EL 9868 ACACIA
MT TODD DISTRICT, NT

ANNUAL REPORT FOR EXPLORATION
YEAR SEVEN OF TENURE
24 JULY 2003 – 23 JULY 2004

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**

Exploration Licence 9868 (Acacia) was granted to Pegasus Gold Australia Pty Ltd (subject to Deed of Company Arrangement), ("PGA") on 24 July, 1997 for a period of six (6) years. A Renewal Application has been lodged in respect of this licence. The licence covers an area of approximately 3.3 square kilometres, comprising one (1) graticular block.

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 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 9868 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 Vallance Holdings Pty Ltd (Controller Appointed) - 2.26%.

This Report summarises exploration activities undertaken on EL 9868 during the twelve (12) months ended 23 July, 2004.

2. **LOCATION AND ACCESS**

EL 9868 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 9868 is considerably varied, ranging from low relief scree rises and black soil plains in the north and east, to moderate and high relief rocky ridges in the south. The region is traversed by a number of creeks and drainages, including the relatively major Driffield Creek. Most of the licence is lightly timbered.

3. GEOLOGICAL SETTING

EL 9868 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.

Metasediments of the Burrell Creek Formation outcrop extensively throughout the western portion of EL 9868. Ridges and creeks host exposures of greywacke and siltstone, with lesser shale and minor tuff and felspathic sandstone.

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 9868. A northwest structural trend is represented by a moderate to strong vertical joint set or foliation, striking 300 degrees to 350 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.

Several prospect pits and alluvial diggings are scattered throughout EL 9868, with the abandoned Driffield Mining Centre adjacent to the southern boundary of the licence.
Figure 2. Regional Geological Setting
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 9868 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 5 of the licence (2001-2002), a number of attempts were made to find a buyer for EL 9868 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 by PGA within EL 9868 targeted quartz vein stockworks and/or sheeted vein systems for their potential to host small moderate scale gold resources.

The licence lies between Driffield and RKD prospects in the Batman-Driffield structural corridor. Mineralisation styles sought are vein stockwork-shears in folded sedimentary packages within major structural zones.

The initial soil sampling program returned moderate results with peak values of 145, 52 and 41 ppb Au from the southern portion of the licence. Rock chip sampling returned anomalous values of 0.35 and 0.32 ppm Au.

Further geochemical testing is required to determine the size and potential of these initial anomalies prior to drill testing.
8. **PROPOSED EXPLORATION AND BUDGET**

Exploration proposed on EL 9868 during Year 8 is as follows:-

- Expanded and Infill Soil Sampling $3,000
- Geological Mapping and Rock Chip Sampling $1,000

**TOTAL** $4,000

9. **EXPENDITURE STATEMENT**

Due to the present operational difficulties of the management company, expenditure figures for Year 7 of EL 9868 are unavailable at this stage.