

ASX Announcement and Media Release

31 August 2011

Quarterly Activities Report for the period ending 31 July 2011

Highlights :

- Coal production of 289,800 tonnes for the quarter, an increase of 83% on previous quarter.
- Turnover of existing mines sales increased to A\$14m for the quarter, an increase of 103% on previous quarter.
- Total sales from coal production and trading of 348,700 tonnes, an increase of 20% on previous quarter.
- Production from the Company's Caotang and Heiwan Mines on target to produce ~1,000,000 tonnes for the financial year ending 31 October 2011 (FY).
- Al Maynard and Associates (AM&A) is conducting an independent review of the Company's new and existing resources for the purposes of complying with the JORC Code guidelines.
- Appointment of two new directors and a senior executive
- Commencement of assessment to dual list on Main Board of Hong Kong Stock Exchange.

Overview

The Company's operations have performed well, generating strong revenues.

Blackgold currently operates two existing underground thermal coal mines, the Caotang Mine and the Heiwan Mine in Fengjie County, Chongqing City in the People's Republic of China (PRC). During Q2 2011 Blackgold acquired a third and substantial mine called Wushan MaoJiaWang Mine located in close proximity to the Company's existing two thermal mines and approximately 8km from the Yangtze River. On 23 August 2011, Blackgold announced the proposed acquisition of a fourth mine called QiJiang ChangHong Mine (RMB 98 million, ~A\$14.9 million).

Blackgold also generates significant amounts of its revenue and profit from its coal trading activities.

Capital Structure

Shares on issue	: 900 million
Options	: Nil
Market Capitalisation	: \$157.5 million
Cash At Bank	: \$ 40.6 million
Debt	: Nil
Enterprise Value /EV	: \$ 116.9 million
Current JORC Reserve	: 6.6 million tonnes
Current JORC Resource	: 17.5 million tonnes

Company Directors & Management

Directors:

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

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
Chief Financial Officer	Shao Kui Chen
Financial Controller	Teck Meng Lim
Chief Geologist	WenMing Yao
Sales and Procurement Manager	Guo Peng Xiao
Head of Human Resources	Jun Shao

Top Shareholders

Lucky Magic Enterprises	62.21%
Prima Network Financial	7.37%
Singapore Enterprises Private	5.53%

Production Statistics

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	23.9	146.4

Period (2011)	Unit	tonnes	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	15.3	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
3rd Quarter	Caotang	218,099	8.7	61.3
	Heiwan	71,727	5.3	37.2
	Group	289,826	14.0	98.5
Total for the 9 months	Caotang	659,745	22.7	154.0
	Heiwan	159,880	13.5	91.6
	Group	819,625	36.2	245.6

The above table of Production Statistics does not include any contribution from coal trading activities from which the company derives a substantial proportion of its sales revenue and profits

Caotang Mine

In June 2010 the Caotang Mine had JORC Code Compliant Mineral Resources of 9.94 million tonnes and Proved and Probable Reserves of 5.66 million tonnes.

Total output from Caotang Mine was approximately 218,099 tonnes for Q3 2011, an increase of 66% on Q2 2011. Total output from the Caotang Mine for the year to-date is approximately 659,700 tonnes and the mine is on target to produce ~800,000 tonnes for FY2011.

The lateral development rate has been increased in all working sections of the mine, as set out in the annexure to this report.

Due to the addition of three new underground haulage locomotives in Q2 2011 (two at Caotang and one at Heiwan) with a haulage capacity of 20 tonnes of coal each, productivity has increased, with a reduced cost per tonne of delivering coal from the mine to the external loading bay from RMB 10 - 15 per tonne to RMB 5 per tonne (approx. A\$0.77 per tonne). Blackgold is investigating the acquisition of a further 20 locomotives once it has properly evaluated the performance of the three new locomotives.

The Company's coal contains an estimated 10 – 15% clay, and Blackgold is investigating the effect on coal quality of washing prior to loading, to reduce the amount of clay which would in turn reduce the ash and sulphur content of the product.

Heiwan Mine

In June 2010 the Heiwan Mine had JORC Code compliant Mineral Resources of 1.000 million tonnes and Proved and Probable Reserves of 0.900 million tonnes.

Total output from Heiwan Mine was approximately 71,730 tonnes for Q3 2011, an increase of 168% on Q2 2011. Total output from the Heiwan Mine for the year to-date is approximately 159,880 tonnes and the mine is on target to produce ~200,000 tonnes for FY 2011.

Like the Caotang Mine, the lateral development rate at the Heiwan Mine was increased in all working areas, as set out in the annexure to this report. Although a smaller mine by comparison to Caotang Mine, the introduction of a new locomotive during Q3 2011 has greatly assisted underground haulage, and driven increased productivity and lower production costs.

During Q3 2011, the Heiwan Mine mining lease was renewed to 23 May 2014.

Wushan MaoJiaWang Mine

During Q2 2011 the Company completed the acquisition of the Wushan MaoJiaWang Mine for a total consideration of RMB 80 million (approx. A\$12 million). The Wushan MaoJiaWang Mine covers an area of 29.96 km² and is a well developed, pre-production thermal coal mine located within 20km of Blackgold's existing operations (Caotang & Heiwan Mines) and only 8km from the Yangtze River which is Blackgold's major transportation route to market.

The Wushan MaoJiaWang Mine comprises of two permits, the MaoJiaWan No. 1 Section (2.865km²) ("MJW1") and the MaoJaiWan No. 2 Section (23.12km²) ("MJW2").

The mine contains five existing production adits with ventilation and access shafts and ancillary infrastructure including power, piped water, access roads and buildings. The Wushan MaoJiaWang Mine is located about 18km from its river port loading facilities and has historically supplied small quantities of thermal coal. Blackgold anticipates that commercial coal production may commence as soon as machinery and equipment are installed and expects that this might only occur in early FY2012.

The JORC Code guidelines restrict the Company at this stage from informing the market about anticipated production volumes. Blackgold's independent geological consultants have been engaged to carry out exploration and evaluation work at the Wushan MaoJiaWang Mine aimed at establishing a JORC Code compliant estimate of resources, which in turn would enable Blackgold to release its expected production volumes for this mine.

Qijiang ChangHong Mine

Following the end of Q3 2011, Blackgold announced that it will acquire the Qijiang ChangHong coal mine for RMB 98 million (approximately A\$14.9 million) conditional upon the Company obtaining a new business license from the Qijiang Industry & Commerce Administration Bureau, that indicates the completion of the transfer of shares from the vendor to the Company.

The Qijiang ChangHong Mine has been the subject of extensive local exploration and development in the past and is located within 50km of the Company's existing office in Chongqing. The mine is located in the area bordering Xishui County of Guizhou and Qijiang County of Chongqing. The mine contains two existing adits (horizontal entrances to underground mines) together with ventilation and access shafts and ancillary infrastructure including power, piped water, access roads and buildings.

Coal Resources and Reserves

In June 2010 the Caotang Mine and the Heiwan Mine had combined JORC Code Compliant Ore Reserves (Proved and Probable) of 6.560 million tonnes and Measured and Inferred Mineral Resources of 10.940 million tonnes, details of which are set out in the table below:

	(Units : '000 tonnes)	Caotang Mine	Heiwan Mine	Total
Ore Reserves	Proved	1,980	500	2,480
	Probable	3,680	400	4,080
	Total (Rounded)	5,660	900	6,560
Mineral Resources	Measured	-	580	580
	Inferred	9,940	420	10,360
	Total (Rounded)	9,940	1,000	10,940

Note: since mining has occurred, the "Resource Base" is being slowly depleted pending the results of the upgrade exercise currently in motion. The deliverable CV of these resources is between 4,500-5,500kcal/kg.

During Q3 2011 Blackgold retained AM&A as geological consultants to carry out independent exploration and evaluation work aimed at delineating additional JORC Code compliant resources on each of the Company's mines. Initial results are anticipated to be available in Q4 2011.

Coal Trading Activities

Blackgold operates in a market where demand from existing customers significantly outweighs existing production from its own mines and accordingly, Blackgold 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 Q3 2011, Blackgold acquired and resold approximately 58,900 tonnes of coal, a decrease of 55% on Q2 2011. The reduction is due to Blackgold selling more coal from its own production and an improved quality of coal traded, which has resulted in selling prices of up to RMB 1,300 per tonne (previous quarters: up to RMB 750 per tonne).

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

Blackgold intends to expand its coal purchasing activities by purchasing additional coal from other producers outside the PRC. Given the Company's unique position as an Australian listed public company with treasury operations based in Hong Kong and its PRC domiciled business activities and customers, Blackgold is ideally positioned to implement cross border transactions and multi-currency settlements.

Occupational Health and Safety

Blackgold is pleased to report that there were no incidents or accidents during Q3 2011.

Blackgold has maintained an excellent safety record over the past 12 years. Individual positioning devices have been purchased and are standard issue to all underground personnel. Although both Caotang Mine and Heiwan Mine are classified as low gas mines, automatic gas detectors have been installed inside the mining areas and are remotely connected to the respective site offices with monitoring links to the Coal Safety Control Bureau of Fengjie County.

Corporate

Board and senior management appointments

In July 2011, the Company announced the appointment of Mr Jun Ou and Professor GuangFu Yang to the Board as Executive Director and Independent Non-Executive Director, respectively.

The Company also appointed Mr Teck Meng Lim as Financial Controller. In conjunction with Mr Lim's appointment, Mr Shao Kui Chen was appointed as Chief Financial Officer of the Company.

Dual listing in Hong Kong

Following the end of Q3 2011 Blackgold announced that it was assessing a listing on the Main Board of the Hong Kong Stock Exchange. Blackgold has not submitted any application for listing and no assurance is given that the proposed dual listing will materialise.

China Coal Outlook

At present Blackgold sells all its thermal coal internally within mainland China. The demand for Blackgold's product is extremely strong and unlikely to change in the foreseeable future. Blackgold sells the majority of its coal to major power generation customers in Shanghai who have existing demand for more than three times the amount of coal that Blackgold will produce this calendar year.

Coal makes up an estimated 70% of China's total primary energy consumption and China is both the largest consumer and producer of coal in the world. China's coal industry has traditionally been fragmented among large State-owned coal mines, local State-owned coal mines and many thousands of small scale town and village operated mines. These smaller mines are regarded as inefficient, with minimal capital, outdated equipment and poor safety records. During the past several years China has closed down between 20,000 and 50,000 small coal mines in an effort to consolidate the industry, increase efficiency and promote acceptable safety standards.

In the Fengjie County region in Chongqing where Blackgold operates, approximately 4,000 coal mines existed 10 years ago. The government and local authorities have since reduced this number to less than 100 mines. Blackgold is the largest coal mining company in the local region, and is ideally positioned to benefit from this consolidation process by acquiring additional mines and thereby growing its production and earnings.

Many of the local mines have existing infrastructure and produce coal that can be upgraded and quickly brought into larger scale production. It is Blackgold's aim to leverage its strategic position to make further acquisitions and build production and earnings through both internal growth and via new acquisitions.

Future Developments

During the Q4 2011 Blackgold will be working with independent geologists to progress the exploration and evaluation activities required to increase its existing resource base.

Blackgold enjoys excellent infrastructure and its proximity to the Yangtze River allows it to transport coal to customers at low cost. Blackgold will continue to evaluate acquisition opportunities of mines with similar geographical advantages. It is currently evaluating a number of potential new acquisitions, in addition to the recently announced QiJiang ChangHong Mine.

Given existing cash at bank of A\$40.6 million (as at 31 July 2011), strong earnings from operations and zero gearing, Blackgold will utilize its own resources to fund these acquisitions unless the acquisition is of a size and scale beyond the existing financial capacity of the Company.

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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 Fellow 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.

ANNEXURE

Lateral Development

Caotang		Pit No 1	Pit No 2	Pit No 3
Quarter	Adit inside Pit	Metres		
1st Quarter	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
2nd Quarter	Primary lateral driving (Development off seam)	526	514	533
	Primary lateral driving (Development on seam)	502	481	534
	Raise between levels off seam	-	430	452
	on seam	434	-	-
	Decline (off seam)	289	277	293
3rd Quarter	Primary lateral driving (Development off seam)	346	488	-
	Primary lateral driving (Development on seam)	120	80	-
	Raise between levels off seam	256	327	-
	on seam	-	-	-
	Decline (off seam)	1,315	938	-

Heiwan	1st Q	2nd Q	3rd Q
Adit inside Pit	Metres		
Primary lateral driving (Development off seam)	272	747	-
Primary lateral driving (Development on seam)	938	264	495
Raise between levels (off seam)	1,483	149	1,040
Decline (off seam)	397	163	-

Note: Lateral development of mines is planned according to the proposed production requirement, certain pits are not further developed in Q3 and are indicated as such ("-").

Location of Blackgold's Mines

