

## QUARTERLY REPORT

for the 3 months to  
31 DECEMBER 2003

### Summary of Activities

#### **Gold**

- ◆ RC and diamond drilling at The Mount extended the area of known gold mineralisation a further 120 metres to the south and 100 metres to the west. A new lode to the west of the mining lease returned an intercept of **4 metres @ 18.14 g/t gold**. Diamond drilling extended the depth of the known mineralisation from 120 metres to at least 300 metres true depth, with best result at depth of **2.0m @ 24.75 g/t gold from 375 metres** (300 metres vertical).

#### **Nickel**

- ◆ Diamond and RC drilling at Nepean Nickel Mine confirmed that the mineralisation extends both north and south of the mine. The best intercept to date is **3 metres @ 4.32% nickel**, about 80 metres north of the mine.
- ◆ Three diamond drill holes were completed at Nepean, designed to locate nickel sulphides below and on strike from the mine. DHEM survey of the first hole has disclosed the existence of 3 large sulphide bodies, up to 50 x 40 metres, between 100 and 390 metres depth.
- ◆ Pre-feasibility studies of the viability of re-opening the Nepean mine were commissioned at the end of December, and are expected to be completed during the March Quarter 2004.
- ◆ Sipa Exploration located a new nickel sulphide occurrence within the Austminex-Sipa Coolgardie joint venture. Drilling to date has defined a nickel sulphide body which appears to have down plunge continuity from the outcropping gossan, intercepting nickel sulphide over more than 200 metres, with a best value of 2.4% nickel.

#### **Corporate**

- ◆ Mr Don Taig was appointed Chairman of the board of directors, replacing Mr Peter Vanderspuy who vacated the Chair in November.
- ◆ 5,064,830 shares were issued to Sundance Resources Ltd (previously St Francis Group) pursuant to an agreement dated 10 December 2002 to acquire mining tenements in the Coolgardie area, including the Norris gold project and the Nepean nickel mine.

#### **Financial**

- ◆ A capital raising of \$4 million was completed in October and approved at the Annual General meeting held on 11 November 2004.
- ◆ Cash at 30 December 2003 was \$2.48Million.

## GOLD EXPLORATION

### The Mount (Austminex 100%)

During December Austminex exercised its option to acquire 100% ownership of The Mount project from Goldfields Mining and Pastoral Company Pty Ltd by payment of \$1,000,000. A further \$1,800,000 is payable as instalments of \$75,000 per month over 2 years.

**RC Drilling** continued with a further 20 RC holes for 3,006 metres being completed. Eleven of these holes are located on lines 40 metres and 120 metres south of previous drilling, and intercepted a number of mineralised lodes demonstrating continuity of mineralisation to at least 120 metres south of any previous drilling. Best results obtained from this area were:-

- 1.0 metre @ 8.40 g/t gold from 100 metres
- 1.0 metre @ 8.53 g/t gold from 23 metres

The western-most of these holes, M 180-5, has intercepted a new lode ('Chuck's Lode') 100 metres to the west of previously intercepted lodes in the central part of the project, with best result of:-

- 4.0 metres @ 18.14 g/t gold from 80 metres.

These results indicate that the mineralised lodes extend over an area of at least 650 metres by 400 metres, with at least 20 lodes identified to date. The lodes show good continuity along strike and at depth.

Details of the drill holes with significant results are presented in Table One.

**Diamond drilling** commenced in December with two 400-metre deep diamond holes designed to test for depth potential of the mineralised lodes below the previous drilling, which extends to a maximum depth of 120 metres below surface. The first of these, MTDD6, was drilled to 270 metres prior to the holiday period.

Subsequent to the end of the Quarter MTDD6 and the second diamond drill hole, MTDD5, were completed. Assay results have been received for MTDD6, and significant results are presented in Table One. Best intercepts included:-

- 2.71 metres @ 24.94 g/t gold from 130.8 metres (Fuchs Lode)
- 2.00 metres @ 24.75 g/t gold from 375 metres (#1 West Lode)

Twelve lodes were intercepted, and can be correlated with near-vertical lodes intercepted by shallower RC drilling and outcropping at surface, confirming the vertical continuity of the lodes in this area to 300 metres depth. Mineralisation in both holes included substantial intercepts of well-developed quartz-tourmaline-chalcopyrite-sphalerite-galena typically associated with high gold values in the mine and in previous drilling.

Below about 270 metres (220 metres vertical) both holes passed into ultramafic rock which appears to have been ductile under deformation, rather than brittle as seen in the shallower mafic host-rock, with a consequent narrowing particularly of the smaller lodes. However the well developed lodes persist strongly as shown by the intercept in #1 West Lode, 25 metres from the bottom of the hole, of 2m @ 24.75 g/t gold.

Current mapping indicates that the lodes are axial planar structures within a syncline plunging between 55 and 70 degrees to the north. Drilling during the March Quarter will aim to test this interpretation, which if correct would provide potential for extension of the mineralisation to the

north. An inspection was made of old workings located within the project area, about 200 metres north of the Mining Lease. The workings are reportedly up to 100 metres deep, and intersected quartz-tourmaline-bearing material which is visually similar to the mineralised lodes within the Mining Lease.

**Further Work:-** an intensive exploration program is continuing within the central zone, with a further 4,200 metres of RC drilling and 1,400 metres of diamond drilling planned for the period to end April. This will be largely infill drilling within the central zone. **It is anticipated that this will provide adequate drilling density in the central zone to enable calculation of an inferred gold resource to about 200 metres depth.**

**TABLE 1: The Mount - Significant Gold Assay Results from Recent Drilling**

Drill Hole	Northing (m)	Easting (m)	From (m)	To (m)	Intercept (m)	Grade (g/t Au)
M-260-4		573	5	6	1.0	3.00
			100	101	1.0	8.40
			158	168	10.0	0.56
M-180-1 (inc)	-174	538	23	27	4.0	3.18
			23	24	1.0	4.11
			26	27	1.0	8.53
M-180-2	-173	608	50	51	1.0	3.42
M-180-3	-176	670	32	33	1.0	9.62
M-180-4	-175	749	12	15	3.0	0.86
M-180-5	-176	450	18	22	4.0	18.14
M-100-3	-97	651	44	46	2.0	2.18
			77	79	2.0	1.44
			107	108	1.0	21.50
M-100-4	-96	711	17	22	5.0	0.60
			68	70	2.0	4.85
			75	76	1.0	14.40
			113	114	1.0	3.42
M140-4	144	761	119	121	2.0	2.71
M300-2	303	580	118	121	3.0	7.35
MTDD6	-80	907	20	21	1.0	2.06
			117	119	2.0	1.77
			130.83	133.54	2.71	25.55
			338.05	340.0	1.95	1.24
			375	377	2.0	24.75

**Notes:**

All holes drilled at -60o to grid east, except MTDD6 which was drilled at -50o to grid west.

Assaying is a 40g fire assay of 1m riffle splits.

A 1g/t lower cut-off and up to 2m of internal dilution has been applied.

FIGURE 1: Plan Showing Drilling Carried out By Austminex Ltd

# The Mount Gold Project

## Austminex Drilling

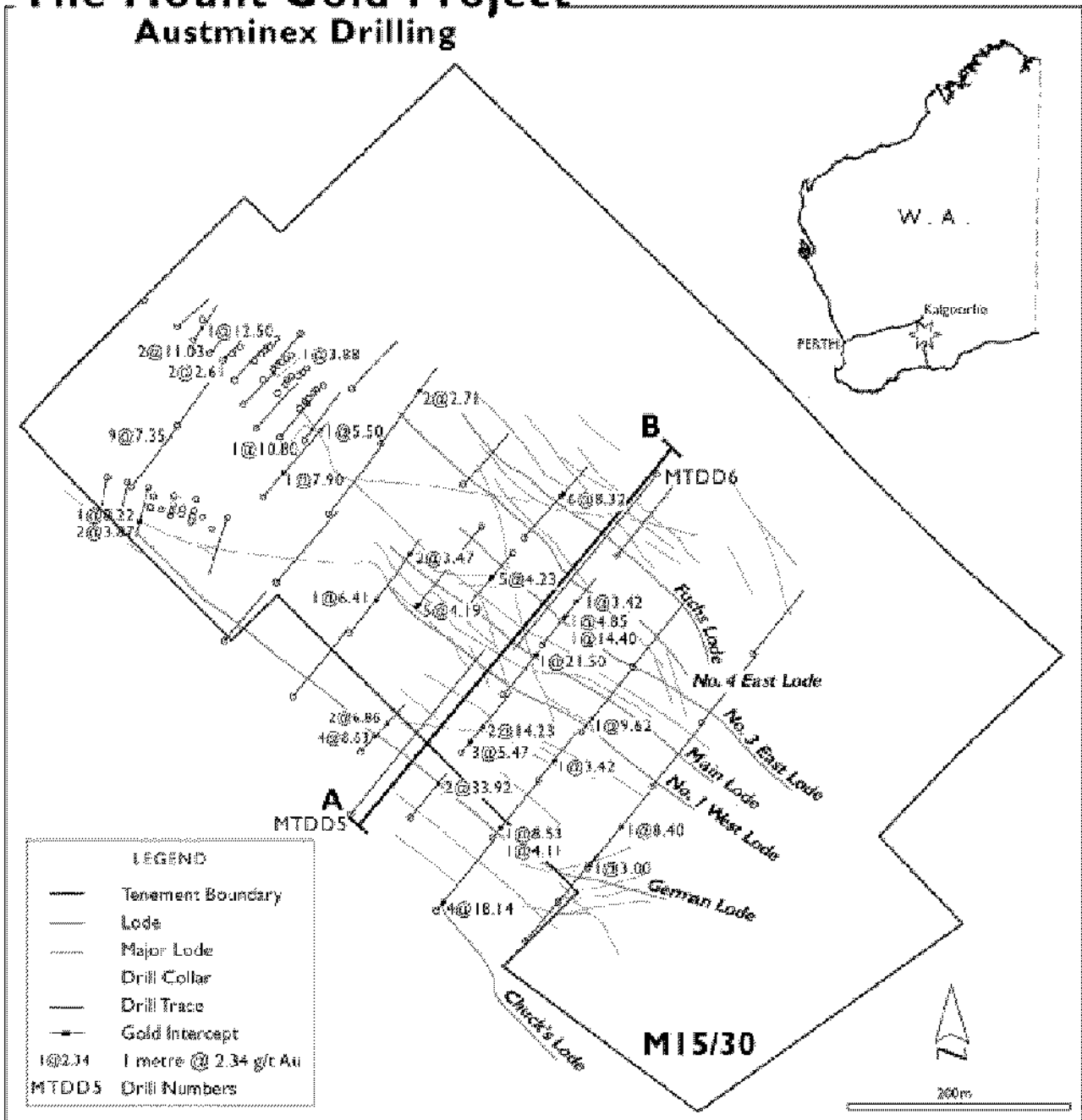
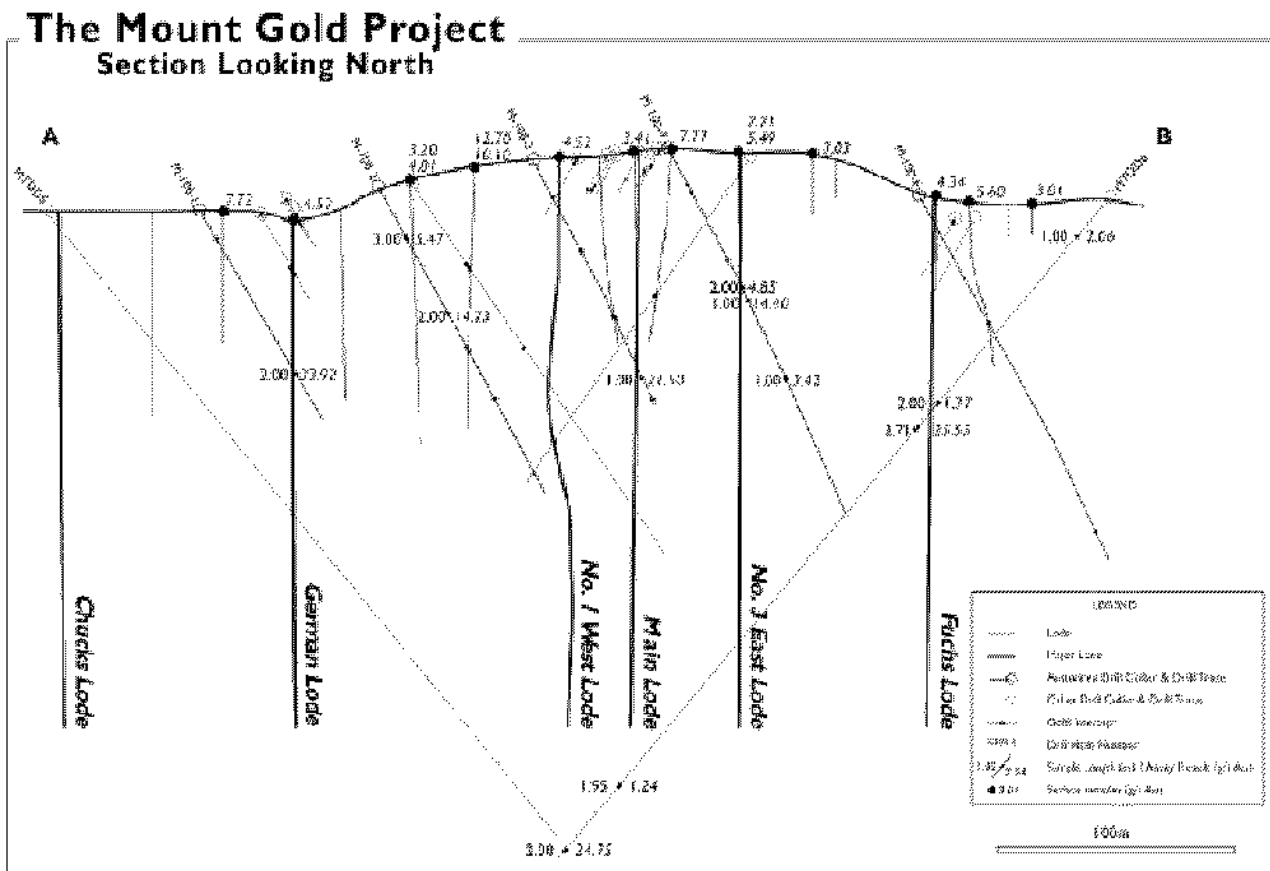


FIGURE 2: Section Showing Significant Gold Intercepts and Surface Sampling



## NICKEL

### Nepean Nickel Project (Austminex 100%)

**Diamond drilling:** Two of three planned diamond drill holes designed for Down-Hole Electro-Magnetic (DHEM) survey were completed during the Quarter, and drilling of a third hole designed to test for nickel sulphides to the south-west of the mine commenced. The northern hole, NPD100, was drilled substantially in the footwall, and NPD101 was entirely within the footwall, in order to provide optimal access for DHEM survey of the prospective hangingwall. For this reason the Company did not expect to intersect significant nickel in these 2 holes. Four intercepts of ultramafic rock were encountered where NPD100 passed through the hangingwall, with a best intercept of **0.65 metres @ 1.73% nickel**.

**DHEM survey** of NPD100 and NPD102, to the south of the mine, was carried out in late December and early January. Attempts to carry out DHEM survey of NPD101 were unsuccessful, and the survey will be attempted again when the hole has been re-cased.

DHEM of the northern-most diamond drillhole, NPD100, detected 5 conductors. Three of these are of significant size and will be tested by diamond drilling.

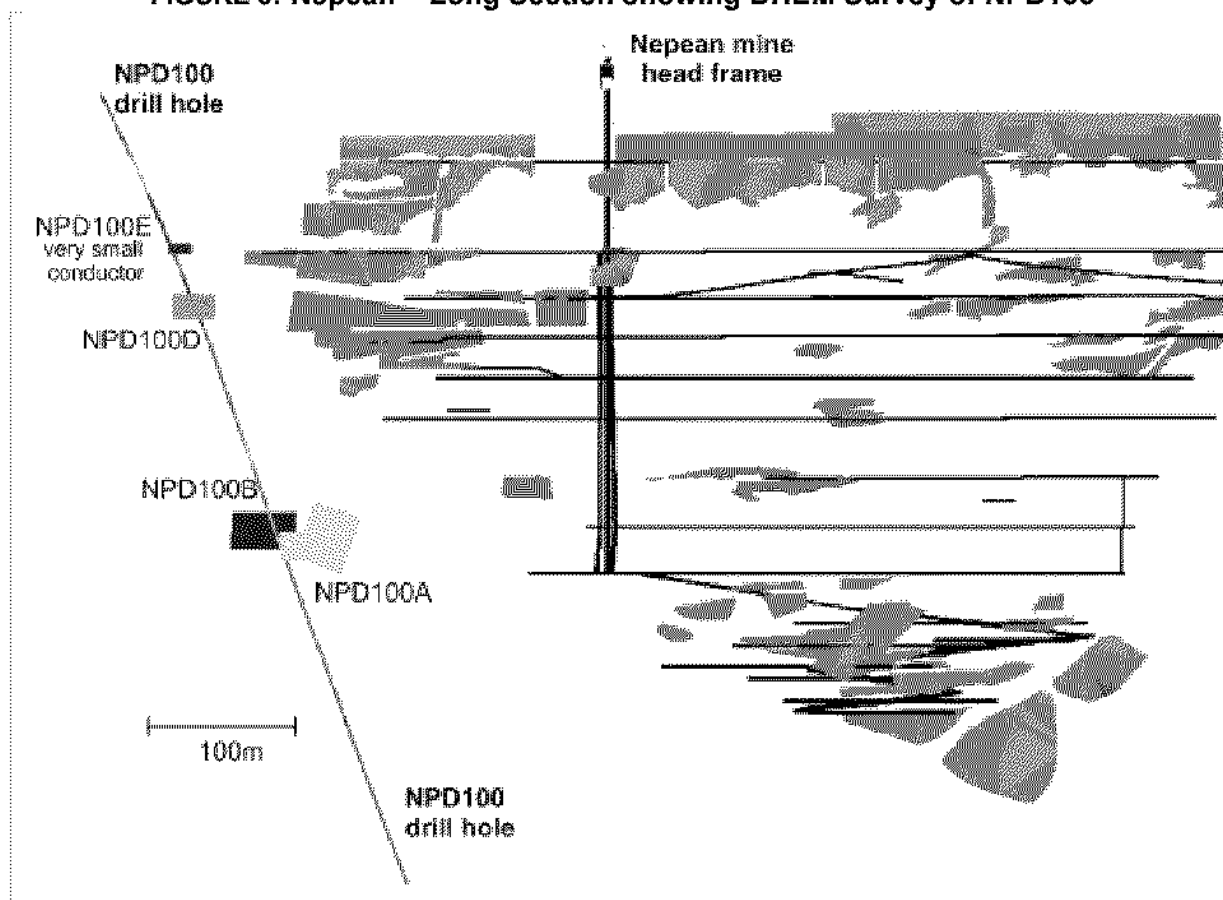
- Conductor NPD100A is the most conductive source detected from NPD100, and appears at 390 metres depth where 0.5 metres of massive nickeliferous sulphide was intersected. The anomaly is due to an off-hole, sub-vertical source close to the hole, and appears to have a dip extent of about 50 metres and a strike extent of about 40 metres

- b) Conductor NPD100B is a moderate conductor at about 375 metres depth, and appears to be separate from but on the same trend as NPD100A. The se may represent one conductor which has been faulted or interrupted by porphyry intrusives. This conductor is interpreted as having a dip extent of 30 metres and a strike extent of about 50 metres. The conductor is weaker than NPD100A, however it is noted that the degree of conductivity does not necessarily correspond to grade. Some nickel sulphides such as pentlandite and violarite produce a much weaker response that does pyrrhotite.
- c) Conductor NPD100C appears to be a large strong conductor between 210 metres and 300 metres depth. However this result is possibly due to or affected by the presence of drill rods remaining in the hole between 210-240 metres depth.
- d) Conductor NPD100D is a weak conductor located at about 190 metres depth. It has a dip extent of 30 metres and a strike extent of about 50 metres.
- e) Two smaller conductors were identified at 175 metres and 140 metres.

Drilling will be carried out to test conductors A, B and D.

The DHEM survey of NPD102 detected a large highly conductive package at about 390 metres depth. This conductor was not intersected by either RC hole, and modelling is yet to be finalised although preliminary work indicates that the source is in the hangingwall above the contact. The conductor has a strike of at least 200 metres, and possibly twice that length, and is sufficiently strong to mask any other conductors which may exist in the vicinity. No targets have therefore been identified from this hole.

**FIGURE 3: Nepean – Long Section showing DHEM Survey of NPD100**



*Courtesy of Southern Geoscience Consultants*

**RC Drilling**:- Four RC holes were drilled on lines 40 metres and 80 metres north of the mine. Results were received in January with a best result of **3 metres @ 4.32% nickel from 52 metres depth including 1 metre @ 11.40% nickel**. This is located near an intercept of 0.4 metres @ 17.60% nickel obtained by a previous owner from diamond drilling. These results support the Company's view that mineralisation is not terminated by faulting at the northern end of the mine.

A further 2 RC holes were drilled 40 metres south of the mine, with a best intercept of **3 metres @ 1.62% nickel from 80 metres including 1 metre @ 3.57% nickel**.

Hole	Easting	Northing	RL	Depth	Azi	Dip	From	To	Length	Ni
							(m)	(m)	(m)	(%)
NP4490-1 (incl)	960.3	4491.5	1412.6	60	90	-60	46	47	1	0.61
							52	55	3	1.62
							54	55	1	3.57
NP4490-2 (incl)	930.0	4490.0	1413.2	96	90	-60	85	87	2	1.12
							86	87	1	1.77
NP5210-2 (incl)	950.2	5210.2	1407.3	88	90	-60	80	83	3	4.32
							81	82	1	11.40
NP5250-1	970.1	5250.3	1406.3	60	90	-60	34	38	4	0.57

**DHEM survey** of 3 of these RC holes was carried out in January. A strong conductor was identified immediately below the bottom of NP4490-2, to the south of the mine. The dip extent is 20-30 metres, but because the conductor is below the hole (at 96 metres depth) it is not possible to determine the strike extent. The Company intends to deepen this hole in the First Quarter of 2004.

Two RC holes to the north of the mine were surveyed. A conductor 5 metres by 5 metres in size was detected at 80 metres depth in NP5210-2, and a broad conductor was detected from both NP5210-2 and NP5250-1. This conductor was not intersected by either RC hole, and appears to be in the hangingwall above the contact. This anomaly is still being modelled but is thought likely to be due to the presence of sulphides.

**A pre-feasibility study** was commissioned into the viability of re-opening the Nepean Mine to exploit the existing resource of 409,000 tonnes @ 2.39% nickel. The study will evaluate the possibility of open pitting into the crown pillar with a decline from the base of the pit to access sulphide ore remaining in the upper levels of the mine and any further ore identified on strike from the mine. Metallurgical testwork has commenced.

**A moving-loop EM survey** will be carried out during the first Quarter of 2004 to locate conductors in the 4 faulted repeats of the stratigraphy which hosts the Nepean mine, and which lie immediately to the east of the mine.

#### **Mount Extended** (Austminex Option to Acquire 100%)

High-quality low-level airborne magnetics, on 50m line spacing, was been obtained and interpreted by external geophysical consultants. Detailed mapping of the area commenced. Both the mapping and the geophysical interpretation so far suggest that the geochemical anomaly and associated nickel gossan are associated with the basal contact which is host to many of the Kambalda style nickel ore bodies.

A surface EM program is scheduled to commence in February to better define the anomaly, and a short RAB drilling program is expected to commence immediately following the EM survey.

**Sipa Nickel Joint Venture** (Austminex 100%, Sipa earning 70%)

A 3-hole RC program for 310 metres at Deano's Prospect again encountered nickel-bearing massive sulphides with a grade of **1 metre @ 1.3% nickel and 0.7% copper** from 69 metres depth.

This intercept is 70 metres down plunge of drilling reported earlier in the Quarter, where a best intercept of **1 metre @ 2.4% nickel and 0.2% copper** was obtained. To date drilling has identified nickel sulphides stretching 210 metres south from Deano's Gossan.

Sipa plans to commence DHEM survey of the recent 3 drillholes in the first Quarter of 2004.

**EXPENDITURE**

The Proforma Statement of Consolidated Cash Flows is a separate report. Exploration expenditure in the Quarter was \$519,000.

**Statement of Competence**

The geological information in this report is supplied by Mr Charles McCormick, a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), who is defined as a Competent Person under the JORC Code of the AusIMM. Mr McCormick is joint Chief Executive Officer of Austminex.

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