

31<sup>st</sup> October 2014

Australian Stock Exchange Limited

**BROKEN HILL PROSPECTING LTD (ASX: BPL)  
QUARTERLY REPORT FOR THE PERIOD TO 30th September 2014**

Broken Hill Prospecting Limited ("BPL") is pleased to provide the following report on corporate news and activities undertaken at the Company's (and its subsidiaries) 100% owned projects during the three month period ending 30<sup>th</sup> September 2014. Additional information about the Company is available at BPL's website [www.bhpl.biz](http://www.bhpl.biz).

**Broken Hill Prospecting Limited is pleased to announce that five Exploration Licences to explore for heavy mineral sand deposits (titanium and zirconium) in the Murray Basin, south of Broken Hill, NSW have been granted (Figure 1).**

## **Highlights**

- ❖ **The new tenements cover substantial heavy mineral sand deposits.**
  - **The Magic Deposit which extends for over 12 kilometres and has a 2-3 metre thick, 110 metre wide high-grade zone with heavy mineral contents of up to 28%.**
  - **The Copi North Deposit extends for 15.5 kilometres and has a 3.2 metre thick, 107 metre wide high-grade zone with an average heavy mineral content of 9.8%.**
  - **An additional 18 deposits with mineralised drill intersections.**
  - **Drill sampling of high-grade, near-surface zones for JORC resource calculation and processing test work is planned.**
  - **Future development opportunities include low-cost and fast-track mining of high-grade, small footprint resources using local service providers and contractors.**
- ❖ **A Research and Development tax refund of \$154,054 was received in late October and these funds will contribute to drill testing and heavy mineral sand evaluation.**

### **1. Heavy Mineral Sand Deposits ("HMS") - Summary**

Broken Hill Prospecting Limited has been granted five Exploration Licences ('ELs' or 'the tenements') to explore for heavy mineral sand prospects in the extensive Murray Basin of south western NSW (Figure 1). These add considerable value to BPL and provide important synergies for future development of BPL's cobalt-pyrite deposits.

The tenements contain 20 known HMS deposits. All were discovered and drill tested by other mineral explorers (including Westralian Sands Ltd (now Iluka Resources Ltd), Bemax Resources Ltd (now Cristal Mining) and Aberfoyle Resources Limited. Several of the deposits have been shown to be of considerable size and grade.

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BPL is planning to establish a foothold in the HMS industry where emerging technology is making significant advances in processing and recovery of titanium (Ti) and zirconium (Zr) minerals (ilmenite, leucoxene, rutile and zircon) from fine-grained HMS deposits. The Company plans to evaluate the most attractive deposits with a view to fast-track establishment of low-cost mining and mineral separation facilities to take advantage of expanding HMS demand.

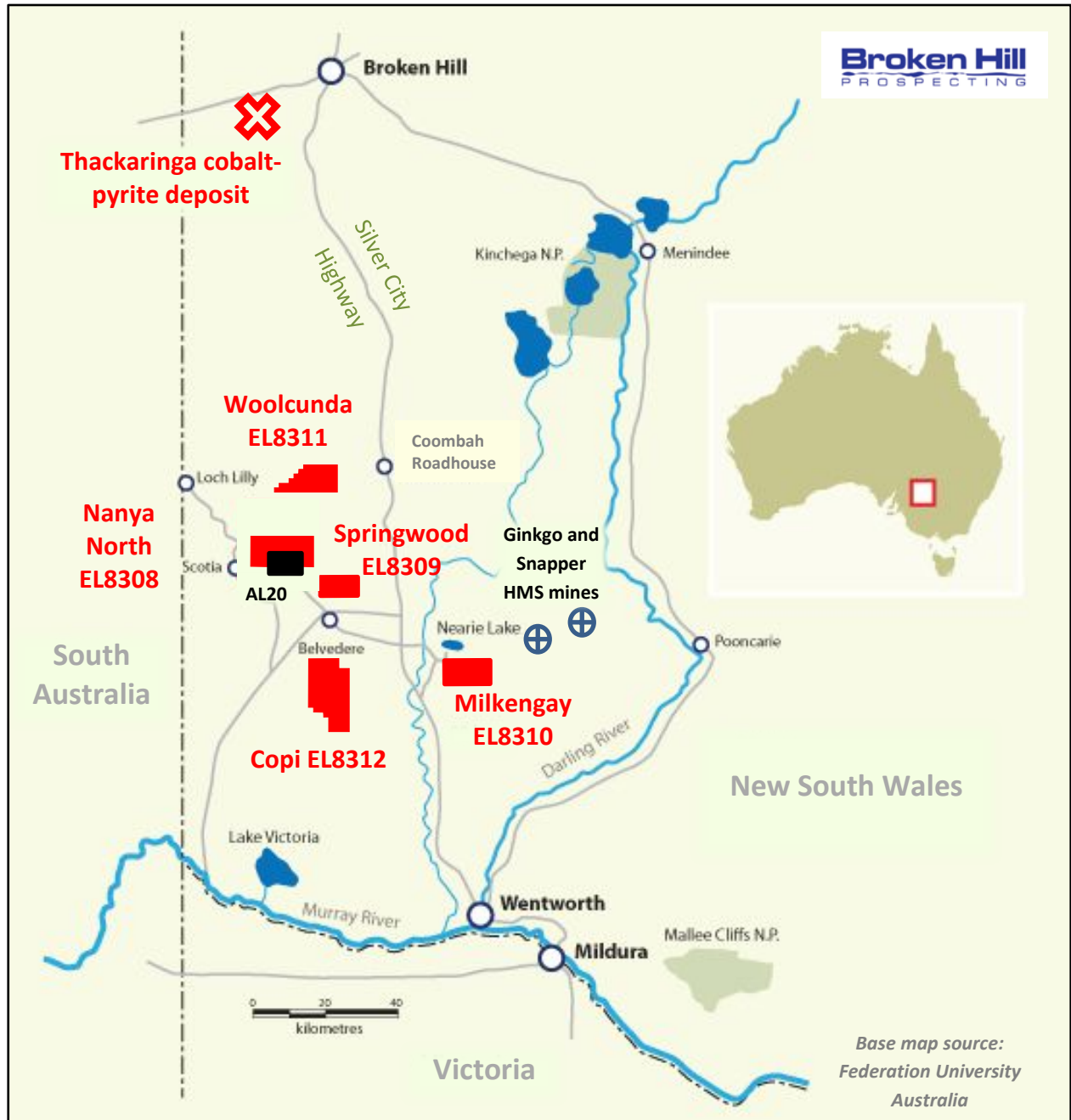


Figure 1. Location map of heavy mineral sand Exploration Licences (solid red) recently granted to Broken Hill Minerals Pty Ltd. Broken Hill Prospecting Limited's Thackaringa cobalt-pyrite deposits are located 25 kilometres south west of Broken Hill (red cross).

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Broken Hill Minerals Pty Ltd, a wholly owned subsidiary of BPL, has been granted the five Exploration Licences (Group 10, mineral sands) which cover a total of 858 square kilometres (Table 1).

*Table 1. Summary of BPL's new Exploration Licences and HMS deposits which have been identified during exploration by other companies.*

Exploration Licence	area		HMS Deposits
	units	km <sup>2</sup>	
Nanya North EL8308	40	116	Massidon North, Strand A, Strand B, Nanya 1, Plain Tank
Springwood EL8309	32	93	Springwood
Milkengay EL8310	65	188	N226(N265), N264, Five Hundred, Milkengay
Woolcunda EL8311	59	171	<b>Magic</b> , Mazar, Woolcunda
Copi EL8312	100	290	<b>Copi North</b> , Bulli, Circus, Wemba, Tarawi, Yabbi and Nulla
<b>totals</b>	<b>296</b>	<b>858</b>	

BPL has reviewed the work reports and data from each of these deposits and prioritised each for further evaluation. The Company plans to focus early exploration assessment on two well-defined HMS deposits (Magic and Copi North deposits) which have been well defined by drill testing during exploration programmes undertaken over the last two decades by several companies.

### **Magic Deposit**

The Magic Deposit is high zircon bearing heavy mineral deposit located within the Woolcunda (EL8311) area. During the late 1990's Westralian Sands Ltd undertook several drilling campaigns at the Magic deposit and described HMS zones averaging 300 metres wide, about 5 metres thick and over a strike extent of more than 9 kilometres. The HMS content of the deposit was described as having high ilmenite and weathered ilmenite (leucoxene) contents (of about 68%), low rutile (3%) and considerable zircon (14.5%) although variability within the deposit is unclear. Grainsize of the HMS fraction is between 75-120 microns. 3-25 metres of barren sand and silt overly the horizon. The zircon content of the Magic HMS is higher than most operating HMS mines (average 5% zircon) and will likely be an asset for future development.

Within the Magic Deposit Westralian Sands defined a relatively high grade core zone of approximately 110 metres wide and 2-3 metres thick containing heavy mineral contents of up to 28% over 2 metre intervals. Figure 2 is a typical cross section through the Magic Deposit (section 209) and this shows the shallow south dip of the strandline HMS horizon which envelopes high-grade HMS.

### **Copi North Deposit**

At Copi (EL8312) exploration by Iluka Resources located a series of stacked ancient shoreline deposits which contain high-grade HMS pods. One of these, the Copi North deposit, contains several of the largest and highest grade HMS horizons. Copi North was identified by Iluka over a 15.5 kilometre trend. It is 107 metres wide, 3.2 metres thick and 22.6 metres below sand cover (Figure 3). Iluka reported drill intersections of up to 6 metres

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of 18.4% HMS and an average of 9.8% HMS within Copi North's high-grade zones although mineral make-up of the HMS has not been calculated.

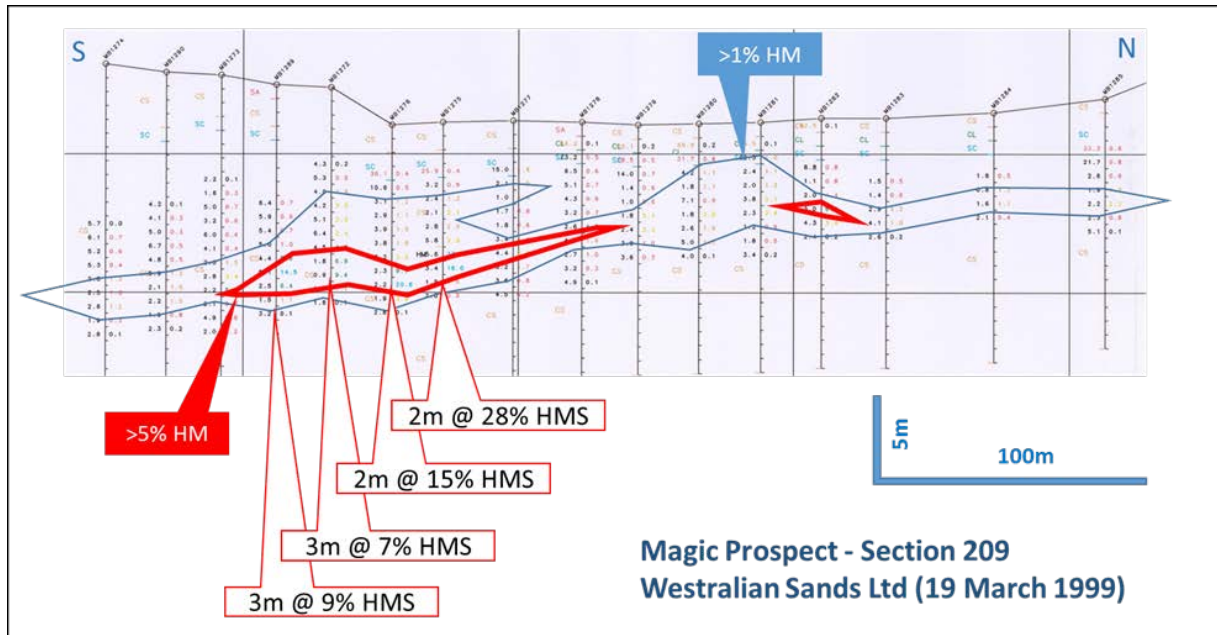


Figure 2. North-south drill section (Section 209) through the Magic Deposit (EL8311) showing traces of Westralian Sands Ltd drill holes and envelopes of HMS (>1% HMS, blue outline and >5% HMS red outline). Note the difference in vertical and horizontal scales.

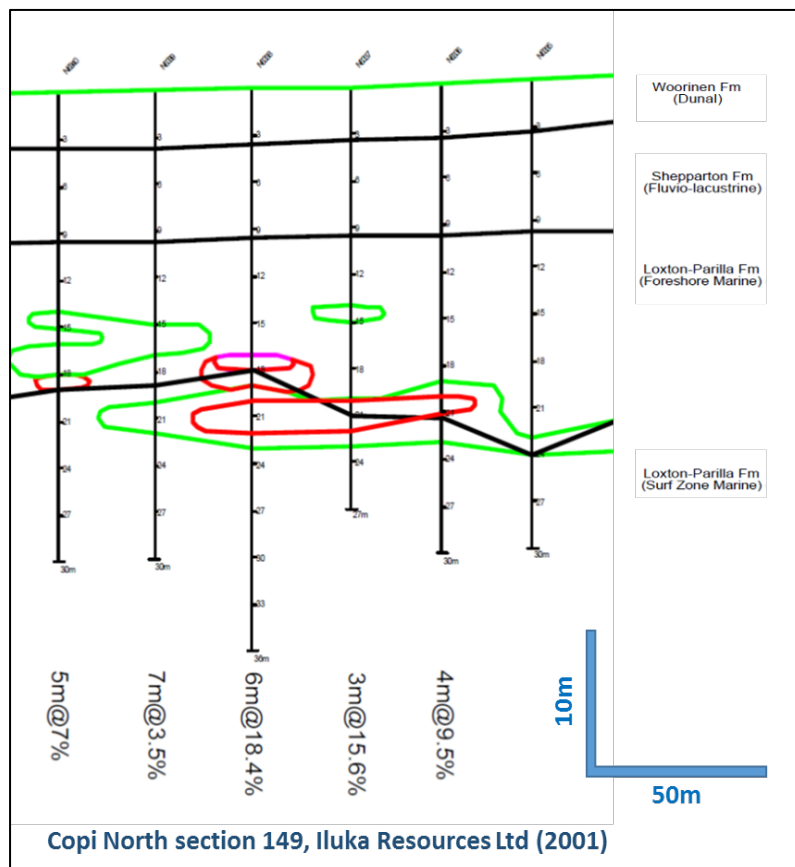


Figure 3. Typical drill section (Section 149) through the Copi North Deposit (EL8312) showing traces of Iluka Resources Ltd drill holes and HMS horizons in the Loxton-Parilla formation. Note the difference in vertical and horizontal scales.

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### **Other HMS deposits within the tenements**

At least 18 other HMS deposits within the five exploration licences are known. Although many of these have not been drill tested to the same extent as the Magic and Copi North deposits, all have been investigated by other parties.

The Springwood deposit (EL8309) is a 250 metre wide HMS deposit which is up to 7 metres thick and averages 5% heavy minerals.

Drill testing of the Five Hundred deposit in EL8310 defined a 10 kilometre long zone with an average thickness of 3.3 metres, average width of 53 metres and about 18 metres of cover material. This deposit is described as containing high rutile (TiO<sub>2</sub>) content (41.6%) together with elevated ilmenite (35%) and zircon (10.3%).

Within EL8308 several HMS strandlines were identified by Bemax exploration. Portions of some of these occur at surface and radiometric analyses can be used by BPL to identify prospective outcropping and shallow HMS strands which have negligible overburden.

### **Planned HMS activities**

During the next few weeks BPL will undertake community consultation and access negotiations together with environmental studies prior to field exploration.

BPL intends to locate the better developed zones of high-grade heavy mineral sand (>5% HMS) which were defined during previous evaluation by other groups at both the Magic and Copi North deposits and then undertake shallow drilling (<35 metre hole depths) to confirm the thickness and heavy mineral content within the high grade heavy mineral sands along each deposit. The planned drill testwork will provide JORC resource definition for the two main deposits. Samples can also be used to test processing and separation characteristics of the mineralisation.

Field assessment and scout drill test conformation are planned at other HMS deposits within the tenements to determine potential size and grade parameters as well as mineral composition.

### **HMS mines provide a model for BPL's HMS future**

The Murray Basin in southeastern Australia is an intracratonic sedimentary basin of Cainozoic age that extends across 300,000 square kilometres of NSW, Victoria and South Australia. The Murray Basin has accumulations of heavy mineral sands which contain a large portion of the World's titanium and zirconium resources. Broken Hill Prospecting's new tenements are located in the northern part of the Murray Basin.

Operating mines (owned by other company's) provide different working examples of extraction and separation processes.

#### **Pooncarie Project**

Cristal Mining currently operates two mineral sand mines (Ginkgo and Snapper) in the NSW Murray Basin west of Pooncarie and a mineral separation plant at Broken Hill (Figure 1). Cristal commenced mining Ginkgo in 2005 and later Snapper in 2010.

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According to Cristal's December 2013 quarter report Pooncarie produced 163,479 tonnes of ilmenite and sales revenues of AUD309 million during 2013. The NSW Department of Planning & Environment recently approved Cristal Mining's application to construct and operate a third Murray Basin mining operation (Atlas-Campaspe Mineral Sands Project).

Both mines use conventional tractor scoops for topsoil handling (0.7-1.2 metre depth), truck and shovel operation for overburden (1-35 metre depth) and wet dredge mining and floating concentrator plants to recover and separate the heavy minerals. The heavy mineral concentrate (HMC) is separated by wet dredging and pumped to onshore concentrate stockpiles.

The HMC is processed onsite using magnetic separation to form three HMC streams (ilmenite, secondary ilmenite/leucoxene, rutile/zircon) which are transported by road train to Cristal's Broken Hill mineral separation facility for further refinement before transport via rail to Port Adelaide.

Cristal's HMS mines are based on 133 million tonnes of HMS with an average grade of 3.9% heavy minerals made up of 69.9% ilmenite, 12.7% rutile, 10.4% zircon (reference; CSIRO presentation by David Freeman, 2014).

#### Mindarie Mine

The Mindarie HMS mine, owned by Murray Zircon Pty Ltd, is located about 160 kilometres east of Adelaide in the western portion of the Murray basin. Mining at Mindarie is quite different to Pooncarie. It is by a dry, open-cut method using scrapers to remove overburden and dozers to mine the ore. The mined HMS strands are 150-200 metres wide, 10-20 metres deep and up to 13 kilometres long. The mine has a design capacity of 500 dry tonnes per hour of ore feed to produce between 10,000-12,000 tonnes of HMC per month. The ore is water slurried and pumped to a concentration plant where the heavy minerals are removed with spiral classifiers to produce a concentrate of 80-90% HM.

The Mindarie mine is based on 39.5 million tonnes of HMS with an average grade of 3.6% heavy minerals which is made up of 65.2% ilmenite, 6.6% leucoxene, 4.9% rutile and 19.1% zircon (reference; CSIRO presentation by David Freeman, 2014).

### **Development Concept**

BPL is seeking to define a modest resource base of between 20-40 million tonnes of HMS with relatively high content of heavy minerals (>8%). This could provide the basis for a low-cost, small footprint mining operation with higher grade feed than the Ginkgo, Snapper and Mindarie mines which have average HMS grades of between 3.6% and 3.9%.

During assessment of the HMS deposits, BPL will consider contract mining and transport as well as refurbished or shared mineral separation facilities to reduce capital and operating costs. Established HMS mining service industries at Broken Hill and excellent road and rail networks will be important as the project is progressed.

### **Comment**

BPL's Managing Director Dr Ian Pringle commented:

*"The grant of these HMS tenements gives BPL 100% ownership of substantial titanium and zirconium mineral sand deposits and this is a giant step forward for BPL. The project will*

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complement BPL's large cobalt-pyrite deposits and our vision of growing a significant strategic metal business."

*"Substantial mineral deposits have already been located and partly assessed by other exploration companies over several decades. BPL is fortunate to have picked up, at virtually no cost, a massive volume of drill data on some very high grade heavy mineral sand deposits."*

*"HMS mines which currently operate in the Murray basin provide working models for BPL's possible development scenarios. Future development of the BPL deposits will likely benefit from much higher HMS grades as well as established infrastructure and services."*

*"Recent advances in technology such as the FM1 spiral separator developed by Mineral Technologies have provided lower cost and competitive processing options for fine-grained portions of the sands. These have opened the opportunity to take a fresh look at these deposits which appear to have considerably higher heavy mineral content and are of comparable size to operating HMS mines in the district."*

## **2. Field Exploration Activities**

No on-site activities relating to exploration, production or development have been undertaken during the period.

## **3. BPL's 2014 Annual Report**

BPL's 2014 annual report was completed and forwarded to shareholders. The report details the Company's activities during 2013/14 and can be viewed or downloaded from the BPL website ([www.bhpl.biz](http://www.bhpl.biz)).

## **4. Research and Development Refund**

The 2014 Research & Development Tax Incentive Schedule for Broken Hill Prospecting Limited for the year ended 30 June 2014 was calculated with assistance from KMPG and a refundable R&D Tax offset amount of \$154,054.05 was received on 27th October.

## **5. Planned Work**

BPL is exploring several avenues to raise funding to drill test at least one of the HMS deposits (Copi North and Magic). Shallow drill testing to add to the extensive drill information of at least one deposit is planned to confirm the size and extent of the mineralisation. The drilling will allow JORC resource definition. New samples can also be used to test processing and separation characteristics of the mineralization and to provide data for prefeasibility studies.

## **6. Annual General Meeting (AGM) for Broken Hill Prospecting Ltd**

The Annual General Meeting of Broken Hill Prospecting Limited will be held at Level 14, 52 Phillip Street Sydney Australia on Wednesday 19<sup>th</sup> November 2014 at 11:00 am (Sydney time).

At the meeting the Chairman will ask shareholders to vote for the election as a Director of Mr Matthew Geoffrey Hill and the re-election as Director of Mr Robert George Barnes. Other business will record the re-appointment of K.S. Black & Co as the Company's auditors and seek to authorise Directors to settle their remuneration. The Chairman will also request

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Shareholder approval, by way of a Special Resolution, to have the ability to issue Equity Securities under the 10% Placement Facility.

For those who are able to attend the AGM I look forward to updating on the recent exciting developments and work plans of the Company.

Yours faithfully,



Ian J Pringle  
(Managing Director)

**Competent Person Statement**

*Exploration activities and results contained in this letter are based on information compiled by Dr Ian Pringle, a Member of the Australasian Institute of Mining and Metallurgy. Dr Pringle is the Managing Director of Broken Hill Prospecting Ltd and also a Director of Ian J Pringle & Associates Pty Ltd, a consultancy company in minerals exploration. He has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). The Inferred Mineral Resource was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Potential is reported under JORC Code 2012. It is conceptual in nature and more drilling is required to further define it. However, there is no certainty that additional work will result in an upgrade of potential to Mineral Resource. Dr Pringle has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

**About Broken Hill Prospecting Limited ("BPL")**

*BPL is progressing with exploration and evaluation of cobalt-pyrite deposits in the Broken Hill area within two exploration tenements (EL6622 and EL8143) and two mining leases (ML86 and ML87).*

*BPL is in an excellent position to take advantage of an increasing demand for cobalt and sulphuric acid to meet growth in environmental and industrial uses ranging from rechargeable batteries in automobiles to titanium processing and fertiliser production.*

*BPL has commenced assessment of heavy mineral sand deposits (Ti, Zr) located south of Broken Hill in western NSW. These deposits have been extensively explored and drill tested by other parties and provide the Company with an opportunity to progress advanced evaluation and fast-track development of several substantial high-grade heavy mineral sand deposits.*

**Tenements** *The interests in mining tenements held by Broken Hill Prospecting Limited (and fully owned subsidiaries) at the end of the quarter and the related percentage of ownership:*

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**Thackaringa Cobalt Project:**

*Exploration Licence 6622, Broken Hill NSW Australia - 100% (Broken Hill Prospecting Ltd)*

*Exploration Licence 8143, Broken Hill NSW Australia - 100% (Broken Hill Prospecting Ltd)*

*Mining Lease 86, Broken Hill NSW Australia - 100% (Broken Hill Prospecting Ltd)*

*Mining Lease 87, Broken Hill NSW Australia - 100% (Broken Hill Prospecting Ltd)*

**South Broken Hill HMS Project:**

*Exploration Licence 8308, Broken Hill NSW Australia – 100% (Broken Hill Minerals Pty Ltd)*

*Exploration Licence 8309, Broken Hill NSW Australia – 100% (Broken Hill Minerals Pty Ltd)*

*Exploration Licence 8310, Broken Hill NSW Australia – 100% (Broken Hill Minerals Pty Ltd)*

*Exploration Licence 8311, Broken Hill NSW Australia – 100% (Broken Hill Minerals Pty Ltd)*

*Exploration Licence 8312, Broken Hill NSW Australia – 100% (Broken Hill Minerals Pty Ltd)*

**Contacts for further information:**

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# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Broken Hill Prospecting Limited

ABN

83 003 453 503

Quarter ended ("current quarter")

30 September 2014

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date ( 3 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(88)	(88)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(135)	(135)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	R&D tax incentive	-	-
<b>Net Operating Cash Flows</b>		<b>(222)</b>	<b>(222)</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	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
<b>Net investing cash flows</b>		<b>-</b>	<b>-</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(222)</b>	<b>(222)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(222)	(222)
	<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>	(222)	(222)
1.20	Cash at beginning of quarter/year to date	279	279
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	57	57

**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	70
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, fees and consulting services at standard 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

n/a

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

n/a

+ See chapter 19 for defined terms.

## 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	20
4.2 Development	-
4.3 Production	-
4.4 Administration	140
<b>Total</b>	<b>160</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	57	279
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>57</b>	<b>279</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	n/a			
6.2 Interests in mining tenements acquired or increased	EL8308	Exploration Licence	Nil	100%
	EL8309	Exploration Licence	Nil	100%
	EL8310	Exploration Licence	Nil	100%
	EL8311	Exploration Licence	Nil	100%
	EL8312	Exploration Licence	Nil	100%

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**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>	88,359,660	88,359,660	n/a	n/a
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>	38,650,000	Nil	<i>Exercise price</i> 20c	<i>Expiry date</i> 17/2/2016
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-		

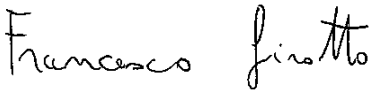
+ See chapter 19 for defined terms.



7.12	<b>Unsecured notes</b> ( <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 5).
- 2 This statement does give a true and fair view of the matters disclosed.

  
 Sign here: ..... Date: 31/10/2014  
 (Company secretary)

Print name: Francesco Girotto

## 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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+ See chapter 19 for defined terms.