

(ACN 003 669 163)

30 June 1999

HIGHLIGHTS

South Australian Magnesium Metal Project - SAMAG Ltd (80% Pima)

- Work on the Definitive Feasibility Study has progressed well and revised capital and operating cost figures are expected to be available shortly.
- Negotiations have been substantially completed for a technology package and documentation is expected to be finalised shortly.
- A definitive diamond-drilling program to establish ore reserves for mine planning on the Mount Hutton deposit was completed during the quarter. Results which will include a revised reserve and resource statement are expected by end of August 1999. Mine design plans are being finalised.
- The Federal Government has granted the project Major Project Facilitation Status.
- Preparation of a draft Environmental Impact Statement (EIS) is on schedule for completion during the next quarter.
- Discussions continue to be held with potential major investors and customers.

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REVIEW OF OPERATIONS

SAMAG Ltd (80% Pima)

Port Augusta Magnesium Metal Project

- Work on the Definitive Feasibility Study has progressed well. A process flow sheet, equipment sizing and plant lay out has been defined.
- Quotations for major items of equipment are being received and, to date, are generally below previous estimates.
- SAMAG has appointed Theiss Contractors Pty Ltd to provide local cost data for the Definitive Feasibility Study.
- Revised capital and operating cost figures are expected to be available shortly following Feasibility Study Review meetings currently being held.
- Negotiations have been substantially completed for a technology access package which will be announced once documentation is completed. The particular aspects of this technology have been incorporated in the plant design which underpins the Definitive Feasibility Study.
- The Definitive Feasibility Study is now scheduled for completion by mid August.
- Following the completion of the Definitive Feasibility Study, a program of optimisation and clean sheet capital redesign will be instituted to further refine the capital and operating cost estimates.
- The Definitive Feasibility Study is expected to be +/- 10% in accuracy.
- The Federal Government has granted the project Major Facilitation Status.
- Preparation of the draft EIS is on schedule for completion during the next quarter. The time line is for environmental approvals to be achieved by second quarter 2000.

Magnesite/Magnesium (EL2100, EL2565 and EL2570)

- The Mount Hutton deposit located 20km north west of Leigh Creek township has been chosen as the mine site for the Magnesium Metal Project.
- During the quarter, 50 fully cored holes were drilled for a total of 2,895.3 metres, on lines 250 metres apart. Drilling was designed to infill previously drilled traverses 2.0 km apart.

- The objective of the drilling is to provide mineable reserve data for mine planning and Definitive Feasibility Study purposes.

Core logging procedure was established to ensure that it met JORC standards. All core is currently oriented, washed, photographed, marked at metre intervals, logged (geological and structural) and cut for assay. Duplicate, referee and blind samples have been submitted for analysis. All drill holes have been surveyed and the hole call is located by differential GPS to 5cm accuracy. Samples have been submitted for geotechnical testwork. All results are expected by mid August.

- Amdel has completed beneficiation studies and batch leach testwork on samples from Witchelena, Termination Hill, Pug Hill and Mount Hutton. A test program to investigate the magnesite activity and leach kinetics of the Mount Hutton samples was also undertaken. Test results indicate Mg extraction was in the 80-95% range when a 90-100% stoichiometric acid addition was used. Maximum Magnesium dissolution was reported within the first seventeen minutes.

Sandstone (EL2239 Sandstone EL2503 Aurora Tank)

- EL 2239 - No field work on this tenement
- EL 2503 - A joint venture between Pima (45%), Minotaur Gold (33%) and Gawler Gold and Mineral Exploration (22%), is managed by Minotaur.

Infill calcrete sampling to 50 metre spacing revealed a 2200 metre zone of anomalous gold with discrete peaks up to 59ppb gold along the eastern margin of a NE trending, near-vertical, magnetic body. A second NE trending zone extending over a strike length of 800 metres with peak values to 38 ppb gold was identified on the North Western margin of the magnetic body.

Seven ultra-detailed, ground magnetic traverses were completed over the zones of anomalous gold in calcrete. A distinct association of peak gold geochemistry with the eastern margin of the magnetic complex was targeted for reverse circulation drilling.

During the quarter, 17 reverse circulation drillholes were completed for an aggregate of 2468 metres. All holes, except three, reached target depth of 150 metres.

Drill samples were logged at 1 - 4 metre intervals and magnetic susceptibility readings recorded. Composite samples of 4 metre intervals were assayed geochemically by Amdel and individual 1 metre samples from anomalous zones checked by fire assay.

Significant Intersections are as follows:

Hole No	From (m)	To (m)	Interval (m)	Assay Au (g/t)	Assay As (ppm)
1	28	32	4	0.14	
5	44	48	4	0.20	
7	40	44	4	0.10	
8	36	40	4	0.20	
	56	76	20	0.12	153
*	100	112	12	0.31	390
11	32	36	4	0.14	
13	24	28	4	0.15	
	36	40	4	0.10	
**	116	136	20	0.46	206

* (Incl. 4 metres @ 0.68g/t Au and 650 ppm As from 104 - 108 metres)

** (Incl. 4 metres @ 1.6g/t Au and 650 ppm As from 120 - 124 metres)

Note: Fire assay for the interval 122 metres - 123 metres was 3.32g/t Au.

Results obtained from this drilling program are extremely encouraging. The extent of the gold mineralisation remains untested. Intersections in hole - 8 (0.6g/t Au) and hole - 13 (1.6g/t Au) both occurred on the end of drill traverse lines and mineralised structures remain open along strike, laterally and down dip.

- No further field work is proposed until gold prices recover.

Ceduna Block (EL2009 Kowulka, EL2010 Bookabie, EL2011 Kalanbi)

- No field activities on these tenements during the quarter.
- Farm-in agreement with Pasminco has terminated and Pima's interest in the tenements relinquished.

Talia (EL2558)

- No field work on this tenement during the quarter.

Kanmantoo (EL1965 Kanmantoo, EL2523 Wheal Ellen)

- During the quarter, Australian Geophysical Surveys undertook an airborne magnetic and radiometric survey over the eastern Kanmantoo Trough and western margin of the Murray Basin as part of the Targeted Exploration Initiative South Australia (TEISA). This survey included overflying of both EL 1965 and EL 2523.

Pima has acquired data at 200m line spacing over both tenements. Due to inclement weather during the flying in May a small portion (830 kilometres) still remains to be acquired. Processing of the data will commence in the next quarter.

Torrens Project (EL2528 Sketching Pile, EL2533 Bosworth)

- No field activities on this tenement during the quarter.

Eyre Peninsula (EL2323 Smoky Bay, EL2330 Mt Wedge - 51% Pima and 49% Rasp)

- No field activities on these tenements.

Flinders (EL2417, EL2520 Mt Craig 51% Pima and 49% Rasp)

- No field activities within these tenements during the quarter.

Bulgunnia (EL2320 - 51% Pima and 49% Rasp)

- No field activities within these tenements during the quarter.

Hiltaba (EL2187 Hiltaba, EL 2322 Yardea 51% Pima and 49% Rasp)

- No field activities within these tenements during the quarter.

Reid/Watson (EL2416 Reid, EL 2370 Watson - Pima 51% Lincoln Areas 49%)

- Tenements have not been renewed.

CORPORATE

The 1 for 1 Entitlement Issue with attaching free options was completed on 21 April 1999 and resulted in the issue of 78,823,476 fully paid ordinary shares and 39,411,711 options which are exercisable at 20 cents each on or before the expiry date of 31 March 2002. The new shares and options are listed on the Australian Stock Exchange and the Issue raised \$5.5 million additional capital.

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Dated: 29 July 1999

R C F 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.

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