

# QUARTERLY REPORT

## FOR THE THREE MONTHS ENDED 30 JUNE 2016



## ONE ASIA RESOURCES

The Awak Mas updated PFS (April 2016) combined with positive results from the geological review (August 2016) underline a project with significant value for One Asia shareholders in the current positive gold market. A range of options are being investigated to provide project funding and a liquidity event for One Asia Shareholders, including IPO, RTO (Reverse Takeover), merger with a larger listed entity and outright sale.

### KEY POINTS

#### Awak Mas Gold Project

- Geological review largely completed.
- Epithermal gold mineralisation confirmed.
- Power alternatives being studied.

#### Pani Gold Project

- KUD Management Case appeal decision received upholding District Court ruling. While One Asia believes this decision is generally in favour of the management team supporting One Asia providing a path to resolve the Management dispute, one of the alternate management team has appealed the decision to the Supreme Court.
- Geological review and validation underway.

#### Corporate

- One Asia completed US\$1 million bridging facility announced 9 June.
- Allegations with respect to benefits allegedly provided to foreign official in 2013 and 2014 being investigated by Australian and Indonesian authorities. The Company is not aware of any illegal activity and notes prior unsubstantiated allegations made by former MD, Mr Stephen Walters.

# AWAK MAS GOLD PROJECT

The geological review program announced in May 2016 was largely completed at the end of August 2016 following a re-logging program of selected drill holes and receipt of initial reports from the consultants involved.

## GEOLOGICAL REVIEW

Preliminary results confirm that the gold mineralisation has an epithermal origin. While that genesis is not expected to change the existing resource, this work does guide brownfields expansion potential and adds the potential for new regional targets. Low cost target generation work is planned, but brownfields expansion drilling is not needed at this stage.



### Initial Results of Geological Review:

- The main gold mineralisation is epithermal, associated with late stage stockwork (quartz-albite-ankerite) veinlets.
- Most of the gold has been remobilised and recrystallised on or in fractures in pyrite (i.e. partially free gold).
- A previously unrecognised hydrothermal Argillic overprint event has enriched gold grades in localised zones to depths beyond 200m. Supergene enrichment occurs in oxidised ores near surface and along fractures to depths below 100m.
- Stockworks occur within, and adjacent to, a series of steeply dipping sheeted 'feeder' bodies recognised by multi-phase alteration (silicification, quartz-albite) and local brecciation.
- Laterally extensive stratabound alteration and mineralisation occurs in some 'permissive' lithologies and along bedding planes spreading from the feeder zones.
- Mineralisation is open at depth and, potentially along strike, representing opportunities to extend the current Awak Mas deposits.

### Metallurgical Testing

An initial review of the extensive historical metallurgical test-work will be undertaken in light of the geological review findings. If the presence of 'free gold' is pervasive there may be possibilities to simplify the process flow sheet to reduce capital and operating costs.

## STRATEGIC REVIEW

Over the past several months, the Board of One Asia has been exploring and evaluating strategic options for Awak Mas. This includes assessing the most appropriate way to fund and manage a definitive feasibility study (DFS) and the best pathway to project funding if the DFS confirms the results of earlier work.

With gold equity markets relatively buoyant and the economics of Awak Mas improving due to lower costs and higher gold price, it is considered that this is an opportune time to provide value for One Asia shareholders.

A variety of options exist for Awak Mas including vending the project in exchange for shares in a listed entity, taking Awak Mas to a separate IPO, outright sale or taking the project into a DFS within the existing One Asia umbrella. Key issues being considered include the ability to finance and develop the project, management capability, valuation and a timely path to liquidity.

The One Asia Board will only consider a specific transaction if it determines that a transaction meets the critical objectives mentioned above and is in the best interests of One Asia.

## POWER ALTERNATIVES

The current Awak Mas economic model assumes power will be provided by a new coal fired power station to be funded and operated by an independent power producer (IPP). The national power grid is being expanded into the region around Awak Mas and there is a possibility that grid power could become available in 2017/18. This could increase confidence in future feasibility work by reducing development risk for power supply and the Company has initiated discussions on this alternative. Utilising the local power grid would also provide obvious environmental and social benefits.

## ECONOMIC MODEL

As part of the Strategic Review One Asia is continuing to refine the economic model, incorporating the findings of geological review, strategic review, updating fuel, power, mining and other costs since the 2016 Updated PFS. This is expected to result in a slight escalation in capital and operating costs, however the Company notes that the higher gold price more than offsets these increases.

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*The information supplied on the Awak Mas geological review as compiled by Mr Andrew Davys, BSc. (Hons), an independent consulting geologist. Mr Davys is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Davys consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.*

# PANI GOLD PROJECT

## KUD MANAGEMENT CASE

In February 2016, both Mr. Kadji (the Plaintiff, supportive of One Asia) and Mr. Mbuinga and his management team (the Defendants, supportive of J Resources) challenged the court ruling of 20 January 2016 by filing appeals to the Gorontalo Provincial High Court. On 12 July 2016, the Court released its decision, upholding the original decision on all material issues.

This decision has been appealed by the Defendant, Mr. Mbuinga to the Supreme Court of Indonesia.

The Provident alliance with One Asia continues to receive strong support from the members of the KUD and local community. One Asia and Provident remain committed to the development of the Pani IUP in cooperation with the KUD and local community.

## GEOLOGICAL REVIEW

A review of Pani geology and mineralisation was initiated by Provident and included two multi-day site visits to inspect site geology and historic core. Areas of focus included reviewing the geological model and quantifying the amount of coarse, free gold and how this was treated in historic metallurgical test work.

Further investigations are ongoing to validate current observations and findings.

## BFS PLANNING

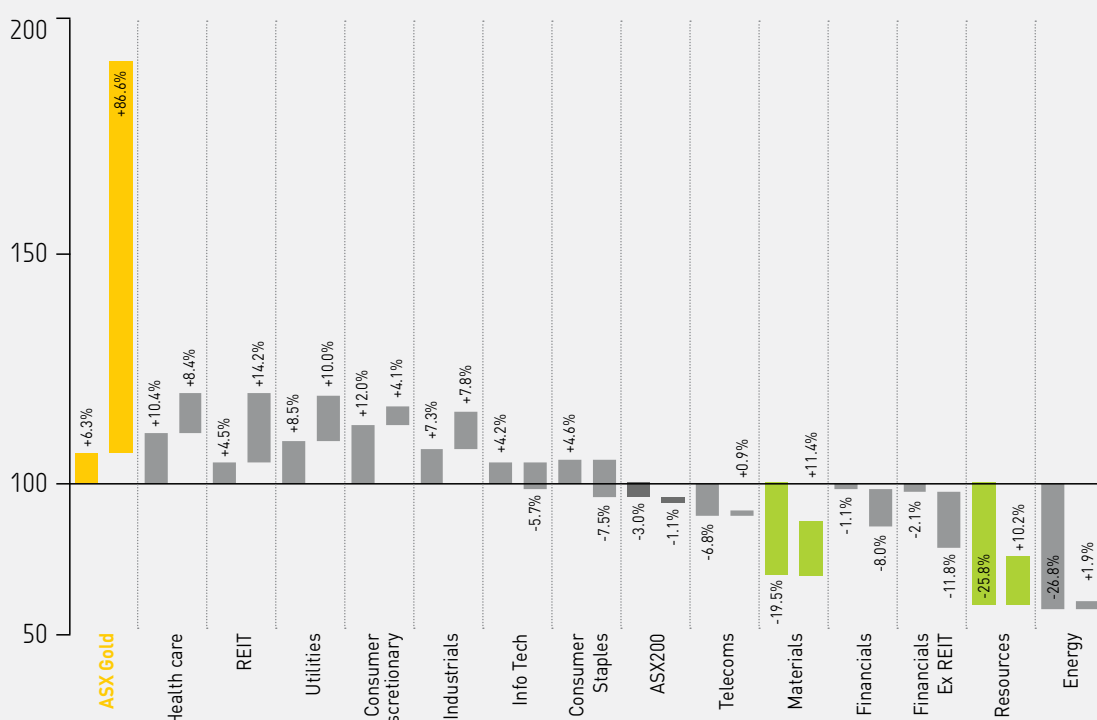
As reported last quarter Provident and One Asia are formulating a work plan for the development of a Bankable Feasibility Study for the project.

## GOLD EQUITIES

Gold mining equities have performed well in the first half of 2016 with fresh equity once more starting to flow into the sector. For the first time since 2010, Australian resource stocks are on track to outperform the broader ASX 200 index this year. The prices of many commodities have stabilised and in some instances rallied, buoying the belief that the worst of the downturn could be behind us. Australian gold stocks are enjoying some of their best conditions in memory with healthy gold prices being boosted further by the weaker Australian dollar, softer fuel prices and a sharp decline in costs across the industry.

- Gold is currently trading above US \$1,300/oz, and has traded as high as US \$1,365/oz.
- Equity raisings by the Australian resource sector so far this year have exceeded A\$800m, a jump of more than 50% from this time last year.
- M&A activity is increasing with the recently announced sale of 82.2% of Newmont Nusa Tenggara (NNT) for US \$2.6 billion. NNT owns and operates the Batu Hijau mine, the second largest copper and gold mine in Indonesia.

### FY15/16 ASX Sectors % Performance, broken into H1 and H2 contributions



## CORPORATE

### BRIDGING LOAN

The Company closed \$1 million of funding under a short term bridging loan, as disclosed in the 9 June Shareholder update, with Lion Selection Group investing \$0.6 million, Mr. Gavin Bradley investing \$0.2 million and one new institutional investor investing \$0.2 million. The Company would like to thank the investors for their support.

### AUSTRALIAN FEDERAL POLICE INVESTIGATION

In May 2016, One Asia received and complied with a warrant executed by the Australian Federal Police which relates to an investigation of benefits allegedly provided to a person in Indonesia in 2013 and 2014 by two non-executive directors of the Company at that time. The Company is also aware that authorities are investigating the allegations in Indonesia.

Under its indemnity arrangements the Company is likely to be obliged to meet the costs of such investigations with respect to the directors.

The Company is not aware of any illegal activity. Due to the ongoing nature of the investigations, the Company is unable to comment further on the matter at this time.

Shareholders may be aware that the Company's former Managing Director, Mr Stephen Walters was offered and took the opportunity to step down from all roles in the One Asia Group in May 2014. This followed negative developments at the Pani Project in December 2013 when One Asia became aware that some members of the KUD had signed an agreement with J Resources and sought to cancel its arrangements with One Asia. One Asia has since invested considerable time

and effort into repairing, restoring and strengthening relationships with the KUD, its members and the local community. As previously announced to shareholders, Mr Walters and PT Prima, a company associated with Mr Walters, has made a number of unsubstantiated allegations since his departure which are unhelpful to a settlement of the Pani conflict and are not aligned with One Asia's shareholder interests. The Company maintains its position in refuting these claims. It remains to be seen whether Mr Walters is behind the latest allegations.

## ABOUT ONE ASIA RESOURCES

One Asia is an Australian unlisted public company focused on the development of two gold mines in Sulawesi, Indonesia.

### PANI PROJECT

One Asia's interest in the Pani project tenement is under an Izin Usaha Pertambangan licence (the Pani IUP) held by a regional co-operative, KUD Dharma Tani (KUD), formed under Indonesian law. One Asia holds its economic interest in Pani through contractual arrangements with the KUD as its local joint venture partner. In December 2013 One Asia Resources received reports that the KUD has signed a co-operation agreement with a subsidiary of publicly listed Indonesian company J Resources over the Pani IUP which conflicts with the contractual obligations the KUD has with One Asia. One Asia advises that all legal agreements with the KUD remain in place under Indonesian law. One Asia continues to liaise with local authorities and its advisors to ensure that those contractual obligations are honoured, and continues to work on-site at the Pani project.

One Asia has agreed to a joint venture with Provident Capital Partners Pte Limited (Provident) on its interest in the Pani project. The purpose of the arrangement is to resolve the current Pani IUP dispute dating back to December 2013, working in co-operation with the KUD and the local community to develop the Pani Project. The ultimate ownership of the joint venture is intended to be 66.6% Provident and 33.3% One Asia, with One Asia and Provident each committing US\$4m cash.

The Pani IUP was issued in November 2009 for a period of 13 years, and, subject to government approval, is extendable for two 10 year periods. The IUP is subject to the Mining Law 4 of 2009, including applicable royalty rates and levels of local ownership and input.

### AWAK MAS PROJECT

One Asia's Awak Mas project is held under a 7th generation Contract of Work (COW) and is owned 100%. The COW covers an area of 14,390 hectares and allows for a construction period of 3 years and an operating period of 30 years. The COW is currently stayed in its feasibility phase pending final permits.

In April 2016 One Asia provided an updated PFS based on an expanded 2.83 Moz gold incorporating the Salu Bulu and Tarra Main satellite deposits proximal to the Awak Mas deposit. Using a gold price assumption of US\$1,250/oz the PFS demonstrates that a commercial scale gold project can be developed at Awak Mas and the results warrant the completion of a Bankable Feasibility Study.

	PFS April 2016
Resource	60.6Mt x 1.45g/t: 2.83Moz
Mined / Treated	23Mt x 1.55g/t <sup>(1,2)</sup>
Treatment Rate per annum	2.5Mt
Mine Life	10 years
Gold Recovered	1.02 Moz <sup>(3)</sup>
<b>Cash Operating Cost (C1)</b>	<b>US\$496/oz</b>
<b>All in Sustaining Cost <sup>(4)</sup></b>	<b>US\$535/oz</b>
Capex	US\$161M
Including Contingency	18%
Pit Optimisation Gold Price	US\$1,250
<b>NPV <sup>7.5%</sup></b>	<b>US\$231M</b>
<b>IRR (60% geared)</b>	<b>49% <sup>(5)</sup></b>

(1) Strip ratio 3.8 : 1 recovery 89.2%.

(2) Includes Inferred Resources from Tarra Main of 2.8Mt @ 1.38 g/t Au

(3) Includes 111k ounces of gold recovered from an Inferred Resource on Tarra Main

(4) Quoted All-in-Sustaining Costs as defined by the World Gold Council ('WGC'). Excludes income tax.

(5) IRR 33% ungeared.

One Asia is actively assessing the optimal solution to progress Awak Mas and unlock the material value of the project.

The Awak Mas COW is situated in land classified as Area Penggunaan Lain (APL - land for other uses), a non-protected forest area that readily allows for activities beyond agriculture such as mining.

One Asia continues to have dialogue with the Government of the Republic of Indonesia (GOI) in relation to possible amendments to the Awak Mas COW, with the GOI seeking to align key terms with the provisions of the 2009 Mining Law. Key topics affecting the Awak Mas COW are royalty rates and levels of local ownership and input. The GOI is seeking to set royalty rates to that dictated by prevailing regulation, currently at 3.75% per ounce of gold produced versus the rate of US \$235/kg as written in the COW (and assumed in the above April 2016 PFS numbers). The Company has indicated a willingness to re-negotiate the royalty rate as well as to allow some level of local divestment at fair market value. However, the Company has not been able to agree to any terms with the GOI at this time.



# CORPORATE INFORMATION

## INVESTOR RELATIONS

The Company welcomes shareholder feedback, and any questions or comments should be addressed to Adrian Rollke at +62 21 2904 0727 or via email at [arollke@oneasiareources.com](mailto:arollke@oneasiareources.com) or to Craig Smyth at +61 3 9620 0718 or via email at [csmyth@lsg.com.au](mailto:csmyth@lsg.com.au).

All Statements in this report, other than statements of historical fact, that address future timings, activities, events and developments that the Company expects, are forward looking statements. Although One Asia Resources Limited, its subsidiaries, officers and consultants believe the expectations expressed in such forward looking statements are based on reasonable expectations, investors are cautioned that such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward looking statements. Factors that could cause actual results to differ materially from forward looking statements include, amongst other things commodity prices, continued availability of capital and financing, timing and receipt of regulatory approvals, and general economic, market or business conditions.

### Board Members

Fiona Robertson	Chairman
Adrian Rollke	Acting Managing Director and Chief Executive Officer
Robin Widdup	Non-Executive Director
Rob Thomson	Non-Executive Director
Gavin Bradley	Non-Executive Director
Craig Smyth	Company Secretary

### Issued Share Capital

At 30 June 2016: 146,689,109 ordinary shares on issue.

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