



DANAE RESOURCES NL

ABN 11 009 173 880

DIRECTORS

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Report on Activities

For the Quarter ended 31st December 2003

HIGHLIGHTS

- ◆ Completion of fund raising activities - \$8.3 million in new equity
- ◆ Conversion of debt to Redeemable Preference Shares (\$22.345 million)
- ◆ Zarmitan Project (Uzbekistan) negotiation continuing
- ◆ Vostok Project (Kazakhstan) Acquired



DANAE RESOURCES NL (“Danae”, “the Company”)

DEVELOPMENT ACTIVITIES

A ZARMITAN GOLD PROJECT – UZBEKISTAN

Status of Joint Venture:

The proposed joint venture between the Company (holding a 50% interest) and two Uzbek government owned entities - Navoi Mining & Metallurgical Combine (“Navoi”) and Goscomgeologia (Uzbek State Geological Agency) – is to be governed by a formal stockholders agreement.

Negotiations with Navoi and Goscomgeologia progressed during the quarter as did the review of the documentation by the relevant government bodies for the formation of the joint venture entity to be known as the Charmitan Mining Company. The project of the Charmitan Mining Company was formally included in the Investment Programme of the Republic of Uzbekistan for the year 2004. The Investment Programme is a list of projects identified as of being of priority by the government and signed by President Karimov in his capacity as Chairman of the Cabinet of Ministers.

Status of Technical Programme:

Management has continued planning for the commencement of technical programmes to be implemented following execution of the documentation and registration of the joint venture company. A detailed proposal was submitted to Navoi for the next stage of technical work with the scope of the technical programme expected to be confirmed in the first quarter of 2004.

B VOSTOK COPPER PROJECT - KAZAKHSTAN

The acquisition of the Vostok Copper Project in Kazakhstan from Multiplex Mining under the previously reported agreement (for A\$1.5 million) was completed in January 2004 after shareholder approval on 22nd December 2003. Since formal signature of the Resource Use Contract (the Contract) between “Multiplex Resources (UK) Limited” (MRK) and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan on 17th September, 2003, MRK has been undertaking project establishment activities in Kazakhstan to allow the commencement of drilling in the June quarter of 2004.

The main activities undertaken during the quarter by MRK were:

- Registration and staffing in Almaty (the largest city in Kazakhstan and the infrastructure centre for the area that includes the Vostok project area) of a Branch Office to manage field activities,
- Formal approval of planned exploration activities (required precursors to work under the Contract),
- Commencement of an Environmental Impact Study (EIS) for the exploration program (a precursor to gaining approval to commence field work under the terms of the Contract), and
- Commencement of negotiations with contractors for supply of surveying, drilling and chemical analytical services to the 2004 field program.

The preparations for this drilling program are advancing on schedule and it is expected that the EIS will be completed and approved in the March quarter 2004.



The 2004 drilling program will be mainly directed at assessing the resources at the Vostok 3 Prospect, where the oxide and chalcocite dominant ores above 300 metres below surface are expected to be most amenable to in-situ leaching. Limited drilling will also be completed at Vostok 1 to corroborate the results of Soviet era drilling and to provide material for initial mineralogical and metallurgical characterisation of these ores.

The Vostok project is an advanced exploration opportunity based around two porphyry copper prospects that contain approximately 2 million tonnes of copper to 500 metres depth (based on reports by the Kazakhstani group that discovered and explored the deposits over the period 1987-1990). The upper half of this mineralisation, which is considered likely to be mineable, either by conventional means and treatable by leaching, solvent extraction and electrowinning ('leaching-SXEW') or by in-situ leaching, is concentrated in two prospects:

- Vostok 3 - estimated by Kazakh geologists to contain approximately 12 million tonnes @ 1% Cu (in oxide and chalcocite mineralisation to 200 metres) and a similar resource in chalcocite mineralisation to 300 metres,
- Vostok 1 - estimated by Kazakh geologists to contain approximately 130 million tonnes @ 0.6-0.7% Cu (in chalcocite ores to 200 metres). There are indications of higher-grade areas in the upper south eastern area of the prospect.

The Vostok 3 and Vostok 1 prospects are located 3.5 kilometres apart and each prospect is covered by approximately 100-120 metres of unconsolidated sediments.

Development Concepts:

As reported previously, the Contract allows for a 6 year exploration phase followed by 25 years of mining, with the right to extend until depletion of the defined reserves. The applicable taxation regime has been agreed for the full duration of the contract, both exploration and mining, however, royalty terms will be confirmed on the basis of a feasibility study of any defined project or projects to be mined. The Contract agreed obliges MRK to expend US\$4 million over 6 years on exploration activities, including US\$300,000 in each of the first two years to September, 2005.

C GREENWICH RESOURCES PLC

Danae continues to hold a 33.15% interest in the ordinary shares of Greenwich Resources plc listed on the London Stock Exchange. It also holds a Variable Rate Convertible Unsecured Loan Stock 2006 amounting to £1,500,000 issued on 30 July 2003.

Greenwich's major asset and activity is the Sappes Gold Project located in northern Greece. The project is awaiting formal approval of the EIS (Environmental Impact Study) approval process. There has been no further announcements made by Greenwich with regard to this process.

The financial year of Greenwich ended 30 September 2003 and the results for the year then ended are expected to be announced by the end of January 2004. Further information on Greenwich can be accessed at their website www.greenwichresourcesplc.com.

D MANOR RESOURCES NL

There has been no progress during the quarter with regard to the proposed sale of tenements by Manor Resources NL ('Manor') to Bulong Operations Pty Ltd ('Bulong'), a subsidiary of Preston Resources Limited. Bulong was placed into Administration on 27 May 2003. Danae has been in discussions with the Administrator since this time.



CORPORATE MATTERS

A ISSUES OF SHARES AND OPTIONS

The December Quarter saw realisation of the previously announced intentions to raise funds through a Placement and associated Rights Issue. In addition, the Multiplex Mining Pty Ltd Loan was converted to Redeemable Preference Shares, and funding was supplemented by a further issue of Redeemable Preference Shares for cash, raising an additional \$3.5 million. In total, these financing activities will raise a total of approx. \$8.3 million (before costs). The completion of the Rights Issue and issue of the new Shares did not occur until January and consequently is not included in the attached cashflows.

Details of each aspect of the funds raised are summarised as follows:

1. Placement

Danae announced on 10 October 2003 that it had concluded a placement of shares to BSG Gold B.V.B.A. – S.A. The placement of 8,315,704 ordinary shares at an issue price of 20 cents each raised \$1,663,141.

2 Rights Issue

On 21 November 2003 the Company announced a Non-Renounceable Rights Issue to raise approx. \$3.2 million (before costs). The offer made in a prospectus issued by Danae was on the basis of one new share for each four existing shares held and at an issue price of 20 cents per new share.

The rights issue closed on 23 December 2003. Of the 15,938,433 shares offered, shareholders subscribed for 12,136,790 shares – an acceptance rate of 76%. The shortfall shares, of 3,801,643 shares, were fully subscribed by the underwriting arrangements. Completion of the Rights Issue and the issue of the related shares occurred in January 2004.

3 Redeemable Preference Shares

A General Meeting was held on 22 December 2003. The meeting approved the loan from Multiplex Mining Pty Ltd of \$22,345,000 to be converted into 22,345,000 Series 'A' Redeemable Preference Shares of \$1.00 each fully paid.

In a separate resolution at the General Meeting, it was further resolved to issue 3,500,000 Series B Redeemable Preference Shares of \$1.00 each to BSG Gold B.V.B.A. S.A. ("BSG Gold") for cash.

Each of Series A and Series B Redeemable Preference Shares were issued on the same terms and conditions, with the exception that the Series A Redeemable Preference Shares have priority of redemption over Series B Redeemable Preference Shares.

The terms of issue of the Redeemable Preference Shares were disclosed in detail in documentation issued with the Notice of General Meeting; however the prime terms are noted as including a yield of 10% per annum, and a term of five years, unless redeemed by Danae at an earlier date.



4 Options Issue

As part of the arrangements for the issue of Redeemable Preference Shares noted above, the General Meeting also approved the issue of 20 million Options to Multiplex Mining Pty Ltd and 8.5 million Options to BSG Gold.

The terms of Options issued to both parties are identical, and have an exercise price of 25 cents and are exercisable on or before the 5th anniversary of the date of issue.

5 Employee Incentive Shares

The General Meeting also approved an issue of shares to Don Lewis (Managing Director) under the Danae Employee Incentive Plan. The issue of shares to a director of the company requires shareholder approval. The terms of issue included the number of shares being limited to a dollar amount of \$100,000, at an issue price calculated on the weighted average price of the five trading days up to and including the day of issue. This calculated to an issue price of 21 cents, and the issue of 476,190 shares to Mr Lewis.

Under the terms of issue, one half of the shares, although issued, will be held in escrow and not vest until the date of incorporation of the Charmitan Mining Company in Uzbekistan (the proposed joint venture entity in respect of the Zarmitan Gold Project).

B VOSTOK ACQUISITION

Following the receipt of the funds outlined above, the settlement of the acquisition of the Vostok Copper Project (\$1.5 million) can proceed. Settlement of the amount owing has been met, and the remaining formalities of the acquisition are expected to be completed by mid January 2004.

C ANNUAL GENERAL MEETING

The Annual General Meeting of the Company was held on Friday, 28 November 2003. The only Resolution put to the meeting was the re-election of the John Corcoran, the Chairman of Danae, which was duly passed.

D AVAILABLE FUNDS

As noted above, Danae has raised approximately \$8.35 million in new funds under the issues above. At 31 December 2003 the Company had available funds of \$5.6m, with the balance of the Rights Issue funds of \$2.3m received in January 2004. Following payment for the acquisition of the interest in the Vostok project in Kazakhstan (\$1.5m) this will leave available funds of approximately \$6.4m.

Yours faithfully

DONALD P LEWIS
MANAGING DIRECTOR

29 January 2004

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

DANAE RESOURCES NL

ACN or ARBN

009 173 880

Quarter ended ("current quarter")

31 December 2003

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation	(179)	(389)
	(b) development		
	(c) production		
	(d) administration	(203)	(209)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	12	13
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)	-	-
		(370)	(585)
Net Operating Cash Flows			
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments		
	(c) other fixed assets	(2)	(2)
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investments	-	-
	(c)other fixed assets		
1.10	Loans to other entities	(57)	(3,751)
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
		(59)	(3,753)
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	(429)	(4,338)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(429)	(4,338)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	5,163	5,163
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	3,925
1.17	Repayment of borrowings	(22)	(22)
1.18	Dividends paid		
1.19	Other (provide details if material)	946	939
	Net financing cash flows	6,087	10,005
Net increase (decrease) in cash held			
		5,658	5,667
1.20	Cash at beginning of quarter/year to date *	30	21
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	5,688	5,688

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'000
1.23	Aggregate amount of payments to the parties included in item 1.2	
1.24	Aggregate amount of loans to the parties included in item 1.10	57

- 1.25 Explanation necessary for an understanding of the transactions
- Item 1.10 is a loan advanced to Multiplex Resources (Kazakhstan) Limited, a subsidiary company of the immediate parent entity.

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

- Management Fees charged by Multiplex Mining Pty Limited (J Corcoran, A Roberts & D Lewis – directors) totalled \$201,781.
- Interest charged by Multiplex Mining Pty Limited (J Corcoran, A Roberts & D Lewis - directors) totalled \$394,488.
- Office Services and travel expenditure payable to Multiplex Mining Pty Limited (J Corcoran, A Roberts & D Lewis – directors) totalled \$13,750.
- On 22 December 2003, the Company advanced loans totalling \$200,000 to officers of the Company to enable them to acquire 952,380 shares in the Company under the Company's Employee Incentive Plan.
- On 22 December 2003, the Company issued 22,345,000 \$1.00 A Class preference shares to Multiplex Mining Pty Limited, the immediate parent entity, in settlement of a loan facility with the immediate parent entity (Refer commentary to Item 3)

- 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:

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements		
<ul style="list-style-type: none"> During the quarter ended 31 December 2003, a loan facility payable to Multiplex Mining Pty Limited, the immediate parent entity, was converted to 22,345,000 \$1.00 A Class Preference Shares. At the time of conversion, the debt totalled \$22,407,903.19 		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	600
4.2 Development	
Total	600

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'000	Previous quarter \$A'000
5.1 Cash on hand and at bank *	3,586	30
5.2 Deposits at call	1,137	
5.3 Bank overdraft		
5.4 Other (provide details)	965	
Total: cash at end of quarter (item 1.22) *	5,688	30

- At 31 December 2003, \$965,325.80 is held in trust by the company pending allotment of shares under a 1 for 4 pro-rata rights issue on 16 January 2004.

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				

+ See chapter 19 for defined terms.

6.2 Interests in mining tenements acquired or increased

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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)				
▪ 'A' Class	22,345,000		\$1.00 per share	\$1.00 per share
▪ 'B' Class	3,500,000		\$1.00 per share	\$1.00 per share
7.2 Changes during quarter				
(a) Increases through issues				
▪ 'A' Class Preference Shares - Issued 22 December 2003	22,345,000		\$1.00 per share	\$1.00 per share
▪ 'B' Class Preference Shares - Issued 22 December 2003	3,500,000		\$1.00 per share	\$1.00 per share
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	64,706,112	62,003,732		
7.4 Changes during quarter				
(a) Increases through issues				
▪ Share Placement 10 October 2003.	8,315,704	8,315,704	20c per share	20c per share
▪ Issue of shares under Employee Share Plan	952,380	-	21c per share	21c per share
(b) Decreases through capital reconstruction				
7.5 +Convertible debt securities (description)				

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor) ▪ Term: 5 years from date of issue ▪ Exercise Price: 25c per share	28,500,000			
7.8	Issued during quarter ▪ Issued 22 December 2003	28,500,000			
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Further Information On Material Items

Payments for administration for the quarter reported at Item 1.2(d) are shown net of expense reimbursements received from an associated entity. Expense reimbursements for the quarter totalled \$35,327.

Other cash flows related to financing activities reported at Item 1.19 represent the net of:

- Capital raising costs incurred in connection with the rights issue announced to the ASX on 24 December 2002 (\$17,390 for the quarter ended 31 December 2003); and
- Funds received and held in trust by the Company pending the allotment of shares under the 1 for 4 pro-rata rights issue on 16 January 2004.

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
2. This statement does give a true and fair view of the matters disclosed.



Sign here:
(Managing Director)
Print name: DON LEWIS

Date: 29th January 2004

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 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
 5. Accounting Standards ASX will accept, for example, the use of International Accounting 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.
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