



Yamarna Goldfields Limited

Quarterly Report For The 3 Months Ended 30 September 2004

Highlights:

- Significant gold mineralization intersected in several drillholes from recent drilling at the Yamarna Joint Venture Project
- De Grey Mining finds additional high grade gold at the Mt Berghaus Prospect as well as reaching an agreement with Lion Selection Group Limited to invest at least \$2m
- Jackson Gold enters into a major joint venture agreement with Placer Dome Asia Pacific Limited; Yamarna exchanges its interest in the Claypan Dam Project for 3m Jackson Gold shares
- Cangold mobilizes crews to the Thorn property, and completes its earn-in for a 51% interest in the Thorn Project, with Rimfire Minerals owning 49%.

Yamarna Joint venture Project

(Currently 80% Asarco Exploration Company / 20% Yamarna)

On 27 August 2004 Yamarna announced that it had entered into conditional arrangements with Aquila Resources Limited (“Aquila”) and Asarco under which Aquila has the right to acquire from Asarco an interest of up to 70% in the Yamarna Joint Venture Project. Through an agreement between Yamarna and Aquila, Yamarna will increase its participating interest in the project from its existing 20% to 30% in exchange for waiving its pre-emptive rights, surrendering its free carry to decision to mine stage and its royalty entitlement. Yamarna will also have an option to acquire an additional 10% participating interest (to move to a 40% participating interest) from Aquila on the basis of the same purchase price paid by Aquila to Asarco (or 12.5% of the purchase consideration).

The terms of the purchase consideration offered to Asarco by Aquila were as follows:

- a. Up front cash consideration of \$7.5m payable at settlement; and
- b. A further cash payment, limited to \$3.5m, once JORC compliant gold reserve milestones are attained (the amount of the payment will depend on the timeframe within which those milestones are attained);
- c. A 2.3% royalty on gross revenue payable on production ounces in excess of 218,750 ounces derived by Aquila from its share of production from a designated area surrounding the North Khan discovery.

+ See chapter 19 for defined terms.

The total consideration Aquila was to provide for Asarco's 70% interest in the joint venture was capped at \$15m.

On 27 September 2004 Aquila announced that it had notified Asarco that it will not be proceeding with arrangements to acquire Asarco's interest in the Yamarna Joint Venture. From Aquila's perspective the decision to proceed with the acquisition was highly dependent on the results of a drilling program that formed part of Aquila's due diligence. Whilst the results did provide encouragement in Aquila's view they were not sufficient for Aquila to proceed with the proposed acquisition at the price originally announced.

The directors of Yamarna are informed that Aquila intends to continue discussions with the view of seeking revised terms. Yamarna has entered into an agreement with Aquila to jointly develop the project in the event that Aquila is successful in acquiring Asarco's interest.

A Reverse Circulation drilling program comprising 1532 metres in 15 holes was initiated by Asarco at the request of Aquila during August – September to determine whether there is a high-grade gold resource within 400m of strike of the discovery intercept YARC 303 (33m @ 7.4 g/t AU) announced in May 2004.

The recent drilling determined that YARC 303 had drilled sub parallel to the dip of the mineralized zone which is six to eight metres in true width on that section.

Gold mineralization was found to extend throughout the shear zone to the limits of the drilling. Significant gold mineralization was intersected in several of the drillholes, including:

- YARC 303 re-entry (2m at 27.5 g/t Au from 73m and 2m at 7.01 g/t Au from 88m to the bottom of drillhole at 90m). (The high-grade gold intercept in YARC 303 is now 14m at 15.0 g/t Au with 37m at 8.2 g/t Au.)
- YARC 322 and YARC 323 drilled on the same section as (and in the opposite direction to) YARC 303, returned 8 metres at 1.67 g/t Au from 43 metres and 8 metres at 2.14 g/t Au from 82 metres respectively.
- YARC 326 and 327, 50m south of YARC 303 returned 3m at 17.9 g/t Au from 66m and 2m at 11.3 g/t Au from 98m respectively.
- YARC 330, 100m south of YARC 303 returned 4m at 4.28 g/t Au from 79m.
- YARC 332, 200m north of YARC 303 returned 1m at 7.86 g/t Au from 39m and 1m at 26.4 g/t Au from 57m.

De Grey Mining Limited

(Yamarna currently holds approximately 3m shares and 2.6m options)
(ASX Code: DEG)

De Grey Mining has had a successful quarter making significant progress at its 100% owned Indee Gold project. Deep drilling at Wingina Well gold discovery has intercepted high grade gold in plunging shoots to vertical depths of approximately 150 metres.

The best of these are diamond drill hole WRC069D from Eastern shoot with 13 metres at 7.97 g/t gold from 62 metres and a further 32 meters at 2.50 g/t gold from 82 metres.

These significant deeper hole intercepts are particularly important to the project as they reflect the possibility of increasing gold grades with depth.

+ See chapter 19 for defined terms.

Subsequent to the end of the quarter, De Grey announced that further high grade gold intercepts from the Mt Berghaus prospect at its 100% owned mineral rich Turner River Gold Project, 60kms south of Port Hedland.

Three RC drill holes have returned high grade intersection, the best so far are:

- 16 metres @ 6.70 g/t gold which includes 7 metres @ 15.75 g/t gold
- 7 metres @ 4.04 g/t gold
- 5 metres @ 5.52 g/t gold

The Company also announced in October 2004 that it has reached an agreement with Lion Selection Group Limited to invest at least \$2.0m, strengthening the institutional presence on the De Grey share register. Approval of the allotment of securities to Lion Selection Group is subject to approval at the upcoming AGM.

Jackson Gold Limited

(Yamarna currently holds 1.5m shares)

(ASX Code: JAK)

In August 2004, Yamarna reached an agreement with Jackson Gold in respect of Yamarna's 20% interest in the Claypan Dam Project, near Kalgoorlie Western Australia. Jackson Gold, the operator of the project, has recently announced a major new joint venture with Placer Dome Asia Pacific Limited (Placer) whereby Placer has agreed to enter into a five year Exploration Joint Venture with Jackson Gold, within the Kalgoorlie Regional Gold Project (KRGF). As a result of the agreement between Yamarna and Jackson Gold, the Claypan Dam Project has been incorporated as a part of the KRGF where Placer has an option to earn up to 75% of Jackson's interest in any part of a "Declared" area.

Pursuant to the agreement between Yamarna and Jackson Gold, Yamarna has agreed to transfer its 20% interest in the Claypan Dam Project to Jackson Gold in exchange for 3 million Jackson Gold shares. Yamarna has been granted 1.5m Jackson Gold shares (escrowed until February 2005) and is entitled to receive an additional 1.5m shares in the event that Placer declares the Claypan Dam Project part of a "Declared" area.

We are pleased to have acquired a direct shareholding in Jackson Gold. The Company is professionally run by well credentialed, experienced operators and holds a portfolio of highly prospective exploration assets. The recent joint venture with Placer should significantly increase the appeal of Jackson Gold from a stock market perspective as it shows that a major gold producer has sufficient confidence in the area to initiate a large scale exploration program within Jackson Gold's tenements. Yamarna's previous Joint Venture interest was limited to a maximum value of \$1m based on potential future production from Claypan Dam Project. By acquiring shares in Jackson Gold, Yamarna will be able to directly participate in the future success of Jackson Gold, whether this arises from commercial exploitation of Claypan Dam or any other Jackson Gold initiative.

+ See chapter 19 for defined terms.

Cangold Limited

(Yamarna currently holds approximately 5.5m shares)
(TSX-V: CLD)

In September 2004, Cangold announced that crews have been mobilized to the Thorn property in the Atlin Mining Division of northwest British Columbia to commence a 13-hole (approximately 1,875 metres) diamond drilling program.

Initially drilling will target silver-gold mineralization discovered in 2003 at the Oban Breccia Zone, testing the zone at depth and along strike. Subsequent holes will test the continuity of high-grade gold-silver-copper mineralization in massive sulphide veins along the 1.5 kilometre-long Camp Creek Structural Corridor, as well as three new targets outside of this corridor that were defined by IP geophysical anomalies. In total, drilling will assess eight separate areas.

Recent fieldwork on the property saw the completion of an Induced Polarization (IP) survey that identified a significant correlation between IP geophysics and known silver-gold mineralization and outlined several new targets in areas of no outcrop. The Oban Extension anomaly, the 700m X 250m South Grid Anomaly and 700m X 150m North Grid anomaly do not have outcrop associated with them, but their geophysical signature is interpreted to reflect the presence of buried sulphide mineralization.

Cangold has now completed its earn-in for a 51% interest in the Thorn Project, with Rimfire Minerals owning 49%. Cangold is the joint venture operator.

For and On Behalf of The Board



Richard Revelins
Director

Disclosure Notices:

- 1) Information in relation to the Yamarna Joint Venture has been compiled and supplied by Asarco Exploration Company Inc.
- 2) Information in relation to De Grey Mining Limited has been compiled and supplied by De Grey Mining Limited based on public available information and reports to the ASX.
- 3) Information in relation to Cangold Limited has been compiled by Cangold Limited based on publicly available information and reports to the Toronto Venture Exchange Canada.
- 4) Information in relation to the Kalgoorlie Regional Gold Project (WA) (New name of the Claypan Dam Project) has been compiled and supplied by Jackson Gold Ltd based on public available information and reports to the ASX.

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Appendix 5B – 1st Qtr

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

YAMARNA GOLDFIELDS LIMITED

ABN

84 006 189 331

Quarter ended ("current quarter")

30 September 2004

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(2)	(2)
(b) development	-	-
(c) production	-	-
(d) administration	(190)	(190)
(e) contract services	(84)	(84)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(270)	(270)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(556)	(556)
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	1,102	1,102
(c) other fixed assets	-	-
1.10 Loans to other entities	(200)	(200)
1.11 Loans repaid by other entities	200	200
1.12 Other (provide details if material)	-	-
Net investing cash flows	546	546
1.13 Total operating and investing cash flows (carried forward)	276	276

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1.13	Total operating and investing cash flows (brought forward)	276	276
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(60)	(60)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(60)	(60)
	Net increase (decrease) in cash held	216	216
1.20	Cash at beginning of quarter/year to date	721	721
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	937	937

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	68
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Salaries, directors' fees, corporate advisory & consulting fees at normal commercial rates

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

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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

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Financing facilities available

Add notes as necessary for an understanding of the position.

	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	10
4.2 Development	20
Total	30

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	937	721
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	937	721

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	Nil	Interests in mining tenements relinquished, reduced or lapsed		
6.2	Nil	Interests in mining tenements acquired or increased		

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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	703,596,133	703,596,133		
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>	188,276,012	188,276,012	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 01/02/2005
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Director)

Date: 29 October 2004

Print name: Richard Revelins

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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