ASX CODE DOM

DIRECTORS

Peter Joseph – Chairman
Jonathan Shellabear – Managing Director
Ross Coyle – Exec Director
Peter Alexander – Non-Exec Director
John Gaskell – Non-Exec Director

KEY MANAGEMENT

Jonathan Shellabear – Managing Director
Peter Bamford – GM Operations
Ross Coyle – CFO & Company Secretary
Tony Poustie – GM Exploration

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Dominion Mining Limited

ABN 37 000 660 864

QUARTERLY REPORT

31 DECEMBER 2008

HIGHLIGHTS

Challenger Mine Operations

- Quarterly gold production of **25,014 ounces** at an operating cash cost of **A$431/ounce** and for the 6 months gold production of **52,283 ounces** at an operating cash cost of **A$416 per ounce**.

- A milestone of 500,000 ounces of gold production since commissioning of the operation, achieved in October 2008.

- Underground drilling has continued to demonstrate the continuity of high grade mineralisation in future mining levels of the Challenger shoots as highlighted by the following gold intersections:

  M1 shoot: 3.6 metres @ 194.98 g/t, 11.70 metres @ 25.6 g/t, 10.8 metres @ 61.56 g/t, 5.20 metres @ 91.31 g/t, 12.6 metres @ 46.50 g/t, 4.5 metres @ 75.63 g/t and **4.5 metres @ 115.67 g/t.**

  M2 shoot: 6.3 metres @ 46.69 g/t, 11.7 metres @ 37.10 g/t, 3.75 metres 101.14 g/t, 1.80 metres @ 303.67 g/t and **5.4 metres @ 59.87 g/t.**

- Mine expansion Feasibility Study to be completed in the March 2009 quarter.

- The ventilation shaft preparatory work started in November 2008 with the shaft scheduled to be complete for commissioning during September 2009.

- A record 644 Lost Time Injury free days achieved by the end of the quarter.

Exploration

- Surface diamond drilling has demonstrated excellent continuity of high grade gold mineralization in the **Challenger West Shoot** with intersections of **0.59 metres @ 76.0 g/t, 1.34 metres @ 29.1 g/t** and **0.90 metres @ 310.9 g/t**.

- Underground diamond drilling has upgraded the potential of the **M3 Shoot** with a series of gold intersections including **2.53 metres @ 17.6 g/t, 1.35 metres @ 24.0 g/t, 1.70 metres @ 36.8 g/t** and **2.86 metres @ 30.2 g/t**.

- Underground percussion drilling has continued to define a high grade structure along the **M1/M2 Confluence Zone** with multiple intersections including **7.20 metres @ 28.6 g/t, 2.25 metres @ 70.5 g/t, 9.80 metres @ 16.7 g/t, 8.75 metres @ 34.1 g/t, 6.00 metres @ 85.2 g/t, 4.40 metres @ 110.3 g/t, 3.60 metres @ 56.6 g/t, 9.70 metres @ 101.7 g/t** and **4.50 metres @ 75.6 g/t gold**.

- Drilling results have given further confirmation of the potential for a large resource of heavy mineral sands (HMS) at the **Barton West HMS Project** located within the Eucla Basin district of South Australia. TZMI (internationally acknowledged consultants specializing in the HMS industry) have been appointed to advise on the further evaluation of this project.

Corporate

- Revenue for the quarter of **A$29.3 million** was generated from the sale of **25,510 ounces** of gold at an average price received of **A$1,149/ounce** generating a gross cash margin of **A$18.5 million** and a net operating cash margin after development and capital expenditure of **A$11.6 million. (equivalent to A$464/ounce produced).**

- For the six months revenue was **A$56.4 million** from the sale of **51,906 ounces** of gold at an average delivered price of **A$1,087/ounce** generating a gross cash margin of **A$34.7 million** and a net operating cash margin after development and capital expenditure of **A$22.1 million. (equivalent to A$423/ounce produced).**

- Cash and bullion of **A$56.4 million** at the end of December comprised cash of **A$51.4 million** and bullion of **A$5.0 million**.

OPERATIONS (Challenger Gold Project – Dominion 100%)

Production and Development

A total of 25,014 ounces of gold was produced for the quarter with 109,872 tonnes of ore processed at a feed grade of 7.71 g/t. Net cash operating cost was $431/ounce. For the six months gold production was 52,283 oz at a net cash operating cost of $416/ounce and was achieved from processing 215,966 tonnes at an average grade of 8.12 g/t.

The head grade was lower over the quarter due to a higher proportion of development ore being processed. This was planned to enable access to sub levels of the M2 shoot for future stoping.

The rate of ore treatment was ramped up to compensate for lower overall average feed grade to the mill. The processing plant continues to be de-bottlenecked and the treatment of nearly 110,000 tonnes was the highest quarterly throughput achieved since underground mining commenced.

A milestone of 500,000 ounces of gold production was achieved for the Challenger project in October 2008.

		Quarter Ended 31 Dec 2008	Quarter Ended 31 Dec 2007	6 months Ended 31 Dec 2008	6 months Ended 31 Dec 2007
Tonnes Mined (including low grade)	(tonnes)	129,023	124,181	247,075	235,932
Ore Processed	(tonnes)	109,872	105,749	215,966	213,993
Head Grade	(g/t)	7.71	9.07	8.12	8.61
Recovery	(%)	93.9	93.8	94.1	94.0
Gold Produced*	(oz)	25,014	28,719	52,283	56,026
Cash Operating Cost*	(A$/oz)	$431	$351	$416	$351
Development and Capex	(A$/oz)	$278	$236	$240	$202
Gold Sold	(oz)	25,510	28,113	51,906	55,256
Average Price Received	(A$/oz)	$1,149	$822	$1,087	$797

**(Gold production is actual gold poured during the period and does not reflect changes in the balance of gold in circuit. Cash operating cost refers to the cost of gold poured and produced and includes all expenditures directly incurred on mining, crushing and processing net of all movements in deferred mining expenditure and stockpiles plus site overheads. These costs do not include production royalties payable of $37 per ounce.*

Capital costs for underground mining during the quarter amounted to $4.48 million, primarily attributable to decline development and general underground access and infrastructure.

Additional capital expenditure of $2.47 million included underground ventilation upgrades, a further refuge chamber, an underground refuelling station, a 2000kVa transformer purchased as an insurance spare, a replacement surface secondary crusher and further accommodation units to expand the village.

The ventilation upgrades included booster fans with associated infrastructure and additional electrical capacity to increase airflow as the mine becomes deeper.

Macmahon Mining Services have been contracted for all work associated with the pre-sink and raise boring of a 4.5 metre diameter, 730 metre deep ventilation shaft. This shaft will provide ventilation for mining to at least 1.2 km below surface which is the depth of current resources. The M1 Shoot is currently being stoped at 700 metres below surface and the M2 is at 220 metres below surface.

The ventilation shaft preparatory work started in November 2008 and the shaft is scheduled to be complete for commissioning during September 2009. The cost of the ventilation shaft including associated infrastructure is estimated at $10.5 million.

Underground Development & Mining

During the quarter the M1 shoot was stoped from the 540 and 520 levels and the M2 shoot from the 980 level.

Development of the M1 shoot was completed on the 500 and 480 levels and was in progress on the 460 level. Development of the M2 shoot took place on multiple horizons including the 980, 960, 940, 900 and 580 levels.

An exploratory drive on the 800 level was nearing completion which will allow drilling to follow up high grade intersections of potential new shoots not included within current resource or reserves. Similarly the 580 exploration drive will permit further drilling to follow up previous high grade intersections of the M3 shoot.

The decline servicing both M1 and M2 shoots had reached below the 460 level by the end of the quarter.

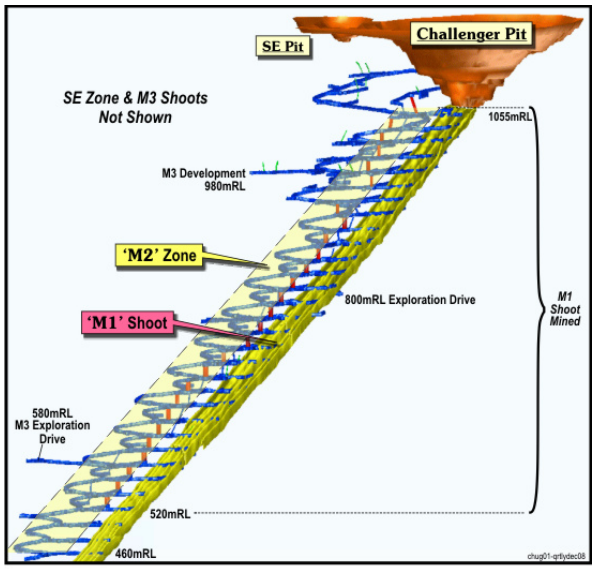
Future Production

The M2 shoot comprises various limbs asymmetrically folded, all of which contain gold at various grades. The current mining layout and stope design options use critical geotechnical parameters to minimise grade dilution. Studies will continue to assess which combinations of limbs to stope in order to optimise gold recoveries.

Gold production for the next 6 months is estimated to be in the order 54,000 ounces at a cash operating cost of around $425/ounce. Ore will be mined from both M1 and M2 orebodies with M1 supplying approximately 60% of total ore feed to the plant.

The de-bottlenecking of the processing plant will allow high grade ore to be treated at a rate of 50 tonnes per hour without a reduction in recoveries. A rate of 55 tonnes per hour has been achieved and will continue to be scheduled for lower grades of <7 g/t.

The Feasibility Study on the possible expansion of annual production will be completed during the March 09 quarter.



Challenger underground showing current level

Evaluation of the Continuity of the Challenger Shoots (currently defined reserves)

Underground drilling has continued to demonstrate the continuity of high grade mineralisation in future mining levels of the Challenger shoots as highlighted by the following intersections:

Underground Diamond Drilling Intersections

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t)	Level/RL	Shoot
08CUD0462	109.00	110.03	1.03	43.74	465	M1
08CUD0482	46.00	48.00	2.00	50.46	845	M2
08CUD0482	65.00	69.00	4.00	65.79	845	M2
08CUD0484	81.00	85.00	4.00	13.85	845	M2
08CUD0485	62.00	63.00	1.00	21.60	845	M2
08CUD0453	42.00	43.11	1.11	12.22	605	M2
08CUD0457	39.00	39.50	0.50	91.90	600	M2
08CUD0461	85.00	86.18	1.18	15.51	465	M2

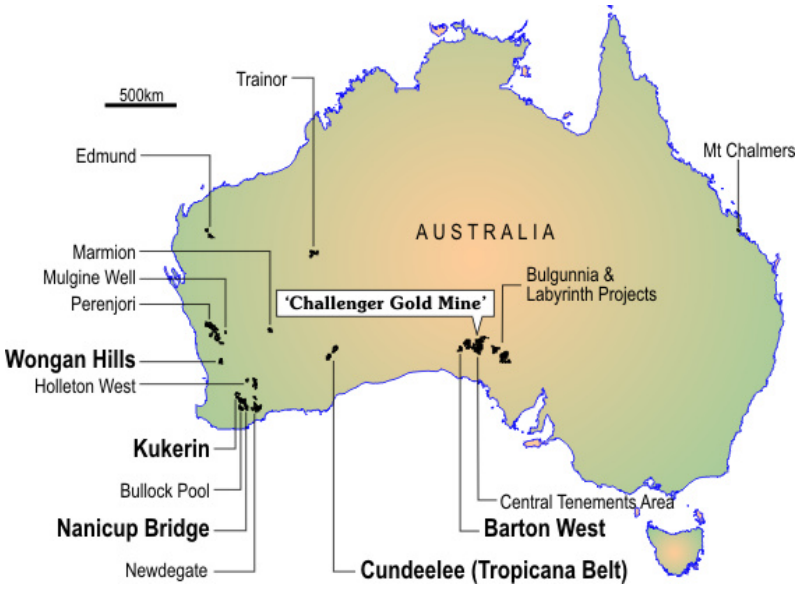
Underground Percussion Drilling Intersections

Hole ID	Interval (m)	Au (g/t)	Level/RL	Shoot
08CUS3722	3.60	53.27	520	M1
08CUS3722	3.60	194.98	520	M1
08CUS4006	11.70	25.67	500	M1
08CUS3851	1.80	52.12	500	M1
08CUS4031	1.80	52.90	500	M1
08CUS3850	2.70	55.22	500	M1
08CUS4012	10.80	61.56	500	M1
08CUS4018	1.80	87.87	500	M1
08CUS4065	5.20	91.31	500	M1
08CUS4033	8.10	259.01	500	M1
08CUS4344	6.75	30.73	480	M1
08CUS4305	12.60	46.50	480	M1
08CUS4093	3.70	47.49	480	M1
08CUS4150	2.70	61.71	480	M1
08CUS4319	4.50	75.63	480	M1
08CUS4157	0.90	82.72	480	M1
08CUS4158	1.80	87.85	480	M1
08CUS4156	1.80	89.08	480	M1
08CUS4146	1.80	98.87	480	M1
08CUS4314	4.50	115.67	480	M1
08CUS4311	1.80	169.57	480	M1
08CUS4058	1.80	52.96	980	M2
08CUS4055	0.90	83.20	980	M2
08CUS3874	5.25	22.39	960	M2
08CUS4048	6.30	46.69	960	M2
08CUS3880	1.50	74.08	960	M2
08CUS4050	2.70	94.62	960	M2
08CUS4181	11.70	37.10	940	M2
08CUS4201	1.80	58.37	940	M2
08CUS4179	3.75	101.14	940	M2
08CUS3908	1.80	303.67	940	M2
08CUS4333	3.60	88.79	900	M2
09CUS4373	5.40	59.87	780	M2
08CUS3337	5.10	40.17	580	M2
08CUS4267	1.80	58.40	580	M2
08CUS4259	1.00	104.14	580	M2
08CUS4221	1.50	104.27	580	M2
08CUS4077	1.80	98.31	500	M2

Occupational Health and Safety

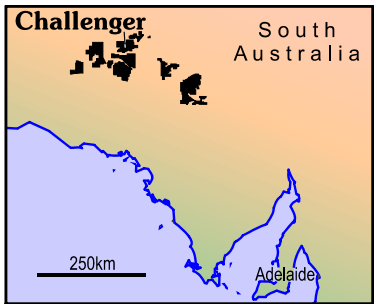
The excellent safety record at Challenger continued with 644 Lost Time Injury free days achieved by the end of the quarter.

EXPLORATION PROJECTS



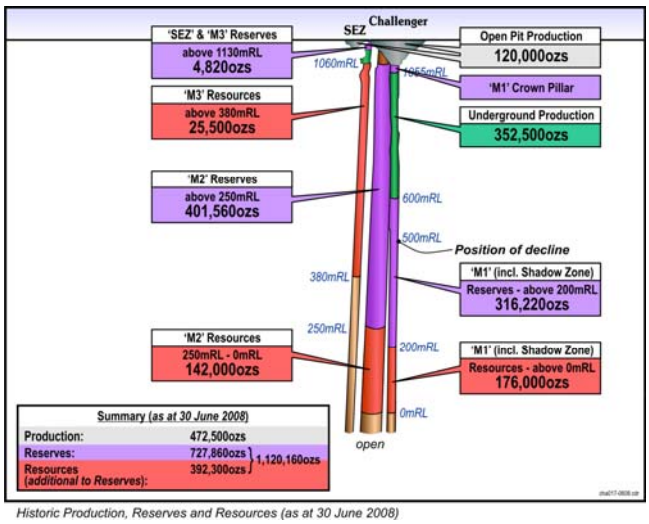
South Australia

Challenger (100%)



The **Challenger Deeps** surface drilling programme has continued during the quarter with the completion of a further 4 daughter holes (08CDDH0082W3, W4, W5 and W6) wedged off from the parent hole (08CDDH0082). These '82 Series' holes were targeting Inferred Resources, relating to depth extensions of the M1 and M2 Shoots, down to the 0m RL (1,195 metres below surface).

While assay results from some of this drilling are still pending it does not appear that the shoot system has been intersected. Interpretation of structural data suggests that the system, at this depth, has been offset, and drilling of a new parent hole (09CDDH0086) has just commenced. This hole, together with planned daughter holes, will extend coverage at the same depths as the 82 Series drilling.



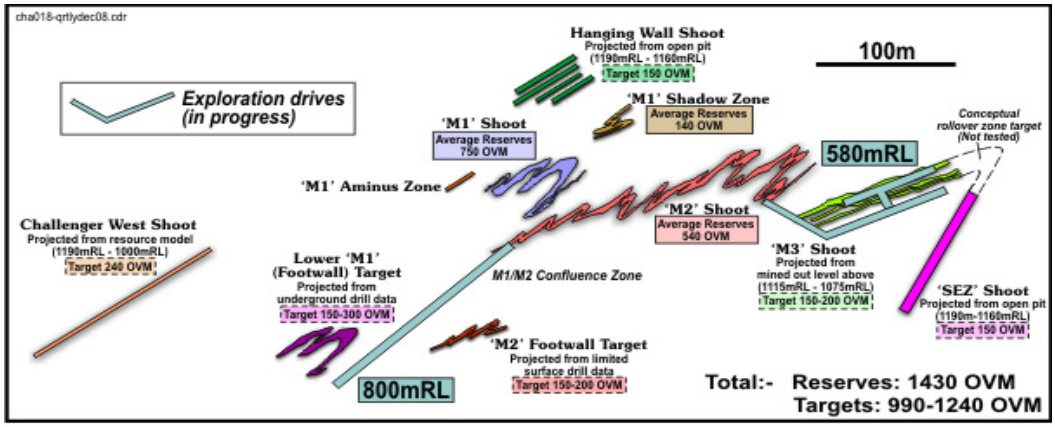
Historic Production, Reserves and Resources (as at 30 June 2008)

Further surface diamond core drilling has also targeted the **Challenger West Shoot**. The very high grade intersection in 08CDDH0083 (1.21 metres @ 251.9 g/t gold), reported in the September quarter, had indicated continuity of the shoot at the 930m RL (265 metres below surface) nearly 100 metres below the previous deepest intersection in RC drilling. During the quarter a daughter hole 08CDDH0083W1 was wedged off the 08CDDH0083 parent hole and 2 new parent holes 08CDDH0084 and 08CDDH0085, together with their respective daughter holes, 84W1 and 85W1, have been drilled, respectively about 50 metres above and below the intersection in hole 83. Each of the new holes intersected the target most with visible gold. Significant results are tabulated below:

Surface Diamond Drilling Intersections – Challenger West

							Depth of Intersection	
Hole ID	Coords	Dip/Azi	From (m)	To (m)	Interval (m)	Au (g/t)	m RL	Vertical depth (m)
08CDDH0083W1	10666N/19850E	-56/182	272.00	272.59	0.59	76.00	965	230
08CDDH0084W1	10572N/19750E	-53/185	224.30	225.64	1.34	29.11	1010	185
08CDDH0085W1	10761N/19950E	-54/184	383.51	384.41	0.90	310.87	880	315

These results demonstrate excellent continuity of high grade mineralisation down to the 880m RL (315 metres below surface) where it is still open. The development potential of the shoot has clearly been upgraded and a revised resource estimate is being carried out. Further evaluation, from underground access, is planned.



Schematic plan of shoots (part of mining reserves) and target shoots

Underground diamond drilling to evaluate the **M3 Shoot** has returned a series of high grade intersections as tabulated below:

Underground Diamond Drilling Intersections M3 Shoot

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t)	Level/RL
08CUD0436	57.47	60.00	2.53	17.65	790
08CUD0471	144.00	145.35	1.35	23.98	730
08CUD0471	152.30	154.00	1.70	36.82	730
08CUD0471	139.14	142.00	2.86	30.23	725
08CUD0454	65.17	73.00	7.83	6.27	615
08CUD0455	66.51	69.88	3.37	7.23	615

These intersections which demonstrate continuity over a 200 metre vertical interval confirm the potential for a resource upgrade of the M3 Shoot. To facilitate reserve estimation for this shoot it is planned to undertake trial mining using air leg (hand held) equipment which is suited to such narrow high grade structures. The only previous development of the M3 Shoot, using mechanised mining equipment, between the 1115m and 1075m RLs yielded between 150 – 200 ounces of gold per vertical metre.

Further detailed evaluation of the M3 Shoot is also planned on the 580m RL where a dedicated exploration drive is in progress. This drive will also provide access to evaluate the **SEZ Shoot** and **Rollover Zone Targets**.

Another dedicated exploration drive is being developed, on the 800m RL, to provide access to evaluate the **M1** and **M2 Footwall Targets**. This drive should also provide access for evaluation of depth extensions to the **Challenger West Shoot**.

Drilling from both of these drives is planned for the March 2009 quarter.

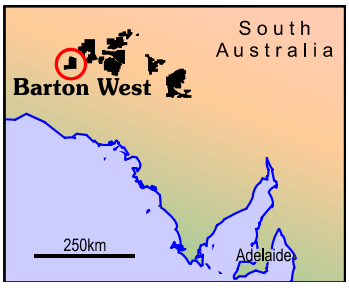
Underground percussion drilling carried out as part of systematic grade control programmes evaluating the M1 and M2 Shoots has demonstrated excellent continuity of very high grades within the **M1/M2 Confluence Zone Target**. This zone originally had been highlighted by a series of intersections, reported in the June 2008 quarterly, between the 640m and 580m RLs. Additional subsequent intersections are tabulated below:

Underground Percussion Drilling Intersections M1/M2 Confluence Zone

Hole ID	Interval (m)	Au (g/t)	Level/RL
08CUS3617	2.25	16.2	980
08CUS3619	2.85	35.1	980
08CUS3634	8.10	11.9	960
08CUS4256	2.70	33.1	940
08CUS4257	7.20	28.6	940
08CUS3295	3.00	18.3	560
08CUS3308	2.25	70.5	560
08CUS3248	9.80	16.7	560
08CUS3249	6.05	18.2	560
08CUS3250	8.75	34.1	560
08CUS3251	6.00	85.2	560
08CUS3461	4.40	110.3	540
08CUS3463	3.80	34.4	540
08CUS3464	3.60	56.6	540
08CUS3471	3.60	43.2	540
08CUS3573	3.60	23.9	540
08CUS4102	9.70	101.7	500
08CUS4319	4.50	75.6	480
08CUS4323	3.60	33.0	480

Continuity of high grade mineralisation within this zone has now been demonstrated between the 980m and 940m RLs and also between the 640m and 480m RLs. The position has not been evaluated at other levels in the mine. This zone has been stoped, together with the M1 Shoot, below the 640m RL. At higher levels, development of the zone will be planned as an extension of the development of the M2 Shoot.

Barton West Project (Eucla Basin), Maralinga JV (90%)

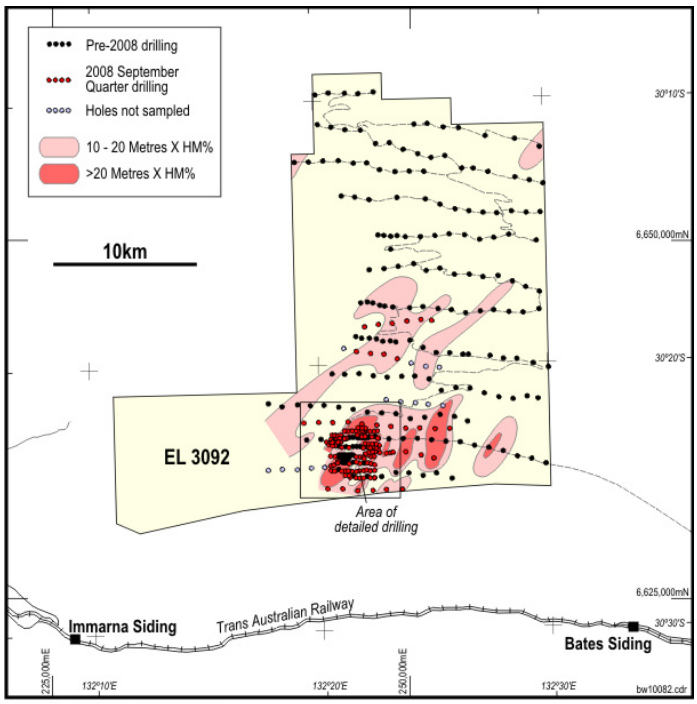


Results for the heavy mineral (HM) content of all 147 holes drilled during the September quarter have been received. In addition to the results for the first 77 holes drilled (08NTAC223 – 08NTAC299), which were reported in the September quarterly the following table summarises results for the remaining 70 holes (08NTAC300 – 08NTAC369). It is interpreted that approximately 35% of the holes did not reach target depth.

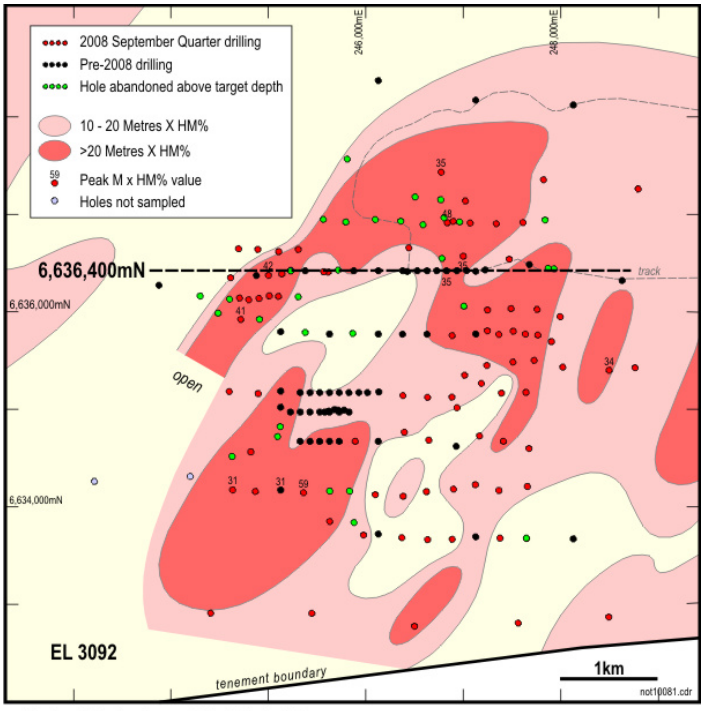
Hole ID	Coords MGA East/North	Interval (m)	Width (m)	HM%
08NTAC300	248021/6635434	13-23	10	1.8
		Inc 19-21	2	4.9
08NTAC301	247511/6635484	21-29	8	1.7
08NTAC302	247241/6635450	13-25	12	1.8
08NTAC303	247014/6635349	14-22	8	1.6
08NTAC304	247903/6635695	18-28	10	1.6
08NTAC306	247512/6635800	22-34	12	1.6
08NTAC307	247246/6635805	18-26	8	1.9
		Inc 22-24	2	3.2
08NTAC309	247248/6636019	12-20	8	1.7
08NTAC310	247994/6635949	23-27	4	1.9
08NTAC311	247757/6636026	18-28	10	2.7
		Inc 18-24	6	3.5
08NTAC312	247489/6636033	16-22	6	2.1
08NTAC313	245012/6636164	16-24	8	2.5
		Inc 18-20	2	5.0
08NTAC314	244799/6636123	14-20	6	2.6
		Inc 16-18	2	5.1
		& 24-27	3	1.2
08NTAC315	244604/6636129	13-24	11	2.2
		Inc 15-17	2	3.9
08NTAC319	244717/6635921	9-21	12	3.5
		Inc 13-17	4	6.6
08NTAC322	247613/6636915	11-21	10	2.0
		Inc 17-19	2	3.1
08NTAC323	247339/6636904	10-22	12	1.7
08NTAC324	247072/6636911	14-26	12	1.8
		Inc 22-24	2	4.5
08NTAC325	246837/6636913	12-23	11	2.8
		Inc 12-15	3	5.8
		& 33-37	4	4.6
08NTAC332	246898/6636928	11-25	14	2.3
		Inc 11-13	2	3.3
		& 19-23	4	3.5
08NTAC337	249239/6641967	16-22	6	1.6
08NTAC338	248305/6642284	17-27	10	1.4
08NTAC339	247382/6642344	17-24	7	2.0
08NTAC340	246397/6642486	13-17	4	1.9
08NTAC342	247923/6644361	10-13	3	1.7
08NTAC343	246960/6644190	15-17	2	1.5
08NTAC344	248895/6644429	11-18	7	1.5
08NTAC345	249915/6644597	20-25	5	1.0
08NTAC346	250897/6644711	19-25	6	2.0
		Inc 23-25	2	3.7
08NTAC353	246773/6637431	15-25	10	2.1
		Inc 15-17	2	3.1
		& 31-37	6	2.3
08NTAC354	247822/6637355	21-25	4	2.0
08NTAC355	248793/6637261	8-16	8	1.8
08NTAC356	249842/6637147	10-17	7	1.8
08NTAC357	250803/6637151	13-15	2	2.2
		& 17-25	8	1.8
		Inc 19-21	2	3.0
08NTAC359	252902/6637132	6-12	6	1.4
		& 14-16	2	1.3
08NTAC360	242731/6637493	33-39	6	1.5
08NTAC364	247022/6637137	15-25	10	1.6

08NTAC367	246443/6636657	14-22	8	2.4
		Inc 16-18	2	3.6
08NTAC369	247000/6636570	13-27	14	2.3
		Inc 15-17	2	3.9
		& 21-23	2	3.2

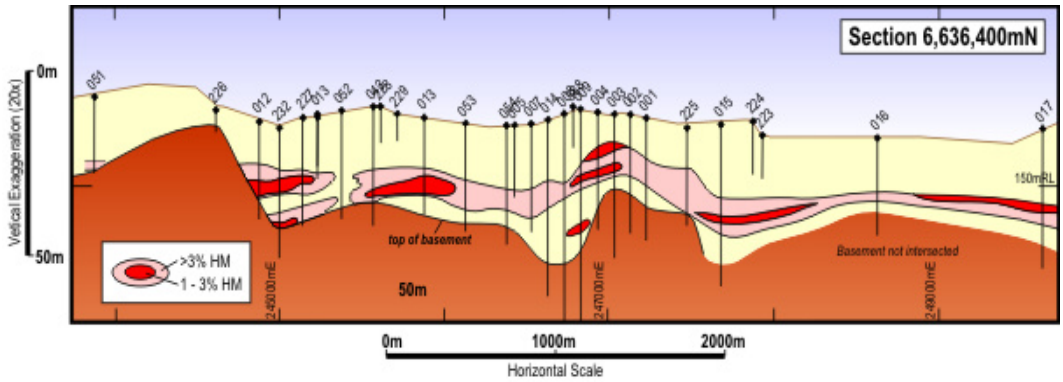
The following figures demonstrate the extent of significant heavy mineral sands (HMS) content.



Barton West - HMS drilling



Barton West - Area of detailed drilling



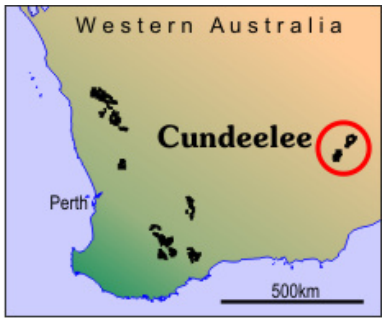
Mineralogical investigations have indicated the following average content of material grading above 1% HM:

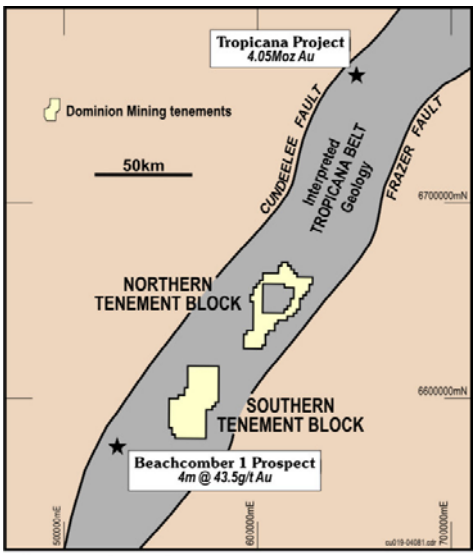
Zircon -10%, Rutile and Leucoxene - 20%, Ilmenite (predominantly pseudorutile) - 60%.

Formal resource estimation is underway and TZMI (internationally acknowledged consultants specialising in the HMS industry) have been appointed to advise on the further evaluation of this project.

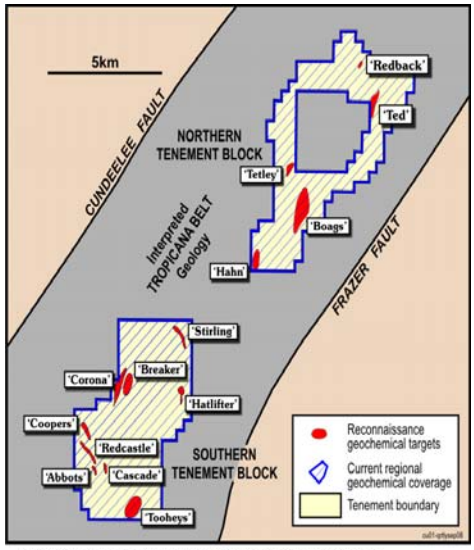
Western Australia

Cundeelee Project (Tropicana Belt) (100%)





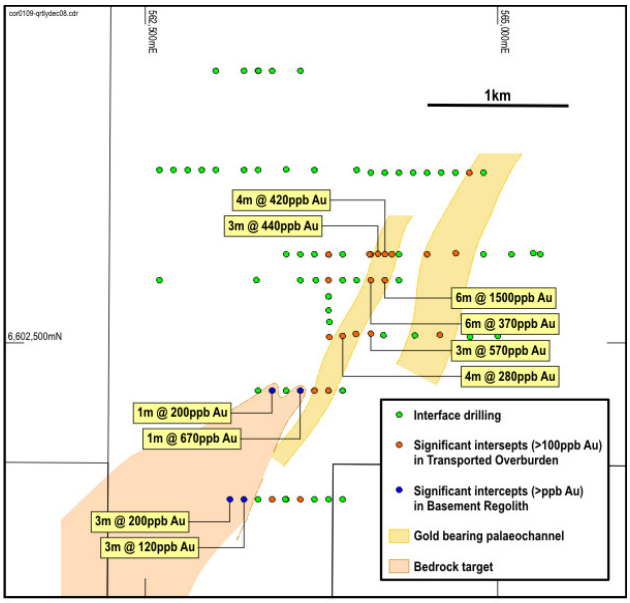
Cundeelee Project: Regional location



Cundeelee surface geochemistry coverage and target areas

<u>Interface Drilling</u>

Previous drilling at the **Corona Prospect** had encountered widespread gold mineralisation, including an intersection of 6 metres grading 1.5 g/t gold within an interpreted palaeochannel. Further drilling, during the quarter has for the first time intersected significant mineralisation within interpreted weathered bedrock material indicating a vector to a possible bedrock source to the west of the gold bearing palaeochannel [refer to figure below]. Additional interface drilling within the bedrock target area is planned for the March 2009 quarter.

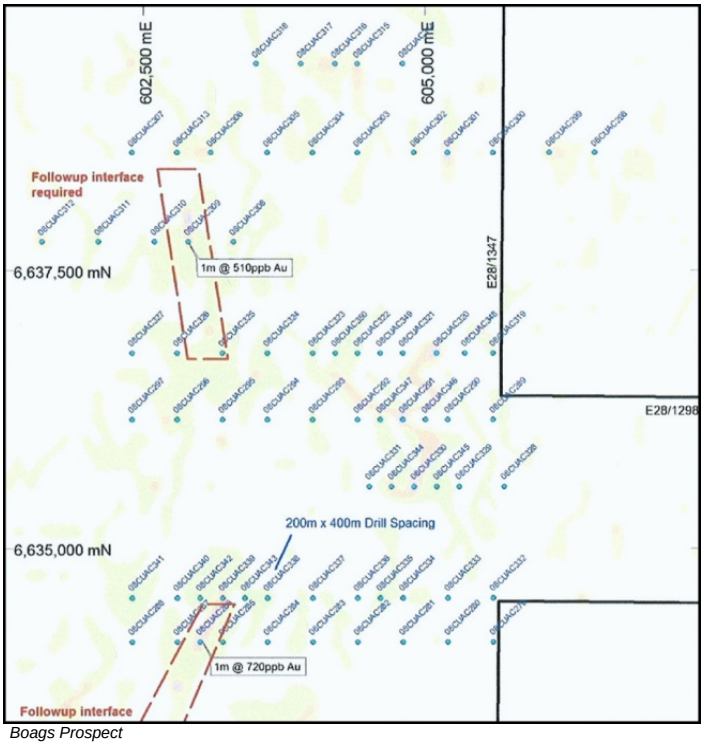


Corona Prospect

The results of one metre splits from previously reported 3 metre composite samples from interface drilling at the **Boags Prospect** have upgraded the initial results. These samples (including gold values of 0.72 g/t, 0.51 g/t and 0.46 g/t) are from holes lying directly over the peak surface geochemical trends and, considering the very broad spacing of the drilling (refer to figure below), the results are believed to very significantly upgrade the original geochemical target. Follow up interface drilling is planned for the March 2009 quarter.

Interface drilling intersections Boags Prospect

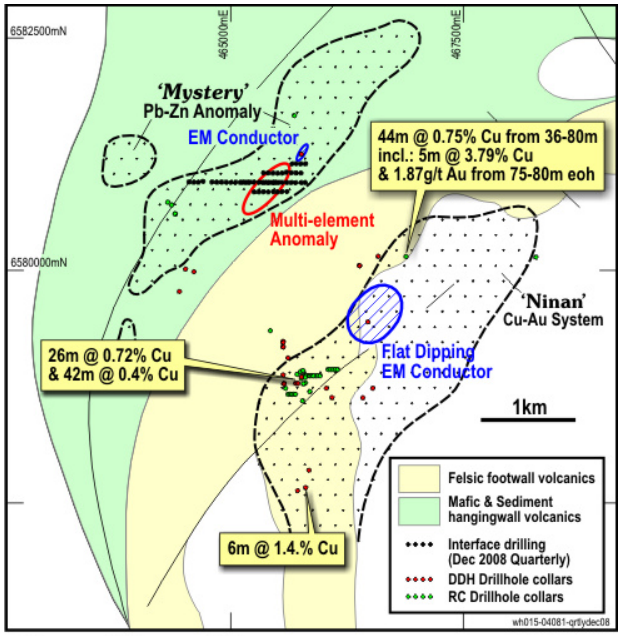
Hole ID	Coordinates (GDA 94)	Dip/Azi	Interval (m)	Width (m)	Au (g/t)
08CUAC283	6634160N / 604000E	-90 / 360	30-33	3	0.09
08CUAC286	6634160N / 603000E	-90 / 360	46-47	1	0.72
			51-54	1	0.46
08CUAC309	6637760N / 602900E	-90 / 360	38-39	1	0.51



Boags Prospect

Wongan Hills Project (80%)

Interface drilling targeting the multi-element surface geochemical anomaly at the '**Mystery Central' Prospect** has been completed. This anomaly which is part of the broader Mystery lead – zinc anomaly has coincident Au, As and W anomalism, but more importantly is elevated in Volcanic Massive Sulphide pathfinder elements Indium (In) Bismuth (Bi) and Antimony (Sb).



Wongan Hills compilation

Results from this drilling have returned extensive multi element anomalism. Intersections include: 3m @ 0.44 g/t Au from 21m, 37m @ 8 g/t Ag from 37m (including 6m @ 24 g/t Ag), 6m @ 0.15% Cu from 48m, 21m @ 0.13% Pb from 27m and 42m @ 0.10% Zn from 36m. There is also extensive anomalism in the indicator elements indium, bismuth and tungsten. These results confirm the potential for a VMS type system. Further evaluation is planned.

Kukerin Project (100%)

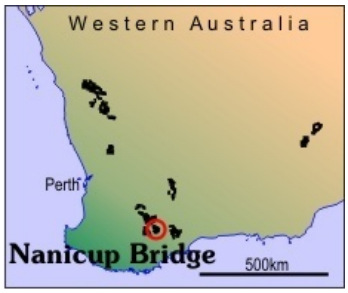
Interface drilling has been carried out to further evaluate the area of the intercept of 21m @ 3.5 g/t Au at the **Bottleneck Prospect**. Although a series of relatively low grade intersections were returned (to a maximum of 3m @ 1.45 g/t Au) no continuity of significant grade around the initial intersection has been demonstrated. There is still some doubt as to the possible orientation of the mineralisation and further drilling is planned.

Access for much of the planned drilling was restricted due to the cropping season and the regional prospectivity of the Kukerin Shear Zone remains under explored. Additional drilling and auger geochemistry is planned for the March 2009 quarter.

Interface drilling intersections Kukerin Project

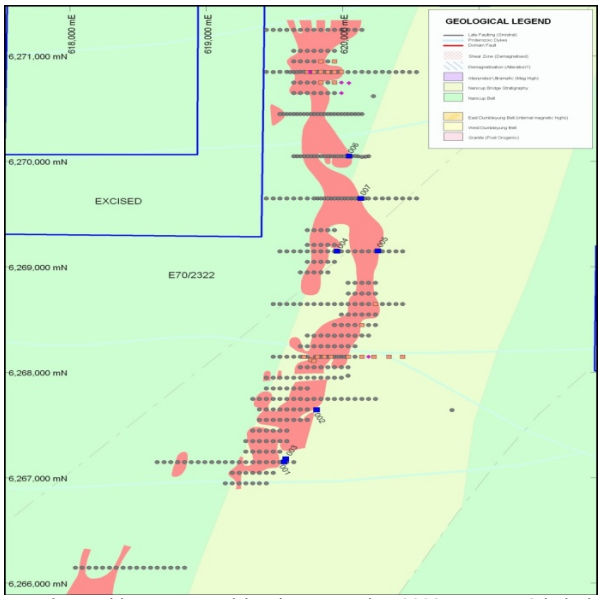
Hole ID	Coordinates (GDA 94)	Dip/Azi	Interval (m)	Width (m)	Au (g/t)
08KUAC104	6308102N / 598627E	-60 / 270	24-33	9	0.17
		including:	*27-33*	*6*	*0.23*
08KUAC105	6308102N / 598551E	-60 / 270	27-30	3	0.17
08KUAC106	6308101N / 598475E	-60 / 270	30-39	9	0.19
		including:	*30-33*	*3*	*0.41*
08KUAC111	6308101N / 598333E	-60 / 270	12-21	9	0.57
		including:	*15-18*	*3*	*1.45*
08KUAC113	6308202N / 598648E	-60 / 270	27-33	6	0.10
08KUAC115	6308202N / 598547E	-60 / 270	0-3	3	0.10
08KUAC115	6308202N / 598547E	-60 / 270	9-12	3	0.30
08KUAC115	6308202N / 598547E	-60 / 270	33-51	18	0.11
08KUAC118	6308202N / 598419E	-60 / 270	45-48	3	0.39
08KUAC124	6308202N / 598224E	-60 / 270	27-33	6	0.31
		including:	*30-33*	*3*	*0.49*

Nanicup Bridge Project (100%)



The Nanicup Bridge Project comprises a 5 kilometre long and 500 metre wide bedrock (interface) anomaly at + 100 ppb gold (open in both directions) with maximum intercepts including 3m @ 11.0 g/t and 3m @ 4.8 g/t. Previous limited drilling into the fresh bedrock had defined a very consistent flat dipping zone of gold mineralisation, up to 100 metres thick, at + 100 ppb gold, with significant continuity at + 500 ppb gold.

Gold is associated with, generally weak, pyrite and copper, bismuth and molybdenum sulphide mineralisation.



Nanicup Bridge Prospect (showing December 2008 quarter RC holes)

During the quarter a programme of RC drilling was designed to complete systematic coverage of the zone at approximately 500 metre section intervals with holes designed to test the interpreted target horizon at vertical depths of up to 200 metres. Results are pending.

EXPLORATION/EVALUATION EXPENDITURE

Group exploration ($1.67 million) and Challenger resource/reserve evaluation expenditure ($2.36 million) totalled $4.03 million for the quarter.

CORPORATE

Attributable revenue for the quarter was A$29.3 million, generated from the sale of 25,510 ounces of gold at an average price received of A$1,149 per ounce. For the six months revenue was $56.4 million from the sale of 51,906 ounces of gold at an average delivered price of $1,087/ounce.

Net operating cash margin after development and capital expenditure for the quarter was A$11.6 million and for the six months A$22.1 million.

Group cash (A$51.4 million) and bullion on hand accounted as revenue (A$5.0 million) totalled A$56.4 million at 31 December 2008.

At the end of the quarter 45,000 ounces (representing around 7% of current reserves) with an average delivered price of A$1,003 per ounce were sold under forward sales contracts. Of this position, 30,500 ounces at an average price of $1,035 are currently scheduled to be delivered over the 6 months January – June 2009. Deliveries into these contracts will be dependent on the spot gold price prevailing at that time.

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Managing Director

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Tel: +61 8 9426 6400

ATTRIBUTION
The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Peter Bamford, Tony Poustie and Paul Androvic who are full-time employees of the Company, members of the Australasian Institute of Mining and Metallurgy. Peter Bamford, Tony Poustie and Paul Androvic have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Peter Bamford, Tony Poustie and Paul Androvic, consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.