



Quarterly Report

Period ending 31 December 2008

HIGHLIGHTS

IRON ORE

- The 2008 drilling campaign was completed at Flinders 100% owned Hamersley (E47/882) project. Drilling results exceed expectations, with mineralisation present over larger thicknesses and over larger areas than originally predicted. Significant zones of high-grade Bedded Iron Deposit (BID) have been discovered underneath some CID mineralisation. These represent a potentially important source of Direct Shipping Ore (DSO).
- Compared to the updated Exploration Target, drilling has shown greater mineralisation in areal extent in Areas D and E and greater average thickness in areas B and C.
- A significant deposit of BID (bedded iron deposit) has been discovered which is of direct shipping grade and has not been included in previous Exploration Target estimates.

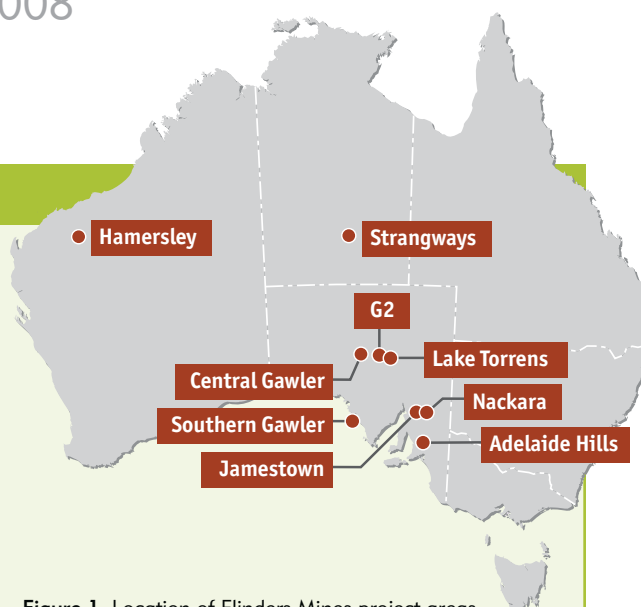


Figure 1 Location of Flinders Mines project areas.

- A total of 172 reverse circulation (RC) drill holes were completed for 8,282m during the quarter. This brings the completed 2008 drilling campaign to a total of 301 drill holes for 15,038m. Four of the five Target Areas were drilled (B, C, D and E).
- The updated Exploration Target on E47/882 is 571 to 615 million tonnes at 50 to 65% iron, for a combined Exploration Target on E47/882 and 1560 of 692 to 779 million tonnes of iron ore averaging 50 to 65% iron*.

* see note on page 12 for a clarification of Exploration Targets.

EXPLORATION ACTIVITIES REVIEW

IRON ORE

WESTERN AUSTRALIA

Hamersley Ranges

Flinders undertook a five month drilling campaign, with two reverse circulation (RC) drill rigs, to assess the Hamersley iron ore target on E47/882. Flinders drilled four of the five target areas to a JORC Inferred Resource drill spacing prior to the end of 2008. Initial resource estimates are due prior to the end of the first quarter 2009

The combined iron ore Exploration Target* on tenements E47/882 and E47/1560 has been updated to an estimated 692 to 779 million tonnes at 50 to 65% iron (Table 1). Dr Richard Russell has reassessed the Exploration Target on E47/882, based on the geology and assay results obtained towards the latter part of the drilling program. The previous combined estimate made by Dr Russell was 453 to

555 million tonnes at 45 to 65% iron, announced on 25th August 2008. In general, Dr Russell considers that the earlier estimates of Channel Iron Deposit (CID) and Detrital Iron Deposit

(DID) tonnages in E47/882 were conservative. In particular, Flinders' drill results to date show that the average thickness are greater than previously thought (Figure 2).

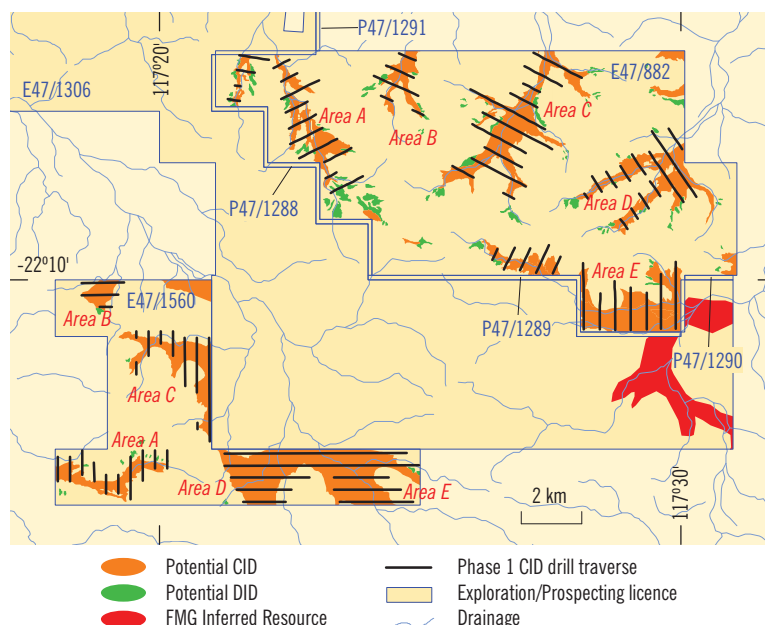


Figure 2 Location of Flinders Mines' Iron ore Project areas.

Table 1 Estimates of combined tonnage of CID and DID on E47/882 and E47/1560.

AREA	Area (Km2)	Thickness Estimate (metres)	Volume (million m3)	Upper Tonnage Estimate (million tonnes) SG 2.8	Lower Tonnage Estimate (million tonnes) SG 2.6
E47/882					
Area A	2.45	15	36.75	103	96
Area B	0.95	15	14.25	40	37
Area C	3.95	15	59.25	166	154
Area D	3.73	13	48.49	136	126
Area E	4.05	15	60.75	170	158
E47/1560				164	121
			TOTAL CID/DID	779	692

* see note on page 12 for a clarification of Exploration Targets.



Project Geologist Anna Petts cracking pisolithic nodules to check for iron content.

DIAMONDS

SOUTH AUSTRALIA

Flinders Ranges

Ground magnetic surveys are continuing over targets identified by heli-magnetics and targets which have yielded positive results for kimberlite

indicator minerals. Trenching commenced in the Boolcunda area. Government approvals for trenching operations in the more prospective southern Springfield area have recently been granted.

Of the samples collected in 2008, 95% have now been returned.

Five clusters of positive sample results have been defined; three in Springfield and two in Nackara (see Figure 7). Indicator mineral chemistry has identified high priority areas of Beatrice (Nackara East) and the Eurelia extension and Yanyarrie in south east Springfield.

PROJECT REVIEW



Managing Director Kevin Wills and Project Geologist Richard Langford discussing logging of the drilling samples.

WESTERN AUSTRALIA

IRON ORE

Exploration on E47/882

100% Flinders Mines

Flinders' Hamersley Iron Ore Project in WA comprises five target areas: Areas A, B, C, D and E (see Figure 3).

During the 2008 reverse circulation (RC) drilling campaign Flinders defined considerable BID and CID mineralisation on the Hamersley E47/882 licence in the Pilbara region of Western Australia. This is part of an \$8 million program to assess a target area containing numerous indications of significant Channel Iron Deposit (CID) mineralisation.

At the end of the quarter, a total of 301 drill holes were completed for 15,038m. Drilling was completed to a planned JORC

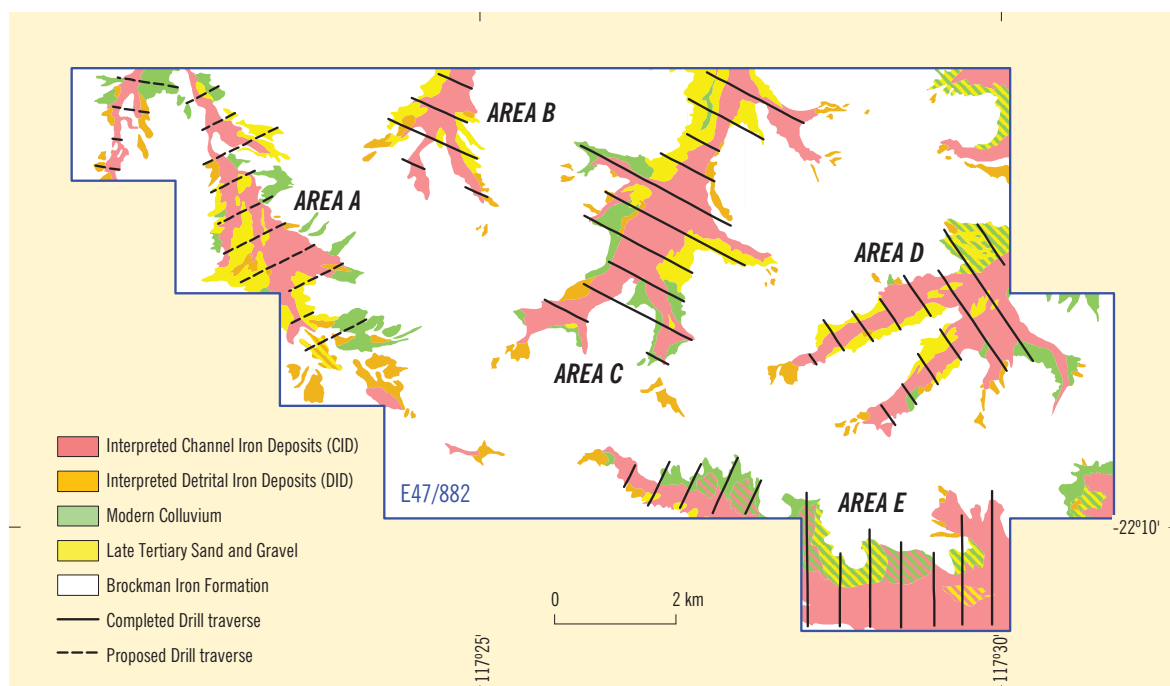


Figure 3 Location map showing the five iron ore target areas of the Hamersley E47/882 licence and the drilled and proposed RC drilling lines.

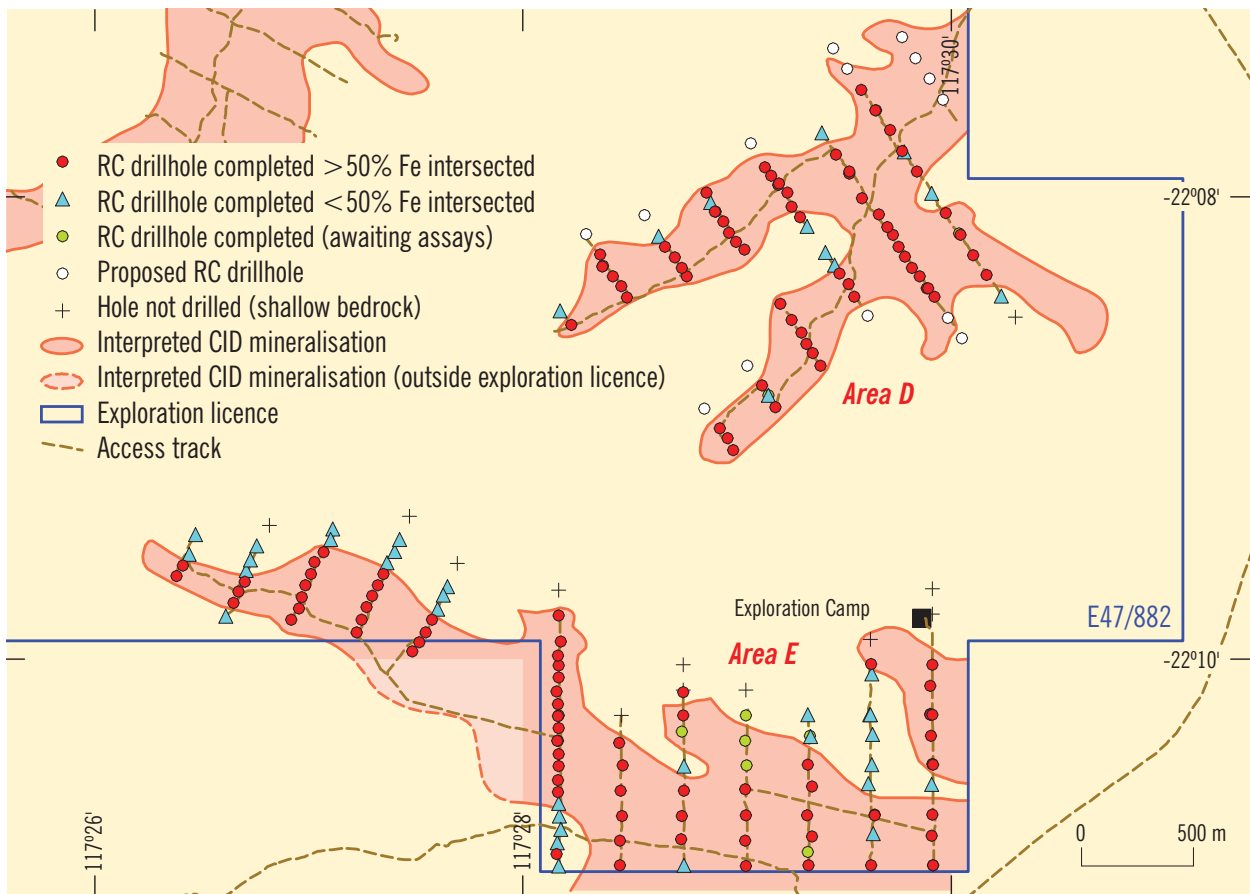


Figure 4 Location of Area E and D drilling and results at end of October.

compliant Inferred Resource drill spacing in areas A, B, C and D of 500m by 200m. Infill to 500m by 100m was undertaken in special situations such as the narrow headwaters or the margins of the channels. Access issues for Area A prevented any drilling being carried out in this area during the 2008 drilling program and will be the highest priority for early drilling in 2009. Also a total of 6 diamond (DD) drill holes were completed for 357m in Areas D and E.

Drilling with a single RC drill rig is anticipated to start in the second quarter of 2009, initially drilling Area A to Inferred Status drill spacing before infilling the margins and depth (see M

and D in Figure 5) of the BID mineralisation and commencing drilling at E47/1560.

This RC drilling shows that the CID mineralisation at the Hamersley Project is extensive (Figures 3 and 4). The drilling confirms the updated Exploration Target*, and further, indicates that the mineralisation thickness is similar to that predicted but larger in area. The average thickness of iron mineralisation predicted in the updated Exploration Target closely matches the actual average thickness in Area D and E of 13 and 15m, respectively. The interpreted areas of CID mineralisation in Area D and E now stands at 4.5 and 6.0 sq km, respectively – compared to 3.7

and 4.1 sq km in the updated estimate. The results to date from Areas B and C indicate that the average area of iron mineralisation and thicknesses in these areas is in line or greater than that predicted in the updated Exploration Target.

The Exploration Target however has not considered the BID mineralisation. The BID mineralisation now extends for over 1.6 sq km in Area D and 0.4 sq km in Area E, with average thicknesses currently being interpreted for the Resource Model. Drill results received to date from Areas B and C confirms the presence of BID.

* see note on page 12 for a clarification of Exploration Targets.

The geological model (refer Figure 5 and 6) has been refined since the completion of drilling in December 2008 and importantly the availability of over 5,000 assays. The iron mineralisation consists of two key styles; CID and BID. The CID iron mineralisation includes all mineralisation that has been deposited into the channels from the surrounding iron rich Banded Iron Formation and/or formed in situ within the channels resulting from the precipitation of iron by groundwaters. The BID is a weathered product of the basement Banded Iron Formation and is located beneath the CID. Importantly the BID was not recognised by Dr R Russell in the Exploration Targets* described to date.

The discovery of BID, or "Brockman Ore", at the Hamersley Project is of importance since it represents a Direct Shipping Ore

(DSO) material. In addition the BID is extensive in Area D and the early assays from Areas B and C indicate that BID may be extensive in these areas as well. The BID mineralisation can occur beneath all parts of the channels, however is more prevalent on the margins and the headwaters. Several intersections of the BID have not been closed off and indicate mineralisation outside the CID outline (see D and M in Figure 5).

The BID is characterised by elevated iron grades and low deleterious elements. For example the average iron grade of BID on Line 4 in Area D (Figure 5) is 58.7% with a high loss on ignition (LOI) of 9.7%; a calcined grade is 64.9%. On the same section the average alumina (Al_2O_3) is 2.3% and average silica (SiO_2) is 3.7%.

A high proportion of the CID is a hematite rich detrital material

which includes a lower pisolithic dominant iron mineralisation and an upper fragmental dominant iron mineralisation. This detrital material appears to be analogous to the mineralisation at Brockman Resources Marillana deposit where cheap and efficient beneficiation process has been successfully tested using bench-scale tests. Brockman Resources have been able to beneficiate down to a cutoff grade of 40% in comparison to a cutoff grade of 50% being utilised on Flinders' Hamersley Project. If a cutoff grade of 40% was applied to the Flinders Project this would add significantly to the total tonnage.

Results have been received for all 77 holes from Area D and almost all assay results from the 115 holes in Area E. Selected recent intersections are presented in Table 2. Many of the intersections exhibit high grade iron mineralisation with low

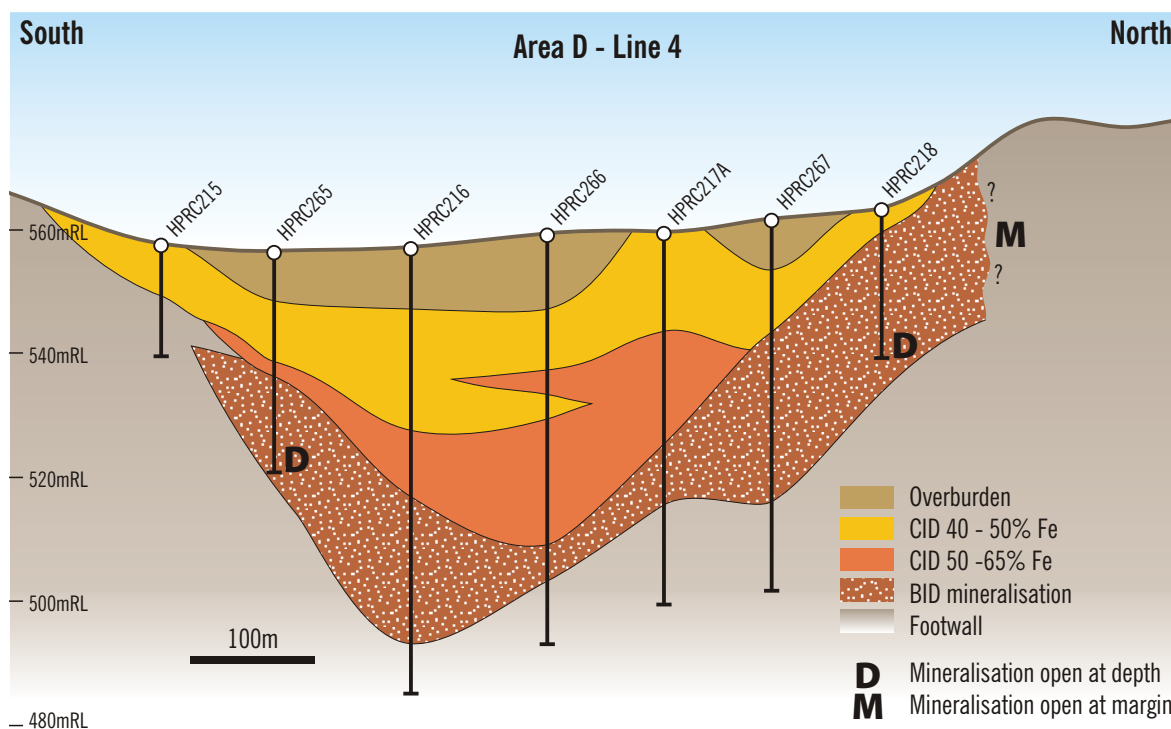


Figure 5 Cross section of Line 4 in Area D.

* see note on page 12 for a clarification of Exploration Targets.

deleterious elements at the base denoting the location of BID.

Six diamond drill holes were completed during the quarter and have proved invaluable for improving Flinders geological understanding. Further, these holes have provided calibration of the downhole geophysical data with cored rock samples to calculate actual values for the data, such as density. The CID recovered from the drilling has enabled accurate measurements of the density of the material. This more accurate data is applied to the down hole geophysical density logging. The density of the material is now known to range from 2.6 to 2.8.

The relatively high porosity caused by small cavities in unconsolidated mineralised rock results in a density which is significantly lower than the density expected from the

mineralogy. Hematite and goethite are the two key iron minerals, and chief constituents in the mineralised rock. These two minerals have densities in the range of 4 to 5, but the open space in the rock has reduced the density of the rock to between 2.6 and 2.8.

All assays have been received for Area D. Technical evaluation is currently being carried out by FMS to aid in the development of an Inferred Resource. Once this interpretation and evaluation is complete Golder & Associates have been contracted to determine the Inferred Resource for Area D.

All assays for Area E are due to be returned soon which will allow for interpretation and completion of an Inferred Resource for Area E. Inferred Resources will be completed for Areas B and C once all assays are returned.

Exploration Target on E47/1560

100% Flinders Mines

Independent iron ore consulting geologist, Dr Richard Russell, has updated his Exploration Target on E47/1560 to between 121 to 164 million tonnes averaging 50 to 65% iron*.

The Department of Mines and Petroleum (previously Department of Industry and Resources) has provided approval of the drilling program at E47/1560 pending an environmental bond. Full anthropological and archaeological clearances will be conducted to enable earthworks to commence in readiness for commencement of drilling in the second quarter 2009.

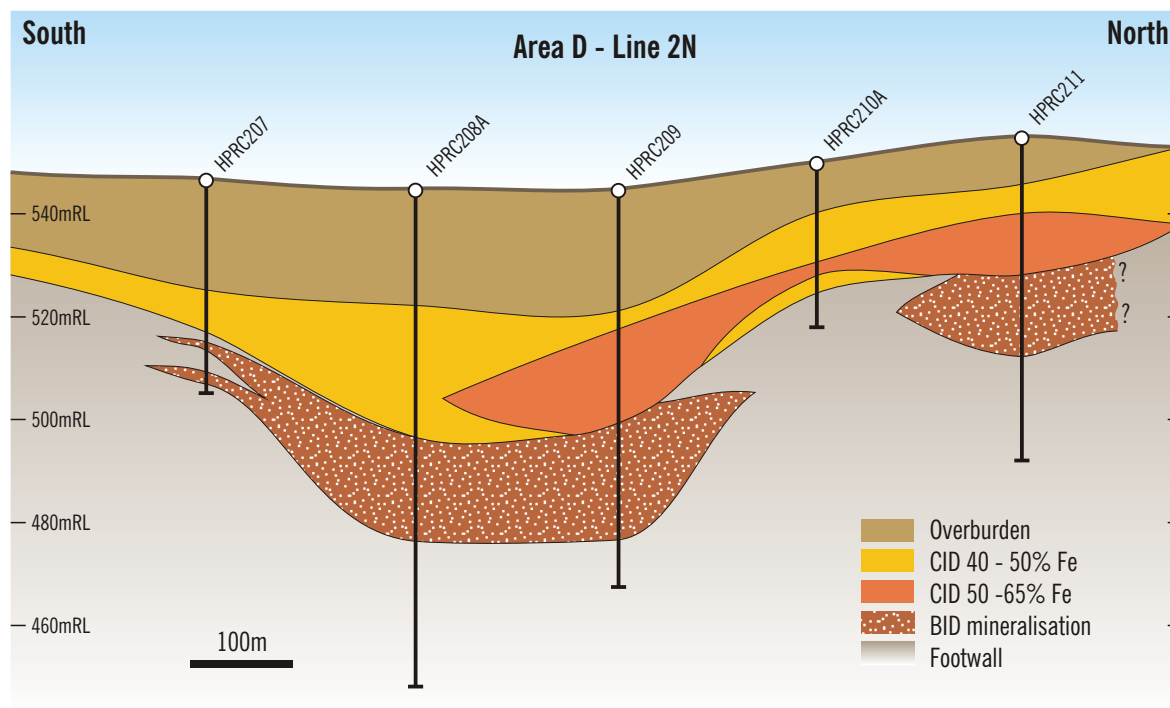
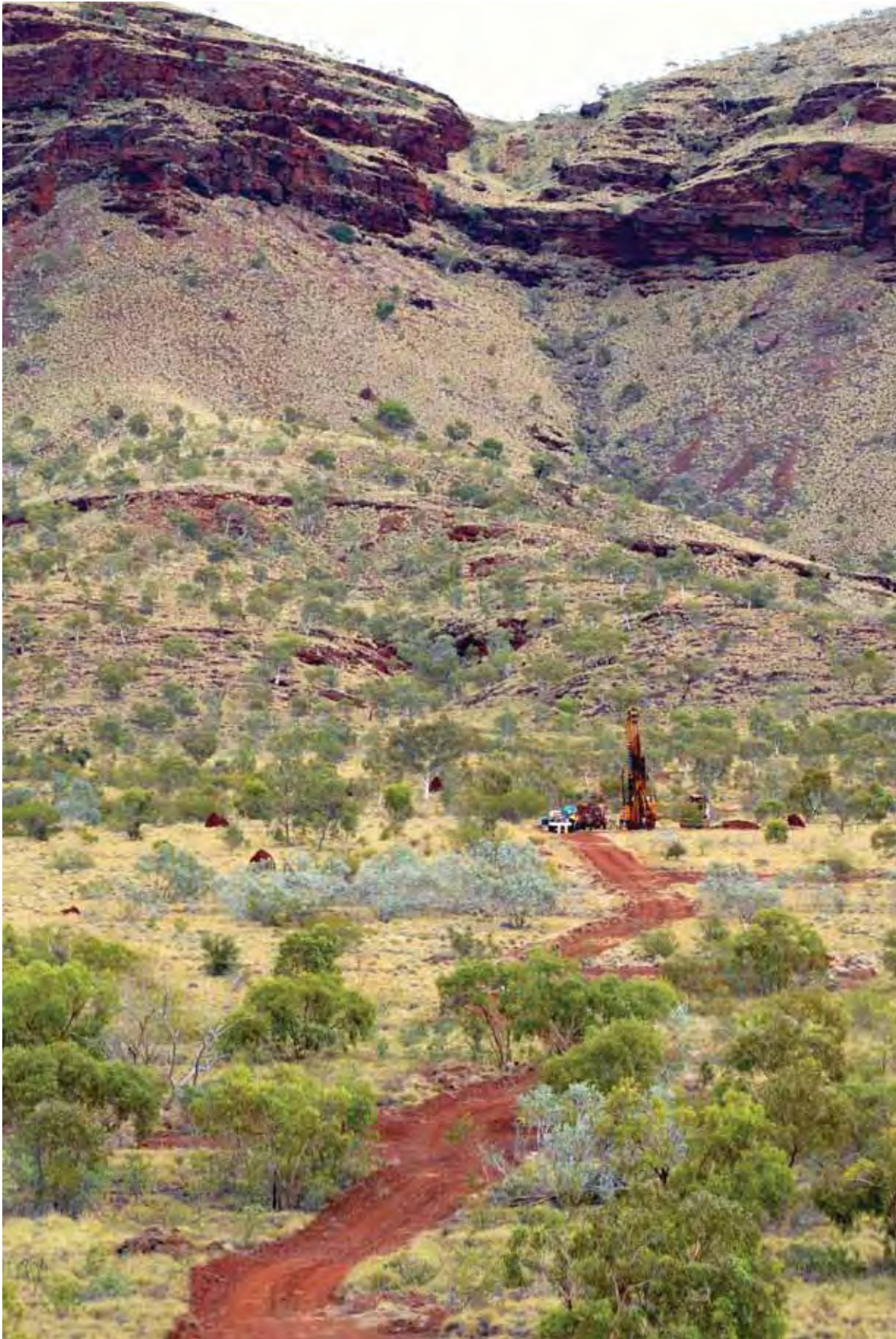


Figure 6 Cross section of Line 2N in Area D.



Drilling HRC0418 in Area B, Hamersley E47/882, October 2008.

Table 2 List of selected RC drillhole intersections

Hole	From	To	Interval	Fe	Al2O3	SiO2	P	LOI	Area
HRC50	58	70	12	52.1	5.0	8.2	0.095	12.2	Area E
HRC59	28	56	28	56.2	3.2	9.1	0.094	7.3	Area E
incl	30	38	8	61.4	2.9	3.5	0.075	5.5	Area E
HRC60	46	88	42	58.1	3.3	5.3	0.114	8.2	Area E
incl	54	64	10	60.4	3.1	3.0	0.065	7.5	Area E
incl	78	88	10	60.4	2.3	3.9	0.175	7.3	Area E
HRC68	46	58	12	57.2	3.4	6.0	0.075	8.5	Area E
	64	76	12	55.5	4.2	7.0	0.196	8.8	Area E
HRC75	8	36	28	56.3	3.8	8.0	0.071	7.5	Area E
HRC84	18	44	26	57.4	5.1	8.7	0.051	3.0	Area E
HRC91	12	26	14	55.6	5.0	4.5	0.096	10.6	Area E
HRC108	34	60	26	59.0	4.1	7.2	0.062	3.6	Area E
incl	42	58	16	61.5	3.8	4.1	0.068	3.3	Area E
HRC208A	54	66	12	55.6	3.6	6.0	0.130	10.3	Area D
HRC209	28	66	38	57.5	3.8	7.4	0.103	6.4	Area D
HRC211	18	36	18	55.7	4.8	9.9	0.072	5.6	Area D
HRC216	30	52	22	56.5	3.9	9.9	0.080	4.9	Area D
HRC217A	16	44	28	57.3	3.9	8.9	0.079	4.9	Area D
HRC218	4	24	20	60.1	2.0	1.4	0.126	10.4	Area D
HRC219	8	32	24	60.8	3.5	5.1	0.062	3.4	Area D
HRC220	6	18	12	54.3	3.4	7.6	0.081	11.2	Area D
HRC234	10	42	32	56.8	4.7	9.0	0.073	4.3	Area D
incl	26	40	14	58.8	3.9	6.6	0.085	4.7	Area D
HRC235	6	42	36	61.7	1.4	4.7	0.112	5.2	Area D
HRC236	8	28	20	57.8	2.9	5.9	0.164	8.0	Area D
HRC240	14	48	34	56.8	2.6	6.1	0.114	9.6	Area D
incl	28	46	18	58.5	2.4	2.5	0.137	11.2	Area D
HRC242	0	12	12	58.1	5.3	7.4	0.050	3.2	Area D
HRC251	16	30	14	57.1	3.2	6.2	0.098	8.7	Area D
HRC254	16	40	24	58.2	4.9	8.2	0.053	2.9	Area D
HRC256	30	52	22	55.7	4.5	7.7	0.102	7.4	Area D
HRC258	10	34	24	57.2	3.8	8.7	0.072	4.7	Area D
HRC259	8	24	16	60.8	3.2	7.0	0.058	1.9	Area D
HRC261	8	32	24	59.4	4.7	7.8	0.052	1.9	Area D
HRC267	18	36	18	59.2	2.7	2.1	0.113	10.0	Area D
HRC302	36	60	24	58.1	4.0	5.4	0.121	6.6	Area C
incl	44	58	14	60.0	2.5	2.9	0.154	8.0	Area C
HRC303	8	18	10	54.0	3.0	9.9	0.082	9.6	Area C
HRC309	18	52	34	55.8	4.0	7.7	0.093	8.2	Area C
incl	24	48	24	56.9	3.8	5.1	0.104	9.4	Area C
HRC312	44	60	16	55.2	5.7	7.2	0.073	7.3	Area C
incl	48	60	12	56.6	4.6	5.5	0.086	8.2	Area C
incl	22	32	10	61.8	4.6	4.5	0.048	1.8	Area C
HRC318	34	60	26	59.1	3.9	8.6	0.058	2.1	Area C
incl	42	58	16	62.5	3.3	4.8	0.060	1.5	Area C
HRC319	10	28	18	57.5	2.3	4.5	0.107	10.2	Area C
HRC325	6	34	28	56.5	3.0	8.5	0.085	7.0	Area C
incl	16	34	18	58.0	2.3	4.7	0.109	9.4	Area C
HRC326	20	44	24	55.0	3.5	9.4	0.093	7.6	Area C
HRC412	8	30	22	63.0	3.3	4.1	0.056	1.7	Area B

SOUTH AUSTRALIA

DIAMONDS

Flinders Ranges

Flinders 100% of diamond rights

Sampling has now been completed over targets derived from the 2008 Nackara and Springfield helimag surveys. A total of 35 loam/stream samples have returned positive for kimberlite indicator minerals (KIM) in the Springfield survey, and 21 positive samples in the Nackara survey.

Work has concentrated on areas defined by clusters of positive samples (Figure 7). Three clusters exist in the Springfield area; Eurelia extension (Figure 8), Yanyarrie and Boolcunda. Two KIM clusters occur in the Nackara area; Beatrice (Figure 9) and Buttamuck Hill. High priority target areas based on KIM chemistry are Yanyarrie, Eurelia extension and Beatrice.

Ground magnetic surveys have continued in the Springfield area, focusing on the Eurelia extension and Yanyarrie regions. Trenching operations commenced on targets in the Boolcunda and Yanyarrie regions. Some magnetic anomalies appear to be shallow mafic intrusives, where secondary KIM dispersal has created false anomalies on the surface. However, the individual and distinct KIM clusters suggest the indicators are locally derived. Further investigation of heli and ground magnetics is in progress.

PIRSA approval for continued trenching operations in the Springfield area has been granted and trenching operations will recommence in late January 2009. Trenching operations in

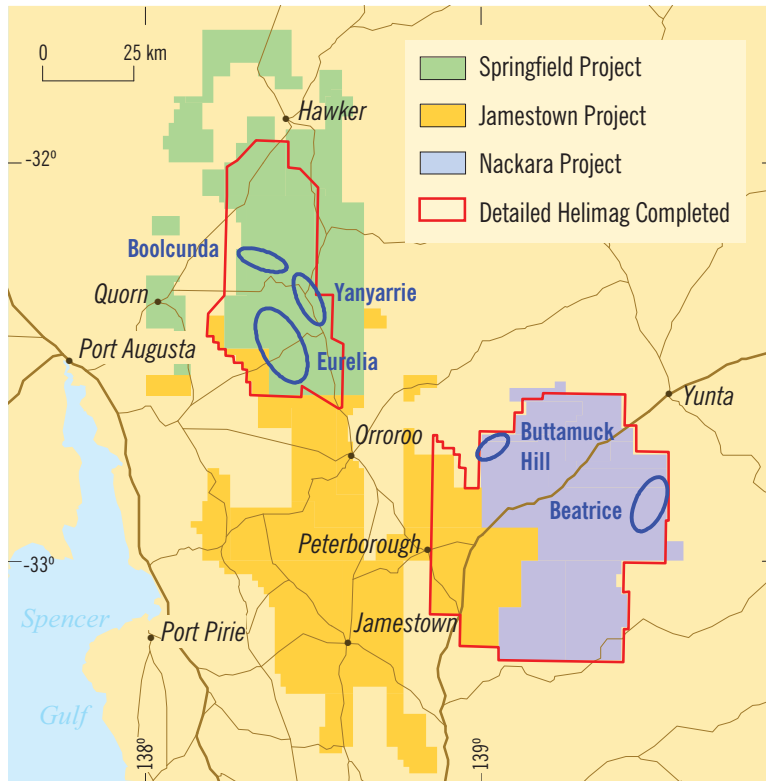
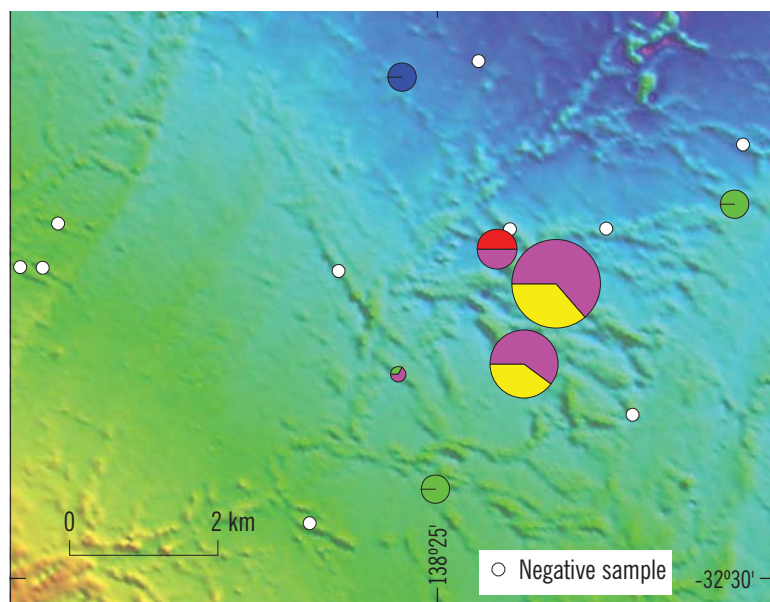


Figure 7 Location of Flinders Ranges Project areas.



Indicator Counts per 100g concentrate



Figure 8 Location of the Eurelia indicator anomalies clusters with a regional magnetics image in the background.

SOUTH AUSTRALIA

PHOSPHATE

Flinders Ranges

Following the recommendations of the independent assessment report prepared by consultant Johnson Geological Services, the FMS exploration program commenced via an inspection of the existing phosphate occurrences between Orroroo and Tarcowie (see Figure 10). Given that no systematic exploration for phosphate was done in the past, there is very limited information available and virtually no geochemical data could be found. To compensate for this lack of information and in order to establish the most efficient sampling program, an orientation survey was initially undertaken, aiming to gather preliminary geochemical and petrological data about the phosphate rocks in the area.

A total of 30 samples were collected from eight different sites visited, 18 samples for geochemical analysis and 12 samples for petrological investigation. At the same time a small soil sampling survey was conducted around the Tarcowie Phosphate Mine, with 48 samples collected over a 200m x 200m grid. The soil samples were sieved into three different size fractions that are to be assayed separately in order to identify the most suitable size for future geochemical exploration.

Assays for the geochemical rock samples have been received recently. The initial results are very encouraging, with eight of the rock samples showing good concentrations of phosphate, between 14.95% and 23.90%

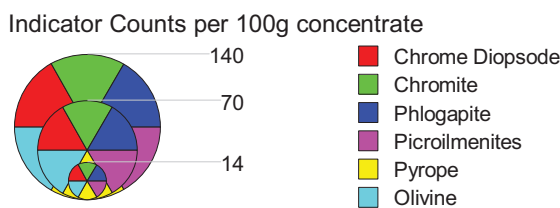
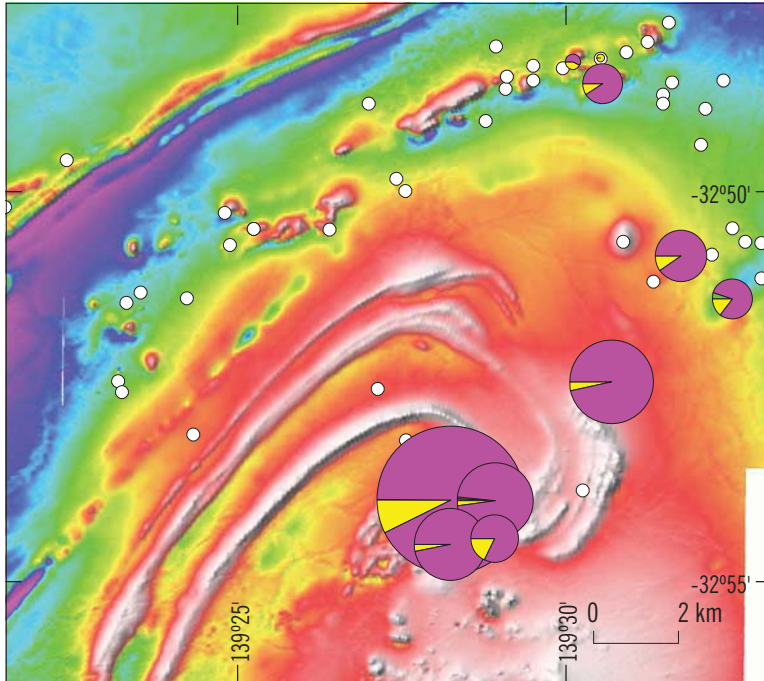


Figure 9 Location of the Beatrice indicator anomaly clusters with a regional magnetics image in the background.

the Nackara region are awaiting government approval.

Adelaide Hills Project

Flinders 100% of diamond rights

No work undertaken

Gawler Craton Projects

Tawana JV Flinders earning 70%

Reprocessing of geophysical data has continued on the Flinders Island project.

Tasman JV

Flinders earning 70%

Drilling on the Tasman JV was suspended during the last quarter due to high drilling costs and unsuitability of the sonic drilling technique. It is anticipated the remaining 40 holes will be drilled in March 2009.

Results have been received from heavy mineral samples taken from the basal sands/gravels from the five holes drilled by Flinders, and from 15 holes drilled by Tasman. All samples were negative for kimberlite indicator minerals.

G2 Project

No work undertaken

WESTERN AUSTRALIA

Hamersley Project

No work undertaken

Police Creek

No work undertaken

Northern Territory

Strangways Project

No work undertaken

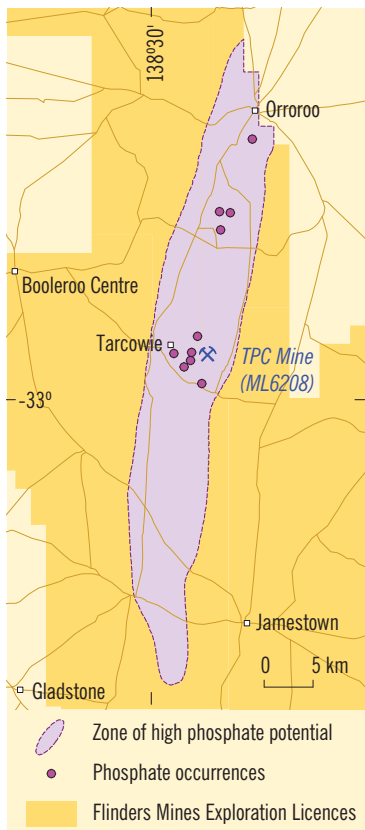


Figure 10 Location of zone of high phosphate potential.

P₂O₅. The petrological data, expected to be available during January 2009, will provide useful details about the rocks hosting the phosphate mineralisation and the characteristics of the phosphate minerals that are present in these rocks.

The results for the soil samples, yet to be received, will help with the planning of a reconnaissance sampling program. The soil sampling program will cover all zones of interest totaling 66 km over a N-S strike length. The commencement is planned for the first quarter of 2009 and it will initially be conducted over an area of 26 km that includes most of the known phosphate occurrences.



Phosphate rock samples from the Tarcowie Phosphate Mine.

FINANCE

On 31 December 2008 the Company had available funds of \$14.88 million. Exploration expenditure in the December Quarter was \$3.9 million compared to a budget of \$4.7 million. Total exploration expenditure forecast for the March 2009 Quarter is \$1.8 million. This consists of \$1.5 million for iron ore, \$250,000 for diamonds and \$50,000 for phosphate.

Dr Kevin J A Wills
Managing Director

29 January 2009

***Note:** These Exploration Targets are reported according to Clause 18 of the JORC Code. This means that they are partly conceptual in nature and that considerable further exploration, particularly drilling, is necessary before any Identified Mineral Resource can be reported. It is uncertain if further exploration will lead to a larger, smaller or any mineral resource.

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Dr K J A Wills who is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Wills is an employee of Flinders Mines Limited. He has more than five years relevant experience in the style of mineralisation and types of deposit under consideration and consents to inclusion of the information in this report in the form and context in which it appears. Dr Wills qualifies as Competent Persons as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".

Contact us

Dr Kevin Wills – Managing Director on 1300 559 564 or 0419 850 997, or
Duncan Gordon – Investor relations on 08 8232 8800 or 0404 006 444

Head Office 62 Beulah Road Norwood South Australia 5067
PO Box 3126 Norwood South Australia 5067
telephone 61 8 8132 7950
facsimile 61 8 8132 7999
email info@flindersdiamonds.com
www.flindersdiamonds.com

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

Flinders Mines Limited

ABN

46 091 118 044

Quarter ended ("current quarter")

31 December 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(3,973)	(7,422)
(b) development		
(c) production		
(d) administration	(646)	(1,093)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	235	605
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	(4,384)	(7,910)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	(700)	(700)
(b) equity investments		
(c) other fixed assets	(54)	(230)
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	(754)	(930)
1.13 Total operating and investing cash flows (carried forward)	(5,138)	(8,840)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(5,138)	(8,840)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	685	9,792
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)		
Net financing cash flows		685	9,792
Net increase (decrease) in cash held		(4,453)	952
1.20	Cash at beginning of quarter/year to date	19,330	13,925
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	14,877	14,877

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	145
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

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

+ 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	1,800
4.2 Development	
Total	1,800

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	2,942	7,395
5.2 Deposits at call	11,935	11,935
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	14,877	19,330

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	EL3727	Surrendered (SA)	100%	0%
6.2 Interests in mining tenements acquired or increased				

+ 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	1,208,064,439	1,208,064,439		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	4,411,764	4,411,764		
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>	150,000 2,800,000 782,500		<i>Exercise price</i> \$0.036 \$0.017 \$0.084	<i>Expiry date</i> 14/03/2009 20/03/2012 05/03/2013
7.8 Issued during quarter				
7.9 Exercised during quarter				
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: 29 January 2009

Print Name: David W Godfrey

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.

== == == == ==