

Date: 31<sup>st</sup> October 2011

## QUARTERLY ACTIVITIES REPORT ENDING 30 SEPTEMBER 2011

### HIGHLIGHTS

- Ishine signed a farm-in agreement with a Chinese party for its Mt Watson copper project.
- Field reconnaissance conducted in the Company's SA tenements in Marree.
- Further five exploration licences in WA have been granted.
- Senior technical staff from Shandong Ishine Mining Industry Co Ltd reviewed the Company's exploration portfolio and conducted field inspection.



Figure 1 Willouran Range at the southern end of the Company's Marree tenements in SA

## **1. ISHINE SIGNED FARM-IN AGREEMENT ON ITS MT WATSON COPPER PROJECT WITH A CHINESE PARTY**

In early September 2011, the Company signed a Heads of Agreement (“HoA”) with The 8<sup>th</sup> Institute of Geology and Mineral Exploration (“IGME”) in respect to copper exploration in the Mt Watson Project in north-west Queensland. IGME will spend up to \$1.7M to earn up to a 51% interest in this project.

Following IGME’s site visit, project due diligence and Chinese government approval, the Company and IGME has signed a farm-in agreement to allow IGME to earn an interest in this copper project with the key terms and conditions summarized below:

- **IGME will pay Ishine \$300,000 within 3 months of the effect date of the agreement**
- **IGME will spend not less than \$300,000 within the first 12 months for exploration in the Mt Watson project (two tenements)**
- **IGME will earn a 30% interest in the project if the above two requirements are met in the first 12 months.**
- **IGME cannot pull out within the first 12 months. If IGME terminates the agreement after 12 months, its interest will be reduced to 20%.**
- **IGME will pay Ishine \$250,000 within the first 3 months of the second year**
- **IGME will spend not less than \$300,000 within the second 12 months for exploration in the Mt Watson project (two tenements)**
- **IGME will earn a 51% interest in the project if its cash payment and exploration expenditure accumulate to \$1.7 million.**
- **Once IGME earns a 51% interest from Ishine, further investment into this project will be made by both Ishine and IGME on a pro-rata basis.**

The 8<sup>th</sup> Institute of Geology and Mineral Exploration, Shandong Province, is a PRC state-owned geological exploration unit. It provides services such as engineering surveying, hydrological engineering, mineral geology and drilling. The headquarters are located in Rizhao City, Shandong Province, and is equipped with a number of Grade “A” exploration qualifications.

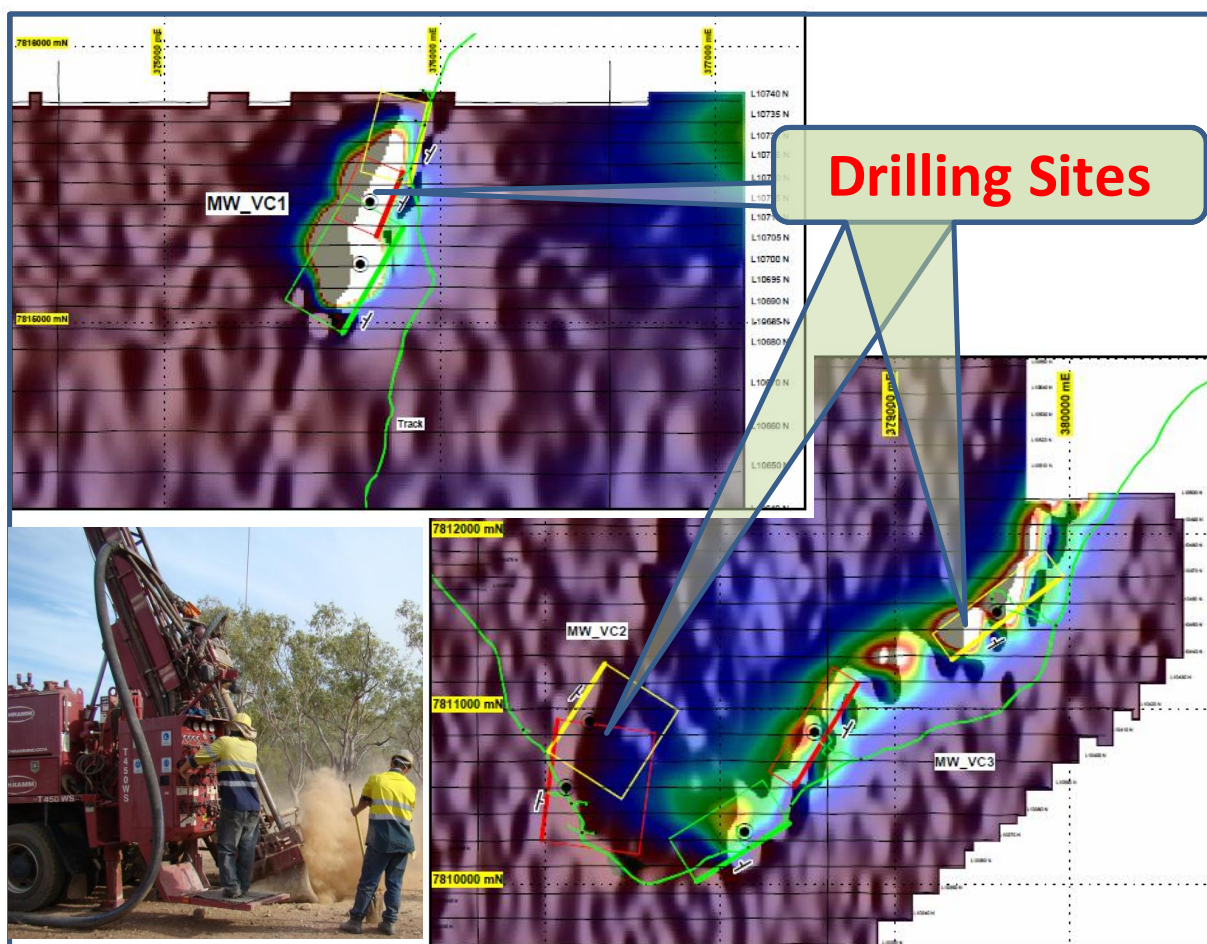
Ishine, being listed on the Australian Securities Exchange on the 18<sup>th</sup> December 2009, has continued its focus on expanding the Company’s exploration portfolio by acquiring quality tenements and continues to explore its current projects. The involvement of IGME in Ishine’s Mt Watson copper project enhances the Company’s technical and financial resources required to fast track the exploration and mineral resource definition of this highly prospective copper project. More importantly, IGME’s participation has paved a way for securing the follow-up funds required for future project development.

### **Mt Watson Project Background**

The Mount Watson Project is a Joint Venture with Kabiri Resources with Ishine earning up to a 70% interest through exploration expenditure of up to \$800,000 over 42 months. The project is comprised of two exploration licence EPM15933 and EPM15986, situated approximately 120km north of Mt Isa in northwest Queensland. Up to the 31<sup>st</sup> March 2011 Ishine had earned a 49% undivided interest in this Project.

The Mount Watson Project occurs on the Western Succession of the Mt Isa Inlier and is considered prospective for copper. The project area is adjacent to the nearby Mt Watson Copper Mine, which was originally operated by Matrix Metals Ltd before being taken over by Cape Lambert Resources Limited in August 2010. When in operation the Mt Watson Mine produced 8.08 million tonnes at an average grade of 0.9%. There are a number of other significant historic copper mines and prospects within the area near the Mt Watson tenements. These include the Hidden Treasure copper deposit with oxide mineral resources of 300,000 tonnes at an average grade of 1.3% Cu; as well as several other exploration prospects at Mt Earl, Tewinga, Mt Wonder, Anomaly P ranging from early stage to advanced.

In the past one and a half years, Ishine flew an airborne VTEM survey which identified the high to low order anomalies. The Company undertook a RC drilling program in late 2010 targeting the six anomalous areas shown in Figure 2 and Figure 3.



**Figure 2 Drilling sites defined from strong VTEM anomalies at the Mt Watson JV project**

Eleven (11) holes were drilled for a total of 1,199 metres. Assay results for the Project's maiden drilling program revealed a broad, highly anomalous copper zone which was discovered in drill hole MWRC007 with intersections of:

*90m @ 0.21% Cu from 18m including 2m @ 0.73% Cu from 36m, and  
8m @ 0.40% Cu from 46m*

The intersection is within a sulphidic black shale unit of the Surprise Creek Formation being the same stratigraphy as the copper mineralisation at Mount Watson. Disseminated sulphides including chalcopyrite and chalcocite were recorded from logging of the RC chips. The rock unit otherwise had a geochemical background of around 30ppm copper. Several other lower order anomalous zones were recorded in several of the other drill holes including:

- *2m @ 214ppm Cu from 106m in MWRC003 (end of hole anomaly)*
- *46m @ 356ppm Cu from surface in MWRC004*
- *16m @ 218ppm Cu from surface in MWRC005*
- *6m @ 230ppm Cu from 106m in MWRC008*
- *22m @ 538ppm Cu from 8m in MWRC009*
- *20m @ 296ppm Cu from 36m in MWRC009*

Whilst the Mt Watson mine was an oxide ore body, Ishine's exploration efforts are focused on the primary zone of sulphide mineralisation at depth. The Company plans to continue drilling to further delineate the anomalous zones from the first program, and also to test a number of the other VTEM targets.

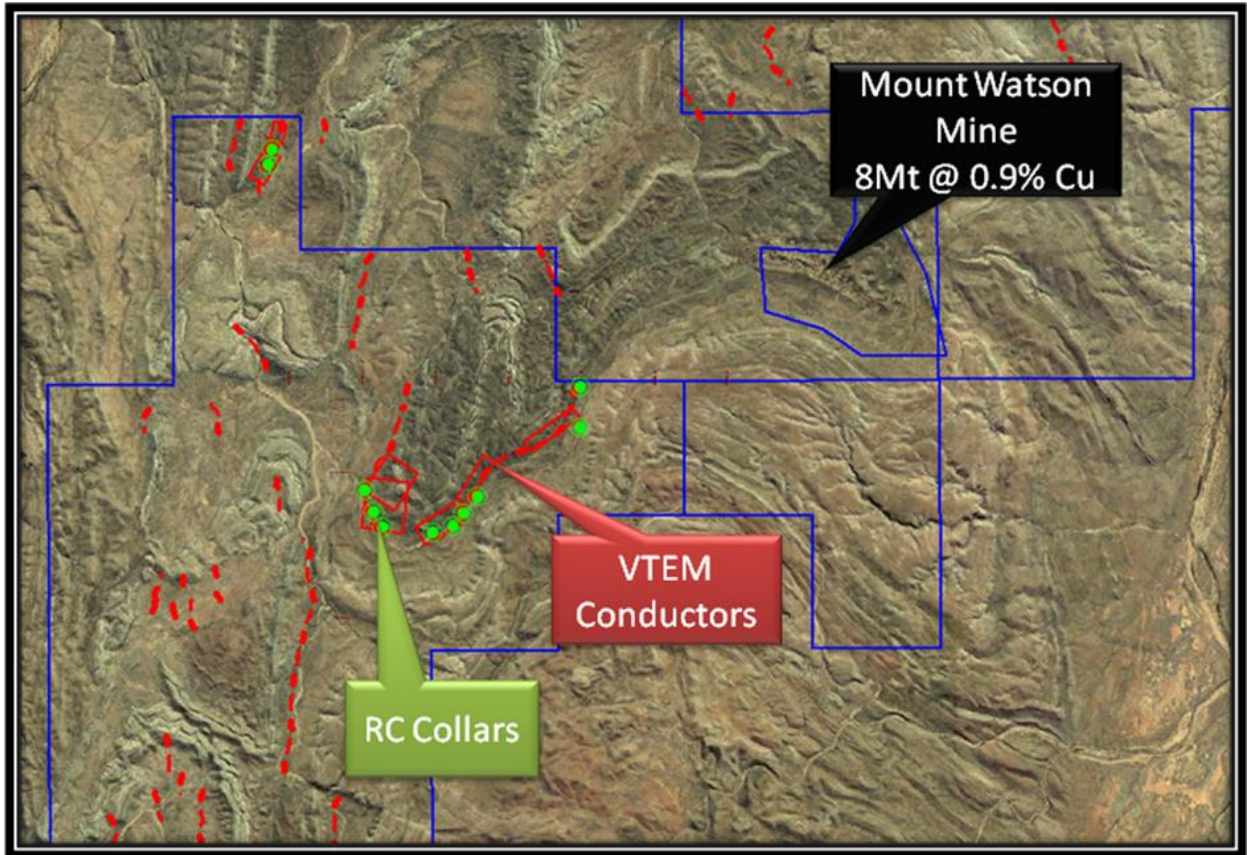
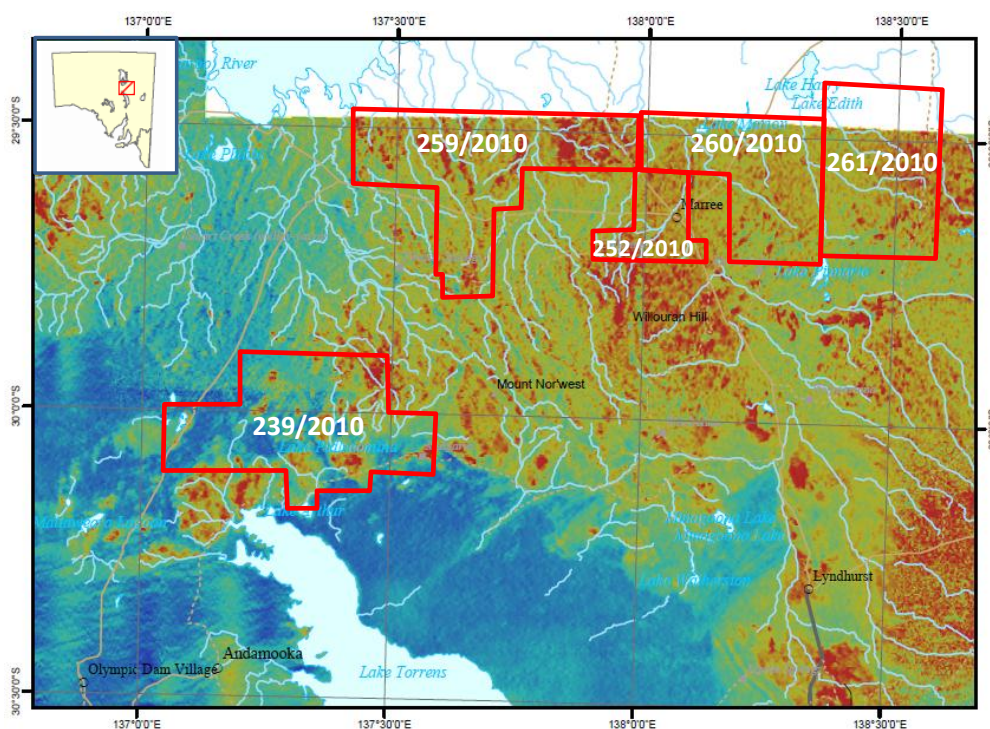


Figure 3 RC hole collar positions on a small portion of VTEM Conductors

## 2. FIELD RECONNAISSANCE CONDUCTED IN THE COMPANY'S SA WILLOURAN RANG TENEMENTS

Ishine's Willouran Range Project comprises 5 Exploration License Applications (ELA239/2010; ELA252/2010; ELA259/2010; ELA260/2010; and ELA261/2010) for a total of 3,622km<sup>2</sup>. The Project is centred on the town of Marree immediately to the north of the Willouran Ranges, about 650km north of Adelaide in South Australia. The projects are prospective primarily for Four Mile Style, ISR-amenable sandstone hosted uranium deposits within the basin sediments of the cover sequence. There is also the prospectivity of targeting uranium mineralisation associated with the copper mineralisation hosted in the underlying Neoproterozoic Adelaidean sediments, and breccia diapers' intruding the sedimentary sequence.



**Figure 4** Ishine's project in Willouran Range, SA (Uranium radiometrics background)

The Marree Projects are located in the southern extension of the Eromanga Basin. The nearby eastern Frome Basin hosts well known uranium deposits including Four Mile, Beverley, and the basement hosted Mt Gee. Radiometric data and limited historic testing for uranium suggest that there are targets for sediment hosted uranium associated with widespread copper mineralisation within the project areas. The uranium potential is based on a geological model invoking copper-uranium rich, high salinity basal brines focused into overlying reductant traps. Ishine believes that uranium deposits may have formed as fluids which have moved along major reactivated structures and diapiric breccias. Mineralisation is believed to be of the same age as Palaeozoic uranium mineralising events recorded at Mt Gee and elsewhere in the Mt Painter region.

The Neoproterozoic sediments which largely underlie the tenements are a thick sequence of marine, largely epicontinental sediments which include the Callanna, Burra, and Umbertana Groups. Mafic volcanics are intercalated with the Callanna Group rocks. Diapiric carbonate rich rocks intrude the sequence. These lithologies are prospective for stratiform copper-gold deposits. Numerous small copper mines occur within the Willouran Range, immediately south of Ishine's tenements, including Boorloo, Beaden Hill, Jane Lennon, Mayflower, West Willouran, Dunns, Brook, and Callanna Mines to name but a few. These are all sedimentary strata-bound copper deposits that are often associated with disruptive diapiric structures and mega-breccias. These tenements will be targeted for strata-form copper gold mineralisation and Olympic Dam IOCGU style deposits beneath the Callanna Group.

During the report period, the company conducted a field reconnaissance investigation in an effort to prepare a strategic exploration plan for this project. Arrangement for a third party to jointly explore this project has also been made during this quarter.

### 3. NEW EXPLORATION LICENCE GRANTED

Since the beginning of the reported quarter, the Company has been granted six new exploration licences from the Western Australian Department of Mines and Petroleum. Together with the three licences granted in the March quarter 2011, the Company now has nine 100% owned exploration licences which provide the Company opportunities to explore for iron ore, nickel and gold in the Laverton, Merredin and

Halls Creek regions of Western Australia. A summary on the nine exploration licences are presented in the table below.

**Ishine's New Exploration Tenements Granted to date**

State	Licence Number	Date Granted	Size, km <sup>2</sup>	Locality	Target Minerals
WA	E 38/2435	2-Jan-2011	71	Laverton	Ni
	E 70/3880	28-Mar-2011	225	Narembeen	Au
	E 77/1786	22-Mar-2011	225	Merredin	Fe
	E 37/1073	21-Jul-2011	106	Laverton	Ni
	E 69/2812	1-Sep-2011	451	Warburton	Cu, Ni
	E 38/2601	2-Sep-2011	16	Laverton	Au, Ni
	E 37/1074	14-Sep-2011	13	Laverton	Au, Ni
	E 80/4450	6-Oct-2011	132	Halls Creek	Au
	E 80/4478	10-Oct-2011	126	Halls Creek	Au

The Company has been actively implementing its first year exploration programs for these tenements. With an aim of bringing external expertise and funds to the Company's prospective exploration projects, a number of Chinese geological institutes were escorted to the Company's tenements during the quarter. Discussions and negotiations for possible farm-in programs are currently underway.

#### 4. CORPORATE

The Company relocated its principal office and registered office late this quarter.

In order to fast track on potential mineral deposits in the Company's broad holding tenements in WA and SA, the Company received a strong support from its largest shareholder, Shandong Ishine Mining Industry Co Ltd, by sending a team of senior technical staff to provide technical review and field inspection over most of Ishine's tenements.

#### CAIGEN WANG

**Managing Director**

**Ishine International Resources Limited**

*The information in this report that relates to Exploration Progress has been prepared by Mr Martin Dormer, who is a member of the Australian Institute of Mining and Metallurgy, and a full time employee of Ishine International Resources Ltd. Mr Dormer has sufficient relevant experience in the techniques being reported and styles of mineralisation and types of deposit under consideration, and in the activity he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code), and consents to the inclusion of the information in the form and context in which it appears.*

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