



22 October 2002

Quarterly Report

July - September 2002

Highlights

- ◆ **First access to gold bearing reefs in Deborah and Sheepshead**
- ◆ **S5 ribbon position confirmed by drilling**

Milestones

- | | |
|--------------------------------|---|
| October – December 2002 | <ul style="list-style-type: none">◆ 200 metres of reef development on the D3 and S3 Upper reefs◆ Results from first bulk samples in D3 and S3 Upper◆ On strike drill testing of S4 |
| January – June 2003 | <ul style="list-style-type: none">◆ Reef access Sheepshead Line, S3 Middle and S3 Lower |

In this document, the term “resource potential” is used to describe the Company’s estimate of the contained ounces of gold which it believes, on the basis of a technical evaluation of available data and geological extrapolation, should occur within the New Bendigo. It is emphasised that this term is not covered by the JORC Code and is not equivalent to a Mineral Resource or Ore Reserve estimate.

The information in this report that relates to Mineral Resources or Ore Reserves is based on, and accurately reflects, information compiled by G F Johansen, Member of the Australian Institute of Mining and Metallurgy. Mr Johansen is a full-time employee of the Company and has relevant experience in relation to the mineralisation being reported to qualify as a Competent Person as defined in the Australian Code for Reporting of Mineral Resources and Ore Reserves. Mr Johansen consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

NEW BENDIGO GOLD PROJECT

The Company's exploration program continues to build confidence in the New Bendigo resource potential of 12.3 million ounces. The geological understanding of the controls of the mineralisation is better than at any time in the goldfield's history.

The first reefs in the current program of bulk sampling were accessed at the end of this quarter. The sampling program will investigate the correlation between bulk sample grade and drill indicated grades so as to develop a method to estimate grade in the nuggetty gold reefs of Bendigo. The program of bulk sampling is scheduled over the next nine months.

GOLD REEF ACCESS

This quarter saw the first modern-day access to gold-bearing reefs in the Bendigo Goldfield with development reaching the D3 ribbon on the Deborah Line and the S3 on the Sheepshead Line. This work has been in progress for just a few weeks. The results obtained are encouraging and consistent with expectations. Exploration development to date has focussed on the D3 East Leg reef.

Two reefs were exposed on the Deborah Line, the D3 East Leg reef and Shywolup's Eastern Spurs. On-reef development has commenced on the D3 East Leg reef (Figure 1). Significant amounts of visible gold, up to 15 pieces in a single heading, have been seen. It is expected that the gold mineralisation in the D3 East Leg reef to vary from narrow (2 metre wide or less) and high grade (10-15g/t) to widths of more than 6 metre at medium grades (5-8g/t). The on-reef development to date in the East Leg reef has been where it is 5 metres wide. Six 80 tonne bulk samples were collected for grade determination and the results are expected in November-December.



Figure 1 D3 East Leg Reef Looking North

The main quartz reef is 5 metres wide at this point. The visible gold is concentrated on the eastern (right hand) side.

Three detailed drill sections have been drilled over a 195 metre strike length of the D3 East Leg reef from the reef development access. The reef is open both north and south and 2 to 6 metres wide increasing in height to the south from 25 metres to more than 40 metres high. In the south there is a neck reef, Shywolup's reef, immediately east of the D3 East Leg reef, increasing the width of the zone of potentially economic mineralisation to more than 10 metres.

The southernmost drilled section, 550N (Figure 2), intersected nineteen pieces of visible gold in drill core, and preliminary fire assay results of 1 metre half core samples returned 9 assays greater than 30g/t gold with a maximum value of 585g/t gold.

The majority of visible gold occurrences and high assay values occur within the Shywolup's reef, D3 East leg and Shywolup's Eastern Spurs although some visible gold and high assay values are scattered throughout the fan drilling. Mapping and sampling of the exploration development has confirmed that potentially economic mineralisation is restricted to the geologically identified reefs.

A cross cut developed from the Swan decline accessed the Upper S3 reef beneath the main mineralised body. Fan drilling of the reef from the cross cut has commenced and on-reef development and bulk sampling is planned for the next quarter.

EXPLORATION DRILLING (Figure 3)

The S5 ribbon position was confirmed by drilling. Significant intersections of quartz and evidence of structural complexity, which is required for the introduction of gold mineralisation, were found. Follow-up drilling will be possible when mine development has provided suitable drill sites in the future. The next area to be drill tested on the S4 ribbon will be from drill bay SE1 to the south, commencing in November.

UNDERGROUND DEVELOPMENT (Figure 3)

The Swan Decline had advanced to 4,440 metres, 680 metres below surface, by the end of September. The South Exploration Drive was advanced to 300 metres from the Swan Decline. During the quarter the ventilation system from surface was extended by a 4 metre diameter, 274 metre long shaft. The ventilation system is now able to support all of the currently planned exploration development.

INFRASTRUCTURE

Construction of the reverse osmosis plant for the treatment of mine water has been completed, but the plant has not been installed and commissioned because of delays experienced in getting the required approvals for the discharge of the purified water to the environment. The mine water continues to be managed by utilising the evaporation ponds. The outstanding issues to enable the necessary permits to be granted are being addressed.

The tailings from the trial processing program, due to commence in November-December, will be stored in a small facility near the treatment plant. The Company is seeking approval for the storage of tailings in underground workings in the longer term – a method which is considered to be world best practice.

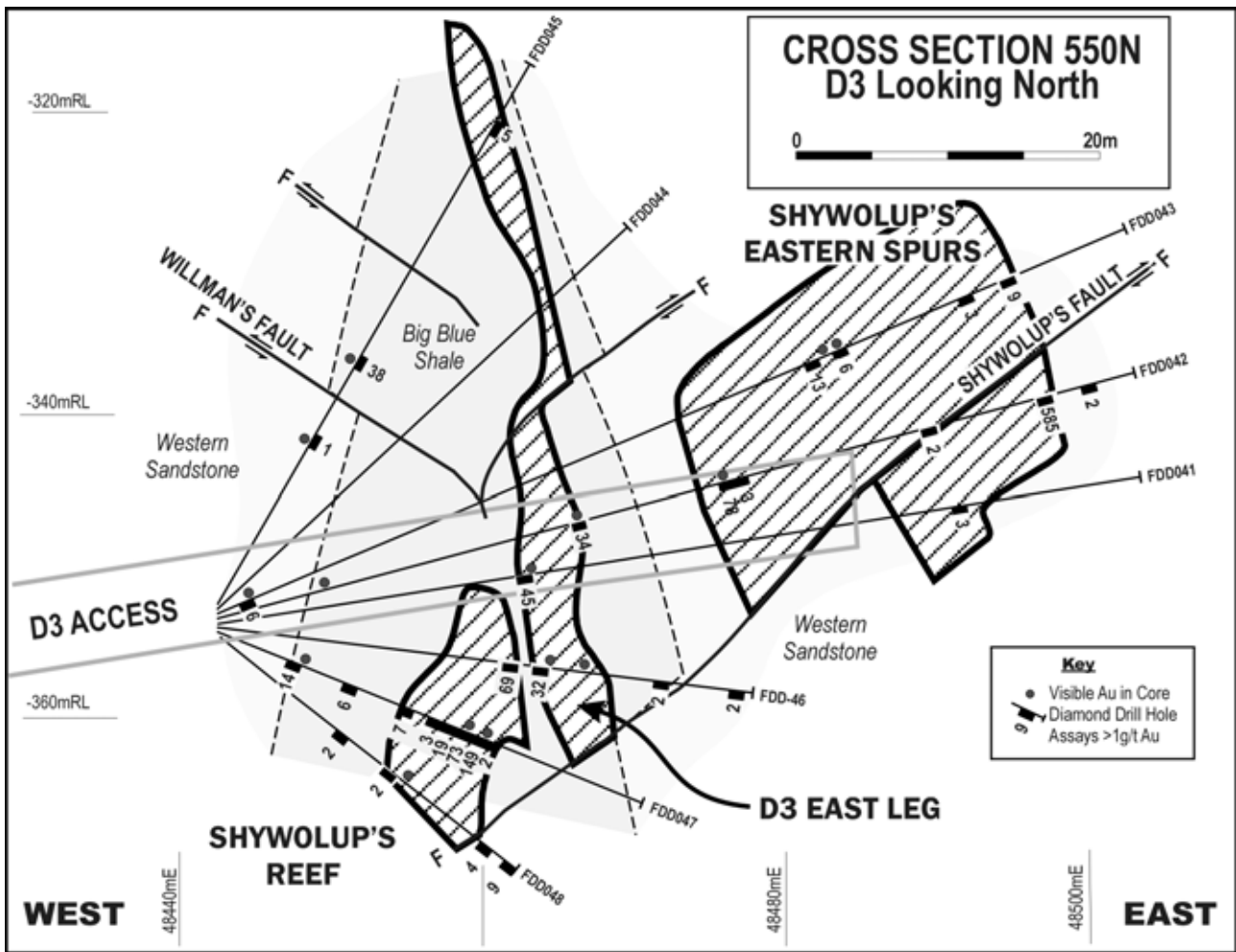


Figure 2
Cross section 550N of the D3 East Leg Reef, Shywolup's Reef and Shywolup's Spur Reef showing detailed drill holes and visible gold occurrences.

Drill Hole	From m	To m	Fire Assay G/t Au
FDD041	20	21	45
	49	50	3
FDD042	24.2	25.1	34
	34.2	35.2	78
	35.2	36.2	3
	48	49	2
	55.9	56.9	585
	58.9	59.9	2
FDD043	1.6	2.6	6
	42	43	13
	44	45	6
	53	54	3
	56	57	9
FDD045	12	13	1
	18	19	38
	35.8	36.9	5

Drill Hole	From m	To m	Fire Assay G/t Au
FDD046	19	20	69
	21	22	32
	29	30	2
	34	35	2
FDD047	5	6	14
	9	10	6
	13	14	7
	15	16	3
	16	17	19
	17	18	73
FDD048	18	19	149
	19	20	2
	10	11	2
FDD048	14	15	2
	22	23	4
	24	25	9

Section 550N : Drill hole intersections $\geq 1\text{g/t Au}$. Assay values listed are preliminary fire assays and samples have been resubmitted for screen fire assaying, results of which usually exceed fire assay and are considered more reliable.

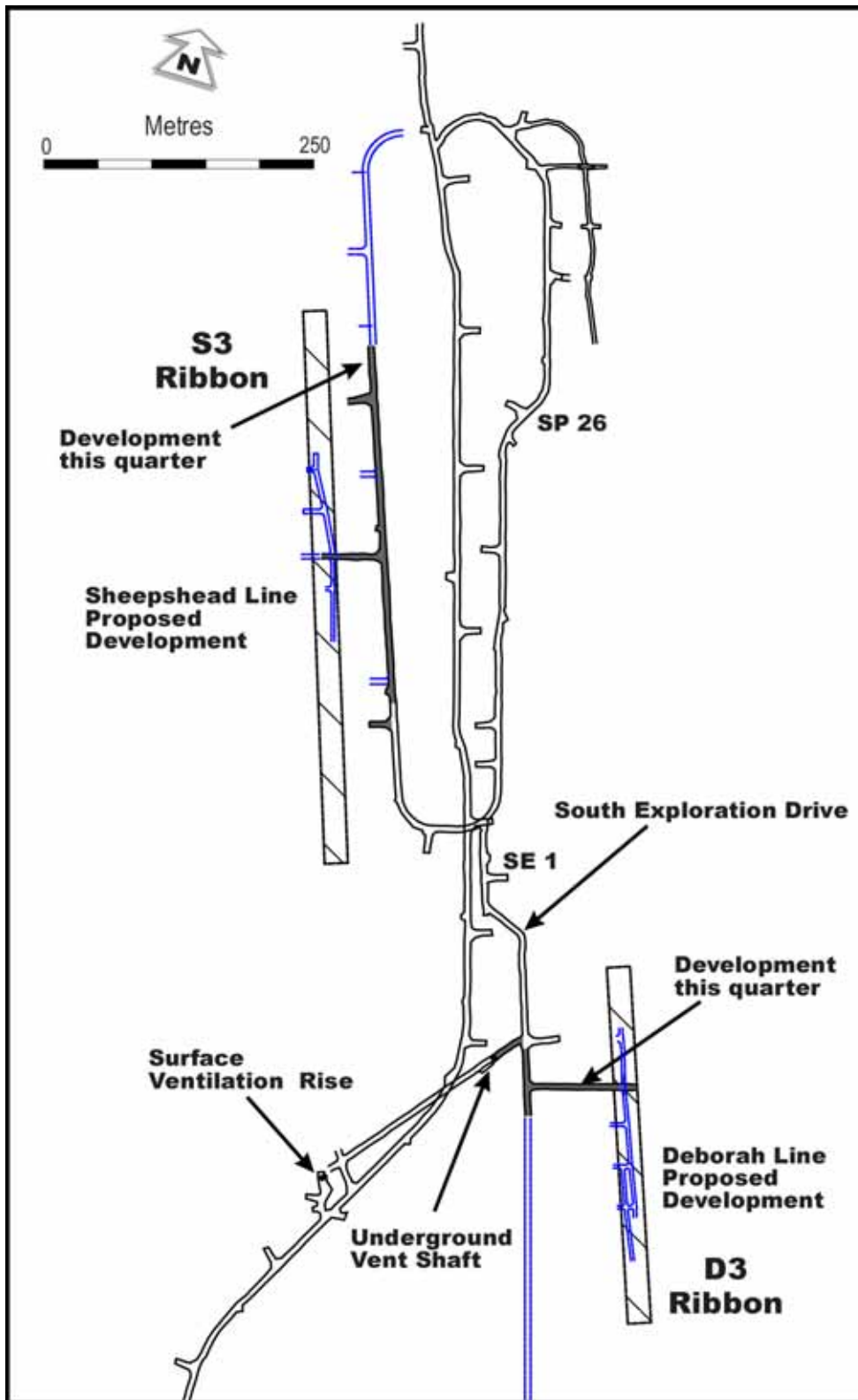


Figure 3

Plan view of underground development at 30 September 2002, showing access into the S3 and D3 ribbons and on-reef development in D3. The positions of drill bay SP26, from which the S5 ribbon was confirmed, and drill bay SE1, where the next drill test of S4 will commence, are also shown.

**Statement of Financial Performance
For the quarter ended 30 September 2002 (Unaudited)**

	\$A'000
Operating Expenditure	6,224
Less: Interest Received & Other Income	<u>(538)</u>
Operating Loss	5,686
Income Tax Attributable	<u>0</u>
Operating Loss After Income Tax	5,686
Accumulated Losses 30/06/02	<u>76,534</u>
Accumulated Losses 30/09/02	<u><u>82,220</u></u>

**Statement of Financial Position
As at 30 September 2002 (Unaudited)**

	\$A'000
CURRENT ASSETS	
Cash & Investments	40,921
Other Current Assets	<u>1,287</u>
TOTAL CURRENT ASSETS	<u>42,208</u>
NON CURRENT ASSETS	
Property, Plant and Equipment	<u>3,561</u>
TOTAL NON CURRENT ASSETS	<u>3,561</u>
TOTAL ASSETS	<u><u>45,769</u></u>
CURRENT LIABILITIES	
Accounts Payable	4,214
Provisions	<u>261</u>
TOTAL CURRENT LIABILITIES	<u>4,475</u>
NON CURRENT LIABILITIES	
Provisions	<u>974</u>
TOTAL NON CURRENT LIABILITIES	<u>974</u>
TOTAL LIABILITIES	<u><u>5,449</u></u>
NET ASSETS	<u><u>40,320</u></u>
SHAREHOLDERS' EQUITY	
Share Capital	122,540
Accumulated Losses	<u>(82,220)</u>
TOTAL SHAREHOLDERS' EQUITY	<u><u>40,320</u></u>