

ASX ANNOUNCEMENT

22 July 2013

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Via: www.asxonline.com

Ascot signs Heads of Agreement to acquire Urabá coal mining concession in Colombia

KEY HIGHLIGHTS

- Ascot has entered into a conditional, binding Heads of Agreement to acquire a 90% interest in a ~5,000 hectare coal mining concession located near the Gulf of Urabá in the Department of Antioquia, Colombia.
 - The acquisition would provide potential for Ascot to consider synergies, including coal blending and logistics, with its 90%-owned Titiribi project, located approximately 360km to the south.
 - Preliminary surface geology and sampling, together with extensive field mapping, indicate the coal has some potential to be a blend metallurgical type coking coal, pricing itself above a premium thermal.
 - Concession is located within 25km of existing port infrastructure and within 260km of an established coal port.
 - Expected low logistic costs due to close proximity to Coast.
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Colombian-focused coal explorer Ascot Resources Limited (ASX: AZQ) (**Ascot or the Company**) is pleased to announce that it has entered into a conditional, binding Heads of Agreement with Hampshire Mining Pty Ltd ('Vendor') for the proposed acquisition of an indirect 90% interest in a ~5,000 hectare coal concession located in Uraba region of the Department of Antioquia, Colombia (**Proposed Transaction**).

On completion of the acquisition, Ascot will acquire 100% of the issued shares in Carbones de Uraba S.L. (**Carbones Uraba**), a company incorporated in Spain, which is 100% held by the Vendor. Carbones Uraba has an agreement to acquire 90% of the issued shares in Carbones de Golfo S.A. (**Carbones Golfo**), a company incorporated in Colombia that, in turn, is the holder of the Urabá concession. Included in the acquisition will be all associated historical exploration data, the majority of which is in the form of surface mapping and limited assays of surface outcropping coal.

The Vendor is a private company associated with Mr Paul Kopejtka and Mr Joe van den Elsen, both of whom are directors of Ascot. Ascot will therefore seek all necessary related party approvals from shareholders in order to proceed with the transaction.

About the Concession

The Department of Antioquia hosts a number of coal bearing areas, with the Urabá concession located in the northern-most part of the Department, near the border with the Department of Córdoba. The Urabá concession lies on the eastern flank of the valley of the Rio Currulao, which flows northward, and continues southward past the headwaters into the valley of the Rio Mulatos.



Figure 1: General project location

Details of the concession, which covers a total land area of nearly 5,000 hectares, are as set out in the table below.

National Mining Register ID	Area (Ha)	Status	Year Granted	Expiry
ED4-152	4,971	Granted	2007	2037

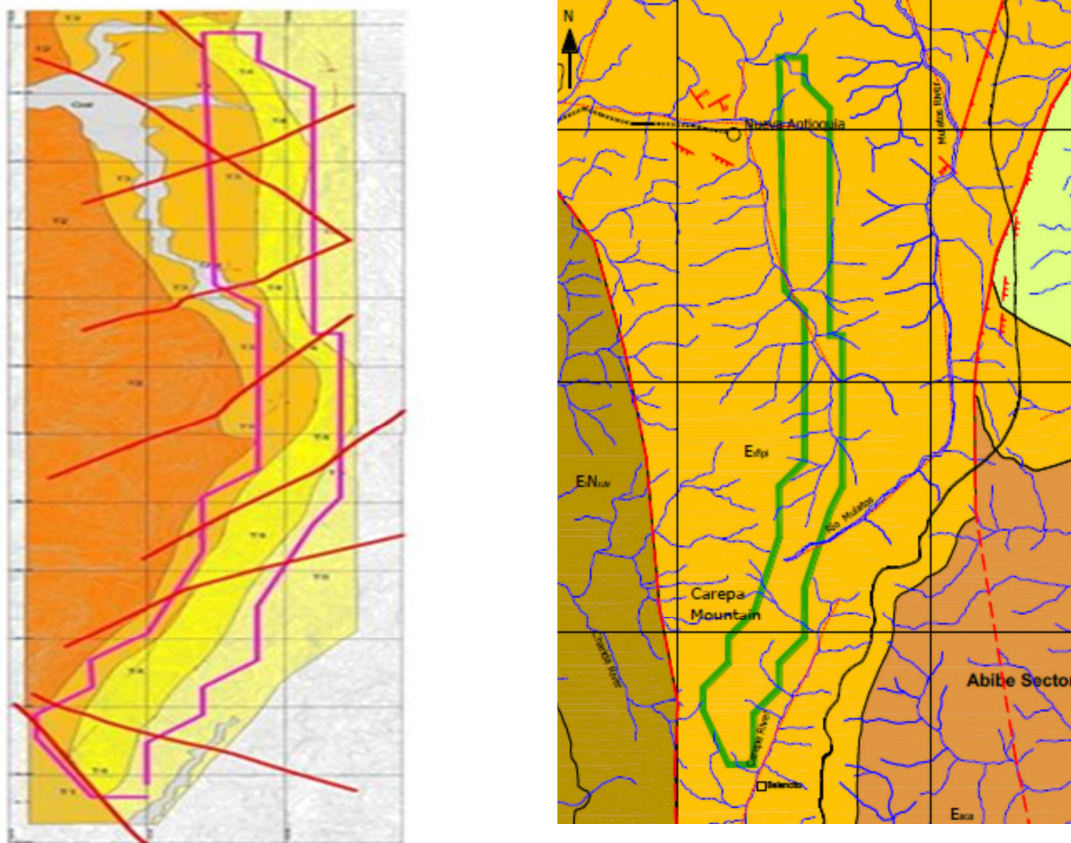
Regional Geology

The concession defines a coal-bearing zone that is approximately 21km long and 2.5km wide, and can be accessed via road connecting the Antioquia central region and the Urabá central zone with the ocean.

Coal is hosted in the upper member of the Pavo Formation, which is between 15m and 20m years old. The coal was deposited in the lower to middle deltaic zone in conditions similar to those currently active in the lower Magdalena River. Preliminary geological research has identified 16 major coal seams ranging from 0.8m to 2.2m thick, with a 5m thick coal outcrop identified in the southern part of the concession.

Figure 2.1 (below left) shows the general geology of the concession, as depicted in preliminary geological reports of the area. Coal outcrops near the middle part of the yellow area and dips to the east. Geological surveys suggest that the coal-bearing zone is continuous from north to south through the length of the concession. The coal dips to the east at varying degrees between 45° and 70°.

Preliminary assay results from coal surface samples and trenching of weathered outcropping coal indicate a reasonably high rank coal with some elevated Free Swell Index's (FSI's), suggesting that the coal has the potential to contain metallurgical qualities.



Figures 2.1 and 2.2: Base (left) and Regional (right) Geology of Urabá Concession

Transportation & Logistics

Within 25km of the concession is the small, active Caribbean port of Turbo to which coal could be trucked and exported to established markets in Europe, Brazil and the east coast of the United States. The port of Turbo is located in the southern part of the Gulf of Urabá. Turbo is the northern terminus of the main route of the Pan-American Highway in South America. Given the short distance to the port and relatively flat terrain, the Company will investigate the potential to transport coal via a conveyor belt transportation system.

Alternatively coal could be trucked to the existing coal port of Morrosquillo, located 260km away along non-mountainous, relatively flat roads.



Figure 3: Major Transportation Routes and Port Infrastructure

Work Completed to Date

As described above, the acquisition by Ascot will provide access to all previous and historical work conducted at the Urabá project site, which includes:

- Preliminary surface geology;
- Geological field mapping; and
- Sample analysis from surface outcropping.

Once the acquisition is complete, Ascot plans to proceed¹ with a formal exploration drilling program¹.

¹ Note that completion of the exploration drilling program will be subject to Ascot obtaining necessary funding and approvals

Synergy Benefits

Ascot believes that the Urabá concession offers various operational synergies, specifically:

- Project location and proximity to the existing port of Turbo. This underpins a low-cost transport solution by way of trucking or conveying;
- Scope to produce a blended coal product from the Urabá and Titiribi projects (located approximately 360km apart), increasing marketability and volumes. By potentially consolidating production of both projects, Ascot may be able to reduce transport, logistics and freight costs; and
- Potential to increase regional volumes via acquisition of surrounding concessions.

Ascot is confident that the acquisition and effective integration of the Urabá project will enhance the growth potential and scale of its existing portfolio, and the Company will continue to investigate these and other possible synergies in greater detail.

Transaction terms

The Heads of Agreement is conditional upon:

- completion of due diligence on Carbones Uraba's and Carbones Golfo's business and operations to the satisfaction of Ascot;
- all necessary shareholder approvals being obtained, including related party approvals required under the Corporations Act and ASX Listing Rules; and
- Carbones Uraba completing the acquisition of Carbones Golfo.

If the above conditions are not satisfied or waived on or before 14 October 2013 or such later date as agreed by the parties, the Heads of Agreement will terminate.

On completion of the acquisition, Ascot will pay the Vendor an initial consideration of the lesser of US\$120,000 and the actual costs incurred by the Vendor as a result of payments it must make to the 10% minority interest in Carbones Golfo (**Minority Holder**) in respect of certain concession maintenance costs and the corporate restructuring of Carbones Golfo required to enable the acquisition to proceed (**Initial Consideration**).

Within 6 months of completion, Ascot must make a further payment to the Vendor equivalent to the reimbursement of actual direct costs incurred by the Vendor in connection with securing its interest in Carbones Golfo and costs associated with completed geological work to date (eg surface mapping, geological consultants etc.) (**Deferred Consideration**). The quantum of the Deferred Consideration is to be agreed within 14 days of the agreement date and will not exceed US\$500,000. If Ascot does not pay the Deferred Consideration to the Vendor within 6 months of completion of the acquisition, it must immediately re-transfer ownership of Carbones Uraba back to the Vendor for nil consideration.

Payments due to Minority Holder of Carbones Golfo

In addition to the Initial Consideration and the Deferred Consideration to the Vendor, Carbones Uraba has agreed to pay the Minority Holder the following Resource- and Reserve-linked milestone cash payments:

- US\$0.009 per tonne of Indicated and Measured Resource defined on the Concession, of which US\$0.004 per tonne is payable within 120 days and \$0.005 is payable within 240 days of Resource definition; and
- US\$0.03 per tonne of Proven and Probable Reserve defined on the Concession, of which US\$0.01 per tonne is payable within 12 months and \$0.02 is payable within 24 months of Reserve definition.

The Minority Holder will also be free-carried up to the period that is three years following commercial production, at which time the 10% free-carry will be repaid from 50% of the Minority Holder's share of the Carbone Golfo's profits.

Managing Director Andrew Caruso commented:

"The acquisition of the Urabá Project expands the Company's geographical footprint in Colombia and is in line with the Company's objective of targeting projects that exhibit potentially near term production and low development capital.

With the recent delivery of its maiden JORC Resource at the Titiribi Project and the agreement to acquire the Urabá concession, the Company continues to demonstrate its ability to fast-track its interests in Colombia."

About Ascot Resources Limited

Ascot Resources Limited (**Ascot**) is an ASX listed coal explorer and developer. Its major asset is its 90% JV interest in the Titiribi Coal Project located in the Department of Antioquia, Colombia. With the Project site located only 70km from State Capital Medellin, it is close to existing utilities and infrastructure. It is Ascot's intention to grow the Colombian business via asset acquisition and it will be continually assessing opportunities within Colombia.

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