



Gold : Golden Cross Resources Ltd (GCR)

Market Statistics		9 May 2002	
Year Low/High:	\$0.07 - \$0.19	Recommendation	SPEC BUY
Diluted No. Shares	97.2m	Share Price	\$0.115
Diluted Mkt Cap :	A\$11m	1 yr Target Price	>\$0.15
By : Eagle Research (Keith Goode)		www.reflections.com.au/goldencross	

Golden Cross Resources Ltd (GCR) - *Gaining a Step on the Production Ladder*

- *Golden Cross is in the process of making the transition from a pure exploration company to a gold producer through re-opening the Adelong goldfield in NSW, with initial production targeted at up to 35,000ozpa.*
- *GCR has a number of prospects all in NSW, and has moved to farm-out a number of them in the past 4 months as it focuses on Adelong, such as with MIM in February over Copper Hill, Triako in April over Yellow Mountain and Sipa in May over its Broken Hill properties. In most cases the farm-out is for up to 70% of the prospect.*
- *GCR is currently in the process of negotiating its financial arrangements to enable it to move into construction and development of the Adelong goldfield. Although there are 3 styles of gold-in-quartz mineralisation that we observed, based on the different wallrocks and strikes of the lodes, the old Challenger mine is the first that is planned to be re-opened.*
- *The recently completed feasibility study showed that payback of the \$3m to \$3.5m required to re-open the mine and commence plant throughput could be achieved within 1 year depending on the treatment rate through the plant.*

OTHER KEY POINTS:

- In the Challenger Lode system, there often appears to be a footwall lode as well as a hanging-wall lode resulting in a package up to 9m thick or so, and riddled with pyrite. On the 1380 level (or RL) the intervening pillar between the two lodes was a respectable 5g/t (which was uneconomic to mine in the late 1860's).
- Each lode does not simply consist of one quartz vein, but rather a package of veins and at Challenger appears to have deeper economic extensions than previously mined.
- The package also illustrates the capability for grades to exceed expectations since development grades are often about 60% to 70% of stope grades, which should increase the estimated development grade.
- Recoveries of 95% have been achieved using CIL on a range of ores (mainly Challenger) by different laboratories.
- There are about 65 recorded lodes, however a number of them appear to be different shoots within the same lode.
- The initial focus is on Challenger, but there could be greater prizes in the field as a number of the lodes appear to point towards the 1km diameter diorite pipe (suggestive of Kidston-like possibly low-grade comparisons) at Donkey Hill.
- Underground conditions are good, with competent walls as seen in some of the stopes visited. Natural ventilation is also good due to the number of open shafts.
- It is intended to mine the Challenger lode mainly by underground using declines, with a decline already having been developed in the late 1980's plus some small level development.
- The old-timers appear to have discarded their sulphide-rich ore, focusing on visible gold in quartz, which could provide an upgrade factor in the old stope fill.

Corporate Overview

Golden Cross Resources Ltd (GCR) has been an exploration company for some years, and has amassed a number of exploration properties in NSW, some of which have been farmed out. In January 2001, David Timms (the Managing Director of GCR) became aware that the Adelong goldfield was “for sale” and eventually acquired 100% of it on 22 February 2002 for a mere 6m GCR shares and \$50,000 in cash (or approx \$650,000). The reason why it was acquired so cheaply goes back to the number of times it has changed hands before the previous owners moved into venture capital and no longer wanted to hold any gold assets.

The \$650,000 provided a granted ML, an EL covering the majority of the old Adelong goldfield (as shown in figure 1 below), native title agreements, minor buildings, freehold land, a second-hand barely constructed plant, and an exploration decline with some minor new development that was completed by Pan Australian in the late 1980s before it was taken over while it waited for the ML to be granted. To put it into context, Herald (HER) recently signed a farm-in to earn 75% of the Gulgong goldfield in NSW by spending \$5m over 6 years from a few smallholders. Additionally, some of the farm-in’s to GCR’s other prospects are for materially greater sums than \$650,000.

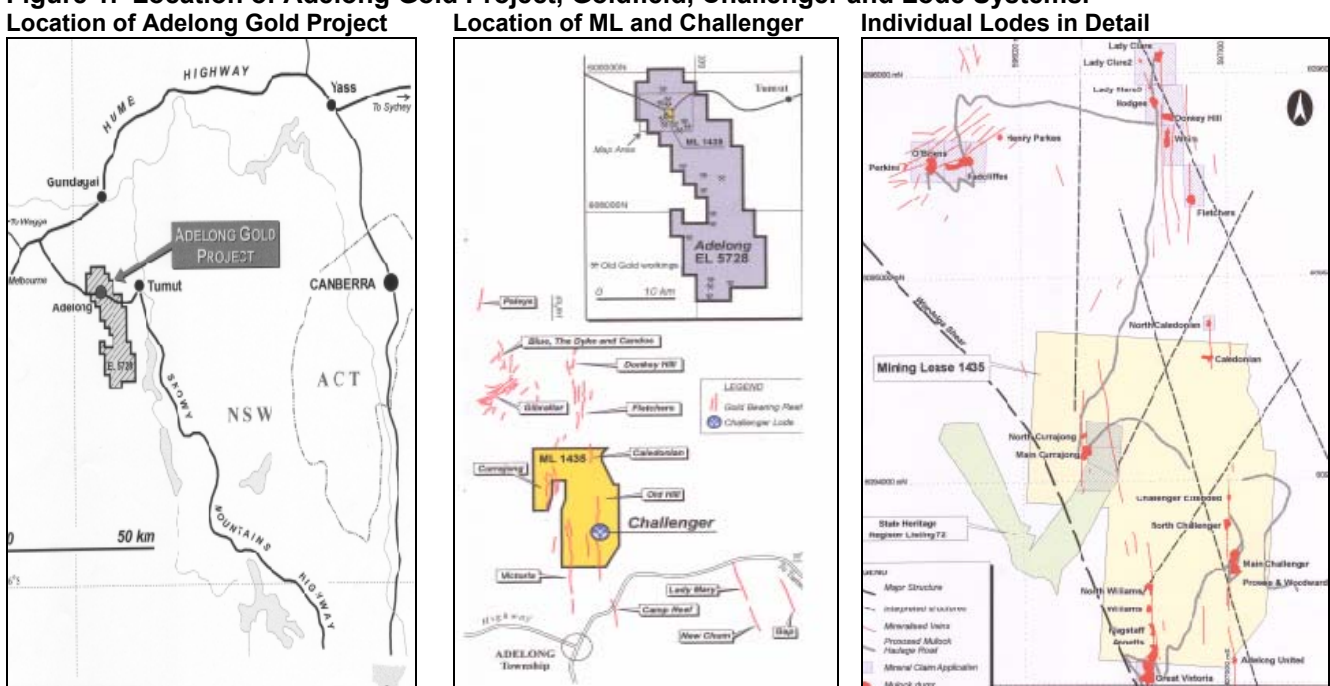
GCR currently has 97.2m shares on issue being 95.02m FPO plus 2.22m 10c options (in-the-money) to Dec 2006. There are 4.2m options (out-of-the-money) at 15c to Dec 2006, and 41.4m options (out-of-the-money) at 20c to Dec 2002. As at 31 December 2002, GCR had net cash of approximately \$0.5m (based on its half-yearly report which showed negligible debt of only \$0.08m).

GCR has a number of exploration properties which it is exploring either in its own right or which have been farmed-out and which are described under “other prospects” on page 5 of this report. However, the current focus is on seeking \$3.0m to \$3.5m to finance the completion of erecting the mill and initial mining at Adelong. Senior personnel have already been ear-marked as and when finance is received.

Adelong Goldfield

The Adelong goldfield is located near the town of Adelong on the Snowy Mountains Highway between Tumut to the east and Wagga Wagga to the west, or about 430km southwest of Sydney in NSW as shown in figure 1 below. The reputedly 1.4moz field was originally mined for alluvials from about 1852, with hard rock production being recorded at 374,000oz from the central part of the Adelong goldfield at average grades of between 30g/t and 240g/t. An additional 560,000oz has been estimated to have been mined from the alluvials in the Adelong Creek between 1857 and 1941 (the latter years by using dredges).

Figure 1. Location of Adelong Gold Project, Goldfield, Challenger and Lode Systems.



In total there are reputedly about 65 differently-named lodes, however, the lodes were mined on a number of different leases and appear in a number of situations to be shoots along one particular lode (or fault zone). There were three main producing hard rock areas namely the Gibraltar region (3.9t of gold) covering Radcliffes and O'Briens, the Old Reef line (4.1t) including Challenger, and the Victoria Reef line of lode (3.3t). Donkey Hill only recorded 254kg despite the remains of its impressive shaft system. Although the gold production was recorded, very few records of the old workings have been discovered despite extensive searches through historical files and libraries.

The mineralisation at Adelong has been described as gold in quartz-calcite veins containing pyrite, with minor sphalerite and chalcopyrite near porphyritic dykes that occur mainly in northerly trending fracture zones typically to 3m wide within various granodiorites that were associated with intrusive phases. However, that is a simplification, as we noticed on our visit to the property and some of the surrounding prospects in the exploration tenements (partly under mineral claim applications) on 23 April 2002, in that based on the mullock dumps there appeared to be at least three different styles of mineralisation.

The surface visit focused on 3 locations being the hard blocky mullock dumps associated with Challenger with the lodes trending north-south on strike and dipping steeply to the west. Screening of these mullock dumps apparently produced a relatively high upgrade factor. We then visited the more fragmented Donkey Hill mullock dumps containing possibly more than 10% quartz and some very clearly visible chalcopyrite (copper), plus its large shaft area. Donkey Hill did not have much of a record of gold production at only 254kg, however, it has had encouraging drillhole intersections such as 1m at 67g/t in 5m at 17g/t (inferred remaining 4m averaged 4.5g/t). Possibly Donkey Hill was lower grade than expected, it is on the edge of a 1km diameter diorite pipe (Kidston-style ?) and the lode systems do all appear to point towards it.

And then there is Gibraltar (containing Radcliffes etc) where the lodes mainly strike east-west towards Donkey Hill with apparently some curvature to the north too. The Gibraltar area looks like a classic old goldfield region with adits and shafts in a steep hillside and fans of friable shaley looking mullock (though on closer inspection could be a different variety of granodiorite etc) spreading out from set points (adit-style appearance).

The mining plan is naturally focused on the granted ML shown in figure 1, which from a viewpoint looking eastwards on the old Currajong mullock dumps is shown in figure 2.

Figure 2. 180 degree Montage View looking east towards Challenger

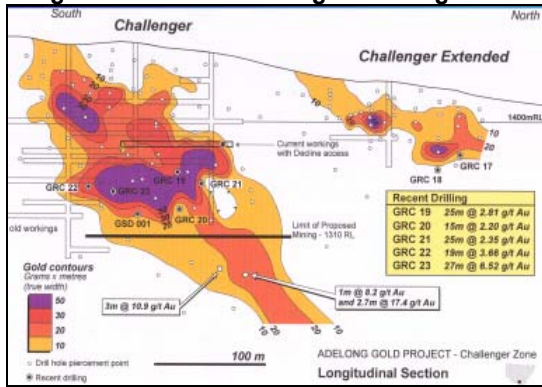


The lines of the lodes can be tracked through the names shown in figure 2 (while also referring to figure 1). There is a quarry in the hanging-wall of the Challenger lode system which has nothing to do with the mineralisation, because it was used as a foundation base to build a Visy pulp and paper mill further down the main road towards Tumut, and from which some revenue was consequently derived.

The Challenger prospect appears to be the most logical place to start the operation with an area already demarcated for a plant-site, and a 3.2m x 3m exploration decline (located on the top left-hand corner of the "D" for "Decline" in figure 2). The decline was sunk by Pan Aust in 1988-90 to the 1380mRL and extracted 1300t of ore/lode material (still mainly there at a grade of about 5g/t). The decline may be slyped into a larger 5m by 5m decline. There is also a reasonable access road (cut to transport the rock from the quarry to build the Visy mill).

Although the Challenger orebody can be seen in figure 3 to be narrow-vein, it deceptively widens to 9m or so in thickness, containing a footwall and a hanging-wall lode structure separated by lower grade possibly 5g/t ore (as has been sampled in the exploration drive at the foot of the decline). Figure 3 also shows the initial resource delineation within which 211,000t at 5g/t is expected to initially be mined from underground and 63,100t at 3.4g/t from an open-cut.

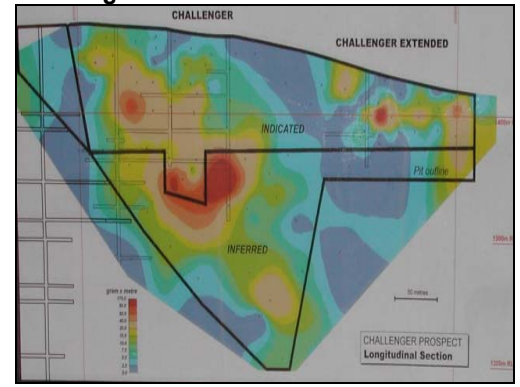
Figure 3 Sections through Challenger
Longitudinal Section through Challenger



Challenger Section



Challenger's Reserve & Resource Blocks



On the underground visit, the old footwall stopes could be seen as having fairly clean competent walls as shown in figure 4, however, the level plans illustrated the need for detailed geological mapping underground (something which we have increasingly observed in a number of underground operations).

Figure 4 Sections through Challenger and old workings
Section of H/w & F/w stopes



Old Shaft in Footwall Lode



Old Stope Reef Drive

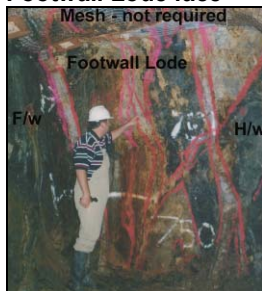


Old Stope Reef Drive



The need for detailed geological mapping is also shown in figure 5 of the lode structures themselves which although riddled with pyrite (with which the gold is associated) the structures are not simply one quartz vein but a package of veins. The package also illustrates the capability to attain higher grades when mining commences than the envisaged 5g/t average, since the estimated development grade could be upgraded according to the usual rule of thumb in which development grades are usually about 60% to 70% of stope grades.

Figure 5 Development showing 9m span between F/w of F/w lode and H/w of H/w lode
Footwall Lode face



Nine metre wide total package from F/w to H/w



Hangingwall Lode Roof



The current mining plan for opening the Adelong goldfield is a mix of minor open-cut and mullock dump treatment as the underground becomes established. It is expected to cut another decline about 20m below the lip of the Challenger Extended open-cut to provide the 2nd egress, efficient ventilation, and haulage flexibility etc. Due to the orebody width, sub-level open-stoping is envisaged to be the main stoping technique, although some air-leg stoping is likely to occur too.

In our opinion, modifications to the mining method and extraction and processing could occur as mining progresses, with the feasibility study providing the initial direction. There is a heritage area entering the western side of the ML as shown in figure 1, but just what it is trying to preserve is unclear unless it has been mis-surveyed, since it currently only covers about half of a small mullock or rock dump and what looks like “sheep pasture”, and consequently GCR may be able to reclaim it, or swap it with some more heritage-looking ground near say the old Gibraltar workings.

Upside

There is upside beyond Challenger, and there are numerous targets. It has been commented that some of the historically super-high grades were due to supergene enrichment, and while most of that is regarded as having been mined, it could prove to be an over-simplification. It really is a case of starting somewhere and progressing from that.

As shown in figure 3 of the longitudinal section through Challenger, there have been some encouraging deeper intersections (below the envisaged mining plan to the 1310RL), such as 3m at 11g/t and 2.7m at 17.4g/t. There was also an intersection of 27m at 6.5g/t about half-way between the 1380RL original decline accessed level and the 1310 level. Additionally there is the possibility of extending along strike southwards towards the Prowse-Woodward Shaft.

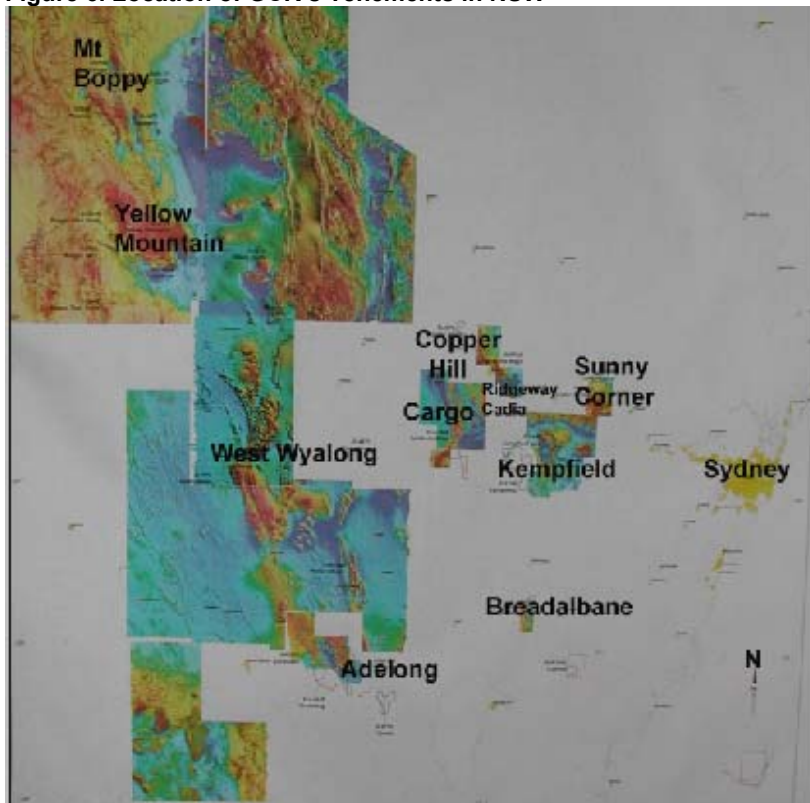
There is some visible gold but a “complaint” in a book on the old NSW goldfields (“*Gold is where you find it*” by L Robinson and C Frost in 1981) refers to the sulphides at Adelong as being a problem for the old-timers such that only the free-gold specimens were treated (or treatable) unless they used mercury. This of course does not pose a problem with modern processing technology. Testwork at Adelong has given typical recoveries of 95% using CIL from a whole range of different ores, grades and laboratories on different occasions. However, it does mean that the old stope ore could contain higher grades than expected if the old-timers discarded their sulphide-rich ore and focused on visible gold in quartz.

Other Prospects

GCR has built up an impressive array of exploration prospects consisting of about 5 porphyry-coppers (including Copper Hill), a platinoid system at Broken Hill which Sipa is farming into, Canbelego (near Mt Boppy) which is regarded as having the potential to become another goldfield, the old silver mine at Sunny Corner, a potential zinc/base metal prospect at Breadalbane, and Kempfield with its baryte that requires some R & D as a possible replacement material for gyprock.

The prospects are literally scattered through NSW as shown in figure 6 below (Broken Hill is about 200km further west of the left hand edge of the figure) :

Figure 6. Location of GCR's Tenements in NSW



On 28 February MIM farmed into Copper Hill and needs to spend \$4.5m over 4 years to earn 70%. MIM spent monies earlier on at Copper Hill trying to work out what the geology was doing. Newcrest was the previous company to have a go at its interpretation, but now MIM has introduced its in-house MIMDAS technology which has placed a different slant on what it thinks is taking place there.

On 18 April 2002, Triako (TKR) farmed into Yellow Mountain (20km from TKR's Mineral Hill) and needs to spend \$750,000 by October 2004 to earn a 51% interest, or 70% by spending \$1.3m on exploration by October 2005.

Even more recently, on 2 May 2002, Sipa (SRI) farmed into GCR's Broken Hill (platiniferous) prospect by purchasing 3m GCR shares on market (must hold them until April 2003) and spending \$245,000 by May 2003, followed by completing a BFS by May 2006 in order to earn a 70% interest.

Management

Board of Directors

Lex Hansen – Chairman since August 2001 (following the retirement of Lindsay MacAlister). Lex has over 30 years' experience in senior positions in the mining industry, encompassing exploration and mine development, corporate, financial, stockbroking and investment activities.

David Timms – Managing Director since 1996. He was Exploration Manager for Cyprus Gold from 1985 to 1990 and Manager of Amoco Minerals Australia from 1972 to 1985. He founded Golden Cross in 1996.

Daven Timms – Executive Director since 1996. He is currently a company secretarial consultant to AurionGold and was a solicitor with various law firms from 1988 to 1996. He founded GCR with David.

Kerry McHugh – Non-Executive Director since 1999. He was well-known as the GM Business Development for Plutonic Resources from 1991 to 1998, and prior to that for Pioneer International from 1987 to 1991.

Senior Management

Chris Torrey – Exploration Manager since 1996 – 22 years' experience in copper-gold porphyries, skarns, epithermal and shear-hosted gold, in Australia, NZ, Central America and Indonesia.

Gordon McLean – Senior Geologist since 1996– 15 years' experience in mainly gold vein deposits such as Waihi, Cyprus Gold and MPI/Stawell.

Robyn Hee – Senior Geologist since 1997 – 16 years' experience in copper-gold porphyries, epithermals, and computerised information systems designed for minerals exploration for 5 years with CRA.

David Hobby – Consultant Senior Geologist - Exploration Manager and Registered Mine Manager for Adelong since 1997. 11 years' experience including underground exploration geology from Rosebery, Ora Banda and regional Kalgoorlie.

Share Price Analogy

GCR's current situation with a number of exploration properties, some of which are joint ventured, and a chance at producing gold from its own mine, is the ideal scenario at which a number of the current exploration IPOs hope to have attained in 3 years' time. Except that they will have floated for 20c to 25c. Consequently for GCR to attain a share price of 15c compared to its current market cap of A\$11m at a share price of 11.5c appears to be reasonably achievable.

Chart of Golden Cross over the past year (May 2001 to May 2002) (Source : www.yahoo.com)

GCR has fallen...

...back to support at about \$0.10 per share...

...following delays to Adelong's commissioning



Disclosure

Golden Cross Resources Ltd commissioned Keith Goode (who holds a Proper Authority with State One Equities Ltd ACN 064 904 650, and is a consultant with Eagle Research Advisory Pty Ltd ACN 098 051 677) to compile this report, for which Eagle Research Advisory Pty Ltd has received a consultancy fee. At the date of this report neither Keith Goode, his immediate family or Eagle Research Advisory Pty Ltd held interests in shares issued by Golden Cross Resources Ltd.

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