

# GTN RESOURCES LIMITED

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31 October 2005

Quarterly Activities Report for the Quarter Ended 30 September 2005

## **KING ISLAND SCHEELITE MINE REDEVELOPMENT**

GTN expects that a Bankable Feasibility Study will be complete by the end of 2005. Mine development is scheduled to commence in the first half of 2006 with first production of tungsten concentrate expected late in 2006 or early 2007. The Bankable Feasibility Study will include a detailed Development Proposal and Environmental Management Plan (DPMP). The company will also work closely with the King Island community to ensure that the impacts of the mine development are positive for the island.

### *Geology and Drilling Programme*

The drilling program to confirm mineralisation tonnes and grade estimates commenced in late May. 17 fully cored holes totaling approximately 2,100 m. were drilled during the quarter, taking the total drilled since commencement of drilling in late May to 2,800m. Rate of progress has been slower than expected due to some drilling problems that have been experienced in major fault zones and to a lesser extent by the former overburden dump material covering this area (which can be up to 25 m thick). One objective of the drilling program is to establish whether additional lower grade material lies within the open pit mine envelope that can be processed through the mill.

Preliminary assay results have been received and these are in the process of being independently verified. The significance of the drill-holes cannot be established definitively until the results are verified, the logs compiled, and the geological interpretations have been completed. However, preliminary indications are confirming that there is lower grade material present within the open pit mine envelope in addition to the higher grade mineralization (4.1 million tonnes grading 0.9% W03) that formed the basis for the open pit design in the Pre-Feasibility Study. Detailed results will be reported when preliminary assays are confirmed.

### *Exploration expenditure*

GTN incurred exploration and evaluation expenditure of \$673,000 during the quarter ended 30 September 2005.

## **SALE OF REMAINING SAPPHIRE ASSETS**

Sales of residual stock from Weean (operation sold in May 2005) occurred during the quarter. Sales of the small quantity of remaining Weean stock should be completed by December 2005. The undeveloped Yarandoo sapphire deposit at Inverell is the only remaining sapphire asset of the company.

For further information please contact Ray Soper – Chairman Tel: 02 9250 0111

# Appendix 5B

## 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

GTN RESOURCES LIMITED

ABN

40 004 681 734

Quarter ended ("current quarter")

30 September 2005

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	15	15
1.2 Payments for		
(a) exploration and evaluation	(673)	(673)
(b) development	-	-
(c) production	-	-
(d) administration	(146)	(146)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	23	23
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	13	13
<b>Net Operating Cash Flows</b>	<b>(768)</b>	<b>(768)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	4	4
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	75	75
<b>Net investing cash flows</b>	<b>79</b>	<b>79</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(689)</b>	<b>(689)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(689)	(689)
	<b>Cash flows related to financing activities</b>		
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	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(689)	(689)
1.20	Cash at beginning of quarter/year to date	2,264	2,264
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	1,575	1,575

**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	24
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil
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.*

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

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	352
4.2	Development	1,056
<b>Total</b>		<b>1,408</b>

### 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	575	764
5.2	Deposits at call	1,000	1,500
5.3	Bank overdraft		
5.4	Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>		<b>1,575</b>	<b>2,264</b>

### 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			Nil	Nil
6.2	Interests in mining tenements acquired or increased	Retention Licence RL 2/1988 at Grassy, King Island (8 sq kms)	Ownership of mining tenement	-	100%
		Exploration Licence 19/2001 at Grassy, King Island (91 sq kms)	Ownership of mining tenement	-	100%

+ See chapter 19 for defined terms.

### 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.*

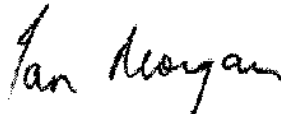
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>Ordinary securities</b>	30,689,713	19,689,713		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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 Act 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: ..... Date:..31 October 2005....  
(~~Director~~/Company secretary)

Print name: Ian Morgan.....

## 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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