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HODGES Resources Limited

QUARTERLY REPORT FOR 31 December 2012

ASX Code: HDG

Fully paid shares: 80.254m

Unlisted options: 9.975m

- **110Mt of coal moved into the Measured resource category and 173Mt into Indicated in the Morupule South central block.**
- **Mr Christopher Eves appointed as Chairman.**
- **Mining scoping study results expected shortly along with the concept studies for integrated power project options.**
- **$800,000 funding secured via convertible notes with sophisticated investors.**

BOARD MEMBERS

Christopher Eves – Chairman
Mark Major – Managing Director
Nathan McMahon – Non-Exec Director
Bryan Dixon – Non-Exec Director

CORPORATE DIRECTORY

Company Secretary – Julie Hill

Stock Exchange Listing:
Australian Securities Exchange
Code: HDG

Solicitors:
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SUMMARY OF CORPORATE ACTIVITES

At the end of the 2012 December quarter, Hodges Resources Ltd ('Hodges' or the 'Company') had cash reserves of approximately $589,000. During the quarter, Hodges obtained funding for the purpose of the Morupule South Coal Project in Botswana, via the issue of convertible notes to sophisticated investors. The balance of the funds will be received in January 2013.

The Company has been unable to obtain the repayment of the refundable option fee ($US3 million) due to it under the terms of the Moiyabana Project Heads of Agreement. The Company issued a default notice to the applicable parties and is now undertaking legal action to recover the outstanding fee.

Due to the unknown timing of the recovery of the refundable option fee, the Company will be actively seeking financial support, in unison with a financial advisor, from cornerstone investors and institutions to further progress the development of the Morupule South project and its day to day activities over the coming year.

Mr Christopher Eves was appointed as non-Executive Chairman on 11 December. Christopher is a commerce and law honours graduate from the University of Melbourne who specialises in the development and financing of civil engineering works and major resource and infrastructure projects. His experience has been gathered in various roles including being Legal Counsel to Alcoa in the mid 1980's, a Partner in the legal firm of Blake Dawson for fourteen years as well as the inaugural CEO of the Oakajee Port and Rail project.

During the quarter, Hodges released a commissioned research report which was completed by Helmsec Global Securities. A copy is available on the Company's website.

PROJECT ACTIVITES UPDATE

MORUPULE SOUTH COAL PROJECT

The Morupule South Coal Project is located to the south of the operational Morupule Colliery in central east Botswana. The project consists of one prospecting licence (PL121/2010), covering a total area of 264.4km^2 within the eastern central district of Botswana.

During the quarter a new Measured Resource of 110 million tonnes (Mt) and Indicated Resources of 173Mt was announced within the central block of the Morupule South project. This resource upgrade represents the results from the infill drilling completed mid-2012.

GEMECS (Pty) Ltd from South Africa was commissioned to complete the upgraded resource estimation following the same parameters as previously announced in the Hodges ASX release dated 25 June 2012.

The resource was compiled from data collected from 39 vertical diamond holes and 37 vertical reverse circulation open holes plus verified historical bore holes. Bore hole coal seam data was correlated by geological logging and down hole geophysics, with subsequent geological modelling and coal resources estimated using Gemcom MinexTM software.

No additional wash testing has been undertaken at this point. Indicative product seam yields of up to 51% delivered product of 6,200Kcal/kg and less than 15% ash from the SMB seam. Full details of these indicative wash yields were reported in ASX announcement on the 25 June 2012. It is envisaged that wash testing as well as additional coal analysis will be undertaken in early 2013 in conjunction with other geotechnical testwork.

Hodges is currently undertaking scoping level mining and economic studies as well as conceptual integrated power development studies. Results of these studies are expected shortly.

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MOIYABANA COAL PROJECT

The Moiyabana project (PL93/2007 and PL94/2007) is located approximately 70km from the operational Morupule mine and Colliery.

As stated in the ASX announcement dated 27 August 2012, the Hodges Board decided that it would abandon its option under the Moiyabana Project Heads of Agreement. Hodges also requested the repayment of the refundable $US3 million option fee originally paid to the existing Jaquar Ventures (Pty) Ltd shareholders.

BOTSWANA - OTHER COAL PROJECTS

In July 2012, Hodges announced that it had entered into a joint venture with Meerkat Energy (Botswana) (Pty) Ltd ("Meerkat"), for the acquisition of up to 80% of Meerkat's two main coal prospects in Botswana. The agreement was contingent on Meerkat obtaining the prospecting licence renewal for 604/2009 from the government of Botswana. Hodges is no longer pursuing the agreement as the renewals were not approved by the end of the quarter and the company's focus will continue to be the Morupule South project.

GHANA – SALMAN SOUTH AND MAME PROJECTS

In May 2010, Hodges reached an agreement to acquire a 90% interest in the company that owns the Salman South and Mame Gold projects located in the southern extensions of the Ashanti Gold Belt, southern Ghana. Ghana regulatory approvals were granted in mid-2012 and Hodges completed the share sale agreement with Poseidon Nickel Ltd in July 2012.

The Salman South project is a strategic land holding located approximately 1.5km south of the Endeavour Mining's ~2.1Moz Nzema Gold Project. The Mame project is located 8km south east of Salman south and 2km south of Endeavour Mining's Avrebo prospect.

Hodges completed the share sale agreement with Poseidon Nickel Ltd in July 2012 and now has the rights to the Ghana project. The project is well placed to proceed with an exploration programme after the recent renewal of its environmental permit..

The Hodges Board has decided to divest this project from its asset portfolio and are currently in talks with several potential vendors.

SWEDEN

The Company maintains an interest in two uranium projects located in Sweden. Projects are held either outright or through strategic joint ventures agreements with TSX listed Mawson Resources.

The Harrejokk Project was surrendered during the December 2012 quarter.

Ground magnetic surveys were completed at Asnebogruvan; however the results have not yet been interpreted. No other work was completed during the last quarter. The Company anticipates completing further exploration in the next 12 months.

For Further Information
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Competent Persons Statements

The information contained in the report that relates to the Morupule South Coal Resource was compiled by GEMECS (Pty) Ltd and are detailed in a report dated 13 November 2012. The competent person with overall responsibility for the reporting of the Coal Resources is Nico J Denner, Pr.Sci Nat, B.Sc Hons (Geology) of GEMECS (Pty) Ltd who is a fellow of a Recognised Overseas Professional Organisation, the Geological Society of South Africa. Nico Denner has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Denner consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

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