

# Quarterly Report

## September 2013



### Eagle Downs – Portal Arch Installation



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# HIGHLIGHTS

## COAL

There were no LTIs for the Coal Division during the Quarter. The 12 month rolling average LTI Frequency Rate for the Coal Division is now 9.

### Eagle Downs Hard Coking Coal Project

- Installation of the portal arches was completed and the box cut was back filled during the Quarter.
- Tender negotiations continued for the contract to drive the drifts.
- Tendering for the drilling contracts was undertaken for the next phase of exploration and quality work.

### Washpool Hard Coking Coal Project

- Further quality testing was undertaken with a number of large diameter drill cores taken and commencement of test work to optimise the yield.

### Other Coal Projects

- Exploration activities within the Washpool EPC (EPC958) and the Duaringa EPC (EPC960) were undertaken.
- A letter to grant was received for the Cabbagetree West EPCa2467. It is expected this tenement will be granted in the next Quarter.

## IRON ORE

### West Pilbara Iron Ore Project

- Although there were no LTIs during the Quarter, the 12 months rolling average LTI Frequency Rate increased to 28.68 (from 9.2), due to the reduced number of manhours worked as minimum expenditure continues.
- The Office of the Environmental Protection Authority approved the Final Compliance Assessment Plan for the Anketell Port.
- A draft Migratory Birds Survey Program Design Report for the Anketell Port was submitted to the Commonwealth Department of Environment.
- The State Minister for Environment approved the Hardey Mine and Rail Proposal. All primary environmental approvals for the Hardey Project have now been obtained.

### Thabazimbi Iron Ore Project

- There were no LTIs during the Quarter with the 12 month rolling average LTI Frequency Rate remaining at zero.
- An application for a mining right was submitted in July and formally accepted by the Department of Mineral Resources on 26 September 2013.
- During the Quarter, a Memorandum of Understanding with Transnet was executed to negotiate for a commercial rail haulage agreement.

# HIGHLIGHTS

## MANGANESE

### Avontuur Manganese Project

- There were no LTIs during the Quarter and the 12 month rolling average LTI Frequency Rate remains at zero.
- Following the Resource update for the Gravenhage Manganese Deposit, the broader Avontuur Manganese Project area now contains Mineral Resource Estimates totalling 141.7Mt at 38.4% Mn.
- Significant improvement in the Resource categories has been achieved with 92.3Mt now categorised as Measured and Indicated, representing an increase of 16%.
- During the Quarter, the Company received documentation showing an alleged overlapping prospecting right was purportedly granted to PAMDC over five years after a prospecting right was granted to the Company's wholly owned subsidiary. Following discussions with the South African Minister of Mineral Resources during the Quarter, the Company's South African lawyers have written to the Minister requesting a formal decision on the grant of the Gravenhage Mining Right Application. Failing a positive decision, the Company will take all necessary legal action to protect its rights.

## CORPORATE

- Cash reserves and liquid investments total approximately \$585.0 million at the end of the Quarter.



## **EAGLE DOWNS HARD COKING COAL PROJECT**

*(Aquila Resources Limited 50%)*

Eagle Downs Hard Coking Coal Project (“Eagle Downs”) is an underground longwall hard coking coal mine currently under construction in Queensland’s Bowen Basin. It is located to the south of Moranbah and immediately adjacent to and down dip of BHP Billiton Mitsubishi Alliance’s Peak Downs Mine.

### **Underground access and construction**

During the Quarter, the two portal arches at the entry to the drifts were installed completing the preparation for the commencement of the two drifts, which will allow access to the coal seams. The bulk earthworks on site were completed which included the backfill of the box cut (which holds the portal arches), the raw water dam and the site roads.

Evaluation of the tender packages for the drift driveage contract continued with award targeted in the December Quarter 2013.

The site electricity requirements were reviewed to determine the most cost-effective solution for providing the increased electricity load required for the drift driveage.

Project costs to date remain under budget.



*Figure 1 : Portal arches at Eagle Downs*

### **Logistics**

The Company has 1.6Mtpa of port capacity under a Take or Pay contract in Stage 1 of the Wiggins Island Coal Export Terminal (“WICET”) at Gladstone and has reached agreement with WICET for the Eagle Downs Hard Coking Coal Project to be added as a source mine for the Company’s share of coal from the project.

During the Quarter, construction at WICET progressed past 70% complete.

### **Exploration**

Drilling during the Quarter focused on Eagle Downs South, which is located south of the Eagle Downs project area in the southern portion of EPC755. The Eagle Downs South area is similar in size to the Eagle Downs area and has been subject to an exploration program over the past year. This work is part of the program to provide the data for a concept study which will consider the economic viability of a second underground longwall mine. The results of this drilling program which consisted of 34 drillholes has indicated continuity of the target seams into Eagle Downs South. The geological model is presently under construction and the coal quality results are still undergoing laboratory analysis.

In line with the new work programme and budget, the exploration work has been retendered. Selection of the new drilling contractor is expected to occur during the December Quarter 2013.



## WASHPool HARD COKING COAL PROJECT

(Aquila Resources Limited 100%)

The Washpool Hard Coking Coal Project (“Washpool”) is a proposed open cut coal mine situated in the Bowen Basin, Central Queensland. It is located 200km west of Rockhampton, 60km to the north-east of Emerald and 24km to the northwest of Blackwater and is positioned between the Curragh Coal Mine (to the east) and Ensham Coal Mine (to the west).

### Yield and ash optimisation study

During the Quarter, six large diameter core holes were drilled to collect samples for the yield and ash optimisation study. The aim of this study is to determine the potential increase in yield and corresponding reduction in product ash through modifying the coal beneficiation process. This study is expected to be completed during the December Quarter 2013. It will form the basis of an addendum to the 2010 Definitive Feasibility Study for the Washpool Project, scheduled for completion in the first half of 2014. The addendum will also include a review of the mining and cost assumptions.

### Approvals

An additional four groundwater monitoring bores were installed within the project area this Quarter. This information was added to the groundwater model to further define the understanding of the regional hydrology. The results will be included in the revised Environmental Management Plan, which will then be submitted for approval, triggering the Draft Environmental Authority.



Figure 2 : Large diameter core extracted at Washpool

## OTHER COAL PROJECTS

(Aquila Resources Limited 100%)

Exploration campaigns within the Duaringa EPC (EPC906) and the Washpool EPC (EPC958) were conducted, with intersections of both Burngrove and Rangal Coal Measures at both project areas.

Drilling will be conducted during the next Quarter on further sites identified at Duaringa to improve the Company’s knowledge of seam continuity and quality of the Rangal coal intersected.

A Mineral Development Licence application (MDLa505) has been made to secure the Talwood tenement.

A letter to grant was received for Cabbagetree West EPC (EPCa2467). This exploration tenement will add another 190 sub blocks to the Company’s tenement portfolio and increase the existing area around the currently held tenements of Dawson Vale EPC (EPC995), Spring Vale EPC (EPC965) and Cabbagetree EPC (EPC1412) .



## WEST PILBARA IRON ORE PROJECT

*(Aquila Resources Limited 50%)*

The West Pilbara Iron Ore Project, located in Western Australia, is one of Australia's most substantial greenfield iron ore projects. Stage 1 will involve the construction and development of eight mines, approximately 282km of heavy haul rail infrastructure and a multi user deep water port at Anketell Point.

Although there were no LTIs during the Quarter, the 12 months rolling average LTI Frequency Rate increased to 28.68 (from 9.2), due to the reduced number of manhours worked as minimum expenditure continues.

### Project work completed during the Quarter

#### Mine

- Native title negotiations continue with the Kuruma Marthudunera, and the Puutu Kunti Kurrama and Pinikura people.
- Rehabilitation works were completed on nine winzes over the project area. Cover plates were removed and each shaft backfilled to above natural ground surface. The works were undertaken following evidence of instability around the headworks of two winzes, which constituted a safety hazard.

#### Port

- During the Quarter, the Office of the Environmental Protection Authority approved the Final Compliance Assessment Plan for the Anketell Port approval, which satisfies Condition 4 of Ministerial Statement 930 ("MS930").
- A draft Migratory Birds Survey Program Design Report, required under Conditions 38 and 39 of the Environment Protection and Biodiversity Conservation Act 1999 ("EPBC Act") approval, was submitted to the Commonwealth Department of Environment.
- An Ecosystem Research and Monitoring Program Report, required under Conditions 22 to 25 of the EPBC Act approval, was submitted to the Commonwealth Department of Environment for approval.
- A Marine Pests Monitoring Programme was submitted for approval to the Department of Fisheries, as required under Condition 15-6 of MS930.
- A review of the Baseline Coral Health Monitoring Programme conducted from January 2011 to May 2013 has been completed. The report, which was required to meet Condition 8-

4 of MS930, will support the ongoing development of the Dredge Environmental Management Plan ("DEMP").

- A review of the Baseline Water Quality Monitoring Programme conducted from January 2011 to June 2012 has been completed. The report analyses the performance of the water quality management triggers and will support the ongoing development of the DEMP.

#### Hardey Project

The State Minister for Environment published approval for the Hardey Mine and Rail proposal; all primary environmental approvals for the Hardey project have now been obtained.

#### **FY2014 Budget Dispute**

As previously reported in the June 2013 Quarterly Report, the West Pilbara Iron Ore Project has moved to minimum expenditure in FY2014, as AMCI (IO) Pty Ltd would not support the proposed budget recommended by the management company, which Aquila Steel supported (subject to the addition and re-sequencing of certain works). Although the Company continues to engage with AMCI (IO) Pty Ltd to seek a resolution, the issue currently remains unresolved.



## **THABAZIMBI IRON ORE PROJECT**

*(Aquila Resources Limited 74%)*

The Thabazimbi Iron Ore Project is located in a traditional iron ore mining area approximately 30km east of the town of Thabazimbi in the Limpopo Province, South Africa, approximately 230km north of Johannesburg.

There were no LTIs during the Quarter, with the 12 month rolling average LTI Frequency Rate remaining at zero.

### **Project work completed during the Quarter**

The Mining Right Application for the Meletse Deposit was lodged with the Department of Mineral Resources (“DMR”) at the end of July 2013. The DMR issued a formal letter accepting the Mining Right Application on 26 September 2013.

During the year, the Company progressed negotiations to secure access to rail and port capacity and following the end of the year entered into a Memorandum of Understanding with Transnet, the South African rail and port owner, to negotiate a commercial rail haulage agreement. Transnet has indicated that project feasibility studies and designs are underway for significant rail and port capacity expansions to support bulk exports from the Limpopo province.

### **Community activities during the Quarter**

The community projects which the Company commenced during the June Quarter were completed during the September Quarter.

At the Spitzkop Special Needs School in Thabazimbi, new ablution facilities were completed and handed over. At the Moshia Secondary School in Alma a water storage and reticulation system was completed and handed over at a formal function attended by local council and senior representatives from the Limpopo office of the DMR.



*Figure 3 : Handover of water storage and reticulation system at Moshia Secondary School*

### **Exploration**

During the Quarter, geological mapping and rock chip sampling programs were completed at the Randstephanie South Prospect, approximately 1km southwest of the Meletse Deposit (see Figure 4). Rock chip assays received from Randstephanie South range between 48.07% and 68.9% Fe, with very low deleterious minor elements (see Figure 5 and Appendix 1). The iron ore outcrops at the favourable basal BIF contact extend discontinuously over a strike of over 600m, dip to the south, are extensive in places and consist of hard blue laminated iron ore (similar to the Meletse Deposit).

The Randstephanie South prospect has the potential to host a moderate sized iron ore deposit that can potentially be mined in conjunction with the Meletse Deposit. Mapping is continuing and scout drilling is scheduled for early 2014.

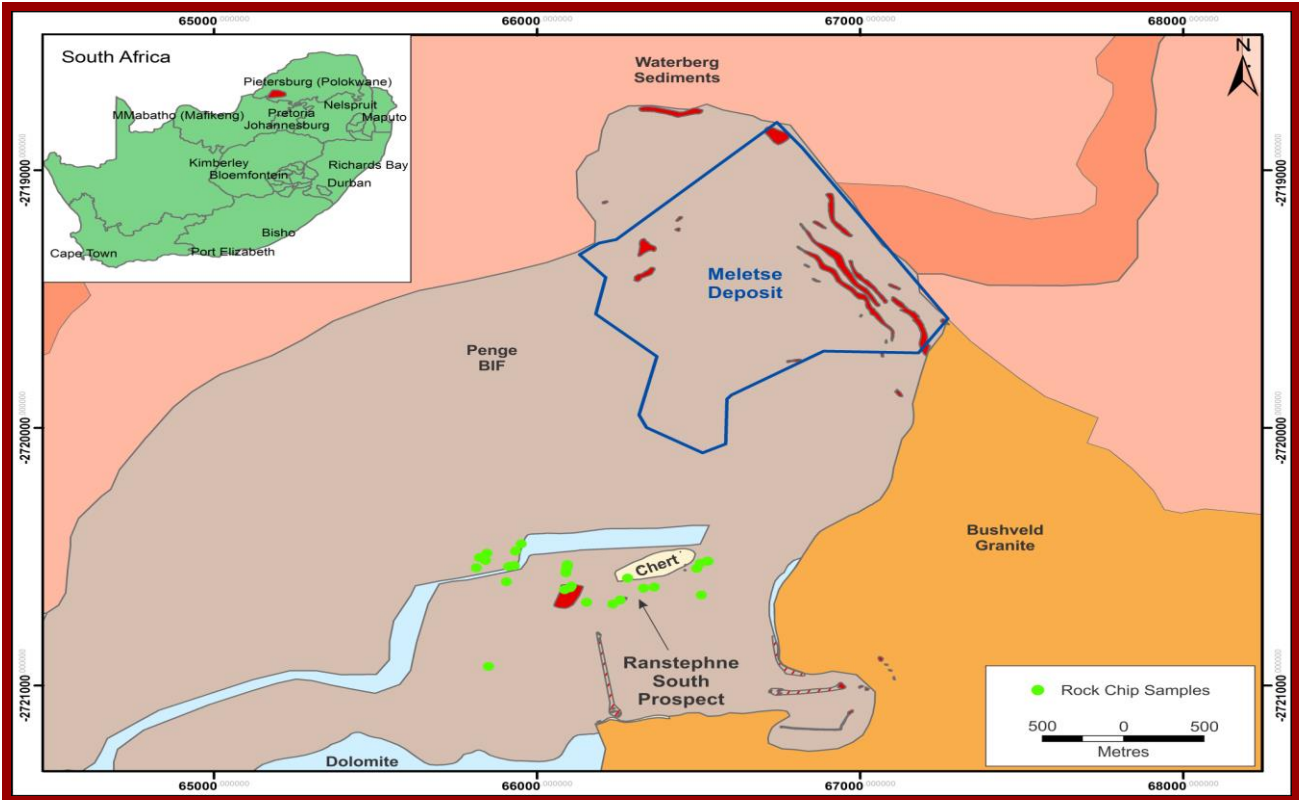


Figure 4 : Location of Randstephane South Prospect

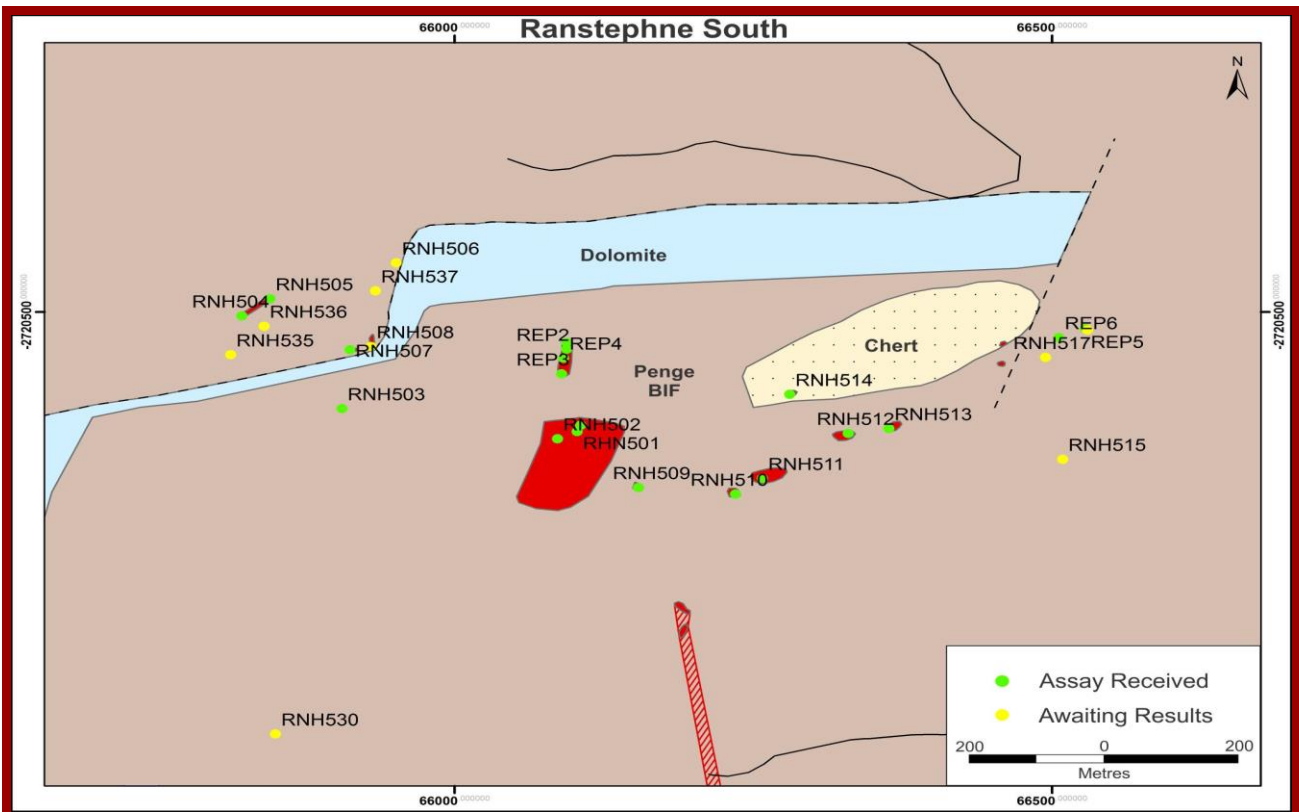


Figure 5 : Randstephane South rock chip locations





## AVONTUUR MANGANESE PROJECT

(Aquila Resources Limited 74%)

The Gravenhage Manganese Deposit is situated at the northern end of the Company's Avontuur tenement, which is located approximately 30km north of the Kalahari Manganese Field, South Africa's premier manganese producing area (see Figure 6).

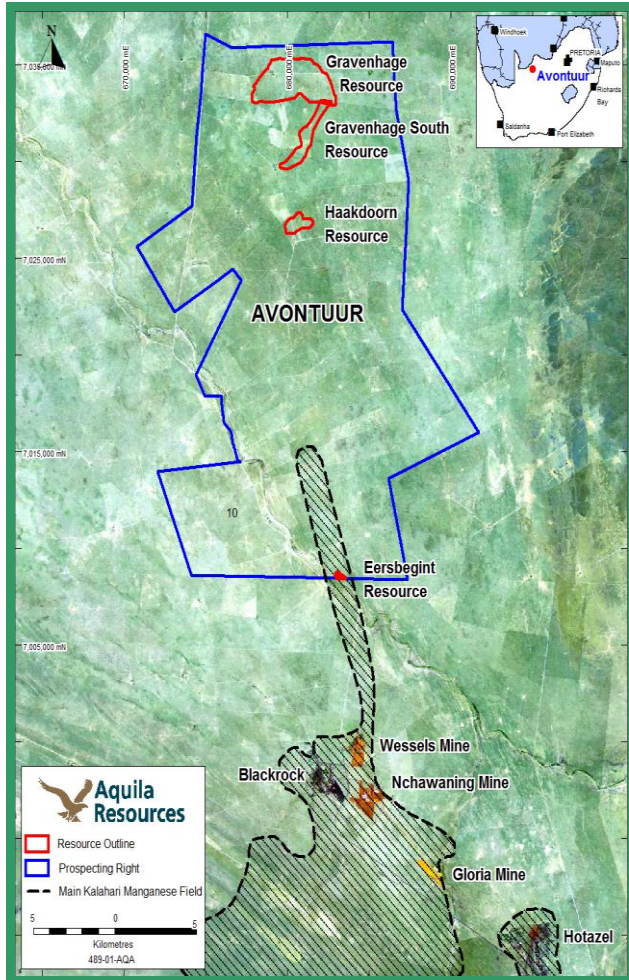


Figure 6 : Location of Avontuur Manganese Project and the Gravenhage Manganese Deposit

## Gravenhage Mining Right Application

The application for the grant of a Mining Right with respect to the Gravenhage Manganese Deposit has been hampered by an alleged overlapping prospecting right. During the Quarter, the Company received documentation showing the alleged overlapping prospecting right appears to have been purportedly granted to PAMDC, a company owned by the governments of South Africa, Zambia and Zimbabwe, on 17 November 2011. The alleged grant is over five years after a prospecting right was granted to the Company's wholly owned subsidiary and is also almost one year after the Gravenhage Mining Right Application was accepted by the DMR, on 22 December 2010.

The Company's South African lawyers have written to the Minister requesting a formal decision on the grant of the Gravenhage Mining Right Application. Failing a positive decision, the Company will take all necessary legal action to protect its rights.

Expenditure on the Avontuur Project is to be minimised pending the outcome of the application for the grant of a Mining Right with respect to Gravenhage Manganese Deposit.

## Exploration

Following an extensive Diamond and Reverse Circulation drill program undertaken earlier in 2013, an updated Mineral Resource Estimate (JORC, 2012) for the Gravenhage Manganese Deposit was completed. Golder Associates Africa (Pty) Ltd was commissioned to re-model and update the estimation of the Resource for the Gravenhage Manganese Deposit. The table below shows the updated Resource of 111.7Mt at 38.5% Mn (using a cut-off grade of 34% Mn and a minimum thickness of 1.5m). Appendix 3 lists the Estimation Process as defined in Table 1 of the JORC Code (2012).

Following this Resource update, the broader Avontuur Manganese Project area now contains a total Resource of 141.7Mt at 38.4% Mn.

Table 1 : Gravenhage Manganese Deposit Mineral Resource Estimation (JORC, 2012)

Category	Tonnes (000)	Mn %	Fe %	SiO <sub>2</sub> %	LOI %	CaO %	MgO %	Al <sub>2</sub> O <sub>3</sub> %	K <sub>2</sub> O %	P %	Relative Density
Measured	63,885	39.16	11.14	9.65	8.70	6.77	3.47	0.31	0.24	0.03	3.87
Indicated	28,405	38.23	11.38	10.11	8.86	7.07	4.15	0.33	0.13	0.03	3.85
Inferred	19,436	36.46	13.22	10.26	8.42	6.73	4.44	0.36	0.03	0.03	3.83
<b>Total</b>	<b>111,726</b>	<b>38.45</b>	<b>11.56</b>	<b>9.87</b>	<b>8.69</b>	<b>6.84</b>	<b>3.81</b>	<b>0.33</b>	<b>0.18</b>	<b>0.03</b>	<b>3.86</b>

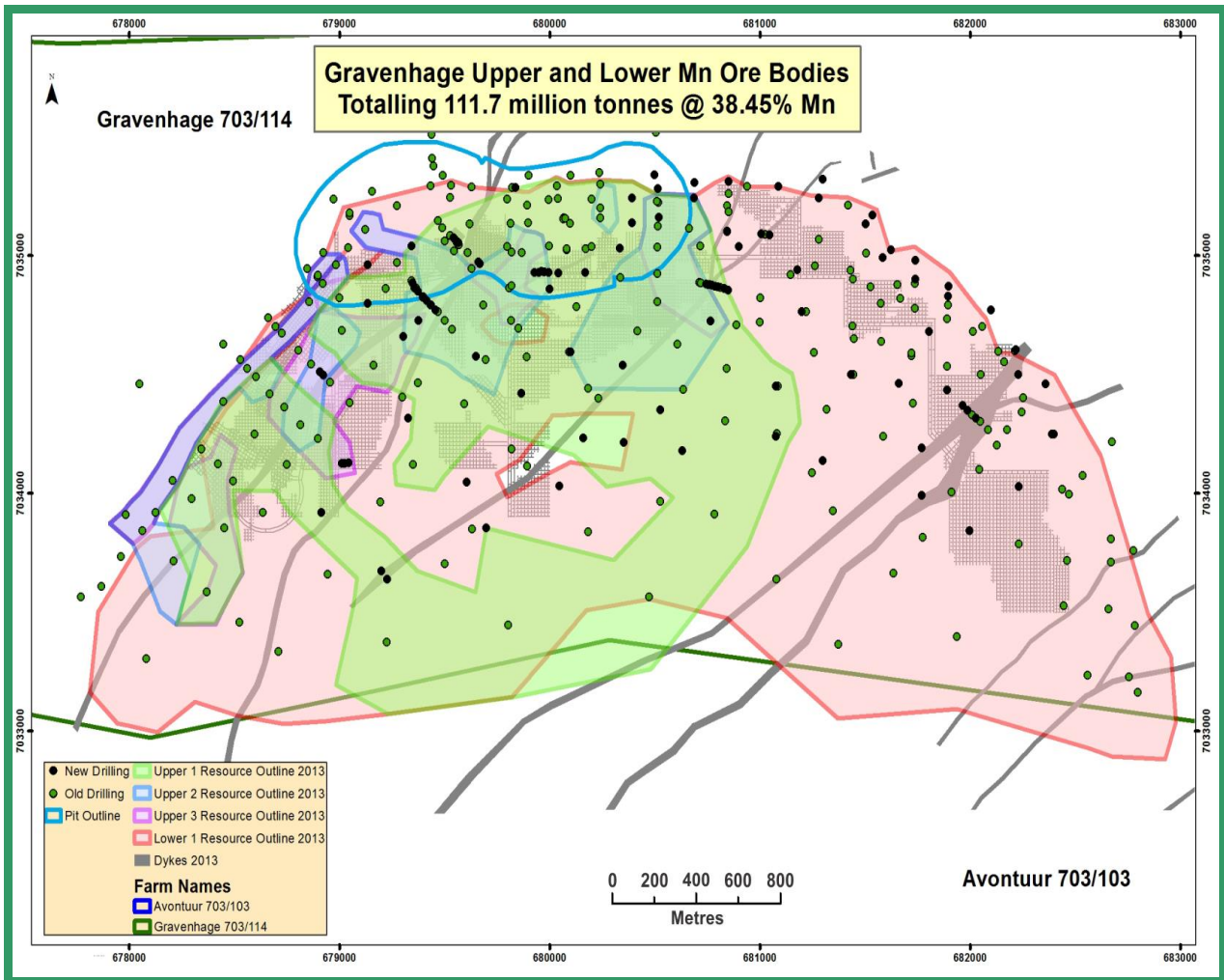


Figure 7 : Gravenhage Manganese Deposit upper and lower lodes

The Gravenhage Manganese Deposit consists of three smaller upper manganese lodes and one larger lower manganese lode which are separated by a mafic sill. The manganese lodes generally dip gently (7-12 degrees) into the basin and are faulted at the western basin edge. Figure 7 shows the manganese lodes within the Resource together with the proposed open pit and underground development from the 2011 Feasibility Study.

The main objectives of the drill program and the updated Gravenhage Manganese Resource were to increase the Measured and Indicated categories and to expand and define the higher grade areas of the Resource such that the manganese Reserve could be increased in the future.

The updated Resource includes Measured and Indicated Resource of 92.3mt representing an increase of 16%. Figures 8 and 9 in Appendix 2 show the significantly expanded Measured and Indicated Resource footprint around the proposed

open pit and underground development for the lower and upper lodes respectively.

The updated Resource has also identified increased areas of high grade (>40%) manganese at the basin edge east of the proposed open pit supporting potential expansion of open pit Reserves in this area (see Figure 10 in Appendix 2). In the central western area, south of the open pit, there is a large new area of higher grade Measured and Indicated Resource representing potential areas of expansion of the underground development.

Prior to recent events, the Company's intent was to update the 2011 Feasibility Study with the new Resource and new open pit and underground Reserves were scheduled to be restated early in 2014. However, project expenditure is now to be minimised pending the outcome of the application for the grant of a Mining Right for the Gravenhage Manganese Deposit.

# CORPORATE

## INSURANCE CLAIM

Following lodgement on 7 May 2013 of the insurance claim for property damage and business interruption resulting from the flooding event that occurred at the Isaac Plains Coal Mine in December 2010, Aquila has continued to work with Vale and the insured's team of professional advisors to provide further information requested by the underwriter. The Company expects settlement discussions with the insurers to commence in the December Quarter 2013. The Company's share of the insurance claim after deductibles is \$94.4 million.

## CASH RESERVES AND LIQUID INVESTMENTS

Cash reserves and liquid investments total approximately \$585.0 million at the end of the Quarter.

For further information please contact:

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or

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# APPENDIX - 1

## Thabazimbi Iron Ore Project – rock chip analysis

### *Randstephanie South rock chip analysis*

Sample ID	Al <sub>2</sub> O <sub>3</sub> %	CaO %	Fe %	Fe <sub>2</sub> O <sub>3</sub> %	K <sub>2</sub> O %	MgO %	MnO %	P %	S %	SiO <sub>2</sub> %	TiO <sub>2</sub> %
REP1	0.345	0.669	62.94	89.97	0.05	0.005	0.059	0.005	0.005	8.79	0.016
REP2	0.383	0.705	66.85	95.55	0.05	0.005	0.044	0.089	0.005	2.89	0.015
REP3	0.286	0.035	57.96	82.85	0.05	0.005	0.047	0.005	0.005	16.5	0.062
REP4	0.167	0.042	64.13	91.65	0.05	0.005	0.042	0.005	0.005	8.04	0.011
REP5	0.189	0.052	65.44	93.53	0.05	0.005	0.143	0.005	0.005	6.00	0.005
REP6	0.263	0.046	66.19	94.60	0.05	0.005	0.475	0.054	0.005	3.82	0.005
RHN501	0.313	0.057	67.00	95.77	0.05	0.005	0.038	0.005	0.005	3.16	0.024
RNH500	0.563	0.059	54.88	78.43	0.05	0.005	0.031	0.013	0.005	21.08	0.016
RNH502	0.747	0.033	64.46	92.13	0.05	0.005	0.845	0.014	0.005	5.00	0.016
RNH503	0.439	0.005	48.66	69.55	0.05	0.005	0.823	0.024	0.005	26.98	0.049
RNH504	0.211	0.012	61.90	88.48	0.05	0.005	0.023	0.013	0.005	11.01	0.048
RNH505	0.668	0.005	66.88	95.60	0.05	0.005	0.286	0.037	0.014	1.95	0.052
RNH507	0.278	0.027	61.88	88.44	0.05	0.005	0.094	0.062	0.005	10.22	0.109
RNH509	0.234	0.013	68.44	97.82	0.05	0.005	0.021	0.005	0.005	1.85	0.012
RNH510	2.660	0.011	48.07	68.70	0.05	0.005	0.026	0.025	0.005	26.29	0.204
RNH511	0.391	0.016	68.96	98.57	0.05	0.005	0.050	0.020	0.018	0.93	0.013
RNH512	0.271	0.015	64.44	92.10	0.05	0.005	0.080	0.028	0.005	6.68	0.02
RNH513	0.214	0.012	63.63	90.95	0.05	0.005	0.022	0.015	0.005	8.84	0.013
RNH514	0.217	0.005	64.24	91.81	0.05	0.005	0.024	0.016	0.005	7.92	0.011

# APPENDIX - 2

## Gravenhage Manganese Deposit – Resource lodes

Figure 8 : Gravenhage Manganese Deposit – lower lode Resource categories

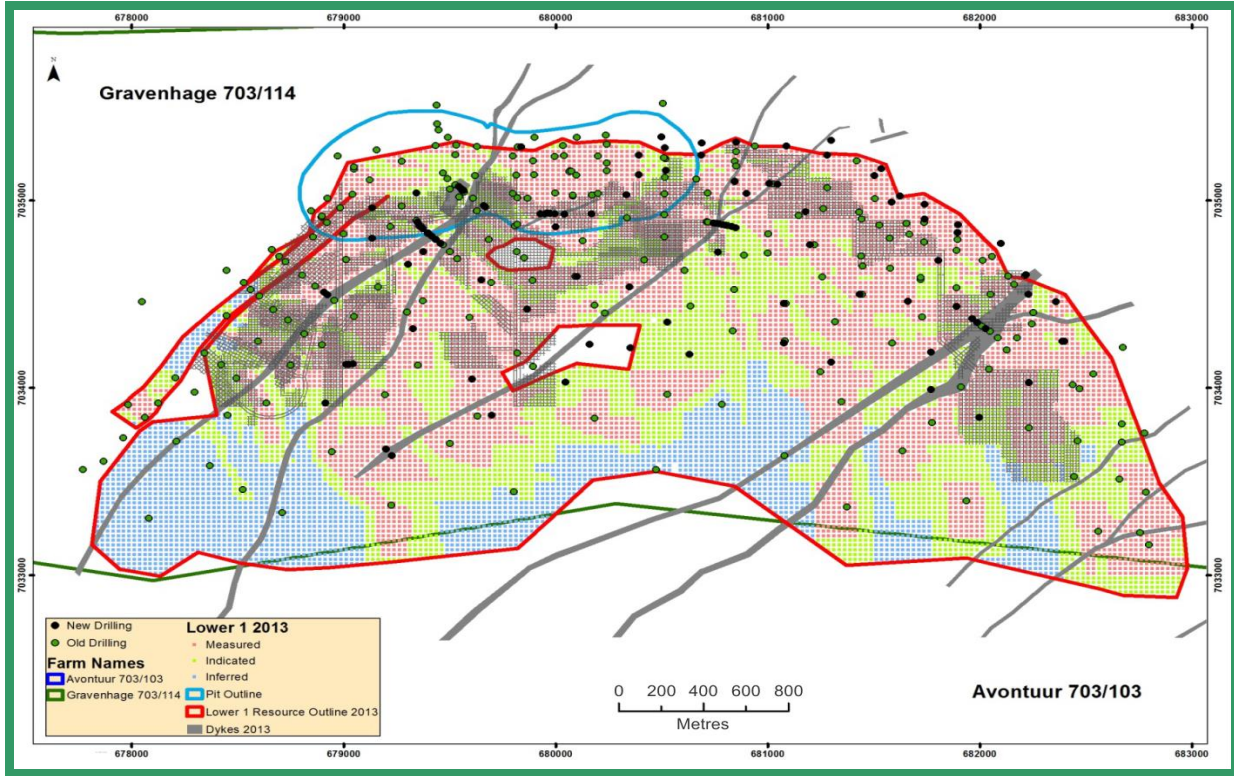
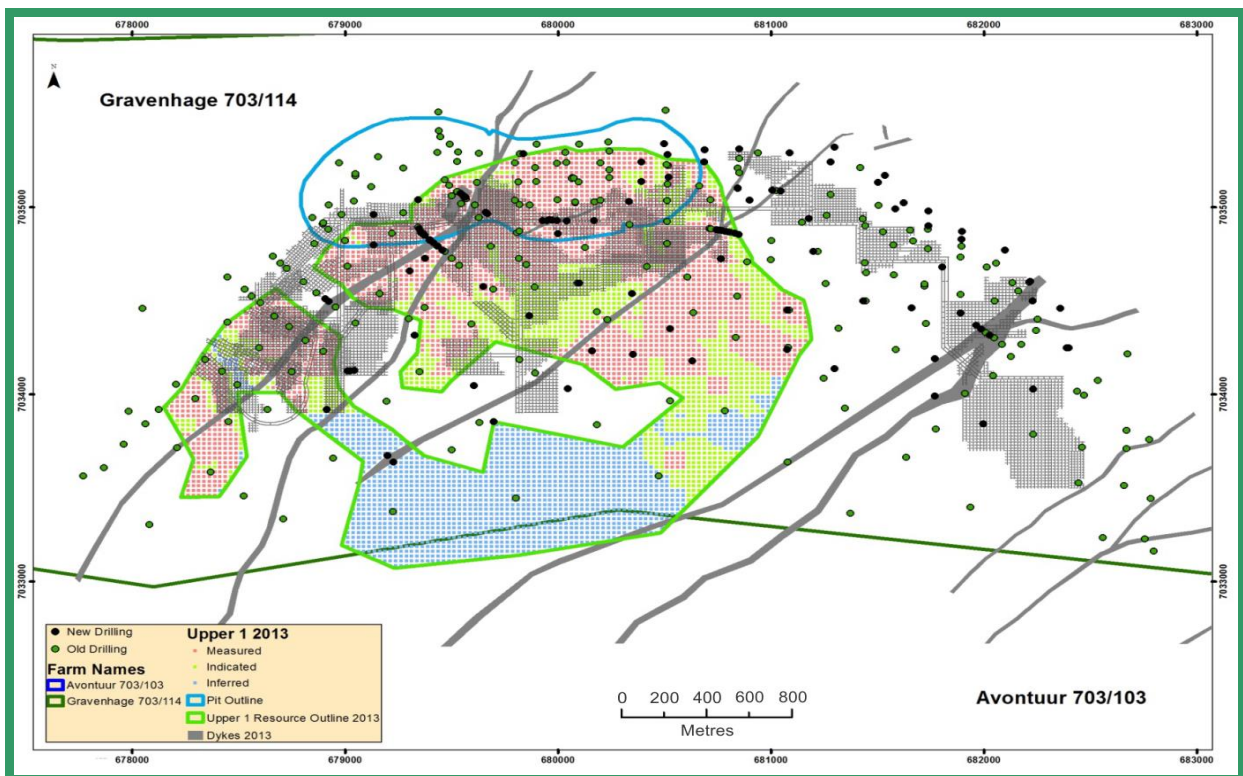
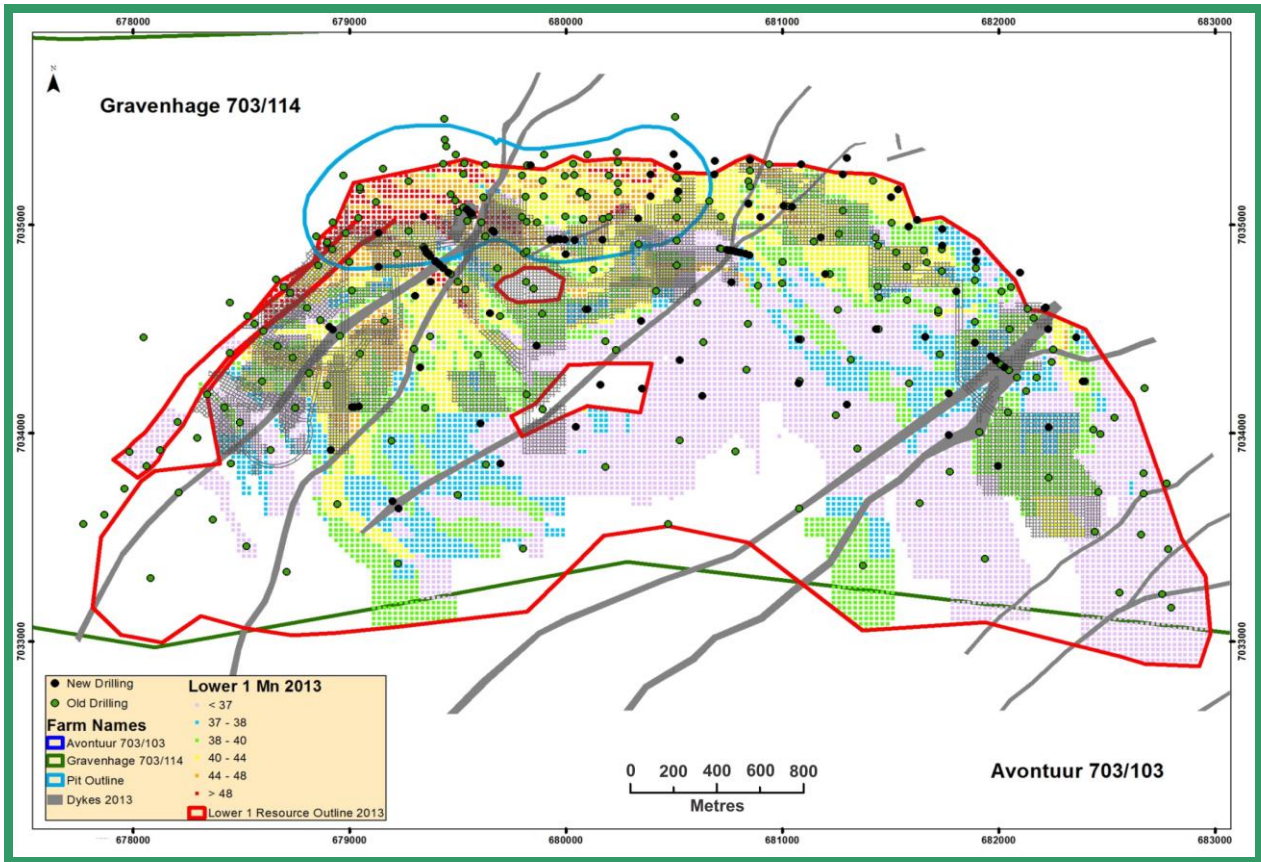


Figure 9 : Gravenhage Manganese Deposit – upper lode Resource categories



# APPENDIX - 2

Figure 10 : Gravenhage Manganese Deposit – lower lode Resource grades



# APPENDIX - 3

## Gravenhage Manganese Deposit – Resource estimation criteria

*Resource estimation criteria set out in Table 1 of the JORC Code (2012)*

JORC Code Assessment Criteria	Comments
<p><b>Sampling Techniques</b></p>	<p>Industry standard sampling techniques were used for all drill methods. Core was cut at the core shed with an Almonde diamond cutter. One half of core was bagged in 0.5m intervals and sent to the laboratories for analysis. Each batch of samples consists of a duplicate sample and two standards (one covering the high grade range and one the low grade range).</p>
<p><b>Drilling Techniques</b>            Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.), and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</p>	<p>Normal percussion drilling utilizing an 8" or 6" hammer to pilot to above the mineralized zone, followed by NQ diamond drilling through the mineralized zone. Also reverse circulation drilling in places.</p>
<p><b>Drill Sample Recovery</b>            Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</p>	<p>Based on data recorded for all sample intervals the average diamond sample recovery is 99%.</p>
<p><b>Logging</b>            Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc), photography. The total length and percentage of the relevant intersections logged.</p>	<p>Geological logging has been completed on all drilling completed within the resource area. All information from drilling has been recorded using an appropriate logging and recording system called DownHole Explore. The level of detail (stratigraphy, lithology, mineral content) is appropriate for mineral resource estimation. Geological logging data has been used to develop the geological interpretation and checked, where possible, against geochemical data.</p>
<p><b>Sub-Sampling Techniques and Sample Preparation</b>            If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc, and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled.</p>	<p>Samples are collected at 0.5m intervals through the ore zones and 1m to 2m intervals elsewhere. Mineralised chips and all core are transported to a core shed at Groblershoop. The chips are photographed at the drill site and the core is photographed at the core shed before being cut. The core is halved with an Almonde semi-automated diamond cutter. Selected percussion chips and half core samples are collected, numbered and bagged.</p>
<p><b>Quality of Assay Data and Laboratory Tests</b>            The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</p>	<p>Complete holes are added to make up a batch of about 50 samples. One low and one high Mn certified reference material standard and 2 duplicate samples are added to each batch. The duplicate samples and industry certified standards were analysed and if the standard is above or below two standard deviations, the batch fails and has to be re-analysed. Overall, the QAQC results show acceptable results for the standards and duplicates.</p>

# APPENDIX - 3

JORC Code Assessment Criteria	Comments
<p><b>Verification of Sampling and Assaying</b> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data.</p>	<p>Close drilled drillholes show good correlation with geology and grade. Data is stored in the GBIS Database System and all analytical and survey data are directly imported into it.</p>
<p><b>Location of Data Points</b> Accuracy and quality of surveys used to locate drill holes (collar and downhole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control.</p>	<p>A Trimble R8 GPS were used to survey all the drillhole collars at Gravenhage. A maximum error of 0.023m in the horizontal and 0.023m in the three-dimensional plane can be expected. The drillhole collar data was reported in the WGS84 system and holes are surveyed on a continuous basis. A Flexit HTGS instrumentation was used to track the 3D motion of the survey system to provide the borehole trajectory. Azimuth and inclination was provided at the survey stations using the minimum curvature method. Recordings were taken at 6 metre station intervals. The drillhole collars were appended to the land surveyed topography to create a new topo DTM.</p>
<p><b>Data Spacing and Distribution</b> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied.</p>	<p>Drill holes are positioned on approximately 200 meter spaced drill lines. Drill density provides good geological control and grade continuity. The grade continuity has been established by variography and the data density is sufficient for reasonable variograms. The data was composited to 0.5m length and constraint within the manganese lodes.</p>
<p><b>Orientation of Data in Relation to Geological Structure</b> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material</p>	<p>The drilling orientation is mainly perpendicular to the manganese lodes or seams.</p>
<p><b>Sample Security</b> The measures taken to ensure sample security.</p>	<p>The samples were bagged and sent to SGS, the Council for Geoscience, UIS Analytical Services and Set Point laboratories in Gauteng. The QAQC results show acceptable results for the standards and duplicates.</p>
<p><b>Audits and Reviews</b> The results of any audits or reviews of sampling techniques and data.</p>	<p>Golder personnel visit the exploration site and offices on the 18th and 19th August 2010 and the UIS Analytical Services and Set Point laboratories on the 25th and 24th April 2013. Golder finds acceptable industry standards and procedures in place.</p>
<p><b>Mineral Tenement and Land Tenure Status</b> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</p>	<p>Aquila Resources Limited, holds a 74% participating interest in the Prospecting Right together with its Black Economic Empowerment Partner Rakana Consolidated Mining (Pty) Ltd which holds a 26% participating interest.</p>
<p><b>Exploration Done by Other Parties</b> Acknowledgment and appraisal of exploration by other parties.</p>	<p>The earliest drilling that is recorded on the Avontuur tenement was done by Gefco in the 1960's. Boreholes were in the northern area (Avontuur Basin) on the farm Gravenhage. SAMANCOR drilled a series of traverses along the eastern and northern edges of the Avontuur Basin during the 1990s in the same area as the Gefco drilling. Little data has been released by these previous explorers.</p>
<p><b>Geology</b> Deposit type, geological setting and style of mineralisation.</p>	<p>Syngenetic, carbonate-rich manganese deposits interbedded with banded iron formations of the Hotazel Formation.</p>



# APPENDIX - 3

JORC Code Assessment Criteria	Comments
<p><b>Database Integrity</b> Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. Data validation procedures used.</p>	<p>The data is stored in GBIS database software. On loading the original data for modelling, Golder performed checks that validated the internal integrity of the data set provided.</p>
<p><b>Site Visits</b> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. If no site visits have been undertaken indicate why this is the case.</p>	<p>Golder personnel visit the exploration site and offices on the 18th and 19th August 2010 and the UIS Analytical Services and Set Point laboratories on the 25th and 24th April 2013. Golder finds acceptable industry standards and procedures in place.</p>
<p><b>Geological Interpretation</b> Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. Nature of the data used and of any assumptions made. The effect, if any, of alternative interpretations on Mineral Resource estimation. The use of geology in guiding and controlling Mineral Resource estimation. The factors affecting continuity both of grade and geology.</p>	<p>Geological interpretation based on drill logs and geochemical data was completed by Golder geologists on cross-sections using Surpac software. 3D (wireframe) geological modelling was carried out by Golder and reviewed by Aquila Resources. The current drill spacing provides sufficient degree of confidence in the interpretation and continuity of grade and geology for an Measured, Indicated and Inferred Resource.</p>
<p><b>Dimensions</b> The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</p>	<p>Upper Mn Lode envelopes are approximately 6750 x 2250 x 2.5 metres. Lower Mn Lode envelope is approximately 5100 x 2175 x 3.5 metres. The depth below surface is from 65m to 470m.</p>
<p><b>Estimation and Modelling Techniques</b> The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters, and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. The assumptions made regarding recovery of by-products. Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulfur for acid mine drainage characterisation). In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. Any assumptions behind modelling of selective mining units. Any assumptions about correlation between variables. Description of how the geological interpretation was used to control the resource estimates. Discussion of basis for using or not using grade cutting or capping. The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</p>	<p>Mineralisation was defined by Mn mineralisation zones identified from downhole drilling and geochemical data. Mn mineralised material is identified as being &gt;30% Mn across the zone, other material is characterised as waste. The parent block size is 100m (X) by 100m (Y) by 8m (Z) with the minimum sub-block size of 25m (X) by 25m (Y) by 0.5m (Z). This is about half the drill hole spacing in the X and Y directions. Using parameters derived from modelled variograms, Ordinary Kriging was used to estimate average block grades of Mn, Fe, SiO<sub>2</sub>, LOI, CaO, MgO, Al<sub>2</sub>O<sub>3</sub>, K<sub>2</sub>O, P, relative density and thickness. The model was validated visually and statistically using swath plots and comparison to sample statistics. The result of the validation shows that the interpolation has performed as expected and the model is a reasonable representation of the data used and the estimation method applied.</p>
<p><b>Moisture</b> Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</p>	<p>All tonnages are based on volume measurements converted using dry bulk densities.</p>
<p><b>Cut-off Parameters</b> The basis of the adopted cut-off grade(s) or quality parameters applied.</p>	<p>The resource model is constrained by a minimum thickness of 1.5m. The tabulated resources are based on cut-off grades of 34% Mn..</p>
<p><b>Mining Factors or Assumptions</b> Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</p>	<p>A 2m waste zone was estimated with inverse distance above and below the manganese ore lodes to determine the mining dilutions. Evaluation of the expected mining selectivity that may be achieved will be possible using conditional simulation modelling, once the grade control, blasting, mining, stockpiling and blending systems have been defined. Open-pit and under-ground mining methods is assumed to be adapted for this deposit.</p>

# APPENDIX - 3

JORC Code Assessment Criteria	Comments
<p><b>Metallurgical Factors or Assumptions</b></p> <p>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</p>	<p>It has been assumed that the metallurgical domains are primarily governed by the position of the mineralisation and waste boundaries.</p>
<p><b>Environmental Factors or Assumptions</b></p> <p>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</p>	<p>Golder has not investigated and is not aware of any environmental issues that would affect the eventual economic extraction of the deposit.</p>
<p><b>Bulk Density</b></p> <p>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit. Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</p>	<p>The relative density was determined at the laboratories with the pycnometer method. Average dry bulk density values applied to the resource model were assigned on data from diamond drill core and reverse circulation chip determinations. The density measuring method is considered appropriate and the number and distribution of measurements are considered adequate for an Measured, Indicated and Inferred Resource.</p>
<p><b>Classification</b></p> <p>The basis for the classification of the Mineral Resources into varying confidence categories. Whether appropriate account has been taken of all relevant factors, i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data. Whether the result appropriately reflects the Competent Person(s)' view of the deposit.</p>	<p>Resources were classified in accordance with the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC, 2012). The classification of Mineral Resources was completed by Golder based on the geological confidence criteria, drill spacing and quality of drilling and sampling information. Blocks with average sample distances per block within 60% of the variogram range of the % Mn (254m) and flagged as a pass 1, were classified as measured. Blocks between 60% (254m) and 100% (424m) of the variogram range of the % Mn, were classified as indicated. All the blocks flagged as pass 3 were classified as inferred.</p>
<p><b>Audits or Reviews</b></p> <p>The results of any audits or reviews of Mineral Resource estimates.</p>	<p>No independent reviews of the Mineral Resource estimate have been conducted to date.</p>
<p><b>Discussion of Relative Accuracy/Confidence</b></p> <p>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</p>	<p>This is a global resource with no production data.</p>

# COMPETENCY STATEMENTS

## **West Pilbara Iron Ore Project**

### Exploration Results

The information in this report that relates to exploration results is based on information compiled by Mr Stuart Tuckey, who is a Member of The Australasian Institute of Mining and Metallurgy and is a full-time employee of API Management Pty Ltd. Mr Tuckey 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 Tuckey consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

### Resource Estimates

The information in this report that relates to Resource Estimates was prepared under the supervision of Mr Stuart H Tuckey. Mr Tuckey, who is a Member of the Australasian Institute of Mining and Metallurgy, is a full-time employee of API Management Pty Ltd and 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 of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tuckey consents to the inclusion in this report of the matters based on his information in the form and context that the information appears.

## **Thabazimbi Iron Ore Project**

The information in this release that relates to the Meletse Iron Ore Resource was prepared under the supervision of Mr Brent E Green who is a member of the Australian Institute of Geoscientists. Mr Green is a full-time employee of Aquila Resources Limited. Mr Green 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 Competent Persons as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The information in this report, insofar as it relates to Mineral Exploration activities, is based on information compiled by Mr Brent E Green who is a member of the Australian Institute of Geoscientists, and who has more than five years' experience in the field of activity being reported on. Mr Green is a full-time employee of the Company. Mr Green 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 of Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Green consents to the inclusion in this report of the matters based on the information, in the form and context in which it appears.

## **Avontuur Manganese Project**

The information in this release that relates to the Gravenhage Manganese Resource was prepared under the supervision of Mr Brent E Green who is a member of the Australian Institute of Geoscientists. Mr Green is a full-time employee of Aquila Resources Limited. Mr Green 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 Competent Persons as defined in the 2012 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The Competent Person responsible for the geological interpretation (wireframe model), Mineral Resource estimation and classification of the Gravenhage Manganese Deposit is Mr Bernhard Siebrits, who is a full-time employee of Golder Associates Africa (Pty) Ltd and a Member of the Australasian Institute of Mining and Metallurgy. Mr Siebrits has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Green and Mr Siebrits consent to the inclusion in this report of the matters based on his information in the form and context in which it appears.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

AQUILA RESOURCES LIMITED

ABN

81 092 002 769

Quarter ended ("current quarter")

SEPTEMBER 2013

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(5,272) (9,796) - (3,650)	(5,272) (9,796) - (3,650)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4,148	4,148
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (service charges and other income)	24	24
<b>Net Operating Cash Flows</b>	<b>(14,546)</b>	<b>(14,546)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - (43)	- - (43)
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 (security deposits)	(185)	(185)
<b>Net investing cash flows</b>	<b>(228)</b>	<b>(228)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(14,774)</b>	<b>(14,774)</b>

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(14,774)	(14,774)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
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 – Treasury share purchases	(800)	(800)
	Other – Payments for finance lease liabilities	(21)	(21)
	<b>Net financing cash flows</b>	<b>(821)</b>	<b>(821)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(15,595)</b>	<b>(15,595)</b>
1.20	Cash at beginning of quarter/year to date	591,362	591,362
1.21	Exchange rate adjustments to item 1.20	(183)	(183)
1.22	<b>Cash at end of quarter</b>	<b>575,584</b>	<b>575,584</b>

### Payments to directors of the entity, associates of the directors, 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	813
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Management fees and directors' fees

### 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

Nil

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

Not applicable

### 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		
	- Contingent instrument facility	80,000	39,056

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	6,000
4.2	Development	5,000
4.3	Production	-
4.4	Administration	3,000
<b>Total</b>		<b>14,000</b>

### 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	7,576	113,354
5.2	Deposits at call	568,008	478,008
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>575,584</b>	<b>591,362</b>

### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	<b>Iron Ore - Western Australia</b> Application declined	50%	0%
6.2	Interests in mining tenements and petroleum tenements acquired or increased	<b>Iron Ore - Western Australia</b> Granted	50%	50%
		<b>Coal - Queensland</b> EPC 2179 Application EPC 2467 Application	0%	100%
			0%	100%

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

#### 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 <b>Preference securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	411,804,442	411,804,442		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	2,105,000	-	Exercise price See note 6	Expiry date See note 6
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	140,000 145,000	- -	\$11.40 \$8.71	1 July 2014 7 August 2015
7.11 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (totals only)				
7.13 <b>Performance Rights</b> (totals only)	455,960 See note 7			
7.14 <b>Share Appreciation Rights</b> (totals only)	1,219,147 See note 7			

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



.....  
(Director)

Date: 22 October 2013

Print name: Tony Poli

## 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 and petroleum 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 or petroleum 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.

- 6 Securities issued but not quoted as at 30 September 2013.

Number issued	Type	Expiry date	Exercise price
1,005,000	Options	1 July 2014	\$11.40
1,100,000	Options	7 August 2015	\$8.71

- 7 115,344 Performance Rights and 502,495 Share Appreciation Rights vested during the quarter. 314,130 Performance Rights and 878,829 Share Appreciation Rights were issued during the current quarter – refer to Appendix 3B dated 27 September 2013 regarding the principal terms of the new issuance of Performance Rights and Share Appreciation Rights.

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+ See chapter 19 for defined terms.