

Saracen Metals Pty Limited

Exploration Licence 47/2003 - Tullah

Quarterly Report

Period ending 30 June 2005

Guido Staltari
23 July 2005

1. INTRODUCTION

This report summarizes activities undertaken on EL 47/2003 – Tullah during the June 2005 quarter.

2. WORK PROGRAMME

Sterling Prospect

Work during the quarter focused on defining drill targets at the Sterling Gold Prospect south of Tullah.

The Programme and Budget for drilling in the Sterling Gold Prospect area is contained in Appendix I.

Diamond drilling commenced on the first hole late in the quarter, after a Boart Lonyear diamond drilling rig became available.

Mt Farrell Mine Scoping Study

One of the key base metal targets within the Company's lease is the historic Mt Farrell Mine where an initial investigation into the previous work completed has confirmed that targets exist for significant tonnages of high grade lead-zinc-silver mineralisation.

A compilation and re-assessment of drilling data and production records for the New North Mt Farrell ("NNMF") and North Mt Farrell ("NMF") mines confirms the existence of Resources immediately below the 9 and 10 level workings. More generally the study has confirmed that high grade base metal-silver mineralisation is open at depth below and to the north of the NNMF mine, between the NNMF and NMF mines, and also to the south of the NMF mine (Figure 1).

*Mt Read Project
Mt Farrell base metal prospect*

*Schematic long section over
historic workings*

*Source: Pasmenco Australia MRT
Open File Report 95_3783*

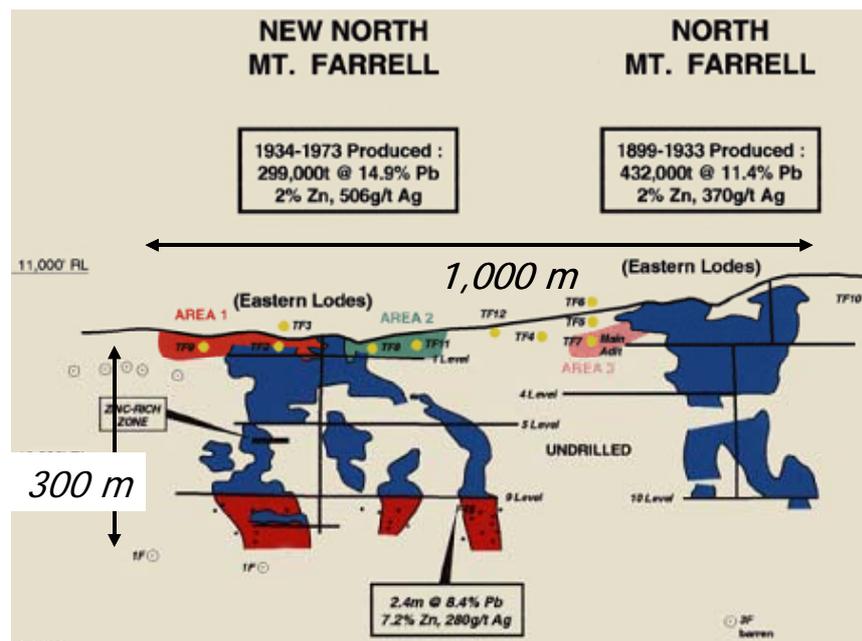


Figure 1. Long Section of NNMF and NMF Mine mineralised zones and resource outlines.

Estimates for Mineral Resources comprise: -

Measured Resources: 51,000t grading 11.9% Pb, 4.2% Zn, 0.2% Cu and 11.5 oz/ton Ag

Indicated Resources: 22,000t grading 11.7% Pb, 4.1% Zn, 0.2% Cu and 11.3 oz/ton Ag

Inferred Resources: 107,000t grading 10.7% Pb, 3.7% Zn, 0.2% Cu and 10.1 oz/ton Ag

Total Resources: 180,000t grading 11.0% Pb, 4.0% Zn, 0.2% Cu and 11.0 oz/ton Ag

Notes on resources:

1. Estimates based on polygonal sectional method.
2. Lower cut-off of 5% Pb+Zn
3. SG 3.5
4. NNMF Mine Resource limits as shown in red in *Figure 2*.
5. Resources exclude high grade mineralisation intersected in shallow drilling in Areas 1, 2 and 3 as shown in *Figure 1*.

Considerable potential exists for the expansion of the resource base for the reasons outlined above, and also due to important observations regarding zinc-rich zones, as discussed below.

Broader Zinc Potential

A study of the NNMF mine records confirms that zinc rich ore in the mill feed was kept out of the old Farrell mill, due to its deleterious effect on lead recoveries. Further, zinc-rich lodes were historically avoided and/or not followed up following drilling or development.

An example of the latter is seen in the Level 6 workings at the NNMF mine (*Figure 2*). Highly encouraging intersections of zinc-silver rich mineralisation in holes 14, 15 and 25 remain to be followed up both up-dip and down-dip. These intersections may indicate that the Farrell system is more zinc-rich than previously thought and that there is broader potential for new lode systems.

A Scoping Study into potential underground mining operations has commenced and will include an expanded drilling programme. Depending upon initial results, a second diamond drilling rig will be secured for ongoing resource delineation drilling.

The Scoping Study will also involve preliminary geotechnical, hydrological, shaft refurbishment studies, as well as first order costings together with a review of processing options.

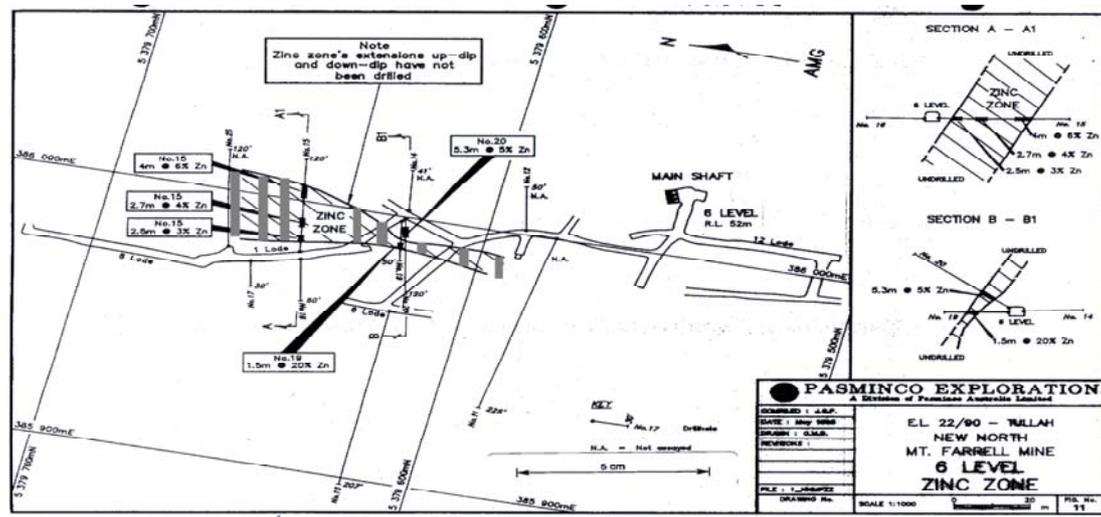


Figure 2. Level 6 zinc zone—NNMF Mine

3. ENVIRONMENTAL AND REHABILITATION ACTIVITIES

Approval has been obtained, subject to relevant inspections in due course by the Department of Infrastructure, Energy and Resources (“DIER”), for drilling activities, line cutting and access track clearing within the Mount Murchison Regional Reserve, adjacent to the Murchison Highway.

4. EXPENDITURE

Exploration expenditure for the quarter totalled \$28,990.00

Appendix I

Sterling Gold Project Diamond Drilling Programme and Budget

PERTZEL TAHAN & ASSOCIATES

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Established 1982

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MEMO TO: Saracen Mineral Holdings Ltd

SUBJECT: STERLING GOLD PROJECT
Program and Budget
Diamond Drilling Program – 2005

Introduction

Gold mineralisation was discovered in the Sterling Valley by Electrolytic Zinc Company of Australasia Limited [EZ] in the 1980s during an extended exploration campaign aimed at the discovery of tin mineralisation.

Subsequent exploration, principally by Billiton Australia [Billiton] and later Pasminco, resulted in the delineation of gold mineralisation at three separate localities within a strike distance of 3000 metres, adjacent to the Henty Fault. These localities are situated within EL47/2003, held by Saracen Metals Pty Ltd and comprise the Sterling Gold Project. The localities are referred to as from north to south, the Hudson Zone (formerly Lakeside) the Hart Zone (formerly Lorrigan's Find) and the Lynch Zone (see **Figure 1**)

At the Hudson Zone a persistent envelope of alteration (chlorite-tourmaline) within the volcanogenic sediments of the Farrell Group encloses significant sulphide associated gold mineralisation. Mineralisation has been intersected in drill holes over a strike length of some 300 metres and to a depth of 236 metres below surface.

The following range of intercepts of gold mineralisation (using a 1.0 g/t Au cut-off) has been recorded in the most recent diamond drilling (Billiton 1987-1988) at the Hudson Zone.

	Hole ID	From_m	To_m	Interval_m	Grade Au g/t
Widest interval	RED87-3	109.0	115.65	6.65	4.36
Narrowest interval	RED87-5	103.0	104.7	1.7	1.73
Highest grade	RED87-3	109.0	115.65	6.65	4.36
Lowest grade	RED88-4	268.0	273.0	5.0	1.31

Intercept width approximates true width

The gold mineralisation in the Hudson Zone is situated in the footwall of the Henty Fault within 50 metres of the fault plane (see **Figure 3**)

At the Hart Zone, 1000 metres to the south, gold mineralisation occurs in association with sulphide zones, dominated by arsenopyrite, hosted by the Mount Black Volcanics. Gold also occurs in sulphide-poor zones. Mineralisation has been intersected in previous diamond drilling over a strike length of 200 metres and to a depth of 250 metres below the surface.

The following range of mineralised intercepts, applying an arbitrary 0.2 g/t Au cut-off, has been recorded in diamond drill holes drilled by EZ between 1980 and 1985. Neither Billiton, nor Pasminco conducted drilling within this zone.

	Hole ID	From_m	To_m	Interval_m	Au g/t	As %
Widest intercept	STP221	28.8	39.5	10.7	0.78	4.28
Narrowest intercept	STP234	184.2	185.5	0.3	3.25	<0.01
Highest gold grade	STP234	185.2	185.5	0.3	3.25	<0.01
Highest arsenic grade	STP231	53.8	58.3	4.5	0.52	5.91
Lowest gold grade	STP234	252.0	254.0	2.0	0.48	0.19

Intercept width approximates true width

The gold mineralisation at Hart Zone occurs in several discreet zones that appear to be parallel to the Henty Fault and offset by cross faulting.

At the Lynch Zone, 1000 metres to the south of Hart, EZ discovered gold mineralisation in quartz-tourmaline veins in a trench excavated to test a tin-in-soil anomaly. Grab samples of vein material assayed 26.6 g/t Au and 8.6 g/t Au. The two-metre channel sample of the interval from which these grab samples were collected contained 0.74 g/t Au. Diamond drill hole STP283 drilled beneath this trench returned a best-intercept of 0.45 metres, between 173.15 and 173.6 metres down hole, containing 2.0 g/t Au, without significant base metal or arsenic values.

Proposed Program

A comprehensive review of previous literature documenting past exploration within the Sterling Gold Project area has revealed that sampling of gold mineralisation was less than optimal. This can be attributed to a number of factors, largely outside the control of the previous exploration companies that conducted the work. Coring through many of the intervals subsequently revealed to contain gold mineralisation was in BQ core-size (nominal outside diameter of 36.4 mm). Core recoveries in some zones was poor and at the Hart Zone much of the core in the sulphide-rich zones had already been re-sampled for metallurgical testwork for arsenic recoveries by EZ prior to the resampling program initiated by Billiton in 1986 to assess levels of gold content. Small volumes of core remained for Billiton's resampling in many instances.

A major objective of the proposed drilling program is to obtain optimal sampling information of the gold mineralisation. This will be achieved by using triple-tube diamond drill coring methods in HQ and NQ core sizes where possible.

Optimum sampling of the gold mineralisation in new drill holes is considered an essential pre-requisite to any authoritative assessment of the gold potential of the Sterling Project area.

The other major objectives are:

- To test for the presence of high-grade gold mineralised shoots within the alteration envelope at the Hudson Zone.
- To obtain a reliable estimate of the gold content of the arsenopyrite-rich sulphide zones at the Hart Zone.
- To test the Henty Fault Zone north of the Hart Zone in the vicinity of previous drill holes STP232A and STP232A-1. These holes did not adequately test the gold mineralisation potential of the Farrell Group sediments immediately east of the Henty Fault.
- To replicate an intercept of the gold mineralisation intercepted in the previous EZ drill hole STP212 (drilled in 1979) situated in the centre of the Hudson Zone.
- To generate exploration vectors for use in better assessing the gold mineralisation potential, in the optimum position along the Henty Fault Zone, in the area between the Hudson and Hart Zones, where gold mineralisation is likely to be best developed.

A single diamond drill hole of between 350 and 400 metres will be used to initially test each of the above objectives.

The program allows for a maximum of 2,000 metres of diamond drilling.

Budget Estimate

The estimate below has been generated using assumed costs applicable to contemporary exploration. This estimate needs to be confirmed by actual quotations for the activities described.

Site access, drill pad preparation and drill rig mobilisation are not included.

<u>Item</u>	<u>Single Shift</u>	<u>Double Shift</u>
Diamond Drilling (2,000 metres)	360,000	360,000
Assays (allow 500)	25,000	25,000
Petrological Studies (allow 25)	1,250	1,250
Supervision	20,000	15,000
Geologist	54,000	30,000
Field Assistant	20,000	14,000
Travel and Accommodation	10,000	7,500
Vehicles	15,000	10,500
<u>Sub Total</u>	505,250	463,250
Contingency (allow 10%)	50,525	46,325
TOTAL	\$555,755	\$509,575

Budget Estimate Assumptions

Drilling costs, allow \$180/metre, includes consumables

Assays, allow \$50 per sample, all inclusive (freight etc)

Petrological studies, allow \$50 per sample

Supervision, Consultant allow 10 days per month at \$500/day

Project Geologist; allow \$13,500.month, \$400 per day

Travel and Accommodation, assume an interstate trip per month at \$2,500 per trip (all inclusive)

Vehicles, allow \$150 per day, all inclusive

Drilling rate – single shift operation requires total of 95 days (allowed 4 months)

- double shift operation requires total of 65 days (allowed 2.5 months)
- assumes 5 days for cementing collars and moves for each hole, (total 25 days)
- assumes penetration rate of 30 metres/shift – single shift
- assumes penetration rate of 25 metres per shift – double shift

Initial Minimum Program

A minimum program of five holes, SVDD001 to SVDD005 inclusive, is outlined on the attached plan and sections. This involves a proposed 1250 metres of drilling. Indicative direct drilling costs for these five holes, based on a draft contract prepared by Boart Longyear in March 2005, are between \$180 and \$187.4 per metre, direct drilling costs excluding mobilisation, site access and moving the rig between sites.

The collar detail for these proposed holes is tabulated below.

Hole No	Collar					TD_m	Target	Zone
	Easting	Northing	RL_m	Az_Grid	Decl		RL_m	
SVDD001	384410	5375325	169	90	-60	250	0	Hudson
SVDD002	384350	5375475	175	90	-50	350	-45	Hudson
SVDD003	384325	5374700	153	90	-60	200	50	Hart
SVDD004	384250	5374450	162	90	-55	300	40	Hart
SVDD005	384400	5374450	154	90	-55	150	80	Hart

B A PERTZEL

4 February 2005

revised 25 March 2005

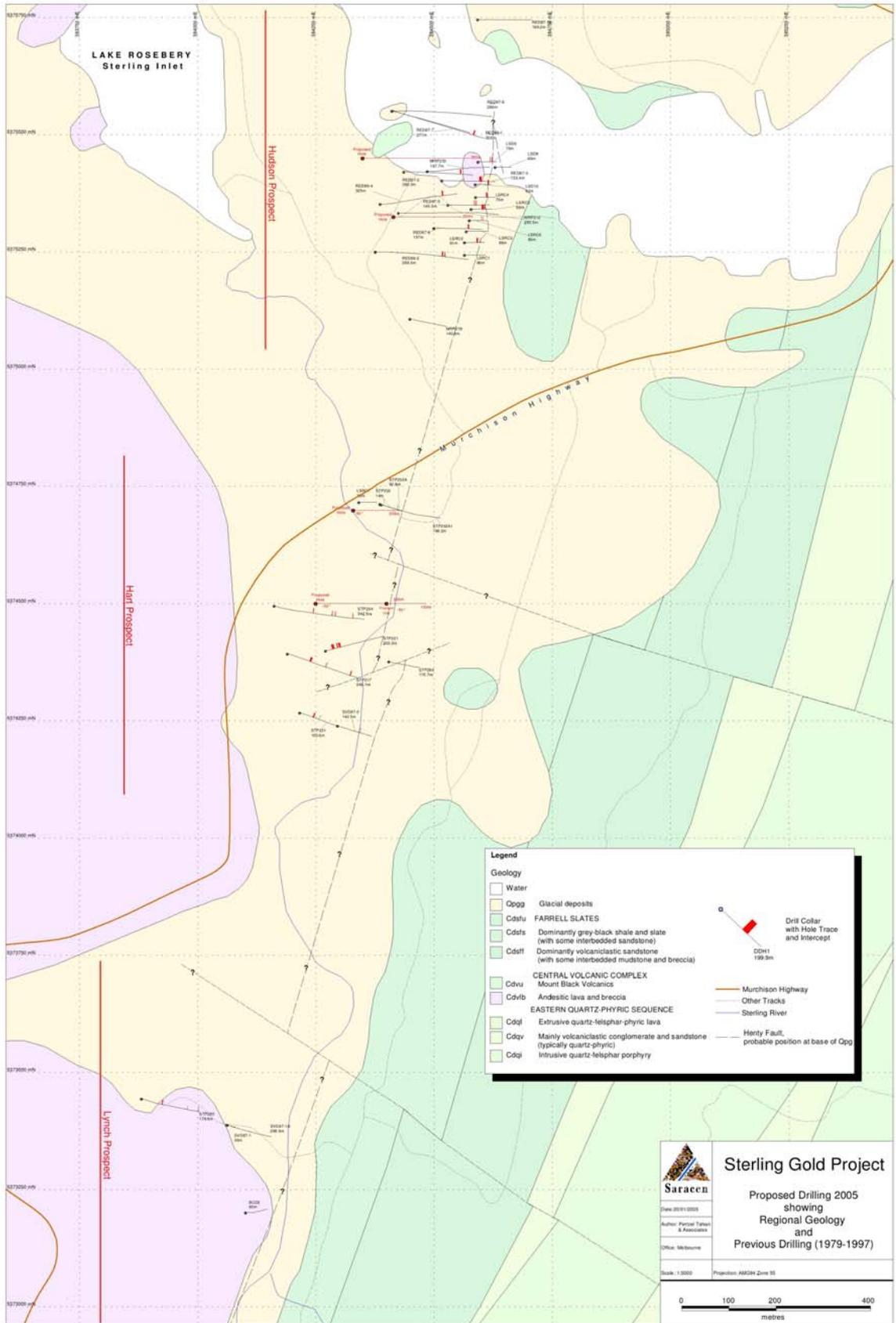


FIGURE 1

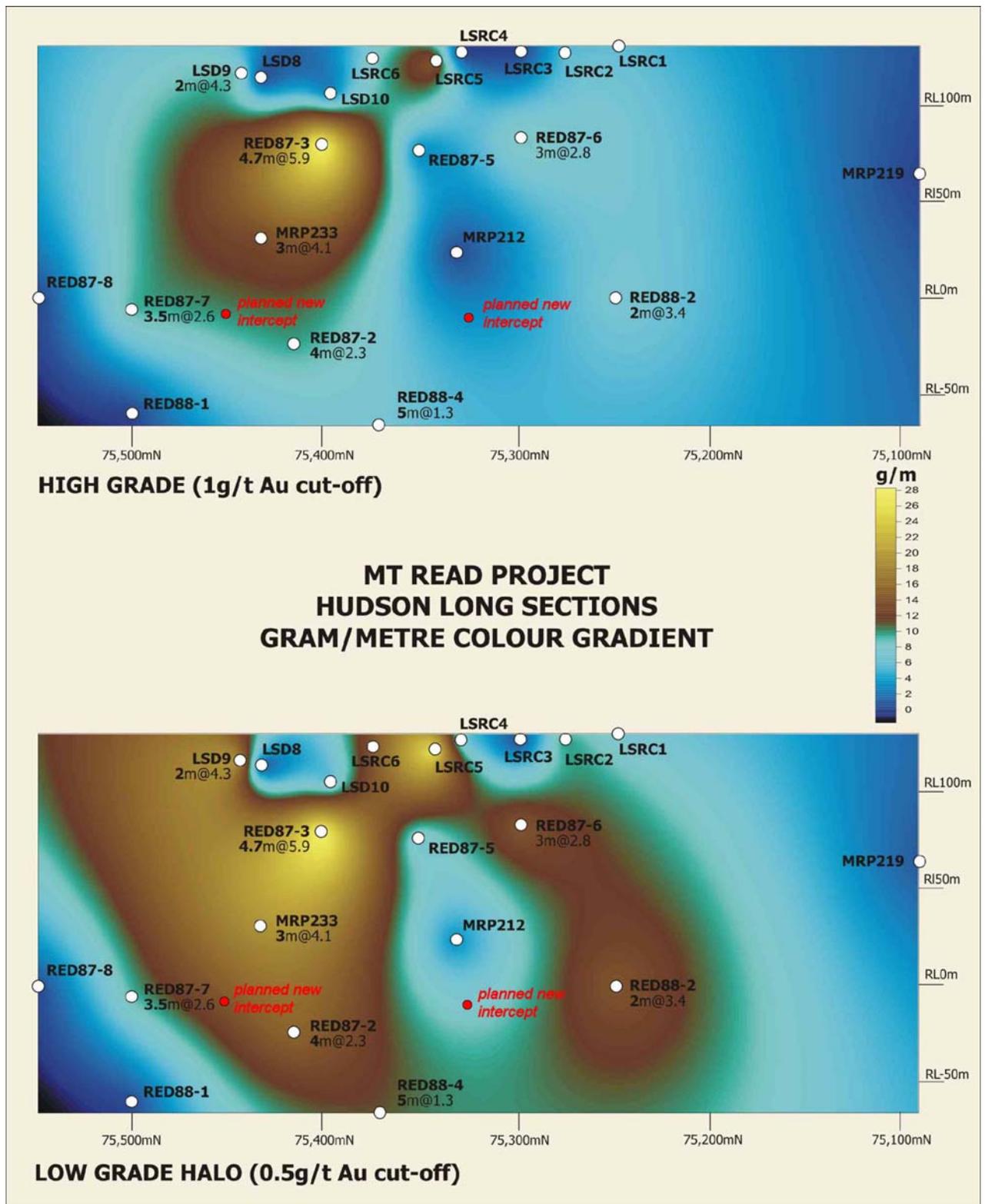


FIGURE 2

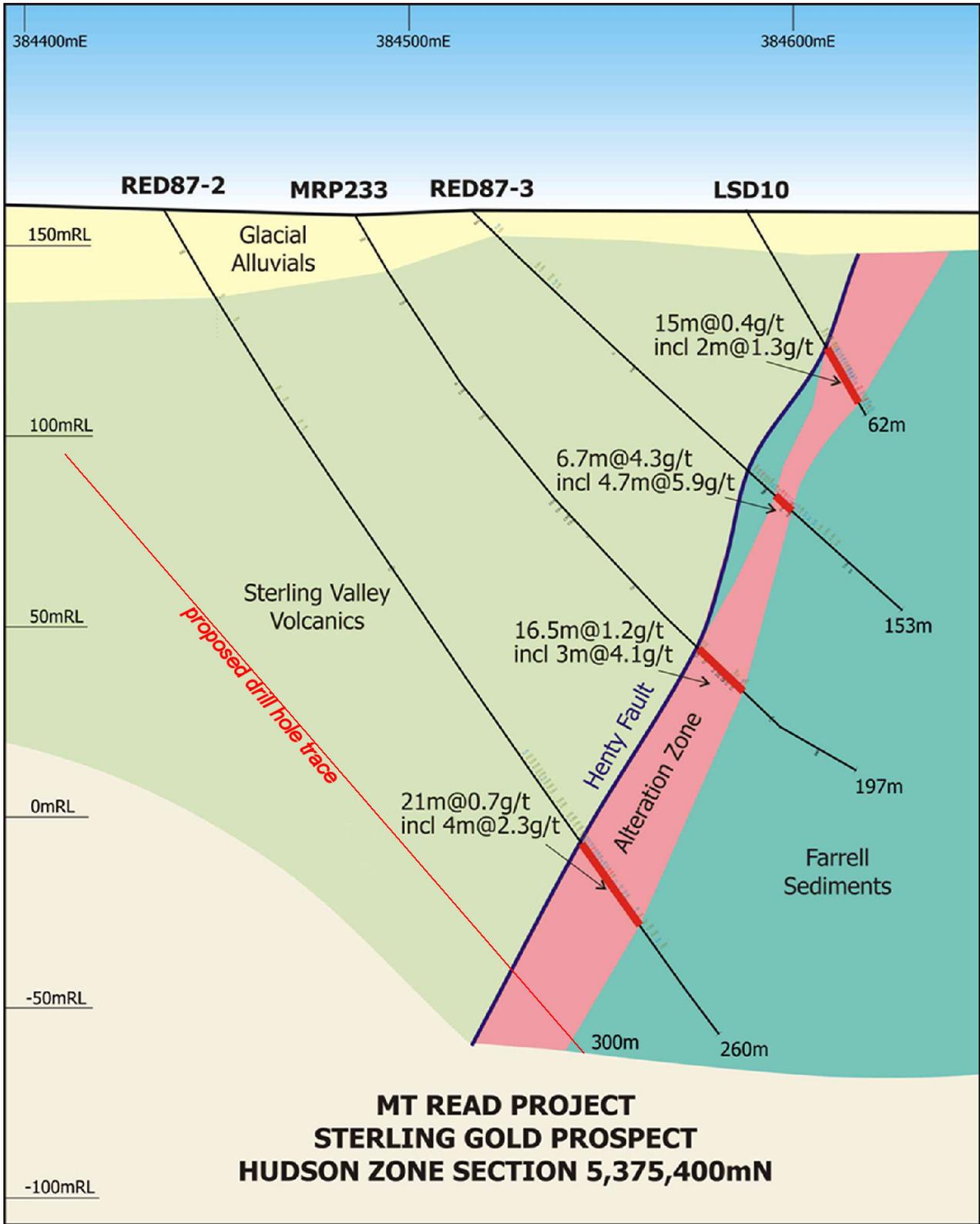


FIGURE 3