

# **PIMA MINING NL**

A.C.N. 003 669 163

## **QUARTERLY REPORT**

**31 DECEMBER 1999**

### **HIGHLIGHTS**

- SAMAG successfully concluded agreement for exclusive licensing of Dow's magnesium technology.
- Discussions are in progress with various engineering groups to undertake the design engineering to an appropriate level suitable for securing finance for the project.
- Discussions are in progress with potential construction contractors to work as part of a construction alliance with the design engineer and the owner.
- A number of power supply options have been examined to ensure the project obtains the lowest possible electricity prices.
- Visits to the North American and Japanese automotive industry continued during the quarter and Directors are confident suitable off-take arrangements will be secured in 2000.
- Discussions held with a number of major Aluminium and Resource groups. Several groups have entered into Confidentiality Agreements and expressed their interest in participating in the SAMAG project.
- The resource evaluation and mine plans for the magnesite mine were completed.

## **REVIEW OF OPERATIONS**

### **SAMAG Ltd (80% Pima)**

#### South Australian Magnesium Metal Project

##### Technology and Personnel

- SAMAG successfully concluded agreements for the exclusive licencing of Dow's Magnesium Technology. This was reported to the Australian Stock Exchange Ltd on 24 January 2000. Mr Frank Petitti, previously Global Business Director of Dow Magnesium has joined the SAMAG board as a non-executive Director and consultant to assist in business and marketing strategy.
- Ken Claus and Ed Skach, who have a combined 58 years experience at Dow Magnesium, joined SAMAG to provide assistance in the plant design, technology transfer, plant construction and commissioning and the training of local operators.
- The process of transferring the Dow technology is well advanced.

##### Site

- Several alternative plant sites have been examined in the Northern Spencer Gulf of South Australia and in NSW and Victoria. SAMAG is committed to establishing the plant where the long-term, total capital and operating costs, are the lowest.

##### Resource and Mining

- Discussions have been held with relevant State Government departments in order to finalise level of State encouragement and/or imposts.
- Discussions continued with mining contractors regarding lowest cost mining techniques and the establishment of a small pit to obtain a bulk sample of ore for simulated plant leaching conditions.
- An economic evaluation of Magnesite Deposits in the Northern Flinders Ranges was undertaken and a comprehensive report compiled. Two deposits, Witchelina and Mt Hutton have been examined in detail for potential development of a mining operation. Mt Hutton offers low-calcium ore and a shorter haulage distance to the Telford rail siding and has been selected for the first stage development of mining operations.
- A comprehensive report on all activities and results of drilling within EL 2100 prepared and released to BHP Minerals Ltd and Dept of Primary Industries and Resources
- A proposal to mine magnesite ore at Mt Hutton, Leigh Creek, was prepared for submission to the Dept of Primary Industries and Resources.

##### Gas and Electricity

- SAMAG's strategy on electricity supply is to encourage or promote the establishment of an adjacent electricity generator for which SAMAG would provide a base load of 130 MW capacity.

- Preliminary economic evaluations of a combined cycle gas turbine power station together with the interruptibility benefits of the Dow cell and heat recovery from an adjacent power station will result in electricity costs below the levels assumed in the Definitive Feasibility Study.
- The possibility of a gas pipeline being constructed to connect the Victorian gas fields to Adelaide, which will create both additional security of supply in the South Australian market as well as price competition, would reduce electricity costs in South Australia. If this occurred, the likelihood of SAMAG locating in the Northern Spencer Gulf region is increased.

#### Engineering

- Expressions of Interests were called for design engineering to an appropriate level suitable for securing finance for the project. A short list has been selected and more detailed negotiations are expected to be finalised in the next quarter.
- Expressions of Interests have also been called for potential construction contractors to work as part of a construction alliance with the design engineer and SAMAG. A short list has been selected and contract terms are to be negotiated and likely to be finalised over the next quarter.

#### Offtake Arrangements

- Discussions were ongoing with various North American and Japanese automotive industry participants and metal traders. Directors are confident that a suitable offtake arrangements will be secured in 2000.
- International Magnesium Association reported that for the 9 months to September 30, 1999 primary magnesium shipments for automotive die-casting purposes increased by 26% to 97,500 tonnes.

#### Industry Investors and Partners

- Discussion have been held with a number of major aluminium, resource and trading groups with a view to them participating in the project's ownership and/or offtake. Several groups have entered into confidentiality agreements and expressed interest participating in the project. These discussions and negotiations are expected to be ongoing until conclusion.

### **OTHER ACTIVITIES**

The Joint Venture between Pima Mining and RASP Resources NL with respect to EL's 2320, 2323, 2330, 2322 and 2417 has been terminated. A final report for each tenement has been prepared for the tenement holder and the Department of Primary Industries and Resources.

The Joint Venture between Pima and Reynolds and Le Brun with respect to EL 2187, Hiltaba, on the Eyre Peninsula was terminated on the 5 November 1999 and a final report prepared.

#### Kanmantoo (EL's 2663 and 2523)

EL 1965, which expired on the 31 July 1999 at the completion of a five-year term. A new licence (EL 2663) has been granted to the registered holders:

Kelaray (100% Pima owned)	60%
James Allender	18%
A G F Le Brun	18%
I P Youles	4%

### Torrens (EL 2533)

No fieldwork was undertaken on this tenement.

As announced to the Australian Stock Exchange on 13 January 2000, the company has entered into a farm-out agreement with Billiton Exploration Australia Pty Ltd and Minotaur Gold NL with respect to EL 2533.

Under the terms of the farm-in arrangement, Billiton/Minotaur may expend \$750,000 to earn 75% equity in EL 2533 within 24 months of the granting of drilling approvals. Billiton/Minotaur may expend an additional \$1,250,000 to earn an additional 15% within a further 24 months. Kelaray may elect to dilute to a 2% free carried interest to the end of a bankable feasibility study.

The Board of Pima Mining NL believes that this joint venture agreement with Billiton and Minotaur will provide shareholders with an opportunity to share in the development potential of this exciting prospect at no cost to Pima Shareholders.

### Other Tenements

No field activities have been carried out on any of the other tenements held by Pima Mining NL.

### CORPORATE

During the quarter the following unlisted options were issued to Directors and Consultants to provide a performance based remuneration in the form of access to Pima Mining NL shares.

Number of Options	Expiry Date	Exercise Price	Issued to
3,500,000	25 November 2004	30 cents	Directors
1,000,000	25 November 2003	35 cents	KTM Capital Pty Ltd – Financial Advisory Consultant

Dated: 31 January 2000

.....  
RCF Tiley  
Director  
Pima Mining NL

*In accordance with Australian Stock Exchange listing requirements, the geological information in this report has been based on information provided by geologists who are corporate members of the Australian Institute of Mining and Metallurgy or Australian Institute of Geoscientists and who have had in excess of 5 years experience in their field of activity.*

**Sydney Office:**  
M Level  
210 George Street  
Sydney NSW 2000  
Tel: (02) 9252 1505  
Fax: (02) 9252 1507

**Pima Web Site:**  
[www.pima.com.au](http://www.pima.com.au)

**Adelaide Office:**  
240 Glen Osmond Road  
Fullarton  
S.A 5063  
Tel: (08) 8338 4242  
Fax: (08) 8338 4255