

**TECHNICAL REPORT ON THE
MT PENCK PROPERTY**

WEST NEW BRITAIN PROVINCE

PAPUA NEW GUINEA

LOCATION

Centered On
Latitude: 5⁰ 32' 30" S
Longitude: 149⁰ 37' 00" E

PROPERTY
EL 1322 (102.6 km²)

PREPARED FOR

New Guinea Gold Corporation
429-470 Granville Street
Vancouver, B.C. Canada V6C 1V5

&

Vangold Resources Ltd
800-609 Granville Street
Vancouver, BC, Canada V7Y 1G5

PREPARED BY

PETER SWIRIDIUK, MAIG
PO Box 5353, West End, QLD, Australia, 4101

DATED

September 13, 2004

TABLE OF CONTENTS

LIST OF FIGURES	3
LIST OF TABLES	3
1 SUMMARY	4
1.1 Property Description and Location (Figure 1)	4
1.2 Property Ownership	4
1.3 Property Geology and Mineralization (Figure 2)	4
1.4 Status of Past Exploration and Exploration Concept	5
1.5 Conclusions and Recommendations	5
2 INTRODUCTION AND TERMS OF REFERENCE	6
2.1 Terms of Reference and Purpose	6
2.2 Source of Information and Data	6
2.3 Field Involvement of the Qualified Person	6
3 DISCLAIMER	7
4 PROPERTY DESCRIPTION AND LOCATION	7
4.1 Location (Figures 1, 2 & 3)	7
4.2 Property Title and Ownership	7
5 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY	11
5.1 Accessibility	11
5.2 Physiography	11
5.3 Climate	11
5.4 Local Resources and Infrastructure	11
6 HISTORY	12
7 GEOLOGICAL SETTING	13
7.1 Regional Geology (Figure 2)	13
7.2 Property Geology (Figure 4)	13
8 DEPOSIT TYPES	15
9 MINERALIZATION	16
10 EXPLORATION BY KANON RESOURCES (FIGURES 5 - 6)	18
10.1 Results of Hand Trenching	18
10.2 Results of Drainage rock sampling	23
10.3 Interpretation of Exploration Information	23
10.4 Logistics Investigation	23
10.5 Data Reliability	23
11 DRILLING (FIGURES 3 & 4)	24

12	SAMPLING METHOD AND APPROACH	27
13	SAMPLE PREPARATION, ANALYSIS AND SECURITY	27
14	DATA VERIFICATION	27
15	ADJACENT PROPERTIES	28
16	MINERAL PROCESSING AND METALLURGICAL TESTING	28
17	MINERAL RESOURCES AND MINERAL RESERVES	29
18	OTHER RELEVANT DATA AND INFORMATION	29
19	INTERPRETATION AND CONCLUSIONS	29
20	RECOMMENDATIONS	29
20.1	Mt Penck Cost Estimates	29
20.2	Cost Estimates Stage 1	30
20.3	Cost Estimates Stage 2	30
20.4	Total Cost Estimates for Stages 1 and 2	30
21	REFERENCES	31
22	SIGNATURES, STAMPS AND DATE	31
23.	CERTIFICATE OF AUTHOR MR. PETER SWIRIDIUK	32

LIST OF FIGURES

Fig 1:	Location of Mt Penck Property (EL 1322) on New Britain Island
Fig 2:	Prospect Location and Regional Geology, Mt Penck project
Fig 3:	Mineralization and Drill Holes, Mt Penck Project
Fig 4:	Mt Penck Kavola Prospect Geological Cross-section NW-SE
Fig 5:	Mt Penck Rock Chip Outcrop Sample Assays
Fig 6:	Kavola East Trench Sample Results

LIST OF TABLES

Table 1:	Trenching Highlights at Kavola East
Table 2:	Significant Assay Results from Trenching at Kavola East
Table 3:	Diamond Drill Hole Summary
Table 4:	Weighted Average Gold Grades from Historical Diamond Drill Holes
Table 5:	Comparison of Check assays from aqua regia digest and fire assay

1 SUMMARY

1.1 Property Description and Location (Figure 1)

Mt Penck property, consisting of Exploration Licence 1322 (EL 1322), covers about 102.6km² about 55km west of the Kimbe in the West New Britain Province, Papua New Guinea (PNG). The tenement is situated on the northern coast and is centered at 5° 32' 30" S latitude and 149° 37' 00" E longitude on the Namo 1:100,000 published topographic map sheet. The property encompasses the western flanks of the extinct Mt Penck volcano, 3km west of the Silavuti mission.

1.2 Property Ownership

The Mt Penck Exploration Licence (EL 1322) property was evaluated on a reconnaissance basis by Placer Exploration for copper and by BHP for gold between 1985 and 1990. More detailed work was carried out by Indo Pacific mining between 1994 and 1997. New Guinea Gold Corporation and Vangold Resources Ltd have acquired the mineral rights to the Mt Penck property on October 2002.

1.3 Property Geology and Mineralization (Figure 2)

The Mt Penck property is situated along the "Rim of Fire", the active circum-Pacific volcanic belt that hosts most of the areas large porphyry copper-gold deposits and a number of world-class epithermal gold deposits. The property is located at the northwestern limit of a major NW trending extension zone that localised the emplacement of intrusions during the Oligocene and Pliocene Pleistocene. Volcanics host gold mineralization at 6 prospect areas located approximately 1.5 kilometres south of Poi Mission on the western flanks of the Mt Penck volcano. Major exploration efforts within Mt Penck (EL 1322) were generally conducted after discovery of the world-class copper-gold deposits including Ok Tedi, Porgera, Lihir and Bougainville, with an objective of locating similar world-class deposits. A number of gold prospects and geochemical/geophysical anomalies of moderate size potential, remain to be tested. Six areas have potential for gold deposits, some of which have been partially drill tested.

1.4 Status of Past Exploration and Exploration Concept

The Mt Penck property covers part of the Mt Penck volcano in West New Britain Province, PNG. The general area has been explored since 1968 but prospects in the current licence were not discovered until 1985 – 1990 when BHP found the Kavola prospects. Several million dollars have been spent on exploration since then.

Placer Exploration and BHP did some work by targeting porphyry style copper mineralization; however the main work was done by BHP from 1985 to 1990 who were exploring for gold mineralization. This work included regional bulk cyanide leach sampling, stream sediment / panned concentrate sampling, reconnaissance geological mapping, rock outcrop / float sampling, low level radiometrics / aeromagnetics survey, hand dug trenching / bulldozer costeaning and reverse circulation drilling. A series of northeast trending auriferous zones were identified and tested in the weathered zone by RC drilling, with a best result of 12 m of 5 g/t Au.

Indo Pacific Mining undertook geological mapping, bulldozer costeaning, hand dug trenching, soil sampling and regional rock chip sampling from 1994 to 1997. They identified gold mineralization associated with argillic alteration and silicification called the Kavola East, Koibua, Koibua South, Kavola Junction, Penny Creek and Penny Creek South prospects.

Seven diamond drill holes by BHP totaling 1093.5m included DDH-1 and DDH-2 in a scissor pattern testing the Koibua prospect. Drill holes DDH-3, DDH-4 and DDH-5 tested the Penny Creek prospect. DDH-6 tested the Kavola prospect and DDH-7 the Kavola East prospect. Gold values including 5m of 60 g/t and 5m of 20.2 g/t were discovered in bulldozer and hand dug trenches at Kavola East associated with strong argillic alteration and silicified zones. Drill holes DDH-1 and DDH-2 at Koibua Zone and drill hole DDH-7 at Kavola East intersected significant gold mineralization including an estimated 20m zone of mineralization averaging 1.4 g/t gold, proving continuity of mineralization at depth. The mineralization was related to strong argillic alteration and silicified hydrothermal crackle breccias, weakly stockworked by fine dark sulphide veinlets, within sequences of quartz andesite / diorite and hornblende andesite.

1.5 Conclusions and Recommendations

Two stages of exploration are recommended within the Mt Penck property. Stage 1 will include drilling to test the anomalous trench sampling results at the Kavola East prospect. It will also include further stream and soil geochemical sampling and trenching to test existing stream gold anomalies and coincident geophysical anomalies. Stage 1 is estimated to cost CDN\$678,000 and will mainly consist of drilling at Kavola East. Stage 2 will include diamond drilling, estimated to cost CDN\$1,000,000. The writer is of the opinion that the recommended programs for the Mt Penck property are warranted and of sufficient merit to justify the proposed staged investment in exploration.

2 INTRODUCTION AND TERMS OF REFERENCE

2.1 Terms of Reference and Purpose

The writer was contracted by New Guinea Gold Corporation (NGG) to review and compile new and historical data and appraise exploration potential. The data has been compiled in the form of a technical report, which summarises the setting of the Mt Penck property and provides recommendations for further staged exploration of the property.

This technical report has been prepared in compliance with the requirements of National Instrument 43-101 and Form 43-101 F1 and is intended as a support document to be filed with the British Columbia Securities Commission and TSX Venture Exchange (Toronto).

2.2 Source of Information and Data

This report is based upon the writer's knowledge of the properties gained from published and unpublished technical reports and maps, discussions of the properties with NGG personnel and consulting geologists, and field examinations. These technical reports are kept in NGG's Gold Coast office, Queensland, Australia. Consultant Peter Swiridiuk has compiled data and examined geoscientific information for a number of PNG properties, and made a brief visit to the Kavola East prospect with Dr. David Linley in 2004 while examining other NGG properties.

This Technical Report provides an overview of previous exploration and geological settings of the Mt Penck property and provides recommendations for further staged and success-contingent staged exploration programs.

2.3 Field Involvement of the Qualified Person

This report is based on extensive property files reviewed by NGG staff and Peter Swiridiuk in the Gold Coast office between February and September 2004. The report is also based on a property examination by Peter Swiridiuk on 1st September 2004 with NGG geologist John Kirkar. Peter Swiridiuk has reviewed technical data for a number of PNG projects since 1998 including Frieda River and Mt. Bini and visited a number of projects in PNG for NGG. Peter Swiridiuk has published several papers for similar styles of geology in the Solomon Islands and for exploration work leading to the discovery of a gold/copper mine in Oman in the Middle East.

3 DISCLAIMER

The writer has included a property title and ownership sections as required by NI 43-101. The ownership information was obtained from documents in the Kanon property files and reviewed with Macmin personnel. The data is believed to be accurate; however ownership is a legal matter and should be confirmed by NGG/Vangold legal counsel.

4 PROPERTY DESCRIPTION AND LOCATION

4.1 Location (Figures 1, 2 & 3)

The Mt Penck exploration licence (EL 1322) is situated about 50 km W of Kimbe in the West New Britain Province, Papua New Guinea. The licence is located on the Andewa (SB 55-8) 1:250,000 and Namu (8886) 1:100,000 scale map sheets centered at 5⁰ 32' 30" S latitude and 149⁰ 37' 00" E longitude (Figure 1). The provincial capital of New Britain, Rabaul lies 311km to the WNW of the licence, which has a local relief of 643m at Mt Penck volcano down to 200m where the main prospect lie, 1.5 km to the northwest (Figure 2). Four of the known five prospects have been partly tested by drilling (Figure 3) and mineralization trends have been interpreted.

The co-ordinate datum system used is AGD66, UTM Zone 56.

4.2 Property Title and Ownership

The Mt Penck exploration licence (EL 1322) is held by Kanon Resources Ltd. The licence was granted on 1 May 2003 for 2 years, and consists of 30 sub-blocks for an area of 102.6 sq km. The location of the tenement is shown on Figure 1 with pertinent claim data summarised in the table below:

PROPERTY NAME	RECORD NUMBER	AREA (km²)	PROVINCE	DATE ISSUED	RENEWAL REQUIRED	MAP	OWNER
MT PENCK	EL 1322	102.6	West New Britain	1.05.2003	30.04.2005	SB55-8	Kanon 100%

EL = Exploration License

Kanon = Kanon Resources Limited

Kanon Resources Limited controls the mineral rights to the Mt Penck Property, Papua New Guinea (PNG). New Guinea Gold Corporation and Vangold Resources Ltd purchased 50% each of the shares in Kanon Resources Limited on 3 January 2004.

Subject to any agreement made under Section 17 of the PNG Mines Act, the State reserves the right to elect at any time, prior to the commencement of mining, to make a single purchase up to 30% equitable interest in any mining discovery arising from this license, at a price pro rata to the accumulated exploration expenditures and then to contribute to further exploration and development in relation to the lease on a pro rata basis, unless otherwise agreed.

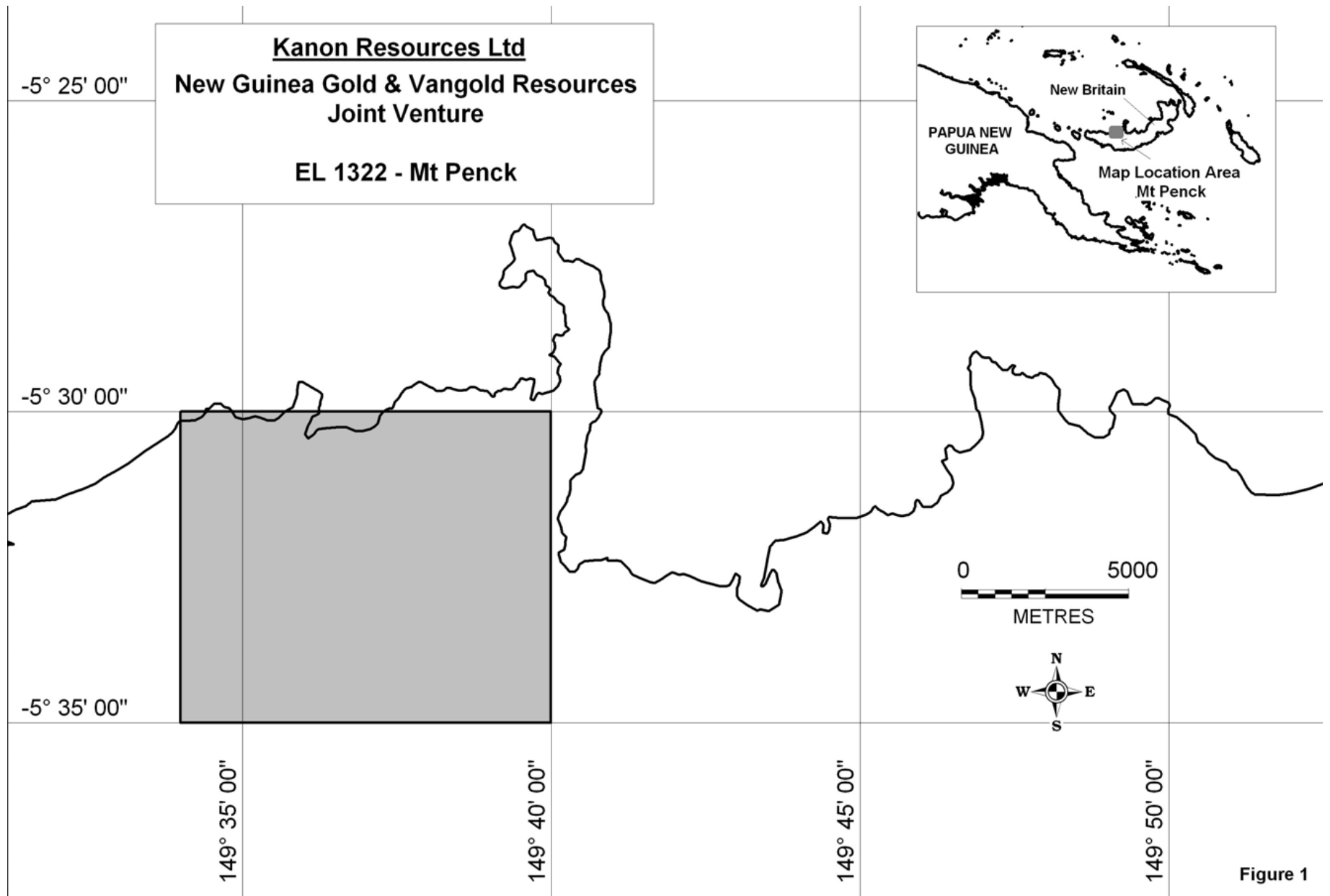


Figure 1: Location of Mt Penck (EL 1322) Property on New Britain Island

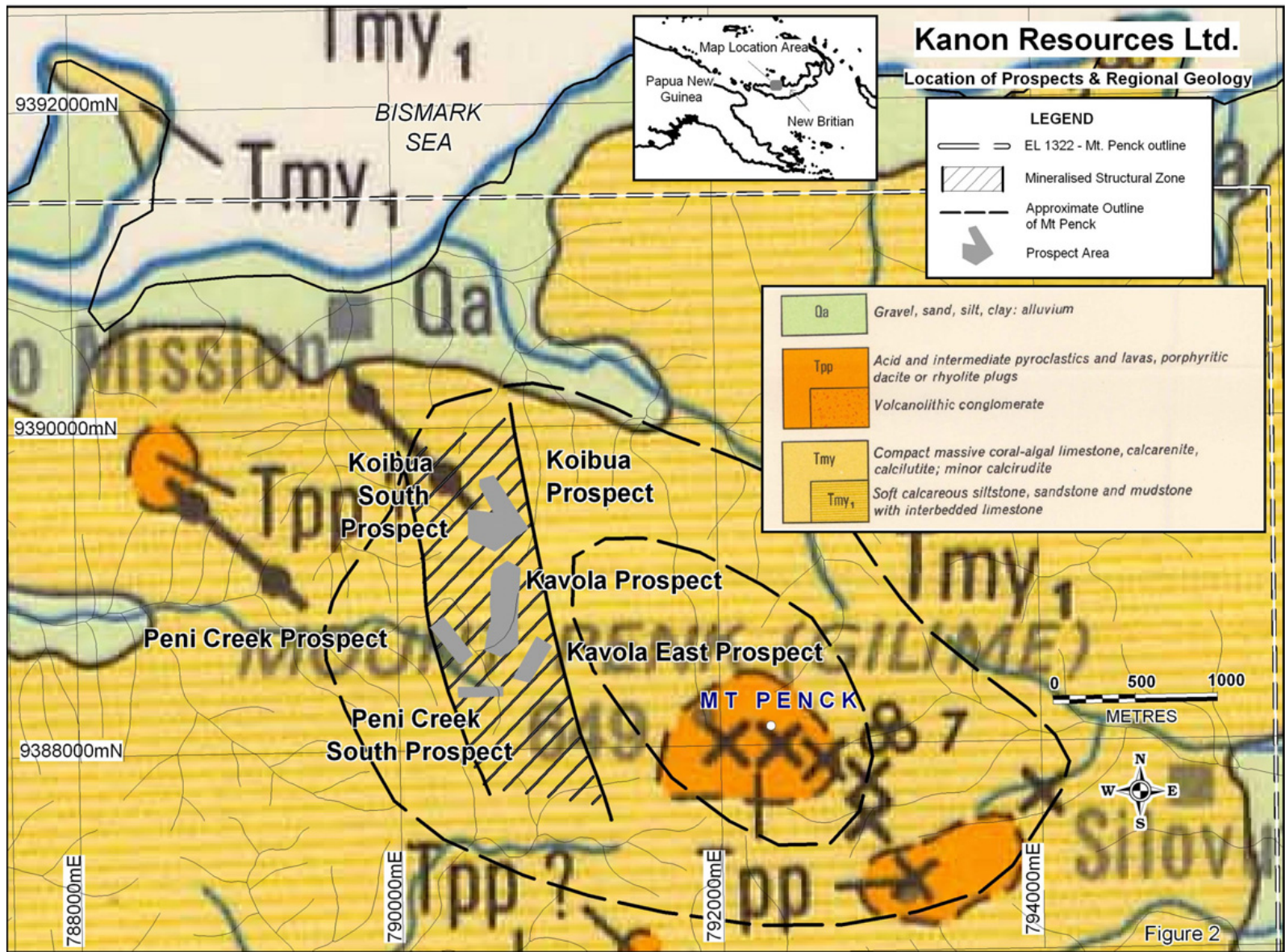


Figure 2: Prospect Location and Geology, Mt Penck Project

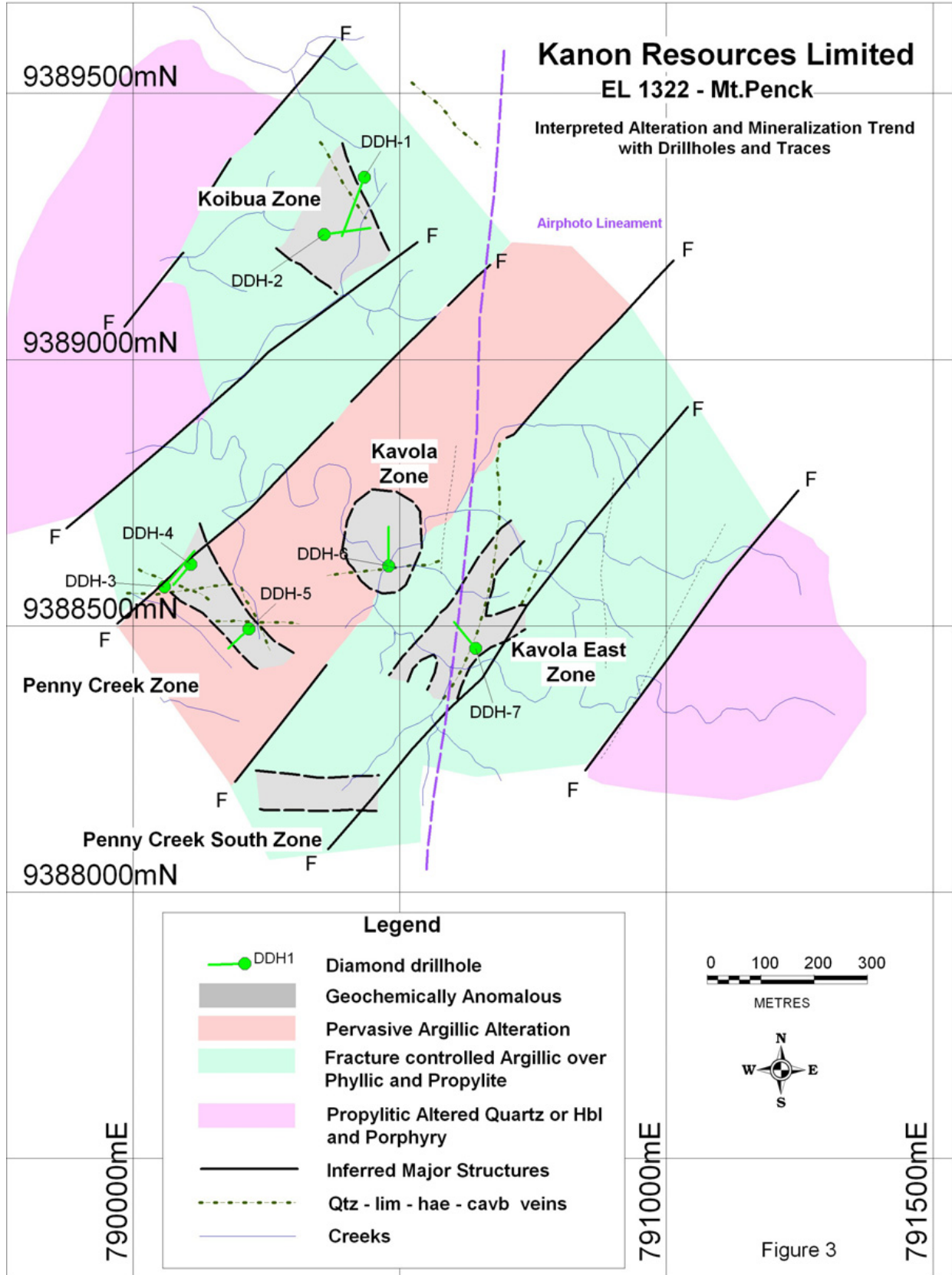


Figure 3: Mineralization and Drill Holes, Mt Penck Project

5 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

5.1 Accessibility

The prospects are situated 4.5 km west of Silavuti Mission and 1.5km south of Poi Mission. Access is by road from Kimbe to Volupai (2 hrs travel) on the west coast of the Wilaumex Peninsula, then by boat to Poi Mission (2-3hrs travel), then by walking track from the mission to the prospects (1hr travel). Alternate access is by helicopter from Kimbe with flying time of approximately 20 minutes. The area is serviced irregularly by Coastal Shipping or chartered barge to a small-disused timber wharf located at Poi Mission. Equipment such as drill rigs can be pulled on skids from this wharf to the prospects by existing bulldozer tracks.

The Prospect areas are uninhabited, with minor gardens in the area. Local creeks are used for drinking water.

5.2 Physiography

The Mt Penck license area covers the moderately rugged slopes of Mt Penck, 643m above sea level. The hills are jungle covered and the minor low-lying areas are swampy. The population resides on the coast, living along the shoreline and on small islands offshore. Vegetation in most parts of the area is fairly dense tropical rain forest with patches of grassland indicating previous and current area of settlement and cultivation.

5.3 Climate

The property is 6° south of the equator and has a tropical climate with warm or hot temperature throughout the year. Climate in the area generally consists of a wet season and a dry season. January to May is usually the wet season however rainfall is not uncommon throughout the year.

5.4 Local Resources and Infrastructure

A school church and small 'trade' stores near the Poi mission provide supplies and services. Fuel is available from Airipi village on Poi Island. Other stores are located at Silavuti Mission. Fishing is the main industry with hunting along walking trails into the island interior. Local gardeners and fishermen supply a source of fresh food for exploration camps. Road building equipment and drilling equipment can be barged to a disused wharf at Poi Mission and moved along exploration tracks to the prospects. PNG has a mining industry with a number of skilled workers. Locals regularly assist with exploration and mining activities. There is abundant natural water supply from local creeks.

6 HISTORY

Placer Exploration (1968) and BHP Havana (1970) worked in the surrounding area, targeting porphyry copper mineralizing systems hosted by Oligocene intrusives. The younger Pliocene Penck volcanics, which host epithermal gold mineralization, was not investigated.

Nord Resources held part of the area in 1981 and conducted helicopter supported stream sediment sampling for gold and base metals that failed to identify any anomalies, but noted sulphide float in the Uteir River 20 km east of Mt Penck.

BHP-UTAH Minerals International held the area as PA-617 Silavuti (1985) and conducted a regional reconnaissance program over the area which returned a 17 ppm Au pan concentrate result in Meto Creek near Poi Mission.

Subsequently, geological mapping, rock chip sampling and ridge and spur soil sampling was conducted in the Meto and Kavola Creek areas. Anomalous arsenic geochemistry (<1280 ppm As) in soil at Meto Creek and a 49.4 g/t Au from a rock float sample in the Kavola Creek led to further follow up work, including bulldozer costeaning and RC drilling. BHP merged with Newmont Australia to form Newcrest Mining, who subsequently relinquished the PA.

In July 1988, an airborne and radiometric survey was flown over the Kavola prospect and beyond. This survey was successful in outlining the prospect as a magnetic low and potassium high. Several other similar anomalies exist within the current tenement (EL 1322), some of which have coincident anomalous gold stream samples.

Work conducted by BHP included:

Regional Bulk Cyanide Leach -80# stream sediment and panned concentrate sampling (1985); Reconnaissance geological mapping, rock float and soil sampling in Meto and Kavola Creeks (1986/87); Reconnaissance traversing panned concentrate and channel sampling in Kavola Creek, and trenching and bulldozer costeaning and low level radiometric and aeromagnetic surveying (1988); Reverse circulation drilling (1140.5m) in the Kavola area and channel sampling in the upper Angahiai drainage (Wright & Irvine, 1989); Geochemical sampling and geological mapping over areas peripheral to Kavola Prospect (1990).

A series of northwest trending auriferous zones were tested with reverse circulation drilling mainly in the weathered zone, with up to 12m of 5.05 g/t Au in drill hole PA33. The Kavola Prospect covers approximately 1km². Soil and stream sediment sampling have documented another prospect located between Mt Penck and Kavola, where no further work has been undertaken (BHP-UTAH Annual Report ending 7 October 1989). Additional prospect definition work, including grid based soil sampling, was completed following the drilling.

Indo Pacific Mining was granted EL1088 (Silavuti) in 1994 and their work included more detailed and systematic geochemical sampling and geological mapping of the "Kavola Prospects". Six prospects were identified with economic gold potential and a subsequent 7-hole (1093.5m) diamond drilling program was completed.

Indo Pacific completed the following:

Geological mapping of the Kavola and upper Meto Creek drainage within an area of approximately 2km²; Approximately 2.2km of bulldozer costean (including 3.0 km of access roads); 700m of hand dug trenches were completed at the Koibua, Kavola East, Kavola North and Kavola South areas (Uti Creek) with 446 channel / trench samples taken; Five diamond drill holes (DDH1 to DDH5) for 682.50m were completed and 425 samples assayed. Two more diamond drill holes (DDH6 & DDH7) targets were drilled to test the Kavola Junction Zone and the Kavola East Zone respectively (Unamba & Kilya, 1997).

A total of 139 geochemical samples were collected including 45 pan concentrates checked for visible gold, 5 stream samples, 34 rock floats and 4 outcrop rock chips within their tenement EL 1088. Six zones were identified as having economic potential (Jensen *et.al.*, 1996).

7 GEOLOGICAL SETTING

7.1 Regional Geology (Figure 2)

Exploration License Application 1322 (EL 1322) is part of the Island Arc Tectonic Province on the Bismark Sea Plate. Regional geology is described in the 1:250,000 scale Geological Series, Cape Raoult / Arawe (Figure 2).

New Britain Island is underlain by Lower Tertiary Island arc volcanics, volcanogenic sediments and intrusives comprised of Baining Volcanics, Kapuluk Volcanics and unnamed intrusives. Massive and wide spread limestone's were deposited over the volcanics in the Miocene, followed by intrusion of acid to intermediate volcanics and high level intrusives of Pliocene age. The northern part of New Britain Island is dominated by the Quaternary Melanesian Volcanic Arc, which is a belt of volcanoes extending from the islands off Wewak in the west, to the Gazelle Peninsula in the east. Mineralization is wide spread along this arc.

Mt Penck is at the northwestern end of a major northwest trending extension zone that localised the emplacement of intrusions in the Oligocene and Pliocene Basement. Baining volcanics (upper Eocene) are overlain by Kapuluk volcanics (upper Oligocene), however the Baining volcanics do not crop out west of Willaumez Peninsula. These volcanic sequences are overlain by the Yalam Limestone (Miocene), which crop out near and are intruded by the Mt Penck Volcanics (Pleistocene). Copper mineralization occurs southwest of Mt Penck in the Daluaru River area.

7.2 Property Geology (Figure 4)

The tenement area (EL 1322) is underlain by a sub volcanic, dacite-quartz andesite complex, which is propylitically and agrillically altered in the Kavola Creek. An interpreted cross-section between DDH-1 and DDH-7 (Figure 4) indicates the possibility of ascending hydrothermal fluids, which is a likely cause of magnetite alteration in the area.

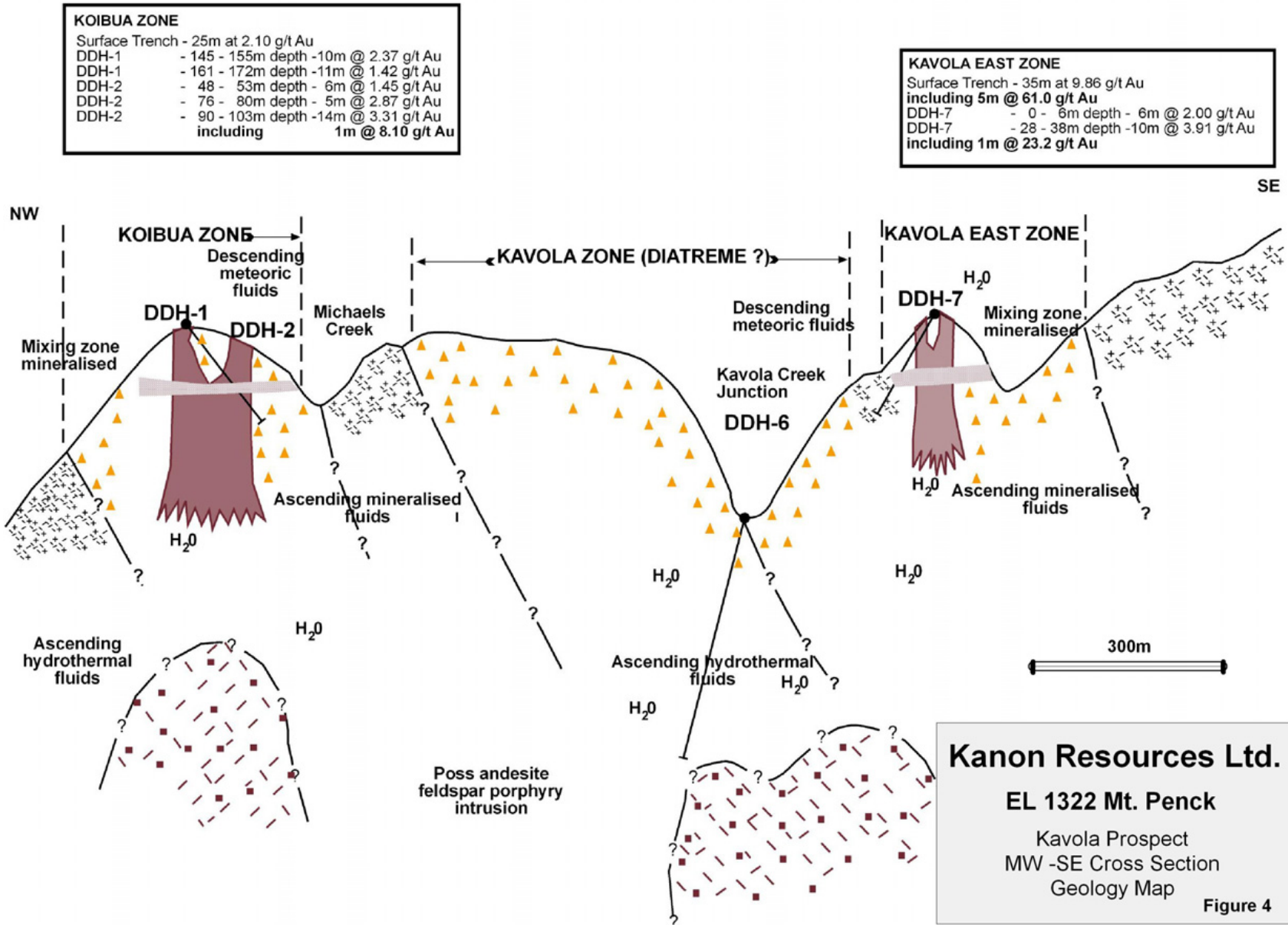


Figure 4: Mt Penck Kavola Prospect Geological Cross-section NW-SE

The Kavola area is part of the Penck volcanic pipe (Jensen *et.al.*, 1996) with minor calcarenous mudstone, probably part of the Yalam Limestone, cropping out in Meto Creek. The Penck Volcanics consist of pyroclastics, quartz andesite, hornblende andesite and dacite.

The three main styles of alteration include propylitic, transitional argillic and argillic. The Kavola Prospect geology is dominated by the Pliocene acid to intermediate Mount Penck Volcanics which consist of a mixed consolidated breccia unit, dacitic quartz andesite, hornblende andesite and pyroclastics which range from tuffs to lapilli tuffs and minor breccias. Calcarenous mudstone mapped in the prospect area may be part of the Miocene Yalam Limestone, which crops out in the Meto Creek area (Unamba & Kilya, 1997).

The Koibua and Kavola East zones are thought to be underlain by ascending hydrothermal fluids associated with an andesite feldspar porphyry intrusion providing the necessary heat for the accumulation of gold and base metals, and associated alteration (Figure 4).

The argillic alteration is confined to mineralized veins, breccias, stockworks, faults and fractures and as a blanket of supergene enrichment due to weathering (Unamba & Kilya, 1997).

8 DEPOSIT TYPES

Mineralization on the Mt Penck tenement is associated with the emplacement of intrusives (Figure 4) of Pliocene age into Miocene age sediments (mainly shales). The intrusions have caused argillic and silicic alteration, which is closely associated with the various styles of mineralization. Hydrothermal and epithermal gold mineralization are associated with argillic alteration in veins, veinlets, mineralised breccias, stockworks, faults, fractures and as a weathering blanket.

Strongly anomalous gold values are found in stream sediment samples and trench float samples at the Kavola East prospect. Broad soil gold anomalies may be due to the hydrothermal solutions remobilizing gold and base metals. Stockwork quartz veins host epithermal style mineralization with localized high grades of gold.

9 MINERALIZATION

A 1.5 km by 1.2 km area covering the prospects has been surveyed and mapped at 1: 1000 scale. The area includes (Figure 2) the Mt.Penck Volcanic pipe, with minor calcareous mudstone (Yalam Limestone?) cropping out in Meto Creek to the NW. The Penck Volcanics consists of pyroclastics, quartz andesite, hornblende andesite and dacite.

Petrological investigations by BHP did not reveal if the igneous rocks are extrusive or intrusive, however the hornblende andesite may pre-date the more acid rock, which may have formed by differentiation. The gold mineralization and argillic alteration may be associated with the acid phase, possibly enriched with volatiles. The hornblende andesite hosts calcite \pm minor quartz veining.

The “central breccia unit” (Kavola Creek junction) is of indeterminate origin, with hydraulic fracturing and breccia clast size increasing to the east, with mixed clasts of fine grained sediments and medium grained volcanics in a rock flour matrix.

Argillic alteration is mostly intense at Kavola Junction, forming an elliptical pattern. Weathering and alteration has mostly destroyed the associated textures. Genesis of the breccia is equivocal and it appears to be a mixture of pyroclastics and laharic gravity flows (mixed clast) that is locally hydrothermally brecciated (hydraulically fractured). Fault breccias are also present.

Aeromagnetic data suggests that the area is covered by a volcanic flow from the Mt.Penck volcano. The Peni Creek Prospect is on or sub-parallel to a NW-trending (aeromagnetic) interpreted fault. Minor faults mapped in the field trend north-south and north-northwest.

To the west of the Mt. Penck volcano, three areas of magnetite destruction are clearly evident. Two of these areas are associated with a potassic signature, indicating hydrothermal alteration. The Koibua, Penny Ck and Kavola prospects lie within an intrusive potassic core indicating that the hydrothermal alteration is associated with gold mineralization in this area.

At Kavola, anomalous arsenic soil values from BHP sampling are mainly confined to within this intrusive potassic core and area of magnetite alteration. An outer 3km diameter annulus of low potassium surrounds the magnetite alteration, indicating an outer alteration halo from the main intrusive heat source.

Trenching samples from the Kavola area describes hydrothermal alteration, phyllic and potassic altered volcanics, breccia conglomerate and quartz limonite veinlets. Propylitic, phyllic/potassic and argillic alteration has been described. Alteration is common, confirming the large potassic intrusive core seen in the airborne radiometrics with associated magnetite destruction seen as an anomalous low in the airborne magnetics.

The existence of sphalerite and Galena and bladed quartz indicates a mesothermal quartz vein that indicates it may be closer to the heat source than an epithermal vein. A mesothermal vein system would be consistent with the idea of a nearby underlying intrusive potassic porphyry evident by regional magnetite alteration.

The BHP rock chip sampling defines some untested sites where anomalous and coincident gold and arsenic values occur. These high gold grades may be associated with high-grade mesothermal quartz veins, overlying a deeper lower grade copper-gold porphyry system.

The anomalous BHP rock chip sampling 50m east of DDH-6 includes two high-grade gold values of 6.97 g/t and 8.5 g/t.

The mineralization is structurally controlled, but faults mapped in the area and interpreted from aeromagnetics do not correlate well. Mineralised trends have been determined to be ~340° at Koibua (NW-SE), ~320° at Koibua South (NW-SE), ~320° at Peni Creek (NW-SE), ~070° (E-W) at Peni Creek South, a circular pattern at Kavola and 230° (NE-SW) at Kavola East.

The elliptical and extensive main argillic altered zone at Kavola Junction is weakly gold mineralised and pyritised (bleached and limonite after pyrite) and may form a pipe like body, but mineralization has not been confirmed along strike. Argillic alteration outside this main zone is confined to linear zones that appear to be discontinuous along strike, possibly offset by faulting.

The gold mineralization occurred in the waning phase of the main volcanics activity along the NW and NE structural zones. These have acted as focal centres for the mineralising fluids and where they bisect the central breccia unit, alteration is more pervasive due to enhanced permeability. This has diffused the gold mineralization to sub-economic grades. High-grade gold mineralization, noted in the breccia at Kavola Junction confirms that feeder zones to the central breccia were considered prospective for bonanza grades in tighter structures.

Alteration and mineralization noted from drilling may be associated with the more acid volcanic phase. Supergene alteration typically occurs in the upper 20m but grades to 4.0 g/t Au show potentially economic grades continuing to depth. Gold mineralization is an epithermal style, with erosion limited to a few hundred metres. Gold mineralization is usually associated with minor quartz ± calcite veining / veinlets and / or silicification, with minor colloform banding.

10 EXPLORATION BY KANON RESOURCES (FIGURES 5 - 6)

A programme of hand trenching and rock sampling was carried out over the previous year at the Kavola East and Koibua Prospects. Three old trenches at Kavola East and four from Kavola East were re-sampled to check location and grades of previously identified mineralization. Parts of Kavola East and West tributaries were traversed with rock chip sampling. Zones of alteration were also sampled. Geological mapping around the Kavola East prospect located the extent of alteration and mineralization.

Geology, Alteration and Mineralization:

The host rock in the trenches was dominantly hornblende-andesite porphyry exposed at the periphery of the argillic zone. The argillic alteration and gold mineralization in the east Kavola zone appears to be associated with a 2-6m wide and westerly dipping quartz-limonite-hematite vein.

There are three major recognizable alteration zones in the Project area. The core of the work is centered upon a strong argillic zone, rimmed by a phyllic zone with the propylitic zone forming the outer zone. A major zone of pervasive argillic alteration is well exposed in the Kavola River, which has been the focus of much of the past exploration. It is characterized in the field by strong to intense clay alteration with limonite-hematite veining and staining. Argillic alteration also occurs in the phyllic zone, is structurally controlled, and often associated with quartz-limonite-hematite-carbonate veins. These zones are often narrow (<50m) but auriferous.

The propylitic alteration consists of chlorite-calcite-magnate-pyrite and occurs in the quartz-hornblende andesite porphyry (sub volcanic) outside of the argillic and phyllic zones. The high grade surface intercepts at the Koibua Zone and the Kavola East Zone occur in structurally controlled veins on the margins of the main alteration zone.

Pervasive argillic alteration on the surface may be due to a major intrusive body at depth, with the Koibua and the Kavola East Zones occurring on either side of this major zone.

10.1 Results of Hand Trenching

Silicified and limonite-hematite zones were sampled at 1m widths, argillised (sericite-illmenite-smectite-kaolinite) zones were sampled at 2 and 3m and phyllic (sericite-quartz-pyrite) overprinting propylitic (chalcopyrite-pyrite) zones were sampled at 5m.

Results from the hand trenching were encouraging with every trench having at least one sample >2g/t Gold. The maximum values obtained were 56 g/t Au (re-check 54.30g/t) in trench 1 and 39 g/t (re-check 36.70 g/t) in trench 4. Table 1 and 2 summarises trench highlights and significant assay results from trenching at Kavola East prospect.

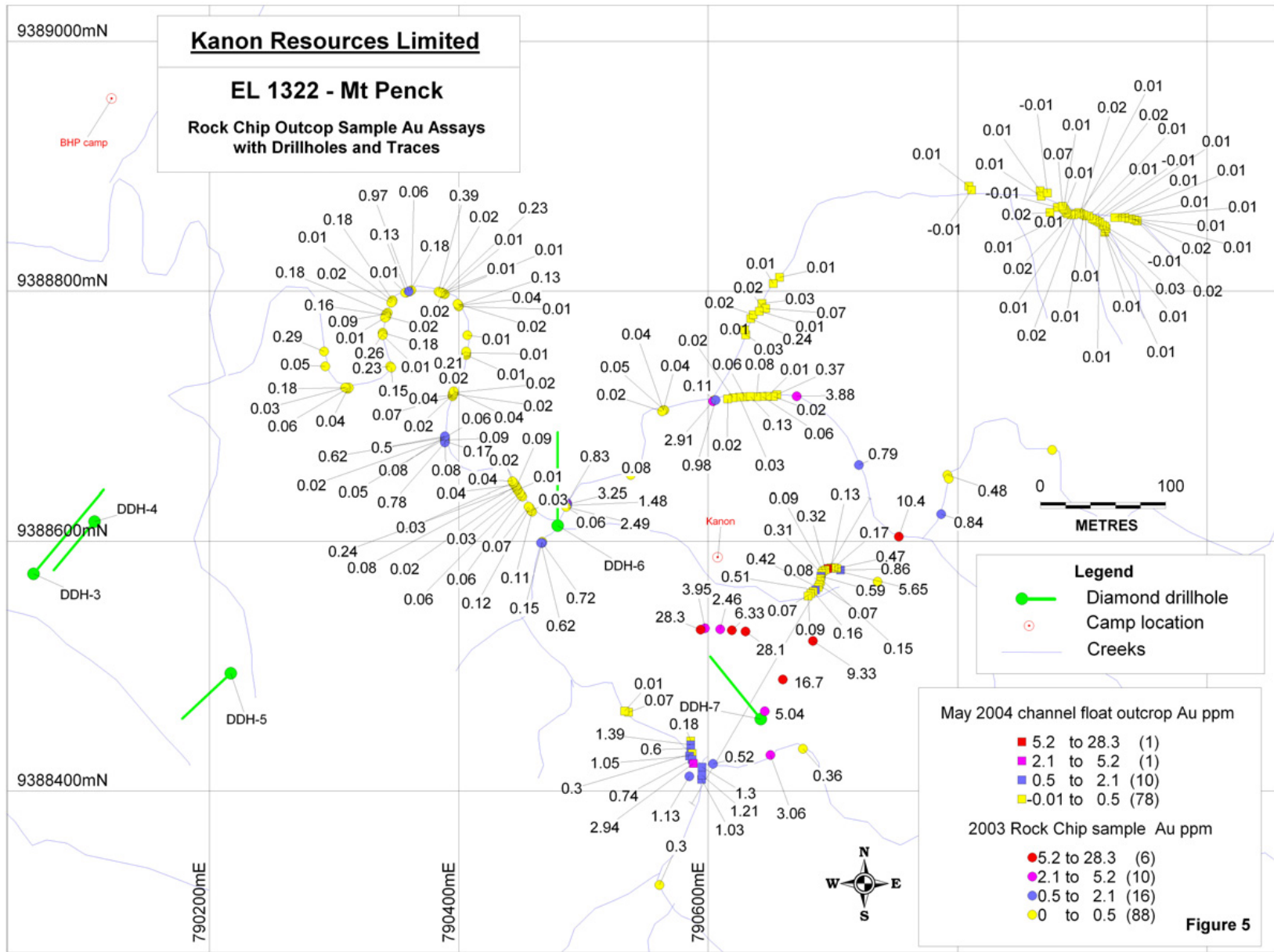


Figure 5: Mt Penck Rock Chip Outcrop Sample Assays

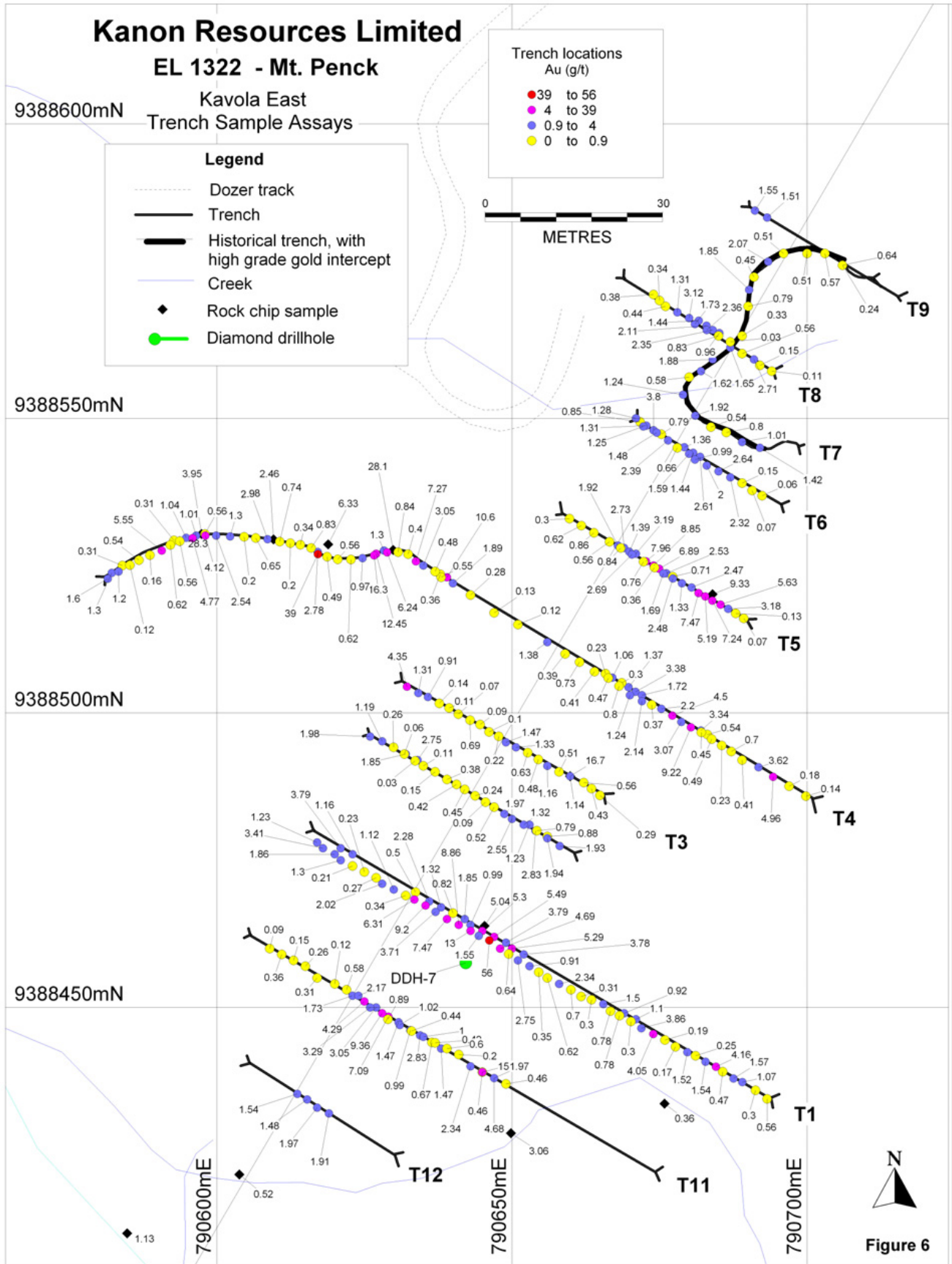


Figure 6: Kavola East Trench Sample Results

Trench			Gold Grade	Sample Numbers	
Number	Intercept Length		Grams / tonne	From (NW)	To (SE)
1 97m long		97 m	3.39	33	29
	incl.	78 m	4.10	33	24
	incl.	48 m	5.57	33	15
	incl.	34 m	7.36	33	11
	incl.	21 m	11.15	30	9
(21m of 11.15 plus 76m of 1.25 g/t Au for rest of trench)					
	incl.	14 m	14.26	2	8
(Trench starts in 1.86 g/t Au and finishes in 1.30 g/t Au)					
2 62m long		62 m	0.84	39	56
	incl.	6 m	1.72	38	37
	plus	13 m	1.50	59	57
	plus	8 m	1.59	53	56
(Trench starts in 0.27 g/t Au and finishes in 1.32 g/t Au)					
3 40m long		40 m	0.80	71	90
	incl.	16 m	0.91	71	78
	incl.	4 m	1.40	71	72
	incl.	6 m	2.19	88	90
(Trench starts in 1.47 g/t Au and finishes in 4.35 g/t Au)					
4 137m long		131 m	2.36	178	109
	incl.	104 m	2.60	173	102
	incl.	56 m	3.72	173	116
	incl.	14 m	2.78	173	167
	plus	2 m	39.00	129	-
	plus	4 m	11.27	124	123
	plus	4 m	5.16	120	119
	plus	14 m	3.25	96	102
plus	6 m	4.29	108	109	
(Trench starts in 1.60 g/t Au and finishes in 0.14 g/t Au)					
5 37m long		28 m	2.19	196	191
	incl.	20 m	2.77	180	191
	incl.	14 m	3.42	183	191
	incl.	6 m	5.32	187	191
(Trench starts in 0.30 g/t Au and finishes in 0.07 g/t Au)					
6 29m long		20 m	1.66	210	203
	incl.	6 m	2.32	201	203
(Trench starts in 1.28 g/t Au and finishes in 0.06 g/t Au)					
7 35m long		35 m	0.97	211	226
	incl.	10 m	1.87	216	220
8 25m long		10 m	1.59	69	68
	(Trench starts in 1.98 g/t Au and finishes in 0.06 g/t Au)				
9, 10	Trenches 9 and 10 were not dug				
11 88m long		64 m	2.50	296	295
	incl.	56 m	2.78	281	294
	incl.	28 m	2.60	281	287
	incl.	12 m	6.44	292	294
	incl.	4 m	15.00	293	-
(Trench starts in 0.56 g/t Au and finishes in 0.98 g/t Au)					
12 27m long		27 m	1.38	43	42
	incl.	15 m	2.17	43	45
	plus	2 m	1.30	42	-
(Trench starts in 1.86 g/t Au and finishes in 1.30 g/t Au)					

Table 1: Trenching Highlights at Kavola East

All twelve trenches at Kavola East carried gold assays >1g/t (Figure 6). Trench samples west of the main river (KET 2 and KET 1) assayed below 0.2g/t Gold (Table 2).

MT Penck Property, West New Britain Province, Papua New Guinea

	Sample No.	Au-ppm	From	To	Int (m)		Sample No.	Au-ppm	From	To	Int
Trench 1	MPT33	1.07	0	3	3	Trench 4 continued	MPT97	2.14	102	104	2
	MPT32	1.57	3	6	3		MPT99	2.20	106	108	2
	MPT30	4.16	9	12	3		MPT100	4.50	108	110	2
	MPT TR1	6.31	12	14	2		MPT101	3.07	110	112	2
	MPT TR2	9.20	14	16	2		MPT102	9.22	112	114	2
	MPT TR3	3.71	16	18	2		MPT108	3.62	125	128	3
	MPT TR4	7.47	18	20	2		MPT109	4.96	128	131	3
	MPT TR5	8.86	20	22	2		MPT180	2.69	13	15	2
	MPT TR6	13.00	22	24	2		MPT183	1.69	19	21	2
	MPT TR7	1.55	24	26	2		MPT184	2.48	21	23	2
	MPT TR8	56.00	26	28	2		MPT185	1.33	23	25	2
	MPT TR9	4.69	28	30	2		MPT186	2.47	25	27	2
	MPT TR11	2.75	32	34	2		MPT187	7.47	27	28	1
	MPT15	2.34	43	48	5		MPT188	5.19	28	29	1
	MPT19	1.50	54	56	2		MPT189	7.24	29	30	1
	MPT23	3.86	68	73	5		MPT190	5.63	30	31	1
	MPT24	4.05	73	78	5		MPT191	3.18	31	33	2
	MPT27	1.52	88	90	2		MPT210	1.28	0	2	2
	MPT29	1.54	95	97	2		Trench 6	MPT209	1.25	2	4
Trench 2	MPT38	2.02	4	8	4	MPT208		1.48	4	6	2
	MPT37	1.12	8	10	2	MPT207		2.39	6	8	2
	MPT59	1.93	31	34	3	MPT199		1.59	10	12	2
	MPT58	1.94	34	39	5	MPT201		2.00	14	16	2
	MPT54	1.97	56	58	2	MPT202		2.64	16	18	2
	MPT55	2.55	58	60	2	MPT203	2.32	18	20	2	
Trench 12	MPT43	1.86	0	5	5	Trench 7	MPT212	2.71	2	4	2
	MPT44	3.41	5	10	5		MPT217	2.36	15	17	2
	MPT45	1.23	10	15	5		MPT218	1.73	17	19	2
	MPT42	1.30	25	27	2		MPT219	3.12	19	21	2
							MPT220	1.31	21	23	2
Trench 8	MPT69	1.98	0	5	5	Trench 11	MPT281	2.17	28	32	4
	MPT68	1.19	5	10	5		MPT282	3.29	32	36	4
Trench 3	MPT71	1.47	0	2	2		MPT283	9.36	36	40	4
	MPT72	1.33	2	4	2		MPT285	1.02	44	48	4
	MPT75	1.16	8	10	2	MPT287	1.00	52	56	4	
	MPT77	1.14	12	14	2	MPT292	2.34	72	76	4	
	MPT89	1.31	36	38	2	MPT293	15.00	76	80	4	
	MPT90	4.35	38	40	2	MPT294	1.97	80	84	4	
Trench 4	MPT178	1.60	0	2	2	Trench KBT 1	MPT406	2.47	15	18	3
	MPT177	1.20	2	4	2	Trench KBT 2	MPT411	1.72	2	4	2
	MPT173	5.55	10	12	2	MPT412	2.15	4	6	2	
	MPT170	4.77	16	18	2	Trench KBT 3	MPT416	1.61	3	6	3
	MPT169	4.12	18	20	2	MPT419	3.50	12	15	3	
	MPT168	2.54	20	22	2	Trench KET 2	MPT482	4.87	89	92	3
	MPT167	1.30	22	24	2	Trench KET 3	MPT145	2.07	8	10	2
	MPT164	2.98	28	30	2	MPT143	1.85	12	15	3	
	MPT129	39.00	38	40	2	MPT140	1.65	21	24	3	
	MPT124	16.30	48	50	2	MPT139	1.88	24	27	3	
	MPT123	6.24	50	52	2	MPT138	1.62	27	30	3	
	MPT120	7.27	56	58	2	MPT136	1.24	33	36	3	
	MPT119	3.05	58	60	2	MPT135	1.92	36	39	3	
	MPT116	1.89	64	66	2						
MPT112	1.38	81	86	5							

Table 2: Significant Assay Results from Trenching at Kavola East

10.2 Results of Drainage rock sampling

Drainage rock samples collected from an area 500m x 800m produced gold grades >1g/t from samples immediately north and south of the Kavola east trenches extending the mineralized zone from 150m to 250m, open at both ends. A few other isolated samples assayed >1g/t Au in the creek NW of Kavola East (Figure 5).

10.3 Interpretation of Exploration Information

From Kanon work it appears that DDH 6 was drilled about 50m below the top of the oxide zone and was collared on a 1-3m quartz vein trending east-west and dipping north. The north orientated drillhole missed the vein and drilled into the hanging wall of the quartz vein. Diamond drillhole DDH7 was collared on top of the vein and continued into the footwall.

As a result of Kanon's initial work it was concluded that the mineralization at the Kavola Prospect is associated with quartz-limonite-hematite veins in structurally controlled argillically altered quartz and/or hornblende andesite porphyry. Mineralized quartz –limonite-hematite vein widths are up to 12m @ 5.0 g/t Au and high-grade splays are up to 5m @ 61g/t Au. Hand trenching at Kavola East revealed that the alteration and mineralization is associated with a 6m wide quartz-limonite-hematite vein. The vein is probably a dilational fracture with the high-grade intercept of 5m @ 61g/t Gold.

Historical geochemical, geological and geophysical data have been compiled onto digital media and re-interpreted to aid in positioning the drill collars into targets based on rock chip gold trench gold geochemistry results.

10.4 Logistics Investigation

EL 1322 has been explored by Kanon Resources with work supervised by personnel contracted by Exploration and Management Consultants Pty Ltd. Geophysical airborne data and geochemical results were compiled and interpreted by Aimex Geophysics consultants. Drilling was completed by United Pacific Drilling Pty Ltd.

10.5 Data Reliability

BHP-Utah, Placer Exploration, Indo Pacific and Kanon Resources has conducted exploration of the Mt. Penck area. Work conducted by the major companies support the Kanon exploration results. The writers have checked several Macmin/Kanon PNG projects and found their work to be of good quality.

11 DRILLING (FIGURES 3 & 4)

Two diamond drill holes DDH 1 & 2 were sited to test the Koibua Zone and three diamond drill holes DDH 3, 4 & 5 to test the Peni Creek Zone by Indo Pacific Mining (PNG) Pty Ltd. Holes 1 and 2 were drilled in a scissors pattern to test the Koibua Zone, which is trending at approximately 340° and up to 75m wide with higher-grade zones varying up to 30m wide. Hole 1 was drilled from the NE at an oblique angle to the zone to a depth of 130m below the surface and 80m below 2 historic reverse circulation (BHP) holes PA 6 and PA 33 which had a previous intersection of 12m at 5g/t Au (incl. 5m at 7.7g/t). DDH 2 was drilled from the SE to intersect at right angles to the Koibua zone.

Holes DDH 3 and 4 were sited in a scissors pattern in the Peni Creek zone, which is approximately 60m wide and at least 300m long, and possibly trending at 320°. These drill holes were sited to test a 20m silicified and argillic altered outcrop, which returned 4.70g/t Au. Drill hole 5 located 150m SE from holes 3 and 4 was drilled to test the possible strike length of the Peni Creek zone as well as test the gold and arsenic anomaly from costean sampling.

DDH-6 was sited to test the Kavola Junction Prospect, which is an elliptical mineralised zone, which assayed up to 2.03 g/t Au over 20 metres in trench channel samples. Best drill assay values ranged from 0.11 to 0.36 g/t Au and it is possible the drill hole missed the target. The drill hole intersected abundant pervasive argillic alteration and weak silicification in a sequence of mainly interbedded pyroclastics (volcanic breccias) and quartz hornblende andesite, with occasional crackle brecciated (hydraulic fractured) pyroclastics. Scattered anomalous assay values of <0.5 g/t Au obtained in this hole are mainly hosted within the weakly argillised and silicified volcanic breccia and hornblende andesite.

DDH-7 was drilled to a total depth of 129.0 metres (Table 4) at azimuth 314° (magnetic) inclined at -60° to test the NE trending mineralised structure (Kavola East Zone) which dips moderate to steeply towards the SE and extends at least >200 metres along strike. Two mineralised zones were intersected; one 6 metres at 2.0 g/t Au (including 1metre at 4.76 g/t Au) and the other 10 metres at 3.92 g/t Au from 28 – 38m downhole (including 6 metres at 6.08 g/t Au). Assay values greater than 0.6 g/t Au are characteristic of the argillic and silicified zones. Gold intersections in this hole correlate well with the surficial mineralization, which trends NE and dips moderately / steeply southeast over a 200m strike length.

DDH-7 intersected a sequence of volcanic breccias (pyroclastics), quartz hornblende andesite and strongly altered and mineralised hornblende feldspar andesite, which is bleached, strongly argillised / silicified and hydrothermal crackle brecciated. The crackle breccia is weakly stockworked by veinlets of quartz with sulphides and carbonates. Similar alteration is observed in DDH-1 & 2 from the Koibua Zone, which also recorded encouraging results. Hornblende andesite was encountered towards the end of the hole and it is probable that mineralization continues at depth.

Field observations show that argillic and advanced argillic zones generally do not carry more than 1.0 g/t Au. Best gold grades tend to be associated with silica-limonite veins, veinlets, stockworks or silica pyrite/base metal veins and stockworks.

A summary of the diamond drillholes is given in Table 4, with averaged assay results in Table 5. Location co-ordinates are given in datum AGD66 with UTM projection Australian Map Grid (AMG), Zone 55.

Hole Number	Northing (AMG)	Easting (AMG)	RL (m)	Azim (Grid)	Inclination	Depth Metres	Date Start	Date End	No. of Samples
DDH-1	9389342	790433.8	258.22	201	-50	184.00	15/2/95	26/2/95	123
DDH-2	9389235	790357.7	249.23	082	-50	136.80	27/5/95	7/3/95	94
DDH-3	9388574	790058.8	150.80	040	-55	153.10	11/3/95	18/3/95	104
DDH-4	9388616	790107.8	157.12	220	-60	101.80	20/3/95	25/3/95	51
DDH-5	9388494	790217.1	207.54	227	-60	106.80	28/3/95	2/3/95	53
DDH-6	9388613	790479.2	152.41	360	-750	287.0	16/5/96	2/6/96	176
DDH-7	9388458	790642.2	245.66	321	-600	129.0	7/6/96	13/6/96	105
						Total Metres	1098.5m	Total Number of Samples	706

Table 3: Diamond Drill Hole Summary

Hole No.	From (m)	To (m)	Intercept Length (m)	Weighted Assay Average (g/t Au)	
DDH 001 (EOH = 184m)	145	173	28	1.59	Includes
	145	155	10	2.54	Plus
	162	173	11	1.40	
DDH 002 (EOH = 136.8m)	46	113	67	1.68	Includes
	46	54.2	8.2	1.21	Plus
	76.3	81.3	5	2.85	Plus
	90.6	103.6	13	3.13	
DDH 003 (EOH = 153.1m)	145	173	28	1.59	Includes
	145	155	10	2.54	Plus
	162	173	11	1.40	
DDH 004 (EOH = 101.8m)	58	60	2 0	0.106	
DDH 005 (EOH = 106.8m)	1	6	5	0.50	Plus
	34	36	2	0.994	Plus
	84	90	6	1.01	
DDH 006 (EOH = 287m)	0	287	287	0.052	Includes
	44	52	8	0.357	Plus
	50	52	2	1.149	
DDH 007 (EOH = 128m)	0	128	128	0.634	Includes
	0	2	2	4.76	Plus
	18	38	20	2.08	Includes
	28	34	6	6.08	Includes
	29	30	1	23.20	Plus
	66	120	54	0.431	Includes
	67	69	2	0.838	Plus
	85	88	3	1.927	Plus
	112	115	3	1.473	Plus
	114	115	1	2.850	Plus
119	120	1	1.930		

Table 4: Weighted Average Gold Grades from Historical Diamond Drill Holes
(Indo Pacific Mining PNG Pty Ltd)

12 SAMPLING METHOD AND APPROACH

BHP-UTAH collected rock channel samples from hand dug trenches, exposed outcrop in drainage systems and bulldozer systems. A 4-metre channel length was preferred although intervals ranged from 1 to 8 metres. Usually in excess of 3kg of broken rock were sent to Pilbara Laboratories in Lae for fire assay gold and hydride generation arsenic.

A total of 230 soil samples were collected in May 1988 by BHP along ridges and spurs within the Kavola River catchments using a 25-metre sample spacing. Each sample was analysed for gold and arsenic. BHP recommended future “C” horizon auger drill soil sampling to help further delineate the auriferous zones at surface.

Indo Pacific Mining (PNG) Pty Ltd collected channel samples at 5m intervals and analysed for gold and arsenic, to further test the continuity of surface mineralised zones within the Kavola prospect (Unamba and Kilya, 1997). Grid soil sampling was completed in the North Koibua, Mt.Penck and Kavola East areas with infill conducted within Kavola East. A total of 139 soil samples were collected at the base of the humic layer and assayed for gold and arsenic. Kavola East soil samples were taken over an area of approximately 400 E-W x 400m N-S at 25m spacing.

Indo Pacific drilled a total of seven diamond drill holes and collected 425 core samples from DDH1 to DDH5 and 281 core samples from DDH6 and DDH7. Cores were sampled selectively: one metre samples were taken in argillically altered or silicified zones and elsewhere 2m intervals were sampled. Drill core sized were PQ and HQ and gave good core recovery on average. All core were logged and photographed on site and were split in half by diamond saw. Half of the core was sent to Analabs for assay and the other half was stored at the core shed on site. Analytic techniques used were 50g fire Assay for Au, AAS for Cu, Pb, Zn, Ag and As.

Kanon Resources Ltd samples were shipped to ALS Chemex, Brisbane, Australia for gold analysis. Trench samples were taken at 1, 2, 3 and 5m widths depending on the type of alteration. Four old trenches from the Koibua Zone and three from Kavola east zone were resampled (98 samples covering 324m) plus 12 new trenches were hand dug at Kavola East. The lower portions of Kavola east and west tributaries and the main Kavola drainage were also traversed and altered zones sampled over 1000m (93 samples).

13 SAMPLE PREPARATION, ANALYSIS AND SECURITY

Kanon samples were sent to ALS Chemex Laboratories in Brisbane where they were heated for 2 hrs at 220°C to satisfy quarantine requirements then pulverized to >85% passing 75 micron. A 25gm split was weighed for analysis. Analysis was by aqua regia digest followed by solvent extraction and final reading by AAS. This method (Au-AA41) has detection range of 0.01-100ppm Au. ALS Chemex Laboratory in Brisbane has NATA registration and ISO 9002 certification.

14 DATA VERIFICATION

High values from samples collected by Kanon were check assayed by 50g fire assay. For the original Kanon assays a 25g aliquot was assayed by aqua regia digest followed by solvent extraction and AA reading (AU-AA41). A comparison of results is presented in Table 5.

The sets of assays correlate well and it is clear that the gold is neither coarsely particulate nor contained in quartz. The aqua regia digestion of a 30g sample provides reliable assay values.

Trench.No	Sample No.	Au ppm AU-AA41	Au ppm 50 gm Fire Assay	Sample Interval m	Trench.No	Sample No.	Au ppm AU-AA41	Au ppm 50 gm Fire Assay	Sample Interval m
1	MPT33	1.07	1.20	3	4	MPT99	2.20	2.59	2
1	MPT32	1.57	1.47	3	4	MPT100	4.50	4.32	2
1	MPT31	0.47	0.51	3	4	MPT101	3.07	3.37	2
1	MPT30	4.16	3.96	3	4	MPT102	9.22	10.40	2
1	MPT TR1	6.31	5.83	2					
1	MPT TR2	9.20	9.47	2	5	MPT187	7.47	7.28	1
1	MPT TR3	3.71	3.24	2	5	MPT188	5.19	5.34	1
1	MPT TR4	7.47	6.47	2	5	MPT189	7.24	7.44	1
1	MPT TR5	8.86	8.20	2	5	MPT190	5.63	5.48	1
1	MPT TR6	13.00	12.50	2					
1	MPT TR7	1.55	1.37	2	11	MPT281	2.17	2.17	4
1	MPT TR8	56.00	54.30	2	11	MPT282	3.29	3.46	4
1	MPT TR9	4.69	3.94	2	11	MPT283	9.36	9.05	4
					11	MPT284	0.89	0.89	4
4	MPT129	39.00	36.70	2					
4	MPT128	0.49	0.54	2	11	MPT292	2.34	2.28	4
4	MPT127	0.56	0.60	2	11	MPT293	15.00	19.00	4
4	MPT126	0.62	0.56	2	11	MPT294	1.97	1.81	4
4	MPT125	0.97	0.93	2					
4	MPT124	16.30	17.40	2					
4	MPT123	6.24	6.25	2					

Table 5: Comparison of check assays from aqua regia digest and fire assay

15 ADJACENT PROPERTIES

The writer is not aware of significant adjacent properties.

16 MINERAL PROCESSING AND METALLURGICAL TESTING

Four metallurgical samples weighing about 40kg were collected from the Koibua zone, the Kavola zone and the Kavola east zone.

- MPM-1 was collected from the 40m @ 8.89g/t Au trench zone at Kavola east in a pervasive argillic altered zone, with minor quartz-hematite- limonite veining.
- MPM-2 was collected from the quartz vein assaying 3m @ 37.4g/t Au in the Koibua zone.
- MPM-3 was collected from the quartz vein at the collar of DDH7.
- MPM-4 was collected from a pervasive argillic altered trench about 50m northeast of DDH6.

The high gold grade surface intercepts at the Koibua Zone and the Kavola East Zone occur in structurally controlled veins on the margins of the main alteration zone. The pervasive argillic alteration on the surface may be due to another major intrusive body at depth. The Koibua and the Kavola East Zones each occur on either side of this major zone. To date no mineralogical testing has been carried out

17 MINERAL RESOURCES AND MINERAL RESERVES

There are no mineral resources or mineral reserve estimates for the Mt Penck property. The project is at an early exploration stage and has some significant drill intersections and trench results.

18 OTHER RELEVANT DATA AND INFORMATION

The Mt Penck property has been worked by several junior and major companies and several million dollars is estimated to have been spent by various operators. The data is summarised in various sections of this report. The writer is not aware of any additional data that would change the conclusions and recommendations in this report.

19 INTERPRETATION AND CONCLUSIONS

Exploration in the Mt Penck tenement (EL 1322) by previous explorers indicates the project area to have very good potential in the development of significant porphyry related gold deposits. Trenching and drilling have tested several prospects however dip extensions of known mineralization remain as targets.

Gold stream anomalies coincident with geophysical anomalies are regarded as having good potential with further exploration required to the east and southwest of Mt.Penck.

20 RECOMMENDATIONS

A two stage-drilling program is recommended at the Kavola East prospect. Trenching, sampling and soil sampling is also recommended to test beyond the boundary of airborne geophysical potassium anomaly, which hosts all of the known prospects. Gold stream anomalies to the east and southwest of Mt.Penck are recommended for further investigation by trenching and sampling.

Costs associated with the Stage 1 (CDN\$ 678,000) and Stage 2 (CDN\$ 1,000,000) programs total CDN\$ 1,678,000. Explanations and estimated budget are detailed in the Mt Penck Cost Estimates, below.

The writer is of the opinion that the recommended programs are warranted and of sufficient merit to justify the investment in exploration set out in the Mt Penck Cost Estimates, below.

20.1 Mt Penck Cost Estimates

Further exploration of the Mt Penck tenement is justified on the basis of past success. The writer recommends a two stage program but the actual expenditures and program will also depend on the Company's current funds and access to further funding. The program assumes the company has access to unlimited funds.

The minimum exploration expenditure over the next 12 months to keep the property in good standing is PNG Kina 40,000 (about CD\$ 17,000).

The recommended stage 1 program is based on past success and is budgeted at \$678,000. The recommended stage 2 program is dependant on the results of stage 1, but at this point in time is estimated to cost \$1,000,000.

20.2 Cost Estimates Stage 1

Stage 1 includes compiling previous exploration data in digital format, revising and extending geochemical programs to cover the entire tenement, trenching of existing geochemical anomalies, drilling of the Kavola East prospect and scout drilling at other prospects.

Mobilisation/Demobilisation	CDN\$
	10,000
Camp Costs	20,000
Transportation	20,000
Earthmoving Costs	50,000
Drilling Costs (2,000m of diamond core)	300,000
Consulting & Geological Personnel	50,000
Other Personnel/Labour Costs	25,000
Accommodation	30,000
Geotechnical Costs (including surveying)	45,000
Consumables	28,000
Reporting	5,000
Management	15,000
Contingency	20,000
Overheads	60,000
Stage 1 Cost Estimate	\$678,000

20.3 Cost Estimates Stage 2

Assuming stage 1 results are encouraging, further drilling and trenching is warranted at Kavola East and other prospects. At this point in time the drilling estimate is inclusive of all other costs such as trenching, assays, personnel costs etc.

Drilling Costs (4,000m of diamond core)	CDN\$
	\$1,000,000
Stage 2 Cost Estimate	\$1,000,000

20.4 Total Cost Estimates for Stages 1 and 2

Total cost estimates for Stage 1 and 2 **CDN\$1,678,000**

21 REFERENCES

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22 SIGNATURES, STAMPS AND DATE

Dated the 13th day of September 2004

(Signed by)



Peter Swiridiuk, BSc (Hons.) Dip.Ed

23. CERTIFICATE OF AUTHOR MR. PETER SWIRIDIUK

I, Mr. Peter Swiridiuk, with business address at PO Box 5252, West End, QLD, do hereby certify that:

1. I am a Consulting Geologist and member of the Australian Institute of Geoscientists and Australian Society of Exploration Geophysicists.
2. I hold a Bachelor of Science (Hons.), 1990 and a Diploma of Education (1990) from the University of New England, NSW Australia.
3. I have been practising my profession as a Geologist and Geophysicist since 1990. I worked for DeBeers Diamond Services between 1990 and 1996. From 1996 to 1998 I was based in Brisbane as a principal consultant managing airborne geophysical surveys in the Solomon Islands and geochemical/geophysical interpretation in Papua New Guinea for Highlands Pacific Ltd. For two years since 1999, I was analyzing geological data for project generation work with Caledonian Pacific Minerals in New Caledonia and New South Wales. As a consultant from 2001, I was involved with projects delineating ore bodies in the Middle East (Oman) and Queensland. I also undertook data interpretation for coal projects. From February 2004 I have been involved with data compilation and interpretation for projects in Papua New Guinea for Macmin (PNG) Ltd. This has involved field visits to discuss technical aspect of the projects with geologists. As a professional geoscientist I have published two technical papers on exploration in the Solomon Islands and Oman.
4. I have read the definition of “qualified person” set out in National Instrument 43-101 (“NI 43-101”) and certify that by reason of my education, affiliation with a professional association (as defined in NI43-101) and past relevant work experience, I fulfill the requirements to be a “qualified person” for the purposes of NI43-101.
5. I am responsible for the preparation of the technical report titled “Technical Report on the Mt Penck Property, West New Britain Province, Papua New Guinea, dated 10th September 2004”. I visited the Mt Penck property on 31st August 2004 for 2 days and provided in field technical guidance
6. I have had prior involvement with the property that is the subject of the technical Report. The nature of my prior involvement is the analysis of historical stream and rock chip geochemistry and review of airborne geophysics.
7. I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
8. I am independent of the issues applying all of the tests in section 1.5 of National Instrument 43-101.
9. I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.
10. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication of the Technical Report by the stock exchange, regulatory authority, or the company, including electronic publication in the public company files on their websites accessible by the public.

Dated this 13th day of September 2004.

(Signed by)



Peter Swiridiuk, BSc (Hons) Dip.Ed., M.A.I.G.