Perth Office:
Ascot Resources Limited
ABN 85 146 530 378
512 Hay Street
Subiaco WA 6008
P: +61 (0) 8 9381 4534
F: +61 (0) 8 9380 6440

W: www.ascotresources.com
E: info@ascotresource.com
ASX : **AZQ**

QUARTERLY ACTIVITES REPORT AS AT 30 SEPTEMBER 2013

ASX Code: AZQ

Securities on Issue

39.7m Ordinary Shares
4.4m unlisted Options
16.5m unlisted Executive Incentives

Directors

Andrew Caruso
(Executive Chairman)

Paul Kopejtka
(Non-Executive Director)

Francis De Souza
(Non-Executive Director)

Contact details

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FIRST QUARTER – HIGHLIGHTS

TITIRIBI COAL PROJECT

- During August 2013, a Pre-feasibility Study (PFS) was completed confirming a relatively low capital and operating cost profile for a 'starter mine' at an initial production rate of 250,000 tpa of predominantly semi-soft coking coal

- During the quarter, Ascot, in conjunction with Sedgman Limited, progressed trade-off studies designed to finalise a basis of design for the feasibility study

- Ascot expects to commence a feasibility study during the first half of the 2014 financial year, with a view to commissioning the project in early 2015.

CORPORATE

- During August 2013, listed global mineral processing and infrastructure solution provider Sedgman Limited completed a A$1million strategic investment in Ascot, by way of a A$500,000 share placement and a A$500,000 unsecured loan note.
- Mr Andrew Caruso was appointed Executive Chairman and CEO in July 2013, replacing Mr. Paul Kopejtka as Executive Chairman who remains as a Non-Executive Director.

FINANCIAL

- At 30 September 2013 the Company had cash reserves of A$0.78 million.
- At 30 September 2013 the Company had a market capitalisation of $2.9 million (based on a share price of $0.073).

PROJECT ACTIVITIES

TITIRIBI COAL PROJECT

Following confirmation of its maiden JORC-compliant Resource in mid-July, Ascot completed a Pre-Feasibility Study (**PFS**) in August for a proposed 'starter' mining operation at its 90% owned Titiribi coal project in the Department of Antioquia, Colombia.

Pre-Feasibility Study Overview

The study was completed in collaboration with independent consultants and industry professionals, and supports the development of a 250,000tpa open-pit mining operation with a minimum LOM of around 5 years.

Titiribi Development Scenarios

Ascot analysed two development scenarios for the Titiribi project (refer Figure 1 below):

1. **Scenario A:** Raw coal is sold on a Free Carrier (FCA) basis at the Titiribi mine gate

   The Company can sell raw product at the Titiribi mine gate on an FCA basis without additional transportation or logistics costs.

2. **Scenario B:** Coal is sold on an FOB basis at Buenaventura utilising a Coal Conveyor across the River Cauca

   This involves the construction of a 2km bridge conveyor from the mine (extraction point) to a stockpiling facility located on the western side of the river Cauca that connects to a major highway. Raw product is then transported 512km to a stockpiling facility at port Buenaventura, prior to being exported. The cement coal will be sold domestically from the Titiribi stockpile.

The diagram below highlights the generalised layout of the two development scenarios.

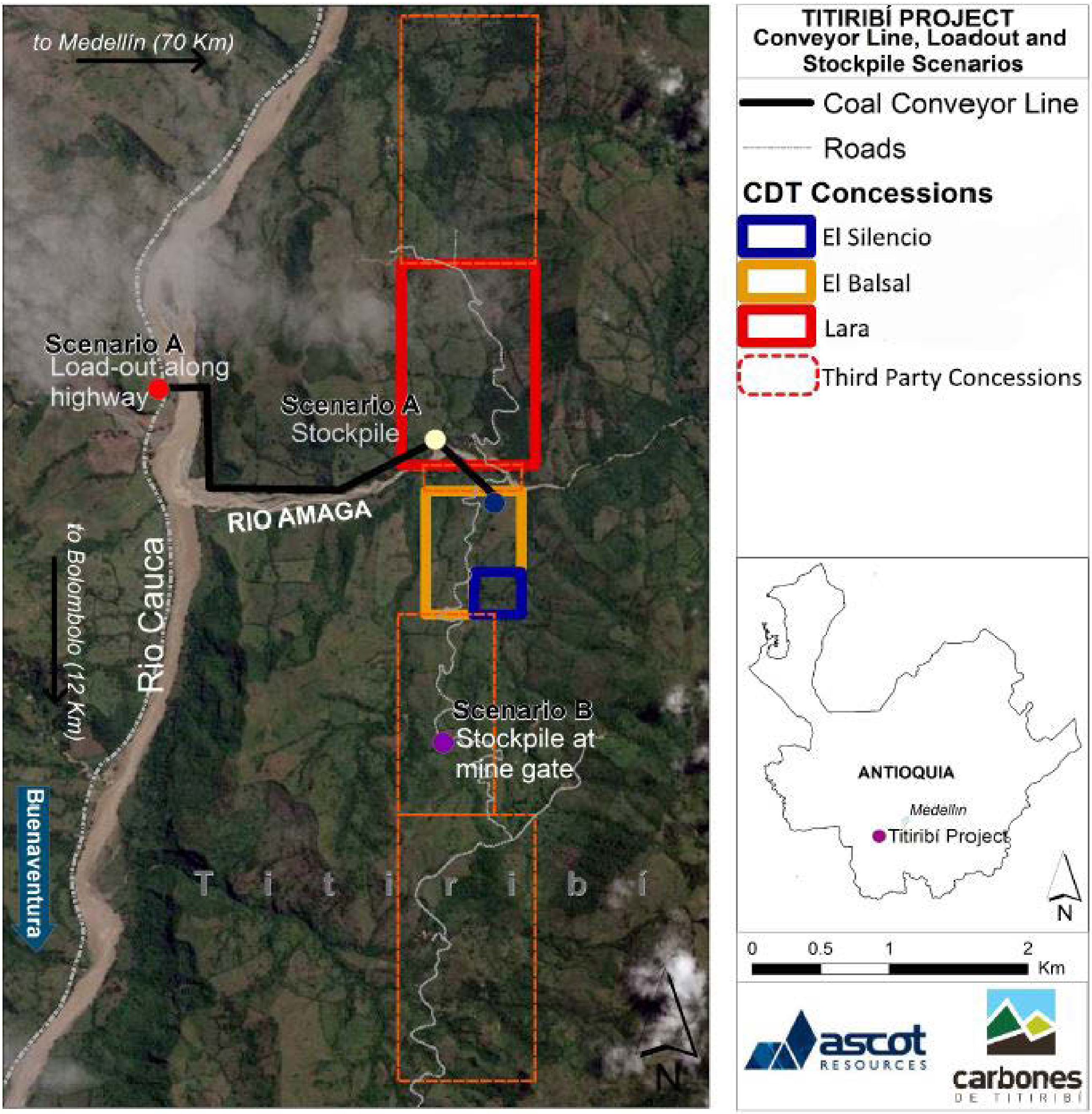


Figure 1: Base Case scenarios for the development of the Titiribi coal project

Pre-Feasibility Results

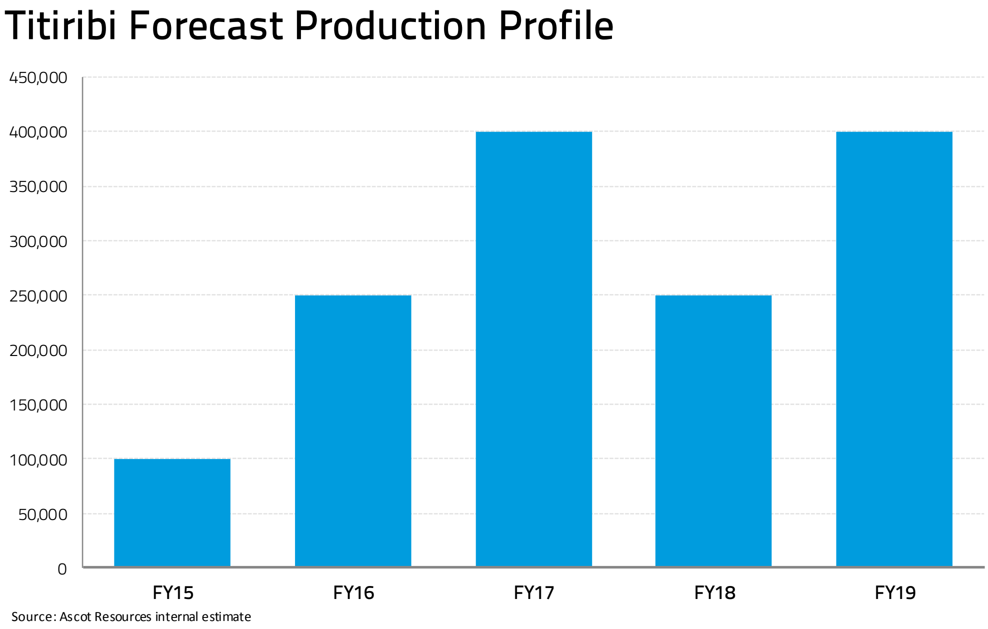
A summary of the key findings and results of the PFS is as follows:

- Confirmed relatively low capital and operating cost profile for Titiribi Coal Project
- Low average ROM strip ratio of 6:1
- Operating costs (including royalties) of US$44/t FCA mine gate and US$84/t FOB Buenaventura
- Further potential to optimise cost structure through trade-off studies and value engineering work
- Start-up capital between US$7.8M and US$14.3M to support initial production rate of 250Ktpa
- Average capital intensity of US$35 per tonne of annual production compares favourably to industry average

- Real opportunity to expand initial resource tonnage by further in-fill drilling at Lara and via consolidation of neighbouring concessions along coal strike through commercial agreement with third parties (currently being progressed).
- First coal production expected in early 2015

Physicals	**Scenario A**	**Scenario B**
Average Coal Recovery	85%	
Marketable Coal Production	1.4Mt	
Annual Marketable Coal	Up to 400Kt/pa	
Mining Method	Open Cut	
Mining Commencement	2015	
Average ROM Strip Ratio[1]	6:1	
Capital & Operating Costs		
Mining & Processing	44	45
Transport, Handling & Logistics[2]	-	39
Total Operating Cost (US$/t)[3]	44	84
Start-up Capital (US$M)	7.8	14.3
Expansionary Capital (US$M)	2.1	2.1

The chart below highlights the forecast production of saleable coal product for the initial 5-year LOM period.



The full results of the PFS, including all material assumptions, are set out in full in the Company's ASX announcement dated 26 August 2013. Ascot confirms that the assumptions underpinning the production targets, and the forecast financial information derived from the production targets, as set out in the 26 August 2013 announcement, continue to apply and have not materially changed as at the date of this report.

Further Work

During the quarter, Ascot progressed, in conjunction with Sedgman Limited, trade-off studies which are designed to finalise a basis of design for completion of the Feasibility Study. These studies involve further analysis of key cost variables in order to further refine the low-cost nature of the project and will continue into the next quarter.

The key areas of focus for the Company during the next phase of its Development Plan (i.e., Phase 2) will be designed around:

- Expanding the exploration drilling program at Lara, focusing on increasing the overall resource estimate and improving the JORC resource category in order to extend the mine-life of future operations;
- Continuing with its advanced negotiations with third parties regarding the acquisition of strategic, coal-bearing concessions along strike to the north and south of its current tenements at Titiribi;
- Advancing both the Environmental and Mining permit applications for the proposed mining development.
- Further coal sampling and testing to qualify metallurgical properties and increase yield optimisation; and
- Investigating the possibility of establishing a coal handling and blending facility for local third-party producers to produce a blended Titiribi coal product to increase overall coal quality and marketability.

At this stage, Ascot expects to move into its Feasibility Study carrying both development scenarios. This will enable greater flexibility in future operational decisions, as well as placing the Company in a strategic position to discuss project development with potential off-takers.

NEW PROJECTS

In July 2013, Ascot entered into a conditional 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.

Preliminary surface geology and sampling, together with extensive field mapping, indicate the coal has potential to be a coking coal suitable for blending.

The Urabá concession is located within 25km of existing port infrastructure and within 260km of an established coal port. It is expected logistic costs will be low due to the concession being in close proximity to the coast.

Consideration payable in connection with the transaction is as follows:

- The lesser of US$120,000 and the actual costs incurred by the original vendor in respect of certain concession maintenance costs and costs associated with corporate restructuring required to facilitate the transaction. This payment is due on completion of the transaction.
- US$450,000 payable to Hampshire Mining as reimbursement of the agreed actual direct costs it incurred in securing an interest in the concession and costs associated with geological completed work to date. This payment is due within 6 months of the completion of the transaction.
- Resource and Reserve linked milestone cash payments to the original vendor as follows:
    - 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.
    - 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.

Completion of the transaction is conditional on the satisfactory completion of due diligence by the Company and shareholder approval. In regards to the latter, the Company has convened a general meeting of shareholders to be held on 31 October 2013.

MCPHEES GOLD PROJECT

There were no material developments during the quarter in respect of the McPhees Gold Project.

CORPORATE

Global mineral processing and infrastructure solution provider Sedgman Limited (ASX: SDM) ('Sedgman") agreed to make a A$1,000,000 strategic investment in Ascot Resources and signed a Funding Agreement on 19 August 2013.

The investment marks the commencement of a strategic relationship between Ascot and Sedgman in which both companies will work together to explore opportunities to grow their respective businesses in Colombia, and more generally, South America.

Sedgman's investment in Ascot is comprised of two equally-sized components:

- A$500,000 by way of a direct share placement under which Sedgman was issued 5,000,000 shares at $0.10 per share; and
- A$500,000 by way of a 2 year, unsecured loan note (the "Note").

On completion of the share placement and issue of the Note, Sedgman became Ascot's largest shareholder, with a relevant interest in approximately 13.8% of the Company's shares. Ascot has agreed that it may nominate a director to the Ascot board, and Sedgman will retain this right whilst it continues to hold a relevant interest in at least 10% of Ascot's issued capital.

The terms of the Note component of Sedgman's investment are substantially similar to the loan notes issued to RCF and an entity associated with Mr. Paul Kopejtka. Subject to Ascot obtaining requisite shareholder approvals, the Note will be convertible at the election of the noteholder into fully paid ordinary shares in the Company at a conversion price of A$0.18 per share and carries a coupon rate of 14% per annum, payable quarterly in arrears. At Ascot's election, coupons may be paid in the form of Ascot shares, cash or a combination of cash and shares, with any shares issued being priced at a 5% discount to prevailing market prices. The Company has the ability to redeem the Note after 6 months from the date of issue of the Note by giving the requisite notice to the noteholder.

The Company has undertaken to obtain requisite shareholder approvals to enable conversion of the note within 3 months of its issue and a general meeting of shareholders has been convened for this purpose on 31October 2013.

Mr Andrew Caruso was appointed Executive Chairman and CEO in July 2013, replacing Mr. Paul Kopejtka as Executive Chairman who remains as a Non-Executive Director.

Also during the quarter, Mr Joseph van den Elsen resigned as Non-Executive Director on 6 August 2013. The Board and management of Ascot would like to record their appreciation for Mr van den Elsen's efforts to develop the Company's interests in Colombia. Mr van den Elsen was instrumental in establishing Ascot's in-country presence in Colombia and the foundations for Ascot to rapidly progress the development of its flagship Titiribi project.

FINANCIAL

At 30 September 2013 the Company had cash reserves of $0.78 million.

Competent Persons Statement

The information in this report that relates to Mineral Resources is based on information compiled by Mr Gardar Dahl, who is a Certified Professional Geologist and member of the American Institute of Professional Geologists, a Recognised Overseas Professional Organisation included in a list promulgated by the ASX from time to time.

Mr. Dahl is a Senior Associate with Behre Dolbear and Company (USA), Inc. Mr Dahl 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 Dahl consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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. The region is known for its high quality coal. With the Project site being located only 70km from State Capital Medellin, it is close to existing utilities and infrastructure. It is Ascot's intention to grow the company via asset acquisition and it will continue to actively evaluate new business opportunities within Colombia.

For more information, visit www.ascotresources.com or contact:

Andrew Caruso
Ascot Resources Limited
Executive Chairman & Chief Executive Officer
T: +61(0) 8 9381 4534
F: +61(0) 8 9380 6440