



QUARTERLY REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2009

ASX CODE: TGF

HIGHLIGHTS

- During the quarter, Tianshan Goldfields Limited (“Tianshan” or the “Company”) (**ASX: TGF**) completed the sale of its entire portfolio of Chinese assets for USD\$22.5M to Chinese company Xiamen Hengxin Group Co Ltd.
- Tianshan Goldfields and Corvette Resources Limited (**ASX: COV**) (“Corvette”) executed a binding Merger Implementation Agreement to merge the two companies by way of a Scheme of Arrangement. The merger is subject to shareholder and relevant regulatory approvals.
- Tianshan subscribed a total of A\$2 million in Convertible Notes from Corvette Resources Limited.
- Mr Paul Kelly was appointed as director and Chairman of the Company following the resignation of Mr Marcello Cardaci.
- **AUD \$29.1m** in cash as at 31 December 2009.
- Market capitalisation of **AUD \$30m** as at **25 January 2010**.

SALE OF CHINESE ASSETS

During the quarter Tianshan executed a binding Sale and Purchase Agreement with Chinese company Xiamen Hengxin Group Co Ltd for the sale of its entire portfolio of Chinese assets for USD\$22.5M.

Tianshan made the decision to sell its Chinese portfolio based on a review of its assets and future strategy by the Board in the months leading up to the sale. This review determined the company could, on balance, maximize returns to the company and its shareholders if it was able to execute a full sale of its Chinese assets and use the funds raised to acquire interests in other companies or projects.

TIANSHAN AND CORVETTE AGREE TO AU\$60M MERGER

Further to the announcement made 17 November 2009 agreeing in principle to a merger between the two companies, Tianshan Goldfields and Corvette Resources executed a Merger Implementation Agreement on 27 November 2009 with the intention to create a fully funded gold company with a highly prospective exploration asset. The merger is to be affected by way of a Scheme of Arrangement (“Scheme”) and under the Scheme, Tianshan will acquire all of the issued shares in Corvette, and issue two (2) Tianshan shares for every one (1) Corvette share held.

The merged entity will have approximately AU\$30M in the bank and the highly prospective Plumridge Gold Project in Western Australia.

Plumridge is located 60km south of the 5Moz Tropicana-Havana gold deposit, owned by the AngloGold Ashanti Australia/Independence Group JV, and where the owners have announced plans to commence production from 2013.

CORVETTE RESOURCES CONVERTIBLE NOTE

During the quarter Tianshan subscribed to a total of A\$2 million in Convertible Notes from Corvette Resources. The term of the notes is 24 months at an interest rate of 12%pa with a conversion price of A\$0.25. The notes will be secured by a fixed and floating charge over Corvette Resources and the full amount of the notes can be converted into Corvette shares at any time prior to the repayment date.

STRATEGY AND TARGETS MOVING FORWARD

The immediate focus of the Company is completing the merger with Corvette Resources Limited. Subsequent to the end of the quarter, Tianshan gained the approval of its shareholders in relation to the merger. Corvette shareholders are scheduled to meet regarding approval of the Scheme on 28 January 2010. Should Corvette shareholder approval be obtained, a court hearing is scheduled for 9 February 2010 to approve the Scheme.

In addition, Tianshan will continue to identify acquisition and investment resource opportunities to ensure it leverages from, and best utilizes its strong cash position.

CORPORATE

During the quarter Mr Paul Kelly was appointed as Non-Executive Director and Chairman of the Company following the resignation of Mr Marcello Cardaci. Mr Kelly has more than 20 years experience in the fields of finance, investment and banking and most recently held a number of senior roles with Members Equity Bank.

The Board would like to extend its gratitude to Mr Cardaci for his most valued contribution to the Company since his appointment in February 2009.

There are currently a total of 268,363,194 ordinary shares and 12,033,334 options on issue.

- **AUD \$29.1m** in cash as at 31 December 2009.
- Market capitalisation of **AUD \$30m** as at **25 January 2010**.

CASH ON HAND

As at 31 December 2009, the cash balance was:

Tianshan Goldfields Limited	AUD \$29.173 million	(Australia)
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FOR FURTHER INFORMATION, PLEASE CONTACT:

Tianshan Goldfields Limited

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Jason Bontempo - Managing Director

Rule 5.3

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

TIANSHAN GOLDFIELDS LIMITED

ACN

ACN 099 544 680

Quarter ended ("current quarter")

31 December 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(1,010)	(1,460)
(b) development	-	-
(c) production	-	-
(d) administration	(552)	(867)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	127	151
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other –		
Net Operating Cash Flows	(1,435)	(2,176)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(2)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	(2,000)	(2,000)
1.11 Loans repaid by other entities	-	-
1.12 Other:		
(a) Proceeds from disposal of controlled entity	22,298	23,444
(b) Cash on hand upon purchase of controlled entity	-	-
Net investing cash flows	20,298	21,442
1.13 Total operating and investing cash flows (carried forward)	18,863	19,266

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	18,863	19,266
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	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	18,863	19,266
1.20	Cash at beginning of quarter/year to date	9,817	9,508
1.21	Exchange rate adjustments to item 1.20	493	399
1.22	Cash at end of quarter	29,173	29,173

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	71
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

	\$'000
Consulting fees and directors' remuneration	71
Administration Services	0

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

Not Applicable

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

Not Applicable.

+ 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	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
Total	-

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	752	2,209
5.2 Deposits at call	28,421	7,608
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	29,173	9,817

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		
6.2	Interests in mining tenements acquired or increased	Nil		

+ 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 Preference securities <i>(description)</i>				
7.2 Changes during quarter				
7.3 +Ordinary securities	268,363,194	268,363,194		
7.4 Changes during quarter (a) Increases through issues (b) Increases through release from escrow				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter				
7.7 Options <i>(description and conversion factor)</i>	4,333,334 7,700,000		<u>Exercise price</u> \$0.60 \$0.10	<u>Expiry date</u> 31/12/2010 31/12/2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	300,000 1,150,000		\$0.50 \$0.60	31/12/2010 31/12/2010
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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 give a true and fair view of the matters disclosed.



Sign here: Date: 27 January 2010
(~~Director~~/Company Secretary)

Print name: Brendan Evans

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.

+ See chapter 19 for defined terms.