Fortescue Metals Group Ltd
A.C.N. 002 594 872

# QUARTERLY REPORT

# FOR THE PERIOD ENDING 30 JUNE 2006

## The New Force in Iron Ore

## HIGHLIGHTS

- **All outstanding Convertible Notes were exercised at Company's election – issued capital to A$147million as at 30 June 2006.**
- **Leucadia National Corporation as cornerstone equity partner - to invest US$400 million at Financial Close**
- **US$1.9 billion debt capital raising road show commences.**
- **Dredging commences at port site and earth works program at Port Hedland progressing well.**
- **Further construction and procurement contracts signed - project schedule remains on track.**
- **Federal approval for Cloud Break environmental application.**
- **Proved Reserves of 121 million tonnes now cover first three years of mining with additional 932 million tonnes of Probable Reserves for future years production.**
- **Mining Alliance Agreement signed with Roche Mining**
- **Contracted iron ore sales now at 39.5 million tonnes per annum.**
- **Ongoing sinter test work with CSU and a number of international steel mills reinforces attractiveness of Fortescue's ores.**
- **Fortescue's Tenement Portfolio now at c.35,500 km$^2$ – the largest of any mining group within the Pilbara Region's rich Hamersley Mineral Province.**

## CORPORATE ACTIVITY

***Cornerstone investor confirmed with US$400 million investment.***

The major equity component of Fortescue's project financing was established with the signing of an A$535 million equivalent investment agreement with the powerful US investment group Leucadia National Corporation Inc. Leucadia has agreed to invest US$400 million conditional on financial close and for the terms thereof to be acceptable to Leucadia. The investment is split between a share subscription of US$300m for 26,400,000 shares in Fortescue representing a 9.99% shareholding (on a fully diluted share basis) and US$100m in an unsecured 13 year loan note that attracts an interest rate of 4% of the iron ore sales revenue net of government royalties from the Cloud Break and Christmas Creek deposits only.

Leucadia brings many benefits to the group including a partner with a very strong balance sheet, a long term investment horizon, an exceptional profile within the international investment community and a desire to see the group develop into a major resources company.

For reference to Leucadia's financial strength, as at it's last balance date 31 December 2005 it had assets of US$5.2 billion and shareholders equity of US$3.7 billion. More recently the group reported that at 31 March 2006 it had cash and marketable securities for new investments of approx. US$2.1 billion.

***Debt Road Show Commences***

The securing of Leucadia's investment is the trigger to finalise the debt package which will provide the balance of capital to finance the construction and initial operations of the Pilbara Iron Ore and Infrastructure Project.

The debt package has been structured to raise sufficient funds to cover the estimated port and rail infrastructure capital costs of A$1,922 billion together with an amount of A$550 million to provide for mining equipment including A$325 million for the crushing and screening facility. As previously reported, it was the company's intention to lease a substantial portion of the mining fleet however the package has been structured to provide flexibility to have the option of owning some of this equipment should it be preferred.

The debt package provides for additional liquidity lines for working capital until the project is into cash flow (A$187 million) and for a debt service reserve account to cover the capitalisation of interest for a defined period that extends into the ramp up phase (A$461 million). The total sum also provides for a cost overrun reserve account of A$300 million to cover potential cost overrun contingencies over and above Fortescue's control estimate contingency of A$198 million. While Fortescue is confident that appropriate contingencies are adequate, the reserve account is deemed to be an additional prudent measure to ensure that any unforeseen costs or delays are accommodated and that the financing plan is robust.

***A$218 million in cash and facilities as at end June 2006***

As reported in the attached 5B Appendix, cash on hand as at end June was A$18 million. The company also had undrawn credit lines of US$150 million (A$200m equivalent) to ensure sufficient liquidity was available for ongoing operations.

***All Convertible Notes now triggered***

***Issued Capital A$147 million***

As reported in May 2006 at Fortescue's election all outstanding convertible notes that were issued in early 2005 were exercised. The original notes were in 2 tranches being US30m in January 2005 and US$50 million in February 2005. At the time of issue the respective strike prices were set at substantial premiums to the prevailing share market price. The notes also provided Fortescue with the ability to force conversion should FMG's shares trade at a set price which was pitched well above the strike price. Given Fortescue's strong share price performance since 2005 this election was triggered and in May 2006 any notes that had previously not been converted were forced to convert. In total Fortescue has issued 19,851,520 million shares under the 2 note tranches pursuant to the US$80 million capital raising.

***Dredging at the Port Hedland site Commences***

The commencement of works at Port Hedland began on 8 February 2006 and since that time some 1,000,000 cubic metres of material has been moved to form bunding around the port perimeter. One of the world's largest dredge ships the "Leonardo de Vinci" has recently begun work with the dredge spoils being piped onto the port area within the bunded zone. It is anticipated that a total of some 4.5 million cubic meters of spoil with be spread across the 76 Ha port site. The ability to use the dredge spoil for land fill as required to raise the stock pile area to several metres above the current sea level is an important feature of the port works program. The need for fill conveniently co-exists with the need to deposit the dredge spoils and presents synergies for the two components of the project.

***Fortescue & WorleyParson – Project team under one roof.***

During the quarter Fortescue moved into a new office at the Hyatt centre. The 3,300 square metre open plan office space accommodates 300 people and facilitates project coordination and communication. The combined WorleyParsons and Fortescue construction management team, which has been named Team 45, has made solid progress on project implementation. The schedule remains on track for shipping first ore in January 2008.

A number of key contracts have been signed to ensure the integrity of the current schedule. The new contracts are identified below together with a list of other contracts that have been previously announced;

***Further Procurement Contracts signed***

**New Contracts**;

- Construction and commissioning of ore stackers, reclaimers and shiploader signed with Thyssen Krupp
- Procurement of rail sleepers with Austrack
- Ore wagon supply contract with two groups being China South Locomotive and Rollingstock Industry (Group) Corporation and CSR Zhuzhou Rolling Stock Works.

**Previously Announced Contracts;**

- The dredge contract with Jan de Nul Group;
- Rail earthworks contract with BGC;
- Mine site crushing plant signed with FFE Minerals (Australia) Pty Ltd
- EPCM alliance agreement with Worley Parsons.
- Train unloader with Metso

An analysis of the scope of works has identified 20 material contracts pursuant to the project. To date 7 of these have been signed with a total contract value of A$556 million. A further 3 contracts totalling c.A$294 million are in the final stages of negotiation. There are a number of other material contracts which are not as time critical within the schedule and these are yet to be finalised.

The abovementioned signed contracts together with the three under final negotiation represent some 50% of the forecast direct project costs (direct costs exclude items such as EPCM, contingency and owner's costs) The fact that these have been contracted (or are being negotiated) within the Control Estimate budget ensures that the overall project budget remains on track.

Additional comfort is drawn from the fact that within the Control Estimate covering the port and rail infrastructure A$1.92 billion and the mining crushing and screening plant A$325 million, there are two effective overrun allocations being a design growth allowance of A$51 million and a general contingency of A$198 million. The design growth allowance is included to accommodate changes in the project scope during the detailed design and early stages after contract award. To date there have been both "unders and overs" for different project parts relative to the original design but the net position is that no drawing on this allowance has been required. The contingency is to cover delivery, construction and commercial risks. To date no drawing under the contingency allowance has been required.

**RESERVE UPGRADE**

***1.1 Billion Tonnes Reserve for Project Area***

During the quarter Fortescue upgraded its ore reserve estimate to accommodate the additional Measured Resources that were delineated during the previous quarter. Fortescue now has 121 million tonnes within the highest JORC classification of Proved Reserve which covers the first three years of mining. Both the company and Citigroup were of the view that this level of certainty was desirable to enhance the project's credit profile over the initial mine plan years from ramp up into full production.

***Proved Reserve of 121 million tonnes***

***– Highest JORC estimation level.***

| Christmas Creek & Cloud Break Reserve | | | | | | |
|---|---|---|---|---|---|---|
| **Category** | **Tonnes Mt** | **Fe %** | **$SiO_2$ %** | **$Al_2O_3$ %** | **P %** | **LOI %** |
| **Proved** | 121 | 59.2 | 3.8 | 2.0 | 0.050 | 8.47 |
| **Probable** | 932 | 58.5 | 4.6 | 2.5 | 0.052 | 7.65 |
| **Total** | 1,053 | 58.6 | 4.5 | 2.4 | 0.052 | 7.75 |
| **Including High Grade Domain** | | | | | | |
| **Proved** | 69 | 60.5 | 2.8 | 1.6 | 0.049 | 8.3 |
| **Probable** | 290 | 60.5 | 3.3 | 2.0 | 0.052 | 7.2 |

This report supersedes the previous Reserve Statements issued to the ASX dated December 2005, February 2006 and May 2006

### *Competent Person Statement*

*Mr Jim Williams (FAusIMM) has acted as the Competent Person under the JORC Code in the preparation and reporting of the Ore Reserve estimates. Mr Williams has over 40 years experience in open pit, underground and alluvial mining including more than sixteen years in Central and Southern Africa and Australia. Prior to joining Fortescue Mr Williams spent six years as a mining engineering consultant for Bechtel followed by seventeen years in private practice. Mr Williams has conducted technical and financial reviews of a large number of Feasibility Studies on behalf of various banks including Standard Chartered and more recently by Dresdner Bank who retained him as Resource Consultant. Mr Williams has been intimately associated in many mineral commodities, including coal, iron ore, base metals and precious metals. Mr Williams holds an Associateship from Camborne School of Mines in England, is a Chartered Professional Engineer and is a Fellow of the AusIMM.*

### *Review of Reserve Study*

*Mr Richard (Rick) Stroud from Snowden Mining Industry Consultants ("Snowden") has completed a review of Fortescue's reserve statement. Mr Stroud has 33 years of experience in the mining industry. This includes 15 years of large and small open pit precious and base metals mining experience with CRA, RioTinto, BMI Mining and Paget Gold Mining in a range of technical and managerial roles in Australia and Fiji. Rick also has 15 years in the coal mining industry, nine years in the manufacturing and service Industries in Australia, New Guinea and Indonesia. His technical expertise covers, operational mining engineering and audits, equipment selection, drill and blast, strategic and transition planning, and operations management.*

*A peer review of Mr Stroud's work was undertaken by Mr Allan Earl (FAusIMM) from Snowden. Mr Earl is a mining engineer with over 25 years experience in mine design, planning and operations in Australia and Africa. During this time he has held senior technical and management positions. Since joining Snowden in 1996, he has consulted on a large number of mining projects in several countries. His areas of expertise include mining feasibility studies at all levels, underground mine planning and design, reserve estimation, mine operations management and project management. Mr Earl is the Competent Person for several Ore Reserve statements published by various companies and has also peer reviewed a number of Ore Reserve statements over the last 10 years.*

*Neither Mr Stroud nor Mr Earl acted as the Competent Person for the purpose of compiling the Reserve Statement – their role was specifically as reviewing the work done by Mr Williams*

## MINING ALLIANCE WITH ROCHE

***Fortescue combines with Roche Mining under Pilbara Mining Alliance***

As announced in early June Fortescue signed a mining alliance agreement with Roche Mining known as the Pilbara Mining Alliance. The term of the contract is 5 years and under the agreement Roche is to be paid for all direct costs as well as an additional amount pursuant to the sharing of gains for performance exceeding agreed benchmarks. The alliance is designed to motivate both Roche and Fortescue and optimise performance outcomes.

The first stage of the agreement covers a range of subjects being mine infrastructure planning, equipment selection, procurement and commissioning, pre-strip and pre-production ore mine planning and development of all mine site management systems. The second stage then covers mine production and planning to optimise annual operations against agreed targets.

***Roche has Broad Expertise in many areas of Mining.***

Roche is a division of Downer EDI Limited and is one of Australia's major providers of mining services, including mine planning, underground and open pit mining services, materials handling and processing, blasting services and mineral separation. Before entering into this arrangement, Roche held over 30% of the contract mining market in Australia and has extensive experience in operating large scale bulk material mining equipment including bucket wheel excavators and conveying systems.

Fortescue considers Roche to be an ideal partner as it has fully developed capabilities across all aspects of the mining cycle through its various subsidiaries, Snowden Mining Industry Consultants, Roche (MT) (formerly Mineral Technologies) and Roche Mining (JR) (formerly JR Engineering). Fortescue's established long term relationship with Snowden and Roche Mining (MT) and their intimate understanding of Fortescue's geology, mineralogy and proposed mining systems, means that PMA will be able to commence its activities immediately with a fully informed core management team.

## METALLURGICAL TESTWORK

***Independent Tests Confirm Fortescue Metallurgy***

Testing of Fortescue's product continued through the period under review. As previously detailed to the market metallurgical test work has been conducted by Central South University in China ("CSU") which is considered one of the pre-eminent sintering and pelletising research centres for the Chinese steel industry. The first series of sinter test work was conducted on Fortescue's high grade fines product blend and the results showed the Company's product performed at the higher end of Australian Marra Mamba ores. The trial compared Fortescue's product with certain other Marra Mamba ores with the tests based on substituting currently imported fines with Fortescue's ore. The results showed that a blend of up to 20% of Fortescue's fines provided productivity benefits to the overall blend mix.

The more recent CSU work has been testing Fortescue's second product line called Super Value Fines "SV Fines". The SV Fines product has a target Fe grade of 58.7%. As reference to current market ores this is a higher grade than that of the majority of the currently exported channel iron deposit "CID" ores. To put this in context in 2005 Australia exported some 210 million tonnes of iron ore of which c.62 million tonnes had a grade less than 58.7 Fe%.

The CSU research was initially conducted on a single product trial to determine the ore's sinter strength and productivity rating. The next phase of work was to trial the Fortescue SV product in blends relative to current market ore.

***Fortescue's super value product tests at upper end for productivity and mid range for sinter strength***

The single ore sinter testing showed that Fortescue's SV Fines had sinter strength within the mid range of current market Marra Mamba ores. The productivity rating was to the upper end of current Marra Mamba product and better than current market CID ores.

The blending trials conducted with Fortescue's SV product provides a good guide to the commercial application of the ore as it simulates current steel mill blends. It should be noted that steel mills charge their blast furnaces with sintered fines that are typically drawn from up to 10 different product types. The idea is to use ores that bring certain advantages to the overall blend as the mill is looking for a range of chemical and physical property traits within its ultimate blend.

The CSU tests used the SV product at percentage rates of 5% and 12%. The trial results showed the SV Fines provided improved sinter strength and productivity, at similar coke rates, when replacing current CID ores at 5%. The same results also showed for blends where the product had a 12% composition from current Australian sourced Marra Mamba + CID ores. These blends were trialled because they are representative of blends currently used by Chinese steel mills.

***Quality traits underwrite Market Attractiveness***

The CSU results are very positive for Fortescue as they further underwrite the marketability of the ore and the fact that both the high grade and super value products will provide competitive advantages for steel mills.

Fortescue has also provided product samples to a number of the larger Asian steel mills. In total some 19 mills have received samples and have conducted tests to measure performance characteristics. The results have been positive and have reinforced the Company's belief that its two main product types being the high grade and super value ores will be highly attractive to international steel producers.

## MARKETING

***Sales to 39.5 million tonnes per annum***

As referenced above Fortescue is very much focused on ensuring the steel mills receive samples of product to enable them to conduct tests on performance characteristics. There have been samples sent to 15 steel mills in China as part of a comprehensive marketing campaign. The results of this effort are reflected in the fact that of China's top 20 mills, Fortescue has now secured sales agreements with 11 of these companies – 7 of whom rank in the top 10 by volume of steel produced in 2005.

Fortescue recently announced sales for three million tonnes per annum which now takes the Company's total sales to 39.5 million tonnes per annum. The three new off-take agreements were signed with mills that rank within China's top 10 steel mills.

Fortescue now has 28 contracts covering 88% of its targeted 45 million tonne p.a. production for the Cloud Break and Christmas Creek area. The contracts are all long term based with terms ranging from 10 years out to 22 years.

## TENEMENT PORTFOLIO

***Tenement holding at c.35,500 Km²***

During the period Fortescue increased its Pilbara tenement portfolio by an additional 1,500 km$^2$ and its total holdings is now circa 35,500 km$^2$, consisting of granted and pending exploration and prospecting licenses (including joint venture tenements).

## ENVIRONMENTAL APPROVAL

***Cloud Break Approval completes State Govt PER approval Process***

The approval received from the Federal Minister for the Environment has brought to a close the public environmental review "PER" process for the Pilbara Infrastructure and Iron Ore Project. Fortescue's application under the Federal Act known as the *Environmental Protection and Biodiversity Conservation Act* was the final requirement under the PER for Cloud Break. The PER approvals for Christmas Creek and the port and rail system have all been received and reported upon in previous quarters.

## OTHER SUBJECTS

***Fortescue Appeals to National Competition Tribunal***

Despite a positive recommendation from the National Competition Council to the Federal Treasurer regarding Fortescue's application to declare the service provided by the Mt Newman railway line, the date on which the decision was due passed without the Treasurer making any determination. This effectively meant that Fortescue's application was dismissed.

Fortescue has lodged an appeal with the Australian Competition Tribunal to have the application reconsidered.

***ASIC Investigation***

As previously reported, in March 2006 the Australian Securities and Investment Commission "ASIC" commenced proceedings against both Fortescue and its CEO Mr Andrew Forrest in regards to certain disclosure matters pursuant to agreements signed with three Chinese engineering groups. The period under review is from 23 August 2004 through to 1 March 2005. The initial pleadings lodged with the Federal Court have been amended and as per current lodged proceedings, there are a number of alleged contraventions of Corporation's law by both the Company and Mr Forrest. ASIC is also seeking to have Mr Forrest disqualified from managing corporations pursuant to the Corporations Act. In the event that the Company is found guilty on all counts the maximum penalty would be A$8 million and in respect of Mr Forrest, if found on all counts the maximum penalty would be A$7.6 million. ASIC is also seeking to have Mr Forrest held personally liable for any penalties imposed on the company.

Fortescue is absolutely committed to defending the charges filed and believes it has a robust defence. The case is not expected to be heard until late 2007 or early 2008. It should be noted that the proceedings are civil in nature and not criminal.



**FORTESCUE METALS GROUP LTD**

**Andrew Forrest**
**Chief Executive Officer**

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**Perth, Western Australia**

*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

**FORTESCUE METALS GROUP LTD**

| ABN | Quarter ended |
|---|---|
| **57 002 594 872** | **30 June 2006** |

## Consolidated statement of cash flows

| **Cash flows related to operating activities** | | | Current quarter $A000 | Year to date (12 months) $A000 |
|---|---|---|---|---|
| **1.1** | Receipts from product sales and related debtors | | - | 834 |
| 1.2 | Payments for | (a) exploration and evaluation | (63,122) | (124,317) |
| | | (b) development | | |
| | | (c) production | | |
| | | (d) administration | (3,765) | (7,848) |
| | | (f) Other | | |
| 1.3 | Dividends received | | | |
| 1.4 | Interest and other items of a similar nature received | | 673 | 2,219 |
| 1.5 | Interest and other costs of finance paid | | 14,529 | |
| 1.6 | Income taxes paid | | | |
| 1.7 | Other | | | |
| | Other Payments – Deposits Paid | | | |
| | **Net Operating Cash Flows** | | **(51,685)** | **(129,112)** |
| | **Cash flows related to investing activities** | | | |
| 1.8 | Payment for purchases of: | (a) prospects | | |
| | | (b) equity investments | | |
| | | (c) other fixed assets | (2,318) | (3,396) |
| 1.9 | Proceeds from sale of: | (a) prospects | | |
| | | (b) equity investments | | |
| | | (c) other fixed assets | - | (137) |
| 1.10 | Loans to other entities - (to associated JV company) | | | |
| 1.11 | Loan repaid by other entities | | | |
| 1.12 | Other | | | |
| | **Net investing cash flows** | | **(2,318)** | **(3,533)** |
| 1.13 | Total operating and investing cash flows (carried forward) | | **(54,003)** | **(132,645)** |

| | | | |
|---|---|---|---|
| 1.13 | Total operating and investing cash flows (brought forward) | **(54,003)** | **(132,645)** |
| | **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 | (3,885) | 67,268 |
| 1.17 | Repayment of borrowings | | |
| 1.18 | Dividends paid | | |
| 1.19 | Other: Issue of Convertible Notes | | |
| | **Net financing cash flows** | - | - |
| | **Net increase (decrease) in cash held** | **(57,888)** | **(65,377)** |
| 1.20 | Cash at beginning of quarter/year to date | **74,180** | **81,158** |
| 1.21 | Exchange rate adjustments to item 1.20 | 1,762 | 2,273 |
| 1.22 | **Cash at end of quarter** | **18,054** | **18,054** |

## 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 $A000 |
|---|---|---|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | **298** |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

## 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 $US | Amount used $US |
|---|---|---|---|
| 3.1 | Loan facilities | US$200,000,000 | US$50,000,000 |
| 3.2 | Credit standby arrangements | - | - |

## Estimated cash outflows for next quarter

| | | $A000 |
|---|---|---|
| 4.1 | Exploration and evaluation | - |
| 4.2 | Development | 155,000 |
| | **Total** | **155,000** |

# 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 $A000 | Previous quarter $A000 |
|---|---|---|---|
| 5.1 | Cash on hand and at bank | **18,054** | **88,709** |
| 5.2 | Deposits at call | - | - |
| 5.3 | Bank overdraft | - | - |
| 5.4 | Bill | - | - |
| | **Total: cash at end of quarter** (item 1.22) | **18,054** | **88,709** |

## 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 | Nil | | | |
| 6.2 | Interests in mining tenements acquired or increased | L45/152<br>L46/36<br>L46/37<br>L46/40<br>L46/46<br>E08/1547<br>E08/1549 | Granted<br>Granted<br>Granted<br>Granted<br>Granted<br>Granted<br>Granted | Nil<br>Nil<br>Nil<br>Nil<br>Nil<br>Nil<br>Nil | 100%<br>100%<br>100%<br>100%<br>100%<br>100%<br>100% |

## 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)* | N/A | N/A | N/A | N/A |
| 7.2 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 | **+Ordinary securities** | 237,689,460 | 237,689,460 | N/A | N/A |
| 7.4 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs | 3,000 | 3,000 | 521 cents | Fully Paid |
| 7.5 | **+Convertible debt securities** | | | | |
| 7.6 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted | 2,666,667<br>10,877,889 | 2,666,667<br>10,877,889 | 450 cents<br>600 cents | Fully Paid<br>Fully Paid |
| 7.7 | **Options**<br>FMGAW | 2,000,000<br>430,000<br>500,000 | Nil<br>Nil<br>Nil | ***Exercise price***<br>267 cents<br>569 cents<br>703 cents | ***Expiry date***<br>31 Dec 2009<br>25 Jan 2011<br>01 Jun 2011 |
| 7.8 | Issued during quarter | 500,000 | Nil | 703 cents | 01 Jun 2011 |
| 7.9 | Exercised during quarter | | | | |
| 7.10 | Expired during quarter | | | | |
| 7.11 | **Debentures** *(totals only)* | N/A | N/A | | |
| 7.12 | **Unsecured notes** *(totals only)* | N/A | N/A | | |

## 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: 31 July 2006
Print name: **CHRISTOPHER J CATLOW**
(Chief Financial Officer)

## 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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