



ASHBURTON MINERALS LTD

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QUARTERLY REPORT For the period ended 30 June 2003 ASHBURTON MINERALS LTD ("Ashburton" or "the Company")

HIGHLIGHTS

Significant Events during Quarter:

- Independent Technical Report to Ashburton confirms the economic potential of the Drummond Basin project.
- Appointment of Mr Tom Dukovcic as Managing Director.
- Macquarie Bank agrees to provide a Performance Bond bank guarantee to Ashburton to replace the current \$2.6 million bonds over the Drummond Basin project tenements.
- Metallurgical testwork by Intec Ltd on Wirralie sulphide ore concentrate confirms a 93.3% gold recovery using the halide-based Intec Refractory Gold Process.
- Cunningham Securities, a licensed securities dealer, produces a positive Research Note on Ashburton on the back of the proposed Drummond Basin project acquisition.
- Hydrometallurgical Research Laboratories, the hydrometallurgical research arm of Xstrata Limited (formerly MIM Limited), returns a 96.1% gold recovery from Wirralie sulphide ore concentrate using the Albion Process.

Significant Events Subsequent to Quarter end:

- Ashburton executes formal Share Sale Agreement with Delta Gold Exploration (1995) Pty Ltd, a wholly owned subsidiary of Placer Dome Asia Pacific Limited, for the purchase of Wirralie Mines Pty Ltd, the owner of the Drummond Basin project. The Completion Date for the acquisition is extended to 20 August 2003.
- Shareholders are issued with a Notice of General Meeting to be held on 18 August 2003. Previous meeting called for 29 July 2003 was cancelled. The meeting is called to consider and approve, critically, the proposed issue of shares required to raise the funds to complete the acquisition of the Drummond Basin project and the concomitant consolidation of the issued capital on a 1 for 15 basis.
- Prospectus lodged with ASIC offering 25 million shares at 12 cents each, following a consolidation of existing shares on a 1 for 15 basis, to raise \$3 million.

1. CORPORATE

1.1 Drummond Basin Gold Assets

As previously announced, the Company is acquiring the Drummond Basin Gold Assets (Drummond Assets”) in NE Queensland from Delta Gold Exploration (1995) Pty Ltd (“Delta”), a wholly owned subsidiary of Placer Dome Asia Pacific Limited (“Placer”), by purchasing all of the shares in Wirralie Mines Pty Ltd, the owner of the Drummond Assets.

The Company is pleased to announce that a formal Share Sale Agreement (“SSA”) between Ashburton and Delta has been signed.

Additionally, the Completion Date has been extended to 20 August 2003 to allow the Company time to complete the \$3 million fundraising it is currently undertaking via a prospectus.

1.2 Macquarie Bank facility

Under the terms of the SSA, Ashburton has to replace existing environmental performance bonds of \$2.6 million currently in place over the Drummond project tenements. Agreement on terms has been reached with Macquarie Bank Limited whereby Macquarie will provide a performance bond facility (bank guarantee) up to \$2.75 million, for which Ashburton will be required to provide a cash backing for bonds in excess of \$1.5 million, that is \$1.1 million. Under the terms of the facility, Macquarie is to be issued with \$0.5 million in options, at a conversion price equal to the prospectus raising price, namely 12 cents. Ashburton will also pay Macquarie 2% interest per annum on the \$1.5 million debt component of the facility. Formal documentation in relation to this facility is currently in preparation.

1.3 Fundraising

To facilitate the acquisition of the Drummond Assets, the Company lodged a prospectus with the Australian Securities and Investments Commission offering 25 million fully paid ordinary shares at 12 cents per share, following a 1 for 15 consolidation of existing issued capital, to raise \$3 million. The minimum application will be for 15,000 shares, being \$1,800.

The proceeds of the share offer will be used to complete an implementation study on the oxide resource at Wirralie mine, including confirmation of costs to recommission the necessary infrastructure, including refurbishment of the treatment plant, to allow mining to recommence. These costs are currently estimated at below \$2 million. Ashburton will also complete further exploration and development of the 297,000 oz sulphide resource on the back of recent laboratory tests that indicate recoveries of up to 96% of the gold from the sulphide ore concentrate.

The closing date for applications under the prospectus is 15 August 2003.

1.4 RSG Global Independent Technical Report

As part of the prospectus, the Company commissioned RSG Global to prepare an independent technical report on the Drummond project. On the back of positive results from this report, the Company went ahead with the acquisition.

Critically, the report verified the existence at Wirralie of an 83,400oz gold project capable of delivering an operating cash flow of \$12 million over a two year life by extending the current open pit.

A Whittle 4X optimization conducted by RSG Global at Wirralie identified the potential for an oxide resource capable of producing 83,400oz ounces of gold at a cash cost of \$A421/oz, including statutory royalties. RSG calculated net returns using a \$A550/oz gold price.

A subsequent more detailed financial cash flow analysis of this project completed by Southern Mining Consultants (“SMC”), and based on historical Wirralie production costs, confirmed the economic viability of an open pit oxide mining operation based on the remaining resources at Wirralie.

While more precise feasibility studies on the Wirralie oxide resource are required, the scoping level work by RSG Global and SMC shows that Wirralie represents an excellent opportunity for the Company to secure the longer term future of the company.

Table 1: Wirralie Gold Resources Reported by RSG Global

	Cut off grade Au g/t	Measured			Indicated			Inferred			Total		
		Tonnes	Grade	Oz	Tonnes	Grade	Oz	Tonnes	Grade	Oz	Tonnes	Grade	Oz
		,000	Au g/t	,000	,000	Au g/t	,000	,000	Au g/t	,000	,000	Au g/t	,000
Wirralie Oxide	0.7	2,130	1.07	73	1,820	1.0	61	260	1.1	9	4,210	1.0	143
Wirralie Sulphide	1.4	945	2.59	79	2,580	2.2	180	570	2.1	39	4,095	2.3	297

**Table 2: Wirralie Mine Whittle 4X Indicative Cost Modelling
for the Wirralie Oxide Resource by RSG Global**

Gold price (A\$/oz)	Strip ratio waste:ore	Mine life (years)	Oxide material processed		Metal		Whittle C1* cash cost (A\$/oz)
			Tonnes (Mt)	Grade (Au g/t)	Mill feed (ounces)	Recovered (ounces)	
550	1.2:1	1.8	2.74	1.05	92.7	83.4	421
575	1.2:1	2.1	3.11	1.02	102.4	92.1	436
600	1.3:1	2.2	3.35	1.01	108.5	97.6	445

* includes Qld government royalty of 2.5%, but excludes capital of around \$2 million; model includes all resource categories

1.5 Wirralie Sulphide Resource

Additional longer term potential exists at Wirralie in developing the sulphide resource beneath the present open pit. At a 1.4 g/t cut, RSG Global puts the current sulphide gold resource at 4.1 Mt @ 2.3 g/t, for a contained 297,000 oz of gold. These figures are based on a 1999 resource model, which does not include subsequent drilling results, such as 96 m @ 1.59 g/t from 131 m, including 14 m @ 2.4 g/t from 161 m in hole ORD27, situated some 200 m west of the quoted resource.

There is consequently a good level of confidence that the sulphide resource can be increased substantially in a relatively short period of time.

The sulphide resource is classified as refractory on the basis that conventional treatment, ie, primary crushing, milling and leaching, recovers less than 40% of the gold from the ore. However, recent testwork completed by the Company confirms recoveries of up to 96.1% from concentrate of the sulphide ore, with some 85%-90% of the gold reporting to 12% mass pull of the concentrate. This equates to around 81% total gold recovery, thus significantly enhancing the potential for economic exploitation of this resource.

The Company commissioned testwork by Intec Ltd (“Intec”) and by Hydrometallurgical Research Laboratories (“HRL”), a subsidiary of Xstrata Limited, formerly MIM Limited.

1.5.1 Intec Ltd

Intec has developed the Intec Refractory Gold Process (“IRGP”), a halide-based process operating under atmospheric pressure and moderate temperature. Importantly, the oxidation of the sulphides and the leaching of the gold take place in the one process, representing potentially significant savings in cost and time.

During the Intec trial, sample material was ground to a P80 of 30 microns. Intec reports that no attempt was made to optimise either extraction efficiencies or leach retention times and with further testwork both higher extraction efficiencies and lower leach retention times are likely to be demonstrated.

The IRGP results from the Wirralie concentrate sample are shown in the table below.

Table 1. Wirralie Sulphide Ore Refractory Concentrate

Element	Assay	Extraction Efficiency
Au	29.2 g/t	93.3%
Ag	10.5 g/t	>95%
As	0.61%	98.1%
Fe	16.9%	97.1%

Intec is an independent ASX-listed hydrometallurgical processing company that has developed the Intec Refractory Gold Process, a halide-based process for the recovery of gold from refractory gold concentrates at moderate temperature and atmospheric pressure. The IRGP differs from the hydrometallurgical pressure oxidation and bio-oxidation processes in that a halide rather than a sulphate medium is employed. Halides, like cyanide, form strong complexes with gold to facilitate its dissolution and subsequent recovery by carbon adsorption. In the IRGP the leaching of gold is undertaken by a halide-based liquor and not by cyanide. Importantly, therefore, the oxidation of the sulphides and the leaching of the gold take place in the one process in the one circuit. Apart from not requiring cyanide, the IRGP’s other major environmental advantage is that it converts the ore sulphides into a stable form readily suitable for disposal.

1.5.2 Albion Process

In a preliminary report to the Company, Xstrata’s¹ Hydrometallurgical Research Laboratories (“HRL”) states that gold recoveries of 96.0% and 96.1% were obtained in two separate runs on samples of drill core sourced from the central part of the Wirralie sulphide resource

A 50 kg sample of diamond drill core was submitted to Metcon laboratories in Sydney where the sample was crushed and the sulphide floated off into a 5.8 kg concentrate assaying 22 g/t.

The concentrate was then delivered to HRL in Brisbane where it was ultra fine ground in Xstrata¹ proprietary ISA-mills to a P80 of <10 microns. The finely ground concentrate was then subjected to low-pressure moderate-temperature oxidation within a stirred tank reactor vessel with addition of ferric sulphate and intense oxygenation. Under these conditions the very fine sulphide particles autogenously oxidise, leading to a destruction of the sulphide matrix and allowing access of cyanide leach solution to both the physically encapsulated and the chemically bound gold.

The Albion Process takes place at atmospheric pressure, offering the potential for significant cost savings over capital intensive methods such as pressure oxidation.

1.6 Managing Director

Mr Tom Dukovic, an executive director of the Company since April 1999, was appointed to the position of Managing director effective 12 June 2003. Tom holds a B.Sc(Hons) degree in geology from the University of Melbourne and is a member of the Australian Institute of Geoscientists.

2. EXPLORATION ACTIVITIES

2.1 House Creek JV (Newcrest/Sipa earning 75%)

The manager of this joint venture, Newcrest Mining Limited ("Newcrest") has informed the Company that it has decided to withdraw from the joint venture due to a lack of sufficiently encouraging results to date.

Ironically, the best results were received during the latest phase of RAB drilling, completed in the southern part of E08/941, including a gold intercept of 4m @ 89 ppb from 20 m in hole ARB1781, close to the contact between cover and basement rocks.

Although this result would normally warrant follow up, in the opinion of Newcrest/Sipa the results thus far have failed to identify significant levels of gold mineralisation.

The Company will now await receipt of all data collected over the tenement by Newcrest and will evaluate results before deciding whether or not to undertake follow up drilling of its own accord.

2.2 Mulgabbie West (Sons of Gwalia earning 85%)

No work was reported over this area during the June 2003 quarter by Sons of Gwalia Ltd ("SOG"), the manager of the Mulgabbie West joint venture.

The terms of this joint venture, which expired on 20 June 2003, are currently being renegotiated.

2.3 Other projects

No fieldwork was undertaken over the remaining tenements during the quarter. No further progress has been made in negotiations with the Kimberley Land Council regarding grant of outstanding applications in the East Kimberley area.



TOM DUKOVIC

Managing Director

31 July 2003

NOTE: The information contained in this report insofar as it relates to exploration results, Mineral Resources or Ore Reserves is based on information compiled by Mr Tom Dukovic who is a Member of the Australian Institute of Geoscientists and who has sufficient relevant experience to qualify as a Competent Person as defined in the 1999 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". This report accurately reflects the information compiled by Mr Dukovic.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

Ashburton Minerals Ltd

ACN or ARBN

008 894 442

Quarter ended ("current quarter")

30 June 2003

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation	(167)	(584)
	(b) development		
	(c) production		
	(d) administration	(30)	(266)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	1	6
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material) Corporate Advisory Fees	(58)	(99)
	Net Operating Cash Flows	(254)	(943)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects		(100)
	(b)equity investments		(23)
	(c) other fixed assets		
1.9	Proceeds from sale of: (a)prospects		118
	(b)equity investments		
	(c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows		(5)
1.13	Total operating and investing cash flows (carried forward)	(254)	(948)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(254)	(948)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		834
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		150
1.17	Repayment of borrowings		(50)
1.18	Dividends paid		
1.19	Other - Cost of capital raising		
	Net financing cash flows		934
	Net increase (decrease) in cash held	(254)	(14)
1.20	Cash at beginning of quarter/year to date	392	152
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	138	138

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	42
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	
4.2 Development	
Total	50

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	76	49
5.2 Deposits at call	62	343
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	138	392

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased	EL08/1302	Title granted	0%	100%
	EL08/1303	Title granted	0%	100%
	EL08/1304	Title granted	0%	100%
	EL08/1305	Title granted	0%	100%
	EL08/1306	Title granted	0%	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	350,111,412	350,111,412		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	14,000,000 (ATNAI) Employee Option Incentive Scheme		Exercise price various	Expiry date 31/12/2005
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>	N/A			
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law [or other standards acceptable to ASX \(see note 4\)](#).
- 2 This statement does ~~/does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here:


(Director/~~Company secretary~~)

Date: 31 July 2003

Print name: Tom Dukovcic

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** [ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic \(if any\) must be complied with.](#)

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+ See chapter 19 for defined terms.