



RESOURCES
LIMITED

Level 14, 31 Queen Street Melbourne, Victoria 3000 t +61 3 8610 8633
e info@aruntaresources.com.au www.aruntaresources.com.au ABN 73
089 224 402

29 January 2016

ASX ANNOUNCEMENT
(ASX: AJR)

QUARTERLY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2015

Spirit Telecom Acquisition Highlights:

- Acquisition of a fast growing profitable telecommunications business in a high growth industry
- The Company has completed its due diligence investigations in respect of the proposed acquisition of Spirit and is proceeding with the implementation process
- Intention to complete a consolidation of issued capital on a 23:1 basis
- Capital raising proposed to raise a minimum of \$2 million and a maximum of \$3 million at an issue price of \$0.02 per share (post consolidation)
- Acquisition will allow Spirit to expand its sales & marketing activities, invest further in infrastructure and fulfil substantial growth.

Davenport Corporate Highlights:

- To acquire 100% of East Exploration, the owner of the exciting South Harz potash project located within Germany
- Proposed in-specie distribution to Arunta shareholders for nil-consideration; and raise \$480,000 in pre-IPO share placement
- To raise a minimum of \$4 million for Initial Public Offering (IPO) Capital Raising
- Intends to list on ASX subject to satisfying conditions of Term Sheet, IPO Capital Raising and regulatory approvals

Hatches Creek Highlights:

- Scoping study level assessing the viability of processing historical mine dumps ongoing

Other Corporate Highlights:

- Board changes occurred during the quarter

For personal use only



ACQUISITION OF SPIRIT TELECOM

In June, the Company announced that it had entered into a binding term Sheet to acquire 100% of Spirit Telecom. The AJR Board is progressing the finalisation of the acquisition and believes the proposed transaction with Spirit is an excellent opportunity for the Company. Due to the delays in completing the Spirit transaction, the parties agreed to extend the completion date.

ABOUT SPIRIT

Spirit is a modern telecommunications provider, utilising the infrastructure of key carriers and cloud service providers, to market ultra-fast internet access and telephony services.

It is currently an Australian private company which commenced operations in 2005 and has evolved to become one of the more exciting brands in the telecommunications sector. Spirit has recognised the growing demand for better Internet services and has seized the opportunity to provide Ultra-Fast Internet, through the popular Spirit Ufi offering.

Spirit *Ufi* comfortably coexists with other NBN, ADSL and/or PSTN technologies residents may utilise.

Spirit was recently recognised as Australia's fastest Internet Service Providers (ISP) for 2015¹, with speeds in selected buildings reaching 200/200Mbps. The symmetrical speed, where the upload is as fast as the download, provides not only a better user experience, when accessing the Internet, but also delivers the important integration with cloud services for the growth areas of productivity and entertainment.

In addition to residential services, Spirit also provides Ultra-Fast Fibre based Internet to small business and corporates. Through the combined residential and commercial offerings, Spirit currently supplies internet into approximately 150 multi-dwelling units in Victoria, New South Wales and Queensland.

Spirits' recent history has seen it sell off divisions at the end of their life cycle, acquire new and EBITDA accretive companies to expand and diversify. Spirit sold Telko Pty Ltd to its then joint venture partners in 2011 in order to acquire an Internet Service Provider, which brought about the acquisition of the assets of Voxcom Pty Ltd in 2012. Most recently of the My Telecom the acquisition in mid 2015 of the 'My Telecom' business and assets ("My Telecom") has brought a solid customer base as well as new technical capabilities, utilising radio communications to transfer Ultra-Fast Internet, thereby extending fibre points of interconnect, improving gross margin, and enabling service reach across the suburbs to connect buildings.

Spirits' 'Anchor & Expand' in-building distribution strategy, in both commercial and residential markets, has seen it seek to rapidly acquire on-net buildings with a positive return on investment (ROI) and subsequently exploiting the long term expansion opportunity within those buildings.

Spirit's entire network has been designed and built with speed and reliability as the main feature.

Spirit offers an expanding suite of cloud based products to its commercial and consumer customer base.

¹ PCMag Australia. 'Fastest ISP's 2015: Australia'. 25th August 2015.

For personal use only



Spirit's network peers with most major content providers such as Google, Microsoft, Yahoo, Apple, Amazon and Akamai to ensure super-fast direct access to vast volumes of on-demand applications and content.

Spirit's recent acquisition of the assets of My Telecom was an immediately synergistically strategic acquisition that is proving to quickly expand Spirit's On Net building footprint. The My Telecom acquisition included the My Telecom brand, a profitable customer base, core network, located in the same data centre as Spirit and in building access rights. It also delivered to Spirit the capability of delivering high speed Internet via radio. Similar to Spirit, My Telecom installed infrastructure in multi dwelling units to enable the delivery of high speed Internet and marketed to end users a faster alternative than ADSL2+. In acquiring the assets of My Telecom, Spirit was able to maintain the customer base, realise effective network and operational synergies and commence marketing to the newly acquired buildings to enhance customer utilisation.

TRANSACTION OVERVIEW

The acquisition of Spirit will, among other things, be conditional upon: shareholder, regulatory and third-party approvals; completion of the Capital Raising; and ASX conditionally confirming that it will re-instate the Company to quotation following completion of the transaction.

The Company has completed its due diligence investigations in respect of the proposed acquisition of Spirit and is proceeding with the implementation of the acquisition process.

Upon completion of the transaction Spirit shall be entitled to appoint 3 suitably qualified directors to the AJR Board. It is intended that all existing members of the AJR Board will resign on completion of the transaction. Further details regarding the qualifications of the proposed directors will be set out in a forthcoming notice of meeting.

Due to the delays around the completion of the Spirit transaction, Arunta has received binding applications from sophisticated investors for 333,333,334 new fully paid ordinary shares at a subscription price of 0.075 cents (\$0.00075) to raise \$250,000 to assist in funding Arunta through to the time of completion ("Placement"). The shares will be issued pursuant to the Company's existing capacity under Chapter 7 of ASX Listing Rules. No fees are payable on the funds raised under the Placement.

As a result of the Placement, the basis for the proposed consolidation of Arunta shares and options has changed from 20:1 to 23:1. The Placement will be finalised post the proposed demerger of Davenport Resources Limited, therefore existing Arunta shareholders will still receive the same pro-rata in-specie distribution as previously detailed.

As part of the transaction AJR intends to complete a capital raising by way of a placement of ordinary AJR shares to raise a minimum of \$2 million and a maximum of \$3 million at an issue price of \$0.02 per share. Assuming a 23:1 consolidation, the consideration payable to the Spirit vendors would be satisfied through the issue of:

- 611,250,000 post-consolidation AJR shares; and
- 197,594,357 post-consolidation AJRO options.

Funds raised through the Capital Raising (after costs) are intended to be applied in part to reduce secured borrowings of Spirit and otherwise as working capital for the development of the Spirit business.

For personal use only



The transaction is also conditional upon AJR divesting itself of its wholly owned subsidiary Davenport Resources Limited (**Davenport**) which holds the Company's Hatches Creek Tungsten project and Southern Cross Bore (SXB) gold/copper Project, both located in Northern Territory, Australia (**Davenport Spin Out**). Subject to shareholder and regulatory approval, AJR intends to implement the Davenport Spin Out via a pro-rata in-specie distribution of the shares of Davenport to its shareholders at an anticipated record date of 26 February 2016. AJR and Spirit have agreed that, other than as set out below, all cash, receivables and other liquid assets of AJR will be transferred to Davenport as part of the Davenport Spin Out. An amount equal to the anticipated costs of legal and other advisors and experts engaged by AJR in connection with implementation the Spirit transaction will be retained in AJR together with an additional sum of \$50,000.

Completion of the acquisition of Spirit is conditional upon there being no breach of agreed financial warranties given by Spirit and there otherwise being no event or circumstance which has a material adverse effect on AJR or Spirit prior to completion.

RE-COMPLIANCE WITH CHAPTERS 1 & 2 OF ASX LISTING RULES

The transaction with Spirit will constitute a significant change in the nature and scale of the Company's activities which will require the Company to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules. The Company will therefore seek approval for the transaction from shareholders under ASX Listing Rule 11.1.2.

ANTICIPATED TIMELINE

The completion of the transaction under the Terms Sheet continues to progress, including the preparation of the Notice of Meeting. Updates will be provided as they come to hand.

ACQUISITION OF SOUTH HARZ POTASH PROJECT

In August 2015, Arunta Resources Limited's wholly owned subsidiary Davenport Resources Pty Ltd ("Davenport") entered a binding terms sheet with East Exploration Pty Ltd ("East Exploration") to acquire all the shares of East Exploration.

East Exploration is the registered owner of the **South Harz Potash Project**, comprising two exploration licences, Küllstedt and Grafentonna, in Thuringia, Central Germany. Potash West NL [ASX: PWN] is a part owner of East Exploration and has made previous announcements about East Exploration's South Harz project. A summary of the project is detailed in the announcement to the ASX on 20 August 2015.

As a result of the divestment of Davenport to Arunta shareholders, the South Harz Potash Project brings a significant and advanced project to become the main focus of an IPO and listing of Davenport on ASX as a stand-alone funded entity. Of great importance is the project's location to world-class logistical infrastructure enabling mined product from within the South Harz region to be easily transported for use within the European Union and for export. The extensive previous exploration and known past potash production on East Exploration's tenements is particularly encouraging. The Project has adjoining and nearby tenements where both sylvinitite and carnallitite are mined utilising underground and solution mining techniques.



Corporate - Davenport

The consideration for the acquisition of East Exploration will be the issue of 36,458,333 fully paid ordinary Davenport shares plus two tranches of 33,854,167 performance shares each which will be subject to the milestones described below.

Davenport will pay an option and exclusivity fee to East Exploration of \$250,000, the first \$100,000 of which was paid during the quarter. The option and exclusivity fee amount is to be applied by East Exploration solely to maintaining and advancing the South Harz Potash Project and does not form part of the consideration payable to the vendors of East Exploration.

Davenport completed its due diligence investigations in respect of the proposed acquisition of East Exploration Pty Ltd in September 2015.

The acquisition will occur after, and subject to, the proposed demerger of Davenport from Arunta, which is to be voted upon by shareholders at a general meeting to be held on 19 February 2016. The Notice of General Meeting was announced on the ASX on 14 January 2016. Davenport will seek to list on the ASX as a condition of the acquisition.

Subject to the demerger, Davenport will seek to raise \$480,000 via the placement of 6 million shares at an issue price of 8 cents each for the purposes of funding the IPO process and for working capital.

As part of the IPO process, Davenport intends to raise \$4 million by issuing 20 million Davenport shares at 20 cents each with the ability to accept oversubscriptions for a further \$1 million by issuing up to 5 million further shares. Davenport and Potash West shareholders will be provided a priority to participate in the capital raising.

In addition, Davenport will hold interests in the Hatches Creek Tungsten project and Southern Cross Bore (SXB) gold/copper Project, both located in the Northern Territory. All cash, receivables and other liquid assets of Arunta Resources will be transferred to Davenport as part of the demerger except for \$50,000 in cash.

The anticipated capital structure of Davenport at the time of completing the acquisition and listing, if the seed capital placement, minimum IPO capital raising of \$4 million (before costs) and conditions for the acquisition and listing are successfully completed or satisfied, will be as follows:

<i> Holders:</i>	<i> Davenport shares</i>	<i> Percentage</i>
Pre-completion Davenport shareholders (shares distributed by Arunta Resources)	6,000,000	8.76%
Placement participants	6,000,000	8.76%
East Exploration vendors*	36,458,333	53.27%
Capital Raising participants (minimum raising)	20,000,000	29.21%
 TOTAL*	 68,458,333	 100.00%



*Plus the two tranches of performance shares (a total of 67,708,334 performance shares).

The milestones applicable to the two tranches of performance shares are:

Tranche 1 performance shares: the announcement to ASX by Davenport within four (4) years after completion of the Transaction (or such lesser period as is satisfactory to ASX) of the first JORC Code compliant Inferred Resource of one of the following:

- 1) 250 million tonnes of Potash at or above 11.0% K₂O by content, or
- 2) 150 million tonnes of Potash at or above 12.0% K₂O by content, or
- 3) 100 million tonnes of Potash at or above 13% K₂O by content, or
- 4) 75 million tonnes of Potash at or above 15% K₂O by content, or
- 5) 50 million tonnes of Potash at or above 18% K₂O by content;

Tranche 2 performance shares: the announcement to ASX by Davenport within six (6) years after completion of the Transaction (or such lesser period as is satisfactory to ASX) of satisfaction of all mining approvals and utility contracts required to construct and operate a minimum of 500,000 tonne per annum potash mine on the Project (including all Government approvals, water and energy contracts necessary to operate the mine).

Upon and subject to completion of the acquisition, East Exploration will be entitled to appoint 2 suitably qualified directors to the Board of Davenport, one of whom will be the Chairperson. Mr Angus Edgar will remain as a non-executive director of Davenport. East Exploration and Davenport will jointly select and appoint a Managing Director to the Board of Davenport.

The acquisition is conditional upon completion of due diligence by both parties, entry into formal documentation by East Exploration's shareholders for the sale of their shares, Arunta and Davenport being satisfied with any conditions imposed on the demerger of Davenport or subsequent listing of Davenport by ASX, the proposed seed capital placement and IPO capital raising by Davenport, and satisfaction of ASX and regulatory requirements including Arunta Resources, Davenport and Potash West NL shareholder approvals (if applicable).

The proposed terms of the acquisition, seed capital placement and IPO capital raising are subject to modification by agreement between Davenport and East Exploration where required to enable the transaction to proceed, including for example, altering the amount proposed to be raised by the IPO Capital Raising to satisfy ASX's requirements for a new listing.

The completion of the acquisition of East Exploration is not a condition of Arunta's proposed acquisition of Spirit Telecom (Australia) Pty Ltd. Details of that proposed acquisition, including the conditions for that acquisition, were set out in Arunta's announcement of 24 June 2015. Arunta is preparing a notice of meeting for seeking shareholder approval for the acquisition of Spirit which will contain further detail in relation to that transaction and the approvals sought.

For personal use only



HATCHES CREEK TUNGSTEN PROJECT

As announced on 19 January 2015, GWR Group Limited (ASX: GWR) signed a binding Heads of Agreement with Arunta Resources Limited and agreed to sole fund \$1,500,000 of Joint Venture Expenditure to earn a 50% Joint Venture interest in the Hatches Creek tungsten, which is located 375km north east of Alice Springs in the Northern Territory of Australia.

Work Completed in December Quarter

GWR have reported the following work summary for Hatches Creek:

The scoping study level assessment of the viability of processing the historical mine dumps is ongoing. Exploration undertaken during the quarter ending 31st December 2015 included geological field inspection of most of the historical mining areas, collection of 138 mine dump samples, modelling of mine dump volumes and preliminary mine scheduling. Work also continued on the collection and compilation of data for the scoping study assessment of the project.

During the September 2015 Quarter, Ausurv Surveyors Pty Ltd carried out an unmanned aerial vehicle (“UAV”) survey collecting high quality aerial photography over the Hatches Creek project. This data has been used to define accurate volume models for most of the historical mine dumps and conduct preliminary mine scheduling studies.

Field work completed in early December 2015 included the following;

- Collection of an additional 138 mine dump samples from dumps not previously sampled
- Detailed geological inspection of most of the historical mine areas

Southern Cross Bore Project (100% AJR)

No field work was completed at Southern Cross Bore during the December quarter.

OTHER CORPORATE

BOARD CHANGES

In November 2015, the Company announced the appointment of Mr Greg Bound as an independent non-executive director. Mr Adrien Wing resigned as a Director and Company Secretary. The Board thanks Mr Wing for his contributions to the Company over the past years. Mr Angus Edgar was appointed as Company Secretary, in addition to his role as Director of the Company.

~ END ~

For further information: Investors:
Arunta Resources Limited

Tel: +61 (3) 8610 8633

For personal use only



Arunta Resources Ltd/Davenport Resources Ltd
 Tenement schedule for the quarter ending 31 December 2015

NORTHERN TERRITORY

Title Number	Registered Holder	Interest held at start of quarter	Change in interest during the quarter	Interest held at end of quarter	Renewal Date	Annual Exp Req	Status (G - Grant, A - Applcn)	Area sq kms
EL 28045	Davenport Resources Limited	100	Nil	100	29/08/2016	149,500	G	73
EL 22912	Davenport Resources Limited	100	Nil	100	24/07/2016	141,450	G	25
EL 23463	Davenport Resources Limited	100	Nil	100	24/07/2016	89,700	G	6
EL 29827	Davenport Resources Limited	100	Nil	100	28/05/2019	12,500	G	16
EL 30090	Davenport Resources Limited	100	Nil	100	27/11/2020	36,000	G	557

No changes occurred during the quarter.

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

ARUNTA RESOURCES LIMITED

ABN

73 089 224 402

Quarter ended ("current quarter")

31 DECEMBER 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(8)	(19)
(b) development	-	-
(c) production	-	-
(d) administration	(88)	(287)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Rental income	17	26
Rent expense prepayment	-	(101)
Research and development claim	118	118
Net Operating Cash Flows	42	(259)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	(100)
(c) other fixed assets	-	-
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 - deposits	(25)	(126)
Net investing cash flows	(25)	(226)
1.13 Total operating and investing cash flows (carried forward)	17	(485)

+ See chapter 19 for defined terms.

For personal use only

Appendix 5B**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	17	(485)
	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 – capital raising costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	17	(485)
1.20	Cash at beginning of quarter/year to date	95	597
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	112	112

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
1.2	Aggregate amount of payments to the parties included in item 1.2	5
1.2	Aggregate amount of loans to the parties included in item 1.10	-

1.2 Explanation necessary for an understanding of the transactions

Wages or consultancy fees paid to directors and director related entities during the quarter.

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

Nil

+ See chapter 19 for defined terms.

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	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	5
4.2 Development	-
4.3 Production	-
4.4 Administration	100
Total	105

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	112	45
5.2 Deposits at call	-	50
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	112	95

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			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

+ See chapter 19 for defined terms.

For personal use only

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 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	1,826,956,020	1,826,956,020		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	15,000,000 590,586,829	- 590,586,829	<i>Exercise price</i> 3.0 0.2	<i>Expiry date</i> 18/12/2016 31/07/2019
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ 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.



29 January 2016

Sign here: Date:
Director

Angus Edgar

Print name:

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.

=====

+ See chapter 19 for defined terms.

For personal use only