

ASX Code: HDG

**Fully paid shares:
78,204,029**

**Unlisted options:
10,200,000**

QUARTERLY REPORT FOR 3 MONTHS ENDED 31 December 2011

BOARD MEMBERS

Peter Mullens – Chairman
Mark Major – Managing Director
Nathan McMahon – Non-Exec Director
Bryan Dixon – Non-Exec Director

CORPORATE DIRECTORY

Company secretary – Julie Hill

Stock exchange listing:

Australian Securities Exchange
Code: HDG,

Solicitors:

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- Wash testing indicates export quality coal at the Moiyabana Coal Project, Botswana. Maiden JORC resource expected during the first quarter of 2012.
- Laboratory results confirm quality shallow coal seams at the Morupule South Coal Project, Botswana.
- Highly encouraging results from ongoing gold exploration at Salman South and Mame projects, Ghana.
- Cash reserves of \$4.1million at end of December quarter



SUMMARY OF CORPORATE ACTIVITIES

At the end of the December quarter, Hodges Resources Ltd ('Hodges' or the 'Company') had cash reserves of approximately \$4.1 million with a further \$3.6 million in receivables (under terms and conditions of commercial agreements in relation to the Botswana and Ghana projects).

During the quarter, 1.85 million options were exercised to raise \$370,000.

Hodge's market capital is currently \$20 million.

PROJECT ACTIVITIES UPDATE

MOIYABANA COAL PROJECT

The Moiyabana project (PL93 and PL94) is located approximately 70km from the operational Morupule mine and Colliery; the only operational coal fired power plant in Botswana. Historically the area was partially explored by Shell Coal Botswana during the 1970's Jaquar Ventures (Pty) Ltd, who completed thirteen diamond drill holes during the period 2009-2010.

Based on the results of the Runge Independent geological report as reported in an ASX press release on 7th June 2011, a coal exploration target of around 1.4 to 1.6 billion tonnes could be defined in the 140km² area of which an estimated 660 million tonnes indicates suitability for open cast mining.¹

Update

As reported on 21 December 2011, the drilling programme has finished at the Company's Moiyabana Coal Project (PL94/2007) in Botswana; with over 6,500m drilled within 69 drill holes (Figure 1).

Once drilled, all holes were logged, selectively sampled and transported to ALS Chemex's Coal laboratory at Witbank, South Africa, for analysis. All samples initially underwent proximate and ultimate analysis to determine the main coal characteristics. In addition to analyses of the entire interbedded coal sequences, numerous coal seams were selected to undergo float – sink (wash) analysis.

Raw air dried calorific values of up to 6,197 Kcal/kg and wash values to 7,212 Kcal/kg recorded at the Moiyabana project.

The interbedded nature of the coal seams typically comprises bituminous to sub-bituminous coal seams separated by partings of lower energy value coal and carboniferous shales. This can be seen diagrammatically in figure 2, which details the coal intersections over the section through Hole KD04 – Hole KD11 - Hole KD19.

The methodology of undertaking the selective sampling and robust testing of the interbedded coal and partings will allow Hodges to model the coal seams to a higher level and assist to identify higher quality raw coal and that coal which produce better wash yields.

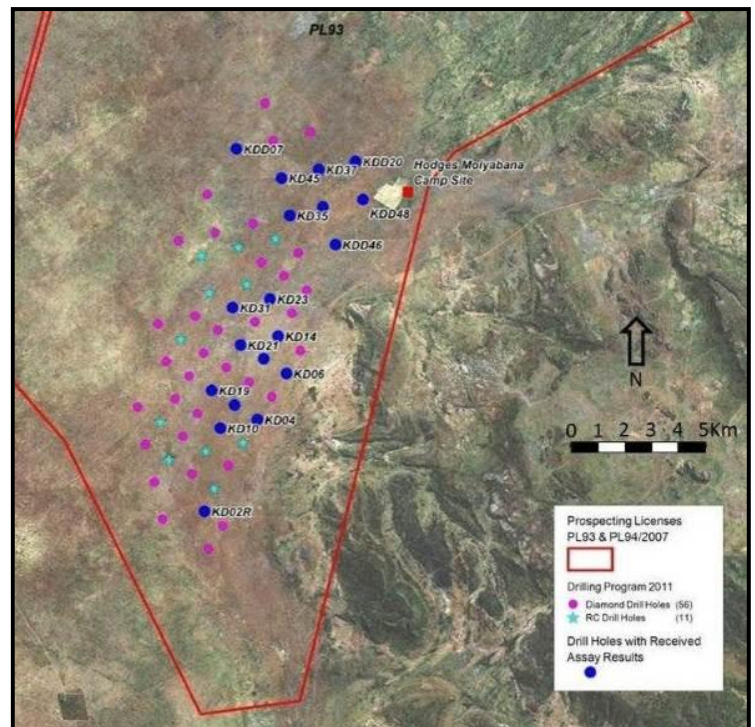


Figure 1. Drill hole location on license PL093, Moiyabana project

¹ The stated Exploration Target above and the coal quality must be regarded as a provisional indication of likely tonnages and qualities only. It is through this exploration the Hodges intends to upgrade this target to a JORC Resource within the next 6 months. The Exploration Target is conceptual in nature and there has been insufficient exploration to define a Mineral Resource.

The results found that raw (air dried) values of up to 6,197Kcal/kg are present and that selected coal seams could be washed to a level similar to premium Australian coal quality (i.e. FOB Newcastle/Port Kembla coal = 6,600 Kcal/kg (or 12,000 btu/pound, <1% sulphur, ~14% ash,).

All holes which underwent wash testing recorded seams with results above 6,000 Kcal/kg with variable yields ranging from 26% to 76%. Hole KP14 had one sample with a 68% yield to produce a coal with a calorific value at 7,212 Kcal/kg and 9.5% ash; Hole KD21 had one sample with 49% yield resulting in coal with a calorific value at 7,035Kcal/kg and 10.6% ash, and another seam with a 57% yield for a 6,715 Kcal/kg and 15% ash resultant.

“We are encouraged by the initial coal quality and wash test results on the coal seams. It has shown that we can increase the coal calorific value and remove a significant proportion of the ash to produce a premium coal product for the export market if required. Better still, with a considerable portion of these seams at shallow depths, some as little as 33 metres from surface, and with the viable yields from the wash testing we believe that a commercial feasible coal mining operation may be possible at Moiyabana,” Mr Major said.

Mr Major said that the open pit potential of the coal seams remained an important consideration for any future commercial mining operations, and the drill results and recent coal quality results continue to support this case.

Hodges has started the geological and resource modelling work and the Company expects to have its maiden JORC resource on the project in Q1 2012.

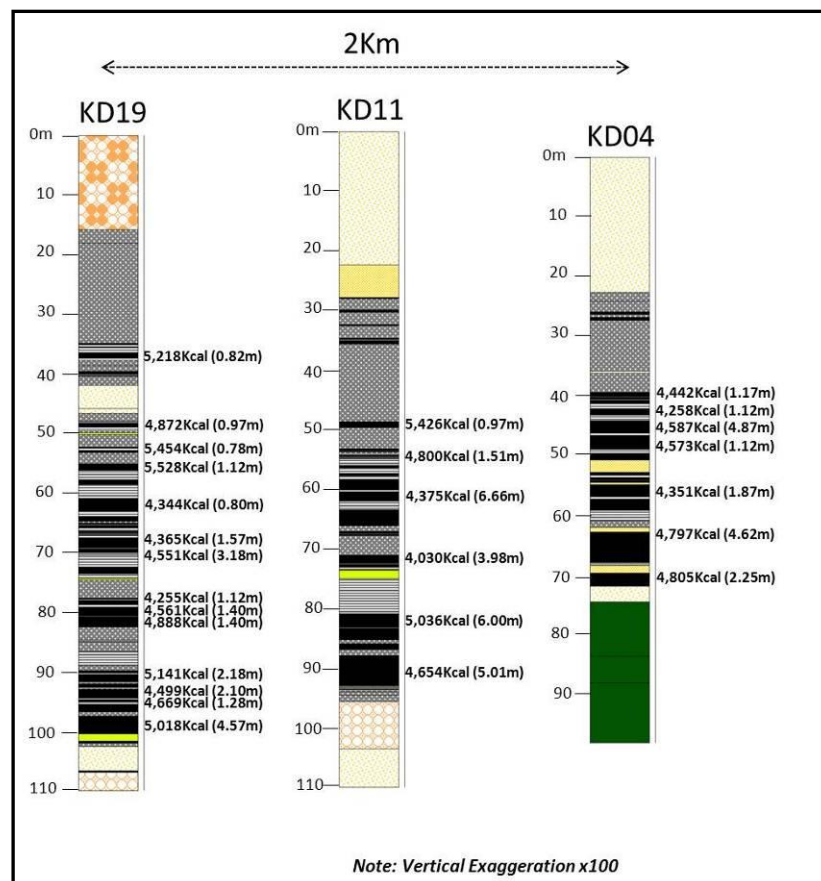


Figure 2. Section through Moiyabana showing the locations of the reported proximate analysis results, namely the Calorific value and seam thickness (4,797Kcal (4.62m)) from diamond holes KD04, KD11 and KD19

MORUPULE SOUTH COAL PROJECT

The Morupule South Coal Project is located to the south of the operational Morupule Colliery in central east Botswana. The project consists of one prospecting licence (PL121/2010), covering a total area of 264.4km² within the eastern central district of Botswana.

GEMECs prepared a Coal Resource Report on prospecting license PL121 on behalf of SDNP (Pty) Ltd, in March 2011. In this report they estimated a coal resource for the Morupule South Project area as 414.3Mt for the Morupule Main seam only. This coal resource is classified as a JORC inferred coal resource at this stage.²

The areas which do not reach the JORC code specifications were estimated by GEMECs as an exploration target in the order of 700 to 800Mt.³

Update

The reconnaissance drilling programme commenced on 27 September 2011, using Reverse Circulation percussion drill (RC) and diamond core methods. Thirty three RC drill holes were completed at the project during 2011, 9 diamond for 715m, and 24 RC for 2,960m.

Proximate analysis for first two sampled holes at Morupule South identified shallow, thick coal seams in the south eastern block.

All holes completed to date have been drilled vertically. Once drilled, drill holes were routinely wireline logged while recovered drill cores were geologically logged. Selected samples were then sent to Inspectorate M&L (Pty) Ltd Laboratory in Middelburg, South Africa for initial coal quality analysis. As announced on 29 November 2011, after a positive reconnaissance drilling program in the eastern block during late September (press release dated 18 October 2011), which identified numerous shallow thick coal seams, a program of follow-up infill diamond and RC drilling was completed. The initial two diamond core holes of this program (MSD40 & MSD46) were drilled between prior completed RC reconnaissance holes and confirmed the presence of major coal seams suitable for initial coal quality analysis.

Twenty five individual raw coal core samples were selected for analysis on the basis of geological boundaries and have been summarised as weighted averages of composite intersections with the percentage of ash being less than 40%. On the basis of this the following coal seam summary of results were identified (Table 1).

Table 1. Summary of Proximate Analysis of Raw Coal

Hole ID	From (mBGL)	Seam Thickness (m)	RAW COAL, AIR DRIED BASIS							
			Inherent Moisture %	Ash %	Volatile %	F.C. %	Sulphur %	CV Kcal/kg	CV range Kcal/kg	
MSD46	33.02	3.4	4.3	29.8	20.5	45.3	1.1	4,974	4,334 – 5,614	
	39.33	0.5	5.6	24.4	20.5	49.5	0.5	5,490		NR
	44.6	10.3	2.9	36.8	18.3	42.0	0.9	4,306		2,682 – 4,860
Wt. Ave. for Hole		14.2	3.3	34.7	18.9	43.0	0.9	4,506		
MSD40	28.45	2.7	4.1	34.0	26.1	35.8	5.6	4,573	NR	
	56.12	1.9	4.7	28.7	28.1	38.5	1.2	5,079	NR	
	68.8	4.4	5.3	30.7	22.8	41.2	1.0	4,888	4,621 – 5,156	
	73.75	1.3	4.8	38.6	18.6	38.0	3.6	4,134	NR	
	75.26	3.2	3.7	39.2	18.3	38.8	0.5	4,073	3,178 – 4,907	
	80.38	3.6	2.4	29.6	11.9	56.1	1.7	4,993	4,315 – 5,672	
Wt. Ave. for Hole		17.0	4.1	32.9	20.4	42.5	1.9	4,671		

² Hodges Reports JORC inferred 414Mt resource and 700 to 800 Mt target release to the ASX 15 March 2011.

³ The stated exploration targets and coal quality must be regarded as provisional indication likely tonnages and qualities only. The exploration targets are based upon the results to date. The exploration targets includes potential quantity and grades and are conceptual in nature. There has been insufficient exploration to define the targets as Mineral Resources and it is uncertain if further exploration will result in the determination of further Mineral Resource.

Results of drilling have defined continuous coal seams over the length of the 5 holes (8km strike). A diagram showing coal intercepts over this distance with coal quality intercepts where available is shown in figure 3.

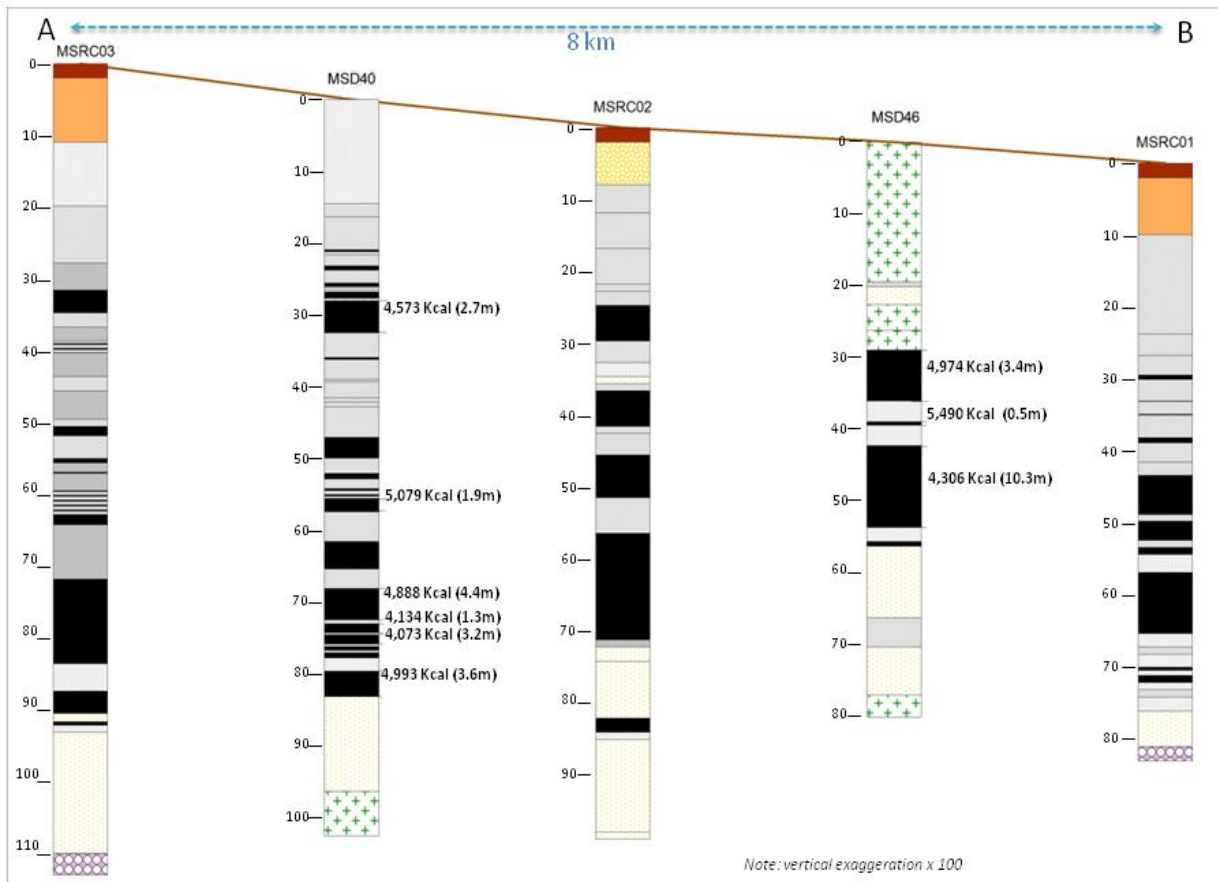


Figure 3: Section through East Block showing the location of the reported proximate analysis results, namely the Calorific value and seam thickness (4,306 Kcal (10.3m)) from diamond Holes MSD40, MSD46 and adjacent RC drill holes (MSRC01, MSRC02 and MSRC03).

GHANA – SALMAN SOUTH AND MAME PROJECTS

In May 2010, Hodges reached an agreement to acquire a 90% interest in the Salman South and Mame Gold projects located in the southern extensions of the Ashanti Gold Belt, southern Ghana.

The Salman South project is a strategic land holding located approximately 1.5km south of the Adamus Resources ~2.1Moz Nzema Gold Project. The Mame project is located 8km south east of Salman south and 2km south of Adamus Resources Avrebo prospect.

The agreement is contingent on the vendor obtaining approval from the government of the Republic of Ghana to transfer the Prospecting Licenses. Delays have been experienced in this process, and approvals are expected soon. Further details of the projects and the terms of the agreement can be found in the Hodges press release to the ASX on the 11th May 2010.

Update

As reported on 7 November 2011, multiple coherent gold anomalies have been identified following the completion of a systematic soil sampling program at the Company's Salman South and Mame gold exploration projects of which are located along strike from Adamus Resources' Nzema and Avrebo gold projects.

A systematic 3,323 point soil sampling program was completed over the Salman South and Mame projects with all samples undergoing gold analysis at the Intertek Minerals Ltd Laboratories in Tarkwa, Ghana. Sampling covered the full extent of prospecting licences and was designed to test multiple parallel NNE-SSW trending gold-bearing structural zones interpreted to transverse both licences.

The gold in soil anomalies appear to correlate with:

1. known areas of historic gold mining,
2. areas which returned elevated gold intersections from limited historic drilling,
3. new structural corridors or
4. areas located along strike from mineralisation documented as occurring marginal to prospecting licences including Adamus Resources Ltd's Nzema and Avrebo gold projects.



Photograph of a typical soil sample point, where the inner hole below the organic layer has been sampled.

A total of 1,299 samples were collected from the Salman South project along a grid array with 200m north-south and 50m east-west spacing. Interpretation of final results showed that:

1. 10% of soil results returned an average of >0.1g/t Au with a peak value of 3.3g/t Au,
2. four coherent anomalies inferred to be associated with two regional NNE-SSW trending structural corridors have been defined,
3. one of these anomalies appears to represent the continuation of Adamus Resources' ~2.1MOz Nzema Gold Project mineralisation trend,
4. prior limited historical RC drilling attempting to target this trend, which locally intersected results including: 1m @ 6.8g/t Au (SSRC004), 3m @ 1.03g/t Au(SSRC03) and 3m @ 1.18g/t Au (SSRC010), is interpreted as being poorly located and completed too far to the west of the anomaly trend.

A total of 2,024 samples were collected from the Mame projects along a grid array with 200m or less north-south and 50m or less and approximately east-west spacing. Interpretation of final results showed that:

1. 4% of soil results returned an average of >0.1g/t Au with a peak value of 2.0 g/t Au,
2. six coherent anomalies inferred to be associated with two regional NNE-SSW trending structural corridors or intrusive-wallrock contacts have been defined,
3. selected anomaly trends are interpreted to correlate along strike with Adamus Resources' Avrebo Gold Project,
4. prior shallow RAB drilling, which was located over or adjacent to some of the anomalies identified within the study, returned encouraging shallow intersections including: 3m @ 10.3g/t Au (MARB20), 10m @ 1.5g/t Au (MARB70), 11m @ 1.9g/t Au (MARB100), 14m @ 32 g/t Au (MARB104).

A program of follow-up infill soil sampling and detailed ground magnetic surveying is currently being undertaken to help refine the geometries of higher ranked anomalies and to assist with the ground selection of targets planned for drill testing during 2012.

Details of the project are reported in Hodges press release to the ASX on the 7th November 2011. This release can also be found on the company's website.

SWEDEN

Hodges Resources maintains an interest in four uranium projects located in Sweden. Projects are held either outright or through strategic joint ventures agreements with TSX listed Mawson Resources.

Hodges has now successfully completed its farm-in requirements under the terms of the joint venture agreement and is entitled to 47% interest. Hodges can earn additional interest in projects by sole funding any project to bankable feasibility level.

Work completed on the projects to date has included; ground prospecting, prospect scale mapping, ground scintillometer and ground magnetic surveying, radon cup surveying and diamond drilling.

No work was completed during the last quarter.

For Further Information

Please contact Mark Major should you have any queries on this announcement.

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For Media Enquires

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DISCLAIMER

The stated exploration target above must be regarded as provisional indication of likely tonnages and qualities only. However Hodges does intend to review and upgrade this target to JORC standards within the next 6 months. The exploration target is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Competent Persons Statements

The information contained in the report that relates to Exploration Results, Exploration Targets detailed in the Moiyabana Coal project and the Morupule South Coal Project, is based on information reviewed by Mr. Jeff Claeys, who is an independent consultant for the Company. Mr. Claeys is a Member of the Geological Society of South Africa and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken 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. Claeys has given consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Inferred JORC Coal Resources was compiled by GEMECS (Pty) Ltd and is detailed in a report dated 11 March 2011. The competent person with overall responsibility for the reporting of the Coal Resources is Nico J Denner, Pr.Sci Nat, B.Sc Hons (Geology) of GEMECS (Pty) Ltd who is a fellow of a Recognised Overseas Professional Organisation, the Geological Society of South Africa. Nico Denner has sufficient experience which is relevant to the style of mineralization 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 Denner consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the Ghana and Sweden projects Exploration Results is based on information compiled by Mr Mark Major, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Major 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 Major consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.