

# QUARTERLY REPORT

## 31 March 2011



Chalice Gold Mines Limited ABN 47 116 648 956

12 April 2011

### Highlights:

- New drilling programs to commence in April at Zara Gold Project, Eritrea targeting additions to the current 840,000oz Indicated Mineral Resource
- Drilling will initially test several attractive new targets revealed by a recently completed Induced Polarisation (IP) survey undertaken over the Koka-Konate corridor
- Two new Exploration Licences granted in Eritrea:
  - *Mogoraib North EL (555km<sup>2</sup>), 10km north of Nevsun Resources' world-class Bisha gold and base metal deposit*
  - *Hurum EL (275km<sup>2</sup>) which adjoins Zara South and straddles the same major regional structure hosting the Koka Deposit*
- Airborne magnetic and radiometric survey completed over Zara and Hurum Exploration Licences
- Commercial discussions progressed with ENAMCO to agree the terms and purchase price for the acquisition of their 30% paid participating interest in the Zara Project



### INVESTMENT HIGHLIGHTS

High grade Indicated gold Resource (840,000 oz @ 5.3 g/t gold)

Mine permitting commenced:

- Low cash costs of \$338/oz
- 7 year mine life at >100,000 oz average production per year

Large unexplored ground position in the Arabian Nubian Shield

[www.chalicegold.com](http://www.chalicegold.com)

### Overview

East African-focused gold company Chalice Gold Mines (ASX: **CHN**) (TSX: **CXN**) today confirmed the imminent commencement of a new phase of exploration drilling early in the June quarter at its flagship **Zara Gold Project** in Eritrea after completing key near-mine and regional exploration activities during the March 2011 Quarter.

The aim of these activities was to identify new prospects in the vicinity of the high-grade Koka Gold Deposit, which hosts an indicated Mineral Resource of **840,000oz at a grade of 5.3g/t gold**. Chalice also added significantly to its exploration tenure in two highly prospective geological terrains at Mogoraib North and Hurum, with the former located just 10km north of Nevsun Resources' world-class Bisha Mine and sharing similar geology. Intensive exploration programs are planned for the first 12 months of tenure.

Commercial discussions with the Eritrean National Mining Corporation (ENAMCO) in relation to their acquisition of a 30% interest in the Zara Project progressed satisfactorily.

## 1. New Phase of Drilling to Commence Following Results from Near-Mine IP Survey

During the Quarter, the Company completed an extensive Induced Polarisation (IP) survey over the Koka-Konate corridor on the central Zara Project leases. This state-of-the-art 3D deep-penetration IP survey covered an area of ~15km<sup>2</sup> within the highly prospective 6km long Koka-Konate structural corridor.

The survey, which is designed to reveal new targets with the potential to host repeats of the Koka mineralisation, has already yielded **several attractive new targets**, including resistivity anomalies below the currently defined Koka deposit and a second in an undrilled area under the Koka East trend, as reported in the Company's ASX release of November 11, 2010 (*also see Figure 1*). Resistivity anomalies are often associated with silicification that is associated with gold mineralisation.

Interpretation of data from the complete survey is currently underway with full results expected shortly. Drill testing of the targets generated by this work is expected to commence in late April with the arrival on site of a diamond drill rig. The initial focus of the drilling will be on the high priority targets beneath and along strike from Koka and Koka East.

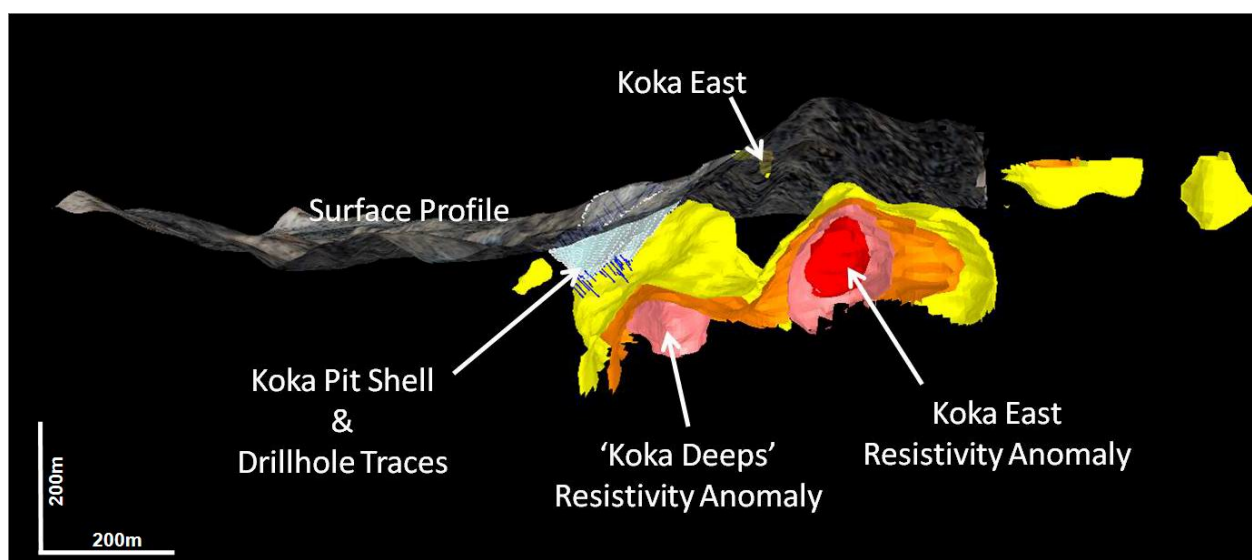


Figure 1: IP resistivity Anomalies – Koka and Koka East (looking north)

## 2. Zara North Geochemical Sampling Programs

During the Quarter, the Company conducted extensive soil sampling programs on the Zara North and Zara Central EL's (*see Figure 2*) to define the source of high-order stream sediment anomalism defined in its 2010 exploration programs.

These programs have now covered an area of roughly 75km<sup>2</sup> extending from the northern limits of the Company's tenure to south of Konate at sample densities ranging from 400m x 100m down to 50m x 25m, with in excess of 3,000 soil samples being collected.

Geological mapping and rock-chip sampling have been undertaken in tandem with this work with **rock-chip values up to 27.5g/t being returned**. Numerous artisanal sites have been identified during the course of the mapping.

Assay results for the bulk of the soil sampling are still awaited but initial results indicate a number of high priority targets for follow-up, including trenching and drilling. Development of bulldozer access into the first of these prospects, the artisanal mining site of Hamid Keir, is expected to commence in April.

The main soil anomaly (>50ppb) at Hamid Keir extends over a strike length of 1,400m and is up to ~120m wide, with soil gold values ranging up to 23,000ppb and 29,500ppb (see Figure 3).

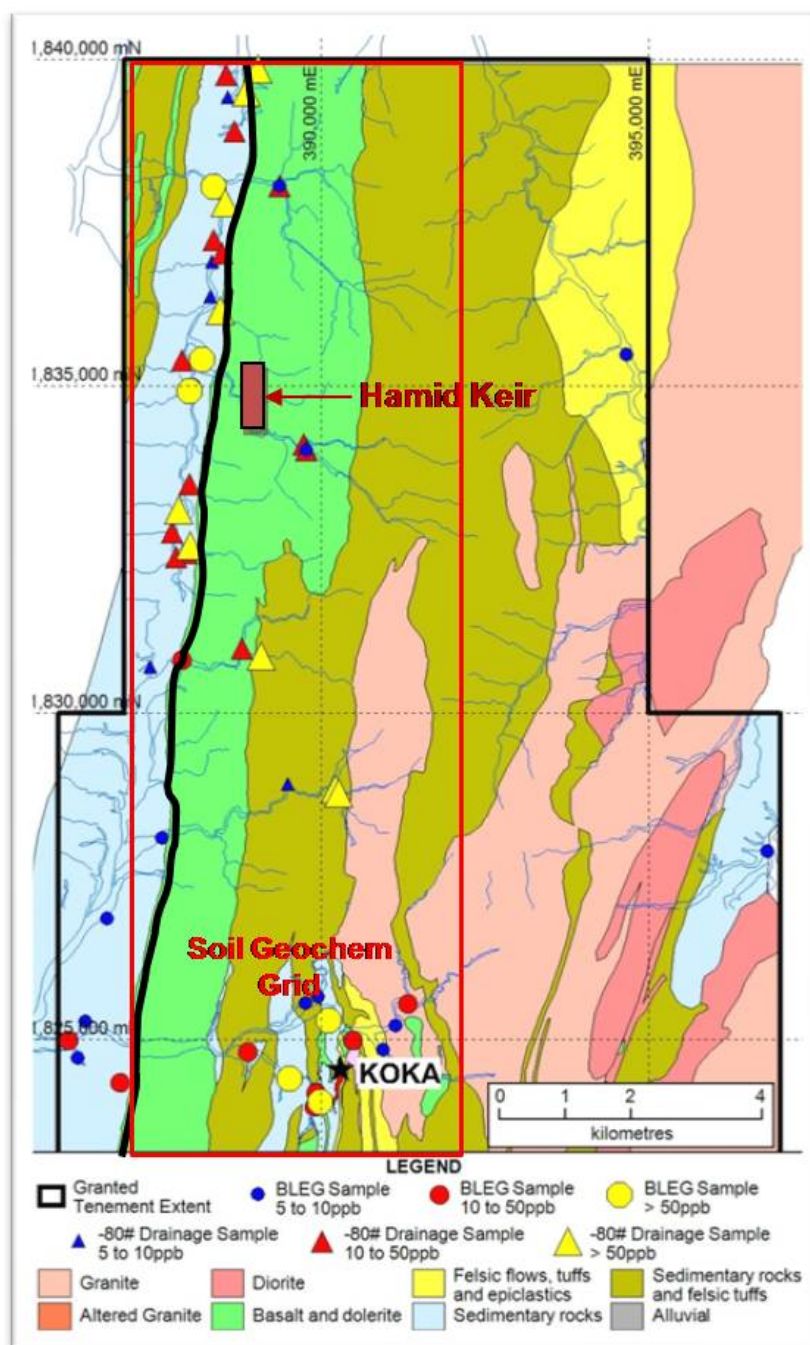


Figure 2: Northern Zara Tenements – geochemical sampling



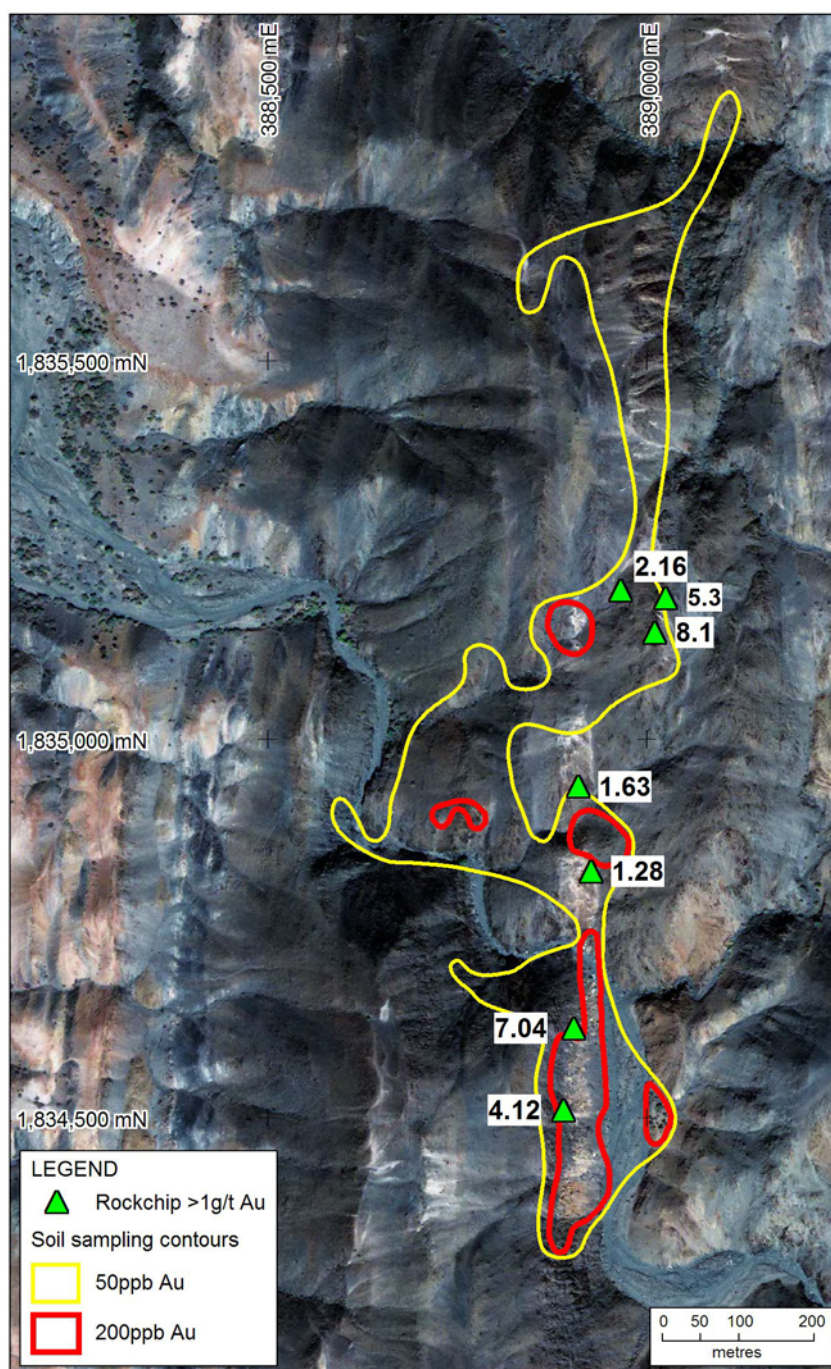


Figure 3: Hamid Keir soil and rock chip location map (refer Figure 2 for regional location)

### 3. New Exploration Licenses Granted in Eritrea

During the Quarter, Chalice's 100%-owned subsidiary, Keren Mining Pty Ltd, signed agreements with the Eritrean Ministry of Energy and Mines for two new Exploration Licences totalling 830km<sup>2</sup> in northern Eritrea (see Figure 4), further strengthening its strategic ground position in this emerging gold and base metal province.

The new licences, Mogoraib North and Hurum, add significantly to the Company's exploration tenure in two highly prospective geological terrains.

Intensive exploration programs are planned for the first 12 months of tenure, with an initial budget exceeding US\$1 million.

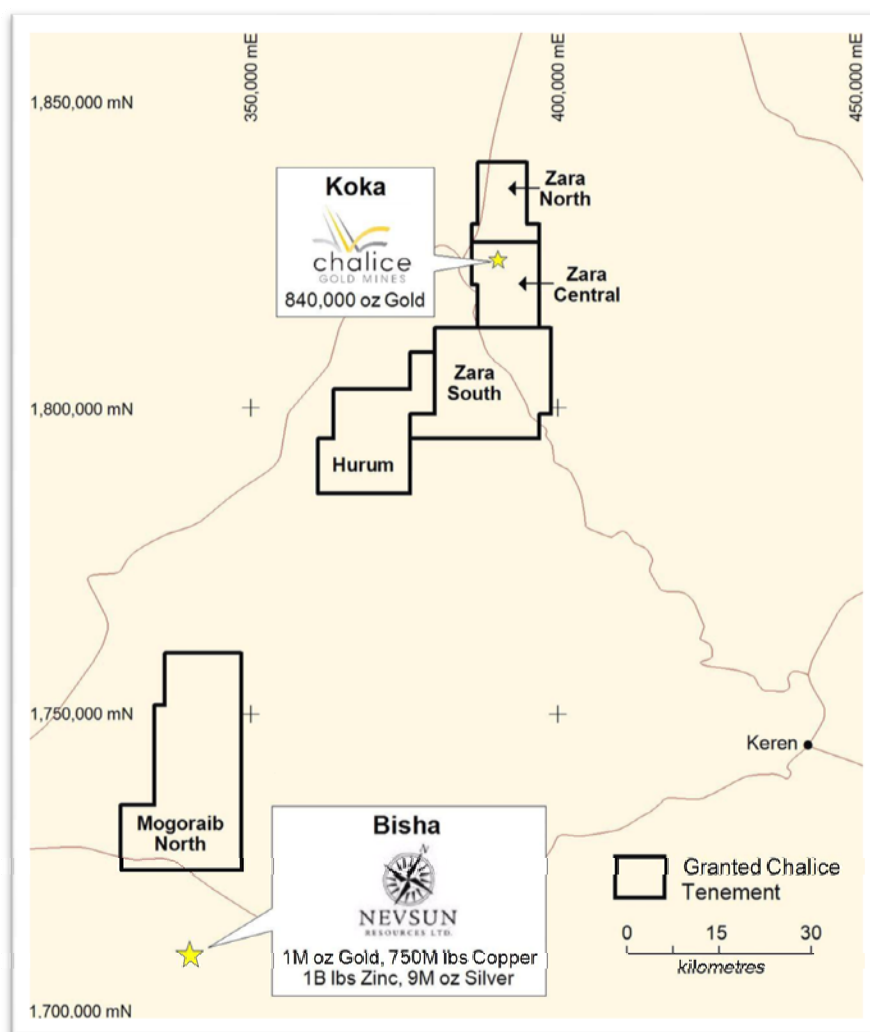


Figure 4: Location of Mogoraib North, Hurum and Zara Exploration Licences

### 3.1 Mogoraib North EL

The 555 km<sup>2</sup> Mogoraib North licence lies approximately 10 kilometres north of the world-class Bisha polymetallic Volcanic-hosted Massive Sulphide (VHMS) deposit owned by Nevsun Resources Ltd (TSX:NSU)(AMEX:NSU) (60%) and the Eritrean National Mining Corporation (ENAMCO) (40%), which commenced production in early January this year.

The volcano-sedimentary rocks hosting the Bisha deposit extend northwards beneath the Mogoraib North EL although much of the basement geology is masked by recent alluvial cover. A regional interpretation of Landsat imagery conducted by Chalice in 2009 identified several 'islands' of exposed bedrock within these later sediments with Bisha-like spectral signatures and the licence was lodged to cover these anomalies (*see Figure 5*).

Chalice is planning to undertake an immediate initial exploration program involving geological mapping, geochemical sampling and an airborne magnetic, radiometric and electro-magnetic (EM) survey using the VTEM system. Drill testing of targets generated by this work is expected to commence in Q3.

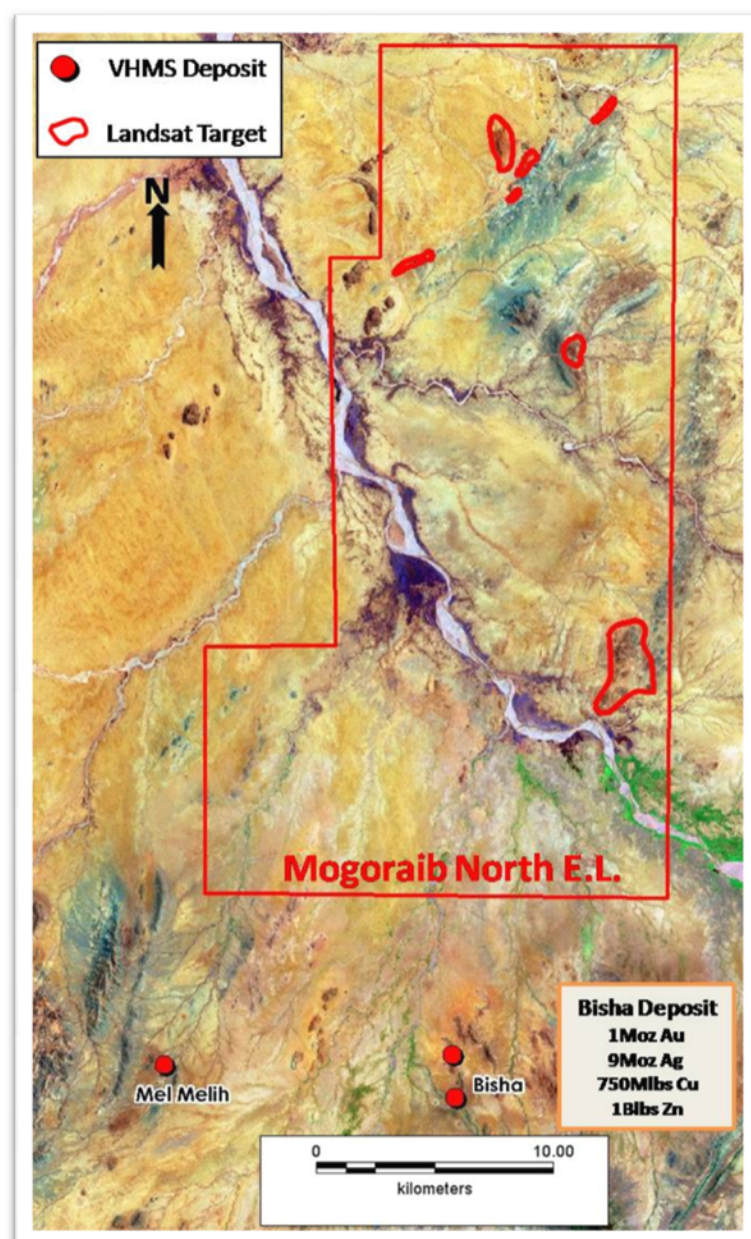


Figure 5: Mogoraib North E.L with Landsat image showing interpreted anomalies

### 3.2 Hurum EL

The 275km<sup>2</sup> Hurum licence lies adjacent to and south west of the Company's Zara South licence. The property straddles the Elababu Shear Zone, a major regional structure that controls much of the known gold mineralization in northern Eritrea, including the Company's flagship Koka Gold Deposit (Indicated Resource of 5Mt grading 5.3 g/t) which lies ~40 kilometres to the north east (see Figure 6).

Chalice has completed an airborne magnetic and radiometric survey and is currently undertaking helicopter-supported geological mapping and geochemical sampling programs.

This work has identified significant artisanal workings at the Babtono Prospect where initial rock-chip sampling has returned assays up to 4.9g/t. The Company is conducting detailed mapping and sampling at the Babtono Prospect which it anticipates will define targets for drilling later this year.



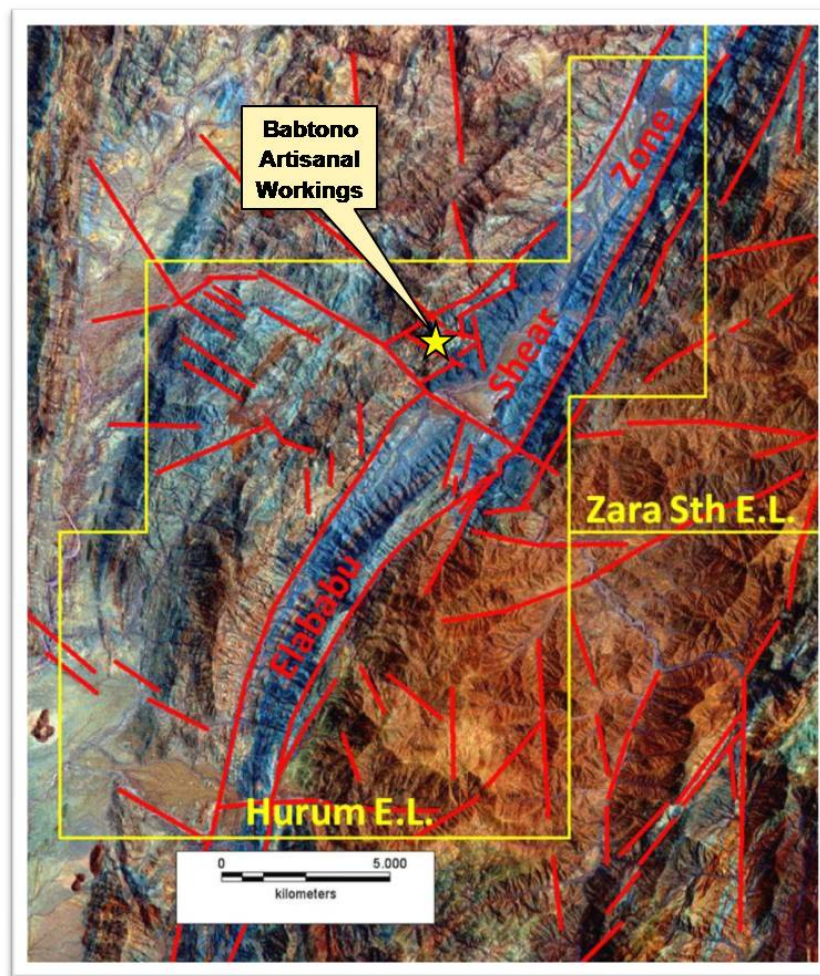


Figure 6: Hurum EL with Landsat image showing interpreted structures and identified artisanal workings

### 3.3 Zara North and Zara South Licences

Chalice has also signed agreements for the conversion of the 115km<sup>2</sup> Zara North and 350km<sup>2</sup> Zara South Prospecting Licences to Exploration Licences. These licences lie adjacent to and along strike from the Koka Gold Deposit (see Figure 4) and are currently the focus of intensive exploration programs.

## 4. Airborne Magnetic & Radiometric Survey

A 12,750 line kilometre airborne magnetic and radiometric survey was completed during the Quarter over the Zara and Hurum EL's (see Figure 7).

Interpretation of this dataset, combined with other datasets, is helping to define the regional geological structure, alteration patterns and granitoid suites/phases that may be associated with gold (and possibly other) mineralisation.

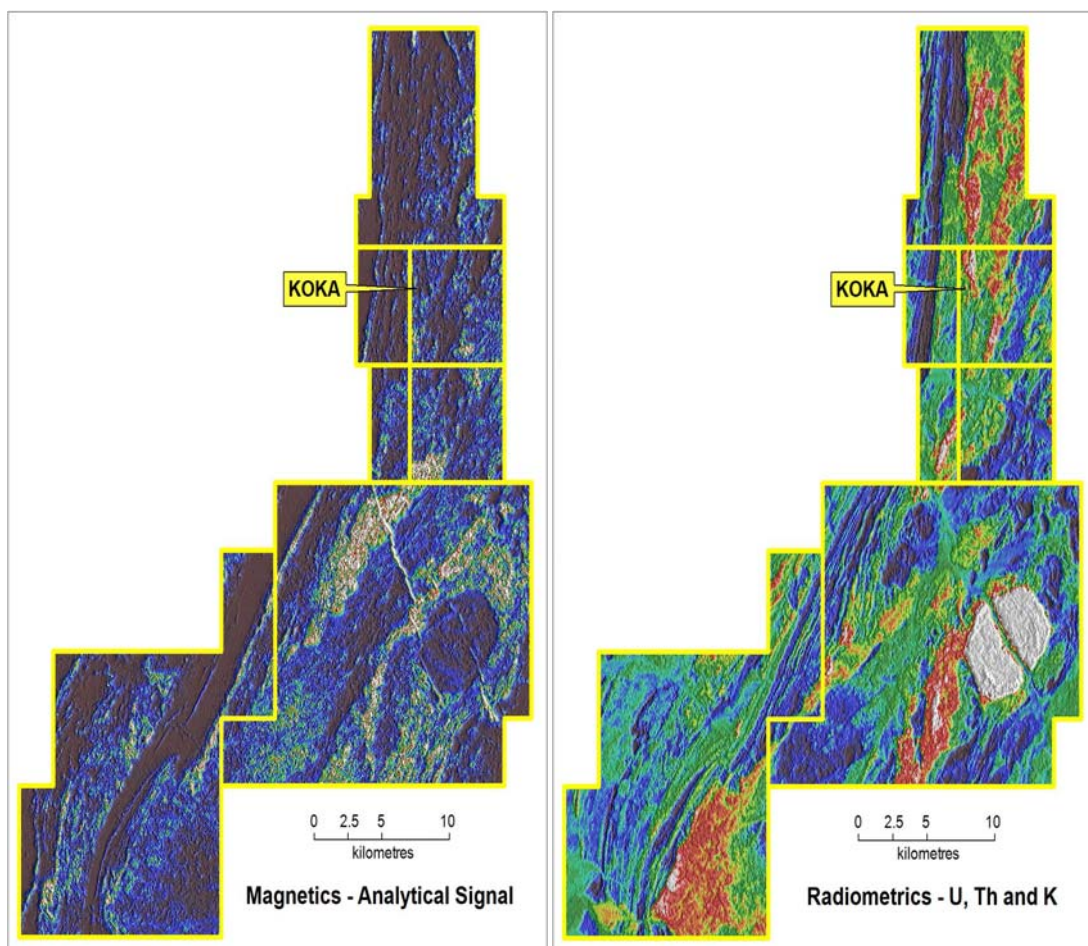


Figure 7: Aeromagnetic and Radiometric images, Zara & Hurum EL's

## 5. Eritrean Government Participation

Commercial discussions with ENAMCO (the Eritrean National Mining Corporation) to agree the purchase price for their 30% paid participating interest in the Zara Project proceeded satisfactorily during the Quarter.

Both Chalice and ENAMCO are hopeful that an agreement on the fair value of the interest can be mutually agreed between the parties. If the parties cannot agree, then an independent valuation will be undertaken.

If, as Chalice currently expects, ENAMCO agrees to pay for their paid participating interest shortly after grant of the Mining Licence, the funding task for Chalice to develop the Koka Gold Deposit will be substantially reduced.

The amount of funding that Chalice may need to source externally will be further reduced by ENAMCO's progressive contribution to development costs (which will be funded 33.33% by ENAMCO and 66.66% by Chalice).

The project permitting process is also proceeding as expected. Chalice is currently negotiating the terms of the Mining Agreement, which, along with the Mining Licence and the Eritrean Mining Proclamation, will govern all of the rights and obligations of the Eritrean operating company relating to the development and operation of the Zara Project.



**6. Cash at bank**

As at 31 March 2011, the Company had cash on hand of approximately \$5.2 million. Please refer to the attached Appendix 5B for further details.



Doug Jones  
Managing Director

12 April 2011

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## Competent Persons and Qualified Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Dr Doug Jones, a full-time employee and Director of Chalice Gold Mines Limited, who is a Member of the Australasian Institute of Mining and Metallurgy and is a Chartered Professional Geologist. Dr Jones has sufficient experience in the field of activity being reported to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. The Qualified Person has verified the data disclosed in this release, including sampling, analytical and test data underlying the information contained in this release. Dr Jones consents to the release of information in the form and context in which it appears here.

The Mineral Resource estimate was prepared by Mr. John Tyrrell who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Tyrrell is a full time employee of AMC and has sufficient experience in gold resource estimation to act as Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)' and is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. Mr Tyrrell consents to the inclusion of this information in the form and context in which it appears.

The information in this statement of Ore Reserves is based on information compiled by Mr David Lee who is a Member of the Australasian Institute of Mining and Metallurgy and a full time employee of AMC. Mr Lee has sufficient relevant experience to be a Competent Person as defined in the JORC Code and is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. Mr Lee consents to the inclusion of this information in the form and context in which it appears.

## Sampling Procedures and Quality Assurance

Soil samples are collected from sites located using GPS. Soil material is collected from a depth of 5-20cm with a plastic trowel and sieved to 180µm mesh using stainless steel sieves. Approximately 120 grams of material is placed into two small Kraft paper sample bags, sealed and tagged with a unique number, with both bags being numbered identically. One of these samples is sent to NATA-accredited Intertek-Genalysis Laboratories in Perth Western Australia for assay whilst the other sample is retained as a duplicate in the Chalice Eritrea sample storage.

Samples are analysed for multi-element suites using ICP-OES after aqua regia digest on a 25g sub-sample and vacuum filtering prior to voluming to preclude errors resulting from insoluble residues. Au is analysed as an additional element utilizing Graphite Furnace AAS. Chalice Gold Mines inserts field blanks, field duplicates, repeats and certified reference materials (CRMs) into its sample sequences sent to the routine and umpire laboratories to control the accuracy and reliability of the analytical results.

Blank samples are introduced at the rate of 1 per 20 to 25 routine samples to test contamination during sample preparation. Certified reference materials (CRMs) are submitted with all sample batches at the rate of 1 per 20-25 routine samples. The CRM's inserted have values ranging from very low to high grade. 5% of the returned coarse reject samples are routinely submitted to an umpire laboratory (Ultra-trace Laboratories, Perth, Western Australia) to test the analytical precision of the principal laboratory. Standard samples are included at a rate of 1 per 20 routine samples and there is at least one standard per submission. The Company monitors the QA/QC information to ensure there are no systematic biases or overall analytical quality issues.

Rock-chip samples are collected and assayed in essentially the same manner except that the sieving step is omitted and 1-2 kg of sample is collected and bagged in a heavy-duty plastic bag before dispatch to Intertek-Genalysis Laboratories.

Diamond drill core is logged and photographed prior to splitting with a core saw. One half of the core is retained on site whilst the other half is bagged and dispatched to Africa Horn Preparation facility (a division of NATA-accredited Intertek-Genalysis Laboratories) in Asmara for crushing to -2mm and splitting. As per the above, certified reference materials (CRMs) are submitted with all sample batches at the rate of 1 per 20-25 routine samples. The coarse reject is stored and the split sub-sample is pulverised to a nominal 95% passing -75 micron using an LM2 pulveriser;

The pulverised pulp is further spilt into two 100g to 150g sub-samples; a primary pulp sample is sent for analysis and a duplicate pulp sample is kept as a reference and the remaining fine (75 micron) reject is stored. A quartz wash is pulverized between samples and is stored for random testing of preparation contamination.

The sample pulps are transported by air to NATA-accredited Intertek-Genalysis Laboratories in Perth Western Australia for assay. For drill core and RC samples used for resource analysis the majority of gold assaying is completed using a lead collection of 50g fire assay method with an atomic absorption spectroscopy (AAS) finish. Additional specified multi-element assays are carried out by ICP-OES on 25g sub-sample prepared using aqua regia digest. Bulk density determinations using water immersion method are carried out on every metre of core within expected mineralisation and every 10m within waste zones. QA/QC monitoring is applied to all drill core assays as per the protocols described above.

## Forward Looking Statements

This document may contain forward-looking information within the meaning of Canadian securities legislation and forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, forward-looking statements). These forward-looking statements are made as of the date of this document and Chalice Gold Mines Limited (the Company) does not intend, and does not assume any obligation, to update these forward-looking statements.

Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as plans, expects or does not expect, is expected, budget, scheduled, estimates, forecasts, intends, anticipates or does not anticipate, or believes, or variations of such words and phrases or statements that certain actions, events or results may, could, would, might or will be taken, occur or be achieved or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different

from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of mineral resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward-looking statements.



## Appendix 5B

### Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

CHALICE GOLD MINES LIMITED

ABN

47 116 648 956

Quarter ended ("current quarter")

31 MARCH 2011

#### Consolidated statement of cash flows

|                                                   |                                                            | Current quarter | Year to date<br>(9 months) |
|---------------------------------------------------|------------------------------------------------------------|-----------------|----------------------------|
|                                                   |                                                            | \$A'000         | \$A'000                    |
| <b>Cash flows related to operating activities</b> |                                                            |                 |                            |
| 1.1                                               | Receipts from product sales and related debtors            | 55              | 172                        |
| 1.2                                               | Payments for (a) exploration & evaluation                  | (2,804)         | (9,888)                    |
|                                                   | (b) development                                            | -               | -                          |
|                                                   | (c) production                                             | -               | -                          |
|                                                   | (d) administration                                         | (1,064)         | (3,051)                    |
| 1.3                                               | Dividends received                                         | -               | -                          |
| 1.4                                               | Interest and other items of a similar nature received      | 100             | 333                        |
| 1.5                                               | Interest and other costs of finance paid                   | -               | -                          |
| 1.6                                               | Income taxes paid                                          | -               | -                          |
| 1.7                                               | Other - GST                                                | 8               | 7                          |
| <b>Net Operating Cash Flows</b>                   |                                                            | (3,705)         | (12,427)                   |
| <b>Cash flows related to investing activities</b> |                                                            |                 |                            |
| 1.8                                               | Payment for purchases of: (a) prospects                    | -               | (3,049)                    |
|                                                   | (b) equity investments                                     | -               | -                          |
|                                                   | (c) other fixed assets                                     | (193)           | (828)                      |
| 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 (provide details if material)                        | -               | -                          |
| <b>Net investing cash flows</b>                   |                                                            | (193)           | (3,877)                    |
| 1.13                                              | Total operating and investing cash flows (carried forward) | (3,898)         | (16,304)                   |

+ See chapter 19 for defined terms.

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

|                                                   |                                               |         |         |
|---------------------------------------------------|-----------------------------------------------|---------|---------|
| <b>Cash flows related to financing activities</b> |                                               |         |         |
| 1.14                                              | Proceeds from issues of shares, options, etc. | 1,761   | 13,855  |
| 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                                         | -       | (4)     |
| <b>Net financing cash flows</b>                   |                                               | 1,761   | 13,851  |
| <b>Net increase (decrease) in cash held</b>       |                                               | (2,137) | (2,453) |
| 1.20                                              | Cash at beginning of quarter/year to date     | 7,363   | 7,689   |
| 1.21                                              | Exchange rate adjustments to item 1.20        | (2)     | (12)    |
| 1.22                                              | <b>Cash at end of quarter</b>                 | 5,224   | 5,224   |

**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<br/>\$A'000</b> |
|-----|------------------------------------------------------------------|------------------------------------|
| 1.2 | Aggregate amount of payments to the parties included in item 1.2 | 167                                |
| 1.2 | Aggregate amount of loans to the parties included in item 1.10   | -                                  |

1.2 Explanation necessary for an understanding of the transactions

Item 1.2(d) – Includes \$198,000 in the current quarter for costs related to the Company listing on the Toronto Stock Exchange in November 2010.

Item 1.23 – Amounts paid to related parties include remuneration, directors' fees, consulting fees and reimbursements of expenses to 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

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

Nil

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

|                                 | Amount available<br>\$A'000 | Amount used<br>\$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 | 3,100        |
| 4.2 Development                | -            |
| 4.3 Production                 | -            |
| 4.4 Administration             | 870          |
| <b>Total</b>                   | <b>3,970</b> |

### 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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--------------------------------------------------|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 3,122                      | 1,387                       |
| 5.2 Deposits at call                             | 2,102                      | 5,976                       |
| 5.3 Bank overdraft                               | -                          | -                           |
| 5.4 Other (provide details)                      | -                          | -                           |
| <b>Total: cash at end of quarter (item 1.22)</b> | <b>5,224</b>               | <b>7,363</b>                |

### Changes in interests in mining tenements

|                                                                         | Tenement reference              | Nature of interest<br>(note (2)) | Interest at<br>beginning<br>of quarter | Interest at<br>end of<br>quarter |
|-------------------------------------------------------------------------|---------------------------------|----------------------------------|----------------------------------------|----------------------------------|
| 6.1 Interests in mining tenements<br>relinquished, reduced or<br>lapsed | Western Australia -<br>E47/1748 | Exploration license              | 100%                                   | 0%                               |
| 6.2 Interests in mining tenements<br>acquired or increased              | Eritrea - Mogoraib<br>North     | Exploration license              | 0%                                     | 100%                             |
|                                                                         | Eritrea - Hurum                 | Prospecting license              | 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 <b>Preference *securities</b><br><i>(description)</i>                                                                      | Nil                                                                                                                | Nil                                                                | Nil                                                                                                                | Nil                                                                                                                                                                                          |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions | N/A                                                                                                                | N/A                                                                | N/A                                                                                                                | N/A                                                                                                                                                                                          |
| 7.3 <b>*Ordinary securities</b>                                                                                                | 218,030,886                                                                                                        | 218,030,886                                                        | N/A                                                                                                                | N/A                                                                                                                                                                                          |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              | 6,575,000<br>Nil                                                                                                   | 6,575,000<br>Nil                                                   | N/A<br>N/A                                                                                                         | N/A<br>N/A                                                                                                                                                                                   |
| 7.5 <b>*Convertible debt securities</b><br><i>(description)</i>                                                                | Nil                                                                                                                | Nil                                                                | N/A                                                                                                                | N/A                                                                                                                                                                                          |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              | Nil<br>Nil                                                                                                         | Nil<br>Nil                                                         | N/A<br>N/A                                                                                                         | N/A<br>N/A                                                                                                                                                                                   |
| 7.7 <b>Options</b> <i>(description and conversion factor)</i>                                                                  | 500,000<br>500,000<br>1,250,000<br>1,250,000<br>750,000<br>1,000,000<br>1,000,000<br>187,500<br>187,500<br>375,000 | Nil<br>Nil<br>Nil<br>Nil<br>Nil<br>Nil<br>Nil<br>Nil<br>Nil<br>Nil | Exercise price<br>\$0.25<br>\$0.25<br>\$0.35<br>\$0.45<br>\$0.50<br>\$0.35<br>\$0.36<br>\$0.55<br>\$0.65<br>\$0.75 | Expiry date<br>1 December 2012<br>31 July 2013<br>31 March 2014<br>31 March 2014<br>1 September 2012<br>16 November 2013<br>31 March 2012<br>30 April 2014<br>30 April 2014<br>30 April 2014 |
| 7.8 Issued during quarter                                                                                                      | Nil                                                                                                                | Nil                                                                | N/A                                                                                                                | N/A                                                                                                                                                                                          |
| 7.9 Exercised during quarter                                                                                                   | 5,575,000<br>1,000,000                                                                                             | 5,575,000<br>1,000,000                                             | \$0.25<br>\$0.35                                                                                                   | 21 March 2011<br>16 November 2013                                                                                                                                                            |
| 7.10 Expired during quarter                                                                                                    | Nil                                                                                                                | Nil                                                                | N/A                                                                                                                | N/A                                                                                                                                                                                          |
| 7.11 <b>Debentures</b><br><i>(totals only)</i>                                                                                 | Nil                                                                                                                | Nil                                                                |                                                                                                                    |                                                                                                                                                                                              |

+ See chapter 19 for defined terms.



|      |                                                |     |     |
|------|------------------------------------------------|-----|-----|
| 7.12 | <b>Unsecured notes</b><br><i>(totals only)</i> | Nil | Nil |
|------|------------------------------------------------|-----|-----|

### 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 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 12 April 2011

Company Secretary

Print name: Richard Hacker

### 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.