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## MAJOR EXTENSION OF KAINANTU ORE SYSTEM

The recent drilling of 15 diamond core holes confirms the significance of the gold bearing lodes at Kora, which are on strike and approximately 1km south of the main Kainantu ore deposit. There must now be an excellent prospect of further gold discoveries over the untested area between the two deposits.

Weighted averages for each of the three lodes at Kora have been calculated from all drill hole intercepts and are shown below. Gold grades have been calculated for the full intercept width and an upper cut-off of 120g/tAu has been adopted. (It should be noted that hole 080BD04 which has already been reported graded 1,960g/t, equivalent to 63oz gold per tonne.)

| Lode    | Down Hole width (m) | Av. Au (g/t) |
|---------|---------------------|--------------|
| West    | 1.8                 | 36.6         |
| East    | 1.1                 | 24.1         |
| Central | 3.1                 | 6.2          |

The above grades are similar to the resource grades reported for Kainantu and the same three lode systems persist at Kora.

The 15 diamond core holes that have been completed aggregate 3,800m of drilling. Mineralisation appears to be continuous on these three lodes and has been tested over 600m along strike and to a depth of 300m vertically. The mineralisation is again occurring as tellurides in a quartz sulphide gangue. At Kora however, some possibly primary native gold is present, and copper and silver contents are higher. Mineralisation is open along strike and at depth.

A further two holes remain to be completed to finish the current program, and will provide a nominal 100mX100m drill spacing on the west lode. Because of the rugged nature of the country and the steepness of the orebody, the spacing of intercepts tend to be less regular on the central and eastern lodes. The program at Kora will be completed in January and a revised resource estimate should be available in February.

Previous drilling at Kora outlined an inferred resource containing 310,000 tonnes at 29g/t Au for a contained 300,000 ozs of gold. It can be anticipated that both the status and quantum of contained ounces will be boosted significantly.

Mine development continued at Kainantu though a number of delays are being experienced due to the world-wide shortage of consumables and poorer ground conditions than originally envisaged. A full review of the mine development schedule is being undertaken and will be completed by mid-January.

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