

December 2010 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:

917,563,718 shares
110,841,652 options

Top 10 Shareholders:

JP Morgan	12.9%
Seaspin Pty Ltd	4.7%
Lyandji Super Fund	3.8%
HSBC Custody Nominees (Aus) Ltd	2.9%
Deck Chair Holdings	2.9%
Mahsor Holdings Pty Ltd	2.6%
National Nominees Ltd	1.8%
Zero Nominees Pty Ltd	1.8%
Golden Matrix Holdings Pty Ltd	1.6%
Mr Richard Milne Harris	1.6%
Total for Top 10	36.6%

ASX Code: AYN

HIGHLIGHTS

- Share placement and non renounceable rights issue to raise a total of ~\$16.7M.
- Tranche 1 of the placement completed raising \$4.1 million with Tranche 2 scheduled to be completed in January 2011 and rights issue closing on 14 January – Alcyone then fully funded for silver production, Q3 2011
- Economic review of the Twin Hills silver mine completed:
 - Base case ore processing of 1Mtpa at head grade of ~80g/t Ag for annual silver production of 1.5-2.0Moz
 - Forecast cash operating cost (pre-royalties and depreciation) of ~A\$13.50/oz, which would result in a robust cash operating margin of +~A\$15/oz at the current silver price of A\$29/oz
 - Estimated capital cost of A\$13M
- No direct impact to date on Alcyone operations from localised rain and flooding in south-east Queensland
- Remediation works on the Storm Water Dam underway. Re-irrigation of existing Twin Hills heaps to commence during February
- Long-lead items including Quad Rolls Crusher and Merrill Crowe filters ordered
- Construction expected to commence in the late Q1 of 2011, commissioning in Q3 2011
- Further strong results from resource expansion drilling at Twin Hills and Mt Gunyan including:
 - 2m @ 279g/t Ag from 117m incl. 1m @ 455g/t Ag at Twin Hills (ACTHD002)
 - 5m @ 148g/t Ag and 2.8g/t Au from 49m at Mt Gunyan (ACMTGD011)
 - 1m @ 230g/t Ag from 46m and 2m @ 94g/t Ag from 52m at Mt Gunyan (ACMTGD010)
- Phase 1 drilling at Hornet Prospect, 2km west of Twin Hills, delivers surface copper mineralisation over a strike length of 200m, up to 30m wide and 60m deep

OVERVIEW

The December Quarter was an exceptionally busy period for Alcyone Resources, with site remedial works continuing and trial silver production now imminent at the Twin Hills mine, part of its 100%-owned Texas Silver and Polymetallic Project in south-east Queensland.

An economic review of the Twin Hills Project was completed during the Quarter and confirmed that the operation is well placed to generate strong operating margins based on a forecast annual processing rate of 1Mtpa from the Twin Hills resource. At this production rate, the operation would deliver average annual silver production of 1.5-2.0Moz at forecast unit cash operating costs of approximately A\$13.50/oz.

Alcyone is currently undertaking remedial site works at Twin Hills, including remediation works on the Storm Water Dam which, subject to weather conditions, should be completed by late January / early February 2011. As soon as this work has been completed the Company intends to commence re-irrigation of the existing heaps at Twin Hills, enabling it to commence trial silver production.

It is anticipated that construction and commissioning of the modified processing circuit at Twin Hills will be completed during the Second Quarter of 2011. This will enable a ramp-up to full scale commercial silver extraction during the Third Quarter.

Exploration within the Company's tenements also continued to yield positive results over the Quarter. The resource extension and drill programme at the Twin Hills and Mt Guryan deposits have provided strong impetus for a resource update for both deposits, which is expected to be announced during the First Quarter of 2011.

Alcyone's regional exploration programme, designed to unlock the broader potential of the Company's tenements, has also provided further positive results. The Phase I drilling at the Hornet prospect confirmed a broad zone of disseminated copper mineralisation, with further exploration work to be conducted in the forthcoming quarter. Drilling also commenced at the Silver Spur polymetallic deposit with results anticipated in the current Quarter 2011.

During the Quarter, Alcyone completed an economic review of the Twin Hills mine, which confirmed that the operation is economically robust. The completion of this review paved the way for site preparation work to commence. This work has now been substantially completed and the Company expects to commence trial silver production early in the first quarter of 2011.

1.0 OPERATIONS

1.1 Texas Project

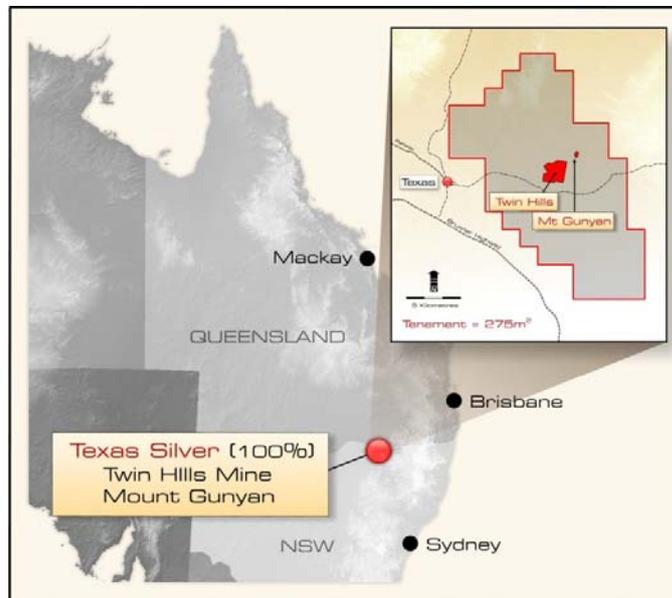


Figure 1 – Texas Project Area

The Company also completed a major exploration review during the Quarter. This was to target both additional heap leach silver resources and base metal and polymetallic mineralisation within the Texas Project tenements. The results of this study will be used to finalise exploration programmes for 2011.

The Company is pleased to report that, to date, there has been no direct impact on its operations from the recent rain and flooding in south-east Queensland. While some heavy haulage access to the Texas Project out of Brisbane has been affected, Alcyone has been able to continue site preparation work at Twin Hills and wet season exploration activities across its tenements with minimal hindrance. The Company notes that, at the time of writing this report, there is significant storm activity in South East Queensland and will provide further updates on this issue as events unfold.

1.1.1 Economic Review

Alcyone completed key aspects of its economic review during the Quarter. This was one of the final parts of a wide-scale re-evaluation of the Twin Hills Mine initiated following the recapitalisation of the project in November 2009.

This review indicated that the Project is well placed to generate strong operating margins based on a forecast annual ore processing rate of 1Mtpa, from the Twin Hills Resource. The economic model forecasts an average head grade of approximately 80g/t Ag based on the current JORC Mineral Resources, as detailed in Appendix 1, and assumes an average recovery of 69%. This is considered to be conservative based on the extensive metallurgical testwork undertaken by the Company.

At this production rate, the operation would generate average annual silver production of between 1.5 Moz and 2Moz (with fluctuations from year to year typical of a heap leach project) and have forecast unit cash operating costs of approximately A\$13.50/oz.

At current silver prices of ~A\$29/oz, this would translate into a robust operating margin of approximately ~A\$15/oz, enabling the Project to generate strong cash flows.

The total plant capital estimate for re-commissioning the Twin Hills Project is approximately \$13 million, comprising around \$10 million for the process plant upgrade, ~\$2 million for inventory, spares, first fill and commissioning and ~\$1 million for remedial works.

The in house economic study, based on independent metallurgical, processing design and mining studies, is considered to have an order of accuracy in the range of +/-20%. The detailed design work to be undertaken as part of the development and construction phase will further refine these cost estimates.

After the completion of a ~\$16.7M capital raising announced in December (subject to shareholder approval), Alcyone is fully funded to commence commercial silver extraction (see Corporate section below for details of capital raising).

1.1.2 Re-irrigation of Existing Heaps

Following the completion of the economic review, remedial site work immediately commenced to allow the re-irrigation of the existing heaps at Twin Hills for trial silver production.

During December, the Company mobilised a workforce to site to undertake this work, including the remediation of the Storm Water Dam (SWD). It is anticipated that the SWD will be completed by late January / early February, subject to no delays resulting from the current storm activity in South East Queensland.

At this stage the Company anticipates that the re-irrigation of the heaps will occur in February, with delivery of first silver production anticipated during the June Quarter.

Bottle-roll testing of composite auger samples taken from the material already stockpiled on the leach pads has demonstrated that approximately 45% of the remaining silver grade can still be recovered.

1.1.3 Exploration

In late June 2010, Alcyone commenced a significant regional exploration programme. This was designed to unlock the broader exploration 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.

The drilling completed during the Quarter was primarily targeting possible extensions to the known silver mineralisation at the Twin Hills and Mt Gunyan deposits, plus in-fill drilling at Mt Gunyan and evaluating the copper potential at the nearby Hornet prospect, 2km west of Twin Hills.

Twin Hills

A programme of three diamond holes was completed on the eastern side of the existing Twin Hills pit to both test for mineralisation extensions and also to provide geotechnical information for mine planning purposes. The location of the holes is defined in Appendix 2, Table 1 and shown in plan view in Figure 2.

The central hole (ACTHD002), which specifically targeted the vertical and lateral extent of the mineralisation at depth, has been sampled and the assays received. The most significant assays are shown below and in Appendix 2, Table 2, plus the hole is shown in the linked cross-section in Figure 2.

- **2m @ 279g/t Ag** from 117m including 1m @ 455g/t Ag; and
- **7.61m @ 61.9g/t** including **2m @ 90g/t Ag** from 135m in the same hole.

The remaining two holes which were drilled specifically to provide geotechnical information, have now been logged and the Company is currently awaiting assay results.

The results for the first hole are considered to be encouraging as they strengthen the potential to increase the Twin Hills Resource at depth immediately below the current and planned future open pit.

A revised JORC resource estimate for the Twin Hills deposit is expected to be announced in the first quarter of 2011.

Mt Gunyan

Final results from the Phase One drilling program at Mt Gunyan, which comprised 14 diamond drill holes for 1,400 metres of drilling, were received during the Quarter. The location of the drill holes is shown in Figure 3.

The drilling was focused on extending and in-filling the currently defined JORC compliant silver mineral resource (2.106Mt @ 73g/t Ag for 4.917Moz of contained silver) and evaluating the potential of the area for zinc mineralisation.

Assay results from the drilling campaign were fully detailed in the announcements dated 5th October 2010 and 22nd October 2010, with best intercepts including:

- 1m @ 230g/t Ag from 46m and 2m @ 94g/t Ag from 52m in hole ACMTGD010;
- 5m @ 148g/t Ag and 2.8g/t Au from 49m in hole ACMTGD011;
- 1.6m @ 100g/t Ag from 56m in hole ACMTGD005;
- 1m @ 106g/t Ag from 6m in hole ACMTGD007;
- 1m @ 98g/t Ag, 0.9% Pb, 3% Zn and 6.67g/t Au from 128m in hole ACMTGD014;
- 4m @ 93.5g/t Ag from 16m and 1m @ 187g/t Ag, 0.45g/t Au from 85m in hole ACMTGD001;
- 1m @ 93g/t Ag from 82m in hole ACMTGD014;
- 1m @ 92g/t Ag from 131m in hole ACMTGD014;
- 1.6m @ 74g/t Ag from 133.4m in hole ACMTGD014.
- 6m @ 45.4g/t Ag from 7m in hole ACMTGD002; and
- 4m @ 58g/t Ag from 76m in hole ACMTGD014.

These results have enhanced the known near-surface silver mineralisation and confirmed the potential to increase the mineralisation envelope in the southern, central-north and central-west parts of the deposit.

In the southern section of the resource, hole ACMTGD007 returned 8.1m @ 58g/t Ag from 2.4m downhole, including 1m @ 106g/t Ag in a position that is considered likely to extend the southern mineral resource. In addition, hole ACMTGD014 returned a series of high-grade intersections between 76m and 133.4m downhole, including 4m @ 58g/t, 1m @ 93g/t, 1m @ 92g/t and 1.6m @ 74g/t Ag. This hole provided further support for Alcyone's interpretation of a potential base metal and gold zone at depth, with an intersection of 1m @ 98g/t Ag, 0.9% Pb, 3% Zn and 6.67g/t Au from 128m downhole.

In the central-north portion of the Mt Gunyan resource, hole ACMTGD011 delivered 5m @ 148g/t Ag from 49m downhole and ACMTGD005 returned 1.6m @ 100g/t Ag from 56m downhole.

In the central-west section of the resource, hole ACMTGD010 returned 1m @ 230g/t Ag from 46m and 2m @ 94g/t Ag from 52m.

With all assay results now received, Alcyone is currently undertaking a revised resource estimate for the Mt Gunyan deposit (current estimate of 2.1Mt @ 73g/t Ag for 4.9Moz of contained silver). It is expected that it will be released in the First Quarter of 2011.

Hornet

Alcyone completed six shallow, inclined diamond drill holes at the **Hornet Prospect** (located 2km west of Twin Hills). These holes are located on three traverses extending to the north of shallow historical workings (see *drilling plan in Figure 4*).

The holes intersected up to three steeply-plunging lodes of copper mineralisation within a broader zone of altered sediments. These contained disseminated sulphides (chalcopyrite/pyrite) up to 30m wide, commencing approximately 10m below surface and extending over a currently drilled strike length of 200m to a depth of 60m.

Assay results have been received for holes ACHOD006 and ACHOD004, with significant intersections summarised below and fully listed in the announcement of 5th November 2010

ACHOD006:

0.5m @ 2.2% Cu from 56m down-hole; and

1.2m @ 3.5% Cu and 157g/t Ag from 60m down-hole.

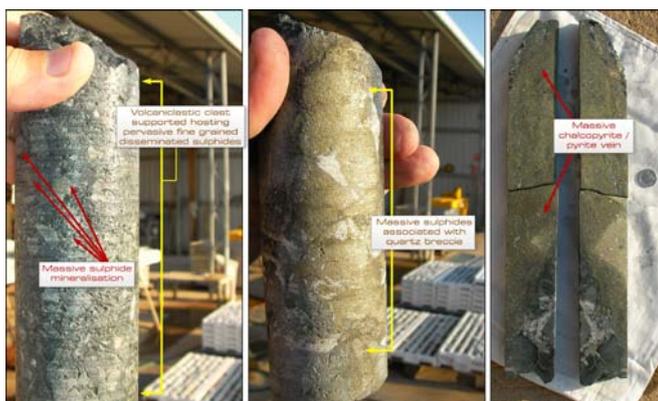
ACHOD004:

0.5m @ 1.1% Cu from 45.1m down-hole;

5.5m @ 1.04% Cu from 57m down-hole including **0.4m @ 7.05% Cu**;

0.5m @ 1.8% Cu from 72.5m down-hole; and

0.5m @ 3.4% Cu from 94m down-hole.



Diamond drill core from Hornet Prospect

The overall drilled profile comprises a near-surface depletion zone, a significant semi-vertical fault as the hangingwall to the copper and silver mineralisation, altered sediments with disseminated sulphides up to 30m wide (true width), occasional massive chalcopyrite/pyrite zones and a quartz breccia zone with significant copper mineralisation.

The disseminated sulphides show anomalous copper grades with the massive chalcopyrite/pyrite lodes, which are up to 30cm in true thickness, returning copper grades of up to 7.65% Cu.

At surface, the depletion zone above the main mineralised corridor shows elevated Fe within a shear zone, which has been confirmed by surface investigations over a strike length of at least 1km. This shear zone sits within a much larger Tectonic Transition Zone (TTZ) up to 2km wide and 7km long.



Regional corridor showing the Tectonic Transition Zone and the Hornet and Tornado prospects

The balance of the assays will be received during the current Quarter. These will be compiled, interpreted and basic modelling conducted on the Hornet mineralisation during the First Quarter of 2011.

As well as undertaking detailed surface mapping, the next phase of work will include RAB drilling and a geophysics programme over the entire TTZ corridor to test the overall scale and potential of the mineralisation in this area. The Sub Audio Magnetic (SAM) geophysics programme was commenced prior to the Christmas shutdown and will be completed this current Quarter subject to weather conditions. This will be used to identify the next targets for diamond drilling, including testing of both strike and depth extensions to the mineralisation already identified at Hornet.

Forward Program

It is anticipated, weather permitting, that drilling will recommence at the Texas Project in March 2011, focused on further defining the zone of mineralisation in the corridor between the Hornet and Tornado prospects, and conducting infill drilling at the Mt Gunyan and Silver Spur targets.

1.2 Other Projects

Outside the Texas Project area, Alcyone is continuing an assessment of the Company's portfolio of exploration projects with a view to prioritising key targets. 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.

2.0 CORPORATE

During the Quarter the Company announced plans to undertake a capital raising, comprising a non-renounceable Rights Issue and a Share Placement, to raise a total of approximately \$16.7 million before costs.

The Rights Issue offer is being 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. The offer is expected to raise \$5.53 million before costs.

The Rights Issue offer will be fully underwritten by Cygnet Capital and sub-underwritten to \$2 million by the Company's Chairman and existing shareholder, Mr Charles Morgan. Melbourne and Perth-based broking firm Cygnet Capital is Lead Manager.

A prospectus in relation to the Issue was despatched to shareholders on 23 December 2010.

Key Dates

An indicative timetable for the Entitlement (Rights) Issue is as follows:

Record Date for determining Entitlements	5pm (WST) on 21 December 2010
Prospectus dispatched to Shareholders	23 December 2010
Offer opens	23 December 2010
Closing Date *	5pm (WST) on 14 January 2011
Securities quoted on a deferred settlement basis	17 January 2011
Notify ASX and Underwriter of under-subscriptions	19 January 2011
Dispatch date/Shares entered into Shareholders' security holdings	24 January 2011
Date of quotation of Shares issued under the Offer*	25 January 2011
Underwriter lodges applications for Shortfall Shares	25 January 2011
Date of quotation of Shortfall Shares*	31 January 2011

* Subject to the Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer. Any extension of the Closing Date will have a consequential effect on the anticipated date for allotment and issue of the New Shares.

In addition, the Company has received firm commitments to raise approximately \$11.2 million through a share placement to professional and sophisticated clients of Sydney-based Southern Cross Equities Limited.

The placement will be completed in two tranches:

- Tranche 1 comprising approximately 118 million shares at 3.5 cents per share to raise approximately \$4.1 million will be completed under the 15% placement capacity allowed under ASX listing rules;
- Tranche 2 comprising the issue of approximately 202 million shares at 3.5 cents per share to raise approximately \$7.1 million will be subject to shareholder approval, with a general meeting proposed to be held in January 2011.

Alcyone had initially sought to raise up to \$10 million through the share placement, however following an exceptionally strong response from investors, the Company elected to accept a further \$1.2 million in over-subscriptions to allow a greater number of investors to participate.

The combined capital raising, which raised a total of approximately \$16.7 million (excluding costs), will be used to complete engineering and construction work associated with the commencement of commercial silver extraction at Twin Hills.

3.0 OUTLOOK

The March 2011 Quarter is set to be a defining period for Alcyone, marking the commencement of trial silver production from Twin Hills, the start of the plant refurbishment and the delivery of revised JORC resource estimates for both the Twin Hills and Mt Gunyan deposits.

Planning will also be progressed for the forthcoming exploration campaign, expected to commence in March, aimed at further defining the regional exploration potential of the Texas district.

Andrew King
 Managing Director

12 January 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.

During 2010 the Company completed an economic and technical review of the Twin Hills operation and, based on the success of these studies, is set to commence trial silver production during the first quarter of 2011.

The economic review confirmed that the operation is well placed to generate strong operating margins based on a forecast annual processing rate of 1Mtpa from the Twin Hills resource. At this production rate, the operation would generate average annual silver production of 1.5-2.0Moz and have forecast unit cash operating costs of approximately A\$13.50/oz. The Twin Hills Resource statement can be viewed on the Company's web site.

Alcyone intends to complete construction at Twin Hills during the second quarter of 2011, and ramp-up to full scale commercial silver extraction during the third quarter at an annualised rate of 1.5-2.0Moz.

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.

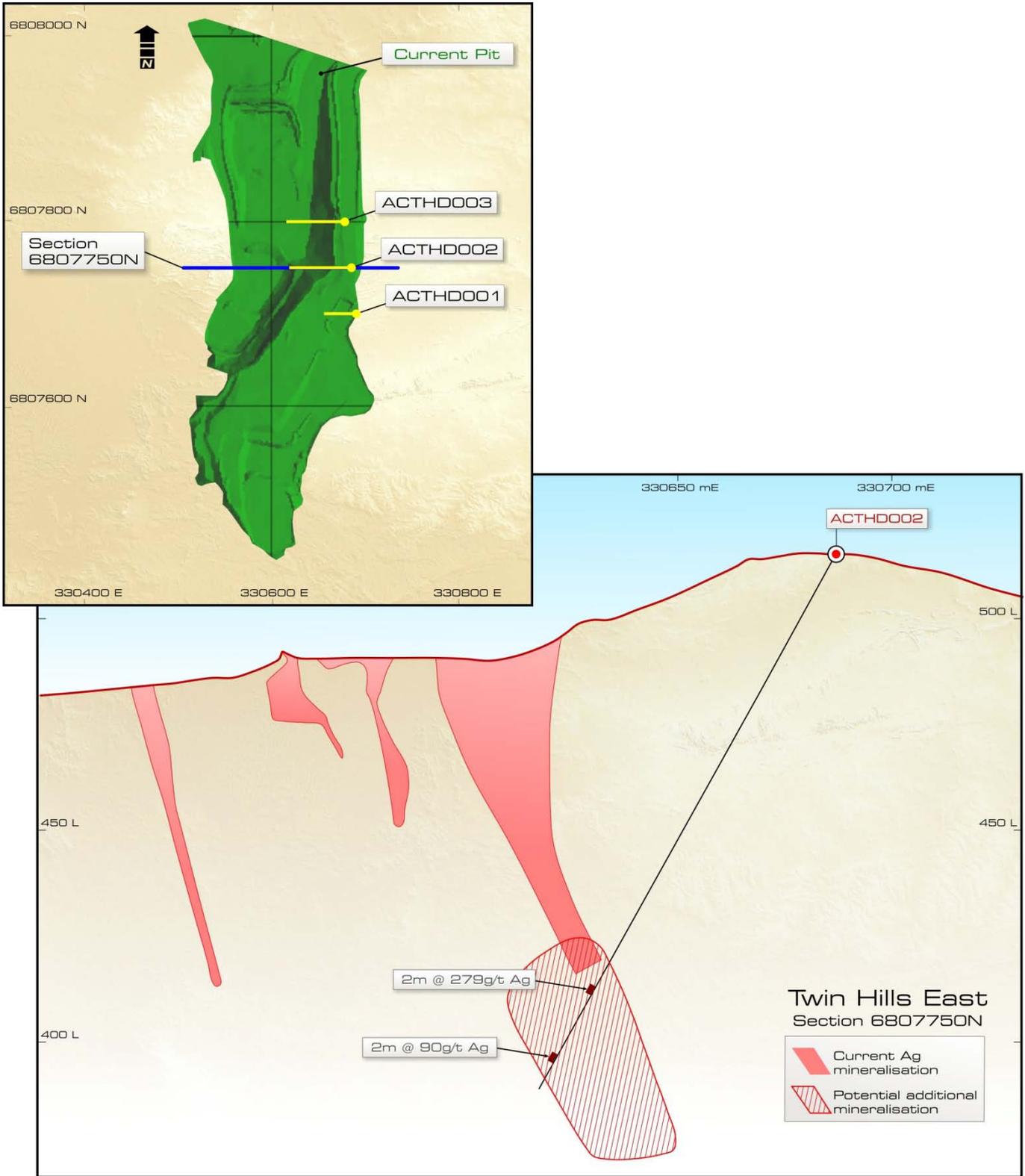


Figure 2 – Twin Hills East Wall Drilling Location Plan and Cross-Section through ACTHD002

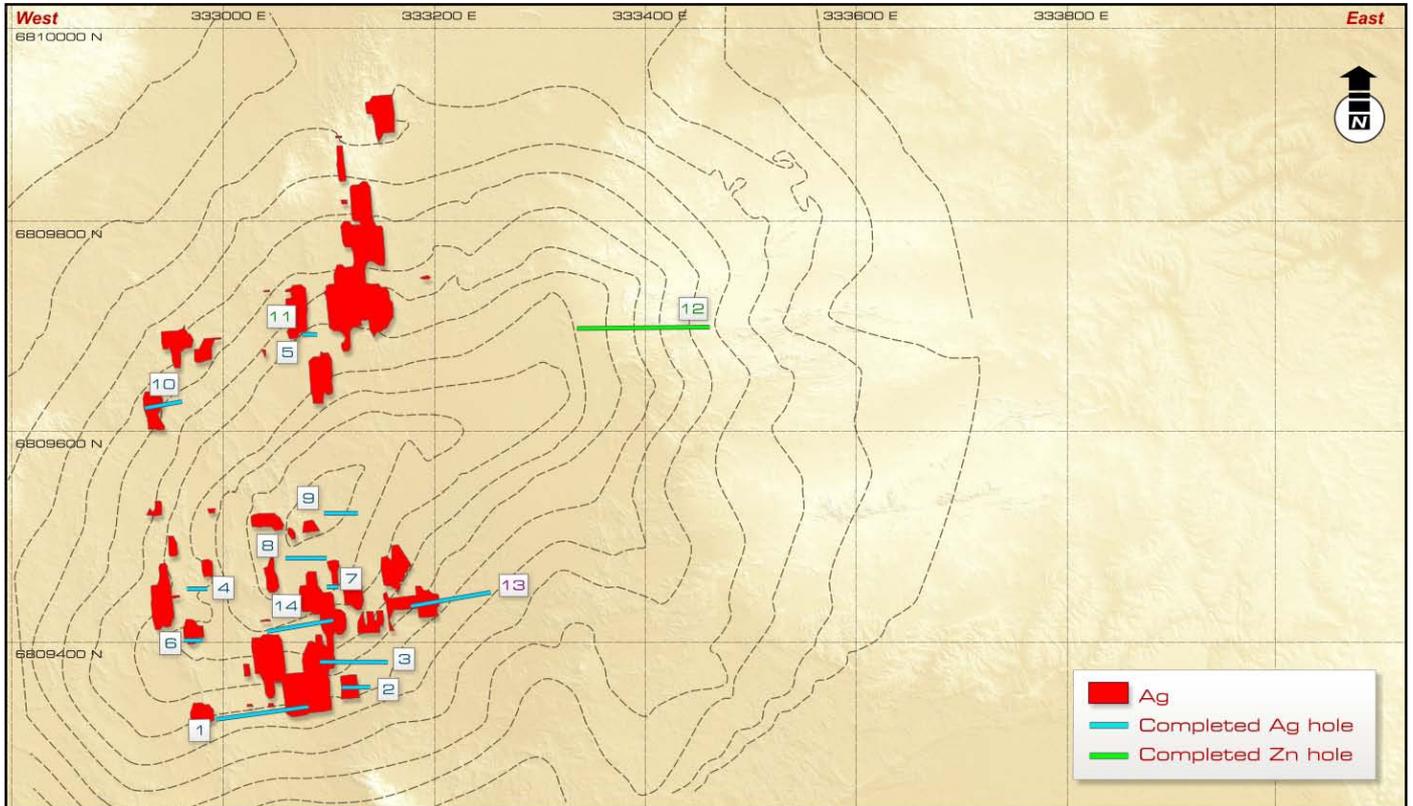


Figure 3: Mount Gunyan Drill Hole Locations

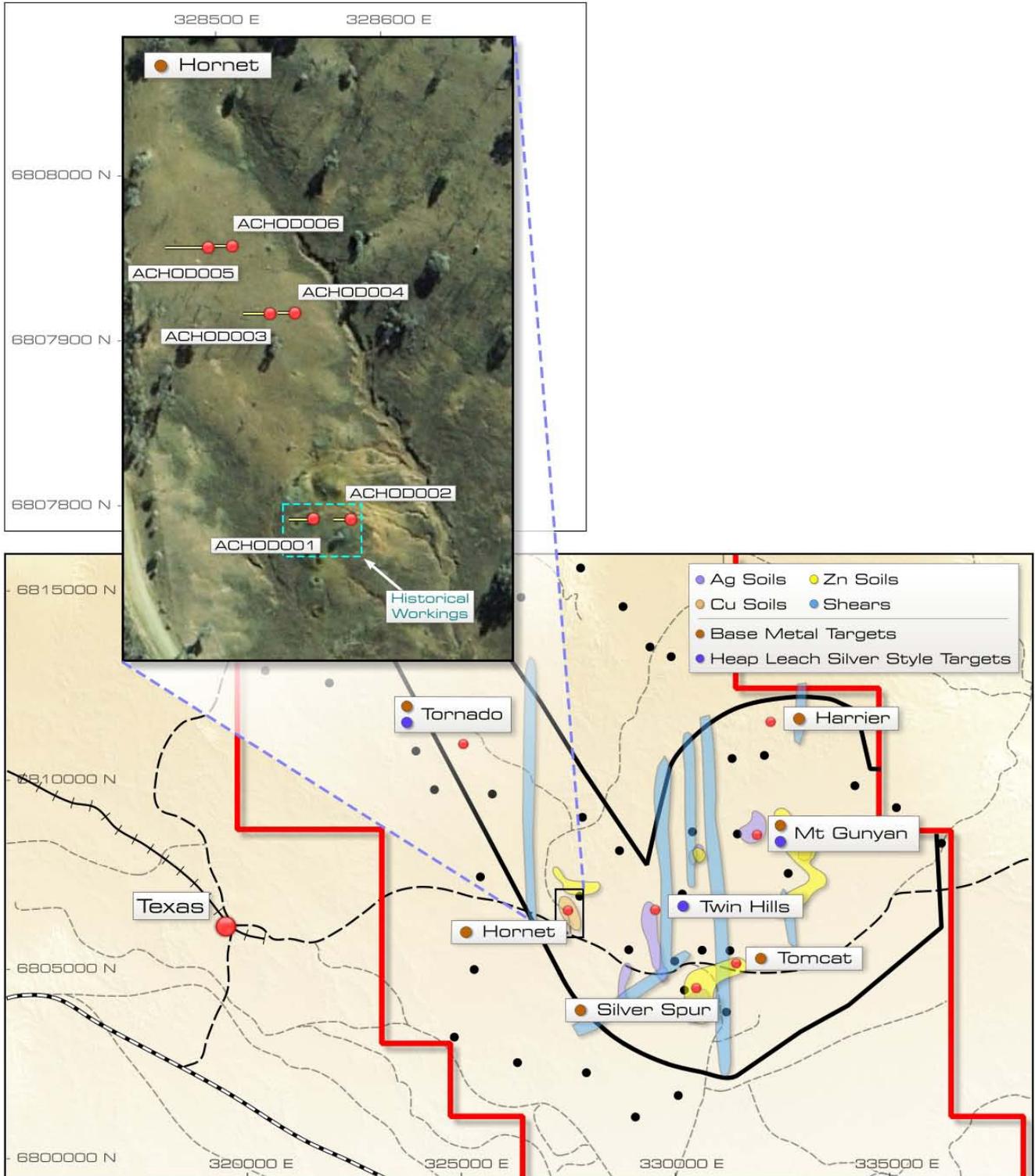


Figure 4 - Hornet Project Location Plan

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
	TOTAL:	3,842,000	83	10,192,000
<i>Mount Gunyan</i>	Indicated	1,756,000	76	4,267,000
	Inferred	350,000	58	650,000
	TOTAL:	2,106,000	73	4,917,000
TOTAL	ALL CATEGORIES	5,948,000	79	15,109,000

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 2:

Table 1: Twin Hills Drill Hole Locations

Hole ID	Collar Position			Length	Azi grid	Dip
	East GDA	North GDA	RL			
ACTHD001	330690	6807700	515	119.7	270	-67
ACTHD002	330687	6807750	515	149	270	-61
ACTHD003	330680	6807800	515	129	270	-59

Table 2: Twin Hills Assay Results ACTHD002

From	To	Length	Ag g/t	Au g/t
117	118	1	103.0	0.03
118	119	1	455.0	0.04
Combined intercept of:				
117	119	2	279.0	0.04
133.4	134	0.6	51.0	0.10
134	135	1	55.0	0.19
135	136	1	90.0	0.14
136	137	1	90.0	0.14
137	138	1	38.6	0.08
138	139	1	36.2	0.18
139	140	1	85.0	0.23
140	141	1	45.0	0.20
Combined intercept of:				
133.4	141	7.6	61.9	0.16
145	146	1	58.0	0.13

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

53 056 776 180

Quarter ended ("current quarter")

December 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (Six 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	(1,944) - - (490)	(3,225) - - (751)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	92	128
1.5 Interest and other costs of finance paid	(2)	(3)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(2,344)	(3,851)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - (37)	- - (66)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - 4	- - 480
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(33)	414
1.13 Total operating and investing cash flows (carried forward)	(2,377)	(3,437)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,377)	(3,437)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	4,192	4,559
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(1)	(3)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	77	77
	Net financing cash flows	4,268	4,633
	Net increase (decrease) in cash held	1,891	1,196
1.20	Cash at beginning of quarter/year to date	3,046	3,741
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	4,937	4,937

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	121
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	350
4.2	Development	2,200
4.3	Production	-
4.4	Administration	400
Total		2,950

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	1,437	446
5.2	Deposits at call	3,500	2,600
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		4,937	3,046

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	EPM 18950	Application	0%	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	Preference + securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	917,563,718	917,563,718		Fully paid
7.4	Changes during quarter (a) Increases through issues - 10 Nov - 7 Dec - 15 Dec - 23 Dec (b) Decreases through returns of capital, buy-backs	5,500,000 15,000,000 9,000,000 118,508,311	5,500,000 15,000,000 9,000,000 118,508,311		
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	109,500,000 667,902 423,750 250,000	- 667,902 - - -	<i>Exercise price</i> 1 cent each \$1.60 each \$9.00 each \$9.60 each	<i>Expiry date</i> 30 Sept 2012 30 Sept 2011 14 Aug 2011 09 Nov 2012
7.8	Issued during quarter				

+ See chapter 19 for defined terms.

7.9	Exercised during quarter - 10 Nov - 7 Dec -15 Dec	5,500,000 15,000,000 9,000,000		1 cent each 1 cent each 1 cent each	30 Sept 2012 30 Sept 2012 30 Sept 2012
7.10	Expired during quarter	260,000		\$5.60	29 Nov 2010
7.11	Debentures (totals only)				
7.12	Unsecured notes (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: Date: 12 January 2011
(Director/Company secretary)

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.