QUARTERLY ACTIVITIES REPORT
TO 31 MARCH 2003

1. HIGHLIGHTS

In the Paddington Gold royalty dispute, the parties have agreed the average gold grade of the ore treated, enabling the amount of gold contained within the ore to be calculated.

The Victorian Government has approved $1.4 million of funding for the bankable feasibility study, matching the Federal Government commitment and fulfilling one of the Federal Government's funding conditions.

The Federal Government has presented a draft contract to the Company for the supply of funding to the BFS.

The Company has raised $150,000 net of costs by the issue of convertible notes to enhance its working capital.

2. OPERATIONS

2.1 Paddington Gold

In agreeing the average grade of the ore treated by Paddington Gold, the amount of gold contained within that ore can be calculated. The amount of royalty owing can be finalised when the parties agree the recovery rate to be applied to the treatment of the ore. After that step is completed, the parties may then agree the interest rate which should be applied to the outstanding royalty, allowing the quantum of settlement to be determined. This process was continuing as at the close of the quarter.

A draft statement deed has been presented to Paddington Gold. Detailed negotiations are being finalised and Directors are confident of an early resolution to the matter.

2.2 Victorian Government Funding

Following the Victorian Government's approval of funding for year 1 of the Bankable Feasibility Study, the company has been negotiating the detailed conditions of the contract. It has been agreed that the funding, which is to be provided net of GST, will be applied to the balance of the study invoicing for year 1 once the Federal Government funding has been drawn down. This process will be overseen by a three person steering committee comprising representatives of the Commonwealth, the State and the Company. The State member will convene and chair meetings of the Steering Committee. The Directors anticipate that the final contract will be signed within the next month.

2.3 Federal Government Funding

All contract items have now been agreed with the Federal Government apart from the final details of the Bankable Feasibility Study programme. The programme has been delayed by the settlement of the Paddington Gold dispute which has in turn delayed the issue of the Company's placement prospectus. As these items are concluded the programme will be finalised allowing the Federal Government funding contract to be signed. The Directors anticipate that this contract too will be signed within the next month.

2.4 Company Funding

The company has completed an issue of convertible notes to raise $150,000 net of costs for current working capital prior to the issue of the placement prospectus. This prospectus, which was foreshadowed in the last Chairman's letter to shareholders, has been held back pending the settlement of the Paddington dispute in order to present a complete picture of the Company's finances.

Upon completion of the placement the Company will be applying to the ASX for a lifting of the suspension order on its shares being traded.

Yours faithfully

D L Hughes
Secretary