

29 July 2013

Australian Stock Exchange Limited

**BROKEN HILL PROSPECTING LTD  
QUARTERLY REPORT FOR THE PERIOD TO 30 June 2013**

Broken Hill Prospecting Limited ("BPL") is pleased to provide the following report on corporate news and activities undertaken at the Company's 100% owned Broken Hill cobalt-pyrite projects during the three month period ending 30 June 2013. Additional information about the Company is available at BPL's website [www.bhpl.biz](http://www.bhpl.biz).

**HIGHLIGHTS**

❖ **Broken Hill Prospecting could benefit by recent DR Congo bans**

DR Congo announced bans on exports of cobalt (and copper) concentrates and this is having a significant effect on cobalt prices and supply and demand for the metal.

❖ **Broken Hill Chemical Pty Limited formed as vehicle for chemical business based on future sulphuric acid production**

BCL is seeking a partner to undertake due diligence, metallurgical review and feasibility studies with the intention to develop a world-class industrial project based on sulphuric acid production.

Recovery of cobalt, hematite ash and electricity could add considerable value.

Australia is a net importer of sulphuric acid which is required in many fertiliser, mineral processing and industrial applications.

❖ **Future processing of Broken Hill Prospecting's cobalt-pyrite deposits could produce electricity with a carbon-neutral footprint**

Steam from exothermic heat generated by pyrite concentrate 'roasting' and sulphuric acid production could be used for electricity generation to power future on-site processing, operations and infrastructure.

Sale of surplus, sustainable, zero-carbon energy generated by this process could also add considerable value.

For a typical 2,000 MTPD sulphuric acid plant 18-24MW of surplus electricity could be produced.

**1. DR Congo limits exports of cobalt concentrate**

The Government of the Democratic Republic of Congo ('DRC') has announced that it intends to ban exports of cobalt and copper concentrates in order to encourage DRC production of value-added products.

On 5<sup>th</sup> April, Mining Minister Martin Kabwelulu declared that companies with producing metal mines in the DRC had just 90 days to clear concentrate stockpiles before a ban on concentrate export is enforced. During early July, Minister Kabwelulu announced a delay in implementing the ban until 31<sup>st</sup> December and announced an increase of US\$40/t (from US\$60 to US\$100/t) tax on exported concentrate after 15<sup>th</sup> July 2013.

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During 2012 the DRC was the largest cobalt producer with over 60% of the world's production. The country was also the eighth largest copper producer, with copper production of approximately 500,000 tonnes per year.

In order to avoid the ban, Freeport-McMoRan, the largest cobalt producer in the DRC must show that the cobalt hydroxide produced at the large Tenke Fungurum project is a 'finished product'. The new ruling could potentially impact the Freeport's recently acquired Kokkola cobalt refinery in Finland.

Broken Hill Prospecting Ltd ('BPL') has no interest in cobalt mines or prospects in the DCR, however, BPL does have a 100% ownership of the largest undeveloped stand-alone cobalt deposit outside of the DRC and as such BPL could be affected by cobalt supply and demand issues relating to the DRC announcement.

BPL's resource base was recently estimated as 35.7 million tonnes of cobalt-pyrite mineralisation with an average grade of 1.85 pound per tonne cobalt (Inferred Resource, JORC (2004)). This equates to over 30,000 tonnes of contained cobalt metal. In addition, resource estimates at the Thackaringa deposits have identified Potential\* for an additional 37-59Mt of pyrite with similar cobalt grade (containing between 33,000-53,000 tonnes of contained cobalt). Although there is no certainty that more drilling will result in up-grade of Potential to Mineral Resource, BPL's deposits are shaping to be of world-class size and they are all still open along trend and depth.

Cobalt prices reported on the London Metals Exchange ("LME") during the quarterly period are plotted in Figure 1. Note that cobalt prices increased from about US\$25,000/tonne at the time of the Ministers announcement to a cash buyer price of US\$31,250/tonne at the end of June.

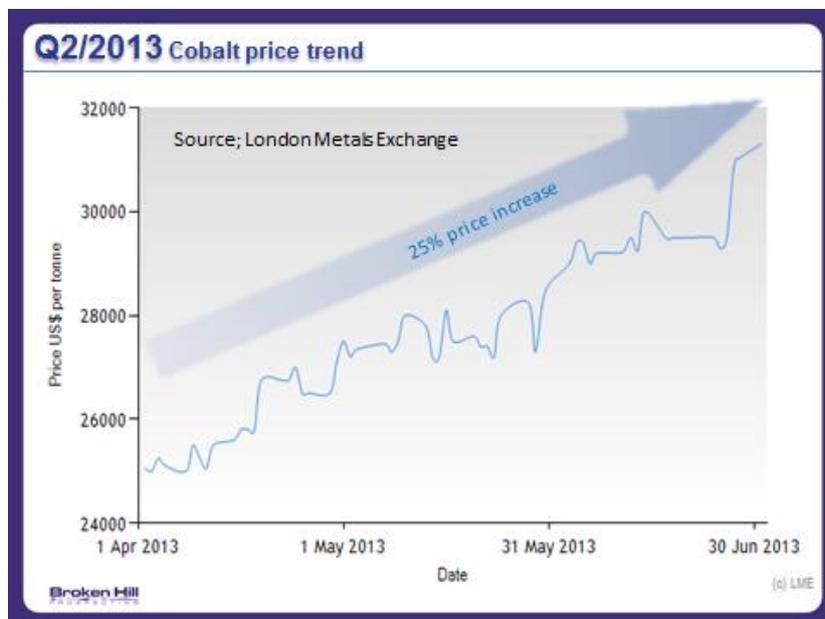


Figure 1. Price trend of cobalt sales (cash buyer) reported by the London Metals Exchange.

\*This Potential occurs within the modeled mineralisation envelope and lies outside of the Inferred Mineral Resource because of the absence of nearby drilling. It is conceptual in nature and more drilling is required to further define it. There is no certainty that more drilling will result in up-grade of Potential to Mineral Resource.

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## **2. Broken Hill Chemical Pty Limited**

Broken Hill Chemical Pty Limited ('BCL') has been formed as a 100% subsidiary of Broken Hill Prospecting Ltd to develop a sulphuric acid chemical business at Broken Hill.

BCL is seeking a partner to fund due diligence, metallurgical review and feasibility studies with the intention to develop a world-class chemical project based on sulphuric acid. BPL's future cobalt-pyrite concentrate could supply a sulphide 'roast' plant for long term sulphuric acid production. Additional value could be added by by-product production of high-iron cinder (hematite)/cobalt ash as well as 'zero' carbon electricity produced from heat generated by pyrite-roast processing.

BPL's Thackaringa cobalt-pyrite deposits are well located at surface and beside road and rail and can be mined by simple open cut methods. Importantly, the pyritic rock can be upgraded to a concentrate by conventional flotation technology and apart from cobalt (0.4-0.6% Co) the concentrate is unlikely to contain significant contents of deleterious metals (e.g. arsenic, lead, fluoride, chloride and mercury).

### **Sulphuric acid markets – Local and International**

In addition to widespread use of sulphuric acid in many industrial processes, most mineral processing operations require sulphuric acid. In Australia, numerous companies import sulphuric acid (or sulphur for acid production). Several examples of sulphuric acid processing include:

- Metal producing activities in South Australia such as BHP Billiton's Olympic Dam uranium-copper-gold operation and the Beverley and Honeymoon uranium mines require substantial quantities of sulphuric acid.
- In NSW, Alkane Resources Ltd are planning a world class zirconia-rare earth development (Dubbo Zirconia Project) and this will require considerable quantities of sulphuric acid for whole-of-ore processing for many decades of proposed production.
- Processing of phosphate ore to produce fertiliser products generally requires considerable quantities and reliable supply of sulphuric acid. Several of the world's largest undeveloped phosphate deposits occur in Australia.
- Lateritic nickel mines and oxide copper deposits require large volumes of sulphuric acid and some deposits have yet to be developed, largely due to the cost and uncertainty of sustainable sulphuric acid supply.

### **Scoping Studies**

In November 2012, BPL commissioned detailed scoping studies (GHD Pty Ltd) for the production of sulphuric acid from pyrite concentrate and these highlighted significant potential for low capital start-up and staged development. The main aspects of the studies included;

- Identified robust economics for production of sulphuric acid
- Five fast-track, low cost development options identified at nominal processing rates of 1.5 – 7.5 million tonnes per annum
- Strong Australian sulphuric acid demand from fertiliser and mineral processing industries
- First step in ongoing sulphuric acid development, infrastructure and marketing evaluation

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The studies found that future development will be assisted by favourable location. Also important is will be the growing industrial demand for cobalt, a metal mostly produced as by-product of copper mining in central Africa.

#### Pyrite Roasting and Sulphuric Acid Production

Sulphide (pyrite) roasters at other projects (no ownership by BPL) have concentrate feed capacities ranging to 400,000 tonnes per year. Depending on the type of reactor, higher throughput could be achieved by implementing technology improvements.

In the roasting process combustion air helps convert the pyrite (sulfide) to metal oxide and sulphur dioxide. A high-pressure air fan controls the lower and upper limit for a stable fluidisation of the roaster bed. The reaction in the roaster is strongly exothermic, and the gas leaves the roaster with a temperature of approximately 800°C to 900°C. Hot gas leaving the roaster is drawn into a waste heat boiler where gases are cooled to about 350°C. Sulphuric acid is produced from conversion of sulphur dioxide gas. Electricity can be generated from heat capture and processing.

#### Excellent location

BPL's cobaltiferous pyrite deposits are located beside the main railway, 25 kilometres SW of the western NSW mining community of Broken Hill. The city supports two operating Pb-Zn-Ag mines and contains a comprehensive variety of service providers, infrastructure and skilled labour as well as a range of chemical and metal processing industries.

#### Pyrite concentrate from BPL deposits

BPL owns exploration license (EL6622, Pine Ridge) and two mining leases (ML86 and ML87) covering the near-surface cobalt pyrite deposits. BPL is focused on assessing these deposits for large open cut mining, and pyrite concentrate production. The deposits are world-class size and could provide a reliable, long-term cobalt-pyrite supply. BPL drilling has tested only a small area of known pyrite-mineralised outcrops and future drill testing could add new discoveries. The cobalt-pyrite deposits could produce pyrite concentrate feed for sulphuric acid production over a long time period.

#### Sulphuric Acid Information

In volume terms, sulphuric acid (H<sub>2</sub>SO<sub>4</sub>) has the largest world-wide use of any chemical and more than 2,200 million tonnes are produced globally each year.

- Australia is a net importer of both sulphur and sulphuric acid.
- Phosphate fertiliser materials processing is the major use for sulphuric acid, accounting for nearly 52% of total world consumption in 2011.
- Other applications include the manufacture of plastics, fibers, oil refining, metals and mineral processing.
- Overall, there has been a general increase in demand for sulphuric acid with world consumption increasing by about 58% between 1990 and 2011.
- Growth in sulphuric acid demand is anticipated as increasing populations of developing countries switch to higher nutrition food crops that require soil improvement.
- HIS Chemical (July 2012) predicted that global demand for sulphuric acid could rise at an average annual rate of almost 2.5% over the next five years.
- Global pyrite production was about 6.7Mt (sulphur equivalent) in 2009 and has increased since then. More than 85% is produced and consumed in China.
- Residue from 'roasted' pyrite concentrate may have considerable commercial value. The high-iron ash residue from pyrite concentrate roasting is extensively used in the cement and steel industries.

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### Opportunity for Investment

BPL formed subsidiary Broken Hill Chemical Pty Limited to take advantage of growing mineral processing industries and uncertainty of supply of sulphur/sulphuric acid imports. Investment in BCL will appeal to enterprises which are seeking to mitigate risk and establish security of long-term sulphur and sulphuric acid supply. BCL is seeking a partner(s) to assist in the future development of a large and profitable chemical business.

### **3. Future processing of Thackaringa pyrite could produce electricity with a carbon-neutral footprint.**

Recent technology improvements in energy recovery enable electricity generation from excess heat released during pyrite roasting reactions and sulphuric acid production. Carbon-neutral electricity could add significantly to future project revenue.

Modern construction materials combined with innovative plant design have improved the ability to increase and harness superheated steam from high temperatures produced during exothermic (heat generating) pyrite breakdown reactions which, with the addition of air, can occur at temperatures over 600 degrees centigrade. Considerable heat generated during the chemical reactions can be recovered by waste heat boiler systems.

Recent studies (e.g. W.V. Mutler and G. Warren, 2009)<sup>1\*</sup> have estimated that for a pyrite roasting plant producing 2,000 MTPD of sulphuric acid, power generation of approximately 27.5MW can be expected. Site power requirement at this scale is approximately 9.5MW and additional surplus electricity is likely to be about 18MW.

Mutler and Warren (2009) also detailed recent technology developments in advanced heat recovery systems (HRS) which can be applied to both pyrite and sulphur burning plants. Commercial stainless steel is used for high temperature SO<sub>3</sub> absorption and energy recovery. The recovered energy can heat boiler feed water and generate steam up to 10 bar. Heat is also captured by recovery towers in the sulphuric acid circuit which generates steam at temperatures of about 200 degrees centigrade. Stainless steel heat exchangers also replace acid coolers to recover acid circuit heat which may add an additional 6MW of generated electricity.

### Implications for the Thackaringa project

Cost analyses undertaken by Runkel and Sturn (2009)<sup>2\*</sup> showed that although capital expenditure for a sulphur burning plant is generally lower than for an equivalent sized pyrite roast plant much lower operating costs for pyrite roasting ensure that the economics for long term operation are more attractive using pyrite feed.

In addition to sulphuric acid, cobalt and hematite iron cinder, electricity generation could add considerable cost benefits to future development of the project. The potential for carbon-neutral energy production has the advantage of providing base-load power supply. It could also supplement nearby wind and solar power projects which are planned by AGL in the Broken Hill district during the next several years

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<sup>1\*</sup> Mutler, W.V. and G. Warren (2009); *Burning Pyrites Compared to Sulphur; The Southern African Institute of Mining and Metallurgy, Sulphur and Sulphuric Acid Conference, 2009. Pp147-155.*

<sup>2\*</sup> Runkel, M. and P. Sturn (2009); *Pyrite Roasting, an Alternative to Sulphur Burning; The Southern African Institute of Mining and Metallurgy, Sulphur and Sulphuric Acid Conference, 2009. Pp 101-110.*

#### **4. Company Presentations**

During the last several months BPL has introduced the Thackaringa Project to several regional and international conferences. Presentations, and in some cases poster displays, were completed at the following meetings:

- Broken Hill Resources and Energy Investment Symposium, 20-22 May, 2013, Broken Hill, NSW
- 7<sup>th</sup> Annual Asian Mining Partnering Forum 2013, 6-7 June, 2013, Beijing, China
- 7<sup>th</sup> Annual Mining NSW Conference, 26-27 June, 2013, Orange, NSW
- NSW Mining Exploration and Investment Conference 2013, 17-18 July, 2013, Brighton Le Sands, Sydney

#### **5. Future**

Broken Hill Prospecting is seeking a corporate partner to help take advantage of increasing local and international demand for sulphuric acid which is an essential chemical for expanding phosphate fertiliser industries, mineral processing and a wide variety of chemical applications.

The Thackaringa cobalt-pyrite deposits are well located, large and are of a type that could produce sulphuric acid without significant heavy metal, arsenic or other deleterious by-products. They offer long-term security of acid supply with a relatively small environmental footprint.

The project has attracted several sulphuric acid market leaders, some of who will assess project viability and possibly assist Broken Hill Chemical in feasibility studies and development of an innovative sulphuric acid business based on processing BPL's cobalt-pyrite deposits. Discussions with several international industrial groups are expected during the next several weeks.

I look forward to keeping shareholders well informed of our progress.

Yours faithfully,



Ian J Pringle  
(Managing Director)

#### ***Competent Person Statement***

*Exploration activities and results contained in this report are based on information compiled by Dr Ian Pringle, a Member of the Australasian Institute of Mining and Metallurgy. Dr Pringle is the Managing Director of Broken Hill Prospecting Ltd and also a Director of Ian J Pringle & Associates Pty Ltd, a consultancy company in minerals exploration. He has sufficient experience which is relevant to the*

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style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Dr Pringle has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

**About Broken Hill Prospecting Limited (“BPL”)**

BPL is progressing with exploration and evaluation of cobalt-pyrite deposits in the Broken Hill area. Within an exploration tenement (EL6622) and two mining leases (ML86 and ML87) BPL has located cobalt mineralisation (Inferred Mineral Resources) which total 35.7 million tonnes at a combined average grade of 1.85lb/tonne cobalt (Pyrite Hill, Railway and Big Hill deposits) as well as potential mineralisation between 37-59Mt of similar grade at the Pyrite Hill and Railway Deposits (Hellman & Schofield, Nov 2011 and H&SC, July 2012). Exploration for additional cobalt-pyrite mineralisation along-trend and at depth beneath these deposits is in progress.

BPL is in an excellent position to take advantage of an increasing demand for cobalt and sulphuric acid to meet growth in environmental and industrial uses ranging from rechargeable batteries in automobiles to fertiliser production.

BPL is among the next generation of companies that is exploring for major new mineral deposits near the historic western NSW mining centre of Broken Hill, where more than 200 million tonnes of high-grade base metal ore worth an estimated \$80 billion has been produced during the past 127 years.

**Cobalt Statistics**

- Cobalt price (LME, 30 June 2013): US\$31,250 per tonne (approximately \$15 per pound).
- 1 pound = 0.4536 kilograms
- Mines in Central Africa accounted for over 65% of cobalt production in 2011 and most came from the Democratic Republic of Congo.
- The USA accounted for 58% of cobalt consumption in 2010.
- The USA, Japan, and the European Union have no producing cobalt mines.
- China imported ore from Africa and produced 43% of refined cobalt production in 2010.
- More than 95% of cobalt production is a by-product of copper or nickel mining.
- Lithium-ion batteries contain up to 60% cobalt and will be widely used in the new generation of electric vehicles.
- Cobalt is used in a wide range of industries (including production of super alloys and hardened metals) where high heat and wear tolerance is required (aircraft, turbines, windmills, military hardware), high-strength magnets, carbides and diamond tools, catalysts (petroleum production), colouring (cobalt blue), adhesive, soaps, driers and food supplements (vitamin B12).

**For further information contact;**

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*Broken Hill Prospecting Ltd has recently reformatted and updated its website which covers (or links) to recent news, metal prices, share price as well as project and Company information. Please visit our site at [www.bhpl.biz](http://www.bhpl.biz)*  
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# 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

Broken Hill Prospecting Limited

ABN

83 003 453 503

Quarter ended ("current quarter")

30<sup>th</sup> June 2013

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date ( 12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(19)	(458)
(b) development	-	-
(c) production	-	-
(d) administration	(362)	(1,140)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	38
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Income tax refund	-	326
<b>Net Operating Cash Flows</b>	<b>(377)</b>	<b>(1,234)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
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>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(377)</b>	<b>(1,234)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(377)	(1,234)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	133	133
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)	-	-
	<b>Net financing cash flows</b>	133	133
	<b>Net increase (decrease) in cash held</b>	(244)	(1,101)
1.20	Cash at beginning of quarter/year to date	608	1,465
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	364	364

**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	231
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Salaries, fees and consulting services at standard commercial rates.  
The figure of this quarter includes \$133,200 that were paid into the company's share option plan (Plan) and the subsequent issue of options to the Plan for the same amount. These transactions, that have net nil cash effect, occurred in the December quarter, but incorrectly were not reported until now.

**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

+ See chapter 19 for defined terms.

### Financing facilities available

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

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

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	30
4.2 Development	-
4.3 Production	-
4.4 Administration	175
<b>Total</b>	<b>205</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 \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	24	30
5.2 Deposits at call	190	278
5.3 Bank overdraft	-	-
5.4 Other (provide details) Term Deposits	150	300
<b>Total: cash at end of quarter (item 1.22)</b>	<b>364</b>	<b>608</b>

### 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	n/a		
6.2	Interests in mining tenements acquired or increased	n/a		

+ 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> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	82,581,900	82,581,900	n/a	n/a
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> <i>(description and conversion factor)</i>	11,190,950 38,650,000	11,190,950 Nil	<i>Exercise price</i> 20c 20c	<i>Expiry date</i> 17/2/2014 17/2/2016
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )	-	-
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## 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.

*Francesco Girotto*

29/7/2013

Sign here: ..... Date: .....  
(Company secretary)

Print name: Francesco Girotto

## 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.