EMU NL ABN 50 127 291 927

# QUARTERLY REPORT FOR DECEMBER 2013

# HIGHLIGHTS

| | |
|---|---|
| TONNES PROCESSED DECEMBER QTR | 356,517 |
| DIAMONDS SOLD (CARATS) DECEMBER QTR | 17,323 |
| FUNDS RECEIVED FROM SALES DECEMBER QTR | R19.7 million<br>US$1.96 million |
| AVERAGE PRICE PER CARAT DECEMBER QTR | R1,137<br>US$113 |
| DIAMONDS SOLD JANUARY 14 (CARATS) | 4,958 |
| FUNDS RECEIVED FROM JANUARY 14 SALES | R6.64 million<br>US$605,795 |

*Figures are for 100% equity in Superkolong which is owned as to 50% by Emu.*

## SUPERKOLONG DIAMOND OPERATION (50% EMU)

Diamonds sold for the quarter totalled 17,323 carats. Sales totalled US$1.96 million. The average price per carat received (US$113) continues to exceed budget.

Diamond production continued to be below budget due to continuing plant recovery issues and availability of adequate supply of reasonable quality of process water. Plant performance over the Christmas period was also adversely affected by staff absenteeism.

During the period up until early December Superkolong was drawing water from the natural reservoir Dutoitspan. Due to lack of rain, this source became progressively worse resulting in diamond losses in the DMS and recovery sections of the plant. From early December, a combination of rain and overflow from 4 million dam (the latter due to the upgrades to the water supply) enabled Superkolong to obtain better quality of process water. In addition, water for the final recovery was being sourced from the municipal water supply. However, notwithstanding this improvement, the plant recoveries continued to be unacceptable. The cause of the losses has, in management's opinion, been identified and measures are being implemented to address these shortcomings. However, notwithstanding the progress being made, management are continuing to re-assess all parts of the process.

Superkolong has over the past several months stockpiled recovery house tailings so that the contained diamonds can be recovered when the changes to the plant have been completed.

The upgrade to the water supply has largely been completed. The main item outstanding is the replacement of the pipeline from Homevale to the Maturation Ponds. This work is due for completion in February.

# QUARTERLY REPORT FOR DECEMBER 2013

Over the Christmas period, the Homevale facility suffered several pump malfunctions resulting in less than normal water flow to the Maturation Ponds and subsequent users including the supply to 4 million dam and Dutoitspan. Superkolong is closely monitoring the situation as there has been only minimal flow of water from 4 million into Dutoitspan (Superkolong's source of process water) during the last few weeks. Knowing the affect of poor quality water on the plant in terms of damage to equipment and diamond recoveries, Superkolong may temporarily suspend full operations should the water quality deteriorate to the same level as encountered during the latter part of 2013.

Due to the production shortfall in December, the Superkolong shareholders (Emu and Batla) advanced R4 million in additional loans to support the working capital requirements.

For more information on the company visit www.emunl.com.au

31st January 2014

# QUARTERLY REPORT FOR DECEMBER 2013

**Emu NL**
ABN 50 127 291 927

**ASX Code:** EMU

10 Walker Ave
West Perth, WA 6005

T +61 8 9226 4266
E info@emunl.com.au

PO Box 1112
West Perth, WA 6872

**Issued Capital**:
**Shares - Quoted:**
39,693,856 fully paid shares
35,652,856 contributing shares

**Options – Unquoted:**

841,148 exercisable at $0.5874 by 22.12.2014

82,736 exercisable at $0.4266 by 21.12.2015

**Directors:**

**Peter Thomas**
Chairman

**Greg Steemson**
Managing Director

**Gavin Rutherford** Non-Executive Director

AMEC
ASSOCIATION OF MINING AND EXPLORATION COMPANIES
2013 MEMBER

## COMPETENT PERSON'S STATEMENT

The details contained in this report that pertain to exploration results, mineral resources and mineral reserves are based upon information compiled by Mr. Greg Steemson, Managing Director of Emu NL. Mr. Steemson is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM) and has sufficient experience in 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" (JORC Code). Mr. Steemson consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears.

## FORWARD LOOKING STATEMENT

This report contains forward looking statements concerning the projects owned by Emu NL. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on management's beliefs, opinions and estimates as of the dates the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

## SUMMARY OF TENEMENT HOLDINGS & MOVEMENTS

| Tenement Reference | Location | Interest at beginning of quarter | Acquired/ Disposed | Interest at end of quarter |
|---|---|---|---|---|
| None | N/A | N/A | N/A | N/A |

**Farm –in or Farm-out Arrangements**

| Tenement Reference | Location | Interest at beginning of quarter | Acquired/ Disposed | Interest at end of quarter |
|---|---|---|---|---|
| None | N/A | N/A | N/A | N/A |

*Rule 5.3*

# 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

**Emu NL**

| ABN | Quarter ended ("current quarter") |
|---|---|
| 50 127 291 927 | 31 December 2013 |

### 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 | (59) | (105) |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) administration | (96) | (205) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 4 | 11 |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other (provide details if material) | - | - |
| | **Net Operating Cash Flows** | (151) | (299) |
| | **Cash flows related to investing activities** | | |
| 1.8 | Payment for purchases of: (a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets | - | - |
| 1.9 | Proceeds from sale of: (a) prospects | - | - |
| | (b) equity investments | 1 | 1 |
| | (c) other fixed assets | 15 | 15 |
| 1.10 | Loans to other entities | - | (600) |
| 1.11 | Loans repaid by other entities | - | - |
| 1.12 | Other (provide details if material) | - | - |
| | **Net investing cash flows** | 16 | (584) |
| 1.13 | Total operating and investing cash flows (carried forward) | (135) | (883) |

| | | | |
|---|---|---|---|
| 1.13 | Total operating and investing cash flows (brought forward) | (135) | (883) |
| | **Cash flows related to financing activities** | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | 505 |
| 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 (provide details if material) | (1) | (5) |
| | **Net financing cash flows** | (1) | 500 |
| | **Net increase (decrease) in cash held** | (136) | (383) |
| 1.20 | Cash at beginning of quarter/year to date | 895 | 1,142 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | **Cash at end of quarter** | 759 | 759 |

## 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 | 141 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees, superannuation and geological consulting services.

## 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 | Nil | Nil |
| 3.2 | Credit standby arrangements | Nil | Nil |

## Estimated cash outflows for next quarter

| | | $A'000 |
|---|---|---|
| 4.1 | Exploration and evaluation | - |
| 4.2 | Development | - |
| 4.3 | Production | - |
| 4.4 | Administration | 200 |
| | **Total** | **200** |

# 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 | 759 | 895 |
| 5.2 | Deposits at call | - | - |
| 5.3 | Bank overdraft | - | - |
| 5.4 | Other (provide details) | - | - |
| | **Total: cash at end of quarter** (item 1.22) | 759 | 895 |

## 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 | | | | |
| 6.2 | Interests in mining tenements acquired or increased | | | | |

+ 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** | 39,693,856<br>35,652,856 | 39,693,856<br>- | Fully paid<br>6 cents | Fully paid<br>3 cents |
| 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)* | 841,148<br>82,736 | -<br>- | *Exercise price*<br>$0.5874<br>$0.4266 | *Expiry date*<br>22 December 2014<br>21 December 2015 |
| 7.8 | Issued during quarter | | | | |
| 7.9 | Exercised during quarter | | | | |
| 7.10 | Expired during quarter | | | | |
| 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 /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here:  Date: 31 January 2014

(Company secretary)

Print name: **Dennis Wilkins**

# 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.

== == == == ==