



The Board of Directors of Hillgrove Resources Limited (Hillgrove)
(ASX: HGO) reports for the quarter ended 30 April 2011

OVERVIEW

Kanmantoo Copper Mine, South Australia

- Construction of the Project was 50% complete at the end of April, and remains on schedule and within budget for a November 2011 commissioning;
- A major milestone was achieved for the Project with 250,000 hours worked without a Lost Time Injury (LTI);
- Pit optimisation and a revised mine plan has been completed, resulting in marginally higher copper feed grades being brought forward in the production schedule;
- Over one million cubic metres of material mined from the pit has been utilised in the construction of the Tailings Storage Facility (TSF), haul roads and hard-stand areas;
- Over 300,000 tonnes of oxide ore stockpiled;
- All supporting infrastructure including Water Pipeline, Site Access Road and Power infrastructure are on schedule and within budget;
- Recruitment of Hillgrove personnel is on track to achieve 'Operational Readiness' for November 2011;
- Kanmantoo exploration program is underway including resampling, reprocessing and re-interpretation of previous drilling, geochemical and geophysical data, and soil surveys;
- The Board has approved 7,500m of exploration drilling to be completed on the mine lease by December 2011, targeting reserve and resource extensions.

Indonesia

- Geological mapping, surface channel and rock chip sampling continued this quarter within the West Delta prospect at Birds Head in West Papua. The project is now "drill ready", awaiting drilling permits;
- Exploration at Masu Project, southern Sumba Island, focussed on extending coverage of geological mapping, geochemical soil sampling over prospective volcanic sequences, and infill soil sampling and trenching over the Karipi-Kanjilu soil gold anomalies;
- Exploration at the Pelitalira Project, northern Sumba, included scout drilling, and although not encountering significant mineralisation, structural interpretation has justified a decision to extend aero-magnetic surveys (currently underway) of the area.

Corporate Activity

- Full year Net Loss after Tax of AUD14.2 million reflects non-core asset write-downs and disposals, as well as expense of items associated with the successful raising of construction financing for Kanmantoo;
- Cash at financial year end of AUD117.9 million;
- Cash on hand as at 30 April 2011 was AUD 83.0 million;
- Strategy continued to be refined, in an effort to narrow the focus of activities, and reduce non-core assets;
- Significant progress in developing corporatised ownership and management structure for Indonesia activities.



Private Access Road

The Private Access Road is 99% complete and now in use for access by both heavy and light vehicles to the mine-site. Only minor items such as fencing, gates and some final sheeting remain outstanding. This means mine vehicles and construction traffic can now avoid using the public roads via Callington and Kanmantoo.

Power Infrastructure

All concrete civil works are complete. ETSA will mobilise early June to install balance of the electrical infrastructure.

Port Access

Concentrate transport, port access, storage, ship loading and shipping arrangements are well advanced, with several options under tender and/or detailed evaluation. It is expected that Hillgrove will settle on the preferred option(s) by the end of July 2011.

Operational Readiness

After commissioning, the mine site will employ approximately 160 personnel, of which about half (80) will be Hillgrove employees. The recruitment of Hillgrove personnel is on track to achieve the plan for 'Operational Readiness' for November 2011. Hillgrove personnel numbers will see a ramp up from 40 at the end of April, with a significant jump in September with the on-boarding of 22 ore processing operations personnel, in time for the November commissioning. A number of the key supervisory staff (including the process plant manager) have been identified and/or have accepted roles, and will be added to the team over the next few months.

Health, Safety, Environment & Community

Safety is a major focus of Hillgrove's attention at the site, with an emphasis on safe work procedures, housekeeping and control of work areas to minimise the risk of uncontrolled interaction between construction activities. The project has now achieved the significant milestone of 250,000 cumulative hours worked without a Lost Time Injury.

There have been no reportable environmental incidents on the project to date or lost time due to Industrial Relations issues on the project to date.

Mine Planning

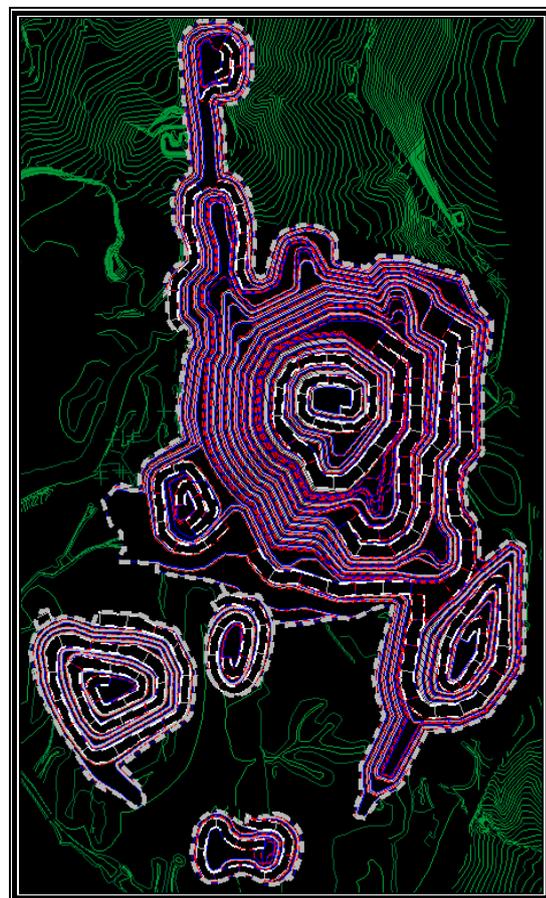
A new Life of Mine (LOM) plan for the Kanmantoo Copper Mine has been produced, and is the culmination of a series of detailed work programs that included:

- the update of all operating cost elements to reflect contractual arrangements and cost initiatives for the operating environment;
- optimisation of the open pit staging and ultimate mining limits;
- redevelopment of the detailed design to a series of nested pushbacks allowing the staged development of the pit;
- investigation and analysis of the strategic mine planning options that maximise the value of the operation, including a review of mining rate, feed grade, marginal cut-off grade; and
- production of a detailed mine plan for the first two years of operations.

The new mine plan brings forward marginally higher grades to the production schedule by staging the pushbacks and optimisation of cut-off grade policies. Plate 2 shows the updated final pit design in the current LOM plan. The pit will be developed in the south and south east areas first, followed by pushbacks to the north. The satellite pushbacks are mined highest value first to supplement the ore feed to the process plant from the main zone ore sources.

The LOM plan will be reviewed on an annual basis and will incorporate the results of our exploration program each year. Hillgrove anticipates updating resource and reserve statements in the first quarter 2012.

Plate 2. Final Pit Design for Kanmantoo



Mining

Current Ore Stockpile

As anticipated, mining from the first two benches at Kanmantoo has encountered oxide and transitional ore, which has resulted in the development of low grade and marginal grade oxide stockpiles. The oxide stockpiles are currently scheduled to be processed at the end of the LOM. However, there are a number of alternative strategies available for earlier processing of this material which if implemented would bring forward revenue from this ore inventory. These include processing through the 20% unused portion of the plant, and heap leaching.

Waste Material to Tailings Storage Facility (TSF) & Haul Roads

Mining activities centred on providing sufficient waste material for the TSF embankment, the establishment of haul roads linking areas of the mine, as well as hard-stand laydown areas for the mining contractor, Exact Mining's workshop and go-line area. Over one million bank cubic metres of material (ore and waste) were moved in the process, all requiring drilling and blasting. The pit and TSF areas have now been established, and installation and construction of other infrastructure such as fuel facilities and explosive magazines is progressing.

The Stage 1 embankment of the TSF is almost complete. Following laying of the clay liner, installation of drainage networks and decant pipework, High Density Poly-Ethylene (HDPE) lining of the TSF commenced in January and is now over 90% complete. Work is now progressing on lining the first stage wall of the TSF, and tying the liner into the completed liner on the base of the TSF.

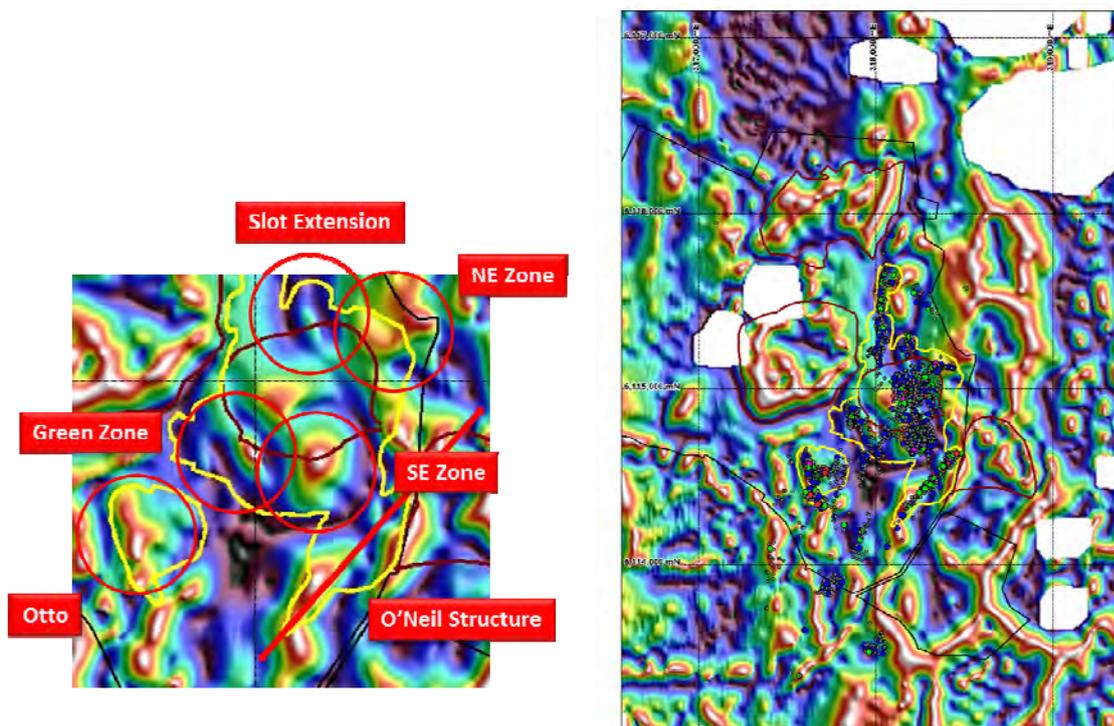
Exploration

There has been little exploration activity (other than Hillgrove's) since the original Kanmantoo open cut closed in 1976. In addition, it would appear that the 1970's operation was not paid for gold and silver credits in the concentrate (or paid very little – a function no doubt of a much lower commodity price regime at the time). There is an extensive collection of historical data from previous exploration activity in the area, by both Hillgrove and prior explorers, which has not been completely or thoroughly analysed, including for precious and tracer elements.

The first stage of the re-examination of this data was to hire an experienced exploration geologist to review and report on the prospectivity of the mine lease area and region. The outcome was a report which was encouraging enough to support a recommendation to the Hillgrove Board for the commencement of an exploration program directed at converting resources into reserves, and also expanding open cut resources within the mining lease. This program is now well underway, and exploration drilling has commenced.

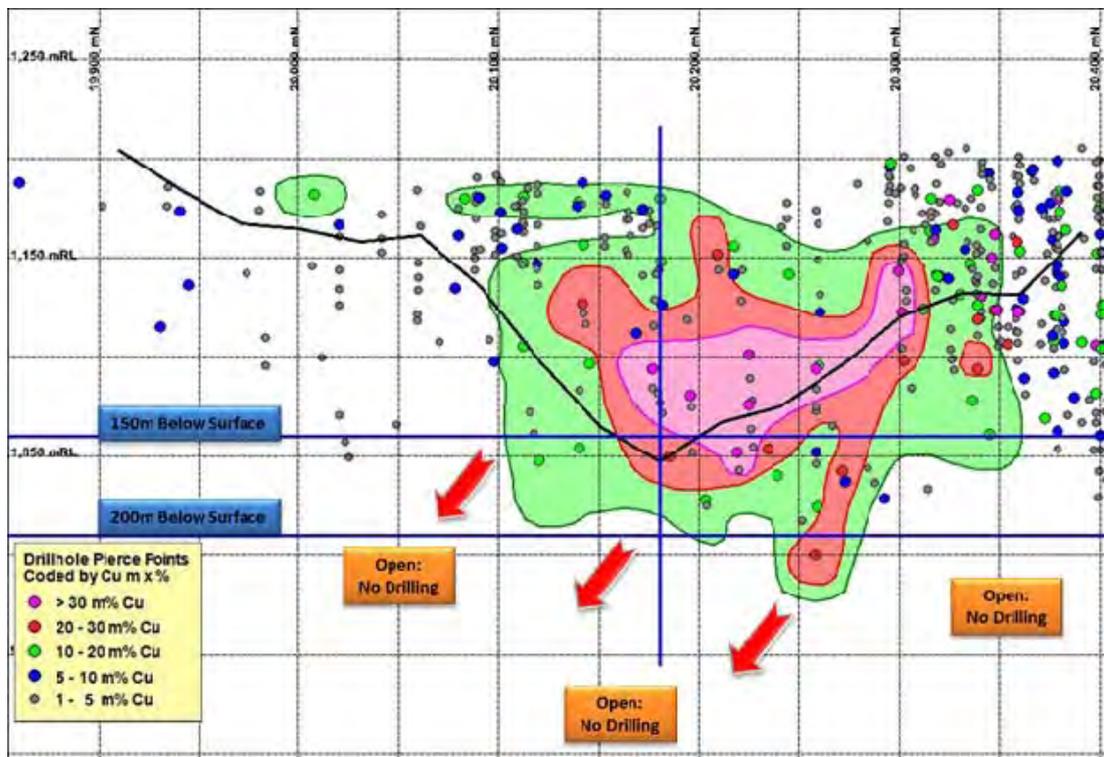
Reprocessing of Aero-magnetics Data

Plate 3. Reprocessed Aero-magnetics of Kanmantoo Area



Additional drill-hole targeting for the RC program is well underway. Pierce points for all Hillgrove and historical drill intercepts have been calculated, and long sections for individual mineralised zones are currently being analysed and contoured to highlight plunge and other controls on higher grade mineralisation. A cut off of 10m% Cu (e.g. 10m @ 1% Cu or 1m @ 10% Cu) is being used for drill-hole targeting purposes. The O'Neil long section is shown below as an example (Plate 5).

Plate 5. Long Section view (looking north west) of the O'Neil mineralised zone showing contouring of previous drilling intersections on a Cu % times interval length (metres), e.g. 10m @ 1% = 10m% Cu



Several of the lenses within the resource and reserve are now interpreted to plunge to the south, with previous step-out drilling being above the currently interpreted extension of the ore lenses at depth, but still well above the final optimised pit depth of about 280m. The new drilling program will test this interpretation before the end of 2011.

In addition to the 5,000m of resource/reserve extension drilling, a further 2,500m of RC drilling will be dedicated to those high priority near-mine copper targets with the potential to add significantly to copper resources in the near term. Success with this drilling will see these targets slated for reserve conversion in the next round of reserve drilling. In this way, it is hoped that a continual “pipeline” of copper targets can be progressed. Four key areas are being targeted with this program, and are shown in the right-hand pane of Plate 4 above.

Analysis to date has provided enough encouragement to support a recommendation, firstly to the Board (approved), and secondly to shareholders at the forthcoming AGM, seeking their approval for the management incentive plan to include a hurdle component for a significant expansion of reserves at Kanmantoo over the next three years.

INDONESIAN GOLD AND GOLD/COPPER EXPLORATION

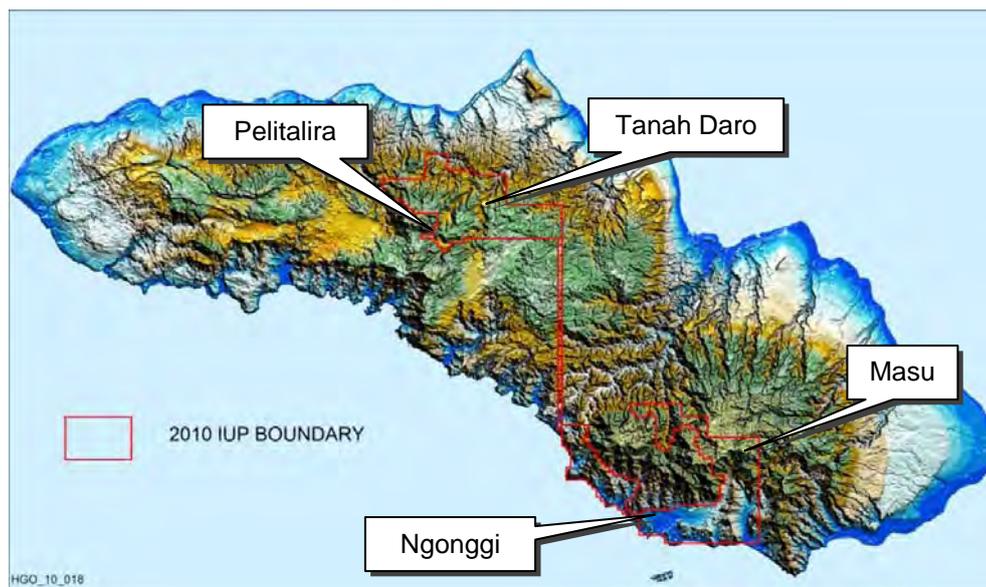


SUMBA GOLD PROJECT, INDONESIA IUP 322/KEP/HK/2009 (Hillgrove 80%)

Hillgrove is an 80% shareholder in PT Fathi Resources Pte Ltd (PT Fathi), which holds IUP 322 on the island of Sumba. Hillgrove is responsible for the sole funding and management of all exploration and development activities, up to a decision to mine. The IUP Explorasi (Exploration and Mining Business Licence) covers 999km² and is valid for six years.

The Island of Sumba is covered in recent marine sediments that effectively mask and preserve highly gold-prospective underlying volcanic units. Erosion of this sedimentary cover has created windows through to the underlying volcanic lithology where PT Fathi is focusing its exploration efforts. Exploration activities this quarter consisted of soil sampling, geological mapping, trenching, and drilling within the Masu and Tanah Daro projects.

Plate 6. Sumba Elevation Model and IUP Boundary



Masu Project

The Masu Project is located in the south-eastern portion of the IUP, where ongoing soil sampling, rock chip sampling, trenching and drilling activities undertaken by PT Fathi have confirmed the presence of epithermal vein-hosted gold mineralisation at several prospects.

Exploration within the Masu Project this quarter focussed on extending the coverage of geological mapping over untested regions of the project area, extending geochemical soil sampling over prospective volcanic sequences, and infill soil sampling and trenching over the Karipi–Kanjilu soil gold anomalies (Figure 3 Appendix).

Surface Geochemistry Sampling

Soil sampling and mapping has identified over 17 high priority gold anomalies in the Masu Corridor (Figure 2 Appendix). Ranking of these anomalies resulting in exploration efforts focusing on the Karipi – Kanjilu target area this quarter, where soil sampling has identified a >1km long zone of gold anomalism with associated high grade surface rock chip gold values up to 72 ppm Au (Table 1 below).

A total of 10 trenches covering 914m were completed this quarter over an 800m strike length of the main soil gold anomaly (Appendix Table 2). Significant gold intersections were encountered in all trenches, with standout intersections of:

- MATRFT067: 22m @ 2.66 ppm Au
- MATRFT072: 80m @ 3.18 ppm Au
- MATRFT075: 73m @ 4.72 ppm Au
and 15m @ 4.18 ppm Au

Gold values up to **34.4 ppm Au** were encountered within sampled intervals, with zones grading >1 ppm Au delineating a cohesive, north-west trending zone of gold-bearing veins, stockwork and brecciation over a strike length of 800m, open both along strike and laterally. The majority of trenches ended in gold mineralisation so the full extent of surface gold distribution remains unconstrained.

Table 1: Karipi Significant Rock Chip Results

Prospect	Sample No.	UTM E Z51L	UTM N Z51L	Au ppm	Ag ppm
Karipi	MARK012348	203253	8887665	1.72	5.4
Karipi	MARK012349	203286	8887707	2.92	33.1
Karipi	MARK012350	203341	8887715	1.17	6.4
Karipi	MARK012352	203254	8887648	7.95	17.3
Karipi	MARK012353	203253	8887653	7.06	8.2
Karipi	MARK012355	203377	8887650	4.96	2.5
Karipi	MARK012357	203781	8887190	4.31	11.8
Karipi	MARK012360	202892	8887620	1.41	0.2
Karipi	MARK012361	203867	8887195	3.33	65.2
Karipi	MARK012811	203657	8887391	43.65	30.7
Karipi	MARK012819	203548	8887474	20.9	29.6
Karipi	MARK012827	203361	8887776	17.8	13.2
Karipi	MARK012821	203513	8887186	12.65	24.2
Karipi	MARK012896	203834	8887202	8.99	4.3
Karipi	MARK012911	203669	8886824	8.74	2.4
Karipi	MARK012906	203574	8887462	8.04	6.6
Karipi	MARK012352	203254	8887648	7.95	17.3
Karipi	MARK012353	203253	8887653	7.06	8.2

Note: Gold assays determined by averaging up to 3 repeats using 50gm Fire Assay method
Silver values calculated from multi element sweep using ICP analytical method
East Sumba datum: WGS84 Zone 51 Southern Hemisphere
Analyses conducted at Intertek Laboratories, Jakarta, Indonesia

Mapping along strike of Karipi towards the north has traced quartz veining and silicification as float through to the Kanjilu prospect, 1.2km towards the north-west, where earlier sampling of scattered surface silicification returned rock chip values to 72 ppm Au. At this stage it is not clear if veining at Kanjilu and Karipi are part of the same system or represent independent occurrences.

Quartz veining observed in trenching at Kanjilu is consistent with a very high level, low temperature, low sulphidation, quartz-sulphide (pyrite) epithermal setting. Vein orientations appear complex, with both steep and shallow dipping attitudes observed. The primary orientation of gold mineralisation is north-west but several east-west veins and areas of stockworking and brecciation were also observed.

Whilst the initial results are considered extremely encouraging, it should be noted that these quartz sulphide vein systems are highly susceptible to surface enrichment of gold values and there is a very strong possibility that the broad gold intersections reported here reflect surface supergene enrichment and subsequent lateral dispersion.

The Karipi - Kanjilu area nevertheless represents the strongest gold geochemistry response delineated to date within the Masu corridor. Plans to undertake scout drilling of the target are currently being finalised.

Geophysics

The planned aeromagnetic survey over the majority of the Sumba IUP licence was again delayed due to recurrent contractor delays and persistent poor weather conditions associated with the abnormally intense rainy season, also experienced across northern Australia this summer. The helicopter and crew are scheduled to arrive on Sumba mid-May (now in progress).

The presence of shallow sedimentary cover renders conventional exploration techniques of mapping and surface sampling unusable over portions of the IUP. The geophysical survey is aimed at defining broad regional structural trends and favourable positions for gold mineralisation and to track those trends and structures beneath shallow cover. In addition to structural targets, there are a number of intrusive complexes that are prospective for gold and base metal mineralisation that will also be covered by the survey. From this work, it is envisaged that exploration targets can be refined and ranked for subsequent testing. The survey will cover the Ngonggi, Masu and Tanah Daro areas.

Table 4. Pelitalira Prospect Collar Details

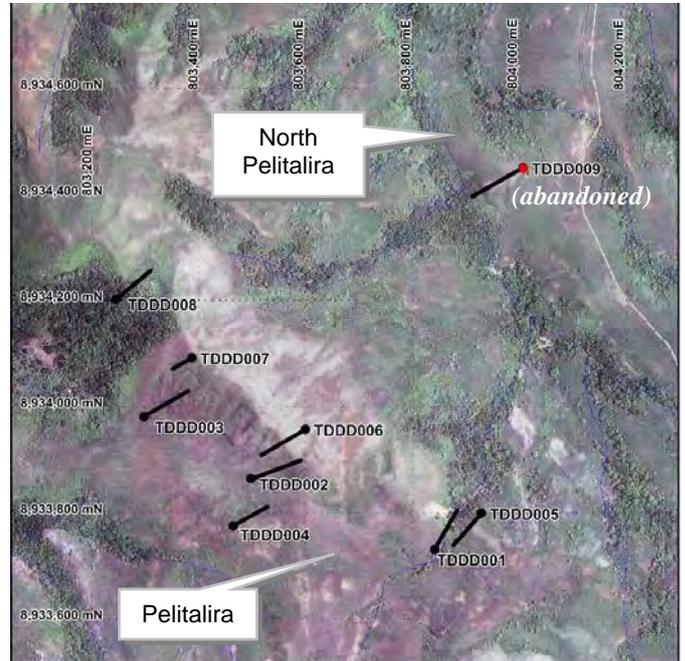
Drillhole ID	Prospect	UTM E Z51	UTM N Z50	RL	Azimuth	Dip	EOH
TDDD001	Pelitalira	803841	8933731	607	30	-50	127.05m
TDDD002	Pelitalira	803498	8933864	569	70	-50	129.45m
TDDD003	Pelitalira	803298	8933981	581	60	-50	150.0m
TDDD004	Pelitalira	803465	8933775	559	60	-50	106.95m
TDDD005	Pelitalira	803928	8933799	544	220	-45	120.35m
TDDD006	Pelitalira	803600	8933957	597	240	-50	150.15m
TDDD007	Pelitalira	803388	8934092	665	240	-70	161.6m
TDDD008	Pelitalira	803246	8934202	658	50	-50	123.0m
TDDD009	North Pelitalira	804006	8934450	516	240	-45	17.30m

Although broad zones of intense hydrothermal alteration (alunite, porphyllite), sulphides, brecciation and massive to vughy silica were encountered, gold mineralisation intersected in drilling was largely low-grade and inconsistent.

Plate 8. Pelitalira Prospect Looking NW



Plate 9. Pelitalira Drill Collar Location Plan



Rock types and alteration assemblages are consistent with the very uppermost portion of a high sulphidation epithermal system. Petrological assessment of drill core will provide additional information required to properly evaluate which part of the system was tested by the recent drilling campaign, and to potentially delineate vectors towards primary mineralisation.

While assay results from scout drilling were disappointing, initial observations from drill core indicate that the Pelitalira Hill is the uppermost expression of a high sulphidation system. PT Fathi's interpretation is that gold (and possibly base metal) mineralisation is more likely to have formed at greater depths. Scout drilling was therefore likely to have simply been too shallow to effectively test the system. Hole TDD006 intersected quartz stockwork and intense alteration at the very bottom of the hole, grading 2m @ 0.25% Cu, 0.15 ppm Au. Current interpretation is that this drill hole "clipped" the uppermost portion of the primary high sulphidation system, with deeper drilling required to properly assess the target.

Surface Geochemistry Sampling

Soil sampling is currently being extended towards the north, west and east of Pelitalira, where additional outcrop of highly altered volcanic lithology and silicification has been noted in reconnaissance mapping. Gold, base metal and pathfinder element anomalies extend over these areas, which require follow up evaluation. The East Pelitalira system appears to have the strongest geochemical response to date.

West and North Pelitalira prospect areas, following up encouraging first pass rock chip results. Reconnaissance exploration at Langela is ongoing.

Preparations are underway to initiate a scout drilling programme at Karipi in the Masu (southern) Project area, testing the strong gold anomalies intersected in trenching, with drilling to commence as soon as a suitable portable drill rig becomes available. Surface sampling and mapping will extend coverage to the north, south, east and west of Karipi, assessing for possible extensions to gold mineralisation.

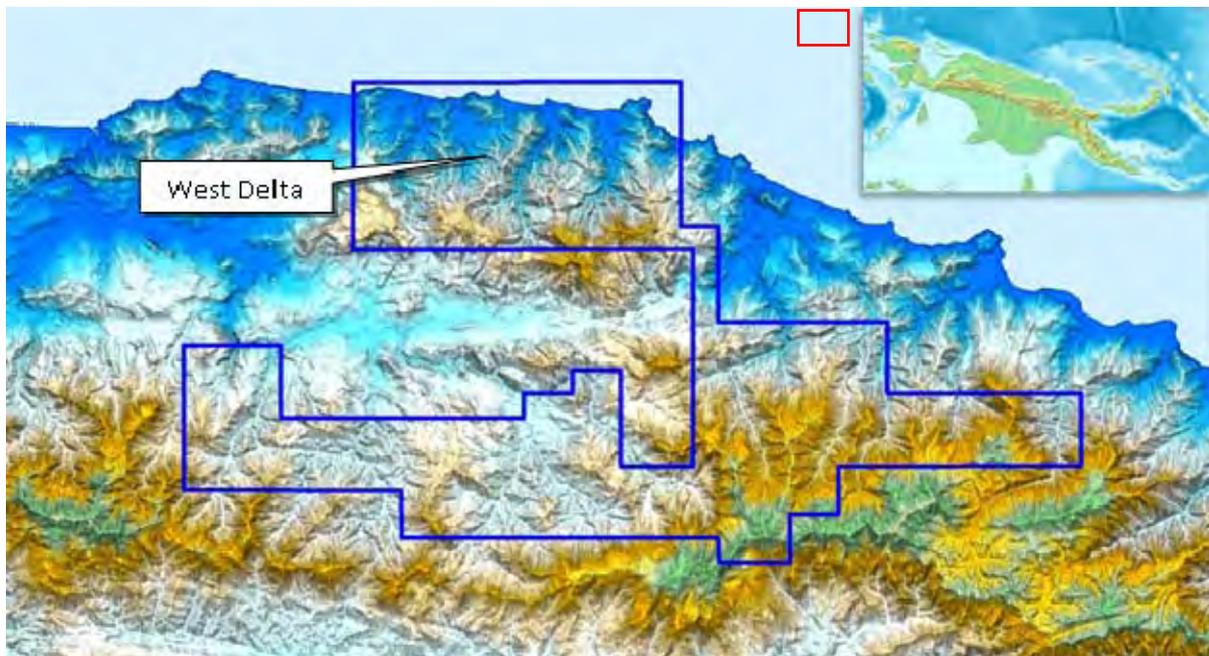
Petrological evaluation of quartz vein and alteration assemblages at Kanjilu, also in the Masu (southern) Project area, is planned to determine depth of vein formation and provide targeting information for subsequent drill testing.

Reconnaissance exploration along the south coast of the IUP is scheduled to commence this quarter, where there are a number of potential porphyry-related targets that require evaluation and ranking.

BIRD'S HEAD COPPER/GOLD PROJECT, WEST PAPUA, INDONESIA **IUP40/2010 (Hillgrove 80%)**

Hillgrove is an 80% beneficial shareholder in PT Akram Resources Pte Ltd (PT Akram) which holds IUP40/2010 in the Bird's Head region of West Papua. Hillgrove is responsible for the sole funding and management of all exploration and development activities up to a decision to mine. The IUP covers 992.3km² and is valid for a period of six years.

Plate 10. Bird's Head Project IUP Boundary



Exploration activities this quarter focused on continuing geological mapping, trenching and preparation for planned drilling.

Exploration Results

Geological mapping, surface channel and rock chip sampling continued this quarter within the West Delta prospect area. A fly camp was established on Suben Creek, a tributary of Rak Rak Creek, to facilitate reconnaissance mapping south of West Delta.

Key findings of this mapping include the observation that copper mineralisation (chalcopyrite, malachite and azurite) observed in Priority Creek appears to be related to copper mineralisation observed to the north at Green Cliffs. Extensive zones of silicification and clay alteration have developed along structures, similar to that seen in the creeks and trenches surrounding the Green Cliffs Breccia. This area represents a significant southern extension of the porphyry style mineralisation seen to the north, and will require further detailed follow up.

Importantly, copper mineralisation in the form of chalcopyrite (magnetite) veining was observed within intrusive diorite and along the contact position between diorite and monzonite, indicating that the diorite may represent the main copper mineralising event(s). The diorite is not exposed at Green Cliffs and is modelled to be present at shallow depth, forming the principal drill target at that site. The outcropping nature of diorite in Priority Creek provides additional comfort that the depth to the targeted diorite intrusive at Green Cliffs is unlikely to be substantial.

ABOUT HILLGROVE

Hillgrove is an Australian mining company listed on the Australian Securities Exchange (ASX: HGO) focused on developing its South Australian and Indonesian base and precious metals projects. Hillgrove's flagship development is the Kanmantoo Copper Gold Project, located less than 60km from Adelaide in South Australia. Kanmantoo currently hosts a Mineral Resource of 32.2Mt (2.3MT Measured, 22.5MT Indicated and 7.4MT Inferred) grading 0.9% copper and 0.20g/t gold, containing 292,200 tonnes of copper, 191,100 ounces of gold and 3,313,600 ounces of silver. With completion of construction targeted for 2011, Kanmantoo will be a 2.4MT per annum open-cut mine producing approximately 20,000 tonnes of copper in concentrate and 10,000 ounces of gold per annum. The Company is also targeting the discovery of world class epithermal gold and porphyry copper/gold deposits in Eastern Indonesia.

The information in this report that relates to Exploration Results is based on information compiled by Mr Jim Kerr, who is a Member of The Australasian Institute of Geoscientists. Mr Kerr is General Manager – Exploration for Hillgrove Resources and has sufficient relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Kerr consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resource estimates is based on information compiled by Mr Paul Payne, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Payne is a full-time employee of Runge Limited and has sufficient relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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APPENDIX

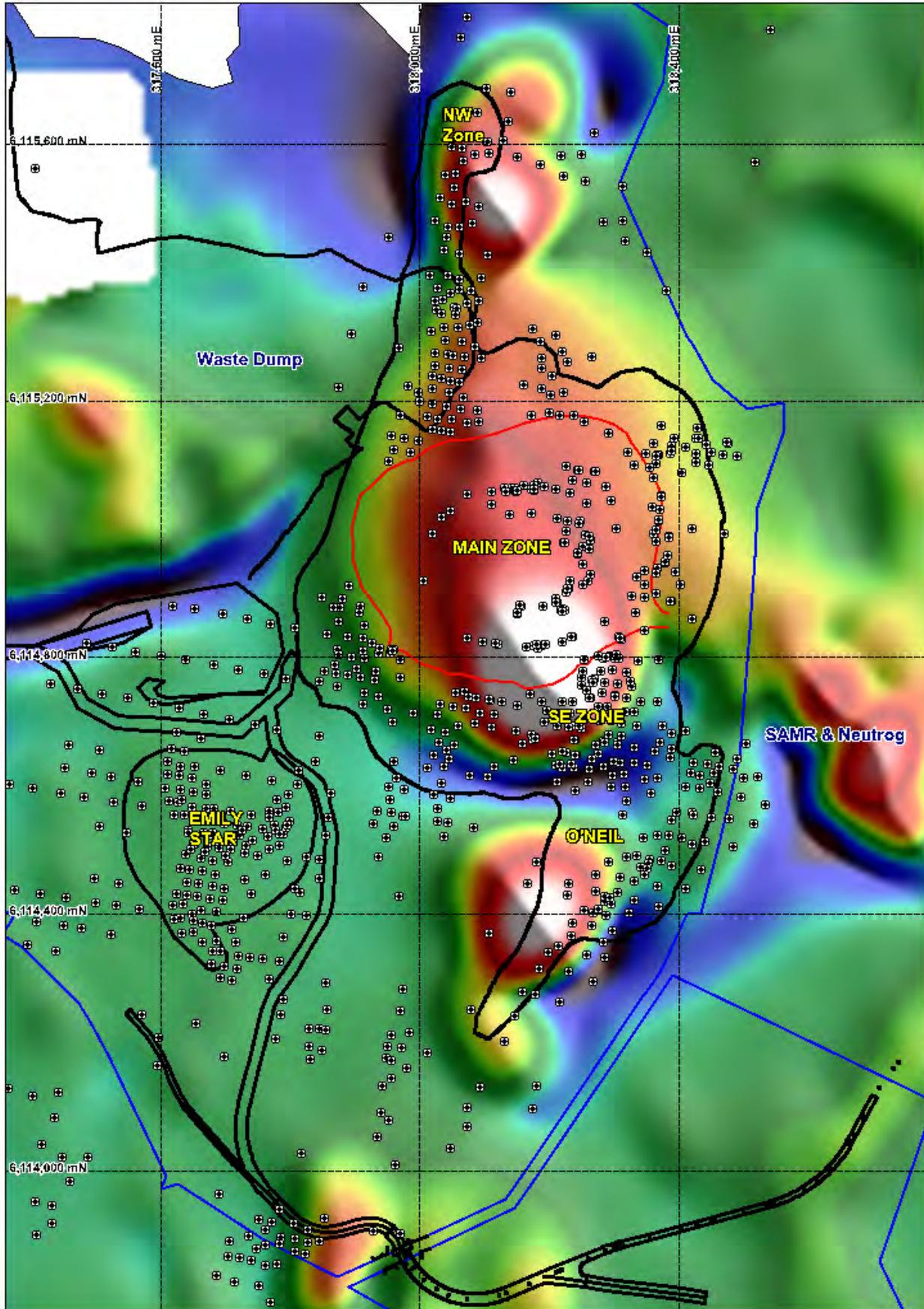
Table 2: Karipi Trenching Significant Gold Intercepts

TRENCH	UTM E	UTM N	RL	Length	From	To	Intercept	Ag ppm
MATRFT066	203340	8887688	972	115	17	31	14.00 m @ 2.32 PPM Au	2.81
					35	45	10.00 m @ 0.88 PPM Au	0.55
					50	55	5.00 m @ 5.40 PPM Au	2.5
					60	65	5.00 m @ 0.75 PPM Au	1
MATRFT067	203325	8887615	959	102	30	52	22.00 m @ 2.66 PPM Au	2.81
MATRFT068	203547	8887471	888	25	5	15	10.00 m @ 2.28 PPM Au	35.4
MATRFT069	203275	8887725	976	45	19	43	24.00 m @ 1.67 PPM Au	6.72
MATRFT070	203229	8887674	975	72	25	30	5.00 m @ 0.85 PPM Au	0.6
					40	62	22.00 m @ 1.78 PPM Au	2.38
MATRFT071	203378	8887564	968	130	55	80	25.00 m @ 1.26 PPM Au	2.43
					85	90	5.00 m @ 0.91 PPM Au	1.3
					95	100	5.00 m @ 1.05 PPM Au	2
					105	110	5.00 m @ 0.58 PPM Au	1.2
MATRFT072	203660	8887170	909	180	20	25	5.00 m @ 0.59 PPM Au	0.3
					65	145	80.00 m @ 3.18 PPM Au	2.75
					155	165	10.00 m @ 1.27 PPM Au	1.75
MATRFT073	203560	8887371	909	127	10	20	10.00 m @ 2.35 PPM Au	1.75
					42	52	10.00 m @ 2.75 PPM Au	2.16
					72	87	15.00 m @ 1.48 PPM Au	1.1
					92	102	10.00 m @ 2.85 PPM Au	0.85
					117	122	5.00 m @ 1.48 PPM Au	2.7
MATRFT074	203367	8887628	952	28	2	28	26.00 m @ 1.28 PPM Au	2.02
MATRFT075	203649	8887304	941	93	0	73	73.00 m @ 4.72 PPM Au	1.91
					78	93	15.00 m @ 4.18 PPM Au	1.63

Note: Gold assays determined by averaging up to 3 repeats using 50gm Fire Assay method
Silver values calculated from multi element sweep using ICP analytical method
Significant intercepts calculated as weighted average, maximum of 2m internal waste at a 0.5ppmAu cut off
East Sumba datum: WGS84 Zone 51 Southern Hemisphere
Analyses conducted at Intertek Laboratories, Jakarta, Indonesia



Figure 1. Detailed Aeromagnetic Data Covering the Mine Scale



Note. The black lines show the planned pit outlines of the NW Zone, Main Zone, O'Neil and Emily Star plus some of the road infrastructure.

Figure 2. Masu Project Generalised Geology with Soil Gold Values

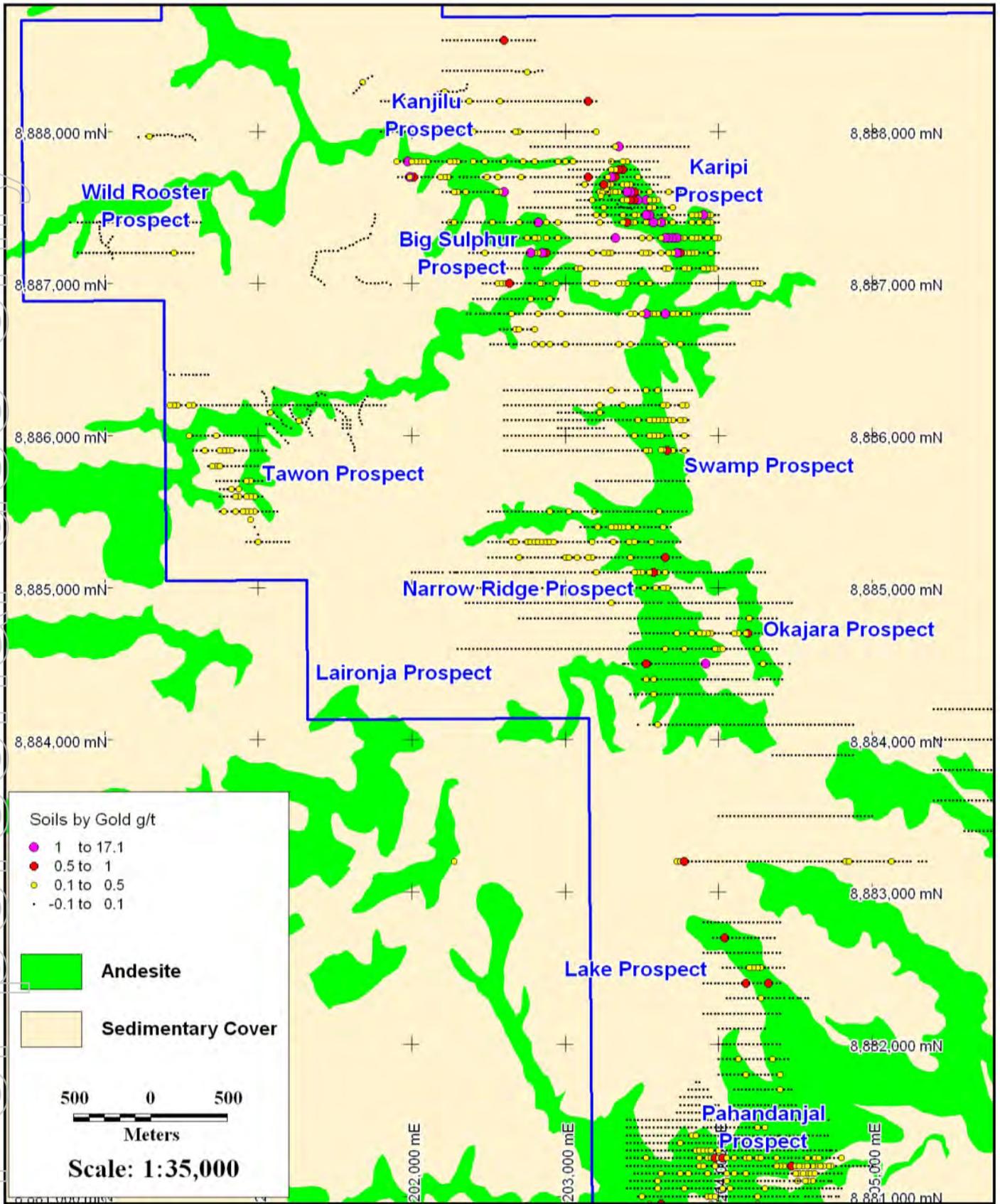
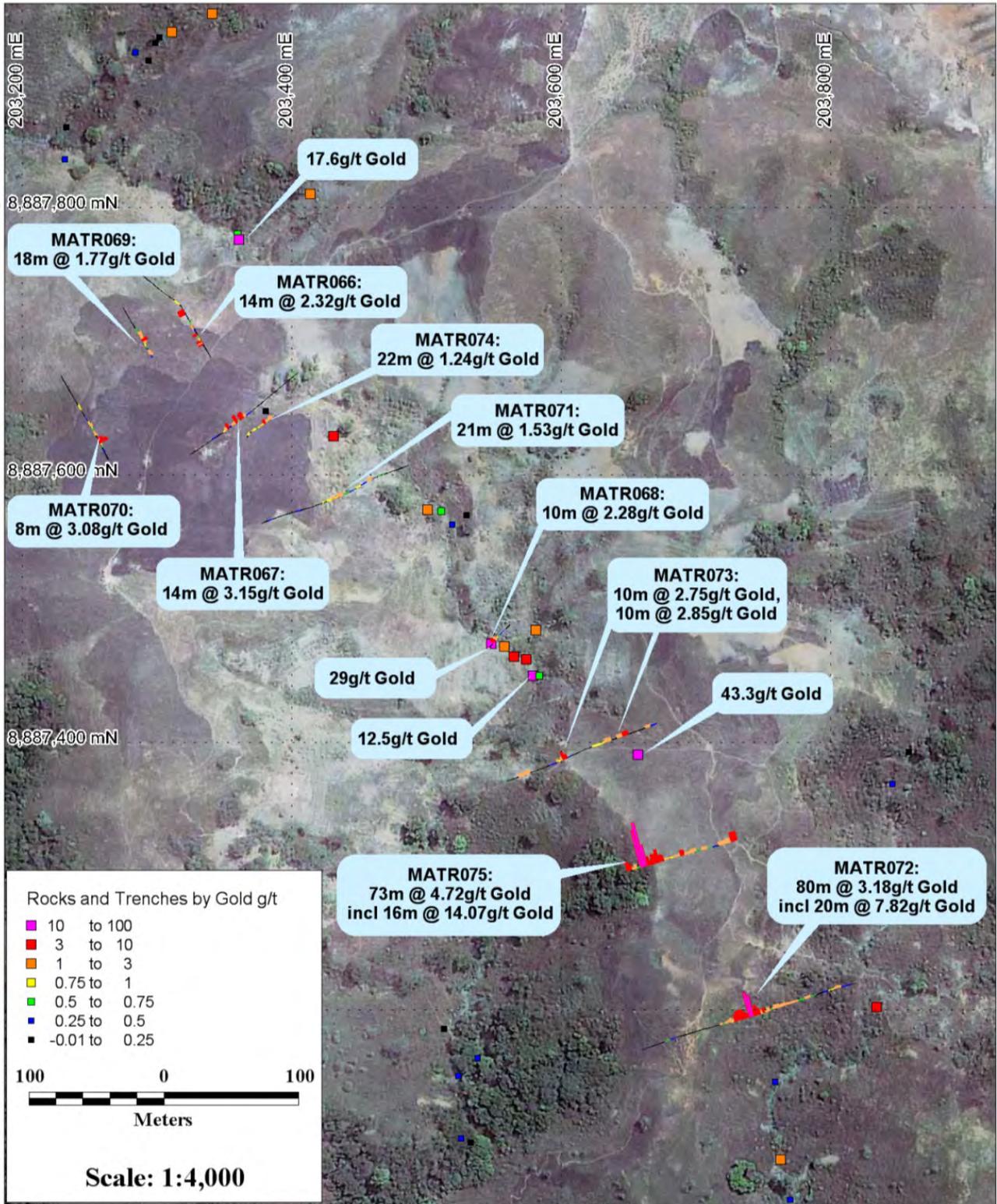


Figure 3. Karipi Rocks, Trenching and Gold Intersections



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Appendix 5B

Mining exploration entity quarterly report

Name of entity

Hillgrove Resources Limited

ABN

73 004 297 116

Quarter ended ("current quarter")

30 April 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	917	917
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,867) (32,752) (353) (1,433)	(1,867) (32,752) (353) (1,433)
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	1,180	1,180
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Other (provide details if material)	(296)	(296)
Net Operating Cash Flows	(34,604)	(34,604)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(225) (104)	(225) (104)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	0 308 0	0 308 0
1.10 Loans to other entities	(68)	(68)
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)	(89)	(89)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(34,693)	(34,693)

+ See chapter 19 for defined terms.

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1.13	Total operating and investing cash flows (brought forward)	(34,693)	(34,693)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	0	0
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	0	0
1.18	Dividends paid	(0)	(0)
1.19	Other (provide details if material)		
	Net financing cash flows	0	0
Net increase (decrease) in cash held			
		(34,693)	(34,693)
1.20	Cash at beginning of quarter/year to date	117,668	117,668
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	82,975	82,975

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	278
1.24	Aggregate amount of loans to the parties included in item 1.10	1,743

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

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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	3,385
4.2 Development	34,017
4.3 Production	200
4.4 Administration	1,610
Total	39,212

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	81,571	107,417
5.2 Deposits at call	1,404	10,251
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	82,975	117,668

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			

+ See chapter 19 for defined terms.

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	793,698,575	793,698,575		
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>	ESOP ExSOP ESOP ExSOP ESOP ExSOP ESOP ExSOP ESOP ExSOP ESOP ExSOP Unlisted EOPR Unlisted	200,000 500,000 890,000 1,500,000 200,000 147,685 10,000,000 4,720,000 8,000,000	<i>Exercise price</i> \$0.40 \$0.575 \$0.38 \$0.26 \$0.24 \$0.00 \$0.30 \$0.00 \$0.40	<i>Expiry date</i> 22/5/2012 28/6/2012 15/8/2012 22/1/2013 28/4/2013 1/7/2014 24/10/2011 24/9/2013 30/9/2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				

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7.11	Debentures <i>(totals only)</i>			
7.12	Unsecured notes <i>(totals only)</i>			

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
 (Company Secretary)
 Print name: Russell Middleton

Date 31 May 2011

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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