HILL END GOLD LIMITED

ACN 072 692 365

Report for December 2010 Quarter 31 January 2011

ASX Code : HEG, HEGO

HIGHLIGHTS

- **First JORC resource estimate of 234,400 ounces of gold for the Big Nugget Hill Deposit announced in October 2010:**

  Indicated Resource 302,000t at 6.2g/t gold (60,300 contained oz)
  Inferred Resource 1,137,000t at 4.8g/t gold (174,100 contained oz)

- **Upgrade of JORC resource estimate for Hawkins Hill – Reward deposit to 246,800 oz announced in November 2010:**

  Measured Resource 77,400t at 11.3g/t gold (28,100 contained oz)
  Indicated Resource 180,400t at 6.5g/t gold (37,700 contained oz)
  Inferred Resource 642,200t at 8.8g/t gold (181,000 contained oz)

- **At Red Hill sampling and assaying of RHD149, which was drilled in 2008, but unsampled, returned 43m at 1.72g/t from 29m including 8.3m at 4.01g/t from 64m.**
- **Results of the re-evaluation of the Red Hill Deposit announced 22 December 2010 indicate the potential for increasing the current 89,200 ounce gold resource has been substantially enhanced.**
- **The Company's total resources increased to 570,400 oz of gold.**
- **Initial results of the on-going drilling program at Hargraves, which commenced in November 2010 indicate multiple zones of gold mineralisation at depth beneath the currently defined Big Nugget Hill resource. HGCD28 intersected three reefs between 270 and 320m downhole and returned an interval of 24m at 1.2g/t from 271m, including 1.35m at 14.7g/t and HGCD40E intersected 0.3m at 142.2g/t (approx 4.5oz/t) from 187m within a broader interval of lower grade mineralisation and HGCD40E intersected 0.3m at 142.2g/t (approx 4.5oz/t) from 187m within a broad interval of lower grade mineralisation.**
- **An on-going Scoping Study into development of the Hawkins Hill – Reward Deposit using bulk mining and ore sorting methods produced encouraging results. In particular, initial ore sorting testwork proved successful.**

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CORPORATE

The Company held its Annual General Meeting on 26 November 2010 at which all resolutions were approved by shareholders. On 21 October 2010 the Company announced it had raised $2.57 million before costs through a placement of shares and options to sophisticated and professional investors for exploration and working capital purposes. The Company held cash of $2.53m at 31 December 2010.

PROJECTS

Hill End, NSW

The Hill End Project is located approximately 50 kilometres north of Bathurst in New South Wales. The Company owns a minimum 85 per cent beneficial interest in the Mining Leases in the Hill End area and the area formerly subject to Exploration Licence 2037, which is now part of Exploration Licence 5868.

Hawkins Hill – Reward Deposit

In November 2010 the Company upgraded the Reward Resource to 246,800 ounces of gold based on underground drilling, development and mining of portions of the deposit over a strike length of 500m:

Measured Resource	**77,400 tonnes at 11.3g/t gold for 28,100 contained ounces**
Indicated Resource	**180,400 tonnes at 6.5g/t gold for 37,700 contained ounces**
Inferred Resource	**642,200 tonnes at 8.8g/t gold for 181,000 contained ounces**

The underground program enabled the Company to greatly advance its knowledge of the local and regional geological controls of gold mineralisation along the Hill End Anticline, including a better understanding of how the distribution of high grade gold shoots is controlled by certain structural and lithological features.

High grade gold mineralisation at Reward occurs as discrete zones within multiple quartz veins. Previous efforts to selectively mine the relatively small very high grade zones within the individual veins proved difficult. **However, the Company perceives good potential to mine the multiple veins more productively and profitably with systematic and non-selective mining methods.**

During the December quarter the Company commenced a Scoping Study to determine the potential and the economics of an expanded mining project based on this new concept.

The principal veins occur within several 4-10m thick dark-coloured slate units that are continuous for hundreds of metres. The basic concept is to bulk mine the slate units and the associated light-coloured gold-bearing quartz veins and then separate the mineralised quartz vein material from barren slate by ore sorting prior to milling.

The Company commissioned Ultrasort Commodas to carry out ore sorting testwork. The amenability of samples from Reward and Big Nugget Hill (Hargraves Project) to sorting using UV fluorescence, NIR spectrometer, radiometric, electromagnetic, laser photometric and colour

photometric systems was tested. **Testwork, although still preliminary, produced excellent results. Ultrasort colour photometric scanning technology succeeded in rejection of 75% of unmineralised slate material and recovered more than 95% of gold-in-quartz. Further testwork is required to determine the plant-scale sorting response.**

An initial review suggests that the cost of ore sorting technology, equipment and maintenance is relatively low. Furthermore, highly mechanised bulk mining is normally very productive on a cost per tonne basis as compared to the small scale, labour-intensive, non-mechanised methods used in the Company's previous trial mining operation. The bulk mining and ore sorting concept, if proven, may be key to the profitable development of the Company's projects.

The continuing Scoping Study includes interpretation and quantifying slate ore blocks, planning of mine access layout, selection of mining methods, evaluation of production rates, and consideration of process plant redesign, ore sorting, infrastructure expansion, environmental issues and contractor versus owner-operated mining.

Red Hill Deposit

The Red Hill Deposit is located approximately four kilometres north of the Hawkins Hill – Reward Deposit. In 2008 HEG announced an Inferred Resource of 849,300 tonnes at 3.3g/t gold for 89,200 contained ounces.

During the December quarter the Company completed a detailed re-evaluation of the Red Hill deposit and previous exploration data utilising the Company's newly developed model for gold mineralisation in the Hill End area. In particular, the 2008 diamond drill cores were re-logged with an emphasis on identification of structural features relevant to the controls on the distribution of gold mineralisation. Additionally, surface mapping was also undertaken to identify key structures. Results were released in an announcement to the ASX on 22 December 2010.

This re-evaluation identified 14 intersections in previous drill holes of thick gold-mineralised quartz vein stockworks over approximately 1,000m of the length of the Red Hill Deposit. These stockworks, which are interpreted to be aligned along a zone of near vertical Feeder Faults, include the **Fraser Zone which in 2008 returned 5.2g/t over 28.2m downhole including 13.0g/t over 10.7m in hole RHD145 (Figure 1). The Feeder Zone (Figure 2) which contains multiple Feeder Faults is now identified as the key structure controlling the distribution of gold mineralisation.** It is approximately 40 m thick and is geologically similar to the Reward Ore Zone previously described at the Hawkins Hill – Reward deposit.

As part of the evaluation, holes RHD149 and RHD140, which were drilled in 2008 but not sampled, were sampled and assayed. **RHD149 returned 1.72g/t over 43m from 29m including 2.20g/t over 14.3m from 29m down hole and 4.04g/t over 8.2m from 64m downhole (780 Stockwork) as shown in Figure 1.**

The new interpretation of the Red Hill mineralisation has importantly defined significant targets for future drilling. The Feeder Fault Zone and its stacked stockworks, which are interpreted to form shallow north-plunging pipes some hundreds of metres long, have not yet been adequately drilled **and the potential for increasing the 89,200 ounce gold resource has been substantially enhanced.**

Approval has been obtained from the Department of Industry and Investment for a 12 hole combined reverse circulation and diamond drilling program as shown in Figure 2, which is recommended for Board approval.

Figure 1, a cross section through the Fraser Zone position, shows gold mineralisation in stockwork, breccia and bedding parallel vein sets, which occur at the intersection between the Feeder Zone (in yellow) and favourable rock units.

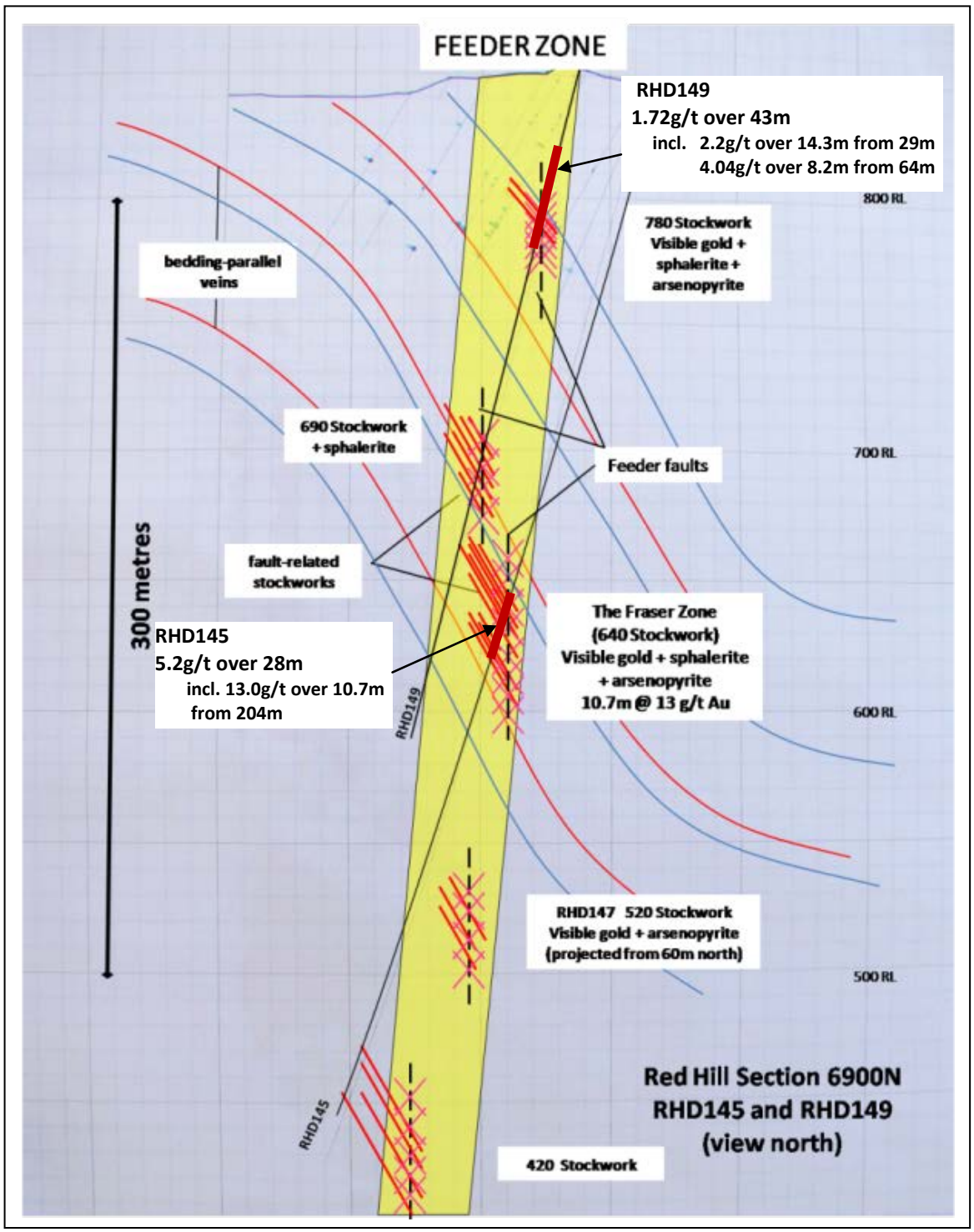

Figure 1
Red Hill cross section showing Feeder Zone and stacked gold mineralised stockworks

Figure 2 is a longitudinal section in the plane of the Feeder Zone showing the resource blocks from the 2008 resource estimation. Shown in red are interpreted shoots of higher grade gold mineralisation. **These pipe-like shoots occur at the intersection of the Feeder Zone and multiple favourable rock units. The shoots are vertically stacked and should be continuous down plunge to the north. Stratigraphic marker horizons are shown as solid lines in Figure 2. The stars represent drill targets.**

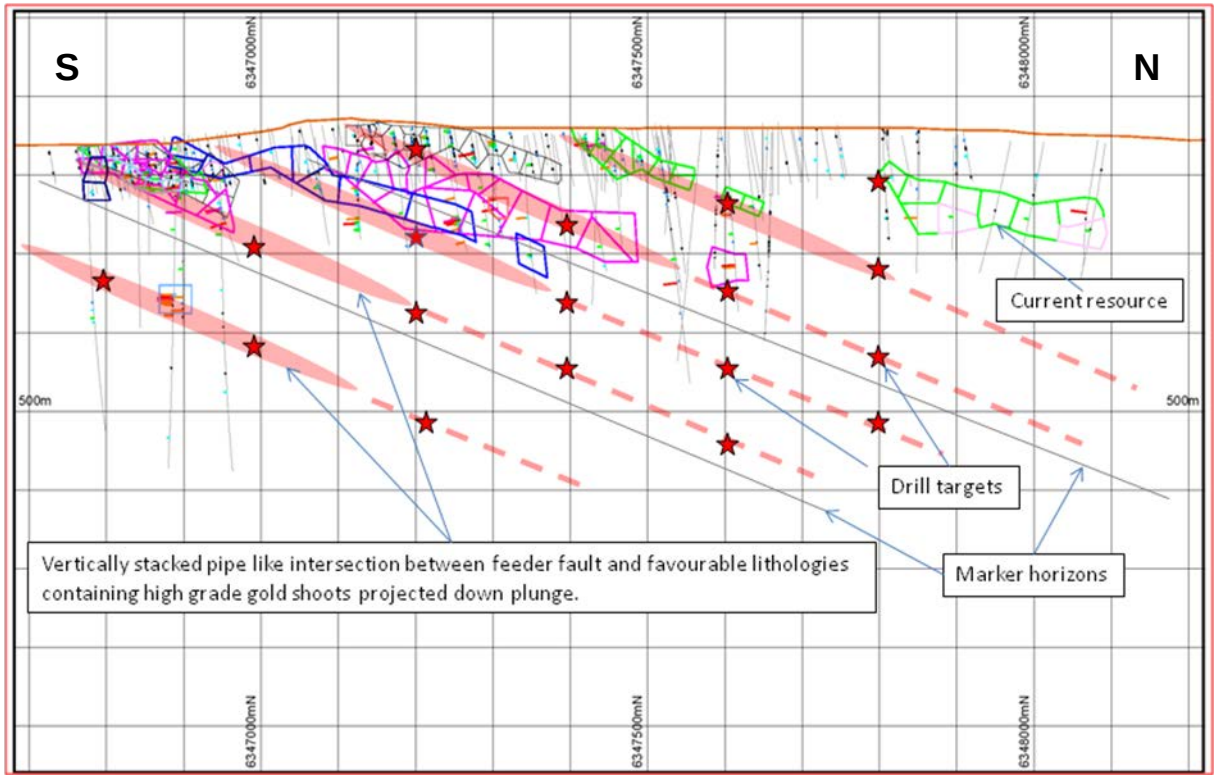

Figure 2
Red Hill longitudinal section in the plane of the Feeder Zone illustrating drill targets

Chambers Creek Area

Field work has commenced at Chambers Creek, which is located on the Hill End Anticline eight kilometres south of the Reward Deposit. Historical mining at Chambers Creek occurred in 1872-1875. Observations to date suggest that the Company's new model for gold mineralisation may also be applicable at Chambers Creek. Mapping to determine the structural controls fully is continuing.

Hargraves, NSW

The Hargraves Project is located approximately 30 kilometres south west of Mudgee in central New South Wales, and was the site of Australia's first reef gold mining operation. The Company wholly owns Exploration Licence 6996 which covers multiple parallel gold-mineralised structures with historical gold production, in addition to the main Big Nugget Hill structure.

On 6 October 2010 HEG announced the first JORC resource estimate for the Big Nugget Hill Deposit as 234,400 contained ounces of gold:

Indicated Resource	**302,000 tonnes at 6.2 g/t gold for 60,300 contained ounces**
Inferred Resource	**1,137,000 tonnes at 4.8 g/t gold for 174,100 contained ounces**

The resource relates to an 800m length of the Big Nugget Hill Deposit to a depth of about 200m. The deposit remains open along trend and at depth below the limits of the defined resource. Widely spaced deep drill holes indicate that mineralisation continues to at least 400m depth.

Substantial potential exists for increasing and upgrading the resource by further delineation drilling of the Big Nugget Hill structure and of multiple geologically similar structures elsewhere in the project area.

Consequently, in November 2010 the Company commenced an 11-hole diamond drilling program principally directed at testing the Central Zone of the Big Nugget Hill Deposit at between about 150 and 300 m below surface. The program is only partially completed and incomplete assay results are available (Table 1). Multiple, generally thin, well-mineralised quartz veins have been intersected. HGCD28 intersected three reefs between 270 and 320m downhole and returned an interval of 24m at 1.2g/t from 271m, including 1.35m at 14.7 g/t. **HGCD40 intersected a broad zone of lower grade mineralisation including 0.32m at 142.2g/t (approximately 4.5oz/t), but assays are incomplete.** The drilling program is continuing.

Re-logging and sampling of several existing holes and two holes previously drilled by HEG in the Alma Zone of the deposit was completed with visible gold observed in several intersections. The Alma Zone is a group of workings located on the Big Nugget Hill structure, approximately 1,250 m south of the Central Zone. Assays are shown in Table 1.

Ongoing activity at the Hargraves Project includes the completion of the current drill program and testing of structures adjacent to Big Nugget Hill, Tuckers Hill, Hampden Hill, Eldorado and Great Western prospects.

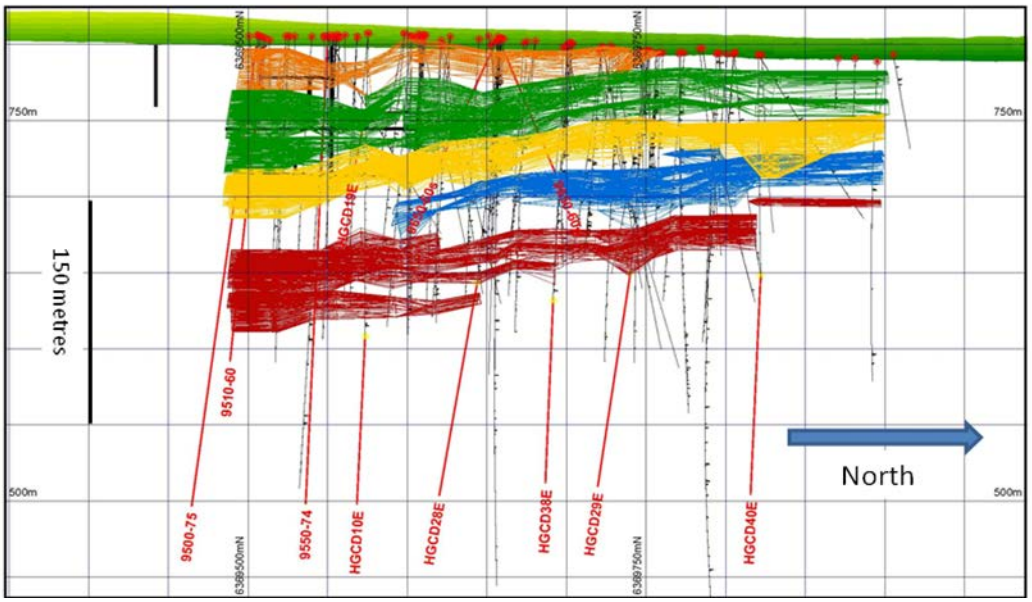

Figure 3
Longitudinal section of the Hargraves Big Nugget Hill Central Zone showing multiple drill-indicated reef positions in various colours and the position of recent deep drill holes.

Windeyer, NSW

The wholly owned Exploration Licence EL7017 covers the Windeyer goldfield located east of the Hargraves goldfield. Currently mapping and sampling is being undertaken to explore mineralisation similar to that at Hill End and Hargraves.

Murray Basin Area, NSW

The Company holds Exploration Licences EL6905, 6906, 7124, 7125 and 7298 located in the Swan Hill – Barham area of New South Wales. A ground geophysics program is proposed. The Company is currently working towards the sale or joint venture of this project.

Lak Sao, Laos

The Lak Sao Project area is located in the Bolikhamxay Province in Central Laos, approximately 100 kilometres north of the Sepon copper-gold project operated by China Minmetals Corporation. The Company's mining application in the Lak Sao region is currently pending, due to the imposition of a moratorium on the issue of new mineral concessions by the Lao PDR Government. This moratorium is expected to be lifted in early 2011. HEG has a 51 per cent interest in the Lak Sao Project with Mekong Resources Pty Ltd. Other project areas in Laos are under review for application or joint venture.

Philip Bruce
Managing Director

Competent Persons' Statement

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Mike Quayle and Philip Bruce. Mr Quayle is a Member of The Australian Institute of Geoscientists and is a full-time geological employee of the HEG. Mr Bruce is Fellow of the Australasian Institute of Mining and Metallurgy and both Mr Quayle and Mr Bruce have 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 Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code). Mr Quayle and Mr Bruce consent to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.

About Hill End Gold Limited

Hill End Gold Limited (ASX:HEG) is a gold explorer with the objective of becoming a mid-tier gold producer based on its two flagship projects at Hill End and Hargraves in an historically gold-rich region in central New South Wales, Australia. Gold resources defined by the Company currently total 570,400 ounces. The Company's strategy is to increase resources to more than one million ounces in the short term to form a basis for profitable production on a significant scale.

Table 1 Significant Drillhole Assay Results – December Quarter 2010

Hole Number	MGA Easting	MGA Northing	Azimuth MGA	Dip (^{0})	Total Depth (m)	Sample (m) From	Sample (m) To	Interval	Assay (g/t gold)
RED HILL									
RHD140	726634	6347655	267.9	-63.8	129.5	13.9	14.1	0.2	2.1
						27.4	27.5	0.1	1.1
RHD149	726485	6346895	276.6	-79	245.9	3.8	3.9	0.2	1.4
						29.3	29.5	0.2	67.8
						31.2	31.4	0.2	1.7
						31.8	32.2	0.4	5.3
						34.6	34.8	0.2	3.2
						35.1	35.4	0.3	27.4
						36.1	36.5	0.4	2.7
						37.8	38.0	0.3	1.4
						39.2	39.4	0.3	4.4
						43.3	43.6	0.3	13.5
						44.1	44.2	0.1	1.3
						45.3	45.4	0.1	1.1
						46.5	46.6	0.1	53.7
						50.7	50.8	0.1	3.6
						56.2	56.4	0.2	5.4
						58.1	58.4	0.3	4.5
						62.3	62.6	0.3	2.0
						64.0	64.4	0.3	10.4
						64.8	65.2	0.4	1.9
						65.5	65.8	0.3	12.0
						66.1	66.5	0.4	3.0
						66.5	66.8	0.3	14.9
						66.8	67.2	0.4	4.1
						67.2	67.5	0.3	2.3
						67.5	67.8	0.3	16.4
						68.1	68.2	0.1	1.2
						68.6	68.7	0.1	10.5
						69.9	70.0	0.1	35.7
						70.3	70.5	0.2	10.4
						71.3	71.5	0.2	1.3
						72.0	72.3	0.3	17.4
						76.9	77.0	0.1	2.7
						78.6	78.7	0.1	4.4
						81.1	81.2	0.1	4.6
						98.8	99.0	0.3	38.8
						173.4	173.5	0.0	5.2
						210.5	210.6	0.1	9.4
						218.6	218.7	0.1	1.8
						227.5	227.6	0.2	14.5

Table 1(cont) Significant Drillhole Assay Results – December Quarter 2010

Hole Number	MGA Easting	MGA Northing	Azimuth MGA	Dip (^{0})	Metres Drilled	Total Depth (m)	Sample (m) From	Sample (m) To	Interval	Assay (g/t gold)
HARGRAVES CENTRAL										
HGCD 10E	730520.5	6369575.4	260.0	-74	114.08	321.20	235.06	235.29	0.23	1.19
							238.00	238.30	0.30	4.64
							238.30	238.60	0.30	5.54
							254.71	255.04	0.33	2.27
							257.74	257.88	0.14	3.47
							264.38	264.59	0.21	1.10
HGCD 19E	730519.6	6369575.6	249.0	-62	96.00	111.20	21.44	21.75	0.31	1.11
							55.84	56.05	0.21	2.55
							71.64	71.90	0.26	11.80
							80.33	80.42	0.09	5.89
							97.05	97.31	0.26	5.10
							100.94	101.30	0.36	1.42
HGCD 28E	730512.2	6369658.9	243.0	-69	156.00	327.20	175.42	175.70	0.28	2.53
							185.30	185.50	0.20	5.89
							186.20	186.50	0.30	3.12
							200.60	200.80	0.20	1.75
							200.80	201.10	0.30	2.31
							201.10	201.40	0.30	1.71
							201.40	204.80	3.40	1.04
							247.80	248.10	0.30	1.53
							257.90	258.20	0.30	1.20
							259.63	259.92	0.29	1.43
							260.46	260.70	0.24	3.48
							266.20	266.34	0.14	2.29
							270.52	270.58	0.06	5.00
							274.01	274.33	0.32	3.16
							274.79	275.09	0.30	1.13
							275.09	275.36	0.27	68.20
							278.64	278.77	0.13	1.51
							283.41	283.48	0.07	4.06
							286.45	286.64	0.19	11.95
							294.12	294.20	0.08	1.21
							294.34	294.54	0.20	28.30
							314.43	314.52	0.09	15.10
							319.70	320.00	0.30	1.48
							321.83	322.05	0.22	1.19
							322.95	323.12	0.17	3.2
							319.70	320.00	0.30	1.48
HGD 29E	730501.4	6369752.0	248.0	-69	153.08	309.20	160.39	160.69	0.30	3.66
							160.94	161.25	0.31	1.37
							162.15	162.45	0.30	1.99
							167.39	167.69	0.30	1.94
							188.18	188.48	0.30	1.61
							188.48	188.78	0.30	4.22
							189.38	189.68	0.30	13.8
							193.90	194.22	0.32	2.04
							194.22	194.52	0.30	1.67
							194.52	194.81	0.29	1.84
							194.90	195.20	0.30	1.26
							209.70	209.90	0.20	10.20
							209.90	210.10	0.20	1.29

Table 1(cont) Significant Drillhole Assay Results – December Quarter 2010

Hole Number	MGA Easting	MGA Northing	Azimuth MGA	Dip (^{0})	Metres Drilled	Total Depth (m)	Sample (m) From	Sample (m) To	Sample (m) Interval	Assay (g/t gold)
HGD 29E (cont)							210.25	211.06	0.81	1.39
							220.15	220.40	0.25	1.01
							226.20	226.50	0.30	1.93
							226.80	227.00	0.20	8.57
							240.72	241.03	0.31	1.42
							244.52	244.82	0.30	2.35
							246.28	246.40	0.12	4.24
							248.40	248.63	0.23	3.38
							250.17	250.38	0.21	25.10
							251.05	251.33	0.28	2.21
							251.33	251.63	0.30	6.83
							252.87	253.08	0.21	1.50
							254.56	254.73	0.17	1.26
							256.00	256.21	0.21	6.23
							257.36	257.58	0.22	1.12
							262.47	262.64	0.17	4.04
							262.64	262.92	0.28	4.54
							264.77	264.91	0.14	3.78
							266.25	266.45	0.20	19.8
							276.96	277.20	0.24	3.03
							280.50	280.80	0.30	1.47
							281.18	281.48	0.30	2.70
HGCD 38E	730506.5	6369701.5	265.0	-66	147.00	330.20	187.88	188.15	0.27	1.79
							206.28	206.35	0.07	1.40
							211.95	212.12	0.17	2.27
							225.60	225.76	0.16	10.00
							236.83	237.00	0.17	10.00
							238.15	238.45	0.30	1.06
							238.45	238.75	0.30	3.21
							238.75	239.05	0.30	1.64
							251.04	251.25	0.21	3.51
							253.01	253.23	0.22	6.44
							231.35	231.64	0.29	6.93
							277.64	277.79	0.15	6.13
							300.98	301.19	0.21	3.34
							307.34	307.53	0.19	1.23
							311.05	311.35	0.30	2.04
HGCD 40E [1]	730479.1	6369820.8	261.0	-74	138.20	288.30	155.13	155.43	0.30	3.11
							156.03	156.33	0.30	16.30
							159.03	159.33	0.30	2.48
							164.81	164.92	0.11	6.04
							172.21	172.51	0.30	6.06
							172.51	172.68	0.17	7.88
							185.70	186.00	0.30	1.54
							187.26	187.58	0.32	142.19
							192.28	192.5	0.22	1.28
							192.82	193.12	0.30	3.05
							193.90	194.20	0.30	1.38
							194.20	194.43	0.23	2.01
							197.20	197.50	0.30	14.60
							197.80	198.10	0.30	20.10
							210.54	210.68	0.14	5.98
							247.40	247.70	0.30	7.05

Table 1(cont) Significant Drillhole Assay Results – December Quarter 2010

Hole Number	MGA Easting	MGA Northing	Azimuth MGA	Dip (^{0})	Metres Drilled	Total Depth (m)	Sample (m) From	Sample (m) To	Sample (m) Interval	Assay (g/t gold)
HGCD 44	730516.0	6369550.0	261.0	-74	222.30	222.30	39.96	40.25	0.29	4.01
							40.25	40.40	0.15	1.16
							67.27	67.36	0.09	3.21
							71.60	71.80	0.20	78.51
							78.14	78.26	0.12	3.71
							84.65	84.85	0.20	1.01
							85.53	85.70	0.17	11.85
							85.70	86.00	0.30	3.72
							95.14	95.42	0.28	1.44
							95.99	96.12	0.13	2.82
							144.25	144.5	0.25	1.78
							145.80	146.12	0.32	31.00
							146.12	146.41	0.29	4.96
							146.71	146.91	0.20	7.73
							146.91	147.05	0.14	12.15
							152.47	152.69	0.22	7.46
HARGRAVES ALMA										
HGAD01	730600	6368263.1	82	-50		204	50.9	51.1	0.20	1.28
							79.84	80.07	0.23	8.11
HGAD02	730599	6368262.6	82	-65		155	61.1	61.34	0.24	17.5
							65.35	65.45	0.10	40.66
							147.95	148.07	0.12	8.37
							151.60	151.84	0.24	6.65
							152.14	152.44	0.30	2.02
							152.47	152.53	0.06	2.31
							153.64	153.84	0.20	5.91

[1] Preliminary results only, all other assay results are final.

Samples are half HQ diamond core.
Gold analysis by Accelerated Cyanide Leach Technique (Leachwell) by SGS Townsville, Queensland Australia.
Only assay values over 1g/t Au have been shown.

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

HILL END GOLD LIMITED

ABN	Quarter ended ("current quarter")
74 072 692 365	31 December 2010

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (.6..months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	29	353
1.2	Payments for		
	(a) exploration & evaluation	(472)	(776)
	(b) development and mine suspension	(333)	(1,529)
	(c) production	-	-
	(d) administration	(465)	(830)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	22	22
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(1,220)	(2,761)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets	(4)	(19)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets	21	21
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	17	2
1.13	Total operating and investing cash flows (carried forward)	(1,203)	(2,759)

1.13	Total operating and investing cash flows (brought forward)	(1,203)	(2,759)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,745	3,548
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 (provide details if material)		
	Net financing cash flows	2,745	3,548
	Net increase (decrease) in cash held	1,542	789
1.20	Cash at beginning of quarter/year to date	986	1,739
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	2,528	2,528

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	45
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

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

N/A

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

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	600
4.2	Development	-
4.3	Production	-
4.4	Administration	450
	Total	**1,050**

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	193	61
5.2	Deposits at call	2,335	925
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	2,528	986

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	-	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-	-

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** *(description)*	-	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	**+Ordinary securities**	441,600,641 OFP	441,600,641 OFP		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	31,055,555	31,055,555	9 cents each	9 cents each
7.5	**+Convertible debt securities** (*description)*	-	-		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	**Options** *(description and conversion factor)*	6,835,000 20,682,222	Employee 20,682,222	***Exercise price*** 20 cents 15 cents	***Expiry date*** 22 Nov 2012 28 Feb 2012
7.8	Issued during quarter	15,827,778	15,827,778	15 cents	28 Feb 2012
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	800,000	Employee	20 cents	Oct 2011
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 give a true and fair view of the matters disclosed.

Sign here: ..... Date: ..31 JANUARY 2010....
(Director/Company secretary)

Print name: Kevin Lynn.....

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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