

(ACN 003 669 163)

31 March 1999

SIGNIFICANT PROGRESS ON SAMAG
MAGNESIUM PROJECT

HIGHLIGHTS

SAMAG Ltd (80% Pima)

Port Augusta Magnesium Metal Project

- Major world class magnesite resource has been outlined with 474 million tonnes at 42.4% MgO.
- Beneficiation tests by Amdel Ltd indicate that this will provide clean feestock with no impurities at low cost for the proposed Port Augusta magnesium metal plant.
- Mine design plans are in preparation for the Mount Hutton deposit which has a low calcium content and is located 17 km from the Leigh Creek railhead.
- The SAMAG Ltd Port Augusta Magnesium Project has been accorded “major project development status” by the S.A Minister for Transport and Urban Planning and the S.A Premier has formed a dedicated team to facilitate the project.
- Negotiations are well advanced for the licensing of appropriate technology and the establishment of a competitive power tariff.
- Productive relationships have been established with the Native Title claimants to facilitate mining operations at the Mount Hutton deposit.
- The Definitive Feasibility Study is on schedule for completion by end July and discussions with potential major investors and customers are in progress.

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

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

REVIEW OF OPERATIONS

Magnesite/Magnesium (EL2100, EL2565 and EL2570)

- Resource definition continued throughout the period with the drilling of 18 fully cored holes at Witchelina for 806 metres and 14 fully cored holes at Mt Hutton/Mt Playfair for a total of 1217 metres. All core has been quartered and representative samples submitted to the Amdel analytical laboratories. The total magnesite resource now stands at 474 million tonnes at 42.4% MgO, of which 32.0 million is classed as a measured resource, 158 million in the indicated category and 284 million inferred.
- Representative core samples have been submitted for mineralogical examination by Pontifex and Associates. Composition of the ore is predominantly nodular magnesite with nodules ranging between 1 – 16mm. Interstitial to the nodules are minor amounts of dolomite (1 - 20%) and talc (1 - 10%). The ore contains trace amounts of tourmaline and albite. Indications are that a clean feedstock with no impurities can be produced. This has been confirmed by beneficiation testwork carried out at the Amdel Laboratories.

Sandstone (EL2239 Sandstone EL2503 Aurora Tank)

- EL 2239 - No field work on this tenement.
- EL 2503 - A joint venture between Pima (45%), Minotaur Gold (55%), is managed by Minotaur. A 20 hole reverse-circulation drilling program is scheduled for the next quarter.

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

- No field activities on these tenements during the quarter.

Talia (EL2558)

- No field work on this tenement.

Kanmantoo (EL1965 Kanmantoo, EL2523 Wheal Ellen)

- No field activities on these tenements which are considered prospective for base metal and copper-gold deposits.

Torrens Project (EL2528 Sketching Pile, EL2533 Bosworth)

- No field activities on these tenements. EL2528 relinquished in April 1999.

Kingoonya (EL2174 Kingoonya, EL2253 Rocky Hill)

- Tenements relinquished and Joint Venture with Minotaur Gold terminated.

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

- No field activities on these tenements.

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

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

Flinders (EL2416 Holowilena, EL2520 Mt Craig - EL2417 51% Pima and 49% Rasp)

- These tenements are prospective for copper and base metals. EL2417 adjoins the Minotaur Gold Bibliando project. EL2520 contains the Yednalue magnesite prospect. No field activities within these tenements.

Bulgunnia (EL 2320 - 51% Pima and 49% Rasp)

- No field activities. Strong, coherent calcrete gold geochemical anomalies reported last period are yet to be tested.

Hiltaba (EL 2187 Hiltaba, EL 2322 Yardea - EL2322 51% Pima and 49% Rasp)

- No field activities

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

- Lincoln Areas NL purchased the 49% interest held in these tenements by Cocks Mining NL (In liquidation). No field activities.

CORPORATE

On 17 February 1999, Pima Mining NL ("Pima") announced a placement of 8 million fully paid ordinary shares at 7 cents each to raise \$560,000 and a 1 for 1 Entitlement Issue of fully paid ordinary shares issued at 7 cents each and underwritten by D&D-Tolhurst Ltd to the extent of \$5.285 Million. Shares taken up in the Entitlement Issue will have an attaching option on a 1 for 2 basis. These options are exercisable at 20 cents each on or before 31 March 2002.

The placement was completed on 5 March 1999.

The Entitlement Issue was completed on 21 April 1999 and resulted in the issue of 78,823,476 fully paid ordinary shares and 39,411,711 March 31 2002 options and raised \$5.517 Million additional capital.

The new shares and options are listed on the Australian Stock Exchange.

For and on behalf of the Board

.....
R C F Tiley
Director
Pima Mining NL

Dated: 30 April 1999

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

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