



# March 2011 Quarterly Report



## Alcyone Resources Ltd

### Directors:

Charles Morgan – Non Exec Chairman  
Andrew King – Managing Director  
Eric de Mori – Non Executive Director

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### Capital Structure:

1,312,733,155 shares  
76,174,985 options

### Top 10 Shareholders:

JP Morgan	31.66%
HSBC Custody Nominees (Aus) Ltd	3.59%
Deck Chair Holdings	2.85%
Lyandji Supre Fund	2.72%
Seaspin Pty Ltd	2.24%
Mahsor Holdings Pty Ltd	2.02%
Golden Matrix Holdings Pty Ltd	1.90%
ABN Amro Clearing Sydney Nominees	1.44%
Mr Richard Milne Harris	1.29%
National Nominees Ltd	1.19%
<b>Total for Top 10</b>	<b>50.90%</b>

ASX Code: AYN

## HIGHLIGHTS

- Silver production commenced at Twin Hills with re-irrigation of existing silver-rich heaps:
  - *First silver expected in May and first cashflow in Q2 2011*
  - *~400,000t of leachable material available with estimated grade of 45g/t Ag – expected that ~45% of remaining silver can be extracted*
- Twin Hills construction programme on schedule with commissioning for full-scale commercial extraction scheduled to commence in Q3 2011
- Strong silver price prompts decision to re-optimize Mineral Resource inventory ahead of final Ore Reserve calculations
- Put Options secured covering ~770,000oz of production at a strike price of A\$27/oz – *providing floor price protection while retaining exposure to upside potential*
- Sub Audio Magnetic (SAM) survey completed over Western Tectonic Corridor - *assist with targeting for upcoming drill campaign*
- Initial drilling at Silver Spur prospect confirms high grade zones of base metals mineralisation:
  - *76.8m @ 1.38% lead and 3.45% zinc, including 17m @ 2.4% lead and 6.22% zinc (Hole ACSSD002)*
- Final results from Hornet Prospect, 2km west of Twin Hills, confirm copper mineralisation, including:
  - *0.3m @ 8.25% copper (Hole ACHOD003)*
  - *0.4m @ 8.02% copper (Hole ACHOD001)*
- Completion of Tranche 2 of share placement and non-renounceable rights issue, bringing total capital raising to ~\$16.7M – *Alcyone fully funded for silver production, Q3 2011*

## OVERVIEW

The March Quarter was another active period for Alcyone Resources, with the focus on completing the necessary final steps to commence early silver production at the Twin Hills mine, part of its 100%-owned Texas Silver and Polymetallic Project in south-east Queensland.

This included the finalisation of remediation works on the Storm Water Dam, a task that was completed slightly behind schedule due to the impact of heavy rainfall and flooding across south-east Queensland. While this rainfall did not directly impact on Alcyone, it did affect a number of the Company's contractors and suppliers.

With the remediation of the Storm Water Dam completed in late March, cyanidation of the existing silver rich heaps at Twin Hills commenced on 8 April 2011 – representing the commencement of early silver production from the Texas Project.

It is anticipated that the Company will deliver its first silver in May, leading to first cashflow in the June Quarter.

Work is progressing well on the Twin Hills mine construction programme, with all long-lead items ordered and deposits paid and fabrication underway. Alcyone expects to complete construction and commissioning during the June Quarter. Ramp up to full scale commercial silver extraction at Twin Hills will occur during the September Quarter at an annualised rate of 1.5 to 2 million ounces per annum.

The commencement of early silver production at Twin Hills has coincided with a period of continued strength in the silver price, which for the past 3 months has been trading between A\$34-36/oz and recently peaking at over A\$40– more than 70% above the conservative price of \$19.85 used in earlier studies.

This strength in the silver price has prompted the Company to commission a review of the existing Mineral Resource Base and a re-optimisation of potential Ore Reserve scenarios at varying silver prices. These will then form the basis of a new set of economics parameters for the operations to maximise the Mineral Reserves at the Company's disposal. It is anticipated that these studies will be completed in the June Quarter.

On the exploration front, the Company has continued to deliver positive results from the ongoing drill programme, which focused primarily on the Silver Spur and Hornet targets during the reporting period. Alcyone also completed a Sub Audio Magnetic (SAM) survey over the corridor between the Hornet and Tornado targets, which will be used to assist with target identification (Figure 3).

## 1.0 OPERATIONS

### 1.1 Texas Project

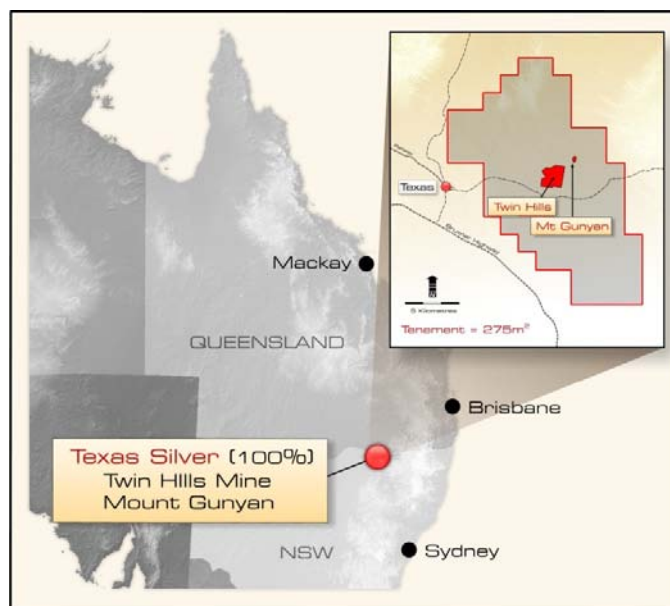


Figure 1 – Texas Project Area

#### 1.1.1 Re-irrigation of Existing Heaps



Figure 2 - Storm Water Dam with Leach Heaps in Background

Following the completion of remediation works on the Storm Water Dam (SWD) in late March, Alcyone commenced re-irrigation of the existing silver rich heaps at Twin Hills on 8 April. It is expected that it will take approximately one month to build up a circulating load within the heaps, which should see first silver production in late May, with first revenue expected to be received in the June Quarter 2011.

The leach pads at Twin Hills contain an estimated **400,000 tonnes** of material from the previous operation which has only been partially leached. The re-irrigation of this material will enable Alcyone to clearly demonstrate the viability of the leaching process before moving to full-scale commercial silver production later this year.

This silver production will enable the Company to take advantage of the continuing strength of the silver price and generate an early cash flow.

Sampling indicates the average grade of the material on the heaps ranges from 30g/t Ag to 100g/t Ag. The Company estimates **an average grade of 45g/t Ag**. Testing of composite auger samples taken from the heaps has demonstrated that **approximately 45% of the remaining silver** is still available to be leached. This initial production will utilise the pilot scale Merrill Crowe circuit already on site, further confirming the viability of the proposed long-term process flow sheet.

### 1.1.2 Re-optimisation of Mineral Resource inventory

The continuing strength of the silver price over the last three months has provided the Company with the opportunity to reconsider the various economic parameters that have been previously used as the basis for optimisation and economic studies of the Twin Hills Mine. During this period, the silver price has been trading in the range of A\$34-36/oz and has recently peaked at over A\$40/oz – more than 70% above the conservative price of A\$19.85 used in earlier studies.

During March, the Company's consultants were commissioned to re-optimize the Twin Hills Mineral Resource Base and review potential Ore Reserve scenarios at varying silver prices. These will then form the basis for a new set of economic parameters for the operations which will maximise the Mineral Resource at the Company's disposal. It is anticipated that these studies will be released to the market late in the Quarter following a detailed internal review.

### 1.1.3 Twin Hills Construction Programme

Work is progressing well on the Twin Hills mine construction programme, with all long-lead items ordered and deposits paid. Project Management work has been awarded to REGMPS, which has finalised quotations on the major components of the physical works, including civil, mechanical, electrical and instrumentation works.

The construction programme commenced in March and is proceeding on schedule. All equipment and manufacture times have been confirmed to be on schedule.

Subject to the on time delivery of the major components and minimal weather delays, the Company is aiming to complete construction and commissioning at Twin Hills during the June Quarter of 2011, and ramp-up to full scale commercial silver extraction during the September Quarter at an initial annualised rate of 1.5-2.0Moz.

## 2.0 EXPLORATION

### 2.1 Texas Project

In late June 2010, Alcyone commenced a significant regional exploration programme. This was designed to unlock the broader potential of the Texas Project for epithermal and massive sulphide base metal mineralisation, as well as to increase its existing inventory of heap leach silver resources.

Drilling completed during the Quarter was primarily focused on the Silver Spur and Hornet prospects. In addition the Company completed a Sub Audio Magnetic (SAM) survey over the corridor between the Hornet and Tornado prospects to assist with target identification.

#### Silver Spur

The Silver Spur prospect, located 2km south-east of the Twin Hills mine, includes numerous old workings. Historical records indicate previous mining of between 90-100,000 tonnes at 13% Pb, 25% Zn and 800g/t Ag.

Drilling by past owners established a JORC compliant Inferred Resource estimate of 808,000 tonnes grading 1.25% Pb, 3.56% Zn and 70g/t Ag above a 2% ZnEq cut-off (reported to the ASX on 14 July 2004).

Drilling at Silver Spur during the Quarter comprised four diamond drill holes for 600m of drilling, designed to confirm the high grades returned from historic drilling and explore the depth of the deposit. The location of the drill holes were defined in Table 1 of ASX Announcement dated 24 January 2011.

Hole ACSSD002, which was drilled to follow-up on an historic hole drilled in the 1980s, returned very positive results with a best intercept of 76.8m @ 1.38% Pb and 3.45% Zn from 103m (including 17m @ 2.46% Pb and 6.22% Zn from 105m; and 22.5m @ 1.95% Pb and 5.24% Zn from 148m) – shown in Figure 1 of Announcement dated 24 January 2011.

Importantly, ACSSD002 did not intersect any historic workings, with the results confirming the presence of remnant massive sulphides in large quantities and enhancing the grade at depth. In addition, the assay results provide evidence of an extension to the sulphides below the anticipated depth of the old workings.

Assay results for the Silver Spur drill programme were detailed in Table 2 of Announcement dated 24 January 2011.

Future drilling will target likely zones of higher silver grade beneath and adjacent to the historical working.

Work is continuing on modelling the mineralisation at Silver Spur, where a recent desktop review has identified additional historical data which will be incorporated into the geological model. A scoping study is underway to finalise planning for the next round of drilling at Silver Spur.

The Scoping Study will also examine the viability of recovering metal from the slag material currently on the surface of the deposit. Based on historical sampling, it has been estimated that there are approximately 90,000 tonnes of slag at surface. Alcyone has commenced a sampling program to confirm the historically reported Cu, Pb, Zn, Ag and Au slag grades. Previous metallurgical testwork has indicated that the more soluble metals within the slag can be recovered using a simple sulphuric acid digest, however further test work is required. Discussions will also be held with external smelting/refining companies regarding the potential to treat the slag.

### Hornet

Final results were received from the drilling programme completed at the Hornet Prospect, 2km west of the Twin Hills mine. The initial two holes (Holes ACHOD004 and ACHOD006) were reported to the ASX on 2 November 2010.

The results provided further evidence of a broad region of mineralisation within the semi-vertical sheared zone, with occasional massive chalcopyrite zones returning grades of up to 8% Cu over narrow widths. Best intercepts included:

- 0.3m @ 8.25% Cu from 12m (from hole ACHOD003)
- 0.4m @ 8.02% Cu from 80m (from hole ACHOD001)
- 0.6m @ 6.91% Cu from 28m (from hole ACHOD001)
- 0.5m @ 1.98% Cu from 32.5m (from hole ACHOD003A)

The total campaign comprised seven holes for 755m of drilling, with the locations of the holes and assay results were detailed in Appendix 1, Tables 1 and 2 of Announcement dated 27 January 2011.

Data from the drill programme will be amalgamated with the results of the Sub Audio Magnetics survey (see below) to enhance structure identification. This will then be coupled with geological and conceptual mineralisation modelling to assist in the next round of drill targeting.

### Twin Hills

The Company completed an initial three hole drilling programme on the east wall of the Twin Hills deposit. The primary aim was to obtain data for geotechnical logging to enable finalisation of mine planning, however the holes were also strategically positioned to undertake first pass testing of a potential mineralisation extension to this deposit.

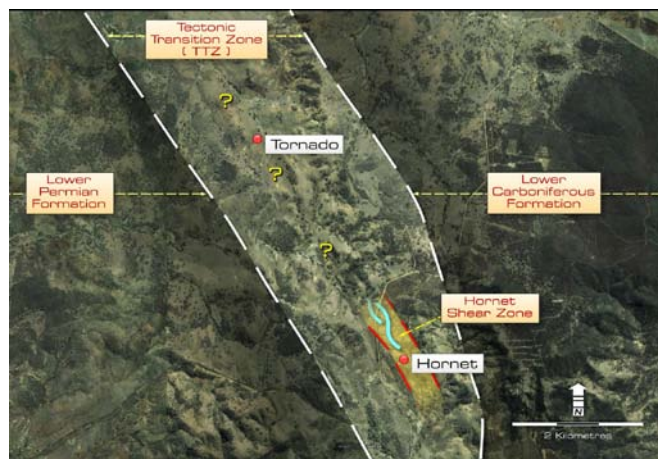
Results for hole ACTHD002 were announced to the ASX on 2 November 2010, and confirmed a zone of mineralisation.

During the Quarter, results were received for hole ACTHD003, with best intercepts of 5.2m @ 54.1g/t Ag from 101m, including 0.4m @ 231g/t Ag, 0.44% Pb and 1.47% Zn and 2.4m @ 47.7g/t Ag from 120m.

ACTHD003 intersected silver mineralisation in similar horizons to the previously-reported ACTHD002, implying a northern strike continuity to the zone.

Alcyone is currently assessing the need for additional drilling of this zone.

### Sub Audio Magnetic Survey



**Figure 3 - Regional corridor showing the Tectonic Transition Zone and the Hornet and Tornado prospects**

During the Quarter Alcyone completed a Sub Audio Magnetics (SAM) survey covering an area approximately 1km wide by 7km long over the western tectonic corridor between the Hornet and Tornado prospects.

This technique measures both the magnetic and electrical properties of the earth using an electrical current generated between a pair of grounded electrodes. In principal the technique is used to highlight potential structures within the same host rock sequences.

The SAM survey data is currently being reviewed by Southern Geoscience, who are utilising various filtering techniques to fine tune the data and target what may be the controlling structures within the tectonic corridor between Hornet and Tornado. The base metal mineralisation on the Texas leases is considered to be structurally controlled. Therefore, if the SAM method is able to deliver the results anticipated, it will become a fast, low- cost exploration tool that could considerably improve drill targeting efficiency.

## Forward Program

A programme of reconnaissance RAB drilling is currently underway at the Typhoon geochemical zinc-copper anomaly – the first of the regional exploration targets generated as part of Alcyone's 2011 exploration programme. An initial 4-hole programme (200 metres) is currently in progress.

Once the Company receives the full SAM survey review from Southern Geoscience, the RAB rig will undertake a programme of approximately 4,000m of reconnaissance drilling at Hornet at 100m spacings, commencing at Hornet itself and moving in a northerly direction along strike. The results from the RAB drilling will then be used to target the next phase of RC/Diamond Drilling, with the overall 2011 exploration and drilling programme currently being tendered.

## 2.2 Other Projects

Outside the Texas Project area, Alcyone is continuing strategic assessment of the Company's portfolio of exploration projects. These are the Tally Ho and Mt Scott projects near Mackay in Central Queensland and the Rivertree Project in Northern New South Wales. Access to these areas has been severely affected by rain over recent months.

## 3.0 CORPORATE

### 3.1 Capital Raising

During the Quarter the Company completed the capital raising announced in December 2010. The raising comprised a non-renounceable Rights Issue and a Share Placement, to raise a total of approximately \$16.7 million before costs.

The Rights Issue offer was made on the basis of 1 new Alcyone ordinary share for every 5 existing Alcyone ordinary shares held at 5pm WST on 21 December 2010, at an entitlement offer price of 3.5 cents.

Approximately 70% of the entitlements were taken up under the rights issue, with the shortfall taken up by the underwriter, Cygnet Capital, and sub-underwriter Mr Charles Morgan (the Company's Chairman and existing shareholder).

The Rights Issue raised a total of \$5.53 million before costs.

In addition, the Company completed Tranche 2 of the share placement to professional and sophisticated clients of Sydney-based Southern Cross Equities Limited, comprising the issue of approximately 202 million shares at 3.5 cents per share to raise approximately \$7.1 million.

The Tranche 2 placement was subject to shareholder approval, which was received at a general meeting of the Company's shareholders on 25 January 2011.

The combined capital raising, is being used to complete engineering and construction work associated with the commencement of commercial silver extraction at Twin Hills.

### 3.2 Silver Put Options

To take advantage of the recent strength in the silver price, during the Quarter Alcyone purchased Put Options at a strike price of A\$27 per ounce covering approximately 770,000 ounces of silver production from the Twin Hills mine. The total cost of the Put Options was \$1.5 million.

The Put Options provide Alcyone with floor price protection at A\$27/ounce for initial production during the start-up and commissioning phase of the Twin Hills operation while retaining significant exposure to the upside potential of a strong silver price.

### 3.3 Appointment of Chief Financial Officer

The Company appointed, experienced accountant, Mr Trevor Harris to the position of Chief Financial Officer with effect from 14 March 2011.

## 4.0 OUTLOOK

With early production now underway at Twin Hills, the June 2011 Quarter will be an exceptionally busy period for Alcyone as it continues with the Twin Hills mine construction programme to prepare for full scale commercial silver extraction in the September Quarter.

A re-evaluation of the Company's Mineral Resource inventory based on the strong silver price is also expected to be completed during the forthcoming Quarter, together with the delivery of a maiden Ore Reserve estimate.

Exploration will continue across the Company's tenements, designed to identify additional feedstock for the Twin Hills processing plant and identify new deposits within Alcyone's highly prospective 275 sq km tenement package.

**Andrew King**  
Managing Director

29 April 2011

## About Alcyone

*Alcyone Resources Limited (ASX Ticker: AYN) is an Australian-based resource company focused on the reassessment and re-development of the Twin Hills Silver Mine, located south-west of Brisbane near the town of Texas in south-east Queensland.*

*Following a broad-based economic and technical review of the Twin Hills mine in late 2010, Alcyone has commenced early silver production based on the re-irrigation of the existing silver-rich heaps at Twin Hills, with first silver expected to be produced in early May 2011.*

*The leach pads at Twin Hills contain an estimated 400,000 tonnes of material from the previous operation which has only been partially leached. Re-irrigation of this material will enable Alcyone to demonstrate the viability of the leaching process before moving to full-scale commercial silver production later this year, while at the same time generating initial cash flow.*

*The Company is on-track to commence full-scale commercial silver extraction at the rate of 1.5-2.0 million ounces of silver per annum in the September Quarter of 2011.*

*In addition to the resumption of production at Twin Hills, Alcyone is also focused on assessing and capitalising on the significant exploration potential within its 275 sq km tenement package at Texas, including the potential for polymetallic and base metal mineralisation.*

## Competent Person Statements

*The information in this report that relates to data used for and the resultant mineral resources for the Texas Silver project is based on information compiled by Mr Peter Ball who is a Member of the Australian Institute of Mining and Metallurgy and Director of DataGeo a mining and exploration consultancy.*

*Mr Ball has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".*

*Mr Ball consents to the inclusion in this Report of the information compiled in the form and context in which they appear.*

*The information in this Report that relates to Exploration is based on information also compiled by Mr Ball.*

## Forward-Looking Statement

*Certain statements made during or in connection with this communication, including, without limitation, those concerning exploration targets, contain or comprise certain forward-looking statements regarding Alcyone's exploration operations, economic performance and financial condition. Although Alcyone believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management. Alcyone undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.*

## APPENDIX 1: MINERAL RESOURCE ESTIMATION

**Table 1: Texas Silver Project, JORC Compliant Mineral Resources – March 2010**

Deposit	Resource Category	Tonnes	Grade (g/t Ag)	Contained Silver (oz)
<i>Twin Hills</i>	Measured	1,762,000	86	4,868,000
	Indicated	1,466,000	79	3,722,000
	Inferred	614,000	81	1,602,000
	<b>TOTAL:</b>	<b>3,842,000</b>	<b>83</b>	<b>10,192,000</b>
<i>Mount Gunyan</i>	Indicated	1,756,000	76	4,267,000
	Inferred	350,000	58	650,000
	<b>TOTAL:</b>	<b>2,106,000</b>	<b>73</b>	<b>4,917,000</b>
<b>TOTAL</b>	<b>ALL CATEGORIES</b>	<b>5,948,000</b>	<b>79</b>	<b>15,109,000</b>

**Note:** Specific comment regarding the method of calculation for the Resource and the role of external consultants was detailed in the March 2010 Quarterly Report (23 April 2010).

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Alcyone Resources Ltd

ABN

53 056 776 160

Quarter ended ("current quarter")

March 2011

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (.9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(792) (3,967) - (760)	(4,017) (3,967) - (1,511)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	80	208
1.5 Interest and other costs of finance paid	(2)	(5)
1.6 Income taxes paid	-	-
1.7 Other - Purchase of Put Options	(1,500)	(1,500)
<b>Net Operating Cash Flows</b>	<b>(6,941)</b>	<b>(10,792)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - (230)	- - (296)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - 182	- - 662
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other - Environmental Deposits	(373)	(373)
<b>Net investing cash flows</b>	<b>(421)</b>	<b>(7)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(7,362)</b>	<b>(10,799)</b>

+ See chapter 19 for defined terms.



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

1.13	Total operating and investing cash flows (brought forward)	(7,362)	(10,799)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	12,039	16,598
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(3)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(35)	42
	<b>Net financing cash flows</b>	12,004	16,637
	<b>Net increase (decrease) in cash held</b>	4,642	5,838
1.20	Cash at beginning of quarter/year to date	4,937	3,741
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	9,579	9,579

**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	235
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Directors Fees and remuneration of Directors	

**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	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	480
4.2	Development	6,500
4.3	Production <sup>(i)</sup>	(1,024)
4.4	Administration	618
<b>Total</b>		<b>6,574</b>

<sup>(i)</sup> Note that production represents the forecast net proceeds from re-irrigation.

### 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	1,079	1,437
5.2	Deposits at call	8,500	3,500
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>9,579</b>	<b>4,937</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		No changes		
6.2	Interests in mining tenements acquired or increased		No changes		

+ 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>	1,308,566,488	1,308,566,488		Fully paid
7.4	Changes during quarter (a) Increases through issues - 24 Jan - 1 Feb - 2 Feb - 1 Mar - 4 Mar (b) Decreases through returns of capital, buy-backs	106,114,765 201,491,689 51,896,316 25,500,000 6,000,000	106,114,765 201,491,689 51,896,316 25,500,000 6,000,000		
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>	78,000,000 667,902 423,750 250,000 1,000,000	- 667,902 - - -	<i>Exercise price</i> 1 cent each \$1.60 each \$9.00 each \$9.60 each 11 cents each	<i>Expiry date</i> 30 Sep 2012 30Sept 2011 14 Aug 2011 09 Nov 2012 31 Mar 2015
7.8	Issued during quarter	1,000,000	-	11 cents each	31 Mar 2015

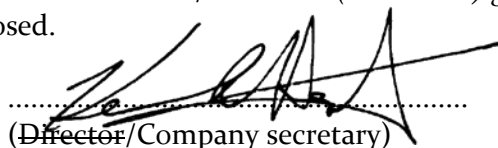
+ See chapter 19 for defined terms.

7.9	Exercised during quarter - 1 Mar - 4 Mar	25,500,000 6,000,000			
7.10	Expired during quarter				
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

## 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: .....

  
(Director/Company secretary)

Date: 29 April 2011

Print name: Kevin Hart.....

## 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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+ See chapter 19 for defined terms.