

ASX Announcement and Media Release
31 May 2011

Quarterly Activities Report

Capital Structure

Shares on issue	: 900 million
Options	: Nil
Market Capitalisation	: \$180 million
Cash At Bank	: \$47 million
Debt	: Nil
Enterprise Value /EV	: \$133 million
Current JORC Reserve	: 6.578m tonnes
Current JORC Resource	: 17.519m tonnes

Company Directors & Management

Directors:

Executive Director & CEO	Yu Guo Peng
Non-Executive Chairman	Chi Ho (James) Tong
Non-Executive Director	Teck Sin (Steven) Chong
Non-Executive Director	Chong Hee (Frank) Peh
Non-Executive Director	Seng Kiong (SK) Yap

Management:

Deputy General Manager	Zhong Xiao Zhu
Deputy General Manager, Enterprise Management	Yi Jiang Peng
Chief Engineer	Fa Jian Zhang
Assistant to General Manager and Controller	Hong Lin Liu
Manager for Logistics and Transportation	Jun Ou
Financial Controller	Shao Kui Chen
Sales and Procurement Manager	Guo Peng Xiao
Head of Human Resources	Jun Shao

Top Shareholders

Lucky Magic Enterprises	62.21%
Prima Network Financial	7.33%
Singapore Enterprises Private	5.53%

Contact Details

Registered Office

311-313 Hay Street
Subiaco WA 6008
T: +61 8 9381 5819 F: +61 8 9388 3701

Corporate Advisor

Peregrine Corporate Limited
Richard Revelins
T: +61 3 9824 8166
E: revelins@peregrinecorporate.com.au
Suite 2, 1233 High Street
Armadale VIC 3143 Australia
T: +61(0)3 9824 8166 F: +61(0)3 9824 8161

Highlights:

- FY2010 (1.11.2009 to 31.10.2010)
 - annual production for Caotang Mine was 629,590t; and
 - annual production for Heiwan Mine was 102,744t.
- Sales revenue at Caotang Mine and Heiwan Mine were A\$16.2M (Rmb99.3M) and A\$7.7M (Rmb47.1M), respectively.
- Selling prices for coal continues to show a steady increase to the current range of \$73/t to \$109/t (Rmb500/t to Rmb750/t).

(Note: Selling prices are dependent on coal specification, quoted at FOB and include a 17% China Value Added Output Tax)
- Turnover for first quarter is as follow:

	Q1(1 Nov 10~31 Jan 11)		
	Caotang	Heiwan	Total
Production (t)	309,921	61,390	371,311
Sales			
in A\$ 'm	10.3	5.0	15.3
in RMB 'm	67.5	32.8	100.3

- Turnover for second quarter is as follow:

	Q2 (1 Feb 11~30 Apr 11)		
	Caotang	Heiwan	Total
Production (t)	131,725	26,763	158,488
Sales			
in A\$ 'm	3.7	3.2	6.9
in RMB 'm	25.2	21.8	47.0

- Turnover for the first half year of FY2011 is as follows:

	Year to date (1 Nov 10~30 Apr 11)		
	Caotang	Heiwan	Total
Production (t)	441,646	88,153	529,799
Sales			
in A\$'m	14.0	8.2	22.2
in RMB'm	92.7	54.6	147.3

- Purchase of Wushan MaoJiaWang Mine finalised for consideration of \$11.67M (RMB80M).
- Management target to commence development at the MaoJiaWang No. 2 ShiBeiYa section in second half of 2011, the actual timing is dependent on the progress of development at MaoJiaWang No. 1 section due to commence in June.
- Primary development was accelerated at both Caotang Mine and Heiwan Mine, commensurate with the availability of listing funds and resulting in a production increase when compared to previous periods.
- New underground locomotives were acquired and commissioned.
- New office buildings at the 3 mines were planned and are currently in discussion with the authorities' for approval before construction can be commenced.
- Drill planning and budget is in their initial stage
- Individual positioning devices were issued to all underground personnel.
- Automatic gas detectors were installed and remotely connected to site offices and linked to the Coal Mining Safety Control Bureau.

Review of Operations:

Overview

This report relates to the 3 months ended 30 April 2011 and is the first Quarterly Report and Appendix 4C that the Company has been required to lodge under the ASX Listing Rules as listing occurred on 22 February 2011. The Company's operations have performed well generating strong revenues and earnings although production levels and sales are traditionally lower for the second quarter due to the suspension of activities in observance of the Chinese New Year Spring Festival Holidays, which occurred in February this year and customarily the mining operation resumed in early March. Production returns to normal status for the remainder of the financial year.

Blackgold currently operates two existing underground thermal coal mines, the Caotang Mine and the Heiwan Mine in Fengjie County, Chongqing City in the Peoples Republic of China (PRC). During the quarter Blackgold also acquired a third and substantial mine called Wushan located near the existing two mines and approximately 8km from the Yangtze River. Blackgold also generates significant amounts of its revenue from coal trading activities.

Production Summary

	Tonnes 000's		
	1 st Q (Actual)	2 nd Q (Actual)	Total
Caotang Mine	309.9	131.7	441.6
Heiwan Mine	61.4	26.8	88.2
Coal Trading	145.5	131.5	277.0
TOTAL	516.8	290.0	806.8

Corporate

Production figures for FY2010 were finalised after the listing documents were submitted. This information was thus not included in the listing documents.

During 2010, coal sales generated by Caotang Mine were 629,590t. This resulted in a total revenue of A\$16.2M (Rmb99.3M) with prices per tonne ranging from A\$58 to A\$73 (Rmb400 to Rmb500). Coal sales generated by Heiwan Mine were 102,744t, resulting in a total revenue of A\$7.7M (Rmb47.1M), with average prices per tonne ranging from A\$66 to A\$82 (Rmb450 to Rmb560). Sales generated by the Group were 732,334t, resulting in total revenue of A\$23.8M (Rmb146.3M).

First quarter statistics included sales generated by Caotang Mine of 309,921t that realised a total revenue of A\$10.3M (Rmb67.5M), with average prices per tonne ranging from A\$44/t to A\$80/t (Rmb300 to Rmb550). Sales generated by Heiwan Mine were 61,390t that realised a total revenue of A\$5.0M (Rmb32.5M), with average prices per tonne ranging from A\$67/t to A\$102/t (Rmb460 to Rmb700). Group sales were 371,311t that realised a total revenue of A\$15.3M (Rmb100M).

Second quarter statistics included sales generated by Caotang Mine of 131,725t that realised a total revenue of A\$3.7M (Rmb25.2M), with average prices per tonne ranging from A\$51/t to A\$82/t (Rmb350 to Rmb560). Sales generated by Heiwan Mine were 26,763t that realised a total revenue of A\$3.2M (Rmb21.9M), with an average price per tonne received from A\$73 to A\$109 (Rmb500 to Rmb750). Group sales were 158,488t that realised total revenue of A\$6.9M (Rmb47.1M).

The half year statistics included sales generated by Caotang Mine of 441,646t that realised a total revenue of A\$14.0M (Rmb92.7M), with an average price per tonne received from A\$44 to A\$82 (Rmb300 to Rmb560). Sales generated by Heiwan Mine were 88,153t that realised a total revenue of A\$8.2M (Rmb54.5M), with an average price per tonne received from A\$67 to A\$109 (Rmb460 to Rmb750). Group sales were 529,799t that realised a total revenue of A\$22.2M (Rmb147M).

These production statistics are summarised in the tables below:

Period	Unit	tonnes	Sales A\$ M	Sales Rmb M
2010	Caotang	629,590	16.2	99.3
	Heiwan	102,744	7.7	47.1
	Group	732,334	23.8	146.3

Period 2011	Unit	tonne	Sales A\$ M	Sales Rmb M
1st Quarter	Caotang	309,921	10.3	67.5
	Heiwan	61,390	5.0	32.5
	Group	371,311	15.2	100.0
2nd Quarter	Caotang	131,725	3.7	25.2
	Heiwan	26,763	3.2	21.9
	Group	158,488	6.9	47.1
½ Year	Caotang	441,646	14.0	92.7
	Heiwan	88,153	8.2	54.5
	Group	529,799	22.1	147.1

Directors and Management

In March 2011, Mr YAO Wenming, a qualified geologist in PRC, joined the Company as Chief Geologist. Mr Yao started his geological career in 1980 with the Sichuan Geological Brigade of the Geological Bureau in Sichuan Province where he served until 1989 when he joined the Fengjie Mineral Resources Management Office. In 1995, Mr Yao joined the Fengjie Geological Coal Production and Management Bureau and became its first chief of staff. Mr Yao then served in the civil service in the Fengjie Safety and Supervision Management Bureau from 2002 to 2007. Mr Yao was certified as ChongQing city's Senior Geologist in 2004.

There is no change in the board of directors and other management staff. Nevertheless, the directors are constantly seeking additional strategic and industry relevant professionals to join the board of directors and management team as it grows. The company is also seeking a competent finance professional to join the management team to enhance the capability of the Finance Department, particularly in the area of corporate finance, capital markets and investor relations.

Caotang Mine

At Caotang Mine, the lateral development rate has increased in all working sections but the actual performance was affected by the long Chinese New Year holidays. During the quarter, the extents of primary lateral driving and in raises between levels are presented in the table below.

Caotang		Pit No 1	Pit No 2	Pit No 3
Quarter	Adit inside Pit	In metre		
Q1	Primary lateral driving (Development off seam)	772	780	773
	Primary lateral driving (Development on seam)	639	513	546
	Raise between levels (off seam)	709	758	743
	Decline (off seam)	168	218	215
Q2	Primary lateral driving (Development off seam)	526	514	533
	Primary lateral driving (Development on seam)	502	481	534
	Raise between levels - off seam	-	430	453
	- on seam	434	-	-
	Decline (off seam)	289	277	293

Routine stopping continued in all production areas. Minimal storage occurs on site as all products were rapidly transferred to the loading port.

As mentioned in the IPO prospectus, Mudstones partings often account for some +10% of material mined and shipped; and it is the intention of Blackgold to invest in a coal washing and processing plant for producing environmentally-friendly coal products. Blackgold believes that, as stated in the prospectus, establishing a washing plant will improve the sales margins of the coal products. A potential site for a washing plant near to Caotang Mine has been identified and negotiations for a land use right have commenced with the land bureau authorities of Fengjie County. Waste from the washing plant will be sold to local brick manufacturers, negating the need for a storage facility. This potential site is 6.4km south-south west of Caotang Mine and also readily accessible by road from Heiwan Mine. The potential site is also only 14km by road from the company dock-site on the Yangtse River.

Three new underground haulage locomotives have been acquired and commissioned with two at Caotang Mine and one at Heiwan Mine. Each locomotive is capable of hauling up to 20t of coal. Productivity has increased and reduced the cost per tonne of delivering coal from the mine to the external loading bay by Rmb10 to Rmb15 per tonne to approximately Rmb5 per tonne. Acquisition of another 20 units is proposed and the decision is pending the final selection of supplier which in turn depends largely on the performance of the current three new units.



Above: Newly acquired underground haulage locomotive

Heiwan Mine

At Heiwan Mine, the lateral development rate has increased in all working sections but the actual performance was affected by the Chinese New Year Holidays. During the quarter, the extents of primary lateral driving and in raises between levels are presented in the table below.

Heiwan	Q2	Q1
Adit inside Pit	In metre	
Primary lateral driving (Development off seam)	747.3	272.3
Primary lateral driving (Development on seam)	263.5	937.9
Raise between levels (on seam)	148.7	1,483.3
Decline (on seam)	163.0	397.3

Routine stopping continued in production areas. Minimal storage occurs on site with as all products were rapidly transferred to the loading port.

The new locomotive mentioned above greatly assisted in underground haulage.

Coal Trading Activities

A large proportion of Blackgold's revenue is derived from coal trading activities. The Company's coal trading is not regarded as a speculative process as often undertaken by the large international commodity trading entities. Blackgold operates in a market where demand from existing customers significantly outweighs existing production from its own mines and accordingly the Company purchases coal for the purposes of re-sale from other smaller producers to satisfy its existing customer base. Often the coal quality from these sources is inferior in terms of calorific content to Blackgold's product and is therefore blended with Blackgold's coal for delivery to the end user.

During the first quarter Blackgold acquired and resold 145,456 tonnes and 131,534 tonnes during the second quarter. Blackgold has estimated it will acquire and re-sell approximately 600,000 tonnes of coal during the 2011 Calendar Year.

The margin on Blackgold's coal trading activities varies from \$2 tonne to \$5 per tonne with an average margin of approximately \$4 per tonne.

Blackgold intends to expand its coal purchasing activities by purchasing additional coal from other producers in China.

Wushan Mine

During the current quarter, the Company satisfactorily completed its due diligence investigations on Wushan Mine and has executed the Equity Transfer Agreement with the vendor. The Company has also received approval from the authorities for the consideration of \$11.67M (Rmb80M) for acquisition of the mine. Wushan Mine comprises two permits, namely the MaoJiaWang No. 1 Section covers a re-calculated area of 2.8651km² with a mining permit (Permit No. C5000002009041130020052, valid until 12 February 2014), and, the MaoJiaWang No. 2 Section covers an area of 23.12km² with a mining exploration permit (Permit No. T50120090301025873, valid until 22 March 2013). Preparations for the development at MaoJiaWang No. 1 Section including safety and regulatory procedures with the relevant authorities have substantially been completed and development is expected to begin in Q3 of 2011. Development at the MaoJiaWang No. 2 Section is targeted to commence in the second half of 2011, the actual timing is dependent on the progress of development at MaoJiaWang No. 1 Section.



Figure 1: Wushan MaoJiaWang No 2 Mine, ShiBeiYa Section Primary Access Adit Portal (L) and Ventilation Adit Portal (R).

Previous investigation includes mapping and 3 drillholes completed by 136 Brigade with a further 22 drillholes commissioned under sub-contract to a Hunan Brigade by 136 Brigade. Information for the first 3 drillholes has been secured, however the details for the 22 Hunan contractor holes have yet to be located.

A previous estimate of Resources by 136 Brigade in 2005 identified a non JORC Compliant Target Mineralisation estimate of 46 million tonnes with a range in CV from 4500-5500kcal/kg and 25-35% ash. These Target Mineralisation estimates are conceptual in nature as there has been insufficient exploration to define a mineral resource under JORC Code guidelines and it is uncertain whether further exploration will result in the determination of a mineral resource. This conceptual target may or may not be outlined with future work, either in whole or in part.

Communications with the Hunan Brigade are at an advanced stage to secure their data that will be used to complete an updated JORC Compliant Resource estimate.

There are two primary producing seams in the Wushan district hosted in folded and faulted Permian strata. In the mine site area the strata dips generally from 20°-540° to the north. There are currently 12 identified normal and reverse faults within the lease with throws that range from 40m- >200m.

The lower K1 seam ranges in width between 0.3-2.5m and includes clay partings of up to 0.75m. In the mine area, K1 actually ranges from 0.3-1.4m thickness with a mean coal width of 0.88m plus 0.52m of clay partings. Calorific value is <5,000kcal/kg with about 35% ash.

Stratigraphically between 280m-380m above, but with a mean distance of 350m, is the K2 coal seam that ranges in width between 0.55-2.15m and includes clay partings ranging from 0.15-1.60m. In the mine area K2 actually ranges from 0.4-1.1m thick with a mean coal width of 0.69m plus 0.15m of clay partings. Calorific value is +/-5500kcal/kg with about 27% ash. This indicates that mined product should be readily upgraded in a washing plant.

Product will be shipped from two locations. During September to March, when the Three Gorges Dam has high water levels, shipment will be from a new loading dock to be built on the Baolong River 3km north of Baolong Village. During the remainder of the year, when low water levels prevail, product will be trucked 20km north by road to a loading facility 7km due north of the No1 mine and further downstream on the Baolong River.



Figure 2: Site For New Loading Dock On East Bank of Baolong River at Wushan Mine.
Mine Planning and Exploration Budget

Caotang Mine

Surface drilling possibilities for the South-West portion of the permit are being investigated on the rugged mountain topography and up and down underground drilling between K1-K2 seams are being planned to assist JORC Code Compliant estimate conversion.

Heiwan Mine

Underground drilling from K3 development down to the K2 and K1 seams is planned on five cross sections to assist JORC Code Compliant status conversion. The south east portion of the licence for the K3 seam will be explored by underground development.

Wushan Mine

Primary Mine development at the MaoJiaWang No. 1 Mine ZhouJiaBo Section is permitted and will commence in June 2011. Development of the MaoJiaWang No. 2 ShiBeiYa Section will commence once permitting is approved.

Occupational Health And Safety

We achieved a zero accident rate in the first half of 2011

Individual positioning devices have been purchased and are now standard devices issue to all underground personnel. In addition, automatic gas detectors have been installed inside the mining areas and remotely connected to both Caotang Mine and Heiwan Mine site offices with links to the Coal Mining Safety Control Bureau of Fengjie County. Caotang Mine is equipped with three sets of gas detection system comprising 30 detectors, while Heiwan Mine is equipped with one set comprising 5 detectors.

Infrastructure

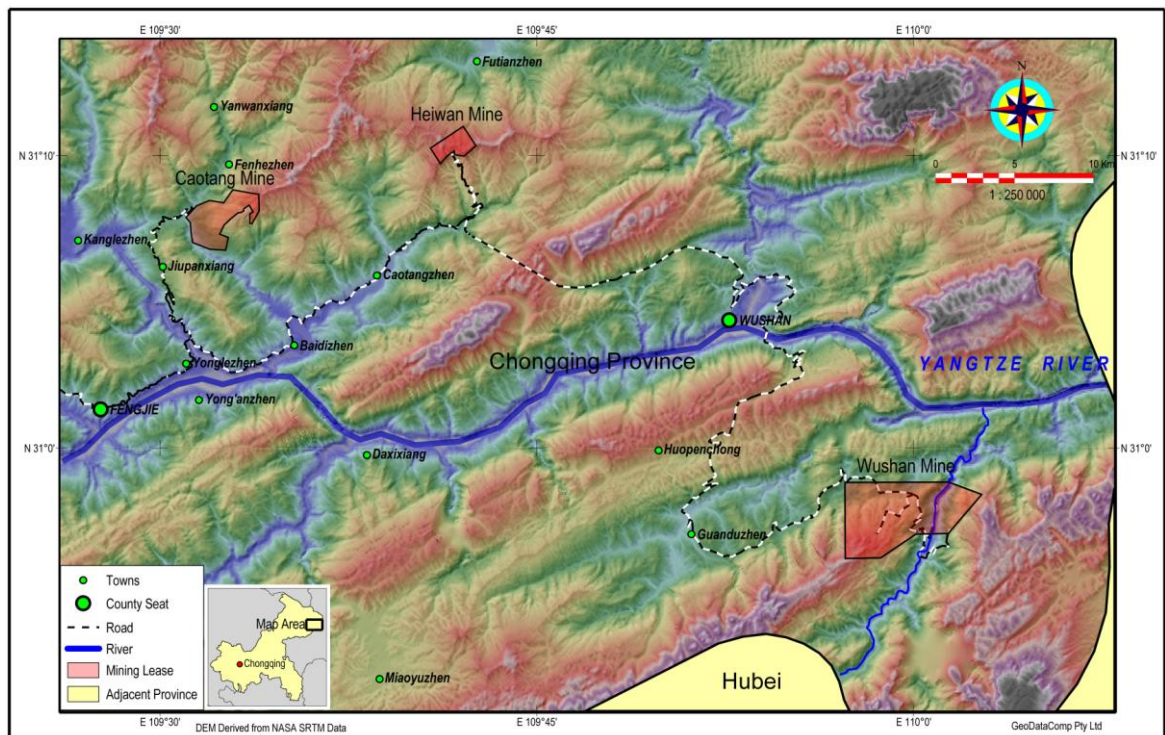
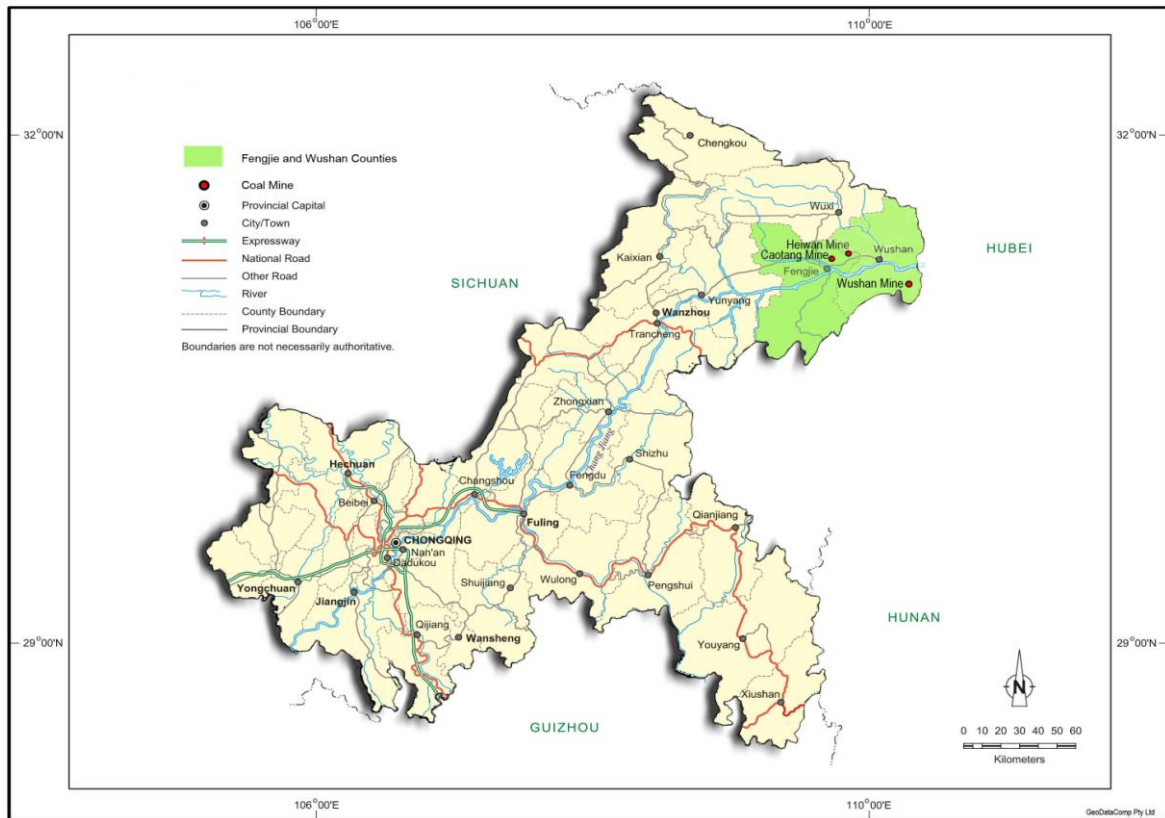
As previously mentioned above, a potential site for a washing plant near to Caotang Mine has been identified and negotiation for its land use right has commenced with the land bureau authorities of Fengjie County. However, efforts to identify suitable existing plant for acquisition have been made in order to accelerate the operations.

The construction of new office buildings at the 3 mines is awaiting authorities' approval.

Competent Person's Statement

The information in this report which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, who is a corporate member of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Mr Varndell is an associate of Al Maynard & Associates and has over 35 years of exploration and mining experience in a variety of mineral deposit styles including coal mineralisation. Mr Varndell has sufficient experience which is 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 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Varndell consents to inclusion in the report of the matters based on his information in the form and context in which it appears.

Maps & Diagrams



Above: Chongqing and Wushan County Location maps