Quarterly Report

Quarter Ended:
31 December 2010

Introduction

The directors of Buru are pleased to present this report for the quarter ended 31 December 2010. This quarter saw a high level of exploration activity, with the drilling of the Paradise-1 and Nangu-1 exploration wells, the tests of the Yulleroo-2 and Stokes Bay-1 wells and the completion of the Pijalinga 2D seismic survey. During the quarter Mitsubishi Corporation ("**MC**") exercised its option to participate in the 2011 Canning Superbasin exploration program, confirming MC's commitment to fund $40 million of a $50 million exploration program during 2011 and providing impetus and certainty to the planning and commitment process for the planned extensive 2011 program.

Overview

The key operational activities for the quarter were:

- the drilling of the Paradise-1 and Nangu-1 exploration wells, the first wells to be drilled in partnership with MC, using the Fairway Rig and Hunt Energy Rig #3 respectively. The Paradise-1 well encountered a gross 9 metres of interpreted oil reservoir in the Lower Grant Formation but testing of this zone was inconclusive. The well has been suspended while options for further testing of the zone and drilling of additional exploration wells are evaluated. Nangu-1 failed to encounter hydrocarbons and was plugged and abandoned;

- the Stokes Bay-1 and Yulleroo-2 well tests. The Yulleroo-2 reservoir stimulation and flowback was successful in demonstrating that the reservoir will flow gas, and that the gas is of good quality and contains commercially significant quantities of LPG and condensate. Preparations for further flowback and testing are currently underway. The Stokes Bay-1 well test did not recover hydrocarbons from the Nullara Formation and the well has been suspended for possible further evaluation of the other potential productive zones in the well.

- the completion of the Pijalinga 2D seismic survey with a total of 414.8 kms of data being acquired;

- the execution of a letter of intent with Ensign for the use of Ensign Rig 32 to drill up to six wells during 2011; and

- the commencement of planning and seeking of Traditional Owner approvals for the 2011 exploration program.

During the quarter MC exercised its option to participate in the 2011 Canning Superbasin exploration program. By exercising this option MC has committed, amongst other things, to fund $40 million of a $50 million exploration program in 2011. By this commitment, MC will earn an equal interest to Buru in the majority of Buru's exploration permits.

Financial

The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter. The material elements of the cash flow in the period were:

- exploration expenditure of $1,845,855 for the quarter (September 2010: $5,569,222) which reflects MC's contribution to the costs of exploration during the quarter, notwithstanding the higher level of exploration activity and gross expenditure during the quarter;

- cash flows from the Blina and Sundown oil fields were higher in the quarter resulting in an operating surplus for the quarter of $302,520 (September 2010: operating loss of $2,746); and

- administration and other operating costs of $1,130,717 were incurred, in line with the previous quarter (September 2010: $1,181,013).

The Company recorded a net cash outflow of $2.7 million (before exchange rate adjustments) for the quarter, a decrease on the previous quarter (September 2010: $6.3 million). Although the Company increased its exploration activity during the quarter, net cash outflow was reduced as a result of MC funding 80% of the majority of the costs of that activity.

At the end of the quarter the Company had net cash reserves of $30.9 million available for exploration and development of the Canning Superbasin (September 2010: $33.8 million). These cash reserves, in conjunction with MC's contribution to the Company's exploration activities on an ongoing basis, provide the Company with sufficient financial resources to fund its planned and committed exploration activities.

The Company is forecasting the following cash flows in the March 2011 quarter:

- **Exploration** - $1.9 million of costs are expected to be payable in the March 2011 quarter, reflecting costs from the preceding quarter not paid during that period. No significant new exploration is expected to be undertaken in the March 2011 quarter during the Canning Superbasin wet season.

- **Development** - $0.5 million in development costs are planned for a workover and maintenance program at the Sundown and Blina oil fields during the March 2011 quarter (as discussed below).

- **Production** – $0.6 million of costs associated with production and transport of crude oil are expected to be payable in the March 2011 quarter. Cash inflows in the March 2011 quarter will depend on the timing and success of the workover and maintenance program at the Sundown and Blina oil fields planned for the March 2011 quarter. If the workover and maintenance program cannot be undertaken for any reason the fields are expected to be breakeven in the period, and be net cash flow positive for the 2010/11 financial year. If the proposed workover and maintenance program is successfully completed it is expected that this will lead to a material increase in the positive net cash flow from the fields.

- **Administration** - $1.1 million in administration costs are expected to be payable in the March 2011 quarter in line with the preceding quarter as the Company continues preparation for the 2011 exploration program.

Production and Development

Sales from the Company's oil fields in the L6 and L8 production licences averaged approximately 50 bopd for the quarter. Sales during the quarter were below the previous quarter (September 2010: approximately 60 bopd) due to the ongoing natural decline at the producing oil fields.

Planning and approvals for a workover program at the Sundown oil field have been completed. If successful, this program is expected to result in a material increase in production from the field. The workover program is scheduled to be conducted during the March 2011 quarter, subject to weather and availability of appropriate equipment. In addition, a maintenance program is planned to address the mechanical issues at the Blina-1 and Blina-4 wells that are currently offline. If successfully implemented, this maintenance program will allow production to recommence from these wells. Subject to weather, it is expected that these repairs will be undertaken following completion of the workover program during the March 2011 quarter.

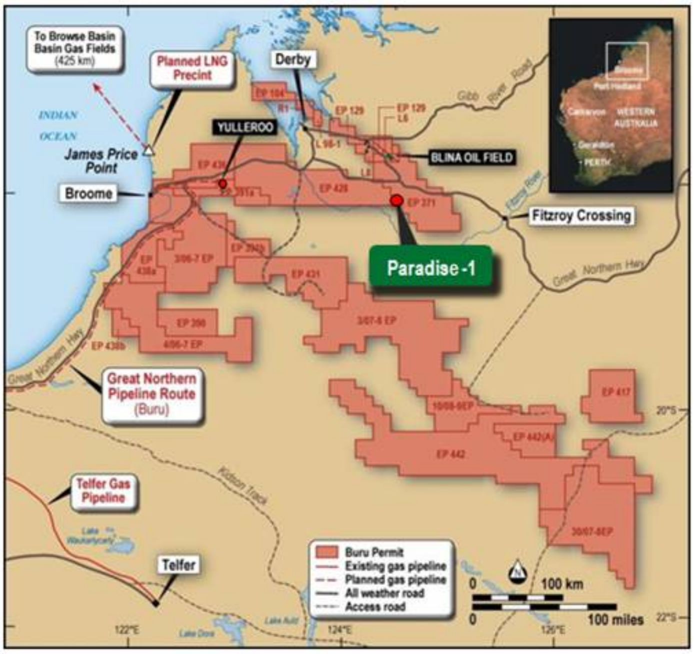
Oil production generated cash receipts during the quarter of $582,677 (June 2010: $700,617; September 2010: $554,531). The reduction in cash generated by falling oil production was offset by the increase in the oil price during the quarter. The fields produced a net cash inflow of $302,520 for the quarter (June 2010: net cash inflow of $203,340; September 2010: net cash outflow of $2,746), although this surplus was enhanced by the timing of payments for certain transportation costs being delayed until the March 2011 quarter.

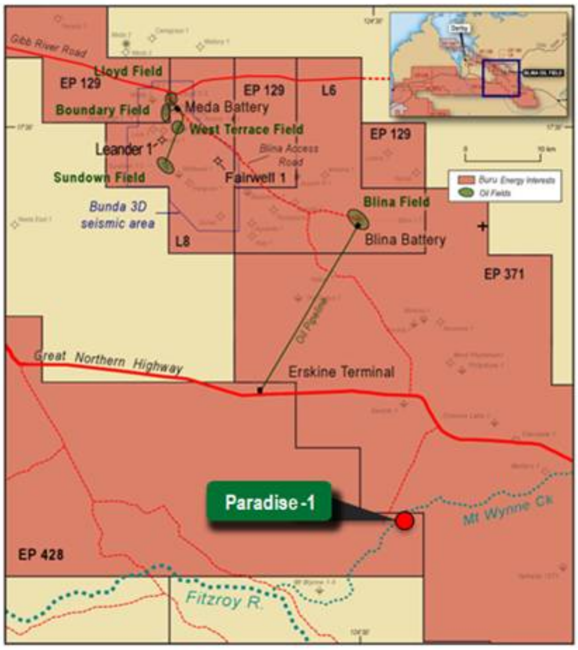
Drilling

During the quarter the Company completed the drilling of the Paradise-1 and Nangu-1 wells.

Paradise-1

Paradise-1 was the third well to be drilled in the 2010 drilling season. It was the first well to be drilled in the Company's Joint Exploration Program with MC. The well is located in exploration permit EP 428, on the boundary with EP 371 (as shown in the maps below). Under the terms of the farm-in agreement between Buru and MC, MC funded 80% of the costs of this well. Following MC's decision to participate in Buru's 2011 Canning Superbasin exploration program, each of Buru and MC hold a 50% in interest in the well and in EP 428 and EP 371.





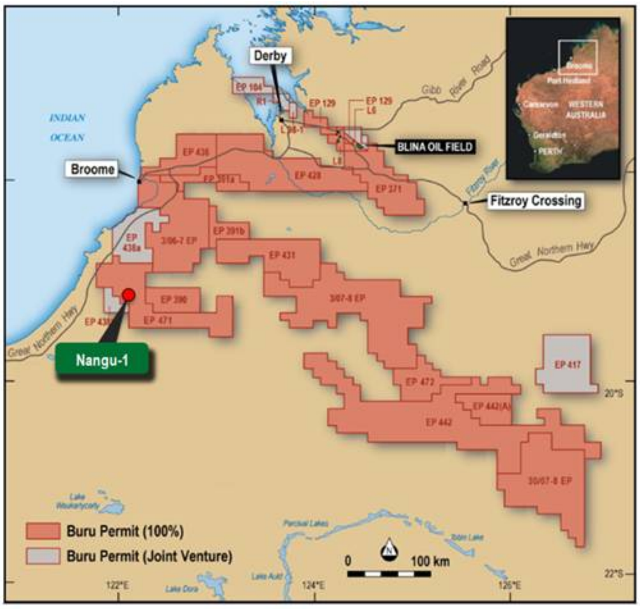
Drilling operations on Paradise-1 commenced on 18 October 2010 using Buru's Fairway Rig. Significant lost circulation zones were encountered in the shallow Grant Formation resulting in materially slower drilling rates than originally prognosed. Due to the slower than prognosed drilling rate and the onset of the wet season, the well was cased and suspended at 1,700 metres without reaching the targeted total depth of 2,500 metres. The deeper objective in the well (the Laurel Formation) was not penetrated prior to the suspension of drilling.

Oil was seen entrained in the mud during drilling below 900 metres. Logs of the interpreted oil zone considered to be the source of the oil were not definitive due to the fresh water used in the drilling fluids and recovered from formation water. However, sidewall cores suggested an oil column over the interval 902.5 to 910.9 metres in the Lower Grant Formation. After several attempts to undertake an on-bottom drillstem test failed due to equipment problems, an inflatable straddle drillstem test was undertaken over the interpreted oil zone. This test recovered water with traces of oil. The recovered water cannot be definitively identified as either filtrate or formation water.

The results of the drillstem test are considered to be anomalous given the influx of oil into the well bore during drilling and the oil observed in sidewall cores. Further analysis of the test results are being undertaken and alternative testing mechanisms are being evaluated. The joint venture is also considering options to test the deeper targets in the well and to follow up the prognosed oil bearing zone in additional exploration wells during the 2011 exploration program.

Nangu-1

Nangu-1 was the fourth well to be drilled in the 2010 drilling season. It was the second well to be drilled in the Company's Joint Exploration Program with MC. The well is located in exploration permit EP 471 (as shown in the map below). Under the terms of the farm-in agreement between Buru and MC, MC funded 80% of the costs of this well. Following MC's decision to participate in Buru's 2011 Canning Superbasin exploration program, each of Buru and MC hold a 50% interest in the well and in EP 471.



Drilling operations on Nangu-1 commenced on 28 November 2010 using Hunt Energy Rig #3. The well took a total of 9 days to reach a total depth of 1,049 metres. No hydrocarbon shows were encountered and the well was plugged and abandoned. The regional implications of the failure of this well to encounter hydrocarbons are currently being evaluated.

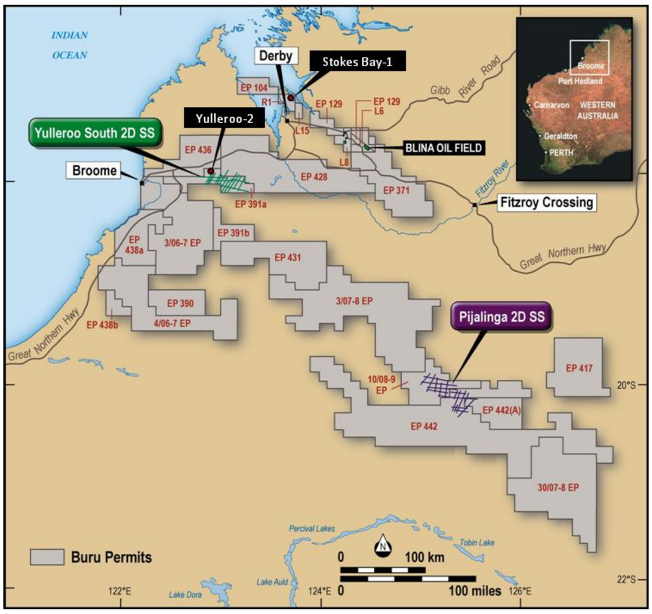
Exploration

The Company's other exploration activities during the quarter focused on:

- the acquisition of the Pijalinga 2D seismic survey;
- the reservoir stimulation of the Yulleroo-2 well;
- the testing of the Stokes Bay-1 well;
- securing a drilling rig for the 2011 exploration program; and
- the commencement of planning and seeking of Traditional Owner and regulatory approvals for the 2011 exploration program.

The Company also continued its detailed evaluation of the shale and tight gas potential of its permits.

The following map shows the location of the Pijalinga 2D seismic survey together with the Yulleroo-2 and Stokes Bay-1 wells.



Acquisition of the Pijalinga 2D seismic survey

Acquisition of the Pijalinga 2D seismic survey commenced on 2 October and was completed on 8 November 2010. A total of 414.8 kms of seismic was acquired. The survey was completed on time and with no incidents or lost time injuries. The purpose of the Pijalinga 2D seismic survey is to mature to drillable status multiple leads in the Acacia Fairway for potential inclusion in the 2011 exploration program and to provide additional regional coverage.

Initial reviews of the data indicate that data quality is good to excellent. Processing is underway and the new data is being incorporated into the planning for the 2011 field season as it becomes available.

Under the terms of the farm-in agreement between Buru and MC, MC is required to fund 80% of the costs of this seismic survey.

Stimulation and Testing of Yulleroo-2

The Yulleroo-2 well, drilled by ARC Energy in 2008 in exploration permit EP 391, followed up the Yulleroo-1 wet gas discovery and confirmed the existence of a large gas accumulation with an interpreted gross gas column of over 800 metres, with the potential to hold estimated recoverable resources, on a P50 basis, of in excess of 400 BCF of gas together with in excess of 20 mmbbls of liquids. In addition, the shales in the gas column have estimated potential recoverable resources, on a P50 basis, of another 1 TCF of gas. The Yulleroo-2 well was not tested by ARC Energy due to mechanical difficulties with the rig at the time of drilling.

After analysis of the results of the Yulleroo-2 well it was agreed that the reservoir was likely to respond positively to reservoir stimulation of both the interpreted tight sand reservoir and the shale sections and a well stimulation and test of Yulleroo-2 was subsequently commenced on 31 October 2010.

The stimulation was conducted using “slick water” (99.5% clean water with minor additives) and an inert proppant. Three zones at 3,100 metres, 2,980 metres and 2,850 metres were stimulated between 31 October and 6 November with no material operational problems or HSE incidents. However, due to higher down hole pressures than expected being encountered, the volume of fluid and proppant injected was substantially less than planned. Despite this, on completion of the stimulation program the well commenced flowing gas without further intervention.

Following the initial flow the well has been intermittently shut-in and then allowed to flow in order to clean-up the stimulation fluids and establish a stabilised flow rate. Based on experience in shale and tight gas plays in the United States it is not unusual for the clean-up process to take some time to demonstrate the future potential productivity of the reservoir. The well was shut-in in late December for pressure build up and planning is underway for the flowback period to recommence in early February using Buru internal equipment and personnel.

Preliminary analysis of the gas recovered from the well to date has been completed. The recovered gas is high quality, being predominantly methane and ethane with no hydrogen sulphide and negligible carbon dioxide. The gas also contains 10% LPGs, which will materially increase the value of any production from the field.

Yulleroo-2 flare during flowback

In addition, condensate has been produced throughout the clean-up flow and, while no condensate/gas ratio can be determined until a stabilised flow has been established, this is a highly encouraging sign given the significant value uplift associated with condensate production.

Under the terms of the farm-in agreement between Buru and MC, MC is required to fund 80% of the costs of this well stimulation and test program.

Testing of Stokes Bay-1

The Stokes Bay-1 well was drilled by ARC Energy in 2007. An inconclusive test of the Nullara Formation vugular carbonate reservoir was carried out by Buru in late 2008.

The current testing program commenced on 12 November 2010 and was completed on 14 November within budget and with no HSE incidents. The test recovered 2,760 barrels of interpreted reservoir fluid. The recovered fluid was 100% water with no indications of hydrocarbons. The well has now been suspended while the joint venture evaluates the results of the test and considers a forward program.

Drilling Rig for the 2011 Exploration Program

During the quarter the Company undertook a formal tender and due diligence process to identify a drilling rig suitable for drilling the deep wells in the proposed 2011 exploration program. A key criteria for this rig is a depth capacity greater than Buru's Fairway Rig and the flexibility to drill horizontal sections if these are required.

Based on the tender and due diligence process and subsequent commercial negotiations, the Company has entered into a letter of intent with Ensign for the supply of Ensign Rig 32 to drill up to six wells during the 2011 exploration program. The use of Ensign Rig 32 frees up Buru's Fairway Rig to conduct well completions, preparations for further stimulation operations, and workovers at the Blina and Sundown oil field complex.

Given the scope of the planned exploration program, a second rig to conduct drilling of shallower exploration wells may also be required. In this case the Fairway Rig or a smaller third party rig may be able to conduct these operations. The potential to have two rigs with complimentary capabilities operating in the Canning Superbasin provides Buru with enhanced operational flexibility and the scope to undertake a wider range of exploration and development activities during 2011.

Planning for the 2011 Exploration Program

MC's commitment to participate in the 2011 exploration program (as discussed below) is based on an indicative exploration program consisting of:

- the appraisal of the Pictor oil and gas discovery in exploration permit EP 431;
- the drilling of two exploration wells in the Yulleroo exploration province, either to directly appraise the Yulleroo accumulation or to drill new prospects on the trend confirmed by Yulleroo-2 and the Yulleroo South 2D seismic survey, targeting further significant gas/condensate accumulations;
- the drilling of two exploration wells in the Acacia exploration province targeting significant oil accumulations;
- the drilling of the Cyrene-1 exploration well in exploration permit EP 438;
- a well to test one of the unconventional play types currently being evaluated and quantified by Buru; and
- the acquisition of approximately 1,250 kilometres of new 2D seismic and 250 square kilometres of new 3D seismic.

Buru and MC are also considering undertaking additional exploration or appraisal drilling in the Paradise area, dependent on the further analysis and testing of the Paradise-1 well as discussed above. Based on the success of the stimulation testing of the Yulleroo-2 well during the period Buru and MC are considering whether a similar technique can be applied to a number of existing wells in the Canning Superbasin, or to new exploration wells drilled during 2011, enabling a wider range of conventional and unconventional play types to be tested as part of the 2011 exploration program.

The 2011 exploration program is expected to be the largest onshore exploration program conducted in Western Australia in 2011. Accordingly, the Company commenced active planning for the exploration program during the quarter. This included commencing the detailed technical evaluation needed to finalise drilling prospects and optimum seismic acquisition parameters, and commencing negotiations with Traditional Owners for heritage approvals to undertake on-ground activities.

Unconventional and Tight Gas Potential

During the quarter the Company continued its ongoing review of the unconventional and tight gas potential of the Canning Superbasin. There are several thick, widespread, mature, organic rich shales present on Buru's permits including the Noonkanbah, Lower Anderson, Laurel, Gogo and Goldwyer Formations and there is also extensive tight gas potential in the sands of the Laurel Formation in both conventional and unconventional settings.

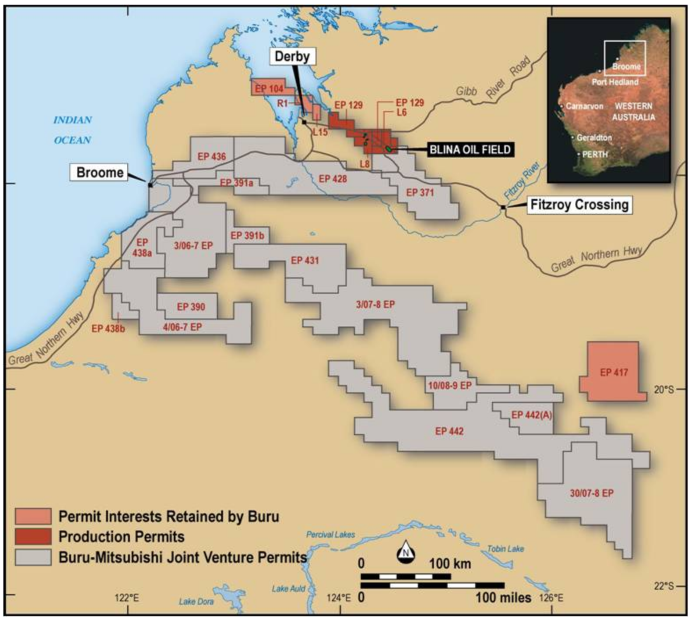
The analysis of the cores acquired from the Noonkanbah Formation shales during the drilling of Fairwell-1 is ongoing. The acquisition and analysis of fresh core material is an essential component of evaluating shale gas plays. These cores are the first cores in the Canning Superbasin acquired specifically for shale gas evaluation.

Based on the results of the successful stimulation test of the Yulleroo-2 well and the findings to date from its review of the Superbasin as a whole, the Company has also commenced a re-interpretation of the results of the Valhalla-1 well drilled by ARC Energy, but which was not tested due to well conditions and mechanical problems. While further work is required, there is the potential for the Valhalla-1 well to contain both conventional gas and oil reservoirs and a number of significant unconventional sections that could be successfully stimulated using the techniques employed at Yulleroo-2. There is therefore potential to follow-up the Valhalla well with a new well and to undertake a series of definitive tests of the conventional and unconventional reservoirs.

Corporate

On 30 November the Company announced that MC had exercised its option to participate in Buru's 2011 exploration program in the Canning Superbasin. By exercising this option MC is now committed to fund $40 million of a $50 million exploration program in 2011 and up to $50 million of Buru's development costs for major oil and gas production infrastructure in the Canning Superbasin. This is in addition to the $22.4 million of exploration that MC had committed to fund the 2010 exploration program, with any unspent portion of this $22.4 million being available to be spent on future exploration.

By committing to fund the 2011 exploration program MC will earn an equal interest to Buru in the majority of Buru's permits as set out in the following map.



In addition to the expenditure commitment and interest in Buru's permits earned to date:

- MC has the right to earn an interest in the unconventional resources in Buru's exploration permits by carrying a further $40 million of Buru's unconventional exploration costs in 2012 (if MC does not fund this exploration then all rights to unconventional resources in Buru's permits in the Canning Superbasin will revert back to Buru); and

- MC has the right to acquire a 50% interest in Buru's production permits for an additional cash payment at a price determined by an independent expert based on 2P reserves.

Buru will continue as the operator of all of its permits. However, MC will lead any LNG commercialisation efforts in the joint venture permits in the Canning Superbasin.

Executive Director's Comments

"The December quarter was the culmination of a huge amount of technical work and operational preparation and planning. During the quarter we formally welcomed Mitsubishi as a partner in our exploration program and accelerated our exploration activities. The results of this exploration had their highs and lows. On the high side, the strong flow and ongoing encouragement from Yulleroo-2 gives us great confidence that a commercial accumulation will be established in the Yulleroo area and that the Canning Superbasin contains extensive unconventional reservoir potential. Paradise-1 was also very encouraging although not as immediately definitive as we would have liked. We saw extensive oil shows during drilling, interpreted a nine metre oil bearing zone in the Grant Formation, but then were unable to recover further oil on test. Despite this the results are very positive for the area as a whole and we will be evaluating this new play with a view to following it up as soon as we can during the 2011 drilling season. The deeper potential of this well is also unevaluated and we look forward to the completing the drilling of the well during this year's program. On the low side, Nangu-1 was obviously disappointing but we have some work to do to see what the regional implications of the well might be.

Mitsubishi's commitment to the 2011 exploration program is a further validation of the success we have seen to date, and the hard work we have put into the evaluation of the Canning Superbasin. With the financial strength of Mitsubishi now firmly behind us we are rapidly progressing our planning for the 2011 exploration program. We are working our way through the data recorded from the Yulleroo South and Pijalinga 2D seismic surveys to firm up drilling targets for the upcoming field season and have engaged Ensign Rig 32 which significantly enhances our operational capacity in 2011.

The upcoming exploration program will be tremendously busy and very exciting. We will be keeping shareholders and the market updated as we firm up our plans for 2011 over the next few months."

Eric Streitberg
Executive Director

Glossary

2D	Two dimensional seismic survey
3D	Three dimensional seismic survey
ARC Energy	ARC Energy Limited
BCF	Billion cubic feet (of gas)
Bopd	Barrels of oil per day
Buru or the Company	Buru Energy Limited (ASX code: BRU)
DMP	Western Australian Department of Mines and Petroleum
Ensign	Ensign International Energy Services
LPG	Liquefied petroleum gas
MC	Mitsubishi Corporation
Mmbbls	Millions of barrels (of liquids)
TCF	Trillion cubic feet (of gas)

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, 01/06/10.

Name of entity

BURU ENERGY LIMITED

ABN	Quarter ended ("current quarter")
71 130 651 437	31 December 2010

Consolidated statement of cash flows

			Current quarter $A	Year to date (6 months) $A
Cash flows related to operating activities				
1.1	Receipts from product sales and related debtors		582,677	1,137,208
1.2	Payments for	(a) exploration & evaluation	(1,845,855)	(7,415,034)
		(b) development	-	(53,323)
		(c) production	(280,157)	(837,434)
		(d) administration	(1,130,717)	(2,311,730)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		175,068	1,513,171
1.5	Interest and other costs of finance paid		-	-
1.6	Income taxes paid		-	-
1.7	Payments for restoration to existing producing assets		-	-
	Net operating cash flows		**(2,498,984)**	**(7,967,142)**
Cash flows related to investing activities				
1.8	Payment for purchases of:	(a) fixed assets	(259,023)	(438,769)
1.9	Proceeds from sale of:	(a) fixed assets	-	-
1.10	Loans to other entities		-	-
1.11	Loans repaid by other entities		-	-
1.12	Other (Investments)		-	(624,650)
	Net investing cash flows		**(259,023)**	**(1,063,419)**
1.13	Total operating and investing cash flows (carried forward)		(2,758,007)	(9,030,561)

1.13	Total operating and investing cash flows (brought forward)	(2,758,007)	(9,030,561)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	10,010	10,092
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Loan pursuant to the employee share acquisition scheme	-	-
	Net financing cash flows	**10,010**	**10,092**
	Net increase (decrease) in cash held	**(2,747,997)**	**(9,020,469)**
1.20	Cash at beginning of quarter/year to date	55,724,777	62,340,717
1.21	Exchange rate adjustments to item 1.20	(109,688)	(453,156)
	Cash at end of quarter including cash held in escrow	**52,867,092**	**52,867,092**
	Less cash held in escrow	(21,940,488)	(21,940,488)
1.22	**Cash at end of quarter**	**30,926,604**	**30,926,604**

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
1.23	Aggregate amount of payments to the parties included in item 1.2	120,500
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25	Explanation necessary for an understanding of the transactions
	N/A

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
	Buru Energy Ltd ("Buru") and Alcoa of Australia Ltd ("Alcoa") have agreed to escrow $20,000,000 and interest thereon in partial satisfaction of Buru's obligations to repay a $40,000,000 gas prepayment made by Alcoa to ARC Energy Limited prior to the demerger of Buru. These financial obligations crystallise if Buru does not deliver gas under the gas sales agreement between Alcoa and Buru from gas supplied from the Canning Basin or elsewhere, with repayment obligations being in three equal annual instalments commencing in 2013. This cash balance in escrow has received interest totalling $1,940,488 taking the total escrowed cash balance to $21,940,488.

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
	Mitsubishi Corporation ("MC") has exercised its option to participate in Buru's 2011 exploration program in the Canning Superbasin. By exercising this option MC is now committed to fund A$40 million of an A$50 million exploration program in 2011 and up to A$50 million of Buru's development costs for major oil and gas production infrastructure in the Canning Superbasin. This is in addition to the A$22.4 million of exploration MC is already committed to fund as part of the 2010 exploration program. Further information on the option exercised by MC is available in the ASX announcement made by Buru on 30 November 2010.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A	Amount used $A
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A
4.1	Exploration and evaluation	1,900,000
4.2	Development	460,000
4.3	Production	610,000
4.4	Administration	1,100,000
	Total	**4,070,000**

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 $A	Previous quarter $A
5.1	Cash on hand and at bank	5,926,604	3,784,289
5.2	Deposits at call	25,000,000	30,000,000
5.3	Bank overdraft	-	-
	Total: cash at end of quarter (item 1.22)	**30,926,604**	**33,784,289**
	Cash held in escrow	21,940,488	21,940,488
	Total: cash at end of quarter including cash held in escrow	**52,867,092**	**55,724,777**

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	EP371 EP390 EP391 EP428 EP431 EP436	MC option exercised MC option exercised MC option exercised MC option exercised MC option exercised MC option exercised	60% 60% 60% 60% 60% 60%	50% 50% 50% 50% 50% 50%
6.2	Interests in mining tenements acquired or increased	EP471 EP472 EP473 EP474	Granted by the DMP* Granted by the DMP* Granted by the DMP* Granted by the DMP*	Nil Nil Nil Nil	50% 50% 50% 100%

* Government of Western Australia – Department of Mines and Petroleum

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 (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	 - -	 - -	 - -	 - -
7.3	**+Ordinary securities**	182,780,549	182,780,549	N/A	N/A
7.4	Changes during quarter (a) Increases through issues Options exercised (b) Decreases through returns of capital, buy-backs	 10,649 -	 10,649 -	 $0.94 -	 $0.94 -
7.5	**+Convertible debt securities** *(description)*	N/A	N/A	N/A	N/A
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	 - -	 - -	 - -	 - -
7.7	**Options** *(description and conversion factor)*	 5,000,000 10,241,000 5,000,000 3,780,000 24,021,000	 - - - - -	***Exercise price*** $0.25 $0.30 $0.35 $0.48	***Expiry date*** 31 Dec 2011 31 Dec 2011 31 Dec 2011 31 Dec 2012
7.8	Issued during quarter	3,780,000	-	-	-
7.9	Exercised during quarter	10,649	10,649	-	-
7.10	Expired during quarter	55,166,154	55,166,154	-	-
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 gives a true and fair view of the matters disclosed.

Sign here: .... Date: 27 January 2011
Eric Streitberg
Executive Director

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 6****: Exploration for and Evaluation of Mineral Resources* and ***AASB 107****: Statement of Cash Flows apply to this report*.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.