

# QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2012

30 October 2012

ASX Code: **AGS**

No. of pages: 19

## QUARTERLY REPORT - FOR THE PERIOD ENDED 30 SEPTEMBER 2012

### DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 30 September 2012 (13 pages)
- Appendix 5B for the period ending 30 September 2012 (5 pages)



**Ian Pamensky**  
Company Secretary

Further information relating to the Company and its various exploration projects can be found on the Company's website at [www.allianceresources.com.au](http://www.allianceresources.com.au)

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## HIGHLIGHTS

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### **FOUR MILE URANIUM PROJECT (Alliance 25%)**

#### **Four Mile Project Start-Up**

- A decision to recommence development of the Four Mile Project (Quasar Resources Pty Ltd (**Quasar**) 75%, Alliance Craton Explorer Pty Ltd (**ACE**) 25%) was made on 24 October 2012 (post-reporting).
- The approved Start-Up Plan and Program and Budget runs for 16 months and includes the following guidance: production of 2.128 million lb of uranium oxide over 10 months commencing in Q2 2013 with cash operating costs of A\$25.46 per lb (if wellfield development costs are excluded) or A\$40.33 per lb (inclusive of wellfield development costs) uranium oxide.

#### **Legal Proceedings**

- **Access to books, records and agreements pertaining to the Four Mile Joint Venture - Jurisdiction - Federal Court of Australia (Adelaide)**
  - On 1 May 2012 ACE appealed that part of the decision dismissing ACE's application for disclosure of documents on the basis that they are jointly owned having been prepared by Quasar, as manager, on behalf of both itself and ACE. The appeal has been set down for hearing on 19 and 20 November 2012.
- **Misleading and deceptive conduct - Jurisdiction - Federal Court of Australia (Adelaide)**
  - No date has been set for the next directions hearing.

#### **Grant of Exploration Licence**

- During the quarter Quasar (as to 75%) and ACE (as to 25%) were granted an Exploration Licence in the Arkaroola area for a period of two (2) years.

### **STRATEGIC ALLIANCE WITH ITOCHU CORPORATION**

- As previously announced, Alliance Resources Limited (**Alliance**) and ITOCHU Corporation agreed to form a strategic alliance. As part of the alliance ITOCHU Corporation, through its wholly owned subsidiary NURA 3 Pty Ltd (ITOCHU) will have the right to subscribe for 59,735,223 shares in Alliance or 14.9% of the issued share capital in ACE and, subject to exercising its rights, an option to acquire a further 25.1% in ACE.
- A General Meeting of shareholders was held on 15 August 2012 to vote on a resolution to approve the issue of the rights to ITOCHU. The motion was carried as an ordinary resolution on a show of hands.

## CHILE COPPER-GOLD PROJECT (Alliance 90%)

- Alliance secured an option agreement to explore and acquire 100% interest in the Kamikaze copper-gold property in the Cabeza de Vaca district.
- The results of a geochemical soil sampling survey at Cabeza de Vaca have been received and geological mapping of the concessions has been completed.

## WARRINA COPPER-GOLD PROJECT (Alliance 100%)

- An experimental induced polarisation (IP) line over the BigNE area gravity-magnetic-MT anomalies was completed during the quarter. The results indicate anomalous IP chargeability is evident at depth beneath the main magnetic-gravity anomaly to the north and the MT anomaly to the south east.
- All geophysical information is being modelled and integrated for planning of at least one deep (approximately 1,000 metre) drillhole.

## EAST FROME COPPER-BASE METALS PROJECT (Alliance 100%)

- The 3D IP survey over Anomaly A confirmed a chargeability anomaly coincident with the gravity and magnetic responses previously recognised and a small conductive feature to the north is a possible drill target.
- A significant basement chargeability anomaly was detected south of the H1 gravity anomaly on three lines probably extending further west north of H3. This is a significant drill target and it is planned to drill test this anomaly in 2013.

## CORPORATE

- Cash reserves of \$29.16 million (unaudited) at 30 September 2012.

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## FOUR MILE URANIUM PROJECT (Alliance Craton Explorer Pty Ltd 25%)

The Four Mile Uranium Project area is located 550 kilometres north of Adelaide in South Australia. Alliance's 100% owned subsidiary, Alliance Craton Explorer Pty Ltd (**ACE**) is the registered holder of 25% of ML6402 and EL5017 (which replaced EL3666). Quasar Resources Pty Ltd (**Quasar**) is the registered holder of the remaining 75% and is the manager of the Project.

### Four Mile Project Start-Up

On 24 October 2012 (post-reporting), Alliance announced that a decision to recommence development of the Four Mile Project (Quasar 75%, ACE 25%) was made with Quasar voting its 75% interest in favour and ACE voting its interest against Quasar's proposed Start-Up Plan.

The Start-Up Plan comprises:

- Uranium capture at Heathgate Resources Pty Ltd's (Heathgate's) Pannikan satellite plant with elution, precipitation, drying and packing at Heathgate's Beverley processing plant;

- In-situ recovery (ISR) mining operations commencing at Four Mile East in Q2 2013 and at Four Mile West in Q4 2013, and
- First uranium sales are scheduled for Q3 2013.

Quasar's Program and Budget runs for 16 months from now and includes the following production guidance based on a series of assumptions:

- Production of 2.128Mlb of uranium oxide (sales of 1.306Mlb) over 10 months;
- Cumulative cash expenditure to end 2013 of A\$97.8 million (ACE share A\$24.45 million);
- Cash operating costs are budgeted to be A\$25.46<sup>1</sup> per lb (if wellfield development costs are excluded) or A\$40.33<sup>2</sup> per lb (inclusive of wellfield development costs) uranium oxide;
- Sale prices are forecast to be US\$62.58 per lb uranium oxide for 2013;
- A\$12 million of regional delineation drilling<sup>3</sup>.

Quasar has described the Start-Up Plan as a staged commencement of mining operations, the purpose of which is to permit actual production rates to be considered before full-scale production facilities are constructed.

Notwithstanding this decision to recommence development, ACE still considers the construction of an appropriately sized stand-alone plant at Four Mile to produce a better outcome for ACE.

## Legal Proceedings

**Access to books, records and agreements pertaining to the Four Mile Joint Venture - Jurisdiction - Federal Court of Australia (Adelaide). Proceedings issued on 16 November 2009.**

ACE issued proceedings against Quasar and Heathgate for an order giving ACE access to books, records and agreements pertaining to the Four Mile joint venture.

## **Background**

On 9 October 2009 ACE formally requested Quasar and Heathgate to provide ACE with access to joint venture documentation. While Quasar agreed to provide copies of some records, ACE considered its response to be inadequate. Alliance believes it is entitled to access all joint venture documentation. Heathgate, which Alliance believes holds joint venture documents in its capacity as "proposed mine manager", elected not to respond to the request. It is anticipated

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<sup>1</sup> Excludes regional delineation drilling costs.

<sup>2</sup> Excludes regional delineation drilling costs.

<sup>3</sup> ACE and Quasar disagree about the nature of the regional delineation drilling. Quasar asserts it is a mining development cost for which ACE must pay its share. ACE asserts it is an exploration cost for which Quasar must pay in full.

that access to the joint venture books, records and agreements will enable Alliance to analyse and better understand the original and revised programs and budgets for Four Mile.

On 26 March 2012 orders were made refusing ACE's application. Reasons were handed down on 4 April 2012.

On 1 May 2012 ACE appealed that part of the decision dismissing ACE's application for disclosure of documents on the basis that they are jointly owned having been prepared by Quasar, as manager, on behalf of both itself and ACE. The appeal has been set down for hearing on 19 and 20 November 2012.

### **Misleading and deceptive conduct - Jurisdiction - Federal Court of Australia (Adelaide). Filed on 12 July 2010.**

ACE is seeking damages from Heathgate and damages and restitution of the 75% interest in the exploration licence over the Four Mile from Quasar arising from Quasar's and Heathgate's failure to disclose to ACE information concerning the prospectivity of part of that tenement. ACE contends that Quasar engaged in misleading or deceptive conduct in contravention of section 52 of the *Trade Practices Act 1974* (Cth) and section 9 of the *Fair Trading Act 1999* (Vic) and that Heathgate assisted or participated in the contraventions committed by Quasar.

ACE also contends that Quasar, with the assistance or participation of Heathgate, breached its obligations under the joint venture agreement, its fiduciary obligations owed to ACE and misused confidential information when Quasar sought, and obtained, a one-year extension of the earn-in period and, subsequently, the transfer of a 75% interest in the exploration licence.

As the statement of claim contains confidential information, the Court has ordered that the statement of claim, the defences and replies be treated as confidential until further order.

ACE has applied to the Court for:

- (i) leave to interrogate (that is, have questions answered on oath) Heathgate and Quasar,
- (ii) an order that Heathgate and Quasar provide complete copies of documents that have been provided to ACE wholly or with certain passages concealed (or redacted),
- (iii) an order that Heathgate and Quasar provide ACE with further documents which ACE considers to be relevant to the proceedings.

The parties are now in the final stages of discovery. No date has been set for the next directions hearing.

### **Grant of Exploration Licence**

During the quarter Quasar (as to 75%) and ACE (as to 25%) were granted an Exploration Licence in the Arkaroola area for a period of two (2) years.

The licence is numbered EL5017 and the date of commencement is the 4<sup>th</sup> December 2011, to coincide with the expiry date of EL3666, which it replaces. As previously announced, the area of the new EL is substantially reduced due to the declaration of the Arkaroola Protection Area but neither the Four Mile Project nor the Four Mile South prospect are affected.

## **Exploration & Development**

Quasar advised in its Manager's monthly report for June to August 2012 that engineering studies continued. These studies included evaluation of the Four Mile project with respect to impacts from the period of delay on knowledge, regulations, equipment condition, technical developments, available infrastructure and economic conditions.

At Four Mile East 21 monitoring wells were integrity tested (21 in total) and 26 wells were airlifted (83 in total) as reported by Quasar in its Manager's monthly reports for June to August 2012. There were no wellfield activities reported at Four Mile West.

## **Contributions to Development**

ACE paid \$144,663.68 towards the cost of development of the Four Mile Project during the quarter (\$15,540,412.67 project-to-date)<sup>4</sup>.

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## **STRATEGIC ALLIANCE WITH ITOCHU CORPORATION**

On 23 May 2012 Alliance announced that the company and ITOCHU Corporation had agreed to form a strategic alliance. As part of the alliance ITOCHU Corporation, through its wholly owned subsidiary NURA 3 Pty Ltd ("ITOCHU") will have the right to subscribe for 59,735,223 shares in Alliance or 14.9% of the issued share capital in Alliance Craton Explorer Pty Ltd ("ACE") (a wholly owned subsidiary of Alliance) and, subject to exercising its rights, an option to acquire a further 25.1% in ACE ("Transaction").

A summary of the material terms of the Transaction were included in the Explanatory Memorandum to shareholders which accompanied the notice of general meeting dispatched on 17 July 2012.

A General Meeting of shareholders was held on 15 August 2012 to vote on a resolution to approve the issue of the rights to ITOCHU. The motion was carried as an ordinary resolution on a show of hands.

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<sup>4</sup> ACE disputes the validity of the cash calls made by Quasar and, in making these payments, has reserved all of its rights. The payments are made to preserve ACE's participatory rights in the Four Mile project.

## CHILE COPPER-GOLD PROJECT (Alliance (Chile) Pty Ltd 90%<sup>5</sup>)

During the quarter Alliance's wholly owned subsidiary Alliance (Chile) Pty Ltd (**Alliance Chile**) secured an option agreement to explore and acquire 100% interest in the Kamikaze copper-gold property in the Cabeza de Vaca district close to the mining centre of Copiapo. Negotiations to acquire an additional fifteen mine properties in the district are in an advanced stage.

The properties in the Cabeza de Vaca district of Atacama Region III are located in northern Chile's iron-oxide copper-gold belt.

The results of a geochemical soil sampling survey commenced at Cabeza de Vaca during the previous quarter have now been received. The results were analysed statistically to provide mean and standard deviation statistics following the application of a top cut to exclude obviously highly anomalous samples. For those samples identified as "below detection limit" a nominal figure of half the detection limit was used in order to facilitate statistical manipulation of the results. A background value was established as the average of values below the mean. The results for gold and copper are shown in Figures 1 and 2.

Geological mapping of the concessions at a scale of 1:2000 has been completed.

Surface and underground mine workings, hydrothermal alteration, copper showings and geochemical rock chip sampling, define a 10 km square area on the Cabeza de Vaca properties that contains numerous distinct zones of copper-gold mineralization associated with quartz-tourmaline breccias and sheeted vein systems.

The Company's exploration strategy is two-phase:

1. To define and exploit the remaining "near surface" copper-gold mineralisation associated with the breccia pipes. The Cabeza de Vaca breccia pipes district has a history of small scale artisanal mining, the pipes having been high-graded in the oxide and secondary enrichment zones above the water table. The best remaining mineralisation is probably in the hypogene sulphide zone below the water table.
2. To explore the potential for porphyry style copper-gold-molybdenum mineralisation at depth below the breccia pipe zone.

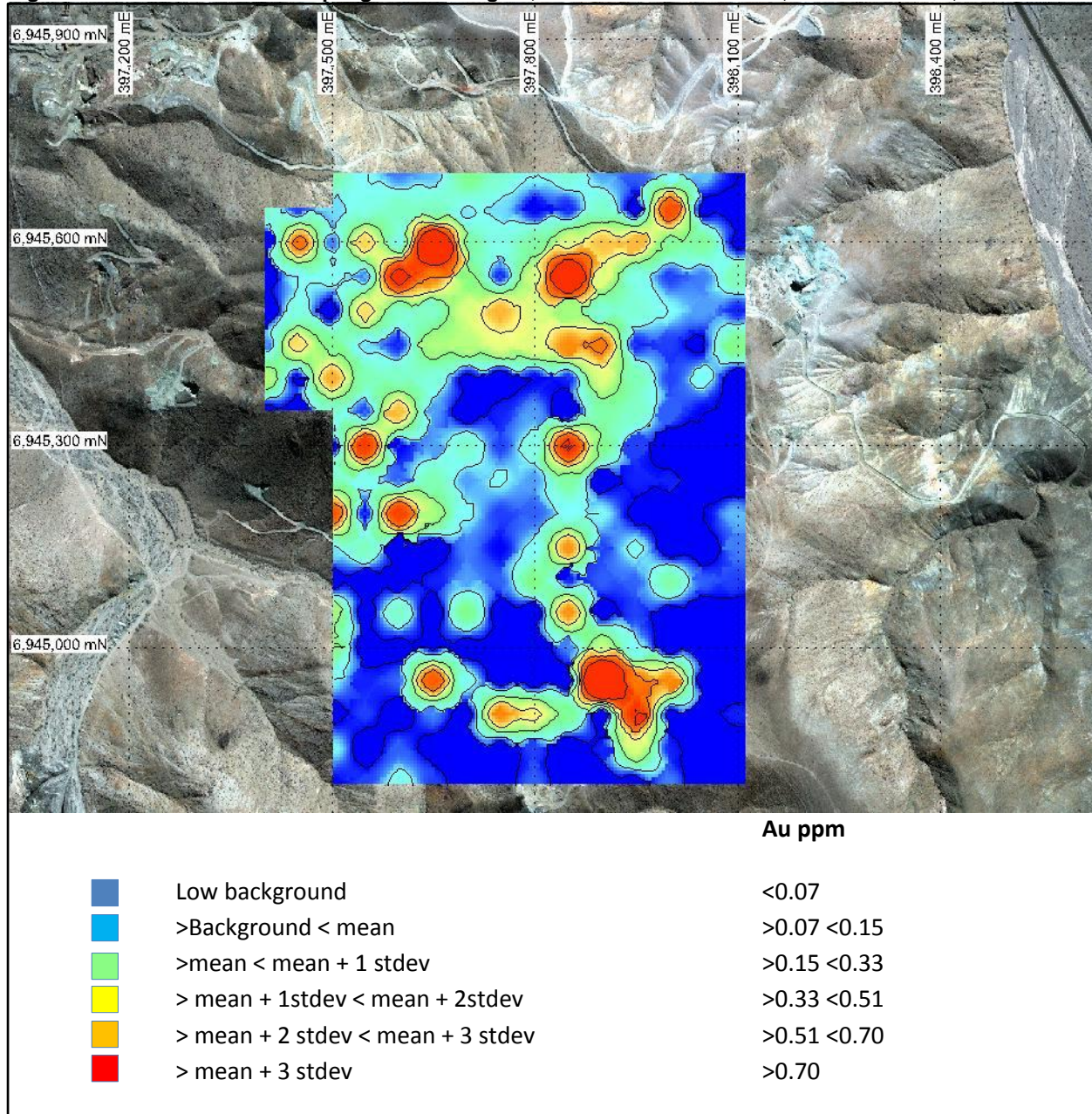
The geological model is that of mesothermal mineralised hydrothermal breccia pipes and veins, which coalesce with depth into a large scale mineralised feeder system. Alliance believes that a

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<sup>5</sup> Under the terms of an agreement between Alliance Chile and Minera Abre Fuego Ltda (MAF), Alliance Chile holds 90% and MAF 10% respectively of the exploration, prospecting or mining rights within defined areas of the project. Alliance Chile has the right to acquire the whole of MAF's interest in the areas at an agreed price following the establishment of an Inferred mineral resource. These areas were selected by MAF after two years reconnaissance and the inspection of over sixty different mineralised areas in central and northern Chile.

large porphyry system is the source of, and may lie at relatively shallow depth below, the 10 square kilometre area of alteration and mineralized breccia pipes.

**Figure 1: Geochemical soil sampling results for gold, Ceci-Paola concessions, Cabeza de Vaca, Chile**





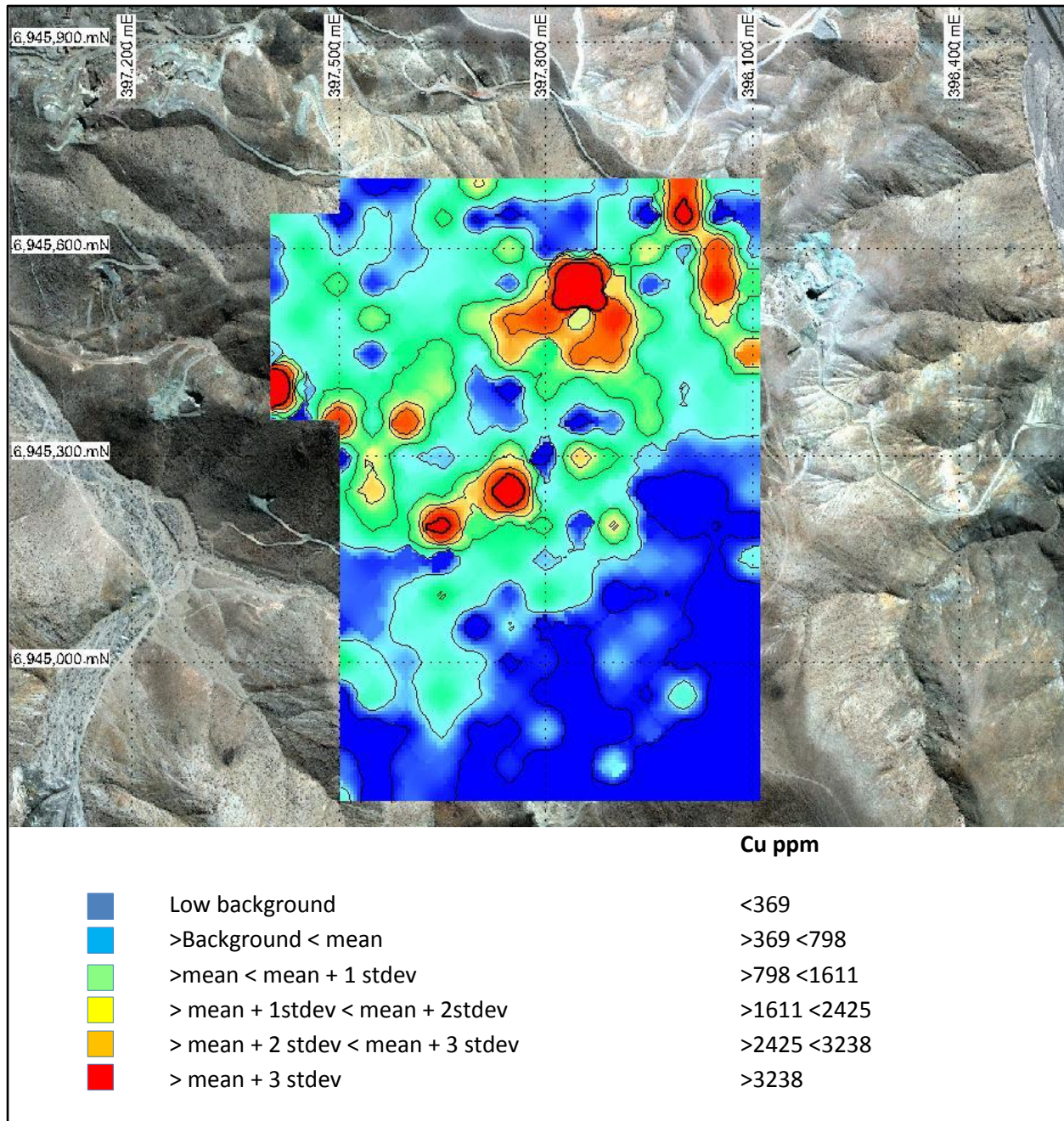


Figure 2: Geochemical soil sampling results for copper, Ceci-Paola concessions, Cabeza de Vaca, Chile

## WARRINA COPPER-GOLD PROJECT (Alliance (SA) Pty Ltd 100%)

The Warrina Project is located 70 km to the northeast of Coober Pedy in the Gawler province of South Australia. Alliance is targeting Olympic Dam style breccia-hosted iron-oxide copper-gold mineralisation. The BigNE prospect is a very large geophysical target located in the eastern half of EL4802 characterised by an isolated magnetic high that trends northeast for over 10 kilometres associated with a significant offset gravity anomaly.

An experimental induced polarisation (IP) line over the BigNE area gravity-magnetic-MT anomalies was completed during the quarter. The results demonstrate that, despite some interference and EM coupling effects, the IP technique can penetrate the cover rocks to provide information on the geophysical properties of the basement. Anomalous IP chargeability is evident at depth in the inversion received to date (Figures 3 and 4). The IP tends to support the presence of “chargeable” rocks at depth both beneath the main magnetic-gravity anomaly to the north and the MT anomaly to the south east.

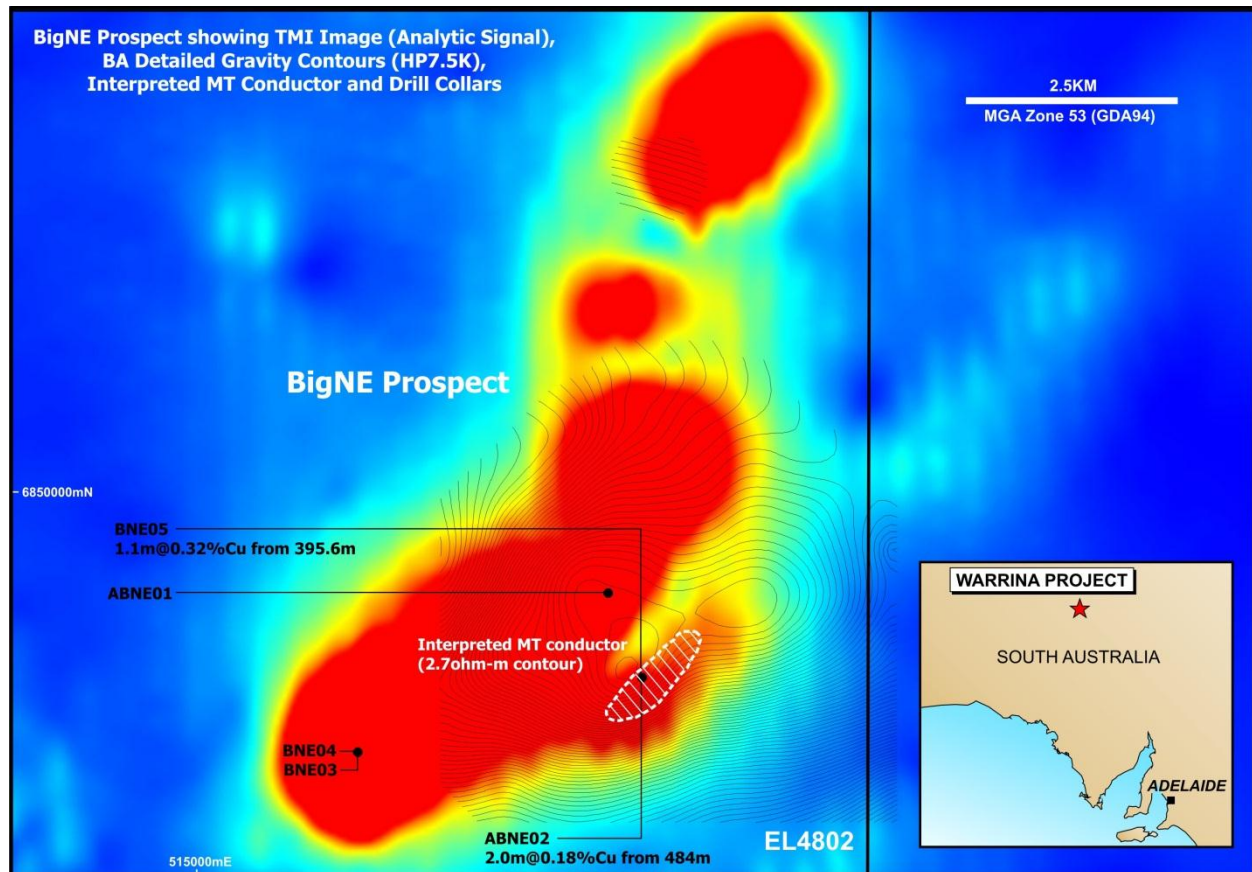
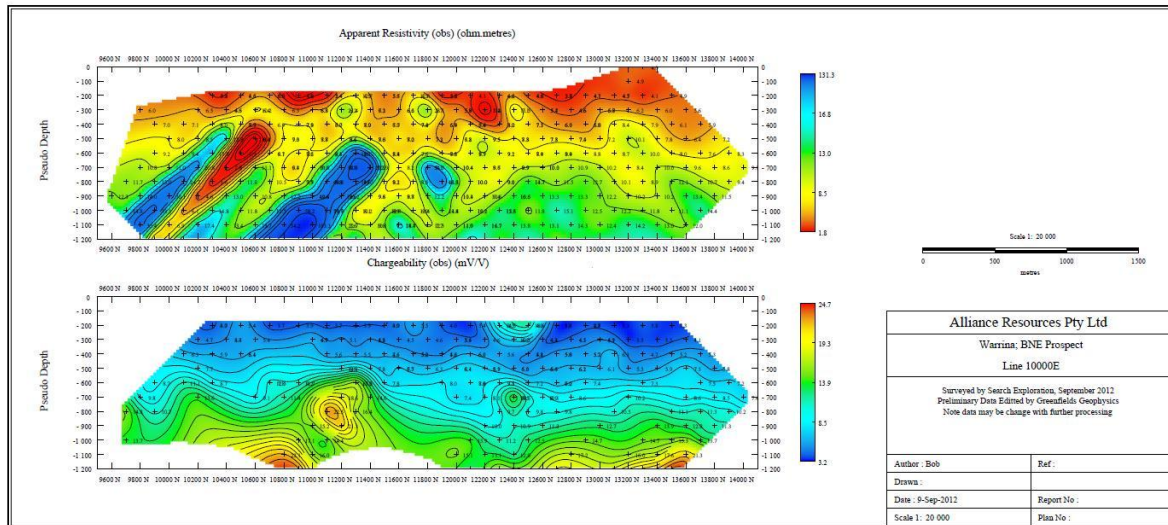


Figure 3: BigNE Prospect, Warrina Project



**Figure 4: BigNE Prospect IP Line 1000E**

## EAST FROME COPPER-BASE METALS PROJECT (Alliance (NSW) Pty Ltd 100%)

The East Frome Project is located approximately 30 km to the northwest of Broken Hill, New South Wales. The project is prospective for copper-gold mineralisation and Broken Hill style lead-zinc-silver mineralisation.

Induced polarisation (IP) electrical geophysical surveys over six priority gravity anomalies were completed during the previous quarter (Figure 5).

The 3D IP survey over Anomaly A confirmed a chargeability anomaly coincident with the gravity and magnetic responses previously recognised. The main anomaly appears to be adequately explained by the magnetite bearing pyroxenite intersected in DDUB1 (drilled in 1964). A small conductive feature, possibly related to increased sulphide mineralisation extends north of DDUB1 and is a possible drill target.

Gravity anomalies H1, H3 and H4 were previously explained as possibly due to basement highs. The results of IP and resistivity surveys in 2012 support this conclusion but a significant basement chargeability anomaly was detected south of the H1 gravity anomaly on three lines probably extending further west north of H3 (Figure 6). This is a significant drill target and it is planned to drill test this anomaly in 2013.

Weak residual gravity anomalies at N and NE were tested by IP surveys but the results indicate thick (~200m) conductive cover and no significant anomalies were detected.

# QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2012

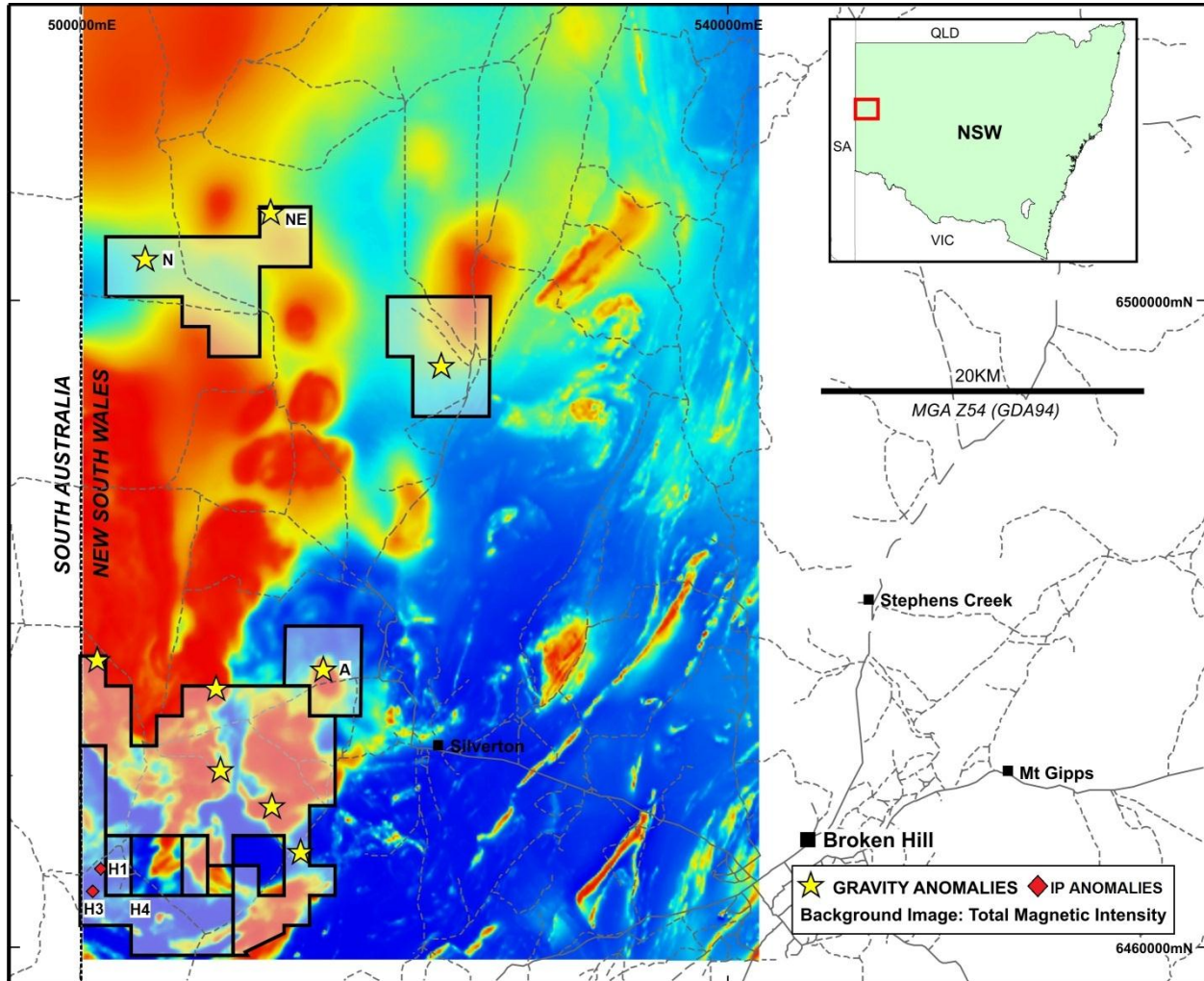


Figure 5: East Frome Project IP anomalies

# QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2012

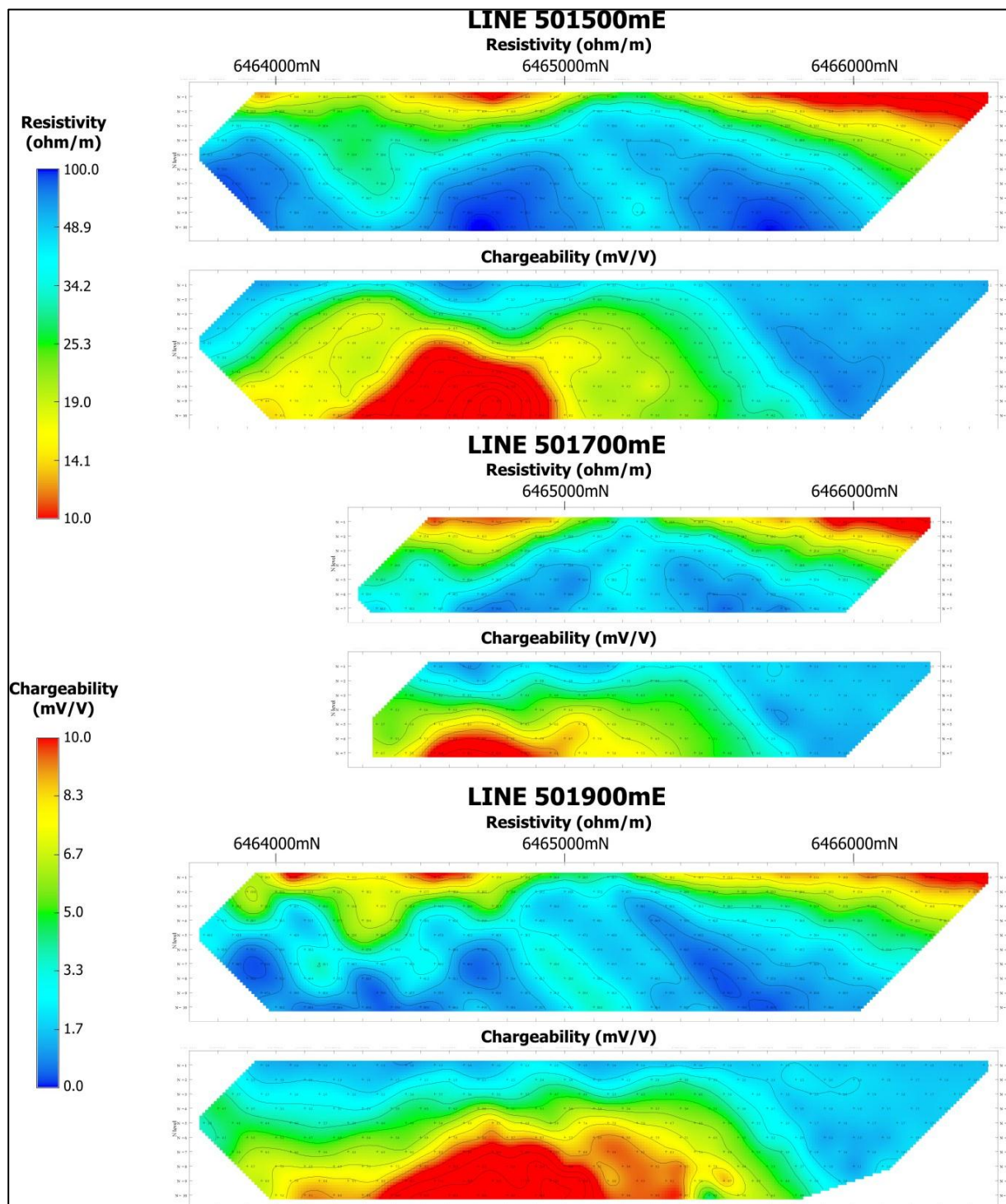


Figure 6: East Frome Project IP Lines 501500E, 501700E and 501900E over gravity anomaly H1

## CORPORATE

Alliance has cash reserves of \$29.16 million (unaudited) at 30 September 2012 and has 341,172,309 ordinary shares on issue.

Alliance holds 22,000,000 ordinary shares in Octagonal Resources Ltd (Octagonal) which equates to approximately 22% of Octagonal's issued share capital.

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Further information relating to the Company and its various exploration projects can be found on the Company's website at [www.allianceresources.com.au](http://www.allianceresources.com.au)

**Steve Johnston**  
**Managing Director**

### References to Joint Ore Reserves Committee (JORC) Code

The information in this report that relates to Exploration Results is based on information compiled by Mr Andrew Bowden who is a Chartered geologist and fellow of the Geological Society of London, a Recognised Overseas Professional Organisation included in a list promulgated by the ASX from time to time. Mr Bowden is a part-time employee of Alliance Resources Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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 Bowden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

# 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

**ALLIANCE RESOURCES LIMITED**

ABN

**38 063 293 336**

Quarter ended ("current quarter")

**30 September 2012**

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (3 Months)
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(207)	(207)
	(b) development <sup>(1)</sup>	(145)	(145)
	(c) production	-	-
	(d) administration	(2,004)	(2,004)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	342	342
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	86	86
<b>Net Operating Cash Flows</b>		<b>(1,928)</b>	<b>(1,928)</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 (Transfer to deposit)	-	-
<b>Net investing cash flows</b>		<b>-</b>	<b>-</b>
1.13	<b>Total operating and investing cash flows (carried forward)</b>	<b>(1,928)</b>	<b>(1,928)</b>

+ See chapter 19 for defined terms.

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

<b>1.13</b>	<b>Total operating and investing cash flows (brought forward)</b>		
		<b>(1,928)</b>	<b>(1,928)</b>
	<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 (Cost of Capital Raising/Prospectus)	-	-
	<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
	<b>Net (decrease) increase in cash held</b>	<b>(1,928)</b>	<b>(1,928)</b>
1.20	Cash at beginning of quarter/year to date	<b>31,091</b>	<b>31,091</b>
1.21	Exchange rate adjustments to item 1.20	-	-
<b>1.22</b>	<b>Cash at end of quarter</b>	<b>29,163</b>	<b>29,163</b>

**Notes:**

1. Includes cash calls for the Four Mile Project based on an updated programme and budget received from Quasar Resources Pty Ltd (Quasar), in May 2009 (which has never been presented to or approved by the joint venture management committee). Quasar is registered as the holder of 75% of EL3666 (ELA215/11) and ML6387 and manages the Project. In the period from 1 July 2012 to 30 September 2012 Alliance continued to make payments in order to preserve its participatory rights in the Four Mile Project. Alliance disputes the validity of the Programme and Budget and the cash calls made by Quasar based on that Programme and Budget (as scaled back pending the issue of a mining licence) and in making the payments has reserved all of its rights.

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		<b>Current quarter \$A'000</b>
1.23	Aggregate amount of payments to the parties included in item 1.2	268
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

*All transactions involving Directors and associates were on normal commercial terms. These payments represent Director fees, Director consulting fees, re-imbursments of expenses and payments in terms of a management service agreement with a Director related entity.*

**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

NIL

+ See chapter 19 for defined terms.



## Appendix 5B Mining exploration entity quarterly report

- 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

NIL

### 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	875
4.2 Development <sup>(2)</sup>	80
4.3 Production	0
4.4 Administration	1,030
<b>Total</b>	<b>1,985</b>

**Notes:**

2. Includes estimated cash calls for the Four Mile Project based on an updated programme and budget received from Quasar Resources Pty Ltd, in May 2009 (which has not been presented to or approved by the joint venture management committee) as scaled back pending the issue of a mining licence (which has now occurred). In making these payments Alliance will reserve its rights as it has done in previous quarters.

### 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	28,735	29,177
5.2 Deposits at call	343	1,829
5.3 Bank overdraft	0	0
5.4 Other (provide details) – Term Deposit	85	85
<b>Total: cash at end of quarter (item 1.22)</b>	<b>29,163</b>	<b>31,091</b>

+ See chapter 19 for defined terms.

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

**Changes in interests in mining tenements**

	<b>Tenement reference</b>	<b>Nature of interest (Note 2 - Below)</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased	Japonesa, (Chile) EL4997 EL5017	Option to acquire  Replaces EL3666 (Four Mile)	0% 0% 25%
				0% 100% 25%

**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.*

	<b>Total number</b>	<b>Number quoted</b>	<b>Issue price per security (see note 3) (cents)</b>	<b>Amount paid up per security (see note 3) (cents)</b>
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>	341,172,309	341,172,309	
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			

+ See chapter 19 for defined terms.

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

7.7	<b>Options</b> (description and conversion factor)	(Unlisted Managing Director Options) 1,000,000 1,000,000	Unlisted Unlisted	<b>Exercise price</b> <b>A\$</b> \$0.30 \$0.50	<b>Expiry date</b> 30 Apr 2014 30 Apr 2015
7.8	Issued during quarter				
7.9	Exercised during quarter				
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:   
**Company Secretary**

Date: 30 October 2012

Print name: **IAN PAMENSKY**

**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 precedents, 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.