



BRUMBY RESOURCES

Quarterly Report to 31 December 2008

HIGHLIGHTS

Operational

- Interpretation of the Balla Yule aeromagnetic data identifies magnetic units prospective for magnetite/vanadium mineralization similar to Aurox Balla Balla Project.
- Modelling of the geophysical data has indicated a strongly magnetic zone up to 600 metres wide x 11 kilometres long below approximately 50 metres of coastal sand.
- Programme of Work Approval granted for the proposed Pardoo East Project drilling programme.
- Aero-magnetic survey flown over areas on the Goldsworthy tenement E45/3137 and Pardoo tenement E45/2965.

Financial

- Cash at bank of approximately \$1.6 million at the end of the Quarter.
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OVERVIEW

Brumby Resources Limited (Brumby) is a diversified Perth-based exploration and resources company with a focus on iron ore and manganese exploration. The Company has assembled extensive and high quality ground holdings in Western Australia and the Northern Territory (*refer to Figure 1 below*).

The December Quarter was again a difficult one for all ASX-listed companies with the effects of the global credit crisis and falling commodity prices continuing to have a significant negative impact on share prices across the board.

Brumby has continued to undertake exploration activities as prudently as possible whilst continuing to meet the minimum expenditure commitments on its large tenement holding. At the end of the Quarter Brumby held approximately \$1.6 million in the bank. The Board remains cautious with regard to ongoing expenditure and continues to monitor the changing market circumstances, well aware of the potential challenges facing junior exploration companies in raising additional capital in the short term.

The advent of the wet season over our Pilbara and Northern Territory tenements, between December, 2008 and March/April, 2009 effectively curtails our ground exploration during this period. Brumby plans to progress drilling approvals and heritage surveys on Batten Creek, Bootu Creek North, Ethel Creek and Balla Yule over the next Quarter such that drilling can be undertaken following the wet period and as funds permit. Brumby is at present slowing its exploration expenditure in order to focus on drilling priority targets during the course of 2009, whilst continuing to meet its minimum expenditure commitments.



BRUMBY RESOURCES

During the Quarter Brumby completed geophysical surveys – over the northern Goldsworthy and northern Pardoo tenements in the Pilbara, with a view to defining additional aero-magnetic targets as previously defined at Goldsworthy and Pardoo East. This programme basically provided an infill on our tenement holding which lies along the Nimingarra Formation. Interpretation of the survey data is due to commence during the first quarter of 2009.

The interpretation of the Balla Yule aero-magnetic data has resulted in the definition of a 11km long by up to 600 metre wide target area assessed to be similar in style to the Aurox Balla Balla deposit. One historic drill hole located within the target area reported 52% iron with anomalous vanadium.

Additionally, the Company is pleased to report that the Programme of Work Approval for the Pardoo East Project drilling programme was obtained in December 2008.

PROJECTS

Pardoo and Telyagel Projects (100% Brumby)

The Pardoo and Telyagel Projects comprise seven granted tenements, totaling approximately 1060 square kilometres, (Pardoo E45/2557, E45/2558, E45/2965 and E45/2967; and Telyagel E45/2576, E45/2577 and E45/2966 (*refer to Figure 2 below*)). A Department of Mines and Petroleum (DMP) 50% compulsory surrender was completed on tenements E45/2557, E45/2558, E45/2576 and E45/2577 during the Quarter.

The Pardoo East Project is located within Brumby's Exploration Licences E45/2557 and E45/2558, some 110 kilometres east of Port Hedland. The Pardoo tenements are in close proximity to the coast and the excellent Pilbara infrastructure, including the Port Hedland port, BHPB railway, coastal highway, gas pipeline as well as operating and proposed iron ore operations.

During December 2008, Brumby was granted the Programme of Work Approval for the drilling programme on the Pardoo East targets. The commencement of drilling will not be possible until after the current cyclone season after March/April, 2009. Brumby has currently budgeted the drilling to commence during the second half of 2009.

An aero-magnetic survey was completed in late November, 2008 over a 128.8 square kilometre block on tenement E45/2965 to assess the potential presence of magnetic conductors along the line between the Pardoo East and the Telyagel magnetic anomalies. Interpretation by the Company's geophysical consultant will commence in the coming months once the final data is received.

Yule Group Projects (100% Brumby)

The Yule Group Project area is located approximately 45 kilometres south-west of Port Hedland in Western Australia and comprises nine granted tenements (E45/2939, E47/1193, E47/1331, E47/1340, E47/1341, E47/1730, E47/1731, E47/1750 and E47/1751) aggregating approximately 1180 square kilometres of land in the richly mineralised Pilbara region (*refer to Figure 2 below*). This large contiguous tenement holding forms part of Brumby's extensive coastal tenement package (~2880square kilometres) located to the west and east of Port Hedland.

A DMP 50% compulsory surrender was completed on tenement E47/1193 during the Quarter.

The Balla Yule Project area is located approximately mid way between Whim Creek and Port Hedland on the North West coastline of Western Australia (*refer to Figure 3 below*) . During September,2008, Brumby



completed a low level, high resolution aeromagnetic-radiometric survey over the Balla Yule Project, which is located in the northern section of the Company's large Yule Group holdings on tenement E47/1750.

The survey also covered prospective areas on tenement E45/2939 and forms part of the Company's broader exploration strategy in the region, which is to discover iron ore deposits along the Pilbara coast line, in close proximity to the region's excellent infrastructure.

Previous historical drilling (1971) had interested up to 52% iron and associated anomalous vanadium within an intrusive gabbro complex. This geological environment is similar to the large Aurox owned Balla Balla deposit (473Mt at 43.2% Fe, 0.62% V₂O₅ and 13.6 %TiO₂¹) located approximately 55kms to the south west. The Balla Balla deposit contains significant by products of titanium and phosphate.

The Company's geophysical consultants, Southern Geoscience Consultants have completed initial interpretation and modelling of the data generated from the survey. The results indicate an overall 11 kilometre long, east- west striking target area which attains a maximum width of 600 metres and dips to the south at approximately 75 degrees. Considerable thickening of the more magnetic units within the overall target area is attributed to refolding and structural complexity. The target appears to be below approximately 50 metres of coastal sand cover.

Refer to Figure 4 below, which shows a plan of the magnetic units. Refer to Figure 5 below, which indicates a modelled section through line 101510(622400E). The modelling shows that three distinct southerly dipping magnetic units of variable magnetic intensity can be discerned within the overall aeromagnetic anomaly. Initial drill testing of the widest sections of the magnetic complex will be undertaken once the Programme of Work Approval and Heritage clearances have been obtained.

Goldsworthy Project (100% Brumby Fe /JV earning 75% other minerals)

The Goldsworthy Project comprises three granted Exploration Licences E45/2538, E45/2539 and E45/3137 covering an area of approximately 640square kilometres and is located close to quality infrastructure including major roads, rail lines and port facilities. The Goldsworthy Project complements Brumby's other large strategic land holdings in the area, including its nearby Pardoo and Telyagel Projects (*refer Figure 2 below*).

On 16th October, 2008, tenement E45/3137 was granted to Brumby and in conjunction with Independence Group NL (IGO), a DMP 50% compulsory surrender was undertaken on tenements E45/2538 and E45/2539.

An aeromagnetic survey was completed in late November, 2008 over a 123.8 square kilometre block on tenement E45/2538 to assess the potential presence of magnetic units similar to those defined on tenement E45/2539. Interpretation by the Company's geophysical consultant will commence in the coming months once the final data is received.

At this time Brumby has budgeted drilling on the two Goldsworthy (E45/2539) magnetite targets during the second half of 2009.

¹ Aurox Resources Limited ASX Announcement, 1 July 2008



McArthur River Basin (Brumby 100% except EL25467 earning 80%)

During July 2008, the Company completed a VTEM survey over the Batten Creek Manganese Project which is located in the south eastern section of the Batten Creek Exploration Licence (EL 25467). Historical drilling by BHP during 1995 returned a best intersection of 6 metres at 15% manganese from between 30 and 36 metres. The manganese mineralisation is hosted within the younger Cretaceous sedimentary rocks overlying the older Proterozoic rocks, which host the McArthur River lead-zinc-silver deposits (*refer Figure 6 below*).

A total of eleven near surface sub-horizontal manganese-clay target zones between surface and 80 metres depth were delineated by the VTEM survey. The historical BHP intersection was sighted on our highest priority target, which covers an area of approximately four square kilometres.

The Batten Creek (EL25467) Exploration Licence is located 70 kilometres north of the McArthur River zinc-lead-silver (Zn-Pb-Ag) mine, owned by Xstrata Zinc. The McArthur River mine is one of the world's largest zinc-lead-silver deposits with an ore resource of approximately 120 million tonnes. The Project has been in operation since 1995 and produces approximately 1.1 million tonnes of zinc concentrate, 0.13 million tonnes of lead concentrate and 1 million ounces of silver annually.

Brumby is currently continuing the process of preparing documentation to obtain statutory approvals and complete heritage surveys on the Batten Creek manganese target zones and also the Bootu Creek North target zones.

Schedule of Activities

Brumby is continuing to review its short to medium term exploration priorities in light of current market conditions and available funds.

Activities that will be ongoing during the next Quarter will be:

- interpretation of the aero-magnetic survey data over the Pardoo and Goldsworthy tenements ;
- obtaining approvals for drilling on the Batten Creek manganese targets;
- obtaining approvals for drilling on the Bootu Creek North manganese targets;
- finalisation of the drilling programme and obtaining approvals on the Balla Yule iron ore targets; and
- undertake the Ethel Creek heritage survey and submit the programme of work application.

Geoff M Jones
Managing Director



Competent Person's Statement

The information in this report that relates to the Balla Yule target zones is based on information compiled by Mr. Bruce Craven (B.App.Sc. (Geoph) Hons), a consultant geophysicist to Brumby Resources Limited, who undertook the aeromagnetic survey interpretation. Mr. Craven is a member of the Australian Institute of Geoscientists and AIMM and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr. Craven consents to the inclusion in the report of the matters based on his information in the form and content in which it appears.

About Brumby

Brumby Resources Limited is a diversified Perth-based exploration and resources company with a focus on iron ore and manganese exploration. Brumby listed on the Australian Securities Exchange (ASX) in 2006 and has made significant progress with projects in commodities including iron ore, manganese, base metals and gold.

The Company has assembled extensive and high quality ground holdings in Western Australia and the Northern Territory. Brumby's strategic approach is to refine targets, explore and evaluate the Company's projects in a cost effective and timely manner, and to identify and develop new mineral deposits with the potential to significantly enhance shareholder value.

Brumby is managed by a highly experienced team of mining individuals with expertise in mineral exploration, development, financing and operations.

For further information please refer to our website www.brumbyresources.com.au or contact:

Mr Geoffrey M Jones
Managing Director
Brumby Resources Limited

Telephone: 61 8 9486 8333
Facsimile: 61 8 9322 5123

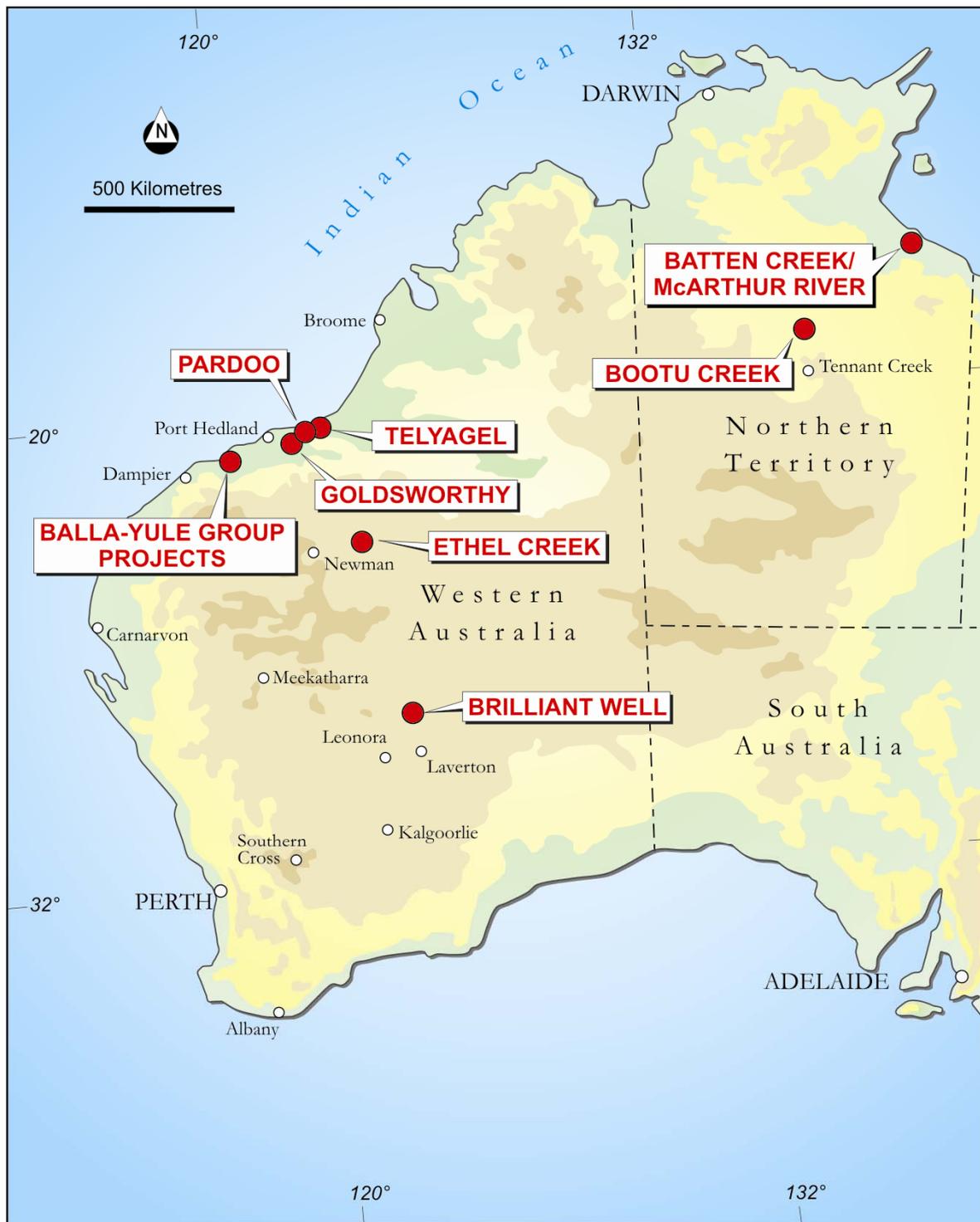
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ASX Code - BMY





Brumby Resources Limited - Project Locations

Figure 1 - Project Location Map



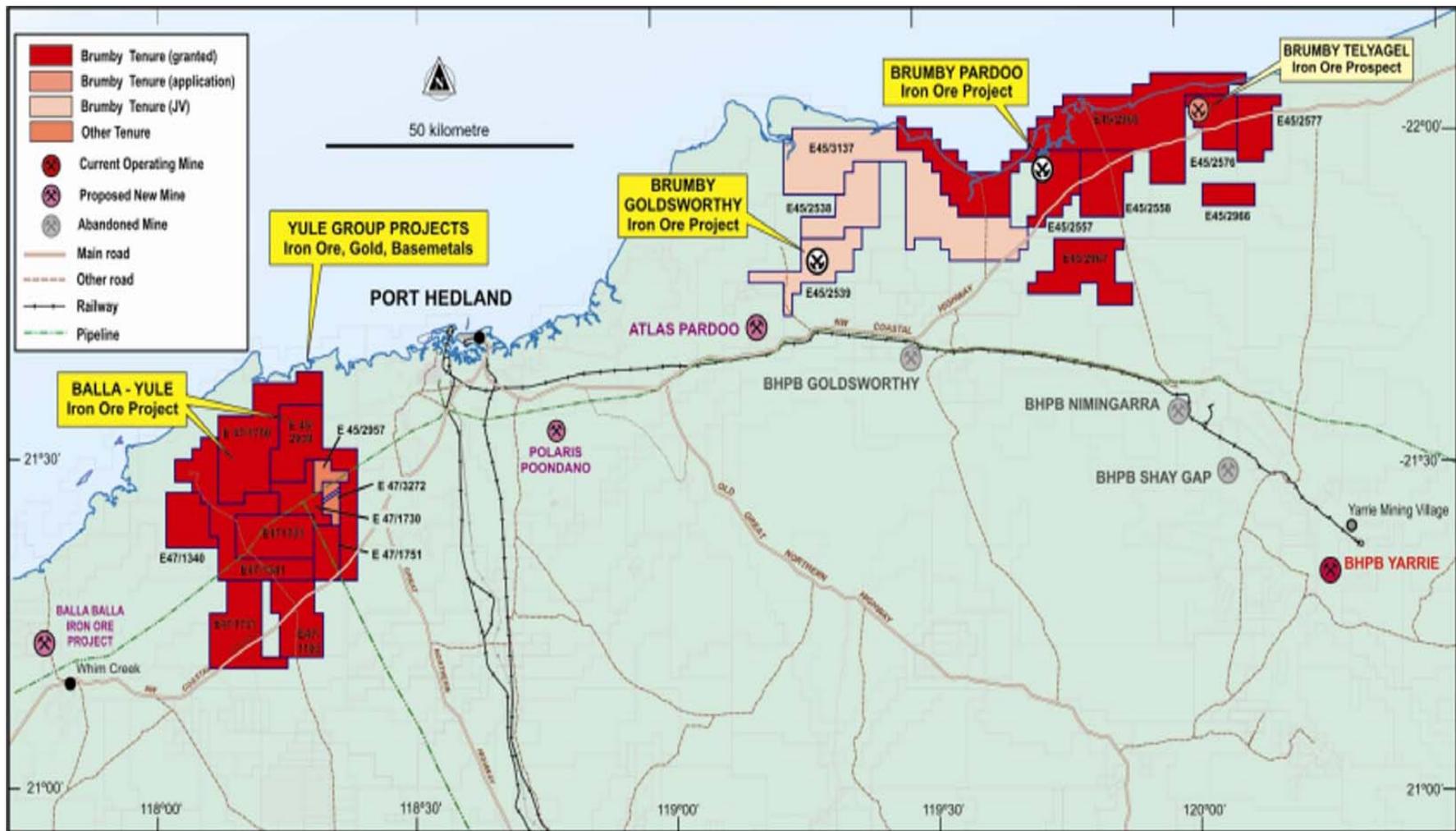


Figure 2 - Pilbara Iron Ore Project Locations

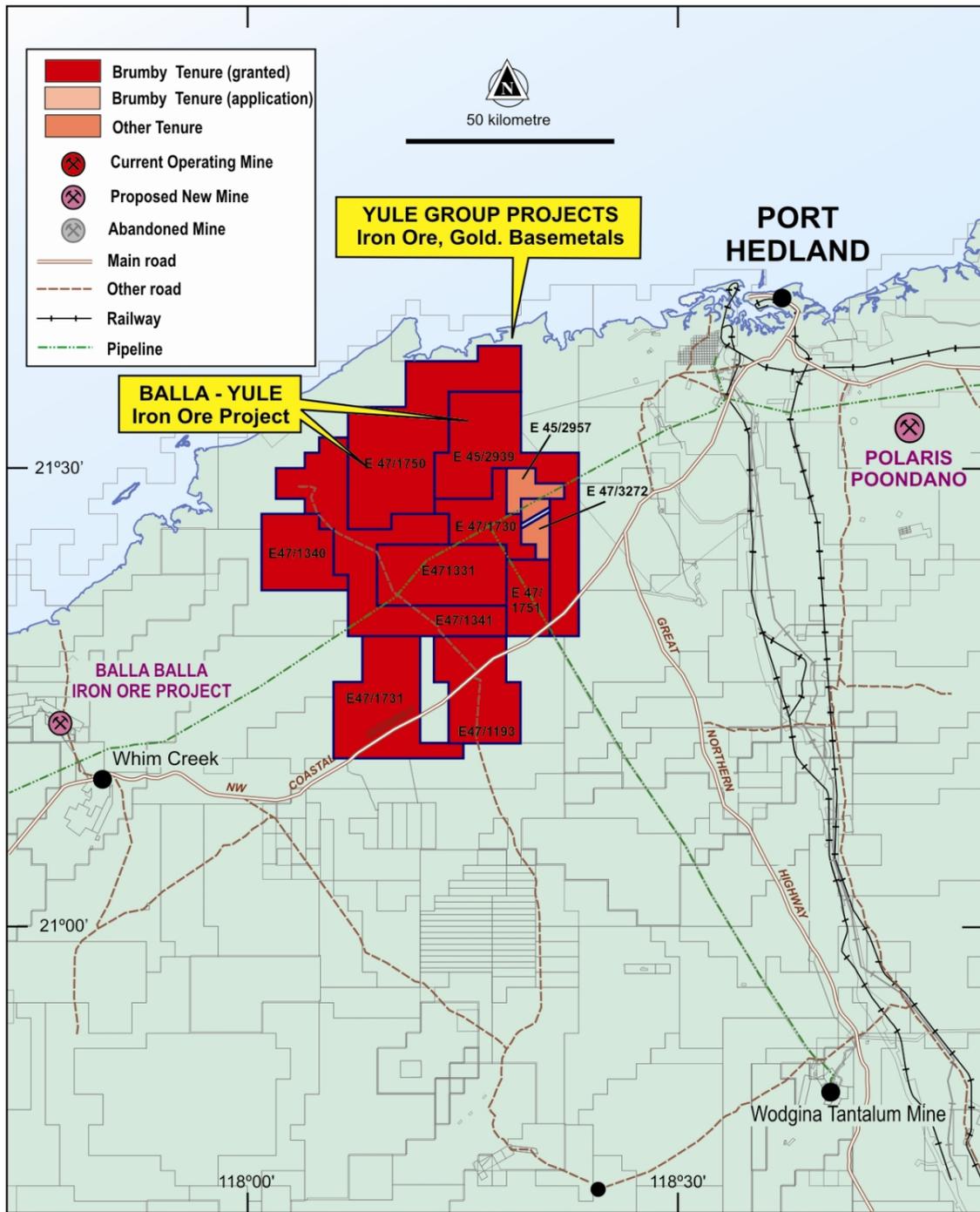


Figure 3 – Yule Group Project Tenements

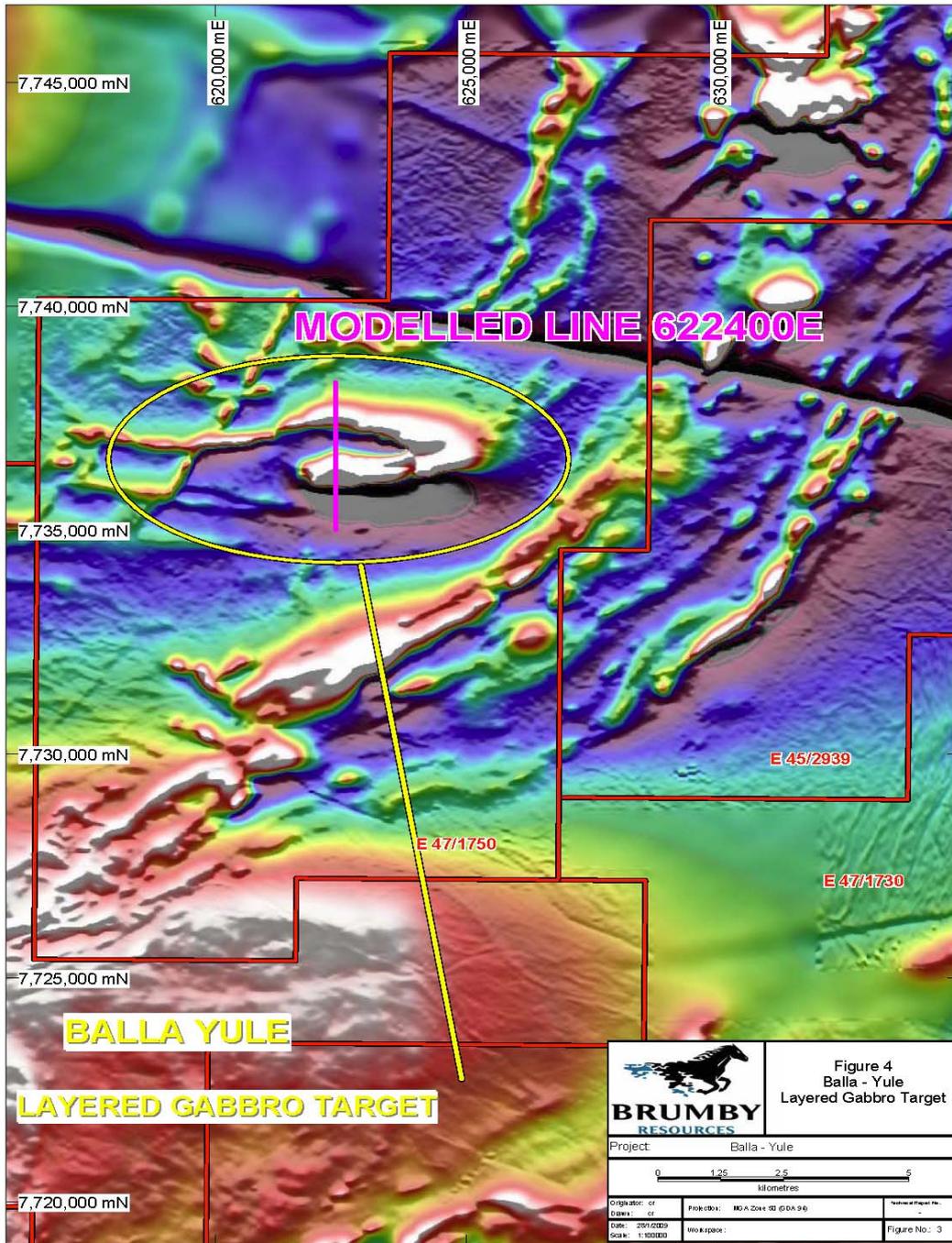


Figure 4 – Balla Yule Layered Gabbro Target

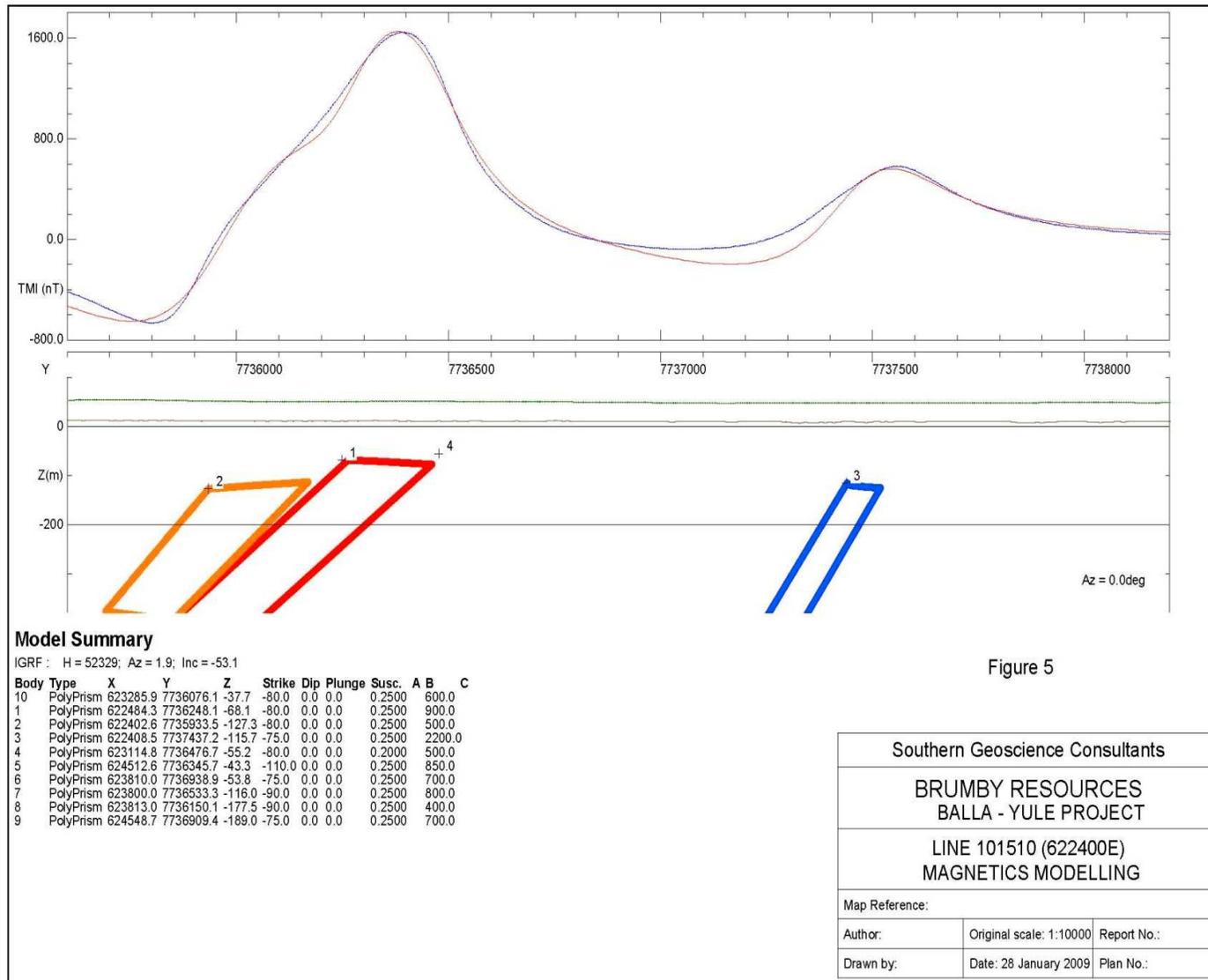


Figure 5 – Line 101510(622400E) Magnetic Modelling

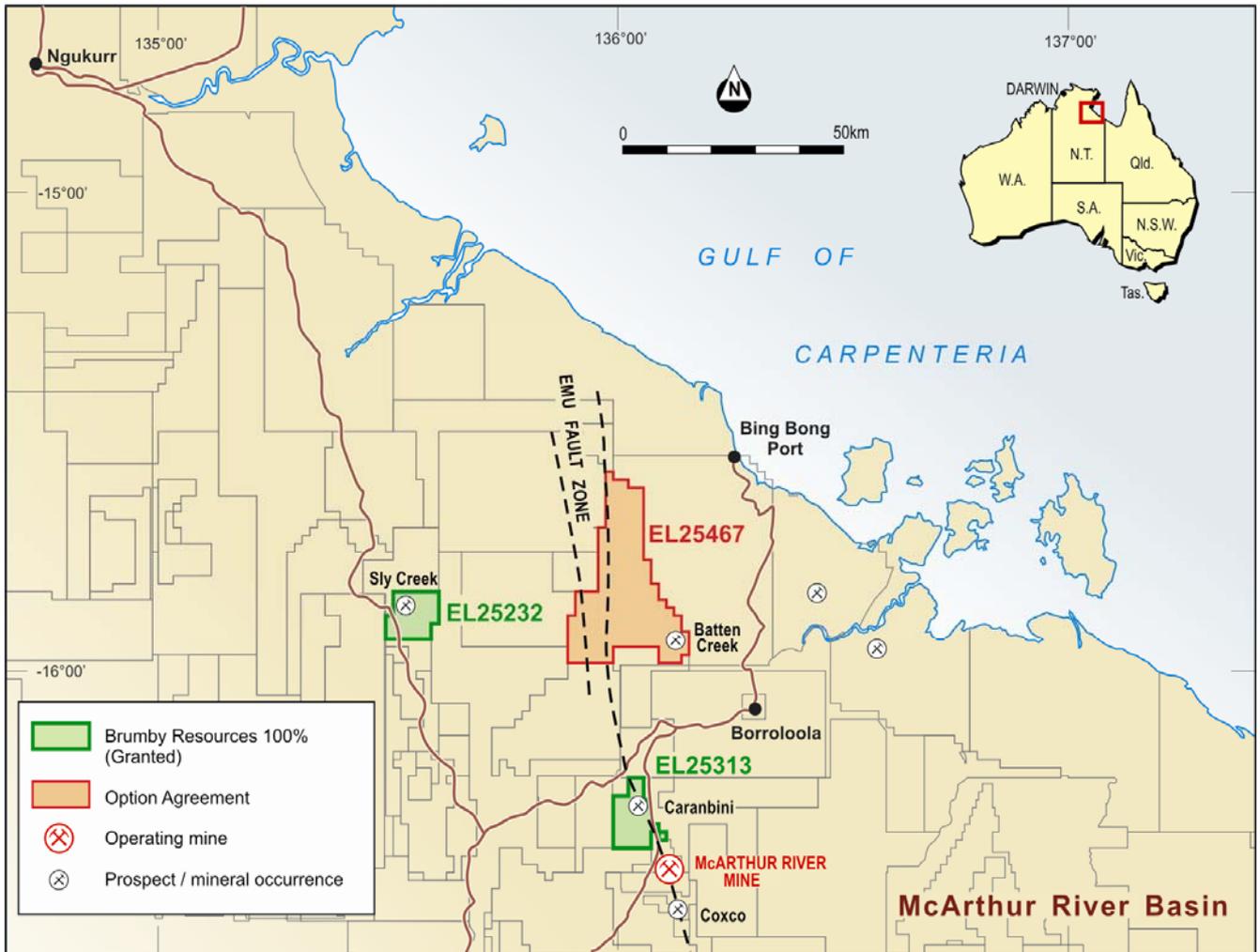


Figure 6 – McArthur River Basin Tenements

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

Brumby Resources Limited

ABN

84 118 522 124

Quarter ended ("current quarter")

31 DECEMBER 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(519)	(912)
(b) development	-	-
(c) production	-	-
(d) administration	(166)	(349)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	24	67
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(661)	(1,194)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	(2)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (cash acquired on acquisition of subsidiary)	-	-
Net investing cash flows	-	(2)
1.13 Total operating and investing cash flows (carried forward)	(661)	(1,196)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(661)	(1,196)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.(net)	-	2
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	-	-
	Net financing cash flows	-	2
	Net increase (decrease) in cash held	(661)	(1,194)
1.20	Cash at beginning of quarter/year to date	2,243	2,776
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,582	1,582

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	(156)
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' remuneration	(131)
Services provided by director-related entities	(25)

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

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

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	210
4.2 Development	-
Total	210

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	1,582	2,243
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,582	2,243

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	E52/1754	surrendered	100%	0%
	E52/1784	surrendered	100%	0%
	E45/2538	partial surrender	75-100%	75-100%
	E45/2539	partial surrender	75-100%	75-100%
	E45/2557	partial surrender	100%	100%
	E45/2558	partial surrender	100%	100%
	E45/2576	partial surrender	100%	100%
	E45/2577	partial surrender	100%	100%
	E47/1193	partial surrender	100%	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.2 Interests in mining tenements acquired or increased	E45/3137	75-100%	0%	75-100%
	E47/1730	100%	0%	100%
	E47/1731	100%	0%	100%

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	55,056,874	55,056,874		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- -	- -		
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>	20,338,958 9,000,000 2,350,000 700,000 2,650,000	20,338,958 - - - -	Exercise price \$0.15 \$0.20 \$0.25 \$0.35 \$0.30	Expiry date 31 January 2010 31 January 2010 31 January 2010 31 January 2010 31 May 2011
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	Nil	Nil		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.10	Expired during quarter	Nil	Nil		
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 30 January 2009
(Company Secretary)

Print name: Kim Hogg

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities:** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.