PEGASUS GOLD
AUSTRALIA PTY LTD

SEL 9679 BARNJARN
MT TODD DISTRICT, NT

ANNUAL REPORT FOR EXPLORATION
YEAR ONE OF TENURE
27 NOVEMBER 1996 – 26 NOVEMBER 1997

Distribution:
NTDME x1
Pegasus Gold Australia x1
Barnjarn Mining Company x1

Author: Nick Burn
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1. **INTRODUCTION**

Substitute Exploration Licence 9679 was granted to Territory Goldfields NL on 27th November 1996 for a term of four (4) years, then immediately transferred to Pegasus Gold Australia Pty Ltd ("Pegasus") under terms of the Wandie JV sale agreement. The licence comprises 365 graticular blocks for a total area of 1135 km².

This licence is a consolidation of titles SEL 9212, EL8867 and EL9107, held by Territory Goldfields following their purchase from Dominion Mining Ltd.

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

This report summarises exploration activities conducted by Pegasus within SEL9679 for the 12 months ending 26 November 1997.

2. **LOCATION AND ACCESS**

The Barnjarn area is located approximately 220km south east of Darwin, 50km east of Pine Creek and approximately 25km north west of Katherine. The tenement can be found on the Mt Evelyn 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).

SEL9679 lies between 13°39'S and 14°19'S and 131°55'E and 132°22'E. It covers a total area of 365 graticular blocks (approximately 1135km²). Access can be gained via the Stuart Highway, Kakadu Highway, Edith Falls Road and 4-wheel drive tracks. See Figure 1 for tenement location.
Figure 1. Tenement location
3. REGIONAL GEOLOGY

SEL9679 Barnjarn 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. See Figure 2 for the regional geological setting.

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 interspersed 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 generally have moderate to steep westerly dipping axial planes, with some sequences being overturned. A later north-south compression event resulted in east-west open style upright D2 folds.

The metasediments were folded and metamorphosed at ~1870 Ma to lower to 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 an syn-orogenic to post-orogenic granitoid plutons (~1840-1780 Ma) and dolerite lopoliths and dykes.

The geology of the tenement area comprises rocks of the following groups:

1. Katherine River Group – Kombolgie Formation
2. Cullen Granitoids
3. Edith River Group – Plum Tree Volcanics and Phillips Creek Sandstone
4. El Sherana Group – Tollis Formation
5. Finnis River Group – Burrell Creek Formation
6. South Alligator Group – Mt Bonnie 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 Formation 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
Figure 2. Regional Geological Setting
200m high. Most of the rocks within the unit are well cleaved and tightly folded about north to northwest fold axes.

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 3 km. 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 EXPLORATION

Literature review of the area reveals a rich history of mining beginning with the mining of gold at the Wandie Goldfield in 1895. Other metals mined in the area include copper, lead and tin.

During recent years numerous companies including Moline Management, Cyprus Gold Australia, Geopeko, Lachlan resources, Arimco, Billiton Australia, RGC Exploration, Newcrest Mining and Dominion Mining have carried out exploration in the tenement area.

Exploration by Dominion Mining Ltd under the Wandie JV consisted of broad spaced, systematic geochemical sampling guided in part by aeromagnetic data and partly from review of data held at the NT Department of Mines & Energy. This led to targeting of a number of priority areas centred on the historic Wandie goldfield and to areas surrounding and along strike of the Mt Todd gold mine. Exploration included gridding (652 km), lag/soil/rock chip sampling (179 rock, 377 soil, 4678 lag), bedrock vacuum drilling (887 holes for 3856m), vertical and angled RAB drilling (281 holes for 9897m), and stream sampling (26).
This work outlined a number of anomalous areas (within SEL9679) that are briefly described below:

**Australus:** Soil anomaly (peak response 220ppb Au) located on the flank of the Mt Davis granite. RAB drilling returned intercepts of 40m @ 0.28 g/t Au.

**Wandie/Saunders Rush/Brilliant:** Area (10km x 7.5km) containing a number of anomalies ranging in size from 800m to 3500m.

**Everest:** Soil anomaly (peak response 1366 ppb Au), followup RAB drilling returned 10m @ 0.16 g/t Au.

**Golden Slipper:** Lag anomaly of 59ppb Au

**Triple Bull:** Several soil anomalies, up to 355 ppb Au, with rock chips to 2.49 g/t Au. RAB drilling returned a peak intercept of 10m @ 0.13 g/t Au.

Further anomalies were defined in several locations eg. Cullen, Mt Davis Mine, Mt Diamond, Emerald Creek, Driffield North and South, Black Mountain, with numerous ‘spot’ anomalies that were not investigated.
5. **EXPLORATION 1996-97**

5.1 **Data Compilation**

Following the grant of SEL9769 an intensive review of all available public domain data for the tenement area was undertaken. Exploration data from previous company programs and government geological, geochemical and geophysical information were collated into a single database.

An assessment of the database generated 65 geochemical and/or structural anomalies, which were prioritised according to geographic location and economic potential. See Figure 3 for location of these anomalies, with descriptions detailed in Appendix 7.

5.2 **Rock Chip Sampling**

Preliminary ground reconnaissance of the anomalies generated from the database was undertaken to assist in the prioritisation of targets. Rock chip sampling was completed at a number of these targets with anomalous values up to 12.3 g/t Au. Some anomalous results are listed below:

- East Brilliant: 12.3 g/t Au
- Mt Davis: 7.10 g/t Au
- Ebony East: 3.47 g/t Au
- Hidden Valley: 0.84 g/t Au
- Whirlwind: 0.76 g/t Au

After the initial regional soil sampling programs followup rock chip sampling was undertaken at several of the defined anomalies ie. RKD, Mountain View, Highway. Results from this sampling were highly encouraging with many assays returning values > 2 g/t Au. Anomalous values are listed below:

- RKD: 24.3, 18.2, 14.5, 13.5, 7.32, 7.0, 4.98 g/t Au
- Mountain View: 2.52, 0.82 g/t Au
- Highway: 5.06 g/t Au

All rock chip samples were assayed at Assaycorp Pine Creek for Au by fire assay techniques (0.01 ppm detection limit) and for Ag, As, Bi, Cu, Pb, Zn, Sn and W by ICP methods. Rock chip sample locations are shown on Figures 4-7 with full sample descriptions and assay results listed in Appendix1.

5.3 **Soil Geochemistry**

A regional soil sampling program was planned to test the geochemical and/or structural anomalies generated in the initial review/assessment.
Samples were collected at nine prospects by contract field crew Arnhem Exploration with sample details listed below.

<table>
<thead>
<tr>
<th>Prospect</th>
<th>Sample No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cullen (S17)</td>
<td>BJ0001-357</td>
</tr>
<tr>
<td>Last Hope</td>
<td>BJ0358-485</td>
</tr>
<tr>
<td></td>
<td>BJ0561-581</td>
</tr>
<tr>
<td>RKD (Dead Car)</td>
<td>BJ0486-668</td>
</tr>
<tr>
<td>Mountain View</td>
<td>BJ0669-828</td>
</tr>
<tr>
<td></td>
<td>BJ1258-1331</td>
</tr>
<tr>
<td>Highway</td>
<td>BJ0829-1083</td>
</tr>
<tr>
<td>A10</td>
<td>BJ1084-1256</td>
</tr>
<tr>
<td>S12</td>
<td>BJ1332-1490</td>
</tr>
<tr>
<td>W11</td>
<td>BJ1491-1816</td>
</tr>
<tr>
<td>W35</td>
<td>BJ1817-1862</td>
</tr>
</tbody>
</table>

All samples were collected at 50m spacing along regional grid lines (GPS and Dominion survey grid control) and sieved to -40# size fraction in the field. Samples were dispatched to Assaycorp Pine Creek and analysed for Au by low level fire assay techniques (1 ppb detection limit) and for Cu, Pb, Zn and As by ICP techniques.

Numerous anomalous Au results were obtained with peak values at the different prospects listed below:

- **Cullen**: 220,170 ppb Au
- **Last Hope**: 950,485 ppb Au
- **RKD (Dead Car)**: 331,111 ppb Au
- **Mountain View**: 51 ppb Au
- **Highway**: 520,260 and 140 ppb Au
- **A10**: 105 ppb Au
- **S12**: 379,265 and 240 ppb Au
- **W11**: 229 ppb Au
- **W35**: 54 ppb Au

A small infill soil program was completed at the Highway prospect (maximum value 100 ppb Au), extending the anomaly 200m to the north.

Soil sample prospect locations are shown on Figure 8 with sample numbers and assay results shown on Figures 9-18. Full assay results are listed in Appendix 2.

### 5.4 Geological Reconnaissance

Ground reconnaissance and mapping to follow up the regional soil sampling was undertaken at the RKD, Cullen, Highway and Mountain View prospects.
The RKD (Dead Car) prospect is located approximately 6 km NNE of the Driffield Mining Centre and south of the Fergusson River crossing. Regional soil sampling over target areas generated by data compilation detected a 100m wide geochemical anomaly (ave. 221ppb Au). Initial rockchip sampling (5 samples) returned three +10g/t Au values from a small ridge south of the regional soil line. Followup rock chip sampling in the immediate area returned numerous +1 g/t Au assays. Geology is a predominantly fine grained, silicified shale-siltstone sequence with minor thin coarse units, similar to the Driffield North area. The mineralised zone (>200m) appears to dip steeply west and may represent a bedding parallel thrust within a axial planar zone. Regional mapping and photo interpretation has indicated a NNW trending fold structure with a series of crosscutting WNW regional scale structures. Base metal mineralisation has been detected at the intersection of these features in several localities.

Reconnaissance of the Mountain View prospect indicated a series of discordant quartz veins in a dominantly siltstone/greywacke sequence. The high grade rock chip values (2.52 g/t Au) were obtained from strongly ferruginised quartz veins.

At the Cullen prospect anomalous soil values appear related to N-NNW trending quartz vein stockwork within strongly hornfelsed metasediments.

The Highway prospect is located approximately 200m from the granite batholith within strongly deformed sediments. A major NW trending quartz vein with strike extent of at least 300m returned highly anomalous soil and rock chip values.

5.5 RAB drilling

Three small RAB drilling programs were carried out during the year to test the potential of the Everest, RKD and GT (Gold Trend) prospect.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Everest</td>
<td>EVRB001-050</td>
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<tr>
<td>RKD</td>
<td>DCRB001-057</td>
</tr>
<tr>
<td>GT</td>
<td>GTRB001-041</td>
</tr>
</tbody>
</table>

RAB drilling at the Everest prospect (two traverses 400m apart, 25m drill spacing) was undertaken to further test the soil anomalies generated by Dominion Mining. Results from this program were poor with maximum intercepts of 3m @ 0.22 g/t Au from drillholes EVRB003 and EVRB025.

RAB drilling at the RKD prospect to test for the northern strike extent of the north trending shear structure beneath transported cover completed 57 holes for 1197m. Four drill traverses spaced up to 500m
apart, on 50m centres, also returned poor results with a maximum intercept of 3m @ 0.48 g/t Au from DCRB006.

Drilling at the GT prospect, terminated prior to the end of the proposed program, was testing airborne magnetic targets beneath transported cover along trend from the Quigleys and Horseshoe resources. A total of 41 holes for 861m were completed on two traverses with 50m drill spacing. No significant results were received.

These RAB drill programs were completed by Gaden Drilling utilising a Universal 650 drill rig. All drillholes were drilled toward AMG east and to a depth of 21m. Samples were collected every metre, logged and then composited into 3m samples for assay. They were dispatched to either Assaycorp Pine Creek or the Mt Todd site laboratory for Au analysis by fire assay techniques (0.01 ppm Au detection limit).

RAB drillhole location plans are presented as Figures 19-21, and Figures 22—24 show the drill assay results in cross-section. Drillhole logs and raw assay data are contained within Appendices 5 and 6 respectively.

5.6 RC Drilling

An initial RC drill program was completed at the RKD prospect to test the resource potential of the mineralised fault/shear structure.

A total of 38 RC drillholes (DCRC001-038) for 2595m were completed to test the strike and depth continuity of the structure. Samples were collected every metre and assayed by Assaycorp Pine Creek for Au by fire assay (0.01 ppm detection limit).

Anomalous results for this program are tabled below;

<table>
<thead>
<tr>
<th>Hole No.</th>
<th>Location</th>
<th>Depth</th>
<th>Intercept (g/ t Au)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCRC1</td>
<td>451181N 198479E</td>
<td>13-14m</td>
<td>1m@1.49</td>
</tr>
<tr>
<td>DCRC2</td>
<td>451141N 198482E</td>
<td>12-14m</td>
<td>2m@1.96</td>
</tr>
<tr>
<td>DCRC3</td>
<td>451116N 198482E</td>
<td>11-14m</td>
<td>3m@3.70</td>
</tr>
<tr>
<td></td>
<td>inc 12-13m</td>
<td></td>
<td>1m@7.28</td>
</tr>
<tr>
<td>DCRC5</td>
<td>451187N 198501E</td>
<td>44-47m</td>
<td>3m@1.40</td>
</tr>
<tr>
<td></td>
<td>53-57m</td>
<td></td>
<td>4m@4.15</td>
</tr>
<tr>
<td></td>
<td>inc 54-55m</td>
<td></td>
<td>1m@6.30</td>
</tr>
<tr>
<td>DCRC6</td>
<td>451138N 198505E</td>
<td>27-29m</td>
<td>2m@1.24</td>
</tr>
<tr>
<td>DCRC7</td>
<td>451259N 198470E</td>
<td>8-10m</td>
<td>2m@1.49</td>
</tr>
<tr>
<td>DCRC8</td>
<td>451213N 198480E</td>
<td>10-12m</td>
<td>2m@14.3</td>
</tr>
<tr>
<td>DCRC9</td>
<td>451194N 198447E</td>
<td>48-52m</td>
<td>4m@2.65</td>
</tr>
<tr>
<td>DCRC10</td>
<td>451119N 198456E</td>
<td>34-37m</td>
<td>3m@1.41</td>
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<tr>
<td>DCRC14</td>
<td>451257N 198434E</td>
<td>51-53m</td>
<td>2m@3.77</td>
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<tr>
<td>DCRC17</td>
<td>451145N 198446E</td>
<td>49-51m</td>
<td>2m@2.92</td>
</tr>
<tr>
<td>DCRC20</td>
<td>451078N 198452E</td>
<td>40-43m</td>
<td>3m@1.81</td>
</tr>
<tr>
<td>DCRC24</td>
<td>451318N 198415E</td>
<td>53-55m</td>
<td>2m@6.18</td>
</tr>
</tbody>
</table>
RC drillhole locations are shown on Figure 25 with drill sections presented as Figures 27-38. Full drill logs and raw assay results are contained in Appendices 3 and 4 respectively.

5.7 Geophysics

A regional airborne geophysical survey over the northern portion of SEL9679 (north of Driffield) was completed for Pegasus by World Geoscience during September 1997. Specifications of the survey are detailed below;

- **Aircraft**: VH-ADH C206
- **Magnetometer**: Split beam cesium scintrex VIW2321-CS2
  - Resolution: 0.001 nano Tesla
  - Cycle Rate: 0.1 seconds
  - Sample Interval: 6.0 metres
- **Spectrometer**: Packets Perm. 1000 256 Channel
  - Volume: 16.56 litres
  - Cycle rate: 1.0 seconds
  - Sample Interval: 60 metres
- **Data Acquisition**: Packets pads 1000 digital acquisition system
  - 11 Channel RMS GR33A Chart recorder
- **Flight Line Spacing**: Traverse lines: 100 metres
  - Tie lines: 984 metres
- **Flight Line Direction**: Transverse: 270-090 degrees
  - Tie Lines: 000-180 degrees
- **Survey Height**: 60 metres – mean terrain clearance
- **Navigation**: GPS satellite positioning system

See Figure 39 for total field magnetic contours.

5.8 GIS and Remote Sensing Studies

Pegasus completed a thorough compilation of a GIS database through the acquisition of digital data from various government and private companies. This data included combined Landsat/SPOT imagery at 1:50,000 scale, digital aerial photography for the northern Barnjarn region (1:60,000 scale), 5m contours generated from this photography, 1:25,000 scale digital photography and 5m contours for the Driffield region, as well as the previously described airborne geophysics.

All this digital data was manipulated in ARCVIEW with all geochemical and drill data in GEMCOM Pcxplor and Micromine databases.
6. CONCLUSIONS AND RECOMMENDATIONS

Exploration by Pegasus during year 1 of tenure has included database compilation, acquisition of airborne geophysical data and other digital products, rock chip sampling, gridding, soil sampling, RAB drilling, RC drilling and rehabilitation.

Assessment of the database compilation and initial interpretation of the digital data has generated at least 65 geochemical and/or structural anomalies which require investigation. The first regional soil sampling program defined targets at the RKD, Mountain View, Highway and Cullen prospects which underwent further geological reconnaissance.

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.

Drilling of the Mountain View, Cullen and Highway prospects is warranted after further geological mapping and surface geochemistry to assist in targeting.

Continuation of the regional scale geochemical programs to test the potential of the 65 Barnjarn anomalies is required. This can lead to the development of satellite resources for the Mt Todd mill or a stand-alone deposit.

7. REHABILITATION

All RAB drill holes within SEL9769 were sealed immediately following the completion of the hole. No PVC collar pipe or plastic sample bags were used during RAB drilling.

Some RC drill pads at the RKD prospect required access and pad preparation by a D6 bulldozer. Rehabilitation of all drill pads, collars and plastic sample bags was completed in December.
8. **EXPENDITURE**

Expenditure for year 1 of tenure is tabled below:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Salaries/Wages</td>
<td>96,847</td>
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<tr>
<td>Travel &amp; Accommodation</td>
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<td>Vehicles &amp; Fuel</td>
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<td>Contract Geologists</td>
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<tr>
<td>Contract Field Crew</td>
<td>23,021</td>
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<tr>
<td>Aerial photography/Satellite Imagery</td>
<td>13,315</td>
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<td>Geophysics</td>
<td>71,220</td>
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<tr>
<td>Survey/gridding</td>
<td>4,829</td>
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<tr>
<td>RC Drilling</td>
<td>57,921</td>
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<tr>
<td>RAB Drilling</td>
<td>28,943</td>
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<tr>
<td>Drill Consumables</td>
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<td>Earthmoving/Rehabilitation</td>
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<td>Assays</td>
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<td>Legal Fees</td>
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<td>Office Supplies</td>
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<tr>
<td>Tenement Consultant</td>
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</table>

**TOTAL** $459,200

9. **PROPOSED EXPLORATION AND BUDGET**

Exploration proposed for Year 2 of tenure includes regional soil sampling, rock chip sampling, RAB drilling and RC drilling on the various targets generated by the year 1 program.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Quantity</th>
<th>Cost</th>
</tr>
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<tbody>
<tr>
<td>Soil sampling</td>
<td>(2000)</td>
<td>$40,000</td>
</tr>
<tr>
<td>Rock chip sampling</td>
<td>(200)</td>
<td>$4,000</td>
</tr>
<tr>
<td>RAB drilling</td>
<td>(4000m)</td>
<td>$100,000</td>
</tr>
<tr>
<td>RC drilling</td>
<td>(2000m)</td>
<td>$100,000</td>
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<tr>
<td>Earthworks</td>
<td></td>
<td>$6000</td>
</tr>
</tbody>
</table>

Total $250,000
PEGASUS GOLD
AUSTRALIA PTY LTD

SEL9679 BARNJARN
MT TODD DISTRICT, NT

ANNUAL REPORT FOR EXPLORATION
YEAR ONE OF TENURE
26 NOVEMBER 1996 – 25 NOVEMBER 1997

FIGURES 19 - 39