the high energy greywacke facies of the Finniss River Group into which it grades conformably.

Burrell Creek Formation represented by lithic greywackes and siltstone-argillite is the first Formation resting gradationally on Mt Bonnie Formation and outcrops extensively to the south of the BKZ. Regionally it is known to host gold mineralisation, but less commonly than the Koolpin, Gerowie Tuff and Mt Bonnie Formations.

Biotite-lamprophyre and felsic porphyry dykes also cut the metasedimentary sequence.

6.0 GOLD MINERALISATION

Gold was first discovered at Brocks Creek at the end of 1872 and alluvial mining, mainly carried out by Chinese indented labour, was intense until the turn of the century. Underground mining was also carried out, sometimes by the Chinese, at the Zapopan deposit up till 1915.

In the period 1980 to 1995 alluvial mining was resumed by small operators.

Companies such as Cyprus carried out modern gold exploration and identified significant widths of gold mineralisation at Faded Lily and Alligator on the BKZ.

The BKZ structure has been traced by mapping and magnetic interpretation for over 8km and hosts a group of significant gold deposits over a strike length of 2km. These include the Faded Lily, Alligator, Zapopan, Burgan and Homeward Bound. Outlying prospects include John Bull and Rising Tide that are on splays or separate structures.

The deposits comprise either bedding-concordant quartz-pyrite/pyrrhotite arsenopyrite bodies or steeper transgressive vein systems associated with the axial plane. The majority of the deposits have a steep to moderate southerly dip though some components lie on the northern limb of the BKZ. The axial zone where the concordant veins flatten is often higher grade and thicker. A moderate ESE plunge has been reported on the mineralisation at most of the open pits and at Zapopan. (38 degrees) There is a minor base metal association in the higher grade sectors of the deposits including arsenopyrite, chalcopyrite, sphalerite and galena. Tourmaline is also commonly present with the quartz. Haematite alteration has locally been observed in the ore zone and may have an association with lower gold grades.

6.1 Zapopan Deposit

Geological Features

The Zapopan deposit is located on the BKZ 600m east south east of the Faded Lily pit. In contrast with the other deposits that occurred on low rises or ridges, Zapopan occurred within a small creek drainage system of low relief and was prone to flooding.

Historically the deposit was mined from a series of shafts put down between discovery in 1888 and 1935. During this period gold production of 26,685oz from 41,000t of ore was reported. The average head grade of this ore was 20.0g Au/t. Mining was hindered by sulphide rich ore, inexperienced management, poor

scheduling of funds, flood-prone underground development and the presence of two, parallel, 2m thick “slides”, that are post-mineral shear zones comprising incompetent foliated and graphitic rock.

In plan, the steeply (55-60 degree) south dipping ‘slides’ transgress the axis of the fold at a small angle and appear to have offset an axially focused set of crudely bedding-concordant quartz veins and chert hosted sulphidic mineralisation. The gold bearing lodes have been divided, into three structurally separated units; Fissure Lode on the south limb, Central Lode on the north limb and Main Lode axially positioned and bracketed by the slides. All three tend to follow the shallow ESE plunge of the fold axis.

Historically, gold was mined from these three separate reefs of which the most productive was **Fissure Lode** that was on the southern fold limb and exposed at surface. Fissure lode dips south at 55-60 degrees and is a composite quartz vein structure striking 282 degrees occupying the same stratigraphic package as Main Lode. It is thought that as mineralisation passes down dip away from the axial zone, the grade and thickness fades out. Frequent parallelism with bedding, laminated quartz and chert components and concordant pyritisation has led to previous incorrect theories of syngenetic origins for the gold, though it is stratabound and the component chert units correlate with Main Lode and Central Lode. Multiple vein crack-seal brecciation events aligned with the axial plane are associated with the best visible gold concentrations.

Central Lode and Main Lode are similar in appearance to Fissure Lode. As a result of 2003 underground drilling and mapping of exposures, Main Lode (as well as Fissure and Central) has been broken down into bedding-concordant vein styles that may be correlated along strike by virtue of both epigenetically mineralised chert bed markers (Z5, Z15 and Z20) and concordant vein quartz (Z10, Z30). Most of the present high grade resource lies within Main Lode, bracketed between the two slides, and largely not depleted by historic mining. The thicker and higher grade ESE plunging axial closure contains the bulk of the gold in Main Lode. The down plunge extensions of Main and Central Lodes remain largely untested.

Work by Acacia Resources Ltd attributed an overall plunge to the anticlinal controlling structure of 38 degrees towards 122 degrees magnetic with the axial plane dipping steeply south at 75-85 degrees.

The more northerly of the two main “slides” is also referred to as the Axial Planar Shear but strikes slightly oblique to the axis. A reverse movement has been measured from drag folding and it is up to 2m wide. The south “slide” shows a north block west relative horizontal movement but is more diffuse over a 5m-10m width. Both are sub parallel and offset the axial plane and mineralisation.

A more detailed structural and grade analysis is now available as a consequence of the decline access to the deposit, put down in the 2002-2003 report period.

The resource report of A.Gillman, P.Harris and F.Dyer (2003), based upon underground diamond and surface drilling plus exposures in the workings, was presented in the Appendix of the 2003 annual report. Underground mapping and core

logging by P. Harris and P. Kastellorizos was instrumental in the understanding of the deposit.

Open Pit Mining at Zapopan

Open pit mining was carried out by Acacia and completed over a 12 month period ending in November 1999. A total of 121,281t @ 1.92g Au/t was milled as high grade feed. Low grade feed totalling 11,880t @ 0.8g Au/t was milled in the same period. A low grade stockpile remained at the end of the operation totalling approximately 54,000t @ 0.8g Au/t. The open pit is thought to have been centred on the Fissure Lode, a steep south dipping shoot that had been the focus of historic stoping and comprised the fault-dislocated southern limb of the Zapopan vein system. The pit is close to 40m deep (1055m RL final flitch) The mine RL has had 1000m added to natural RL.

The portal of the new decline has been cut into the north batter of the pit at a point where exposures of pyritic Z5 or Z20 occur near the axis of the fold.

Unmineralised and oxidised Z5, Z15 and Z20 chert markers have been located in outcrop near the top of the pit ramp on the north limb of the fold. (Shaw 2004).

Previous Resource Studies at Zapopan

Several resource estimates were made at Zapopan prior to Burnside Operations P/L management. Of these the most recent was by Mining and Resource Technology for Acacia Resources P/L in June 1999.

MRT estimated that indicated resources below the level of the old workings in Main Lode totalled **169,000t @ 18.55g Au/t.** This applied a cut off grade of 35.0g Au/t but no mining dilution and no allowance for minimum mining width. The grade, however was cut post-compositing, which artificially elevated the average by about 4.0g Au/t.

Other lodes within the deposit (Fissure Lode and Central Lode) comprised inferred resources totalling **116,000t @ 6.32g Au/t** using the same parameters.

The modelling work of Gillman, 2003, based on new underground drilling and exposures has updated the resource

6.2 Rising Tide Deposit

Geological Features

The Rising Tide deposit is located 2.5km north of Faded Lily pit on a ridge near the northern boundary of the tenement group. The mineralised structures comprise shallow, south dipping reverse fault planes within Koolpin Formation that parallel the underlying contact with a Zamu Dolerite sill.

The Koolpin host rocks comprise argillite, carbonaceous and pyritic/pyrrhotitic shale, chert bands, calc-silicates and possible iron formation. A prominent late stage, cross-cutting quartz vein on 330 degrees cuts the deposit and passes into the Burnside Granite to the north.

Mineralisation is hosted by at least two thin sub parallel structures dipping at approximately 25 degrees to the south. These zones lie below and have the same orientation as a bedding-parallel quartz-pyrite rich sheared fault zone, interpreted to be the main thrust plane that transposed the Koolpin sequence northward over Zamu Dolerite.

The mineralised zones display quartz-limonite veining in schistose, sericitic and tourmaline-altered argillite (carbonaceous graphitic shale), pyrite-pyrrhotite veining in fine grained amphibolite with accessory garnet and fluorite, and quartz-pyrite pyrrhotite veining in garnetiferous amphibolite. The gold is thought to be supergene enriched and associated with structures leading to the Burnside Granite that carry accessory copper, lead and zinc.

Technical Studies at Rising Tide

Resource modelling was carried out by Mining and Resource Technology late in 1998. They estimated an inferred resource of 1.94Mt @ 1.72g Au/t using an 0.7g/t cut off grade and an upper cut of 10.0g/t.

The Burnside Joint Venture also conducted interpretation and modelling on the deposit in mid 2002 (Gillman A.J.) Using a 10g/t top cut he created a block model with a global 719,390t @ 1.64g Au/t. Whittle optimisation was carried out on this by C.Skelton.

In 2003 Gillman and Dyer further refined the Rising Tide model using a geostatistical approach and created a new resource report. It was concluded that the deposit comprises an indicated and inferred resource of 826,206t @ 2.2g/t Au using a lower cut off of 0.7g/t Au.

6.3 Alligator Deposit

The Alligator pit was open pit mined by Acacia Resources in 1997-98. It comprises Gerowie Tuff host rocks that are cyclic, upward fining, thinly bedded to laminated siltstone and interbeds of tuff, chert and arenite. The sequence forms the southern limb of a stratigraphically overturned east trending tightly folded anticline. Bedding dips average 68 degrees towards 205 az. and like Zapopan, the deposit formed at the intersection of the BKZ and a NE-SW TM feature.

There are three sets of quartz veins: bedding parallel, bedding discordant and tension veins associated with a 4m thick lamprophyre dyke. The veins are qtz-pyrite +/- tourmaline and arsenopyrite.

The main lode cross cut the bedding (argillite-chert-tuff) and trended NW-SE and averaged 1.7g/t Au. In contrast both the east and west margins of the deposit consist of mineralisation sub parallel to bedding with an east west orientation within two argillite-greywacke units. These are less continuous in strike and average 1.5g/t Au.

6.4 Faded Lily Deposit

The Faded Lily, located east of Alligator, is also hosted by the BKZ structure within Gerowie Tuff Formation and is cut by biotite-lamprophyre dykes. Open pit mining by Acacia Resources commenced in 1996. The mineralisation comprises 50-60 degree south dipping qtz-pyrite +/-arsenopyrite, carbonate and tourmaline veining through two major units of greywacke-dominant rocks separated by argillite-dominant units and a 5m thick cherty tuffite marker unit. The productive greywacke packages were informally named as were other units in the stratigraphy. This assisted in predictive structural interpretation. It was globally an 8Mt @ 1.8g/t Au deposit before mining.

The western zone is contained within a 200m long zone dipping 50-60 degrees south and plunging 35 degrees grid east. The lode is within a closure of the sheared anticlinal axis and stratabound in the lower argillite-greywacke. To the east subsidiary lodes in the anticlinal axis are within the upper argillite-greywacke. To the south of the axis, the hangingwall contains several lodes also within the upper argillite-greywacke, up to 100m in length. 'Breakthrough veins' related to reverse faulting of the axial zone have also been noted.

7.0 PREVIOUS EXPLORATION ACTIVITY

Historical Activity

Gold was discovered in the Brocks Creek field in 1872 and by 1874 there was a rush of 400 Chinese miners along the line of reef between John Bull and Brocks Creek conducting alluvial and reef extraction. By 1895 there were several established reef mining operations and a population of 311. The Zapopan mine was being established in 1897 with the importation of heavy machinery from the UK. It was severely over capitalised, poorly managed and changed hands frequently with few successes and many failures. Most of the historic production of 40,674t for 26,685oz recovered was made before 1915.

Since 1975, when alluvial gold mining again became profitable in the Burnside region, there have been in excess of 100 different tenements within the area covered by this report. In view of this, a summary of the main activity carried out will be given.

Recent Activity

CRA Exploration P/L, Geopeko, Zapopan Consolidated P/L, Pacific Goldmines NL, CSR Ltd, and Cyprus Australia were among the first modern explorers to evaluate the primary gold sources that gave rise to the alluvials in the vicinity of Brocks Creek. Cyprus identified significant vein hosted resources at Faded Lily and Alligator. Their work included detailed drilling, geological mapping, geophysical traverses (IP), and soil sampling.

In **1992** Solomon Pacific acquired a 25% interest in a group of Cyprus tenements and purchased the balance in 1994. SolPac undertook a feasibility study of the Faded Lily and Alligator deposits.

In the year to June 26th 1996 Acacia-SolPac undertook gridding, hole surveying, IP surveys, gradient IP at Rising Tide, 1823.25m of HQ3 diamond core drilling,

14,737.5m of RC drilling, 130m of RAB drilling, 2657m of vacuum and auger geochemical drilling, geological mapping at John Bull and Alligator, plus feasibility studies at Faded Lily and Alligator.

The Brocks Creek treatment plant with capacity of 1Mt per annum was constructed and commissioned in April 1996 using Faded Lily ore.

In the year to June 26th 1997 Acacia completed 48line/km of gradient IP, ground magnetic survey at Faded Lily pit, 151 RC holes for 12,779m, diamond core drilling 888m in 11 holes, 1262m of vacuum and 2099m of post hole RAB.

In the year to June 26th 1998 Acacia drilled extensively, comprising 27,342m of RC drilling, and 2184m of diamond core drilling at Rising Tide, Zapopan and Burgan, 4075m of vacuum drilling completed geochemical coverage, 38 rock chip and niche samples, 3096m of costeans at Howley Creek and Homeward Bound, Pit and surface geological mapping at Faded Lily, Alligator and Howley Creek, plus aeromagnetic, radiometric and gravity surveys.

In the year to June 26th 1999 Acacia drilled 40m of vacuum samples at John Bull, 4 costeans at Howley Creek for 1,004m, two costeans at John Bull for 446m, resource drilling at Britannia, Zapopan, John Bull/Crocodile, Alligator, and Burgan comprised 44 holes for 3,809m, 5 diamond core holes were drilled at Zapopan for 396m and 484m of precollars. A feasibility study was carried out at Rising Tide and 1592m of grade control drilling completed. Resource modelling was done by MRT.

In the year to June 26th 2000 work was limited to mining the remaining open pit resources at Zapopan and Burgan. Mining ceased in April 2000 after a total treatment of 4,834,287t @ 1.67g Au/t and 485,209t of low grade ore @ 0.71g Au/t. Fine ounces recovered totalled 254,741.

In the year to June 26th 2001 no field work was carried out apart from care and maintenance of the mill and surface infrastructure.

The Brocks Creek assets were acquired by Buffalo Creek Mines P/L (Hill 50 Gold NL) in November 2001 and in April 2002 the Burnside Joint Venture with Territory Goldfields NL (Northern Gold NL) was finalised.

During most of the period ending 26th June 2002 the project was under the management of the Burnside Joint Venture through Burnside Operations P/L

The Joint Venture has the objective of bringing the Zapopan and surrounding gold resources in the district into production using the Brocks Creek mill facility. Exploration in this period comprised preliminary computer modelling of the Rising Tide deposit and preparatory planning for the Zapopan mine.

Most expenditure was committed to refurbishing the Cosmo camp and Brocks Creek office and workshop infrastructure. Environmental monitoring of the Brocks Creek open pits and wetland areas was continued through the wet season.

Substantial exploration in the form of RC drilling was committed to the Yam Creek and North Point projects as well as the Mottram's and Chinese South targets north of Cosmo Howley. This work falls outside the scope of this report and has been reported separately in its appropriate tenement group.

In the period ended 26th June 2003 a diamond drilling program was commissioned at Zapopan Mine. A total of 37 holes were drilled from the new underground development for an advance of 1,540m. An updated resource block model and report was created from the results of this drilling. The Rising Tide deposit was also subjected to further modelling and a geostatistical consultant was commissioned to estimate the resources at both Zapopan and Rising Tide. Mining activity to the Zapopan 1000 and 980m RLs was discussed in the 2003 report. Some 12,000t of development ore was stockpiled at surface for treatment. Exploration costs totalled $322,241 while mining costs for the year totalled $7,844,381.

8.0 EXPLORATION YEAR ENDING 26TH JUNE 2004.

8.1 Mining

During the year all the development ore mined from the 1000 and 980 levels in the Zapopan exploratory decline was trucked and treated at the Union Reef mill. A reported 10,830t was treated for the recovery of 2,600 fine oz gold. This represented a head grade of 7.6g Au/t. A high percentage of gravity gold was reported.

Since then the mine has been on a care and maintenance schedule pending a resolution to go to full scale development and mining of the resource. The acquisition of the viable Union Reef mill has facilitated any decision to proceed given favourable economic conditions.

8.2 Engineering and Geological Modelling

Both the Zapopan and Rising Tide gold deposits have been subjected to geological modelling of the resources. Mining studies were commissioned to determine the best method to extract the ore. These have taken into consideration that without appropriate methodologies and planning, the ore geometry and ground conditions in the mine environment could lend themselves to unacceptable ore dilution and expensive ground support requirements.

8.3 Geological Study of the Ore Environment-Zapopan

The Joint Venture commissioned a thesis on the structure, alteration suite and characteristics of the Zapopan ore body. An honours student from UWA (C.Gillman) was tasked to conduct a study on the orebody using drill core as well as the exposures on two levels and the open pit. Dr Groves of UWA supervised the latter stages of the study. This thesis is still at the compilation stage and conclusions are not yet available.

9.0 EXPLORATION EXPENDITURE REPORT ENDING 26TH JUNE 2004

Salaries and wages	$22,687
Consumables	$ 139
Geological Consultants	$ 7,944

	$30,770

Mining Expenditure Zapopan Decline

$650,062

10.0 FORWARD PROGRAM 2004-2005

During August 2004 the Burnside Joint Venture purchased the Union Reef gold treatment plant and tenement package from AngloGold. At the same time it sold the Brocks Creek treatment plant to Tanami Gold NL. The Union Reef mill at 2.4Mt has a larger capacity than the old Brocks Creek plant and is in virtual start up condition. The joint venture is now in a position to expedite mining and treatment of the Zapopan high grade deposit plus any other viable gold deposits within economic haul distance of Union Reef. This could include some of the Pine Creek deposits as well as the better grade open pit material from the Burnside Region already outlined by previous resource drilling. The parties are still evaluating the better options in this regard however it is anticipated that the Brocks Creek tenement group will benefit initially by escalated activity in the vicinity of Zapopan.

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