

MONTAGUE GOLD NL

ACN 006 045 790



QUARTERLY REPORT

30 SEPTEMBER 1999

HIGHLIGHTS

- Prospects are upgraded and new targets emerge at **De Courcy**. The Scorodite prospect has been extended west by definition of a +900m gold in soil anomaly.
- At **Slate Bore**, geological mapping and rock chip sampling define a zone of gold mineralisation at least 1,500m long. Best result is 10m @ 5.6g/t Au.
- Strongly anomalous gold mineralisation was intersected in an intensely altered zone in a drill hole at the Top Tank prospect at **Tick Hill**. Further drilling is planned for the December quarter.

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AUSTRALIAN ACTIVITIES

ASHBURTON GOLD PROJECT WA

De Courcy (E47/874, 875, 903 – 100% Montague)

Interpretations of project scale airborne magnetic/radiometric images, photo-geological studies, and stream sediment sampling have been completed during the quarter. Several prospects identified from the 1997/1998 exploration have been upgraded and new target zones have emerged. The project has been subdivided into broad target areas (see Figure attached) based on various superimposed geological, geochemical and geophysical features. The current programs of soil and shallow drill hole geochemistry are designed to develop a selection of drill targets for next year's field season.

A stream sediment geochemical survey was completed during the quarter comprising 422 bulk samples and 455 sand - sized sub-samples. In addition 67 rock chip samples were taken and this completes reconnaissance geochemical survey coverage of the DeCourcy project area including the west-northwest trending structural corridor on the southern side of Metawandy Granite and the southeast closure of the Wyloo Dome. Results of the recent survey are being merged with previous geochemical data to fully assess and rank the various structural targets. The preliminary results have defined several anomalous drainage basins for follow up and highlighted a significant regional anomalous gold trend over approximately 8km centred on the historic Scorodite prospect.

Prospecting has located several new prospects with ferruginous vein quartz outcrop and float. The most encouraging of the new prospects – Cullen 5 – is a complex of quartz and ferruginous quartz veins extending over about 2.5 km in the southwest of DeCourcy West E47/874. The vein complex is in strongly deformed sediments and volcanics which are similar to the hosts of the Paulsens deposit. Two grab samples of gossanous vein quartz from within the Cullen 5 vein complex gave gold anomalous results up to 68ppb Au.

Soil sampling (50 x 200m) has been completed over extensions of the Scorodite, Highway Zone East, Cullen 5, Cullen 1, and Cullen 1 Northeast target zones. The only results to hand are from the Scorodite grid. They show strong and well-defined Au-As anomalism extending over about 900m, and sporadic high to very high (to 390 ppb Au) anomalies over about 3km along the Scorodite trend. Ground inspection and geological mapping of the anomalies is underway.

The Scorodite prospect is characterised by dilatant style quartz veins that trend northwest and north-northwest in a sandstone-dolerite sequence. Previous company exploration by Australian Ores and Minerals Ltd (AOM) and Newcrest reported rock chip values to 8.7 g/t Au and from shallow percussion holes (by AOM) beneath the vein quartz outcrop of 1m of 1.5 g/t Au. The strongest gold soil anomaly of about 100 x 500m with values to 100 ppb Au identified in the recent work, is about 100m west of the targets drilled by AOM.

Soil sampling is in progress on other target zones identified from regional geochemistry and geophysics, e.g. the H1 target in the Mungie-Metawandy Zone and the Fuchsite Fault Zone. Shallow RAB geochemical drilling is scheduled in late October in the Metawandy North, Mungie Well Fault, Highway Zone East, and Clarke Fault areas. The drilling will investigate a number of structural target areas that are masked by colluvium and/or alluvium and will sample the bedrock-cover interface at spacings of 50 x 200m and 50 x 400m.

Slate Bore (M08/79, Montague 100%, E08/1021, Montague earning 75% from Min-Tech8 NL)

Cullen's Slate Bore prospect, an area with potential for sediment hosted gold mineralisation, is 35km southeast of DeCourcy within the Paraburdoo Hinge Zone.

Work completed during the quarter included:

- acquisition of colour aerial photography at 1:25,000 and 1:19,000 scale,
- field reconnaissance/prospecting (99 rock chip samples collected),
- 1:5,000 scale geological mapping of the main prospects and costeans, and
- 1:10,000 scale mapping of the surrounding 7 x 2km Landsat TM anomaly.

Compilation of field mapping and photogeological studies are in progress. The preliminary mapping shows that the Slate Bore prospects form part of a large complex system of quartz veining within a large scale hydrothermal alteration system (chloritisation and/or sericitisation) visible as a broad Landsat TM anomaly. Gold mineralisation appears to be related to late phase stockwork quartz veins, characterised by pyrite, arsenopyrite and silicification of host siltstone and sandstones. The historic lead prospects at Slate Bore are associated with structures crosscutting foliation and stratigraphy.

Within the area of the Landsat TM anomaly, quartz veining occurs within strongly altered sandstones of the Proterozoic Ashburton Formation (see Slate Bore figure attached). Veining forms stacked systems up to 40m wide with individual veins up to 6m thick. Rock chip samples of quartz vein material were collected over intervals of up to 10m in width within the vein systems.

The best results include:

- 10m @ 5.6 g/t Au - taken from the lower vein of a series of five veins over a width of 40m.
- 2m @ 1.9 g/t Au - taken from a vein system with anomalous gold over a strike length of more than 100m.
- 5m @ 1.25 g/t Au

Of the 80 rock chip samples taken from the Landsat TM anomaly, 49 returned greater than 0.1 ppm Au and of these, 4 samples reported greater than 1 g/t Au. This consistency of gold anomalism is very encouraging.

The next quarter's program will include infill soil sampling within the old Aberfoyle soil grid, which was on lines spaced 500m apart, and infill shallow geochemical drilling to explore areas within the grid which are obscured by alluvial deposits. From the mapping it is clear than Aberfoyle's RAB drilling on sections 1 and 1.5km apart has not evaluated the 200 x 7,000m Slate Bore gold soil anomaly.

Yanks Bore (E08/1022 Montague earning 65% from Hunter Exploration NL)

The Yanks Bore prospect is within the northwest sector of the Paraburdoo Hinge Zone some 80km north-northwest of DeCourcy. New colour aerial photography at 1:25,000 and 1:10,000 scale has been flown. Subsequently, geological mapping and prospecting was carried out. As yet, analytical results of the 56 rock chip samples collected are unavailable.

The recent mapping indicates that favourable rock units with silicic and pyritic alteration extend over a strike length of about 8km. The Hunter Main Zone grid covers only about half of the prospective outcrop.

The program for the next quarter will include shallow RAB hammer drilling to sample beneath outcropping mineralised quartzite (silicified dolomite?). Here a line of rock chip sampling by Hunter had shown an outcrop interval of 20m @ 1.7 g/t Au. In addition a soil geochemical survey – 50 x 200m – will cover the potential alteration zone extending 1km north and 3km south of the Hunter Main Zone grid.

De Courcy South (ELA 08/1145, Montague 100%)

This 10 sub-block EL application is located about 4km southeast of Mt DeCourcy. The area covers 7 strike kms of a major west-northwest structure along the Paraburdoo Hinge Zone. The structural zone is mostly covered by thin colluvium but appears to be the source of anomalous BLEG Au geochemistry located by Billiton's exploration. The same structure hosts the Monster Lode gold prospect which is about 3km northwest of the Cullen tenement.

GUNBARREL PROJECT

NORTHEAST GOLDFIELDS WA

(Montague 100% E53/568, E53/645 and ELAs 53/818, 837, Montague 80% with North Coolgardie 20% E53/535)

Shallow base of hardpan geochemical drilling is planned for the coming quarter to develop drill targets around clusters of old gold workings near Mt Eureka and detail some geochemical targets located by broad spaced Pegasus RAB and RC drilling. Part of the program will be postponed pending resolution of a Native Title claim lodged recently over applications E53/818 and 837.

TICK HILL JOINT VENTURE, QLD (MIM, Montague earning 70% interest EPM 9083, EPM 11013 and EPM Applications 11990, 11991, 12325 and 12395)

Exploration activity has progressed to testing of selected targets with RC percussion drilling on the Monastery, Gap and Top Tank grids. The target at the Gap and Top Tank grids was concealed Tick Hill style gold mineralisation in structural sites with weak but anomalous surface gold geochemistry. At Monastery Creek grid, the target was gold/copper mineralisation related to stratigraphic and structural controls.

Top Tank Grid. A total of seven holes (920 m) were drilled into geochemical and/or IP targets in a structurally complex zone with anomalous surface gold geochemistry (see diagram below). The drilling was successful in intersecting a 4m interval in hole CTT03, at a major structural discontinuity, from 102m with strongly anomalous gold (up to 110ppb Au and 738ppm Cu) in intensely chlorite-hematite altered amphibolite with pegmatite intrusives and quartz veins. The significance of this intersection is that the gold levels are much higher relative to the copper values. This is consistent with our model for gold dominant mineralising systems in the Cloncurry District.

Interpretation of the intersection is equivocal at this early stage, with two possible scenarios:

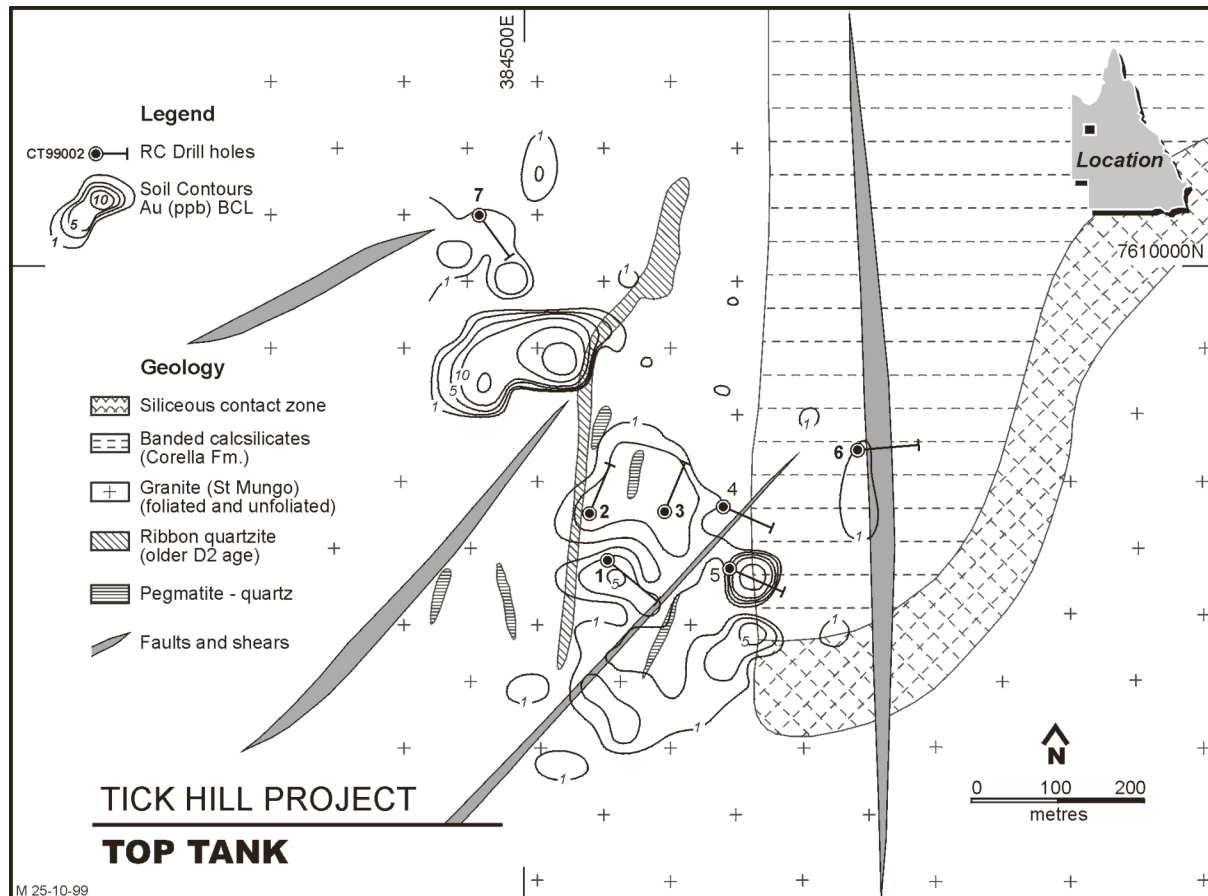
- a shallow SW dipping thrust zone, or
- a steeply dipping NW trending structural zone, reflected by an alignment of the surface soil gold anomalies.

The thrust zone superimposes older granitic rocks over younger metasediments (calcsilicates) with intense shearing and alteration at the contact. This is broadly similar to the structural setting at Tick Hill.

The latter interpretation may be supported by a weaker intersection in hole CTT 05 in which strongly altered and sheared amphibolite (schist in part) occurs with weakly anomalous copper (to 235ppm) and gold (to 14ppb). It should be noted that background levels of gold are usually at or below the detection limit (1ppb Au) for the assay technique.

Further RC drilling of up to 300m will be necessary to determine which interpretation is correct. One hole will be located west of CTT03 (between CTT03 and 02) but drilled towards the south to intersect either the thrust zone or the shear zone. If this hole intersects the thrust zone, hole CTT02 will be deepened (if possible) to provide a further intersection of the thrust. A third hole will be drilled north of CTT02 where the interpreted NW shear intersects an earlier mylonitic fault zone which has been locally deformed. Anomalous gold in soils (79 ppb MIMEX data) occurs near this intersection.

Monastery Creek Grid. Infil RAB and two RC holes were drilled into anomalous gold and copper geochemistry near structural displacement of strong magnetic trends.



Earlier work by MIMEX and Montague had defined two anomalous Cu-Au zones within a broad 6km strike zone of anomalous copper mineralisation with gold credits. The RAB drilling confirmed that anomalous Cu-Au geochemistry in a concealed area 250-300m long which is related to biotite schist (sheared amphibolite).

MIMEX drilled 10 RC or RC diamond holes along the 6 km zone and returned several mineralised intersections with up to 250 ppb Au and 0.6%Cu. In the current program, two RC holes were drilled to test stronger soil or RAB gold and/or copper anomalies in more structurally complex sites than the targets selected by MIMEX. In CMC01 several anomalous Cu-Au anomalous zones were intersected including 0-18m @ 0.26% Cu and 38ppb Au and 68-90m, 22m @ 0.17%Cu and 32ppb Au. Similarly in hole CMC02 anomalous Cu and Au was intersected over much of the hole with the best intersection of 50-78m, 28m @ 0.22%Cu and 66ppb Au.

The results do not reflect any significant upgrading of the known sulphide mineralisation by the structural deformation. No further work is planned for this area for the current field season.

The Gap Grid. Soil sampling and panning of visible gold in small creeks defined two sites for testing within an area defined by MIMEX reconnaissance sampling. One relatively strong gold in soil anomaly (to 31ppb Au) and another broader low order soil gold anomaly (to 12ppb) were tested by RC drill holes.

Both holes were disappointing; only weakly anomalous Au-Cu values were intersected over the entire hole CG02. CG01 did not intersect any anomalous values. The results reflect the surface soil geochemistry and the visible gold panned locally may be derived from small quartz veins in weak red-rock altered amphibolites. No further work is planned in this area for the current season.

In the June Quarterly Report several other prospects were listed for either RAB follow up or further exploration. These include:

Mt Question. RAB drilling located an 87ppb Au anomaly under thin gravel cover. One small trench was dug to expose a thin shear zone in amphibolites with anomalous Cu-Au. No further work is planned in this area this season.

Maiden Creek Two discrete Cu-Au anomalous zones occur in a complex area interpreted from the aeromagnetics. The area is not considered to contain Tick Hill type targets, being more representative of the Trekelano or Monastery Creek style Cu-Au mineralisation.

Maiden Tank West. RAB drilling over the same sites that MIMEX reported up to 0.5ppm Au failed to reproduce the anomaly. No further work is planned this season.

Spring Creek. Evaluation of an extensive zone of Cu-Au geochemistry concluded that the style of the mineralisation was small pods in shear zones, similar in character to other mineralisation in the Duchess area and therefore of limited potential.

RUSSIAN GOLD MINING INTEREST

POKROVSKIY GOLD PROJECT (2% direct equity interest)

Production at the Pokrovskiy Gold Project, located in the Amur Region of Russia, commenced during the quarter and has since had its first gold pour.

Target production through to the end of the current season is 120kg of gold.

Further information on the progress of the Pokrovskiy project is available over the internet on www.zoloto.co.uk

MANAGEMENT & CORPORATE

RENEGOTIATION OF THE TICK HILL JOINT VENTURE TERMS -

The joint venture terms for exploration have been renegotiated and summarised as follows:

The company has an expenditure requirement on EPM 9083 of \$280,000 to 30 October 1999 which has been met. The expenditure commitment of \$70,000 on EPM 11013 by 29 March 2000 will be met by carrying out further work over the coming months.

To earn a 30% equity interest the company is required to spend \$1.5m. 51% equity level is earned by spending a further \$1.0 m by 2002, subject to Department of Mines & Energy (DME) approval.

70% earn-in is achieved by spending a further \$1 million over two years.

Withdrawal from the joint venture is permitted providing the EPMs are in good standing with DME.

BOARD CHANGES

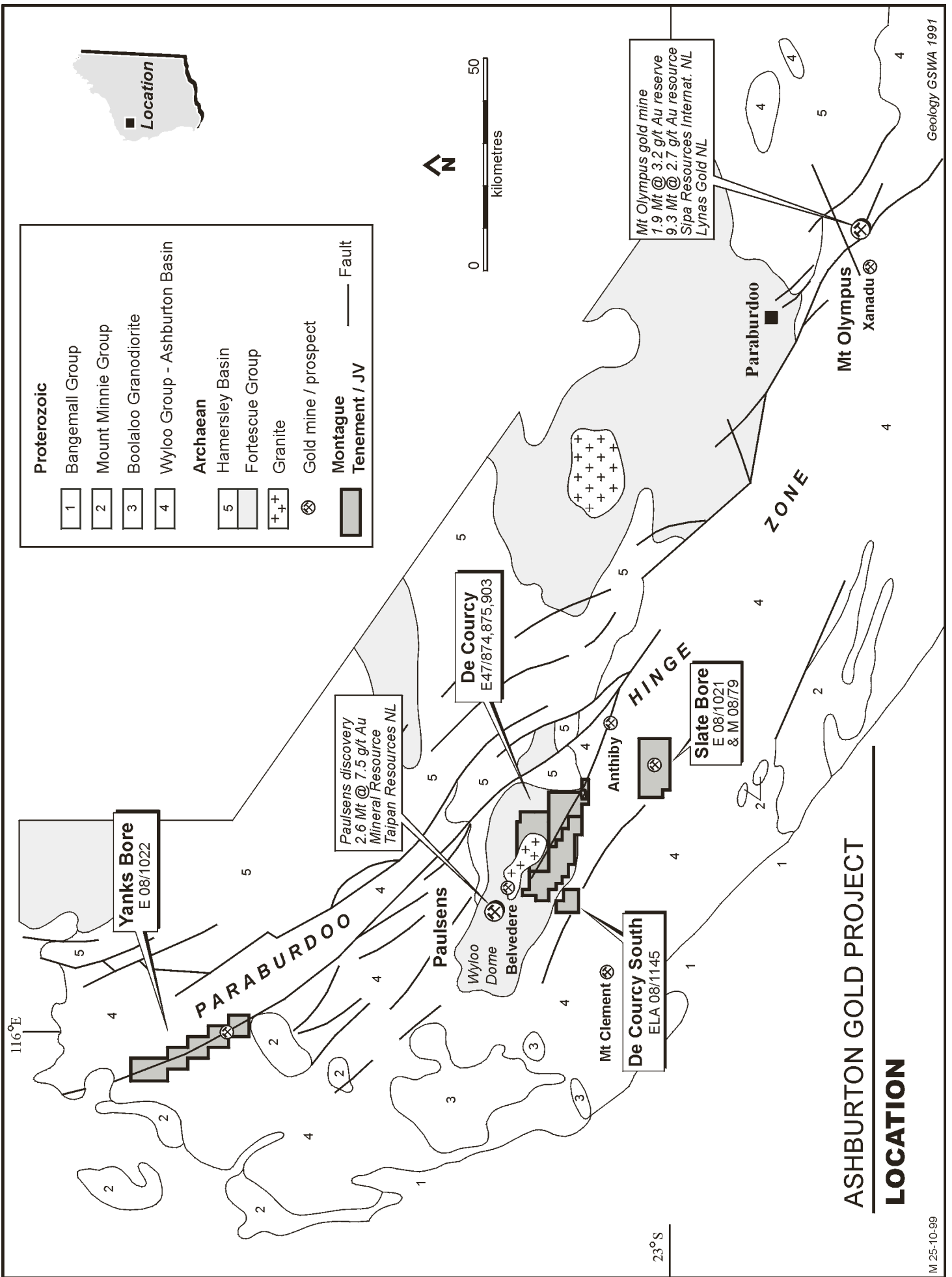
The Company announced on the 2nd July 1999 that Mr. Stan Lewis had resigned as a non-executive director of the Company. Mr. Lewis had a long association and involvement with the Company during a period of 12 years as a non-executive director and latterly as acting chairman.

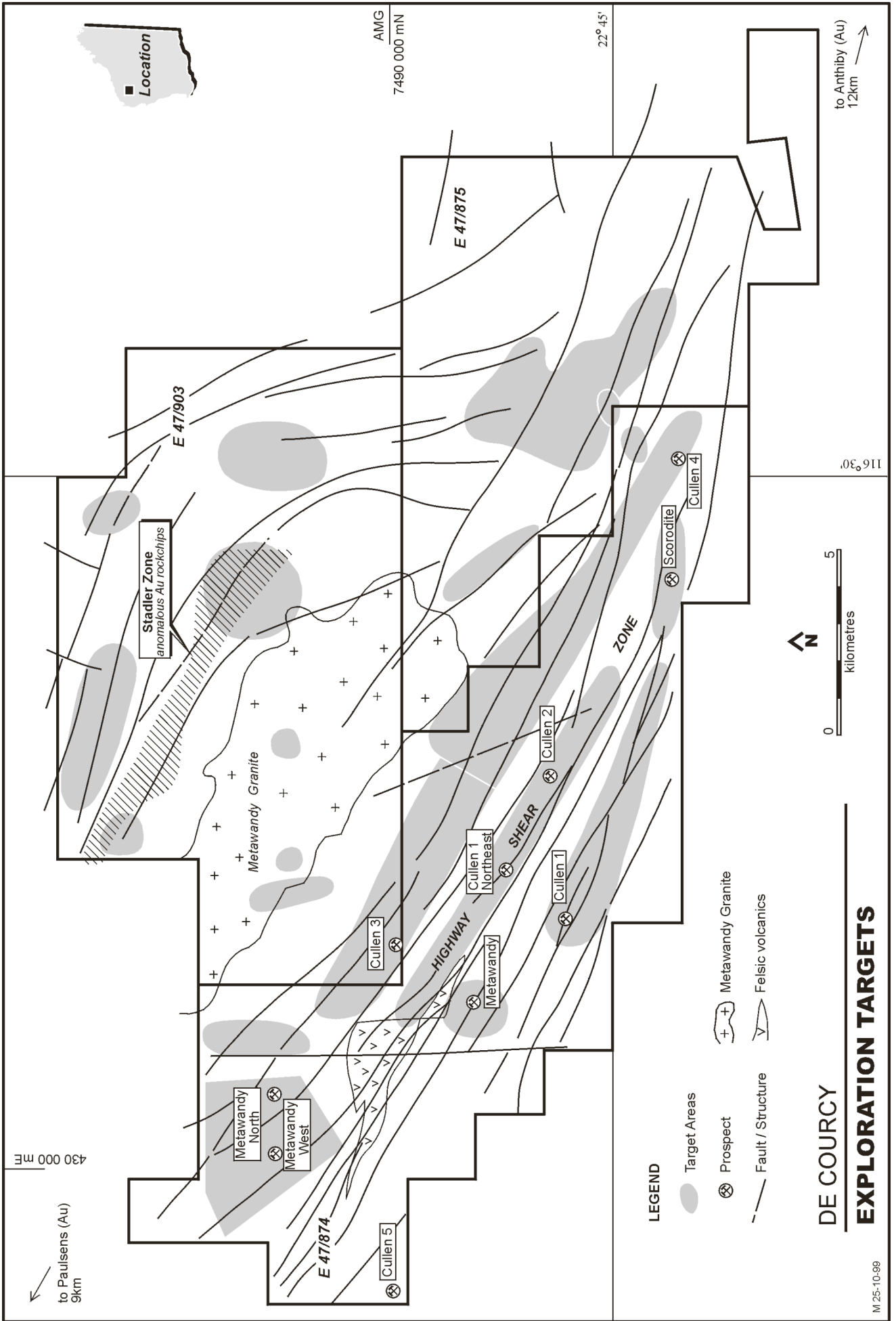
The current directors wish to acknowledge Stan's long standing contribution to the Company and thank him for his efforts and valued participation during this period.

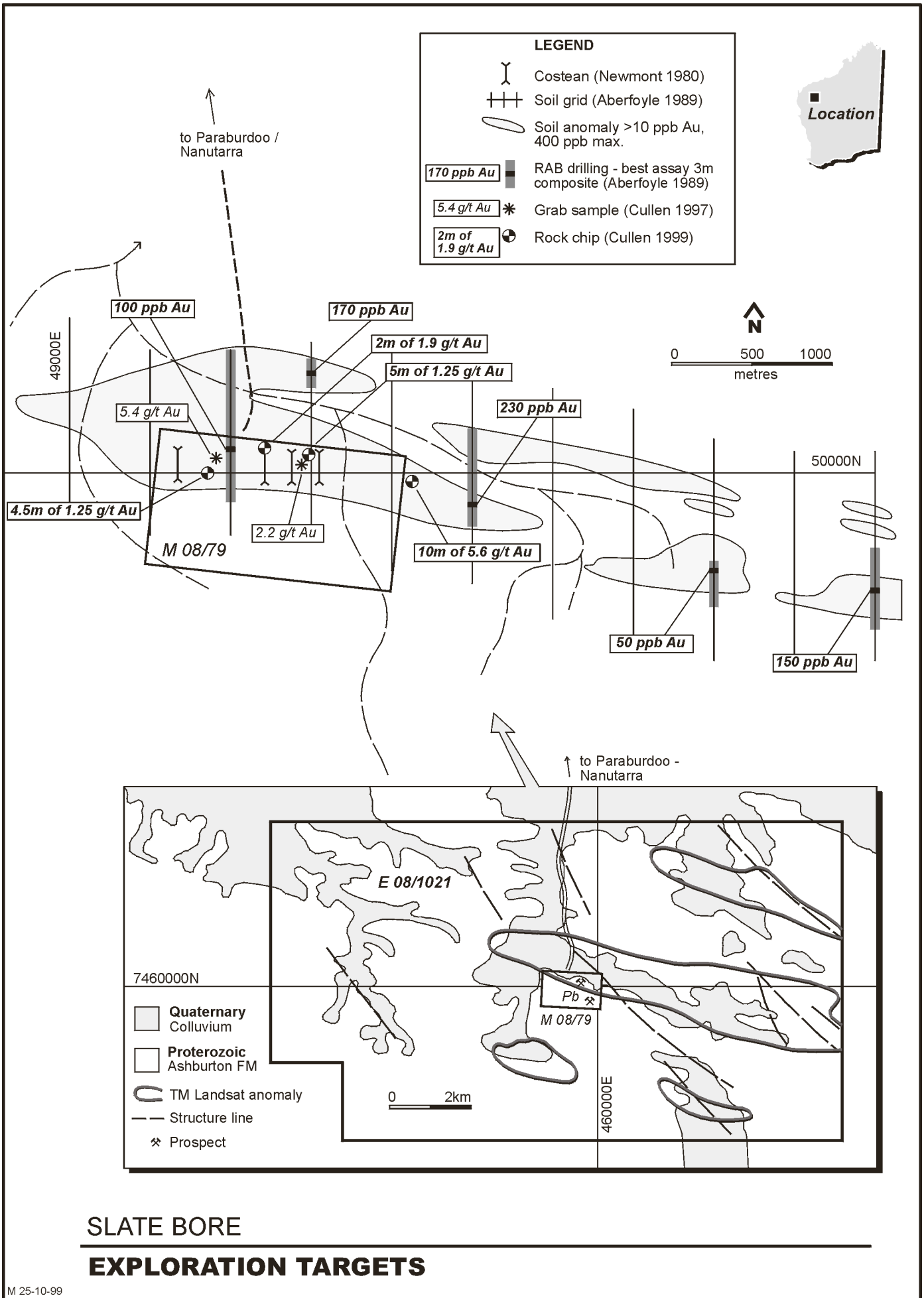
WJ Kernaghan
Company Secretary

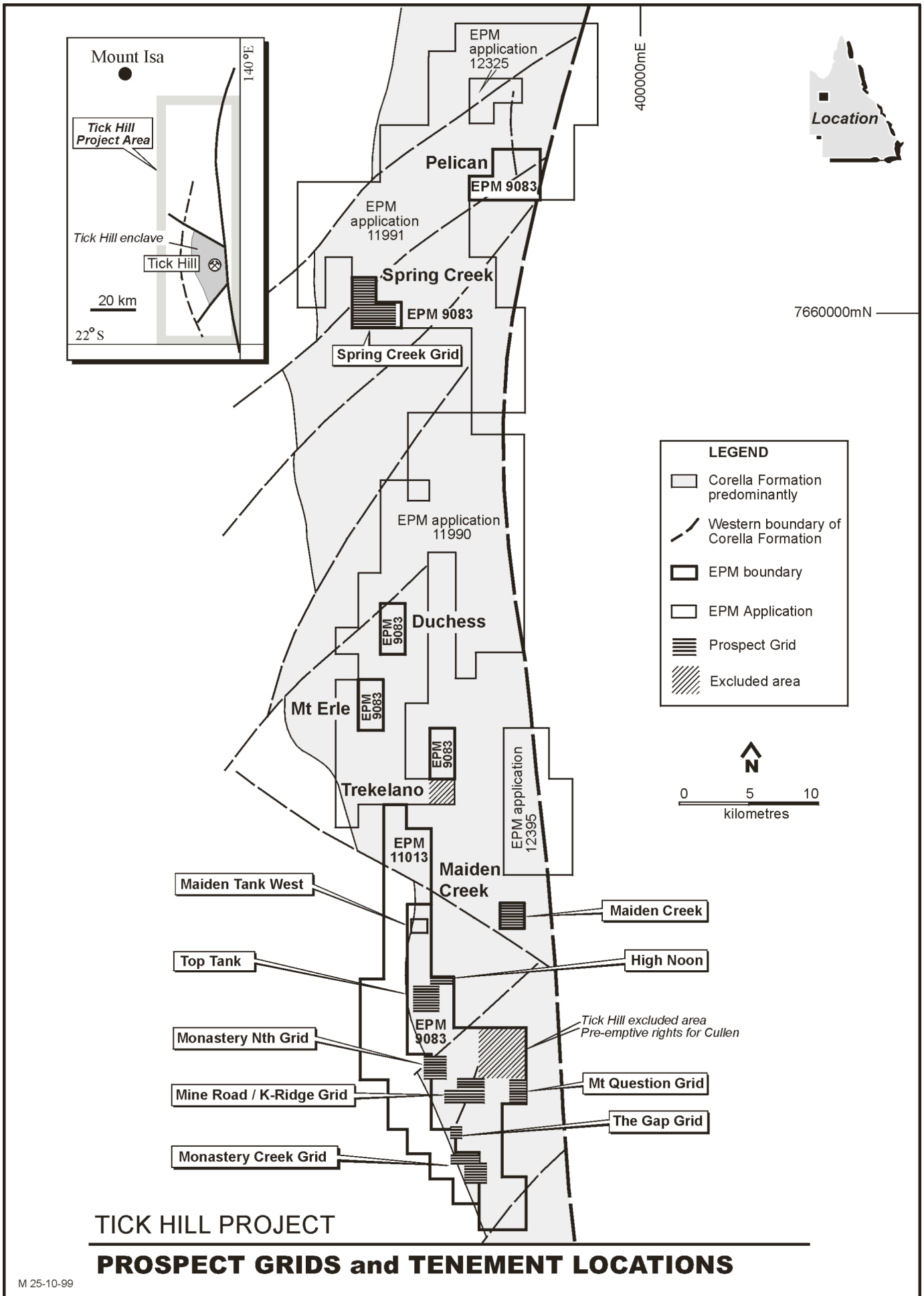
NOTE:

The information contained in this report is based on information compiled by The State Committee on Geology of the Russian Federation which is the overseas equivalent of being a member of the Australasian Institute of Mining and Metallurgy. This report accurately reflects the information relating to the Pokrovskiy Gold Project compiled by this committee as supplied to the Company by Zoloto Mining Ltd.









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