



DANAE RESOURCES NL

ABN 11 009 173 880

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Report on Activities For the Quarter ended 30 September 2005

DEVELOPMENT ACTIVITIES

A ZARMITAN GOLD PROJECT – UZBEKISTAN

No clarification was obtained from the Government of the Republic of Uzbekistan in the September quarter on the key issue as to how the Company might progress the proposed joint venture for the Zarmitan Gold Project between the Company and two Uzbek government owned entities - Navoi Mining & Metallurgical Combine ("Navoi") and Goscomgeologia (Uzbek State Geological Agency) during the quarter.

The Company continued discussions with proposed technical partners in the project with wide experience of implementing projects in Uzbekistan. The Company further developed the option of use of a modular processing plant in which the flow-sheet utilises gravity concentration with flotation and intensive cyanidation. The Company provided additional explanatory material to proposed technical partners including an understanding of modern mechanised narrow-vein mining methods of the kind which would be applicable for the Charmitan deposit. This builds upon the previous work that demonstrated that the joint venture for establishment of a modern mine and metallurgical processing plant at Zarmitan is the most practicable way to increase gold production from the Charmitan deposit, to meet the requirements of the Uzbek parties, and to address social and development issues associated with the Mardjanbulak Gold Mine and Gold Factory.

After the end of the September quarter the Company announced a proposed merger of the Company with Greenwich Resources plc and Buka Minerals Limited to create an international resource and resource finance business. The Directors of the Company believe that this merger has the potential to bring to the Zarmitan Gold Project superior technical skills and financing capacity with the attention of a senior management group with strong experience in mining project development. Mr Champion de Crespigny, the proposed Chairman of the merged group, has wide experience in dealing with the highest levels of government in different countries of the world, knowledge of Central Asia and respect for the capabilities of proposed Uzbek local partners.

B VOSTOK COPPER PROJECT – KAZAKHSTAN

Danae holds 100% equity in the Vostok Copper Project in Southern Kazakhstan through its wholly owned subsidiary, Multiplex Resources (Kazakhstan) Limited (MRK), a company incorporated in Great Britain. MRK signed a Contract for Exploration and Subsequent Mining (No. 1230 of 17th September, 2003) with the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan over approximately 135 square kilometres (the Vostok Copper Project Tenement) that contains the Vostok 1, Vostok 2, Vostok 3, Vostok 4 and Vostok 5 Prospects and large volumes of altered Palaeozoic rocks.



The Vostok project is an advanced exploration opportunity based around two porphyry copper prospects that, based on Soviet data, may contain approximately 2 million tonnes of copper to 500 metres depth. The target mineralisation is contained primarily in two prospects, Vostok 1 and Vostok 3, for which Soviet era estimates of mineralisation volumes and grades have been calculated. These zones of mineralisation are covered by approximately 100 metres of poorly consolidated Neogene and Quaternary sediments.

The major activities completed over the quarter were related to the implementation of the 2005 drilling program at Vostok 3 Prospect. These comprised:

1. Ground location of the 9 planned drill collars by contract surveyors.
2. Mobilisation of the drilling equipment and completion of 4 diamond drill holes at Vostok 3 for a total of 1531.65 metres. This program will continue in the next quarter with a total of 9 diamond drill holes for approximately 3000 metres of drilling to be completed at Vostok 3 in 2005.

The data from geological logging of the core indicates that the oxide and supergene copper mineralisation is distributed as expected from the 2004 drilling program. The Company has not received assay data for any of the sections drilled in 2005.

The Company is continuing the process of attracting a suitable partner for the Vostok Copper Project to allow the project to advance at a rate that will realise appropriate value to Danae shareholders.

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 (plus interest at a rate of LIBOR +4% since that time).

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), which continues to be delayed.

Information on Greenwich can be accessed at their website www.greenwichresourcesplc.com.

Yours faithfully

DONALD P LEWIS
MANAGING DIRECTOR

31st October 2005

The information in this report that relates to Mineral Resources is based on information compiled by Dr Steve Hancock who is a member of the Australasian Institute of Mining and Metallurgy. Dr Hancock has sufficient experience to qualify as a competent person as defined by the JORC Code, and has consented to the inclusion in the report of the data in the form and context in which it appears.

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")

30 September 2005

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 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	(294)	(294)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(74)	(74)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	58	58
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
		(310)	(310)
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	-	-
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
		-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(310)	(310)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(310)	(310)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares (net of costs)	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(310)	(310)
1.20	Cash at beginning of quarter/year to date *	4,579	4,579
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	4,269	4,269

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	23
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

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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:

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	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	
Total	300

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 *	137	171
5.2 Deposits at call	4,132	4,408
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22) *	4,269	4,579

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	Nil			
6.2 Interests in mining tenements acquired or increased	Nil			

+ See chapter 19 for defined terms.

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				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	80,644,634	77,942,252		
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decreases through capital reconstruction				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)				
▪ Unlisted Options	28,500,000		25c exercise price	Exercisable on or before 22 Dec 2008
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Further Information On Material Items

Nil

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:
RS Middlemas – Company Secretary

Date: 31st October 2005

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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