1. INTRODUCTION

2. LOCATION AND DESCRIPTION

3. WATSON PROJECT

4. GEOLOGY

5. EXPLORATION POTENTIAL

6. WORK DONE IN THIS PERIOD (Exploration 2005 - 06)

Figure 1: Map of MCN 4277 showing planned drill sites for current season
1. **INTRODUCTION**

MCN 4277 was purchased from D.J. Langley and N.T. Gold Pty Ltd by Morestoe Pty Ltd on 14 February, 1996.

This tenement was transferred to Agricola Gold Ltd on 3 February, 1997 and renewed on 4 April 2005, ending 12 March 2010.

2. **LOCATION AND DESCRIPTION**

This tenement MCN 4277 covers an area of 15.00 ha and is shown on map 14/2-IV locality of Batchelor. It expires on 12 March, 2010.

It is located on Mt Keppler Station and it is accessible by station roads and tracks from either Fisher Road, off the Stuart Highway, or the connecting road between Mt Bundy homestead and Mt Keppler homestead along the southern side of the Adelaide River.

3. **WATSON PROJECT**

The Watson Prospect is located some 15 km due south of Tortilla Flats. The prospect is covered by MCN 4277.

**Geology and Mineralization**

Mapping by WMC delineated a northerly trending gossanous stockwork of quartz veins contained within a sequence of wacke-dominated units together with a similarly trending quartz reef which recorded rock chip assays up to 18.1 g/t Au. (Figure 20) Both the stockwork zone and the quartz reef are associated with anomalous gold values in soils. (Figure 21) The regional structure is postulated to be an open parasitic fold on the limb of a regional antiform.

**Previous Exploration**

The area was highlighted from aerial photographs as a potential quartz reef - stockwork zone. Initial rock chip sampling confirmed the potential with assays up to 5.8 g/t Au. WMC followed up their early work with geochemical soil surveys, selective rock chip sampling and mapping at 1:2500 scale.

A series of five RC holes (RARC 4 - 8) drilled to test the area highlighted 7 intervals exceeding 1.0 g/t Au over narrow, 1 - 4 m widths, with the best intersection being 1 m at 4.84 g/t Au.

During the 1988 field season, WMC recorded a high in rock chip samples at 20.4 g/t Au associated with up to 7900 ppm arsenic.
4. GEOLOGY

MCN 4277 (now called Watson Prospect) is located to the west of Mt. Foeische and consists of a fractured and highly strained area, associated with the complex folding that underlies this topographical feature. The area has numerous quartz veins of varying ages and degrees of alteration, ranging from the standard white bucky quartz veins that are mostly barren, to the F1 white quartz veins that contain spectacular coarse gold over small short lengths, to the gossamy quartz veins and stock works that contain gold values up to 25.2 g/t.

The geology of this area is an inter-bedded sequence of wacke and silt-stone, with rare inter-beds of pyritic mud-stone folded in a complex sequence with numerous north-south fold axes.

The general north-south orientation of the features at MCN 4277 area is interrupted by quartz filled tension gashes, with a north-easterly direction, and when these intersect the north-south feature, areas of gold enrichment occur.

5. EXPLORATION POTENTIAL

The moderate to high grades obtained from previous sampling and in the upper zones of drill holes are worth follow up by costeaming and close-spaced drilling. The early programmes were wide-spaced, and there remains sufficient encouragement to proceed with further exploration.

6. WORK DONE IN THIS PERIOD (Exploration 2005 - 06)

Extensive surface sampling over MCN 4277 revealed an extensive area of surface gold mineralisation of some 31,000m² in extent with a high assay of 25.2 g/t.

Earlier drill holes by W.M.C. over about half of this area, indicated mineralisation with an average thickness of ore around 3M.

These results give a preliminary average gold grade around 3.1 g/t.

A quartz upthrust centred near local grid 3850E and 9100N indicates some mineralisation at greater depth, but requires further drilling to fully evaluate this phenomena.

On the eastern slope of the ridge, extensive gold mineralisation was of a lower grade, but requires to be drilled to ascertain its extent and tested to 25M below the surface.

Old grid lines were re-established at local grid 8800N and 9000N.

Further surface sampling in and around the quartz upthrust, supported earlier results and a drill programme has been established.

The area centred on local grid 3,750E and 8,700N has a planned drilling programme mainly of shallow depths of around 10-15 m.

Surface inspections of an area centred on 3,850E and 8,260N confirmed a third area programmed for shallow drilling in the near future.