

MENZIES GOLD UPDATE

26 February 2003

In December 2002 a wholly owned subsidiary of Hallmark, Eaglemist Pty Ltd advanced to King Solomon Mines Limited (KSM), a wholly owned subsidiary of Menzies Gold Limited (Menzies), the amount of \$871,000. The loan was secured by a fixed and floating charge over the assets and undertakings of KSM, and a guarantee from Menzies which was also secured by a fixed and floating charge.

In January 2003, Administrators were appointed to Menzies and KSM.

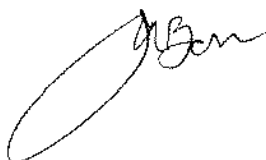
Subsequently Hallmark advised that they intended to work with the Administrator.

Hallmark now advises that as a result of on-going discussions with the Administrator, and a preliminary review of valuations of the assets of KSM and Menzies including the plant and mining tenements, that it remains confident that the secured loan will be fully recovered.

Further, Hallmark advises that it has executed a Deed of Consent with the Administrator. The effect of this Deed is to defer the timetable for the possible appointment of a Receiver to KSM and Menzies by Hallmark, whilst the Administrator and Hallmark are working together.

Hallmark further advises that the first right of refusal over the mining tenements owned by KSM situated in the South Murchison region that it was granted in December 2002 as part of the transaction to acquire the Deflector Tenement continues to be legally enforceable against KSM. Hallmark negotiated the pre-emptive right to purchase those tenements so it could have the opportunity to retain title to the tenements adjacent to the Deflector Tenement.

Yours sincerely
HALLMARK CONSOLIDATED LIMITED



JOHN W BARR
Chairman