Graynic Metals Limited

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QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2007

Highlights

- **Completion of RC drilling program at Quartz Circle confirms:**
  - Strong zinc mineralization at Emperor Prospect
    GM 68 : 12m @ 5.48% Zn from 76m and GM 67: 4m @ 3.9% Zn from 68m
  - High silver values in first-ever base metal intersection at Imperial Prospect
    GM *58 : 8m @ 1.26% Zn, 0.9% Pb and 458 g/t Ag from 100m*
  - High- grade gold intersection in another drill hole at Imperial Prospect:
    GM 63: 4m @ 21.8 g/t Au from 64m

- **Heritage Survey for Gulf Creek, NSW complete**

- **Appointment of new Managing Director**

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1. Quartz Circle Project, Nullagine, WA (Graynic 80%)

As released during the quarter, the Company has now received the assay results from an RC drilling program at Quartz Circle base metal project near Nullagine in the East Pilbara. The program consisted of 19 drill holes totaling 3234m and was designed to:

- seek extensions to the Emperor Prospect zinc-lead mineralization
- test a Zn-Pb soil anomaly just southwest of Emperor which coincides with a moderate gravity anomaly
- test strong Zn-Pb soil and rock chip anomalies which coincides with a prominent gravity anomaly at Imperial Prospect
- extend existing RC drill hole GM 47 by 96m into an EM conductance anomaly

Of the 19 holes drilled, six had significant mineralization and these are tabulated below.

Hole ID	Depth downhole	Interval	Au g/t	Ag g/t	Pb %	Zn %
GM 58	100-108m	8m		458	0.9	1.26
GM 63	64-68m	4m	21.8			
GM 65	100-104	4m		26	0.96	2.84
GM 66	28-32	4m		8		2.50
	76-80	4m				1.35
	80-84	4m	0.26			2.53
	92-96	4m				2.00
	104-108	4m	0.3			1.56
GM 67	64-68	4m	0.32			1.40
	68-72	4m				3.88
	60-64	4m				1.82
GM 68	76-88	12m				5.48
	88-92	4m				1.51

The assays are 4m composites and were assayed at Genalysis Laboratories for Cu, Pb, Zn, and Ag using a 4- acid digest (their A/OES method) and for Au by fire assay (their FA 25 method).

2. New South Wales Projects

GULF CREEK (100% Graynic)

Gulf Creek is an historic copper mining area north of Tamworth in NSW which has not been subject to modern exploration. The copper was mined from three well defined sulphides lodes which averaged between 2% and 6% Cu. There was also a significant amount of zinc in some of these lodes which was not of interest to the miners at that time but which now would be a significant credit.

During the quarter a heritage and cultural survey was conducted with appropriate representatives from the Tamworth Local Aboriginal Land Council. The final heritage report has been prepared and it is expected that subject to review by claimants an access agreement can be signed that will allow a drilling program to proceed.

WERTAGO (Graynic 100%)

This base metal project encompasses the Nutherangie Silver Fields and Wertago Copper Field adjacent to the Koonenberry Fault. Historic drilling has intersected up to 2m @4.6% g/t Au with no follow up. The target is a Cu-Zn-Au-Ag deposit adjacent to the large fault, which could have acted as a conduit for metal bearing fluids.

It is planned that a drilling program for Wertago will be combined with that for Gulf Creek in the next quarter. This drilling program will follow up EM conductors and magnetic anomalies that were identified in a previous EM survey.

YANCO GLEN (Graynic 100% excluding rights to tin and tungsten)

The Yanco Glen project consists of a large exploration licence which has potential for tungsten, tin, gold and base metals. Graynic transferred its interest in the tin and tungsten potential of this exploration licence to Wolf Minerals Limited for a consideration of 2 million Wolf shares. During the quarter Wolf undertook a drilling programme at Yanco Glen, and results from this drilling are pending.

3. Corporate

Managing Director

Ms Bronwyn Barnes was appointed Managing Director of Graynic Metals Limited on 9 July 2007. Ms. Barnes has over 15 years experience in the corporate sector with 10 years experience in the resources sector, most recently as Manager External Affairs with BHP Billiton's Nickel West and previously WMC Resources. In addition she has held senior corporate roles with Wesfarmers Energy, ConocoPhillips, Methanex Australia, and Anaconda Nickel.

For further information please contact:

Bronwyn Barnes
Managing Director
Graynic Metals Limited
Phone (08) 6364 0518
Fax (08) 6210 1872

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

Rule 5.3

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	Quarter ended ("current quarter")
87 112 898 825	30 June 2007

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 and evaluation	(491)	(1,492)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(213)	(560)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	12	96
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(692)	(1,956)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	(12)
	(c)other fixed assets	(1)	(5)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	88
	(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	(1)	71
1.13	Total operating and investing cash flows (carried forward)	(693)	(1,885)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(693)	(1,885)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	1,105
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	(1)	(55)
	Net financing cash flows	(1)	1,050
	Net increase (decrease) in cash held	(694)	(835)
1.20	Cash at beginning of quarter/year to date	1,256	1,397
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	562	562

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	45
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

		$A'000
4.1	Exploration and evaluation	150
4.2	Development	-
	Total	**150**

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	313	162
5.2	Deposits at call	249	1,094
5.3	Bank overdraft	-	-
5.4	Other	-	-
	Total: cash at end of quarter (item 1.22)	562	1,256

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** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	40,265,772	37,371,204		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	 12,219,643 2,000,000 6,000,000 2,000,000 250,000 1,000,000	 12,219,643	*Exercise price* 20 cents 30 cents 30 cents 30 cents 46 cents 30 cents	*Expiry date* 31/10/2007 16/06/2008 30/04/2008 31/10/2008 24/10/2011 31/7/2009
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	2,000,000	-	20 cents	16/06/2007
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ 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: Date: 27 July 2007
(Company Secretary)

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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