



# CBH Resources Limited

ABN 27 009 423 858

Level 3, 2 Elizabeth Plaza, North Sydney NSW 2060 Australia  
PO Box 1967, North Sydney NSW 2059 Australia  
[www.cbhresources.com.au](http://www.cbhresources.com.au)

Tel: +61 2 9925 8100  
Fax: +61 2 9925 8111  
[office@cbhresources.com.au](mailto:office@cbhresources.com.au)

28 April 2006

Company Announcements Office  
Australian Stock Exchange  
Level 4, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sirs,

## Quarterly Report to 31 March, 2006

Attached please find the Company's Quarterly Report for the period ended 31 March 2006.

Yours sincerely,  
**CBH RESOURCES LIMITED**

**Robert E. Besley**  
Managing Director



## MARCH 2006 QUARTERLY REPORT

### KEY QUARTER HIGHLIGHTS

#### **Endeavor Zinc, Lead, Silver Operations**

- Mine production build-up on schedule with mine output for the quarter at 30% of normal production.
- Substantial mine development and backfill in progress.
- Major plant and equipment upgrades and new equipment installed.
- Operations on track for 60% of normal production in June 2006 quarter and full production in September 2006 quarter.
- A \$2million surface drilling programme commenced to test mineralisation at depth.

#### **Sulphur Springs Zinc, Copper Development**

- Completion of successful shallow drilling programme.
- Resource upgrade to 13.8million tonnes at 3.7% zinc, 1.4% copper and 21 g/t silver.
- Open pit mine design and project feasibility study nearing completion.
- Site works expected to commence in 2006 for a 1.25 million tonnes per year ore operation.

#### **Broken Hill Zinc, Lead, Silver Development**

- Development planning accelerated for new underground production from the large tonnage Western Mineralisation.
- Initial mine focus on upper section of 9.1 million tonnes at 4.1% zinc, 2.5% lead and 32g/t silver resource.

#### **Exploration**

- Drilling commenced for extensions to high grade zinc mineralisation in the Panorama Joint Venture, 6 kilometres along strike from Sulphur Springs.
- Joint Venture agreement signed with Teck Cominco WA to explore for high grade zinc and lead mineralisation in the Napier Range section of the Lennard Shelf.

#### **Finance / Corporate**

- Rick Watsford appointed as Chief Operating Officer, commencing 1 May 2006.
- A \$25 million capital raising was completed to shareholders and institutional investors.
- Agreement was reached with Coeur d'Alene that provides early access to \$15 million of the \$30 million outstanding silver payment.



## OPERATIONS

### ENDEAVOR MINE, COBAR, NSW

*Zinc, Lead, Silver*

Operations at the Mine remained focussed on mine development and backfilling in order to provide long term sustainable production rates as production builds back up to full capacity.

As forecast, Mine production for the quarter (88,588 tonnes) was at approximately 30% of normal production capacity (300,000 tonnes per quarter). At this low Mine output, the processing plant was run on a campaign basis and at the end of the quarter there were 23,664 tonnes of stockpiled ore available for processing. Mine production was up 14% compared to the previous quarter but treated tonnes were down 16%. The stockpiled ore will be treated in the June 06 quarter.

<b>Production Results</b>	<b>Jun 2005 Quarter</b>	<b>Sep 2005 Quarter</b>	<b>Dec 2005 Quarter</b>	<b>Mar 2006 Quarter</b>
Ore Treated (tonnes)	229,803	271,533	77,558	<b>64,924</b>
Zinc %	7.7	6.8	7.5	<b>7.3</b>
Lead %	4.5	4.1	4.4	<b>3.6</b>
Silver g/t	54.8	51.1	58.0	<b>45.6</b>
Zinc Concentrate (tonnes)	29,014	29,741	9,247	<b>7,682</b>
Containing zinc (tonnes)	15,022	15,392	4,779	<b>4,083</b>
Recovery %	84.5	83.9	82.8	<b>86.4</b>
Lead Concentrate (tonnes)	15,108	15,948	5,035	<b>3,438</b>
Containing lead (tonnes)	7,970	8,507	2,595	<b>1,804</b>
Recovery %	78.0	77.0	76.1	<b>77.1</b>
Containing silver (kgs)	7,471	6,979	2,267	<b>1,810</b>

Production development was focussed on two areas of the Mine, an upper level 500,000 tonnes resource and a new production level covering a 500 metre strike length of the orebody beneath the current bottom production level. Both these developments will provide substantial new stopes for production in the second half of 2006.

Resources were also directed at accelerating the backfill of past mine voids using unconsolidated fill material backhauled into the Mine by the ore haulage road trains. This is providing stabilised mine sections where cemented fill is not required.

The paste backfill distribution system damaged by the 6z2 slope collapse in the previous quarter is expected to be operational towards the end of the June 06 quarter. This will provide cemented fill to stope voids in areas where adjacent secondary stopes and pillars are to be mined. Mine production from these areas is expected to come on stream towards the end of the next half of the year and will provide the bulk of the ore mined from underground.

Mine ventilation was upgraded during the quarter with emphasis on a return airway to service the new development level. In addition, one of the two main ventilation fans was completely replaced during the quarter.



Shotcrete was reintroduced into the Mine to speed up development rates and provide improved support for new development drives.

Advantage was taken of the low production levels to service and refurbish sections of the mill and processing plant during shutdown periods.

Work recommenced on the copper recovery circuit with commissioning expected in the June quarter. This will generate approximately 1,200 tonnes per year of copper in concentrate and provide an additional \$9 million cash flow to the operation at current metal prices from copper concentrate sales, improved lead concentrate value and increased metal recoveries. The capital cost of the copper circuit installation is \$2.5 million with an estimated payback period of just 3 months.

As forecast the Endeavor operation, made a loss on operations of \$5.8 million for the quarter due to the low production level and focus on mine development. Operations are expected to be cash flow positive in the coming quarter with a return to strong profitability in the September 2006 quarter as full production is restored.

#### NEWCASTLE CONCENTRATE SHIPLOADER

Throughput for the quarter was effected by the reduced production from the Endeavor Mine with other customers approximately on budget.

Production Results	Jun 2005 Quarter	Sep 2005 Quarter	Dec 2005 Quarter	Mar 2006 Quarter
Loaded Tonnes	81,743	70,607	116,770	96,073
Tonnes in storage (period end)	25,146	44,131	15,594	11,616

## PROJECT DEVELOPMENT

### SULPHUR SPRINGS

*Zinc, Copper*

Successful drilling in the upper 100 metres of the Sulphur Springs zinc-copper deposit together with a new resource calculation based on open pit cut-off grades has substantially increased the total Mineral Resource estimate for the deposit to **13.8 million tonnes @ 3.7% zinc, 1.4% copper, 21 g/t silver (or 6.4% zinc equivalent)**.

This resource contains a large high-grade component of **8.5 million tonnes 5.2% zinc, 1.9% copper, 25 g/t silver (or 9.0% zinc equivalent)**.

Details of the Mineral Resource estimates are provided in the tables below.

The open pit mine design is nearing completion for inclusion in the final feasibility study. The project schedule is to complete the feasibility study in mid 2006 and commence site preparation in the second half of 2006 with first production near the end of 2007 or early 2008. The project design is for a 1.25 million tonne per year ore throughout to generate



65,000 tonnes per year of copper concentrates (25% copper) and 75,000 tonnes per year zinc concentrate (53% zinc). The strip ratio of waste to ore is expected to be approximately 9:1. The final capital cost estimate for the project is expected to be between \$80 million and \$100 million with less than a one year payback at current metal prices.

The Sulphur Springs project is located 160 kilometres by road from the concentrate export facilities and infrastructure centre at Port Hedland.

**Mineral Resource at a 1.0% Zn equivalent cut-off grade**

Category	Tonnes	Zinc %	Lead %	Silver g/T	Copper %	Zn Eq %
Measured	5.3	3.9	0.2	19	1.4	6.7
Indicated	7.2	3.4	0.2	21	1.4	6.2
Inferred	1.3	4.7	0.3	29	1.3	6.5
<b>Total</b>	<b>13.8</b>	<b>3.7</b>	<b>0.2</b>	<b>21</b>	<b>1.4</b>	<b>6.4</b>

**Mineral Resource at a 4.0% Zn equivalent cut-off grade**

Category	Tonnes	Zinc %	Lead %	Silver g/T	Copper %	Zn Eq %
Measured	3.6	5.2	0.3	22	1.7	8.8
Indicated	4.2	5.0	0.2	26	1.9	9.0
Inferred	0.7	6.5	0.3	33	1.5	9.7
<b>Total</b>	<b>8.5</b>	<b>5.2</b>	<b>0.2</b>	<b>25</b>	<b>1.9</b>	<b>9.0</b>

**BROKEN HILL CML7**

*Zinc, Lead, Silver*

The Company holds title to the central 3.8 kilometres of the Broken Hill line of lode that contains substantial tonnages of unmined zinc lode mineralisation.

CBH has advanced planning for the Rasp Mine project, a new underground development based on the Western Mineralisation zone. Following a number of drilling programmes, a resource has now been modelled in the upper part of the mineralised zone totalling 9.2 million tonnes @ 4.1% zinc and 2.8% lead. This area is the target for an initial brown-field stand alone mine and processing operation.

**Mineral Resource at a 5.0% Pb + Zn cut-off grade**

Category	Tonnes	Zinc %	Lead %	Silver g/T
Indicated	6.3	4.1	2.9	31
Inferred	2.9	4.0	2.5	31
<b>Total</b>	<b>9.2</b>	<b>4.1</b>	<b>2.8</b>	<b>31</b>



The overall Western Mineralisation zone as drilled to date extends from 100 metres to 800 metres depth and has a strike length of 1.7 kilometres. The Rasp Mine development initial focus is on the section between 200 metres and 420 metres depth which will be accessed by a decline from the base of the Kintore pit.

A faulted extension of the Western Mineralisation, the Centenary Mineralisation, lies between 800 metres and 1300 metre depth. This was drilled by CRAE in the mid 1980's who reported a resource of 6.7 million tonnes @ 6% zinc, 2.3% lead and 32 g/t silver (Inferred Mineral Resource status).

Both the Western Mineralisation and Centenary Mineralisation are open-ended and provide significant upside potential for the Rasp Mine project.

The Rasp Mine development is within the central mining leases at Broken Hill with all the available infrastructure for a mine start-up.

## EXPLORATION

### **PANORAMA JOINT VENTURE** (CBH earning 60%)

*Zinc, Copper*

The Panorama joint venture covers a mineralised volcanic horizon that extends for 15 kilometres along strike from the Sulphur Springs deposit. Previous drilling has identified ore grade widths of zinc - copper mineralisation at 5 prospects.

Drilling has commenced at the Kangaroo Caves deposit where the previous drilling located an Identified Mineral Resource of 1.7 million tonnes at 9.8% zinc and 0.6% copper. This deposit has the potential to immediately increase resources and provide high quality ore for the Sulphur Springs operation, 6 kilometres to the north.

Sipa Resources Limited is managing the exploration programme on behalf of the CBH-Sipa joint venture.

### **NAPIER RANGE JOINT VENTURE** (CBH earning 70%)

*Zinc, Lead*

The Company entered into a joint venture with Teck Cominco WA to explore and develop zinc-lead-silver deposits in the Napier Ranges in northern Western Australia. The project is located within the Lennard Shelf zinc-lead district, 150 km east of the port at Derby, and 250 km north-west of Teck Cominco's Pillara mine and mill complex.

The Napier Range tenements cover an area of 112 sq km and are underlain by limestone units that elsewhere host the important zinc-lead deposits of the Lennard Shelf. Significant zinc-lead mineralisation is present within the tenements including 590,000 t @ 8.5% Zn and 8.0% Pb in Inferred Resources at Wagon Pass. Gossan outcrops of surface mineralisation are present along a 5 km belt that includes the Wagon Pass, Carpentaria Gossan and Chedda Cliffs prospects.

According to the terms of the agreement, the Company can earn up to a 70% interest in the tenements through expenditure of \$3 million over 4 years, with an initial interest of 49% available from expenditure of the first \$1 million over 2 years. After CBH has earned its



interest, Teck Cominco may elect to restore its interest to 70% through sole funding of a feasibility study to the decision to mine stage.

Field work is planned to commence as soon as ground access is available following the summer wet season.

#### **COBAR DISTRICT EXPLORATION, NSW**

*Zinc, Lead, Silver, Copper, Gold*

The Company holds exploration title covering over 75km of strike length along the eastern margin of the Cobar Basin. Fault structures along this eastern margin host the copper, copper-gold and zinc-lead-silver deposits of the Cobar mining field.

CBH has targeted identified fault structures and established mineralisation at four prospect areas through drilling in March 2006. These prospects are located 10 to 20 kilometres north of the Mine. Recent IP surveys and initial drill testing has identified sulphides associated with quartz - calcite veining in structural trends within CSA siltstone. These initial exploration results are encouraging in that the presence of sulphides, structures and siliceous fluids elsewhere in the Cobar Basin hosts economic mineralisation.

#### **BROKEN HILL DISTRICT EXPLORATION, NSW**

*Zinc, Lead, Silver, Copper, Gold*

The Company holds a significant exploration land position in the Broken Hill region that hosts numerous occurrences of Pb-Zn-Ag and Cu-Au.

A surface geochemical survey using a portable XRF analyser has commenced in Broken Hill within the ZincSearch (CBH - PlatSearch - Eaglehawk) JV titles. Results of a survey over the Native Dog prospect on EL 5919, has delineated a series of sub parallel lead - zinc anomalies over a strike length of 1,000m. The program has highlighted the potential to rapidly gap generate drill targets using this type of technology.

CBH is funding the stage one geochemical programme after which it will hold a 60% interest in the Joint Venture tenements.

The remaining titles are under joint venture with Minotaur Exploration (ELs 6002 and 6070) and Perilya Mines (EI 6059). The parties are currently proceeding through the Right to Negotiate process in order to obtain approvals to commence drilling on the CBH titles.

## **CORPORATE - FINANCE**

The reduced production levels at the Mine continue to impact the operating cash flows and profitability.

Operating cash flow for the December 2005 half year was a deficit of \$10.6 million. The operating cash flow for the quarter to 31 March 2006 was a deficit of \$5.8 million. The Company expects operating cash flow to be positive in the quarter to 30 June 2006 as the Endeavor Mine continues with the recovery process.

A return to full production and strong profitability is expected from August 2006.



During the quarter, share placements and a share purchase plan raised additional capital of \$24.3 million. As at 31 March 2006 the Company had cash reserves of \$22.6 million, bank debt of \$4.9 million and commercial hire purchase financing of \$1.7 million. The Company has on issue \$19.8 million in convertible notes (ASX Code CBHG).

The Company does not have metal or currency hedging with the exception of a minor (750 tonne) lead position.

Agreement was reached with Coeur d'Alene during the quarter that provides early access to \$15 million of the \$30 million silver payment outstanding by way of a loan. The loan is for a period of 1 year but can be extended for a further 6 months at CBH's option.

Rick Watsford will join the Company from 1 May 2006 as Chief Operating Officer bringing 35 years of extensive base metal experience to CBH. He also brings a record of achievement in operations and project development that will significantly strengthen the Company's ability to meet its targets in mine production and new mine development. He also brings to the Company international and commercial experience in the minerals sector.

With Rick Watsford's appointment and the recent commencement of Greg Jones as General Manager for Geology and Exploration, CBH has built a strong management team to support the Company's production operations and growth opportunities.

The Company continues to hold 7.3% of Triako Resources Ltd (market value \$3.1 million) and 5.8% of Prairie Downs Metal Ltd (market value \$840,000).

## **CBH RESOURCES LIMITED**

**Robert E. Besley**  
Managing Director

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Robert E. Besley and Colin Lutherborrow, who are members of The Australasian Institute of Mining and Metallurgy. They have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are 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 Besley and Mr Lutherborrow consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.*