

Level 2, 22 Oxford Close WEST LEEDERVILLE WA 6872 T: +61 8 9381 1436 F: +61 8 9381 1068
PO Box 1681 WEST PERTH WA 6872 www.graynicmetals.com.au

ABN 87 112 898 825

Quarterly Report for June 2005

Highlights

- **Successfully listed on the ASX, 30 June, 2005, raising a total of A\$2.5m.**
- **Exploration immediately commenced at Quartz Circle.**
- **Good base metal results from initial pre-collar drilling.**
Results include;
 - **12m @ 2.07% Zn & 1.12% Pb**
 - **4m @ 4.48% Zn**
 - **24m @ 1.49% Zn**
- **Diamond core drilling to commence shortly.**
- **Geological mapping discovers new gossanous zones greatly extending the prospectivity of the area.**

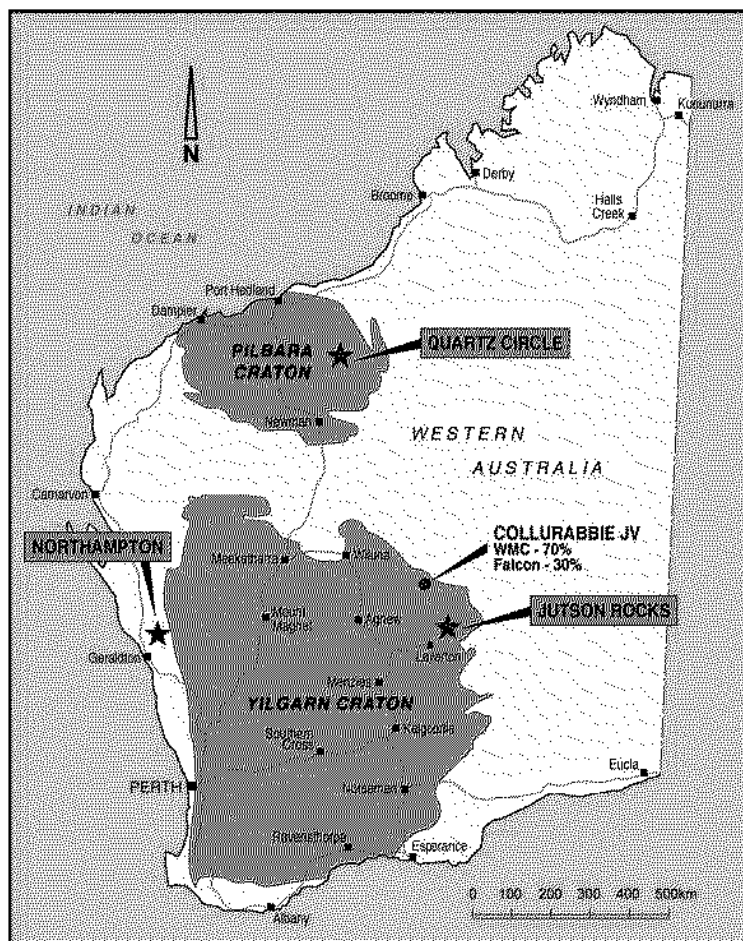


INTRODUCTION

Graynic Metals has had a very active first quarter following its successful listing on the Australian Stock Exchange on the 30th June 2005. On listing, the Company had a total of 24,500,003 shares on issue and had raised a total of \$2.5 million. These funds will be used to carry out exploration on its three key projects in Western Australia:

- **Quartz Circle Base Metal Project** at Nullagine, East Pilbara (target commodities Cu, Zn, Pb, Au and Ag)
- **Jutson Rocks Project**, east of Laverton (target commodities Cu, Ni, Platinum Group Metals and Au)
- **Northampton Project** north east of Geraldton (target commodities Zn, Pb, Ag)

The company immediately commenced exploration at its flagship project at Quartz Circle generating some early good success from drilling.

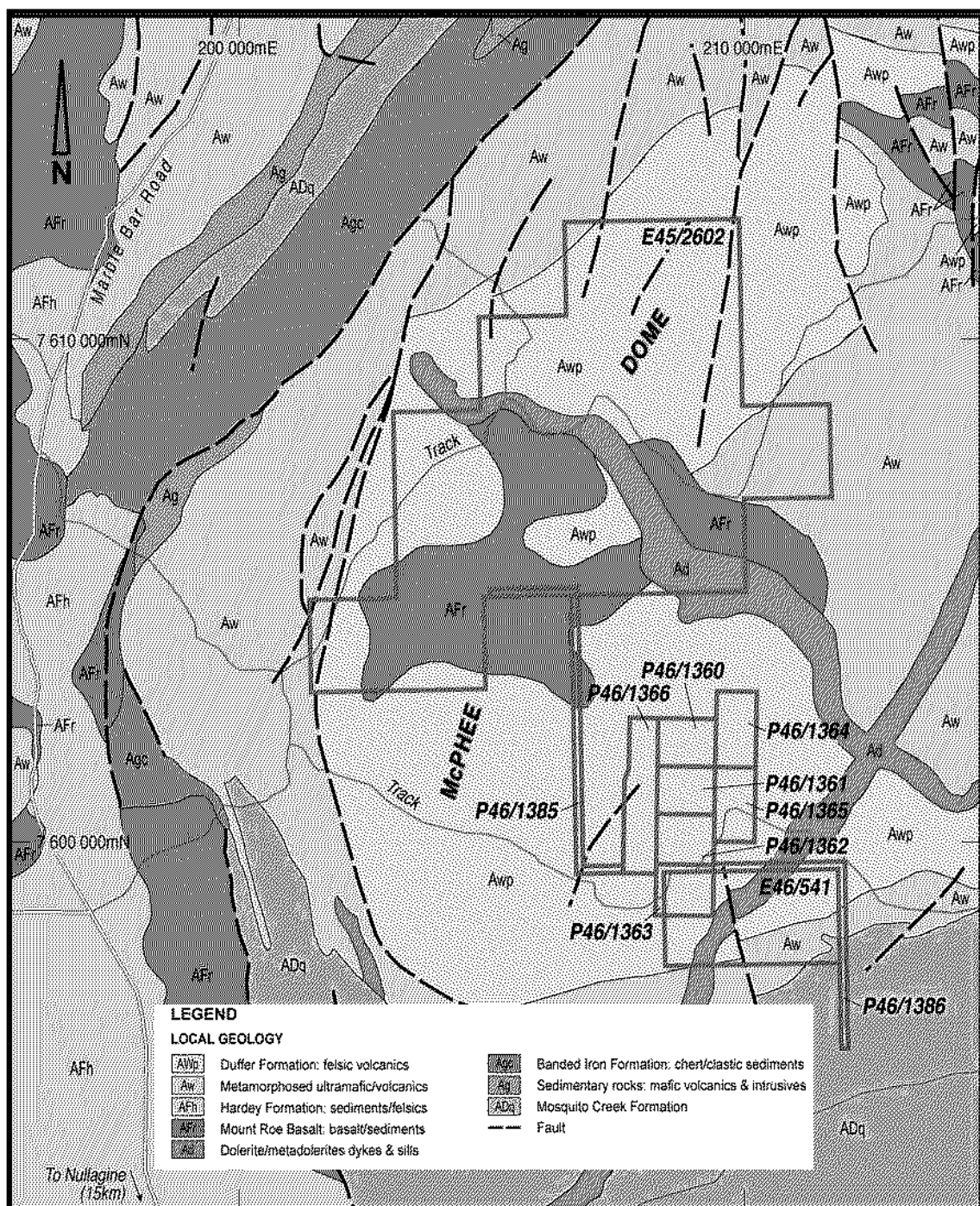




QUARTZ CIRCLE PROJECT

Intermittent exploration since the 1970's has confirmed the presence of extensive base metal mineralisation in the Quartz Circle area. Importantly, geological mapping has identified rock assemblages characteristic of the classic environment of volcanic massive sulphide (VMS) deposits.

QUARTZ CIRCLE Project – Geological Setting

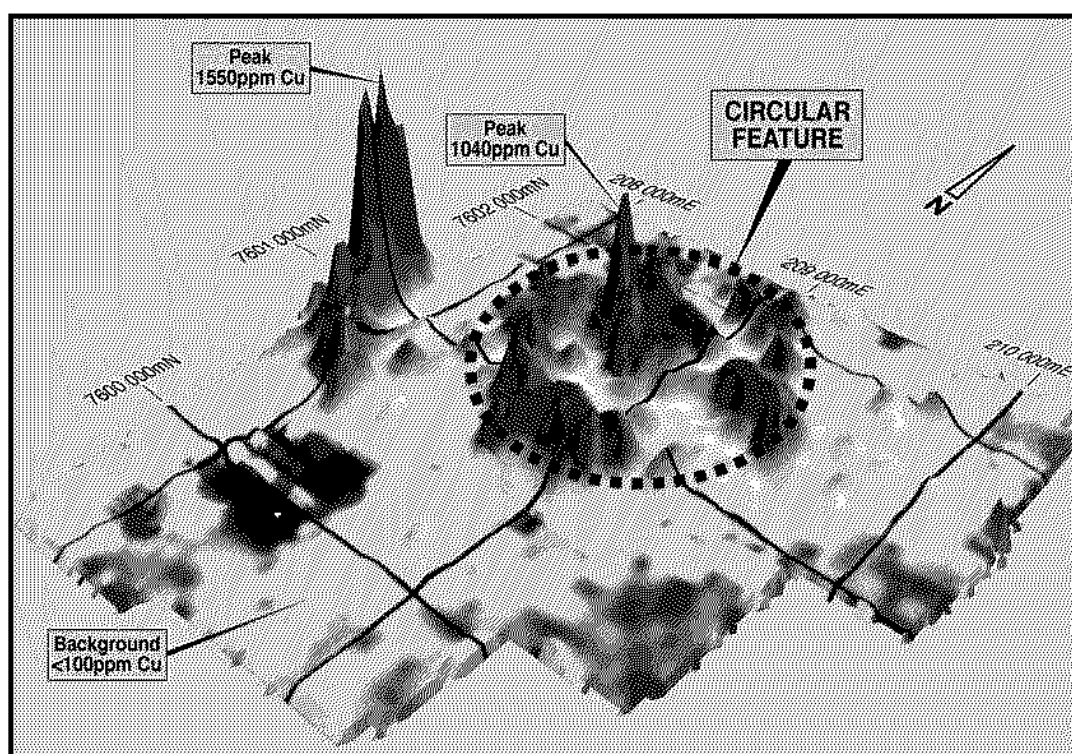




Quarterly Report for June 2005

It is the Company's view that the area has only been superficially tested with much near surface mineralisation discovered but with very little deeper exploration. Analogies exist with similar environments, such as the *Louvicourt* copper-zinc deposit in Canada where a combination of good geology and geophysics led to the discovery of a world class deposit starting at 450 metres depth. Graynic has remodeled much of the Quartz Circle data and will test some newer concepts on the origin of mineralisation in the area.

IGLOO Copper Prospect



Current drilling program

Graynic has now completed 1283m of RC drilling primarily to prepare pre-collars for further diamond core drilling. The program consisted of 11 holes, of which 7 were pre-collars. Assay results from this initial drilling are very encouraging.

The principal drill targets for this program are:

- At depth below the secondary copper resource at the Igloo prospect.
- A gossanous hill in the vicinity of the Emperor prospect.
- A gravity anomaly near the Emperor prospect which has anomalous Zn at shallow levels.



Quarterly Report for June 2005

- At depth below the highly mineralised Pb/Zn zone at the Emperor Prospect.

Emperor Pb-Zn Prospect

Formerly known as the "Lead-Zinc Prospect", this has been renamed the Emperor Prospect in anticipation that this will not remain the only lead-zinc prospect within the project area.

Drillhole GM 9 encountered significant base metal sulphides, including a 16m interval of zinc mineralisation between 56m and 72m downhole. The hole penetrated coarse felsic volcanic breccias and tuffs containing substantial pyrite in places, as well as some disseminated sphalerite.

Drillhole GM 9 is the first in a planned program of five holes to test the Emperor Prospect at a much greater depth than previous holes. Four RC pre-collars GM 5 to GM 8 have been completed in readiness for deepening by diamond drilling in early August. The presence of substantial mineralisation in these pre-collars is very encouraging.

ASSAY RESULTS - EMPEROR PROSPECT, QUARTZ CIRCLE

Hole ID	Northing GDA94	Easting GDA94	Dip	Azm	Depth (m)	Interval (m)	Au ppm	Pb %	Zn %
GM 5	7600694	209504	-60	250	48 - 52	4			1.49
"					60 - 72	12	0.30	1.12	2.07
"					96 - 100	4			1.04
GM 6	7600700	209502	-70	250	56 - 60	4			3.28
"					68 - 72	8			1.50
"					148 - 150	2			2.19
GM 7	7600690	209485	-60	250	56 - 60	4			4.48
GM 8	7600727	209537	-70	325	10 - 14	4		2.10	1.60
GM 9	7600834	209510	-65	330	28 - 32	4			2.82
"					56 - 80	24			1.49
"					100-104	4			1.05

The samples are 4m RC composites and they were assayed using four-acid digest with ICP determination of base metals. Gold was determined by fire assay.



Quarterly Report for June 2005

Geological Investigations

Geological reconnaissance in this vicinity has revealed other significant rock types including tourmaline-bearing exhalites, quartz-eye tuffs and coarse volcanic breccias. These rock assemblages, characteristic of the classic geological environment of volcanic massive sulphide (VMS) deposits, suggest that drilling to date has been confined to one end of a zone of interest extending for at least another 500m northwards. A recent assay from a gossan sample collected halfway along this zone assayed 2.9% Zn.

Surface Gossan Samples

Sample ID	Northing GDA94	Easting GDA94	Ag ppm	Zn %
QRC 578	7601061	209556	30	
QRC 581	7601084	209536		2.89%
QRC 582	7600914	209570		0.31%
QRC 583	7600914	209570		0.22%
QRC 584	7600914	209570		0.22%
QRC 585	7600914	209570		0.27%
QRC 586	7600915	209589		0.23%

A formal geological mapping program including gossan sampling will commence shortly so that the prospectivity of the entire project area can be properly assessed.

Quartz Circle North

Quartz Circle North, EL45/2602, is situated about 7km north of the main prospect area, contains a large circular anomaly first recognized from an airborne spectral survey (ASTER) and confirmed by soil sampling in late 2004. Additional elements are currently being determined from the soil samples and it is planned to drill test the area for the first time with a programme of RAB drilling. Geological mapping of this exploration licence will also commence during the forthcoming quarter.



JUTSON ROCKS PROJECT

Historical exploration within the Company's Jutson Rocks Project has demonstrated prospectivity for Cu, Ni, Au, and Platinum Group Elements (PGE). Importantly the project is an under-explored greenstone belt situated near the east margin of the Yilgarn Block, a comparable geological setting to the *Collurabbie* area which has recently been hailed as a new nickel province. Exciting drilling and sampling results for Cu, Ni, Au and PGE have recently been announced by Falcon Minerals and Independence Mining Exploration, and Graynic will use those exploration methods which have proved so successful at Collurabbie to progress its Jutson Rocks project. Exploration access to Jutson Rocks requires negotiations with traditional owners and this process is now underway. Exploration will commence shortly thereafter.

NORTHAMPTON PROJECT

The Northampton Project contains most of the historic lead mines within what was the State's first mining area. Past lead, zinc, and silver production came from steeply dipping veins which have limited tonnage potential but the broad geological setting has been compared to that at Broken Hill. The possibility of a Broken Hill style of deposit existing below the vein system provides an exciting exploration target, and the Company plans to use modern exploration methods, including airborne geophysics, to test this concept. Field reconnaissance investigations are currently underway at the project.



Summary

The Company has immediately commenced a programme of geological mapping, reconnaissance and drilling over its key project at Quartz Circle following its successful listing on the ASX on the 30th June 2005.

Initial results, largely from pre-collar RC drilling, have indicated the presence of a well mineralised system in the vicinity of the Emperor Pb-Zn prospect. Geological mapping in the area has further supported this with a new gossanous zone identified and several highly Zn anomalous rock chip samples reported.

Diamond cored drilling is due to commence shortly deepening those RC pre-collar holes already drilled.

Geological mapping and additional soil geochemistry is planned for Quartz Circle North which will be followed up with RAB drilling.

Initial field investigations at Northampton have also recently commenced.

Ron Thom

Managing Director

The information in this report that relates to the Exploration Results, Mineral Resources or Ore Reserves of the projects owned by Graynic Metals Ltd is based on information compiled by Mr Ron Thom, who is a Member of The Australasian Institute of Mining and Metallurgy and who has sufficient experience relevant to the style of mineralisation and types of deposits under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Thom consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.