# QUARTERLY ACTIVITIES REPORT

**TO THE AUSTRALIAN STOCK EXCHANGE**
**FOR THE QUARTER ENDED**
**30th JUNE 2004**

### *HIGHLIGHTS*

*The Directors of Berkeley Resources Limited (Berkeley) are pleased to report significant progress in becoming one of the main foreign mining companies in China's most productive gold province, Shandong.*

- *During the quarter Berkeley secured the rights to acquire a majority interest in a gold exploration project (Xin Zhuang) in Shandong, via the acquisition of North Asia Metals Pty Ltd (NAM). Shareholders approved the acquisition on 28th June 2004.*

- *A joint venture agreement was negotiated and the Sino Australian company, Zhao Yuan Ao Xin Mining Limited (Ao Xin), was incorporated and a business license issued in the quarter. The joint venture commenced operation very quickly by Chinese standards and Berkeley is now the only foreign mining company to be actively exploring in Shandong province, where around a quarter of China's gold is produced.*

- *The location of the highly mineralised primary Jiaojia Fault within the joint venture tenements has been determined from geophysical surveys and the initial 8 hole, 6000m drilling programme has commenced, targeting a number of geophysical anomalies within the structure.*

- *The first hole, XZD0001, was completed on 27th July 2004 at 717.2m, having successfully intersected the target Jiaojia Fault. An alteration and sulphidation zone consistent with the target anomaly profile was intersected. The diamond core from hole XZD0001 is currently being processed with samples to be assayed in Australia and results expected in late August. The drilling programme continues with holes XZD0002 and XZD0006 collared and a further four holes to be completed following these.*

- *A comprehensive geophysical survey to outline further drill targets along strike of the Jiaojia Fault has completed the field work portion of the survey and results are expected to coincide with completion of the current drill programme.*

- *Within Australia, at Miriam Bouchers the surface potential for gold is being tested by a local contractor with results expected in September. Native title and land access matters are being negotiated on a number of the Coolgardie and Pilbara tenements.*

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**1.0 Xin Zhuang – Shandong Province, China**

On 6th May 2004, the Company announced that it had secured the rights to acquire a majority interest in a gold exploration project (Xin Zhuang) in the premier Chinese gold mining province of Shandong via the acquisition of North Asia Metals Pty Ltd (NAM). Shareholder approval to acquire NAM was granted on 28th June 2004 and the acquisition is expected to settle in the current quarter.

The consideration for the acquisition of NAM, a privately owned Australian company, will be 6,000,000 Berkeley shares and 3,000,000 options to acquire Berkeley shares at 20 cents each by 30th November 2006.

The Chinese partner in the Ao Xin joint venture is the He Xi Gold Mining Group – a private Chinese company that owns the He Xi Gold Mine near Zhao Yuan city. The joint venture covers a very prospective area of the Jiaojia Fault near the village of Xin Zhuang in Western Shandong. Gold mining in the Shandong Province is dominated by mines situated on primary structures of which the Jiaojia Fault is one of the more prolific structures hosting a number of major gold mines. Comprehensive geophysical surveys have traced the structure across the joint venture tenements identifying a number of anomalous targets to be tested by the initial drilling programme. The Xin Zhuang joint venture includes approximately 30 km² of tenements on the Jiaojia Fault and secondary faults in the Jiaojia region.

Berkeley will earn a 60% interest in the JV by spending a minimum of US$300,000 within 6 months and thereafter opting to sole fund the JV up to a decision to mine. An initial drilling campaign comprising 8 diamond holes totalling around 6,000m was commenced in May 2004. At the same time geophysical surveys to test for anomalies in the primary structure along strike and in secondary structures was commenced.

The Business Licence incorporating Zhao Yuan Ao Xin Mining Limited was granted on 6th May 2004. This is a significantly shorter timeframe than most foreign companies experience in China, reflecting the efforts of the joint venture partner.

Field work for the geophysical surveys was completed in June and data processing is underway. Preliminary reporting is scheduled for September and the final report and depth profiles are expected later in the year.

The initial drillhole, XZD0003 commenced in May 2004, encountered extensive fault gouge above the target zone. This level of deformation, associated with the primary fault target, exceeded previous experience in the district and halted drill penetration at around 397m.

The drill rig was shifted to the second drill site and the drilling of hole XZD0001, was successfully completed on 27th July, 2004. The planned 630m deep hole designed from geophysically identified anomalies was halted at 717.2m having successfully intersected the targeted Jiaojia Fault and an alteration and sulphidation zone consistent with the geophysical anomaly. Logging and processing of the drill core is underway. All assaying will be performed in Australia and results will be reported on completion.

The drilling of the next two holes, XZD0002 and XZD0006, will commence simultaneously by July 30th and completion is expected before the end of August.

**2.0 Miriam Bouchers – Coolgardie (100% Berkeley Resources)**

The Company owns one Mining Lease (M15/664), thirteen Prospecting Licences (P15/3355 – 3357 and P15/4334 – 4343), three Prospecting Licence Applications (P15/4528, 4529 and 4545) and an Exploration Licence Application (E15/802) in the Nepean-Burbanks area south of Coolgardie in the Eastern Goldfields, covering in excess of 75 $km^2$ of prospective ground for nickel and gold with proven mineralisation at a number of sites.

The surface potential for gold between the Londonderry Golden Hole and the Forrest deposit on Mining Lease M15/664 will be tested by a local contractor with work to be completed by August and results are expected in the December quarter.

A Standard Heritage Agreement has been signed for E15/802 and the processing of this application is expected to follow the expedited procedure in accordance to the Department of Industry Resources information relating to Standard Heritage Agreements.

**3.0 Other Australian Projects**

Desktop analysis of existing data relating to the other Australian projects is ongoing. With the completion of the compilation of available data field programmes can be determined.

Native title and land access matters are being negotiated on a number of the Coolgardie and Pilbara tenements.

**4.0 Change of Company Secretary**

Mr Shane Cranswick was appointed company secretary, following Mr Mark Pearce's resignation as company secretary, effective today. Mr Pearce remains a non-executive director of the Company.

*Rule 5.3*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

| |
|---|
| **BERKELEY RESOURCES LIMITED** |

| ABN | Quarter ended ("current quarter") |
|---|---|
| 40 052 468 569 | 30 June 2004 |

## Consolidated statement of cash flows

| Cash flows related to operating activities | | Current quarter $A'000 | Year to date (12 months) $A'000 |
|---|---|---|---|
| 1.1 | Receipts from product sales and related debtors | - | - |
| 1.2 | Payments for (a) exploration and evaluation | (509) | (895) |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) administration | (92) | (295) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 23 | 37 |
| 1.5 | Interest and other costs of finance paid | - | (25) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other – business development | (91) | (121) |
| | **Net Operating Cash Flows** | (669) | (1,299) |
| | **Cash flows related to investing activities** | | |
| 1.8 | Payment for purchases of: | | |
| | (a)prospects | - | (184) |
| | (b)equity investments | - | - |
| | (c) other fixed assets | (8) | (14) |
| 1.9 | Proceeds from sale of: | | |
| | (a)prospects | - | - |
| | (b)equity investments | - | - |
| | (c)other fixed assets | - | - |
| 1.10 | Loans to other entities | - | - |
| 1.11 | Loans repaid by other entities | - | - |
| 1.12 | Other | - | - |
| | **Net investing cash flows** | (8) | (198) |
| 1.13 | Total operating and investing cash flows (carried forward) | (677) | (1,497) |

+ See chapter 19 for defined terms.

| | | | |
|---|---|---|---|
| 1.13 | Total operating and investing cash flows (brought forward) | (677) | (1,497) |
| | **Cash flows related to financing activities** | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | 3,476 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | 40 |
| 1.17 | Repayment of borrowings | - | (354) |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other – capital raising expenses | (10) | (178) |
| | **Net financing cash flows** | (10) | 2,984 |
| | **Net increase (decrease) in cash held** | (687) | 1,487 |
| 1.20 | Cash at beginning of quarter/year to date | 2,179 | 5 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | **Cash at end of quarter** | 1,492 | 1,492 |

## Payments to directors of the entity and associates of the directors
## Payments to related entities of the entity and associates of the related entities

| | | Current quarter $A'000 |
|---|---|---|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 121 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Payments include executive remuneration, directors' fees, company secretarial services and provision of a fully serviced office.

## Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable.

+ See chapter 19 for defined terms.

## Financing facilities available

*Add notes as necessary for an understanding of the position.*

| | | Amount available $A'000 | Amount used $A'000 |
|---|---|---|---|
| 3.1 | Loan facilities | - | - |
| 3.2 | Credit standby arrangements | - | - |

## Estimated cash outflows for next quarter

| | | $A'000 |
|---|---|---|
| 4.1 | Exploration and evaluation | 250 |
| 4.2 | Development | - |
| | **Total** | **250** |

# Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current quarter $A'000 | Previous quarter $A'000 |
|---|---|---|---|
| 5.1 | Cash on hand and at bank | 156 | 165 |
| 5.2 | Deposits at call | 1,336 | 2,014 |
| 5.3 | Bank overdraft | - | - |
| 5.4 | Other (provide details) | - | - |
| | **Total: cash at end of quarter** (item 1.22) | 1,492 | 2,179 |

## Changes in interests in mining tenements

| | | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|---|---|---|---|---|---|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | | | | |
| 6.2 | Interests in mining tenements acquired or increased | | | | |

## Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

| | | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|---|---|---|---|---|---|
| 7.1 | **Preference +securities** *(description)* | | | | |
| 7.2 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 | **+Ordinary securities** | 26,689,500 | 16,889,500 | Not Applicable | Not Applicable |
| 7.4 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 | **+Convertible debt securities** *(description)* | | | | |
| 7.6 | Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 | **Options** | | | *Exercise price* | *Expiry date* |
| | -Options | 19,444,750 | 10,144,750 | $0.20 | 30 November 2006 |
| | -Founder Options | 4,750,000 | - | $0.20 | 31 October 2006 |
| 7.8 | Issued during quarter -Options | | | | |
| 7.9 | Exercised during quarter | | | | |
| 7.10 | Expired during quarter | | | | |
| 7.11 | **Debentures** *(totals only)* | | | | |
| 7.12 | **Unsecured notes** *(totals only)* | | | | |

+ See chapter 19 for defined terms.

# Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: ............................................................ Date: 30 July 2004
(Director/~~Company secretary~~)

Print name: **MARK PEARCE**

# Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.