

MONTAGUE GOLD NL

ACN 006 045 790



QUARTERLY REPORT TO 31 MARCH 1999

HIGHLIGHTS

AUSTRALIAN ACTIVITIES

- Completion of merger with unlisted gold explorer, Cullen Resources NL.
- Commencement of exploration programmes on key properties at Tick Hill (Qld) and De Courcy (WA).
- Expansion of Ashburton gold project (WA) with agreement to earn a 65% interest in the Yank's Bore gold prospect owned by Hunter Exploration NL.

CORPORATE

- Prospectus issue closes oversubscribed raising \$2.5 million (before expenses) via the issue of 55,555,556 new Montague ordinary shares at 4.5 cents per share.
- New chairman and executive directors appointed to the board.

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AUSTRALIAN ACTIVITIES

COMPLETION OF MERGER WITH CULLEN RESOURCES NL

At a General Meeting of the Company held on the 24 March 1999, shareholders overwhelmingly approved a package of initiatives designed to underpin the future of Montague. These included, most significantly, approval of the acquisition of Cullen Resources NL ("Cullen") via the issue of 66,077,344 new Montague shares and an associated \$2.5 million new equity raising. These funds will be used primarily to further advance the exploration of the Cullen projects detailed below.

All outstanding legal and regulatory steps in relation to the merger were completed by the end of the quarter. Day to day operations as a merged group commenced from the 1st of April 1999.

EXPLORATION PROGRAMMES

Having successfully completed the acquisition of Cullen during the quarter, the Company is now in a position to scale up its gold exploration activities. This will include a significant drilling component at advanced targets. Management's focus during the current quarter will be concentrated on expanding exploration activities at the Company's two main projects at Tick Hill and De Courcy.

- **Tick Hill Joint Venture, Qld** (MIM, Montague earning up to 70% interest)

The Company is earning an interest in 280 km² of MIM tenements surrounding the old Tick Hill mine from which MIM mined approx. 700,000t between 1991 and 1994 at a recovered grade of 22.5g/t, producing approx. 500,000ozs of gold. The project area is located 100 km SE of Mt Isa in NW Queensland.

Several advanced high priority targets had previously been outlined by Cullen from detailed reappraisal of MIM's extensive exploration data base and subsequent follow up geochemistry.

Prospects in the vicinity of the Tick Hill Enclave (see attached map) will be the focus of early exploration. A model of the structural setting for Tick Hill style high grade deposits is being developed and will be tested by the drilling programme.

Exploration re-commenced in April 1999 after a heavy wet season. Detailed airborne magnetic surveys of the Pelican and Mt. Question to Monastery prospect areas have been completed. The preliminary results are to hand and have assisted in identifying a new structural target to the east of the K ridge - Mine Road grids.

All prospect areas have been reviewed on site and new priorities assigned. Prospects for infill and extension of existing grids include Mt. Question, Monastery North, Racecourse, K Ridge and Mine Road grids, all of which are located in the Tick Hill Enclave area.

The Mt. Question prospect is the highest priority being characterised by a circular magnetic low and coincident soil gold regoleach anomalies. Field reconnaissance has recognised a shear zone up to 500m wide in the prospect area. The Tick Hill mine is located in a similar shear (high strain) zone.

Soil sampling and geological mapping are in progress with follow up rock chip sampling prior to drilling in June/July.

- **De Courcy, WA** (Montague 100%)

The De Courcy Project (see attached map) covers the eastern part of the Archaean Wyloo Dome located in the emerging Ashburton gold province. The 369 km² tenement block is prospective for structurally controlled gold deposits hosted by massive pyrite peripheral to barren quartz reefs, similar to the Taipan Resources NL discovery at Paulsens 9km to the northeast

The 1999 field programme commenced at the beginning of April with prospecting of five drainage basins strongly anomalous in gold (up to 250ppb Au) which have been reported in the northern part of the property by earlier explorers. Several quartz vein occurrences have already been located, some with evidence of previous trenching. These include a sulphidic quartz vein located near Horse Well last quarter which returned a rock chip sample assaying 5.9g/t Au. Results of the latest rock chip sampling are awaited and grid soil sampling is planned.

An orientation programme of soil-bedrock interface sampling using a light RAB rig will commence shortly. A number of encouraging surface gold anomalies which were located last quarter will be targeted, particularly those with extensive alluvial cover. Prospecting and geological mapping of these are in progress.

Australian Geophysical Surveys (AGS) has been contracted to carry out a detailed airborne magnetic and radiometric survey over the entire De Courcy tenements. The programme will commence in early May and is designed to better identify prospective structures within the area. In addition, multi-spectral scanning data (Geoscan Mk II) are being acquired to assist with targeting.

Exploration planned during the June quarter includes ongoing geological mapping and soil/rock chip sampling of 1998 targets, orientation RAB drilling and integrated interpretation of airborne geophysics and remote sensing data. Comprehensive soil/RAB sampling of selected areas is scheduled for July/August. Followup RC percussion drilling of priority targets is planned for the September quarter.

- **Expansion of Ashburton Gold Project - Yanks Bore JV, WA** (Montague earning 65%)

Montague has been seeking to expand its strategic presence in the emerging Ashburton gold province especially along the prospective Paraburdoo Hinge Zone. Accordingly, agreement has been reached with Hunter Exploration NL whereby the Company can earn 65% equity in Hunter's Yanks Bore tenement (E08/1022) by spending \$500,000 over 5 years.

The tenement is located on the northwestern flank of the Paraburdoo Hinge Zone, 80km NNW of the De Courcy project. Exploration by Hunter has partially delineated a soil/rock chip gold anomaly in fractured silicified dolomites of the Lower Proterozoic Wyloo Group, associated with a major NNW trending shear zone. Soil sampling highlighted a 2,000m long anomaly peaking at 140 ppb and rock chip sampling giving up to 20m @ 1.7g/t Au. The zone is open to the north and south along strike. Montague intends to percussion drill this target during the third quarter.

- **Gunbarrel Project, Northeast Goldfields, W.A.** (Montague 100% E53/568, E53/645, 80% with North Coolgardie 20% E53/535)

No field work was carried out during the quarter. Several high priority RAB targets will be field checked during the June quarter. Expressions of interest were received regarding a farm out of the tenement package.

RUSSIAN GOLD MINING INTEREST

POKROVSKIY GOLD PROJECT

The Company currently owns a 2% direct equity interest in Joint Stock Company Pokrovskiy ("JSCP"), the Russian company which owns the mining lease and mining assets covering the Pokrovskiy gold deposit in the Amur Region of Russia. The Pokrovskiy deposit is a high grade (9 g/t for the first 5 years) open pit deposit containing 1.4 million recoverable ounces of gold with a further 1.2 million ounces in the resource category.

The project is being developed as a heap leach operation capable of producing 60,000 ounces of gold per annum at an estimated capital cost of US\$6.5 million. The life of the

heap leach operation is forecast to be at least 7 years with an estimated average cash cost of production over the life of the project of US\$90 per ounce.

The operators of the project, JSCP, have reported that activities during the quarter focused on securing the final finance required to complete the construction and development of the Pokrovskiy heap leach operation, as per the approved feasibility study.

JSCP have advised that they have reached agreement with a new investor who will provide up to US\$ 2.5 million in exchange for acquiring a 26% interest in JSCP. This will dilute existing ownership interests in JSCP pro-rata.

Leaching is currently scheduled to commence in the third quarter of 1999 with first gold production scheduled shortly thereafter.

Further information and updates on the progress of the development and commissioning of the Pokrovskiy project can be obtained via the Internet on www.zoloto.co.uk.

MANAGEMENT & CORPORATE

BOARD AND MANAGEMENT APPOINTMENTS

The company announced on 7 April 1999 that, following receipt of the shareholder approvals to the acquisition of Cullen, the co-founders and major shareholders of Cullen, John Horsburgh and Grahame Hamilton, had been appointed to the board of Montague as executive directors.

At the same time, the Company also confirmed the appointment of Dr Dennis Clarke as the new non-executive Chairman of Montague.

The Company's other remaining non-executive directors are William Howe, Stan Lewis and Wayne Kernaghan.

CAPITAL RAISING

The prospectus offering undertaken by the Company closed oversubscribed on the 24th of March 1999. The issue was well supported by new and existing shareholders and raised a total of \$2.5 million (before expenses) at an issue price of 4.5 cents per share.

The cleared funds from the share issue were released to the Company on the 1st of April 1999 (ie after the end of the quarter under review) and accordingly these funds are not reflected in the attached financial report.

In accordance with its Listing Rules, the ASX has advised that the new shares in Montague which were issued to the co-founders of Cullen, John Horsburgh and Grahame Hamilton, will be treated as "restricted securities". These new ordinary shares, which total 21,846,008, (representing approximately 13.7% of the issued capital) will be held in escrow on behalf of the holders until 1st April 2000.

Following completion of the capital raising and the merger with Cullen, the Company has a total of 159,095,034 shares on issue, of which 137,249,026 are free-trading and listed on the ASX.

Yours faithfully,
Montague Gold NL

WJ Kernaghan
Company Secretary

NOTE:

The information contained in this report is based on information compiled by The State Committee on Geology of the Russian Federation which is the overseas equivalent of being a member of the Australasian Institute of Mining and Metallurgy. This report accurately reflects the information compiled by this committee as supplied to the Company by Zoloto Mining Ltd.