Red Gum Resources Limited
Operations Report for the First Quarter - 1 July 2012 to 30 September 2012.

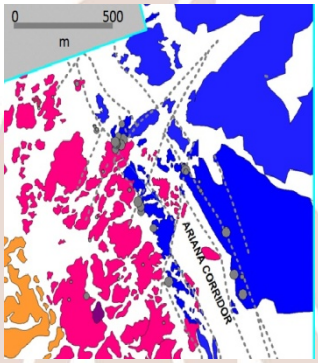
HIGHLIGHTS

LA NEGRA, CHILE

- **LA NEGRA DRILLING RESULTS CONTINUE TO CONFIRM NEAR SURFACE POLYMETALLIC MINERALISATION** - intervals of strong mineralisation reported at shallow depth from the remaining seven drill holes (RDN006 to RDN012) of the 2,521.82 metre, phase 1 drilling program at the Company's 100% owned La Negra project in Chile. The results confirm a broad zone of polymetallic mineralization over at least 400 metres of strike length and complement results for drill holes RDN-001 to RDN-005 released during the previous quarter;

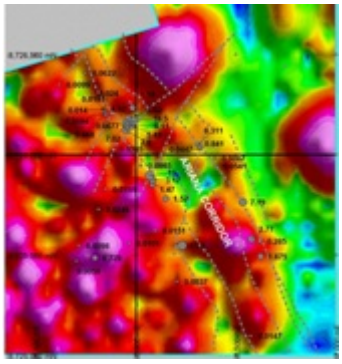
- **POSITIVE METALLURGICAL RESULTS REPORTED FROM LA NEGRA** – preliminary metallurgical testing of four composite 15-25kg core samples from holes RDN001 and RDN002 have yielded positive liberation and flotation results;

- **EXERCISE OF LA NEGRA OPTION** – following the encouraging results the Company exercised its option to take 100% ownership of the La Negra project, paying the final tranche of USD$500,000 in early July 2012.



CERRO HUANCASH, PERU

- **1:5,000 GEOLOGICAL MAPPING COMPLETED OVER THE CERRO HUANCASH PROJECT IN PERU** – a NNW-SSE belt of faulting defined that juxtaposes slices of sporadically mineralised, skarn-altered limestones in the east against intrusive rocks and volcanics to the west. This belt is interpreted as the extension of the district-scale "Ariana Corridor", an emerging new polymetallic trend in central Peru, through the 100% owned Cerro Huancash project;



- **HIGH GRADE ZINC, LEAD, SILVER IN SURFACE SAMPLING AT CERRO HUANCASH** – rock sampling results reporting up to 19.0% zinc, 17.8% lead and 2,460 g/t silver confirm that the zone of maximum mineral prospectivity within the project is confined to the Ariana Corridor;
- **GROUND MAGNETIC SURVEY COMPLETED AT CERRO HUANCASH -** results have identified a number of magnetic anomalies broadly related to the geochemical anomalies, further enhancing the prospectivity of the project. Magnetic anomalies are interpreted as reflecting subsurface extensions of skarn and intrusive bodies.

CORPORATE ACTIVITIES

During the Reporting Period (1 July 2012 to 30 September 2012) Appendix 3B's were issued for the listing of two tranches of restricted securities for which escrow periods had expired. In addition, the Annual Report to Shareholders was released to the market on 28 September 2012.

CAPITAL

During the Reporting Period:

The Company had the following securities on issue at 30 September 2012:

	Number
Quoted ordinary shares	42,657,795
Escrowed ordinary shares	32,320,932
Total ordinary shares	74,978,727
Unquoted stock options on issue	4,000,000

During the period 3,914,795 ordinary shares have been released from escrow.

Appendix 5B

OPERATIONAL ACTIVITIES - CHILE

Operational activities in Chile during the Reporting Period can be broken down into a number of components:

Logistics at La Negra

As previously reported, Red Gum successfully negotiated a two year land access agreement with the local community at the La Negra project and continues to maintain a good relationship with the community. The Company has also successfully maintained a field team and regional operations office based at Combarbala, led by geologist and project manager, Mr.Miguel Huarachi.

With drilling operations at La Negra currently suspended, the base at Combarbala has served as a springboard for project generation operations in Region IV, with the emphasis on identifying new copper-gold opportunities that will feed the Company's project pipeline into the future.

Field Geological Mapping at La Negra

Field mapping at the 1:5,000 scale has now been completed over the La Negra project and has confirmed the presence of the strongly leached and altered hydrothermal breccia corridor that is between 250 metres to 450 metres in width over a strike length exceeding 1,300 m. The zone of breccia bodies is surrounded by a broad envelope of silica-sericite alteration and in the northern segment has been intruded by a number of granodiorite dykes.

The mapping has confirmed that the principal, multi-element geochemical anomaly, previously identified in soil sampling, corresponds closely with the zone of hydrothermal brecciation and alteration. Identification of the intrusive dykes intimately associated with the breccia corridor suggests a genetic link with the hydrothermal brecciation and polymetallic mineralisation. The Company interprets the breccia corridor as a structural zone that permitted the venting of hydrothermal fluids from a crystallizing subsurface intrusive body.

The mapping further emphasizes that some two thirds of the strike length of the prospective zone remain untested by drilling and has extended the outcrop of breccia to at least 250 m further north of drilling on the 2000N section (see below).

Drilling Program at La Negra

As announced to the ASX on 21 August 2012 Red Gum reported strong polymetallic mineralisation at shallow depth from the remaining seven drill holes (RDN006 to RDN012) of its drilling program on the La Negra Project conducted between January 2012 and June 2012. This first phase of drilling which involved a cumulative total of 2,512.82 m in twelve holes, was designed to test targets within both base/precious metals-bearing tourmaline breccia corridor and potential porphyry target suggested by the induced polarization survey data.

Results from 1,397.97 metres of drilling, from the final seven diamond drill holes in the program (RDN006 to RDN012), were released as part of the 21 August 2012 market announcement. Results from the first five drill holes (RDN001 to RDN005) were released in the previous quarter.

A summary of significant intersections for the seven drill holes (RDN006 to RDN012) released during the Reporting Period is shown in Table 1 below, whilst collar data is collated in Table 2.

Appendix 5B

Drill Hole	*From (m)*	*To (m)*	*Width (m)*	*Zn (%)*	*Pb (%)*	*Cu (%)*	*Ag (g/t)*	*Au (g/t)*
RDN-007	**81.00**	**87.00**	**6.0**	**0.16**	**0.09**	**0.01**	**0.00**	**0.00**
	102.00	**114.00**	**12.0**	**0.25**	**0.19**	**0.01**	**0.48**	**0.00**
RDN-008	**0.00**	**18.35**	**18.4**	**0.21**	**0.01**	**0.09**	**5.61**	**0.07**
	21.00	**24.00**	**3.0**	**0.12**	**0.01**	**0.01**	**1.00**	**0.01**
RDN-009	**8.00**	**34.00**	**26.0**	**0.56**	**0.42**	**0.03**	**5.21**	**0.36**
including	*18.00*	*20.00*	*2.0*	*1.30*	*0.64*	*0.07*	*4.90*	*0.23*
including	*30.00*	*32.00*	*2.0*	*1.17*	*0.53*	*0.05*	*3.60*	*0.28*
	54.00	**56.00**	**2.0**	**2.38**	**2.12**	**0.26**	**40.10**	**2.88**
	62.00	**71.00**	**9.0**	**0.22**	**0.19**	**0.05**	**3.47**	**0.05**
RDN-010	**18.00**	**54.00**	**36.0**	**0.74**	**0.61**	**0.11**	**6.97**	**0.15**
including	*26.00*	*30.00*	*4.0*	*1.77*	*1.14*	*0.05*	*7.05*	*0.06*
including	*36.00*	*38.00*	*2.0*	*0.98*	*0.66*	*0.03*	*4.90*	*0.19*
including	*40.00*	*42.00*	*2.0*	*1.04*	*0.75*	*0.04*	*5.70*	*0.06*
including	*44.00*	*48.00*	*4.0*	*1.08*	*0.94*	*0.03*	*7.65*	*0.07*
	62.00	**80.00**	**18.0**	**0.82**	**0.70**	**0.05**	**4.53**	**0.08**
including	*68.00*	*74.00*	*6.0*	*1.40*	*1.50*	*0.07*	*8.47*	*0.10*
RDN-011	**0.00**	**12.00**	**12.0**	**0.18**	**0.04**	**0.03**	**1.69**	**0.01**
	64.00	**68.00**	**4.0**	**0.46**	**0.42**	**0.02**	**3.50**	**0.02**
RDN-012	**20.00**	**22.00**	**2.0**	**0.61**	**0.13**	**0.04**	**4.40**	**0.09**
	48.00	**51.65**	**3.7**	**0.27**	**0.14**	**0.02**	**3.79**	**0.22**
	56.00	**58.00**	**2.0**	**0.39**	**0.88**	**0.01**	**14.60**	**0.03**

Table 1- Weighted average grades of major metallic constituents of La Negra intersected in drillholes RDN-006 to RDN-012. Holes RDN-006 and RDN-007 were drilled ouside the breccia corridor

Drill Hole	utmE	utmN	RL (m)	Azimuth (^{0})	Dip (^{0})	Depth (m)	Started	Finished
RDN001	319235	6551992	1959	90	-60	266.22	4-Jan-12	24-Jan-12
RDN002	319271	6551999	1955	270	-70	150.65	28-Jan-12	1-Feb-12
RDN003	319248	6551906	2002	90	-65	241.11	5-Feb-12	16-Feb-12
RDN004	319216	6551804	2025	90	-60	215.62	23-Feb-12	7-Mar-12
RDN005	319335	6551710	2019	90	-60	250.25	8-Mar-12	17-Mar-12
RDN006	319302	6550720	1933	90	-70	294.62	20-Mar-12	3-Apr-12
RDN007	320531	6551816	2036	90	-60	250.00	28-Apr-12	19-May-12
RDN008	319287	6551999	1949	270	-80	215.55	20-May-12	1-Jun-12
RDN009	319321	6551743	2014	80	-60	179.00	2-Jun-12	9-Jun-12
RDN010	319362	6551681	2025	90	-86	187.55	10-Jun-12	16-Jun-12
RDN011	319375	6551587	2015	90	-60	130.00	17-Jun-12	22-Jun-12
RDN012	319307	6551955	1957	270	-60	141.25	23-Jun-12	27-Jun-12

Table 2- Collar data for all twelve drill holes completed in the phase 1 program at La Negra

The results confirm a broad zone of polymetallic mineralization over at least 400 metres of strike length, which represents less than a third of the strike length of the known mineralisation demonstrated in the geological mapping.

The geometry of individual mineralized zones is not easily interpreted with the currently available data but is expected to be resolved through closer spaced drilling. To date the drilling has uncovered zones up to several tens of metres wide of lower grade mineralization (1-3% combined zinc+lead+copper) interspersed with intermittent, metres-wide intervals of higher grade (7-21% combined zinc+lead+copper). Higher grade intervals appear to be concentrated in the northern sector of the breccia zone and are probably associated with intense N-S and NE-W striking faulting, in the area where the breccia zone broadens northwards.

Although the drilling is widely spaced, there is a suggestion that the mineralized breccia bodies may be steep, structurally-controlled zones and/or stratabound “manto” zones emplaced parallel to the shallow-dipping volcanic host stratigraphy. This interpretation has important implications for the further discovery of blocks of down-faulted blocks of concealed mineralisation in the shallow subsurface.

Metallurgical Studies at La Negra

Visible sulphides have been intersected in 10 of the 12 drillholes completed to date at La Negra and the zone of oxide mineralization would appear to be volumetrically subordinate. Promet 101, Red Gum’s Consultant Metallurgists to the project, have completed preliminary metallurgical sampling of key intersections and samples were submitted to the Kamloops, B.C., Canada laboratory of G&T Metallurgical Services. As reported to the ASX on 13 August 2012, a total of four samples were tested; two of the samples were sulphide rich and two oxide-rich. Samples were stage crushed to 6 mesh and homogenized before being prepared into 1 kg charges and stored under nitrogen until used in subsequent testing. Representative head samples were removed and pulverized for assay and quantitative Bulk Mineral Analysis by QEMSCAN. This analysis provided mineral content and overall estimates of mineral fragmentation characteristics for the primary minerals. Flotation testing utilized conventional lead-zinc differential flowsheet and reagents.

Promet 101 reported generally positive metallurgical results - that liberation at typical primary grind size of 80% passing 100um was found to be good, implying that excessive grind power would not be required for any future processing circuit. Flotation tests were very positive for sulphide samples in the rougher and cleaner trials - in one sulphide sample in particular, zinc recovery into final concentrate was 80-85% at 60% zinc grade, whilst lead recovery into the final concentrate was estimated to be 70% at 50% lead grade. Arsenic in the feed grade was found to be very low, which is favourable to producing clean, saleable concentrate product without smelter penalties Pyrite levels were found to be low, which assists in simplifying flotation circuit performance. In addition, elevated values of gold and silver are expected to provide significant upside to concentrate values.

Purchase Option over La Negra

Previously the Company had purchased an option to acquire 100% of the La Negra Project through its wholly owned Chilean subsidiary. Following the reception of favourable assays from the drilling program, the Company resolved to make the final payment of US$500,000 to acquire 100% ownership of the property, as reported on 2 July, 2012. The payment has now been made to the Owner and the deed of transfer of ownership to Red Gum with the relevant Chilean authorities has been finalized.

About the La Negra Project

The La Negra Lead-Zinc-Silver (Copper-Gold) Project is located within Region IV in Chile, approximately 360 kilometres NNE of the capital, Santiago, and approximately 10 kilometres ENE of the mining town of Combarbalá. The project is easily accessible with the Pan American Highway nearby running to La Serena and access to the property is via a good set of roads with the last 6 km of road suitable for 4 x 4 vehicles. With proximity to Combarbala, infrastructure in the area is good. The average elevation of La Negra is approximately 2,000 m above sea level and the semi-desert conditions makes for moderate weather year round.

Following exercise of the Option Red Gum will have 100% ownership of the property, which comprises 11 separate mining and exploration concessions totaling approximately 2,600 hectares.

The La Negra property has a long history, dating back to colonial times, of sourcing high grade lead-zinc-silver material. Modern day geochemical sampling verified the surface and subsurface continuity of high metal grades (zinc, lead, silver, copper, gold) over significant widths within the old workings. Previous work on the project, by a third party, has generated extensive geochemistry and 3D induced polarisation geophysical datasets which have formed the basis for the present exploration program.

Previous surface geochemistry defined a strong northerly trending ("principal") zinc-lead anomaly, 1200 metres long x 400 metres wide, broadly corresponding with outcropping tourmaline-bearing hydrothermal breccias that host the old workings. Strong silver, copper and gold values are concentrated in the soils of the northern segment of this principal anomaly. These, and other geochemical anomalies, are underlain by large chargeability anomalies defined in the geophysics.

The La Negra mineralisation is hosted in a tourmaline/hydrothermal breccia system comprising a potentially bulk mineable unit. The system strikes north N-S within a regional system which hosts several strongly mineralised polymetallic brecciated bodies along at least 40 km of strike.

Evaluation of new Copper-Gold Opportunities in Region IV of Chile

As part of the Company's strategy of balancing its commodity mix in favour of copper and gold, the Company's personnel have reviewed a considerable number of additional third party exploration projects during the Reporting Period. As at the end of the Reporting Period no negotiations had been concluded.

OPERATIONAL ACTIVITIES - PERU

Operational activities at Cerro Huancash during the Reporting Period can be broken down into a number of components:

Logistics

Senior Geologist Mr. Angel Rosas and Field Technician Mr. Julio Calderon are currently managing logistical and community aspects of the surface exploration program at Cerro Huancash, based out of the capital (Lima). A one year renewable community land access agreement previously signed by the Company with the local community during the last quarter continues to be honoured by both parties, and the Cerro Huancash surface exploration program has continued without issues during the Reporting Period.

Field Geological Mapping

A field campaign of 1:5,000 mapping was completed during August 2012 over the whole area of the Cerro Huancash Project. The work has defined a 400 metre-wide, NNW-SSE striking belt of faulting that juxtaposes slices of sporadically mineralised, skarn-altered limestones in the east against intermediate intrusive rocks and volcanics to the west. This belt is interpreted as the extension of the district-scale "Ariana Corridor", an emerging new polymetallic trend in central Peru, through the 100% owned Cerro Huancash project.

Significantly, the mapping has confirmed the importance of dioritic intrusive stocks as probable important drivers of the metalliferous skarn and replacement mineralisation present on the project and provided important correlations between surface solid geology and magnetic responses from the recently completed surface magnetic survey.

Surface Rock Chip Geochemistry

As announced to the market on 19th September 2012 the Company completed a surface geochemical sampling program (96 rock samples), as part of a comprehensive mapping, magnetic modeling and surface geochemical sampling program.. The sampling encountered high grade base and precious metal mineralisation from old workings hosted by discontinuous skarn outcrops over a +1.2 x 0.4 kilometre area. Two tranches of assay results received from this sampling were announced to the ASX on 19th July, 2012 and 19th September 2012. Highlights included:

- Zinc assays up to 19.0%, lead up to 17.75%, copper up to 0.89%, with 17 (41%) of the samples reporting >1% of zinc or lead (or both);
- Silver assays up to 2,460 g/t, with 12 (29%) of the samples reporting >100 g/t silver and 5 samples reporting >500 g/t silver;
- Gold assays up to 0.74 g/t, with 15 (37%) reporting >0.1 g/tgold;

Mineralisation occurs in irregular and discontinuous bodies of sulphidic skarn cutting marble-limestone of the Jumasha Formation, many of which have been the subject of historical small scale surface exploitation. This surface mineralisation is interpreted as being part of a larger system developed along the "Ariana Corridor", a district-scale belt of faulting and mineralisation which strikes NNW-SSE through Cerro Huancash and into adjacent properties. The strongly mineralised outcrops located to date potentially represent the surface expression of a possible voluminous skarn/replacement polymetallic target at depth. This segment of the Ariana Corridor has never been drilled.

Ground Magnetics

During the Reporting Period Fugro Ground Geophysics was contracted by Red Gum to acquire ground magnetics over Cerro Huancash for the Company. The survey consisted of approximately 75 line kilometres of ground magnetics acquired along ENE-WSW oriented lines spaced 200 metres apart. Magnetics is a very useful direct alteration/mineralisation mapping tool in polymetallic carbonate replacement systems.

Preliminary results of the magnetic survey were announced to the ASX on 26th July, 2012 and the results of more detailed inverse magnetic modeling by renowned Consultant Geophysicist Bob White of Sydney were released on 19th September 2012. The inverse magnetic modeling of the magnetic dataset outlined a number of irregular and cross-cutting magnetic zones that most likely relate to prospective skarn alteration around these regional faults and subsurface intrusive stocks. Encouragingly, some of these zones are closely related to strong geochemical anomalies defined by the Company's geochemical sampling also announced to the market during the Reporting Period.

The results of the geophysical modeling lend further weight to the Company's belief that Cerro Huancash has the potential to host significant volumes of high grade base and precious metal mineralisation at depth.

FUTURE ACTIVITIES

During the coming Quarter the Company intends to undertake the following operational activities in Cerro Hauncash:

- Acquisition of approximately 10 line kilometres of 2D Induced polarization geophysical data;
- Compilation and interpretation of all Cerro Huancash data with final geophysical data expected to be received and announced by November 2012. This work will culminate in the definition of drilling targets.

About the Cerro Huancash Project

Red Gum's 100% owned Cerro Huancash Project consists of one exploration claim covering an area of 575.6 hectares. It is located approximately 45 km west of smelting facilities at La Oroya and 20km north-northwest of Glencore's Casapalca Zinc-Lead-Silver Mine. Cerro Huancash is readily accessible on a year round basis from the capital Lima, located 100 km to the southwest, via the Central Highway.

Previous exploration in the Cerro Huancash area revealed frequent occurrences of iron-stained gossans and mineralised float containing banded base metal sulphides over 8km of strike length. The Cerro Huancash claim covers over 3km of this highly prospective belt and given its close proximity to major mining operations at Morococha and Casapalca, this mineralised trend has been heavily targeted by companies.

Geochemical assays of surface samples collected by Red Gum from Cerro Huancash reported high grades of precious and base metals, confirming historical surface metal grades reported by the other companies. In addition, the Company's recently completed ground magnetic survey identified a number of strong magnetic anomalies potentially associated with economic skarn and replacement-style base/precious metal mineralisation.

In recent years, Pan American Silver has reportedly conducted drilling of the mineralised trend immediately to the north of the Cerro Huancash claim. Pan American later completed a transaction with a private company, Southern Peaks Mining, involving the 'Ariana' tenements, which are adjacent to Cerro Huancash. Given that Southern Peaks has recently made known, in the public domain, that significant mineralised zones exist at the Ariana Norte and Ariana Sur prospects, Red Gum has placed a high priority on further exploration at Cerro Huancash.

CORPORATE AND FINANCIAL

Reconciliation of expenditure
This is the first quarterly report for Red Gum Resources Limited for the year ending 30 June 2013.

Exploration and evaluation
The estimated exploration and evaluation expenditure cash flows amounted to $1,100,000, actual expenditure amounted to $902,787. The decrease is due to a delay in the payment of the final invoices.

Appendix 5B

Change in Listed Capital Structure
On 7th July 2012 the Company lodged an Appendix 3B seeking to have 1,027,637 restricted securities listed following the expiry of escrow. This resulted in an increase in listed shares of the Company to 39,770,636.

On 4th August 2012 the Company lodged an Appendix 3B seeking to have 2,887,159 restricted securities listed following the expiry of escrow. This resulted in an increase in listed shares of the Company to 42,657,795.

Annual Report to Shareholders
On the 28th September 2012 the Annual Report to Shareholders was lodged with the ASX.

Administration
The estimated administration expenditure cash flows included in the previous report amounted to $200,000, actual expenditure amounted to $246,872. The increase is due to certain creditors being paid earlier than budgeted.

Cash at the end of the quarter
Cash at 30 September 2012 was $1,656,479.

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from 1 July 2012 to 30 September 2012.

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Paul Pearson (Managing Director)
BSc (Hons), PhD, University of QLD, Fellow of AusIMM

The information prepared on operations in this report relating to mineral exploration activities has been prepared by Paul Pearson who has significant experience relevant to the style of mineralisation 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". Paul Pearson 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, 01/06/10.

Name of entity

RED GUM RESOURCES LIMITED

ABN	Quarter ended ("current quarter")
ABN 66 119 641 986	30 SEPTEMBER 2012

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (3 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors –sale of project	-	-
1.2	Payments for (a) exploration & evaluation	(903)	(903)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(247)	(247)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	14	14
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(1,136)	(1,136)
	Cash flows related to investing activities		
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)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(1,136)	(1,136)

Appendix 5B

		Current quarter $A'000	Year to date (3 months) $A'000
1.13	Total operating and investing cash flows (brought forward)	(1,136)	(1,136)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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) Share Issue Costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,136)	(1,136)
1.20	Cash at beginning of quarter/year to date	2,792	2,792
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	1,656	1,656

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	121
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Cash payment in respect of directors' gross remuneration and fees.

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

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	Nil	Nil
3.2	Credit stand by arrangements	Nil	Nil

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Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	(234)
4.2	Development	-
4.3	Production	-
4.4	Administration	(331)
	Total	**(565)**

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	1,656	2,792
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	1,656	**2,792**

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 100% ownership of La Negra registered 2 July 2012			

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)*	Nil	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		
7.3	**+Ordinary securities**	**74,978,727** Includes 32,320,932 escrowed shares	**42,657,795**		
7.4	Changes during quarter (a) Increases through Escrow release Share issue (b) Decreases through returns of capital, buy-backs	 3,914,795 Nil Nil	 3,914,795 Nil Nil		
7.5	**+Convertible debt securities** (*description)*	Nil	Nil		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil	Nil		

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.7	**Options**(*description and conversion factor)*	1,000,000 1,000,000 1,000,000 1,000,000 **4,000,000**	Nil Nil Nil Nll Total	*Exercise price* $0.25 $0.30 or $0.35 $0.35 or $0.40 $0.40 or $0.60	*Expiry date* 25/11/2014 25/11/2016 25/11/2017 25/11/2018
7.8	Issued during quarter	Nil	Nil		
7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	Nil	Nil		
7.11	**Debentures** *(totals only)*	Nil	Nil		
7.12	**Unsecured notes** *(totals only)*	Nil	Nil		

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.

Mr Malcolm Lucas Smith (Company secretary) .....

Date: 30 October 2012

Appendix 5B

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.