

HALLMARK - MENZIES GOLD STRATEGIC ALLIANCE

Gold mining and exploration should increase in the Southern Murchison region of Western Australia in the first quarter of 2003, as a result of the strategic alliance ("**the Alliance**") that has been entered into between Hallmark Consolidated Limited ("**Hallmark**") and Menzies Gold Limited ("**Menzies**") groups.

Hallmark group has a strong cash position and in 2002 entered into options to acquire tenements at Paynes Find, where exploration has generated encouraging results.

Menzies group owns the King Solomon Mines Project ("**the Project**"), which is located approximately 100 kilometres from Paynes Find. Production commenced in April 2002, and in excess of 12,000 ounces have been produced to date.

Under the alliance, Hallmark has expended a total of \$1.5 Million to acquire the currently producing Deflector tenement and to provide funds to Menzies as a secured loan. Hallmark will receive a royalty on Deflector production and will investigate opportunities to fast track exploration at Paynes Find where it is anticipated the Alliance will assist in bringing forward production.

BACKGROUND

The Project occupies an area of approximately 300 square kilometres of exploration and mining tenements, and currently includes the Deflector, Rocksteady, King Solomon, Phoenix, and Michaelangelo deposits.

Menzies has defined a global resource of 226,900 ounces of gold and 11,832 tonnes of copper at the Project where it owns and operates a 300,000 tpa CPI processing plant. The Project is accessible from Perth and Geraldton via bitumen road.

Previous exploration in the area is extensive with the ground being explored at various times by CRA, Goldwyn and Metana for base metals and some gold exploration. Sons of Gwalia in a joint venture carried out gold exploration between 1990 and 1994.

Recent open cut mining has revealed important structural controls to the gold mineralisation that can now be factored into a focused exploration model.

STRATEGIC ALLIANCE

Initial discussions were focused on treatment options for Hallmark's potential underground operation at Paynes Find. This led to the realisation that similar views were held in respect to regional opportunities. The companies have decided to work together to explore and exploit mineral resources in the Southern Murchison region of Western Australia, which has a history of high-grade gold deposits. Menzies has in-house underground mining expertise as well as owning underground mining equipment, including a portable headframe which can potentially be utilised at Paynes Find.

DEFLECTOR TENEMENT

Hallmark group has acquired the Deflector Tenement (ML 59/442) for \$629,000, which assisted Menzies to satisfy the balance of its cash purchase obligation to the third party vendor.

Hallmark has granted Menzies the right to continue its current mining operations at Deflector. This right ceases on the earlier of 30 June 2003, or mining reaching the RL 235 level.

Hallmark has also granted Menzies the conditional right to continue mining at Deflector after the completion of the current mining operations on the basis that Hallmark must approve the expanded mining plan.

The rights granted to Menzies by Hallmark are conditional on a number of factors including;

- Hallmark is to receive a royalty of \$10 per ounce of gold (equivalent) recovered on all production after a further 6000 of gold (equivalent) is produced;
- Menzies pays the 1% royalty due to a third party, and all other mining and processing costs, including state government royalties;
- Hallmark has the right to enter and explore the tenement; and
- Menzies must mine in accordance with generally accepted mining industry practice, and maintain the tenement in good standing.
- No occurrence of an event of default

The arrangement in respect to Deflector does not include Hallmark's or Menzies other tenements, or the treatment plant.

Deflector Resource

At Deflector Menzies has identified the following resource;

Category	Tonnes	Gold Grade (g/t)	Gold Ounces	Copper Grade (%)	Copper Tonnes
Indicated Resource	477,656	4.8	73,832	1.7	8,300
Inferred Resource	176,700	4.3	24,428	2.0	3,532

Menzies believes the mineralisation is open at depth and along strike.

Deflector Geology

The Deflector lodes are covered by alluvium on a flat, mulga covered plain and are linked to the Project by an 8 kilometre haul road.

The deposit is made up of three steeply dipping lodes; West Lode, Central Lode and the Contact Lode. The lodes all strike northeast and parallel the enclosing rock structure. The West Lode dips vertically to steeply west. The Central Lode is near vertical, ranging from steep east to steep west. The Contact Lode dips at 70°, parallel to the basalt/siltstone contact. The lodes are regularly spaced with 60m to 80m between the West Lode and Central Lode and Central Lode to the Contact Lode. Mineralisation can be traced for at least 500m in strike on all three lodes.

A map of the location of the Project is contained in Diagram One and a map for Deflector is contained in Diagram Two.

SECURED LOAN

Hallmark group has also advanced the Menzies group a secured loan totalling \$871,000. The purpose of the loan is to enable Menzies to discharge working capital obligations.

Terms of the loan include:

- The loan is repayable on or before 30 June 2003;
- Interest is payable monthly; and
- The loan is secured by a charge over all of the assets of Menzies and its operating subsidiary King Solomon Mines Ltd.

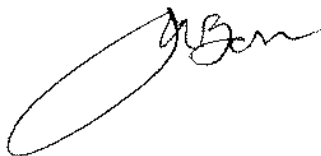
CONCLUSION

The high-grade mineralisation that has been identified to date by Hallmark and Menzies presents an exciting exploration and production opportunity in this well performing gold sector.

For further information please contact Mr Neil Biddle or Mr John W Barr.

Yours sincerely

Hallmark Consolidated Limited

A handwritten signature in black ink, appearing to read 'JW Barr', is written over a large, loopy oval shape.

John W Barr
Chairman

23 December 2002

So far as it relates to ore and mineralisation this report is based on information compiled by Mr Neil Biddle a member of the Australasian Institute of Mining and Metallurgy who has had more than five years experience in the field of activity being reported on. This report accurately reflects the information compiled by that member.

Diagram One

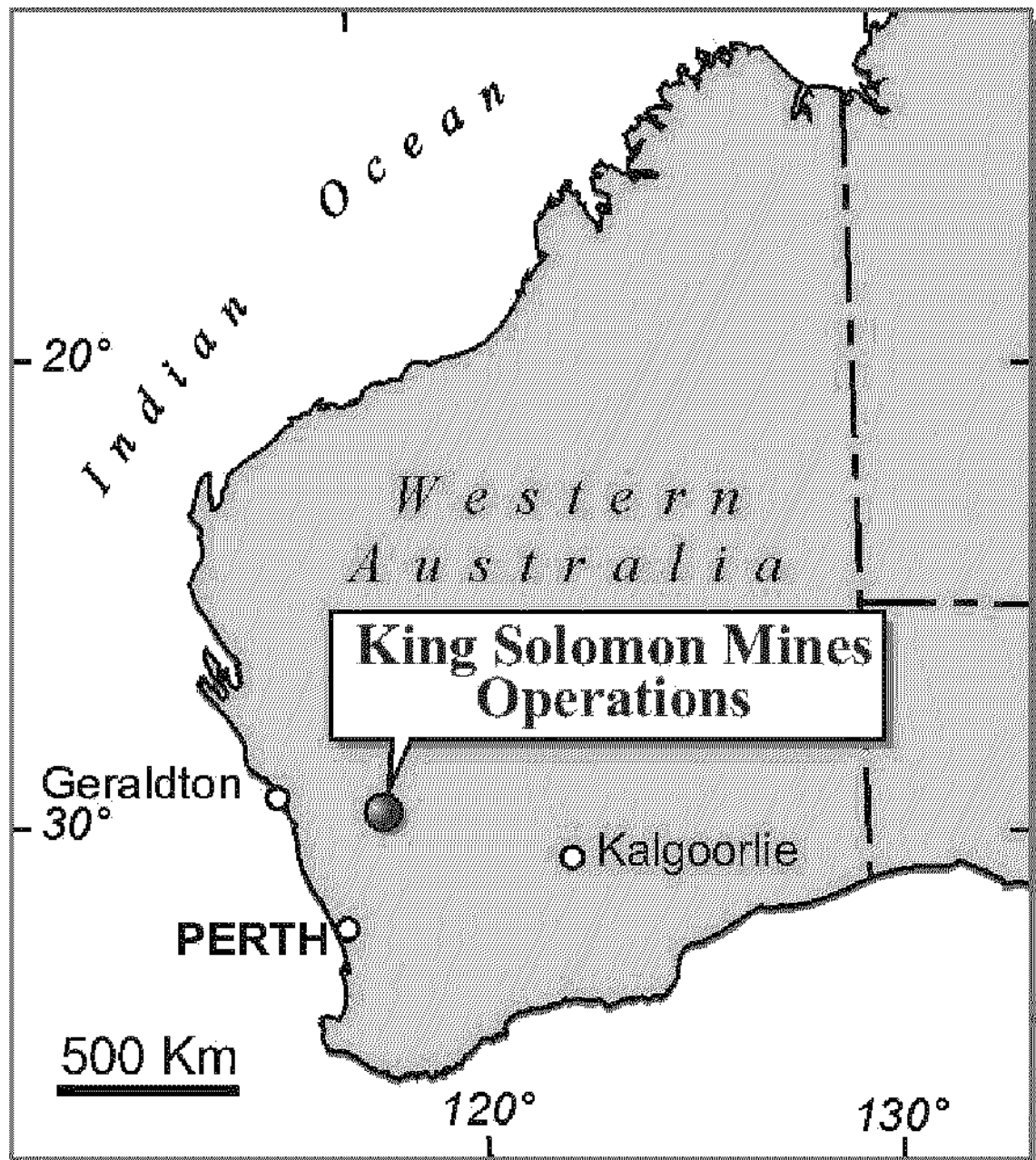


Diagram Two

