



# ANCHOR RESOURCES LIMITED

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## Quarterly Report - December 2010

Report to shareholders for the three months ended 31 December 2010  
**ASX code: AHR**

### HIGHLIGHTS

#### EXPLORATION

- \* **Bielsdown Antimony Project (NSW)**
  - o Resource increased to 18,700t of contained antimony metal (0.5% cutoff)
  - o 60% of resource upgraded to Indicated category (JORC compliant)
  - o Exploration program aiming to at least double the resource size
  - o Antimony price continues surge – up 100% in 2010 - to almost US\$14,000/t

#### CORPORATE

- \* Takeover bid received from Chinese diversified mining group
  - o Bidder's Statement now under review
  - o Gryphon Partners (corporate advisory) and Gadens (legals) appointed
- \* Rights issue heavily oversubscribed, raised \$1.6 million
- \* As at 31 December, Anchor held \$1.7 million in cash and equivalents

**Managing Director, Trevor Woolfe, commented that** "The December quarter has been an active period for Anchor with an increase in antimony resource inventory and upgrade in resource quality at the Wild Cattle Creek deposit. An exploration program has now been outlined for 2011 to target a doubling of the resource size above 2 million tonnes in order to support commencement of a prefeasibility study.

The quality of the emerging Wild Cattle Creek antimony resource and the growing appeal of rare and specialty metals outside of China has been acknowledged, with Anchor receiving an unsolicited takeover proposal from a Chinese diversified mining group."



## NEW SOUTH WALES

### Bielsdown Project (antimony-tungsten) (EL 6388) 100% Anchor

The Bielsdown project is located 12kms north of Dorrigo in NE New South Wales. It is the key to Anchor's antimony (Sb) focus in that region, in close proximity to the Hillgrove antimony-gold mine, recently developed by Straits Resources.

#### Background

The Bielsdown project includes the old Wild Cattle Creek (WCC) antimony mine, first drilled in the 1960s and then later in the mid 1990s.

A compilation of historical data by Anchor in 2007 led to the first round of resource drilling and a JORC compliant resource estimate by Anchor Resources in 2009.

Following the 2009 resource increase, Anchor undertook a second drill campaign at WCC in 2010. All holes in the 2,000m program intersected the target mineralised breccia confirming the robustness and continuity of the host structure.

The mineralisation consists of a quartz-stibnite rich **high grade breccia core**, surrounded by an envelope of stringer stibnite-wolframite (a tungsten mineral) vein type mineralisation. The **stringer zone** contains encouraging Sb values. Tungsten (W) and gold (Au) are accessories associated with the antimony mineralisation.

During the **December quarter**, activities included:

- JORC compliant resource upgrade
- Exploration planning to double resource beyond 2011
- Metallurgical tests including assessment of tungsten recovery
- Finalisation of scoping study
- Pit mapping/sampling/analysis

#### Resource update

During the quarter, SRK Consulting delivered its independent, JORC compliant, 3-D model and resource estimation for the Wild Cattle Creek deposit.

Highlights are:

- ✓ Increase in antimony metal inventory
- ✓ Upgrade of ~60% of the JORC resource to "Indicated" status
- ✓ Incorporation of peripheral stringer mineralisation
- ✓ Quantification of initial tungsten and gold resources
- ✓ Latest high grade antimony-tungsten zone not included in this estimate

The 2010 main zone and stringer zone resource is reported in accordance with the JORC Code (2004) and categorised as "Indicated" and "Inferred" by SRK Consulting. The resource is outlined in Table 1 at various cut-off grades.

At cut-off grades of 0.2%, 0.5% and 1.0% Sb, the breakdown of **Indicated and Inferred resources** is shown in Table 2.

Further details of the 2010 resource estimate were reported in an ASX Announcement dated 9 December 2010, also available on the Company's website.

A new high grade antimony-tungsten zone was discovered in the upper part of hole 10WRD16, including **1.4m at 17.1% Sb and 2.2% WO<sub>3</sub>**. This zone is interpreted to be sub-parallel to the main breccia mineralisation; however this will need to be determined by follow up drilling.

| Sb % Cut-off Grade | Tonnage (kt) | Sb Grade (%) | Au Grade (g/t) | W Grade (ppm) | Sb Metal (t) |
|--------------------|--------------|--------------|----------------|---------------|--------------|
| 0                  | 2,140        | 0.99         | 0.14           | 314           | 21,200       |
| 0.2                | 1,590        | 1.29         | 0.16           | 360           | 20,500       |
| 0.5                | 1,060        | 1.77         | 0.23           | 332           | 18,700       |
| 1.0                | 610          | 2.56         | 0.32           | 269           | 15,600       |

Table 1 Wild Cattle Creek Inferred and Indicated Resource (SRK, 2010)

| Sb % Cut-off Grade | Category  | Tonnage (kt) | Sb Grade (%) | Au Grade (g/t) | W Grade (ppm) | Sb Metal (t) |
|--------------------|-----------|--------------|--------------|----------------|---------------|--------------|
| 0.2                | Indicated | 550          | 2.13         | 0.22           | 240           | 11,600       |
|                    | Inferred  | 1,040        | 0.85         | 0.13           | 423           | 8,900        |

| Sb % Cut-off Grade | Category  | Tonnage (kt) | Sb Grade (%) | Au Grade (g/t) | W Grade (ppm) | Sb Metal (t) |
|--------------------|-----------|--------------|--------------|----------------|---------------|--------------|
| 0.5                | Indicated | 500          | 2.30         | 0.22           | 252           | 11,400       |
|                    | Inferred  | 560          | 1.30         | 0.23           | 320           | 7,300        |

| Sb % Cut-off Grade | Category  | Tonnage (kt) | Sb Grade (%) | Au Grade (g/t) | W Grade (ppm) | Sb Metal (t) |
|--------------------|-----------|--------------|--------------|----------------|---------------|--------------|
| 1.0                | Indicated | 340          | 3.06         | 0.31           | 278           | 10,300       |
|                    | Inferred  | 270          | 1.94         | 0.33           | 259           | 5,300        |

1. Reported at stated cut-off grades.
2. There may be minor discrepancies in the above tables due to rounding of tonnages, grades and metal contents.
3. Minor historical surface and underground mining tonnages have been accounted for and excluded.

**Table 2 Wild Cattle Creek – Indicated and Inferred resource tables**

The new zone lies approximately 35 metres to the north of the main breccia and remains open at depth and along strike, but has importantly, not been included in the latest resource due to the lack of sufficient data.

### Exploration program 2011

The 2011 exploration program aims to:

- Double resources at the Bielsdown project
- Test the extent and continuity of the high grade shoot discovered late in 2010
- Identify and test new shoots with the potential to substantially increase the overall scale of the Bielsdown project

...and will include:

- Approximately 4,000 metres of drilling (RC and Diamond)
- Detailed assessment of old workings
- Regional soil and rockchip sampling programs

Anchor believes there is significant upside for the Bielsdown Project given the potential for major resource increases - with antimony deposits commonly occurring in clusters and generally displaying strong depth persistence.

During 2010, Anchor successfully expanded the resource down plunge and confirmed high grade results from historical drilling. The current resource outline and Sb metal distribution is shown in the attached long section (Figure 2).

The work done by Anchor's technical team over the past two years has resulted in a high level of confidence in the geological model being tested at the WCC deposit. As a result, the antimony rich system is interpreted to have a shallow plunge to the west (Figure 2) and remains open down plunge.

With the objective of further increasing the resource base to over 2 million tonnes in order to support initiation of a prefeasibility study, Anchor is proposing a program of around 4,000 metres of RC and diamond drilling commencing early 2011.

The drilling program aims to test the considerable upside potential of the WCC resource and will focus initially on deeper drilling to test the WCC

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interpreted **down plunge resource extension** (see Figure 2).

The **antimony potential of regional prospects** within the licence area has been reinforced by Anchor during 2010 and further testing of these targets is required. Antimony deposits are typically found in clusters and so Anchor is confident that additional deposits will emerge in the tenement which, to date remains significantly under-explored.

A number of antimony prospects on the licence have been inspected by Anchor and others have historical records of past production.

In addition to detailed evaluation of existing prospects and old workings along the length of the Bielsdown Fault, Anchor will undertake a regional scale **soil and rockchip sampling program** along, and adjacent to, the structure to identify other zones of anomalous antimony, gold, tungsten and associated minerals for further target assessment. Parallel structures have already been interpreted by Anchor from a review of aerial photography.

### Metallurgical review and testwork

Various phases of metallurgical testwork have previously been undertaken on the deposit by Dundee (in the 1960s) and Allegiance (1990s). Anchor's metallurgical consultant (CORE Process

Engineering) has reviewed available data from the previous work.

The review of historical work concluded that an antimony concentrate can be produced using flotation. Recoveries of around 90% can be expected to a saleable concentrate of at least 60% Sb.

Anchor has subsequently commissioned CORE to undertake a range of tests using drill core from selected 2010 Anchor drillholes. The chosen material is a blend of different mineralised zones within the Wild Cattle Creek deposit.

Testwork is complete and results are being finalised and compiled into a report to be presented to Anchor in the coming weeks.

### Scoping study

Following completion of the resource modeling and estimation, SRK Consulting has undertaken the scoping study based on possible development of the Wild Cattle Creek deposit. The study is designed to evaluate facets of the geology, mining and process options, and provide indicative cost structures.

Anchor anticipates delivery of the final scoping study results and report in the coming weeks.

## Antimony prices continue to surge

The antimony price extended its record breaking run during the December quarter. Antimony commenced 2010 trading at around US\$6,075/t finishing the year up more than 100% to US\$12,400/t (Figure 1).

While some weakness was expected in the New Year, the opposite has occurred with tight supplies particularly out of China unable to satisfy demand, which has been increasing in Europe. As a result, the latest reports indicate antimony trades as high as US\$14,000/t – a new record.

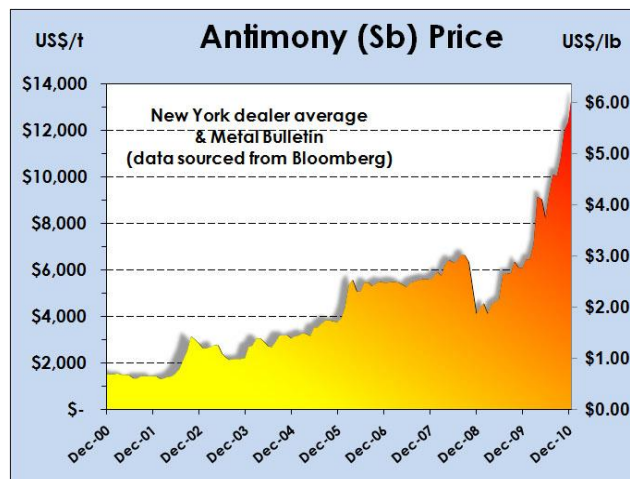


Figure 1 Antimony – ten year price graph

**Blicks Project (copper-gold) (EL 6465) 100% Anchor**

The highly prospective Blicks copper-gold project is located in the New England Fold Belt region of northeastern New South Wales.

During the **December quarter**:

- A review of previous exploration and deposit models was completed
- Work programs are currently being finalised
- No field work was undertaken

A review of previous exploration and deposit models for the Blicks Project, by both Anchor and earlier explorers, was completed by Anchor during the quarter. Significant gold (at Tyringham) and copper (at Dundurrabin) have previously been outlined by a small number of drillholes. This, combined with encouraging results from the nearby Navins deposit, will lead to increased exploration activity over coming months.

Anchor's technical team is currently finalising work programs to assess the potential of this project area during 2011.

Discussions are underway with **potential joint venture partners** to advance the drilling phase of this large scale gold and copper system.

**Other Projects 100% Anchor**

**New South Wales**

|                      |                          |
|----------------------|--------------------------|
| Canonba Project      | (copper-gold)            |
| Birdwood Project     | (copper-molybdenum-gold) |
| Thunderbolts Project | (antimony)               |
| Munga Project        | (antimony)               |

**Queensland**

|                  |                     |
|------------------|---------------------|
| Aspiring Project | (uranium)           |
| Greenvale East   | (gold-tin-tungsten) |

During the **December quarter**:

- No field work was carried out on the above projects.

Discussions are underway with **potential joint venture partners** to advance the target assessment and drilling stages on a number of these projects.

## CORPORATE REVIEW

On 12 November 2010, Anchor announced details of a **non-renounceable rights and shortfall offer** of one (1) ordinary share for every four (4) ordinary shares, at an issue price of sixteen (16) cents per share, to raise approximately \$1.6 million primarily to advance the emerging Bielsdown antimony project. Two resource sector investing entities displayed confidence in Anchor's management and project development potential by providing partial underwriting of the rights offer.

The Board of Directors of Anchor was delighted with the level of support from shareholders with the Company receiving applications for more than \$3 million, (a 91% oversubscription). A scale back of oversubscriptions was undertaken in accordance with the terms outlined in the Offer Letter.

The issue resulted in the allocation of almost 10 million new shares, taking the total outstanding issued capital (ordinary shares) in Anchor at 29 January 2011 to 50,105,296.

In addition to progressing the Bielsdown project, the Anchor team is continuing its strategy to pursue **advanced project opportunities**, both within Australia and offshore, with the potential to move the company closer to producer status.

The company also continues the search for quality joint venture partners to unlock the value of lower priority projects, and aggressively progress key projects, in the portfolio. During the quarter, Anchor held discussions with various resource entities – both Australian and international – regarding joint venture propositions on a number of its projects.

One of the companies involved in joint venture discussions was the subsidiary of a Chinese diversified mining company called Shandong Jinshunda Group (Oceania). After reviewing Anchor's project portfolio it selected the Bielsdown project as a project of interest. Despite attempts to reach a mutually favourable joint venture agreement with the group, discussions broke down.

Subsequently, on 20 December 2010, China Shandong Jinshunda Group lodged an **unsolicited takeover proposal** for Anchor at a price of 28c per share. Anchor provided an initial response to this proposal via an ASX Announcement dated 12 January 2011, stating that:

**The Anchor Board is unanimous in its view that Anchor shareholders should take no action, nor make any decision in relation to their shareholding until the Board has received, and had the opportunity to consider, Jinshunda's formal offer which will be contained in its Bidder's Statement. Following consideration of the offer, the Board will prepare a Target's Statement advising Anchor shareholders of its recommendation.**

The Bidder's Statement was received by Anchor on 28 January 2011 and is currently being reviewed by the Company. The Company will be shortly providing an updated response for shareholders with the Target's Statement expected to be released during February containing the Board's recommendation.

The Bidder's Statement discloses that Jinshunda has acquired 1,491,837 shares on market since 20 December 2010 representing 2.98% of the fully paid shares in the Company.

As at 31 December 2010, Anchor Resources held **\$1.72 million in cash** and equivalents.

For further information contact Trevor Woolfe on 02 9279 1231 or by email to:

[trevorw@anchorresources.com.au](mailto:trevorw@anchorresources.com.au)

An electronic version of this report, and further company details, are available at:

[www.anchorresources.com.au](http://www.anchorresources.com.au)

## Corporate Information

### Board Members

|                 |                        |
|-----------------|------------------------|
| John Anderson   | Chairman               |
| Trevor Woolfe   | Managing Director      |
| Grant Craighead | Executive Director     |
| Gary Fallon     | Non-executive Director |
| Ross Moller     | Company Secretary      |

### Registered and Principal Office

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### Quarterly Price Activity

AHR - Ordinary shares

High: 28 cents  
Low: 13 cents  
Last (28/1/11): 26 cents

### Stock Exchange Listing

Ordinary shares ASX code: AHR

### Issued Share Capital

At 10 January 2011, issued capital was:

50,105,296 ordinary shares  
2,850,000 unlisted options

### Major Shareholders (at 10 January 2011)

|  |       |
|--|-------|
| N K Watson and Associates              | 9.23% |
| G N Fallon and Associates              | 8.99% |
| G A Craighead and Associates           | 6.46% |
| Eastmin Pty Ltd                        | 5.09% |
| St Jude Exploration Pty Ltd and Assoc. | 4.81% |

### Share Registry

Registries Limited  
Level 7, 207 Kent St  
Sydney, NSW, Australia 2000

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Fax: +61 (0)2 9279 0664  
Website: [www.registries.com.au](http://www.registries.com.au)

**Declaration and JORC Compliance:** The information in this report relating to Exploration Results is based on information compiled by Trevor Woolfe BSc(Hons), MAusIMM. Mr Woolfe is Managing Director and consultant to Anchor Resources Limited. Mr Woolfe has sufficient experience relevant to the assessment of this style of mineralisation to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code". Mr Woolfe consents to the inclusion of the information in the report in the form and context in which it appears.

The information in this report that relates to the Mineral Resources estimation approach at Wild Cattle Creek is based on information compiled by Mr Danny Kentwell, MSc, MAusIMM. Mr Kentwell is a Principal Consultant and full time employee of SRK Consulting (Australasia) Pty Ltd. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code". He consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Any forward looking statements included in this document involve subjective judgement and analysis and are subject to uncertainties, risks and contingencies, many of which are outside the control of, and maybe unknown to, Anchor. In particular, they speak only as of the date of this document, they assume the success of Anchor's strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks. Actual future events may vary materially from the forward looking statements and the assumptions on which the forward looking statements are based.

Date released: 31 January 2011

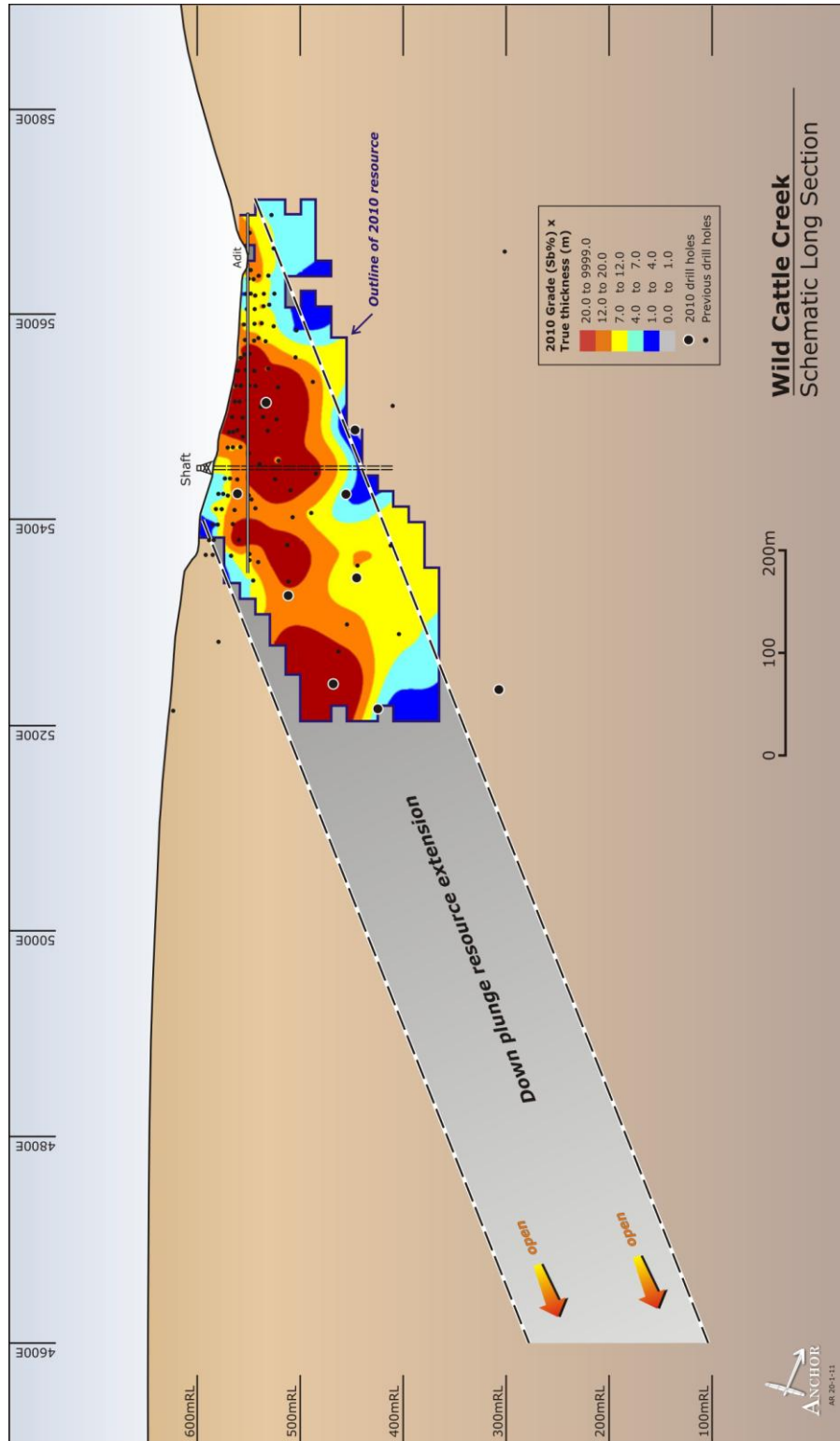


Figure 2 WCC Long Section – Interpreted down plunge resource extension