

PIMA MINING NL

A.C.N. 003 669 163

QUARTERLY REPORT

30 SEPTEMBER 1999

HIGHLIGHTS

South Australian magnesium Metal Project – SAMAG Ltd (Pima 80%)

- SAMAG acquired full access to Dow Chemical Company's magnesium process technology and patents providing SAMAG with 50 years of know how in magnesium metal production and eliminating the need for a pilot plant.
- A definitive feasibility study (DFS) completed by Hatch Associates and Thiess Contractors Pty Ltd estimated total capital cost at US\$375 million and total cash operating costs estimated at US\$0.60/pound of magnesium.
- Total measured, indicated and inferred resources in the Leigh Creek deposits stand at 516 million tonnes grading 42.0% MgO.
- Detailed In-fill drilling at Mount Hutton, 20 kilometres northwest of Leigh Creek, has lifted the total resource from 74 million tonnes to 113.3 million tonnes at 42.0% MgO (24% Mg).
- Mr Raymond J Soper, a Director of Resource Finance Corporation Limited ("RFC") has been appointed to the Board of SAMAG.
- RFC has committed to fund its 20% share of SAMAG's funding through to 30 June 2000 showing strong endorsement of SAMAG's magnesium metal project.
- Since the end of the quarter, Mr Frank Petitti has been appointed a Director of SAMAG Limited. Mr Petitti was previously Global Business Director, Dow Magnesium.
- For further information see Pima's Website www.pima.com.au

REVIEW OF OPERATIONS

SAMAG Ltd (80% Pima)

South Australian Magnesium Metal Project

- On the 10 August 1999 Pima announced that SAMAG Ltd had entered into an agreement with the Dow Chemical Company ("Dow") to purchase Dow's technology for the manufacture of magnesium. The purchase gave SAMAG full access to Dow's magnesium technology database and patents for the purpose of building a magnesium plant.

This purchase of the Dow technology is a major milestone as:

- SAMAG accesses over 50 years knowhow in magnesium production, processing and alloying technology;
 - SAMAG acquires both the technology and knowhow that will reduce project completion and commissioning risks. The SAMAG process flowsheet is based on proven and well established technologies; and
 - Use of Dow's proven technology eliminates the need for a pilot or demonstration plant.
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- A Definitive Feasibility Study (DFS), completed during the quarter, indicates improved economics for the proposed 52 500 tonnes per annum magnesium metal plant.
 - Total capital costs are now estimated at A\$586 million or US\$375 million with an accuracy of +/-15%. This compares with the pre feasibility estimate of US\$400-420 million. The capital cost estimate does not include financing fees and interest during construction. The DFS has been prepared by Hatch Associates Ltd.
 - The capital cost estimate is based on designs incorporating relevant technology acquired from Dow Chemical Company ("Dow"). From these designs process flow sheets were prepared and modelled using metallurgical modelling software. Process equipment specifications and data sheets have been prepared and quantity take-off for bulk material. The estimate is based for the most part on budget prices from suppliers and vendors for process equipment and civil, structural, mechanical and electrical estimates provided by Thiess Contractors Pty Ltd.
 - Total cash operating costs are now estimated to be below US\$0.60/pound of magnesium metal or alloy. This compares to a previous cash-operating estimate of US\$0.60/pound.
 - The operating cost estimate has been prepared from operating parameters from Dow, Hatch flowsheet data combined with local utility, services, consumables and manpower to enable the project to proceed.

- The DFS results demonstrate the project's sound economics and are expected to provide the confidence for SAMAG to attract appropriate financing and operating partners to enable the project to proceed.
- Data from a in-fill diamond drilling program, comprising 50 fully cored holes totalling 2895.3 metres completed during the previous quarter, was used to significantly upgrade the magnesite resource at Mt Hutton, the initial mine site.
- The Mt Hutton resource now comprises the following contained magnesite:

Measured resource: 18.3 million tonnes
 Indicated resource: 42.0 million tonnes
 Inferred resource: 53.0 million tonnes

TOTAL RESOURCE: 113.3 million tonnes

- The total measured indicated and inferred resources in the Leigh Creek magnesite deposits held by Pima's 80% owned subsidiary SAMAG, has been increased to 516 million tonnes. This compares to a previous total resource estimate of 474 million tonnes. Details of this revised resource estimate are set out below:

MAGNESITE RESOURCE

	Measured	Indicated	Inferred	Grade
Mt Hutton	18.3	42	53	42.9%MgO
Mt Playfair	-	11	23	42.5%MgO
Pug Hill	-	10	10	42.7%MgO
Termination Hill	4	5	20	42.8%MgO
Witchelina	23.7	94	99	40.0%MgO
West Mt Hut	-	-	67	44.3%MgO
Screechowl Creek	-	-	36	44.3%MgO
Total	46	162	308	42.0%MgO

Total Resource 516 million tonnes

- The resource estimation at Mt Hutton, has been undertaken by Mr Colin Arthur, Manager of Micromine's Mineral Resource Centre, who is deemed a competent person under the AusIMM's JORC guidelines of 1999. Mr Arthur audited the drill hole data set and concluded that both the data collection and assay laboratory procedures were of high quality, and good sampling quality control procedures had been implemented. The statistical evaluation and physical modelling of the deposit beds revealed they were highly continuous in strike and width, with only small variances in geochemical character.
- Mine plans and costings are currently being finalised as a component of a Bankable Feasibility Study, which is now being prepared. A geotechnical feasibility study has been undertaken by BFP Consultants Pty Ltd (who have a working alliance with Dames and Moore and Woodward-Clyde) for the proposed mine pit. This study shows that the waste to ore ration will be 3.85:1, which is below previous estimates, and results in a saving of mining costs compared to the Definitive Feasibility Study assumptions of around A\$450,000 pa.

- Further testwork undertaken by Amdel, confirms the exceptionally high quality of the ore at Mt Hutton. Testwork indicates a soluble magnesium content of 24% Mg, for the measured resource. Soluble calcium is only 2% and unlike other magnesite deposits the ore is low in iron (<0.2%), has no siderite (iron carbonate), no nickel (<5ppm), no base metals, no chlorite or pyrite. Talc is present in the ore up to 7% but is insoluble in the SAMAG leach process and reports to the residue.
- During the quarter SAMAG contracted Fugro Photec to undertake an airborne aerial photographic survey of the Mt Hutton mine site and the entire length of the proposed haul road from the mine to the loading facility at Telford (Leigh Creek). Digital photogrammetric acquisitions of all features, 1 metre contours spot elevations and shape of ground lines has been compiled.
- Preliminary engineering design and costing of the haul road has been undertaken and negotiations commenced with Flinders Power to lease land at Telford for construction of the ore loading facility.
- Preliminary baseline groundwater studies of the proposed plant site at Port Augusta site were completed by AGC Woodward-Clyde Pty Ltd.
- Preliminary geotechnical investigations have been completed on the proposed plant at Port Augusta. No significant geotechnical issues were identified that would impact upon the use of shallow foundations to support a range of structural loadings.

OTHER ACTIVITIES

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

Sandstone (EL 2239, EL 2503)

No field work on these tenements

Talia (EL 2558)

No field work on this tenement

Kanmantoo (EL's 1965 and 2523)

No field work on these tenements

Torrens (EL's 2528 and 2533)

EL 2528 was relinquished and portion of EL 2533 was surrendered. No field work undertaken on these tenements.

Flinders (EL's 2520 and 2417)

EL 2520 – Mt Craig has been relinquished. No field activities.

Eyre Peninsula (EL's 2323 and 2330)

No field work on these tenements

Bulgunnia (EL 2320)

No field work on this tenement

Hiltaba (EL's 2187 and 2322)

No field work on these tenements. The joint venture partners on these tenements have been advised that the joint ventures will be terminated during the next quarter (EL 2187 on the 5 November 1999 and EL 2322 on the 30 November 1999).

Note: The Joint Venture arrangement between Pima Mining and RASP Resources NL with respect to EL's 2417, 2323, 2330, 2320 and 2322 will be terminated on the 30 November 1999.

CORPORATE

During the quarter 200,000 fully paid ordinary shares and 2 million 29 September 2000 unlisted options exercisable at 20 cents were issued to Rasp Resources NL as past consideration in connection with earning an interest in certain mining exploration tenements held by Rasp Resources NL.

Also the following unlisted options were issued to provide a performance based remuneration to employees and consultants in the form of access to Pima Mining NL shares.

<i>Number of Options</i>	<i>Expiring Date</i>	<i>Exercise Price</i>	<i>Issued to</i>
3,000,000	30 April 2002	20 cents	John M Clark Engineering Pty Ltd Engineering Consultant
300,000	27 August 2004	20 cents	C P Hennessy General Manager Accounting and Finance

Dated: 28 October 1999

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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

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