

GOLDEN CROSS RESOURCES N.L.

ACN 063 075 178

QUARTERLY REPORT TO 31 DECEMBER 1997

28 January 1998

HIGHLIGHTS

- Strategic Alliance formed with Canadian miner Aur Resources Inc.
- At Cargo the first hole by RGC reached a depth of 440m with strong alteration throughout.
- Encouraging results received from the first of 18 drill holes to test the porphyry copper at Copper Hill. Newcrest Mining have completed six reverse circulation drill holes and one diamond drill hole. Results for four reverse circulation holes have been received, with one intercept from 0 to 80m averaging 0.50% copper and 0.42 g/t gold.
- At 31 December 1997 GCR held cash reserves of \$1.78 million.
- During the quarter GCR was ranked top four Australian grassroots gold and metals explorers by stockbroker HSBC James Capel and recommended as a speculative buy by stockbroker DJ Carmichael.

Strategic Alliance with Aur Resources Inc.

On 2 December 1997 Golden Cross Resources announced the formation of a strategic alliance with Canadian gold and base metals miner Aur Resources Inc. Aur Resources has a market capitalisation of C\$250 million and over C\$150 million working capital. Aur Resources operates the Louvicourt polymetallic base metal mine in Quebec, Canada and the Andacollo copper mine in Chile and is presently exploring over 100 gold and base metal properties in Canada, the US and Chile.

On 31 December 1997 GCR issued Aur Resources' wholly owned subsidiary Aurcay Holdings Inc. 4 million shares and 4 million options and First Canadian Gold Corporation Inc. 2 million shares and 2 million options in consideration for a total of \$720,000. First Canadian Gold Corporation shares some executive management with Aur Resources Inc. The options are exercisable at 15 cents during 1998 or 25 cents during 1999. Aurcay Holdings Inc. holds 8.9%, and First Canadian Gold 4.4%, of the issued capital of GCR (see back page). Both subscribers have an equalisation option, to maintain a level of equity in GCR based on their current percentage holding in GCR. If both subscribers exercise their options, this percentage holding could be as high as 15.7% (Aurcay) and 7.8% (First Canadian).

Under the alliance Aurcay Holdings has:

- a right of first offer over any properties GCR offers for farm-out or option; and
- the right to earn a 50% interest in GCR's interest in any mineral property and obtain operatorship (to the extent GCR or its subsidiary is entitled to operatorship), once a production decision has been made, where GCR's share of planned production exceeds 75,000 oz/year of gold or 35 million pounds of copper/copper equivalent, by arranging 100% of GCR's financing required to bring the property into commercial production.

Completion of Cargo JV Agreement with RGC

On 19 January 1998 GCR announced the completion of the Cargo joint venture agreement with RGC Exploration Pty Ltd (RGC). RGC is earning a 70% interest in the Cargo exploration licence, from 50/50 joint venture partners GCR and Imperial Mining NL, by spending \$12.5 million prior to 17 November 2003. RGC is committed to spend \$1.5 million, including 5,000m of core drilling, on exploration by 17 November 1998.

Breakthrough with Security Deposits

Golden Cross Resources was the first to take advantage of a new system developed by Officers of the Department of Mineral Resources in conjunction with the NSW Minerals Council and industry leaders. Single security deposits lodged by each explorer will replace individual security deposits for each licence. Security deposits lodged by Golden Cross in respect of 21 licences, amounting to \$218,000, will be released in return for a single deposit of \$100,000. As a result of this expected cash inflow and anticipated recovery of exploration expenditure, GCR's estimated cash outflow for the March Quarter is \$100,000.

SUMMARY OF EXPLORATION RESULTS

In addition to Cargo and Copper Hill, exploration efforts will be concentrated on the West Wyalong, Pipeline, Kempfield and Wagga Tank projects.

At **Cargo**, NSW, the first hole of a minimum 5,000m diamond drilling program has been completed by RGC on this large copper and gold mineralised porphyry system, 12 km due west of Cadia/Ridgeway. The hole showed strong alteration throughout and reached a depth of 440m. Results are summarised below and further results are awaited.

At **West Wyalong**, NSW, a gravity survey confirmed a strong positive gravity anomaly along the Gilmore Suture. The southern portion of the tenement, prospective for porphyry copper mineralisation, is presently being offered for joint venture.

At **Copper Hill**, NSW, joint venture partner Newcrest Mining is presently conducting a deep drilling program to test for copper-gold porphyry mineralisation. Results have been received for four percussion holes, with an encouraging intercept from one hole from 0 to 80m averaging 0.50% copper and 0.42 g/t gold in a relatively untested area. A diamond core hole intersected multiphase quartz magnetite veins from 200 to 345m below and to the northeast of the historic Copper Hill workings. Further results are awaited.

At **Pipeline**, NSW, a number of coincident geophysical and geochemical anomalies, with signatures similar to known zones of mineralisation at Pipeline Ridge prospect, remain untested.

At **Kempfield**, NSW, evaluation of the barite resource is underway.

EXPLORATION RESULTS

1. Cargo (NSW, 435 sq km, GCR (operator) 50%, Imperial Mining NL 50%, gold and copper) (RGC spending \$12.5M to earn 70% of Cargo EL 5238)

At **Cargo** RGC has completed the first hole of a diamond drilling program to test the central part of the intrusive complex for porphyry copper-gold mineralisation. The hole reached a depth of 440m, with strong alteration throughout. Best results are set out below. The second hole is presently at a depth of 180m and results are awaited.

Drill Hole No.	East (m)	North (m)	From (m)	Intercept (m)	Copper (%)	Molybdenum (ppm)	Gold (g/t)
CRD-1	66663	6299740	0	218	0.11	196	0.06
	1						
incl.			23	5	0.25	217	0.11
incl.			102	10	0.24	387	0.12
incl.			178	19	0.18	347	0.07
and			281	5	0.21	44	0.23

At **Cargo West** (Figure 1), part of the 50/50 joint venture with Imperial Mining, excluded from the RGC joint venture, geological mapping and rock chip sampling have identified six zones of interest. The best rock chip sample to date, assaying 5.4 g/t gold, collected at a mullock dump in the eastern part of the licence.

2. West Wyalong (NSW, 290 sq km, GCR earning 90%, subject to 2.5% net smelter return, gold and copper) (West Wyalong North - 120 sq km, GCR 100%, gold) (Buddigower prospect - 3 sq km, GCR 100%, gold)

A gravity survey confirmed a strong positive anomaly of up to 30 milligal over the Pines prospect along the Gilmore Suture (Figure 1).

Aircore drilling in the southeastern corner of the licence returned anomalous arsenic, molybdenum and antimony. The best gold intercept was 3m at 0.61 g/t gold from 30m in WWAC 239.

The southern portion of the West Wyalong licence is currently being offered for joint venture to a number of the larger mining companies and there has been substantial interest in the Narragudgil porphyry copper prospect in the southeast of the licence.

3. Copper Hill (at Molong, NSW, 25 sq km, GCR 31.33%, diluting to 25.5%, Newcrest Mining Limited (operator) 68.67%, earning 74.5%, gold and copper)

Joint venture partner Newcrest Mining is conducting an \$880,000 drilling program to test the copper-gold porphyry prospect. The program, consisting of 18 holes averaging 400m depth, is scheduled for completion by 31 March 1998.

A diamond core hole and six reverse circulation drill holes have been completed. The reverse circulation drilling tests the Wattle Hill zone which lies 1.5 km south of the Opencut prospect where a previous diamond drill hole returned 217m at 1.67 g/t gold and 0.72% copper from surface. Results for four reverse circulation holes at Wattle Hill have been received, with best results set out below. Further results are awaited.

Drill Hole No.	East (m)	North (m)	From (m)	Intercept (m)	Gold (g/t)	Copper (%)
NCR013	675261	6340250	0	80	0.42	0.50
incl.			22	6	0.80	0.29
incl.			36	2	1.01	1.02
incl.			42	5	1.22	0.59
incl.			62	12	0.85	0.70
NCR014	675154	6340168	0	53	0.27	0.27

The diamond core hole was completed to a depth of 661m to test for high-grade auriferous quartz-magnetite veins below and to the northeast of the historic Copper Hill workings. Multiphase quartz-magnetite veins were intersected over the interval 200-345m. Assays are awaited.

4. Pipeline Project (near Cobar, NSW, 480 sq km, GCR 100%, gold and base metals) (Mt Lewis - GCR 100%, gold, base metals, Fairview - GCR 90% with Metallic Resources holding a 10% free carried interest to construction, gold, base metals)

A number of coincident geophysical and geochemical anomalies, with signatures similar to known zones of mineralisation at the Pipeline Ridge prospect, remain untested. Of particular interest is a broad zone of copper and gold anomalism in soils in the central part of the Kopyje Basin which corresponds to the northern edge of a large magnetic anomaly and a gravity high feature. The large bullseye magnetic anomaly south of Pipeline Ridge prospect is anomalous in gold soil geochemistry.

At *Mt Lewis* a linear NW-trending magnetic anomaly located on the western margin of the Barrow Basin, coincident with the Barrow Fault, extends from the Sarena Downs licence onto the Mount Lewis licence. To the western side of this anomaly lies the old Restdown Goldfield and the Mt Lewis pyrite prospect. Recent reconnaissance prospecting of this magnetic anomaly indicated the presence of quartz-magnetite vein rocks, extensive zones of hematite, limonite and magnetite which have replaced phyllites, gossanous phyllites and copper-bearing, strongly silicified intrusive and volcanic rocks. Rock chip samples of silicified and pyritic rocks at the Restdown Goldfield have returned up to 0.53g/t gold, 0.18% lead and 879 ppm zinc. Gossanous and ironstone-bearing rocks have returned highly anomalous molybdenum (73 ppm), zinc (1170 ppm) and copper (624 ppm). This anomalous zone hosts a variety of highly altered, geochemically anomalous rock types over a large area and is considered to be highly prospective for intrusive-related gold-base metal mineralisation.

5. Wagga Tank (near Cobar, NSW, 470 sq km, GCR 100%, gold and base metals)

The Wagga Tank prospect contains an inferred resource of 1.25 million tonnes grading 3.29% zinc, 1.76% lead, 0.81% copper, 68.8 g/t silver and 0.66 g/t gold.

A soil sampling program is planned in the vicinity of a number of large circular magnetic anomalies in the vicinity of Wagga Tank prospect in the western half of the licence. The peripheral portions of these circular features are anomalous in gold, arsenic, lead and zinc. The soil sampling program will test the hypothesis that the circular features are mineralised halos surrounding intrusive complexes.

6. Broken Hill (NSW, 114 sq km, GCR 100%, gold, platinum group metals and base metals)

Exploration activity is on the increase in this area of the Curnamona Craton. GCR plans to further test the prospective ironstone formations at Yellowstone, Iron Blow and Razorback prospects and to follow up on base metal and platinum group metal geochemical anomalies generated on the 114 sq km project.

7. Kempfield (near Blayney, NSW, 70 sq km, Kempfield - GCR Earning 51% from Metallic Resources Pty Ltd, silver, gold and base metals, Kempfield North - GCR 99%, Trunkey Creek - GCR 100%, gold)

The recent increase in the price of silver has given impetus to the Kempfield property (Figure 1) which hosts an inferred resource of 1.5 Mt of 90.5 g/t silver plus 27% barite (16% barium) from previous drilling. The inferred resource lies in a 3 km long zone containing intermittent sulphide mineralisation, including minor amounts of lead, gold, copper and zinc, in a volcanogenic massive sulphide environment.

Another resource calculation using a 6.8% barite cutoff returned a near surface inferred resource of 7.3 Mt of 18.73% barite (BaSO₄) plus 48.5 g/t silver.

8. Glengarry Basin (near Meekatharra, WA, 120 sq km, GCR (operator) 85.1%, Grange Resources 14.9%, gold)

The *Heines Find* tenement contains many encouraging intersections, up to 2m at 8.6 g/t gold, along the Narracoota volcanics/sediment contact. There is potential for an open pit resource and for a large deposit at depth.

At *Dead Horse Well* mineralisation has been identified over a distance of 200m by wide spaced drill holes. The mineralisation is open to the north and there is potential for the discovery of a substantial gold deposit.

A joint venture partner is currently being sought to test the anomalous zones. GCR's Perth office was closed during the quarter and the West Australian tenements are being managed from the Sydney office.

9. Eaglehawk (near Mudgee, NSW, 4 sq km, GCR 100%, gold)

No work was conducted during the quarter.

10. Warraderry (near Grenfell, NSW, 55 sq km, GCR 100%, gold)

A stream sediment sampling program has outlined a zone of anomalous gold mineralisation over an area of approximately 16 sq km. The best result returned 87.5 parts per billion in BLEG stream sediment samples.

11. Southern NSW Licences (NSW, 780 sq km, GCR 100%, gold, base metals)

At the *Jingellic* property the old Carboona workings are under evaluation. Historic records note an indicated resource of 35,000 tonnes grading 7% lead, 1-2% zinc, 35% calcium flouride and 140 g/t silver.

At the *Albury* property stream sediment results have highlighted two anomalous areas, one of which is not explained by old workings. Initial random rock chip sample results are encouraging and warrant further work:

12. Woodstock (near Cargo, NSW, 260 sq km, GCR (operator) 50%, Imperial Mining NL 50%, gold and copper)

During the quarter GCR and Imperial Mining obtained the right to apply over EL 5201 "Woodstock" from GDR Mines Development Pty Ltd in consideration of 333,334 GCR shares and 588,236 shares in Imperial Mining. The shares are classed as restricted securities until 11 December 1998. The tenement, consisting of 89 units in four separate areas (Figure 1), is strategically located along strike from Cargo and Cadia/Ridgeway, in a similar geological environment.

13. Fifield (near Parkes, NSW, 80 sq km, GCR 100%, gold and copper)

Fifield is underlain by Ordovician sediments. Previous exploration data has been compiled. Work by prior explorers included a wide spaced RAB drilling traverse across the licence and the discovery of the Pine Park anomaly.

14. Commonwealth (near Wellington, NSW, 60 sq km, GCR 100%, gold)

The licence will be tested for extensions of mineralisation along strike from the old Commonwealth gold mine which lies outside the Company's licence.

Exploration Licence Applications

ELA 1092 Broken Hill is pending. This application adjoins the Broken Hill licence to the south and covers the extension to the south west of the Yellowstone ironstone formation.

ELAs 956 Orange, 974 Orange (Manildra) and 975 Orange (Mandagery) were withdrawn during the quarter, due to competing exploration priorities.

DAVID TIMMS, MANAGING DIRECTOR

This report was prepared by David Timms, Managing Director and full time employee of Golden Cross Resources NL, who is a Fellow of the AIG and AusIMM and has more than five years experience in the field of activity in which he is reporting.

GCR AT A GLANCE

Directors

Lindsay MacAlister *Chairman*
David Timms *Managing Director*
John H Hill *Director*
Daven Timms *Executive Director & Company Secretary*

Registered and Principal Office

22 Edgeworth David Avenue
Hornsby NSW 2077
Australia
Ph: (02) 9482 8833
Fax: (02) 9482 8488
Email: gcr@dot.net.au

Number of Shareholders

At 31 December 1997 GCR had 1,019 shareholders.

Major Shareholders

The share register records the following as major shareholders (greater than 1%) at 31 December 1997:

1. David Timms	26.58%
2. Aurcay Holdings Inc.	8.89%
3. Metallic Resources Pty Ltd	8.67%
4. First Canadian Gold Corp. Inc.	4.44%
5. ANZ Nominees Limited	1.55%
6. Brian Keith Russell	1.07%
7. Perrodon Nominees Pty Ltd	1.01%

Shareholder Enquiries

Matters relating to shares held and change of address should be directed to the share registry:
Registries Limited
Level 2, 28 Margaret Street
Sydney NSW 2000
Ph: (02) 9279 0677

Issued Capital

At 31 December 1997 the issued capital was 45,001,470 shares of 25 cents par value, 9 million options exercisable at 40 cents by 31.10.98, 5,159,058 options exercisable at 40 cents by 30.9.98, 6 million options exercisable at 15 cents during 1998 or at 25 cents during 1999 and 1,125,000 employee options exercisable at 30 cents by 22.8.2002.

ASX Listing Code

The Company's ASX listing code is GCR.

Exploration Expenditure

December Quarter gross	\$500,000
Less exploration expenditure recovered	<u>-\$250,000</u>
December quarter net	<u>\$250,000</u>
March Quarter net, estimate	\$100,000

Web Site

GCR's web site, on the internet, features the latest results and developments together with lots of maps and diagrams on our projects:

www.reflections.com.au/goldencross

General Enquiries

For further information please contact Daven Timms or David Timms at the principal office:
ph. (02) 9482 8833

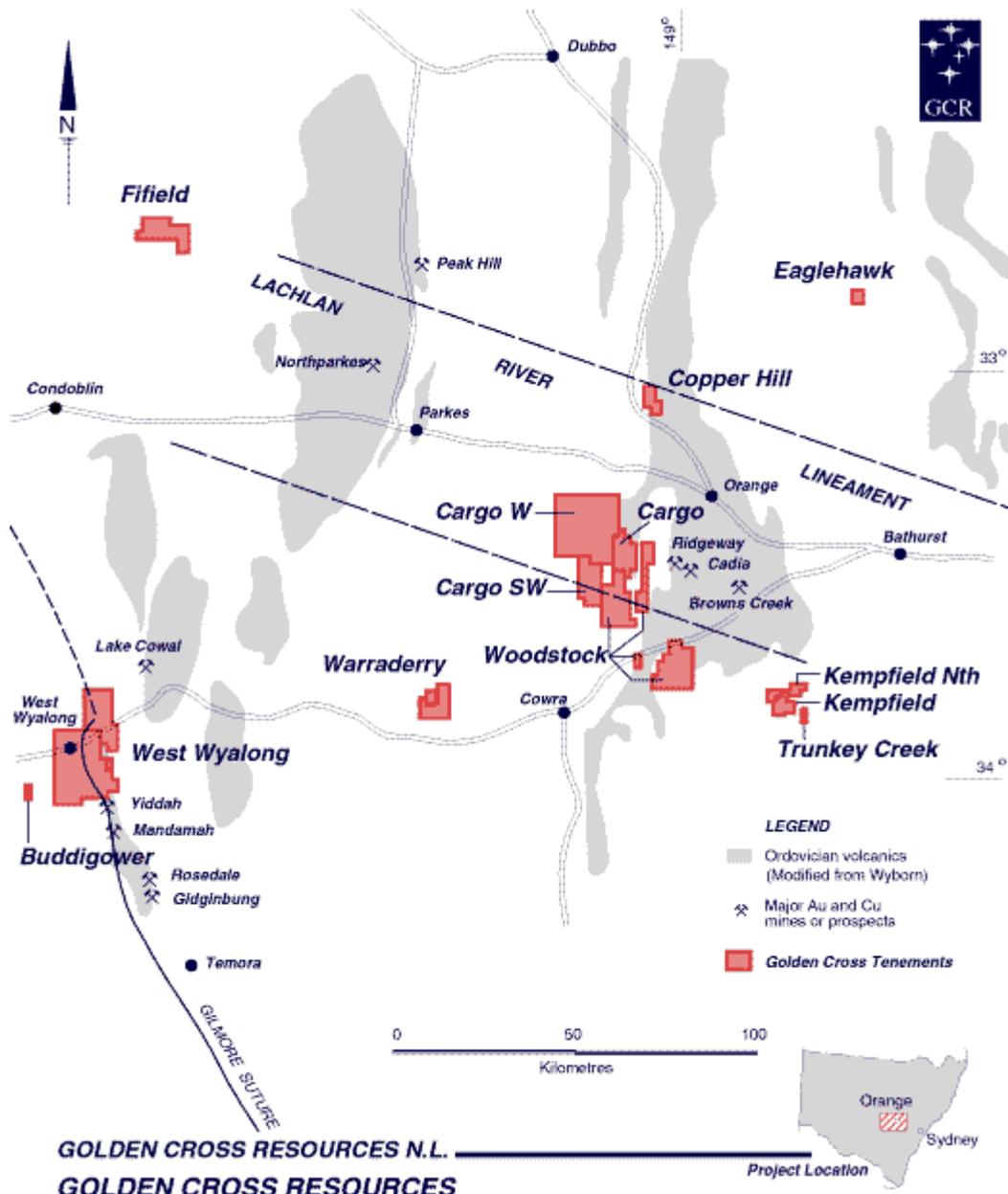


FIGURE 1