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Quarterly Report For March 2006

HIGHLIGHTS:

1. Quartz Circle Base Metal Project, Nullagine, WA

- *RC drilling at the Emperor Zinc Prospect has intersected :
52m @ 4.3% Zn, including 8m @ 8.2% Zn,
4m @ 5.8% Zn and 12m @ 5.2% Zn.*
- *This hole is situated about 200m north of the Emperor Pb-Zn prospect, where exceptional results have previously been obtained.*
- *Several drill holes in the current program ended in highly anomalous Zn*
- *A large alteration system defined by a recent airborne geophysical survey coincident with previous soil geochemical anomalies*
- *All significant mineralized zones at Quartz Circle, including the Emperor Prospect, lie within this coincident anomaly*
- *Together these features suggest that a very large mineralizing system exists at Quartz Circle*

2. Yanco Glen Tungsten Project, NSW

- *An initial drilling program of 19 RC holes totaling 2100m has been completed. Assays are still being received*
- *Best result so far is 2.1% WO₃ over one metre downhole*
- *Mineralised zones so far commonly assay between 0.25% and 0.5% WO₃ and show good continuity over a significant strike length*

3. Wertago Cu-Pb-Zn-Ag Project, NSW

- *An airborne EM survey totaling 605 line kms covering an area 9km by 9km has been commissioned encompassing the main areas of historic mineralization.*

1. Quartz Circle Base Metal Project, Nullagine, WA

NEW ZONE OF POTENTIAL

Lead and zinc mineralization have been known at the Emperor Prospect since Alcoa commenced exploration drilling there in 1974. There has been sporadic exploration since then by a succession of companies including Pancontinental and RGC, with a close focus on the known area of mineralisation. A 500m-long 'new zone of potential' extending northwards from the Emperor Prospect was identified by Graynic late last year on the basis of;

- a classic rock assemblage for a volcanic-hosted massive sulphide (VMS) deposit
- strong rock alteration,
- the presence of a tourmaline-exhalite unit characteristic of VMS deposit
- a small gossan assaying 2.9% Zn

This new zone has now been tested with 11 RC drill holes (a 12th hole, GM 27, tests another target), and assay results have just been received.

DRILLING RESULTS

Most of the holes in this program had anomalous zinc values >0.2% and <1.0% Zn but drill hole GMRC 21, drilled underneath the small gossan, gave an intersection of **36m grading 4.3% Zn, including 8m grading 8.2% Zn, 4m grading 5.8% Zn, and 12m grading 5.2%**. These assay results are based on 4m composite samples and the individual 1m splits for these mineralized intervals will now be sent for assay. No significant Cu, Pb, Ag or Au is present in these intervals.

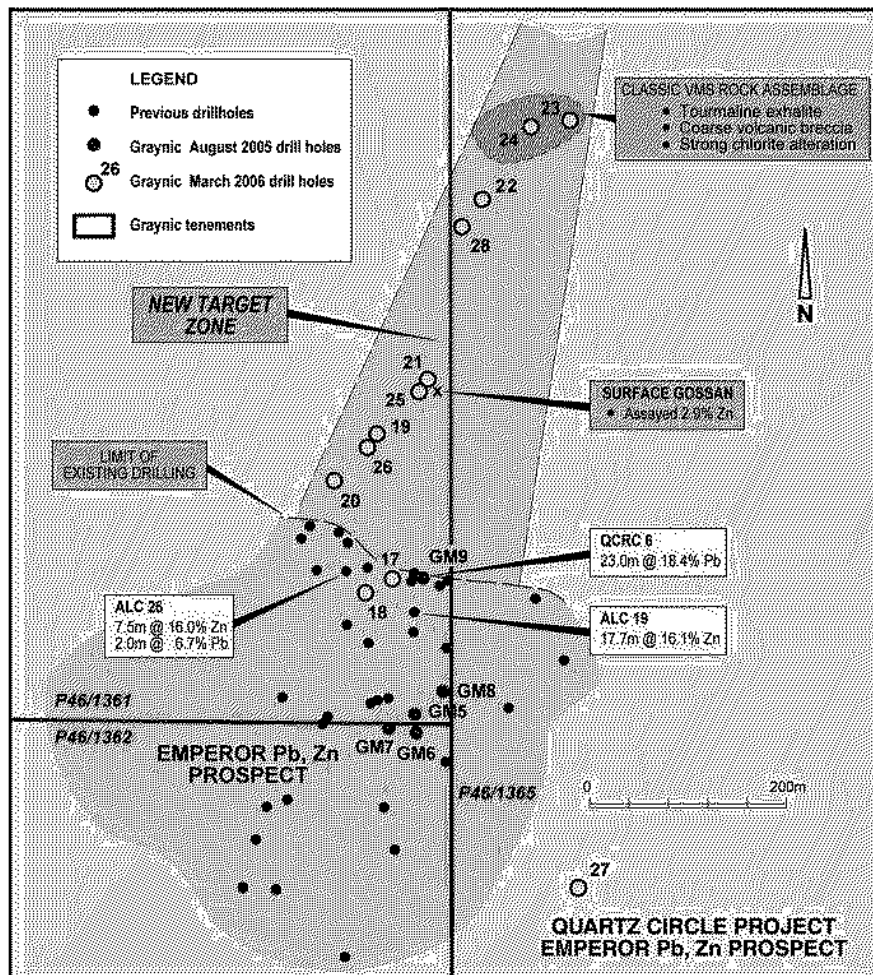
EMPEROR PROSPECT

Hole ID	Easting	Northing	Azimuth	Dip	Total Depth (m)	Intersection Downhole (m)	Interval (m)	Zn %
GM 17	209370	7600726	360	-70	150	0-8	8m	0.27%
						32-40	8m	0.22%
						140-144	4m	0.28%
GM 18	209341	7600714	300	-81	150	0-8	8m	0.35%
						44-60	16m	0.36%
						72-80	8m	0.29%
						92-96	4m	0.22%
						108-120	12m	0.55%
GM 19	209352	7600862	360	-70	72	16-24	8m	0.22%
						44-52	8m	0.35%
						60-72 EOH	12m	0.35%
GM 20	209312	7600818	360	-70	114	44-52	8m	0.22%
GM 21	209400	7600912	360	-70	120	16-48	32m	0.47%
						48-100m	52m	4.29%
						(incl 52-56	4m	5.77%)
						(and 72-80	8m	8.2%)
						(and 84-96	12m	5.21%)

						100-120 EOH	20m	0.31%
GM 22	209454	7601090	360	-70	150	52-60	8m	0.33%
GM 23	209542	7601163	-	-90	150	NSR	NSR	NSR
GM 24	209500	7601157	-	-90	150	NSR	NSR	NSR
GM 25	209397	7600903	-	-90	80	0-8	8m	0.95%
						28-80 EOH	52m	0.71%
						(inc 56-72	16m	1.16%)
GM 26	209345	7600855	-	-90	120	56-64	8m	0.56%
GM 27	209554	7600437	320	-60	150	NSR	NSR	NSR
GM 28	209436	7601065	180	-60	131	40-44	4m	0.68%

NSR no significant result EOH end of hole

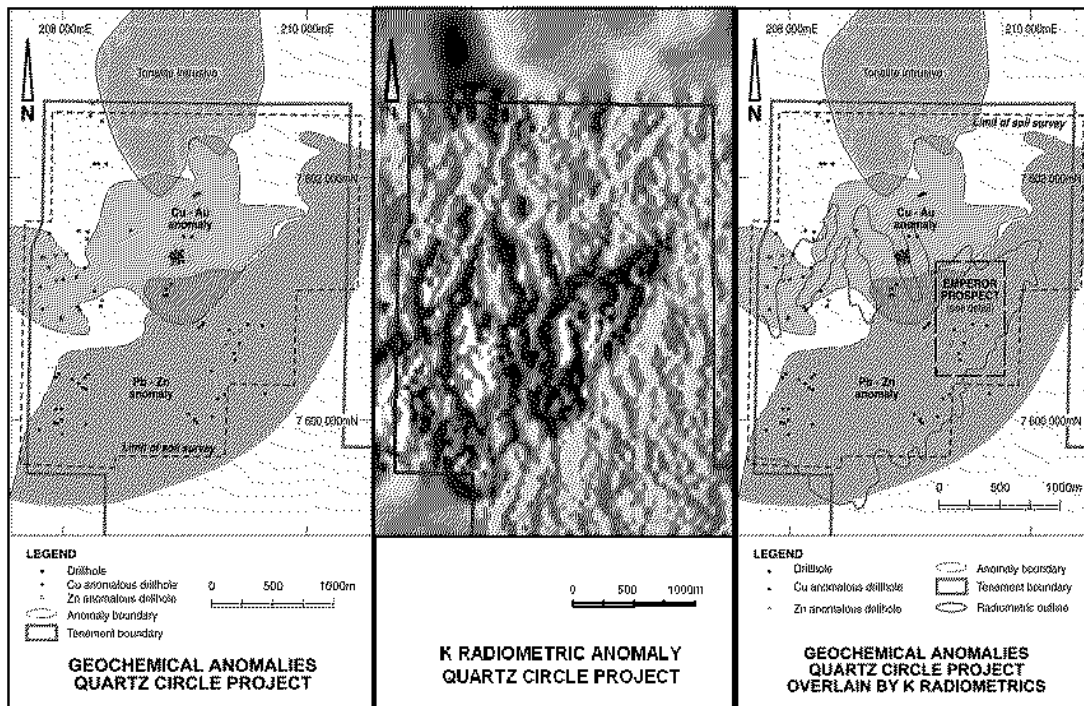
The abundant low-grade zinc mineralization in most of these holes is comparable to the anomalous levels which occur immediately above and immediately below the best mineralization in GM 21. The strongly anomalous zones in GM 19 and 25 extend to the end of the hole and these holes should now be deepened to determine whether richer mineralization is present at depth.



INTERPRETATION

This exciting new zone of zinc mineralization is interpreted to be 'disseminated' in style, with the zinc sulphide (sphalerite) dispersed in grains throughout the rock. We believe that even richer 'massive' mineralization should be present in this immediate vicinity because the geological setting is consistent with a classic volcanic-hosted massive sulphide deposit, and impressive pods of massive sulphide mineralisation have previously been intersected at the Emperor Prospect. Discovery of 52m of continuous zinc mineralization supports our view that the mineralizing system at Quartz Circle is large.

A recent radiometric survey delineated a K radiometric anomaly about 3km by 2km in size covers much of the Quartz Circle area. This K radiometric anomaly (which could indicate rock alteration associated with mineralisation) neatly overlies a large soil geochemical anomaly which also measures about 3km by 2km. The separate zones of Cu-Au versus Pb-Zn anomalism suggests a primary metal zonation at depth on a large scale. All significant mineralization discovered since 1974 lies within this radiometric/alteration envelope.



FUTURE WORK

The aeromagnetics and radiometrics survey flown for Graynic in December gave excellent results on the project scale but more detailed targeting is now required. Various geophysical techniques are under consideration to pinpoint targets at the Emperor Prospect as well as within the larger 3km by 2km alteration zone. Further drilling is being planned.

2. Yanco Glen Tungsten Project, NSW

A total of 19 RC drill holes totaling 2100m has now been completed and assays for the first 13 holes have now been received. The tungsten mineralization is believed to be stratigraphically controlled and in most of the drill holes there are several zones of tungsten enrichment representing slightly different stratigraphic horizons. Results so far suggest a tendency for one of these mineralised zones to be of a higher grade than the others.

Initial assays were done by fusion XRF, and the mineralized intervals were checked using ICP MS. Correlation between these methods has been excellent. Some checks have been made using pressed powder XRF, again with excellent correlation.

Best results to date are shown in the table below.

YANCO GLEN SCHEELITE PROJECT Best mineralised intersections to date

Drill hole ID	From (m)	To (m)	W % Fusion XRF	WO3 % (calc)	Average WO3 over interval
BHRC 2	32	33	0.25	0.31	
	33	34	0.16	0.2	2m @ 0.26%
BHRC 3	81	82	0.25	0.31	
BHRC 3	82	83	0.4	0.5	2m @ 0.4%
BHRC 5	11	12	0.2	0.25	
	12	13	0.19	0.24	
	13	14	0.23	0.29	
	14	15	0.35	0.44	4m @ 0.3%
BHRC 5	34	35	0.23	0.29	1m @ 0.28%
BHRC 5	37	38	0.19	0.24	
	38	39	0.11	0.14	2m @ 0.19%
BHRC 5	69	70	0.43	0.54	
	70	71	0.12	0.15	2m @ 0.35%
BHRC 6	26	27	0.21	0.26	1m @ 0.26%
	39	40	2.1	2.7	
	40	41	0.15	0.19	2m @ 1.44%
BHRC 7	119	120	0.36	0.45	
	120	121	0.19	0.24	
	121	122	0.2	0.25	3m @ 0.31%
BHRC 11	97	98	0.45	0.57	1m @ 0.57%
BHRC 12	2	3	0.28	0.25	1m @ 0.25%
BHRC13	3	4	0.14	0.18	
	4	5	0.12	0.15	
	5	6	0.30	0.37	
	6	7	0.23	0.29	4m @ 0.25%
	29	30	0.12	0.15	
BHRC 13	30	31	0.18	0.23	
	31	32	0.13	0.16	
	32	33	0.32	0.40	4m @ 0.24%

YANCO GLEN DRILLING STATISTICS MARCH 2006

Drill hole ID	Easting	Northing	Azimuth*	Dip*	Total depth
BHRC 1	551099	6497579	270	-60	120
BHRC 2	551085	6497670	270	-60	80
BHRC 3	551097	6497671	270	-60	120
BHRC 4	551075	6497741	270	-60	80
BHRC 5	551094	6497742	270	-60	122
BHRC 6	551064	6497529	270	-60	86
BHRC 7	551090	6497530	270	-60	134
BHRC 8	551080	6497491	270	-60	131
BHRC 9	551056	6497309	270	-60	80
BHRC 10	551093	6497343	270	-60	120
BHRC 11	551121	6497337	270	-60	149
BHRC 12	551024	6497196	270	-60	80
BHRC 13	551048	6497194	270	-60	120
BHRC 14	550999	6497114	270	-60	80
BHRC 15	551016	6497110	270	-60	125
BHRC 16	550945	6497011	270	-60	89
BHRC 17	550964	6497012	270	-60	120
BHRC 18	550918	6496909	270	-60	100
BHRC 19	550952	6496085	270	-60	120

* subject to survey

3. Wertago Cu-Pb-Zn Project, NSW

The Wertago project encompasses an area of historical copper mining as well as the Silverfields silver and lead workings. Previous limited drilling by CRA has intersected some good grades including 2m @ 4.6% Cu below old copper workings but there is potential for a large deposit such as a Cu-Au porphyry or a Century-style zinc deposit.

The regional-scale Koonenberry Fault immediately to the east of the known mineralization could have been the conduit for substantial fluid flow and the project area is believed to have the ideal geological setting for a large deposit. The Grasmere copper deposit about 40km to the southwest of Wertago also lies immediately east of the Koonenberry Fault. Recent drilling at Grasmere by Black Range Minerals targeting EM conductors from a recent survey has returned some exciting copper intersections and has dramatically improved that project's prospectivity.

Graynic has decided to commission an airborne EM survey over a large portion of the Wertago EL to encompass virtually all of the known mineralization. The survey, which will cover an area measuring about 9km by 9km, is expected to be completed in about 2 months time.

4. General

A copy of this report appears on the Company's website at www.graynicmetals.com.au.

Ron Thom
Managing Director
28 April 2006

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves was compiled by R Thom, who is a Member of the AusIMM. R Thom 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'. R Thom consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Graynic Metals Limited

ABN

87 112 898 825

Quarter ended ("current quarter")

31 March 2006

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(124)	(427)
(b) development	-	-
(c) production	-	-
(d) administration	(89)	(360)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	58
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	7	14
Net Operating Cash Flows	(191)	(715)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	(50)	(53)
(b) equity investments	(2)	(116)
(c) other fixed assets	-	(2)
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 to other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(52)	(171)
1.13 Total operating and investing cash flows (carried forward)	(243)	(886)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(243)	(886)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	501	623
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 – Capital raising costs	-	(11)
	Net financing cash flows	501	612
Net increase (decrease) in cash held		258	(274)
1.20	Cash at beginning of quarter/year to date	1,685	2,217
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,943	1,943

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	57
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 includes directors fees and salaries.

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

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	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		SA'000
4.1	Exploration and evaluation	250
4.2	Development	-
Total		250

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 SA'000	Previous quarter SA'000
5.1	Cash on hand and at bank	388	420
5.2	Deposits at call	1,555	1,265
5.3	Bank overdraft	-	-
5.4	Other	-	-
Total: cash at end of quarter (item 1.22)		1,943	1,685

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	P46/1385	100%	0%	100%
		P46/1386	100%	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 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	37,004,607	34,110,039		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	10,004,604	10,004,604		
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>	12,245,514 2,000,000 2,000,000 6,000,000 2,000,000	12,245,514	<i>Exercise price</i> 20 cents 20 cents 30 cents 30 cents 30 cents	<i>Expiry date</i> 31/10/07 28/03/07 28/03/08 30/04/08 31/10/08
7.8 Issued during quarter	4,000,000		30 cents	30/04/08
7.9 Exercised during quarter	4,604		20 cents	31/10/07
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

(Company Secretary)

Date: 28 April 2006

Print name: Kent Hunter

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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+ See chapter 19 for defined terms.