

Quarterly Report

December 2012



Wiggins Island Coal Export Terminal - under construction



**Aquila
Resources**

Aquila Resources Limited

Level 2, Aquila Centre
1 Preston Street,
Como WA 6152

Telephone: +61 8 9423 0111
Facsimile: +61 8 9423 0133

Email: mail@aquilaresources.com.au
Website: www.aquilaresources.com.au

HIGHLIGHTS

IRON ORE

West Pilbara Iron Ore Project

- There were two LTIs during the Quarter, and the 12 month rolling average LTI Frequency Rate is now 3.9.
- CSIRO compact sinter testing results were received during the Quarter confirming West Pilbara Fines is a product that is very compatible with certain sinter feeds.
- Subsequent to the Quarter end, a 199Mt Maiden Mineral Resource Estimate for the Kumina Creek East and Headon Channel Iron Deposits was delivered.
- The Hardey Bedded Iron Deposit Mineral Resource Estimate was updated to 151Mt, with total Resource in the Measured category now representing over 70% of the total Resource (2009 estimate of 35% in the Measured category).
- Total Mineral Resource Estimate for the West Pilbara Iron Ore Project and wider Pilbara tenements now totals 1,906Mt in accordance with the JORC Code (2004).

Thabazimbi Iron Ore Project

- There were no LTIs during the Quarter.
- The Iron Ore Mineral Resource Estimate at Meletse has increased by 19% to 80.8Mt from 67.9Mt, grading 61.1% Fe. 74% of the Resource is now categorised as Measured and Indicated. The estimates have been completed in accordance with the JORC Code (2004).
- The revised Scoping Study was completed and confirms the technical and economic viability of the development of the Meletse Deposit for the supply of up to 4Mtpa high grade (>62% Fe) direct shipping iron ore to the export market.

COAL

Eagle Downs Hard Coking Coal Project

- There were no LTIs during the Quarter, with the 12 month rolling average LTI Frequency Rate remaining at zero.
- Work on tender evaluations continued with all major packages being retendered in light of the reduced demand for mining services in Queensland.
- Costs incurred to date are below the approved budget year to date pending this contract re-tendering.
- Commencement of the contract award process is expected from the end of January 2013 for the commencement of construction, including drift boxcut preparation and portal arch installation.

Washpool Hard Coking Coal Project

- There were no LTIs during the Quarter, with the 12 month rolling average LTI Frequency Rate remaining at zero.
- Work continued on completing the requirements for the environmental approval with discussions focussing on a groundwater monitoring program and biodiversity offsets which are expected to be undertaken over the next six months.
- The Mining Lease is now expected to be granted in the December Quarter 2013.

Other Coal Projects

- There were no LTIs during the Quarter, with the 12 month rolling average LTI Frequency Rate remaining at zero.
- Exploration activities focused primarily on the Walton project targeting open pit Rangel coal measures.

MANGANESE

Avontuur Manganese Project

- There were no LTIs during the period, with the 12 month rolling average LTI Frequency Rate remaining at zero.
- Resource drilling commenced at the Gravenhage Manganese Deposit with four diamond drill rigs and one RC drill rig. The objective of the drill program is to upgrade Inferred categories of the Resource and to increase the size of the open pit and underground mining Reserve.

HIGHLIGHTS

CORPORATE

- During the Quarter, Rothschild delivered a final determination of Fair Market Value for Aquila's 24.5% Venture Interest in the Belvedere Coal Joint Venture of A\$150m. Aquila is in discussions with Vale regarding the settlement of this transaction, and is also seeking to recover its project contributions made since 2010 and interest. Aquila continues to consider all legal options to promptly finalise these matters.
- Results from the Carbon Disclosure Project 2012 Australia/NZ Climate Change Report were released. The Company performed above average within the ASX200 and its Industry Sector.
- Cash reserves and liquid investments total approximately \$458 million at the end of the Quarter (excluding the amount expected from Vale in respect of the Belvedere disposal).



WEST PILBARA IRON ORE PROJECT

(Aquila Resources Limited 50%)

The West Pilbara Iron Ore Project is one of Australia's most substantial greenfield iron ore projects. Stage 1 of the project, located in the West Pilbara region of Western Australia, 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.

Dispute

The Company and its joint venturer in the West Pilbara Iron Ore Project, AMCI (IO) Pty Ltd, have not reached agreement on a proposed budget for FY2013. As a result, the dispute was referred to arbitration in September 2012 in accordance with the dispute resolution procedures of the Joint Venture Agreement and the project has moved to minimum expenditure. This has resulted in a number of programs being wound down and/or suspended for the time being and staff numbers have reduced. The arbitration hearing is scheduled to commence on 18 February 2013.

During the Quarter the project director tendered his notice of resignation from the Manager, API Management Pty Ltd (API). The Company and its joint venturer are yet to agree a suitable replacement.

Project work completed during the Quarter

There were two LTIs during the Quarter, and the 12 month rolling average LTI Frequency Rate is now 3.9.

Benchmarking of West Pilbara Fines (WPF) against three competitor fine ores; Pilbara Blend, Yandi and Robe River, was conducted by CSIRO in a series of laboratory-scale tests designed to evaluate fundamental matrix melting and nucleus assimilation performance during sintering. The main conclusions are:

- The WPF sample was most comparable to Robe River fines with respect to Fe grade and total LOI, but had higher alumina content. WPF also had the coarsest sizing of the four ores.
- The WPF matrix had a high melting point and relatively low maximum strength, but lost little strength above 1,320°C, to the maximum test temperature of 1,390°C. Significantly, the 100% matrix blend achieved the critical threshold of matrix strength, indicating acceptable melting properties.

- In terms of assimilation performance, the WPF sample showed less sensitivity to temperature when tested in a Chinese Inland Mill matrix blend than the three competitor ores, although the WPF cores were the most reactive of the four ores tested at the lowest temperature tested.
- Overall, the performance of the WPF sample was close to that of the Robe River fines, with:
 - The ability to withstand high temperature sintering conditions without loss of significant matrix strength and associated generation of deleterious secondary porosity (causing loss of both strength and productivity).
 - The reduced sensitivity of the WPF to assimilation in a simulated Chinese Inland Mill at elevated temperatures reinforces the potential advantages of this ore in high fuel rate/temperature sinter blends. This characteristic should be enhanced by the coarse sizing (30% >6.3mm) of the ore.
- The coarse sizing of the WPF (both a low proportion of -1mm particles and a high proportion of coarse nucleus-forming particles) should be beneficial in compensating for the fine sizing of a sinter blend containing magnetite concentrate and in limiting any deleterious effects of high alumina content on sinter melt properties (e.g. undesirably increased melt viscosity), by retaining alumina within unreacted granule nuclei.

The Threatened Fauna Offset Strategy was submitted to the Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) on 26 November 2012 in fulfilment of Condition 6 of the Commonwealth environmental approval (EPBC 2009/4706).

The report from the Appeals Convenor received against EPA report 1445 with respect to Anketell Port was submitted to the Minister for Environment and Water during December 2012. State Ministerial approval is expected during the March Quarter 2013.

Negotiations for the Notice of Intention to Take process for Anketell Port are ongoing between the State Government and the Ngarluma Aboriginal Corporation.



Resource Estimates

Subsequent to the end of the Quarter a Mineral Resource Estimate update for the Hardey Bedded Iron Ore Deposit and Maiden Mineral Resource Estimates for Kumina Creek and Headon were completed. Appendix 1 summarises the Estimation Process taking the total Mineral Resource Estimate for the West Pilbara Iron Project to 1,906Mt.

Hardey

The Mineral Resource Estimate update for the Hardey Bedded Iron Deposit was completed. The Resource update incorporates additional Reverse Circulation (RC) and diamond drilling, downhole geophysical data and surface mapping.

The Hardey Project is located approximately 50km northwest of Paraburdoo and forms Stage 2 of the West Pilbara Iron Ore Project (refer to Figure 1).

The Mineral Resource Estimate has been completed by API and Golder Associates Pty Ltd (Golder) in accordance with the JORC Code (2004).

The Mineral Resource Estimate represents a revision to the November 2009 Hardey Resource.

The increased drill density and improved confidence in the geological interpretation of the deposits has resulted in a significant improvement in the classification of the Mineral Resource Estimate.

The Hardey Mineral Resource Estimate (Table 1) comprises three deposits, Brockman, Marra Mamba South and Marra Mamba North (Figure 2).

The Mineral Resource Estimate is reported at a 57% Fe block cut-off grade for the Brockman (Dales Gorge) and 55% Fe block cut-off grade for the Brockman (Joffre and Whaleback Shale), Marra Mamba North and the Marra Mamba South ore.

The revised Hardey Mineral Resource Estimate totals 151Mt at 60.8% Fe (Table 1).

A total of 106.1Mt has been classified within the Measured category representing 70% of the total Resource (previously 55Mt (35%)). The total Measured and Indicated Mineral Resource is 128.8Mt (85%), an increase from the November 2009 Resource of 115Mt (74%).

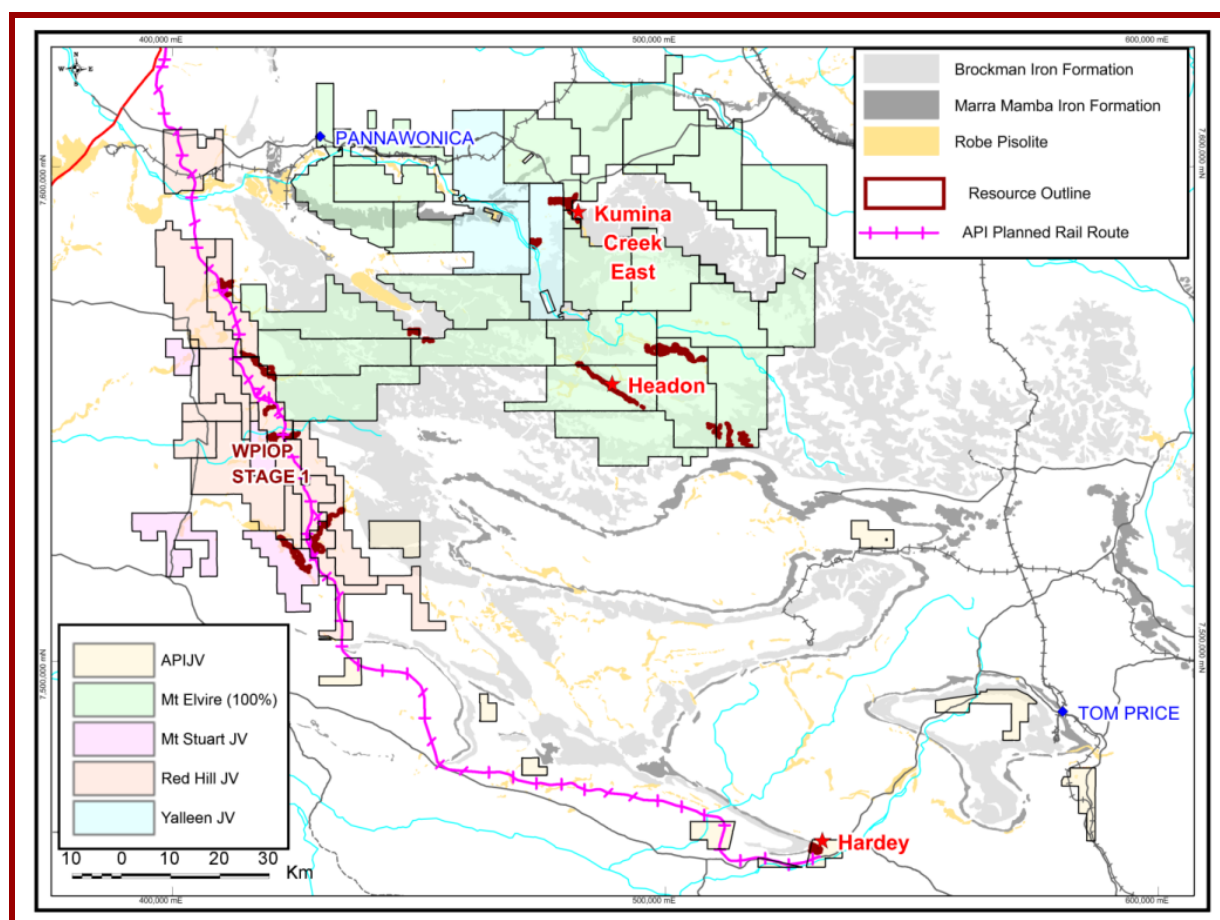


Figure 1 : Location of the Hardey, Kumina Creek East and Headon Iron Deposits



Table 1 : The Hardey BID Mineral Resource (Total)

Deposit	Classification (JORC)	Mt	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	S %	Mn %	MgO %	LOI %
Hardey	Measured	106	61.5	0.147	3.74	2.33	0.007	0.062	0.080	5.42
	Indicated	22	60.0	0.100	4.13	2.54	0.014	0.081	0.120	6.83
	Inferred	22	58.7	0.108	5.32	2.59	0.010	0.057	0.142	7.37
	Total	151	60.8	0.134	4.03	2.40	0.009	0.064	0.095	5.92

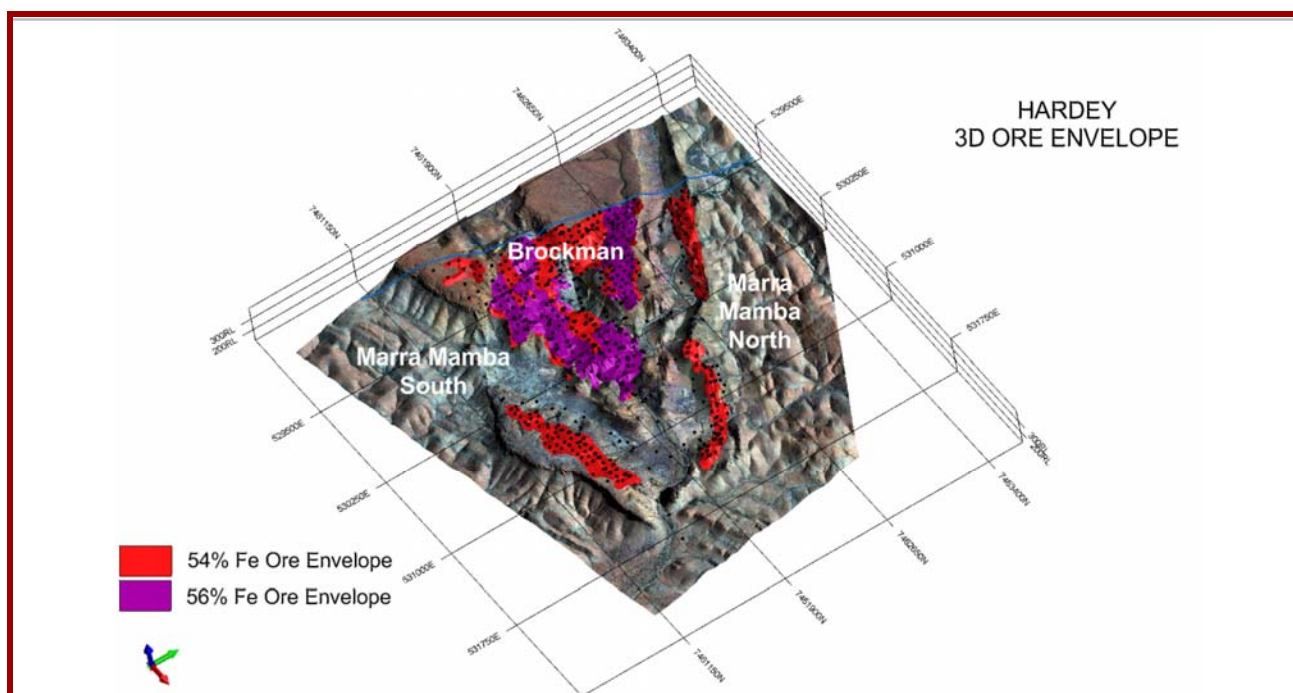


Figure 2 : Mineralisation Domains Defining the Brockman, Marra Mamba South and Marra Mamba North Deposits

Kumina Creek and Headon

Subsequent to the Quarter end API and Golder completed maiden Mineral Resource Estimates for the Kumina Creek East and Headon Channel Iron Deposits (CID) located within the 100% APIJV owned Mt Elvire Project area (Figure 1).

The Mineral Resource Estimates are reported at a 55% Fe block cut-off for the Kumina Creek East CID and a 54% Fe (Domain 1) and a 51% Fe (Domain 2) block cut-off for the Headon CID.

The maiden Mineral Resource Estimates are summarised in Table 2 and Table 3 (respectively).

The Kumina Creek East and Headon CIDs are both approximately within an 80km radius of the proposed Central Processing Facility (CPF) within the West Pilbara Iron Ore Project Stage 1 project area (refer to Figure 3).

Table 2 : Inferred Mineral Resource for the Kumina Creek East CID

Deposit	Classification (JORC)	Mt	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	S %	Mn %	MgO %	LOI %
Kumina Creek East	Inferred	102	57.3	0.061	6.10	3.38	0.016	0.013	0.070	8.03
	Total	102	57.3	0.061	6.10	3.38	0.016	0.013	0.070	8.03

Block cut-off grade: 55% Fe.



Table 3 : Inferred Mineral Resource for the Headon CID.

Deposit	Domain	Classification (JORC)	Mt	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	S %	Mn %	MgO %	LOI %
Headon	Domain 1	Inferred	51	55.7	0.076	6.95	3.82	0.012	0.008	0.078	8.97
	Domain 2	Inferred	46	52.1	0.067	10.83	4.55	0.013	0.007	0.104	9.33
	TOTAL	Inferred	97	53.9	0.072	8.80	4.17	0.013	0.007	0.091	9.14

Block cut-off grade: Domain 1= 54% Fe, Domain 2 = 51% Fe.

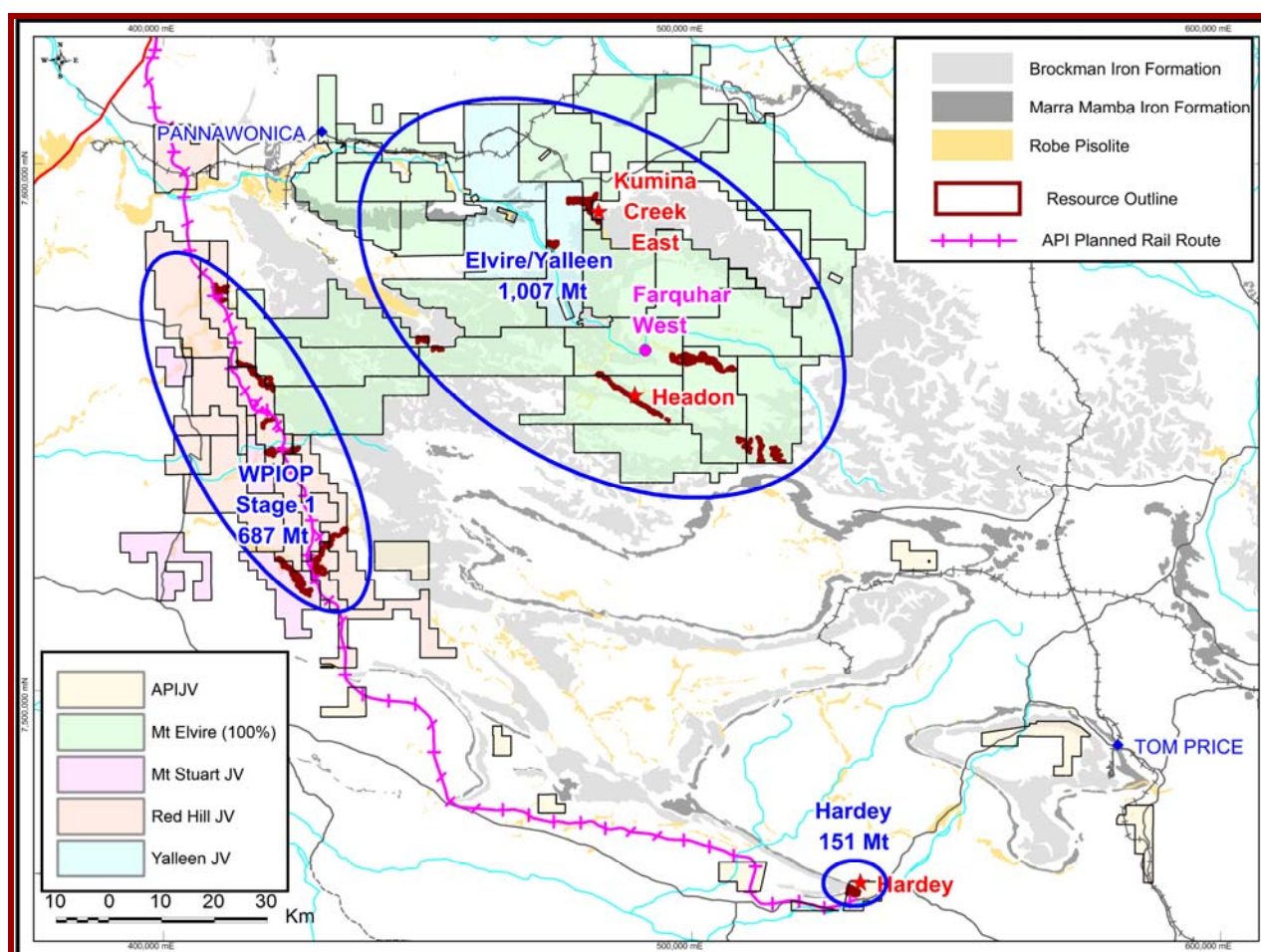


Figure 3 : Location Plan - Kumina Creek East and Headon



THABAZIMBI IRON ORE PROJECT

(Aquila Resources Limited 74%)

The Thabazimbi Iron Ore Project is located near the town of Thabazimbi (which means mountain of iron) in a historic iron ore producing region in the Limpopo Province of South Africa.

Project work completed during the Quarter

There were no LTI's during the Quarter.

The revised Scoping Study on the Meletse Iron Ore Deposit (Meletse) was completed during the Quarter. This study has confirmed that the Thabazimbi Project may support up to 4Mtpa open pit operation for a life-of-mine of 15 years, producing high grade (>62% Fe) lump and fine ore for both export and domestic markets. It is anticipated that at least 65% of Meletse's iron ore product will be high grade lump ore.

From a rail siding near the mine, ore can potentially be supplied to export markets via the existing rail network of Transnet, the logistics arm of the South African Government. Either of the ports of Maputo or Richards Bay can potentially ship Meletse product.

Discussions with the operator of the Matola terminal at Maputo were further advanced during the Quarter. Discussions with Transnet were also progressed during the Quarter to secure rail capacity to match available port capacity.

Exploration

During the Quarter, six RC holes were completed for 1,005m completing the Meletse Resource upgrade and exploration target program. Golder Associates Africa (Pty) Ltd was commissioned to re-model and update the estimation of the Mineral Resources for the Meletse Iron Ore Deposit. Table 4 shows the updated Mineral Resource Estimate for the Meletse Iron Ore Deposit and Appendix 2 summarises the Estimation Process. The updated Resource of 80.8Mt represents a 19% increase on the previous resource statement with 74% of the Resource now in the Measured and Indicated categories.

The Meletse Iron Ore Deposit is composed of several hard, lumpy high grade (>60% Fe) iron ore lodes outcropping along a lateral extent in excess of 600m. The iron ore lodes are high quality and very low in contaminant elements. The iron ore lodes dip approximately 40° to the southwest and flatten to 20° at the dip extent of the lodes. The iron ore lodes bifurcate and coalesce in profile and are gently folded along strike. The lumpy hard ores consist mainly of martite-hematite assemblages and the basal and upper contacts with the proto Banded Iron Formation (BIF) are sharp.

Exploration work will now focus on identifying iron mineralisation targets on the surrounding farms within the Klipgat Prospecting Right. Geological mapping and prospecting will commence in early 2013 followed by drilling evaluation.

Table 4 : Meletse Mineral Resource Estimate (>50wt % Fe)

Category	Tonnes Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	K ₂ O %	P %	S %	MnO %	MgO %	LOI %
Measured	37.1	62.28	7.57	0.68	0.10	0.045	0.03	0.88	0.164	1.26
Indicated	23.5	60.85	9.35	0.75	0.11	0.052	0.04	0.96	0.211	1.59
Inferred	20.2	59.20	11.15	0.83	0.11	0.059	0.04	1.15	0.231	1.76
Total	80.8	61.09	8.98	0.73	0.11	0.051	0.03	0.97	0.195	1.48

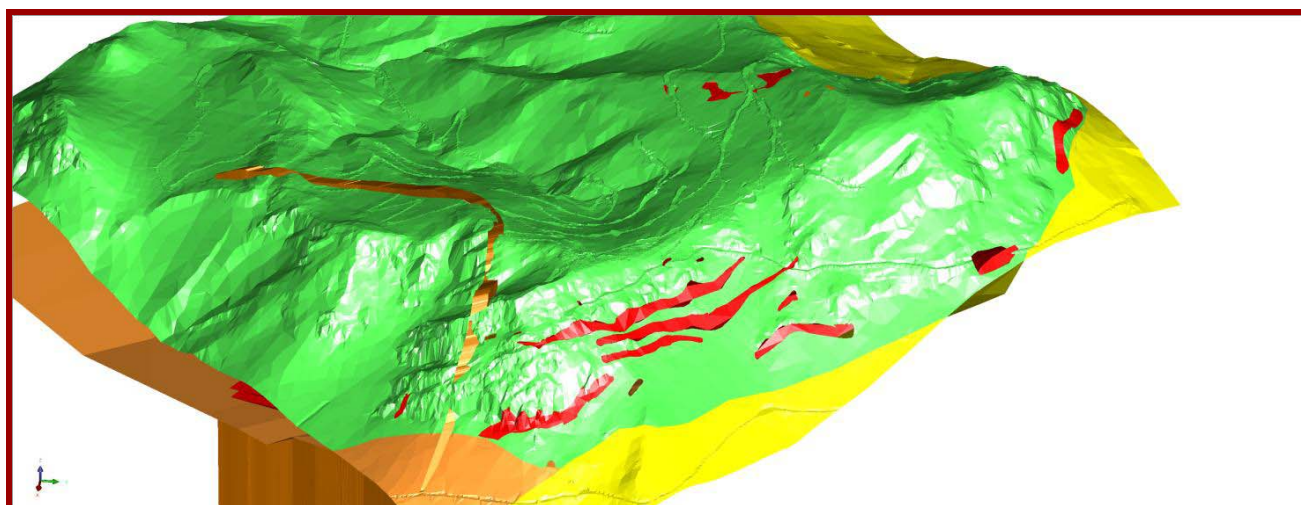


Figure 4 : 3D view, looking in a south-west direction with the outcrops of the ore lodes, shown in red, the BIF in green, the granite in orange-brown and the sandstone in yellow.

NAUGA IRON ORE PROJECT

(Aquila Resources Limited 74%)

The Company is exploring for iron ore deposits over extensive areas of BIF outcrops within the Orange River Prospecting Right in the Northern Cape Province.

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

Exploration

Drilling continued at the Nauga Iron Ore Project where iron ore mineralisation has been identified over a strike of approximately 900m.

During the Quarter, a total of four diamond drill holes were completed or are in progress for 261m. One diamond drill hole returned high grade iron ore intercepts from shallow depths and is shown in Figure 5 and in Table 12 of Appendix 3.

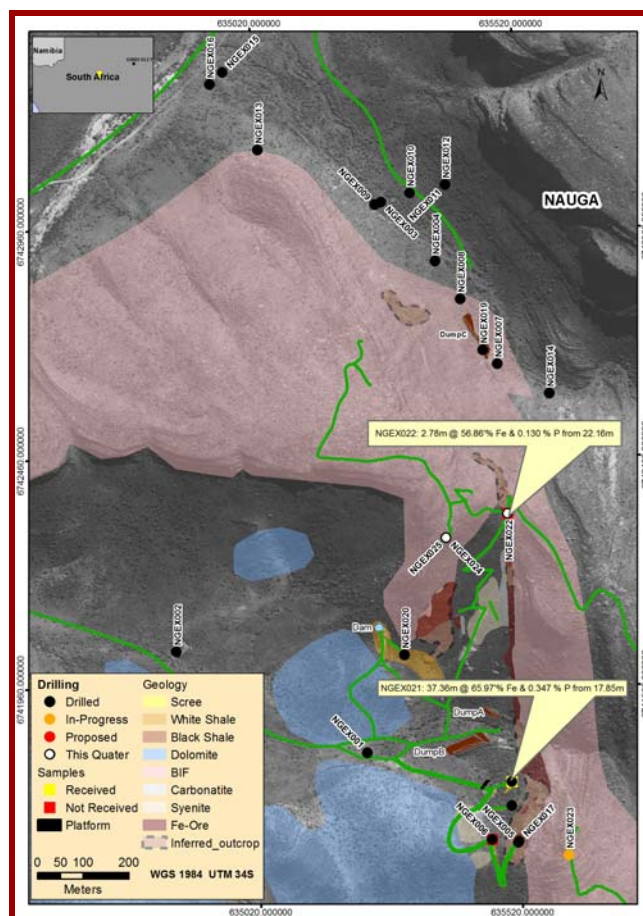


Figure 5 : Drilling progress for the Nauga Iron Ore Deposit



EAGLE DOWNS HARD COKING COAL PROJECT

(Aquila Resources Limited 50%)

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



Figure 6 : Mine access road entrance to Eagle Downs off the Peak Downs Highway

Project work completed during the Quarter

- There were no LTIs during the Quarter, with the 12 month rolling average LTI Frequency Rate being maintained at zero.
- Work on tender evaluations continued with all major packages being retendered in light of the reduced demand for mining services in Queensland. These packages include:
 - Portal arch installation
 - Box cut
 - Coal Handling and Preparation Plant (CHPP)
 - Gas drainage.
- Project completion target has moved to November 2016 to accommodate taking the drift development contract back to market to ensure up to date market pricing. Other works have been re-timed to align with the later commencement of the critical path works resulting in reduced expenditure to date.

- Management of the gas drainage wells and data capture continues. Q seam and HCL seam wells are in the desorption window. No gas has flowed to date.

Coal logistics

- The Company has 1.6Mtpa of capacity under a Take or Pay contract in Stage 1 of the Wiggins Island Coal Export Terminal (WICET), together with corresponding rail agreements with Aurizon. Work has continued to have this capacity available for the export of the Company's share of coal from the Eagle Downs mine. In addition, the Company continues to consider possible alternative long term logistic solutions for a port closer to the mine.
- Construction of WICET Stage 1 approached 40% complete as at the end of the Quarter.



Figure 7 : Canti Traveller for the construction of the Jetty being delivered off barge to WICET



WASHPOL 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).

Project work completed during the Quarter

- There were no LTIs during the Quarter, with the 12 month rolling average LTI Frequency Rate remaining at zero.
- Site work involved completing the rehabilitation of the outstanding drill holes from the previous exploration program.
- Technical studies were initiated to investigate whether the current Washpool hard coking coal product can be optimised to reduce the product ash and improve yield through alternative processing methodologies. Initial laboratory results indicate positive results justifying further work on a larger scale.
- Work has commenced on a review of capital and operating expenditure involving mine design, production levels and CHPP design with the aim to minimise construction costs.

Approvals

Work continued on completing the environmental regulatory approvals. This focused on negotiating the final Environmental Management Plan. When finalised, the plan will trigger receipt of the Draft Environmental Authority which will propose the standard protection conditions to be negotiated.

Negotiations to complete the Environmental Management Plan are centred around groundwater monitoring, biodiversity offsets, and strategic cropping mitigation measures. These three issues are expected to be finalised over the next six months.

A meeting was also held with the Department of Sustainability, Environment, Water, Populations, and Communities with regards to the Endangered and Protected Biodiversity Conservation Act controlled action on the project. This is expected to also be resolved in the next six months.

A strategic cropping land decision application was lodged this Quarter to address one of the outstanding issues to completing the Environmental Management Plan. The strategic cropping land decision is for land under the proposed access road. This decision is expected to be received in the next three months.

The Mining Lease is expected to be granted during the December Quarter 2013.

OTHER COAL PROJECTS

(Aquila Resources Limited 100%)

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

- Exploration activities were completed at Walton during the Quarter to obtain improved coal quality control throughout the known Resource area and to further delineate the Rangal Coal Measures targeting the Castor and Pollux seams. A total of 6,620m were drilled during the Quarter including 121m of core. Twelve days were lost due to wet conditions.
- Work commenced building the Walton geological model and preparing for both an upgraded Mineral Resource Estimate in the March Quarter 2013 and initial mine planning for reserve evaluation.



Figure 8 : Walton Core Rangal Coal Measures at 65m depth

- Work was undertaken building the Talwood geological model following the exploration program in the previous Quarter and preparing for an upgraded Mineral Resource Estimate in the March Quarter 2013.
- Exploration activities have now been suspended with the focus on data analysis and Resource modelling which will occur during the anticipated wet season in the March Quarter 2013 before exploration recommences in the June Quarter 2013. The Company is in the process of seeking tenders for the future exploration programs and anticipates awarding this contract in the March Quarter 2013.



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.

Project work completed during the Quarter

There were no LTIs during the Quarter and the 12 month rolling average LTI Frequency Rate remains at zero.

At the Gravenhage Manganese Deposit, drilling continued during the Quarter with four diamond drill rigs and one RC drill rig. The objectives of the program are to increase confidence in the geological controls on the manganese mineralisation, upgrade the Inferred categories of the manganese Resource and to increase the size of the manganese Reserve. The drill program will infill around the proposed open pit and underground mine development, target the shallow high-grade manganese mineralisation at the basin edge and further define manganese mineralisation adjacent to a series of mafic dykes that transect the deposit.

During the Quarter, a total of 54 diamond and RC drill holes were completed or in progress for 8,640m. Almost 95% of the analysis is outstanding with significant manganese intercepts received during the Quarter as shown in Table 13 of Appendix 3.

CORPORATE

CORPORATE TRANSACTIONS

Belvedere Hard Coking Coal Project

During the Quarter, Rothschild delivered a final determination of Fair Market Value for Aquila's 24.5% Venture Interest in the Belvedere Coal Joint Venture of A\$150 million. Aquila is in discussions with Vale regarding the settlement of this transaction, and is also seeking to recover its project contributions made since 2010 and interest. Aquila continues to consider all legal options to promptly finalise these matters.

Queensland Coal Exploration Licences

A second independent valuer for Aquila's portfolio of 100% owned Queensland-based coal exploration tenements (excluding Washpool and Talwood) was appointed, pursuant to the right granted to a subsidiary of Sumitomo Corporation to elect to purchase between 20% and 50% in these tenements. This second valuation is expected to be delivered during the March Quarter 2013.

INSURANCE CLAIM

The Company continues to be a party to the insurance claim that is in place for the flooding event that occurred at Isaac Plains in December 2010. The claim for property damage has been lodged and is currently being considered by the underwriters. Preparation of the claim for business interruption is being finalised and is expected to be lodged in the March Quarter 2013.

CARBON MANAGEMENT

Results from the Carbon Disclosure Project 2012 Australia/NZ Climate Change Report were released. The Company performed above average within the ASX200 and its Industry Sector.

CASH RESERVES AND LIQUID INVESTMENTS

Cash reserves and liquid investments total approximately \$458 million at the end of the Quarter (excluding the amount expected from Vale in respect of the Belvedere disposal).

For further information please contact:

Mr Tony Poli
Executive Chairman

Telephone: (08) 9423 0111
Facsimile: (08) 9423 0133
Email: mail@aquilaresources.com.au
Visit us at: www.aquilaresources.com.au

APPENDIX 1

West Pilbara Iron Ore Project

Attachment A

Estimation Process – Hardey

Geology and Mineralisation Modelling

The Mineral Resource Estimate has been based on data collected between 2005 and 2012, including RC and diamond drilling, downhole geophysics and detailed geological mapping programs. A total of 588 holes for 69,026 metres of RC drilling and 57 holes for 7,147 metres of diamond drilling have been completed. Drill holes at the Hardey deposits are positioned based on a regular grid of 50 x 50 down to 50 x 20 metre centres depending on site access and topography.

Drilling grids have been in-filled to ensure adequate definition of mineralised zones for the maiden Marra Mamba North, revised Brockman (Dales Gorge) and Marra Mamba South Resource Estimates. The drill grids provide good geological control and grade continuity. All RC drill holes were sampled, assayed and geologically logged. Downhole geophysical data recorded for each drill hole included gamma, resistivity and density. All data was validated before being uploaded and stored in the API database.

Geological and mineralisation interpretations based on geological and geochemical information from drill holes, downhole geophysics and surface mapping were completed by API and provided to Golder for Resource Estimation.

Three dimensional models were constructed for the geological stratigraphy and mineralised envelopes for each deposit.

Data density and regularity are considered adequate for the definition of the geological boundaries which were used to define both geological and mineralised zones for Resource Estimation purposes.

Mineralised envelopes were created using a combination of lithological and grade data. Hard boundaries were defined based on the following guidelines:

Lower cut-off applied were;

- Brockman Formation
 - ❖ high-grade (Dales Gorge Member) 56% Fe
 - ❖ low-grade (Whaleback Shale and Joffre Members) 54% Fe.
- Marra Mamba South and North Formation 54% Fe

A minimum intercept width of 2m across two sections.

Internal dilution has been kept to a minimum provided continuity of the mineralised envelopes could be maintained.

Golder completed all statistical and geostatistical analysis for the deposit on API drilling data constrained to the modelled mineralisation and stratigraphic units.

For statistical data analysis, drilling data was composited to 2m downhole lengths. Analysis was based on 8 assay variables: Fe, SiO₂, Al₂O₃, P, S, Mn, MgO, and LOI (LOI 1000°C).

Grade variography was completed for defined domains within the deposit.

Golder completed grade estimation for the Hardey deposits using the geostatistical method of Ordinary Kriging. Ordinary Kriging parameters were defined by the variography for identified domains within the deposit. During estimation unfolding was used according to the nature of the stratigraphic units.

Block Model

Block models were constructed for each deposit using parent and sub-cell blocks to match the mineralisation envelopes. The mineralised envelopes were used to constrain the block model. Parent and sub-cell block sizes used for each deposit are summarised in Table 5.

APPENDIX 1

West Pilbara Iron Ore Project

Table 5 : Resource Model Block Sizes for the Deposits at Hardey

Deposit	Parent Block Size (m)	Sub-cell Block Size (m)
Brockman	25 x 25 x 2	5 x 5 x 2
Marra Mamba South	25 x 25 x 2	5 x 5 x 2
Marra Mamba North	25 x 25 x 2	5 x 5 x 2

Density

Density was modelled across the deposits utilising corrected downhole density data. Golder analysed and corrected the raw density values from downhole geophysics provided by API. Both diamond and RC drill hole density values were estimated into the block model using the interpolation method of Inverse Distance Squared with three passes of increasing search distances. The density estimation domains were split by mineralisation type and stratigraphy. Unfolding of the geological stratigraphy was used to complete density modelling and interpolation. Default density values were assigned to some domains (due to a lack of samples) and to any un-estimated blocks within the estimation domains. Density values assigned to the deposits at Hardey ranged from 2.034 (waste) – 2.992 (ore).

Classification

The Mineral Resource Estimate for the Hardey bedded iron deposit was classified by Golder in accordance with the JORC Code (2004). Classification of the resource was completed based principally on the confidence in the geological interpretation and the density of data and criteria coded into the block model such as number of samples, number of holes, run number used to fill block (Fe run), and Kriging Variance.

Measured, Indicated and Inferred categories are defined.

Cut-off Grades

The Mineral Resource Estimates are reported above a 57% Fe block cut-off grade for the Brockman – Dales Gorge (high grade) ore and 55% Fe block cut-off grade for the Brockman (low grade), Marra Mamba North and the Marra Mamba South ore (Table 6).

Table 6 : Fe Block Cut-off Grades Applied for Reporting Mineral Resource Estimates at the Hardey Resource Areas

Deposit	Cut-off Grade
Brockman – Dales Gorge (high grade)	57% Fe
Brockman (low grade)	55% Fe
Marra Mamba North	55% Fe
Marra Mamba South	55% Fe

APPENDIX 1

West Pilbara Iron Ore Project

Attachment B

Estimation Process – Kumina Creek and Headon

The Mineral Resource Estimate for Kumina Creek and Headon has been based on data collected including RC drilling, diamond drilling and detailed geological mapping.

Table 7 : Data Table

Data	Kumina Creek	Headon
Data Collected	2011 – 2012	2011 – 2012
RC Drilling number of Holes	161	190
RC Drilling number of Metres	8,560	8,334
Diamond Drill number of Holes	1	2
Diamond Drill number of Metres	103	160
Grid Used	200m x 200m	Generally 200m x 200m, but varies from 100m x 100m to 50m x 400m

The drill grids provide good geological control and grade continuity. All RC drill holes were sampled, assayed and geologically logged.

Geological and mineralisation models based on geological and geochemical information from drill holes and surface mapping were completed by API and provided to Golder for Resource Estimation.

Data density and regularity are considered adequate for the definition of the geological boundaries which were used to define both geological and mineralised zones for Resource Estimation purposes.

Three dimensional models were constructed for the CID stratigraphy and mineralised envelopes for the deposit.

Mineralised envelopes were created using a combination of lithological and grade data. Hard boundaries were defined based on the following guidelines:

- Kumina Creek
 - ❖ Lower cut-off of 54% Fe.
 - ❖ A minimum intercept width of 2m across two sections.
- Headon
 - ❖ Fe cut-off's applied
 - ❖ Domain 1 >54% Fe
 - ❖ Domain 2 >50% and <54% Fe.
 - ❖ A minimum intercept width of 2m across two sections

Internal dilution has been kept to a minimum provided continuity of the mineralised envelopes could be maintained. The mineralisation was refined to follow paleochannels within the tributaries of Kumina Creek and small lenses of iron ore considered too deep or isolated to extract due to the volume of overburden were not included in the model.

Golder completed all statistical and geostatistical analysis for the deposit on API drilling data constrained to the modelled mineralisation and stratigraphic units.

For statistical data analysis, drilling data was composited to 2m downhole lengths. Analysis was based on 11 assay variables: Fe, SiO₂, Al₂O₃, P, S, Mn, MgO, CaO, K₂O, TiO₂ and LOI (LOI 1000°C).

Variography analysis was completed for defined domains within the deposit.

APPENDIX 1

West Pilbara Iron Ore Project

Golder completed grade estimation for the Kumina Creek East deposit using the geostatistical method of Ordinary Kriging. Ordinary Kriging parameters were defined by the variography for identified domains within the deposit.

Block Model

Block models were constructed for each deposit using parent and sub-cell blocks to match the mineralisation envelopes. The mineralised envelopes were used to constrain the block model. Parent and sub-cell block sizes used for each deposit are summarised in Table 8.

Table 8 : Resource Model Block Sizes for the Kumina Creek East and Headon CIDs

Deposit	Parent Block Size	Sub-cell Block Size
Kumina Creek East	50m x 50m x 2m	10m x 10m x 2m
Headon	50m x 25m x 2m	10m x 5m x 2m

Density

A dry bulk density value of 2.7 was applied to the mineralised CID within the Kumina Creek East and Headon resource models. Assigned density values are consistent with similar CIDs within the Pilbara region of Western Australia including that of the adjoining Kumina Creek Deposit (Yalleen JV). The densities assigned to the CID's are appropriate for the type and style of mineralisation.

The densities applied to each deposit for Mineral Resource Estimation are shown in Table 9 for the Kumina Creek East Deposit and Table 10 for the Headon Deposit.

Table 9 : Densities Used in Mineral Resource Estimation of the Kumina Creek East CID

Kumina Creek East Density Data	Recommended Density
Channel material	2.70
Channel material (mineralised)	2.70

Table 10 : Densities Used in Mineral Resource Estimation of the Headon CID

Headon Density Data	Recommended Density
Channel and detrital material	2.70
Channel and detrital material (mineralised)	2.70

Classification

The Mineral Resource Estimates for the Kumina Creek East and Headon CID's were classified by Golder in accordance with the JORC Code (2004). Both the Kumina Creek East and the Headon Mineral Resource Estimates have been classified in the Inferred category.

In addition to the Inferred resource at Headon a further 22.9 Mt of potential iron ore mineralisation grading at 53.26% Fe was identified. The drilling density of this area is not great enough to classify the material in the Inferred category. Potential resources are not reportable .

APPENDIX 1

West Pilbara Iron Ore Project

Cut-off Grade

The Mineral Resource Estimates are reported above a 54% (Domain 1) and a 51% (Domain 2) Fe block cut-off grade for Headon and 55% Fe block cut-off for Kumina Creek East (Table 11).

Table 11 : Fe Block Cut-off Grades Applied for Reporting Mineral Resource Estimates for the Kumina Creek East and Headon CID Deposits.

Deposit	Cut-off Grade
Kumina Creek East	55% Fe
Headon (Domain 1)	54% Fe
Headon (Domain 2)	51% Fe

Hardey, Kumina Creek and Headon Reporting

The Mineral Resource Estimates have been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code (2004)).

APPENDIX 1

West Pilbara Iron Ore Project

Attachment C

RESOURCE STATEMENTS AS OF JANUARY 2013

West Pilbara Iron Ore Project (Channel Iron Deposits)										
Joint Venture	JORC Classification	Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	Mn %	MgO %	LOI %
API - Mt Elvire (API 100%)	Measured	82	57.9	5.16	3.83	0.072	0.020	0.025	0.072	7.72
	Indicated	34	57.2	5.70	3.68	0.075	0.014	0.020	0.079	8.33
	Inferred	821	55.8	7.37	3.36	0.076	0.014	0.026	0.069	8.87
	TOTAL	938	56.0	7.12	3.41	0.076	0.015	0.026	0.070	8.75
Joint Venture	JORC Classification	Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	Mn %	MgO %	LOI %
Red Hill JV (API 60% and earning to 80%)	Measured	125	57.7	5.36	3.37	0.084	0.014	0.030	0.087	8.06
	Indicated	285	56.4	6.22	3.83	0.071	0.019	0.030	0.100	8.68
	Inferred	62	55.6	6.57	4.15	0.070	0.020	0.029	0.108	9.01
	TOTAL	472	56.6	6.03	3.75	0.074	0.018	0.030	0.098	8.56
Joint Venture	JORC Classification	Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	Mn %	MgO %	LOI %
Mt Stuart JV (API 70%)	Measured	2	55.1	6.61	3.64	0.041	0.020	0.058	0.208	9.99
	Indicated	73	55.1	6.91	3.16	0.037	0.016	0.079	0.178	10.26
	Inferred	23	54.6	7.53	3.10	0.037	0.015	0.102	0.209	10.40
	TOTAL	98	55.0	7.05	3.15	0.037	0.016	0.084	0.186	10.29
Joint Venture	JORC Classification	Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	Mn %	MgO %	LOI %
Yalleen JV (API 89%)	Measured	-	-	-	-	-	-	-	-	-
	Indicated	48	57.3	5.27	3.71	0.058	0.016	0.057	0.117	8.56
	Inferred	36	57.1	5.28	3.81	0.061	0.015	0.056	0.109	8.56
	TOTAL	84	57.2	5.28	3.75	0.060	0.016	0.057	0.113	8.56
West Pilbara Iron Ore Project (Detrital Iron Deposits)										
Joint Venture	JORC Classification	Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	Mn %	MgO %	LOI %
API - Mt Elvire (API 100%)	Measured	-	-	-	-	-	-	-	-	-
	Indicated	-	-	-	-	-	-	-	-	-
	Inferred	101	54.4	11.94	3.60	0.080	0.021	0.025	0.050	5.76
	TOTAL	101	54.4	11.94	3.60	0.080	0.021	0.025	0.050	5.76
West Pilbara Iron Ore Project - Hardey Project (Bedded Iron Deposit)										
Joint Venture	JORC Classification	Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	Mn %	MgO %	LOI %
API - Hardey (API 100%)	Measured	106	61.5	3.74	2.33	0.147	0.007	0.062	0.080	5.42
	Indicated	23	60.0	4.13	2.54	0.100	0.014	0.081	0.120	6.83
	Inferred	23	58.7	5.32	2.59	0.108	0.010	0.057	0.142	7.37
	TOTAL	151	60.8	4.03	2.40	0.134	0.009	0.064	0.095	5.92
Eastern Pilbara - Innawalley Pool Project (Bedded Iron Deposit)										
Joint Venture	JORC Classification	Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	Mn %	MgO %	LOI %
API - Innawalley Pool (API 100%)	Measured	-	-	-	-	-	-	-	-	-
	Indicated	-	-	-	-	-	-	-	-	-
	Inferred	63	58.8	3.91	4.55	0.160	0.010	0.041	0.200	6.43
	TOTAL	63	58.8	3.91	4.55	0.160	0.010	0.041	0.200	6.43

JORC Classification	Mt	
Measured	315	17%
Indicated	463	24%
Inferred	1,128	59%
TOTAL	1,906	100%

APPENDIX 2

Meletse Iron Ore Resource

Estimation Process

The Mineral Resource Estimate stated in this document was based on the criteria set out in Table 1 of the JORC Code (2004). These criteria are discussed as follows:

Drilling Technique

RC drilling utilizing a 5.5" face sampling hammer comprised 200 drill holes. Ten HQ diamond holes were also drilled to obtain physical parameters of the Resource and were used in the Resource Estimation. Angled and vertical holes drilled to achieve the optimal intersection of BIF / mineralization zones. 200 drill holes were imported into a Surpac Access database of which 168 drill holes fall inside the block model boundary

Sampling Technique

Industry standard sampling techniques were used for all drill methods and ground conditions encountered. On average 5 kg samples were collected directly from the cyclone after passing through a riffle splitter. At the core shed these samples were passed through a single stage splitter before spear samples were collected for analytical purposes. Representative samples were stored in plastic containers for future reference.

Drill Sample Recover

Based on data recorded for all sample intervals the average RC sample recovery is 90%.

Geological Logging

Geological logging has been completed on all drilling completed within the resource area. All information from drilling has been recorded using an appropriate logging (OCRIS) and recording (GBIS) system. 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.

Quality of Assay Data / QAQC

Two independent commercial laboratories have been used for all analytical test work. Appropriate sample preparation and assaying procedures have been used. Both laboratories have a systematic QA/QC procedure for all sampling programs. Duplicate samples and industry certified standards are inserted within the sample sequence. The QAQC procedures are designed to monitor all aspects of sampling techniques and analytical reliability. A sampling quality check to determine the reliability of the sample mixing process was done and the results obtained indicate that the sample mixing process is sufficient.

Surveying

All collar locations for the deposits were surveyed in three dimensions by a professional surveyor. Down hole surveys using Flexit HTGS and GYRO instrumentation have been completed where holes remained open at completion of drilling. Data is recorder on the Aquila GBIS database.

Data Spacing

Drill holes are positioned on a regular 50 meter spaced drill lines and in some cases a 25 meter spaced drill line. 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 in most ore Lodes.

Auditing

The geological and assay data is internally audited. Data integrity is checked on upload of all recorder drill, survey, geological and assay data.

Database Integrity

The Meletse database used for the resource classification was validated for integrity and completeness by Golder Associates.

Geological Interpretation

Geological and mineralisation interpretations were completed by Aquila. The interpretations are based on geological and geochemical information from drill holes and surface mapping. The data density and regularity are considered adequate for the definitions of the geological boundaries which were used to define both geological and mineralised zones for Resource Estimation purposes.

APPENDIX 2

Meletse Iron Ore Resource

Dimensions

Dimensions of the Meletse Deposit were determined accordingly to the Latitude/Longitude WGS 1984 system:

Latitude		Longitude	
Minimum	Maximum	Minimum	Maximum
24°34'14.58"	24°35'00.58"	27°39'14.05"	27°39'48.40"

Estimation and Modeling Technique

The estimation techniques used for the iron ore lodes are based on the geostatistical method of Ordinary Kriging.

Block model cell size used – 20 x 20 x 10 metres, sub-cell size- 5 x 5 x 2.5 metres.

Variables Interpolated

Fe, SiO₂, Al₂O₃, K₂O, P, S, MnO, CaO, MgO and LOI (1000°C)

Moisture

Tonnage based on a dry basis.

Cut-off Parameters

The resource models are not constrained by assumptions about economic cut-off grades. The reported resource is based on applying lower cut-off grade of 50% for Fe.

Mining Factors

Mining factors was not determined

Metallurgical Considerations

It has been assumed that the metallurgical domains are primary governed by the position of the ore and waste boundaries.

Relative Density

The relative density is based on density determinations from diamond drill core and 2060 RC chip samples using the Helium gas method and Micrometrics Accupyc Pycnometer. The RD data averages were grouped into the following classes (50 – 55% Fe, RD 4.16), (55 – 60%FE, RD 4.48), (60 -65% Fe RD 4.73), (65 – 70% Fe, RD 5.05) A grand total Resource average density of 4.66 is considered appropriate for the type and style of mineralization.

Classification

Resource classification was primary based on date density criteria and geological confidence. The level of continuity was sufficient to classify a portion of the Resource as Measured and Indicated and the remainder was classified in the Inferred Resource category.

Accuracy and Confidence

Golder validated the block model for all the ore lodes to assess the conformance of the model to the input data. This entails:

- Comparison of global average input data and ore lodes and block grades of all the ore and by ore lodes.
- Swath plots comparing data and model (by Easting, Northing and RL) for combined ore lodes.

APPENDIX 3

Drilling Results

NAUGA IRON ORE PROJECT

Table 12 : Selected Drilling Intercepts – December Quarter 2012

Hole Number	Easting	Northing	Dip	Depth From (m)	Down-hole Interval (m)	Wt % SiO ₂	Wt % Al ₂ O ₃	Wt % CaO	Wt % P	Wt % LOI
NGEX021	635485	6742366	-90	17.9	37.4m at 65.9% Fe	1.33	0.75	1.50	0.347	0.93
NGEX022	635485	6742366	-90	22.2	2.8m at 56.9% Fe	7.48	0.31	5.33	0.130	4.22

Intercepts from significant diamond drilling
Projection WGS 1984 (UTM 34S)

AVONTUUR MANGANESE PROJECT

Table 13 : Selected Drilling Intercepts – December Quarter 2012

Hole Number	Easting	Northing	Depth From (m)	Interval (m)	Wt % Fe	Wt % SiO ₂	Wt % Al ₂ O ₃	Wt % CaO	Wt % P	Wt % LOI
AVEX080	680197	7029989	210.5	2 m at 41.8% Mn	20.54	3.76	0.36	3.73	0.040	2.29
AVEX082	679899	7029988	228.5	1.5m at 34.3% Mn	10.87	15.82	0.43	6.69	0.019	7.26
GHEX216	679607	7034046	246.2	1.5m at 37.7% Mn	7.99	9.71	0.22	9.80	0.022	11.02
			249.4	1.9m at 41.3% Mn	11.72	8.47	0.22	3.33	0.025	9.09
GHEX229	680687	7035241	62.0	2.5m at 41.1% Mn	10.69	12.12	0.29	0.87	0.005	10.69
			98.0	1.5m at 45.3% Mn	8.17	5.46	0.36	2.97	0.021	13.6
GHEX233	681090	7035289	66.5	1.5m at 43.1% Mn	6.98	12.02	0.32	2.30	0.018	11.51

Intercepts for Mn >35%
Projection WGS 1984 (UTM 34S, Declination -90°, Reverse Circulation Drill Holes)

COMPETENCY STATEMENTS

West Pilbara Iron Ore Project

Resource Estimates

The information in this report that relates to the Hardey, Kumina Creek East and Headon Mineral Resource estimates was prepared under the supervision of Mr Stuart H Tuckey (API) and Mr Alan Miller (Golder). The information in this report that relates other Mineral Resource estimates was prepared under the supervision of Mr Stuart H Tuckey (API). Mr Tuckey, who is a Member of the Australasian Institute of Mining and Metallurgy, is a full-time employee of API Management Pty Ltd. Mr Miller, who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy, is a full-time employee of Golder Associates Pty Ltd. Mr Tuckey and Mr Miller have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are 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'. Mr Tuckey and Mr Miller consent to the inclusion in this report of the matters based on the information in the form and context that the information appears.

Thabazimbi Iron Ore Project

The information in this report 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 the report of the matters based on the information, in the form and context in which it appears.

Avontuur Manganese Project

The information in this report, insofar as it relates to exploration results is based on information compiled by 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 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 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 the report of the matters based on the information in the form and context in which it appears.

Appendix 5B

Mining 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

Name of entity

AQUILA RESOURCES LIMITED

ABN

81 092 002 769

Quarter ended ("current quarter")

DECEMBER 2012

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	11,800
1.2	Payments for (a) exploration & evaluation	(19,442)	(51,397)
	(b) development	(2,090)	(5,459)
	(c) production	-	(6,196)
	(d) administration	(4,349)	(11,810)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	5,820	7,124
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other:		
	Service charges	7	233
Net Operating Cash Flows		(20,054)	(55,705)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(477)	(2,761)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	17,213
	(c) other fixed assets	-	432,542
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other:		
	Security deposits lodged	-	(391)
Net investing cash flows		(477)	446,603
1.13	Total operating and investing cash flows (carried forward)	(20,531)	390,898

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(20,531)	390,898
	Cash flows related to financing activities		
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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(20,531)	390,898
1.20	Cash at beginning of quarter/year to date	461,403	50,345
1.21	Exchange rate adjustments to item 1.20	17	(354)
1.22	Cash at end of quarter	440,889	440,889

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	940
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, 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

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		
- Corporate facility	-	-
3.2 Credit standby arrangements		
- Contingent instrument facility	100,000	54,527

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	9,000
4.2 Development	10,000
4.3 Production	-
4.4 Administration	4,000
Total	23,000

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	16,882	26,018
5.2 Deposits at call	424,007	435,385
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	440,889	461,403

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	L47/561 L47/563 L47/564 P47/1271	Iron Ore - Western Australia Application withdrawn Application withdrawn Application withdrawn Surrendered	50% 50% 50% 30%	0% 0% 0% 0%
6.2 Interests in mining tenements acquired or increased	E52/2596 E47/1169 E47/1170 E47/1171	Iron Ore - Western Australia Granted Increased Increased Increased	50% 35% 35% 35%	50% 42% 42% 42%

+ 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)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	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 *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)	3,952,500	-	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	212,500 40,000	-	\$7.65 \$11.40	21 June 2013 1 July 2014
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ 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: Date: 31 January 2013
(Director)

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 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 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 31 December 2012.

<u>Number issued</u>	<u>Type</u>	<u>Expiry date</u>	<u>Exercise price</u>
1,482,500	Options	21 June 2013	\$7.65
1,225,000	Options	1 July 2014	\$11.40
1,245,000	Options	7 August 2015	\$8.71

+ See chapter 19 for defined terms.